

RESULTS OF THE MULTINATIONAL FARMERS' CONFIDENCE INDEX – 2017Q1

EUROPEAN FARMERS' OPTIMISM HAS BEEN RESTORED

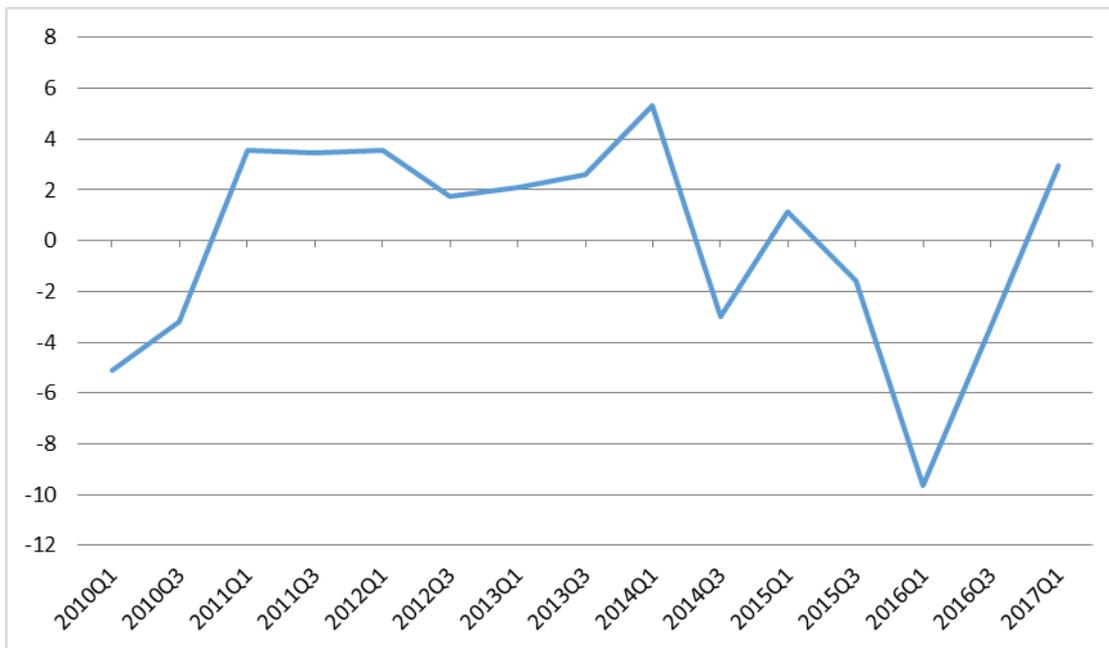
I. AGGREGATE CHANGES IN CONFIDENCE

The confidence survey carried out in ten EU Member States¹ between January and April 2017 showed an optimistic outlook. EU farmers' optimism rose, reaching positive values compared with previous years.

World food prices (commodity prices) have remained relatively stable since the second half of 2016. However, the weather has become another determining factor for prices, and could lead to volatile prices during the growing season. As a result of heatwaves and drought in various regions of the EU, cereal production is likely to be slightly below average in 2017-2018. Modest growth has been recorded in EU milk production, with sustained demand for dairy products. EU meat exports are generally good, but pigmeat exports are expected to fall as a result of lower production and the consequent increase in prices.

The Copa-Cogeca confidence index is calculated twice a year on the basis of the results of national surveys carried out among over 8,000 farmers. These surveys ask two questions: How do farmers assess the current and the expected economic situation of their farms?²

Chart 1 – EU-10* confidence index development



Compiled by Copa-Cogeca using national data

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

² For more information on the method used, please see the document ECON(11)576 (rev.6). Please note that Copa-Cogeca's method may vary from those used in national barometers. As a result, 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. OUTLOOK FOR EACH COUNTRY

Belgium (Flanders)

The growing positive mood among Flemish farmers and horticulturists persists. Satisfaction over the past six months has increased sharply. Optimism too will continue to rise over the next six months. This increase is mainly due to an improvement in the dairy, arable crop, and fruit and vegetables sectors. Nearly 40% of the 750 Flemish farmers expect a slight increase in future production. The dairy sector was boosted by the recovery of the milk prices during the second half of 2016. The milk price rose sharply from 22.8 cents per litre in July to 37 cents in December and then dropped to 35.1 cents in February. Almost 43% of dairy farmers think that the milk price will decrease further.

