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United States Department of Agriculture

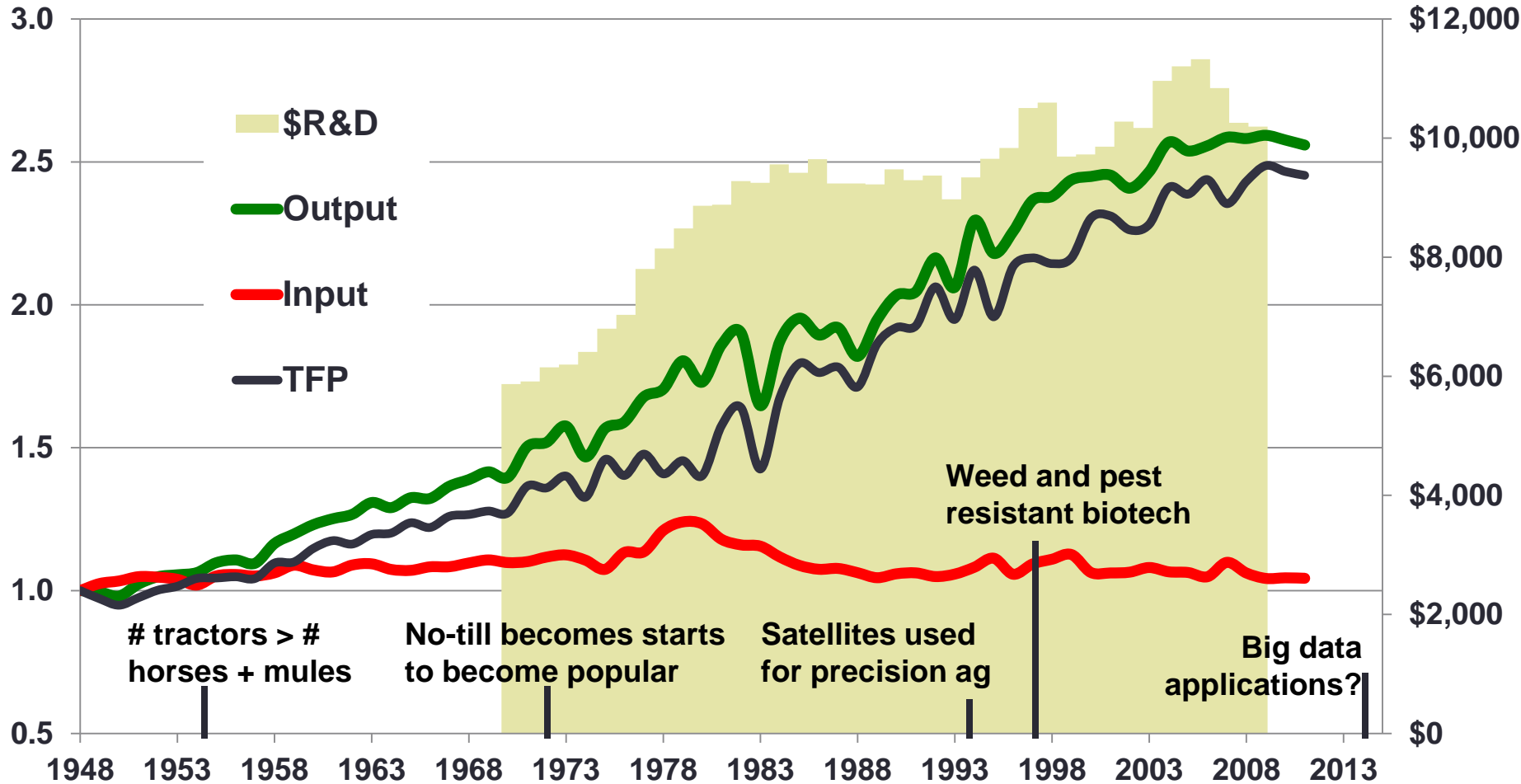
OUTLOOK FOR US AGRICULTURE

Rob Johansson
Acting Chief Economist
19 February 2015

Next boost to productivity: Big Data?

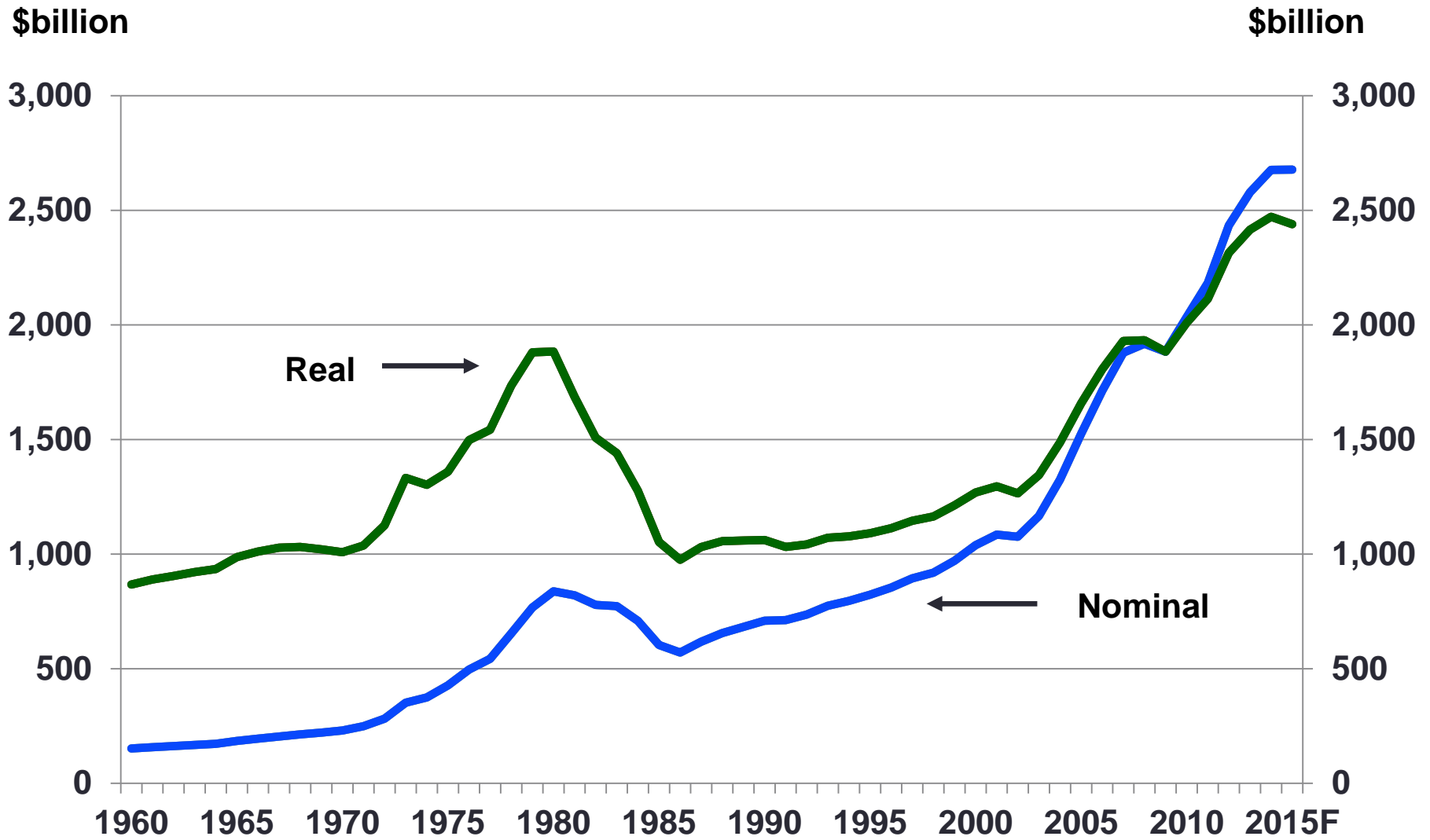
Index: 1948 = 1.0

\$million (2006 dollars)



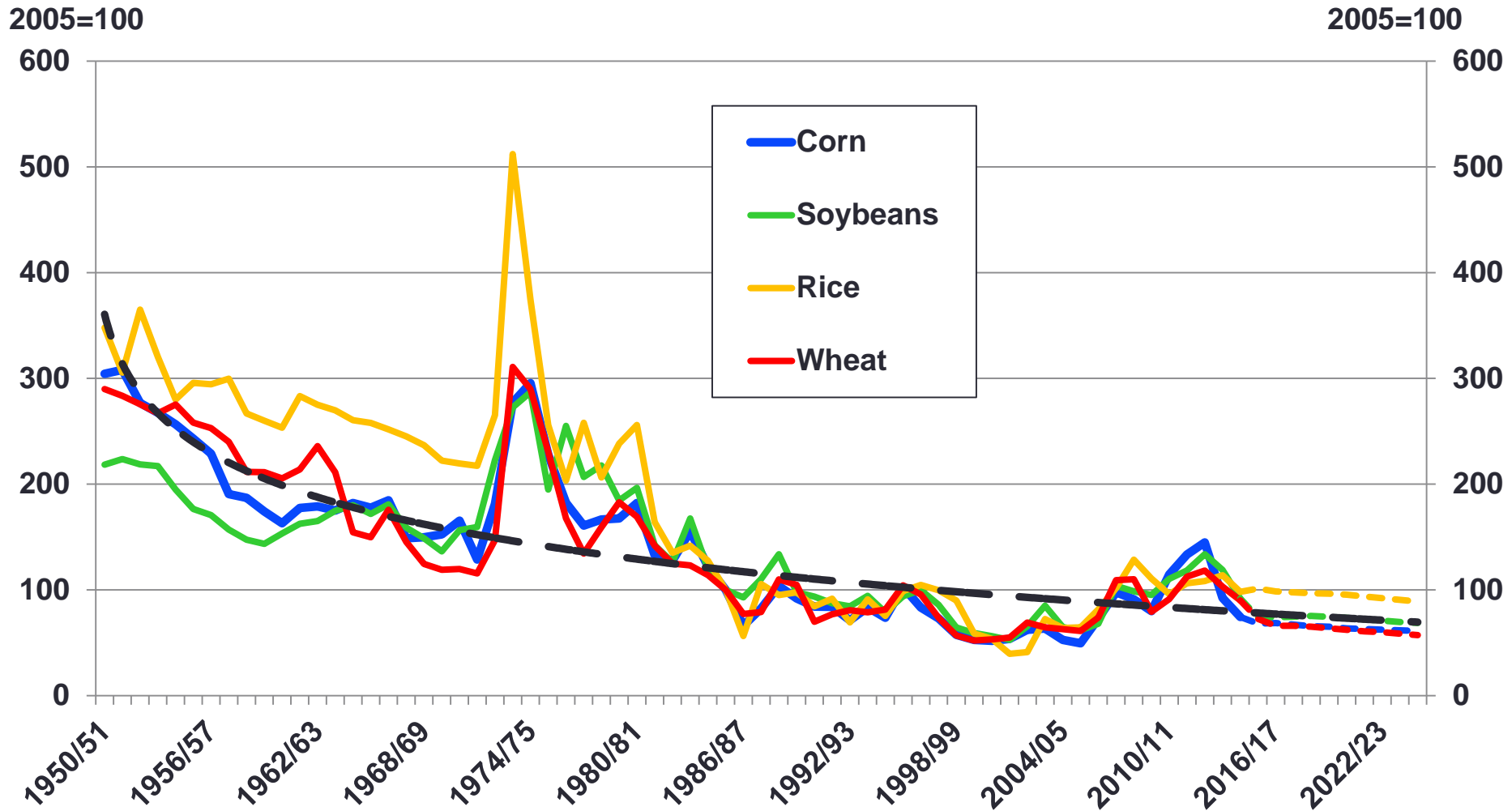
Source: USDA-ERS.

Record farm equity (net worth) in 2015



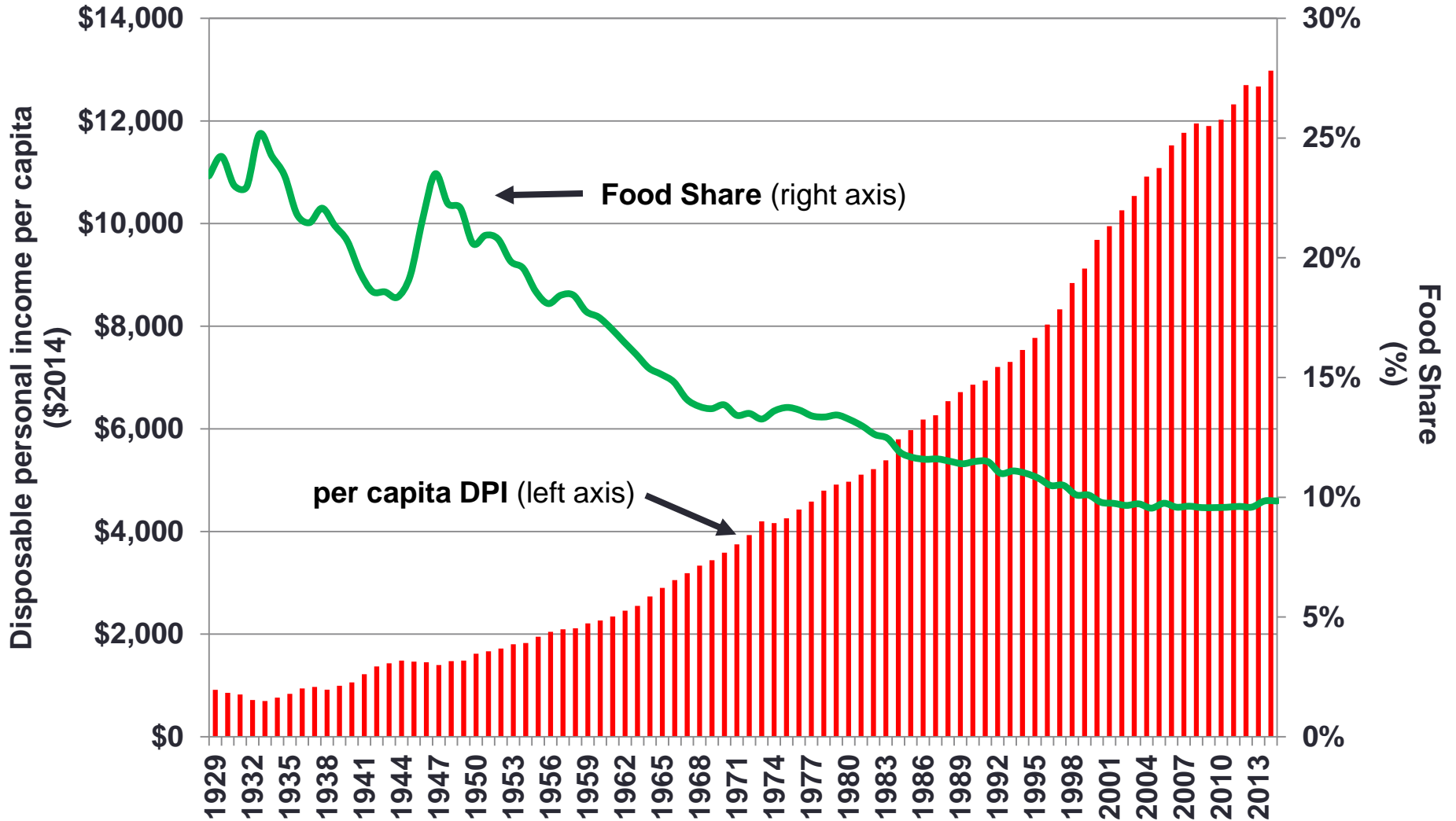
Data: USDA-ERS.

