



# IFMA COUNCIL COUNTRY REPORTS JUNE 2017

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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 14<sup>th</sup> June 2017.

# COUNTRY REPORT: ARGENTINA

## June 2017

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**David Hughes**

### Political Issues:

- Macri, having a minority in Congress managed to pass during 2016 over 70 laws that were much needed. His administration is working hard on reducing inflation, currently at 27%, down from 40% last year. His main challenge is reducing fiscal deficit and inflation, while keeping some sort of safety net for 30% of the population considered poor.
- The tax amnesty was a success, 116 billion USD were declared, 90% of it is still overseas. This represents close to 1.8% of GDP. This, plus open markets, and grain exports has increased the flow of US dollars, so the exchange rate is considered by some economists as lagging behind the equilibrium rate.
- Salaries are slowly catching up with inflation, employment is slowly increasing, so domestic consumption is wary and not taking off just yet.
- We have midterm election in October, and feel comfortable Macri will win.

### Markets

- Climate conditions have been dry in southern Buenos Aires province, flooding in central pampa region, good rains in most of the rest of the country, with some areas having extremely high rainfalls.
- So overall, a very good harvest. Wheat and corn benefiting from this. Soybean reduced its acreage, and had good yields. Argentina has increased its production over 20%, 123 MM tons vs 100 MM tons last year. Analysts consider Argentina could increase output at today's prices another 30 MM tons during the next 3 to 5 years. This is mainly because we come from such a bad previous ag policy.
- Soybeans still have an export tax of 30%, diminishing 0.5% per month as from January 2018 till December 2019, when the export tax will reach 18%. Rest of ag exports have 0% export tax. Interestingly, the export tax was not abolished, but set at zero.
- The ag sector has moved very quickly, there has been increases in fertilizer use, and ag machinery sales has increased between 70 and 130%, depending on the machine (planters, sprayers, tractors and combines)
- Cattle prices are slowly improving. Argentina is expecting to be back as exporters soon. There is much movement in the animal protein sectors. Investments in pork and poultry are moving along. Pork consumption is up at around 12 kgs/person/year, up from close to 6 some 6 years ago.
- The dairy industry is having a hard time, the added value chain was not working well, many inefficiencies, and they all came up at once! Weather, plus increase in feed costs plus bad management in the processing has the dairy sector in very bad shape.
- Brazil is impacting Argentina, especially the economic slowdown, as it is our main commercial partner. Otherwise the government is going ahead with improvements in infrastructure which should keep us competitive down the road.

# COUNTRY REPORT: AUSTRALIA

## May 2017

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### Rob Napier

- Australia's reputation for being a land of droughts and flooding rains was further reinforced in 2016.
- Following years of drought especially in Queensland and Northern New South Wales, last winter was wet with floods in some areas and generally excellent conditions for crops and pastures. Even the central desert areas received well above average rainfalls which I personally experienced while on a 20000km Outback camping trip.
- The rain resulted in excellent wheat yields and although prices were only fair the financial position of many cropping farmers has received a boost. World wheat stocks are high and unless there are reduced global yields wheat prices are likely to remain subdued.
- Livestock prices have generally been good. Beef cattle prices have been excellent in part due to a reduced national herd size following drought. There is however, a current disconnect between extremely high prices for young stock due to abundance of feed and moderating prices for finished cattle – a risky situation for those purchasing young cattle.
- Sheep prices have remained at high levels and wool prices are well up on last year especially for fine wools.
- Cotton prices are significantly higher than last year at around \$550 per bale. The wet weather of 2016 replenished water storages for irrigation. Temperatures during January and February this year were extremely high affecting cotton crops in northern areas of New South Wales.
- The dairy industry is another story with depressed global prices for milk and milk products. Farmers are rationalising herd numbers and there is some merger and takeover activity amongst processors. Profitability is expected to improve in 2017-18. There is a growing export market for dairy heifers to Asian countries as those countries seek to build their dairy production.
- The average wine grape price has increased by 14% since 2009 after a period of industry consolidation. China is now the third biggest importer of Australian wine after the USA and UK.
- A major issue for Australian horticultural industries concerns the availability of labour. Horticultural producers rely on international backpackers and other foreign labour. The Australian Government is tightening visa rules for foreign workers and this is threatening the viability of some horticultural operators.
- Fertiliser costs are at a ten year low as a result of global oversupply. Wages growth is slow. Electricity prices are rising rapidly fuelling a strong swing to solar production increasingly with battery storage.

- Australian farmers have a reputation for rapid adoption of new technologies. Drones are one new technology being adapted for agricultural use. Especially on large farms, savings are being achieved on surveillance of stock watering points, livestock and crop and pasture conditions. It will be exciting to watch how the current wave of innovation in biotechnologies, engineering (drones, robots, autonomous vehicles, nanotechnology) and data management revolutionises some areas of agriculture.
- On the economy side, Australia is generally faring quite well. Unemployment is relatively low at around 5.7%, inflation is around 2% and official interest rates remain at an all-time low of 1.5%. Economic growth for 2016 was a modest 2.4%. In common with most western countries the Government battles to contain spending especially on health, welfare and education.
- The Australian dollar has fallen from the highs of five years ago when parity with the US dollar was achieved. The dollar has recently been relatively steady at around 74 US cents and stubbornly refuses to fall further in spite of urging from our central bank. This situation could change if US interest rates increase and Australian interest rates remain steady or decline. Australia has had relatively high interest rates which have attracted capital and strengthened the currency. There could be a flight of capital if the relativity changes in favour of US investment.
- The Australian Bureau of Agriculture and Resource Economics (ABARES) noted recently that “the value of Australia’s agricultural sector is tipped to break another record this financial year, peaking at \$A64b”, with the value of exports also at a new record, \$49b. Australian agriculture depends on exports! ABARES notes “there are some storm clouds on the global trade horizon”; “a slowing Chinese economy, an uncertain policy direction out of the United States and potential risks in Europe associated with Brexit and the French and German elections all add an extra dimension of unpredictability”.
- In summary, the farming economy is generally going well - seasonal conditions and farm product prices are mostly favourable except for some areas of persistent drought in Queensland and the depressed global dairy product prices. But future prospects are not looking quite as rosy.

# COUNTRY REPORT: CANADA

## June 2017

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Heather Watson (Ontario) and Eric Micheels (Saskatchewan)

### Heather Watson's report:

#### Weather

Canada has had 2 seasons over the past year – rain, snow, snow, rain. The snow came early and it stayed, and stay, and stayed. Over 300cms (118 inches) of snow fell in Ottawa.

Here is a photo taken February 16, 2017:



However, we were better off than Newfoundland and the east coast where over 70cms of snow (28 inches) fell in a single day. The following photo was taken April 5, 2017:



And, we had reports of snow in the west in mid-May! In Alberta, they have reported 1 million unharvested acres.

Across Canada, it has taken farmers a long time to get into the fields as rain followed the snow. In Ottawa and parts of

Quebec, we had severe flooding.

Here is a photo taken across the river from Parliament on May 9, 2017:

It certainly does not feel like summer yet, with temperatures hovering around 13 degrees Celsius.

We're pleased to report farmers are finally in the fields and planting is nearly complete for most parts of Canada.



