IFMA Council – Country Reports - August 2016

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Note: These country reports are prepared by individual Council Members and are from their own perspectives and experiences.

Other country reports may become available shortly and will be added to this document later. Newsletters will inform of any additions.

Compiled by Tony King on 16th September 2016.

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COUNTRY REPORT: ARGENTINA
August 2016

David Hughes

Political/Market Issues:

Good news for us! We have a new government, business friendly, and with strong respect for political and other institutions. That is, it will not interfere with the other government powers and will play by the rules. The new government does not have a majority in Congress, so needs to negotiate all new laws, which is good and a huge difference from the previous government.

Macri, our new president, an outsider to politics, put together a new political party just over 10 years ago; it was centered in Buenos Aires City where he was elected twice to be the city´s Major. Then last year he beat the Peronist party at the national level, in the Buenos Aires province, and kept the city of Buenos Aires. A huge change in politics for us!

For the ag sector it is a huge change, except for soybean, all other export taxes and export quotas were eliminated. Soybean beans had a 5% reduction on export taxes, so now it stands at 30%. Plus we had currency devaluation, with our peso going from 9.4 to 13 in December and currently at 15 pesos per USD.

The new government is working on fiscal responsibility, managing our economy with an inflation target of less than 10% in three years' time. Today it is standing at over 40% but is on the way down. Cost of capital stands at 35% p.a. in pesos and 6% p.a. in US dollars. It has issued a tax amnesty for argentines, closing on March 2017, with a 10% cost. Estimates go from 20 to 50 billion USD to be added to our economy.

Harvest is coming to a close, especially for corn. We have had an overall very wet fall/autumn. Personally excellent soybean yields, country wise it was much lower than expected, many lost acreages due to flooding and bad quality in beans due to late harvest. So, overall, Argentina will have a lower than expected soybean harvest. Corn harvest is slowly advancing; this is due to having 60% of the corn planted in a second planting window, which were decisions made on the post-election results.

Wheat planting is underway, country wise we are expecting a 20 to 25% increase. Corn acreage will probably increase 25 to 30%. This means soybean acreage will diminish, and yields will drop slightly.

Cattle prices are slowly improving. Argentina is expecting to be back as exporters soon. The dairy industry is in very bad shape, dairy farmers, and the industry are having bad times.

- Overall, unless a bad weather event, total grain production will increase, expecting to have an increase of 40 to 50% over the next 2 to 3 years. The new government's priority is infrastructure, so we expect better roads, and lower export costs.

COUNTRY REPORT: AUSTRALIA

August 2016

Don Cameron and Rob Napier

The continued dependence of Australian agriculture on world markets and the weather, while being subject to the vagaries of uncontrollable and often unexpected socio-political developments, has been evident in all our major rural industries in the past year.

Currently beef prices are at excellent levels, so for those with cattle to sell, it has been in general an excellent year, and prospects are good for the future. However, several years of severe drought, especially across the major northern production regions, have led to a depletion of the national herd and it is now officially in rebuilding phase, with record prices being paid for breeders and young growing stock as restocking occurs. The sharp dip in slaughter numbers after several years forced sales has led to rationalisation in the processing sector, with closure and reduced throughputs of numerous meatworks facilities.

Following the disastrous years-long impact on the northern industry of the brief cessation of the vital live export trade to Indonesia in 2011, the market has continued to suffer uncertainty as the two government s establish a new relationship, under new leadership, with the numerous non-agricultural issues at play impacting on what had been a stable but growing trade.

This year has seen widespread breaking or at least easing of drought conditions across the north, but for producers who were completely destocked, it would require significant new borrowing and five years of good seasons to return to normal production levels. Many older producers are questioning whether that would be justified, and a spike in numbers of family properties for sale is likely. A major change in ownership structure in the grazing industry is possible.

Despite the disappointing wet season across the Top End, land sales are at record high levels of both areas and prices paid per AE carrying capacity, with significant interest and activity from international buyers, especially China and Asia, seeking to purchase large corporately held aggregations. This generates substantial debate about adequacy of foreign investment policy both within rural circles and the wider community. Despite considerable angst and some xenophobia, and the recent blocking of sale to Chinese interests of the Kidman empire (once 3% of Australia’s total area, and the largest privately owned aggregation of property in the world), data show that British investors hold by far the largest proportion of all foreign owned land.

The sheep industry has enjoyed relatively good times. Prices for lamb and mutton, and for live export sheep, have been strong, and wool prices have improved in recent months, continuing a gradual trend since 2012.

The grains industry is in a generally strong position. Production increased by 50% in the period 2010 – 2015, with combined benefits of the end of the ‘millennium drought’ and industry deregulation allowing greater access to international markets. A very good winter crop is expected, albeit with the downside of market prices at 10 year lows, related to global oversupply. One obvious reaction is for farmers (and bulk handlers) to install extra storage capacity, but many are experiencing frustrating delays in delivery as demand soars.

COUNTRY REPORT: CANADA
August 2016

Heather Watson and Eric Micheels

Heather Watson's report:

Weather

Winter was abnormally warm in western Canada. We were in Edmonton, Alberta for a farm learning event in January and typically expect temperatures around -20C or -30C, however there was no snow and temperatures around the +4C mark – positively lovely! However, warmer winter temperatures leads to significantly less moisture from the thaw and has caused some farmers to f ace drought conditions, especially in Alberta and Ontario. Northern Alberta, as you may have heard, struggled with fighting massive forest fires from the dry conditions. Despite what their neighbours are facing, reports from Saskatchewan are good – farmers are expecting bumper crops in grains, oilseeds and pulses. And Manitoba, not surprisingly, faced excess moisture.

On the opposite side, we have had a very late spring and summer in the Central and Eastern Canada. The Atlantic Provinces have been particularly cool and windy.

