

# AGRIWEEK

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## SPECIAL ISSUE: THE NEXT TEN YEARS

### *Thoughts on where contemporary trends are leading agribusiness*

Its too trite to mention that the only certainty is change. We all know about how different is the agricultural and agribusiness landscape we see today from what it was in 2001, the start of the 21st century, also that things changed more in the last decade than in the decade before that and the decade before that, and that change is accelerating. But what do we know of the next 10 years?

It is not possible to predict the future by merely extending the past. We cannot even depend on history repeating itself. There is still a big cyclical component in society and the economy but the sine wave is now bent and obscured by new forces.

In this special issue we will try to apply our long experience in these matters to form a conception of what the sector might look like in 2020. A decade is but an invisible speck of time. The results of some decisions made today will just barely start to be seen in a decade. However thinking ahead across a ten year horizon is not long-term planning. A rational long term is several lifetimes.

Commercial agriculture has been practiced in eastern Canada for roughly 200 years and in the west for over 100 years. There are farms and companies still in the business which can trace their origins back a century and often longer. Such institutions have serious staying power.

There are particular reasons why agriculture requires more long term thinking than most other areas of endeavor. The cropping cycle is annual and the most important part of it is 60 to 75 days a year, but the issues impacting viability and profitability are multi-generational. Farming is not an in-and-out proposition. Getting into or out of farming is not like changing a job. It is more like, some would say, a life sentence.

Agriculture is unique for many reasons but mainly because of the nature of farming assets. The core of farming is land and it is timeless. It does not wear out, depreciate or deplete if properly managed (or not mismanaged). Even if abused it can usually be rehabilitated. There are ways to grow some crops on little land, but there is no alternative to big acreages for the high-volume staple crops that keep the human race alive.

In the beginning of farming in Canada the object was to feed the farm family and its neighbors, in a microscopic local economy differing little from the time of the first farming ever attempted. Some today advocate a return to that. But by as early as 1850 in eastern Canada and 1890 in the west agricultural exports and imports started to become significant. From that day to this and into the indefinite future Canadian agriculture operates in a internationalized environment and foreign and global affairs are the most powerful influences on our agricultural economy. They are also the least predictable. It may be good or bad but that is how it is.

Agricultural prosperity hinges on just one thing: growth in food and feed demand from sources that can afford to pay for it. There is little remaining potential for expansion of domestic demand in any advanced country. The future of agriculture is the future of agricultural trade. In Canada's case it is the products which Canada happens to be especially suited or accomplished at growing.

If there is one issue for the next decade that overshadows all others it is unit productivity. Getting more out of every acre and every unit of input is the essence of world competitiveness. World competitiveness is the gateway, probably the only gateway, to reliable farm prosperity and agribusiness success.

A key trend that will continue indefinitely into the future is the increasing input-intensity in both crop and livestock sectors as higher returns are sought from a largely fixed resource base. Hardly any crop farmer 20 years ago would have

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imagined what per acre input costs would reach by the present day. It has been a difficult concept for many farmers that doubling or tripling per acre investment in seed technology, fertility and weed and disease control can increase revenue by much more than the cost, while dramatically reducing the vulnerability of crops to ever threatened adverse weather. There is a limit, but it has not been reached yet.

## Growth industry

### *Farm cash income goes into fewer wallets*

Farm cash income in Canada rose by a third between 2000 and 2010 for an average compounded rate of about 2.9% a year. However it was a very unsteady increase. Between 2001 and 2003 farm cash income fell 5.5%. It stayed between \$34 and \$37 billion for six years from 2001 to 2006. It topped \$40 billion for the first time in 2007 when the last crop price spike began, then shot up 13% in 2008 when the full weight of the commodity rally was reflected. Last year it was \$2 billion lower.

Between 2000 and 2010 cash income from livestock sources increased 10%, even though over 40% of livestock revenue is from supply-managed sectors which should have a built-in growth factor and comparatively high stability. In 2003 livestock-origin cash receipts dropped to \$16.19 billion from \$18.04 billion in 2002 because of the mad cow disease outbreak. The share of total market returns (not counting government payments) from livestock sources decreased from 56.5% in 2000 to 46.2% last year.

Government payments peaked in 2005 at \$4.94 billion after rising 80% from \$2.75 billion in 2000. Since 2005 government direct supports have fallen 37%.

