



Agricultural Market Outlook

Arizona ASFMRA
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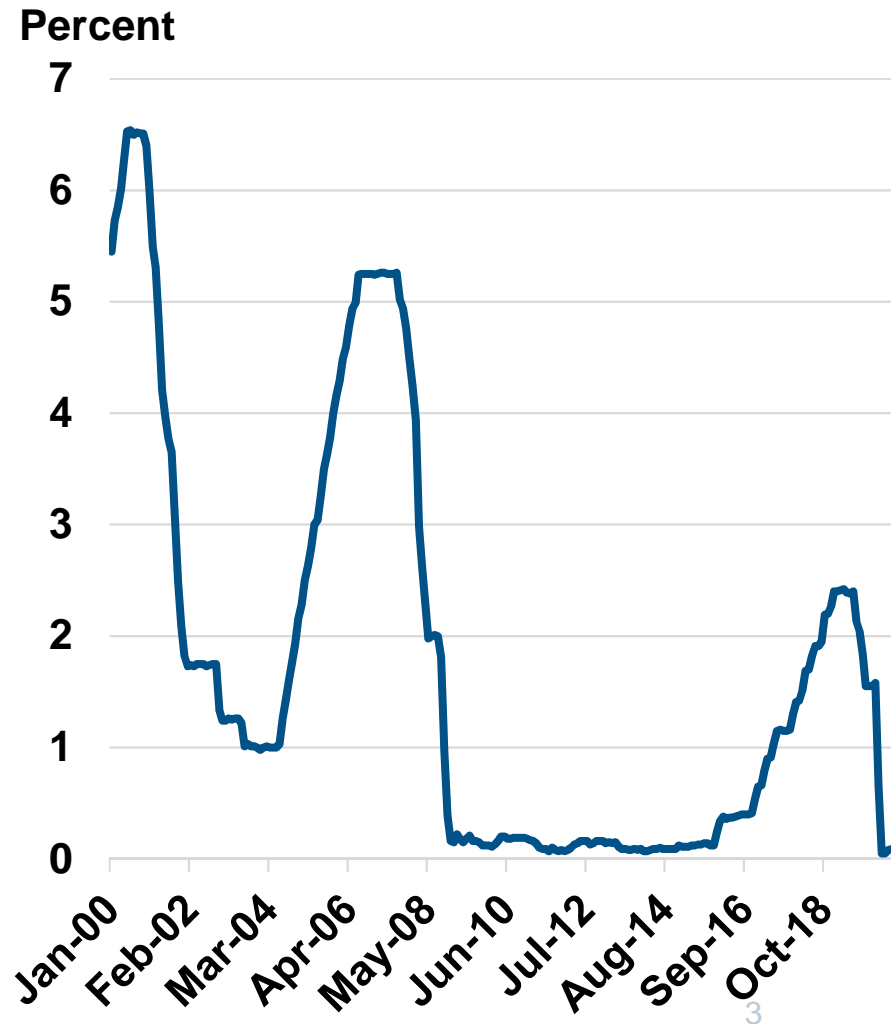




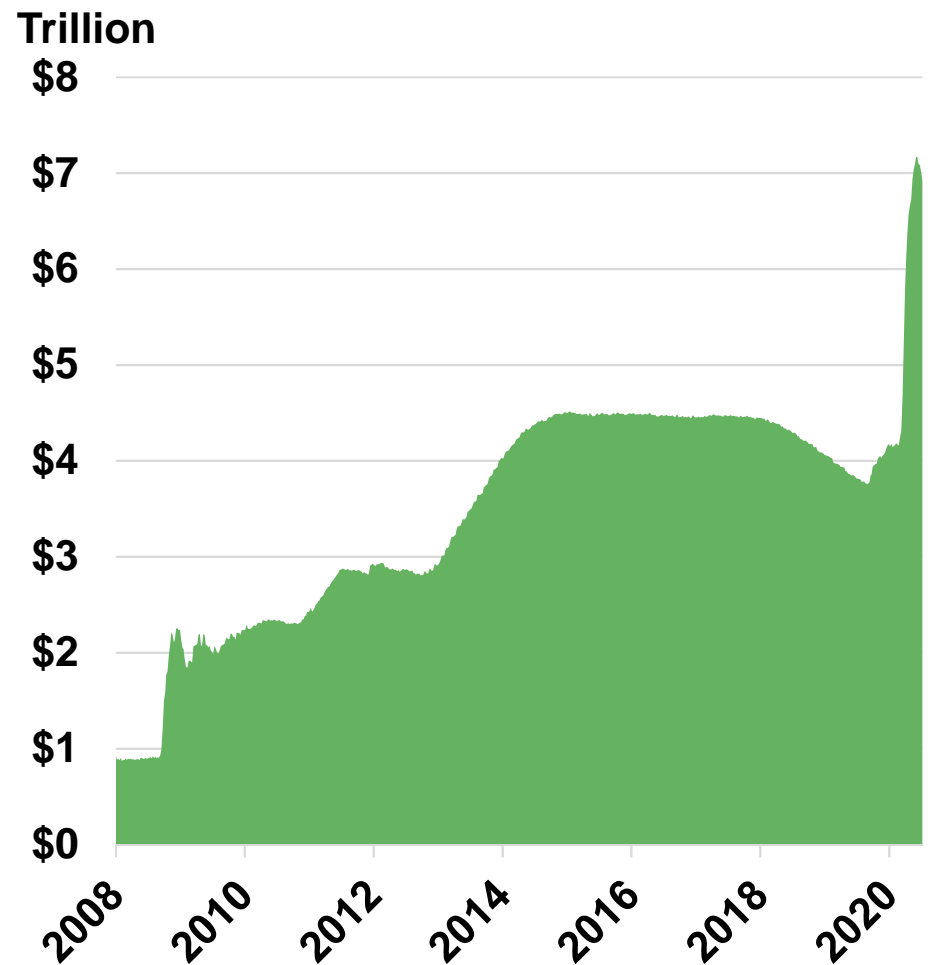
Global and U.S. Economies

The Federal Reserve's Injection of Liquidity has no Precedent. Fed has Signaled More QE Ahead.

Effective Federal Funds Rate

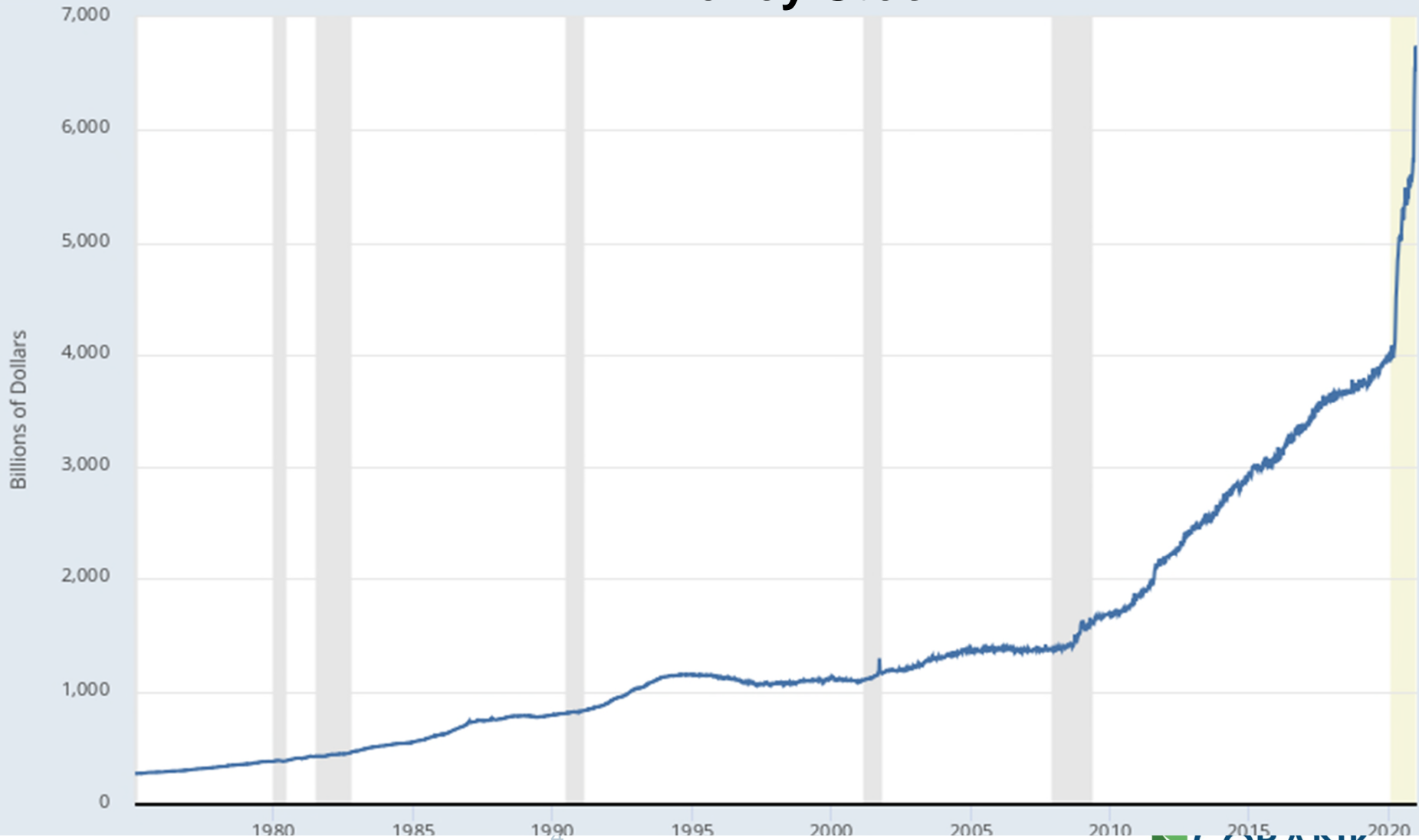


Federal Reserve Balance Sheet



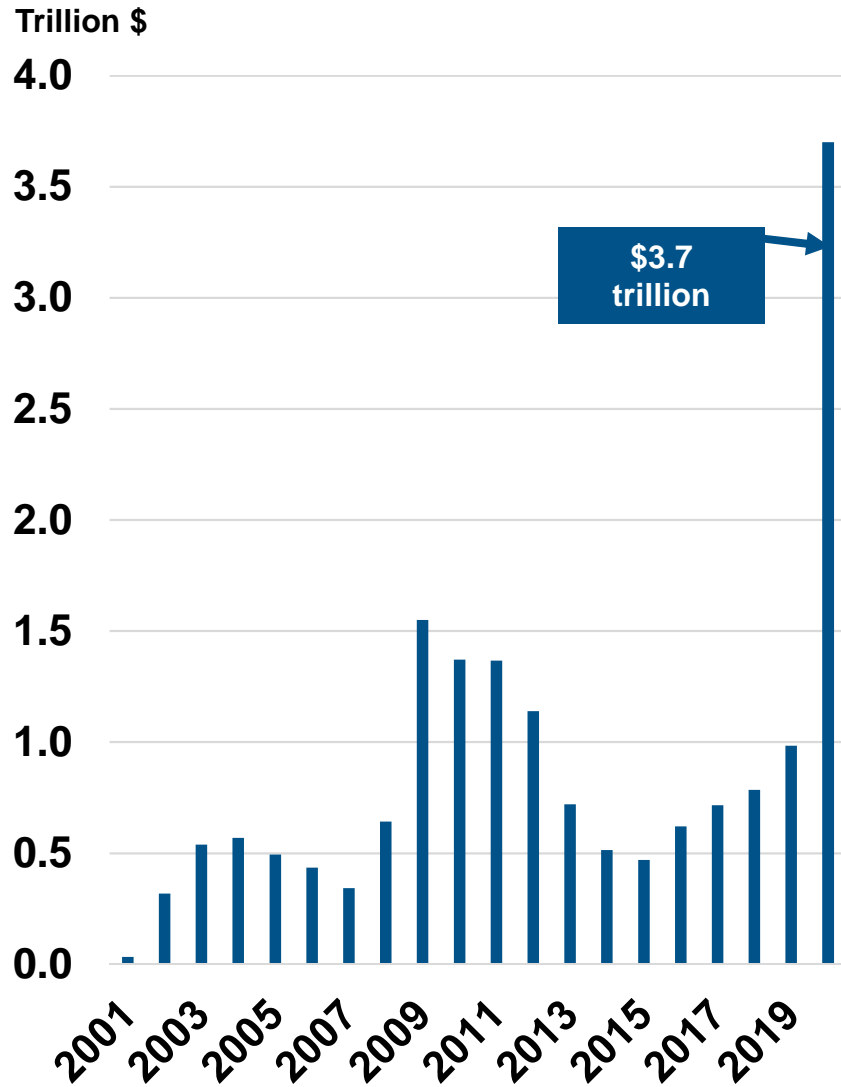
41% of all US Dollars ever printed, were printed in the last 12 months

M1 Money Stock

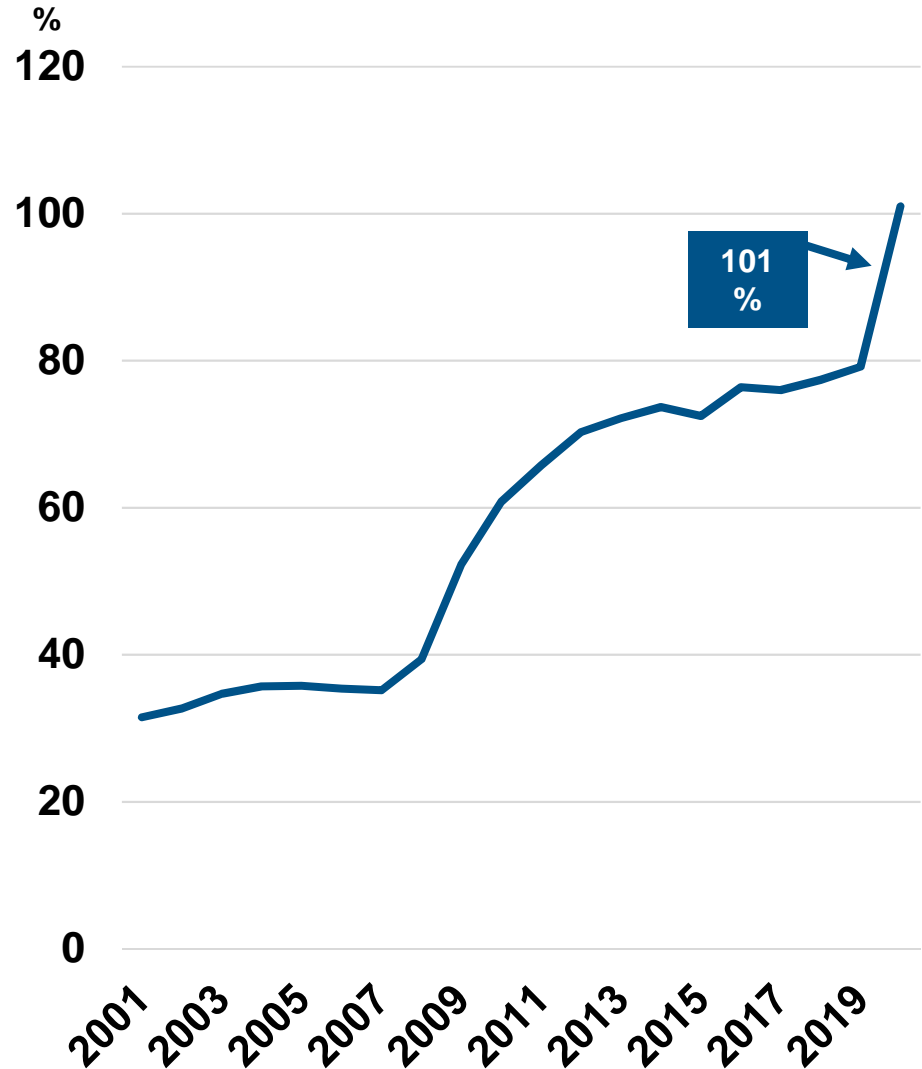


The U.S. Government Substantially Increased Deficit Spending

Federal Budget Deficit, By Year



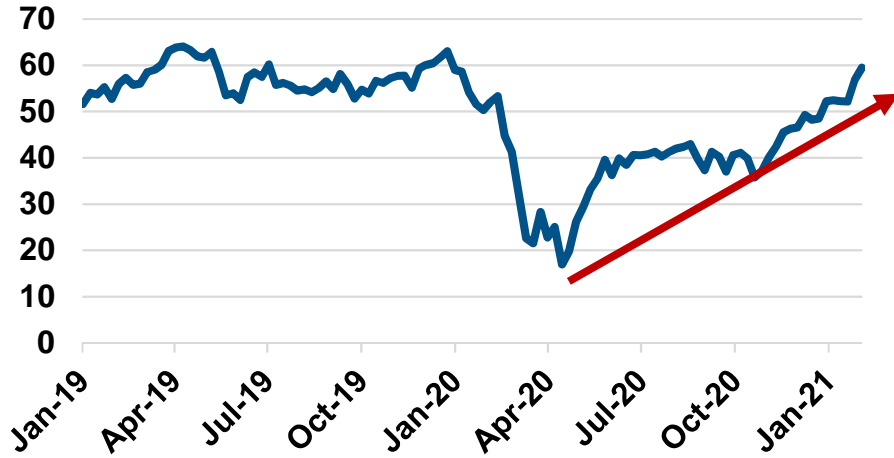
U.S. Federal Debt / GDP



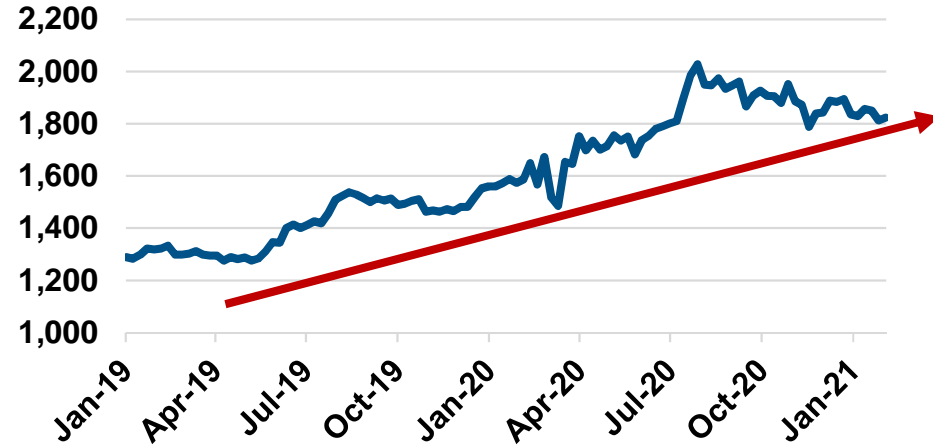
Commodity Prices Continue Posting Strong Gains. Further USD Weakness Will Add More Support.



