

RESULTS OF THE MULTI-NATIONAL FARMERS’ CONFIDENCE INDEX – 2016Q1

EUROPEAN FARMERS FEELING THE PRESSURE: FARMERS’ EXPECTATIONS FOR THE FUTURE SITUATION STILL LOW

I. CHANGES IN CONFIDENCE IN AGGREGATE

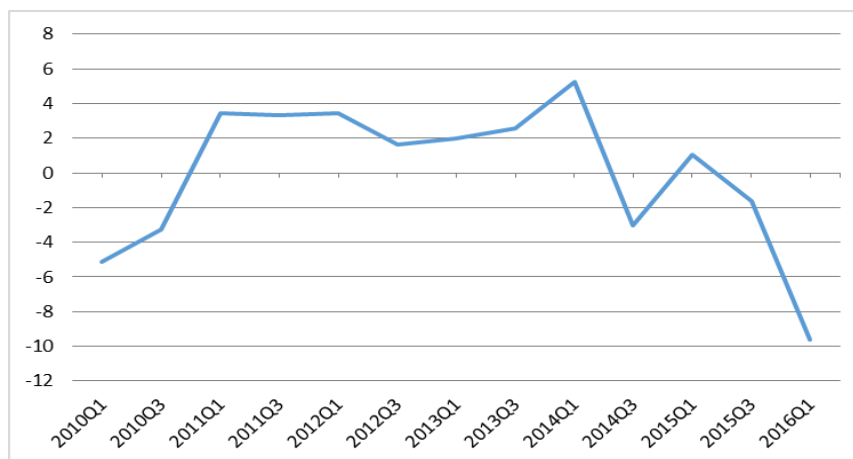
The confidence survey carried out in eleven EU Member States¹ between January and April 2016 revealed that farmers are dissatisfied with farm incomes and that hopes of an economic turnaround have faded.

Disappointment with the agricultural economy has been a constant factor in the index for 12 months. Falling farm gate prices and market price volatility have contributed to a drop in farmer confidence. Because of the highly volatile marketplace, the Russian ban on agri-food exports, the collapse in oil prices and a slowdown in Chinese demand, farmers remain pessimistic about their short-term and long-term prospects.

Agricultural output decreased in the first month of 2016, mainly due to a marked fall in the value of animal production, a decrease in the value of crop production, and a moderate decrease in input costs. The drop in animal production is mainly due to a decline in milk and pig prices. In the crop sector, there were decreases in sugar beet, grain maize, forage plants, oilseeds, barley and wheat production.

The Copa-Cogeca confidence index is calculated twice yearly on the basis of the results of national surveys carried out amongst over 8,000 farmers which ask two questions about how farmers assess the current and expected economic situation of their farms.²

Chart 1 – EU-11* confidence index development



Compiled by Copa-Cogeca using national data

¹ Belgium (Flanders), Denmark, Germany, France, Italy, Hungary, the Netherlands, Poland, Romania, Sweden and the United Kingdom (England and Wales).

² For more information on the method, please see the document ECON(11)576 (rev.6). Please note that Copa-Cogeca’s method may vary from those used in national barometers, therefore figures in this document may not be directly comparable with national data.

*The Netherlands has been included since 2012Q3. Denmark has been included since 2013Q3.

The index fluctuates between -100 (farmers unanimously pessimistic) and +100 (farmers unanimously optimistic).

II. PROSPECTS PER COUNTRY

Belgium (Flanders)

The results of the Flemish agriculture and horticulture survey show that the index has reached a new low since the previous confidence survey. Satisfaction with the last six months and optimism about the next six months is low. Flemish farmers have a negative view due to the continued price volatility and incomes that are still under the pressure. In addition, due to the Russian ban in 2014, farmers are looking for new export outlets.

At the end of 2015, no sectors was free from difficulties, but the situation was most acute in the dairy cattle and pig sector. Farmers are less satisfied with the last six months and downgraded their prospects for the next six months. Over 90% (of 580 participants) reported that the selling prices had declined over the past six months, and expected prices to be nearly 50% lower over the next six months. The downward price trend is affecting the milk, beef and pig sectors, where prices in €/kg fell, reaching the lowest levels of the past decade. The same trend can be seen in the horticultural sector.

