

FAPRI-MU Baseline Outlook

Food and Agricultural Policy Research Institute
University of Missouri
www.fapri.missouri.edu

2015 Abner Womack Missouri Agriculture Outlook and
Breimyer Policy Seminar
Bradford Research Farm, Columbia, MO
March 11, 2015



Market volatility will continue

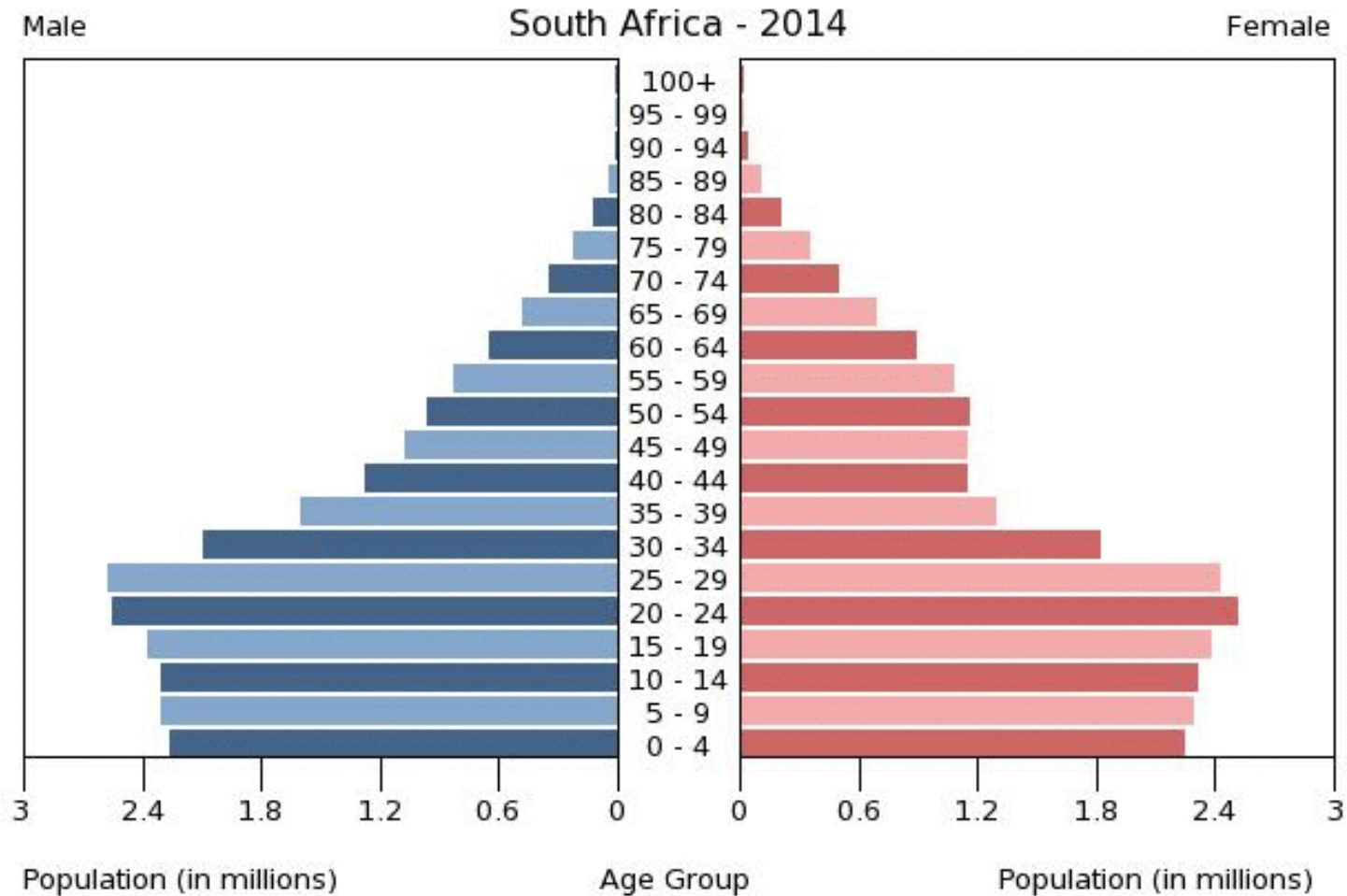
- Last decade has been characterized by volatile world agricultural commodity prices
- We expect this to continue, and with the new farm bill government expenditure has the potential to show more variation
- That's why we run the model 500 times – and report the average
- What use is the Outlook, if we know the actual outcome is going to be different?

Outlook for the global economy

	2013	2014	2015	2016	2017	2018	2019	2020
Real GDP Growth	(% per year)							
World	2.6	2.7	3.0	3.4	3.5	3.6	3.7	3.8
U.S.	2.2	2.2	2.7	2.5	2.7	2.4	2.7	2.8
EU	0.1	1.3	1.7	2.0	2.0	1.9	1.8	1.9
China	7.7	7.3	6.5	6.7	6.8	7.1	7.3	7.3
Exchange Rate	(national currency per U.S. \$)							
Euro	0.75	0.75	0.83	0.81	0.77	0.76	0.75	0.74
Yuan	6.15	6.16	6.23	6.27	6.25	6.20	6.12	6.05
Rouble	31.9	38.1	52.0	49.0	46.1	47.2	48.6	49.9
Population	(million)							
World	7,137	7,219	7,300	7,380	7,459	7,536	7,613	7,688
U.S.	317	319	321	324	326	329	332	334
China	1,361	1,369	1,376	1,384	1,390	1,397	1,402	1,407
India	1,252	1,267	1,282	1,297	1,311	1,326	1,340	1,353
Africa	1,107	1,134	1,161	1,188	1,216	1,244	1,272	1,301

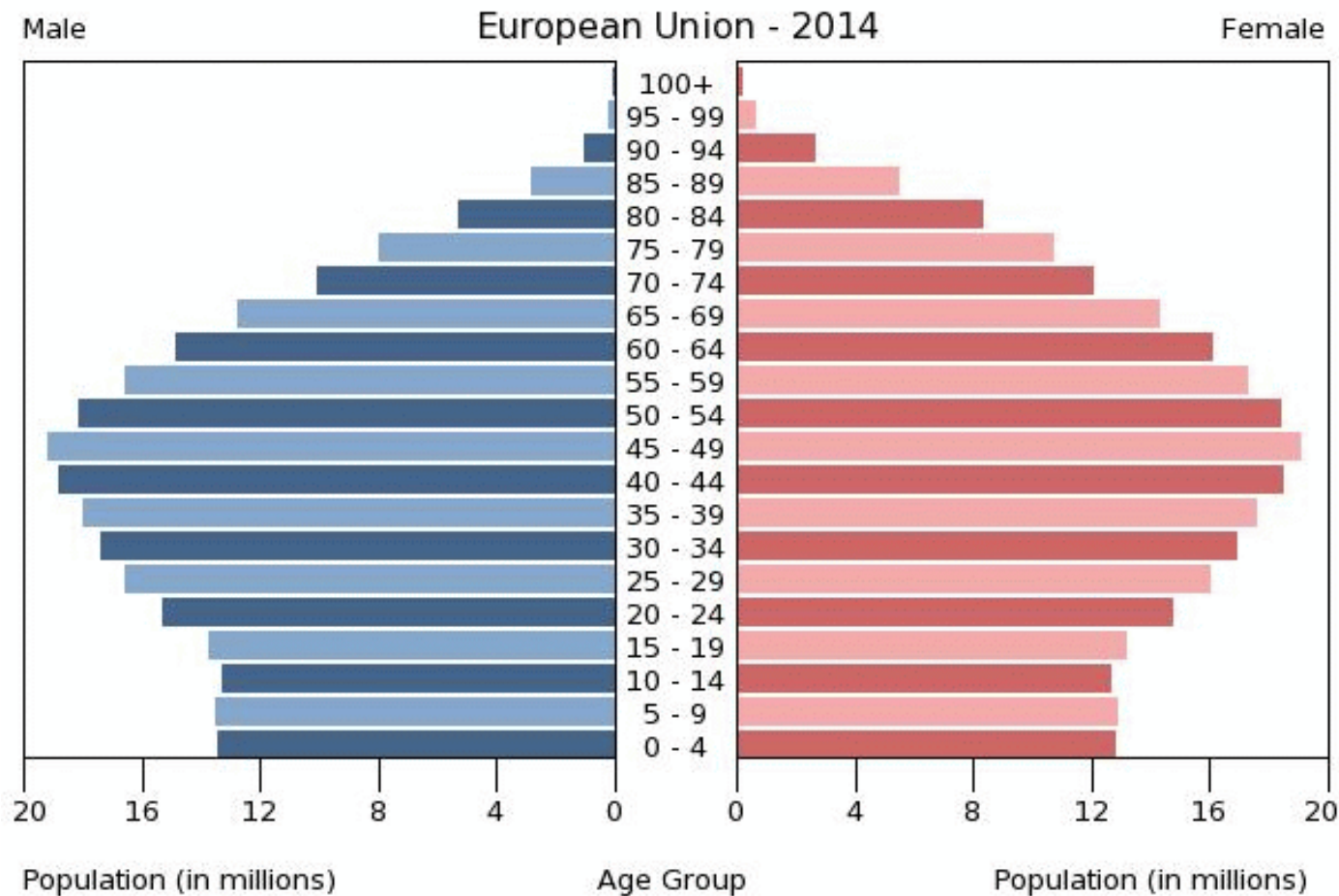
Source: IHS
Global
Insight,
December
2014

