2017 Georgia Ag Forecast

College of Agricultural &
Environmental Sciences
UNIVERSITY OF GEORGIA

Invocation

Lisa Carr

UGA Tifton Campus
Student Ambassador

Networking Breakfast

Industry Remarks

Michael Purvis

10th District Field Representative,
Georgia Farm Bureau

Industry Remarks

John Shuggart
Georgia Department of Agriculture
Tifton Lab

Welcome

Sam Pardue

Dean and Director,
UGA College of Agricultural and Environmental Sciences

Local Welcome

Joe West

Assistant Dean,
UGA Tifton Campus

Summary of 2017 Georgia Agricultural & Agribusiness Outlook

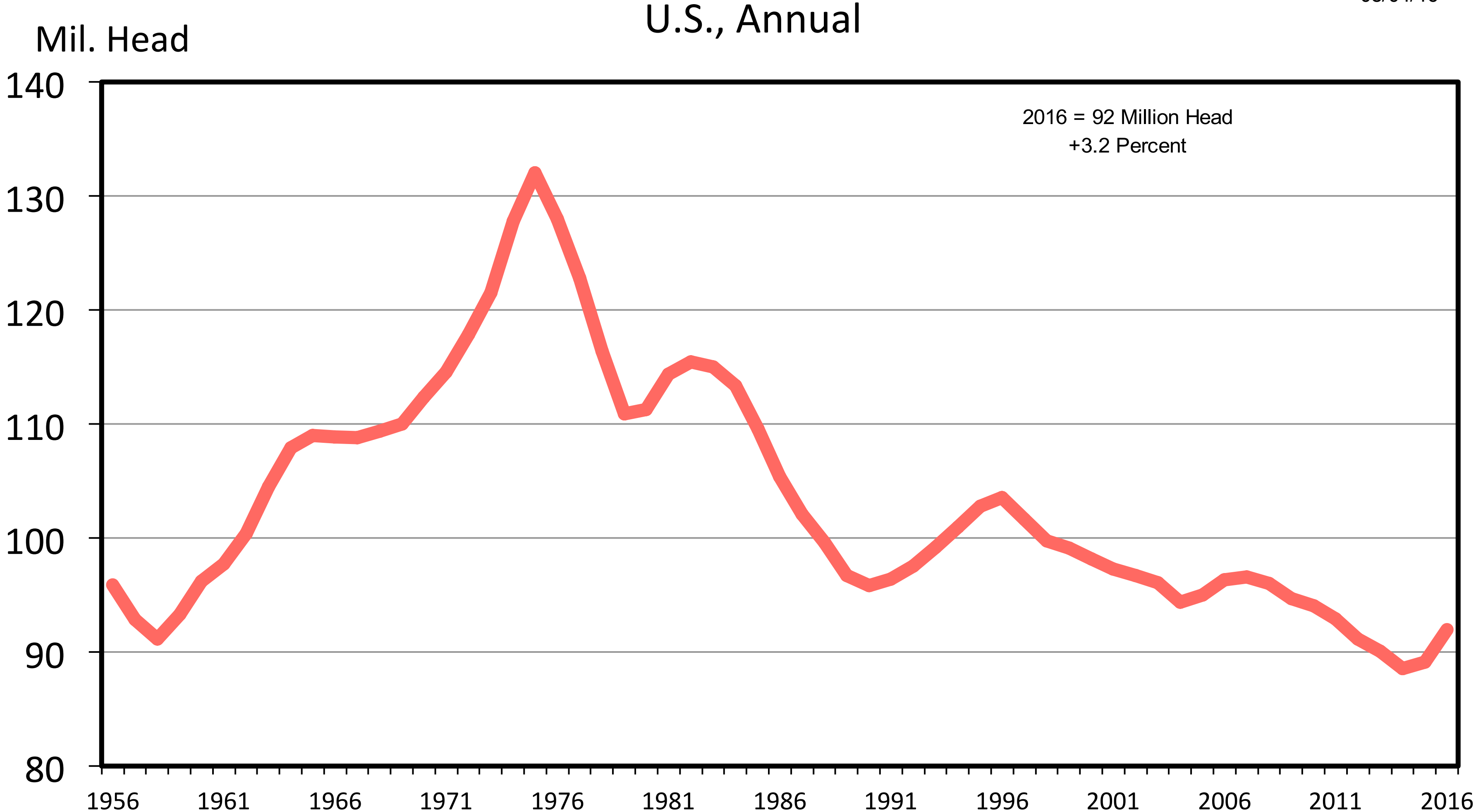
Levi Russell,
Assistant Professor, UGA CAES
Department of Agricultural Economics and Applied Economics

