

RESULTS OF THE MULTI-NATIONAL FARMERS' CONFIDENCE INDEX – 2017Q3

BAROMETER INDICATES NEGATIVE EXPECTATIONS IN THE FUTURE

I. OVERALL CHANGES IN CONFIDENCE

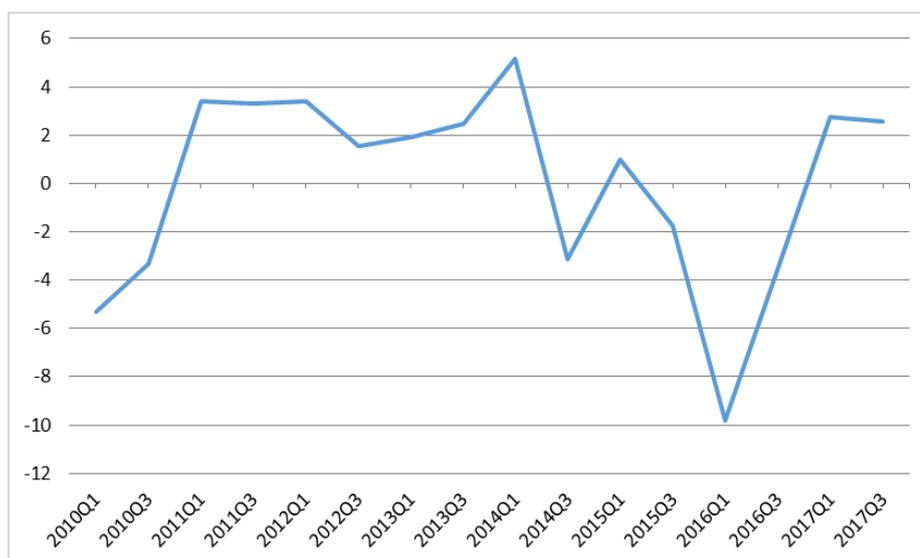
The confidence survey carried out in ten EU Member States¹ between September and November 2017 showed an outlook that remains almost unchanged in comparison to the 1st quarter of 2017. The sentiment among EU farmers reached the relatively positive level from spring 2017.

The barometer shows that farmers are more positive about their current economic situation but more negative about their future prospects. The findings also highlight significant variation between sectors. The sectors most concerned about 2017 are the arable and pigmeat sectors. In contrast, the dairy sector expressed positivity in 2017.

With regards to the overall farming outlook, the predictions and expected situation in the future are framed within a context of uncertainty regarding global agricultural market development. In addition, the Brexit negotiations may have a negative impact and influence key economic indicators, such as consumer demand, investment confidence, the exchange rate and, ultimately, producer prices. However, 2017 was marked by meteorological anomalies that negatively affected the value production in the primary sector.

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

Graph 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 methodology, please see the document ECON(11)576 (rev.6). Please note that Copa-Cogeca's methodology 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)

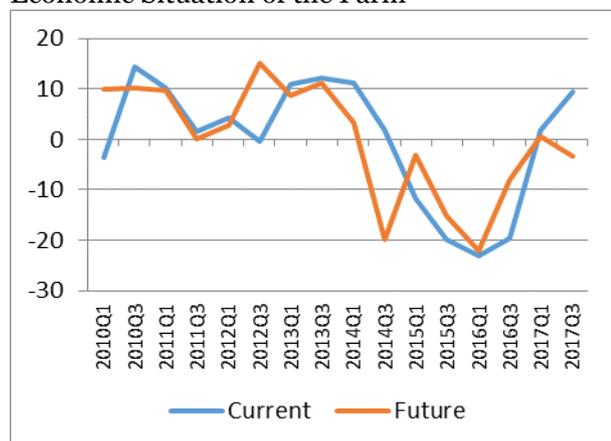
The mood among Flemish farmers and horticulturists remains almost the same in comparison to the previous survey. The business cycle index rose slightly and satisfaction has increased over the past six months albeit less significantly than before. However, optimism is set to decline over the next six months. The small increase is mainly due to the dairy sector. The pig, arable and ornamental crops under glass sectors have more or less the same position. For the fruit and vegetable sector, the frost and the spring drought were a disappointment.

