

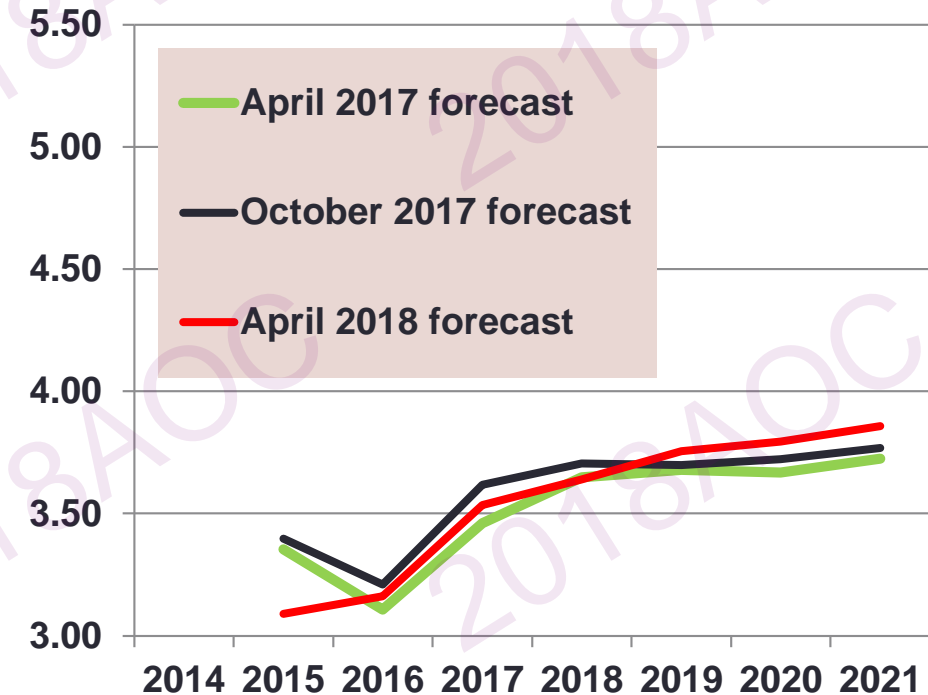
# **U.S. Agricultural Outlook 2018 and Longer-term projections**

**Robert Johansson  
Chief Economist  
US Department of Agriculture  
Beijing, China (April 2018)**

# IMF growth forecasts more optimistic

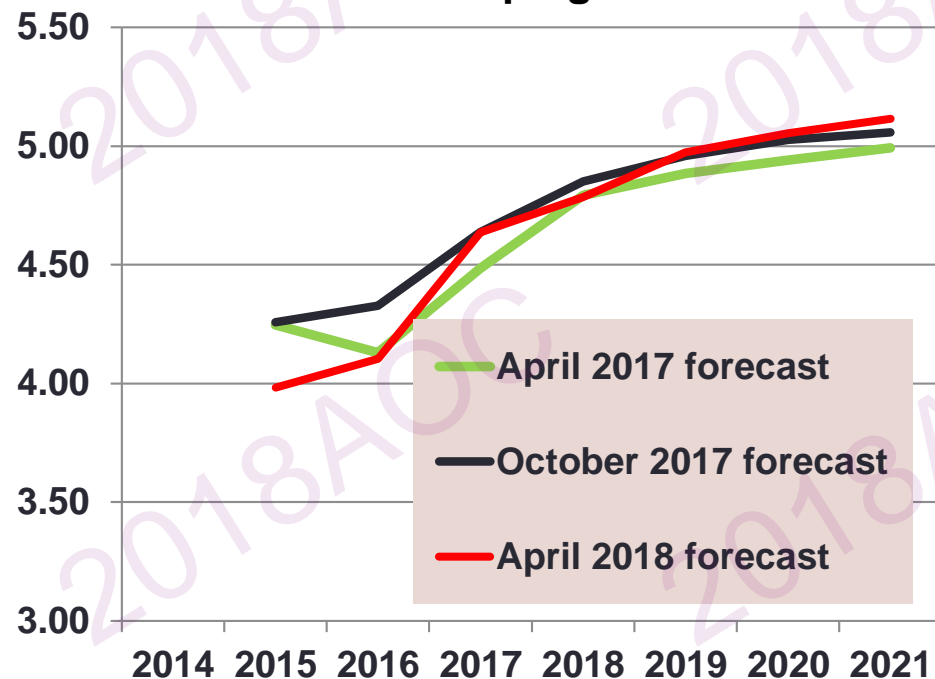
## World

Percent change



## Emerging markets and developing countries

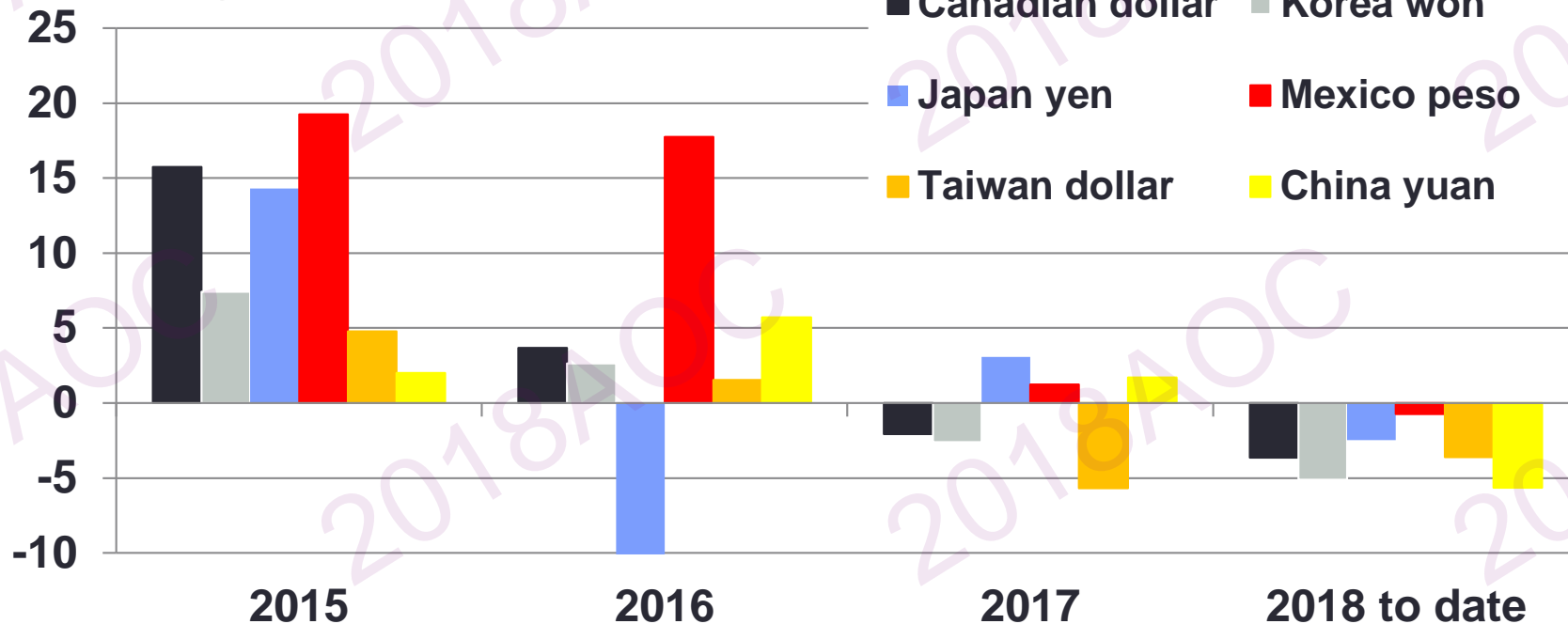
Percent change



Data: IMF.

