WEEKLY NEWS ARTICLE UPDATE

Prepared by John C. Baize and Associates | 7319 Brad Street | Falls Church, VA 22042
TEL: 703-698-5908 | FAX: 703-698-7109 | E-mail: jbaize@attglobal.net

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Articles in This Edition

Export Sales Highlights

This summary is based on reports from exporters for the period January 1-7, 2016.

Soybeans: Net sales of 1,127,400 MT for 2015/2016 were up 77 percent from the previous week and 13 percent from the prior 4-week average. Increases were reported for China (775,300 MT, including 129,000 MT switched from unknown destinations and decreases of 1,900 MT), the Netherlands (227,100 MT, including 140,000 MT switched from unknown destinations), Egypt (66,000 MT), Spain (56,800 MT, switched from unknown destinations), France (55,400 MT, including 60,000 MT switched from Japan and deceases of 4,600 MT), and Mexico (52,400 MT). Reductions were reported for unknown destinations (292,300 MT) and Japan (32,300 MT). Net sales of 100 MT for 2016/2017 were reported for Japan. Exports of 1,348,000 MT were down 26 percent from the previous week and 14 percent from the prior 4-week average. The primary destinations were China (661,800 MT, including 49,500 MT late Reporting), the Netherlands (227,100 MT), Japan (96,300 MT), Spain (56,800 MT), France (55,400 MT), and South Korea (51,800 MT).

Optional Origin Sales: For 2015/2016, the current outstanding balance totaling 235,000 MT is for China (175,000 MT) and unknown destinations (60,000 MT).

Exports for Own Account: The current outstanding balance is 500 MT, all Canada.

Export Adjustments: Accumulated exports to Germany were adjusted down 73,660 MT for week ending December 24th. The correct destination is the Netherlands and is included in this week's report. Accumulated exports to Indonesia were adjusted down 989 MT for week ending December 31th. The correct destination is Taiwan and is included in this week's report.

Soybean Cake and Meal: Net sales of 64,700 MT for 2015/2016 were up 39 percent from the previous week, but down 47 percent from the prior 4-week average. Increases were reported for Mexico (40,300 MT), Morocco (9,400 MT, including 10,000 MT switched from unknown destinations and decreases of 700 MT), the Philippines (9,300 MT), Guatemala (9,000 MT), Jamaica (7,000 MT), and El Salvador (4,700 MT). Reductions were reported for Egypt (27,500 MT), unknown destinations (6,600 MT), and the French West Indies (3,000 MT). Exports of 238,700 MT were up 31 percent from the previous week and 22 percent from the prior 4-week average. The primary destinations were Mexico (46,200 MT), Morocco (34,400 MT), the Philippines (29,000 MT), Cuba (24,200 MT), and Colombia (20,200 MT).

Optional Origin Sales: For 2015/2016, outstanding optional origin sales total 99,000 MT, all unknown destinations.

Soybean Oil: Net sales of 41,200 MT for 2015/2016 were up noticeably from the previous week and from the prior 4-week average. Increases were reported for Switzerland (14,500 MT), Peru (13,000 MT), Canada (9,800 MT), and Mexico (3,200 MT). Exports of 53,400 MT--a marketing-year high--were up 62 percent from the previous week and 48 percent from the prior 4-week average. The destinations were primarily Canada (15,400 MT), Switzerland (14,500 MT)Peru (10,000 MT), the Dominican Republic (9,000 MT), and Mexico (4,300 MT).

Export Adjustments: Accumulated exports to Venezuela were adjusted down 10,000 MT for week ending October 15th. The correct destination is Peru and is included in this week's report.

Brazil Meat Producers Warn of Corn Shortages as Exports Boom

SAO PAULO, Jan 13 (Reuters) - Corn shortages in parts of southern Brazil due to a surge in demand for the crop abroad could lead to higher meat prices at a time of high inflation, animal protein association ABPA said on Wednesday.

While corn stocks remain high in the center-west, shortages in parts of the south have pushed prices in Campinas, Sao Paulo, up by more than 50 percent from last year.