There has been no growth in Canadian farm cash income after adjusting for inflation in the last decade. Business revenue is a function of production and price. Rare is the year when bumper crops coincide with cyclically high prices. Only since 2007 have farm commodity prices trended decisively higher in constant dollars. It appears that a new period has been entered in which prices are finally increasing on a sustained basis, despite short-term oscillations, as demand for food now seriously threatens to outstrip supply. However some of the factors that caused the erratic pattern of the last 10 years still remain.

Two farm censuses will be conducted between 2011 and 2020. They will continue to show a shrinkage in farm numbers and the polarization of farm size. Large and very large farm units will expand most, while the large mid-band makes little progress and very small farm units decline further in numbers.

Whereas overall farm cash income gains may continue to average only 3 to 5% a year, the share of total farm gate revenue going to the largest and fastest expanding farm units is steadily rising. Revenues of the largest farms have always increased faster than the average. Large scale progressive farmers in all provinces and in all types of agriculture have been able to individually achieve double digit annual revenue growth at times of little or no expansion in aggregate farm cash income.

Various sources have established that over different time periods the 20% of the largest farmers generate 80% or more of total crop and livestock revenue. There is no prospect that this trend will be stopped or reversed. At the same time the minimum size of an operation which can generate a family income competitive to that of the non-farm population will also continue to increase. A farm unit that returns a marginal standard of living for the farm family now probably will not be able to do even as well in 2020.

### CANADIAN FARM CASH INCOME 2000-2010

\$Millions	CROPS	LIVESTOCK	GOV'T PAYMENTS	TOTAL
2000	13,11	17,028	2,749	32,8
2001	13,57	18,825	3,739	36,1
2002	14,25	18,036	3,403	35,6
2003	13,18	16,185	4,843	34,2
2004	14,68	17,202	4,880	36,7
2005	13,43	18,380	4,943	36,7
2006	14,49	17,925	4,532	36,9
2007	18,29	18,307	4,093	40,6
2008	22,96	18,836	4,124	45,9
2009	23,18	18,074	3,289	44,5
2010	22,42	18,880	3,134	44,4

## Feeding the world

### *What if the world is already growing all the grain it can?*

The history of world crop production over the last decade does not display a clear or consistent trend. Production rose and fell more or less randomly, primarily on account of in reaction growing season weather events.

The price spike of 2007-09 created the most powerful incentives ever seen to increase crop output. But there has not been a commensurate increase in output. Cereal grain production especially is closer to the ultimate capacity than had seemed. Record and near-record prices have made it vi-

able to grow crops in comparatively high cost regions. But increases in output over the last two years have not been dramatic and it appears that the 2011 season will show only trend line increases despite record and near record commodity prices.

If it has not been reached already, the ultimate global capacity to produce is being approached, perhaps rapidly. The chief limitation in world agriculture is not land. It is water. Producing crops where natural rainfall is insufficient or un-

reliable entails capital investments on the scale that even the record prices of 2007-09 will not support. As world demand for food continues to rise and as larger populations can afford to spend more on food and keenly wish to do so, a historic structural change is happening.

World population growth has slowed and the main source of demand is no longer the once-unstoppable increase in numbers. Now it is the powerful desire for improved diets with an increasing ability of consumers around the globe to buy more expensive foods.

Competition for a comparatively static supply of staple foods will eventually do for grains and oilseeds what it has done for crude oil. That process will be increasingly visible and influential over the next 10 years. There may still be broad market oscillations but wheat will never be \$4 or

corn \$2.50 a bushel again. New record highs will be set for all commodity prices every few years. Cyclical troughs will be less pronounced. It is going to be the best time in world history to be a modern farmer, likewise one who supplies the necessities of crop production or one who adds value to the raw products of the field.

Poverty, privation, murderous ethnic and religious fanaticism, illiteracy and chronic economic underdevelopment will continue to be the lot of the poorest countries, limiting their capacity to both grow and import food. In the 1980s food aid was a significant source of demand for farm exports, especially while grain and other surpluses existed and before policies were changed to allow local and regional purchases. Food aid is no longer a significant factor in food demand.

The dependence on exports by other agriculturally developed countries will also increase. But import competition will often be more intensive than export competition, something seldom seen before.