Beef Cattle

JANUARY 1 TOTAL CATTLE INVENTORY

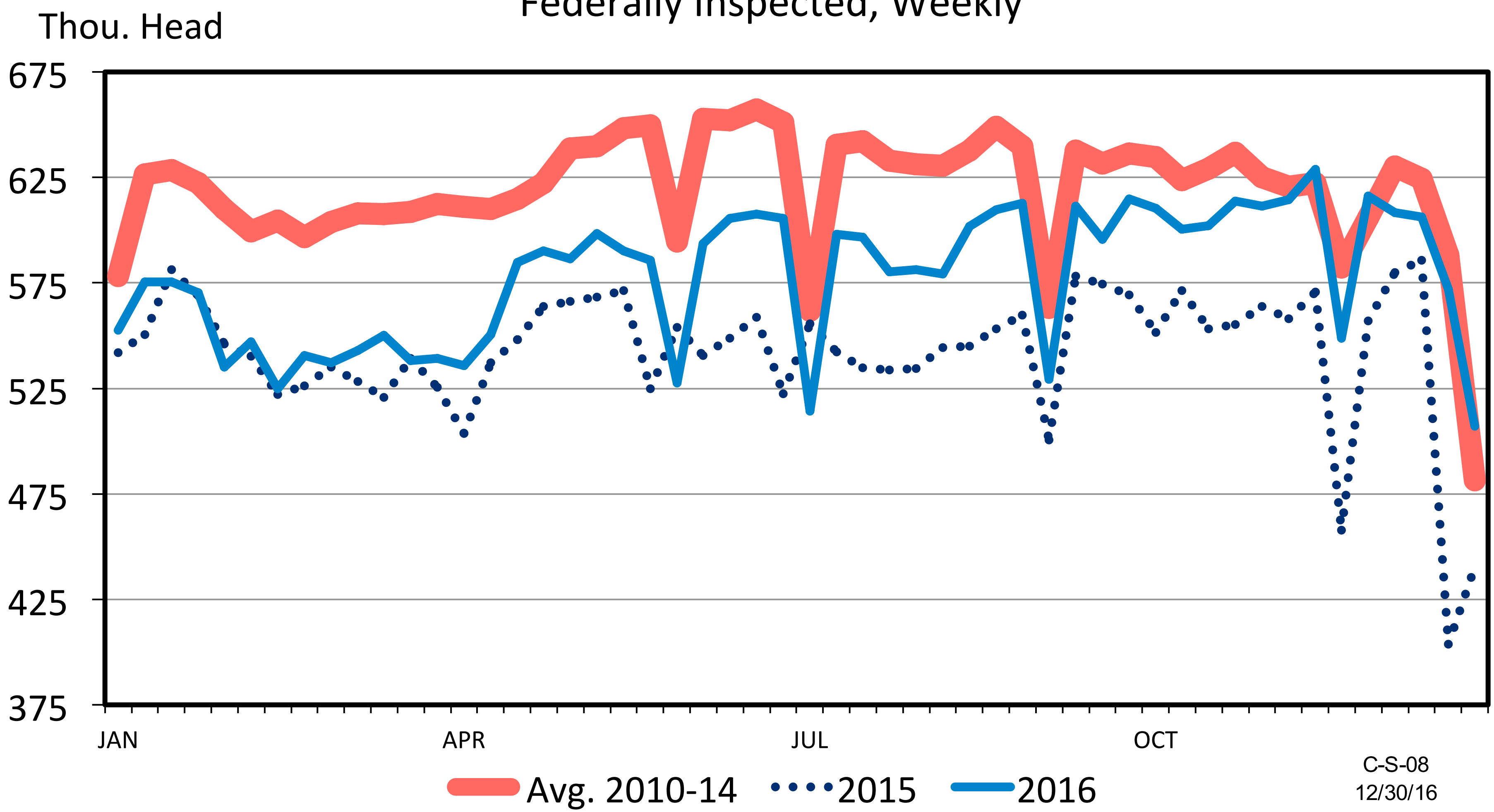
U.S., Annual

C-N-01
08/04/16



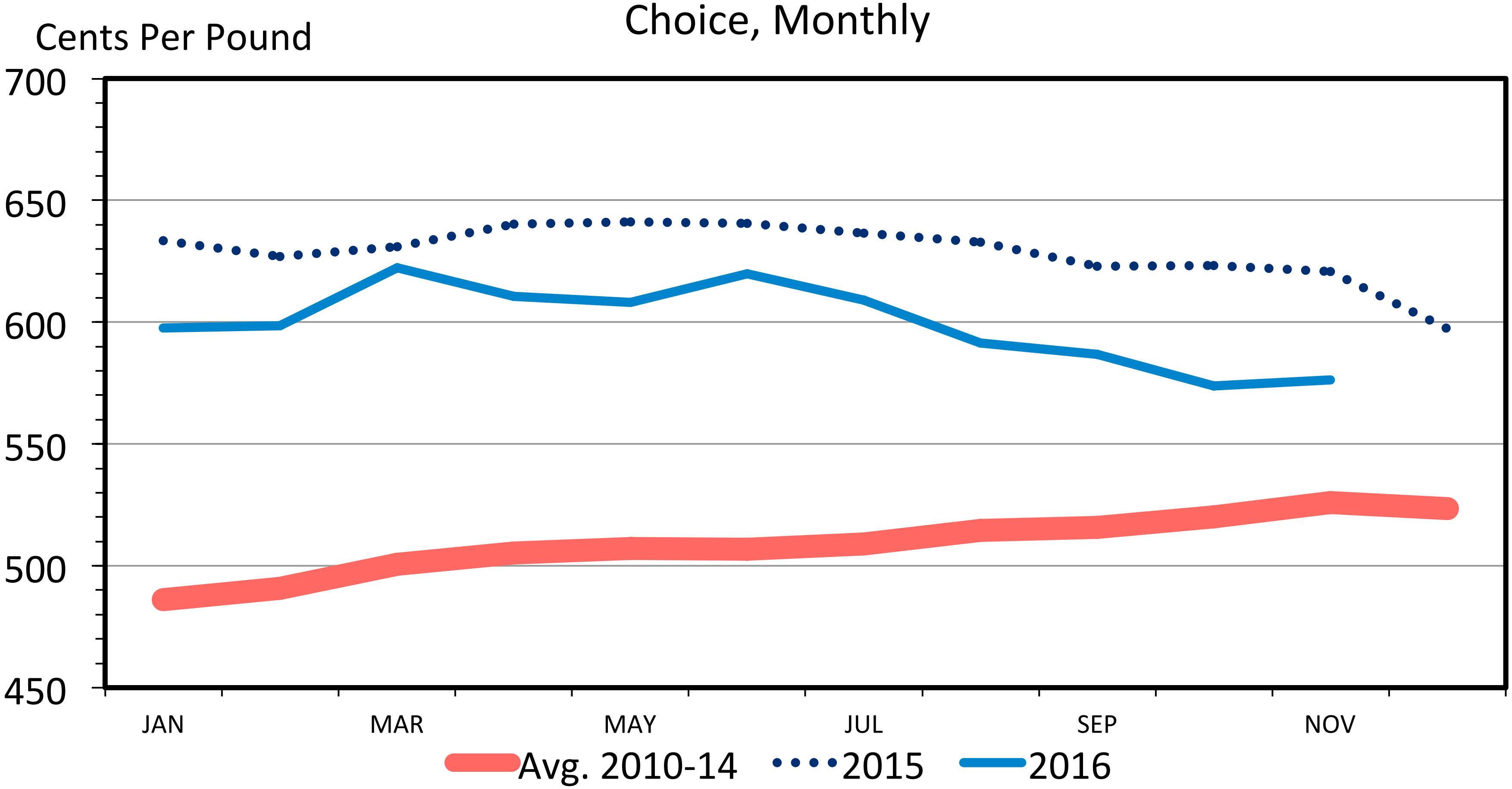
CATTLE SLAUGHTER

Federally Inspected, Weekly



RETAIL BEEF PRICE

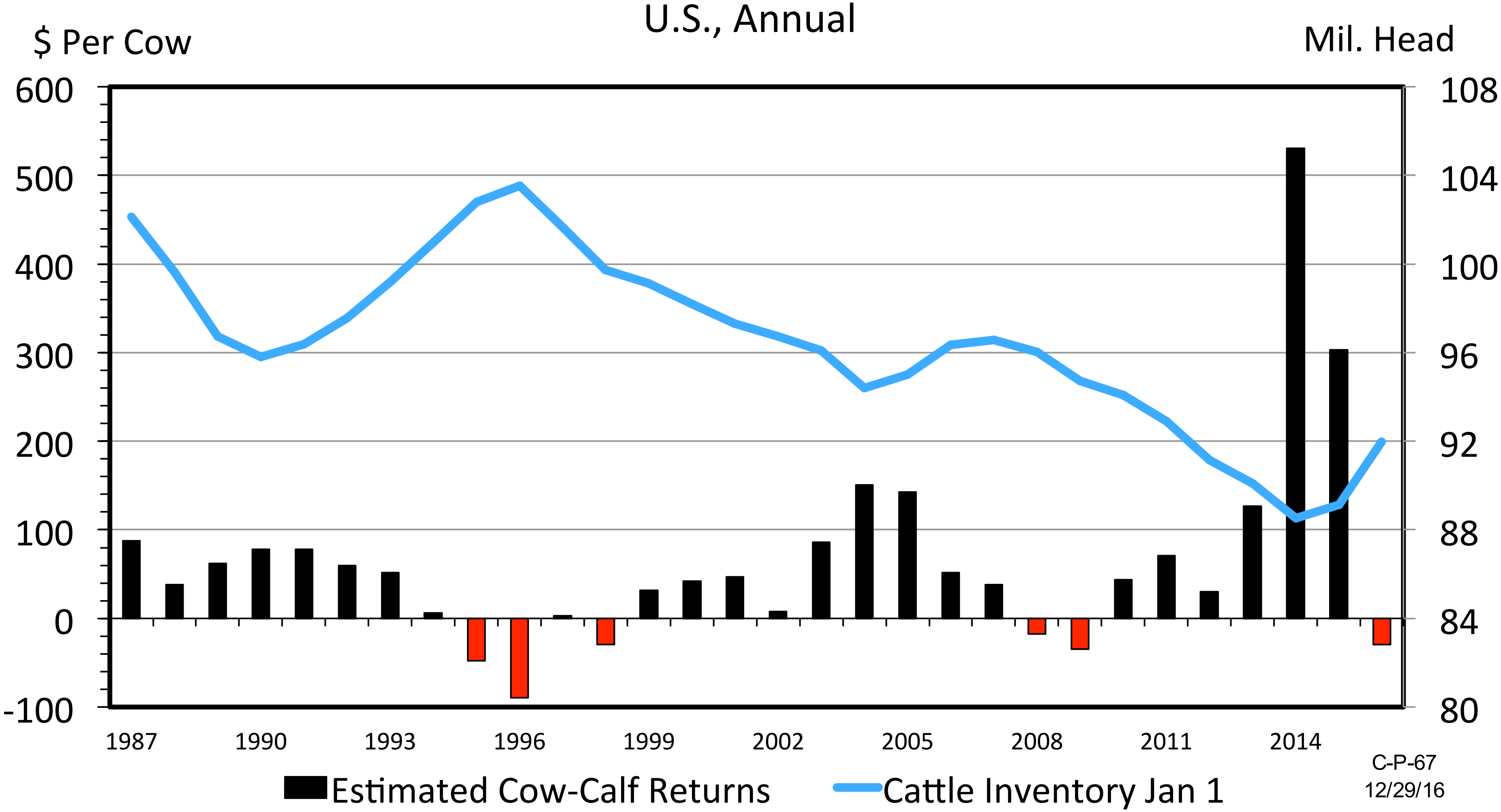
Choice, Monthly



M-P-09
12/15/16

COW-CALF RETURNS AND CATTLE INVENTORY

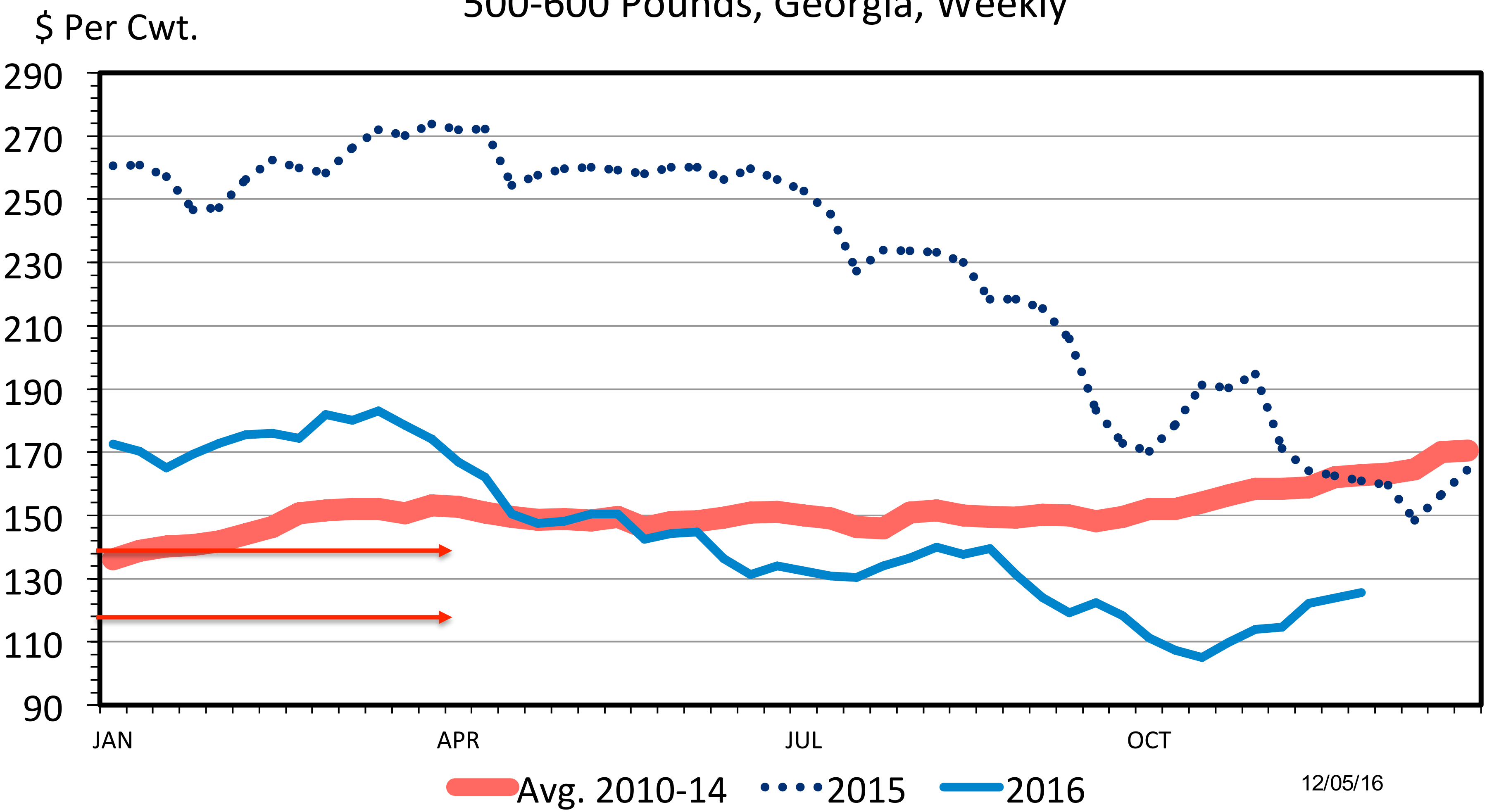
U.S., Annual



C-P-67
12/29/16

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

500-600 Pounds, Georgia, Weekly



Data Source: USDA-AMS, Compiled by LMIC

Livestock Marketing Information Center

Beef Outlook Summary

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

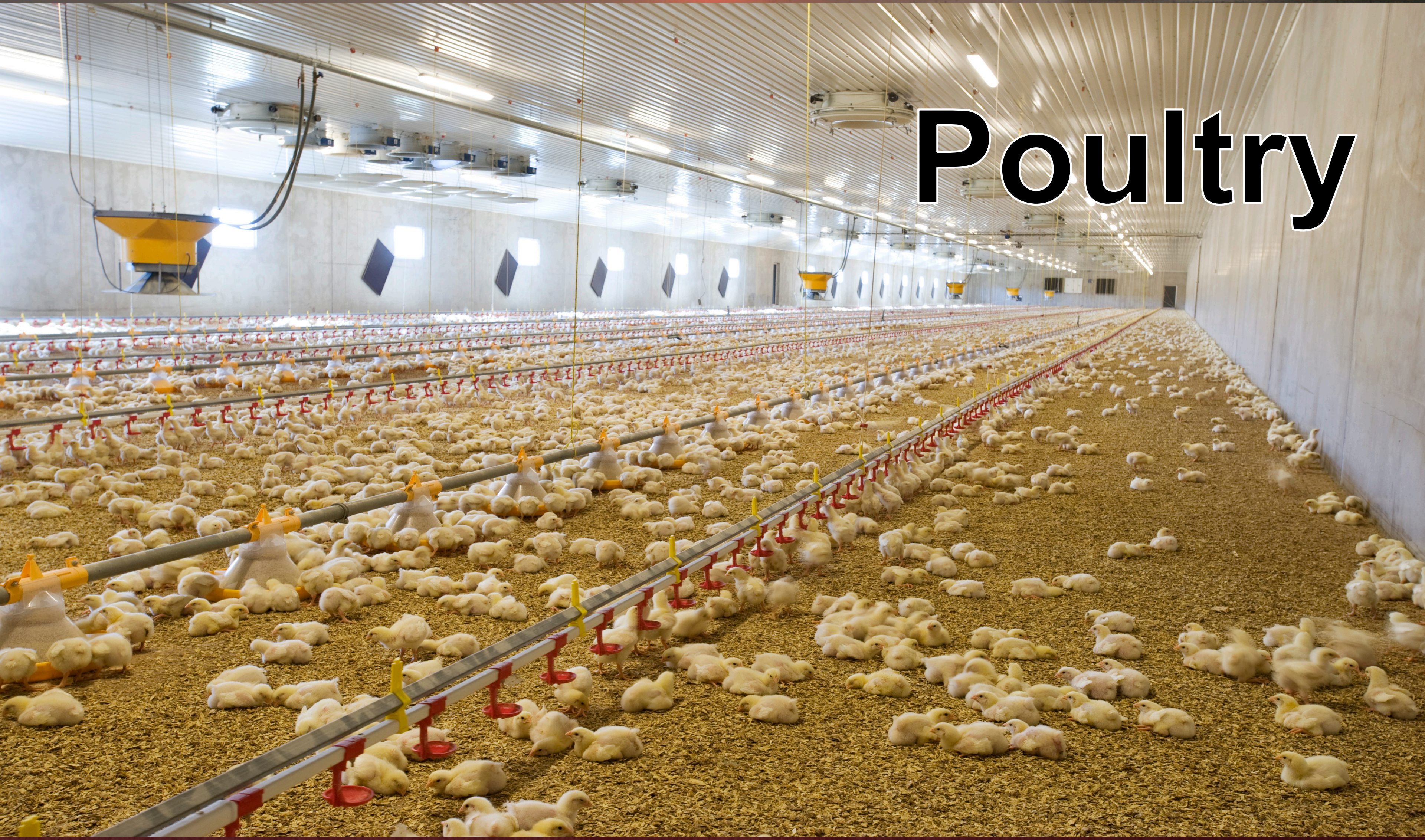
Expect a seasonal price pattern consistent with current prices

Negative profits on average nationwide -> end of expansion

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

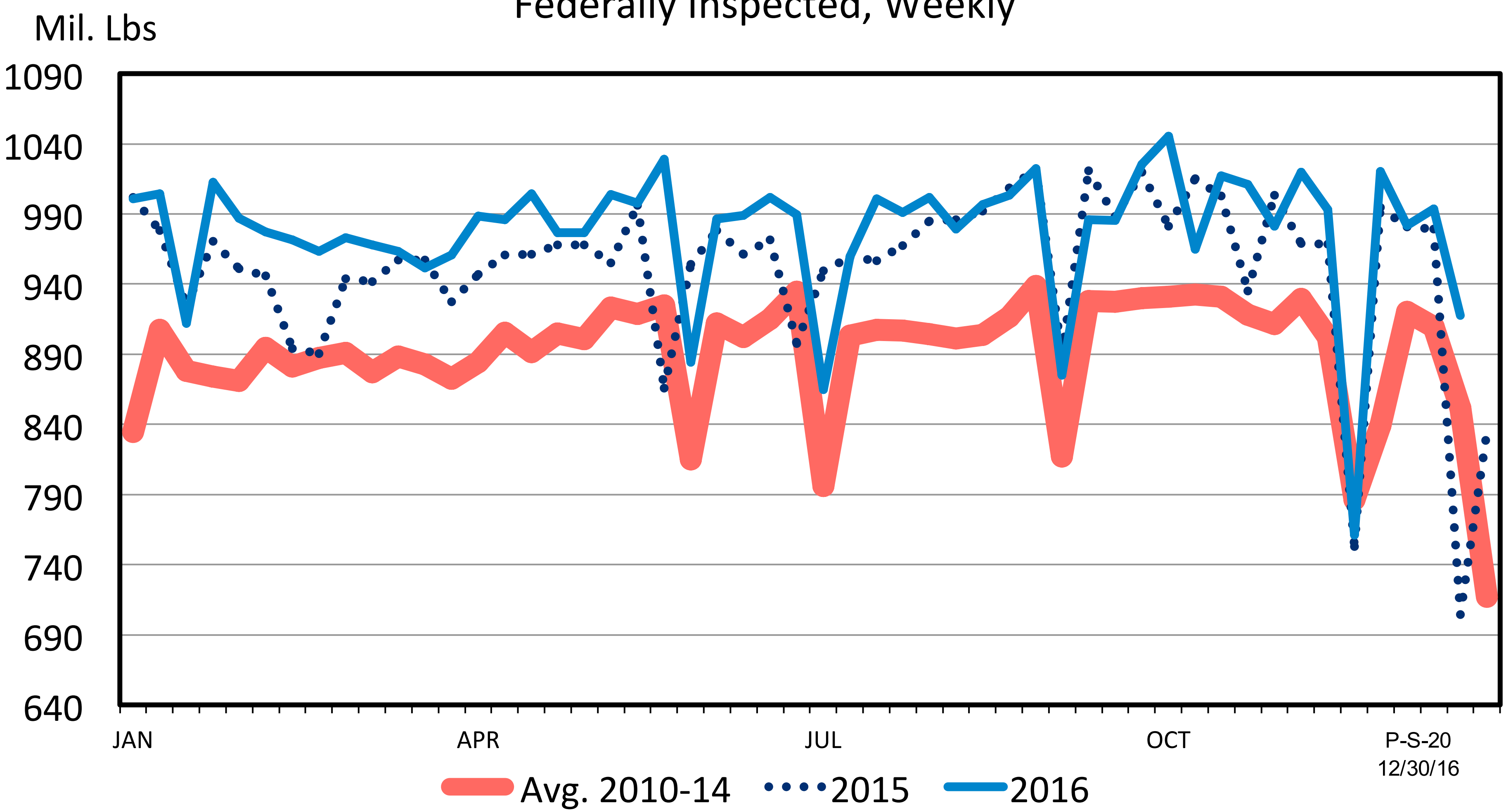
Recovery in pasture conditions will dictate profitability in much of Georgia

