

## Significant Potential to boost Global Crop Production Therefore Bullish Markets are not a Given

Will the global agricultural system be able to respond to increasing demand for raw material in the mid-term? This question was one of the key topics of this year's *agri benchmark* Cash Crop Conference. From June 9<sup>th</sup> to June 15<sup>th</sup> the network of leading farm economists, which is coordinated by Thünen Institute and DLG (Deutsche Landwirtschafts-Gesellschaft), held its annual meeting in Pilanesberg, South Africa. Invited by the South African partner organizations BFAP (Bureau for Food and Agricultural Policy) and NAMC (National Agricultural Marketing Council), 38 experts from 23 different countries came together to discuss recent developments and perspectives in global crop production.

Selected case studies from Argentina, Poland, Ukraine, Morocco, USA, Australia and Bulgaria yielded the clear message that technically and economically speaking, there is a huge potential to boost output. For example Pawel Boczar (University Poznan, Poland) indicated that average Polish wheat yields are 4t/ha while well managed farms are able to harvest between 6 t/ha or 50 % more. Such an increase however requires improvements in plant nutrition, seed quality and plant protection.

Furthermore, the example of Argentina illustrates that the hurdles for an expansion in land use are not paramount. Only modest investments in development are needed in order to expand arable production significantly. The *agri benchmark* partner Martin Otero (Hillock) made clear that, even under stringent regulations regarding clearing until 2020, an expansion of arable land by 20 to 40 % is a realistic scenario. Consequently, provided there were stable grain markets for Argentine farmers, an increase in oilseed production by up to 25 % and in grain production by 75 % would be realistic.

Recently, high commodity prices and significant improvements in profitability of crop production have generated a strong incentive to expand production. This may change the ag commodity market from a seller's to a buyer's market again. Scenario calculations for *agri benchmark* farms indicate that the long term floor price for wheat might at least be 30 % or

50 USD/t less than what is being realized nowadays. Yelto Zimmer (Thünen Institute, Germany) therefore concluded that a lasting period of much lower commodity prices is possible (if not even likely) – despite the bullish projections of international agencies.

BFAP and NAMC also invited about 80 representatives from industry, growers and policy makers to the 'Global Forum'. One of the key topics was the comparison between the US and South African corn production analyzed by Divan van der Westhuizen (BFAP, South Africa) and Kelvin Leibold (Iowa State University, USA). One key finding: Due to high nitrogen prices and low nitrogen productivity, South African irrigated corn production is relatively expensive. One of the probable reasons: As of today the typical farms do not run a corn-soybean rotation; hence no nitrogen residue remains from a leguminous crop.

At the Global Forum Somporn Isvilanonda (KNIT, Thailand) and Luan Nguyen (Vietnam) identified success factors for the small holder based rice production – both countries are by far the most important players in the global rice market. Reliable property rights on land, access to credit and advice as well as a proper physical and economic infrastructure turned out to be the decisive factors for success. Presentations from the Global Forum can be downloaded from [www.agribenchmark.org/ccc2012.html](http://www.agribenchmark.org/ccc2012.html).

**Contact:**

Dr. Yelto Zimmer

Thünen Institute of Farm Economics

Braunschweig (Germany)

Phone: +49 531 590-5155

E-mail: [yelto.zimmer@vti.bund.de](mailto:yelto.zimmer@vti.bund.de)