### 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.



In 2017, Canada held its first Canada's Agriculture Day<sup>1</sup> February 16<sup>th</sup> to celebrate "the food we love." Agvocates (Agricultural advocates) across Canada hosted celebratory events including Ottawa to draw attention to the importance of the agricultural sector and connect with consumers in support of the industry and to engage in meaningful conversations to retain public trust.

Here is a snapshot of what's produced and where, in Canada:



The labour market for agriculture continues to be a concern for Canada's agricultural sector. The gap between labour demand and the domestic workforce in agriculture has doubled from 30,000 to 59,000 in the past ten years and projections indicate that by 2025, the Canadian agri-workforce could be short of labour to fulfill 114,000 jobs.

Government and financial institutions are reporting good farm financial performance. The Canadian dollar continues to trade historically low, which is good news for export-oriented industries such as beef, pork, grains and oilseeds. Interest rates also remain low (Bank of Canada is set at .5%) and prices have been decent. While farm debt is on the rise (7% last year to a record \$96-billion), producers also made more money, with realized net farm income up 7.7%.

However, there is concern as to whether these circumstances are by default or design and whether a) farmers have the working capital to remain resilient should circumstances changes, and b) farmers are taking advantage of these 'good times' to invest in their business management practices.

Canada recently completed its 2016 Census. Here is an infographic highlighting the results:

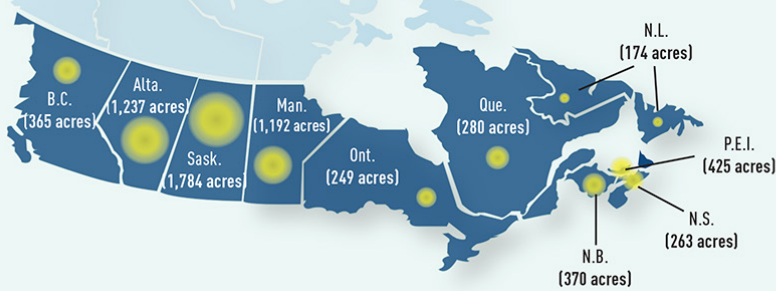
<sup>1</sup> FCC Canada's Ag Day 2017 <https://www.agriculturemorethanever.ca/cdn-ag-day/>

# A Portrait of Canadian Farms



In 2016, there were **271,935** farm operators and **193,492** farms with a total area of **158.7** million acres across Canada.

## Average farm area in acres, by province



## Most common farm types

Oilseed and grain

**32.9%**



Cattle ranching and farming

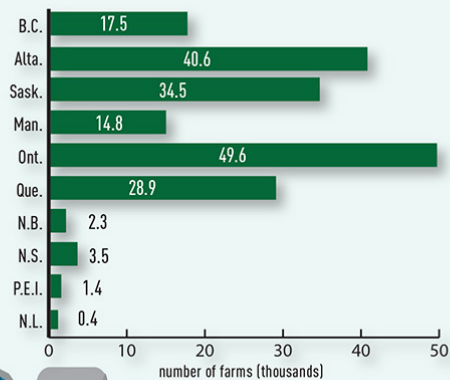
**24.1%**



## Portrait of farm operators

- Average age was **55.0** years old.
- **9.1%** were under 35 years of age.
- For every **5** males, there were **2** female operators.
- **51.7%** worked 30 hours or more per week on the farm in 2015.
- **44.4%** worked off the farm in 2015.

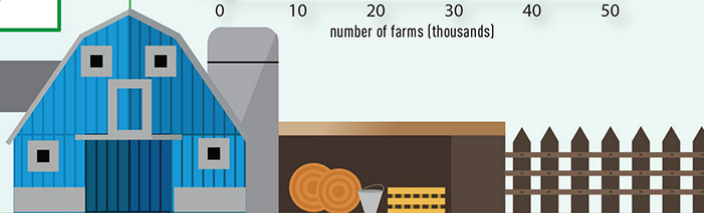
## Number of farms by province



## Farms are businesses

**1 in 4** farms were incorporated in 2016.

Source: Census of Agriculture, 2016.



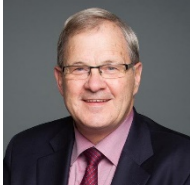
Here are some more interesting highlights from the Census:

- There were 193,492 farms, down 5.9 percent from 2011, the lowest rate of decline in 20 years
- The number of farm operators <35 years grew for the first time since 1991
- The value of land and buildings used by ag operations increased 37.5 percent to \$427.9 billion
- For every dollar in gross farm receipts, farms incurred 83 cents in expenses for an expense-to-receipt ratio of 0.83. Dairy and oilseed/grain had the lowest expense-to-receipt ratio, while sheep was the highest
- Only 8.4 percent of farms reported having a written succession plan. 16.3 percent of incorporated farms had one, while only 4.9 percent of sole proprietorships had written a succession plan

This was the first time Succession Planning was included in the Census, and the result is quite surprising. All other industry surveys typically show 25% of farmers have a Succession Plan. Either way, there's room to improve.

## Politics and Policy

The new Trudeau government is putting money back into agricultural research and the public sector.



Our Minister of Agriculture, the Right Honourable Lawrence MacAulay has his hands full with the Canadian-European Union Trade Agreement (CETA) and now the North-American Free Trade Agreement (NAFTA) among other pressing issues including domestic trade, transportation of agricultural goods in Canada, and defending Canada's supply managed sector for dairy, poultry and eggs.

The new Minister's mandate includes creating a National Food Policy – consultations started last week.

The Next Policy Framework (NPF) for agriculture is taking shape as Minister's plan to meet in July to confirm the framework and begin to negotiate bilateral agreements between Federal-Provincial-Territorial (FPT) governments.

The 6 priority areas taking shape for the NPF are:

1. Markets and Trade
2. Science, Research and Innovation
3. Risk Management
4. Environmental Sustainability & Climate Change
5. Value-Added Agriculture and Agri-Food Processing
6. Public Trust

Priorities 4, 5, and 6 are new to the policy framework. The farm management community is concerned about the lack of explicit recognition for the importance of Farm Business Management and Renewal (including labour, young farmers, etc.) as a priority area. We are hearing farm management will fall under 'Markets and Trade' in terms of capacity building. 'Risk Management' is reserved for government insurance programs.

## Our Farming Future and Future Farmers

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 tell us they do not have the time to dedicate to farm management or 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.

We are seeing a greater appreciation for farm business management from the younger generation.

However, young farmers and new entrants continue to struggle with farm ownership pathways from farm transition 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.

