

## Profits from crop production for the 2<sup>nd</sup> consecutive year in decline

*agri benchmark Cash Crop Network met in Brazil*

2014 was the 2<sup>nd</sup> year in a row that profits from crop production have been declining for most typical farms – this was one of the key findings from this year’s annual *agri benchmark* Cash Crop Conference in Goiania, Brazil. From July 13<sup>th</sup> to 16<sup>th</sup> about 45 international experts in crop production economics discussed the 2014 results and the perspectives of their typical farms all over the world. “We also found that the impact of lower global commodity prices for farms in the EU, Brazil and Australia was significantly softened by the devaluation of the respective currencies” comments the coordinator of *agri benchmark*, Yelto Zimmer (Thünen Institute; Germany). He adds that “in this bearish environment oilseeds were the cash cows of many farms”.

*agri benchmark* based calculations also indicate that farms in **Russia and the Ukraine are economically much better off than commonly thought**. Dmitri Rylko (CEO IKAR, Russia) states: “At least in the short run, raising Ruble output prices could largely offset the disadvantage of an increase of input and machinery prices caused by a very strong devaluation of the currencies. In Russia many – mostly big – agro holding farms also benefit from increased subsidies on interest rates.”

Michael Langemeier (Purdue University, USA) points out that “**in the US a reduction of land prices by 25% and more is rather likely** to happen even if commodity prices are flat”. The *agri benchmark* farm in Iowa already reflects this decline: In 2012 land leases were in the range of 860 USD/ha while in 2014 the quote was only 740 USD/ha.

A series of case studies from Australia, United Kingdom, USA and Brazil reveals that **herbicide resistances of weeds are indeed a global issue with significant economic consequences**. Thomas de Witte (Thünen Institute), coordinator of this project: “Our case studies – even excluding worst case scenarios - show losses in return to land between 35 USD/ha (or 5 %) in the Midwest US farm, 40 USD/ha (or 40 %) for the farm in Western Australia and up to 90 USD/ha (20 %) in the UK farm. These increases are not only caused by higher herbicide spendings but also by changes in rotations and more intensive tillage systems. We found that wheat based production systems are more heavily affected than corn based ones.”

The host of this year’s *agri benchmark* conference, Mauro Osaki (CEPEA, Brazil) highlights the **huge potential of the Brazilian crop production**: “Even without touching the rainforest, we could boost crop production through better crop management. In addition, an improved transport infrastructure in the North of Brazil will help to improve farm gate prices in this expansion region and thus lead to an increase in output.”

Furthermore, the Brazilian expert Carlos Xavier (Federal University of São Carlos) showed that using **corn as a second feedstock for ethanol plants in remote regions** will improve profitability of the ethanol sector, and will create a local demand, and thereby stabilize corn production. Due to high transport and logistic cost farm gate corn prices in Mato Grosso in 2014 for example were below 100 USD/t.

**agri benchmark** Cash Crop is a global non-profit network of agricultural economists, coordinated by the German Thünen Institute and DLG Its aim is to generate and disseminate reliable and usable analysis on major trends in global crop production. For more information on the network please visit [www.agribenchmark.org](http://www.agribenchmark.org)