## Edible & crude

### ***Supplying world oil needs is the challenge of the 21st century***

If the outlook for cereal food and feed grains is in the favor of producers, it is much more so for oils and fats. Wheat and other cereals grow everywhere in the world. The places where oilseeds do well are much more limited. Fat consumption is a marker of higher level diets. China is the biggest producer of most crops and other agricultural goods because of its sheer size, but it will never come close to self-sufficiency in oilseeds and products.

Explosively growing demand for edible oils and oil meals by China is the only thing that prevented the huge increase in South American soybean production over the last decade to be absorbed without devastating the market. This accidental coincidence will not be repeated. China will reach saturation as an oilseed market, however the potential for further increases in Brazilian and Argentine soybean production is also reaching practical limits.

Nevertheless, supplying the world with fats and oils at even moderate demand growth rates will keep the oilseed market a seller's market. Physical yields of oilseed crops are a fraction of corn, even though enormous resources have been applied to trying to raise them. Oilseed prices will always be a function of cereal prices adjusted for lower oilseed yields. The Canadian canola industry could not be better positioned because of the limited range of alternative crops, but also because of a climate that uniquely suits this quirky plant.

The leap during the last decade in crude

<b>WORLD CEREAL SITUATION</b> <i>(International Grains Council)</i>										
<i>Million tonnes</i>	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>WHEAT</b>										
Carry-in	185	150	128	139	134	121	116	168	199	186
Production	567	556	628	621	598	609	686	679	649	672
Consumption	602	588	615	625	611	614	639	648	662	672
Carryover	150	128	139	134	121	116	168	199	186	186
Trade	101	105	110	110	111	122	137	128	122	126
<b>COARSE GRAINS</b>										
Carry-in	218	229	157	193	185	156	162	174	205	155
Production	910	894	1,020	983	986	1,089	1,116	1,115	1,077	1,136
Consumption	899	966	983	992	1,015	1,071	1,087	1,113	1,129	1,146
Carryover	229	157	193	185	156	180	210	205	155	148
Trade	99	106	102	105	111	117	112	112	121	121
<b>TOTAL GRAINS</b>										
Carry-in	403	379	285	332	319	277	296	372	404	341
Production	1477	1450	1,648	1,604	1,584	1,698	1,802	1,794	1,726	1,808
Consumption	1501	1554	1,598	1,617	1,626	1,685	1,726	1,761	1,791	1,818
Carryover	379	285	332	319	277	296	372	404	341	334
Trade	200	211	212	215	222	239	249	240	243	247

<b>CANADIAN CROP PRODUCTION 2000-2010</b> <i>000 tonnes</i>										
	WHEAT	DURUM	ALL	BARLEY	OATS	CANOLA	FLAX	CORN	SOYBNS	PEAS
2000	19,357	5,647	26,804	13,468	3,389	7,119	693	6,698	2,698	2,68
2001	16,717	3,055	21,282	11,355	2,769	5,082	787	7,802	1,586	2,19
2002	10,767	1,553	16,198	7,489	2,911	4,178	679	8,587	2,200	1,36
2003	16,440	4,280	23,552	12,328	3,691	6,669	754	9,587	2,268	2,12
2004	18,451	4,962	25,860	13,186	3,683	7,728	517	8,802	3,032	3,33
2005	18,785	5,915	26,775	12,461	3,432	9,660	1,082	9,461	3,161	3,10
2006	18,617	3,346	25,265	9,573	3,852	9,000	989	8,990	3,465	2,52
2007	13,873	3,681	20,054	10,984	4,696	8,751	634	11,649	2,696	2,93
2008	18,405	5,519	28,611	11,781	4,273	12,642	861	10,592	3,336	3,57
2009	18,120	5,340	26,515	9,517	2,798	11,825	930	10,997	3,504	3,37
2010	17,585	3,025	23,167	7,605	2,298	11,866	423	11,715	4,345	2,86

oil prices has been higher than for almost any other commodity. The price of oil is both a cause and effect of the general advance in commodity values, especially over the last five years. Farming and mineral extraction are energy intensive, and as the cost of energy (including for transportation) rises, the cost of producing almost everything also goes up. Crude oil at \$25 a barrel and corn at \$1.50 a bushel are closely associated, and not because corn is now a source of motor fuel. We will not see \$25 oil again, not in the next decade or the next century. Knowledgeable people are talking \$200 oil.

