

2017 Georgia Ag Forecast



College of Agricultural &
Environmental Sciences
UNIVERSITY OF GEORGIA

Welcome

Sam Pardue
Dean and Director,
UGA CAES



Local Welcome

Gerald Long
President,
Georgia Farm Bureau



Summary of 2017 Georgia Agricultural & Agribusiness Outlook

Levi Russell,

*Assistant Professor, UGA CAES Department of
Agricultural Economics & Applied Economics*



Meat Complex





Beef Cattle

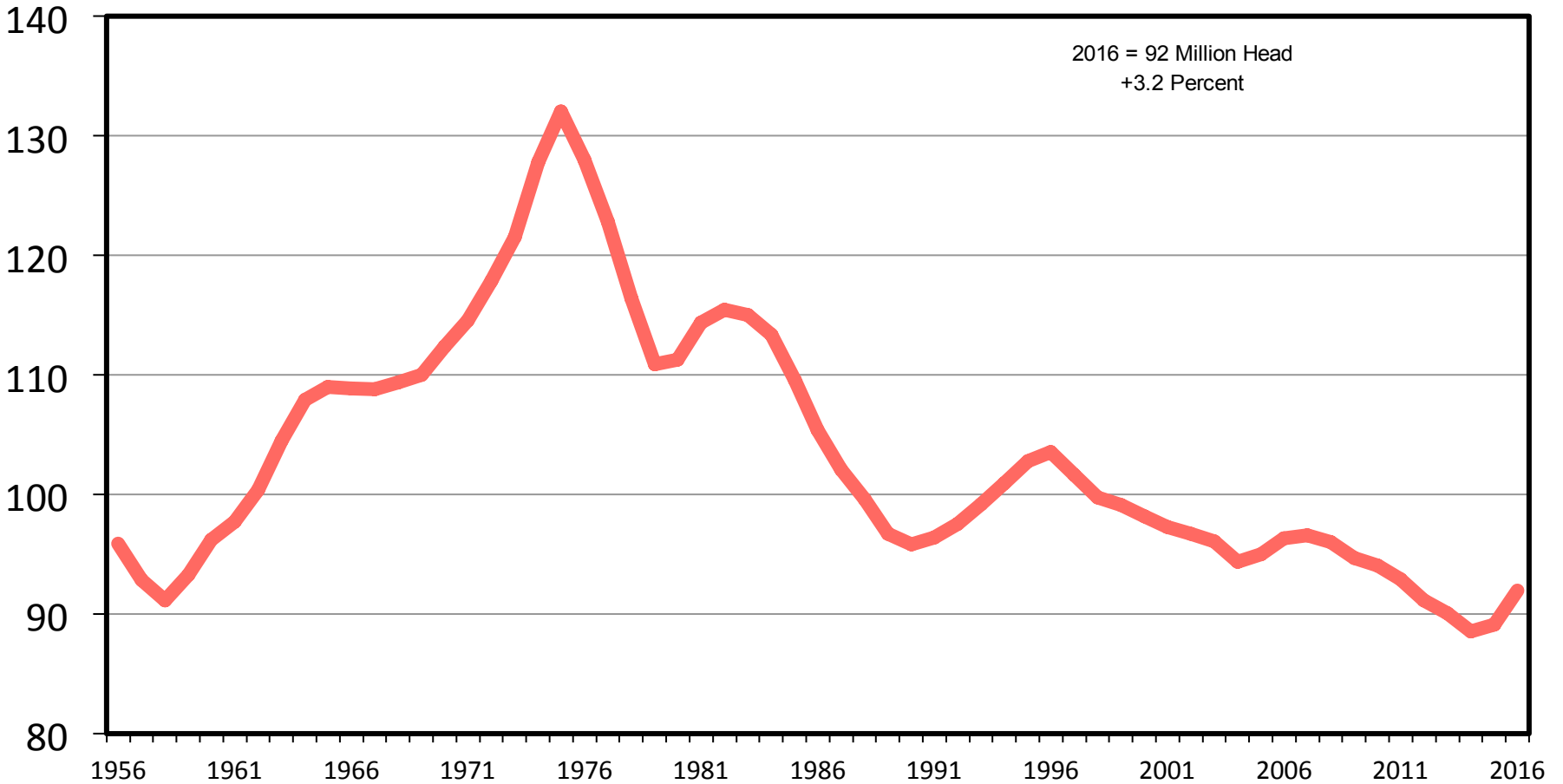


JANUARY 1 TOTAL CATTLE INVENTORY

U.S., Annual

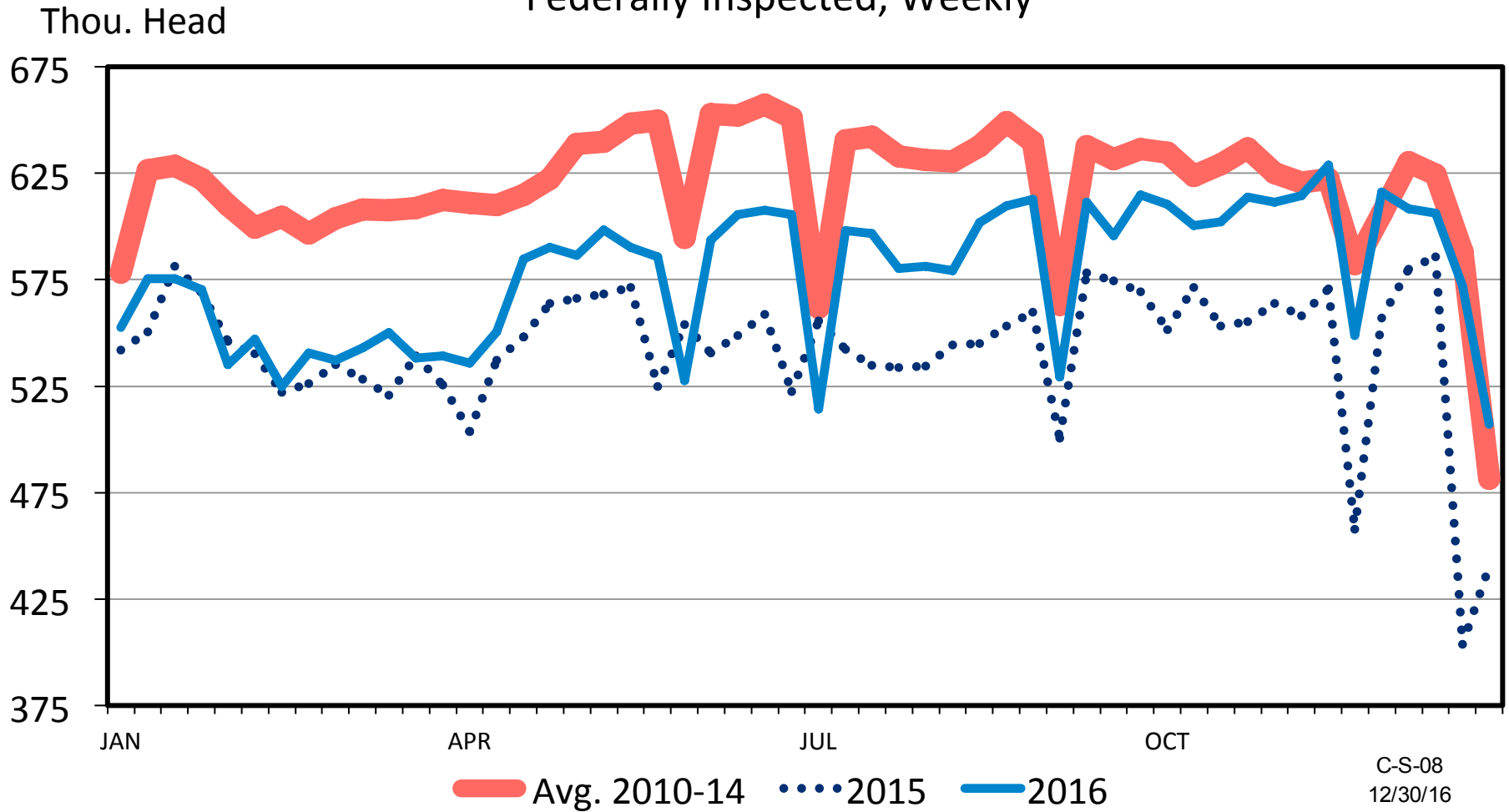
C-N-01
08/04/16

Mil. Head



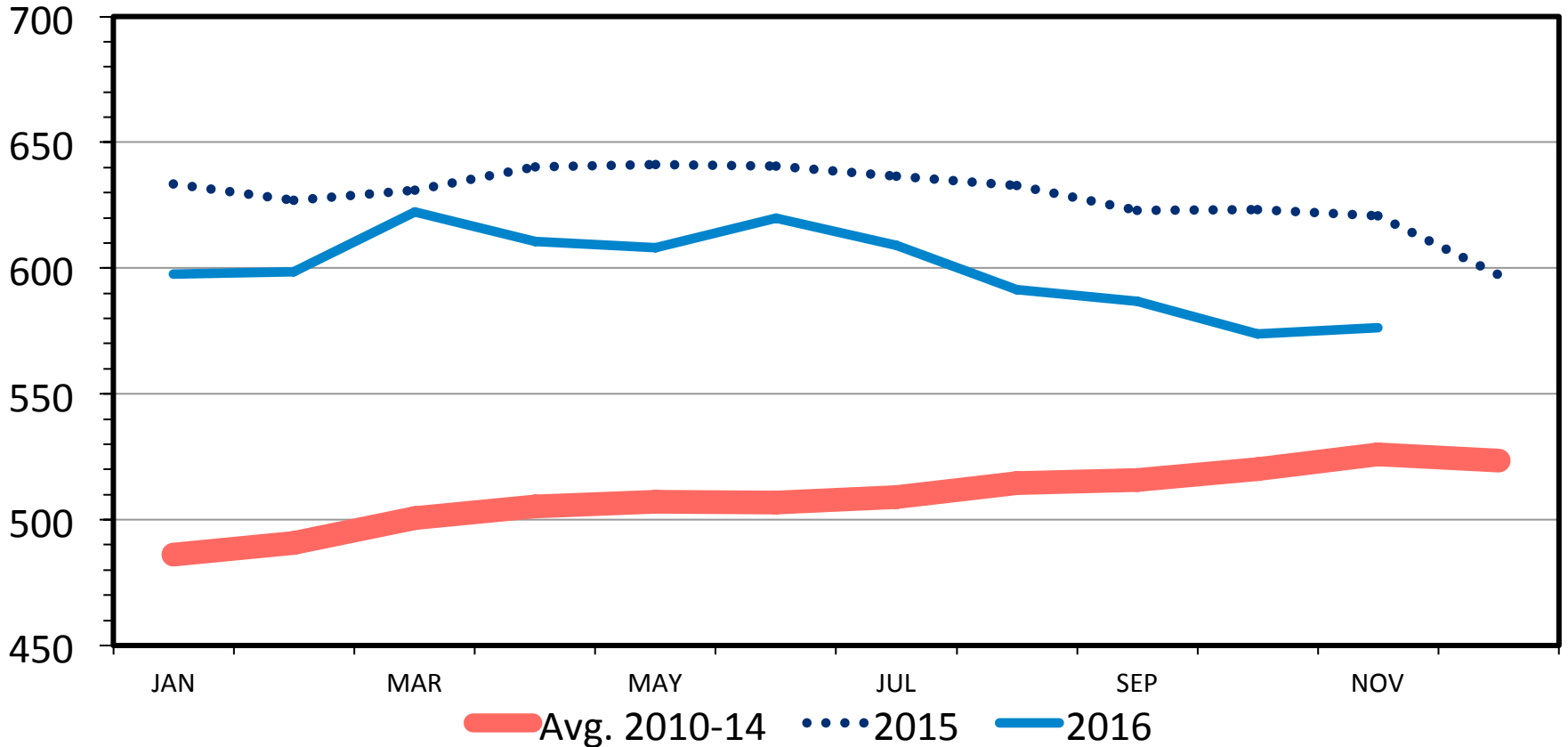
CATTLE SLAUGHTER

Federally Inspected, Weekly



RETAIL BEEF PRICE Choice, Monthly

Cents Per Pound



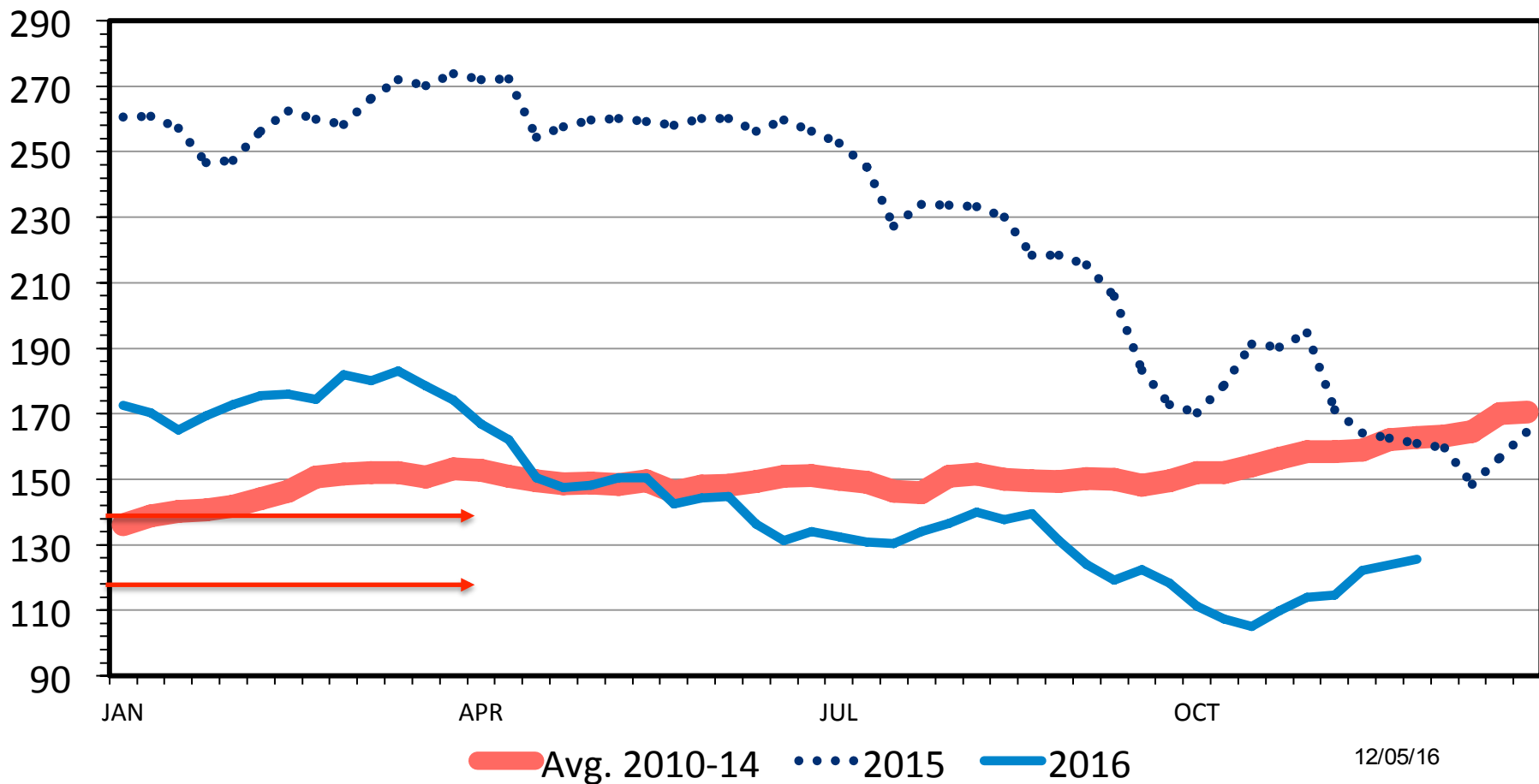
M-P-09
12/15/16



MED. & LRG. #1 & 2 STEER CALF PRICES

500-600 Pounds, Georgia, Weekly

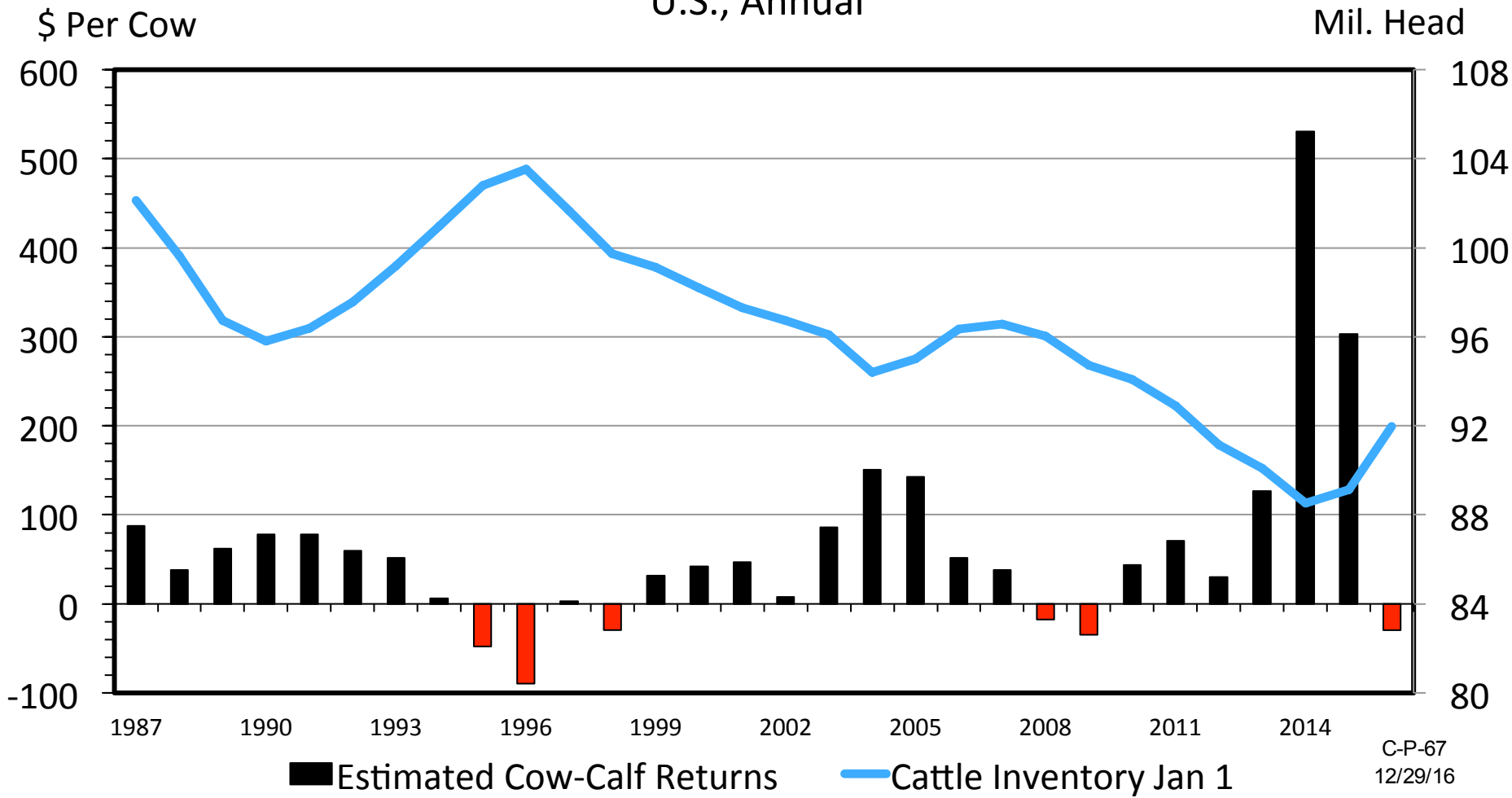
\$ Per Cwt.



