Farm Credit Canada presents AgriSuccess Information and Learning

AgriSuccess Express

Note from Editor Kevin Hursh & Associate Editor Allison Finnamore

This week's AgriSuccess Express has many stories about the state of the agriculture industry in Canada, ups and downs in prices in various sectors. We hope you find the information informative.

Also, on a note about last week's edition, regrettably we experienced some technical difficulties with our online posting of the Sept. 28 edition of AgriSuccess Express. This resulted in a broken link and inability to access the newsletter until early on Oct. 1. Sorry for the inconvenience.

We welcome your comments. Just e-mail kevin@hursh.ca.

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1. Canadian farmland values increase

by Allison Finnamore

Most of Canada saw an increase in farmland values in the first six months of 2007, concludes a report released earlier this week by Farm Credit Canada.

The Farmland Values Report, released twice a year, determined the average value of Canadian farmland increased 3.6 per cent from January to July 2007, Canada's highest increase since 2002. In the last six months of 2006, values increased 2.5 per cent. Farmland values have continued to rise since January 2000 and in this report, no province showed a decline in land values.

Alberta had the largest increase in land values, growing 6.4 per cent. British Columbia came in second with a 3.7 per cent increase.

In the last three semi-annual reporting periods, farmland values in Alberta have increased by 3.9, 4.8 and now 6.4 per cent. In B.C., the report concluded the agricultural land market remains strong with this year's increase in values, followed by increases of 8.2 and 10 per cent during the two reporting periods in 2006.

In Newfoundland and Labrador, farmland values rose 3.3 per cent. This is up from the 2.8 per cent increase in the last half of 2006.

Saskatchewan saw a 3 per cent increase which follows a 1.3 per cent increase in the last six months of 2006. Over the previous five years, farmland values have been increasing by about one per cent semi-annually in Saskatchewan.

Ontario land values continue to show steady growth, climbing 2.7 per cent from January to July 2007, compared to a 1.7 per cent increase during the second half of 2006.

In New Brunswick, land values grew 2 per cent in the first part of 2007, a rise from 1.8 per cent over the last half of 2006.

Manitoba saw a 1.7 per cent increase in the first part of 2007, slowing from the 2.8 and 2.9 per cent increases during the first and second half of 2006.

In Quebec, a 1.2 per cent increases in farmland values for the first part of the year is an increase from the 0.9 per cent increase over the last six months of 2006.

Values remain the same in Prince Edward Island and have remained stable since 2003. Meanwhile, Nova Scotia also saw no change in land values, maintaining the same value as the second half of 2006.

The complete Farmland Values Report is available at www.FarmlandValues.ca

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2. Cattle prices plunge

by Rae Groeneveld

Cattle producers who normally market their calves in the fall are facing a grim picture this year. In the last couple of weeks cattle prices have dropped dramatically.

“I know a number of guys that have sold their calves have told me they're a $100 to $120 dollars less than last year,” says Martin Unrau, president of the Manitoba Cattle Producers Association.

A number of factors are combining to push prices lower -- the rapid rise of the Canadian dollar, the strengthening feed grain market and increased numbers of calves coming to market. s.

Sandy Russell, beef economist with Saskatchewan Agriculture and Food says the feeder cattle markets are trying to adjust to the reality that the loonie is now on par with the U.S. greenback.

“Taking the dollar to par even compared to a $0.95 cent dollar where we were a couple of weeks ago has a significant impact on the money that is in the market place,” she says.

Russell says because the North American cattle market is so integrated, exchange rates have a huge influence on what packers end up paying for fed cattle. Feedlots are now receiving fewer Canadian dollars on every finished animal sent for processing. That in turn pushes down what feedlots will pay for calves.

The rally of the grain markets the last few months is also weighing on the cattle market.

“That played a big role last fall and it continues to impact what buyers can pay for feeder cattle,” Russell explains.

The MCPA is worried about the size of losses producers will experience when they market their calves this fall. Unrau says these are unsustainable levels.

