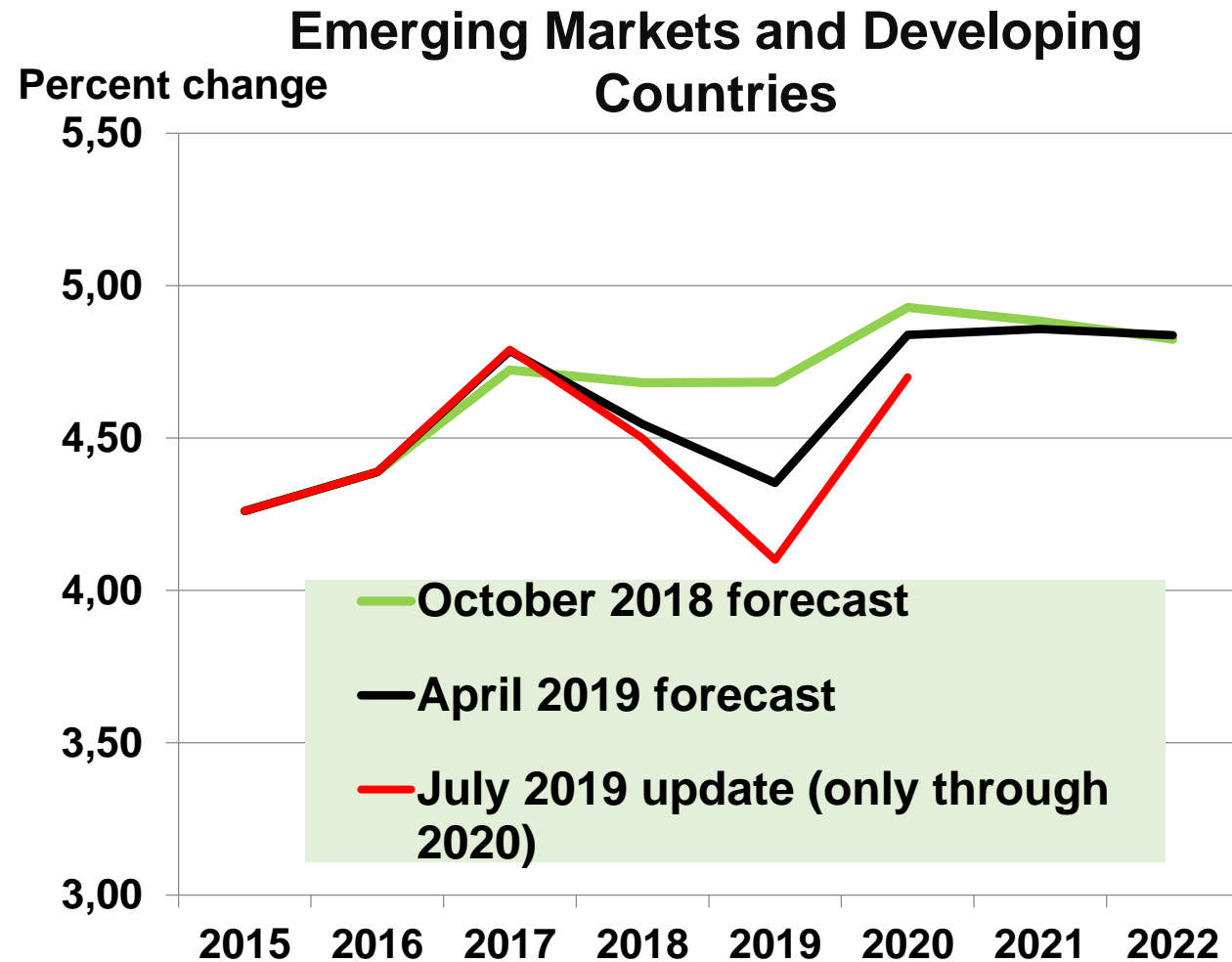
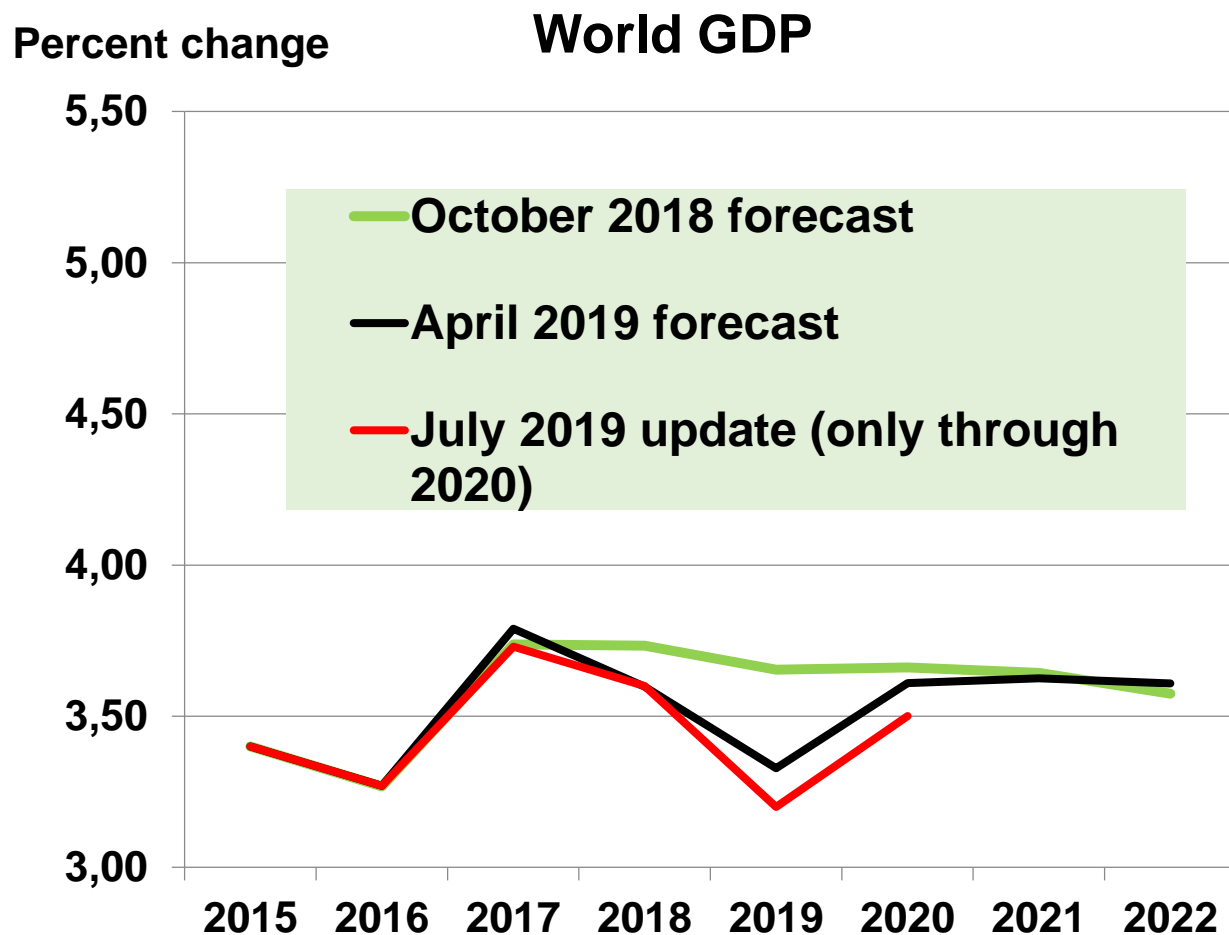


2019 Agricultural Outlook

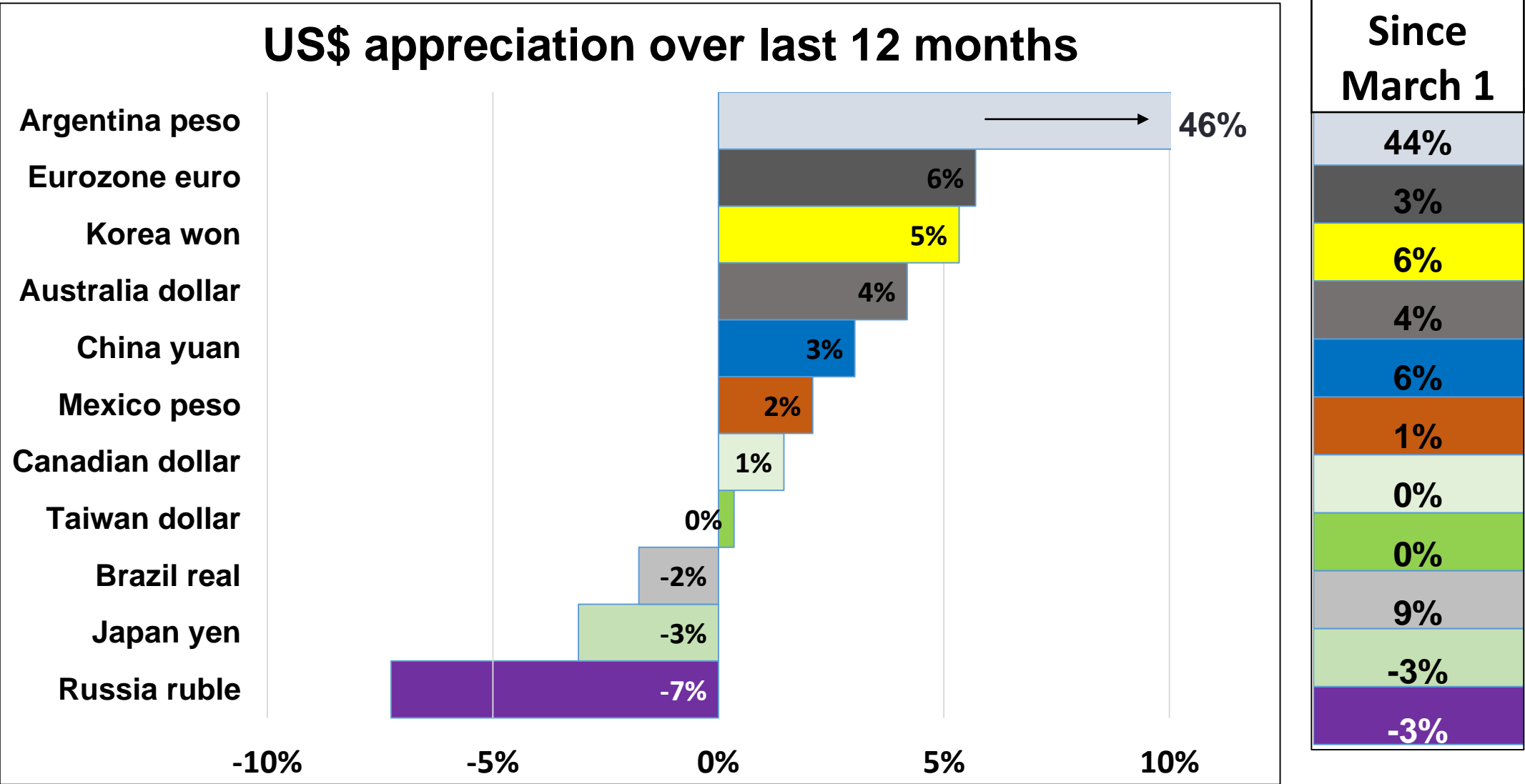


Office of the Chief Economist
U.S. Department of Agriculture
Paris, October 2019

Growth forecasts less optimistic --- global purchasing power falls by \$1.7 trillion (cumulative from 2019 – 2022)

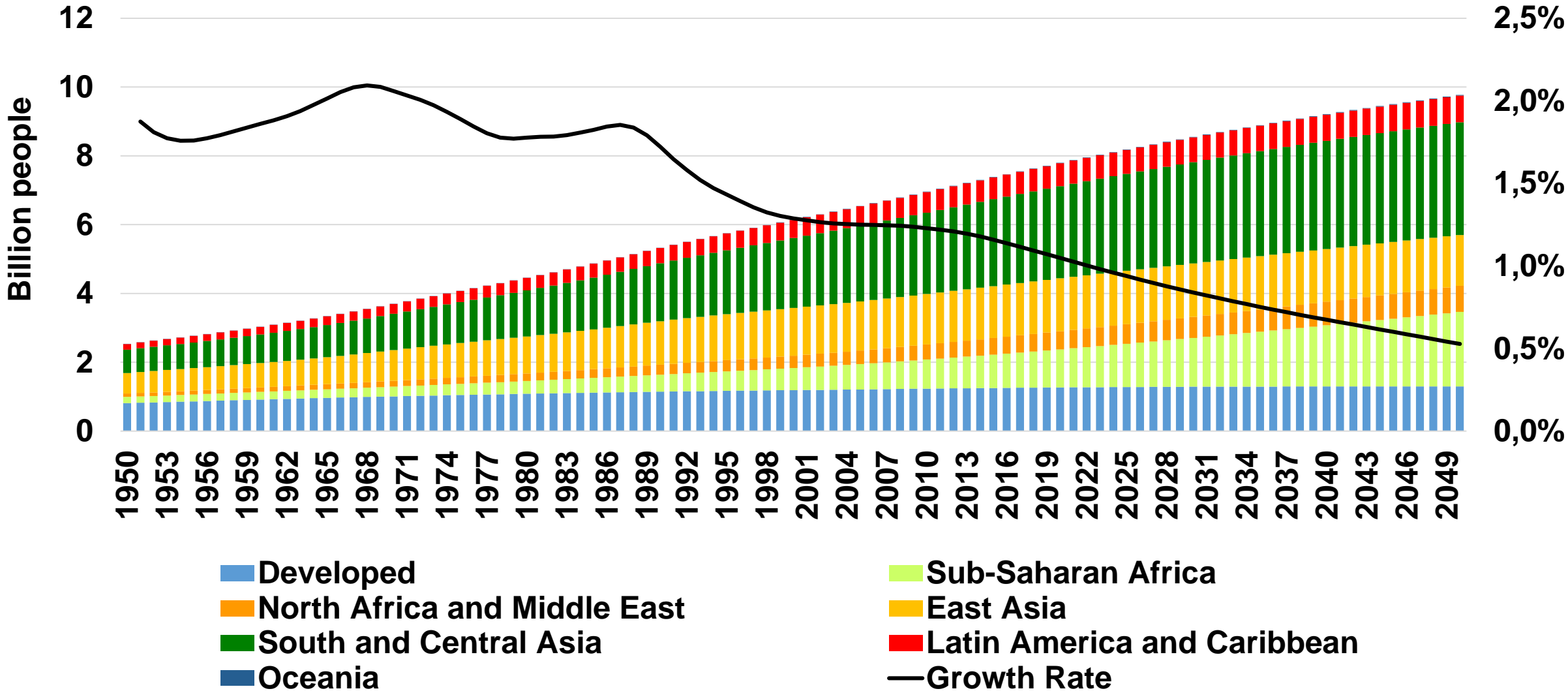


Dollar mostly higher year-over-year, but mixed over the last few months



Data: Thomson Reuters Datastream

World population continues to grow, though slowing

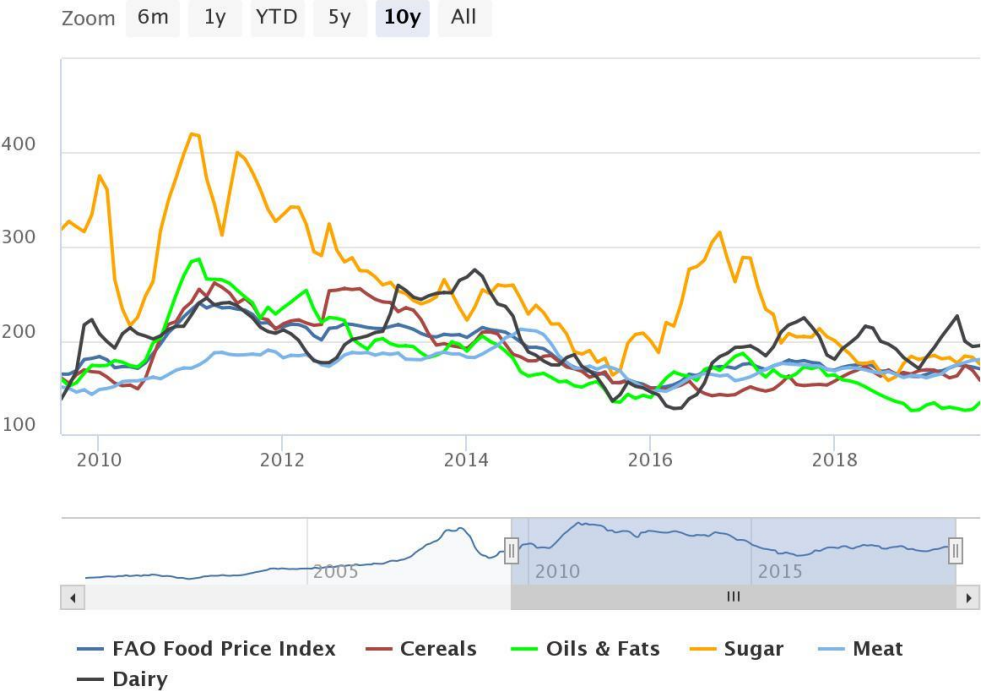


Summary

Recent trends and policies have generally led to falling food prices and growth in trade

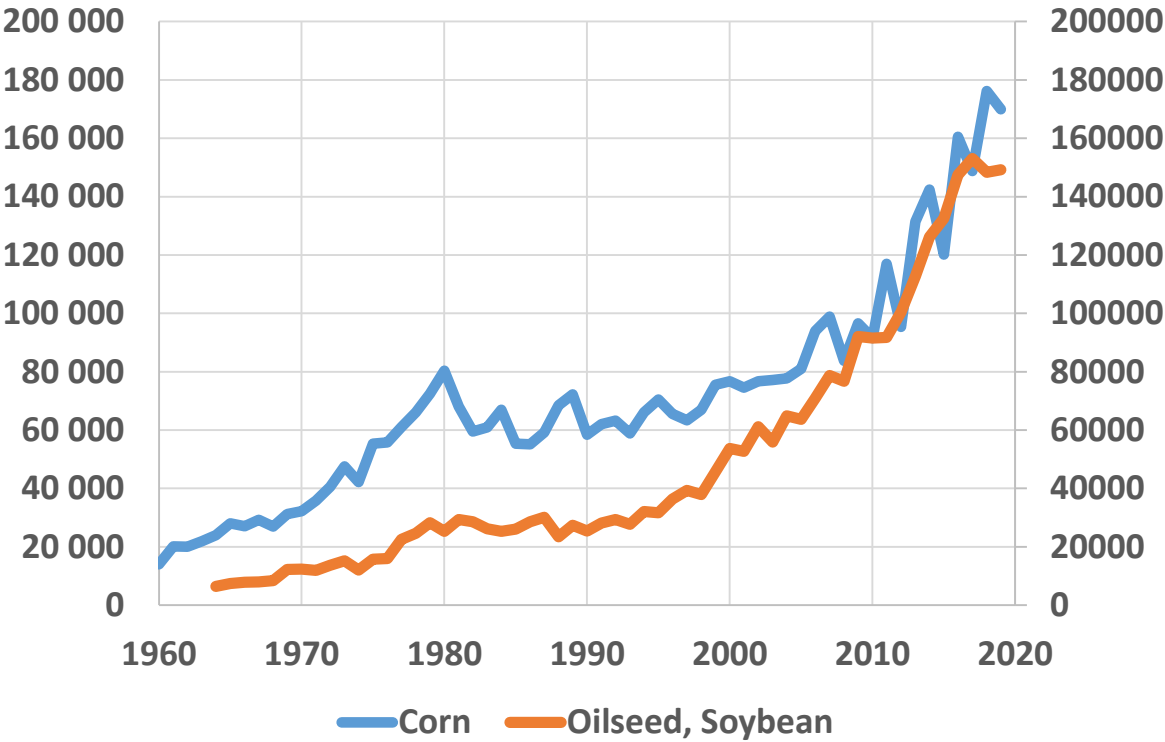
FAO Food Price Index and Sub-Indices (Monthly)