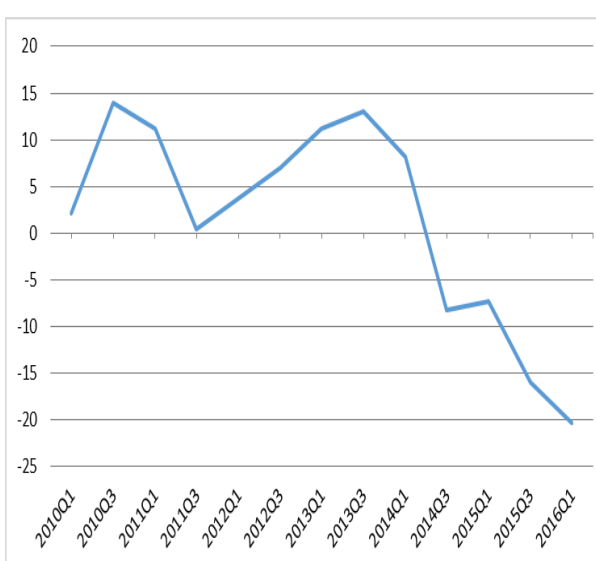
Despite the economic downturn experienced in the past six months, there were slightly fewer agricultural and horticultural barriers. The main difficulties among Flemish farms were financial problems, government restrictions and marketing issues. The fruit sector has suffered the most with marketing problems (61%). Financial problems are to be found in the dairy cattle and pigmeat sectors (48% and 42%). The agricultural sector feels most hampered by the government (41%).

Chart 2 – Belgium (Flanders)

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

Denmark

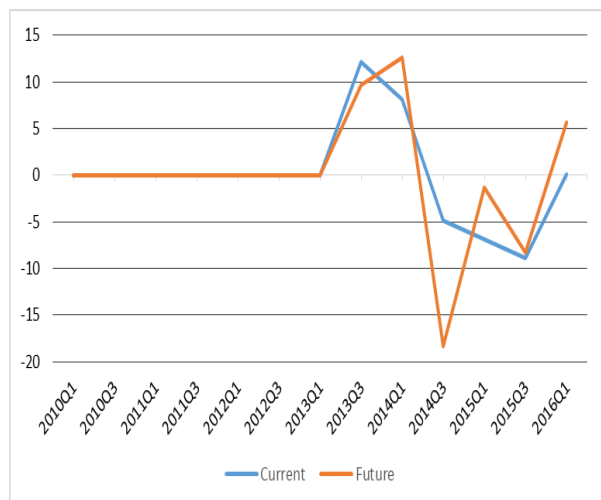
In Denmark, the farmers' confidence indicator analyses farmers' views on their current economic and expected future situation. Denmark's agricultural production is varied, encompassing animal products such as pork, beef, poultry and dairy, plant products including potato starch and grass seeds, as well as traditional grain and vegetable crops. Due to structural development, farms have become fewer and larger.

Despite the fact that the dairy farmers are being paid only 27 cents per kilo of milk, their confidence has increased slowly since the third quarter of 2014. The optimism of Danish farmers about their future expectation has also increased since the previous autumn period 2015.

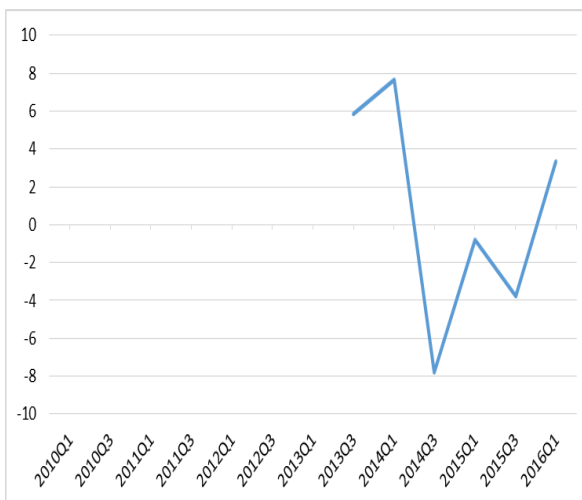
In Denmark, a significant decrease in sugar production is expected in 2015/2016 as Denmark reduced its sugar beet area by more than 30%.

Chart 3 – Denmark

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

Germany

The level of satisfaction among German farmers over the past six months remains at the lowest level, as farmers are less optimistic about their future situation. On many farms the liquidity situation is very tense.

As is the case in the other Member States, the contributing factors to the crisis include Russia’s ban on the import of agricultural goods and a drop in demand from China. The country has been hit hard by the collapse in milk prices, which have fallen from more than 41 cents per kilo in 2013 to about 24 cents today.

