USDA

United States Department of Agriculture

OUTLOOK FOR US AGRICULTURE

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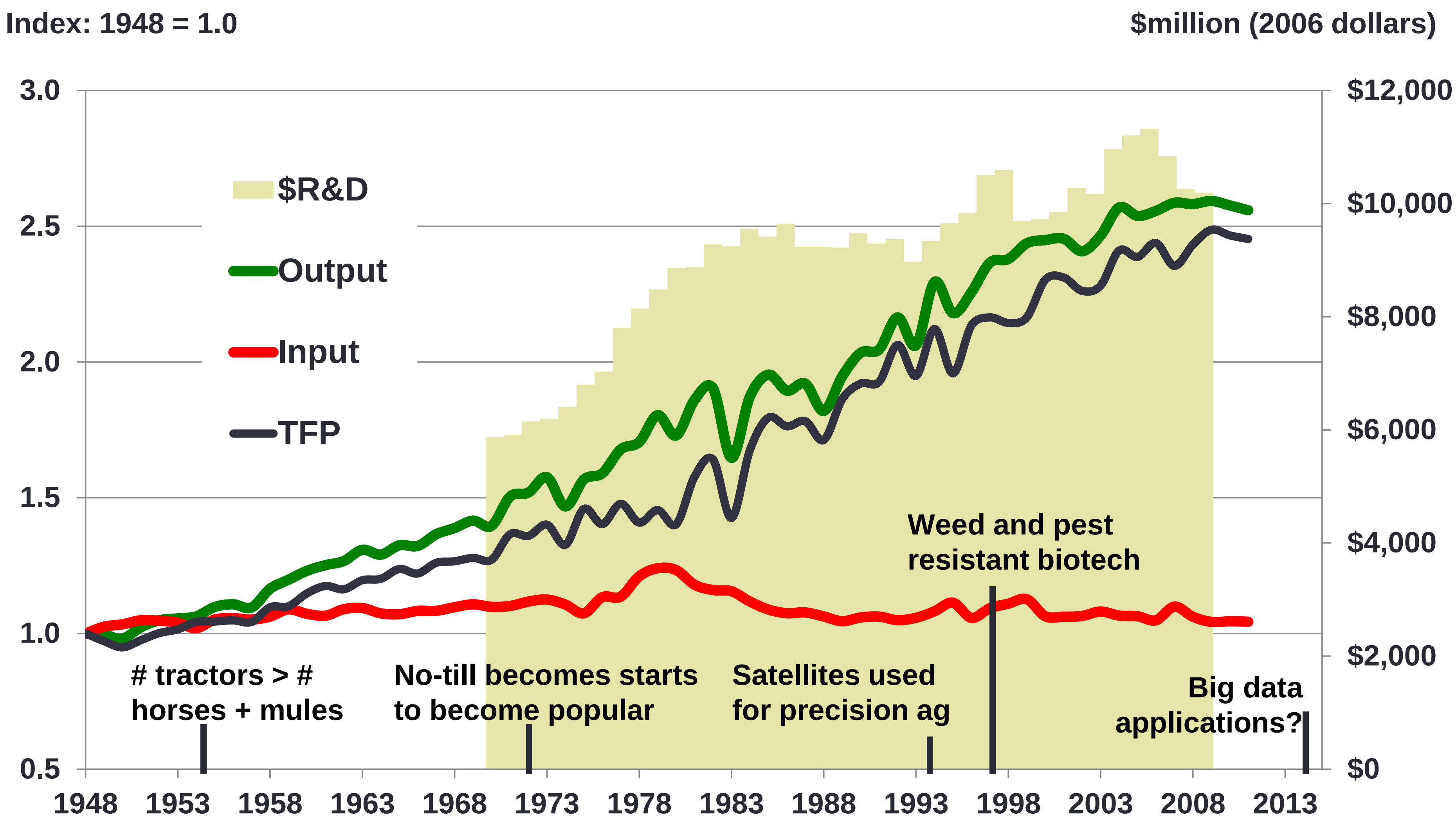
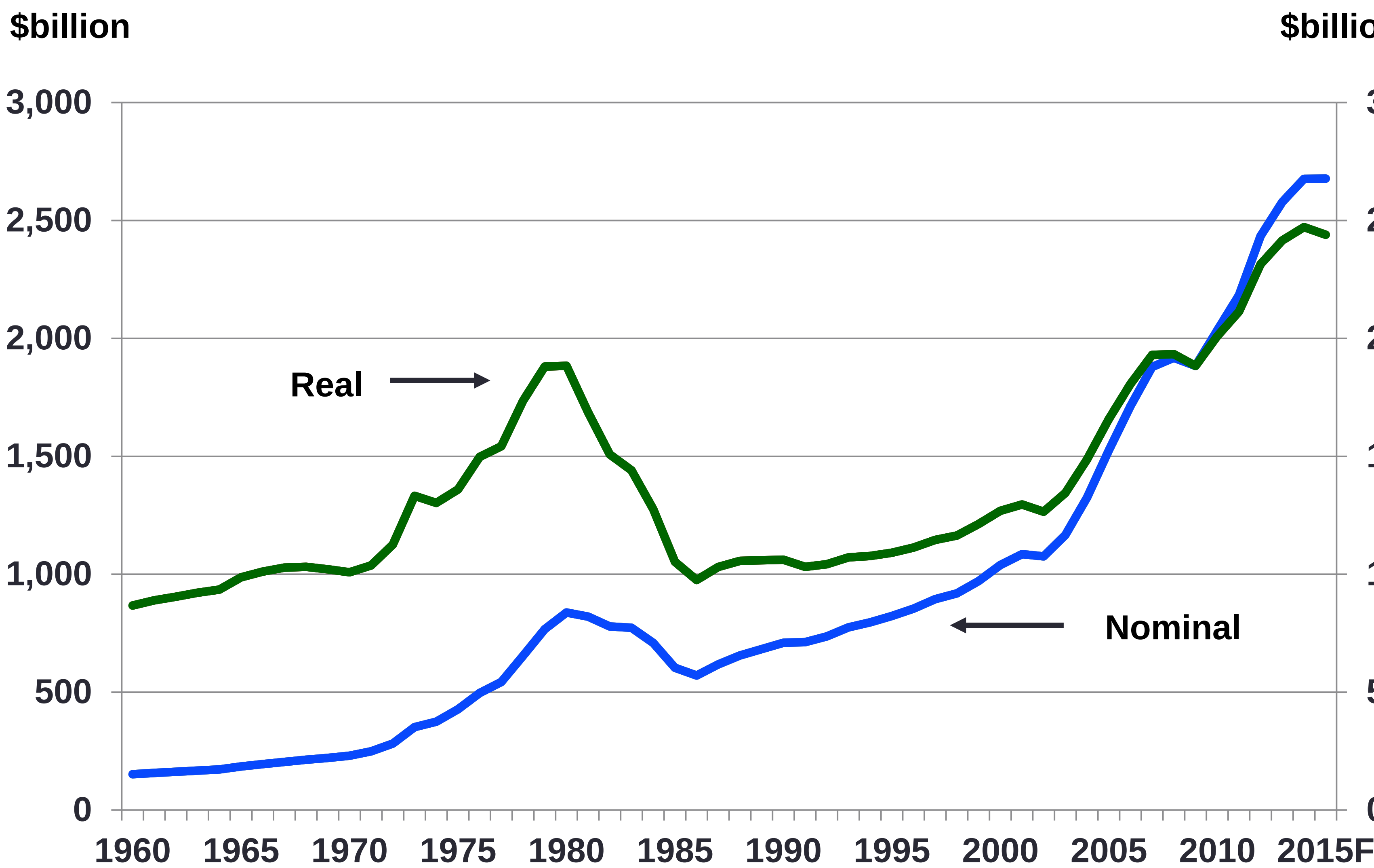
19 February 2015

Next boost to productivity: Big Data?



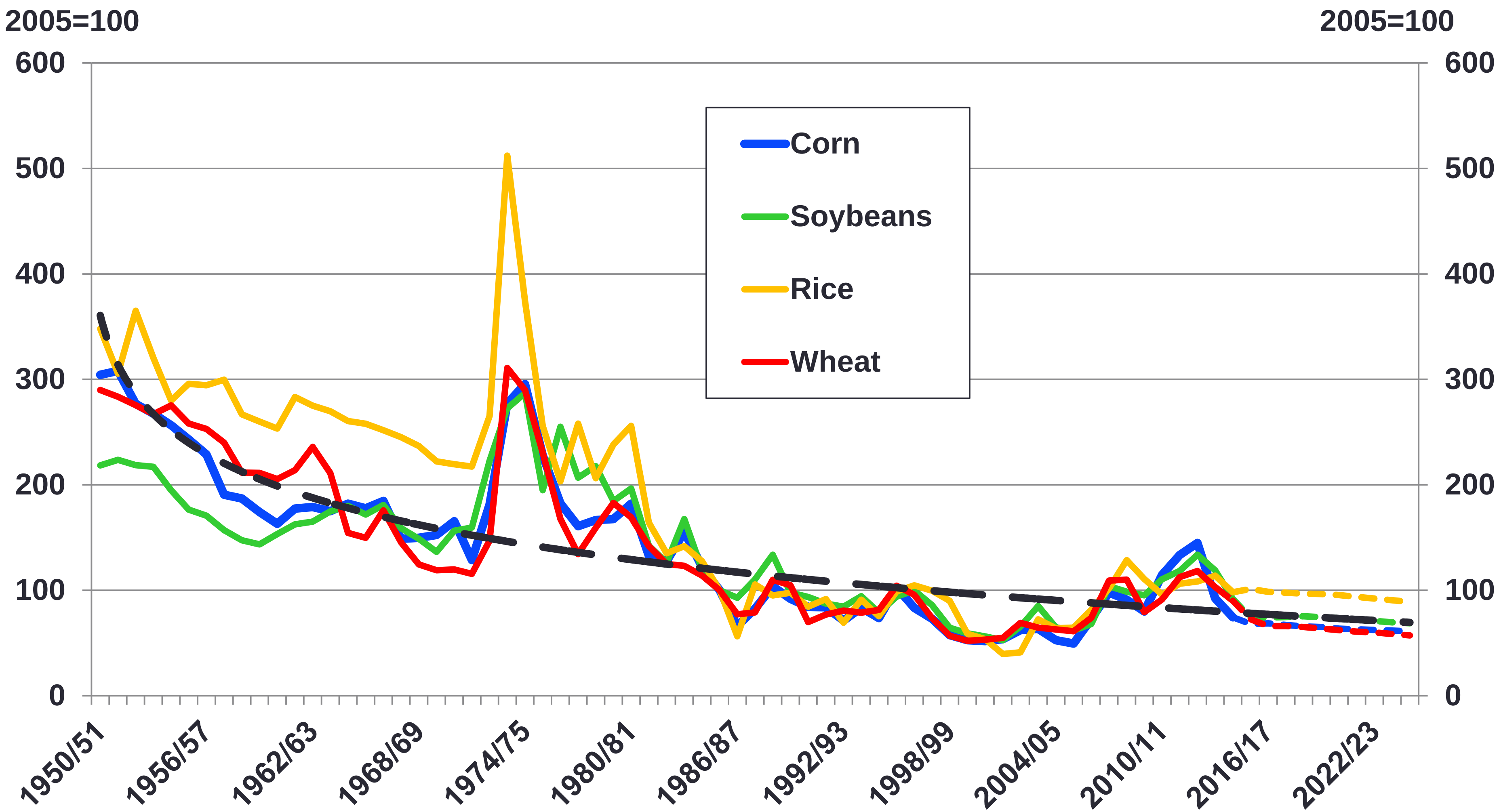
Source: USDA-ERS.

Record farm equity (net worth) in 2015



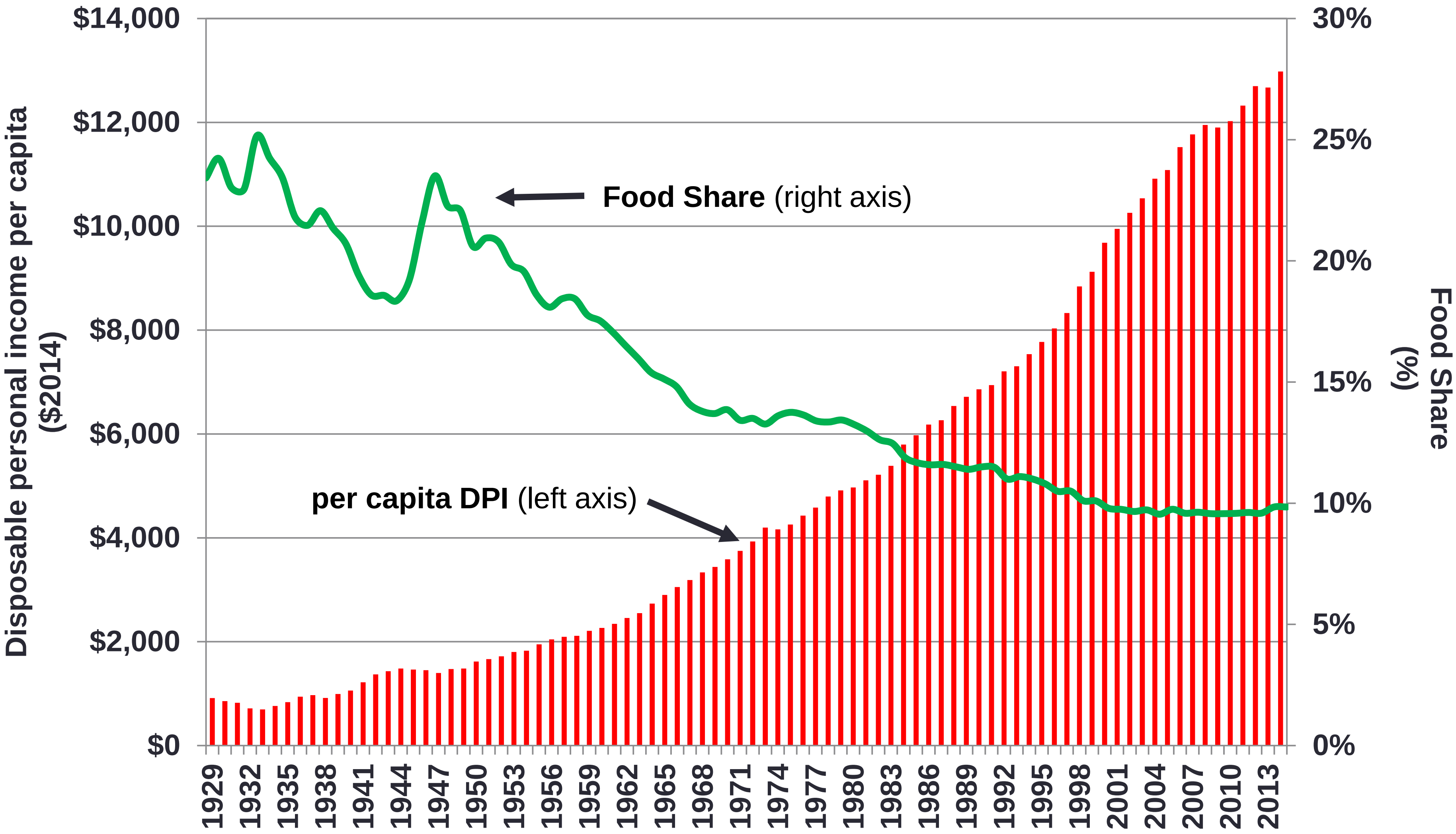
Data: USDA-ERS.

