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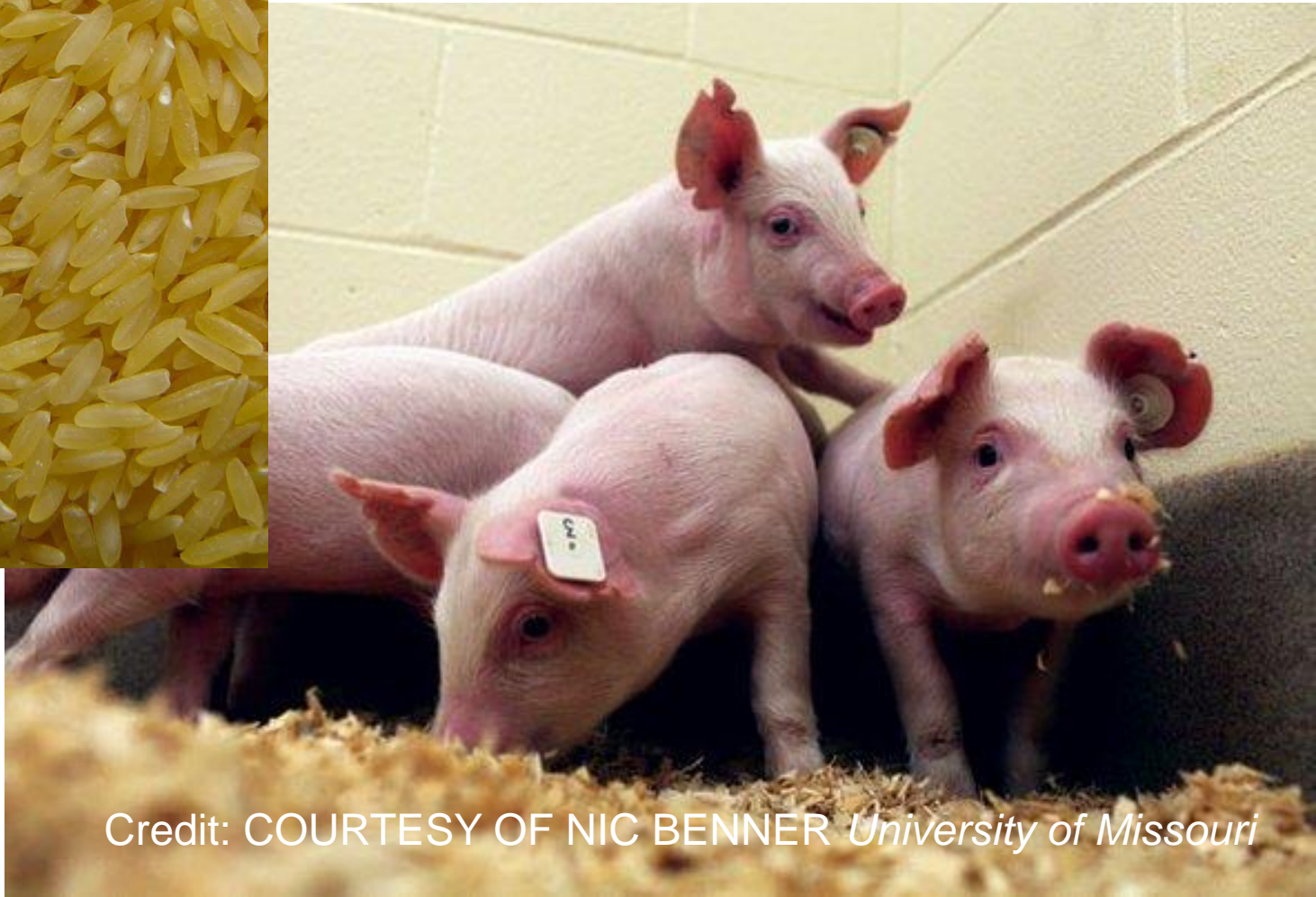
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<http://www.goldenrice.org/>

# **AG OUTLOOK 2019: GROWING LOCALLY, SELLING GLOBALLY**



**Robert Johansson**  
**Chief Economist, USDA**  
**Feb 2019**

Credit: COURTESY OF NIC BENNER *University of Missouri*



# Outline

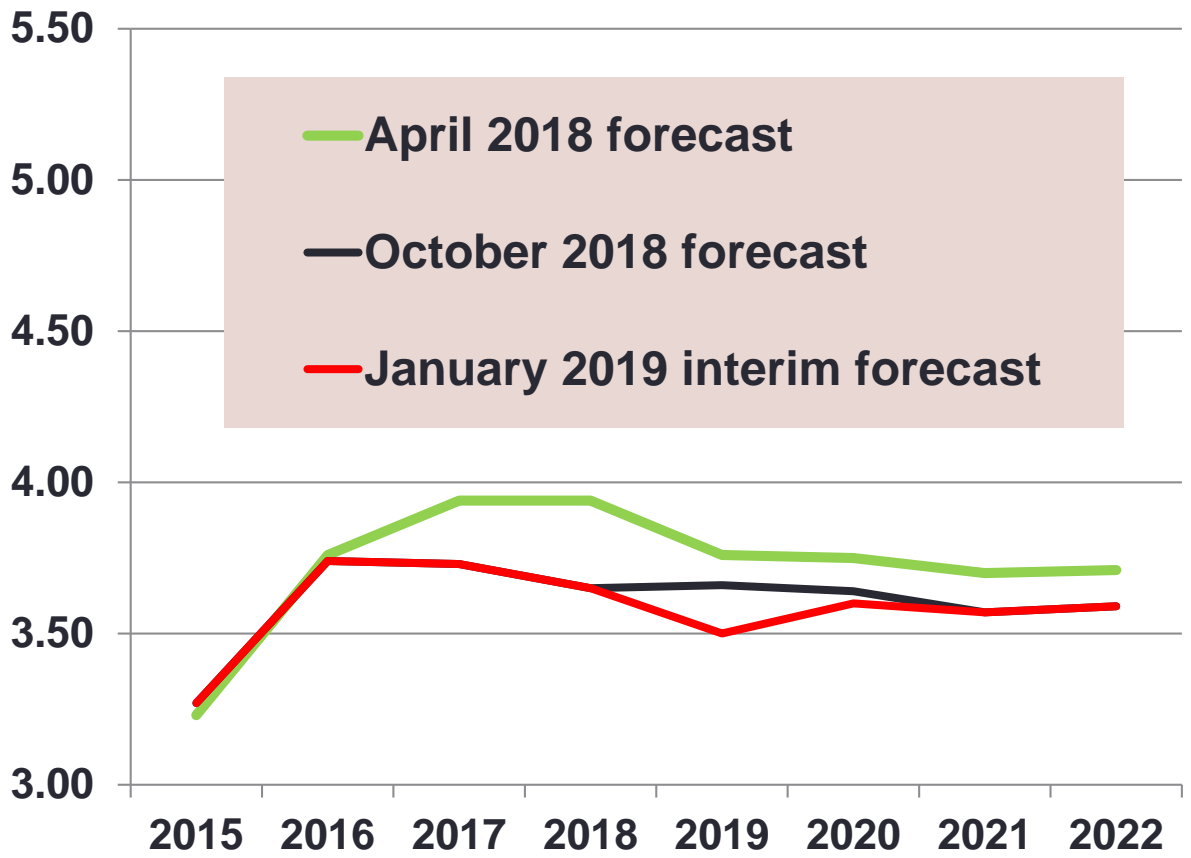
1. Farm economy
2. Crops & Livestock
3. Trade
4. Farm Bill