The Canadian Agricultural Economy & Demographics

Agriculture and Agri-food generates $103.5 billion and accounts for 6.7% of Canada's GDP. The industry provides 1 in 8 jobs, employing over 2.1 million people.

Canada recently completed its 2016 Census – we look forward to seeing the results. We expect the number of farms to shrink, however farms in general to be getting either larger or smaller, and less young people farming.

Food accounts for just over 10% of total household spending; the lowest percentage compared to several OECD countries. February 9 marked Food Freedom Day in 2016; the day when the average Canadian has earned enough income to pay their annual grocery bill.

With a significant decrease in global oil prices, Alberta's oil patch has laid off a number of employees. This could be good news for farms country-wide who historically lose their workers to higher paying jobs in the oil patch. The trick will be to keep these workers if and when the energy sector rebounds. Governments in Alberta and Saskatchewan are cutting back on programming as a result of the decrease in oil's contribution to their economies.

The Canadian dollar has been trading historically low and continues to fall. This is good news for export-oriented industries such as beef, pork, grains and oilseeds.

Politics

Canada had a Federal election in October. Conservative leader Stephen Harper lost to the Liberal leader, Justin Trudeau. Justin is the son of our former Prime Minister Pierre Trudeau and has taken the helm with a majority government - a surprise to everyone. Most were expecting either a minority conservative or perhaps minority liberal government to surface. Speculation believes many non-Liberal voters voted Liberal to ensure the conservatives would not retain any power.

The former Harper government was characterized by reduced funding to the public and non-profit sector in favour of those groups relying on private-sector support, especially for agriculture and agri-food. The new Trudeau government is putting money back into research and the public sector. However, critics are looking at our climbing debt and wondering how we'll manage.

The liberal budget was posted in March of this year, projecting a $30 Billion deficit. And, the federal debt is only part of our overall debt. The combined federal-provincial debt is closer to 60 per cent of GDP, according to political columnist Andrew Coyne. And the provinces will bear the bulk of the costs, principally in the form of higher health-care spending due to the aging population.

Subsequent to the Federal elections, a new Minister of Agriculture was appointed: the Right Honourable Lawrence MacAulay. Minister MacAulay hails from Prince Edward Island and is a former potato farmer. He seems very down to earth and has made great strides in delegating authority throughout the Ministry (whereas the former Minister Ritz personally approved all spending leading to much inefficiency). However Minister Ritz is, for the second year in a row, the most lobbied cabinet Minister and is commended for his work in international trade including dismantling the Canadian Wheat Board (so that farmers could market their own grain products), disputing to get the WTO to rule against the U.S. for COOL (Country of Origin Labelling) for the beef sector, helping bring about the Canadian-European Union Trade Agreement (CETA), helping bring about the Trans-Pacific Partnership (TPP), and Bill C-52 involving freight and transport of agricultural goods in Canada, along with a handful of country-to-country trade agreements.

While the former Minister of Agriculture was focused on export markets above all else, we are not sure what the new Minister will bring. And, we are not sure what the results of Brexit will bring, especially what this means for the Canada-European Union (EU) Comprehensive Economic and Trade Agreement (CETA) and the Trans-Pacific Partnership (TPP).

Support for Supply Management remains strong.

Agricultural Policy and Programs

A new agricultural policy framework is set to come into effect April 1 2018. The Federal government has been asking for feedback from industry stakeholders on how to improve programming, and held a national discussion in Ottawa in June. The Federal-Provincial-Territorial Ministers met in mid-July to discuss the feedback received and establish priorities for the Next Policy Framework. These priorities will help shape policy and subsequently, programs.

Preliminary discussion has been around tweaking rather than completing changing government support and insurance programs. The sector is also demanding enhanced investment in agricultural research, a better link between business risk management and strategic management, improvements for inter-provincial domestic trade, investment into and review of regulatory bodies for food safety and animal health and welfare, addressing labour shortages and the temporary foreign workers' program, and investment into social license and ensuring farmers' rights to produce.

The Canadian Federation of Agriculture produced a document containing over 140 recommended policy changes for the government to consider – of course, the number of asks will be reduced as we settle priorities while approaching 2018.

While a number of industry groups including political parties have been seeking a national agricultural policy to provide a national strategy and framework for advancing the agriculture and agri-food sector in Canada, there has been no progress here since last reporting.

Challenges, Priorities and Opportunities

Promoting farm business management and increasing the adoption of beneficial management practices continues to be a challenge as many farmers feel farm management only applies to larger farms, while others do not have the time to dedicate to farm management and others do not see the value. Banks, lenders, and insurers continue to base farm liability on assets and equity rather than farm management practices such as having a written business plan. Commodity groups are taking an interest in providing farm business management education and training to their farmers.

And, farm business management is not on the Government's radar, at least at the level of senior officials.

In preparation for the Next Policy Framework, Farm Management Canada has created a document promoting the value of farm business management (using the results of the recent ground-breaking Dollars and Sense study), and the issues and opportunities for Canada's agricultural industry. This document has been endorsed by the Provincial/Territorial Ministry Representatives working in business development, and has been used for creating recommendations for the Next Policy Framework; the first draft of which was submitted to the Federal government in June