“There's a lot of concern in the cow-calf industry because the money they're getting off the calves just isn't covering the expenses,” he says.

Unrau says this is a fourth year of low prices for feeder calves. He says normally producers can hang on for a couple of years, but the extended pressure on producers could push some out of the industry.

“I think our calves last year were probably down about $200 dollars (per animal) from what they were in 2002. We're down quite a bit and with expenses going up it is almost to the crisis point here.”

The anticipated opening of the United States border to older Canadian cattle on November 19 is expected to help improve prices for breeding stock, but it is not expected to result in a big boost to the feeder cattle market. Feeder calves can already enter the U.S. market.

The MCPA will be pressing the government to improve programs like CAIS and the cash advances for livestock producers so they do a better job of supporting cattle ranchers during these tough times.

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3. Big bounce in wheat, durum and barley price projections

by Kevin Hursh

The September 27 Pool Return Outlook from the Canadian Wheat Board had big increases in wheat and barley values and an astounding increase in the projected price for durum.

The CWB increased its PRO for durum by more than $3 a bushel as compared to the previous month. The farm gate price for the top grade of durum in Saskatchewan for the current crop year is now expected to be an all time high of about $10.50 a bushel. Even No. 3 durum is expected to have a price of around $10.

The CWB says dry conditions reduced durum production on the Canadian prairies and European production suffered from wet harvest weather. Ongoing drought in Australia is also a factor in the tight world supply situation.

The PRO for milling classes of wheat increased by more than $1 a bushel as compared to August. No. 1 Canada Western Red Spring wheat, with 13.5 per cent protein, now has an expected price of over $6.50 a bushel at most Prairie locations. No. 2 CWRS wheat is $6.00 a bushel or more.

The CWB says the U.S. continues to have strong export sales with volumes well above last year. Wheat futures prices in the U.S. over the past month have surpassed record highs set more than 30 years ago. The strong Canadian dollar has limited gains on this side of the border.

The feed barley PRO is up by 80 cents a bushel, while designated barley is up by more than 50 cents. Feed barley ranges from $3.95 per bushel after deductions in Manitoba to $4.30 after average Alberta deductions. The top grade of two-row designated barley has a PRO in the $5.00 a bushel range.

The CWB says the reduction in anticipated Australian exportable surplus has provided impetus for rising prices and a tightening of the feed barley market. A continuation of export restrictions in Ukraine and an expected prohibitive export tax in Russia also add pressure to the tight world feed barley situation.

On designated or malting barley, the Australian situation as well as quality concerns in Canada, the U.S. and, in particular, the EU continue to add support.

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4. Increase in initial CWB government-guaranteed payments

by Kevin Hursh

The government-guaranteed initial payments for wheat, durum, feed and designated barley sold through the Canadian Wheat Board increased effective October 4. For wheat, the increase is $28.50 per tonne. In the case of milling durum, the increase is $43.50 per tonne. For feed barley in Pool A, the increase is $23.50 per tonne, while the increase for designated barley ranges from $29.50 to $36.50.

Even with the adjustment, initial payments are running far behind the total prices expected for the crop year. A complete listing of payments for all grades is posted at www.cwb.ca under Farmers and Farmer Payments.

The CWB says it has submitted new recommendations for a further increase to the initial payments given the dramatic increase in market prices since August 15, when the last adjustment recommendation was submitted to the federal government.

Producers who delivered wheat, durum, barley and designated barley to the CWB between August 1 and October 3 will receive an adjustment payment. The payments will be mailed by October 19 or received by direct deposit on October 16. Producers who wish to defer payments have until October 10 to notify the CWB by calling 1-800-275-4292.

Many producers who want to get more of their money earlier in the year are using the Early Payment Option provided by the CWB. The EPO also acts as a floor price in case prices decline. Producers are still eligible to participate in price increases. A discount or premium is charged depending upon the level of EPO chosen.

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5. Quebec vegetable producers hit by low prices

by Mark Cardwell

Quebec vegetable producers who export to the U.S. are reaping tears rather than the fruits of this fall’s outstanding harvest, say officials with the growers’ federation.