Poultry



BROILER PRODUCTION

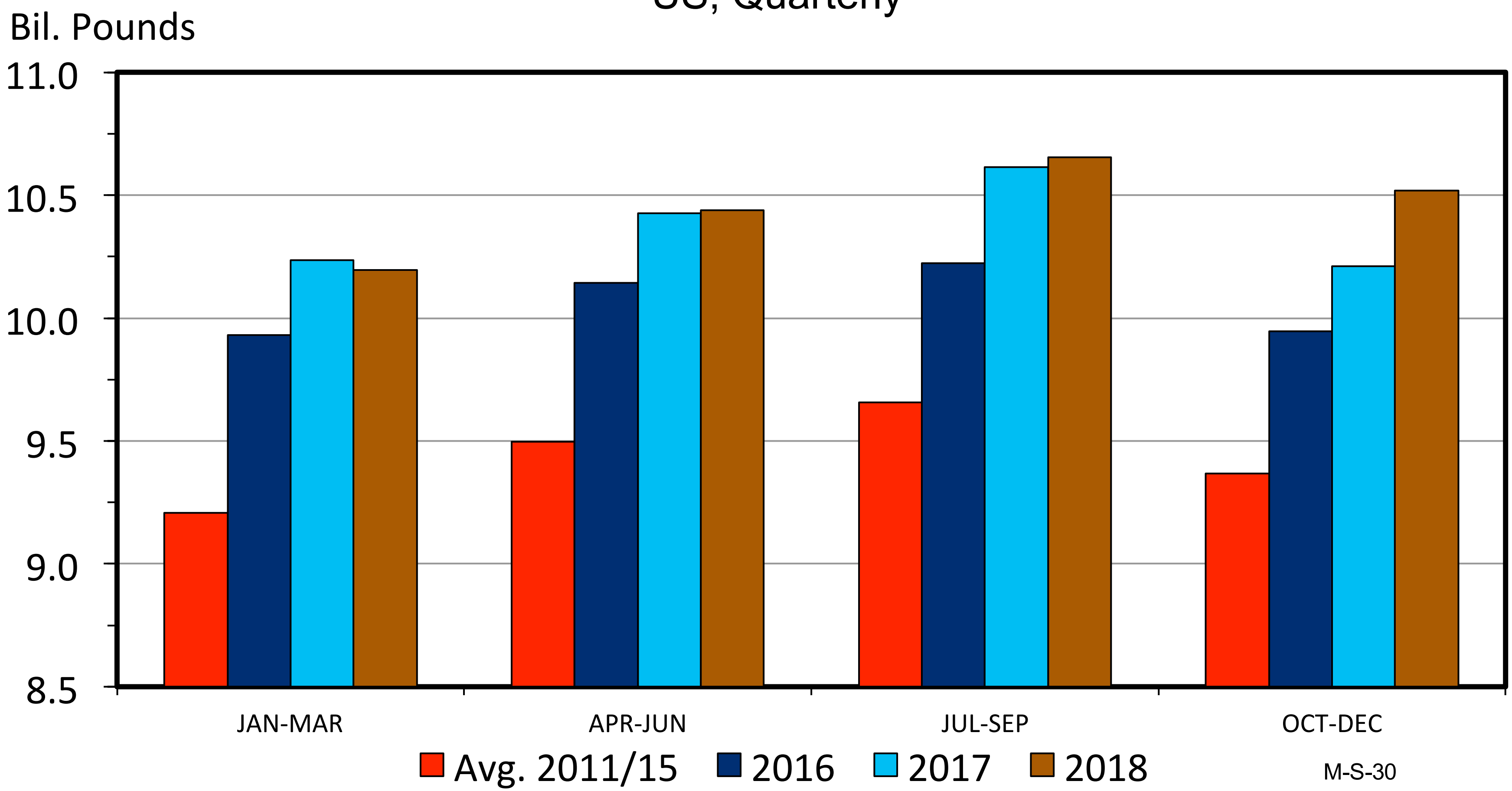
Federally Inspected, Weekly



Data Source: USDA-AMS & USDA-NASS
Livestock Marketing Information Center

RTC BROILER PRODUCTION

US, Quarterly



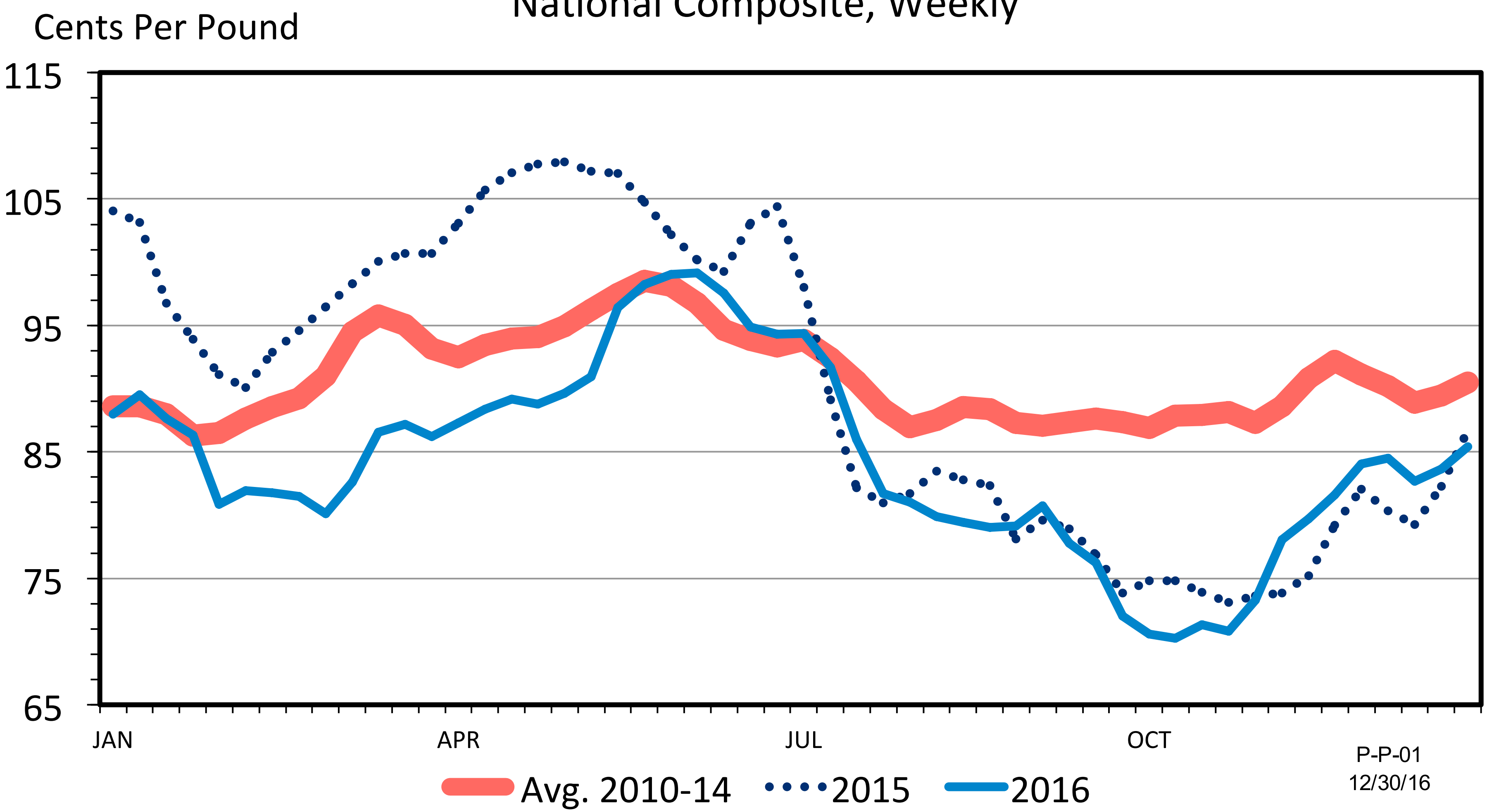
M-S-30
12/30/16

Data Source: USDA-NASS, Forecasts by LMIC

Livestock Marketing Information Center

BROILER PRICES

National Composite, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

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

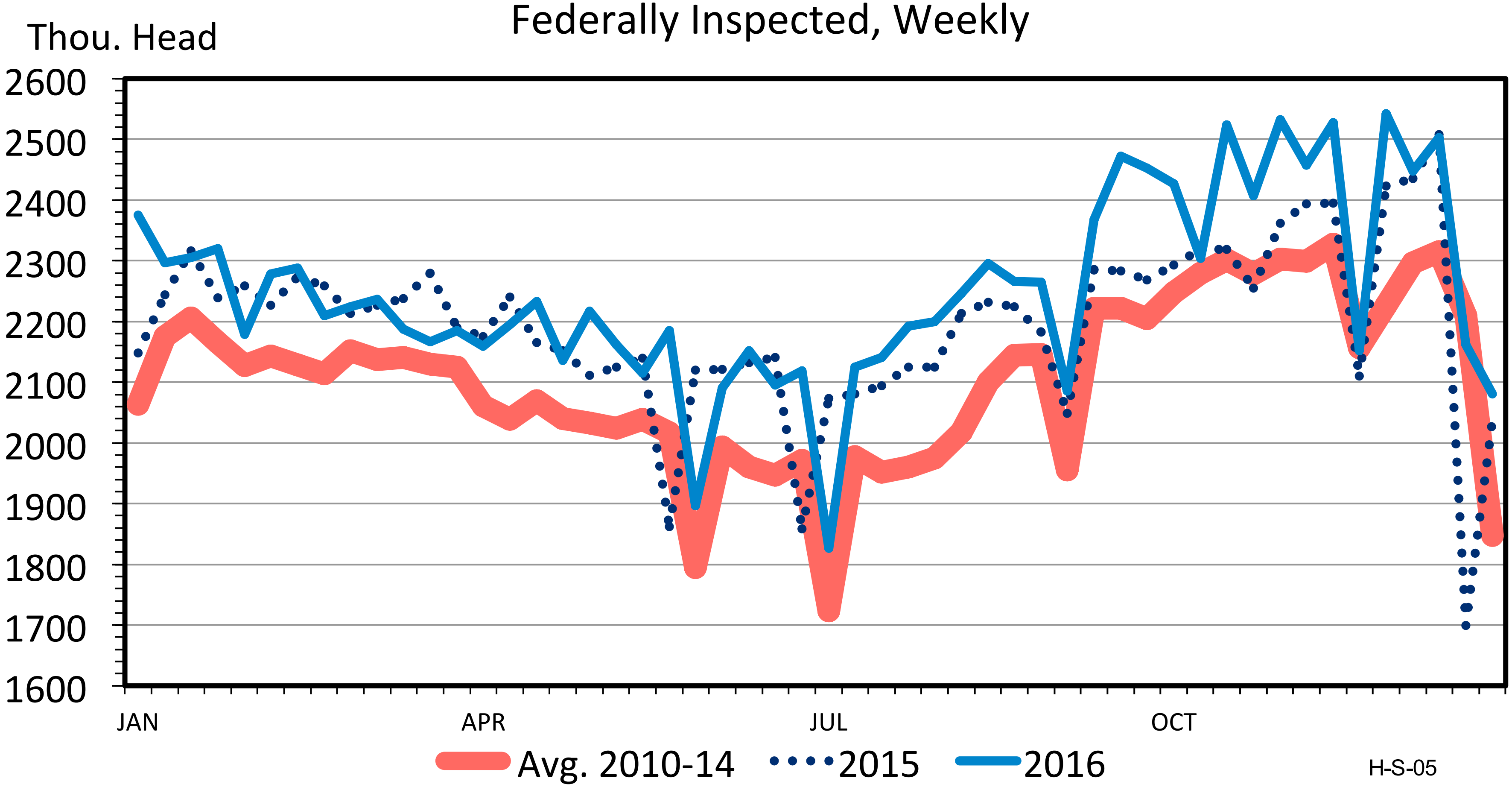
Competing meats will add downward pressure to prices

Continued low feed costs will ultimately determine profitability in 2017

Hogs

HOG SLAUGHTER

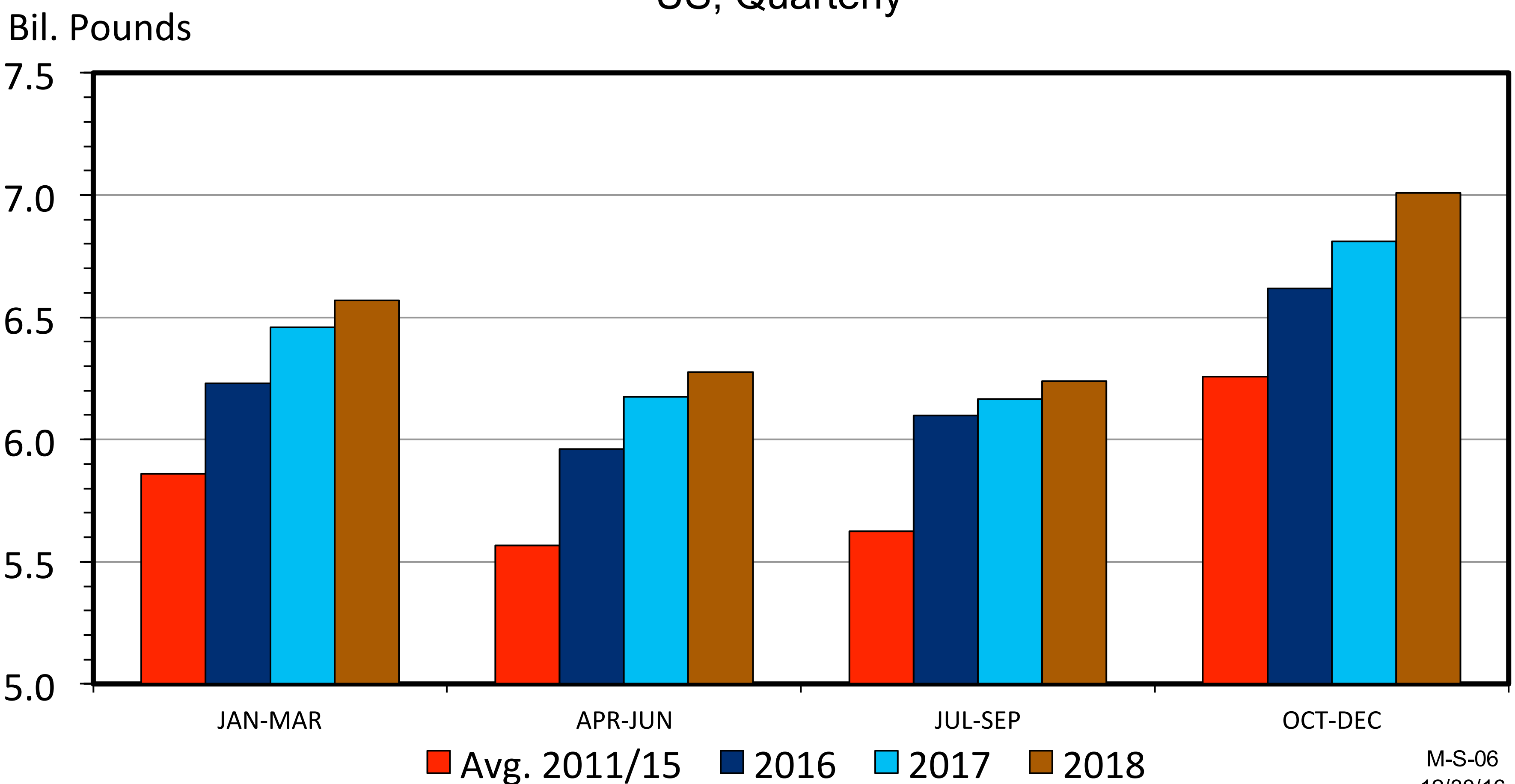
Federally Inspected, Weekly



H-S-05
01/05/17

COMMERCIAL PORK PRODUCTION

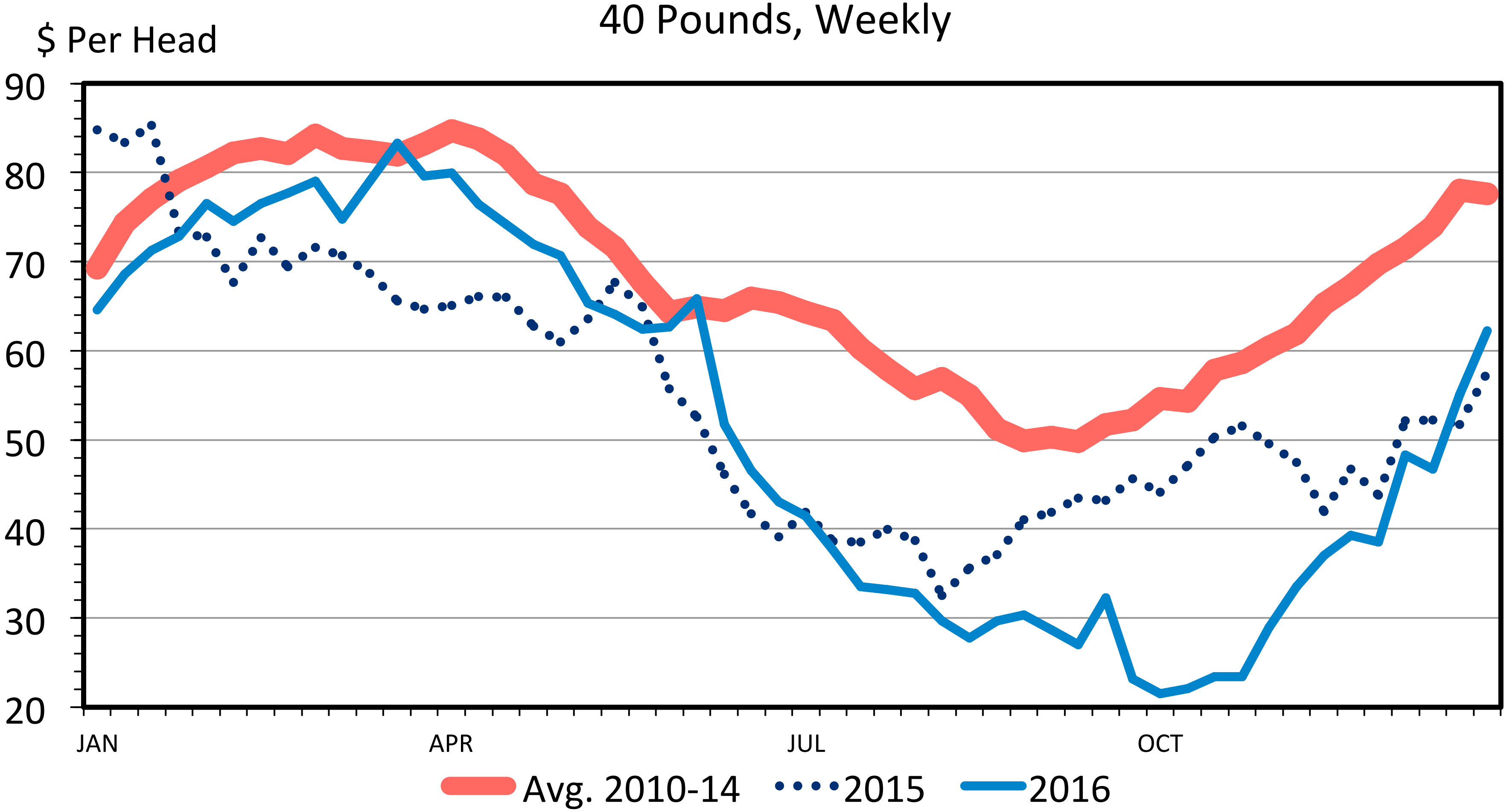
US, Quarterly



M-S-06
12/30/16

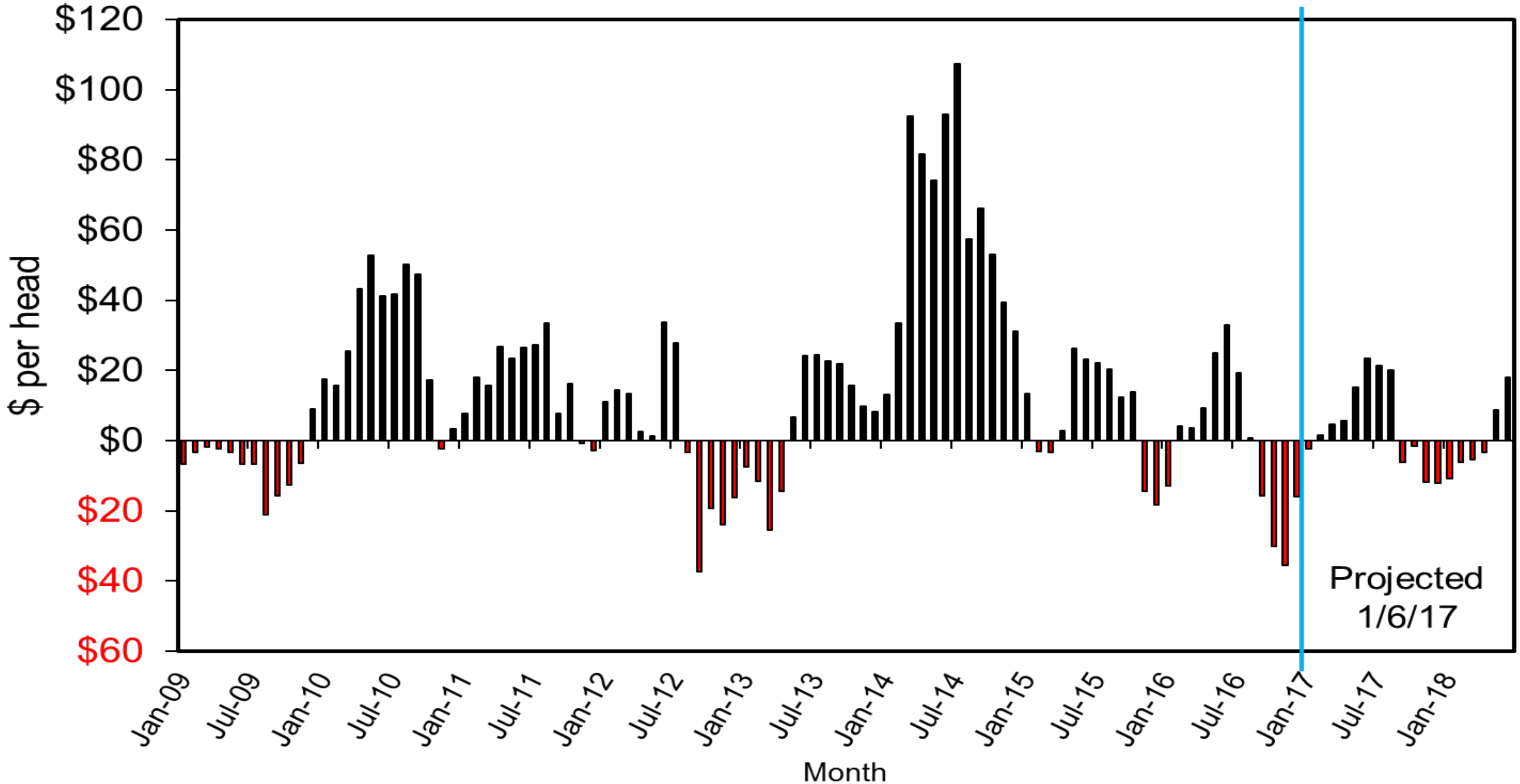
FEEDER PIG PRICES

40 Pounds, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

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

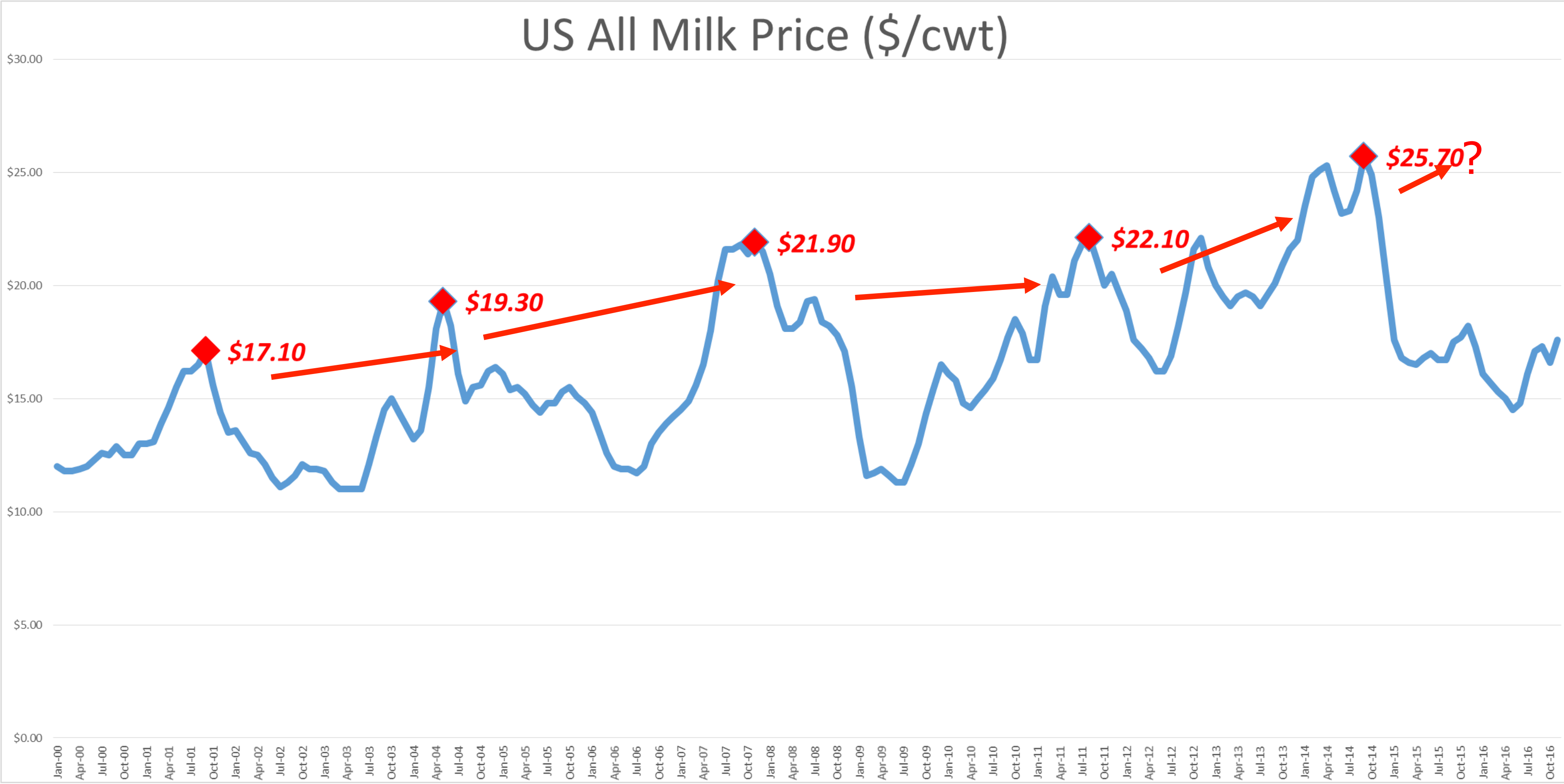
As with other meats, increasing production of competing product will put negative pressure on prices

