Welcome to the 2012 Georgia Ag Forecast

John McKissick
Center for Agribusiness and Economic Development

THE UNIVERSITY OF GEORGIA
College of Agricultural & Environmental Sciences
Agribusiness Economy Georgia’s Largest Sector

65 products with significant farm value production-

$12.0B farm value, $68.9B direct and indirect value -

380,000 jobs

Ag Forecast 2012 Authors – Humphreys, Escalante, Fonsah, Shumaker, Smith, Smith, Shurley, Stegelin, McKissick, Lacy, Morgan, Shepherd, Wolfe, Kane, Gaskins, Molpus
2009 Total Farm Gate Value
GA = $11.3 B

2010 – Up significantly to $12.1 B
2011 – Likely higher from Crops
2012 – Even higher from Animals

$652,321 - $20,000,000
$20,000,000 - $45,000,000
$45,000,000 - $80,000,000
$80,000,000 - $200,000,000
$200,000,000 - $475,048,630

Poultry & Eggs 44.9%
Row & Forage Crops 19.7%
Livestock & Aquaculture 10.4%
Vegetables 6.3%
Ornamental Horticulture 4.9%
Forestry & Products 4.8%
Other Income 5.3%
Fruits & Nuts 3.8%
What About 2012?

- Slow Rate of Growth for US and GA.
- Commodity Prices Peaked in 2011, Remain Relatively High/Variable.
- Input Prices/Cost Continue to Rise, especially crops.
- Weak Dollar Helps GA and Ag Exports, But Growth Limited. Europe Crisis is Strong Headwind to Growth.
- More Policy Uncertainties, Election Year Politics vs. Needed Fiscal Policy
- Another Dry Spring? Greater Potential to Impact Production.
KEY MACRO FACTORS

- Economic growth
- Employment
- Energy cost
- Exchange Rates
- Interest rates
- Deficits
- Housing market
Quarterly Gross Domestic Product

QTRLY GROSS DOMESTIC PRODUCT (GDP)
Real Dollar (2005) Change from Previous Quarter

Percent Change

Energy Cost

Spot Oil Price: West Texas Intermediate (OILPRICE)
Source: Dow Jones & Company

(Dollars per Barrel)

Shaded areas indicate US recessions.
2012 research.stlouisfed.org
Value of US Dollar?

Graph showing the movement of the US Dollar index from 2006 to 2012.
Figure 2. Quarterly National and Regional Loan-Deposit Ratios (LDR) and Average Lending Rates (INT) of Agricultural Banks, 2005-2011
Source: Agricultural Finance Databook, Federal Reserve Board
Federal Surplus or Deficit

Federal Surplus or Deficit [-] (FYFSD)
Source: The White House: Office of Management and Budget

Shaded areas indicate US recessions.
2011 research.stlouisfed.org
Housing Market

Monthly Home Sales, U.S.
Agricultural Outlook
**Ag Inputs and Production Expenditures**

Variable costs of producing crops will climb another 15-20% in 2012, with volatile fertilizer and seed prices being primary drivers of increases.

- **Fertilizer** price follows the oil price; increasing use of complex genetic traits have increased **seed** prices.
- **Pesticide** prices will vary by product.

- **Farm equipment** prices anticipated to rise nearly 10% as well, as manufacturers realize high commodity prices at harvest mean more money in farmers’ pockets who may still have pent up demand for new or nearly new farm equipment and machinery.

- **Land** prices and rents also expected to increase with low interest rates and farmers with cash.
Georgia Animal Industry Outlook

Beef/Dairy/Pork/Equine

Broilers/Eggs

$1.3B
2010

$5.4B
2010

2011 same, slightly lower
2012
Significantly HIGHER
Meat supplies were slightly larger in 2011 but will be lower in 2012

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2010</th>
<th>2011 Projected</th>
<th>2012 Forecast</th>
<th>11 vs 10</th>
<th>12 vs 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>26.41</td>
<td>26.30</td>
<td>25.08</td>
<td>-0.42%</td>
<td>-4.86%</td>
</tr>
<tr>
<td>Pork</td>
<td>22.46</td>
<td>22.78</td>
<td>23.21</td>
<td>1.40%</td>
<td>1.85%</td>
</tr>
<tr>
<td>Total Red Meat*</td>
<td>49.18</td>
<td>49.37</td>
<td>48.58</td>
<td>0.38%</td>
<td>-1.63%</td>
</tr>
<tr>
<td>Broilers</td>
<td>36.52</td>
<td>36.84</td>
<td>36.11</td>
<td>0.87%</td>
<td>-2.02%</td>
</tr>
<tr>
<td>Total Poultry**</td>
<td>42.59</td>
<td>43.09</td>
<td>42.39</td>
<td>1.16%</td>
<td>-1.65%</td>
</tr>
<tr>
<td>Total RedMeat &amp; Poultry</td>
<td>91.77</td>
<td>92.46</td>
<td>90.97</td>
<td>0.75%</td>
<td>-1.64%</td>
</tr>
</tbody>
</table>

Source: USDA-WASDE, January 2012 Report
How Did Broiler Producers Fare in 2011 – What Does it Mean for 2012?

