

U.S. Corn, Soybean, and Wheat Situation and Outlook for 2008/09

March, 2008

Nick Piggott

North Carolina State University

nick_piggott@ncsu.edu

www.ag-econ.ncsu.edu/grain.htm

Grain Outlook: Talking Points

Key drivers

- Renewable fuels mandate (36 Bil. Gal by 2022)
- Explosion of ethanol capacity
- Cheap US dollar enhancing agricultural exports

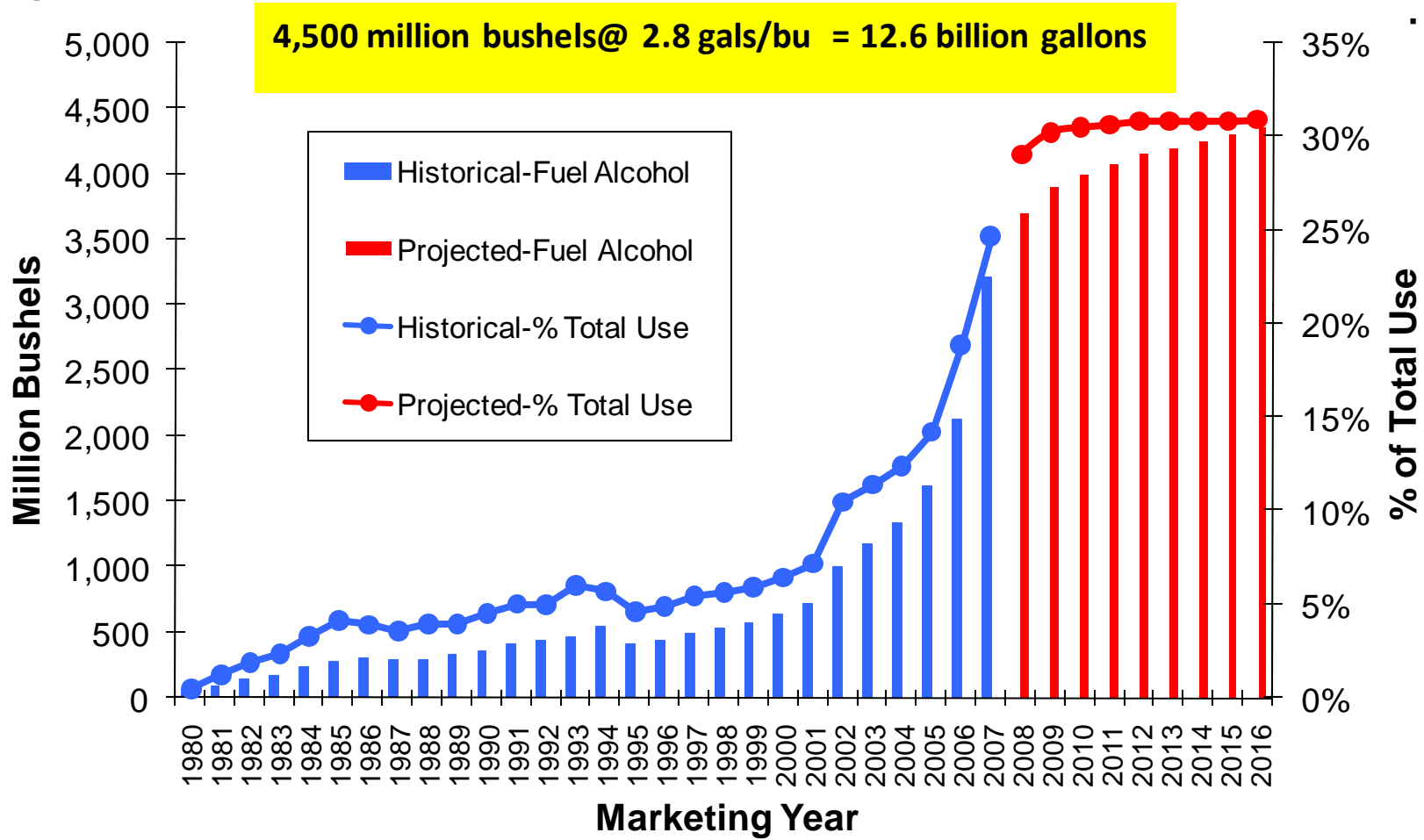
Key outcomes

- Corn, soybean, and wheat prices are all double their long-term historical 25 yr averages
- 2007 net farm income a record \$87.5 billion
- US farmland prices and NC farmland values appreciating markedly



