IFMA COUNCIL COUNTRY REPORTS JULY 2018

REPORTS FROM:

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

Compiled by Tony King on 5th July 2018.

COUNTRY REPORT: ARGENTINA
JULY 2018

David Hughes

Political & Market Issues:

- May/June were very active and restless months. The local currency had a large devaluation, some say it needed it, as we still have a two-digit inflation rate and the US dollar was overvalued.
- The soybean and corn crop suffered from the weather, and thus we have less exports of grain, which under an economy that is trying to be more open, needs to increase exports and imports, affected very strongly the foreign currency coming into the country.
- The corn crop estimated at 41 MMT ended at 32 MMT, and the soybean crop estimated at 52 MMT ended up at 36 MMT. This crop loss will probably impact GDP by close to 0.9%
- The increase in foreign investment has gone into the financial markets, and mainly oil and gas.
- President Macri is not that strong politically, as he has a minority in Congress, and is working on cutting down the size of the government, as well as going after corruption.
- Inflation is running at about 20 to 30%, salaries are to be adjusted at rates around 30%. With the devaluation of our currency and the slowing down of economic growth, salaries will suffer in dollar terms. There are no adjustments to Financials for tax reasons, so we are paying income tax on nominal earnings, not real earnings.
- Export tax on soybeans is being cut down 0.5% a month, same for soy oil and biodiesel. Export tax on biodiesel was increased from 8% to 15% to even out export taxes on soy products.
- Biodiesel exports have fallen strongly since the US slapped on over 60% tariff on argentine biodiesel.
- EU has started purchasing argentine biodiesel again.
- Argentina is reaching many new markets for grain and beef. Specially in southeast Asia and China

Weather/Production

- Weather has been a major issue. The pampas region, where most of the grain is produced in Argentina, is a large relatively flat area with a slight slope. From west to east the above sea level goes from 135 meters above sea level to 20 meters above sea level in 430 km. Said this, rivers meander through the pampas and flood easily. Last fall or autumn we had extraordinary rainfall, which led to flooding in large regions of the country, then we had a mild spring allowing for a good planting season in summer crops. Winter crops acreage had fallen due to the wet season, and although had many diseases due to humid and warm winter, finished with good yields and a very good crop.
- Summer crops, mainly corn and soybean, were planted in good conditions, then in early summer it stopped raining, and the crops started to suffer greatly. So, we ended harvesting during a wet fall or autumn, with a huge loss in yield and quality.
- Soybean yields have been low, compared to average yields. Corn suffered as well, with an estimated loss nationwide of 22% for corn, and 33% for soybean.
- Overall Argentina has “lost” close to 20 million tons of soybean and 9 million tons of corn.
- As we sit with very good soil moisture we are looking at a “Niño” weather pattern and that would mean for us above average rain during our spring (Sept – Nov), so we might expect another good year for corn and soybean yields. Although it might impact negatively on wheat and barley, as it flowers and is harvested during this “wet” season. Wheat acreage will be close to a 10-year record, over 6 million hectares.
- Beef exports are growing, and the dairy industry is still suffering from weak links in its value chain
- As a country, we have not been able to resolve the payment of royalties for seed. This is putting us at a disadvantage, as we do not have the latest technology in soybean, cotton, and other minor crops. Wheat is also suffering.

COUNTRY REPORT: AUSTRALIA
June 2018

Robert Patterson & Rob Napier

Robert Patterson's Report:

As Australia's climate and agriculture are so diverse, it is difficult to provide a personal perspective on Australian agriculture as a whole. This report therefore covers only south-eastern Australia (New South Wales and Victoria) with which I am most familiar.

Weather:

- The dominant feature of agriculture in south-eastern Australia for 2018 to date has been the lack of rainfall, following a very dry winter and mediocre spring in 2017. For example at Temora in southern New South Wales, a location which is typical of the wheat-sheep zone, rainfall to date for 2018 is 126 mm which is 30% less than average. However, of this 2018 rainfall, 66mm or 52% fell during January which has an average monthly rainfall of 46mm. The annual average rainfall for Temora is 524mm which is winter dominant, with 60% on average falling during the "growing season", which has been determined to be from 1st April to 30th October.
- There has not been a traditional "autumn break" to date, previously defined as a single rainfall event of greater than 25mm, which leads to a change in the weather pattern. Although the traditional autumn/winter weather patterns of low pressure systems accompanied by cold fronts moving in an easterly direction across southern Australia appear to be developing, they have not resulted in large (>25mm) rainfall events to date.
- The rainfall distribution pattern in south-eastern Australia is changing, while total annual rainfall appears to be remaining constant. More rainfall is being experienced outside the traditional growing season, particularly in February and November, with less rainfall being received in April and October. This has implications for traditional crops and pastures being grown and the management of these.

Crops:

- The dry commencement to the winter cropping season has been very challenging for farmers. However, the majority of young and progressive farmers have been finetuning dry-sowing of crops in recent years, a practice largely initiated during the "millennium drought", where annual rainfall at Temora in 2002 and 2006 was down to 200mm. Experience has shown that winter crops such as wheat, canola and barley achieve higher yields from earlier sowing in April/May, than they do from later sowing in May/June. Dry sowing allows the crops to germinate at the earliest significant rainfall event after sowing while soil temperatures are still warm. By contrast, moisture is lost from the seeding operation if sowing takes place after a rainfall event and crops germinate later when soil temperatures are colder, which limits root growth.
- As a consequence of the shift in rainfall distribution resulting in rainfall during April/May becoming less reliable, there has been a shift in farming practices aimed at storing increased summer rainfall in the rooting zone, by retaining stubble cover and chemically controlling weeds.
- This had led to some significant developments and investment in new seeding equipment, which will handle stubble and provide adequate soil-to-seed contact under dry conditions, allowing dry sowing under various soil and weather conditions.
- In the past most of the winter crop was grown on mixed farms which ran mainly sheep with only a few cattle, in conjunction with cropping. Stubbles (spilt grain from harvest plus summer growing weeds) provided valuable feed for livestock, allowing pastures to be rested. However, mixed farmers were

always compromising either their livestock, crops or both, by allowing weeds to grow in stubbles which use moisture and Nitrogen.

- There is now a greater level of specialisation amongst farmers, with a trend especially amongst younger progressive farmers to be continuous croppers, with no pastures or livestock. This has presented them with significant challenges in managing herbicide resistance and fertility decline.
- Most of the dry sown crop has now emerged, but physiological development is about 4 weeks behind desirable levels, which may limit yields if spring rainfall is below average and warmer than average temperatures are experienced during flowering and grain fill.
- On the positive side, current and forward grain prices are at levels experienced on average only once every ten years. However, very few farmers are taking advantage of these forward prices due to production risk.

Pastures

- Increased summer rainfall events have resulted in greater areas of perennial pastures (mainly lucerne based) being established, which benefit from summer rainfall. Traditional annual pastures are comprised predominantly of subterranean clover plus annual winter grasses, the grasses of which are competitors of winter crops. Annual pastures become very bare if not destocked in dry autumns, with severe wind erosion occurring in some cases.
- In general, the livestock producers who remain after the millennium drought, have learnt to manage pastures much better than their forebears. Increased areas of perennial pastures have been established, which are rotationally grazed with significant rest periods allowing them to recover without exhausting root reserves, rather than being set stocked which leads to decline in plant populations and consequent invasion of weeds.
- Annual pastures are being destocked during dry autumns to preserve ground cover, which both prevents wind and water erosion, plus provides some shelter and moisture conservation for newly germinated pasture seedlings following the autumn break.

Livestock - Sheep

- Virtually all sheep are currently being handfed grain, with some hay also for lactating ewes, as paddock feed is essentially non-existent in most areas. Some producers have established “drought lots” to contain sheep in relatively small areas, to preserve ground cover and allow newly germinated pastures to establish.
- Cereal grain prices in southern New South Wales are at very high levels due to the relatively poor harvest resulting from drought and frosts in many parts during 2017, plus the strong draw on grain from Queensland in the north, which also had a poor winter crop harvest in 2017. There is also very strong export demand from SE Asia for feed barley and sorghum, which has exasperated the supply side of the equation.
- On the positive side, wool prices are at record high levels, having risen by 40% above the previous high set in January 2017. Sheep meat prices are also at historically high levels, being 20% above the past 5 year average, due to extremely low sheep numbers available for slaughter.
- Australia’s sheep population is now around only 70 million, of which approximately 60% are located in New South Wales and Victoria. This sheep population is around half its level in the early 1990s and lower than it was at any time since 1900.