Real commodity prices have been trending down for the past 60+ years



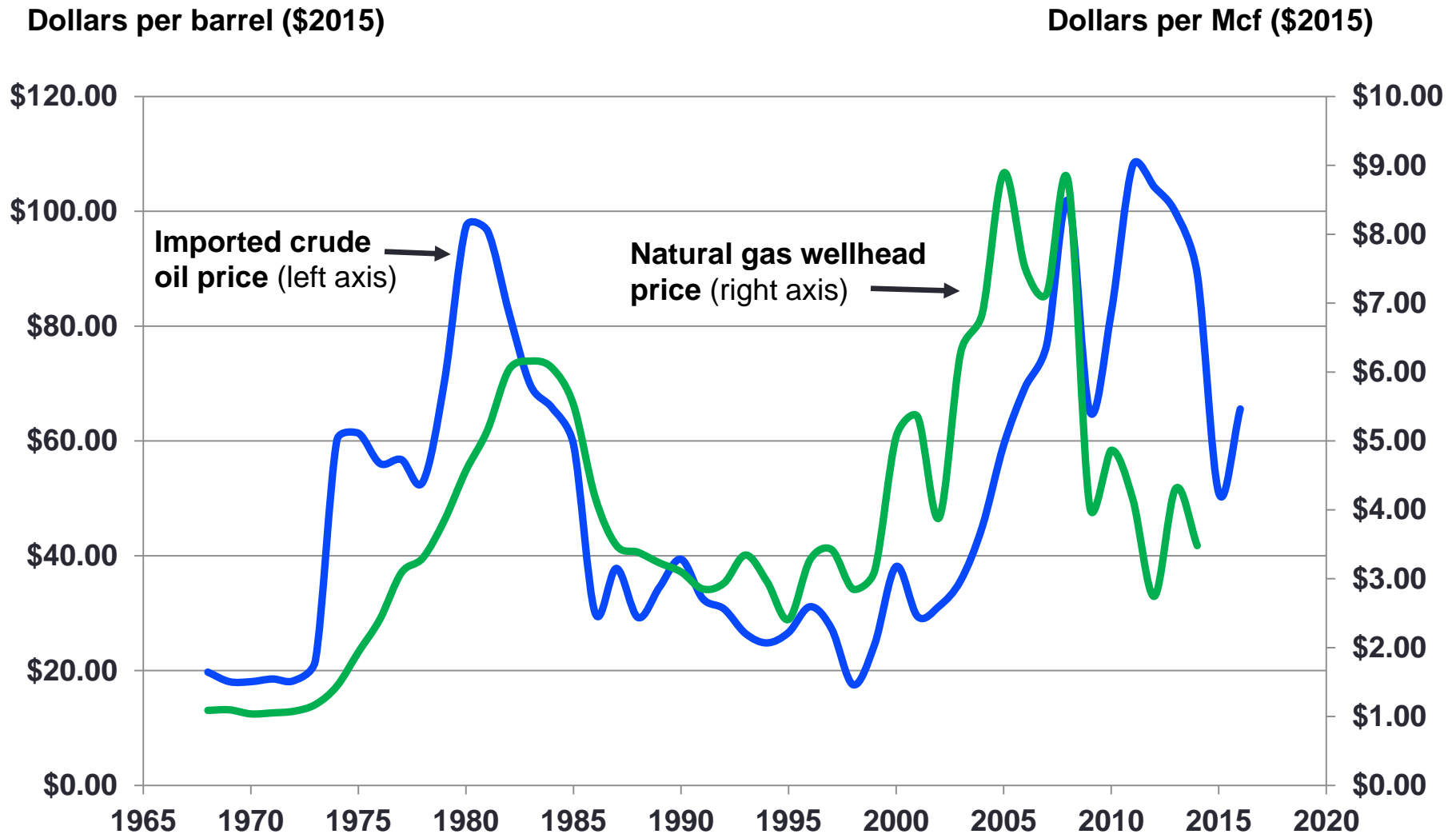
Source: USDA Agricultural Projections to 2024 and OCE, February 2015

Percent of income spent on food



Source: Schnepf (2013), BEA, USDA-ERS.

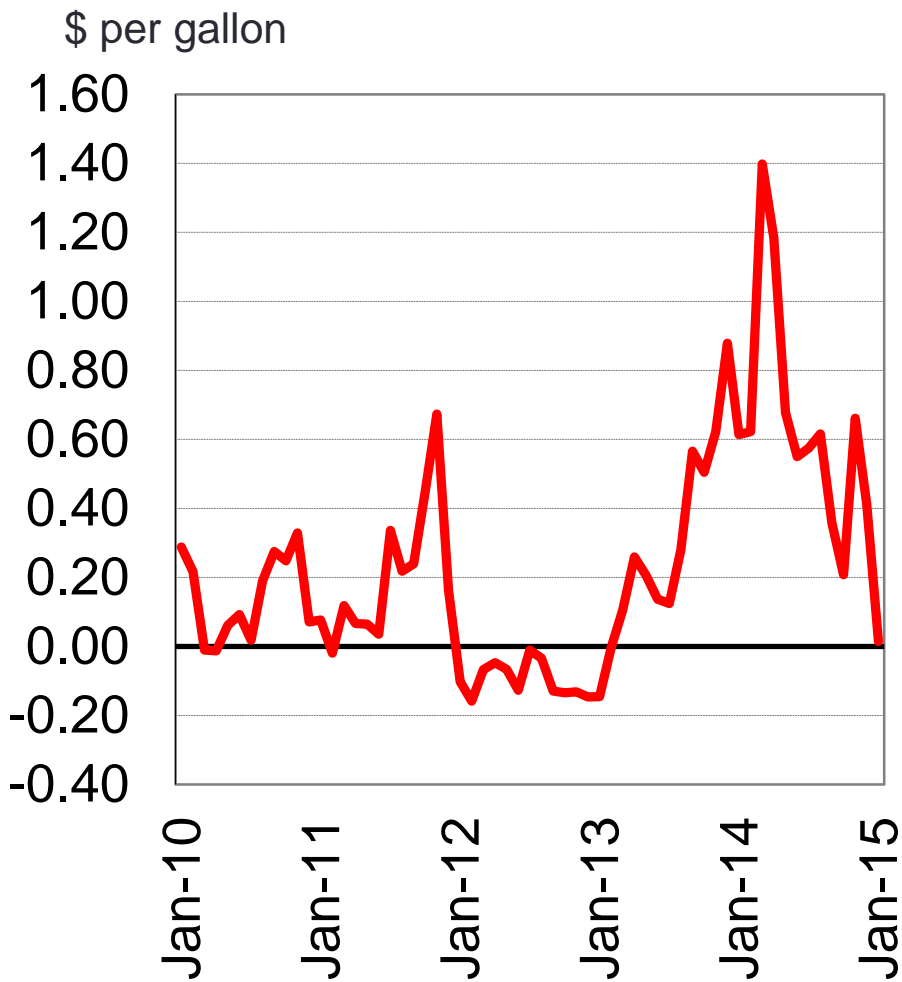
Recent declines in energy prices help bottom line



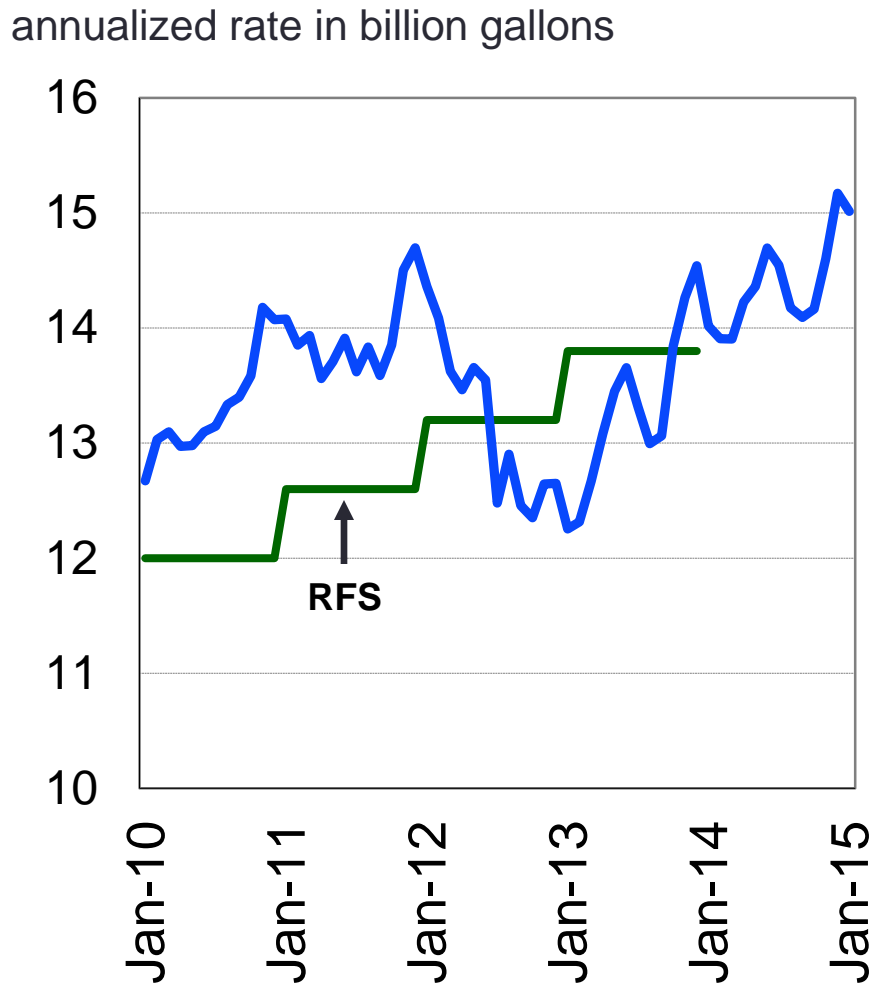
Source: EIA.

Ethanol margin tightens but production high

Ethanol Margin¹



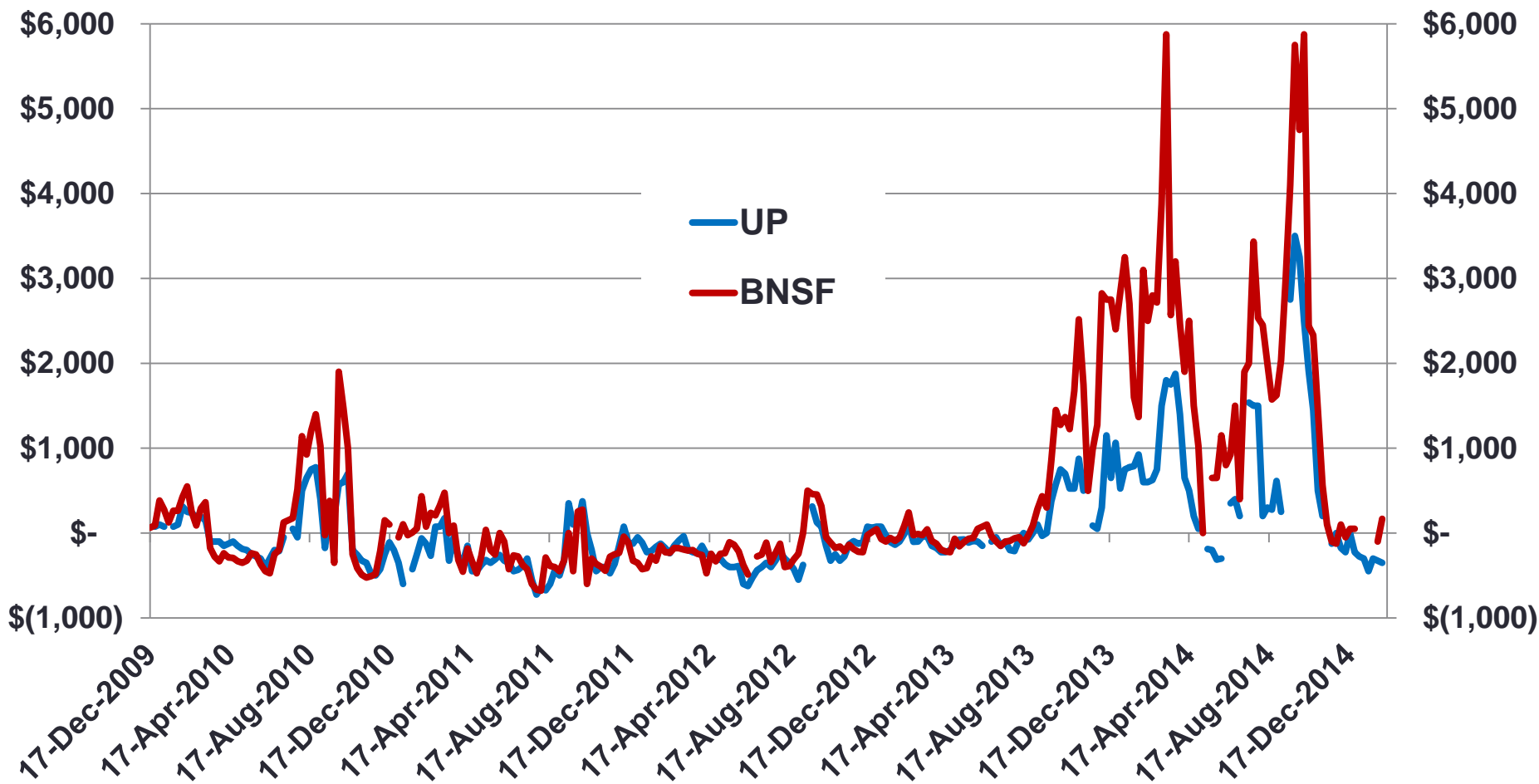
Ethanol Production²



Source: ¹ OCE calculations, AMS data for IA, NE, IL/eastern corn belt, ² Energy Information Agency.