BROILER-TYPE HATCHING LAYERS
Average Number On Hand During Month

Million

- Avg. 2005-09
- 2010
- 2011

The University of Georgia
College of Agricultural & Environmental Sciences
Tough Profit Year leads to Production Cuts – and Improved Prices!

RTC BROILER PRODUCTION
Quarterly

Bil. Pounds

- Avg. 2006/10
- 2011
- 2012
- 2013

THE UNIVERSITY OF GEORGIA
COLLEGE OF AGRICULTURAL & ENVIRONMENTAL SCIENCES
Broiler Prices Higher in 2012 on Production Cuts – Profits Much Improved if Feed Prices Moderate!

BROILER PRICES
12-City Composite, Weekly

Cents Per Pound

+ $3/cwt.
Record Cattle Prices in 2011- How High is “High” in 2012!

MED. & LRG. #1 & 2 STEER CALF PRICES
500-600 Pounds, Georgia, Weekly
Continuing drought will keep hay prices high and limit expansion in the beef sector.
Projected Prices 2012 and Beyond

Source: USDA, LMIC and UGA
Does Reduced Production Mean Reduced Demand, Higher Prices?

Source: LMIC and UGA

**U S RED MEAT & POULTRY CONSUMPTION**
Per Capita, Boneless Weight, Annual

Source: LMIC and UGA
Milk Prices Remain High, Profits Improved With Reduced Forage and Feed Costs?

$22/Cwt.
Crop Agriculture – Can Increased Revenues be Repeated (Doubtful)?

- Prices Good in Almost all Georgia Row Crops on Tight Supply.
- High Prices Have Cut Into Demand.
- Will Feed Prices Improve for Animal Agriculture? Yes some!

$30,000,000 - $100,616,482
$15,000,000 - $30,000,000
$5,000,000 - $15,000,000
$1,000,000 - $5,000,000
$0 - $1,000,000

Row & Forage Crops
$2.4 B 2010
UP Big in 2011
DOWN in 2012
Selected Georgia Row Crop Acreage, 2006-2011

Thousand Acres

- **Cotton**
- **Peanuts**
- **Corn**
- **Soybeans**
- **Wheat**
- **Grain Sorghum**
# Profit Scoreboard

Assumes Land Rent of $65/acre

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Avg Yield</th>
<th>Avg Price</th>
<th>Out of Pocket &amp; Total Costs</th>
<th>Potential Returns</th>
<th>Chance of Positive Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn – Dryland</td>
<td>85 bu</td>
<td>$6.00</td>
<td>$381</td>
<td>$129</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$471</td>
<td>$40</td>
<td>58%</td>
</tr>
<tr>
<td>Cotton – Dryland</td>
<td>700 lb</td>
<td>$0.88</td>
<td>$493</td>
<td>$119</td>
<td>73%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$652</td>
<td>-$39</td>
<td>43%</td>
</tr>
<tr>
<td>Peanut – Dryland</td>
<td>2900 lb</td>
<td>$700</td>
<td>$711</td>
<td>$304</td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$905</td>
<td>$111</td>
<td>62%</td>
</tr>
<tr>
<td>Soybean – Dryland</td>
<td>30 bu</td>
<td>$11.00</td>
<td>$304</td>
<td>$26</td>
<td>59%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$376</td>
<td>-$46</td>
<td>34%</td>
</tr>
</tbody>
</table>
Irrigated Returns Above Variable Costs Comparison for Georgia’s Major Row Crops, 2011 and 2012
(Does not include land rent, custom work, hand weeding, or fixed costs)

<table>
<thead>
<tr>
<th>Crop</th>
<th>Returns Above Variable Costs, '11 ($/acre)</th>
<th>Returns Above Variable Costs, '12 ($/acre)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$486</td>
<td>$536</td>
</tr>
<tr>
<td>Cotton</td>
<td>$532</td>
<td>$452</td>
</tr>
<tr>
<td>Gr. Sorghum</td>
<td>$169</td>
<td>$183</td>
</tr>
<tr>
<td>Peanuts</td>
<td>$507</td>
<td>$711</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$374</td>
<td>$290</td>
</tr>
</tbody>
</table>
Corn Utilization

