

Argentina:

Country Brief - David Hughes

Weather is improving, except for some areas in central Argentina (mainly south of Cordoba), after a very dry spring and early summer due to La Niña, rain has started to fall again on the crops. Wheat crop was very good, close to 15 million tons, and the barley crop was also very good. The dry spell affected mostly the corn, although not as bad as 2 years ago. We are still expecting close to 20 million tons as a country total. Soybean has been hit by the dry spell, yet is recuperating fast, February is the main month to look at and in general it has been raining. Yields will be below last year's yield, so soy production shall be important but below last year's overall production.

Government intervention seemed to diminish during last year, but has increased as from December 2010, during the wheat harvest. Arbitrarily the government has only allowed close to 50% of the surplus wheat to be exported. Corn export permits are still being given, but there is a great uncertainty about how the government will "manage" the corn harvest. Corn harvest is March/April and soybean harvest is April/May.

Export taxes are currently at 35% for soybeans, 23% for wheat and 20% for corn. Prices offered to farmers at destination are currently at 350 USD/ton for soybeans, 260 USD/ton for wheat and 195 USD/ton for corn. Yet the wheat prices are for high gluten wheat, average gluten (as measured by our flour mills, below 24) has no market, i.e. cannot be sold unless a big (30%) discount is accepted.

Land values are still strong. There are few sellers and many buyers.

Cattle prices have reached a new equilibrium, after losing 10 million head of cattle over 4 years; it now stands at close to 48 million head of cattle. Prices stand at 170 kilo weaned calf, 2,7 USD/kilo; steer for slaughter, at about 420 kilos live weight, 1,9 USD/kilo; and breeding cows are sold at close to 1.000 USD/kilo (all kilos quoted are in live weight kilos).

Inflation is calculated by private analysts at about 2% a month, last year closed at approximately 20-25%, as the government calculations are not believed, the range is for different analysts.

The dollar is increasing (our currency is devaluating) at a very slow pace, close to 10% a year

We have presidential elections this coming October, as well as some seats in Congress and some governors. So the fight has started, it will be a close call, and a "dirty" campaign. Most of what is seen or heard on the news will have a direct political message geared to disqualifying the opposing party.

Credit is accessible at relatively high rates; short term (operating) capital is at 14% in pesos, or 12% in US dollars, unless backed by a forward contract with a grain exporter, then it drops to about 4-6% but for only 8 months.

February 2011.

NEW ZEALAND

Country Brief – John Gardner (& Phill?)

The weather, overall, has generally been favourable. However, the northern part of the country experienced a dry summer and in the lower North Island the spring was very wet and summer rainfall was not as high as normal.

Currently the world is in a commodity boom. This has had a big impact on New Zealand as we export about 95% of dairy products and lamb and about 80% of beef.

Main points of interest are:

- The price per kilogram of milksolids for the 2010/2011 season will be at least \$7.75 – \$7.80. This is a record price.
- Beef prices are at a 25 year high at around \$4.00 per kg, depending upon weight and grade.
- Lambs for export are averaging in excess of \$100.00.
- There is strong demand for logs from China. Interestingly, the demand is for logs, not processed products, e.g., sawn timber, which is placing pressure on the wood processing sector.
- Land values have fallen 20-30%, either in the dairy or sheep sector. There have been some mortgagee sales.
- Food prices, particularly that for milk, have become an issue (consumers ask why milk is so expensive when so much is produced: farmers argue that high domestic prices reflect export opportunities).
- Food prices are expected to be an issue at the general election in November this year.

The domestic economy is weak. Economic growth in New Zealand must come from growing exports. This is placing farming in general in a favourable situation.

Country Report – Australia (Rob Napier & Don Cameron)

As many will know, Australia has suffered some extreme weather events in the last few years.

After a long drought over many areas of Australia the climatic patterns changed dramatically in 2010. Most areas (other than the southern part of Western Australia) experienced above average rainfall. This culminated in severe flooding in Queensland over the 2010/11 Christmas/New Year period and then serious flooding in Western Victoria.

The wet weather first promised a bumper wheat crop in eastern Australia and then caused much frustration with a prolonged wet harvest. This resulted in a downgrading of quality and some individual total crop losses. The overall outcome, however, was a large crop albeit with much more feed wheat than usual.

As if the floods were not enough, northern Queensland was then lashed with a severe tropical cyclone wiping out sugar and banana crops. Fortunately, the cyclone bypassed major towns but it did cause significant damage to structures on farms in areas through which it passed.

Meanwhile the southern areas of Western Australia were experiencing one of the driest seasons on record resulting in a very poor wheat crop. The dry weather also contributed to some serious fires.

The damage done by the wet weather in eastern and northern Australia is a cloud with a silver lining. Grazing areas now have excellent feed, most irrigation dams are full or nearly so and on-farm water storages have been replenished. Floodwaters are slowly moving across the flat plains of central Australia resulting in a boom in wildlife reproduction (especially migratory birds) and assured feed for domestic livestock over the next year or so.

The erratic seasonal conditions are being accompanied by strong prices for many agricultural commodities. Grain and cotton prices are high. Wool prices are increasing after many years of low returns. Sheep meat is in strong demand with new records for lamb prices being set in recent weeks. The availability of pasture feed over large areas has resulted in very high prices for young fattening beef cattle. Dairy prices have recovered from the lows of 2009/2010. The high grain prices are putting pressure on intensive pig and poultry production enterprises. All in all, most farmers are facing 2011 with a much more positive outlook than in recent years. However, we must remember that some farm families have been devastated by the recent extreme weather events and, even with good commodity prices, recovery will be slow and some businesses will fail.

Agricultural land prices are two-tiered. Large farms are still in demand especially from international and institutional investors. The prices for medium sized farms have softened.

