

Results of the multi-national farmers' confidence index – 2014q01

FARMERS' MOOD: SLIGHT SPRING OPTIMISM IS THREATENED

I. Development of confidence in aggregate

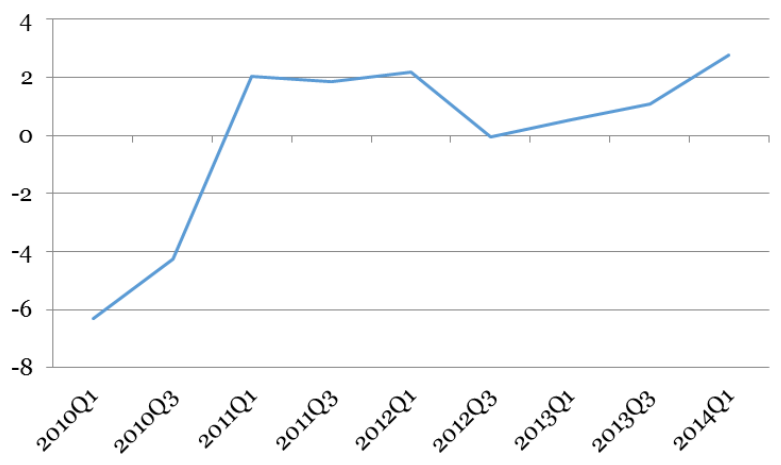
Results from a survey carried out in nine Member States¹ between January and March 2014 revealed that confidence in the agricultural sector has been on an upward trend for the past year and a half (chart 1). However, substantial differences persist between countries and sectors (see below).

Piggybacking the gradual emergence of the overall economy from the recession and an upswing in internal demand, the agricultural sector also showed some signs of improvement at the beginning of the year. For instance, in the first quarter of 2014, the gross value added of the primary sector in the EU-28 went up by 1.5% and the trade surplus of agri-food products increased compared to the last quarter of 2013.

The rise in farmers' optimism however originated from a critical situation, which then saw agricultural prices recover and input costs improve. Fears remain that this recovery may be fragile and temporary. Indeed, preliminary results of more recent surveys show that farmers' mood is down again.

The Copa-Cogeca confidence index is calculated twice yearly, in the spring and autumn, on the basis of the results of national surveys on two questions concerning how farmers assess the current and expected economic situation of their farms².

Chart 1 – EU-9 confidence index development



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

Compiled by Copa-Cogeca using national data

¹ Belgium (Flanders), Germany, France, Italy, Hungary, the Netherlands, Poland, Romania and Sweden.

² For more information on the method, please see the document [ECON\(11\)576 \(rev.5\)](#). 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.

II. Prospects per country

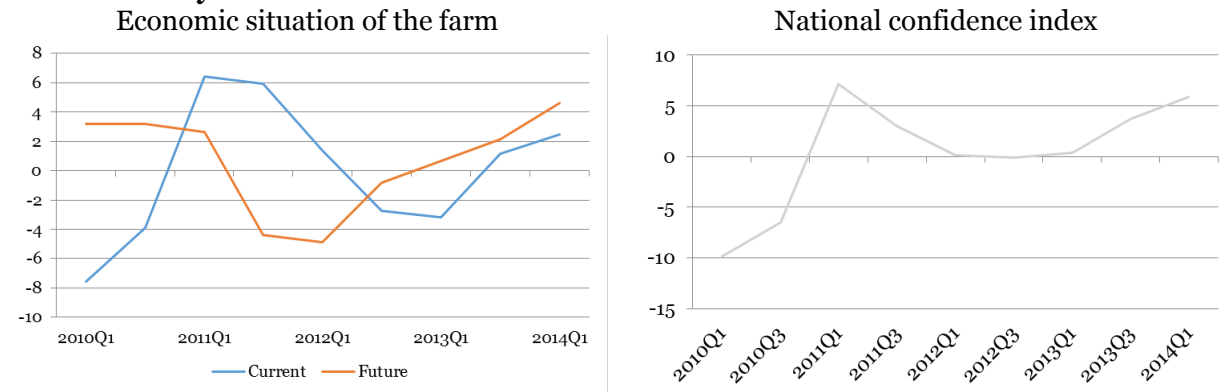
Confidence recovered or improved in five countries at the beginning of 2014, reaching positive and fairly positive levels.