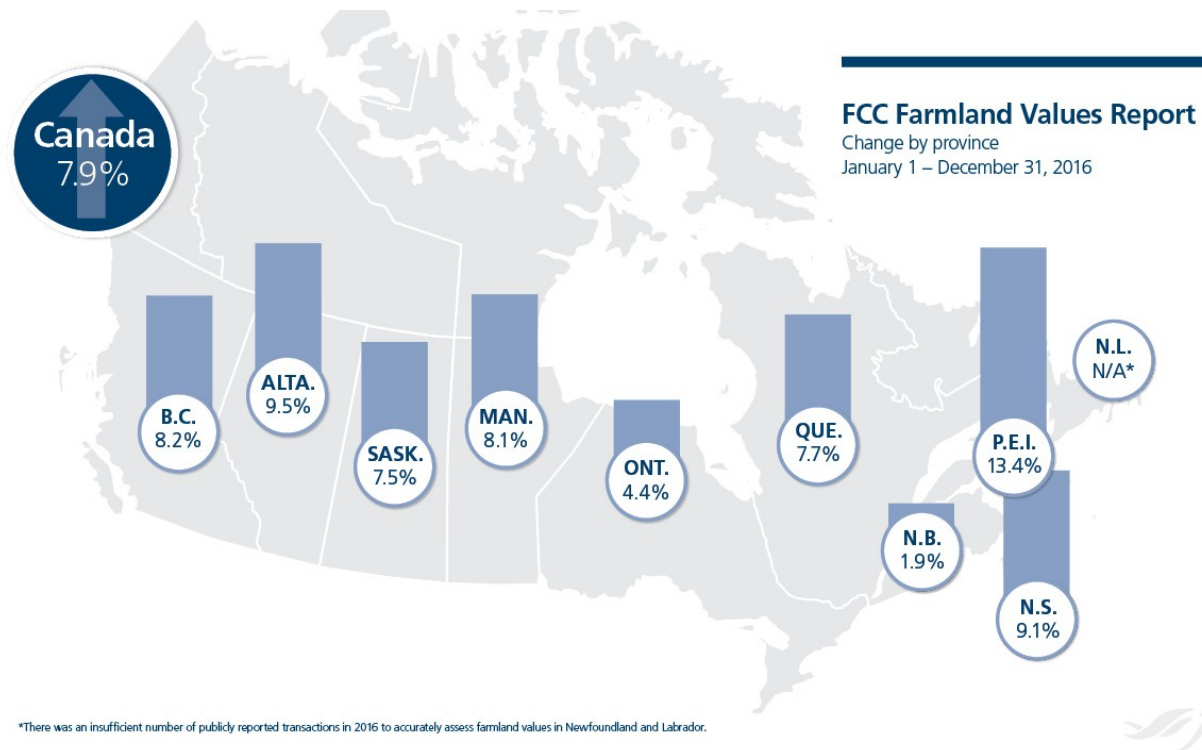
Farmland values<sup>2</sup> continue to be a significant concern for Canada, however the rate of increase is slowing.

As depicted below, Canada's farmland values showed an average increase of 7.9% in 2016, compared to a 10.1% increase in 2015 and a 14.3 % increase in 2014.

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<sup>2</sup> FCC Farmland Values Report 2016 <https://www.fcc-fac.ca/en/about-fcc/governance/reports/farmland-values-report.html>





## Eric Micheels Report:

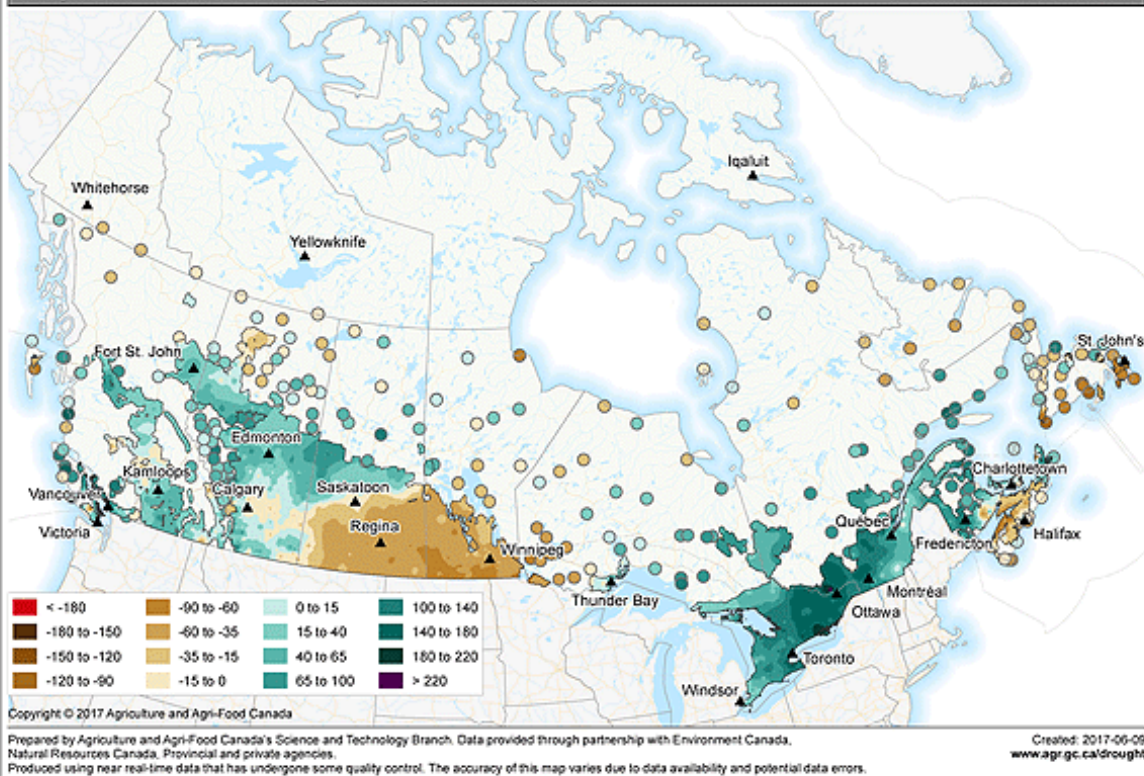
### Weather

Weather for producers in Canada has been somewhat cooperative, depending on where one lives. It has been overly wet in parts of Alberta and Ontario and a bit dry in Saskatchewan and Manitoba. Compounding the issue of excessive moisture in Ontario is the fact that it has been cooler than normal, which has led to delays in seeding as well as the need to replant in some cases.

Continues >:

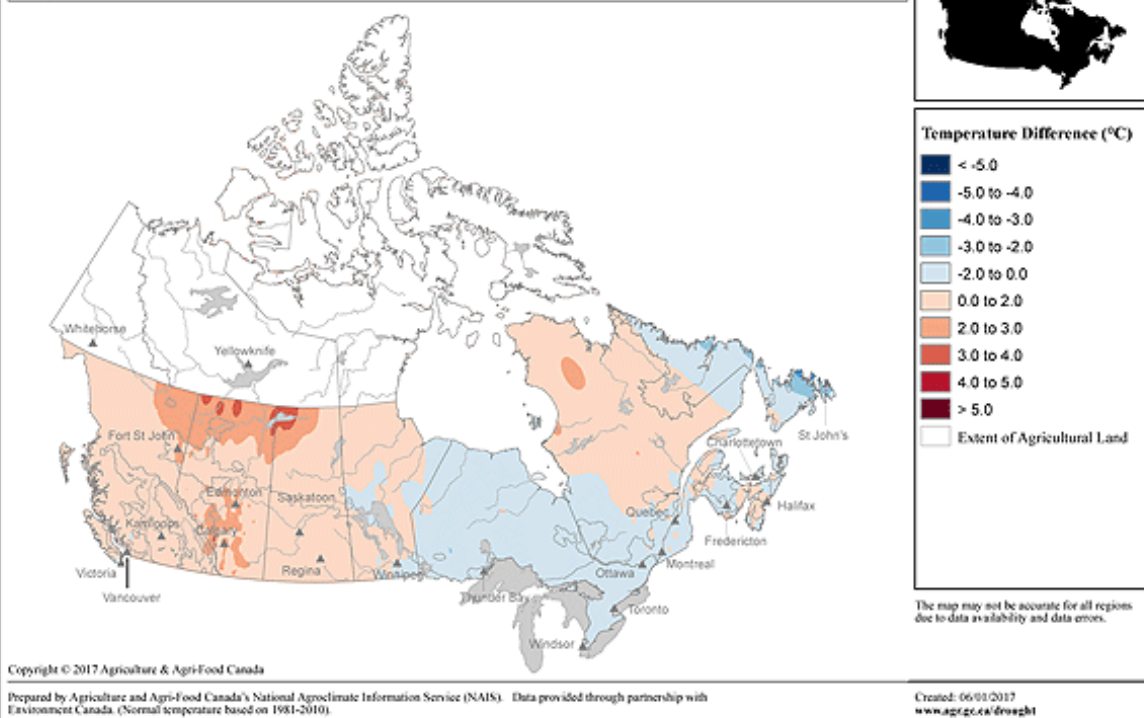
Departure From Average Precipitation (mm)

