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U.S. & Farm Policy & Economic Update

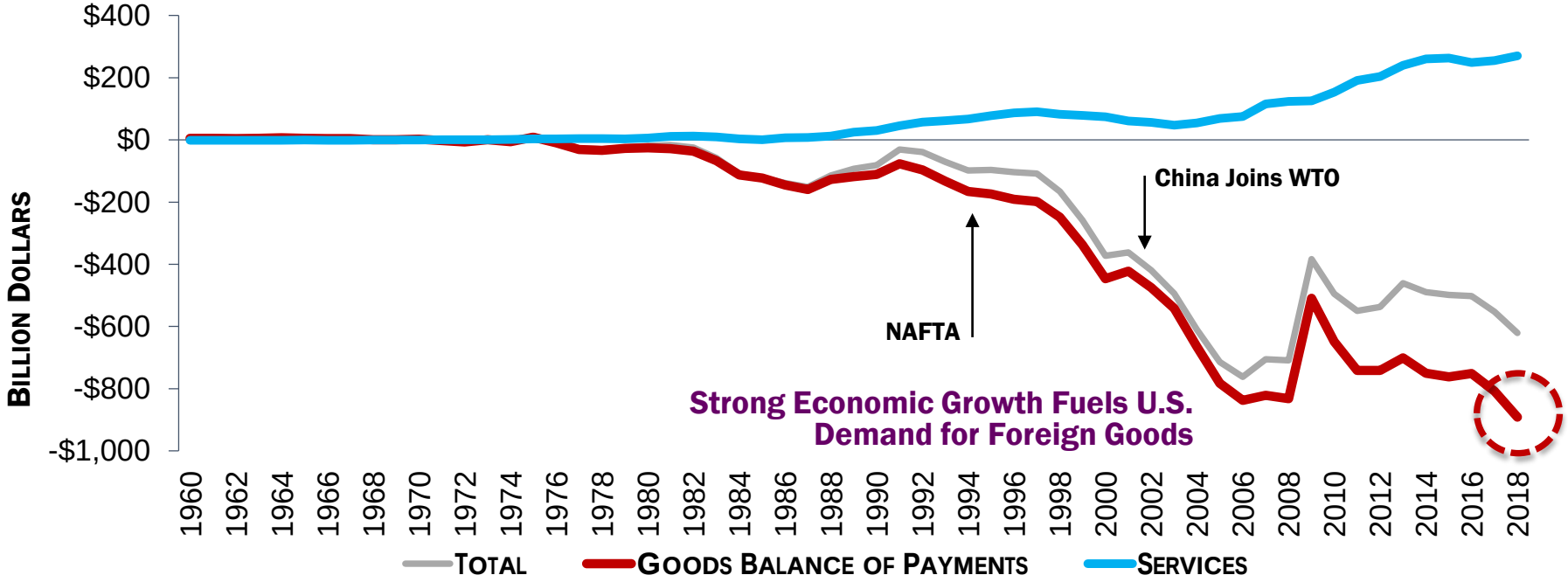
Dr. John Newton, Chief Economist, American Farm Bureau Federation

Trade & Tariffs Update

Trade Deficit Reached a Record-Low in 2018

U.S. Trade Deficit -$621 Billion in 2018

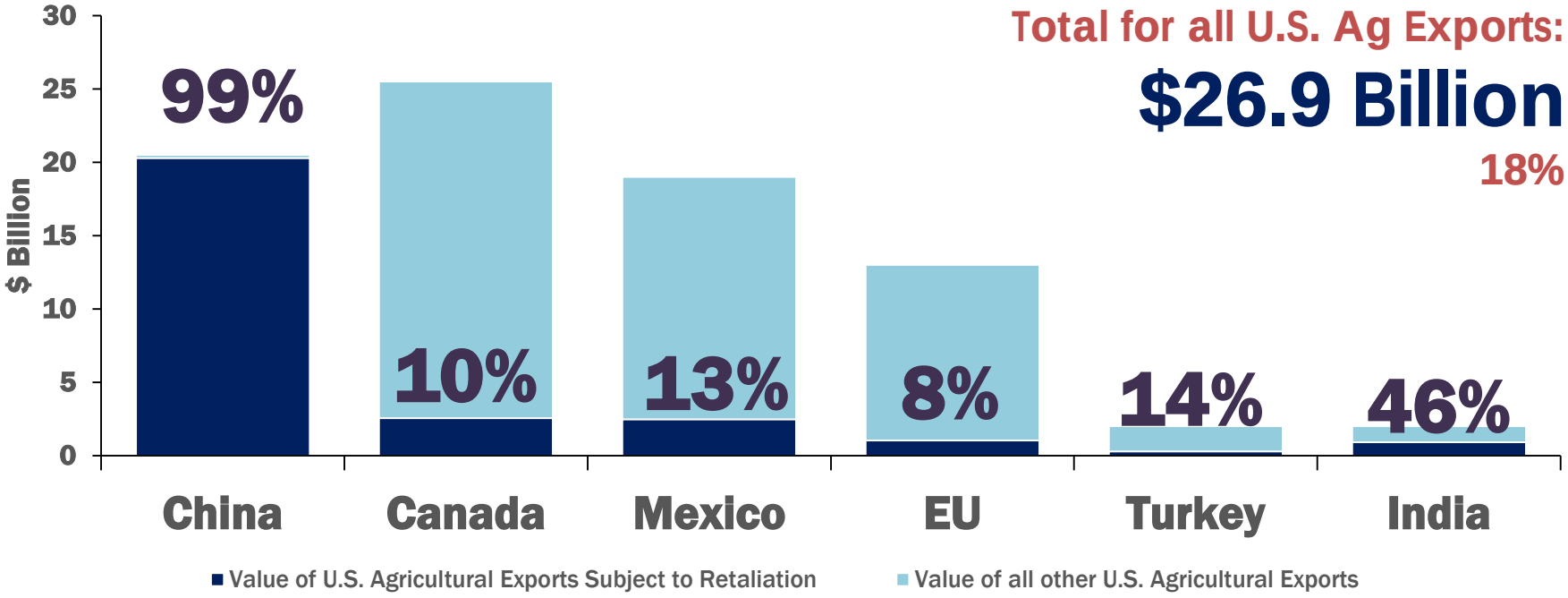
Largest Trade Deficit in A Decade, Deficit in Goods is Record-Low



Source: U.S. Census Bureau, Farm Bureau Analysis

Where Are U.S. Farm Exports Being Taxed The Most?

Value and Share of Retaliatory Tariffs on U.S. Agricultural Exports, CY2017

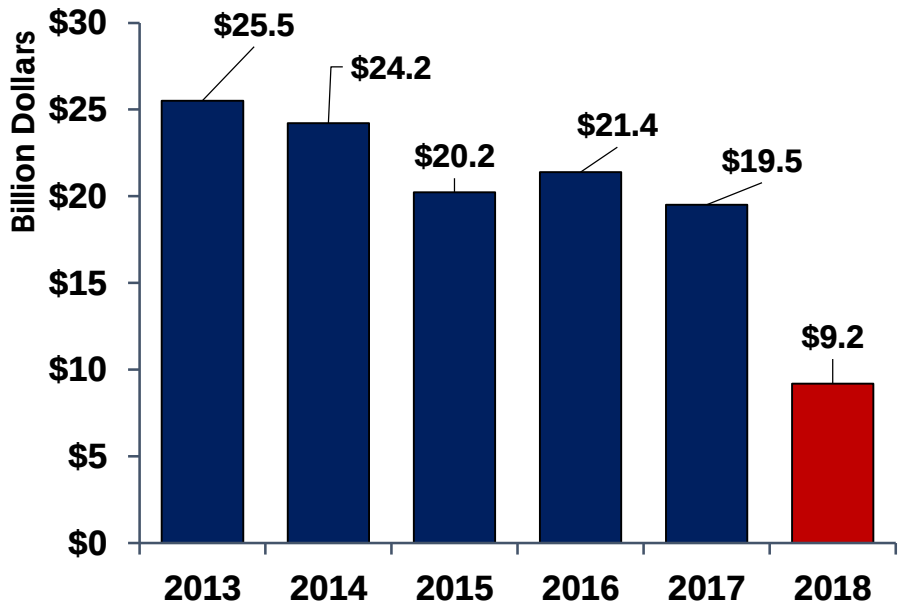


Source: USDA FAS, Farm Bureau Calculations

#TradeWar Was, and Is, More Than Soybeans

Total Agricultural Exports to China Down

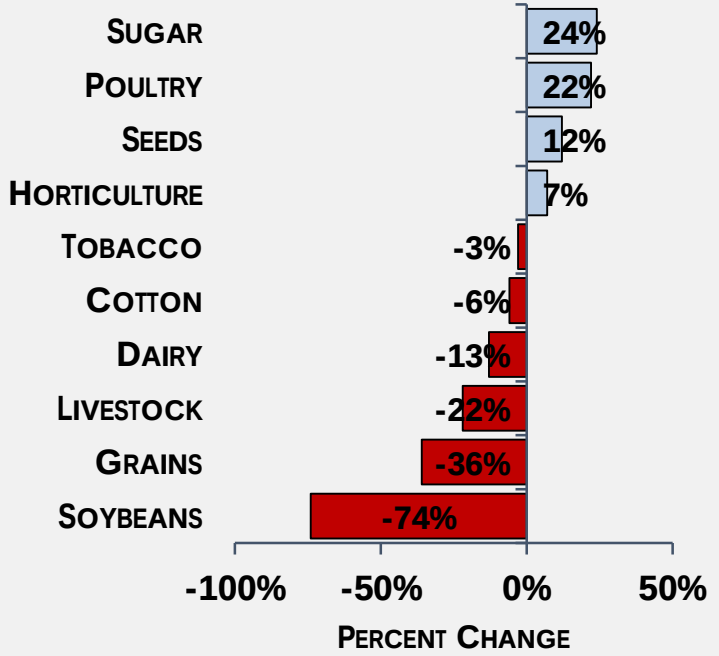
$10 Billion in 2018



Source

Year-Over-Year Change in U.S. Agriculture Exports to China

2018 Compared to 2017



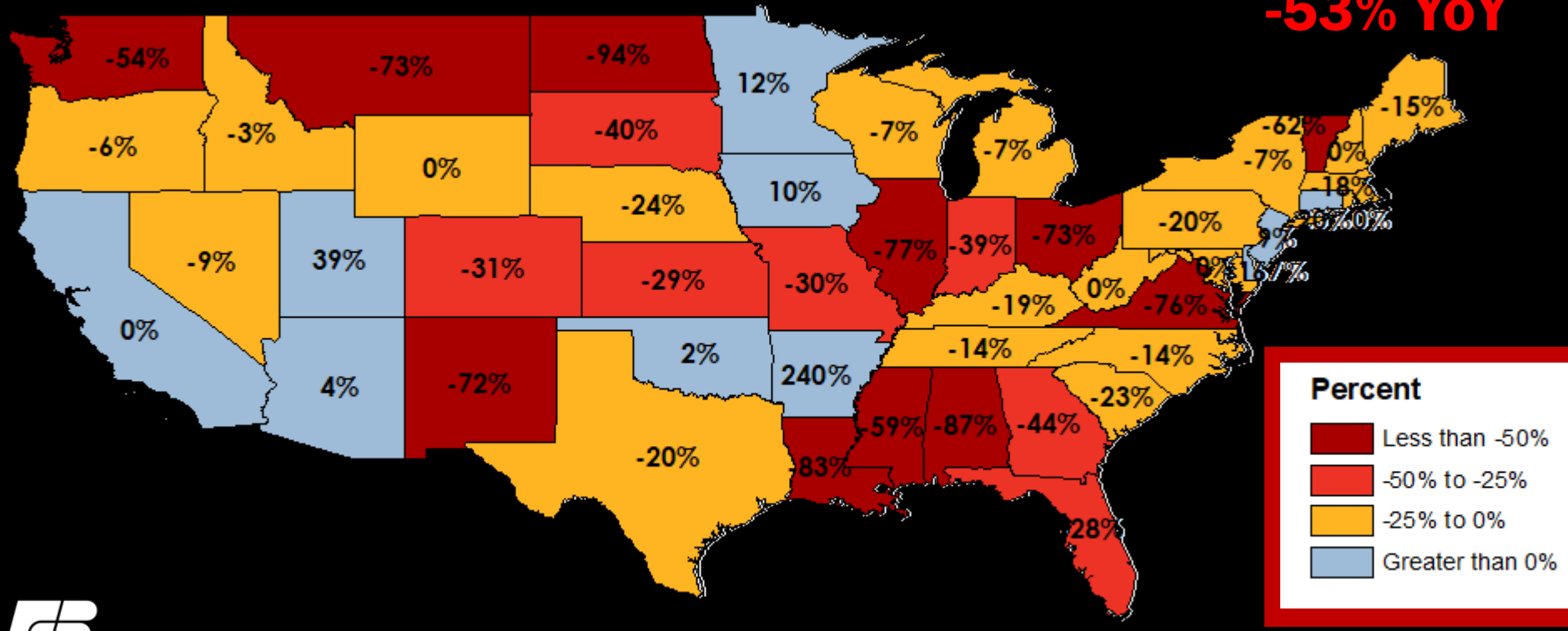
Impact of China #TradeWar on State Ag Exports

