



## ***DLG-Trendmonitor<sup>©</sup> Europe***

*Fact Sheet – Autumn 2013*

### ***Readiness to invest remains largely stable***

- Expectations of business development show confidence in Germany and the United Kingdom
- High inclination to invest in Germany and Poland
- Innovations – focus on fertilizing machinery and equipment and on data management

## High inclination to invest in Germany + Poland; recovery in the United Kingdom

Farmers in Germany are confident as regards business development in the coming 12 months. Although business expectations have declined moderately by comparison with spring 2013, the expectations remain positive with a score of 2.6. The downward trend in the United Kingdom has stopped. For the first time since spring 2012 the farmers there are showing more confidence in business development. Farmers in France assess their business prospects as average with a score of 3.2 (unchanged by comparison with the spring survey), as do farmers in Poland (3.0 points, slight decline by comparison with the spring survey).

In Germany one in every two farmers (52% by comparison with 57% in spring) plans to invest in the coming 12 months. Readiness to invest is high in Poland too at 50% (by comparison with 55%). In the United Kingdom readiness to invest has increased by 6% compared with the spring survey to now 31%. The farmers in France are more reserved regarding investment plans – altogether 28% of the farmers surveyed aim to invest in the coming 12 months (-9% by comparison with the spring survey).

## Assessment of the business situation: stable in Germany, improving in the United Kingdom, cooling slightly in France and Poland

- Farmers in Germany are satisfied with the current economic situation, despite the slight decline by comparison with the spring survey. Farmers in the United Kingdom are more satisfied with their current business situation again following the difficult harvest conditions in 2012. The farmers surveyed in France and Poland assess the current business situation with slight reservations (Fig. 1).
- The assessments reflect the fallen prices for grain and oilseeds, but these will probably not show completely in the annual results yet as a result of the contracts that had already been concluded for marketing the 2013 harvest. This year farmers in the United Kingdom were able to harvest under better conditions than in 2012, resulting in an improvement of their current economic situation. In France and Poland the position of animal farmers in particular remains strained. The current business situation is assessed more reservedly than in the spring survey with a score of 3.0 (2.8).

Fig. 1: Assessment of the current business situation

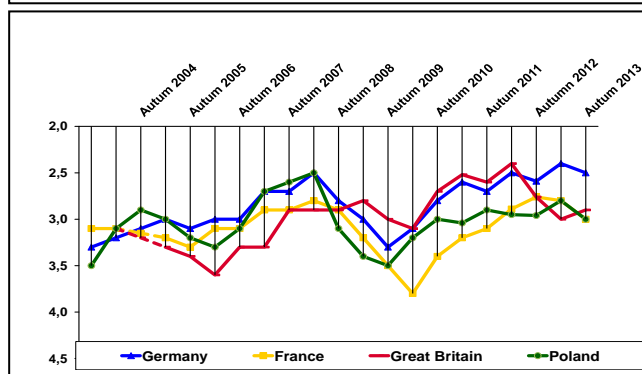
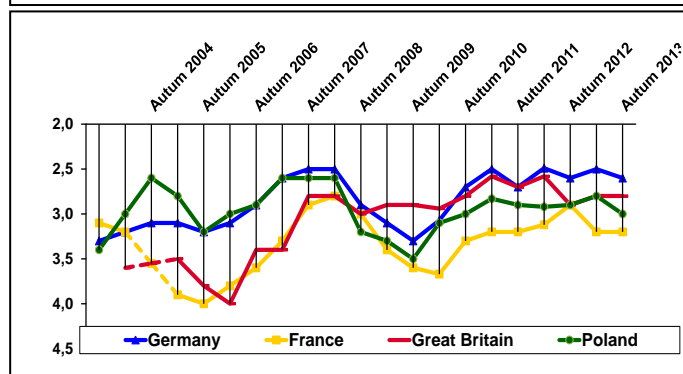


Fig. 2: Expectations of business development



- Germany:** Thanks to falling fertilizer prices, the price-cost ratio in arable farming is favourable despite a drop in producer prices. Notwithstanding this, the lower prices for grain and oilseed due to the record grain harvest lead to more modest assessments of the current business situation. The lower product price level directs attention to the production cost structure. Pig farmers assess the current situation more positively than they did in spring 2013. Up to the time of the survey pig prices were stable and feed costs had dropped as a result of the record grain harvest. Prices on the milk market

remain stable at a high level. Following the price declines in 2012, the economic situation has improved significantly as a result of the demand surplus on the global milk market. Despite this, the dairy farmers do not assess the current business situation any better than in spring 2013.