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

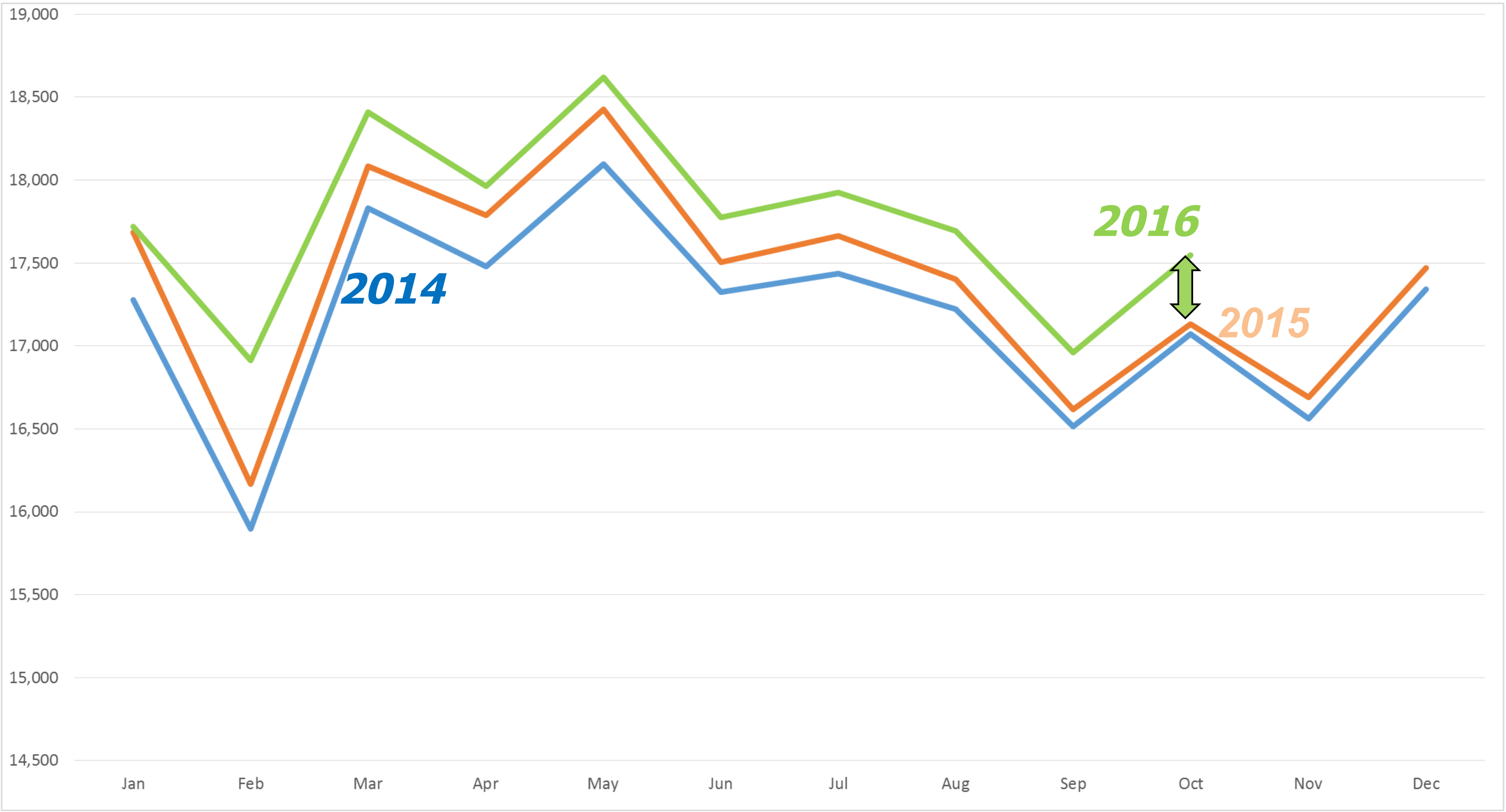
Dairy

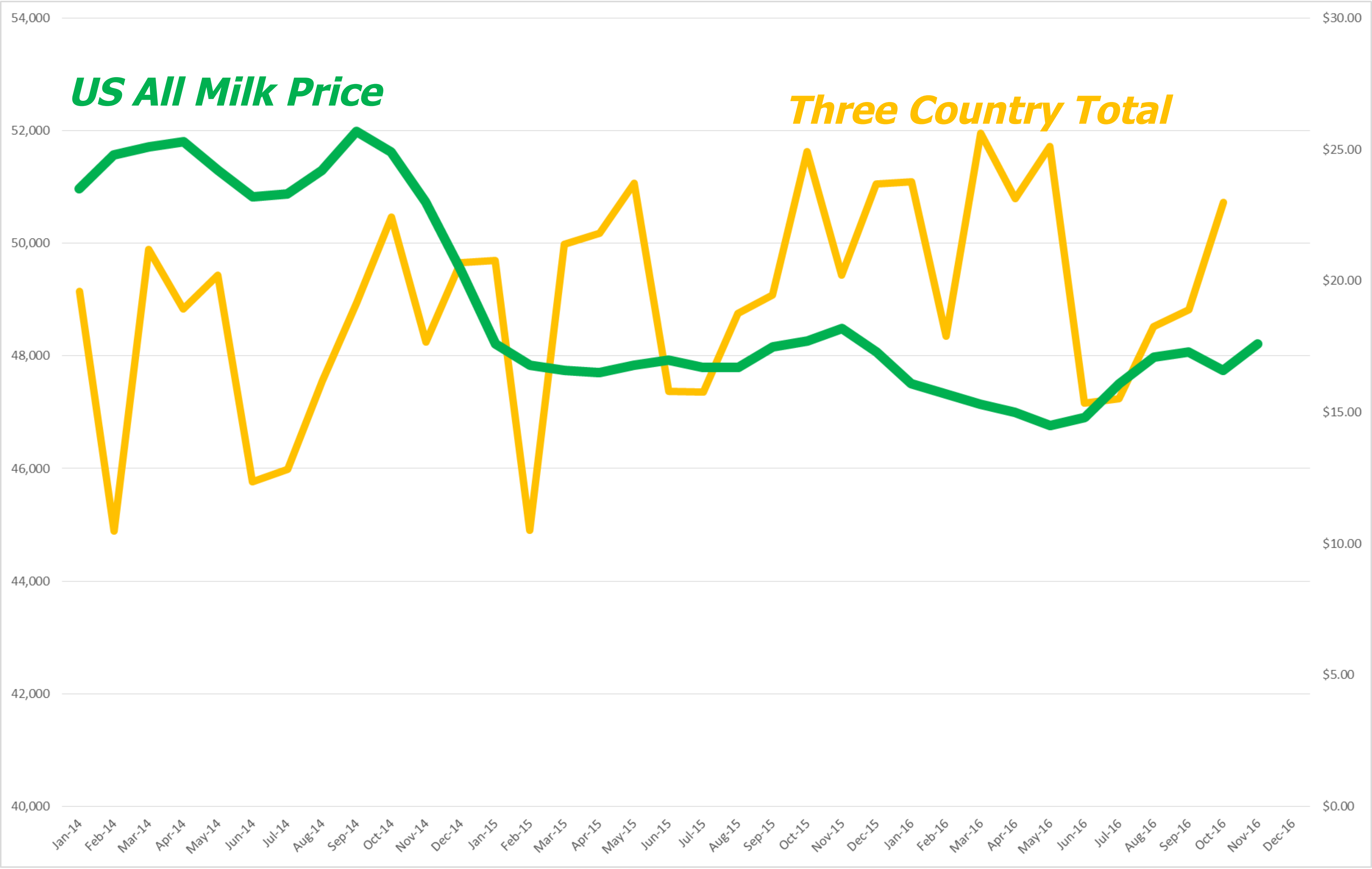
2017 Georgia Ag Forecast



Average Peak-to-Peak Increase of 11%

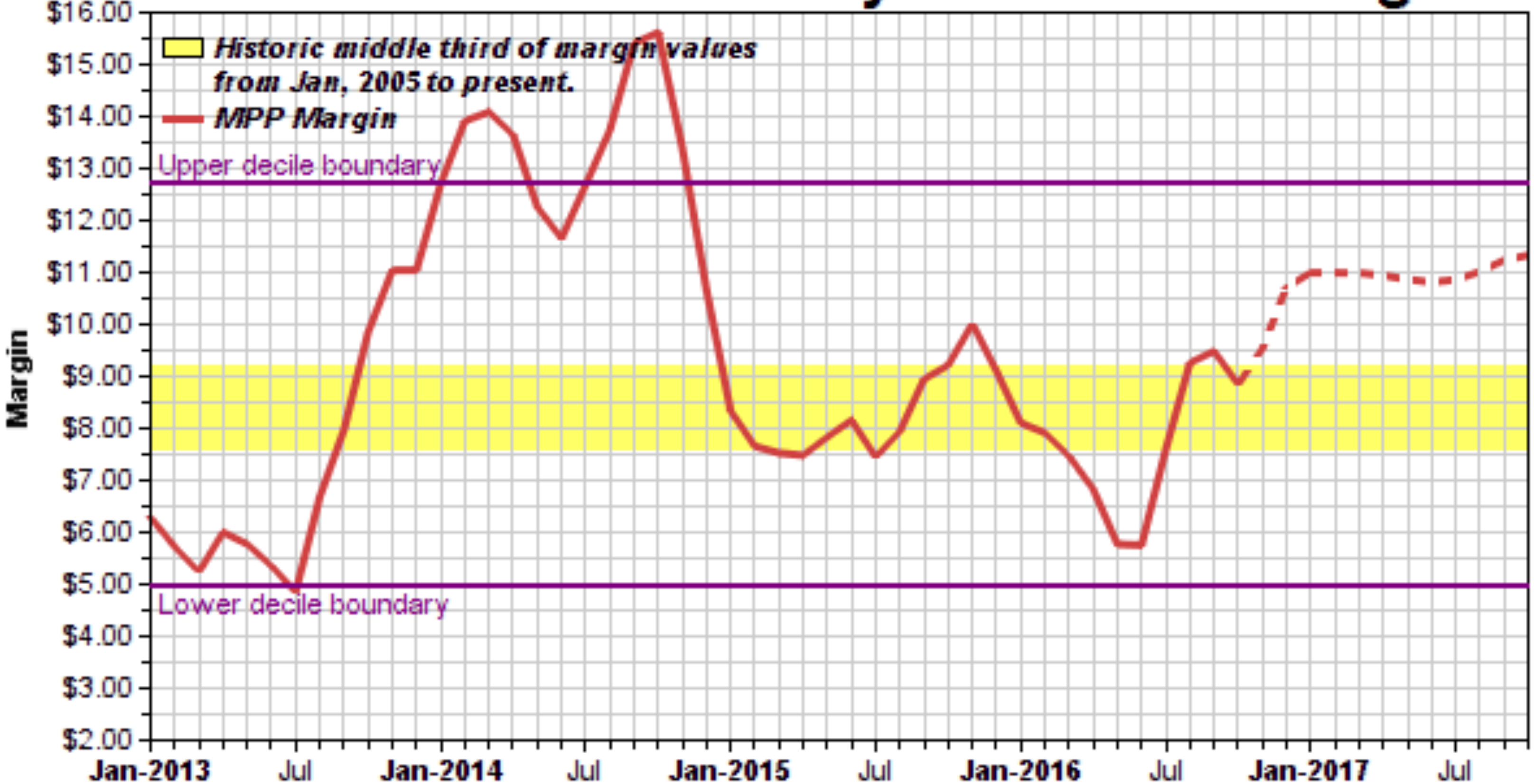
College of Agricultural & Environmental Sciences
UNIVERSITY OF GEORGIA


19,000
18,500
18,000
17,500
17,000
16,500
16,000
15,500
15,000
14,500
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2014
2015
2016



Global Markets Have Put Pressure on US Prices

Actual and Forecast Dairy Production Margin



DMaP Dairy Markets and Policy

Updated 12/20/16

Summary

All Milk Price: $17.25 – 19.00

Georgia Mailbox: $20.11 - $22.00

Feed prices remain favorable

Commodity stocks (cheese/butter) are still high but not alarmingly so

Export demand shows signs of improvement

Global dairy prices show signs of strengthening

2017 Georgia Ag Forecast

Summary of 2017 Georgia Agricultural & Agribusiness Outlook

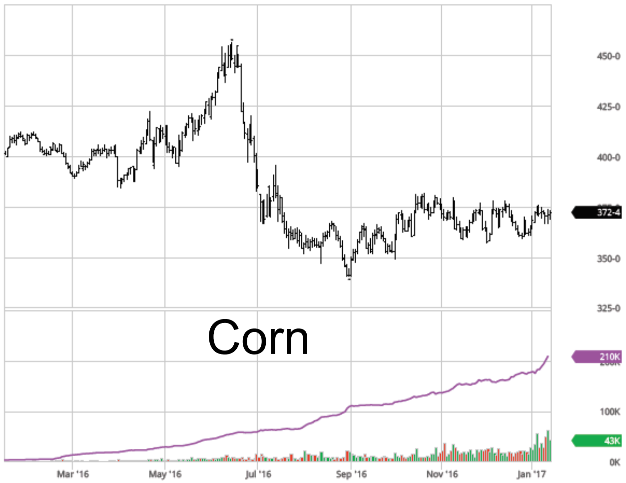
Adam Rabinowitz

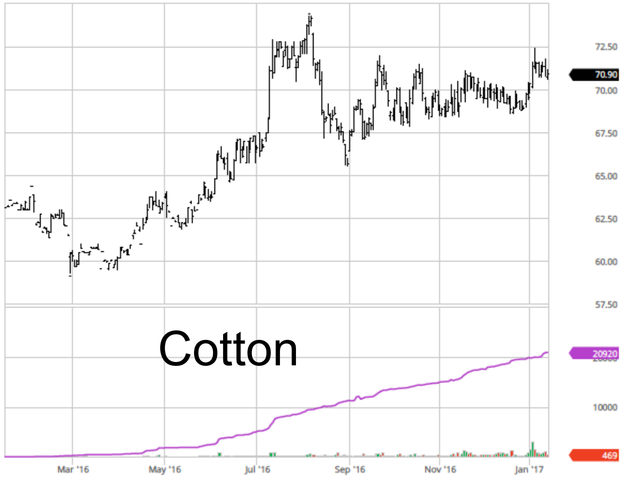
Assistant Professor, UGA CAES

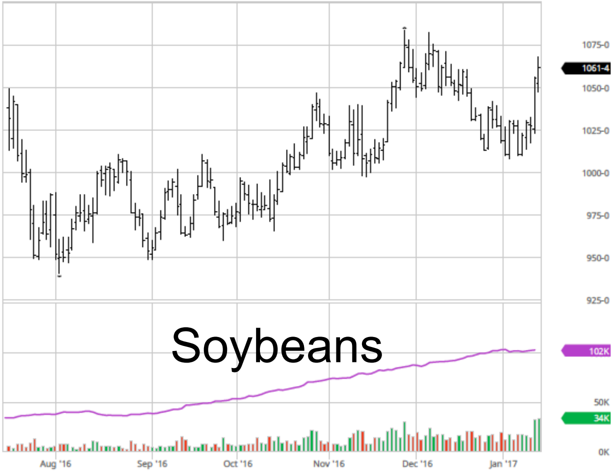
Department of Agricultural Economics and Applied Economics

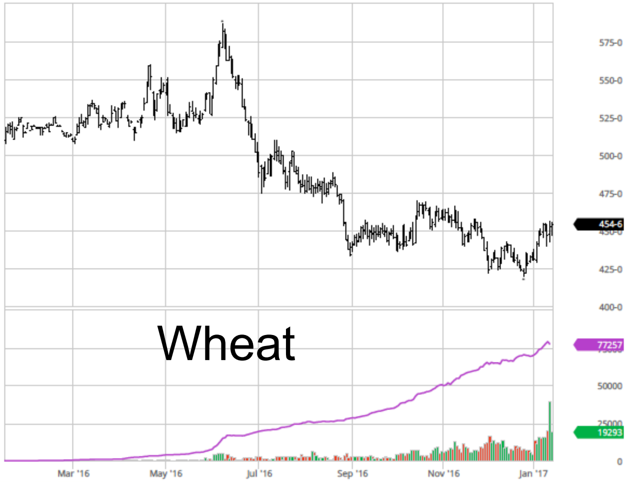
Row Crops


FRED
Trade Weighted U.S. Dollar Index: Broad
Strong dollar makes US exports more expensive to ROW
Index Jan 1997=100
130
125
120
115
110
105
100
95
90
2008
2010
2012
2014
2016
Source: Board of Governors of the Federal Reserve System (US)
fred.stlouisfed.org
myf.red/g/cmr7