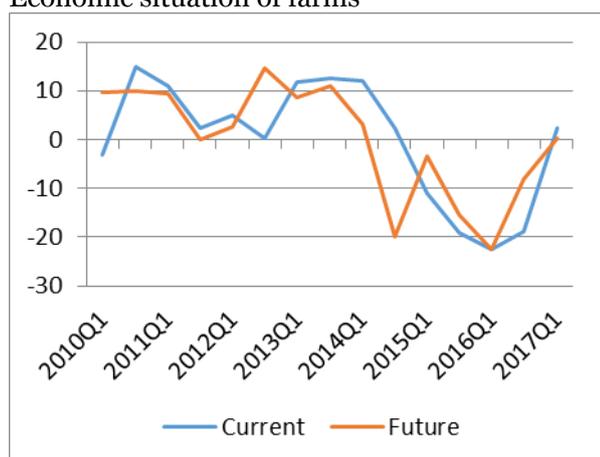
The index for beef cattle dropped slightly compared with the previous six months. Farmers' optimism about future prospects is expected to fall even lower. More than 70% of Flemish farmers indicated that sales prices will decrease further in the next six months. Satisfaction in the pig sector has risen over the past six months.

The main difficulties reported were the weather conditions, financial problems, government restrictions and the number of animal or plant diseases. Thanks to the recovery of the milk price, the share of dairy farmers with financial headaches has fallen from 56% to 23%.

Farmers and horticulturalists in Belgium (Flanders) are planning a little more investment in the coming year, with an increase from 30% to 34%. They aim primarily to invest in buildings and facilities as well as in machinery.

Chart 2 – Belgium (Flanders)

Economic situation of farms



National confidence index



Compiled by Copa-Cogeca using national data

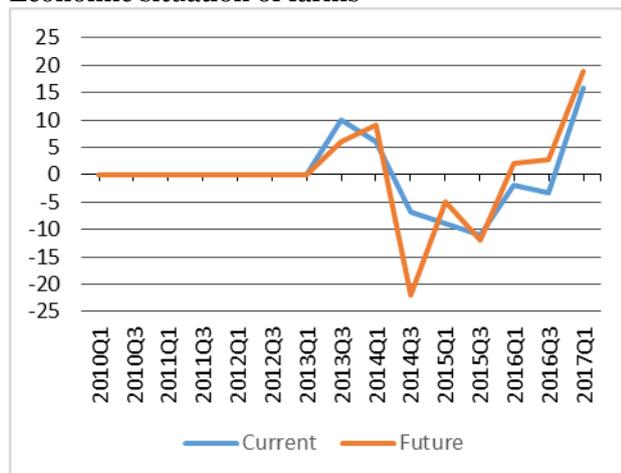
Denmark

Confidence among Danish farmers has increased since the previous quarter, reaching positive index values. Despite slower growth in milk production, Danish farmers' optimism about their future prospects has risen since autumn 2015.

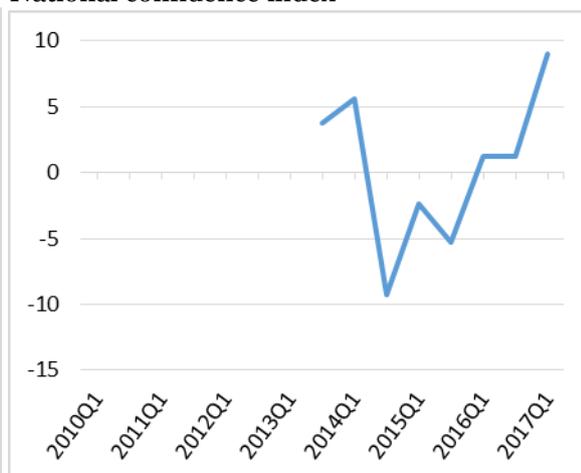
Danish operators have made substantial investments in Russia in pig production, dairy, seeds, and processed food products. Moreover, exports throughout the Russian food production value chain have increased. Organic exports are also very high, in particular to China. Exports of organic products to Asia and the Middle East are expected to rise by 10% per year. These major increases are planned within the organic milk, pigmeat and poultry (eggs and broilers) sectors, both for the retail and food service sector.