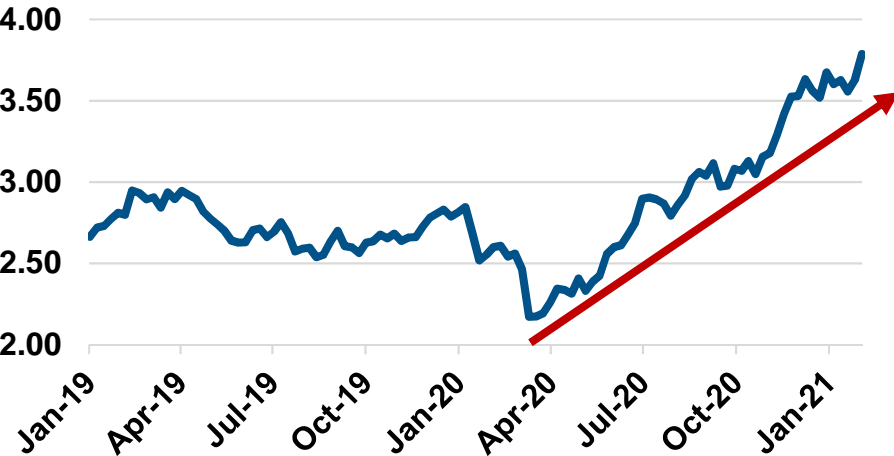
WTI Crude (\$/Barrel)



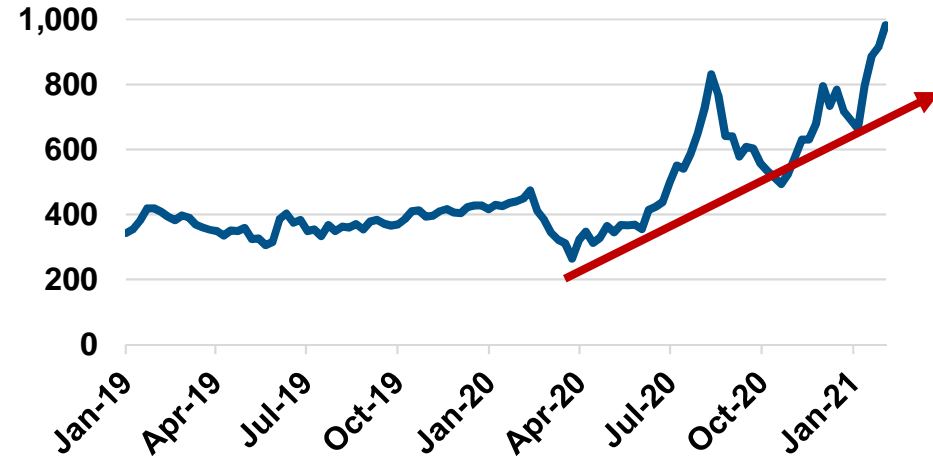
Gold (\$/t.oz)



Copper (\$/lb.)



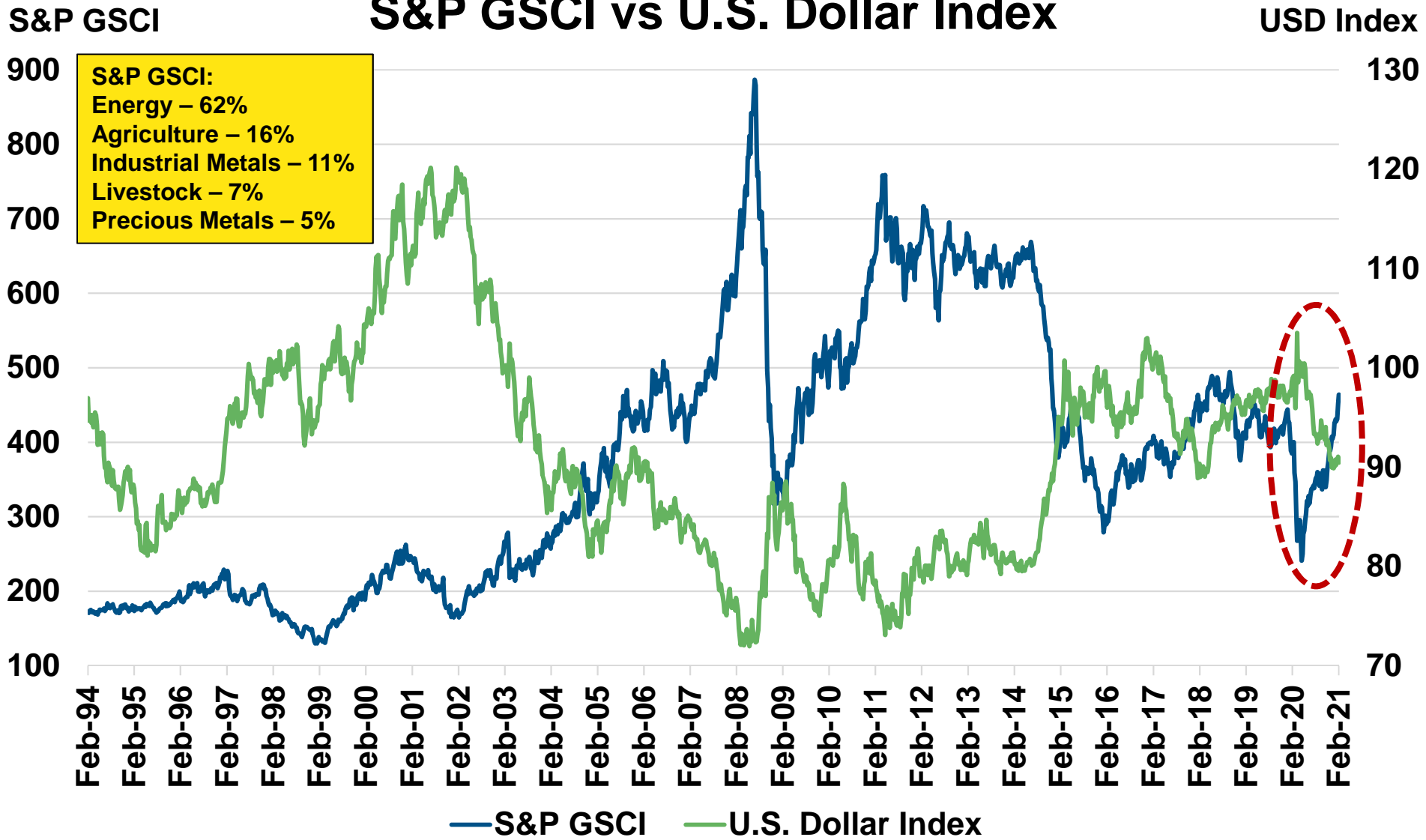
Lumber (\$/1,000 board feet)



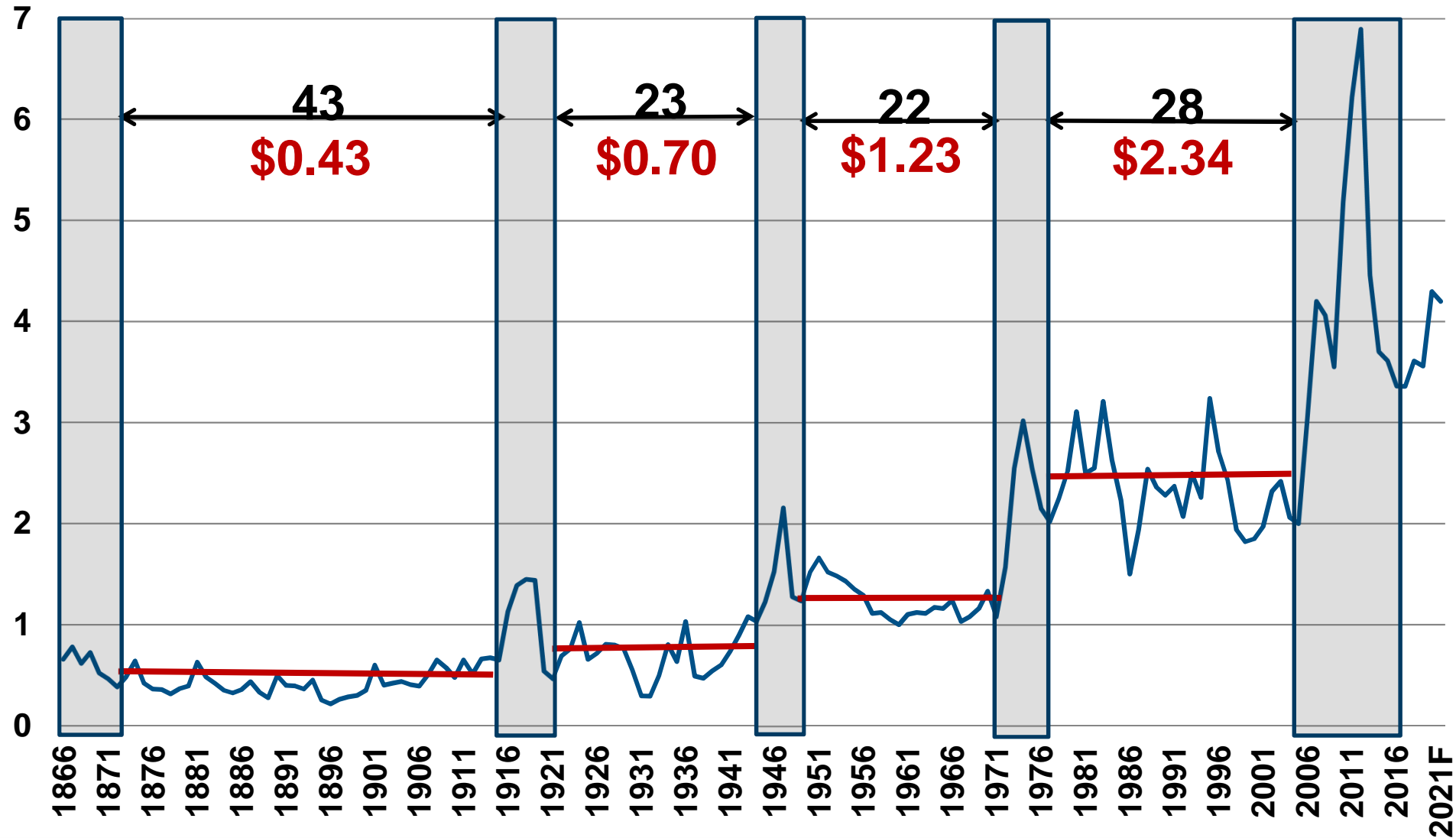
Fed Liquidity and Deficit Spending are Weakening U.S. Dollar, Sparking Talk of Commodity “Supercycle”



S&P GSCI vs U.S. Dollar Index



Annual Corn Price





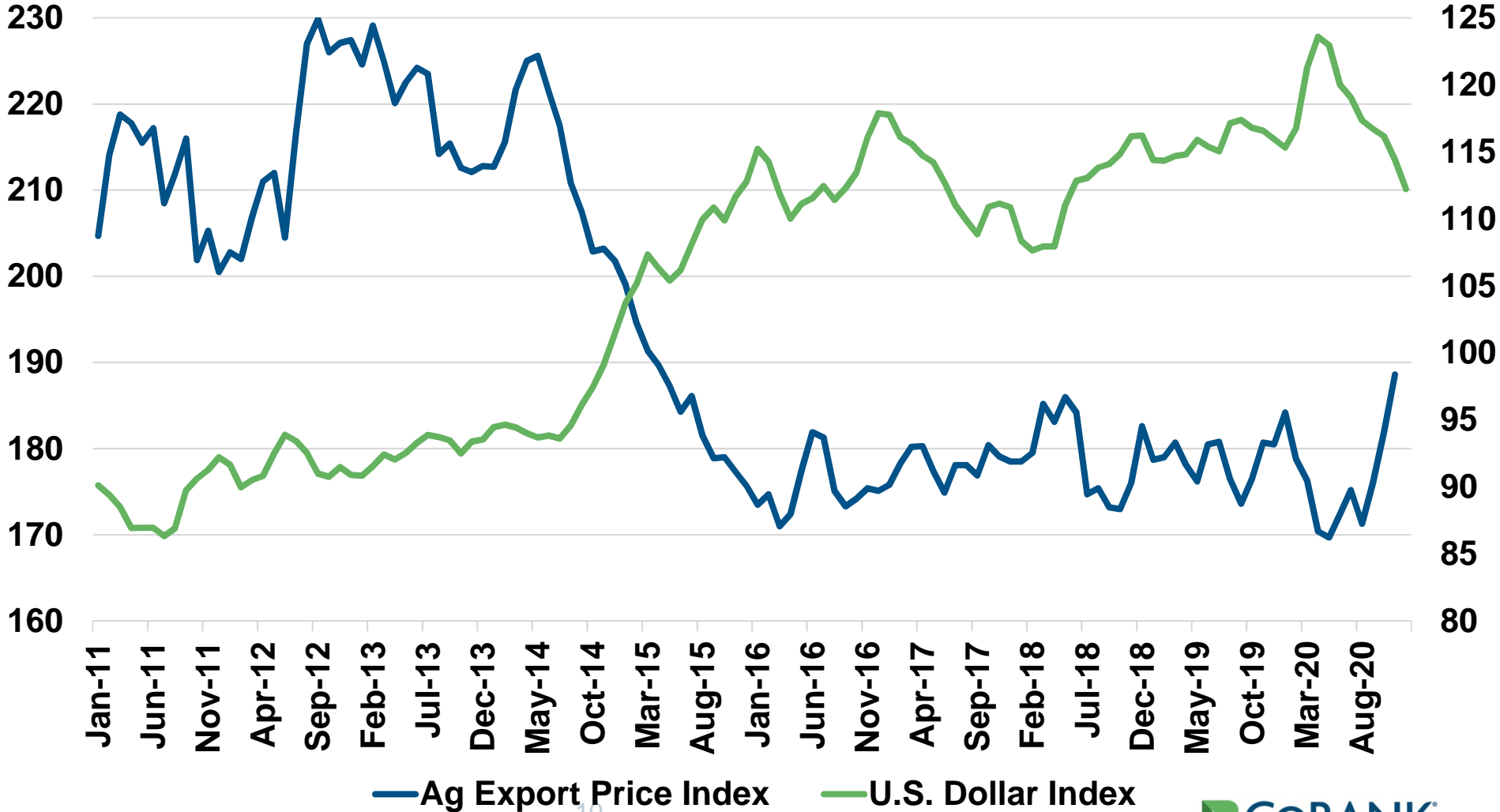
Agricultural Markets

Fed Liquidity and Deficit Spending are Weakening U.S. Dollar, Helping Drive U.S. Agricultural Exports

