

## Farm sector outlook

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## What's FAPRI?

- Food and Agricultural Policy Research Institute at the University of Missouri (FAPRI-MU)
  - Now in our 31<sup>st</sup> year
  - Mission: provide objective analysis of agricultural markets and policies
  - Educate, not advocate—we don't make recommendations, but try to help policy makers and others make more informed decisions
- Our website: [www.fapri.missouri.edu](http://www.fapri.missouri.edu)



## Some FAPRI-MU products

- Baseline projections for the farm economy
  - Full set of 10-year projections released around March 1
  - Covers crops, livestock, farm income, farm program costs, food prices and more
  - Partial update at least once a year (typically August)
- Analysis of alternative scenarios
  - Farm bills, other legislation, regulations
  - Changes in macro economy, energy prices, technology...
- Decision aids
  - Farm bill program choices and more



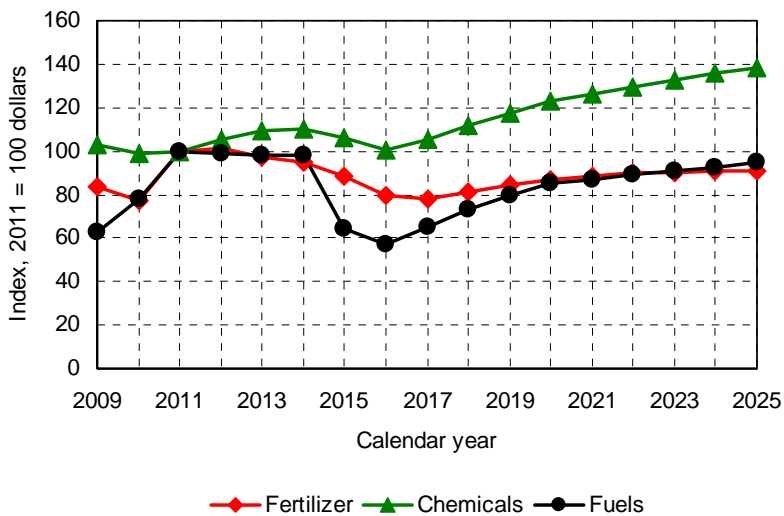
## Farm commodity prices have declined

	Peak year	Peak level	Recent year	Recent level	Change
Corn price/bu.	2012/13	\$6.89	2015/16	\$3.60	-48%
Soybean price/bu.	2012/13	\$14.40	2015/16	\$8.80	-39%
Wheat price	2012/13	\$7.77	2015/16	\$5.00	-36%

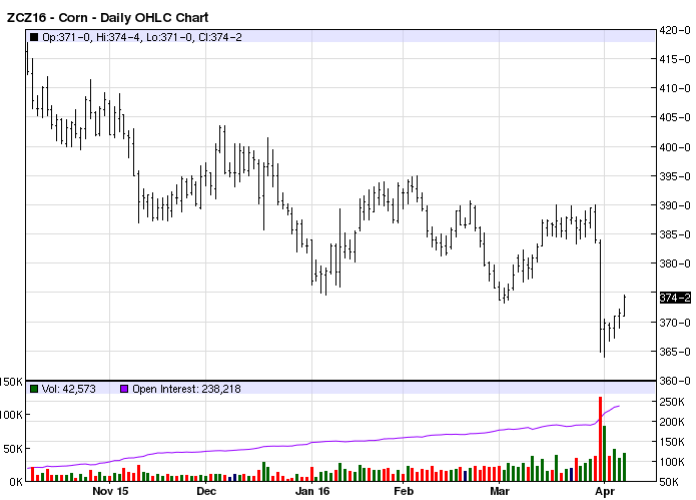
Sources: USDA World Agricultural Supply and Demand Estimates (WASDE), February 2016 and previous issues; USDA Economic Research Service, Feb. 2016