April 1, 2017 to June 8, 2017



Monthly Mean Temperature Difference from Normal (National)

May 2017



## Grains and Oilseeds

The spring seeding season started out slower than average in many areas of Western Canada. Cooler and wetter weather has led to delays in seeding. In early May, seeding was at one percent complete, down from an average of 15 percent. Unfortunately, there were quite a few farms in Western Canada who had to finish harvesting the 2016 crop before they could begin seeding the 2017 crop. Estimates pegged unharvested acres from fall 2016 at 2-2.5 million acres in Western Canada.

The weather finally began to cooperate, at least in Saskatchewan, whereas of the first week of June seeding is now nearly complete in Saskatchewan with estimates of 94 percent of the crop in (down from 98 percent in 2016). In Alberta, where they have had a bit more moisture, farmers have finished seeding 79% of the acres.

Soybean acres are once again expected to increase in Canada, with a projected 27% increase in seeded acres from 2016. Much of that gain is taking place in Manitoba, Quebec, and Saskatchewan as soybeans continue their march north. Canola acres are again expected to increase, and these gains in Canola and soy coming at the expense of lentils and wheat (particularly in Western Canada). Corn for grain acres are also expected to increase by 12%, coming from modest increases in Ontario (9.7%) and Quebec (9.6%) and a substantial increase on a lower base in Manitoba (37%)

## Livestock markets

One of the major issues facing hog farmers in Manitoba is the increased incidence of porcine epidemic diarrhea (PED) in the province. News reports indicate that PED has infected 10 hog farms in the province since April 29, 2017. This is raising awareness of proper biosecurity measures (shower in/shower out) and maintaining tighter controls over who has access to the farmyard and the barns.

Investment in the livestock sector in Canada is continuing, with a new slaughter facility being constructed outside of Calgary. One of the key attributes of the new facility is that it is being constructed according to EU standards, so it will potentially be able to meet the expected demand of Canadian beef into the EU that comes with the signing of the Canada-EU trade agreement.

## Policy

Recently, the Conservative Party of Canada elected a new leader of the party, Andrew Scheer, MP of Regina Qu'Appelle. Scheer won more votes during the leadership race than Quebec MP Maxime Bernier, who was vocal in his opposition to supply management, which may have cost him the leadership. Other policy issues that are simmering in Canada is the discussion of the renegotiation of NAFTA and the recent comments by US Secretary of Agriculture, Sonny Perdue, who stated that if Canada wants to have supply management, "that's fine" with him.

In other policy related news, Health Canada is examining a ban on imidacloprid but will not issue their ruling for at least six months. Part of the issue is the insecticide, which is a neonicotinoid, has been found to accumulate in water in southern Ontario. This has been one of the more widely used insecticides in the world, with use in field crops, potatoes, fruit and vegetable production. Producers will be watching this ruling closely as it may indicate how regulators will treat other neonicotinoids in the future.

# COUNTRY REPORT: DENMARK

## June 2017

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**Brian H. Jacobsen**

### Weather and price

The harvest weather was not the easiest 2016, but the beginning of 2017 has been better. The overall yield on arable farms in 2016 was down by 6% compared to 2015 despite the fact that application norms for nitrogen being 17% higher than last year. Results indicate that farmers have used only 50-60% of the additional nitrogen, which is surprising, but this will give a lower negative environmental impact than expected. The higher N-application has helped to form a positive outlook for arable farmers although the prices have not improved.

The pork prices have increased and the forecast for 2017 is promising. The standard price for slaughter pigs is higher now than for the last three years and the price is now over 1,48 € (11,00 DKK) per kg since April. Pig farms will be allowed to apply more animal manure if the P application is kept under the new P limit. For many years, the export of piglets to Germany has been increasing, but perhaps more pigs will now be slaughtered in Denmark.

The dairy farmers had large economic difficulties in 2016, but the milk price has improved and so the income might be acceptable in 2017. The milk produced in the first quarter of 2017 is down by 4% compared to the same period in 2016. The organic milk production has increased due to demand and so have the prices, so organic dairy farmers are not doing too badly.

### Environmental regulation

The new Food and Agricultural package from December 2015 has been implemented and an additional 137,500 ha of catch crops will be implemented in 2017 (5% of the agricultural area). The area was found, was based on a voluntary system and a subsidy of 94 € per ha. The procedure was somewhat complex as the catch crops had to be located on specific areas to ensure no extra nitrogen losses related to both surface and ground water following the requirement from EU in order to ensure no decrease in water quality.

### Income

The incomes on most farm types will be higher in 2017 than in 2016 and some will even have a high income which will allow them to pay back some high interest loans. Banks are still very reluctant to lend out money to farmers and so few banks want to risk providing capital to agriculture. The growth found has helped to provide capital for some new farms. Some of the farms sold in the past year, are by Danish standards large and so other investors, including foreign investors, are beginning to buy farms in Denmark. Just as Danish farmers for years have been buying farms in Poland and Eastern Europe.

# COUNTRY REPORT: KENYA

## June 2017

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**Philip Nyangweso**

### **Introduction**

- This year's farm and agribusiness activities are at the centre stage of the political campaign considering that 2017 is an election year in Kenya and the country is currently facing severe shortage of basic food commodities. This has triggered skyrocketing of commodity prices which is shutting many households from accessing basic necessities. Many political analysts have termed this year's election a food revolution because of the anticipated impact food prices are likely to have on the outcome of the election results. The two main parties contesting in a two horse race for the Kenyan Presidency are Jubilee, headed by Uhuru Kenyatta and NASA, captained by Raila Odinga.
- The economic outlook has been bright over the last few years with Economic growth estimated at 5.8 % in 2016. The economy is expected to decline to 5.5% in 2017 largely due to a slowdown in investments as the country heads towards the general elections and prevailing drought in the region slowing down agricultural investment. Reduced lending to the private sector also contributed to depression of the economy. Inflation rate breached the Central Bank of Kenya's 7.5 percent ceiling set for February by hitting double digit in March at 10.3, 11.5 % in April and is expected to escalate further as campaign money is released into the economy and as the country struggle to control army worms in the grain basket in Kenya. Kenya continues to play a major role in a number of global value chains – e.g. floriculture, textiles, leather, manufacturing, tea, coffee and tourism.