Ag Export Prices vs U.S. Dollar

Ag Export Prices Index

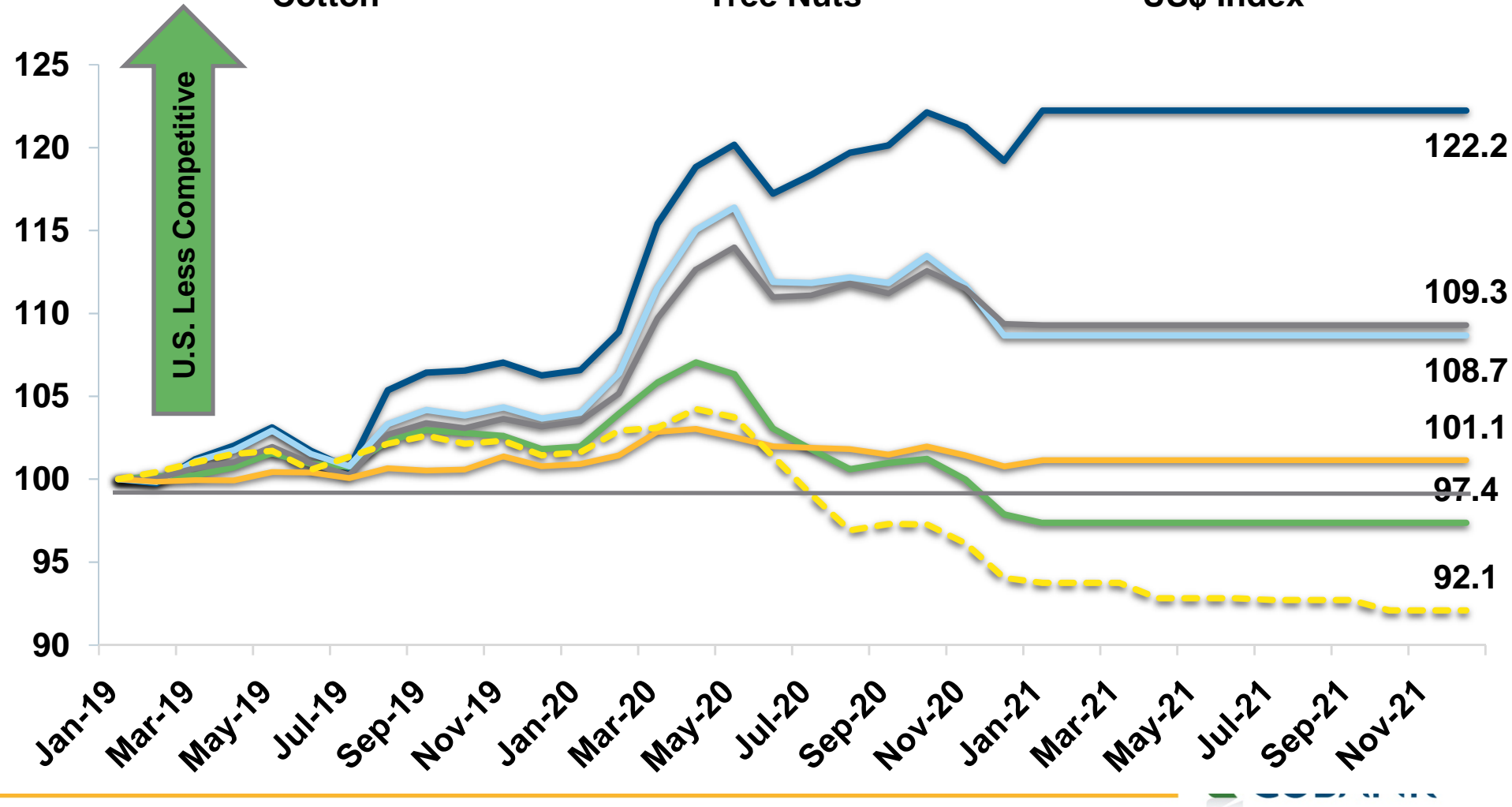
U.S. Dollar Index



Some U.S. Commodities Face Currency Headwinds

U.S. Agriculture Trade Weighted USD Index

- Grain & Oilseed
- Cotton
- Dairy
- Tree Nuts
- Animal Protein
- US\$ Index

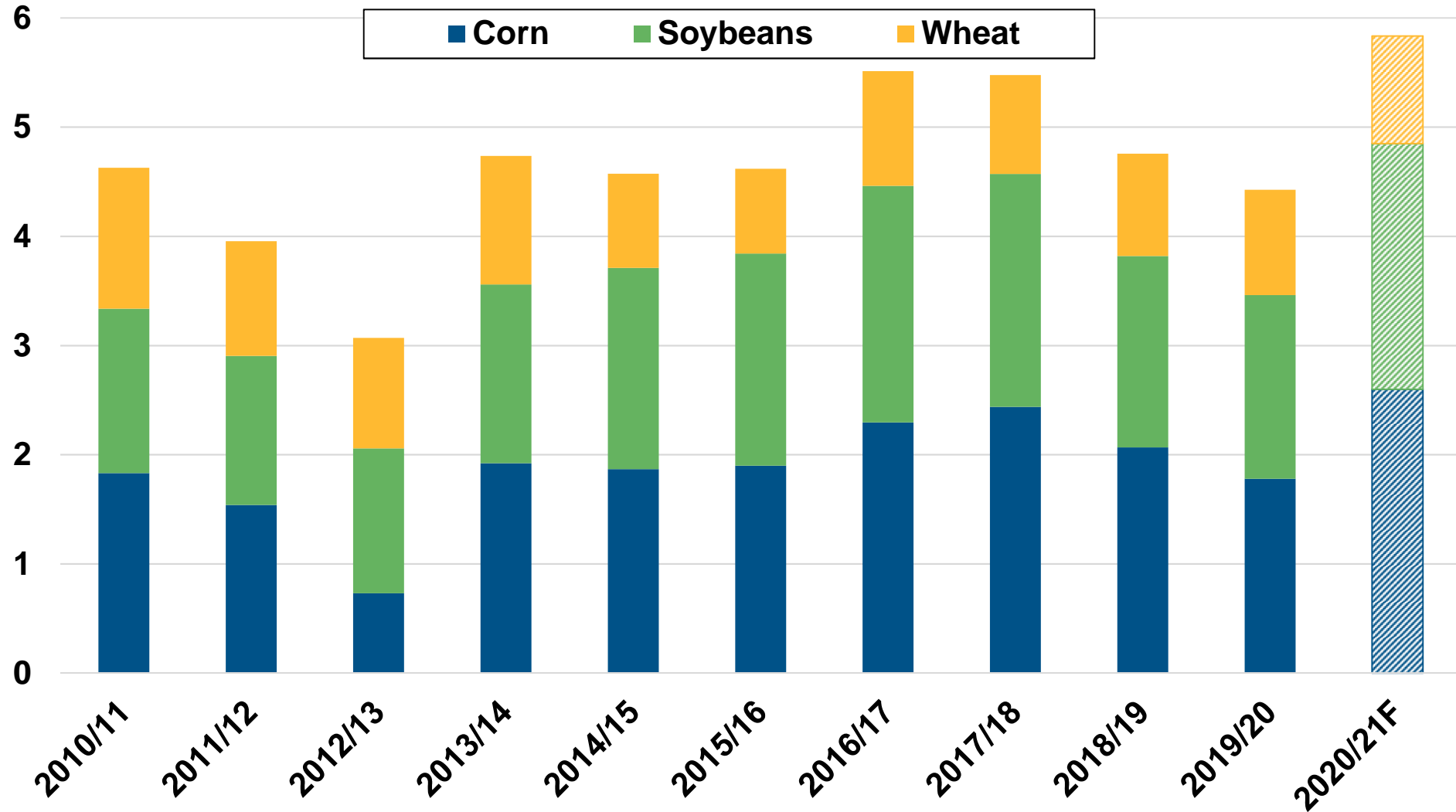


Strong Exports Driven by Weaker USD and China. USDA was Cautious in February Export Estimates.



Billion Bushels

U.S. Grain Exports



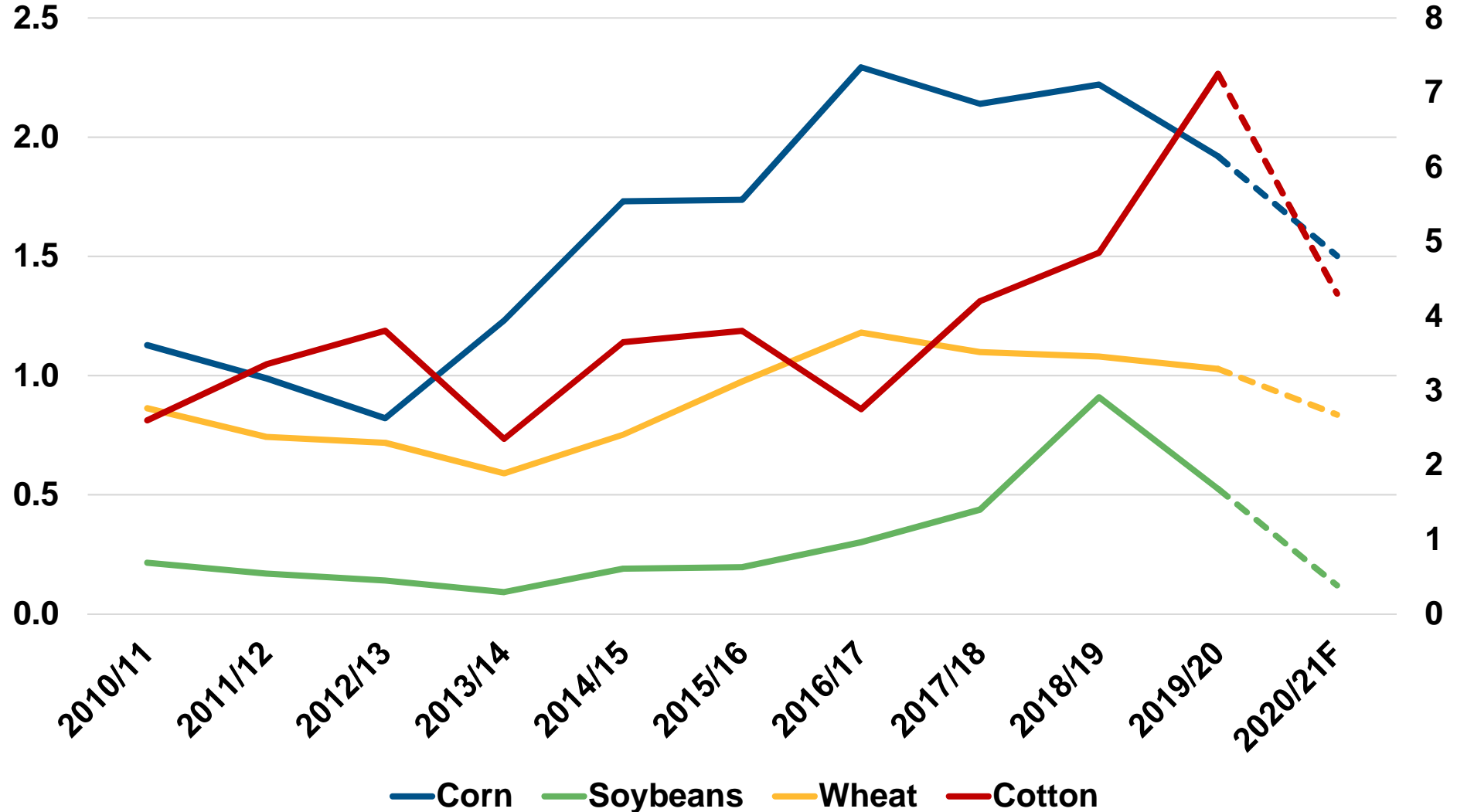
Grain and Cotton Inventories Seen Falling to Multi-Year Lows, Mostly on Higher Exports



U.S. Grain and Cotton Ending Stocks

Billion Bushels

Million Bales



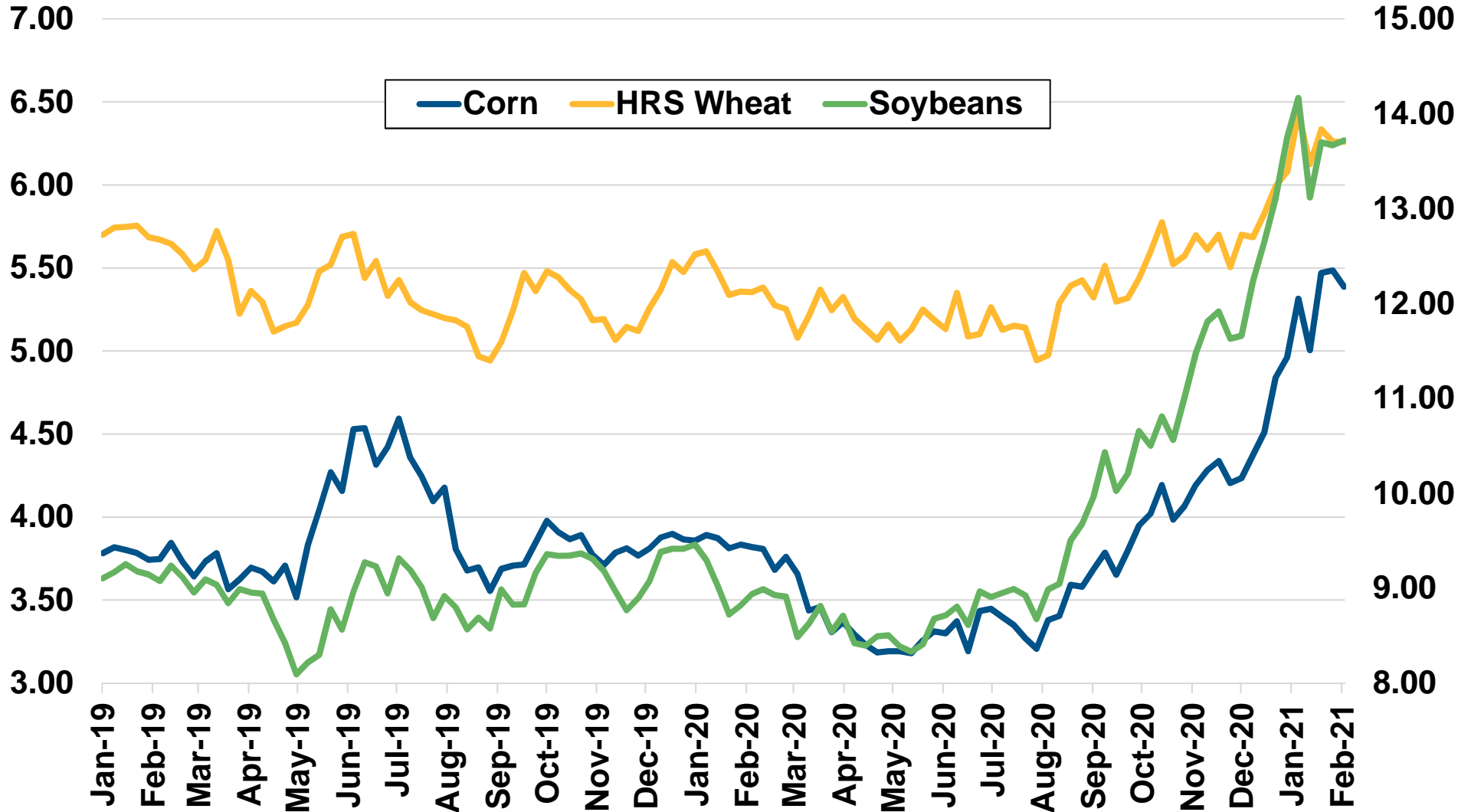
High Prices Will Drive Acreage Expansion in Spring