## Input costs



## Dec. 2016 corn futures

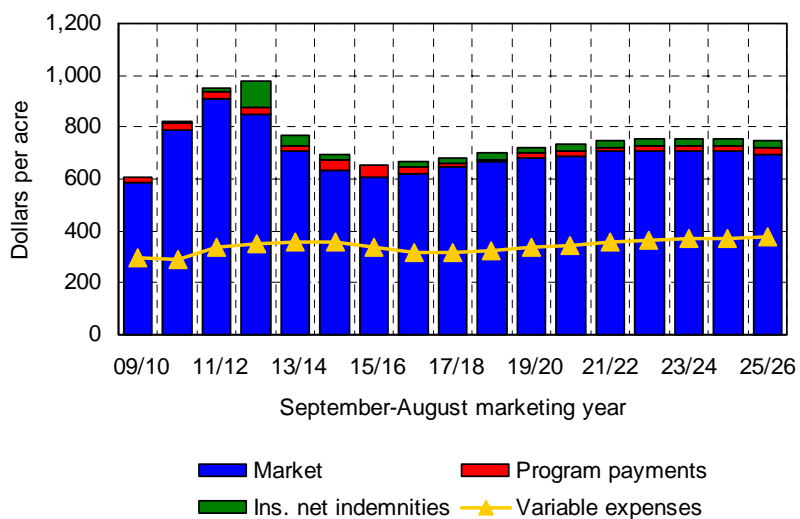


Source: Barchart.com

## The corn market

- 2016 U.S. acreage higher
- Projected 2015 world stocks highest on record
  - 2015 third largest international corn crop
  - Chinese policies encouraged high domestic production
- Domestic use growth limited
- Where to send surplus abroad?
  
- Difficult to find short-run optimism for prices

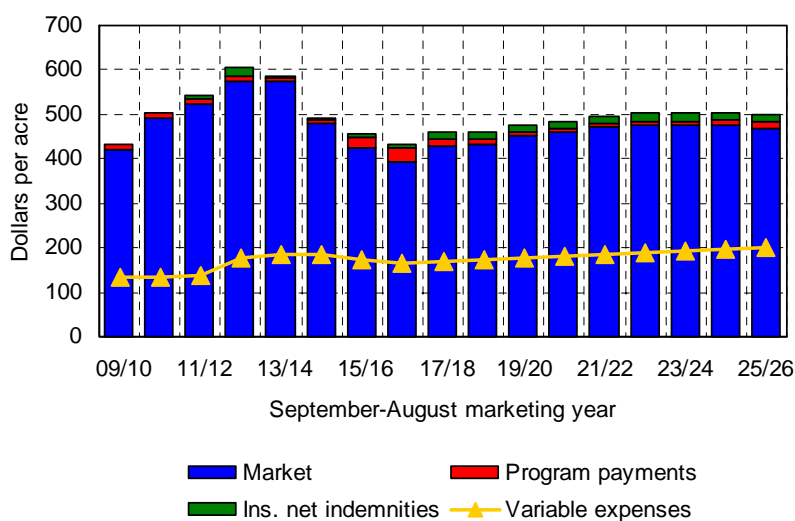
## Corn returns



## The soybean market

- 2016 U.S. acreage third highest on record
- Projected 2015 world stocks highest on record
- Export potential limited
  - Brazil not seeing lower prices
  - Chinese import growth slowing
- Limited domestic growth opportunities
- Weak price prospects

## Soybean returns



## Missouri planted acreage (million acres)

	2014 actual	2015 actual	2016 intentions
Soybeans	5.65	4.55	5.50
Corn	3.50	3.25	3.60
Wheat	0.88	0.76	0.69
Upland cotton	0.25	0.19	0.27
Rice	0.22	0.18	0.21
Sorghum	0.09	0.16	0.08
6-crop total	10.59	9.09	10.35

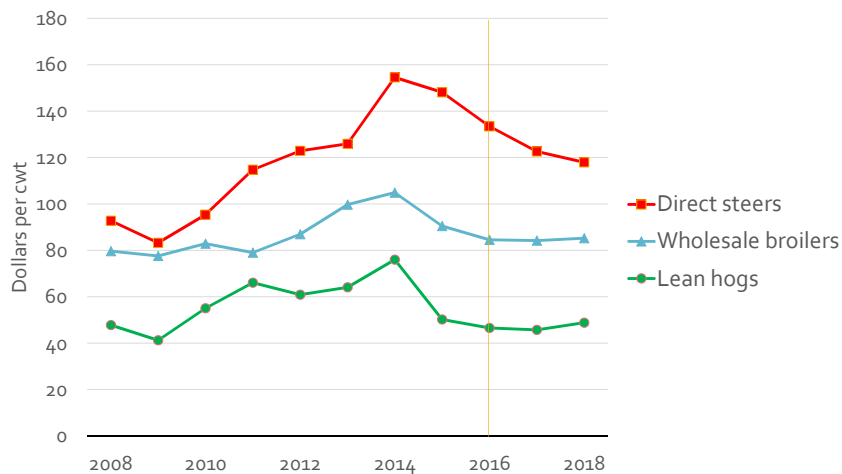
Source: USDA's National Agricultural Statistics Service, "Prospective Plantings,"  
March 31, 2016