Chart 3 – Denmark

Economic situation of farms



National confidence index



Compiled by Copa-Cogeca using national data

Germany

Economic confidence among German farmers is gradually being restored after the crisis years of 2015 and 2016. The return on investment has also increased, although the investment levels of 2015 will not be reached again. 33% of the 1,000 surveyed German farmers want to invest in the next six months, with a planned investment of 4.6 billion euros. This is 0.9 billion euros more than the year before. The German agricultural sector's renewed investment activity also has major consequences for the economic power of rural areas, which in turn will help to secure many jobs.

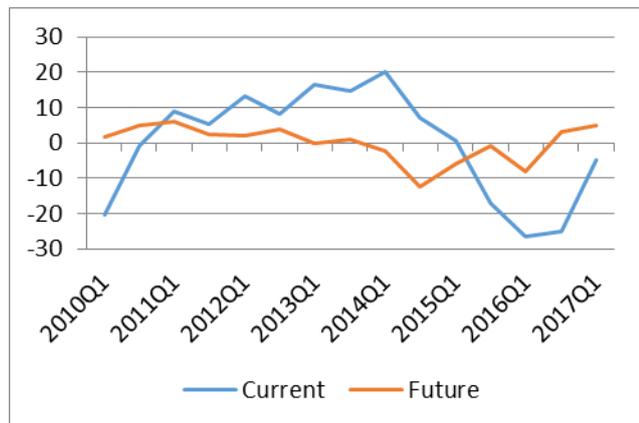
The improved economic situation has gone hand in hand with a more relaxed liquidity situation in businesses. 11% of farmers indicated that the liquidity situation is tense or very tense in their holdings. The liquidity situation is particularly tight (above average) on milk and cattle farms and farms in Eastern Germany.

On average, businesses are only slightly more positive about the future prospects for economic development than they are about the current economic situation. Compared with December 2016, the assessment of the current economic situation is much more optimistic across all business areas. On the other hand, expectations for the future are slightly less optimistic than in December 2016, particularly on milk and cattle farms.

Agricultural price development is by far the most important factor influencing the assessment of the situation on farms. Producer prices for pigs and cereals were viewed more positively in March 2017 than in December 2016. The expectations for this year's harvest were still relatively high in March.

Chart 4 – Germany

Economic situation of farms



National confidence index



Compiled by Copa-Cogeca using national data

France

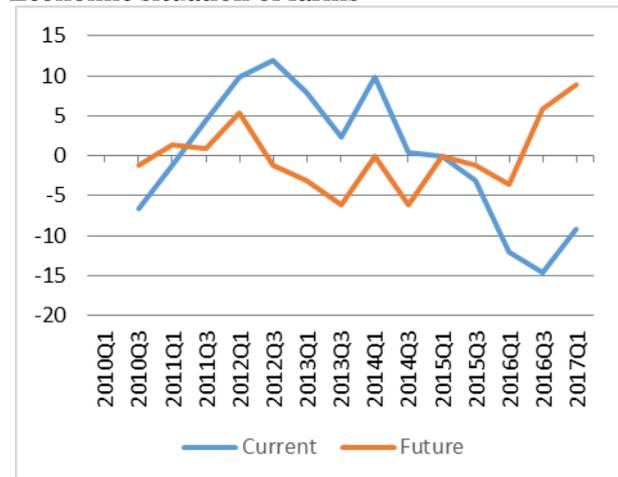
The current economic situation of French farmers has slightly improved but remains in negative territory. This is due to the difficult market situation and falling prices. Nearly 80% of French farmers expressed difficulties in their activities. The drop in the price of agricultural products together with utility costs were identified as the main problems, followed by health and environmental regulations, weather conditions, reduced subsidies, foreign competitors and severe problems with animal health and crop diseases.

In terms of yield, the spring weather conditions in the EU have hampered crop development. The main affected area is north-western France, where the combination of a dry May and a hot June resulted in unfavourable conditions for most winter and spring crops. Due mainly to these adverse weather conditions, milk collection is expected to decline in France, where – given the number of dairy cows on farms – milk production fell more than expected (- 2%).

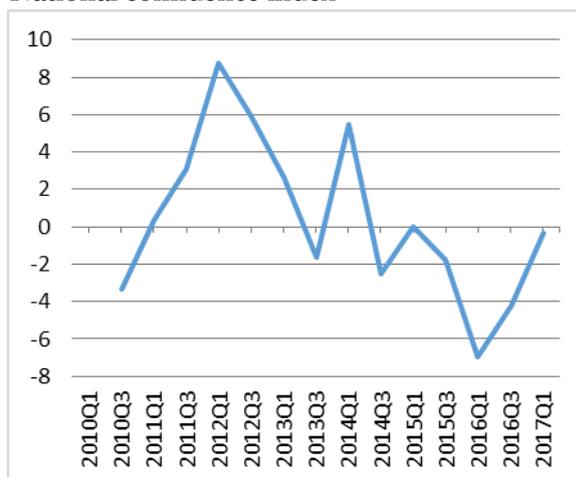
On the other hand, French farmers' optimism about their future prospects has increased, reaching its highest level since the launch of the confidence survey.