Photographer unknown

Corn: Fuel Alcohol Use 1980-2016P

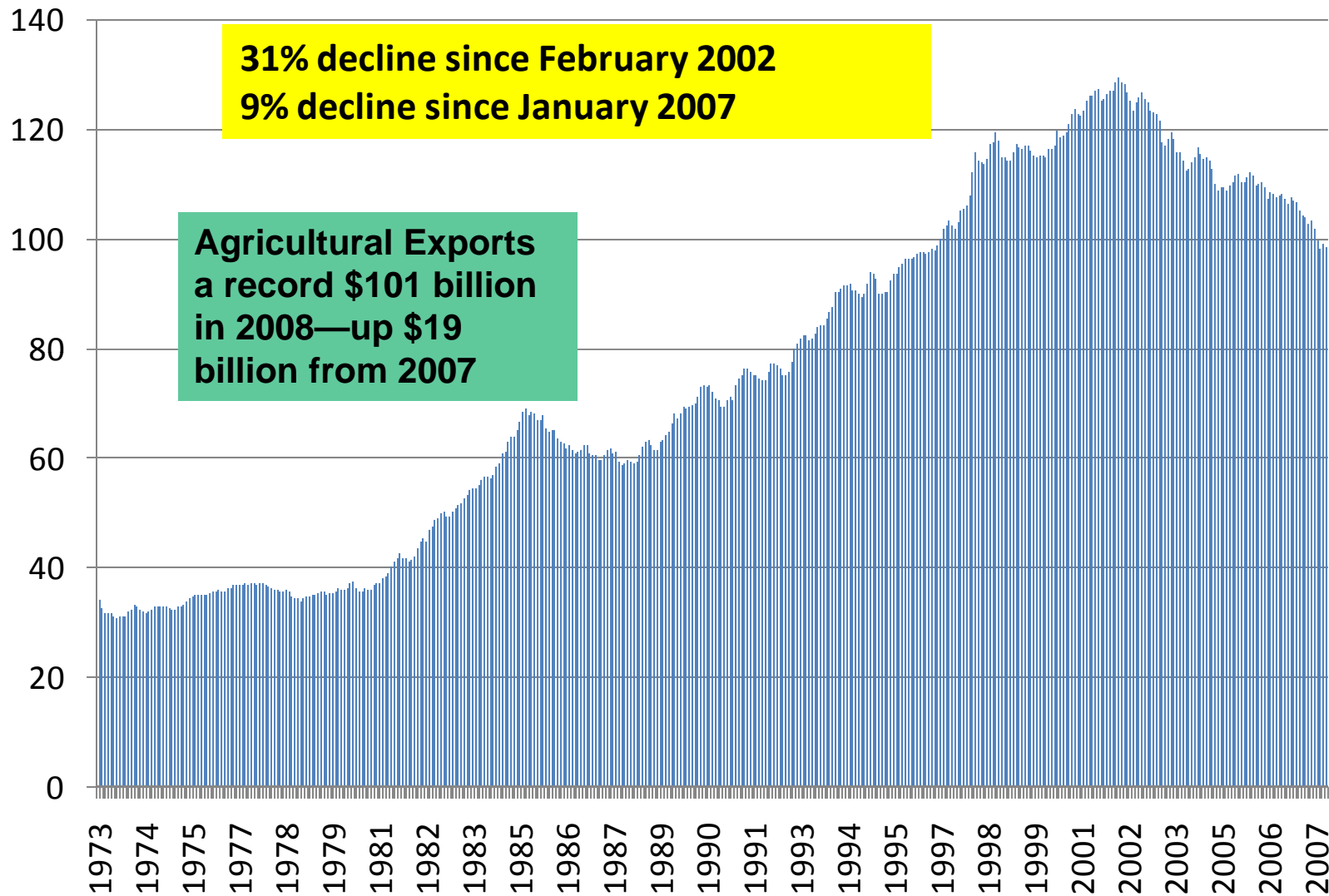


Source:

ERS-USDA Feedgrain Database (<http://www.ers.usda.gov/data/feedgrains/FeedGrainsQueryable.aspx>)