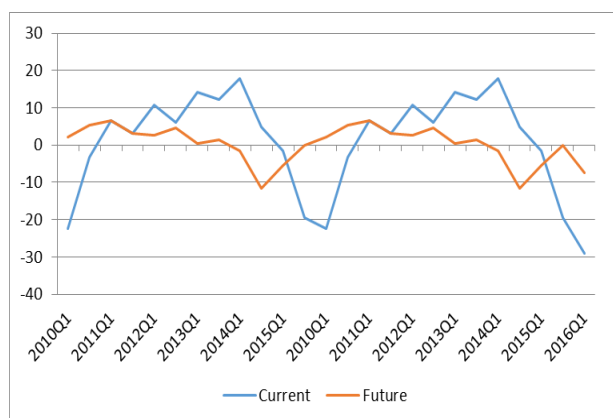
In addition, the prices of commodities in the cereal, pigmeat and beefmeat sectors have fallen sharply. The prospects for the next few months are also negative.

The main difficulties facing German’s farmers remain the decrease in the price of agricultural products, weather conditions, health and environmental problems and reduced subsidies.

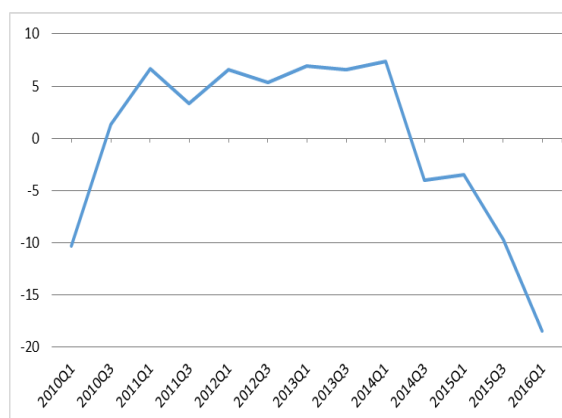
The willingness of German farmers to invest is significantly lower than one year before. For instance, the value of planned investment is about 1.4 billion euros lower. In particular, the planned volume of investments in machinery and equipment is considerably lower.

Chart 4 – Germany

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

France

The index shows that French farmers' confidence has decreased since the previous quarter. Due to the difficult market situation and falling prices, French dairy and meat farmers are particularly pessimistic about the coming 6 months.

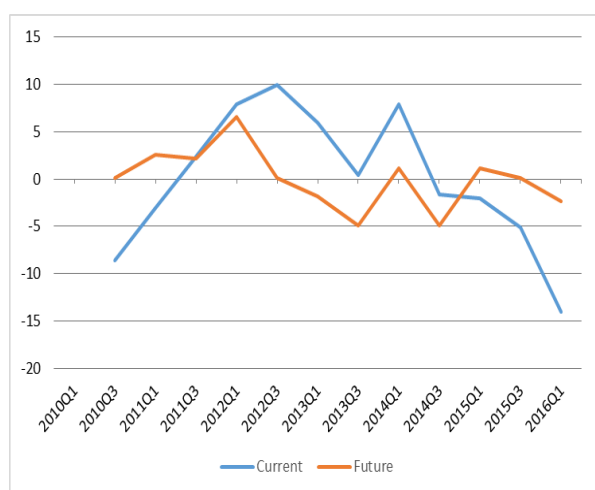
The milk and pork industries have been suffering from an imbalance between supply and demand linked to the Russian embargo, the decrease in global demand, especially from China, and the increase in European production as a result of the end of the milk quotas.

The result is that the total volume of pork produced in France has dropped steadily over the past few years – to 13.3 million heads in 2014 from 15 million in 2006. Barley production decreased rapidly in France by more than 5% compared to the previous year. France also decreased its sugar beet area by 5%. Farmers' expectations for the future are also negative.

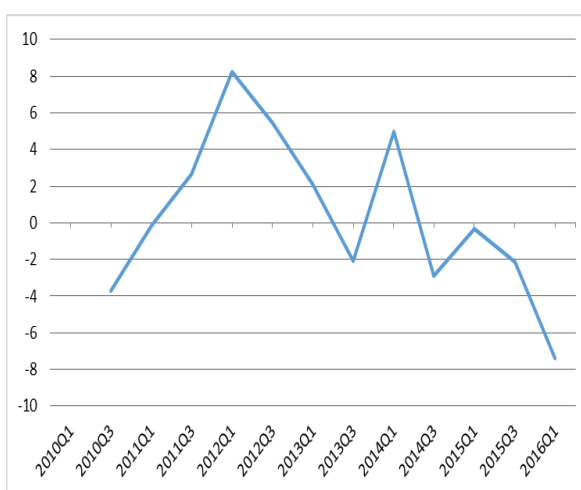
Over 80% of French farmers were facing difficulties in their activity. The fall in prices is still considered the main problem, followed by health and environmental regulations, weather conditions, lower subsidies and foreign competition.