Livestock - Cattle

- Most cattle are being handfed as well, with breeders being fed predominantly hay, and young stock being fed for slaughter, a grain-based diet.
- High grain prices plus a shortage of hay due to the poor spring in 2017, are providing plenty of challenges for cattle producers.
- Slaughter cattle prices have declined during 2018 to be 25% less than they were last year, due to increased slaughter numbers resulting from poor seasonal conditions in traditional beef cattle areas.

- Australia's cattle population is estimated to be around 27 million at present, of which about one-third are located in New South Wales and Victoria. The current cattle population is midway between the peak which occurred in 1976 and the lowest point in recent times in 1984.

Land Values

- Farmland values in New South Wales and Victoria continued to increase during 2017, increasing by around 9% on average for the year. This is slightly higher than the longer term average annual growth of around 7% for both the last 5 years' and 20 year periods.
- This increase in farmland values is being driven by corporate investors to a small extent, but mostly underpinned by larger successful family businesses expanding their operations, which is being facilitated by record low interest rates.
- Farm expansion by buying neighbouring properties is more common amongst predominantly cropping farmers, who can achieve significant economies of scale by spreading machinery overheads over a greater area of land. By contrast, livestock producers cannot generally achieve these same economies of scale, due to their inability to substitute capital for labour to any great extent.

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Rob Napier's Report:

Robert Patterson has presented a comprehensive report covering the current challenges facing many of Australia's cropping and livestock farmers. I would like to add some comments on a few 'big picture' issues.

- The Challenges of agriculture in Northern Australia
- Northern Australia has a tropical climate with marked wet and dry seasons. The region has long been seen as an agricultural frontier with considerable potential and there is a sustained push by Government to develop the area. One recent example of the challenges facing operators is the closure of a new $120 million abattoir near Darwin operated by the Australian Agricultural Company, Australia's largest beef producer. The Company set out to build a value added supply chain but has found this very difficult to achieve.
- On the positive side, one vertically integrated Northern Australian beef business I follow is managing to operate profitably. The family business is run by an entrepreneur who achieves excellent cost control. No cattle are bought until the beef products are already sold. The business currently specialises in processing bulls and cull cows, animals not in demand by other buyers. The operator who also has seven cattle stations has built a state-of-the-art abattoir cheaply using staff and some equipment from closed mining operations. The business is an example of a nimble family business able to compete with much larger operations.
- Transformation of cropping areas
- I have recently travelled through much of the grain growing area of South Australia on a 5000Km road trip. I was struck by the rapid increase in scale of cropping farms. As Robert Patterson has indicated in his report, many farms which were previously livestock/cropping farms are now devoted to cropping only. The impacts of labour saving machinery and increases in farm size are resulting in major changes in rural communities.
- In a recent newsletter with the title 'What's the Matter with Kansas' by Alan Guebert an agricultural journalist based in Illinois, USA he writes about the same challenges facing rural communities in that state. The production of undifferentiated agricultural commodities with low margins on large-scale highly mechanised farms has resulted in rural population decline.
- These issues are global and the coming technological changes with biotechnology, engineering (robots, nanotechnology, drones, etc) and big data will make the changes even more rapid.

- It is timely that IFMA22 is in Tasmania, a jurisdiction with limited opportunities for large scale farming and where we are being asked to look for solutions to the challenges of small to medium scale farming businesses.
- The current dry season in Australia
- The dry season discussed in Robert Patterson’s report extends over much of Southern Australia.
- As we drove across inland New South Wales and South Australia we witnessed the reduced livestock numbers, the hand feeding of remaining stock, the large numbers of kangaroos and emus often in poor condition and the very low levels of inland rivers.
- Dry periods, especially if poorly managed, put enormous strains on the ecology of fragile arid lands.

COUNTRY REPORT: CANADA
JUNE 2018

Heather Watson & Eric Micheels

Heather Watson's Report:

Weather:

- For most of the country, we endured a long winter with temperatures below zero well into April. Then it seems we went right into summer. Now, we're seeing more typical temperatures, but some are lamenting the fact we had no spring.
- This has led to drought conditions for some in the west, in particular Saskatchewan, and wet and colder temperatures in the east delaying seeding

Policy:

- Canada has been very busy in terms of policy development, encouraging interdepartmental initiatives between Federal Ministries (Health Canada, Ministry of the Environment, Ministry of Science and Innovation and Agriculture & Agri-Food Canada, to mention a few)
- Here are a few interesting pieces on the policy front:
  - National Food Policy for Canada
    - Stems from Canada's lack of a national agricultural or food policy
    - A number of groups including the Canadian Federation of Agriculture drafted policies for government consideration, and last summer the Federal government decided to consult on the development of a national food policy for Canada
    - The policy as it currently stands contains 4 priority areas:
    - Food security
    - Environmental protection
    - Eating healthy
    - Growing more high-quality food
    - Having taken part in the consultations and continuing discussion, there is concern the policy is dominated by environmental and social concerns – there was a significant lack of attention to how we're going to ensure farming is economically viable in achieving environmental and social goals. Concern was also raised regarding the lack of attention towards the problem of food waste where 40% of food is being wasted
    - There is ongoing concern regarding how this initiative will be governed and executed and how to handle potential conflict of interest of those involved. Agriculture & Agri-Food Canada are the lead department.
  - Canada's Food Guide
    - Produced by Health Canada, the Food Guide provides guidance for leading a healthy lifestyle with a balanced diet
    - The current Food Guide divides food into 4 categories: Grains, Fruit & Veg, Dairy Products and Meat, Fish and Alternatives
    - The proposed changes to the Food Guide include an emphasis on plant-based diets, moving away from consuming red meat and foods high in saturated fats, and removing dairy as a separate category
    - Concerns have been raised that agricultural groups were not properly consulted in the revision of the Guide, and their eating recommendations are tied not just to nutrition, but environmental concerns (ex. eat less red meat to reduce greenhouse gas emissions)

    - Another concern that has surfaced in this space is food packaging labels where any food, regardless of nutritional content, is labelled for fat, salt and sugar content which would label milk and natural sugars like maple syrup as 'unhealthy'
    - HandsOffMyPlate.ca was created by some farm groups in response to feeling the ag sector has been left out of the conversation
  - Canadian Agricultural Partnership (CAP)
    - Came into effect April 1, 2018 as the new 5-year agricultural policy framework for Canada
    - The 6 priority areas are:
    - Science, research and innovation
    - Markets and trade
    - Risk management
    - Environmental sustainability and climate change
    - Value-added agriculture and processing
    - Public trust
    - Environment, Value-Add and Processing and Public Trust are new priority areas
    - The Federal government has created 5 Federal programs to address the priority areas:
      - **AgriInnovate**

        To accelerate agribusinesses getting their innovations into the market.
      - **AgriScience**

        To support pre-commercialization activities and investing in cutting-edge research.
      - **AgriMarketing**

        To increase and diversify exports to international markets and seize market opportunities.
      - **AgriCompetitiveness**

        To help farmers build the capacity to adapt to industry changes and seize opportunity.
      - **AgriDiversity**

        To building the entrepreneurial capacity skills of indigenous, youth, women and persons with disabilities.
      - **AgriAssurance**

        To enable industry to make verifiable claims about the health and safety of Canadian agricultural products.
    - Most of the programs are cost-share meaning to apply for funding, individuals or groups must contribute their own money. Most federation programs are 50/50 cost-share between government and the applicant.
    - While the agricultural policy framework was being ratified by the Federal-Provincial-Territorial (FPT) governments, the Business Risk Management (BRM) programs (insurance programs) were commissioned for a comprehensive review, which is underway now. We, along with many producer groups are concerned about the 'comprehensive' nature of the review, which will be the focus of the upcoming FPT Minister's meeting in July.
  - The Barton Report
    - The Advisory Council on Economic Growth for the Ministry of Finance released a report in 2017 on unleashing the growth potential for key sectors in Canada
    - Much to everyone's surprise and delight, Dominic Barton, Chairman of the Council pointed to agriculture as a key sector for growth, noting agriculture could move from the world's 5th to 2nd largest exporter, increasing exports $20 billion by 2025
    - These ambitions were echoed in the government's 2017 Federal budget
    - Much discussion is taking place around these targets and many feel we're on the right track, however some industry groups are concerned we're putting all our eggs into one basket and caution forgetting other priorities outside of the export market