# Growth forecasts less optimistic — global purchasing power falls by \$0.7 trillion (cumulative from 2019 – 2022)

## World GDP

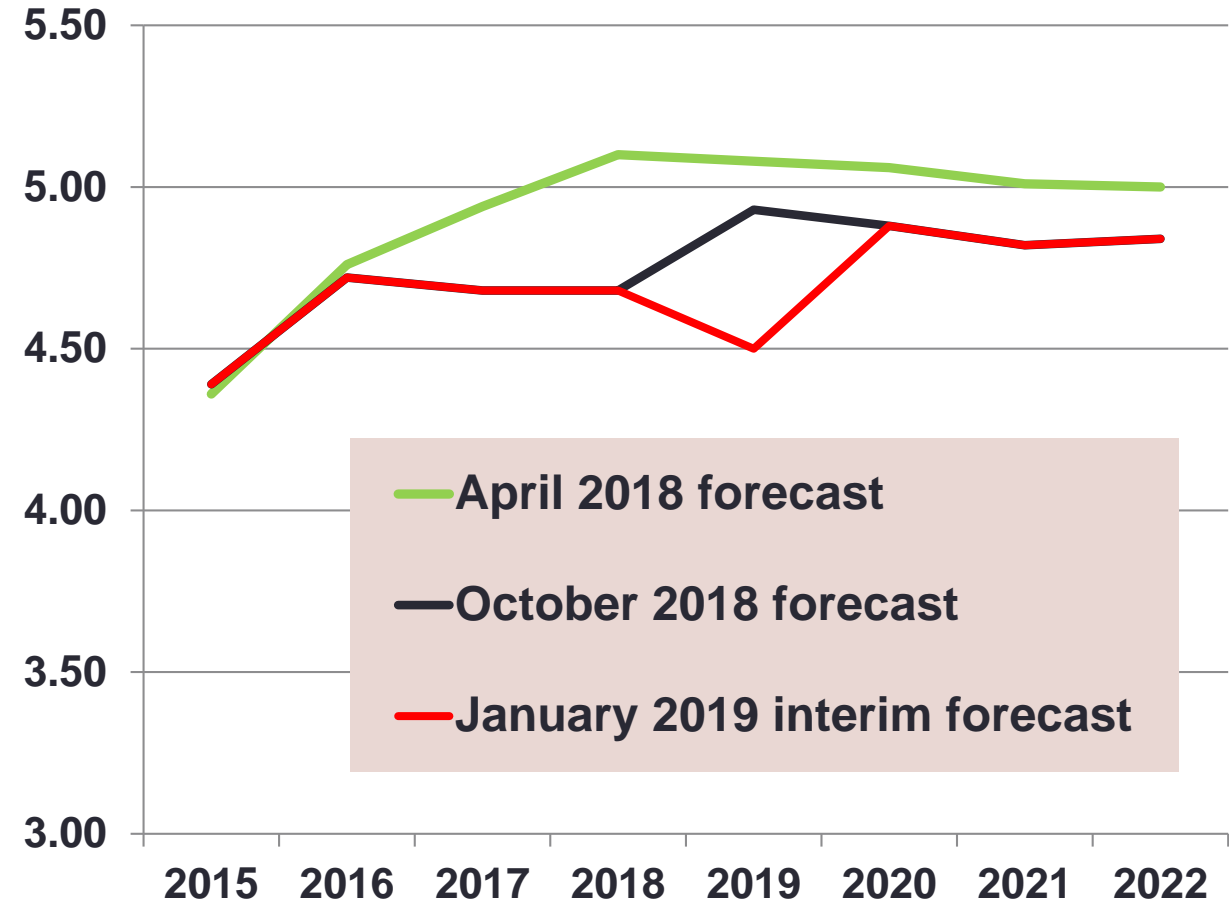
Percent change



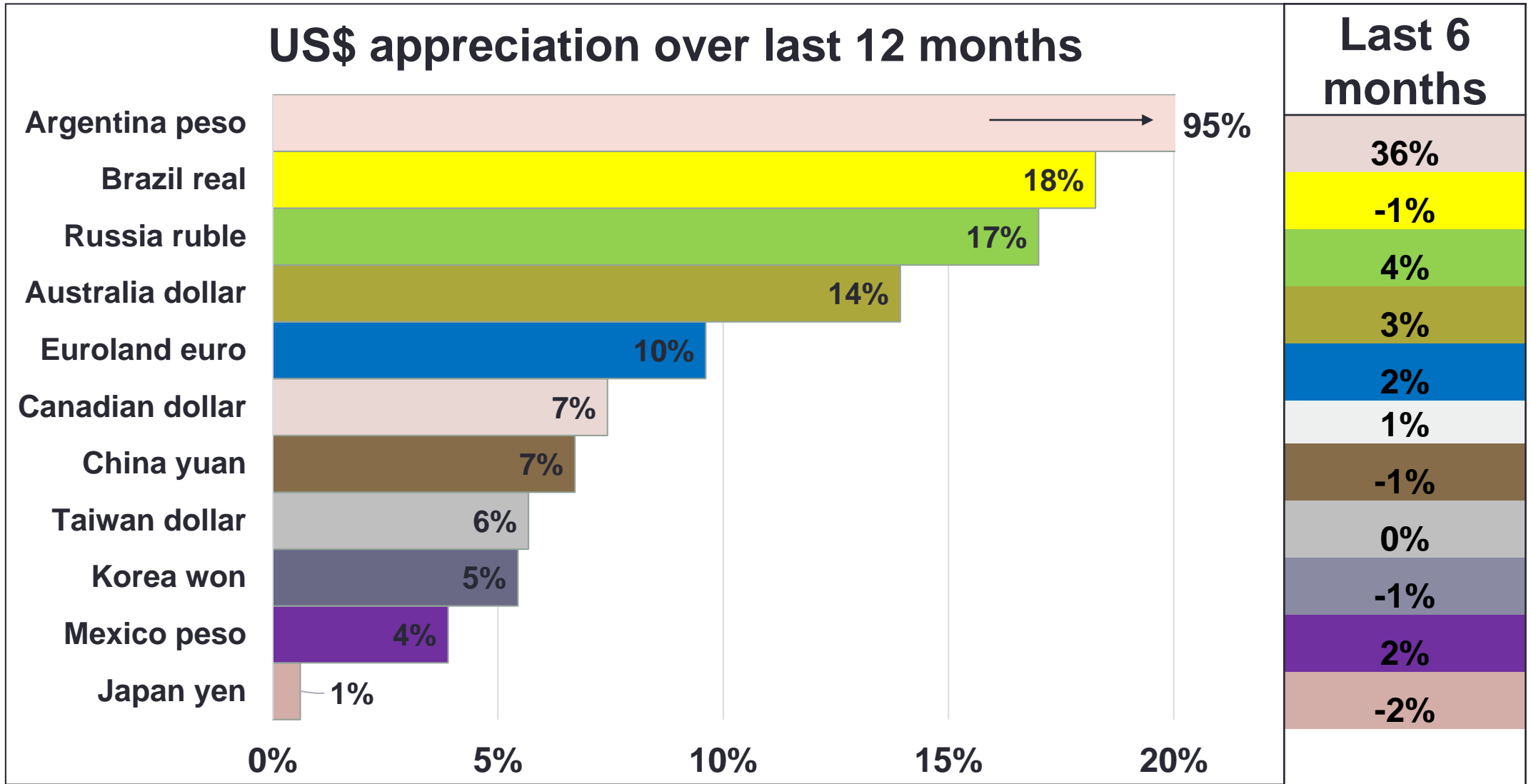
Data: IMF

## Emerging Markets and Developing Countries

Percent change

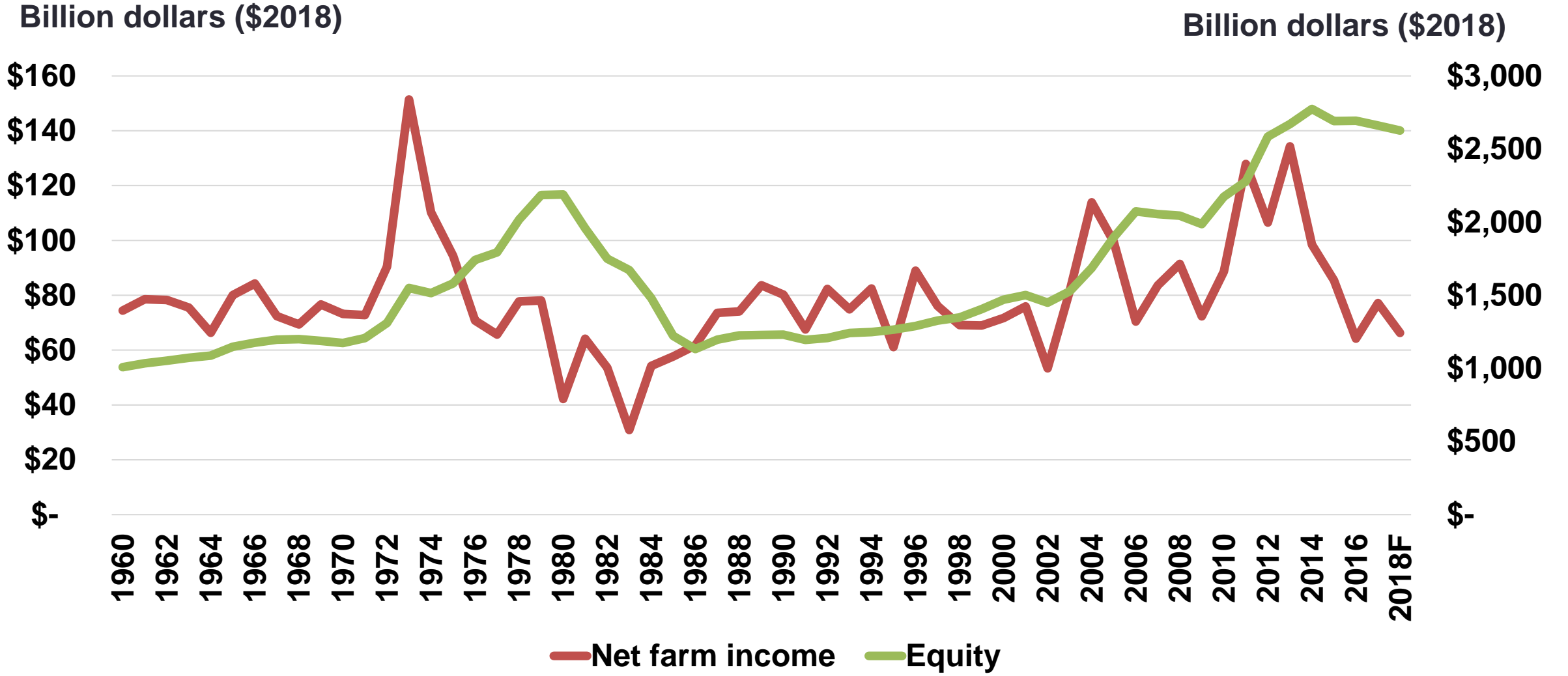


# Dollar up year-over-year, but mixed over the last few months

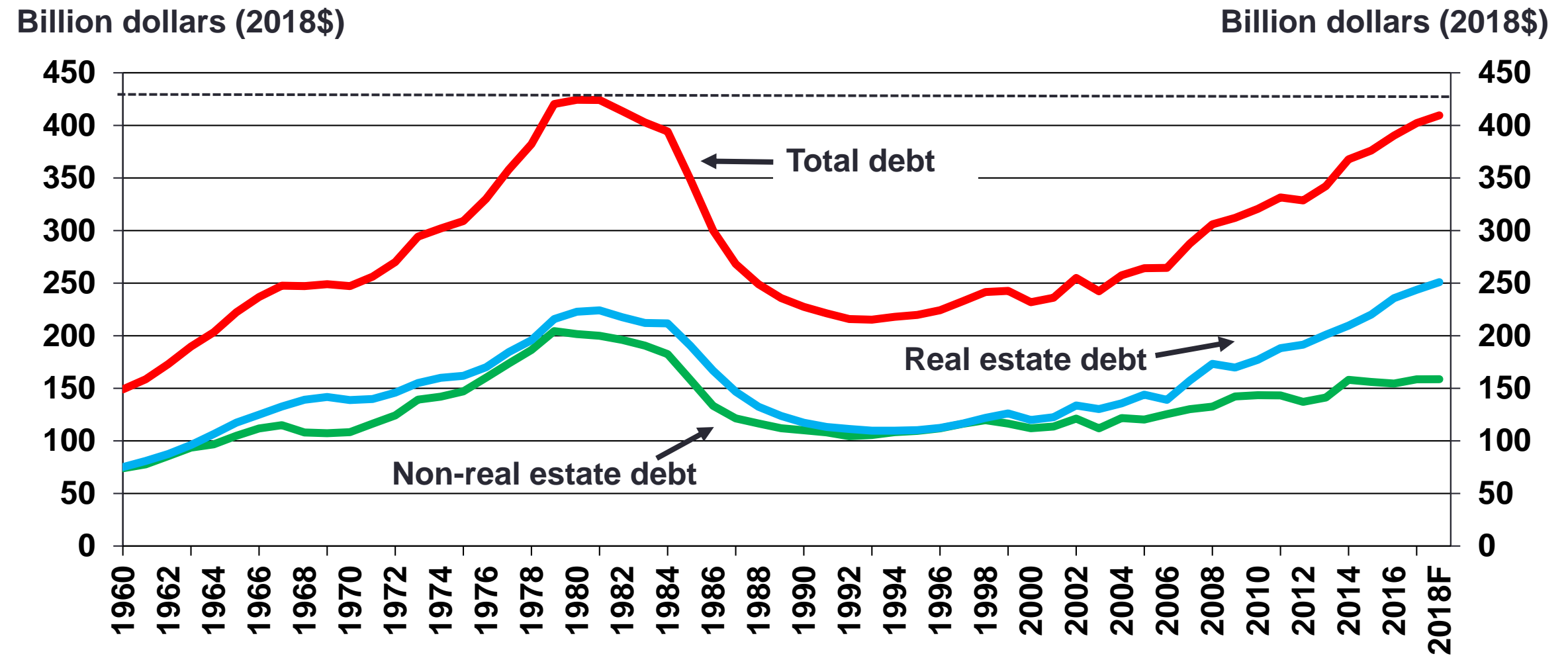


Data: Thomson Reuters Datastream

# Real farm income settles; equity shows slight decline

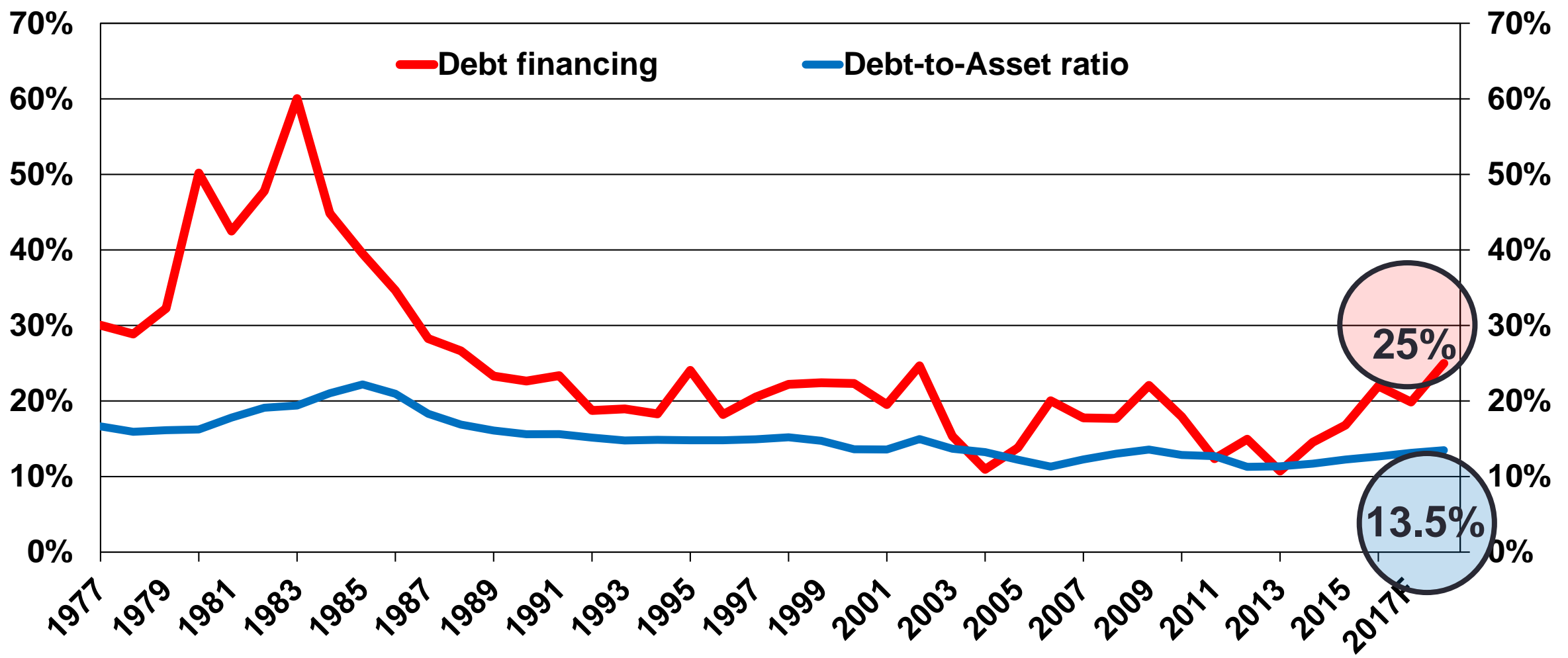