2002-2004 = 100



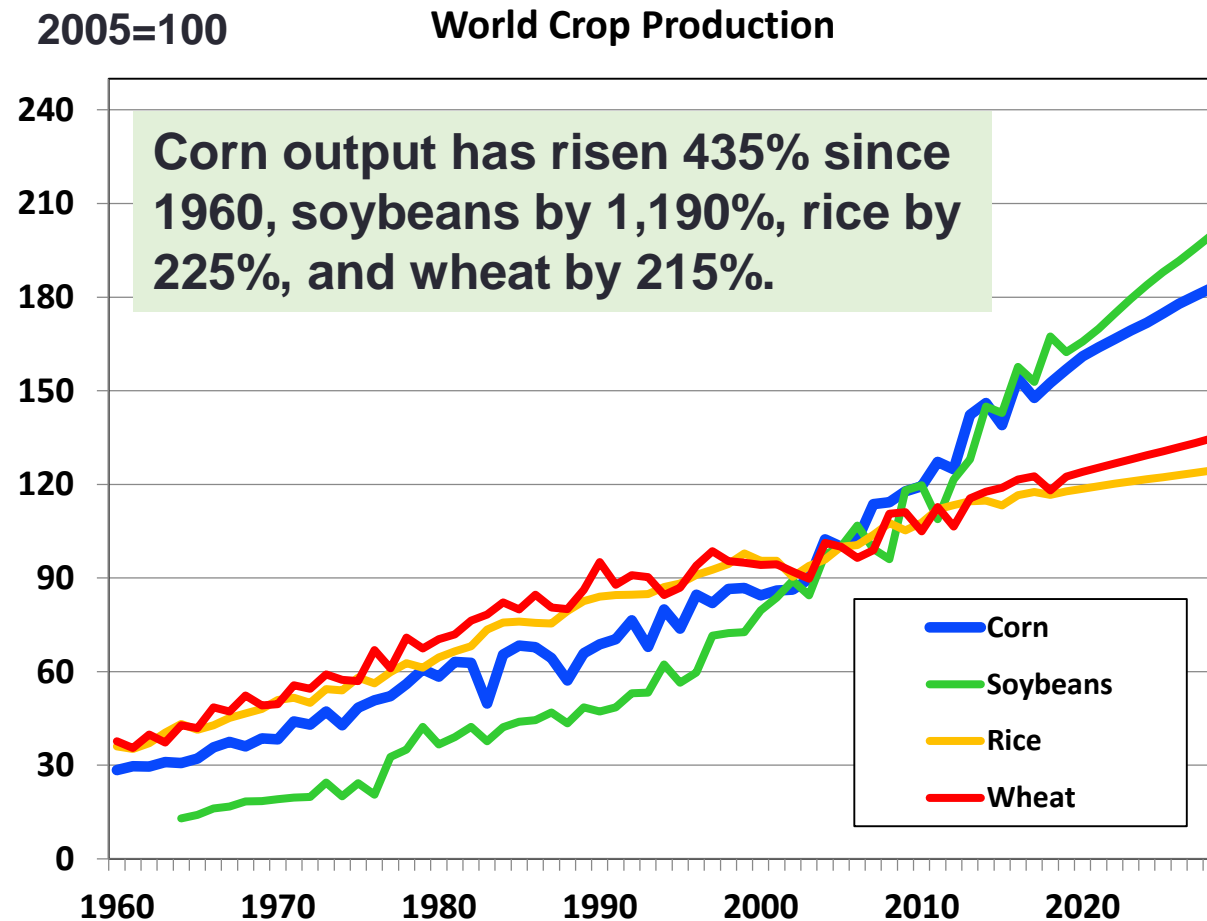
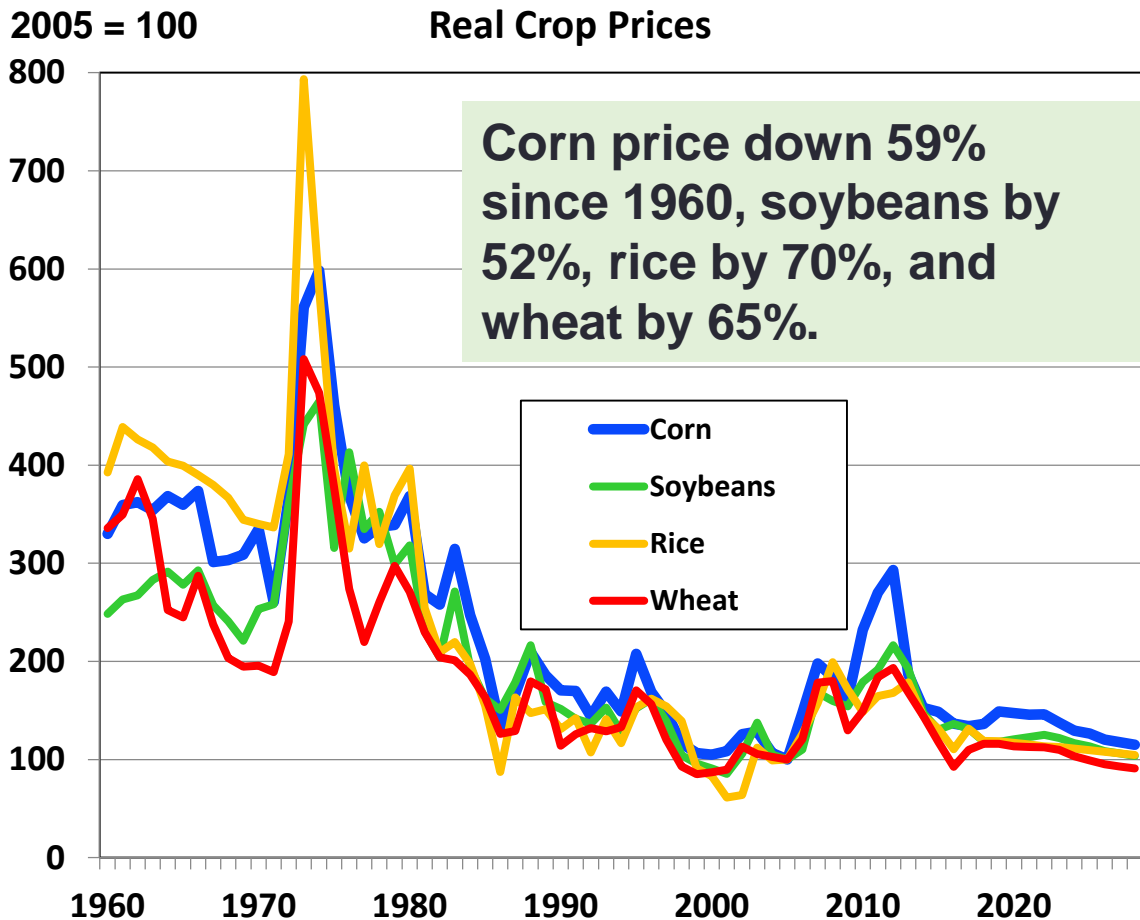
<http://www.amis-outlook.org/indicators/prices/en/>

Global corn and soybean exports (1000 mt)



Data: USDA

Real prices trend down, as crop production outstrips demand



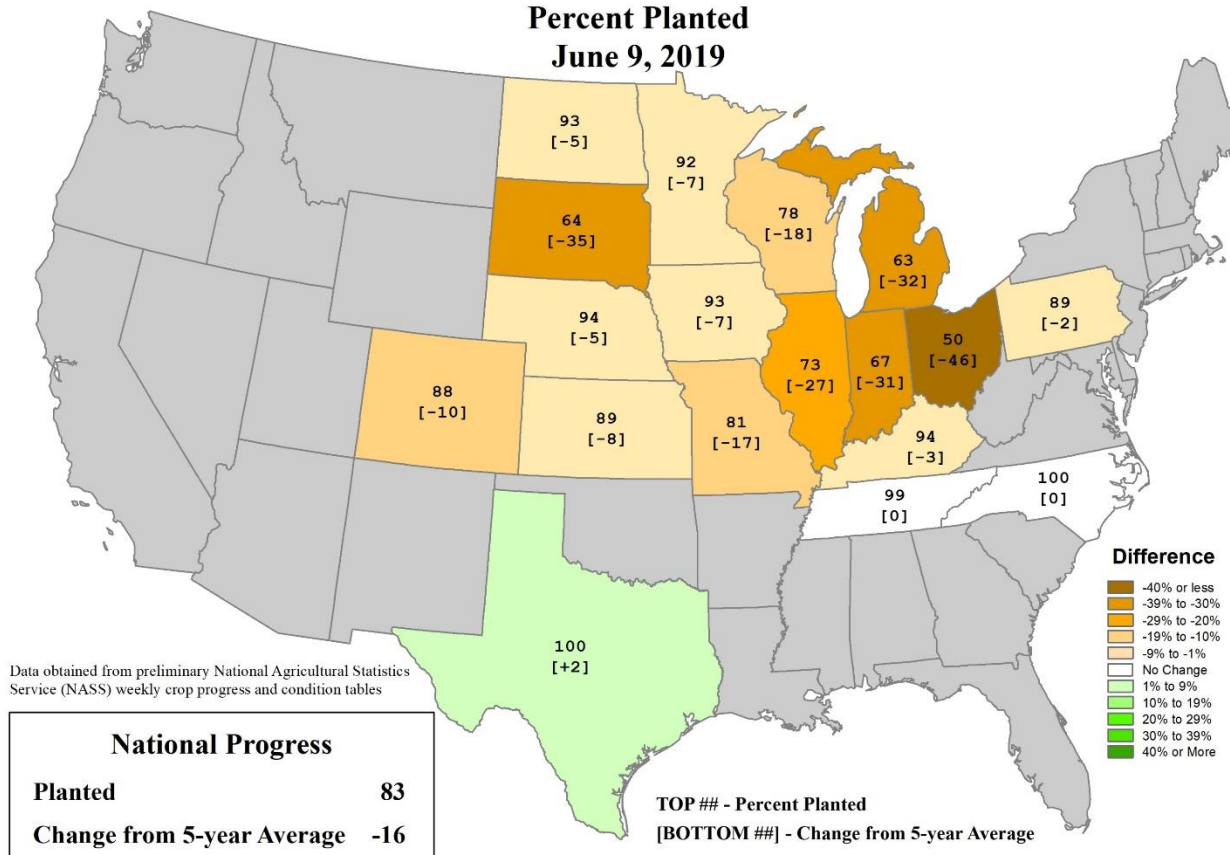
An aerial photograph of a vast agricultural landscape, likely in the Midwest, showing extensive flooding. The fields are a mix of dark brown, tilled earth and lighter brown, water-saturated soil. Numerous irregular, interconnected pools of water are scattered across the terrain, reflecting the sky. A network of roads and field boundaries crisscrosses the area. In the distance, a line of trees and some small buildings are visible under a cloudy sky. A large, semi-transparent dark grey rectangle is overlaid on the right side of the image, containing the title text in white.

U.S. and global crop outlook

This year's corn progress has lagged behind the historical average...

U.S. Corn Progress

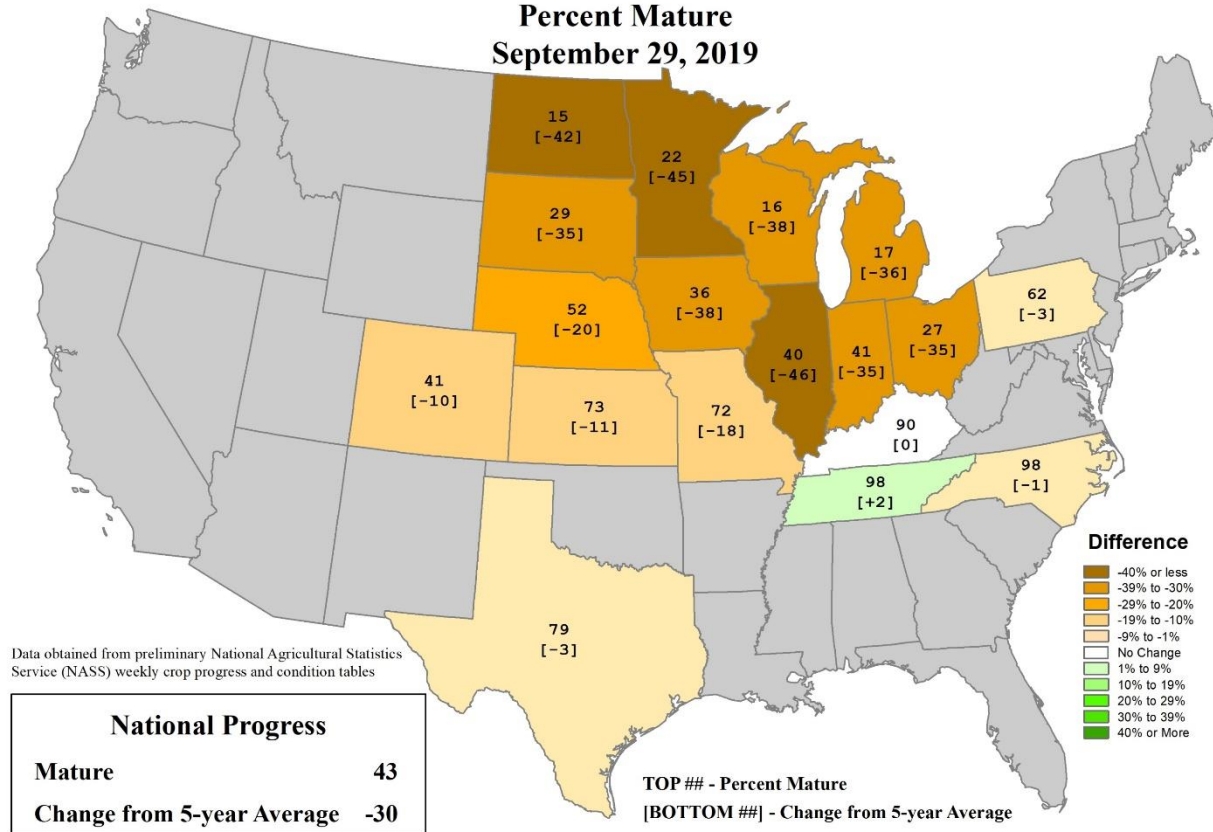
Percent Planted
June 9, 2019



20 days behind on average nationally

U.S. Corn Progress

Percent Mature
September 29, 2019

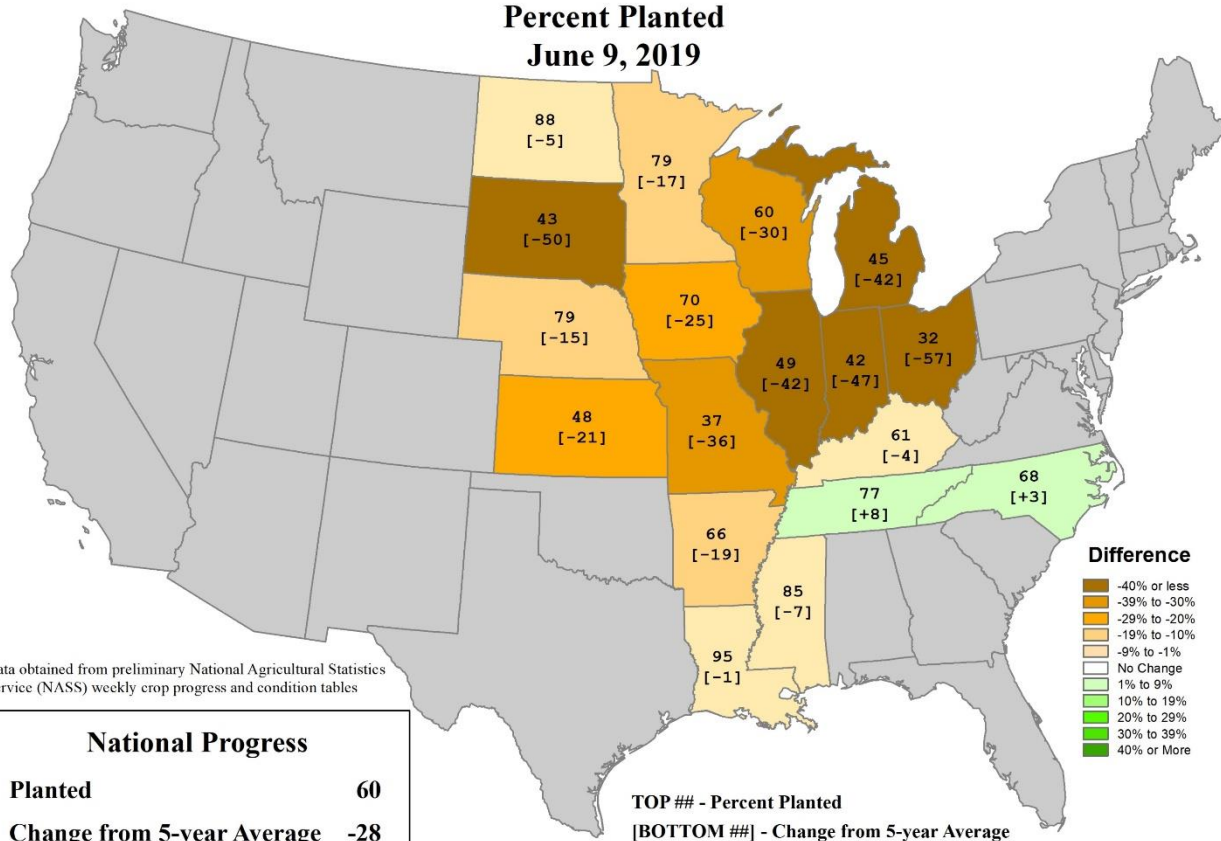


12 days behind on average nationally

...as has soybean progress.