Due to the high price of moving corn from the center-west to the south, Brazil could end up importing corn from Paraguay or Argentina to meet demand in some regions, Francisco Turra, head of ABPA said in a statement on Wednesday.

Brazil is starting to harvest its first of two annual corn crops, forecast by the government at 27.8 million tonnes.

"The first crop is insufficient to meet domestic demand, especially with strong exports," said Turra.

Rising prices of poultry, pork or beef could further spur inflation that closed 2015 at above 10 percent, its highest level in more than 12 years.

At the same time, demand for Brazilian corn abroad is surging thanks to a weak local currency that makes Brazil's exports cheaper, triggering rare shipments to countries like South Africa and the United States.

Brazil is the world's top chicken exporter, even though it consumes the majority of its production domestically. It is also the No. 2 corn exporter.

Brazil exported a record 30 million tonnes of corn last year, some 10 million tonnes more than in 2014, and exports are expected to continue into March, competing with soybeans for space at the country's ports.

Brazil's crop supply agency Conab forecast on Tuesday a total 2015/16 corn crop of 82.33 million tonnes, which would be three percent decline from the previous crop.

COLUMN-Big Consequences for Corn, Soybeans After Winter Wheat Seedings -Braun
By Karen Braun
CHICAGO, Jan 14 (Reuters) - Bullish news finally arrived for the wheat market with the release of the Winter Wheat Seedings report in the United States on Tuesday.

Issued by the United States Department of Agriculture (USDA), the report is the first official estimate of winter wheat acreage for the 2016 harvest, and these figures have fairly strong implications for spring crops, particularly corn and soybeans.

USDA expects that winter wheat will have been planted on 36.6 million acres, far below the 39.3 acres the trade was expecting and almost identical to the acreage in 2010, which was an extremely low year -- one would have to travel back to 1913 to find a smaller winter wheat area.

Planting of Hard Red Winter (HRW) wheat, which makes up the majority of U.S. wheat, is estimated down 9 percent from last year while the forecast for Soft Red Winter (SRW) wheat is down 5 percent.

The HRW number is significant because area trends in the top HRW states give highly conclusive evidence of what crops may replace the wheat.

The loss in wheat area could ultimately lift the U.S. corn and soybean crops, but the wheat slump as given by Tuesday's report may not be headed for a turnaround.

Although wheat area has lost ground over the years to more profitable crops like corn and soybeans, the United States remains one of the world's primary wheat exporters.

WHEAT TO STAY BULLISH?

Although spring wheat accounts for just over one-quarter of the total wheat produced in the United States, it has almost no influence on total yearly wheat area.

The past 40 years of data suggests that winter wheat planted area is highly indicative of what the total wheat area is likely to be (http://tmsnrt.rs/1mZeeBv).

Given USDA's initial projection for winter wheat, and assuming that history is an indication, the market should prepare for overall 2016 wheat area to be down quite significantly in the United States.

The Prospective Plantings report, which will provide an updated view of winter wheat acreage and is expected from USDA on Mar. 31, might give winter wheat area a bump as a decline from Winter Wheat Seedings has only occurred once in the past 10 years (2012).

But when it comes to the September Small Grains Summary, the bias would be for 2016 winter wheat area to decrease from January's report.

Comparing initial estimates versus final figures over the past 10 years, lower initial estimates tend to become lower, while higher initial estimates tend to become higher.

It is important to note that while wheat area is relatively final in the September report, subsequent adjustments are possible but are typically very minor if they occur.

DISSECTING THE IMPACT ON SPRING CROPS

Several competitor crops are unlikely to experience an increase in planted area as a result of the decline in winter wheat seeding, based on national-level trends.

These crops include but are not limited to barley, alfalfa and hay, sorghum, and sunflower seed. And although cotton is another potential alternate to winter wheat, history does not suggest a significant relationship between winter wheat and cotton area.

The biggest winners are likely to be corn and soybeans, both of which could get an extra boost in planted area in the spring. Canola, which is primarily grown in the northern plains, may also be favored where wheat acres were lost.