### Expectations of business development: confidence in Germany, recovery in the United Kingdom, slight reservations in France and Poland

- The farmers in Germany are confident regarding business development in the coming 12 months. Business expectations in the United Kingdom have improved. Farmers in France and Poland have average expectations of business development (Fig. 2).
- In **Germany** both the market crop producers and the pig and dairy farmers are altogether confident regarding business development in the coming 12 months. As a result of the sustained positive levels of product prices for milk and meat, coupled with declining feed prices, the business expectations of the animal farmers remain stable. The market crop producers are somewhat more reserved as a result of the fall in prices than they were at the spring survey 2013. Although the prices for fertilizers are developing favourably on the cost side, and as a result of pre-contracts for marketing the 2013 harvest, the lower price level is not expected to be reflected completely in the financial results. However, it is to be expected that the lower price level for grain and oilseeds will be sustained and consequently lower turnover is to be expected. This leads to a moderate drop in business expectations, but these expectations remain at a positive level.

Fig.3: Readiness to invest 2013

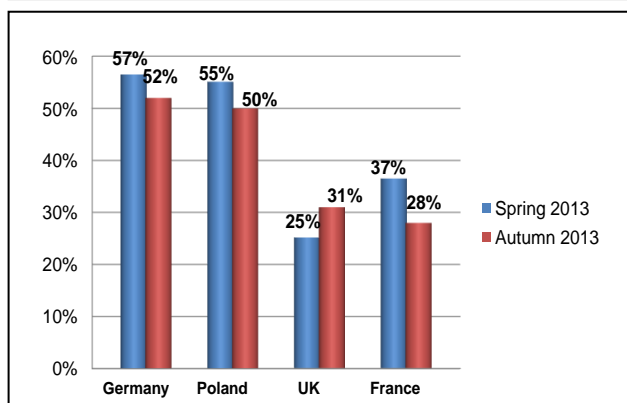
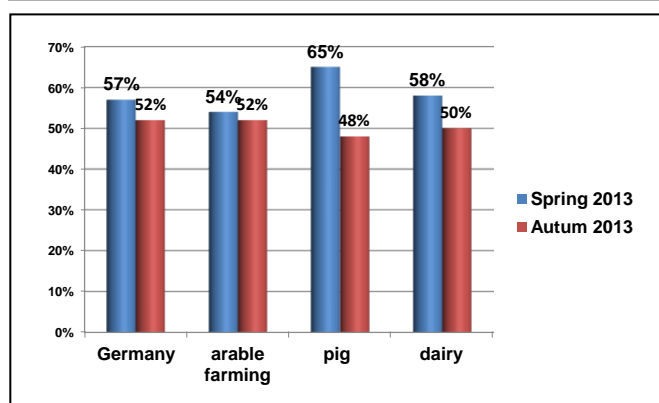


Fig. 4: Readiness to invest broken down by production segment (D)



- As the harvest conditions in the **United Kingdom** normalized in 2013, farm managers are looking more confidently at the coming 12 months. On the one hand the earning situation is improving for the market crop producers, and on the other hand the need to buy in more feed is dropping for animal farmers. Farmers in **France** do not expect any changes in business development. Although market crop producers expect continued brisk export business, the terms will be poorer than in the first half of 2013. Animal farmers are still being confronted with structural problems that lead to demands for government investment programmes. Although agricultural exports from **Poland** developed very well in 2012, with rising pig supplies on the international markets it is unlikely that this trend will continue. Falling prices for grain and oilseeds will have a direct effect on liquidity in view of the lower level of direct payments and this will limit expectations of business development in the coming months.

## Stable investment tendency in Germany and Poland, increase in the United Kingdom, decline in France

- The **investment tendency in Germany** is declining slightly, but remains at a high level – 52% of the farmers surveyed plan to invest. This represents a drop of 5% by comparison with spring 2013 (Fig. 3). The investment tendency of market crop producers remains stable. According to the survey 52% of the market crop producers plan to invest (by comparison with 54% in spring 2013). In the animal husbandry sector the readiness to invest is declining – 48% of pig farmers (compared with 65%) and 50% of dairy farmers (compared with 58%) plan to invest in the coming 12 months. The readiness of pig farmers to invest is declining for the first time since the strong increase in autumn 2011. Pig farmers have invested strongly during the last 24 months in order to make use of the current approval conditions. For dairy farmers the focus is on preparations for the time after the milk quota.
- In the **United Kingdom** readiness to invest has increased by 6% by comparison with the spring survey. Following the steep decline in 2012 as a consequence of the disastrous harvesting and sowing conditions, the negative trend has stopped as a result of these conditions normalizing again.
- The farm managers surveyed in **Poland** still show an above-average readiness to invest – 55% aim to translate their investment plans into practice in the coming 12 months. In particular investments in expansion will be made, and farmers will catch up on deferred investments. This leads to the moderate decline in business expectations not being reflected in full in the investment activity of Polish farmers.