# Borrowing against real estate equity fuels debt growth

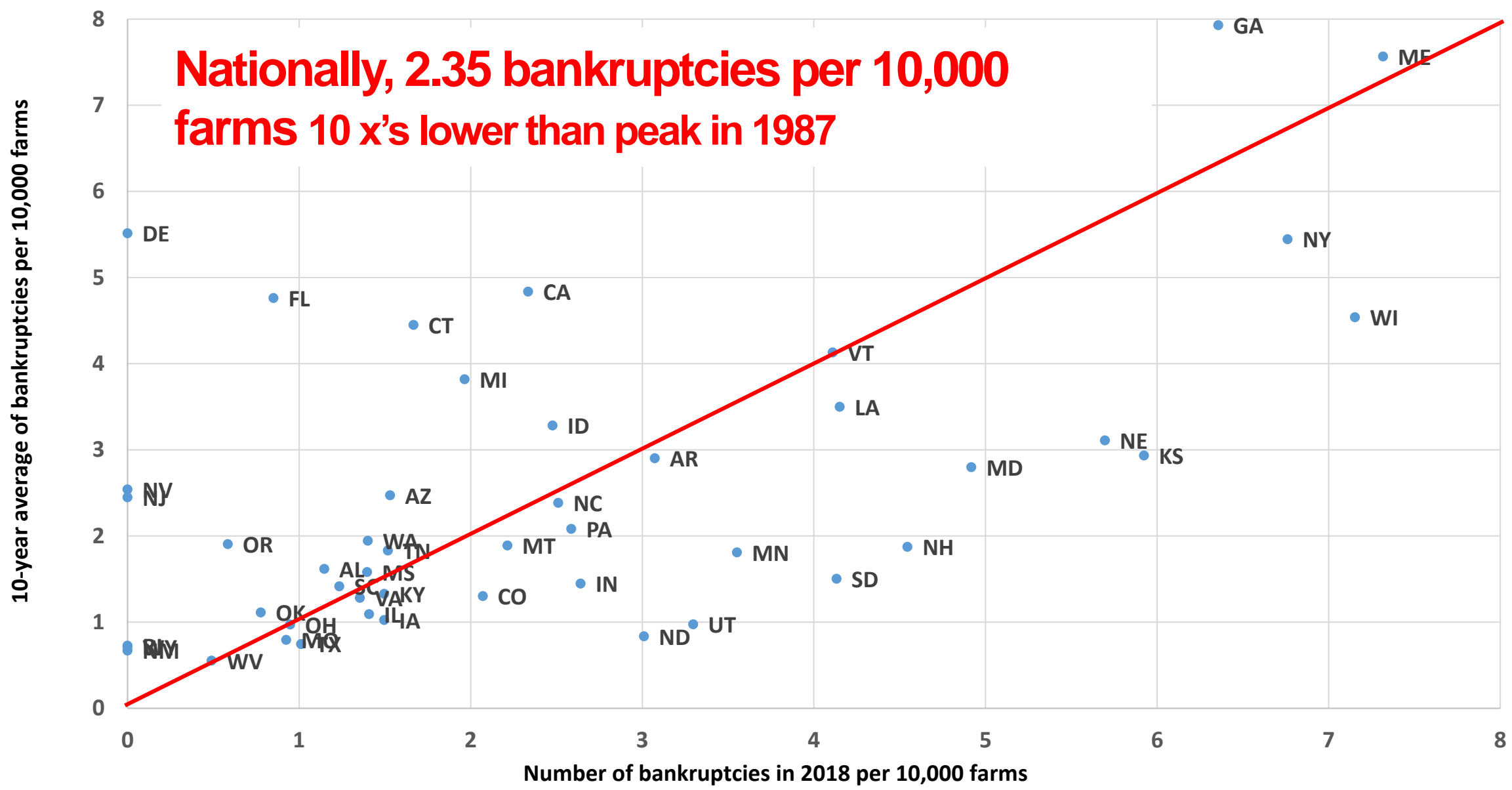


# Debt-to-assets remain low -- 13.5%

## but debt financing highest since 1988



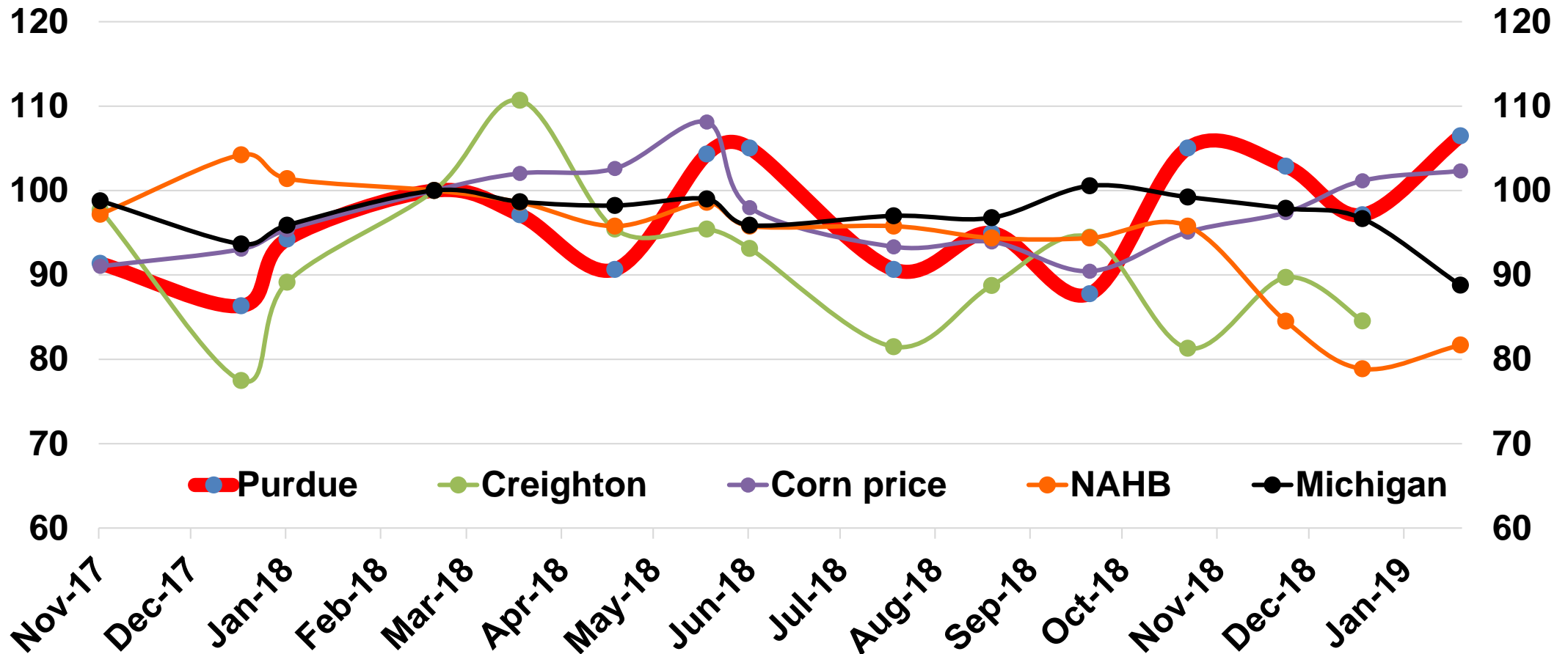




# How optimistic are you about economic prospects over the next 6 months?

Feb 2018 = 100

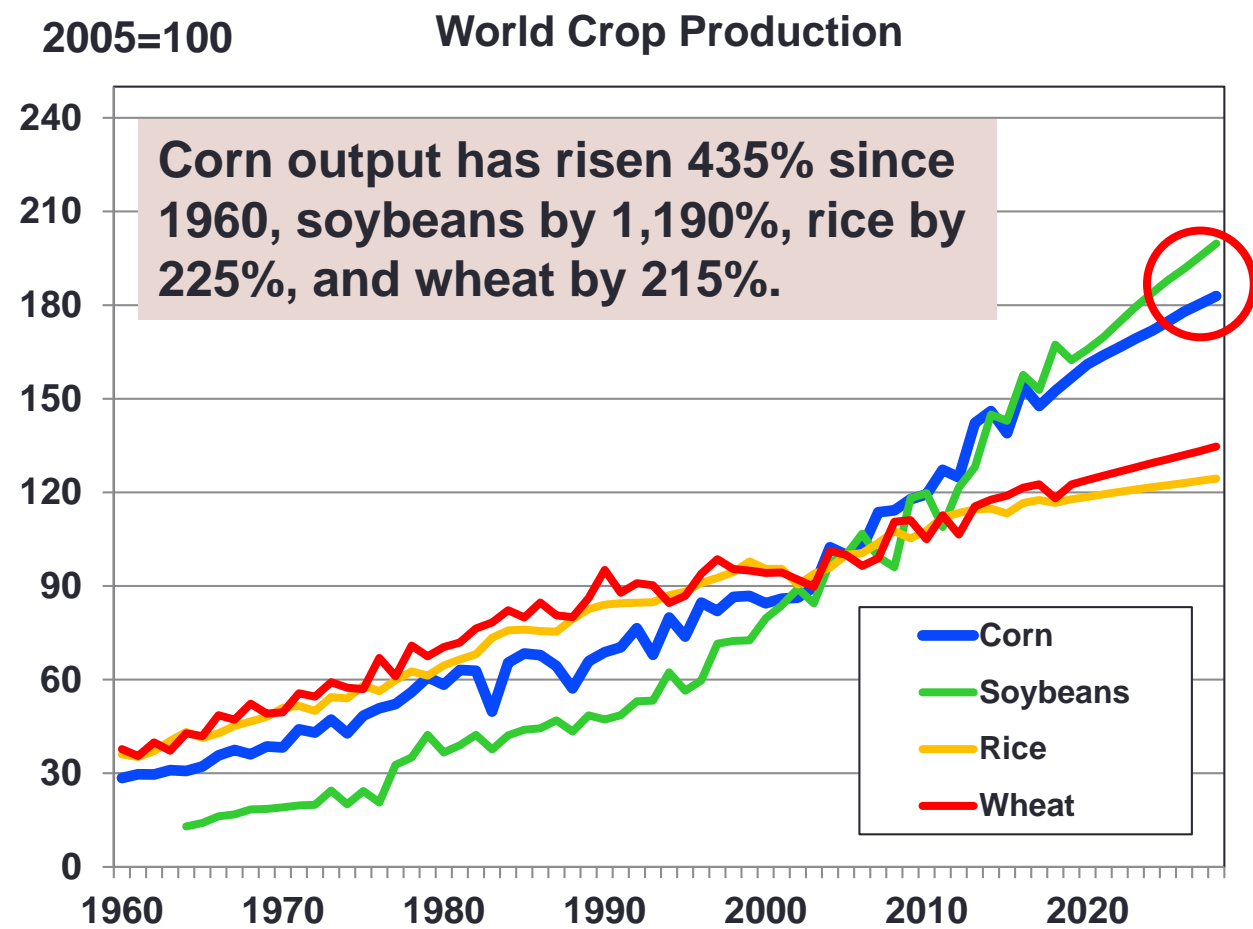
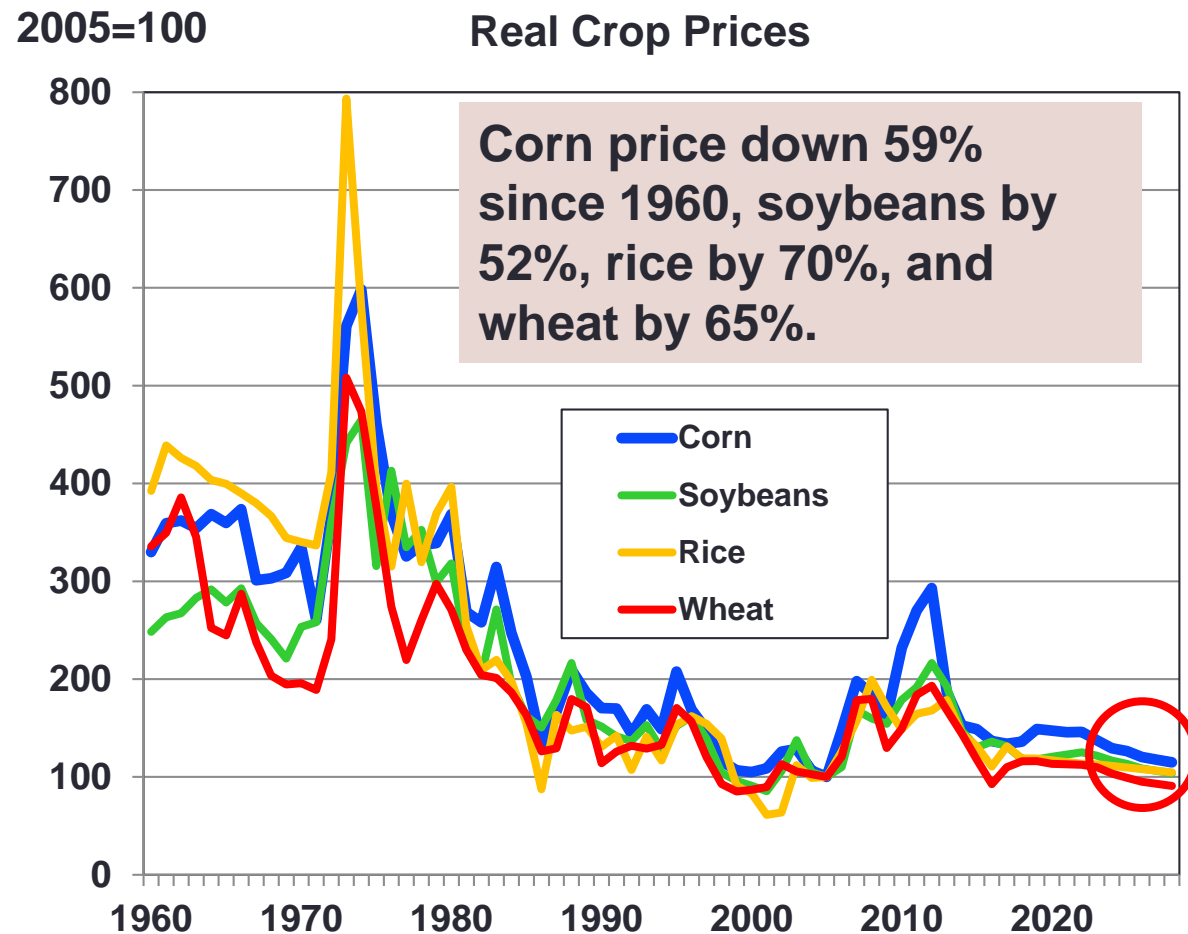
Feb 2018 = 100



# U.S. crop forecast

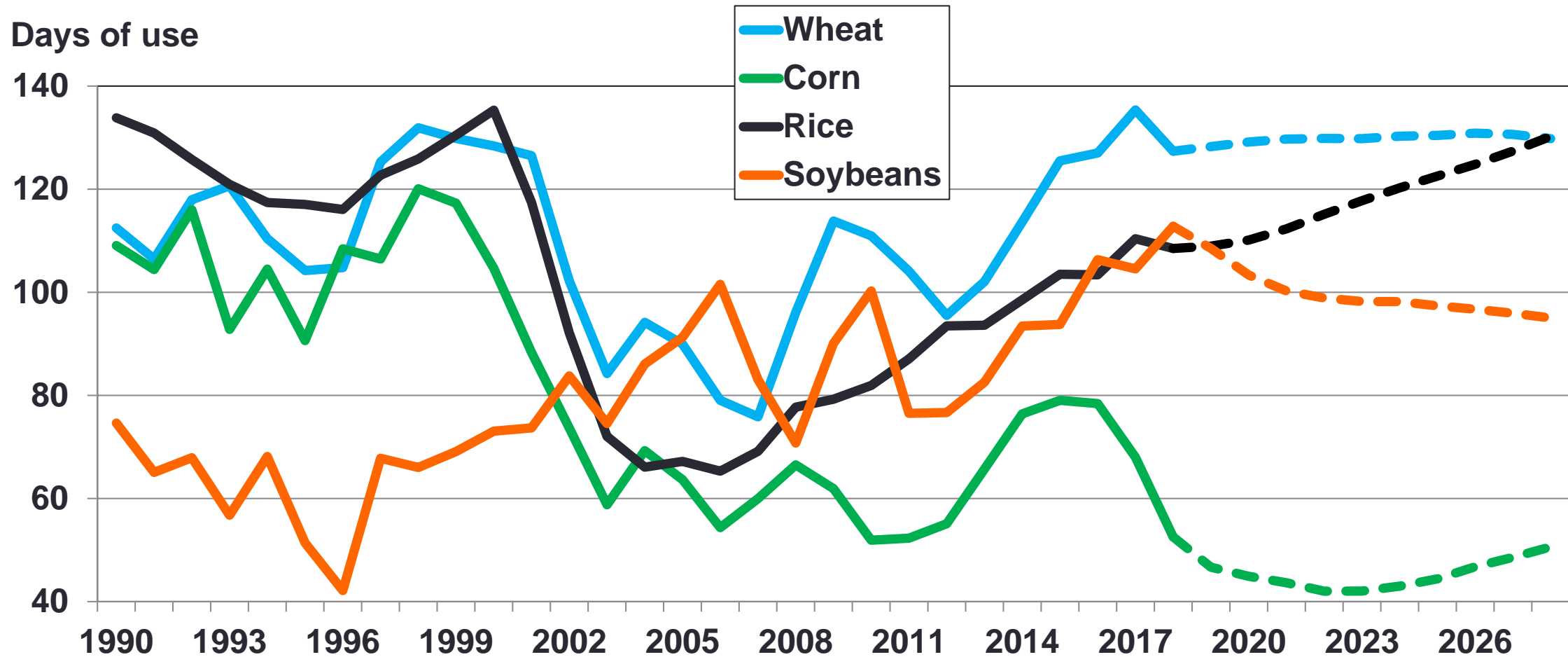
<https://www.agweek.com/business/agriculture/4512383-moisture-snow-has-really-hampered-harvest>

