



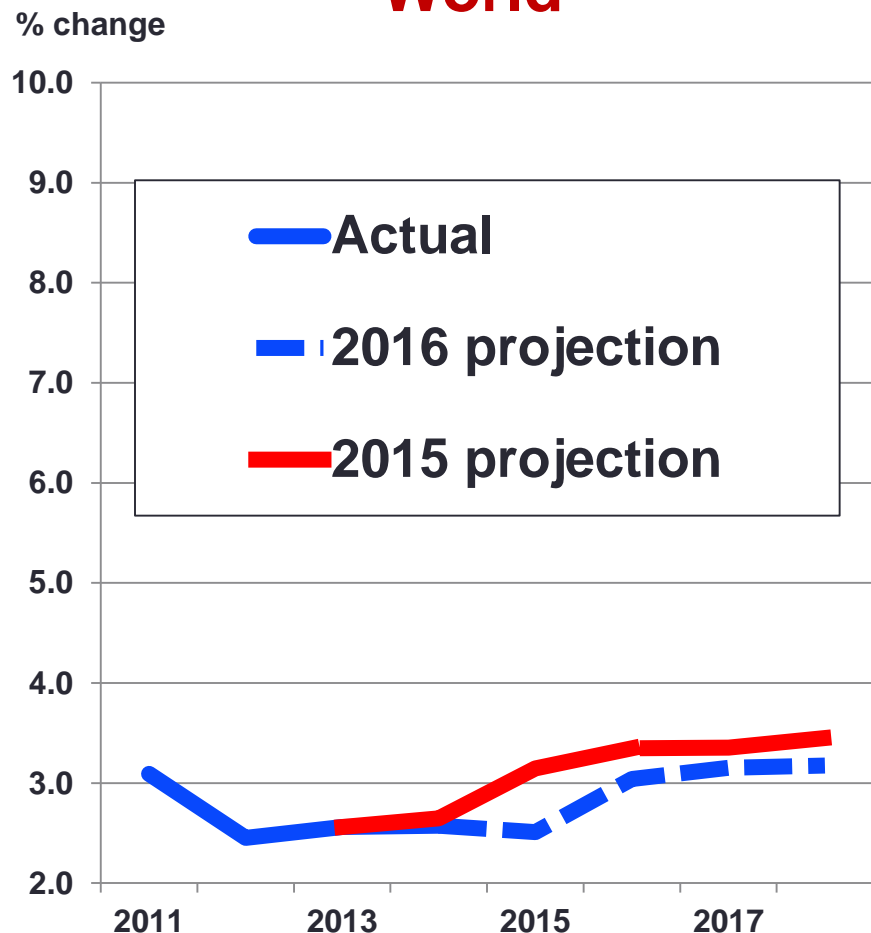
United States Department of Agriculture

SENATE AGRICULTURE APPROPRIATIONS SUBCOMMITTEE

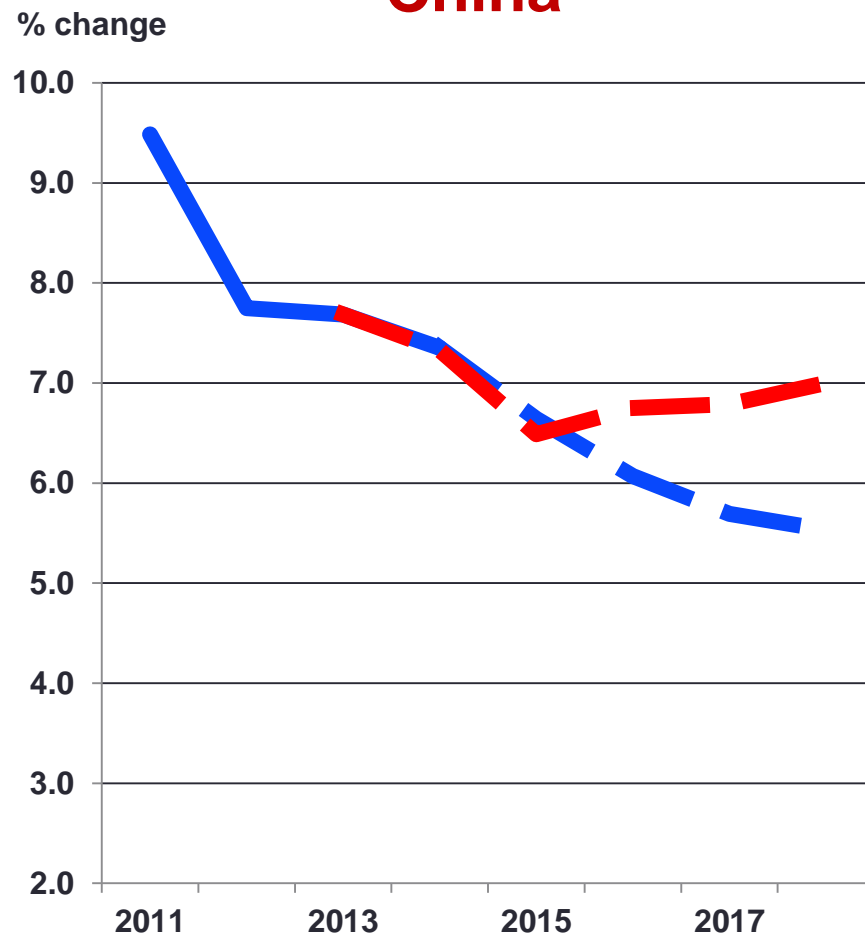
Robert Johansson
Chief Economist
1 March 2016

World GDP growth slows, compared to last year's projections, most notably in China