Provided environmental extremism can be kept at bay, western Canada is doubly blessed, with its prodigious petroleum as well as agricultural wealth.

## Meat to eat

### ***Protein per dollar will shape the livestock sector of the future***

The 2000s were the roughest decade in modern times for the Canadian livestock industry. The relative prosperity of the 1980s and 1990s faded as one disaster followed closely on another.

In the final decades of the 20th century Canadian hog and cattle producers enjoyed multiple advantages. Feed grain costs in the U.S. were artificially low because of subsidies to corn growers. U.S. livestock producers (as well as importers of American grain) paid net prices after subsidies, while crop producers received production-stimulating revenues. Yet Canadian producers were able to stay ahead because of a depressed dollar exchange rate. To an overwhelming extent livestock production costs are paid in local currency, while prices received are global.

Then followed the meltdown, first in the cattle industry with mad-cow disease in 2003 and then in hogs. Continental overproduction, trade restrictions, the blatantly anti-Canadian U.S. country-of-origin labelling law, and above all the rapid appreciation of the dollar exchange rate, brought hard times and staggering losses of capital and equity.

Over the last 18 months livestock prices have improved dramatically, with some all-time records set, because of a decline in herd numbers and meat production. At the same time feed costs exploded for the second time in four years.

It is uncertain that the livestock sector has made all the structural changes needed for sustained profitability. There has always been a tendency in the cattle and hog cycles to over expand at the first sign of better conditions and it may be happening again, even in a time of record-high feeding costs.

Brisk and accelerating meat exports prevented matters from becoming even worse in the last 10 years and are one key to the future. However the structurally high cost of red meats compared to other animal protein sources will assert itself more strongly in the decade ahead. Massive expansion will occur in fish farming as farmed-fish protein becomes the cheapest available. Poultry production will continue to grow rapidly. Pork production and consumption have some growth potential, especially in high consumption countries whose own pork industries are in decline for various reasons.

It is very difficult to see consistent, long-term growth in beef consumption. Very little can be done to reduce beef production costs that has not already been done. Increasingly, beef will become a premium product with consumption affordable only to an affluent but static or declining layer of the world consumer population.

## CWB or not to be?

### ***The days of the perverse Wheat Board monopoly dwindle down***

For all of the 75 years of the Canadian Wheat Board's existence, the single desk monopoly on buying and selling western wheat and barley required draconian legislation and lead-pipe enforcement to be sustained. Therefore its continuation was entirely a political matter. For over 20 years rising dissatisfaction and appeals for marketing freedom were thwarted by political events. Opposition parties and the courts repeatedly blocked reform, which the Conservative party promised as a matter of policy. The landscape changed with the federal election of May 2 2011 and the resulting Conservative majority.

The intention to remove the monopoly in favor of a marketing-choice environment in which the Wheat Board could remain as a voluntary marketing agency was immediately re-affirmed. At the time of writing the start of the 2012-13 crop year has been designated as the date on which the monopoly powers will be removed. The date may or may not be met because of legal and other challenges, but the eventual outcome is no longer in any doubt.

A post-Wheat Board marketing environment for wheat and barley will not be particularly revolutionary. These crops will simply be handled in the same way as non-Board crops, that is all other crops grown in western Canada. The Wheat Board should remain a player in a different capacity. Farmers who want to continue to patronize it might not see much difference.

The long-term future for the Board may be as a producer owned co-op or corporation, but however it evolves it will be, for the first time in modern history, the result of voluntary commercial decisions. If the Board has done as good a job as it says it has, it should have no fear for its survival.

## Chimeras

### ***Climate change and environmentalism are of a (dubious) piece***

If climate change is occurring at all, it is not occurring fast enough to perceptibly affect Canadian agriculture over the next 10 years. The past several growing seasons were distorted by the familiar *La Nina* and *El Nino* events and also the interaction of changes caused with historical extremes in sunspot activity. These are cyclical climate events known for hundreds of years and not convincingly connected with standard theories about long-term, uni-directional climate change.

Climate change conventionally refers to a gradual but persistent increase in mean temperatures and usually declining precipitation. Its theories are threatening, alarmist and negative. Few widely circulated concepts suggests that climate change, assuming it is underway, could be beneficial, even in small parts of the agricultural world..