Demographics important



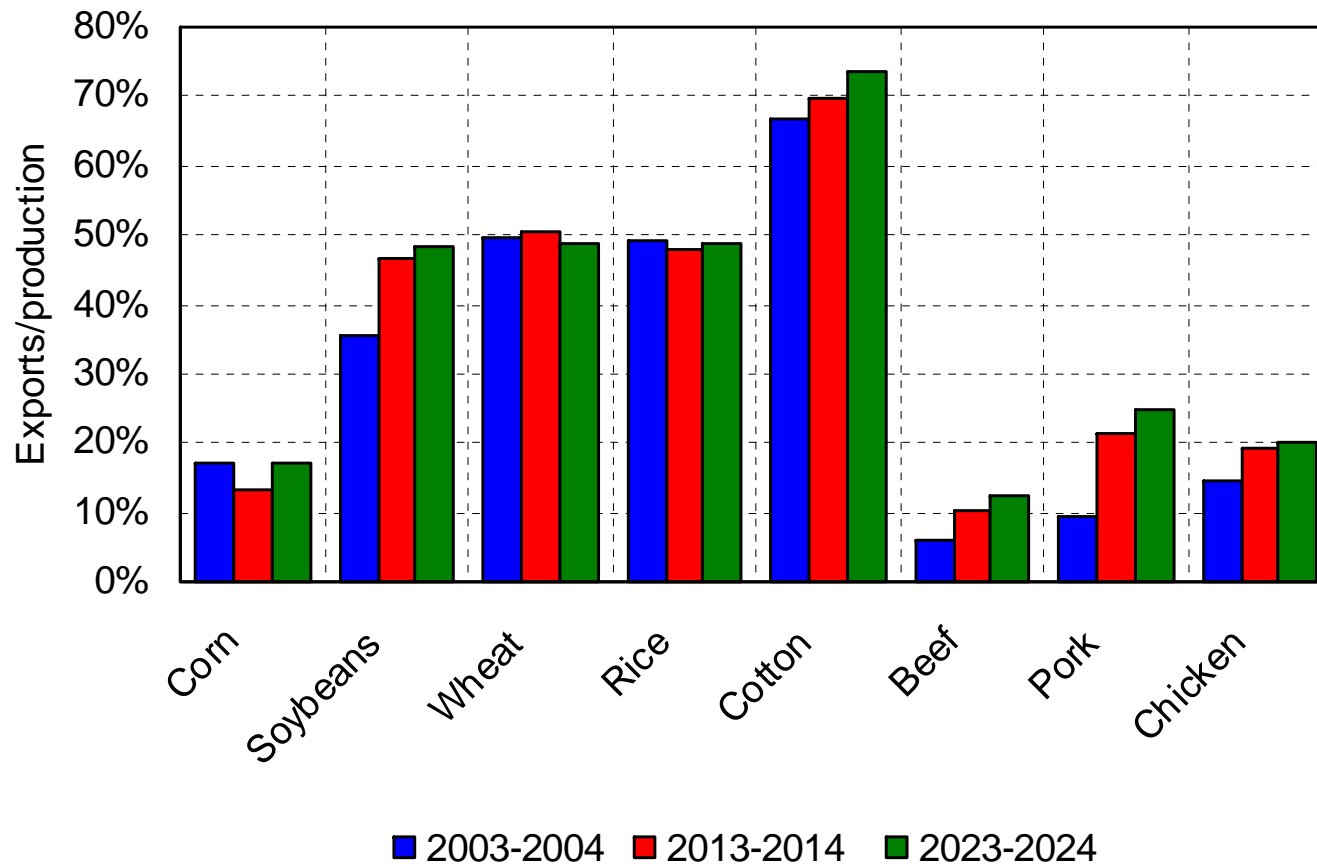
Source: Index Mundi/CIA Factbook

Demographics important



Source: Index Mundi/CIA Factbook

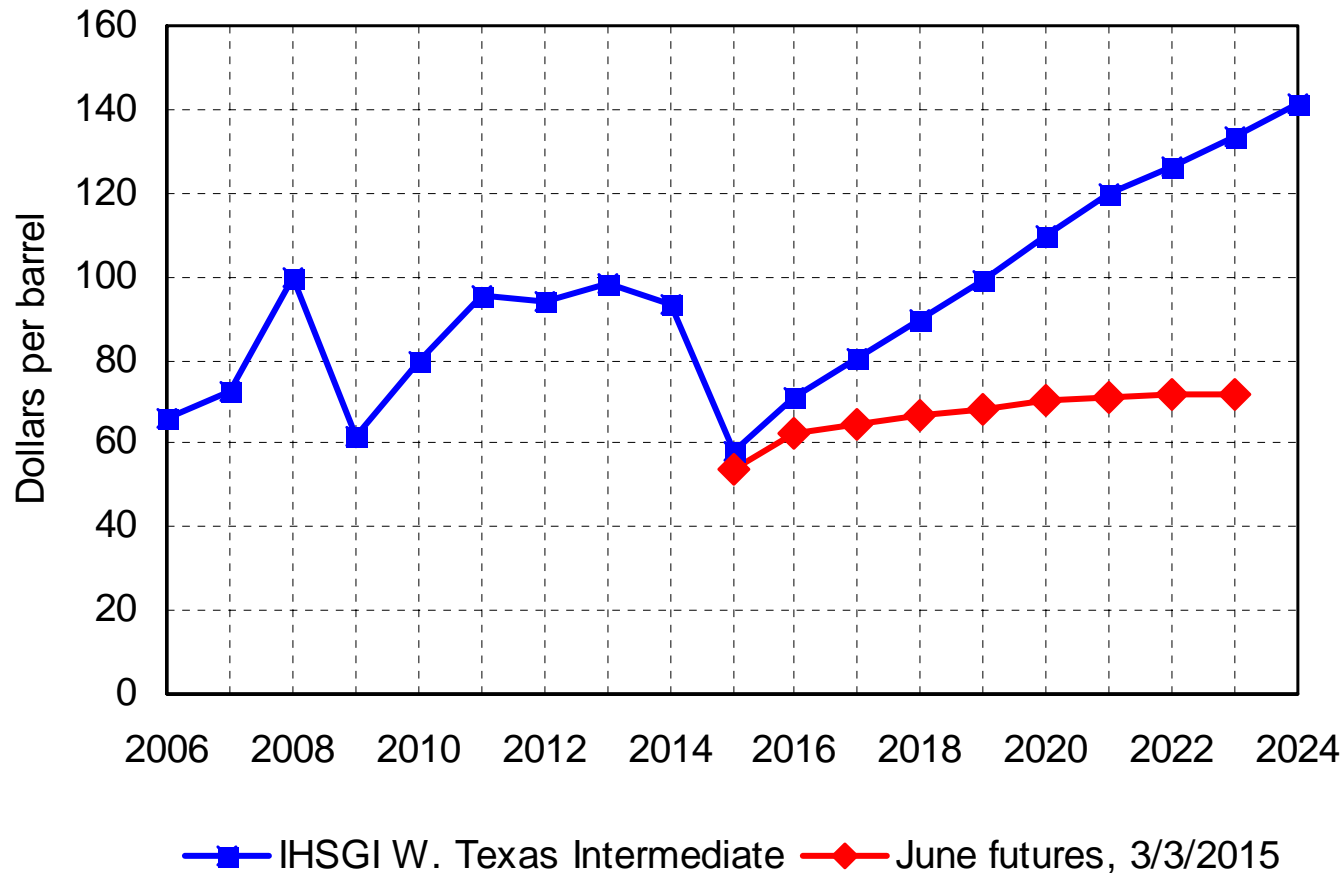
Growth in export markets



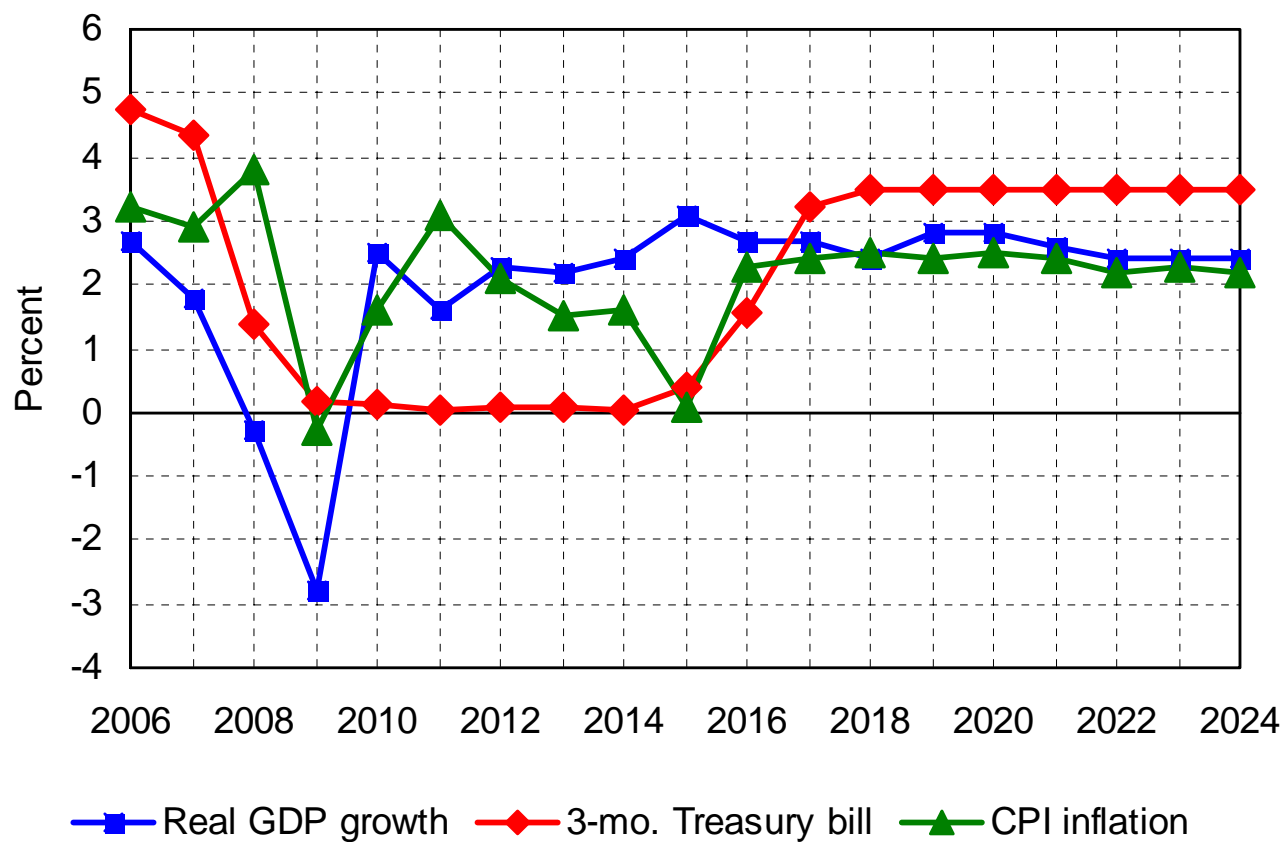
Important sources of uncertainty in world markets

- China
 - What are the prospects for growth?
 - Erratic behavior has moved markets
- Russia
 - Embargo's impact limited thus far
 - Ukraine conflict continues
- Impact of oil price fall
 - Increases disposable incomes for importers
 - Hurts oil producers

Oil price outlook uncertain

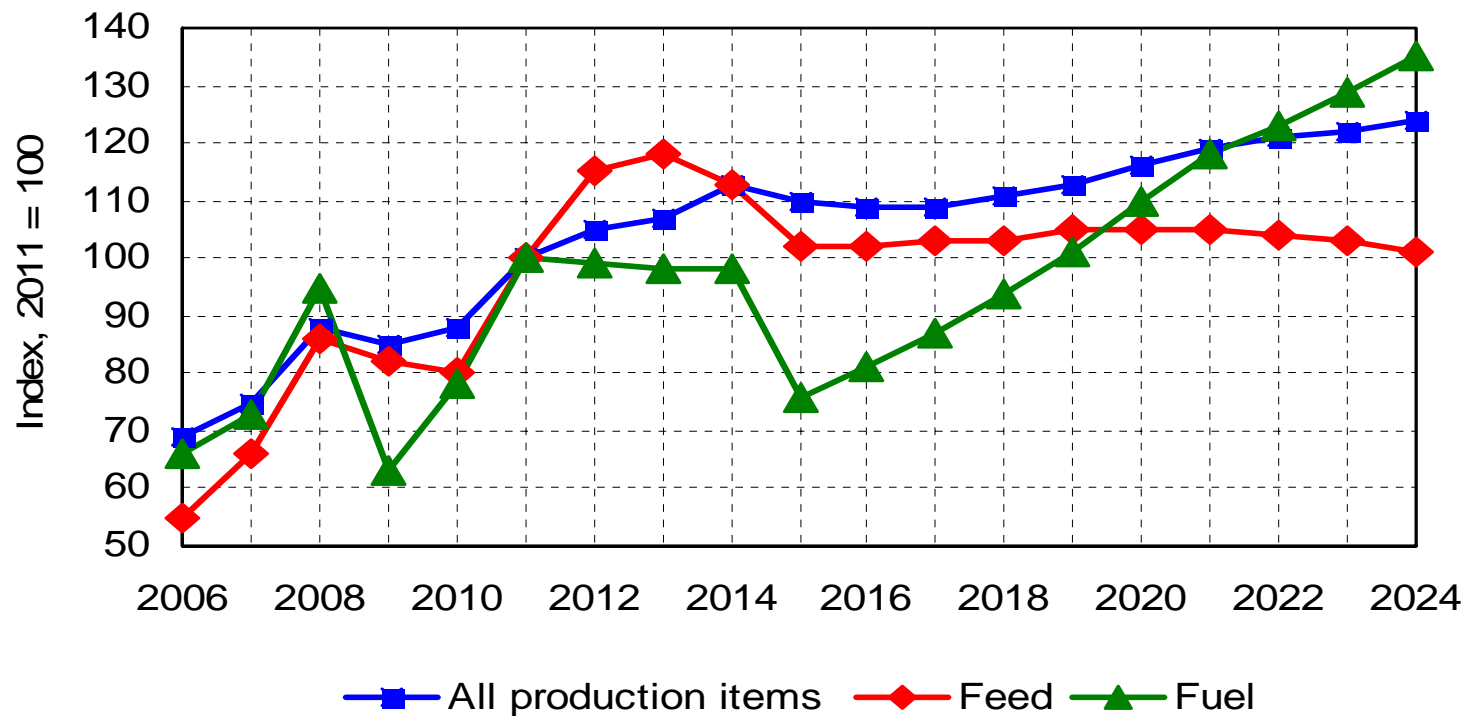


U.S. macro



Input costs

Lower feed, fuel prices reduce 2015 production costs



Page 11 of the U.S. Baseline Briefing Book

U.S. livestock and dairy outlook

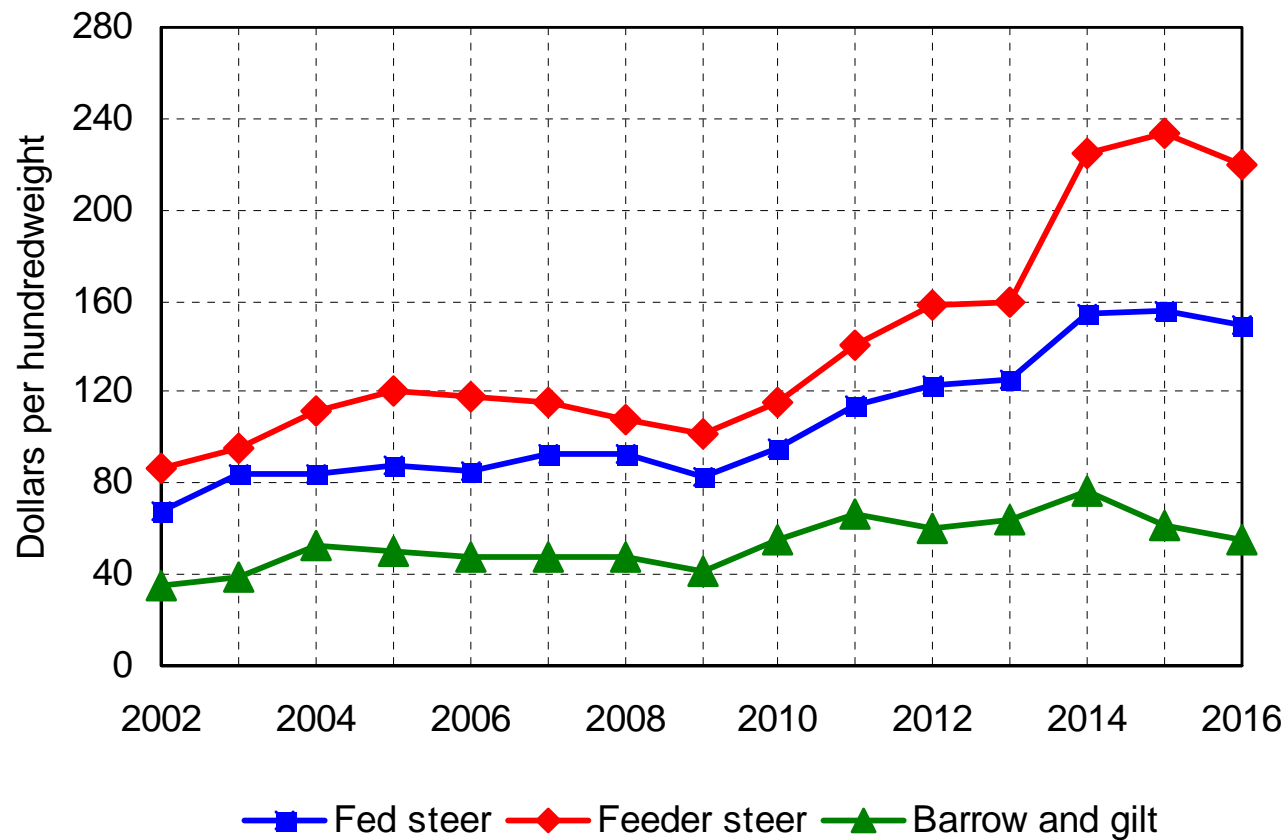
- Provided by:

Agriculture Markets and Policy (AMAP) at the
University of Missouri

www.amap.missouri.edu

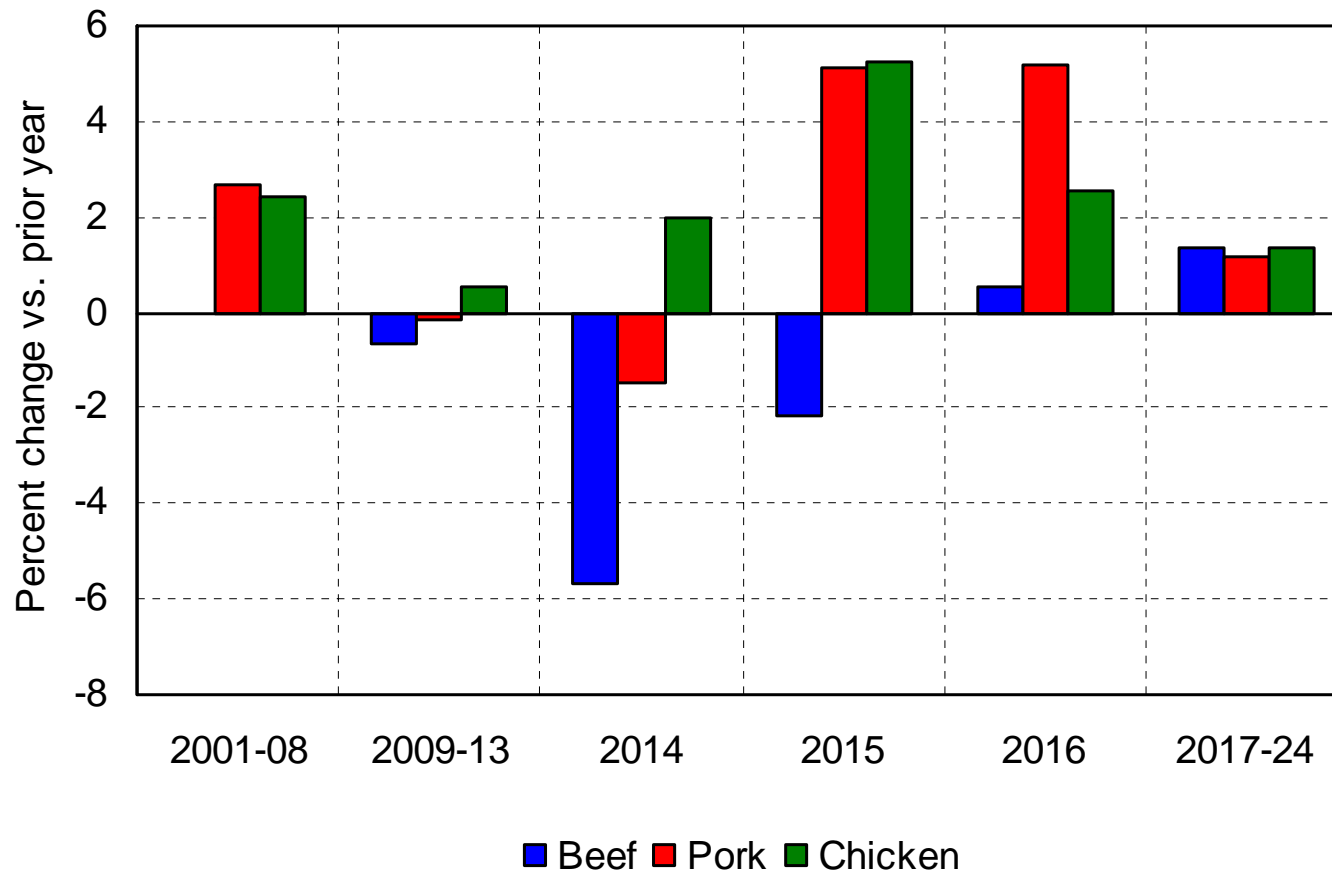
Scott Brown
Daniel Madison

U.S. meat prices

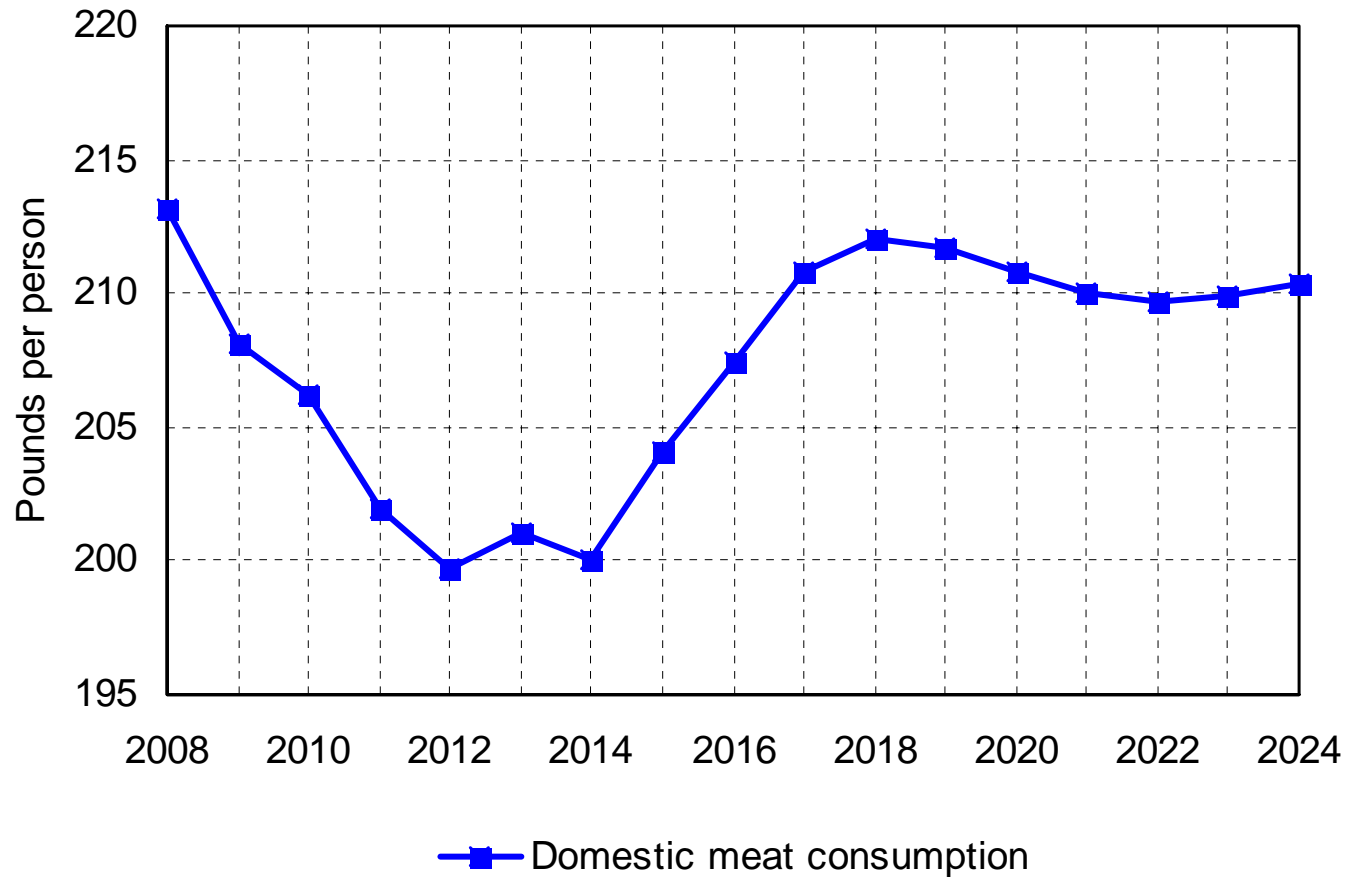


Page 5 of the U.S. Baseline Briefing Book

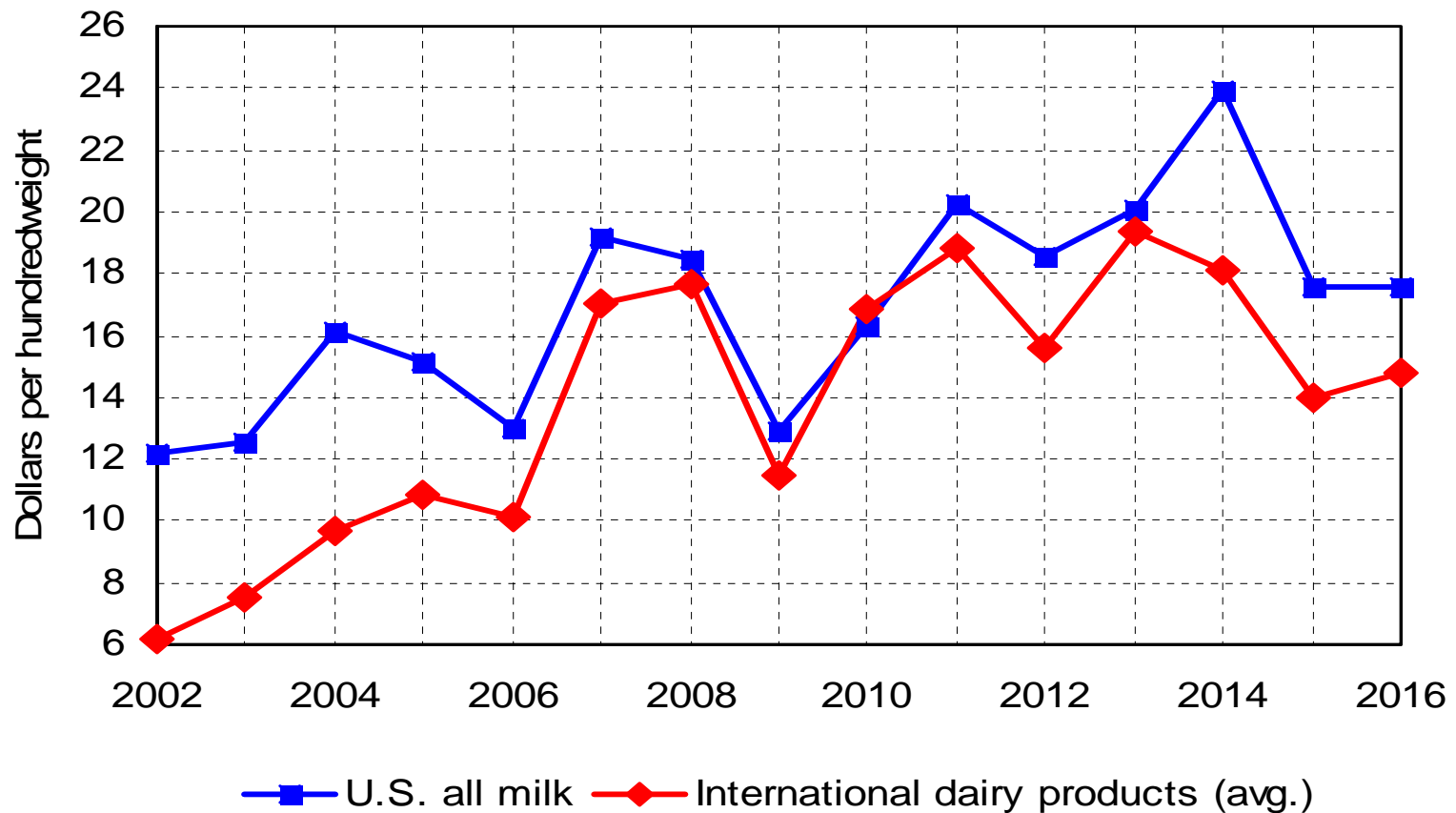
U.S. meat production



U.S. meat demand

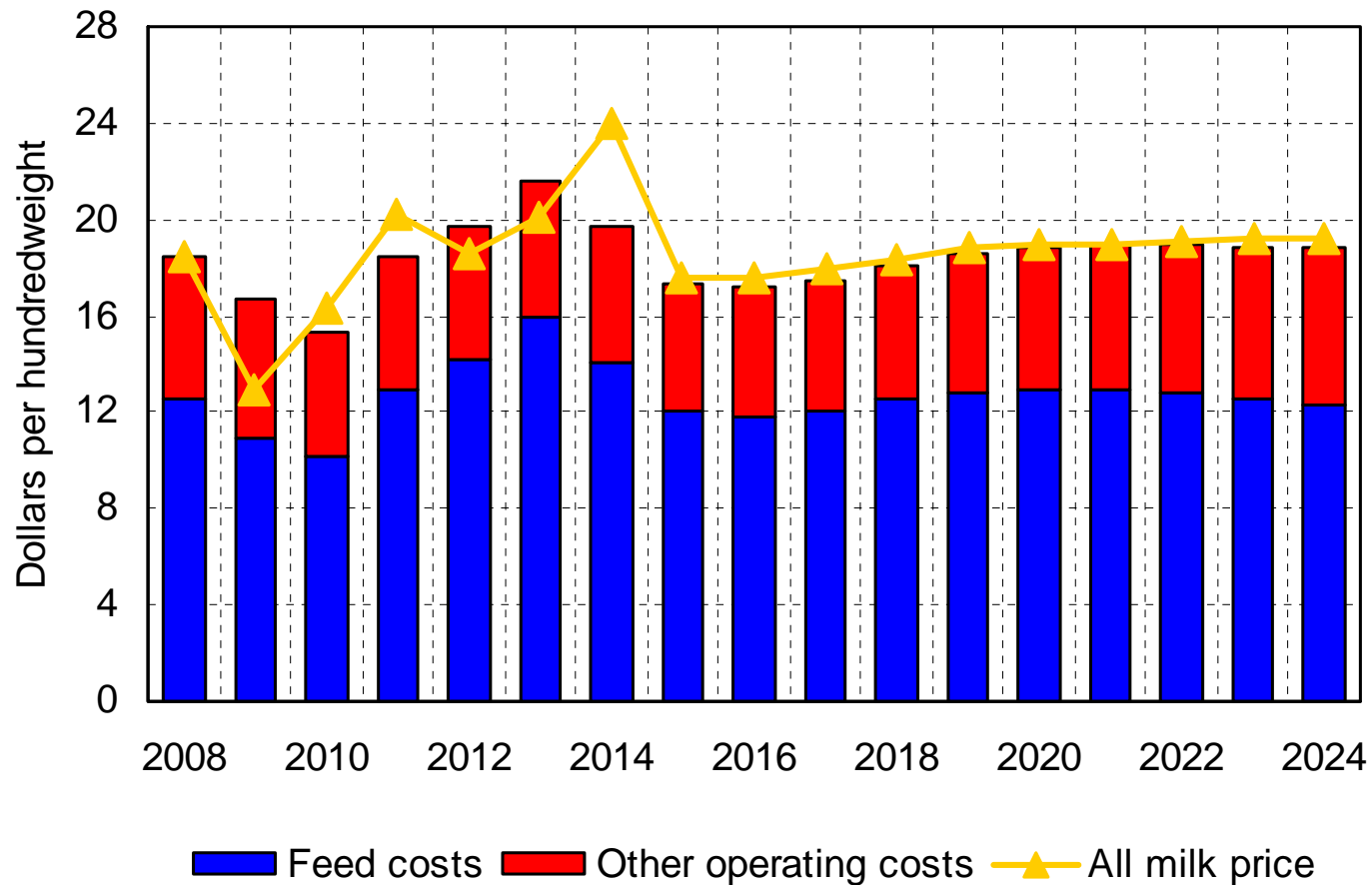


U.S./international milk prices

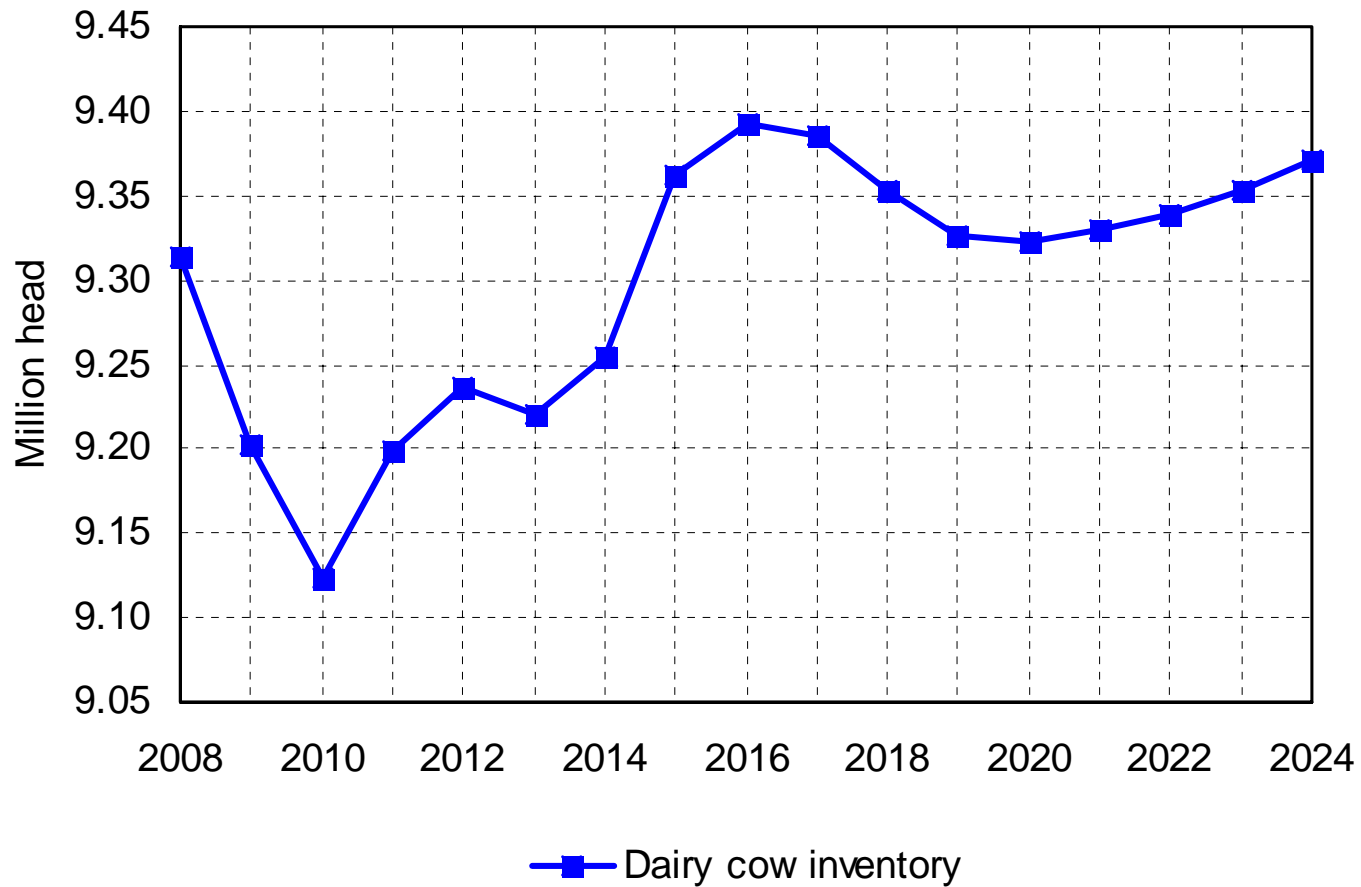