Year-Over-Year Change in Exports to China

2018 Compared to 2017

U.S. -$10.4 Billion

-53% YoY



Source: USDA FAS GATS, Farm Bureau Analysis

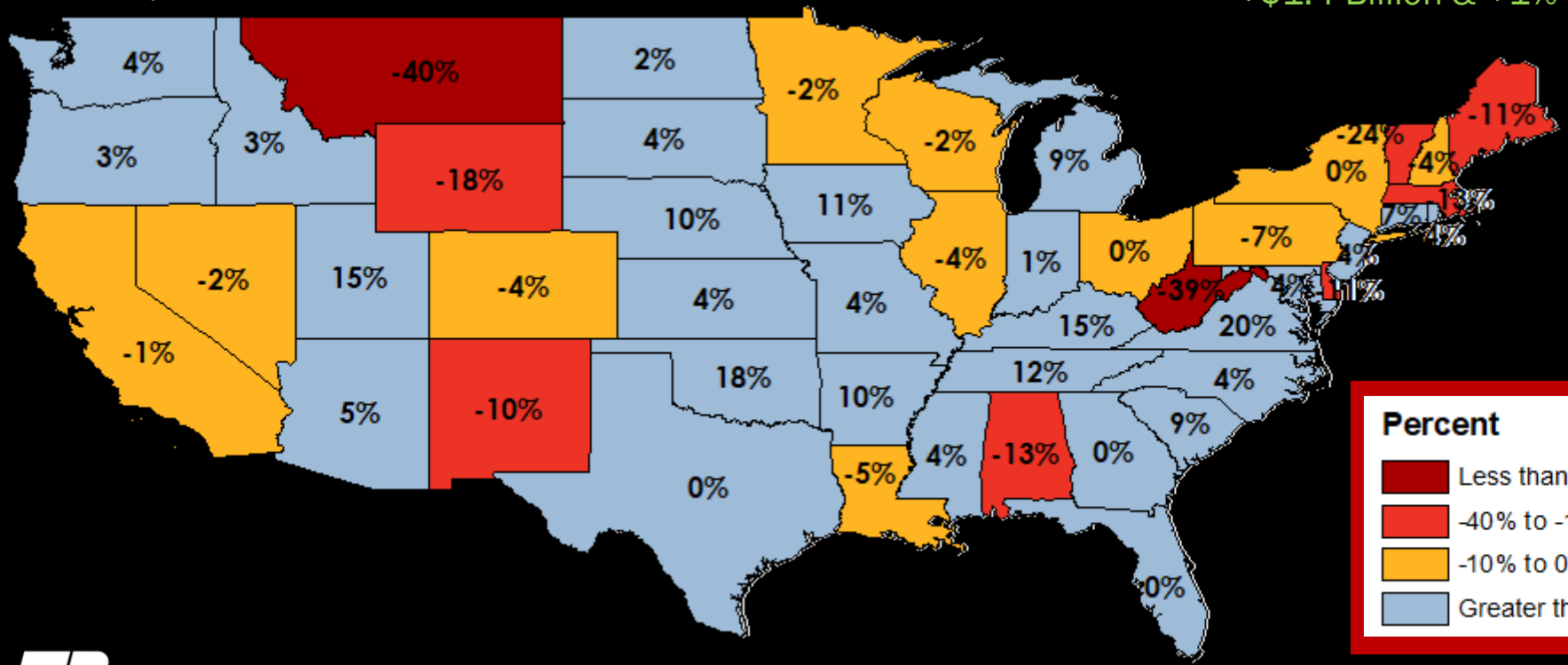
Getting By With a Little Help from Our Friends

Year-Over-Year Change in Exports to World

2018 Compared to 2017

U.S. Exports $145 Billion,

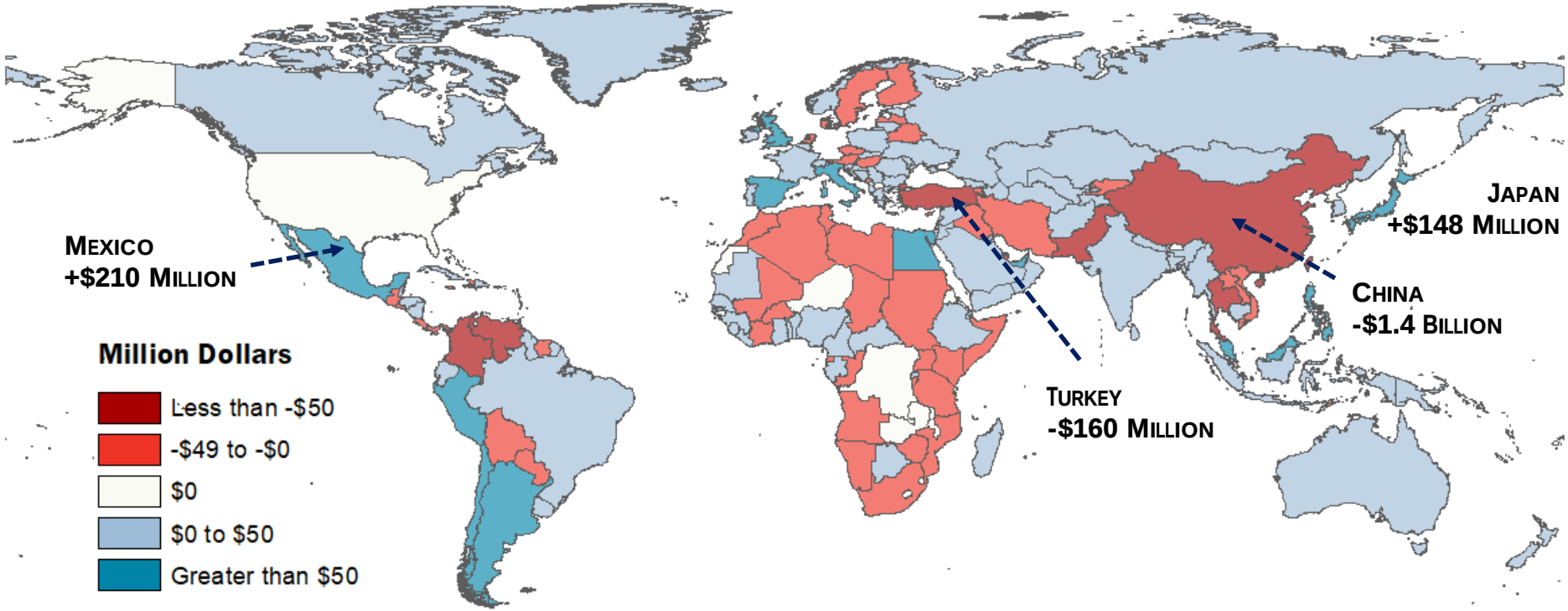
+$1.4 Billion & +1% YoY



Source: USDA FAS GATS, Farm Bureau Analysis

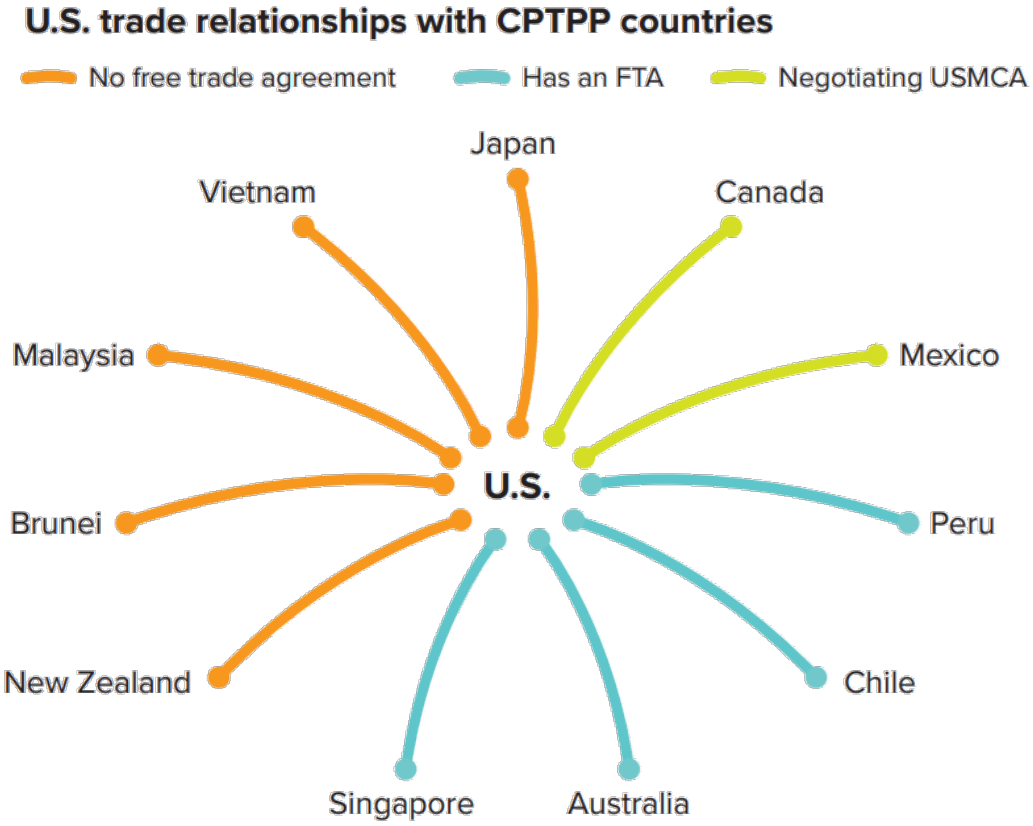
How Has Agricultural Trade Fared in 2019?

