

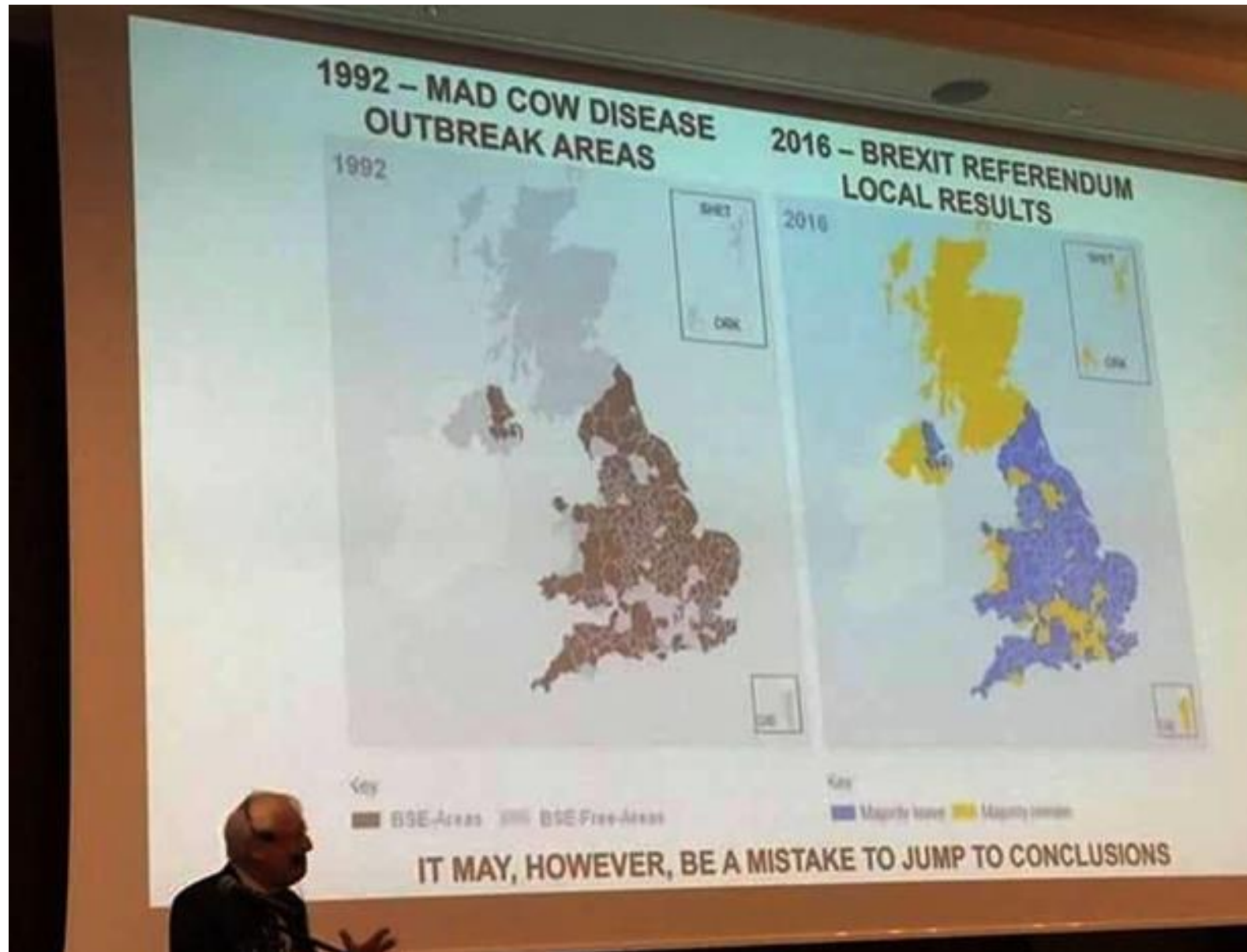
An Economy Perspective of Today Where are we? Where to next?

Kanlaya Barr, Senior Economist | February 25, 2019



Disclaimer

All of the views expressed in this presentation reflect my personal views about any and all of the subjects or issues.



Agenda

- 1 Keep you awake
- 2 Progress during the past 4 decades
- 3 Key observations on current economic conditions
- 4 Where to from here?



