

### Country Report Argentina – David Hughes – June 2010

- Weather is looking good, in most regions there is good moisture in the ground favouring the winter crops planting. The El Niño in Argentina might mean a spring with under average rainfalls. This could affect winter crops, corn and to a lesser extent soybean yields.
- Government intervention seems to diminish. Corn export permits are still being given, wheat export market is practically closed, yet the government is allowing for exporters to generate forward contracts against export permits for the new crop.
- Export taxes are currently at 35% for soybeans, 23% for wheat and 20% for corn. Our market prices are at 232 USD/metric ton for soybeans, 151 USD/ton for wheat and 123 USD/ton for corn.
- The wheat acreage is estimated at 4.2 million hectares, up from 3.4 million last year (lowest since before 1910), barley acreage is expected to grow somewhat, no official figures out yet.
- Land values have not dropped; actually there has been a slight increase the past 2 years. There are few sellers and many buyers.
- Cattle prices have increased these past 6 months due a big drop in the number of heads; the estimate is that there has been a drop from 54 to 50 million head of cattle. The price has increased 100% aprox, and estimated annual per capita consumption has dropped from close to 70 kilos per capita to 54 kilos per capita.
- This has been due to government policy which has maintained low prices for cattle through intervening the markets, which led to a liquidation of the cattle herd, which together with last year's drought, hit the supply of cattle and made prices increase ¿from close to 80 USD cents per kgs live weight for a good steer to 1.70 USD per kg. Cows have gone from 280 USD per cow to over 600 USD per cow.
- Poultry production is still on the increase, we have topped a domestic consumption of 25 kgs per capita.
- Pork consumption is rising fast from 6 kgs a few years ago to just over 10 kgs per capita.
- Credit is accessible at relatively high rates; short term (operating) capital is at 14% in pesos, and 6% in USD if backed by a forward contract with a grain exporter.

### U. S. Agricultural Situation Report – Jim McGrann – July 2010.

- The 2010 corn and soybean crop year got off an early start but excess rain is causing growing season caution on harvest yields. Crop producers are adopting improved technologies which produced record yields in 2009. Uses and exports are strong likely limiting ending stocks growth. Ethanol producers are waiting on approval of a higher blend rate moving the rate from 10 to 15%.
- The beef cattle sector went through major adjustments over the recession years with volatile feed cost, rising production cost and reduced demand. Beef cow numbers are at a 50 year low. As a result there is excess feedyard capacity of about 35%. Supply and demand appears to be more in balance and improved exports means the price outlook is more favorable.

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- The dairy sector continues to increase production with fewer cows. By-out programs allow culling lower producing cows. Dairy producers are good economists and well informed. There will be continued structural shift to large-sized operations; smaller traditional operations will exit the sector. Milk prices have improved over recession lows but large supplies will limit increase according to USDA projections.
- The recession has not been a negative for agricultural real estate. There are very limited land sales.
- Reliability of export markets presents many challenges. The swine industry took a beating from the miss naming of the H1N1 flu. The Russia an unreliable poultry export market is open to U.S. imports now.
- The Department of Agriculture 2011 budget allocates 70% to various nutrition programs. Approximately 15% of the population participates in these programs. Commodity program funding is 10% of nutrition's.
- The natural, organic and local grown food gets a lot of press but is in reality a minor contributor to total food production (likely less than 4%). These higher cost production systems are hard to sustain financially but do offer alternatives to consumers that have the means to pay for the higher cost food. Differentiation of these alternatives as superior from a human nutrition point is a difficult task.
- It's useful to keep U.S. agricultural production into proper perspective. The "old mom and pop family farm image" is only political rhetoric as far as a major source of agricultural production and land use. The 2007 agriculture census reported there were 2,204,792 farms in the United States. However, the USDA definition of a farm makes this number misleading. To qualify as a farm in the census, "\$1,000 or more of agriculture products were, or would be, produced and sold during the census year." With this definition, most of the "farms" reported are resident/lifestyle or retirement farms. This classification makes up 57% of the total number of farms, but accounts for very little agricultural production. Less than six percent of farms, or 125,000 farms, accounted for 75% of the total U.S. agricultural output. The classifications of "large family farms" (family farms with sales between \$250,000 and \$500,000) and "very large family farms" (sales over \$500,000) made up nine percent of U.S. farms, but accounted for 63% of agricultural products sold. Farms with sales of more than \$100,000 or more have 64.2% of the farm, pasture and range land.
- Economies of scale are a tremendous force in the U.S. in the food production, processing and distribution in a market of over 300 million consumers. Economies of scale will continue to bring business concentration in U.S. agriculture. This concentration contributes to efficiency and low food costs to consumers. Less than 9.5 % of consumer's disposal personal income in 2009 was spent on food.

