IFMA COUNTRY REPORTS
JULY 2014

REPORTS FROM:
USA
ARGENTINA
UK
THE NETHERLANDS
DENMARK
KENYA
SOUTH AFRICA
AUSTRALIA
NEW ZEALAND

U.S.A. COUNTRY REPORT (1) - July 2014

By Damona Doye, IFMA Vice President

Drought

The southwestern and western U.S. continues to experience severe drought. The drought in California in particular remains at severe or exceptional levels in most of the state and has received a lot of press, given the volume of fruits, nuts and vegetables grown there. California produces about half of the U.S. fruits and vegetables (e.g. 70% of the lettuce) and 80% of the world's almonds. Agriculture accounts for about 80% of the state's water use, with almonds using approximately 10% of the total. Fruit and vegetable prices are projected to rise 6% this summer with bigger impacts next year.

Drought has also impacted cattle herd rebuilding prospects as states which traditionally hosted large cow herds, (Texas, Oklahoma, Kansas) have mostly been in drought for several years now.

The hard red winter wheat crop was impacted by drought, among other things. In Oklahoma, the overall wheat crop was about half of normal, a 50 year low.

Farm Bill

Passage of the Farm Bill in February is leading to extensive work by extension educators to develop tools and educational programs to explain the nuances of changes in risk management programs and help producers make informed decisions. Reforms led to the discontinuation of ACRE and SURE programs in favor of crop insurance for the most part (STAX was added for cotton). At the end of June, USDA's Risk Management Agency (RMA) filed an interim rule to move forward with changes to crop insurance provisions: new options for beginning farmers, enterprise units for irrigated and non-irrigated crops, ability to purchase different levels of coverage for a variety of irrigation practices, guidance on conservation compliance, protections for native sod, adjustments to historical yields following significant disasters.

Several disaster assistance programs were restored by the Farm Bill. The Livestock Forage Disaster Program and the Livestock Indemnity Program compensate eligible producers for livestock deaths and grazing losses that have occurred since the livestock disaster assistance program expired in 2011, including calendar years 2012-2014. The Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program provides emergency assistance to eligible producers of livestock, honeybees and farm-raised fish with losses due to disease, severe weather, blizzards and wildfires. A Tree Assistance Program provides financial assistance to qualifying orchardists and nursery tree growers to replant or rehabilitate trees, bushes and vines damaged by natural disasters.

Cattle prices

Cattle and beef prices are at record highs, leading to joy/concern/disbelief by producers. Drought and high prices complicate interest in and the need to rebuild the nation's cowherd. High prices make buying replacement heifers extremely expensive even if forage is available. High prices also lead to producer concern about potential impacts on beef demand, with producers wondering if people will get priced out of eating beef. Herd rebuilding and increased beef production is likely to take several years. Producers and lenders are being encouraged to think carefully about appropriate risk management strategies.

Financial markets

Commercial bankers in rural areas continue to bemoan the additional regulation that the industry faces as a result of the financial crisis. Though most of them did not participate significantly in high risk initiatives that contributed to the meltdown, they face new bank regulations that have increased compliance costs and also inhibit their ability to make some types of loans, for example, for mobile homes in rural areas. Loan-to-deposit ratios are the lowest they've been in decades. In Oklahoma, this national trend is exacerbated in locales where oil/gas royalty income has increased dramatically as a result of hydraulic fracturing.

We keep expecting that interest rates will start to increase….

Land values

The rate of increase in land values has slowed significantly or even declined in some areas of the country, especially those heavily dependent on crop income. Ranchland has generally continued to increase in value though not at double digit rates. High livestock prices and good long term prospects for income suggest market strength in the near term for pasture land. In Oklahoma, oil/gas income has helped support all agricultural land values as producers often choose to invest this income in what they know best—agriculture—and don't consider many alternative investments once they have the new house built.

Other

As Jay Smith noted, at this time, the future corn crop looks good. Average corn yields are expected to set a new record as most of the planted acres are currently in good or excellent condition.

UNITED STATES COUNTRY REPORT (2) – July 2014

By Jay Lee Smith - IFMA Council Member for USA

Weather: The weather in the main corn and soybean areas of the US has been similar to 2013 in that the row crops and spring wheat has been planted late. The Spring has been wet, cool with poor soil conditions for planting. Nevertheless "Rain Makes Grain" and so the US should have a large corn and soybean production similar to 2013 with a record US production and possibly record yields per acre. I suspect that again production will exceed demand and that carryover production will again increase.

