

## **RESULTS OF THE MULTI-NATIONAL FARMERS' CONFIDENCE INDEX – 2016Q3**

### ***THE SENTIMENT OF EUROPEAN FARMERS HAS SLIGHTLY RECOVERED, BUT THE SITUATION REMAINS STILL UNFAVOURABLE***

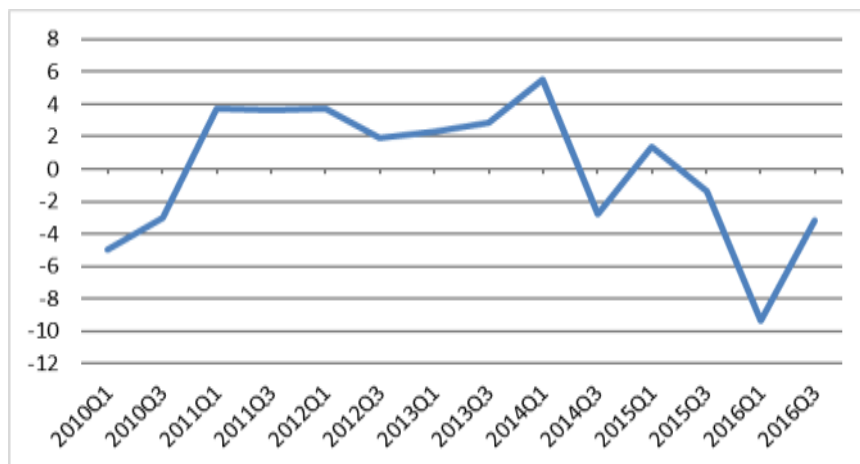
#### **I. CHANGES IN CONFIDENCE IN AGGREGATE**

The confidence survey carried out in ten EU Member States<sup>1</sup> between September and November 2016 showed a more optimistic outlook than in the previous quarter. Confidence among most EU farmers rose slightly nearing the end of 2016, but it is still at low level. Farmers still face many challenges today ranging from volatile markets, increasing consumer demands and investment in new products. The expectations of improved financial results lags behind those of other sectors.

EU exports to China increased sharply in 2016, especially in the pigmeat sector, although some farmers still fear that the price will decline, due to the continuation of Russian ban. The survey showed that there had been a turnaround in the confidence of dairy farmers although it was still negative. The increase in the milk price since summer is a positive market signal, but does not mean the end of the crisis. Farmers are still facing economic difficulties, which differ within each sector. The current situation and the expectations in the arable sector are negative and farmers' mood in this sector is worsening. In particular, cereal prices are expected to remain relatively low due to good global harvest for the fourth year in succession.

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.<sup>2</sup>

**Chart 1 – EU-10\* confidence index development**



Compiled by Copa-Cogeca using national data

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

<sup>2</sup> 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 Flemish farmers and horticulturists feel slightly better this autumn. The economic index climbed to 62 – a record low – before returning to 70. Both satisfaction for the past six months and optimism for the next six months increased. The increase is primarily in the pigmeat sector and to a lesser extent in ornamental plants and outdoor vegetable production. However, the weather was particularly poor in many places.

The index for the arable and dairy subsectors rose slightly. Despite the bad weather, the crop index also rose slightly from 56 to 59. The index for the last and the next six months is almost equal. Lower and highly volatile grain yields in Flanders as a result of the regional extreme wet weather could have an impact in projecting higher grain prices on the world market. The quality of the grain is considerably lower.

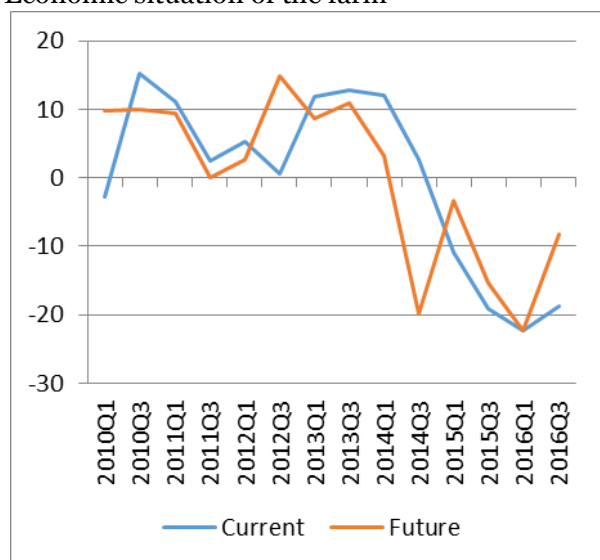
In the dairy sector, the index decreased slowly and remains the lowest among all subsectors. Dissatisfaction with the previous period was high but future prospects are better. 54% of 580 respondents think that the milk price will rise further, causing farmers to fear that they will have to reduce their production. Milk prices fell in July to 22.1 cents per litre.