Corn and HRS
\$/Bushel

Corn, HRS Wheat, and Soybean Futures

Soybeans
\$/Bushel

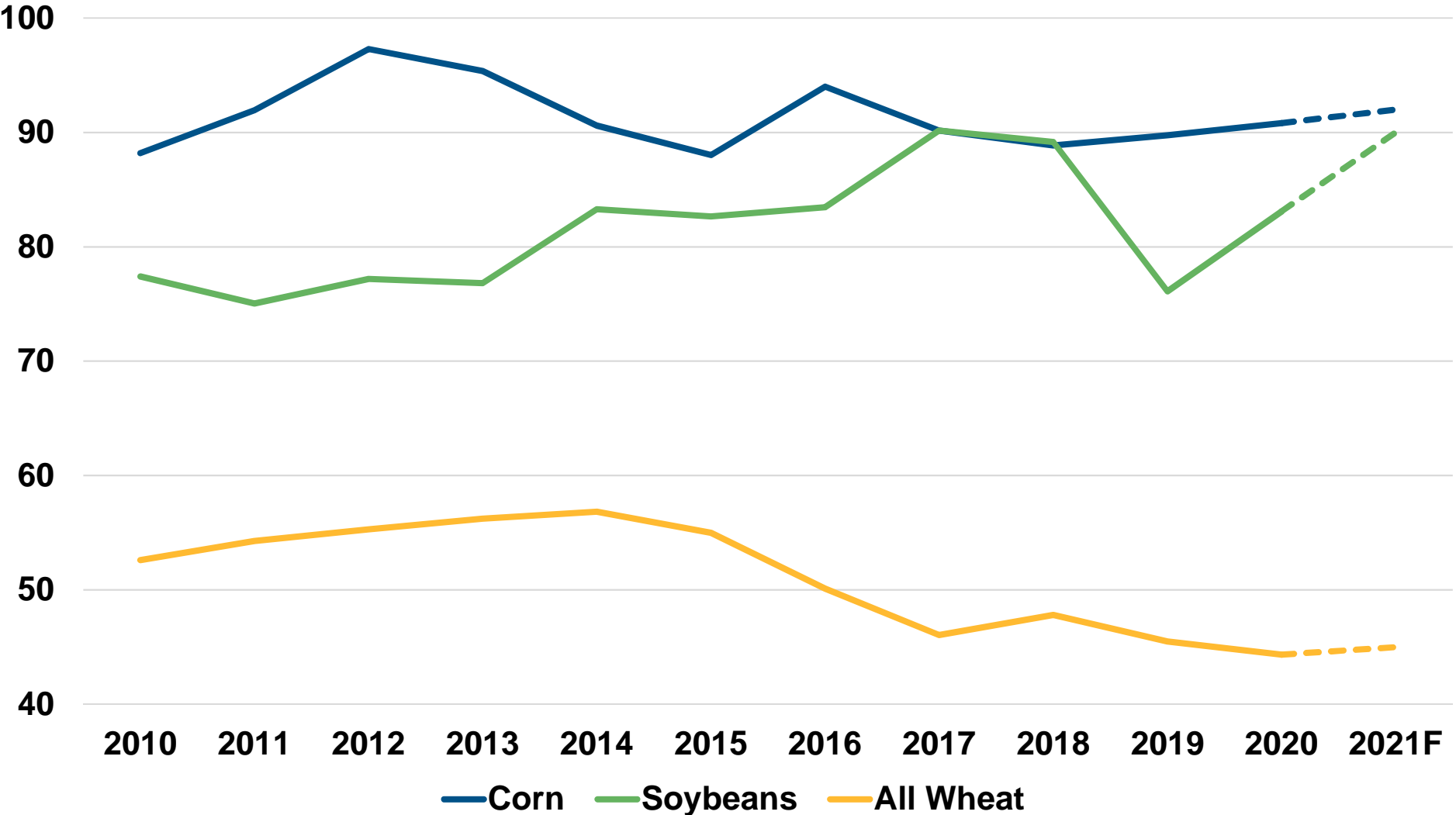


Corn, Soybean, Wheat Acres All Expected to Rise This Spring in Acreage Battle



Million Acres

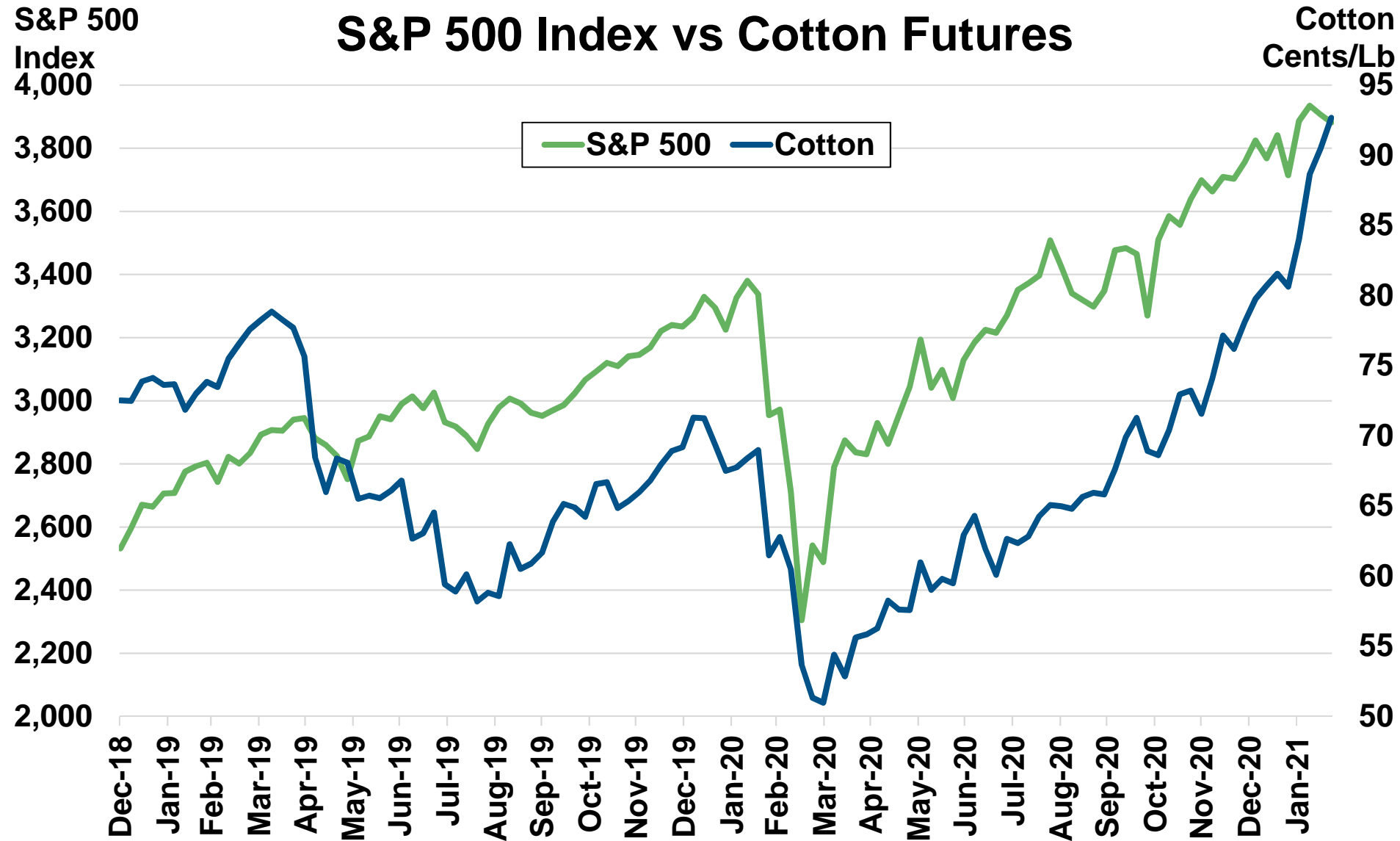
Planted Acreage



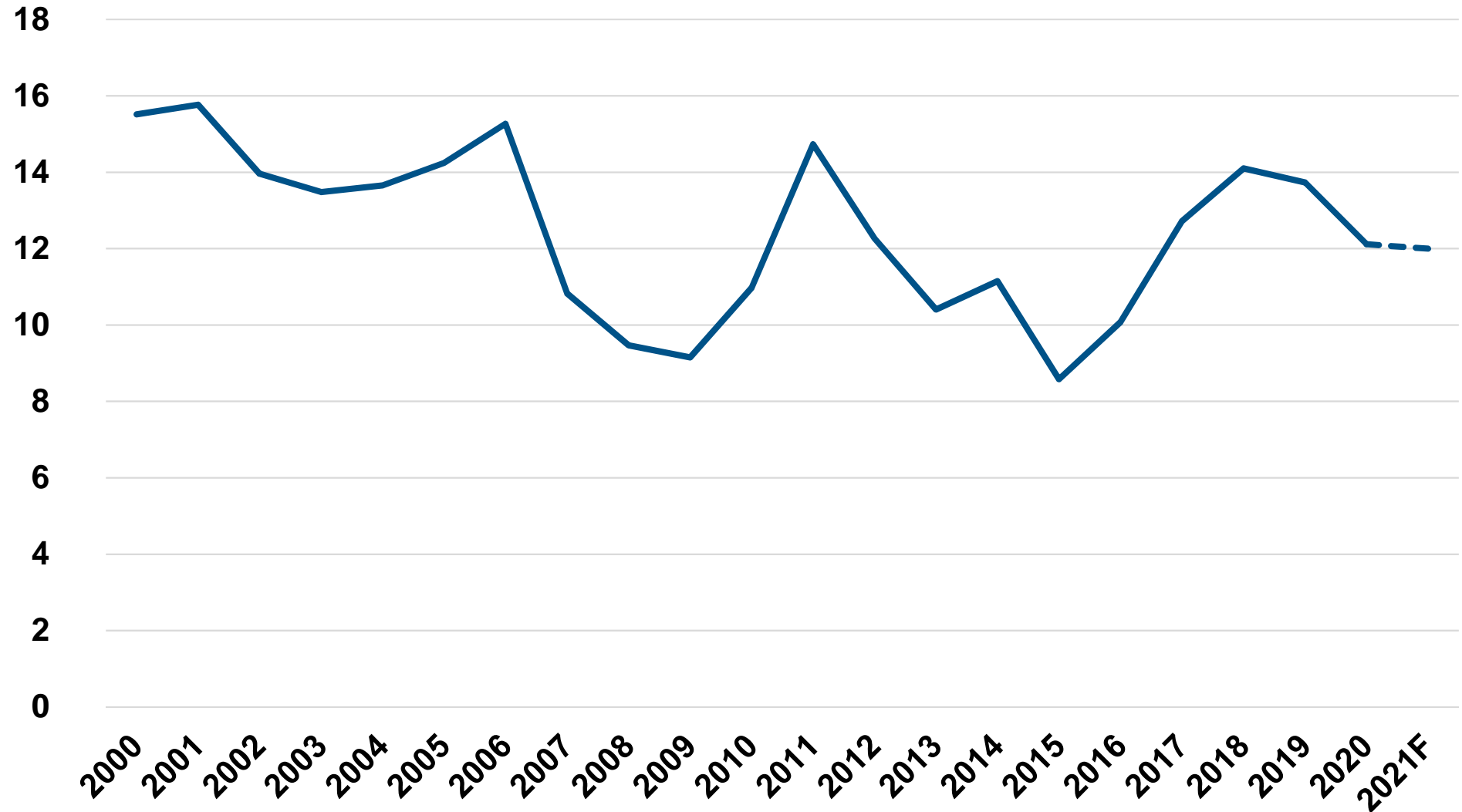
Cotton Prices Climbing on Expectations of Rebound in U.S. and Global Economies and Demand