Markets: Corn and Soybean prices have dropped below the cost of production and appear to me that they will go lower. High quality soft wheat for human consumption appears that it has a reasonable potential to increase in value due to the vomitoxin issue.

Cash Prices on July 3, 2014 in my area of Indiana for 2014 production.

Corn: $3.70 /bushel or $145.35 per metric ton.
Soybeans: $10.89 /bushel or $399.30 per metric ton.
Soft Winter Wheat: $5.74 /bushel or $210.65 per metric ton.

Illinois and Indiana Soft Winter Wheat: Receiving many reports that the wheat has high levels of vomitoxin and is not suitable for human and animal consumption.

Land Prices: Are still strong; but are starting to weaken as farmers potential for profit is continuing to weaken. It appears that farmers are decreasing capital expenditures as the major equipment manufacturers reported sales decreases hovering around 30% in the first quarter.

Production Inputs: Continue to increase in cost.

Bright Spot: The corn ethanol industry has made strong profits for the past 9 months operating at nearly full nameplate capacity. With these profits I suspect that the industry will consume more corn in 2014-15 market year than in 2013-14 MY. Also the hog and cattle industry are now finally making good profits and will probably also consume more feed this 2014-15 MY.

Government Support: The government Direct Payments ended in 2013 of which I received less $ per acre than I paid per acre in government land taxes. To the best of my knowledge I will receive no Agriculture Subsidy Payments of any kind in 2014 and thereafter. I will still be forced to make government reports of my farming operation to government authorities.

ARGENTINA COUNTRY REPORT – IFMA – July 29th 2014

By David Hughes – IFMA Council Member for South America

Political/Market Issues:

- Government is trying to improve grain markets and futures, most players are not too keen on the way it shall be regulated. Exporters are not happy. Grain markets either
- Inflation is running at about 30 to 40%
- Seem we are entering a recession, so we are probably heading into a scenario of recession with high inflation rate
- Exchange rate has been running behind inflation, especially after a 20+% devaluation in January. Currently the peso is overvalued, not helping exports
- The only way to get dollars as savings is purchasing bonds in pesos and selling them in dollars, and then there is the black market dollar. Govt rate: 8,08 $A/USD – Bond dollar 11 $A/USD – Black market 13 $A/USD
- Balance of trade is weaker, reserves have been level since December, with a few ups and downs, but the better part of the year where we usually have a surplus due to exports of soybean and its sub products has not allowed for the reserves to grow.
- Imports for business (parts and machinery) has been tightened, the government has kept imports low to look after the reserves.
- Our main import is energy (gas and petrol) and shall keep on growing
- All this makes the economic outlook on the medium term look grim, ie next 12 to 16 months till we have polls and a new government
- Add to this the issue of the bondholders who have won in the New York court
- And just to top it our vice president has a few legal issues and is being processed by a couple of judges for using influences to purchase the money printing business in Argentina.
- Markets are down, soybean due to world markets, corn and wheat due to no more export licenses are being given out, so we have a domestic over supply of wheat and corn
- Export tax on soybeans remains at 35%, corn 20% and wheat 23%

Weather/Production

- Our harvest started off on the right foot, and then it began to rain, and rain, and rain. Between March and June we have had our annual rainfall!!
- Some acreage of soybean was not harvested, and some corn acreage has not been harvested.
- The rain has had two effects. One is the lack of a good ground to be able to drive the combine over due to water logging, and secondly and probably the most worrisome is that roughly 90% of country roads are “dirt” roads that turn to mud when wet!! So the access to many farms and fields has been badly damaged
- Yields in general have been in most areas slightly above average
- Argentina has been shifting the date of corn planting from early spring (August-September) to early summer (early December) and this impacts harvest and when corn reaches the market.
- This is a management tool to manage expected dry weather, so may change from year to year
- This said corn harvest has not ended. Early corn has had in general average to below average yields. Late corn planting has had in general above average yields

- As we sit with a lot of water on fields and roads we are worried as it seems we might have a “Niño” weather pattern and that would mean for us above average rain during our spring (Sept – Nov)
- Argentina is having a hard time getting more than 4 million has planted with wheat, and the sunflower acreage keeps on dropping.
- Beef and dairy products have restrictions as to exports. So we are having our lowest beef export for over 50 years!

