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United States Department of Agriculture

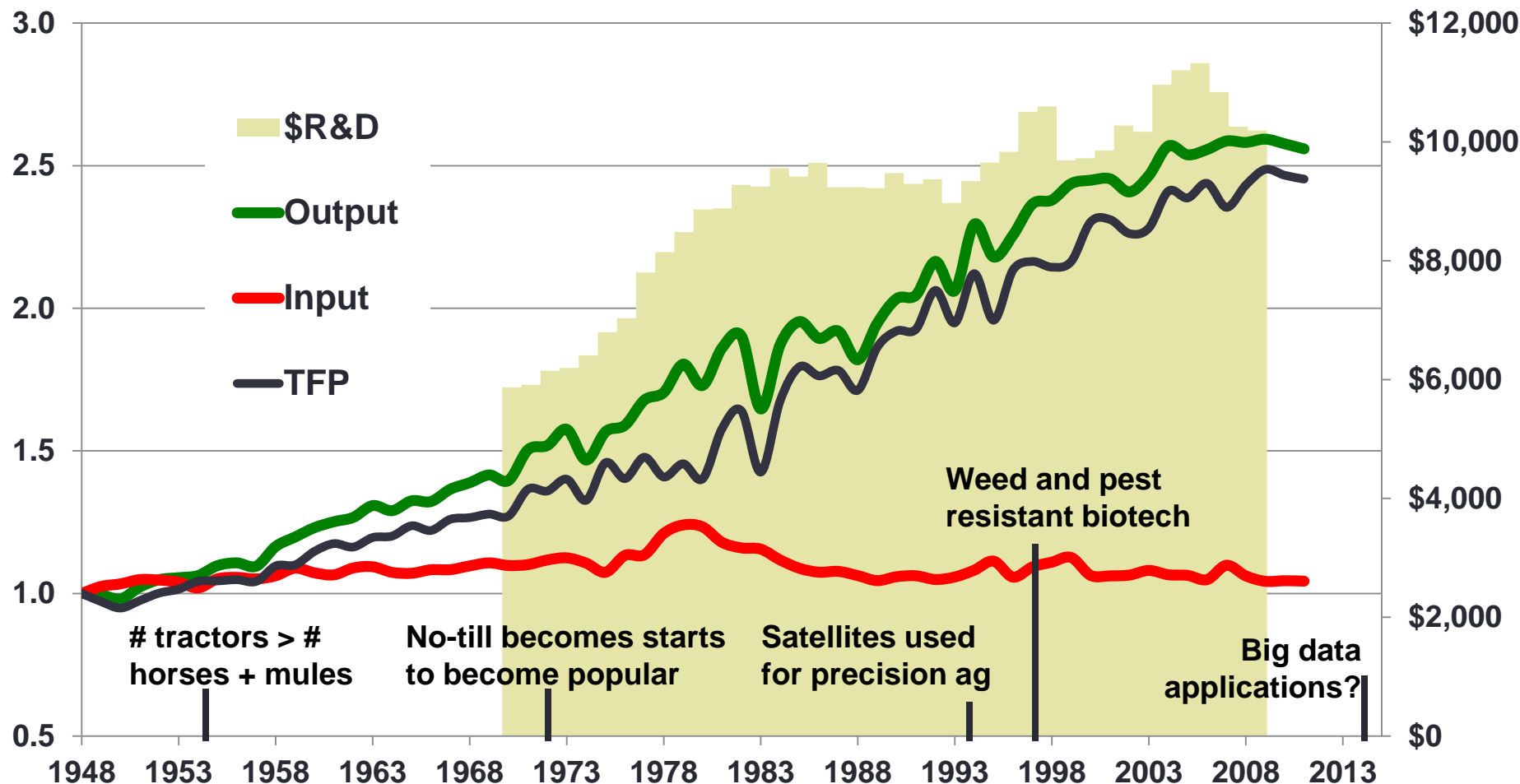
# OUTLOOK FOR US AGRICULTURE

**Rob Johansson**  
**Acting Chief Economist**  
**19 February 2015**

# Next boost to productivity: Big Data?

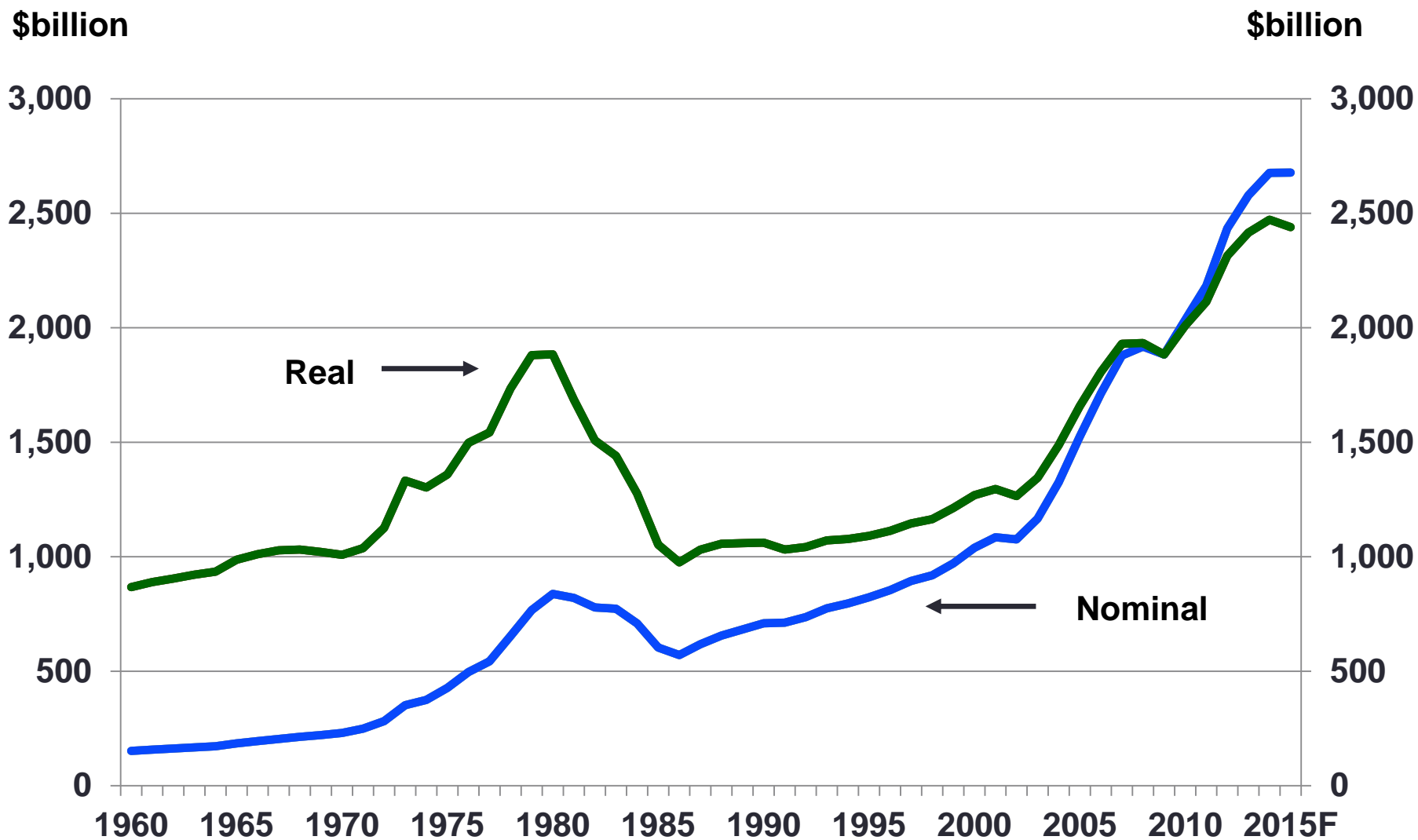
Index: 1948 = 1.0

\$million (2006 dollars)



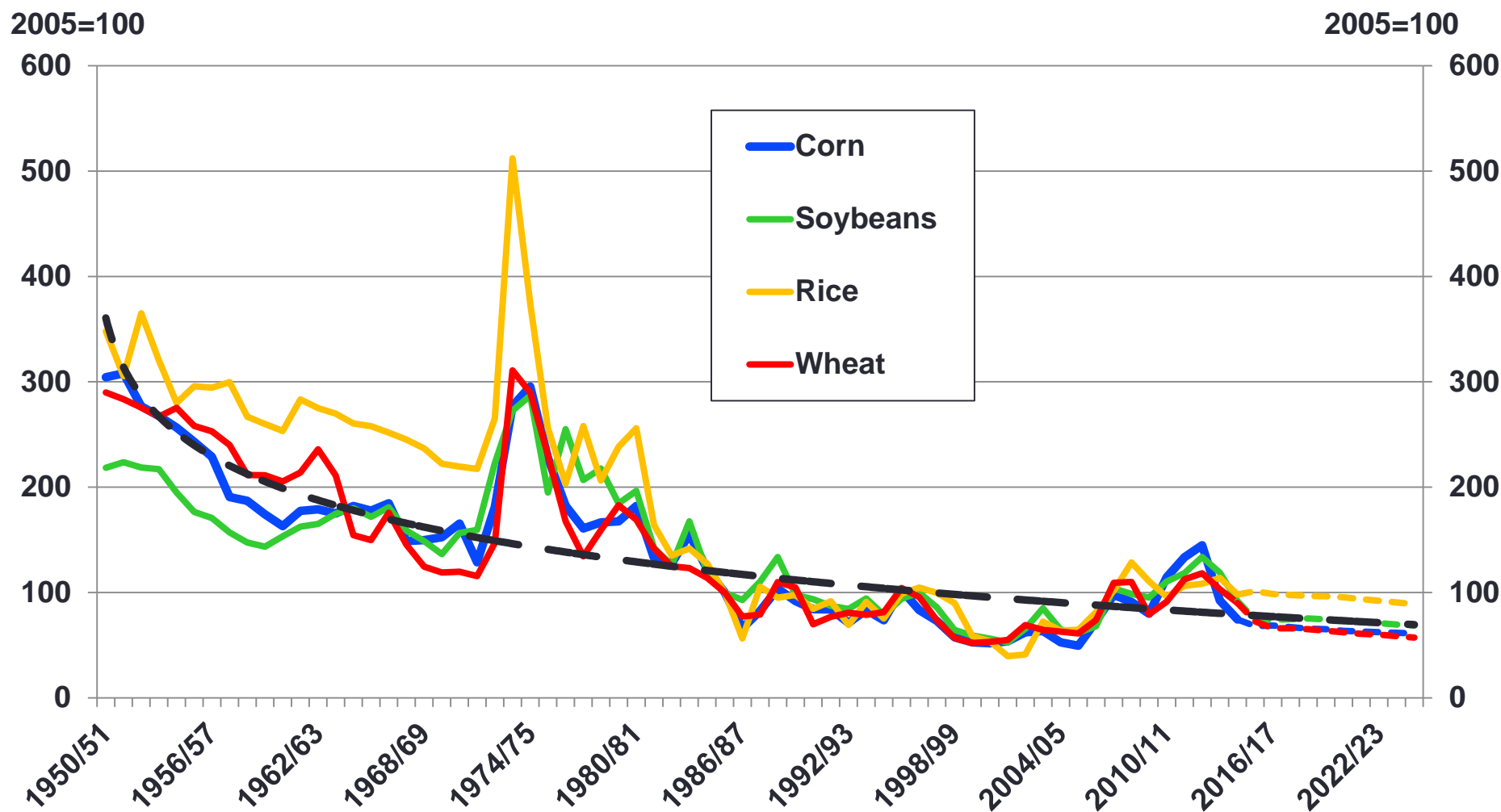
Source: USDA-ERS.

# Record farm equity (net worth) in 2015

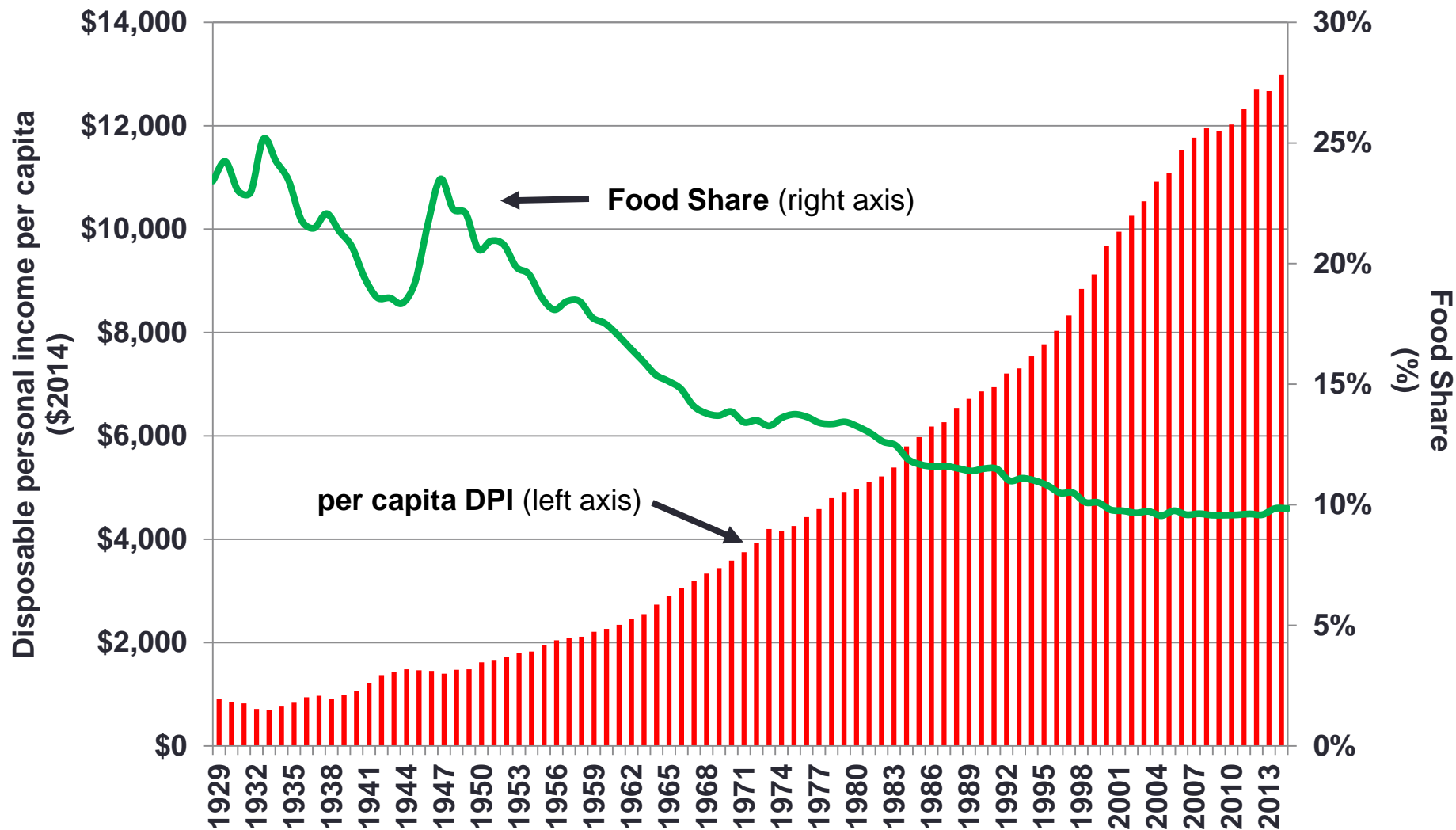


Data: USDA-ERS.

