2014 Montana Agricultural Outlook

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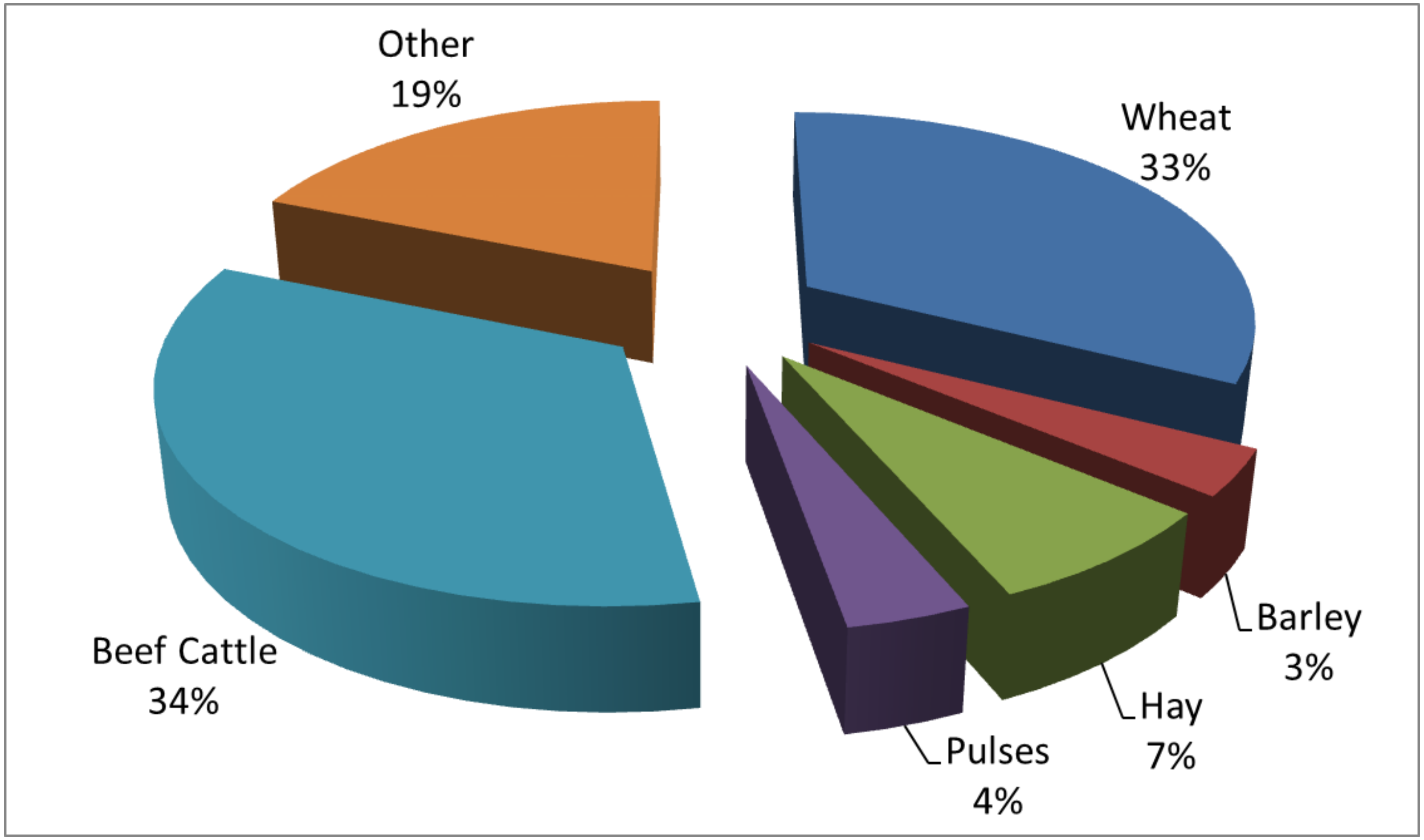
Data Source: National Agricultural Statistics Service

Montana Field Office (Eric Sommer, Director)

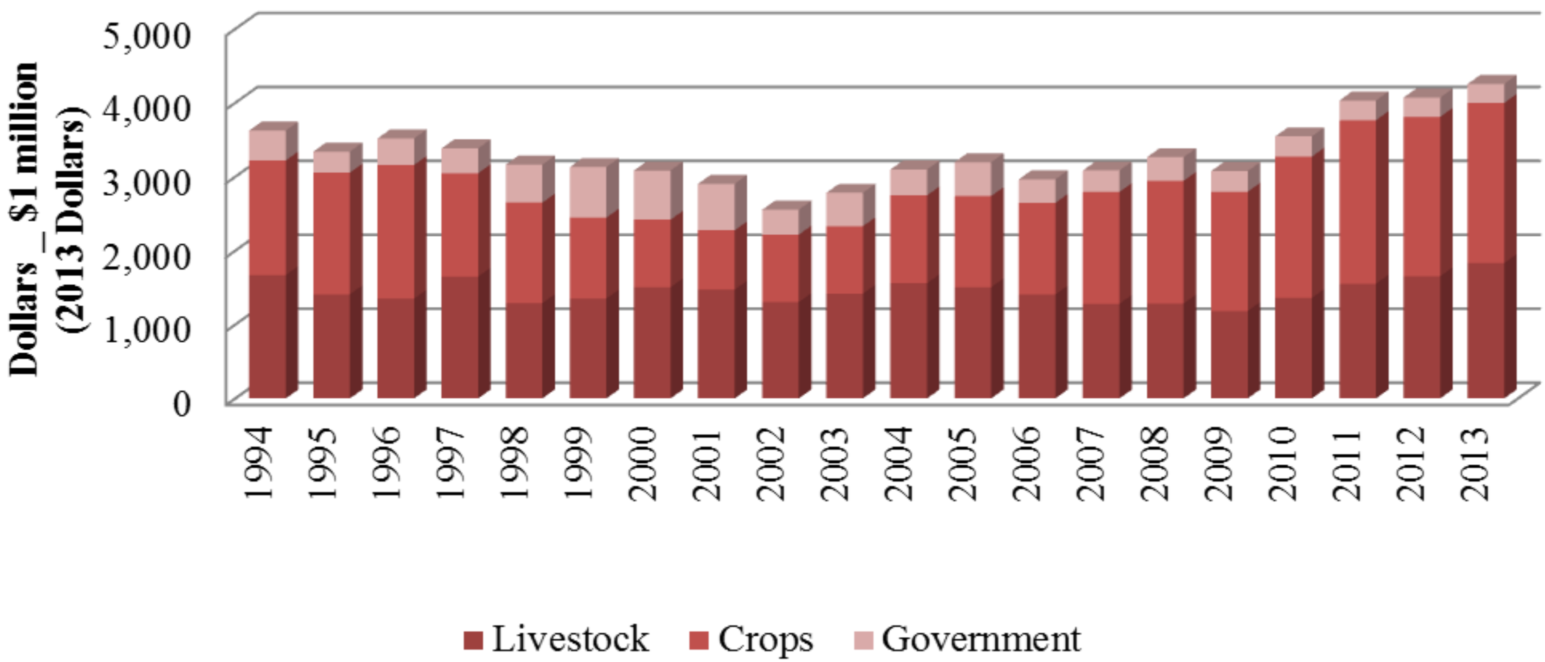
Gross Revenue Shares 2013



2013 "80% Recap"

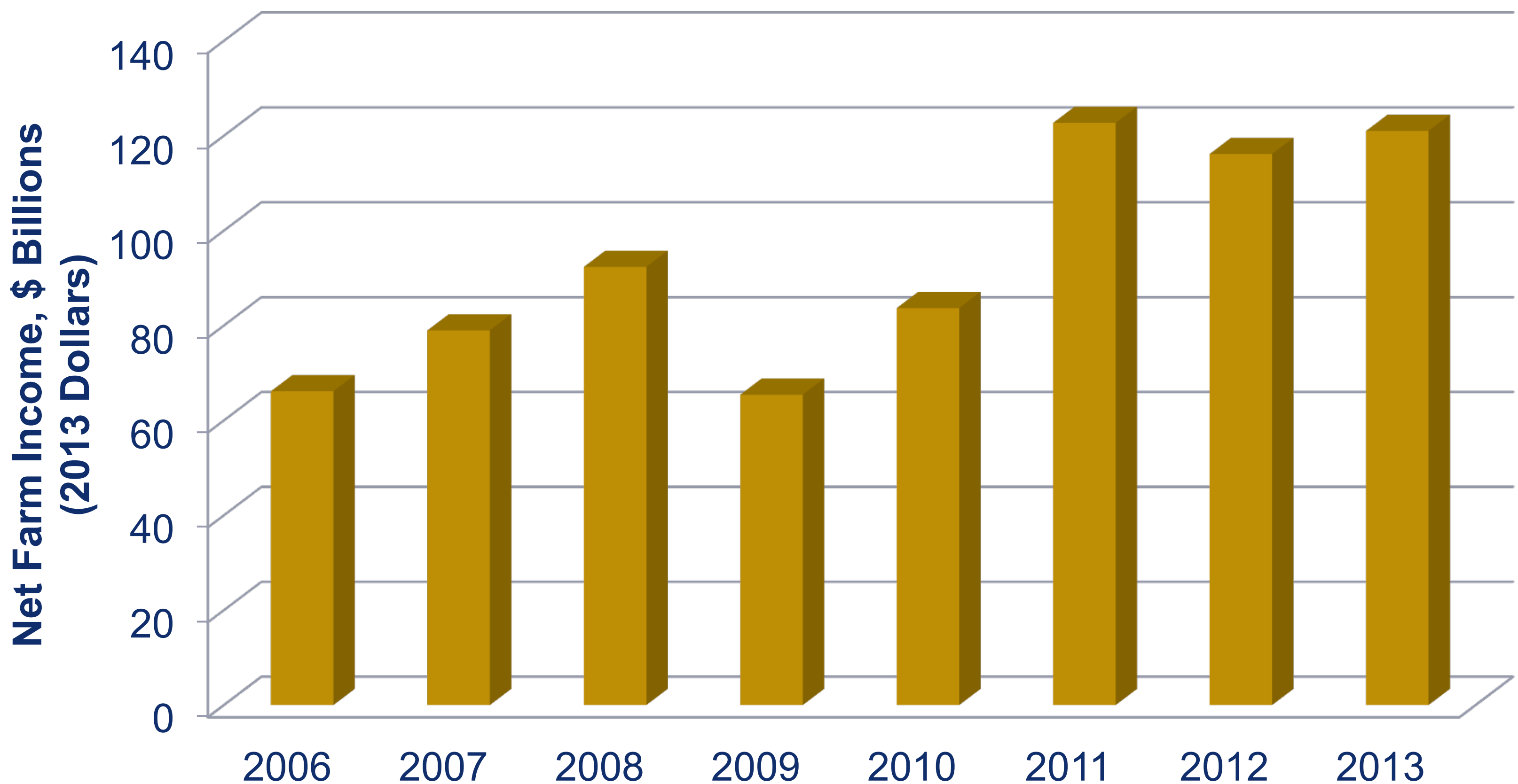
- **Crops**
  - All wheat & barley prices – down 10%
  - All wheat production
    - Winter wheat production – down 3%
    - Spring wheat production – up 10%
    - Barley production – up 7%
  - Sugar Beets – good yield, low sugar, low price
- **Cattle**
  - Cattle and Calf Prices – strong
    - Cow/calf producers are in the *right place*
  - Cow Herd – stable (to slight increase)