Other issues affecting Farming

- Financing has dropped, with roughly a 20 to 30 percent less of financing for business, which in real terms means almost a 30 to 40 percent drop in working capital.
- There are some loans by public banks to purchase machinery with interesting negative interest rate. The issue is the cash flow of the business
- Lease rates are stable in good country, weak in less productive land
- Corn seed price keeps on increasing, and Monsanto is trying to get Intacta Soybean (Bt soybean) in the market. Farmers are not too happy. The main issues being: a) down the line farmers perceive there will not be options to not purchase this technology, b) there are places where there is no economic benefit, c) royalties are to be paid as a percent of harvest
- Soybean oil values seem to be dropping, affecting the quality of soymeal. There are discussions as to why this is occurring. Is it fertilizer use, climate, region? There is no answer yet

UK COUNTRY REPORT - July 2014

By Trevor Atkinson – IFMA President

Farming Profitability

Managing a business with rising costs and falling output prices is challenging. Protecting profit in this scenario requires a greater depth of business understanding. Yield increases in the region of 12.5% over and above rolling average levels will be required to reinstate harvest 2012 levels of profitability. Greater emphasis on 'What If' business planning is required to explore our thinking as to how do we respond to farming's economic squeeze.

Farming Income

On a 'per ha' basis the 2013 crops have not performed too badly but the lower (weather restricted) acreages and therefore tonnes sold (Wheat and OSR) were always going hit the bottom line hard. The crops in the ground for this year's harvest (2014) look well and in terms of area, are largely as planned. Unfortunately / fortunately crops around the world are also reported to be in good condition with projected tonnages above levels of demand. The squeeze on output prices is likely to be hard and require good strategic business planning to secure profitability.

Understanding our production systems and the markets where we buy our inputs has to become equal to our knowledge of the markets we supply. We need to know our cost of production for a much wider range of output levels so our production formulas remain profitable

Non Farming Income

Combinable crop farming is a seasonal job. We need to fill in the 'out of season' gaps with income streams that complement the business. Making all the assets work has been our focus for a number of years and whilst some projects have proved unsustainable as they have grown and had to pick up their own fixed costs, many are proving to be good earners, utilising spare capacity within existing fixed cost..

Direct Costs

Unit costs however on both seed and agrochemicals have risen; the full effect of which we will see this next year as crop potential allows a return to more normal input programmes. Trend line projections would indicate variable costs rising by £40/ha over the next 3 years necessitating wheat yields to increase by 0.25 t/ha and OSR by 0.12 t/ha respectively.

As production managers, we take full responsibility for the input programmes we use and seek justification through the associated yield response and improvement to bottom line profitability.

Labour & Machinery

Work plans can easily demonstrate the seasonality of our work loads and our dependence on super human efforts at key times of the year to ensure targets are met. Labour numbers are therefore always a compromise between over and under capacity as we move through the year. Combinable crop farms with a low dependency on casuals will have a labour bill some 36% higher than those who use, and manage, casuals strategically to cover key periods of work. Skill sets need to be kept up to date otherwise technology races ahead leaving many unaware of the machines true capabilities.

Our capital investment in machinery has seen the asset register grow by £41/ ha over this last year. At the same time we have spent and additional £6/ha on repairing our equipment. We therefore have to question the level of technology we can effectively utilise. We then need to train our operators to understand the machines and as managers encourage a culture of preventative maintenance at farm level.

General

Having access to a wide range of key skills increases is a strength in any team if they are used correctly. We need to keep our teams well trained and encouraged all to develop greater understanding in their respective areas.

Infrastructure maintenance should be integral to the Business Plan with scheduled short, medium and long term objectives.

Common Agricultural Policy - 2015 Reforms

1. Crop Diversification specifies that all claims over 30 hectares must have a minimum of 3 crops with any one crop being no more than 75% of the acreage. If the acreage is between 10 and 30 hectares then minimum of 2 crops to be grown
2. There is a requirement for Ecological Focus Areas to cover 5% of any arable area in cover or catch crops, nitrogen fixing crops, fallow, buffer strips or some recognised landscape feature.
3. Capping of Payments will come into force in England giving rise to a 5% deduction on claims over £118,000. There will also be a tightening in the definition of active farmers to exclude non-agricultural claims
4. 2% of scheme funds will be given over to enhancing payments for young farmers (under 40)
5. Total scheme revenues at farm level are envisaged to be 7 to 10% down on historic payments.

COUNTRY REPORT FROM WESTERN EUROPE – July 2014

By Abele Kuipers (The Netherlands) – IFMA Council Member for Western Europe.