### **Weather**

- The country faced delayed rains and prolonged periods of drought last year thus resulting in shortage of grains, death of livestock and escalation of food commodity prices. Rains delayed this year once more and when they came they were accompanied by outbreak of army worms. Harvests of major cereals are therefore expected to be low this year and thus result in further escalation of cereal prices. Yields from exportable agricultural commodities such as tea, coffee, vegetables and cut flowers will be expected to dip thus reduce their contribution to the value of the economy.

### **Production Inputs**

- Inputs account for a huge proportion of the cost of production in Kenya. With inflation jumping to double digits, the cost of inputs is expected to go beyond reach by small scale farmers who contribute over 75% of the total food production. Despite efforts to subsidize fertilizer for maize growers over the last four years its inadequacy and poor management has not elicited the expected results. Unfortunately, majority of the producers of other commodities have continued to face the brunt of high prices of fertilizer, seed, machinery and fuel.

### **Markets**

- Maize, which is the main staple food in Kenya, was sold at US\$30. However local production last season did not meet domestic demand thus resulting in exhausting of strategic reserves. Due to prolonged drought, poor planning and forecasting and corruption the country is now faced with

serious food shortage culminating in importation of maize at US\$46. Prices for the 2017 production are expected to be higher driven by election inflation pressure, delay in the commencement of rains and outbreak of army worms. Despite increasing cost of production, market outlook for tea, coffee and other exportable agro based commodities look bright.

## Farmers

- Farmers in Kenya are the most exploited lot. Despite good intentions by the government to cushion farmers from escalating costs of production such intentions are not translated into reality due to halfhearted implementation and erection of too many bottlenecks on the path to implementation. To make matters worse, harvested produce which are sold in domestic markets tend to be priced below breakeven points. Smallholder farmers who are majority in Kenya account for over 75 percent of the total production. Prolonged drought and poor programming over the last year has triggered massive food shortages. However, as the cereal crops are harvested in western part of Kenya in late July, the shortages will reduce. With election driven inflationary pressure, producers of tea, coffee, horticultural crops and exportable livestock related products are expected to reap good returns from their production.

## Land

- Land continues to be a very emotive issue in Kenya and policy formulation is faced with a lot of challenges. Millions of Kenyans are considered squatters because they stay on land without legal entitlement. Over the last four years a lot of title deeds have been issued by the government to such Kenyans and it is hoped that with security of land tenure guaranteed huge parcels of Kenyan land will be used more productively in the coming years. Land prices in Kenya have continued to rise every year and price variation was reported as you moved from rural to urban areas. Absentee land lords and land speculators continue to thrive in the Kenyan land market. Progressive land reforms required to open up access to land by productive entrepreneurs and trigger optimal utilization of the land resource.

## Access to credit

- The Kenyan government through a parliamentary act capped interest rates at 4% above the central bank lending rate. This has raised a lot of issues among lending institutions with respect to the profitability of lending to different categories of clients in the Kenyan market. Access to credit by majority of the agro based enterprises is therefore a challenge. Most commercial credit institutions prefer to put their money in treasury bills and bonds which are more lucrative thus crowding out the rest of the market. The Agricultural Finance Cooperation (AFC) continues to be the main government instrument for channeling agricultural credit to farmers. Despite emergence of agricultural insurance the level of coverage and commodities involved are still relatively low. Advanced risk analysis and government support required to encourage investment in agricultural insurance

## The Future of Kenyan Agriculture

- The outlook of Kenyan agriculture is bright. As manifestos are articulated by key presidential candidates in the background of a serious shortage of food commodities, it is expected that better ideas on how to manage Kenyan agricultural resources will be collated and crafted into policy frameworks for driving the country forward in the next 5 years. It is important to note that the next government must invest in agriculture and should enhance competencies in forecasting and programming of agricultural activities as well as management of vagaries of nature.

## Regional Report

- After successfully holding its 9th AFMA Congress in Cape Town, South Africa, in 2014, African Farm Management Association held its 10th Biennial Congress from 20th -24th November 2016 at Le Meridien Hotel, Pointe aux Piments, Mauritius. The Theme of the Congress was “Sustainable Agricultural Development: Innovation Systems Approach for Agricultural Transformation in Africa”. Papers on crosscutting issues were presented that elicited a lot of interest and a number of firms toured on the island of Mauritius. AFMA President, Mfusi Mjonono in close consultation with his vice president Mr. Shane Hardowar who was the chairman of the local organizing committee presided over the congress. Shane Hardowar was elected the AFMA President for the next two years and Prof. Usman Haruna was elected the Vice President and the next host of the AFMA Conference in Abuja Nigeria in 2018.

# COUNTRY REPORT: NEW ZEALAND

## June 2017

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Tricia & Andy Macfarlane

### Weather

- After 3 successive drought years and a dry run up to Christmas, NZ has, without exception had a wet summer and autumn (characterized by La Nina).
- As a result, many regions are finally seeing some ground water recharge, which is a relief. The public does not see low water levels in lowland streams as a result of climate but more a result of farmer abstraction in areas where irrigation is utilized.

### Output

- The farm Year ended June 2017 will see the first increases in beef cattle and deer numbers for a number of years, and a likely stabilization of the sheep flock, after 35 years of declining numbers.
- Conversely, dairy cow numbers have stopped rising after continuous increases over the same period.
- With that retention occurring in the dry stock inventory, slaughter numbers (lamb, cattle and deer) are down considerably but weights are up as a result of high feed levels.
- Milk production, which looked as if it would reduce by 5%, finished the season down 2%, again as a result of the plentiful summer feed.
- Arable output is steady, but the wet autumn led to a difficult harvest.
- The same weather pattern led to similar issues with the wine, apple and kiwifruit harvests.
- Volume is good, but quality has been more difficult to maintain.

### Biosecurity

- As an island nation that fiercely protects itself from incursions, we have to work hard to protect ourselves from wind, shipping or traveller (people) borne pests and diseases.
- After surviving the effects of the Italian sourced PSA virus in kiwifruit, we have just received Myrtle rust from Europe, via Australia, and ships have brought a parasite to our oyster beds. The impact of these incursions is more significant to our native biodiversity than exports, but sensitise us to our vulnerability.

### Pricing

- A recovery of lamb and dairy prices, and continued strength in beef, wine, apples and kiwifruit has seen stronger on farm profitability.
- The global popularity of fine wool products (sports clothing, in particular) is seeing strong fine wool prices. Crossbred wool producers are receiving terrible prices, which is partially offsetting the improvement in lamb prices, and inhibiting sheep farmer confidence.
- Uncertainty in Europe as a result of 'Brexit' meant that the lamb price outlook at the start of the season was poor, but a recovery in Chinese demand (mainly lower value cuts) and the USA (high value cuts) has meant lower volumes to the UK but strengthening prices as the season has progressed.
- The USA has just overtaken Germany as New Zealand's largest venison market, with the Benelux also increasing its market share and resulting in the best venison prices for a number of years.



- Global dairy prices have partially recovered on the (lagged) decrease in European volume, following on from earlier decreases in Oceania volume.
- USA production is still rising and represents a threat to price recovery.
- Uncertainty around Russian access is still hanging over global dairy prices.