Montana
Gross Revenue Estimates



7% increase from 2012 – US net farm income up by 6%

Income Statement
U.S. Net Farm Income



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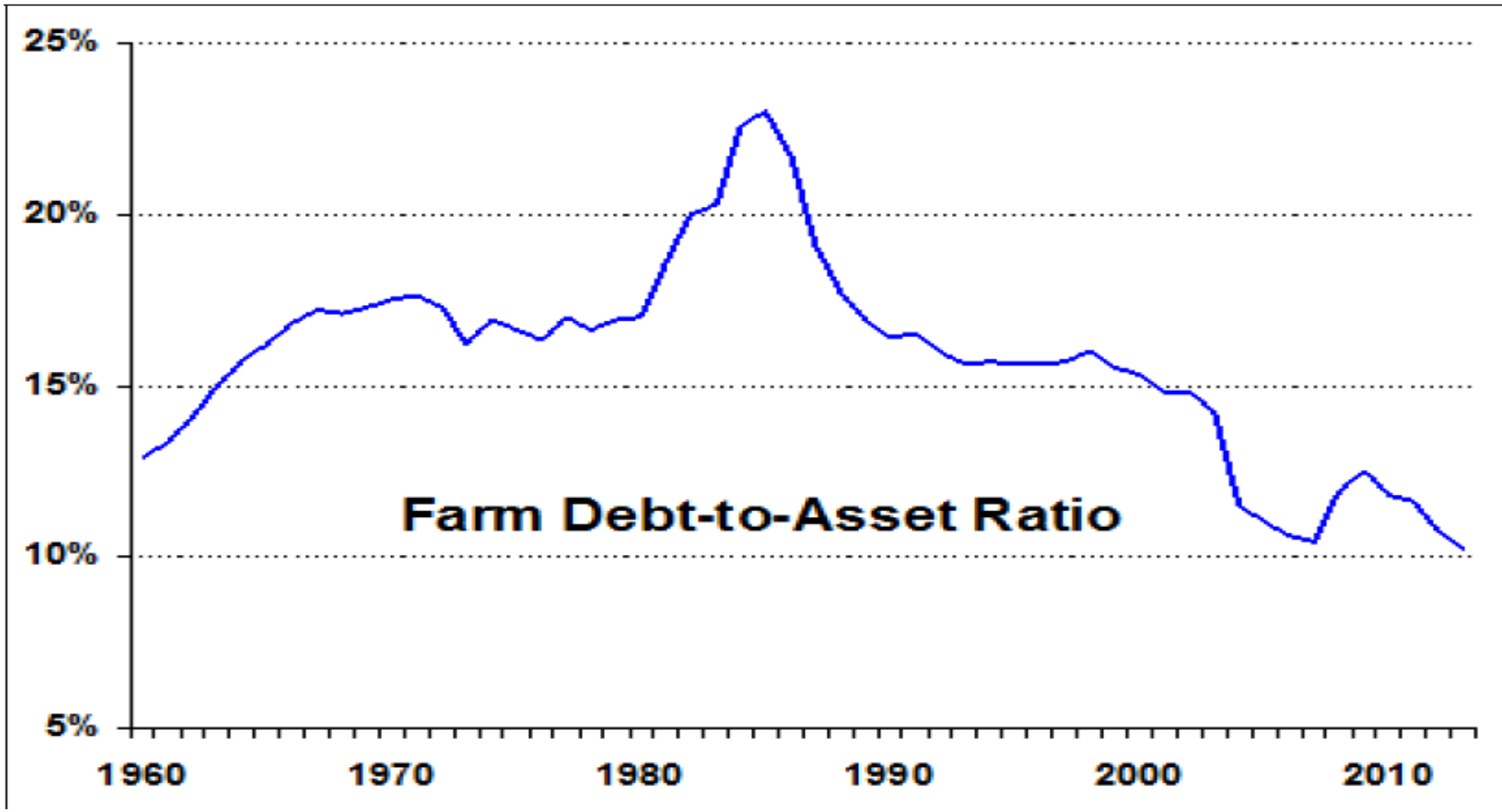
Mountains & Minds

Balance Sheet
U.S. Farm Debt:Asset Ratio

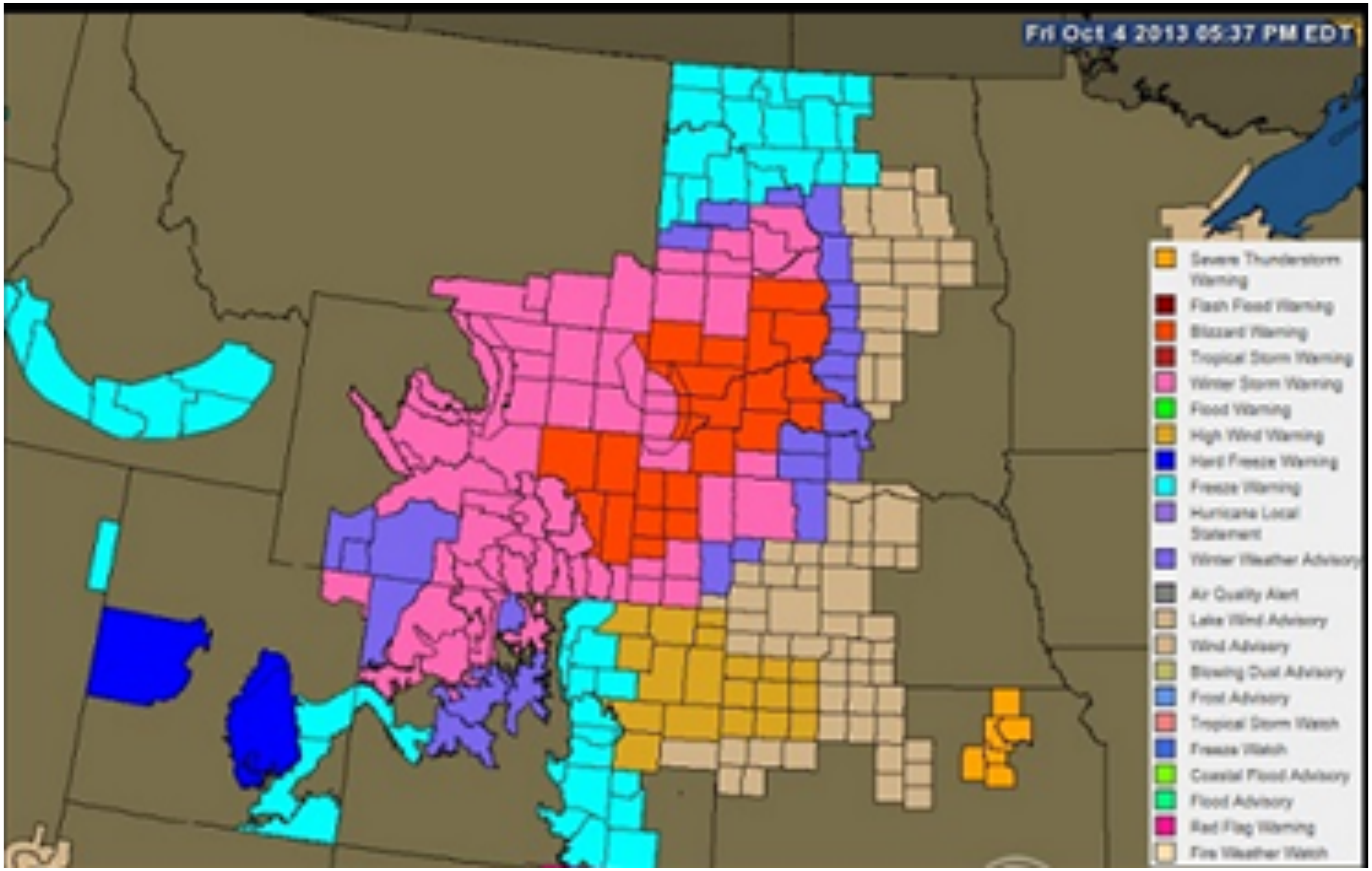


CRS, Schnepf – 8/30/13)

Uncertainty
Ranching Business

http://www.google.com/imgres?imgurl=http://i2.cdn.turner.com/cnn/dam/assets/131010013307-dead-cattle-blizzard-story top.jpg&imgrefurl=http://theextinctionprotocol.wordpress.com/2013/10/10/south-dakota-blizzard-kills-20000-head-of-cattle-shutdown-leaves-ranchers-in-the-cold/&h=360&w=640&sz=57&tbnid=M3WyHntZWdSi5M:&tbnh=90&tbnw=160&zoom=1&usg=__qlaMGznC3qW_th1cxcXnquT85VI=&docid=PSS2IhK5CI6QMM&sa=X&ei=TjRcUurZN6OhiAKkzIGgDw&ved=0CFQQ9QEwBw

