

FARMLAND MARKETS: PROFITABILITY AND FUTURE PERSPECTIVES



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Washington DC*



TIAA-CREF

Center for
Farmland Research



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FARMLAND MARKETS: PROFITABILITY AND FUTURE PERSPECTIVES



The Outlook for U.S. Agriculture
Joe Glauber, Chief Economist
U.S. Department of Agriculture

Wednesday, November 13, 2013
9:00 – 3:30 p.m.
Hilton Garden Inn, Champaign, IL

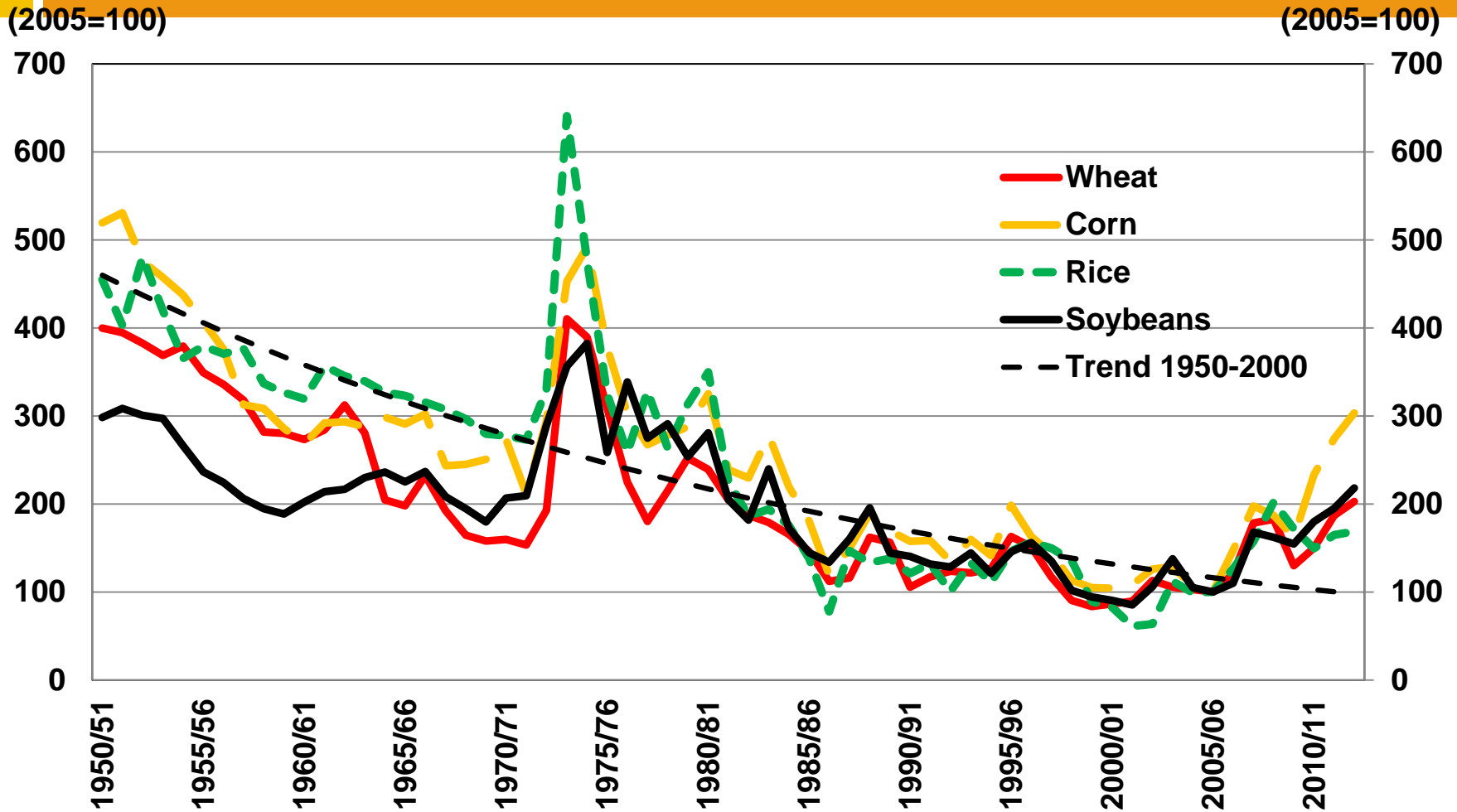
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Real commodity prices



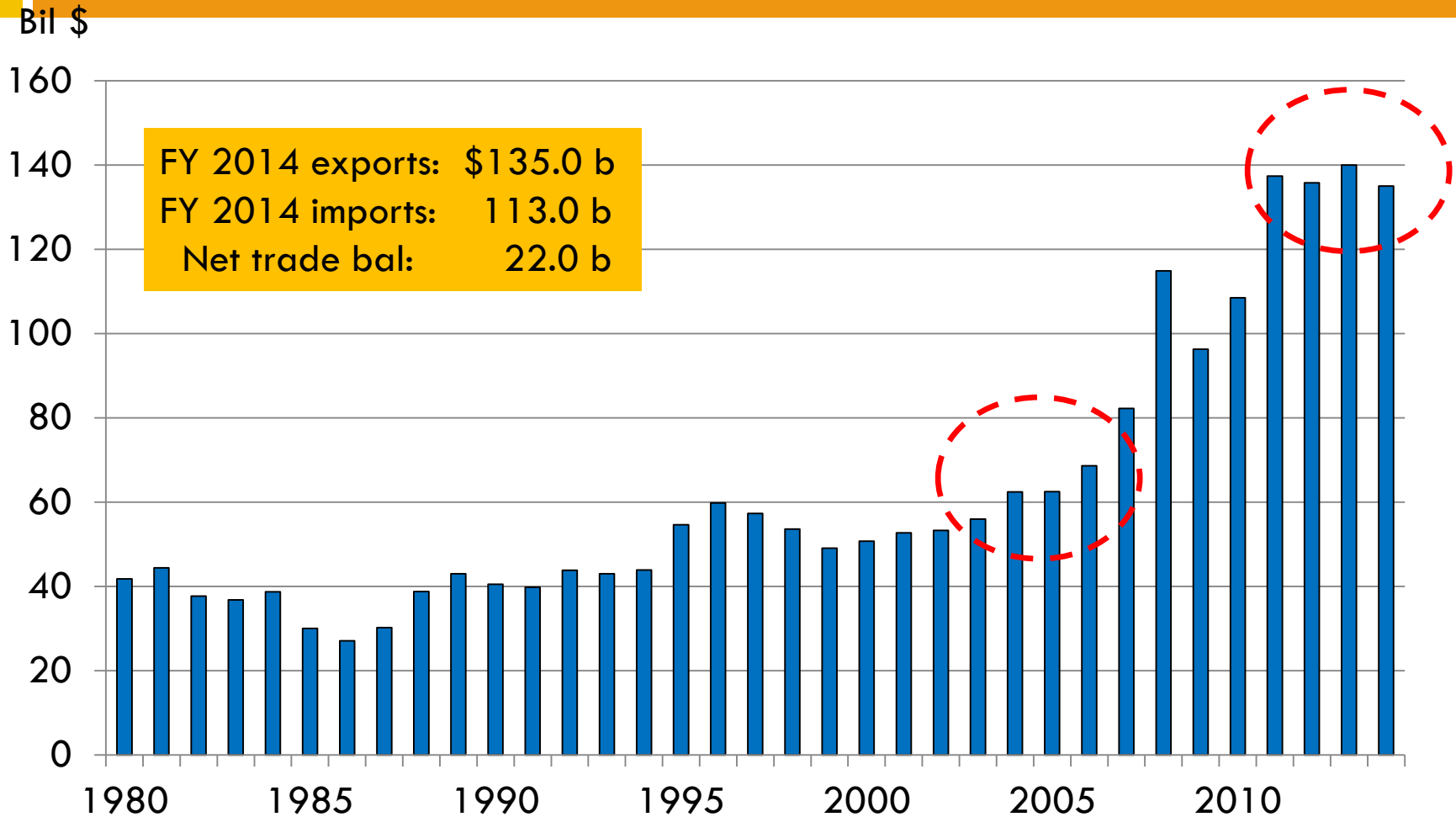
Source: USDA-NASS

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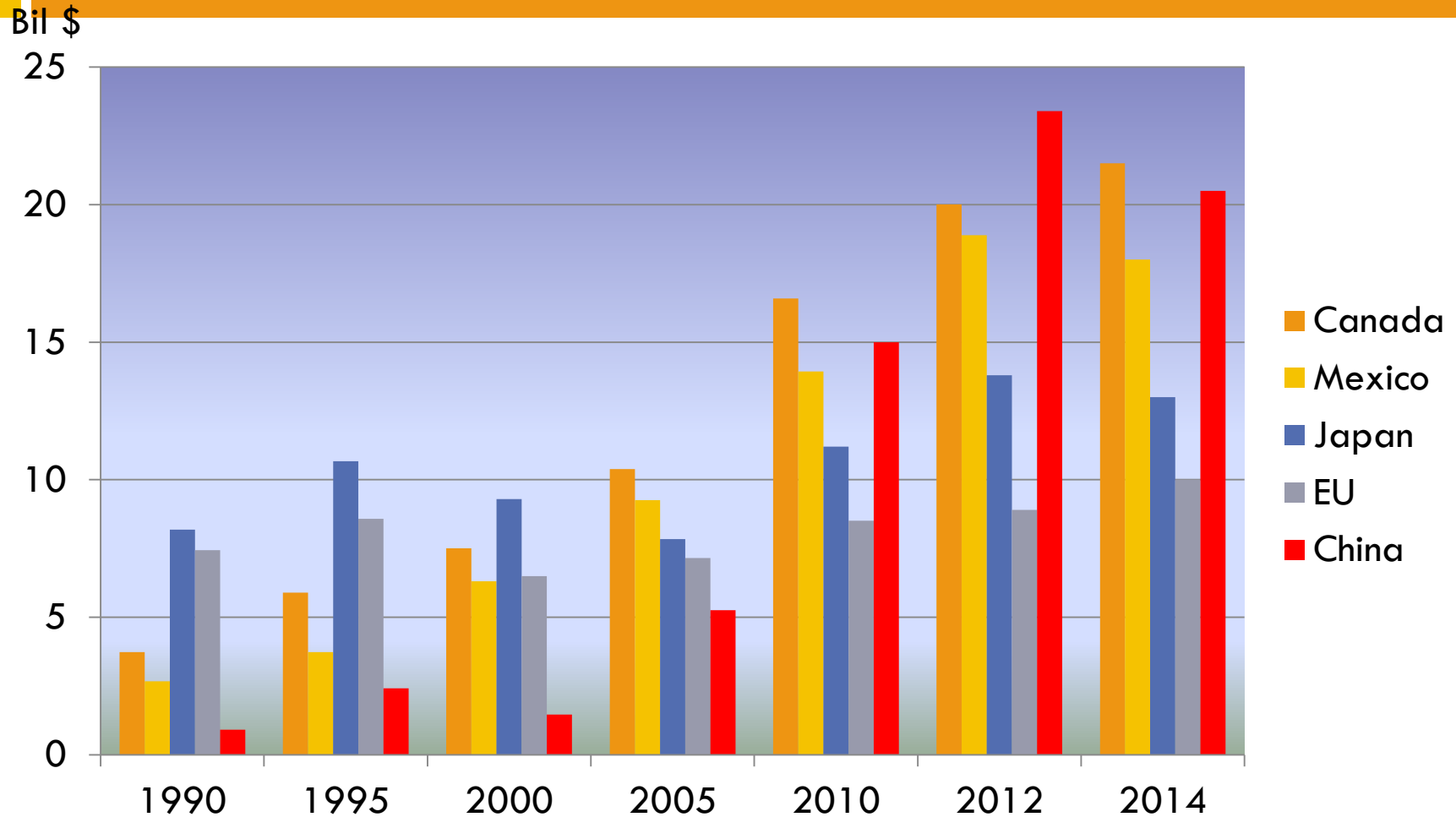
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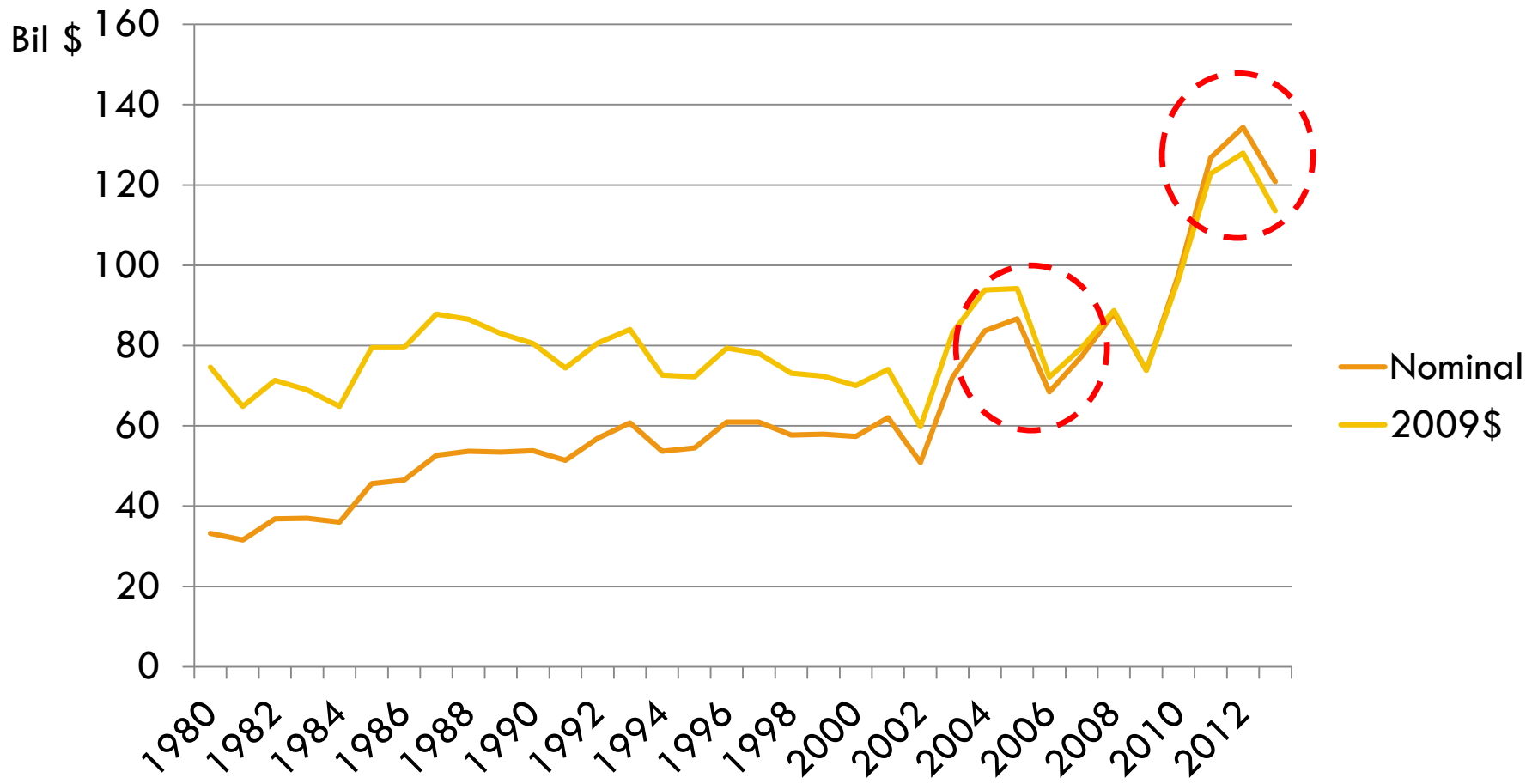
US agricultural exports