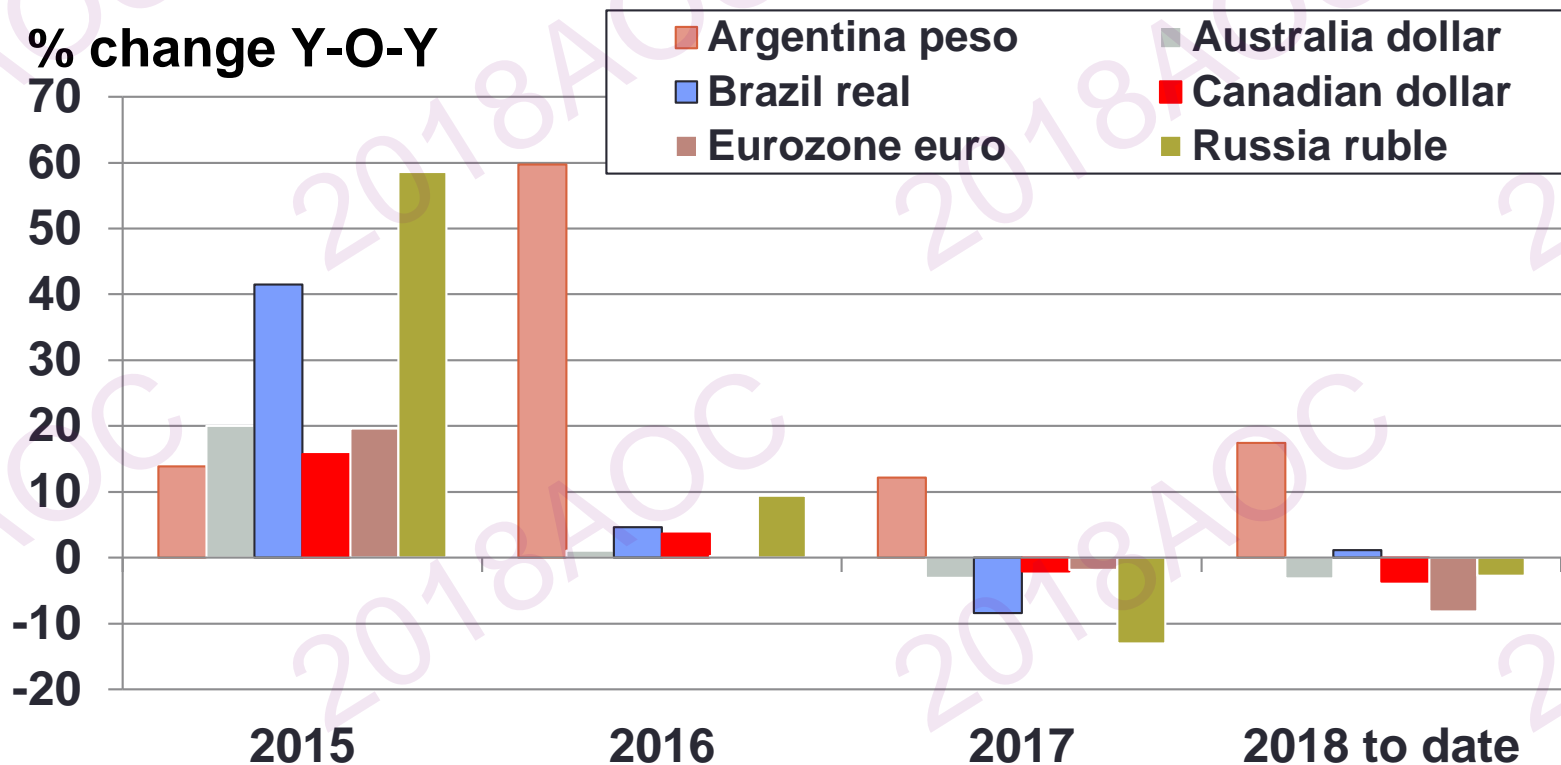
# Dollar depreciating so far in 2018 versus customer currencies

% change Y-O-Y



Data: Thomson Reuters Datastream

# Down versus most competitor currencies too



Data: Thomson Reuters Datastream

# Outlook for World Agriculture

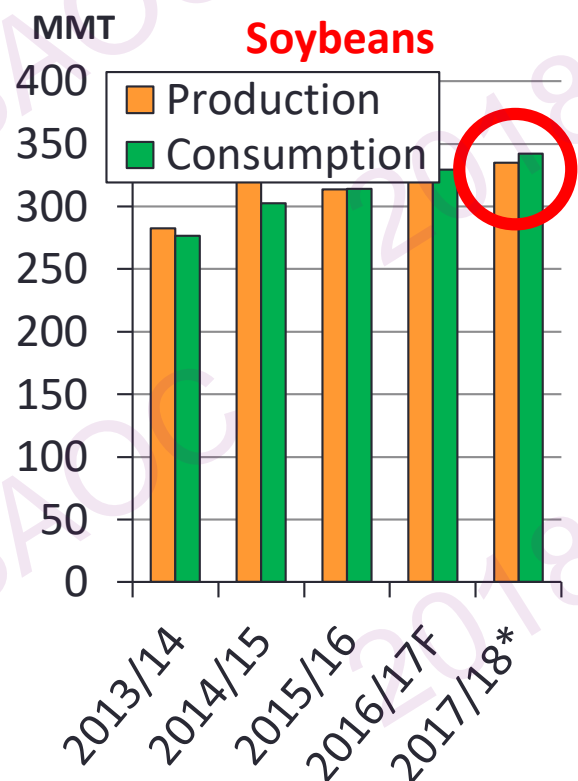
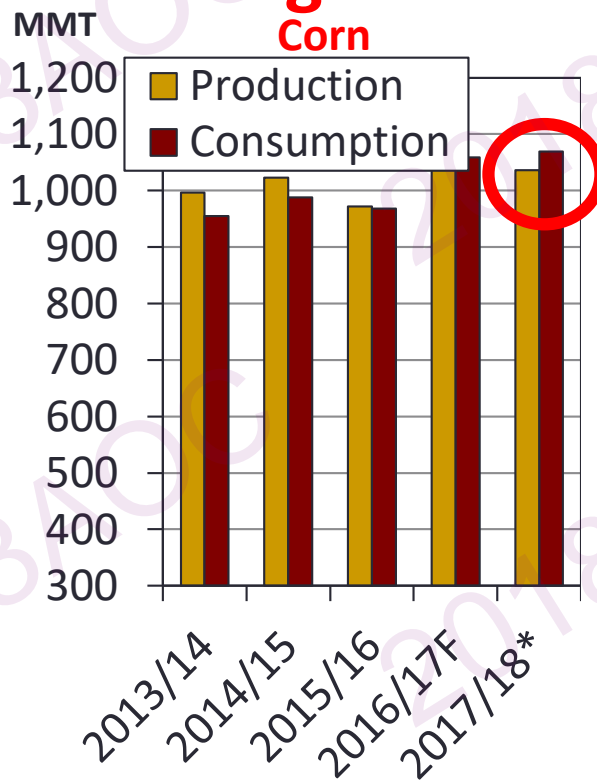
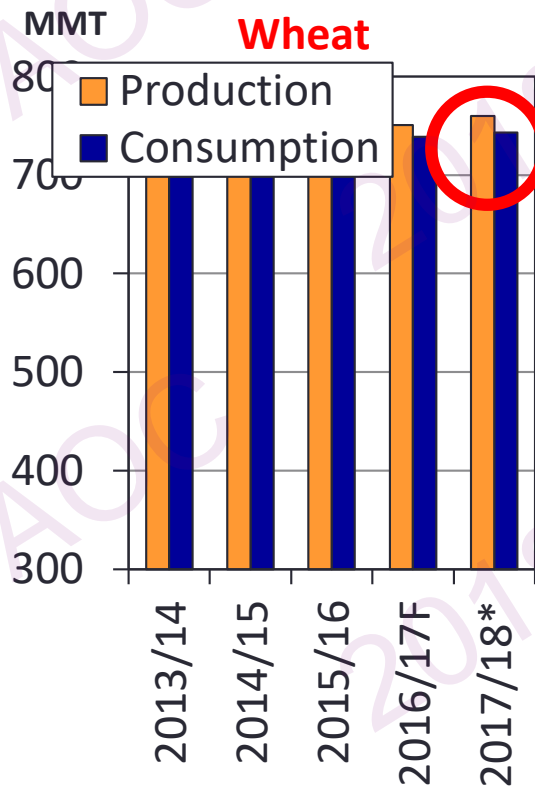
- **USDA short term outlook for U.S. agriculture in 2018**
- **USDA long term agricultural projections to 2027**