Nearly 59% of Flemish arable farmers out of 527 indicated that sales prices have fallen over the past six months. Additionally, 42% foresee a further decline in the next six months. Despite the long-term spring drought, the production of a number of arable crops is still stable. After a temporary drop in the milk price, almost 34% of dairy farmers expect that the milk price will increase in the coming six months.

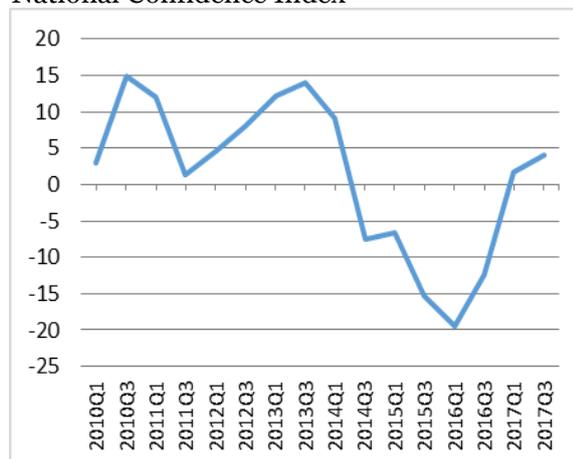
More farmers and horticulturists have encountered obstacles over the past six months. The number of those facing obstacles has risen from 60% to 69%. The main difficulties included weather conditions, financial problems, government restrictions, sales problems and the number of animal or plant diseases.

Graph 2 – Belgium (Flanders)

Economic Situation of the Farm



National Confidence Index



Compiled by Copa-Cogeca using national data

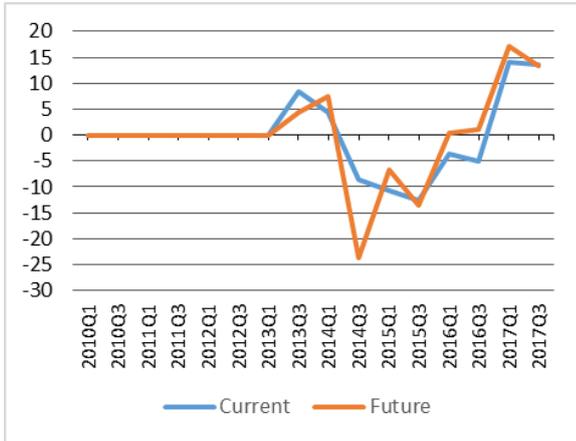
Denmark

The mood among the Danish farmers has darkened both for the current and expected economic situation. Despite the negative expectations, the Danish pig farmers are more optimistic about the future, with some even starting to invest again. In general, Danish farmers are under pressure from two angles: a merciless structural development and crumbling consumer confidence.

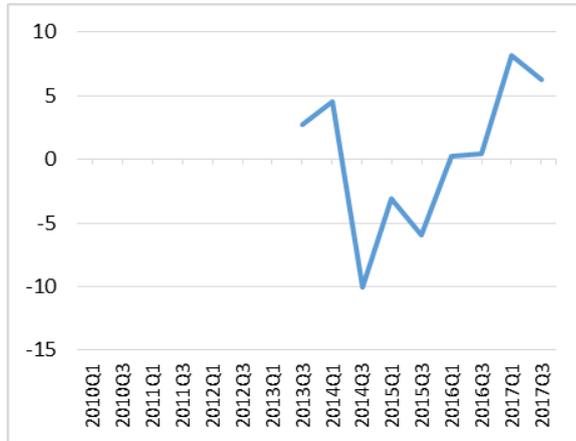
The main challenges were identified as late payments and the fall of prices of key agricultural products such as pork, butter and pigs. Milk and pig prices were high in 2017, therefore milk producers are expected to be on their way into a new recession as well.