Jan-Feb 2019: $22.5 Billion in Exports, Down $442 Million or 2% from 2018



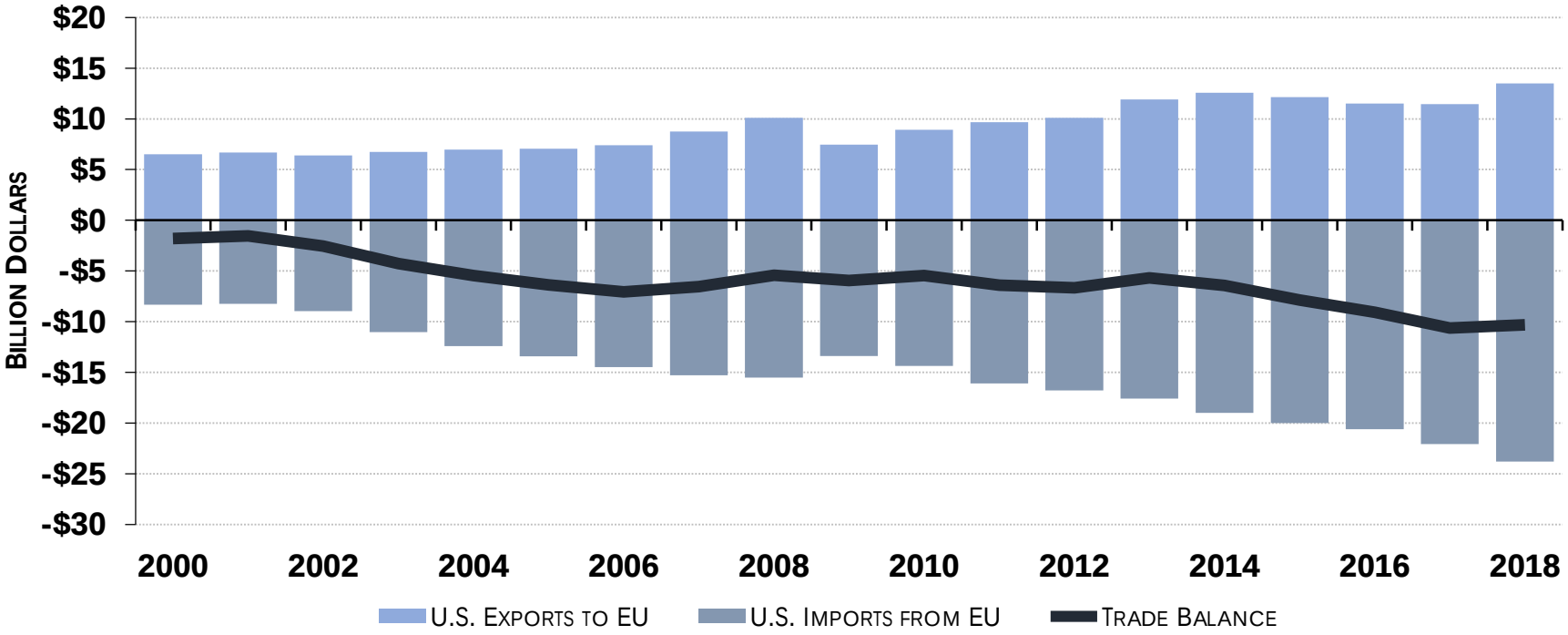
Source: USDA FAS, Farm Bureau Analysis

Quick Deal With Japan Possible?



EU Refuses to Include Agriculture In a Negotiation

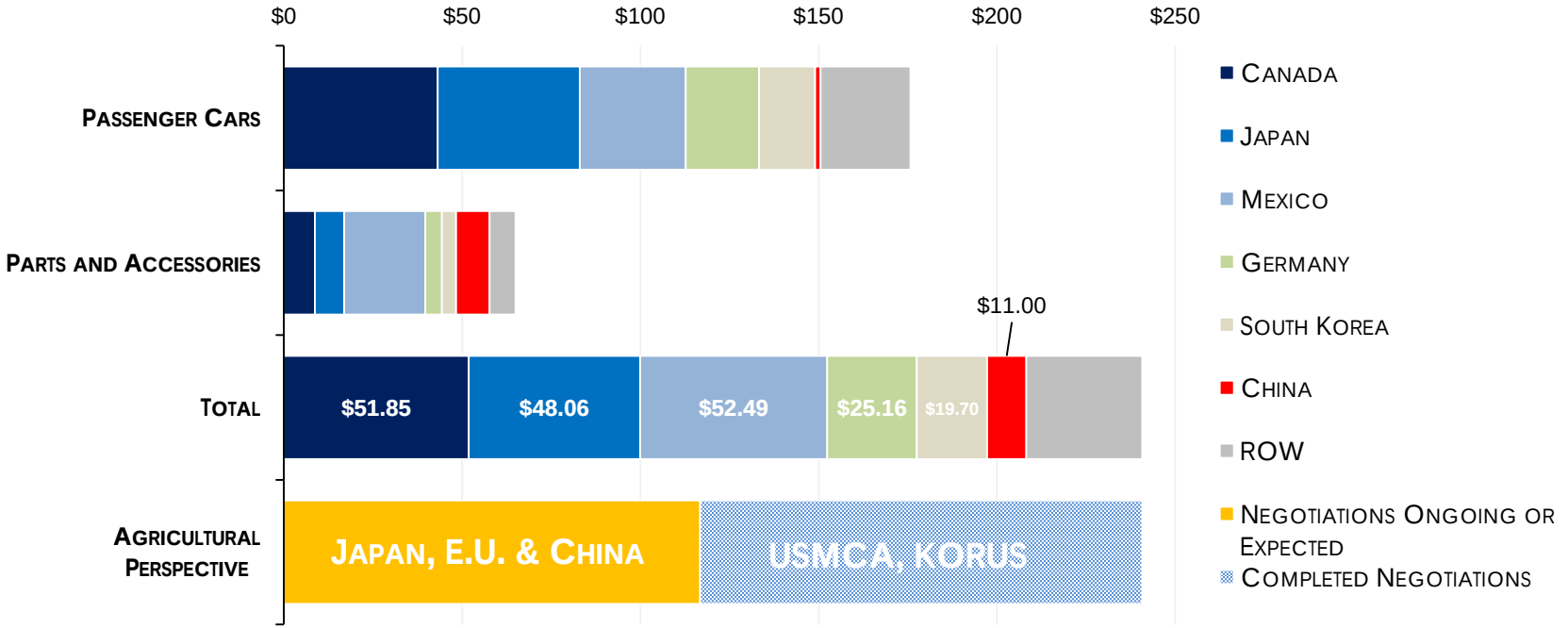
Negative Trade Balance Record-Low in 2017, Improved in 2018



Source: USDA FAS, Farm Bureau Calculations

Strategy of Maximum Pressure Could Tie EU Trade, Ag and Autos

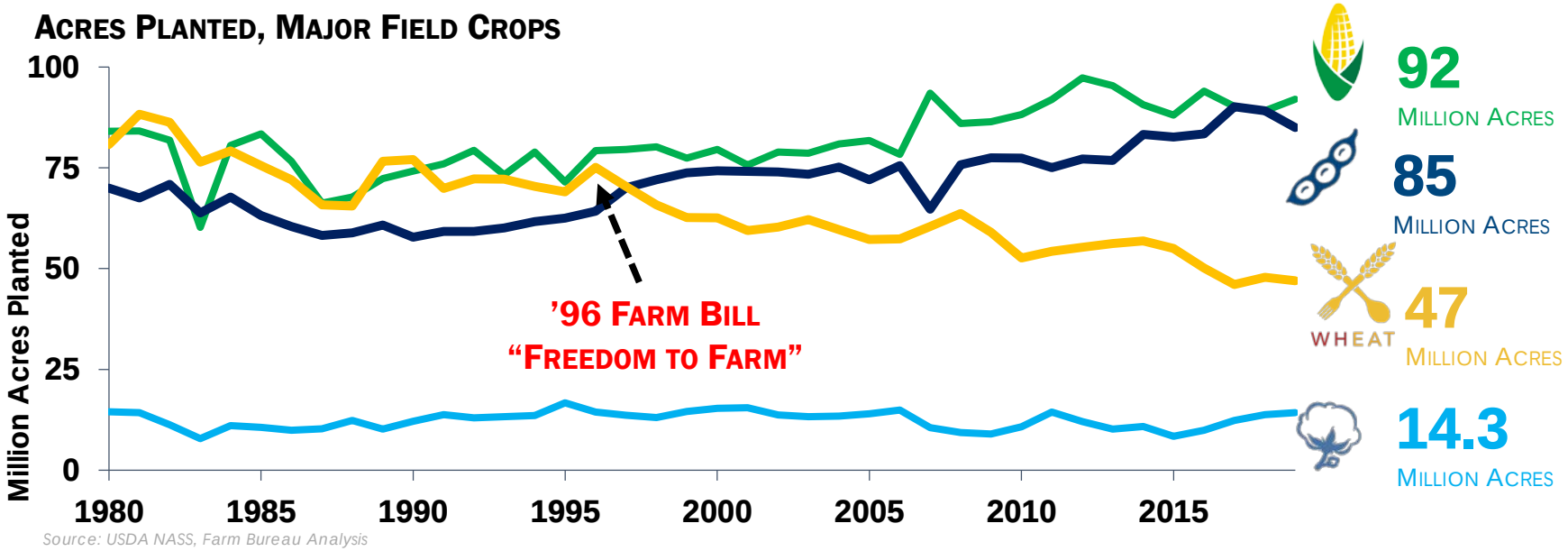
Value of U.S. Auto Imports from Top Suppliers in 2017, Billion Dollars



Source: Wall Street Journal, U.S. Census Bureau and Farm Bureau Calculations

2019 Farm Economic Outlook

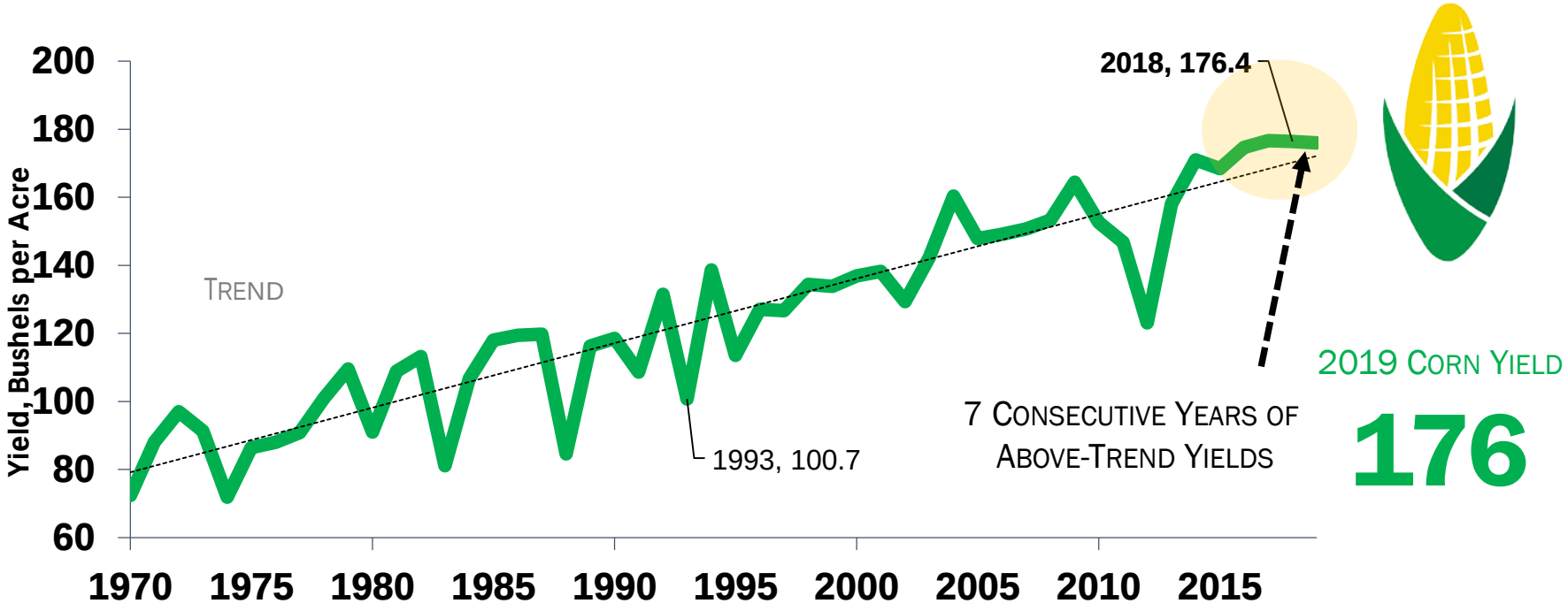
2019 Acreage Shift Out of Soybeans & Into Corn and Cotton Expected