The Australian dollar remains high against most other currencies. Interest rates are slowly increasing but remain in a low to moderate band. Inflation is around 3.5%. The overall economy is strong due mainly to a mining boom as China and other growing Asian economies continue to have strong demand for iron ore and coal.

United States Report – March 2011- Jim McGrann

The demand for economics, financial and marketing management skills is at an unprecedented level in U.S. agriculture. American farmers and ranchers strength is most frequent in production management as is the Land Grant University education and research system. The U.S. has greater dependence on export markets and agri-business firms for technology development and information dissemination. U.S. availability and use in the low cost computerized information technology are phenomenal. All Land Grants Universities have web sites for agricultural users. Information access, analysis tools, data and communications is only limited by available time by decision makers. This means more opportunities for business oriented manager and private consulting firms, particularly in the areas of marketing, risk management, managerial accounting services, finance, planning and analysis. **There is an expanding market in the U.S. for IFMA type professionals at all levels of management in agriculture.**

This is a list of a few areas of change that illustrate changing needs for these management skills.

- The level and volatility of commodity price and input costs in February 2010 to 2011 are unprecedented. Corn price is up 83%, soybeans 38%, wheat 80% and cotton 148%. Major live stock products increased 17% to 27%. There is more price variation in a day than many farmers saw in a year prior to 2008. Many production oriented operators become price speculators with little cost of production and profit information to guide their marketing decisions. Commodity markets have attracted speculators with limited agriculture knowledge.
- The index of prices paid for agriculture production items in the last 4 years is up 23%, fertilizer 27% and cash rents 45%. Sharp increases in input costs are expected in 2011, especially those that are energy related, as USDA projections show expansion in crop acres for all the major crops. The consumer price index (CPI) increased 6% during the same period.
- The 2010 corn and soybean crop year got off to an early start but excess rain during the growing season resulted in lower average yields. Record level exports (corn \$9 BB, soybeans \$17 BB), supported by a favorable exchange rate and ethanol has resulted in 15 year low corn stocks and prices increasing 83% during the year. Ethanol used 40% of corn produced in 2010.
- The advancement in biotechnology is the most positive aspect of agricultural production and is leading to greater yields where expansion in land that can be cultivated is very limited.
- Ethanol is a clear example where use of politics leads to less than optimal (market driven) farm resource allocation. The U.S. ethanol subsidy is \$0.45/gallon or totaled \$6 BB in 2010, has increased demand and in turn cost of corn, (now \$261 a ton) to all other users. In addition there is an import tax of \$0.54/gallon on lower cost ethanol from Brazil. The U.S. now exports ethanol to Europe. It's our tax dollars at work! The high profits for those associated with corn production, including land owners, are the winners. The livestock and poultry sector and tax payer's are the losers for an inefficient energy source. The positive is that there are signs of the political shift occurring among politicians in their support for ethanol subsidies. It is getting difficult to find supporters for U.S. ethanol subsidy in the U.S. debt environment.
- The beef cattle sector is experiencing major adjustments with high and volatile feed costs and reduced domestic demand. Beef cow numbers are at a 50 year low. As a result there is excess feed yard capacity of about 35%. Supply and demand is more in balance and growth in exports to a record level (\$4.1 BB or 8.5% of production) means price and income outlook is favorable **if corn price** moderates. The U.S. will have a smaller beef cattle industry in the future. Finished steers, 612 kg. live weight is priced at \$2.45/Kg.
- The dairy sector continues to increase production with fewer cows. Large dairy managers (1,000-5,000 lactating cows) are good economists and well informed. There will be continued structural shift to large-sized operations; smaller traditional operations exit the sector.

- The recession has not been negative for agricultural real estate. There are very limited land sales. High commodity prices and low interest rates lead to continued increase on land price and cash lease rates. In Iowa and Illinois, Corn Belt states, over 60% on the land is cash leased in a very competitive market. Iowa land values were up 16% in 2010. Reversal of commodity prices would cause major financial sustainability issues for highly leveraged farms with cash leases.
- The U.S. had near record agricultural exports of \$109 billion in 2010 providing a favorable trade balance of \$30 billion. China was the number one market for U.S. exports followed by Canada.
- Reliability of export markets presents many non market trade restrictions challenges. The swine industry took a beating from the misnaming of the H1N1 flu swine flu. Russia, an unreliable poultry export market, is open to U.S. imports now. Japan and Korea continue the age restriction on beef imports related to the 2003 BSE problem. Beef exports however have nearly matched 2003 levels and beef exports exceeded imports in 2010.
- The federal Department of Agriculture 2011 budget allocates 70% to various human nutrition programs. Approximately 17% of the population participated in these programs in 2010.
- There will be a diminishing role in federal agriculture subsidies in crop agriculture, given the change in structure, high commodity prices and necessity to reduce the national debt. This change is expected to have little impact on agriculture. The payments limits continue to limit payments and off farm business income also included in defining eligibility.
- Agriculture continues to become concentrated as just 210,000 farm businesses account for 80% of sales. 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. Duane's reports that "more people pass through Wal-Mart's doors every 21 minutes to buy groceries and clothes than the farms to grow the food and fiber stocking the shelves" (Duane's 2/28/2011).
- Economies of scale will continue to bring business concentration in U.S. agriculture. The importance of the economy of scale of the human resource is undervalued. This concentration contributes to efficiency and low food costs to consumers. Less than 9.5 % of consumers' disposable personal income in 2009 was spent on food.
- 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 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 stand point is a difficult task. It seems politically correct to talk up these alternatives even though they are not financially sustainable for producers.
- Animal rights and welfare receive lots of press for political action groups seeking ways to restrict and regulate animal production systems. It's a bit perplexing the money spent on these issues when there are homeless people in nearly every city. Communications with the non-agriculture population on production practices becomes another skill required by the modern farm manager.