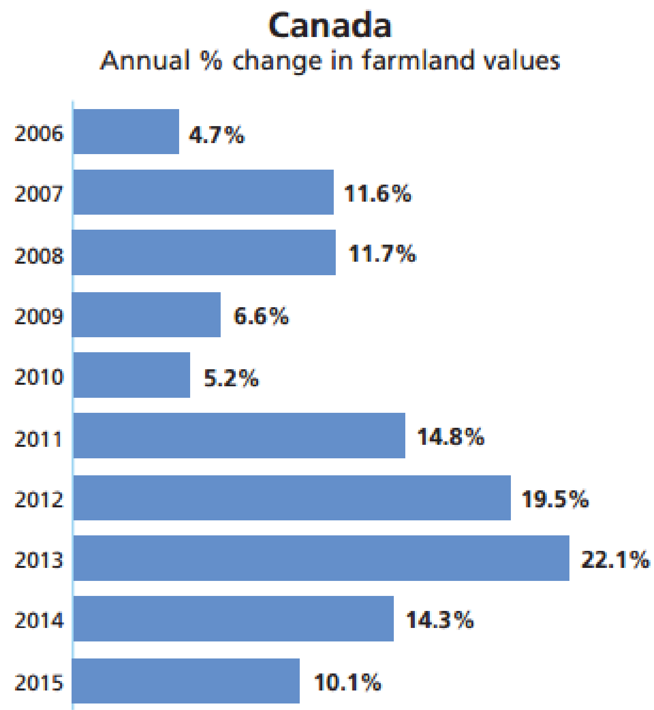
Apart from our concern for the lack of attention to farm business management, a critical struggle and concern for Canadian agriculture has been the increasing divide between farmers and consumers and the loss of understanding of and appreciation for agriculture – giving way to misconceptions from groups with louder, stronger voices. In Canada, we have seen the launch of License to Farm video making its way around the world. We also have organizations like Ag More Than Ever program to celebrate agriculture and communicate its benefits to the general public. And Farm and Food Care to communicate misconceptions and help provide media training to producers.

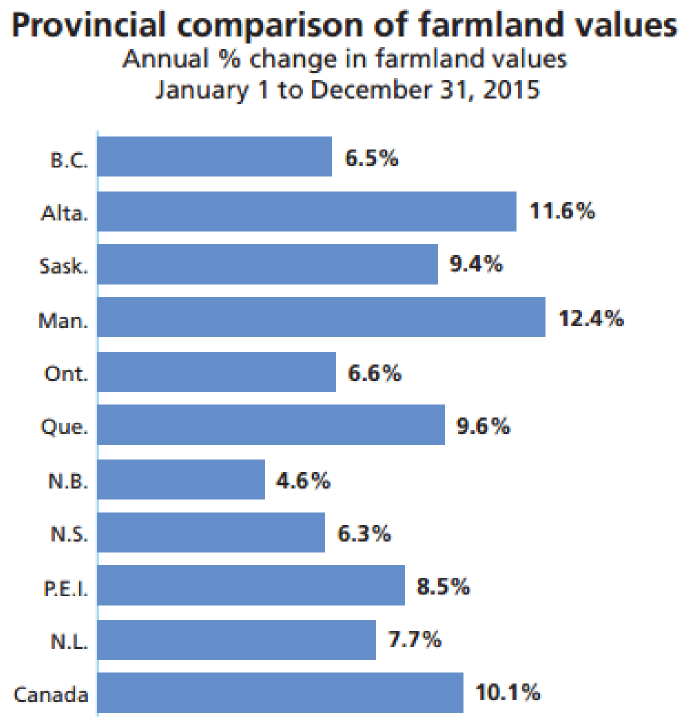
A major issue for Canadian agriculture is labour. A new report released in November notes the gap between on-farm labour demand and the supply of domestic employees willing to work in farming is 59,000. By 2025, the ag labour shortage could nearly double, growing to 114,000. Unfilled vacancies cost the primary ag industry $1.5 billion in lost sales in 2014, or 2.7 percent of the sector's total sales.

Filling some of these vacancies is the Temporary Foreign Workers (TFW) program, which is also under review after the Government set a 4-year limit to TFWs – those sectors that had kept TFWs in Canada for over 4 years had to send them home in April and recruit new employees.

Young farmers and new entrants continue to struggle with farm ownership pathways from farm transition or succession pathways with their parents, to the start-up capital required to get into farming, especially considering the rise in farmland values and the value and limited supply of quota available in the supply managed sector.

Farmland values continue to be a significant concern for Canada. The average increase in farmland values for 2015 is 10.1% for Canada, decreasing from 14% in 2015. The charts below show the year-over-year comparisons in Farmland Values.





Eric Micheel's Report:

Grains and Oilseeds

The spring seeding season started out as good as one could hope for across much of Western Canada. Favourable weather provided a good window to get crops in, and most farmers took advantage. Acres for lentils were much increased from last year, with over 5 million acres seeded in Saskatchewan. For comparison, farmers in Saskatchewan seeded over 12 million acres of wheat and almost 11 million acres of Canola. Soybean acres continue to increase in Canada. Much of the acreage for soybeans is in the provinces of Ontario and Quebec, but Manitoba just had another record number of soybean acres and genetic improvements are making it a profitable crop for farmers in parts of Saskatchewan as well. In 2016, Saskatchewan farmers seeded around 300,000 acres of soybeans – this number was approximately zero 10 years ago.

The increase in lentil acres was in response to relatively high prices over the past 20 months. However, lentils prefer hot and dry weather and that was not what was in store for much of the growing season in Western Canada. In Saskatchewan, we have had abundant rainfall while our friends in Ontario and Quebec have experienced excessive dryness. All the moisture has made for some good looking Canola and wheat crops. Farmers who grew lentils and were lucky enough to miss a few rains will have big yields and high prices – a nice mix that does not come around too often.

In the third week of August, farmers are beginning to prepare for harvest. Desiccant applications have begun for some crops and you can see a few acres of Canola and wheat swathed in preparation for combining in certain parts of Western Canada. The Saskatchewan Ministry of Agriculture predicts that yields for all crops (except for lentils and chickpeas) will be above the 5- and 10-year averages.

Livestock markets

The first annual Canadian Beef Industry Conference just concluded in Calgary, AB. Much of the discussion at the congress surrounded the concept of social license and what steps the agricultural industry needs to take to cultivate and maintain their social license to operate. This comes on the back of a fierce social media dust-up following a decision by Earl's (a Canadian chain restaurant) to source their beef from a Kansas supply chain instead of from Canadian producers. Following the outcry from politicians, farmers, and others, Earl's reversed their decision and now are looking to work with the industry to identify beef that meets their needs.