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



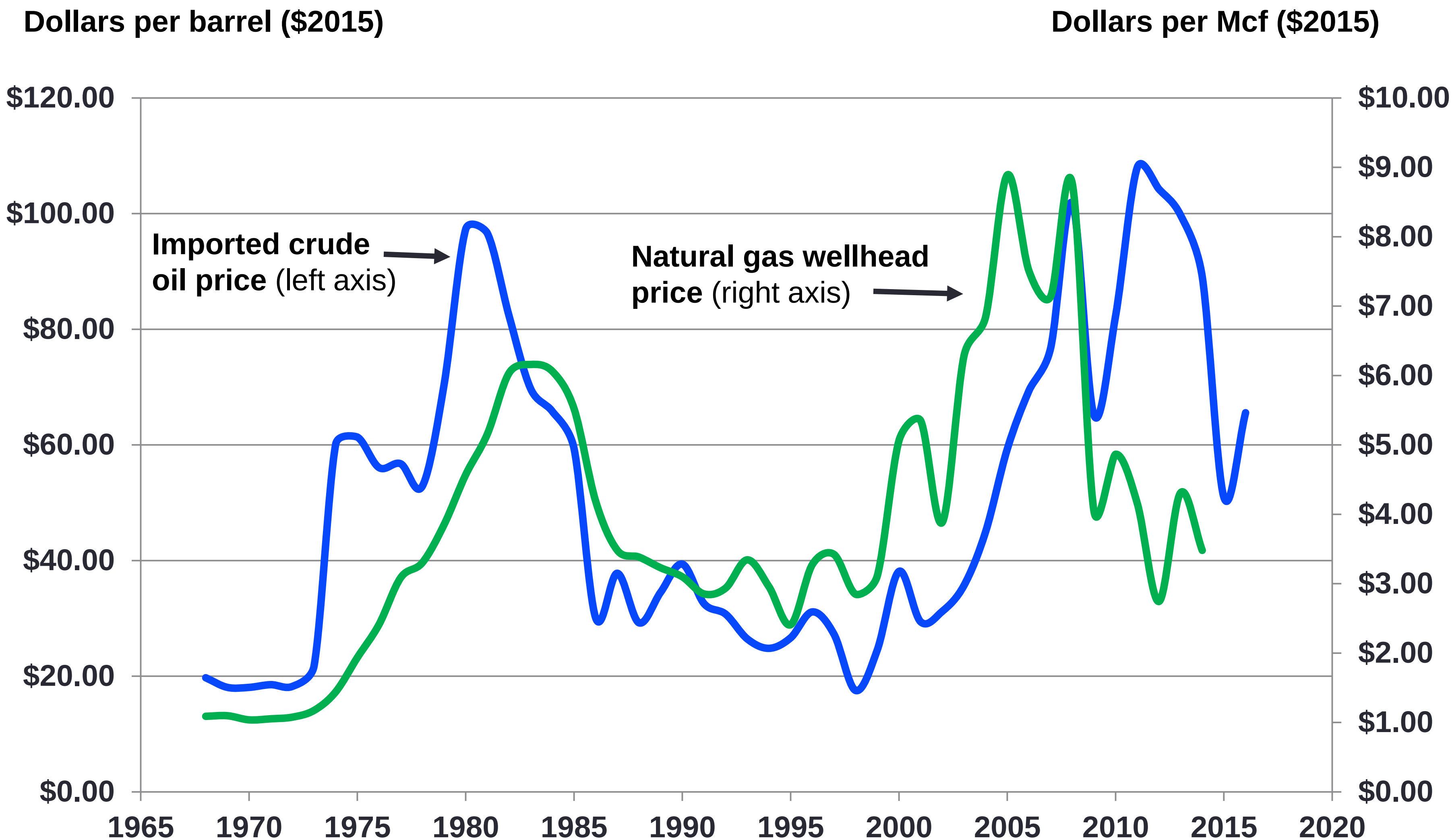
Source: *USDA Agricultural Projections to 2024 and OCE, February 2015*

Percent of income spent on food



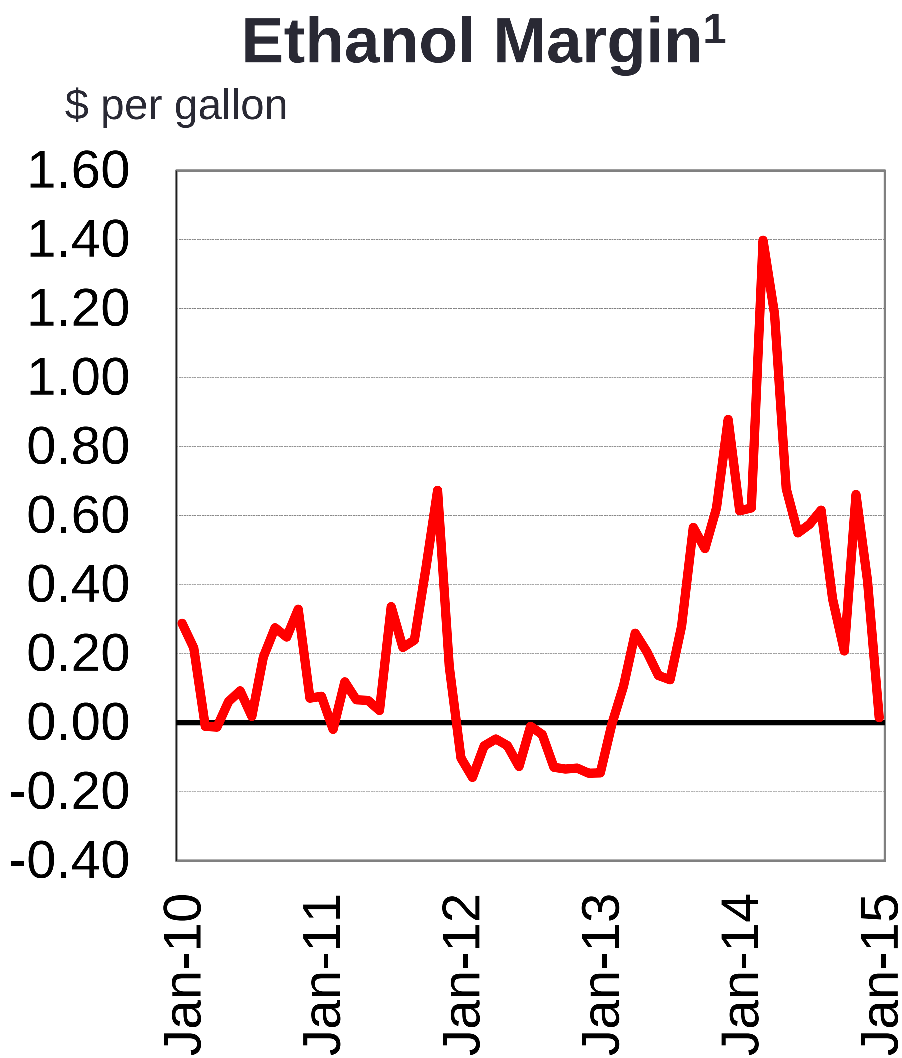
Source: Schnepf (2013), BEA, USDA-ERS.

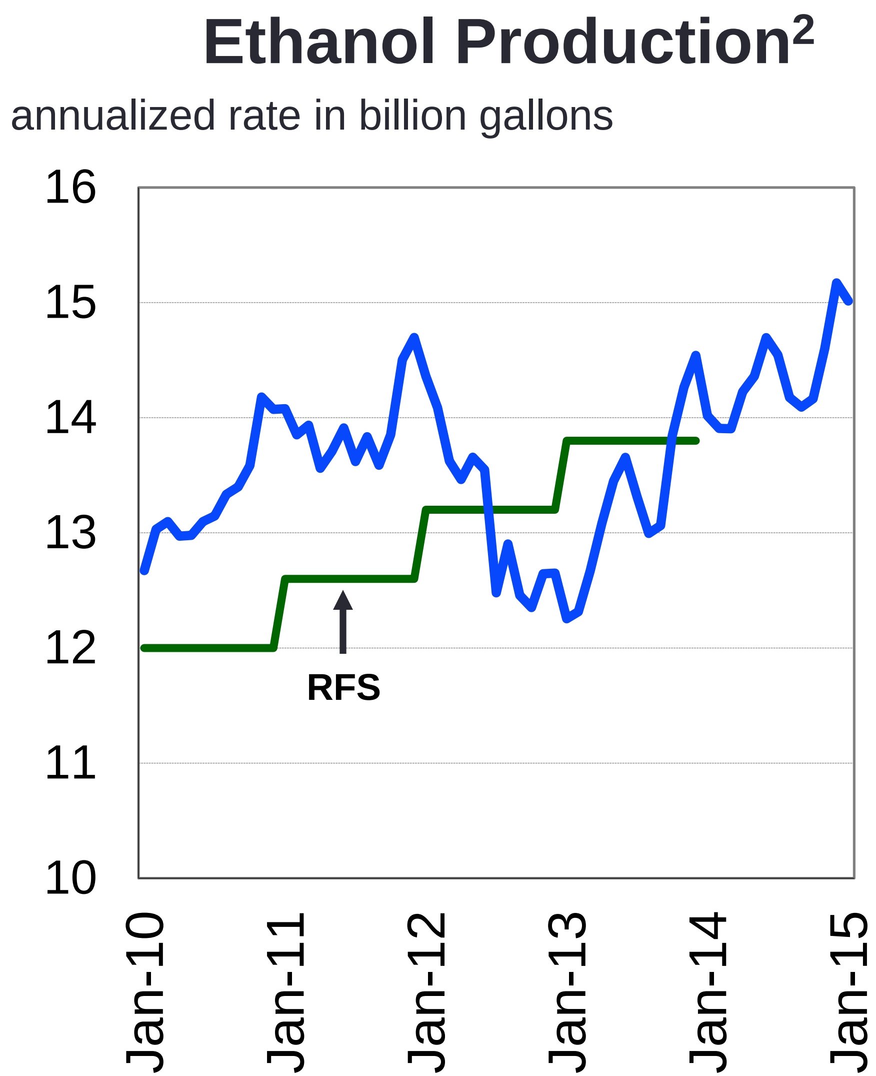
Recent declines in energy prices help bottom line



Source: EIA.

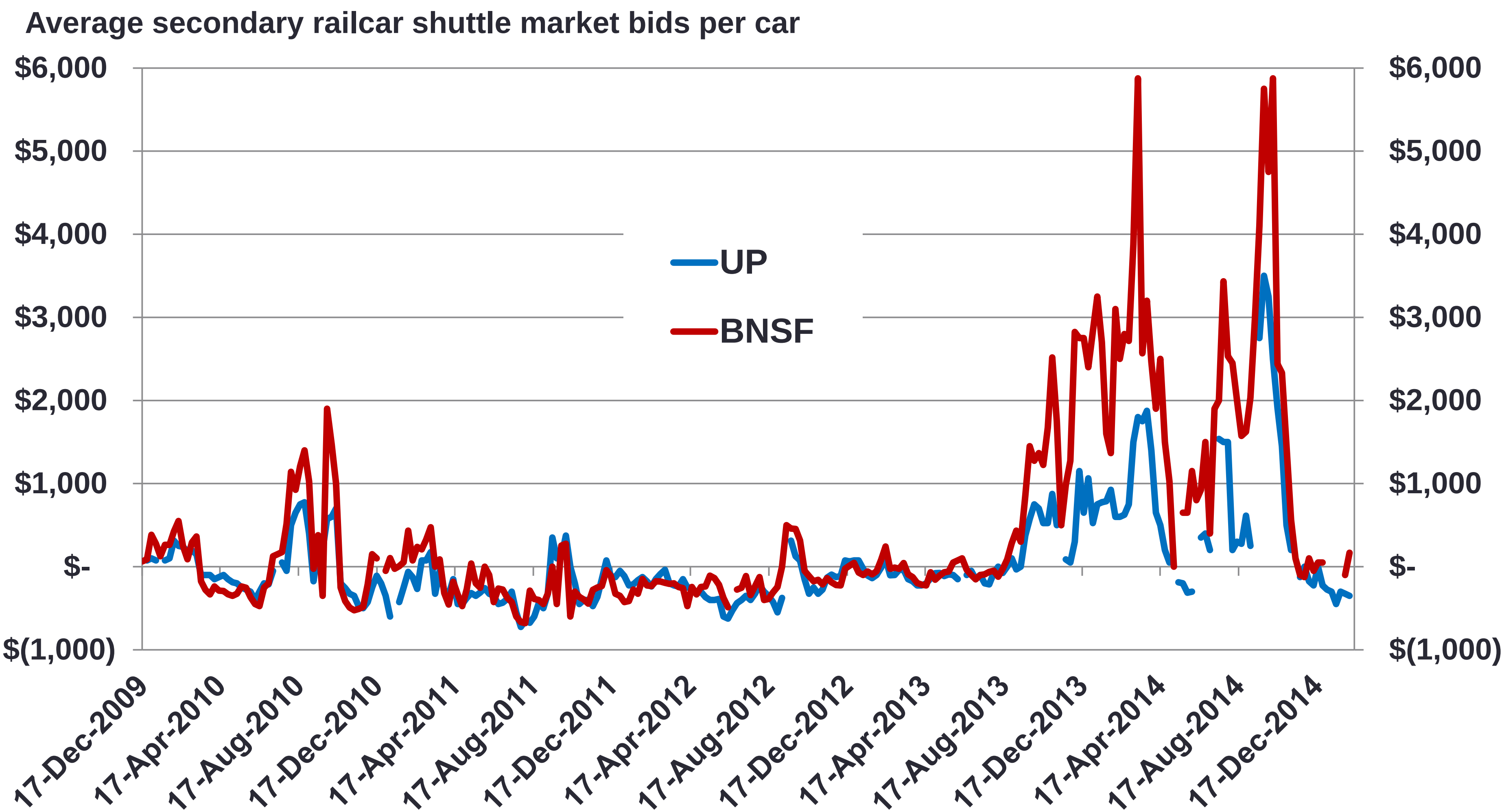
Ethanol margin tightens but production high