Page 5 of the U.S. Baseline Briefing Book

Dairy returns



U.S. dairy herd



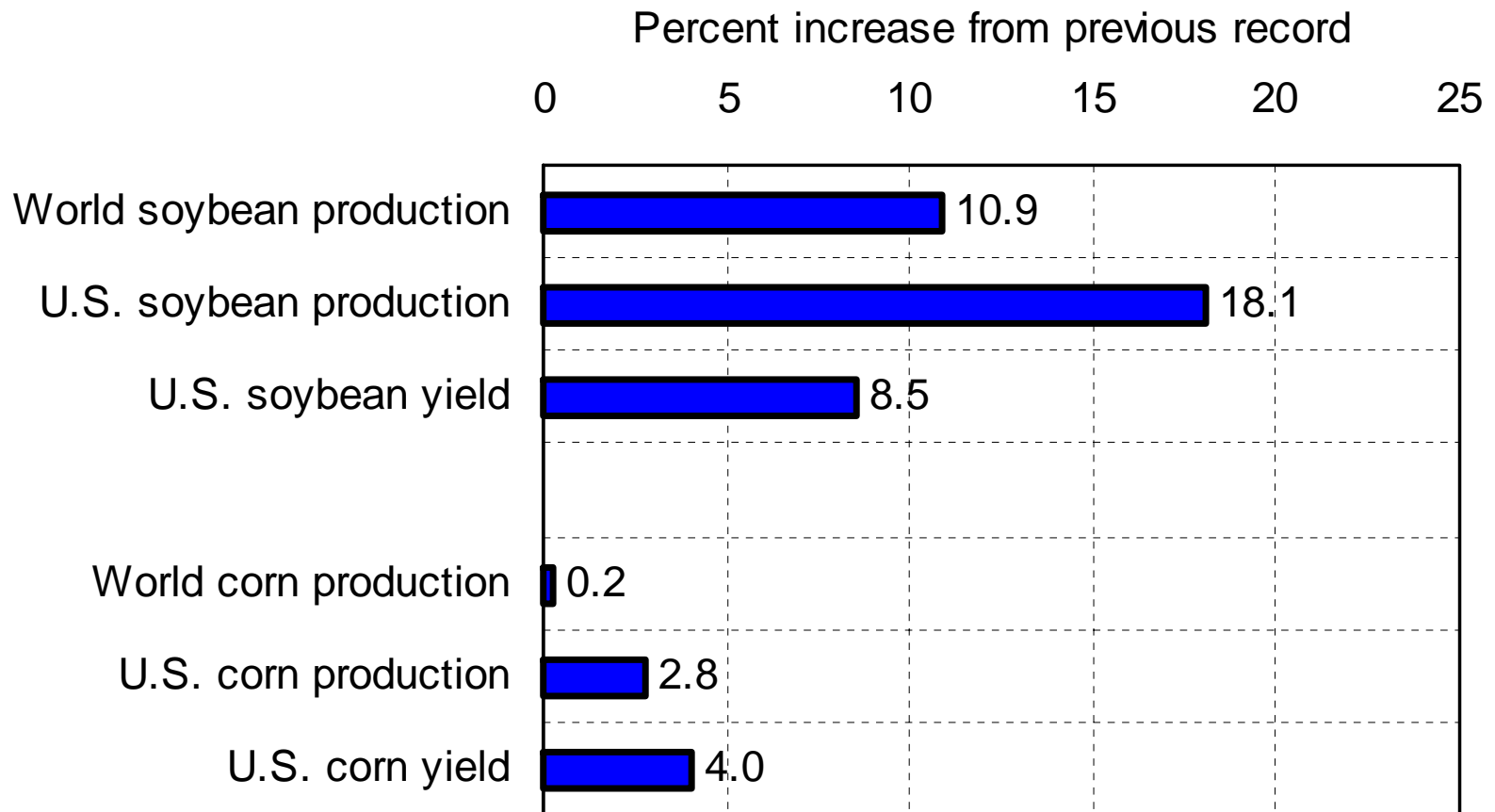
U.S. crops, government costs and farm income

- Scott Gerlt

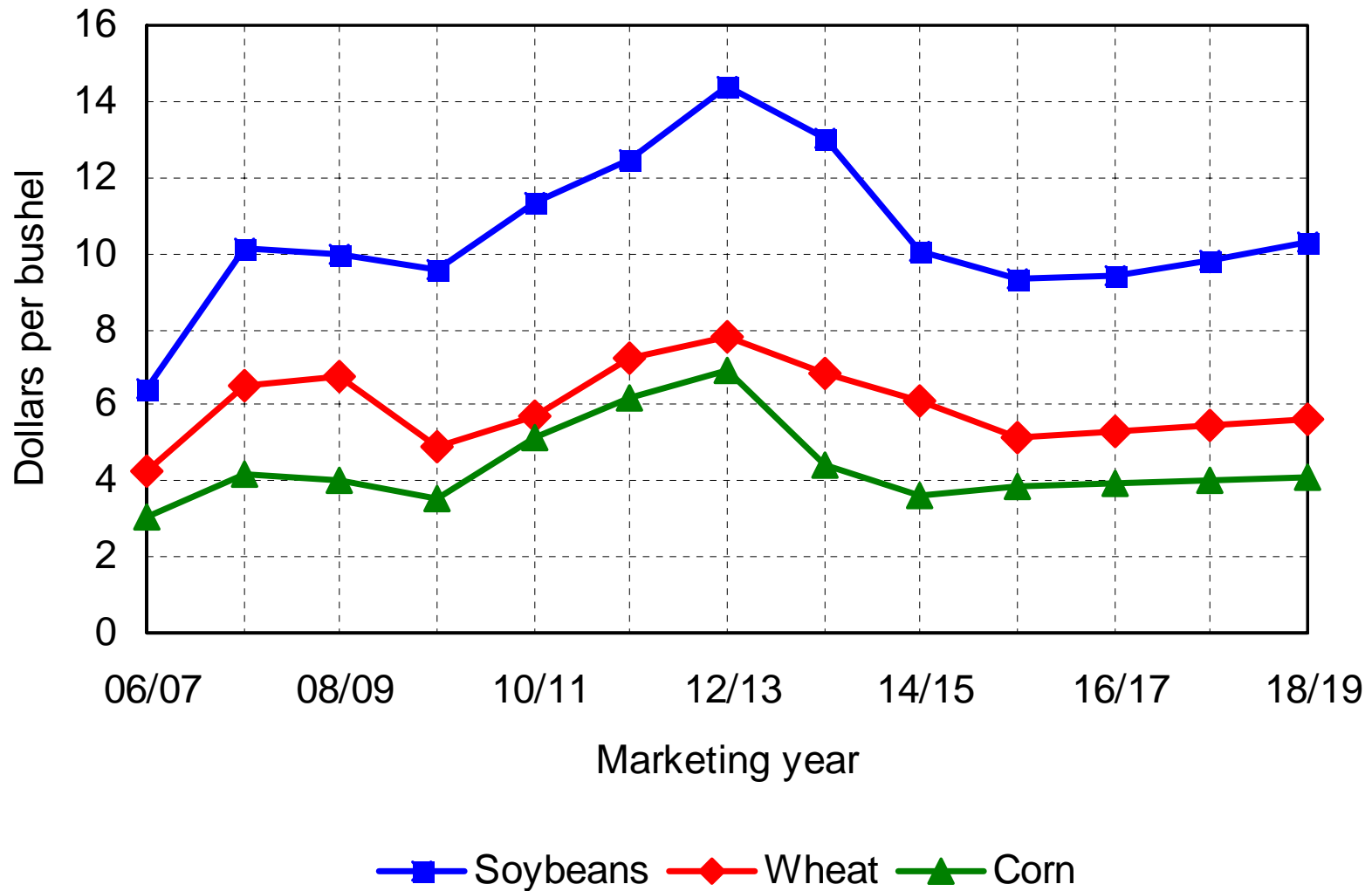
Our baseline

- Assumes continuation of new 2014 farm bill
 - Requires assumptions about participation rates
- 500 outcomes for every year
 - Generally report average
 - Helps account for known unknowns
 - Still unknown unknowns