Despite a generally difficult economic situation and low domestic demand, cautious hope began to spread in Italy, including in the agricultural sector. The farmers' confidence indicator continued to increase in the first quarter of 2014, fuelled by a better judgment of the current and future economic situation of the farm.

Looking at the developments per sector, the data reveals that the sentiment has improved over the past six months for crop, orchard and meat farmers. On the contrary, wine and olive oil producers considered that their profitability had worsened. Finally, the profitability in the dairy sector was perceived as stable. These perceptions were mainly linked to price developments in the respective sectors and their generally onerous production costs.

When asked if they had faced any problems or difficulties running their businesses in the previous three months, 64% of those interviewed said that they had not. Those who responded that they had faced significant or major problems (19%) listed the most common difficulties as utility costs, adverse weather conditions and price declines.

Chart 2 – Italy



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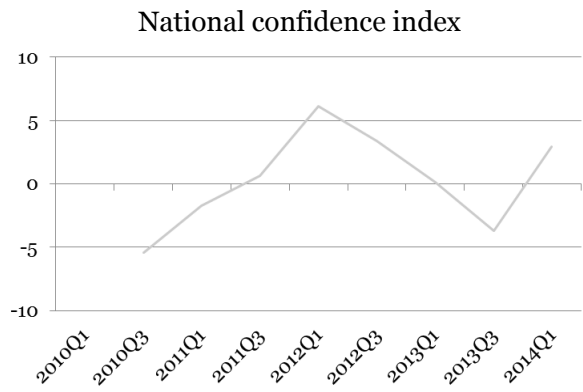
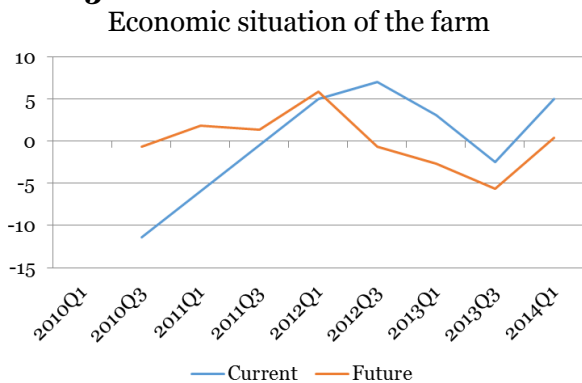
After almost a two-year continual decline in French farmers' confidence, brighter views were recorded in March 2014 concerning farmers' confidence in both the present situation and the future. Therefore, the aggregated indicator also rose compared to six months beforehand.

In particular, the majority of farms in all sectors believed that the financial situation of their business would improve in the following months, but with very different starting points: for instance, arable crops and grazing livestock farmers were the most pessimistic, while fruit and vegetable growers were the most optimistic.

Less than one third of respondents, including horticulture, poultry and pigmeat producers, indicated that they had had significant or major difficulties, a level that had dropped from 38% in the previous wave. Most pinned these problems on operating costs and difficult climate conditions.

Similarly to Italy, the increasing confidence in the general economic situation in France went hand in hand with an increasing confidence in the situation of agricultural activities. The share of farmers willing to stop their activity continued to fall from the previous year to 9%.

Chart 3 – France



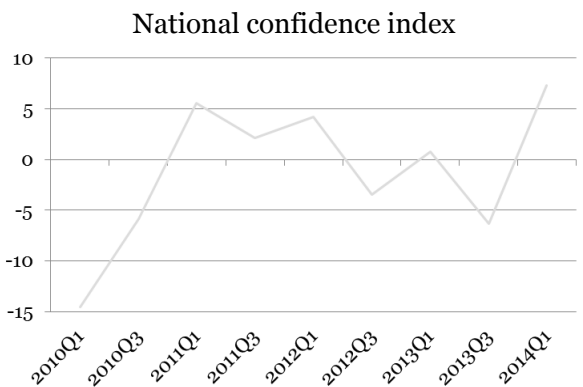
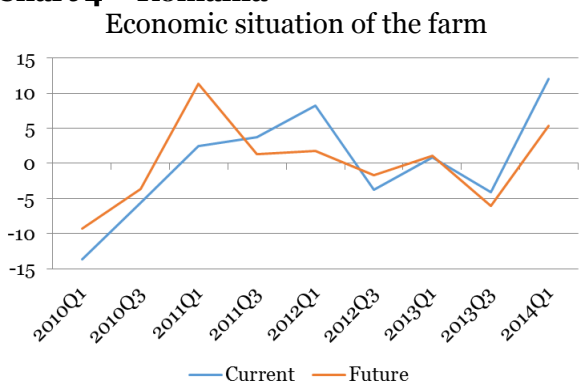
Compiled by Copa-Cogeca using national data