# Short Term Outlook for U.S. Crops

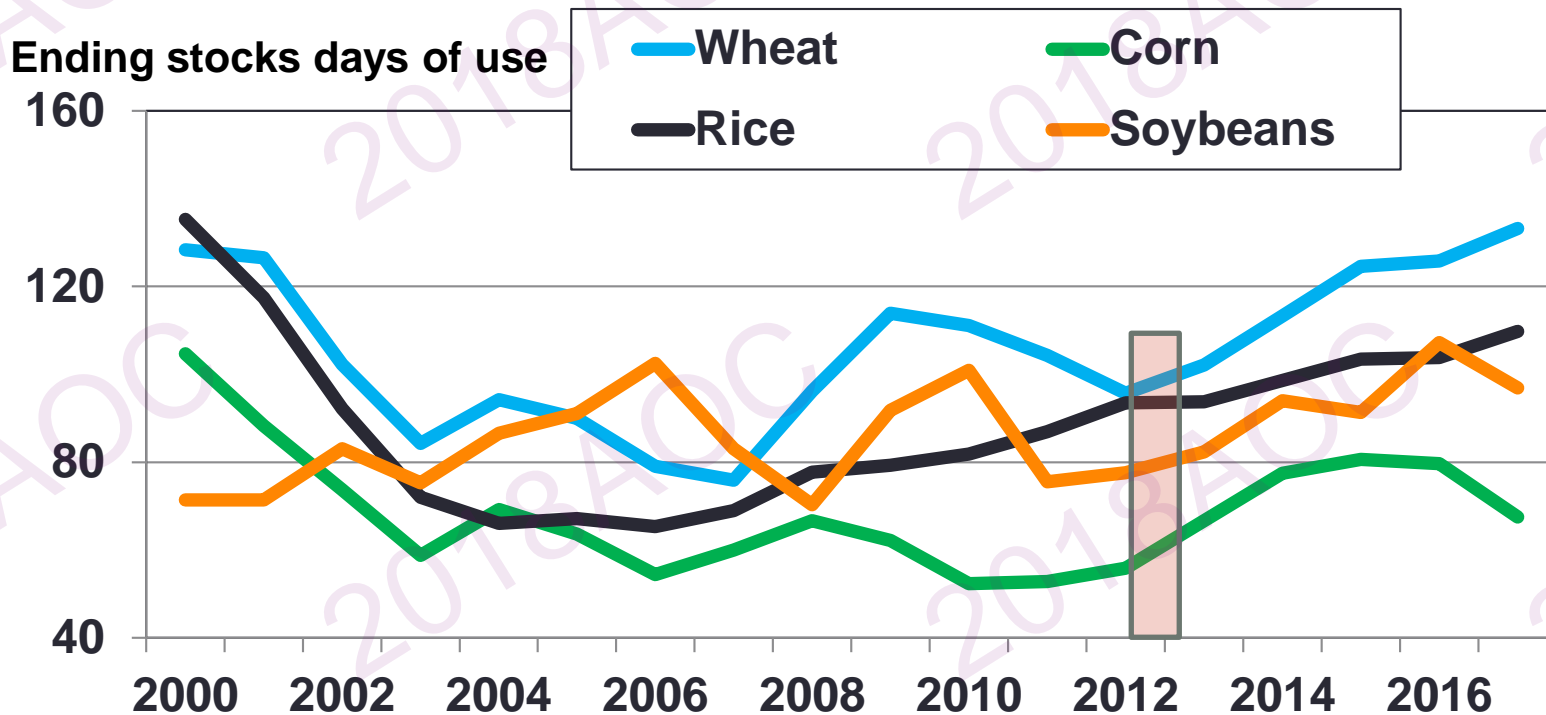


# Global production and consumption continue near record

## highs



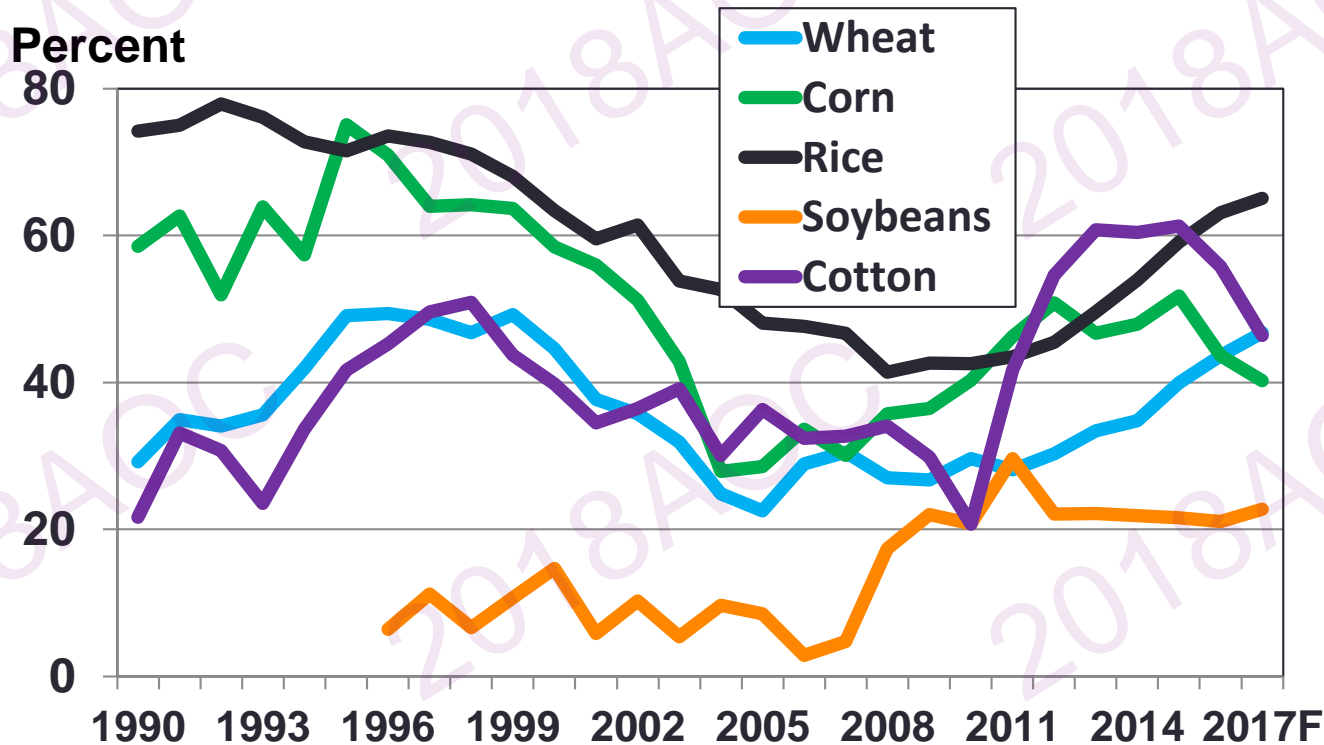
# Global ending stocks to continue relatively high, moderating price volatility



Data: USDA.



# China stocks, percent of world total



| China Stocks<br>17/18 (MMT) |     |
|-----------------------------|-----|
| Wheat                       | 127 |
| Corn                        | 80  |
| Rice                        | 94  |
| Soybeans                    | 21  |
| Cotton                      | 9   |

## Some U.S. prices expected to edge up in 2018/2019

|                  | 2014  | 2015  | 2016  | 2017  | 2018F | %Δ  |
|------------------|-------|-------|-------|-------|-------|-----|
| Wheat (\$/MT)    | 220   | 180   | 143   | 171   | 173   | +1% |
| Corn (\$/MT)     | 146   | 142   | 132   | 132   | 134   | +2% |
| Soybeans (\$/MT) | 371   | 329   | 348   | 342   | 340   | 0%  |
| Cotton (\$/MT)   | 1,351 | 1,349 | 1,499 | 1,499 | 1,389 | -9% |
| All Rice (\$/MT) | 295   | 269   | 229   | 278   | 262   | -5% |

Source: USDA. From USDA Baseline. Other columns from April 10, 2018 WASDE

## Cropland area down from last year

| Crop (mil. hectares)    | 2014         | 2015         | 2016         | 2017         | 2018F        | %Δ           |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Corn</b>             | <b>36.7</b>  | <b>35.6</b>  | <b>38.0</b>  | <b>36.5</b>  | <b>35.6</b>  | <b>-2%</b>   |
| <b>Soybeans</b>         | <b>33.7</b>  | <b>33.5</b>  | <b>33.8</b>  | <b>36.5</b>  | <b>36.0</b>  | <b>-1%</b>   |
| <b>Wheat</b>            | <b>23.0</b>  | <b>22.3</b>  | <b>20.3</b>  | <b>18.6</b>  | <b>19.1</b>  | <b>+3%</b>   |
| <b>All cotton</b>       | <b>4.5</b>   | <b>3.5</b>   | <b>4.1</b>   | <b>5.1</b>   | <b>5.5</b>   | <b>+7%</b>   |
| <b>Other feedgrains</b> | <b>5.2</b>   | <b>6.2</b>   | <b>5.1</b>   | <b>4.3</b>   | <b>4.4</b>   | <b>+2%</b>   |
| <b>Rice</b>             | <b>1.2</b>   | <b>1.1</b>   | <b>1.3</b>   | <b>1.0</b>   | <b>1.1</b>   | <b>+8%</b>   |
| <b>Principal crops</b>  | <b>132.1</b> | <b>129.1</b> | <b>129.2</b> | <b>129.1</b> | <b>128.7</b> | <b>-0.3%</b> |

Source: USDA. All cotton, includes both upland and ELS cotton.

\*Prospective plantings, March 29, 2018

# Outlook for Livestock and Dairy



# U.S. beef, pork, poultry, and milk production forecast at record levels for 2018

|                          | 2014                       | 2015 | 2016 | 2017 | 2018F     | %Δ         |
|--------------------------|----------------------------|------|------|------|-----------|------------|
|                          | <b>Million metric tons</b> |      |      |      |           |            |
| <b>Beef</b>              | 11                         | 11   | 11   | 12   | <b>13</b> | <b>+5%</b> |
| <b>Pork</b>              | 10                         | 11   | 11   | 12   | <b>12</b> | <b>+5%</b> |
| <b>Broilers</b>          | 18                         | 18   | 19   | 19   | <b>19</b> | <b>+2%</b> |
| <b>Total<sup>1</sup></b> | 42                         | 43   | 44   | 46   | <b>47</b> | <b>+2%</b> |
|                          | <b>Million metric tons</b> |      |      |      |           |            |
| <b>Milk</b>              | 94                         | 95   | 96   | 98   | <b>99</b> | <b>+2%</b> |

Data in red denote record levels.

<sup>1</sup> Total red meat and poultry

Source: USDA.