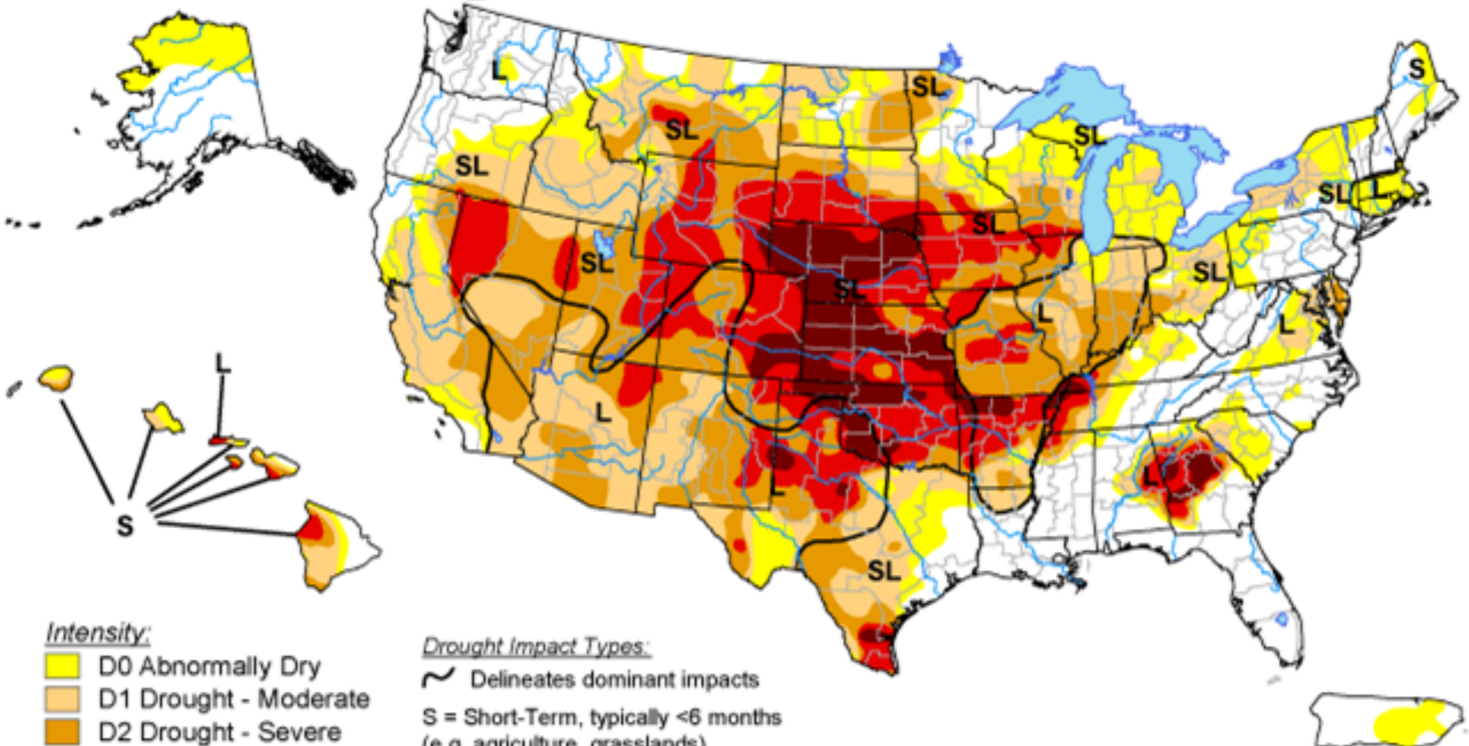
Ranching Business



http://www.nynjpaweather.com/wordpress/wp-content/uploads/2013/10/snow32.jpg

U.S. Drought Monitor

September 4, 2012
Valid 7 a.m. EDT



Intensity:

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

Drought Impact Types:

~ Delineates dominant impacts

S = Short-Term, typically <6 months (e.g. agriculture, grasslands)

L = Long-Term, typically >6 months (e.g. hydrology, ecology)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://droughtmonitor.unl.edu/

USDA National Drought Mitigation Center

Released Thursday, September 6, 2012

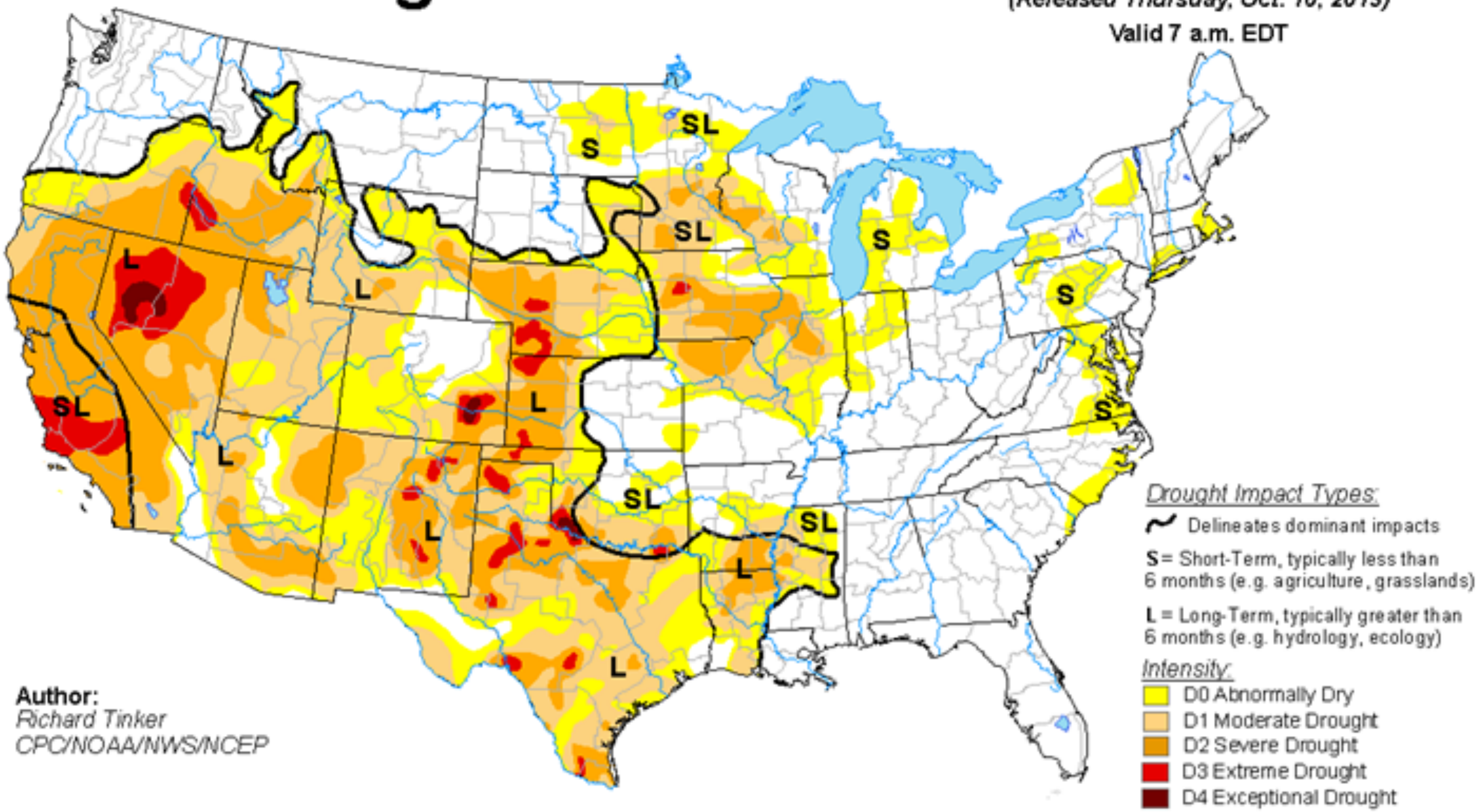
Author: Brian Fuchs, National Drought Mitigation Center

U.S. Drought Monitor

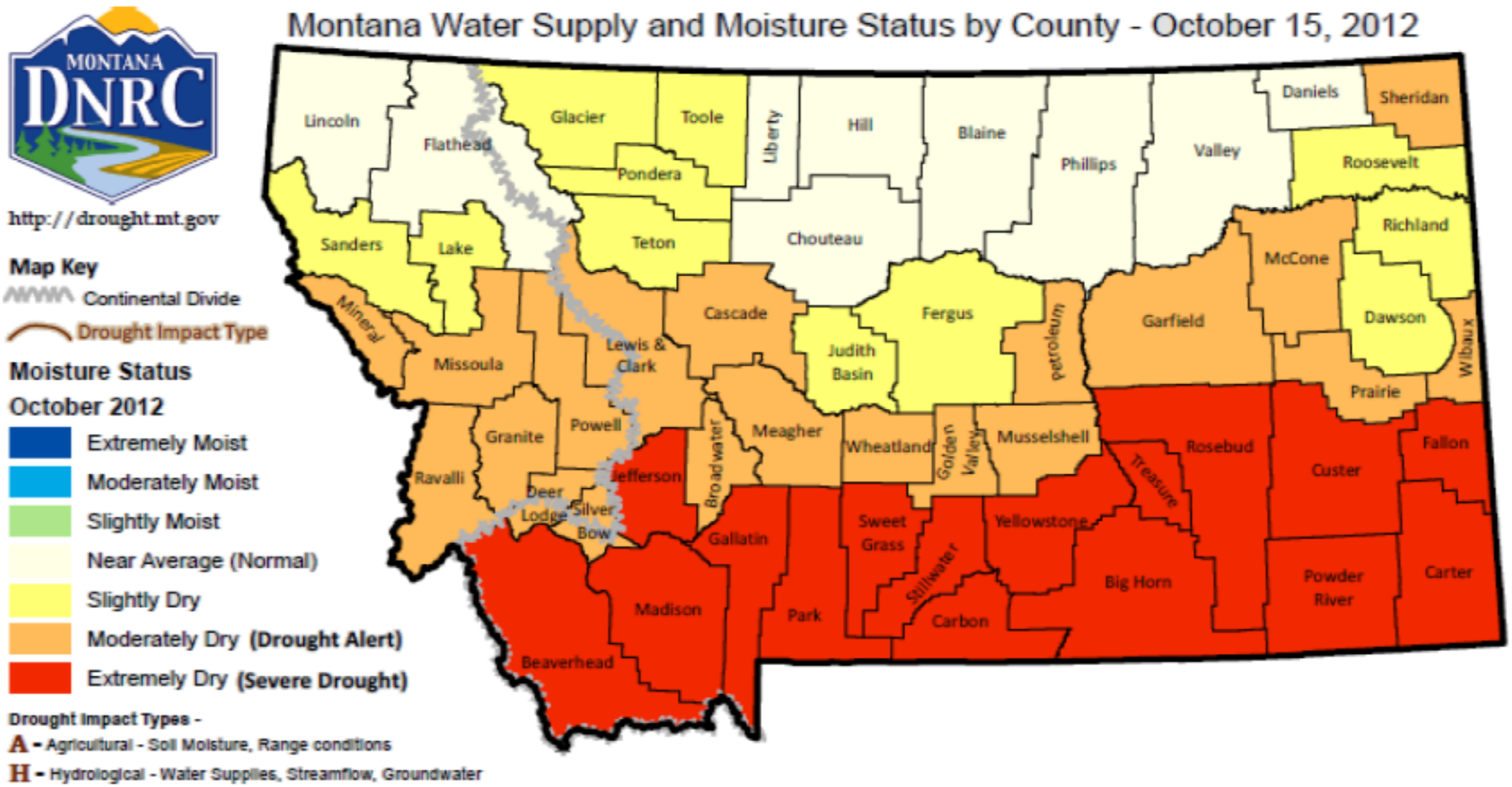
October 8, 2013

(Released Thursday, Oct. 10, 2013)