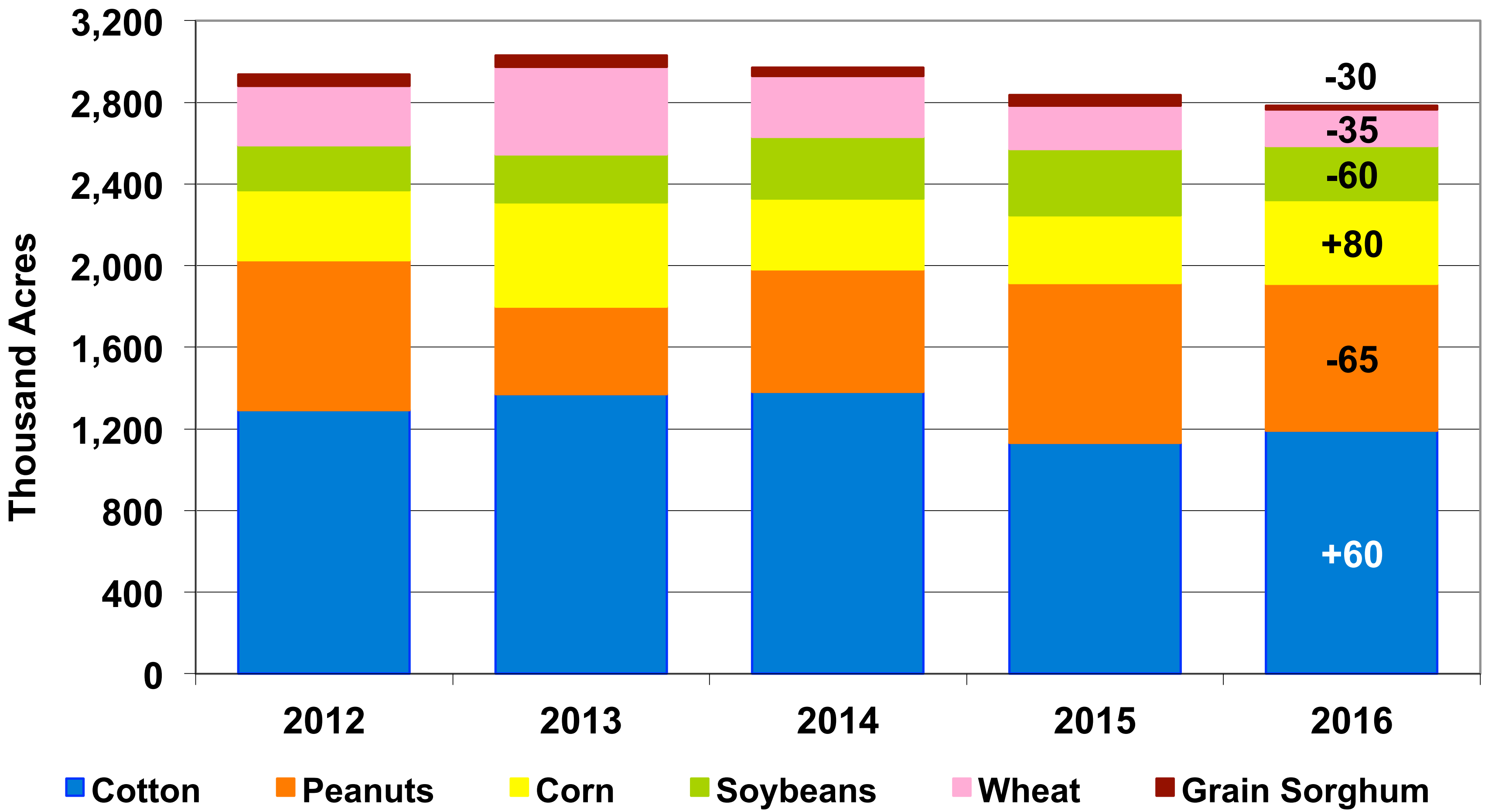

Corn
450-0
425-0
400-0
372-4
350-0
325-0
210K
100K
43K
0K
Mar '16
May '16
Jul '16
Sep '16
Nov '16
Jan '17


Cotton
72.50
70.90
70.00
67.50
65.00
62.50
60.00
57.50
20920
10000
469
Mar '16
May '16
Jul '16
Sep '16
Nov '16
Jan '17


Soybeans
1075-0
1061-4
1050-0
1025-0
1000-0
975-0
950-0
925-0
102K
50K
34K
0K
Aug '16
Sep '16
Oct '16
Nov '16
Dec '16
Jan '17

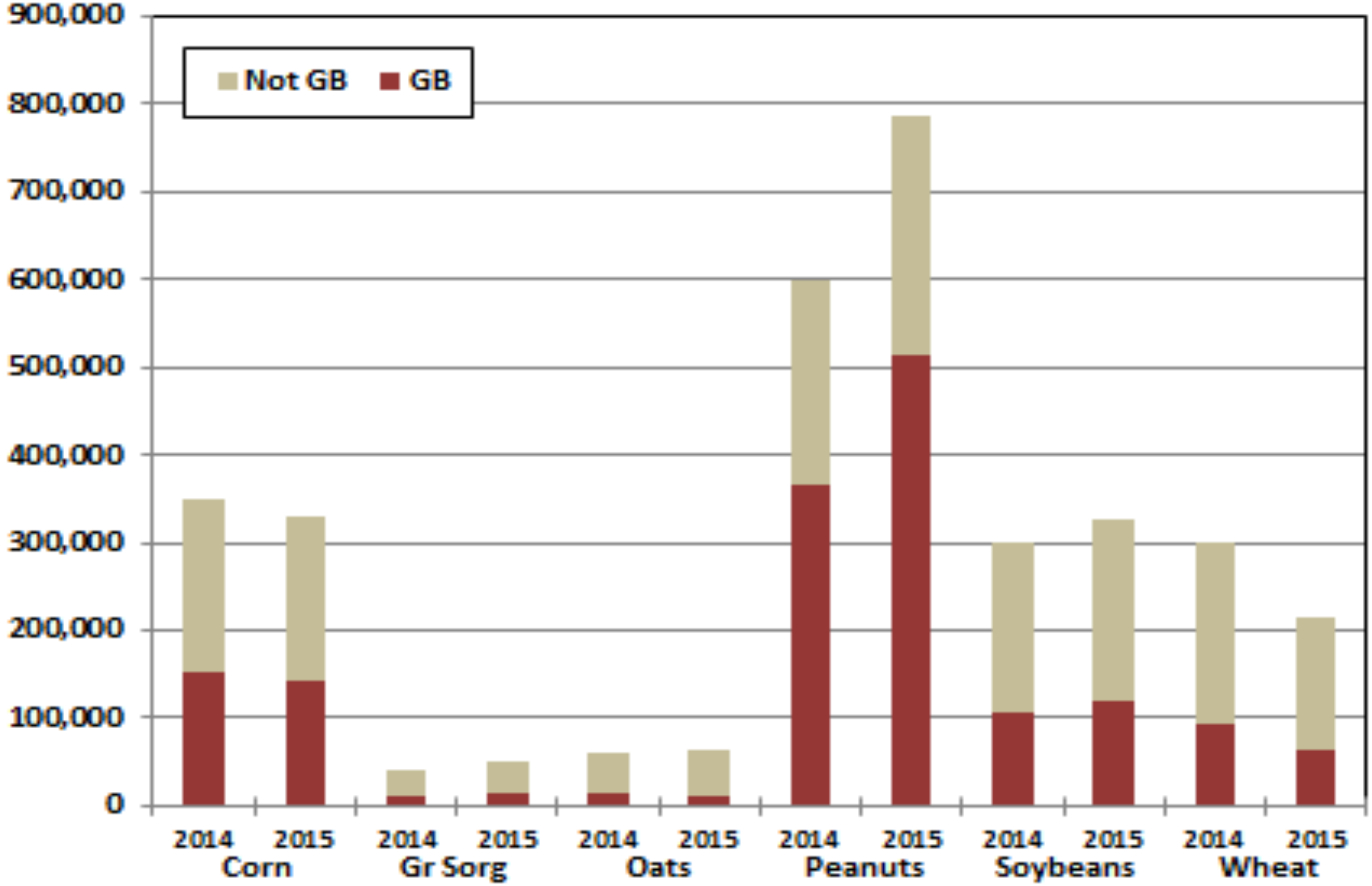

Wheat
575-0
550-0
525-0
500-0
475-0
454-6
425-0
400-0
77257
50000
19293
0
Mar '16
May '16
Jul '16
Sep '16
Nov '16
Jan '17

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



Data Source: USDA-NASS

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



Data Source: USDA-NASS

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

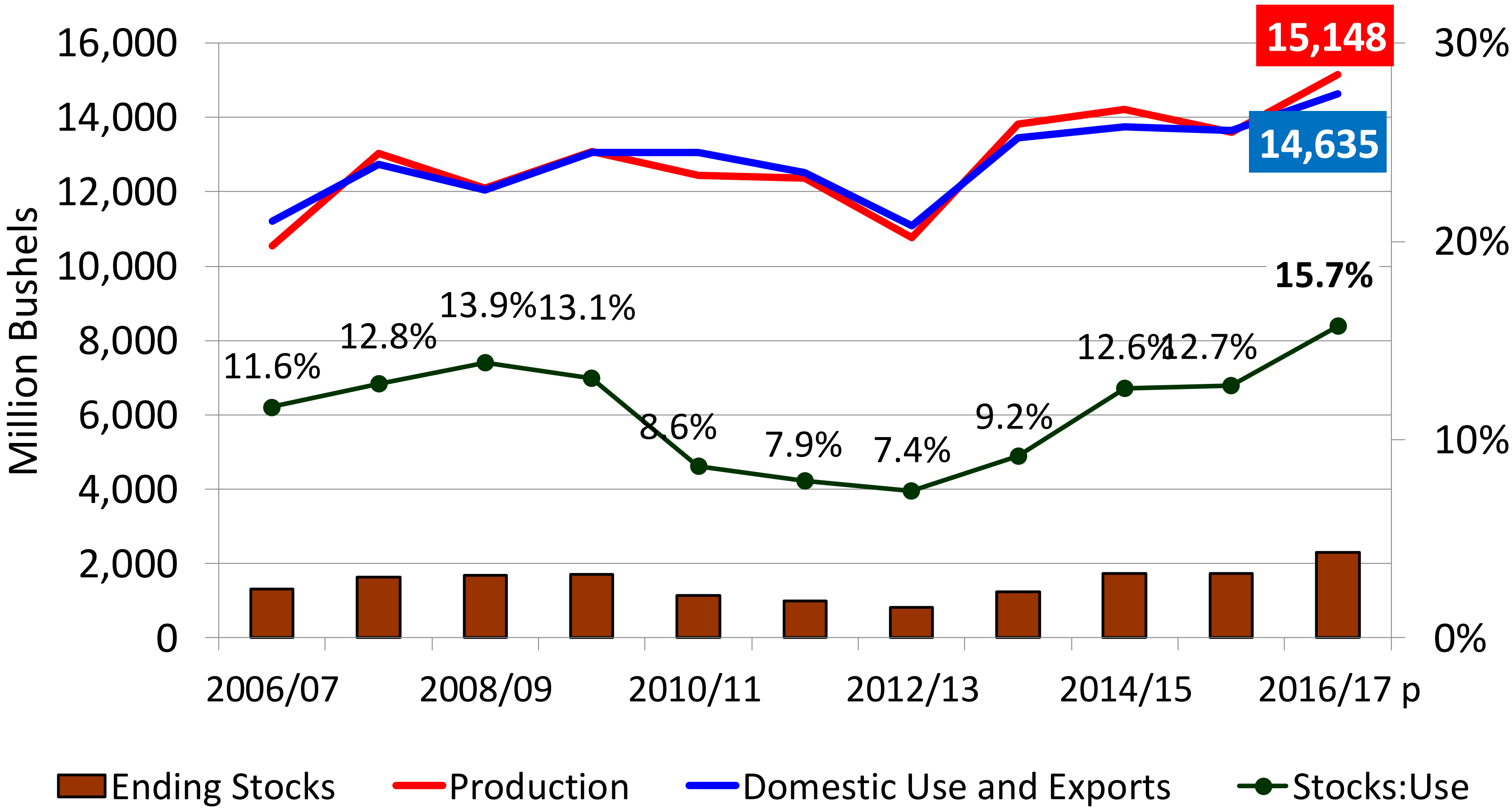
Corn

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

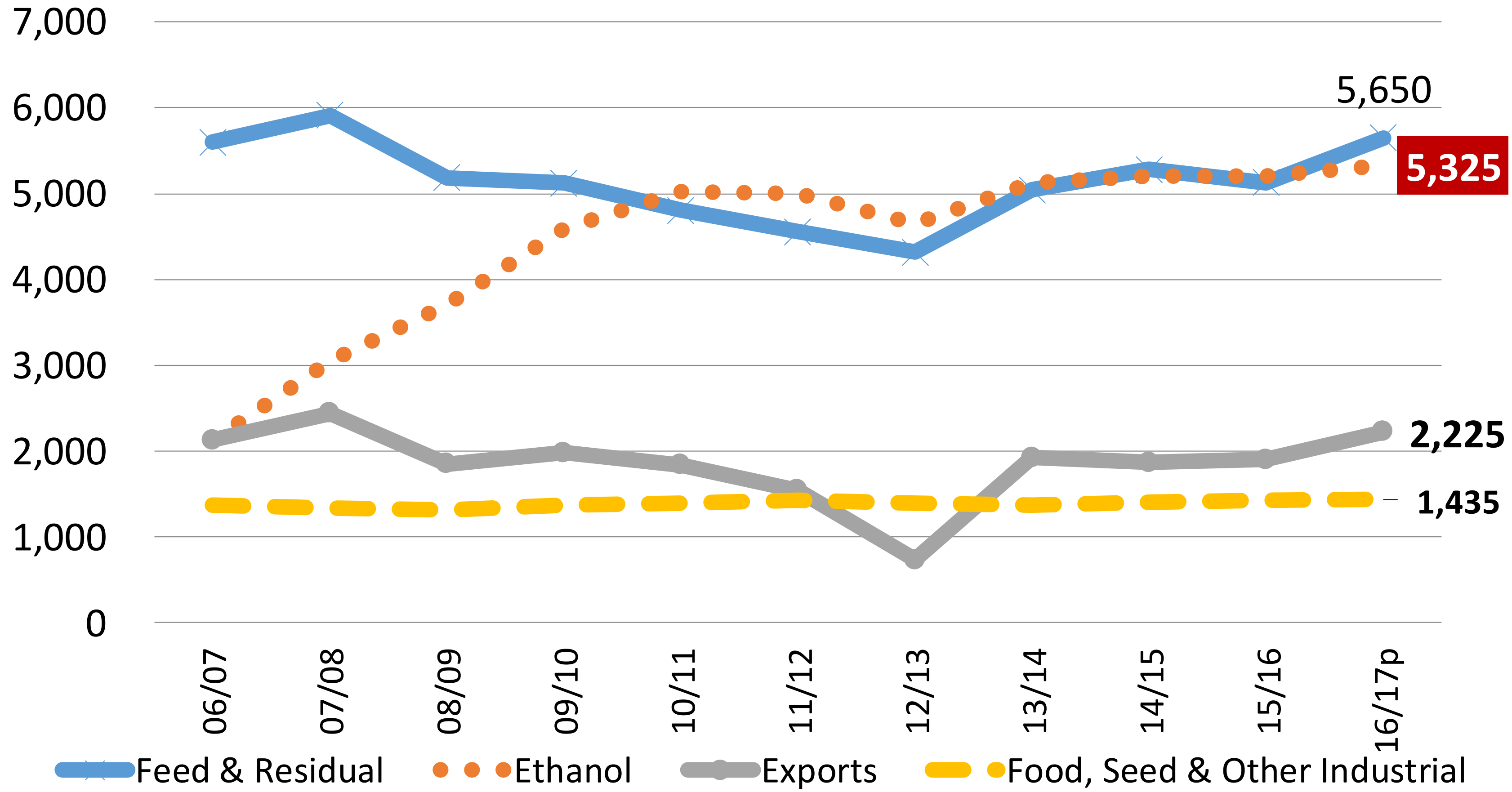
- Planted acres up in US and GA
- Record US yield in 2016 but GA yield down
- Record US production at 15.148 billion bushels.