Million bushels

Feed and Residual | Ethanol | Exports | Food Seed and Other Industrial

96/97 | 97/98 | 98/99 | 99/00 | 00/01 | 01/02 | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12

0 | 2,000 | 4,000 | 6,000 | 8,000 | 10,000 | 12,000 | 14,000

The University of Georgia
College of Agricultural & Environmental Sciences
U.S. Soybean Supply and Demand

Source: USDA WASDE Reports, Nov 9, 2011
Soybean Meal Prices

Source: USDA WASDE Reports, Nov 9, 2011
U.S WHEAT SITUATION

Production
Use
End Stocks

Million Bushels

Cotton Ending Stocks and Stocks-to-Use Ratio – Exception to tight stocks crops

- World
- US

<table>
<thead>
<tr>
<th>Year</th>
<th>World</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>55.5%</td>
<td>48.4%</td>
</tr>
<tr>
<td>2003</td>
<td>53.0%</td>
<td>49.0%</td>
</tr>
<tr>
<td>2004</td>
<td>50.3%</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>49.2%</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>55.0%</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>37.1%</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>39.5%</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2009 Georgia Vegetable Acreage by crop: Farm Gate Value = $916 million

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area Harvested</td>
<td>Th. ac</td>
<td>6,581</td>
<td>7,128</td>
<td>7,264</td>
<td>6,852</td>
<td>6,648</td>
<td>6,619</td>
<td>6,969</td>
<td>5,716</td>
<td>6,718</td>
</tr>
<tr>
<td>Production</td>
<td>Mil. cwt</td>
<td>1,355</td>
<td>1,281</td>
<td>1,308</td>
<td>1,332</td>
<td>1,278</td>
<td>1,279</td>
<td>1,215</td>
<td>1,209</td>
<td>1,214</td>
</tr>
<tr>
<td>Crop Value</td>
<td>$ mil.</td>
<td>15,533</td>
<td>15,906</td>
<td>17,162</td>
<td>17,385</td>
<td>18,591</td>
<td>18,194</td>
<td>18,063</td>
<td>19,215</td>
<td>18,986</td>
</tr>
<tr>
<td>Per Capita Use</td>
<td>Lbs</td>
<td>448</td>
<td>441</td>
<td>434</td>
<td>435</td>
<td>419</td>
<td>393</td>
<td>395</td>
<td>393</td>
<td>390</td>
</tr>
</tbody>
</table>

Source: Vegetable and Melons Outlook/VGS-327/June26, 2008, ERS, USDA
Vegetable Summary

- Continued Local Demand Growth
- Demand Improvement in some crops
- Some Farm Gate value Growth
- Competitive position improved
- Input costs and labor availability (-$42 M in 5 crops 2011 ????

$753B 2010
Down in 2011
Up in 2012
Fruit & Nut Summary

- **Strong China Demand**
- **Pecans, Larger Crop in 2012**
- **Blueberries - Some Farm Gate value Growth**
- **Input costs and labor availability (- $33 M in berry crops 2011 ????)**

$753B 2010

Stable 2011

Up in 2012
Ornamentals (Green Industry) Summary

- Economy and Demand Key
- Flexibility in Retail
- New Products also Key

$586M 2010, down in 2011, stable in 2012
What About 2012?

- Animal prices higher, better profit potential.
- Crop prices remain relatively high due to overall tight supply demand balance, decent profits again but lower farm gate value.
- Vegetable and fruits production value growth assuming…
- Ornamental markets stable

Bottom Line – returns high enough if can make the crop or have the animal? Deal with input and output variability!
Policy Impacting Georgia Ag in 2012 (and Beyond!!)

- **Labor** – Immigration reform state and federal? Changes to guest worker programs. What about E-VERIFY and Education to use???
- **Exports/Imports** – Free trade pacts? Savannah harbor deepening, Exchange rates.
- **Energy Policy** – GHG regulations, Cap and Trade, Food/fuel debate & tax and development incentives, mandates, import restrictions for bio and alternative fuels
- **FARM BILL 2012** – Tight funding, Concern – safety net for crop ag in Georgia, **Conservation Funding**, “crop” insurance and possible expansion to other products.
- **Water** – Ga’s 10 regional water plans including S & D, CI Fed ruling, contingency plans, other.
Thank you for attending!