



# *Welcome to the* **2012** Georgia **Ag Forecast**

Dr. Curt Lacy

Department of Agricultural & Applied Economics

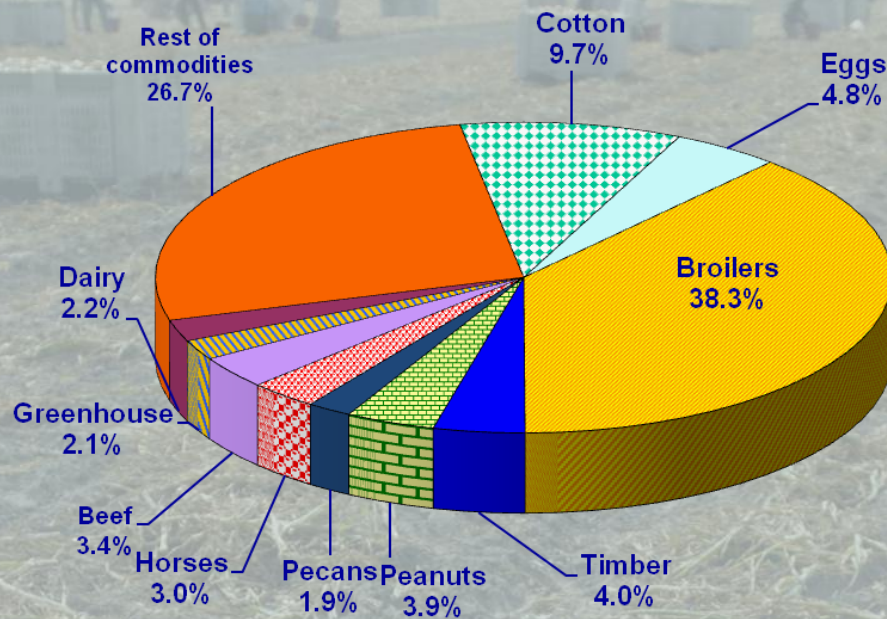


THE UNIVERSITY OF GEORGIA

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

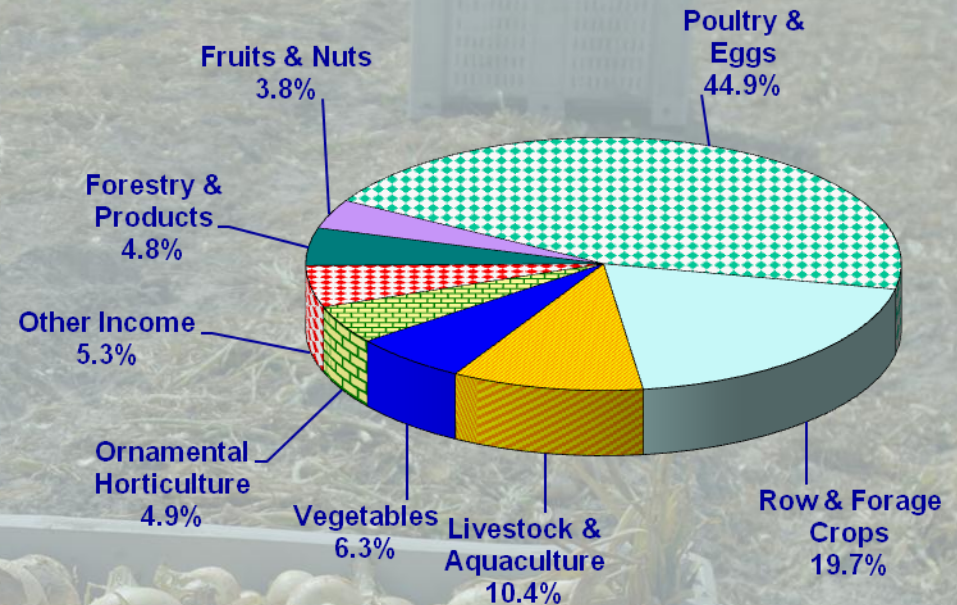
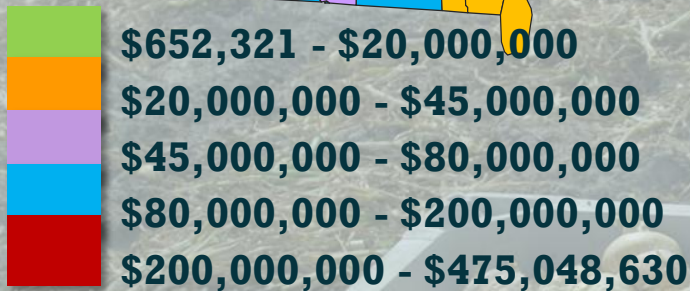
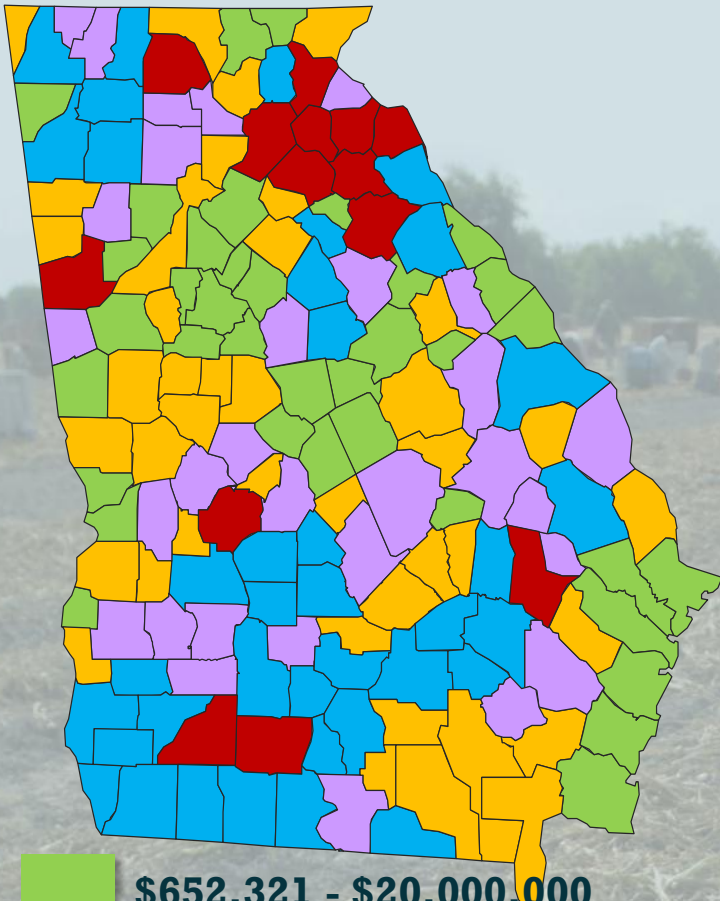


# 2009 Total Farm Gate Value GA = \$11.3 B

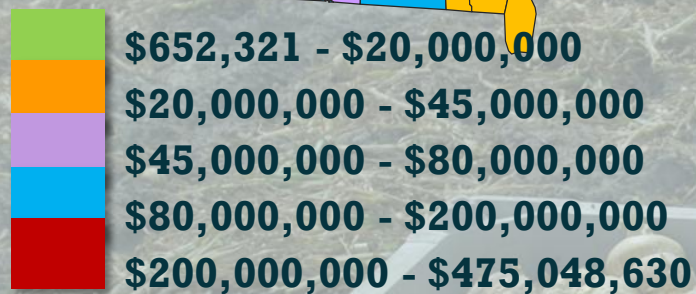
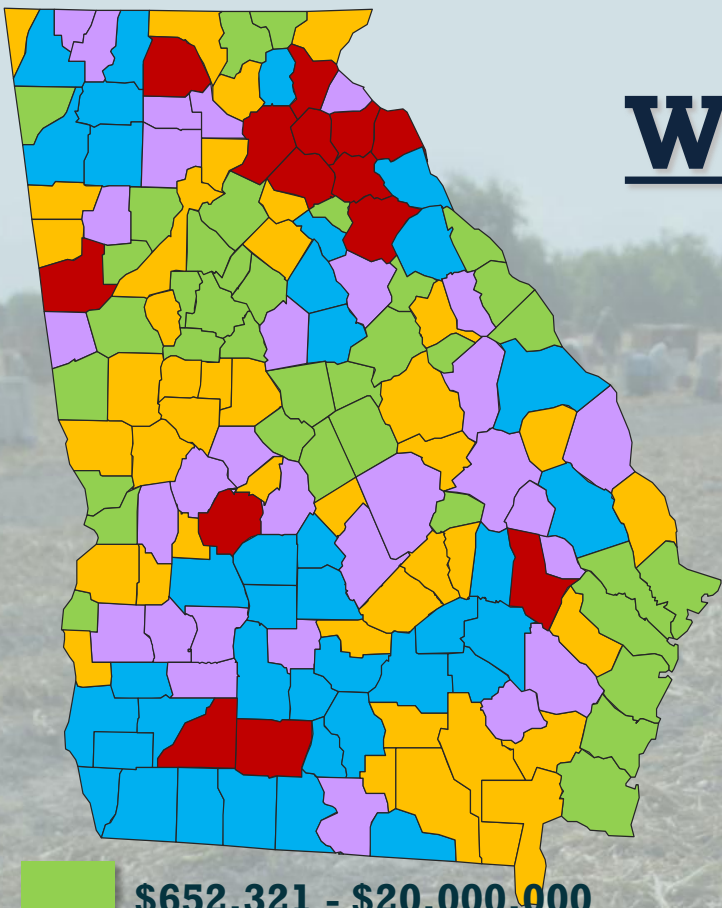
*2010 – Up significantly to \$12.1 B*