Overall, prices have fallen from their highs of 2014-2015, with some experts predicting further softening into the fall based on high cattle numbers.

Farmland

Farmland values in much of Canada continue to be on the rise. Overall, farmland values are up 10.1% according to Farm Credit Canada, with the largest increases coming in Alberta (11.6%), Manitoba (12.4%), Quebec (9.6%) and Saskatchewan (9.4%). The worry of foreign ownership has been an issue in many provinces in Canada, with several having severe restrictions on who can own farmland. Recently, Saskatchewan modified their Farmland Security Act again to prohibit Canadian corporations from owing farmland. Pension funds and other entities were able to purchase and own farmland in Saskatchewan in the past, but with this change ownership will be limited to Saskatchewan and Canadian residents who 'have an interest' in farming.

COUNTRY REPORT: DENMARK
August 2016

Brian H. Jacobsen, Department of Food and Resource Economics (IFRO), University of Copenhagen, Denmark

Environmental regulation

The new Food and Agricultural package from December 2015 has been the big talking point this spring. Farmers are allowed to apply more nitrogen than before in 2016 and in the harvest 2017 they can apply the economic optimum levels. In total the increased application will be around 25-30 kg N/ha. The Government have the challenge that the water quality has to be maintained and so other measures (voluntary) have to be implemented instead. The very up-heated discussion in February and March led to the resignation of the Minister for Environment and Agriculture as numbers presented were seen to exaggerate the environmental gains stating that the plan would have a positive effect on N-losses to coastal waters in all years onto 2021. The increase in nitrogen application is intended to give higher yields, but so far the yields are lower than the average yields for the last five years.

Weather and price

The harvest weather has not been easy this year as the farmers have had many showers in the harvest period.

The pork prices have increased in 2016 and so the gross margin is 50% higher in the summer 2016 compared to 2015. The cold weather might meant fewer chops on the barbeque due to bad weather this summer.

The dairy farmers are still not doing very well and a number of farms have gone bankrupt. The milk production is now only expected to increase by 0.5% in Denmark. Perhaps some will accept the proposed CAP package where farmers are paid to stop milk production. In total the increase in EU milk production has hit the EU farmers harder than they expected as the price is lower than anticipated. There are some signs that the milk production is no longer increasing and so the prices might start to increase from the August level of 25 € cent/litre. The organic milk production has increased due to demand and so have the prices so organic dairy farmers are not doing too badly. A growing number of Danish piglets are exported to Germany as the prices are higher due to lower cost in German slaughter houses.

Income

The incomes on all type of farms are forecasted to be relative low in 2016. The banks are still reluctant to lend out money to the agricultural sector. It is a challenge when more large farms are capital intensive.

COUNTRY REPORT: NEW ZEALAND August 2016

Tricia & Andy Macfarlane

Weather

Being a temperate island climate, our weather pattern is determined by sea temperatures, which in turn is dominated by El Nino/La Nina weather patterns.

The 15/16 season experienced a strong El Nino which resulted in persistent drought to East Coast regions but better grass growing conditions elsewhere.

East Coast dairying is driven by irrigation but sheep, beef and arable performance was drought affected.

Weather models are predicting a return to La Nina (more easterly wind dominated) later in 2016.

Output

Dairy livestock numbers reduced significantly as farmers destocked to increase their proportion of home grown feed (mainly pasture) and hence reduce costs.

Production, down 3% year on year, reduced by less than the decline in livestock numbers as some increased production per cow mitigated reduction in stocking rates.

Over three years, farmers have typically reduced costs by around 20%, but not all that reduction is sustainable long term.

An expectation of a further 3% reduction in dairy cow numbers for the season just commencing is more likely to see an equivalent drop on output, depending on weather variation.

Sheep output is also down as a result of lower stock numbers and drought. The reduction in sheep numbers has slowed as the dairy support (heifer grazing and cow wintering) sector shrinks.

Manufacturing beef output is slightly up from cull cow slaughtering but prime beef output (mainly to the USA) is reduced as production of English beef had less dairy cross beef supporting it. We expect a large increase in calves reared in spring 2016 (now) to replace dairy support and some sheep land use.

Deer (venison) livestock numbers commenced a recovery in January 2016, but output will be restricted for two years due to retention of females. Venison is exported to Europe, UK and the USA.

Horticulture output is the star this year, with kiwifruit and apple output and pricing very good. The recovery of the kiwifruit industry from the PSA (disease imported from Italy) crisis is staggering and down to good science in selecting disease resistant golden kiwifruit varieties. Science and market development has also led to new, popular apple variety production.

Arable: With grain and oil seed prices being low, New Zealand arable production has increasingly become dependent on pasture seed and vegetable seed reproduction, in which it is now world leading, due to its unique combination of climate, irrigation technology and management capability. The other two global seed producing areas are Oregon (USA) and Denmark, with small areas in Tasmania (to be seen at IFMA in 2019), and Chile.

Pricing

Being an export dominated economy, on farm prices in New Zealand are a mix of international prices and the exchange rate now. As most commodities are traded in USD, the NZD/USD exchange rate dominates pricing activity.

A weak USD, and more recently a weak GBP and Euro (Brexit concerns) and even pressure on the AUD, are putting pressure on NZ terms of trade, as our currency strengthens relative to our trading partners.

Continued weak dairy prices and sheep meat prices means very poor on farm profitability for most. Beef prices have remained stable.

European output of dairy is likely to be the largest factor impacting on global dairy prices. The impact of Brexit is yet to be seen, but will, at the least, create uncertainty.

Economy

As an export nation, New Zealand "imports" global economic conditions, but has to fight its own pathway.