Romanian farmers had a much more positive evaluation of their present and future situation compared to six months beforehand. Consequently, the confidence indicator rose in March 2014, reaching its highest level since 2010.

Thanks to a combination of positive factors (a bumper corn and sunflower harvest and more subsidies received from the EU budget) and an improvement in negative factors (recovering farm-gate prices for most agricultural products), farmers were increasingly optimistic. Nonetheless, production costs were still considered burdensome.

Plans to increase productivity in the future and invest in new technology for machinery, combined with expectations for higher subsidies lifted the mood of Romanian farmers. This stood in contrast to the pessimists, who worried that prices of cereals and oilseeds may decrease.

Chart 4 – Romania³



Compiled by Copa-Cogeca using national data

In Germany, a continued positive view of the present economic situation outweighed the loss of confidence in the future and slightly lifted farmers' moods in March.

The moderately optimistic mood was mirrored by the relatively high amount of planned investments (€6.1 billion for the next six months).

Arable and feed producers were somewhat more positive compared to livestock farmers about the present economic situation of their businesses, while the opposite was true about future prospects. However, in general, sector-by-sector results were not very different.

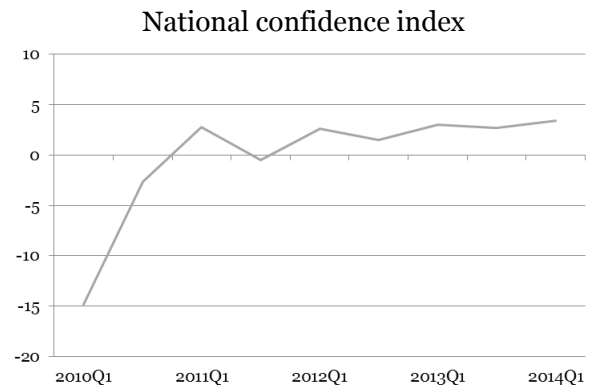
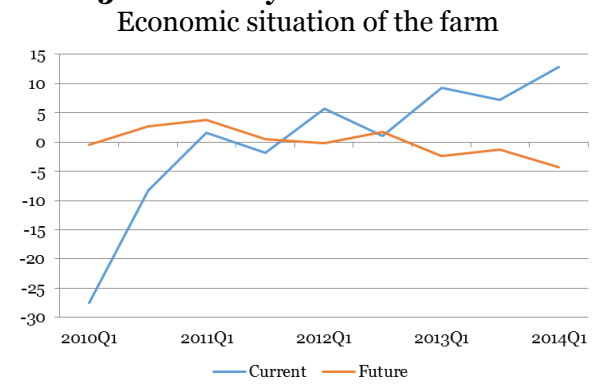
Farm managers who took part in the survey felt that rental and energy prices, as well as fertiliser and feed prices were still exerting the highest cost pressure. Nonetheless, this pressure had eased significantly for feed, fertiliser and energy prices in comparison to the previous year. The

³ The survey in Romania was carried out among farmers who farm more than 60 hectares.

influence of rental prices continued to be viewed in a very negative light. Only one third of those interviewed declared that they had experienced difficulties running their farms.

The survey findings demonstrate clear scepticism among farmers with regard to agricultural policy, both at national and EU level.

