U.S. & FARM POLICY & ECONOMIC UPDATE

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BUREAU FEDERATION

@New10_AgEcon
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

Strong Economic Growth Fuels U.S. Demand for Foreign Goods

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Value of U.S. Agricultural Exports Subject to Retaliation</th>
<th>Value of all other U.S. Agricultural Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>99%</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>EU</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>14%</td>
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</tr>
<tr>
<td>India</td>
<td>46%</td>
<td></td>
</tr>
</tbody>
</table>

Total for all U.S. Ag Exports: $26.9 Billion (18%)

Source: USDA FAS, Farm Bureau Calculations
#TradeWar Was, and Is, More Than Soybeans

Total Agricultural Exports to China Down
$10 Billion in 2018

Year-Over-Year Change in U.S. Agriculture Exports to China
2018 Compared to 2017

- Soybeans: -74%
- Grains: -36%
- Livestock: -22%
- Dairy: -13%
- Cotton: -6%
- Tobacco: -3%
- Horticulture: 7%
- Seeds: 12%
- Poultry: 22%
- Sugar: 24%

Total Agricultural Exports to China Down
$10 Billion in 2018

Source: USDA FAS GATS, Farm Bureau Analysis
Year-Over-Year Change in Exports to China
2018 Compared to 2017

U.S. -$10.4 Billion
-53% YoY

Impact of China #TradeWar on State Ag Exports

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

Source: USDA FAS GATS, Farm Bureau Analysis

U.S. Exports $145 Billion, +$1.4 Billion & +1% YoY

Map showing the percentage change in exports for each state.
How Has Agricultural Trade Fared in 2019?

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

- **Turkey**: -$160 Million
- **China**: -$1.4 Billion
- **Mexico**: +$210 Million
- **Japan**: +$148 Million

Source: USDA FAS, Farm Bureau Analysis
Quick Deal With Japan Possible?

U.S. trade relationships with CPTPP countries

- Orange: No free trade agreement
- Blue: Has an FTA
- Green: Negotiating USMCA

Countries:
- Japan
- Canada
- Mexico
- Peru
- Chile
- Australia
- Singapore
- New Zealand
- Brunei
- Malaysia
- Vietnam
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**

<table>
<thead>
<tr>
<th>Parts and Accessories</th>
<th>Passenger Cars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>$51.85</td>
</tr>
<tr>
<td>Japan</td>
<td>$48.06</td>
</tr>
<tr>
<td>Mexico</td>
<td>$52.49</td>
</tr>
<tr>
<td>Germany</td>
<td>$25.16</td>
</tr>
<tr>
<td>South Korea</td>
<td>$19.70</td>
</tr>
<tr>
<td>China</td>
<td>$11.00</td>
</tr>
<tr>
<td>ROW</td>
<td></td>
</tr>
</tbody>
</table>

**Agricultural Perspective**

- Japan, E.U. & China
- USMCA, KORUS

Source: Wall Street Journal, U.S. Census Bureau and Farm Bureau Calculations
2019 Acreage Shift Out of Soybeans & Into Corn and Cotton Expected

ACRES PLANTED, MAJOR FIELD CROPS

Source: USDA NASS, Farm Bureau Analysis

Million Acres Planted

92 Million Acres
85 Million Acres
47 Million Acres
14.3 Million Acres

'96 Farm Bill
“Freedom to Farm”
USDA Currently Projecting for U.S. Corn Yields to Fall in 2019

U.S. Average Corn Yield, Actual and Projected

Yield, Bushels per Acre


Source: USDA NASS, Farm Bureau Calculations

1993, 100.7

2018, 176.4

7 Consecutive Years of Above-Trend Yields

2019 Corn Yield

176
USDA Currently Projecting for U.S. Soybean Yields to Fall 4% in 2019

U.S. Average Soybean Yield, Actual and Projected

Yield, Bushels per Acre

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

Beef output has risen 87% since 1960, pork by 143%, milk by 77%, and chicken by 1,050%.