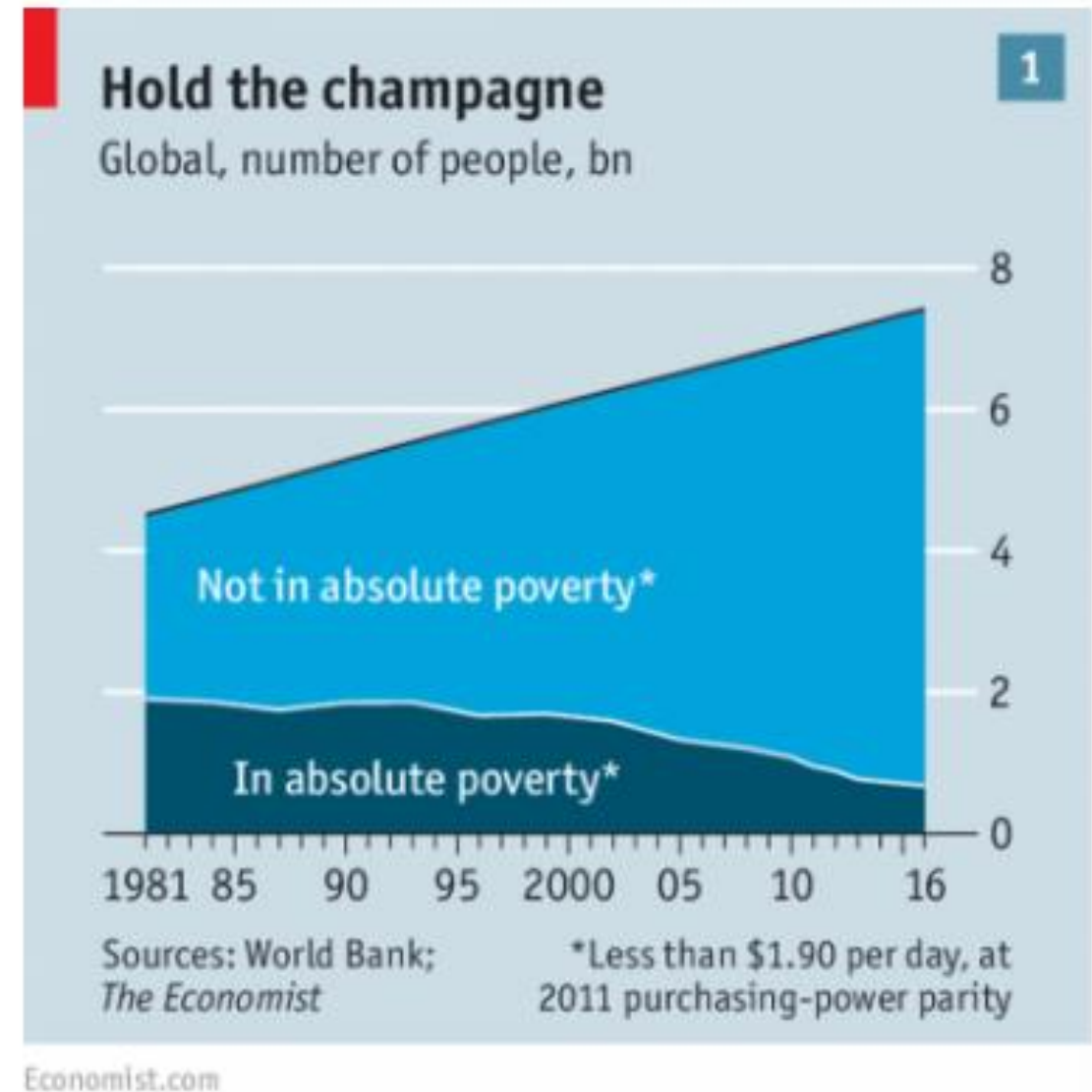
Agenda

1 Keep you awake

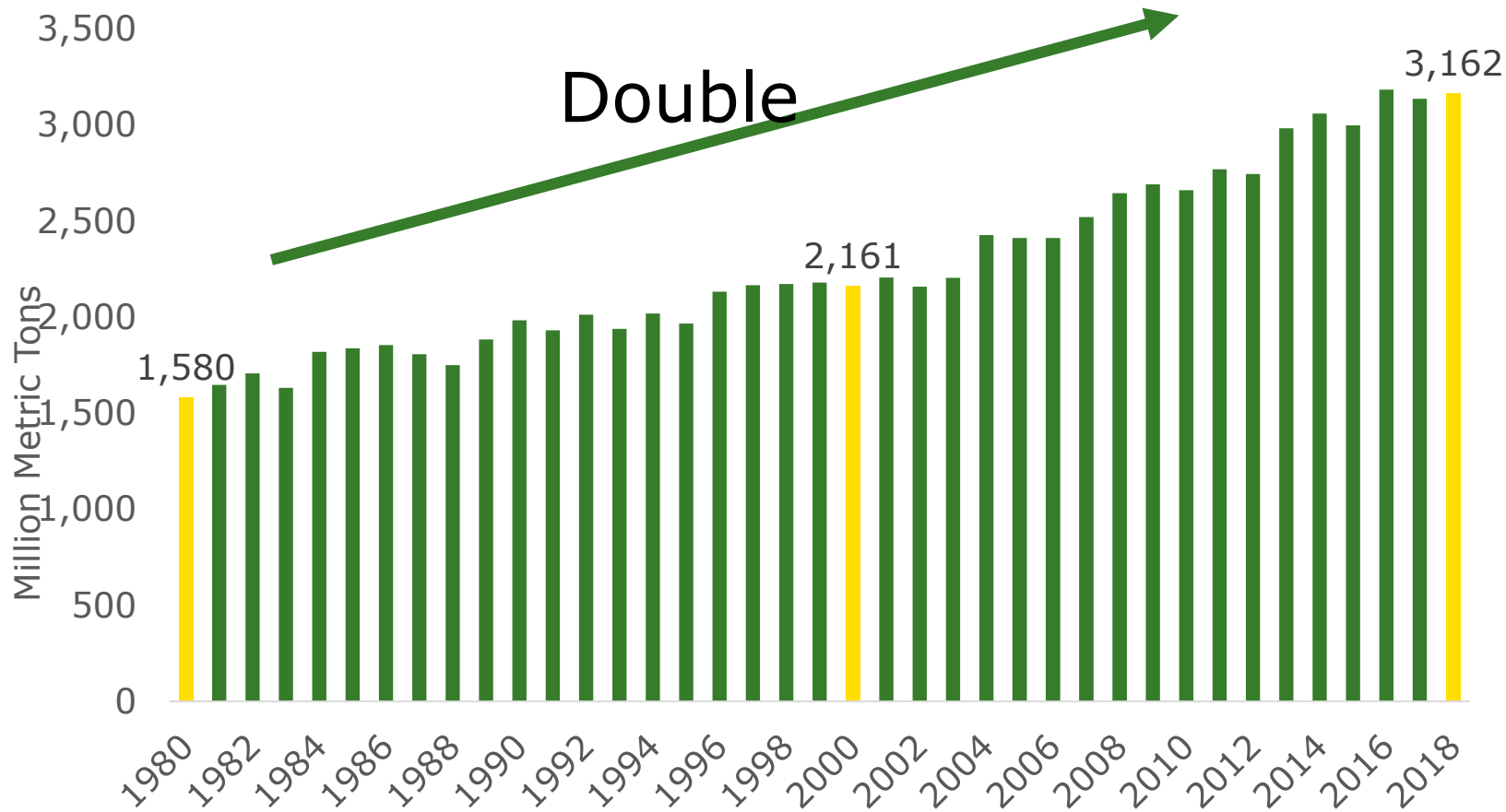
2 Progress during the past 4 decades



Progress in eradicating extreme poverty



Grains & Oilseed Production



Source: USDA, WASDE August 2018

20% Land