Rail transport costs return to normal levels in 2015

Average secondary railcar shuttle market bids per car

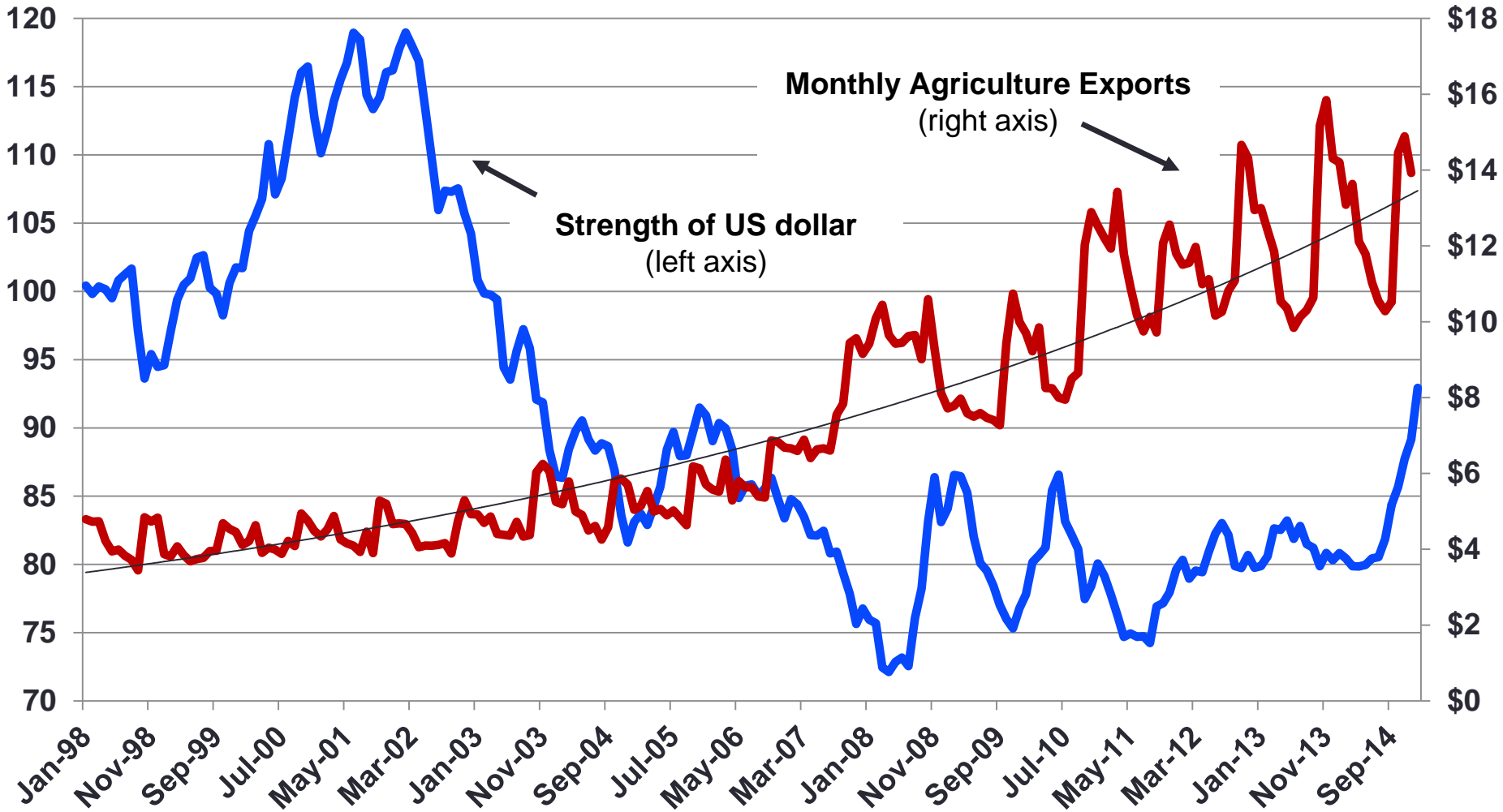


Source: USDA Grain Transportation Report

The dollar strengthens, but trade still trends up

2000 = 100

Billion dollars (nominal)

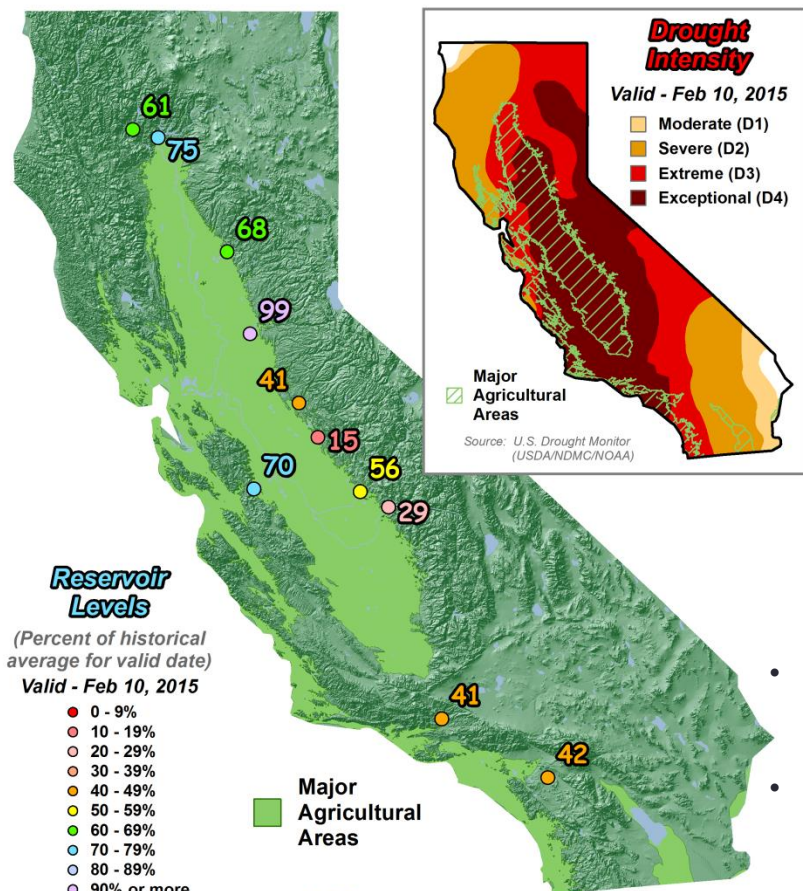


Source: InterContinental Exchange, USDA-ERS.

Drought outlook improves, but intensifies in Southwest

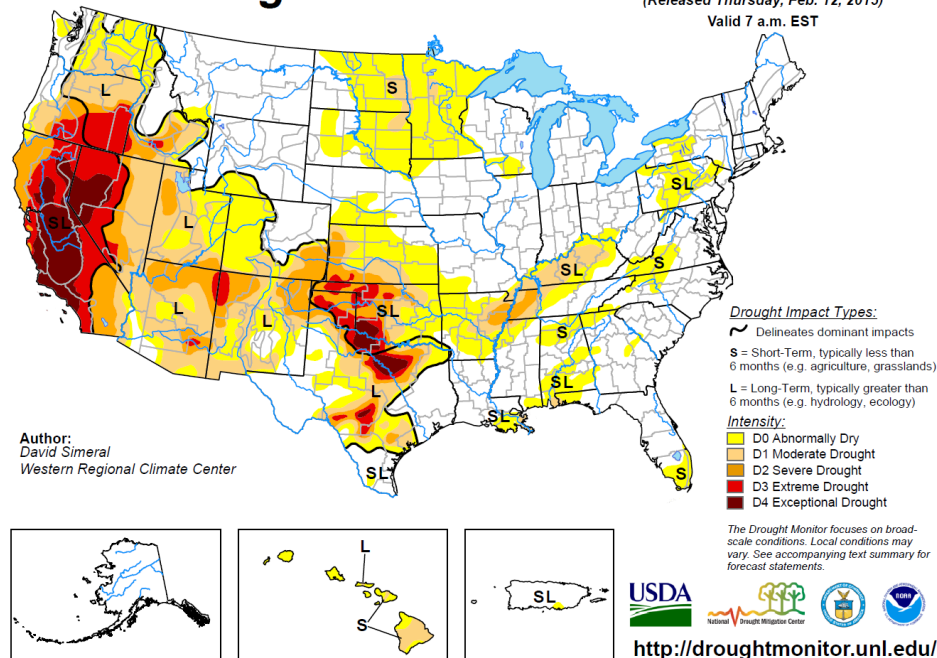
California Reservoir & Drought Monitor

Updated - February 12, 2015



U.S. Drought Monitor

February 10, 2015
(Released Thursday, Feb. 12, 2015)
Valid 7 a.m. EST



- Area of California in Extreme to Exceptional drought (D3-D4) rose since last year (approximately 67% vs. 61% on Feb 11, 2014);
- California statewide average snow water equivalent as of February 10, 2015 is 6" (27% of normal for this time of year and 19% of the April 1 end-of-season total. SOURCE: California Cooperative Snow Surveys).

Farm Bill implementation progressing

Signups for
Oct 2011-Dec 2014
livestock disaster
assistance

Base acre
reallocation;
Program yield
updates

**PLC, ARC-CO,
or ARC-Farm
election**

2014 and 2015
program year
enrollment

**First possible
2014 ARC/PLC
payments**

Apr 2014-Jan 2015

Nov 2014-Feb 2015

Nov 2014-Mar 2015

Apr-summer 2015

Oct 2015

Apr 2014

Sept 2014-Dec 2015

Jan-Mar 2015

Apr 2015

Spring 2016

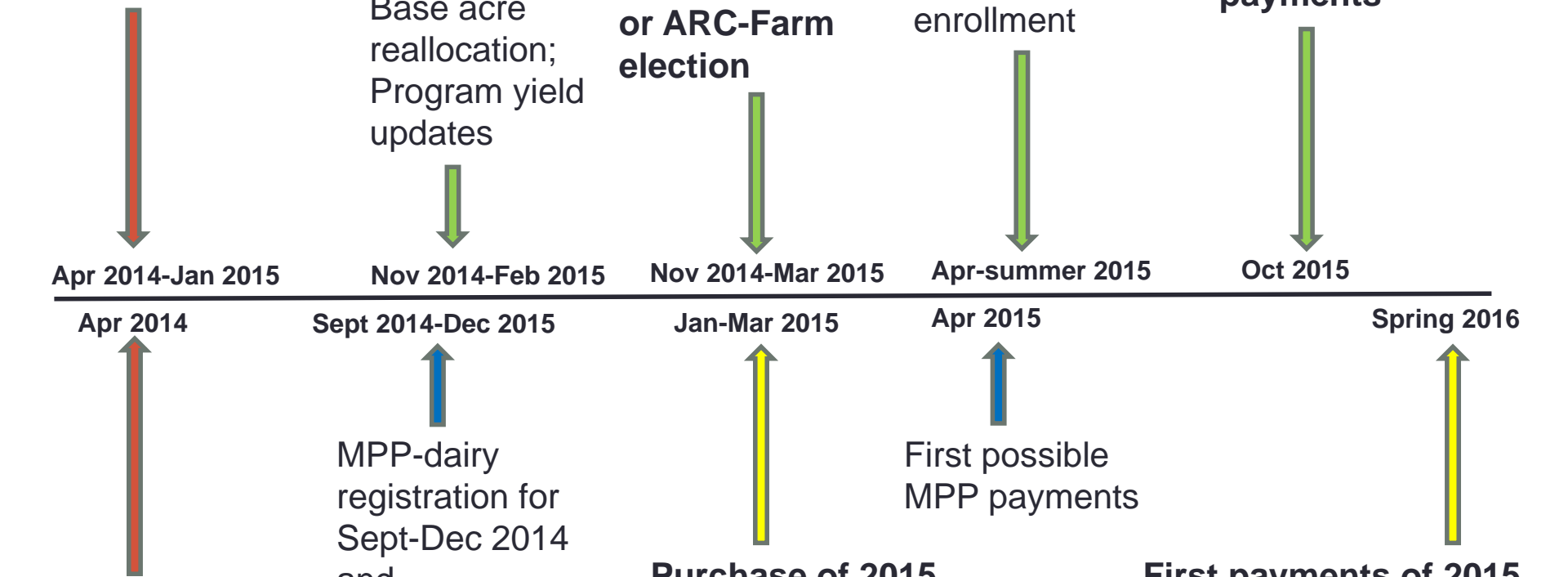
First payments
for 2011-2014
livestock disaster
assistance