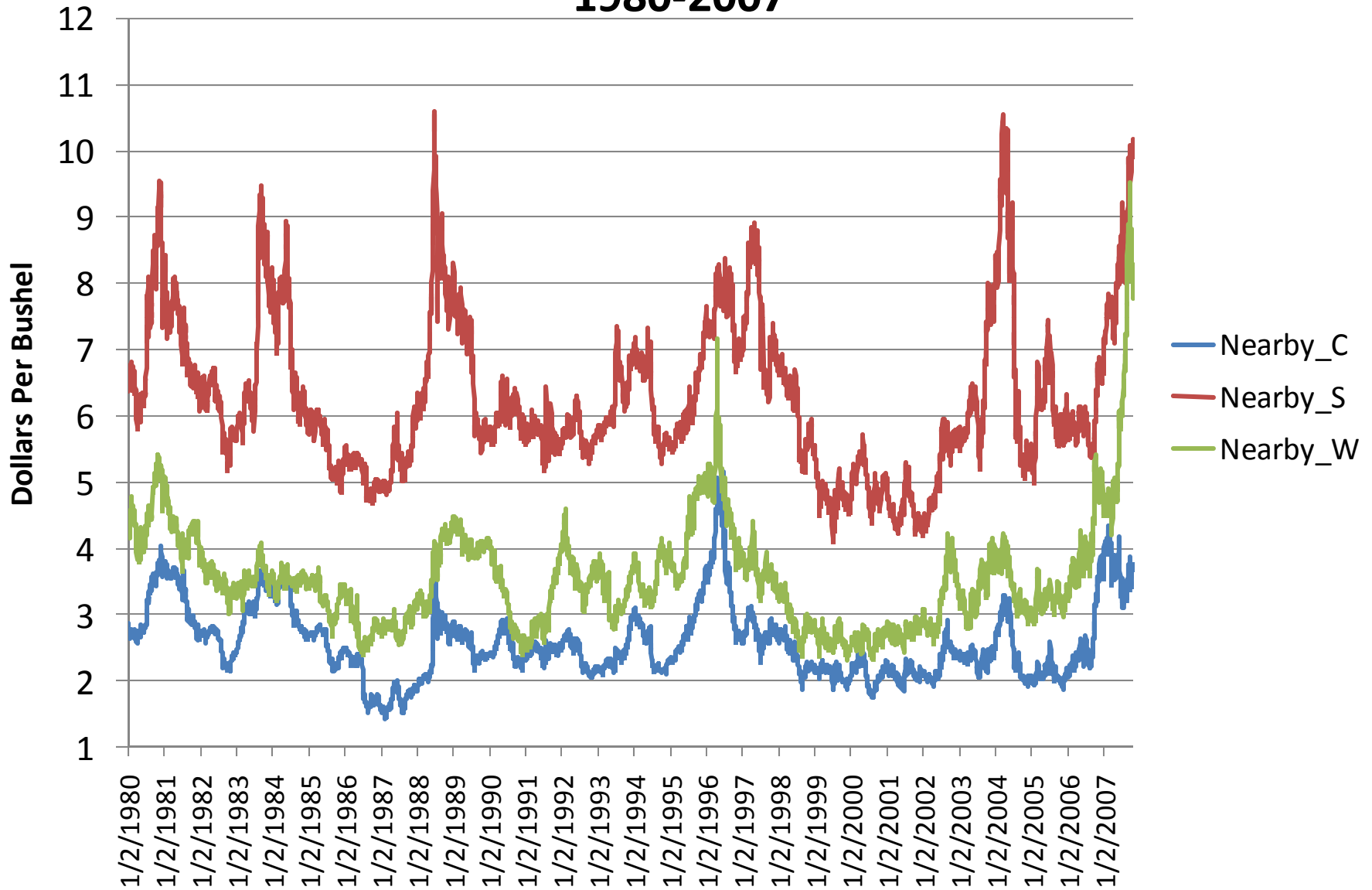
ERS-USDA USDA Agricultural Projections to 2016 (<http://www.ers.usda.gov/publications/oce071/oce20071.pdf>)