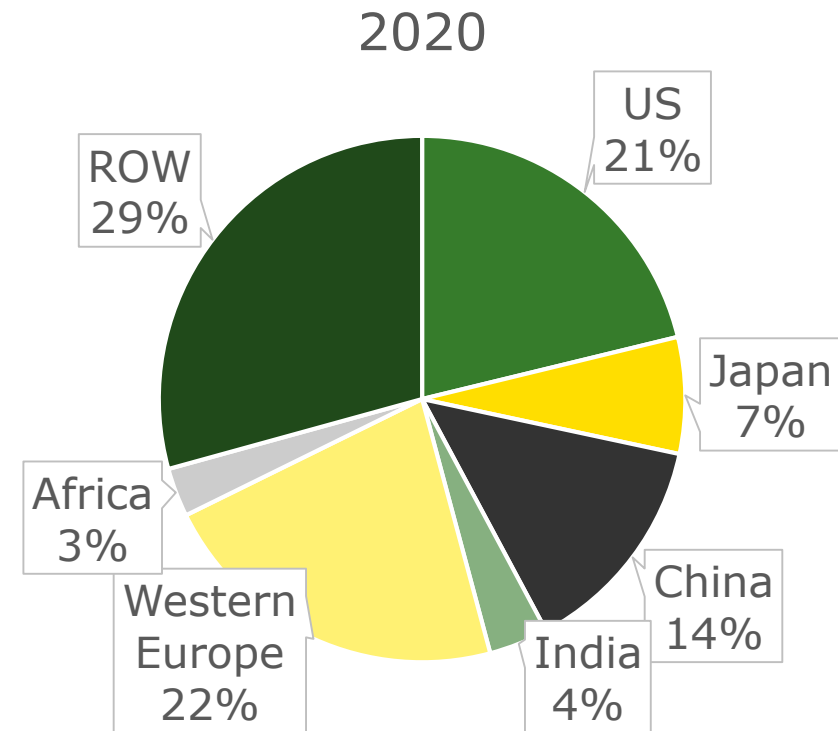
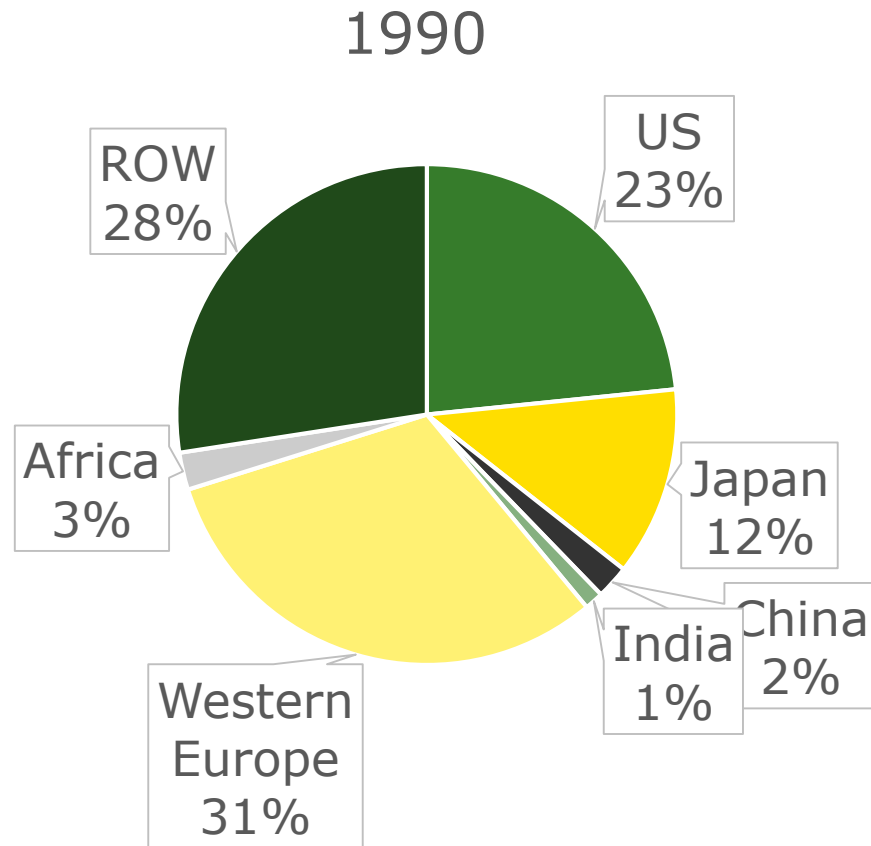
80%
productivity

Agenda

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- 2 Progress during the past 4 decades
- 3 Key observations: ag landscape and current environment