*2011 – Likely higher from Crops*

*2012 – Even higher from Animals*



# 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.**

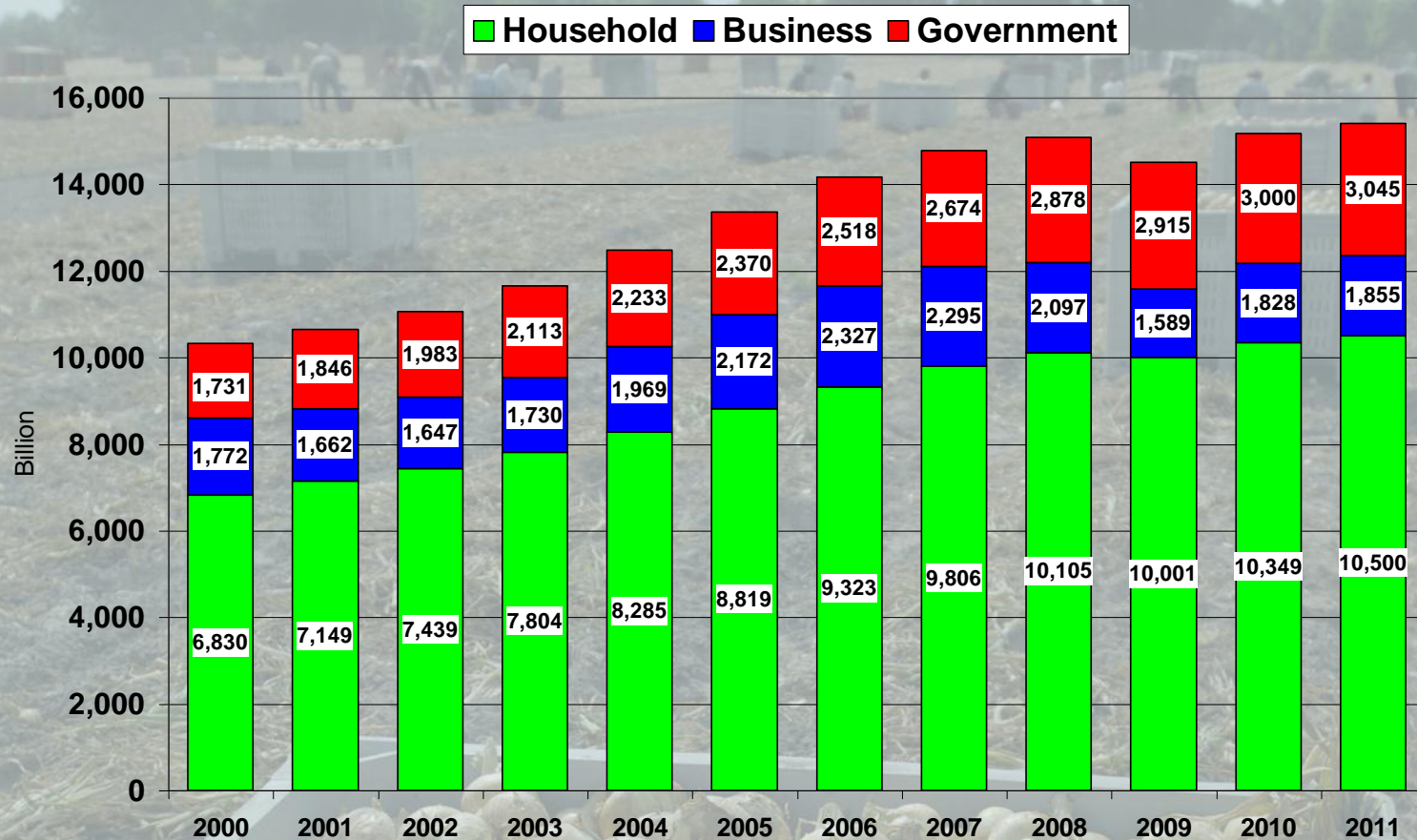


# **KEY MACRO FACTORS**

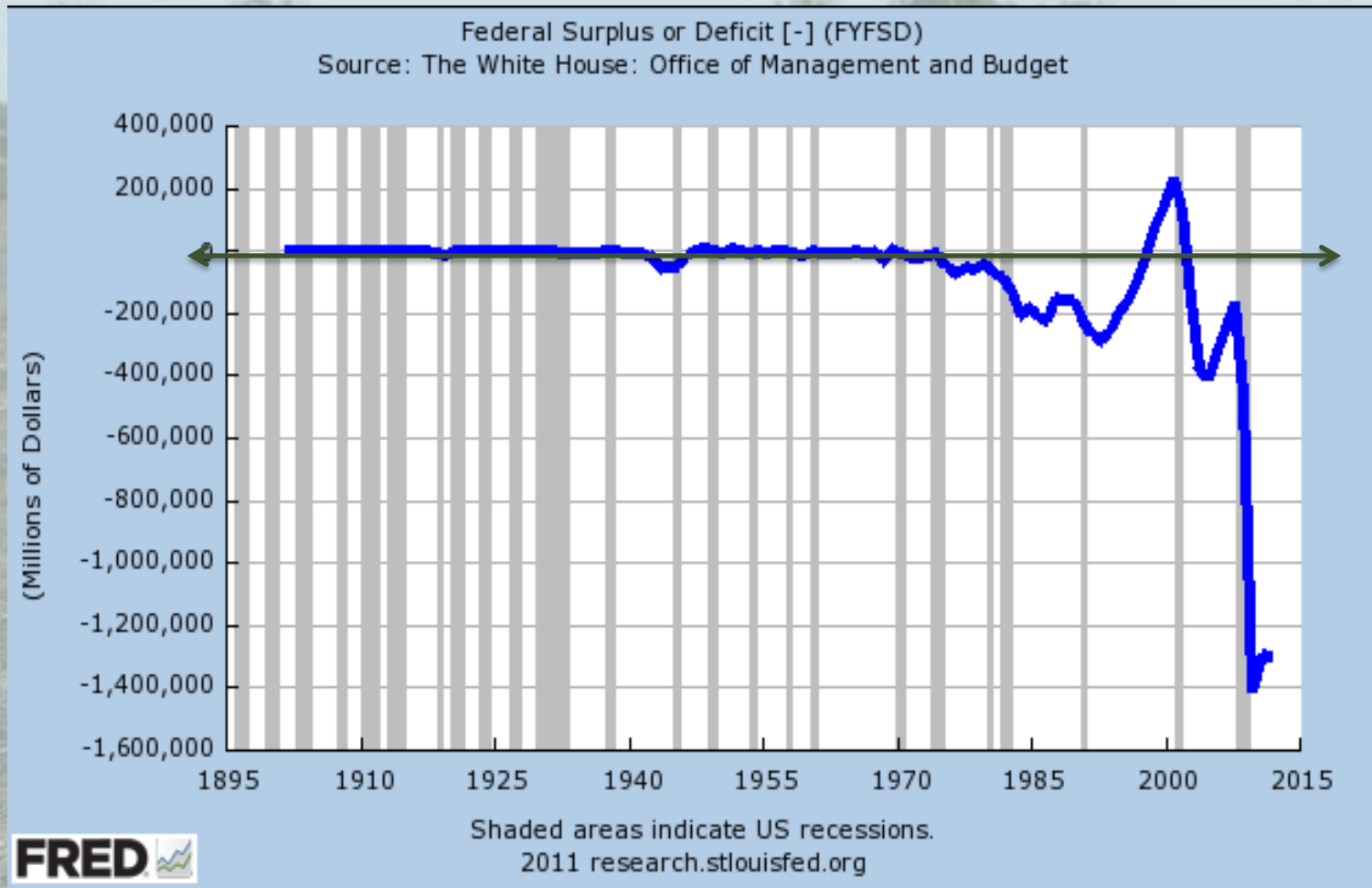
- *Economic growth*
- *Energy cost*
- *Exchange Rates*
- *Employment*
- *Interest rates*
- *Deficits*
- *Housing market*

# Economic Growth

## Gross Domestic Product



# Federal Surplus **or Deficit**



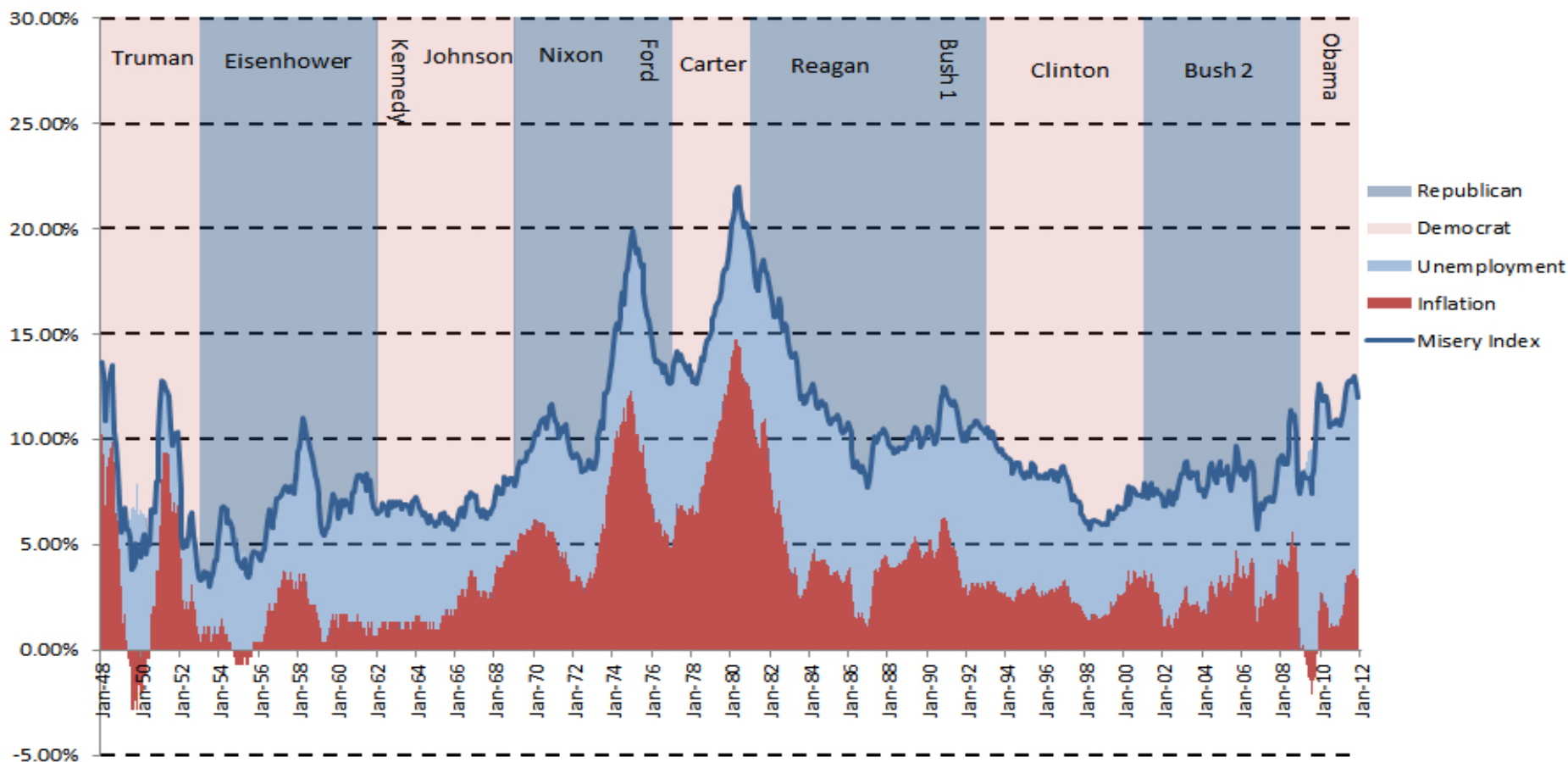


# U.S. Misery Index 1948 - Present

© 2011 [www.InflationData.com](http://www.InflationData.com)

Prepared By Timothy McMahon

Updated 12/16/2011

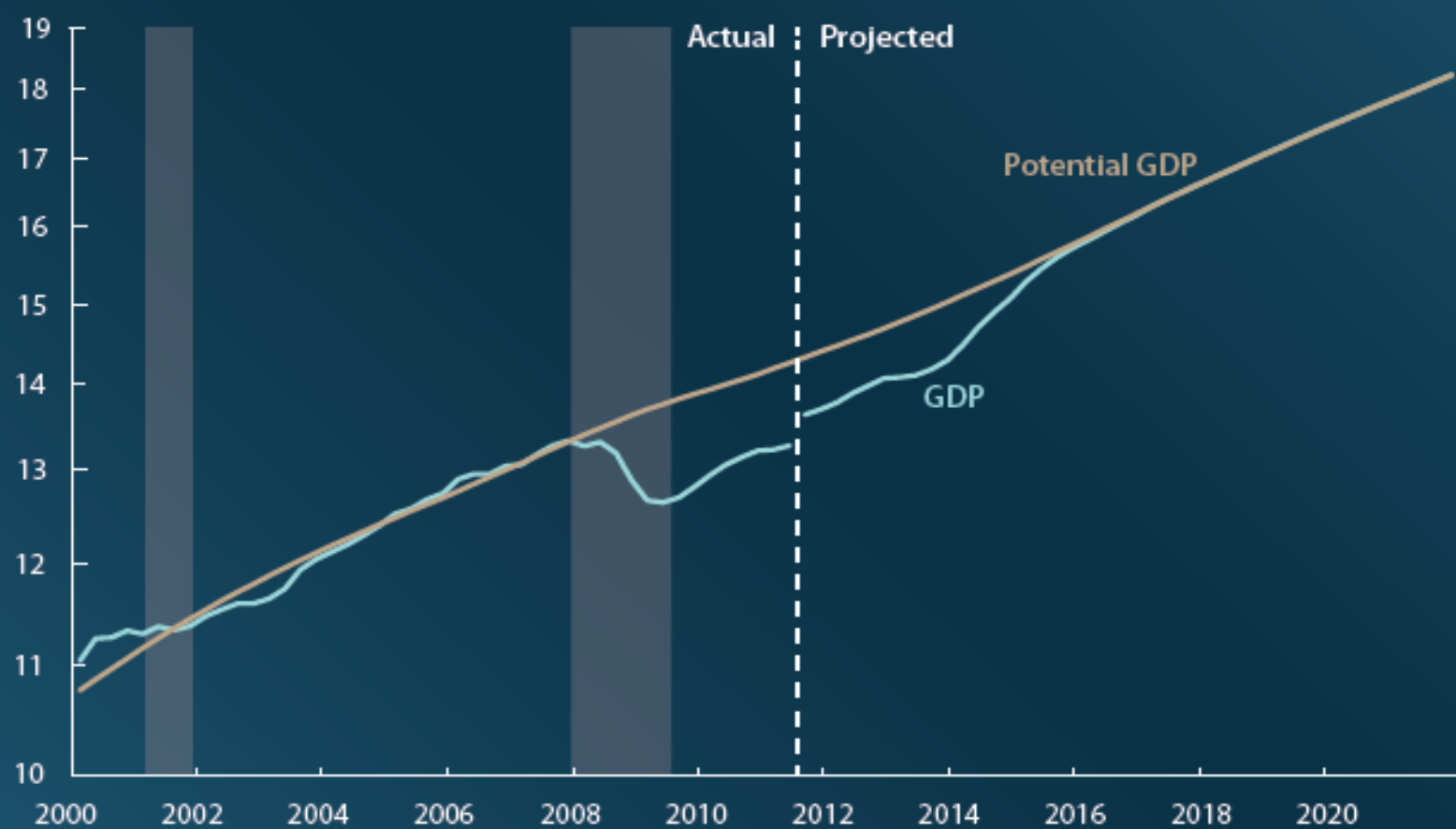




# Real Gross Domestic Product

(Trillions of 2005 dollars, logarithmic scale)

CBO expects that the economic recovery will continue but that real (inflation-adjusted) GDP will stay below the economy's potential—a level that corresponds to a high rate of use of labor and capital—until 2017.