USA AGRICULTURE PRODUCTION PERSPECTIVE

March 1, 2011 by: Jay Lee Smith

The present day environment for the US Agriculture producer is one of volatility and huge risk. The range of profitability in each sector between one producer and another is tremendous. The livestock sector producers that covered a good portion of their inputs are making some profit. For most that did not cover any costs of production they are covering variable costs and some fixed costs. Depends on the individual business's cost structure. The pork producers are an exception as they are expected to cover all costs this year even if they did not previously cover any input costs.

The corn and soybean producers that had average production in 2010 also had a huge range in profitability from one producer to another dependent upon how each marketed their production. Early forward pricing was costly to those that forward priced a large percentage of their production as early forward pricing basically covered cost of production. Those that avoided early pricing and sold at harvest made a decent profit and those with storage and have been holding for higher prices possibly will have their most profitable year ever. The producer that did a combination of 1/3 of each will have a good profitable year.

Today the market is offering good potential profits to the producer for the 2011 crops of corn, soybeans, wheat and cotton that is willing to take the weather risk and forward price his average production. **Is 2011 the year to aggressively forward price?**

Cotton: More acres will be planted in 2011.	+2.9m = 12.8m
Corn: More acres will be planted in 2011.	+3.8m = 92m acres.
Soybeans: More acres will be planted in 2011.	+0.6m = 78m
Wheat: More acres were planted for 2011.	+3.4m = 57m

Summary: The corn, soybean and wheat producers had an average to strong profit year in 2010-11 with individual profit depending on the timing of marketing their production. The wheat producers missed out on most of the strong rise in the wheat price as most had already sold prior to the significant increase in price.

Production year 2011-12 has the potential of strong profits with the producer having his normal production and accepting the risk of forward pricing the production. If the US should have weather issues and below trend production the **prices could explode to the upside making forward pricing very costly.**

Livestock Sector: The prices for pork and beef have risen somewhat to compensate some for the rise in the input costs and so the livestock producer is struggling to cover all costs. The producer that took the risk to cover inputs earlier is now making good profits. The future for the middle size livestock producer looks to be extra difficult.

The manager of grain production that has excellent skills in purchasing of inputs and in marketing of the production should do well in this very volatile and risky environment. The balance between tight supply and oversupply keeps the market volatile.

Damona Doye Added:

Between Jim and Jay, I think they covered key points. One small additional note: parts of Oklahoma are experiencing severe to extreme drought so I checked the NOAA map and a lot of the southern U.S. has similar or worse conditions:

<http://www.ncdc.noaa.gov/temp-and-precip/drought/nadm/nadm-maps.php?lang=en&year=2011&month=1&submitted=true>

If drought continues through spring, it will impact livestock sectors.

UK Update – John Alliston

Weather

It has been an unusual growing season. Recently we had some very unseasonably cold weather far earlier in the year than usual. The result of this was great difficulty for the sugarbeet growers. First it was difficult to get the beet out of the ground and then the beet itself had low sugars. Vegetable production was also affected with long periods when crops could not be harvested.

Cereals

There seems to be considerable debate about whether it is best to buy drying and storage facilities in the big cooperative or private companies or to invest in grain handling facilities on farms. Size will of course play a part in influencing this choice with smaller farmers opting for central storage.

Farms efficiencies

The debate about a new dairy for 8000 cows at Nocton in East Anglia has highlighted the difficulties of farming in an efficient way in the future. This concern for animal welfare and some of the new genomic sciences in the general public ensures that whilst Europe has large numbers of affluent consumers the efficiency of production will fall behind the rest of the world.

CAP reforms

The consultations for the European Common Agriculture Policy going forward are now in full flow. There is no doubt that the UK is at one end of the agricultural spectrum compared to the rest of Europe. The UK has the largest average farm size, a government that has a desire to abolish farm financial support, and a farming community that does not want to be disadvantaged compared to our European neighbours. Recently environmental grants have ensured significant gains in all aspects of environmental enhancements. There is a desire both in Government and in pressure groups for these gains not to be lost in future CAP policy. What is clear from all this is that individual farmers can expect to receive progressively less money as we go forward. Businesses need therefore to be financially strong.

The Food Chain

Many farming businesses are forming relationships with processors in a way that secures production and also gives long term added value. However, the supermarkets are under real pressure to keep food prices down to be competitive and they are working on very small margins. The result is price pressure throughout the food chain.

Renewables

Finally, many farmers are looking for new incomes from renewal energy production systems and whilst short term grants are encouraging there is more uncertainty with long term energy contracts.

Country Brief Denmark

Weather

The weather has been cold for a long period and with much snow from November to January. It is still cold with ice in Copenhagen Harbour – so no spring as yet in the beginning of March.

Prices

The prices on barley and wheat are generally good (22 cents/kg), but pig farms would like to see the prices increase more (now 1.4 €/kg). The combination of low prices and difficulty in borrowing money is a problem for some. The income for all types of farms (pigs, dairy, arable and mink) was better in 2010 than in 2009. The income is highest on arable farms and lowest on dairy farms. The low interest is of large importance as many have variable interest loans. Many farmers have learned from their SWAP-losses in 2008 and so few have gone bankrupt as a consequence of low prices and financial speculation.

The Danish Arla Foods have just bought a German Dairy and so the consequences could be better prices for Danish dairy farmers on a larger market.

Environmental regulation

Many Danish farmers think that the environmental regulation with respect to water quality, ammonia, biodiversity is too strict. The government plan “Green Growth” is a lot of regulation, but no growth. The plan is an active plan of implementing the Water Framework Directive etc., but farmers feel that Denmark is doing more than Governments in other EU countries. On top of more catch crops and buffer strips, it is becoming more difficult to find locations for new large farms and the animal production has gone down by up to 10% in the last 5 years.

Energy

As part of the Green Growth Plan the biogas production from animal manure is planned to increase from 5% to 50%. For this to happen the consumers will have to pay more for green energy. The prices for electricity sold from the biogas plant will increase from 10 cent/kWh to 14 cent/kWh with the prices for heat unchanged. This is still much lower than the German price. Some of the biogas is used locally for combined heat and electricity, but some of the biogas will be upgraded and used in the existing natural gas network.