12/05/16

COW-CALF RETURNS AND CATTLE INVENTORY

U.S., Annual



C-P-67
 12/29/16



Beef Outlook Summary

Continue to see a return to “normal” supply, demand, and trade fundamentals

Expect a seasonal price pattern consistent with current prices

Negative profits on average nationwide -> end of expansion

Expect to turn the corner on the cattle cycle which will help prices going into 2018

Recovery in pasture conditions will dictate profitability in much of Georgia

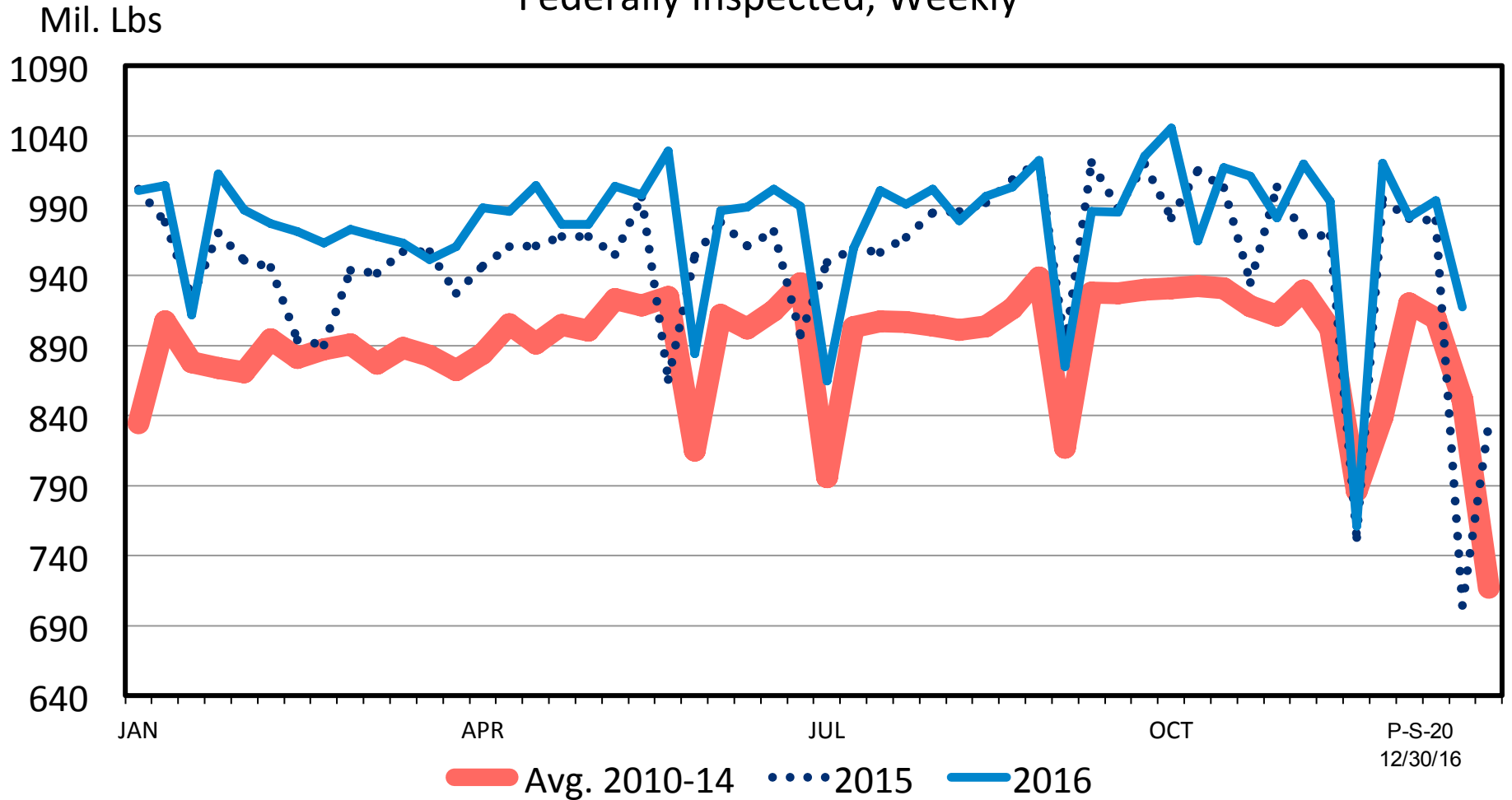


Poultry



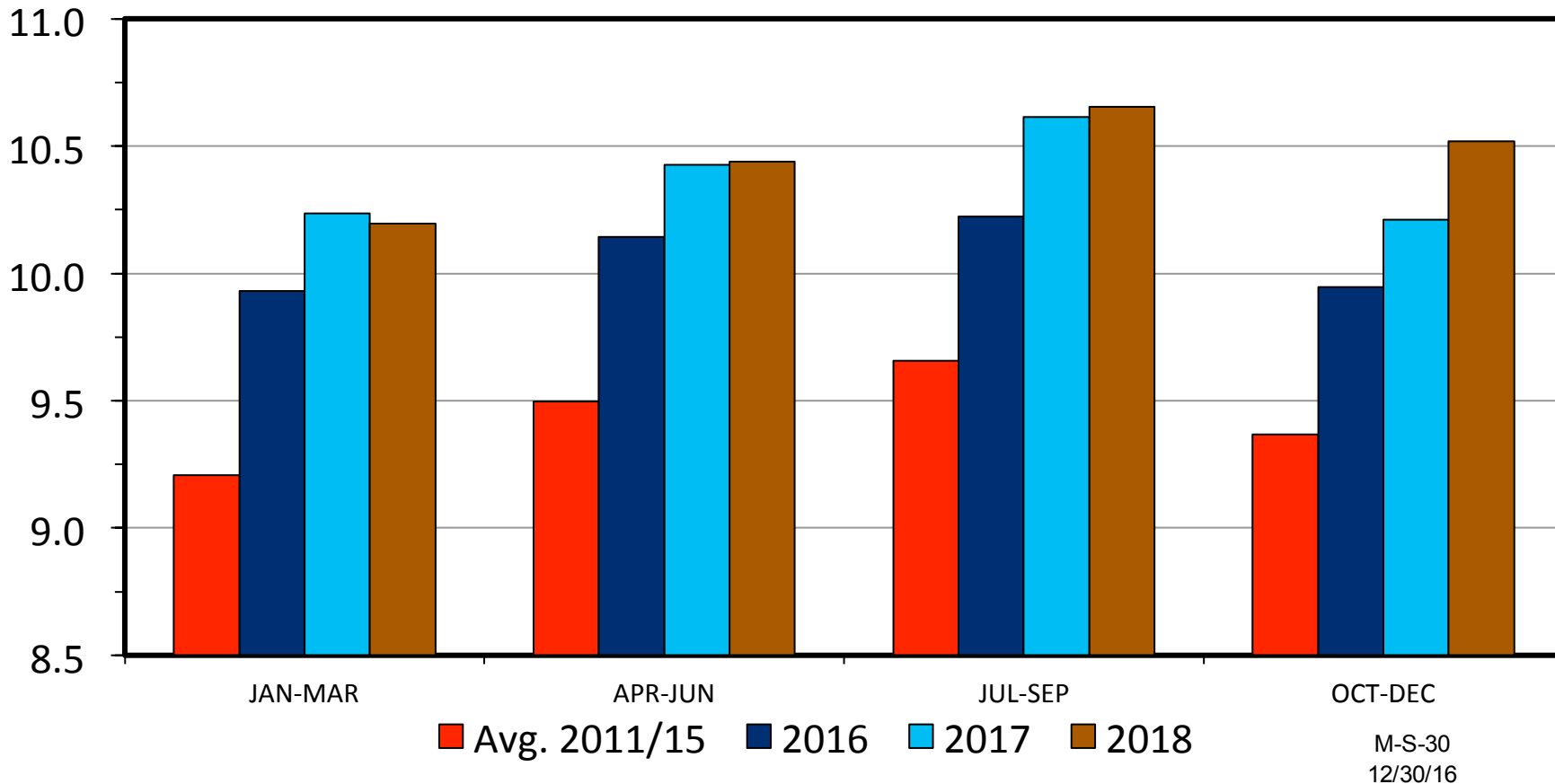
BROILER PRODUCTION

Federally Inspected, Weekly



RTC BROILER PRODUCTION US, Quarterly

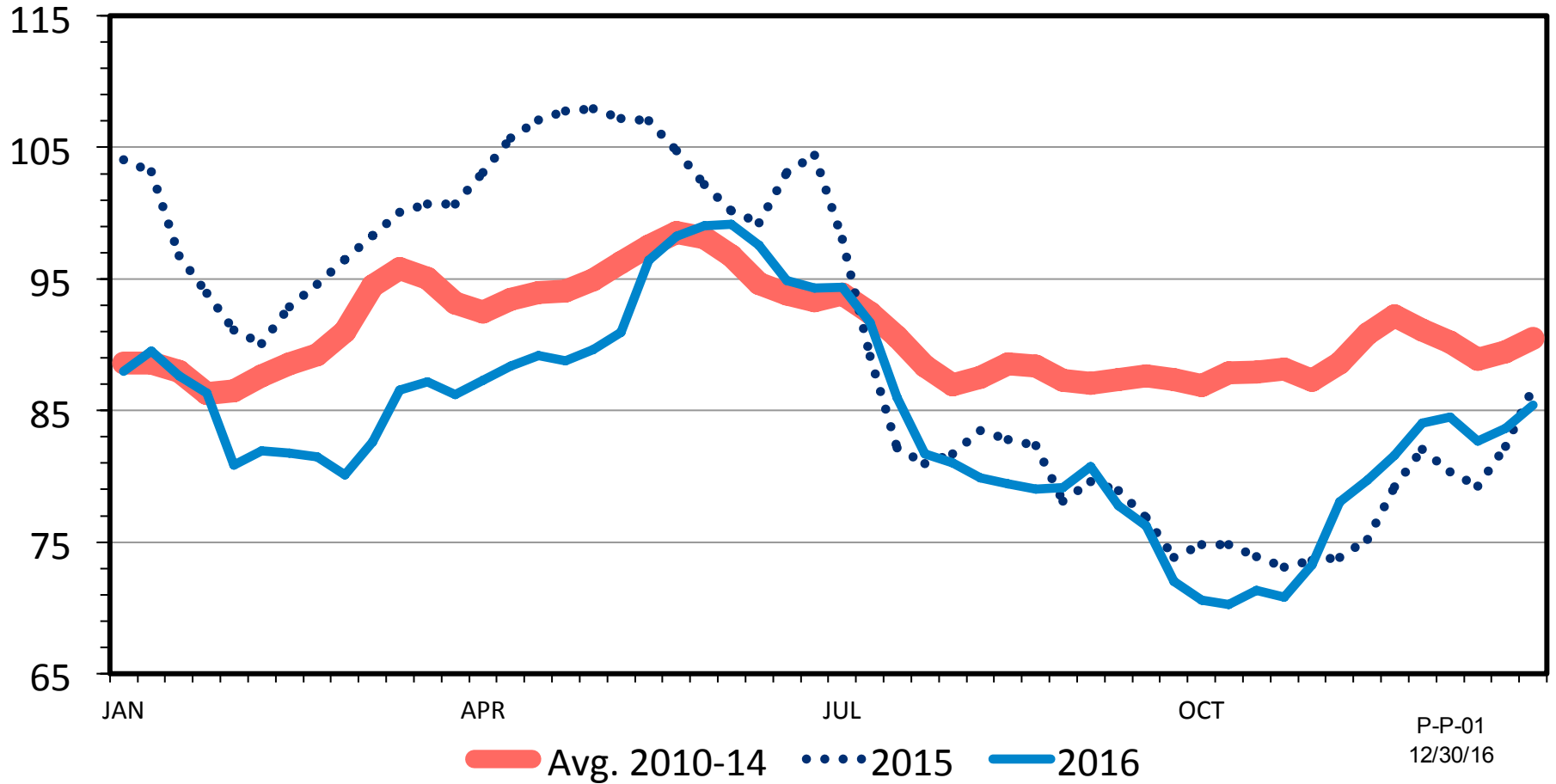
Bil. Pounds



BROILER PRICES

National Composite, Weekly

Cents Per Pound



Poultry Outlook Summary

Expect continued increases in production, but slower growth than previous year

Exports will be even more important in 2017 due to higher production, but expect higher domestic supplies