The year 2014 is in Europe the last year before the introduction of the new Common Agricultural Policy (CAP) in 2015. This means attention for moving to a more liberal market policy. For instance, the milk quota system will be abolished allowing aggressively producing countries, like Ireland, The Netherlands and Denmark, but also Austria to increase the national milk volume. Ireland predicts to double volume till 2020. Favourable milk prices in 2013 and 2014 stimulate this trend further (average price in May 2014 in Europe was euro 38,41; variation from euro 42,45 of company Hameenlinnen , Finland, to euro 38,41 of Lactalis, France). Eastern Europe, with exception of Poland, stays behind in this trend. This development may also put an upward pressure on land prices. In The Netherlands 2/3th of land area is occupied by the dairy sector. Prices till euro 70.000,- per ha are paid for good agricultural land. Environmental rules will be the barriers for expansion.

In The Netherlands, flowers, greenhouse and dairy products are the main expert products. The new CAP policies also include a shift of agricultural subsidies from product to land linked payments. Subsidies are linked to maintaining sustainable land and landscape, like greening.

Marketing focus is more and more towards the far East. Several companies succeed to get business with China. Wageningen University and Research together with the largest Dutch milk company started an intensive cooperation with China with goal to improve the quality of milk. But it is also notable that Fonterra, the big dairy company from New Zealand, presently builds a dairy factory in the dairy state of Friesland, The Netherlands, penetrating in this area.

Grain farming is also in good shape, while poultry farming does experience low prices. The competition in the glass house sector is very heavy leading to bankruptcy of several firms.

In research financing is affected by the demolishment of the Product Boards by the government. These Boards collect budget by levies on products and animals for promotion purposes, applied research and animal health care programs. New ways of financing need to be found. The concept of producer organisations, as stimulated by the EU will be utilized to establish new structures to continue some of the tasks of the present Product Boards.

COUNTRY REPORT FROM DENMARK – July 2014

By Brian H. Jacobsen, IFMA Council Member for Scandinavia
Department of Food and Resource Economics (IFRO), University of Copenhagen, Denmark

Weather and price

The 2014 harvest has just begun - 2 weeks earlier than normal. The 2013 harvest was relative good and the prices acceptable although not at 2012 levels.

The dairy farmers are doing well and they will exceed the national milk quota in 2013-14 in order to be ready for 2015 when the quota is removed. Total EU production is under the quota. Denmark will together with e.g. The Netherlands be some of the few EU countries which expect to produce more milk towards 2020. Danish forecasts say an increase in production of 10-20% as e.g. the sales in China are doing well. Milk price is currently around 0,4€ per litre.

Income

The incomes on dairy farms are expected to be better in 2014 than in 2012 and 2013 mainly due to higher prices. The income in pig production is expected to be better in 2014 compared to 1013, but still not at the 2012 level. Many piglets are still exported to Germany as the prices are higher due to lower cost in German slaughter houses. Arable farmers had a lower income in 2013 than in 2012 and the income in 2014 is expected to be below 2013. Land prices are on the way up and 30,000 €/ha is the highest level for the region selling sugar beet.

CAP reforms

The new CAP reform coming next year will decrease the subsidy for many farms. Discussions in DK are still going on how much support should be moved to the second pillar (environment). The environmental set-a-side will be 5% of the total area in rotation and there will be a requirement of having three different crops on most farms (>30 ha).

Environmental regulation

Many Danish farmers think that the environmental regulation with respect to water quality, ammonia, biodiversity is too strict. The implementation of the Water Framework Directive is going on and the government new focus on jobs have lifted the regulation a little (fewer riparian zones and areas with catch crops). A new target for ammonia emission in 2020 is being negotiated, but it is the hope that the production can be expanded even if the ammonia requirements are met. A new levy on pesticide use hopes to shift the consumption towards more environmental friendly types of pesticides.

Energy

The new energy deal from 2012 has given some biogas plants, but fewer than hoped. The decrease in livestock intensity in some regions has reduced the interest in biogas and the plants for upgrading to the natural gas grid has only just begun with 1-2- plants being built. The use of wood pellets has replaced straw in many central power plants, but initiatives to use straw for 2nd generation bio ethanol are on its way.

COUNTRY REPORT FOR KENYA – July 2014

By Philip Nyangweso (Kenya) – IFMA Council Member for East Africa

Introduction

This year's farm and agribusiness activities followed the outcome of a hotly contested Kenyan general election which put in power the Jubilee Government. The economic outlook has been bright with Economic growth estimated at 4.9% in 2013 and projected to accelerate to 5.7% in 2014. The country witnessed drastic currency depreciation and rapid inflation in 2011, showed stability for both indicators in 2012 and 2013 with inflation dropping to a single digit. This stability is expected to continue in 2014. Kenya is integrated into a number of global value chains – e.g. floriculture, textiles, leather, manufacturing, tea, coffee and tourism.