Chart 5 – France

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

Italy

After the rise in optimism among Italian farmers in the previous year, the pessimistic mood among farmers was again visible in the first quarter 2016, mainly due to the falling agricultural prices, the Russian ban and decrease of Chinese demand. Farmers are pessimistic about both the current and future economic situation of their farms.

The confidence index is decreasing in the wheat, maize, dairy, beef, pork and poultry sectors. The gap between production costs and sale price in the milk industry has increased further in Italy's regions.

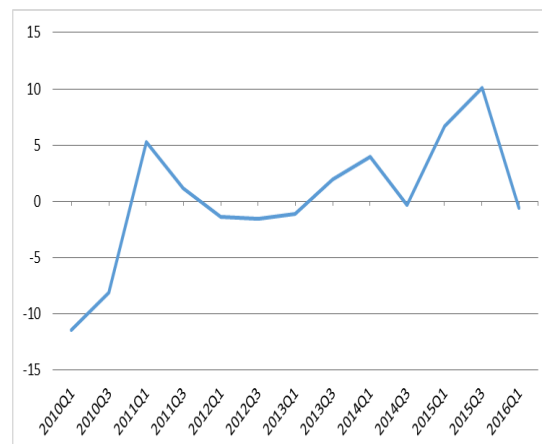
Over 40% of the farmers questioned reported difficulties on their farm in the first quarter of 2016, mainly related to decreases in the price of agricultural products, reduced subsidies and foreign competition.

Chart 6 – Italy

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

Hungary

For the first two months of 2016 the dive in world market prices for agricultural commodities continued. The underlying cause is the end of the commodity boom of 2004-2011 and subsequent oversupply, but growth disruptions in the emerging economies (especially China) also play an important role in the process.

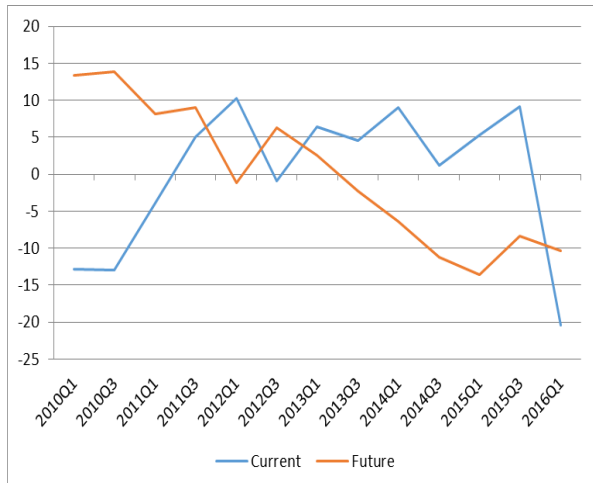
Hungarian farmers are pessimistic about both their future expectation and the current situation, where confidence reached its lowest level in the past five years. The complex market situation affected, in particular, dairy, wheat, maize, pork and meat producers. The barley sector registered a sharp decrease, from -0.7% in the autumn quarter to -11.7% in the spring barometer.

The reasons for the fall in commodity prices are complex. In addition, prices of barley have declined since the beginning of July. Therefore, in combination with a weakening of the euro against the US dollar, the price differential compared to barley from the Black Sea region diminished. The most problematic issues for Hungarian farmers were decreasing prices in agricultural products and weather conditions.