Nominal Broad U.S. Dollar Index



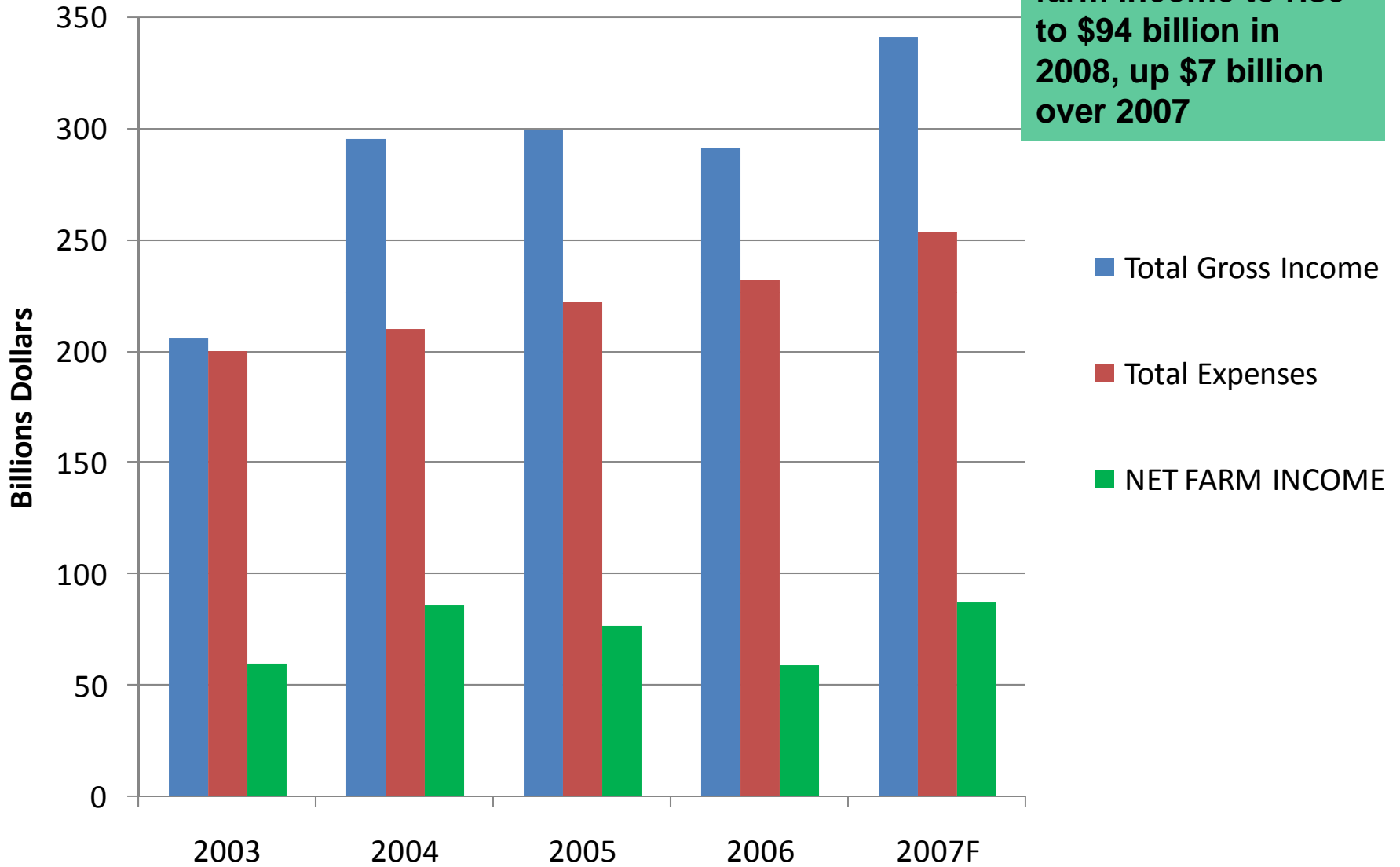
Source: www.federalreserve.gov

Daily Nearby Corn, Soybean, and Wheat Futures 1980-2007