It is not climate change, but legislative and regulatory response, that is of most significance to agriculture. The standard countermeasure for climate change is the reduction of carbon emissions. Reducing carbon emissions involves higher energy costs which encourage less use. Agriculture is inherently energy-intensive. Whereas consumers can drive smaller cars shorter distances, miniaturizing farm equipment is not an option. Unnecessary mitigation policies can only lead to structurally higher crop (and possibly livestock) production costs.

Environmentalism, the father and mother of climate change, is another worry with another set of risks of regulatory overkill. There are already plenty of instances in which regulatory extremism raises costs and limits opportunities. In Manitoba an NDP government has permanently restricted hog farm expansion and new farm establishment in the parts of the province where the industry is concentrated, on the most flimsy anti-pollution grounds.

If there is an upside to the climate change and environmentalist frenzy, it is the chance that other countries will go to greater regulatory extremes than North America, impairing their food production potential and enlarging export markets. However, an emerging trend is the application of domestic standards, especially in the EU, to imports.

## Fuel from food

### ***Will there still be a biofuels industry in 2020?***

A development on a history-mak-ing scale was the evolution of the renewable fuel industry. From about a dozen in 2001, the number of ethanol plants in the U.S. has grown to over 220 and their average size has increased. Plant construction has slowed as capacity reaches government mandates for the amount of ethanol (about 13.5 billion gallons) that must be blended into motor gasoline this year. Ethanol production from crops has also advanced spectacularly in Brazil and the EU. Biodiesel development has been slower, but is a factor in vegetable oil demand in the EU, Asian-Pacific countries and South America.

This year the American ethanol industry will consume 40% of the corn harvest, double American exports. Had the ethanol sector not developed, cereal grain surpluses in world trade would be unmanageable. Surplus land would be distributed among all crops, depressing substantially all crop prices. Subsidy programs in the U.S. and Europe would be in full flight, depressing market prices. Measures would be applied to artificially depress crop production.

Having been created as an element of public anti-pollution policy, the biofuel industry's future is also highly dependent on government policy. To be viable without subsidies or mandated-use laws, the ratio of the oil price per barrel and the corn price per bushel must be above 20: a barrel of oil must equal the value of 20 bushels of corn. For example, if

"Most economic fallacies derive from the tendency to assume that there is a fixed pie, that one party can gain only at the expense of another."

*Milton Friedman*

crude oil is above \$100 a barrel corn must be below \$5 a bushel. Lately the ratio has been closer to 16. The ratio for wheat-derived ethanol is about 12.

The main U.S. ethanol subsidy, the blenders' tax credit, will disappear within a year. Minimum use mandates will remain, so refiners will have to pay the price

required to generate adequate supplies of ethanol. Currently ethanol blending actually reduces gasoline costs, but will increase them significantly when the tax credit is removed, creating another source of opposition. Blending mandates can be varied or even waived temporarily without new legislation. In effect the U.S. government can cap corn prices at any time by reducing mandatory ethanol use.

By this time, under U.S. policy, there should have been a thriving ethanol industry using non-grain cellulose inputs. The technical ability to produce ethanol from non-crop cellulose exists but costs are too high and it is not certain that they can be lowered to match corn. If such an industry develops it may also present opportunities for the production of fuel crops, biodiesel as well as ethanol, however this is a long shot in a 10-year time frame.

There is no rational possibility that renewable fuel policies will be reversed or abandoned. Crop use for fuel will become entrenched as another market for crops, of which there would otherwise be overproduction. But controversy will continue and it will not be a free market.

## Land ho

### ***The price of land is a bargain, to someone***

The average farm in Canada has assets of over \$1 million, a level it has reached primarily due to land price appreciation. Prices of reasonable quality, desirable and productive land have at least doubled since the turn of the century and in many areas tripled or quadrupled. This is not as remarkable as it may sound; urban residential real estate has appreciated by more.

Land prices have no bubble aspect and are at little or no risk of declining comprehensively in the future. The rate of market price increase may vary from year to year but the general direction will be up.

The farm land market is driven by farmers and will continue to be. Land values will rise to some extent because productivity and crop prices will rise, and higher financing costs may dampen them. More important will be the unstoppable and completely natural trend to farm enlargement and the concentration of farm holdings into multi-generational ownership models.