Chart 5 – France

Economic situation of farms



National confidence index



Compiled by Copa-Cogeca using national data

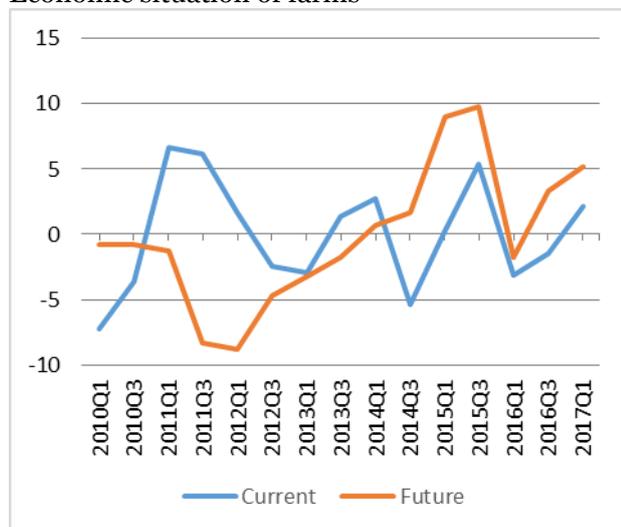
Italy

Italian farmers' optimism about their current economic situation has increased since last year but is still low. The main reason is the decrease in prices, declining price margins and limited profitability in more or less all agricultural sectors. In contrast, there was an upward trend in imports of agri-food products. An improvement in the trade balance for agri-food products was recorded in the structural deficit. The trade balance was particularly good for wine and must, fresh and processed vegetables as well as cereals, rice and by-products. Trade dynamics for oil and fats, industrial crops and animals and meat were negative.

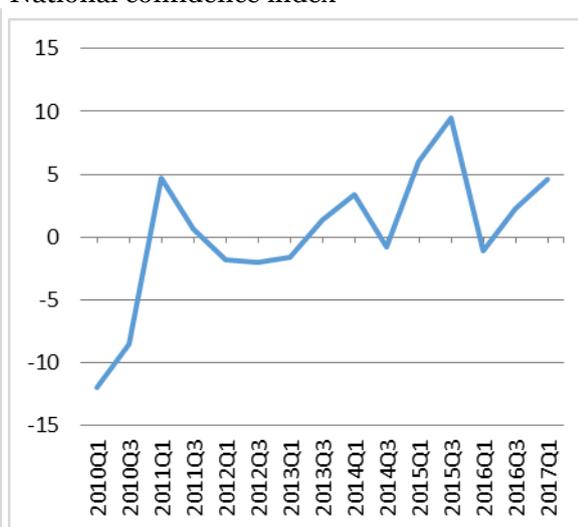
Farmers are positive about their future economic situation. Both acreage and yields of wheat, in particular durum wheat, are forecast to increase. Milk collection is expected to grow steadily. Almost 50% of the surveyed farmers are facing difficulties, mainly relating to weather conditions, decreases in the price of agricultural products, utility costs and foreign competitors. Some areas, primarily northern Italy, were hit by a severe heatwave in June.

Chart 6 – Italy

Economic situation of farms



National confidence index



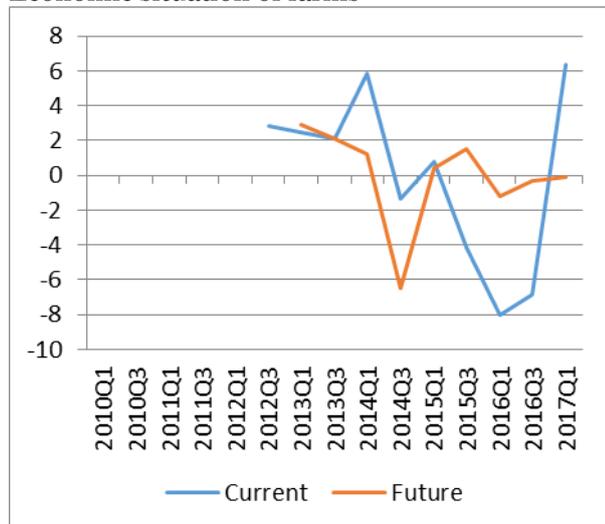
Compiled by Copa-Cogeca using national data