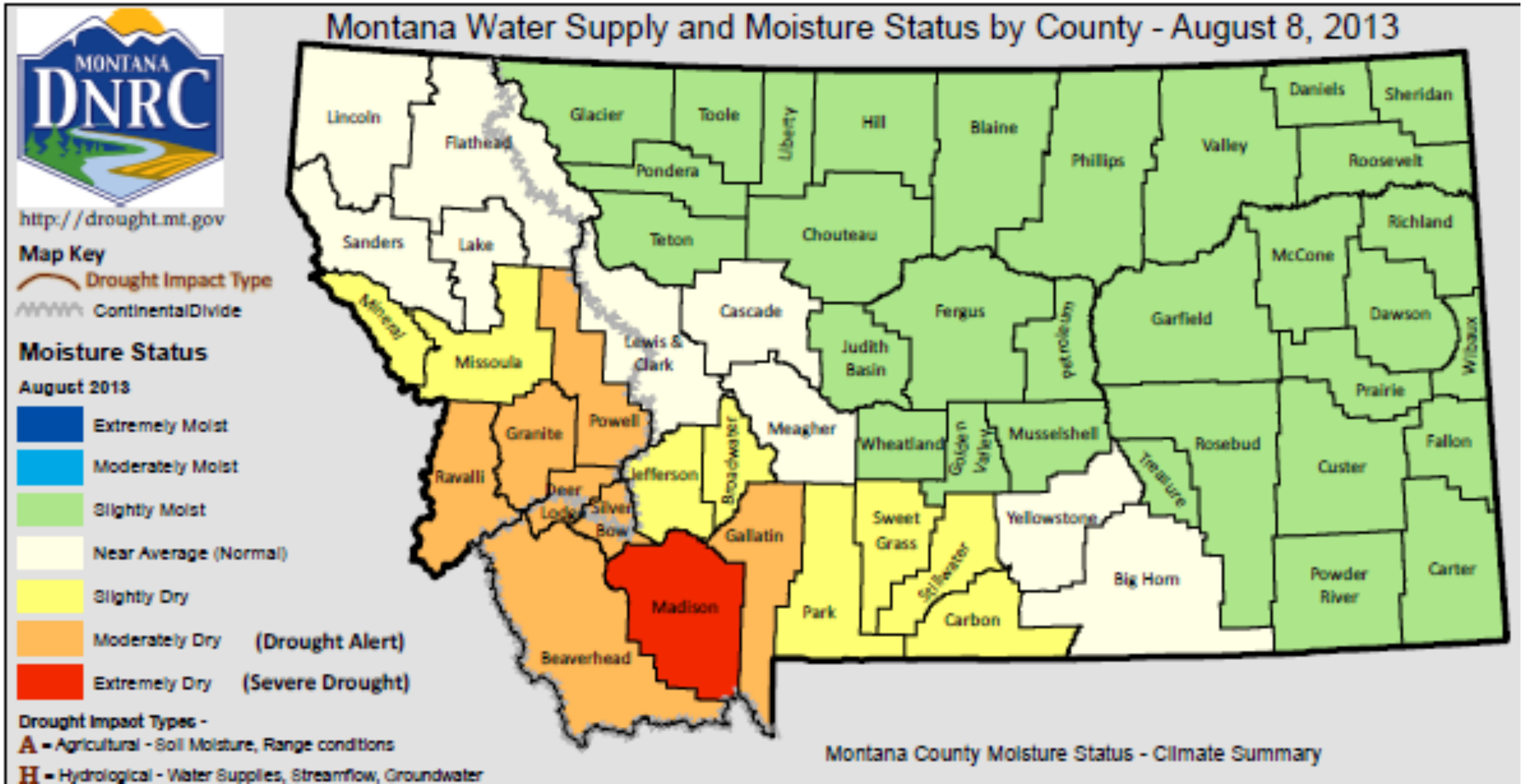
Valid 7 a.m. EDT



Drought Status – October 2012

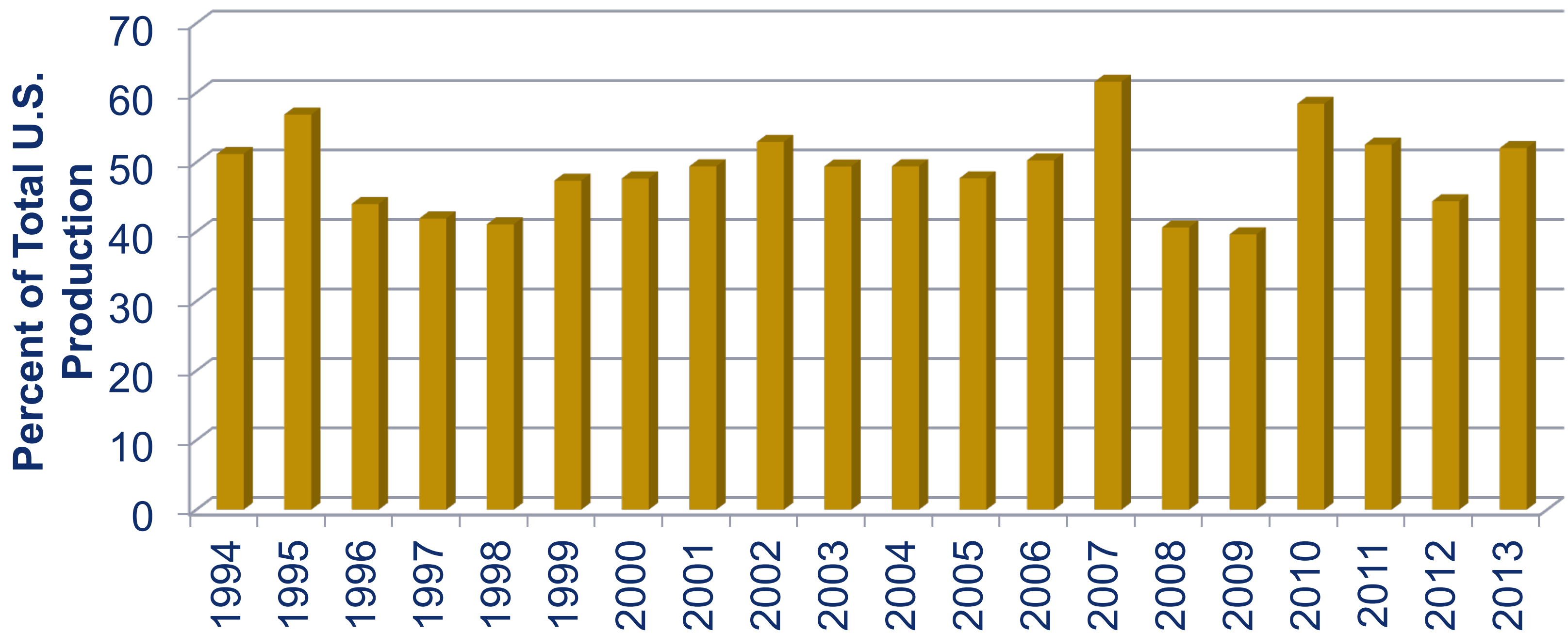


Drought Status – August 2013



CROPS (*GRAIN, HAY & PULSES*)

Wheat Exports
percent of total U.S. production



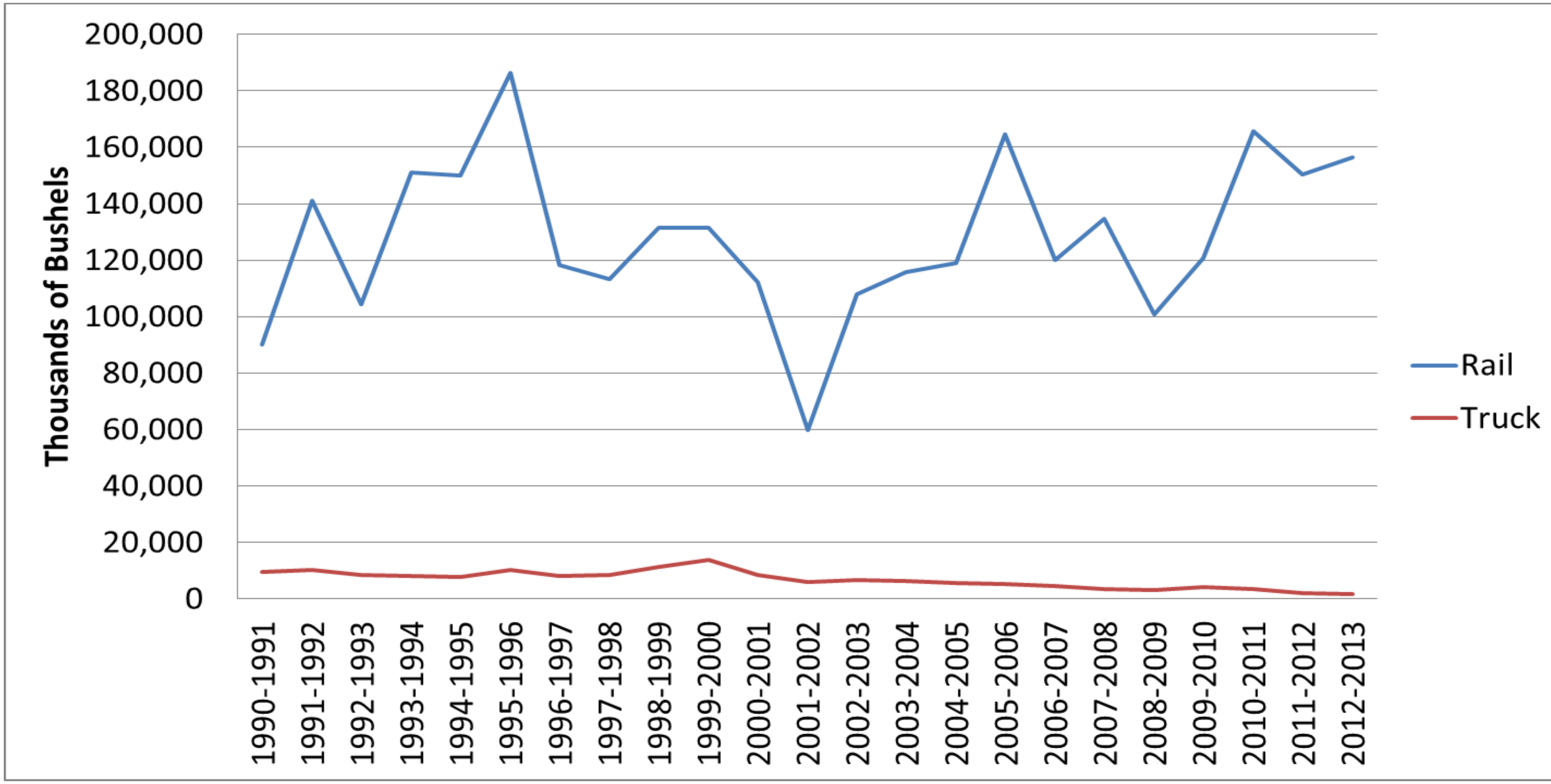
Total U.S. Exports = 1.0 b. bushels in 2012/2013 and 1.1 b. bushels in 2013/2014

Global Wheat Market Shares

Country	2012/2013	shares	2013/2014	shares
	mmt	%	mmt	%
Australia	22.1	3.2	25.5	3.6
Canada	27.2	4.0	29.5	4.2
China	121.0	17.8	121.0	17.2
EU-27	133.1	19.5	142.9	20.3
India	94.9	13.9	92.5	13.1
FSU-12	77.2	11.3	107.0	15.2
U.S.	61.8	9.1	57.5	8.2
Other	143.5	21.1	129.5	18.4
Total	680.7	100.0	705.4	100.0

