

DLG-Trendmonitor Europe

Fact Sheet – Spring 2011 Edition

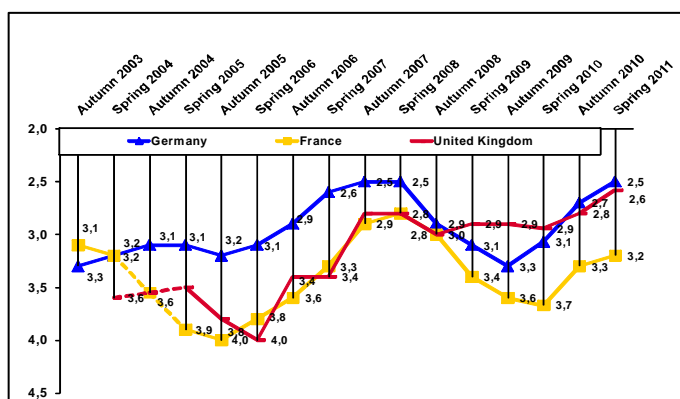
Europe's farmers display rising inclination to invest

Europe's farmers are expecting business to develop well in the coming 12 months. The upward trend in the mood of farmers in Germany, France, the United Kingdom, Poland, Hungary and the Czech Republic that started to rise in autumn 2009 was still climbing in the current survey conducted in spring 2011. The improved business prospects are reflected in a distinct increase in the inclination to invest. With the exception of farmers in the United Kingdom, willingness to invest has grown. In France, the United Kingdom, the Czech Republic and Hungary are especially planned in outdoor operations.

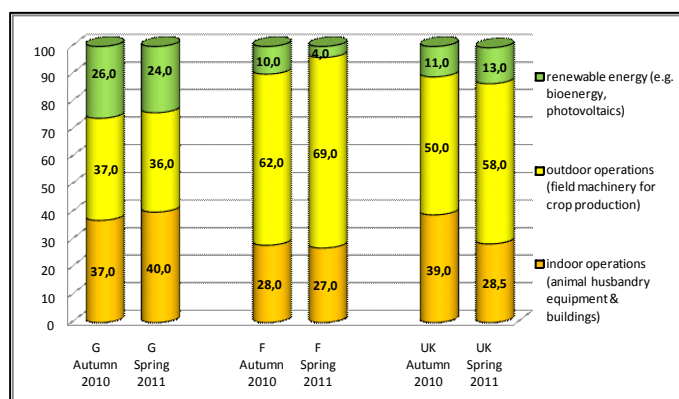
Results for Western Europe

- The global positive economic situation at the time of the survey had led to growing consumer demand for agricultural products. The bases for this are rising employment and thus rising incomes. The concurrent short supply of grain and oil-seeds leads to a firm price environment for the farmers.
- The profit situation for farms in Europe improved in 2010 by comparison with the previous year. The comfortable marketing situation in the period covered by the survey also relaxed the liquidity situation of the farms. Furthermore, interest is still at an attractive level in April, but in an environment of rising interest rates.

Graphic 1: Positive expectations of business development



Graphic 2: Split-up of investments in three main areas by German, French and British farm managers



- The current frameworks lead to improved expectations of business development in France and the United Kingdom (graphic 1). In France especially, the economic situation of cash crop producers has improved distinctly by comparison with 2009 and the beginning of 2010 thanks to strong wheat exports. Moreover the marketing environment remains favourable, as Russia will not appear on the markets as a grain exporter up to the end of the year. These framework conditions contribute to a rising inclination of French farmers to invest, with the emphasis on field operations (+ 7% compared with autumn 2010). Farmers in the United Kingdom are expanding their plans to invest in field operations by 8% compared with the figures of the autumn 2010 survey. The relatively unfavourable investment scenario for British pig farmers due to the pressure of costs caused by high feed costs and legislation in

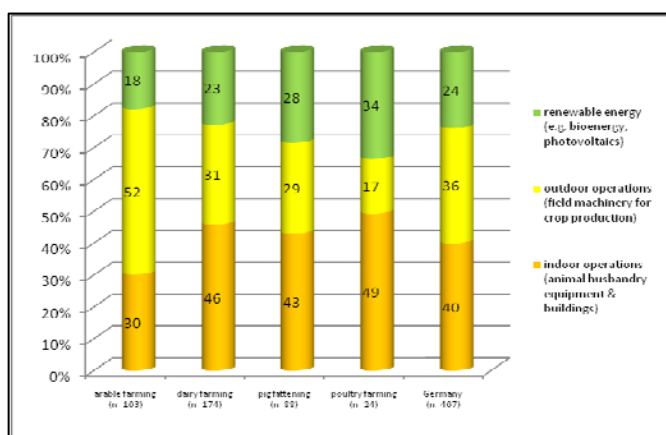
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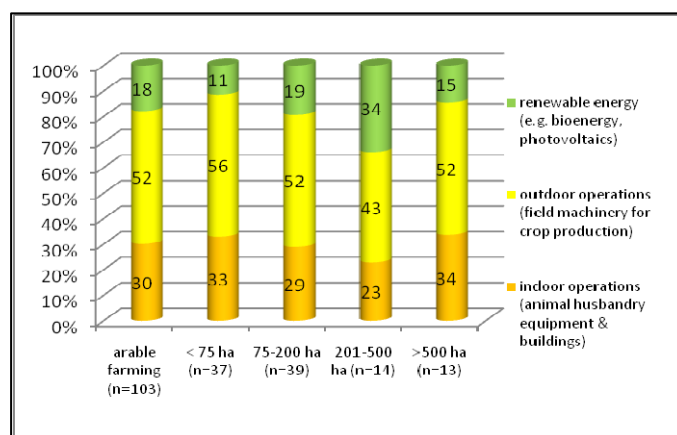
the area of animal and environmental protection leads to a 9% lower willingness to invest in animal husbandry.