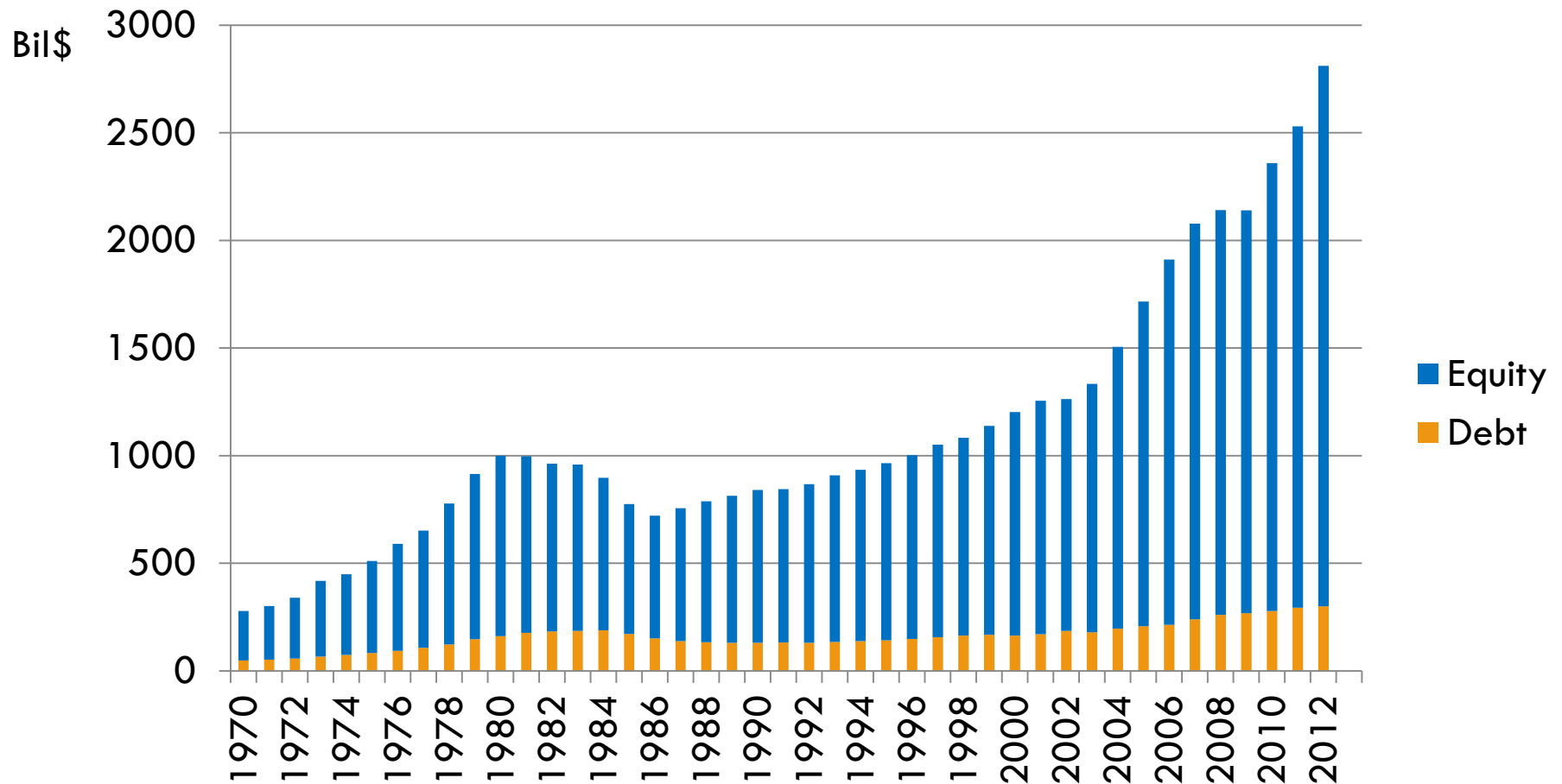
Rise of China as top export destination



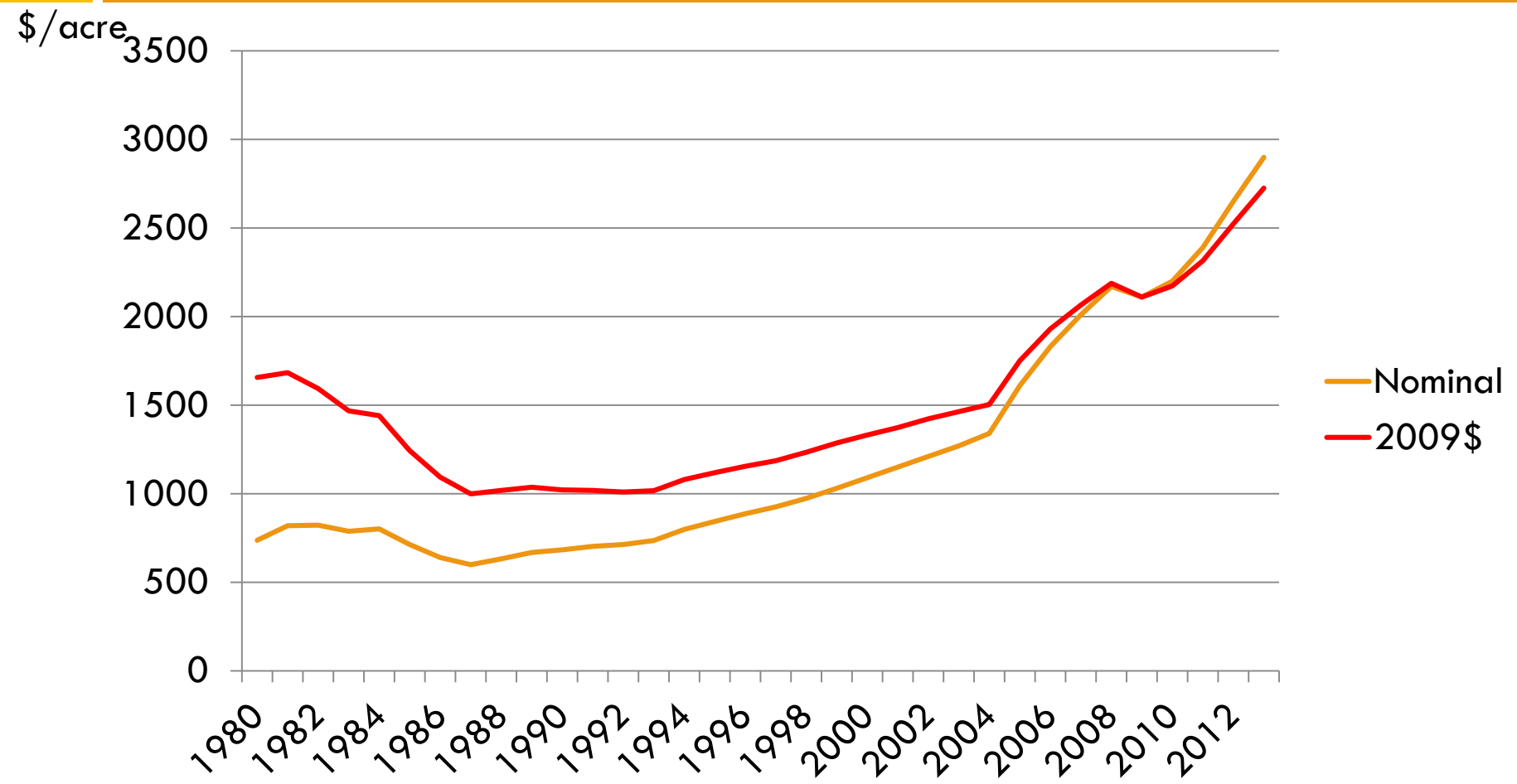
Net cash income



Since 2006, \$1 trillion added to farm equity



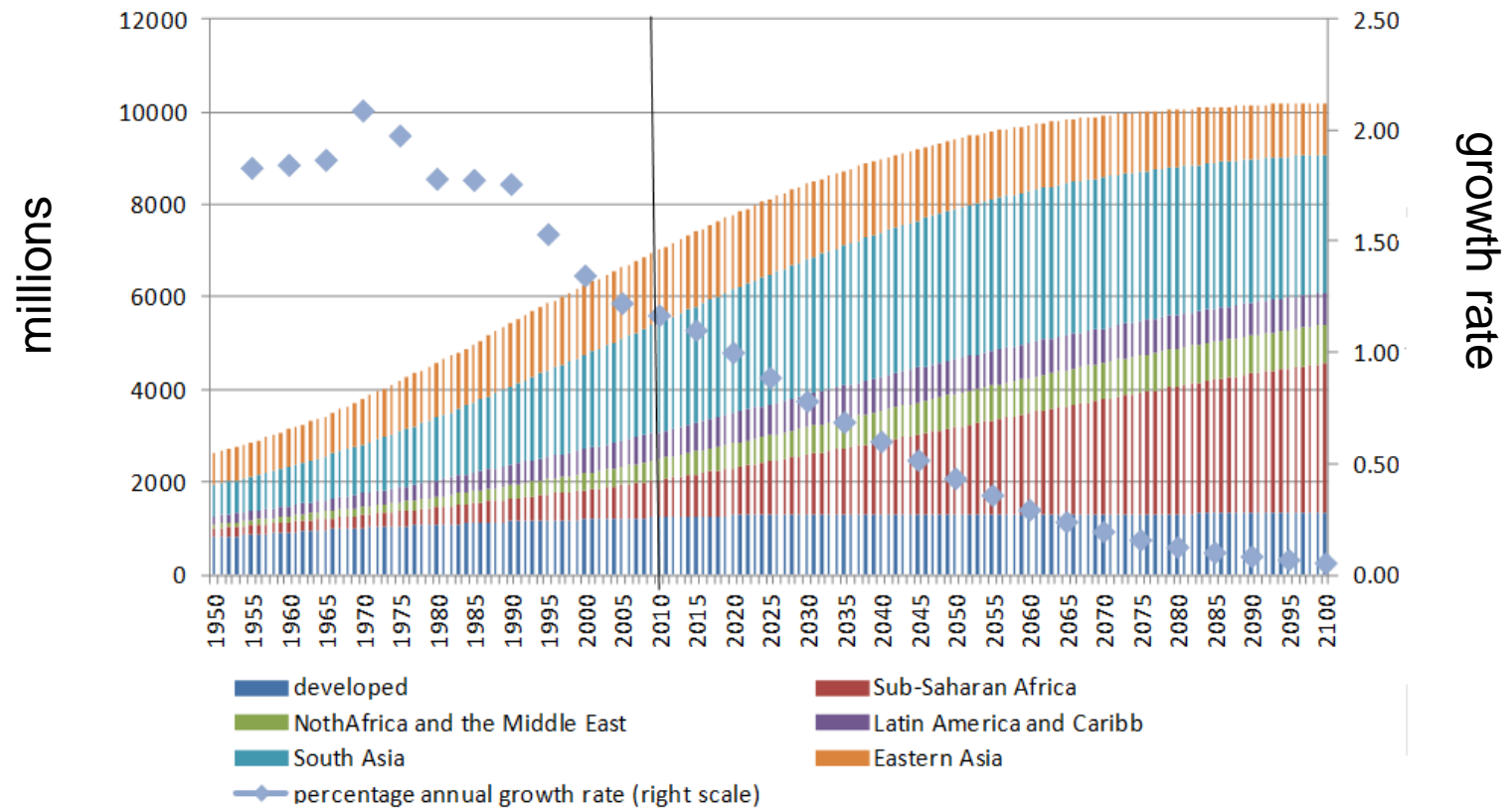
Farmland values





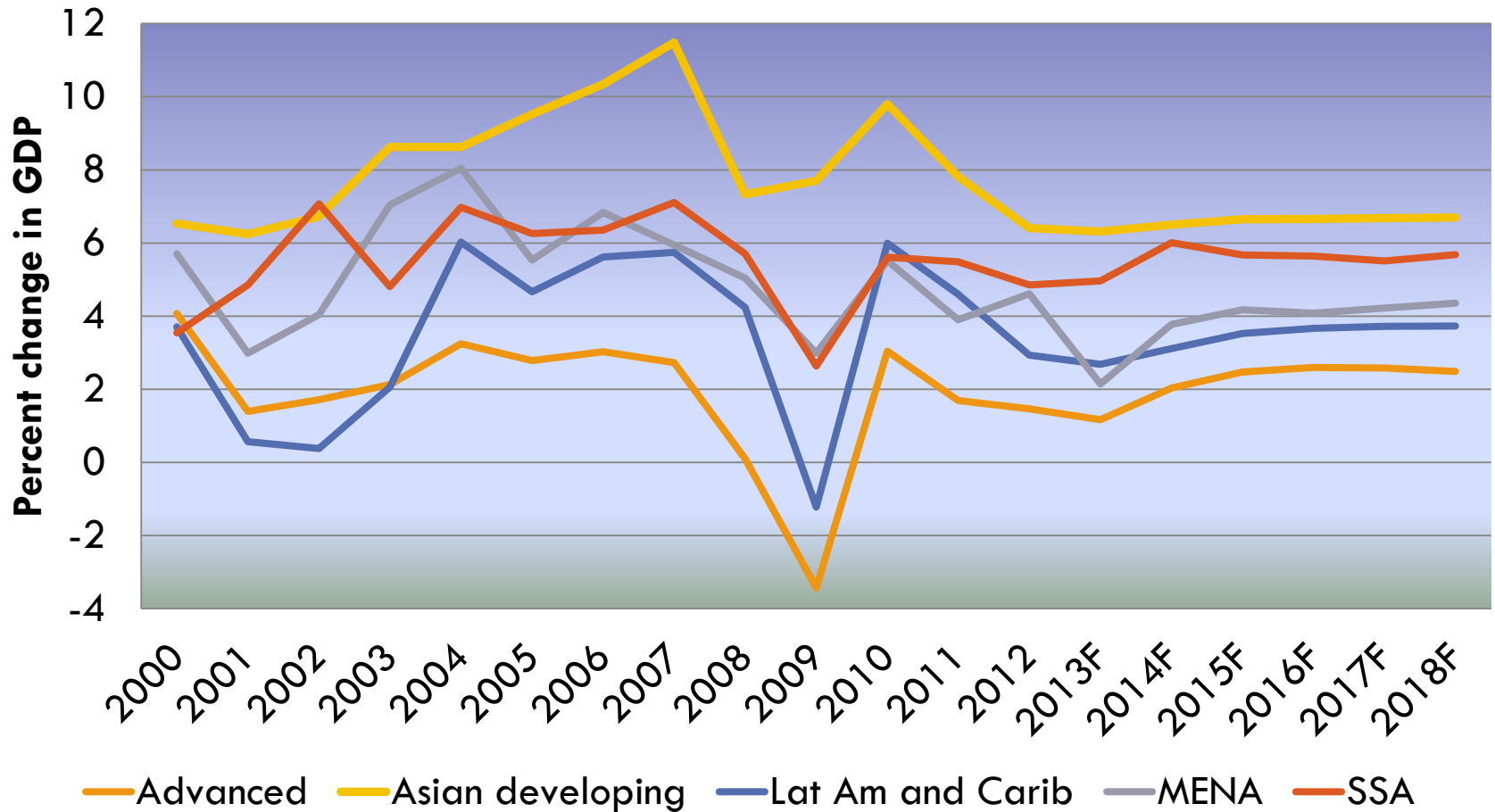
Market factors

World Population projections by region