“We’re hearing that the strong dollar is having a very bad impact on sales (to the U.S.),” says Yvon Douville, coordinator of the Fédération des producteurs maraîchers du Québec, which defends the interests of the province’s 2,000 fresh vegetable producers who sell around $240 million of produce annually.

Roughly one-third of that produce - valued at $80 million – is generated from sales of lettuce, carrots, cauliflower, onions and several other vegetables south of the border.

According to Douville, a strong loonie, together with bumper crops in traditionally strong vegetable producing regions of the U.S. has resulted in a sizeable drop in both demand and prices for produce in the American fresh vegetable market.

“The big volume guys are feeling it the most,” says Douville, who estimates that the top 250 to 300 growers in Quebec account for about 80 per cent of the province’s total fresh vegetable production. “In some cases, they can’t sell their produce (which) is a shame, because this has been an extremely good year for all crops.”

Smaller growers and U-pick operations, he adds, are less vulnerable because they rely on local, usually well established sales networks and customers.

However, Douville says even small operators are feeling the pinch of what he calls "reflux" - a glut of produce created on local markets by large Quebec growers who are trying to sell produce that would normally be exported.

That has resulted in store prices that, in some cases, are as much as two-thirds lower than just a year ago.

"It's very tough right now on growers," says Douville, who compares store prices in Quebec for everything from broccoli to red peppers to those of the early 1980s. "The only winners here are consumers."

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6. Avian flu hits Saskatchewan

by Rae Groeneveld

Saskatchewan's poultry industry is on high alert, but there is also confidence the latest case of avian influenza will be limited to the index farm.

On September 27 the Canadian Food Inspection Agency announced the highly pathogenic strain of bird flu, H7N3, was found in a commercial poultry farm north of Regina, Sask. The virus itself is not normally associated with human illness but is easily spread among commercial chickens.

"It's always a big shock when you hear something like this," stated Clinton Monchuk, chief executive officer of the Chicken Farmers of Saskatchewan.

"But it's something both the industry and government have worked really hard to ensure everyone is knowledgeable about the subject beforehand," which Monchuk feels helped to keep the issue in perspective when the case was uncovered.

Lisa Bishop-Spencer with the Chicken Farmers of Canada believes the avian influenza outbreak in B.C.'s Fraser Valley in 2004 helped prepare everyone to deal with the Saskatchewan case.

"What we've learned from it (B.C. outbreak) since has allowed national and provincial poultry organizations to work with their federal and provincial governments and establish some really strict protocols," Bishop-Spencer says.

Credit has been given to both the producer of the poultry farm and the CFIA for moving quickly to recognize the problem and control the situation. The farm was initially put under quarantine and a three kilometre zone was established restricting movement of birds and bird products, as well as equipment to limit any potential virus spread.

On Sunday, September 30, the 50,000 birds from the broiler-breeder operation were destroyed. The next step is to clean and disinfect the entire farm.

The CFIA also enacted movement restrictions for poultry producers in Saskatchewan. No live birds including hatching eggs can be moved out of province, which Monchuk says should not have a major impact on chicken farmers.

"It's more or less business as usual as the majority of our producers will be taking their birds to the processing plants right here within the province."

What should be improved upon, according to Monchuk, is the compensation to the producer impacted by this case of avian influenza. While federal support will be given for each bird destroyed, Monchuk says there will be no support for this farm's lost production.

"What this producer does is he has the birds that grow the hatching eggs. So for this period he will have zero income from hatching eggs which would be the production loss he would incur," Monchuk says.

Countries such as the United States and Japan implemented bans on imports of Canadian poultry when the avian influenza case was announced. The impact of that action is expected to be minimal as only seven per cent of Canada's total poultry production is exported.

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7. Market for saskatoon berries looks promising

by D. Larraine Andrews

Alberta Agriculture and Food (AF) has released a new report – "Market Potential of Saskatoon Berries for Western Canada" – which forecasts a growing demand for the product both domestically and internationally, including markets in Japan and the European Union.