Sources: Congressional Budget Office; Department of Commerce, Bureau of Economic Analysis.

Notes: Real gross domestic product is the output of the economy adjusted to remove the effects of inflation. Potential GDP is CBO's estimate of the output that the economy would produce with a high rate of use of its labor and capital resources. Data are quarterly. Actual data for GDP, which are plotted through the second quarter of 2011, incorporate the July 2011 revisions of the national income and product accounts. Projections of GDP, which are plotted through the fourth quarter of 2021, are based on data issued before the revisions. Shaded bars indicate periods of recession.

# Agricultural Outlook

A wide-angle photograph of an agricultural field, likely an onion field, under a hazy sky. Numerous workers are visible in the background, tending to rows of plants. In the foreground and middle ground, several large, light-colored plastic crates are filled with harvested onions. The ground is covered with dry, yellowish-brown plant matter and soil. The overall scene depicts a busy day of agricultural labor.

## 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.

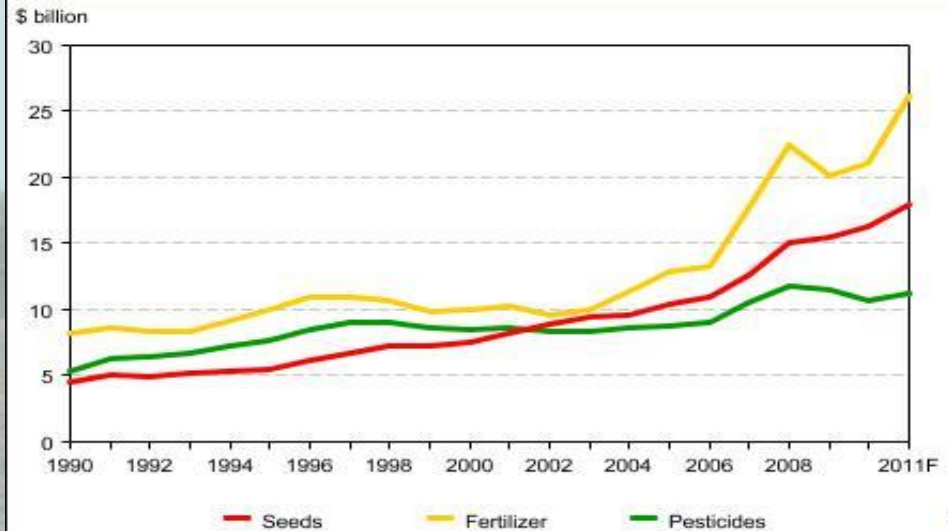
**Fertilizer** price follows the oil price; increasing use of complex genetic traits have increased **seed** prices.

**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.

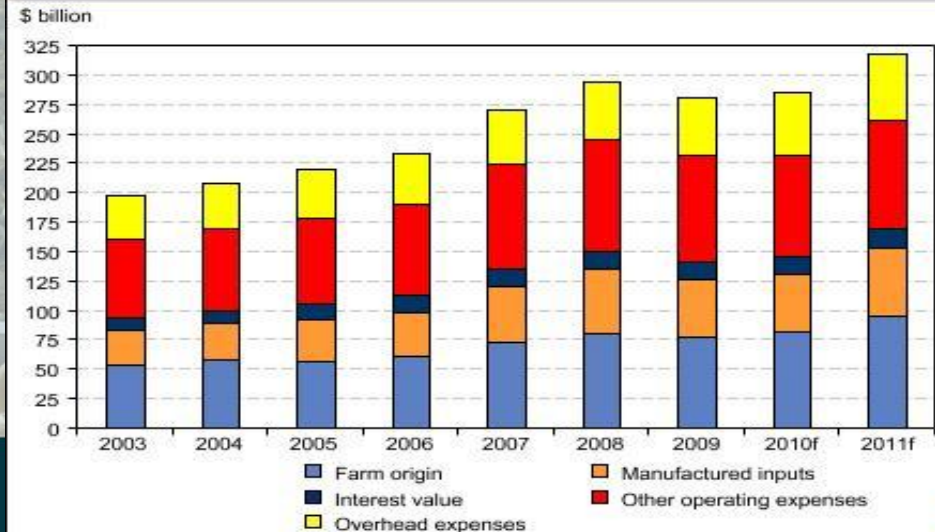
### Crop-related expenses are forecast to resume rapid growth in 2011



Source: Economic Research Service, USDA.



### 2011 expenses should exceed the previous peak in 2008 by \$25 billion



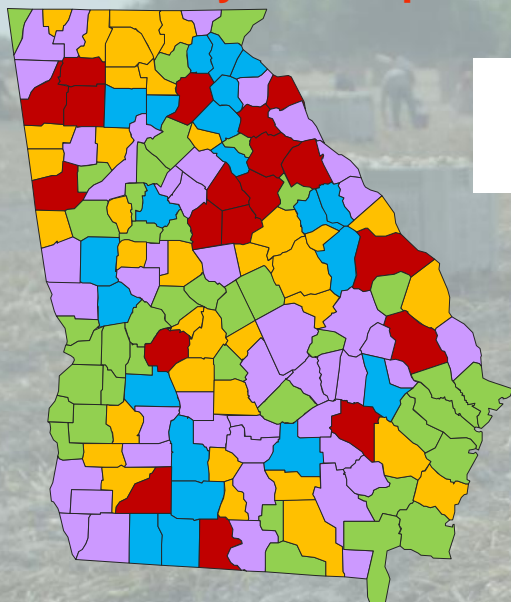
Source: Economic Research Service, USDA.



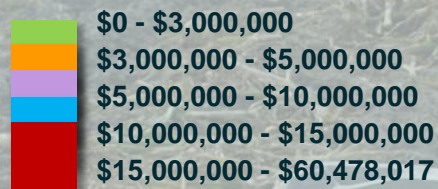


# Georgia Animal Industry Outlook

## Beef/Dairy/Pork/Equine



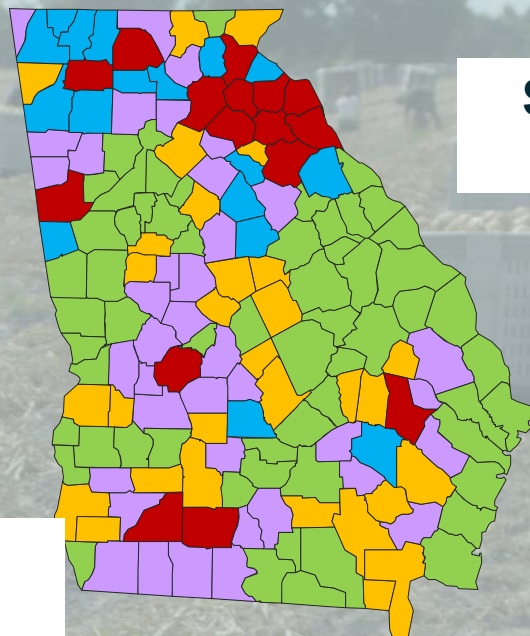
**\$1.3B  
2010**



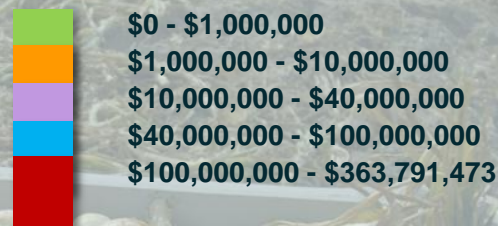
**2011 same**

**2012  
Significantly  
HIGHER**

## Broilers/Eggs



**\$5.4B  
2010**



# Meat supplies were slightly larger in 2011 but will be lower in 2012

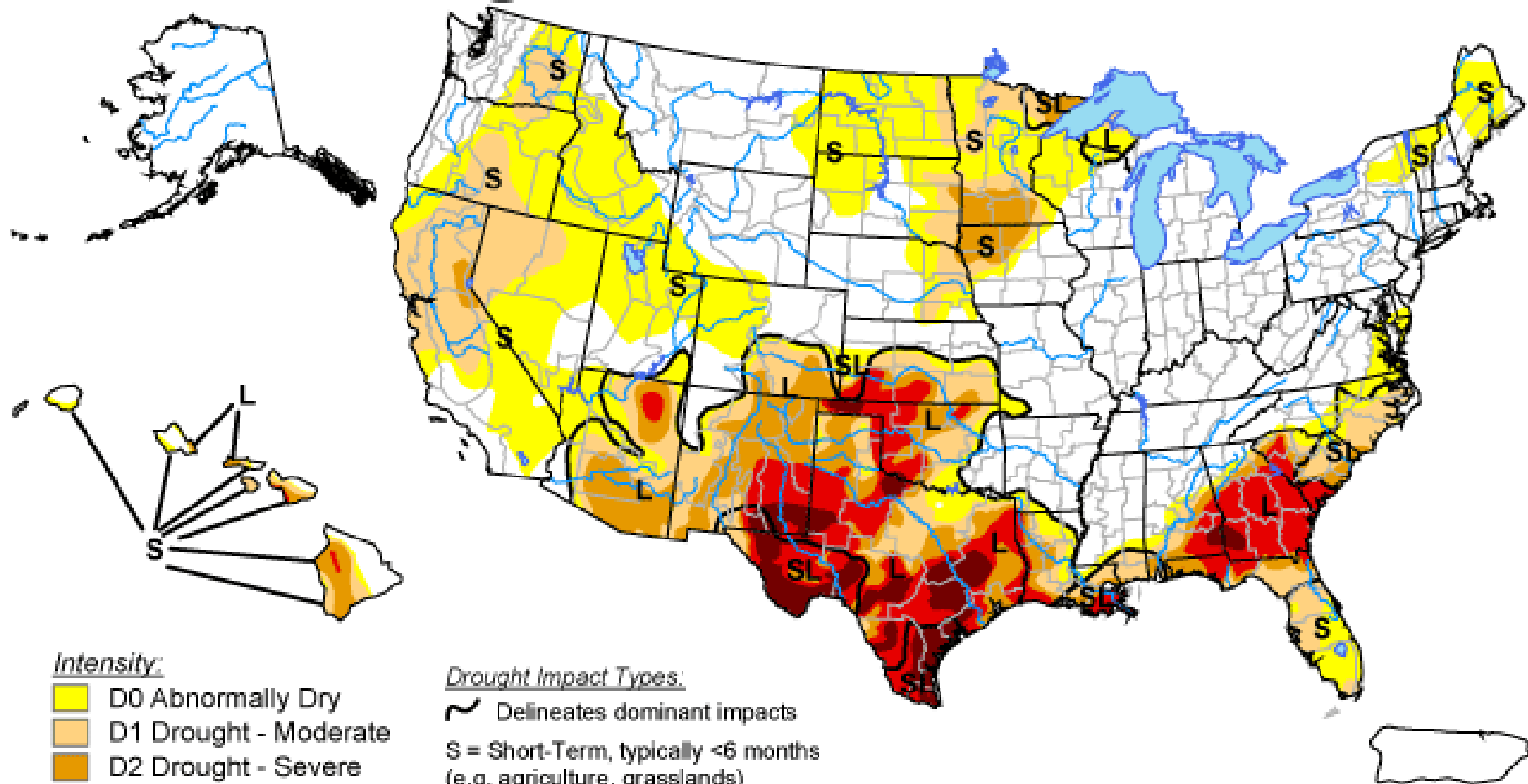
	2010	2011 Projected	2012 Forecast	11 vs 10	12 vs 11
Commodity	BILLION POUNDS			PERCENT CHANGE	
Beef	26.41	26.30	25.08	-0.42%	-4.86%
Pork	22.46	22.78	23.21	1.40%	1.85%
<b>Total Red Meat*</b>	<b>49.18</b>	<b>49.37</b>	<b>48.58</b>	<b>0.38%</b>	<b>-1.63%</b>
Broilers	36.52	36.84	36.11	0.87%	-2.02%
<b>Total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