Source: UN, 2011

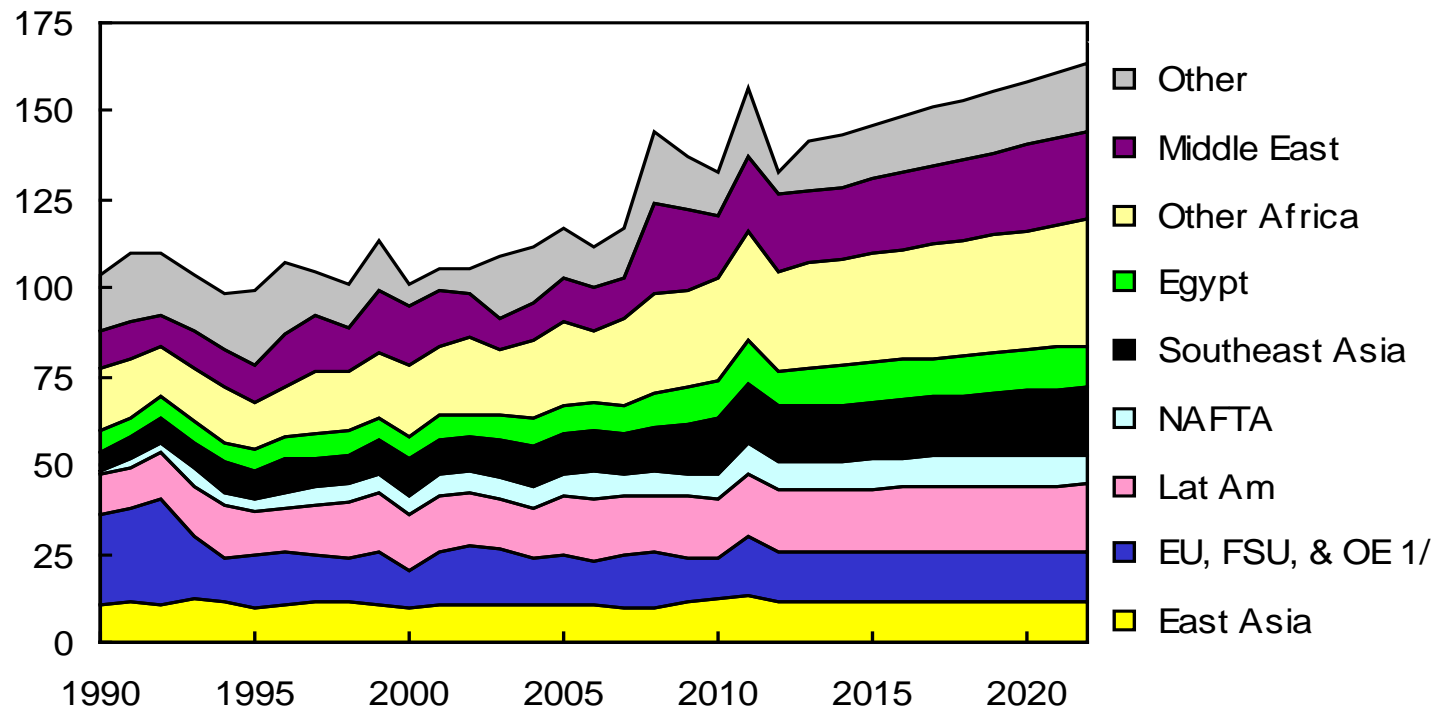
Asian economic growth



Source: IMF, World Economic Outlook

Global wheat imports

Million metric tons

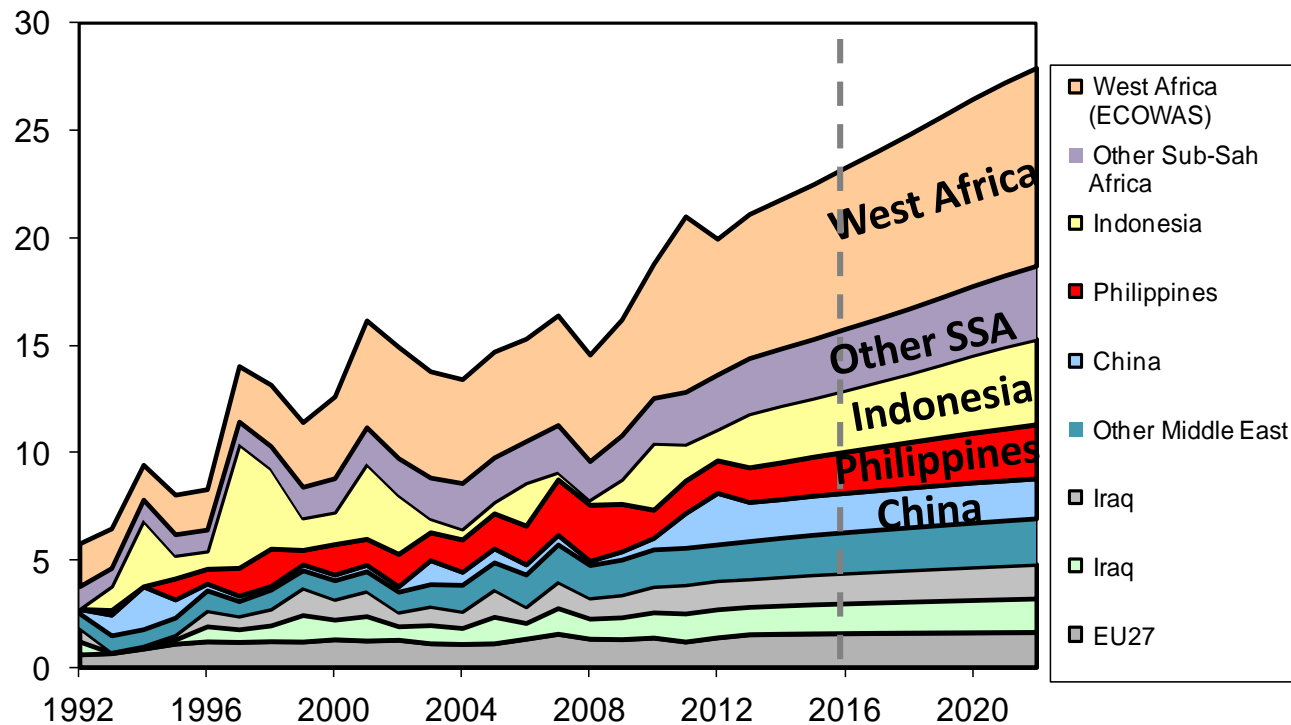


1/ European Union, former Soviet Union, and other Europe. Excludes intra-EU trade.
Includes intra-FSU trade.