But the impacts are highly dependent on the state, and the knowledge that HRW took the biggest hit to area reveals some of the best clues as to how acreage will shake out in the spring.

Kansas, Nebraska, and Oklahoma accounted for 57 percent of HRW production in 2015, and winter wheat area in these three states has the strongest inverse relationship with corn and soybean area over the last 40 years than any of the other states by a large margin.

This means that during the years when acres planted to winter wheat area were relatively low, subsequent corn and soybean planted area almost always tracked higher.

In Nebraska, where record low HRW area was reported, historical planted winter wheat acres have the strongest link with planted corn and soybean acres than anywhere else in the country, with a very large preference to soybeans.

Although Nebraska only accounts for 6 percent of U.S. HRW, it produces 12 and 7 percent of U.S. corn and soybeans, respectively, placing it at the third- and fourth-largest state in terms of production.

If increased corn and soybean acreage is realized in Nebraska come spring, U.S. production could be increasingly impacted since the state has the potential for the highest yields in the country.

Kansas is not as dominant on the corn and soybean front, accounting for only 4 percent of each crop nationally, but they lead U.S. HRW production with its 39 percent share.

Like Nebraska, Kansas wheat area is also highly indicative to trends in corn and soybean acres. The drop in winter wheat acreage in Kansas has freed up 700,000 acres that are very likely to be dedicated to corn and soybeans, with the slight advantage given to soybeans.

Oklahoma saw a drop of 400,000 winter wheat acres on the year, and the bias is overwhelmingly toward corn. Oklahoma has not planted more than 400,000 acres of corn since 1999, meaning that corn area in the Southern Plains state could reach a 63-year high this year.

Based on the firm links between winter and spring acreage across these three states, the extra 1.3 million acres reportedly not planted to winter wheat are likely to be split rather evenly between corn and soybeans in the spring, all other factors equal.

In the SRW states that are also big corn and soybean producers, historical data trends over the past 40 years suggest that in the spring, lost winter wheat acreage is more likely to be allocated to corn in the southern SRW belt (Arkansas, Missouri, southern Illinois) and to soybeans in the northern SRW belt (Indiana, Ohio).

With this in mind, corn acreage is likely to see a bigger spike out of the SRW states as a result of lost winter wheat area since the wheat plantings fell far short of last year in the southern SRW states, while northern SRW states increased winter wheat area on the year.

There are several factors at play aside from past trends when it comes to planting decisions, such as cash and futures prices along with implied profitability, both of which have recently favored soybeans.

But regardless of the economics, the weather has the ability to play the trump card at any time, reminding us that we should always be prepared for a curve ball to be thrown into even the best of models.

Andres Oppenheimer: Argentina's Leader Off to a Good Start
Miami Herald, 13-Jan-2016

After spending a week in Argentina, I concluded that there are six reasons why President Mauricio Macri — who took office a month ago after 12 years of radical populist governments — is off to a very good start.

First, Macri's center-right government has freed currency controls, a measure imposed by the previous government that had contributed to paralyzing the economy over the past four years. While many feared that lifting currency controls would unleash a massive flight to the dollar, drive up the price of the U.S. currency and make imports more expensive, it didn't happen. On the contrary, the U.S. dollar was trading at about 14 pesos this week, below its price before Macri took office.

Second, Macri reduced and in some cases eliminated his predecessor Cristina Fernández de Kirchner's high taxes on agricultural exports. In recent years, Fernández's export taxes — especially a 35 percent government levy on soybean exports — had led Argentina's biggest agricultural exporters to move their operations to Uruguay, Paraguay and other neighboring countries. Now, many of them are vowing to return to Argentina.

Third, Macri has reshuffled the country's discredited INDEC government statistics agency, which was used by the Kirchner government to systematically lie about the country's real inflation and poverty rates.

The INDEC had become an international laughing stock. Even the International Monetary Fund had taken the unusual step of refusing to accept the Fernández government's official statistics, which placed inflation at 9 percent when independent economists placed it at more than 25 percent.