Source: USDA-WASDE, January 2012 Report

# U.S. Drought Monitor

January 17, 2012

Valid 7 a.m. EST



## 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.



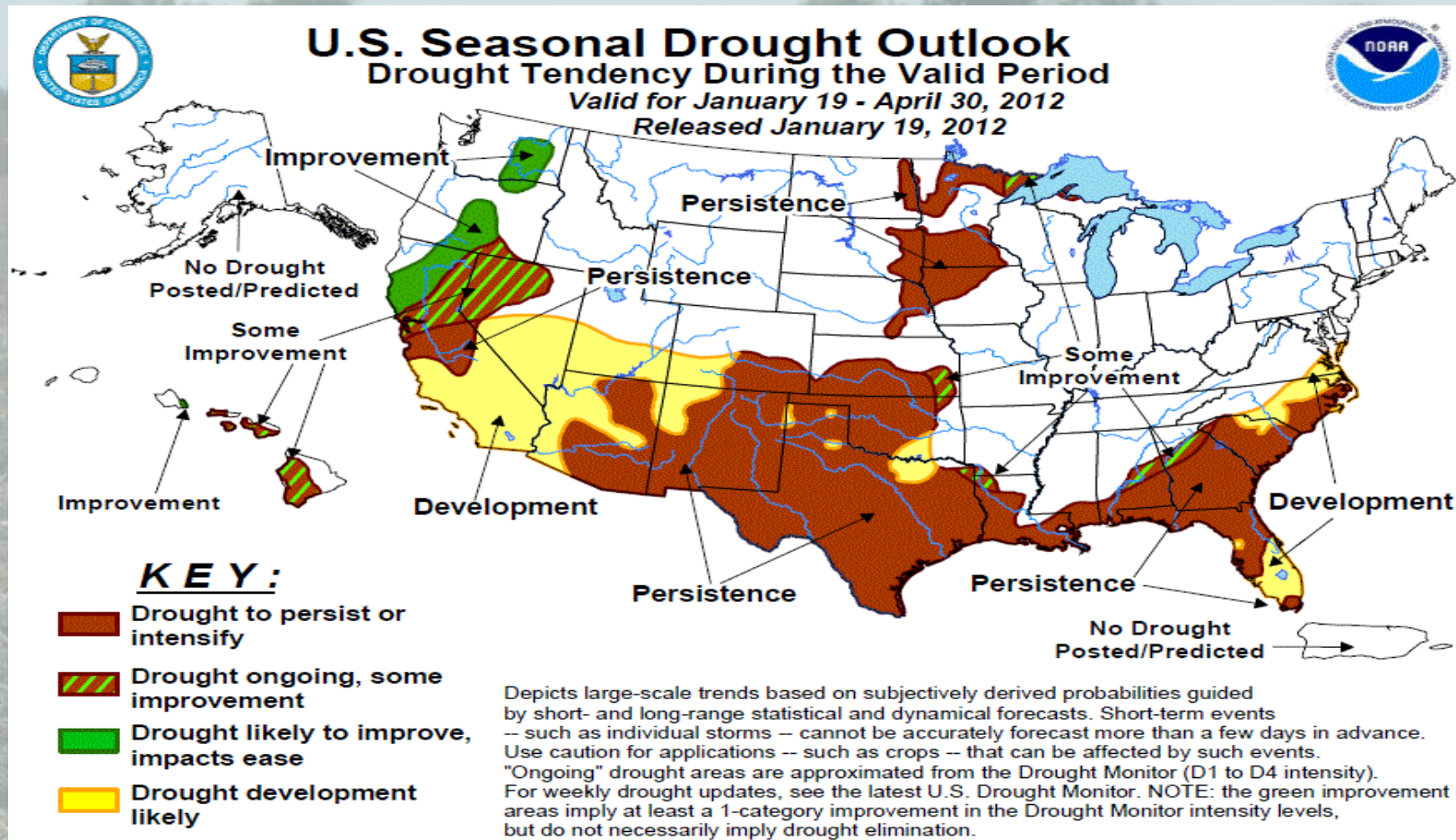
Released Thursday, January 19, 2012

Author: Laura Edwards, WRCC, South Dakota State University

<http://droughtmonitor.unl.edu/>



# Continuing drought will keep hay prices high and limit expansion in the beef sector



Alaska 5.1  
Hawaii 79  
US Total 30865

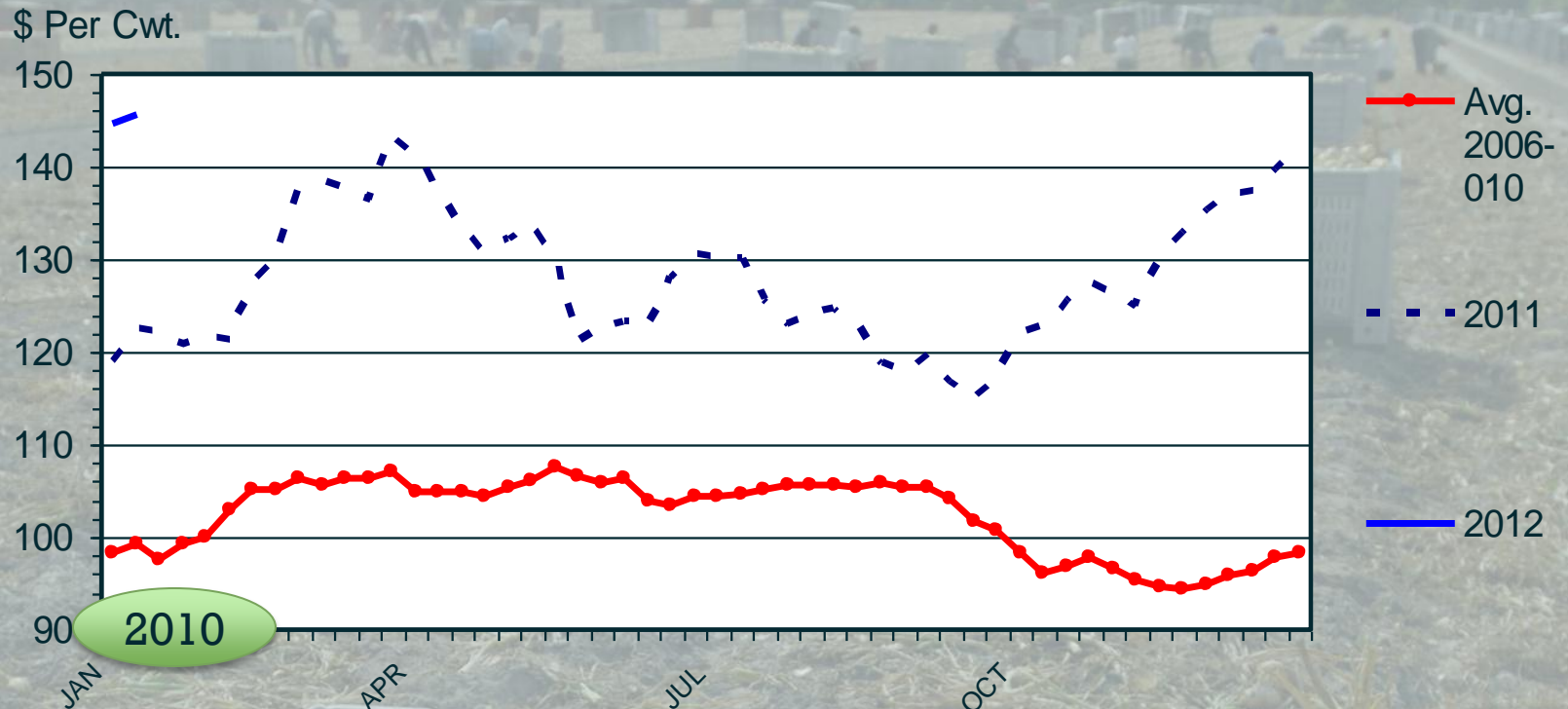
State	Acres
AK	5.1
HI	79
VT	10
NH	3
MA	6
RI	1.5
CT	4
NJ	9
DE	3.5
MD	42
WY	1476
MT	880
ND	1610
SD	1772
NE	1478
KS	2036
TX	5025
OK	461
LA	495
MS	659
AL	502
GA	926
FL	926
SC	184
NC	990
VA	351
PA	157
NY	90
CT	4
RI	1.5
MA	6
NH	3
VT	10
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VA	351
PA	157
NY	90
CT	4
RI	1.5
MA	6
NH	3
VT	10