Furthermore, the index for the beef sector decreased slightly. Almost all beef farmers (94%) indicated that sales fell by 35%. Farmers have to contend with low raw forage yields. In a number of cases, this may lead to the need to purchase (expensive) feed. The index of the pig sector rose sharply. Satisfaction over the past six months scored better and the future looks brighter. The majority of pig farmers (71%) indicated that the selling price also rose sharply. The price of piglets increased significantly in the first half of the year. The price of pigs has been increasing since mid-May and stood at a relatively high level over the summer.

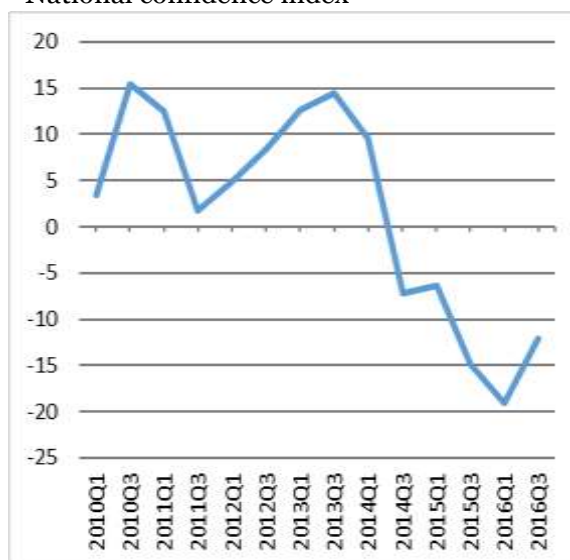
Flemish farmers consider the main difficulties to be weather conditions, financial barriers, government constraints and severe problems with animal health and crop diseases.

### **Chart 2 – Belgium (Flanders)**

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

## Denmark

Danish farmers judge their current situation as worse than spring 2016, mainly due to grain prices and the burden of legislation, which is undermining the competitive position of the country's pig producers. Overall, farmers considered this year to be more a difficult year, particularly for pig farmers. Meanwhile, dairy farmers were still grappling with high production costs combined with high debt levels. In general, farmers considered selling prices as well as policy and financing conditions to be worse than in 2015.

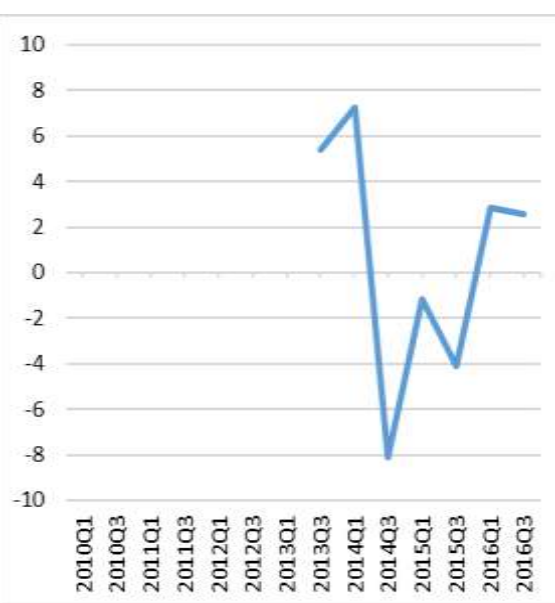
As regards the future economic expectation, the share of optimists increased compared to the previous quarter. Despite the challenges, Danish farmers remain optimistic and have a positive view of the future despite facing a year full of uncertainties.