Sharon Faye, special crops analyst with AF, prepared the report based on a survey of commercial processors in Alberta, Saskatchewan and Manitoba. Although the berries are grown across the country, the 2006 census shows the prairie provinces dominating with 86 per cent of the saskatoon farms.

Faye's research indicates that in 2006 approximately 0.6 million pounds of berries were processed. But processors said they could have handled a whopping 1.0 million additional pounds. Demand is forecast to reach 1.9 million pounds for 2007 and as high as 2.47 million pounds by 2008.

According to Faye, this remarkable growth rate is being fuelled by buyers and processors looking for new fruit products to add to their current lineup of juices, fillings, pies and wines. "Saskatoons are something new that they could offer to their customers as a new fruit or as part of a blend. Its flavour is different from other fruit," she says.

Faye also points to the health benefits associated with dark skinned fruits. Saskatoons are thought to have higher antioxidant levels than blueberries, which have been widely touted as a healthy food. The Crop Development Centre South has partnered with Olds College to perform additional research in this area. Final results are expected in the near future.

The report indicates that producers and processors face a number of challenges to meet the growing demand for product, including the issues of quality control and communication between growers and processors in the value-chain.

Lack of supply is also a major concern. Processors cannot presently access overseas markets due to insufficient product. Faye explains this is due to a number of reasons. "Entering this market means much more coordination in sourcing product, handling of large volumes of berries, storage and transportation costs as well as financial risk management for producers and processors."

Prices for 2007 are currently forecast to be $1.25 to $2.00 per pound for uncleaned berries, with cleaned berries in the $1.75 to $2.50 range. According to Faye, "Some processors expect that as the markets develop, the price per pound will be driven down (much like blueberries as its markets developed)."

For more information or to receive a copy of the report contact Faye at 780-422-5326 (toll free in Alberta by first dialing 310-0000) or by e-mail at sharon.faye@gov.ab.ca.

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8. TV ads boost sales for Comox Valley producers

by Peter van Dongen

Producers in B.C.'s Comox Valley got a major marketing boost this summer thanks to a television advertising campaign promoting the importance of buying locally grown agri-food products and experiencing the local farmers market.

The ad campaign, developed through a partnership of the Comox Valley Farmers Institute, Farmers Market and Economic Development Society, featured three different commercials that branded the Comox Valley as “Growing Beyond the Ordinary.” The ads encouraged consumers to attend two weekly farmers markets or buy direct from the farm gate. A print and online directory of local growers was provided.

“Our target viewer was quite specific in that we wanted to reach people that already knew the market existed, had been there before and really just needed to be reminded to make the time to stop in,” explains John Watson, executive director of the Comox Valley Economic Development Society.

“During the summer tourist season, we also wanted to take advantage of the visiting friends and family market, increasing awareness of the market as a destination worth visiting while locals had visitors staying with them.”

The television campaign, which began airing across Vancouver Island in late July, was directly tied to the launch and increased distribution of the Comox Valley Growers Guide, a print directory featuring more than 50 local growers. In total, the commercials were broadcast nearly 400 times over the course of the summer.

While a formal post-campaign analysis is yet to be completed, attendance at the market was up and market vendors credit the campaign with increasing sales by as much as 25 per cent. Watson says the campaign also helped to raise awareness of the Comox Valley as primarily an agricultural community.

“Never before has the Comox Valley produced and delivered on a TV ad campaign for any sector, tourism included,” he notes. “So to make our first entry into this medium focusing only on the agriculture opportunities that exist here is a fairly powerful statement. It says we want you here and will support what you are doing – if you farm.”

The television commercials can be viewed online at www.agrifoodcomoxvalley.com.

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9. ONfarm News launched

by Kevin Hursh

The Ontario Federation of Agriculture has launched a weekly audio newscast called ONfarm News.

To keep its 38,000 members informed, as well as raise awareness of modern agriculture, the five-minute program will feature stories and interviews about current OFA issues as well as timely commodity information, government, food, environment and energy stories.