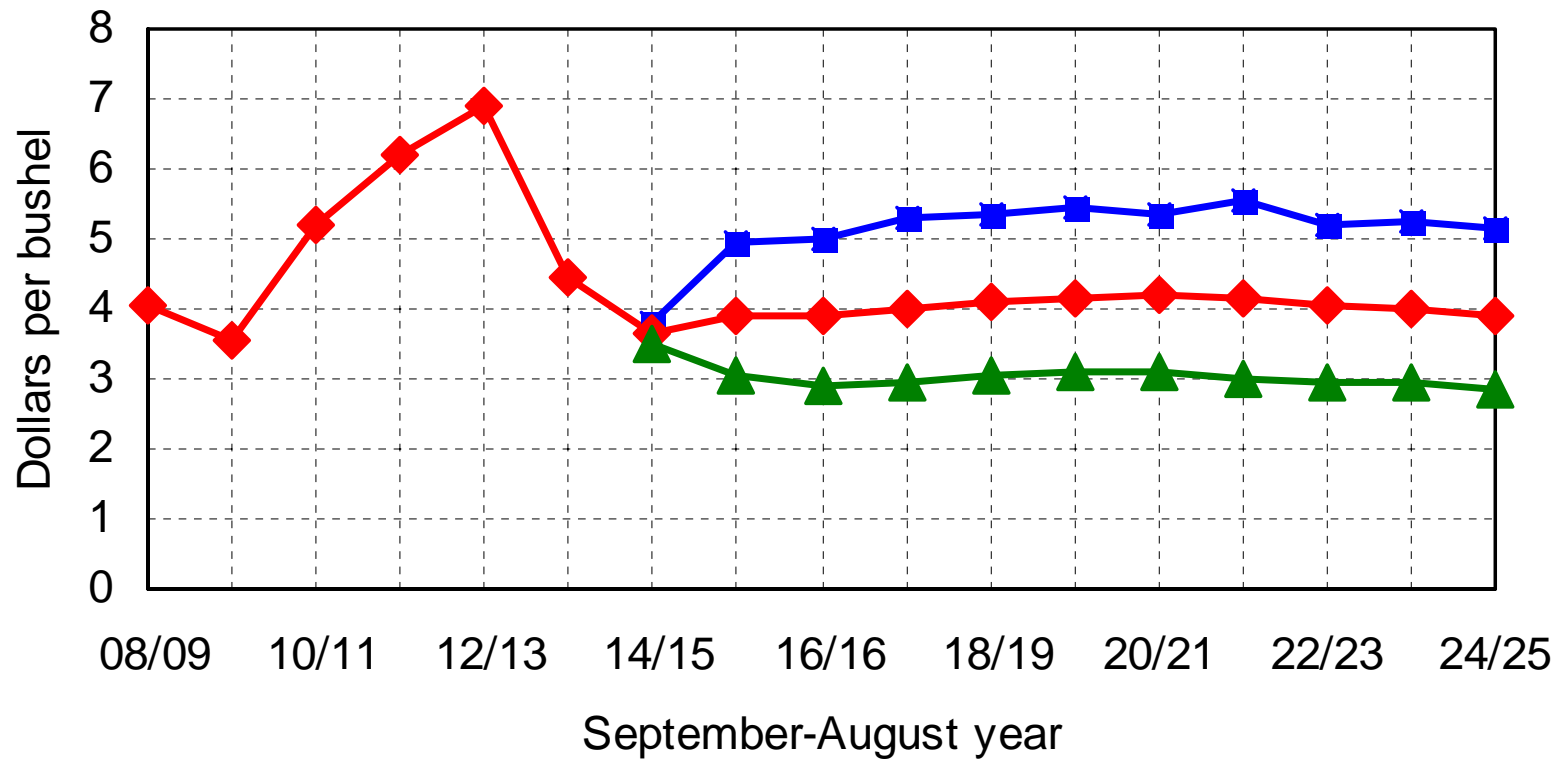
2014 corn and soybean crops set records



Large crops result in lower prices

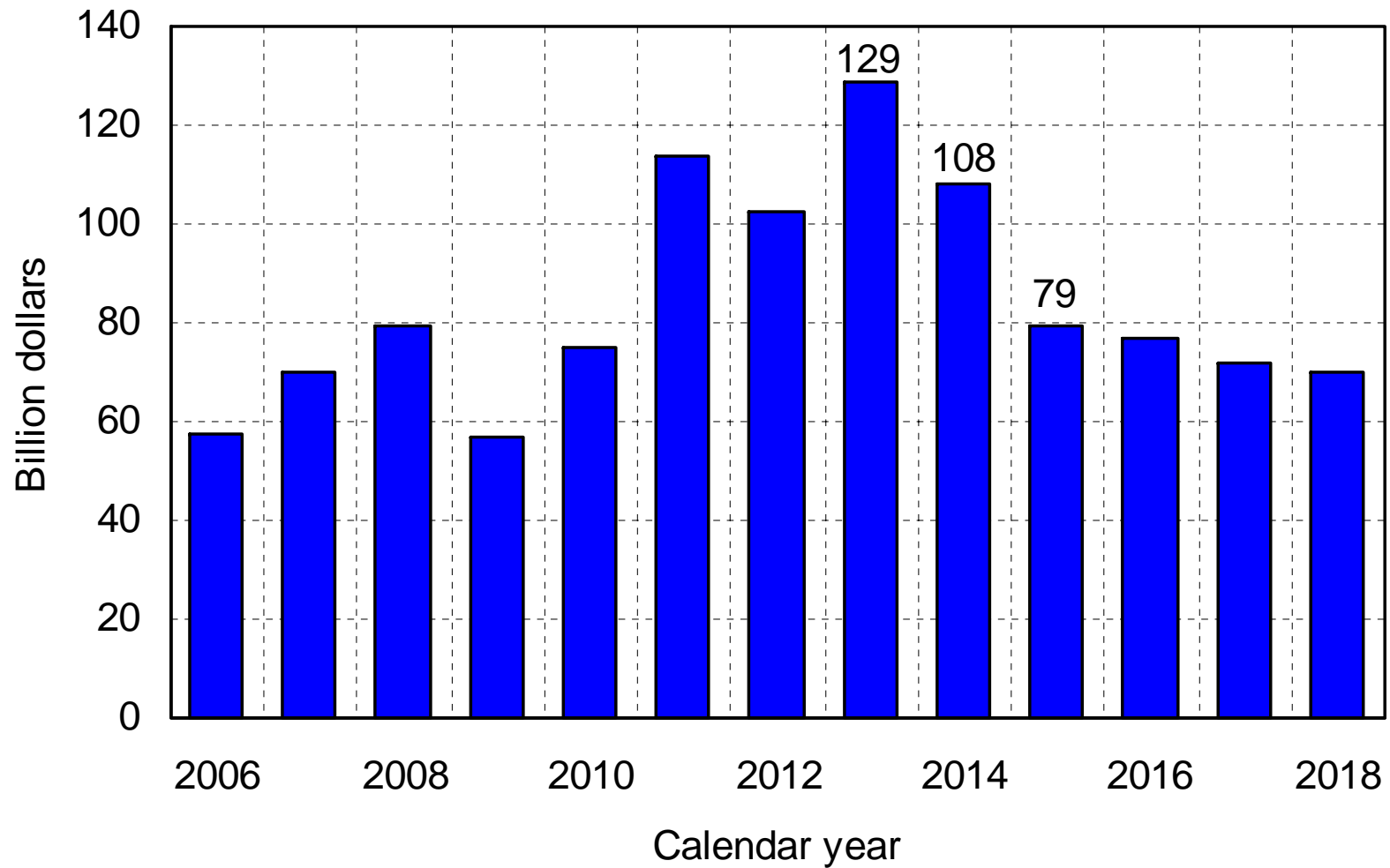


Corn prices depend on weather and much more

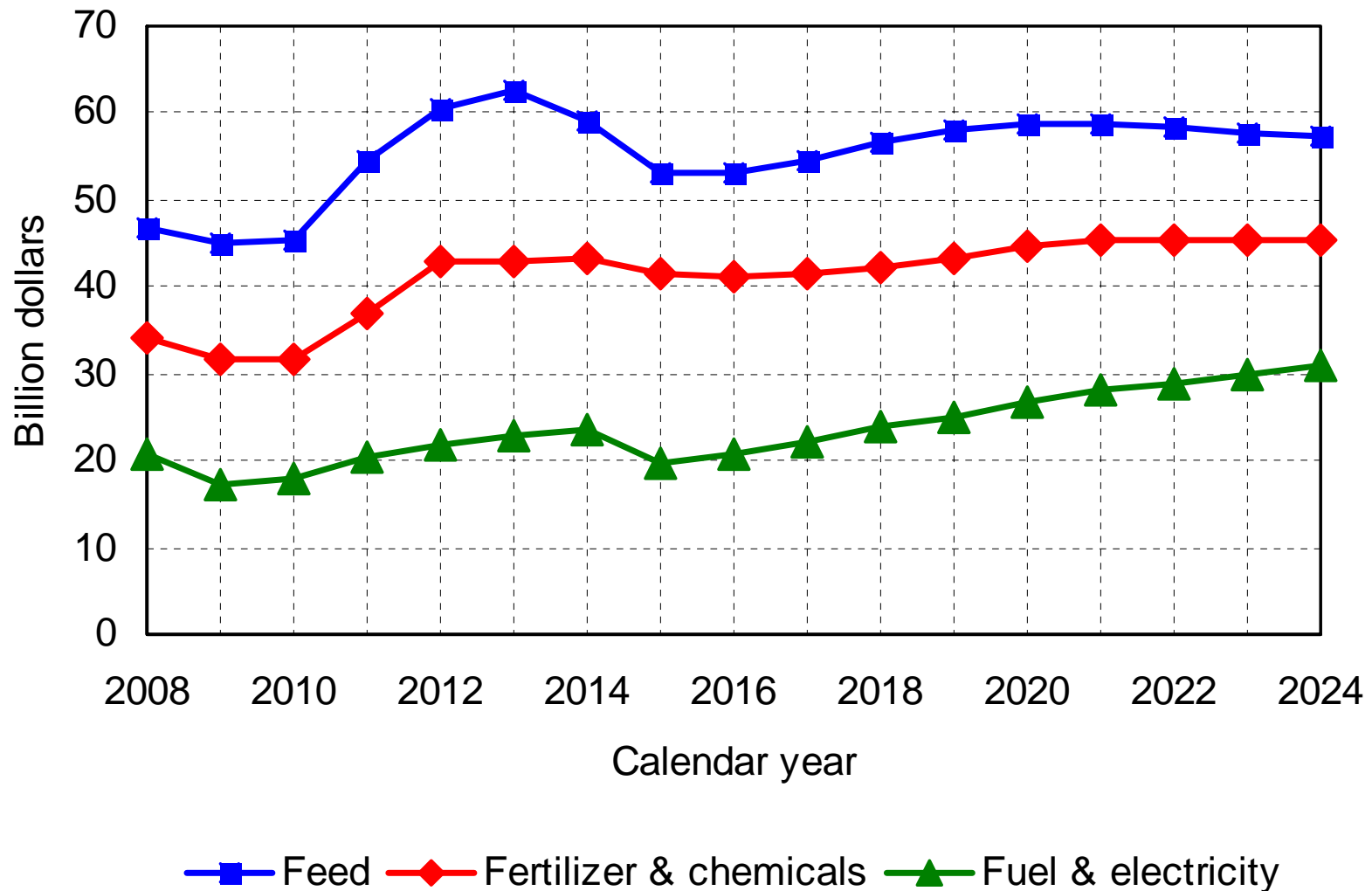


■ 90th percentile ◆ Average of 500 outcomes ▲ 10th percentile

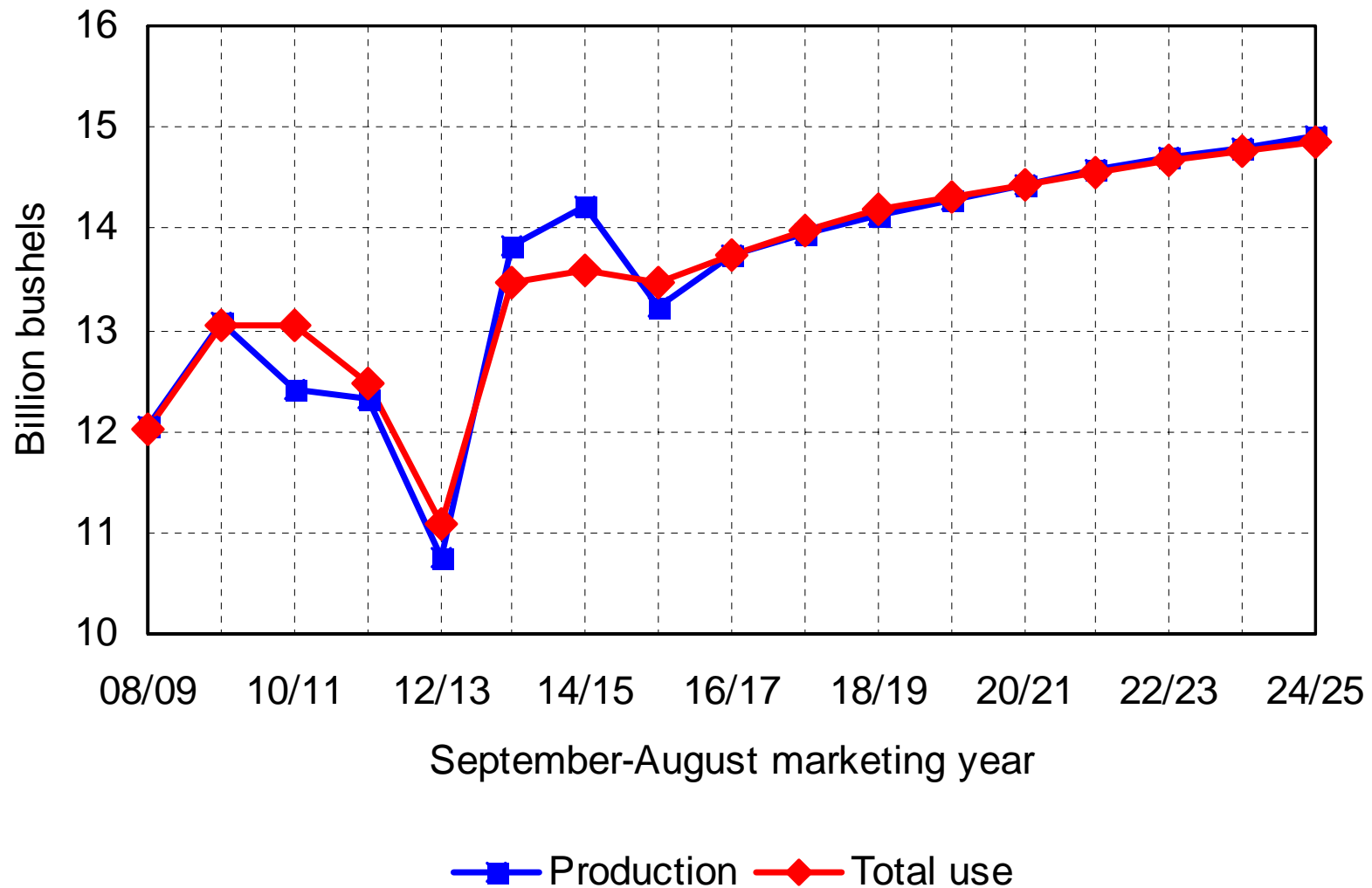
Net farm income declines from 2013 record



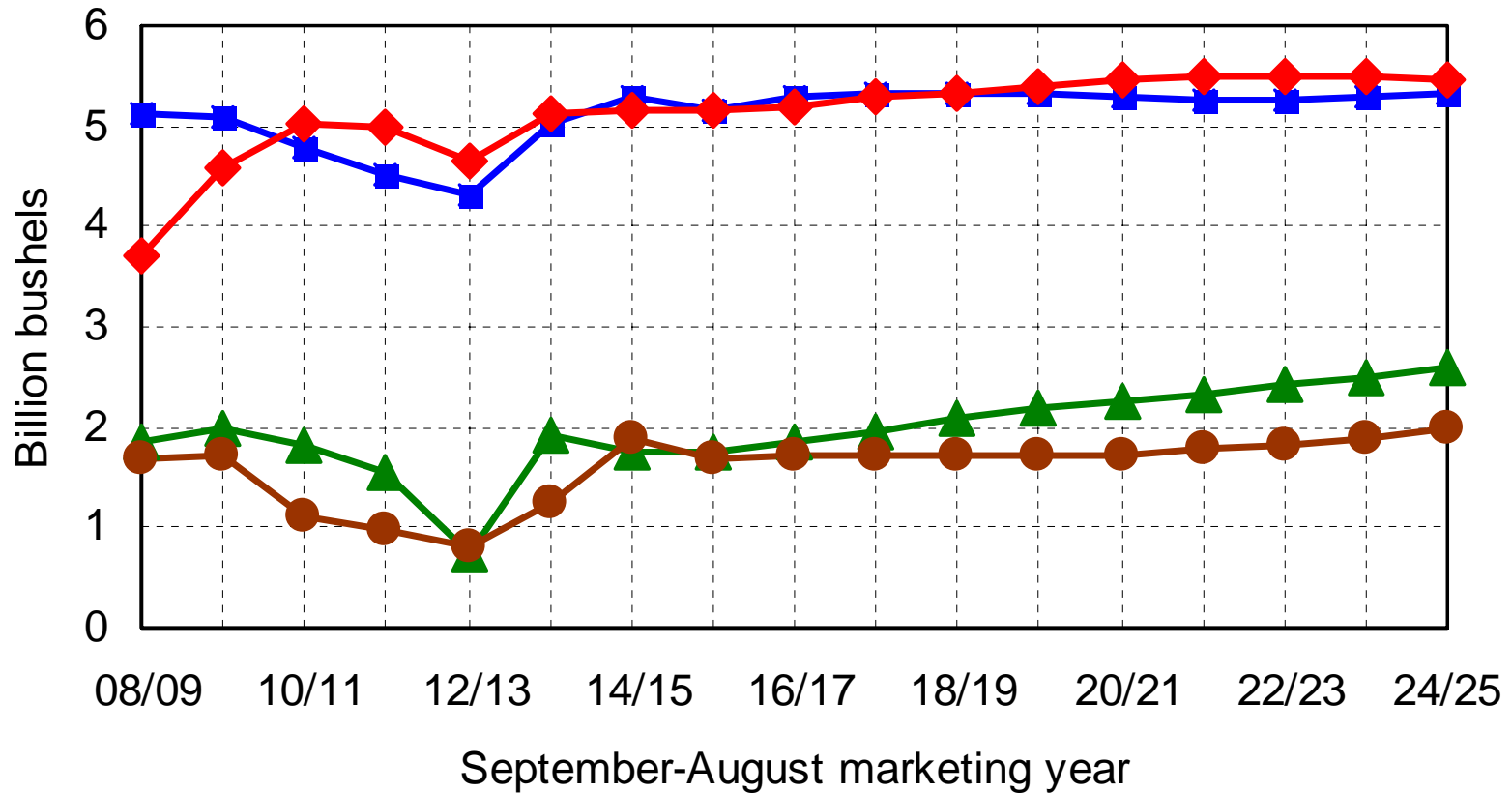
Fuel, feed and fertilizer expenses decline in 2015