CAP reforms

The suggestions with respect to the future European Common Agriculture Policy is on the table. Denmark has been working for lower single payment, but the feeling is that the end result will be a lower single payment in west Europe and a little higher in East-Europe compared to now. The impact is lower land prices.

SOUTH AFRICA COUNTRY REPORT - WIM NELL - MARCH 2011

Weather

In the 2009/10 summer season we had wet climatic conditions, which was very favourable for the breeding of mosquitoes. They were present till mid winter. The second half of our winter was nice and cold. The current summer is also very wet with high expected cash crop and fodder yields.

Cash crops

The summer crops look very good at this stage with a surplus corn production of approximately 25%. The wheat prices are generally spoken still too low for many farmers to make a substantial profit.

Livestock

The high numbers of mosquitoes caused an outbreak of Riftvalley fever. This caused many deaths and very low fertility amongst the sheep. The prices skyrocketed from an average for six months of R32-R35/kg. It increased in December to R52/kg and stabilised between R42 and R45/kg. Beef followed the same trend with weaners (lambs & calves) very scarce and very expensive in February due to very good summer rains.

Farms efficiencies

The consequences of change in the world is that farming businesses is going to increase in size. This prediction by Rob materializes in all countries in the world - developing and developed. The biggest dairy heard in SA was 600 cows 10 years ago and it is now 10 000 cows. This trend occurs with almost all enterprises in South Africa.

Social responsibility

Land reform is still a big issue and also threat to some farmers in SA and the government keeps on giving farms to beneficiaries with none or very little Agricultural Management skills. This causes that commercial farmers start to add to their operations in SA, African farming businesses.

The Food Chain

Farming businesses are forming relationships with processors as in many countries in a way that secures production and also gives long term added value. One aspect that makes farmers negative to work with food chains is that some takes up to four months to pay the farmers which cancel the value of the added value to a great extent.

Wim Nell

Agricultural Management Consultant

Bloemfontein

South Africa

Canada

Country Brief – Bob Ross & George Morris Centre

Winter is upon us here in Canada and this is a time when producers are planning their springtime planting acreages and schedules. The following provides a brief explanation of what has happened in the agriculture sector in Canada over the last year.

General Economic Conditions:

Exchange Rates

In the first month of 2011 the Canadian dollar inched past parity with the US dollar – the second time since it reached parity briefly in 2007. It has stayed hovering around parity for the month and is expected to stay here for the foreseeable future.

Merely seven years ago the Canadian dollar was below \$US0.65. During the late 1990s through 2002 the exchange rate contributed to favourable returns for Canadian producers, especially those selling into US and international markets. These profits resulted in increased production. This implies that during the time when the Canadian dollar was weak, industries were buying market share through lower prices. In effect, the weak Canadian dollar could have been used as a substitute for productivity. However, now that the Canadian dollar's strength is consistent, these industries are no longer be able to do this and will have to improve productivity instead.

Because many agricultural products and their inputs are traded commodities, their prices in Canadian funds fall relative to those in US funds. While both the inputs and outputs fall, margins decline in Canada.

Trade Agreements and Disputes

In 2010 there remained a stalemate on the Doha negotiations, while progress moved forward on other fronts. However, Chief Negotiator Pascal Lamy says there is political will to complete Doha negotiations by the end of 2011. Instead, over the last year Canada has engaged in trade negotiations on a bilateral basis. In 2010 Canada signed a bilateral agreement with Panama and continues to negotiate with the EU, Turkey, Morocco, Ukraine, Korea and the Caribbean Community.

There are important multilateral trade agreement negotiations going on right now that Canada is not a part of. The Trans-Pacific Partnership is a multilateral free trade agreement that aims to integrate the economies of the Asia-Pacific region. The agreement came into force in 2006 between Brunei, Chile, New Zealand and Singapore. Currently Australia, Malaysia, Peru, US and Vietnam are negotiating to join the group. Canada has expressed interest in joining TPP but it is purportedly being blocked from negotiations by the US and New Zealand due to its policy on dairy¹. This is a missed opportunity.

¹<http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-10/22/2010/tpp-countries-say-canada-not-ready-to-join-talks-press-vietnam-to-decide/menu-id-710.html>

In summer 2009 the Canadian government began a WTO challenge against US Country of Origin Labeling (COOL). The basis of Canada's claim is that COOL discriminates against Canadian livestock. A final panel report is scheduled for July 2011, most likely followed by an appeal taking another year. The issue has taken on greater importance because other nations are seeing how successful COOL has become as a non-trade barrier. Korea has adopted a form of COOL as has the EU. If COOL is not defeated, it could become a barrier to trade impacting many nations.

In October 2010, the Canadian International Trade Tribunal (CITT) upheld the Ontario Greenhouse Vegetable Growers' complaint of injurious dumping of bell peppers from Holland into the Canadian marketplace². Similarly, in September 2010 the Canadian Border Services Agency announced that it had determined bell peppers from the Netherlands were being dumped into the Canadian market and causing injury to the industry. The decision means that bell peppers now imported from these countries will be subject to a duty for a set period of years.

Thus, there are prospects for renewed trade liberalization for Canada on the horizon.

Interest Rates

Interest rates remained historically low throughout 2010 but halfway through the year began to increase. The rates still remain historically low as Bank of Canada Governor Mark Carney slowly increases rates to balance Canada's economic growth with other countries' ability to rebound and borrowers' ability to payback debt.