- Superclusters
  - The Ministry of Innovation, Science and Economic Development launched the Superclusters competition for industry groups to compete for a piece of $950 million to ‘energize the economy and become engines of growth’
  - 5 applications were successful including one agriculture submission: Plant-Based Protein Cluster
    - An alliance of 120 companies and organization
    - $400 million from the private sector to leverage $150 million from government
    - Driven by changes in eating habits and demand for alternative protein
    - New possibilities for flax, hemp, oats, pulses (including lentils, chickpeas, dried peas and beans)
- CPTPP & NAFTA
  - Since the United States left the Trans-Pacific Partnership, the remaining countries formed the CPTPP: Comprehensive and Progressive Agreement for TPP for Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. Once the CPTPP enters into force, it will be one of the largest free trade agreements in the world and will provide enhanced market access to key Asian markets.
  - The North American Free Trade Agreement has been in place between Canada, the United States and Mexico since 1994. Since President Trump started talking about scrapping the agreement, American and Canadian farmers have expressed concern and generally want a ‘do no harm’ approach to expand access where possible but otherwise keep the Agreement intact. Canada-US trade represents the largest bilateral trade agreement in the world. Canada’s dairy sector remains a contentious point for Trump, although Canada’s farm groups report American dairy farmers are looking to Canada to devise a price guarantee model for the States
- Tax Changes
  - The Ministry of Finance released proposed tax changes to combat private corporations and ‘wealthy Canadians’ taking advantage of current tax rules
  - The proposed changes were released for consultation at the end of last summer – poor timing for the agricultural sector! Many felt the government was trying to quietly slip these changes through as the consultation timing was poor and timelines very short
  - Once the agricultural industry became aware of the proposed changes, some immediate concerns arose that would specifically, negatively affect long-term succession or farm transition planning
  - Where the government was trying to come down on corporations splitting income or using other means of deferring tax, it became clear the agricultural sector would be severely affected, making it more financially beneficial to transfer the farm to an outsider than a family member
  - The agricultural sector rallied together and lobbied for a delay in the changes and reconsideration for some of the proposed tax changes
  - The government backed off from some changes, but are coming down with new rules on recognizing family members’ contribution to the business as reflected in shareholder agreements, dividends, etc.As a country, we have not been able to resolve the payment of royalties for seed. This is putting us at a disadvantage, as we do not have the latest technology in soybean, cotton, and other minor crops. Wheat is also suffering.

Income:

- Statistics Canada released their income report, noting net farm income dropped by 2.5%
- This signals the first drop since 2013, specifically affecting farmers in Saskatchewan, Ontario, Quebec, New Brunswick and Nova Scotia
- While farm cash receipts were up, operating expenses offset these gains
- Looking at specific production sectors:
    - *Lentils fell by 46%*
    - *Dry peas fell by 30%*
    - *Wheat increased 13%*
    - *Canola increased 7%*
    - *Soybean decreased 7%*
    - *Cattle increased 2%*
    - *Hogs increased 10%*
- Farm debt has increased to $102 billion from $96 billion, which doesn't seem to be causing much concern for the sector, except if interest rates rise…which is predicted
- Our exchange rate with the US has helped many producers

Farm Management:

- Where the provincial Ministries of agriculture have been providing knowledge transfer and extension, under the new CAP program, the western provinces are moving towards an administrative role (administering cost-share funding programs to industry groups), leaving extension and education to industry groups
- Further, where these Ministries would provide cost-share funding for farm management training and consulting services, the funds available to assist with these activities have been severely reduced, causing industry to question the ROI in going through the application process
    - In some cases, certain farm management topics are ineligible for cost-share assistance in some regions – as an example, Ontario is not providing funds towards any succession or farm transition training or consulting assistance to farmers
- The Ministries are struggling to keep their farm business management departments in favour of increasing priority on environmental management
    - With the emphasis moving to environmental management and social license, we are pushing to maintain appreciation for the triple bottom line in measuring sustainability by environmental, social, but also economic sustainable practices and the careful balance and relationship between these elements
- With the Federal government promising a comprehensive review of BRM programs, we are hoping we can get governments and industry to recognize the crucial link between investing in farm business management as a business risk management and growth strategy for farmers and the sector at large. We would like to see lenders or government reward or incentivize farmers adopting farm business management practices
- We continue to hear and see a 'bigger is better' approach to agriculture where farmers feel the only place to go is more land, more buildings, more equipment – producing more to combat low profit margins. We're trying to communicate the importance of considering the implications of expansion (ex. HR, cash flow, lifestyle, market risk, etc.) to assess and build the capacity for long-term success – better is better before bigger is better
- There is a concerted effort through our work with farm advisors to move away from 'succession' terminology towards farm 'transition' when speaking of farm transfer

- Farmers continue to face labour issues – citing a lack of access to qualified workers, and retention issues
    - The Temporary Foreign Workers Program continues to undergo review as governments seek to balance domestic and foreign labour rights and needs with the needs of the farmer in terms of reliable, steady workers
    - Ontario has introduced a minimum wage hike that has many farmers concerned about increased expenses
    - Ontario has also introduced new employment regulations that dictate vacation time and leave, which are also affecting our farmers' ability to count on labour as and when it is needed to fit production schedules
- Carbon pricing has re-emerged as a hot topic with many farmers concerned about being penalized rather than recognized for their environmental stewardship efforts
- Farming is a risk business and it seems every day, farmers are faced with a new challenge that is sometimes completely out of their control. Over the past year, Mental Health has come into the spotlight as we see farmers taking their own lives and battling burn out in the face of such intense pressure to weather the storm and succeed in feeding the world. Several initiatives are underway to raise awareness of the importance of mental health, and most Conferences are now welcoming speakers to standing-room only crowds
- Agvocacy continues to be a significant focus – connecting with the Canadian public and consumers so they can better understand the agricultural industry and the decisions being made in the interest of the environment and animals, and we can better understand their concerns and continue to find solutions. One fun initiative we saw in the Ottawa areas was Popsilos where farmers applied to have their silos painted, which has become part of an art and culinary tour for city folk to connect with rural – and art to connect with science. Here's a look at some of the silos you'll find around Ottawa!

Legalization of Cannabis

- Last year, the Government of Canada announced the legalization of pot by July 1, 2018 – for possession, growing, and consuming
- It seems to be causing quite the kerfuffle as distribution and sales are under provincial jurisdiction and therefore different for every province, and we don't seem to have a handle on anything relating to drug-impaired driving and workplace rules, as we have in place for alcohol
- However, we are seeing much interest in terms of new opportunities for the ag sector and value chain as such – it will be interesting to see how this develops….

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Eric Micheels's report follows >