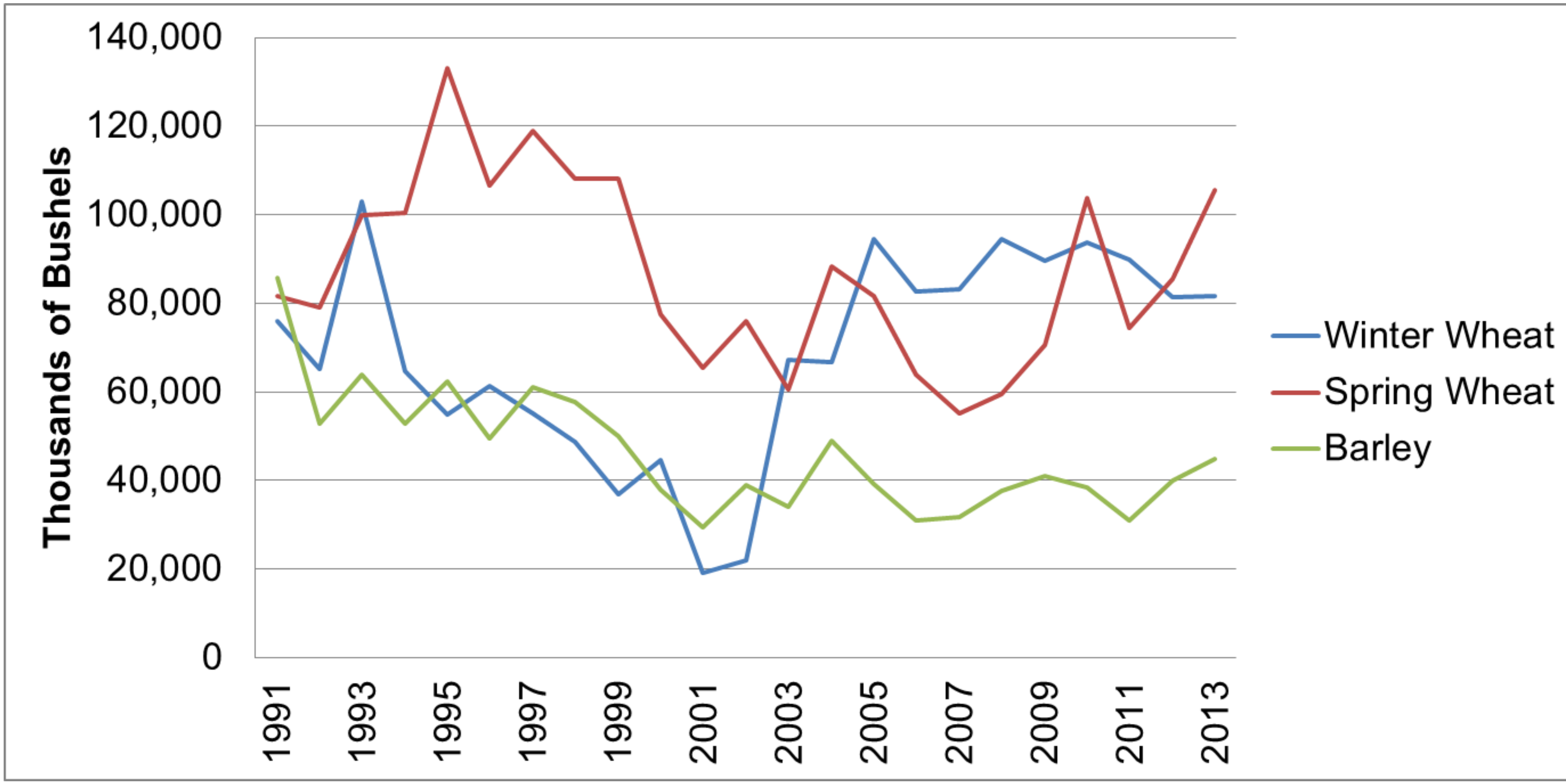
Source, WASDE-522, September 2013

Montana Wheat Exports

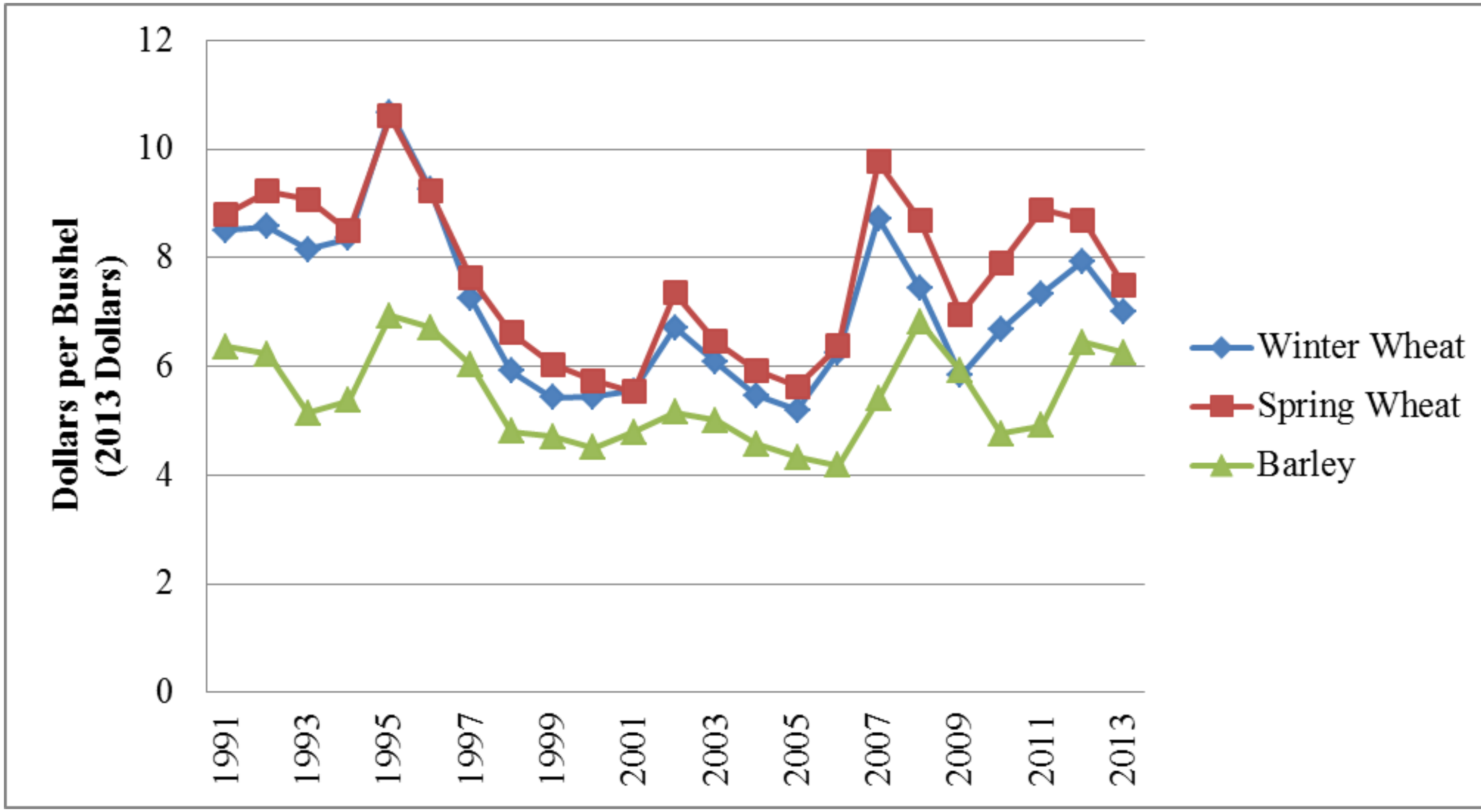


NASS, wheat and barley shipments out of Montana – export 75% of total production

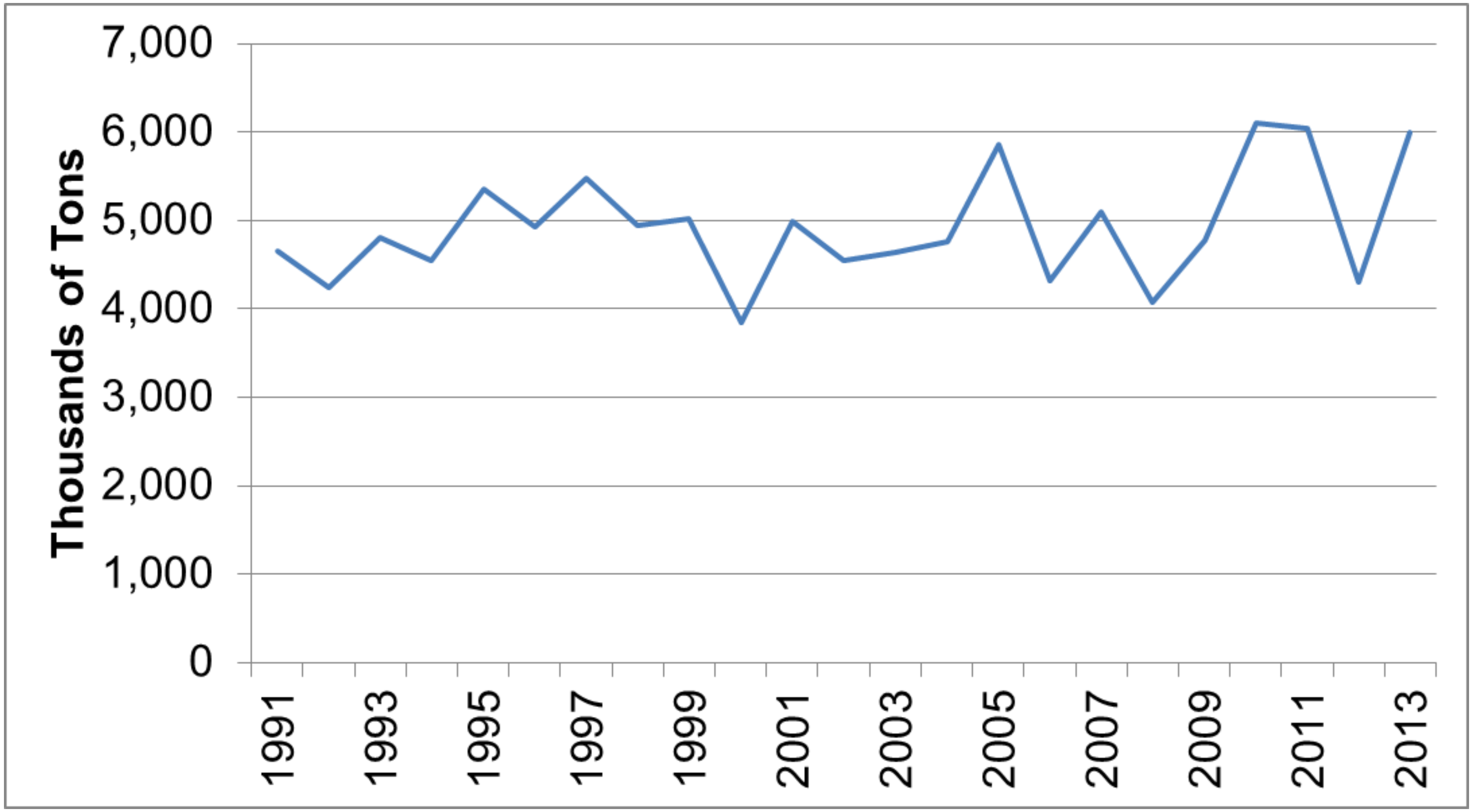
Grain Production (2013)