Land Values

Land values in Canada remain very strong:

"The average value of Canadian farmland increased 3.0 per cent during the first six months of 2010, following increases of 3.6 and 2.9 per cent in the previous two reporting periods. Farmland values remained stable or increased in all provinces except British Columbia, which saw a 0.9 per cent decrease. Ontario experienced the highest average increase at 4.3 per cent, followed by Manitoba at 3.4 per cent and Nova Scotia at 3.1 per cent. Saskatchewan and Alberta each saw 2.9 per cent growth. Quebec (2.3 per cent) and Newfoundland and Labrador (0.7 per cent) rounded out the list of provinces that experienced a rise in farmland values. Values were unchanged in New Brunswick and Prince Edward Island" (Farm Credit Canada, Fall 2010 Farmland Values Report).

Commodity Overview:

Grains and Oilseeds

Crop year 2010 was overall a good year for crop producers in Canada. Tightening global supplies of grains and oilseeds increased prices in the second half of the year to almost 07/08 peak levels. This was a result of continued increased demand for grains and oilseeds as a feed

²<http://www.thegrower.org/readnews.php?id=8z6e3s8a8g1b>

supply and for industrial use coupled with the supply constraints in Russia and Ukraine. In Canada, there was a drop in production in the prairies due to flooding, but that was countered by record production of corn and soybeans in Eastern Canada. Overall, prices increased and it is estimated that crop revenues increased as well.

- Wheat: although acreage was lost in wheat in 2010/11, yields remained the same and 23 million metric tonnes (MMT) were expected to have been produced, down slightly from 26 MMT in 2009/10.
- Canola: acreage harvested was slightly higher in 2010/11 than in 2009/10 but yields fell approximately 2 bushels per acre to bring production to 11.9MMT from 12.4MMT in 2009/10.
- Corn: increased acreage and yields in corn have resulted in expected increases in production to 11.7 MMT – up from 9.5 MMT in 2009/10.
- Soybeans: both harvested acreage and yields increased in 2010/11 to increase production from 3.5 MMT in 2009/10 to 4.3 MMT in 2010/11.

Farm expenses declined in 2010 as a result of lower fertilizer, pesticide and seed costs. This is also strengthened by the strong Canadian dollar and lower interest expenses. Farm payments increased in 2010 through the AgriRecovery program as a result of flooding in the prairies. Thus, the combination of strong prices in the second half of the year and the lower input expenses, it is estimated that grain and oilseed net operating income would increase in 2010 compared to 2009.

Cattle and Hogs

The Canadian cattle industry enjoyed a comparatively strong year in 2010. Cattle feeders saw very strong profits for most months while cow-calf operators saw near record high feeder cattle prices. Cattle feeders likely averaged around \$20-30 per head profit during 2010 after starting the year in the red. Cow-calf operators also started the year in a financial stress due to drought on the prairies. Tight supplies of feeder cattle and strong demand for cow meat, however, resulted in at least breakeven or better for ranchers. That financial performance was a turnaround for both ranchers and feeders compared to the challenging circumstances of the previous two years.

Hog producers were generally profitable in 2010 but with negative margins to start and finish the year, but very strong margins in the spring and summer. As with the cattle sector, the profitable returns in 2010 were in sharp contrast to previous years.

Both the cattle and hog sectors continued to adjust and adopt to a very high Canadian dollar. With that noted, it is the appreciation of the dollar that was particularly challenging to producers. The stability of the dollar, despite being near par, was a less challenging circumstance.

Generally both the cattle and hog sectors benefited from declining livestock and meat supplies and a generally recovering global economy. In fact, it was red meat exports that tended to be the driver of higher pricing throughout the entire year.

Within the context of comparatively positive returns, 2010 ended on a relatively ominous note with exceptionally high feed grain prices. Near record corn prices resulted in tighter profit margins despite the higher livestock pricing. The other point of context is that despite the somewhat better returns in 2010, the industries in Canada continued to contract. Cattle ranchers remain very cautious and are unwilling to rebuild their herds. Hog producers continue to exit the industry as the returns of 2010 were not enough for many operations to offset years of losses and debt accumulation. Both of these factors were reflected in the fact that farm incomes increased during 2010, while program payments declined, but farm numbers continued to decline.

Poultry

Poultry, also being a supply-managed product, is characterized by its stability, profitability and predictability. Production of poultry increased moderately in 2010. Prices for both chicken, turkey and eggs are largely tied to costs of production. As such, given that grain prices were largely lower for most of 2010, that meant that prices of the poultry items were mostly lower in 2010. As such, revenues were modestly lower in 2010 compared to 2009.

After taking into consideration moderating expenses, the poultry industry was more profitable in 2010 compared to 2009. Generally speaking the main risk associated with the poultry industry is related to quota values. The industry must continually generate profits sufficient to cover operating expense and the cost of quota. The cost of quota is directly related to anticipated future profits from the production of the poultry livestock.

Dairy

Dairy farms market milk under a supply management system that allows for significant stability and control on behalf of producers through milk marketing boards. It also requires significant investment in quota, pressuring farm debt levels. In 2010, industrial milk prices were steady as support prices for butter and skim milk powder remained unchanged, while small increases in fluid milk prices occurred. At the same time, the industrial milk quota increased by about 2% over the course of the year in 2010.

GIEWS Country Briefs



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Another country:

Nigeria



Reference Date: 20-April 2011

FOOD SECURITY SNAPSHOT

- The 2011 cropping season has started in the South, while seasonably dry conditions still prevail in northern states
- Favourable rains in the major producing regions led to increased crop production at national level in 2010
- However, torrential rains last August and September in the extreme north of Nigeria caused flooding and damaged cereal crops
- A satisfactory food availability is expected during the current 2011 (January/December) marketing year

The 2011 cropping season has started in the South

Seasonal rains commenced in March in the southern part of the country, allowing land preparation and maize planting to start. Dry conditions are still present in the North, with the rainy season expected to begin in May.