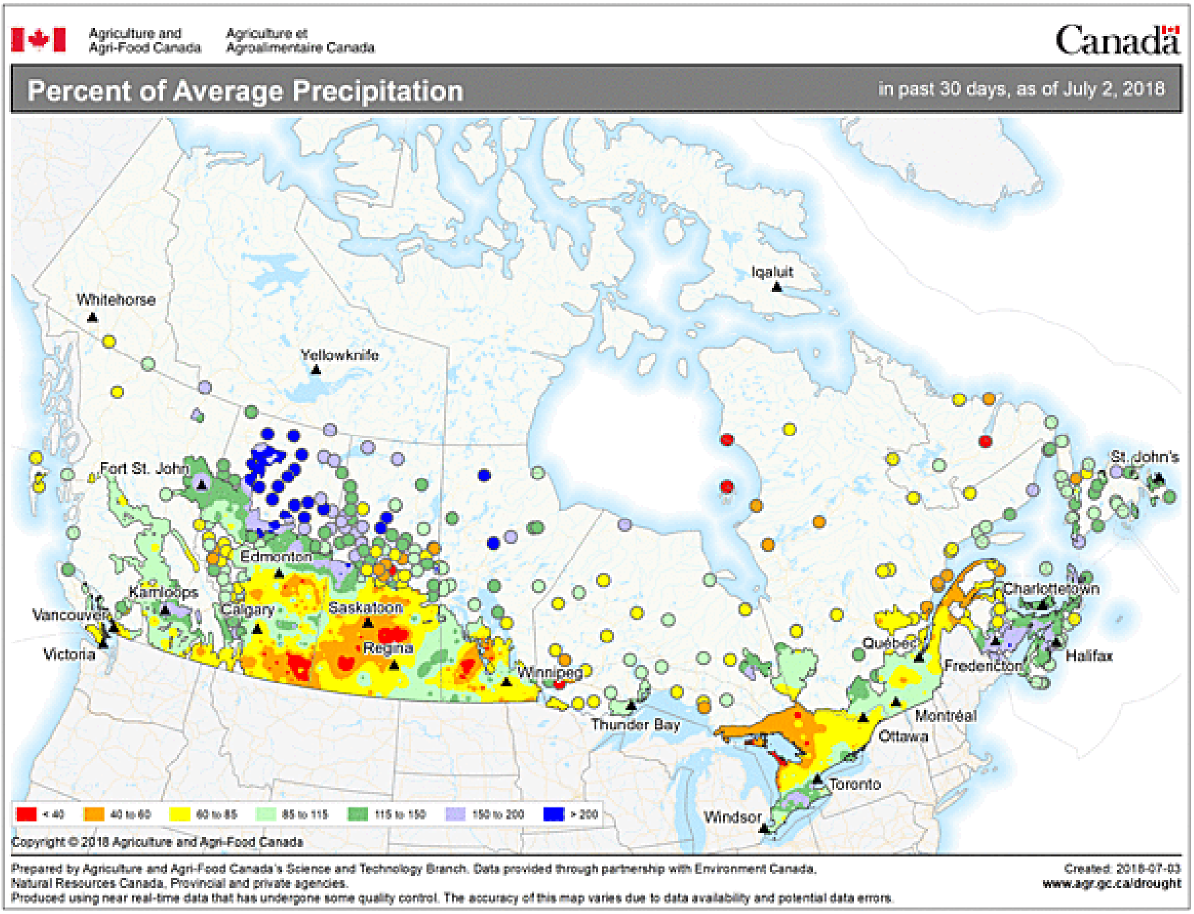
Eric Micheels's Report

Weather and Crop Conditions

- Canadian producers had favourable weather in the spring seeding season, but now are looking for rain. Even with 1/3 of the area being short of topsoil moisture, approximately 70% of the crop is at the normal stage of development for this time of year. In Alberta, 76% of the crop is rated good or excellent, down from 80% a week ago, but still above the 5-year average of 71% for this time.

- While on average, precipitation is around normal, over the past month major swaths of the growing region are below normal (Figure 1).

Figure 1: Percent of Average Precipitation (30-day rolling average)



Source: Agriculture and Agri-Food Canada

Grains and Oilseeds

- Recently Statistics Canada released updated acreage figures for principal field crops in Canada. In this release, it was reported that all-wheat acres were estimated to be 24.7 million acres, canola was estimated at 22.7 million acres, barley was estimated at 6.5 million acres, and soybeans falling back to the fourth largest crop at 6.3 million acres. What was interesting with this report is that many of the government estimates were different from the spring release that was based on planting intentions.

- While certainly growing conditions may have altered crop choices, many in industry privately (and publicly) questioned the numbers that were put out initially by Statistics Canada. Many producers even suggested that they may not be entirely truthful when reporting planting intentions, which may give researchers who rely on farm-level data from federal agencies some pause.

- The other news within the crop world was the discovery of a patch of GM wheat along an access road in southern Alberta. Following the reporting of this discovery, Japan and South Korea halted the purchase of Canadian wheat until further testing could be done. Recently, South Korea lifted the temporary ban on Canadian imports.

Table 1: Principal Crop Acreage Estimates, June

Type of crop	2017	2018
Barley	5,766,000	6,499,200
Canary seed	255,000	212,100
Canola	22,997,100	22,740,000
Chick peas	160,000	468,900
Corn for grain	3,575,500	3,633,500
Lentils	4,405,000	3,767,100
Mustard seed	385,000	503,800
Oats	3,200,300	3,052,600
Soybeans	7,282,000	6,320,100
Sunflower seed	65,000	78,500
Wheat, all including winter wheat remaining	22,391,100	24,709,700
Wheat, durum	5,205,000	6,185,400
Wheat, spring	15,801,300	17,296,400
Wheat, winter remaining	1,384,800	1,227,900
Wheat, winter seeded in fall	1,545,000	1,395,800

Livestock markets

Beef producers continue to benefit from strong domestic demand for beef products, with fat cattle prices averaging $5 over the U.S. market price. This is $10 higher than what Canadian producers typically see relative to prices in Nebraska. Much of this may stem from the stagnation in the size of the Canadian herd, which has not grown as fast as the U.S. herd.

New regulatory changes are now leading beef producers to develop more formal relationships with their veterinarians in order to obtain prescriptions. This new regulatory environment is going to lead to some growing pains as producers and veterinarians work to remain in compliance with the new regulation that is aimed at reducing antibiotic and microbial resistance.

Policy

The ongoing NAFTA renegotiations have continued the discussion of the benefits of supply management in the dairy industry that were started last year during the Conservative Party of Canada leadership race. Against a backdrop where U.S. dairy producers facing strong headwinds in terms of cost of production and market price, the supply management system in Canada, which uses production quotas and import restrictions to match domestic production to domestic demand is facing increased scrutiny. Supply Management has often been seen as the ‘third rail’ of Canadian politics, as seen by Maxine Bernier’s opposition to SM, and his resulting loss in the final vote of the Conservative Party of Canada leadership race. It will be interesting to see how this debate unfolds as President Trump has indicated that he would be willing to wait until after the November mid-term elections to sign NAFTA 2.0.

COUNTRY REPORT: DENMARK
July 2018

Brian H. Jacobsen

Weather and price

- The 2017 weather was wet, wet and wet and so the harvest was not easy as the summer was full with showers. The overall yield on arable farms in 2017 was up compared to the not too positive 2016, but the prices were down and so the value of the harvest was not a success. The crop prices were around 100-110 DKK/100 kg or € 0.13-0.15 per kg barley and wheat in 2017. For 2018 the weather has been dry, dry and so we have had the warmest May ever and the "draught" has now been effective for more than two months leading to the earliest winter barley harvest ever (28th of June).
- The yields in 2017 were as high as the 2015 high yield year, but the protein levels were lower than in 2016. Results indicated again that farmers have only used 50-60% of the additional nitrogen norm they were given in 2016, which is a surprise, but this will give a lower negative environmental impact than expected.
- The pork prices have increased and the income was relative high in 2017. The standard price for slaughter pigs came up to 1,55 €(11,60 DKK) per kg during the summer 2017, but has now dropped to 1,10-1,20 €/kg (8,50 - 8,90 DKK) in the beginning of 2018. This could indicate a lower income in 2018. For some farms (mink and poultry) the new P limit will be a challenge as the maximum application is lower in catchments near P-sensitive lakes. The export of piglets is still increasing and so 43% of all piglets (14 million) are now exported to Germany or Poland.
- The dairy farmers had a good year in 2017 and the milk produced was up compared to 2016 and the 2018 levels are a little higher than 2017. The organic milk production has increased due to demand and so have the prices so organic dairy farmers are not doing too badly. In 2017 more farmers have converted to organic farming and so more than 10% of the milk produced is organic milk. A general trend for both dairy and sow producers is that the farms are getting significantly larger.

Environmental regulation

- The new Food and Agricultural package from December 2015 has been implemented and additional area with catch crops have been implemented in 2016 and 2017. Based on a voluntary system and a subsidy of 94 € per ha the area was found in 2016/17, but in 2017/18 a few farmers will have to have more catch crops as the voluntary uptake with subsidy does not fully reach the requirements set by the Government and EU. 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.

Income

- The CAP 2021-27 is discussed at it will reduce the Danish income from EU by €34 million per year or €13 per ha. The focus from the EU commission has been on making it simpler, but that has been an ambition for many years… The increased flexibility allows member states to choice how to tailor the support and so an increased share can be used in the rural development programs and as support to environmental schemes.