Graph 3 – Denmark

Economic Situation of the Farm



National Confidence Index



Compiled by Copa-Cogeca using national data

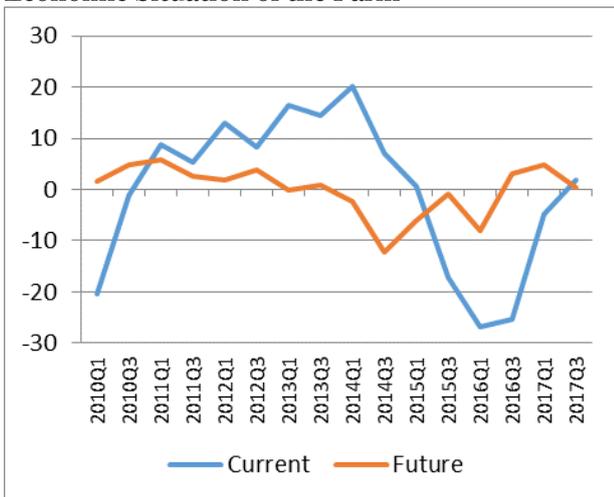
Germany

The current mood of German farmers remains relatively unchanged in comparison to the assessment of the previous six months. The current economic mood of arable and pig enterprises is deteriorating. Due to the development of milk prices, dairy farmers consider the current situation better than in the previous period. Nonetheless, farmers' expectations regarding the future economic situation have worsened. The number of pessimists has increased.

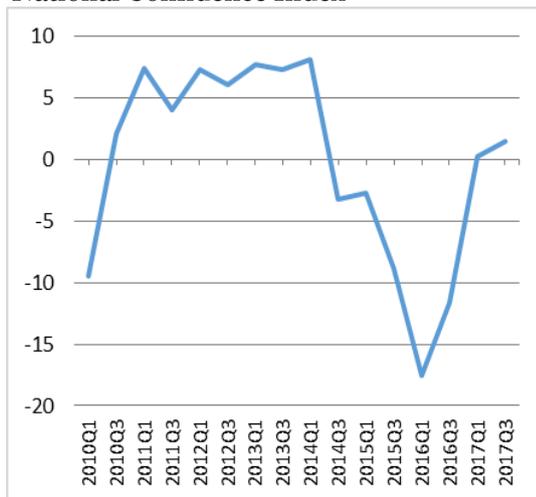
The willingness of farmers to invest is increasing again. There is a greater interest in machinery and equipment as well as farm buildings. The investment volume planned for the next six months has increased significantly.

Graph 4 – Germany

Economic Situation of the Farm



National Confidence Index



Compiled by Copa-Cogeca using national data

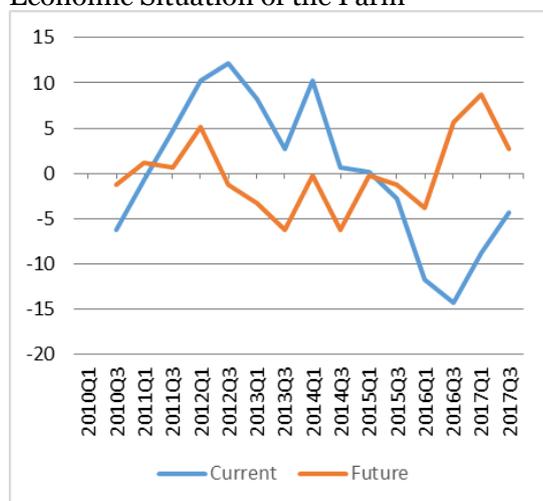
France

The current economic situation of French farmers still remains in the minuses, in particular due to the difficult market situation and falling prices. Nearly 80% of French farmers expressed that they are facing difficulties in their activity. The decrease in prices of agricultural products, utility costs, health and environmental regulations, weather conditions and foreign competition were identified as the main difficulties.