Source: *USDA Agricultural Baseline Projections to 2022, February 2013.*

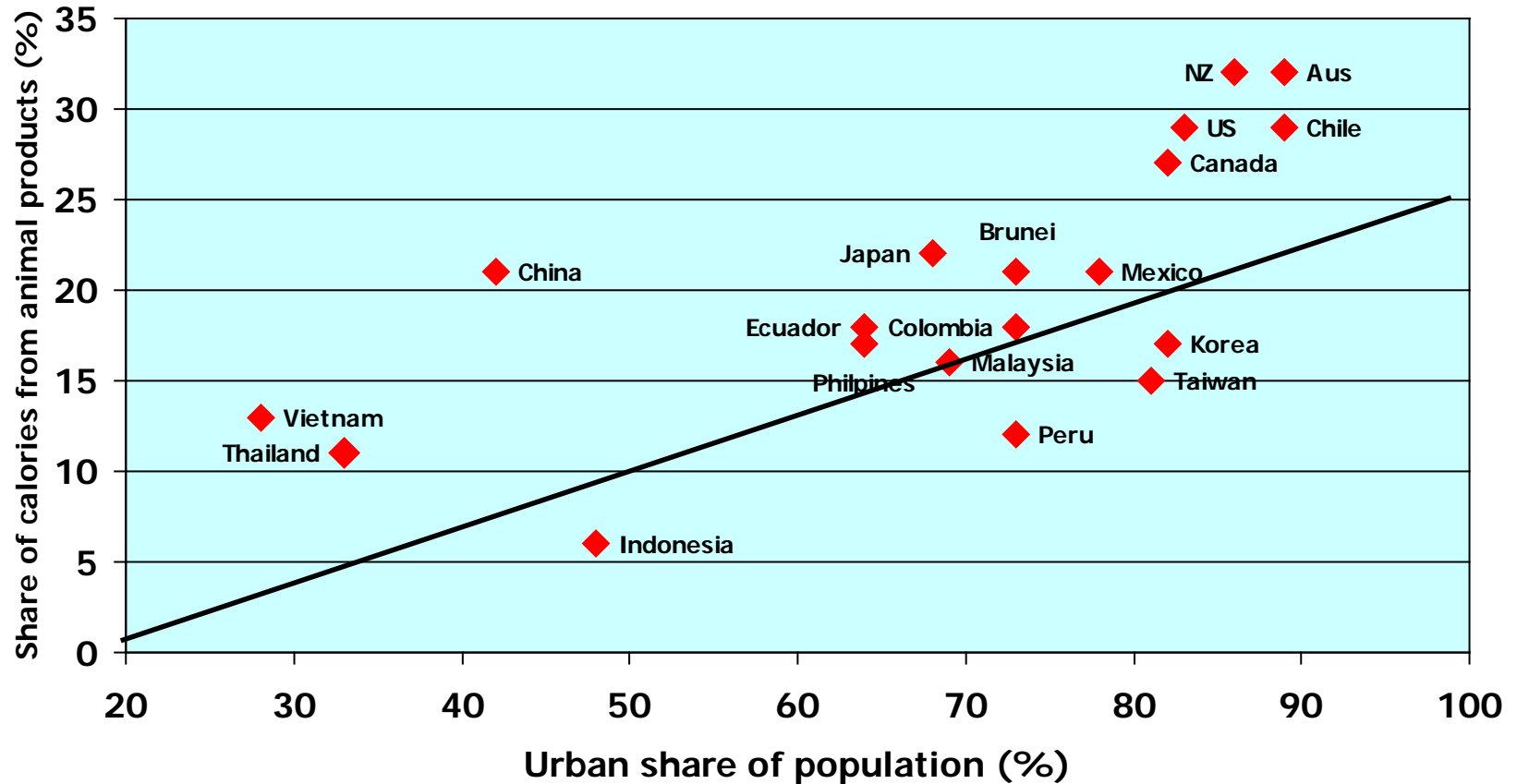
Global rice imports

Million metric tons



Source: *USDA Agricultural Baseline Projections to 2022, February 2013.*

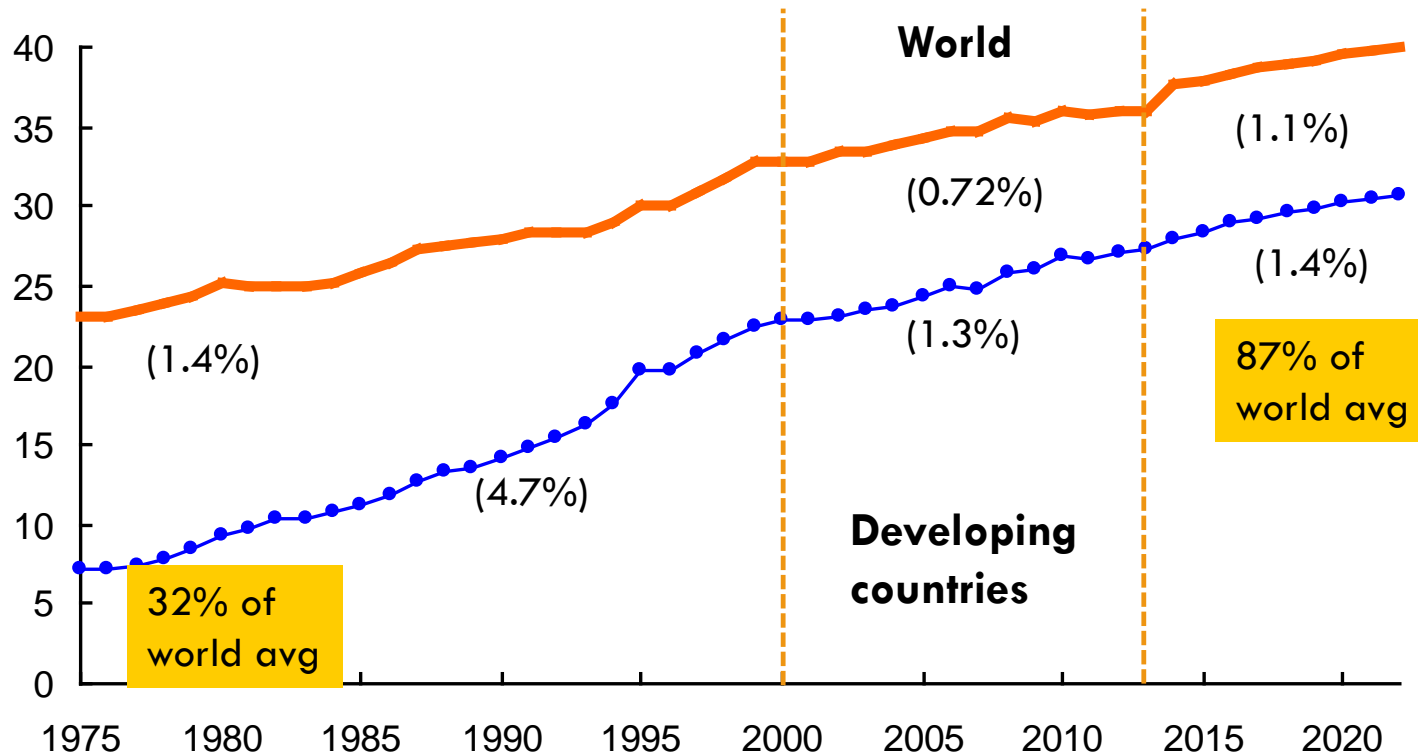
Income and urbanization boost demand for animal products



Source: FAOSTAT

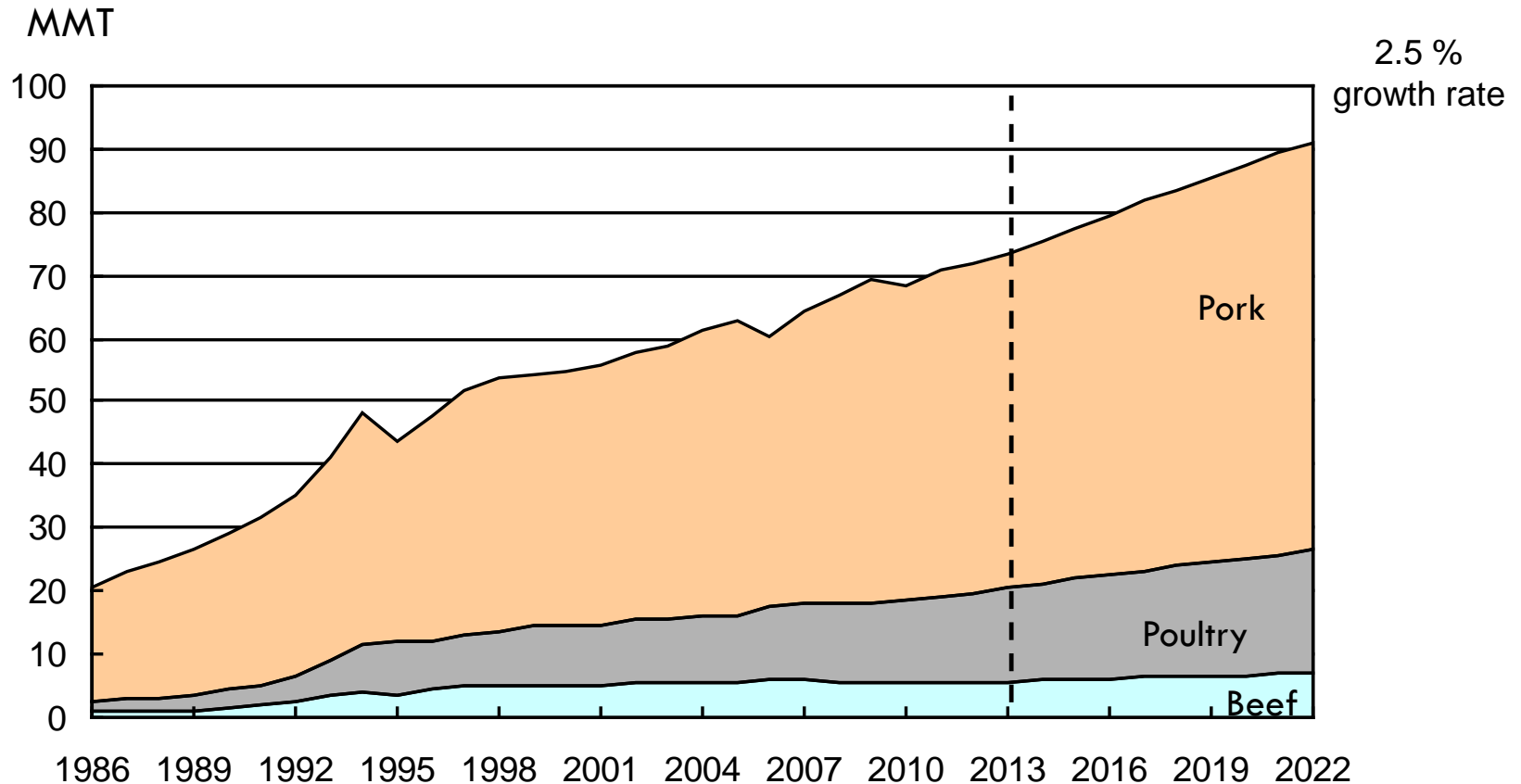
Per capita meat consumption

Kg/person



Source: USDA Projections to 2022 and supporting data.