U.S. Soybeans Progress

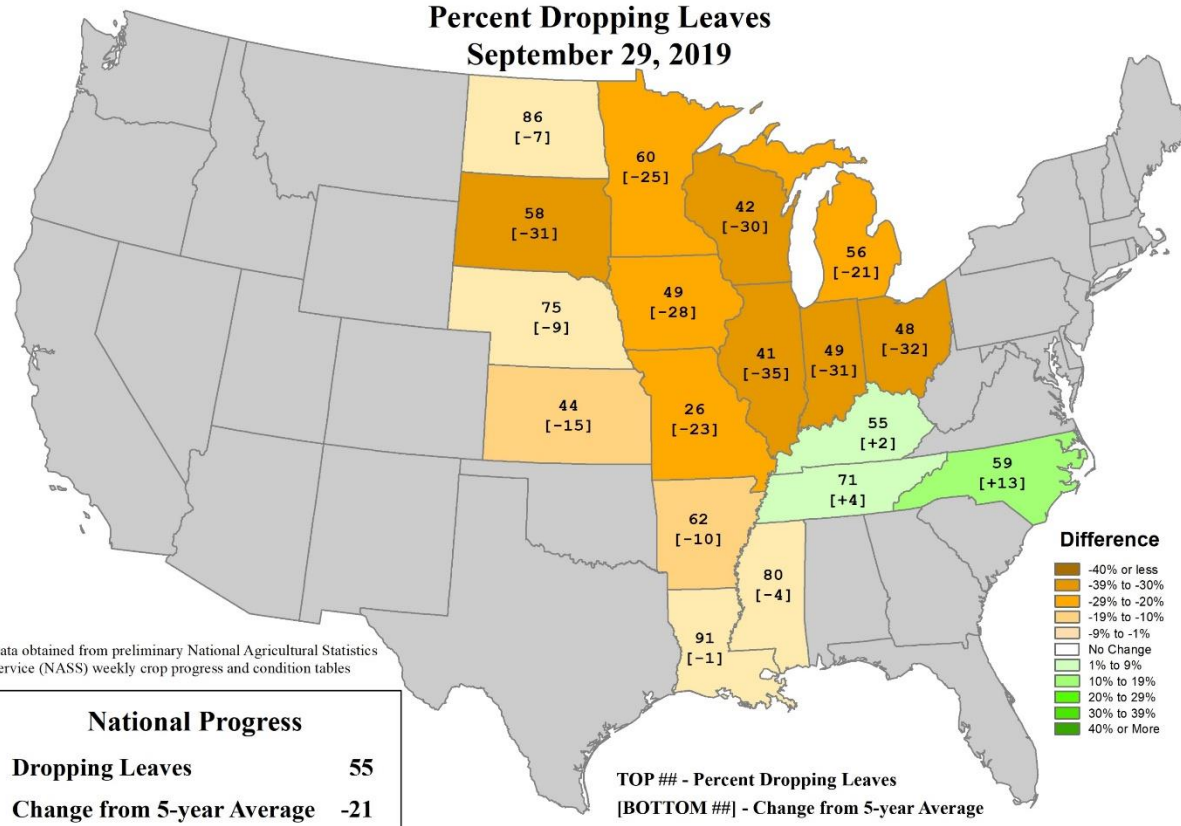
Percent Planted
June 9, 2019



17 days behind on average nationally

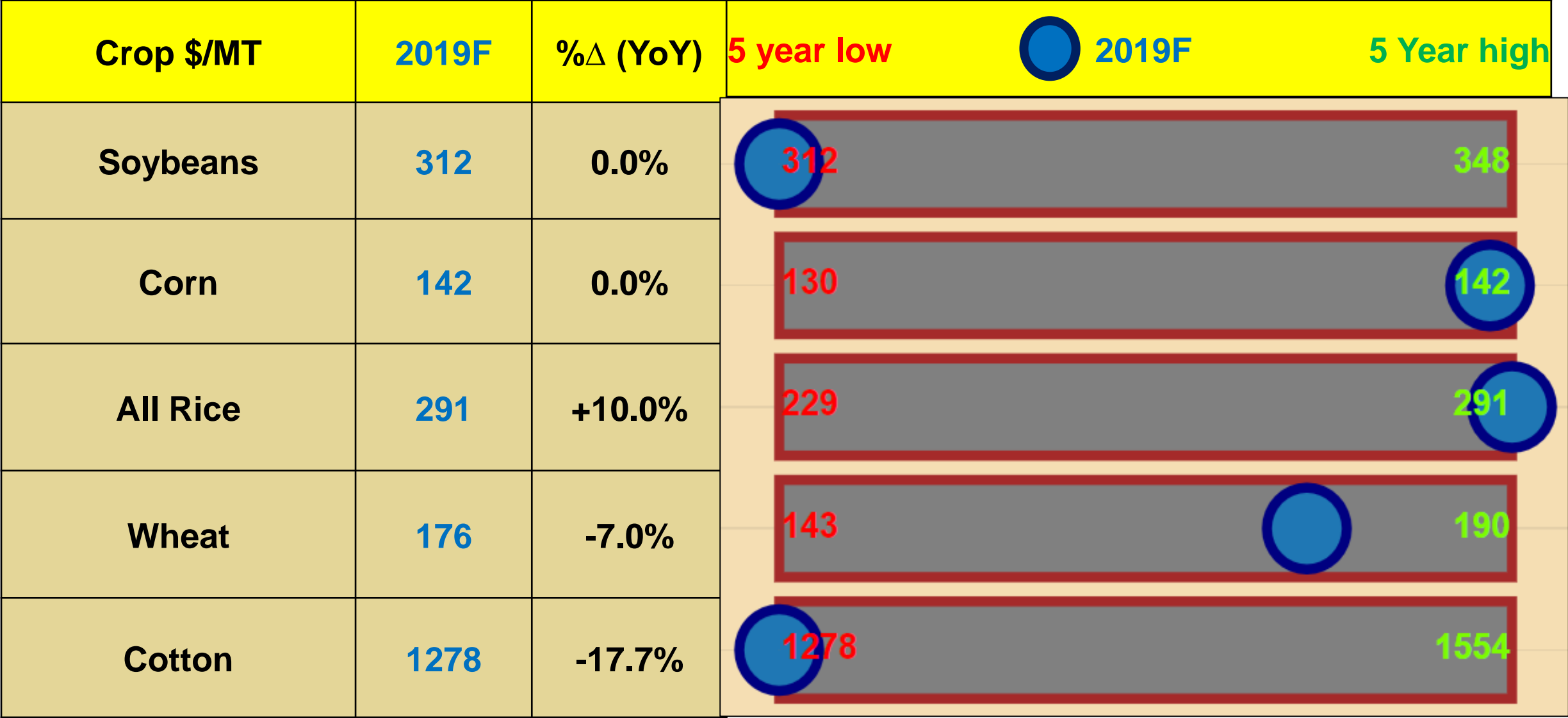
U.S. Soybeans Progress

Percent Dropping Leaves
September 29, 2019

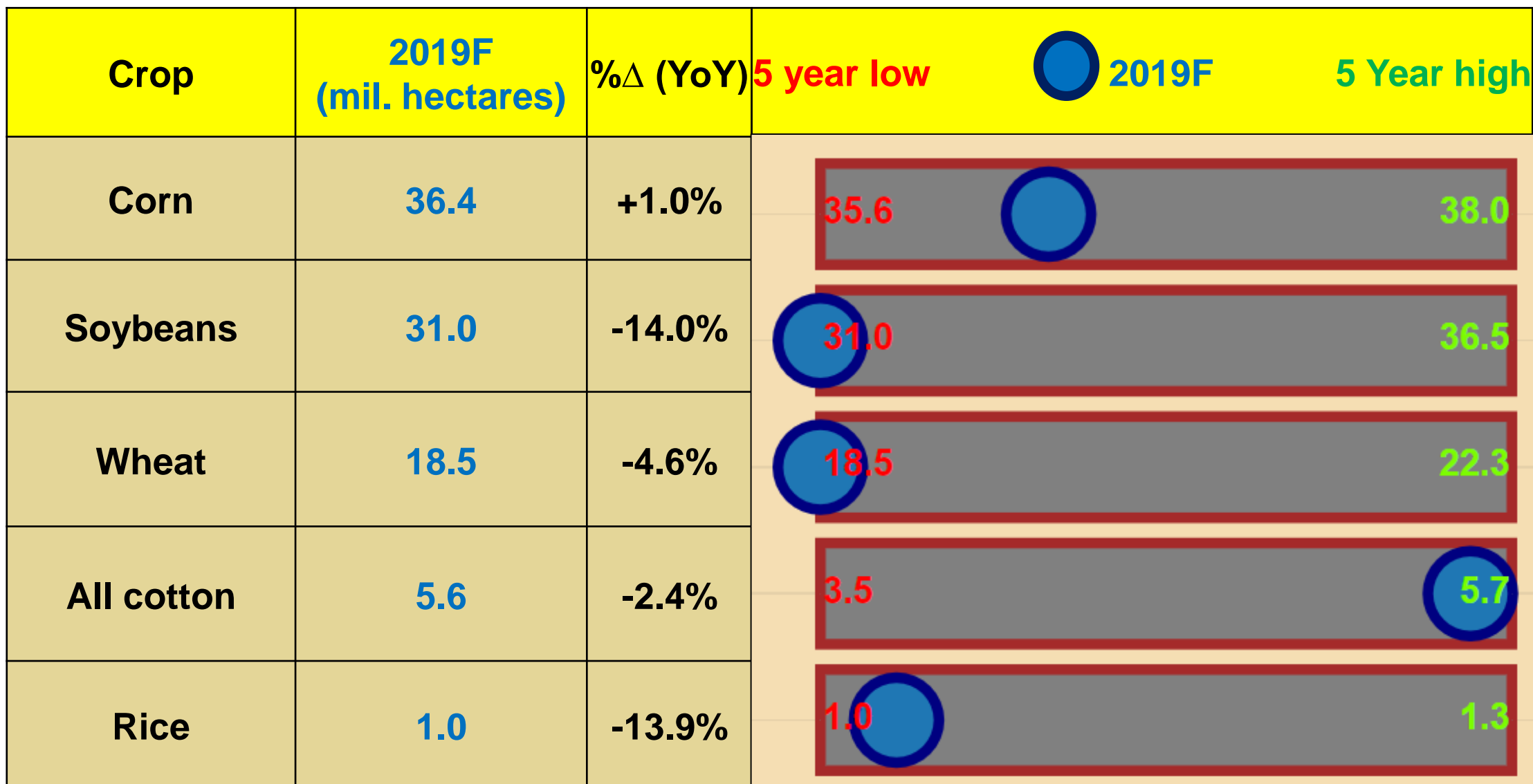


8 days behind on average nationally

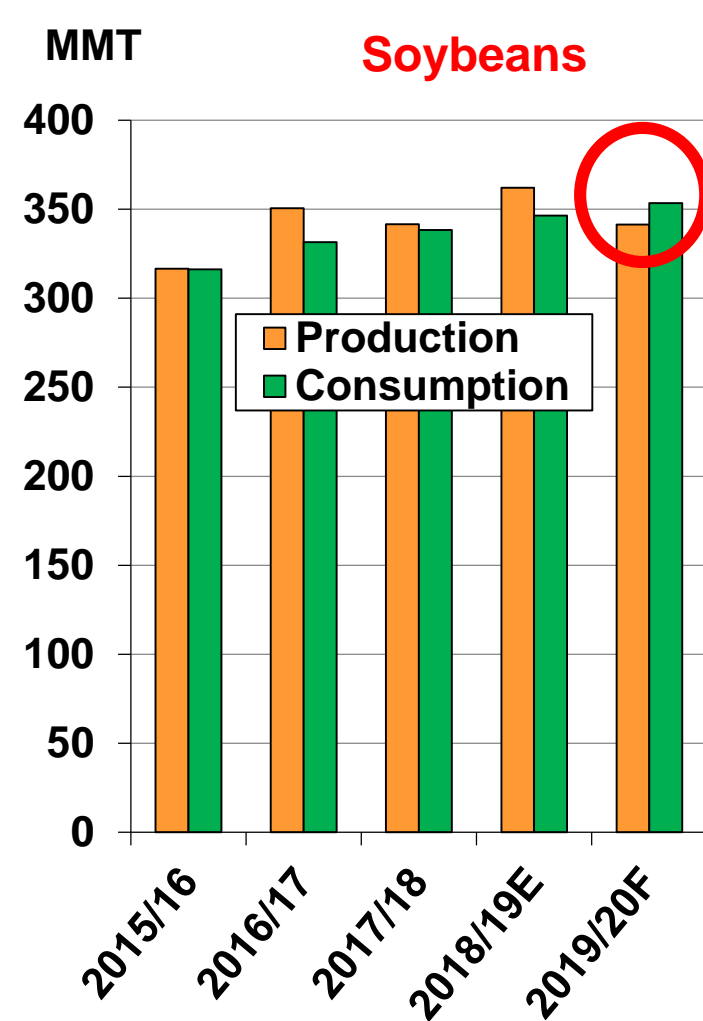
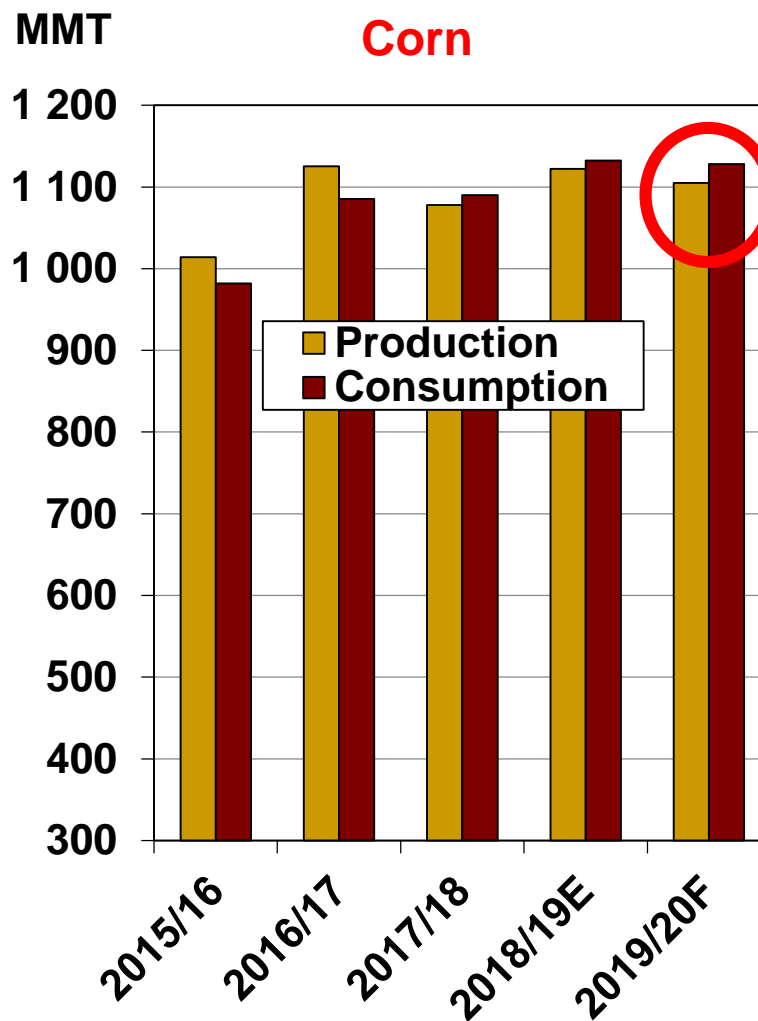
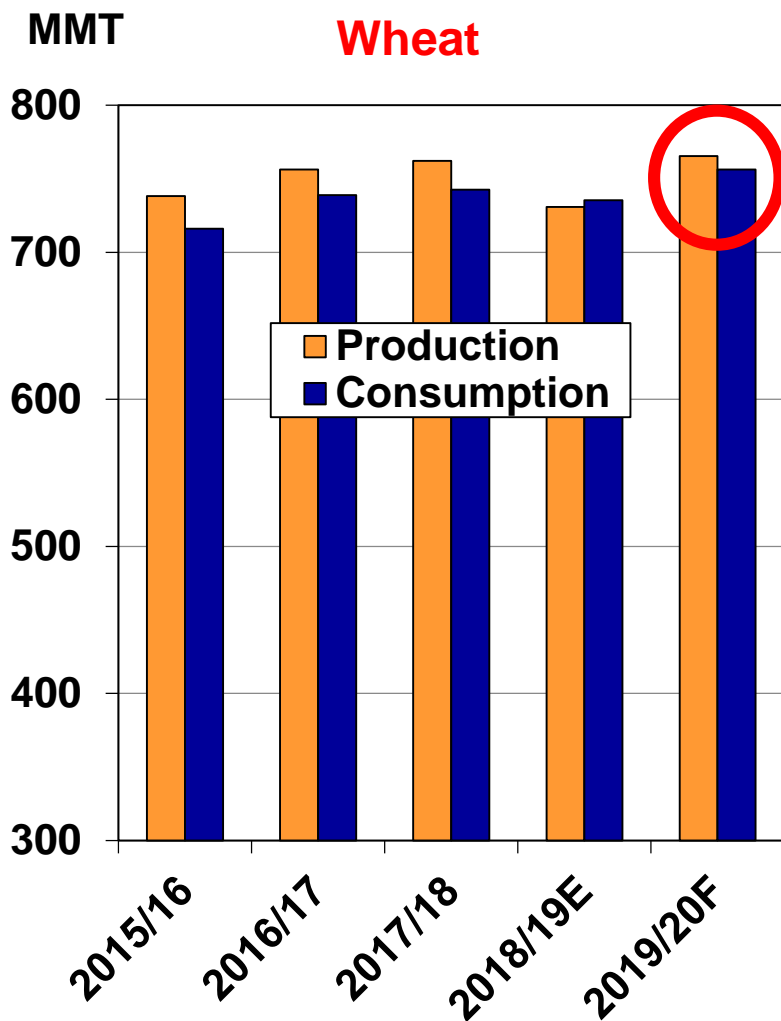
Higher corn and rice prices forecast, while wheat and cotton are lower



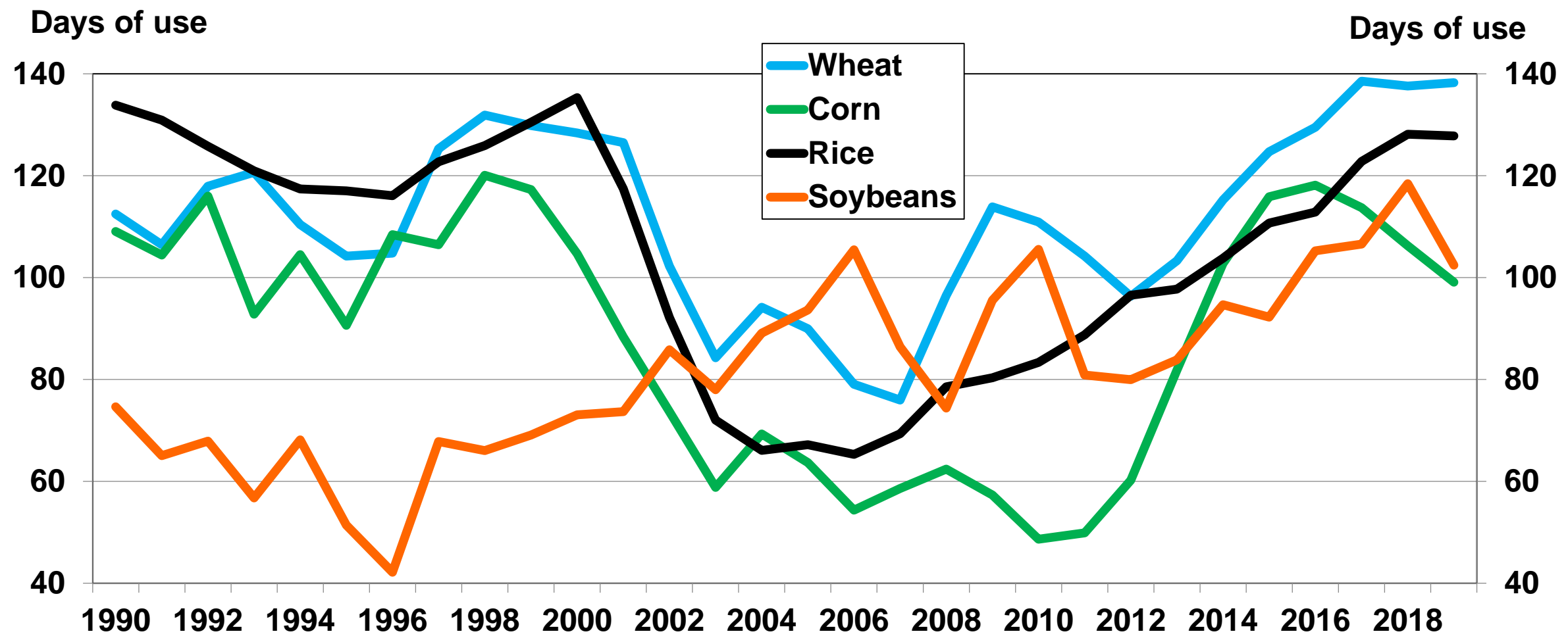
Corn acreage forecast slightly up, other crops lower



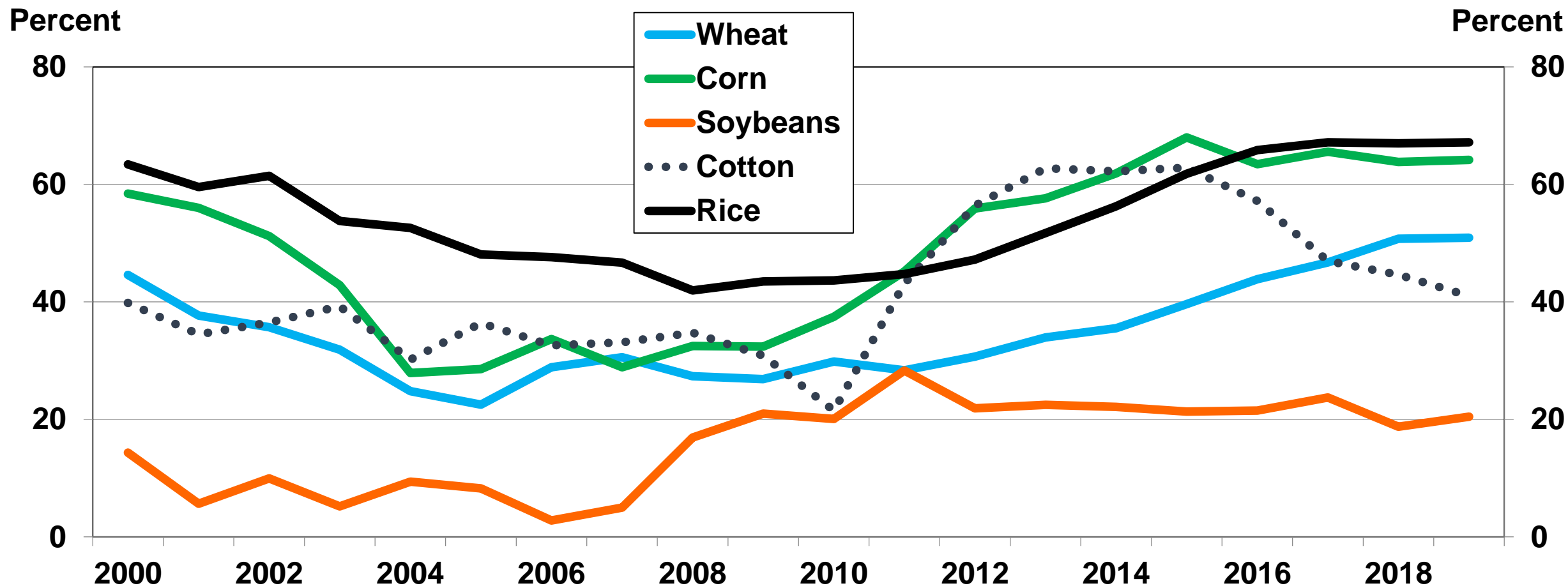
Global 2019/20 production and consumption at near-record or record highs



Global stocks in days of use: tightening market for corn and soybeans next year, but wheat and rice stocks remain high








China's ending stocks as a share of global ending stocks



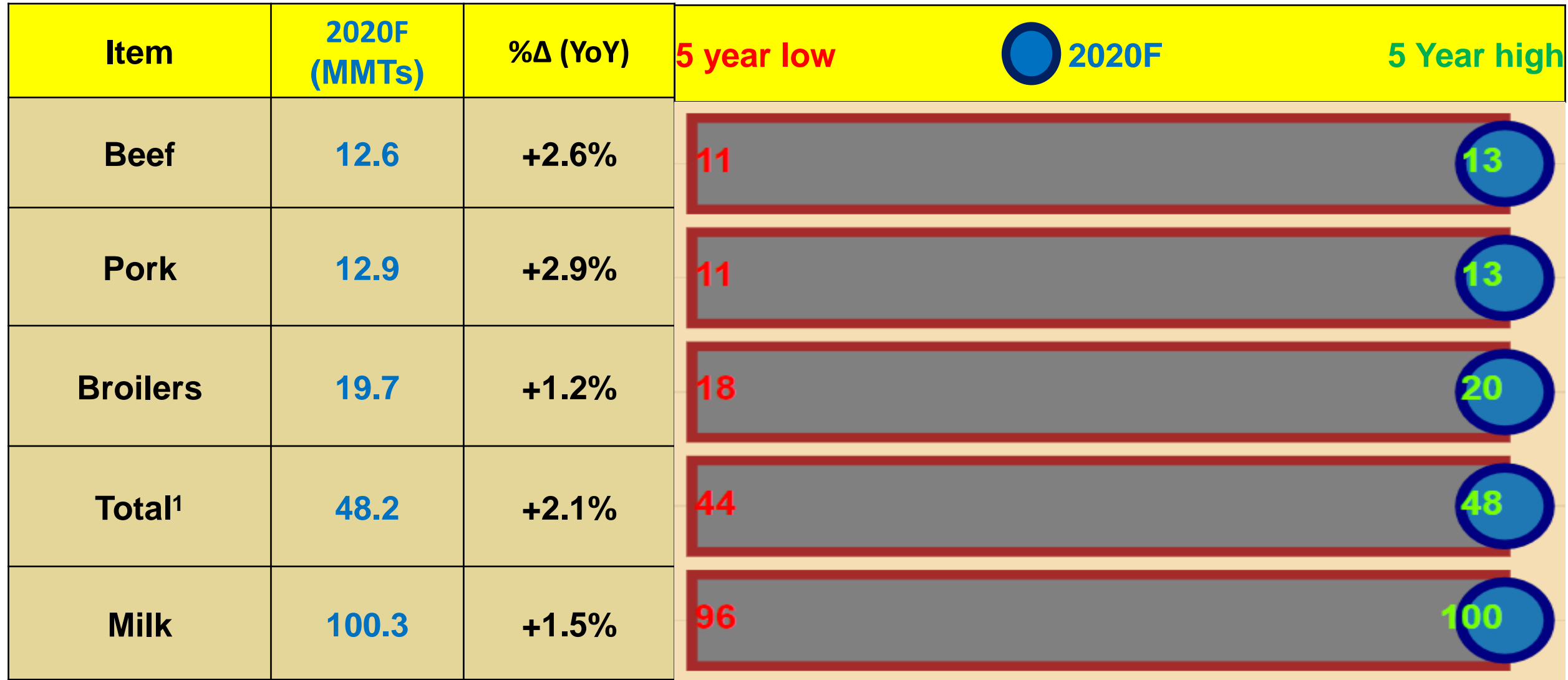
U.S. and global livestock outlook



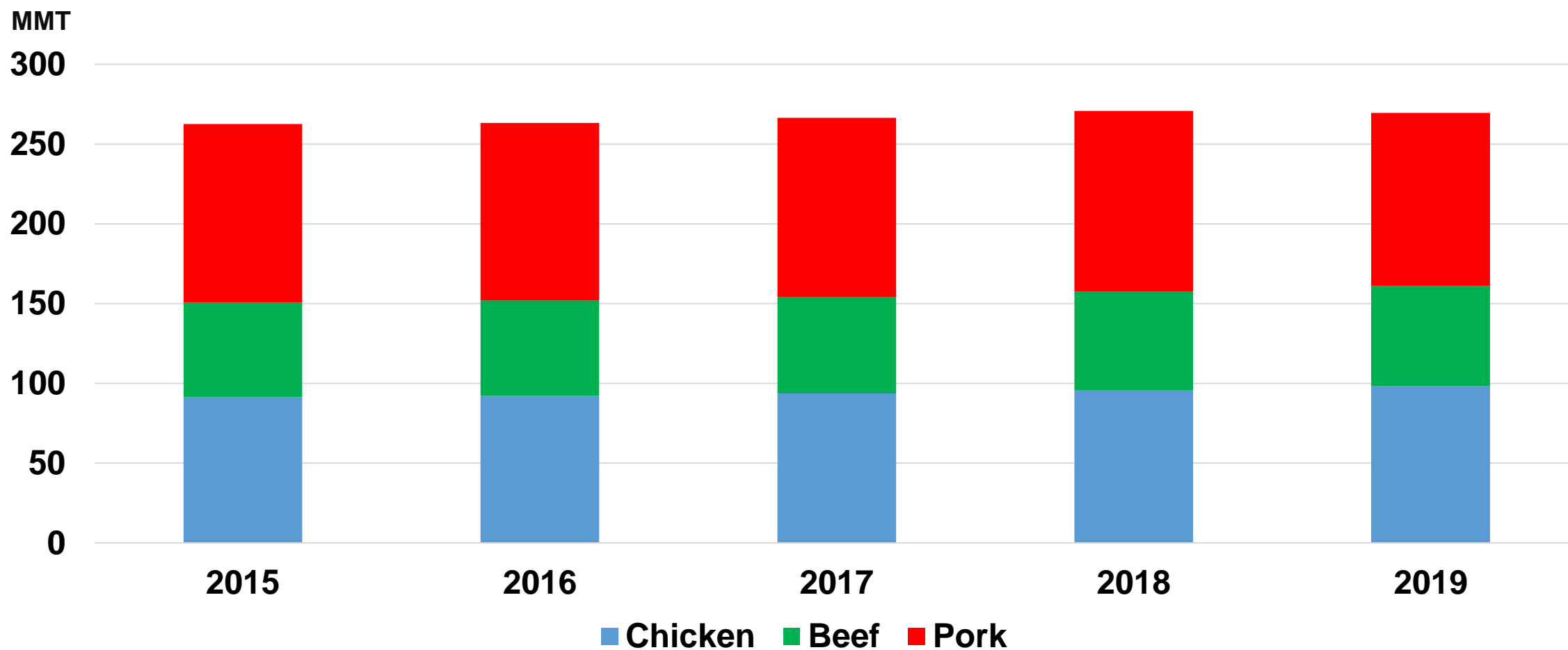
Low prices for U.S. steers; stronger hog and milk prices