# Real prices trend down, as crop production outstrips demand

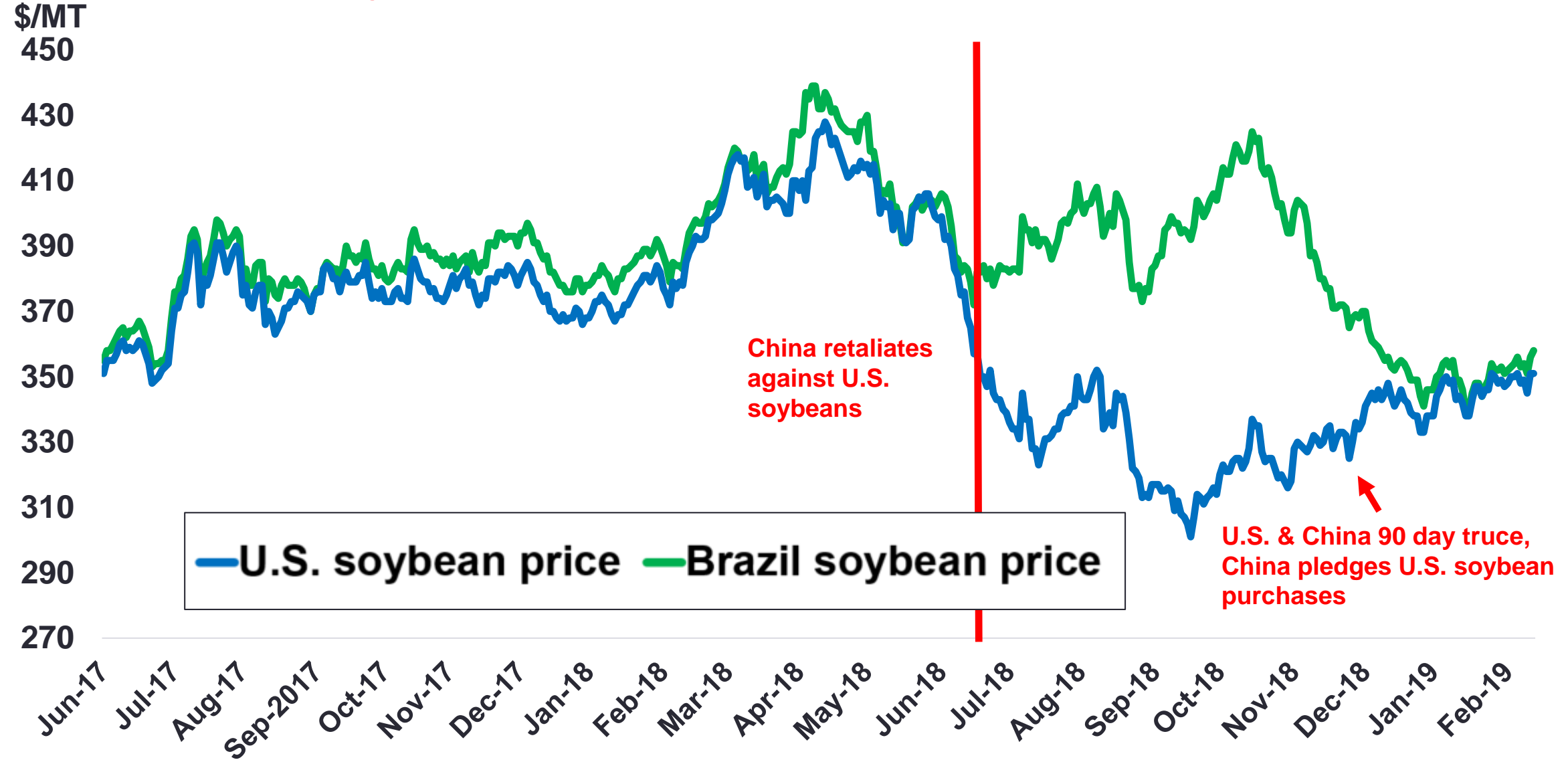




# Global stocks in days of use: tightening market for corn and soybeans over next few years



# U.S. soybeans prices fall under trade dispute



— U.S. soybean price — Brazil soybean price

China retaliates against U.S. soybeans

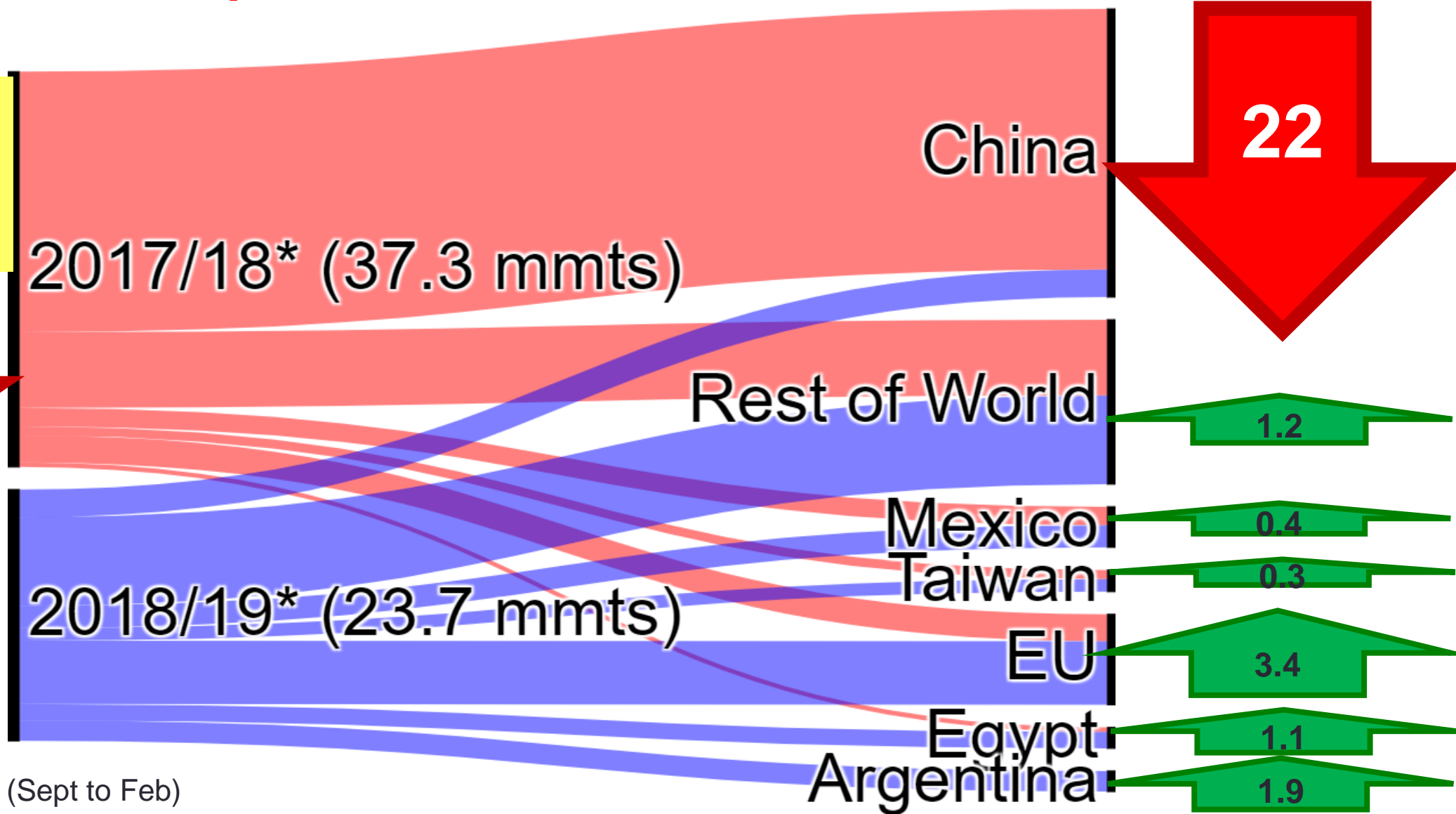
U.S. & China 90 day truce, China pledges U.S. soybean purchases

# Alternative markets for U.S. soybeans up, but not enough to recover exports to China

U.S. exports for 2018/19 are 13.5 mmts behind last year

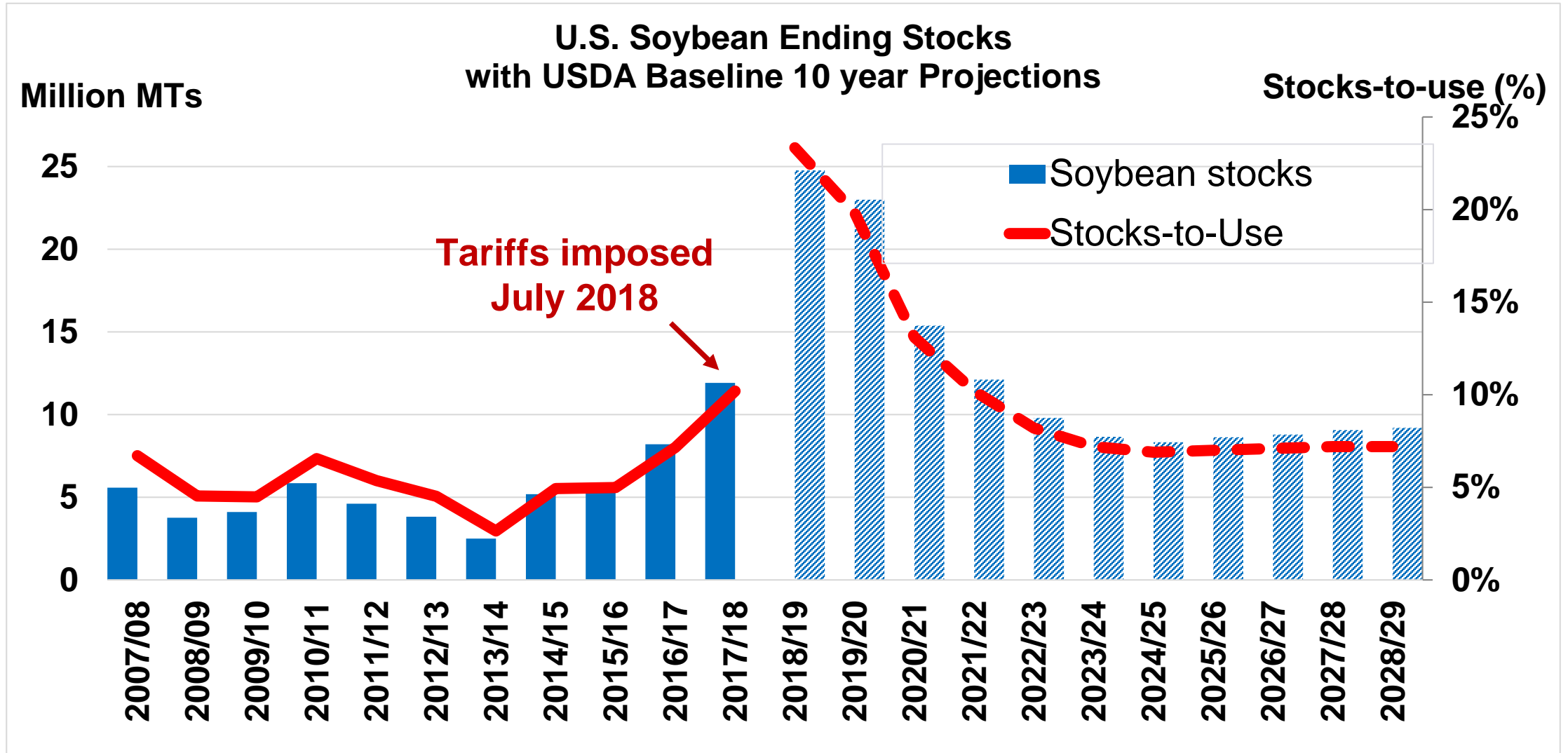
**13.5**

Year over Year Change (mmts)



Data: USDA  
\*Marketing Year to Date (Sept to Feb)

## Stocks overhang will take years to unwind





## Some prices expected to edge up into 2019

Crop	2019F	%Δ (YoY)	5 year low	2019F	5 Year high
Soybeans (\$/bu)	8.80	+2.3%	8.60	8.80	9.47
Corn (\$/bu)	3.65	+1.4%	3.30	3.65	3.65
All Rice (\$/cwt)	12.20	+0.8%	10.40	12.20	12.70
Wheat (\$/bu)	5.20	+1.0%	3.89	5.20	5.20
Cotton (\$/lb)	0.67	-6.9%	0.61	0.67	0.72

## Corn and bean area at parity, wheat holding

Crop	2019F (mil. acres)	%Δ (YoY)	5 year low	● 2019F	5 Year high
Corn	92.0	+3.3%	88.0	●	94.0
Soybeans	85.0	-4.7%	82.7	●	90.2
Wheat	47.0	-1.7%	46.1	●	55.0
All cotton	14.3	+1.1%	8.6	●	14.3
Rice	2.7	-9.8%	2.5	●	3.2