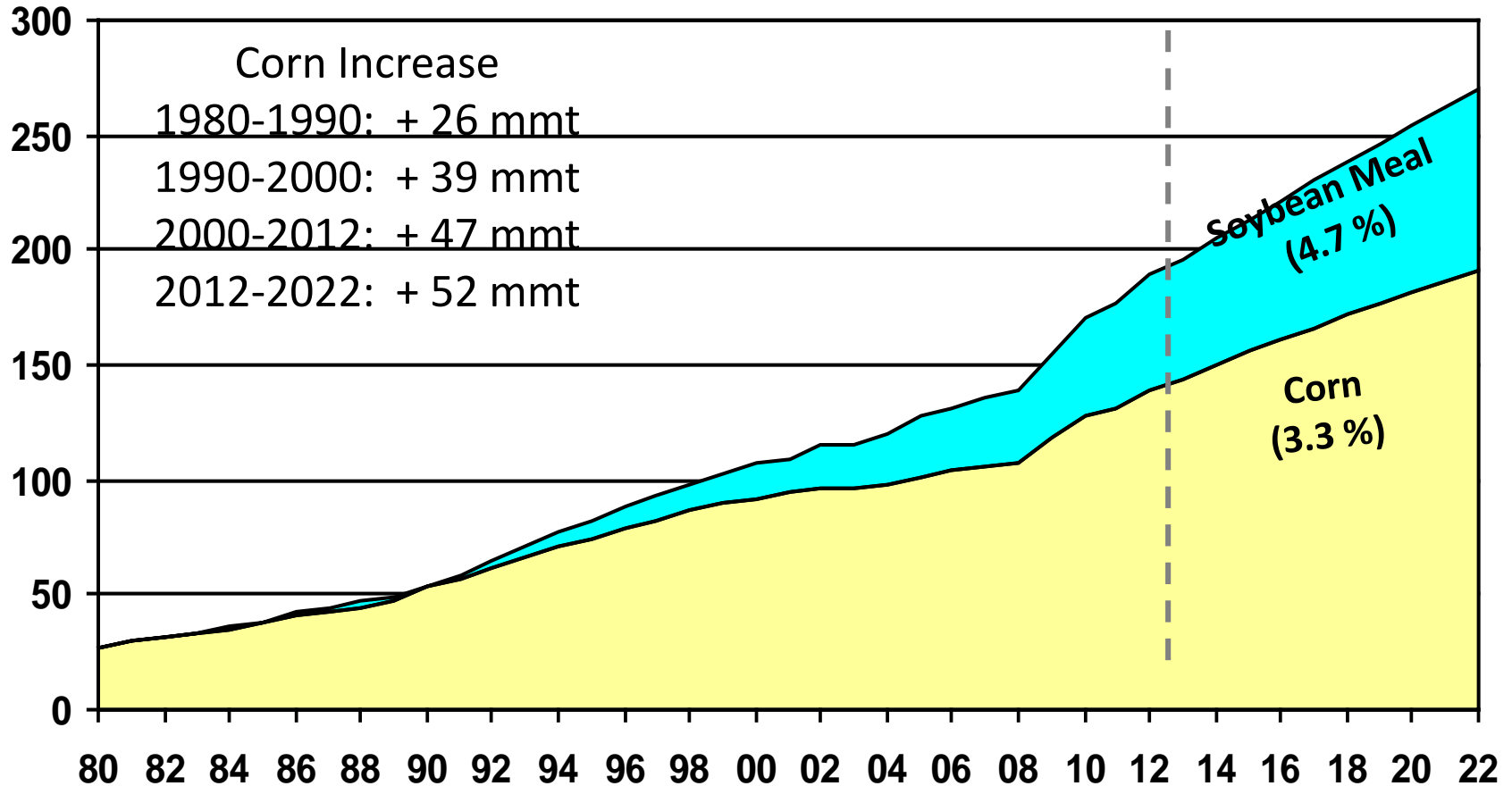
China's meat production



Source: USDA Agricultural Baseline Projections to 2022,
February 2013.

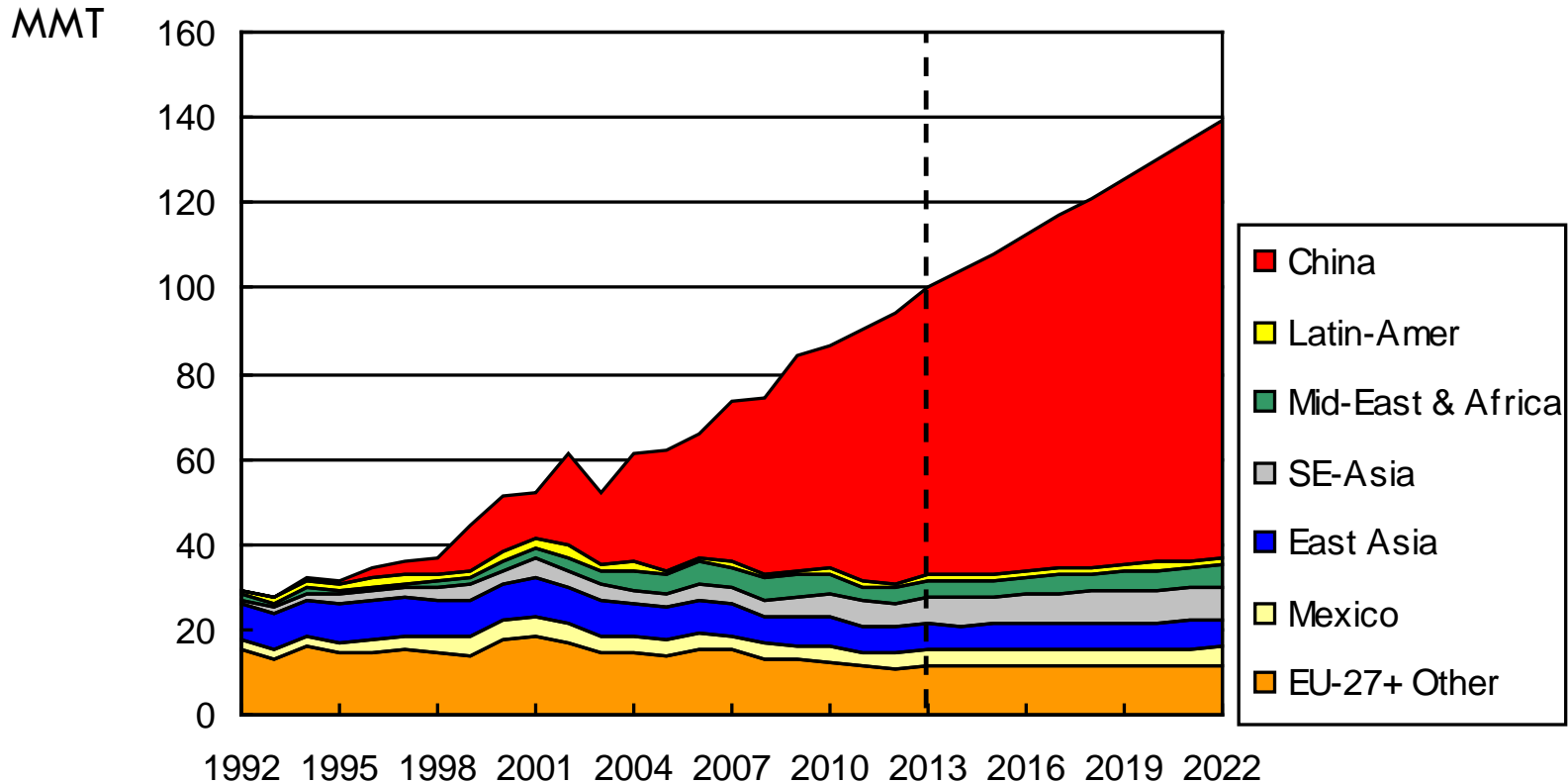
China feed demand

Million metric tons



Source: USDA Agricultural Baseline Projections to 2022, February 2013.

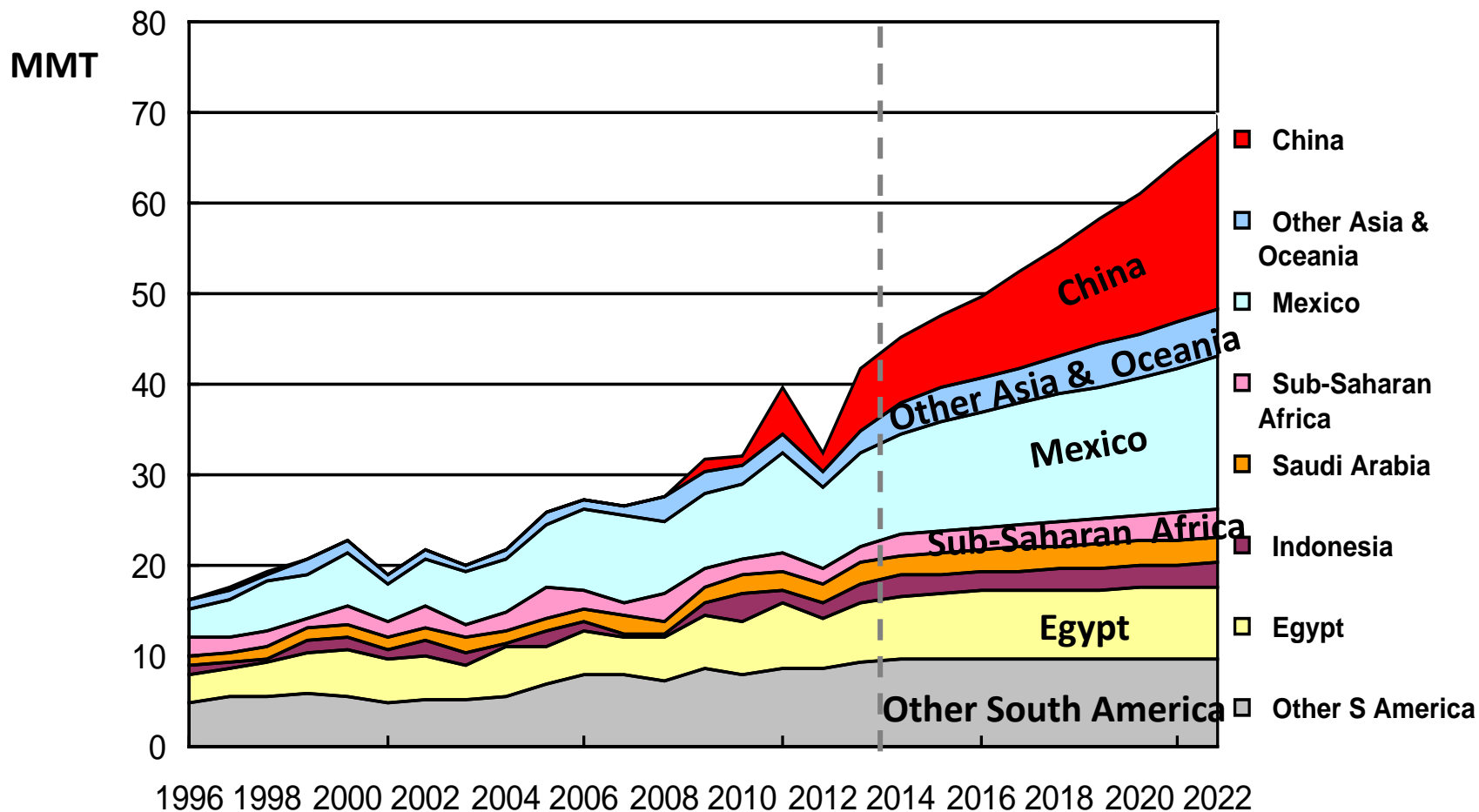
Global soybean imports



Source: USDA Agricultural Baseline Projections to 2022, February 2013.