MPP-dairy
registration for
Sept-Dec 2014
and
calendar 2015

**Purchase of 2015
crop insurance,
SCO, and STAX
policies**

First possible
MPP payments

**First payments of 2015
crop insurance, SCO,
and STAX indemnities**

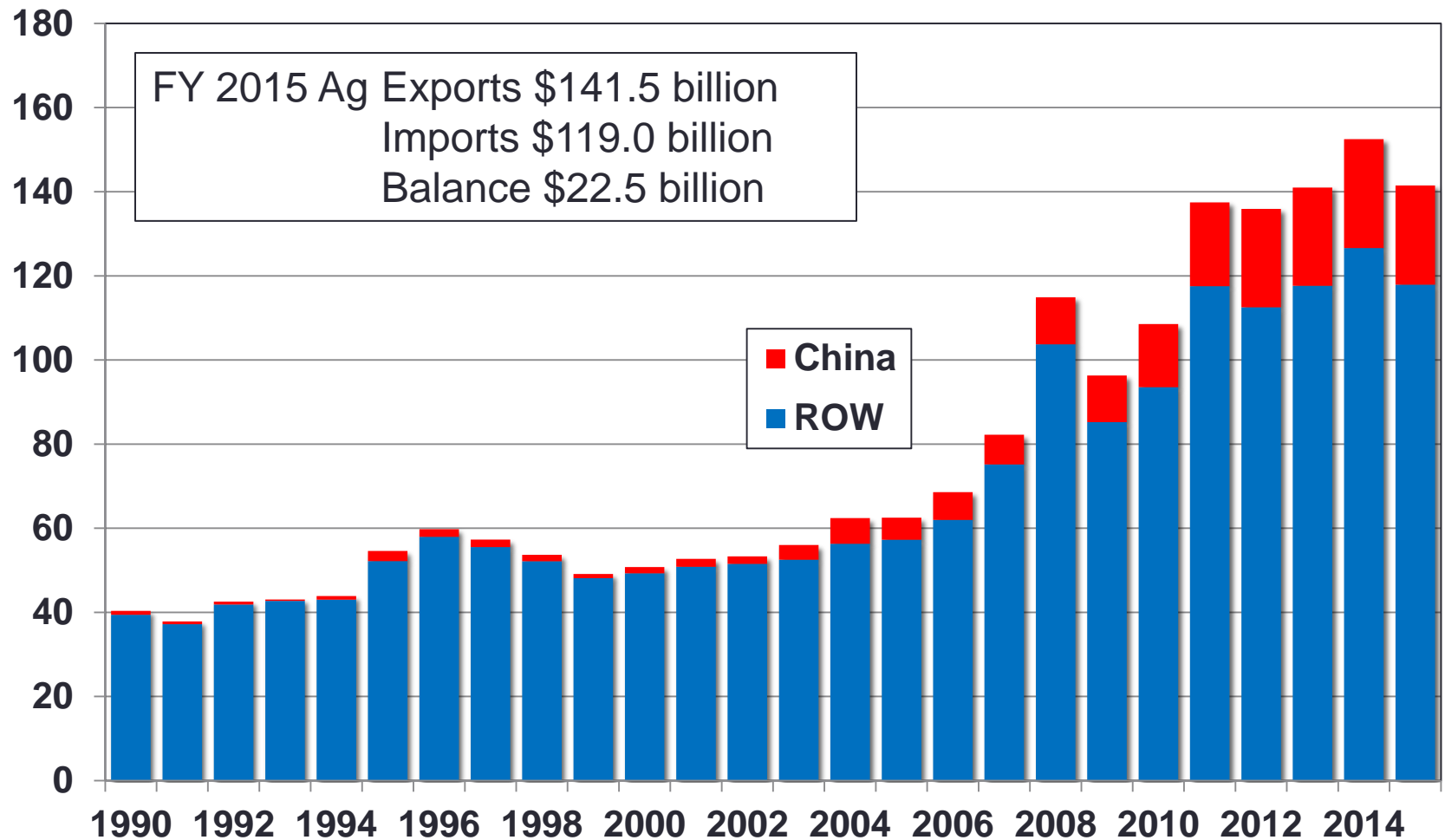


Ag Trade Outlook



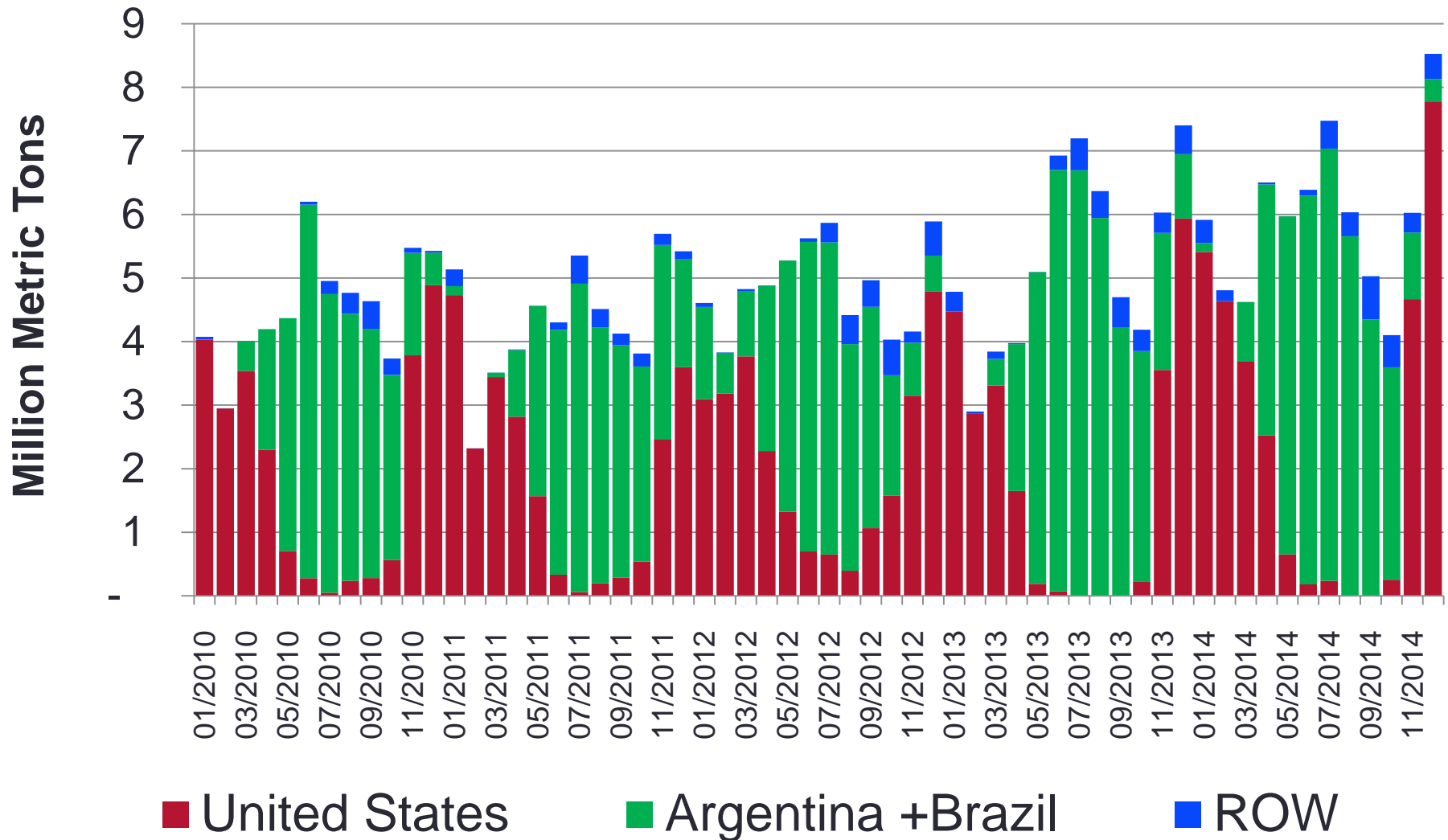
Second highest year for exports expected; China remains top destination

\$billion



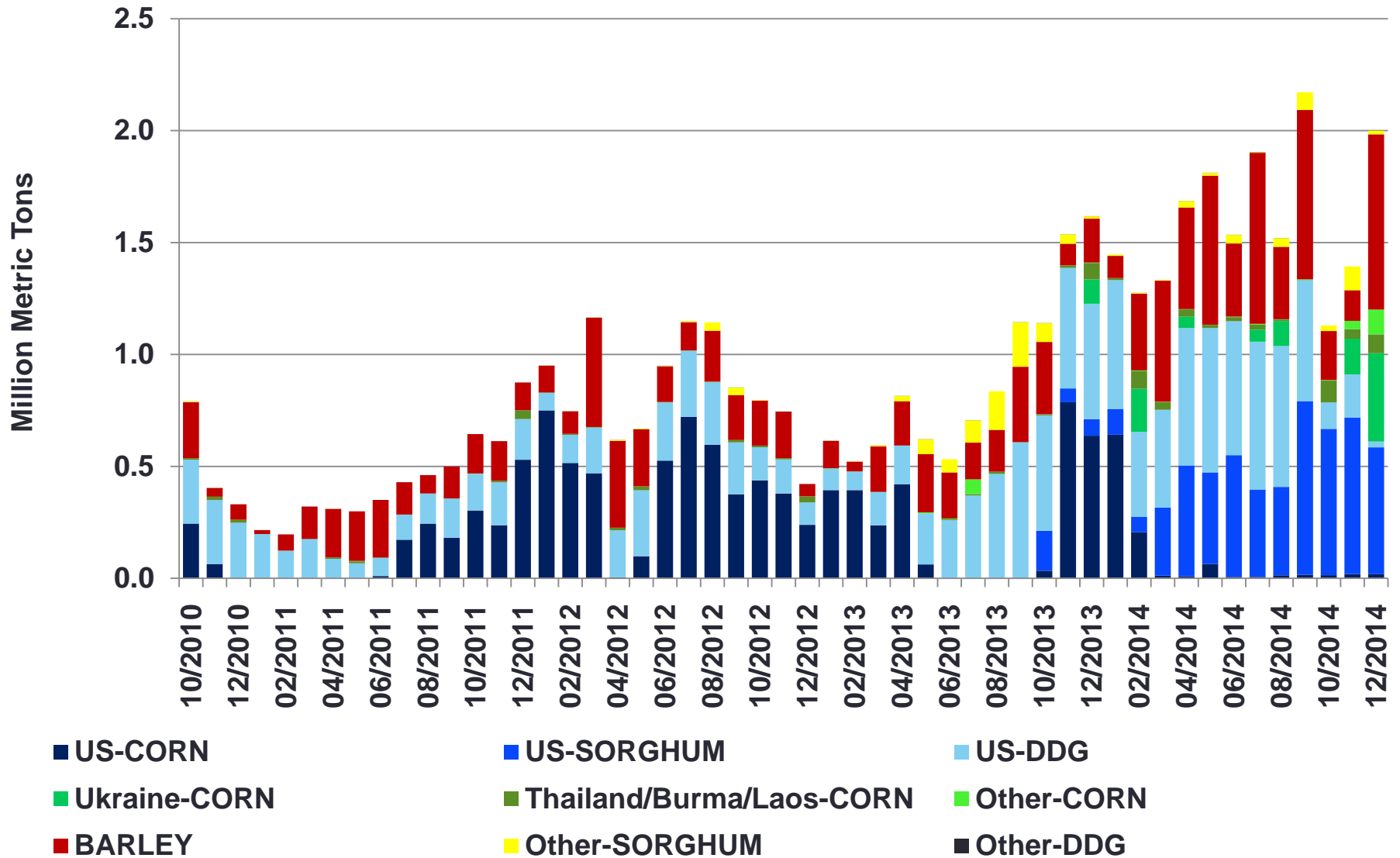
Source: USDA (ERS-FAS) *Outlook for U.S. Agricultural Trade*

Monthly Chinese soybean imports



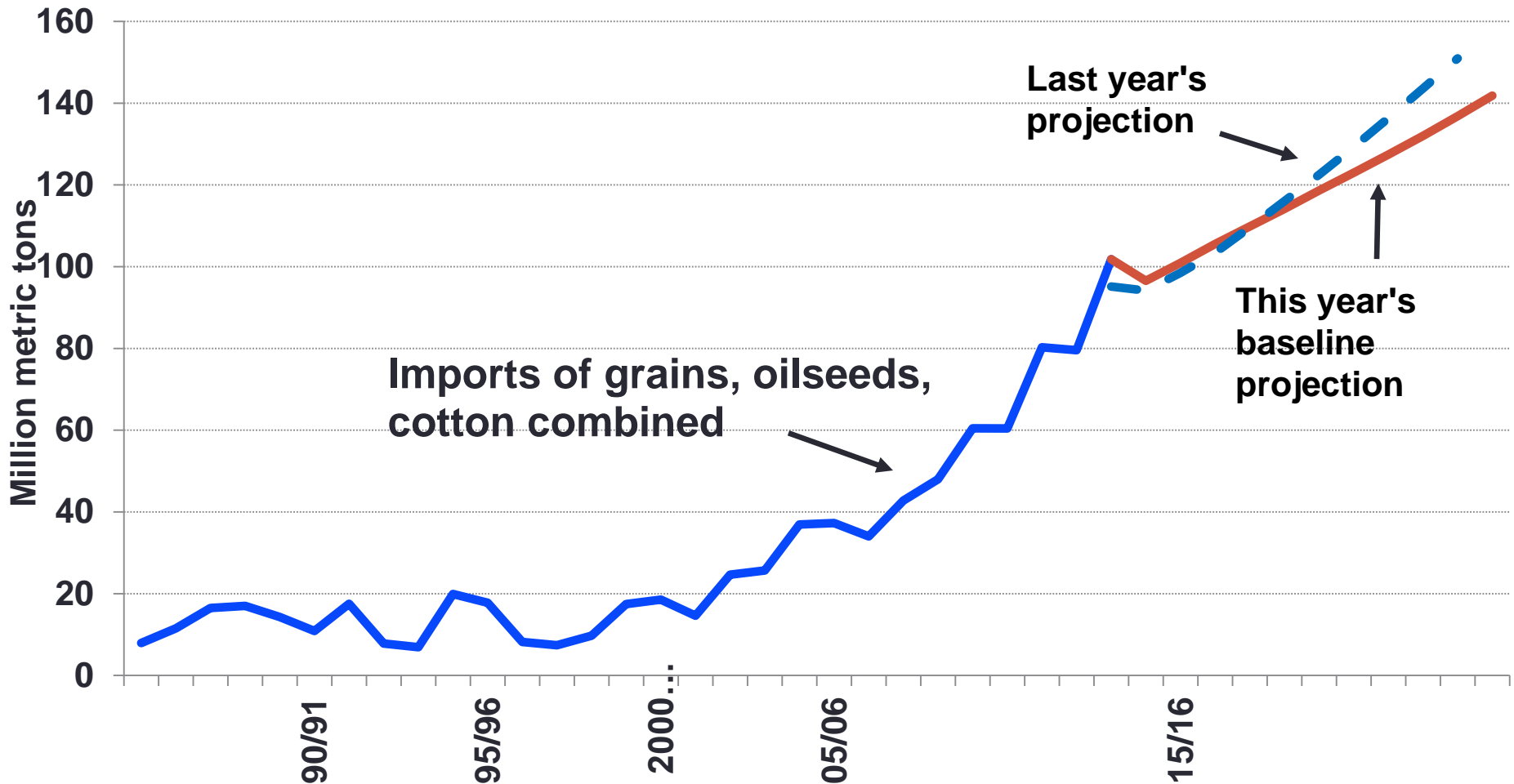
Source: Global Trade Information Services (GTIS)

Monthly Chinese corn/barley/sorghum imports



Source: Global Trade Information Services (GTIS)