Competing meats will add downward pressure to prices

Continued low feed costs will ultimately determine profitability in 2017





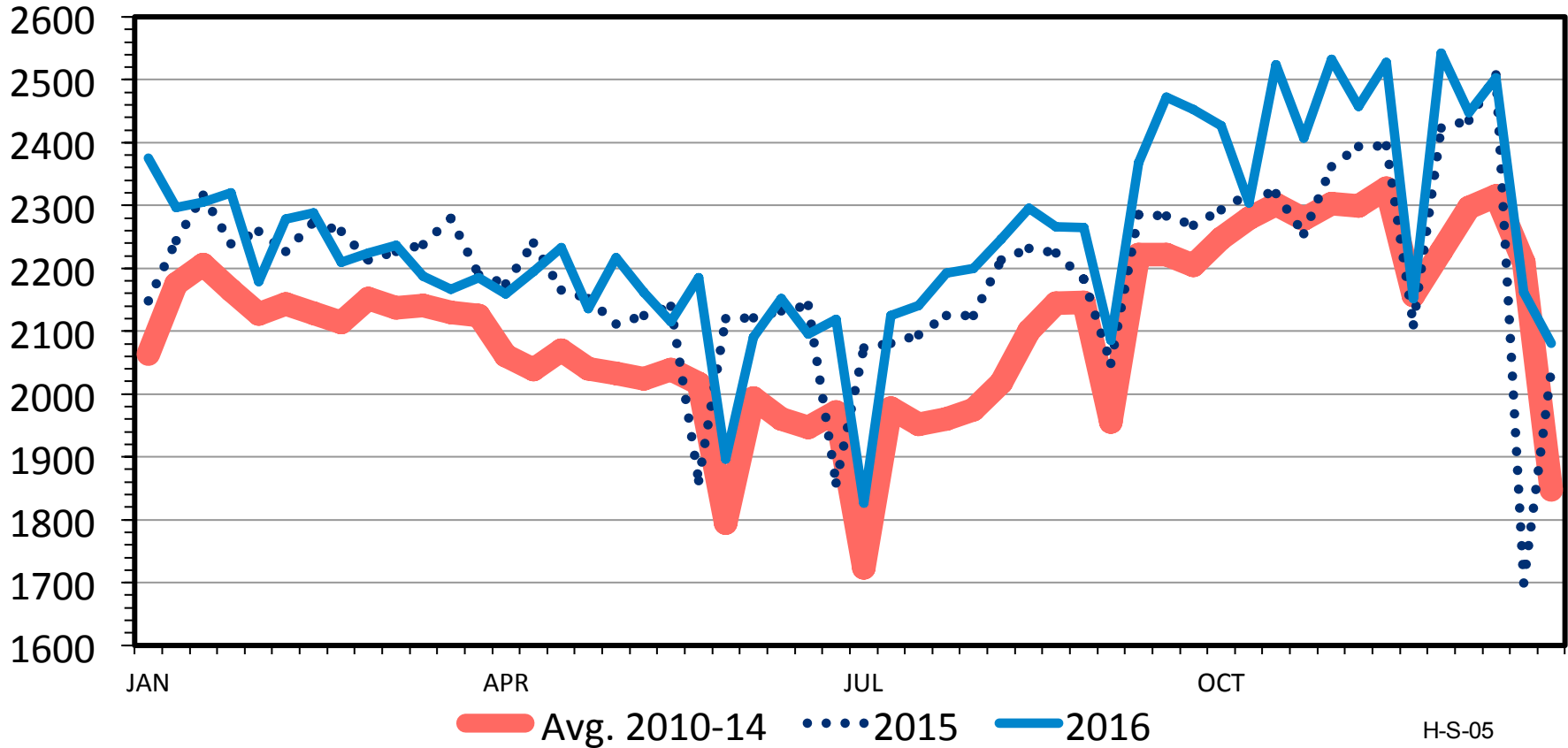
Hogs



HOG SLAUGHTER

Federally Inspected, Weekly

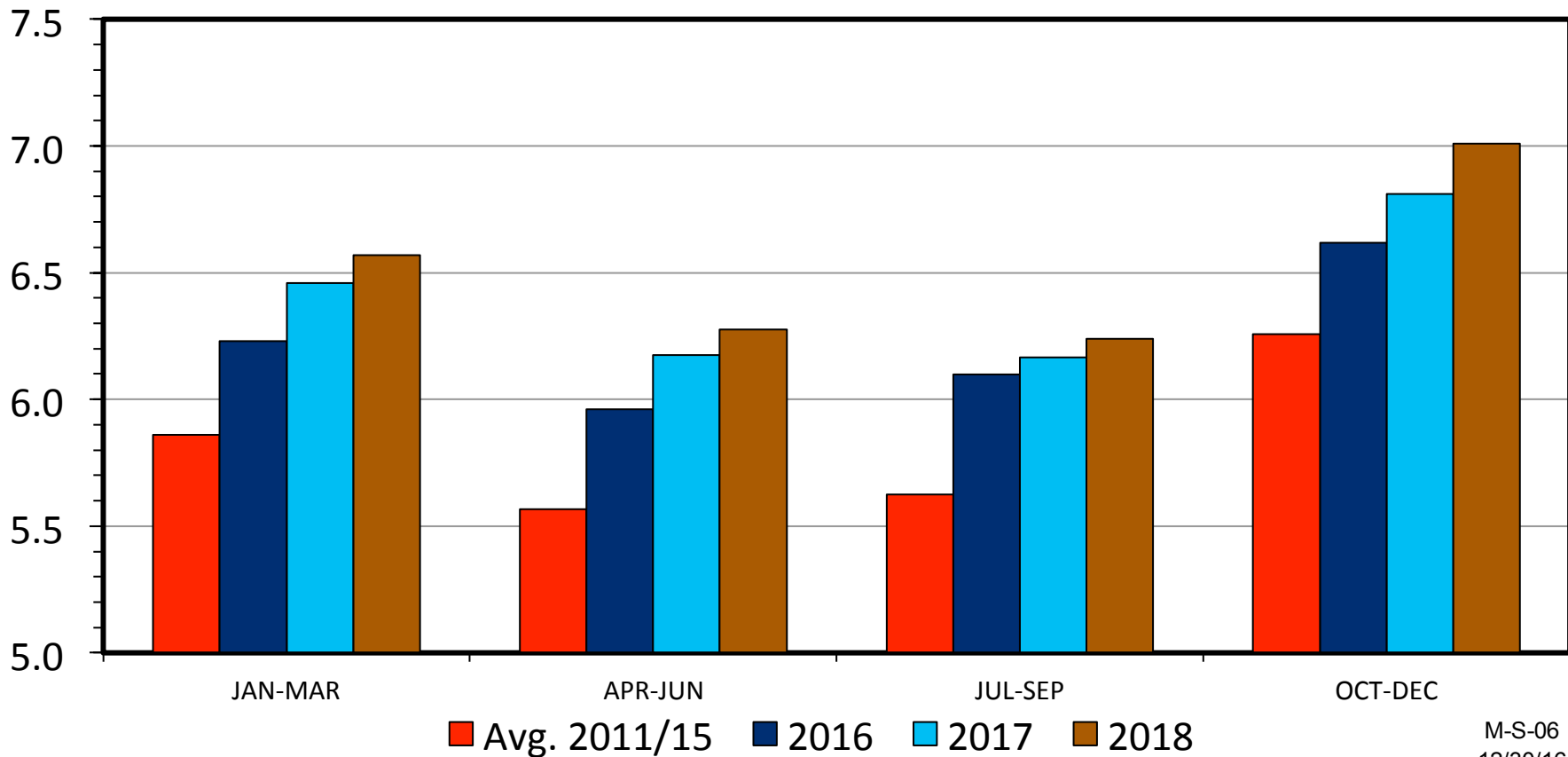
Thou. Head



H-S-05
01/05/17

COMMERCIAL PORK PRODUCTION US, Quarterly

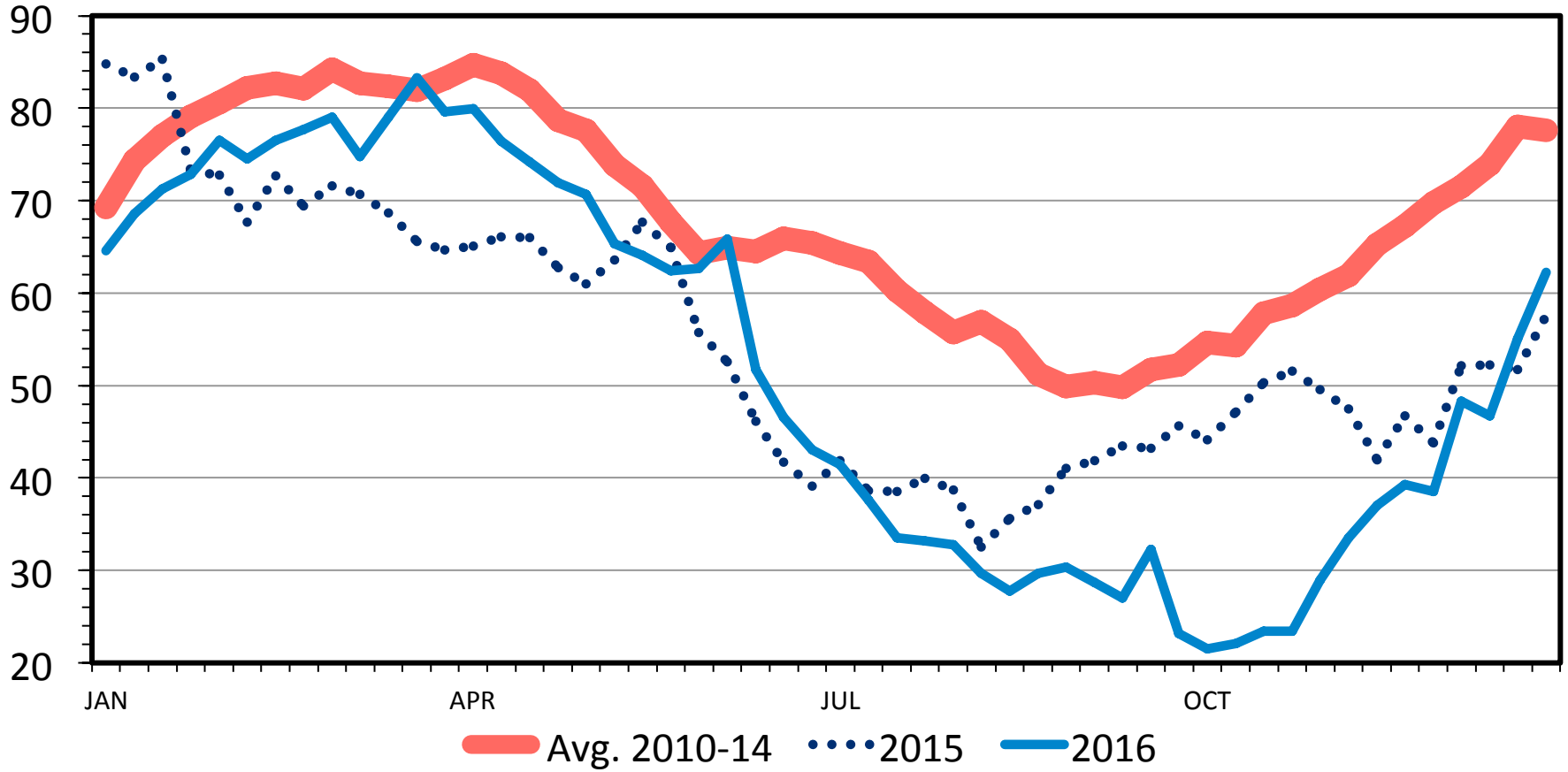
Bil. Pounds



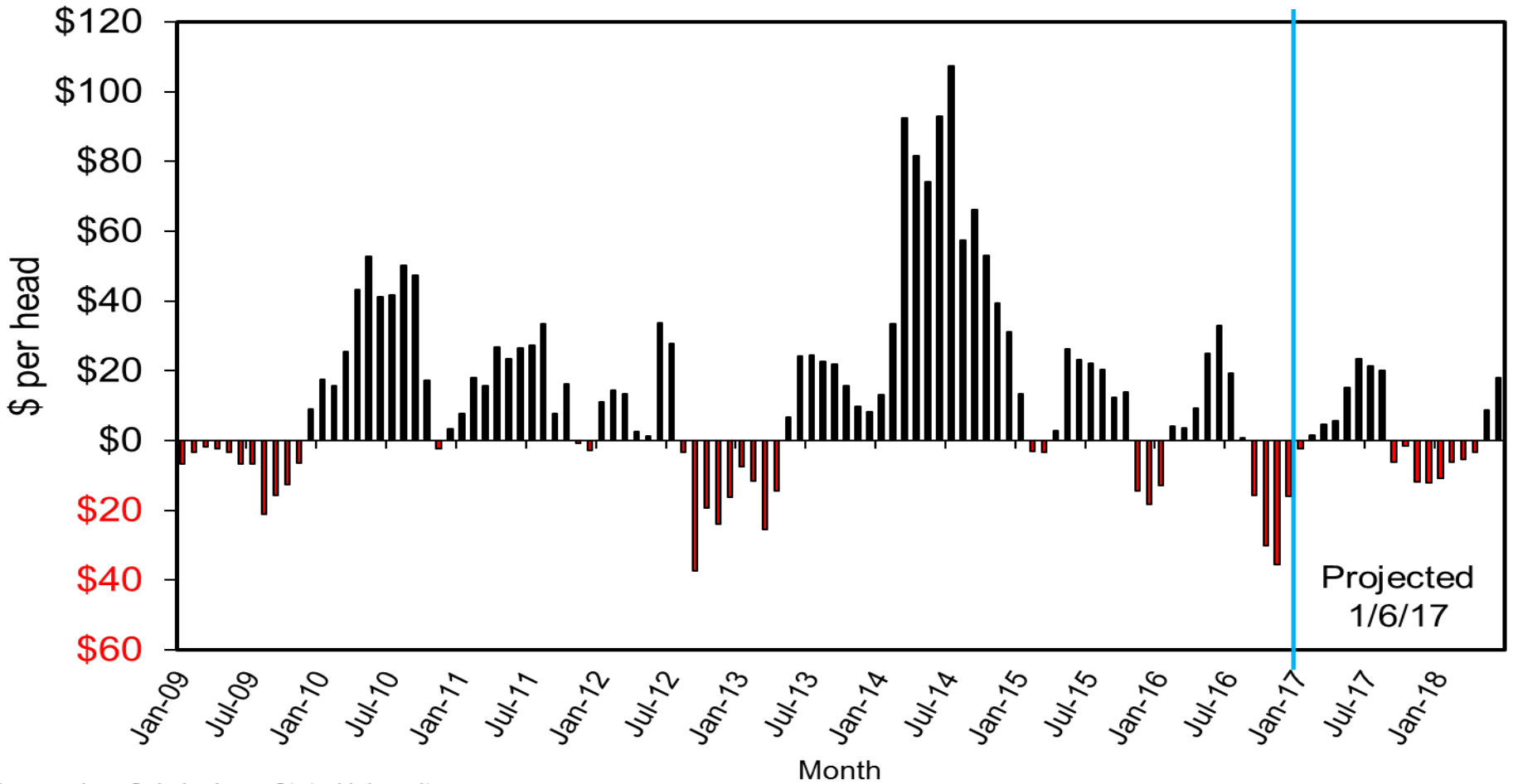
FEEDER PIG PRICES

40 Pounds, Weekly

\$ Per Head



Estimated Returns to Farrow to Finish, Iowa
Past and Projected with Basis Adjusted Futures



Source: Lee Schulz, Iowa State University



Hog Outlook Summary

Slower growth in production assisted in part by increases in packing capacity

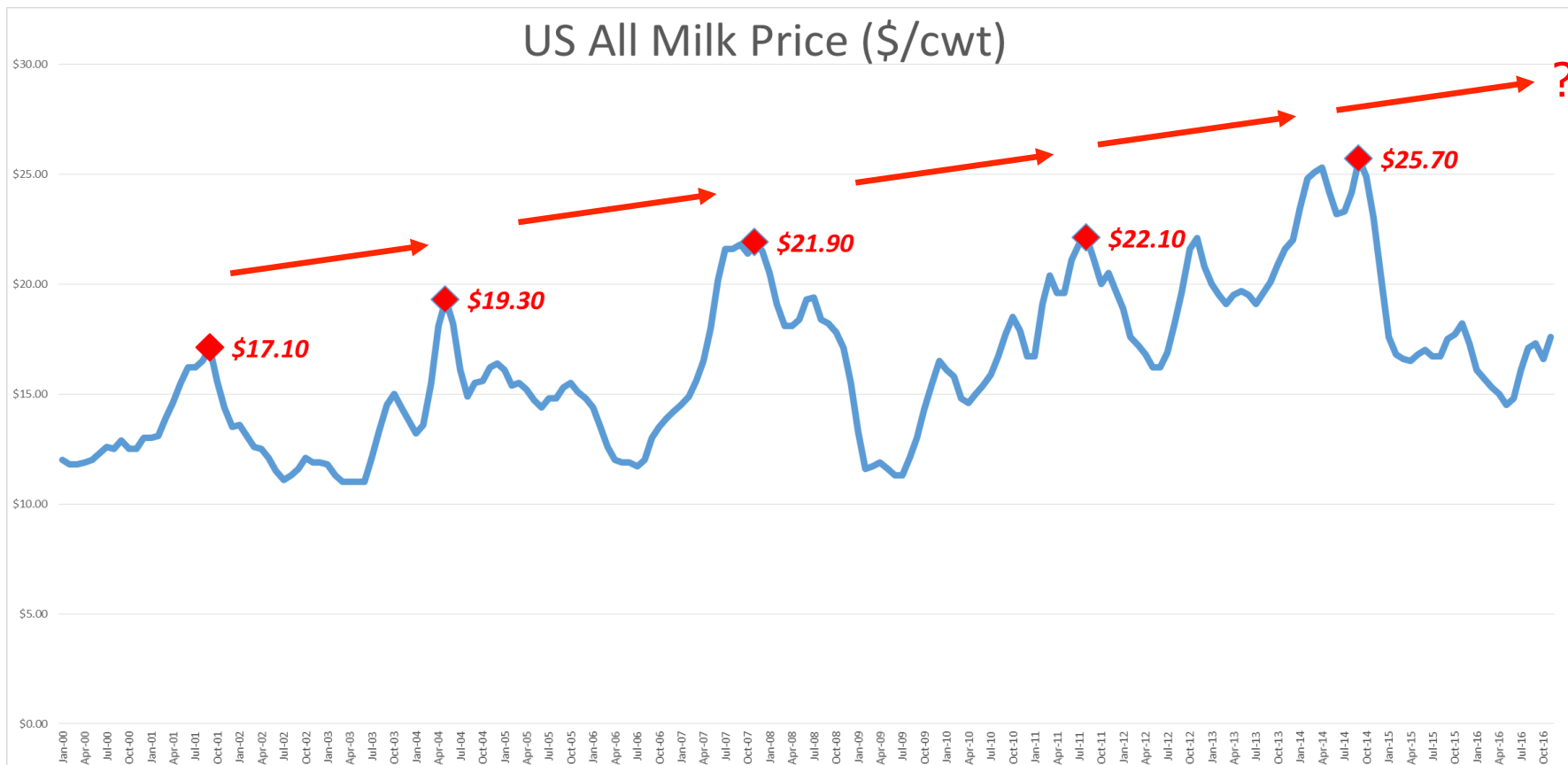
As with other meats, increasing production of competing product will put negative pressure on prices

Exports will be a key factor in buoying prices, in addition to a willingness of domestic consumers to absorb increasing supplies

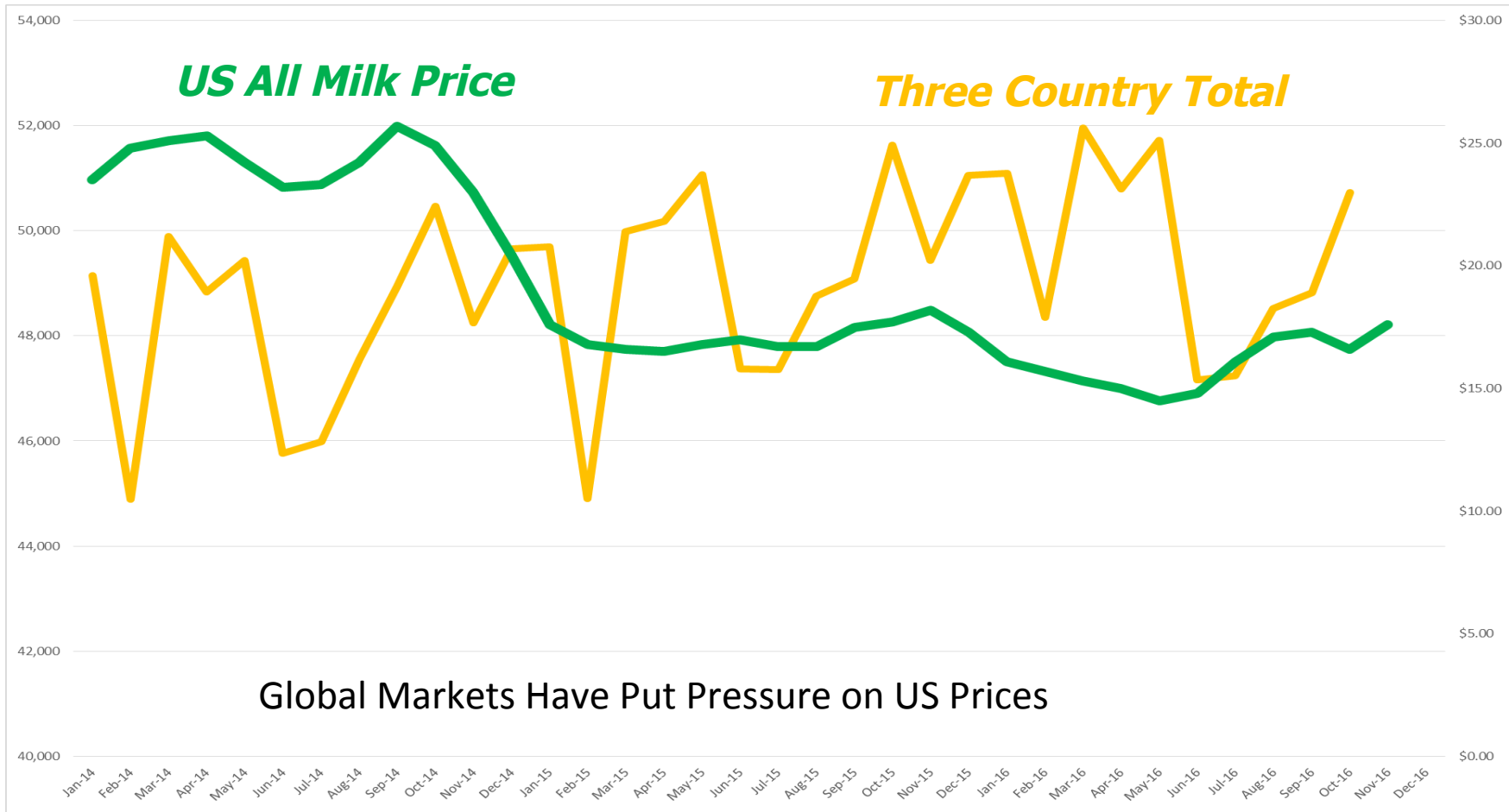
Likely to see a recovery in profits early in the year with feed costs expected to catch up later in the year