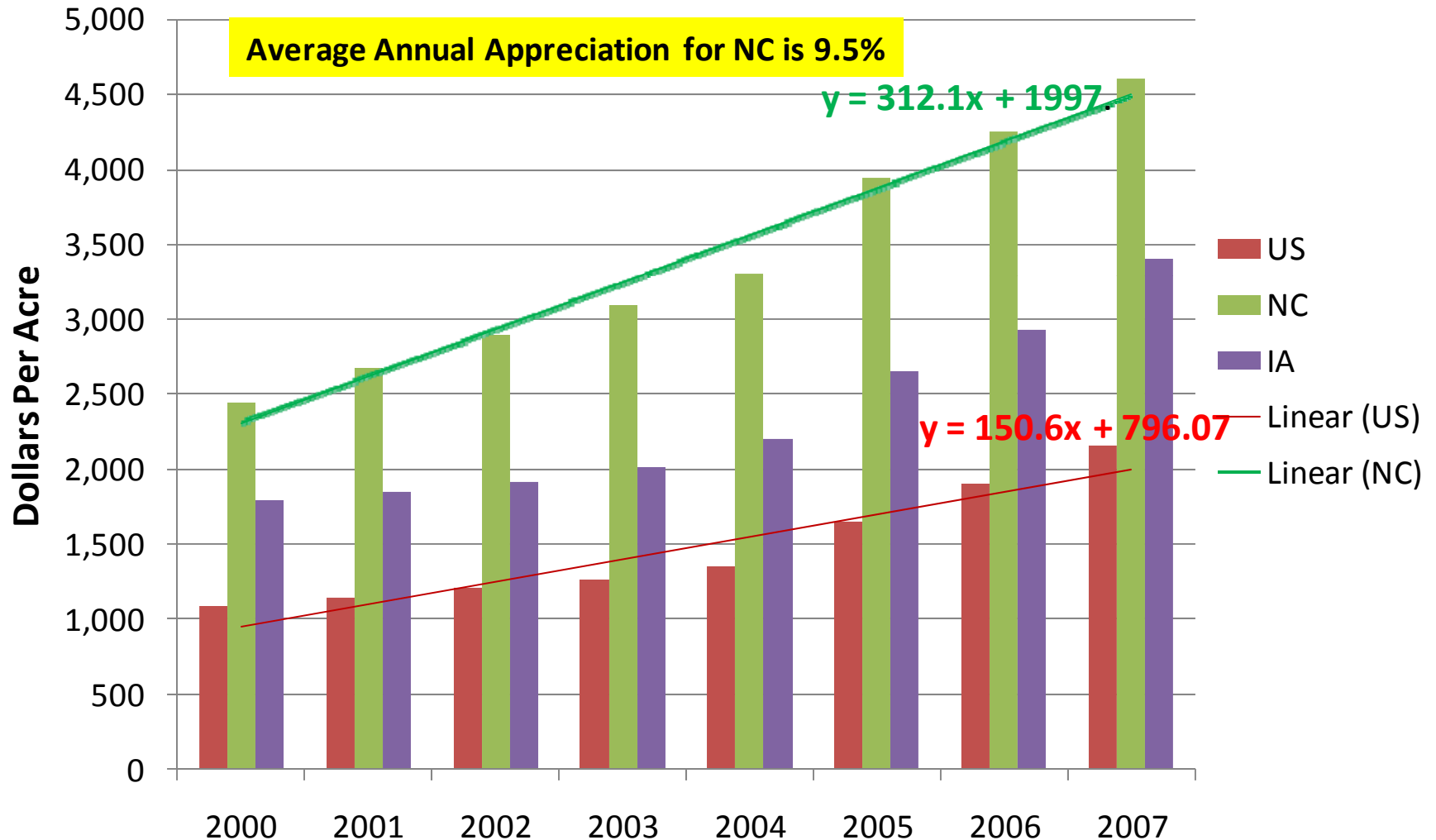


US Net Farm Income

USDA projects net farm income to rise to \$94 billion in 2008, up \$7 billion over 2007