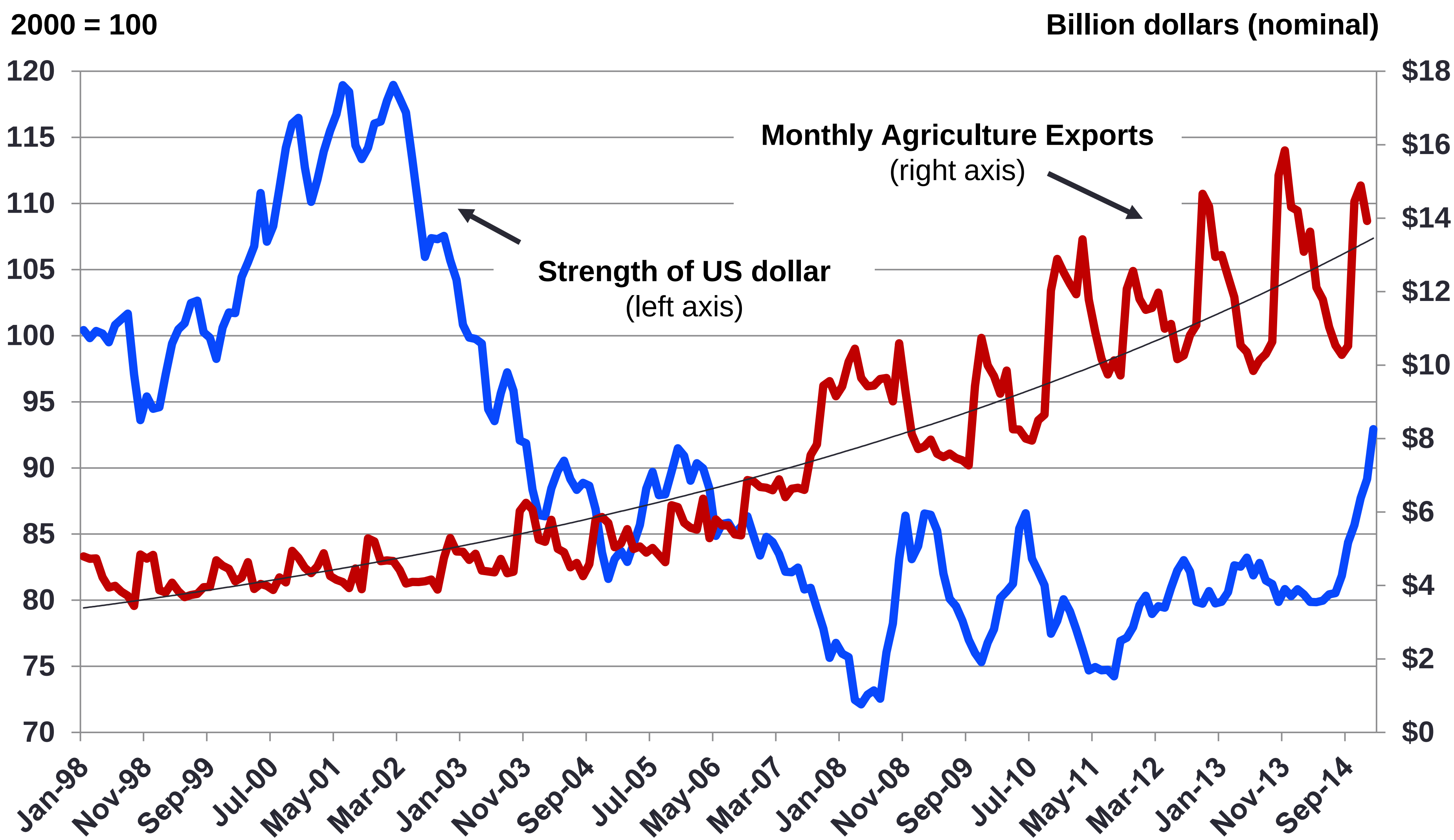
Source: [1] OCE calculations, AMS data for IA, NE, IL/eastern corn belt, [2] Energy Information Agency.

Rail transport costs return to normal levels in 2015



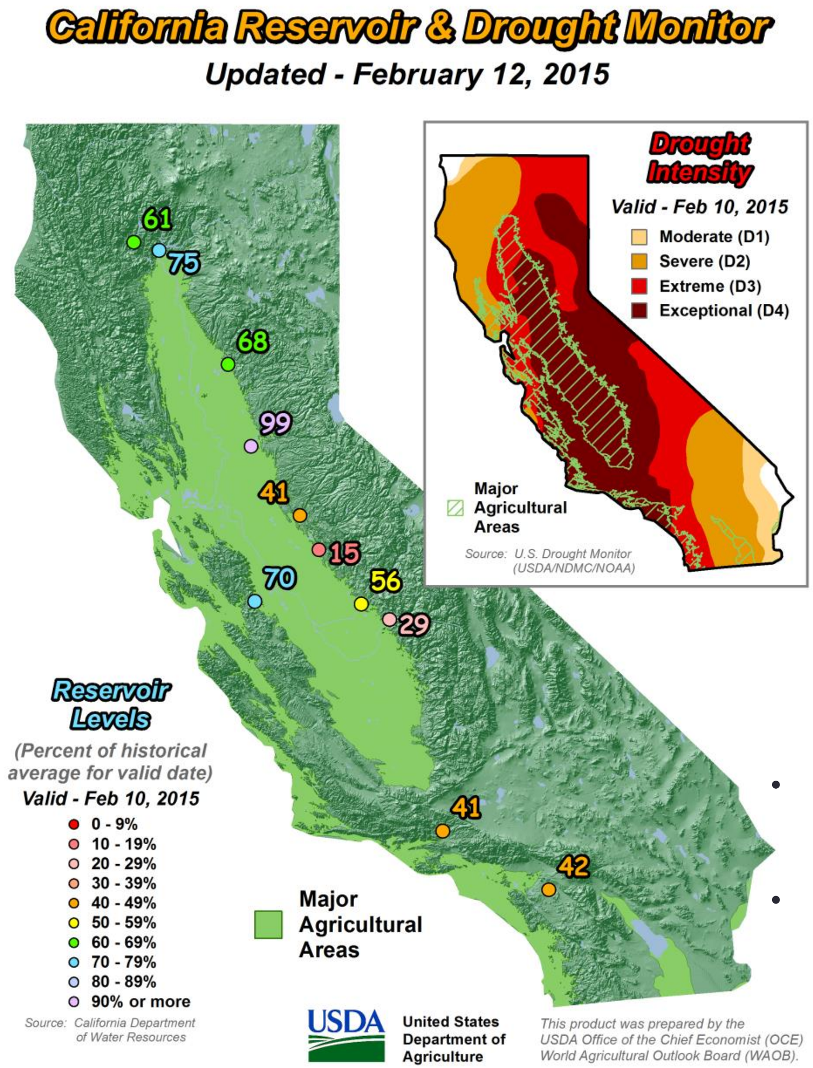
Source: USDA *Grain Transportation Report*

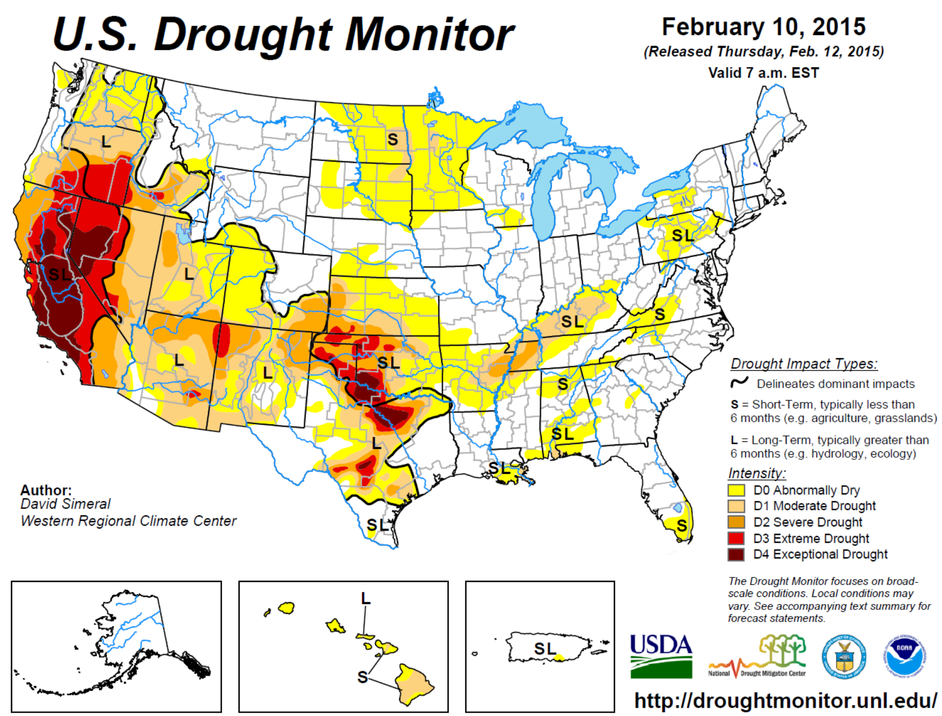
The dollar strengthens, but trade still trends up



Source: InterContinental Exchange, USDA-ERS.

Drought outlook improves, but intensifies in Southwest





- 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
Apr 2014-Jan 2015

Base acre reallocation; Program yield updates
Nov 2014-Feb 2015

PLC, ARC-CO, or ARC-Farm election
Nov 2014-Mar 2015

2014 and 2015 program year enrollment
Apr-summer 2015

First possible 2014 ARC/PLC payments
Oct 2015

Apr 2014
First payments for 2011-2014 livestock disaster assistance

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

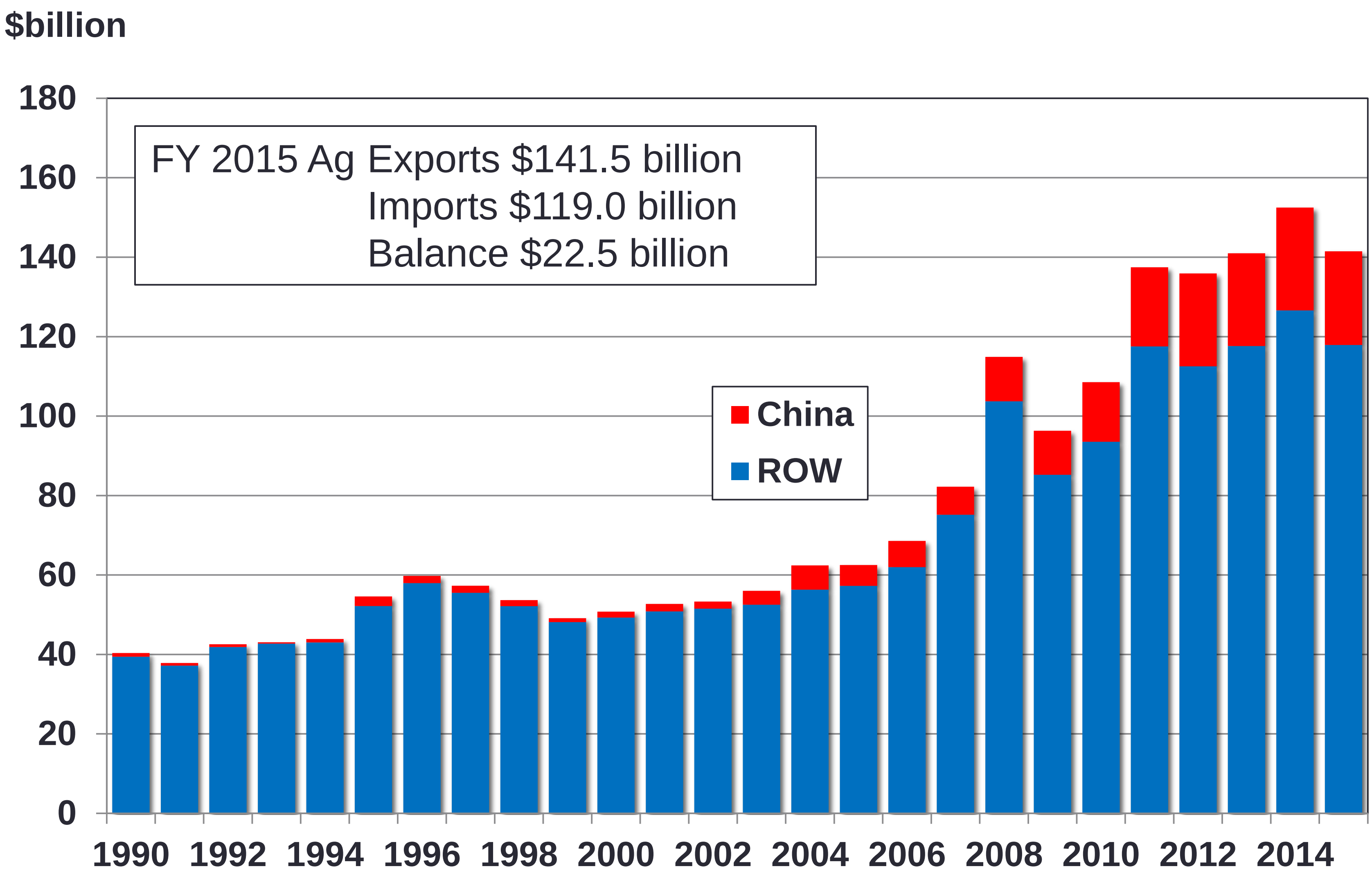
Jan-Mar 2015
Purchase of 2015 crop insurance, SCO, and STAX policies