Weather: The weather in the main grain basket of Kenya has been relatively favorable this year just like it was in 2013. Even though there was delayed onset of the rains, when they came they have consistently pounded across high potential areas. Harvests of major cereals are therefore expected to be high this year and thus result in lowering of cereal prices. With consistent supply of rains most rain fed exportable agricultural commodities such as tea, coffee, vegetables and cut flowers will be expected to perform strongly and contribute substantially to the value of the economy. The same strong performance is expected in the livestock sector.

Production Inputs: Inputs account for a huge chunk of the cost of production in Kenya. Unfortunately, the cost of inputs has continued to escalate every year denying poor farmers an opportunity to access quality inputs. The Kenyan government has attempted to provide subsidized fertilizer to maize farmers for the last two years to improve access to fertilizer and stabilize the production of a staple crop. However, the subsidy sometimes arrives too late or in inadequate quantities. Unfortunately, majority of the producers of other commodities have to continue to face the brunt of high prices of fertilizer, seed, machinery and fuel.

Markets: The cereal crops of 2013 were sold at relatively good prices since the market was not saturated with imports and the carryovers from 2012 were not substantial. Prices for the 2014 production are expected to be lower since production is likely to- increase due to the favorable weather and early arrival of fertilizer subsidies in 2014. While market outlook for tea and coffee look bright, uncertainties for horticultural commodities exportable to Europe are emerging due to new requirements for accessing the European markets.

Farmers: More than 60 percent of farmers in Kenya are smallholders holding an average land size of 2.5 hectares and account for over 75 percent of the total production. For the past two years Kenyan cereal farmers have enjoyed reasonable prices for what they offloaded to the market. Despite the turbulence in the global markets, producers of tea, coffee and horticultural crops continued to reap good profits from their production. Farmers need to form strong lobby groups that can inform policy formulation to ensure that their interests are considered at the highest level possible.

Land: Land continues to be a very emotive issue in Kenya and policy formulation is faced with a lot of challenges. Land prices in Kenya have continued to rise every year. In Kenya everybody strives to own a piece of land even when it is not for productive purposes. The drive to own land for speculative purposes has driven a lot of Kenyans into destitutes and created a few billionaires. This has resulted in a lot of land being kept idle by absentee landlords when a lot of Kenyans are denied opportunities to exploit the land resource.

Access to credit: Most commercial credit institutions are unwilling to grant credit to farmers because they consider them risky customers. A number of microfinance institutions have mushroomed to try and address the needs of farmers and provide security for loans through group guarantees with a lot of success. Through this approach a lot of agribusiness enterprises have been supported. The government has used the Agricultural Finance Cooperation to ease access to credit by farmers. Some insurance companies have also taken up agricultural risks and stabilized the sustainability of agricultural enterprises thus improving access to credit by farmers. However, this applies only to a small proportion of the farm sector.

The Future of Kenyan Agriculture: The future of Kenyan agriculture is bright. More dynamic policy support backed with enough funding will create a versatile agricultural sector. However, the sector must inbuilt mechanism for borrowing from experiences from the rest of the world and responding quickly to global occurrences in ways that are beneficial to Kenyans.

Regional Report

After successfully holding its 8th AFMA Congress in Nairobi, Kenya in 2012, African Farm Management Association is poised to hold its 9th Biennial Congress from 16-20 November, 2014 at the Southern Sun Cape Sun Hotel in Cape Town South Africa. The Theme of the Congress is "***Transforming African Agriculture: From Production to Markets and beyond***". The Congress has elicited papers from across Africa, Europe, and Asia. It will present another opportunity for producers, managers, consultants, researchers, academia, policy-makers, agro-dealers, farming and marketing organizations and agribusiness companies associated with agriculture, horticulture, livestock and rural enterprise to share knowledge and experiences. AFMA President, Prof. Philip Nyangweso in close consultation with his vice president Mr. Mfusi Mjonono who is the chairman of the local organizing committee has assembled a strong team that promises to deliver another successful AFMA9 Congress. Apart from Conferencing Cape Town is host to many touristic sites that you wouldn't want to miss.

.

SOUTH AFRICA COUNTRY REPORT – JULY 2014

By Frikkie Maré – IFMA Council Member for Southern Africa

Economy

- Economic growth (Gross Domestic Product) is currently relative weak at 1.6% (Year-on-Year) for the first quarter of 2014.
- On the other hand is the inflation rate (Consumer Price Index) currently at 6.6% (Year-on-Year) and above the target of between 3% and 6%.
- The increase in inflation cause the interest to increase and currently the prime lending rate is 9.25% after staying constant at 8.5% since July 2012.
- The Rand is currently weak against the US Dollar and the Euro if compared to the previous two years. A Dollar currently cost about R10.72 while a Euro is worth R14.61.
- Unemployment increased and is currently 25.5% (Strict Definition), the highest since 2008. The largest increases in unemployment occurred in the agricultural and manufacturing industries.