- The investment environment in **Germany** is characterised by a rising interest level, but this is still moderate viewed over a five-year comparison. The overall positive investment environment resulting from the favourable marketing conditions and the interest level has led to a growing willingness to invest by comparison with the autumn 2010 survey in Germany too. Accordingly the share of farm managers ready to invest has increased by 6% to now 55%.
- Considering all lines of production, the focal area of investment in Germany has shifted slightly towards animal husbandry. 40% of the farm managers want to invest in equipment and buildings for animal husbandry. This represents an increase of 3% by comparison with autumn 2010. Outdoor operations as a focal area of investment remain stable (36% by comparison with 37% in the autumn survey), while the inclination to invest in the field of renewable energy has dropped by 2% (graphic 2).
- The promotion aid for bioenergy production granted up to the end of 2012 in the current Renewable Energy Act, the still dynamic development in meat production and the firm price situation on the grain and oil-seed markets are leading to pronounced investment projects.
- Graphic 3 shows the investment areas of German farmers broken down by production directions. Bioenergy plays a key role above all on pig producing and poultry keeping farms. These farms use the benefits of the current Renewable Energy Act to recycle manure in biogas production. By comparison with the autumn 2010 survey, however, the extent of investment in bioenergy among pig farmers has fallen by 10% and the scope of investment in outdoor operations has grown by 10%.

Graphic 3: Areas of investment broken down by line of production in Germany



Graphic 4: Key areas of investment in arable farming in Germany broken down by farm size categories



- The focal area of investment of **arable farmers in Germany** lies in outdoor operations at 52% (graphic 4). At the same time diversification through investments in animal husbandry (30%) and bioenergy (18%) plays a key role. The partial limitations placed on possible farm growth through leasing or buying of further land are being compensated by starting up new lines of business.

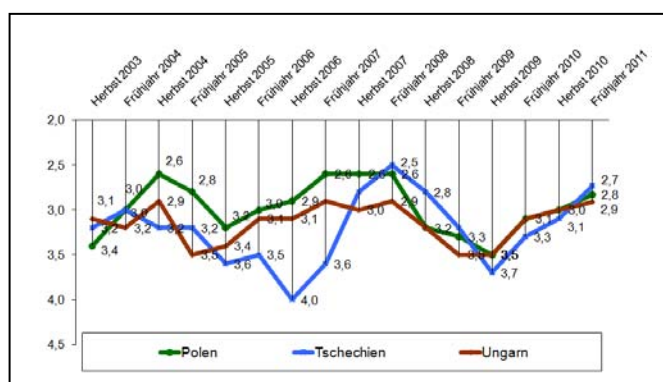
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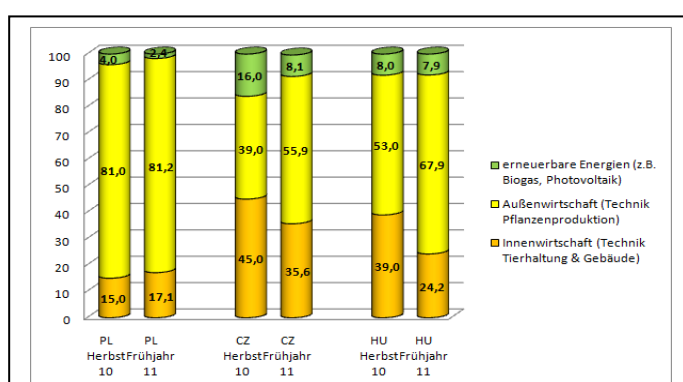
Results for Eastern Europe

- Following the difficult financial year 2009 in Poland, the Czech Republic and Hungary, profit development improved distinctly in 2010. The enhanced profit situation and the currently favourable marketing conditions are leading to a further improvement in business expectations of farm managers in Poland, the Czech Republic and Hungary (graphic 3). The buoyant trend has continued to rise for the third survey in succession and reflects the optimism of the farmers.
- These positive business expectations are giving rise to stronger investment plans. For example, Polish farmers are expanding their investment plans by 9% compared with the autumn 2010 survey to a level of now 57%. A distinct increase of 23% regarding the willingness to invest can also be noted among farmers in the Czech Republic where the level reaches 68% and Hungary with a level of 54% (an increase of 20%).

Graphic 3: Positive expectations of business development in Poland, Czech Republic, Hungary



Graphic 4: Split-up of investments in three main areas in Poland, the Czech Republic and Hungary



- Farm managers in the Czech Republic and Hungary are expanding investments in outdoor operations (+17% and +15% respectively; see graphic 4). The favourable framework conditions for cash crop production are being used to modernise the machinery fleets. In the Czech Republic, the high feed prices for pig farmers and exchange rate effects are causing competitiveness of animal husbandry to drop. Consequently investments in indoor operations have dropped about 10%.
- In Poland outdoor operations as a key area of investment have remained constant since autumn 2010. The farm structures in Poland are shifting increasingly toward more largely structured farms. Since 2002 the number of farms with the size of 30 to 50 ha has grown by 11%. The number of farms larger than 50 ha has grown by 29%. This has been accompanied by modernisation of machinery and installations on the growing farms, with brisk use of the currently favourable investment conditions.

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