Livestock	2020F (\$/MT)	%Δ (YoY)	5 year low	 2020F	5 Year high
Steers	2535	+1.3%	2502		2679
Hogs	1301	+19.2%	1013		1301 
Broilers	2028	+5.7%	1858		2156
Milk	416	+2.7%	359		416 

U.S. meat and milk production to be record high in 2020



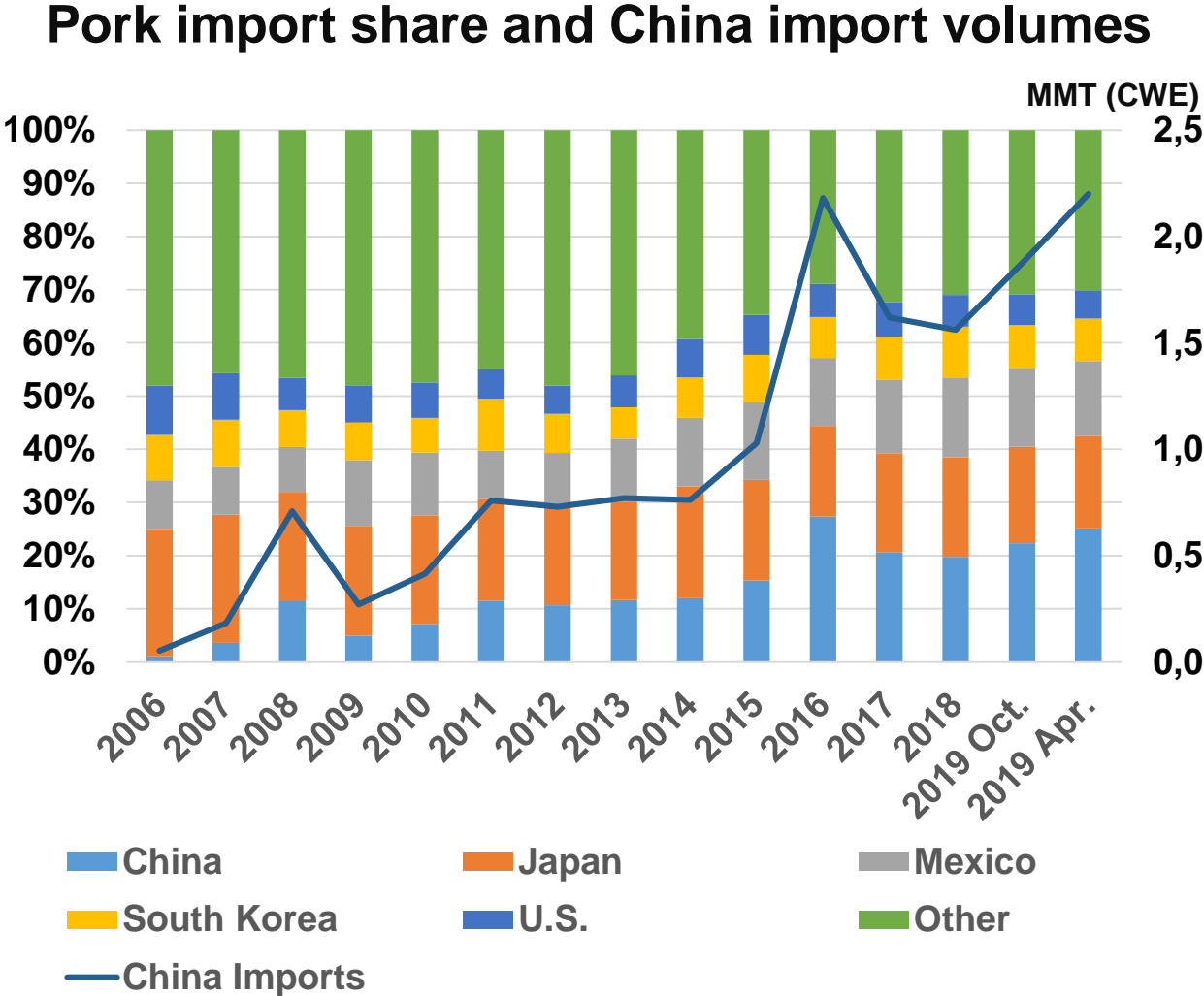
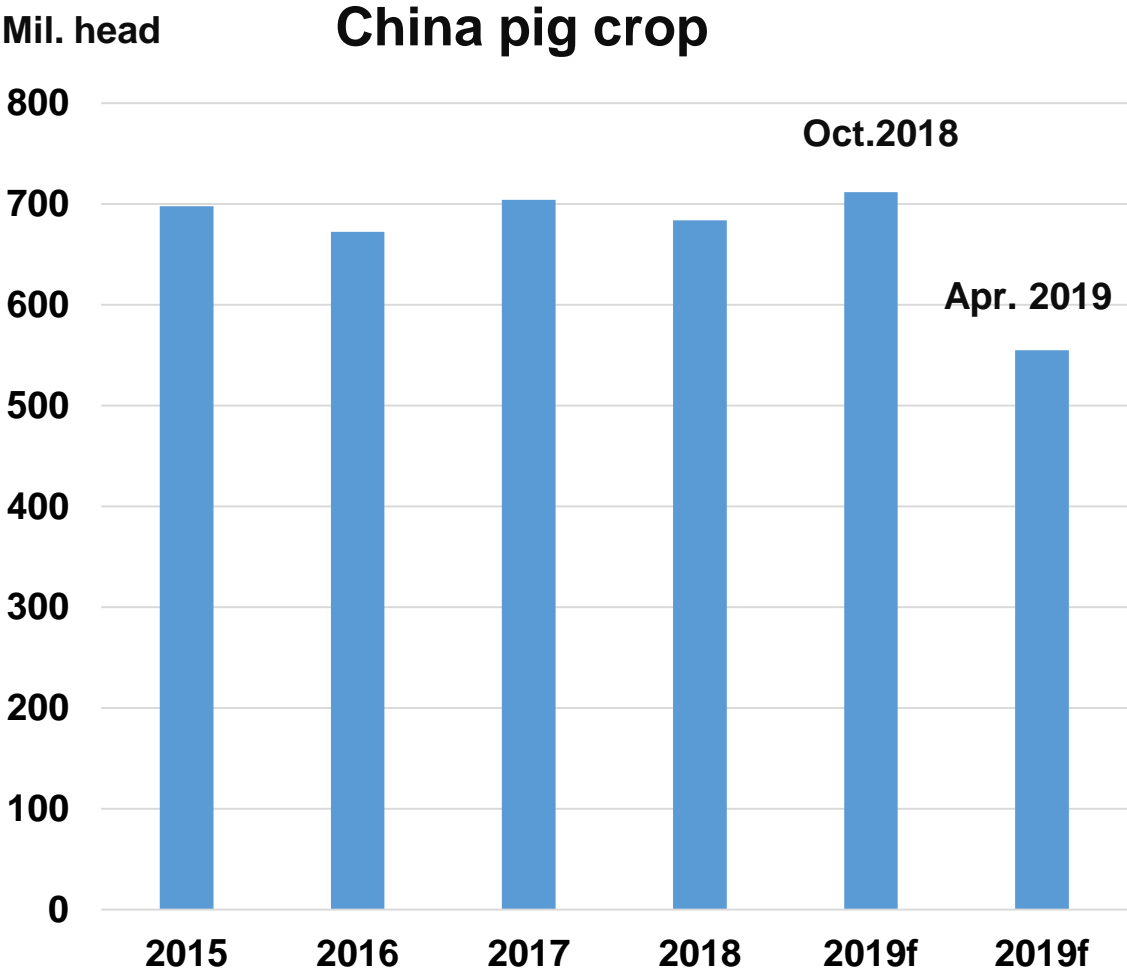
Global pork production forecast down in 2019, while projected chicken production at record level



Note: Pork and beef are on Carcass Weight Equivalent (CWE) basis.

Source: USDA (April 2019 forecast)

ASF impacts on China's pig crop and global pork imports

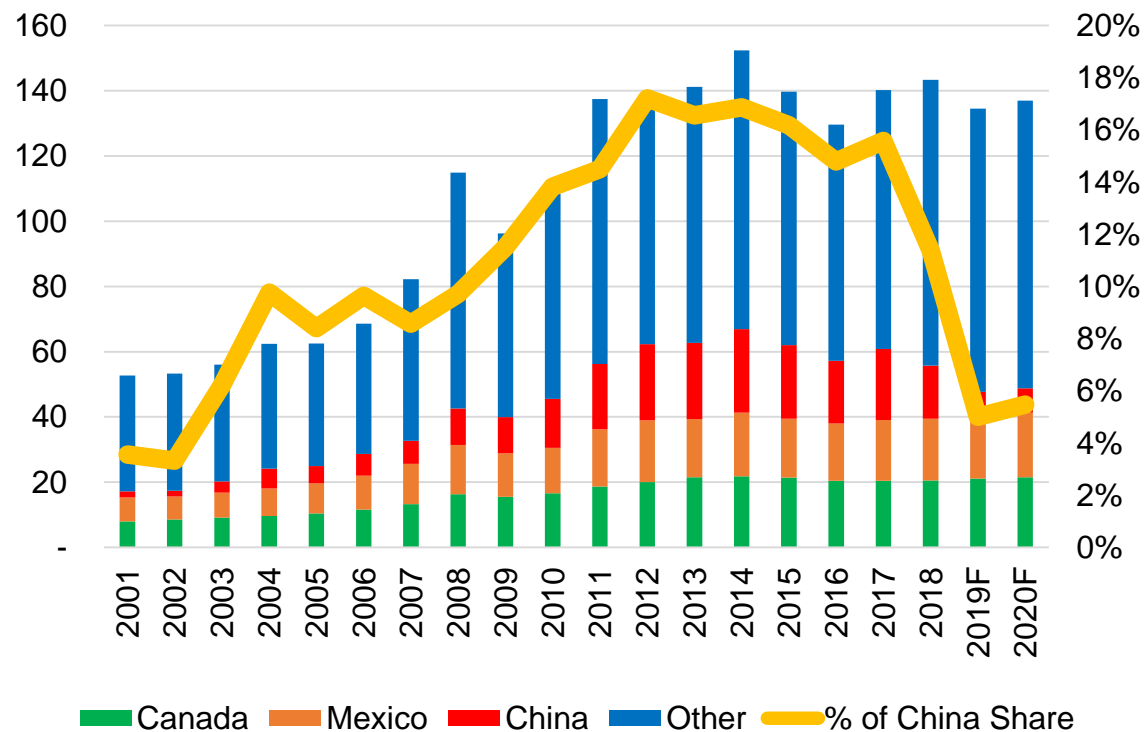


Outlook to 2028



Several world events potentially setting the stage for impacting projections --- trade disruptions, African Swine Fever, poor weather

Billion dollars

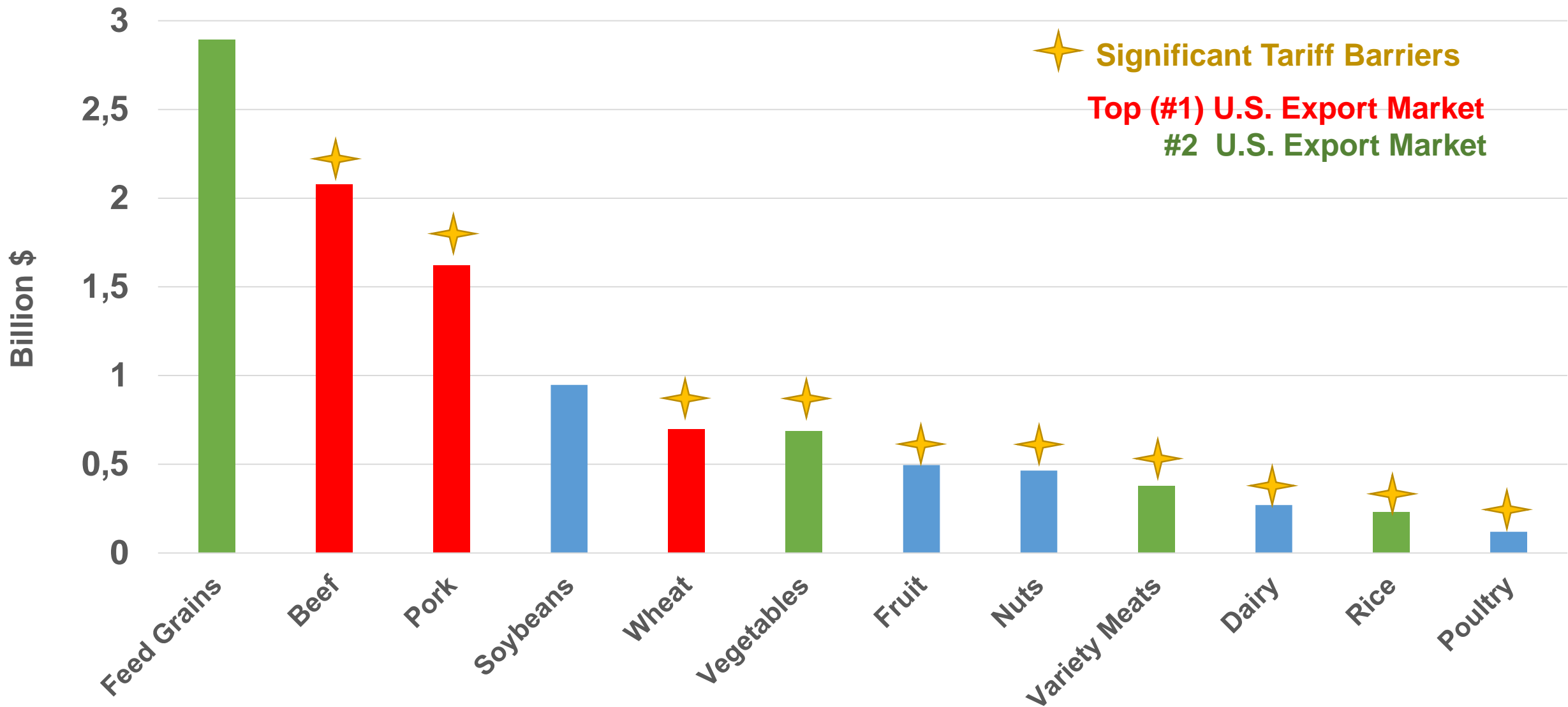


U.S. exports to China down ~\$18 from 2015

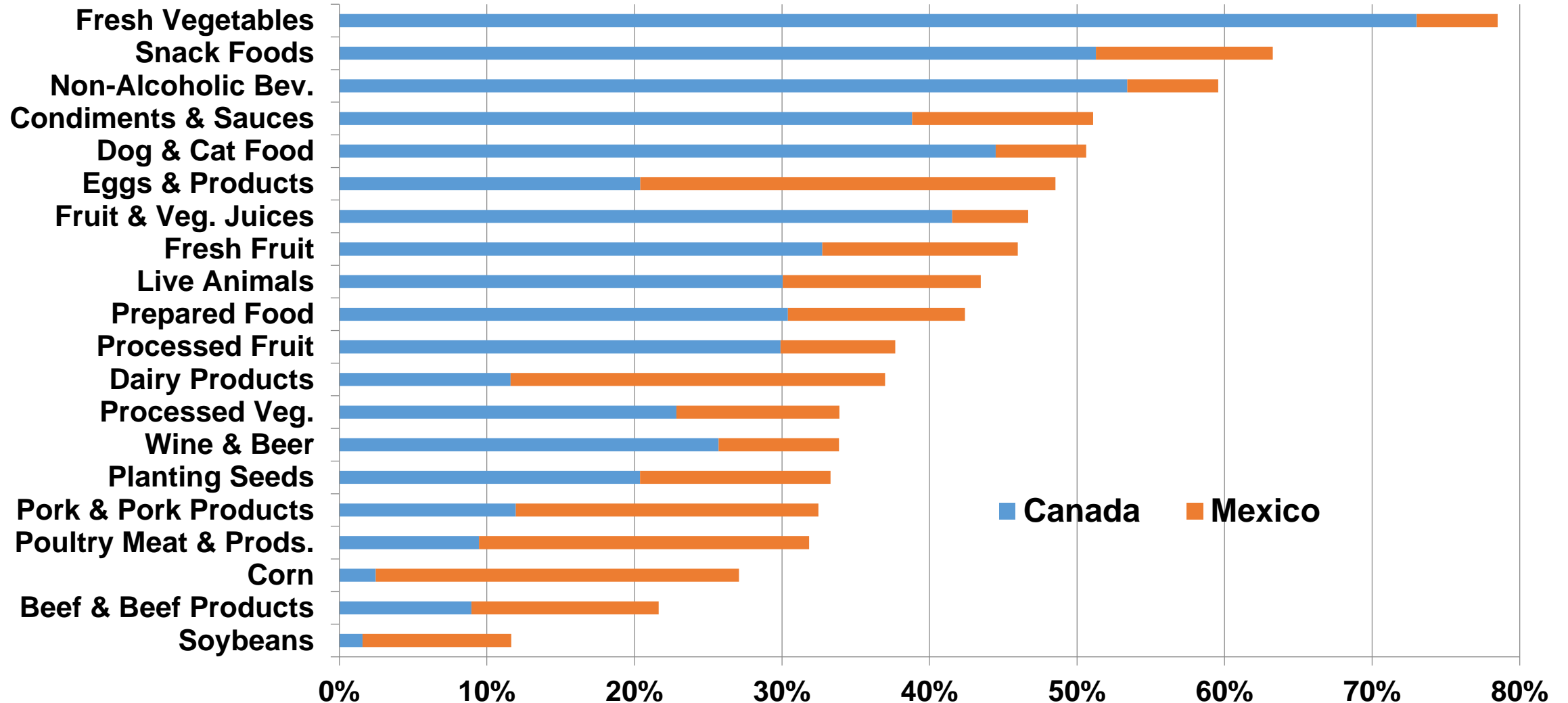


July 2019: 152 confirmed cases in China (all provinces), spread through Vietnam, Cambodia, Laos, Mongolia, and North Korea
Sept 2019: Philippines confirms first case (not reflected in map)
Last week South Korea confirmed its first case (not reflected in map)

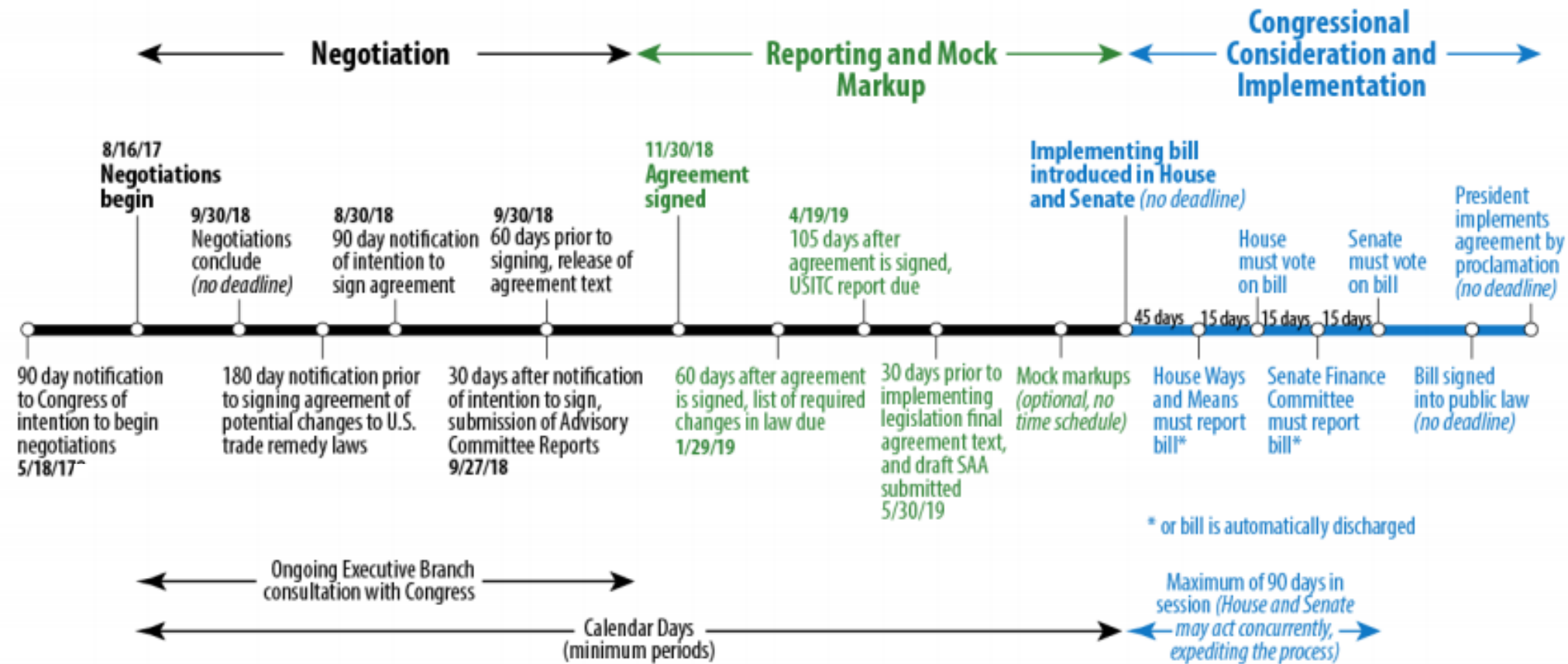
U.S.-Japan Trade Agreement will provide new market access