Given extremely poor global demand growth, and QE (quantitative easing or printing money!) in almost all OECD nations except New Zealand, the NZ economy is proving very resilient.

A stable economy, stable government and good health and safety optics are making New Zealand relatively popular to invest in, or visit.

The combination of the above factors is keeping the NZ currency above its natural level, which is a big negative for the export sector.

The Transpacific Trade Partnership is an important move towards free trade in the Pacific and a move that Barack Obama is championing, as the USA benefits from the agreement, which balances China's trade power. Both Trump and Clinton are very negative to the agreement (taking a protectionist, political stance), so in all probability, it needs to be passed before November.

NZ dairy would only be a minor beneficiary from TPP but NZ beef access to Asia would be a greater winner.

Other Disruptive Factors

A continuing drive for minimization of environmental impacts, increased attention to animal welfare needs, and renewed attention to climate change leadership are all focusing attention on non financial bottom lines.

No payments are available to producers in NZ for meeting any social objectives. Any carbon tax on primary production would be a massive cost for producers, as roughly half of our greenhouse gases come from animals, given we have a small industrial sector and almost exclusively use renewable energy already (hydro, wind, geothermal).

All the above factors are driving farmers to think of their farm businesses in a holistic fashion, which can be difficult in a tough economic environment.

Marketing Structures

New Zealand is heavily debating the best form of marketing structure for our primary production! Fonterra, as our largest co-op, faces heavy competition from multiple private companies, some of whom have significant Chinese ownership.

Our largest meat co-op is selling a 50% share to a large Chinese company.

Despite attention on Chinese ownership, British, European and Americans are much larger owners of New Zealand land than the Chinese. It is more difficult for offshore ownership of land to be approved in New Zealand than Australia.

Confidence in the Future

Despite the current downturn, confidence in farming and food business remains good and we have record agricultural degree enrolments. Increasingly, degree graduates are running farm businesses, a reflection of the complexity of running a large scale family business.

A further year of low dairy prices (the current projection is $4.25/kg or US$22/100kg FCM) will start to severely dent confidence in medium term growth.

COUNTRY / REGIONAL REPORT: WEST AND CENTRAL AFRICA 2016

Dr. Grace Evbuomwan (Nigeria)

NIGERIA

In the first quarter of 2016, Nigeria's gross domestic product (GDP) was reported by the National Bureau of Statistics (NBS) to have declined by 0.36 per cent (year-on-year) in real terms. The Nigerian economy could be better understood according to the oil and non-oil sector classifications.

In the first quarter of 2016, oil production stood at 2.11 million barrels per day (mbpd), 0.05 mbpd lower from production in quarter four of 2015. Oil production was also lower relative to the corresponding quarter in 2015 by 0.07 mbpd when output was recorded at 2.18 mbpd. As a result, real growth of the oil sector slowed by 1.89 per cent (year-on-year) in the first quarter of 2016. As a share of the economy, the oil sector contributed 10.29 per cent of total real GDP.

The non-oil sector on the other hand slowed 0.18 per cent in real terms in quarter one of 2016 and it contributed 89.71 per cent to the nation's GDP in real terms. While activities such as crop production, trade and telecommunications & information services supported growth of the non-oil sector, growth was weighed upon by declines in manufacturing, financial institutions, and real estate.

In specific terms, the agricultural sector grew by 3.09 per cent in the first quarter of 2016, and contributed 20.48 per cent to Nigeria's total GDP in the first quarter of 2016, thus, outperforming the industrial and services sectors of the economy which grew by -5.49 and 0.80 per cent respectively in the period under review. Consequently, the Nigerian government is making every effort to diversify the economy through agriculture in the face of dwindling oil revenue.

To this end, the Central Bank of Nigeria (CBN) and the Bank of Agriculture are facilitating loans to farmers at single digit interest rate under the anchor borrowers' programme among several other programmes being put in place to develop the agricultural sector. Crops such as rice and wheat which has been accounting for significant proportion of Nigeria's food import bill are emphasised under the programme. For instance, the CBN has registered 70,871 farmers in Kebbi state for the anchor borrowers' programme and they have begun the cultivation of farmlands for large scale production of rice and wheat. According to the CBN governor, the farming programme had created 500,000 jobs nationwide.

In the bid to attract foreign investors to the agricultural sector of the Nigerian economy which is the preferred sector now, government has put in place various fiscal incentives and other economic incentives. Substantial land is still available for agricultural activities in Nigeria and there are so many mouths to feed. Good returns on investment are assured.

CENTRAL AFRICA

Central Africa is a vast territory with a population of about 130 million. Although many Central African countries have lived in the shadow of West, East, and Southern Africa, the region does present some interesting opportunities for the patient investor with an appetite for risk.

In Cameroon for instance, agriculture represents a major business opportunity. The country's full potential in this sector is yet to be realised. Cameroon is Africa's fourth-largest grower of cocoa. In 2015, 232,500 tonnes of cocoa was produced and the government has ambitious plans to raise output to 600,000 tonnes by 2020. Substantial investment is therefore needed in this sector.

This same applies to the Central African Republic (CAR), which has comparative advantage in the production of timber and cotton.

COUNTRY REPORT: SOUTH AFRICA August 2016

Frikkie Maré

Economy

- Economic growth (Gross Domestic Product) is remains under pressure and has decreased with 0.2% (Year-on-Year) for the first quarter of 2016.
- The inflation rate (Consumer Price Index) is currently at around 6.3% (Year-on-Year) and thus above the target of between 3% and 6%.
- The Rand remains weak against the major currencies and an US Dollar, Euro and British Pound cost respectively R14.66, R16.41 and R 19.43. Although Brexit caused the Rand to strengthen against some of the major currencies, the trust in SA markets from foreign investors is low due to the bad decisions of government.
- Although economic growth is very low (and even negative) the Monetary Policy Committee decided to increase interest rates gradually due to the too high inflation rates and to protect the Rand against foreign currency. The prime lending rate in SA is currently on 10.5%.