## Economy

- It is important to note that 95% of New Zealand's production is export, so we are very dependent on global markets and relative exchange rates.
- International politics and trade decisions have outsized effects on New Zealand.
- As feared, Donald Trump has withdrawn from TPP, and British and European politics are leading to some uncertainty.
- Japan has finally taken a leadership position in trade, after decades of protectionism and is leading a TPP II (without the USA) initiative.
- New Zealand has an election in November. While the centre right has a strong lead, under MMP, a coalition will most likely result, and as such, small parties can be kingmaker.
- The strength of the New Zealand economy, resilience over the past two years, and relative political stability continue to make New Zealand an attractive investment destination.
- Offshore investment is controversial and while important to New Zealand, always receives more attention for perceived negative impacts around election time.

## Other Disruptive Factors

- As alluded to earlier, the drive for minimization of environmental impact is huge, both at the production end, and under public pressure.
- Rather than appear defensive when under pressure from environmental activists, a number of initiatives around proactive management of environmental impact are occurring.
- Nevertheless, the challenge of producing 'more from less' while maintaining a competitive cost structure, with no government funding support, is indeed, a real challenge.
- New Zealand has the third most indebted farmers in the world behind Denmark and the Netherlands.
- While interest rates are low (but starting to increase), farm credit availability is tightening.
- We expect to see some of the more highly indebted farms encouraged and/or forced to sell.
- We are continuing to see farms increase in scale, as top farmers buy out smaller or lower performing farms. While often debt funded, such consolidation is leading to higher performance as farm succession occurs at pace.

# COUNTRY REPORT: NIGERIA

## JUNE 2017

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**Dr. Grace Evbuomwan**

### **NIGERIA**

- The Nigerian economy can be more clearly understood when classified into oil and non-oil sectors. During the first quarter of 2017, oil production averaged 1.83 million barrels per day (mbpd), which was 0.07 million barrels higher than the average production recorded in the fourth quarter of 2016 but was lower by 0.22 million barrels per day relative to the corresponding quarter of 2016, when an output of 2.05 mbpd was recorded. Consequently, real growth of the oil sector slowed by -11.64 per cent (year-on-year) in quarter one 2017. As a share of the economy, the oil sector contributed 8.90 per cent of total real gross domestic product (GDP) in quarter one 2017, down from the corresponding period of 2016 where it contributed 10.02 per cent to total real GDP of Nigeria.
- The non-oil sector on the other hand grew by 0.72 per cent in real terms in the first quarter of 2017. This was 1.05 per cent higher than the rate recorded in the fourth quarter of 2016, and 0.90 per cent higher than the corresponding quarter of 2016. In real terms, the non-oil sector contributed 91.10 per cent to the nation's GDP, higher from share recorded in the first quarter of 2016 which was 89.98 per cent. Growth in non-oil sector was largely driven by the activities in the agricultural sector, particularly crop production.
- Crop production remains the major driver of the agricultural sector in Nigeria, accounting for 92 per cent of overall nominal growth of the sector. In the first quarter of 2017, agriculture contributed 18 per cent to nominal GDP. The real growth rate of the agricultural sector in the first quarter of 2017 was 3.39 per cent (year-on-year), an increase of 0.30 per cent points from the corresponding period of 2016. The agricultural sector contributed 21.35 per cent to overall GDP in real terms in the first quarter of 2017 which more than double the contribution of the oil sector (8.90 per cent).
- In view of the consistent positive growth in the agricultural sector, the Nigerian government is focusing attention on the sector as a way of getting the country out of the recession occasioned by the drop in oil prices in the international market.

# COUNTRY REPORT: SOUTH AFRICA

## June 2017

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**Frikkie Maré**

### **Economy**

- Economic growth (Real Gross Domestic Product) remains under pressure and decreased with 0.7% (Quarter-on-Quarter) for the first quarter of 2017, following a decrease of 0.3% in last quarter of 2016. The two consecutive quarters of negative growth means that South Africa is now officially experiencing a recession.
- The inflation rate (Consumer Price Index) is currently at around 5.3% (Year-on-Year) and within the target of between 3% and 6%. The lower inflation rate is due to the slow down of the economy as the demand for goods and services decline.
- The Rand win some ground against the major currencies and an US Dollar, Euro and British Pound cost respectively R12.95, R14.48 and R 16.36. The appreciation of rand was rather due to the depreciation of other currencies, as the trust in SA markets from foreign investors remains low due to the bad decisions of government.
- Although economic growth is very low (and even negative) while inflation is within target the Monetary Policy Committee decided to keep interest rates steady. The prime lending rate in SA is currently on 10.5%.

### **Politics**

- At this stage no one is really sure who is actually in charge of the country as more and more evidence of the Gupta Family controlling the political leaders come to the surface.
- Earlier this year President Zuma decided to “reshuffle” his cabinet and also fired the minister of finance (Mr Pravin Gordhan) which is one of the reasons for the downgrading of the South Africa to “junk” status by two of the major credit rating agencies.
- Land reform remains a hot debated topic in parliament and there is still no clear route that will be followed in the future.

### **Weather**

- After the worst drought in South African history the summer rainfall areas of received good rains at the end of 2016 and beginning of 2017.
- The Western Cape and Parts of the Northern Cape, which is known as the winter rainfall areas, is still very dry and the dam levels that supply Cape Town with drinking water is at critical point and starts to run dry.

### **Markets**

- Due to the drought and the good rains thereafter we experience very large changes in commodity prices.
- In the red meat markets the prices were very low during the drought as a result of the oversupply. Now, farmers are starting to rebuild their herds creating a shortage and the weaner calf and beef carcass prices reached new record heights.
- The grain markets exhibits the opposite tendency and while maize prices was at record high levels during the drought we are currently harvesting a new record estimated crop in SA that has pushed the prices down to less than half of what it was during the drought.

# COUNTRY REPORT: U.K.

## June 2017

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**Trevor Atkinson**

### **UK Agriculture - Key Facts 2016 (Source DEFRA)**

1. Total Income from Farming rose by £127 million to £3,963 million, a 3.3% increase on 2015. The key contributors to the change were the increases in fruit, vegetables and plants by £546 million, direct payments by £309 million, potatoes by £171 million combined with reductions in fertiliser costs by £250 million and animal feed costs by £157 million. In contrast these were offset by a decrease in wheat of £437 million, milk of £401 million and oilseed rape of £170 million
2. Overall output of crops value remained little changed on the previous year at £8,506 million, with increases in vegetables, fruit and potatoes offsetting the decreases in cereals and industrial crops. Cereal harvests were down on last year as yields returned to more typical levels following the record highs of 2015 and despite strengthening prices in the latter part of the year, lower prices for the year as a whole drove values down.
3. The value of wheat fell by £437 million to £1,616 million. Planted area was little changed on the year and quality generally good however yield was much lower than the record high of 2015 resulting in volumes down by 12%. Price fell by 11%, as the higher prices seen in the second half of the year failed to offset the low prices at the beginning of the year.
4. The value of barley fell by £112 million to £716 million, driven by both price and volume. Whilst planted area was 2% higher, yield returned to more average levels, resulting in an 8.5% fall in volume. Low prices at the beginning of the year, despite an upturn in the second half, resulted in a 5.6% fall in price.
5. Oilseed rape saw a fall in value of £170 million to £541million, this 24% decrease was largely due to a fall in volume as lower yield and a reduction in crop area led to a 29% decrease in production.
6. In 2016, the value of sugar beet fell by £23 million to £150 million. Planted area fell for the fifth year running and led to a further 8.5% fall in volume with price down by 5.5% on the year.
7. Potatoes rose in value by £171 million to £747 million in 2016. An 8% increase in planted area and price increase of around a quarter contributed to this rise.
8. The value of vegetables increased by £393 million to £1,656 million, driven by higher prices for most vegetable types.
9. Similar price rises were also seen in the fruit sector however production levels were 10% lower than 2015 which resulted in an overall increase in value of £99 to £789 million.
10. Overall the total value of output of livestock was 3.3% lower at £12,655 million.
11. Milk decreased in value by £401 million to £3,263 million, driven by lower production and price. A combination of poorer grass quality due to variable weather conditions and dairy farmers attempting to reduce key costs such as the use of supplementary feeds left production 4% lower than 2015. The average price of milk in 2016 (calendar year) was 22.6 pence per litre (ppl) compared to 24.5 ppl in 2015, 7% lower.