The Netherlands

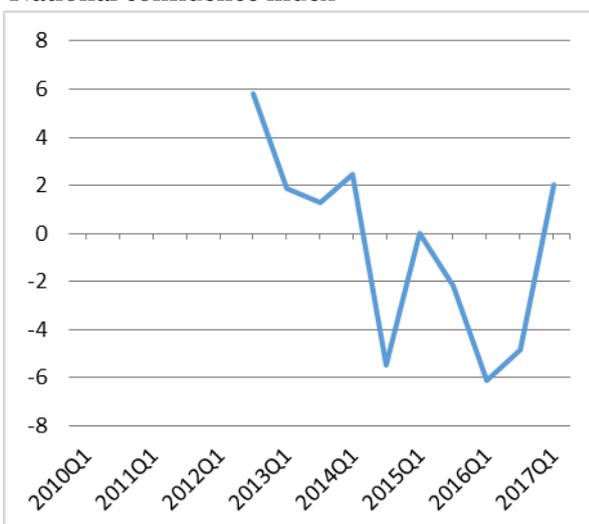
Dutch farmers' current and forecast situation improved in the first quarter of 2017, with an increase in confidence among dairy farmers and arable farmers. The most significant negative changes occurred in poultry farming, greenhouse horticulture and pig farming. In all three sectors, entrepreneurs' confidence in their businesses fell quite drastically. Nevertheless, the trust that farmers and horticulturalists have in their businesses remains relatively high. Positivity about their current situation has increased among dairy farmers and farmers in open-air horticulture. Business owners estimate that their business situation is better than it has been for more than 2 to 3 years, compared with their situation in the previous survey. However, the situation varies considerably from sector to sector. Pig farmers and poultry farmers have adjusted their medium-term expectations downwards, while those working in greenhouse horticulture, open-air horticulture and especially dairy farming are more positive than in previous surveys. Arable farmers are more optimistic about their businesses than they have been for over 2 to 3 years.

Chart 7 – The Netherlands

Economic situation of farms



National confidence index



Compiled by Copa-Cogeca using national data

Poland

Optimism among Polish farmers has clearly recovered from last year's low level. Indeed, Polish farmers have rated their current economic situation and their expected future economic situation more favourably than in autumn 2016 and much more positively than in spring 2016. In April 2017, about 20% of the 804 surveyed farmers rated their current situation as unfavourable. This share was much higher in autumn 2016, when it stood at over 40%. Furthermore, the share of optimists regarding future economic prospects is now somewhat higher than the share of pessimists.

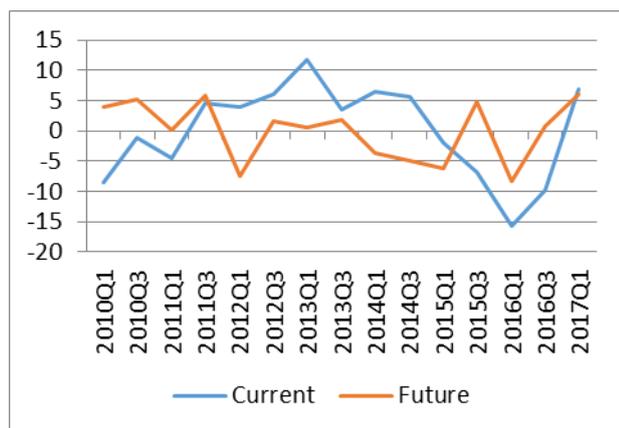
Overall intentions to invest in agricultural machinery have clearly increased compared with the previous year's period. In particular, the number of farmers intending to buy tractors and crop cultivation and fodder harvesting machinery has risen. In contrast, the demand for new combine harvesters is still low and remains below last year's levels.

Developments in the price of livestock products, in particular milk and pork, compared with autumn and spring 2016, were considered a positive driver of Polish farmers' optimism. Moreover, expectations for the 2017 harvest are high and the outlook for the grain and oilseed harvest in 2017 is relatively optimistic as this time.