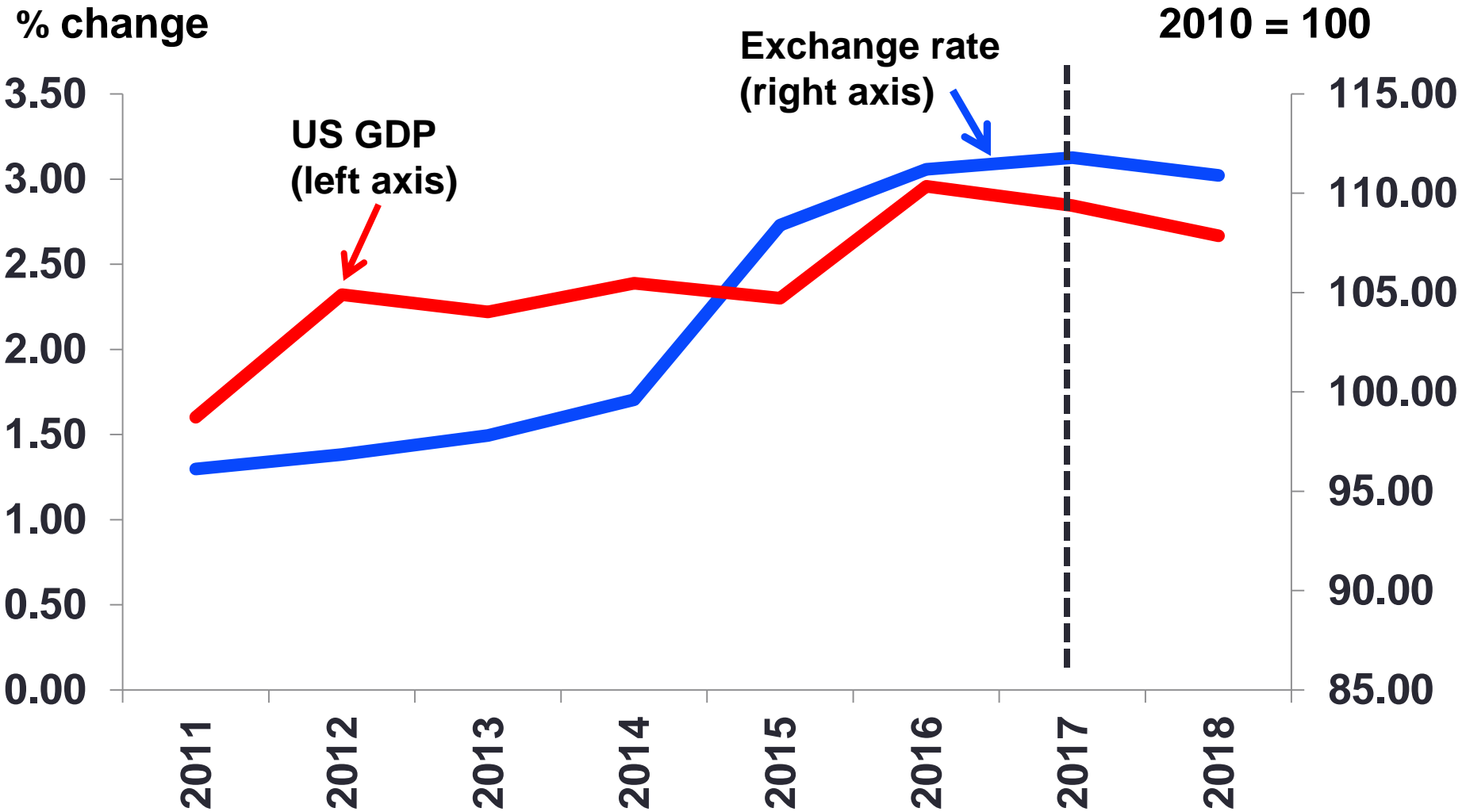
World



China

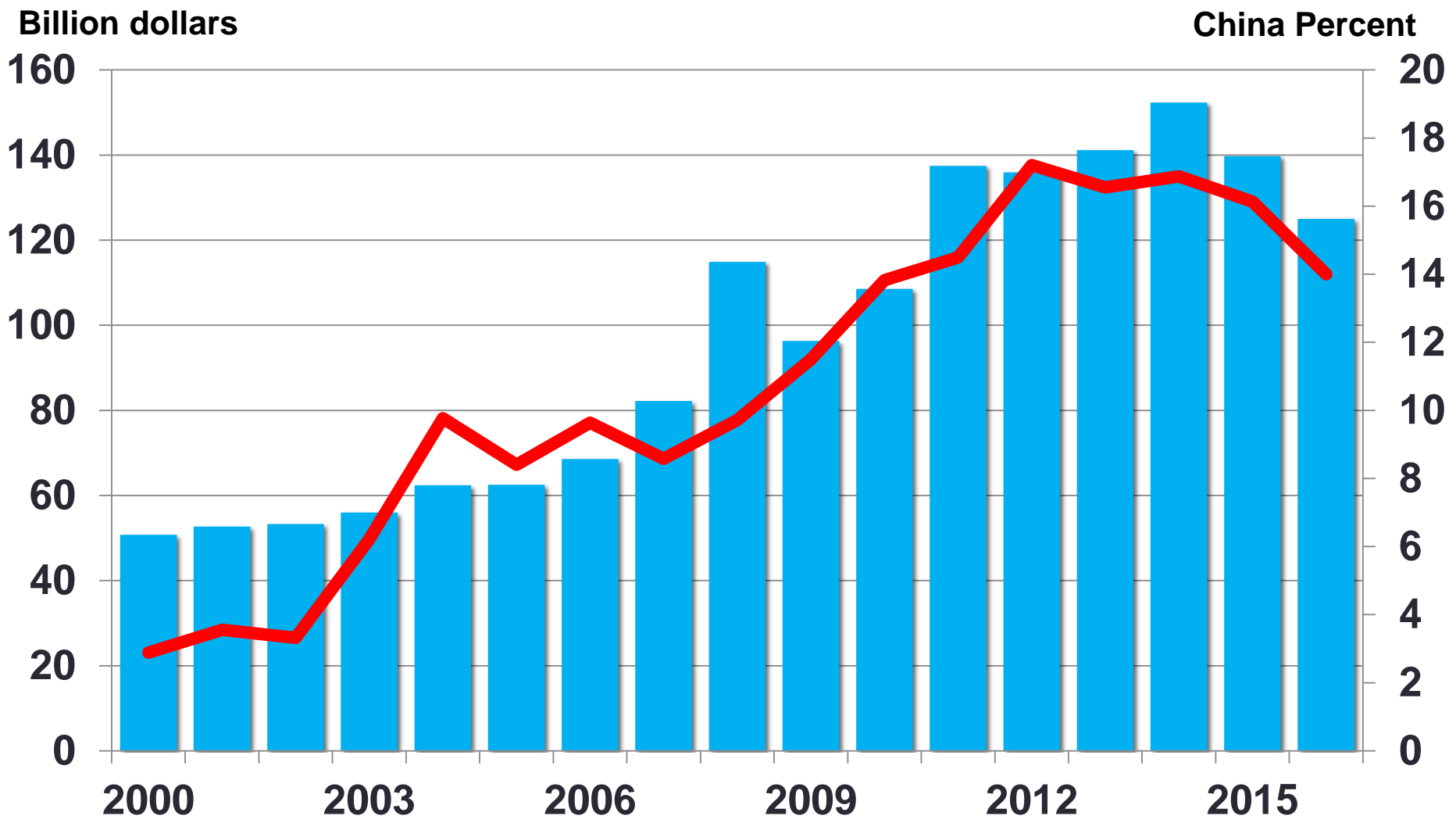


U.S. GDP growth and real ag trade-weighted exchange rate up through 2017



Data: USDA-OCE.

Decline in agricultural exports expected in 2016 --- China share falls in value



Source: USDA.

U.S. agricultural exports mostly lower in FY2016

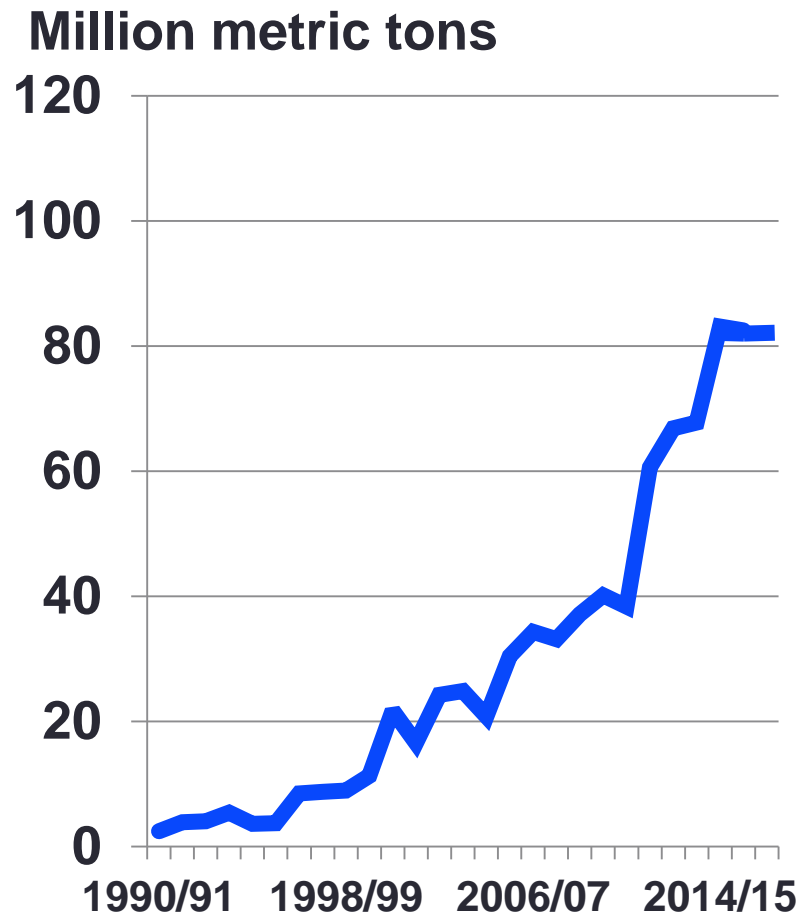
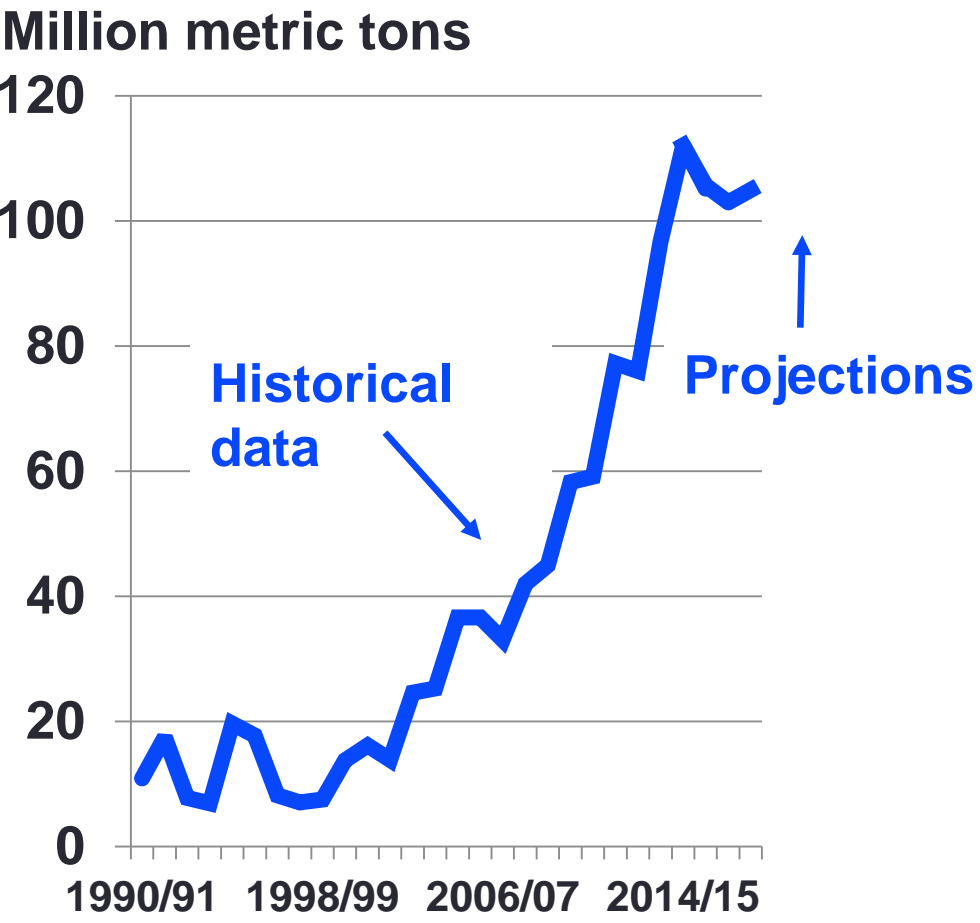
| Total and selected categories (\$ billions) | FY2015 | Forecast FY2016 |
|---|--------------|--------------------|
| Total agricultural exports | 139.7 | 125.0 |
| Grain and feeds | 31.6 | 27.2 |
| of which, Corn, Feed, Fodder | 16.9 | 14.3 |
| of which, Wheat | 5.8 | 5.0 |
| of which, Rice | 2.1 | 1.8 |
| Oilseed products | 31.7 | 25.4 |
| of which, Soybean | 21.6 | 17.0 |
| Cotton | 4.1 | 3.2 |
| Livestock products | 18.2 | 16.0 |
| Dairy products | 5.6 | 4.9 |
| Horticulture products | 34.1 | 34.7 |