Politics

- Although the economic situation is relative stable it seems as if the peoples trust in the President and the ANC (ruling political party) is declining. This could been seen from the recent municipal elections where the DA (opposition party) was able to win over some formerly ANC ruled municipalities.
- Land reform remains a hot debated topic in parliament and there is still no clear route that will be followed in the future.

Weather

- 2015 was the driest year in South African since 1904 (the year in which the SA Weather Service started to record data).
- The drought has had devastating effects on the farmers in South African with a very small summer crop (maize, soybeans and sunflower seeds) harvested. The cattle and sheep farmers were also hit hard and emergency slaughtering of animals, due to the drought, caused the national beef and sheep herd to decline with more than 15%.

Markets

- The price data for selected agricultural products for second quarter of 2015 and the first and second quarters of 2016 are presented in the tables. 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 2016. On a year-to-year basis the overall price performance in the livestock markets was positive in the second quarter of 2016 with increases in all meat prices. The year-on-year price comparison for wool and mohair was very good with the indicators of these commodities increasing with 20.2 % and 26.3% respectively. The grain and oilseeds markets also performed exceptionally well, especially the prices of yellow maize and soybeans that increased respectively with 41.5% and 45.6%. The influence of the drought on the fruit and vegetable markets can still been seen with the large year-on-year price increases of especially vegetables.

See Charts below:

Livestock

Beef - Grade A2 - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R34.50	R34.30	R34.79	**R34.53**	**11.1%***
Q1 2016	R35.54	R37.94	R39.04	**R37.51**	**2.3%****
Q2 2016	R38.69	R38.51	R37.89	**R38.37**	

Lamb - Grade A2 - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R52.72	R54.27	R53.10	**R53.36**	**4.9%***
Q1 2016	R55.71	R61.02	R56.16	**R57.63**	**-2.9%****
Q2 2016	R53.56	R56.89	R57.44	**R55.96**	

Pork - Grade BO - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R23.66	R23.59	R23.26	**R23.50**	2.1%*
Q1 2016	R23.05	R23.27	R24.15	**R23.49**	2.2%**
Q2 2016	R24.21	R24.21	R23.60	**R24.00**	

Skins (R/skin) & Feedlot Hides (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015: Dorper	R98.60	R96.00	R98.00	**R97.53**	-41.0%*
Q2 2015: Merino	R71.67	R67.40	R67.75	**R68.94**	33.6%*
Q2 2015: Hide	R18.33	R18.38	R18.23	**R18.31**	-18.4%*
Q1 2016: Dorper	R81.56	R69.87	R63.81	**R71.77**	-19.8%**
Q1 2016: Merino	R84.73	R94.06	R89.43	**R89.41**	3.0%**
Q1 2016: Hide	R13.30	R13.60	R14.20	**R13.70**	9.1%**
Q2 2016: Dorper	R61.34	R56.65	R54.65	**R57.54**	
Q2 2016: Merino	R91.13	R90.72	R94.51	**R92.12**	
Q2 2016: Hide	R14.55	R14.93	R15.34	**R14.94**	

Fiber

Wool - Market Indicator - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R116.89	R132.90	R141.20	**R130.33**	**20.2%***
Q1 2016	R160.42	R154.77	R154.92	**R156.70**	**0.0%****
Q2 2016	R150.62	R163.06	R156.44	**R156.70**	

Mohair - Market Indicator - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R188.28	R190.46	R194.23	**R190.99**	**26.3%***
Q1 2016	R	R254.20	R255.94	**R255.07**	**-5.4%****
Q2 2016	R240.15	R246.92	R236.51	**R241.19**	

Grain

Yellow Maize - Spot Market - (R/ton)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R2 372	R2 386	R2 471	**R2 410**	**41.5%***
Q1 2016	R3 876	R3 717	R3 289	**R3 627**	**-6.0%****
Q2 2016	R3 112	R3 455	R3 667	**R3 411**	

Wheat - Spot Market - (R/ton)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R3 802	R3 819	R3 874	**R3 831**	**25.0%***
Q1 2016	R4 892	R4 661	R4 622	**R4 725**	**1.3%****
Q2 2016	R4 576	R4 967	R4 818	**R4 787**	

Oilseed

Soybean - Spot Market - (R/ton)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R4 723	R4 668	R4 806	**R4 732**	**45.6%***
Q1 2016	R7 015	R6 732	R6 238	**R6 662**	**3.4%****
Q2 2016	R6 012	R6 923	R7 737	**R6 890**	

Sunflower - Spot Market - (R/ton)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R4 827	R4 869	R5 262	**R4 986**	**30.4%***
Q1 2016	R7 346	R7 790	R7 446	**R7 527**	**-13.6%****
Q2 2016	R6 488	R6 502	R6 508	**R6 500**	

Fruit

Apples - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R5.97	R5.37	R5.31	**R5.55**	12.1%*
Q1 2016	R7.40	R8.13	R7.74	**R7.76**	-19.8%**
Q2 2016	R6.73	R6.13	R5.79	**R6.22**	

Bananas - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R5.00	R4.92	R4.40	**R4.77**	11.5%*
Q1 2016	R3.99	R5.39	R6.31	**R5.23**	1.7%**
Q2 2016	R5.24	R5.10	R5.63	**R5.32**	

Pears - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R5.35	R5.66	R5.45	**R5.49**	11.3%*
Q1 2016	R8.73	R7.29	R6.01	**R7.34**	-16.8%**
Q2 2016	R5.68	R6.51	R6.15	**R6.11**	