### **Chart 3 – Denmark**

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

## Germany

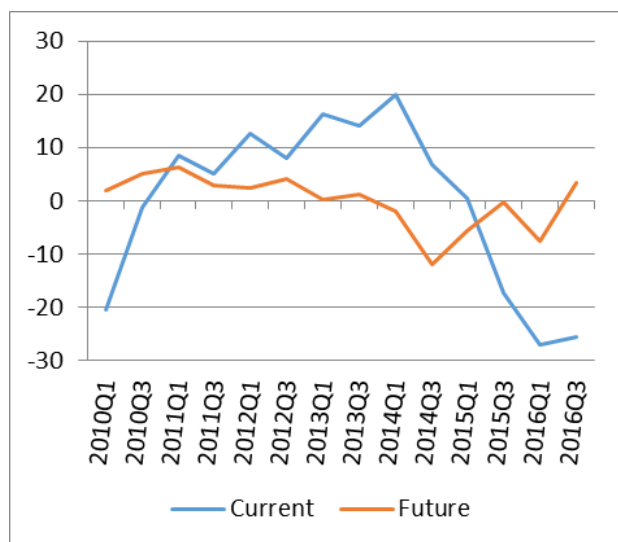
The mood of German farmers over the past six months has improved slightly, but is still at a low level. Farmers are getting more optimistic about their expectations for the future. This optimism may be due to farmers thinking that things cannot get any worse.

The economic situation of German farmers over the past six months has improved since the previous confidence survey. In contrast to the slightly improved sentiment of farmers, investments are still declining. This applies in particular to the core areas of machinery and equipment, as well as to commercial buildings. The investment sums planned for the next half year have fallen to a new low.

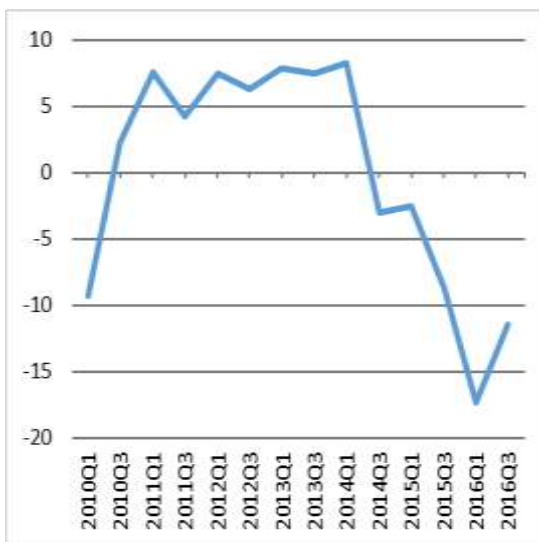
The main difficulties that German farmers face are the continuous decrease of agricultural product prices.

## Chart 4 – Germany

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

## France

The level of confidence among French farmers decreased again this quarter and is at the lowest level since the year 2010. The result of the combination of these two components (current situation and future expectations) indicates that, despite the current pessimism, the medium-term future expectations of French farmers are positive.

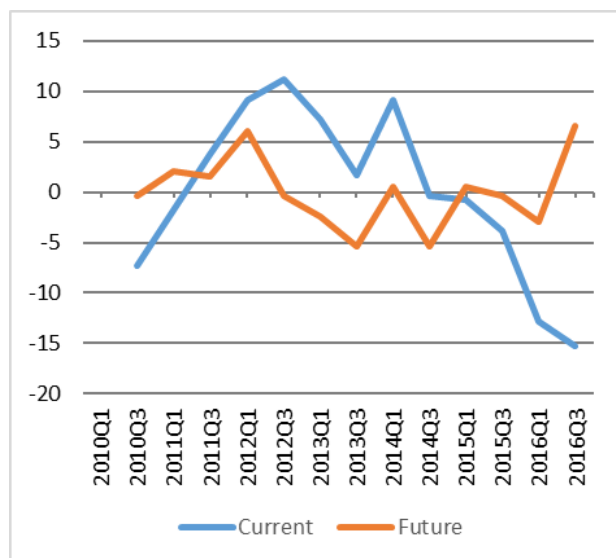
Their dissatisfaction is mainly due to price volatility, the continuation of the Russian ban and the difficult market situation. The implementation of the new CAP and administrative burden also cause many difficulties for farmers. The analysis by type of farming reveals that the value of the index is still low for almost all agricultural productive sectors, with variable intensity.

