2014 Montana Agricultural Outlook

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Data Source: National Agricultural Statistics Service
Montana Field Office (Eric Sommer, Director)
Gross Revenue Shares 2013

- Beef Cattle: 34%
- Other: 19%
- Wheat: 33%
- Barley: 3%
- Pulses: 4%
- Hay: 7%
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

Net Farm Income, $ Billions (2013 Dollars)
Balance Sheet

U.S. Farm Debt:Asset Ratio

CRS, Schnepf – 8/30/13)
Uncertainty
Ranching Business
U.S. Drought Monitor

October 8, 2013
(Released Thursday, Oct. 10, 2013)
Valid 7 a.m. EDT

Drought Impact Types:

- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought
Drought Status – October 2012

Montana Water Supply and Moisture Status by County - October 15, 2012

Map Key
- Continental Divide
- Drought Impact Type

Moisture Status
October 2012
- Extremely Moist
- Moderately Moist
- Slightly Moist
- Near Average (Normal)
- Slightly Dry
- Moderately Dry (Drought Alert)
- Extremely Dry (Severe Drought)

Drought Impact Types:
A - Agricultural - Soil Moisture, Range conditions
H - Hydrological - Water Supplies, Streamflow, Groundwater
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

<table>
<thead>
<tr>
<th>Country</th>
<th>2012/2013</th>
<th>2013/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mmt</td>
<td>%</td>
</tr>
<tr>
<td>Australia</td>
<td>22.1</td>
<td>3.2</td>
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<tr>
<td>Canada</td>
<td>27.2</td>
<td>4.0</td>
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<tr>
<td>China</td>
<td>121.0</td>
<td>17.8</td>
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<tr>
<td>EU-27</td>
<td>133.1</td>
<td>19.5</td>
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<tr>
<td>India</td>
<td>94.9</td>
<td>13.9</td>
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<tr>
<td>FSU-12</td>
<td>77.2</td>
<td>11.3</td>
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<tr>
<td>U.S.</td>
<td>61.8</td>
<td>9.1</td>
</tr>
<tr>
<td>Other</td>
<td>143.5</td>
<td>21.1</td>
</tr>
<tr>
<td>Total</td>
<td>680.7</td>
<td>100.0</td>
</tr>
</tbody>
</table>

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
(2013 dollars)
Dry peas, 45% more acres (425,000), lentil and bean acres down
Pulse Prices

$ per Hundred Weight (cwt)

- Lentils
- Dry Beans
- Dry Peas

Yearly prices from 1998 to 2013.
# Futures Prices
(no basis adjustment – 10/15/13)

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

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

![Graph showing Montana Cattle Herd from 1980 to 2013. The herd size fluctuates between 2,500 and 3,500 thousands of head.](image-url)
Calf Prices
(2013 dollars)

NASS, 190 – 2010, MSU 2011 estimate
# Futures Prices
(no basis adjustments – 10/15/13)

<table>
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<tr>
<th>Location</th>
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<th>03/14</th>
<th>04/13</th>
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</thead>
<tbody>
<tr>
<td>Chicago Mercantile Exchange</td>
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<tr>
<td>Feeder Cattle, $/cwt</td>
<td>168</td>
<td>166</td>
<td>166</td>
<td>166</td>
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<tr>
<td>Live Cattle, $/cwt</td>
<td>133</td>
<td>134</td>
<td>135</td>
<td>135</td>
</tr>
</tbody>
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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

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