The arithmetic is very simple. A western farm of 10,000 acres of land with a book value averaging \$400 an acre (\$4 million) with a policy of buying two additional quarter-sections a year at \$1,500 per acre increases its total per acre annual land cost (at a 6% attribution to return on capital at book value) only from \$24 an acre to \$24.50. Very few 10,000-acre farms can't handle another 1,320 acres without increasing non-cash costs. This hypothetical farm would double in size in less than eight years.

It is safe to predict that 98% of the farms that will exist in 2020 already exist, and will be operated by members of the families who own them today. Up to 20% to 25% of farm units now operating will not be here in 10 years. It has been perhaps 50 years since a viable farm unit could be bought and paid for in one generation, starting from zero or a nominal initial investment. Very little land is being bought by very small operators trying to reach a viable scale. A few well-financed immigrant farmers arrive each year with the means to acquire adequately scaled going concern farms.

An important development particularly in western Canada has been the appearance of investment plans that allow non-farm investors to indirectly acquire land for long-term appreciation. Though they have attracted much attention and some resentment from practicing farmers, their influence on land prices has been overstated. The depth of the pool of capital interested in land is unknown, however it is certain to shrink when interest rates inevitably rise.

## Is the price right?

### ***Commodity trading is going through convulsions***

Besides their large and sustained movements to the upside since 2007, agricultural commodity prices have been exceptionally volatile. It is natural for volatility to increase in times when markets are experiencing re-alignments, but the recent behavior of futures prices has no precedents. It is not uncommon now for prices to drop by the daily limited permitted by commodity exchanges and then to rise by those limits in a single week without significant fundamental (supply and demand) developments.

Also over the past decade, revolutionary changes have been made in the mechanics of commodity trading. The classic open outcry auction has been almost completely replaced by electronic trading. Instead of having representatives on the trading floor, commodity buyers and sellers can now execute trades through direct computer links to the commodity exchange. The cost of trading has fallen and trading volumes have increased dramatically. Open interest has increased by much less than daily volume. This has not been a North American phenomenon; it is worldwide.

Hardly surprisingly, the large trading and financial houses that previously had little interest in agricultural commodities have stepped in. With shrinking food reserves and world production short of demand, and the attendant publicity, agricultural commodities have become a distinct asset class of intense interest to speculative investors seeking higher returns in a time of record-low yield from debt investments. Financial institutions have responded with largely or wholly automated computer trading systems and various kinds of funds and derivatives to service the speculator market. Some speculative involvement is essential to the proper functioning of futures markets because there has to be a buyer and seller for each trade. Commercial traders who are in the market for hedging and risk control purposes require someone to take the other side of each trade, and high volume is needed to allow positions to be put in or liquidated quickly, easily and reliably.

However these classic features of commodity trading have receded as speculative trading began to account for an increasing share of total volume. So-called non-commercials hold over 40% of long and short positions in Chicago wheat, 45% in corn and 41% in soybeans. These holdings are so large and traded at such velocity (up to 40 trades per minute) that price discovery on the basis of supply and demand is now seriously compromised.

These issues will have to be addressed eventually against stern opposition from the financial lobby. New methods of price discovery that more accurately reflect present and future value of critical physical goods will be developed. Tighter regulation of existing markets is not the answer.