Source: USDA.

China imports soften and strong Brazil exports

China total imports of grains, soybeans, and cotton

Brazil total exports of soybeans and corn



Source: USDA.

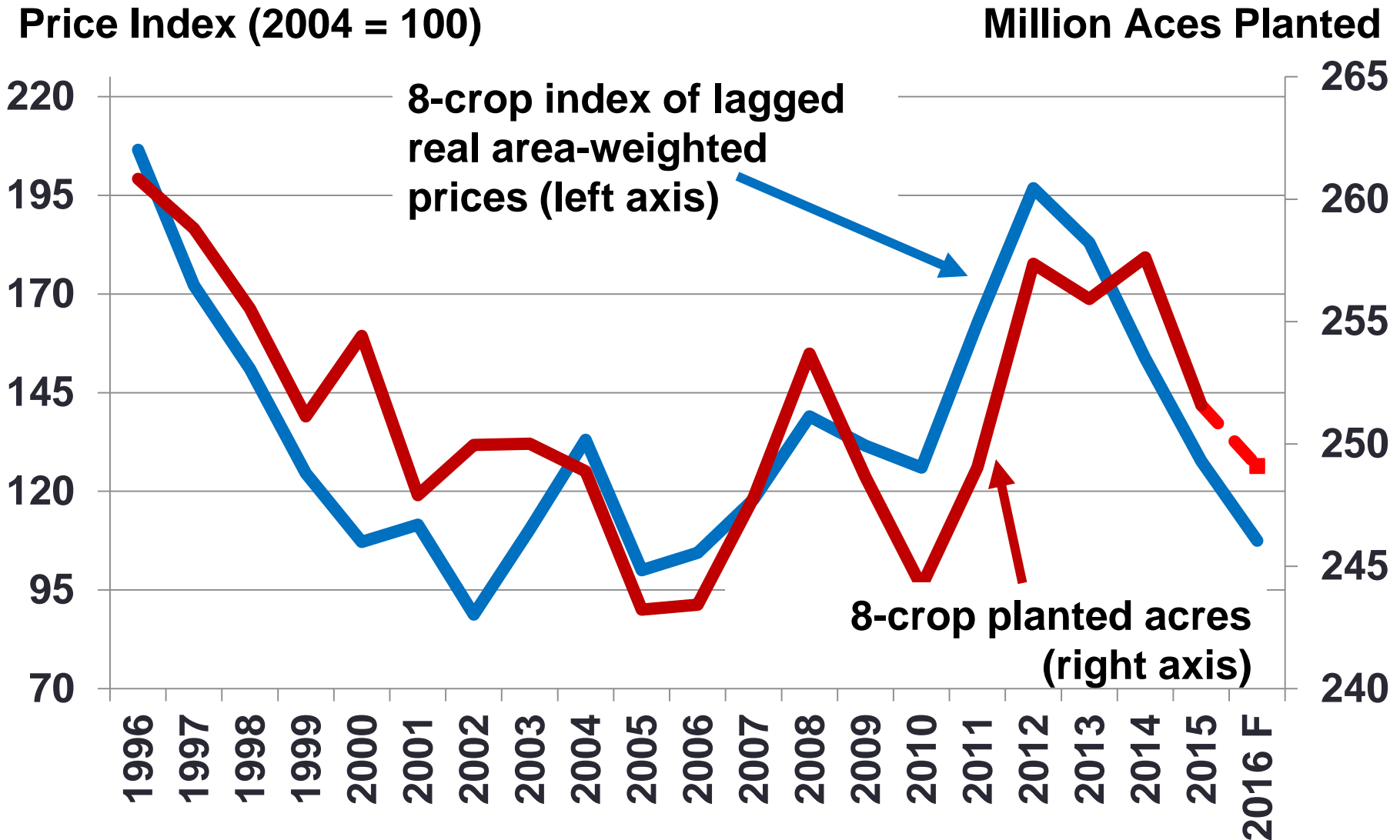
Corn, wheat, and soybean prices soften, but still above 2000-2003 average