COUNTRY REPORT: KENYA
JULY 2018

Philip Nyangweso

Introduction

- This year's farm and agribusiness activities are reeling from a prolonged election campaign season which commenced in July last year to the early part of this year. The first round of elections which were held in August between Jubilee party and the national super alliance were disputed resulting in a rerun which was boycotted by the opposition's national super alliance. This culminated in the country having two sworn in presidents: - one sworn in by the chief Justice as the president of the Republic of Kenya and the other sworn in by a commissioner of oaths as the president of the people's assembly of Kenya. This raised political temperatures and circumvented any meaningful engagement in investment in farm and agribusiness activities. It is only after the handshake by His Excellency the President Hon. Uhuru Kenyatta and Right Honorable Prime Minister Hon. Raila Odinga on 9 March 2018 that temperatures started cooling down and the focus of Kenyans changed to building bridges, unifying the country and focusing on the big four agenda of food security, health care, manufacturing and housing.
- Despite the economic outlook being predicted to be bright and projected to oscillate around 5.7%, a number of corruption scandals were exposed in many sectors of the economy further eroding the confidence levels that were already rock bottom as a result of the prolonged political turbulence. Some of the scandals included: maize scandals, national youth service scandal, sugar scandal to mention but a few. As rains started falling many parts of the country became victims of flush floods which did not only devastate crops and livestock, but also led to loss of human lives. Kenya plays an important role in a number of global value chains namely: – floriculture, textiles, leather, manufacturing, tea, coffee and tourism.

Weather

- The country faced heavy rains this year which continued to pound the country consistently for prolonged periods of time. This resulted in abundant availability of pasture and fodder for livestock farmers. Even though the onset of the season was characterized by invasion of army worms abundant supply of rainfall minimized the deleterious effect of army worms on food security. The heavy rains damaged a lot of agricultural farm land and rural infrastructure due to poor soil and water conservation structures. With such a favorable rainfall regime harvests of major cereals are expected to improve this year and result in dipping of cereal prices. Similarly exportable agricultural commodity yield such as tea, coffee, vegetables and cut flowers will be expected to increase thus increase their contribution to value added.

Production Inputs

- Access to production inputs by majority of the farmers who contribute to over 80 % of the total production continues to be a nightmare. Fertilizer subsidies have been with us for the last four years. However, its distribution framework has failed to guarantee access to quality fertilizer and witnessed distribution of counterfeits. Coverage of the most vulnerable small scale farmers has also been limited by supply side constraints.

Markets

- Cereals were mainly distributed through the traditional channels such as the national cereals and produce board. Other commodities were channeled to consumers through local market centers and brokers who sometimes exploited farmers. Maize, retailed at US$30. Due to expected god weather outlook, most crops are expected to produce reasonable yields which are likely to push prices downwards. Despite increasing cost of production, market outlook for tea, coffee and other exportable commodities look bright.

Farmers

- Small scale farmers dominated most agricultural value chains in Kenya. Quite a good number of them operated through cooperative as a way of eliciting fair returns to their sweat. However, a good number of farmers' cooperatives witnessed bottlenecks in farm input acquisition and produce distribution. The Kenyan government has continued to put in place mechanisms that will cushion farmers from exploitation while allowing a reasonably fair competition in the market.

Land

- Over the last four years a lot of title deeds have been issued to facilitate ownership of land across the country and thus improve land tenure security. However, cases of fraudulent land transactions are common resulting in many land owners being cautious in the way and who they transact business with. Land prices in Kenya continued to escalate every year and price variation was reported as you moved from rural to urban areas. Crafting of new land laws and their implementation requires a consultative process that will deliver improved access to land and also efficient utilization of the land resource.

Access to credit

- The capping of interest rates at 4% above the central bank lending rate through parliamentary act received a lot of resistance from bankers two years ago who resorted to investing in government stocks thus crowding out private investment. The mandarins at the treasury seem to be rethinking the capping of interest rates. As the new financial year progresses measures are expected to be put in place to free the interest rate and thus avail more resources for private investment.

The Future of Kenyan Agriculture

- The outlook of Kenyan agriculture is bright. However, corruption in acquisition of inputs and marketing of farm produce needs to be checked to incentivize those players along the various commodity value chains. More environmentally sensitive farming approaches should be encouraged to ensure sustainable utilization of resources and guarantee future generations a good legacy.

Regional Report

- After successfully holding its 10th AFMA Congress on 20th -24th November 2016 at Le Meridien Hotel, Pointe aux Piments, Mauritius, African Farm Management Association is scheduled to hold its 11th Biennial Congress in Abuja Nigeria. The Theme of the Congress is 'Transforming African Agriculture as a Pathway to Sustainable Development'. AFMA Deputy President, Usman Haruna who is the Chairman of the Local Organizing Committee in close consultation with the President Mr. Shane Hardowar and the Nigerian Chapter of the Association are putting in place finishing touches for the 11th AFMA congress.

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COUNTRY REPORT: NEW ZEALAND July 2018

Tricia & Andy Macfarlane

Weather

- New Zealand has experienced unusual weather conditions this past season where a wet early spring, followed by a very dry early summer was followed by a wet late summer and autumn with record high temperatures. As a result, ground water reserves and river flows are high, with some instances of flooding.

Output

- The usually flat grass feed curve (lower spring growth relative to summer, than normal) resulted in a further (-1%) small reduction in NZ milk output and a beef and lamb kill weighted early.
- We would expect a small recovery in NZ milk output with a more normal spring, and also a slightly higher beef, lamb and venison output.
- The volume and quality of arable and horticulture output was also affected by the unusual summer weather.

Biosecurity

- After working through incursions of PSA (kiwifruit) and myrtle rust in the past two years, this season we have had to deal with an incursion of Mycoplasma Bovis. While harmless to humans, MB can severely affect cattle when stressed. As one of only two countries in the world that (along with Norway) does not have MB, New Zealand has elected to spend approx. NZ$1 billion to eradicate the incursion, which is likely to have originated in Europe. The cost of protecting New Zealand's borders is proving to be high.

Pricing

- Milk prices continued their recovery with Fonterra's estimated final milk price for Year End 1/6/18 likely to be $6.75/kg (up from $6.15 in 2017 and $4.40 in 2016).
  $6.75 is equivalent to €43c/litre FCM and USD$51/100kg.
- A strong recovery in lamb prices (up 40%) and venison prices to over $10/kg (up 30%) has increased farm optimism and profitability in that sector.
- The global popularity of Merino wool has again seen strong prices in that sector, but crossbred wool prices remain low and most sheep farmers are very reliant on meat returns.
- Beef returns have been stable at reasonable prices (circa $5/kg) but have not reached levels hoped for by producers.
- Grain prices, which are an import substitution item, are recovering in line with global trends.
- The main horticulture products (wine, apples, kiwifruit, avocadoes) are enjoying stable pricing at good levels.

Politics and Trade

- A large issue on most international agendas! New Zealand elected a new coalition government in November 2017. While the right of centre national party attracted 44% of the vote they could not negotiate a coalition partner. As a result, the left of centre Labour party joined forces with NZ First and the Green Party to form a coalition Government under New Zealand's third woman Prime

Minister, Jacinda Ardern, who has this week become only the second woman to give birth while in office (after Benazir Bhutto)!!!

- During the election period, politics around farming and environmental ambitions were over played. There is no doubt that NZ's environmental ambitions are some of the toughest in the world, and that is being reinforced and acted on further by the Government.
- Very high tourist numbers have also accentuated the debate around managing freedom campers and various forms of debris they tend to leave behind.
- On the trade front, a modified TPP (transpacific trade agreement) was signed in December 2017 with Japan taking the lead role and the USA dropping out. It is formally referred to as CPTPP.
- The impact of the US administration's approach to trade negotiations and the potential Brexit uncertainty has New Zealand on watch. As we export 96% of our food output and have no price protection or subsidies in place, NZ is very dependent on free trade!
- Bilateral trade agreements are possible but are a very inefficient and slow way of negotiating.
- Third world countries usually benefit more by being included in multilateral trade agreements.
- The European trade minister is in NZ at present and a Euro-NZ trade deal is a priority, as is a NZ-UK trade deal. With uncertainty in the USA and Europe, NZ continues to develop trade with Asia.
- The USA market also continues to grow in food products complementary to US output.

CONFIDENCE LEVELS:

- Despite relatively good prices across sector and continued low interest rates, farming confidence is not as high as it should be at present. Banks are encouraging New Zealand farmers to aggressively repay debt from any surpluses this year, so discretionary cash is still limited.
- Another season of good prices will see more confidence, albeit constrained by tough environmental and climate change (greenhouse gas) expectations which we need to embrace.
- As New Zealand has almost all renewable energy production, our two large Greenhouse Gas outputs are from the transport sector and ruminant animals.
- With animal emissions making up almost half our total emissions, for NZ to fulfil its climate accord obligations, we will have to substantially reduce our animal emissions – a major challenge for our scientists and farmers!

CONCLUSION:

- Plenty to be optimistic about, but we are having to lift and continuously modify our game considerably!

