

Economic pressure on global grain producers continues – Thai small holder based crop production very dynamic and competitive

Lower commodity prices put pressure on crop producers globally in 2015 – but currency devaluations against the US Dollar softened the blow for producers in some parts of the world. This was one of the key findings from this year’s annual *agri benchmark* Cash Crop Conference in Bangkok, Thailand, which was jointly organized by the Knowledge Network Institute of Thailand (KNIT), the Thailand Research Fund, Kasetsart University and the *agri benchmark* Center at Thünen Institute in Germany.

In the course of the conference more than 50 international experts in crop production economics discussed the 2015 *agri benchmark* results and the perspectives in crop production. We share a sampling of other findings and discussions here.

Many typical *agri benchmark* farms were **struggling to cover total costs in 2015**; this was true for farms in the United States and in Argentina, Uruguay and South Africa, in particular. As in 2014, the overall downturn in global commodity prices in 2015 was softened by currency devaluations which made life easier for EU, Russian, Ukrainian and Brazilian producers in particular. Farms in Eastern Europe also benefited significantly from very low Black Sea nitrogen prices and many of the typical farms in other areas also saw lower fertilizer prices help their bottom line.

Despite the overall tighter economic situation, *agri benchmark* data clearly indicate that in almost all cases, there was **still a strong positive cash flow**, which means that leaving land idle is not a reasonable option in general. On the other hand, this situation can explain the reluctance of growers to make capital investments such as purchasing machinery.

While **corn economics were often tight**, soybeans and other oil and protein crops performed rather well. However, because most producers continue to follow current rotation pattern, this finding most likely will not lead to an increase in soybean planting area at the expense of corn. When looking at the United States, Kelvin Leibold, from Iowa State University, states: “The total area planted to continuous corn is rather limited, so a strong shift to more corn/soybean rotations is not expected. Higher gross revenue and crop insurance will encourage the continuous corn producers to stick with corn.”

Even though yields were very low, **profitability of Russian and Ukrainian soybean** production was rather **high**, suggesting, these two countries may become more **important players in soybeans** in the future.

Regarding **EU crop production**, *agri benchmark* analysis suggests that so-called **greening** (obligations regarding crop diversity and catch crops in return for direct payments) had a **limited economic effect** – if any - on typical farms in France, Poland and Germany. Cost increases were usually below 20 USD/ha.

Furthermore, thus far, cost increases and foregone yields caused by the EU ban of neonicotinoides (insecticide seed treatment) have not been that high when looking at rapeseed in the UK, Germany and Denmark. However, because growers only have one alternative spraying option, the risk of a further spread in resistance is very troublesome. With regard to inconsistent management of the ban in the EU Thomas de Witte from *agri benchmark* Center commented: “What amazed us most was the fact that member states can and actually did lift the EU ban completely or partially. This of course does create a rather uneven playing field and it makes people wonder about the science behind the ban.”

During the field trips in **Thailand** it became rather clear that small holder production per se is by no means a hurdle for rather profitable and dynamic crop production. On the contrary, **Thai rice, sugar and cassava producers** based on well-organized value chains managed to become **market leaders in global trade**. In sugar cane, local machinery producers have been able to design size-adjusted and cost effective machinery for producers with 10 to 30 ha. In cassava, trials for the mechanization of harvest are under way. According to Somporn Isvilanonda from the KNIT, one of the co-hosts of this year’s *agri benchmark* conference: “Thai agriculture is subject to rather strong competition in the domestic labor markets so the mechanization of very labor intensive operations is critical to our producers.”

Unless **rice producers in Africa** manage to significantly increase yields and to lower operating costs – which are mainly driven by hired labor and contractor services – it will become very hard to outcompete imports from Asia. Natson Amengor, from the Ghanaian Crops Research Institute, states, “when looking at Asian rice production systems I sense we need to carefully consider the current ways growers use inputs and labor in my country.”

Kenyan agri benchmark small holder corn production operates at yields of 2 tonnes per hectare. However, Kevin Onyango, from Kenya’s Tegemeo Institute of Agricultural Policy and Development, points out: “Our large-farm data set demonstrates that it is **possible to produce 7 or 8 tonnes per hectare**. This clearly indicates significant room for improvement for our small holder systems. Contrary to widespread common belief, domestic **farm gate prices** tend to be **significantly above world market prices** – this in principle creates a strong incentive for growers to increase yields.”

Selected **presentations** are **available** at the *agri benchmark* website under:
<http://www.agribenchmark.org/cash-crop/conferences-and-events/2016-thailand.html>

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