| Crop | Ave 2000-03 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F |
|---------------|-------------|------|------|------|------|-------|-------|
| Wheat | 3.1 | 7.2 | 7.8 | 6.9 | 6.0 | 5.0 | 4.20 |
| Corn | 2.1 | 6.2 | 6.9 | 4.5 | 3.7 | 3.6 | 3.45 |
| Soybeans | 5.5 | 12.5 | 14.4 | 13.0 | 10.1 | 8.8 | 8.50 |
| Upland Cotton | 46.5 | 88.3 | 72.5 | 77.9 | 61.3 | 59.5 | 58.0 |
| All Rice | 5.6 | 14.5 | 15.1 | 16.3 | 13.3 | 12.9 | 12.90 |

Source: USDA-NASS, OCE.

Red denotes record high.

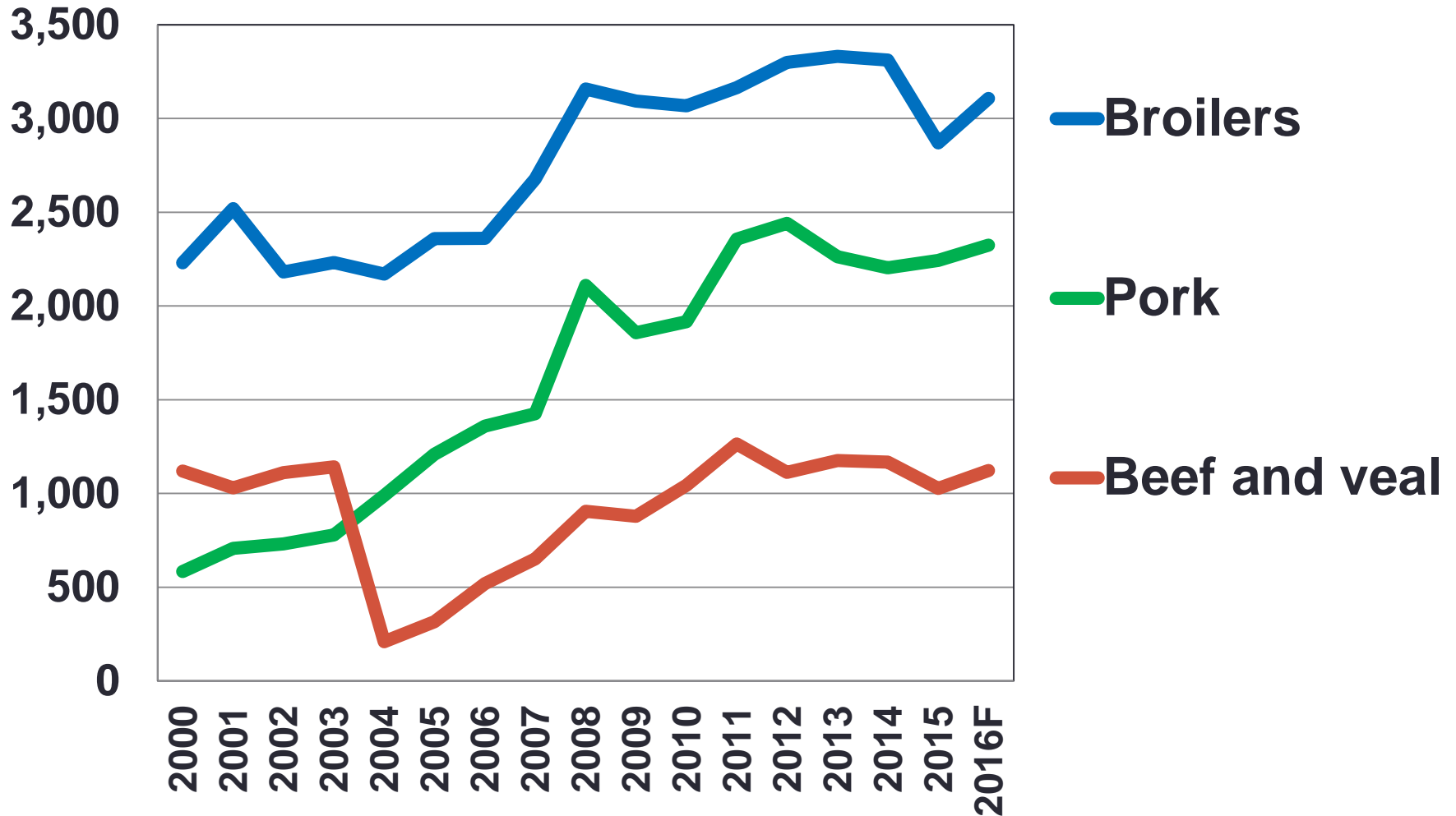
Last year's prices point towards a fall in area



Data: USDA-OCE.

