

FAPRI-MU 10-Year Outlook Released

Each year FAPRI-MU publishes a 10-year outlook for the agriculture sector in the U.S. This Outlook uses information available in January 2015 and assumes that currently agreed policy (including the new farm bill) remains in place for the projection. Macroeconomic assumptions are based on December IHS Global Insight figures. The FAPRI-MU Outlook is not a forecast – markets will be moved in ways not foreseen by the model. In order to capture some of this uncertainty the results reported here are the average of 500 simulations of the model which try to incorporate some of the main sources of uncertainty, such as weather variation. Some key results:

- Record production of corn and soybeans in 2014 has pushed down prices of all major grains and oilseeds.
- In response to lower expected prices, U.S. producers are projected to reduce corn, wheat and cotton acreage in 2015, while slightly increasing soybean area. The total area devoted to major crops declines in 2015, but remains above the average that prevailed over the 2008-13 life of the previous farm bill.
- Average projected corn prices recover to \$3.89 per bushel for the 2015/16 marketing year in response to reduced U.S. production. Wheat and soybean prices both fall in 2015/16, to \$5.17 per bushel and \$9.29 per bushel, respectively, given continued large global supplies.
- Between 2016/17 and 2024/25, corn prices average \$4.06 per bushel and soybeans \$10.09 per bushel, similar to projections made last year. Wheat prices average \$5.57 per bushel, and cotton prices average 63 cents per pound.
- Milk, hog and poultry prices are all projected to decline in 2015 as producers respond to lower feed costs and the record output prices of 2014 by significantly increasing production. Cattle and beef supplies remain tight in 2015, but prices begin to fall in 2016 as beef production starts to expand again.
- Lower prices translate into reduced farm income, as both crop and livestock cash receipts decline in 2015. Lower feed and fuel costs result in a modest reduction in total farm production expenses. Net farm income falls to \$79 billion, a 27 percent decline from 2014.
- Payments under 2014 farm bill programs increase when crop prices fall. A projected \$3.9 billion in Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) payments for the 2014 crop will be made after fiscal year (FY) 2016 begins on October 1, 2015.
- Projected average ARC and PLC payments peak with the 2015 crop at about \$6.5 billion, but decline to \$3.4 billion for the 2018 crop. Actual

Summary:

FAPRI-MU has released its annual ten-year outlook for the agriculture, food and biofuel sectors. Lower prices are expected to reduce crop area in 2015. Despite lower costs and higher livestock production, net farm income is expected to fall also.

For more on this topic, see these FAPRI-MU publications:

Report #01-15
U.S. Baseline Briefing Book: Projections for Agricultural and Biofuel Markets

Bulletin #03-15
February 2015 U.S. Crop Price Update

Report #04-14
August 2014 Baseline Update for U.S. Agricultural Markets

Report #02-14
U.S. Baseline Briefing Book

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ARC and PLC spending in any given year is likely to differ greatly from these projected averages, given price and yield volatility.

- Crop insurance net outlays are projected to average more than \$8 billion per year over the next ten years.
- Projected food price inflation drops to 1.6 percent in 2015, and averages 2 percent per year from 2016-2024.

Livestock and dairy projections are provided by Agricultural Markets and Policy (AMAP) at the University of Missouri. The full FAPRI-MU report and tables can be found at <http://www.fapri.missouri.edu>.

Key results

Marketing year	2008/09-2013/14 average	2014/15	2015/16	2016/17- 2024/25 average
Crop prices				
Corn farm price, dollars per bushel	5.06	3.63	3.89	4.06
Soybean farm price, dollars per bushel	11.79	10.02	9.29	10.09
Wheat farm price, dollars per bushel	6.54	6.13	5.17	5.57
Upland cotton farm price, cents per pound	71.8	61.8	60.0	63.1
Crop area planted, million acres				
Corn	90.9	90.6	87.9	90.9
Soybeans	76.6	83.7	84.2	83.4
Wheat	56.8	56.8	55.1	54.8
Upland cotton	11.0	10.8	9.5	9.5
12 major crops*	256.6	262.7	258.3	260.0
Calendar year except as noted				
	2008-2013 average	2014	2015	2016-2024 average
Livestock sector prices				
Fed steers, 5-area direct, dollars per cwt	105.81	154.56	156.07	129.23
Barrows and gilts, 51-52% lean, dollars per cwt	55.86	76.03	62.11	56.07
National wholesale broiler, cents per pound	84.32	104.87	94.53	95.55
All milk, dollars per cwt	17.78	23.97	17.59	18.68
Biofuel production, billion gallons				
Ethanol	12.4	14.3	14.2	15.2
Corn starch-based ethanol	12.1	14.2	14.0	14.9
Biomass-based diesel	0.9	1.6	1.3	1.8
Government outlays, billion dollars, fiscal year				
Commodity Credit Corporation net outlays	9.4	12.2	7.7	8.0
Major commodity programs	5.9	5.1	1.6	5.0
CRP, disaster and all other CCC net outlays	3.5	7.1	6.0	3.0
Crop insurance net outlays	7.0	8.3	7.0	8.6
Net farm income, billion dollars	92.7	108.0	79.3	71.9
Annual consumer food price inflation	2.6%	2.4%	1.6%	2.0%

*Includes corn, soybeans, wheat, upland cotton, sorghum, barley, oats, rice, peanuts, sunflowers, sugarcane and sugar beets.
Note: The estimates are based on market information available in January 2015 and incorporate provisions of the Agricultural Act of 2014, the new farm bill. Projections are averages across 500 outcomes.

Published by the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri (MU), 101 Park De Ville Dr., Suite E; Columbia, MO 65203. This material is based upon work supported by the U.S. Department of Agriculture under Agreement Nos. 58-0111-13-002 and 58-0111-14-001. Any opinion, findings, conclusions, or recommendations expressed in this publication are those of the authors and do not necessarily reflect the view of the USDA nor MU. Permission is granted to reproduce this information with appropriate attribution to the author and FAPRI-MU.