01/28/11

# Record High Prices in 2011

## MED. & LRG. #1 & 2 STEER CALF PRICES

500-600 Pounds, Georgia, Weekly



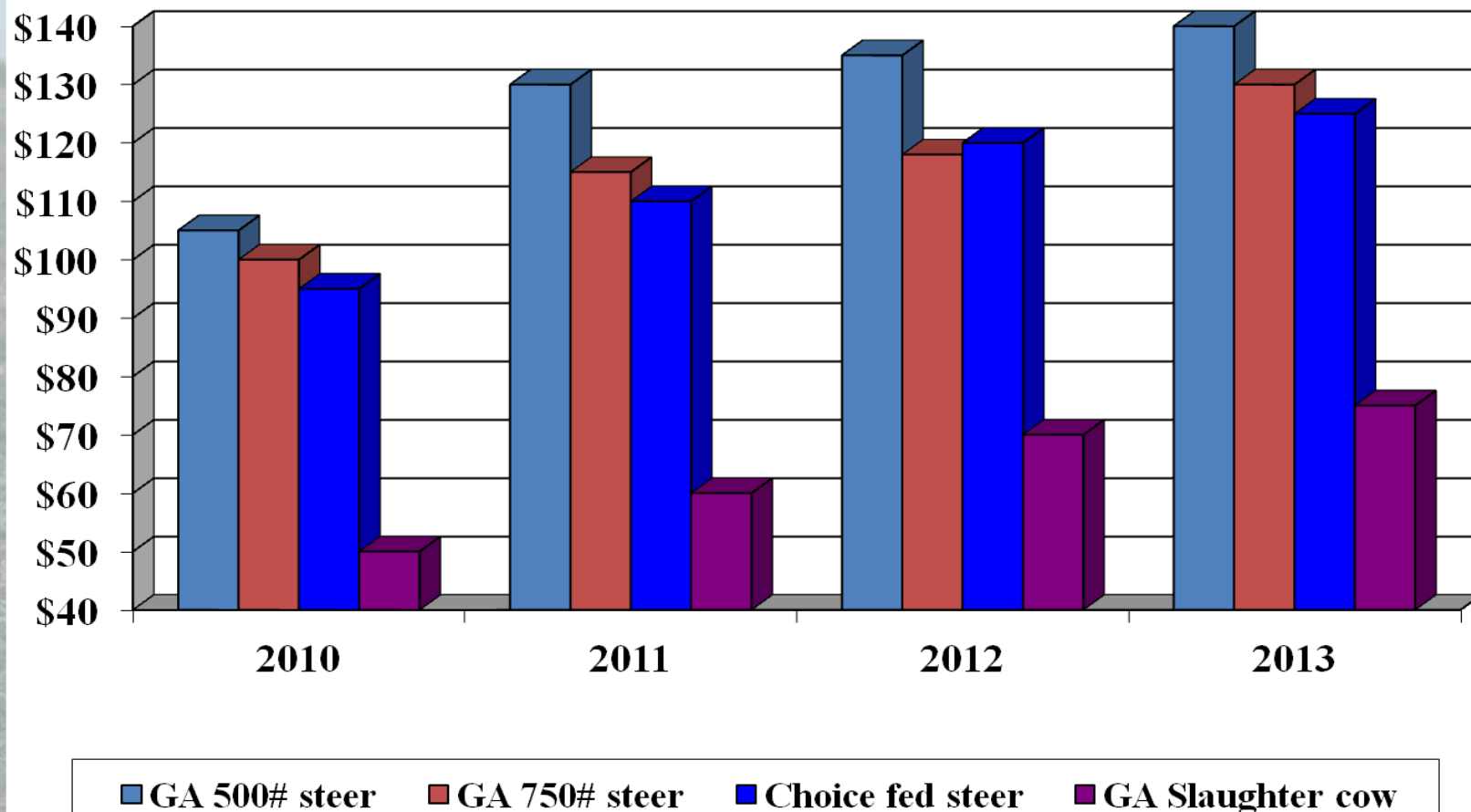
Livestock Marketing Information Center

Data Source: USDA-AMS, Compiled & Analysis by LMIC

01/18/12



# Projected Prices 2012 and Beyond



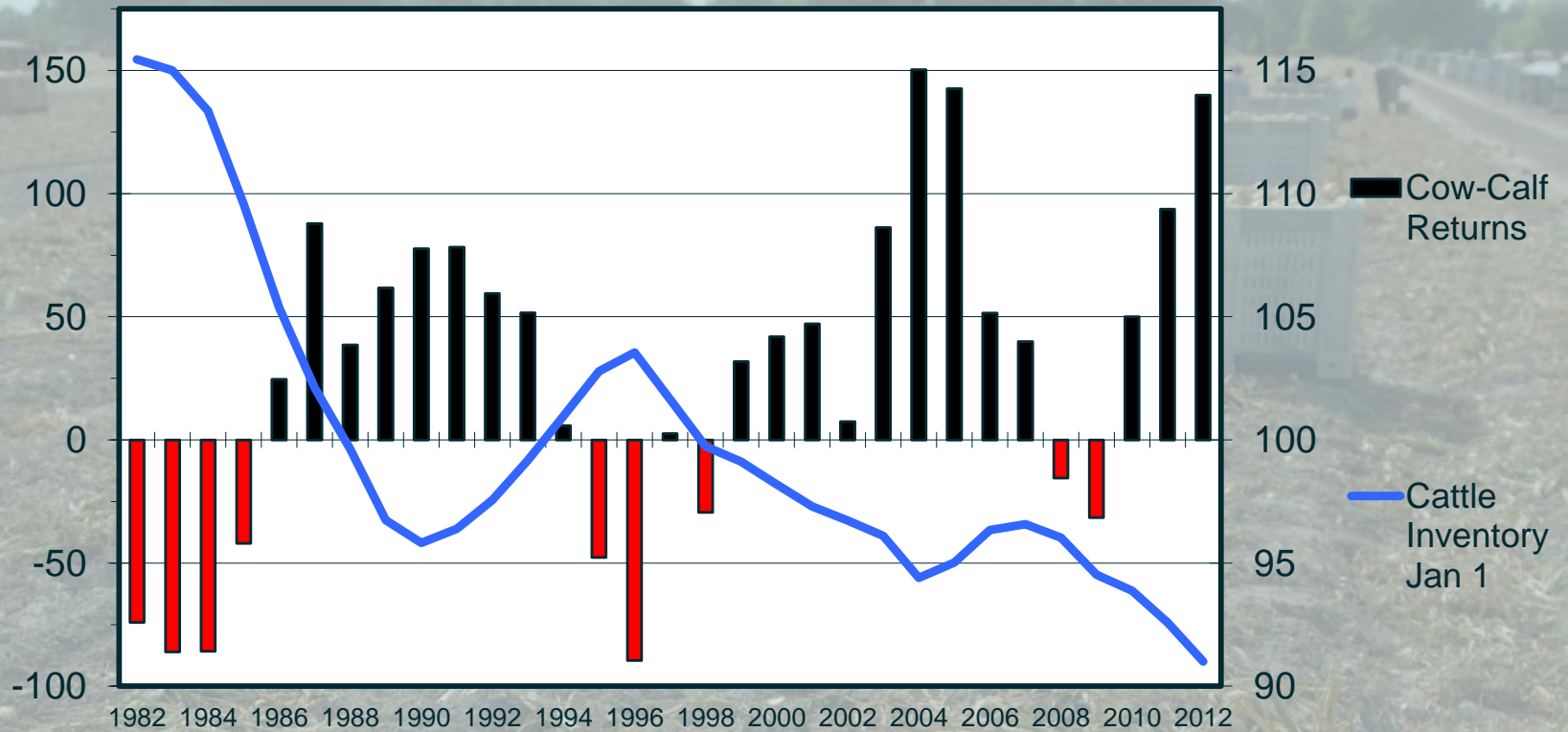
Source: USDA, LMIC and UGA

# **COW-CALF RETURNS AND CATTLE INVENTORY**

U.S., Annual

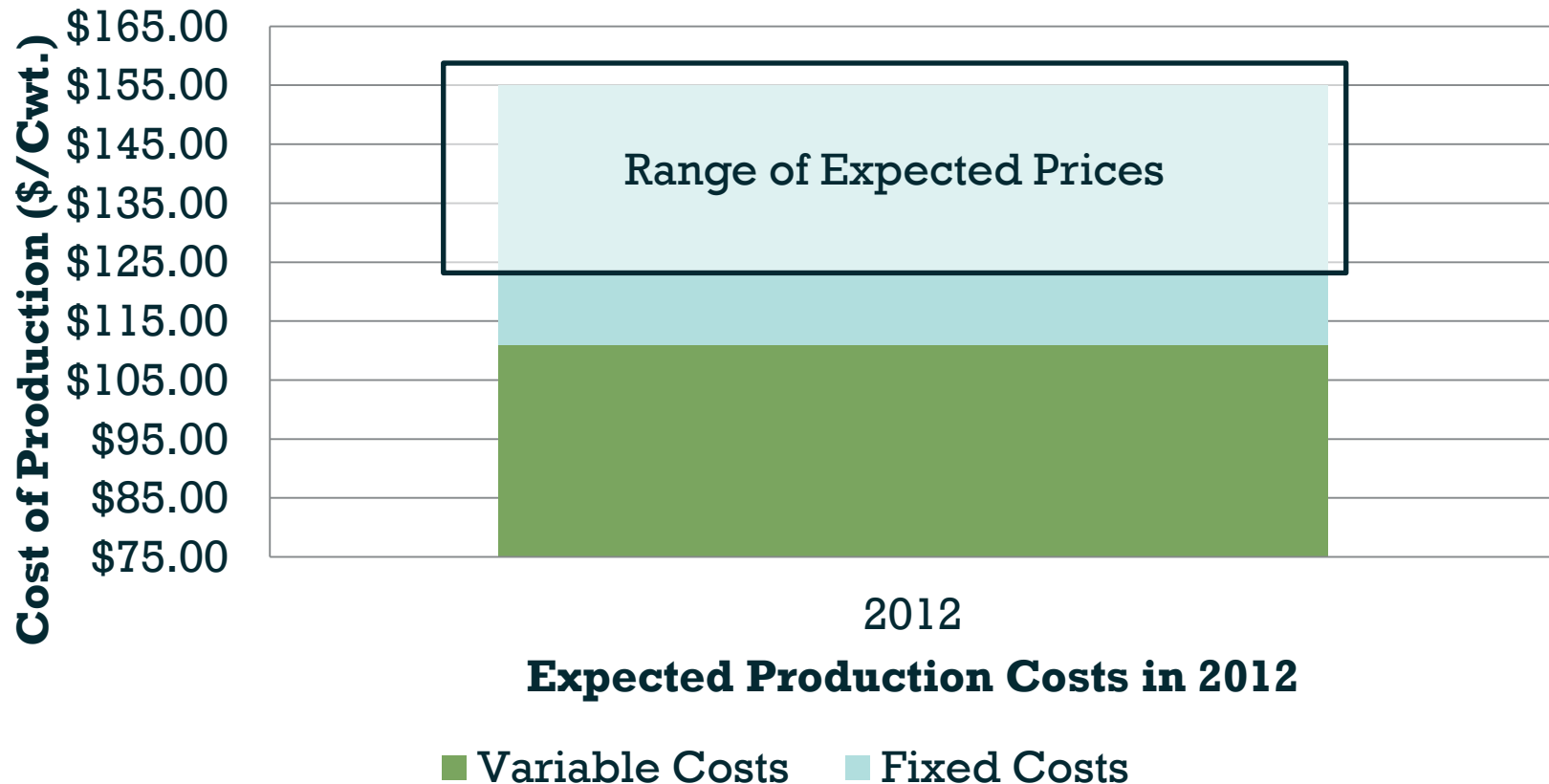
\$ Per Cow

Mil. Head



C-P-67  
11/17/11

# Cost of production will be higher but should be manageable for most

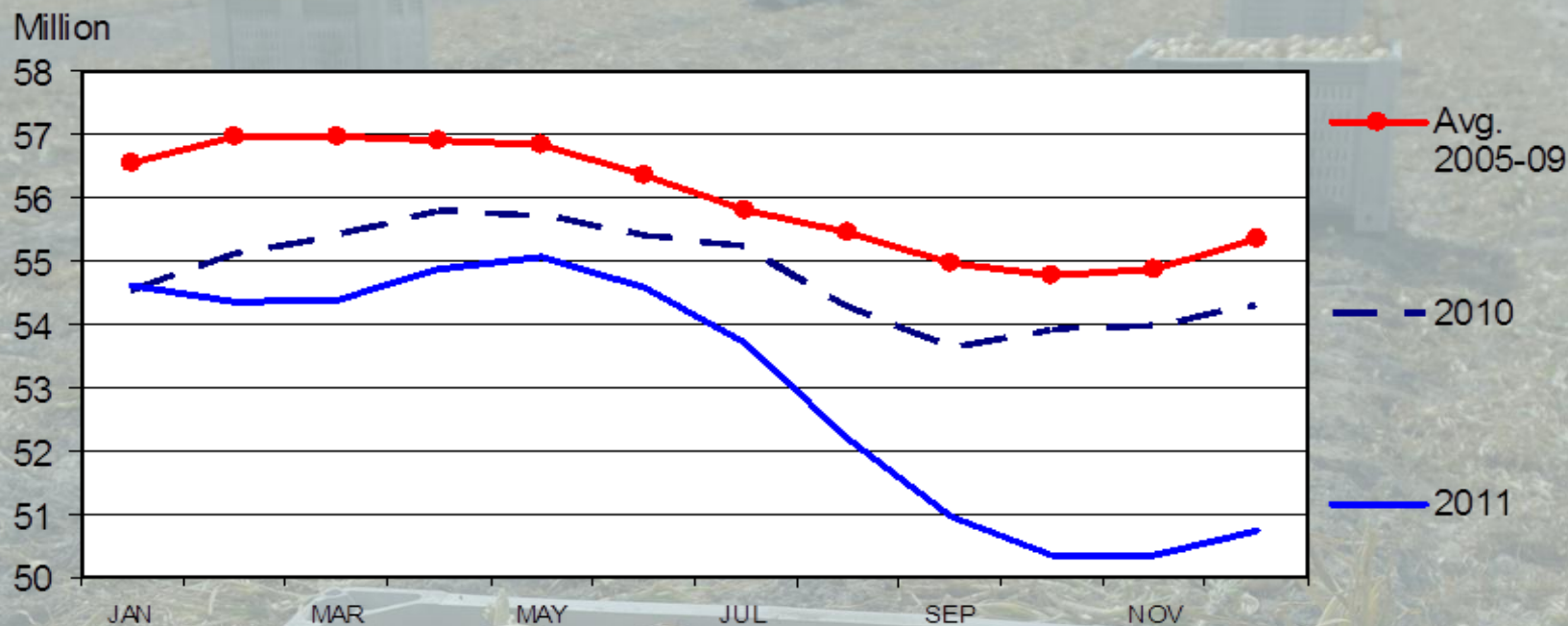




