

Slow recovery in crop and livestock prices forecast for next year but long-term outlook for farmers is bright: TD Economics Report on Agriculture

- TD Economics Report coincides with the TD Canada Trust sponsorship of Royal Winter Fair -

TORONTO, ON, November 5, 2009 - Although the long-term outlook for agriculture prices is favourable, 2010 will likely witness only a modest improvement in price conditions from this year's lackluster levels, according to the latest economic report on agriculture from TD Economics. The report was issued today timed to the TD Canada Trust sponsorship of the Agriculture Services Youth Leadership Congress during the Royal Agricultural Winter Fair.

"Excess global supply of major agricultural commodities and a high Canadian dollar are delivering a blow to prices received by Canadian farmers. It appears that these negative influences will persist in the near term, leaving crop and livestock prices vulnerable to further bouts of downward pressure. But by mid-2010, prices should be ripe for a moderate recovery, led by the livestock sector," says Dina Cover, economist, TD Bank Financial Group and the report's author.

Highlights of the report include:

A challenging year for Canadian farmers:

After holding up relatively well during the worst of the recession, the Canadian agricultural sector has since taken a turn for the worse, with prices weakening substantially in the third quarter. Bumper harvests around the world have led to a surge in carryover stocks of most crops, while the livestock sector continues to battle an oversupplied market. Meanwhile, input costs - notably, energy, transportation and fertilizer - have fallen considerably from the heights seen in 2008, providing some offset to the drop in prices. As such, this year's net farm income will likely be in line with 2008 levels. Next year, the news is also likely to be mixed. Crop and livestock prices should benefit from a firming in supply-demand conditions globally and an easing in the value of the Canadian dollar in the third and fourth quarters. However, a resumption in growth in input costs could leave farmers with lower incomes on average compared to 2009.

The sector's long-term outlook is bright:

Longer term, the prospects for the agricultural sector remain bright, as the upward trend in prices that began early in the decade is likely to remain intact. The ethanol and biofuels sectors will continue to support demand for crops, as mandates in the U.S. remain in place and are set to rise over the next few years. Furthermore, emerging markets, where incomes and populations are expected to grow rapidly, will continue to underpin a steady uptrend in demand for high quality food, supporting both the crop and livestock sectors. As such, Canadian agricultural producers should look to broaden their export markets.

Canada should increase livestock traceability measures:

One way to help Canadian agricultural products become more visible in foreign markets is to increase livestock traceability measures. Given all the disease outbreaks that have occurred over the past decade relating to livestock and meat-related products, this is one issue that is increasingly becoming a necessity in order for producers to remain competitive on the global stage. The Canadian government is planning to implement a National Agricultural and Food Traceability System by 2011 in order to boost Canada's competitiveness.

The full report is available at <http://www.td.com/economics/index.jsp>.

About the TD Canada Trust sponsorship of the Royal Agricultural Winter Fair:

As part of its ongoing commitment to Canada's agricultural community, TD Canada Trust is the title sponsor of the Agriculture Services Youth Leadership Congress during the Royal Agricultural Winter Fair, which runs from November 6 - 15, 2009. See here for more details <http://www.royalfair.org/>.

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