Grain Prices
(2013 dollars)



All Hay Production (2013)



All Hay Prices
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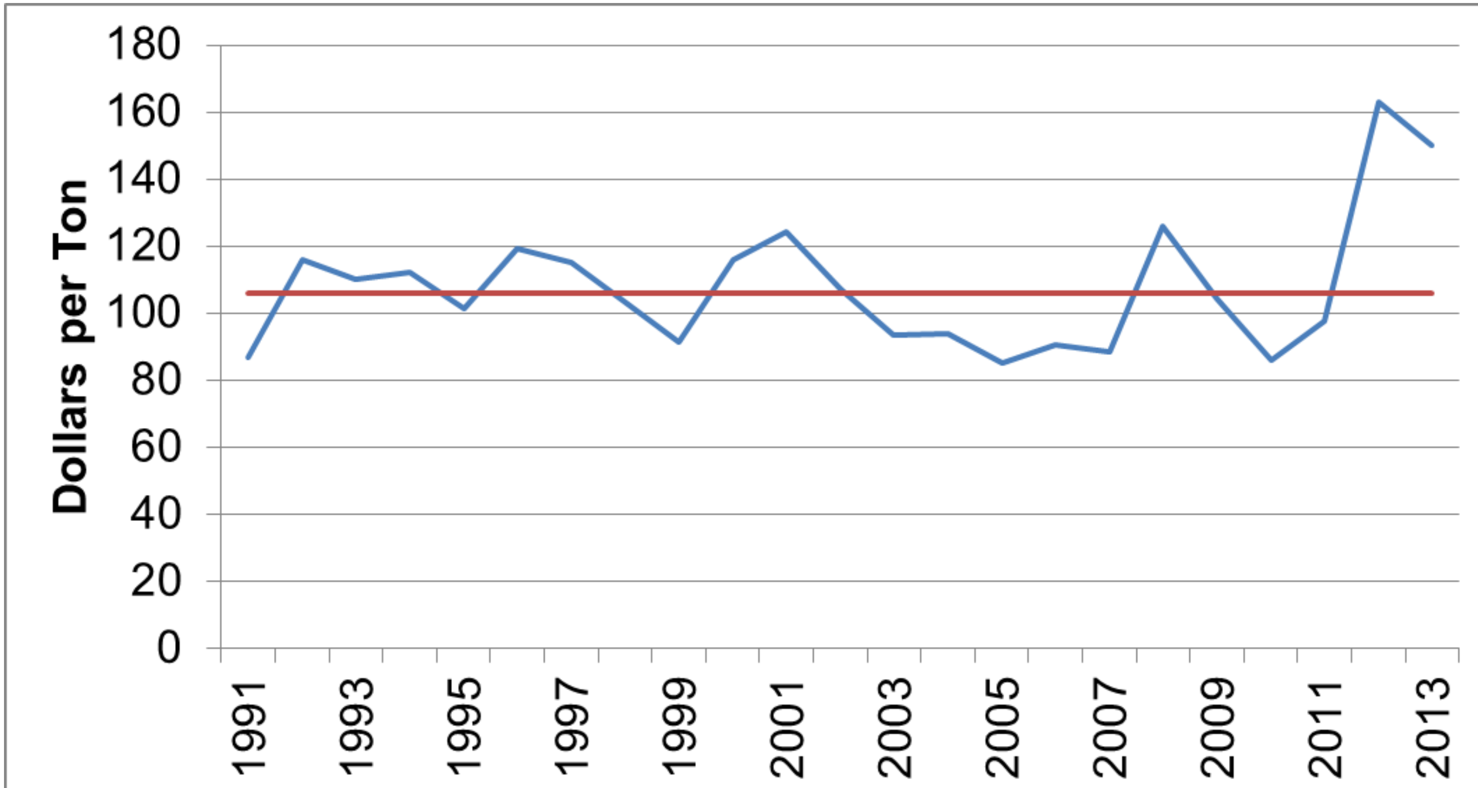
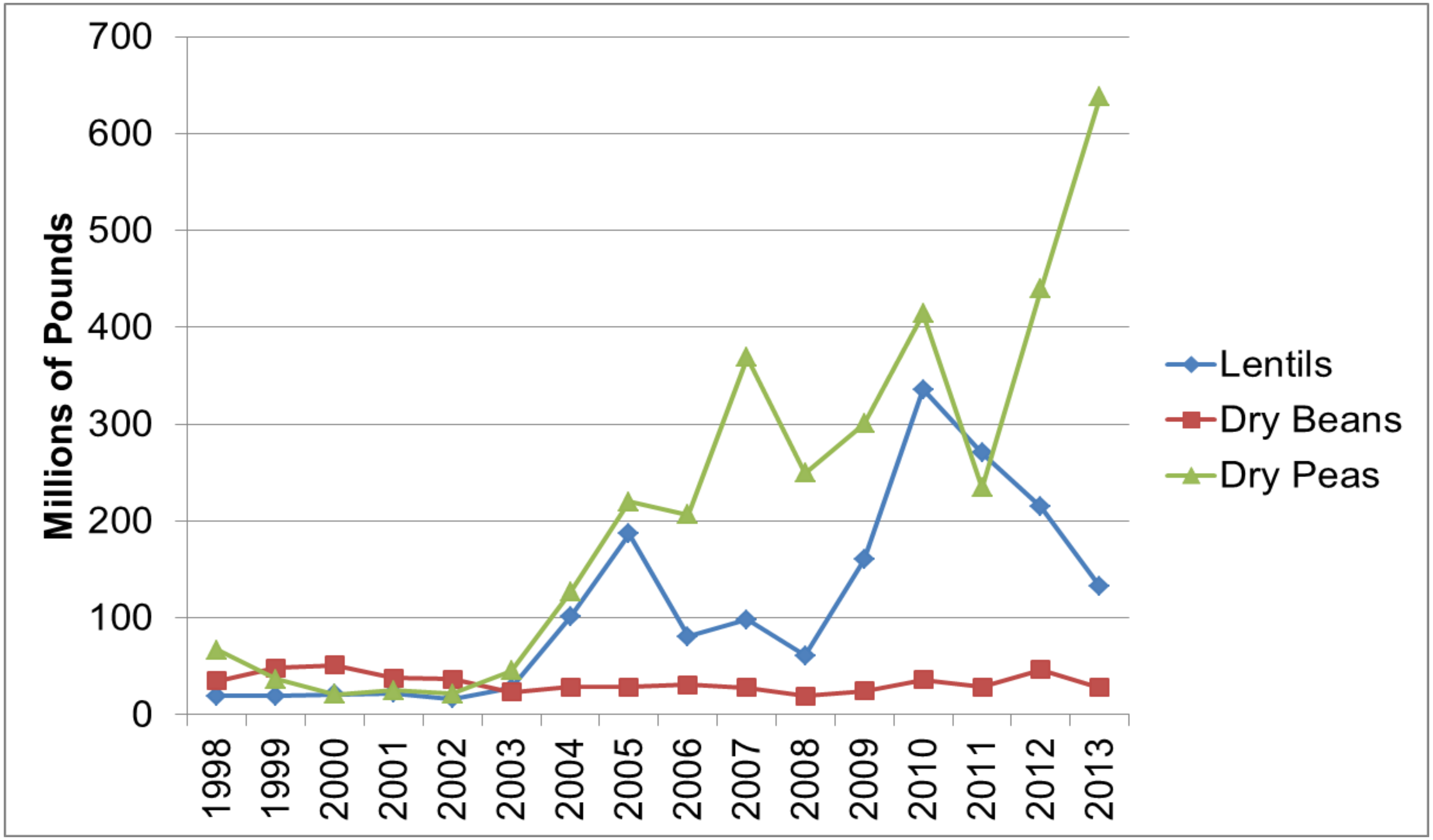
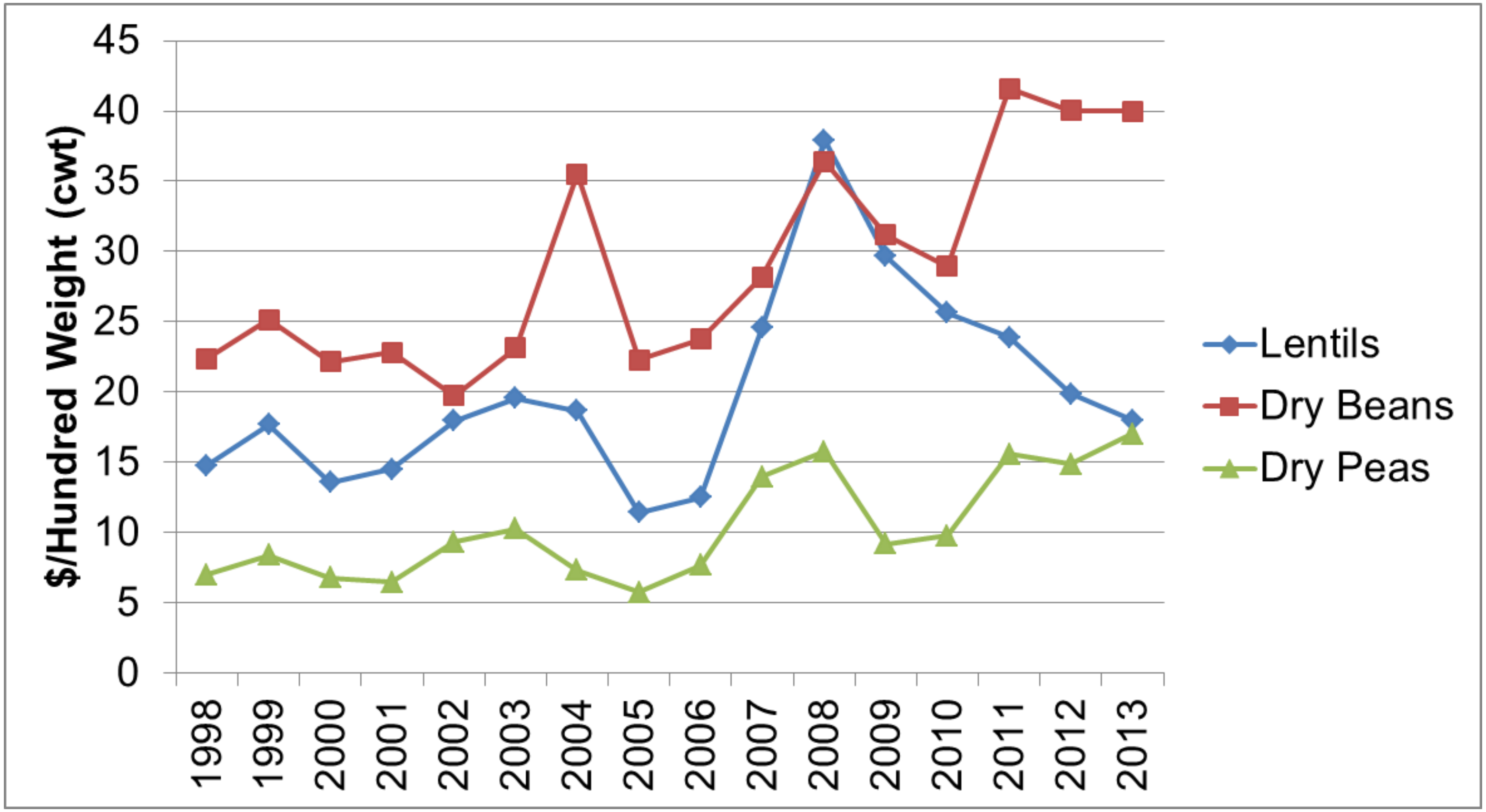