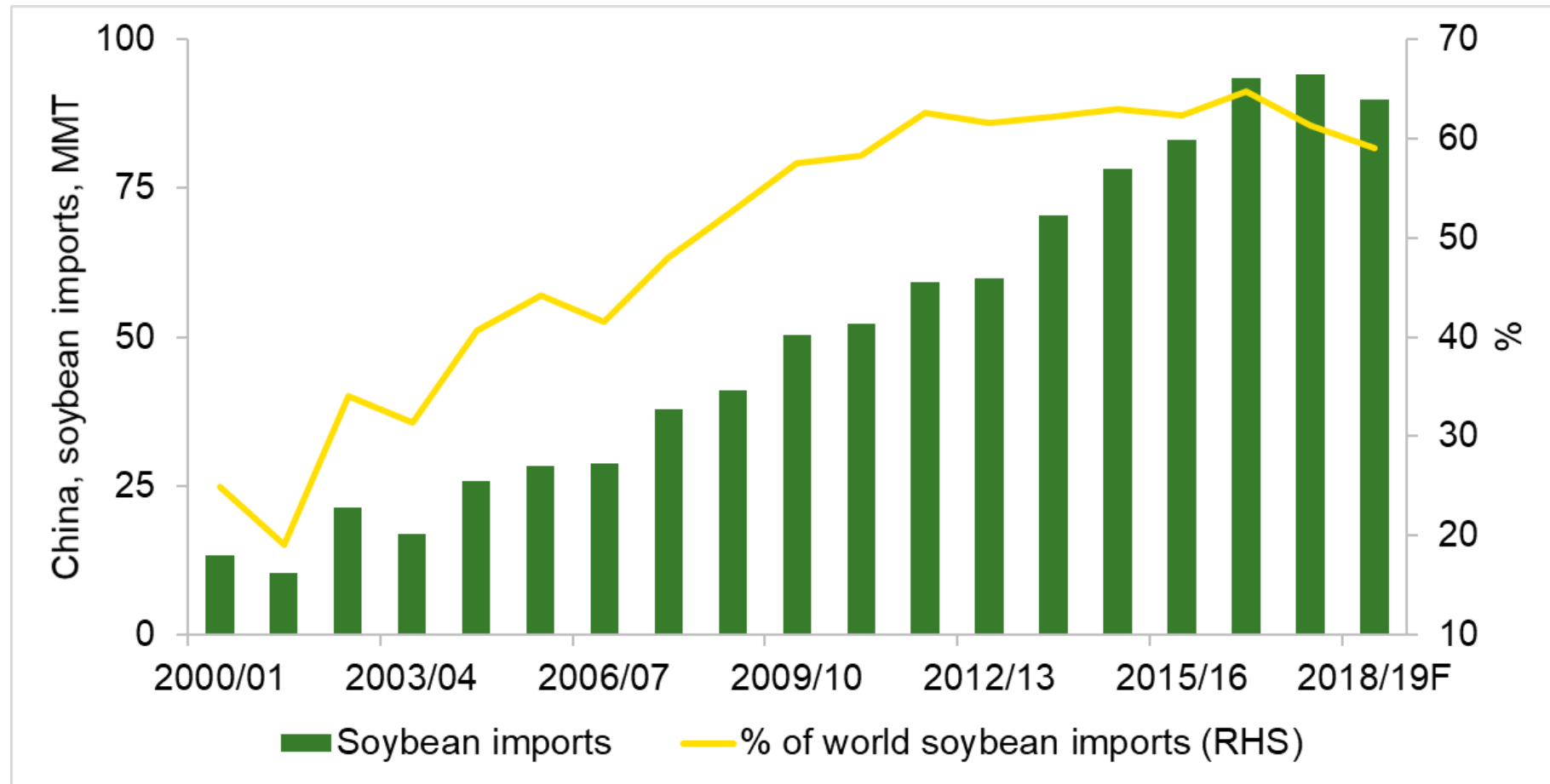


Rising of Asia

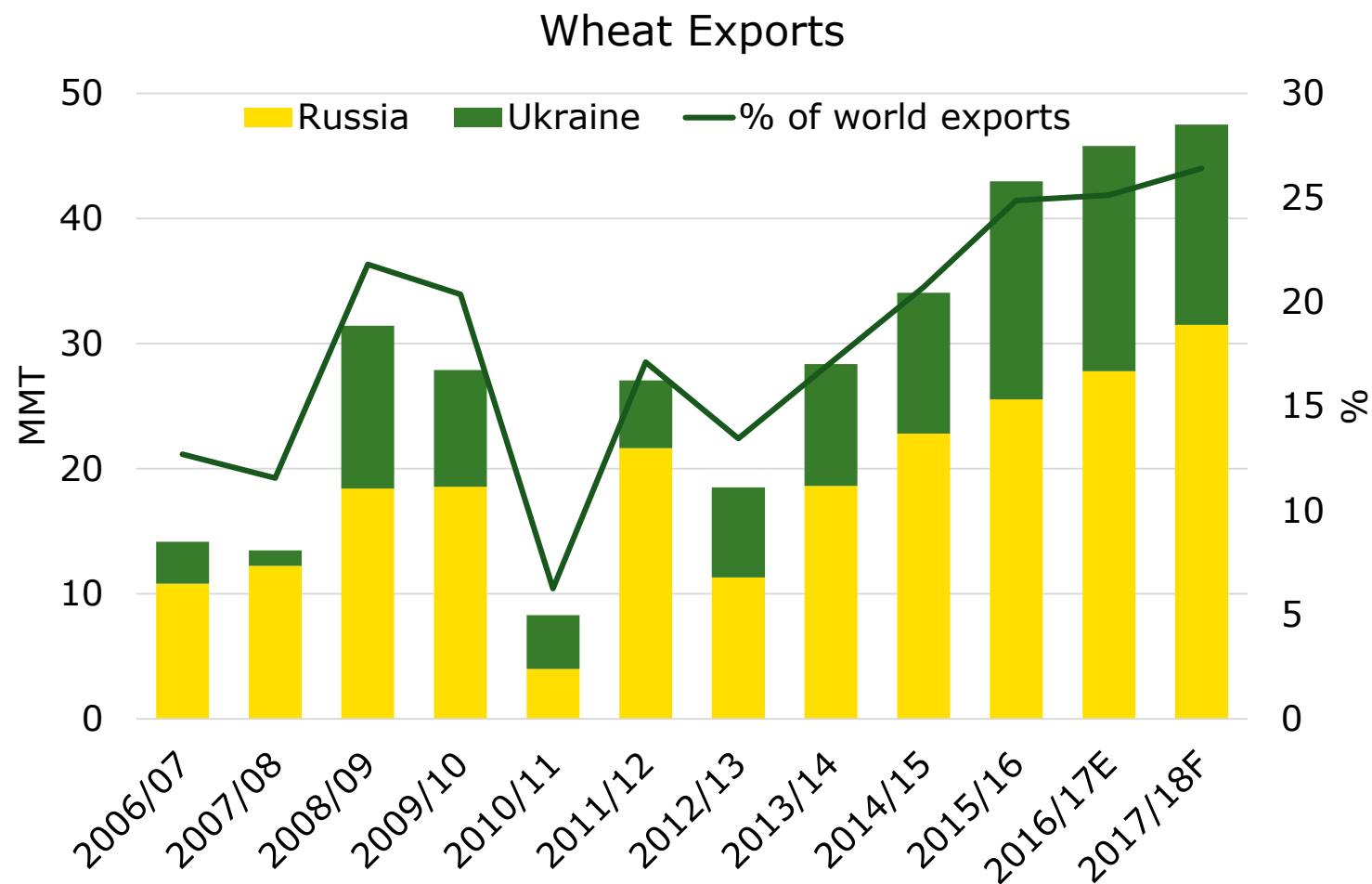


Source: Global Insights, August 2018

China demand grows rapidly

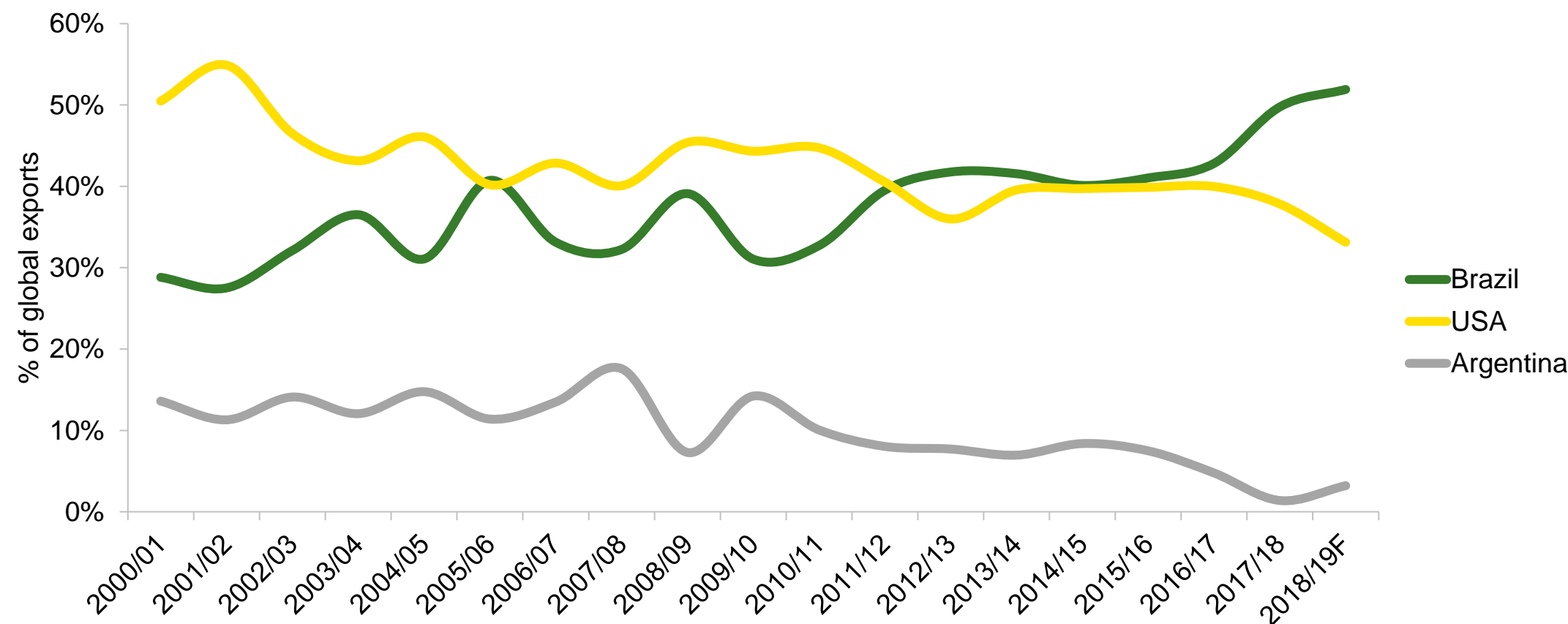


Rise of the Black Sea



Source: USDA FAS

Growing share from South America



Source: USDA WASDE

South America competitiveness hindered by transportation

	Soybeans to China			
	United States	Argentina	Brazil	
	Heart-land	N. Heart-land	Mato Grosso	Paraná
	74	25	29	19
Regional production share, percent				