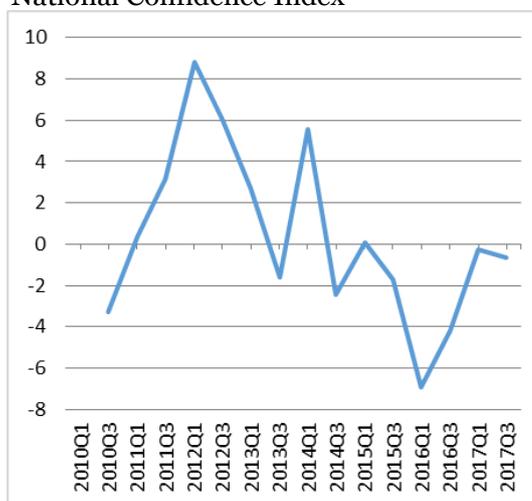
The expected situation of French farmers in the future has significantly deteriorated. The decrease might be due to substantial developments in the free trade agreements between Europe and, in particular, the Mercosur countries. Another element that might change the situation for farmers from the first half of 2018 is the mid-term revision of the CAP. Furthermore, the main sectors concerned in the future are beef, milk and sugar. There is also the issue of the continuation of relatively low prices for cereals. Generally, almost in all types of production, farmers are being squeezed when it comes to prices. Harmful weather and diseases (for animals and for plants) feature among the issues that most concern farmers.

Graph 5 – France

Economic Situation of the Farm



National Confidence Index



Compiled by Copa-Cogeca using national data

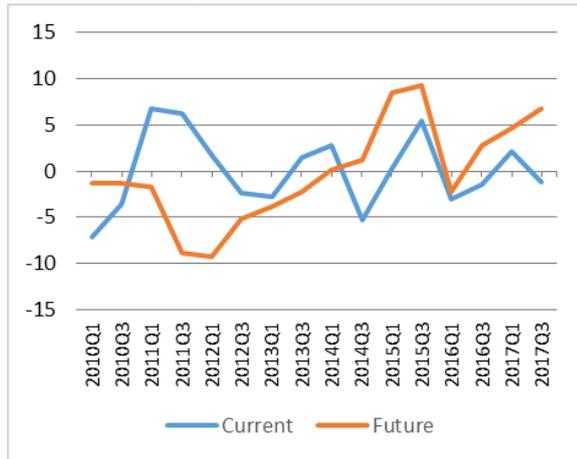
Italy

The third quarter confidence index has slightly decreased in comparison to the previous six months. In addition, the agricultural entrepreneurial fabric is showing signs of dynamism: the number of agricultural enterprises is stable and the number of start-up companies continues to rise. Nonetheless, the third quarter of 2017 was influenced by the general annual trend. The main difficulties encountered during the period were the weather conditions which influenced the vegetative development of crops. In some cases, this led to the concentration of supply in shorter periods due to the prolonged heat and in others to a drop in the harvest due to drought or winter and spring frost. Besides, the domestic prices at the origin of agricultural products have increased. Domestic demand for dairy products confirms the slowdown. There are, however, contrasting and extremely dynamic sub-sectors, for example, low-fat yogurt and fresh cheeses. 2017 pig production is characterized by a negative trend compared to the previous quarter. The slowdown in production is also due to the decline in Chinese pork demand, which caused the reduced imports in 2017.

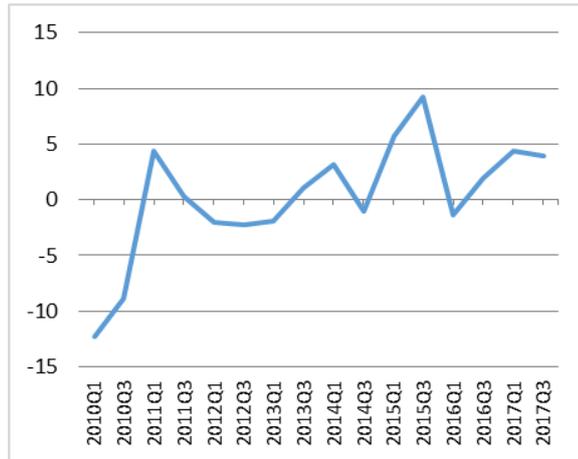
The expected economic situation is foreseen by the Italian farmers to be more favourable than the previous six months. The recovery of the domestic market was helped by a further increase in exports. After the lows recorded last year, the price of milk has progressively increased compared to a year ago. The red meat market is showing signs of recovery: the profitability margin for livestock farmers is improving thanks to the gradually rising farm prices and the lower increase rate of livestock costs.

