A Pulse From the Prairie

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Dr. Cole R. Gustafson
Mr. Andrew Swenson
Dept. of Agribusiness
North Dakota State University
Everyone is Smiling!

- Rising crop prices fueled optimism in ’07
- However, much of ’07 crop priced early
- Real increases in gross revenue in ‘08
And It Will Likely Continue

• New technology to increase competitiveness of Northern Plains (new hybrids, traits, technology, bio-fuel crops)

• Exchange rates rapid increase
Rural America Thriving

- Strong agriculture and oil sectors
- Canadian shoppers have returned
  - 36% of Grand Forks, ND shoppers are Canadian
- Plains region less affected by sub-prime mortgage mess
Unemployment rates by county, September 2006 - August 2007 averages
(U.S. rate = 4.5 percent)

SOURCE: Bureau of Labor Statistics
Local Area Unemployment Statistics

NOTE: County data for 2006 reflect revisions issued on April 11.

10.0% or over
7.0% to 9.9%
6.0% to 6.9%
5.0% to 5.9%
4.0% to 4.9%
3.0% to 3.9%
2.0% to 2.9%
1.9% or below
Not available
Moody’s – Peak to Trough House Price Drop

Percent

CA  MI  CT  FL  AZ  CO  MN  NE
State's Business Conditions Index rises to highest in the region

The overall index ranges between 0 and 100. An index number greater than 50 indicates growth, and an index under 50 forecasts a skidding economy for the next three to six months.
Profit Tug of War

Revenue

Costs
Rising Costs in ‘08

- Fertilizer: +50%
- Seed: +50-300%
- Crop Insurance: +10-20%
- Land: +15%
MACHINERY AUCTION SALE

PRICES SKYROCKETING!

Honestly, I've NEVER seen the used equipment market this RED HOT.

used equipment values have shot up 10-15% here in late 2007

Machinery Pete, 12/19/07
Future Concerns

- Entire cost structure of U.S. agriculture is rising, reduce future competitiveness when exchange rates fall
- Large debt pay down, lenders foresee lower volume
- Diesel and seed supply shortage, emergency exemption requests from certification
Future Concerns

- Although profits are higher, farmers assuming more risk
  - Malt barley, durum, and camelina contracts are now tied to futures, not fixed price
  - Fertilizer prices for spring were only available late December.
  - Elevators struggle with margin calls as farmers contract

- Labor shortage

- Household expenses rising to new plateau
Actual Yearly Average

Trend = $1,820
Annual Increase
<table>
<thead>
<tr>
<th>Family Living Expenses</th>
<th>Percent of Total Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>$ 6,879 15</td>
</tr>
<tr>
<td>Shelter, supplies, furnishings</td>
<td>6,978 15</td>
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<tr>
<td>Clothing</td>
<td>1,774 4</td>
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<tr>
<td>Medical care and health insurance</td>
<td>8,437 18</td>
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<tr>
<td>Vehicle operation and purchase</td>
<td>5,143 11</td>
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<tr>
<td>Utilities</td>
<td>2,200 5</td>
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<tr>
<td>Education</td>
<td>1,654 3</td>
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<tr>
<td>Contributions and gifts</td>
<td>2,525 5</td>
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<tr>
<td>Personal purchase and recreation</td>
<td>6,959 15</td>
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<tr>
<td>Life and other personal insurance</td>
<td>1,947 4</td>
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<tr>
<td>Non-farm interest expense</td>
<td>956 2</td>
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<tr>
<td>Other</td>
<td>1,582 3</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$ 47,031 100</strong></td>
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Questions?
Actual Yearly Average

Trend = $1,707 Annual Increase