12. The value of eggs fell by £74 million to £607 million, entirely price-driven as volume of throughput at egg packing stations rose by 5%, pushing price down by 15%.
13. The value of livestock primarily for meat rose by £86 million with increases seen in all sectors. Higher slaughtering and heavier calf and adult cattle weights resulted in a 2.5% increase in volumes whilst prices are 1.3% lower.
14. Pig meat rose in value by £19 million to £1,099 million. This rise is entirely due to higher production, with levels higher in the first half of the year compared to 2015 which drove the price down for the year as a whole. The value of sheep meat increased by £33 million to £1,153 million with production 3.4% lower and price 6.5% higher on 2015.
15. The value of poultry meat rose by £23 million to £2,243 million, chiefly production-driven as prices fell by 2.5%.
16. The cost of fertiliser fell by £250 million to £1,144 million, entirely price-driven as the lower oil prices in the first half of the year put downward pressure on price overall.
17. In 2016 the cost of animal feed fell by £157 million to £4,574 million, a combination of reduced volumes and feed price. Depressed cereal prices in the first half of the year helped keep the annual average price lower combined with reduced use as farmers strived to make efficiencies.
18. Energy costs fell by £49 million to £1,135 million, wholly price driven as lower global oil prices at the beginning of the year kept overall annual average price down. Typical weather conditions and efficiency savings kept volumes virtually unchanged on the year.
19. Compensation of employees The total value of compensation to employees was £2,541 million, a £39 million increase resulting from higher rates of pay which offset the slight decline in numbers employed.
20. Other subsidies on production Direct payments, including payments on product, rose by £309 million to £3,148 million. Overall this is an 11% increase in payments and is mainly due to the change in euro/sterling exchange rate and is a significant contributor to Total Income from Farming.
21. In 2016 payments under the Environmental Stewardship Entry Level Scheme reduced by £70 million as 2010/211 agreement final payments were made.

## Farming Update

The dry spring has been good for drilling and lambing. However continued dry weather has given rise to patchy establishment. It has been particularly dry in the North with irrigators running on Spring crops and Winter Wheat.

Heavy rains in early June (82mm in 24 hours Edinburgh) have brought welcome relief throughout the UK, but yields will have been reduced.

Forward thinking farmers are starting to produce forward strategic plans with a 50- 75% reduction in support payments. Indications are that the current area based subsidy system is unlikely to continue although the existing support budgets are to be maintained until 2022 It is likely there will be a gradual change in the way agriculture is supported between 2020 and 2025

With change inevitable, good business understanding, strong management and strategic leadership will be the new agricultural industry drivers.

# COUNTRY REPORT: U.S.A

## June 2017

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**Damona Doye & Jay Smith**

### **Damona Doye's Report:**

Two primary themes: farm financial stress and uncertainty about government policy....

#### **Farm financial stress**

- U.S. producers are experiencing financial stress in many sectors and in many parts of the country. Farm income has dropped dramatically on average, particularly in areas dominated by crop production. Crop and livestock prices are low, rental rates on both cropland and pasture remain relatively high, and interest rates are increasing. The good news is that while further net farm income declines are expected, the rate of deterioration is expected to slow. Input prices have not increased significantly thankfully. Producers have reined in capital purchases as well as family living expenses so there is little belt-tightening left to be done.
- Following almost a decade of rapid growth in farmland values supported by the ethanol boom and high global prices for commodities, farmland prices have declined significantly in some areas and simply levelled off in others. Cropland prices have taken the biggest hit. At a recent north central farm management extension committee meeting, Iowa colleagues thought land values there were unlikely to go down much more while Kansas colleagues were concerned they might yet drop another 25 percent. Lower expected farm income for the next couple of years suggests land prices aren't likely to increase much in the short run.
- Farm debt repayment has slowed leading to more loan delinquencies, increases in operating lines of credit and carryover debt as well as more loan renewals, extensions and debt restructuring. Though still a relatively small percentage of total farms, bankruptcies are on the increase. No one is expecting a repeat of the farm crisis of the 1980s though everyone is urging vigilance in paying attention to management.

#### **Weather**

- No areas of the U.S. are currently in extreme drought, though a good part of Florida, North and South Dakota and southern Arizona are in moderate to severe drought. For the first time in years, very little of California is facing drought.

#### **Crop Outlook**

- Crop conditions have been good. Wheat harvest is nearly complete in Texas, well along in Oklahoma and just beginning in Kansas. A late snow storm has created some yield uncertainty for northwest OK and western Kansas. In Oklahoma, yields have been all over the board with disappointingly low protein yields in the 10.5-11% range. I'll leave the corn/soybean reporting to Jay...

#### **Livestock Outlook**

- Nationwide spring/summer pasture and range conditions have started off very well. Cow-calf operators remember the record high profits of 2014-15 fondly as profitability recently has been more challenging. Cattle prices are back down to 2011-12 prices, which has benefited the feedlots. Wholesale beef prices are down

from highs but at 2013-14 levels while retail prices are off the highs but less so compared to live and wholesale prices. Cattle inventories continue to grow with a 3.5% increase in beef cows since 2015 (in Oklahoma, the increase has been 8.9% as we continue to rebuild the herd following the drought years and are now at cow numbers last seen in the early 1980s). The Brazilian corruption scandal implicating JBS is being watched closely but because there are three separate legal entities making up JBS USA, damage is expected to be contained. And, concerns about Brazilian beef may provide opportunities for U.S. beef.

## Federal Policy

- A lot of uncertainty here... I'm reassured by reports from people I trust that our new Secretary of Agriculture is a smart guy who seems well-versed on many issues and comes across well in initial public appearances. Many appointments below the secretarial level have not yet been made and/or approved.

## Budget

- The President's recently released budget proposes \$46.5 billion in cuts (5%) to federal funding for the ag sector over the next 10 years, with \$38 billion from farm supports including new limits on subsidies for crop insurance premiums and caps on payments to farms. Conservation and rural development infrastructure programs are also cut. You may be interested in the President's budget proposal by agency: Ag, -5%; Commerce, -15.4%; Defense, +3.3%; Education, -46.9%; Energy, -5.7%; Environmental Protection Agency, -31%; Health and Human Services, -1.3%; Homeland Security, -3.2% (includes a down payment on a wall); Housing and Urban Development, -22.9%; Interior, -9.2%; Justice, -19.1%; Labor, -3.3%; NASA, -1.2%; State, -31.7%; Transportation, -2.2%; Treasury, +6.7%; Veteran's Affairs, +3.7%. Republican chairs of the House and Senate ag committees both oppose the proposed cuts. The President's budget is a starting point for negotiations.