Canada and Mexico are top markets for U.S. agriculture



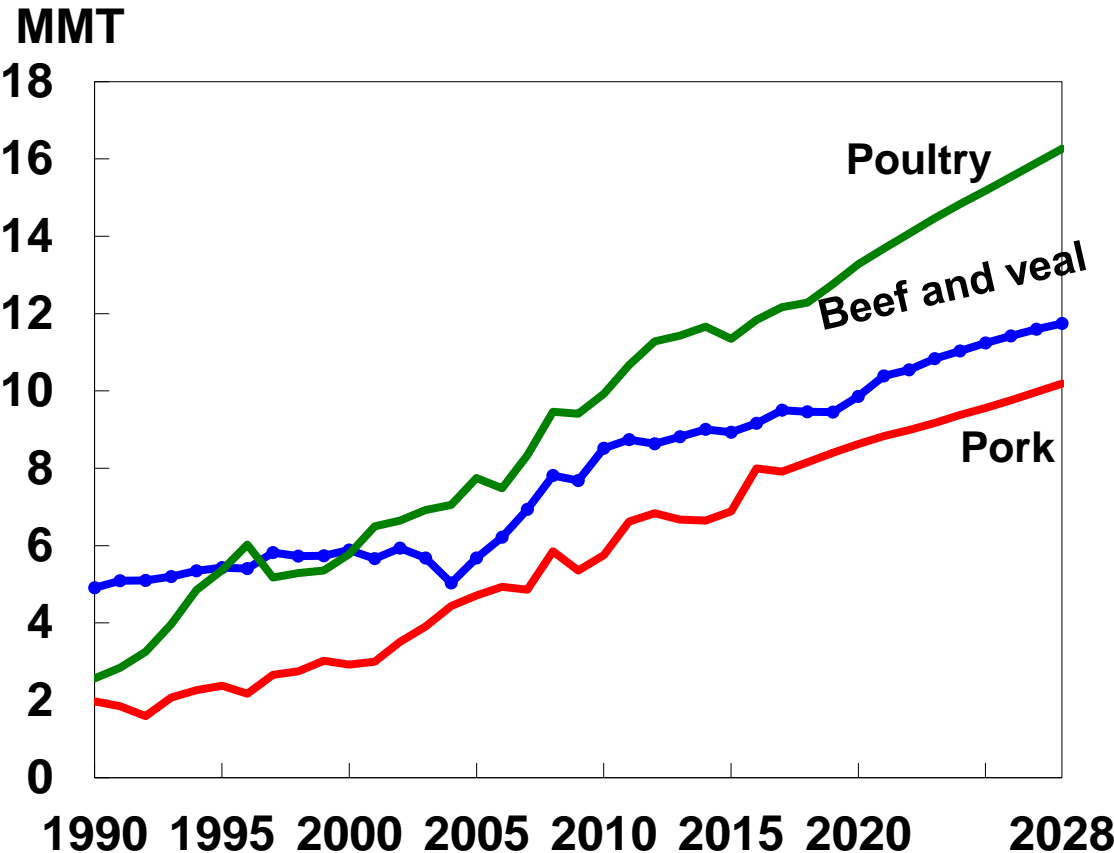
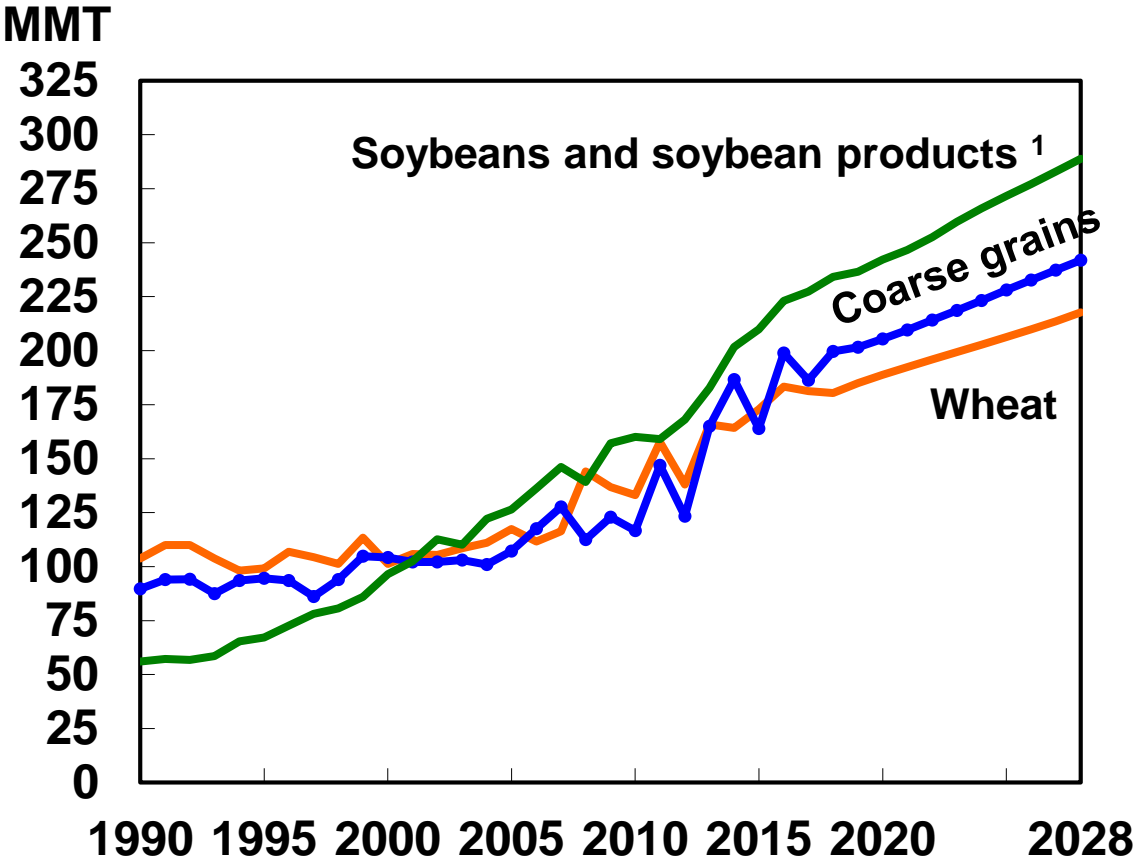
Next steps for USMCA under TPA



Source: CRS.

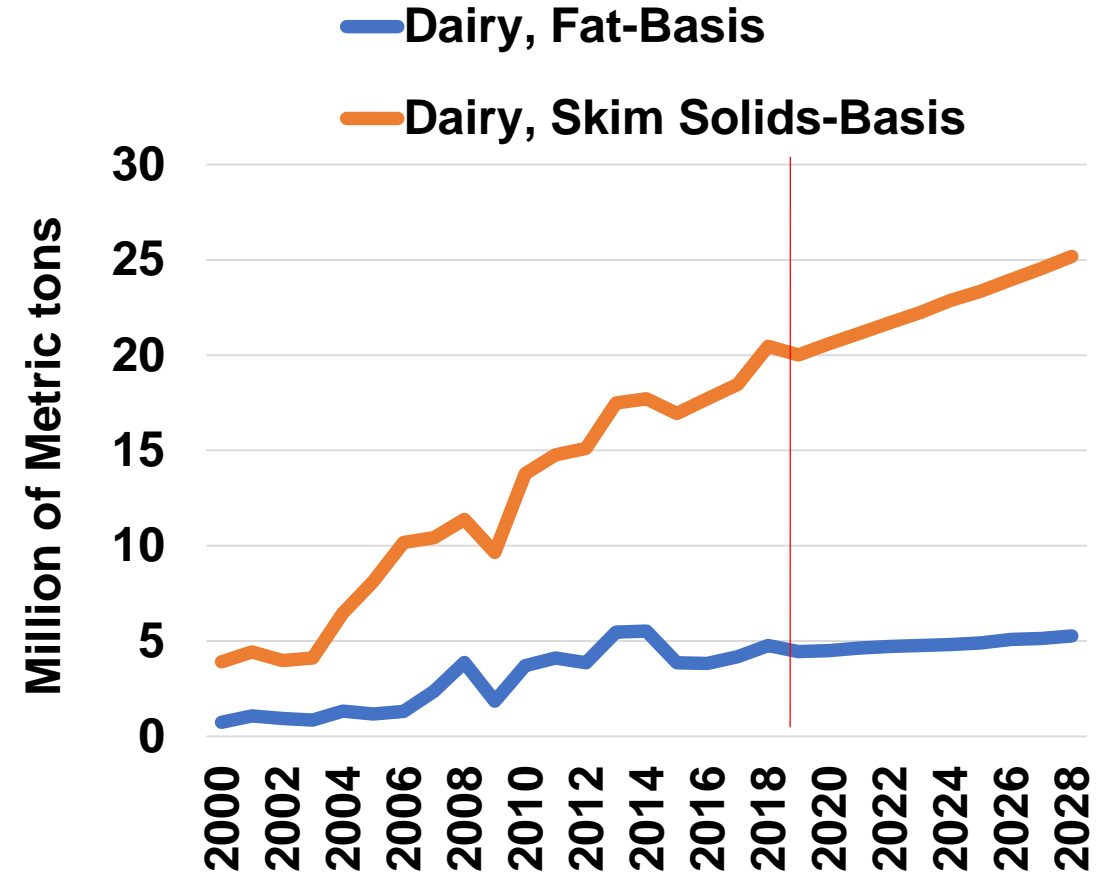
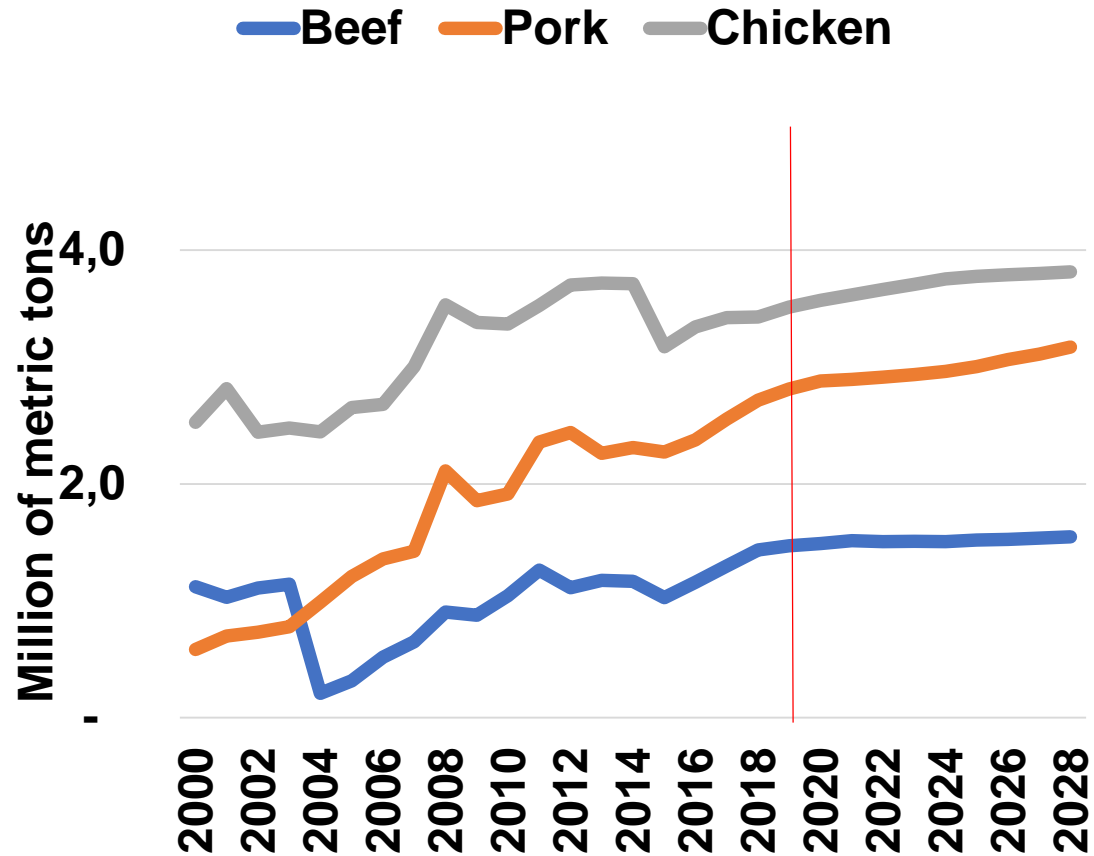
Note: Dates reflect notification and consultation events in USMCA.

Global crop and meat trade projected to increase



Source: USDA. Meat trade is major exporters, not world total.

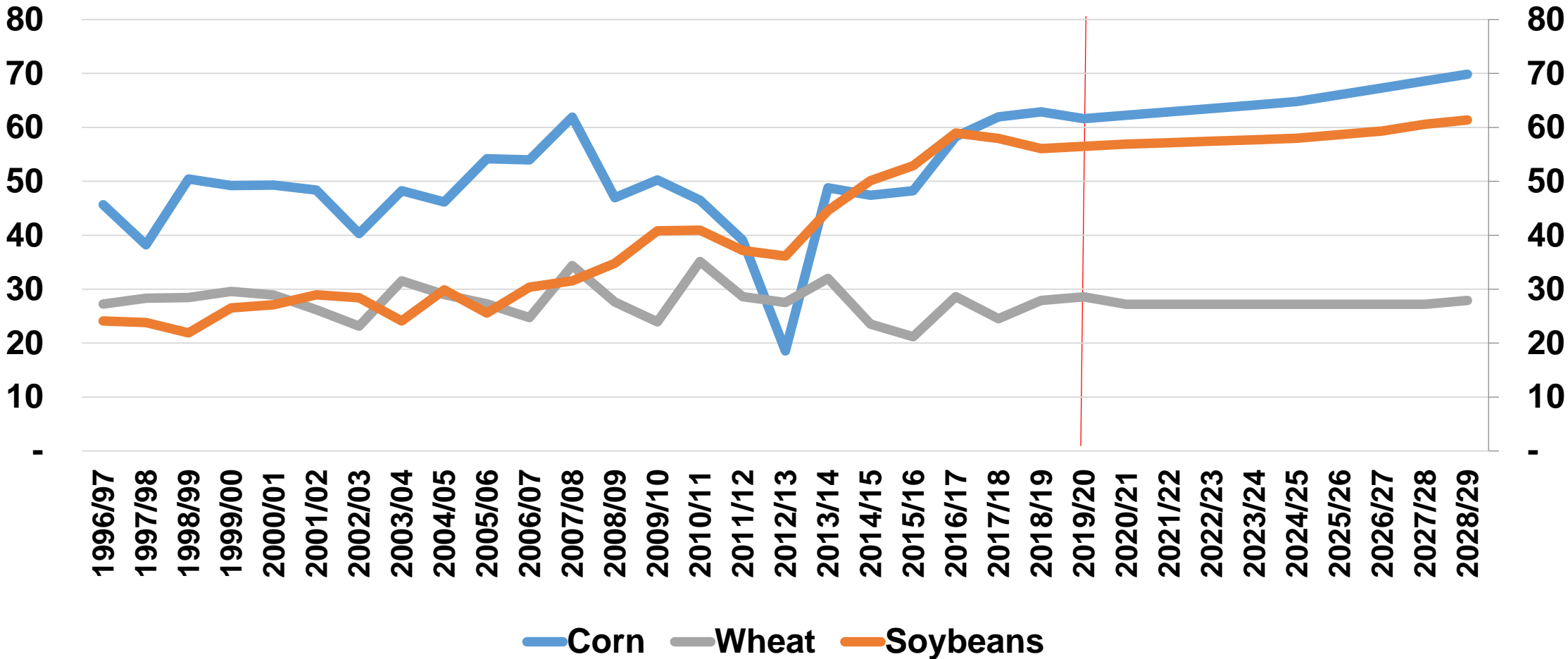
Global demand drives growth in U.S. livestock and dairy exports



... and drives growth in U.S. feed grain exports

Million metric tons

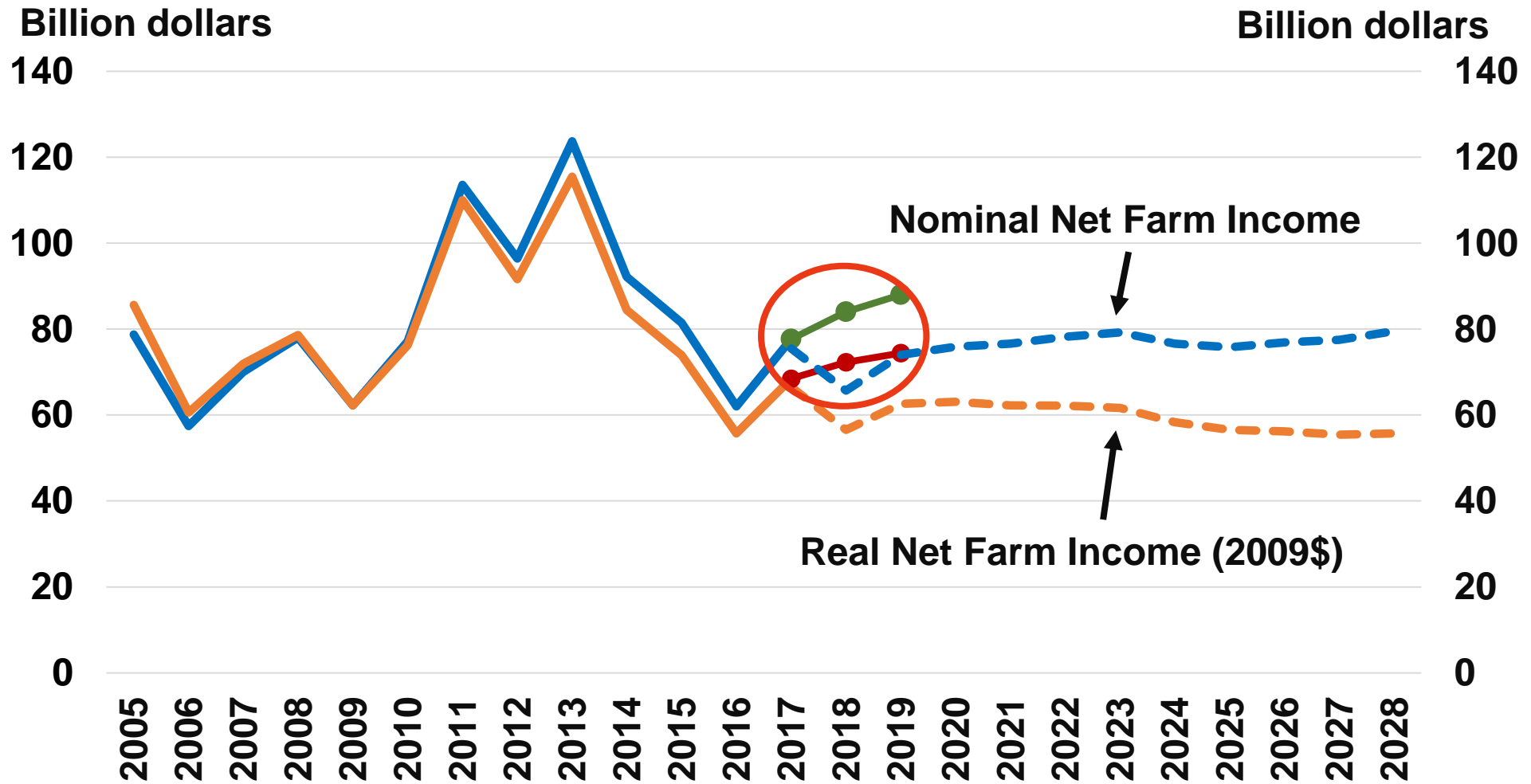
Million metric tons



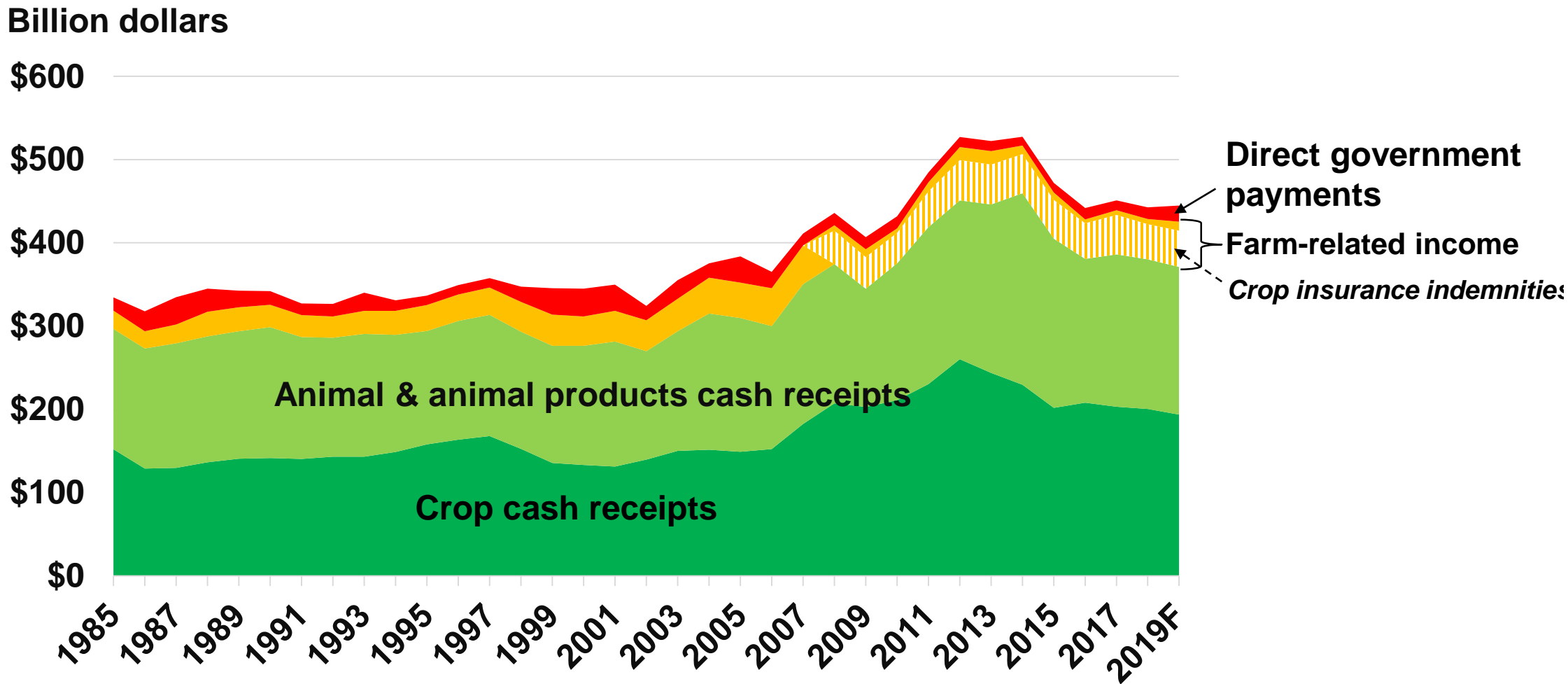
U.S. farm economy



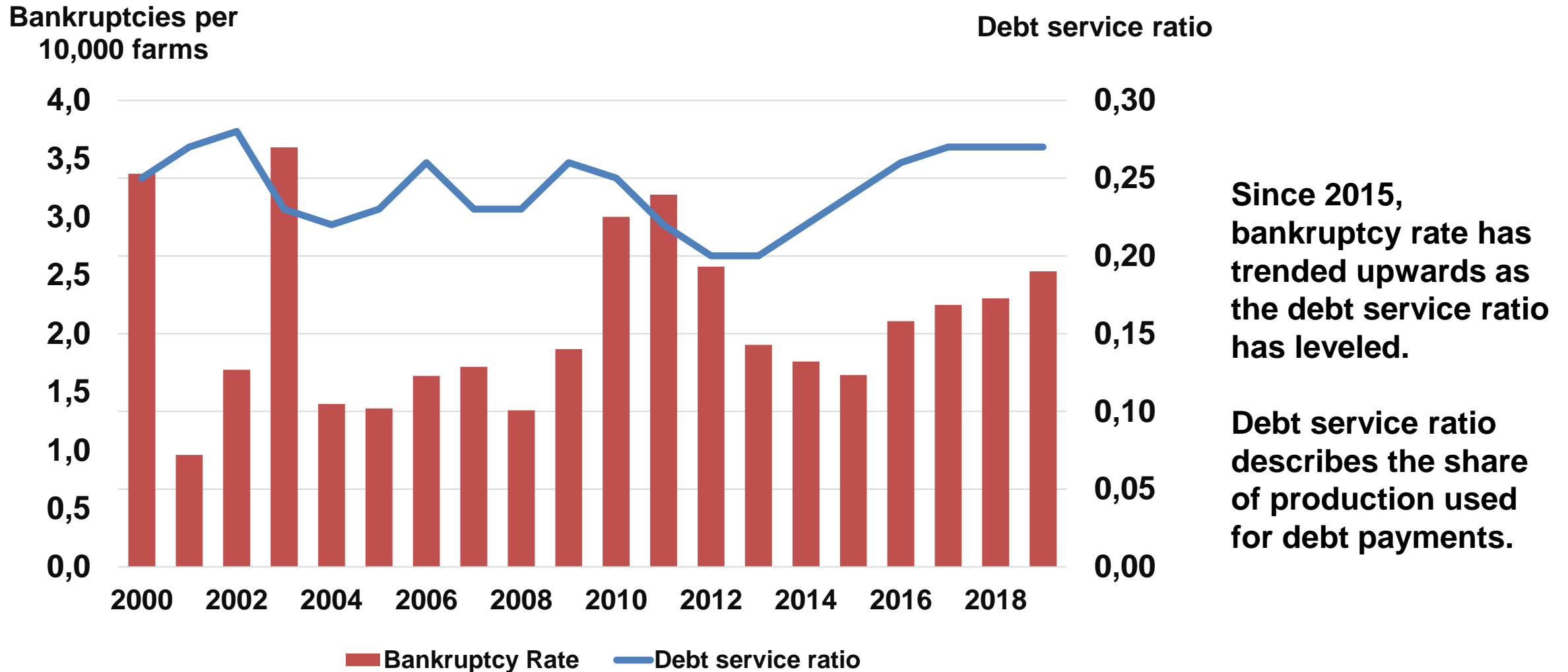
Real net farm income is projected to fall



Government payments make up only a small share of farm gross cash income



Bankruptcies rate remains low. Debt servicing has flattened.