Politics

- After the National Elections was won by the ANC under President Jacob Zuma in May this year, the political situation is more stable than before the elections.
- Land reform is currently a hot debated topic in parliament with different views and opinions on the subject. The uncertainty about the route land reform will follow is a big concern for commercial farmers.

Weather

- 2013 was a very dry year with serious droughts in certain areas.
- At the end of 2013 beginning of 2014 most of the summer rain areas received good rains.
- The summer rains from the previous season was not enough to build sufficient ground water reserves and we are hoping for early spring rains.
- Currently we are in winter with the larger part of the winter rainfall area receiving sufficient rain, but some parts have not yet receive anything.

Markets

- The drought of 2013 had influence different commodities in different ways.
- Maize reached all time high prices while the price of beef remained low in 2013, due to the low supply of maize but high supply of beef.
- In order to summarise the markets for different agricultural products for the first and second quarter of 2014 and compare it with the second quarter of 2013 I include a series of tables which indicates the change in prices.

Quarterly market overview for selected agricultural products

The price data for selected agricultural products for the second quarter of 2013 and the first and second quarters of 2014 are presented in the tables below. For each product the average monthly price, for the months in the quarter, as well as the average quarterly price is calculated. The percentage change in the last column of each table gives the change in the average quarterly price from the corresponding quarter to the second quarter of 2014. The overall price performance in the agricultural markets was very positive in the second quarter of 2014 if prices are compared with the same quarter of 2013. There were however quite large decreases in some prices from the first to the second quarter of 2014. The negative performance, quarter-on-quarter, is due to seasonality in the fruit and vegetable markets and in the grain, especially maize, market it is due to the large expected crop.

Livestock

Beef - Grade A2 - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R28.24	R28.04	R27.54	R27.94	19.5% *
Q1 2014	R29.82	R29.91	R32.52	R30.75	8.6% **
Q2 2014	R34.28	R33.24	R32.65	R33.39	

Lamb - Grade A2 - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R43.02	R43.97	R42.88	R43.29	7.0% *
Q1 2014	R49.04	R49.12	R47.33	R48.50	-4.5% **
Q2 2014	R46.68	R45.60	R46.73	R46.33	

Pork - Grade BO - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R17.63	R17.80	R17.79	R17.74	17.5% *
Q1 2014	R22.04	R21.89	R21.59	R21.84	-4.5% **
Q2 2014	R21.30	R21.06	R20.20	R20.85	

Skins (R/skin) & Feedlot Hides (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013: Dorper	R59.16	R65.21	R70.86	R65.08	21.6% *
Q2 2013: Merino	R84.00	R103.83	R100.19	R96.01	-20.8% *
Q2 2013: Hide	R13.54	R13.70	R13.93	R13.72	37.4% *
Q1 2014: Dorper	R79.75	R89.69	R84.15	R84.53	-6.4% **
Q1 2014: Merino	R113.68	R103.57	R92.07	R103.11	-26.3% **
Q1 2014: Hide	R16.64	R17.15	R17.73	R17.17	9.8% **
Q2 2014: Dorper	R79.97	R83.97	R73.42	R79.12	
Q2 2014: Merino	R82.53	R78.18	R67.33	R76.01	
Q2 2014: Hide	R18.81	R18.88	R18.84	R18.85	

Fiber

Wool - Market Indicator - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R102.40	R103.18	R110.31	R105.30	6.3% *
Q1 2014	R118.05	R116.39	R112.75	R115.73	-3.3% **
Q2 2014	R109.84	R112.94	R112.91	R111.90	

Mohair - Market Indicator - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R114.82	R118.46	R117.22	R116.83	41.7% *
Q1 2014		R132.13	R145.19	R138.66	19.4% **
Q2 2014	R154.34	R164.71	R177.44	R165.50	

Grain

Yellow Maize - Spot Market - (R/ton)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R2160.64	R2179.39	R2265.90	R2201.98	-2.3% *
Q1 2014	R3 165.04	R3 180.15	R3 233.33	R3 192.84	-32.6% **
Q2 2014	R2451.00	R2057.95	R1946.38	R2151.78	

Wheat - Spot Market - (R/ton)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R3376.05	R3475.35	R3560.75	R3470.71	12.1% *
Q1 2014	R3 778.26	R3 829.80	R4 037.06	R3 881.71	0.3% **
Q2 2014	R3932.23	R3952.36	R3791.95	R3892.18	