Meat exports expected to increase

1000 MT



Cattle, Hog, dairy, and broiler prices expected to come down from 2015

| Animal products | 2011 | 2012 | 2013 | 2014 | 2015 | 2016F | % change |
|-----------------|-----------------|-------|-------|-------|-------|-------|----------|
| | Dollars per cwt | | | | | | |
| Steers | 114.7 | 122.9 | 125.9 | 154.6 | 148.1 | 137.3 | -7.3 |
| Hogs | 66.1 | 60.9 | 64.1 | 76.0 | 50.2 | 47.3 | -5.9 |
| Broilers | 79.9 | 86.6 | 99.7 | 104.9 | 90.5 | 87.5 | -3.3 |
| Milk | 20.1 | 18.5 | 20.1 | 24.0 | 17.1 | 15.7 | -8.4 |

Source: USDA-OCE.

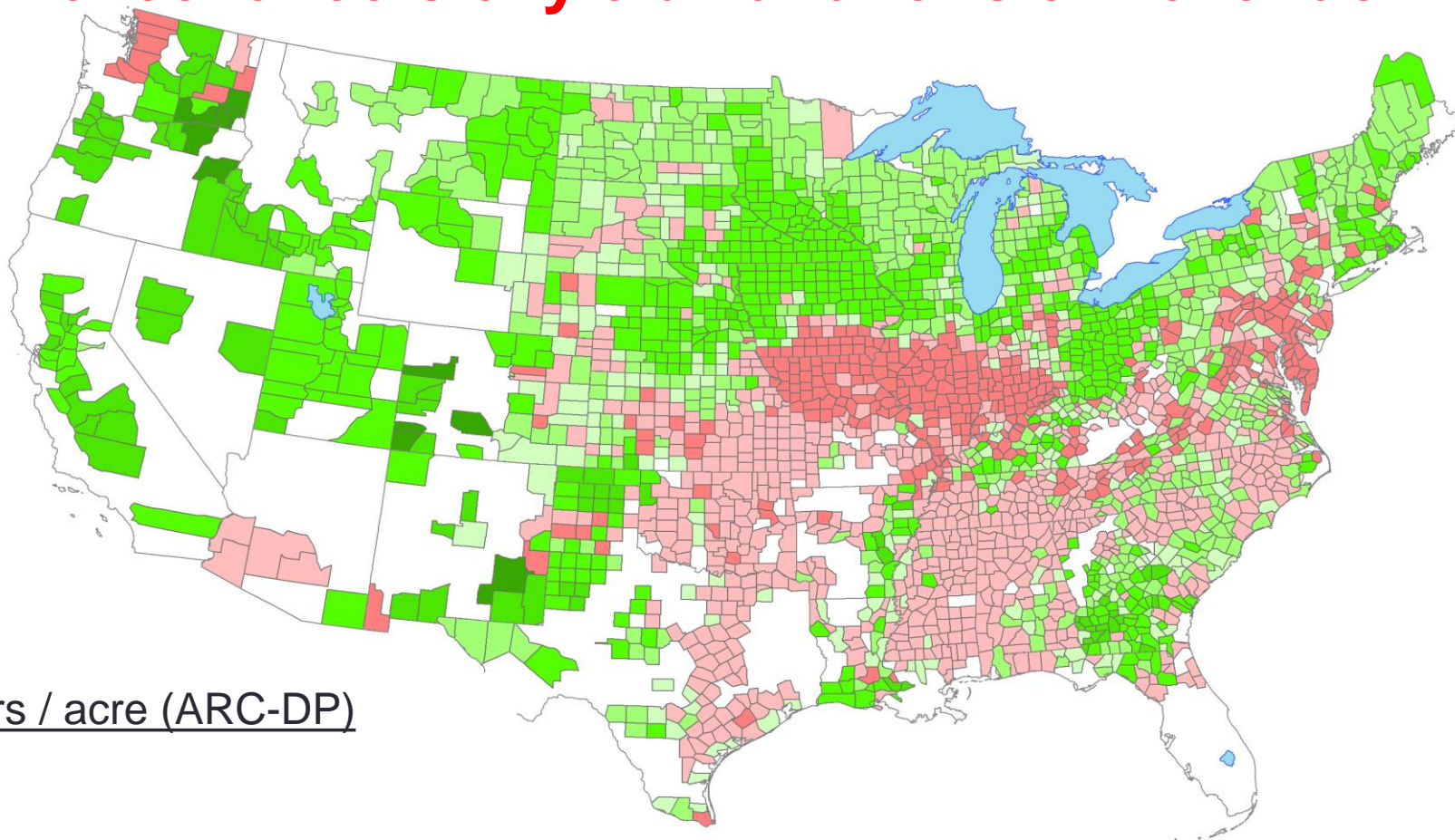
Prices in red denote record levels.

Illinois case shows crop budgets tightening

| | Corn After Soybeans | Soybeans After Corn |
|--|---------------------|---------------------|
| Fertilizers and pesticides | \$190.00 | \$75.00 |
| Seed | \$122.00 | \$76.00 |
| Crop insurance and other direct costs | \$55.00 | \$23.00 |
| Machinery and power | \$124.00 | \$113.00 |
| Total non-land costs | \$558.00 | \$348.00 |
| | | |
| Yield | 201.00 | 58.00 |
| Price | \$3.45 | \$8.50 |
| ARC-CO | \$30.00 | \$30.00 |
| Crop Revenue | \$723.45 | \$523.00 |
| | | |
| Revenue to cover rent and salary | \$165.45 | \$175.00 |
| Cash Rent for Illinois | \$228 | \$228 |

Source: USDA-NASS, Univ. of Illinois.