(1) Farm price (1a + 1b)	426	266	387	429
(1a) Total cost of production	281	255	243	269
(1b) Farm price minus total cost of production	146	11	145	160
(2) Inland transport/handling cost	57	50	98	33
(3) Other policy-related costs	NA	177	NA	NA
(4) FOB Port price	483	493	485	462
(5) Ocean transport cost	51	50	57	57
(6) Landed cost	534	543	542	519

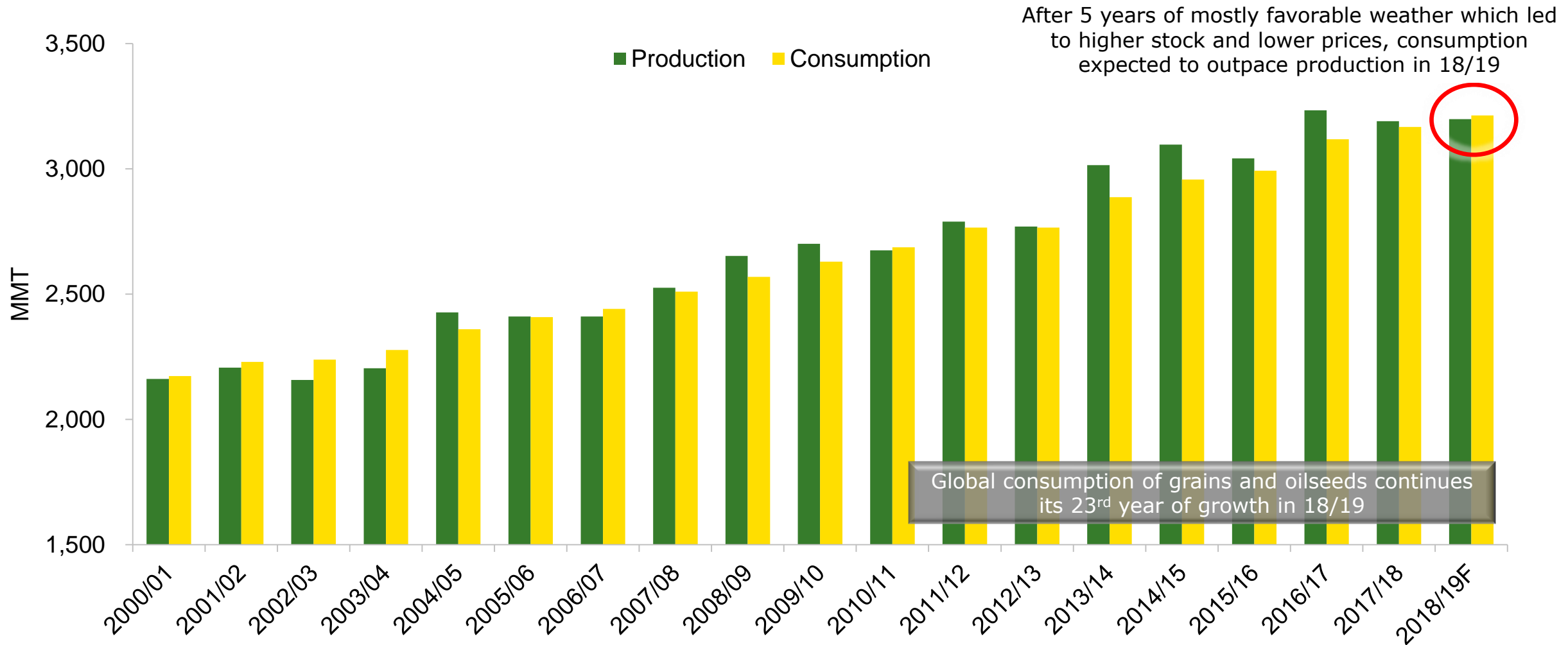
USDA report in Jun 2017

Marketing 5 year average (2008-2012)

Ag Economy

Ag Fundamentals: Supply Vs Demand

What caused the run up in corn price between 2005-2012?