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

<table>
<thead>
<tr>
<th>Crop</th>
<th>2019F</th>
<th>%Δ (YoY)</th>
<th>5 year low</th>
<th>2019F</th>
<th>5 Year high</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soybeans ($/bu)</td>
<td>8.80</td>
<td>+2.3%</td>
<td>8.60</td>
<td>9.47</td>
<td></td>
</tr>
<tr>
<td>Corn ($/bu)</td>
<td>3.65</td>
<td>+1.4%</td>
<td>3.30</td>
<td>3.65</td>
<td></td>
</tr>
<tr>
<td>All Rice ($/cwt)</td>
<td>12.20</td>
<td>+0.8%</td>
<td>10.40</td>
<td>12.70</td>
<td></td>
</tr>
<tr>
<td>Wheat ($/bu)</td>
<td>5.20</td>
<td>+1.0%</td>
<td>3.89</td>
<td>5.20</td>
<td></td>
</tr>
<tr>
<td>Cotton ($/lb)</td>
<td>0.67</td>
<td>-6.9%</td>
<td>0.61</td>
<td>0.72</td>
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</tr>
</tbody>
</table>

Source: USDA Office of the Chief Economist
## USDA Price Outlook for Livestock and Products

<table>
<thead>
<tr>
<th>Livestock</th>
<th>2019F</th>
<th>%△ (YoY)</th>
<th>5 year low</th>
<th>2019F</th>
<th>5 Year high</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steers ($/cwt)</td>
<td>118.50</td>
<td>+1.2%</td>
<td>117.12</td>
<td>148.12</td>
<td></td>
</tr>
<tr>
<td>Hogs ($/cwt)</td>
<td>42.50</td>
<td>-7.5%</td>
<td>42.50</td>
<td>50.48</td>
<td></td>
</tr>
<tr>
<td>Broilers ($/cwt)</td>
<td>97.00</td>
<td>-0.8%</td>
<td>84.30</td>
<td>97.80</td>
<td></td>
</tr>
<tr>
<td>Milk ($/cwt)</td>
<td>17.25</td>
<td>+6.5%</td>
<td>16.20</td>
<td>17.65</td>
<td></td>
</tr>
</tbody>
</table>

Source: USDA Office of the Chief Economist
Higher Cash Receipts for Most Crops, Cattle, Poultry and Dairy

GROSS CASH RECEIPTS, NOMINAL DOLLARS (1960 TO 2018F)

- **CASH RECEIPTS, LIVESTOCK**
- **CASH RECEIPTS, CROPS**
- **CASH-RELATED FARM INCOME**
- **GOVERNMENT PAYMENTS**

**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
- **GOVERN'T PAYMENTS**
  - $11.4 B, -17% YoY

Source: USDA ERS Farm Bureau Analysis

Market Facilitation Program
USDA: Farm Income “Expected” to Rebound in 2019

Source: USDA ERS, Farm Bureau Analysis

GROSS FARM INCOME
$441 B, +2.0% YoY

PRODUCTION EXPENSES
$368B, +0.6% YoY

NET FARM INCOME
$69.4B, +10% YoY

FARM INCOME SINCE 2013:
-$54 BILLION
-44%
Inflation-Adjusted Net Farm Income
2019 Dollars, Sorted From High to Low, 1929 to 2019

$69.4 Billion
Net Farm Income in 2019 is in bottom 25% All Time in Inflation-Adjusted 2019 Dollars

Source: USDA ERS, Farm Bureau Analysis
USDA’s Long-Term Projection: A Return to “Normal”

U.S. Net Farm Income, in Nominal Dollars, Actual and Projected

Billions of Dollars

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

2019: $69.4B* +10%
Higher Crop Receipts, Higher Livestock Receipts and Lower Government Payments