Apr 2015
First possible MPP payments

Spring 2016
First payments of 2015 crop insurance, SCO, and STAX indemnities

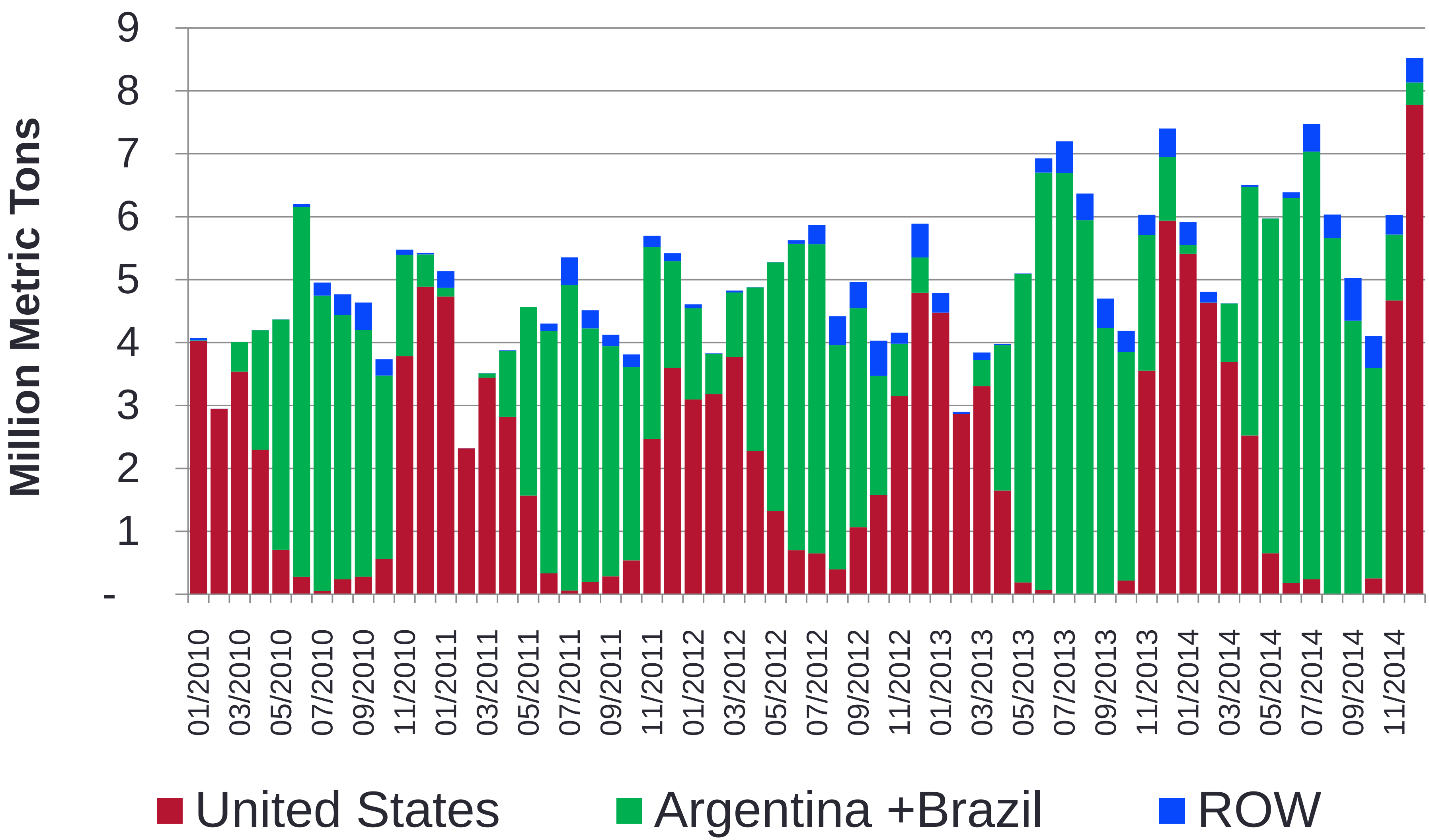
Ag Trade Outlook

Second highest year for exports expected; China remains top destination



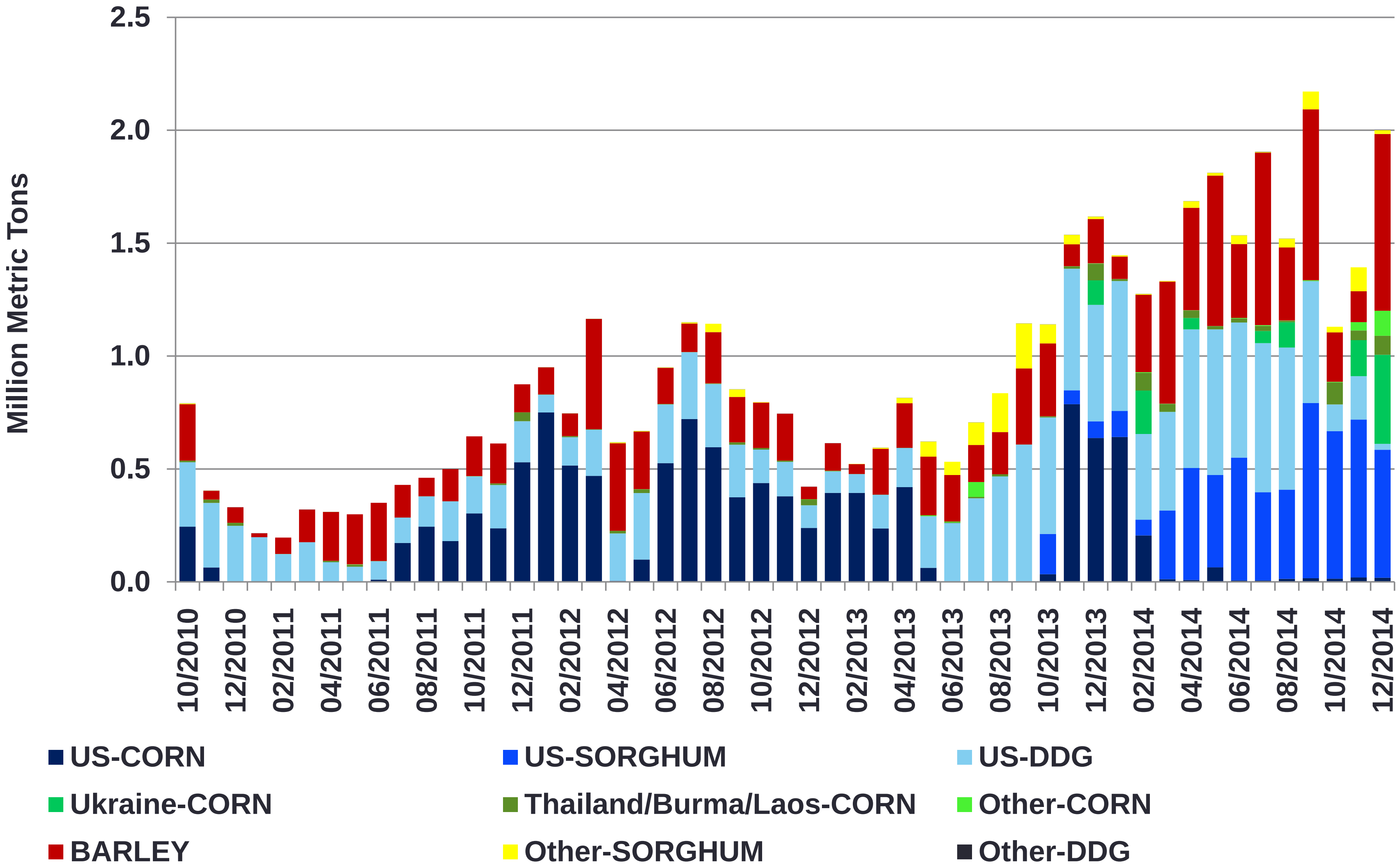
Source: USDA (ERS-FAS) *Outlook for U.S. Agricultural Trade*

Monthly Chinese soybean imports



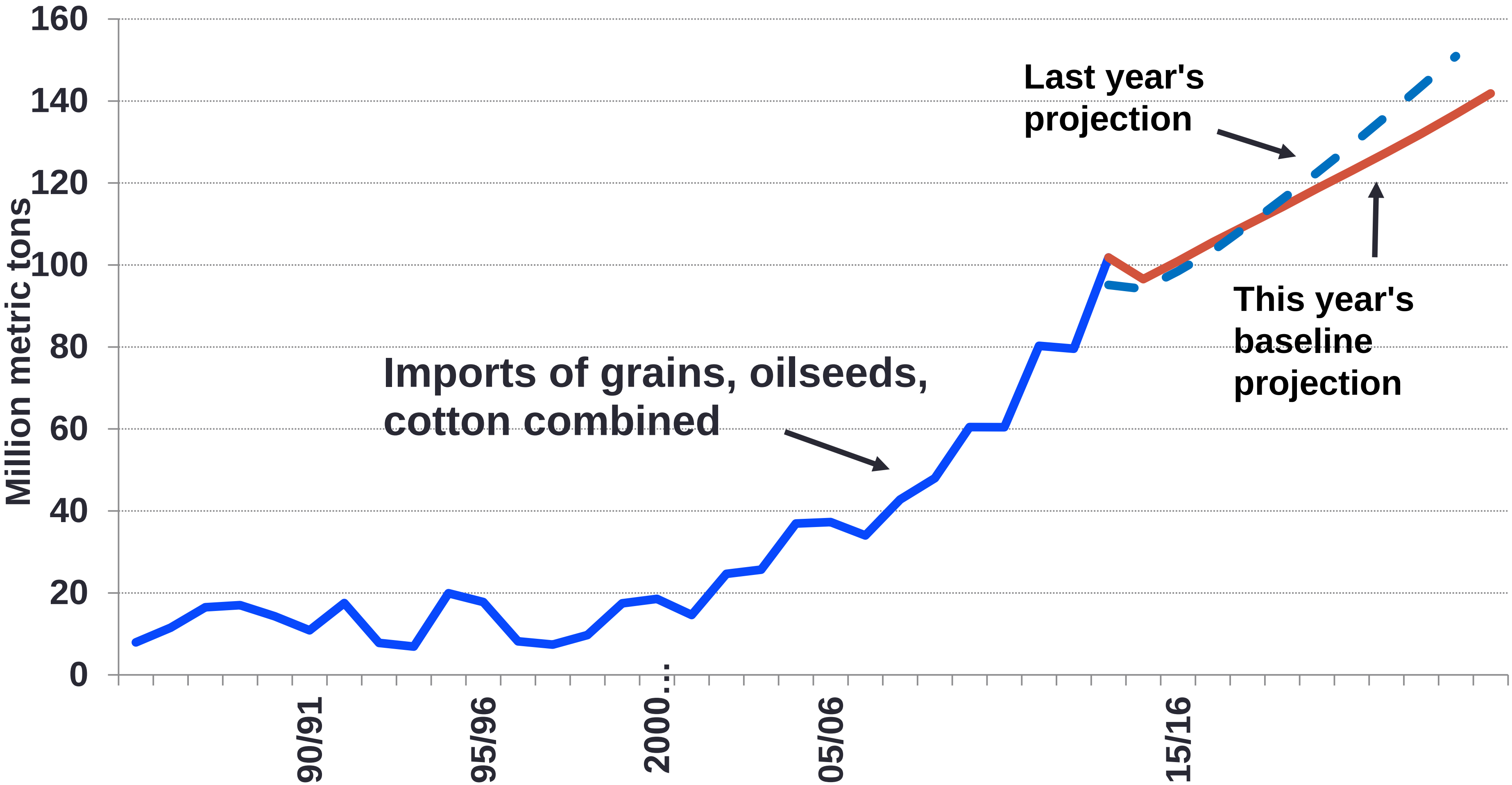
Source: Global Trade Information Services (GTIS)

Monthly Chinese corn/barley/sorghum imports



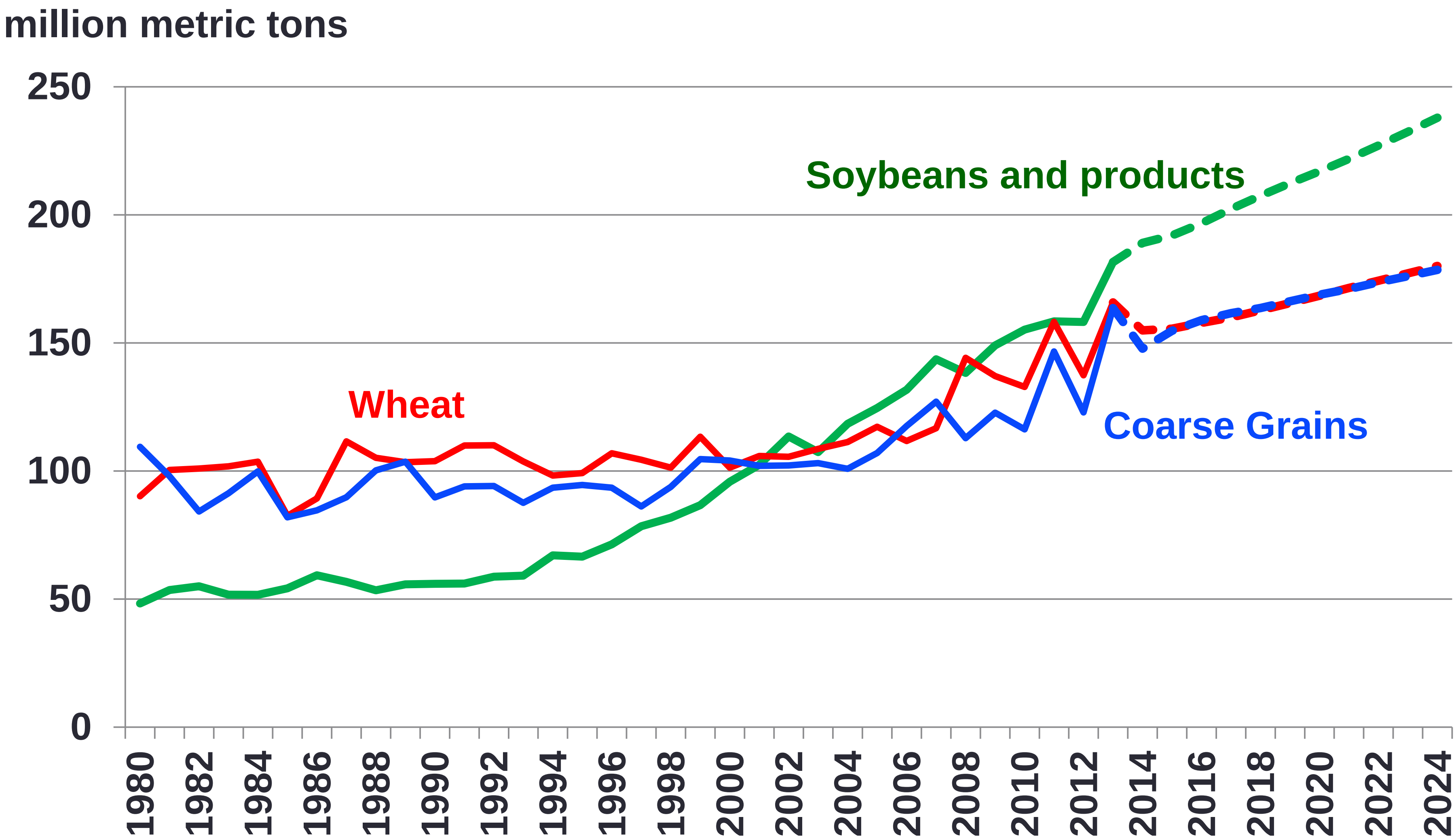
Source: Global Trade Information Services (GTIS)