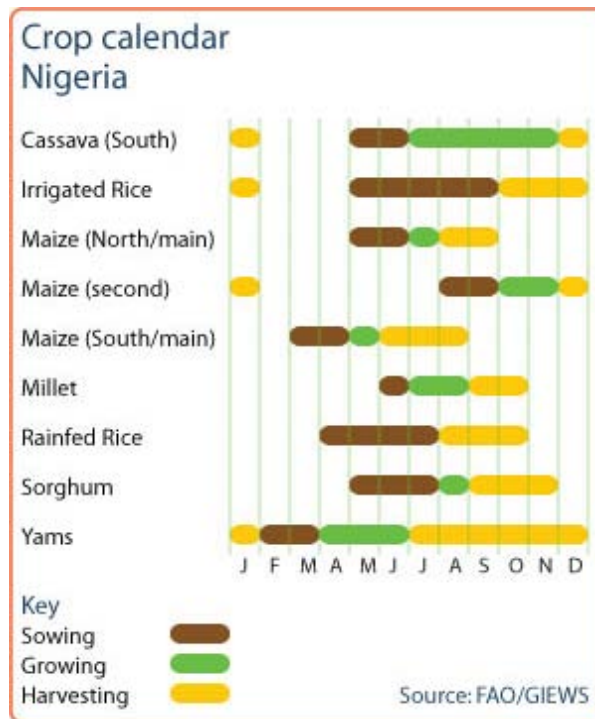
Last year, good rains in major producing areas contributed to increased cereal production at national level

Favourable rains benefited crop development in the major producing states of north central parts of the country (including Gombe, Plateau, Kaduna, Niger and Nassarawa States). As a result, the joint field evaluation survey conducted by the National Agricultural Extension and Research Liaison Services (NAERLS), the National Food Reserve Agency (NFRA) and the Federal Department of Agriculture in August 2010 estimated 13.4 percent and 1.3 percent increases in millet and sorghum production, respectively, compared to 2009. Maize and rice production is also estimated to expand by about 4 percent. Overall, the aggregate cereal production in 2010 has been estimated at about 26.8 million tonnes, 4 percent up on the previous year, reflecting generally favourable growing conditions during the rainy season.

The high level of food production, coupled with favourable harvests in the neighbouring countries, particularly in Niger, Chad and Cameroun, is expected to lead to a satisfactory food availability during the 2010/2011 marketing year (January-December)

However, heavy rains damaged crops in several extreme northern states

Several States in the northern Nigeria witnessed an unfavourable pattern of rainfall in 2010. This included a late onset of the rainy season, prolonged dry spells, and torrential rains and flooding of farmlands in August and September. The floods have caused considerable casualties and damage to houses, infrastructure, crops and livestock in several areas. The hardest hit Sates are Jigawa, Kebbi and Sokoto, but Yobe, Kano, Katsina, and



Nigeria Cereal production

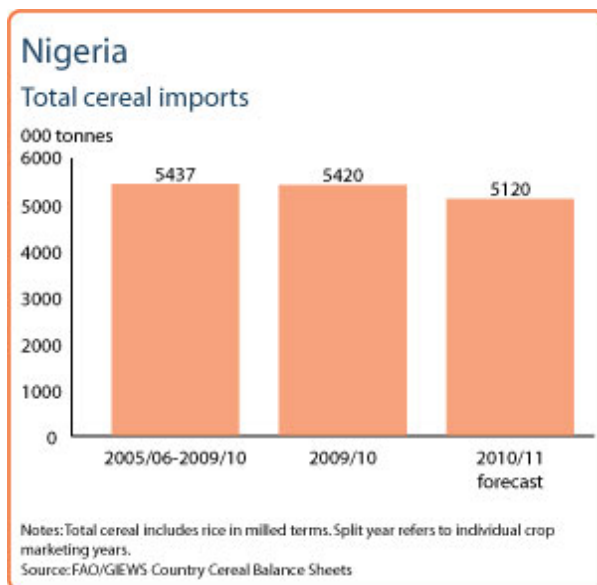
	2005-2009 average	2009	2010 estimate	change 2010/2009
	000 tonnes			percent
Sorghum	9227	8713	8824	1
Maize	7339	8957	9343	4
Rice (paddy)	3855	4300	4469	4
Others	3960	3702	4182	13
Total	24381	25672	26818	4

Note: percentage change calculated from unrounded data.
Source: FAO/GIEWS Country Cereal Balance Sheets

Zamfara were also affected. The floods affected agricultural production in about 700 villages, with over 500 000 hectares of cropped farmlands destroyed, and about 68 000 livestock lost, according to the results of an assessment carried out by FAO in November last year. The most affected crops are rice, sorghum, cowpea and vegetable. Millet crop losses were limited because harvesting of that crop was almost completed at the time of the floods.

Ample supplies keep cereal prices low

Reflecting the good harvest, markets are well supplied and cereal prices have declined significantly across the country. For example, sorghum prices in Kano, in the northern part of the country, in February 2011 were 18 percent lower than in February 2010. At the national level, the year-on-year inflation rate in the food sector declined from 15.1 percent in August 2010 to 10.3 percent in January 2011. However, recent developments in the international food market may lead to higher inflationary pressure on the domestic food markets.