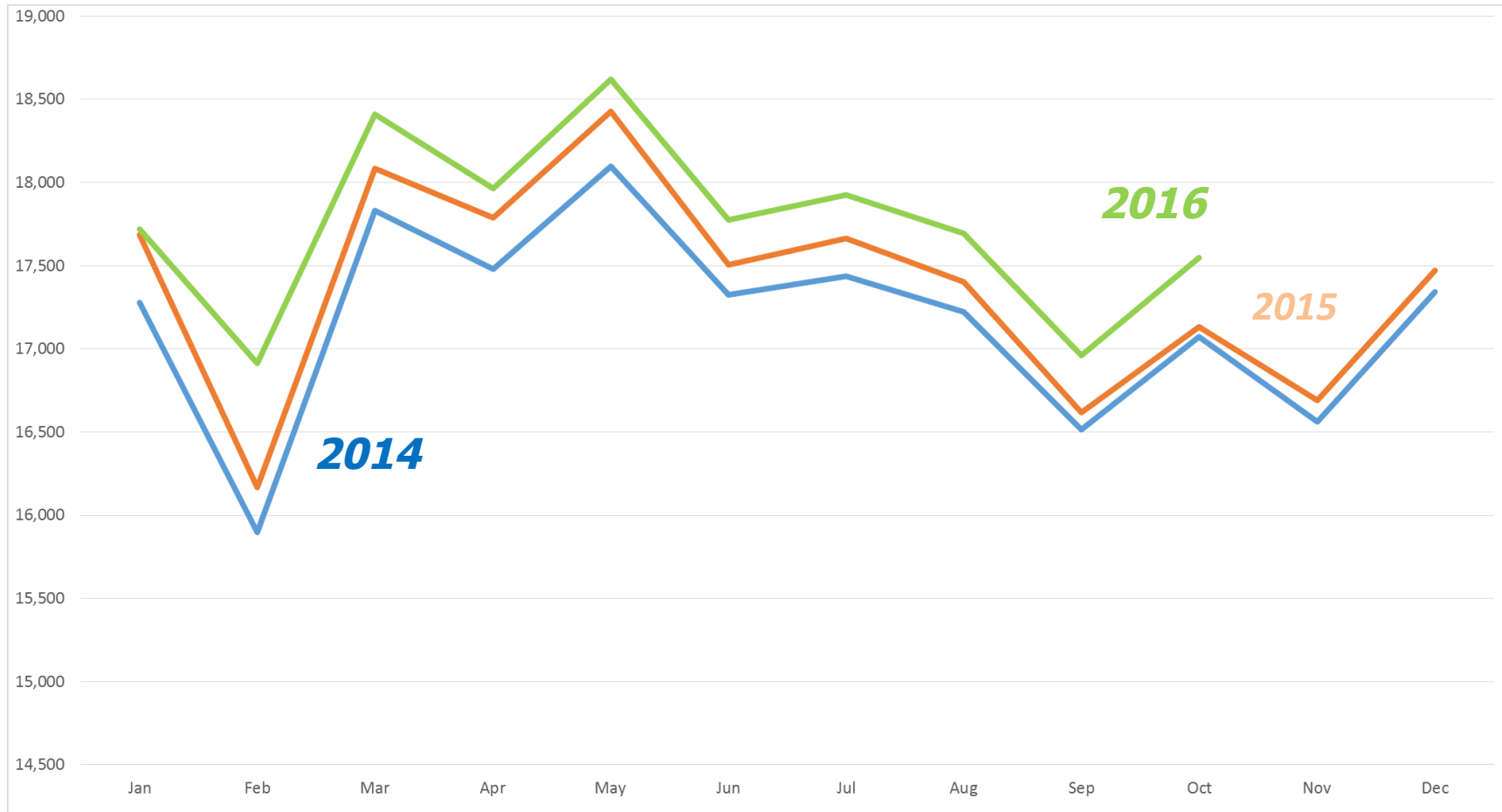
All Milk Price: 2000 - 2016



Milk Production v. All Milk Price



US Milk Production: 2014 - 2016

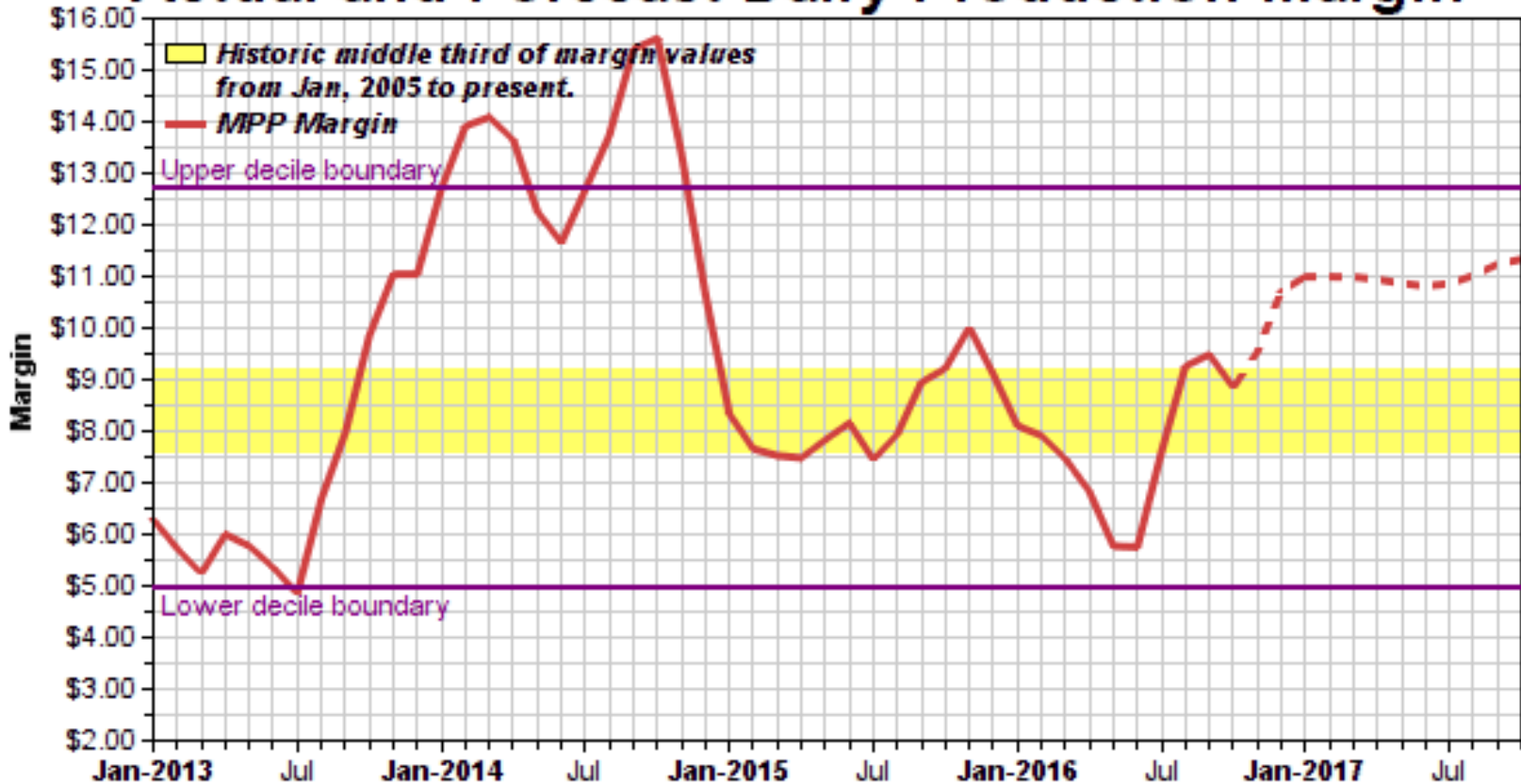


Typical Milk Production Growth of 2% Annually



US Milk Production: 2014 - 2016

Actual and Forecast Dairy Production Margin



Updated 12/20/16

MPP Margin Forecast Looks Promising



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US Milk Production: 2014 - 2016

- **All Milk Price: \$17.25 – 19.00**
- **Georgia Mailbox: \$20.11 - \$22.00**
- **All Milk Price: \$17.25 – 19.00**
- **Some “Forecasters” think USDA is too low.**
- ***MOST* “Forecasters” think I’m too low!**
- **So how about \$18 All Milk and \$21.00 Georgia Mailbox?**

2017 Georgia **Ag Forecast**

Row Crops Outlook

Adam Rabinowitz, Don Shurley, and Amanda Smith
Department of Agricultural and Applied Economics
University of Georgia



**College of Agricultural &
Environmental Sciences**
UNIVERSITY OF GEORGIA

FRED 

— Trade Weighted U.S. Dollar Index: Broad



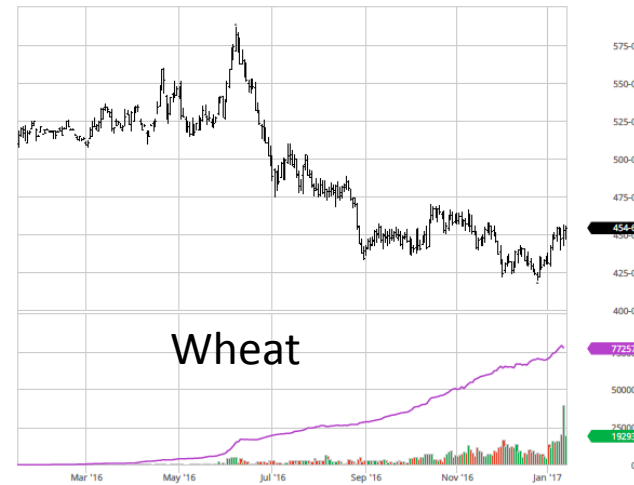
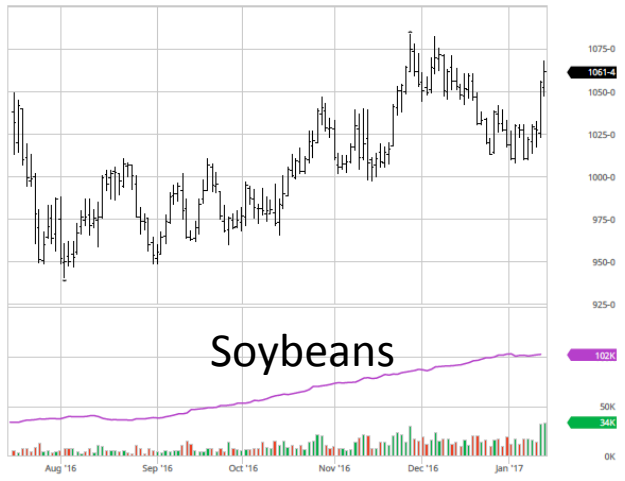
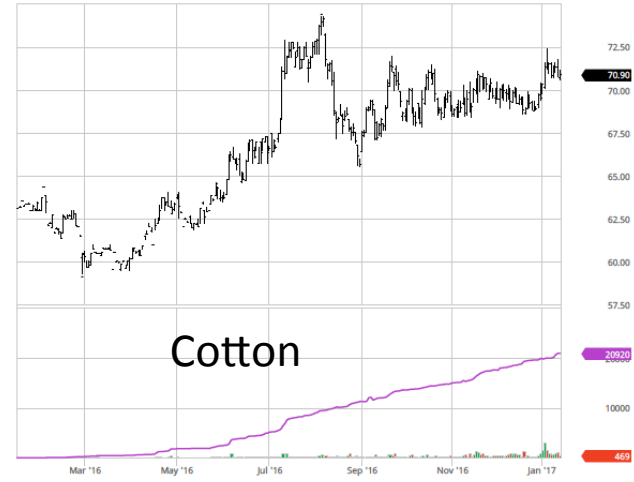
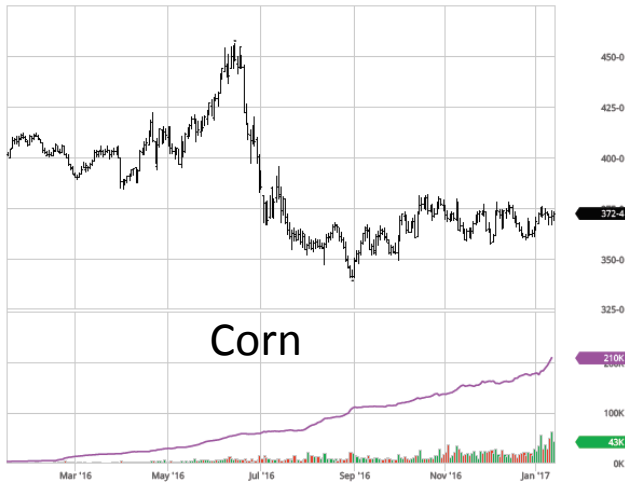
Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org

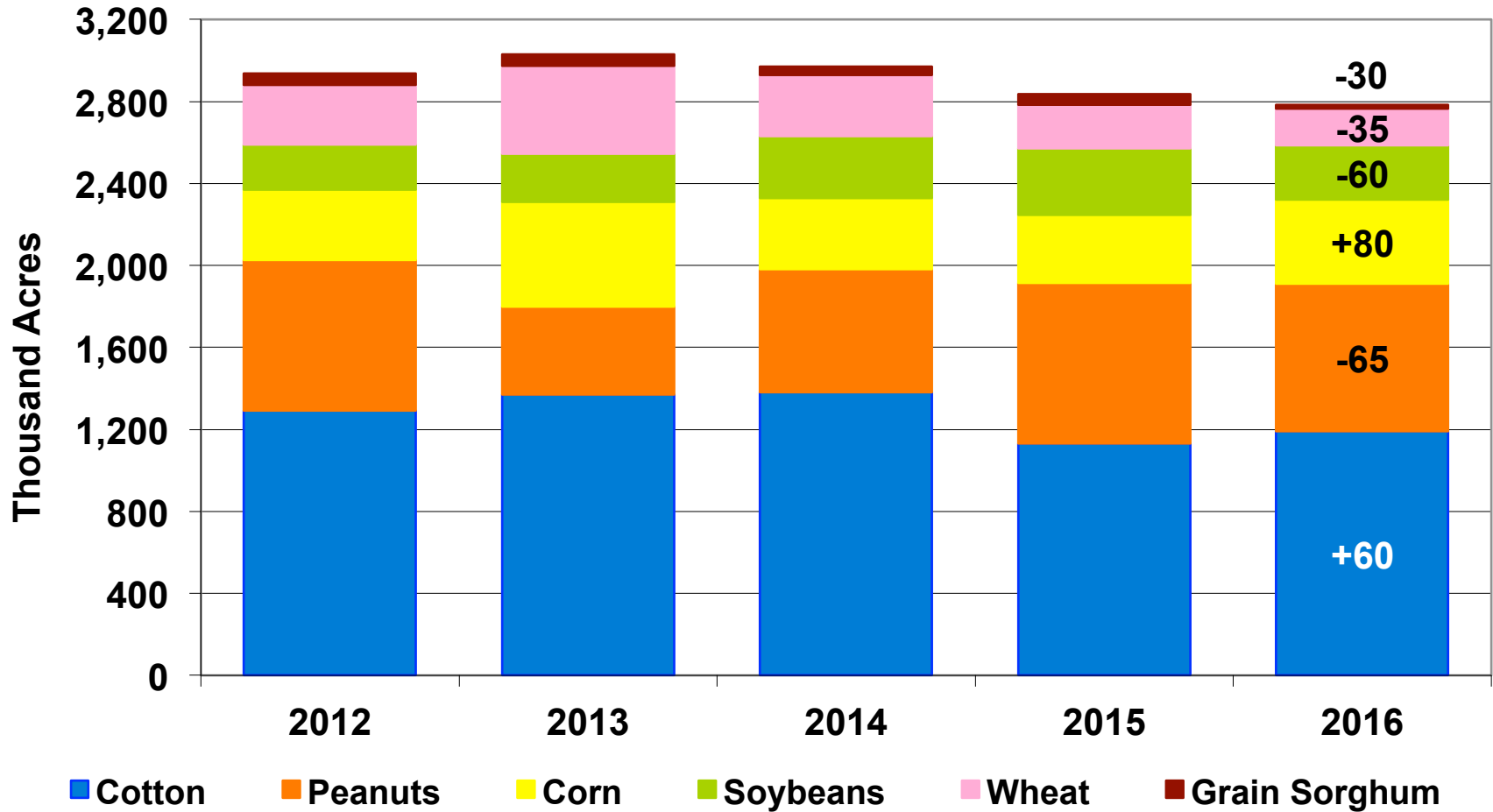
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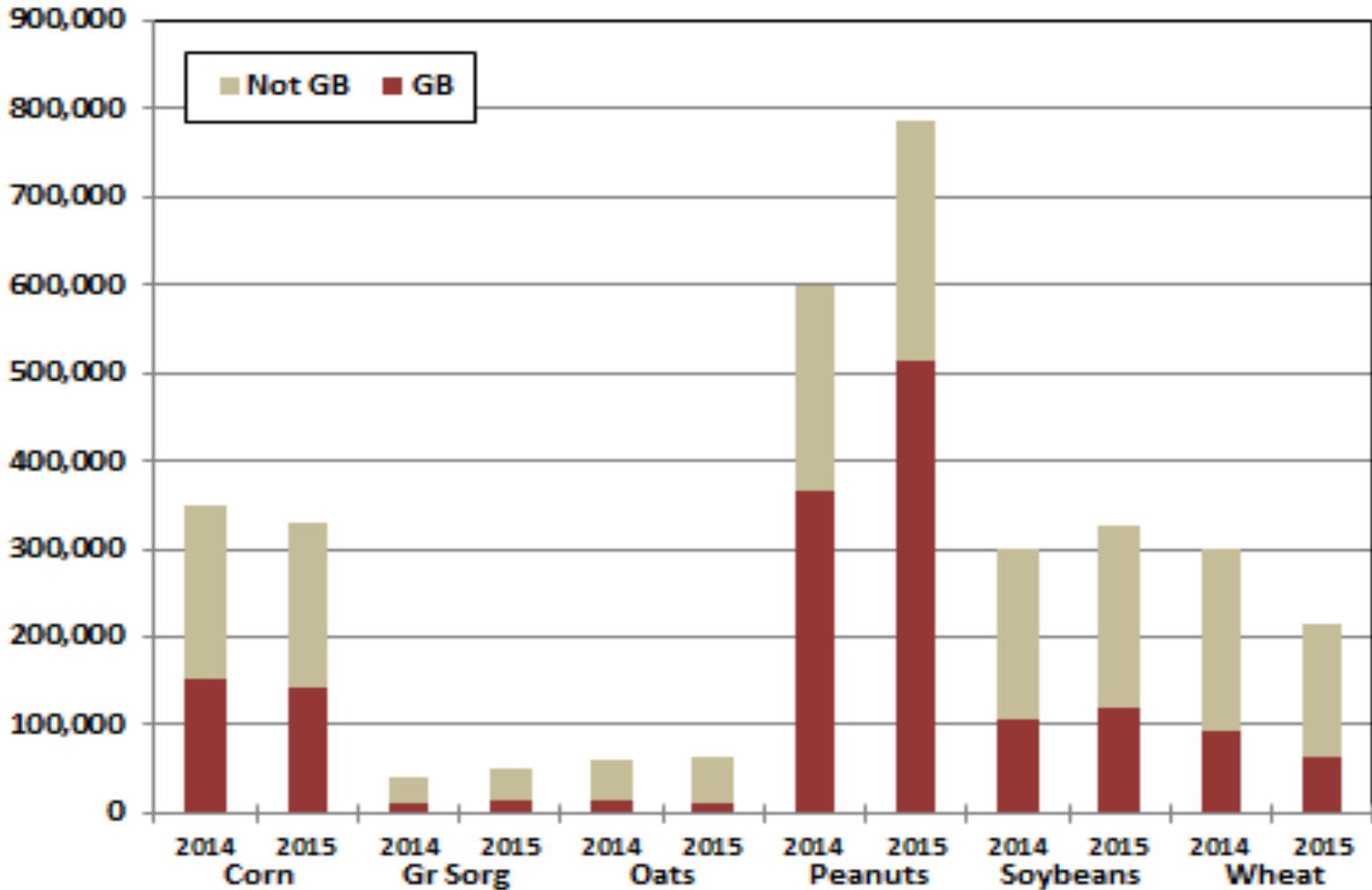
2017 Georgia Ag Forecast