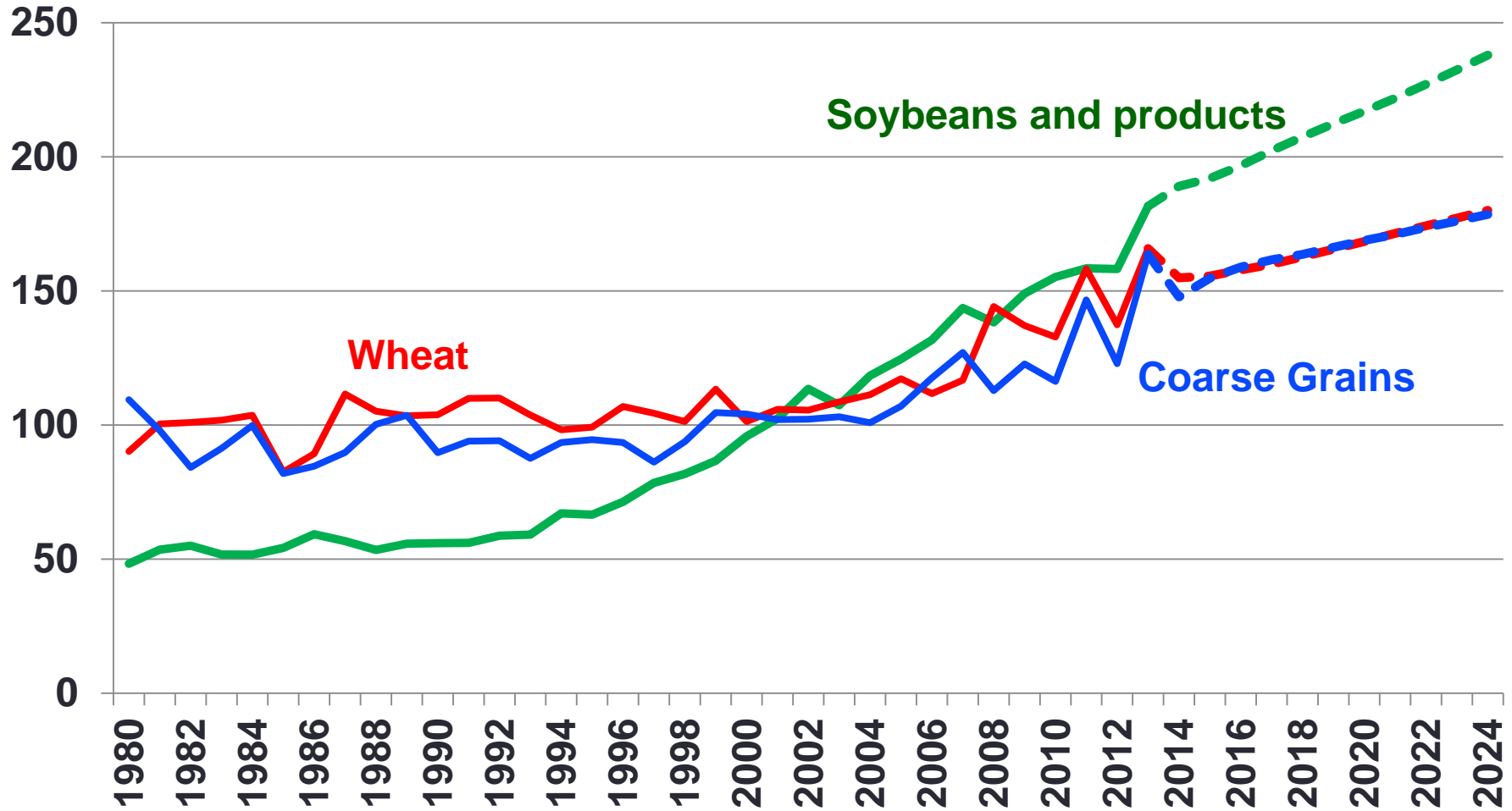
Projections down slightly for China imports, but still increasing



Source: USDA Agricultural Projections to 2024

Global trade growth is expected to continue

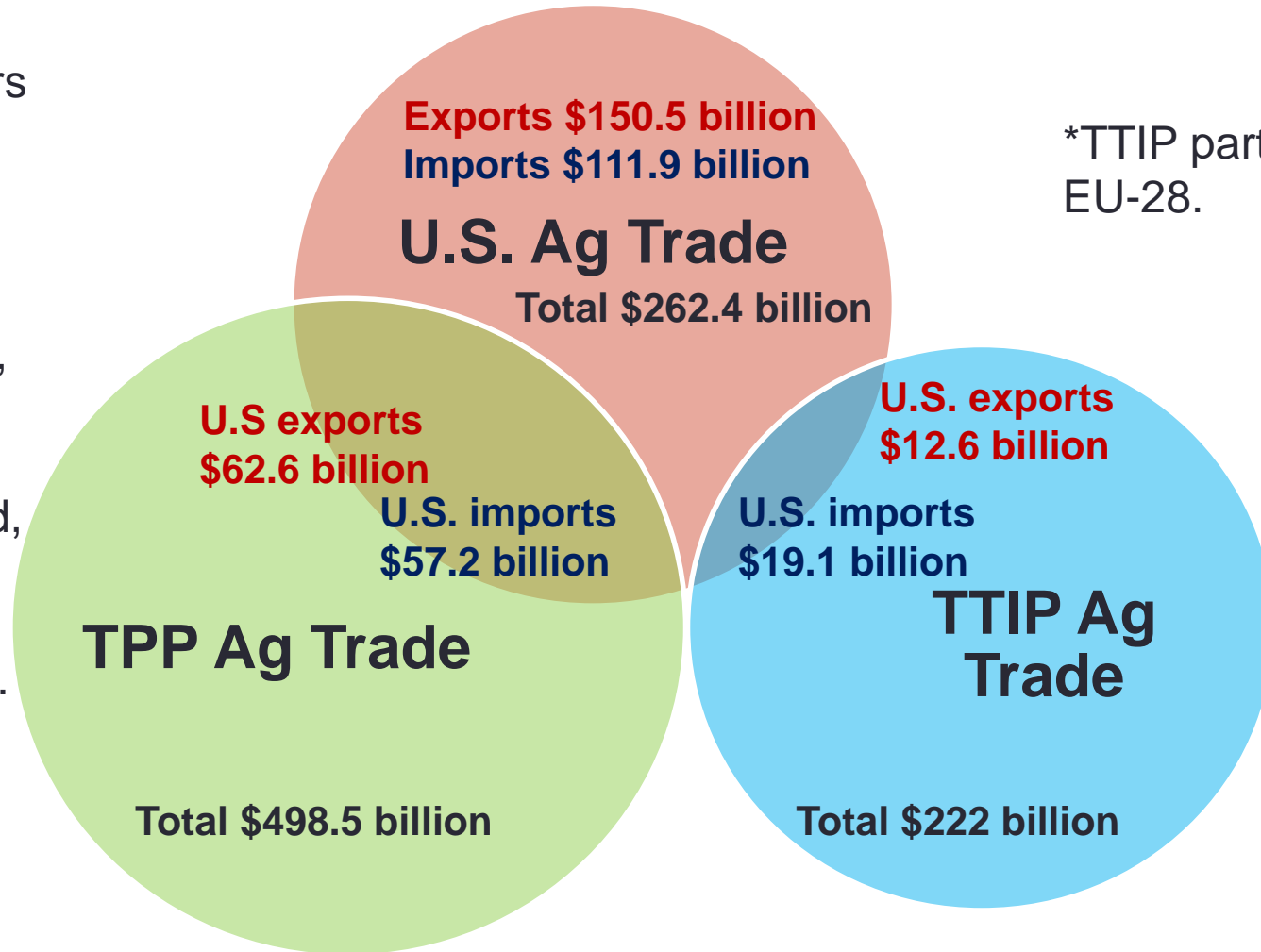
million metric tons



TPP* and TTIP*: Room to grow

*TPP partners include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

*TTIP partner is EU-28.



Outlook for Crops



Global grain ending stocks build strength

Crop	Average 2000-2003	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	<i>Days of use</i>							
Wheat	112	97	113	111	104	93	98	101
Corn	82	69	65	56	57	58	67	71
Rice	115	77	79	82	86	86	82	75
Soybeans	74	71	93	103	77	80	89	113
Cotton	190	206	145	160	259	305	340	360

Numbers in **red** denote record levels.

Corn, wheat, and soybean prices still historically strong, given record output

	2000-2003 average	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16F
Wheat	3.09	6.78	4.87	5.70	7.24	7.77	6.87	6.00	5.10
Corn	2.14	4.06	3.55	5.18	6.22	6.89	4.46	3.65	3.50
Soybeans	5.45	9.97	9.59	11.30	12.50	14.40	13.00	10.20	9.00
Upland Cotton	46.48	47.80	62.90	81.50	88.30	72.50	77.90	61.00	60.00
All Rice	5.61	16.80	14.40	12.70	14.50	15.10	16.30	14.00	13.10

Wheat, corn and soybeans in dollars per bushel; rice in dollars per hundredweight; upland cotton in cents per pound.

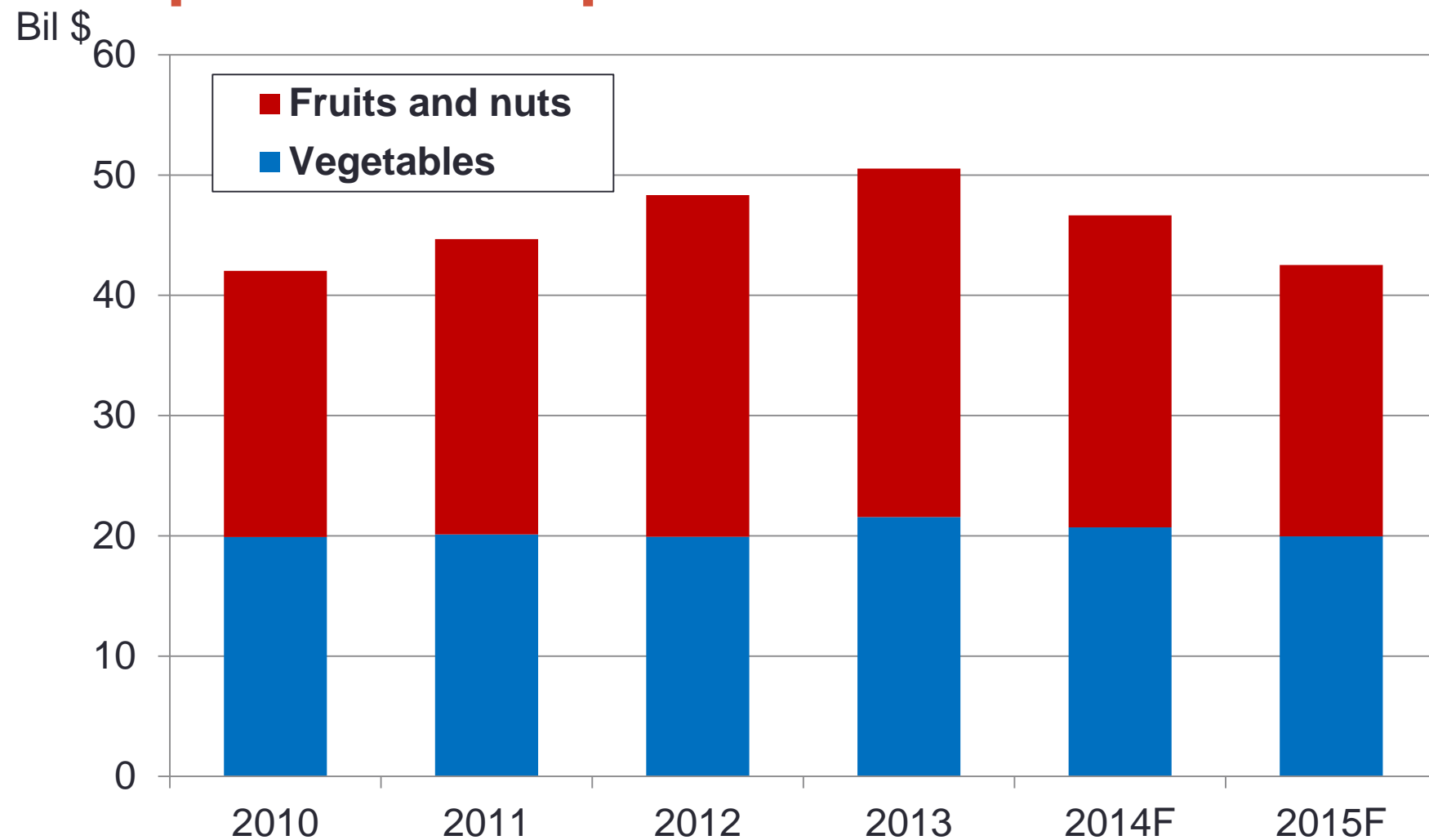
Numbers in red denote record levels.