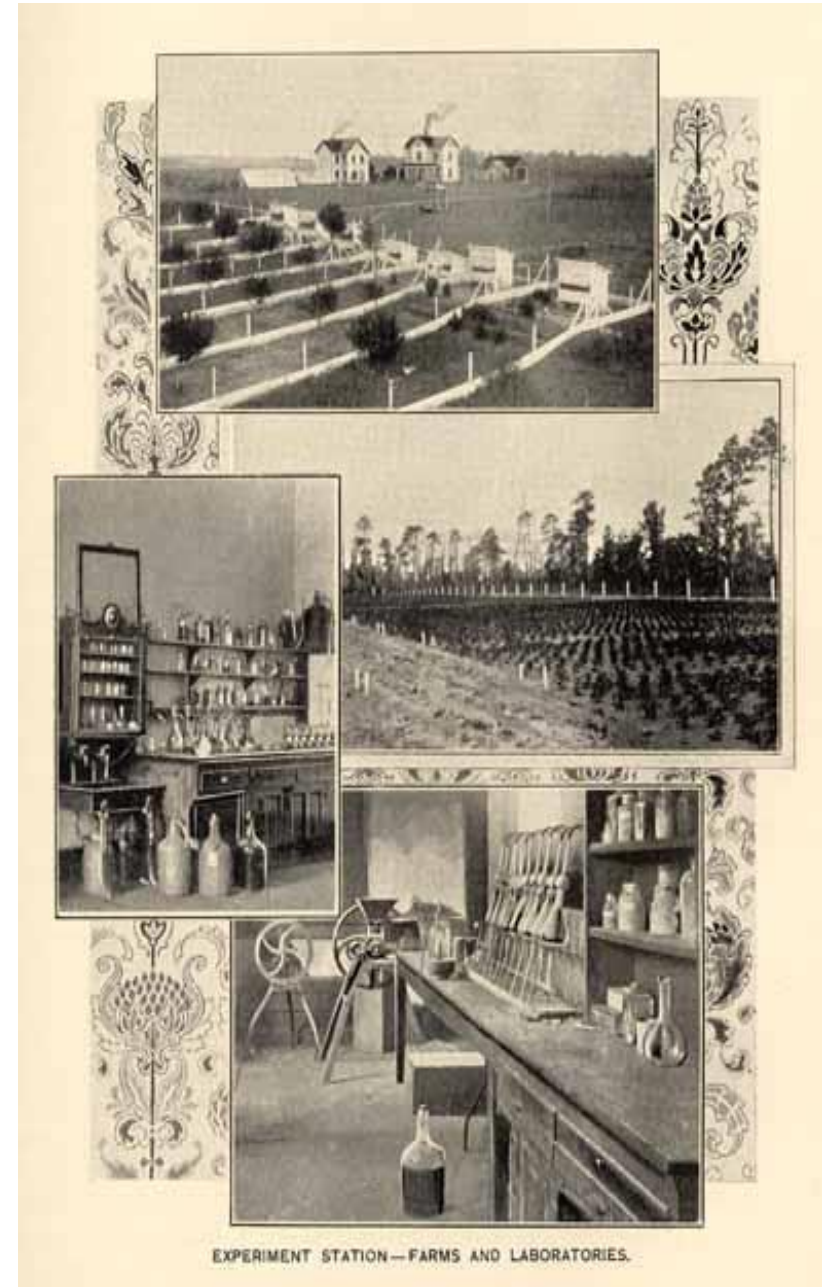


Farm Policy



19th to early 20th century: Expansion, scientific agriculture, and market development

- **Land distribution and infrastructure development**--to encourage settlement and markets
- **Science and education**—research, education and extension to improve farming and farm life
- **Information, credit, and marketing**—to assist farmers' participation in changing economy



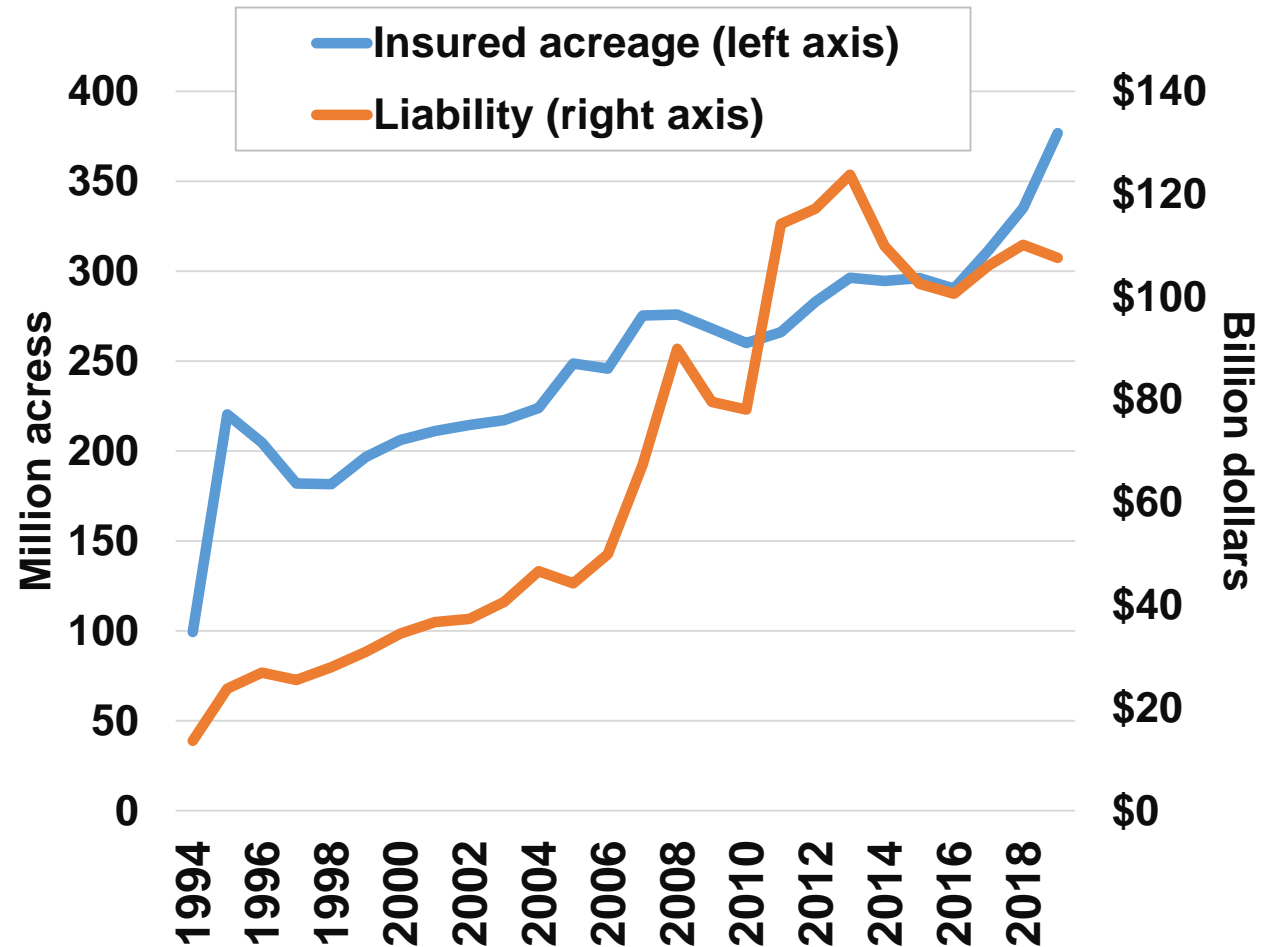
20th-21st century: Productivity Impacts



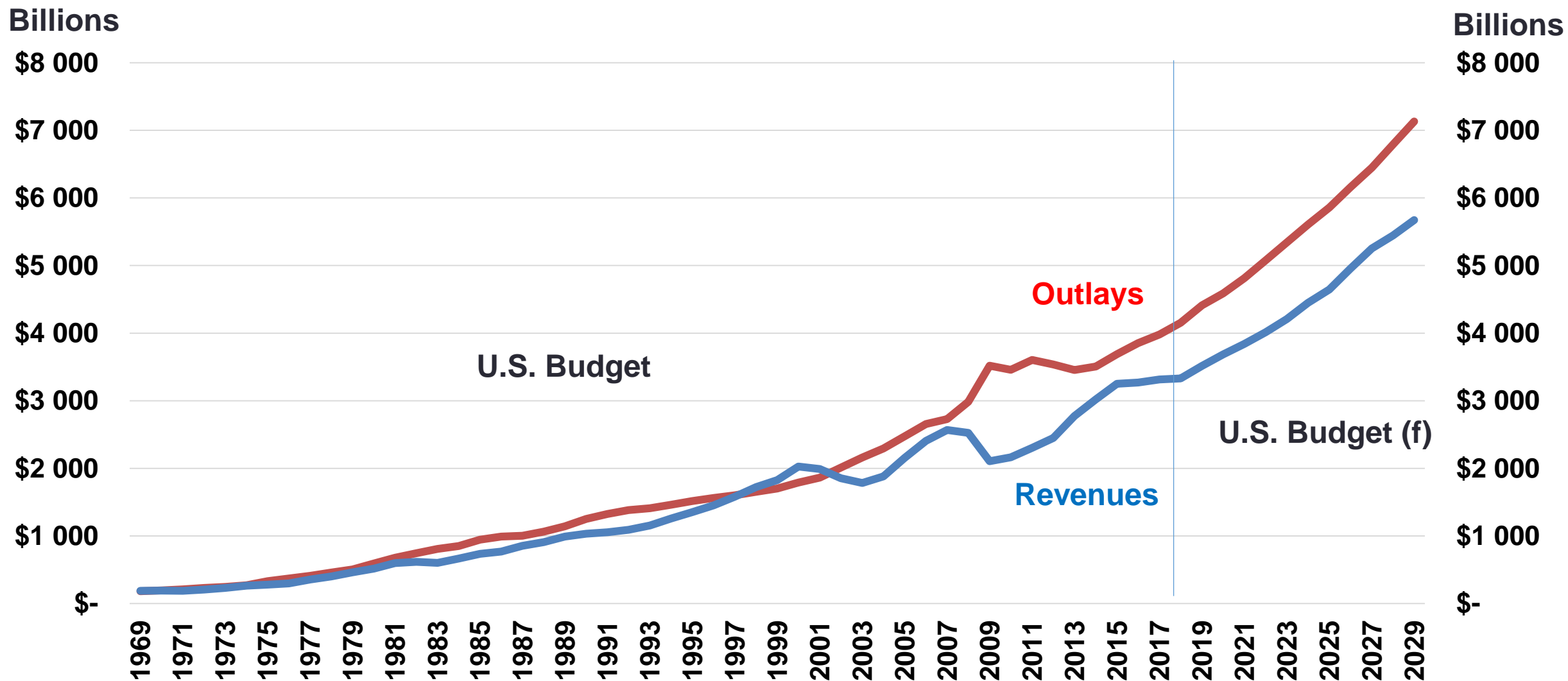
- **Securing post-war prosperity**
 - High price supports
- **Adjusting to explosive productivity gains**
 - Adjust price supports
 - Distribute surplus stocks
 - Increase acreage reductions
- **Responding to globalization**
 - End price supports & acreage controls
 - Move toward risk management

...culminate in greater focus on risk management...

- Decoupled payments replace target prices and deficiency payments
- Planting flexibility replaces acreage and marketing controls
- Crop insurance program expanded



Context: Continued budget pressures limit funds for Farm Bill



2018 Farm Bill: 4 titles dominate projected outlays

Nutrition (\$326 billion)

Crop Insurance (\$38 billion)

Commodity Policy (\$31.4 billion)

Conservation (\$29.3 billion)

Other (\$3.5 billion)

Trade

Credit

Rural Development

Research, Extension, and Related Matters

Forestry

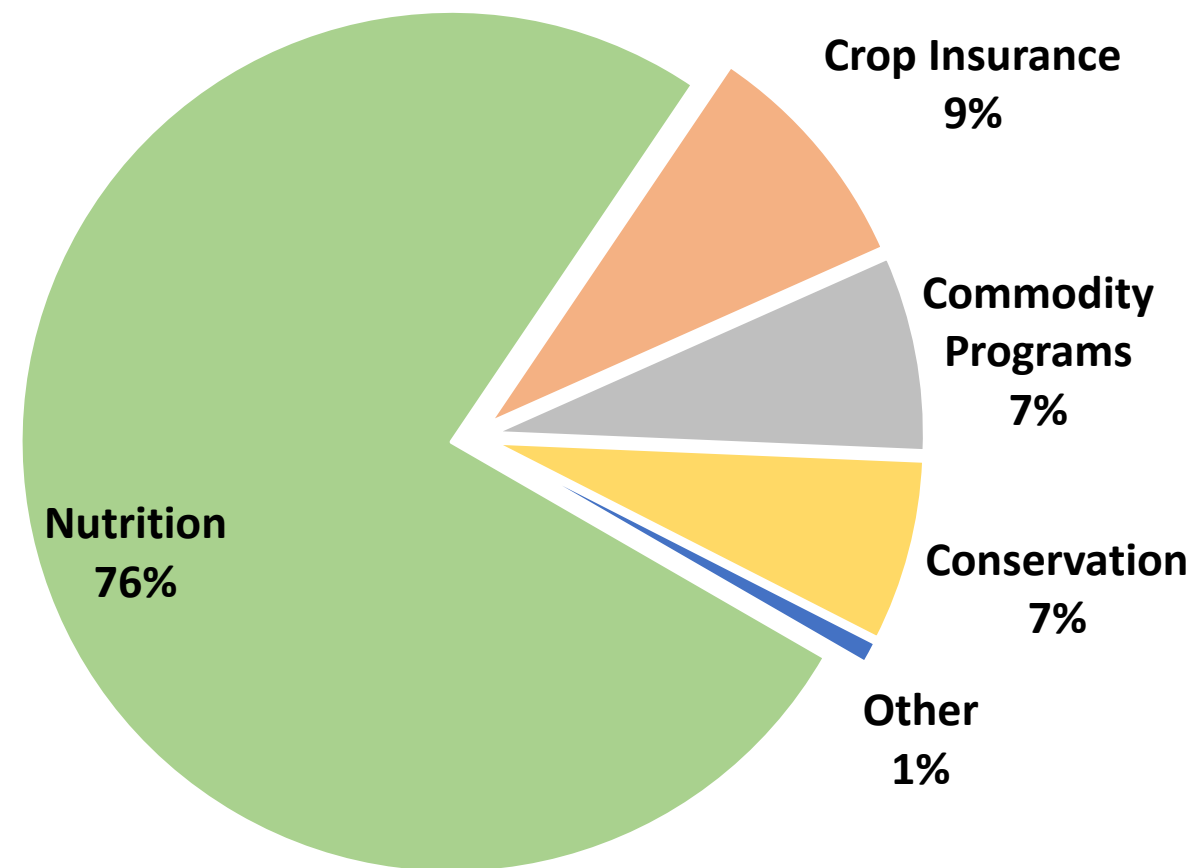
Energy

Horticulture

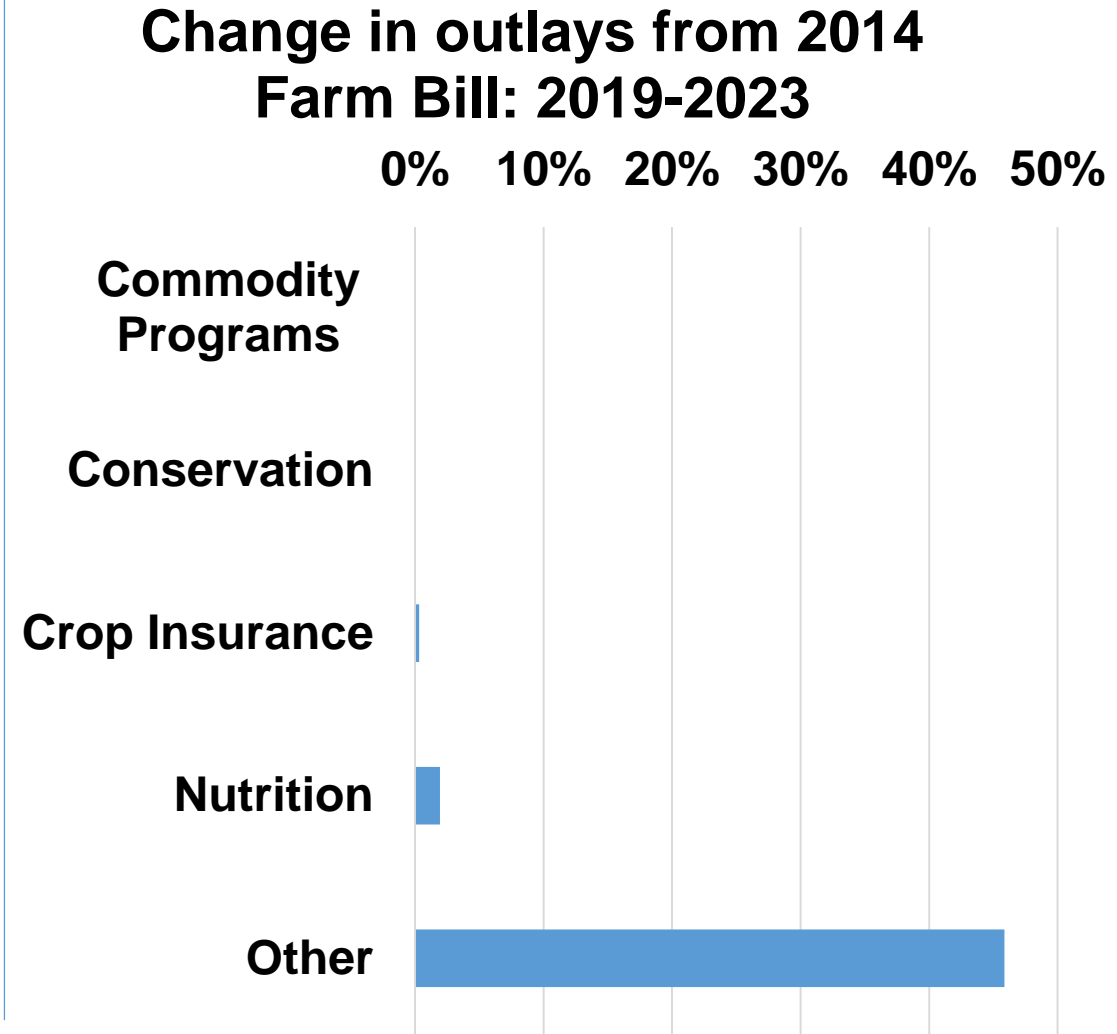
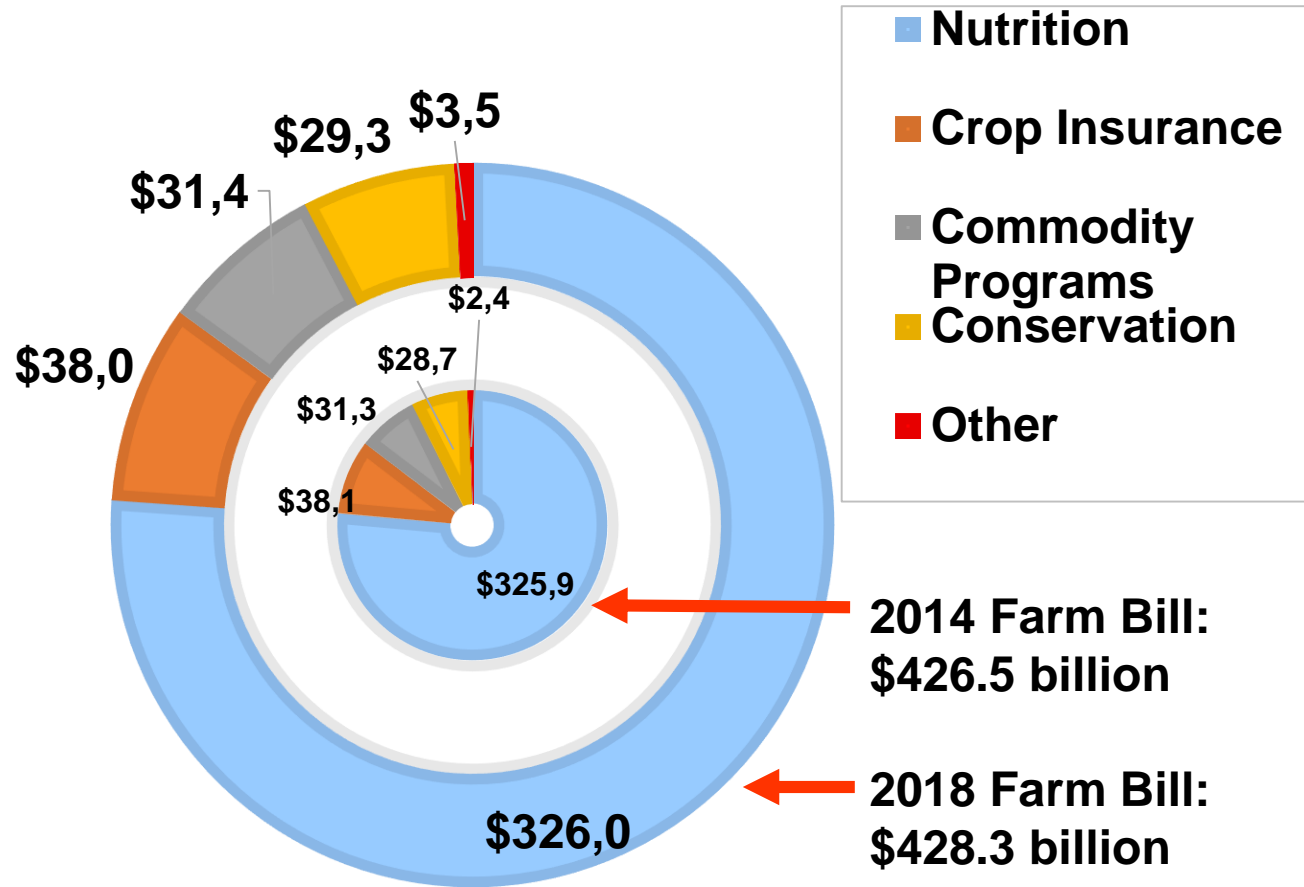
Miscellaneous