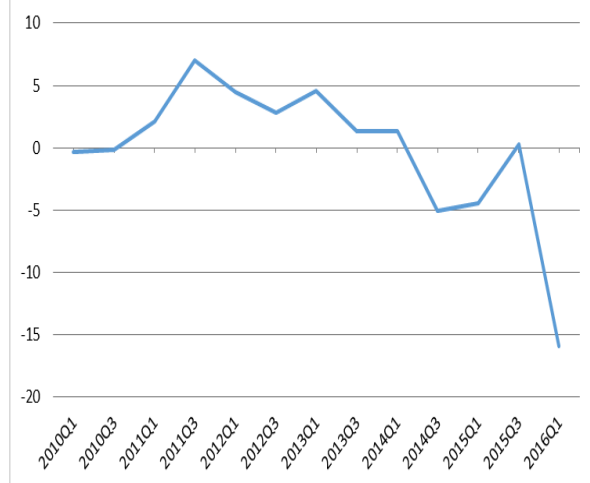
Farmers rate their future situation slightly more negatively than the previous quarter. Overall investment intentions in agricultural machinery for the next six months have remained almost stable compared to the level of the previous year's corresponding period. The outlook for the period October 2016 to March 2017 is quite pessimistic. The development of milk and pig slaughtering prices and continued uncertainty that subsidies will be paid out are driving negative sentiment and affecting investment intentions.

Chart 7 – Hungary

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

The Netherlands

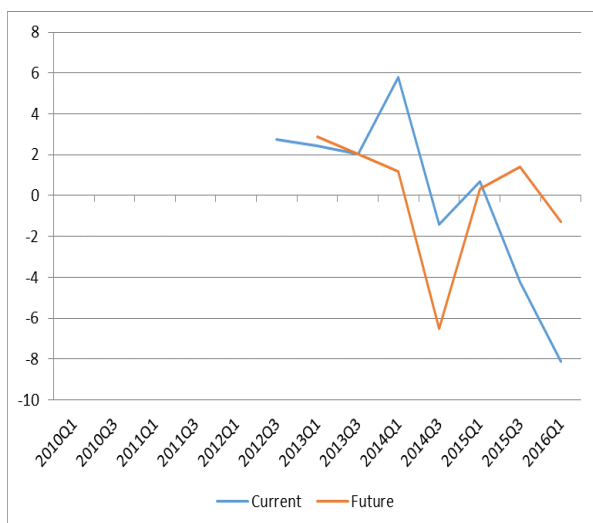
The confidence of Dutch farmers decreased in the first quarter of 2016. The farmers' mood fell to its lowest level in many years. In dairy farming, greenhouses and open field horticulture, confidence continues to be more or less similar to the previous quarters. Farmers are mainly pessimistic in the pig sector, whereas poultry farmers are much more positive about business than in the previous years.

The commodity prices fell in the maize, barley, dairy, and pork sectors. As regards the development for the next year, farmers are expecting production and revenue to decrease further, mainly in the dairy sector and pigmeat sectors. Dairy farmers are being paid only 27 cent per kilo of milk, which is less than last year, when they were paid 33 cents per kilo of milk.

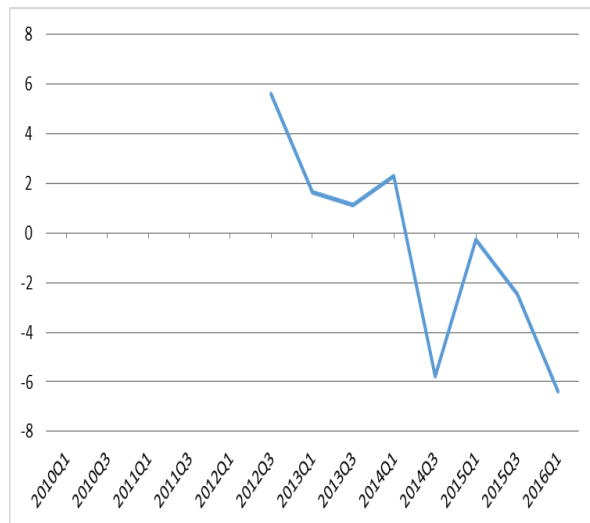
Agricultural and horticultural producers' confidence in the current situation decreased, as did their confidence for the future.

Chart 8 – The Netherlands

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

Poland

The confidence of Polish farmers in the current situation has fallen sharply. Almost two years after the Russian ban, the impact and the evolution of the situation affected some Member States more than others. Among those most affected is Poland.