Average value per acre of farm real estate 2000 - 2007



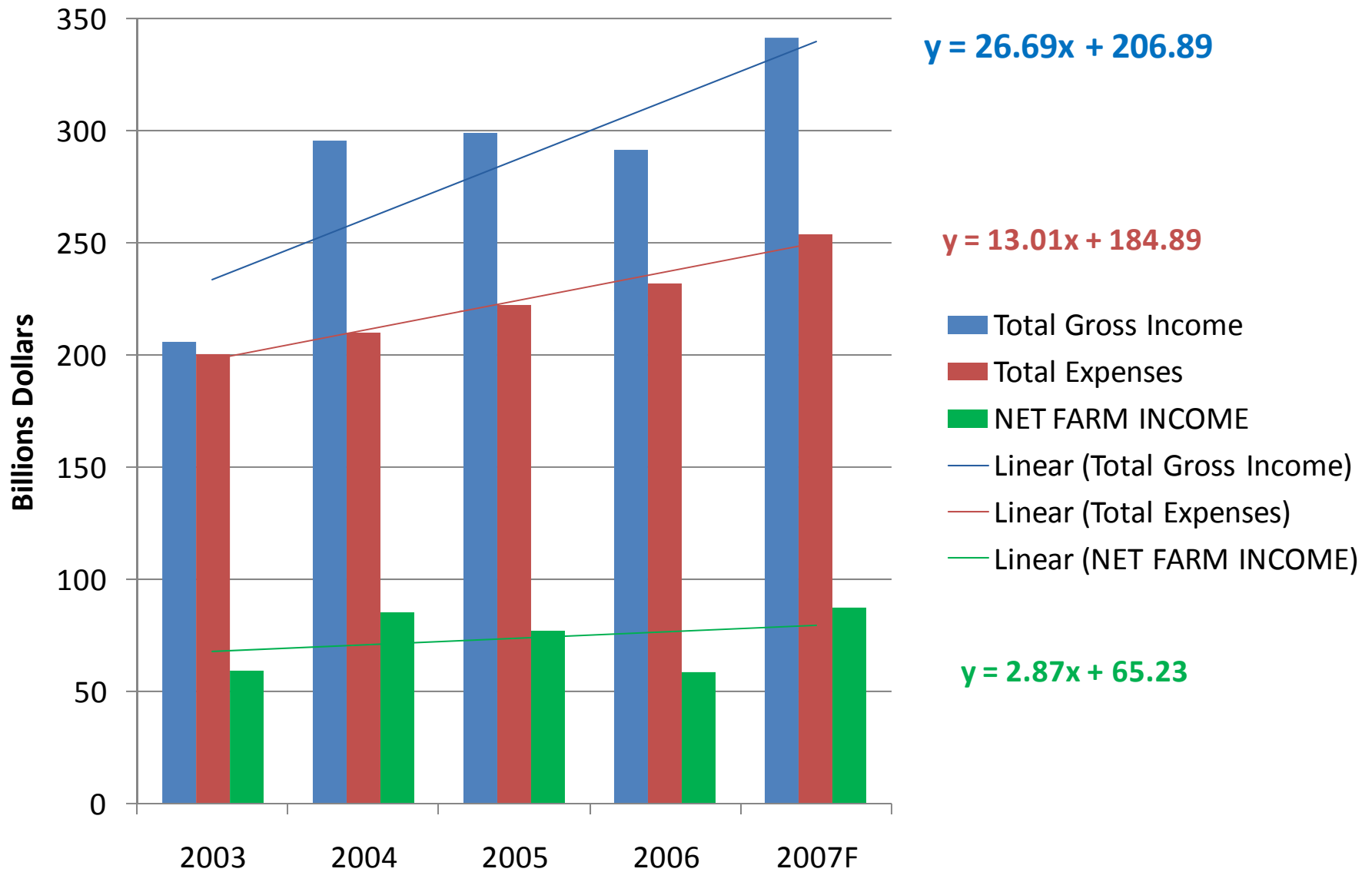
Source: NASS, USDA

Net Farm Income in 2007F

Income Statement U.S. Farm Sector 2003-2007F						
	2003	2004	2005	2006	2007F	[b] v. [a]
				[a]	[b]	%
	\$ billion					
Cash Receipts	215.6	237.3	240.7	239.3	282.2	17.9%
Crops	109.9	113.7	115.9	120.0	142.6	18.8%
Livestock	105.6	123.6	124.9	119.3	139.6	17.0%
Direct Govt. Pay	16.5	13.0	24.4	15.8	12.1	-23.4%
Total Gross Income	206.0	296.0	299.6	291.5	341.7	17.2%
Total Expenses	200.4	210.0	222.5	232.5	254.2	9.3%
NET FARM INCOME	59.7	85.9	77.1	59.0	87.5	48.3%

Source: http://ers.usda.gov/Briefing/FarmIncome/Data/nf_t2.htm

US Net Farm Income



U.S. Cash Receipts 2006-2007F

U.S. Farm Sector Cash Receipts 2006-2007 by Crop			
Crop Receipts	2006	2007F	%
	\$ billion		
Corn	21.7	32.9	52%
Soybeans	16.9	21.0	24%
Wheat	7.3	10.2	40%
Cotton	6.2	5.9	-5%
Sub-total	52.1	70.0	34%
Total Crops	120.0	142.6	19%
Total Livestock	119.3	139.6	17%
Total Receipts	239.3	282.2	18%
Source: http://ers.usda.gov/Briefing/FarmIncome/Data/cr_t3.htm			

Markets **Do** Work!

“Currently a fierce **acreage auction** for grain plantings for 2008/2009. Grain prices are the most important variable sending information and incentives to growers to act upon”

“Farmers will **respond** to higher price signals but acreage is not unlimited”







AZ 23-BD-179