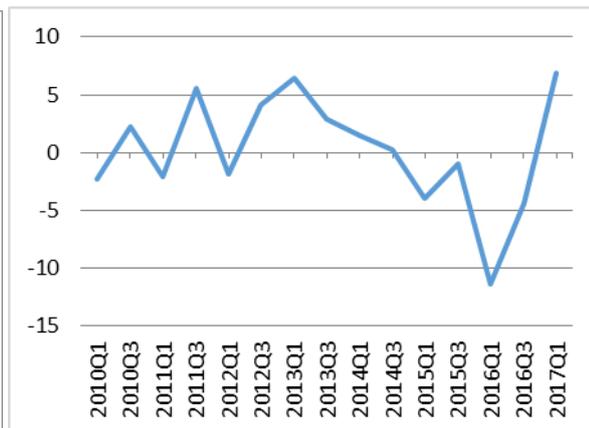
African swine fever, which is still a problem for Polish pig farmers, and the absence of direct subsidies for machinery investments were deemed to be the main factors with a negative influence on farmers' optimism and investment intentions. This is primarily a problem for capital intensive investments in combine harvesters.

Chart 8 – Poland

Economic situation of farms



National confidence index



Compiled by Copa-Cogeca using national data

Romania

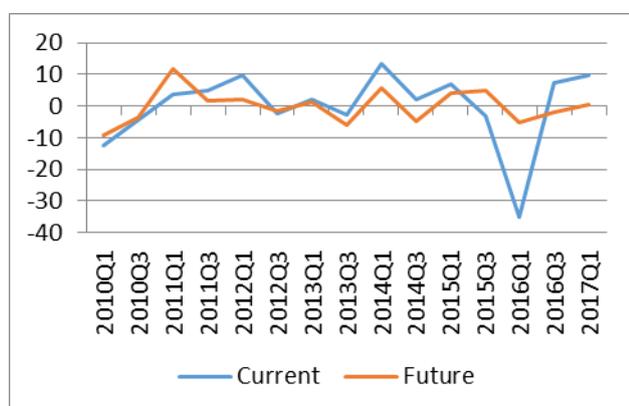
Optimism among Romanian farmers has been further restored since it fell in 2016. Romanian farmers clearly view the current and future economic situation more positively than in September 2016. In particular, their outlook on the current economic situation has reached another high. Expectations regarding the economic situation within the next 2-3 years have reached the positive levels of March and September 2015.

In line with the more favourable economic situation, more Romanian farmers plan to invest in agricultural machinery compared with the previous year's period. Farmers are therefore more interested in tractors, combine harvesters and especially crop cultivation machinery. Furthermore, investments made in the past six months have surpassed all expectations.

Prices for wheat and barley have improved within the past six months and Romania has strengthened its position as a leading wheat and maize exporter among EU Member States. The outlook for the 2017 harvest is also positive as planting conditions within the winter sowing season were good. However, the outlook is slightly below last year's record harvest levels but is still above the average of the past five years. The fact that livestock farms continue to benefit from increasing milk, beef and pork prices is considered to have boosted farmers' optimism. On the other hand, prices for oilseed rape and sunflowers are reported to have worsened compared with September 2016. The increase in feedstuff prices is thought to have had a negative impact on farmers' optimism.

Chart 9 – Romania

Economic situation of farms



National confidence index



Compiled by Copa-Cogeca using national data

Sweden

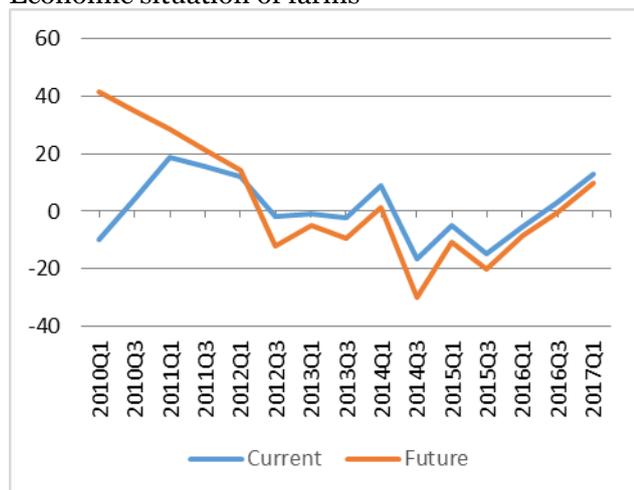
Swedish farmers' optimism about the current and expected economic situation has improved compared with previous years.