Oilseed

Soybean - Spot Market - (R/ton)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R4607.05	R4705.52	R5248.85	R4853.81	15.6% *
Q1 2014	R6 395.13	R6 593.60	R6 377.50	R6 455.41	-13.1% **
Q2 2014	R5690.14	R5501.27	R5643.38	R5611.60	

Sunflower - Spot Market - (R/ton)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R5229.18	R5278.26	R5494.90	R5334.11	-12.1% *
Q1 2014	R6 001.13	R5 535.95	R5 298.75	R5 611.94	-16.5% **
Q2 2014	R4797.27	R4639.59	R4628.48	R4688.45	

Fruit

Apples - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R5.92	R5.08	R4.78	R5.26	8.4% *
Q1 2014	R7.78	R8.43	R6.84	R7.68	-25.8% **
Q2 2014	R5.94	R5.68	R5.49	R5.70	

Bananas - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R4.57	R4.40	R3.88	R4.28	-11.0%*
Q1 2014	R3.90	R3.76	R4.18	R3.95	-3.5% **
Q2 2014	R4.47	R3.97	R3.00	R3.81	

Pears - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R5.06	R6.08	R5.55	**R5.56**	**-7.4% ***
Q1 2014	R7.82	R5.58	R5.01	**R6.14**	**-16.1% ****
Q2 2014	R5.20	R4.97	R5.28	**R5.15**	

Vegetables

Cabbage - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R7.51	R6.96	R7.28	**R7.25**	**13.9% ***
Q1 2014	R7.85	R8.03	R6.40	**R7.43**	**11.2% ****
Q2 2014	R8.90	R10.79	R5.10	**R8.26**	

Carrots - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R4.01	R3.19	R2.17	**R3.12**	**20.2% ***
Q1 2014	R4.45	R3.90	R4.57	**R4.31**	**-13.0% ****
Q2 2014	R5.12	R3.80	R2.31	**R3.75**	

Onions - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R4.54	R6.09	R5.34	**R5.32**	**-6.0% ***
Q1 2014	R3.02	R4.04	R4.45	**R3.84**	**30.2% ****
Q2 2014	R4.28	R5.27	R5.44	**R5.00**	

Potatoes - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R2.40	R2.51	R2.43	**R2.45**	**-3.7% ***
Q1 2014	R2.47	R2.71	R2.80	**R2.66**	**-11.3% ****
Q2 2014	R2.24	R2.49	R2.36	**R2.36**	

Tomatoes - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2013	R7.80	R6.45	R5.80	**R6.68**	**44.2% ***
Q1 2014	R9.42	R10.87	R11.25	**R10.51**	**-8.3% ****
Q2 2014	R11.57	R9.75	R7.56	**R9.63**	

*** Percentage change Year-on-Year from Q2 2013 to Q2 2014**
**** Percentage change Quarter-on-Quarter from Q1 2014 to Q2 2014**

COUNTRY REPORT FROM AUSTRALIA - June 2014

By Rob Napier - IFMA Vice President

AND

Don Cameron – IFMA Council Member for Australasia

- **Weather**
  After a hot dry summer, rains and warm soil temperatures in early autumn led to a magnificent pasture response in most of Southern Australia. The rains also gave an excellent start to the winter cropping season in these areas. Not so for large areas of North West New South Wales and Queensland where cropping and livestock enterprises have been under pressure from a prolonged dry period. Medium-term weather forecasts indicate a high probability of a dry spring across much of Eastern Australia.
- **Prices**
  Beef cattle numbers have fallen nationally largely due to drought in northern areas. Prices are generally firm except in drought-hit areas. Dairy prices are good. Lamb prices remain at historically high levels. Wool prices are steady with some concern about demand from Europe and China due to economic conditions. Cotton prices remain at satisfactory levels. Wheat prices are looking better than last year but as usual, much depends on Northern Hemisphere production. The live sheep and cattle trade to Asia and Middle Eastern countries continues at strong levels in spite of attempts by animal rights activists to shut it down.
- **Currency**
  The Australian dollar remains at a stubbornly high level in spite of numerous attempts to talk the currency down. The strong currency is largely due to our relatively attractive interest rates. The high currency levels over the last few years have created difficulties for exporters of agricultural products but have helped keep inflation at low levels.
- **Water**
  Major irrigation dam levels are generally satisfactory but at lower levels than this time last year. The long-awaited Murray Darling Basin Plan covering inland areas of Queensland, New South Wales, Victoria and South Australia is now operating with significant flows reserved for the environment. Government funds have been allocated to cap artesian bores and improve irrigation infrastructure on farms. At long last, water use efficiency in this the driest of continents, is receiving serious attention. However, given the climate change outlook and the need to respond to global food demands, much more will need to be done.
- **Energy**
  As in many parts of the western world, political enthusiasm for the production of green energy has waned. Consumer enthusiasm remains high with a huge expansion in the production of solar (and to some extent wind) energy as a response to rising energy costs. Australia is the world’s largest coal exporter so there is an ongoing ‘arm wrestle’ between competing interests.
- **Foreign investment in farmland and food processing**
  There continues to be strong interest by foreign investors in Australian farms, especially large farms. There is good evidence that top family farms outperform corporate farms due to their ‘lean and hungry’ approach to spending, their long term view of business and their flat