Whereas grain prices are viewed as worse than last year, the prices of animal products are rated significantly higher by some. Overall, input costs are also seen more negatively than in autumn 2015.

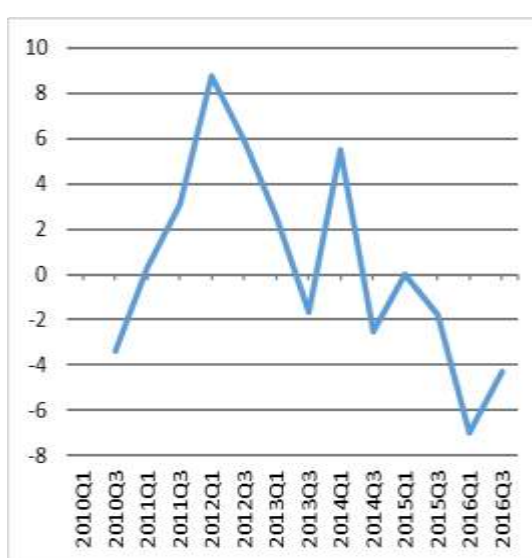
Of all the interviewees, 18% expressed no significant problems while running the farms during the last three months. The majority (82%) of respondents had encountered slightly significant or significant problems due to the continuing price decrease in agricultural products, health and environmental regulations, weather conditions, reduced subsidies and competition on foreign markets.

## Chart 5 – France

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

## Italy

Italian farmers were dissatisfied with their situation in the third quarter of 2016. The confidence survey revealed that the widespread feeling of disappointment in the Italian agricultural did lessen slightly in the last six months, but not sufficiently to have a positive value in the confidence index. The index also reflects farmers' dissatisfaction about their current economic situation and a more positive attitude towards the future.

Inevitably, the main reason of the negativity among Italian farmers is the continued drop in prices. Price margins have decreased and profitability is more or less limited in all agricultural sectors. This situation is flanked by weak levels of domestic consumptions together with the generalized slow-down in international trade.

In fact, the current economic situation is seen as worse than in the third quarter of 2015. However, from the first quarter of 2016 there has been a slight improvement (the index is 1.5 points higher than in March 2016). Only producers of wine grapes stood out from this overall unhappy feeling about the present, as they considered the current situation to be remarkably positive.

On the other hand, Italian farmers are still confident that their situation will improve in the next 2-3 years. All farmers expect the economic situation of the farms to improve in the next 2-3 years, with the exception of arable crop producers. Prospects are particularly bright for olive growers and grapes growers.

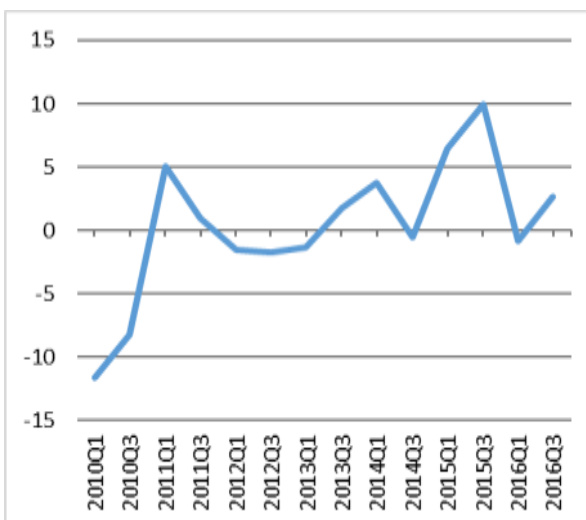
Again, the negative values of the indexes depend almost exclusively on the dissatisfied feelings about the current situation. Of all the interviewees, 18% encountered significant problems while running their farms during the last three months. Crops producers are particularly pessimistic, because of the price decreases affecting almost all type of cereals. Dairy farmers are even more disappointed: probably the recent rebound in dairy products prices (butter in particular) did not yet reach the breeding farms. The wine grapes producers are the only one to show a positive value in the confidence index, reflecting a satisfied mood and optimistic expectations.