Other information from GIEWS on Nigeria :

- ▶ **Cereal Supply/Demand Balance Sheet**
- ▶ **Food Price Data and Analysis Tool**
- ▶ **Main Food-related Policy Measures** (From 1 Feb 2010 to 16 Nov 2010)
- ▶ **Interpolated Estimated Dekadal Rainfall**
- ▶ **Normalized Difference Dekadal Vegetation Index (SPOT-4)**

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Summary

Recent developments in the results and incomes realised in the agricultural and horticultural sectors in The Netherlands

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General situation

In 2009, the agricultural and horticultural sector was hit hard by the economic recession (credit crisis) that began in the second half of 2008. Although production volumes were not influenced by the recession, sales of many products were lower than in times of normal economic conditions. Exports were hampered by the credit problems and the weaker currencies of various countries. Exports are of particular significance to the Dutch agricultural and horticultural sector since the majority of the produce is destined for foreign markets. The agricultural markets are characterised by the potential high volatility of prices following slight changes in supply or demand. As a result, the decline in demand in a number of markets seen in 2009 was in part the reason for a substantial decline in the price of many products. This in turn – and following the substantial decline in the results for 2008 – resulted in a further considerable decline in the results achieved by the overall agricultural and horticultural sector in 2009. The lower prices reduced the margins between sales proceeds and the costs in the agricultural and horticultural sector and, in turn, resulted in a sharp decline in incomes. Large differences are evident in the movements in the income of the various agricultural and horticultural sectors. Incomes fell in most sectors: in a number of sectors the average farm incomes even moved significantly into the red in 2009. The sole exception was the layer farming sector, which recorded a significant improvement in farm income after the poor year of 2008. The number of agricultural and horticultural holdings has declined by about 3% per annum in recent years, a trend that also continued in 2009 (Table 2). The number of greenhouse horticultural holdings once again exhibited a particularly sharp decline in 2009. This rapid fall in the number of holdings has been due to factors including the restructuring of the sector. However, the deterioration in the operating results in recent years now also plays a role. The decline in incomes in 2008 and 2009 and the increased financial uncertainties have resulted in a lower level of investments. Moreover, the opportunities for investments are also restricted by the financiers' more reticent attitude to providing credit.

Situation in each type of holding

Cattle farming

The income of dairy farms fell very sharply in 2009 and, on average, moved into the red for the first time following the unparalleled rapid decline in milk prices, which fell by more than a quarter in the year under review. The estimated lower income is in part due to the introduction of the amortisation of milk quotas in the years leading up to their abolition in 2015. The lower costs, in particular of animal feed, were insufficient to compensate for the tremendous decline in proceeds: the average income moved into the red in 2009. Some dairy farms were confronted by liquidity problems in the months in which milk prices were at an extremely low level, although these have been alleviated by the increased milk prices in recent months. The dairy farms' proceeds/cost ratio (yield) fell sharply from 90 in 2008 to 69 in 2009. The operating income per unpaid ALU (Annual Labour Unit) decreased from 39,000 to -6,000 euros. Although the average farm was still able to save a relatively large amount in 2008, as was also the case in previous years, a significant draw down on assets was necessary in 2009. The organic dairy farms' operating income per unpaid ALU also fell sharply in 2009, and also moved slightly into the red. The average income of the organic dairy farms was slightly higher than the income of the conventional dairy farms in 2009.

The income of beef cattle farmers remained at a low level in 2009, notwithstanding

the lower cost of cattle feed. Veal farmers will record an approximately unchanged income in 2009 with stable contract payments and declining manure disposal costs. Sheep farmers will record an increased cash balance per ewe in 2009 due to the lower feed prices at unchanged sale prices per animal.

Intensive livestock production

The costs of the intensive livestock farming sector decreased sharply in 2009 due to lower feed prices. After the 2008 harvest the decrease in the grain prices initiated a trend towards lower feed prices that has continued in 2009. The movements in operating income once again varied greatly by type of animal in 2009, depending on the trend in the sale price per animal.

The pig farming sector recorded lower prices for porkers and higher prices for piglets in 2009 as compared with 2008. The lower feed prices resulted in a significantly higher cash balance per sow, while the cash balance per porker was substantially lower as compared with 2008. As a result, the movement in income recorded in 2009 as compared with 2008 varies greatly with type of pig farm, with a significant improvement for sow farms, a substantial deterioration for porker farms and a slight fall for closed farms. The average pig farm's operating income amounted to 10,000 euros per unpaid ALU in 2009, a low level that will compel many pig farmers to draw down on their equity for the third year in succession.

The income generated by egg farms increased significantly in 2009, in particular due to the increased price of eggs. The average operating income reached an unparalleled level in 2009, after a negative result in 2008. This improvement will offer egg farmers scope to strengthen their equity position in 2009. The income of farms producing free-range eggs was not higher than farms producing battery eggs, even though the price of free-range eggs increased more sharply.

Broiler farms also enjoyed a better year in 2009 as compared with 2008. Although the average sale prices were lower than in 2008, on balance the greater decrease in feed prices yielded increased operating results. However, the recovery was only modest in comparison with the substantial increase in the egg farmers' income.

Arable farms

In 2009, the average arable farm's income remained unchanged from the level in the previous year after the decreases in 2006 and 2007. The lower prices of ware potatoes, cereals and sugar beet were compensated for by the increased harvests of the crops. In addition, onions are expected to command a higher price. The profitability of the arable farming sector amounted to 90% in 2009. The average operating income per unpaid ALU remained at about 40,000 euros in 2009. However, the operating income per unpaid ALU of farms cultivating large crops of starch potatoes fell to about the same level as the average arable farm. The estimated average income of arable farms leaves no scope for strengthening their equity position.

Greenhouse horticulture

The results achieved by the overall greenhouse horticulture sector in 2009 were considerably worse than in 2008, when they had already exhibited a substantial decline from the level in 2007. The average income decreased by about 100,000 euros per holding and about 60,000 euros per unpaid ALU. The greenhouse horticulture sector was confronted with dramatic results in 2009, with incomes in the red at both greenhouse vegetable holdings and cut-flower holdings. Solely the pot plant and bedding plant holdings were able, in spite of a decline, to achieve an income in the black. The greenhouse vegetable holdings were confronted with the severest decline in income, amounting to more than 100,000 euros per unpaid ALU. The income of cut flower holdings per unpaid ALU also fell sharply, by more than 50,000 euros. The pot plant and bedding plant growers were also confronted with a decline in income, albeit 'only' more than 10,000 euros per unpaid ALU. These lower incomes were due to the substantially lower prices of the most important products, as well as the higher costs including the further average increase in gas prices, an important cost factor for the entire horticultural sector. The wide variation in the income within the greenhouse horticultural sector is due to factors including the variation in

the results for each crop, differences in scale and the differences in operations: some holdings supply electricity to the national grid but other holdings do not. The profitability of each segment of the greenhouse horticultural sector fell sharply in 2009, although the decrease varied greatly between the segments: 15 percentage points in the greenhouse vegetable sector, 9 in the cut-flower cultivation segment and 2 in plant cultivation segment. On average, the profitability of the entire greenhouse horticultural sector fell to a record low of 84% in 2009. Consequently, many greenhouse horticultural holdings will be compelled to draw down substantially on their assets. In addition, many holdings in the vegetable sector and ornamental plant sectors are confronted with liquidity problems. The poor results have led to a sharp fall in investments: many holdings are now focused on survival. The current conditions have compelled a number of holdings to terminate their operations.