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



# Percent of income spent on food



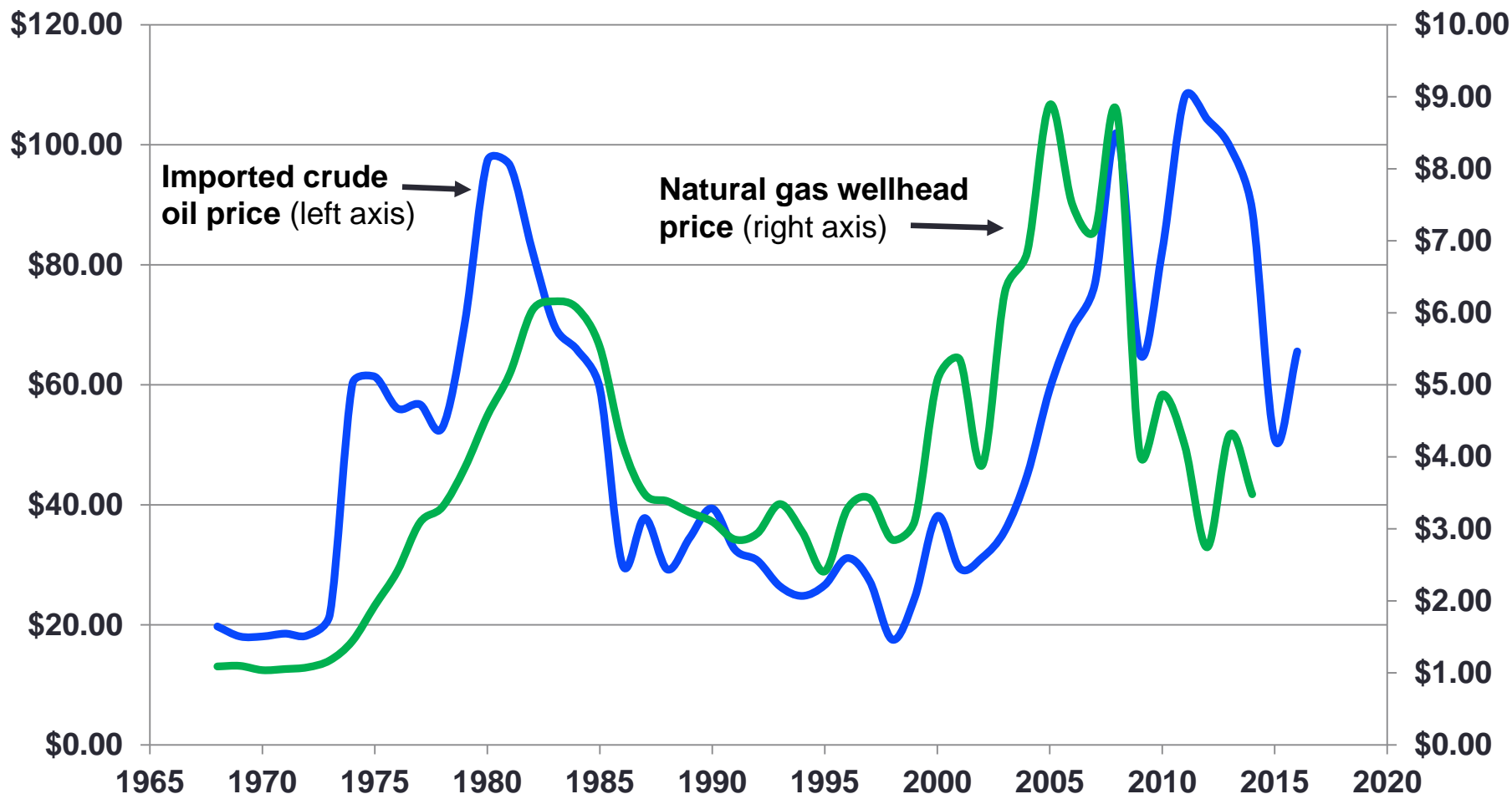
Source: Schnepf (2013), BEA, USDA-ERS.



# Recent declines in energy prices help bottom line

Dollars per barrel (\$2015)

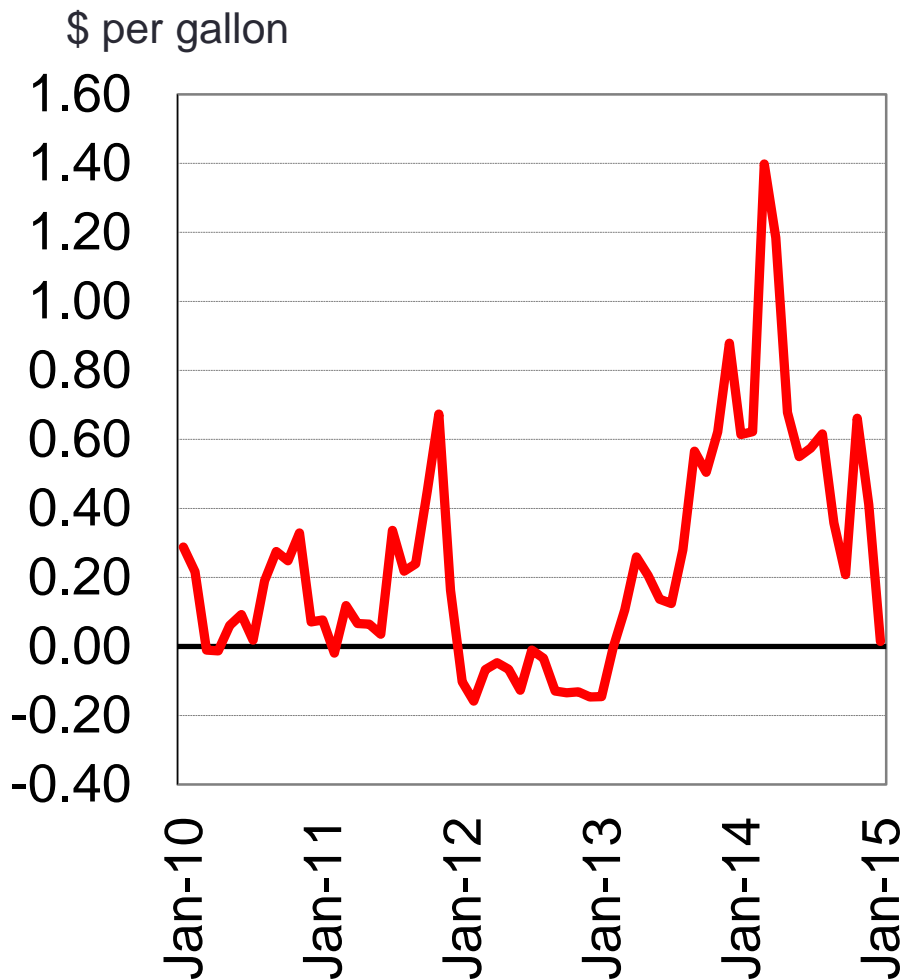
Dollars per Mcf (\$2015)



Source: EIA.

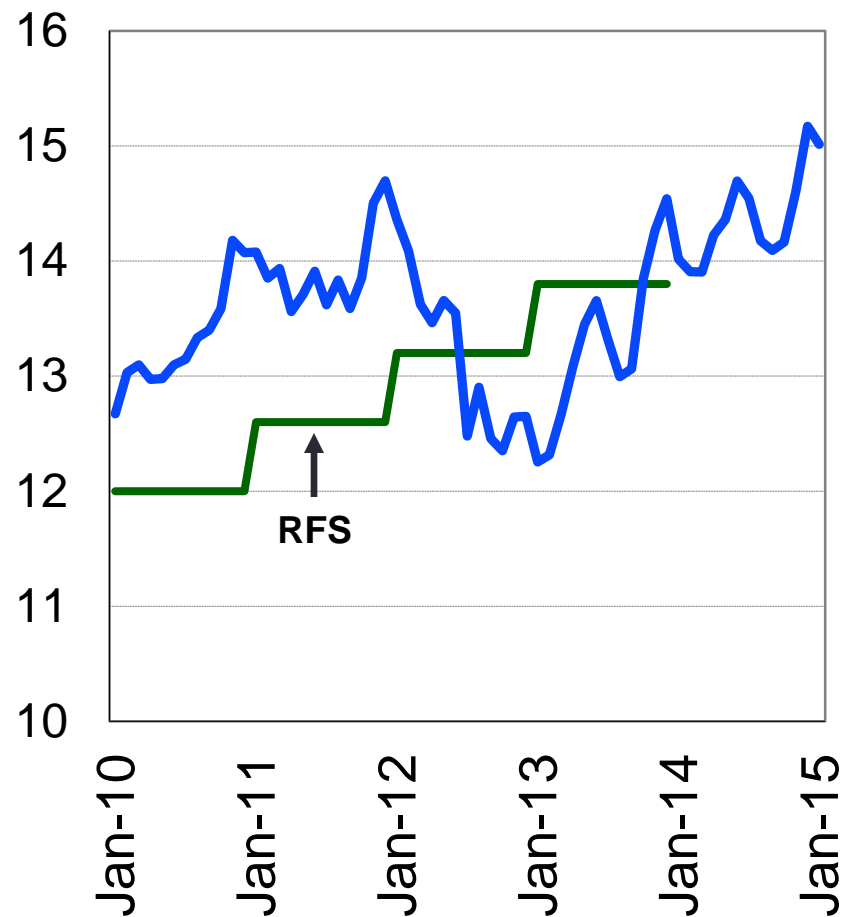
# Ethanol margin tightens but production high