S&P 500 Index vs Cotton Futures

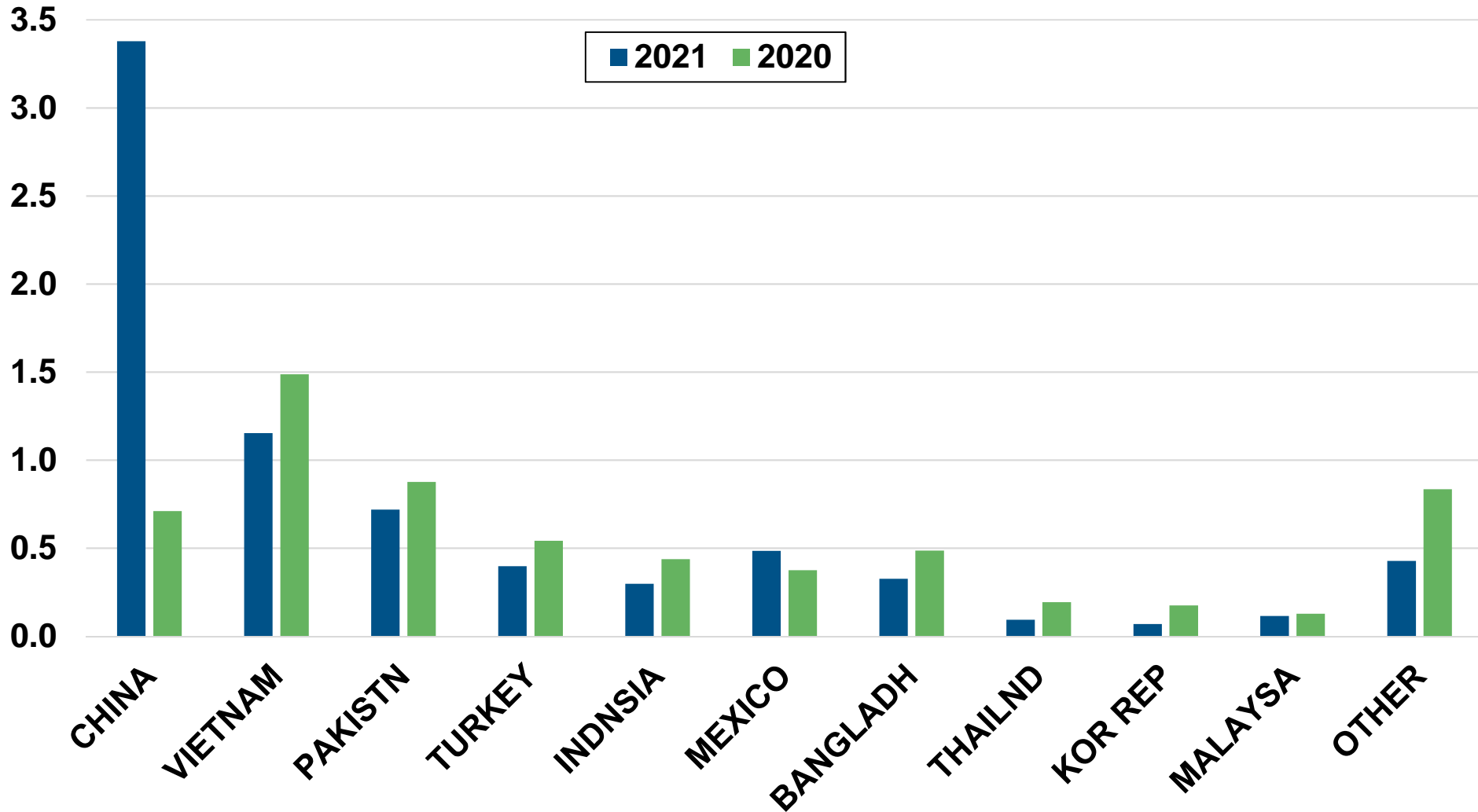


U.S. Total Cotton Planted Acreage

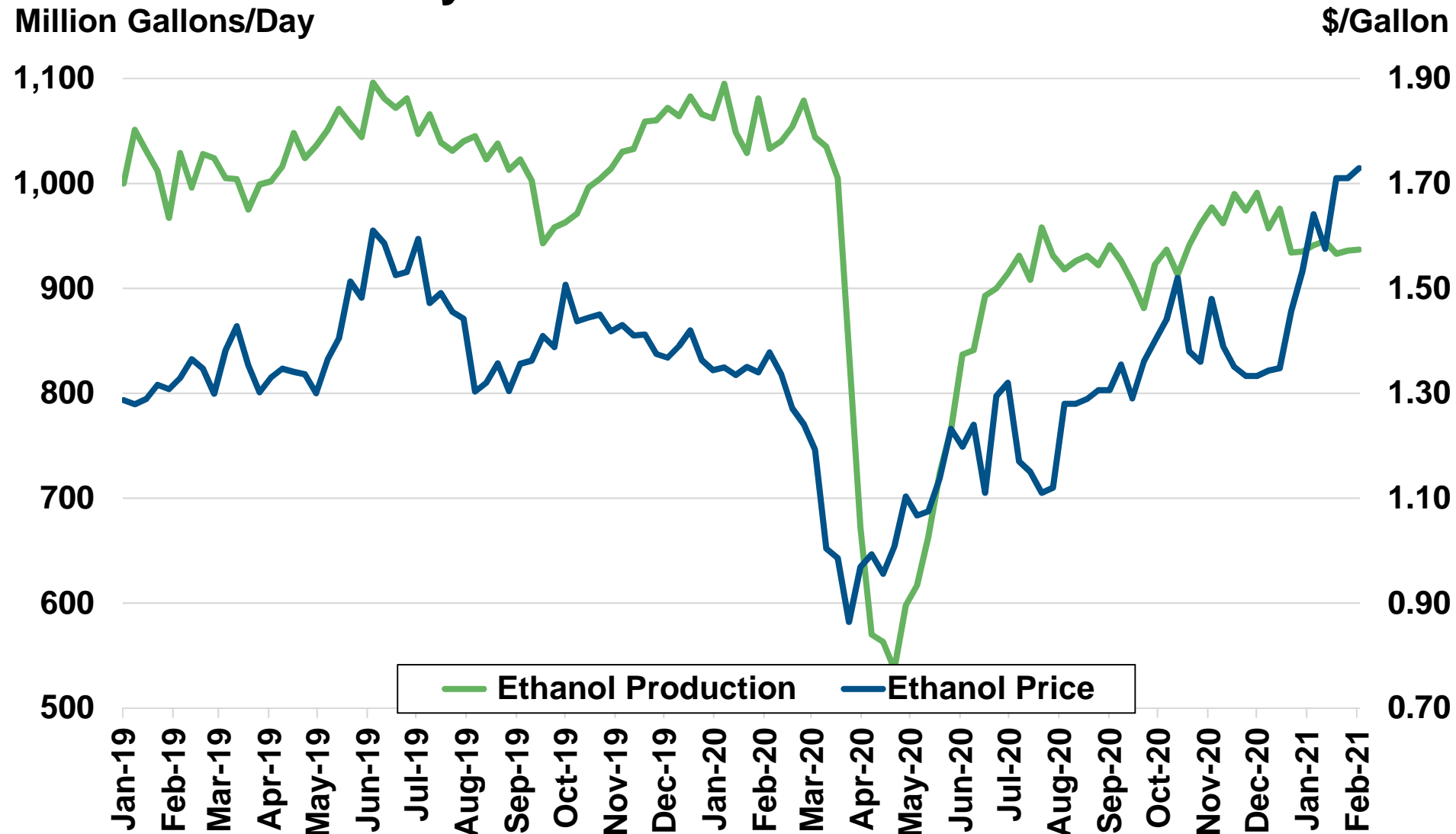


U.S. All Cotton Export Sales

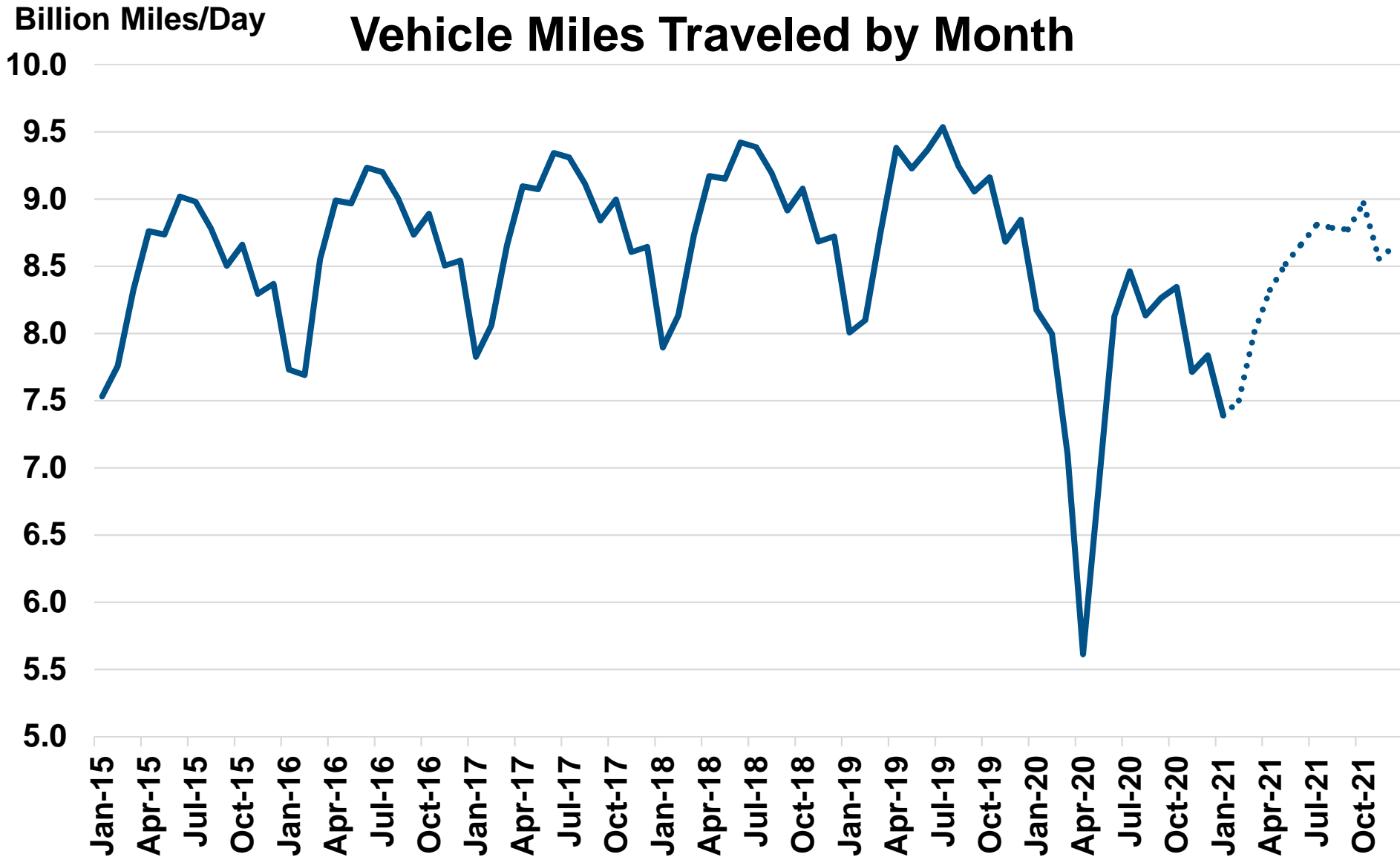
Million Bales



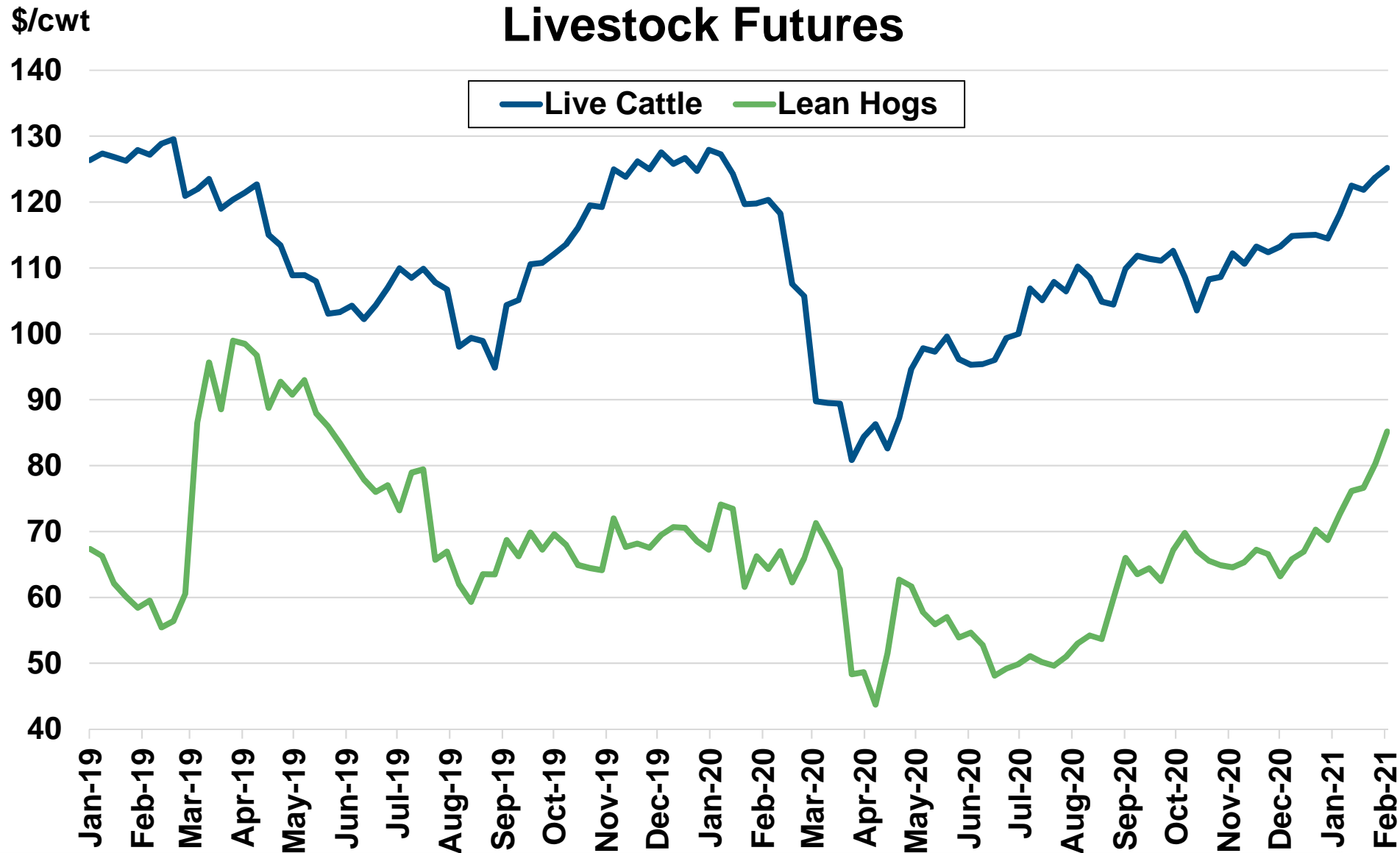
Weekly Ethanol Production and Price



The Post-COVID Consumer Will Be Driving Less and Consuming Less Fuel and Ethanol



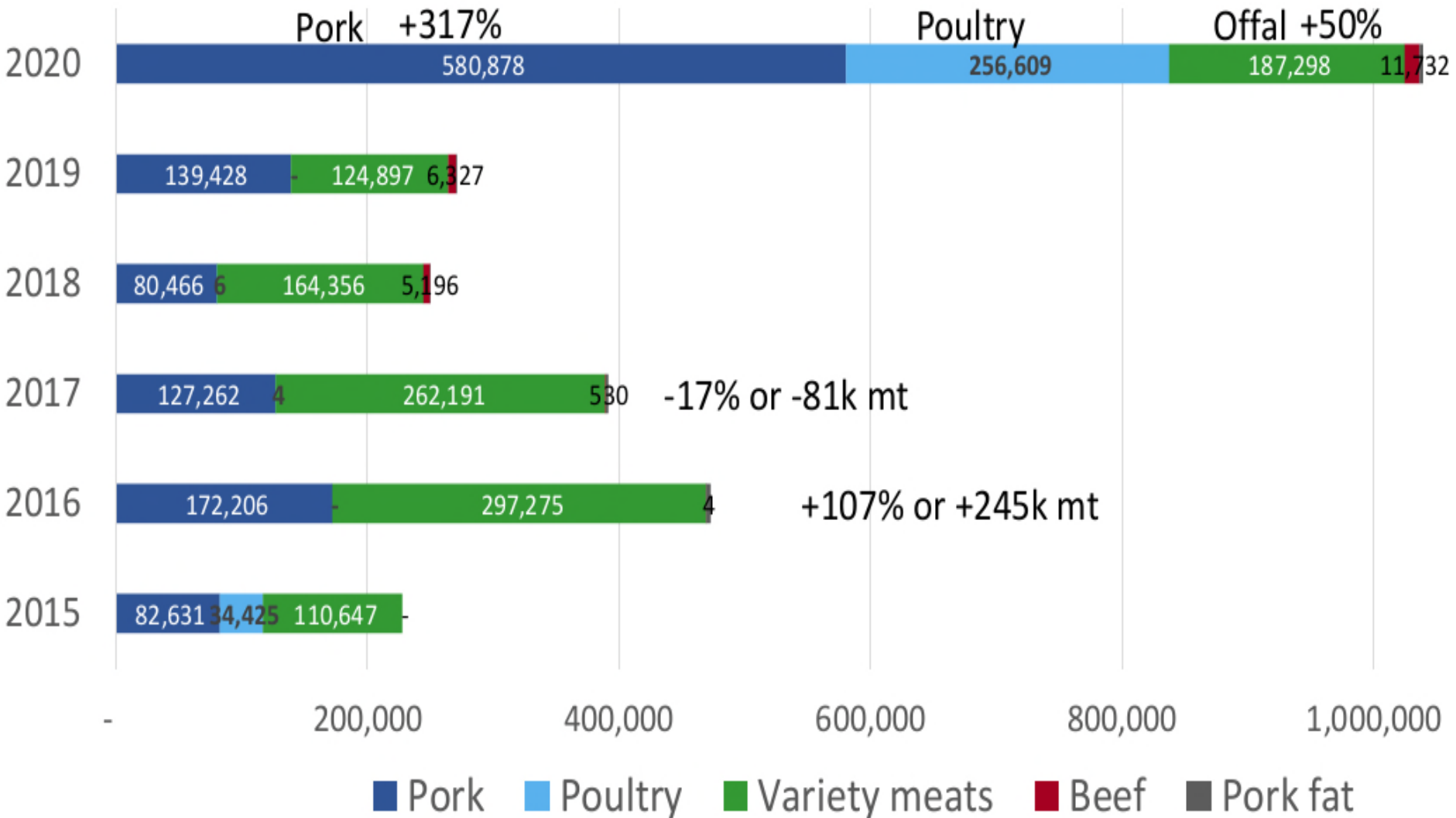
Cattle and Hog Markets Balancing Higher Exports and Loss of Food Service Demand



China has Become the Standout Buyer in Poultry and Animal Protein



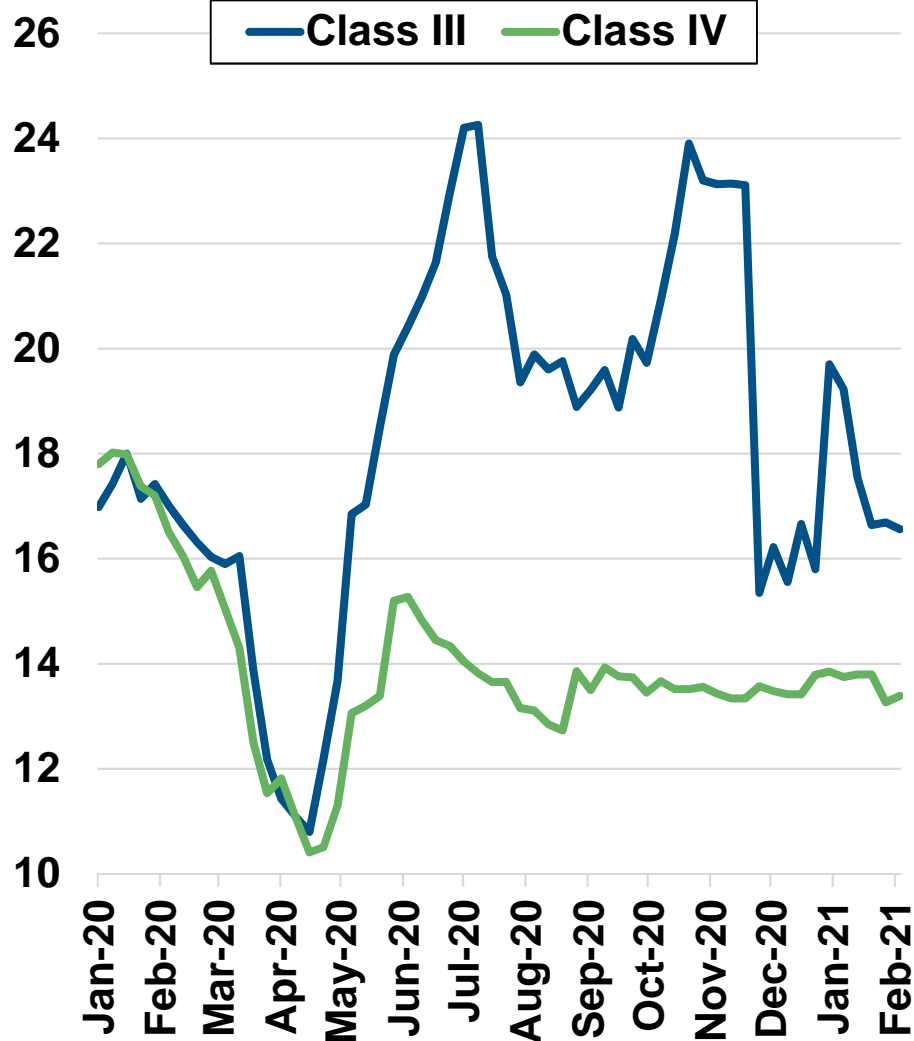
China's HS 02 Meat & Poultry Imports from U.S.: Jan-Sept series