# How Did Broiler Producers Fare in 2011 – What Does it Means for 2012?

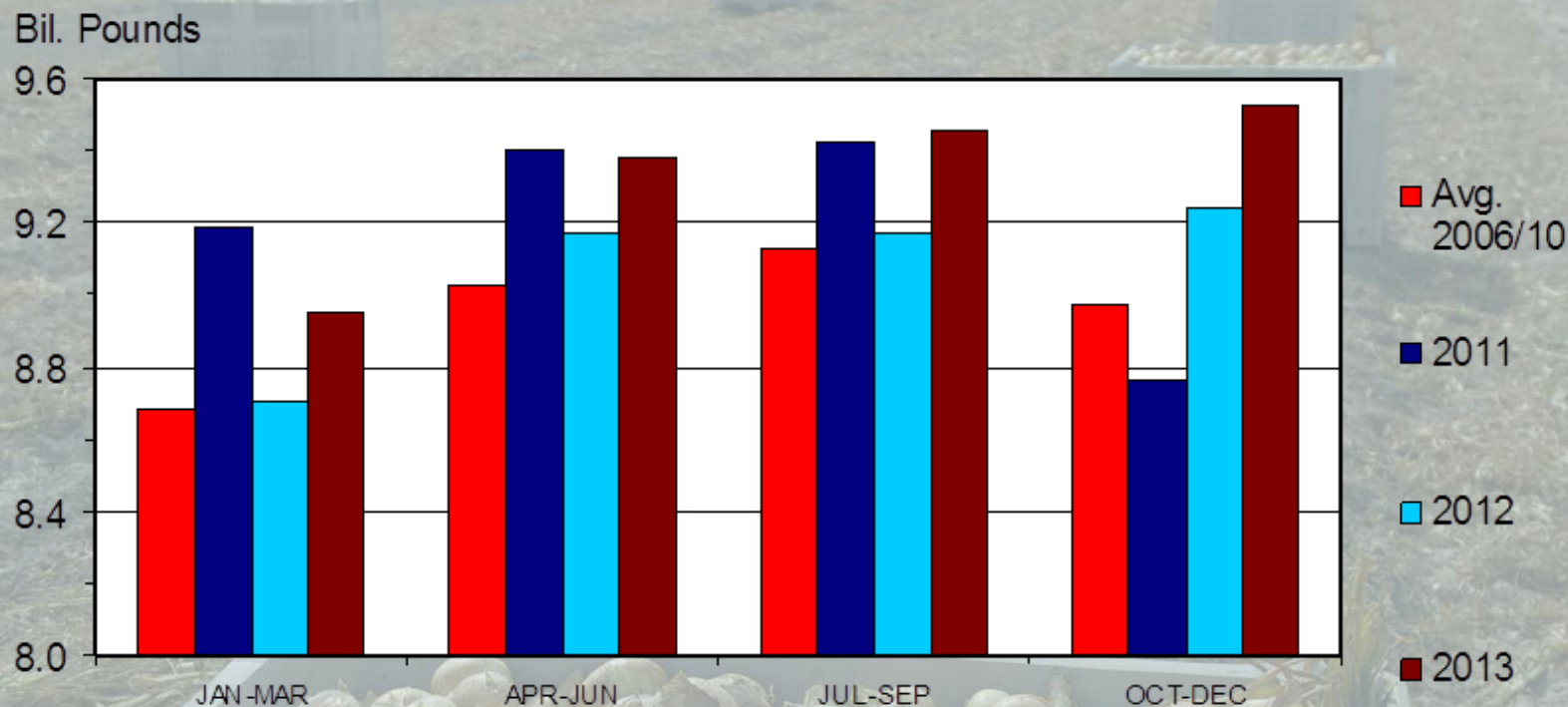
## BROILER-TYPE HATCHING LAYERS

Average Number On Hand During Month

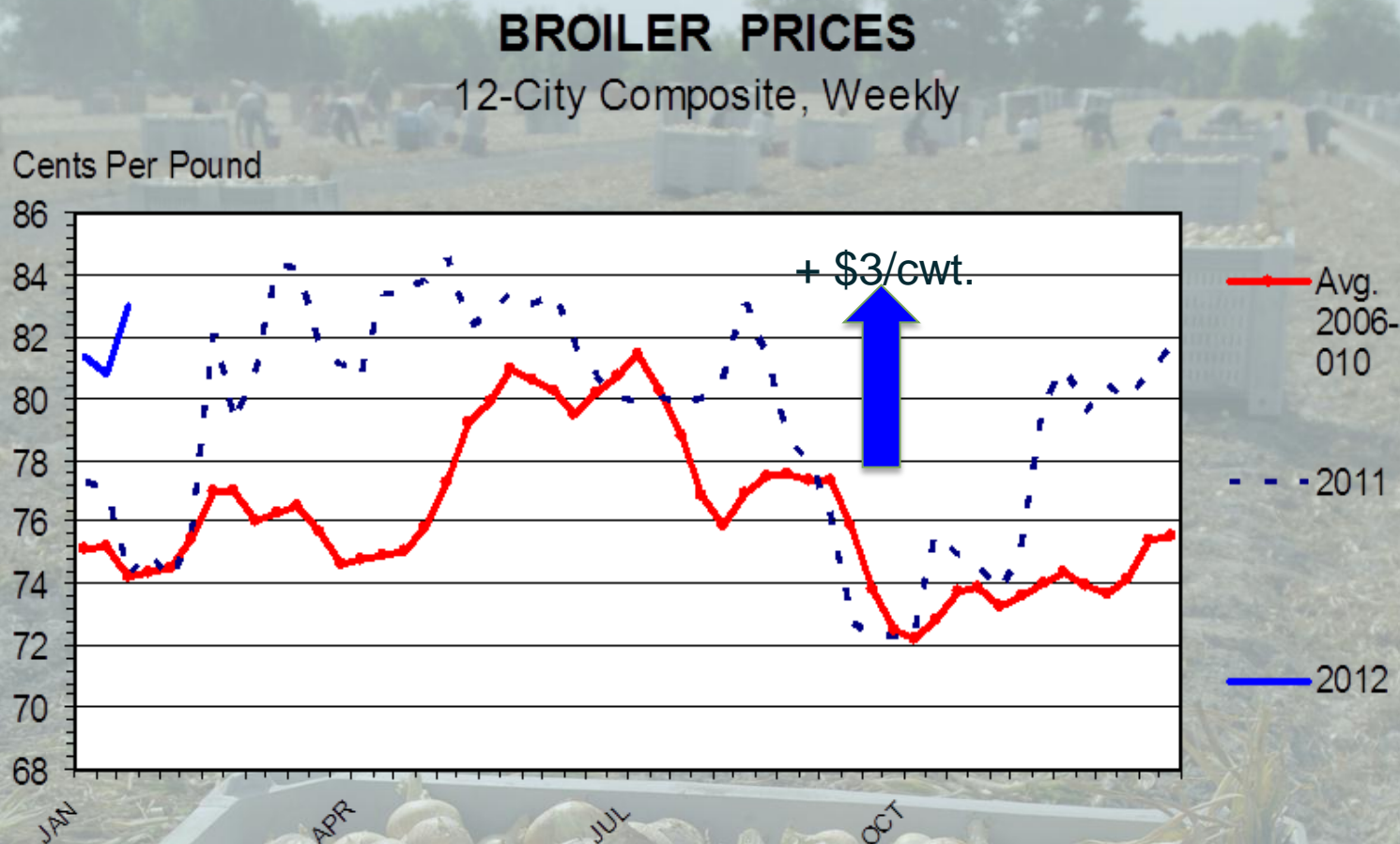


# Broiler Prices Higher in 2012 on Production Cuts – Profits Much Improved if Feed Prices Moderate!

## RTC BROILER PRODUCTION Quarterly

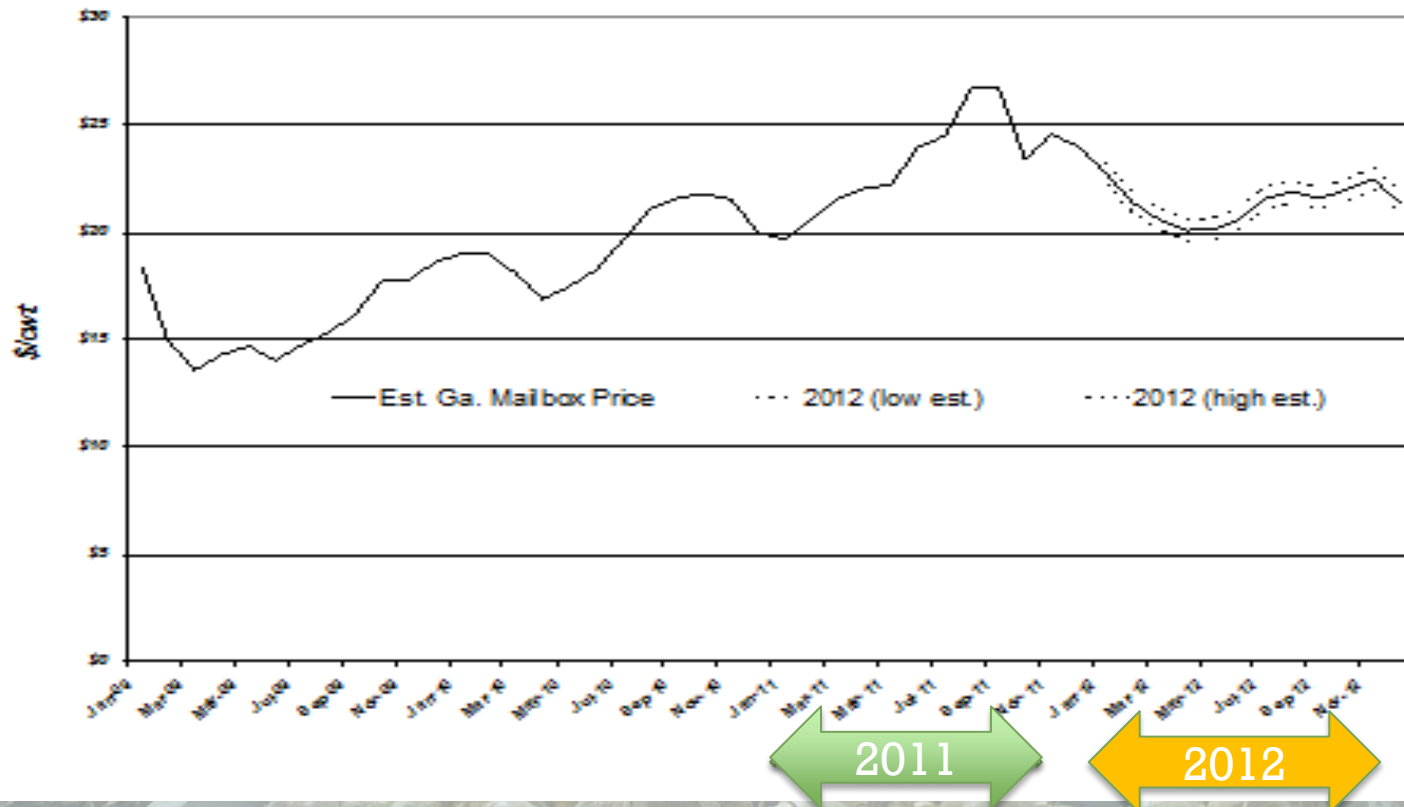


# Broiler Prices Higher in 2012 on Production Cuts – Profits Much Improved if Feed Prices Moderate!





# Milk Prices Remain High, Profits Improved With Reduced Forage and Feed Costs?

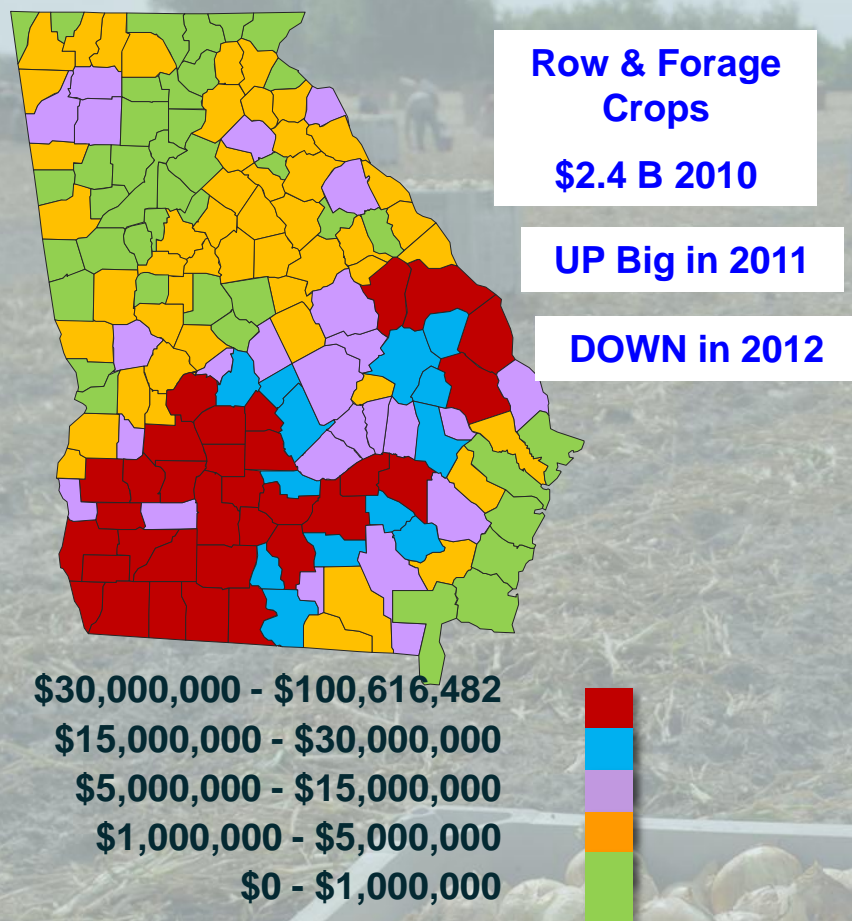