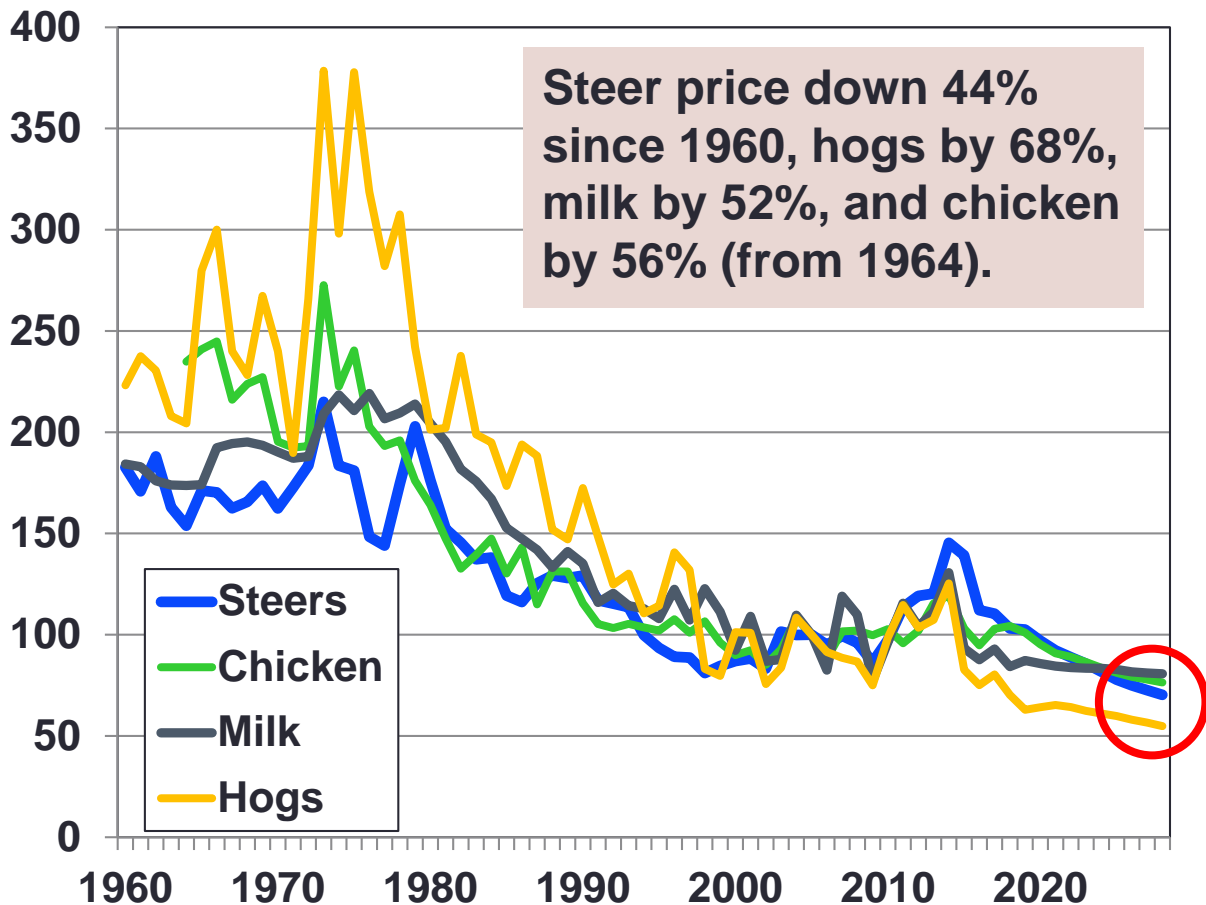
Photograph: Rachel Doyle



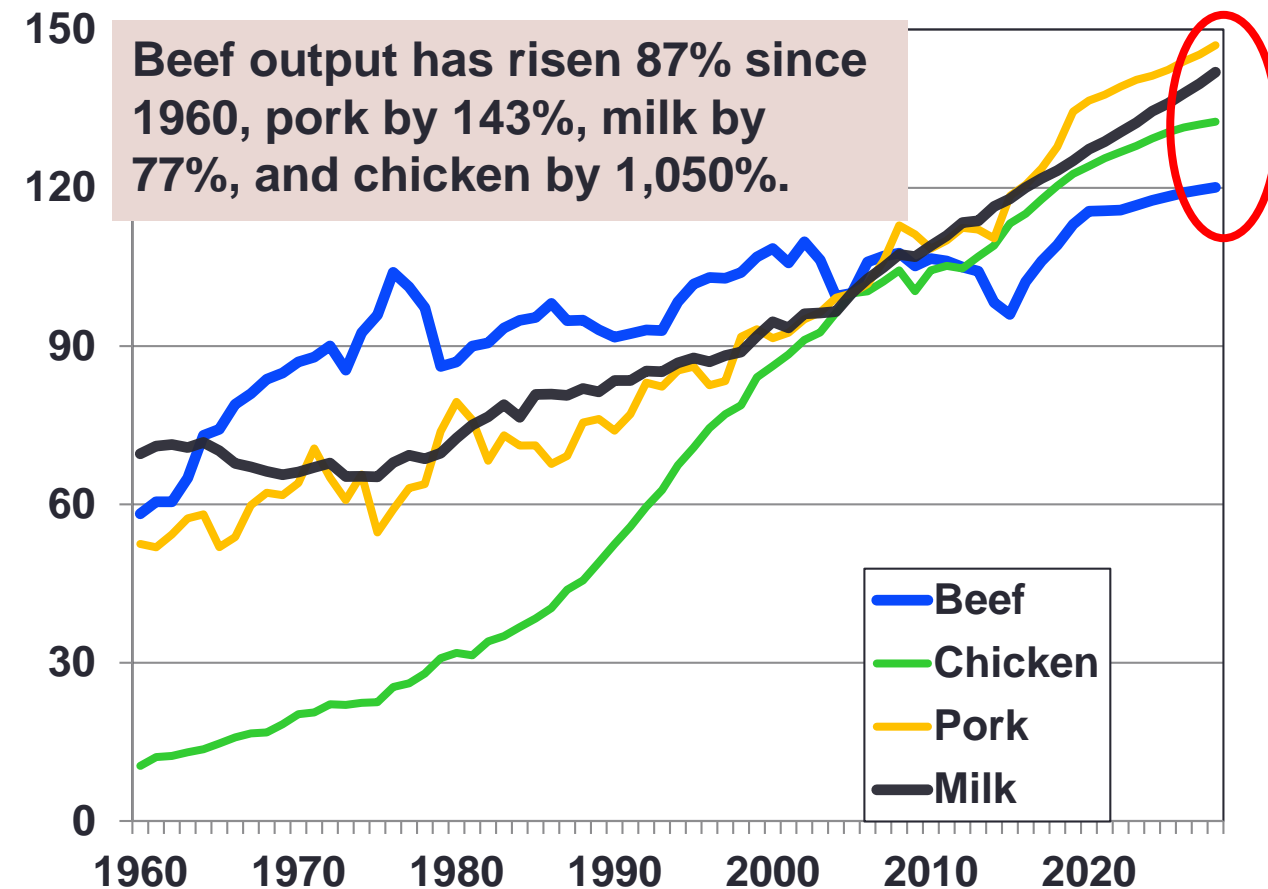
**Outlook for Livestock and Dairy**

# Real prices trend down, as U.S. livestock production outstrips demand

2005=100 Real U.S. Livestock, Poultry, and Milk Prices

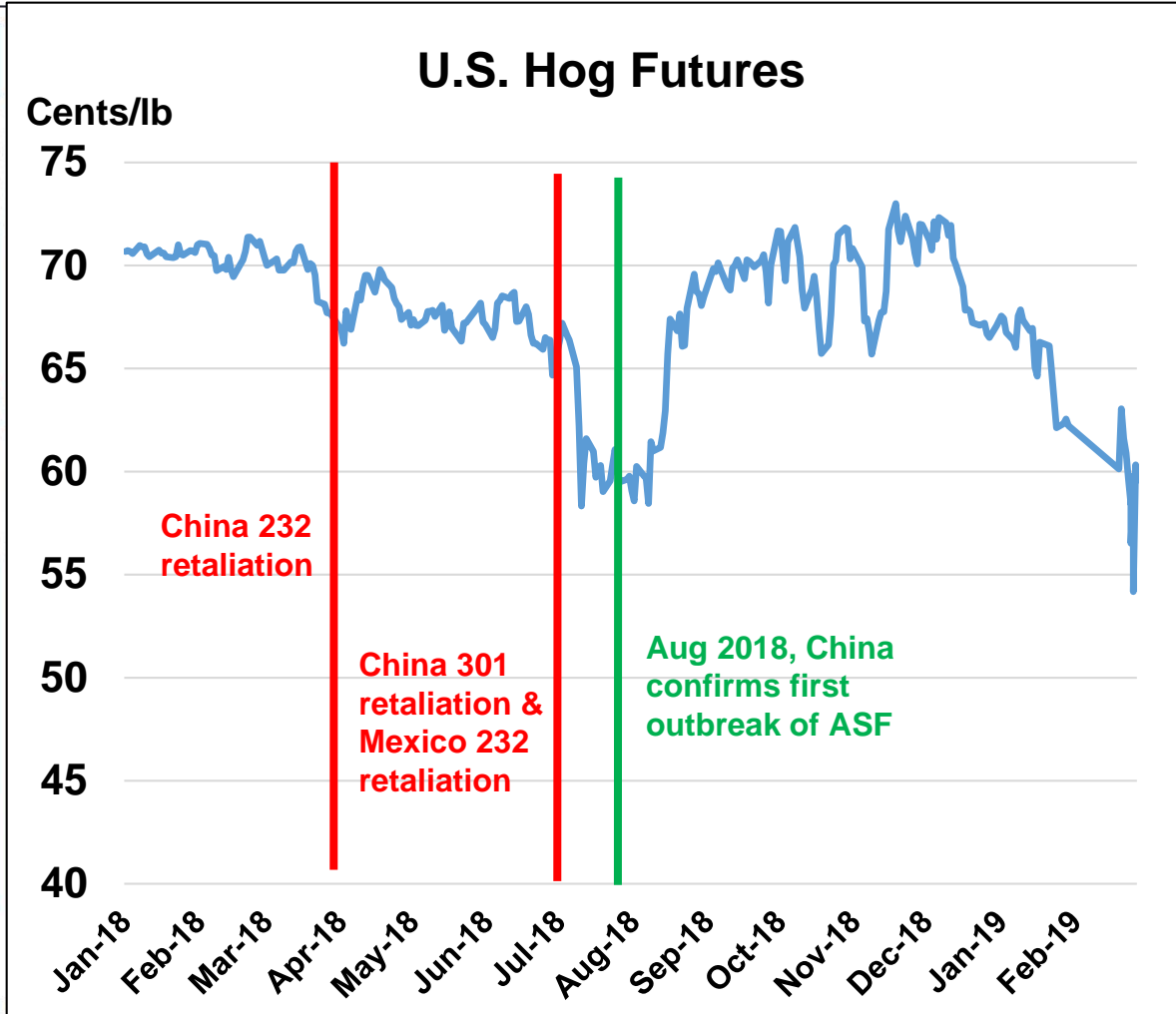
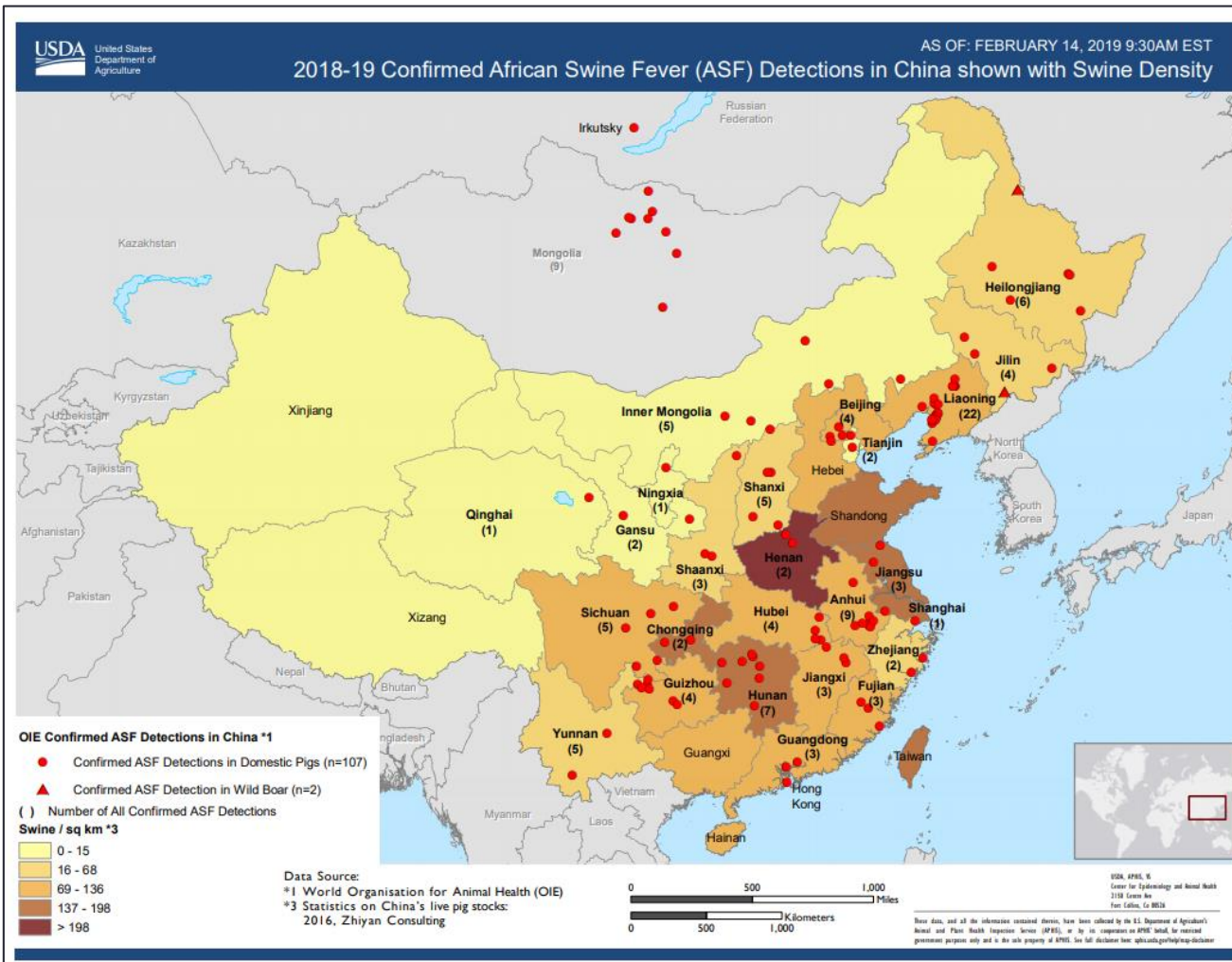


2005=100 U.S. Meat and Milk Production





# African Swine Fever (ASF) may affect global pork demand



## Low prices for steers and hogs in 2019

Livestock	2019F	%Δ (YoY)	5 year low	2019F	5 Year high
Steers (\$/cwt)	118.50	+1.2%	117.12	118.50	148.12
Hogs (\$/cwt)	42.50	-7.5%	42.50	42.50	50.48
Broilers (\$/cwt)	97.00	-0.8%	84.30	97.00	97.80
Milk (\$/cwt)	17.25	+6.5%	16.20	17.25	17.65

# Meat and milk production to be record high in 2019

Item	2019F (billion lbs)	%Δ (YoY)	5 year low	2019F	5 Year high
Beef	27.6	+2.7%	23.7	27.6	27.6
Pork	27.3	+3.8%	24.5	27.3	27.3
Broilers	43.1	+1.4%	40.0	43.1	43.1
Total <sup>1</sup>	104.7	+2.3%	94.6	104.7	104.7
Milk	220.1	+1.1%	208.6	220.1	220.1