5-yr total = \$428 billion

2018 Farm Bill Outlays: 2019-2023



Generally, outlays are not projected to change under the 2018 Farm Bill

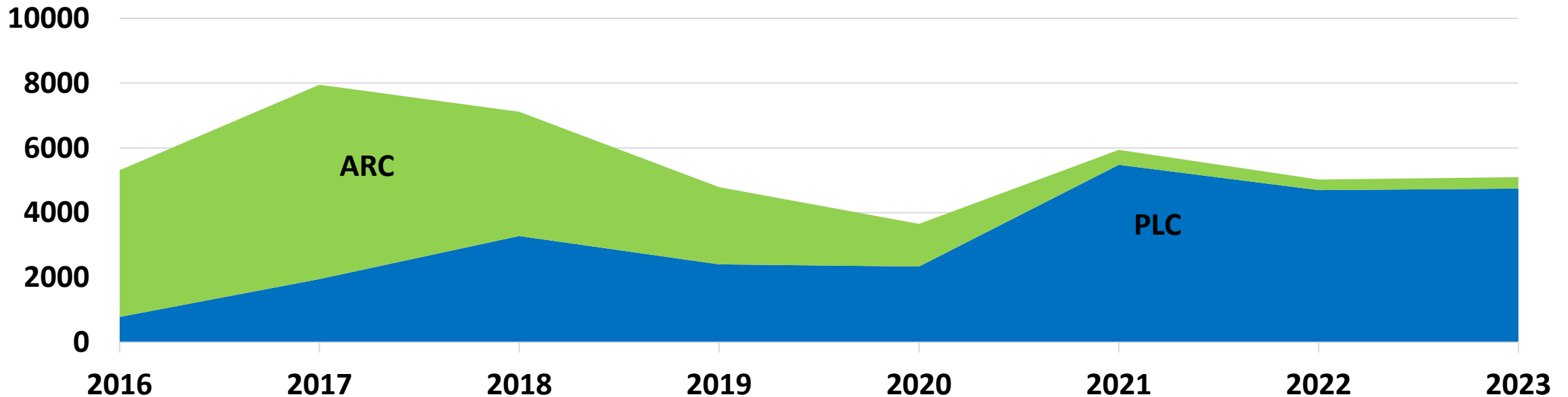


Title I: Commodities (crops)

Few changes to Agriculture Risk Coverage and Price Loss Coverage programs

- Remains decoupled from production base
- Flexible “effective reference price”
- Yield updating permitted for PLC
- Yield adjustments for ARC
- Annual reelections permitted beginning crop year 2021
- Seed cotton added in 2018

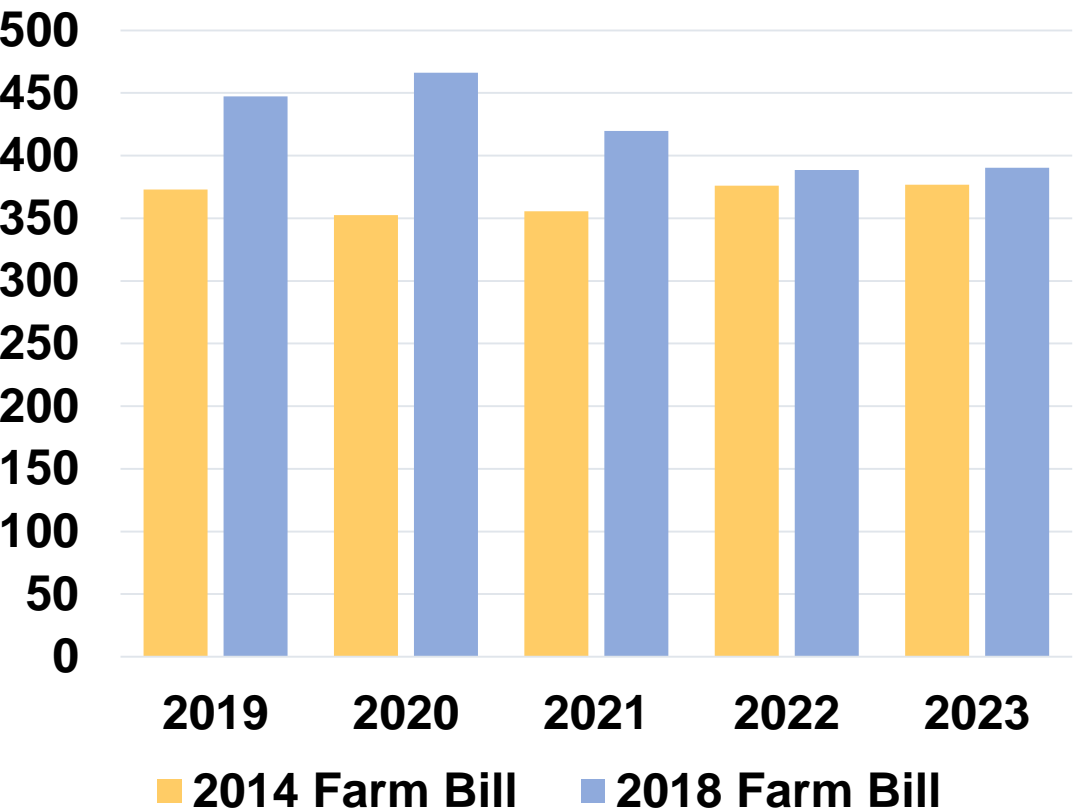
US\$ billion



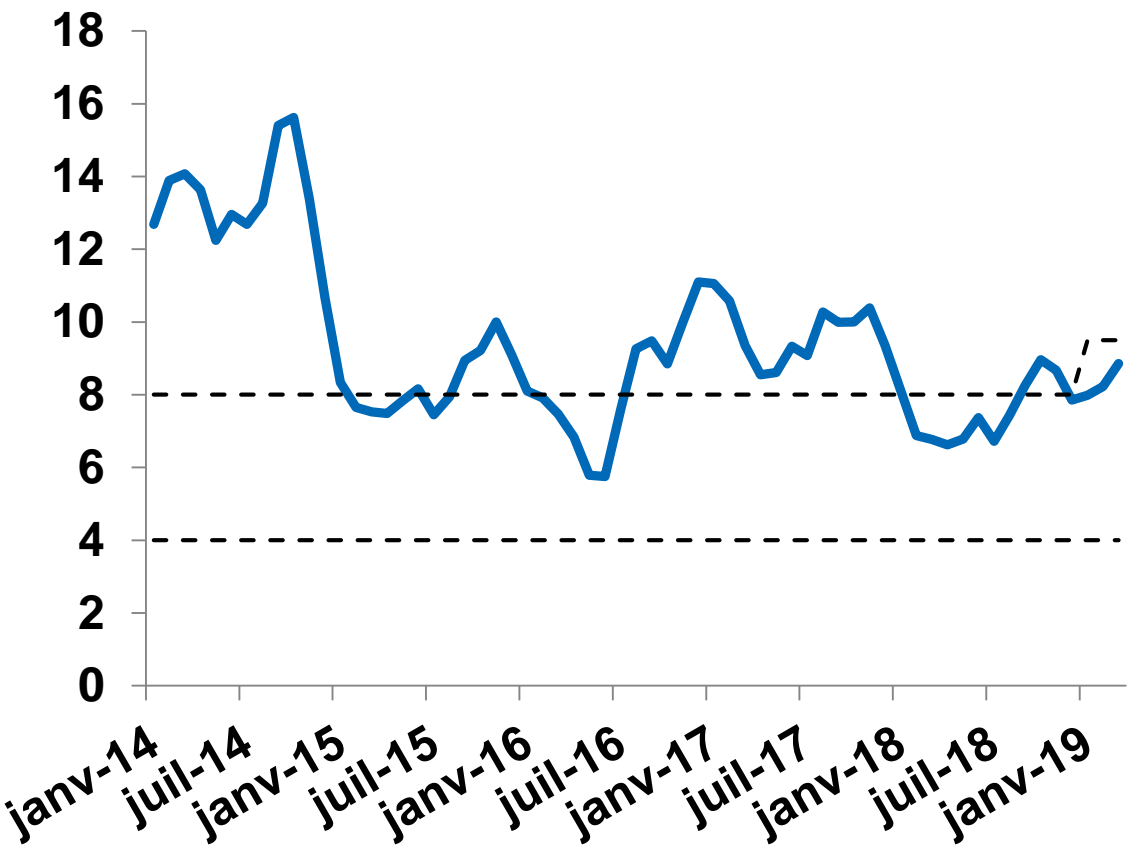
Title I: Dairy

Dairy program adjusted to increase potential coverage, reduce costs for producers

US\$ billion outlays



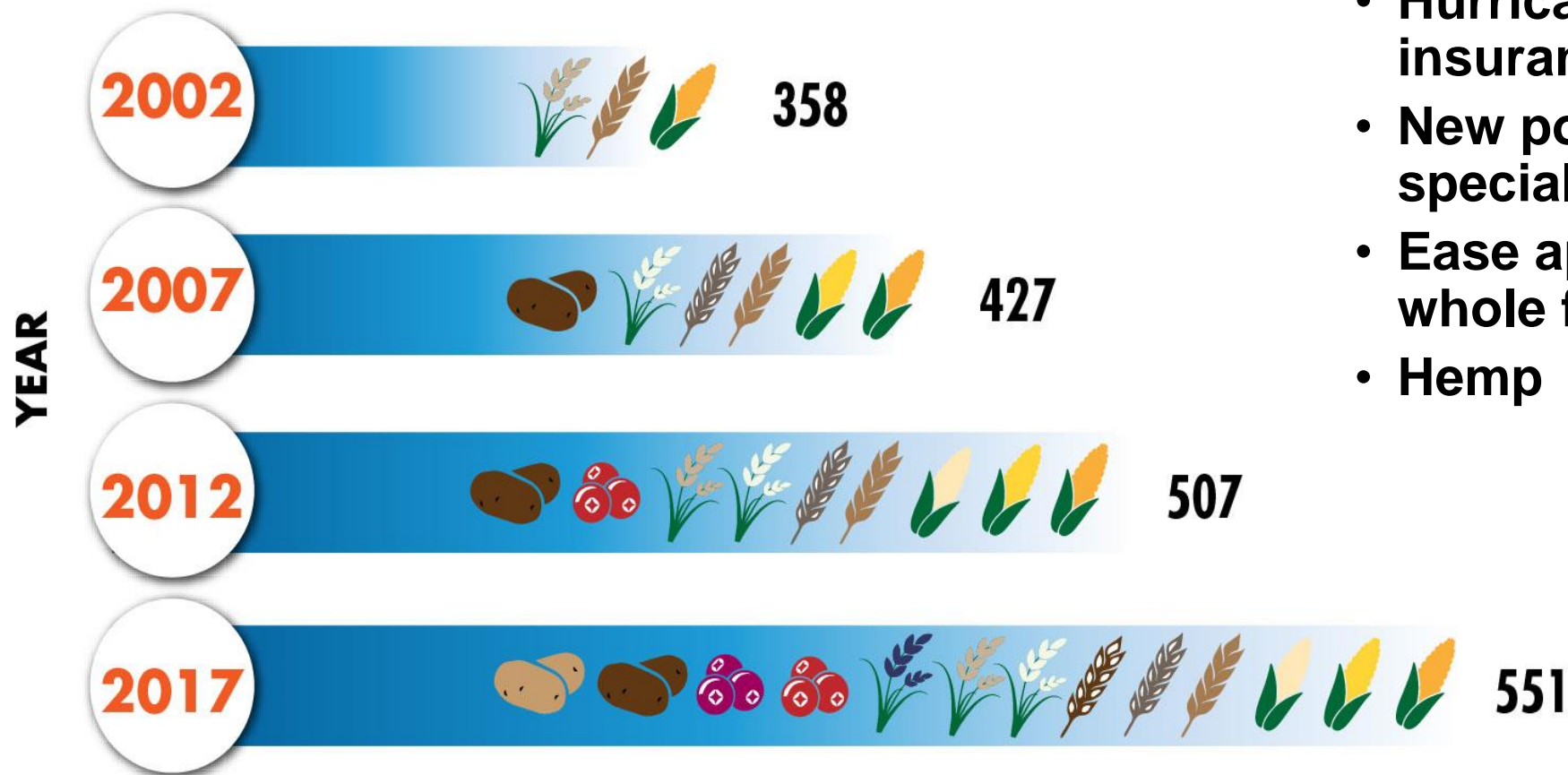
US\$/cwt margin



Source: CBO baseline Apr 2018, Jan 2019; USDA-FSA Dairy Margin Coverage Program data

Title XI: Crop insurance

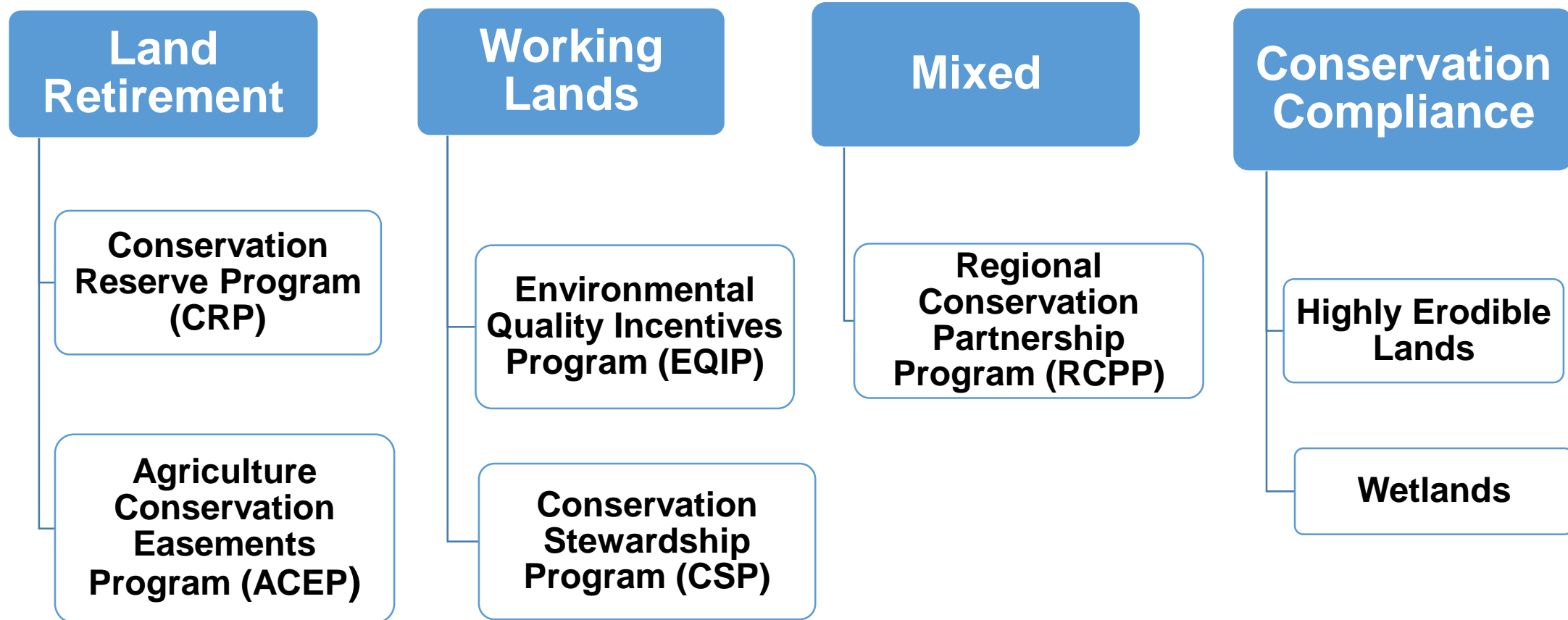
NUMBER OF CROPS AND TYPES INSURED*



- RMA tasked with developing new coverage products
 - Hurricane/tropical storm insurance product
 - New policy options for specialty crops
 - Ease application process for whole farm policies
 - Hemp

* Includes all crops and livestock. Excludes Whole-Farm Revenue Protection

Title II: Conservation



Eligibility and payment limitations remain unchanged

Criteria	Scope
Conservation compliance (highly erodible soils, wetlands)	all commodity, conservation, and crop insurance programs
“actively engaged in farming”	all commodity, conservation, and crop insurance programs
Adjusted Gross Income < \$900,000	commodity and conservation programs
Payment limitation = \$125,000 per individual or entity	ARC/PLC and for the Livestock Forage Program

actively engaged in farming: to provide significant contributions to the farming operation. Contributions can consist of capital, land, and/or equipment, as well as active personal labor and/or active personal management. The management contribution must be critical to the profitability of the farming operation and the contributions must be at risk.

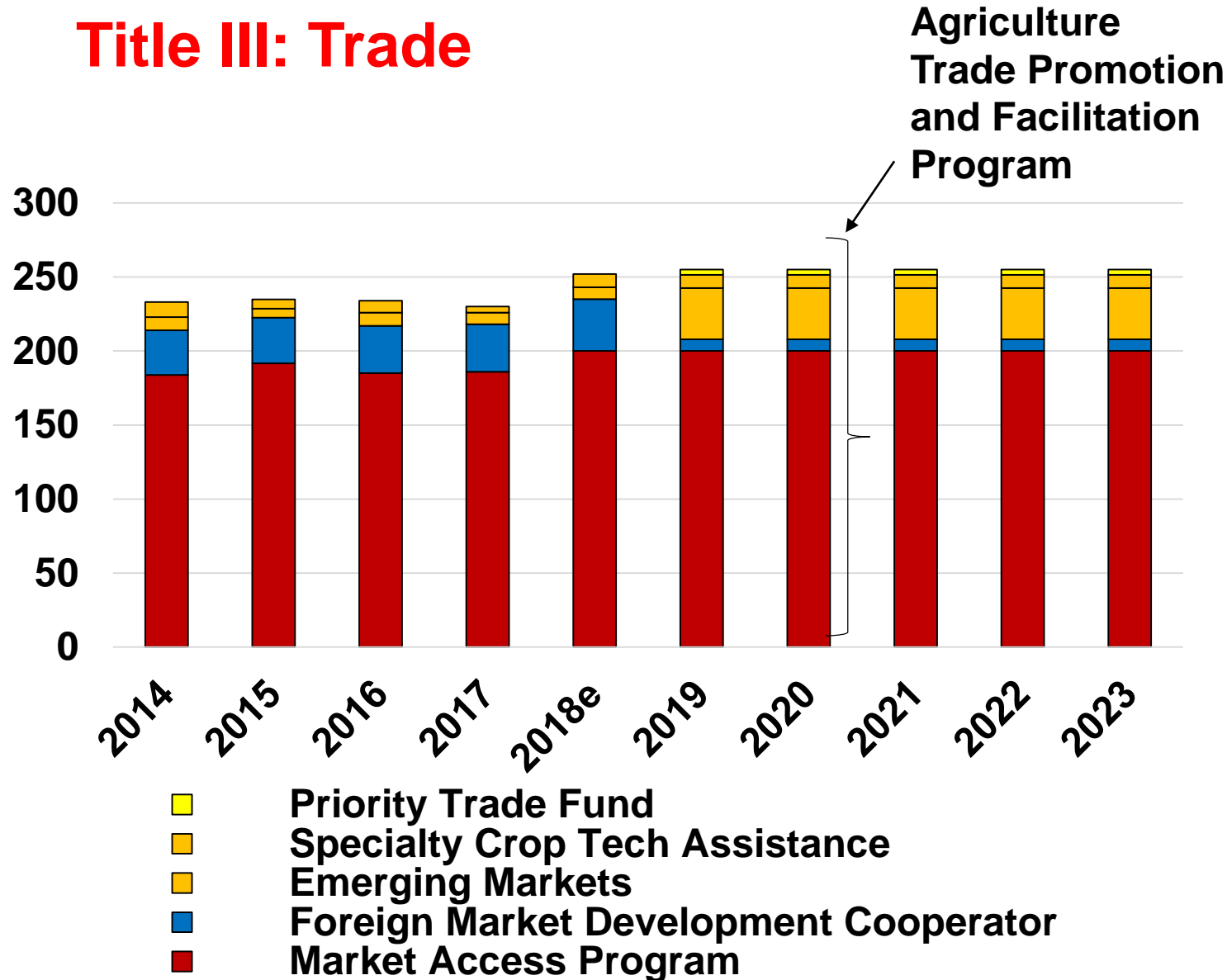
Other farm-related provisions

- **Credit**
 - **Increase in maximum authorized levels for farm ownership and operating loans**
- **New and disadvantaged farmers**
 - **Continued payment and loan carve-outs and technical assistance for beginning farmers and intergenerational farm transfers**
- **Specialty crops**
 - **Non-insured Crop Assistance Program buy-up option made permanent**
 - **Renewed commitment to improving crop insurance products**
 - **Hemp now an insurable crop and eligible for research grants**
 - **Study commissioned on viability of hemp as an industrial crop**