Pulse Production



Dry peas, 45% more acres (425,000), lentil and bean acres down

Pulse Prices



Futures Prices
(no basis adjustment – 10/15/13)

Location	Units	12/13	03/14	05/14	07/14
Minneapolis Grain Exchange					
Hard Red Spring Wheat	$/bu	7.50	7.59	7.63	7.63
Kansas City Board of Trade					
Winter Wheat	$/bu	7.56	7.53	7.51	7.34
Chicago Board of Trade					
Corn	$/bu	4.43	4.55	4.64	4.72

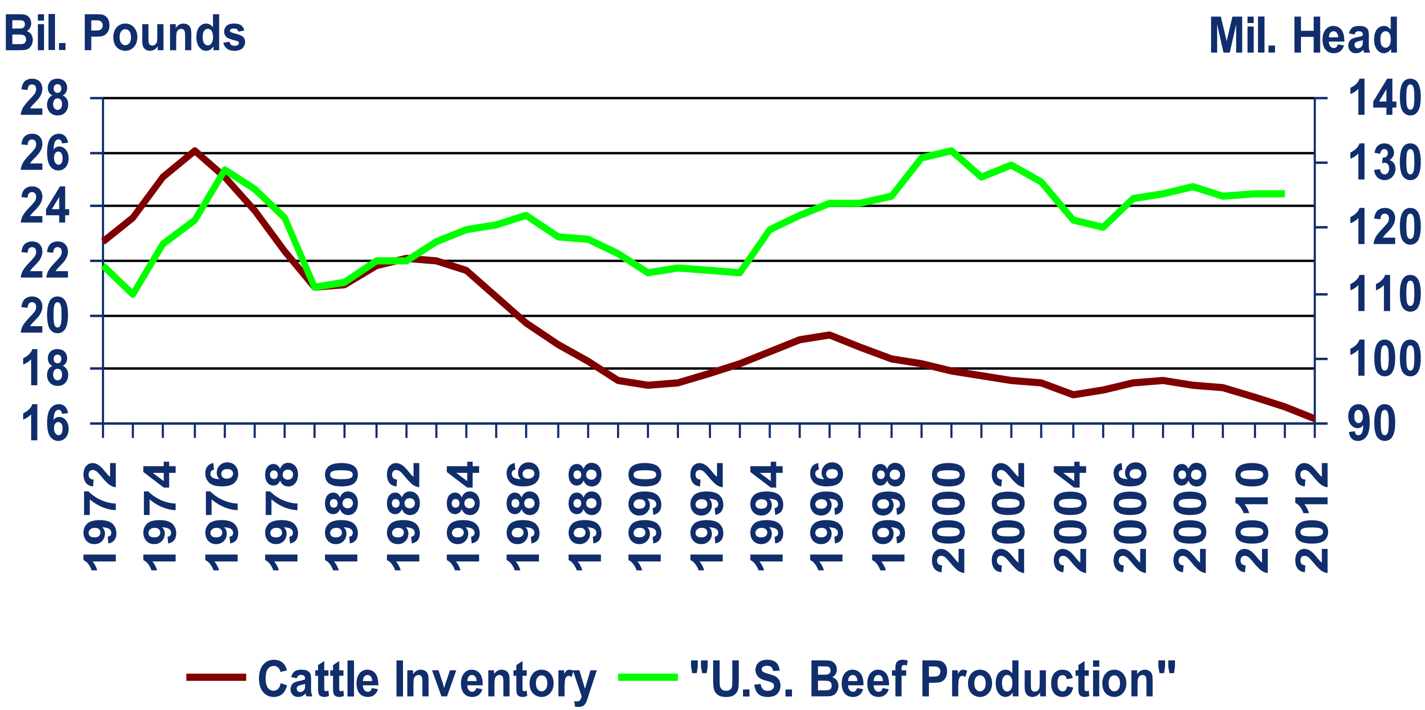
September futures in March for HRSW were 9.50/bu. - - corn futures were 7.95
Supply side (corn) – 10.8 b. bu 2012 - - 13.8b. bu 2013

Montana Wheat 2014

- *2013/2014 Winter Wheat Plantings → ???*
- *Influence of lower corn prices*
- *2014 Production/Prices*
  - *MT 2014 All Wheat Price: less optimistic*

