Labs in CSITC round trials show steady improvement

AT A GLANCE:

In 2019, laboratories in the CSITC Round Trials:

- Achieved their best annual overall evaluation results (OER) average ever at 0.35;
- This means there was a 35 per cent reduction in interlaboratory variation between all participating instruments in 2019 compared to 2010;
- Produced the all-time best quarterly result ever in the third quarter at 0.318;
- Finished the decade by showing significant improvement, with the 2010 average OER of 0.54 dropping to 0.35 by the end of 2019; and,
- Demonstrated that participating laboratories improved their performance in all fibre property categories.

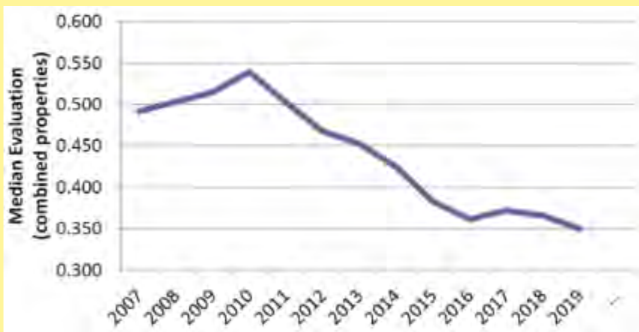
FOR the ICAC's Task Force on Commercial Standardisation of Instrument Testing of Cotton (CSITC), 2019 was not only a very good year – it also capped off a very successful decade. As a whole, the laboratories that participated in CSITC Round Trials (RTs) achieved their goals of reducing variation and ensuring their instruments are producing accurate and consistent results.

In 2019, there were a total of 90 registered CSITC labs, with 65 to 75 participating labs and 100 to 130 instruments evaluated in each of the quarterly 2019 RTs (due to seasonal participation). Those numbers have remained fairly consistent since 2011. The annual OER of 0.350 in 2019 is the lowest yearly average ever, and the third-quarter OER of 0.318 was the best quarterly result ever posted.

While the past year clearly produced excellent results, the success of the RTs throughout the past decade is easy to see. Since 2010, participating labs have seen reductions in variation for all measured properties:

- Micronaire: 32 per cent
- Strength: 32 per cent
- Length UHML: 28 per cent
- Length Uniformity: 30 per cent
- Colour Reflectance: 63 per cent
- Colour Yellowness: 38 per cent

FIGURE 1: Annual overall evaluation results



In addition, as Figure 1 illustrates, the median OER has improved significantly over the last decade, dropping from 0.54 in 2010 to 0.35 in 2019.

About the CSITC Round Trials

Conducted quarterly since 2007, CSITC RTs are conducted via cooperation among ICAC (managing participants), Bremen Fibre Institute (organisation and evaluation), and USDA (sample provisions and dispatch). The goal is to help labs to reduce their deviation with equipment from other laboratories, which will help limit the number of costly claims suffered by both buyers and sellers.

Companies that are interested in learning more or want to participate in the 2020 RTs should contact ICAC Executive Assistant Yana Pomerants at yana@icac.org

A 'new lease on land' – leasing of ag land on the rise

LEASING land is set to become increasingly common in the Australian agricultural sector, as farmers seek to expand in an environment of limited purchasing opportunities, according to a new industry report.

In its research report A New Lease on Land, agricultural banking specialist Rabobank said the incentives for leasing agricultural land were becoming more compelling for both 'tenants' and 'landlords' alike.


Wes Lefroy.

Report author, Rabobank analyst Wes Lefroy said leasing land provided the opportunity to "unlock scale for a growing number of farmers" in an environment where there were limited properties available for purchase. And at the same time, it offered farm operators the option to adopt alternative business models and ownership structures.

While land owners, the report said, were increasingly likely to lease out property, as agricultural land became a more attractive investment class and with leasing offering a flexible option for succession planning.

And while leasing would continue to be more common among certain farm types and sizes – particularly larger farms and cropping enterprises – Wes said it was important that all farmers considered the value of leasing land as part of their expansion strategies.

"The incentives for Australian farmers to lease a share of their operated area are already strong," he said, "with our recent research indicating 28 per cent of farmers across the country lease some proportion of their operated area. And of those, 11 per cent had increased the area of land they lease in 2019.

"Over the next two years, we see the motivation for both current and prospective tenants and landlords to lease to become even stronger."

Current leasing levels

On a state-by-state basis, the percentage of farmers currently operating leased land varied considerably, the report said, with differences primarily driven by structural factors, including farm size and production type, but also by market dynamics, such as price growth and property availability.

"For example, leasing is more common in South Australia and Western Australia, where there are many large grain producers. In those states, our research showed 45 per cent and 38 per cent of farmers respectively lease some area of land they operate," Wes said. "This is in contrast to New South Wales, where a greater proportion of livestock producers are located, and only 17 per cent of farmers lease land."

Farm growth opportunities

The report said leasing was an option that enabled farmers to expand operations either as a permanent alternative to buying land or as a pathway to buying in the future. It could also overcome a lack of purchasing opportunities.

Wes said the number of agricultural properties offered for sale in Australia had fallen between 40 and 50 per cent in all states from 2014 to 2018.

"While we expect the number of properties on the market to increase slightly in 2020, it will remain near historically-low levels," he said. "Farmers looking to expand may be forced to turn to leasing, unable to buy the right property at the right price."

In addition, the report said, leasing instead of purchasing land provided an option for farmers to adopt non-traditional business models, such as sale and lease-back or equity partnerships.

"This can assist farm businesses to direct capital towards other assets, such as infrastructure, instead of land," Wes said.

Leasing also had a role to play in mitigating risk, the report said.

"This is both by enabling farmers to expand without taking on debt for land purchase, and also by acting to mitigate the impact of weather on profit variability by diversifying the locations in which they farm," Wes said.

Increasing availability

The report predicts an increase in the amount of Australian agricultural land that will be available for lease, driven by improved investment returns and an acceleration of farmers retiring from the industry.

"Agricultural land will become even more attractive as an investment class," Wes said. "We expect capital appreciation of ag land to remain healthy across many regions in Australia over the next three years, while it is also not as volatile as a number of other assets, which is valued by investors."

In addition, with 2020 expected to see an increase in the number of farmers choosing to leave the sector, for lifestyle reasons, especially in drought-impacted regions, more land may be offered for lease.

"The option of leasing out land enables exiting farmers to achieve a lifestyle change while still waiting for the drought to break before selling, if at all," Wes said.

The suitability of leasing rather than buying was not for all though, the report said, and varied depending on production types and individual circumstances.

Global experience

While the increase in the number of farmers leasing land in Australia had taken place against a backdrop of rising property prices and very limited opportunities to buy, the report said, international experience showed leasing could also increase in a depressed property market.

"During the US farm crisis of the 1980s and subsequent drought, land prices in Iowa fell by more than 50 per cent in real terms from 1982 to 1987. During that five year period, the area of farmland under lease increased from 21 to 27 per cent," Wes said.

"Where farmers did not have to sell to meet debt obligations, leasing rather than selling enabled Iowan farmland owners to achieve lifestyle changes and avoid selling in a low market."