Graph 6 – Italy

Economic Situation of the Farm



National Confidence Index



Compiled by Copa-Cogeca using national data

The Netherlands

The national confidence index has dropped slightly in the third quarter of 2017. However, the difference is minimal and arable farmers, open ground growers and pig farmers are less positive. Dairy farmers and greenhouse growers are slightly more optimistic. Despite the slight decline in the confidence in agriculture and horticulture, entrepreneurs continue to have relatively high levels of confidence in their own businesses.

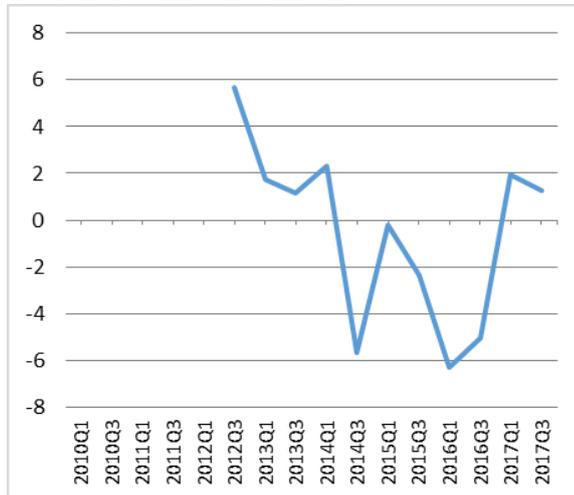
The future expectations of Dutch farmers are less positive. The decrease was mainly due to lower expectations of the dairy and pig farming business situation. In poultry farming, it is expected that in two or three years the situation will significantly improve.

Graph 7 – The Netherlands

Economic Situation of the Farm



National Confidence Index



Compiled by Copa-Cogeca using national data

Poland

The mood among Polish farmers has further improved and reached a new peak since 2009. Polish farmers have rated the current economic situation as slightly better in comparison to spring 2017. One in three farmers rate the current economic situation as at least favourable. Furthermore, the assessment of the future economic situation has clearly improved.

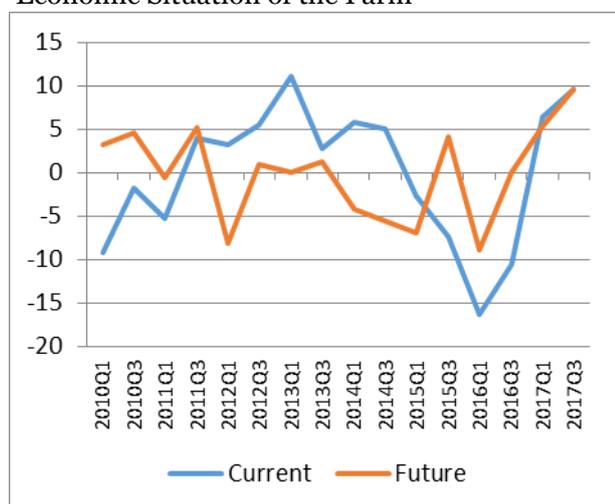
Investment intentions for tractors have increased compared to the same period in the previous year. More Polish farmers are interested in purchasing new tractors. Besides tractors, Polish farmers plan to invest more frequently in a combine harvester. There is a slightly higher level of interest in investments in new combine harvesters compared to the same period last year. Furthermore, the demand for used tractors and combine harvesters is still high.

The main positive drivers regarding sentiment and investment intentions include price development for livestock products, particularly for milk and pork compared to spring 2017 and 2016. Harvest results are slightly above last year's result. The cereal harvest has increased due to a higher yield and an increase of planted areas.