Projections down slightly for China imports, but still increasing



Source: *USDA Agricultural Projections to 2024*

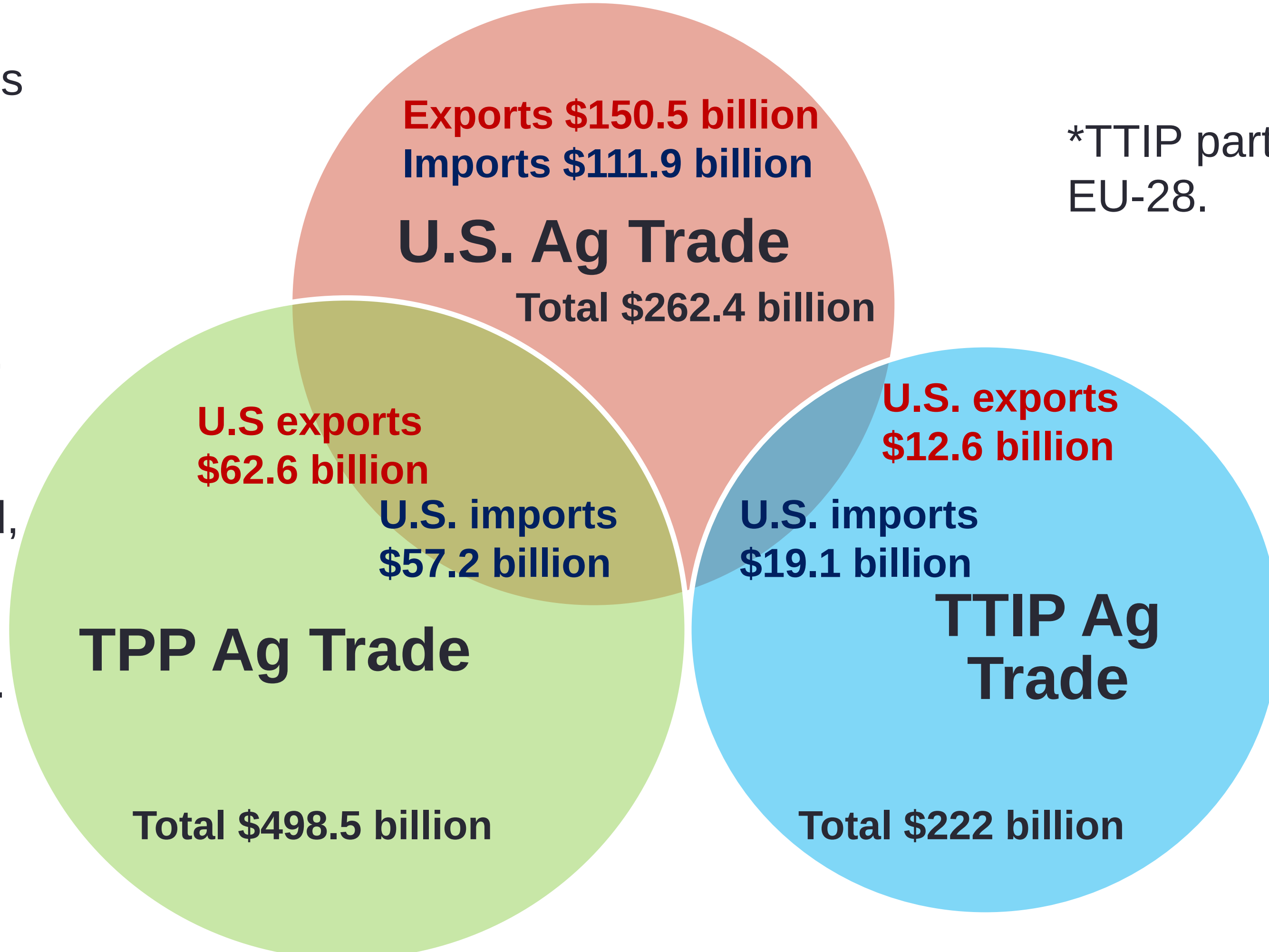
Global trade growth is expected to continue



Source: *USDA Agricultural Projections to 2024*

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.

Sources: Economic Research Service, Foreign Agriculture Service, USDA; World Trade Organization; European Commission

USDA United States Department of Agriculture

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
	Days of use							
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.

Source: USDA, PSD database

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.

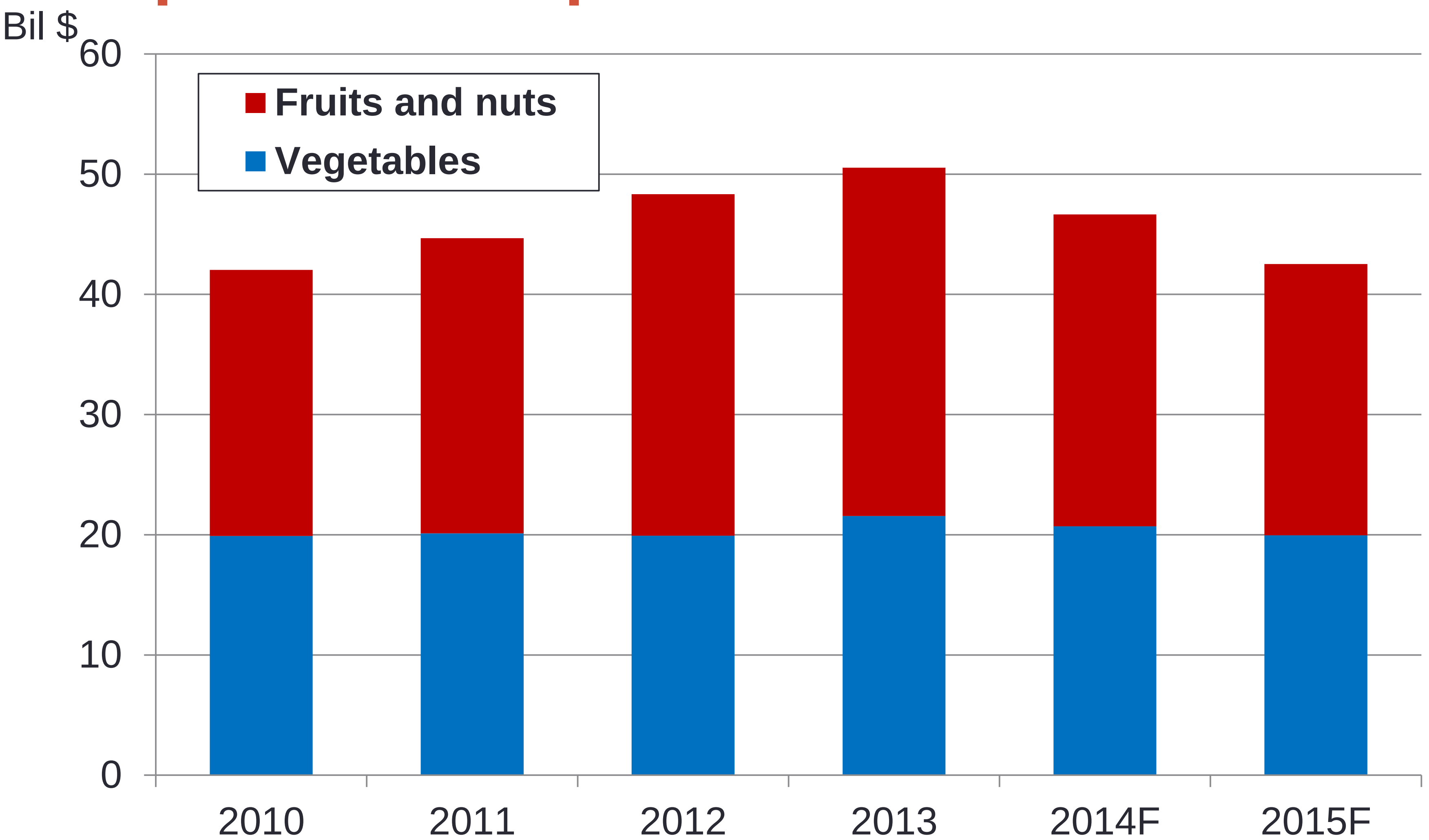
Source: USDA-NASS, Feb 2015 WASDE, and USDA-World Ag Outlook Board

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%

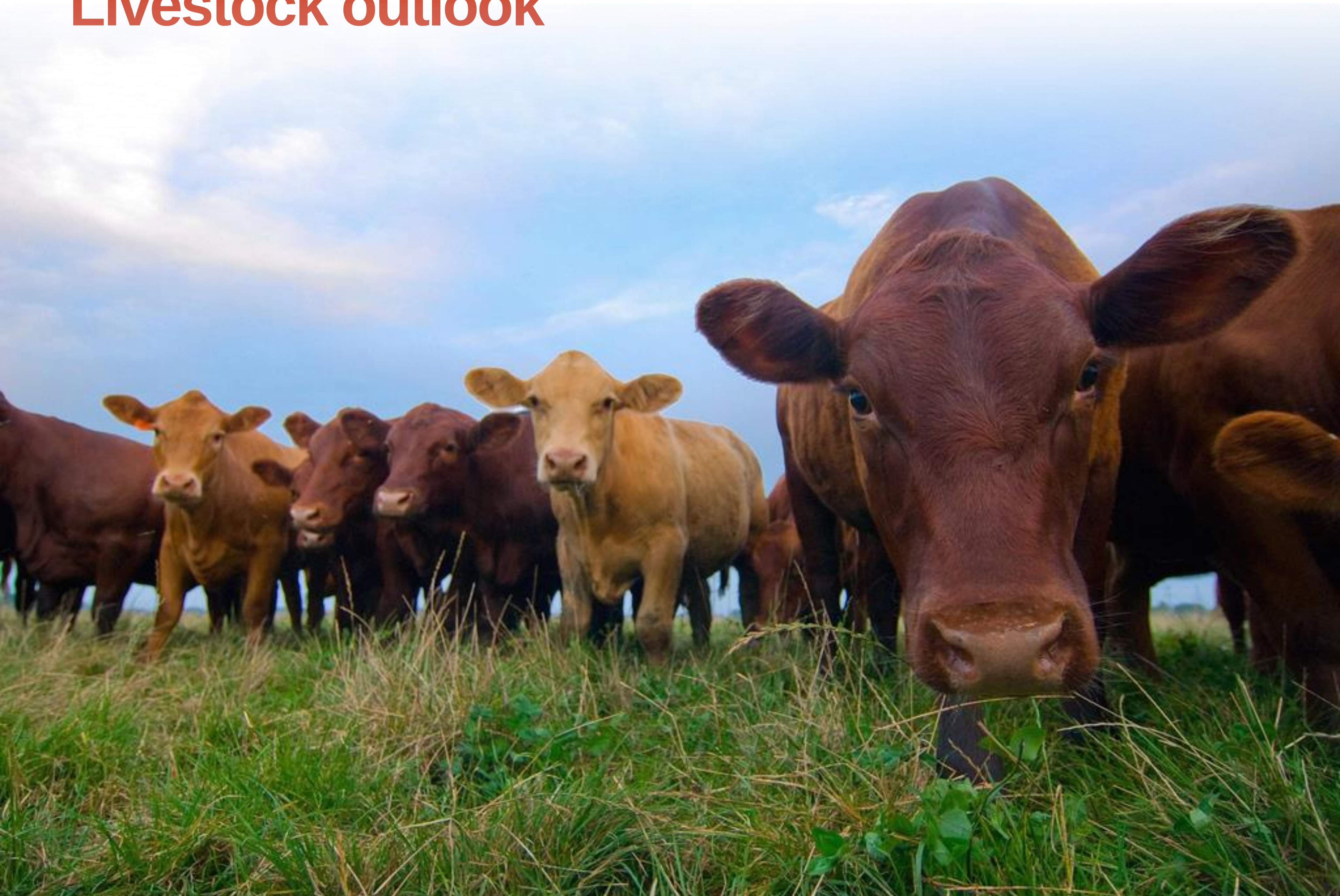
Source: USDA-World Ag Outlook Board [1]all cotton, includes both upland and ELS cotton