## Ethanol Margin<sup>1</sup>



## Ethanol Production<sup>2</sup>

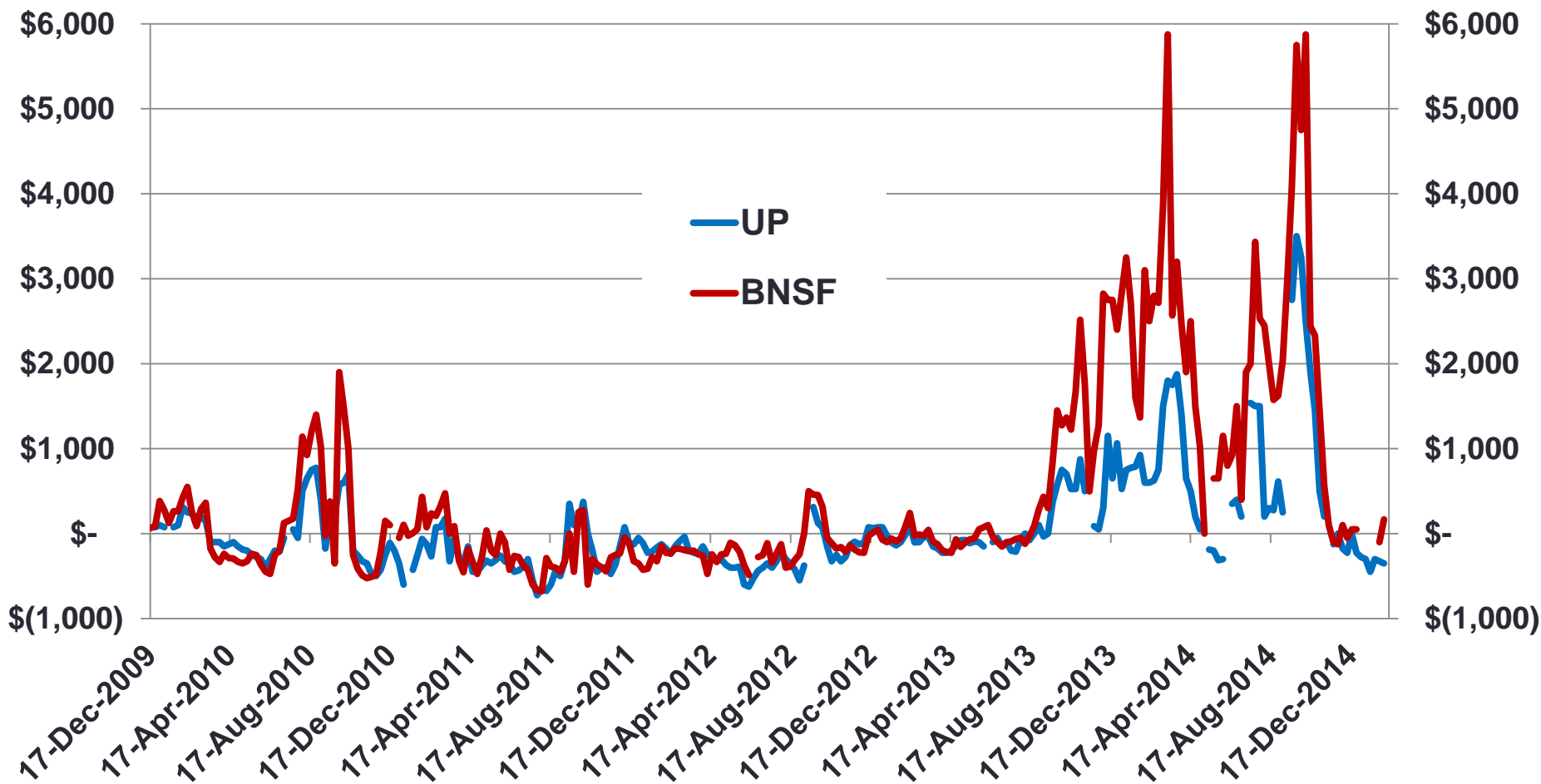
annualized rate in billion gallons





# Rail transport costs return to normal levels in 2015

Average secondary railcar shuttle market bids per car

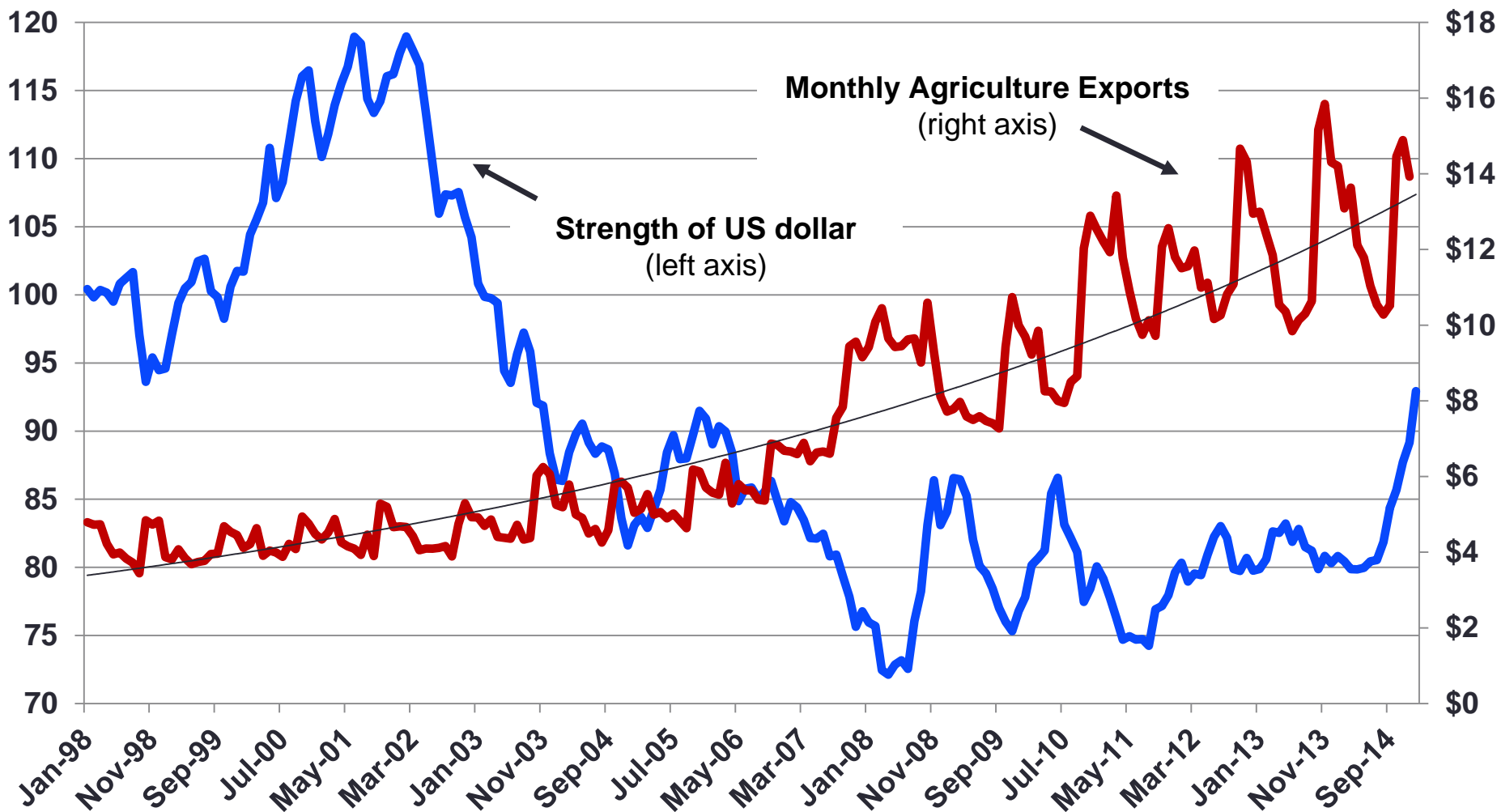


Source: USDA Grain Transportation Report

# The dollar strengthens, but trade still trends up

2000 = 100

Billion dollars (nominal)

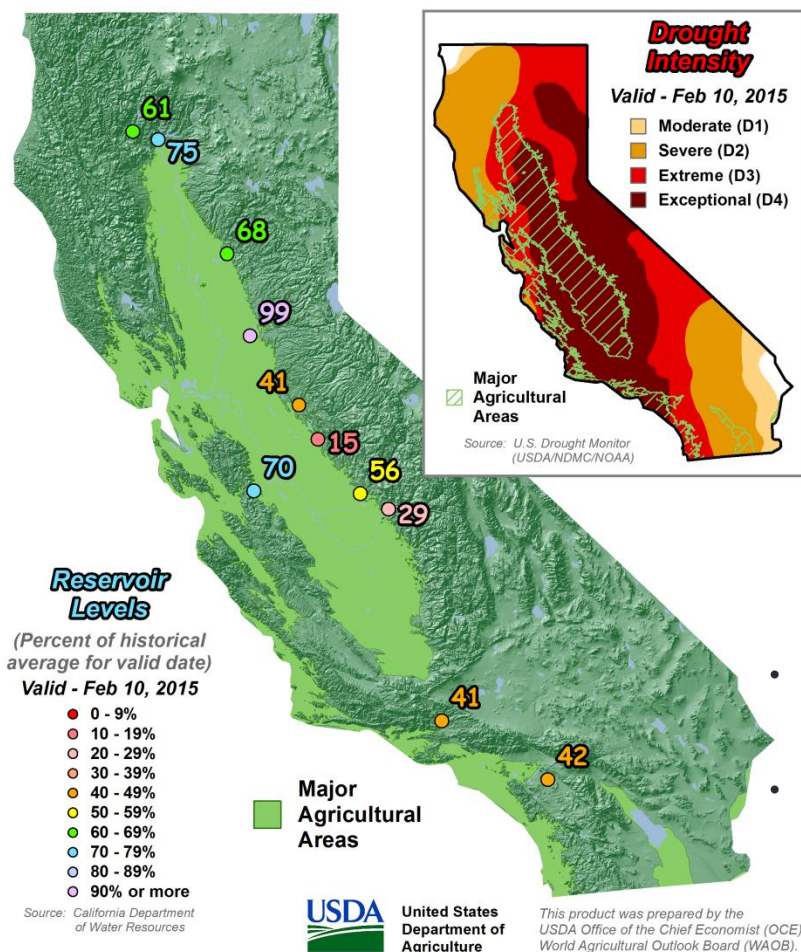


Source: InterContinental Exchange, USDA-ERS.

# Drought outlook improves, but intensifies in Southwest

## California Reservoir & Drought Monitor

Updated - February 12, 2015

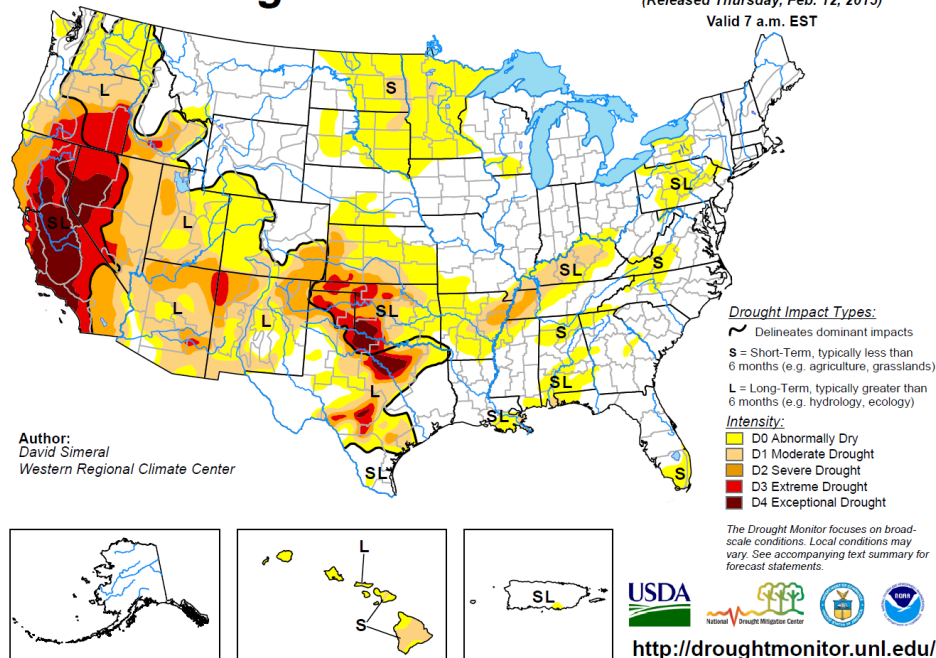


## U.S. Drought Monitor

February 10, 2015

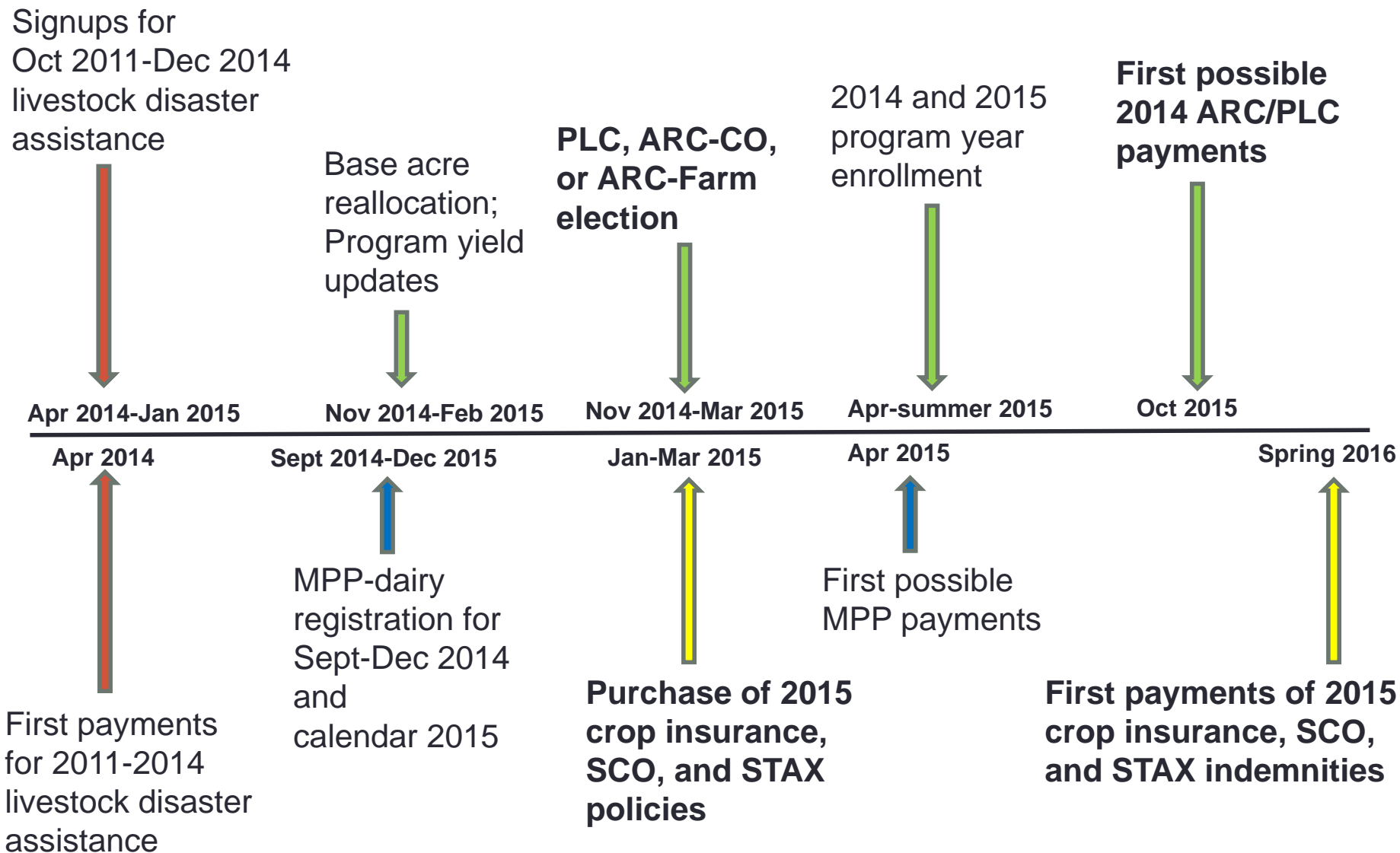
(Released Thursday, Feb. 12, 2015)