## Livestock sector in one slide

	2014	2015	2016
Beef production (bil. lbs.)	24.32	23.76	24.60
Pork production (bil. lbs.)	22.86	24.52	25.04
Broiler production (bil. lbs.)	38.15	39.62	40.66
Milk production (bil. lbs.)	206.1	208.6	211.6
5-area direct steers per cwt.	\$154.56	\$148.12	\$133-142
51-52% lean hogs per cwt.	\$76.03	\$50.23	\$46-\$49
All milk per cwt.	\$23.97	\$17.08	\$14.95- \$15.55

Source: USDA's World Agricultural Supply and Demand Estimates, March 2016

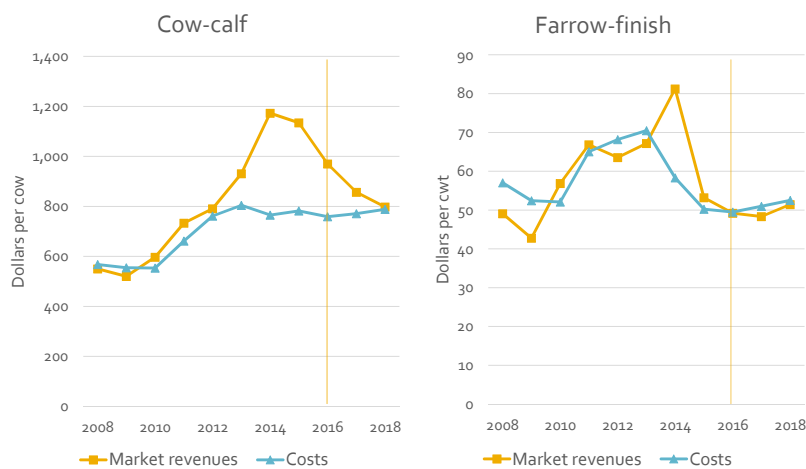
## U.S. livestock prices



Source: MU Agricultural Markets and Policy (AMAP) team baseline, March 2016



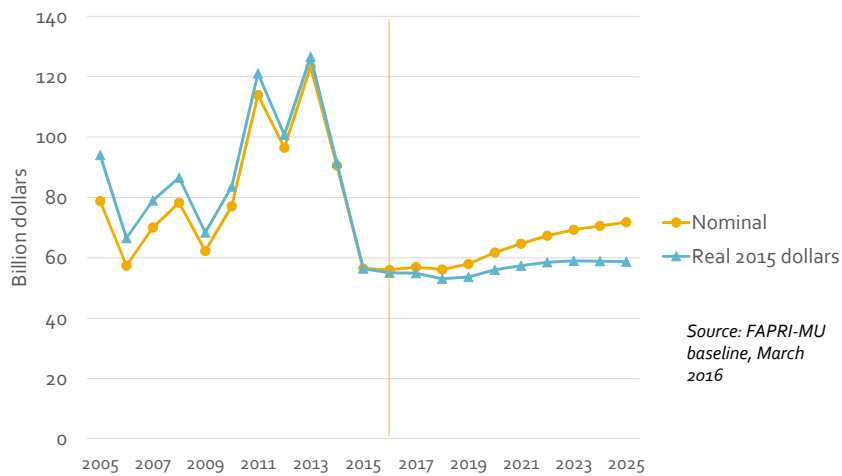
## U.S. cow-calf and hog costs and returns



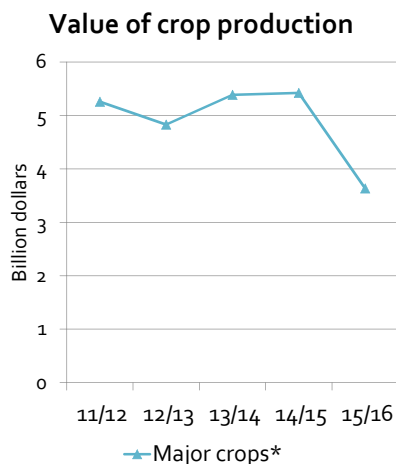
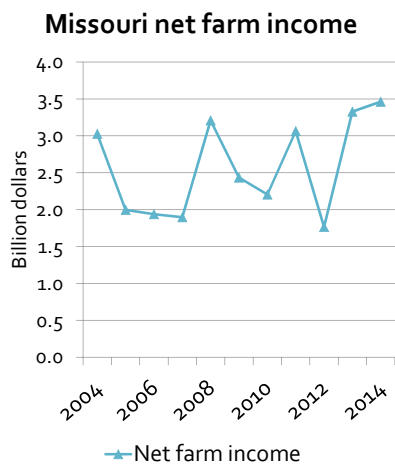
Source: MU Agricultural Markets and Policy (AMAP) team baseline, March 2016