Farmers are also experiencing improved profitability in comparison with last year. Pigmeat and beef producers are experiencing the highest levels of profitability and are the only farmers with a positive profitability index. Crop producers are experiencing the lowest profitability; however, forecasts indicate that there will be higher profitability for all production branches in future. Increased revenue is one of the reasons for better profitability, partly due to higher consumer demand for Swedish products. Weak profitability among crop producers can be largely explained by the global excess supply.

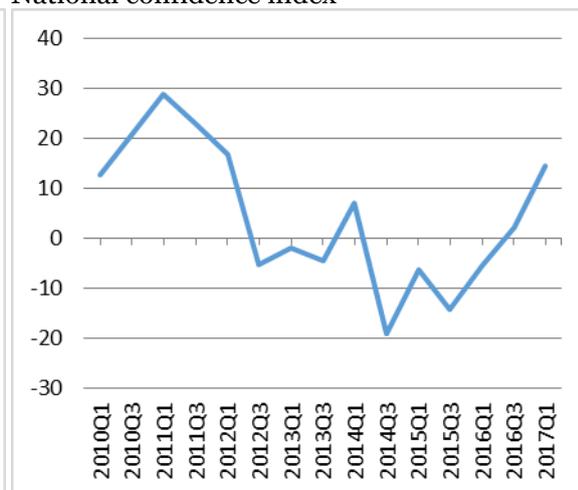
Investments in construction, equipment and machinery have increased since last year. In general, Swedish farmers are experiencing stable profitability. Investments are beginning to return to normal levels, but the rate still needs to increase.

Chart 10 – Sweden

Economic situation of farms



National confidence index



Compiled by Copa-Cogeca using national data

United Kingdom

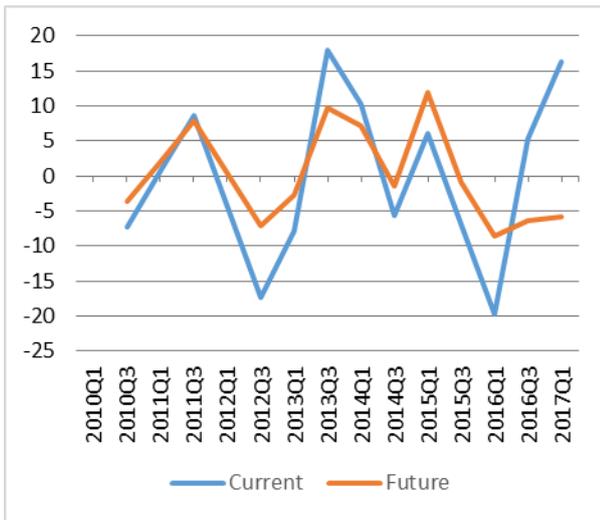
Farmers' confidence in the United Kingdom has seen a drop in the last two years. The political environment since the UK voted to leave the EU is seen as a key driver for this fall in mid-term confidence. The uncertainty stemming from the EU referendum vote, future trade arrangements between the UK and the EU, the size of the budget, access to foreign labour and the exchange rate are all likely to dent the expected economic situation. Despite the positive values recorded as far as the current economic situation is concerned, farmer confidence is critical to the future of a profitable and productive food and farming sector. In such a period of political uncertainty, it is important to assess the economic impact that this lack of clarity is having on farmers.

Optimism about the current economic situation has increased compared with the previous quarters. Confidence in the expected economic situation has increased slightly since October 2016, indicating that there is a roughly equal balance between optimistic and pessimistic farmers.

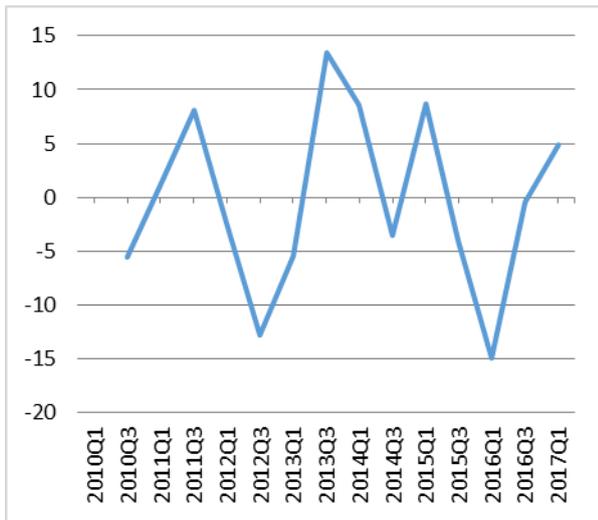
As regards investment intentions, 69.3% of those surveyed reported either no change in investment plans (61.6%) or did not know (7.7%), in relation to the next 12 months. However, respondents indicated that they were almost twice as likely to decrease investment (21.2%) as a result of the EU referendum than to increase investment (10.7%) in the next 12 months.