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### **Country Report from Australia - Rob Napier and Don Cameron – July 2010**

- In general those involved in Australian agriculture are in an optimistic phase. The main cause of the positive outlook is the perceived end to the long drought that severely affected large areas of the continent. Although some key irrigation water storages are still at very low levels, high soil moisture is boosting pasture and crop growth. For the second year in a row there have been substantial floods through the Outback rivers creating excellent feed conditions for livestock.
- The Australian dollar has been fluctuating in value relative to our major trading partners but remains at a relatively high level (\$AU = approx \$US0.87). This, together with the after effects of the global financial crisis is making exports a challenge. The availability of finance for agriculture is satisfactory but remains restricted relative to conditions before the global financial crisis.
- In recent years, fuelled by the long drought and climate change predictions, there has been much debate on water policy in this the driest of continents. Major reforms are imminent and many irrigation farmers are anxiously awaiting the outcomes. The issue is a reminder that changes in government policies (domestic and international) can be one of the greatest areas of risk for farmers.
- Agricultural land prices are somewhat two-tiered – international and institutional buyers are keeping prices for large, quality farms steady while prices for smaller family farms are softening.
- Although the production outlook is good, grain prices remain depressed due to high global supplies. The dry seasonal conditions in Russia and Kazakhstan and a wet season in Canada have given a small boost to prices in recent weeks.
- There is concern that sheep numbers in Australia are too low following a fall from over 180 million to the current 70 million in the last 15-20 years. The sheep meat market remains buoyant and wool prices have increased from a relatively low level.
- Dairy prices are rebounding from the collapse during the global financial crisis.
- Export beef cattle prices are subdued because of the high Australian dollar and limited purchasing ability in importing countries. The export of live cattle to Indonesia from Northern Australia is in turmoil due to restrictions on imports by the Indonesian Government.
- The cotton industry is in a strong position with generally good on-farm water storage for irrigation and strong price forecasts.
- The sugar industry is enjoying relatively high prices, although somewhat lower than last year, and this combined with a strong 2009 has tempered the poor production from a very wet and windy autumn experienced in some areas.
- Farmers are bracing for expected higher energy, chemical and fertiliser prices in the next few years. There is considerable interest in renewable energy production especially by solar and wind power. At the same time there is considerable disquiet in affected rural areas in Queensland about the significant and growing interest in exploitation of massive coal seam gas reserves. These offer huge economic benefits, but also have considerable potential for widespread disruption to farming activities, permanent loss of significant areas of prime farming land, and unquantifiable risks of widespread environmental consequences including contamination of precious Great Artesian basin aquifers with salt and toxic chemicals.

### **Country Report-New Zealand Agriculture – John Gardner – July 2010**

Key points are:

- New Zealand has a population of 4.5m & consequently a high proportion of its primary products are exported. Returns to farmers/growers depend on production, world prices & the exchange rate.

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- In June 2010 the Ministry of Agriculture & Forestry published "Situation & Outlook for New Zealand Agriculture & Forestry". This is available on the MAF website & provides a comprehensive picture of the land based sector in New Zealand for the 2009/10 year. Those seeking detailed information on any sector should go to the website [www.maf.govt.nz/publications](http://www.maf.govt.nz/publications).
- The climate was generally favourable over most of New Zealand in 2009/10 apart from the Northern half of the North Island which was hit by drought impacting on dairy production. Overall however dairy production was about the same as in 2008/09.
- Dairy prices in 2009/10 were the second highest ever... An important driver here has been demand from China. The outlook is for another good year in 2010/11.
- Sheep numbers continue to fall. This has been happening for a number of years. On better land farmers have converted to dairying & on hard hills to Forestry.
- There are a number of issues facing agriculture including water usage, water quality, nitrogen, greenhouse gases (50% of the greenhouse gases come from Agriculture), nutrient management & sustainability & compliance issues.
- At the end of June farmers voted to change the capital structure of Fonterra. But it will be about 15 months before the change takes effect. Currently farmers who exit the Cooperative must have their shares purchased by Fonterra. Likewise farmers whose production falls & who then become "overshared" can require Fonterra to purchase their surplus shares. This has led to Fonterra facing a redemption risk. The change agreed will eliminate redemption risk. In future, once the details are finalised shares will be traded among farmers only. For Fonterra redemption risk will go and the Cooperative will have a permanent source of Capital & funds that can be invested in profitable investment opportunities.