## Livestock and dairy prices are forecast to fall in 2018

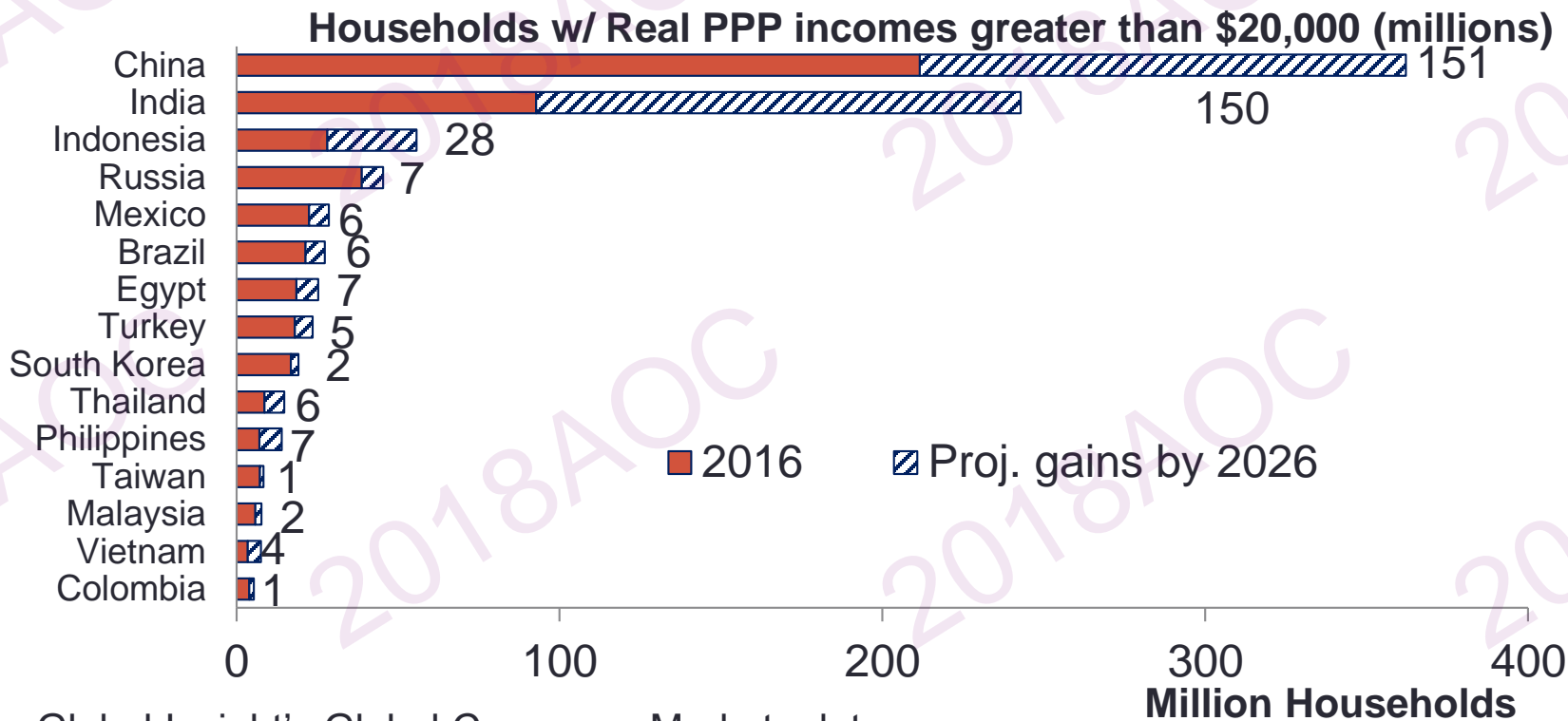
|                 | 2014                          | 2015  | 2016  | 2017  | 2018F | %Δ   |
|-----------------|-------------------------------|-------|-------|-------|-------|------|
|                 | <b>Dollars per metric ton</b> |       |       |       |       |      |
| <b>Steers</b>   | 3,407                         | 3,265 | 2,665 | 2,679 | 2,566 | -4%  |
| <b>Hogs</b>     | 1,676                         | 1,107 | 1,018 | 1,113 | 1,009 | -9%  |
| <b>Broilers</b> | 2,313                         | 1,995 | 1,858 | 2,061 | 2,103 | +2%  |
| <b>Milk</b>     | 528                           | 378   | 359   | 389   | 349   | -10% |

Source: USDA.



**Long Term Outlook**

# Income growth will drive increased global demand

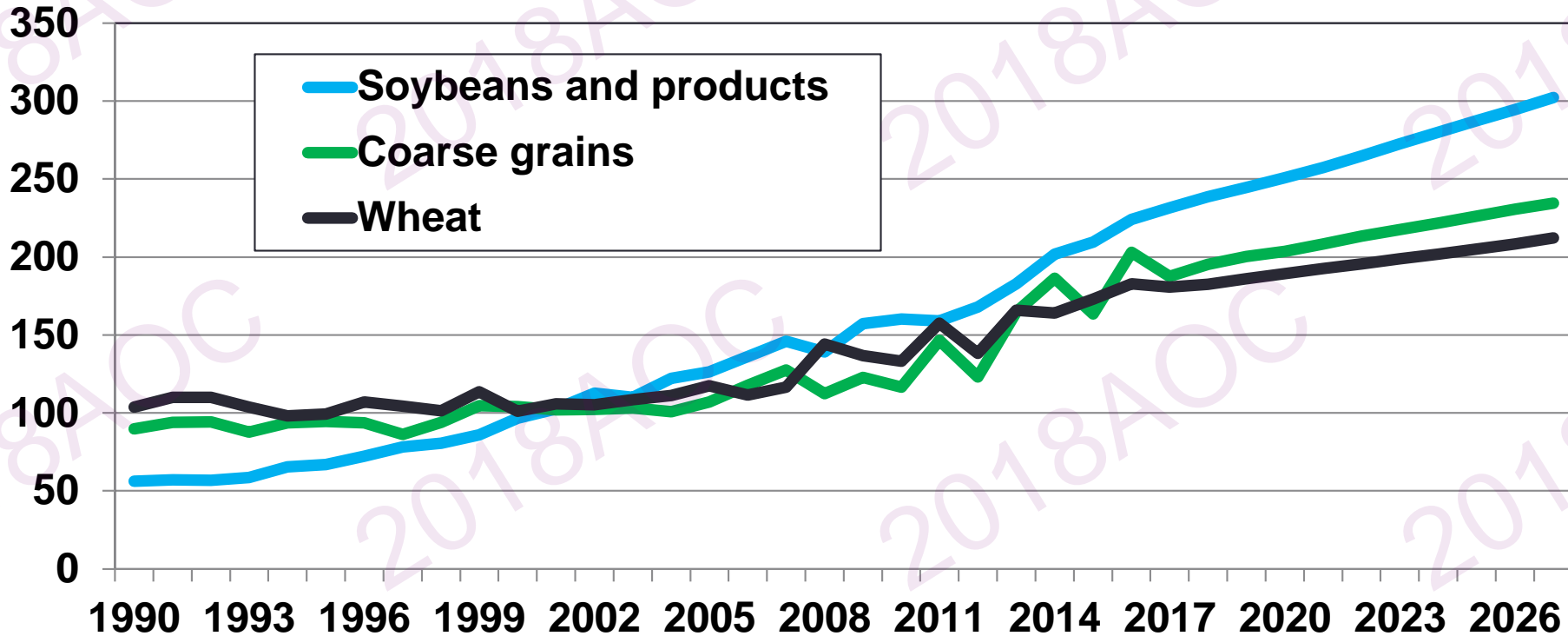


Data: Global Insight's Global Consumer Markets data.



# Trade increasing demand for protein

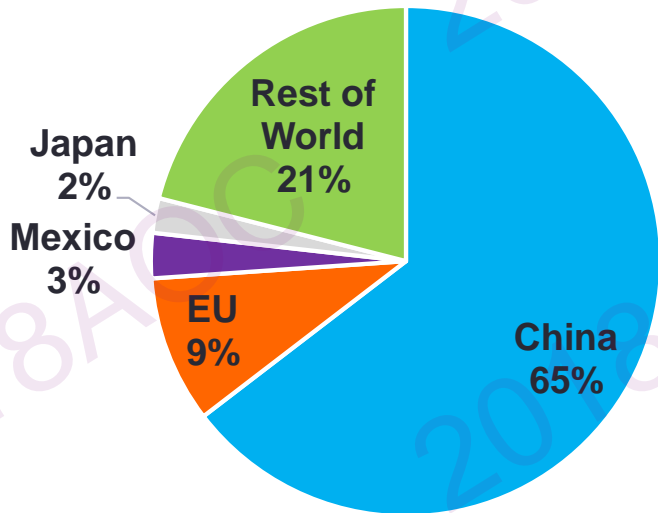
Million tons



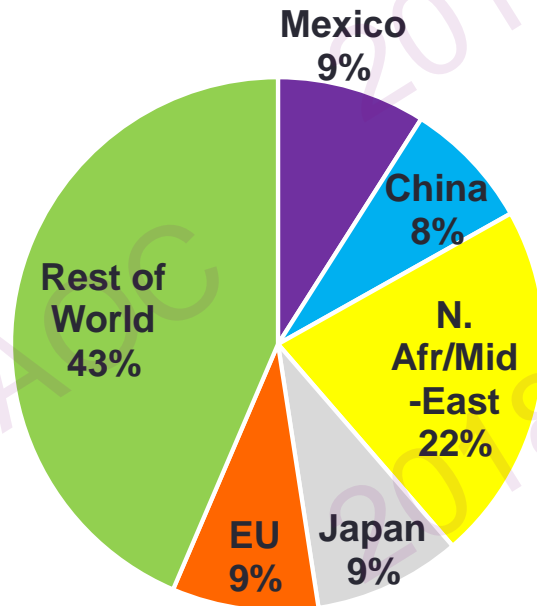
Data: USDA.