## Chart 6 – Italy

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

## The Netherlands

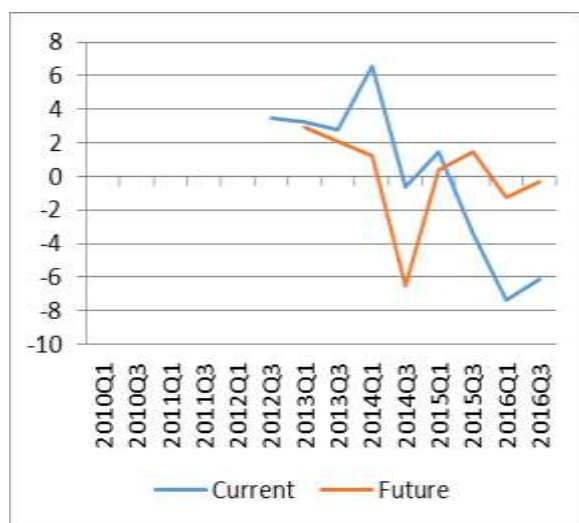
The index shows that the confidence of Dutch farmers has increased slightly since the previous quarter. However, it is still lower than the same quarter in 2015. The current business situation is almost unchanged, but the farmers' sentiment about the future situation improved slightly. The exceptions are the farmers in the poultry and horticultural sectors, who are more positive about the current and future situation. In addition, dairy farmers' expectation for the future are increasing. Regarding the current situation, they are slightly more optimistic after a significant market decline. However, there are still many farmers who are not satisfied with their current situation. Growers in the horticultural sector expect a slight increase in production and market prices as well as higher costs for the next 12 months.

Generally speaking, we see that confidence amongst greenhouse growers is good, thanks to reasonable prices and low energy costs. Confidence amongst pigmeat and dairy producers has improved over the last years, but from a very low level. Arable farmers have become a bit more pessimistic this year. The main reason was unfavourable spring weather, which depressed yields.

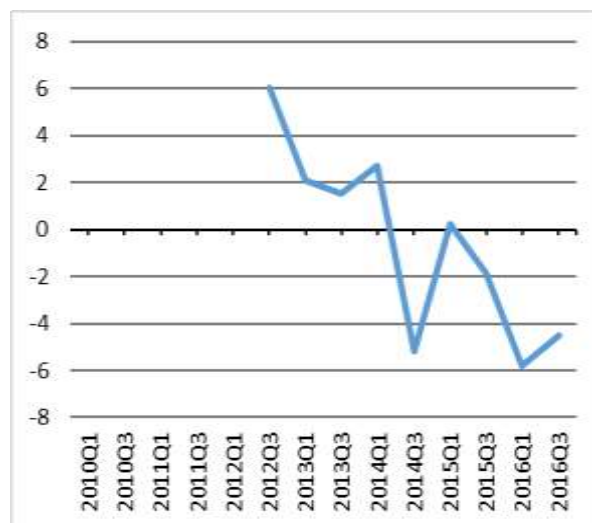
13% of the total agricultural and horticultural farmers in the Netherlands estimate that the current liquidity situation is very tight (see also chart 13). Comparing different sectors in the Netherlands, the liquidity situation is best in horticulture and poultry farming.

## Chart 7 – The Netherlands

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

## Poland

The sentiment of Polish farmers has recovered slightly from the low level of April 2016, but it is still below the value of September 2015. Polish farmers rate the current economic situation – as well as the future economic situation – significantly more positive. However, about 40% (of 805 respondents) still rate their situation as unfavourable. The share of pessimists regarding the future economic situation is still higher than the share of optimists. The optimists base their evaluation largely on expected higher prices for livestock products, especially milk and beef. Pessimists, however, expect a further decline in cereal prices.

Overall investment intentions for agricultural machinery have clearly decreased compared to last year's period. Planned investment in tractors, combine harvesters and crop cultivation machinery are clearly below the corresponding period of last year.

Positive drivers of sentiment and investment intentions include price development of milk and pork prices within the previous months and harvest results which are slightly above last year's result. Although the milk price has slightly recovered in the past months, it is still at a low level compared to previous years. The negative drivers include the fact that most grain prices have decreased within the past six months and only stabilised at a low level.