20 Year Average, $74 Billion

*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

$427 BILLION
+53%

LAST DECADE
+4% YOY

REAL ESTATE DEBT
NON-REAL ESTATE

U.S. AGRICULTURE DEBT-TO-ASSET RATIO

2019 Forecast
13.9%
Increased Seven
Consecutive Years
Highest in Nearly 20
Years

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

Midwest 223 Filings +19%
Rocky Mountains 25 Filings +56%
Pacific 25 Filings -40%
Southwest 34 Filings +13%
Southeast 113 Filings -27%
Northeast 60 Filings +18%

Source: U.S. Courts, Farm Bureau Calculations
Ability to Service Debt Coming From Off-Farm Income

**MEDIAN FARM INCOME AND MEDIAN OFF-FARM INCOME**

**POOR FARM ECONOMY**

**MEDIAN FARM INCOME IN 2019:**

- $1,449
  - +6% YoY

**STRONG U.S. ECONOMY**

2019 MEDIAN OFF-FARM INCOME

- $71,162
  - +2.6% YoY

Source: USDA ERS, Farm Bureau Calculations
U.S. Economy in Prolonged Expansion *(How Long Will it Last?)*

**Year-Over-Year Percentage Change in Quarterly GDP**

- **U.S. Economy Grew 3.2% in 1Q 2019**
- Most Projections Are For Slowdown Into 2023

**Consecutive Quarters of Positive GDP Growth**

- **38 Consecutive Quarters**

**Forecasts**

- **White House**: 3.0% to 3.1%
- **Federal Reserve**: 1.9% to 2.3%
- **Congressional Budget Office**: 1.7% to 2.3%

Source: Federal Reserve Economic Data, Farm Bureau Analysis
Rate of Return in Agriculture Remains Low

2019: 1.3%

5 Consecutive Years With Returns Less Than 2%

Source: USDA ERS
2018 Farm Bill
Farm Bill Passed Dec 2018, $867 Billion Price Tag

Nutrition, $664

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

**Source:** 2018 Farm Bill, Farm Bureau Analysis

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Corn ($/bu)</td>
<td>$3.70</td>
<td>$3.36</td>
<td>$3.60</td>
<td>$4.26</td>
</tr>
<tr>
<td>Soybeans ($/bu)</td>
<td>$8.40</td>
<td>$9.33</td>
<td>$8.60</td>
<td>$9.66</td>
</tr>
<tr>
<td>Wheat ($/bu)</td>
<td>$5.50</td>
<td>$4.72</td>
<td>$5.15</td>
<td>$6.32</td>
</tr>
<tr>
<td>Seed Cotton ($/lb.)</td>
<td>$0.367</td>
<td>$0.3357</td>
<td>$0.3530</td>
<td>$0.42</td>
</tr>
<tr>
<td>Rice (LG) ($/cwt)</td>
<td>$0.14</td>
<td>$0.115</td>
<td>$0.107</td>
<td>$0.16</td>
</tr>
<tr>
<td>Peanuts ($/lb.)</td>
<td>$0.268</td>
<td>$0.229</td>
<td>$0.215</td>
<td>$0.31</td>
</tr>
<tr>
<td>Sorghum ($/bu)</td>
<td>$3.95</td>
<td>$3.22</td>
<td>$3.40</td>
<td>$4.54</td>
</tr>
</tbody>
</table>

Source: 2018 Farm Bill, Farm Bureau Analysis
Projected Farm Program Outlays

Source: 2018 Farm Bill, Farm Bureau Analysis

PROGRAM PAYMENTS

$57,730,000,000

Projected Payments During 2019 to 2029

MILLION DOLLARS

2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029

PRICE LOSS COVERAGE

AGRICULTURE RISK COVERAGE

Source: 2018 Farm Bill, Farm Bureau Analysis
Conservation Programs Expanded

CRP Acreage Enrolled

Maximum
36.7 Million
in 2007

CRP Acreage Cap Increases by
500,000 Acres
in Each Fiscal Year Beginning in 2020

2023
27 Million Acres

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
MarketIntel
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www.fb.org/marketintel
QUESTIONS?

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