OUTLOOK FOR US AGRICULTURE

Joe Glauber
Chief Economist
20 February 2014
Real commodity prices

Source: USDA Agricultural Projections to 2023 and OCE, February 2014
Real commodity prices

Source: USDA Agricultural Projections to 2023 and OCE, February 2014
Global consumption of grains and oilseeds at record levels

Fig 2

Source: USDA PSD database
FY 2014 US ag exports expected to top $142 billion; China remains top market

FY 2014 exports: $142.6 b
FY 2014 imports: 110.0 b
Net trade bal: 32.6 b

Source: USDA-ERS Outlook for U.S. Agricultural Trade
Global trade

Source: USDA Agricultural Projections to 2023
US corn used in ethanol to grow modestly

Source: USDA Agricultural Projections to 2023
US ethanol exports

Mil gals

Source: DOE-EIA
Farm bill presents farmers with new choices

Title I: Commodities

- Area Revenue Coverage (ARC)
  - ARC County Coverage
  - ARC Individual Coverage
- Price Loss Coverage (PLC)

Title XI: Crop Insurance

- Program Crops
  - Crop Insurance
  - Supplemental Coverage Option (SCO) (if not in ARC)
- Upland Cotton
  - Stacked Income Protection Plan (STAX)
Drought lingers in West

California Reservoir & Drought Monitor
Updated - February 14, 2014

U.S. Drought Monitor
February 11, 2014
(Released Thursday, Feb. 13, 2014)
Valid 7 a.m. EST

Reservoir Levels
(Percent of historical average for valid date)
Valid - Feb 12, 2014
- 0 - 9%
- 10 - 19%
- 20 - 29%
- 30 - 39%
- 40 - 49%
- 50 - 59%
- 60 - 69%
- 70 - 79%
- 80 - 89%
- 90 - 99%
- 96% or more

Major Agricultural Areas
Source: California Department of Water Resources

This product was prepared by the USDA Office of the Chief Economist (OCE) World Agricultural Outlook Board (WAOB).

http://droughtmonitor.unl.edu/
Short run outlook for crops
## Global grain ending stocks remain tight

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>120</td>
<td>76</td>
<td>96</td>
<td>112</td>
<td>111</td>
<td>105</td>
<td>93</td>
<td>96</td>
</tr>
<tr>
<td>Corn</td>
<td>89</td>
<td>62</td>
<td>69</td>
<td>65</td>
<td>55</td>
<td>56</td>
<td>56</td>
<td>61</td>
</tr>
<tr>
<td>Rice</td>
<td>115</td>
<td>69</td>
<td>77</td>
<td>79</td>
<td>81</td>
<td>83</td>
<td>84</td>
<td>81</td>
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<tr>
<td>Soybeans</td>
<td>74</td>
<td>83</td>
<td>71</td>
<td>93</td>
<td>102</td>
<td>76</td>
<td>83</td>
<td>99</td>
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<tr>
<td>Cotton</td>
<td>193</td>
<td>187</td>
<td>208</td>
<td>144</td>
<td>160</td>
<td>261</td>
<td>305</td>
<td>322</td>
</tr>
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</table>

**Days of use**

*Source: USDA, PSD database*
Feed grain plantings expected to fall reflecting lower prices

<table>
<thead>
<tr>
<th>Crop</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014F</th>
<th>Percent change</th>
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<tbody>
<tr>
<td>Corn</td>
<td>86.0</td>
<td>86.4</td>
<td>88.2</td>
<td>91.9</td>
<td>97.2</td>
<td>95.4</td>
<td>92.0</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Soybeans</td>
<td>75.7</td>
<td>77.5</td>
<td>77.4</td>
<td>75.0</td>
<td>77.2</td>
<td>76.5</td>
<td>79.5</td>
<td>3.9%</td>
</tr>
<tr>
<td>Wheat</td>
<td>63.2</td>
<td>59.2</td>
<td>53.6</td>
<td>54.4</td>
<td>55.7</td>
<td>56.2</td>
<td>55.5</td>
<td>-1.2%</td>
</tr>
<tr>
<td>All cotton</td>
<td>9.5</td>
<td>9.1</td>
<td>11.0</td>
<td>14.7</td>
<td>12.3</td>
<td>10.4</td>
<td>11.5</td>
<td>10.5%</td>
</tr>
<tr>
<td>Minor feed grains</td>
<td>15.8</td>
<td>13.6</td>
<td>11.4</td>
<td>10.5</td>
<td>12.6</td>
<td>14.6</td>
<td>12.4</td>
<td>-14.8%</td>
</tr>
<tr>
<td>Rice</td>
<td>3.0</td>
<td>3.1</td>
<td>3.6</td>
<td>2.7</td>
<td>2.7</td>
<td>2.5</td>
<td>2.9</td>
<td>16.5%</td>
</tr>
<tr>
<td>Total 8 crops</td>
<td>253.1</td>
<td>248.9</td>
<td>245.2</td>
<td>249.4</td>
<td>257.7</td>
<td>255.5</td>
<td>253.8</td>
<td>-0.7%</td>
</tr>
<tr>
<td>CRP</td>
<td>34.6</td>
<td>33.7</td>
<td>31.3</td>
<td>31.1</td>
<td>29.5</td>
<td>26.8</td>
<td>26.0</td>
<td>-3.1%</td>
</tr>
<tr>
<td>8 crops + CRP</td>
<td>287.7</td>
<td>282.6</td>
<td>276.5</td>
<td>280.5</td>
<td>287.2</td>
<td>282.3</td>
<td>279.8</td>
<td>-0.9%</td>
</tr>
</tbody>
</table>