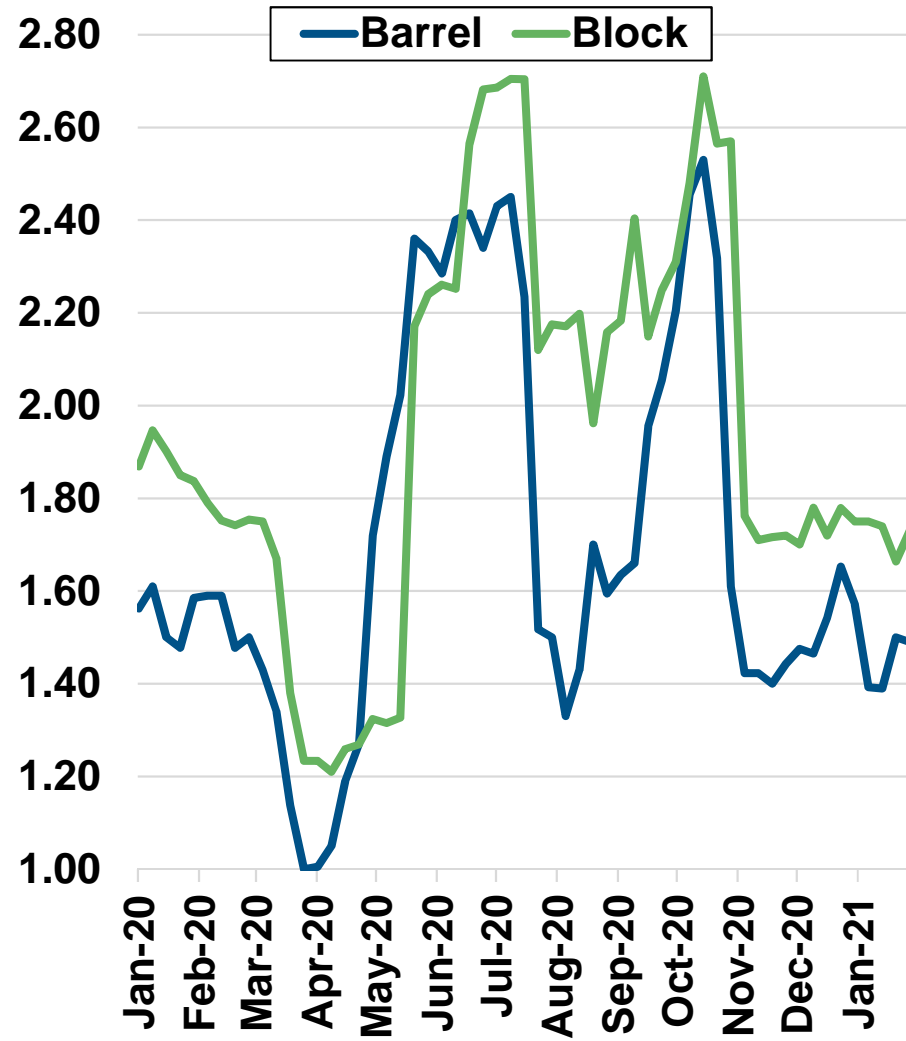
Source: U.S. Meat Export Federation

USDA Food Box Purchases Will Reduce Dairy Inventories, but will Add Market Volatility

Milk (\$/cwt)



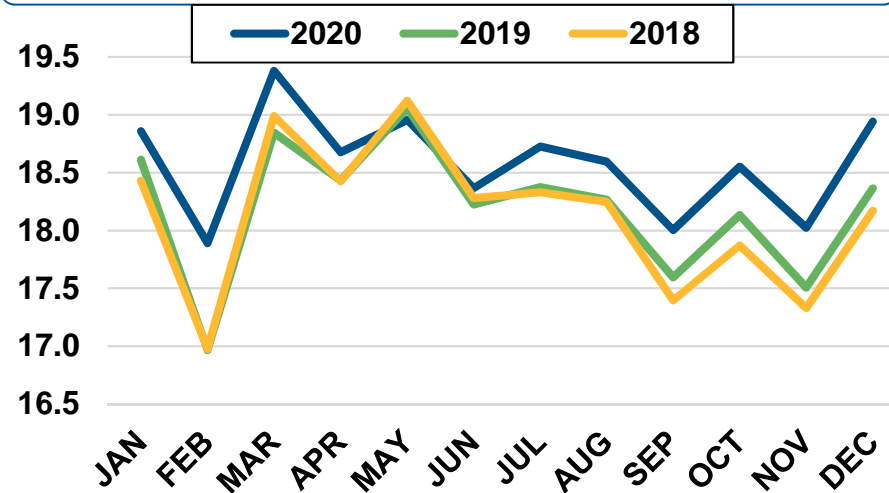
Cheese (\$/lb)



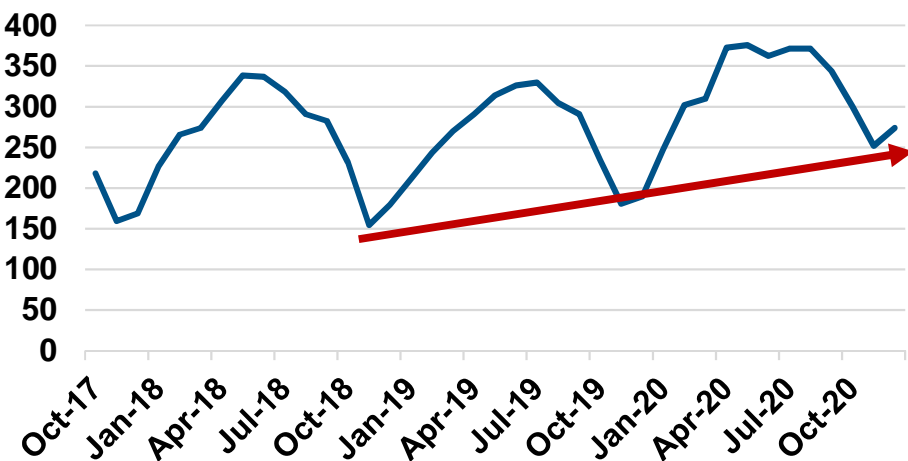
Dairy Industry will be Heading Into Spring Flush with Rising Production and Ample Product Inventories



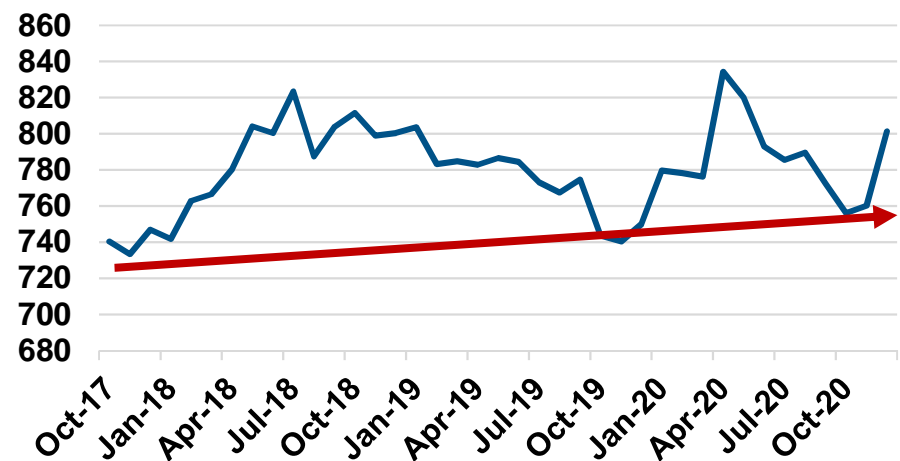
Milk Production (Bill. Lbs.)



Butter Stocks (Mill. Lbs.)



Cheese Stocks (Mill. Lbs.)

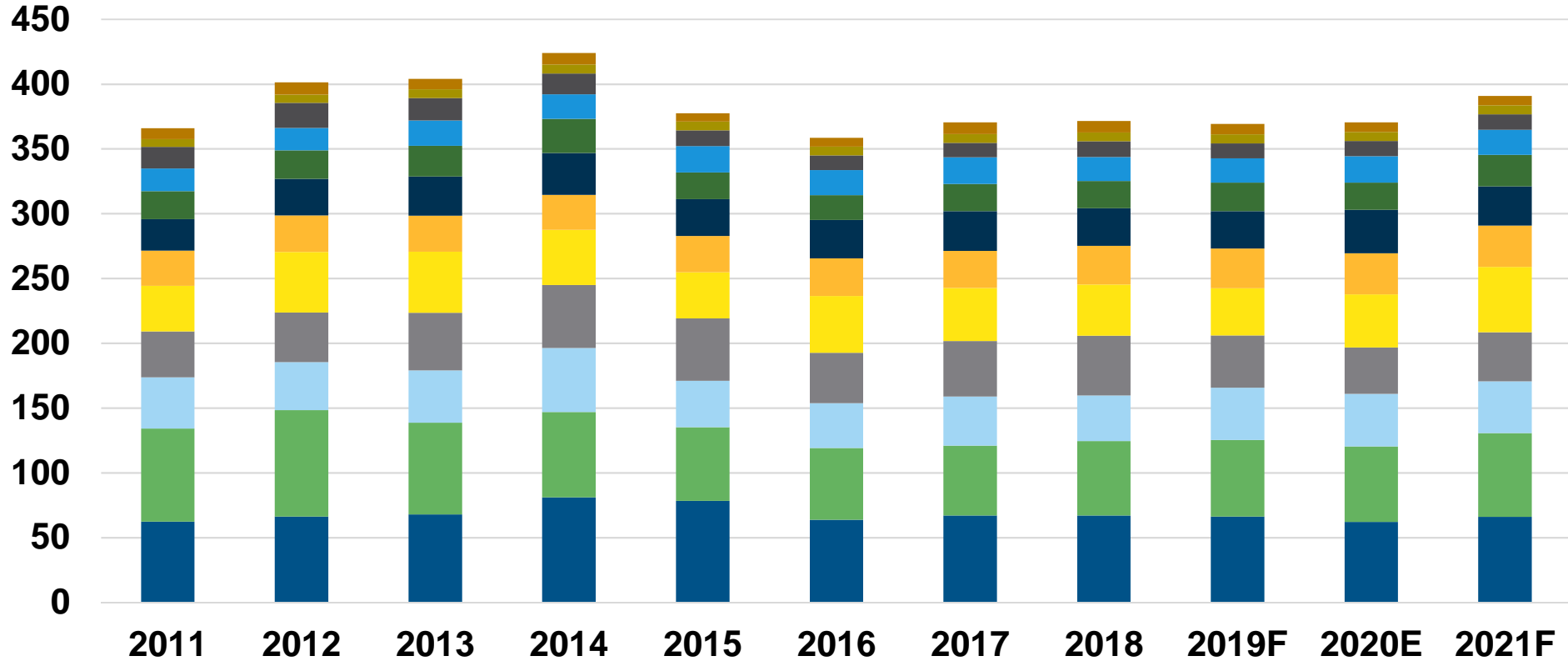


The image features an abstract graphic on the left side, consisting of a dark blue diagonal line running from the top-left towards the bottom-right, and a yellow diagonal line running from the top-left towards the bottom-right, crossing the dark blue line. The area between these lines is shaded in a lighter blue. The text "Agricultural Economy" is centered in the white space to the right of these lines.

Agricultural Economy

Farm Cash Receipts

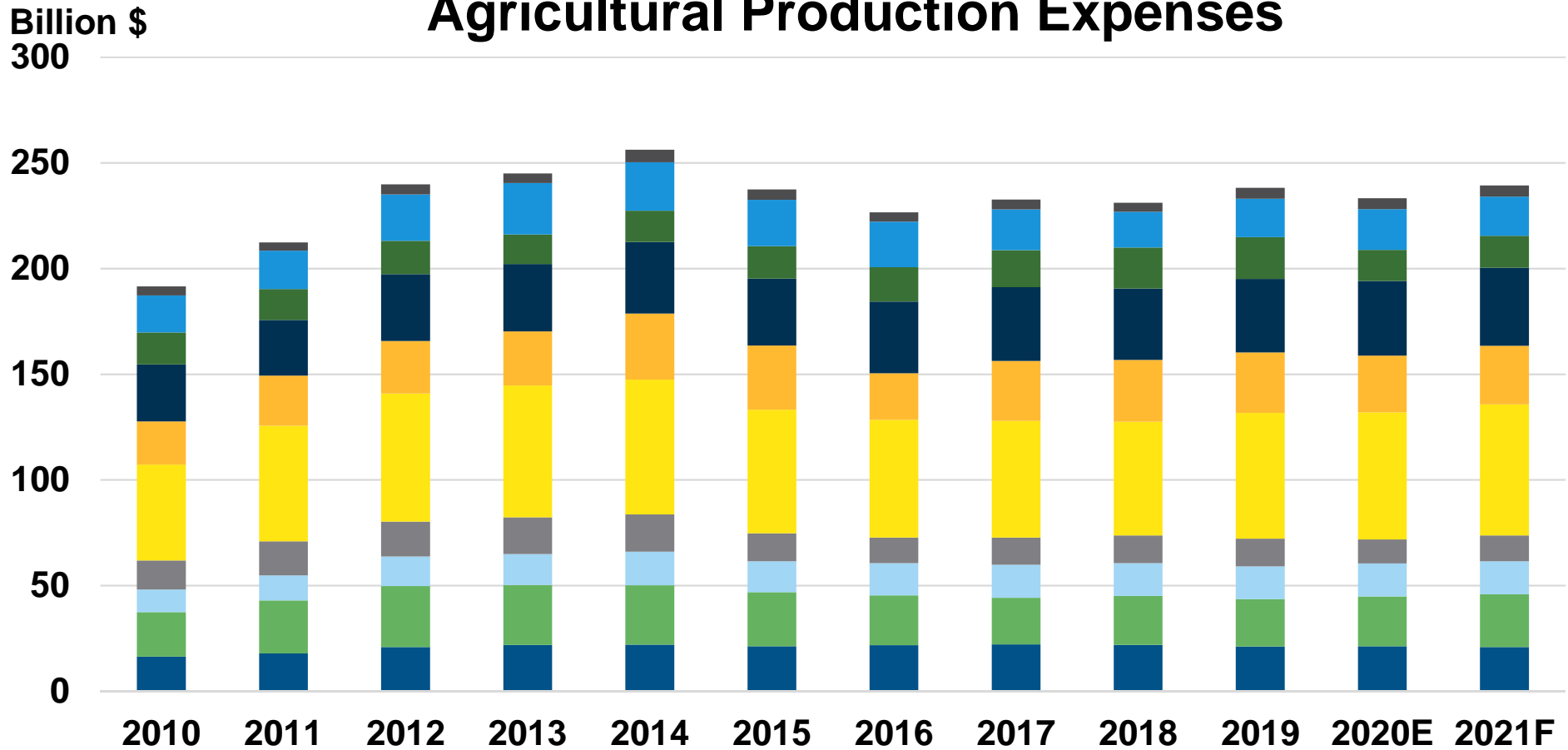
\$ Billion



- Cattle and calves
- Feed crops
- Dairy
- Poultry and eggs
- Oil crops
- Other Crops
- Fruits and nuts
- Hogs
- Vegetables and melons
- Food grains
- Other Animals
- Cotton and Tobacco

Farm Production Costs Slowly Rising YoY

Agricultural Production Expenses

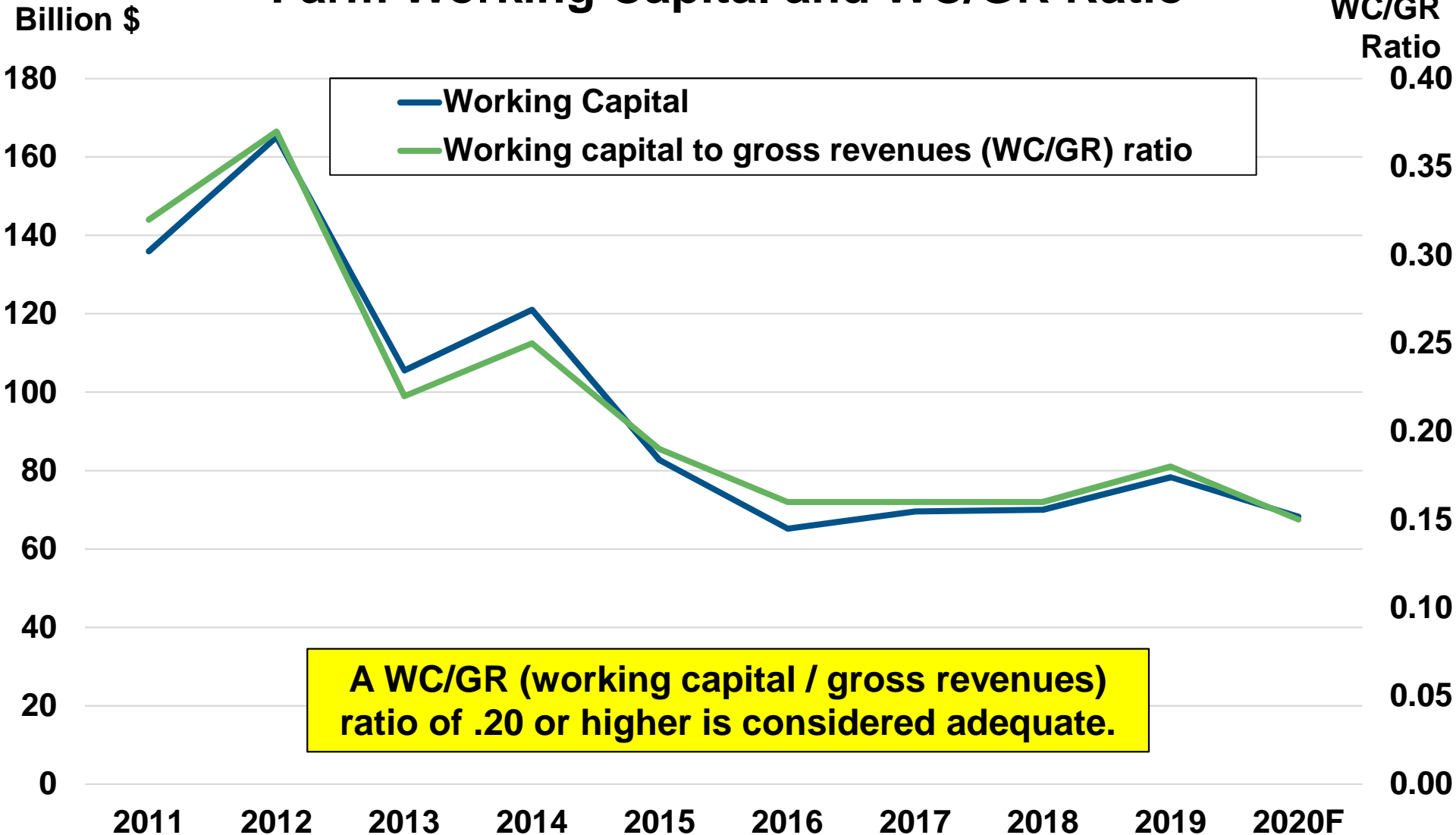


- Seed
- Fertilizer
- Pesticides
- Fuel and oils
- Feed
- Livestock and poultry purchases
- Labor
- Interest Expense
- Land Rent
- Machine Hire/Custom Work