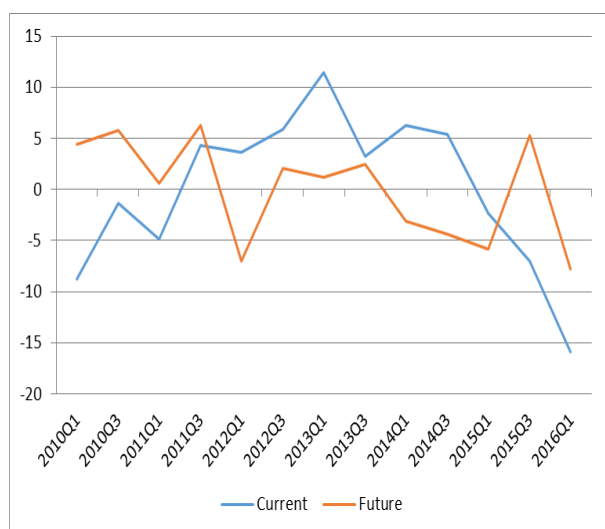
The mood of Polish farmers has worsened significantly within the past six months. Polish farmers consider their current economic situation to be far worse than in September 2015. Furthermore, farmers' expectations for their future economic situation are still pessimistic. More than one third of responding Polish farmers (800) expect the situation to worsen within the next 2 to 3 years. The share of optimistic Polish farmers is clearly lower than the share of pessimistic farmers. The pessimists do not expect the negative prices paid for milk and pork to improve.

Overall investment intentions for agricultural machinery have clearly decreased compared to the previous year's period. Of these, investments plans in tractors and combine harvesters have decreased while the planned investment in crop cultivation machinery remain stable compared to the corresponding period of last year.

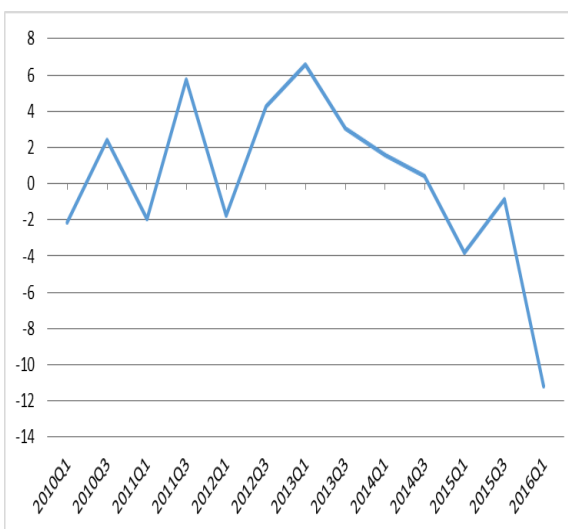
The negative developments or, more precisely, the unfavourable sales prices of the main agricultural products (milk and pork), winter kill losses especially in the northern regions of Poland and delays to direct payment subsidies which force farmers to take out a loan during sowing season are all driving negative sentiment and affecting investment intentions.

Chart 9 – Poland

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

Romania

The mood among Romanian farmers is worse than in September and March 2015. Farmers rated the current economic situation better than in September 2015 but back on the level of March 2015. Their expectation for the future have worsened slightly over the past six months.

Fewer Romanian farmers plan to invest in agricultural machinery within the next six months compared to the previous year's period. Farmers have fewer plans to purchase tractors and crop cultivation machinery, although the demand for new combine harvesters has remained more or less stable.

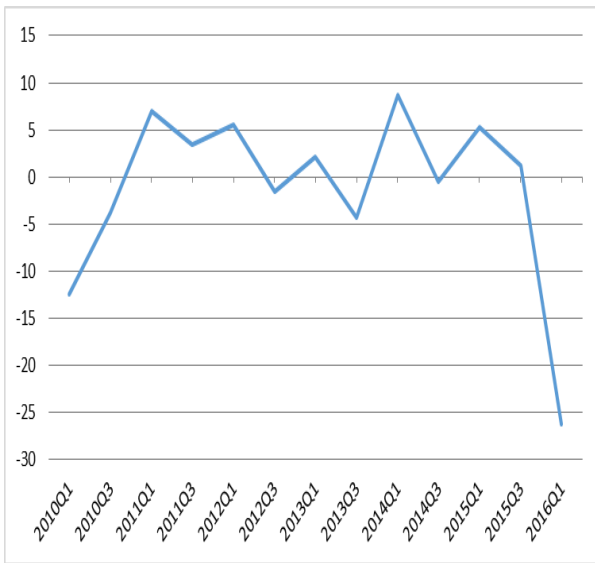
Current market conditions dominated by low grain prices and delays to EU direct payments are driving negative sentiment and affecting investment intentions.