U.S. Corn Supply and Demand



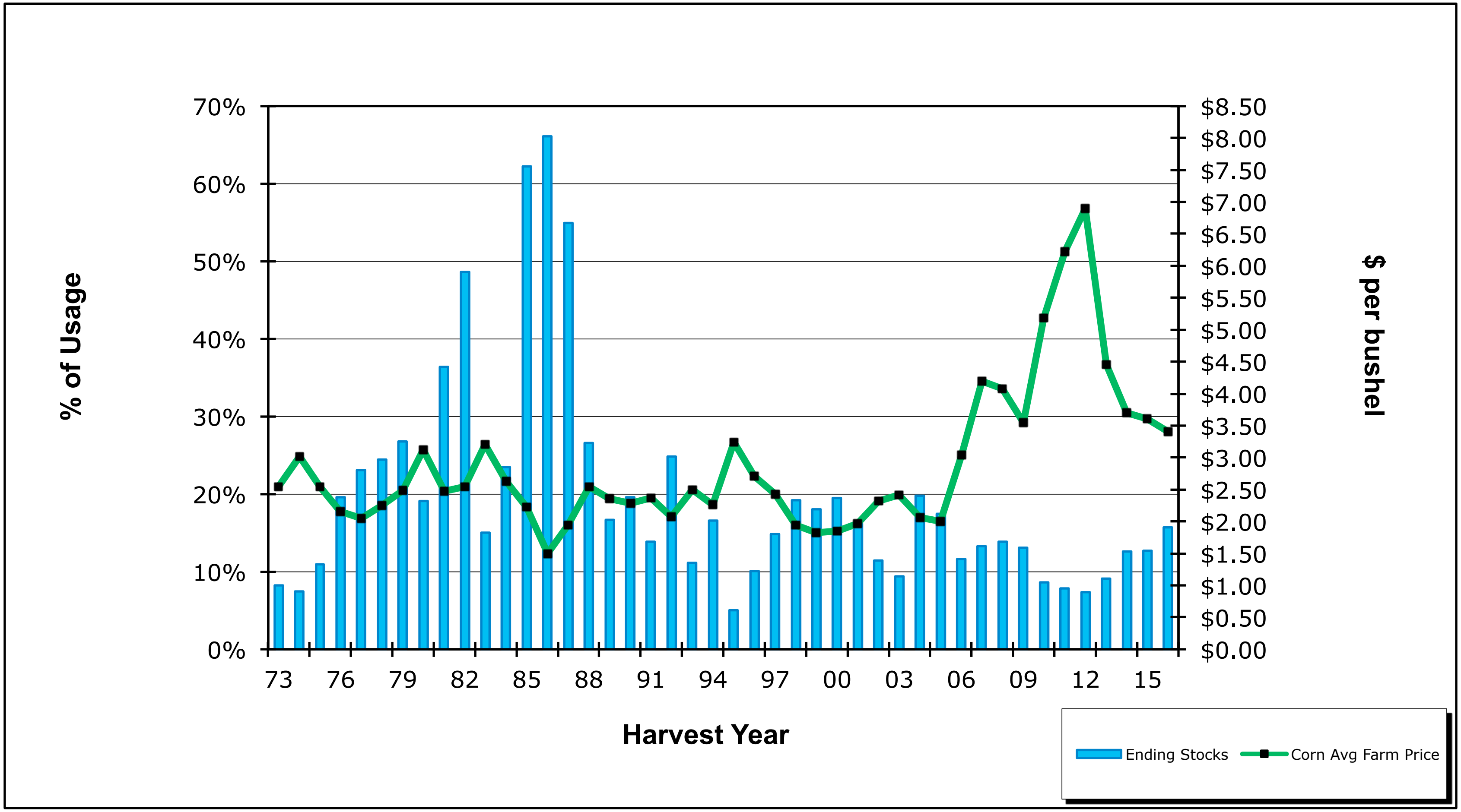
Data Source: USDA-NASS

U.S. Corn Utilization



Data Source: USDA-NASS

Corn Price vs Ending Stocks



Data Source: USDA-NASS

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

2017 Georgia Ag Forecast

Cotton

College of Agricultural & Environmental Sciences
UNIVERSITY OF GEORGIA

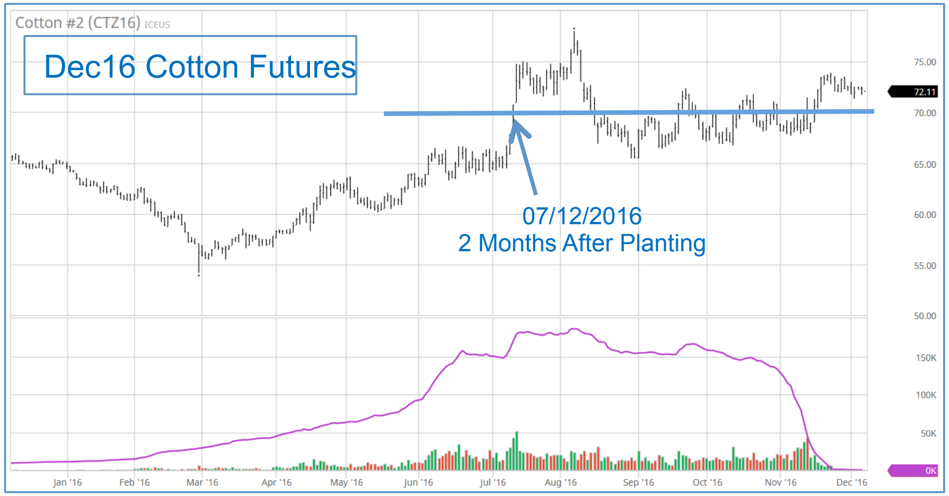
Georgia Cotton Acreage and Yield

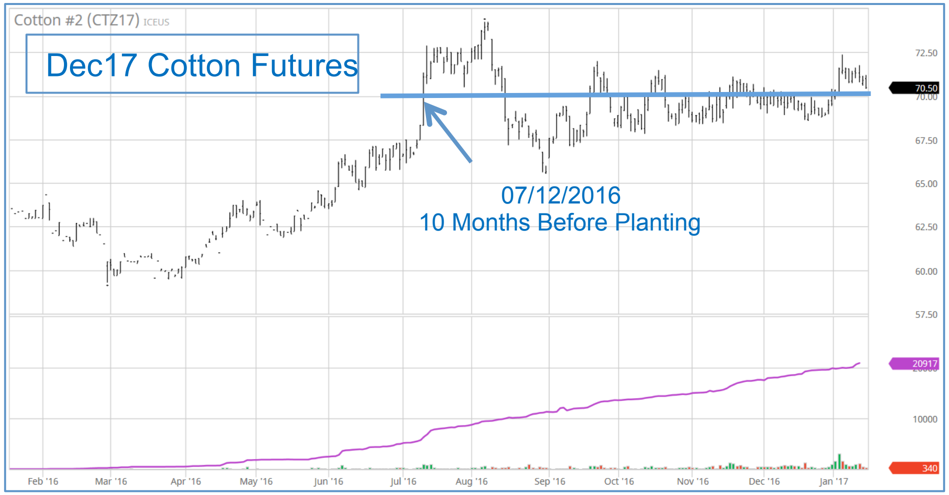
		Acres [1]		Yield [2]
2012		1,290		1,091
2013		1,370		831
2014		1,380		900
2015		1,130		966
2016		1,190		903

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.

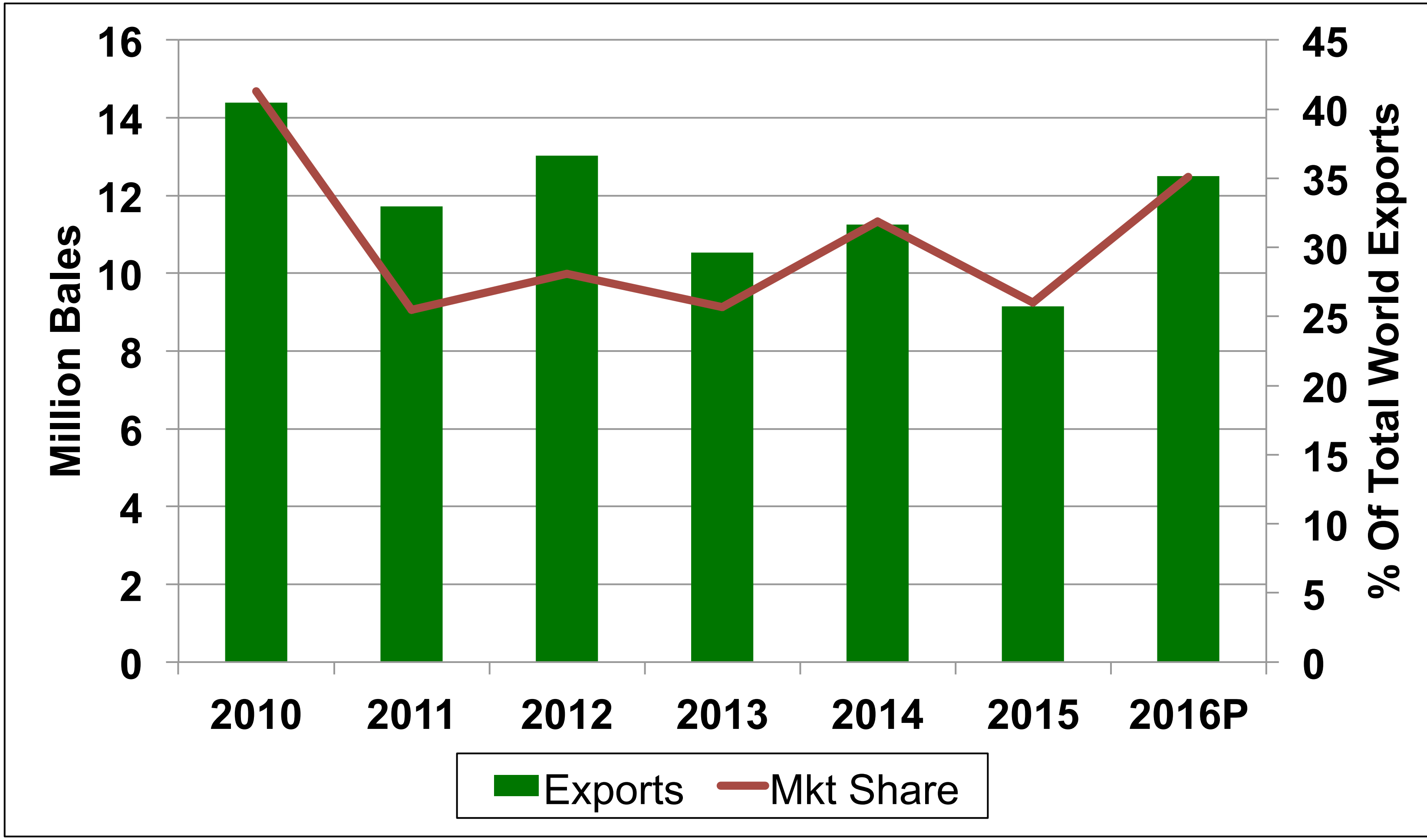
The Foundation Could Already Be Set for a Better 2017



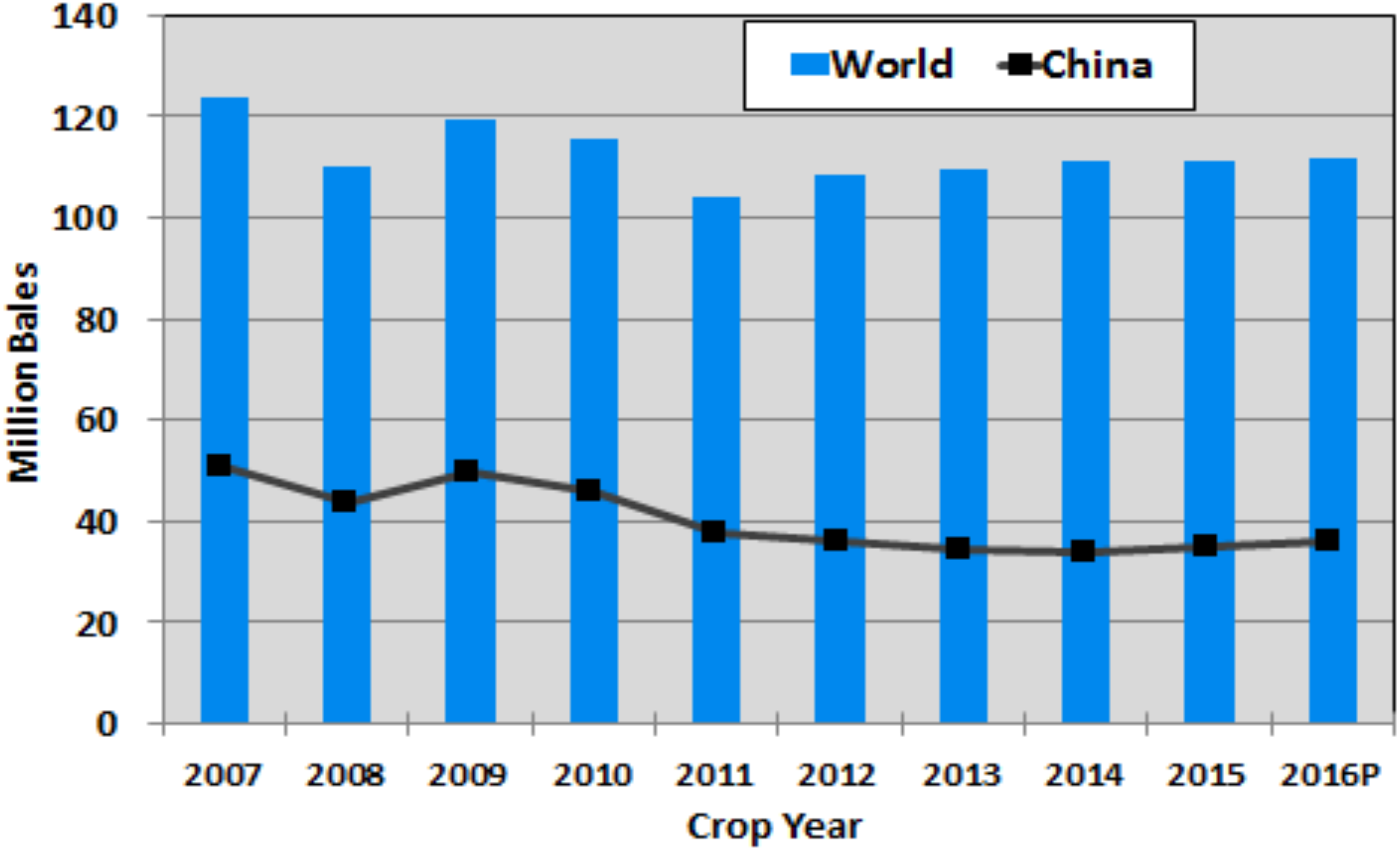


Whether it happens is another matter.
70 cents seems to be the barometer for this market.

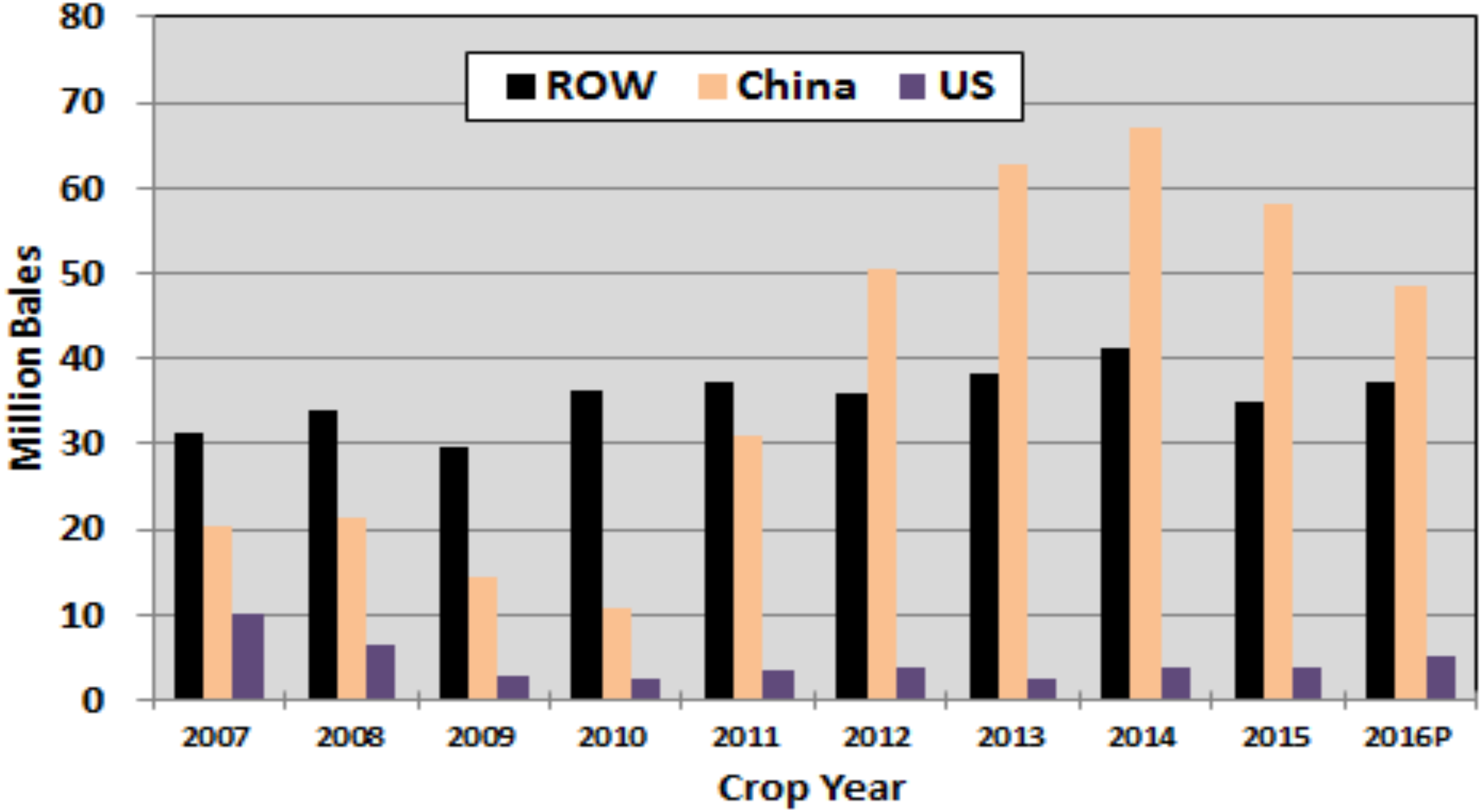
US Cotton Exports and Share of World Exports