Specialty crop revenues expected to drop in 2015



Source: USDA-ERS

Livestock outlook



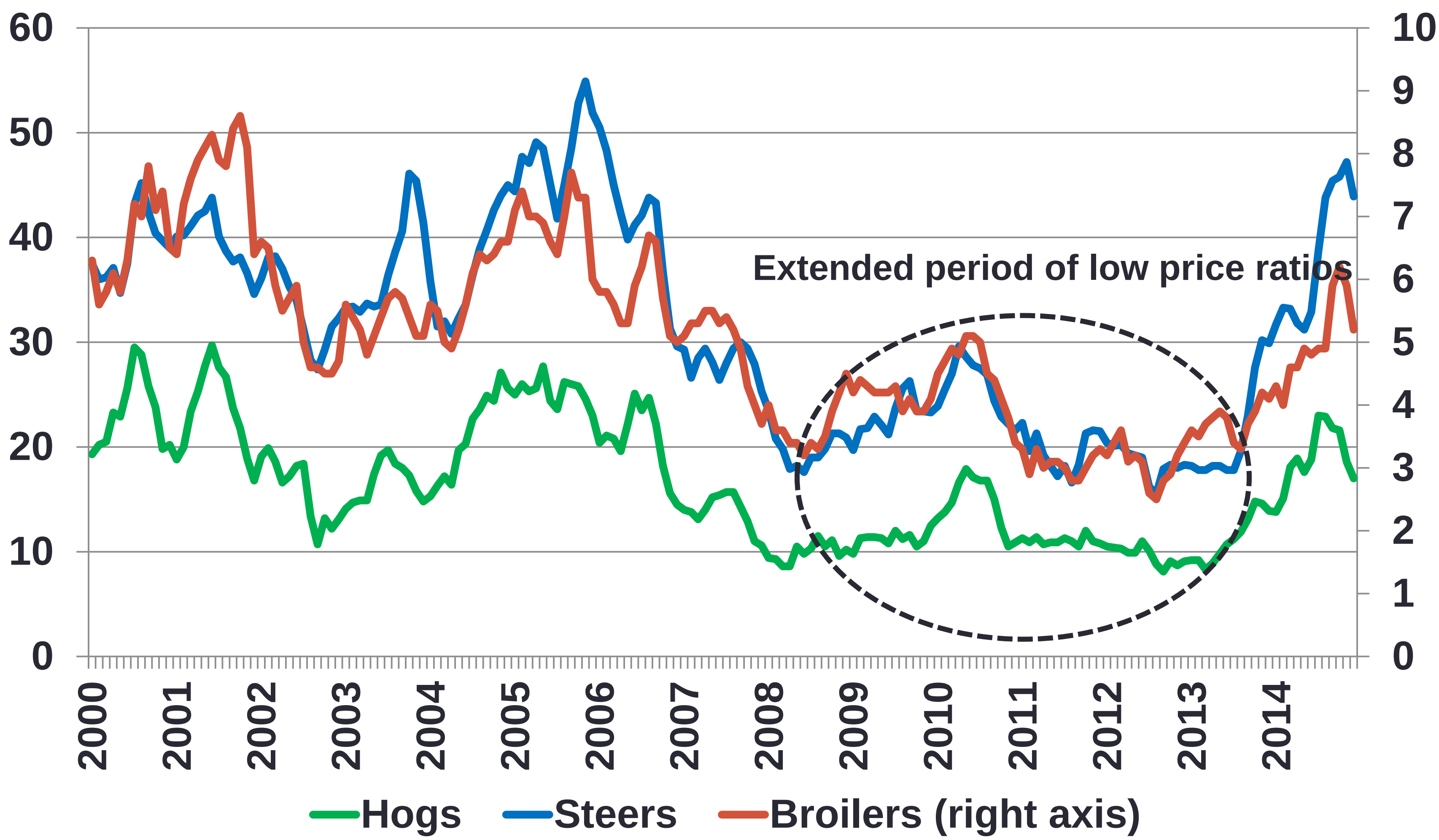
Pork, dairy and poultry production higher in 2015

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.

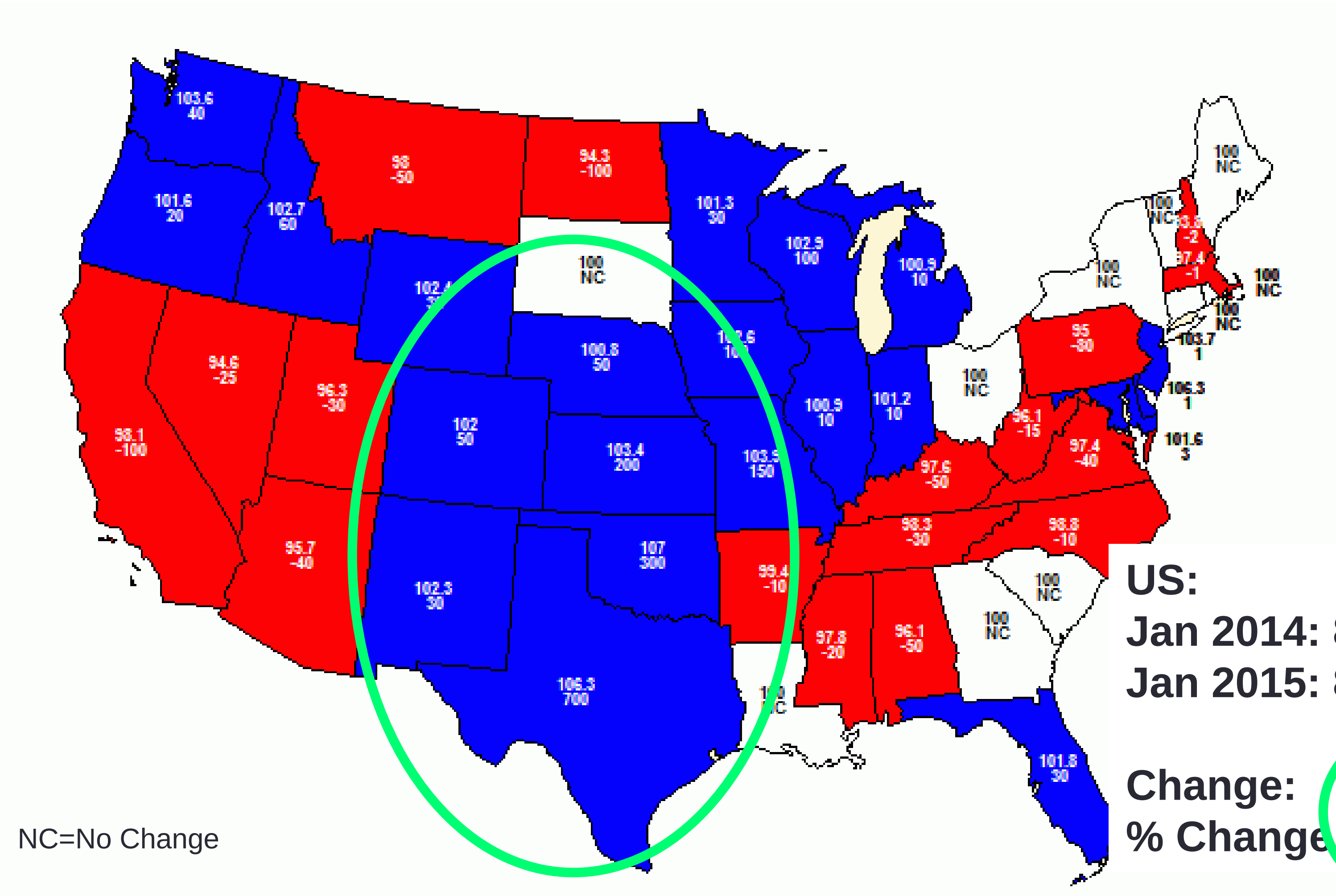
Source: Office of the Chief Economist, February 2015