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



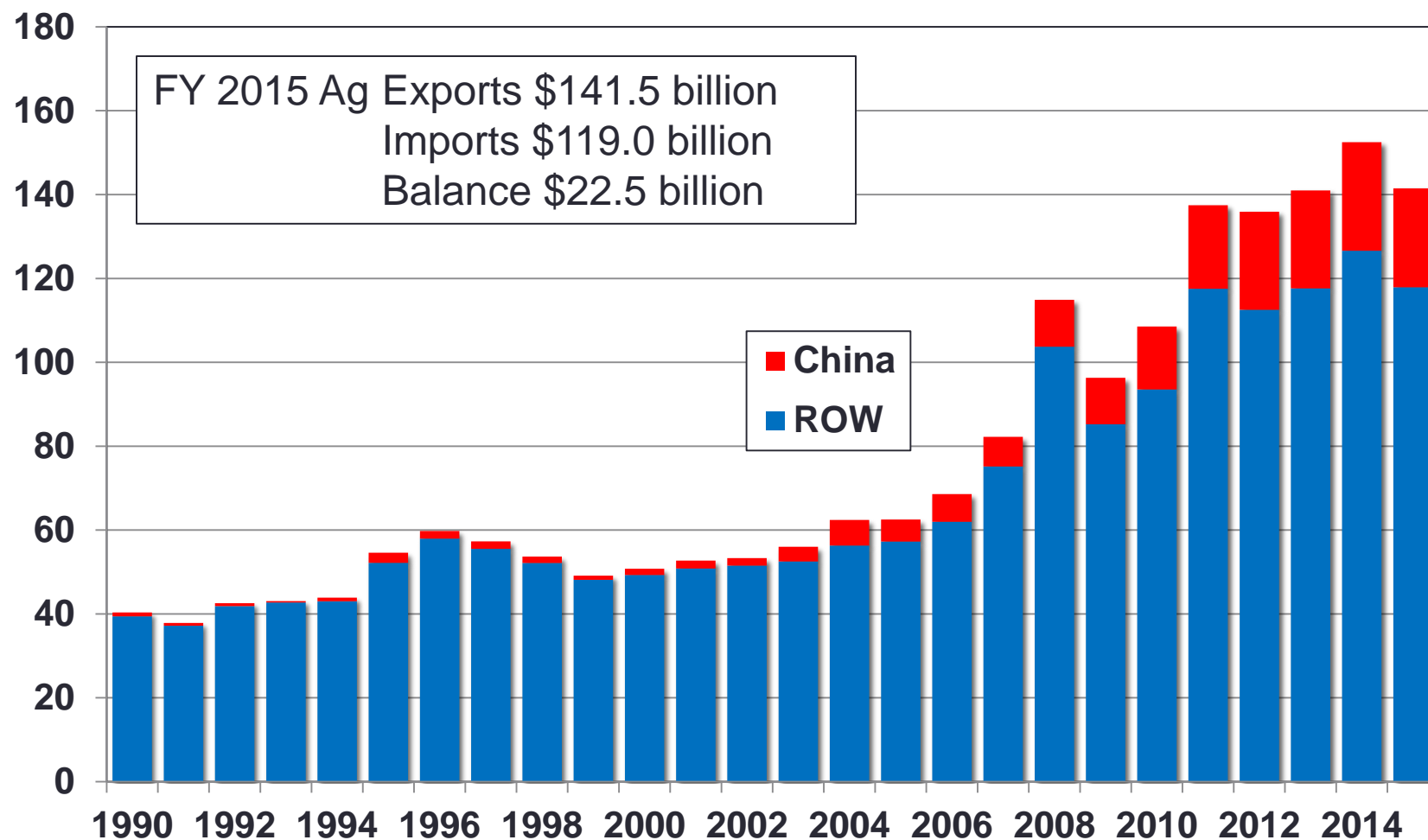


# Ag Trade Outlook

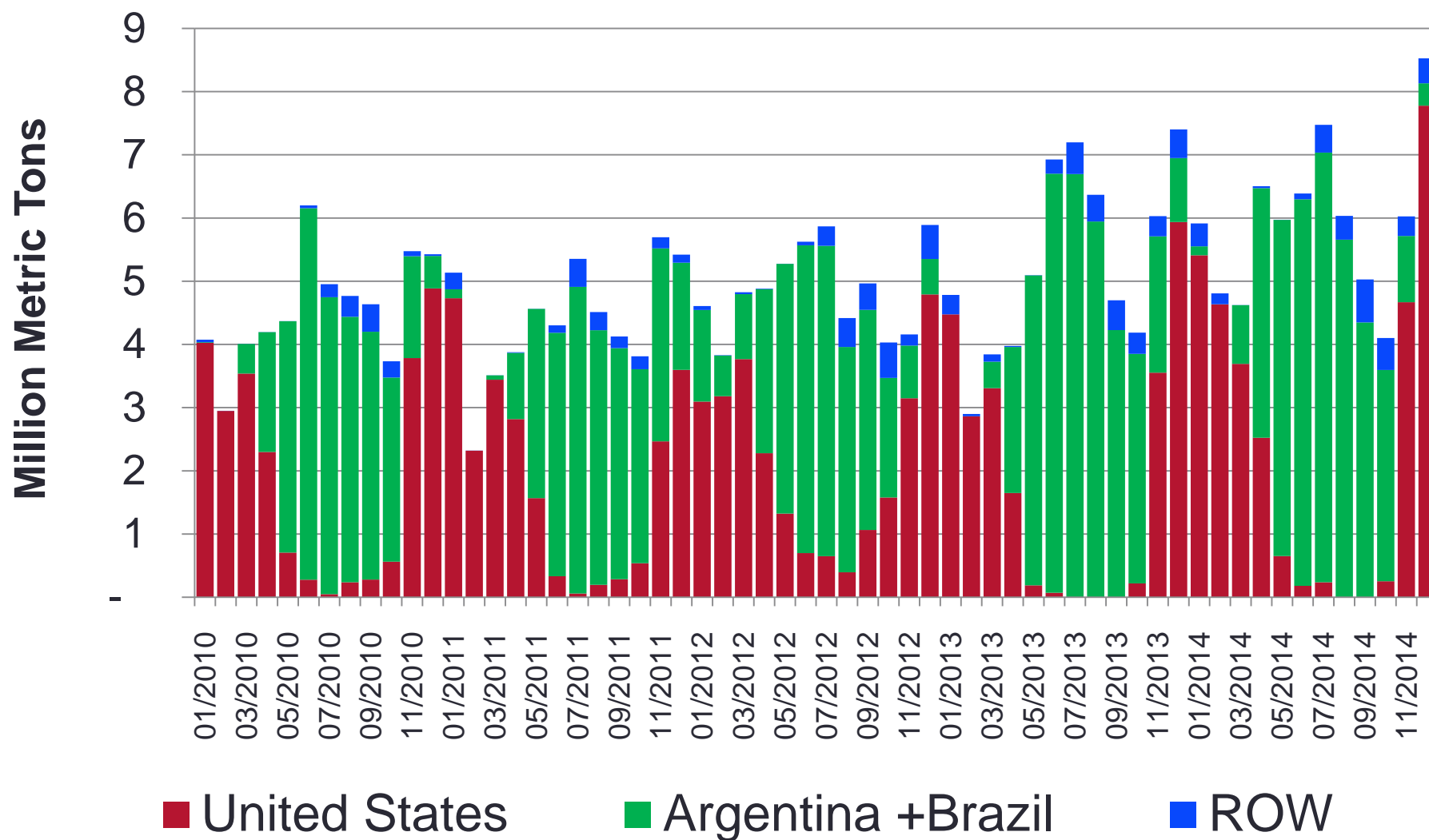


# Second highest year for exports expected; China remains top destination

\$billion

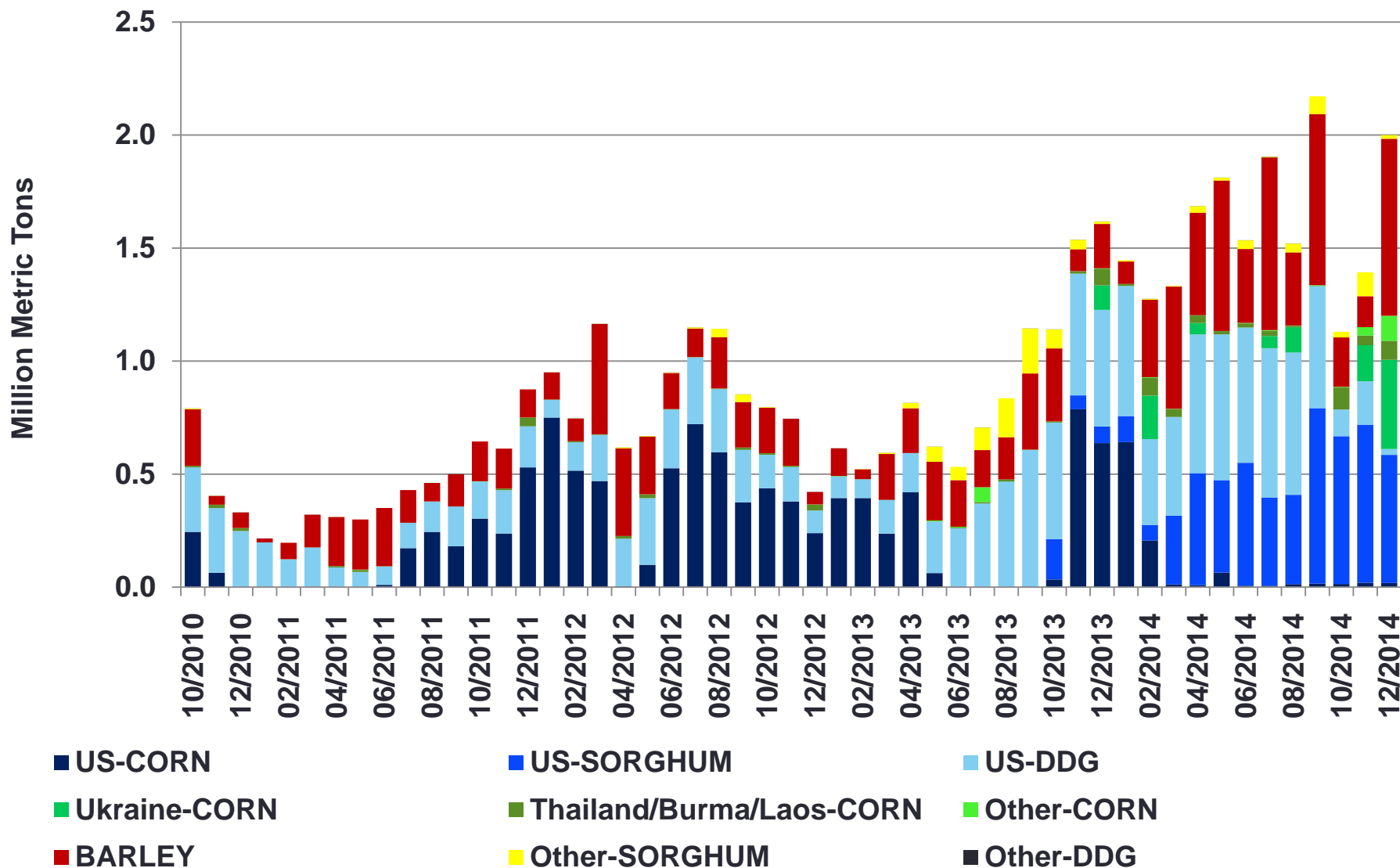


# Monthly Chinese soybean imports

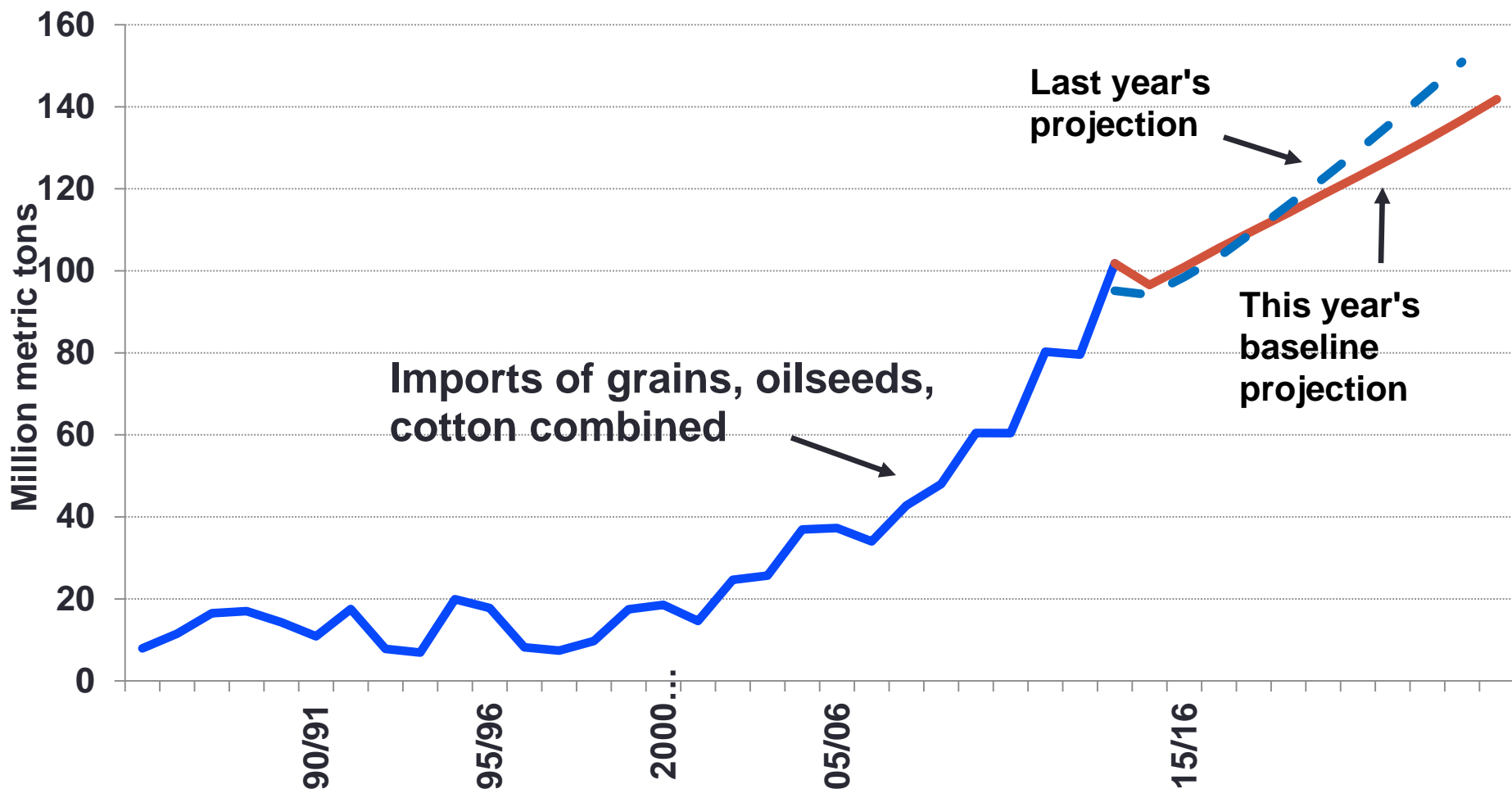




# Monthly Chinese corn/barley/sorghum imports

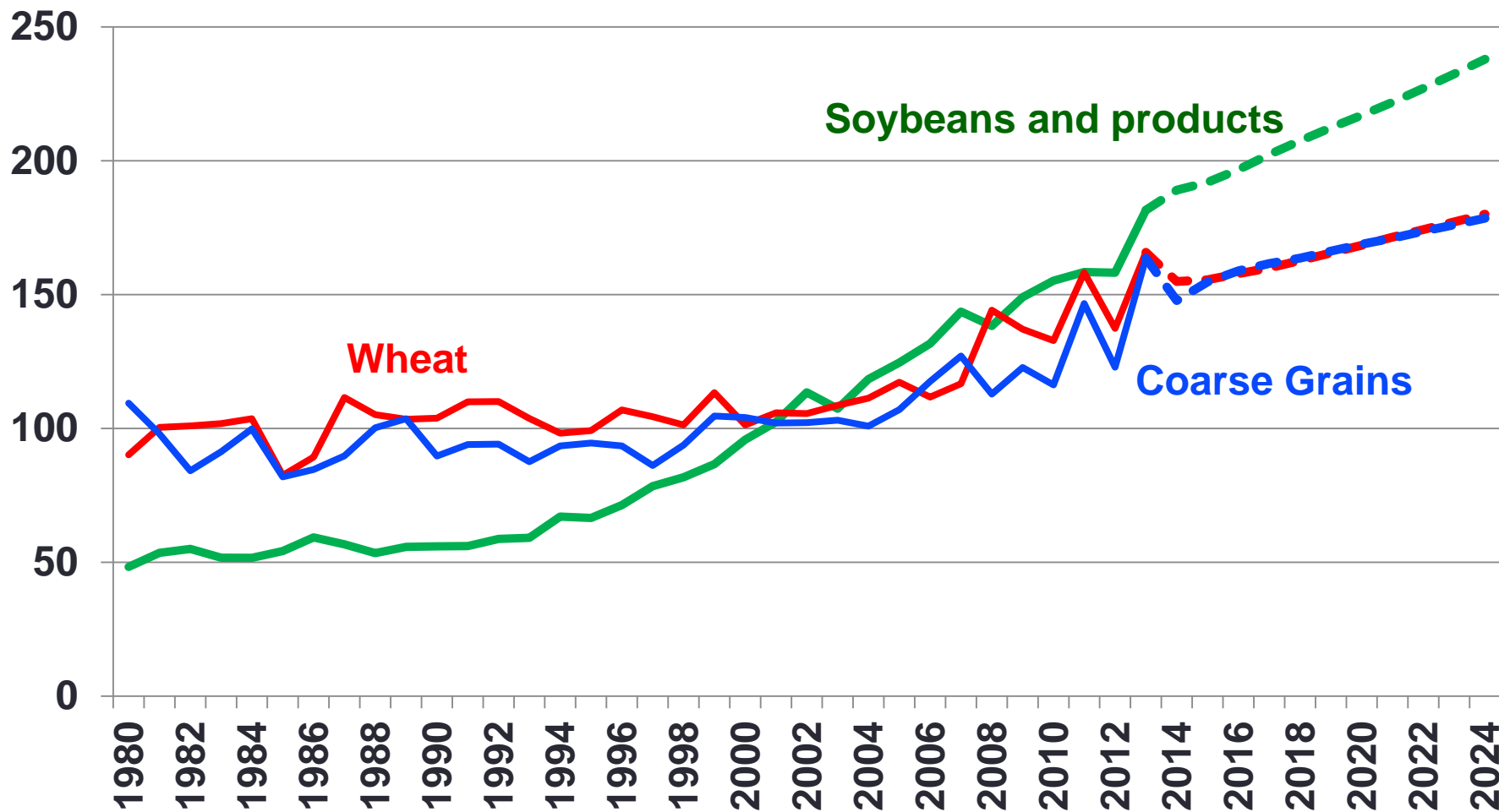


# Projections down slightly for China imports, but still increasing



# Global trade growth is expected to continue

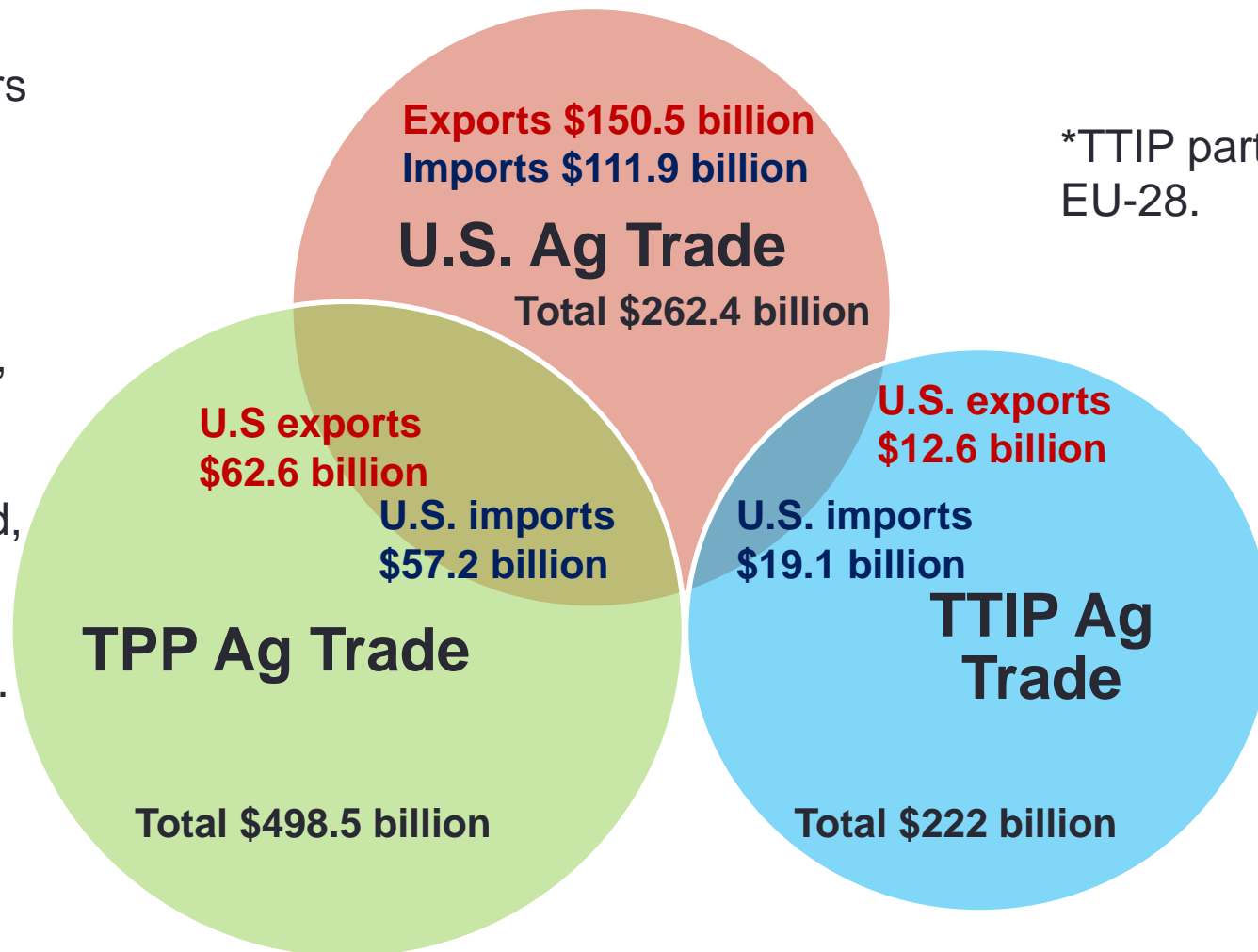