Corn production sets record again in 2014

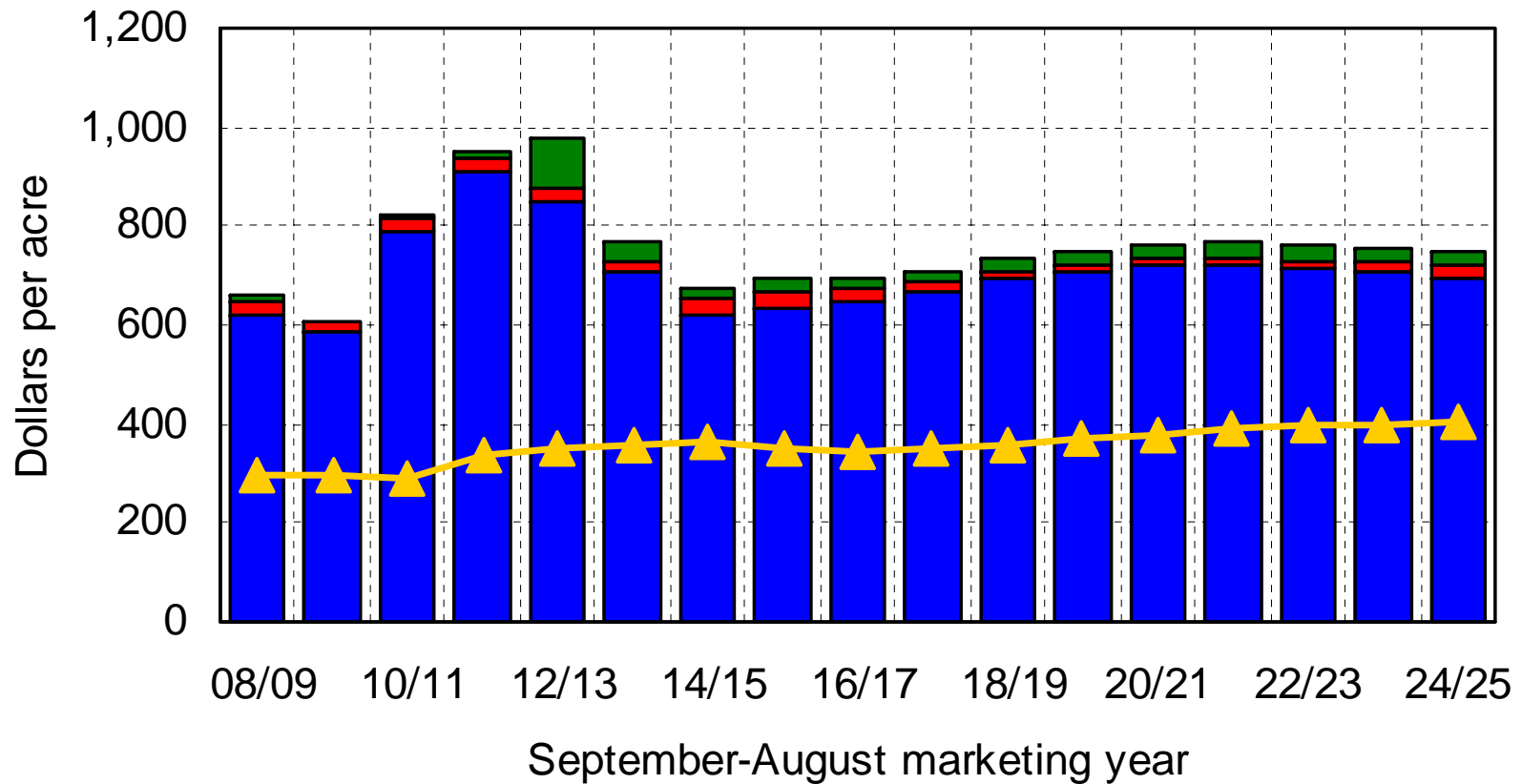


Corn stocks increase again, other use remains flat



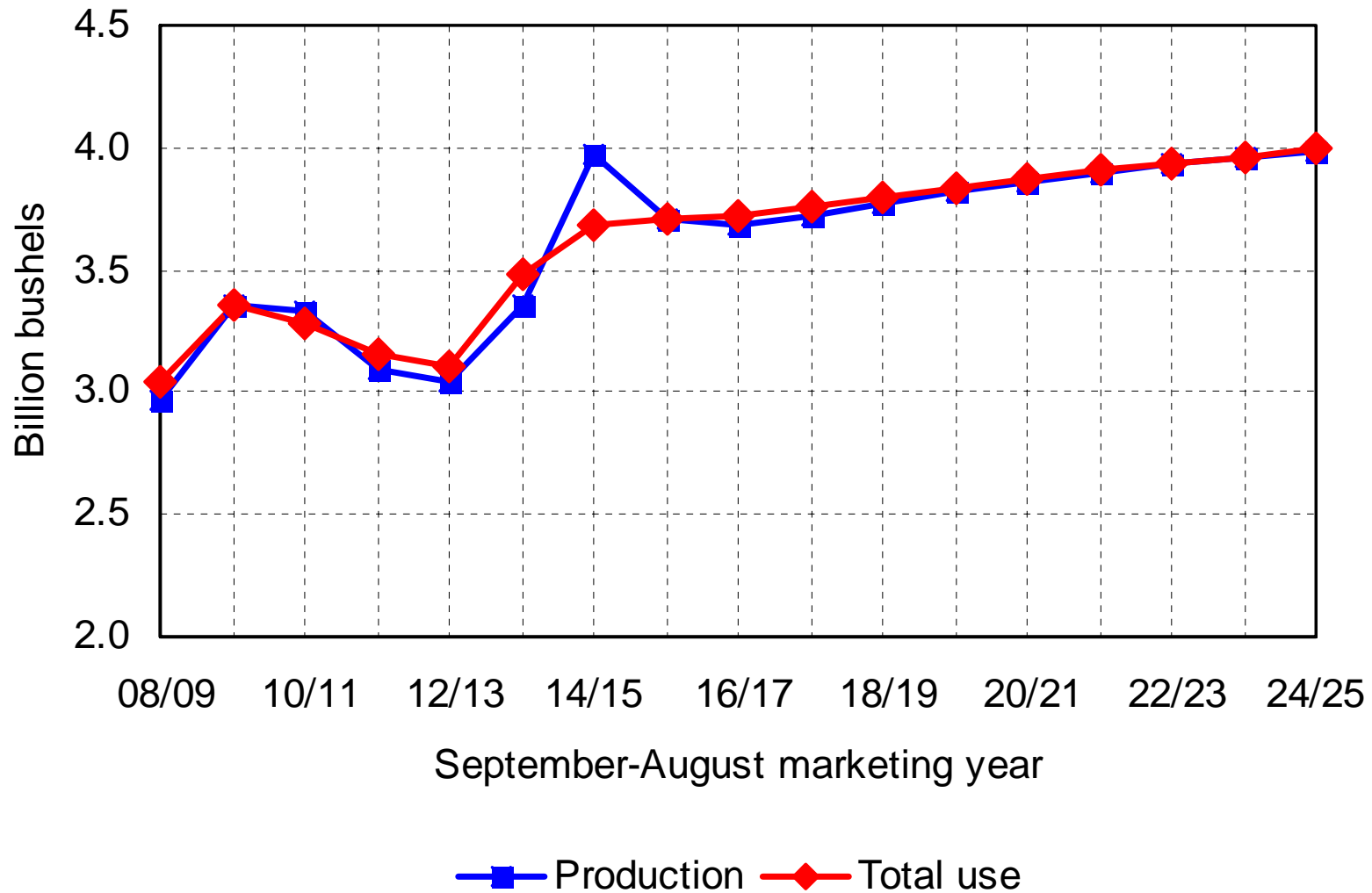
- Feed & residual
- Ethanol & coproducts
- Exports
- Ending stocks