Feed price ratios improved since 2013



Source: USDA-NASS

Cattle inventory up – January 2015



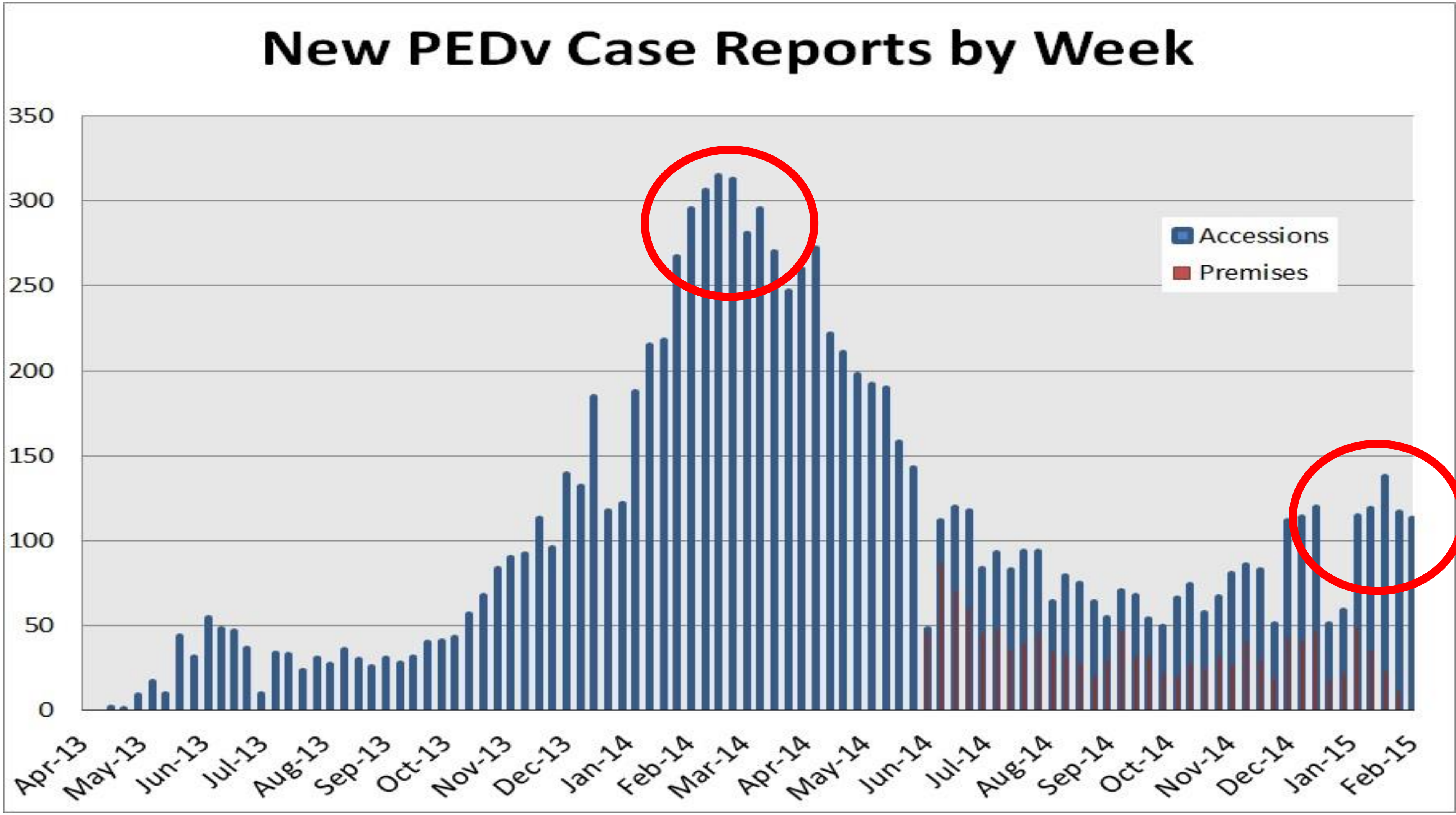
NC=No Change

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

Change: 1,274
% Change: 1.4%

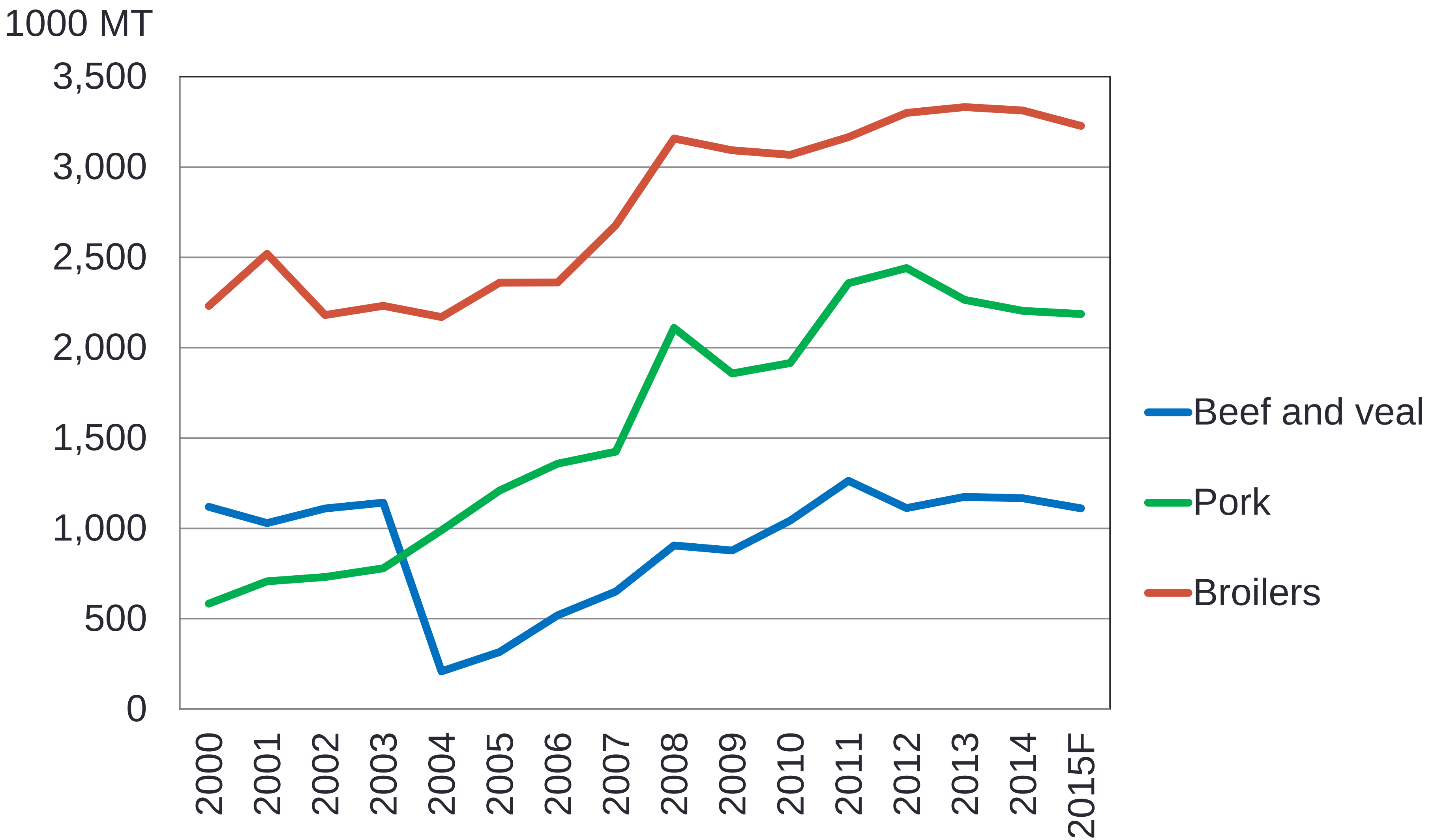
Source: USDA-NASS *Cattle* report

Year-over-year declines in PEDv



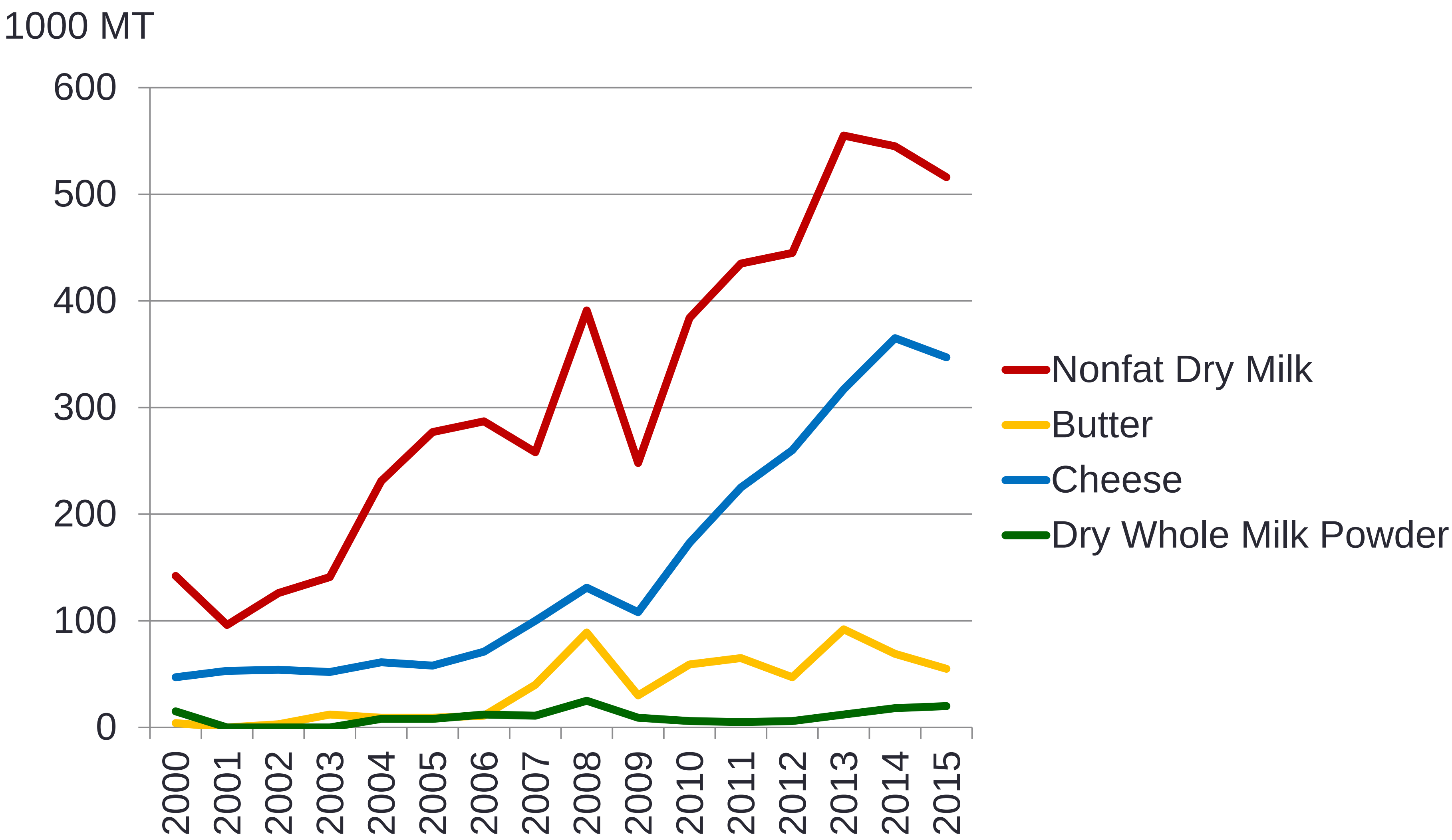
https://www.aasv.org/Resources/PEDv/PEDvWhatsNew.php

Meat exports expected to remain high



Source: USDA PSD database

Dairy exports remain high, but down from 2014



Source: USDA PSD database

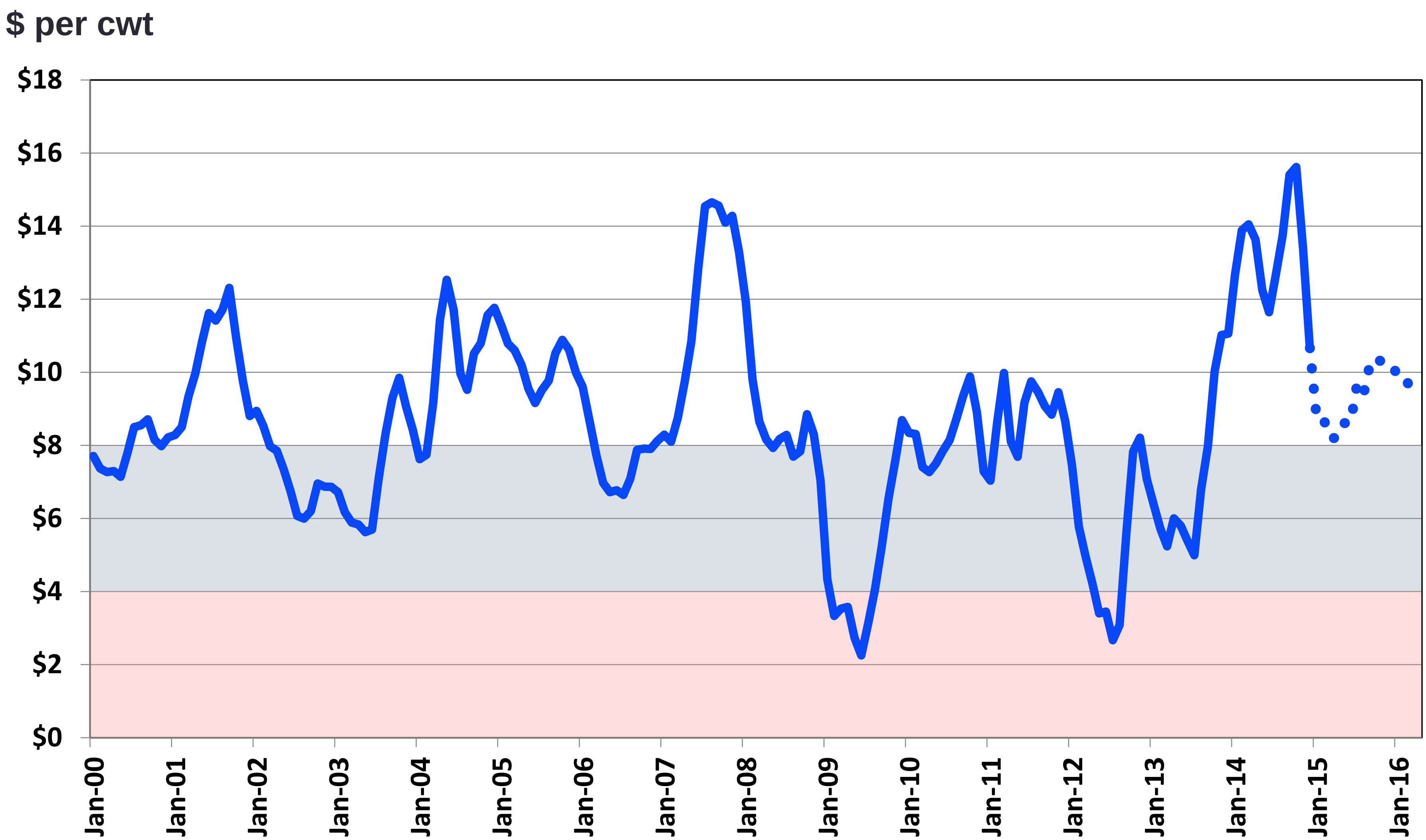
Hog, dairy, and broiler prices expected to come down from 2014; cattle prices rise

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.