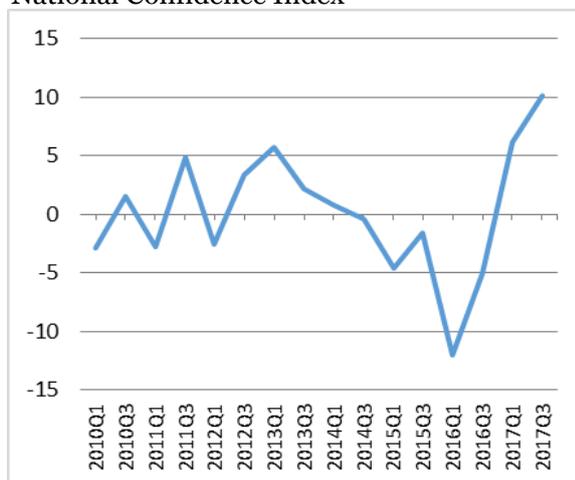
Wheat prices, wheat quality, which is lower compared to the previous year, and African Swine Fever, which is still a problem for Polish pig farmers, were rated as the main negative drivers for sentiment and investment intentions.

Graph 8 – Poland

Economic Situation of the Farm



National Confidence Index



Compiled by Copa-Cogeca using national data

Romania

The mood among Romanian farmers continued to lighten for the fourth consecutive period and reached a new peak since the beginning of the survey. Most notably, farmers evaluate the future economic situation as better compared to spring 2017 and autumn 2016. The rating of the current economic situation has improved slightly.

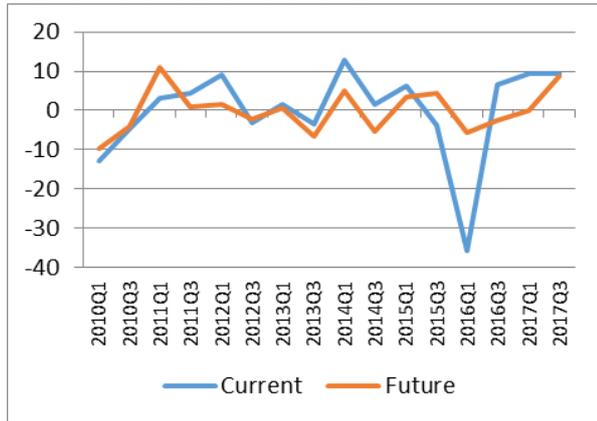
Investment intentions in new tractors have decreased slightly compared to the high levels seen in the previous two years. However, demand for new combine harvesters is still high. All in all, compared to the previous combine harvester sales season (2016/2017) the market will remain stable. In the first half of the season, more farmers plan to invest. However, in the second half demand is going to decrease.

The main positive drivers of farmers' sentiment and investment intentions are wheat prices, rapeseed production, maize production and livestock farms which still benefit from increasing milk, beef and pork prices.

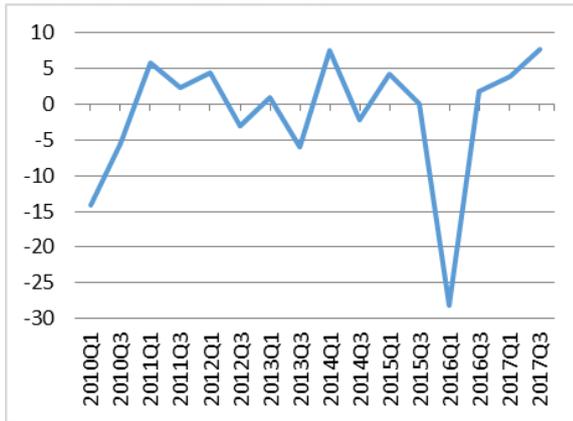
Wheat and barley production from the 2017 harvest, which decreased compared to the previous year, was one of the negative drivers behind farmers' sentiment and investment intentions. However, last year's harvest was a new record high. This year's harvest is still above the average for the past five years.

Graph 9 – Romania

Economic Situation of the Farm



National Confidence Index



Compiled by Copa-Cogeca using national data

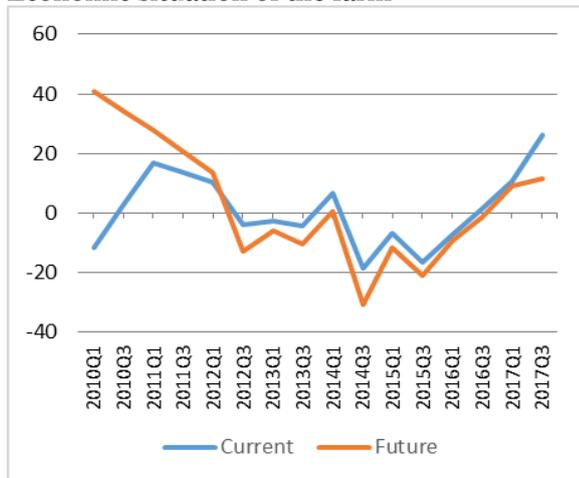
Sweden

The agriculture barometer in Sweden shows a positive profitability index. However, the index differs greatly from one production branch to another. The biggest difference is between pigmeat producers and crop production. Out of 500 respondents, 55% perceive that profitability is quite good or very good.