Source: USDA NASS, Farm Bureau Analysis

USDA Currently Projecting for U.S. Corn Yields to Fall in 2019

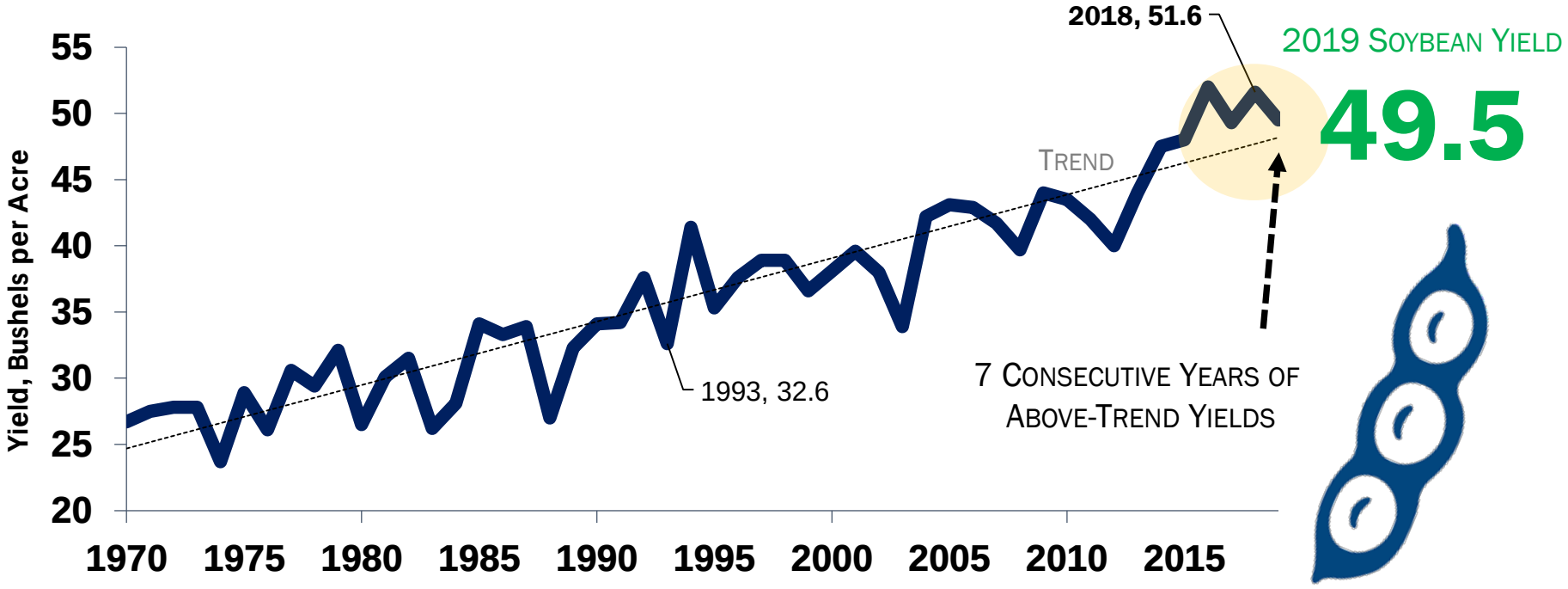
U.S. Average Corn Yield, Actual and Projected



Source: USDA NASS, Farm Bureau Calculations

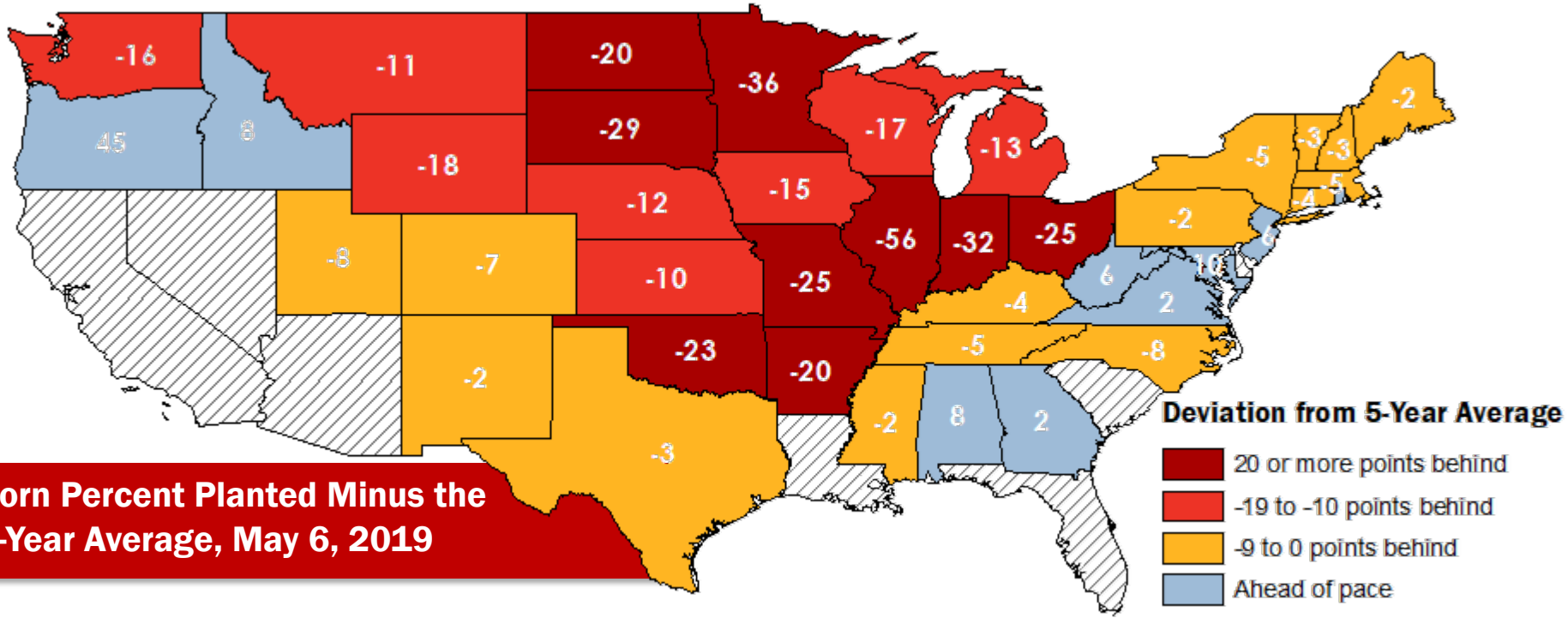
USDA Currently Projecting for U.S. Soybean Yields to Fall 4% in 2019

U.S. Average Soybean Yield, Actual and Projected



Source: USDA NASS, Farm Bureau Calculations

Reality Check…Delays in Planting Will Impact Acreage and Yields, Is More Soy Coming?

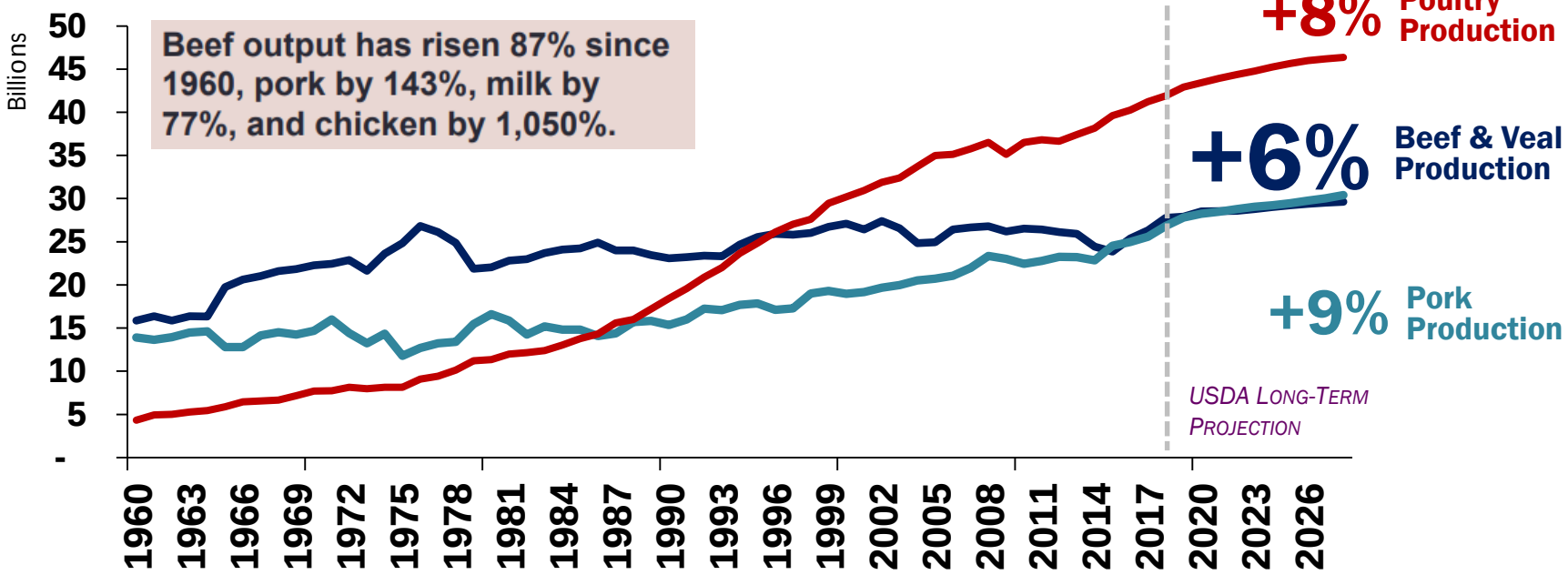


Corn Percent Planted Minus the 5-Year Average, May 6, 2019

Source: USDA NASS, Farm Bureau Calculations

Competition in Meat Case Expected to Remain Robust

Animal Product Production

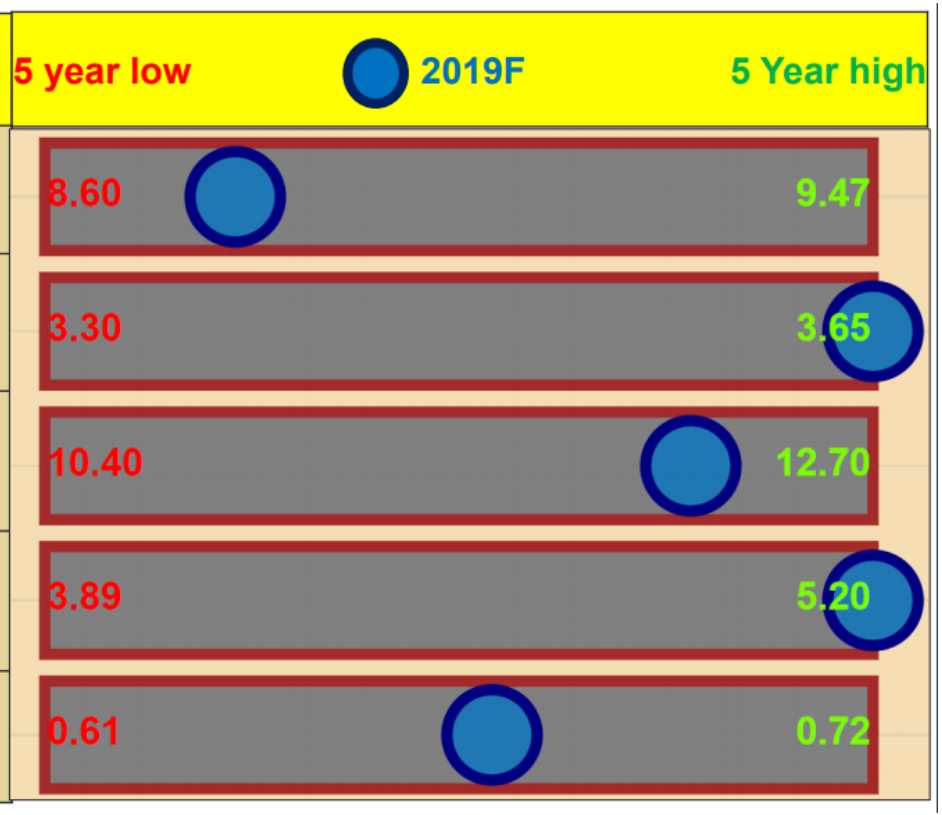


Pork, Dairy and Poultry Production in 2019 Expected to be Record High

Source: USDA FAS, USDA Long-Term Projections

USDA Price Outlook for Major Crops

Crop	2019F	%Δ (YoY)
Soybeans ($/bu)	8.80	+2.3%
Corn ($/bu)	3.65	+1.4%
All Rice ($/cwt)	12.20	+0.8%
Wheat ($/bu)	5.20	+1.0%
Cotton ($/lb)	0.67	-6.9%