Cropland area expected to remain high in 2015, but down from last year

Crop (mil. acres)	2009	2010	2011	2012	2013	2014	2015F	Percent change
Corn	86.4	88.2	91.9	97.2	95.4	90.6	89.0	-1.8%
Soybeans	77.5	77.4	75.0	77.2	76.8	83.7	83.5	-0.2%
Wheat	59.0	52.6	54.3	55.3	56.2	56.8	55.5	-2.3%
All cotton ¹	9.1	11.0	14.7	12.3	10.4	11.0	9.7	-12.1%
Minor feed grains	13.5	11.4	10.4	12.6	14.6	12.8	14.0	9.1%
Rice	3.1	3.6	2.7	2.7	2.5	2.9	2.9	-1.3%
Total 8 crops ¹	248.7	244.2	249.0	257.4	255.9	257.9	254.6	-1.3%
CRP	33.7	31.3	31.1	29.5	26.8	25.5	24.2	-5.1%
8 crops + CRP ¹	282.4	275.5	280.2	286.9	282.8	283.5	278.8	-1.6%

Source: USDA-World Ag Outlook Board ¹all cotton, includes both upland and ELS cotton

Specialty crop revenues expected to drop in 2015



Livestock outlook

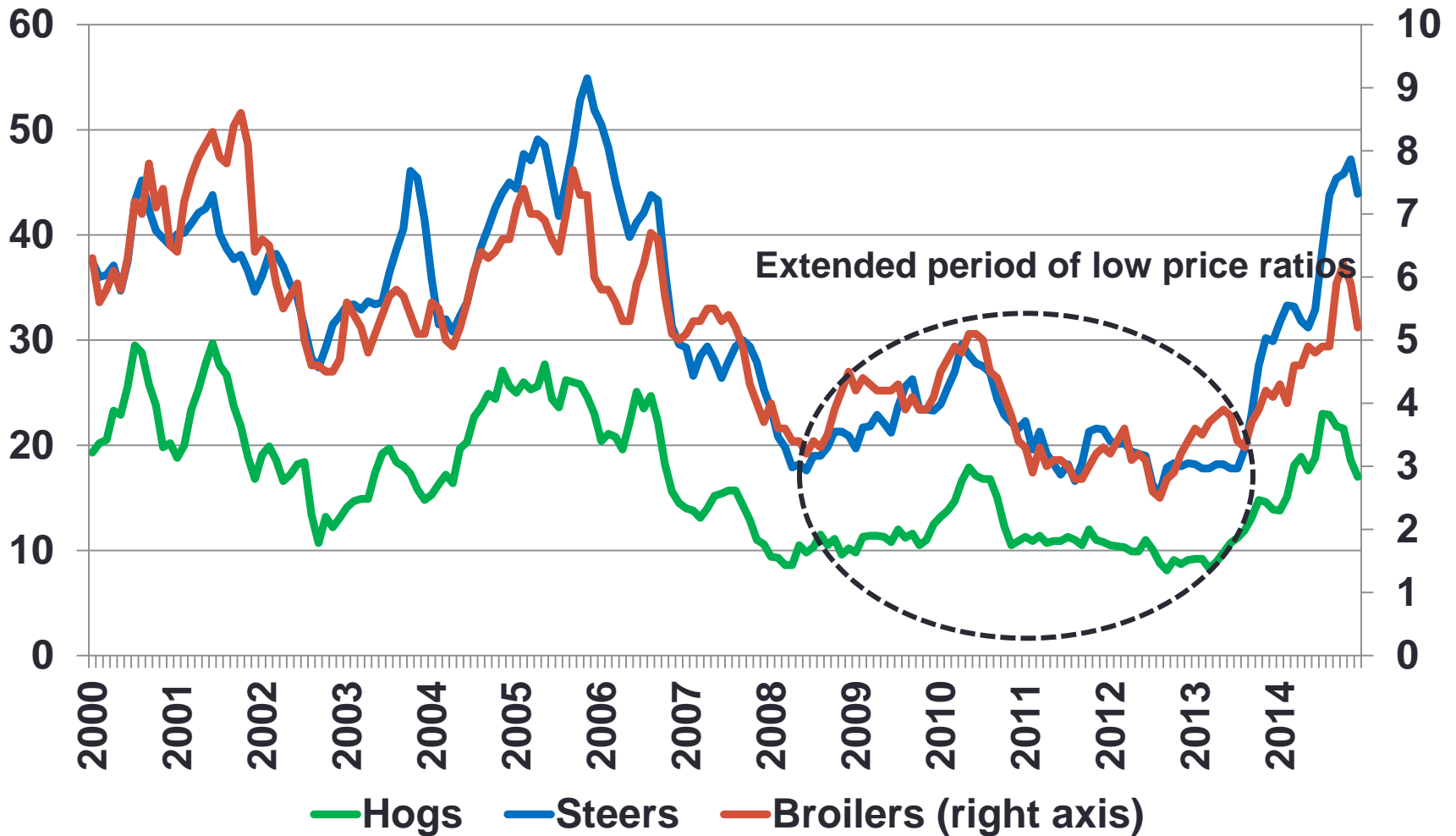


Pork, dairy and poultry production higher in 2015

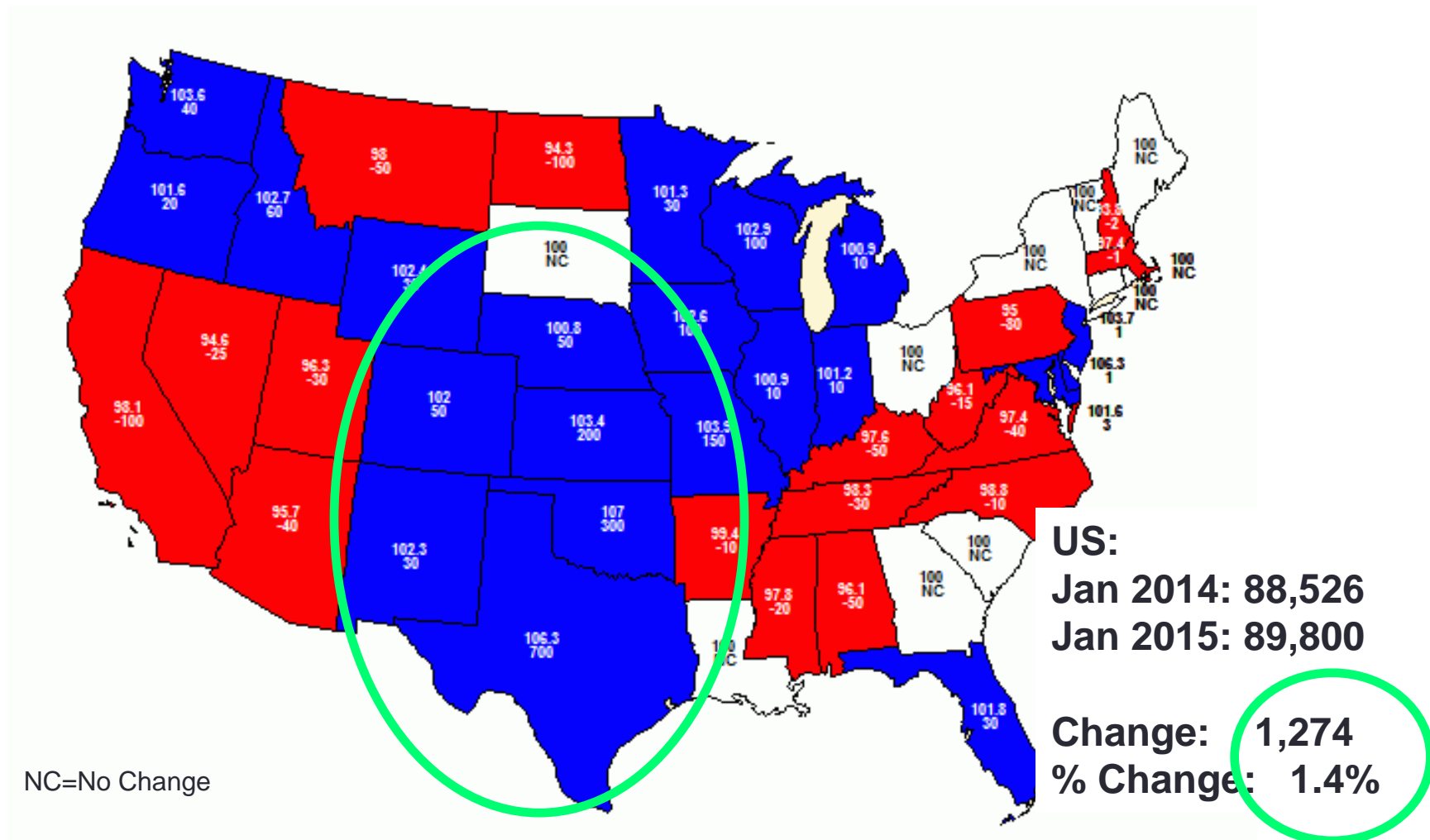
Animal products	2010	2011	2012	2013	2014	2015F	% Change 2015/14
Billion Pounds							
Beef	26.30	26.20	25.91	25.72	24.25	24.22	-0.1%
Pork	22.44	22.76	23.25	23.19	22.84	24.09	5.5%
Broilers	36.91	37.20	37.04	37.83	38.55	39.95	3.6%
Total Meat	92.10	92.75	92.96	93.33	92.17	95.13	3.2%
Billion Pounds							
Milk	192.9	196.3	200.6	201.2	206.0	211.5	2.7%

Prices in red denote record levels.