Source: USDA-World Ag Outlook Board
Corn, wheat, and soybean prices expected to fall from recent high levels

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>6.78</td>
<td>4.87</td>
<td>5.70</td>
<td>7.24</td>
<td>7.77</td>
<td>6.80</td>
<td>5.30</td>
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<tr>
<td>Corn</td>
<td>4.06</td>
<td>3.55</td>
<td>5.18</td>
<td>6.22</td>
<td>6.89</td>
<td>4.50</td>
<td>3.90</td>
</tr>
<tr>
<td>Cotton</td>
<td>47.80</td>
<td>62.90</td>
<td>81.50</td>
<td>88.30</td>
<td>72.50</td>
<td>76.00</td>
<td>68.00</td>
</tr>
<tr>
<td>Rice</td>
<td><strong>16.80</strong></td>
<td>14.40</td>
<td>12.70</td>
<td>14.50</td>
<td>14.90</td>
<td>16.00</td>
<td>15.90</td>
</tr>
</tbody>
</table>

*Wheat, corn and soybeans in dollars per bushel; rice in dollars per hundredweight; cotton in cents per pound. Numbers in red denote record levels.*

*Source: USDA-NASS, Feb 2014 WASDE, and USDA-World Ag Outlook Board*
Specialty crop revenues to fall in 2014 but subject to much uncertainty due to CA drought
Livestock outlook
Feed price ratios improve in 2013

Extended period of low price ratios

Source: USDA-NASS
Fig 14

Meat exports

Source: USDA PSD database
Jan 1 cattle and calf numbers lowest since 1951

Source: USDA-NASS Cattle Report
January 2014 Cattle Inventory
Percent of PY & Change-All cattle and calves

US:
Jan 2013: 89,299.6
Jan 2014: 87,730.0
Change: 98.20
% Change: -1.1%

NC=No Change

Source: USDA-NASS Cattle report
Decline in cattle and calf inventory since 2011

Source: USDA-NASS Cattle report
PEDv affects litter rates

Pigs per litter

Source: USDA-NASS
Dairy feed cost margins improving
Dairy exports

Source: USDA PSD database
Livestock, dairy and poultry prices expected to remain high in 2014

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<tbody>
<tr>
<td></td>
<td>Dollars per cwt</td>
<td></td>
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</tr>
<tr>
<td>Steers</td>
<td>83.25</td>
<td>95.38</td>
<td>114.73</td>
<td>122.86</td>
<td>125.89</td>
<td><strong>136.00</strong></td>
<td>8.0</td>
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<tr>
<td>Hogs</td>
<td>41.24</td>
<td>55.06</td>
<td><strong>66.11</strong></td>
<td>60.88</td>
<td>64.05</td>
<td>63.00</td>
<td>-2.0</td>
</tr>
<tr>
<td>Broilers</td>
<td>77.60</td>
<td>82.90</td>
<td>79.90</td>
<td>86.60</td>
<td><strong>99.70</strong></td>
<td>97.50</td>
<td>-2.2</td>
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<tr>
<td>Milk</td>
<td>12.83</td>
<td>16.26</td>
<td>20.14</td>
<td>18.51</td>
<td>20.01</td>
<td><strong>21.20</strong></td>
<td>6.0</td>
</tr>
</tbody>
</table>

Prices in red denote record levels.

Source: Office of the Chief Economist, February 2014
Food CPI remains low

% change year/year

ERS forecast:
2.5-3.5% for 2014

Source: BLS
Farm income and land values
Net cash income

Bil $

Source: USDA-ERS
Farmland values

$/acre


Source: USDA-NASS
10-year Treasury yield

Source: Federal Reserve Bank of St. Louis
Debt as a percent of assets

Held by all farms

Held by farm businesses, by age of operator, 2012

Source: USDA-ERS