## Trade

- Ag groups are understandably concerned about the Administration's withdrawal from TPP and plans to renegotiate other trade deals. Exports are very important to most of our major commodities and general farm groups as well as commodity groups have been quick to voice their concerns. The Secretary of Agriculture understands the importance of trade to the ag sector and has espoused policies that seemingly contradict some statements by the President. It remains to be seen how much things will change, if any.

## Interest rates

- While still low, the Federal Reserve Bank has been slowly increasing interest rates and are expected to continue to be cautious about raises in the immediate future though signals suggest two more raises are possible this year. Ag interest rates have increased about 0.25% since a year ago. In the Tenth Federal Reserve District (Oklahoma, Kansas, Nebraska, Colorado and parts of Missouri and New Mexico), variable rates at the end of the March averaged 5.66% for operating loans, 5.39% for intermediate and 5.13% for real estate loans; fixed rates averaged 5.86% for operating loans, 5.72% for intermediate and 5.51% for real estate loans. The President will have an opportunity to replace Chairman Yellen in 2018.

## Oklahoma notes

- Oil prices have rebounded somewhat which is a good thing for the Oklahoma economy as 10-15% of the state's GDP depends on that sector (the only other states that are close in this regard are Wyoming, Alaska and sometimes North Dakota). Several years ago, the governor and state legislature chose to lower income tax rates and at the same time lower gross production taxes on oil/gas. The combination has led to a second year in which budget shortfalls were projected to be near \$1 billion. Last year, in addition to cuts, rainy day funds were tapped and reserves were used up. Revenue-enhancing measures this legislative session were limited so next year is also likely to be problematic. Over the past 7 years, Extension has absorbed an approximate 40% decline in effective funding, which naturally correlates to downsizing in staffing. Research has been similarly impacted; teaching has been impacted less because tuition brings in income.
- Some good news from Oklahoma... Our state Secretary of Agriculture launched an effort to recognize Significant Women in Agriculture in which we were involved and it has resulted in some great stories that we're sharing through social media (press releases are posted at <http://www.oda.state.ok.us/odaff-SignificantWomen.htm>).
- Other good news is that the added constraints on salt-water injections with fracking has greatly reduced the number of earthquakes. And we now have 2 flights daily out of Stillwater, Oklahoma to Dallas connecting us to the world!

## Jay Smith's Report:

USA Agriculture Report by Indiana Farmer for IFMA

### Weather

- The eastern corn belt states have had abnormal rain throughout the corn and soybean planting season. Farmers in Indiana started planting around April 17 and are now working to finish with replanting. Some have planted some of the crop three times including Smith Farms. We hope to finish replanting Friday June 9. Our planting this year was 3050 acres of corn and soybeans and with replanting we planted a total of 3,530 acres or 1429 hectares. We were very fortunate in that our April 17, 18, 19 and 20 corn planting was on well pattern tiled land and thus we have excellent potential at this time for those acres. Our planting then on April 21, 22, and 23 was compromised with a deluge of rain and some of this land was replanted twice. The bloom is off of the yields for Indiana, Ohio and part of Illinois production. Mother nature will need to kiss these states for them to produce average corn yields. August weather is the most important for soybeans, so it is possible to have excellent soybean yields.

### Vomitoxin

- The 2016 early Fall weather was such to benefit the growth of a fungus that produces a terrible toxin. A large area of Indiana had this toxin and thus had huge corn marketing problems. Livestock do not want feed with vomitoxin in it. Our market for corn is predominately for livestock feed. This issue also severely affected the areas 5 ethanol plants, as they produce ethanol the vomitoxin is then concentrated in the dried distillers' grains that are livestock feed. Smith Farms as well as others had loads rejected and other loads highly discounted. The vomitoxin issue decreased the value of our corn crop by approximately 10%. Thus, further decreasing the possibility of profitability.



## National Yields

- Rain makes grain and so at this moment the USA corn and soybean potential is for national trend yields. There is plenty of time yet in the growing season for the weather to kiss the corn and soybeans or to severely damage the production.

## Commodity Prices

- The 2016 Corn crop was sold at approximately break-even or less for most Farmers. There is a world glut of corn and in the USA, there are still piles of corn on the ground. Thus, we do not see much possibility of profitable corn price for the 2017 crop.
- The 2016 Soybean crop did have potential to be profitable for Farmers that had good production and storage to speculate with the crop until early 2017. Early 2017 presented opportunities to market the soybeans above \$10.00 per bushel, which is profitable for most farmers.
- The 2017 Corn and Soybean production is expected to be in abundance with trend yields and so with the sizeable carryover of the 2016 crop in 2017-18 we expect weak prices for the new crop.

## World Trade

- The USA is very fortunate in that our Agriculture can and does produce in abundance. With profitable commodity prices, we can significantly increase our production. Most Farmers and our Agricultural organizations were disappointed with the collapse of the TPP negotiations. We have strong concerns with the negotiations of NAFTA and other trade agreements as these agreements are necessary to continue exporting Agriculture commodities to these countries. With the huge world and USA commodity surpluses hanging over our heads our farmers must continue to have strong agriculture commodity exports.

## Financial Stress Continues

- Farmers the past few years have reduced their cost structure just about all that they can. Capital purchases have been greatly reduced, inputs reduced some, family living reduced and land rents negotiated down. There is little left for the Farmer to do to reduce his input costs. His main objective is to produce the most at the least cost per unit which is always the main objective. Personally, I really feel for the young farmer that has not had enough time farming to build a financial cushion for the tough times.

## Land Prices

- Land prices are continuing a slow downward bias being off 15% -25% from the highs in 2015, depending on quality, location and the attitude of the area farmers. The investors have lost some of their interest in farmland with the strong stock market luring in their investment funds. The most highly productive land will still bring a strong price with several bidders participating in the auction. The last large acreage auction in the area consisted of 159.21 tillable acres (64.45 hectares) was auctioned on January 22, 2016, brought \$9,434. per tillable acre (\$23,302. per hectare). The land was excellent soil for the area and has an excellent open ditch drainage outlet for pattern tiling the land. We would appraise this land today at approximately \$8,000. per acre (\$19,760. per hectare), down approximately 15%.

## Local Economy

- Thankfully our local economy has improved and everyone that really does want to work will have a job. We often see help wanted signs and advertisements in the newspapers. The wages for many are still too low for our economy to fire up and go strong.

## Smith Farms

- We continue to implement our long-term strategy with continuing land purchases as the correct situation arises. We have turned down several opportunities to purchase and/or rent additional acreage. The land rent price per acre is still too strong for us to have any interest in adding additional rented land. We have finished our grain storage construction and now we have storage for all that we produce. We continuously work to maximize our yields with improving tile drainage, fertility program, herbicides, fungicides and very careful selection of the seeds that we plant. We continue our dedication to our research and yield test plots. We dedicate significant time to marketing our production and to the purchasing of our inputs. With all of our grain storage we work to market as an elevator to obtain storage returns and as a speculator to enhance our sales price and profitability.
- I planted my 52nd crop this Spring and it sure was fun. Looking forward to planting several more. We are eternally optimistic on Agriculture.