COUNTRY REPORT: NIGERIA
July 2018

Dr. Grace Evbuomwan

- Thankfully, the Nigerian economy emerged from its three year long recession in the second quarter of 2017 with a gross domestic product (GDP) growth of 1.95 per cent (year-on-year) in real terms in the first quarter of 2018. This shows a stronger growth when compared with the first quarter of 2017 which recorded a growth of minus 0.91 per cent, indicating an increase of 2.87 per cent points.

- Though the oil sector recovered and recorded a substantial real GDP growth rate of 14.77 per cent in the first quarter of 2018 compared with the first quarter of 2017, it contributed only 9.61 per cent to total real GDP in quarter one 2018, up from 8.53 per cent recorded a year ago. The non-oil sector on the other hand continue to contribute the bulk, 90.39 per cent to the nations GDP. Non-oil sector modest growth rate of 0.76 per cent in real terms during the first quarter of 2018 was higher by 0.04 per cent point compared to the growth rate recorded same quarter last year.

- Interestingly, the non-oil sector growth was driven mainly by agriculture (crop production). The agricultural sector contributed 21.65 per cent to overall GDP in real terms in first quarter 2018, higher than the 21.43 per cent contributed in the corresponding quarter last year. Crop production contributed 85.28 per cent of the overall nominal growth of the agricultural sector. The resilience of the agricultural sector is as a result of the attention focused on the sector by all tiers of government as well as multilateral agencies like the Food and Agricultural Organization of the United Nations (FAO), which has spurred both foreign and local investors into investing more in the sector in recent years.

- In spite of the oil, agriculture remains the base of the Nigerian economy, providing the main source of livelihood for most Nigerians and as such will continue to attract investments.

Country Report:
Poland and Central and Eastern Europe
June 2018

Agata Malak-Rawlikowska

The Importance Of The Agricultural Sector In Poland.

- Rural areas in Poland cover 93% of the country's territory. The total area of agricultural land is about 14.5 mln hectares, which places Poland in the 5th place in the European Union. Polish agriculture absorbs around 13% of the work force of the country (EU average 5,5%, EUROSTAT). The share of the agricultural sector in GDP amounted to 3.5% in 2014 (Statistical yearbooks 2016, Polish Statistical Office).
- The main agricultural products in Poland are cereals (16.6% of Gross Agricultural Output, GAO), animals for slaughter 28,4% of GAO (mainly pork 11% and poultry 11,4%), cow's milk (14,9%), vegetables (9,5%) and fruits (6,5%) and Industrial crops (6,3%). Poland is the net-exporter of agricultural produce and the first-largest in the EU producer of poultry, apples, black currants, raspberries, white cabbage, carrots and triticale. It is also on the 2nd or 3rd place with strawberries, onion, cauliflower, oats, rye, wheat, sugar beets and rapeseed (Statistical yearbooks, Polish Statistical Office, 2017).
- Polish agriculture is characterized by a large number of farms and strong fragmentation of the farming sector. Despite the fact that the number of farms has noticeably decreased, still only about 25% of all farms have over 10 ha of land. On the other hand this group utilizes 72% of agricultural land in Poland.

EU Agricultural Policy

- The implementation of the Common Agricultural Policy (CAP) after accession to the EU in 2004 has been a milestone for most of CEE countries (Poland, Czech Republic, Slovakia, Slovenia, Estonia, Latvia, Lithuania, Hungary). Easier access to EU markets, the introduction of direct payments, continuing positive price/cost relationship trends and subsidies from the Rural Development Program (RDP) had a significant impact on the economic situation of the farming sector.
- The introduced Rural Development Program for the 2014-2020 budgetary perspective focused strongly on environmental protection and the delivery of public goods by agriculture as well as on facilitation of knowledge and innovation transfer. The greatest part of the RDP funds goes for investments and programmes enhancing the introduction of technological advancements, modernization and, overall, improving the competitive position of agriculture.
- In June 2018 EU published new proposals for regulations modernizing and simplifying the Common Agricultural Policy (CAP). Member States will be able to tailor the tools to their own specific needs in a comprehensive CAP Strategic Plan. These CAP Strategic Plans will set out how each country proposes to meet the overall CAP objectives, mindful of its own specific needs. Three out of the nine specific objectives in the future CAP will concern the environment and climate – covering the issues of climate change, natural resources, biodiversity, habitats and landscapes. A new system of "conditionality" will link all farmers' income support (and other area- and animal-based payments) to the application of environment- and climate-friendly farming practices.

Dairy sector:

- Together with the CAP liberalization process, especially abolishment of the EU milk quota system in 2015 and reducing export subsidies, dairy market is more exposed to the world market dynamics. In this difficult environment, farmers had to adjust their development strategies in order to survive on the competitive market. Taking an advantage of the cost competitiveness of dairy production in Poland, large investments done in the past years at the farm level, high demand for milk expressed by processing industry, resulting from investments in processing powers, and growing demand for dairy products, dairy farmers continued development towards increased specialization and production scale. In 2015/2016, despite of difficult situation on the global dairy market (very low prices), Russian embargo (posed in 2014), liberalization of CAP (reduced protection of internal market), high penalties for exceeding dairy quota in the last milk quota year 2014/2015, milk deliveries in Poland tend to grew by 3,3%. In 2017/18 milk prices improved in whole Europe, including Poland, which strengthen profitability in dairy sector. Milk production in Poland increases on average by 3-4% yearly.

Pig sector:

- The pig sector in CEE countries is seriously affected by African Swine Fever (ASF) which since 2014/15 continues to spread across areas of Europe. Within the EU, ASF is present throughout the territory of Poland (eastern part), Estonia, Latvia, and there has been limited ASF circulation in Lithuania, Czech Republic, Romania. ASFV spread continued in a number of third countries, including Moldova, Georgia (South Ossetia), Russia, Belarus and Ukraine. In Poland within protection zones and surveillance zones, producers are prohibited from moving pigs from the holding. Pig producers suffer from low prices and limited possibilities of sale. Fattening pigs are overweighed and, in some cases, reach a weight of over 150 kg. The situation of some farmers becomes dramatic and the only solution is to kill animals and dispose of them. Farmers across Poland live in uncertainty and the whole pig rearing and breeding sector is affected by the epidemic. Western countries try to prepare for the ASF crisis introducing different measures to protect against the virus, which is usually transported by wild boars. Some countries (eg Denmark) plan to build fences along the borders to reduce migration of wild boars.

Availability of resources:

- Farmers indicate that the most difficult and problematic resources to obtain are land (both to purchase or lease) and qualified labour. The land availability is perceived as the most limited resource, especially in typical agricultural regions. There are many reasons of this, firstly the EU direct-payment system assigned to the land keeps land prices high, secondly some personal relations like traditional connections to the land and reluctance of farmers to sell it to the neighbours, and thirdly land regulations in Poland.
- The other resource which is becoming extremely limiting growth in agriculture is labour. The reasons of this are also complex. First of all, traditionally, Polish farms are based on family labour, which is more trustful, safe and cheaper than external workers, and secondly, there is a real lack of qualified labour in the rural areas. Farmers, who abandon farming usually move to the off-farm sector or migrate to the cities. Besides, work in agriculture is usually less well paid and more difficult, especially in the physical context. Inflow of immigrant workers from Ukraine is improving the situation a bit, but still labour intensive production (especially fruits and vegetables, and animal sectors) is surfeiting from lack of workers.

Economic results:

- Economic results in CEE countries are still much lower than the in Western European counties. Most of CEE countries hardly ever obtain 10 thousand euro of yearly family farm income per annual farm working unit, in Poland an average farm income was around 5.5 thousand euro per person.

Country Report: Slovenia (EU) June 2018

Jaka Zgajnar

Economic Situation and Average Agricultural Holding

- According to the forecast of economic trends in 2017 it is evident that economic growth in the Republic of Slovenia continued and strengthened. Gross domestic product (GDP) increased by 4.4% in comparison with 2016. GDP per capita is 20,951 EUR. The expected growth of investments (+9.0%) and high export growth (+8.8%) have the greatest impact on favorable economic trends.
- In the Republic of Slovenia there are 69,902 agricultural holding, which is 3% less compared to the year 2013. Average agricultural holding operates 6.9 ha of utilised agricultural area and on average breeds 6.0 livestock units.
- In addition to milk production (total production of cow's milk was 659,675 t), the production of beef remains the most important production orientation of Slovenian agriculture. In cattle farming, since 2000, there have been fairly intense structural changes, which are mainly reflected in the reduction in the number of farms that breed cattle and the increase in the average animal stock on the farm. In 2016 almost 33,000 farms were oriented in cattle farming, which represents almost a half of all agricultural holdings (47%). Compared to 2013, their number decreased by almost 4%. The average herd size has increased in the last three years from 13.6 head per farm, to 14.8 head on the livestock farm in 2016.