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### **Country report – Denmark – Brian Jacobsen – June 2010**

- Danish farmers are currently beginning to see some light with respect to higher prices on milk and pork. After a dreadful 2008 and bad 2009 the prices are going up. However, many farms are still fighting problems due to large debt. In 2008-2009 the value of farms increased a lot and banks were more than willing to lend to farmers. This led to higher use of financial instruments like SWAP in 2008 and large losses. Today many farmers have equity on the balance sheet, but perhaps less so in real life. The only thing which has helped many farmers is the low interest rate and the tolerance of the banks, although banks are very cautious with respect to loans to new investments.
- The other problem for Danish farmers is the environmental regulation. The Governments plan called Green Growth try to reduce emissions of ammonia, nitrogen to surface water and CO2 from agriculture. Although there is a push for a better environment in EU the financial crises has meant that the implementation will take longer. Perhaps more agricultural land has to be taken out of production and increases in the animal production is more unlikely as places suitable for animal farming is becoming fewer and fewer. Only Denmark and the Netherlands are still fulfilling the national milk quota although the milk quota has only been used by 93% at the EU level.
- The barley and wheat prices are slightly higher than at Christmas (they are 107 € per tonne), but the organic barley price has been very low due to imports from the former USSR states. This year's harvest looks promising although the long winter has had an impact on some winter crops.

### **Country Report from The Netherlands – Paul Berentsen – July 2010**

- The general economic context is one of slow recovery after the financial crisis of 2009 which led to a decrease of the world trade of 13%. The exchange rate of the Euro is relatively low, partly because of the large financial problems in EU-member states like Greece. A low exchange rate in itself is positive for export.
- Dutch agricultural export has decreased in 2009 by 5% compared to 2008, while agricultural import decreased by 9%. The positive balance of agricultural trade of the Netherlands remained almost the same as in 2008. It amounted to 23 billion Euros.
- Net value added of Dutch agribusiness as a whole based on domestic agricultural production accounted for 4.8% of total Dutch Net value added. That of primary agricultural production is 1.3% of total Dutch net value added. Contribution of agriculture to total labour employment in the Netherlands shows comparable percentages.
- The number of farms in the Netherlands amounted to 73,000 in 2009 which meant a decrease of 3% compared to 2008. Especially the number of horticultural firms is decreasing rapidly. The number of organic farms is continuously increasing as is the area under organic farming.
- Because of low product prices 2009 was a bad year for dairy farmers, pig farmers and especially for horticultural producers. Arable farming and broiler production did reasonably well while egg producers had a very good year because of high egg prices.
- Environmental pressure caused by agriculture is generally decreasing. The use of chemicals for crop protection has been halved since mid eighties. Leaching of nitrogen and phosphates to ground water is continuously decreasing due to tightening standards for application of manure and fertilizers. Ammonia emission has also been halved since mid eighties. Greenhouse gas emission has decreased in the first half of the first decennium of this century, but with increasing numbers of animals it has increased again in the last years. The costs of these generally positive environmental results amount to 6% of the net value added of agriculture. This is twice as high as costs for the rest of the economy.

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### **Country Report UK Agriculture – John Alliston – July 2010**

- Agriculture is now politically recognised as important because food security is not seen as guaranteed as was the case a few years ago. Politicians also realise that if we are to deliver on our environmental pledges then it can only be done through the use of land managed by farmers.
- The responsibilities for energy, water quality and management, carbon sequestration, organic waste, biodiversity and agri tourism all now involve agricultural production. For instance the Government is heavily promoting the development of Anaerobic Digestion (AD) plants on farm for gas > electricity energy production.
- The outcome of this is a range of new opportunities for land managers a vibrant agricultural sector and a profession that is now attracting young intelligent workers who recognise the new valued career options.
- The margins for food production stay very small but the integration of production with processing and marketing is making stronger businesses that have a range of options for taking in profit right up to retailing.
- Cooperation between farmers is now occurring as a pooling of resources is seen as a way of taking costs out of businesses. The buying and selling power of larger businesses is also recognised.
- The summer has been unusually dry and the cereal crops throughout the UK are going to produce only moderate yields. Ireland continues to be well supplied with water. Water is becoming a bigger issue because of the changeable weather patterns (more droughts) and because of modern technologies that allow crop management and harvesting to be far more efficient in terms of reducing waste and increasing yields. Vegetable land without water will be less valuable in the future compared to land with adequate supplies. Water has limited monetary value at present but this will alter in the future as every household becomes attached to a meter.
- The supermarkets are now competing hard for market share but also are beginning to realise that continuity of supply may be more difficult. The dairy industry for instance is re-structuring with many small scale farmers ceasing dairy production rather than trying to invest huge amounts of capital for future production. A new development is the application for planning for a 9000 cow green field site unit in East Anglia. This will be more similar to US type systems of production and is creating great interest.
- There are new contracts with supermarkets that are designed to give a continuity of supply. Efficient producers can enter into preferential arrangements with individual supermarkets for a relatively long time. In return the supermarket can ask for environmental, food safety and biodiversity gains from the farmers. Some of the supermarkets led by Marks & Spencers are giving serious considerations to their carbon footprints.
- The role of the farm manager is also being considered and the Institute of Agricultural Management is now offering a 'Professional Agriculturalist' recognition for those farm managers who can demonstrate evidence of continual professional development. This is part of a policy of trying to make the industry more attractive as a career for young people.