In the cattle and dairy sector, the favourable prices have made a significant contribution to the improved situation for Polish farmers, as have the mildly positive price developments for milk. Selling prices, as well as policy and financing conditions are judged as more positive than in spring 2016. Milk and pork prices and the accessibility of subsidies are rated better this quarter. In particular, pork prices show a significant improvement, although cereals declined.

Livestock farmers expect an improvement of the future economic situation, whereas field crop farmers continue to be doubtful. After a downturn in spring, livestock farms base their hope on the improved prices for their products.

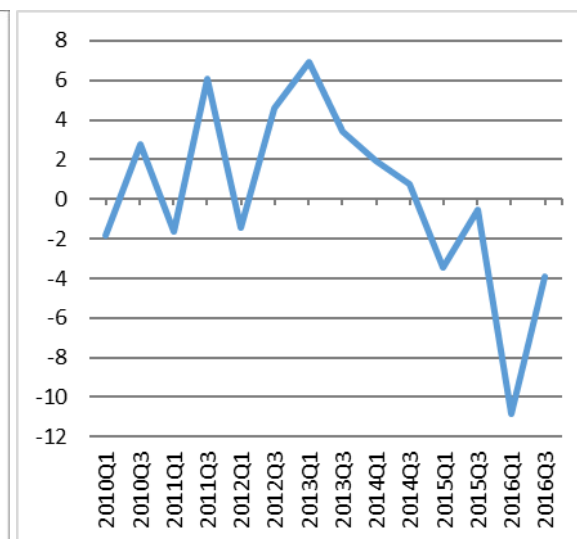


## Chart 8 – Poland

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

## Romania

The sentiment of Romanian farmers has recovered from its decline since March 2015. Romanian farmers evaluate the current and future economic situation better than in March. In particular, their evaluation of the current situation has steadily gotten better since its sharp decline in September 2015. However, the future expectations do not reach the level of September 2015.

More than half of Romanian farmers (400 respondents) are optimistic about the future economic situation of their farm. Those who are pessimistic are especially concerned about the price developments for cereals and oilseeds.

In line with the more favourable economic situation, more Romanian farmers plan to invest in agricultural machinery compared to the previous year's period. Farmers have more interest in tractors, combine harvesters and crop cultivation machinery.

Positive drivers of farmers' sentiment and investment intentions are the harvest in 2016, which exceeded the 2015 result. Oilseed production has increased by nearly 15%, which is mainly driven by the very good yield for oilseed rape and soybeans. The wheat harvest 2016 has recovered as well by nearly 7%. Romanian farmers have rated input costs as well as the availability of credit and subsidies as more favourable than in March 2016.

On the other hand, livestock farms still suffer from low milk, beef and pork prices. The decrease in most cash crop prices also had a negative effect on most farmers' income situations.

Business indicators, such as the agricultural business climate, harvest yield input costs or investment intentions for agricultural machinery having an influence on farmers' sentiment and investment intentions.

Meanwhile, farmers from other farm types consider the situation to be better than in spring. Farmers consider selling prices and policy/financing conditions to be slightly better than in spring 2016. The harvest result of 2016 is seen as slightly worse than expected. The prices at which oilseed rape and sunflowers are sold are judged as better than in spring. However, the prices of the main commodities are rated as slightly worse. The accessibility of credit and subsidies are rated better.