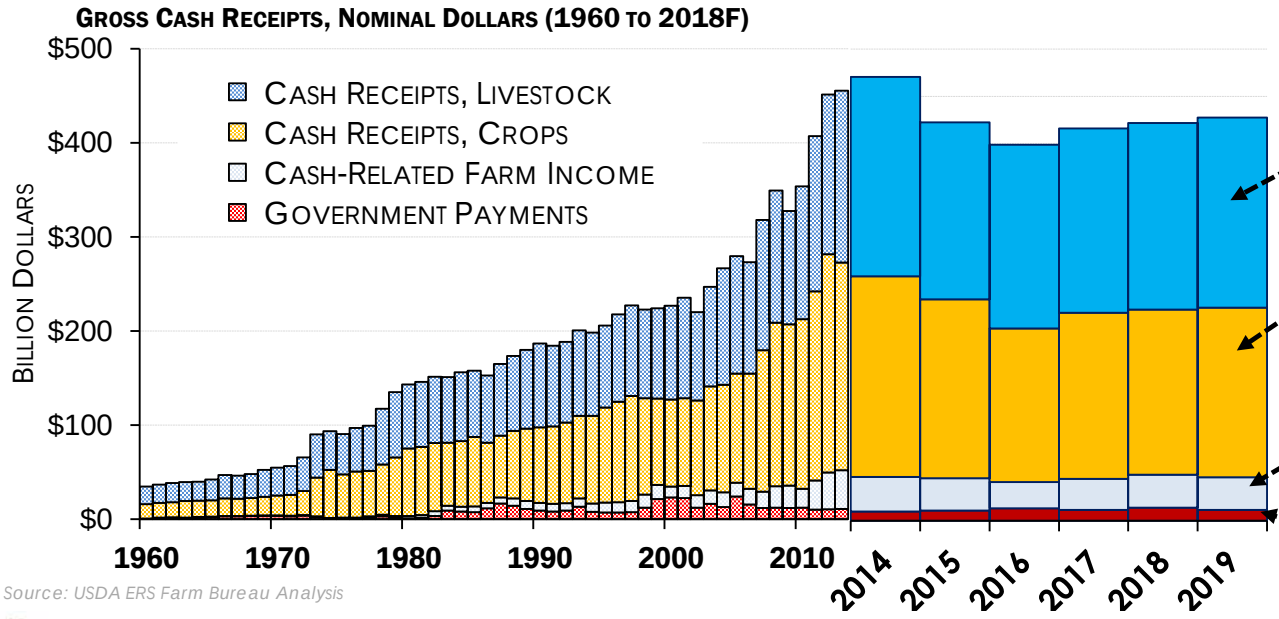
Source: USDA Office of the Chief Economist

USDA Price Outlook for Livestock and Products

Livestock	2019F	%Δ (YoY)
Steers ($/cwt)	118.50	+1.2%
Hogs ($/cwt)	42.50	-7.5%
Broilers ($/cwt)	97.00	-0.8%
Milk ($/cwt)	17.25	+6.5%

Source: USDA Office of the Chief Economist

Higher Cash Receipts for Most Crops, Cattle, Poultry and Dairy



Source: USDA ERS Farm Bureau Analysis

Total $427 Billion

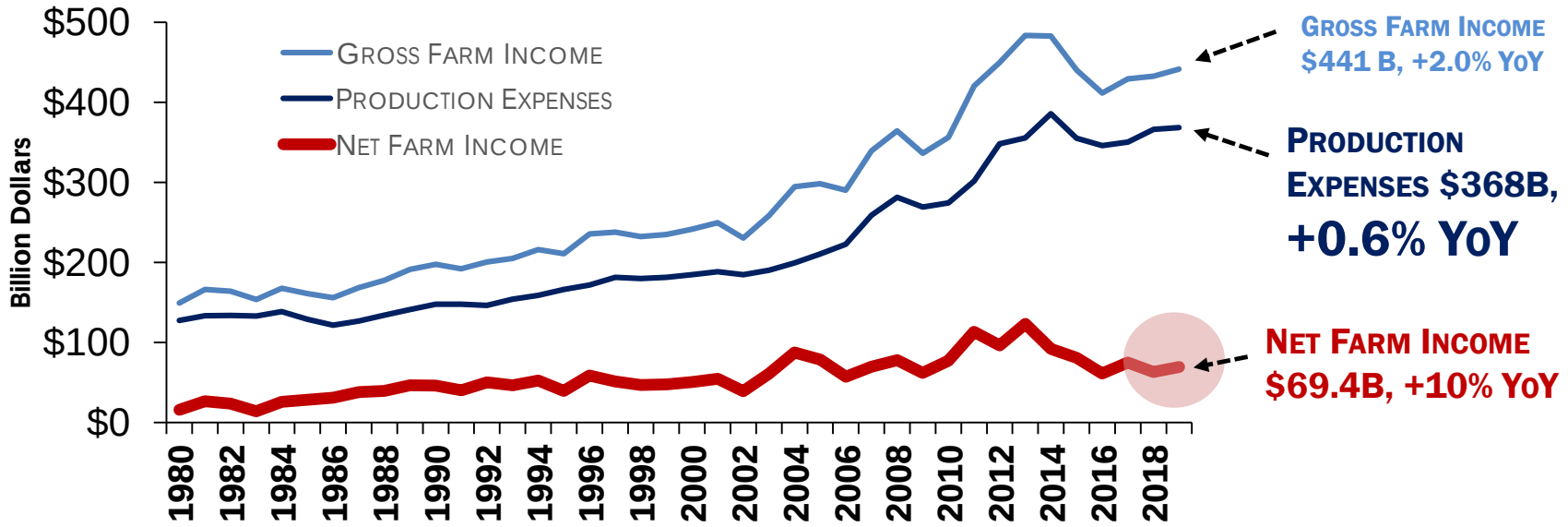
Crops
$201.7 B, +2.0% YoY

Livestock
$180.0 B, +2.6% YoY

Cash Income
$34.5 B, -1.2% YoY

Gov't Payments
$11.4 B, -17% YoY
Market Facilitation Program

USDA: Farm Income "Expected" to Rebound in 2019



Source: USDA ERS, Farm Bureau Analysis

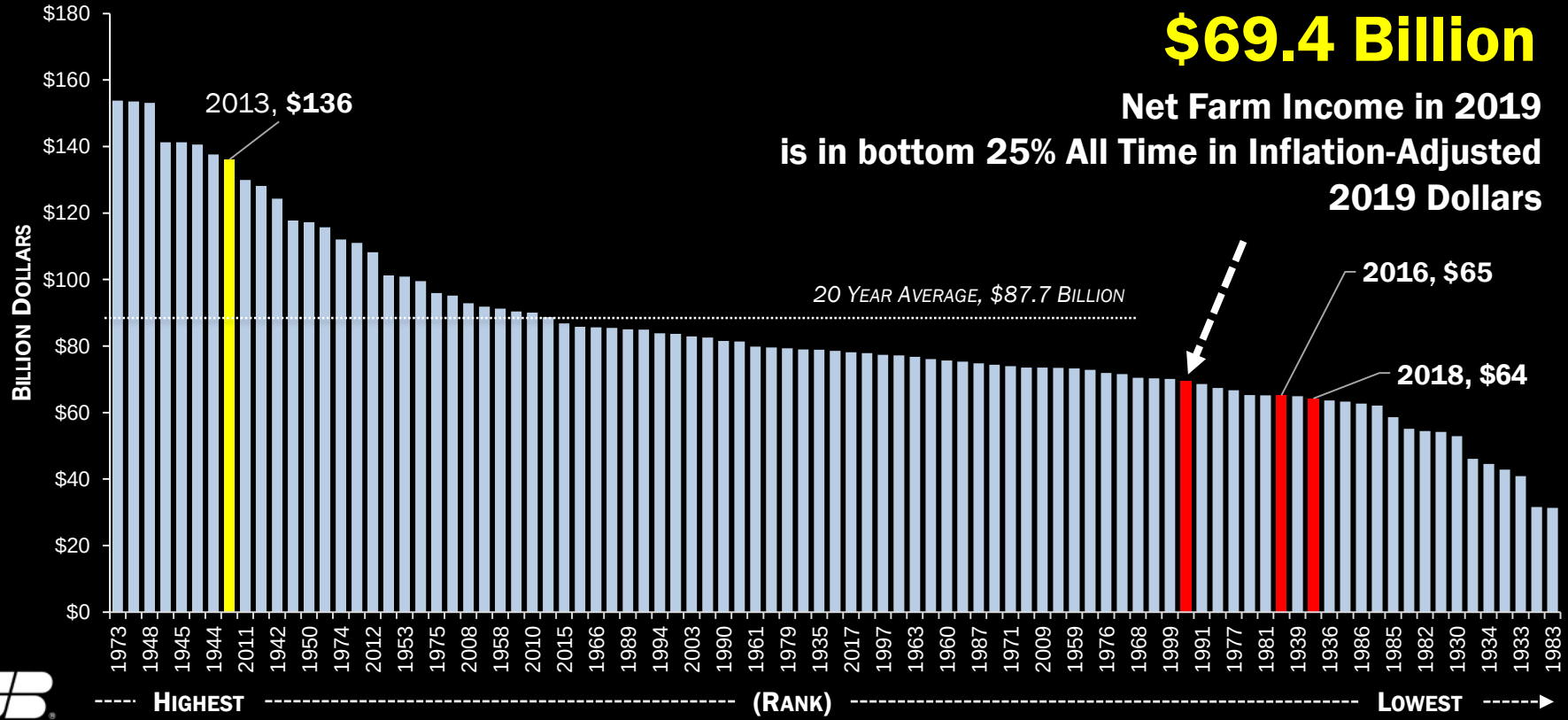
Farm Income Since 2013:

