

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.