Source: WASDE, February 2018

U.S. Farm Sector Overview

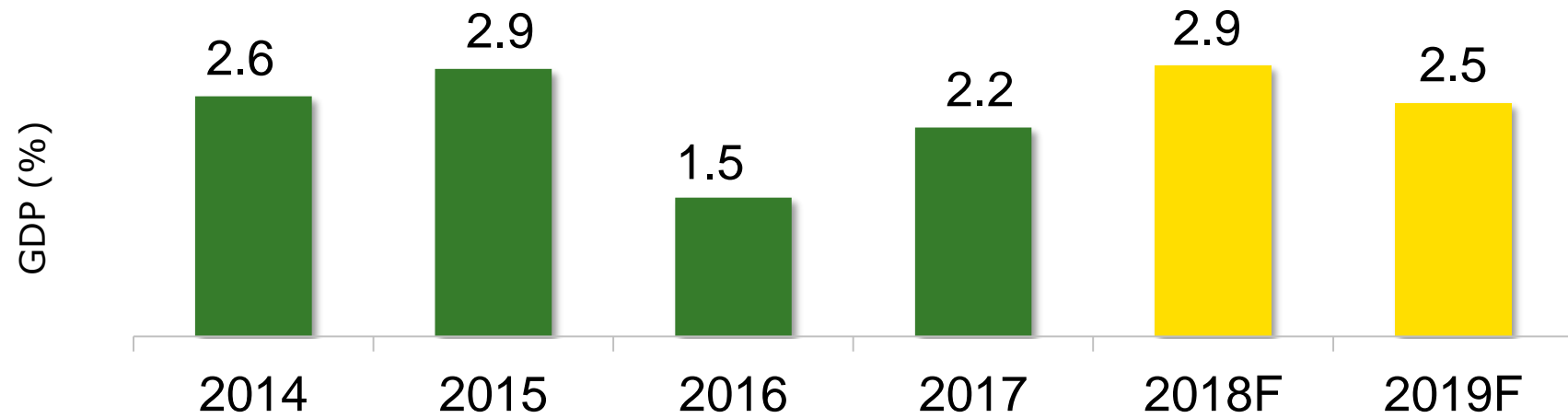
2+
million farms

990+
thousand farm businesses

6+
million people living in
farm households

Source: USDA, ERS August 30, 2018

U.S. economy: growing, decelerate pace



Fiscal
stimulus



Rising
interest rate



Tight labor
market



Flattening
housing
market



Trade
uncertainties

Source: Global Insight, January 2019

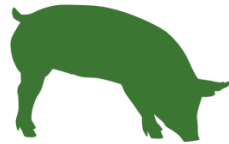
Strong demand for proteins and dairy products

2018 per capita consumption:



8 Year High

55.9 lb/capita



14 Year High

48.3 lb/capita



Almost
record high

90.3 lb/capita



Record high
for cheese &
butter

43.1 lb/capita

Source: Global Insight, Sep 2018

Short-term mitigation of trade dispute



Farmers **forward sold/Held** their crops to take advantage of price rally







Trade **recalibration**
where U.S.
soybeans could be
sold to other
destinations



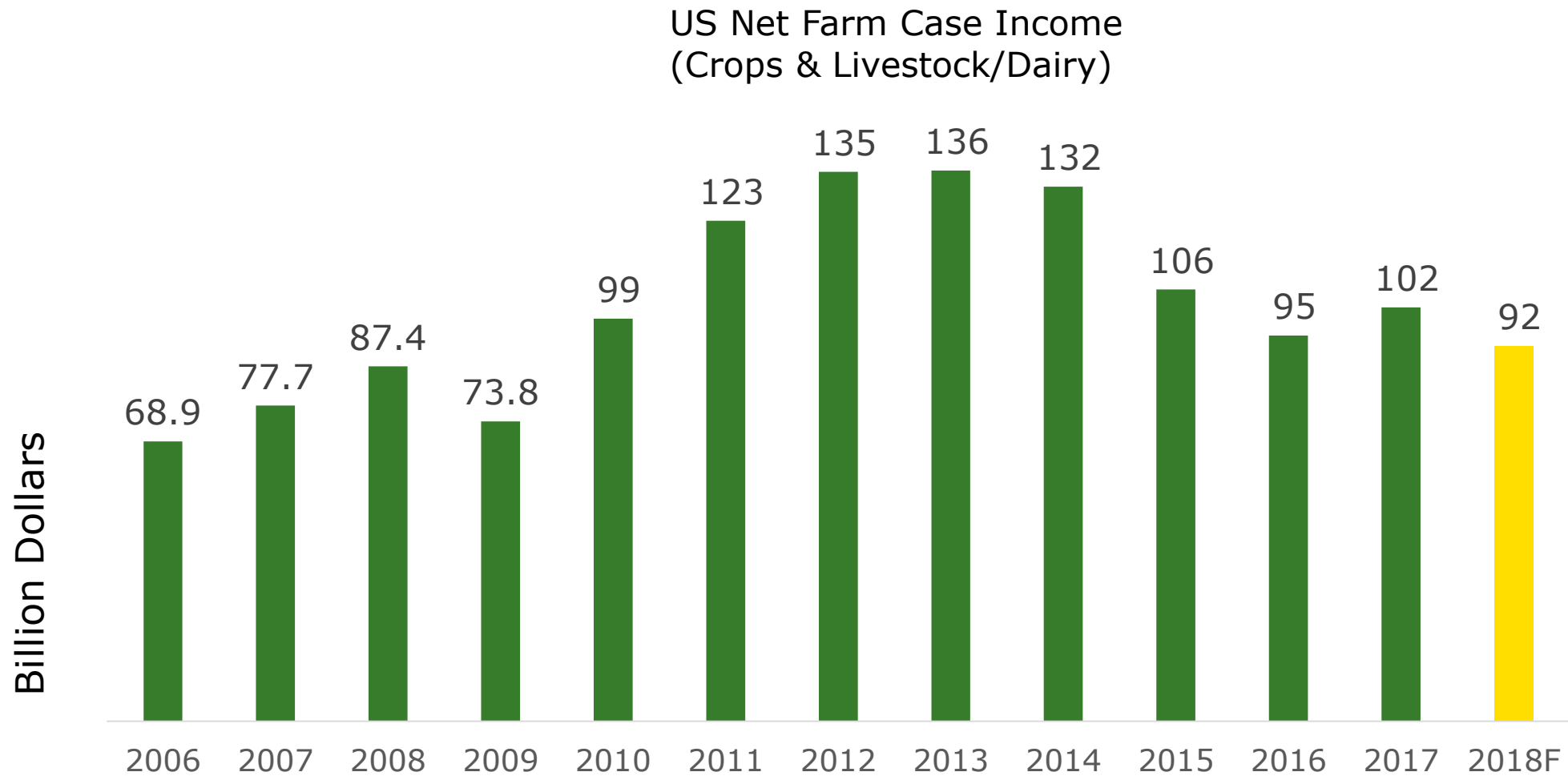
USDA \$12B one-time aid program

Prices are higher than last year when considering USDA aid

	17/18	18/19F	18/19F <i>With USDA Aid</i>
	\$3.36	↑ \$3.60	↑ \$3.61
	\$9.35	↓ \$8.60	↑ \$10.25
	\$4.72	↑ \$5.15	↑ \$5.29
	\$0.68	↑ \$0.74	↑ \$0.80