Radio stations and Ontario agriculture associations can subscribe to a high quality version of the show and its individual interview clips for on-air or web use through http://www.webcastcanada.ca/podcasting/onfarmnews.xml

By copying and pasting this address into iTunes or any other free podcast player, subscribers will automatically be sent all audio from each week’s program.

Media can also obtain text transcripts, proper spelling of names and download clips directly from http://www.webcastcanada.ca/onfarmnews/media

The OFA says the public wants to know more about modern agriculture. Likewise producers want the public to understand the issues.

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10. Market Focus - Durum market on fire
by Mike Jubinville of Pro Farmer Canada

And you thought the general wheat markets have been bullish? Let’s take a closer look at durum, which in my mind leads the way by a long shot. The price rise lately has been especially astounding as U.S. cash prices paid generally for durum have literally skyrocketed above US$13 per bushel to set all-time record highs.

A national cash price index maintained by the Minneapolis Grain Exchange listed its average U.S. elevator bid for durum at $13.05 per bushel upon the close of business October 2, representing a rise of over $5 per bushel in the past month. Yes, that’s just the increase over the past month!

The huge price-spike comes in spite of a 45 per cent increase in the size of the U.S. durum harvest, a crop which is currently expected to total some 2.1 million tonnes. Although durum production here in Canada, the world's largest producer, is also up 6 per cent from 2006, it remains well below the 10 year average. And following the numbers down to the bottom line, our Canadian supply/demand forecasts below present a frightening contraction of expected Canadian durum ending stocks for the current marketing year.

Canadian Durum Supply and Demand

			Proj.
000 tonnes	05/06	06/07	07/08
Supply			
Acres, 000's	5,630	3,750	4,705
Yield (bu/acre)	38.6	32.8	27.7
Carryin	2,487	3,256	1,232
Production	5,915	3,346	3,549
Total Supply	8,405	6,603	4,782
Demand			
Total Domestic Use	877	893	750
Total Exports	4,273	4,478	3,250
Total Demand	5,149	5,371	4,000
Stocks	3,256	1,232	782

A smaller than expected Canadian durum crop size of around 3.5 million tonnes will only allow for a three-million-tonnes export program or so.

World prices have been driven up sharply by a near crop failure in key sections of Europe. Excessive rains in France and Italy, the largest durum producers in the European Union, cut yields and quality. The International Grains Council said total durum production in Europe, the world's largest consumer, fell to a 16-year low this season, thereby increasing expected import demand from the EU.

In response, prices are at record highs and moving higher, as end-users bid for dwindling supplies.

Here at home, Canadian Wheat Board offer prices have also shot higher in parabolic fashion over the past month to all-time record highs. Sources advise that the CWB is now offering No. 1 Canadian Western Amber Durum with 13 per cent protein at $625 per tonne in-store St. Lawrence. Think about that – run it through your calculators.

Last week the CWB boosted its durum Pool Return Outlooks by an unprecedented $115 to $132 per tonne, with 1 CWAD 13.0 now pegged at $442 per tonne. That translates into average elevator delivered returns of $10.80 per bushel in Manitoba, $10.56 per bushel and $10.66 per bushel in Alberta. Very impressive. By the way, the CWB Fixed Price Contract for durum, while up significantly, still trails well behind the PRO at $404.52 per tonne.

But here again as a comparison, the Minneapolis Grain Exchange durum cash index (bid price averaged across 45 U.S. grain elevators mostly in North Dakota) stands today, Oct. 3, at US $13.05 per bushel.

Simply amazing – the most dramatic spike higher ever witnessed by this commentator! There seems to be no market more bullish than durum at this time. The tsunami of bullishness is simply staggering.

However, at these kinds of prices, you can be assured that demand rationing is already occurring. I cringe at the thought of how much durum will be going into the ground in 2008. Crop size could be so large it could likely obliterate what right now is a hugely bullish market.

Mike Jubinville of Pro Farmer Canada offers information on commodity markets and marketing strategies. Call 204-654-4290 or visit www.pfcanada.com to find out more about his services.

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