Growth in corn imports:

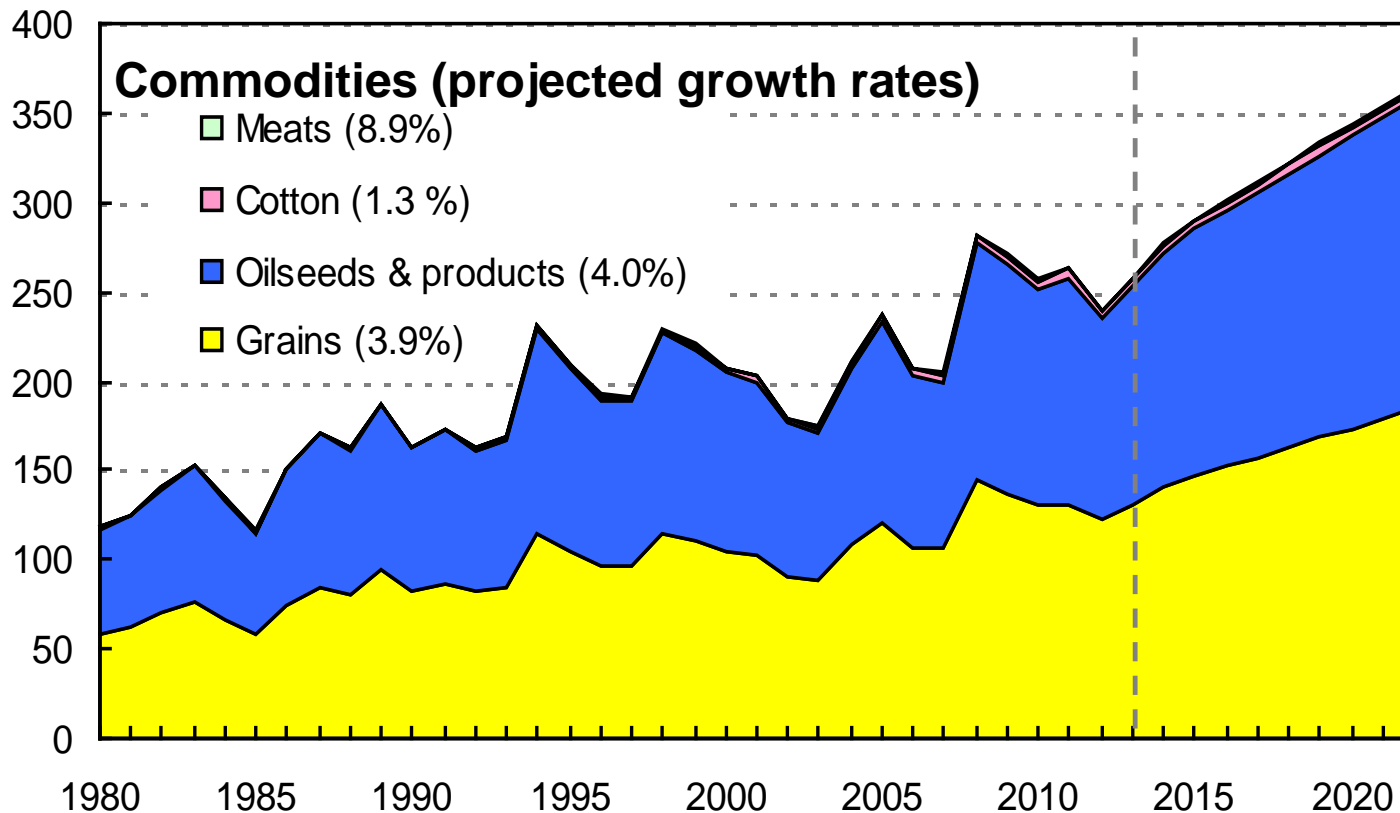
Selected countries where imports are projected to grow



Source: USDA Agricultural Baseline Projections to 2022, February 2013.

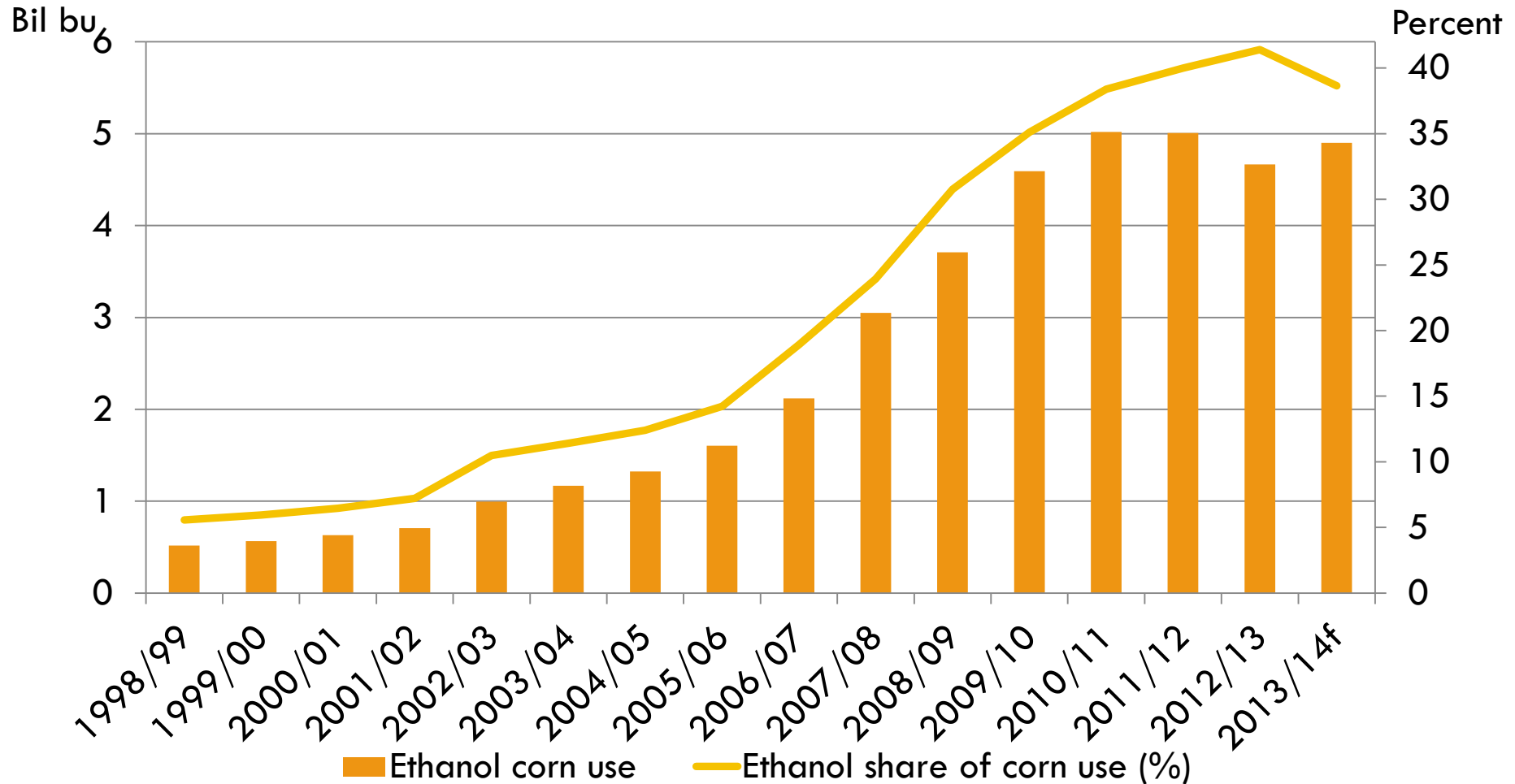
Developing countries net imports of agricultural products

Million metric tons

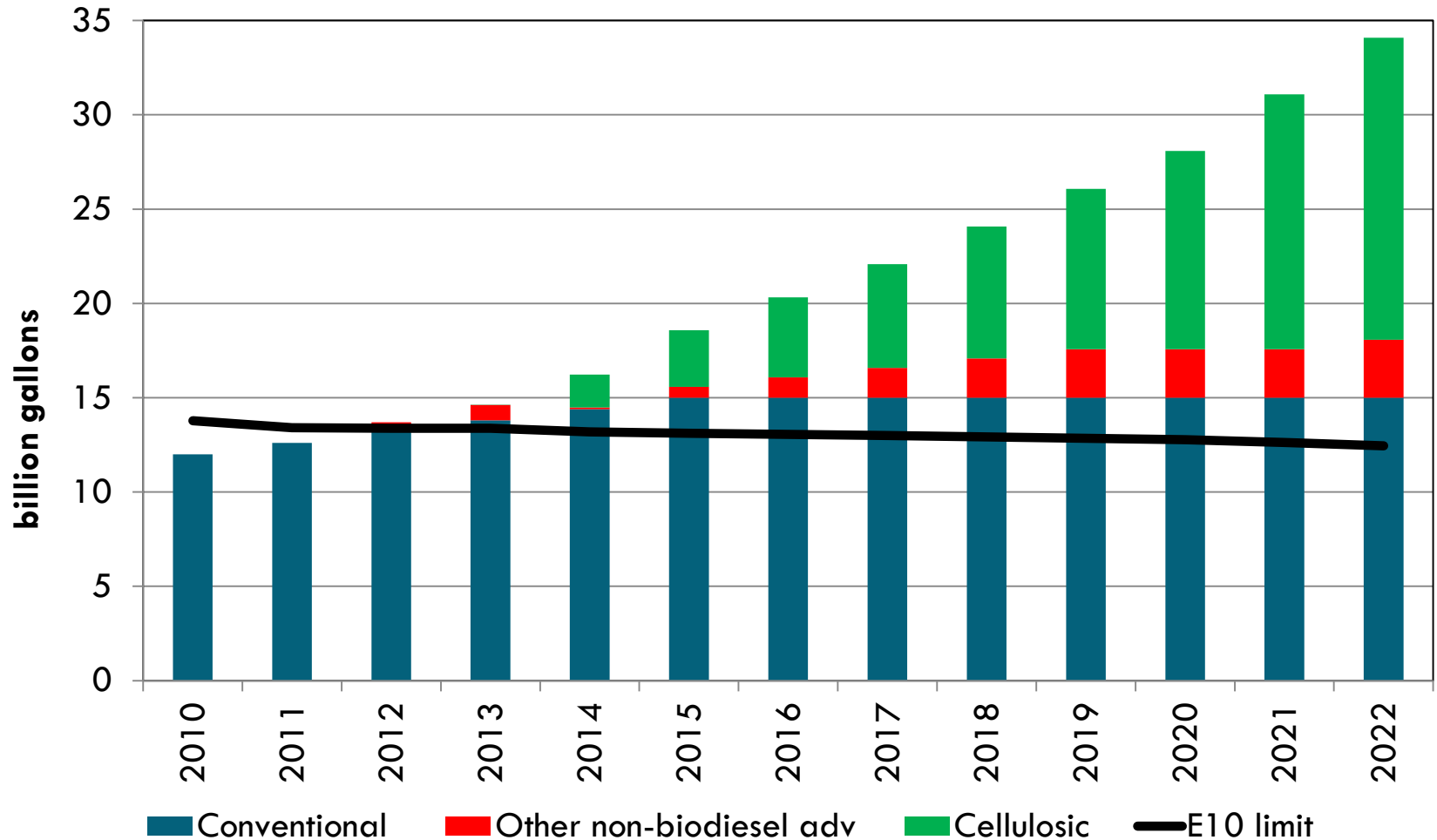


Source: USDA Agricultural Baseline Projections to 2022, February 2013.