Chart 5 – Germany



Compiled by Copa-Cogeca using national data

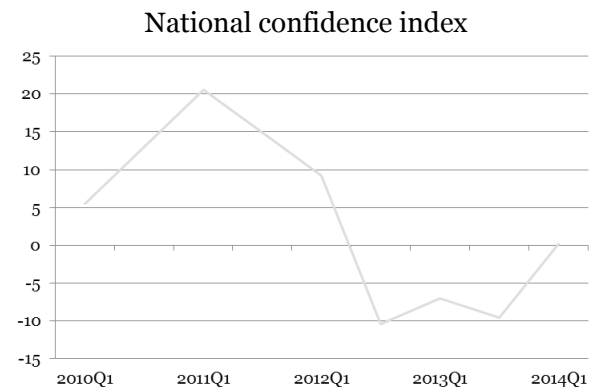
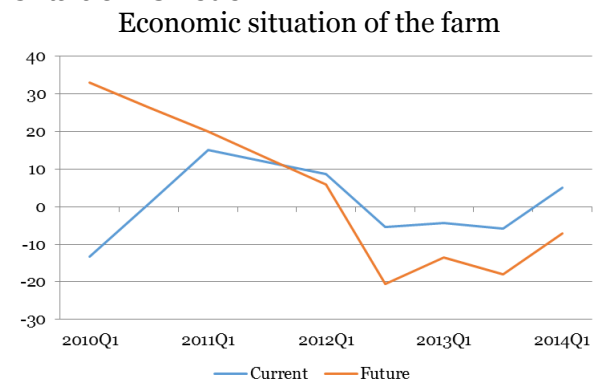
2014 began with a recovery in the confidence of Swedish farmers. This was the first veritable upward movement of the sentiment indicator in three years.

Optimism among dairy producers drove this improvement, as milk prices strengthened and reached historically high levels. Nevertheless, dairy farmers continued to rate their profitability as negative or very negative and had to pay off debts from previous years. Beefmeat and cereal producers were also a little more positive than six months beforehand, thanks to lower feed prices and an expected good harvest respectively.

In contrast to these trends, pigmeat farmers were increasingly frustrated because of contracts cancelled by slaughterhouses as a consequence of the increased volume of pork entering the Swedish market following the Russian ban on imports from the EU.

Expectations on the implementation of the CAP reform in Sweden created mixed opinions among farmers, with beef producers likely to benefit from coupled support, but farmers in the south who may see their payments fall.

Chart 6 – Sweden



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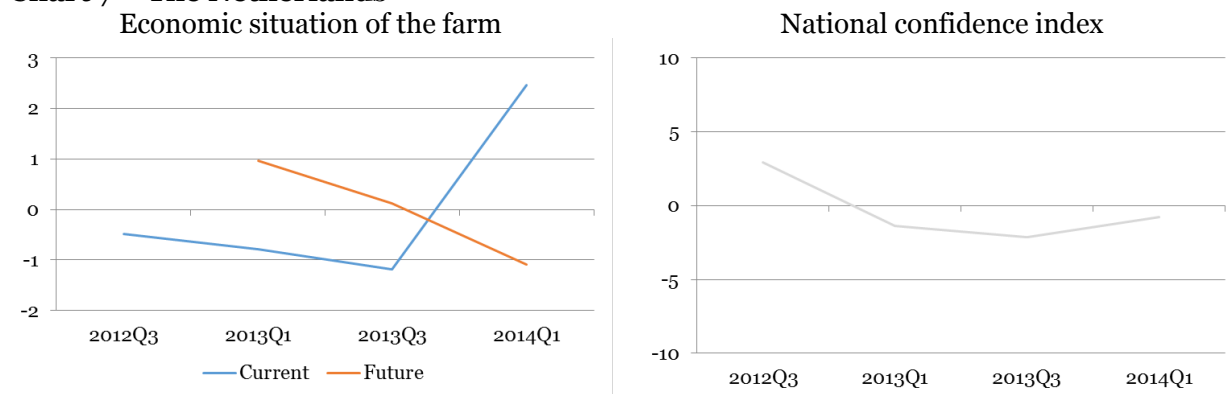
After a prolonged recession, the economy also gave signs of recovery in the Netherlands. At the same time, there was a slight improvement in confidence in the agricultural sector in the first quarter of 2014 thanks to a more positive opinion of the present situation, while expectations for the future somewhat deteriorated.