\$22/Cwt.



# CROPS OUTLOOK

# 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!



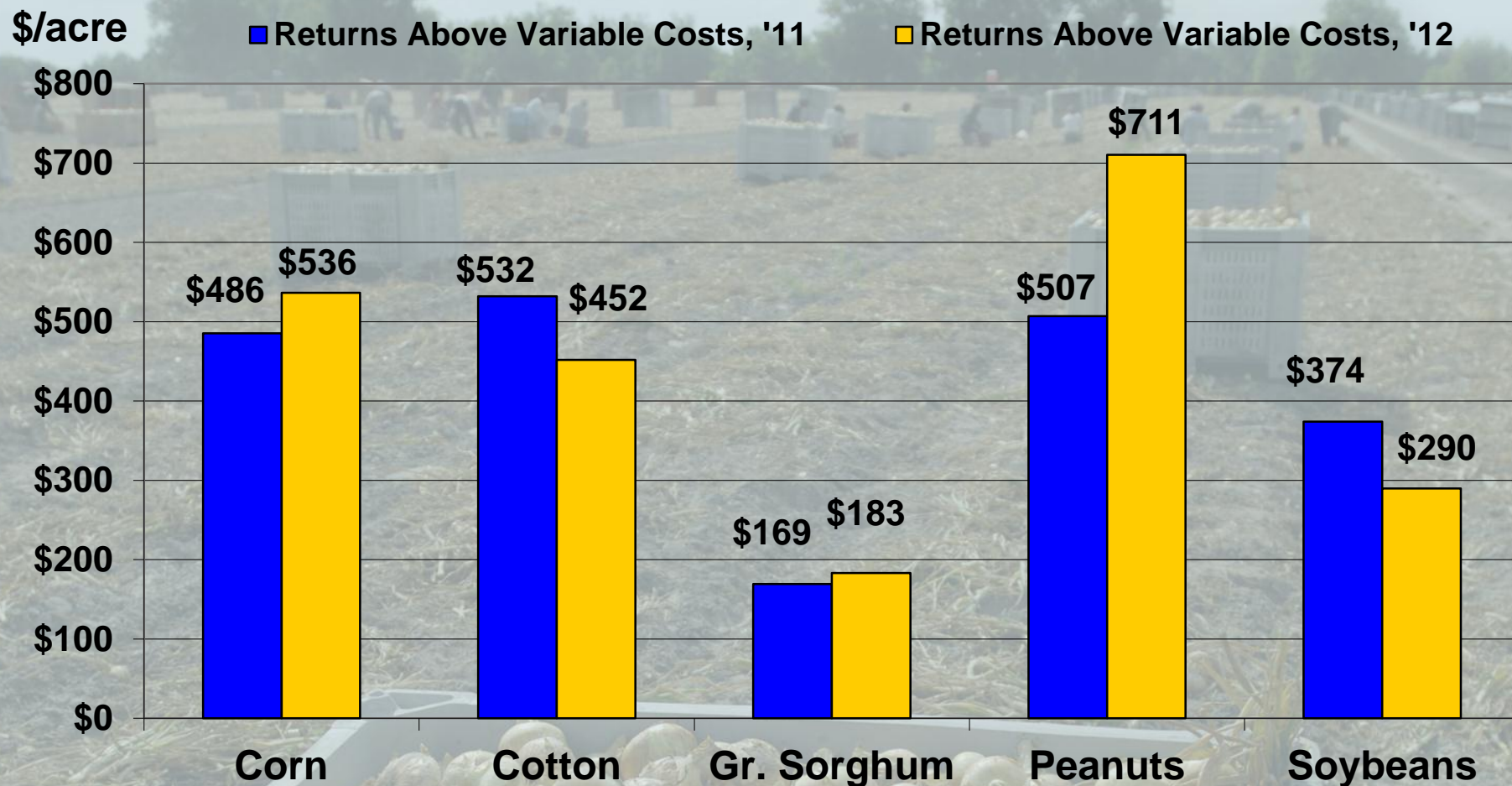
# Profit Scoreboard

Assumes Land Rent of \$65/acre

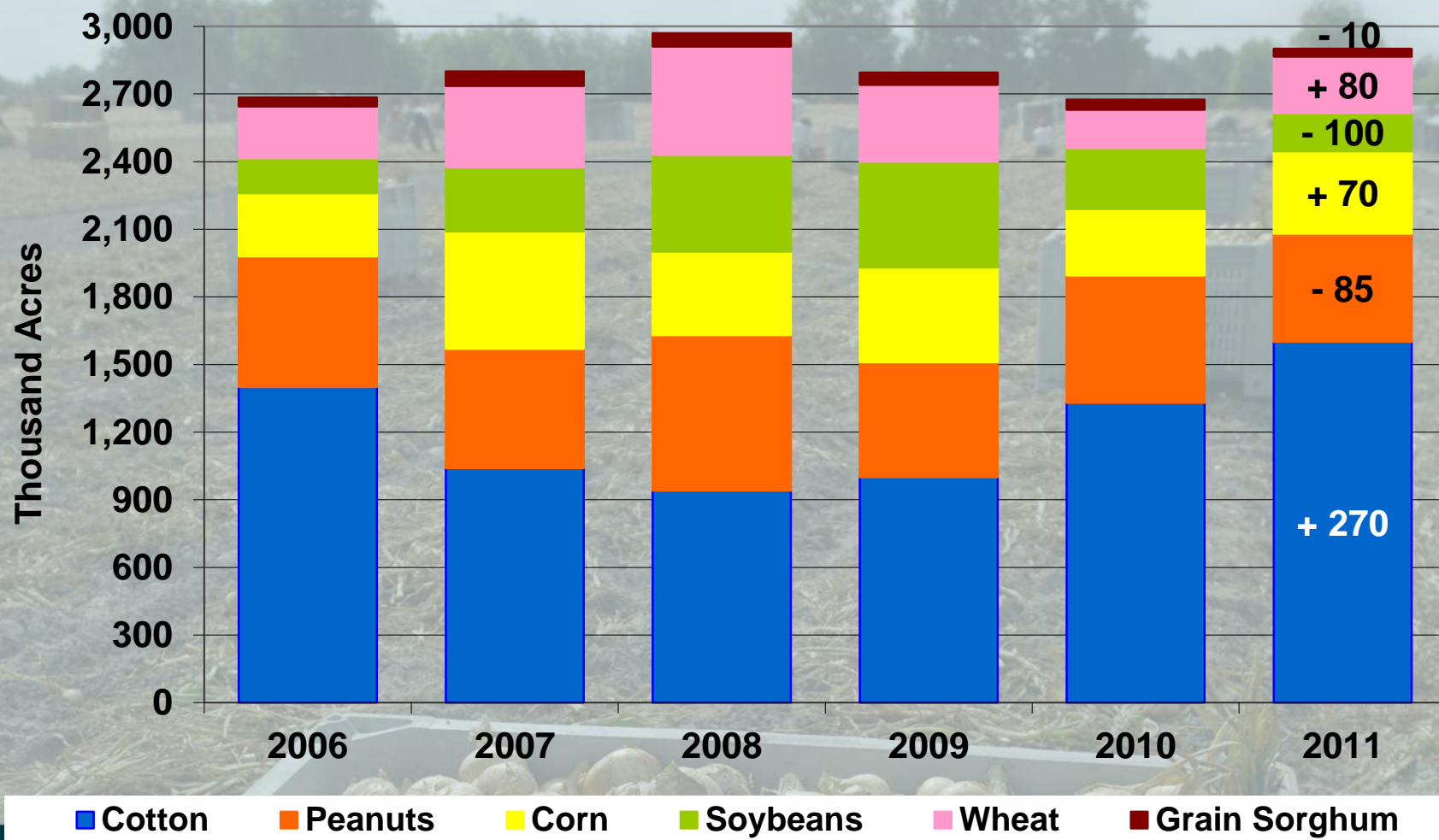
Commodity	Avg Yield	Avg Price	Out of Pocket & Total Costs	Potential Returns	Chance of Positive Returns
Corn – Dryland	85 bu	\$6.00	\$381	\$129	75%
			\$471	\$40	58%
Cotton – Dryland	700 lb	\$0.88	\$493	\$119	73%
			\$652	-\$39	43%
Peanut – Dryland	2900 lb	\$700	\$711	\$304	80%
			\$905	\$111	62%
Soybean – Dryland	30 bu	\$11.00	\$304	\$26	59%
			\$376	-\$46	34%

