



## **Agriculture heads dismiss risk of 2008-style slump**

Agribusiness companies are playing down the risk of a 2008-style market collapse despite waning global economic confidence, with seed companies set for price rises ahead of inflation, and "upside risk" to fertilizer prices.

Agricultural groups remain "overwhelmingly positive", seeing "no change in order patterns or dealer or farmer sentiment" even as many other sectors feel a pinch from deteriorating economic sentiment, Credit Suisse said.

"The broader macro uncertainty and sovereign debt concerns do not appear to have negatively impacted the ag markets," the bank said, following a farm industry conference last week attended by leaders of companies such as K+S, Monsanto and PotashCorp.

Tight crop supplies suggested that "grain prices are likely to remain elevated, and drive strong farmer demand for fertilizer and seed, for at least the next two-three years".

### **External signals**

The report came even as crop futures suffered another negative day, with Chicago corn for December delivery falling 1.9% to \$6.79 a bushel in early deals in the live trading session and December wheat dropping 2.5% to \$6.70 ¾ a bushel. November soybeans fell 1.8% to \$13.31 a bushel.

However, other measures support the idea of sector resilience, with an index of US farmland compiled by Creighton University showing price growth for a 20th successive month, and with the pace of rises accelerating from August.

The farm equipment sector was also stronger than in August.

"Although both farming gauges are down from the beginning of the year, they are up significantly from September of last year, reflecting very strong farm income growth," Creighton University economist Ernis Goss said.

### **'How different things are'**

Credit Suisse said that a "common theme" of its conference, in New York, was that for the agriculture sector, "2011 is not like 2008". Three years ago, global financial crisis sent prices of crops and farm inputs, such as fertilizers, plummeting.



"A common theme... was how different things are now," Credit Suisse said.

Risks of a fertilizer fall-out had been reduced by a "more modest pricing approach" than in 2008, when soaring nutrient costs prompted savage cutbacks by farmers when crop markets went into reverse.

Prices of the main nutrients have remained at well below two-thirds of 2008's record levels, even while Chicago corn futures have set a fresh all-time high. Corn, as a nutrient-hungry crop, is viewed as particularly key in fertilizer markets.

Furthermore, heads of fertilizer companies "emphasised that producer and distributor inventories are relatively lean due to tighter working capital management", unlike in 2008, when "speculative buying led to inventory overbuild".

## **Corn acres to rise again**

Among seed companies, the conditions have left Monsanto forecasting a rise of 5-10% in pricing in 2012, including the impact of new products, and farmers trading up to higher-spec lines.

Rival DuPont, the owner of the Pioneer brand, is expected a "mid-single digit" price increases on existing products, with new products adding further gains.

Separately, CF Industries chief executive Steve Wilson forecast that farmers, encouraged by high prices, "will try to plant as much corn as possible" in 2012 with area reaching 93.5m acres - setting a fresh post-World-War II high.

They were set to stay above 90m acres for the following four years, Mr Wilson added.

## **Agrimony**