# Ten years of commodity prices

<i>Approx. June 1, native currencies &amp; standard units</i>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>WHEAT</b>										
CWB export No. 1CWRS 13.5%, St. Lawrence, \$/tonne	220.88	238.25	255.57	248.45	246.45	270.70	473.40	360.10	278.30	464.38
CWB export No. 1CWAD durum, St. Lawrence, \$/tonne	307.08	313.15	293.80	264.10	228.20	290.03	713.12	394.90	269.65	466.44
Central Saskatchewan feed wheat cash, off-Board, \$/tonne							250.88	189.56	131.67	190.98
Ontario No. 1 red winter, \$/tonne	159.19	165.23	192.10	140.54	119.52	155.25	318.00	187.55	192.22	277.81
Chicago BoT future, next-nearest month, US\$/bu	2.83	3.25	3.91	3.42	4.25	4.88	7.54	6.24	5.12	8.29
Minneapolis DNS spring future, next-nearest month, US\$/bu	3.03	3.50	4.21	3.59	4.76	5.45	10.38	7.22	5.43	9.76
Kansas City HRW future, next nearest month, US\$/bu	2.91	3.29	4.04	3.42	5.10	4.84	8.11	6.60	5.24	9.31
<b>BARLEY</b>										
Alberta 1CW feed cash, off-Board,\$/tonne	156.50	142.00	211.50	106.20	107.00	177.00	188.56		124.98	172.33
Winnipeg ICE domestic feed future, next-nearest month	147.50	125.50	157.80	121.90	132.30	179.50	247.10	160.00	145.50	205.00
<b>OATS</b>										
Saskatchewan 1CW cash, \$/tonne									102.60	178.82
Chicago BoT future, next nearest month, US\$/bu	1.38	1.41	1.59	1.44	1.95	2.62	4.08	2.47	2.10	3.69
<b>CANOLA</b>										
Winnipeg ICE cash, No. 1 Canada Vancouver, \$/tonne	352.10	374.20	390.90	311.90	302.30	394.70	614.50	514.70	404.30	605.20
Manitoba cash 1CW, \$/tonne									368.20	549.98
Saskatchewan cash 1CW, \$/tonne									364.72	542.06
Alberta cash 1CW, \$/tonne									382.30	538.00
Winnipeg ICE future, next-nearest month, \$/tonne	335.50	336.00	375.50	296.00	305.10	361.80	619.50	478.90	390.80	586.00
<b>FLAX</b>										
Saskatchewan cash 1CW, \$/tonne	344.50	358.00	330.00	335.00				320.07	318.50	511.86
<b>PEAS</b>										
Saskatchewan cash No 1, \$/tonne	145.00								99.57	167.74
<b>CORN</b>										
Ontario No. 2 yellow track price, \$/tonne	143.12	159.24	171.55	114.00	115.74	149.26	202.32	190.41	142.32	258.42
Chicago BoT future, next-nearest month, US\$/bu	2.18	2.39	2.96	2.33	2.61	3.67	5.96	4.36	3.73	7.05
<b>SOYBEANS</b>										
Ontario No. 2 track price, \$/tonne	284.00	313.70	443.50	288.01	221.20	301.45	476.11	388.75	325.99	433.88
Chicago BoT future, next-nearest month, US\$/bu	4.91	6.21	8.24	6.87	5.89	7.41	13.79	11.69	9.76	13.68
<b>SOYBEAN MEAL</b>										
Decatur IL, cash US\$/short ton	167.00	192.00	277.30	215.60	172.30	192.35	342.90	349.05	275.82	350.61
Chicago BoT future, next-nearest month, US\$/short ton	161.80	188.60	266.50	215.90	173.50	198.10	351.70	358.00	292.90	359.60
<b>SOYBEAN OIL</b>										
Decatur IL, cash US cents/lb	17.16	22.86	26.86	23.50	25.08	32.08	58.73	36.78	37.17	55.14
Chicago BoT future, next-nearest month, US cents/lb	18.15	22.14	28.24	23.58	25.25	33.39	61.50	38.52	36.93	57.74
<b>SLAUGHTER CATTLE</b>										
Slaughter steers, southern Alberta live, \$/cwt	94.00	88.00	74.35	79.95	86.10	86.50	83.00	91.00	91.75	103.50
Slaughter heifers, southern Alberta live, \$/cwt	91.75	88.25	72.90	79.70	85.90	88.00	82.00	92.00	91.50	102.75
Cows, Ontario D1-D2 live, \$/cwt	67.55	93.95	22.59	31.74	20.70	37.50	39.96	54.00	57.20	81.00
Choice slaughter steers, U.S. midwest live, US\$/cwt	64.00	80.00	87.00	84.00	77.00	98.00	93.50	84.50	99.50	109.00
Chicago Mercantile future, next-nearest month, US\$/cwt	62.30	76.26	86.50	83.55	78.80	90.90	100.30	81.65	96.33	103.60
<b>FEEDER CATTLE</b>										
Steers 800-900 lbs. southern Alberta, \$/cwt	108.00	110.00	80.00	96.00	112.50	98.00	88.00	106.00	102.50	122.00
Steers 500-600 lbs. southern Alberta, \$/cwt	144.00	130.00	95.00	111.00	144.00	110.00	107.50	114.00	116.00	130.00
Chicago Mercantile future, next-nearest month, US\$/cwt	75.55	85.95	104.45	110.73	107.42	114.50	113.60	101.25	112.96	124.38
<b>HOGS</b>										
Ontario pork board dressed weight \$/kg	1.41	1.60	2.07	1.62	1.36	1.28	1.12	1.24	1.47	1.80
Manitoba dressed weight \$/kg	1.47	1.56	1.98	1.61	1.43	1.25	1.20	1.19	1.48	1.59
Alberta dressed weight \$/kg	1.29	1.49	1.95	1.55	1.34	1.30	1.22	1.23	1.39	1.59
U.S. midwest 1-2 cash live weight , US\$/cwt	29.00	40.00	52.50	46.00	44.00	44.75	42.50	43.25	58.75	68.75
Chicago Merc lean hog future, next-nearest month, US\$/cwt	47.05	66.10	72.73	70.30	76.60	73.75	78.55	66.08	88.80	87.47
<b>CANADIAN DOLLAR</b>										
Bank of Canada exchange rate, US cents	65.16	72.18	72.97	80.11	89.06	92.41	99.57	87.68	97.11	102.44