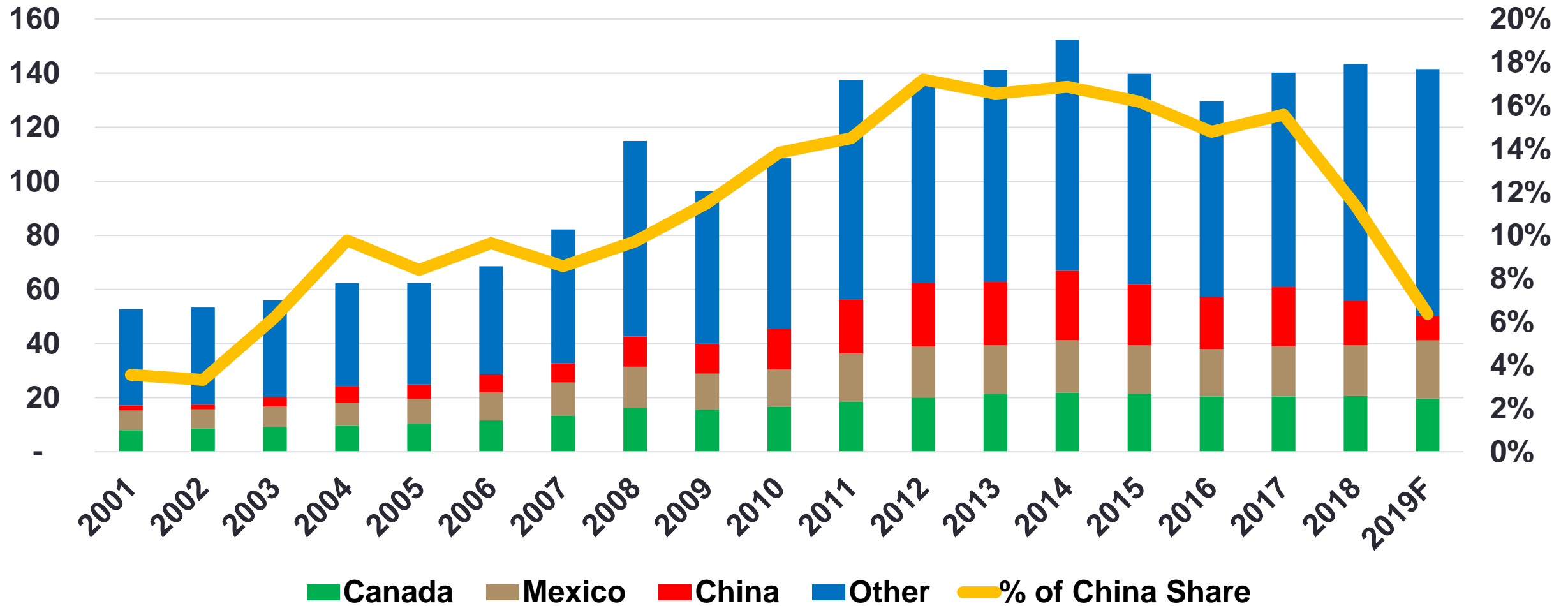


# Trade Outlook



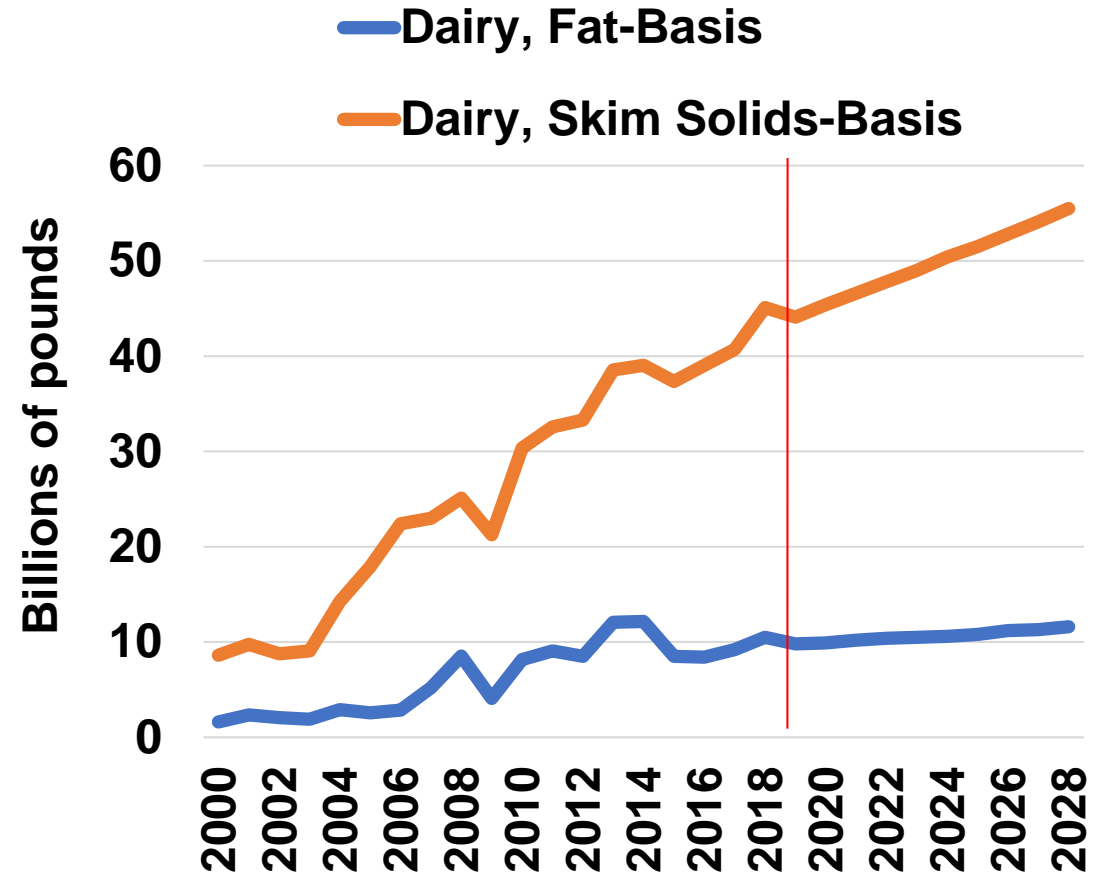
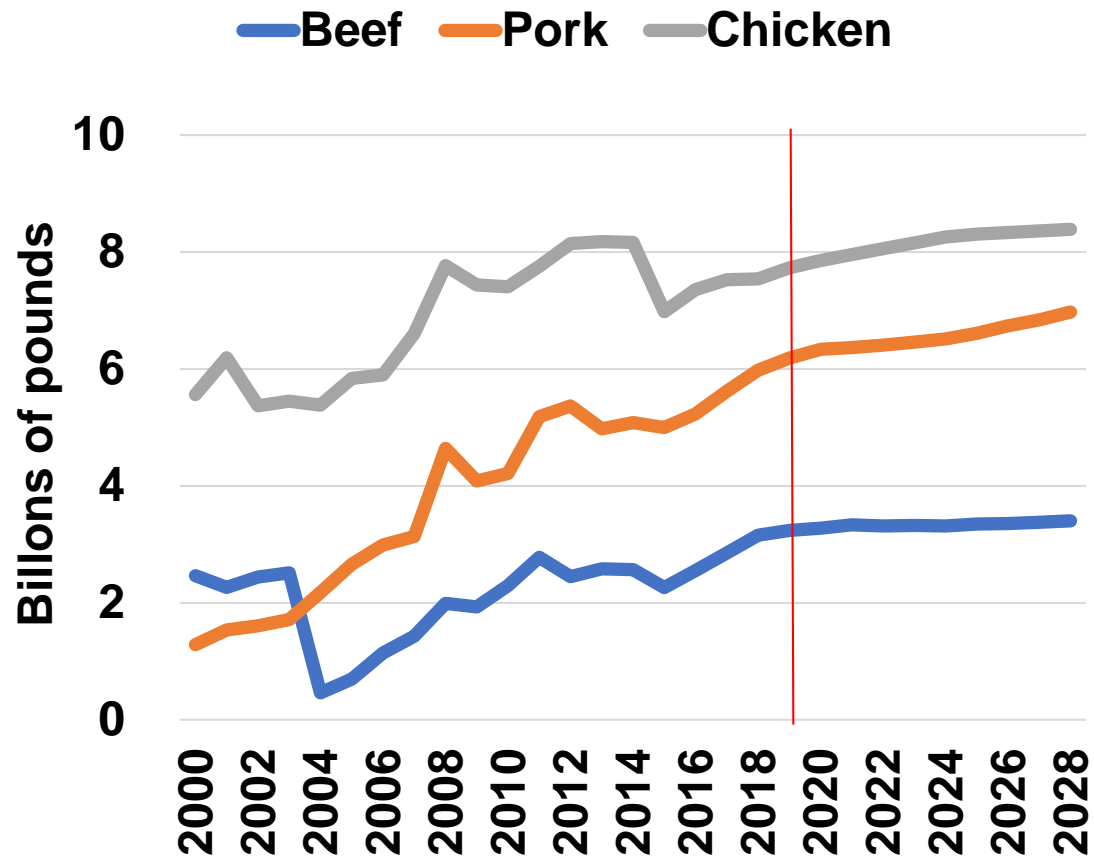
# Agricultural export values expected to remain flat in 2019, China share down sharply

Billion dollars





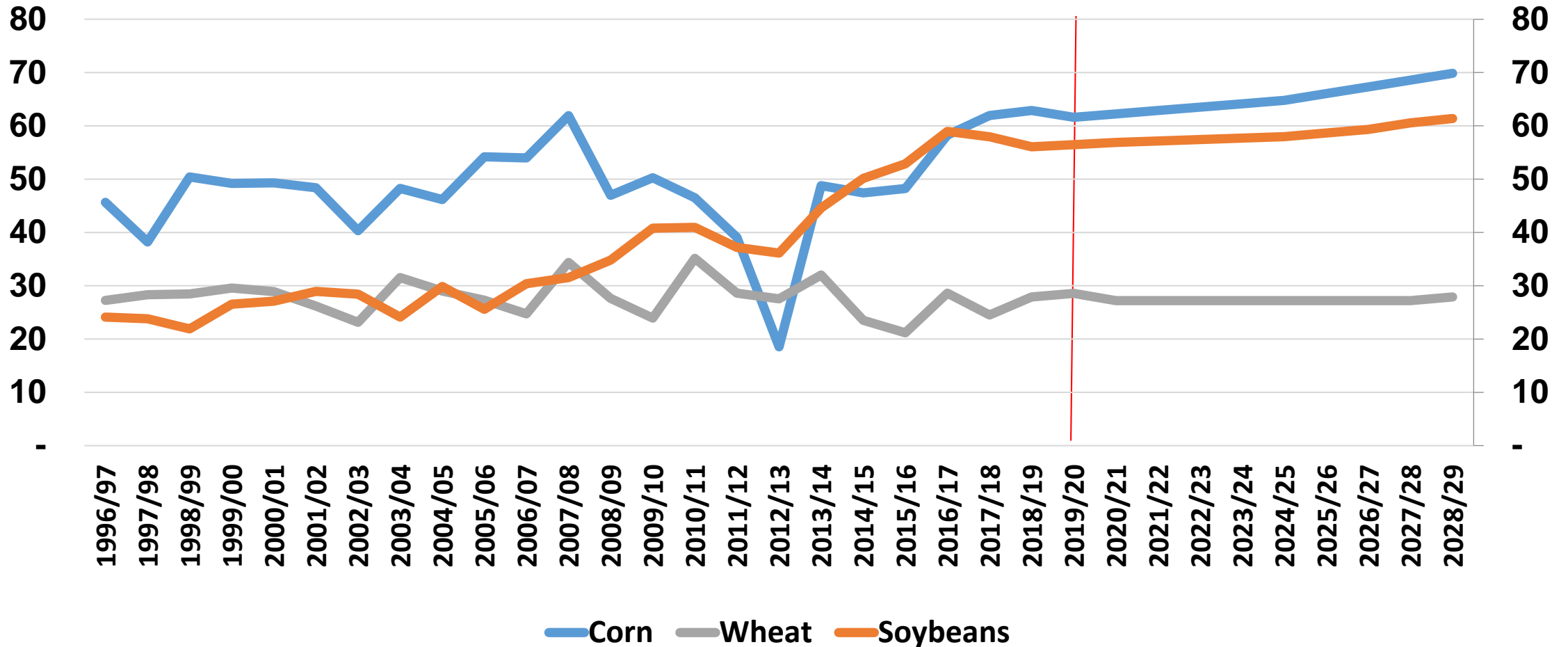
# Global demand drives growth in U.S. livestock and dairy exports



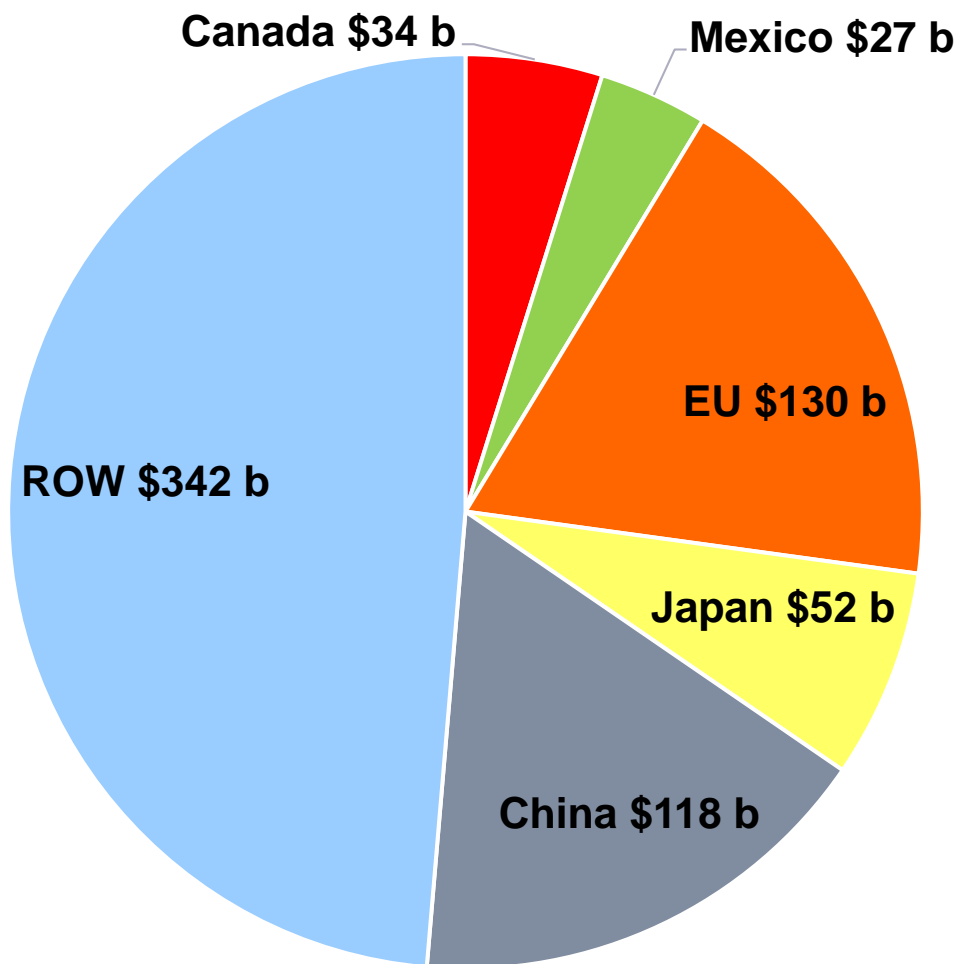
## ... and drives growth in U.S. feed grain exports