US corn used in ethanol

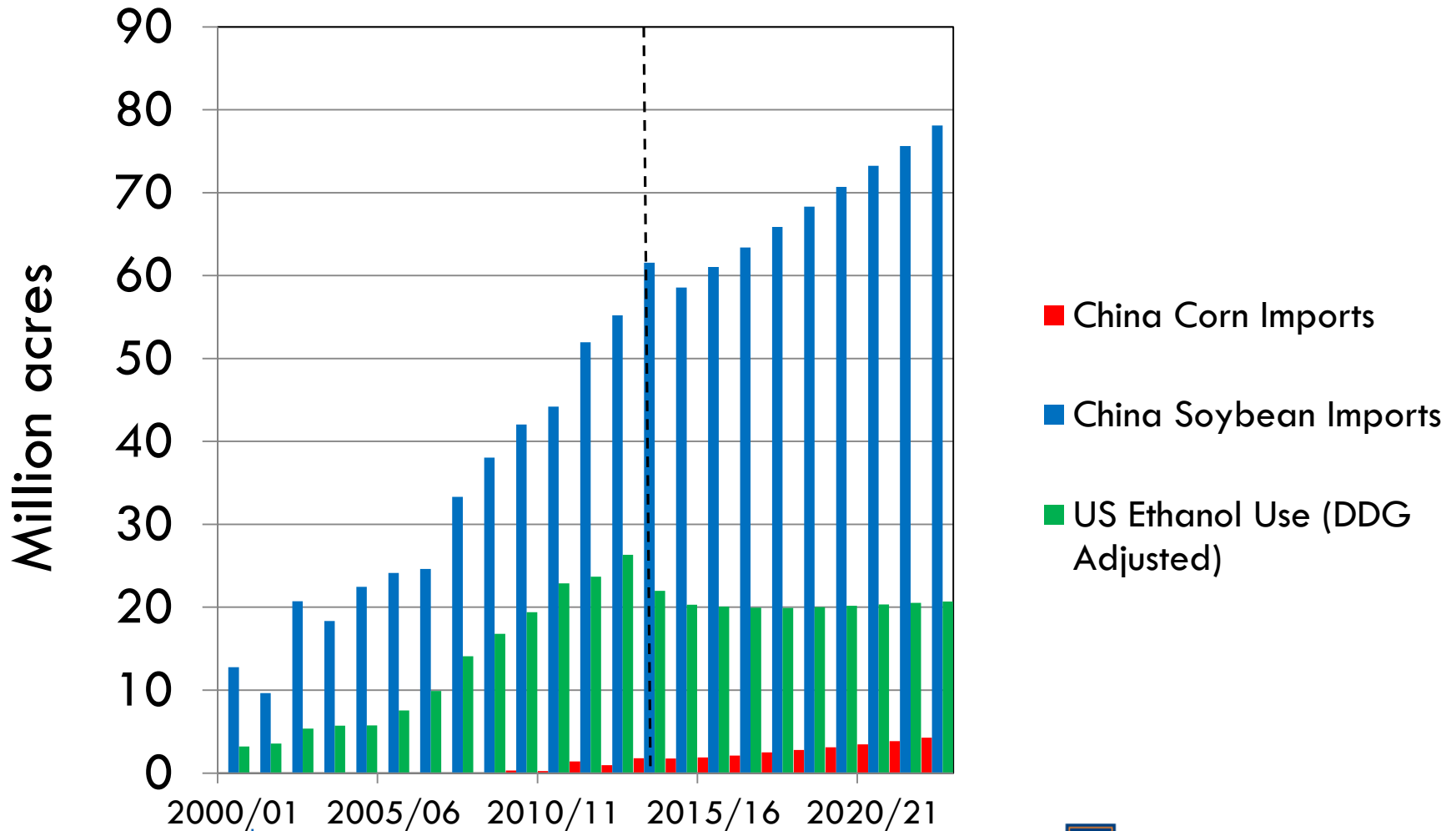


Blend wall constraints on domestic consumption of ethanol



Implications for US agriculture

Key demands in US acreage equivalents



Global grain ending stocks remain tight

Crop	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Days of use						
Wheat	76	96	112	110	104	94	93
Corn	62	69	65	55	55	57	64
Rice	69	77	79	81	83	83	82
Soybeans	83	72	93	101	78	85	95
Upland Cotton	187	208	144	156	254	300	319

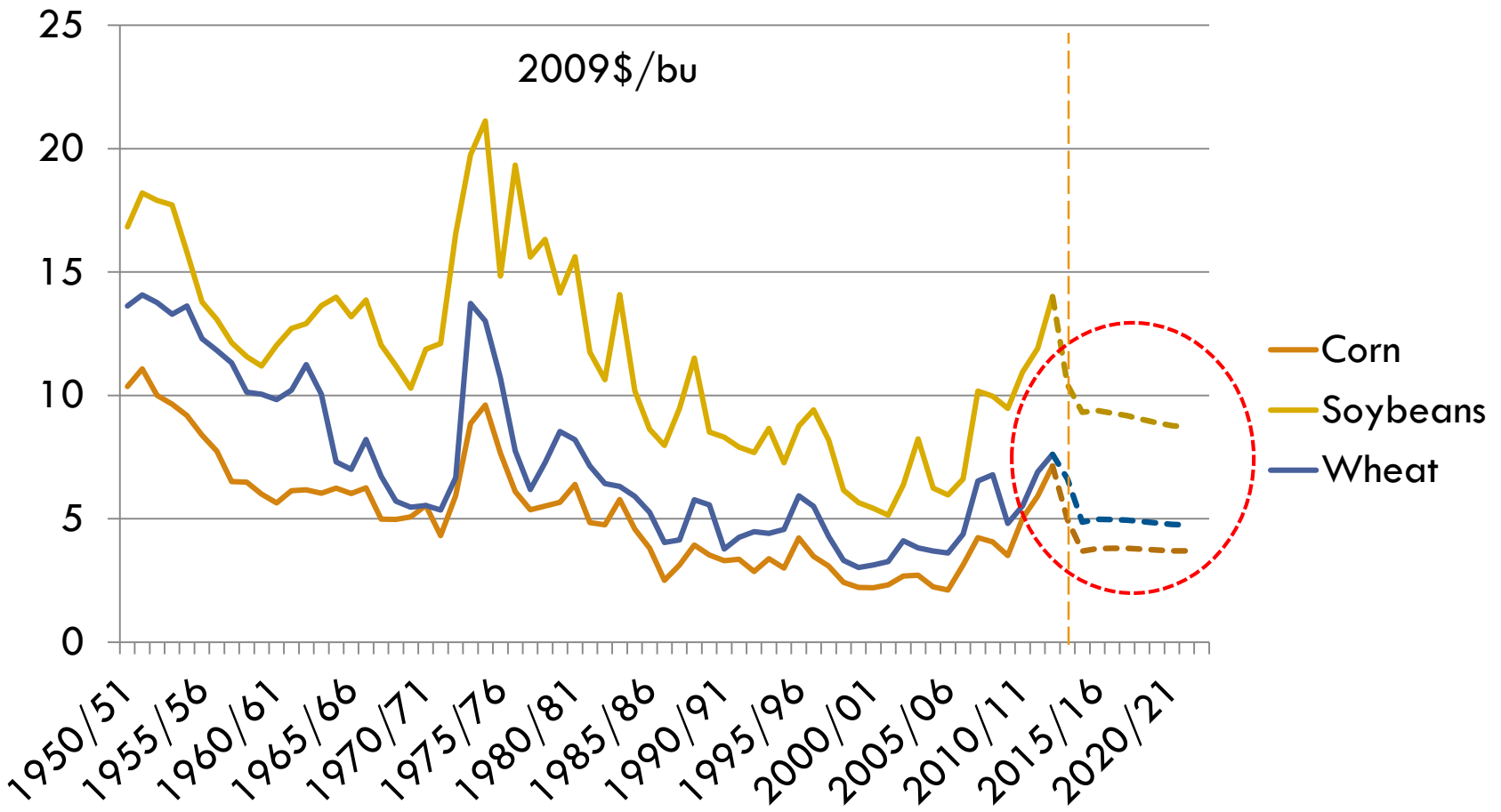
Corn, wheat, and soybean prices fall from record levels

Crop	2009/10	2010/11	2011/12	2012/13	2013/14F	% Change 2012/13
Wheat	4.87	5.70	7.24	7.77	7.00	-9.9%
Corn	3.55	5.18	6.22	6.89	4.50	-34.7%
Soybeans	9.59	11.30	12.50	14.40	12.50	-13.2%
Rice	14.40	12.70	14.50	14.90	15.70	+5.4%
Cotton	62.9	81.5	88.3	72.5	74.0	+2.1%

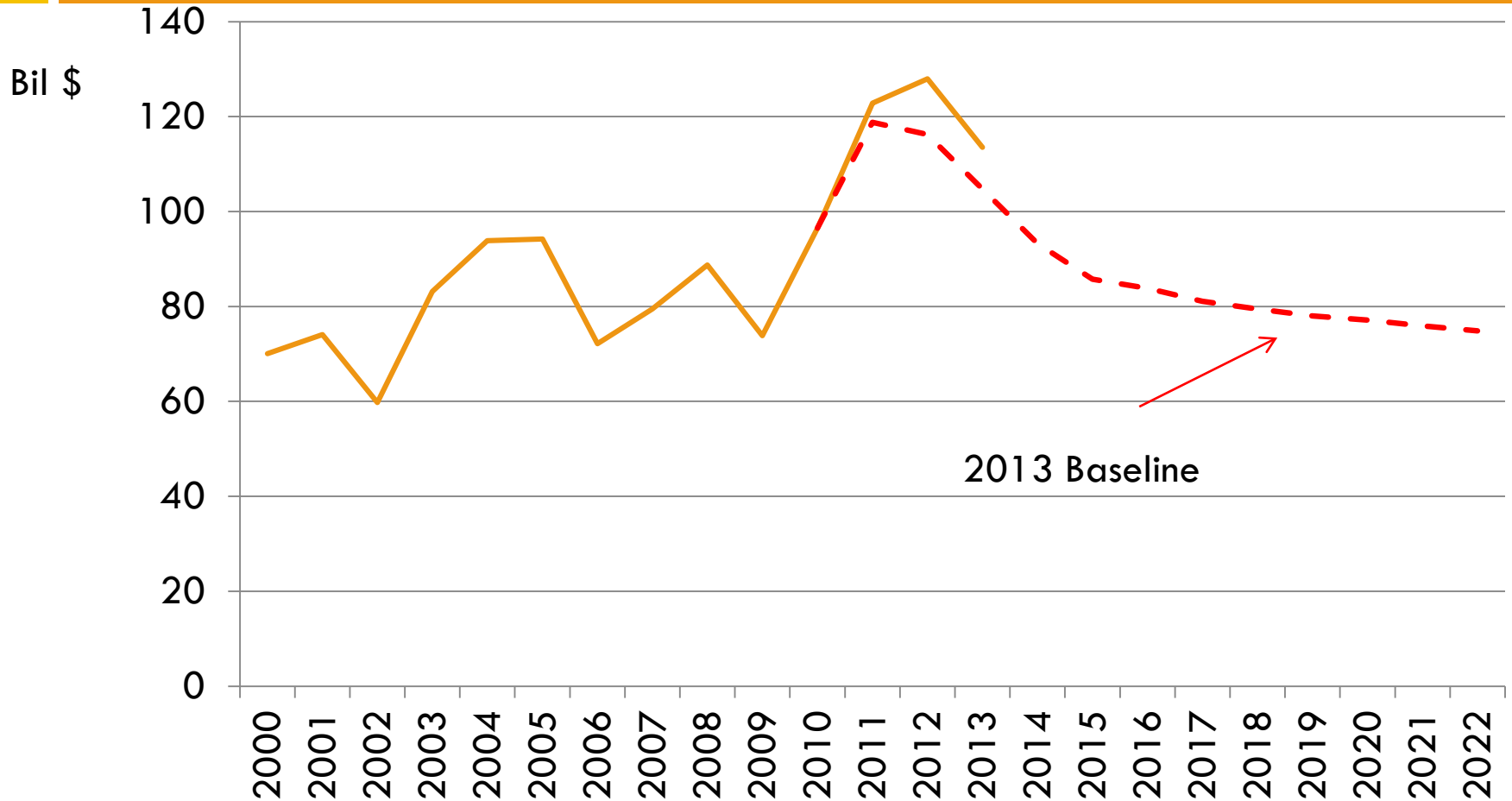
Wheat, corn and soybeans in dollars per bushel; rice in dollars per hundredweight; cotton in cents per pound. Numbers in red denote record levels.