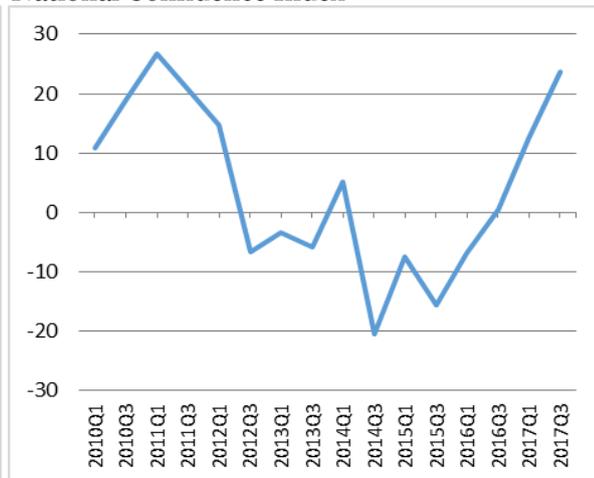
Farmers are also positive about good future expectations. Among the farmers, a total of 53% believe that profitability in a year will be very good or quite good. There is greater belief in the future compared to a year ago and this appears to be stable based on today's profitability index. The perception of profitability varies significantly depending on the different production branches. Pigmeat producers experience the best profitability, while the profitability index of crop producers declined. In addition to pigmeat producers, beef and milk producers are also in a positive mood. The profitability index has also improved for milk producers. All branches, except pigmeat producers, believe in a similar or improved profitability for the next year 2018. The Swedish autumn agricultural barometer has included a question that has not been included since 2011. Farmers evaluated the extent to which they felt that consumers have confidence in farmers as producers. 77% farmers feel that consumers have confidence in farmers as producers.

Graph 10 – Sweden

Economic situation of the farm



National Confidence Index



Compiled by Copa-Cogeca using national data

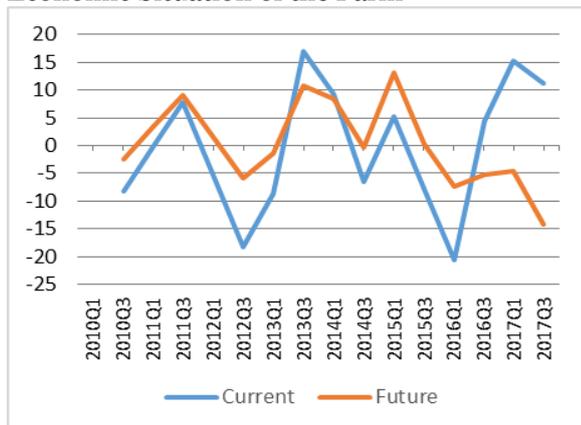
United Kingdom

Short-term confidence among farmers in the United Kingdom has been the result of the falling pound, which pushes up commodity prices and export levels. With regards to the future economic situation, this is foreseen to be dented by increasing uncertainty following the UK’s decision to leave the EU and prospects of higher operating and producing costs.