Million metric tons

Million metric tons



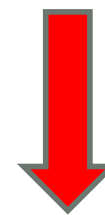
# New FTAs may impact U.S. access into top export markets



**Global ag imports (2017)**  
**\$703 billion (excl. U.S.)**

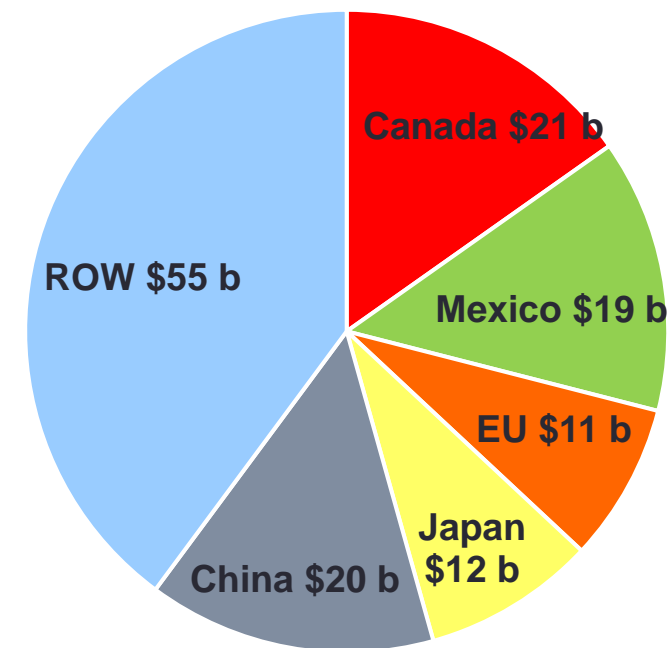
## Top 5 U.S. Export Markets FTAs (excl. U.S.)

- Canada-EU (CETA)
- EU-Mexico
- EU-Japan
- CPTPP (TPP-11)
- Australia-China
- New Zealand-China



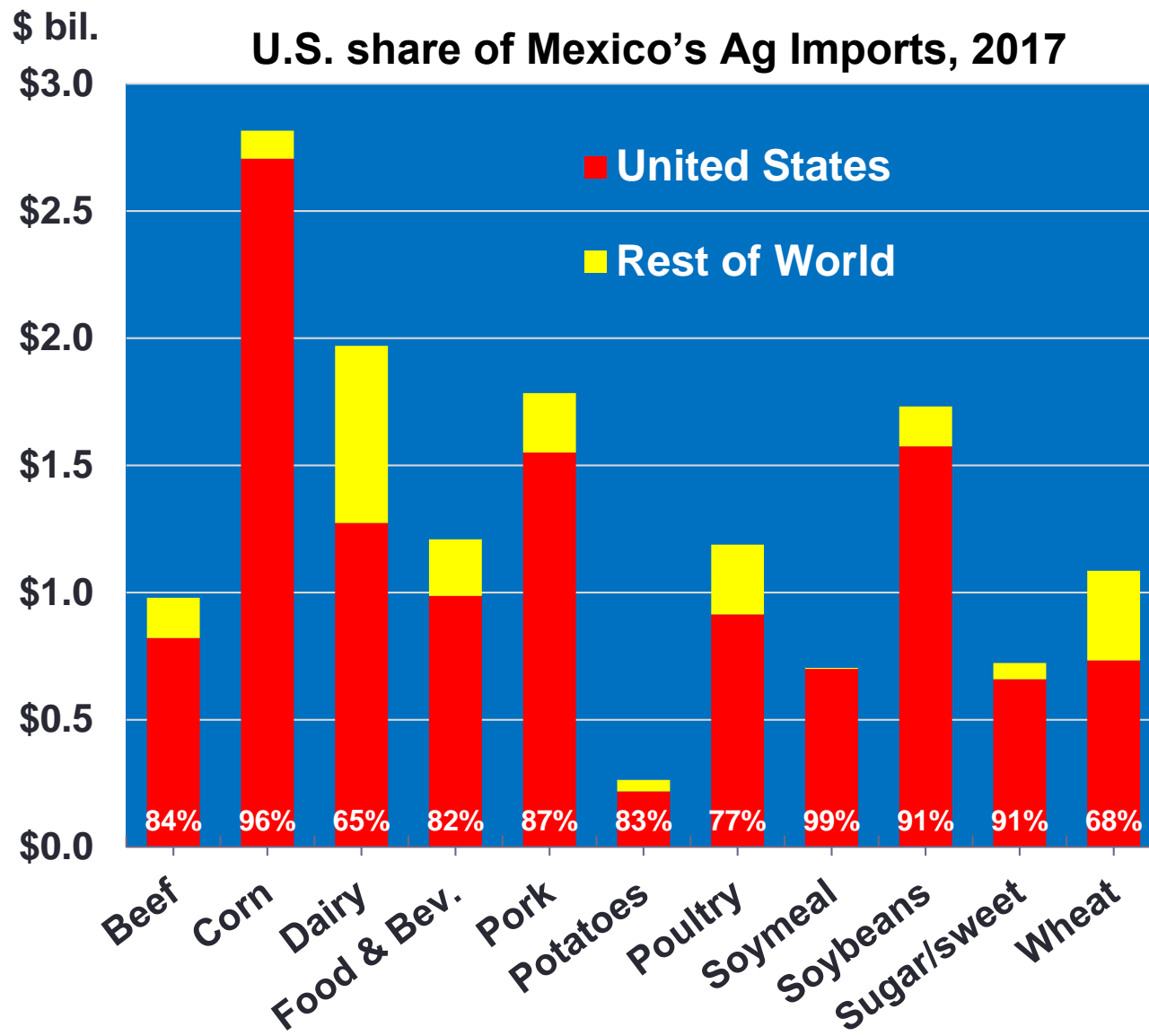
## U.S.-FTAs with Top 5 Export Markets

- NAFTA (in effect)
- USMCA (signed)
- Proposed:  
U.S.-Japan, U.S.-EU, U.S.-UK



**Total U.S. ag exports (2017)**  
**\$138 billion**

# USMCA strengthens North American market integration



## NEXT STEPS

- USITC report to Congress
- Administration submits implementing legislation package to Congress
  - After bill is reported out of the Committees, the House and Senate vote on the bill
- Bill signed into law, agreement is implemented by proclamation

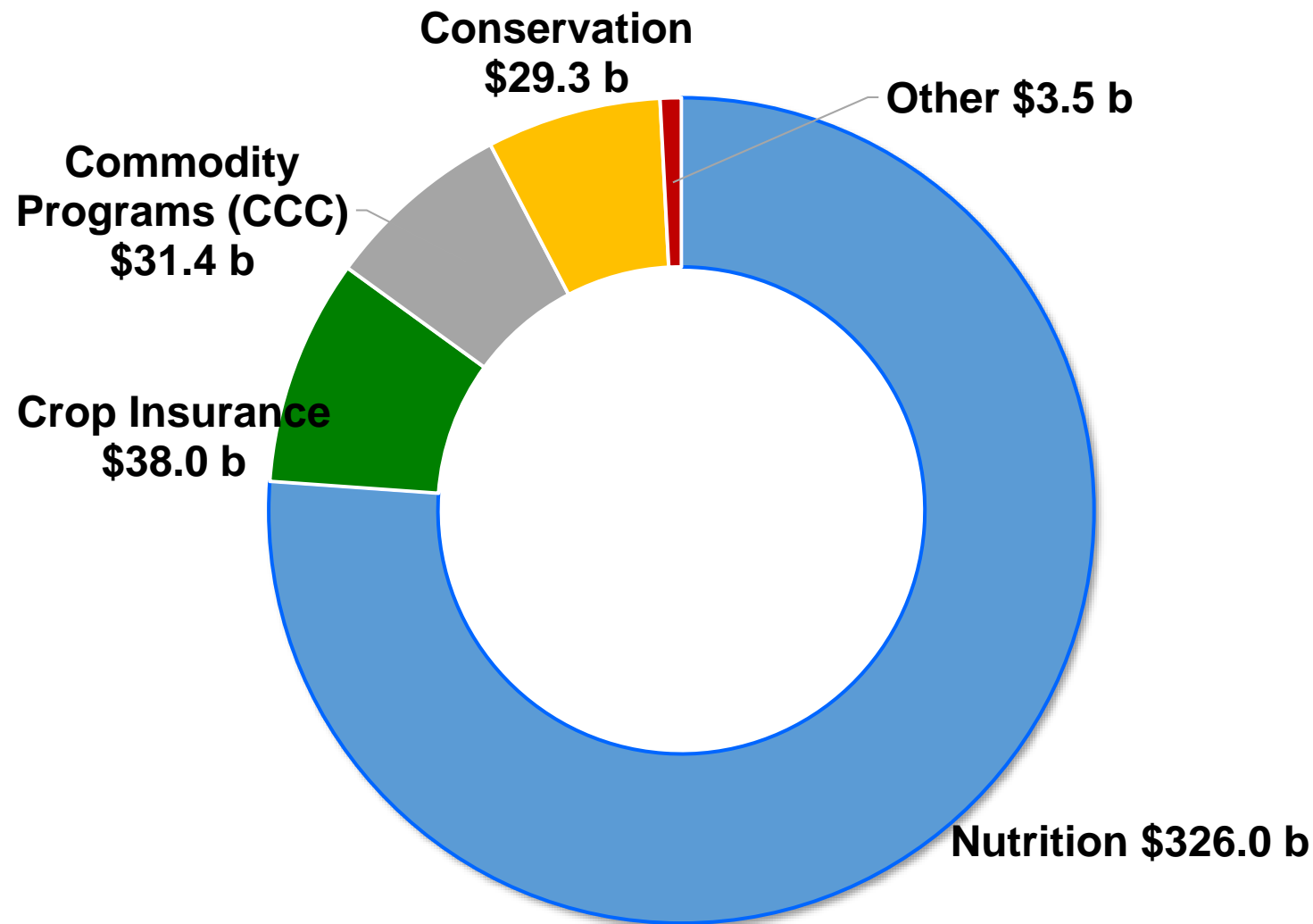


# Farm Policy



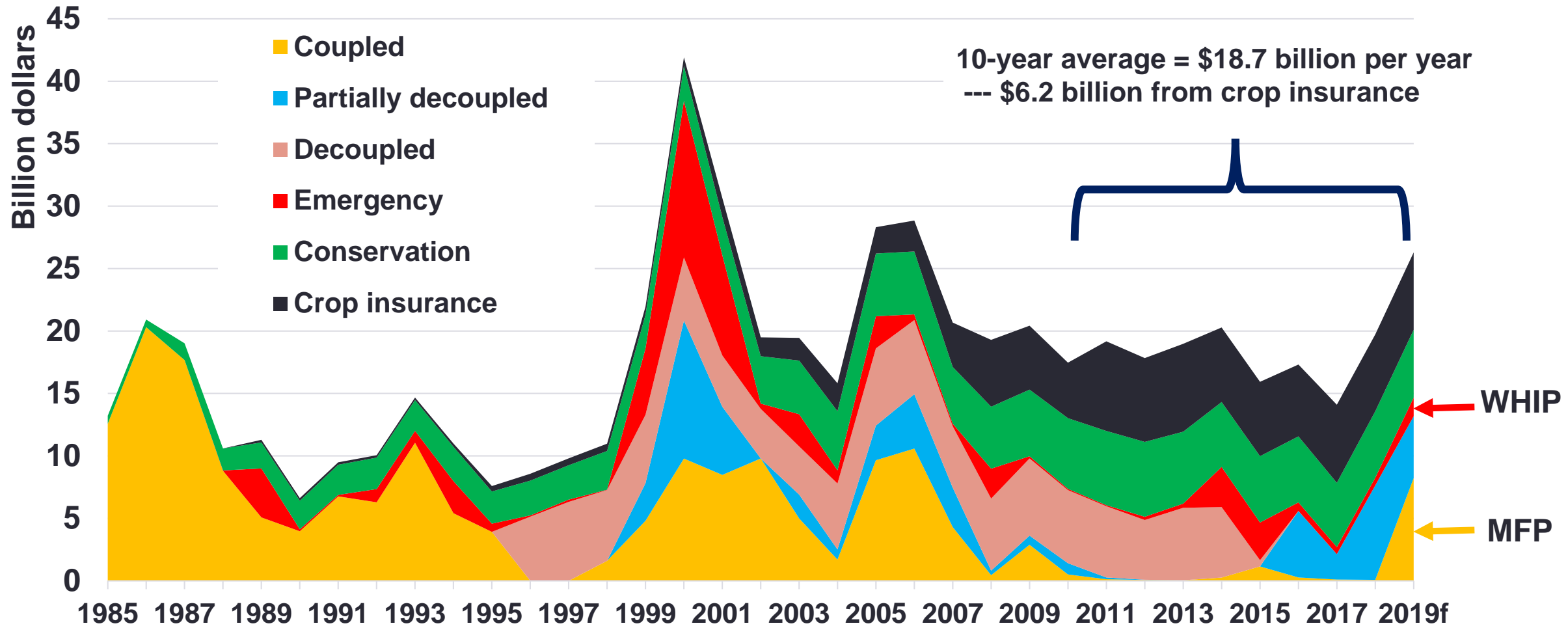


## 2018 Farm Bill outlay = \$428 billion over 5 years



- An increase of ~\$400 mil. per year over the 2014 Farm Bill for FY2019 - FY2023
- Percent spent on Nutrition remains at 76% but with more funding for employment training
- Increase in Research funding of \$365 mil. over 5 years

# Characteristics of US farm programs changing over time; crop insurance increasing in importance



Data: USDA, fiscal year.