Mushroom cultivation

The results achieved by mushroom holdings declined significantly in 2009: the prices commanded by their produce, in particular in the fresh market, fell sharply. The sector's profitability amounted to 93%. The estimated operating income per unpaid ALU achieved in 2009, 17,000 euros, does not offer scope for savings.

Open field horticulture

A significantly poorer result is expected for open field vegetable horticulture in 2009 as compared with the previous year. The decline in income is primarily due to the lower prices of the crops. The results achieved by bulb-growing holdings in 2009 – as in the previous year – declined substantially due to the disappointing prices. In 2009 the holdings will generate a negative operating income for the second consecutive year. Fruit growers were, after a number of reasonably good years, confronted with a sharp fall in their income in 2009. The prices of apples and pears fell due to increased supplies as compared with 2008. Incomes achieved by tree nurseries fell in 2009, since the increase in costs outweighed the increase in the price of their produce. The tree nursery segment is the only segment of the open field horticulture sector to achieve a reasonable income in 2009.

The overall situation in the sector

In 2009, the entire agricultural sector was confronted with a sharp fall in income for the second consecutive year. Although the volume of the sector's production increased by almost 3% in 2009, the price of the products fell by almost 9%. As a result, the entire sector's production value fell by more than 6% to almost 22.5 thousand million euros (including agricultural services) in 2009. Within this total the production value of plant products fell by about 4.5%, less than the almost 11% decline in the production value of the livestock farm products. This year's total production value of the horticulture sector is approximately the same as that of the livestock sector (more than 8.5 thousand million euros), while the production value of the arable farm sector – including fodder crops – amounts to more than 2 thousand million euros.

The cost of the goods and services purchased by the agricultural and horticultural sector fell by about 4.5% in 2009, primarily due to the approximately 15% lower cost of animal feeds and fertiliser. On balance, the net added value of the sector decreased by more than 15%. The net operating income for the families of the farmers or horticulturalists – after the deduction of interest payments, wages and long-term leases – fell even more sharply, namely by almost 50%. It is striking to note that in 2009 the total amount of the subsidies received by the agricultural sector, primarily comprised of farm payments, is slightly higher than the sector's net income of 800 million euros. When account is taken of the decline in the number of farms and inflation then the purchasing power of the farm family's operating income fell extremely sharply in 2009.

A comparison of incomes in the agricultural and horticultural sector with those in the small and medium-sized enterprise sector (SME) reveals that incomes in the agricultural and horticultural sector exhibit greater fluctuations and that the average income generated by agricultural and horticultural holdings was

lower than the average income in the SME in 2008 and, in particular, in 2009. In previous years, the incomes in the agricultural and horticultural sector had been higher. Movements in incomes in the SME are more stable and less dependent on market and price movements than in the agricultural and horticultural sector.

The credit crisis also resulted in a decline in the SME's income in 2009. The SME's relatively stable wage costs in recent years are of importance to the sector. Wage costs have and will decrease in 2009 and 2010 due to a significant reduction of the number of jobs in the SME (EIM, 2009).

In 2008 and 2009 the development in the Netherlands' agricultural and horticultural sector incomes is expected to lag behind that in other EU countries. In 2006 and 2007, the increase in the income in the Netherlands' agricultural and horticultural sector still ranked high in the EU.

Table 1 Profitability and income (x 1,000 euros) on agricultural holdings

	Proceeds cost ratio		Farm income per unpaid a.w.u.		Total income per holding		Change a)
	2008	2009 (e)	2008	2009 (e)	2008	2009 (e)	
Total	90	83	26	3	56	24	-
Dairy farms b)	90	69	39	-6	72	7	---
Veal farms	86	86	36	37	.	.	0/+
Pig farms	92	90	12	10	34	33	-/0
- pig breeding farms	91	98	9	51	28	83	+++
- pig fattening farms	94	85	29	-5	49	19	--
- integrated pig farms	91	88	0	-9	18	7	-
Laying-hen farms	89	113	-5	135	6	200	+++
Broiler farms	95	98	-3	36	17	55	++
Arable farms	91	90	40	41	55	60	0/+
- starch farms	97	91	53	41	57	60	0/+
Greenhouse horticultural holdings	92	84	1	-62	-4	-102	---
- vegetable holdings	91	76	-19	-132	-24	-220	---
- cut flower holdings	90	81	-3	-57	-26	-99	---
- pot plant holdings	99	97	39	27	65	54	-
Mushroom farms	100	93	47	17	.	.	--
Open-air vegetable holdings	87	84	23	9	.	.	-
Fruit farms	93	84	42	20	.	.	-
Bulb growing businesses	84	79	-10	-34	.	.	-
Tree nurseries	101	97	56	47	.	.	-

a) Change of total income (last five groups: farm income per unpaid awu.); -/0/+ = + or - maximum 5,000 euros; - or + = 5,000-25,000 euros; -- or ++ = 25,000-50,000 euros; --- or +++ = >50,000 euros; b) Farm income per unpaid awu in 2009 excluding depreciation milk quota: 7,000 euros.

Intensive livestock production

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