Chart 10 – Romania

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

Sweden

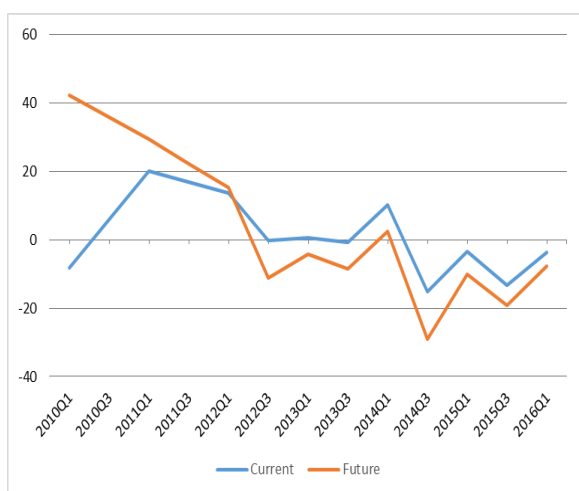
In Sweden, the Agricultural Barometer clearly illustrates that younger farmers are more confident and optimistic than their older counterparts. Confidence is higher than during the last barometer. Many Swedish agricultural businesses are still distressed by poor profitability, and worst off are dairy farmers. Only among pigmeat producers did more farmers find their profitability good rather than bad.

Of the 1,000 respondents in this survey, 22% consider themselves competitive or very competitive. Farmers between 41 and 50 years are most confident about their competitiveness. 78% of the farmers between 31 and 40 years of age would encourage young people to become farmers. The same group also has the greatest belief that conditions for farm businesses will be better in a five-year perspective.

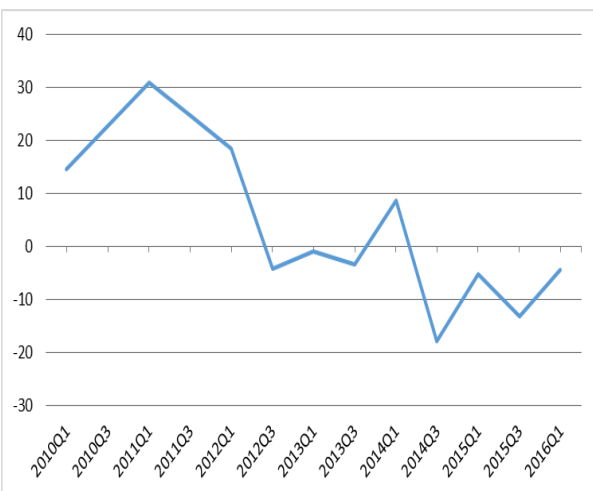
Profitability has improved in four out of seven regions in Sweden in comparison to last year, although more farmers find their profitability poor or very poor rather than good or very good in all regions.

Chart 11 – Sweden

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

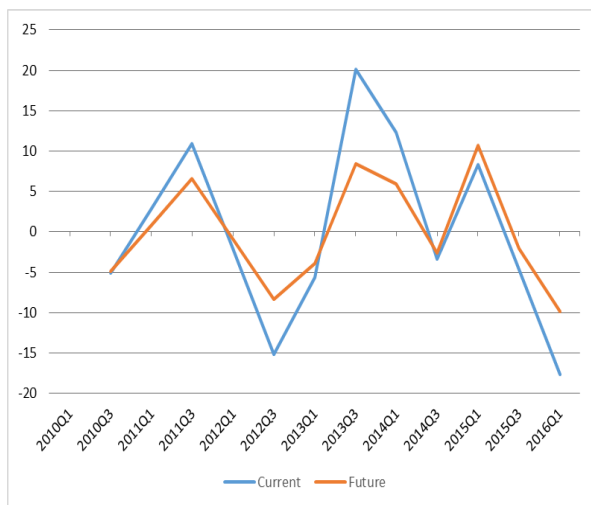
United Kingdom

Farmers' confidence in the United Kingdom is at its lowest level in 6 years. Short-term and mid-term confidence are both negative and below the levels recorded in 2012, a disastrous year for UK agriculture. Falling farm gate prices and market price volatility have contributed to a drop in farmer confidence. In terms of expectations for the future, farmers believe that regulation and legislation, CAP reform, output prices and input prices may have a negative impact on their business.