ARC-CO 2014 payment rates for corn minus 2008 Direct Payment rates reflect effects of yield variations on revenue



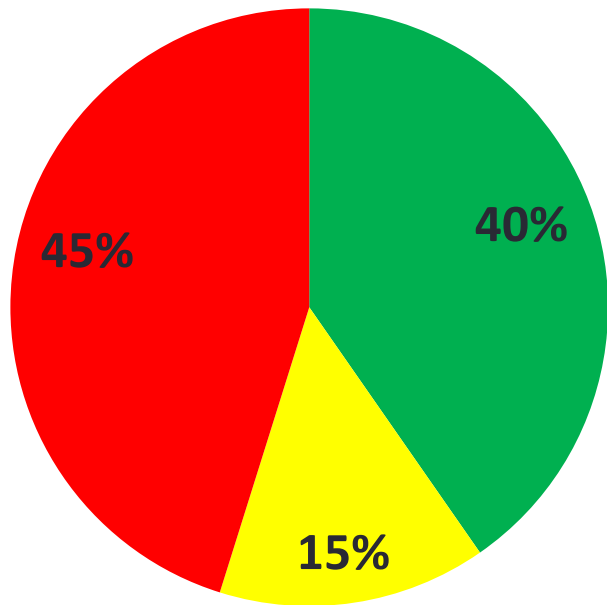
\$dollars / acre (ARC-DP)

- 80 - 100
- 60 - 80
- 40 - 60
- 20 - 40
- 0 - 20
- 20 - 0
- 40 - -20
- 60 - -40

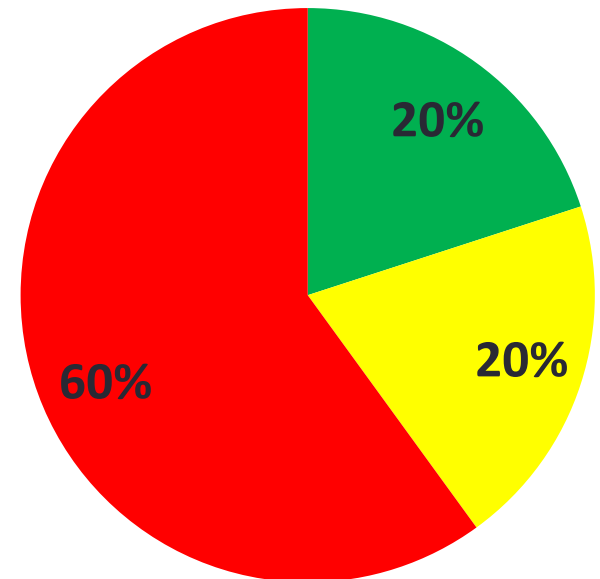
Source: USDA-FSA.