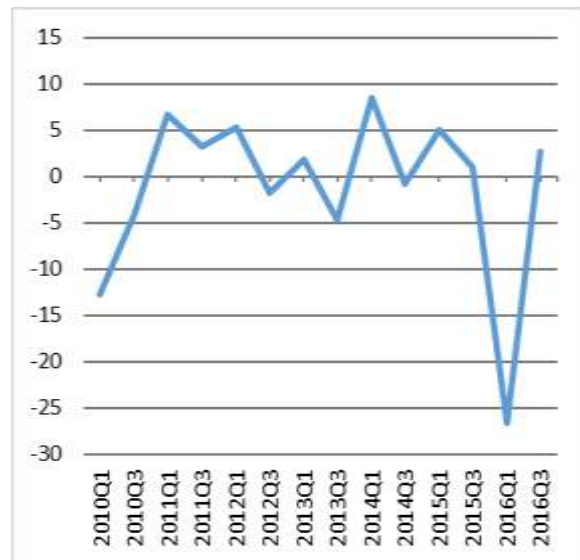


## Chart 9 – Romania

Economic situation of the farm



National confidence index



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## Sweden

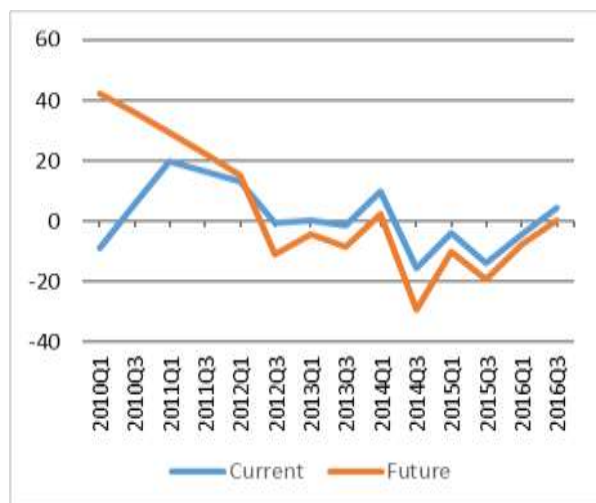
The level of satisfaction among Swedish farmers has increased over the past six months, but it differs between the sectors. The level of optimism is slightly higher compared to the previous year. Compared to autumn of 2015, Swedish farmers rate their selling prices, harvest yields and input costs as slightly better.

The greatest difference is between pork and milk producers. Of the 500 farmers surveyed, 35% say that profitability is quite good. The perception of profitability differs significantly between various branches of production. Pig farmers experienced better profitability, while dairy farmers were less profitable.

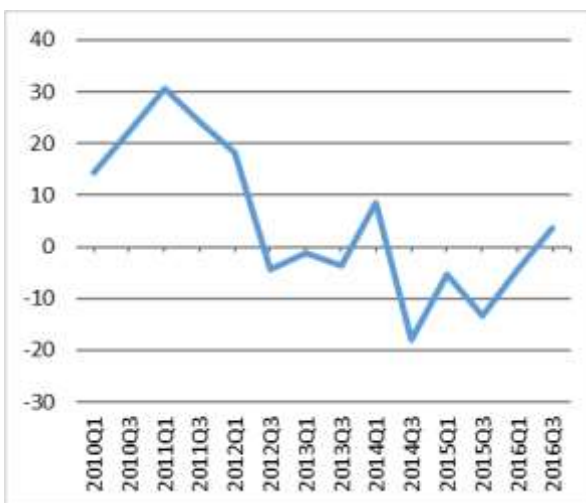
Apart the pork producers, beef producers were positive about the current situation. Farmers in all agricultural sectors believe they will enjoy similar or even improved profitability in autumn 2017. Milk producers have the largest projected increase in percentage points, but the level is still negative.

## Chart 10 – Sweden

Economic situation of the farm



National confidence index



Compiled by Copa-Cogeca using national data

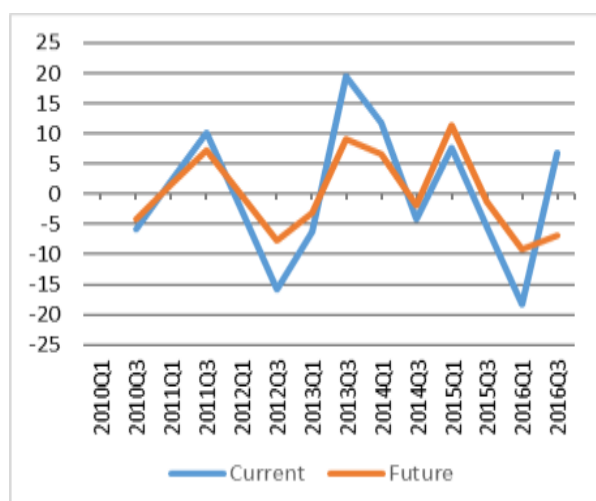
## United Kingdom

Compared to autumn 2015, farmers in England and Wales have rated their current situation as more positive (12 point increase) as commodity prices have increased significantly in the last four months driven by the depreciation of the pound against a basket of currencies. Mid-term confidence has decreased and it is now neutral. Given the uncertainty stemming from the EU Referendum vote on future trade arrangements between the UK and the EU, the size of the UK agricultural budget, access to foreign labour, and the £/€ exchange rate, mid-term confidence appears to have been dented.