Vegetables

Cabbage - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R4.64	R4.18	R4.28	**R4.37**	31.8%*
Q1 2016	R10.36	R10.90	R10.20	**R10.49**	-45.1%**
Q2 2016	R7.10	R5.53	R4.65	**R5.76**	

Carrots - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R2.92	R2.21	R1.67	**R2.28**	71.5%*
Q1 2016	R2.59	R3.04	R4.95	**R3.53**	10.8%**
Q2 2016	R4.75	R4.15	R2.85	**R3.91**	

Onions - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R3.15	R3.75	R3.47	**R3.46**	66.5%*
Q1 2016	R4.07	R4.49	R5.31	**R4.62**	24.7%**
Q2 2016	R5.71	R4.86	R6.70	**R5.76**	

Potatoes - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R2.30	R2.07	R1.98	**R2.12**	67.0%*
Q1 2016	R4.31	R4.53	R4.92	**R4.59**	-22.9%**
Q2 2016	R3.81	R3.22	R3.60	**R3.54**	

Tomatoes - All Grades and Volumes - (R/kg)					
	Jan/Apr	Feb/May	Mar/Jun	Average	Change
Q2 2015	R9.01	R6.91	R6.57	**R7.50**	-0.7%*
Q1 2016	R14.50	R8.40	R7.95	**R10.28**	-27.5%**
Q2 2016	R7.81	R7.46	R7.09	**R7.45**	

*** Percentage change Year-on-Year from Q2 2015 to Q2 2016**
**** Percentage change Quarter-on-Quarter from Q1 2016 to Q2 2016**

COUNTRY REPORT: U.K.
August 2016

Tim Brigstocke

The UK Position

- The country was shocked and genuinely surprised by the Brexit vote. Quite what this means for British agriculture remains very unclear.
- The Government has announced that all structural and investment fund projects, including agri-environment schemes signed before the Autumn statement, will be fully funded, even when such projects continue beyond the UK's departure from the EU. It has also guaranteed that the current level of agricultural funding under the CAP Pillar One will be upheld until 2020.
- Reports from Germany suggest that the proposed Transatlantic Trade & Investment Partnership between the EU and US has collapsed.
- Figures up to 2013 show that the UK's carbon footprint rose by 3% compared to 2012 but was 19% lower than the peak of 2007 while the carbon dioxide footprint rose by 2%.
- The 2016 Farm Practice Survey has revealed that 9% of farms consider it very important to consider greenhouse gas emissions when making decisions relating to land, crops and livestock while a further 39% regard it as fairly important. Overall 57% were endeavouring to reduce emissions with larger farms more likely to take action than small farms.
- Cattle and sheep prices remain very volatile. Typical cattle average of 188p/kg LW being about average with lamb prices around 180p/kg (£1.80/kg).
- Dairy cow prices remained buoyant at around £1000 per head.
- Average UK milk price for July showed the first improvement since February 2014 with an average of 20.57p/litre, 2.97p lower than a year earlier. The UK is 13th in the Euro Farmgate milk price ranking.
- Stocks of UK wheat at the end of June were 34% higher than a year earlier at 2.7 million tonnes whilst barley and oats stocks were down (2.2 and 20% respectively).
- The June survey of agriculture has revealed that the 2016 area of wheat to be almost unchanged at 1.7 million hectares but the June cereal price index fell 5.6% compared to a year previously. The potato price index rose by 51% and the fresh fruit index fell by 3.9%.
- The price index for all animals and animal products fell in June by 7.9% compared to a year earlier.
- Milk production in July fell by 3.8% compared to June and by 8.3% compared to a year earlier at 1162 million litres.
- Egg packing stations packed 7.2 million cases of eggs in the second quarter of 2016, an increase of 4.5% on the same period in 2015.
- In the 11 months to May exports of UK wheat totalled 2.57 million tonnes the highest for 5 years while barley exports reached 1.89 million tonnes, the highest for over 10 years.

COUNTRY REPORT: U.S.A
August 2016

Damona Doye & Jay Smith

Damona Doye's Report:

Farm financial stress

Farm financial stress continues to be in the news, with the level of hand-wringing depending on the area of the country, and highly associated with that, the dominant commodity in the region. Concerns about the potential for an agricultural crisis similar to the 1980s are frequently raised, but the consensus among educators and analysts is that we aren't likely to have a similar outcome in the near future unless conditions worsen dramatically. The highest levels of stress are in the Cornbelt region where land values and cash rents increased the most and where cash rents have been slow to come down compared to commodity prices. My counterparts there note loss projections of more than $100 per acre are not uncommon and that there have even been instances of land sales to make rent payments. In Oklahoma, we had a good wheat crop for a change but low prices meant revenues weren't up. Projections of continued low wheat prices may lead to an increase of canola acreage in Oklahoma.

Livestock producers are starting to feel the grain producer's pain as cattle and beef prices have dropped dramatically this past year, and much more quickly than livestock outlook specialists had predicted. In Oklahoma, the producers most affected are ones who bought significant numbers of breeding females at peak high prices a year or two ago and are now having difficulty making the loan payments with calf prices more than $100 per hundredweight off peak prices.

Financial markets

With weak profits in grain and beef sectors, the demand for operating loans has been increasing and loan performance has been declining. The farm sector debt level has been increasing gradually, along with loans past due and loan charge-offs. But, agricultural lenders are in good financial shape and returns within agricultural lending institutions have been good.

We keep expecting that federal interest rates will start to increase (note that I had this same note in my report last year and possibly the year before). However, malaise in the general economy has kept the Federal Reserve Bank from implementing planned increases. Interest rates on agricultural operating loans have increased, and are at their highest level since 2013.

Land values

Land values decreased in many states this past year, particularly those in the Midwest and Plains states, in conjunction with expectations of lower returns to the commodities typically grown there. For the U.S., average farm real estate value declined by -0.3 percent, driven by decreases in cropland prices. At the national level, pasture values held steady; in Oklahoma, they have continued to go up a bit.

