News release

For immediate release

Five economic issues for agriculture to watch in 2013, says FCC

Regina, Saskatchewan, January 3, 2013 – Forecasting the economic outlook for agriculture can be complex, so Farm Credit Canada's (FCC) Chief Agricultural Economist J.P. Gervais recommends producers focus on five key economic drivers to make more informed business decisions.

"Throughout 2013, there will undoubtedly be new issues or trends, posing new opportunities and challenges for our agriculture industry," Gervais says. "At FCC, our commitment is to continue to follow and explain how those issues impact producers and agribusinesses throughout Canada so they can make more informed decisions."

Five issues to watch in 2013

1) The economic divide

Despite a projected slow economic recovery in the Western world and an uncertain outlook for the Eurozone, Gervais believes demand for Canadian agriculture products in emerging markets – such as China and India – will continue to increase, fuelled by the continued rise of the middle class in those countries.

"While income growth is slowing in many of these markets, it remains well above the pace of the developed world," Gervais says. "There are signs that China is in the early stages of a positive transition, relying less on investment and stimulating domestic consumption. This would help sustain the previous pace of income growth and avoid a major economic slow down."

2) World production conditions

World inventories of major crops continue to be tight when compared to projected demand, according to Gervais. This could lead to higher crop prices, but also high input costs for livestock producers.

"The likelihood of two major droughts in a row is small, but adverse weather conditions in the U.S., Australia, or South America could push crop prices upward again," Gervais says. "Livestock producers may have to live with higher-than-average feed prices throughout 2013."

3) Farmland values

North American farmland values have been increasing rapidly over the past several years. The FCC Farmland Values Report estimated Canadian farmland appreciated on average by 8.6 per cent over the first six months of 2012.

"The outlook for farmland values rests with interest rates and crop receipts," Gervais says. "It's impossible to project future interest rates with certainty, but it's plausible that interest rates will remain low into the second half of 2013. Crop receipts should remain strong, barring adverse weather in Canada."

4) Enhancing productivity

With increased cash receipts in 2012, Gervais recommends Canadian producers not lose sight of their profit margins this year. “Continuing to seek efficiencies and productivity gains is critical,” he says. “Investments in land, equipment and technology must be linked to the bottom line over the long-run.”

Gervais also recommends producers watch free trade negotiations with the European Union. It could open up new markets, but could also trigger more competition in Canada.

5) Western Canadian labour gains and pains

Strong economic performance in Western Canada continues to keep unemployment low, building pressure for higher wages, according to Gervais. This could leave some producers struggling to find qualified seasonal or full-time employees for their businesses.

Gervais’ insights regularly appear in the FCC Express, Canada's agriculture e-newsletter. To subscribe, visit www.fcc.ca/express.

FCC is socially and environmentally responsible. Corporate social responsibility activities are focused in five areas: agriculture and food, customers, community, employees and the environment. Agriculture economic research is one way FCC supports the development of a sustainable, competitive and innovative Canadian agriculture industry.

As Canada’s leading agriculture lender, FCC is advancing the business of agriculture. With a healthy portfolio of more than $24 billion and 20 consecutive years of portfolio growth, FCC is strong and stable – committed to serving the industry through all cycles. FCC provides financing, insurance, software, learning programs and other business services to producers, agribusinesses and agri-food operations. FCC employees are passionate about agriculture and committed to the success of customers and the industry. For more information, visit www.fcc.ca. Follow FCC on Twitter @FCCagriculture.

-30-

For more information or to set up an interview, please contact:

Trevor Sutter
Corporate Communication
Farm Credit Canada
306-780-5313
trevor.sutter@fcc.ca