Planted Acres of Select Row Crops in Georgia and Change from 2015



Acres Planted and Assigned to Generic Base, By Crop and Crop Year



2017 Inputs Outlook

- Seed prices: minor changes, estimate 1% increase
- All fertilizers down from year ago, likely hit bottom in 2016 (budgets: N = \$0.42, P = \$0.39, K = \$0.28)
- Diesel fuel down from year ago, hit bottom in 2016 and expected to increase through 2017
- Chemicals mixed (some up, some down)
- Machinery, up 1.5% from last year
- Labor rates are about same as last year





Corn

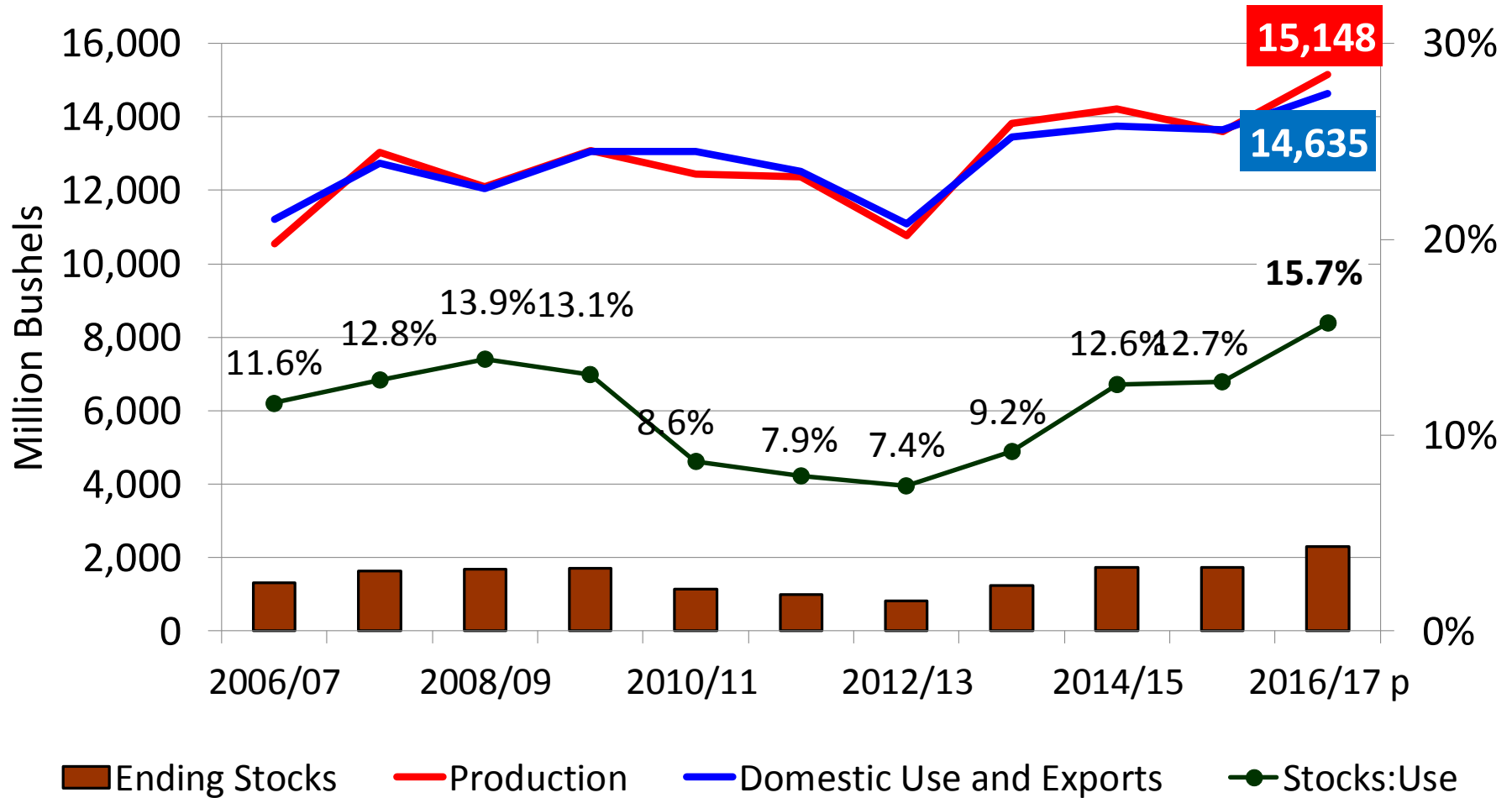


GA & US Corn Crops, 2014-2016

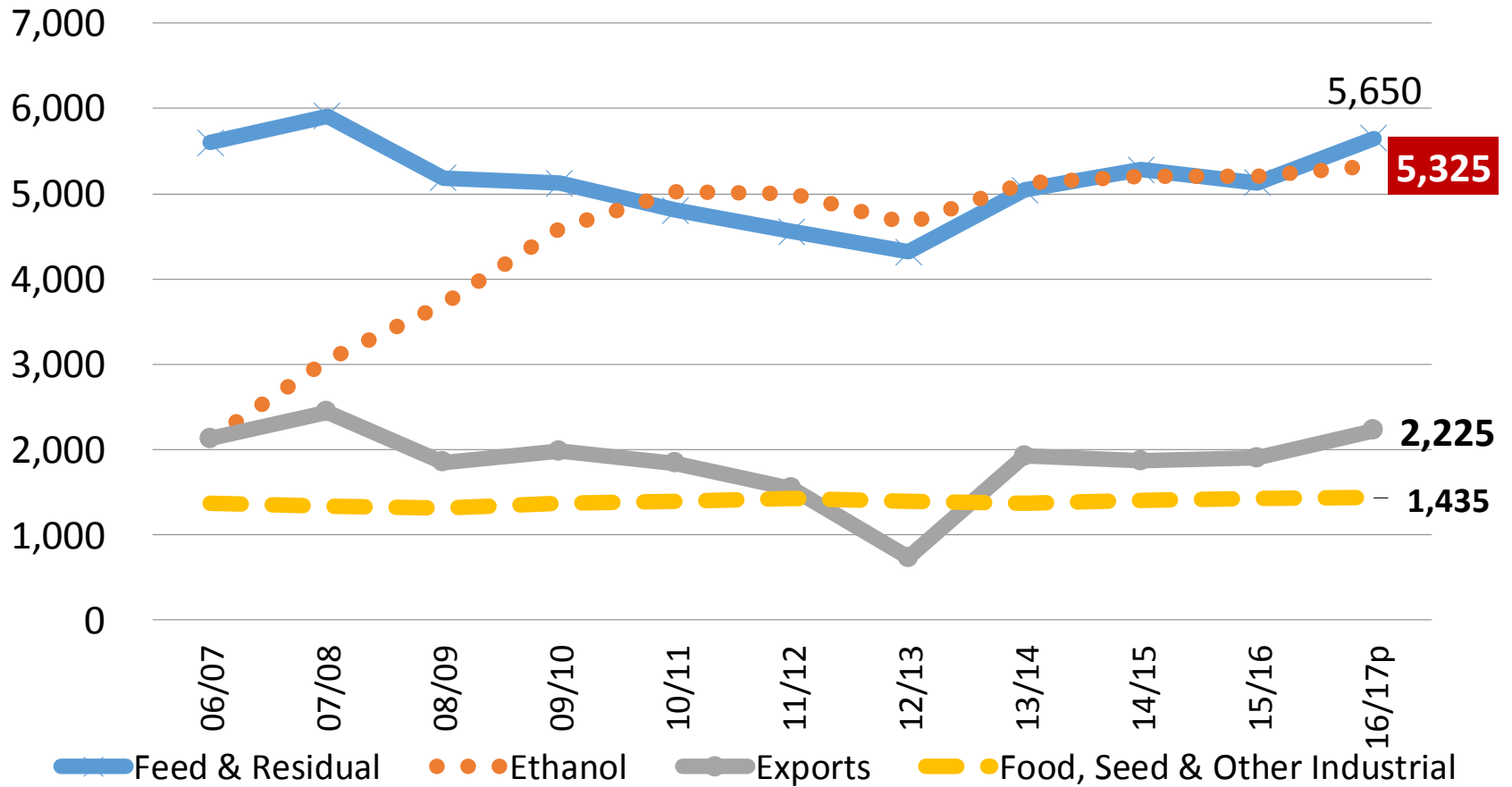
	Planted Acres			Harvested Acres			Yield (bu/acre)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
GA (1,000)	350	330	410	310	285	340	170.0	171.0	165.0
US (million)	90.6	88.0	94.0	83.1	80.7	86.7	171.0	168.4	174.6

- Planted acres up in US and GA
- Record US yield in 2016 but GA yield down
- Record US production at 15.148 billion bushels.

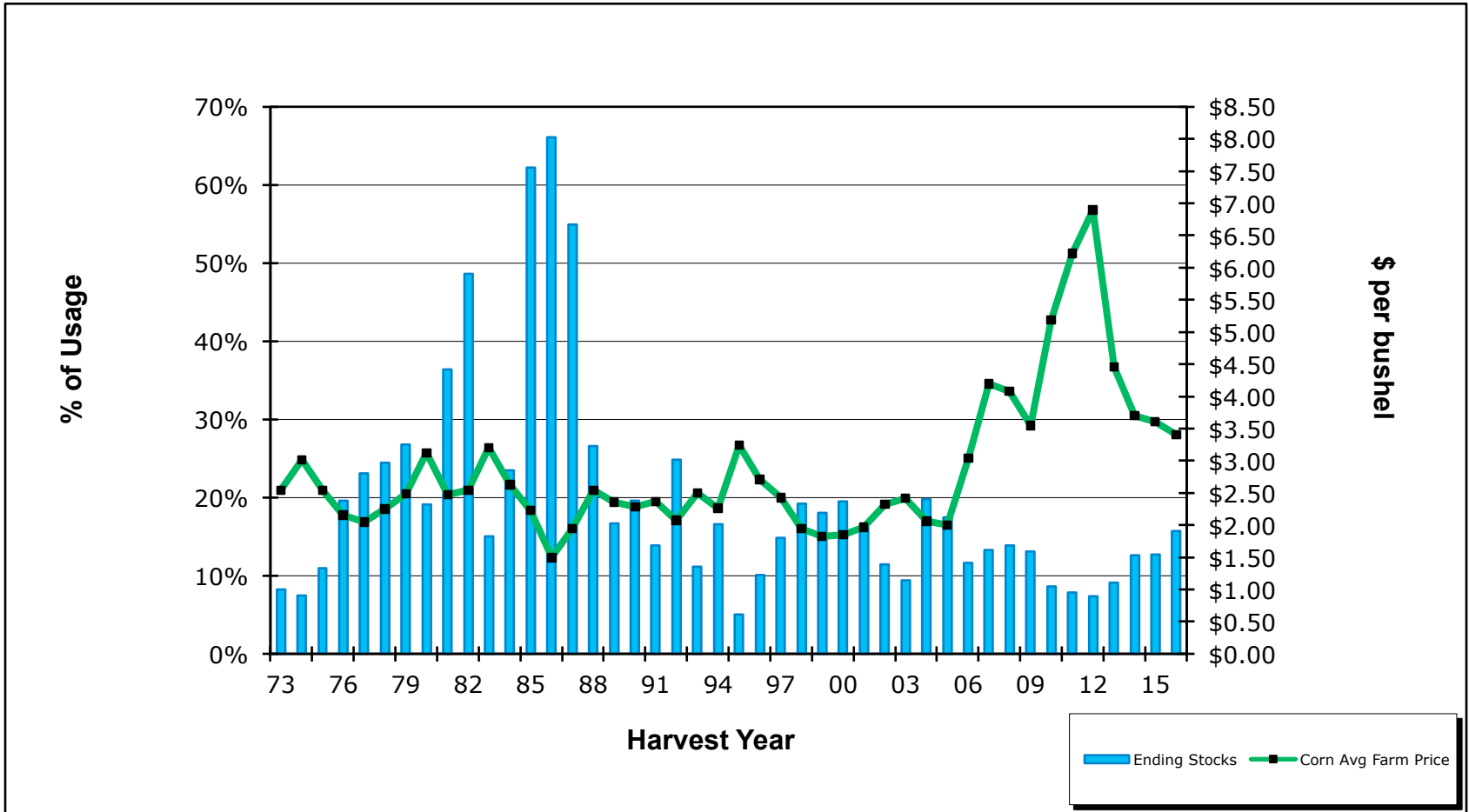
U.S. Corn Supply and Demand



U.S. Corn Utilization



Corn Price vs Ending Stocks



Corn Outlook Summary

US corn acres to decrease in 2017 due to lower corn prices relative to soybeans

Ethanol levels increasing due to Renewable Fuel Standard increases

Whether strong exports continue is going to be a big question

GA price likely to be in the range of \$4.07 and \$4.22



Cotton



Georgia Cotton Acreage and Yield

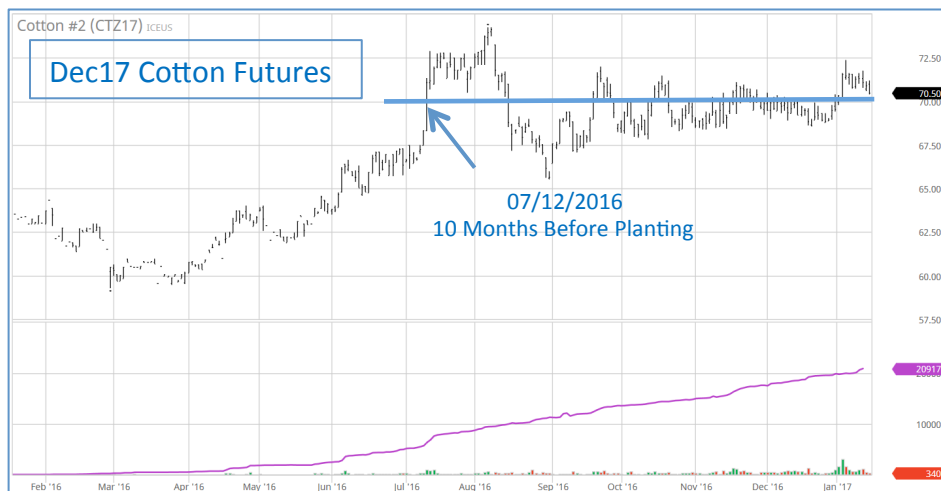
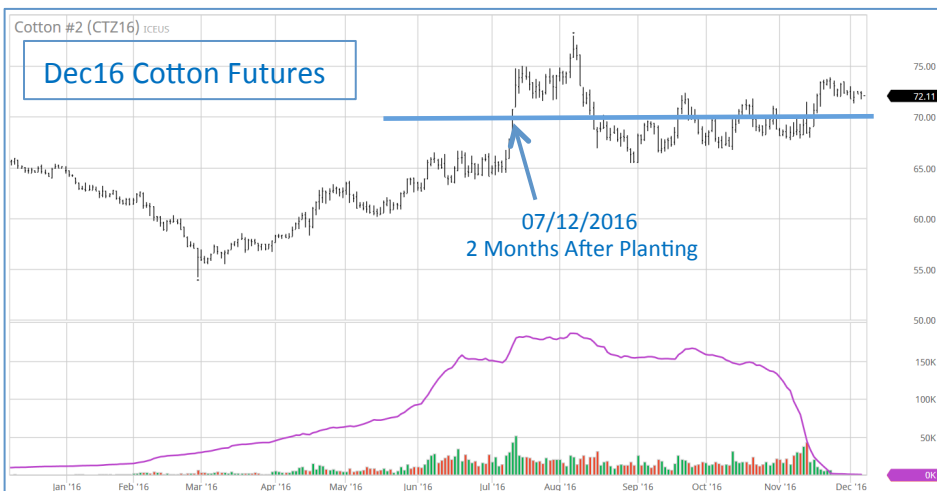
	Acres ¹	Yield ²
2012	1,290	1,091
2013	1,370	831
2014	1,380	900
2015	1,130	966
2016	1,190	903



1/ Thousand Acres. Modern record acres planted is 1.6 million in 2011

2/ Lbs per acre harvested. 2012 was record year. 2015 was second highest on record.