What's more, the Fernández government's phony statistics discouraged investments. A hotel owner told me that, like most other business people, he had stopped investing in his business several years ago because he didn't trust government figures, and could thus not estimate his future earnings. Now, with more realistic economic projections, he plans to modernize his hotel's infrastructure and furniture.

Fourth, Macri has announced plans to reinsert Argentina in the global economy, seeking free trade deals with the European Union and a closer relationship with the Alliance of the Pacific , the group of open economies made up of Mexico, Colombia, Peru and Chile.

Macri has announced that he will attend the World Economic Forum in Davos later this month. It would be the first time in 12 years that an Argentine president speaks at the annual mega-meeting of world investors.

While Argentina has a terrible reputation among foreign investors because of its repeated defaults, and while Macri must still solve his country's ongoing dispute with U.S. holdout creditors before he can expect a wave of major foreign investments (his government started its first negotiations with creditors on Wednesday), he has something working in his favor: there is a current vacuum of economic stars in the developing world, and Argentina could become one by default.

China, Russia and Brazil's economies are hurting, and Mexico and India are not taking off as many expected. While Argentina is smaller, the Macri government could turn it into a mini-star of the emerging world.

Fifth, contrary to expectations that she would be able to make life impossible for Macri from the very start, former president Fernández may not be as politically strong as many feared. Her "Peronist" party is fractured, and many state governors who depend on Macri for much-needed central government subsidies show no willingness to antagonize the new president.

Sixth, Macri has signaled a major change in Argentina's foreign policy, distancing the country from Iran and Venezuela, and re-establishing Argentina's support for human rights and democracy. Under Fernández, Argentina had almost automatically supported dictators and human rights abusers around the world.

With Brazil, South America's biggest country, politically weakened by an economic and political crisis, Argentina's shift to a pro-democracy and human rights foreign policy is likely to pull Chile, Uruguay, Paraguay, Peru and other countries in that direction. Without much fanfare, Macri has become a key figure in regional affairs.

My opinion: Macri still faces difficult tests, such as reducing the massive government spending incurred by his predecessor, who gave make-believe government jobs as political handouts to hundreds of thousands of people who never showed up to work, but are still on the government payroll. The new president must reduce public spending before his 100-day political honeymoon is over. But, overall, he is off to a very good start.

China 2015 Soybean Imports at Record High on Feed Demand

BEIJING, Jan 13 (Reuters) - China imported 9.12 million tonnes of soybeans in December, the second highest monthly level on record and taking total 2015 imports to a record high of 81.69 million tonnes, official customs data showed on Wednesday.

December soybean imports were up 6.9 percent on a year ago, while 2015 shipments rose 14.4 percent, according to data from the General Administration of Customs, reflecting strong demand for soymeal, a key ingredient in animal feed production.

China's imports in the marketing year ending September 2016 are expected to rise to more than 82 million tonnes on better-than-expected soymeal demand, local analysts said, above the 80.5 million tonnes forecast by the U.S. Department of Agriculture.

China has been expanding its soy crushing industry to meet rising demand from livestock breeders, analysts said.

"Soy imports for 2015/16 are expected to continue to rise, instead of earlier expectations of flat growth," said Yang Linqin, an analyst at COFCO Futures Co. Ltd.

"Soymeal demand has improved as hog stocks have risen due to a high breeding margin," said Yang.

China's crushing industry is likely to expand 10 percent in 2016 to a capacity of 179 million tonnes, according to a report published by an industry portal www.cofeed.com.

Capacity rose 4 percent to 162 million tonnes in 2015, the portal's data showed.

Cheap soymeal has also taken market share from other meals, with substitution of soymeal for rapeseed and cottonseed meal likely to continue into 2016, said Yang.

China's imports of edible vegetable oils in December rose 30.5 percent on a year earlier to 770,000 tonnes. Imports in the 2015 calendar year rose 4.1 percent to 6.76 million tonnes, according to the customs data.