# Global Import Share (2017/18)

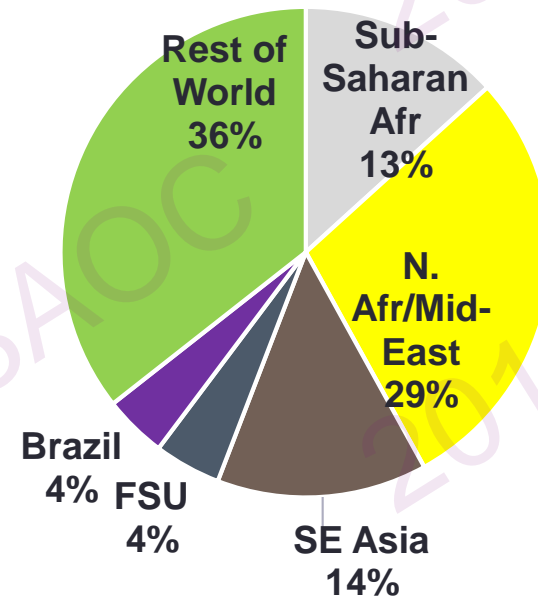
## Soybeans



## Coarse Grains

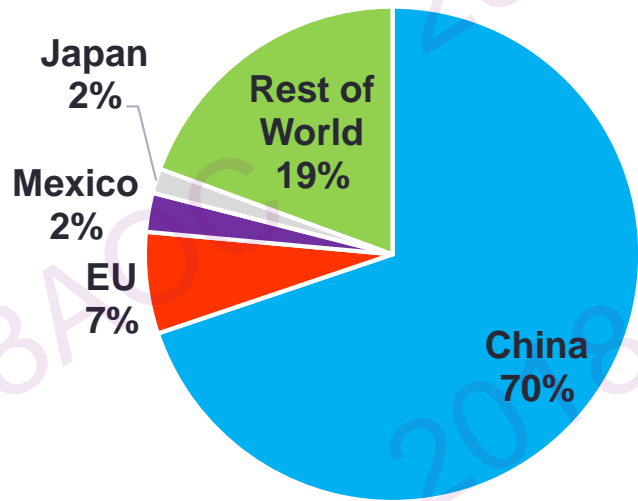


## Wheat

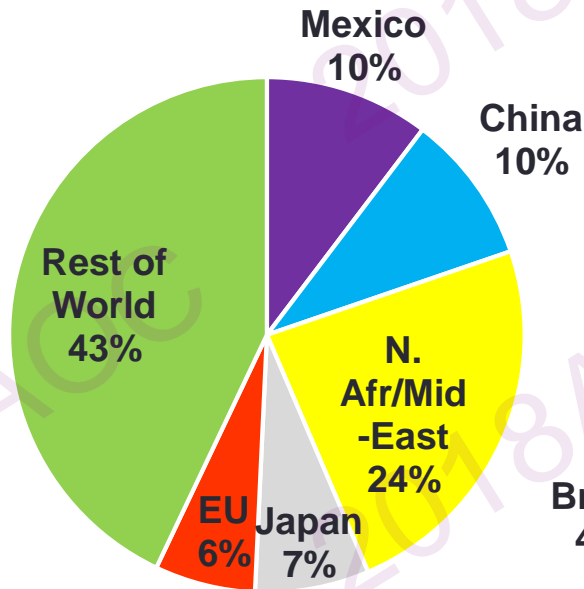


# Global Import Share (2027/28)

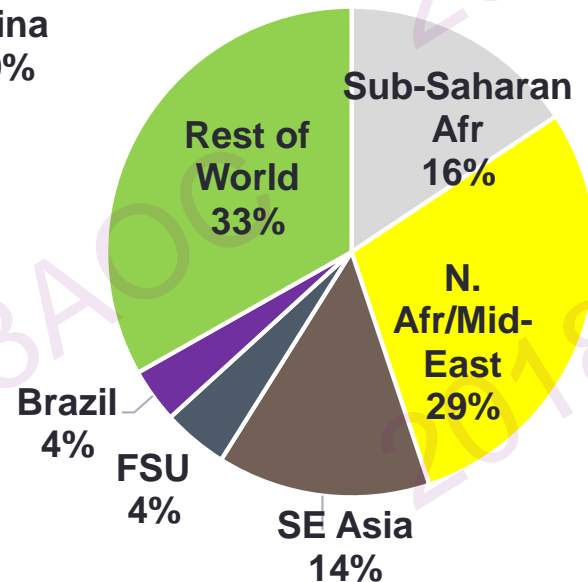
## Soybeans



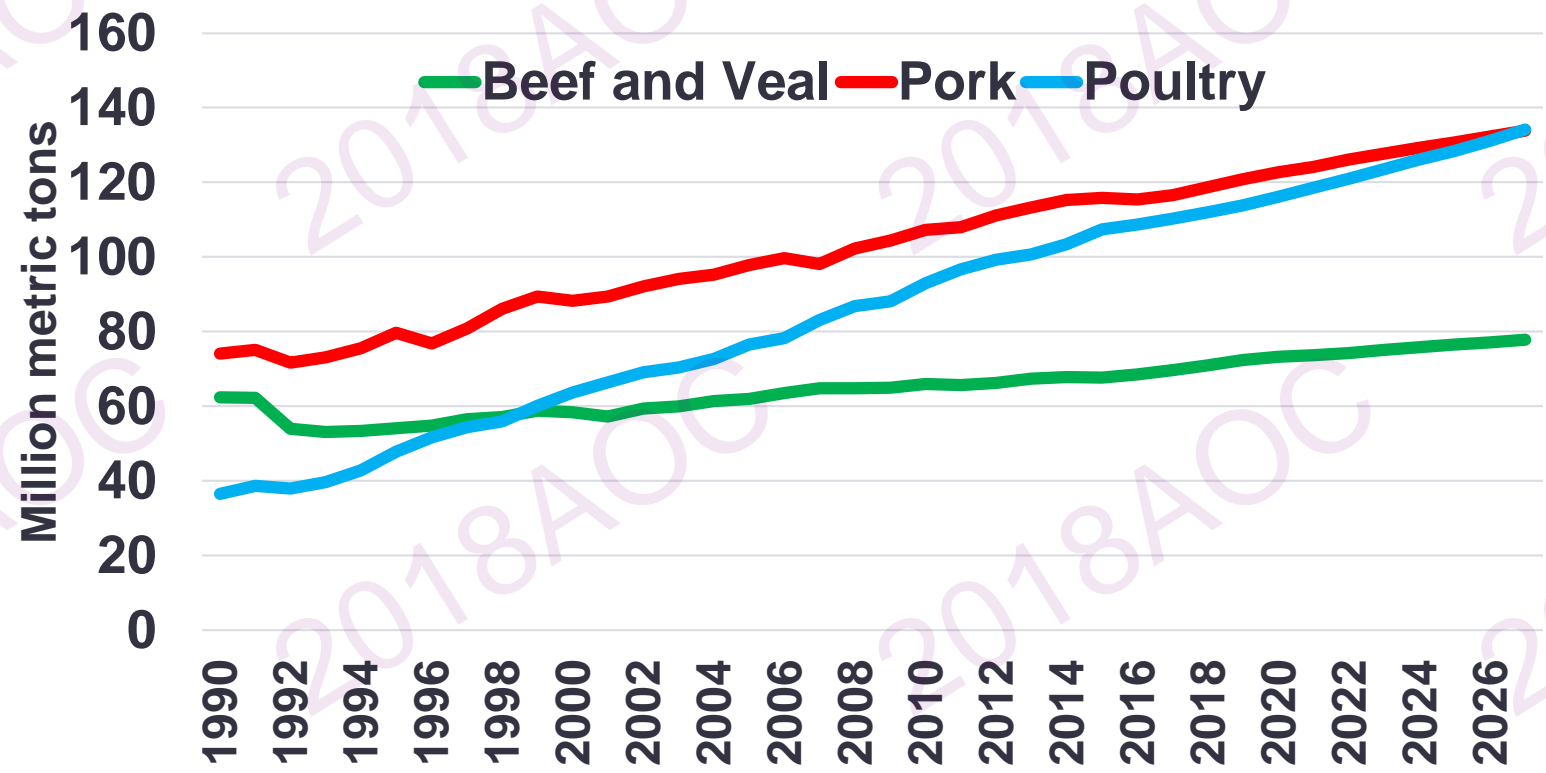