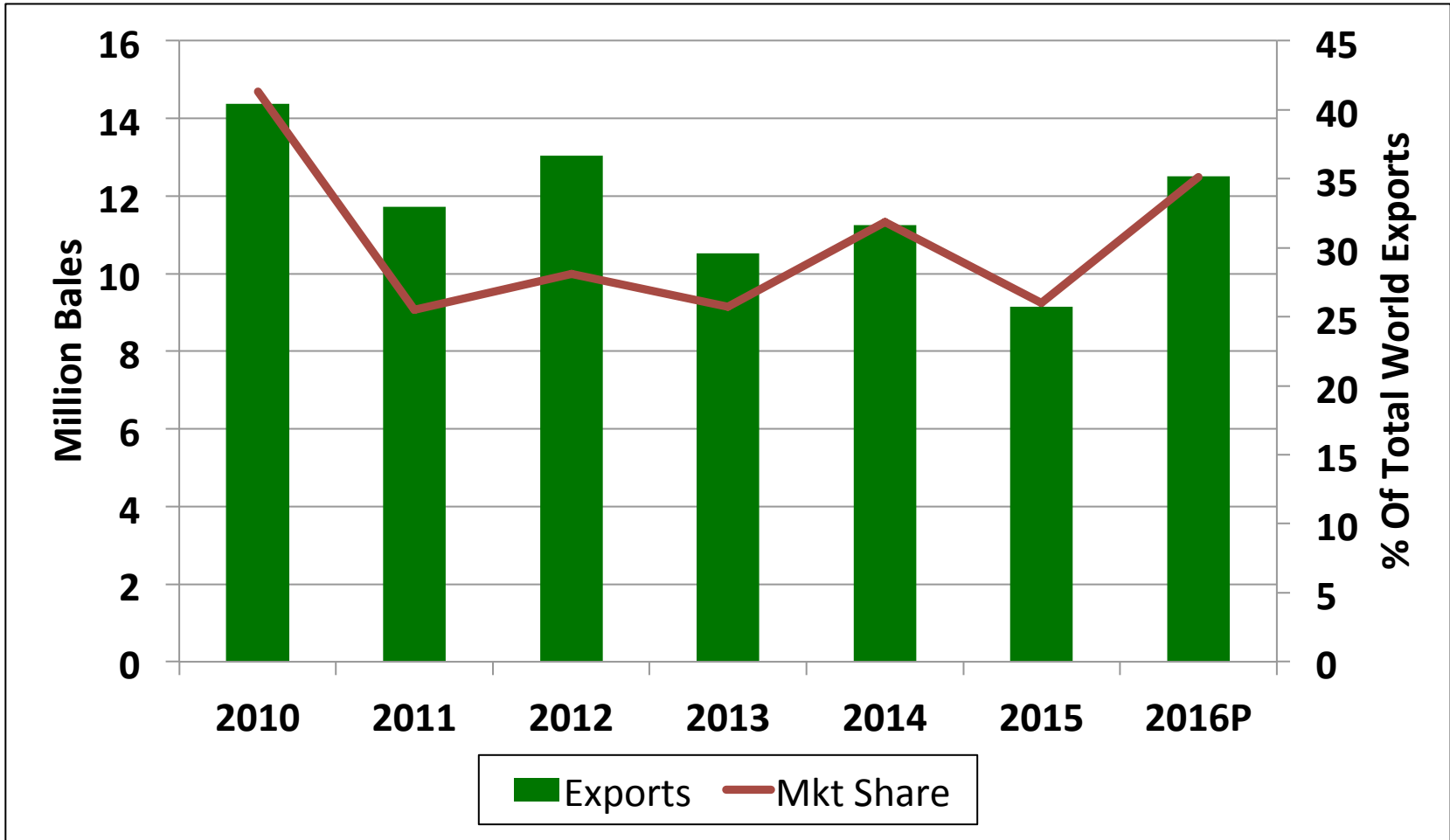
The Foundation Could Already Be Set for a Better 2017



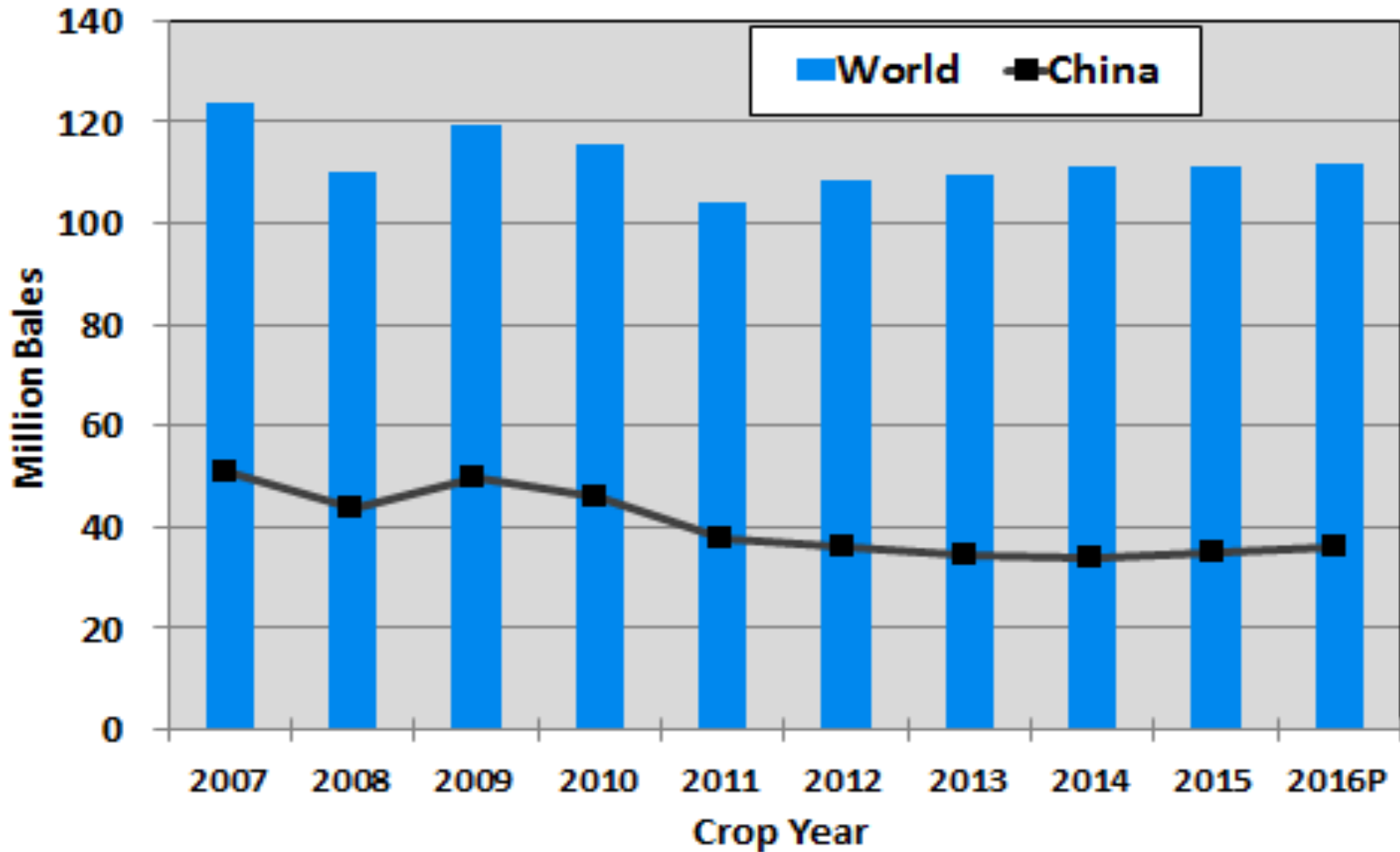
**Whether it happens is another matter.
70 cents seems to be the barometer for this market.**



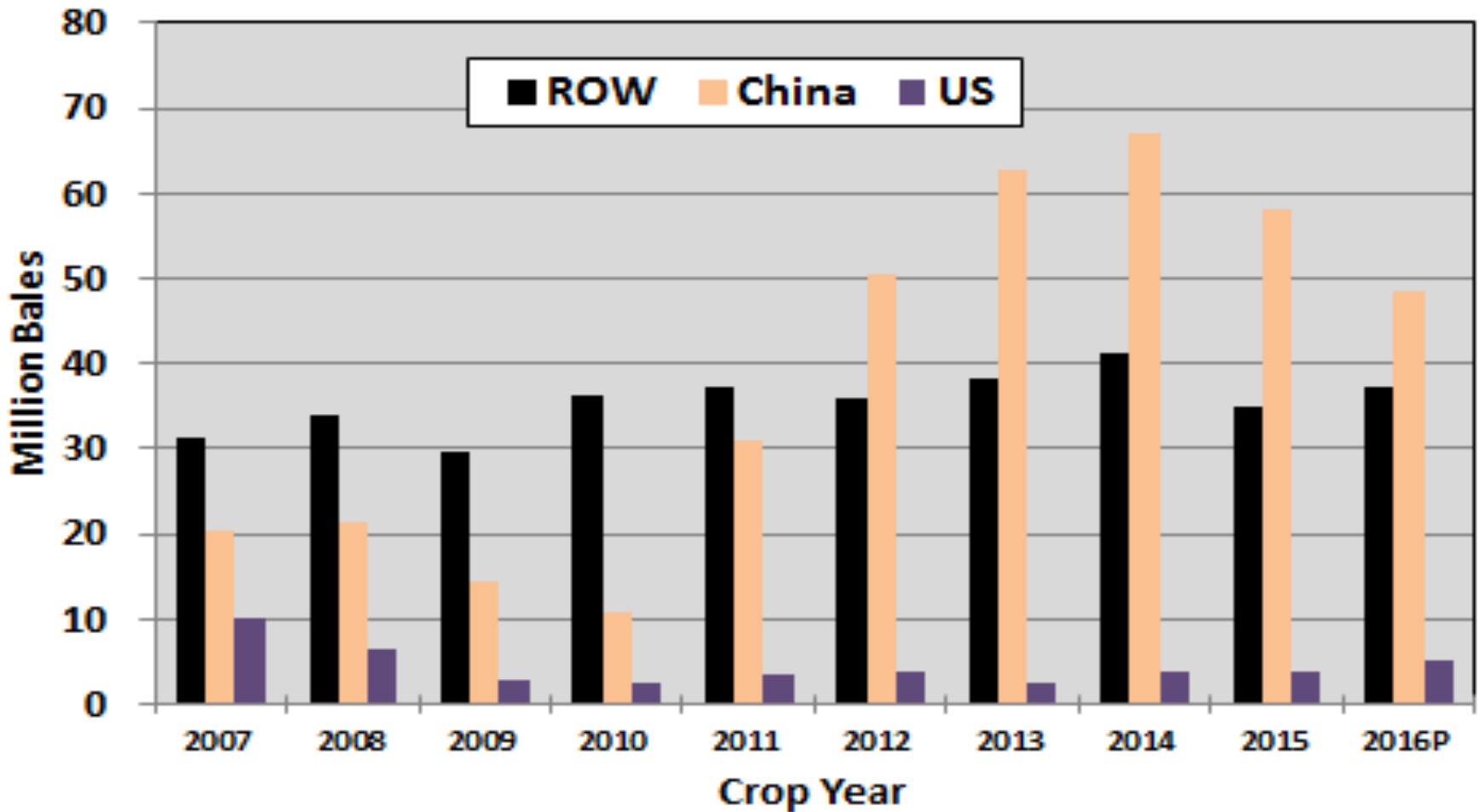
US Cotton Exports and Share of World Exports



World and China Cotton Use/Demand



Ending Stocks—China, US, and Rest of the World



2017 Cotton Summary and Outlook

- US acreage will be up.
- This may add pressure to prices but ultimately price will hinge on foreign production also
- Stocks should continue to decline; another round of sales by China
- Unless production declines globally, demand growth will also be key
 - Prices most likely 65 to 75 cents



Peanuts

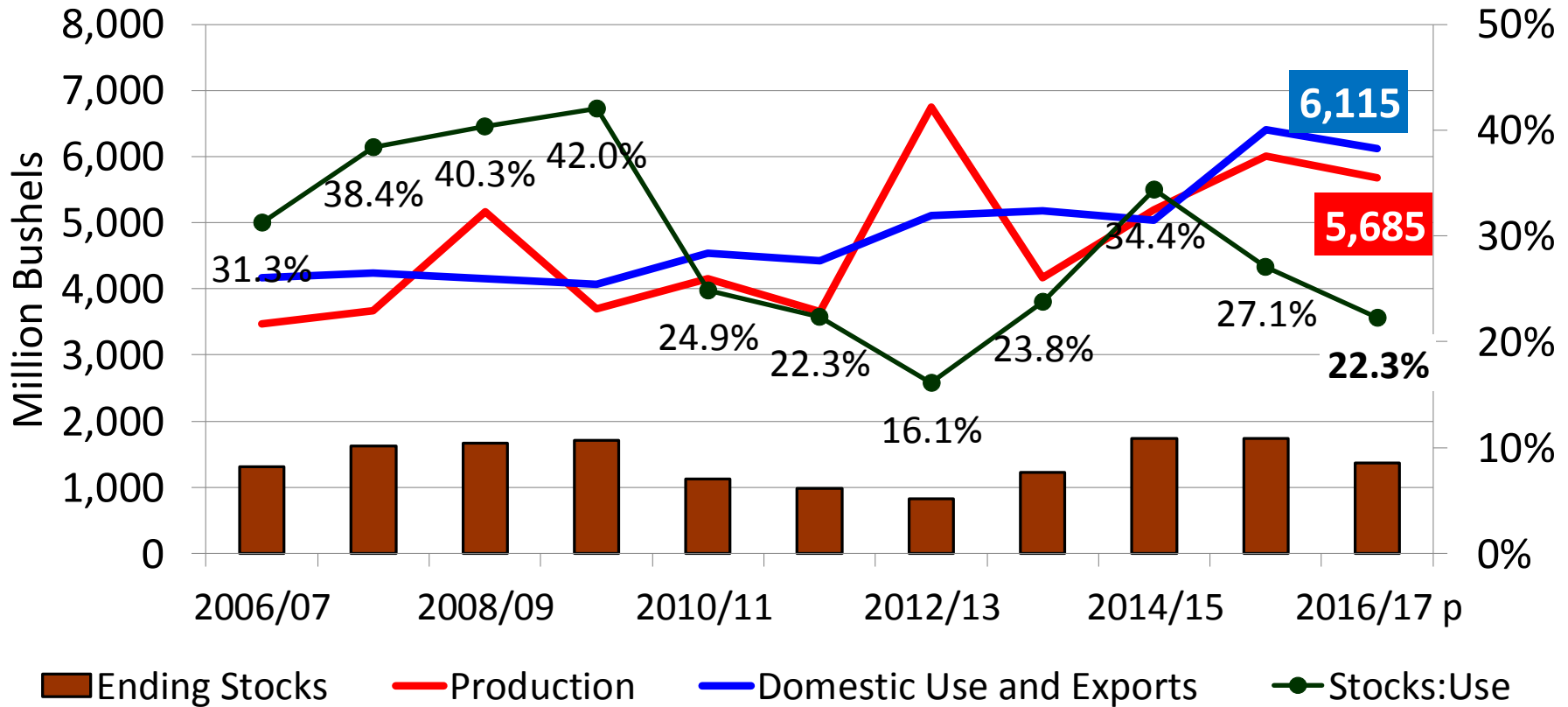


GA & US Peanut Crops, 2014-2016

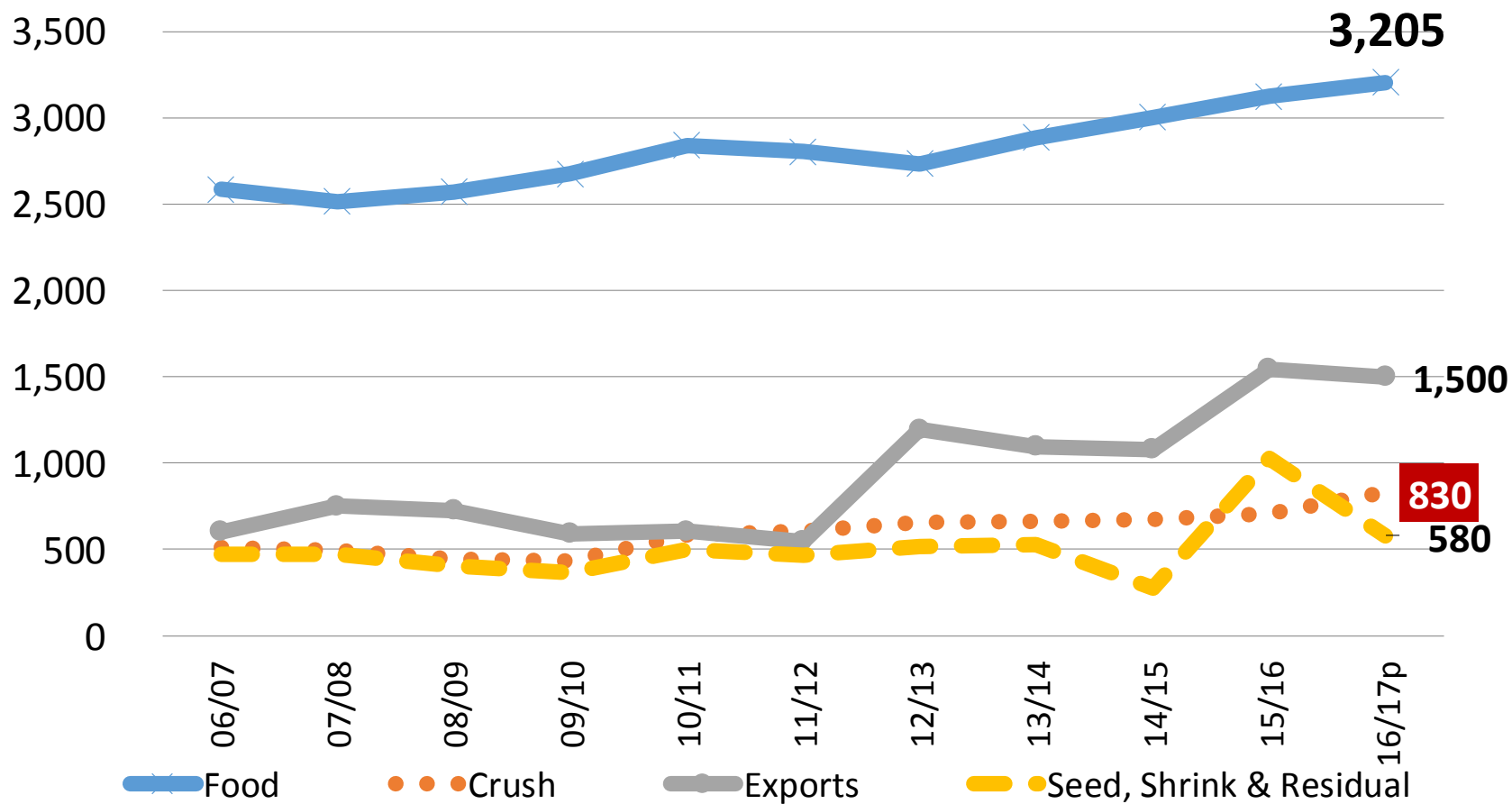
	Planted Acres			Harvested Acres			Yield (lbs)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
GA (1,000)	600	785	720	589	777	709	4,135	4,330	3,940
US (million)	1.35	1.63	1.67	1.32	1.56	1.55	3,923	3,845	3,675

- Planted acres up in US and down slightly in GA
- Yields on a downward trend for past 3 years
- US production at 5.7 billion pounds.