million metric tons



# 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	<b>101</b>
Corn	82	69	65	56	57	58	67	<b>71</b>
Rice	115	77	79	82	86	86	82	<b>75</b>
Soybeans	74	71	93	103	77	80	89	<b>113</b>
Cotton	190	206	145	160	259	305	340	<b>360</b>

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.

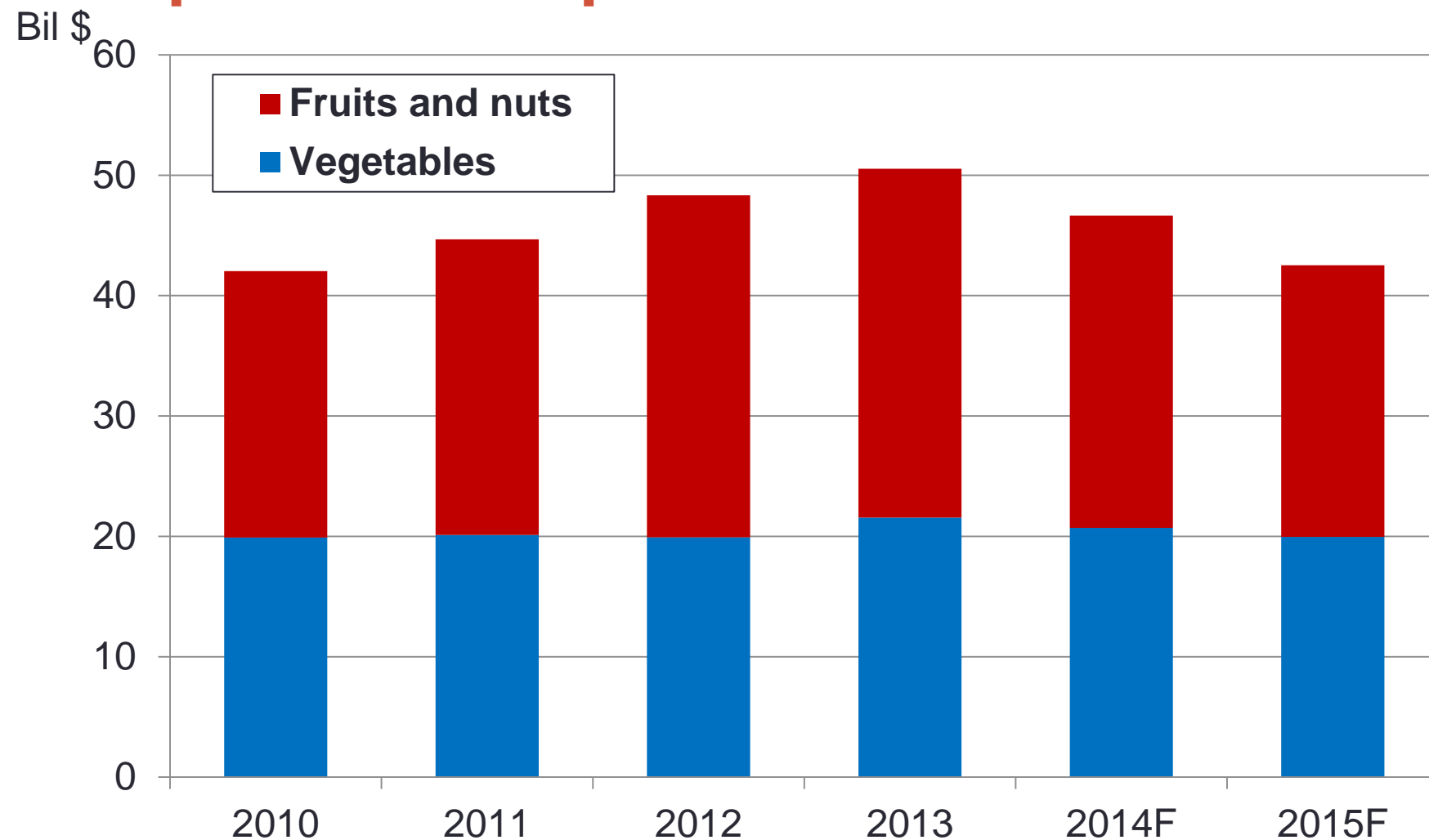


# Cropland area expected to remain high in 2015, but down from last year

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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	282.4	275.5	280.2	286.9	282.8	283.5	278.8	-1.6%