The overall atmosphere improved in the open-air and greenhouse horticulture sectors (the latter having started from a low level) and continued to strengthen among poultry farmers. Confidence went down in the arable crop, dairy and pigmeat sectors, but remained at relatively optimistic levels.

Production costs, both past and expected, were identified as negative factors across the board. On top of that, producers of cereals, open-air and greenhouse horticulture, pigmeat and beefmeat were squeezed by low prices. Dairy farmers could compensate for high costs by increasing volumes and milk prices, but were afraid that prices would fall in the future.

Political tension in Eastern Europe spread uncertainties because the Netherlands is both an importer (corn and cereals) and exporter (horticulture and animal products) to that region.

Chart 7 – The Netherlands



Compiled by Copa-Cogeca using national data

The sentiment worsened in Belgium and Poland, reaching low, albeit slightly positive levels.

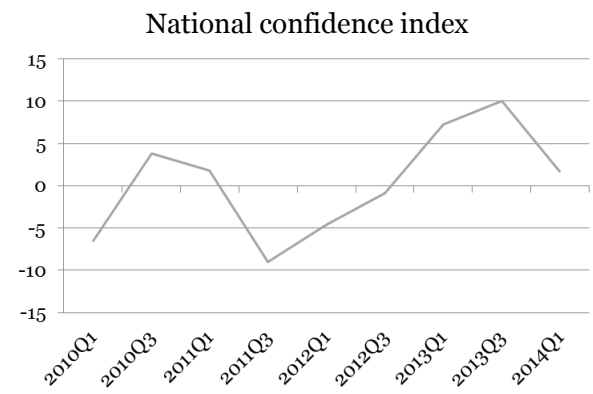
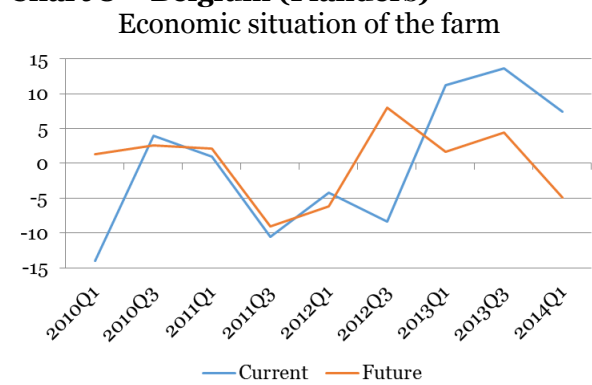
Following four consecutive improvements, the confidence of Flemish farmers sunk in March 2014 due to mounting pessimism concerning both the present and future situations.

Sectoral confidence indicators show that pessimism prevailed among all farmers with the exception of dairy farmers, whose optimism had nonetheless cooled somewhat because milk prices were expected to decrease. The super levy added further uncertainty.

In particular, the mood of those producing arable crops and vegetables in greenhouses remained almost as negative as six months beforehand. Beefmeat and pigmeat producers shifted from a rather optimistic approach to a mostly negative one. Fruit (apples and pears) and vegetable producers enjoyed good weather but were afraid of poor weather conditions in the upcoming months. Deteriorating trade relations with Russian directly affected the mood of pigmeat producers and indirectly affected that of fruit producers too. Finally, the economic crisis was still affecting flower producers, who remained pessimistic, although to a lesser extent than last autumn.

When asked about any difficulties running their farm, 23% of the interviewed farms had faced no difficulties at all. Among the others, government imposed constraints were the most cited problem.

Chart 8 – Belgium (Flanders)