Corn returns decline for a second straight year

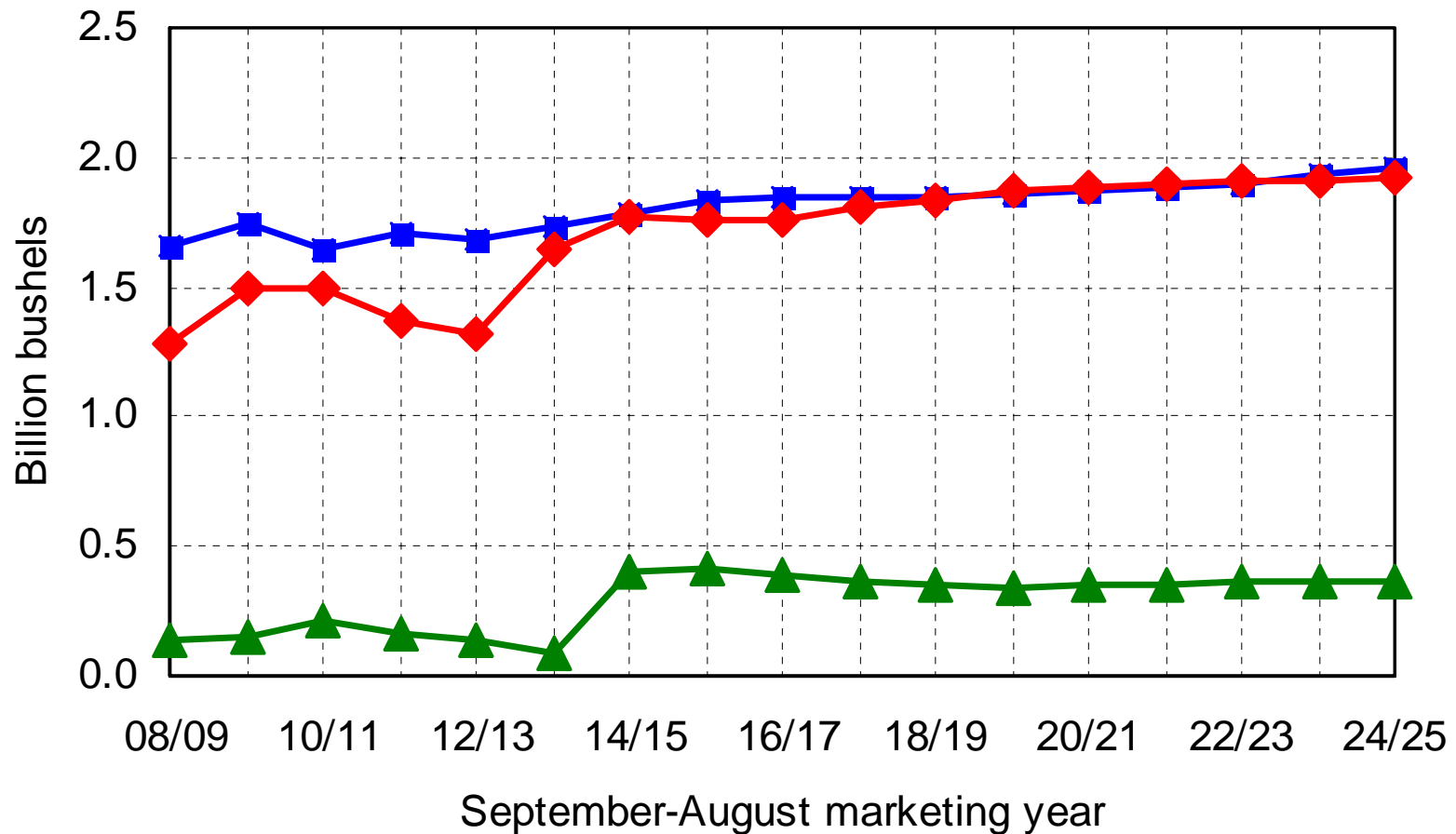


Market Program payments
Ins. net indemnities Variable expenses

Soybean production sets record in 2014

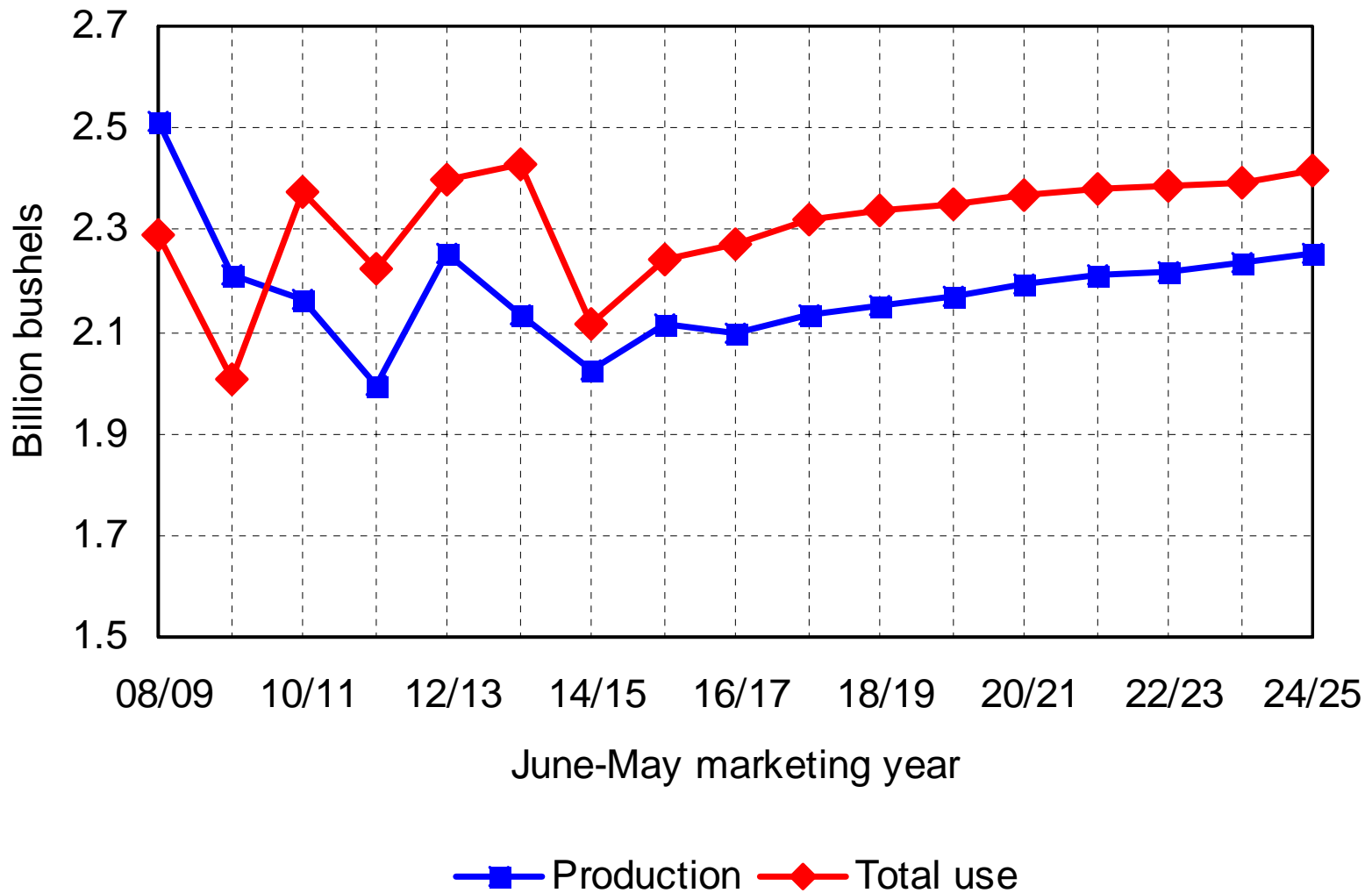


Soybean ending stocks increase sharply

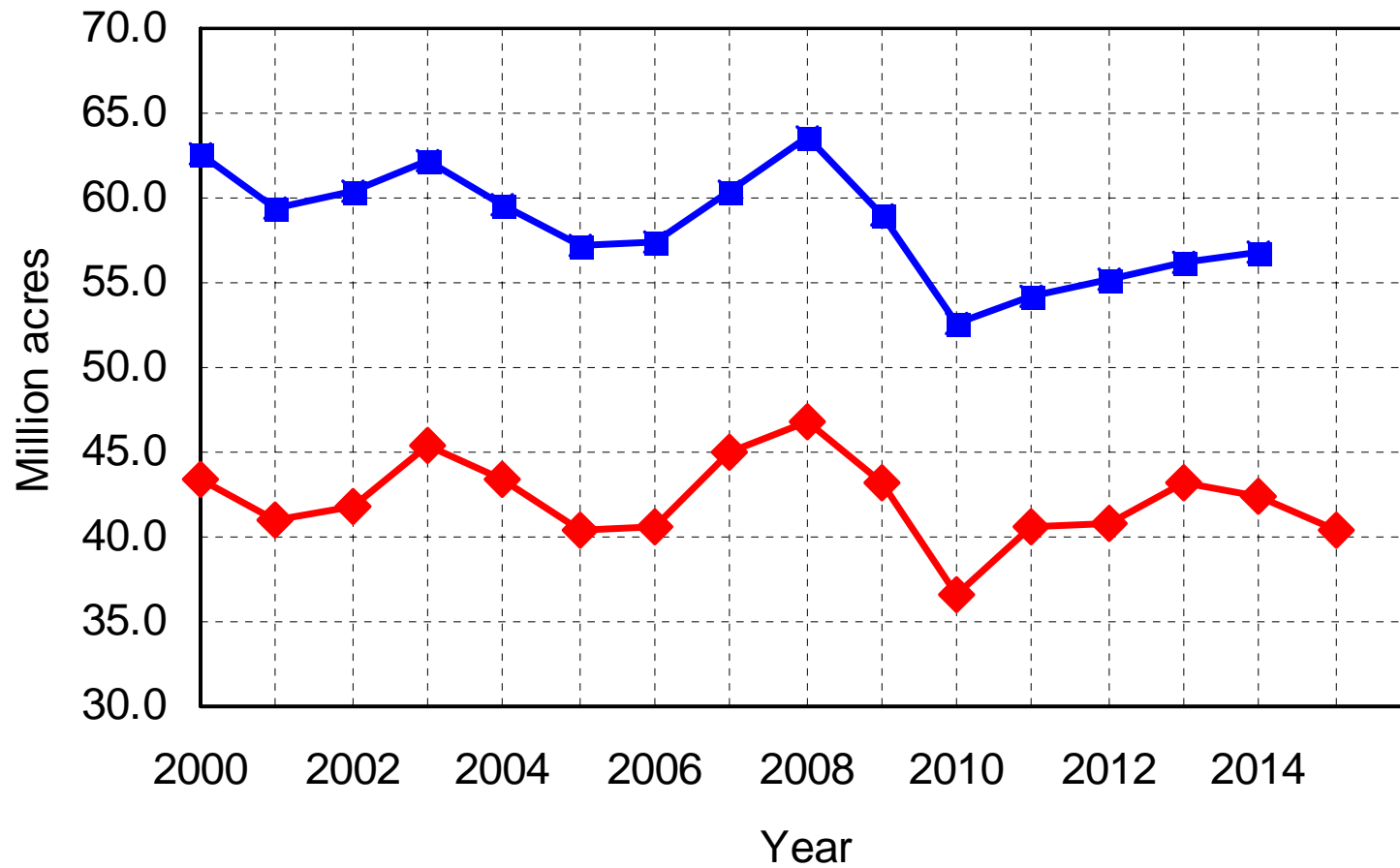


—■— Crush —◆— Exports —▲— Ending stocks

Wheat production falls in 2014/15

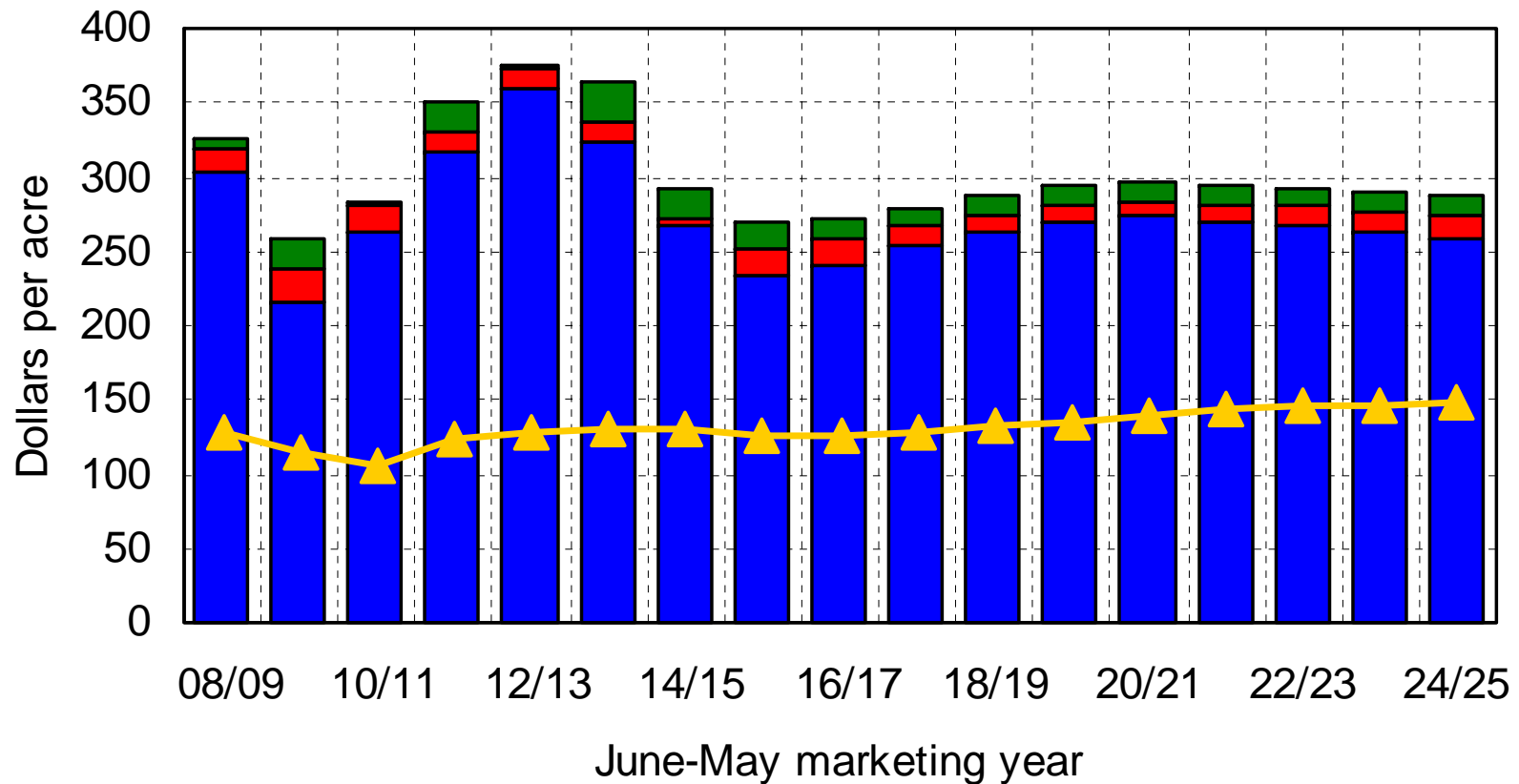


Wheat area



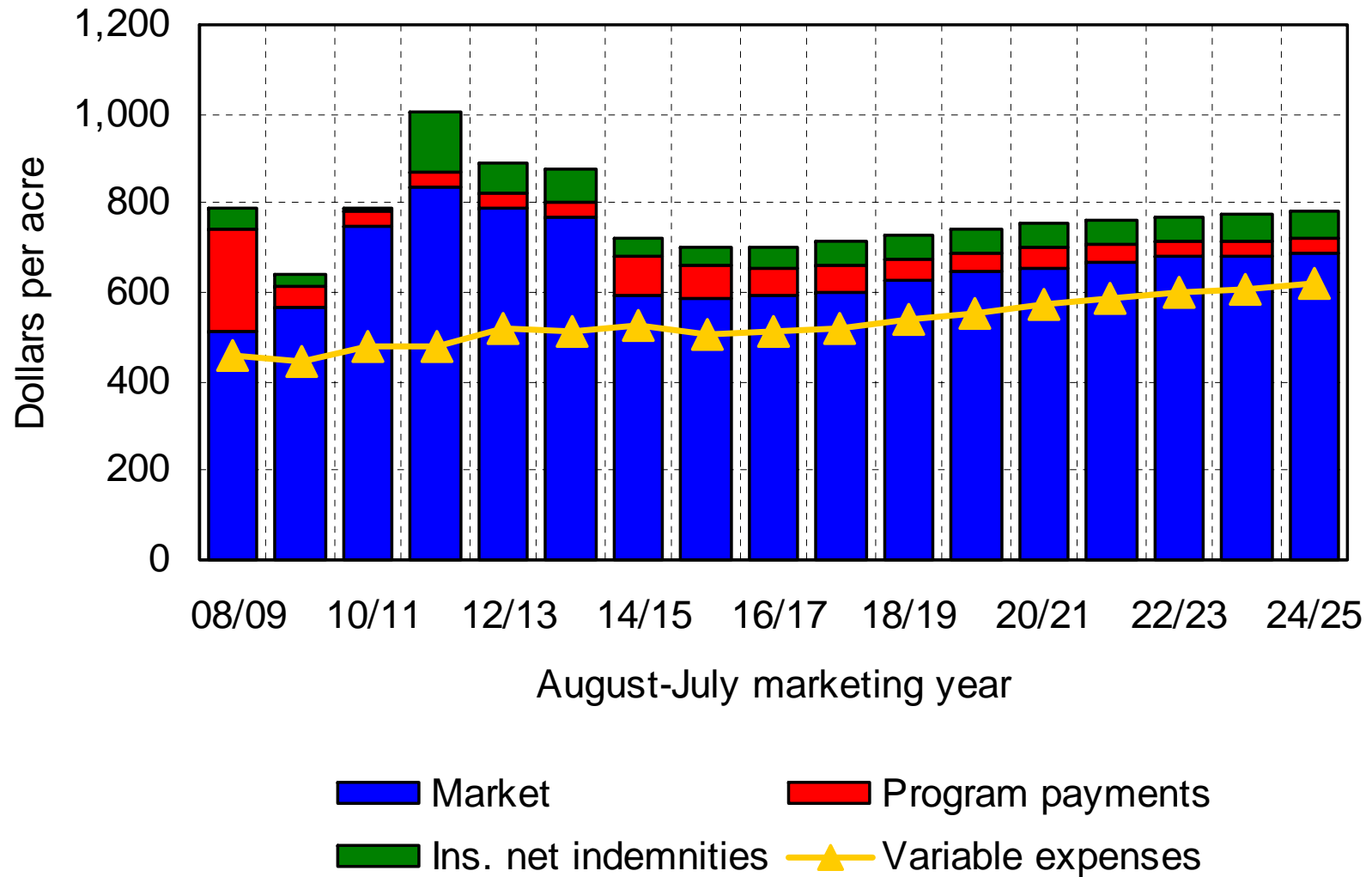
—■— Wheat —◆— Winter wheat

Wheat net returns drop for three straight years

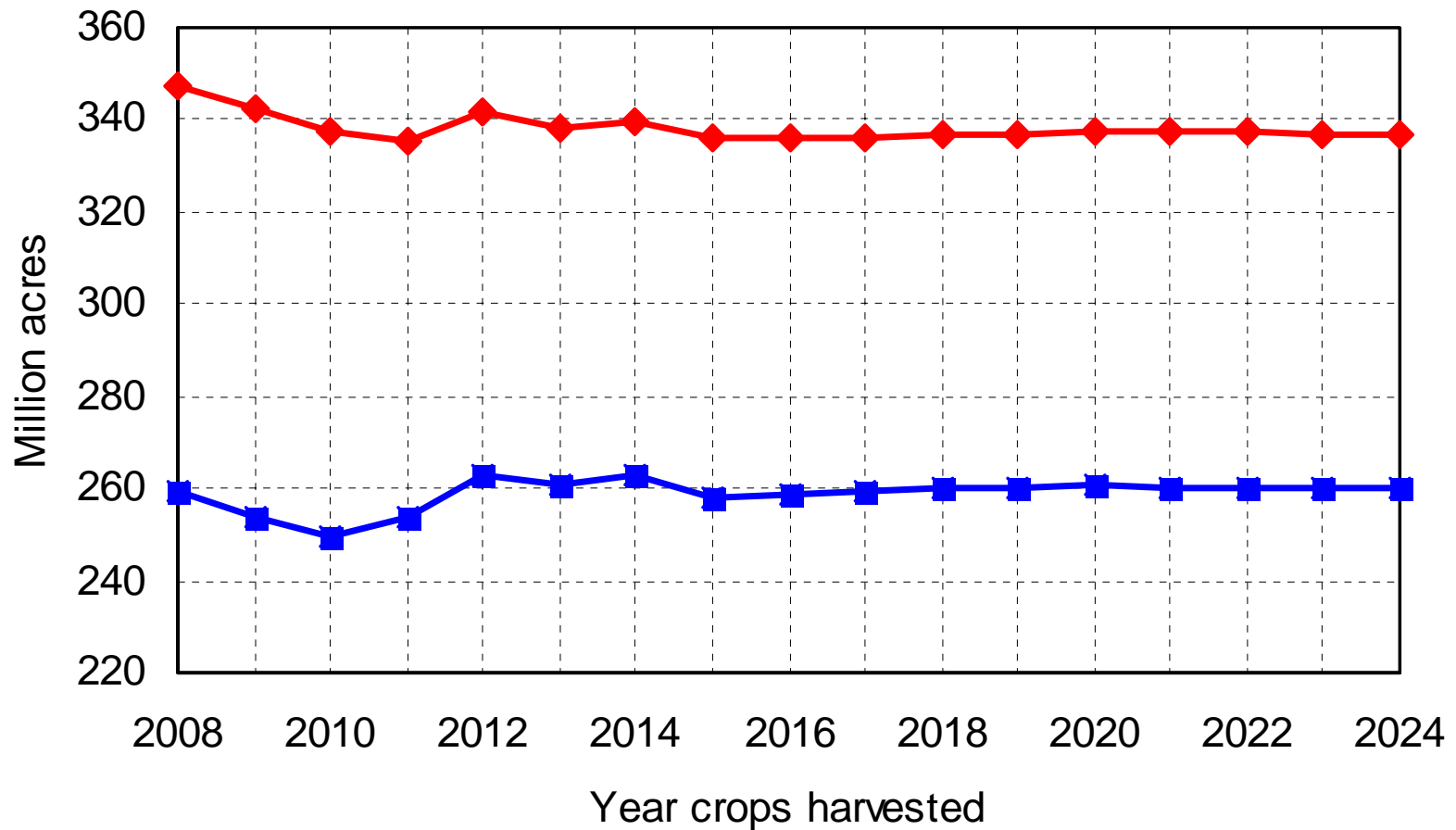


Market Program payments
Ins. net indemnities Variable expenses