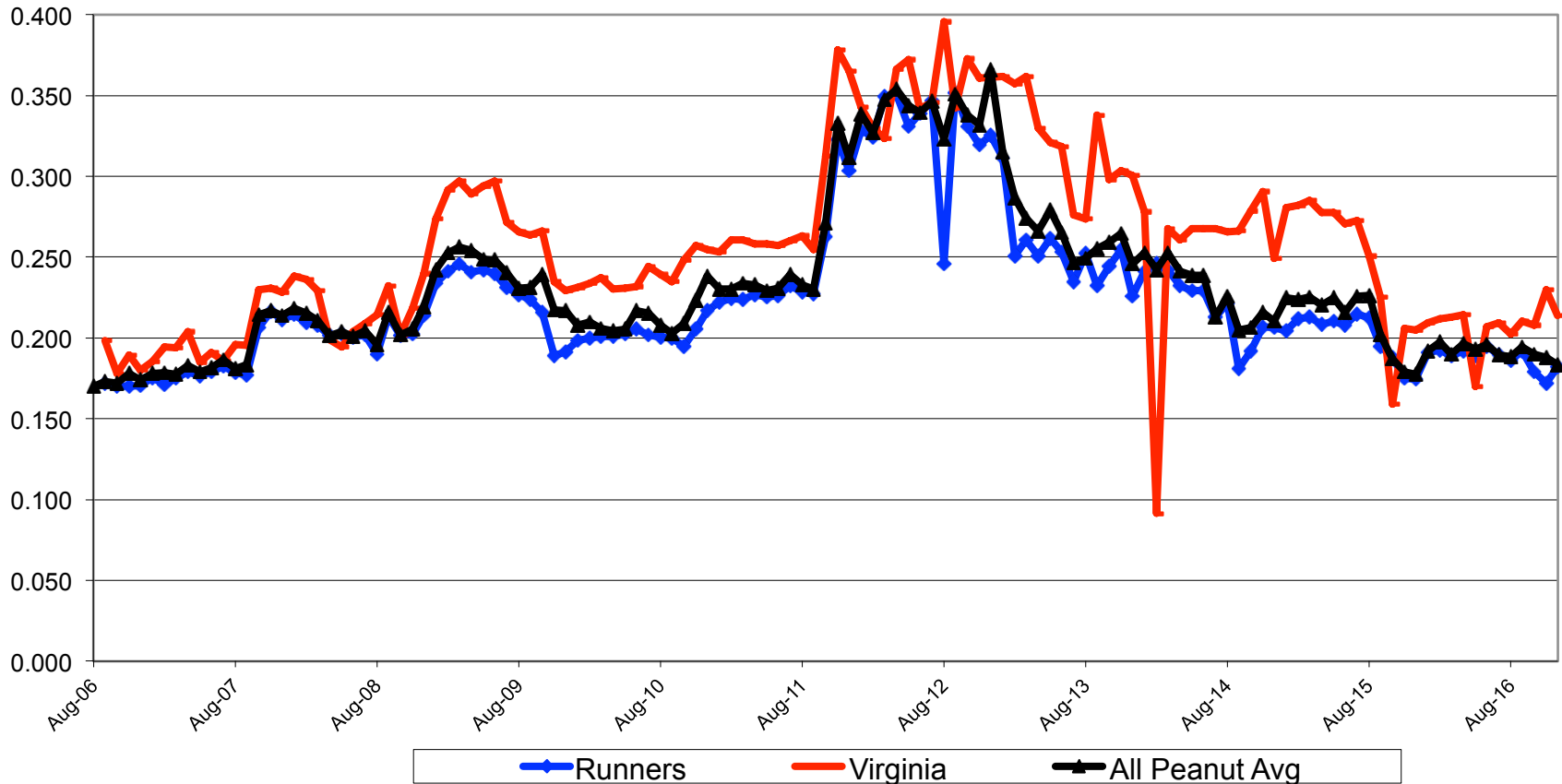
U.S. Peanut Supply and Demand



U.S. Peanut Utilization



Peanut Price – Monthly Average



Note: Runners, Virginia, and All prices are converted from values of weekly prices and marketings;

Peanut Outlook Summary

Low prices on other commodities combined with PLC payments have kept peanut acres high.

Peanut acres have been avoiding rotation which will raise issues with disease, yield, and cost.

Contracts currently around \$475 per ton. Expect another year of large plantings.

Will China continue to buy exports? Need to consider price and trade relations.



Soybeans

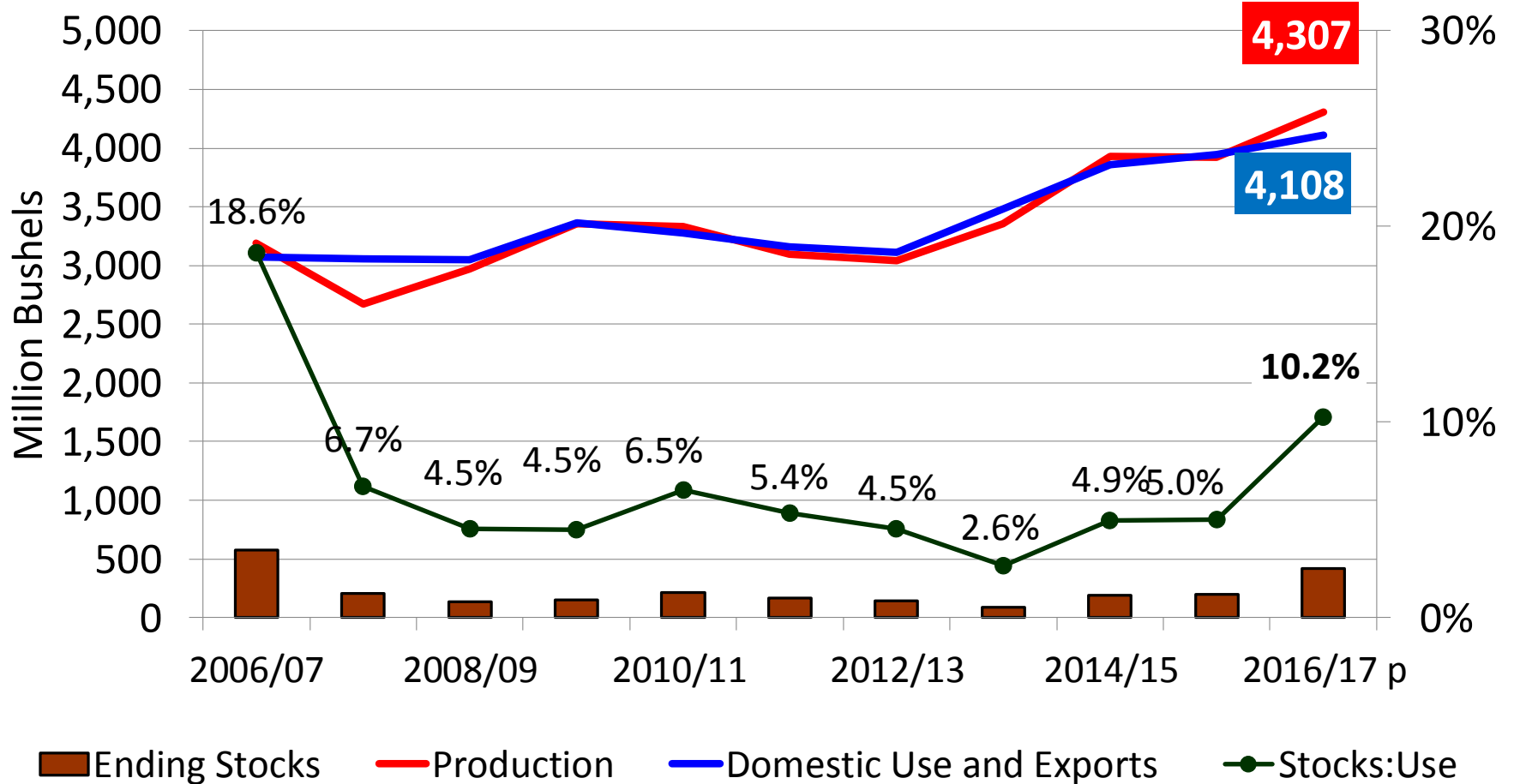


GA & US Soybean Crops, 2014-2016

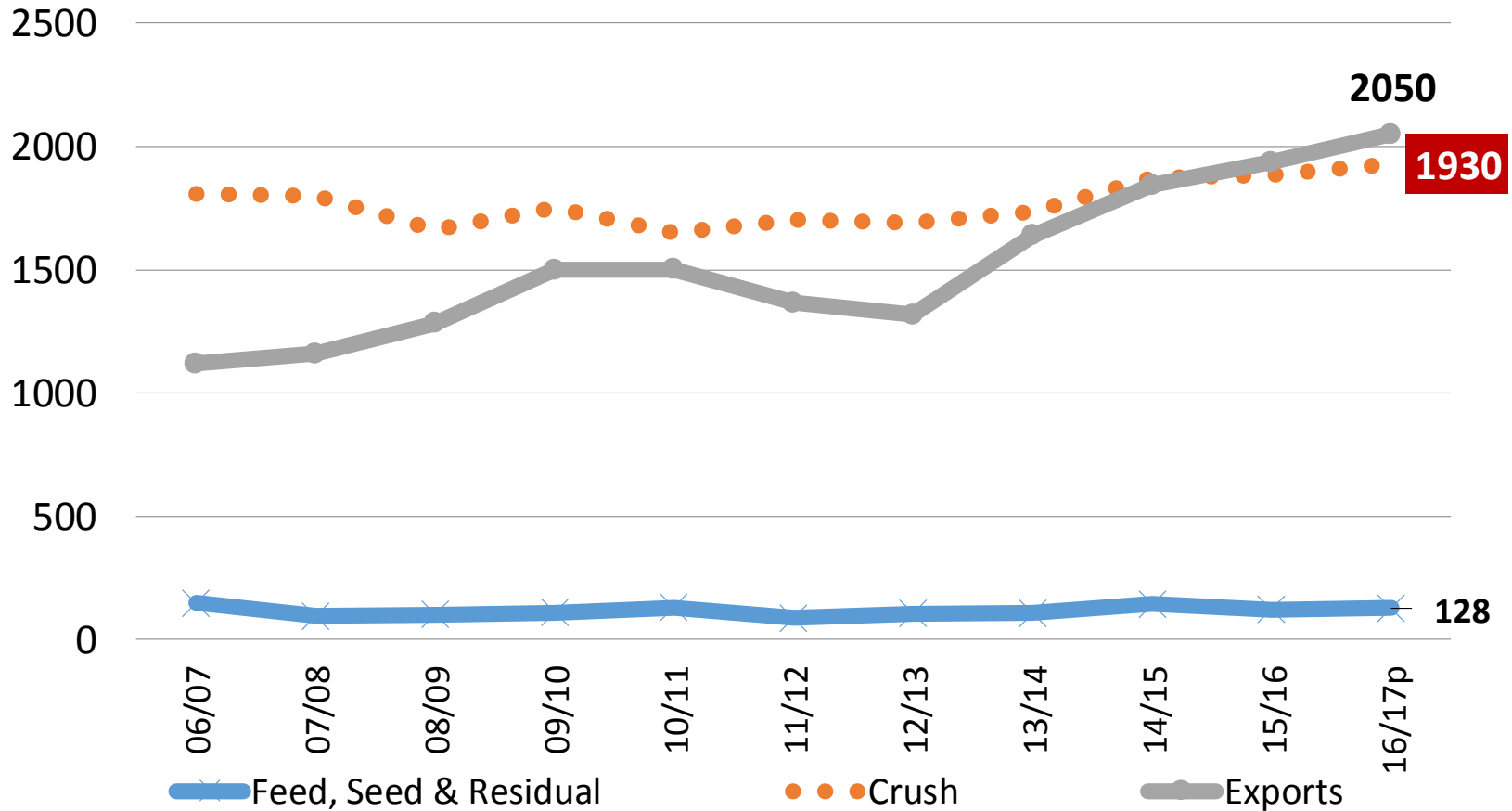
	Planted Acres			Harvested Acres			Yield (bu/acre)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
GA (1,000)	300	325	260	290	310	240	40.0	43.0	30.0
US (million)	83.3	82.7	83.4	82.6	81.8	82.7	47.5	48.0	52.5

- Planted acres up in US but down in GA
- Record US yield in 2016 but GA yield down
- Record US production at 4.3 billion bushels

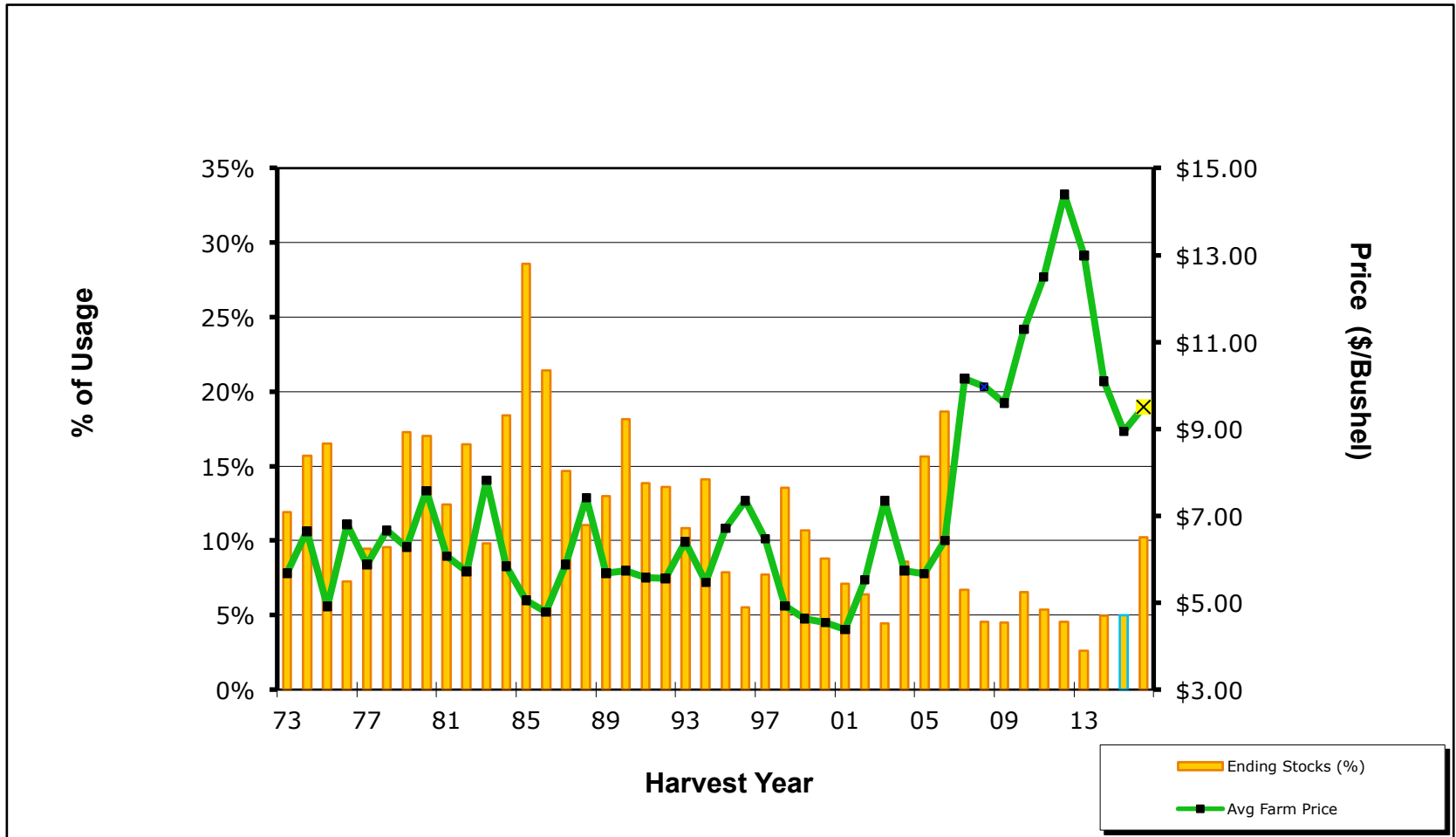
U.S. Soybean Supply and Demand



U.S. Soybean Utilization



Soybean Price vs Ending Stocks



Soybean Outlook Summary

US soybean acres are projected to increase in 2017 due to the higher soybean prices relative to corn.

Whether strong exports continue is going to be a big question and will depend on the South American crop and the new presidential administration.