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

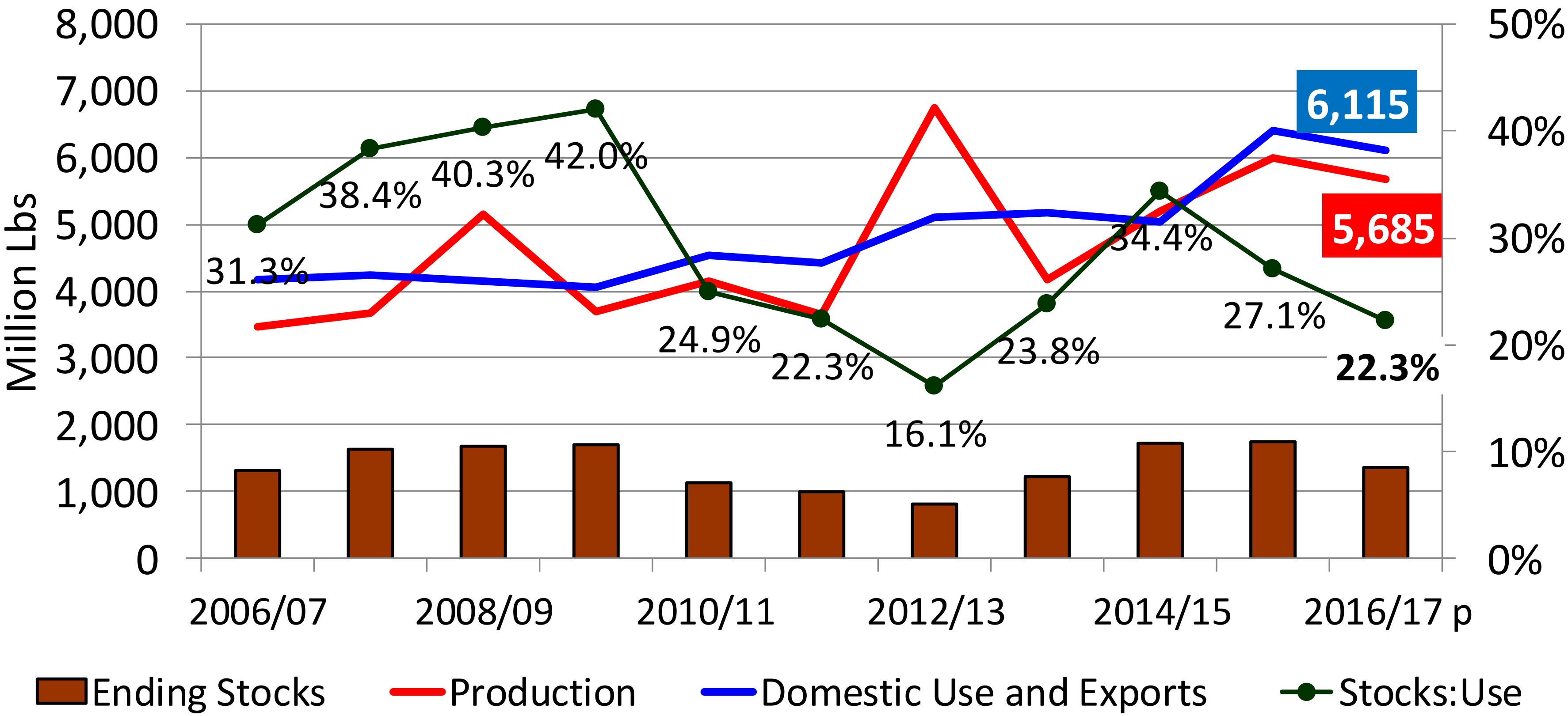
GA & US **Peanut** Crops, 2014-2016

	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

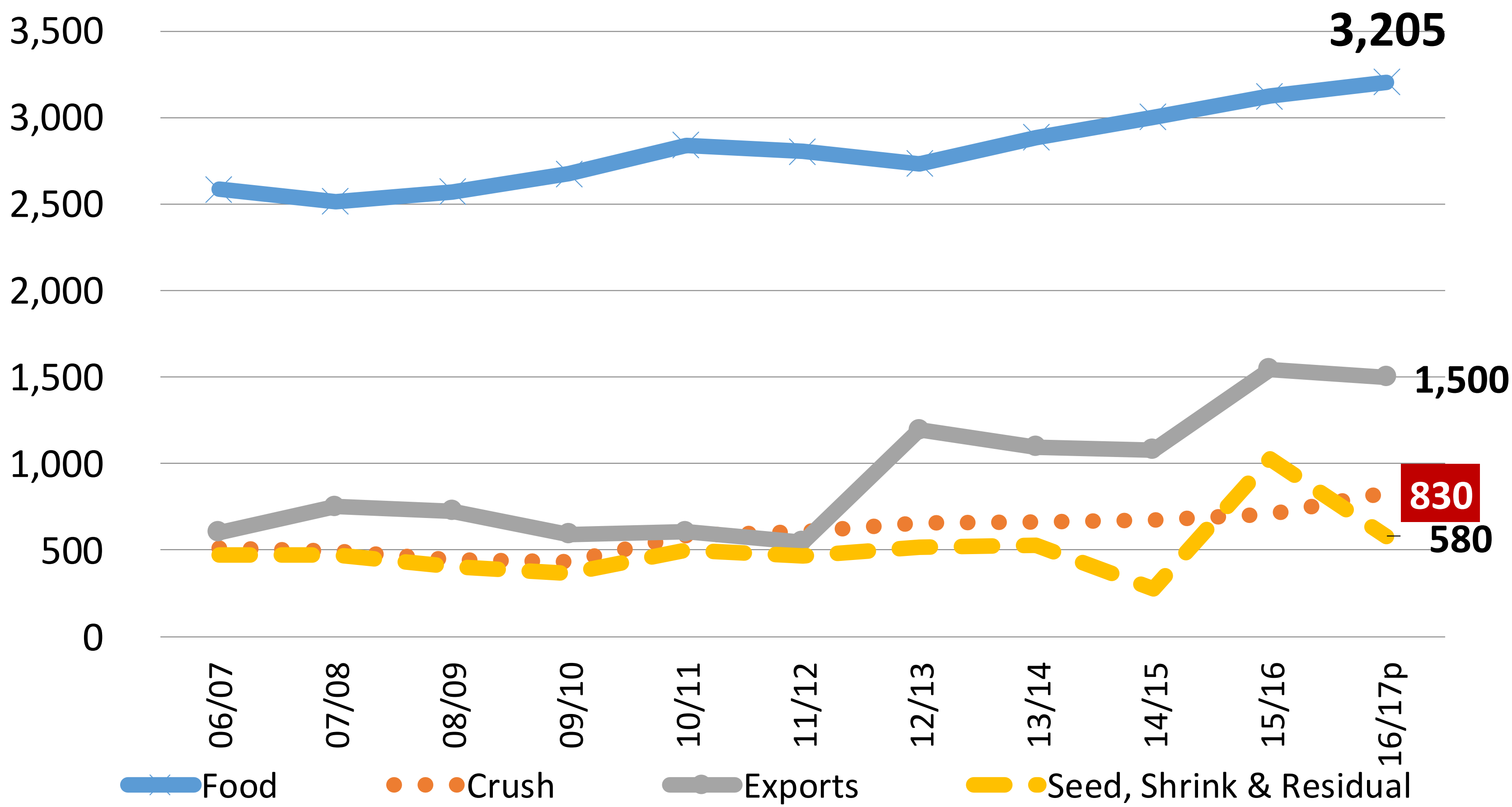
- Planted acres up in US and down slightly in GA
- Yields on a downward trend for past 3 years
- US production at 5.7 billion pounds.

Data Source: USDA-NASS

U.S. Peanut Supply and Demand

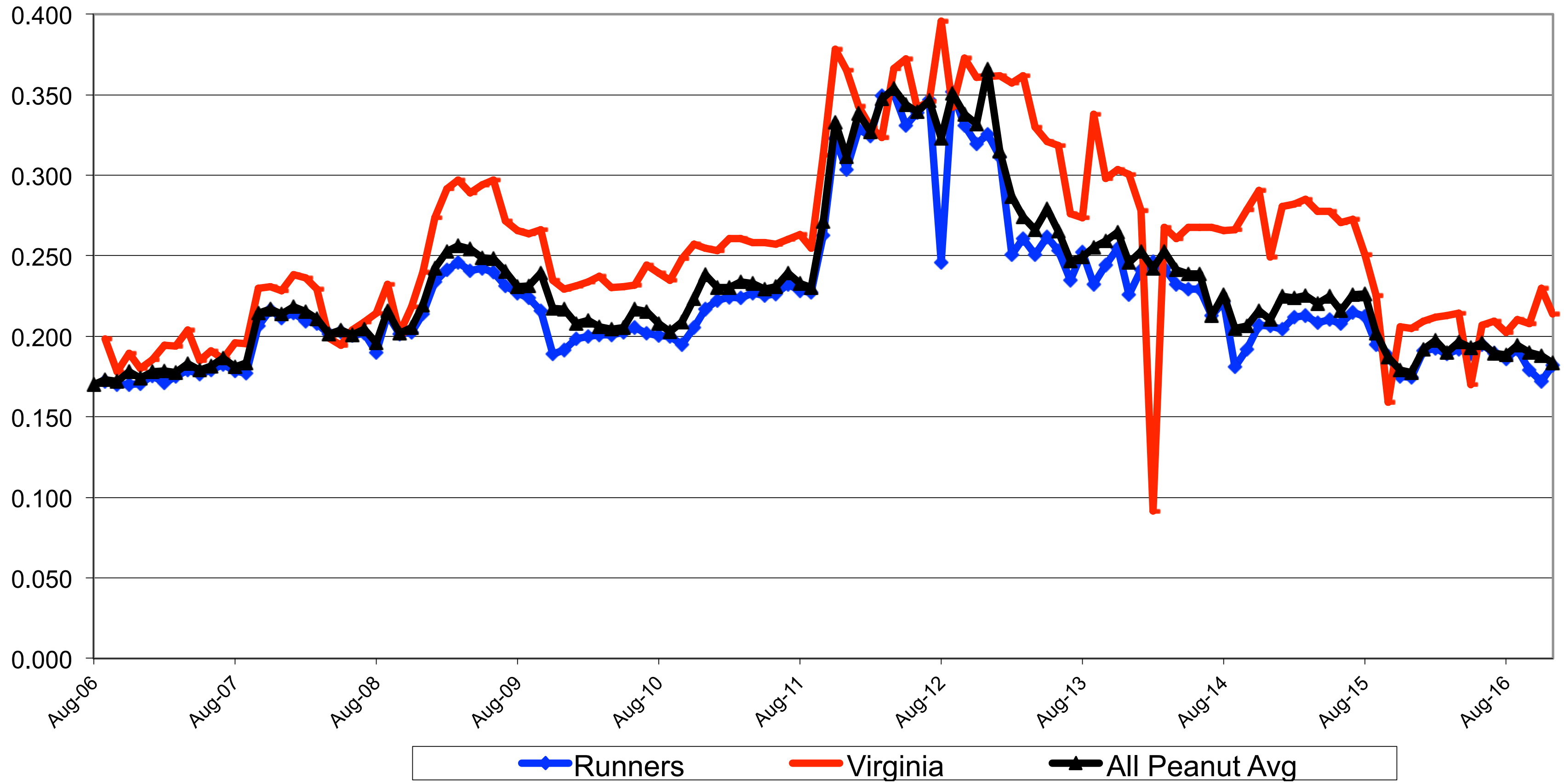


U.S. Peanut Utilization



Data Source: USDA-NASS

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 farmers 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