Working Capital is a Necessary Financial Cushion for Farmers



Farm Working Capital and WC/GR Ratio



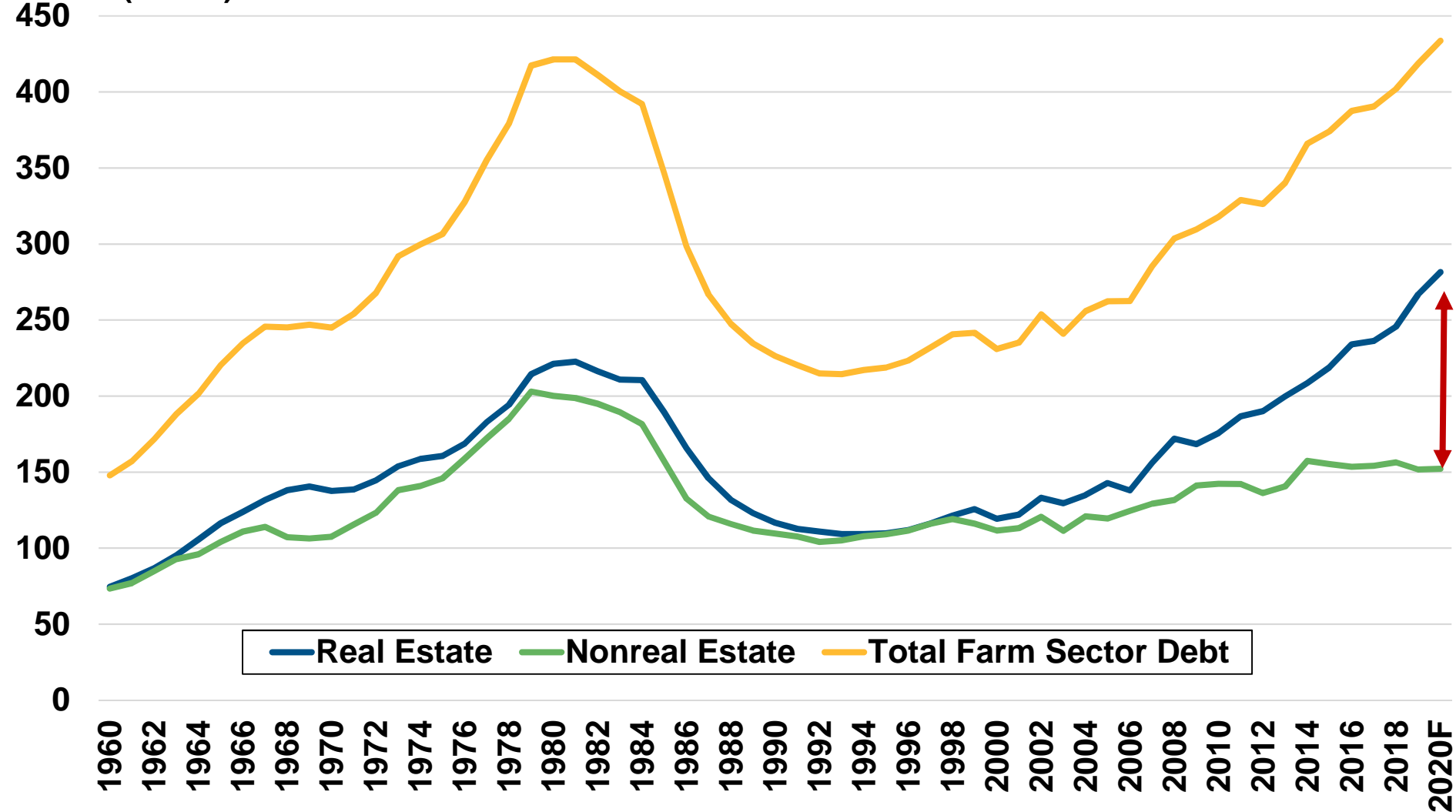
A WC/GR (working capital / gross revenues) ratio of .20 or higher is considered adequate.

Farmers May Pay Down Debt While Benefiting from Higher Commodity Prices and Government Payments



Farm Sector Debt

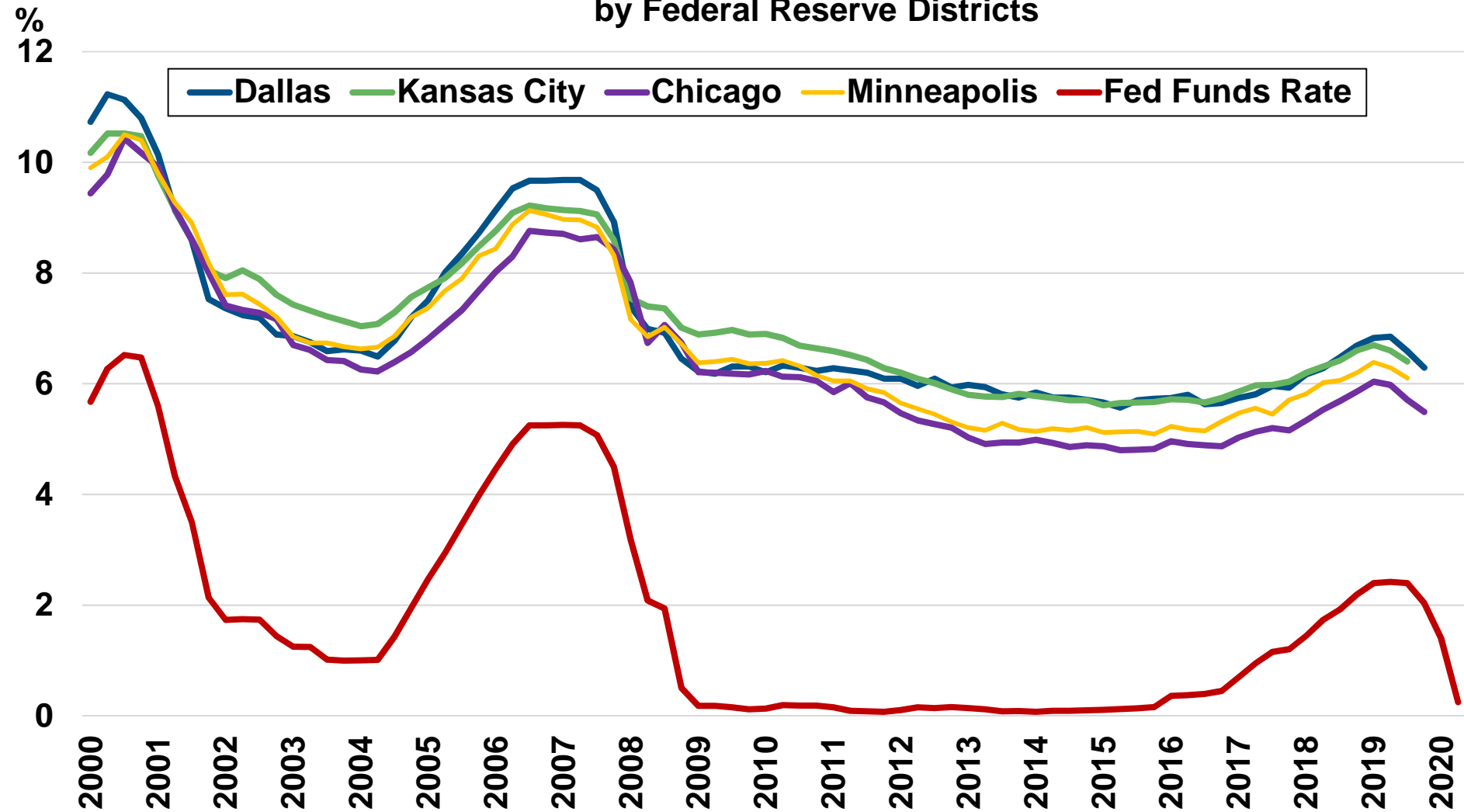
Billion (\$2020)



Low Interest Rates Support Land Values and Ease Farm Debt Stress



Farm Operating Loan Fixed Interest Rates by Federal Reserve Districts



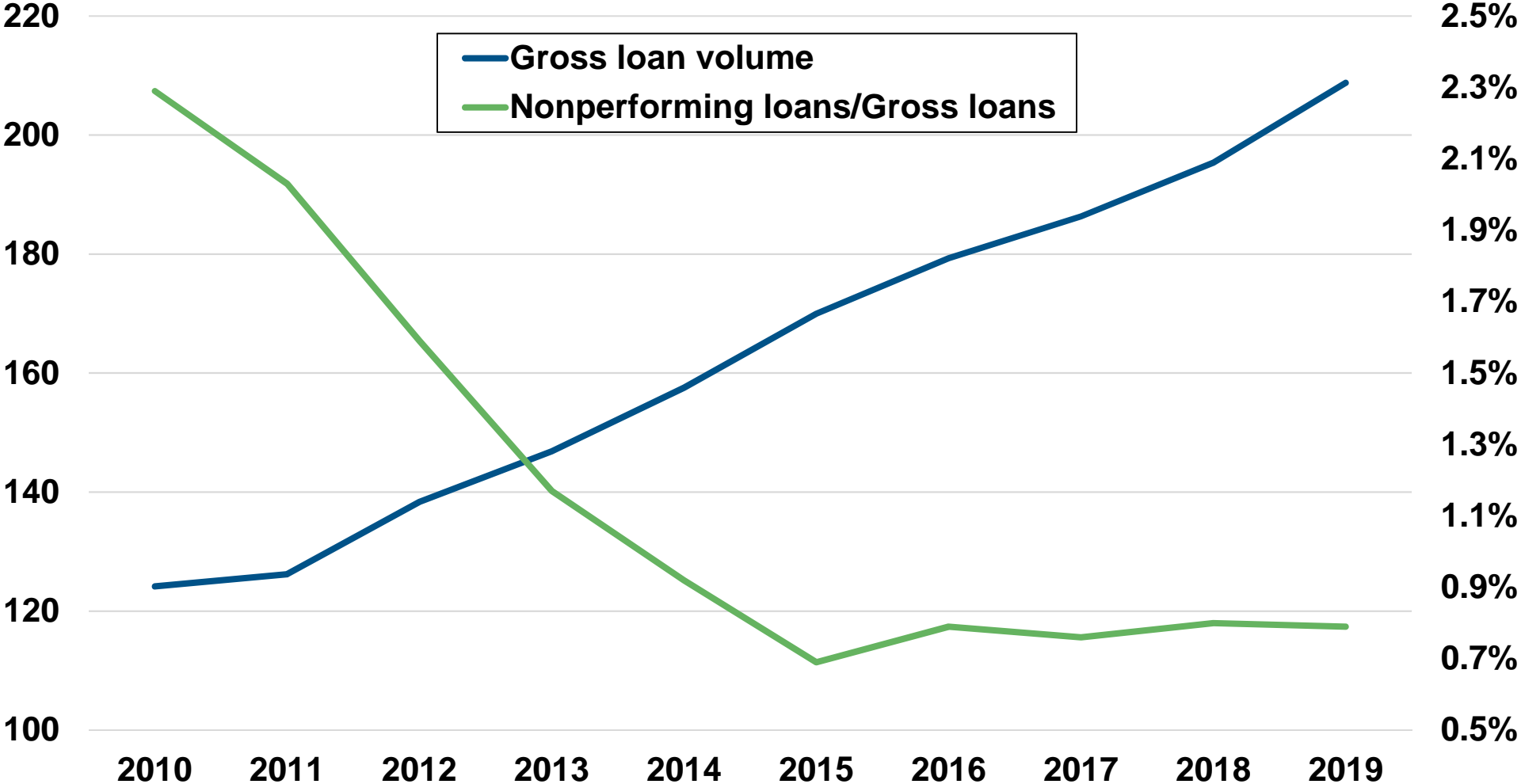
Percent of Nonperforming FCS Loans is Up Slightly