-$54 Billion

-44%

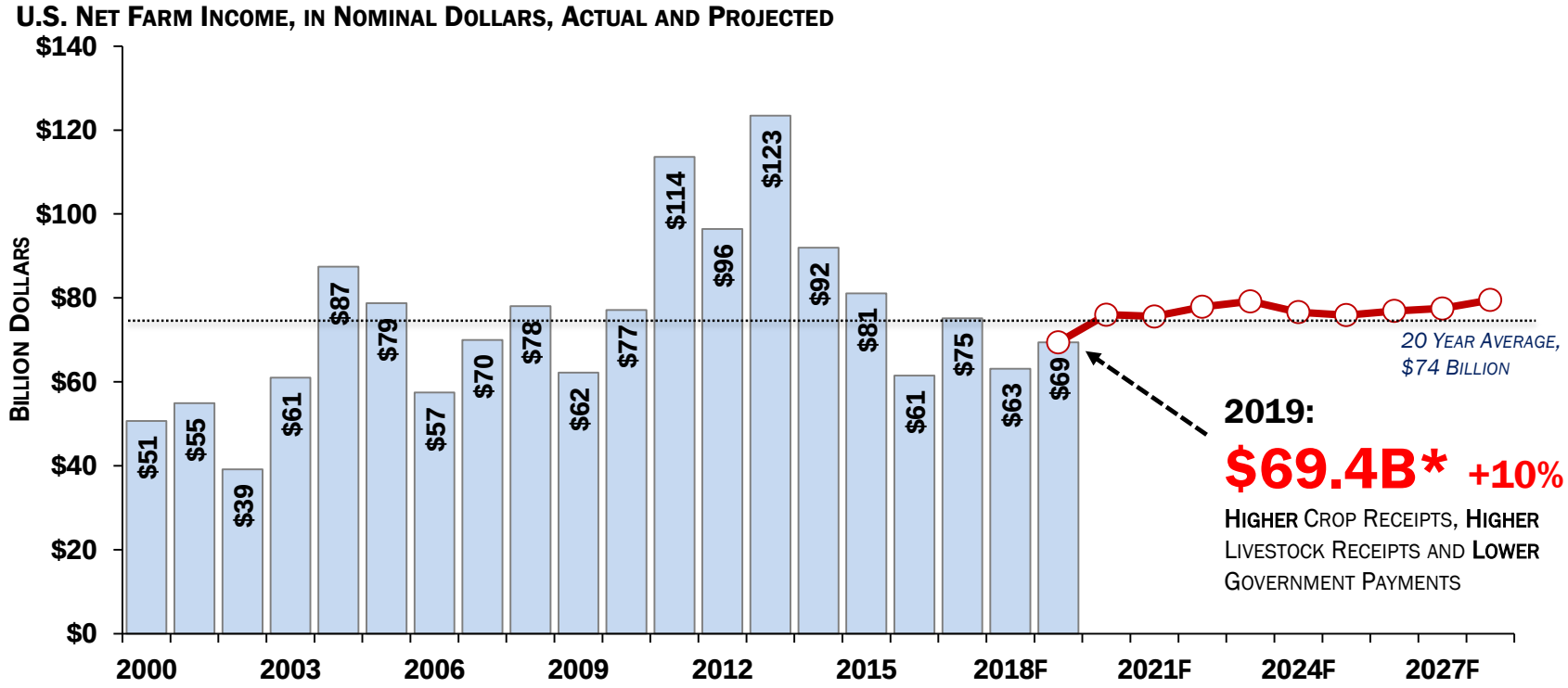
Inflation-Adjusted Net Farm Income

2019 Dollars, Sorted From High to Low, 1929 to 2019



Source: USDA ERS, Farm Bureau Analysis

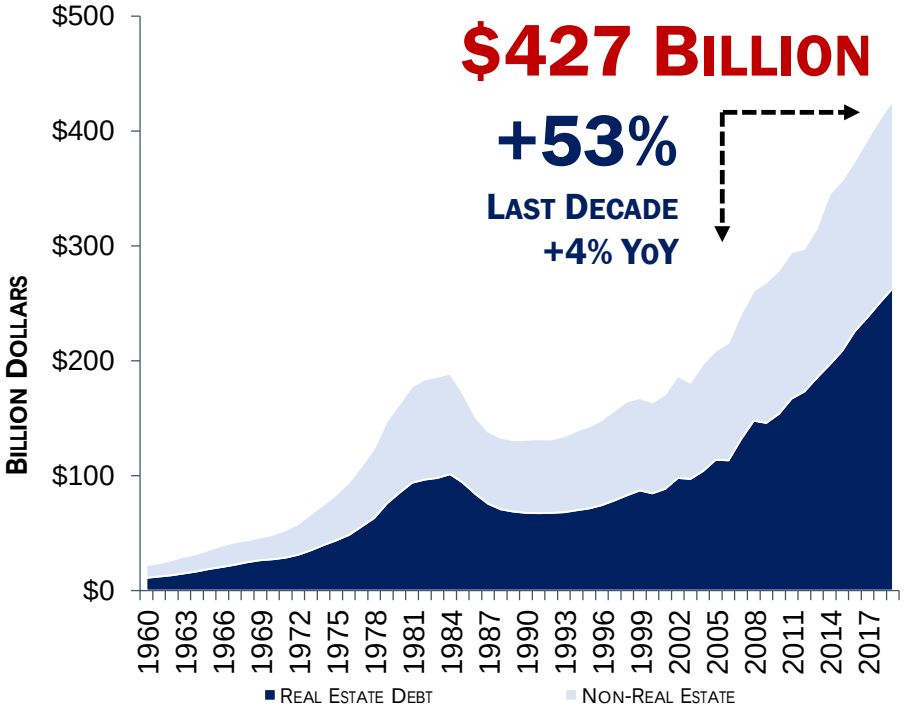
USDA's Long-Term Projection: A Return to "Normal"



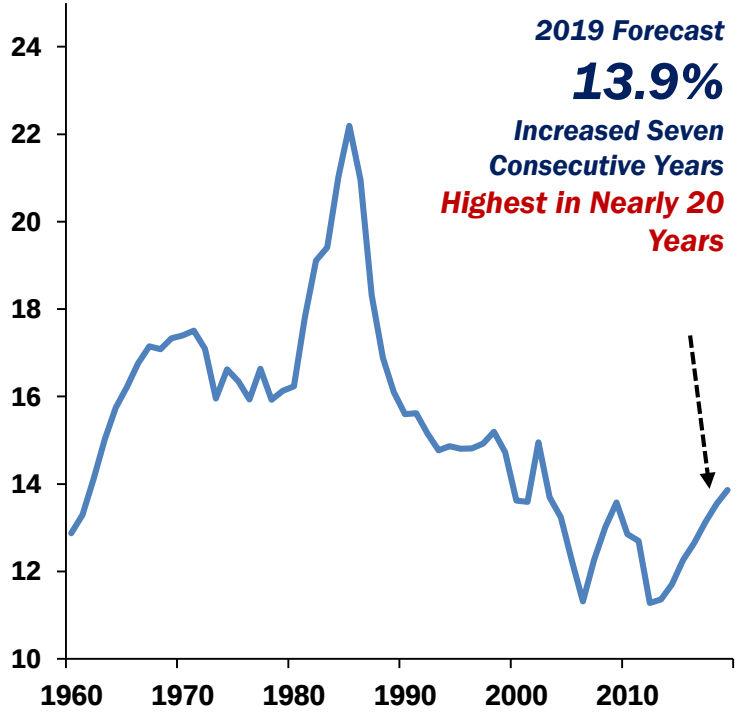
Source: USDA ERS, **USDA Long-Term Projections Based on October 2018 WASDE, Not ERS Farm Income Forecast*