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

# Specialty crop revenues expected to drop in 2015



# Livestock outlook

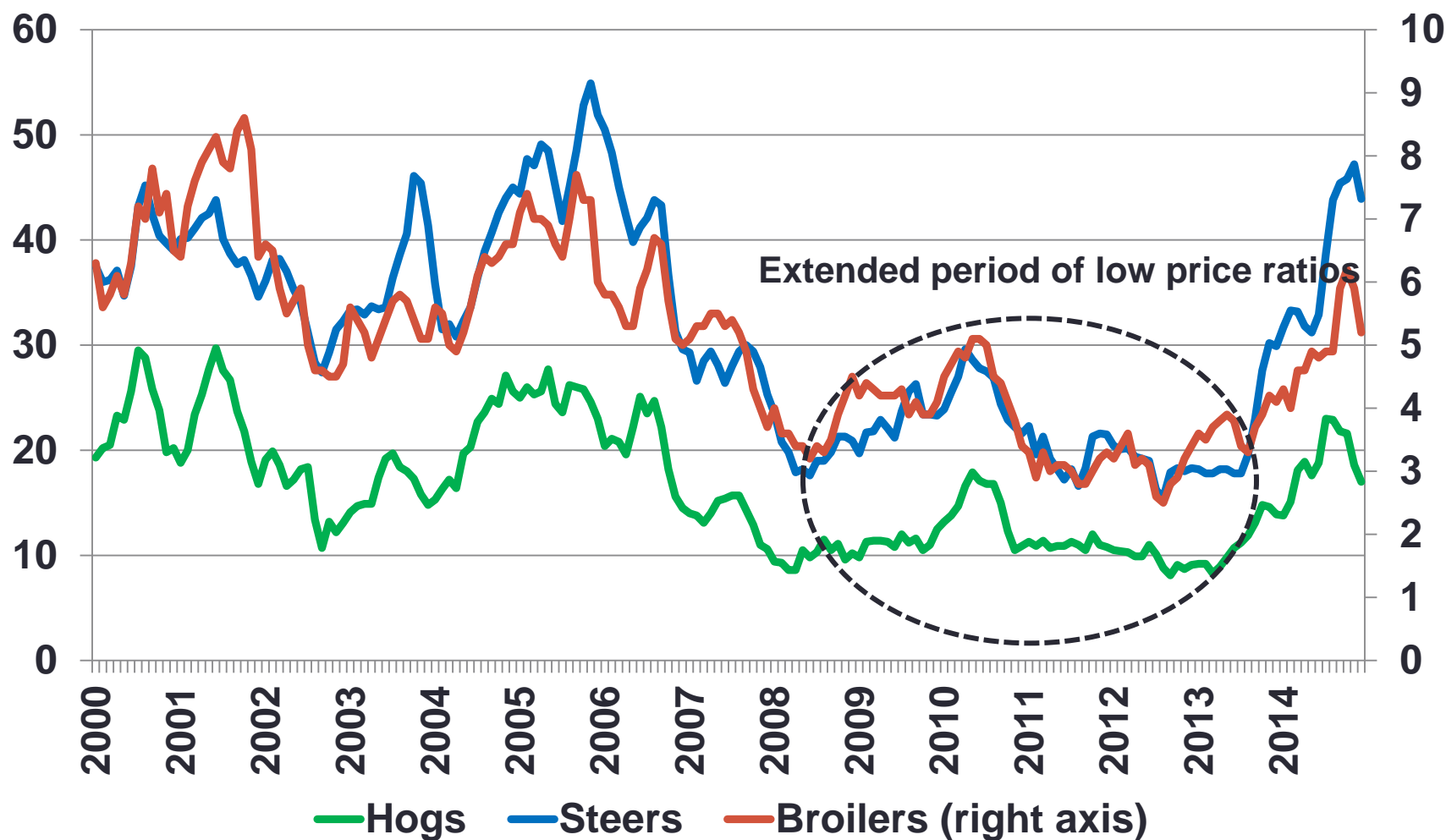


# Pork, dairy and poultry production higher in 2015

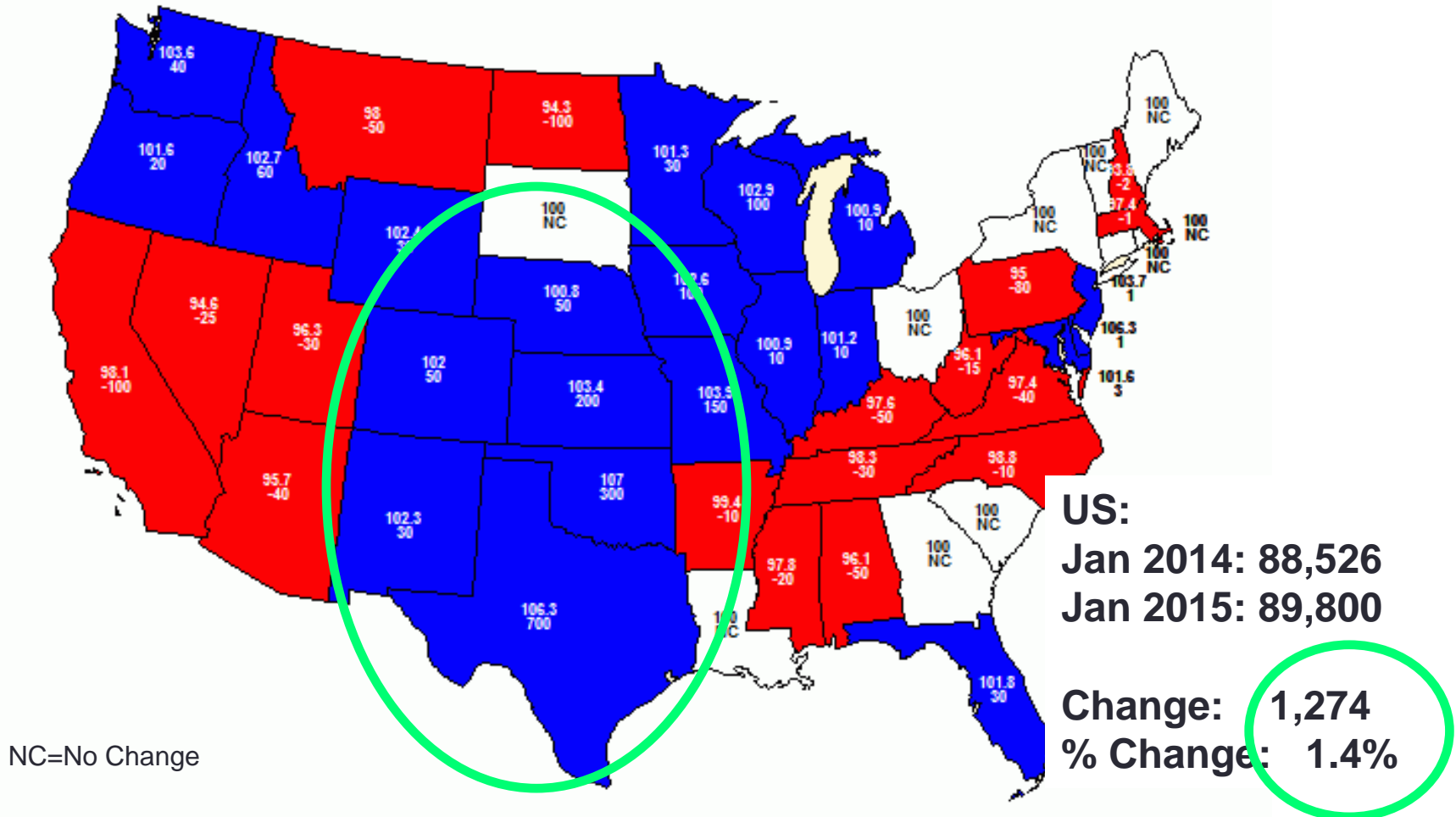
Animal products	2010	2011	2012	2013	2014	2015F	% Change 2015/14
Billion Pounds							
Beef	26.30	26.20	25.91	25.72	24.25	24.22	-0.1%
Pork	22.44	22.76	23.25	23.19	22.84	<b>24.09</b>	5.5%
Broilers	36.91	37.20	37.04	37.83	38.55	<b>39.95</b>	3.6%
Total Meat	92.10	92.75	92.96	93.33	92.17	<b>95.13</b>	3.2%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