GA price likely to be in the range of \$9.40 and \$9.62



Wheat

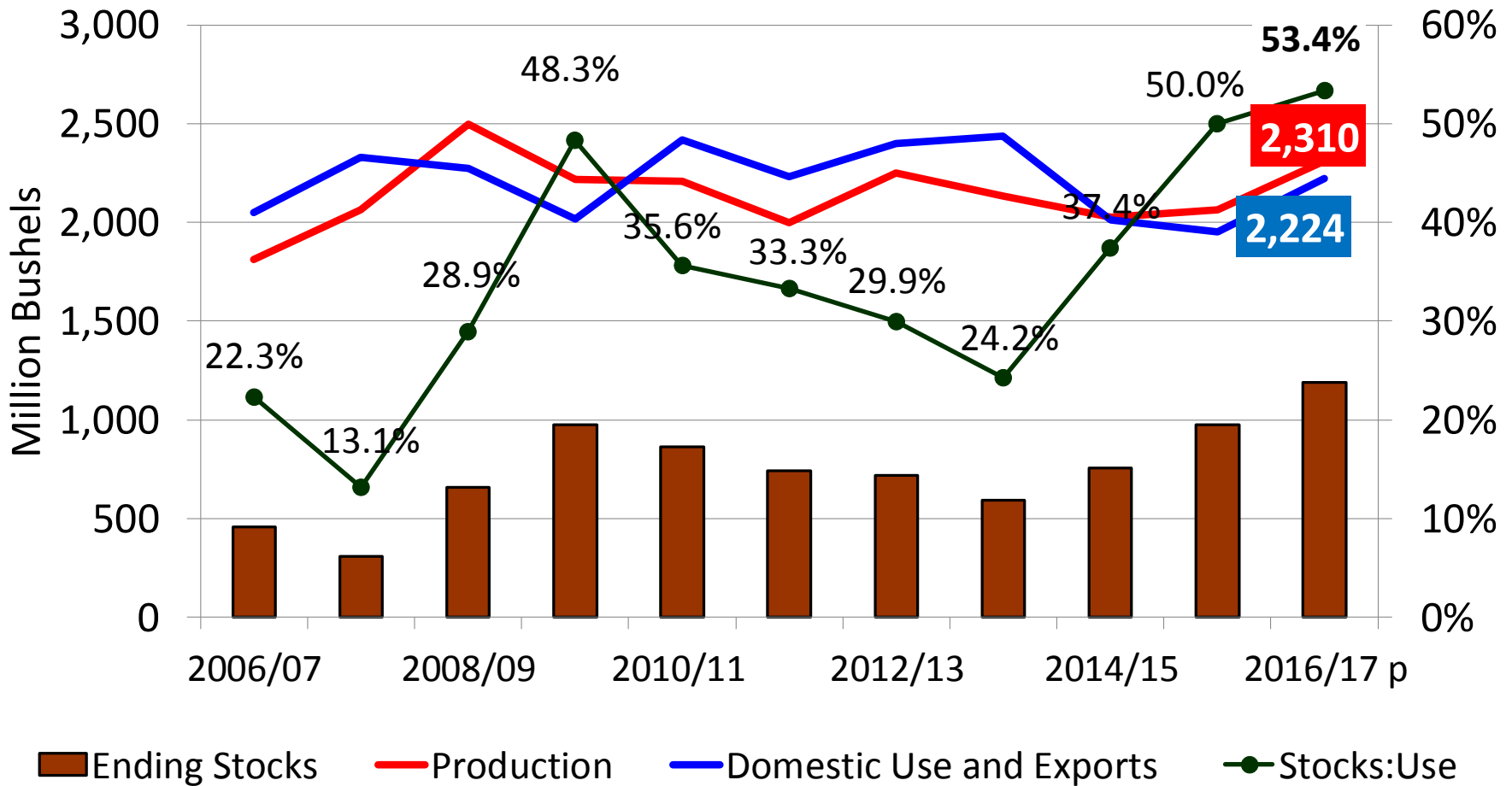


GA & US Wheat Crops, 2014-2016

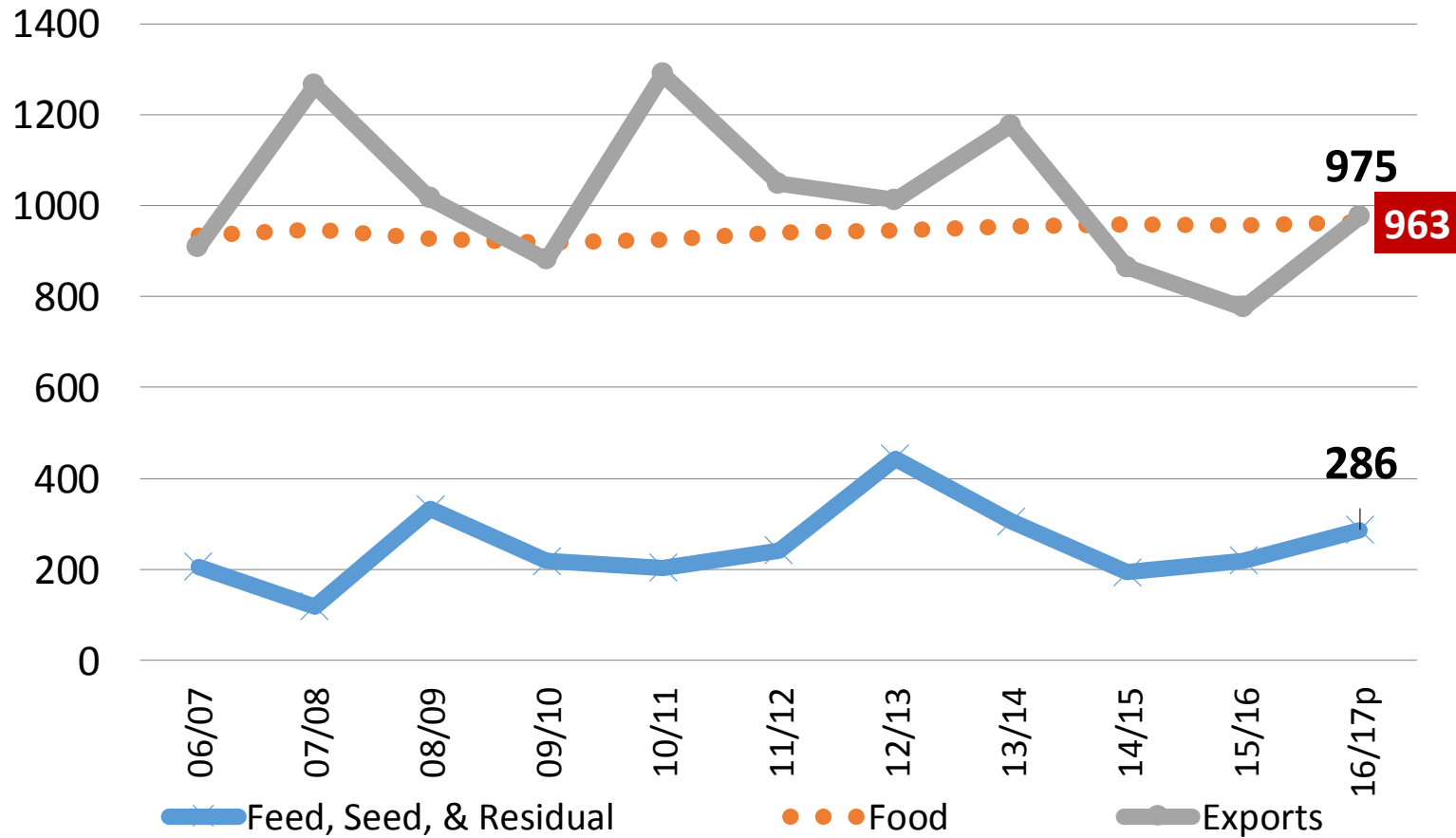
	Planted Acres			Harvested Acres			Yield (bu/acre)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
GA (1,000)	300	215	180	230	145	110	49.0	43.0	46.0
US (million)	56.8	55.0	50.2	46.4	47.3	43.9	43.7	43.6	52.6

- Planted acres down in US and GA
- Record US yield in 2016
- Winter Wheat US production at 1.67 billion bushels

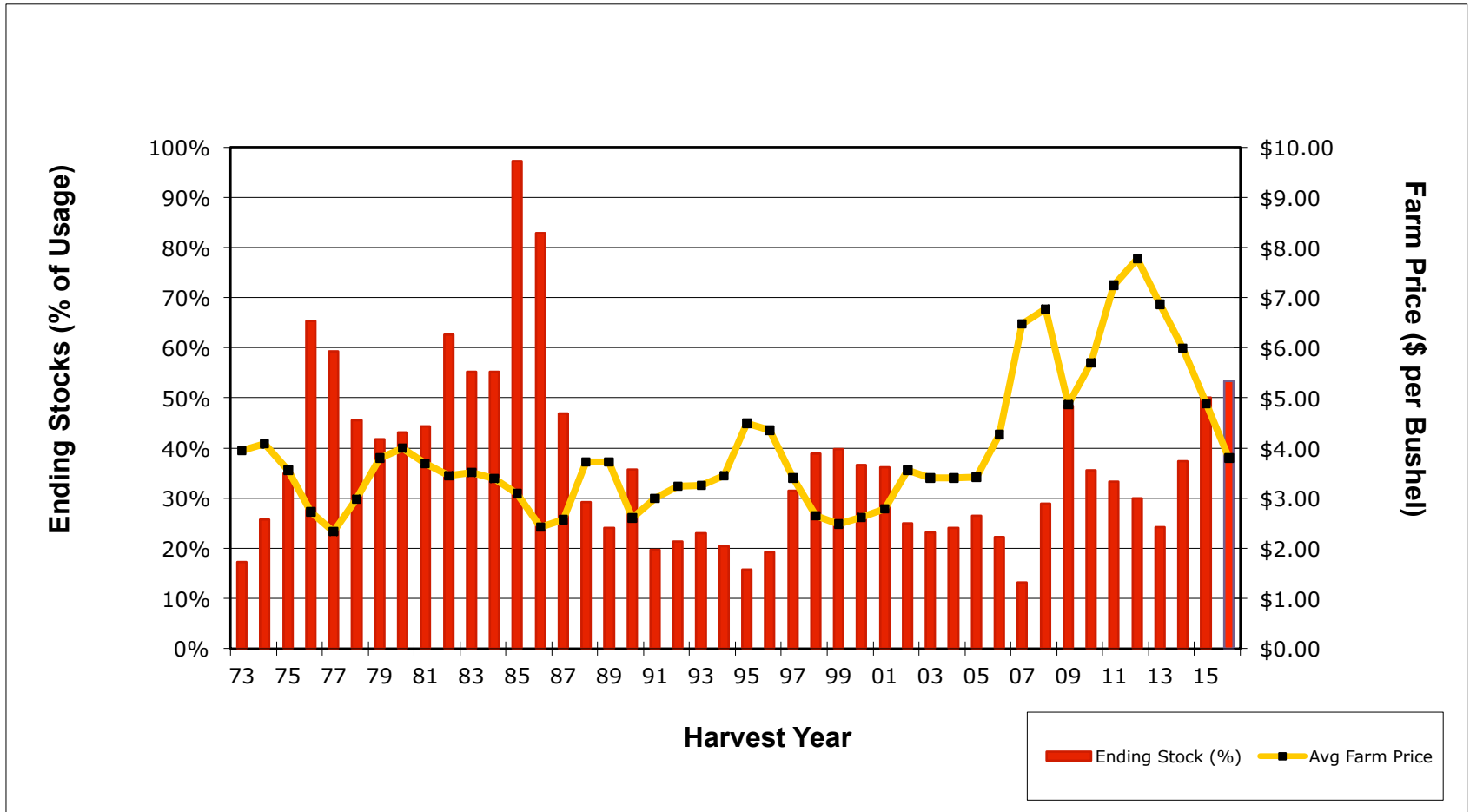
U.S. Wheat Supply and Demand



U.S. Wheat Utilization



Wheat Price vs Ending Stocks



Wheat Outlook Summary

The price of wheat is going to continue to stay low with high ending stocks due to record yields in 2016, but we might have already seen the bottom.

A large over supply in the world will continue to keep prices down.

Projections are for wheat plantings to drop in 2017 helping the over supply situation but it is still very large.

GA price likely to be in the range of \$4.00 and \$4.27



FEDERAL RESERVE NOTE

Net Returns Comparisons

ONE DOLLAR



Preliminary Comparison of 2017 Per Acre Net Returns, Non-Irrigated Production

	Corn	Cotton	Peanuts	Soybeans
Expected Average Yield	85	750	3,400	30
Expected Average Price ¹	\$4.15	\$0.71	\$430	\$9.50
Crop Income	\$353	\$533	\$731	\$285
Variable Costs ²	\$293	\$414	\$542	\$197
Net Return	\$60	\$119	\$189	\$88

1/ Prices are basis the harvest-time futures as of mid-December 2016. Peanut price is based on expected average contract price and harvest price.

2/ Average of conventional and strip-till production. Excludes land rent. Preliminary estimate based on adjustments from 2016 cost estimates.



Preliminary Comparison of 2017 Per Acre Net Returns, Irrigated Production

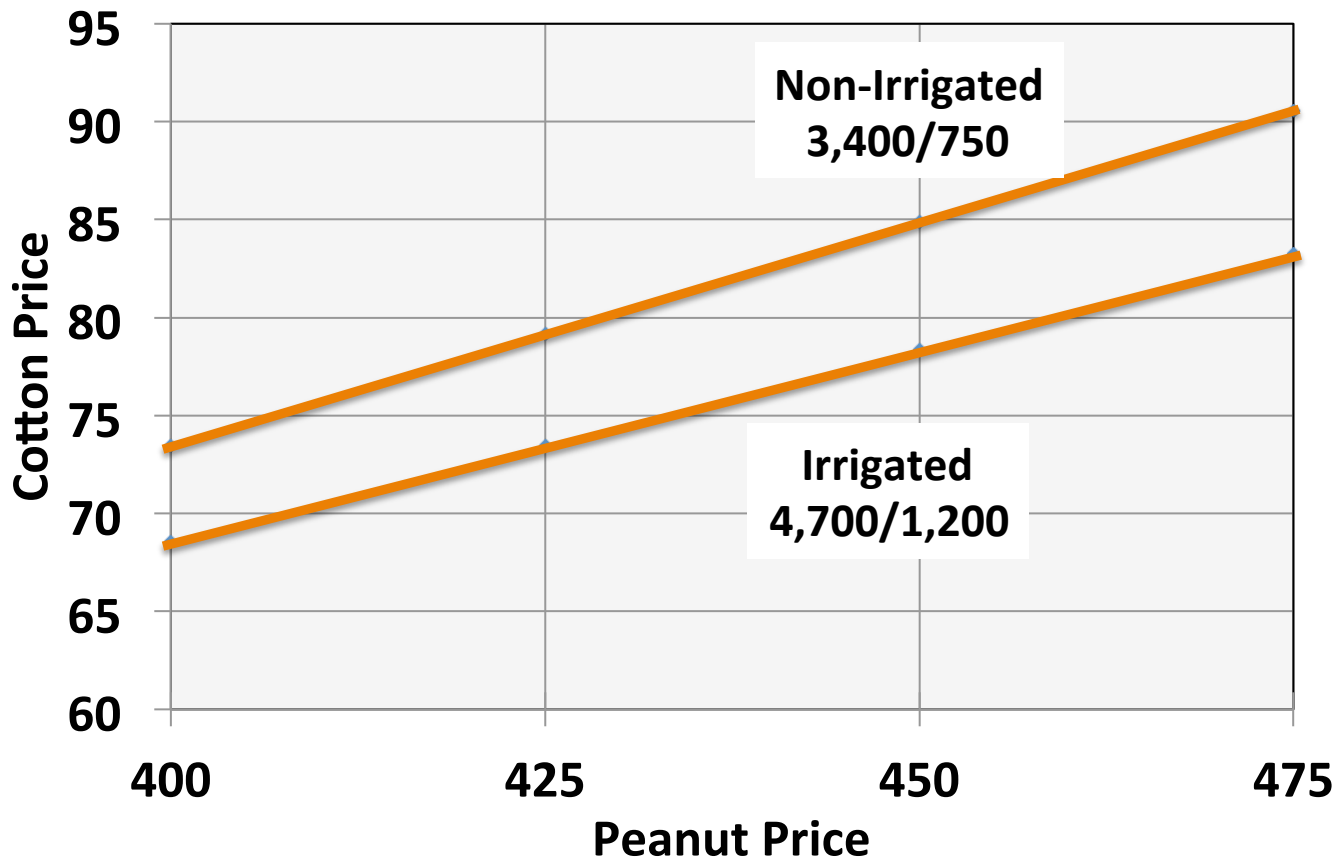
	Corn	Cotton	Peanuts	Soybeans
Expected Average Yield	200	1,200	4,700	60
Expected Average Price ¹	\$4.15	\$0.71	\$430	\$9.50
Crop Income	\$830	\$852	\$1,011	\$570
Variable Costs ²	\$562	\$503	\$620	\$267
Net Return	\$268	\$349	\$391	\$303

1/ Prices are basis the harvest-time futures as of mid-December 2016. Peanut price is based on expected average contract price and harvest price.

2/ Average of conventional and strip-till production. Excludes land rent. Preliminary estimate based on adjustments from 2016 cost estimates.



Breakeven Cotton and Peanut Prices -Price Combinations to Give Equivalent Net Returns-



Keynote Address

Bob Redding

The Redding Firm



Introduction

- Overview
- U.S. House
- U.S. Senate
- Trump Administration
- What's Next?
- 2018 Farm Bill



115th Congress

U.S. House of Representatives

241 Republicans

194 Democrats

U.S. Senate

52 Republicans

48 Democrats



U.S. House of Representatives

- Congressman Austin Scott (GA-08) – Committee on Agriculture, Chairman of the Subcommittee on Commodity Exchanges, Energy and Credit
- Congressman Rick Allen (GA-12) – Committee on Agriculture
- Congressman David Scott (GA-13) – Committee on Agriculture
- Congressman Sanford Bishop (GA-02) – Committee on Agriculture; Ranking Member, Subcommittee on Agricultural Appropriations
- Congressman Tom Graves (GA-14) – Committee on Appropriations; Chairman, Subcommittee on Financial Services and General Government
- Congressman Buddy Carter (GA-01) – Committee on Energy and Commerce



U.S. Senate

- Senator David Perdue (R-GA) –
 - Committee on Agriculture, Nutrition and Forestry; Chairman, Subcommittee on Conservation, Forestry and Natural Resources
 - Committee on Foreign Relations; Chairman, Subcommittee on State Department and USAID Management, International Operations and Bilateral International Development
- Senator Johnny Isakson (R-GA) –
 - Committee on Finance
 - Committee on Foreign Relations
 - Committee on Health, Education, Labor and Pensions; Chairman, Subcommittee on Employment and Workplace Safety



Trump Administration

Key Nominees to Date:

Department of Agriculture: ?

EPA: Scott Pruitt

Department of Labor: Andrew Puzder

USTR: Robert Lighthizer



What's On The Agenda for the 115th Congress?

- Repeal or Reform of ObamaCare
- Immigration Reform
- Tax Reform
- Infrastructure Legislation

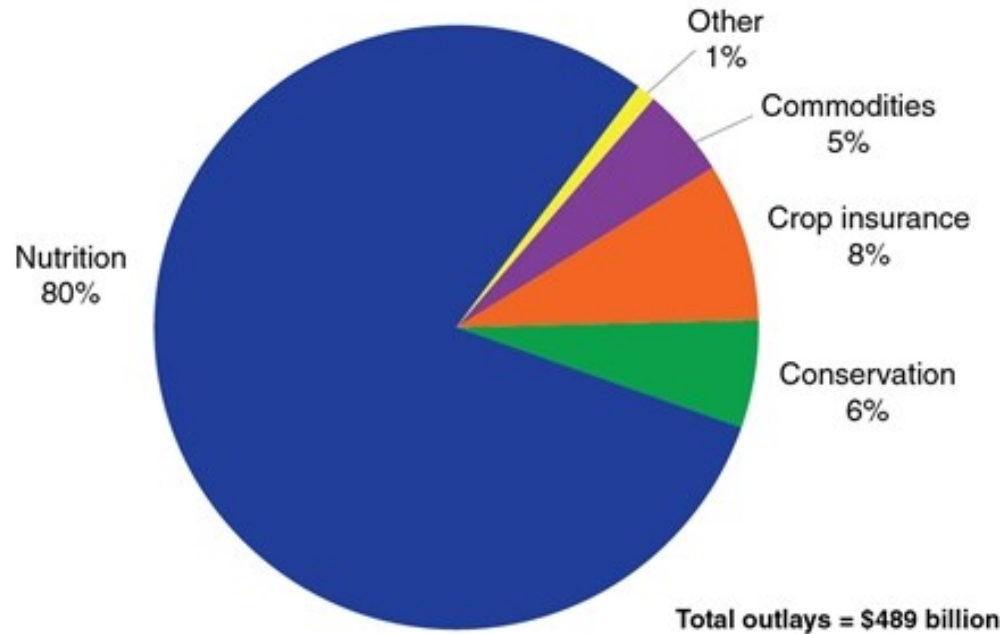


Federal Regulations

- Waters of the U.S.
- H2A – Bush Regulations
- Overtime Regulation
- Food Safety
- Others



Projected outlays under the 2014 Farm Act, 2014-2018



Source: USDA Economic Research Service using data from Congressional Budget Office, Cost Estimates for the Agricultural Act of 2014, Jan 2014.



Issue Areas Important to Georgia Agriculture

- Research
- Commodities
- Crop insurance
- Forestry
- Conservation
- Nutrition
- Specialty crops
- Trade
- Other



Farm Bill Process

- Regular Order
- Budget Reconciliation
- Extension



Questions & Answers

Kent Wolfe
Director,
UGA Center for Agribusiness &
Economic Development



Invocation

Karol Kelly

*UGA Cooperative Extension,
Bibb County Coordinator*



Networking Luncheon



Industry Remarks

Happy Wyatt

*Macon State Farmers Market Manager,
Georgia Department of Agriculture*