## Coarse Grains



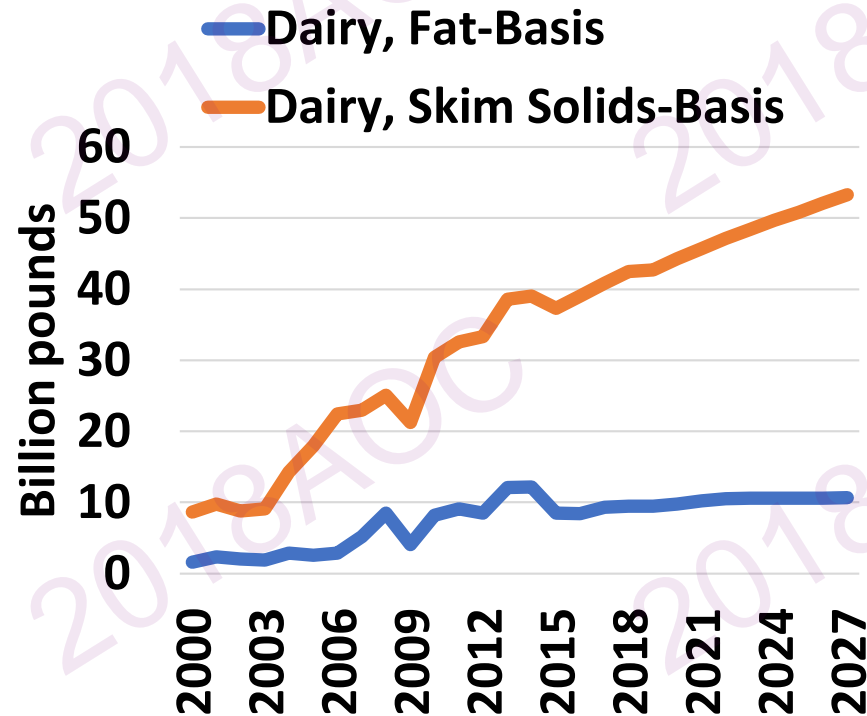
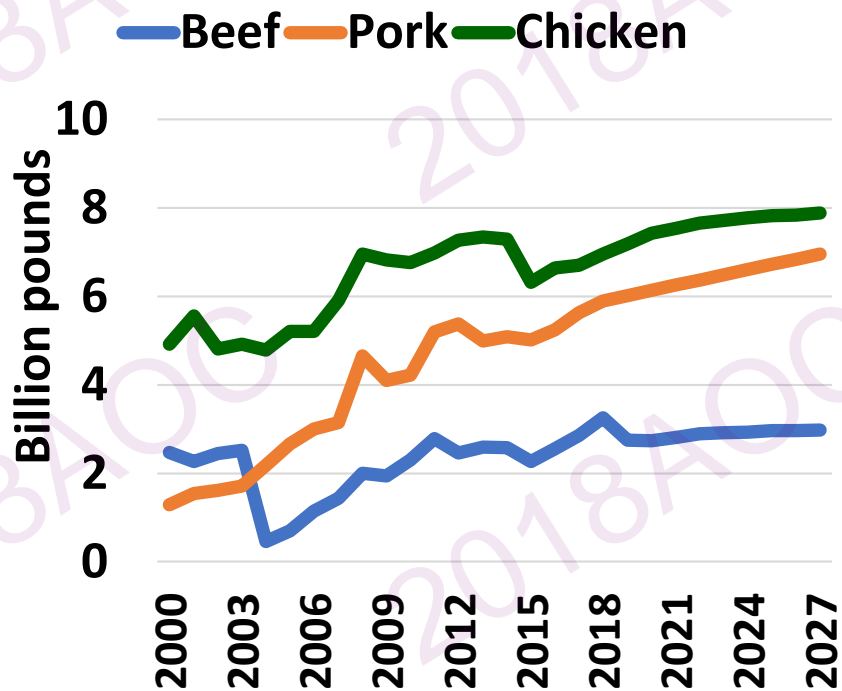
## Wheat



# Economic growth drives meat consumption...

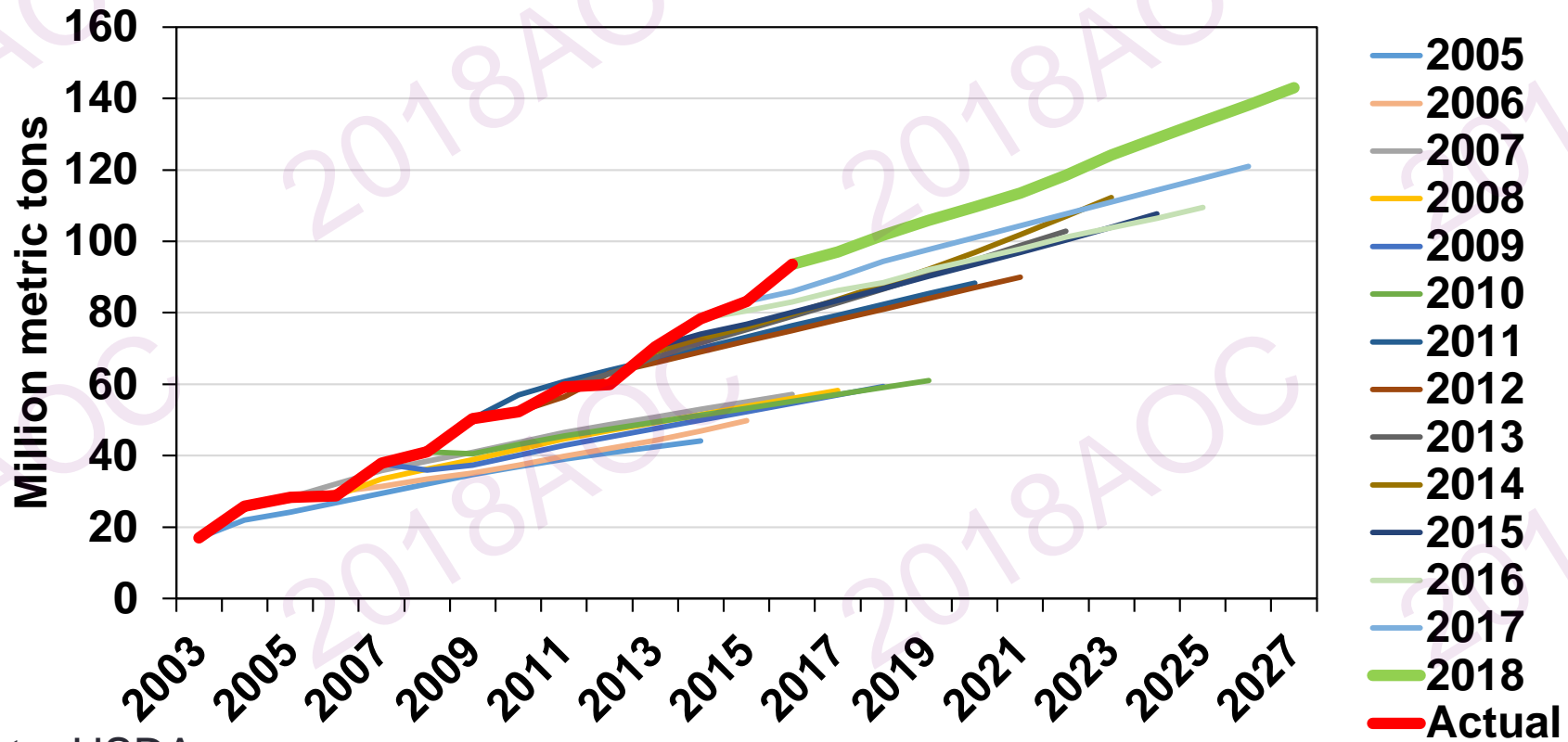


## ...leading to export volumes rising over time



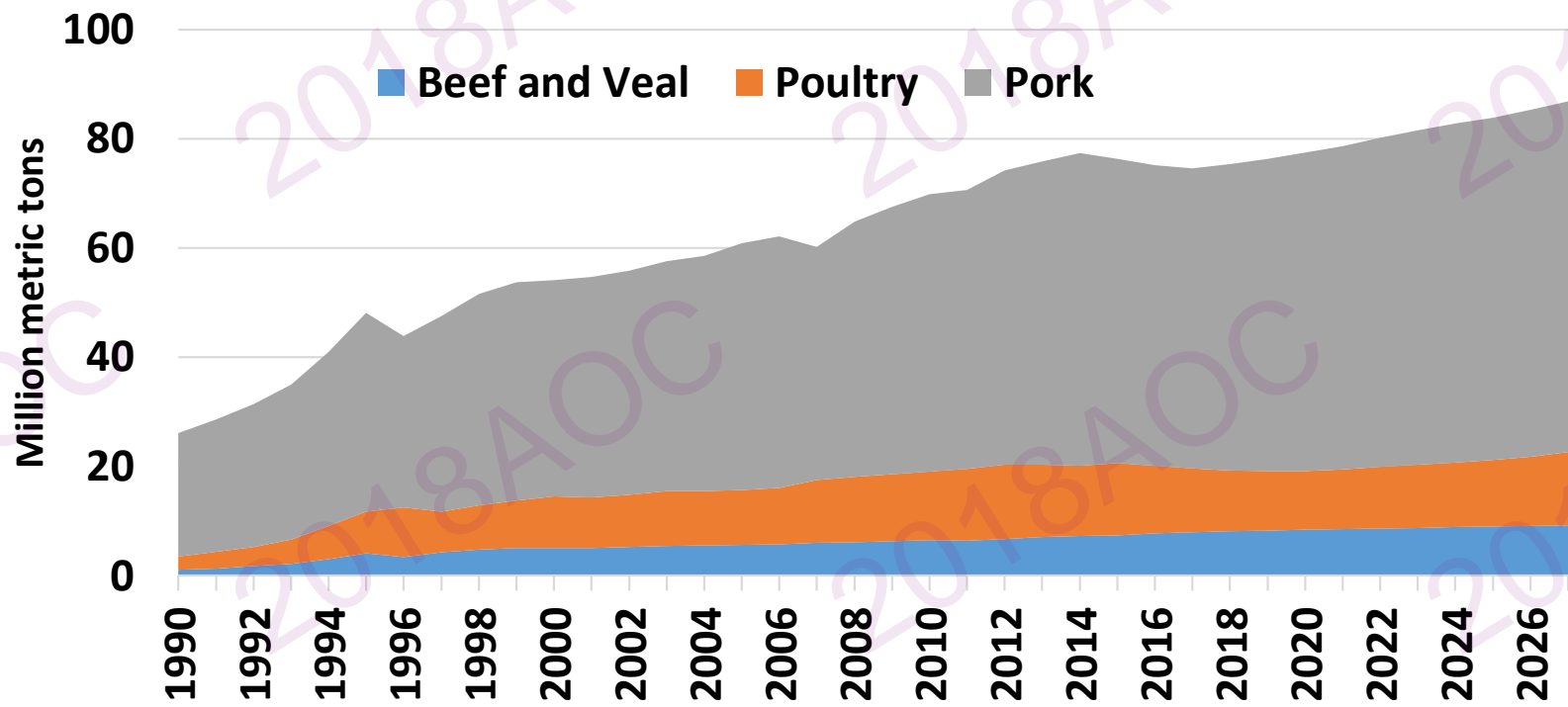
Data: USDA.