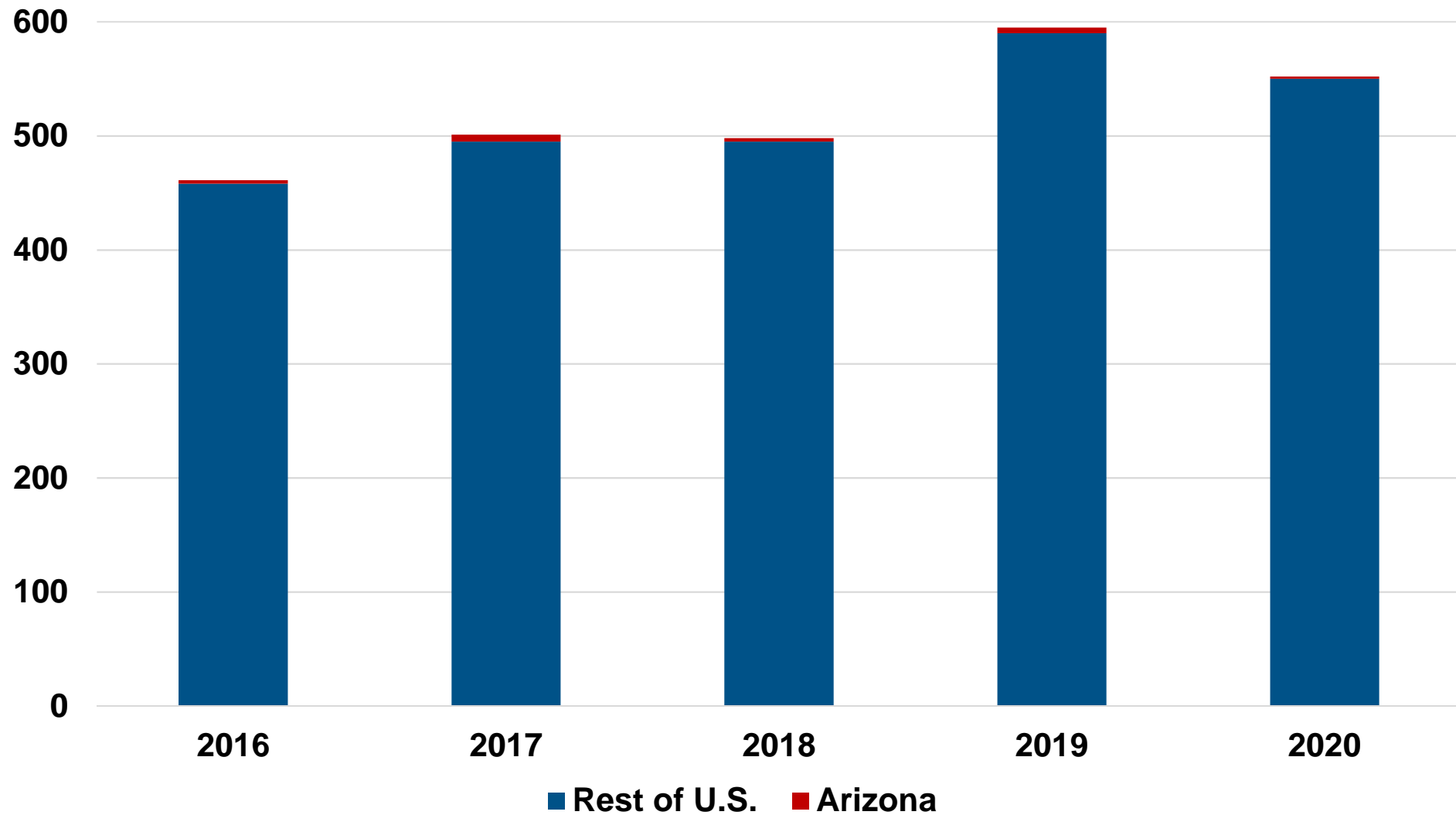
Farm Credit System Associations Loans

Gross Loan Volume
Million \$

Nonperforming loans/Gross



CH. 12 Bankruptcy Filings

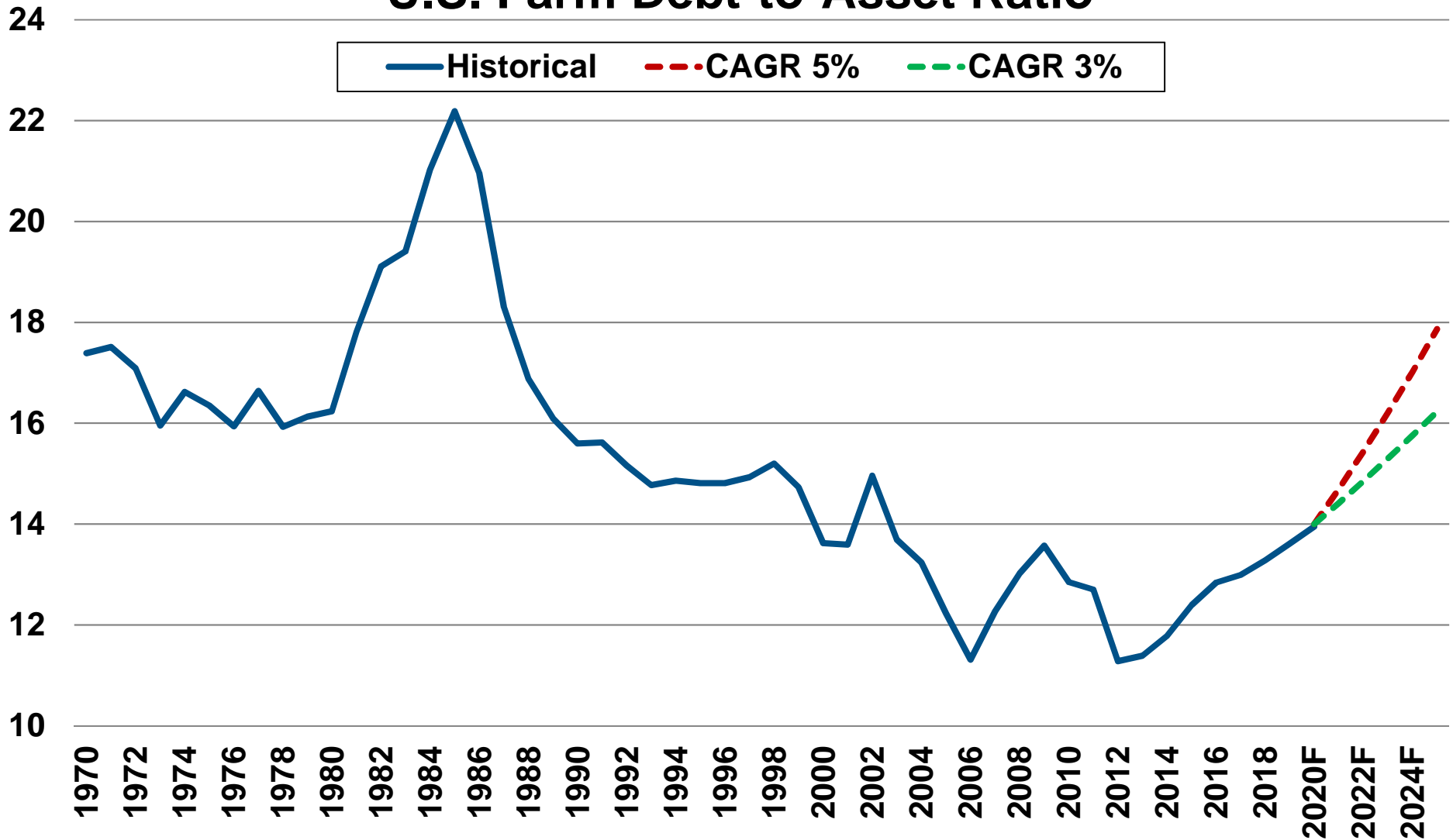


Farm Debt-to-Asset Ratio is Low But Remains on an Upward Trajectory

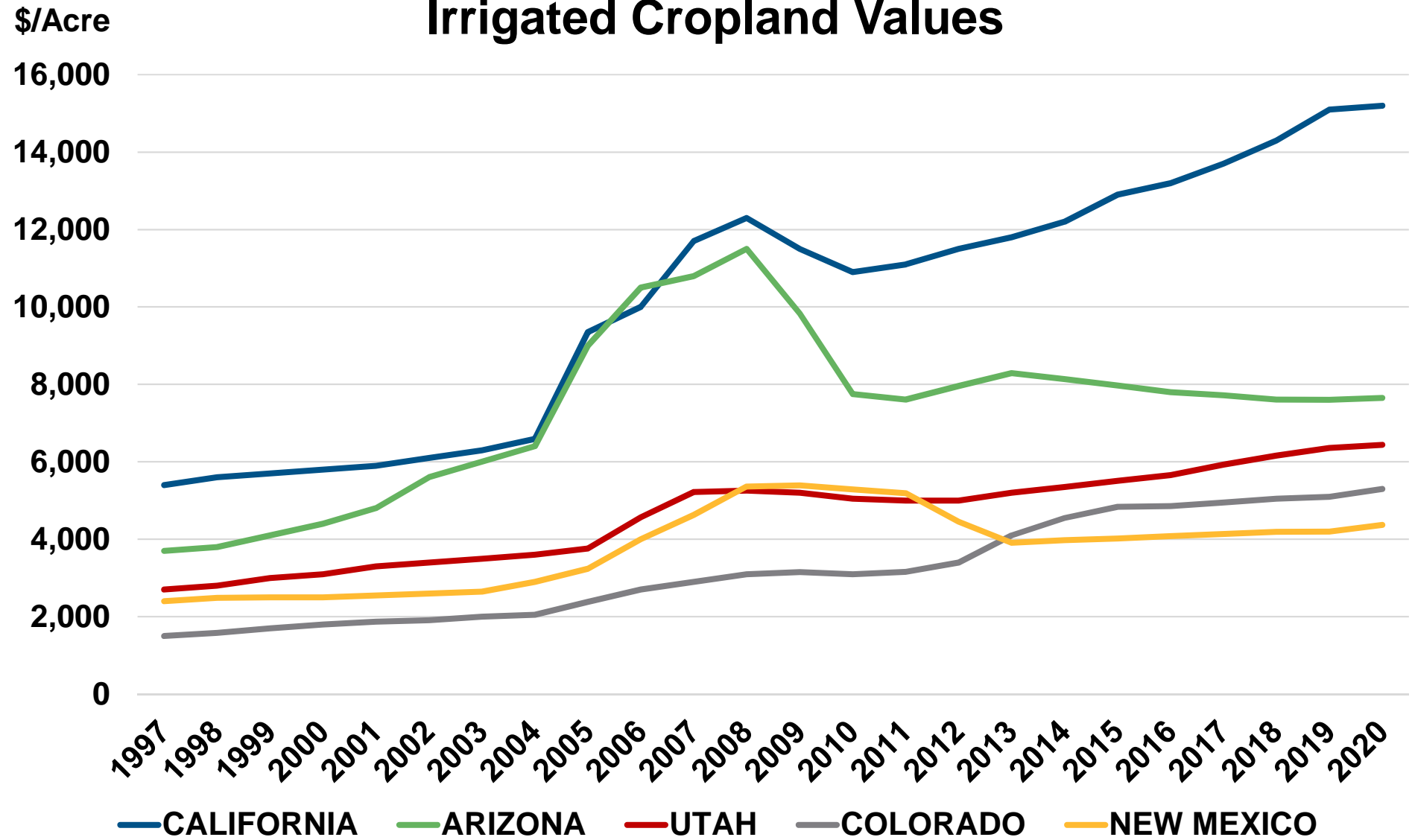


U.S. Farm Debt-to-Asset Ratio

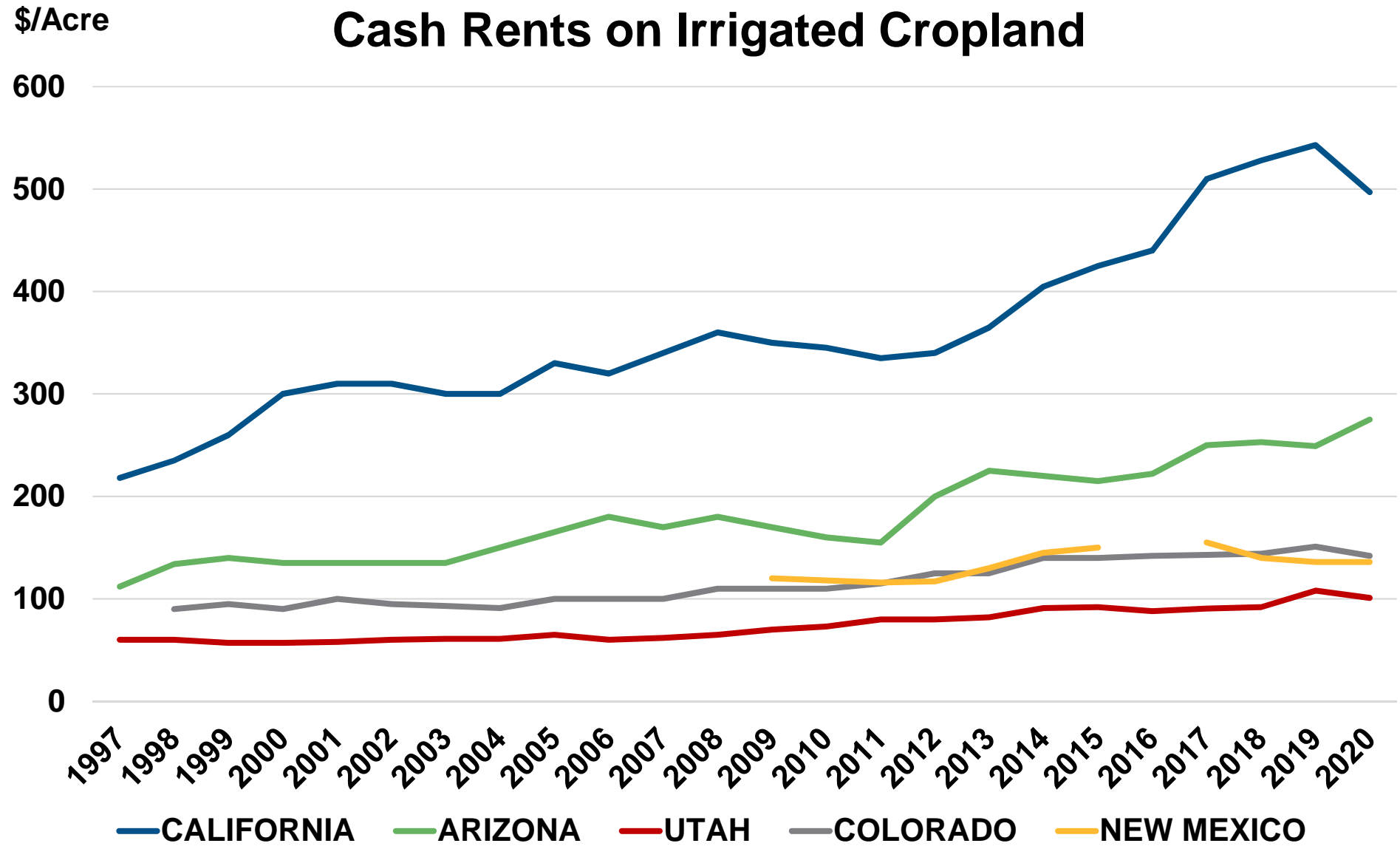
— Historical - - - CAGR 5% - - - CAGR 3%



Irrigated Cropland Values



Cash Rents on Irrigated Cropland Are Mixed

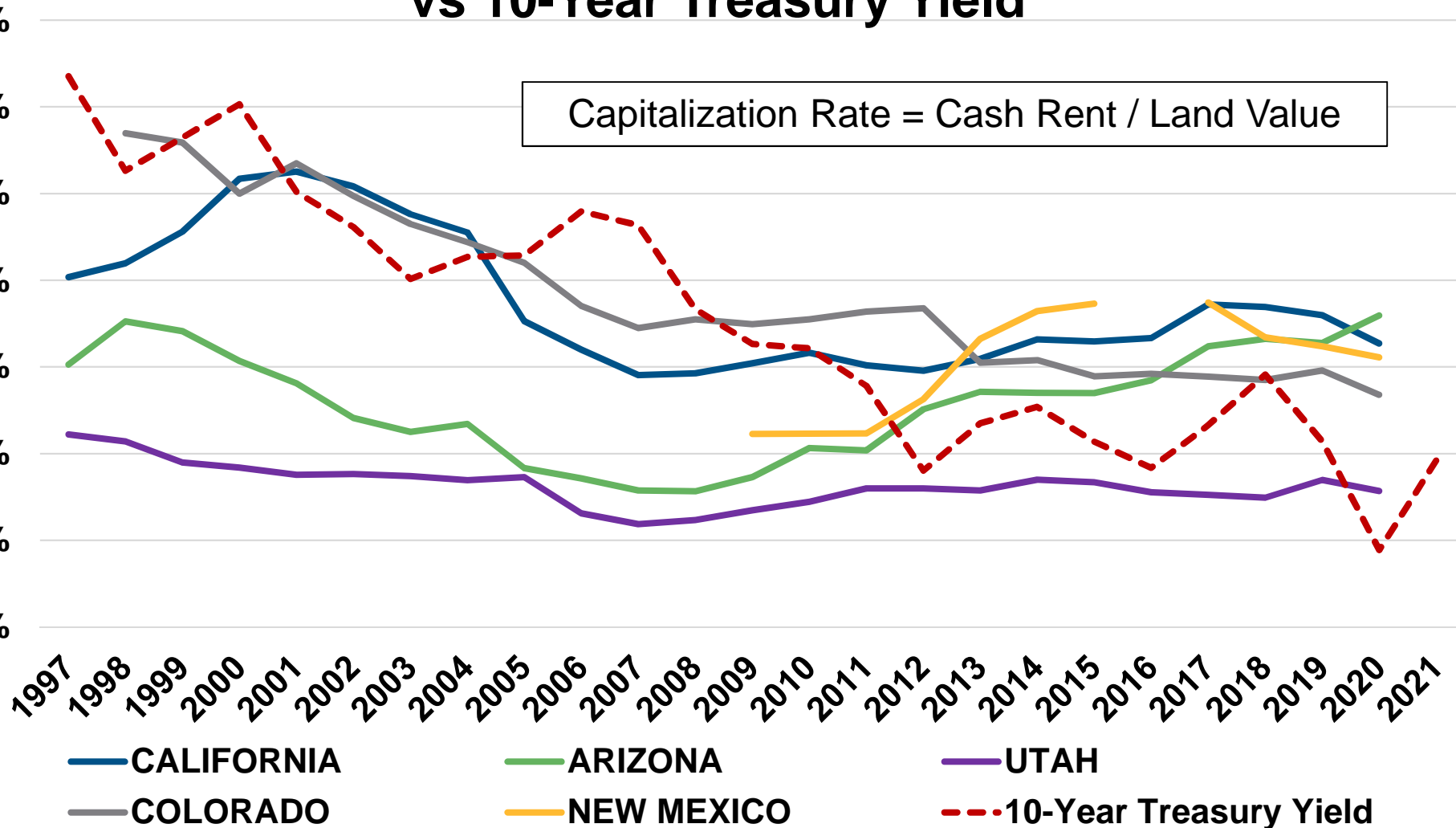


Farmland Often is a Better Financial Return than Other Safe Investments like 10-Year Treasuries



Cap Rates on Irrigated Cropland vs 10-Year Treasury Yield

Capitalization Rate = Cash Rent / Land Value



- **U.S. Dollar falling modestly (-5%) in 2021, supporting exports**
- **Chinese will slow buying as state reserves are replenished**
- **Crop acreage battle may be intense in spring**
- **Livestock and dairy producers will be squeezed on higher feed costs**
- **Ethanol industry will diversify and look to exports**
- **Fed liquidity will support values of assets like farmland**
- **Interest rates will remain low for farm operating loans**
- **Farmland will continue to attract investors seeking safe assets with positive returns.**



Questions

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Proud Member of the Farm Credit System 