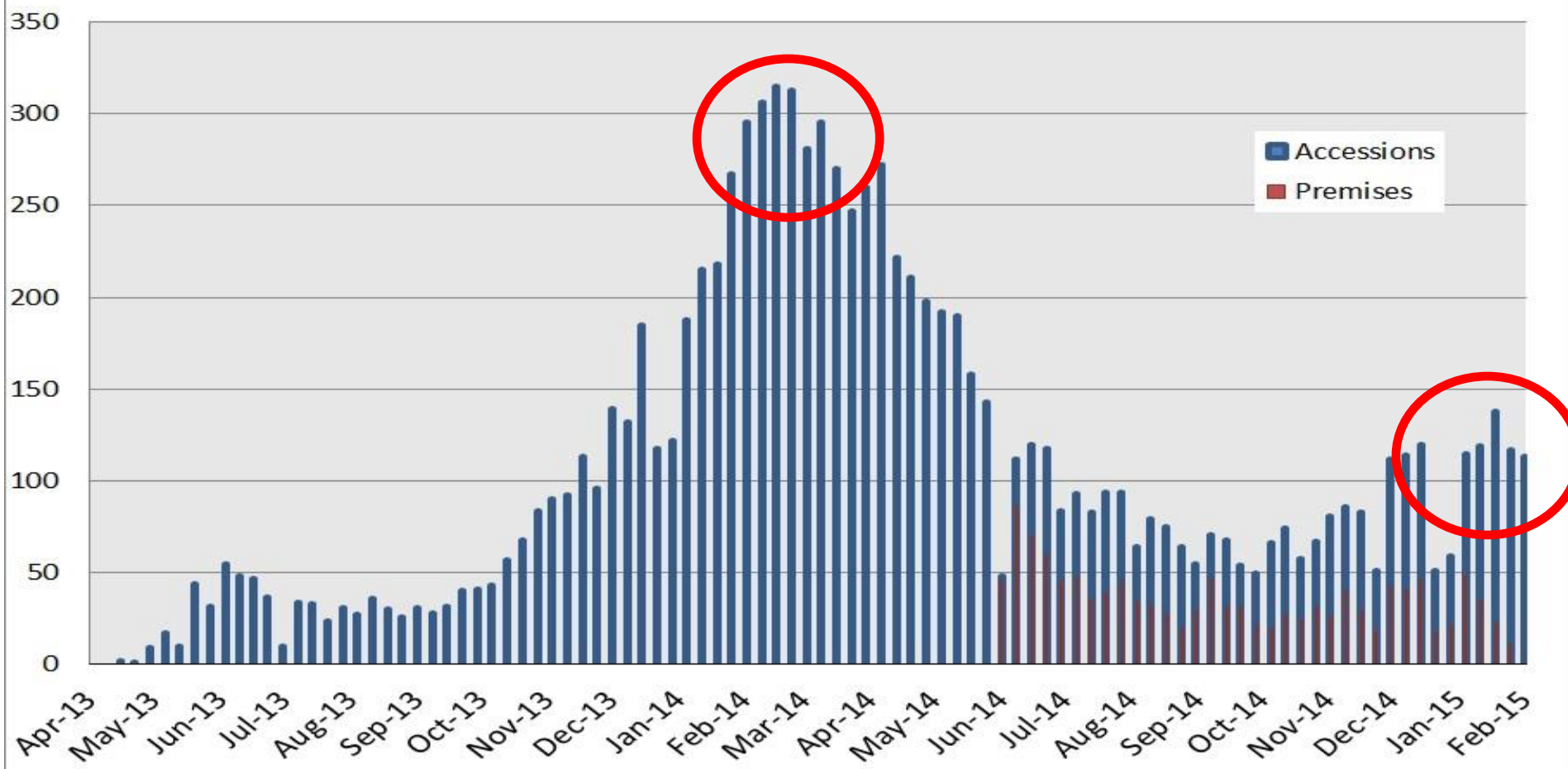
**Change:** 1,274  
**% Change:** 1.4%

Source: USDA-NASS *Cattle* report



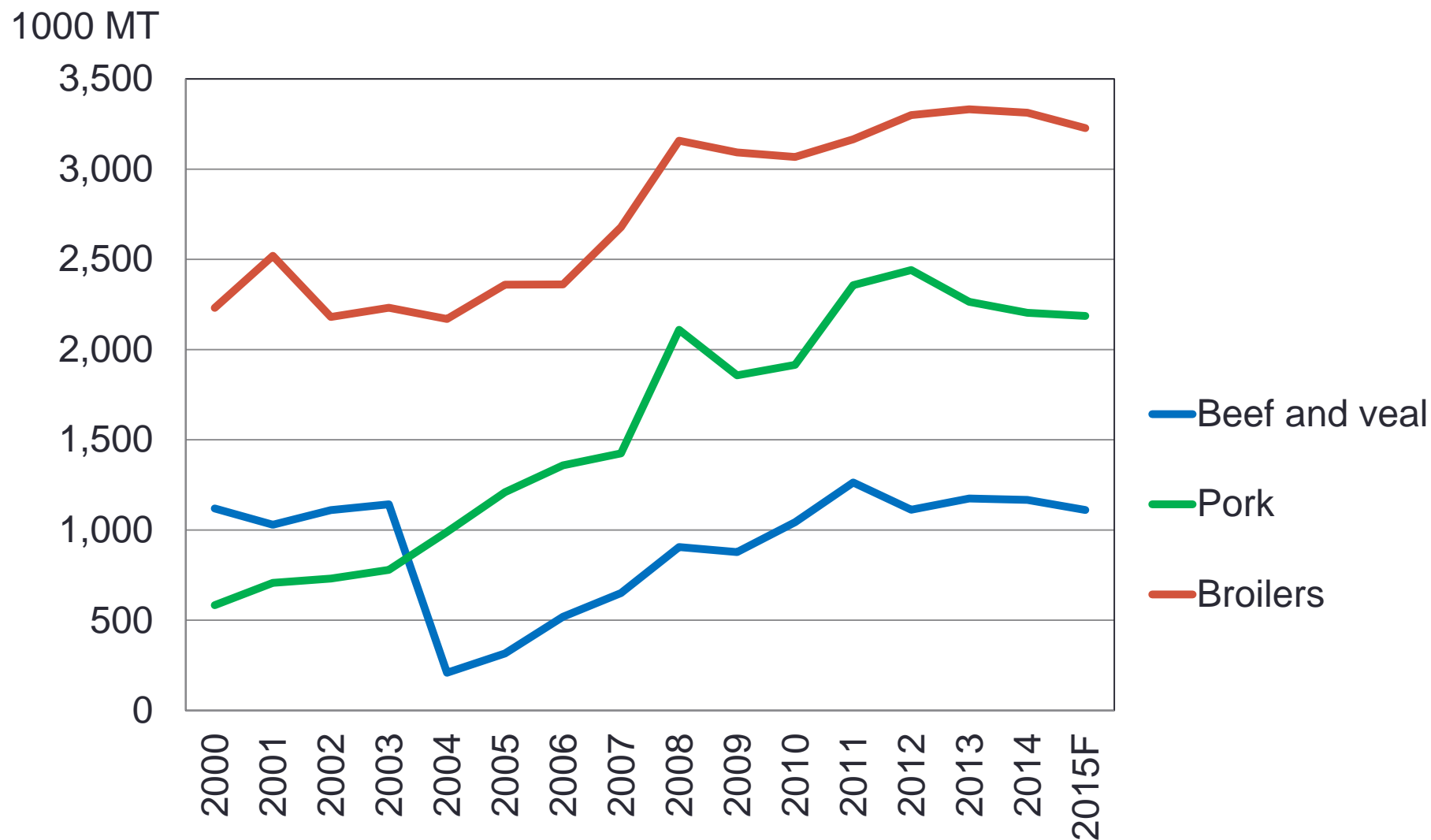
# Year-over-year declines in PEDv

## New PEDv Case Reports by Week



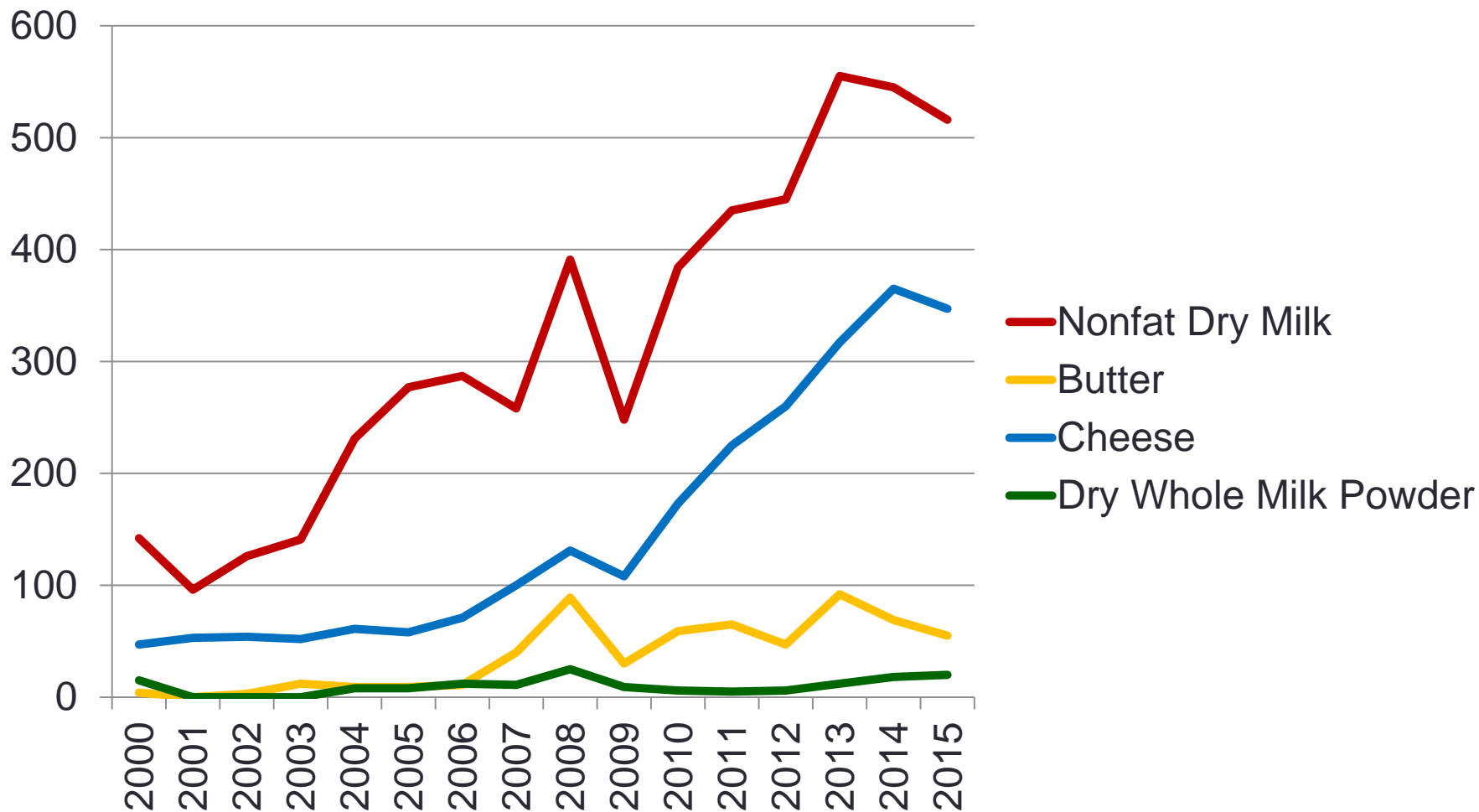


# Meat exports expected to remain high



# Dairy exports remain high, but down from 2014

1000 MT



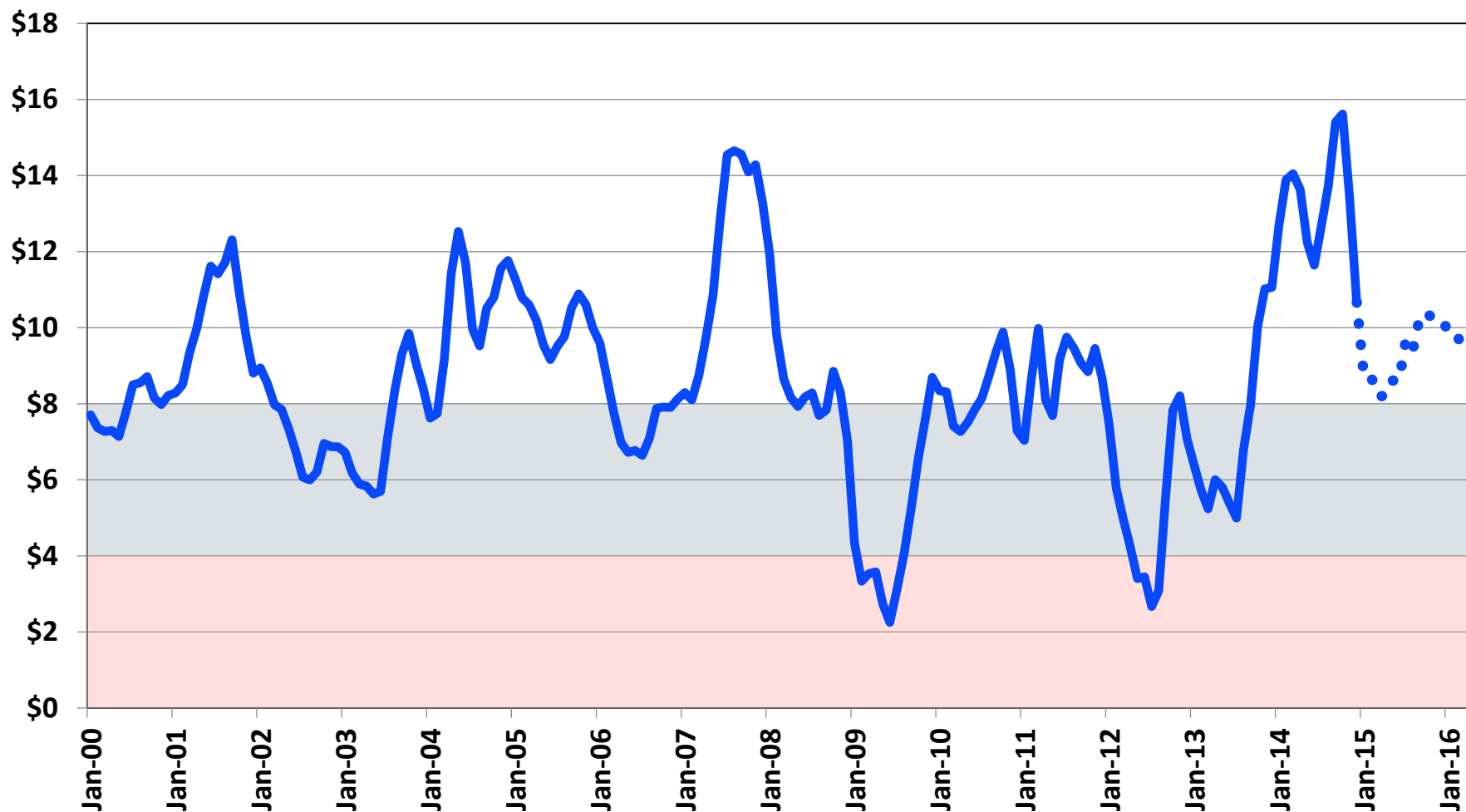
# Hog, dairy, and broiler prices expected to come down from 2014; cattle prices rise

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	<b>162.00</b>	4.8%
Hogs	55.06	66.11	60.88	64.05	<b>76.03</b>	56.00	-26.3%
Broilers	83.10	79.90	86.60	99.70	<b>104.90</b>	100.30	-4.4%
Milk	16.26	20.14	18.52	20.05	<b>23.98</b>	17.75	-26.0%

Prices in red denote record levels.

# Dairy margins nearing \$8 per cwt

\$ per cwt



Source: NASS and AMS data for history, forecast from FSA Margin Protection Program Decision Tool, Feb 13, 2015