Feed price ratios improved since 2013



Cattle inventory up – January 2015

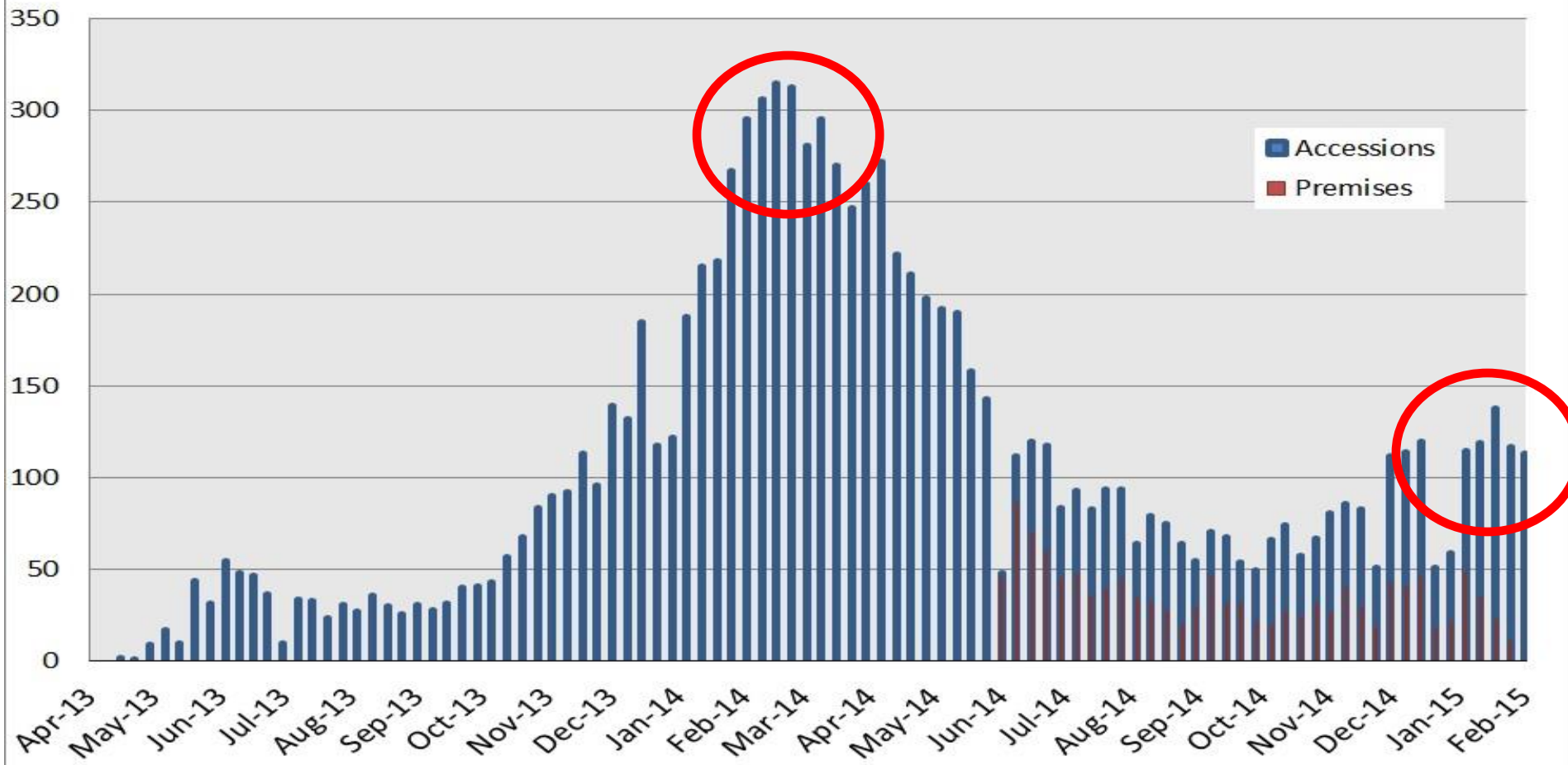


US:
 Jan 2014: 88,526
 Jan 2015: 89,800

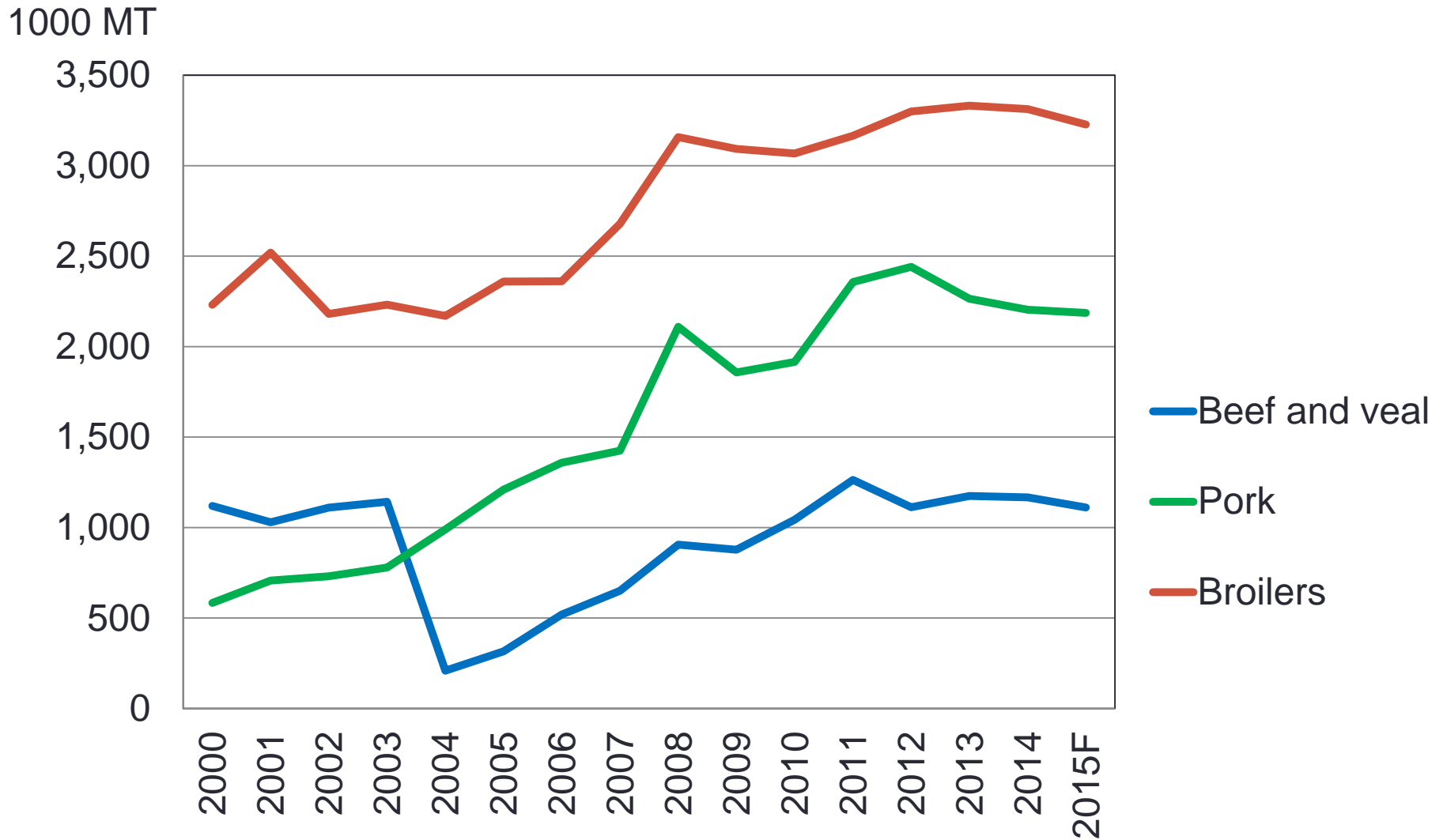
Change: 1,274
% Change: 1.4%

Year-over-year declines in PEDv

New PEDv Case Reports by Week



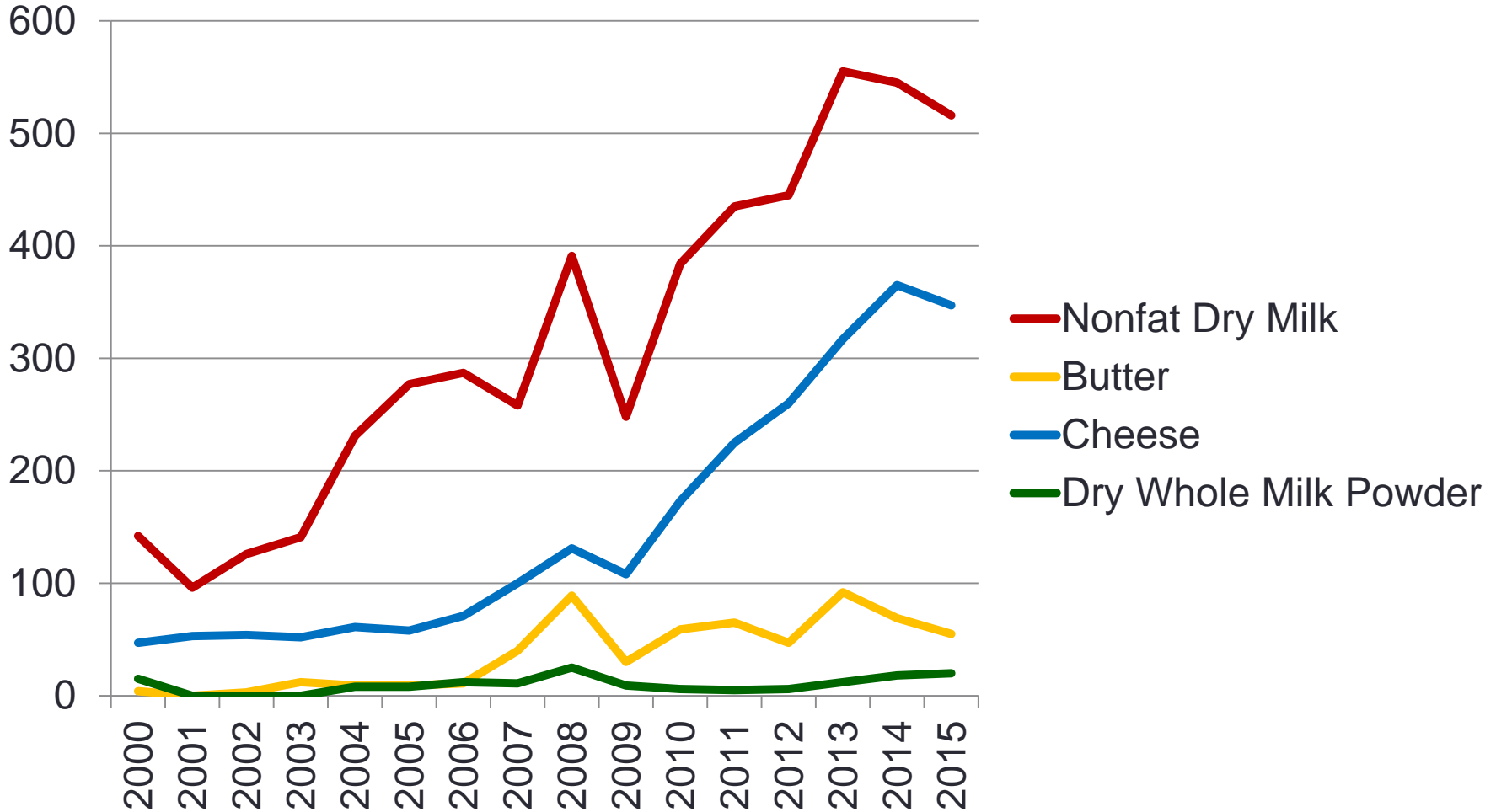
Meat exports expected to remain high



Source: USDA PSD database

Dairy exports remain high, but down from 2014

1000 MT



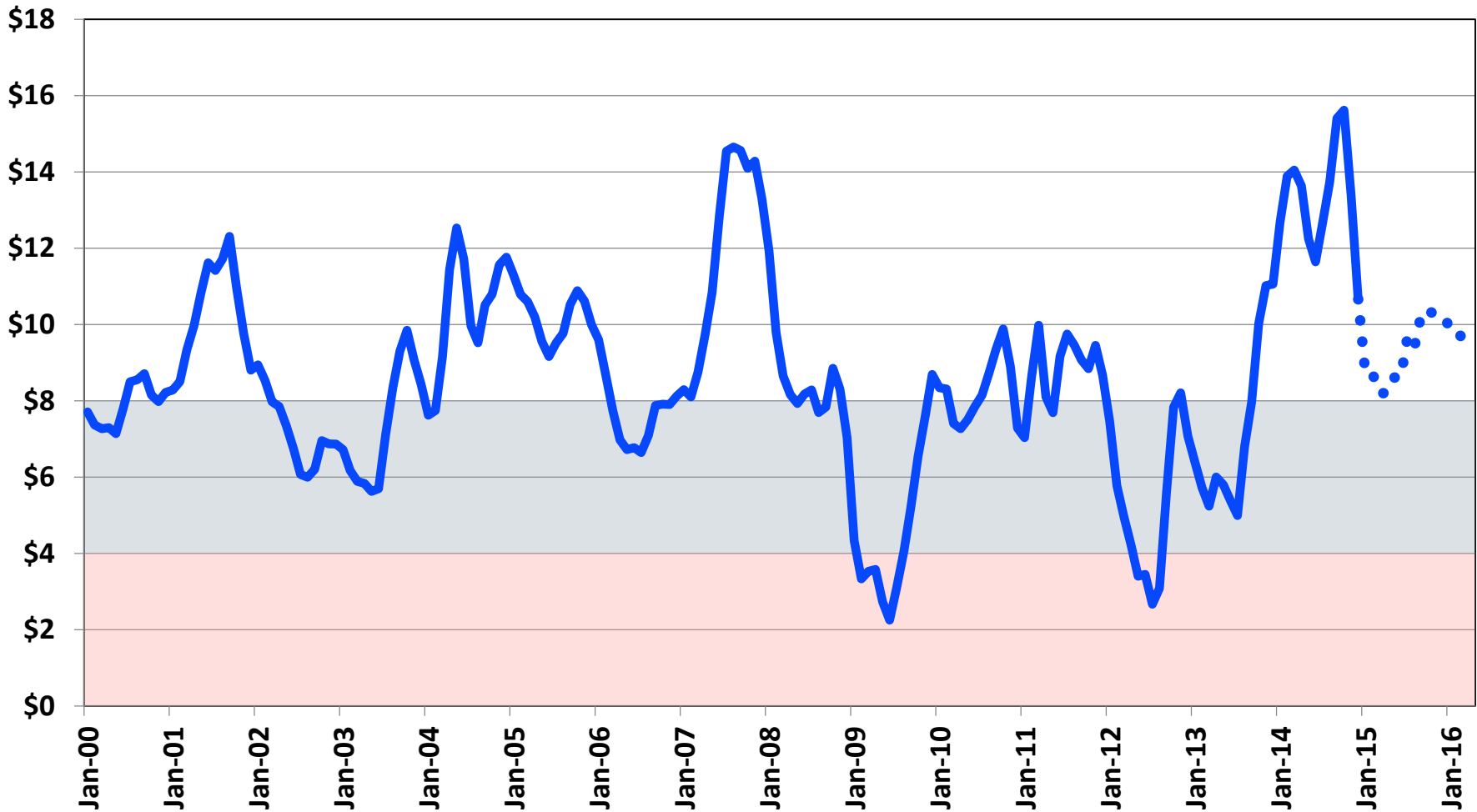
Hog, dairy, and broiler prices expected to come down from 2014; cattle prices rise

Animal products	2010	2011	2012	2013	2014	2015F	% Change 2015/14	
	Dollars per cwt							
Steers	95.38	114.73	122.86	125.89	154.56	162.00	4.8%	
Hogs	55.06	66.11	60.88	64.05	76.03	56.00	-26.3%	
Broilers	83.10	79.90	86.60	99.70	104.90	100.30	-4.4%	
Milk	16.26	20.14	18.52	20.05	23.98	17.75	-26.0%	

Prices in red denote record levels.