Source: USDA-NASS and Nov 2013 WASDE

Real prices projected to flatten



Projected real net cash income



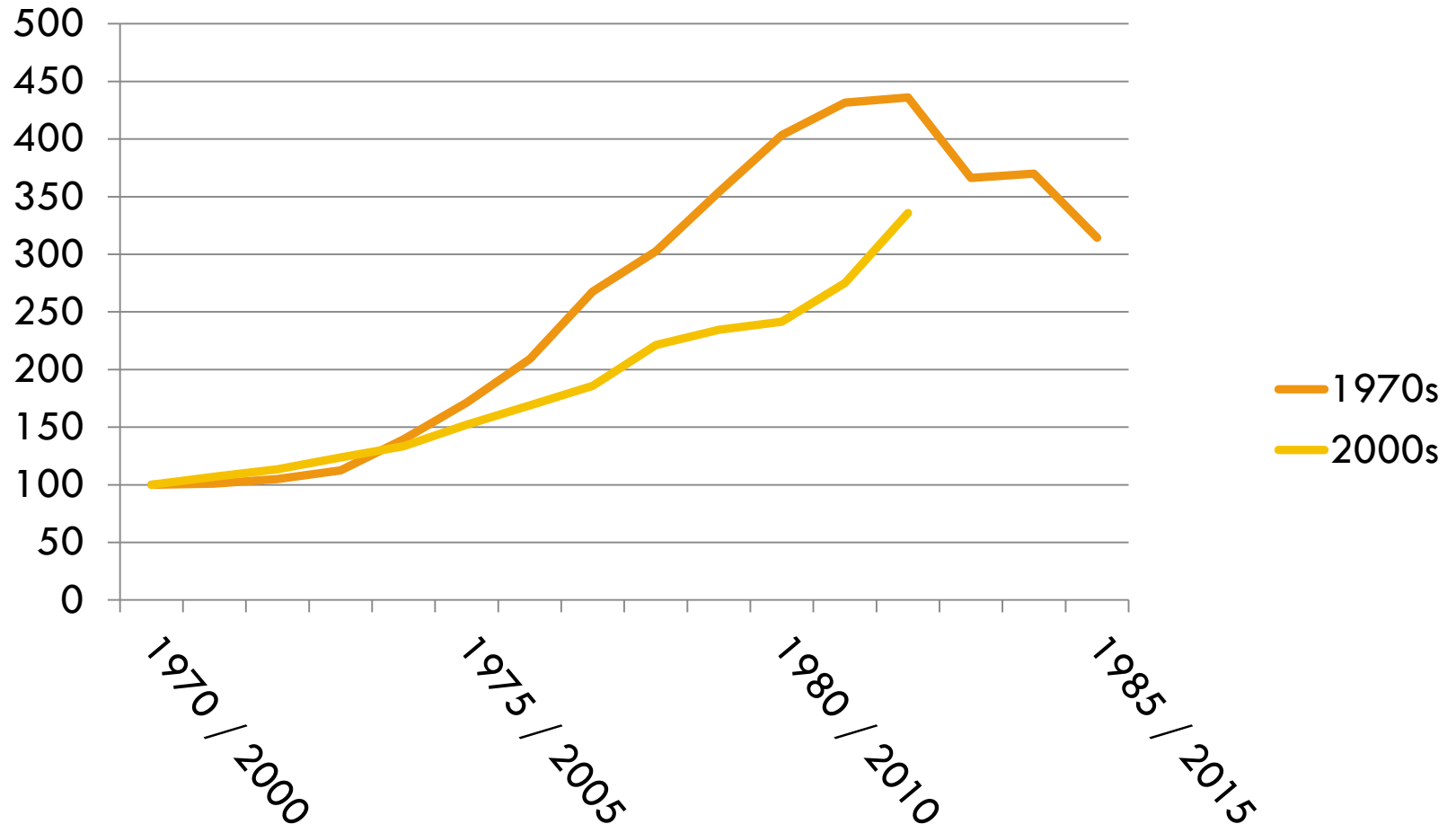
Implications for US agriculture

- Strong global production for grains and oilseeds has led to sharply lower prices following years of relatively tight supplies.
- Long term growth in agricultural demand will continue to be driven by foreign markets
 - Can US remain competitive?
 - How vulnerable is world economy to downturn?
 - Importance of resolving trade barriers and distortions
- After rapid growth, biofuel sector facing challenges
 - E10 blendwall and declining motor fuel consumption
 - Long run relationship of biofuels to fossil fuels

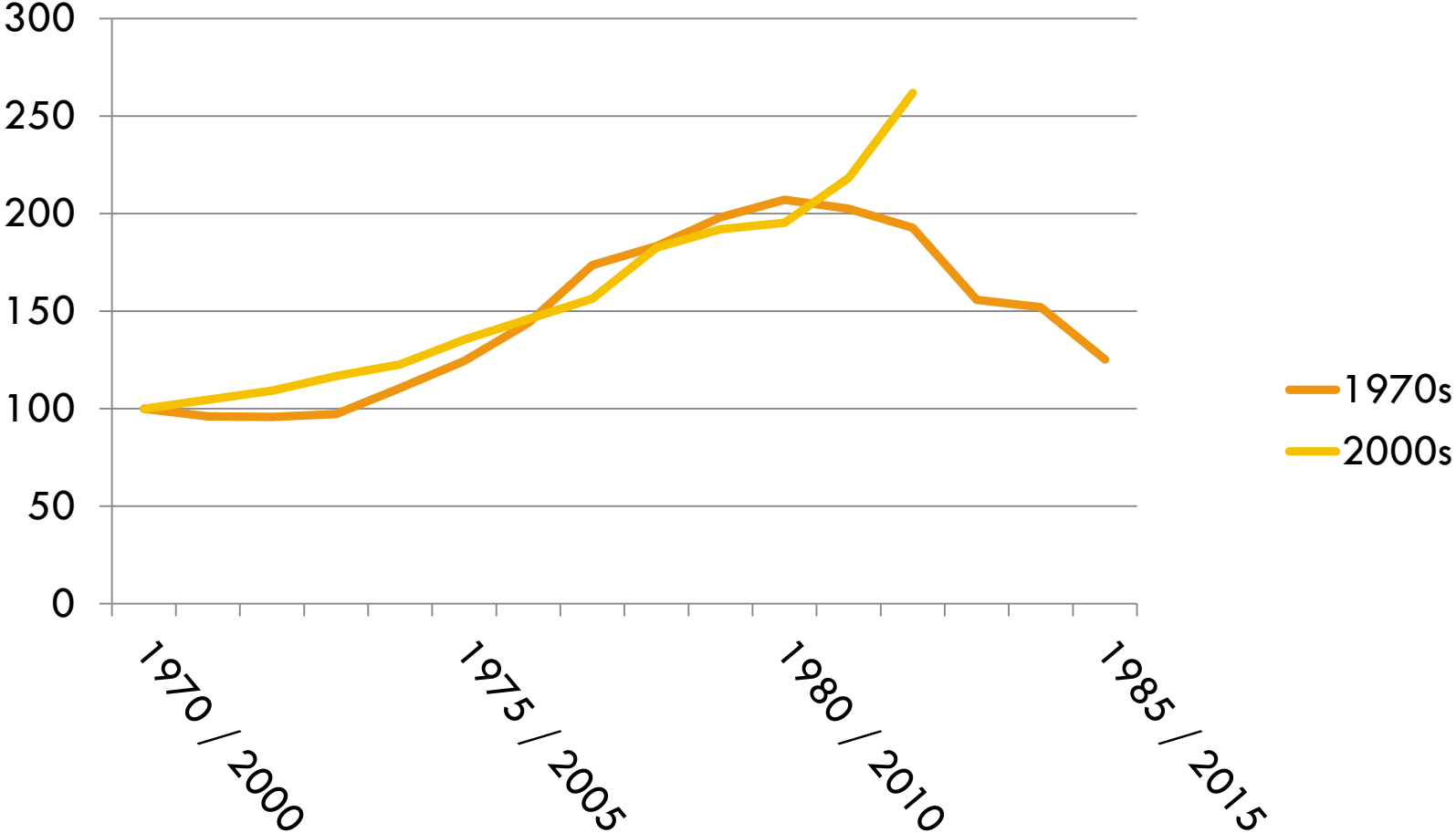


Implications for land values

Nominal land values, 7th Fed District

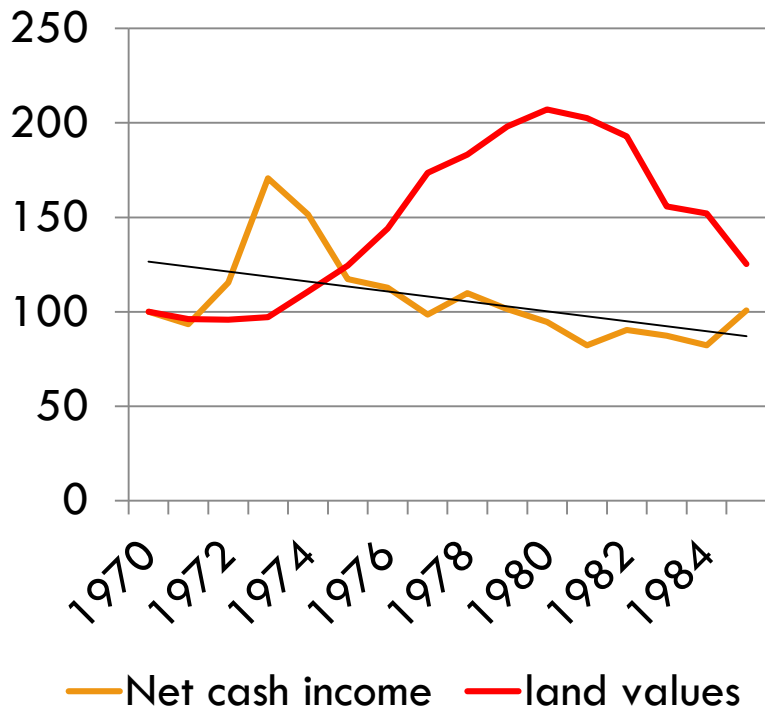


Real land values, 7th Fed District

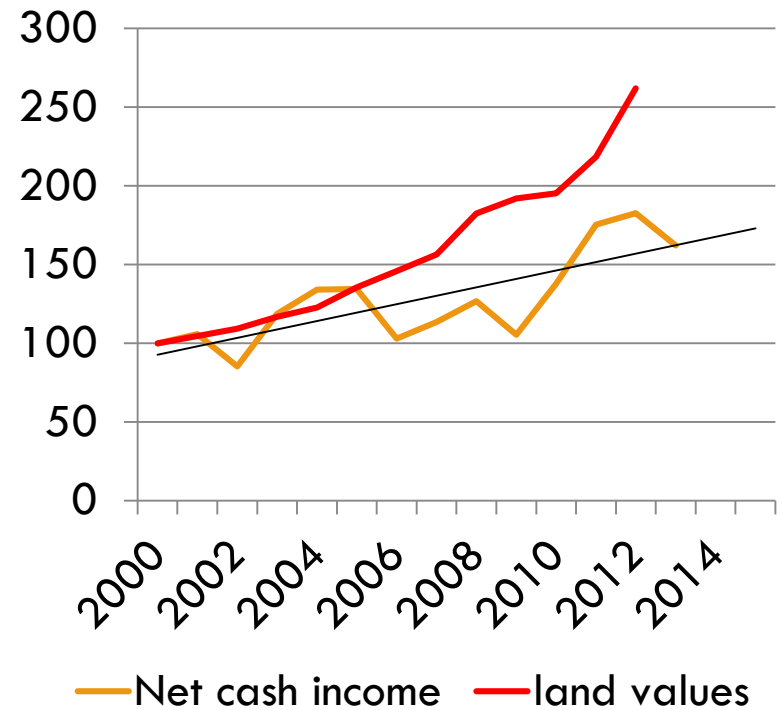


Farm values and income

Real farm values rise in 1970s despite fall in real net cash income



Real net cash income continues to trend upwards



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