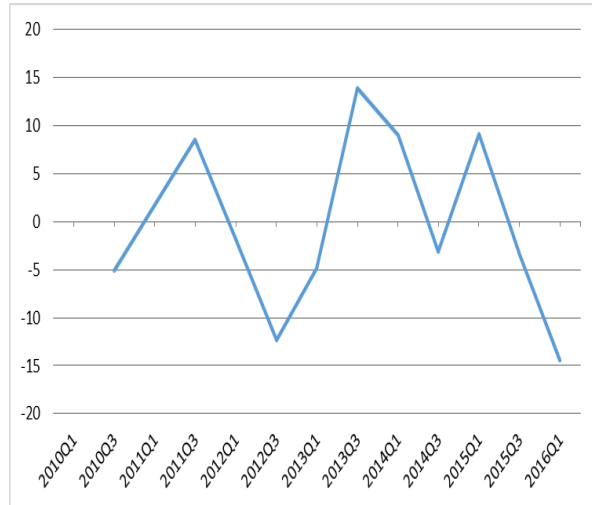
In 2016 Q1, the national confidence index fell from +9 to -14. All sectors are less confident in the short-term than they were 6 months ago. The arable, horticultural and mixed sectors are those that have suffered the most from the decline in confidence. Mid-term confidence has also decreased across all sectors compared to 6 months ago, the only exception being the poultry sector.

Chart 12 – United Kingdom

Economic situation of the farm

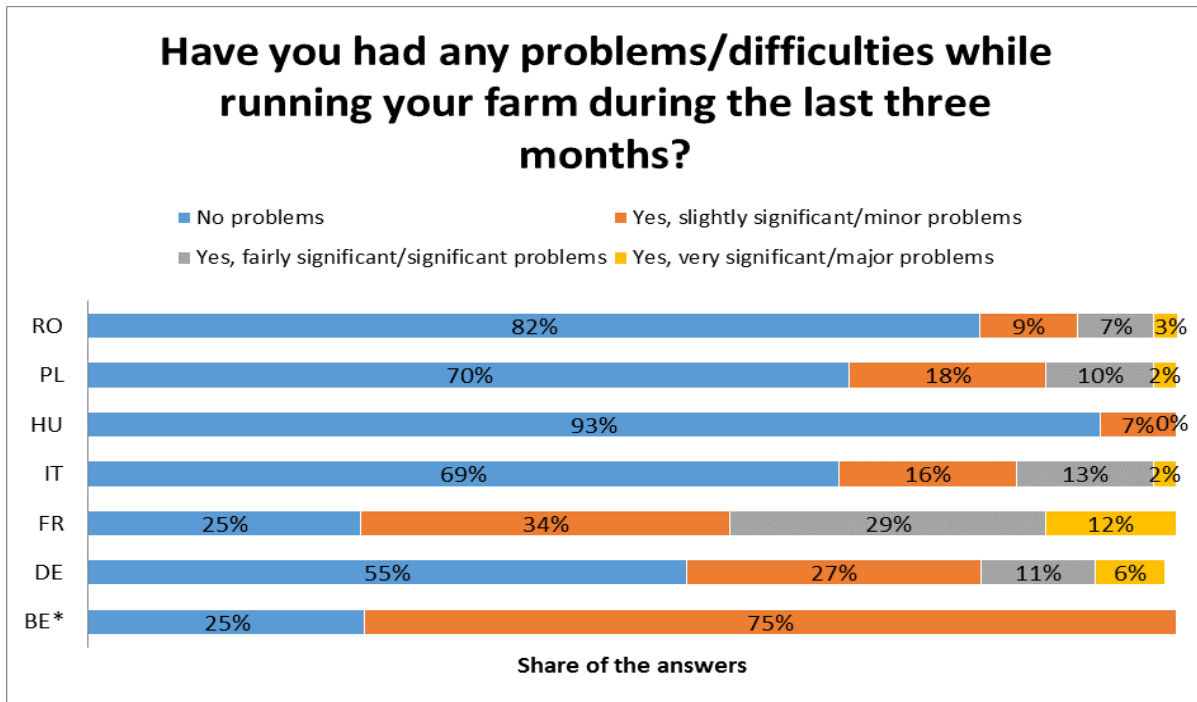


National confidence index



Compiled by Copa-Cogeca using national data

Chart 13 – Answers to the question “have you had any problems/difficulties whilst running your farm during the last three months?”



Disclaimer

Copa-Cogeca would like to thank the Department of Agriculture and Fisheries of the Flemish government, the German Farmers' Association (DBV), the Fédération Nationale des Syndicats d'Exploitants Agricoles (FNSEA), the Istituto di Servizi per il Mercato Agricolo Alimentare (ISMEA), the German agricultural machinery association (VDMA), LEI – Wageningen UR, LTO Netherlands and Lantbrukarnas Riksförbund (LRF Konsult) for kindly providing their data for us to use. However, Copa-Cogeca alone is responsible for processing the data, as presented.