China imports mainly palm oil, soybean oil and rapeseed oil.

Argentinian Soy Sales Lacking Despite Export Tariff Reductions

January 11, 2016
Eric Francucci, Analyst, HighQuest Partners
On December 17th, recently elected Argentinian president Mauricio Macri officially eliminated export tariffs on wheat, corn, and beef, and reduced the soy export tariff by five percentage points in an effort to incentivize Argentinian farmers to sell $11.4 billion of hoarded crops, thereby generating cash flow for the depleted national reserve.

Over the past ten years under former President Nestor Kirchner and then his wife Cristina Fernandez de Kirchner, the Argentine government had imposed export restrictions and high tariffs as a way to increase government revenue. However, in the country which relies on grain and oilseed exports for approximately one third of its export revenue, farmers responded by hoarding soybeans, which ultimately drained the country's central bank reserves.

The reduced tariff appeared to work; in the last three days of 2015 alone, the country's farmers sold grains and oilseeds valued at $752 million, bringing the value for the year to $20 billion. But soy sales have not continued to abound at a rate the government had originally intended. In a statement released on January 4th, Argentinian Secretary of Agriculture Ricardo Negri expressed "hopes… (that the) wheel begins to turn," with soy sales about "seven days delayed."

Price instability and market uncertainty has caused many Argentinian farmers to hold their soy reserves in hopes to remain liquid until more favorable market conditions present themselves. Farmers also expected a cheaper Argentinian currency of "14 to 15, while it is currently at 13.4" stated economist Jorge Ingaramo. Currently, soy's purchase power of a domestic commodity basket is 25% lower than the last twelve year's average, according to economist Juan Manuel Garzón.

Prices paid for Argentinian soybeans both by domestic processors and exporters, have fallen since the export tariff decrease, continuing to delay the soy sales in Argentina. By January 4th, prices offered by Gran Rosario processing facilities had decreased to 2900 pesos/ton, $ 100 (3.3%) less than the prior week's, resulting in a decrease in sales from 80,000 tons to a mere 8,000 tons. Argentinian ports of Bahía Blanca and Necochea offered prices of 2700 and 2650 pesos/ton, or $ 50 less than the prior week.

This Argentinian effort to increase supply in the market comes at a time with global markets already struggling with oversupply. Soybean prices have sagged in the first days of 2016 on the CBOT, with INTL FCStone commenting that, "2016 is starting off with a thud, mainly due to China('s economic weakness)." Weather has also improved in Brazil suggesting a bumper harvest, meaning a strong source of supply in the Southern Hemisphere. These effects, coupled with the uncertainty surrounding the value of Argentinian currency, could continue to delay the timely release of Argentinian soy stocks into the market.

Brazil's Soybean Group Denies Seeking Complaint Against U.S.

Aprosoja said it's still analyzing farm subsidies impact Brazil farm subsidies could also be questioned by the U.S.

By Gerson Freitas Jr.

(Bloomberg) -- Brazilian soybean producers haven't yet asked the government to file a complaint against U.S. farm subsidies at the World Trade Organization because they're analyzing data to determine market effects, the head of nation's soybean farmers group said.

"We have been conducting studies on farmers' possible losses," Almir Dalpasquale, head of Aprosoja Brasil, said in a telephone interview. The group has been in talks with government representatives and so-called specialists on the matter. "But we are still not ready to go into action."

According to a Reuters story last week, Aprosoja had asked the Brazil government to file a WTO complaint alleging U.S. subsidies are costing Brazilian farmers $1 billion a year in lost business. Such an estimate is "premature," Dalpasquale said.

China Launches Probe of U.S. Distillers' Grains Imports -Ministry

By Niu Shuping and Dominique Patton

BEIJING, Jan 12 (Reuters) - China will launch a one-year long probe into U.S. imports of a major animal feed ingredient, after Chinese ethanol producers claimed that the U.S. ethanol industry is unfairly benefiting from subsidies.