Cotton profit margins remain tight

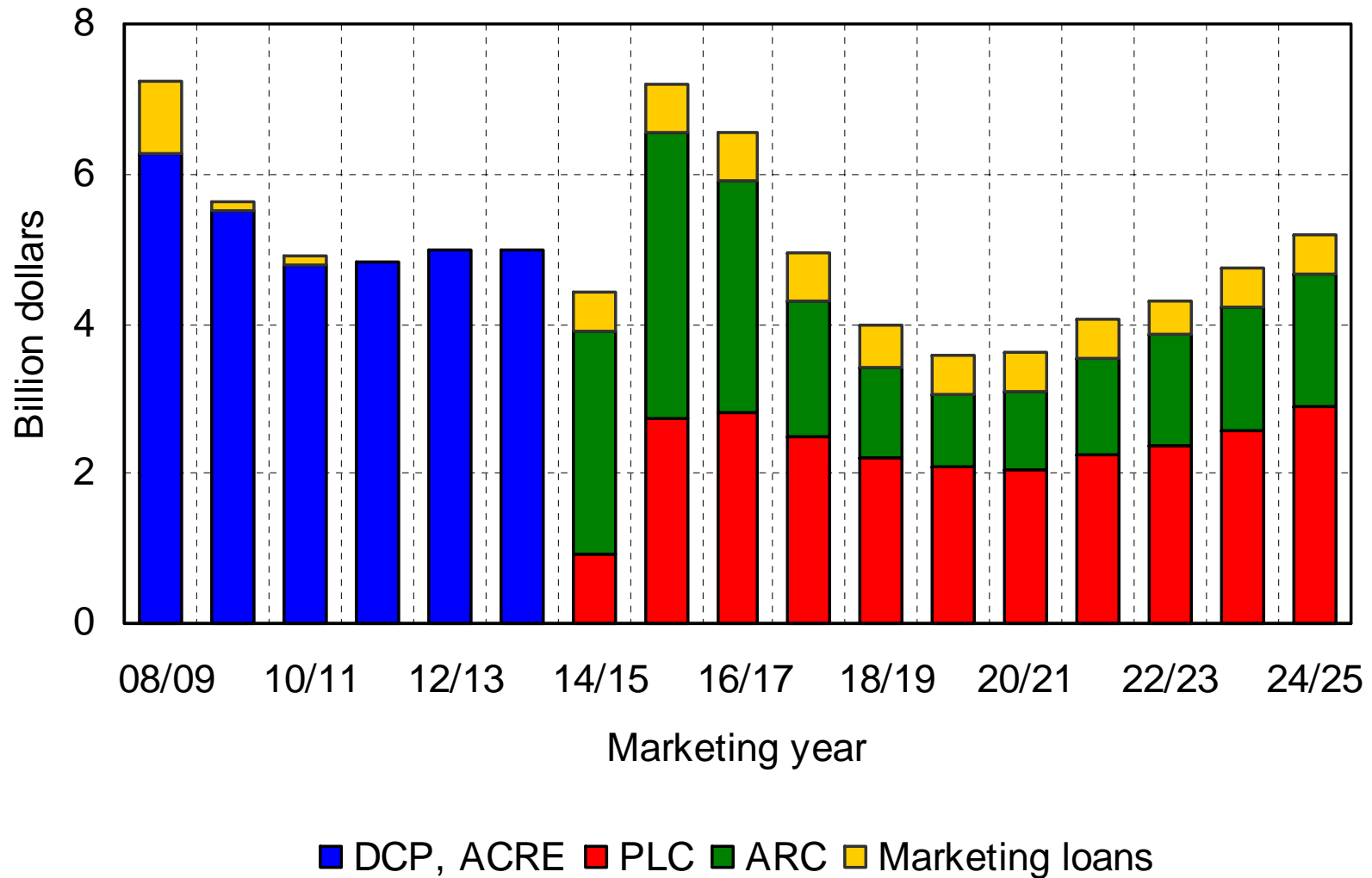


12 crop planted area likely to fall

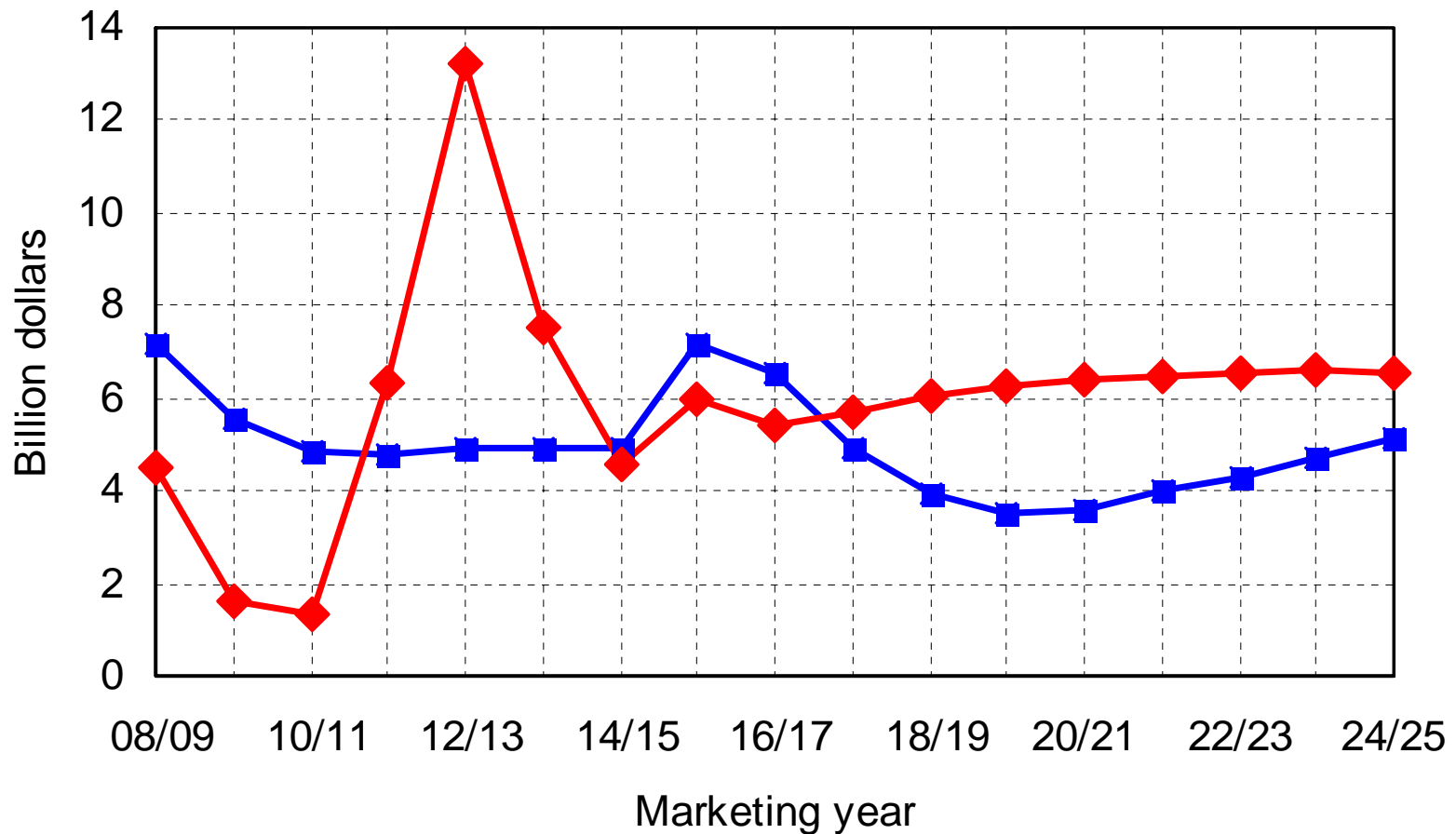


■ 12 crops ◆ 12 crops + hay + CRP - double-crop

PLC and ARC replace DCP and ACRE

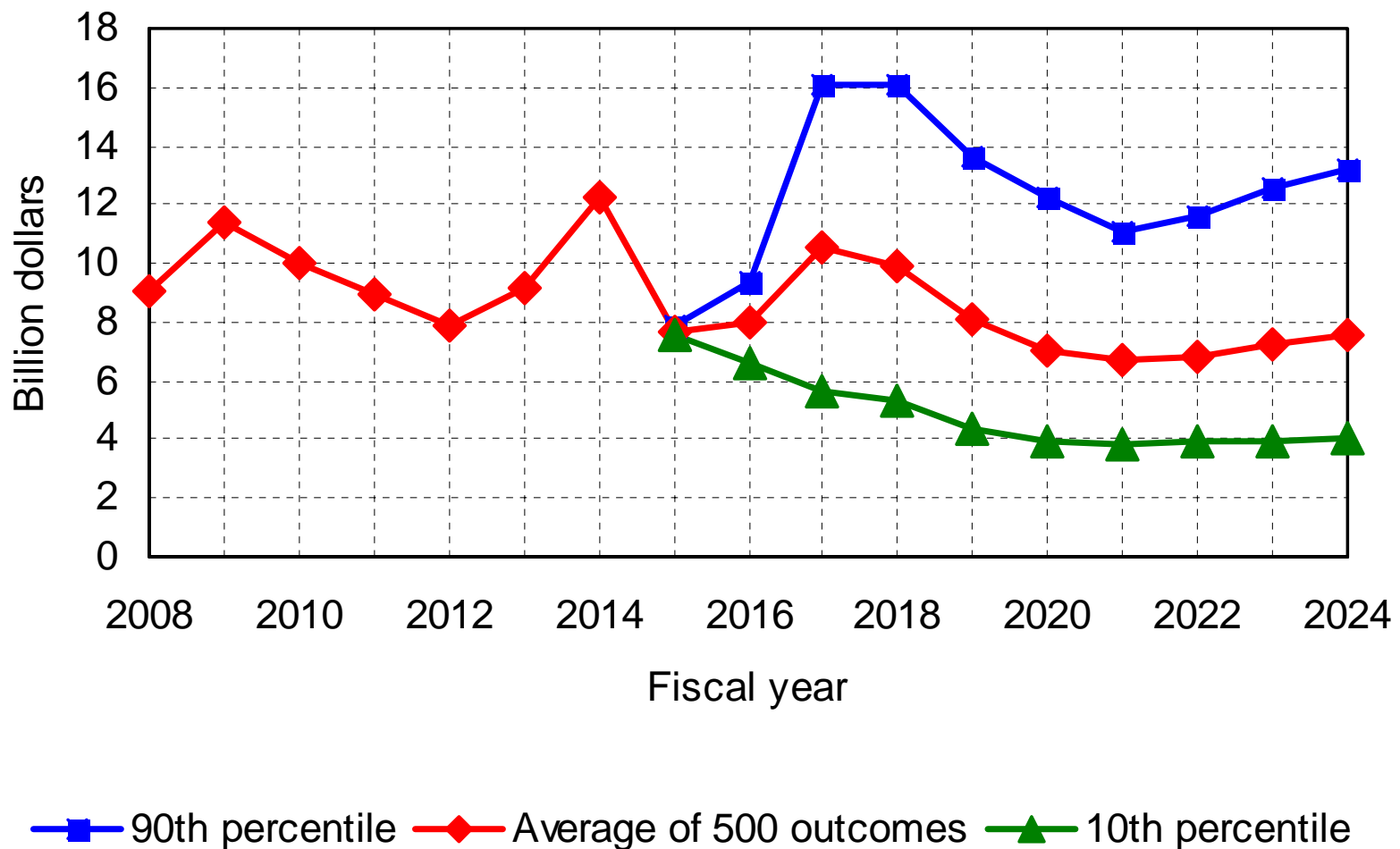


Net indemnities exceed Title I payments after 2016

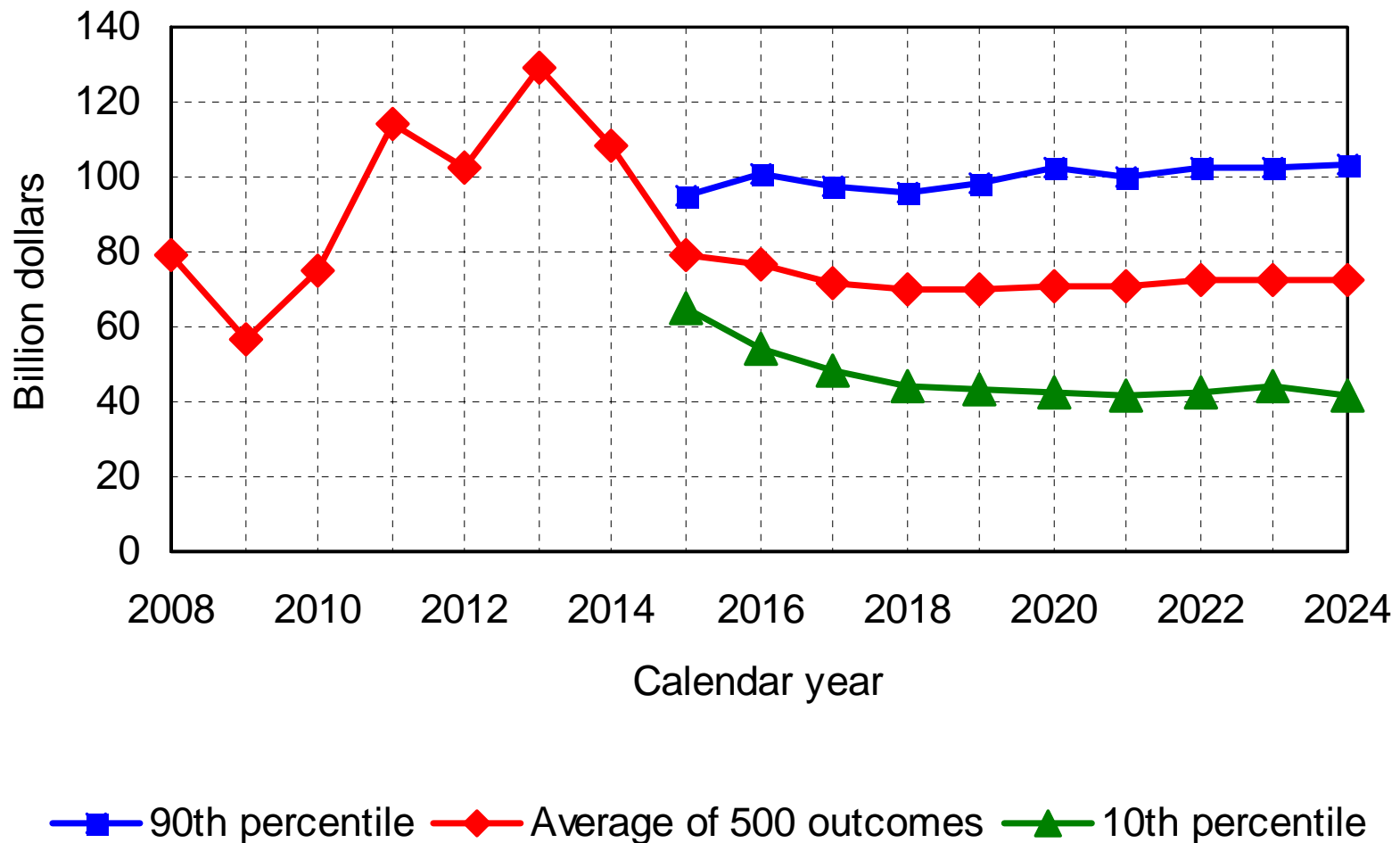


—■— Title I crop payments —◆— Net indemnities

CCC net outlays could vary greatly from averages



Net farm income likely to stay below 2011-14 levels



Thanks!

- FAPRI-MU website: www.fapri.missouri.edu To contact me, Scott Gerlt:
 - 573-882-1927
 - gerlts@missouri.edu