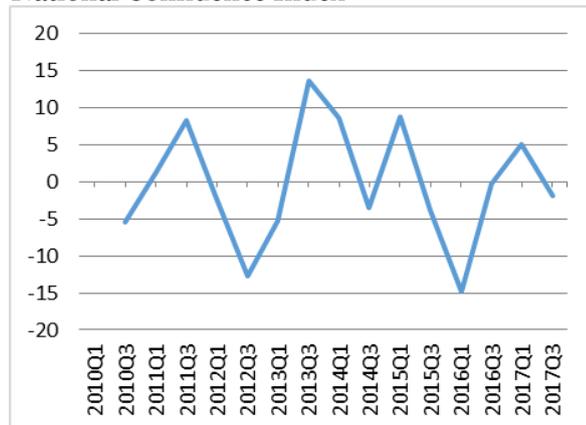
Most farmers expect input prices to weigh down 2018 industry. All sectors are intending to increase investment in diversification, skills and training and energy efficiency. Perceived bank support for future borrowing is at its lowest level since 2013. The majority of farmers fear that the input prices will have the greatest negative effect. A weaker pound has provided farmers with improved prices for their produce, but feed, fuel and fertiliser costs have also been subject to increases.

Graph 11 – United Kingdom

Economic Situation of the Farm

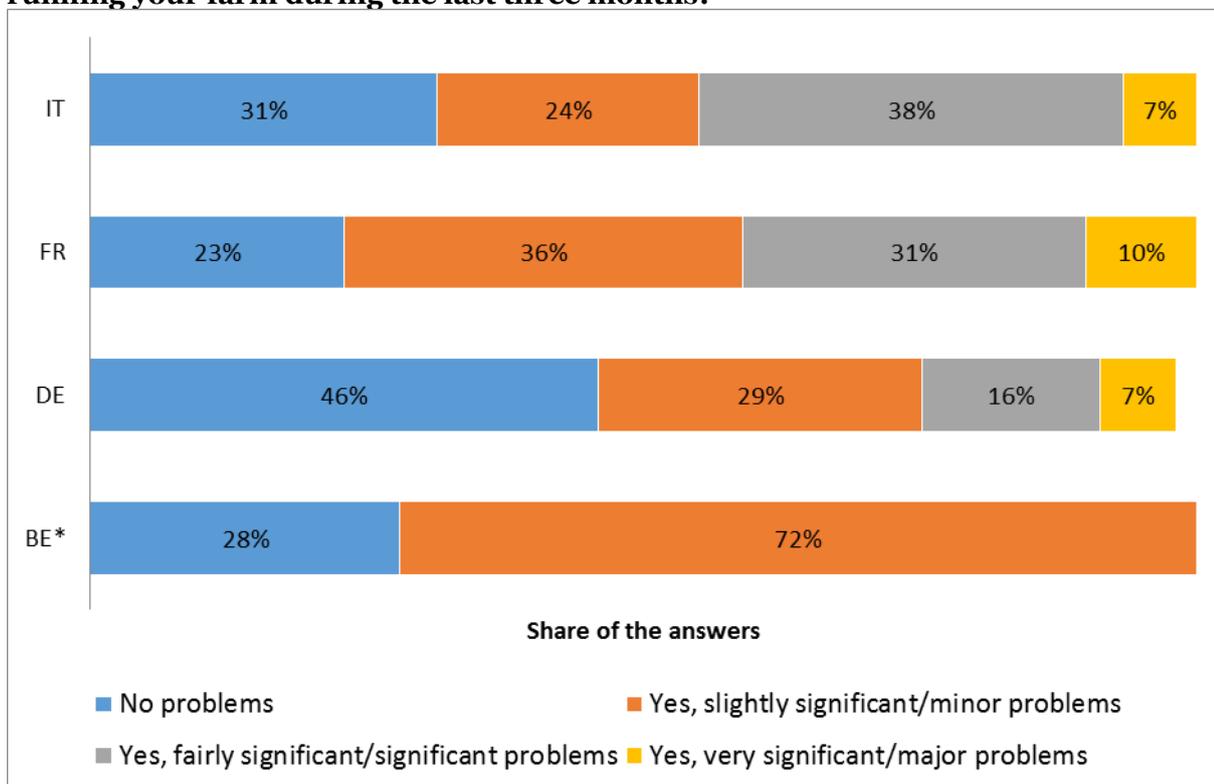


National Confidence Index



Compiled by Copa-Cogeca using national data

Graph 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 Flemish government's Department of Agriculture and Fisheries, 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 us to use. However, Copa-Cogeca alone is responsible for processing the data, as presented above.