Weather conditions and production

- In 2017 changing weather conditions continued as well as the occurrence of extreme weather events, which strongly influenced the extent of crop production.
- For field crops the year 2017 was considerably worse than the harvest in the previous year mainly due to the weather conditions. Aside from barley, the yield of the most important types of cereal grains was lower than in 2016 and below the average of the last five years. Estimates of corn for grain show a very low yield, which is 30% lower than 2016 year's record.
- Yield of oilseeds was also weak, especially in soybeans (-22%) and oil pumpkins (-35%), which was also below the average for the last five years. Even in the production of potatoes, hops and maize for silage poor hectare yields were achieved on average. It is estimated that due to smaller yield per hectare the total cereal yield was 17 % lower and below the average of last five years.
- Yields in fruit production was significantly low, even lower than in 2016, when permanent crops were mostly affected by frost. This was mainly due to severe frost, prolonged droughts and hails. Compared to 2016, it is estimated that on the basis of current data in intensive plantations and extensive orchards, about 57% less fruit is harvested, and the total yield will be around 68% below the average of the last five years.
- Vine produced was also worse than last year, especially in red varieties (-15%), while the yield of white varieties slightly increased (+1%). Otherwise, the quality of the grapes was very good.
- Estimates show that for the cattle breeding, the total volume of production increased for the third consecutive year. An increase in the production volume is especially in the production of cattle, poultry and small ruminants. While estimated still show on increase in pig

production, however slightly lower than in last year. Compared to 2016, production of eggs is increasing, while milk production will remain somewhere at the level of the previous year.

Input and output prices

- The first estimates of the statistics show that the prices of crop products in the year 2017 will increase by 9.5% on the average annual level, which will mainly result due to higher purchase prices of fruit and grapes, wheat, maize, vegetables and wine.
- According to the first estimates, the prices of animals and animal products increased by 7.5% compared to the previous year. The aggregate increase in prices is due to higher purchase prices of milk, pigs and cattle, while the purchase prices of poultry, eggs and lambs will be reduced. The highest increase in prices is expected in milk (+19.9%), where the purchase price in the previous two years decreased noticeably.
- Due to the expected faster growth in agricultural product prices than the increase in agricultural input prices, in 2017, the price-cost ratio will significantly improve and will be significantly above the level of the ratios between 2009 and 2016.
- The first estimates of the economic account indicators for agriculture show that agricultural incomes in 2017 are lower than in the previous year and at the level of the least favourable years (2012 and 2013). The worsening of economic results is mainly due to lower physical volume of agricultural production (estimated decrease of 10%), despite higher prices (+5.6%). The value of intermediate consumption is slightly lower, mainly due to the smaller volume of feed. Budget support from Common Agricultural Policy measures is slightly higher than in the previous year, mainly due to increased support for environmental measures and emergency aid. According to the first estimates, the real factor income of agriculture will be about a tenth lower than in 2016.

COUNTRY REPORT: SOUTH AFRICA
July 2018

Frikkie Maré

Economy

- Economic growth (Real Gross Domestic Product) came under pressure and decreased with 2.2% (Quarter-on-Quarter) for the first quarter of 2018, following a period of relative good growth of respectively 2.9%, 2.3% and 3.1% for the last three quarters of 2018. Year-on-year growth in the first quarter of 2018 however remained positive at 0.8%.
- The inflation rate (Consumer Price Index) is currently at around 4.4% (Year-on-Year) and within the target of between 3% and 6%.
- The Rand win some ground against the major currencies during the first 5 months of 2018 but then started to lose ground in June and an US Dollar, Euro and British Pound cost respectively R13.49, R15.75 and R 17.87.
- Although economic growth is relatively low while inflation is within target the Monetary Policy Committee decided to keep interest rates steady. The prime lending rate in SA is currently on 10.25%.

Politics

- After resignation of President Jacob Zuma earlier this year, and with the appointment of President Cyril Ramaphosa, the political outlook for South Africa was suddenly much more stable.
- Land reform remains a hot debated topic in parliament and is now more a conversation than ever with the government investigating if land expropriation without compensation can go ahead without harming the economy or food production. The general feeling is that it will never be possible and viable, but the political pressure is huge with the general elections that should take place next year.

Weather

- The summer rainfall areas of South Africa received good rains, although the rain was a bit late for some of the natural grazing to really recover after the last couple of relative bad years.
- The Western Cape and Parts of the Northern Cape, which is known as the winter rainfall areas, is still very dry but their rain season had started and it seems as if the prospects for this season are better than the past.

Markets

- Due to the drought and the good rains thereafter we experience very large changes in commodity prices.
- In the red meat markets the farmers was rebuilding their herds during 2017 that caused low supply levels and led to record high prices. Current prices are more or less on the same levels as 2017 and we do not expect major increases in the prices of red meat.
- The record high summer grain (especially maize) crop of 2017 created a surplus in the market. The 2018 harvest is expected to be relative large again and the maize price thus remains under pressure.

COUNTRY REPORT: U.K.
June 2018

Trevor Atkinson

Farming:

- Since we met in Edinburgh we have had many weather challenges to deal with. Harvesting and Autumn drilling was very stop start in the North with only short operational windows. Those with flexibility and nimble management responded well with good harvest yields and drilled acres getting close to budget. Many have gone into spring with larger than planned workloads
- Spring started late, due to wet and late snow. This quickly changed with seasonally high temperatures with low to non-existent rainfall. Crops have been uneven to establish this spring and are now racing quickly through their growth stages. The difference between good land and poor land is very evident as you travel the country. Similar reports across Europe supported by early harvested lower yields are firming market prices. Forward sales for feed wheat at £180 per tonne are currently available for April 2019
- The cold spring and late snow has caused big problems for the hill farmers as forage stocks rapidly dwindled and grass growth has been slow to support ewes and lambs. The milk price has been very good although it has now eased slightly producing a little bit of surplus, and welcome, cash for this sector.
- Total Income From Farming (TIFF) figures just released by DEFRA for 2017 indicate this to have been the most profitable year since 1996in the UK. Farm output rose 10% overall (a combination of both better prices and higher volumes). This was made up of a 12% rise in crop revenue, a 7% increase in meat value, and a 24% surge in livestock products (mainly milk). Whilst the cost of inputs (intermediate consumption) rose by 5%, this was not enough to dent the overall performance. A higher level of Basic Payment (up 2%) also helped profits.
- UK farming is also likely to face further restrictions under the proposed 'Clean Air Strategy' now proposed by the government:
  - Limits will be set for all farms on the amount of Nitrogen that can be applied (previously only 60% covered)
  - A licence to operate will be required for large dairy farms (150+ cows) by 2025 which will be required to use the best available techniques to control pollution
  - All urea must be spread with urease inhibitors (by 2020)
  - New design standards for agricultural buildings will be introduced
  - Solid manure and digestate must be incorporated within 12 hours
  - All slurries and liquid digestates must be spread by low-emission systems – either trailing shoe/hose or injected (by 2027)
  - All slurry stores and manure heaps must be covered (by 2027)
  - Review of agricultural red diesel (tax rebated tractor diesel fuel)
  - Restriction on log burning stoves that do not meet minimum efficiency standards and the sale of un-seasoned logs deemed to be polluting

Future Policy

- New thinking is now starting trickle out of Westminster after a 'Health & Harmony' consultation with the industry. Out will go 'Area payments' (BPS) and in will come 'Public Money in return for Public Goods'. This will take the form of a bespoke whole farm 'Environmental Land Management Plan' that is produced and owned by the farmer. As well as environmental actions, the plan is also expected to cover other aspects of the business – recreation, forestry and even measures to improve agricultural efficiency. We remain hopeful that the proposal will include some incentives for continuous professional development at all levels

- The change resistors are viewing this as the same money albeit in a different package. Those more accepting of change are looking hard at the strategic direction of their business and seeking out new opportunities that exist within. The industry will undoubtedly have to work much harder and respond to new parameters in order to receive less public money than it has previously benefited from.
- A new Agriculture Bill is expected to be published shortly which will hopefully provide greater detail.