## U.S. net farm income

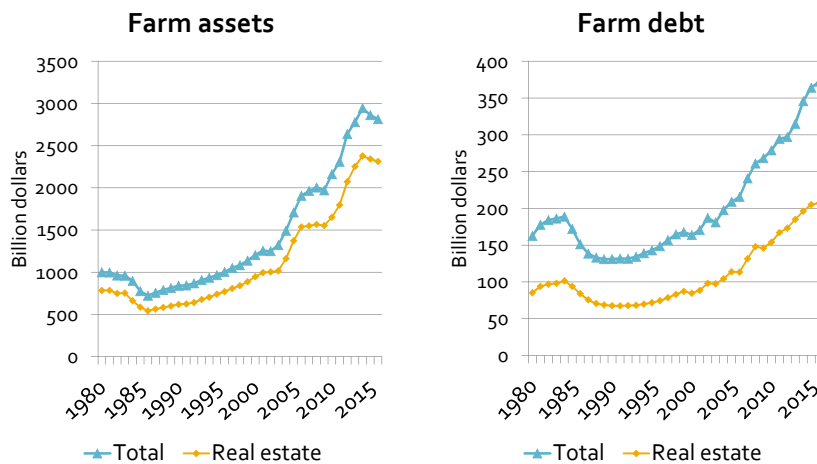


## Missouri farm income and crop values





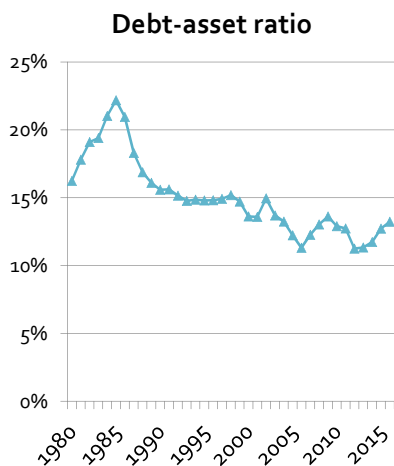
## Asset values and debt have both increased sharply in recent years



Source: USDA ERS, Feb. 2016. Figures for 2015 and 2016 are forecasts.



## U.S. farm debt-asset ratio is much lower than in the 1980s

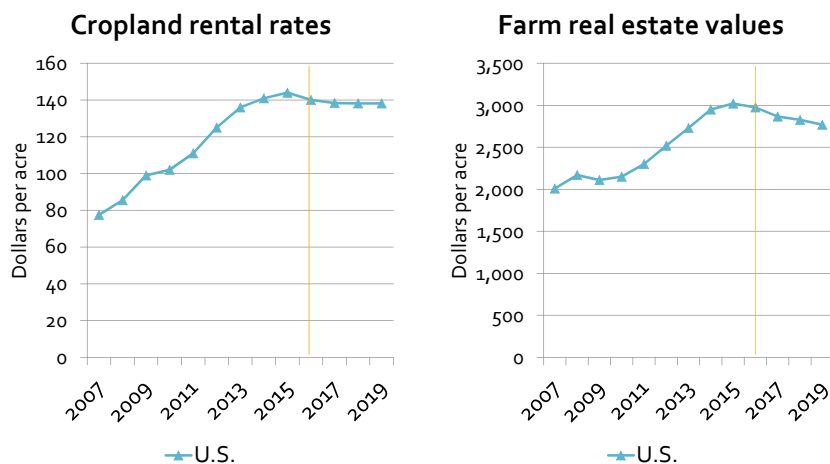


Source: USDA ERS, Feb. 2016. Figures for 2015 and 2016 are forecasts.

- U.S. farm debt-asset ratio peaked in 1985
- While debt levels have risen sharply, debt-asset ratios are much lower than in the 1980s
- Many farms have little or no debt, but those with debt are vulnerable



## U.S. cropland rental rates and farm real estate values



## Farm finances

- Several recent years of high farm income have helped some farmers weather the current downturn
- However, the status quo is not sustainable in many parts of the country
  - Either income needs to increase
  - Or costs need to be reduced
- If our commodity outlook is correct...
  - Many producers will need to reduce costs
  - This could mean pressure on rental rates, land values
  - Higher interest rates could also pressure land values

# Thanks!

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