# China's import demand for soybeans



Data: USDA

# China's domestic meat consumption



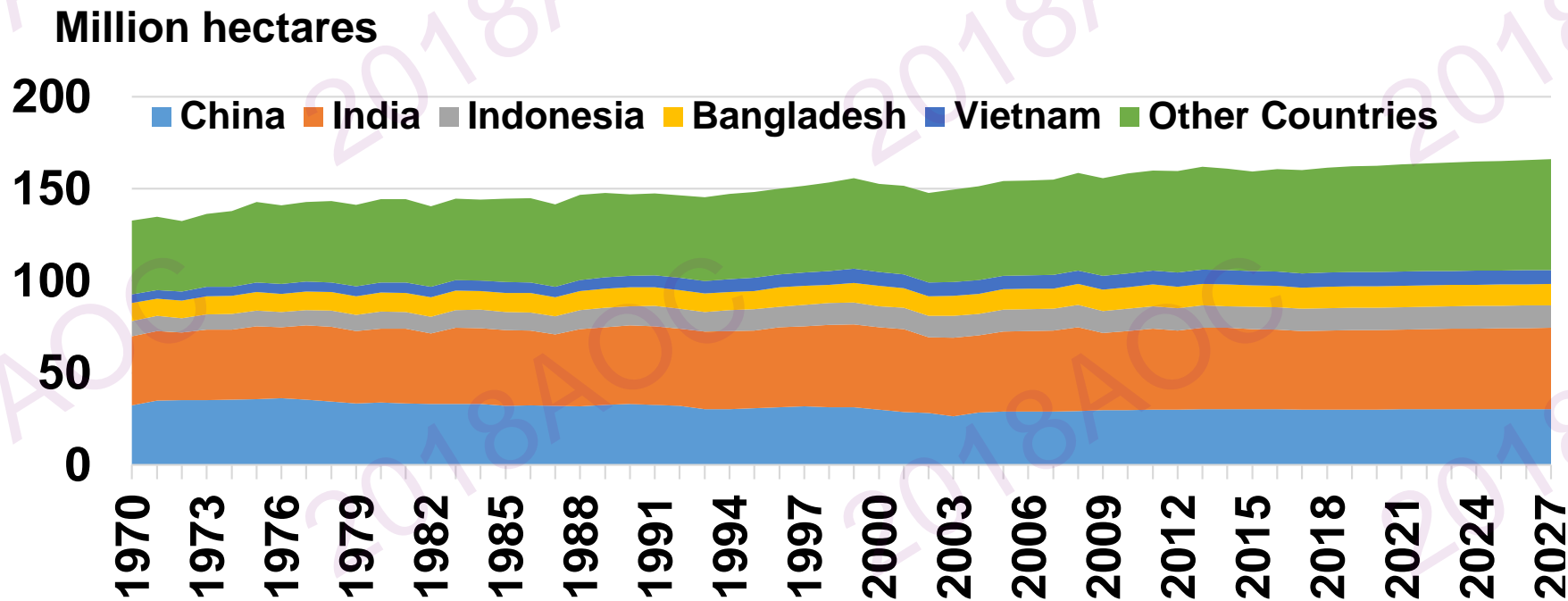
Data: USDA.