COUNTRY REPORT: U.S.A
June 2018

Damona Doye & Guido van der Hoeven

Damona Doye's Report: June 21, 2018*

Local issues

- Wheat harvest is almost complete in Oklahoma and average yields were down about 8 bushels per acre from 2017. Test weights and quality were OK but a variety of post-planting weather events (not much disease) impacted yields significantly, leading to a smaller crop. Hard red winter wheat production is expected to be down about 13% for the U.S.
- Oklahoma continues to dry out and brace for an expected hotter-than-normal summer. With roughly half of the state in severe, extreme or exceptional drought already, cattle producers are beginning to be concerned.
- Industrial hemp has been THE "hot" topic in Oklahoma this spring. The 2014 Farm Bill allowed production of industrial hemp for research purposes if state legislation allowed it. Our state legislature decided to get Oklahoma in the game and many claims have been made as to its profit potential (yet producers in other states aren't growing the maximum allowed in their states).
- Cotton acres continue to expand rapidly, but as one of our area specialists notes one bad year will cure that… A few years ago, Oklahoma was second in the U.S. in canola production but we're now down to 75,000 harvest acres compared to 290,000 for cotton.
- With U.S. production, up this year so far by more than three percent, my OSU Extension Livestock Market Economist colleague says the current beef market is facing a growing supply and demand problem. Unexpectedly strong domestic and international beef demand provided extra support for cattle and beef prices in the face of growing beef supplies in 2017 with a less pronounced continuation into 2018. Drought and destabilizing volatility of trade wars will add challenges for producers.
- Wild hogs continue to plague the state, with reports that they are now encroaching Tulsa in northern Oklahoman (one of our largest cities in the state). Oklahoma's Department of Agriculture, Food and Forestry, other partnering agencies and organizations and other private harvesting efforts eliminated 32,237 in 2017. Government efforts are complemented by private aerial hunts, sporting facility activities and through captures of swine that are then slaughtered outside of Oklahoma for overseas meat sales.

Broader issues

- Trade policy has been an ongoing point of discussion and is a growing concern for agricultural producers. The President's recent imposition of tariffs has resulted in a variety of retaliatory measures by a variety of countries. Sorting out the potential and actual repercussions will be an ongoing effort. Coalitions of farm groups continue to seek ways to influence the President's actions on trade.
- Farm financial stress related to cash flow shortages remains a concern, particularly since interest rates are starting to tick upwards. National data suggests that working capital on farms across the country will have declined 65 percent in 2018 from 2012 levels.
- The Farm Bill is still a work in progress. As of this writing, the Senate passed a bill quickly (and not all of the details are yet public) but two senators have placed a hold on it. The House just passed their bill (narrowly). The joint committee will need to work out a compromise bill. Immigration bills as well as jurisdiction over SNAP (the formal name for food stamps) are among the issues in play.
- Reorganization of government continues with an announcement that will affect a number of Agriculture Department functions and other departments important to agriculture. Budgets for agricultural research as

well as Extension education continue to be a concern in many states. Level Federal funding for a decade and significant cuts in recent years in state budgets have led to constraints.

Random notes

- I saw a post about livestock weights this week from USDA and thought you might find it interesting. Regardless of species, livestock and poultry animals are being slaughtered at heavier weights than in the past. On a dressed-weight basis, cattle have increased 73 pounds on average since 2000 (10% gain); hogs, 18 pounds (9% gain); turkeys, 5.3 pounds (20.5 % increase) and broilers, 1.2 pounds (23.9 %). Changes in animal genetics leading to improved feed efficiency contributed to faster growth and higher animal weights as did changes in production systems (feed prices were low as well).
- Bees and pollinators continue to be an interest of many producers (including horticulturists) and USDA.

*** Note** that I put a specific date on this report as things are frequently changing with our current administration.

♦ ♦ ♦

Guido van der Hoeven's Report:

This report will be a synopsis of my observations from two states: North Carolina where I live and Kansas where family property is located. In early June I traveled to Kansas to attend to family business and in mid-June I led the North Carolina Society of Farm Managers and Rural Appraisers Summer Educational tour. These two activities are summarized below.

Corn/Maize is a major crop in both states and in part a story can be told which describes the large distance between corn production and utilization.

- Corn in North Carolina is tasseling and pollination should be beginning with in the next week to ten days. In my drive to New Bern, NC which is located on the coast I saw many fields in a health deep green shooting the tassels marking the end of vegetative growth and flicking the switch to reproductive stage. Some areas in the state's eastern part show signs of heavy rains where the crop is not so far along and indeed some acres show flood damage.
- With North Carolina's large hog and poultry industries the state is a corn deficit state and therefore for a marketing perspective local prices of corn typically will be 30 – 70 cents above Chicago Board prices, thus North Carolina is a "positive basis" state. North Carolina imports most if its corn from the central part of the United States.
- When I visited the family land in western Kansas the first week of June, the tenant finished planting the final corn field the day of my visit. Corn planted under center pivot irrigation was in the 4-6 leaf stage from my observation during a field visit and from the windshield as I drove US Highway 24 across Kansas from Manhattan to Hoxie. The family farmland is located in the area generally known as the "high plains" typically corn is planted late April to early May. Planting is a bit delayed this year due to weather.
- Speaking of weather, locals indicate that the weather patterns seem to be changing with increased volatility. On the drive out west, as I drew closer I had to take a detour around a washed out bridge as in the week before my trip the watershed which the bridge served received 10.5 inches of rain (~265 ml) in a very short period of time. This was a "toad strangler" and will cause stretched local and state highway budgets difficulty to replace a bridge on a major east-west highway.

- Soybean planting will follow the corn planting.
- Wheat harvest is but a few weeks away in Kansas, with days during my visit at 100 degrees Fahrenheit (~38 C) wheat will mature quickly. However, in the drive across the state, the dry winter was evident in that the "amber waves of grain" weren't as full of promise as in years past. Having said that, wheat can surprise as a bit of rain at the right time.

Switching back to North Carolina.

- Three "farm" visits were made during the Farm Managers and Rural Appraisers tour in mid-June. The first was a potato farm, the second an oyster "farm" and the third an "aquatic research farm".
- The potato farm was in harvest mode for the chipping potato (potato crisps). This farm grew potatoes in North Carolina as one of three locations: Illinois and Michigan being the other two states. The farm operator was 5th generation with his son being 6th generation to come on board. The potatoes were mechanically harvested, washed, scrubbed/brushed, weighed out and loaded loosely on a box semi-trailer for delivery to clients. The farm has contracts with all the major potato chip producers; Frito-Lay, Wise, UTZ and others. From field truck delivery to loaded semi-trailer with the semi departing for delivery took 15 minutes. The farmer reported that the yield of potatoes in North Carolina is less than in Michigan, but, it fills a void in potato delivery to maintain flow of product for the chip makers, thus it fits in the business model. Yields were in a range of 25,000 – 28,000 lbs. per acre (28 – 31.6 metric tonnes per hectare).
- The second farm stop was to an oyster "farm" which was in its 5 year of production. The farm leases 10 acres of "bottom and water column" from the state of North Carolina along the Pamlico River. The lease rate is $1,000 (US) per year, $100 per acre. The "water men" were required to improve the "farm" with GPS marked locations of the corners of the leased area, posts for securing the cages. The farm buys ~ 2 million "seeds" has an expectation to lose 50% and sells a bit over 1 million oysters per year at an average price of $0.40 per oyster. Before harvest, each oyster is handled 12 – 14 times and dependent upon season and vitality of the seed the oyster can be salable size in 18 – 24 months. This operation is in the process of expanding and being at a point to bring on more labor to assist and secure the expansion.
- The last stop on the summer tour this year was a research station where "domesticated" white bass and "domesticated" striped bass are being raised for production. The hybrid between these two species seems to have potential if the "domesticated" versions are utilized for the genetic improvements made. However, some of the fishermen use "domesticated" males over wild caught females with limited success as the cross isn't of real benefit as research shows that the offspring are "back to square one". Perhaps a case of a "penny wise and a pound foolish". Sales of the striped bass at the 4-5 lb. (~2 kilo) range are the target. The industry is working with regulators to allow for the expansion of market opportunities.
- As I wrap up this report, the sky is heavily overcast and temperatures are quite cool for mid-June in Raleigh, North Carolina. Both in North Carolina and Kansas, issues of international trade and any forthcoming changes are on farmer's minds going into the summer.

I wish readers a very pleasant several months until we meet in Tasmania for IFMA22.