Fig. 5: Breakdown of investments between production areas

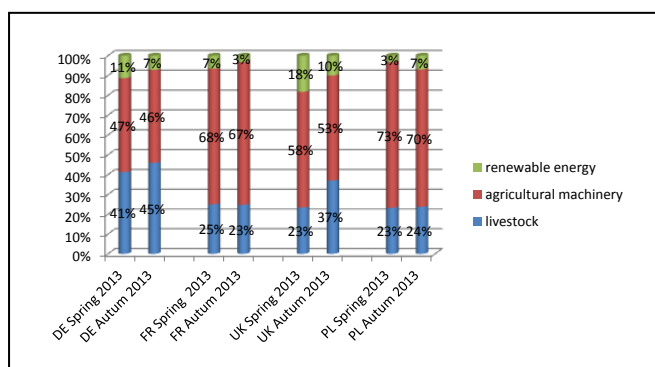
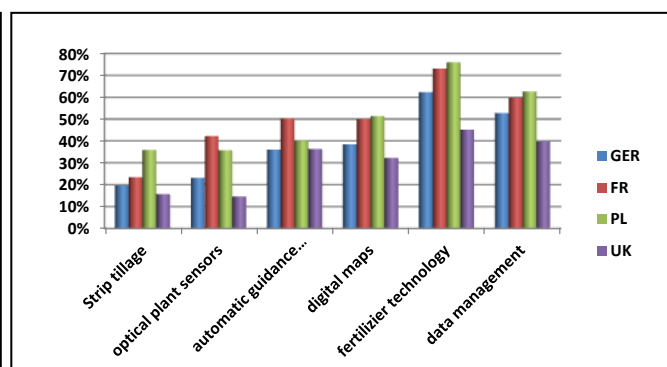


Fig. 6: Innovations in agricultural machinery and equipment as favoured by the farmers



- The situation in **France** is characterized by a decline in the tendency to invest. Whereas in spring 2013 as many as 37% of farmers planned to invest, in autumn 2013 the figure is now 28%. This indicates that the sustained upward trend in investment inclination in France since 2009 has now initially stopped. The reversal is based on a lower investment tendency among market crop producers and in particular pig farmers.
- In the **areas of investment**, field operations and animal husbandry are virtually on an equal footing in **Germany** (Fig. 5). Altogether 45% of planned investments target farmyard operations (+4% by comparison with the spring survey) and 46% target field operations (-1% by comparison with spring 2013). Investments in bioenergy are on the decline – 7% are planned for this segment (-4%). In bioenergy the focus of investment is on photovoltaics. In the **United Kingdom** animal husbandry accounts for a strong increase in investment, while in **France** and **Poland** the investment focus is on field operations.
- A focal area of investments in Germany, France and the United Kingdom consists of replacement investments. The farmers questioned in Poland are concentrating more on expanding existing

branches of business and catching up on deferred investments. All the farmers aim to boost production efficiency with their investments and to lower the costs of work performance as well as direct costs.

- Against this background the farmers consider innovations in machinery and equipment for precision fertilizer spreading and in data management for production planning and labour organization to be particularly important (Fig. 6). It is hoped that efficiency can be boosted by linking fertilizer technology and data management. Digitizing of production aims to make site information more strongly available for crop management so that fertilizer and crop protection agents can be adapted even more precisely to the yield capability of the sites.
- As regards safeguarding the farm in the coming 10 years, farmers in Germany and the United Kingdom are particularly interested in the question of securing the farm succession. A further significant area in the question of safeguarding farms for farmers in Germany is expansion of animal husbandry. Here farmers see opportunities for developing the farm, even in the face of the currently critical attitude in the public. Despite reservations in society, international demand for animal products is growing and the value chains for milk and meat indicate stable sales.

## **Conclusion**

Farmers in Germany and the United Kingdom are confident regarding business development in the coming 12 months, while farm managers in France and Poland are somewhat more reserved. The price-cost ratios in the field of feed grain in animal husbandry have developed favourably for animal farmers since the harvest. In arable farming, lower fertilizer prices are relieving the pressure on the cost side. However, price drops for grain and oilseed lead to lower sales turnover being expected in the coming months, which clouds business prospects a little. Although the readiness to invest is altogether declining since spring 2013, it remains at a high level, especially in Germany and Poland. The normalization of production conditions following the difficult harvesting and sowing conditions in the United Kingdom in 2012 has led to a rise in readiness to invest there. The discussion on modernizing agriculture in France is leading to currently less dynamic investment activity among the French farmers.

In particular innovations in machinery and equipment for fertilizer spreading and data management can support decisions on investment. Hopes for boosting efficiency in production are based on digitization. Precision site information is to be used more strongly in crop management so that farm inputs can be applied more selectively.

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