Source: Office of the Chief Economist, February 2014

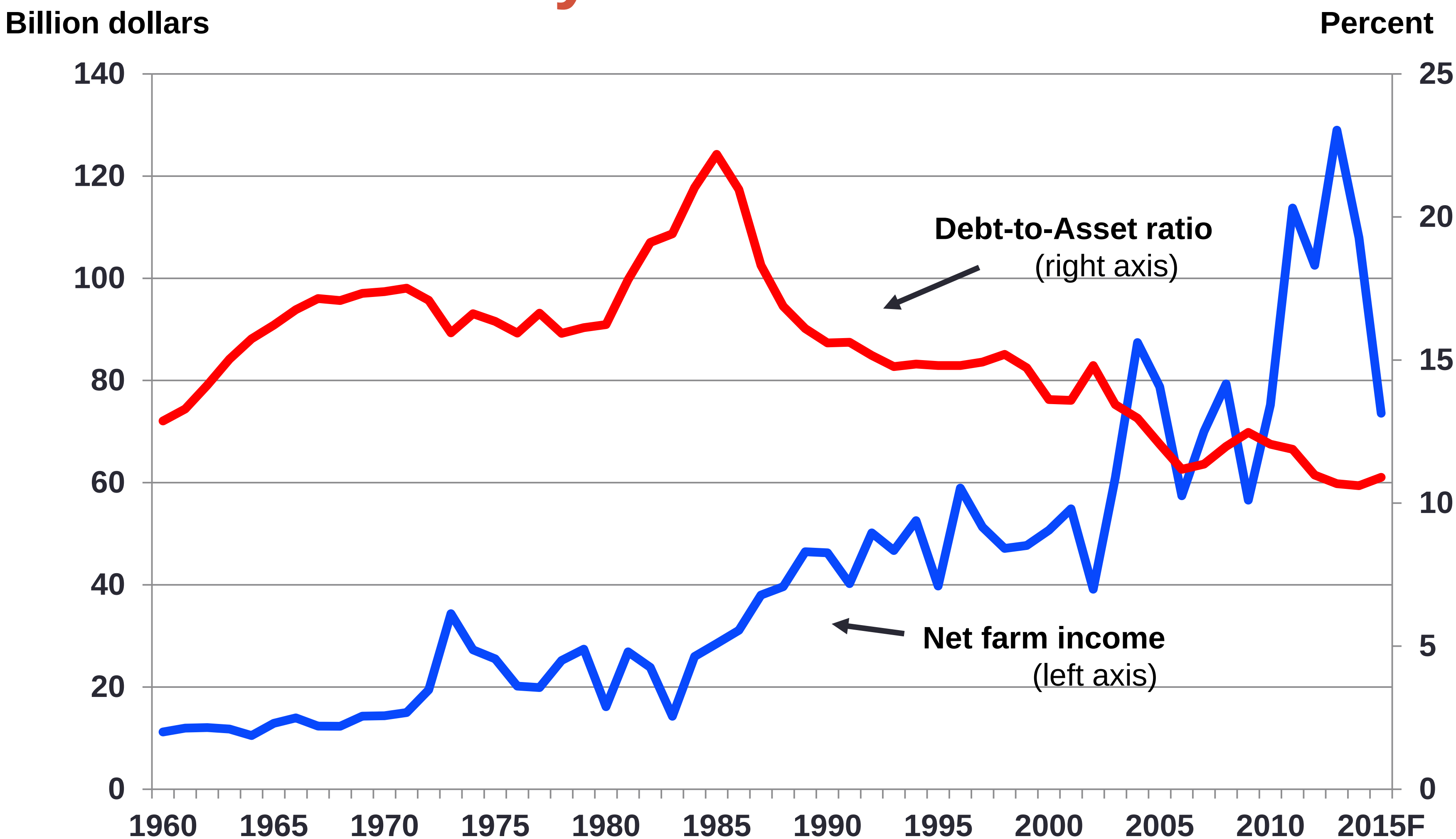
Dairy margins nearing $8 per cwt



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

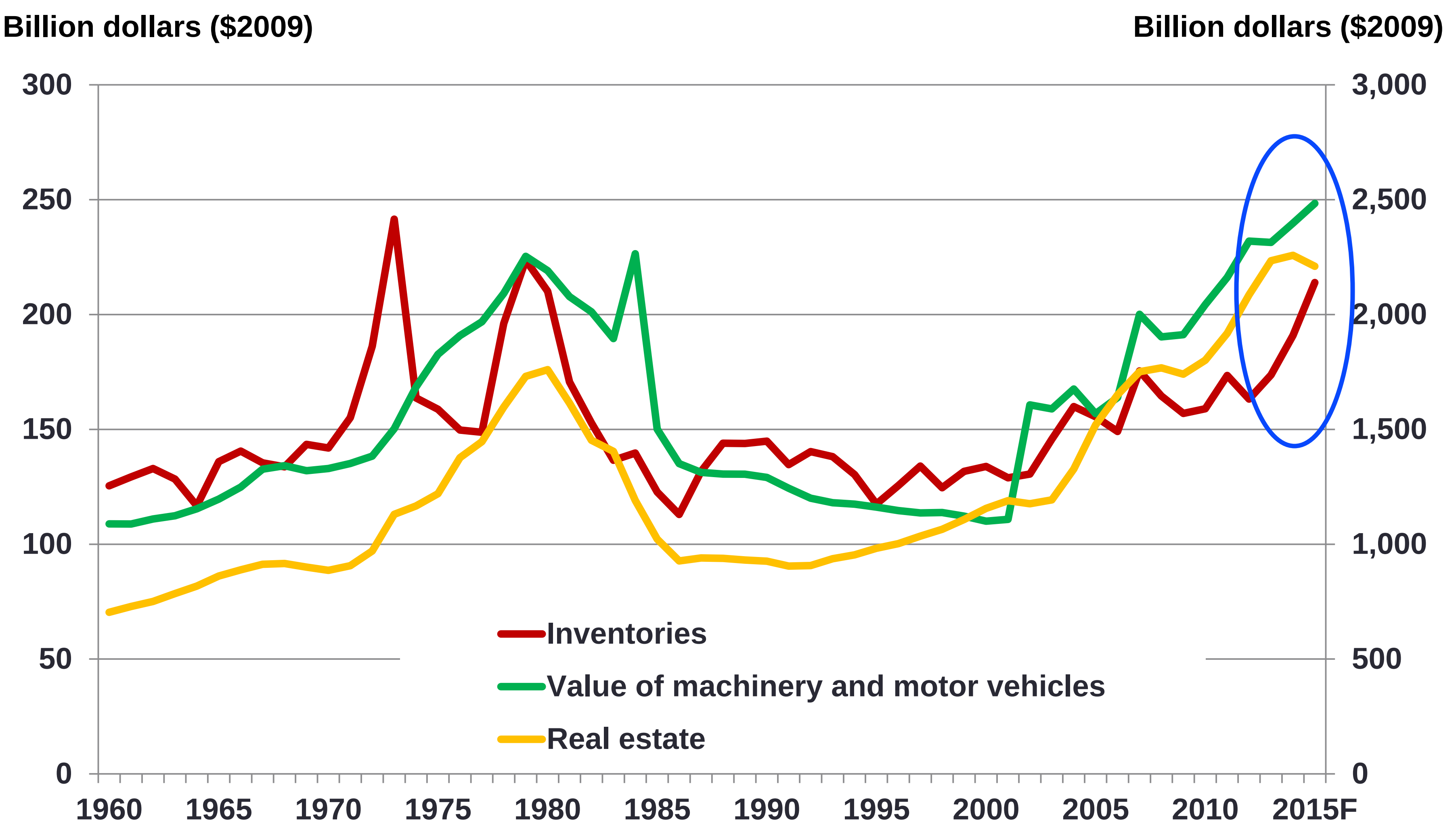
Farm income and land values

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



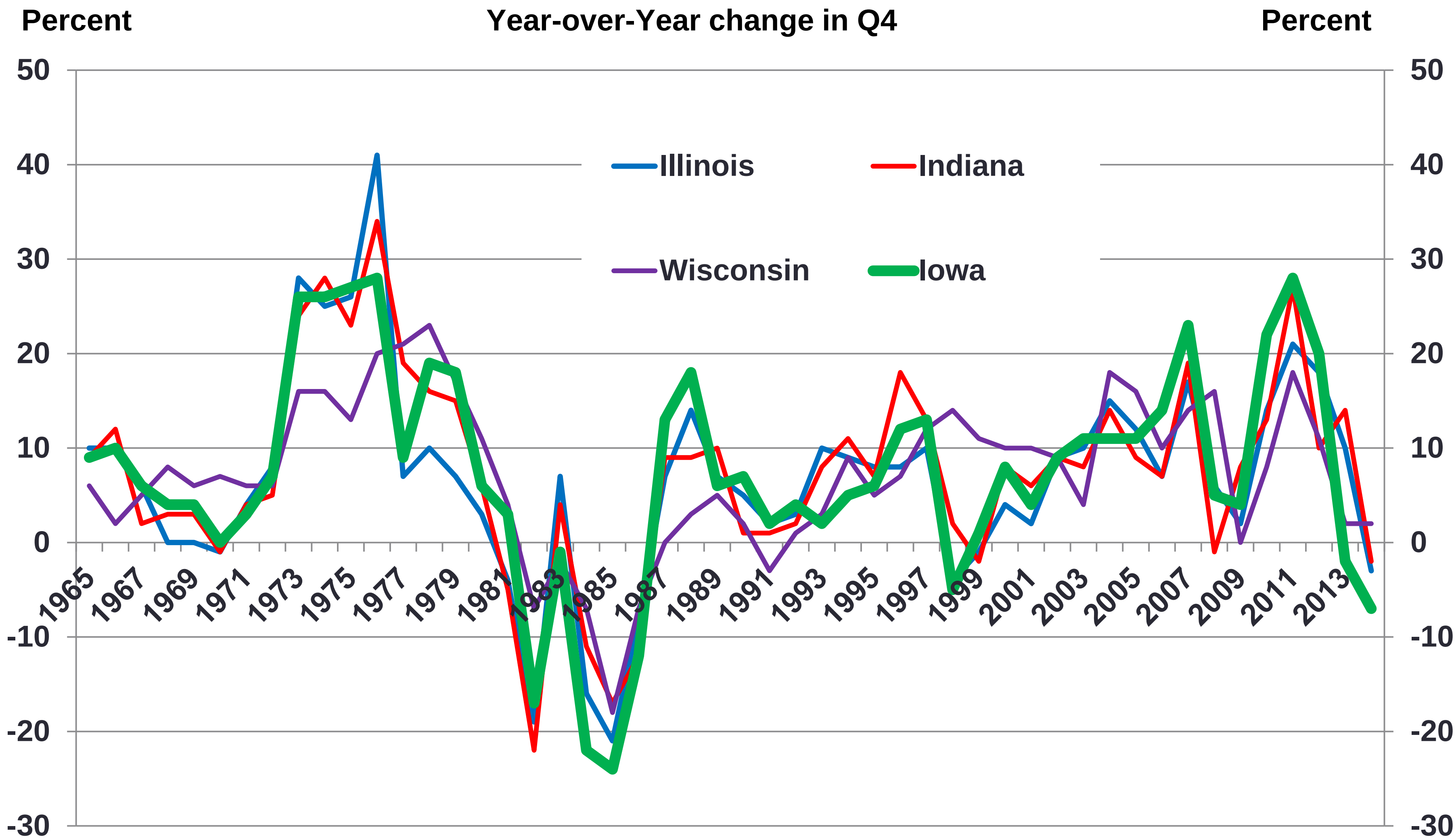
Data: USDA-ERS.

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



Data: USDA-ERS

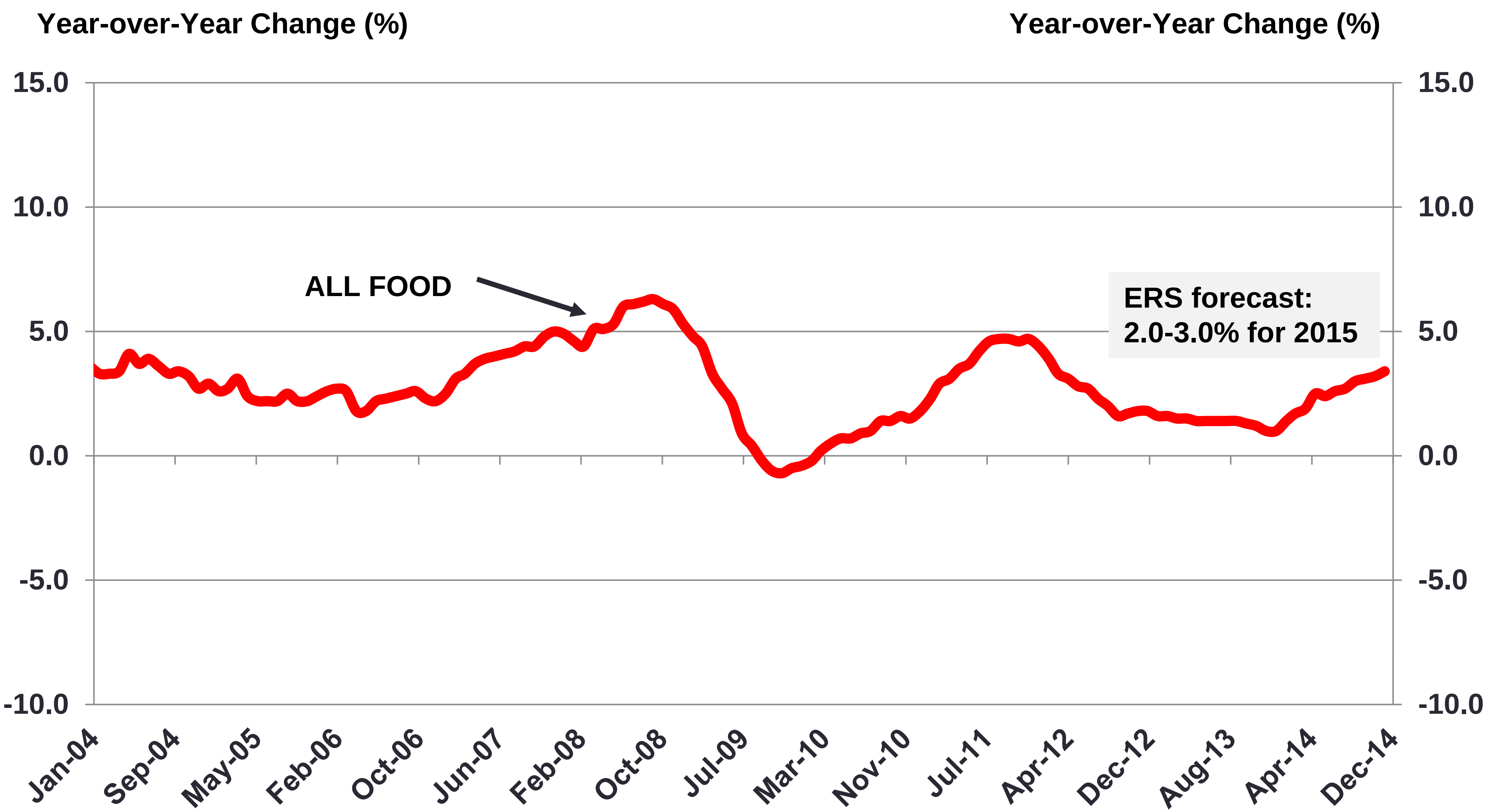
Farmland values coming down in some areas



Data: Federal Reserve Bank Chicago.

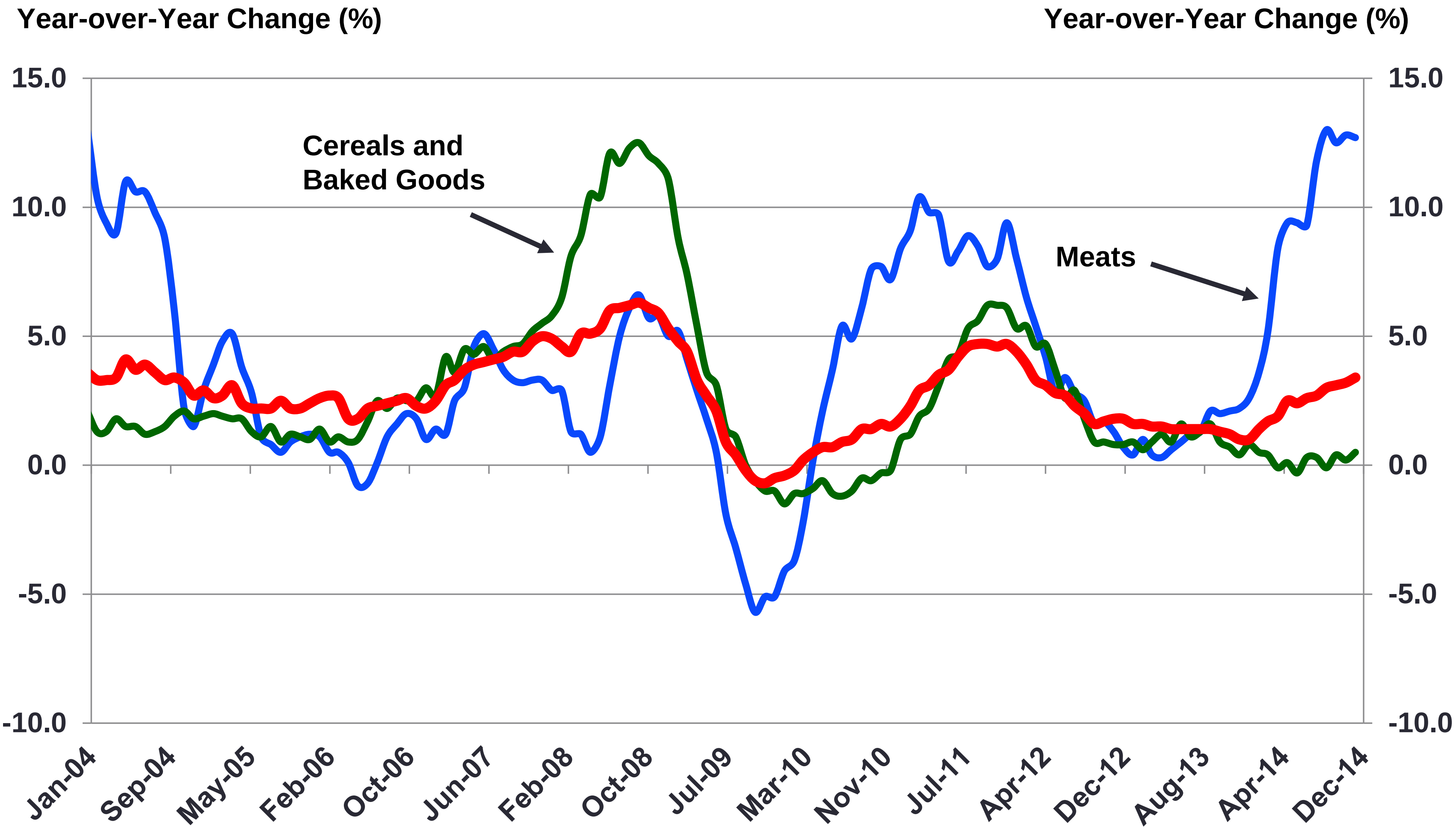
Outlook for Food Prices

Food CPI remains low



Source: BLS.

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



Source: BLS.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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