**Rice Outlook**

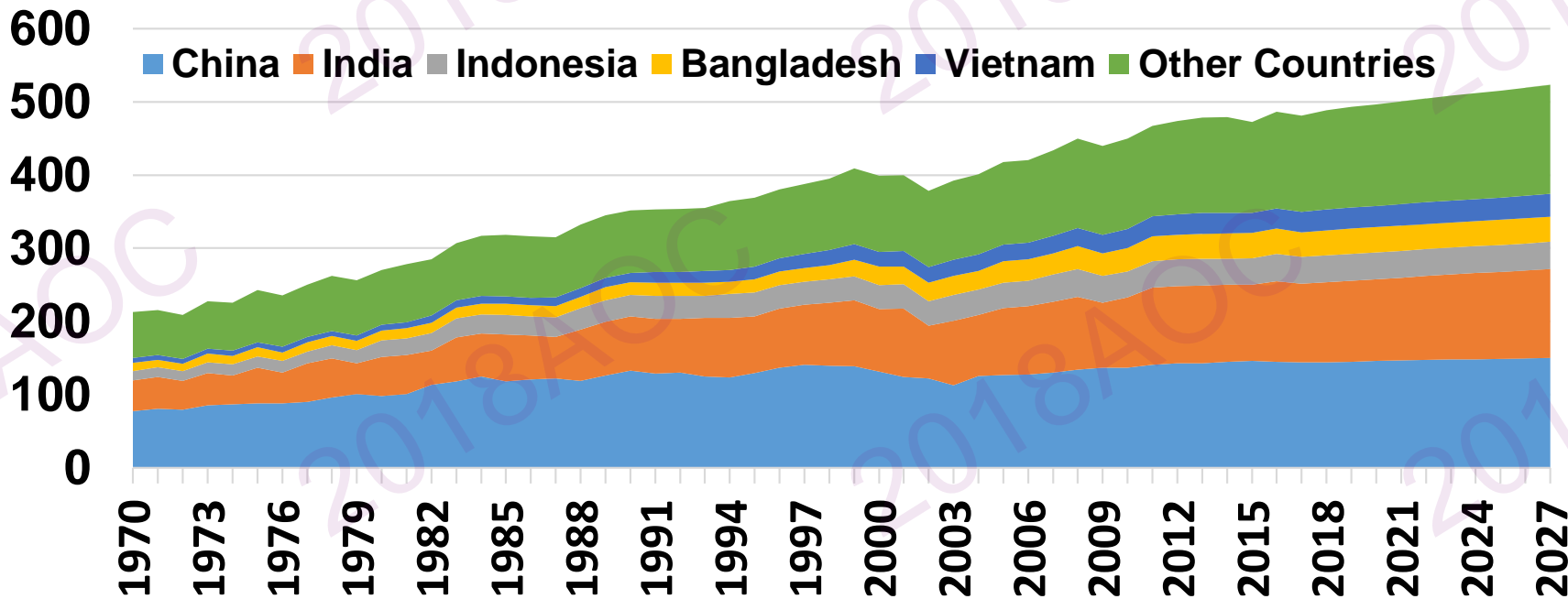


# Global rice acreage is expected to increase 3% over the next ten years...

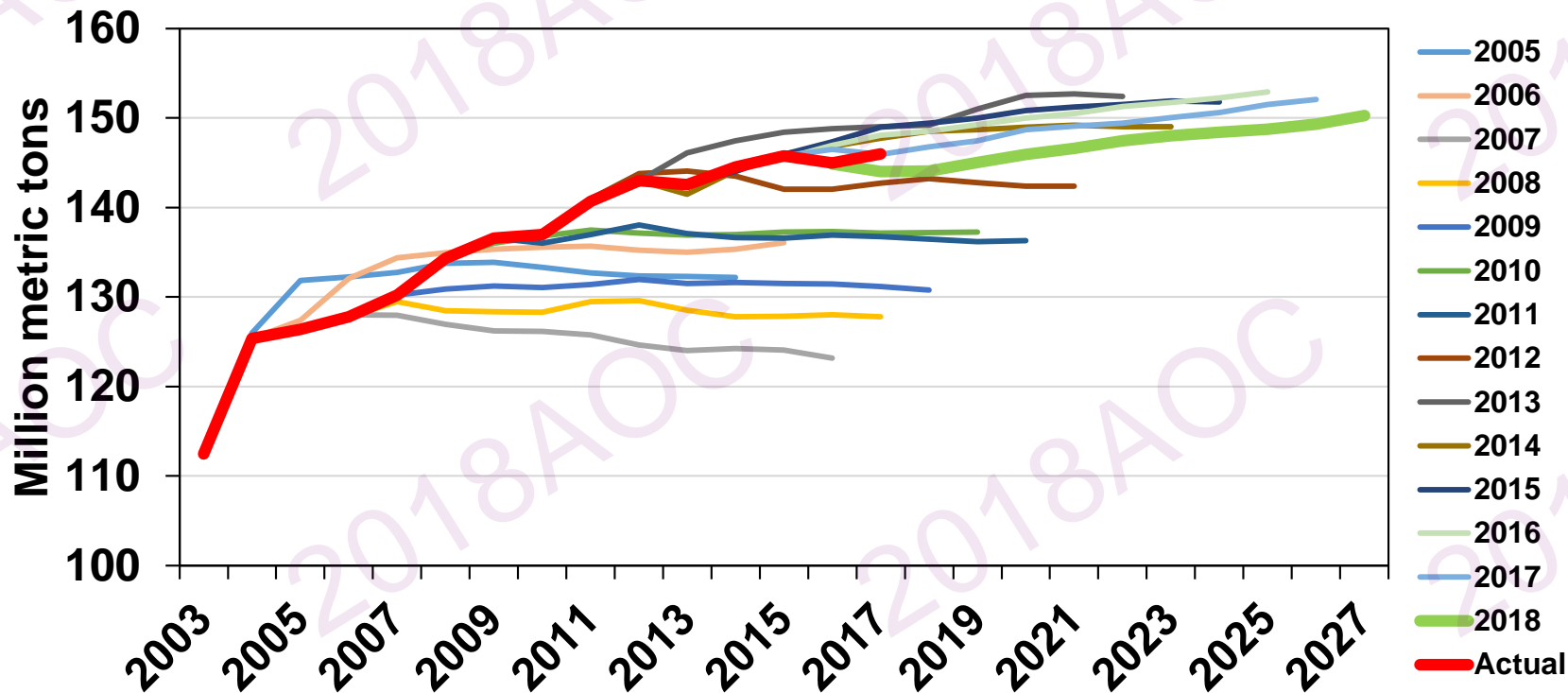


...while global production is projected to increase by 7%

Million metric tons



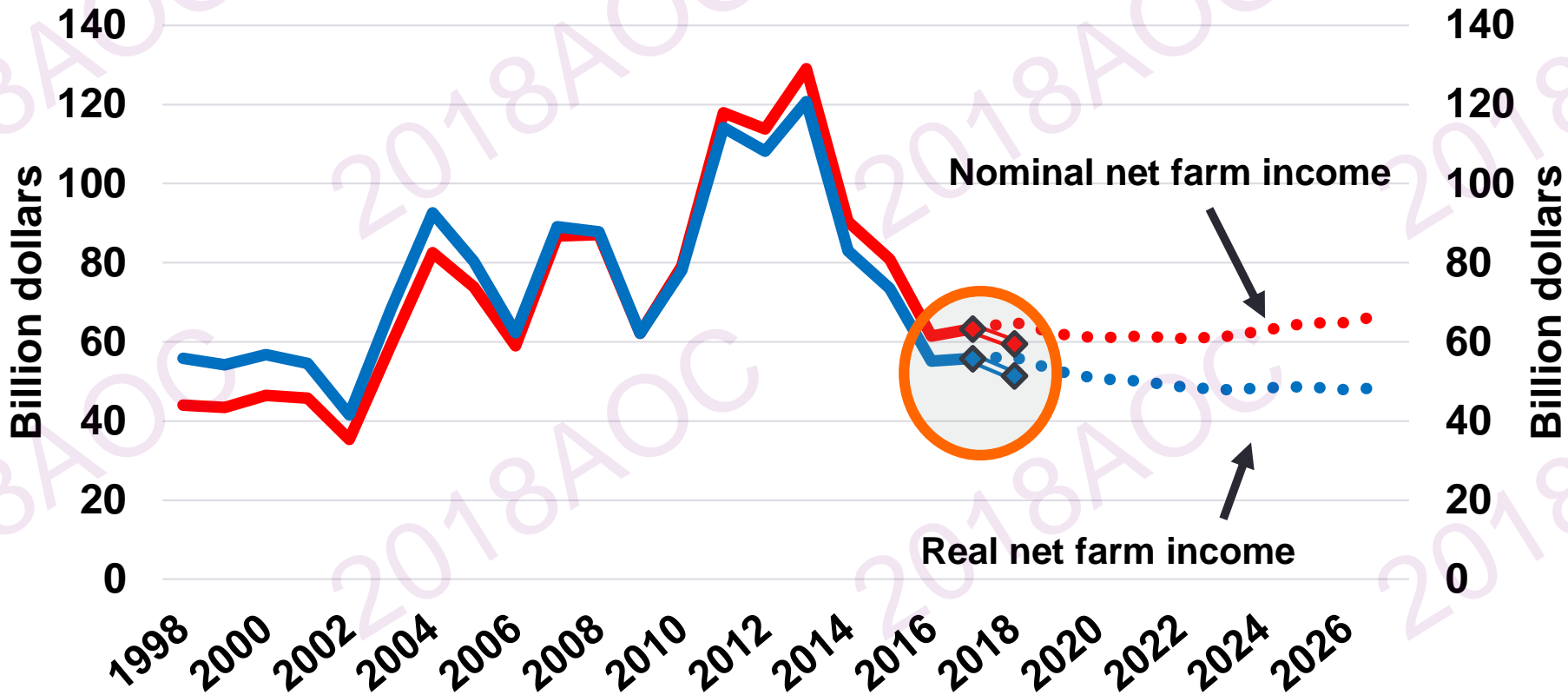
# China's rice production is projected to reach 150 MMT



# Status of the United States Farm Economy

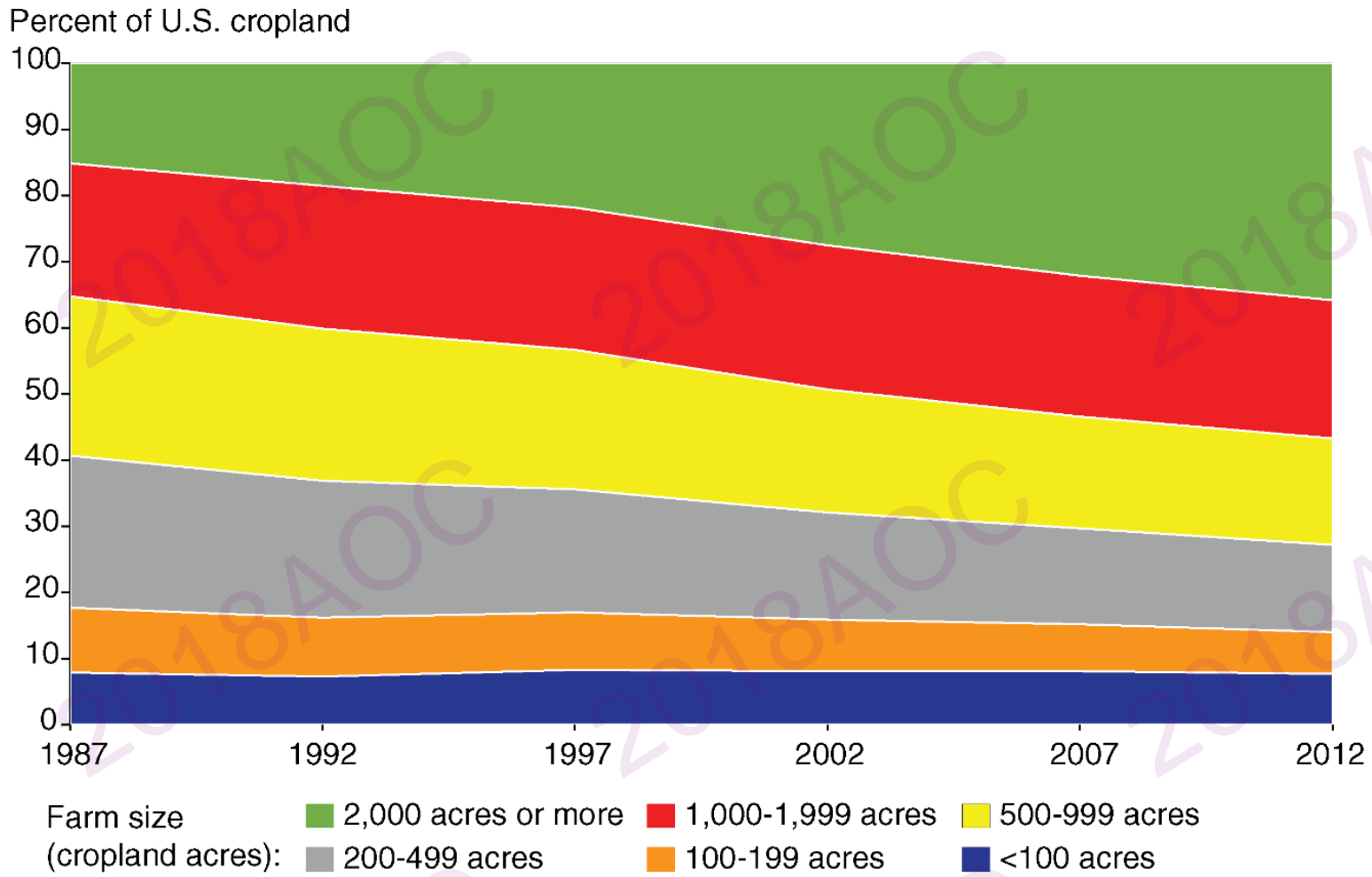


# Real net farm income falling



Data: USDA.

**Over  
time  
U.S.  
farms  
have  
become  
larger**



Data: USDA.

# The majority of farms are family owned.

| <b>Farm Sales Class</b>     |                      |                              |                                  |                            |                  |
|-----------------------------|----------------------|------------------------------|----------------------------------|----------------------------|------------------|
| <b>Item</b>                 | <b>&lt;\$350,000</b> | <b>\$350,000 - \$999,999</b> | <b>\$1,000,000 - \$4,999,999</b> | <b>\$5 million or more</b> | <b>All farms</b> |
| <b>Total farms (number)</b> | <b>1,863,442</b>     | <b>130,578</b>               | <b>57,880</b>                    | <b>7,373</b>               | <b>2,059,272</b> |
| <b>Family farms</b>         |                      |                              |                                  |                            |                  |
| <b>Share of farms</b>       | <b>99.1</b>          | <b>96.7</b>                  | <b>92</b>                        | <b>78</b>                  | <b>98.7</b>      |
| <b>Share of production</b>  | <b>97.9</b>          | <b>94.3</b>                  | <b>90.7</b>                      | <b>73</b>                  | <b>89.4</b>      |

Data: USDA

## Conclusion

- 1. Global economic growth forecast more optimistic.**
- 2. Record global production has built stocks and moderated prices.**
- 3. Income growth driving increased meat consumption.**
- 4. Projected increase in rice production exceeds growth in acreage.**
- 5. U.S. net farm income is expected to remain flat.**
- 6. In the last three decades, there has been rapid consolidation in U.S. agriculture, but most operations are still family farms.**