Farm Debt Record-High & Debt-to-Asset Ratio Climbing

Real Estate and Non-Real Estate Farm Debt



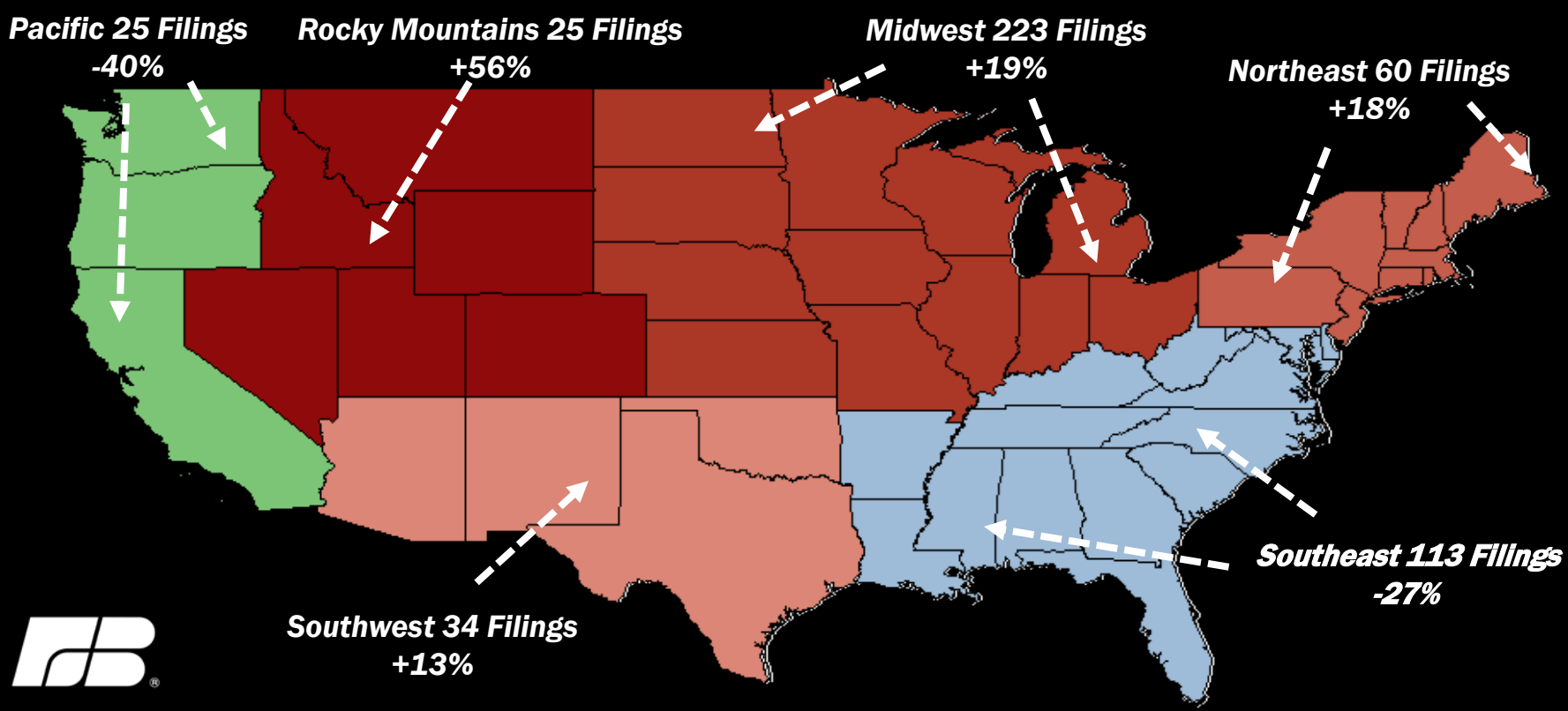
U.S. Agriculture Debt-To-Asset Ratio



Source: USDA ERS, Farm Bureau Analysis

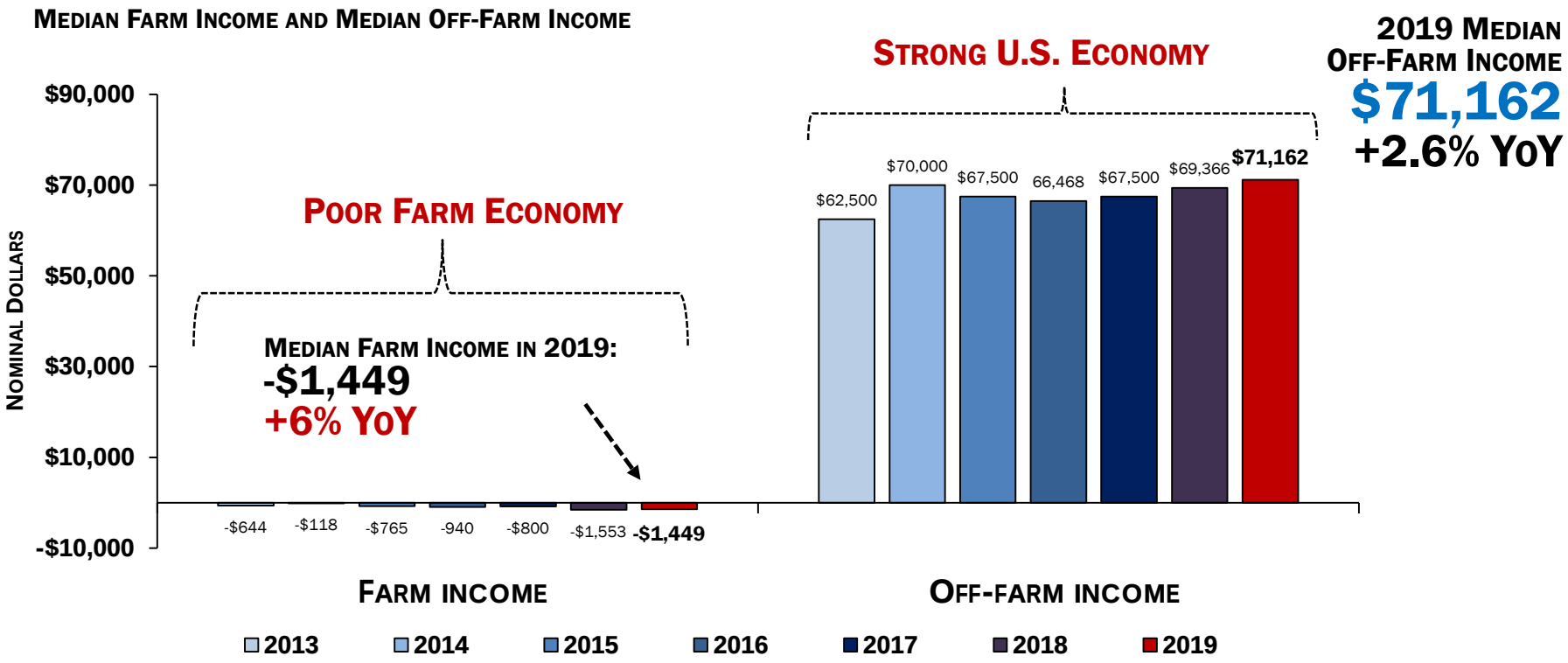
Farm Bankruptcies Are Up In Some Areas

Year-Over-Year Change Chapter 12 Farm Bankruptcies By Region, 2017 to 2018 Calendar Year



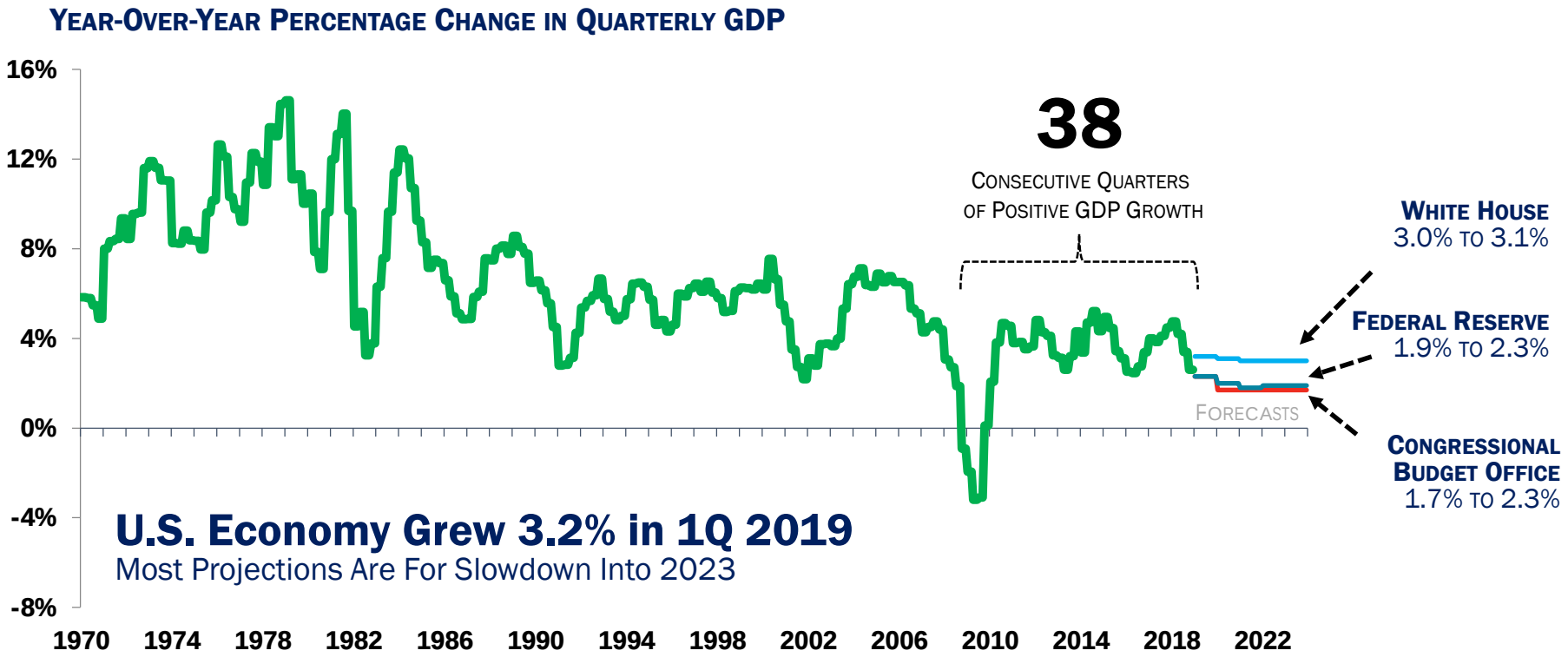
Source: U.S. Courts, Farm Bureau Calculations

Ability to Service Debt Coming From Off-Farm Income



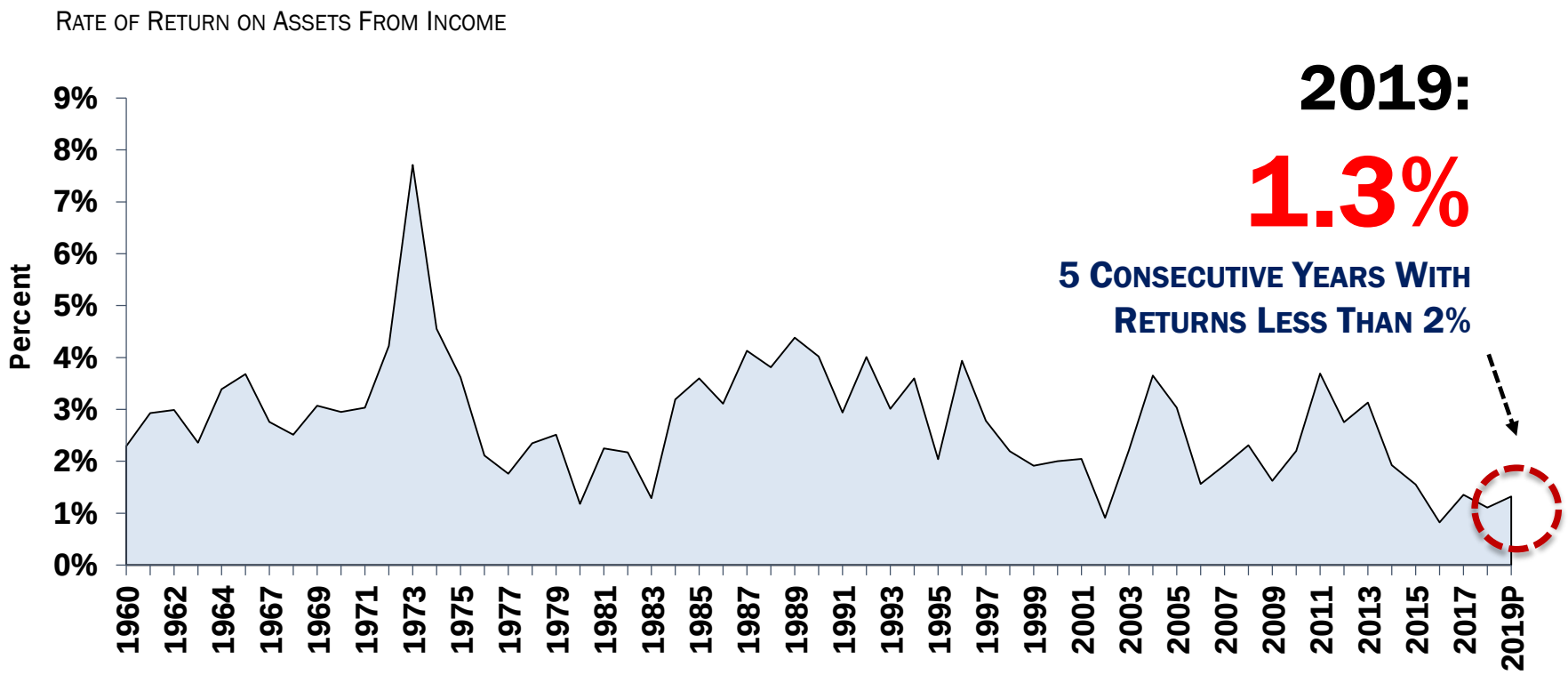
Source: USDA ERS, Farm Bureau Calculations

U.S. Economy in Prolonged Expansion *(How Long Will it Last?)*



Source: Federal Reserve Economic Data, Farm Bureau Analysis

Rate of Return in Agriculture Remains Low



Source: USDA ERS

2018 Farm Bill

Farm Bill Passed Dec 2018, $867 Billion Price Tag

Source: Congressional Budget Office, Farm Bureau Analysis

Enhanced Title I Farm Programs

Reauthorizes and strengthens the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) options through 2023.

- **PLC is target-price support.** Provides assistance to producers when the market price for a covered commodity falls below the statutory reference price, i.e. $3.70 for corn. PLC Gets Higher Price Supports Based on 115% of Olympic Moving Average
- **ARC is target-revenue support.** Provides assistance to producers when actual crop revenue for a covered commodity falls below 86 percent of the benchmark revenue. ARC Now Will Use RMA Yields, Higher PLC Prices, 80% of T-Yields and Trend-Adjusted Yields
- **Choose ARC/PLC Election in 2019 than Annually in 2021, 2022 & 2023, Last Farm Bill Was a One-Time Election**
- Marketing Loan Rates Increased, e.g., Corn $1.95 to $2.20 per bushel

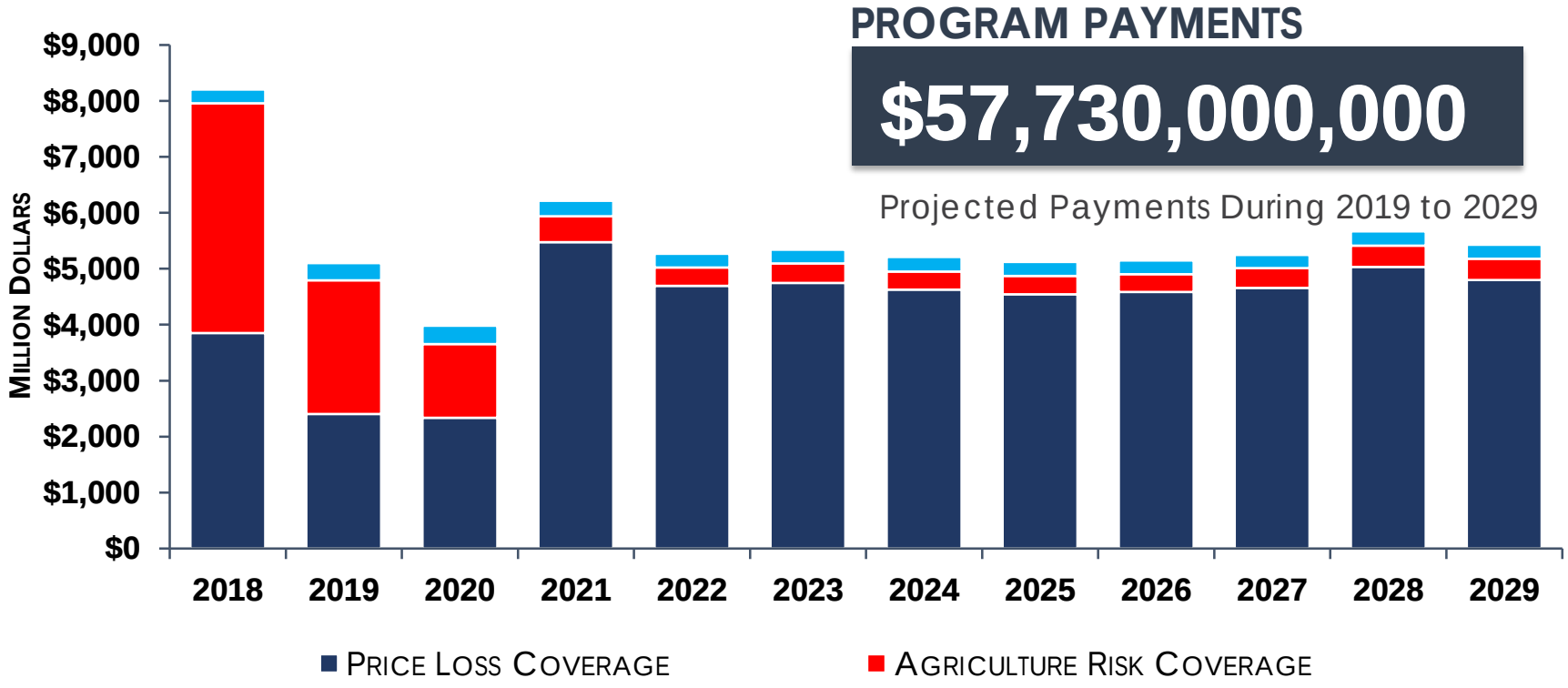
Source: 2018 Farm Bill, Farm Bureau Analysis