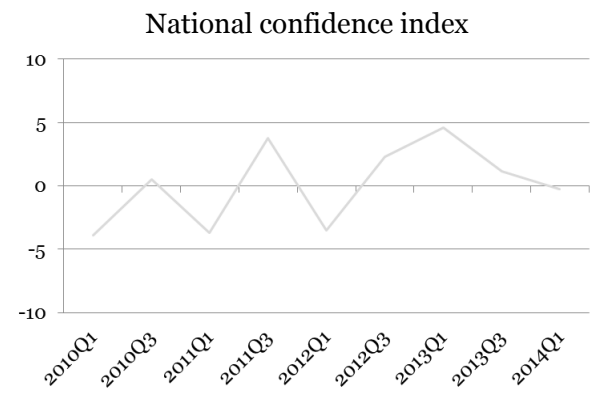
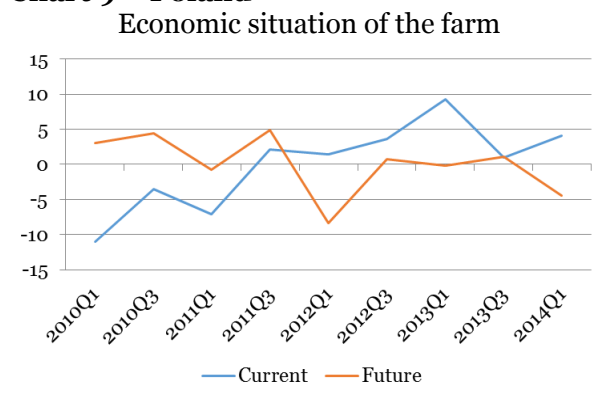
Compiled by Copa-Cogeca using national data

In Poland, confidence continued to fall in March 2014, as a consequence of the predominantly gloomy views of farmers concerning their future economic situation and a slowly recovering confidence in the present.

While field crop, mixed farm, cattle and dairy farmers considered their present situation better than in September 2013, pig and poultry producers estimated that their situation had worsened. Price developments were the reason behind these different evaluations. What's more, although input prices continued to exert a negative pressure on costs, this pressure had lessened. Finally, external factors, such as access to credit, interest rates, subsidies and the exchange rate had a rather positive influence.

When looking to the future, all sectors, and arable crop farmers in particular, were more worried than six months beforehand, as they expected a decrease in agricultural prices. The export ban in Russia and the crisis in Ukraine were mentioned among the reasons for these unfavourable future expectations. As was the case in Romania, hopes for higher productivity and new technology for machinery buoyed the optimistic farmers.

Chart 9 – Poland



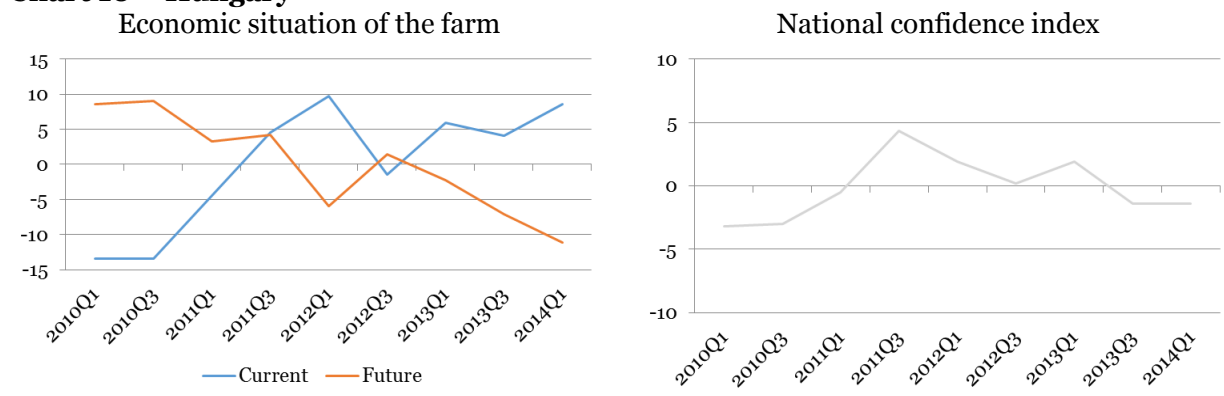
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Hungarian farmers' views about their current economic situation became more and more favourable in the first quarter of 2014. The development of milk prices, good cereal yields, favourable credit conditions and subsidies encouraged farmers. Besides, although prices for most agricultural products were considered to negatively affect the current economic situation of farmers (crops in general, and beef and pork), they had nonetheless improved since the autumn. However, high production costs and the exchange rate were matters of concern for farmers.

By contrast, future prospects continued to weaken and the major fear among pessimists was the change in the land law from May 2014.

All in all, the agricultural business barometer in Hungary remained stable, at a low level.

Chart 10 – Hungary⁴



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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.

⁴ The survey in Hungary was carried out among farmers who farm more than 200 hectares.