## *If you ask me . . .*

BACKGROUNDERS / *Morris W. Dorosh*

The world is so arranged as to prevent us from determining what lies ahead. No one can know if he or she will still be here in ten years. But except for those unfortunates whose days have been proscribed by incurable disease, we cannot conduct our affairs on the assumption that we will not be.

Clearly, not knowing the future's details is good for us. If we could predict our futures with any accuracy we would have the opportunity and strong incentives to change them, rendering, to the extent that we would succeed, the predictions false. Else we would be chronically, helplessly and dumbly forced to accept what we know is pre-ordained. Most people believe, correctly that outcomes in their lives are to a large extent determined by their own decisions and choices. Shakespeare may not have meant it literally when he caused Hamlet to say that "There is a divinity that shapes our ends, rough-hew them how we may."

However well we can manage the things that we can control, we must go over, under or around the obstacles to our progress that are created by things we cannot control. The purpose of forecasting and futurism is to try to anticipate changes in these conditions and figure out how to sidestep the threats and get out of the way, or make the most of new opportunities that might be created.

The reader will have noticed that certain topics that appear to be of importance today have been omitted from this attempt to look ahead into a murky future. In our opinion they will not shape the future, at least not the next decade.

Over the next 10 years, in every business and commercial endeavor without exception, success will be more difficult to achieve than before. The complexity of the social and economic environment in which business operates will increase exponentially. Government hostility towards and exploitation of the business community and upper-income individuals will intensify as unemployment and poverty problems prove more and more intractable. The consequences of wrongly-conceived policies, such as unrestrained deficit spending, will inevitably arrive. Global competitiveness issues and the ascendancy of Asia as the economic center of gravity will be transformative.

As the 21st century proceeds, three components of the business will become progressively more critical. They are first, access to capital at reasonable cost and its most effective use; second, quality of management including strategic thinking and imagination as well as routine operational decisions; and third, adoption of new technology as soon as it is reasonably proven, but before its general acceptance.

Business management was once considered to be an art or a rare God-given talent, but now is acknowledged to be a science. Whether art or science, it requires imagination, but whereas art also requires talent, science needs only logic. Differences in management effectiveness almost always explain why some businesses of all sizes and in all fields perform better than others for their owners or shareholders and also their customers and employees, or succeed where others fail. As agricultural and agribusiness enterprises get bigger, their capacity to attract and retain better-quality management, and the incentive for owners to acquire advanced management skills, increase and that is a very hopeful state of affairs.

Agricultural technology today increasingly (though not exclusively) means biotechnology. Unless regulatory obstacles and environmental extremism prevent its advance, this field is in its infancy and enormous progress remains to be made in the next decade and beyond. Genetically modified wheat will be commercially grown before 2020. Crops will be developed with now-unimaginable ability to overcome the classic constraints on crop yields: drought, disease, weeds, insects. Genetic marvels also await in livestock production if only they are given a chance. Actually the development cycle in agritechnology is so long that about everything that can be expected in the next decade will derive from technological concepts already discovered and being perfected.

The historically low interest rates of almost the last decade, in which many debt instruments delivered a negative return to the holder even after mercifully low inflation, have not become the norm and will not last beyond some months. The consequences of deficit spending by the U.S. and other governments cannot be avoided. The next 10 years will be more turbulent than the last in the world economy. There are numerous strategies to make use of today's bargain interest rates to accumulate cash, or access to cash, at today's rates for use in a future of persistently rising borrowing costs.