Floating or Escalating PLC Prices

Covered Commodity	Current Reference Price	2017/18 Actual Price	2018/19 Projected Price	Maximum Floating PLC Reference Price
Corn ($/bu)	$3.70	$3.36	$3.60	$4.26
Soybeans ($/bu)	$8.40	$9.33	$8.60	$9.66
Wheat ($/bu)	$5.50	$4.72	$5.15	$6.32
Seed Cotton ($/lb.)	$0.367	$0.3357	$0.3530	$0.42
Rice (LG) ($/cwt)	$0.14	$0.115	$0.107	$0.16
Peanuts ($/lb.)	$0.268	$0.229	$0.215	$0.31
Sorghum ($/bu)	$3.95	$3.22	$3.40	$4.54

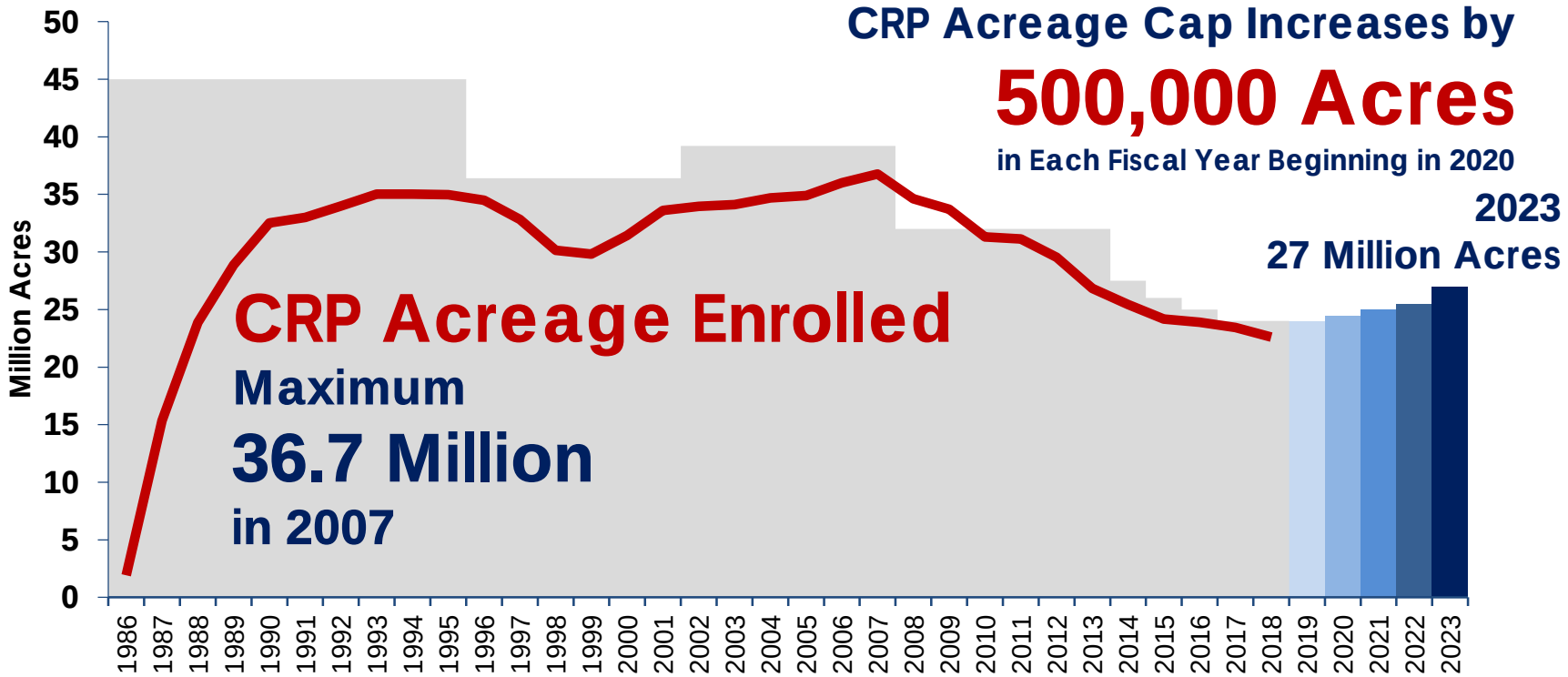
Source: 2018 Farm Bill, Farm Bureau Analysis

Projected Farm Program Outlays



Source: 2018 Farm Bill, Farm Bureau Analysis

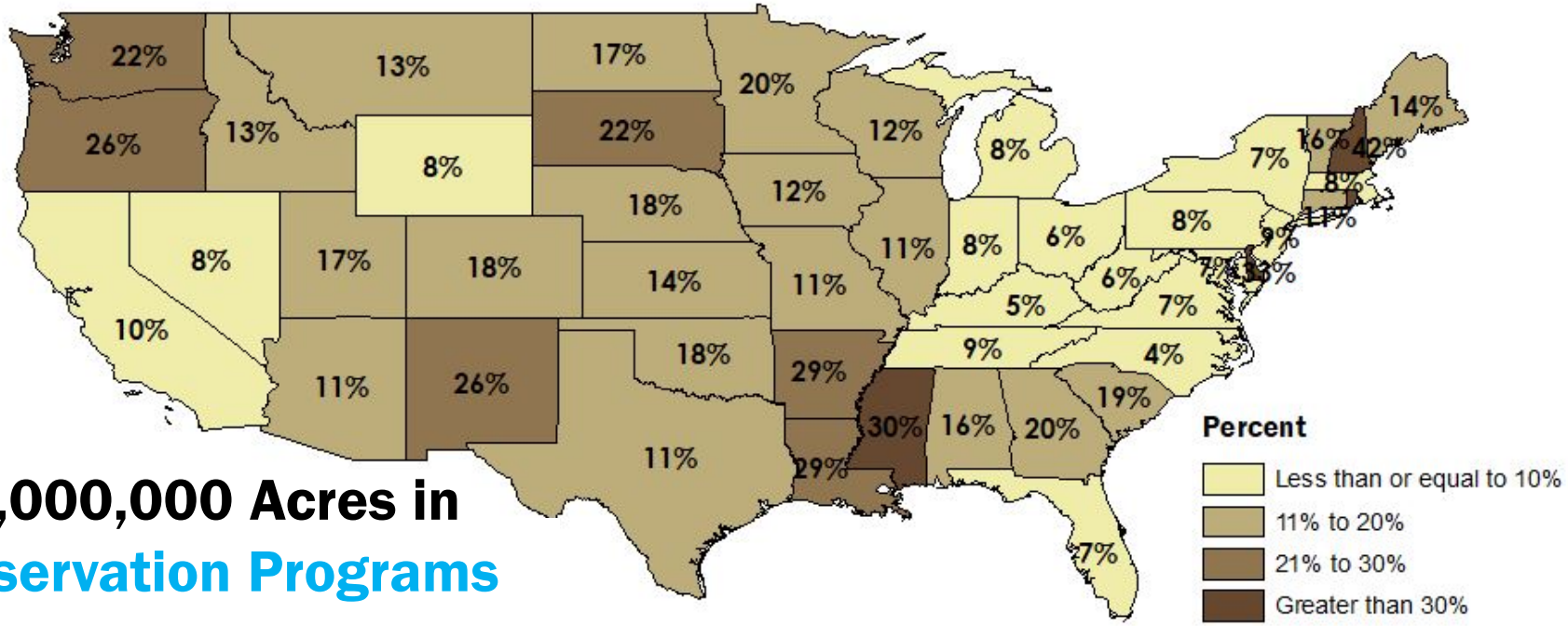
Conservation Programs Expanded



Source: 2018 Farm Bill, Farm Service Agency, Farm Bureau Analysis

More Than 15% of Agricultural Land is in Conservation

Land Enrolled in CRP, CSP and EQIP as a % of Total Ag Land, 2017



140,000,000 Acres in Conservation Programs

Source: Farm Bureau Analysis of FSA and NRCS Data, 2017 Census of Agriculture

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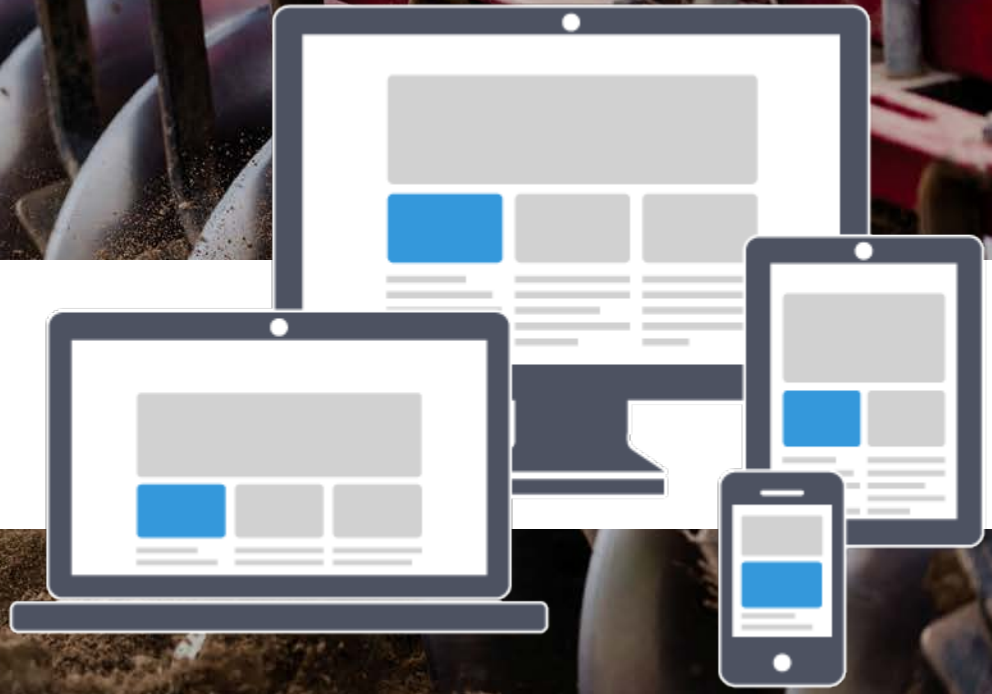
QUESTIONS?



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