Chart 11 – United Kingdom

Economic situation of farms

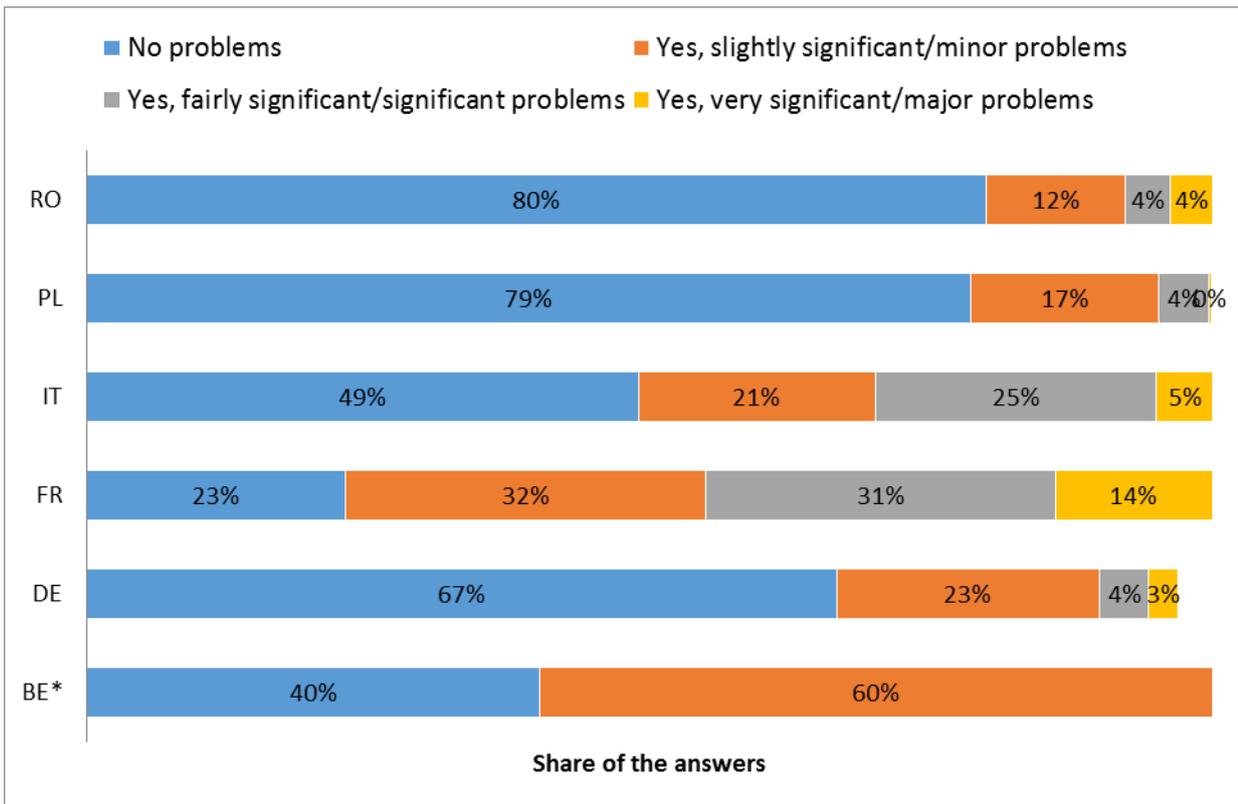


National confidence index



Compiled by Copa-Cogeca using national data

Chart 12 – Answers to the question “have you had any problems/difficulties whilst running your farm during the last three months?”



Compiled by Copa-Cogeca using national data

Disclaimer

Copa-Cogeca would like to thank the Department of Agriculture and Fisheries of the Flemish government, the German Farmers' Association (DBV), the Danish Agricultural and Food Council (DAFC), 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), Wageningen Economic Research – Wageningen UR, LTO Netherlands, Lantbrukarnas Riksförbund (LRF Konsult) and the National Farmers Union (NFU) for kindly providing their data for our use. However, Copa-Cogeca alone is responsible for processing the data as presented.