China will conduct an anti-dumping and anti-subsidy probe into imports of U.S. distillers' dried grains with or without solubles (DDGS) starting from January 12, the country's commerce ministry said on Tuesday. The ministry began the investigation at the request of the China Alcoholic Drinks Industry Association.

China is the world's top buyer of DDGS, a by-product of corn ethanol that is used by feed mills as a substitute for corn and soymeal. China imports almost all of its needs from the United States, the largest exporter, with the total value reaching nearly $1.9 billion in the first 11 months of the 2015.

The investigation will examine subsidies and alleged dumping from Oct. 1, 2014, to Sept. 30, 2015, and could be extended for as long as 18 months, the ministry said in two separate statements posted on its website (www.mofcom.gov.cn).

"The large volume of cheap U.S. DDGS dumped on the Chinese market in recent years, benefiting from (U.S.) government subsidies, has caused serious damage to China's DDGS industry," said the Alcohol Association in a document attached to the ministry statement.

Chinese importers have already curtailed their purchases of U.S. DDGS in expectation of the probe, in addition to lower-than-expected domestic demand weighing on imports.

The investigation comes as years of Chinese corn stockpiling at higher-than-global prices has left inventories at record levels, equal to more than one year's consumption. Feed mills have shifted to cheaper substitutes to government corn supplies, including DDGS, barley and sorghum from the global market.

DDGS imports in the first 11 months of 2015 surged to a record 6.4 million tonnes.

"The probe has more impact this time, indicating the government's determination in capping imports of grains (substitutes)," said Shi Wei, an analyst with Shanghai JC Intelligence Co. Ltd (JCI), referring to the additional anti-subsidy probe.

Worries over the probe could dent the country's imports by as much as 50 percent from March, estimated Shi.

DDGS trade was interrupted in the second half of 2014 after inspectors detected an unapproved genetically-modified corn strain in U.S. imports.

In late 2010, the ministry launched an anti-dumping probe on U.S. DDGS imports though it dropped the investigation in mid-2012. At the time, DDGS imports declined.

The U.S. and China have recently imposed higher tariffs and alleged dumping across a number of commodities, including cold-rolled steel and fibre optic cable. The tension may be spilling over into the DDGS issue, said an industry source with knowledge of the grain matters.

"The overall trade relationship is also influencing China's desire to restrict U.S. exports," said the source, who declined to be identified because of the sensitivity of the matter.

China produces around 3.35 million tonnes of DDGS annually, falling short of local needs as demand for animal protein in the world's second largest economy continues to grow.

Once Wedded to EU, Some British Farmers Think It's Time to Cut Loose

By Nigel Hunt

LONDON, Jan 12 (Reuters) - After decades of generous subsidies from Brussels, some British farmers are starting to think the unthinkable -- that they might be better off outside the European Union.

Farmers were strong supporters of EU membership when Britons last voted on it in 1975, and for years they flourished as funds flowed into the sector to encourage ever-rising production.

The 3 billion pounds ($4.4 billion) a year that they receive in support payments from the EU makes up about 55 percent of total income from farming, according to government figures.

But now, with Prime Minister David Cameron preparing to call an "in or out" referendum on Britain's EU membership possibly as early as June, some farmers feel the benefits of belonging to the Brussels club are far less compelling than a generation ago.

They wonder if a "Brexit" vote might free them to innovate in areas like genetically modified crops, and rid them of oppressive regulation.

"We are being hammered as a source of employment for inspectors," said Charlie Flindt, a farmer from Hampshire in the south of England. Even simple jobs, like putting up a fence to protect walkers who had complained of being mobbed by his cattle, involved painful bureaucracy, he added.

"You can't simply put in a fence any more, and the hoops we have to jump through to get our European Union subsidies just pile up year after year. And most of us went into this job to get away from paperwork."

Flindt, who has an arable farm in Hampshire along with a few sheep and cattle, said he couldn't believe a British-based system, outside the EU, would be "as Kafkaesque as it is at the moment."