Dairy margins nearing \$8 per cwt

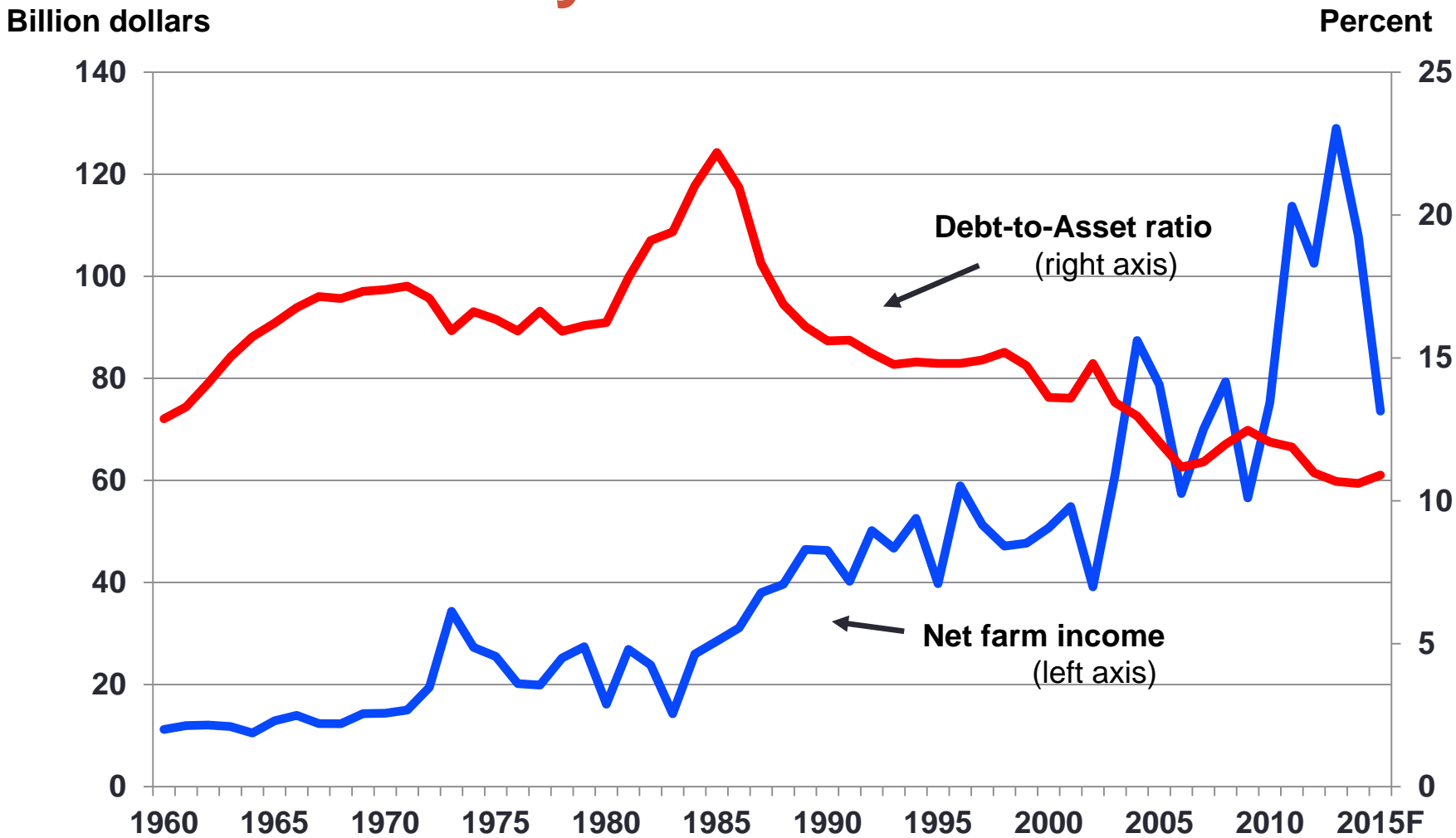
\$ per cwt



Farm income and land values



Net farm income is down, but debt-to-assets remain historically low

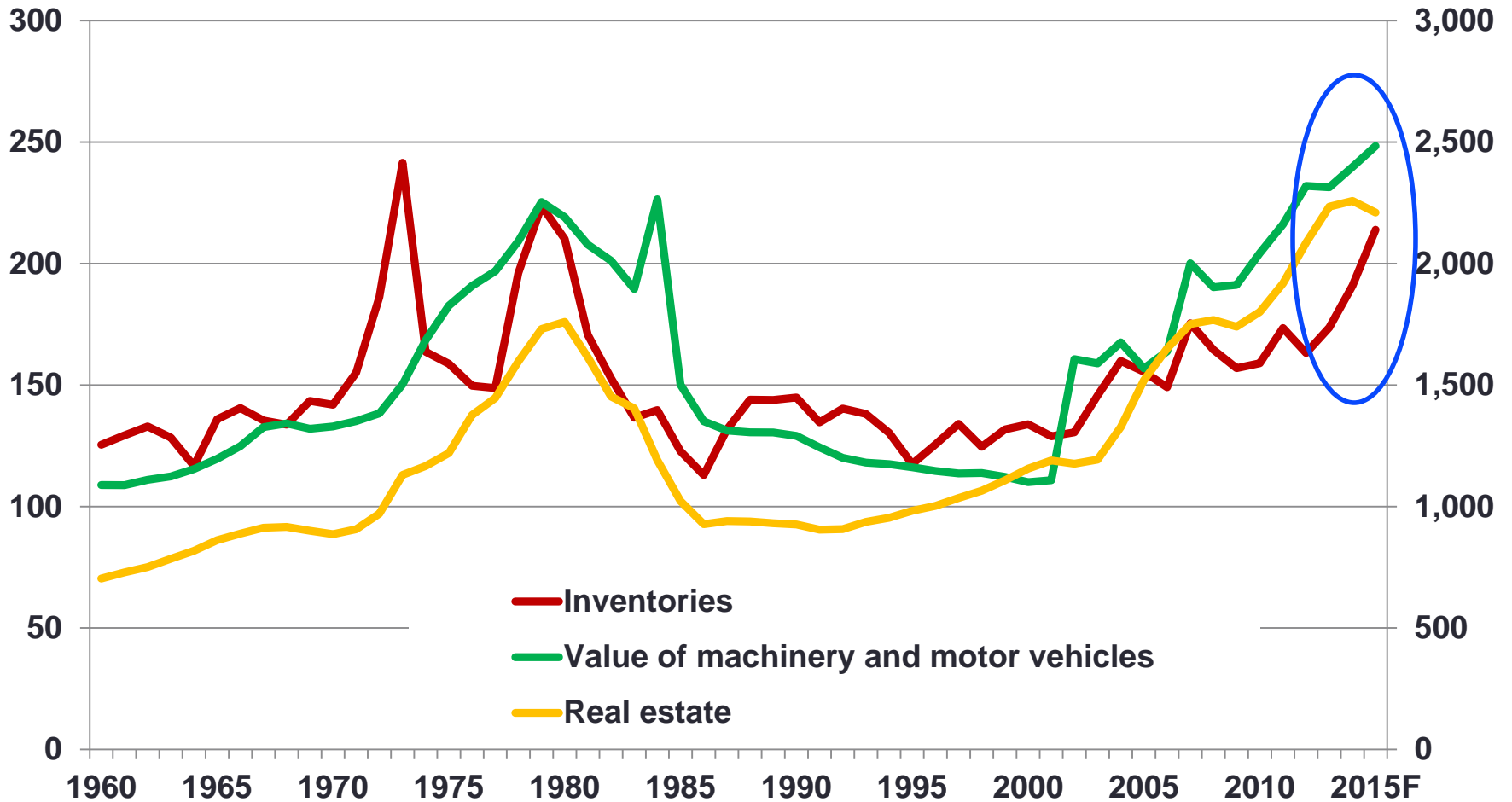


Data: USDA-ERS.

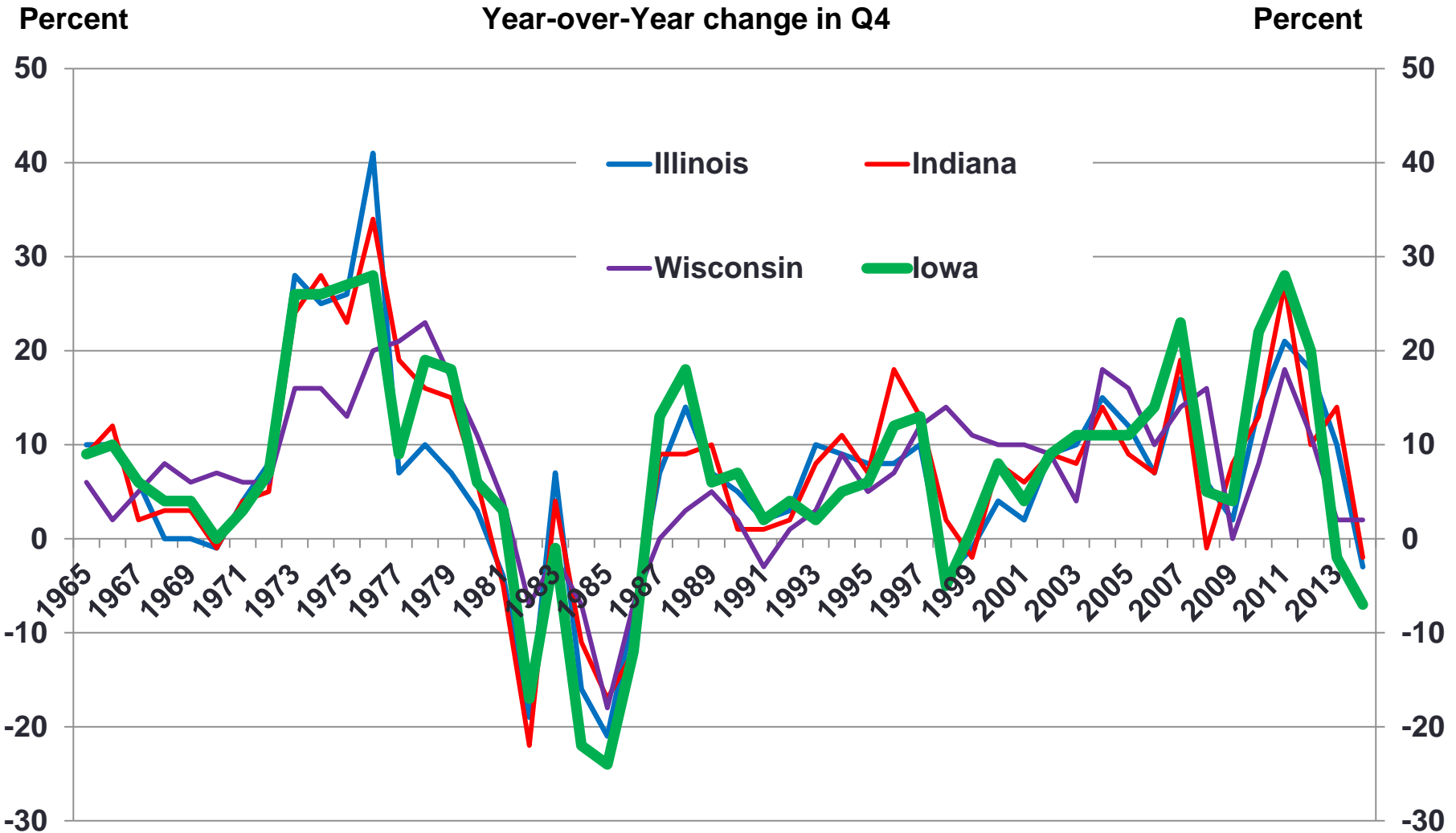
High farm incomes in 2012-14 were used to purchase land, inventory, and machinery

Billion dollars (\$2009)

Billion dollars (\$2009)



Farmland values coming down in some areas



Data: Federal Reserve Bank Chicago.

Outlook for Food Prices



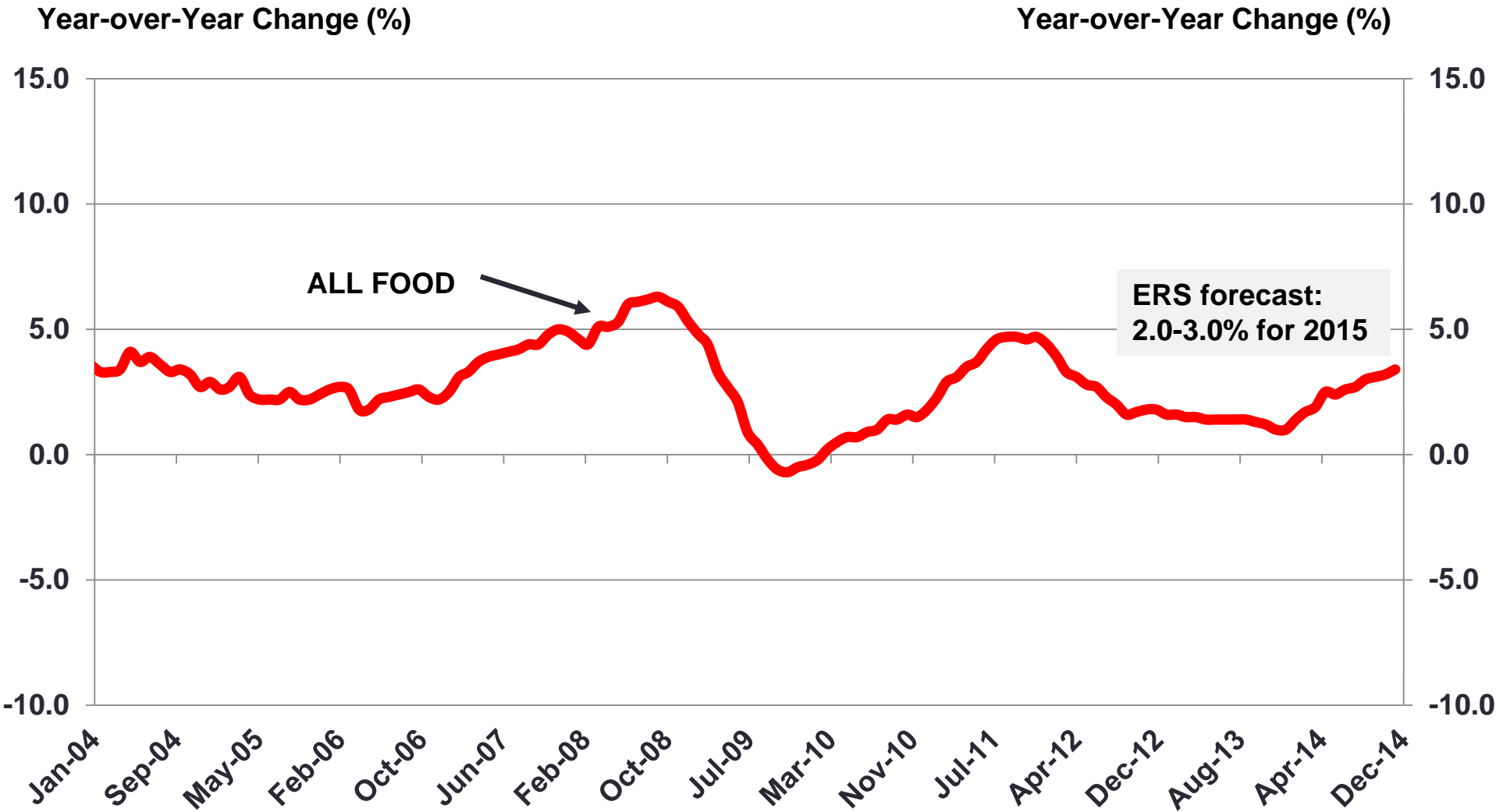
Green Onions
(Scallions)

99¢

Bulk Baby Spinach

\$4.99
lb.

Food CPI remains low

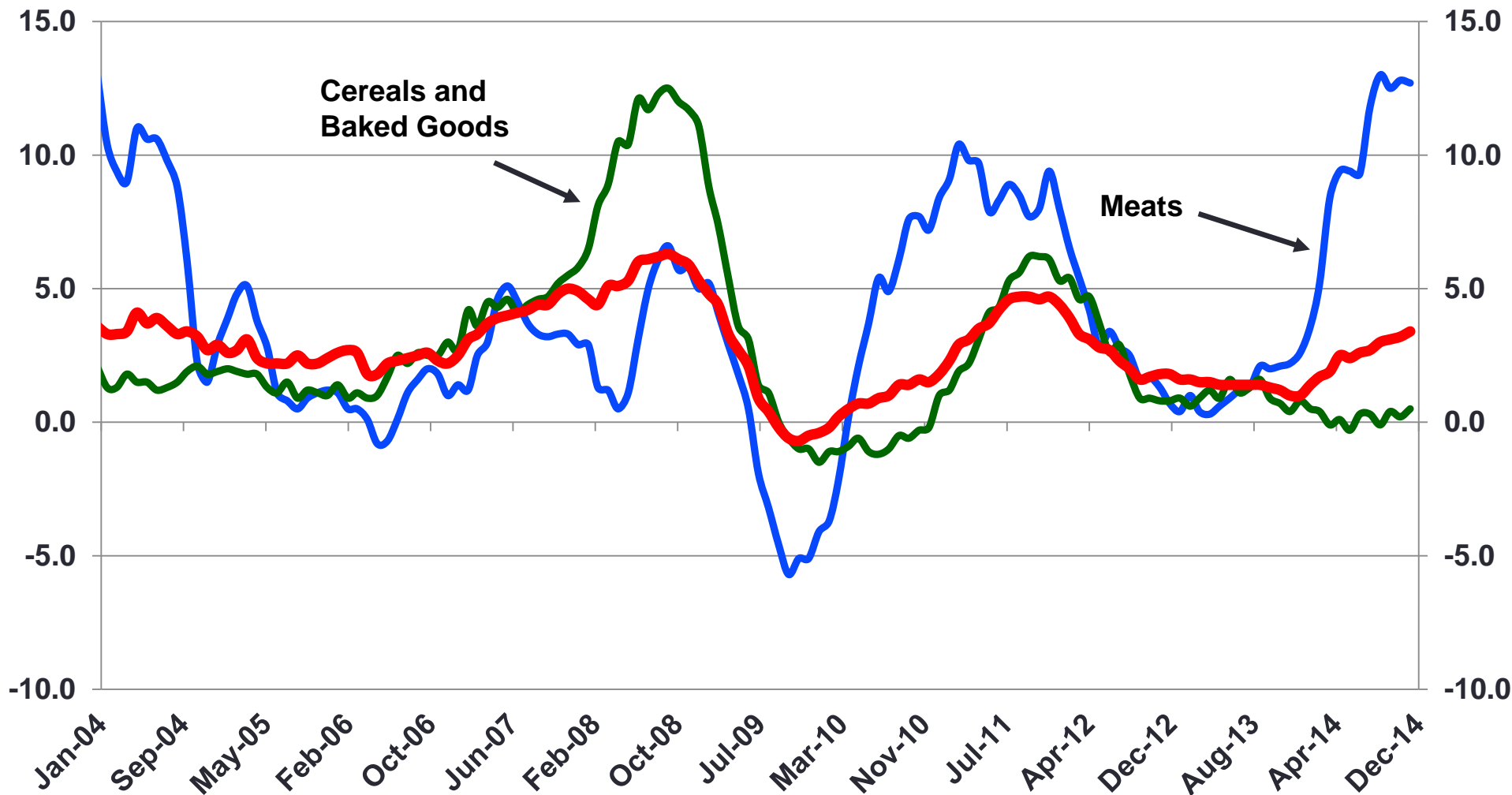


Source: BLS.

Retail meat price inflation is above 10% y-o-y

Year-over-Year Change (%)

Year-over-Year Change (%)



Source: BLS.

AGRICULTURAL OUTLOOK FORUM

Smart Agriculture in the 21st Century

A Discussion on Innovation,
Bio-technology, and Big Data



February 19-20, 2015 —

Crystal Gateway Marriott Hotel, Arlington, Virginia