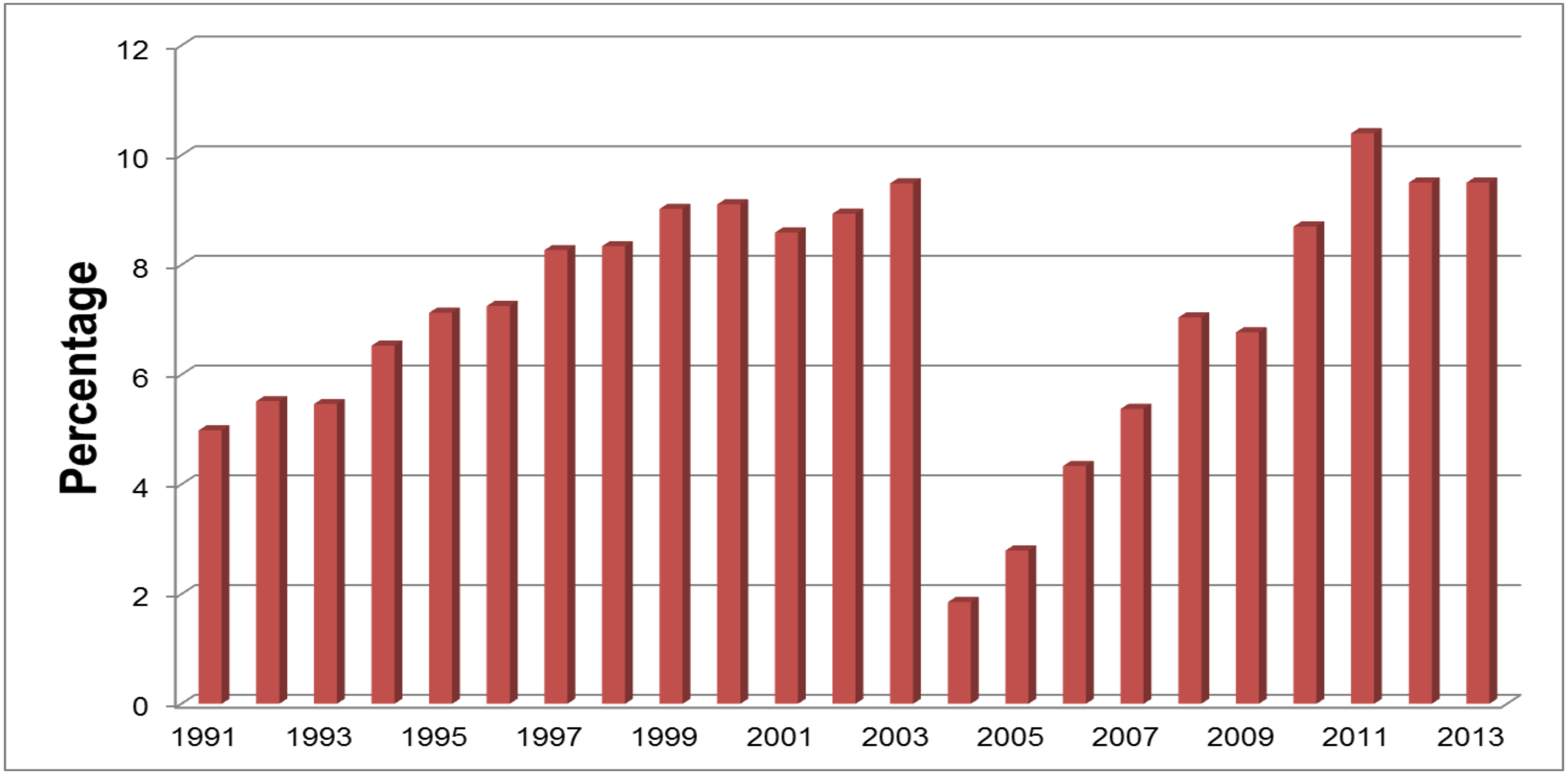
CATTLE

U.S. Beef Production and Cattle Herd Size



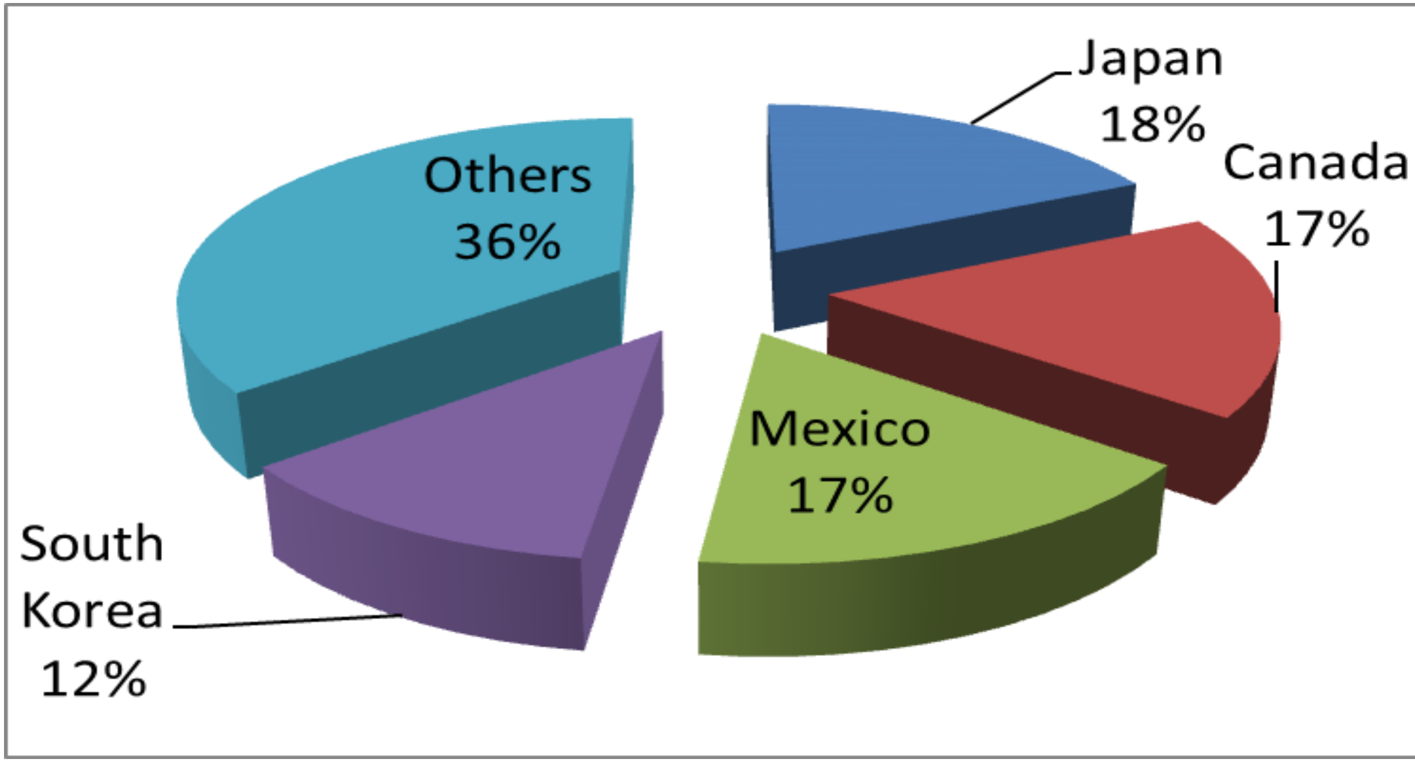
Source: LMIC and MSU Agricultural Marketing Policy Center

U.S Beef Exports
Percentage of Total Production



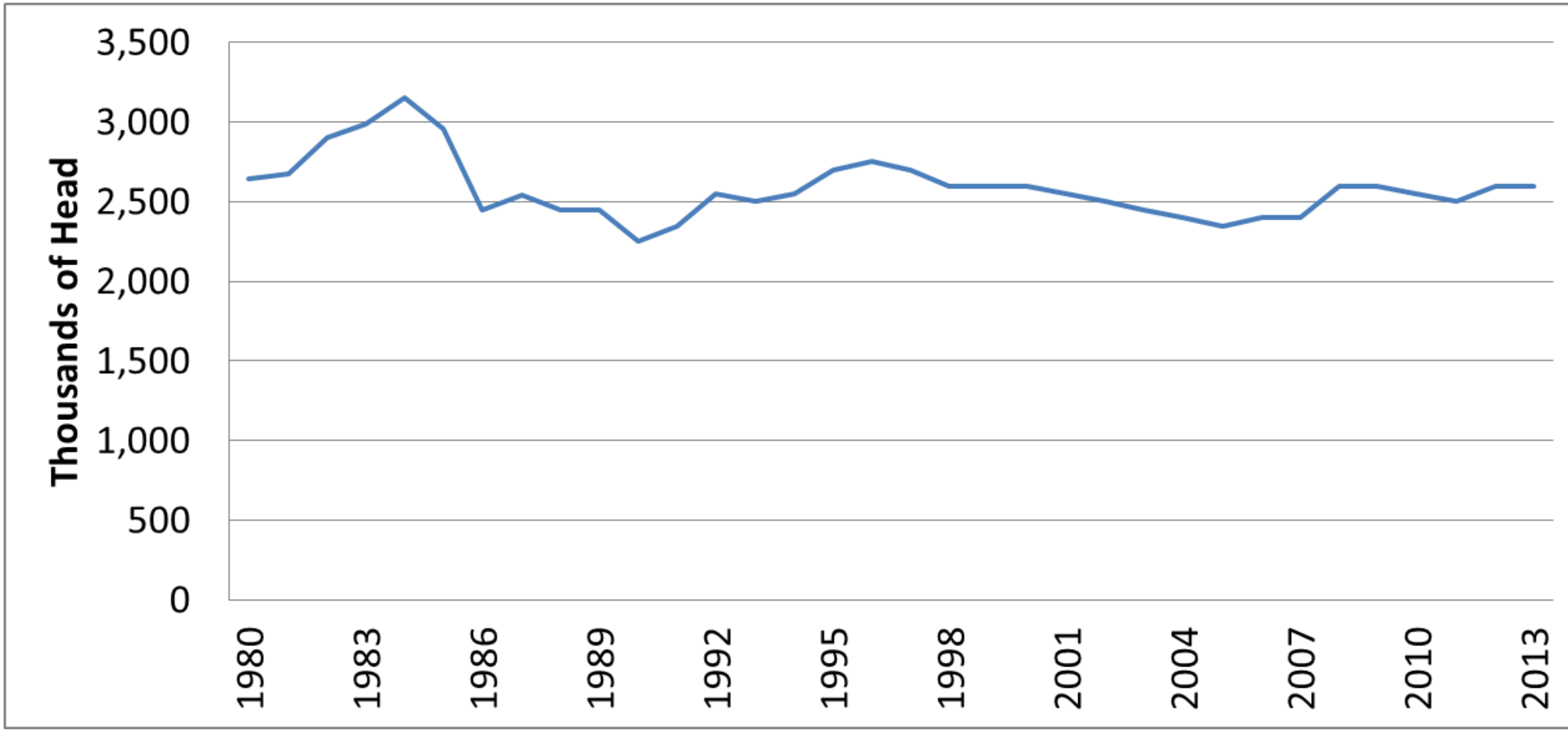
LMIC – 2% decline 2012 to 2013, but forecast 4.5% decline in 2014 – 2.5 b. lbs./year - $21 m. Russia (91% of exports MT)

Exports – who's buying U.S. beef

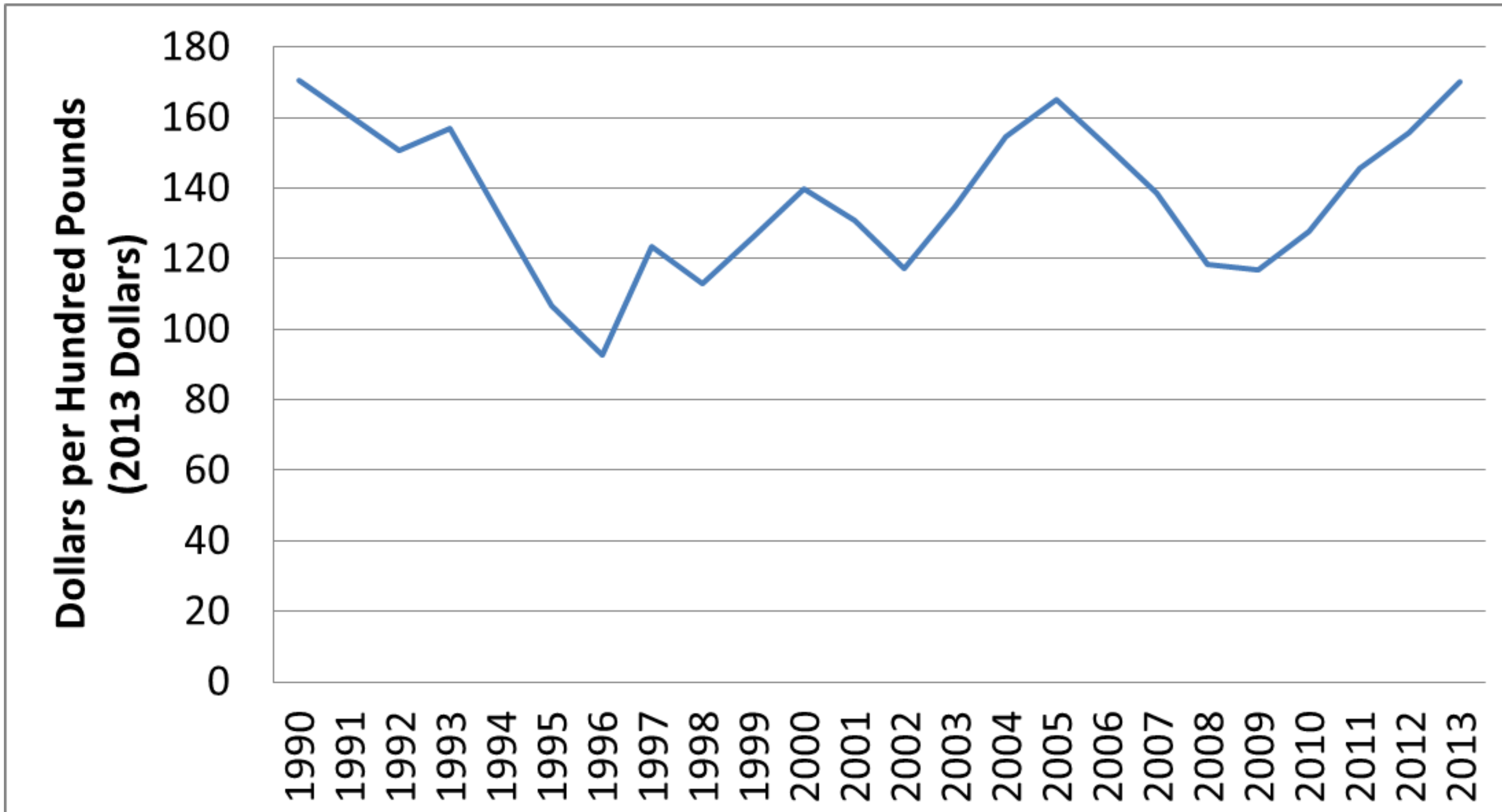


52% surge in exports to Japan

Montana Cattle Herd



Calf Prices
(2013 dollars)



NASS, 190 – 2010, MSU 2011 estimate

Futures Prices
(no basis adjustments – 10/15/13)

Location	11/13	01/14	03/14	04/13
Chicago Mercantile Exchange				
Feeder Cattle, $/cwt	168	166	166	166
Live Cattle, $/cwt	133	134	135	135

Feeder cattle future up 12% since March 2013

Montana Cattle 2013/14

- **Strong prices for cow/calf producers**
  - Optimistic about calf prices through 2016
- **Opportunity to increase cattle herd**
  - Uncertainty may be the issue
    - Consumer demand
    - Global macroeconomic conditions
    - Tax and regulatory policy

Tonsor, LMIC - 300 head to 2,000 barrel/day

Questions

???