Organic agriculture and local foods

- **Organic agriculture**
 - **Conservation provisions for organic producers and transitioning producers**
 - **Inclusion of organic producers in Market Access program**
 - **New permanent funding for research**
 - **Certification cost-share**
 - **Data initiatives**
 - **Improved crop insurance**
- **Local foods**
 - **Local Agriculture Market Program—business and market development along the local and regional food system value chains**
 - **Gus Schumacher Nutrition Incentive Program—fresh fruits & vegetables to SNAP participants and a new Produce Prescription Program for at-risk low-income**
 - **Office of Urban Agriculture and Innovative Production—research on urban, indoor, and other alternative agriculture production methods**

Title III: Trade

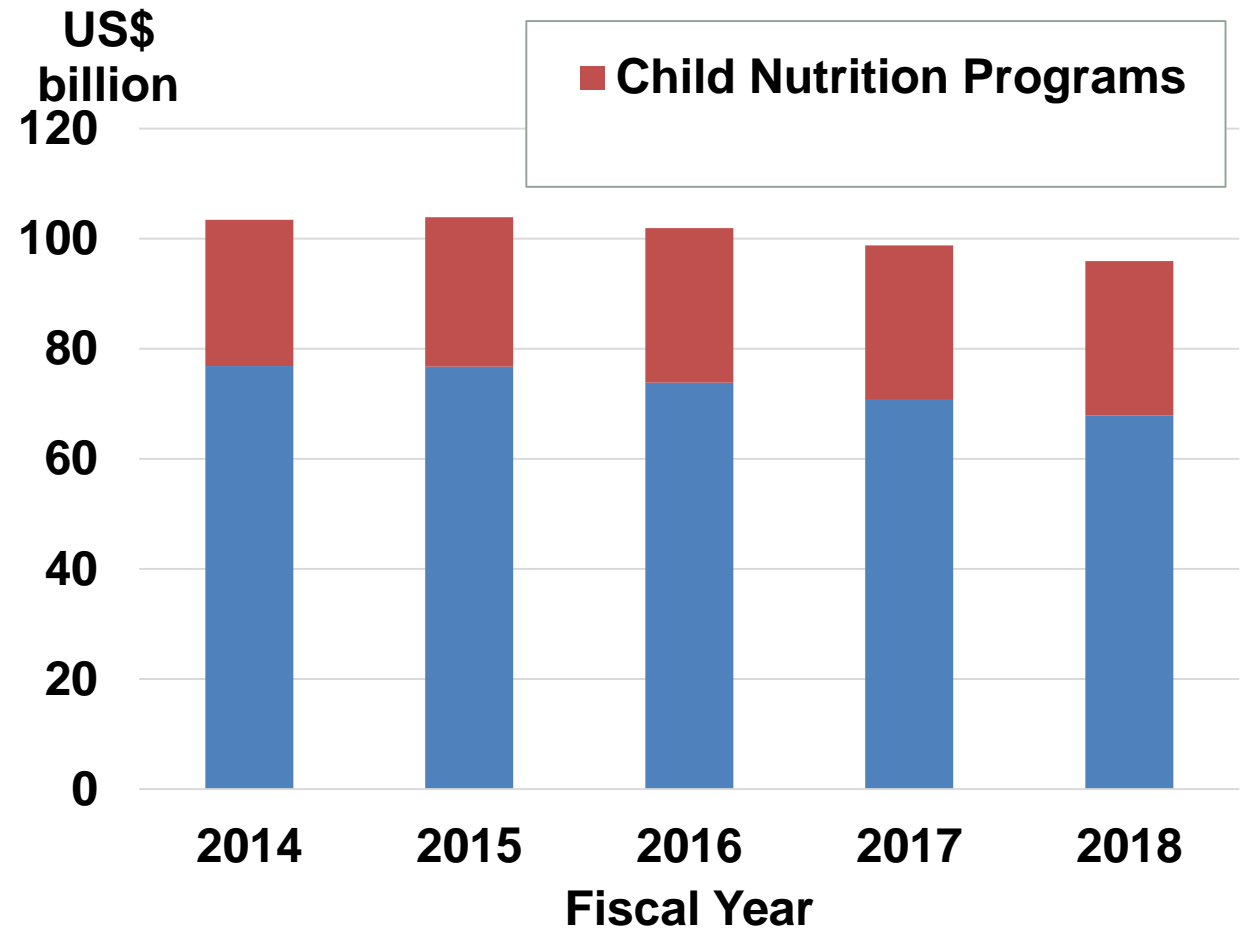


- Consolidates market development programs to enhance effort to build new markets for U.S. agriculture and food products
- Expands international technical assistance and extension programs to improve trade and address global food insecurity

Title IV: Nutrition

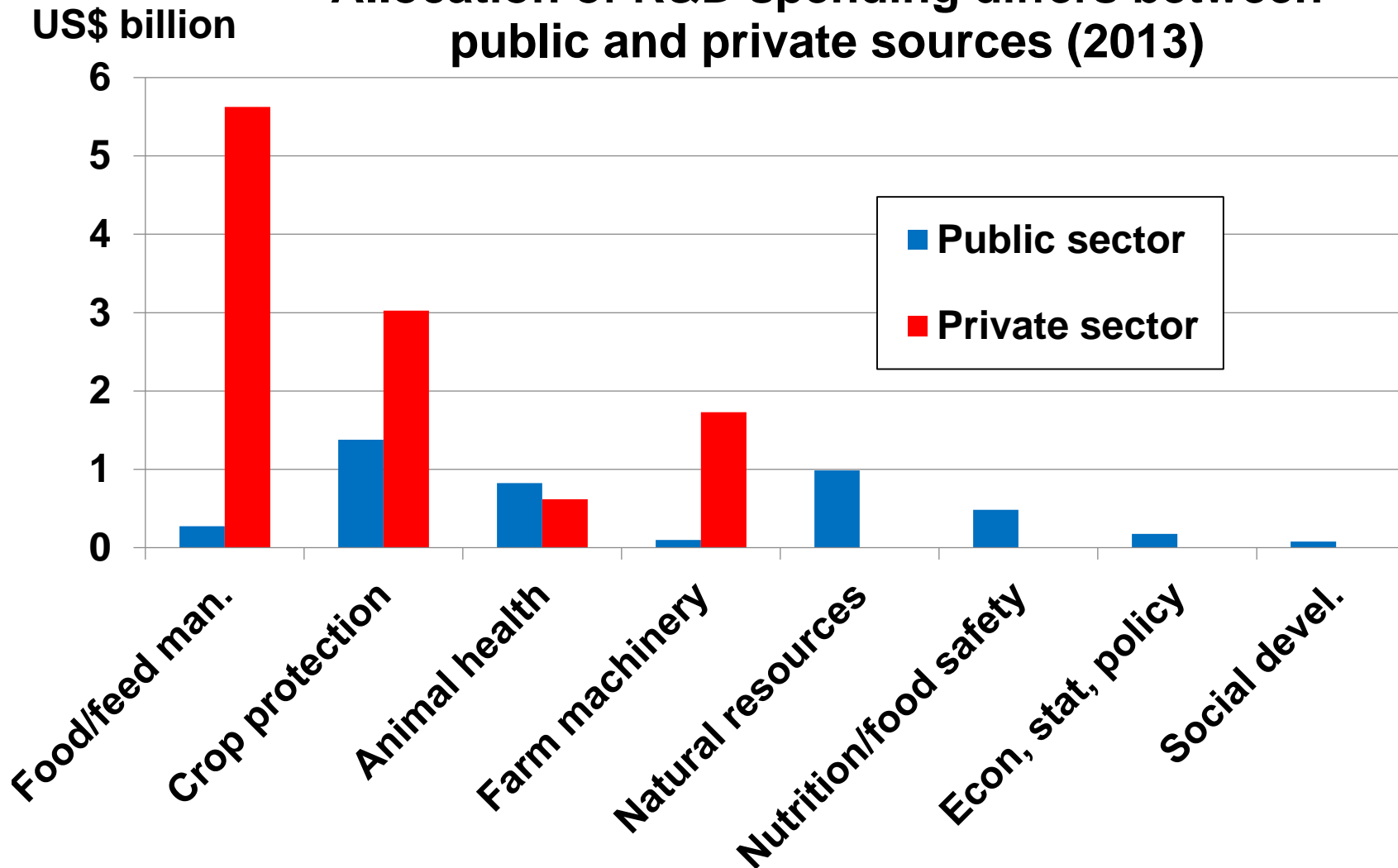
- Funding is increased for SNAP employment and training program; no changes to work requirements
- General SNAP eligibility is for families < 130% of poverty line (approximately \$27,000 for a family of three)

SNAP outlays are the largest share of Farm Bill spending and of overall nutrition spending



Title VII: Research and Extension

Allocation of R&D spending differs between public and private sources (2013)



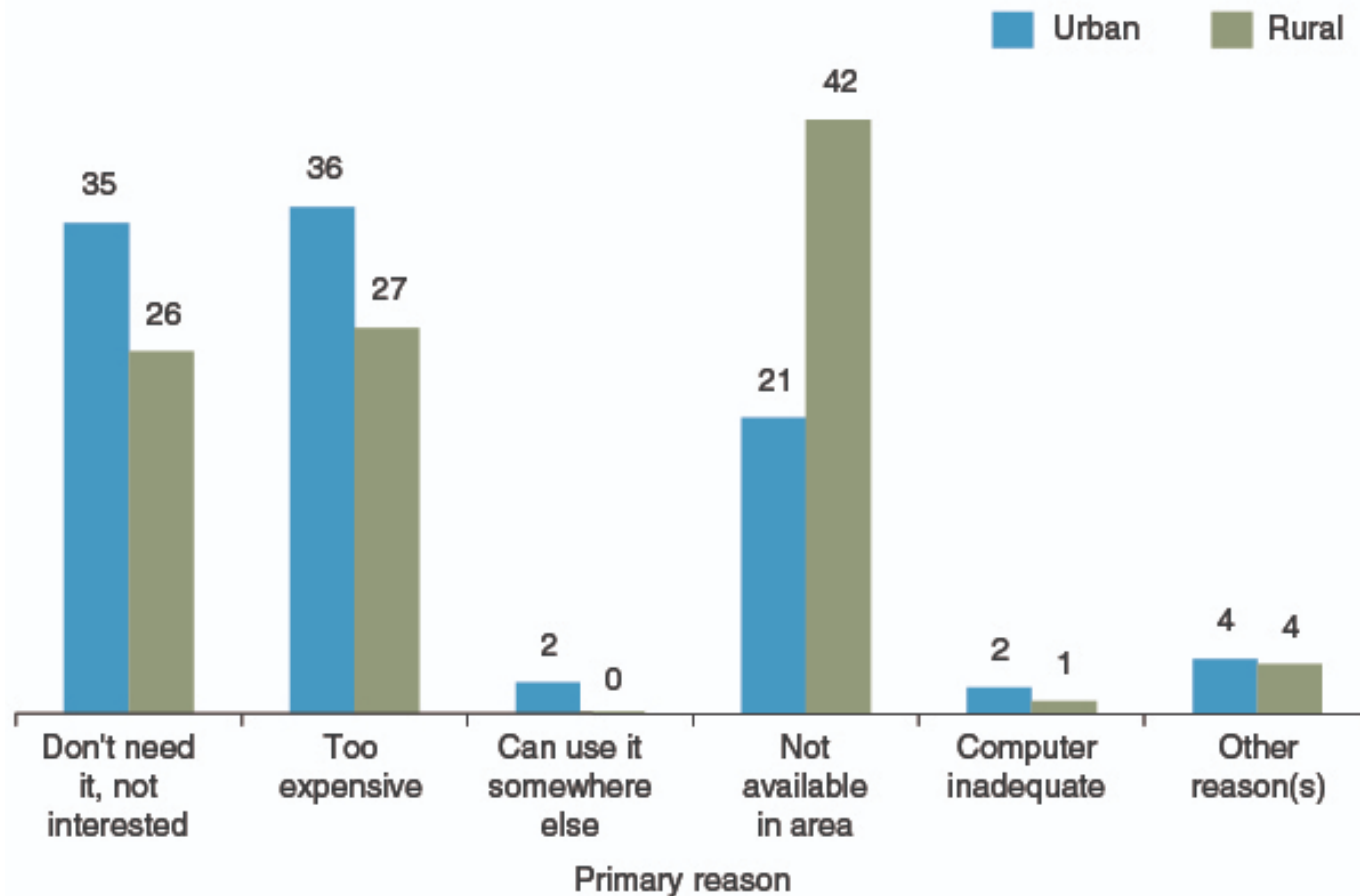
- New Agricultural Advanced Research and Development Authority (AGARDA) will focus on basic and long-term research not supported by industry

Title VI: Rural Development

- Prioritizes program funding for projects to address substance abuse disorders
- Expands focus on providing and enhancing high-speed broadband and other digital services
- Requires reinstatement of the Under Secretary for Rural Development position

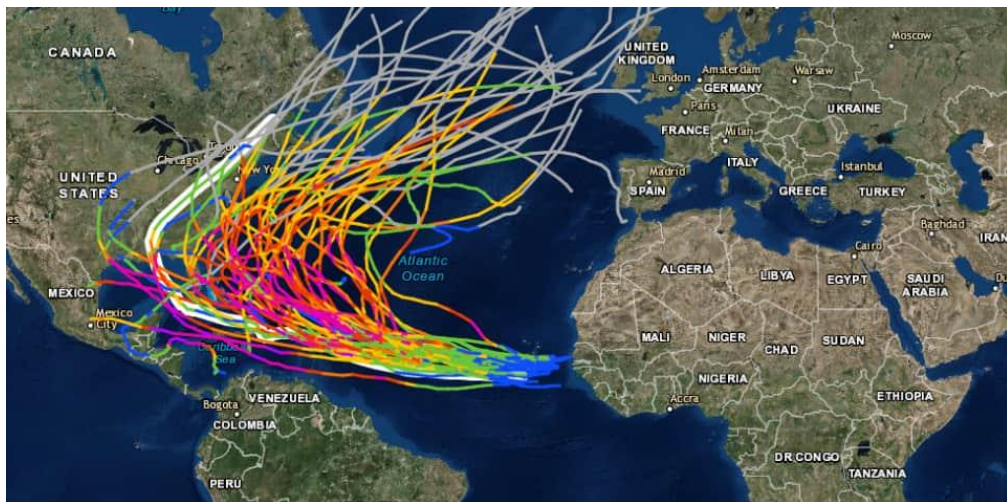
Lack of availability is the most cited reason by rural households for not having in-home broadband service

Percent of nonbroadband households



Source: USDA, Economic Research Service using data from Bureau of Census, Current Population Survey.

But farm policy has also responded to unexpected conditions...

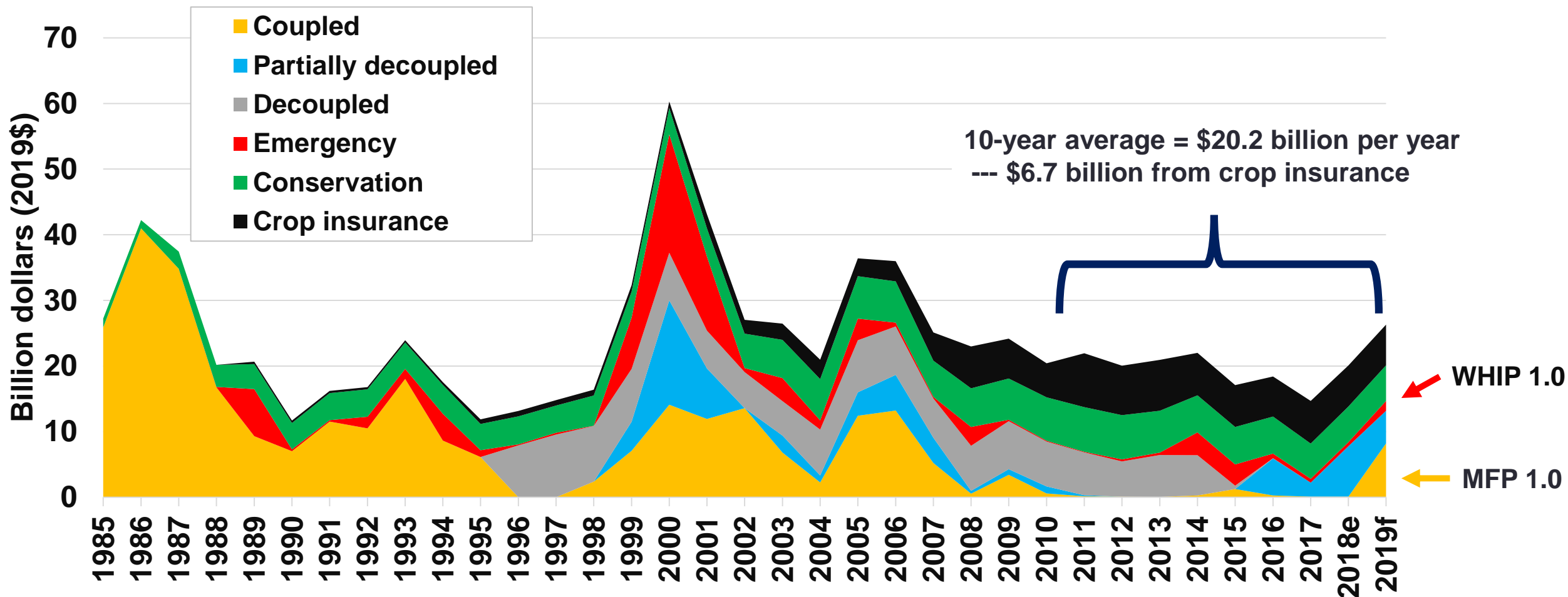


<https://oceanservice.noaa.gov/news/historical-hurricanes/>

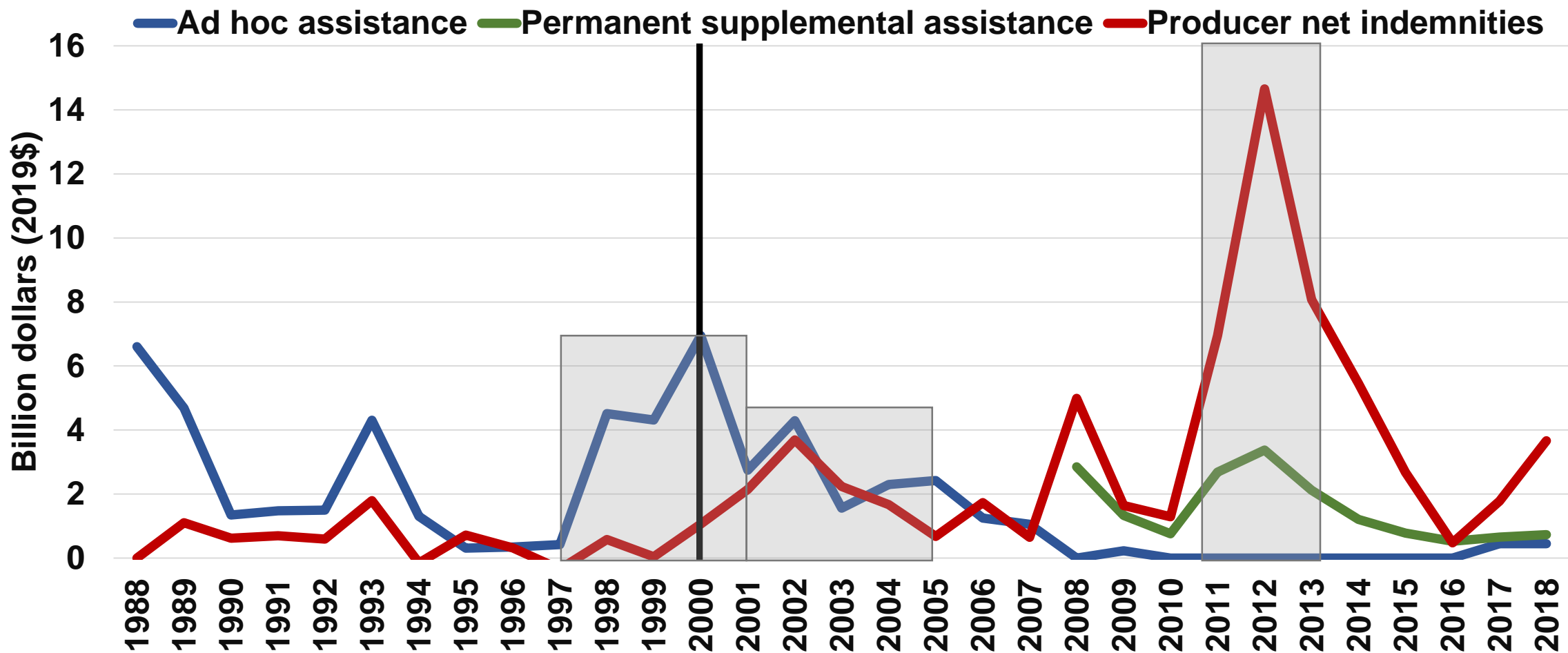


<https://www.dtnpf.com/agriculture/web/ag/equipment/article/2018/09/04/farmers-typically-sell-soybeans-may>

Characteristics of US farm programs changing over time; crop insurance increasing in importance



Crop insurance indemnities began to replace ad hoc assistance with ARPA in 2000



Links to the latest WASDE related publications

WASDE: World Agricultural Supply and Demand Estimates (Next WASDE Oct. 10)

Secretary's WASDE Briefing Slides

USDA World Agricultural Supply and Demand Estimates Report of April 11, 2017 Interagency Commodity Estimates Committee Forecasts World Agricultural Outlook Board, Chair Economic Research Service Foreign Agricultural Service Farm Service Agency Agricultural Marketing Service

USDA World Agricultural Supply and Demand Estimates WHEAT: U.S. wheat ending stocks for 2016/17 are revised 30 million bushels on lower harvest and increased use... CORN: U.S. corn ending stocks for 2016/17 are revised 1.7 million bushels due to higher projected... SOYBEANS: U.S. soybean ending stocks for 2016/17 are revised 1.1 million bushels due to higher projected...

USDA World Agricultural Production Brazil Corn, Cotton, and Soybean Crops: Record Yields Boost Production Outlook... The record crop yields in Brazil have been determined by favorable weather with well-distributed and adequate rainfall and adequate harvest conditions...

FAS: World Agricultural Production

Weekly Weather and Crop Bulletin

USDA WEEKLY WEATHER AND CROP BULLETIN U.S. DEPARTMENT OF COMMERCE U.S. DEPARTMENT OF AGRICULTURE... The weather map shows the United States with color-coded regions indicating temperature and precipitation trends.

USDA/NASS Crop Progress Report

Crop Progress Report table with columns for Crop, State, and Progress. Includes sections for Corn Progress - Selected States and Corn Harvested - Selected States.

USDA Agricultural Projections to 2028

USDA Agricultural Projections to 2028 Interagency Agricultural Projections Committee World Agricultural Outlook Board, Chair Economic Research Service Farm Service Agency Foreign Agricultural Service Agricultural Marketing Service Office of the Chief Economist Office of Budget and Program Analysis Risk Management Agency Natural Resources Conservation Service National Institute of Food and Agriculture