# 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)



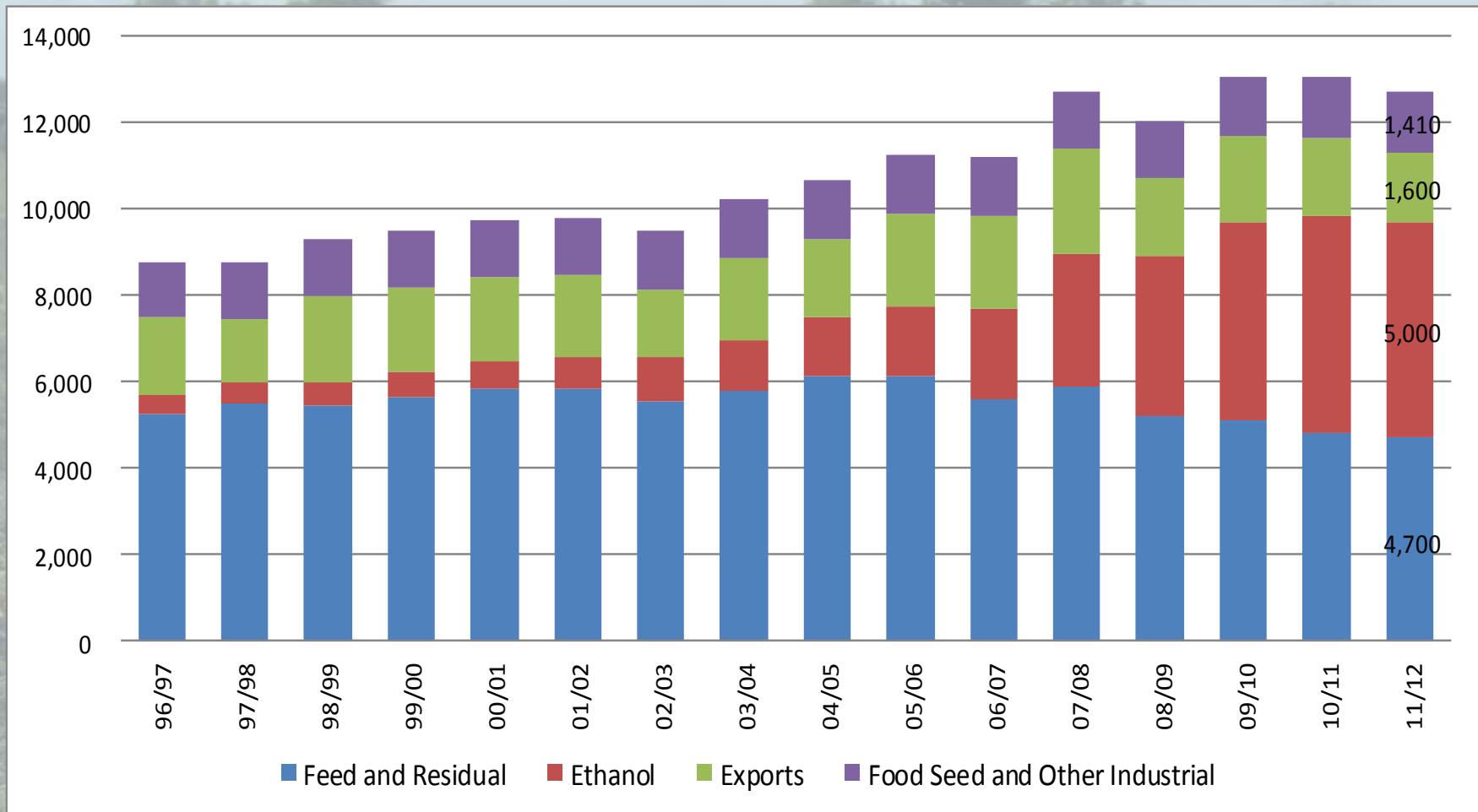
# Selected Georgia Row Crop Acreage, 2006-2011



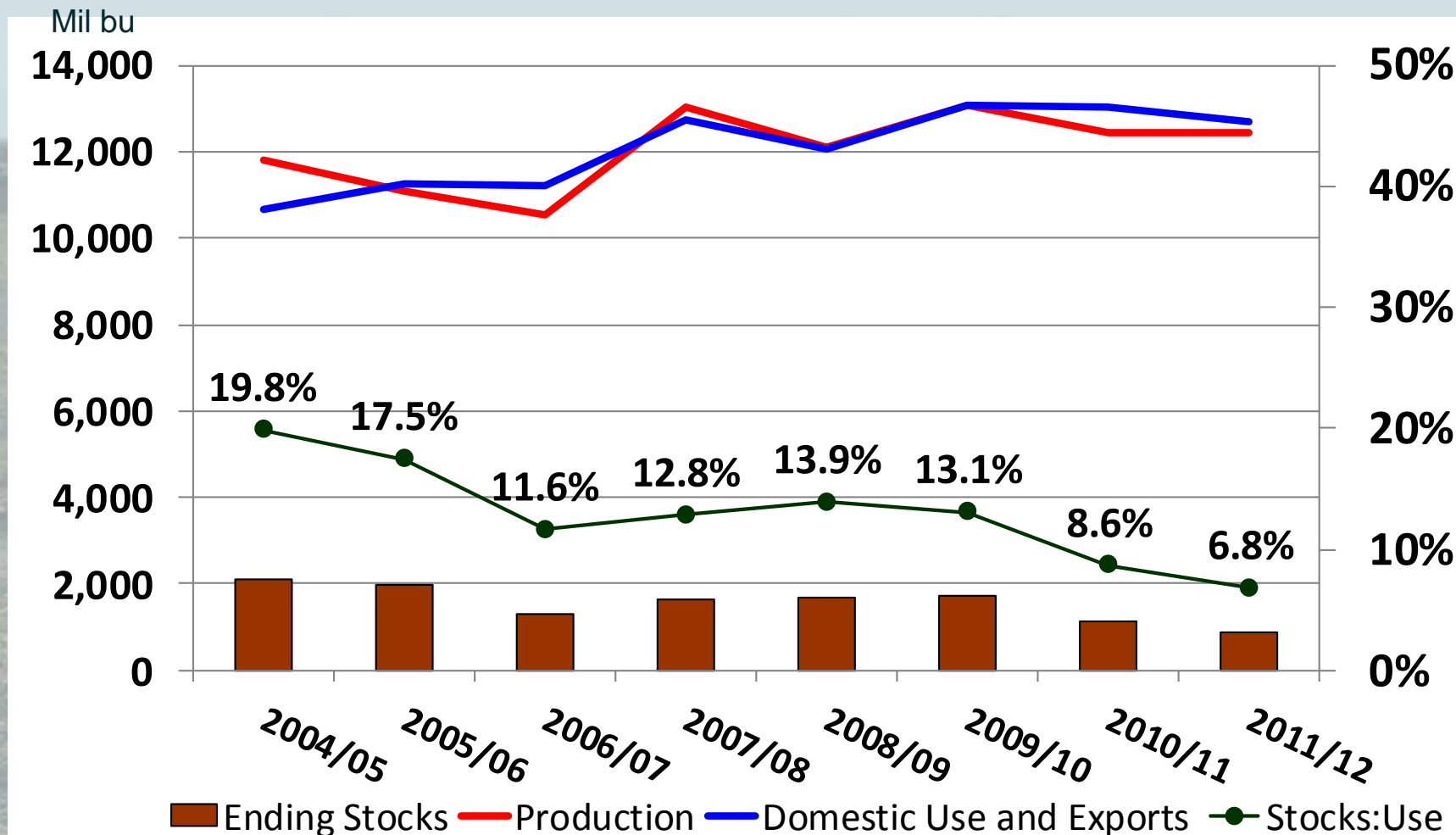


# Corn Utilization

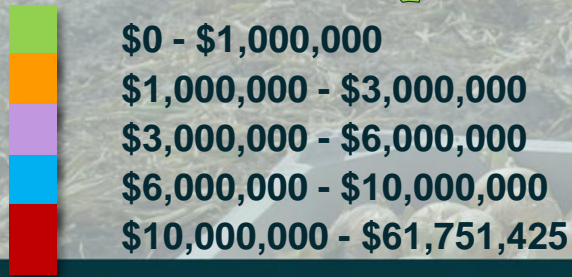
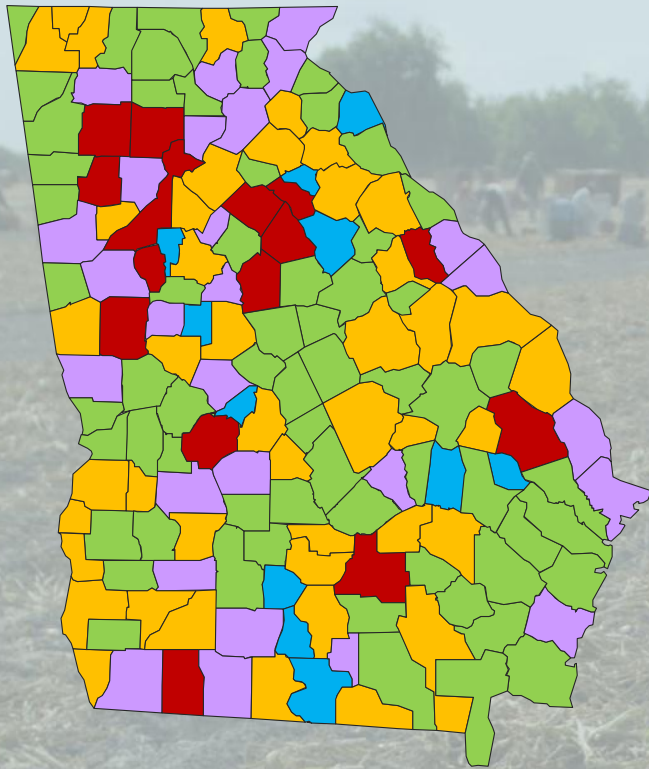
Million bushels



# U.S. Corn Supply and Demand



# Ornamentals (Green Industry) Summary



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

**\$586M 2010,  
down in  
2011, stable  
in 2012**



# ***Environmental Horticulture Situation and Outlook Georgia 2012***

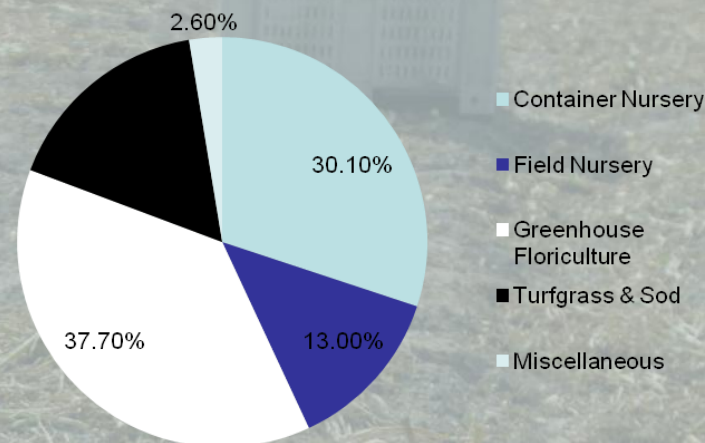
- **Key industry success factors:**

economies of scale, production and marketing of premium quality plants, expansion of export markets, use of appropriate growing structures and technology, wise water management.

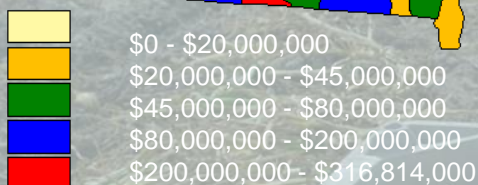
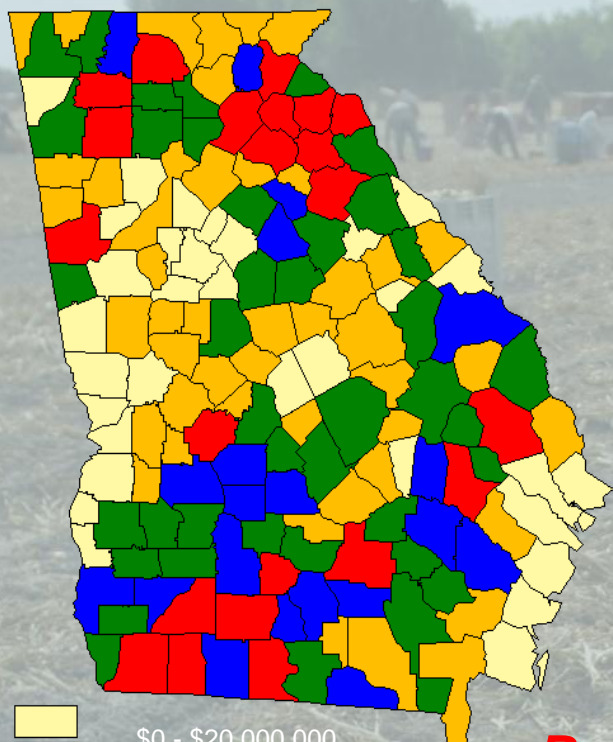
- **Profit margins** to suffer in 2012 as price competition puts squeeze on operating incomes albeit input and production costs continue to climb; lower pre-order quantities and numbers of orders.

- **Inelastic demand** for environmental horticulture means a price increase is marketer's and producer's primary means of capturing revenue and re-growing business

**Environmental Horticulture  
Farm Gate Value Shares, 2010**



# 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.
- **Regulatory - Especially Animals** – Fed. “Greenhouse gas” emissions, pesticide registrations, point source pollution permits, **(GIPSA) contract production, other animal ag potential regulations. NEW Food Safety law.**
- **Ag Economic Development** – **FED. Taxes, Ga. Sales Tax on Manf. And Ag Energy, economic development incentives.** Fed – economic development/transportation funding
- **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!**