structure and responsive management. Food processing companies continue to fall into foreign hands the latest being the sale of Goodman Fielder (a grain processing business) sold to an Asian company and Peters Food Group sold to European firm R & R Ice Cream.

- **Farm Business structures**
  The recent droughts, floods, fires and increased volatility in markets have shown how vulnerable many Australian farm businesses have become. Assistance measures are often short term and fail to address the underlying structural problems of many businesses. As volatility is now one of the certainties of farm management, there is a need to build resilient business structures.
- **Genetically modified (GM) crops**
  A landmark court decision has just been made arising from a case in Western Australia between an organic farmer and a neighbouring GM canola grower. The organic grower lost his certification due to contamination and sued his neighbour. The judge ruled in favour of the GM grower as he was growing a lawful crop with normal harvesting methods. The publicity from both sides surrounding the case has highlighted the ongoing irrationality of the GM debate.

COUNTRY REPORT FROM NEW ZEALAND - JUNE 2014

By John Gardner – IFMA Council Member for New Zealand

The following is a brief report of the situation in New Zealand and its implications for the primary sector

General Election

On September 20 of this year there is a General Election. In New Zealand we have a Mixed member proportional arrangement similar to that in Germany. The importance of this is that it is inevitable that there will be a coalition government of some sort following the election. The current Government is a centre right drawing strong support from rural areas. If a centre left Government were to be elected measures such as a carbon tax would be introduced and greater environmental controls which would impact especially on the dairy industry

Economy

The economy grew at 3.8% in the year ended 31 March 2014. This by New Zealand standards is a high growth rate and is the 3rd highest in the OECD. The budget for 2014/15 forecast a surplus admittedly a small one but a surplus nevertheless. The strong growth rate & the government books being in good shape has led to the expectations of rising inflation. Consequently the central bank ,the Reserve Bank has in the last few months been raising the base interest rate termed the Official Cash Rate which is an important determinant of interest rates in the economy. This is now 3.25% having been increased by 25 basis points earlier this month. Further lifts in the OCR are expected this year. Associated with rising interest rates is an appreciating New Zealand dollar

The Primary Sector

In the summer/autumn there was a sustained dry period generally not as severe as in the 2012/13 except in the southern part of the North Island where it was more severe than in the previous year. As things stand at the moment the winter has been mild & feed is generally excellent. Many farms had excellent springs which led to substantial quantities of supplements being made of help where farms faced dry summers (dairying in particular).

Dairy farms received a record payout in 2013/14 of $8.40 per kgm of milksolids & for many production was a record. The demand for dairy products in the world markets & the associated high prices has resulted in increased milk production in the EU & the US. This has led to a forecast price for 2014/15 of $7.00 per kgm of milksolids which could move up or down as the season progresses. Volatility in dairy prices is now well accepted by dairy farmers. An interesting feature of dairying now is the extensive use made of Palm Kernel as a supplement.

Forest products (logs) have been selling at very high prices until a short time when due to a downturn in housing starts in China prices have fallen by about 30%. This situation will not be reversed any time soon.

The prospects for lamb look good due to diminished supply & strong overseas demand including growing demand from China. Likewise the outlook for beef is also seen as favourable

Surveys have shown most farmers/growers as viewing the future with strong optimism. This is so even among dairy farmers who face a reduced payout but at $7 it is high by historical standards.

Interest rates are expected to rise as the Reserve Bank lifts the OCR to counter inflation. This could also boost the Kiwi dollar & both may dampen confidence with the passage of time. The environmental challenges are ongoing particularly for dairying & centre around water & nitrogen in particular.

The Ministry of Primary Industries recently released its Situation & Outlook for the primary sector which provides a comprehensive analysis of prospects for farmers/growers for those interested.