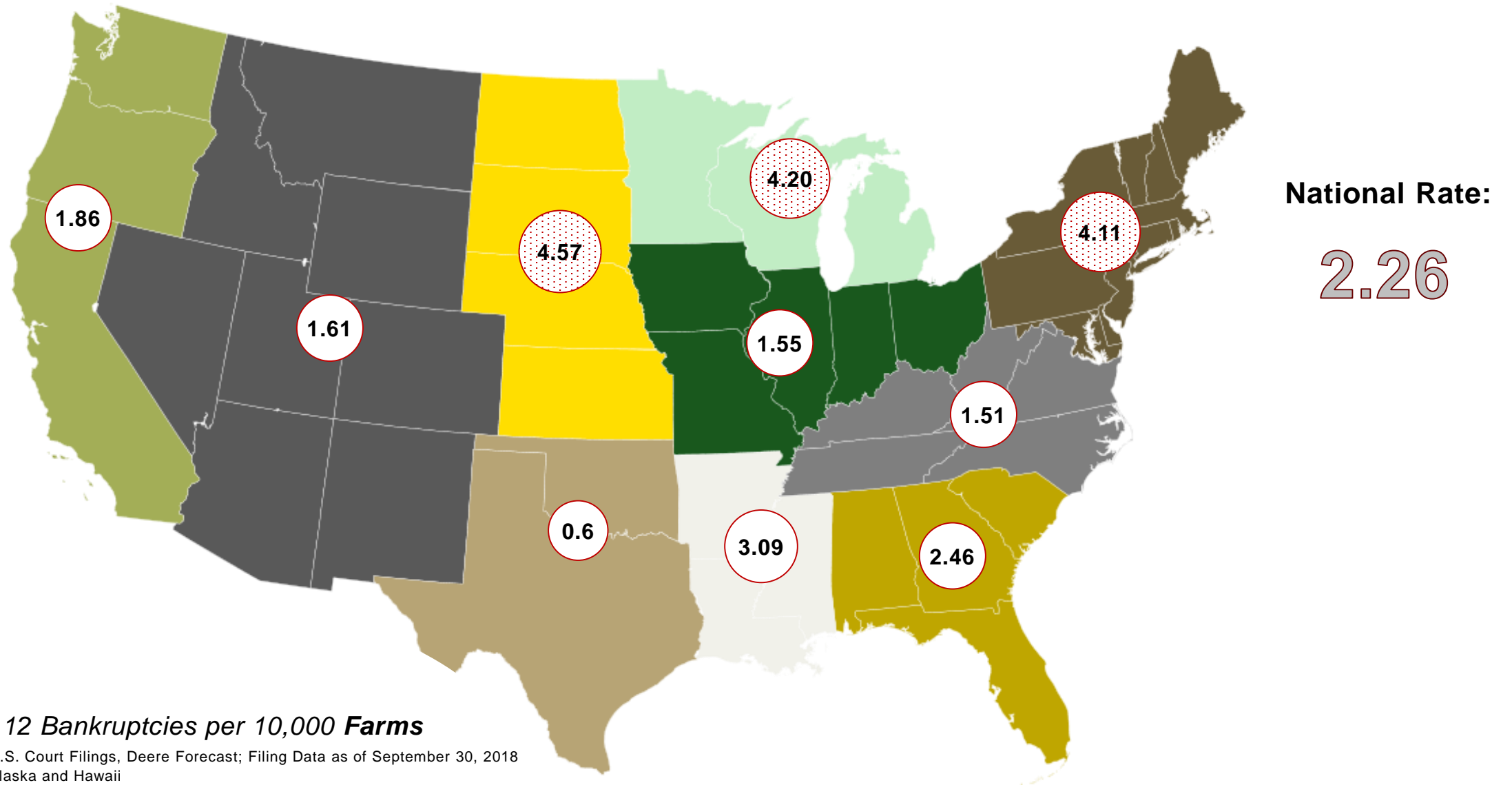
Source: 2018/19F WASDE (December 2018), 2019/20F Deere (January 2019)