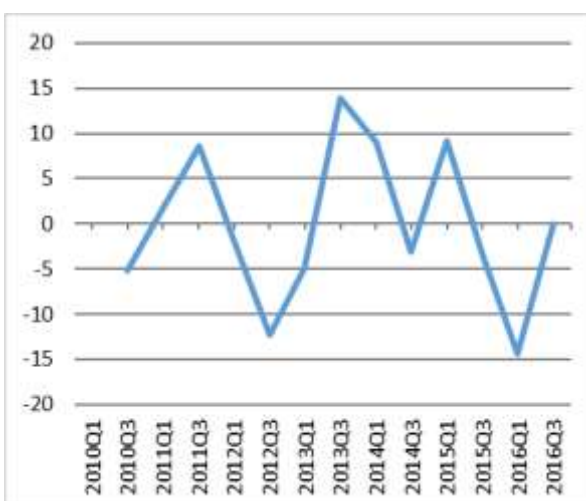
The farmers in England and Wales expected negative impacts on their businesses in the coming year relating to input prices.

## Chart 11 – United Kingdom

Economic situation of the farm

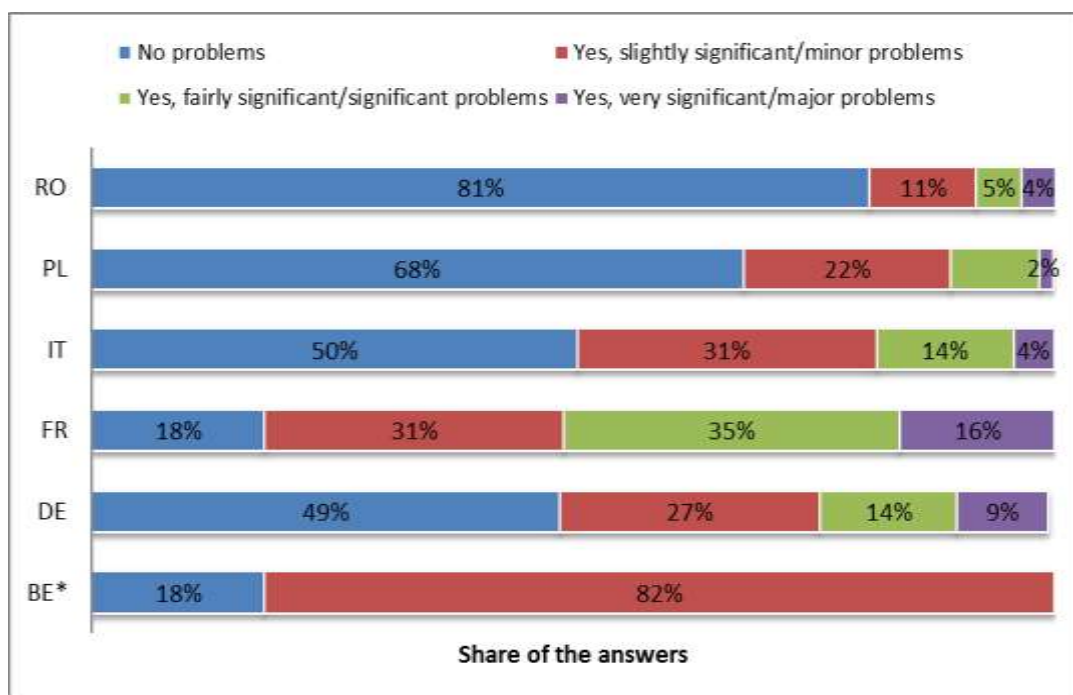


National confidence index



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?”**



**Chart 13 – Answers to the question “how would you rate the current liquidity of your farm on a scale from “1” to “5”, where 5 means not at all tight, and 1 means very tight”**



*Disclaimer*

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