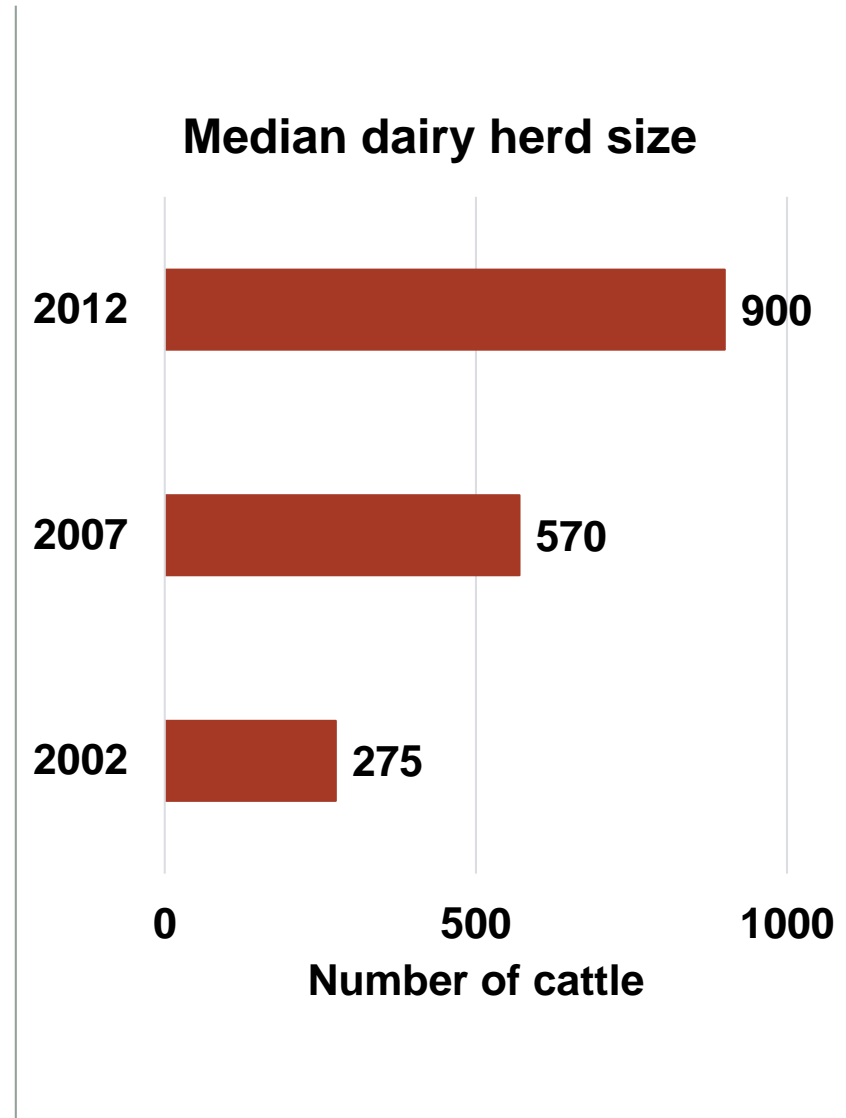
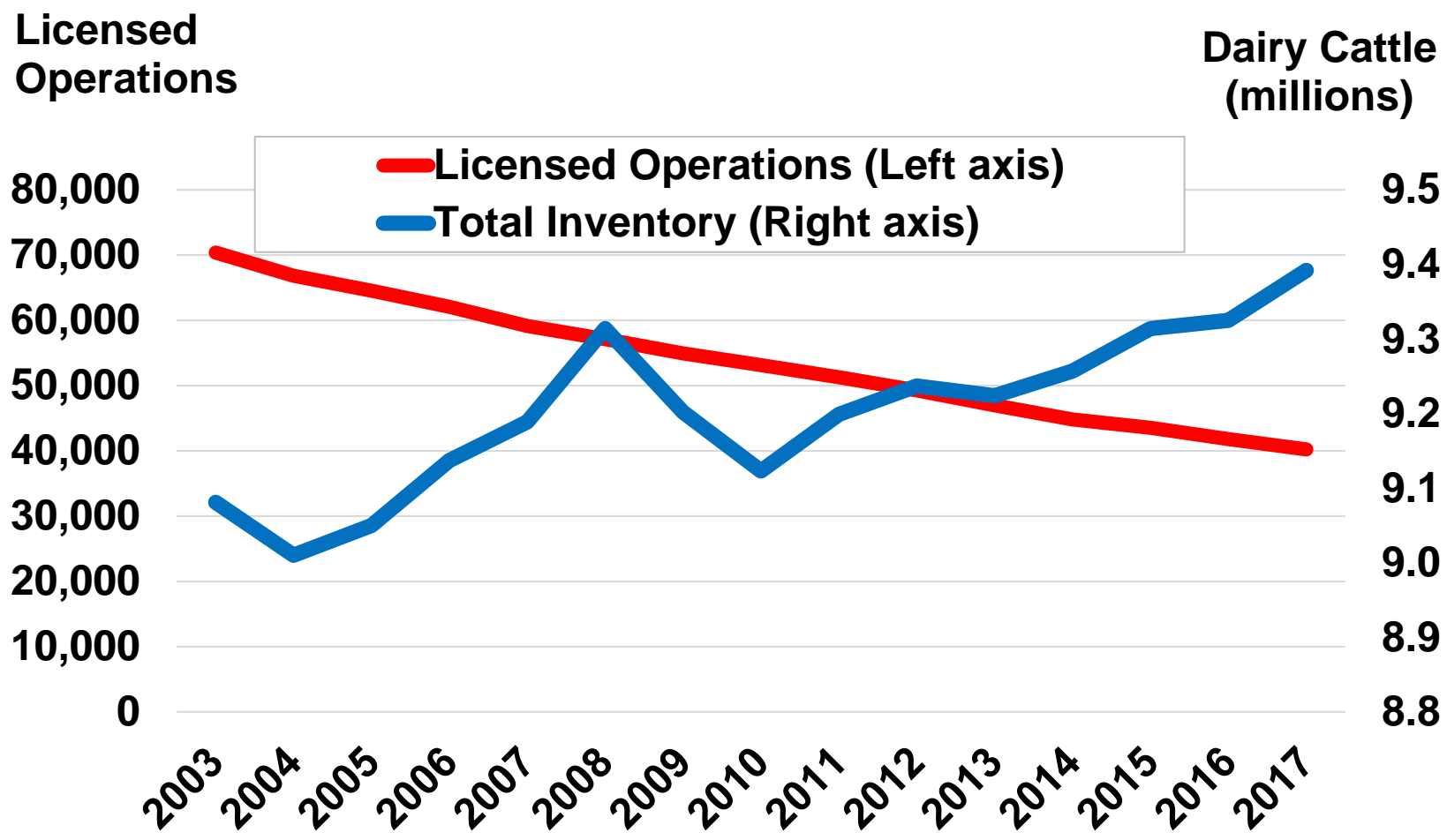
## ARC/PLC payments per base acre expected to change under 2018 Farm Bill

	Farm 2014 Bill: June 2017 Baseline	2018 Farm Bill: January 2019 Baseline
Corn	\$98.85	\$106.93
Soybeans	\$34.16	\$42.67
Wheat	\$75.10	\$60.90
Seed Cotton*	Not Applicable	\$172.59
Rice	\$440.78	\$738.21
Peanuts	\$881.21	\$713.11

- Seed cotton became a covered commodity under the Bipartisan Budget Act of 2018 (BBA)
- Minor adjustments were made to Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) in the 2018 Farm Bill.

\*Uses 80% of generic base acres enrolled in 2015. Official estimates of seed cotton base acres are not yet available.

# Dairy operations are decreasing in number, as herd sizes grow



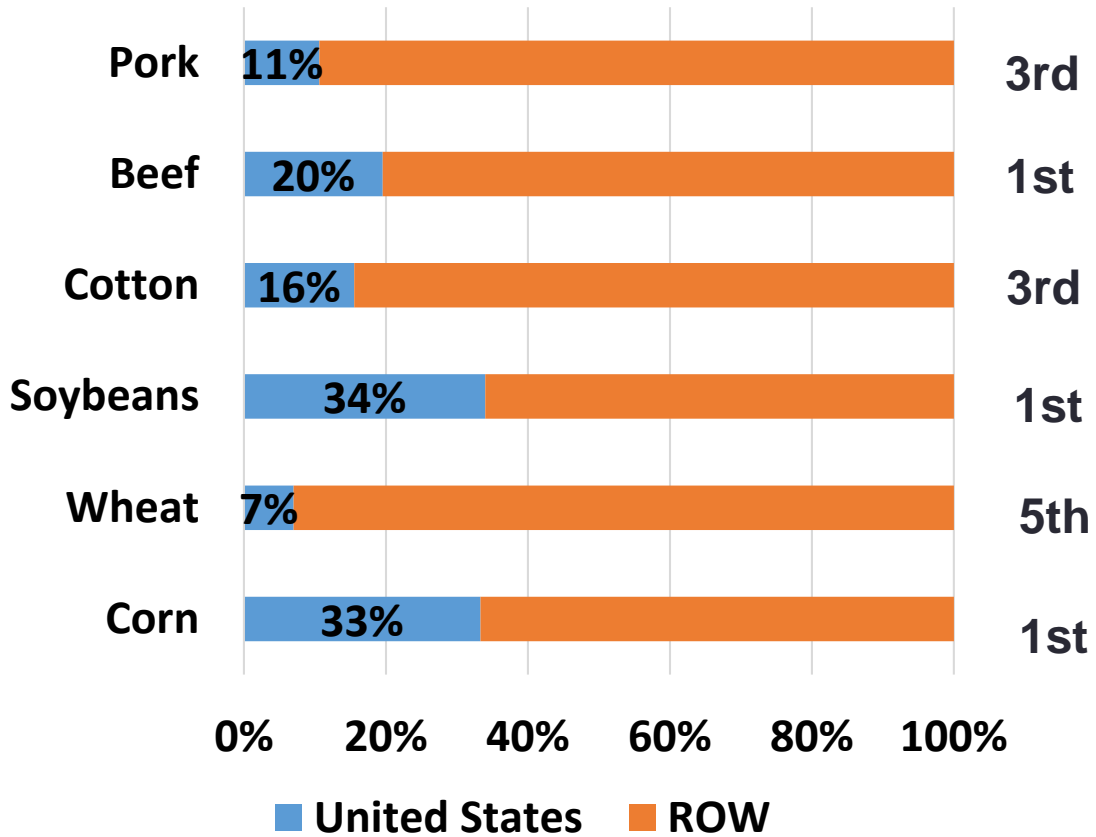
## Net benefits for a median-sized dairy (900 cows ≈ 19.5M pounds)

	5-year average MPP (2014 Farm Bill)	5-year average DMC (2018 Farm Bill)
Premium for \$8.00/cwt margin	\$230,184	\$268,396
Premium for \$9.50/cwt margin	NA	\$7,500 (for first 5M lbs only)
Average annual net payment		
➤ \$8.00/cwt margin coverage	-\$172,119	-\$218,076
➤ \$9.50/cwt margin coverage	NA	\$40,421

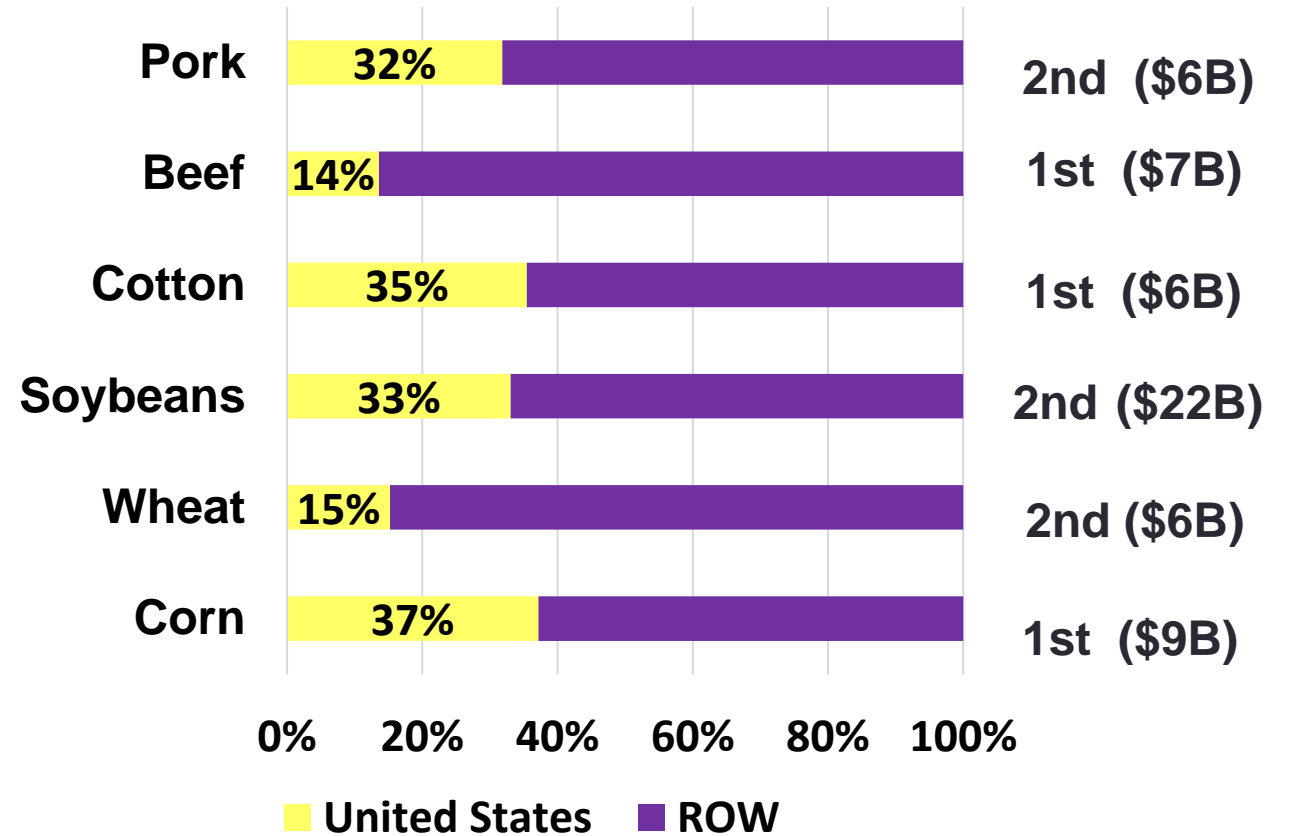


## Conclusion — Growing Locally and Selling Globally

### U.S. Global Share of Production



### U.S. Global Share of Exports



# Growing economies, growing supplies, and falling real food prices improve food security

2018 = 21.1% food insecure

2028 = 10.4% food insecure