Other

Local foods, farm sustainability and related topics continue to command a lot of interest in the press and within the current government. Though not well defined in many instances, a vocal segment of consumers and advocates continue to push national food and restaurant chains to expand offerings or plan to change ingredients long term.

“Big data” continues to be a topic of interest at agricultural economics professional meetings. While it often focuses on precision ag and site-specific technology, opportunities to link weather data, government data and other similar sources are being explored.

In Oklahoma, a state ballot initiative (SQ77) modeled after similar legislation in several other states will be on the November ballot to guarantee rights to engage in farming and ranching, specifically, the right to make use of agricultural technology, the right to make use of livestock procedures, and the right to make use of ranching practices. Called “right to farm” by advocates and “right to harm” by opponents, legal experts are uncertain of the impact it might have as court cases would likely be needed to settle the interpretation.

In Oklahoma, low oil/gas prices have led to substantial state economic stress. Budget decisions during the recent legislative session were based on an anticipated $1 billion dollar shortfall. Large cuts were made across the board and OSU is expected to operate on approximately 16% less funding from the state this year, which is challenging, particularly on top of smaller cuts the previous year. The silver lining with low oil/gas prices is that it has slowed oil exploration and related injection of waste water, leading to fewer earthquakes in Oklahoma this year.

Though I hesitate to bring up the pending election, I decided that I’d be negligent if I didn’t at least mention it… Certainly the results could have significant impacts on government policy, trade and more. As we are expected to be neutral politically in our jobs, I’ll leave it at that…

Jay Lee Smith’s Report:

On our Farm in Summitville, Indiana USA we started out with near perfect soil moisture conditions for planting and finished planting our 3049.8 acres in record time. We started planting with Sweet Corn for family, friends and neighbors consumption on March 23, 2016. And then we planted the balance of our Yellow Dent Corn and Soybeans in record time ending on April 25. The soil planted as perfect as I have ever planted in my 51 years of planting. The corn and soybeans emerged with excellent stands, it appears that our harvest population of corn will be 33,000 ears per acre. Our soybeans were planted with a planter and the spacing is near equidistant.

Corn and Soybean Estimated Yields as of August 15 for Our Farms:

Personally I am in a 5 week drought in Central Indiana. We had excellent potential at 250 bu. + bu. /acre until the rain stopped. We received 0.5 inch August 10 and that will help some. We still need immediately 2-3 inches of rain to put weight in the corn and to make the Soybeans. August is the most critical month for water for the soybeans. Should we receive 2-3 inches of water soon we should have 170 – 180 bushels of corn per acre or 11.37 tons/hectare, and 60 to 65 bushels of soybeans per acre, or 4.37 tons/hectare. If Mother Nature would kiss the soybeans now and on to harvest we could harvest a yield of 70+ bushels per acre or 4.71 tons/hectare. Our total farm acreage yield records are 242 bu./a or 15.2 tons/hectare for corn and 71.2 bushels per acre for soybeans or 4.79 tons/hectare.

National Corn and Soybean Estimated Yield as of August 1:

All indications at this time are that the nation will have significantly above trend line yields for corn and soybeans. Thus we expect to have too large of a supply of corn and soybeans Nationally and in the World.

Corn and Soybean Price:

Presently the price of corn and soybeans are below the cost of production. It is expected that the yearly price will average below the cost of production. We expect that some farmers will not receive financing for the 2017 crop. With the expected large production I suspect that the prices will continue to decline for another 4 to 7 weeks.

Land Prices:

Have softened some and we expect them to continue to soften more due to the lack of profitability in Agriculture. The 2016 crop will be the second year in a row and possibly the third year of losses for several farmers. Farmers are using up cash reserves and have become very concerned about making any investments.

Agriculture Machinery and Equipment Dealers:

They are being hit hard now with lots of used equipment on their lots and with decreased sales of new and used equipment. Most farmers updated their line of machinery and equipment in the strong profit years of 2010, 2011 and 2012. Personally we have an excellent line of machinery and equipment and will not be making any new purchases of machinery and equipment. We are continuing with our yearly program of installing new plastic tile drainage systems.

Agriculture Suppliers:

We expect to see difficult times also for the suppliers. Farmers are cutting fertilizer rates, purchasing less seed with root worm and corn borer traits, decreasing fungicides and insecticides, doing all that they can to decrease input costs. Some of the cost cutting has huge potential to severely reduce yields. The suppliers gross income will greatly decrease as will their acres of custom application. They will decrease their number of employees and reduce their capital expenditures.

Agriculture Policy:

Mr. Trump has not provided the voters with any proposed agriculture policy should he be elected President. He has been talking about imposing tariffs and working to change some of our trade agreements. I suspect that these actions would be negative for USA agriculture commodity exports. We have no indication of Trump’s thoughts on ethanol.

Mrs. Clinton if elected will most likely continue basically the same Agricutlure Policy as we had the past 8 years. She is expected to continue supporting the production of corn ethanol.

Ethanol Production for Gasoline Additive and Replacement:

Using Corn to make ethanol has been a huge boom to American Agriculture. Ethanol has provided a new market for corn and some wheat and thus increased demand. With this increase in demand we farmers had some strong profit years. Now the farmers have increased the production to the point that we again have a burdensome supply of corn. Thus we have low income and lack of profitability in corn, wheat and soybean agriculture. Hopefully the low prices will increase our export demand and increase the price to a profitable level.

On our farm in Romania (980 Hectares):

Romania Land Prices: Holding stable in our area.

Wheat Price: Is below the cost of production; but with the EU payment per hectare the farmers have a positive cash flow with some profit.

Romania Land Rent: The EU payment per hectare is larger than the cash rent paid to landlords. This is very strange to me and I keep expecting the cash rent price to rise significantly from its very low level.