Working capital burned down from declining income

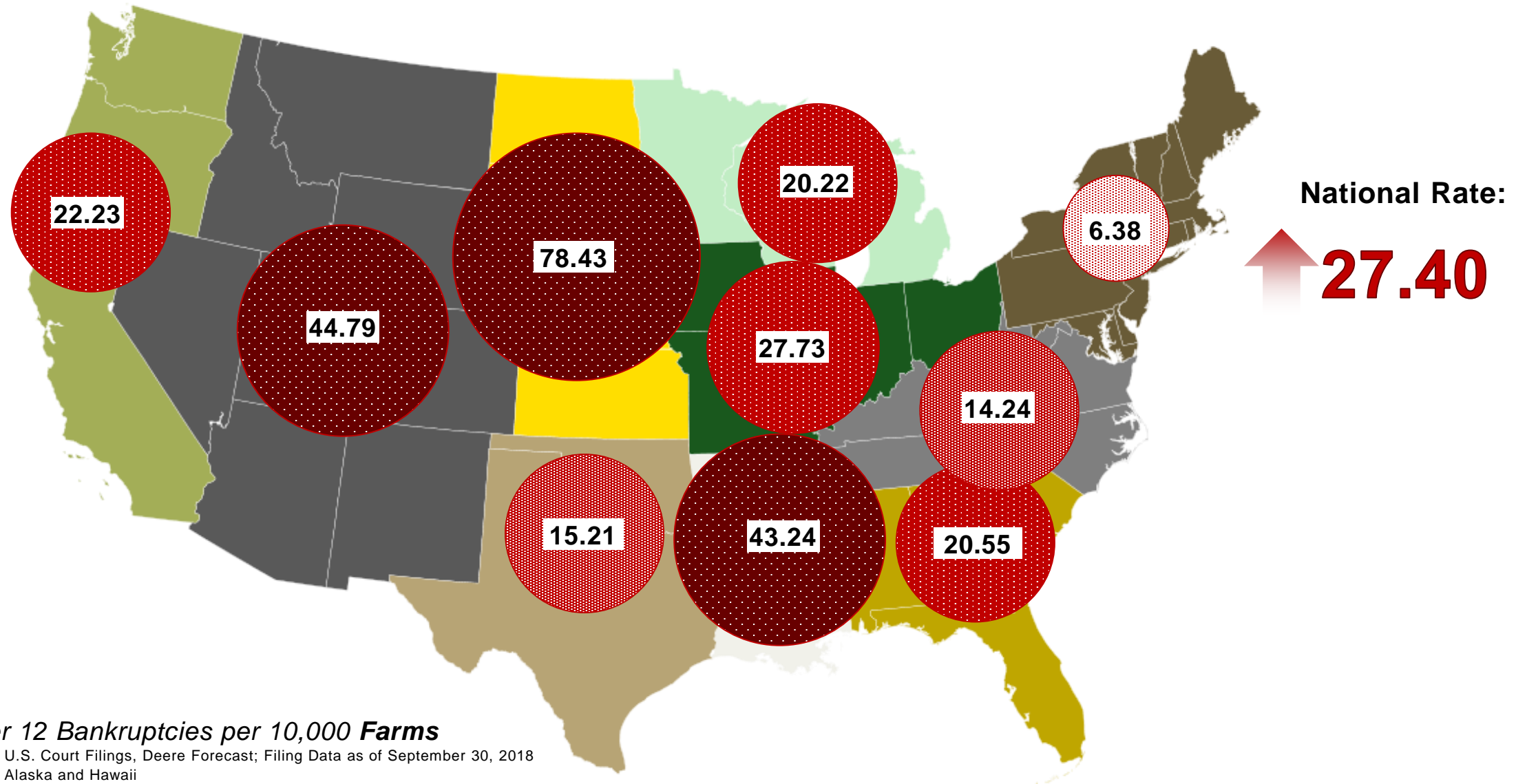


Source: USDA – ERS, Nov 2018, Deere forecast 2019

Incidence of Farm Bankruptcies: 2018



Incidence of Farm Bankruptcies: 1987

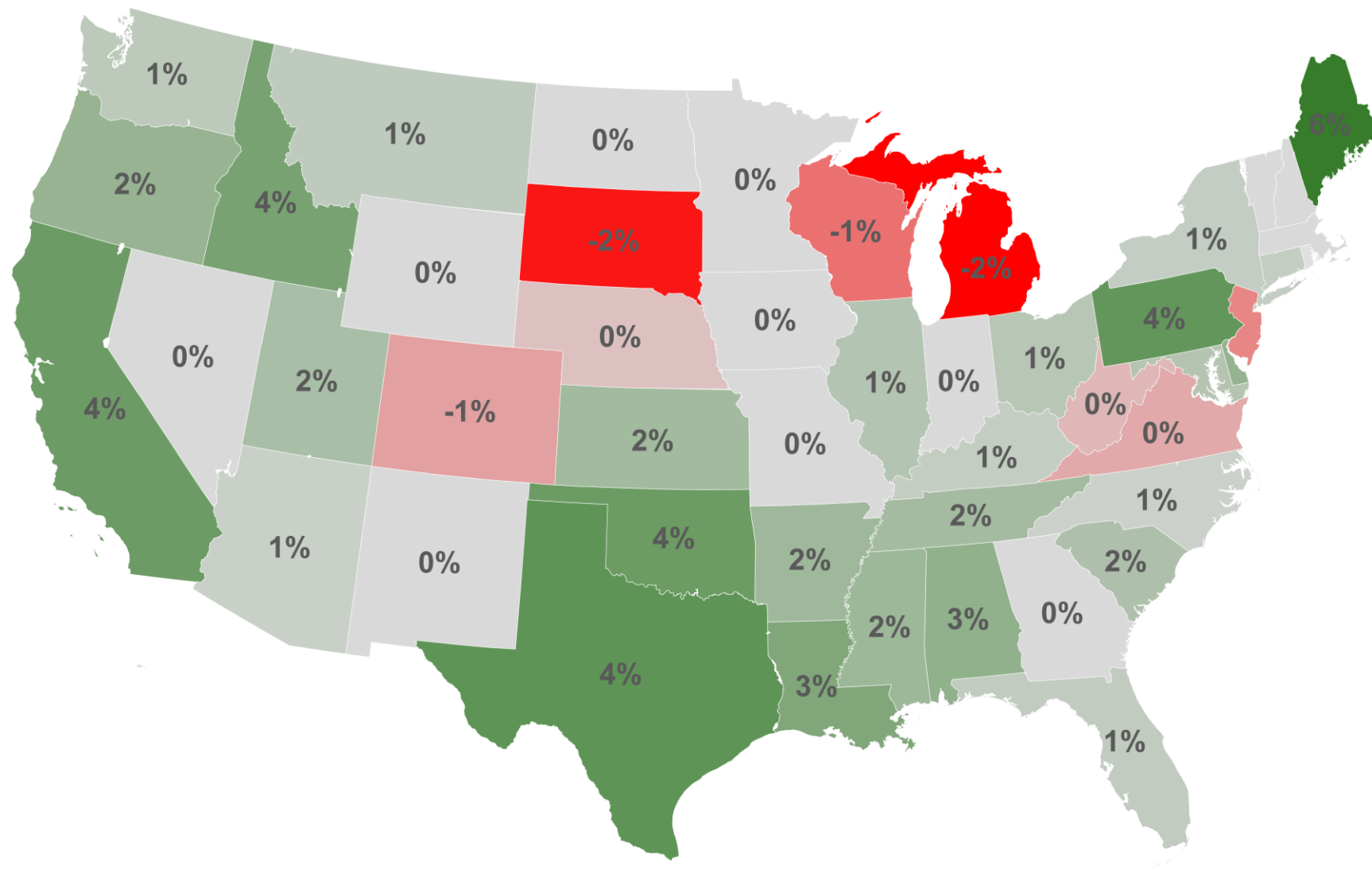


Chapter 12 Bankruptcies per 10,000 Farms

Source: USDA, U.S. Court Filings, Deere Forecast; Filing Data as of September 30, 2018

Note: Excludes Alaska and Hawaii

2018 vs 2017 change in farmland value



Source: USDA NASS, 2018

Agenda

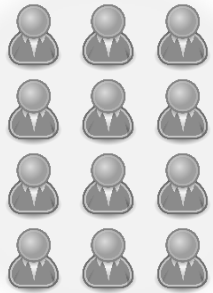
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In the long term, tailwind for the ag sector remains intact....

Population growth and urbanization continues

By 2050:



Growing Population
+2.4B people

Past 35 years (1980-2015), global population grew 2.9B people.

Next 35 years (2015-2030), the world expected to growth additional **2.4B** people. That's eight times the size of U.S. population today.



Urbanization
68%

Urban population increase from 54% of total population in 2015 to **68%** by 2030.

Higher income typically leads to higher protein and dairy consumption.

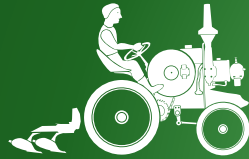
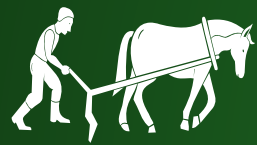


Growing Food Demand
50%

Need **50%** increase in food production by 2050 to meet the increasing hungry world.

Source: United Nations, FAO

This isn't our first transformation



Mechanization

Engine

Precision Ag

Connectivity

Automation