AFPC Representative Farms, Liquidity and Equity Prospects for 2015-20

All Crop Farms



Cotton Farms only

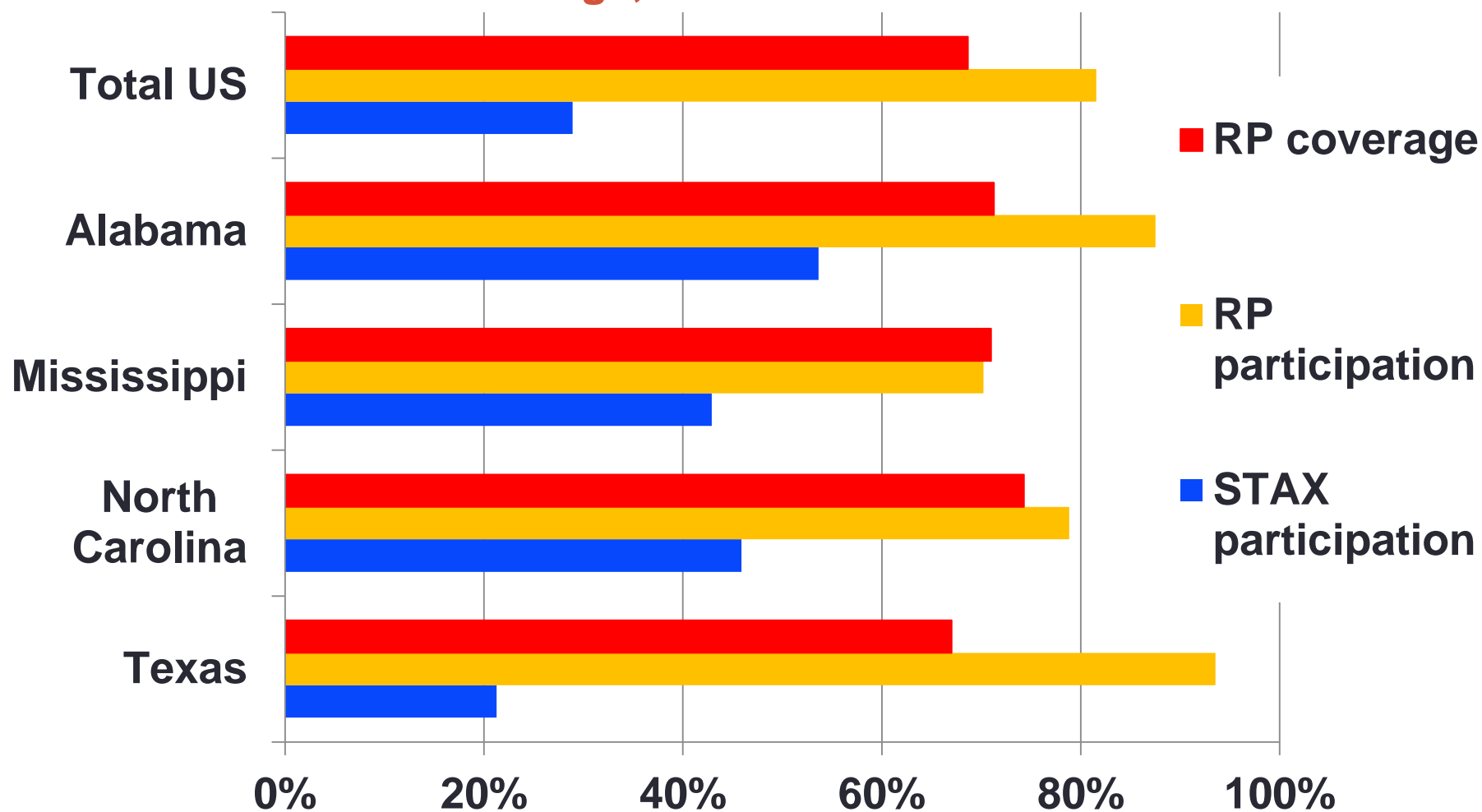


- Good overall financial condition
- Marginal overall financial condition
- Poor overall financial condition

Source: Texas A&M Agricultural and Food Policy Center, Representative Farm baseline, March, 2015, p 9 summary of cash and real net worth projections.

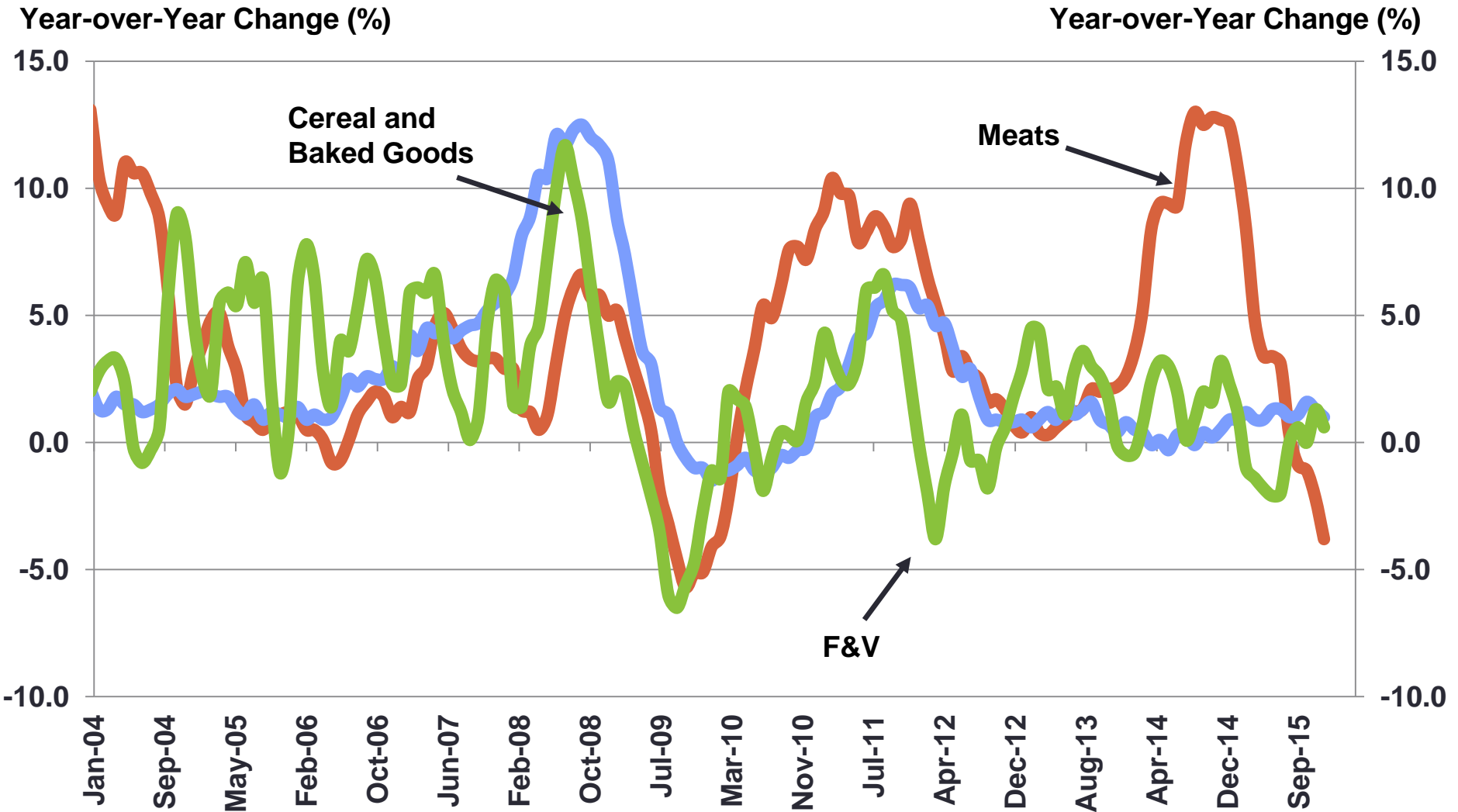
STAX and Revenue Protection

Shares of cotton area planted enrolled in STAX and RP, and RP coverage, US total and selected states



Sources: RMA for STAX area and NASS for area planted.

Retail food price inflation moderates, and retail meat prices are lower



Data: BLS.