INFLUENTIAL LOBBY

While full-time farmers are relatively few in number -- only 140,000 in 2014, according to government figures -- they wield considerable influence in rural communities which, come election time, vote overwhelmingly for Cameron's governing Conservatives.

Not all are swayed by the argument that leaving the EU would make life easier. Some worry that subsidies could be cut and they might lose access to important European markets if Britain breaks with Brussels and its Common Agricultural Policy (CAP).

France was the largest beneficiary of EU farm payments in 2014 with 8.5 billion euros ($9.3 billion), with Britain in sixth place after Spain, Germany, Italy and Poland.

"In the past, all the main political parties have said they want to phase out subsidies by 2020. I think it is more likely if a system of subsidy is going to be maintained, it will be less than we get now with the CAP," said National Farmers Union economist Lucia Zitti.

She told Reuters the union's members are "quite split. They want to understand more about the implications of a possible Brexit and also hear how the EU can work better for farmers."

Matt Naylor, who grows flowers such as daffodils to sell to supermarkets in Britain and mainland Europe, said he would vote in favour of staying in the EU because he relies heavily on foreign labour.

Naylor said workers from countries such as Poland, Lithuania or Latvia had often grown up on farms and had a different work ethic and set of expectations from their British counterparts, who were often three or four generations removed from the land.

"There are a lot of people who are prepared to sit on a tractor. But when it comes to shearing a sheep, attaching things to dairy cows, things like that, it is harder to get (local) people," he said from his farm in Lincolnshire, eastern England.

"MUSEUM OF WORLD FARMING"

The in-or-out debate featured prominently last week at the annual Oxford Farming Conference, where a former government minister argued that the EU was shackling British innovation.

"British agriculture, brimming with potential, is held back by prejudice against advanced technology and science," said former farming and environment minister Owen Paterson.

"The obstinate refusal to adopt advanced technology means Europe has become the museum of world farming."

The EU's reluctance to embrace genetically modified crops has added to the frustration of some farmers. Britain's government has been more supportive of GMO crops than many other EU nations in recent years.

Critics argue that the EU stifles innovation through what they see as an overly cautious and lengthy approval process for new crop protection chemicals.

And while the EU's farm budget is declining after reforms to the CAP, pressure from environmental groups has led to increased regulation on issues such as pesticides and waste disposal.

Farmers have also been asked to grow a wider variety of crops in order to continue to receive yearly support payments.

"The money has become far more difficult to access and regulation has drastically increased," said Stuart Agnew, a farmer from Norfolk in eastern England and the agriculture spokesman for the anti-EU U.K. Independence Party.

Many arable farmers in his region who traditionally rotate between wheat and rapeseed now have to add crops such as peas or beans, or leave land fallow under rules designed to provide environmental benefits.

"Peas and beans have always been the Cinderella crops of British arable farming. Nobody really likes them. Beans are not really profitable and peas really mess the combine up," Agnew said.

MARKET ACCESS

The outlook for UK farming outside the EU could hinge on what access is granted to key export markets and the extent to which Britain is prepared to maintain support payments.

Britain's exports of wheat, for example, are dominated by EU destinations, with Spain and the Netherlands the most important customers in recent years.

"Trade is the key issue and no one can say what the arrangements would be following a Brexit," said Sean Rickard, a former chief economist with the National Farmers Union.

"The 'Outs' claim the UK will be able to negotiate a preferential trade agreement. But they provide no details, and any negotiated agreement cannot give the UK the same benefits as being a member of the EU. To do so would undermine the EU."

Rickard, now an independent economist, said it was likely that substantial tariff barriers would spring up, prompting food companies to consider shifting their operations to Ireland or other parts of the EU.

Economists said Britain would still have to comply with EU standards if it wanted to export to the bloc, but would no longer have a voice in shaping the rules. "If you are going to leave because you want to make your own rules on pesticides, or have nutrition traffic lights on your food labels and so on, that is going to increase costs for those of your industries that are export-orientated because they are going to have to continue to meet EU standards," said Alan Matthews, Professor Emeritus for European Agricultural Policy at Trinity College, Dublin.