# Farm income and land values

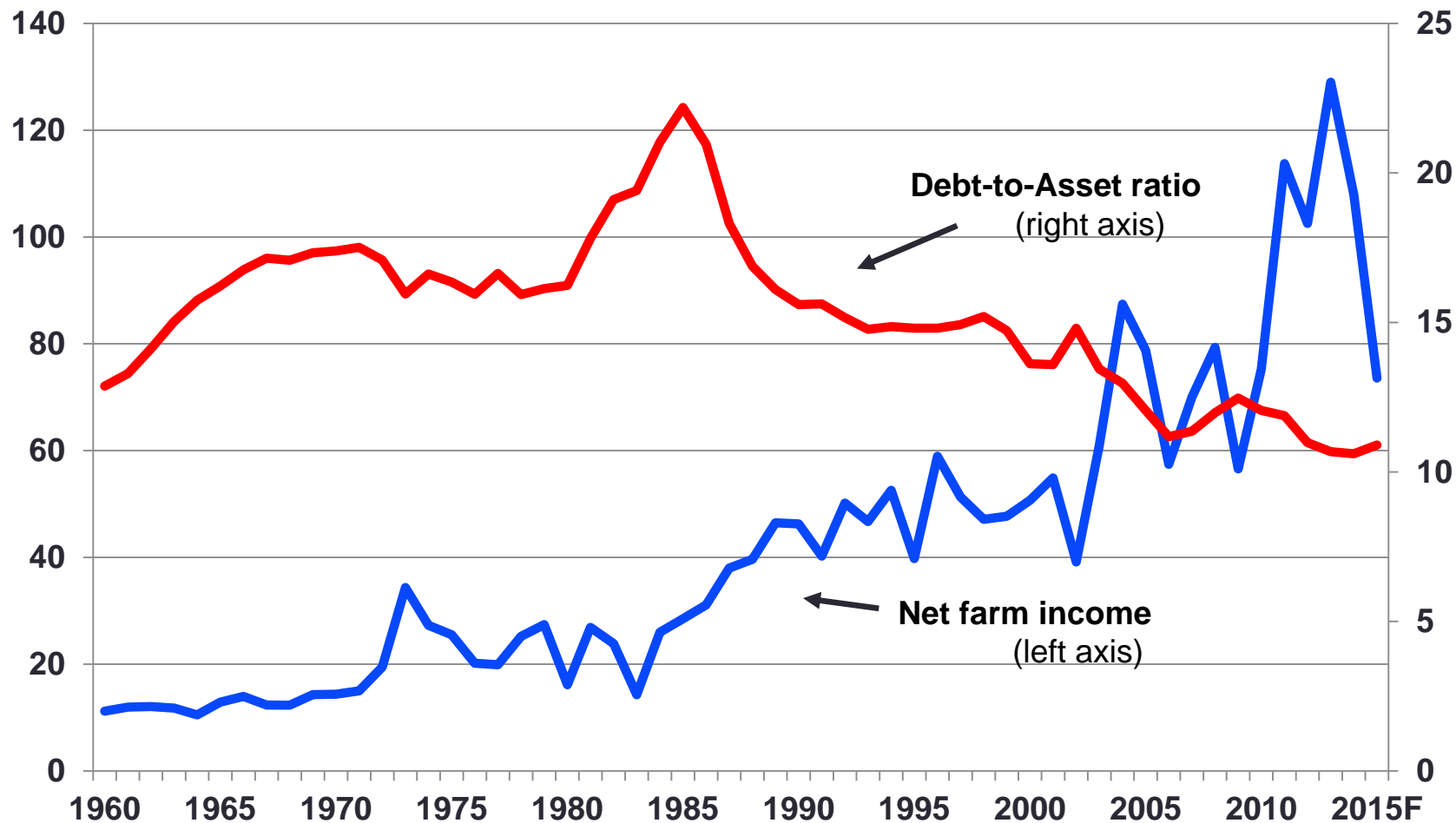




# Net farm income is down, but debt-to-assets remain historically low

Billion dollars

Percent

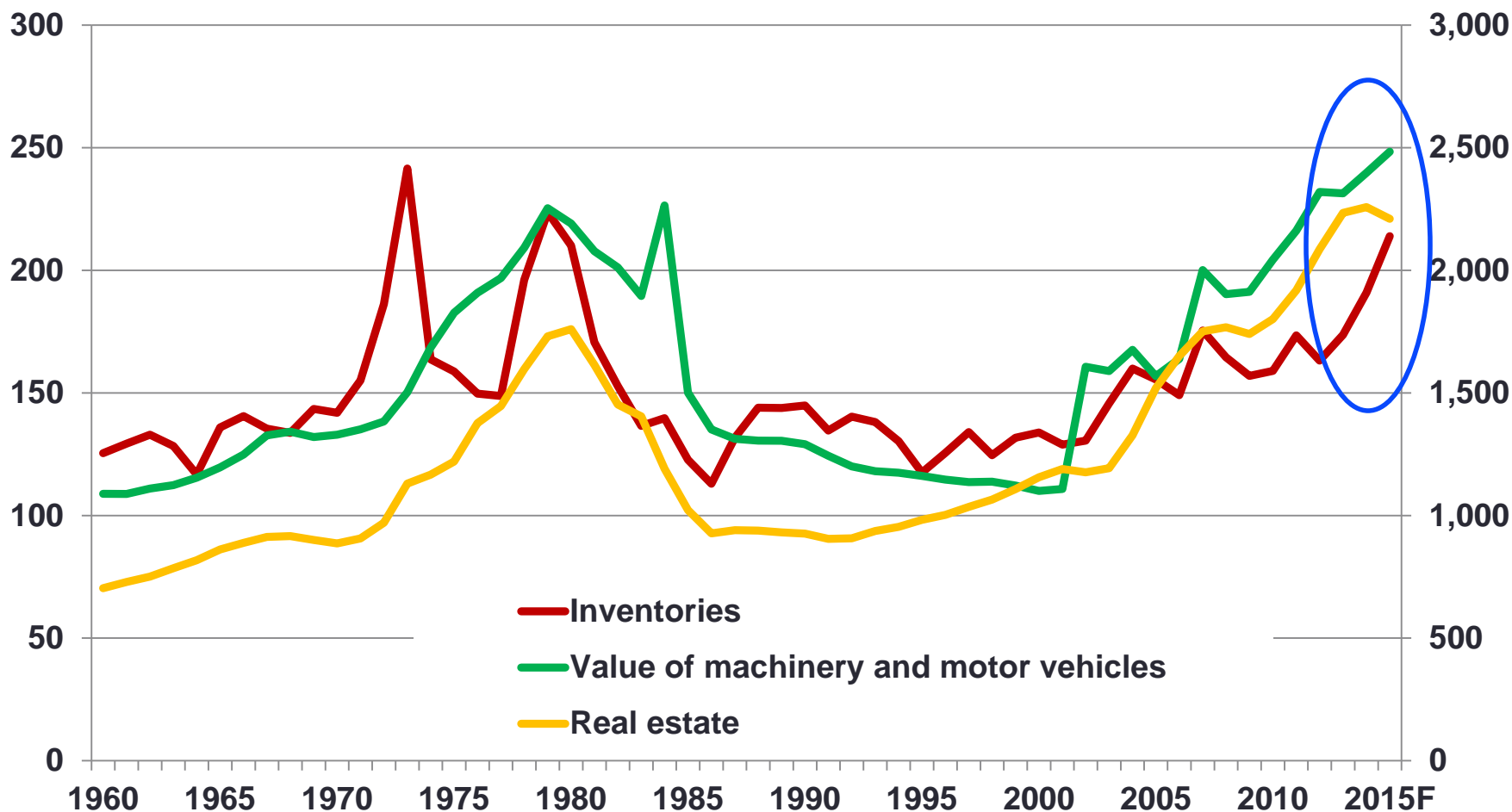


Data: USDA-ERS.

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

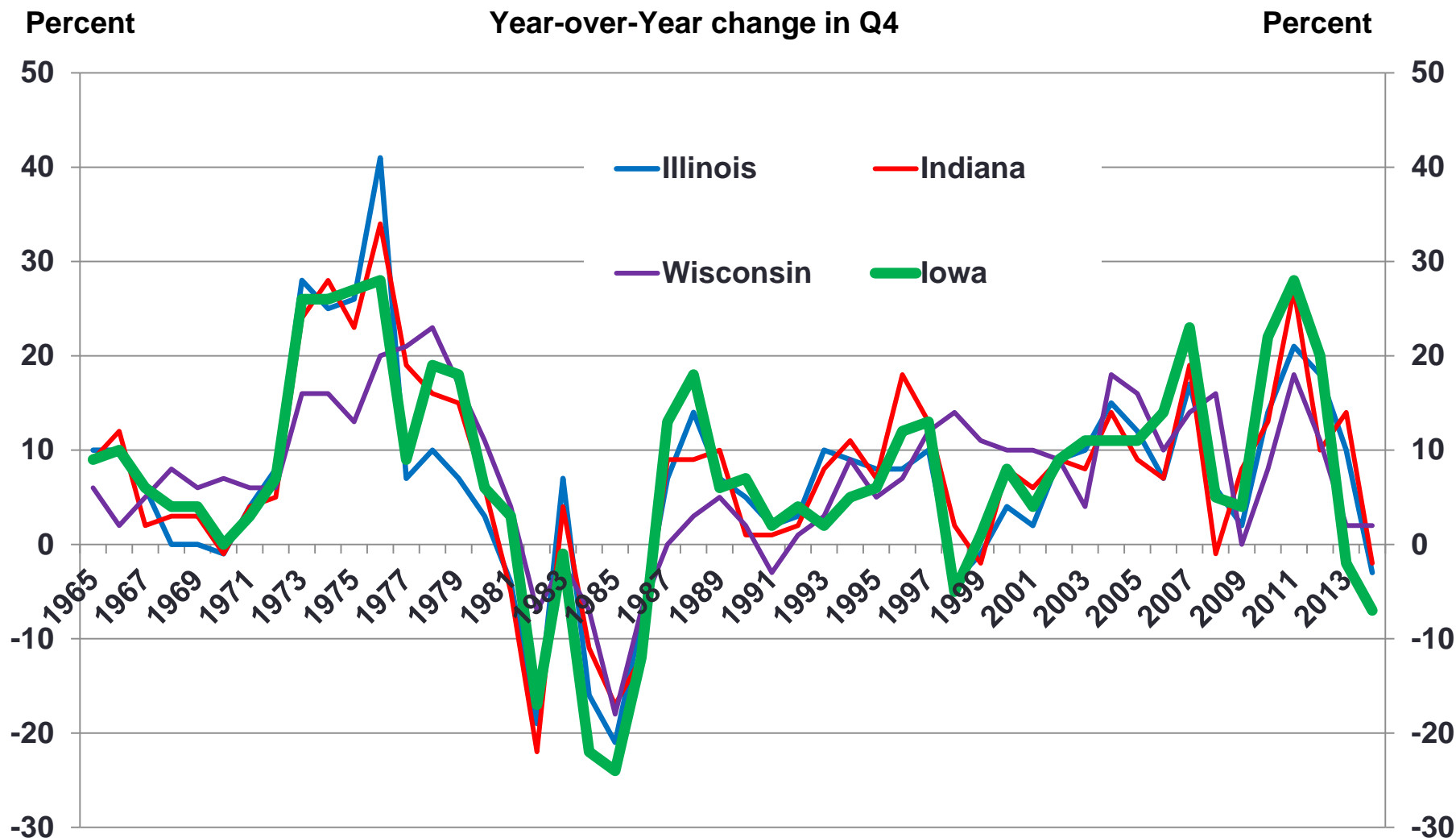
Billion dollars (\$2009)

Billion dollars (\$2009)





# Farmland values coming down in some areas



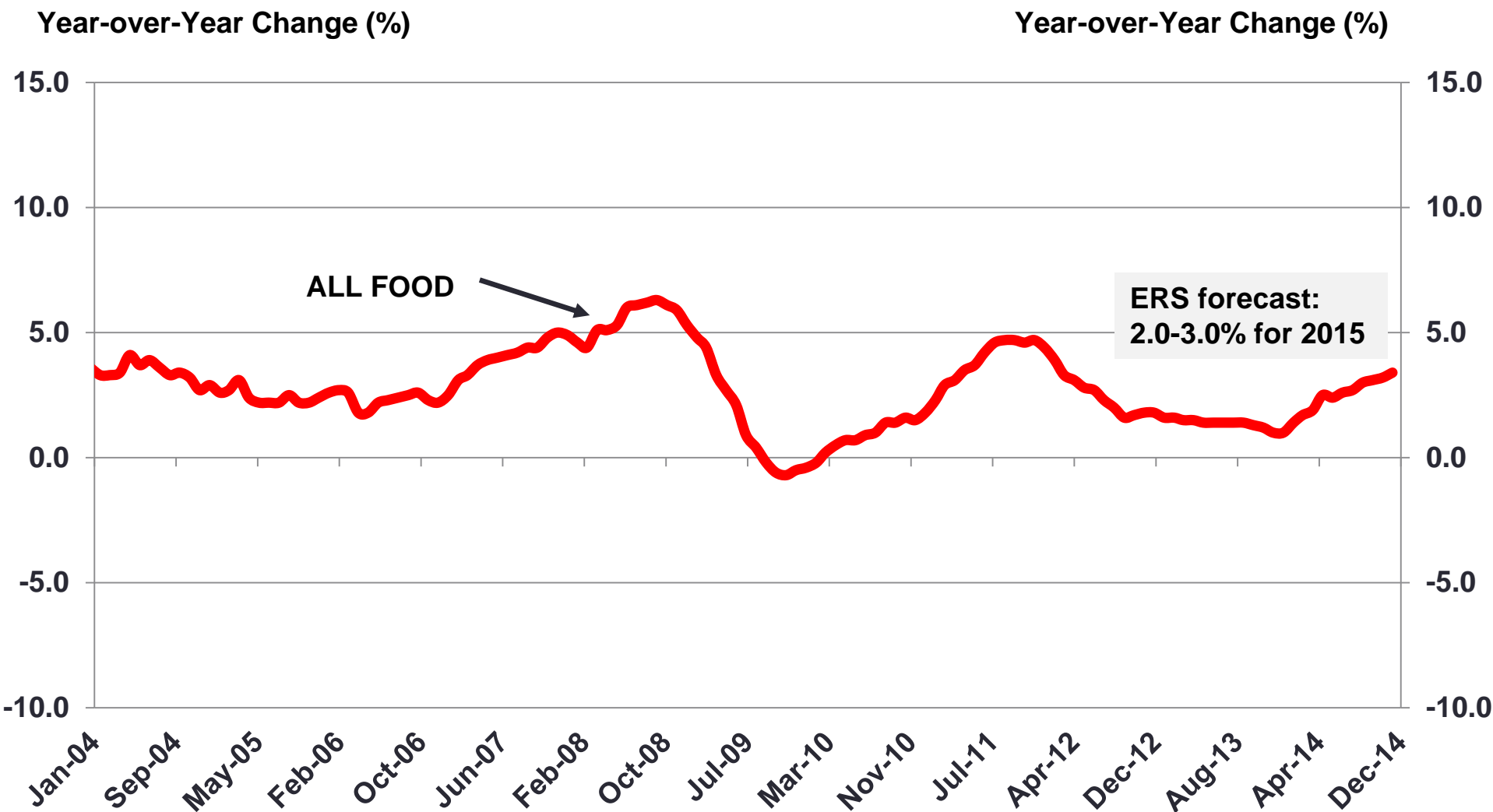
Data: Federal Reserve Bank Chicago.

# Outlook for Food Prices





# Food CPI remains low

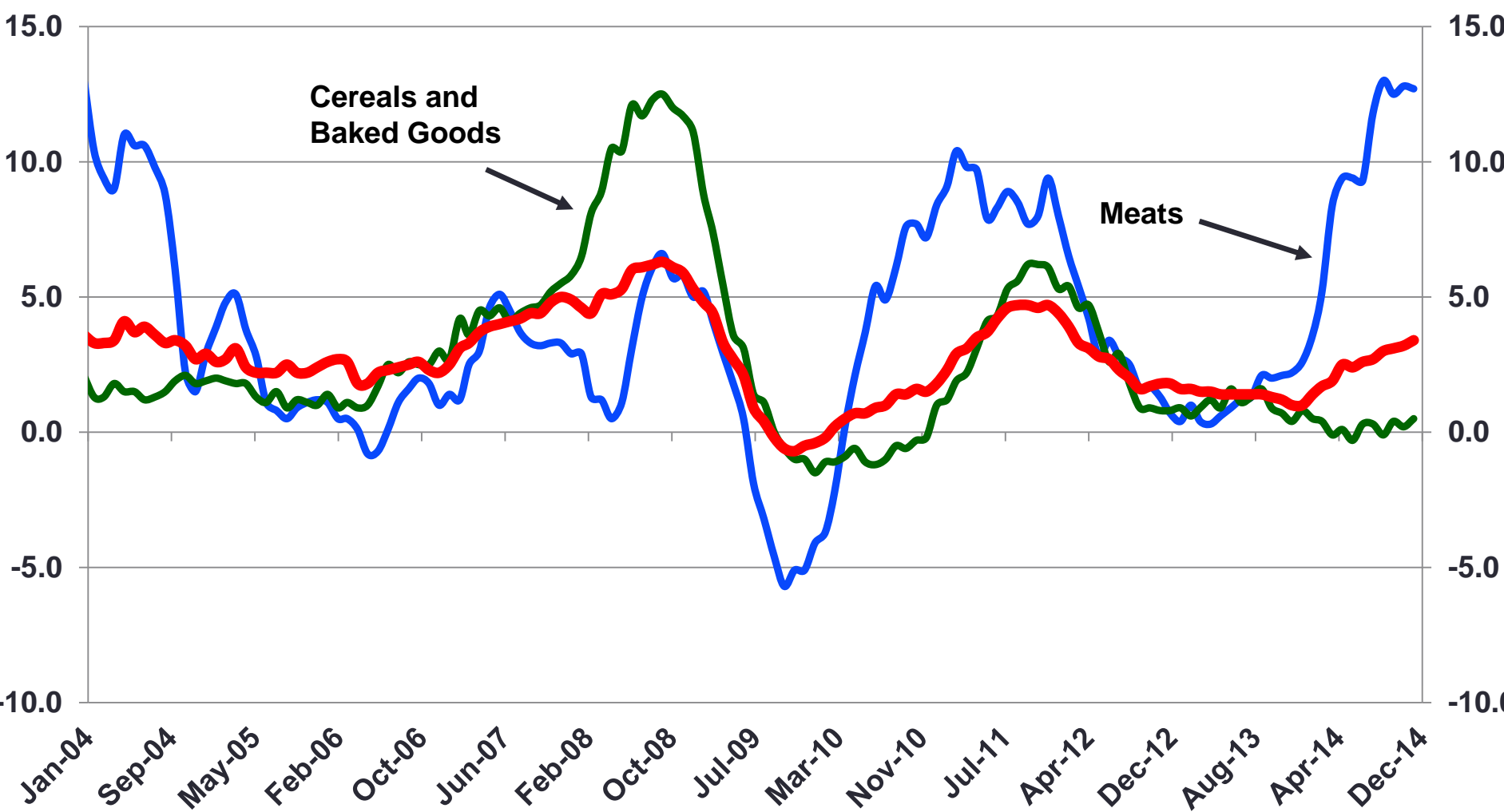


Source: BLS.

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

Year-over-Year Change (%)

Year-over-Year Change (%)



Source: BLS.

# AGRICULTURAL OUTLOOK FORUM

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## 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