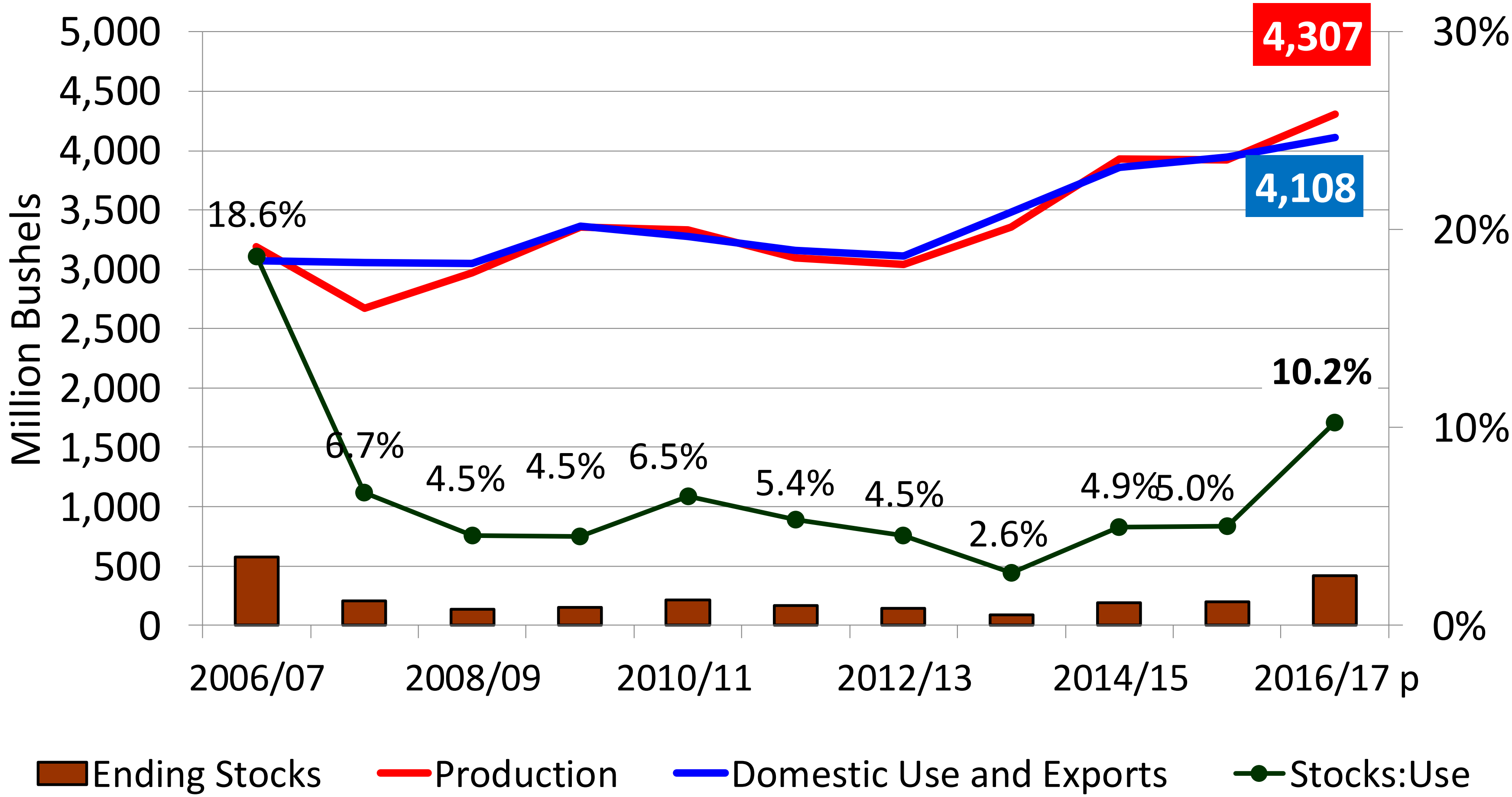
GA & US **Soybean** Crops, 2014-2016

	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

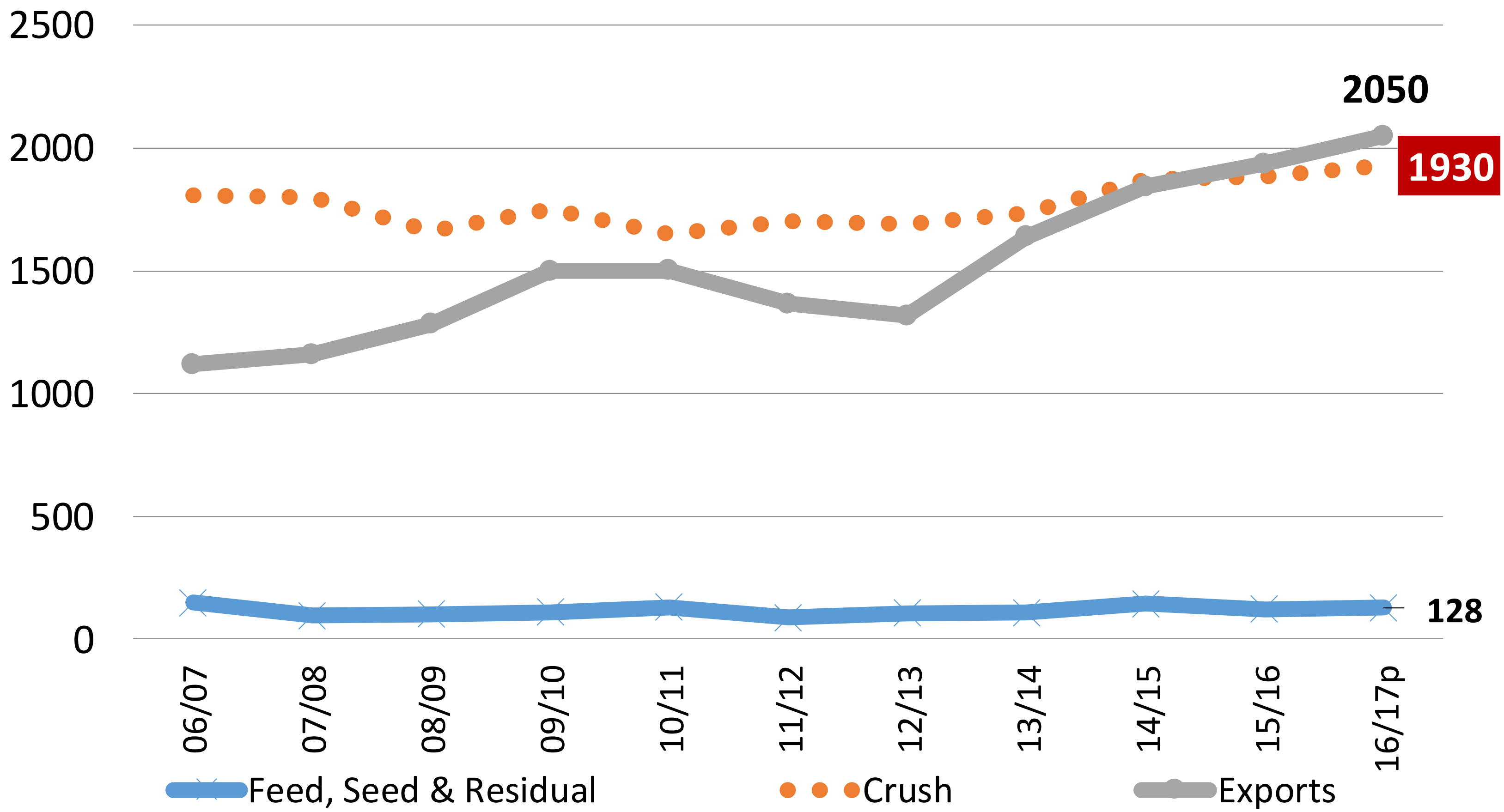
Data Source: USDA-NASS

U.S. Soybean Supply and Demand



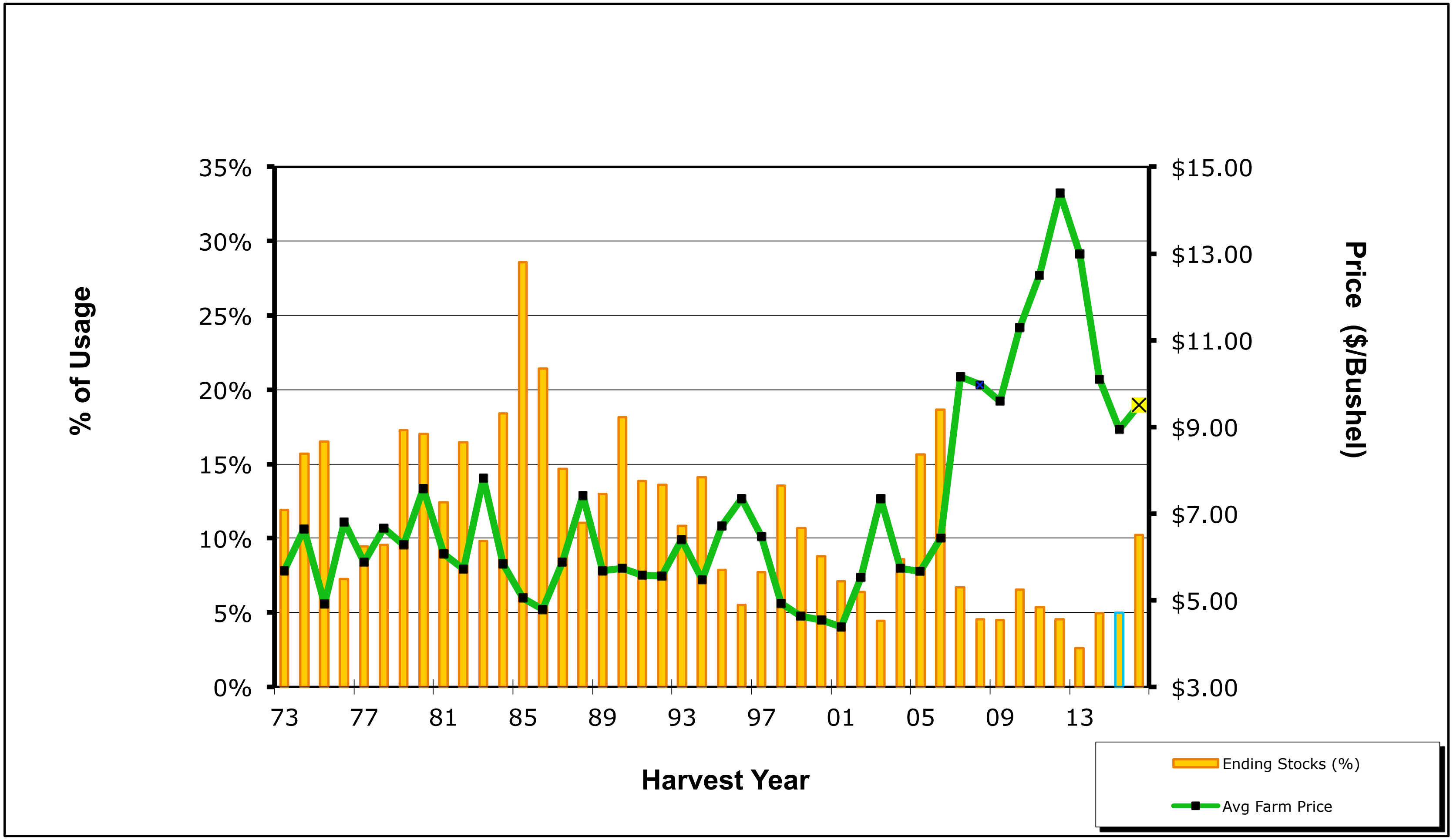
Data Source: USDA-NASS

U.S. Soybean Utilization



Data Source: USDA-NASS

Soybean Price vs Ending Stocks



Data Source: USDA-NASS

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

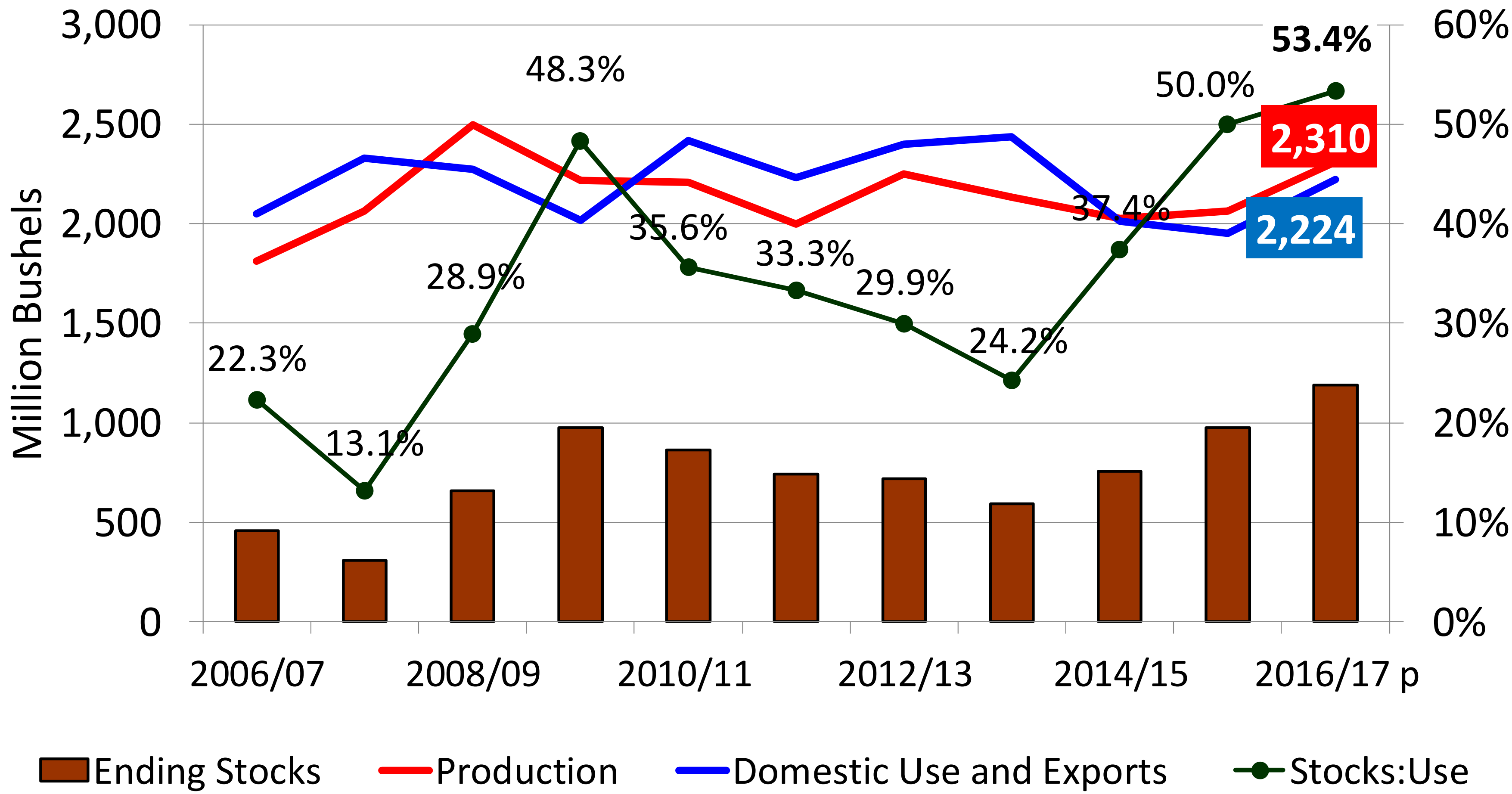
GA & US **Wheat** Crops, 2014-2016

	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

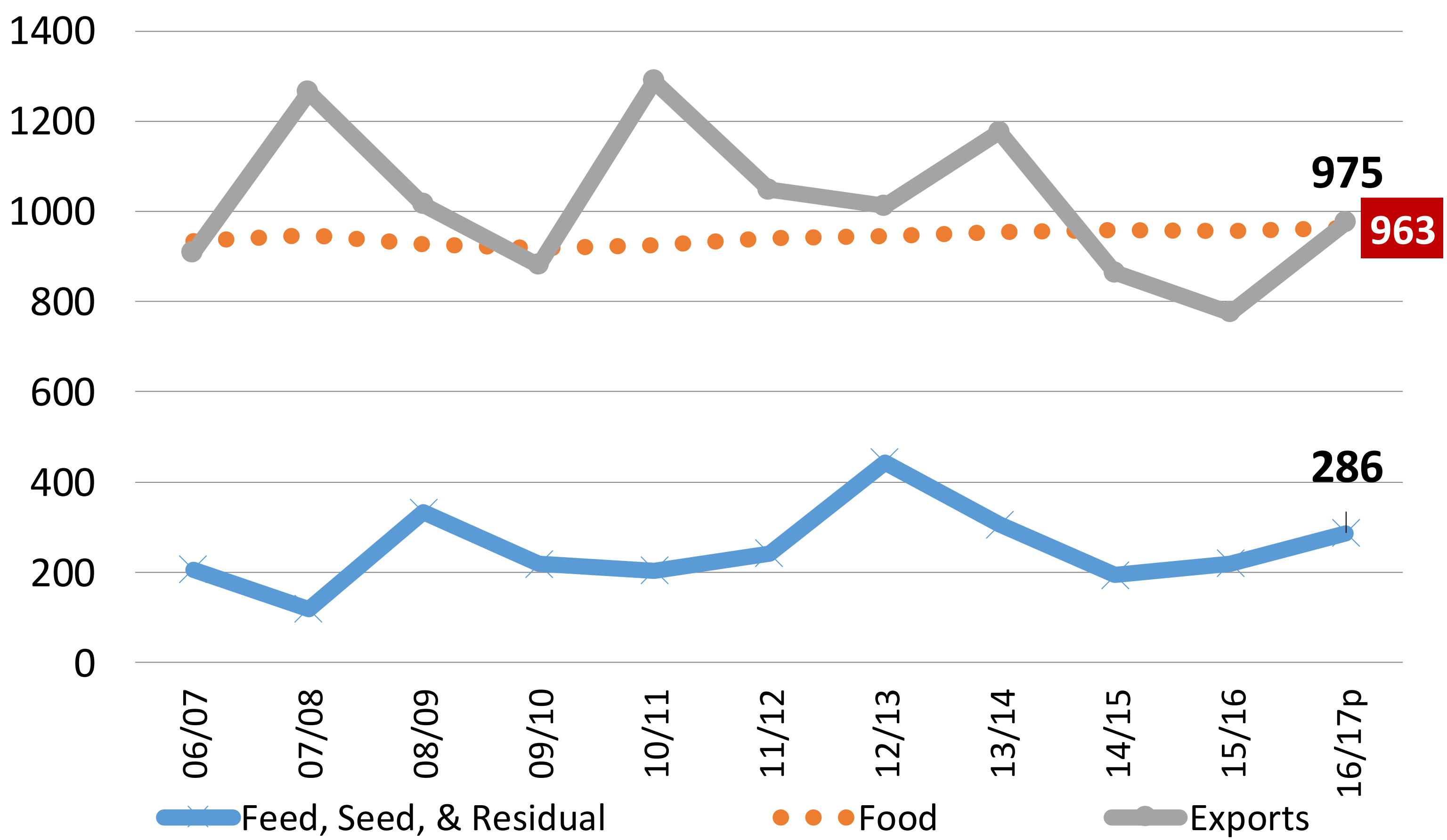
Data Source: USDA-NASS

U.S. Wheat Supply and Demand



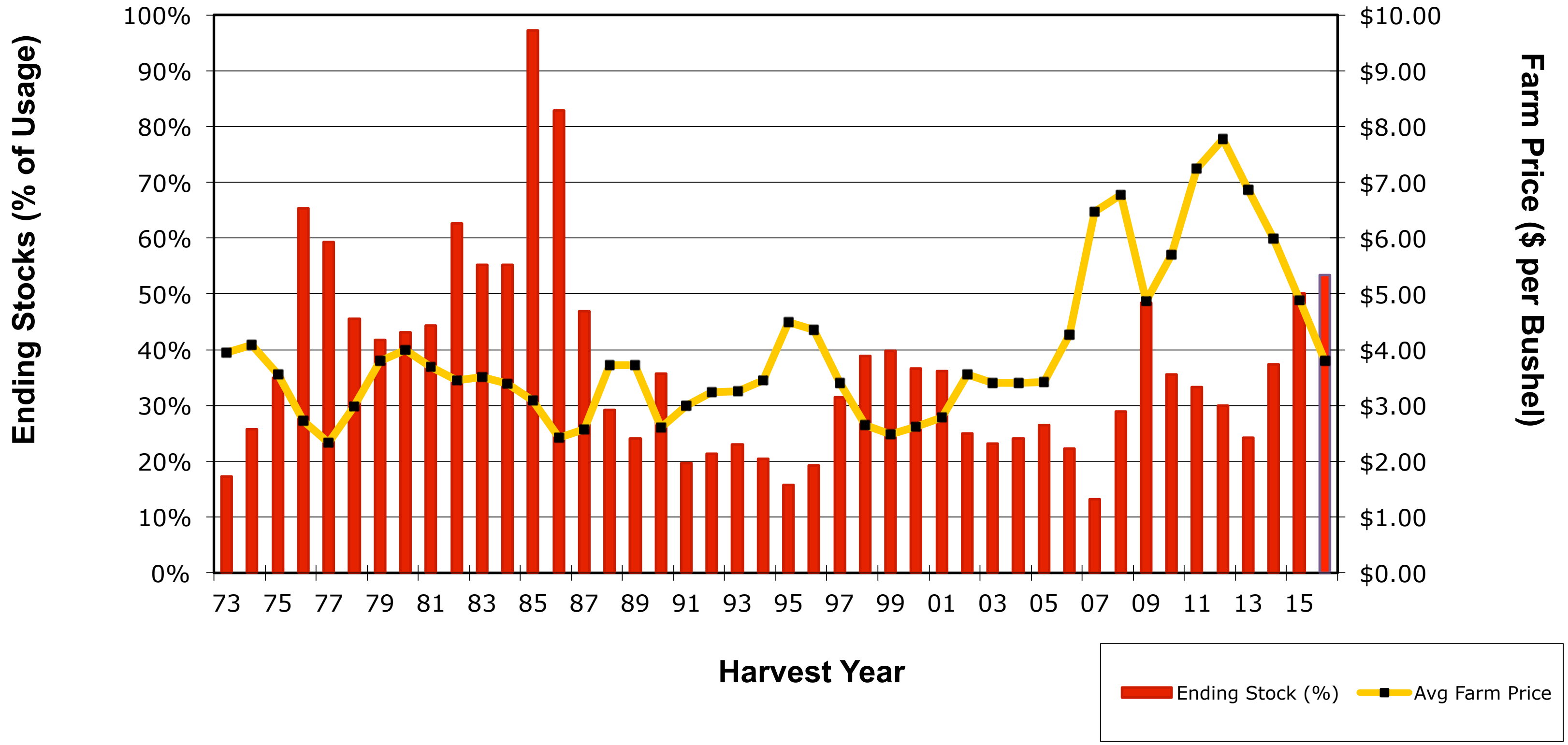
Data Source: USDA-NASS

U.S. Wheat Utilization



Data Source: USDA-NASS

Wheat Price vs Ending Stocks



Data Source: USDA-NASS

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

Net Returns Comparisons

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**

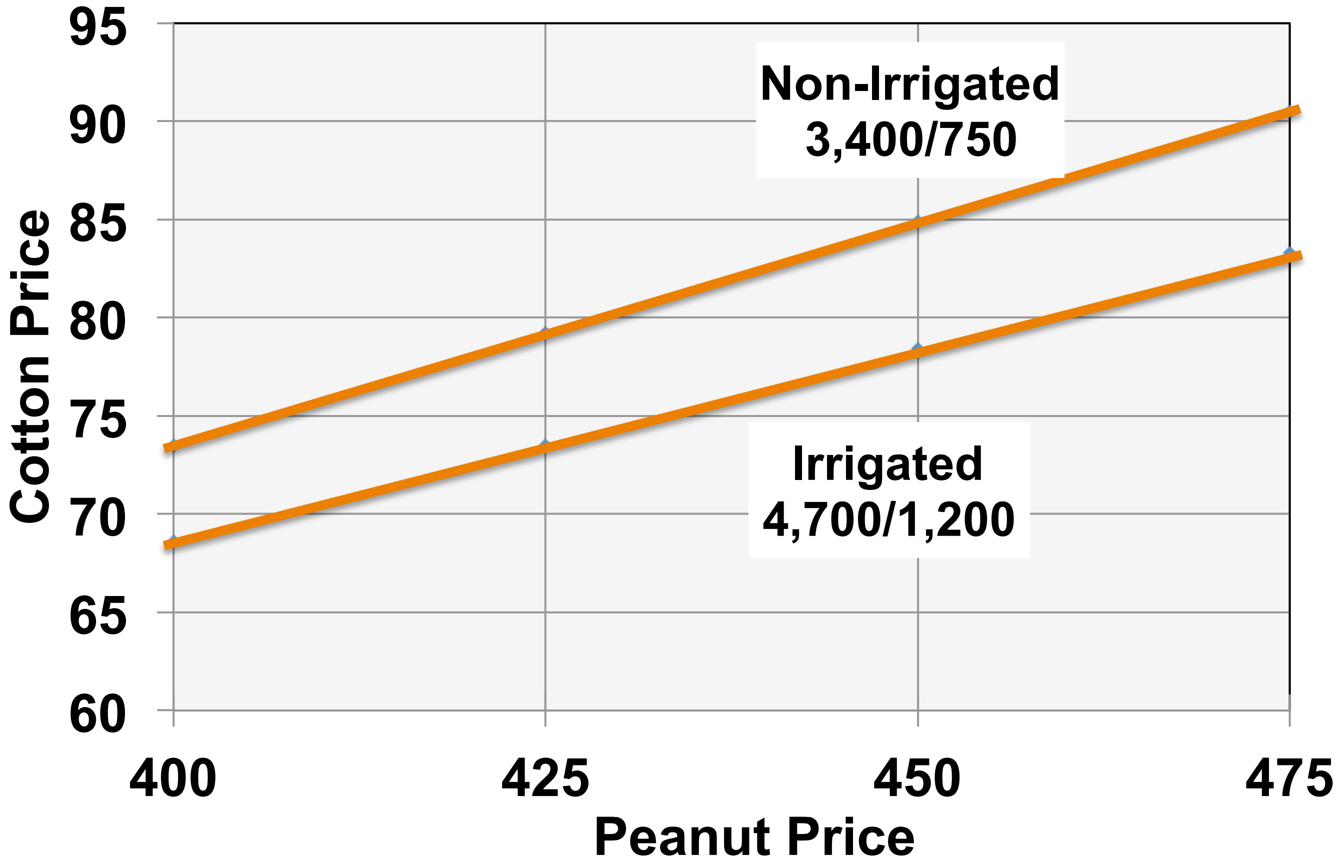
1/ Prices are basis the harvest-time futures as of mid-December 2016. Peanut price is based on expected average contract price and harvest price.

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

115^{th} 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

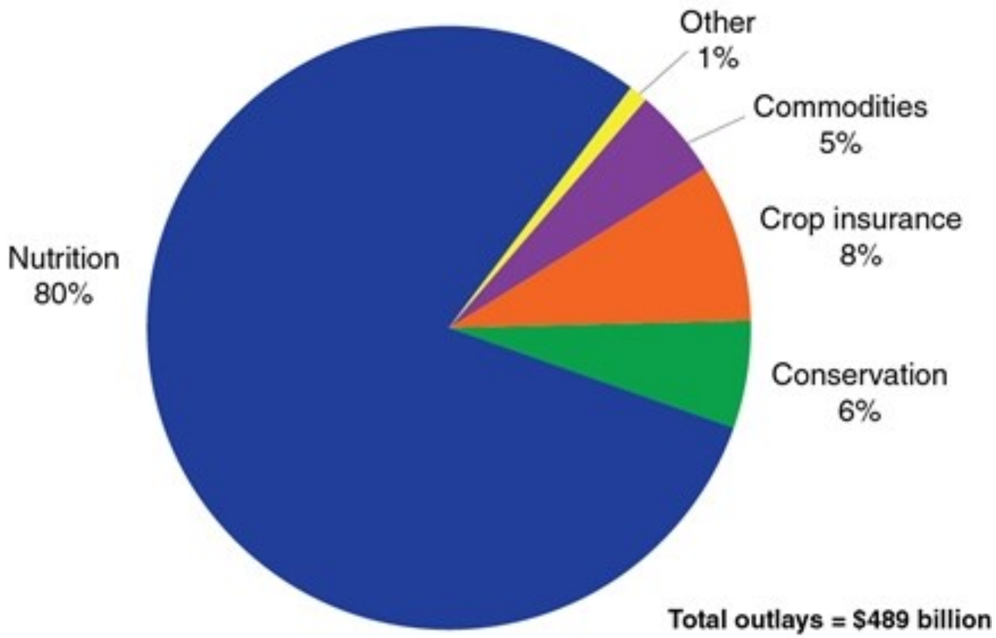
What's On The Agenda for the 115th Congress?

- 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

Thank you for attending!