

Agriculture and Agribusiness Outlook

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Outlook for Agriculture

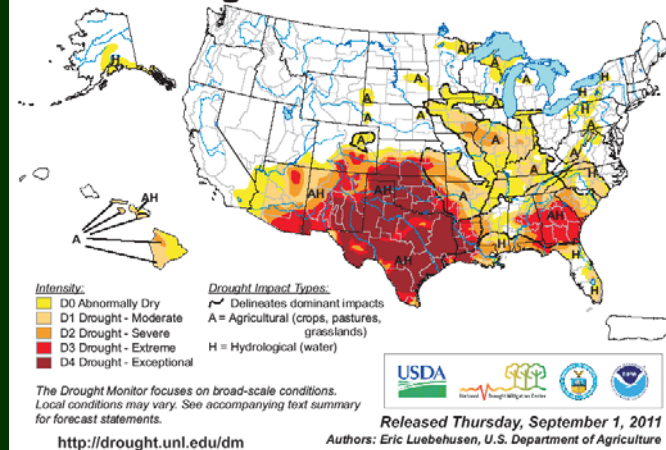
- Opportunity
- Profitability
- Volatility
- Risk

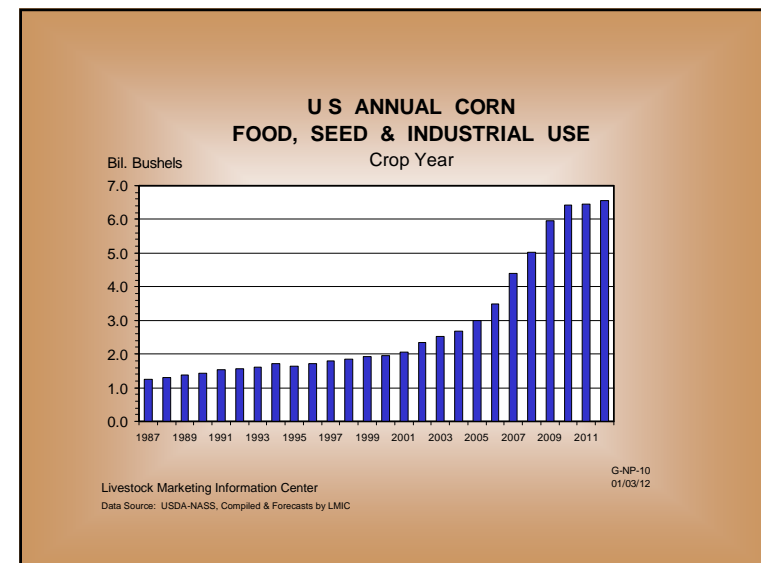
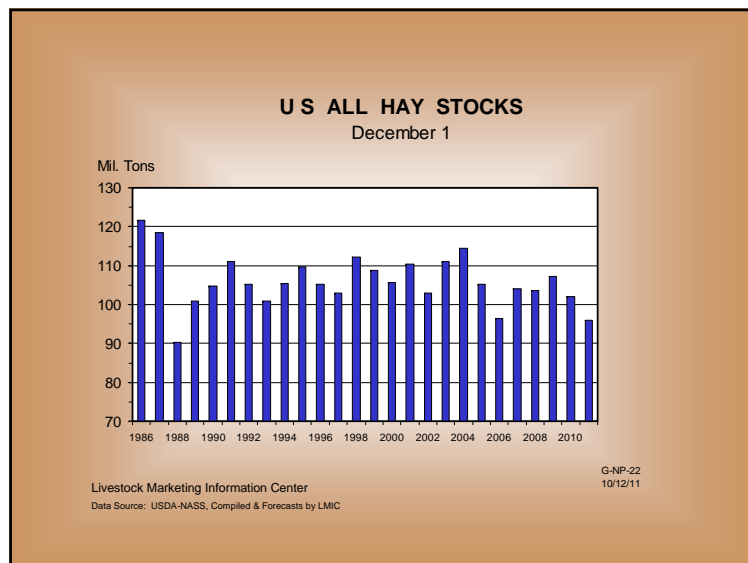
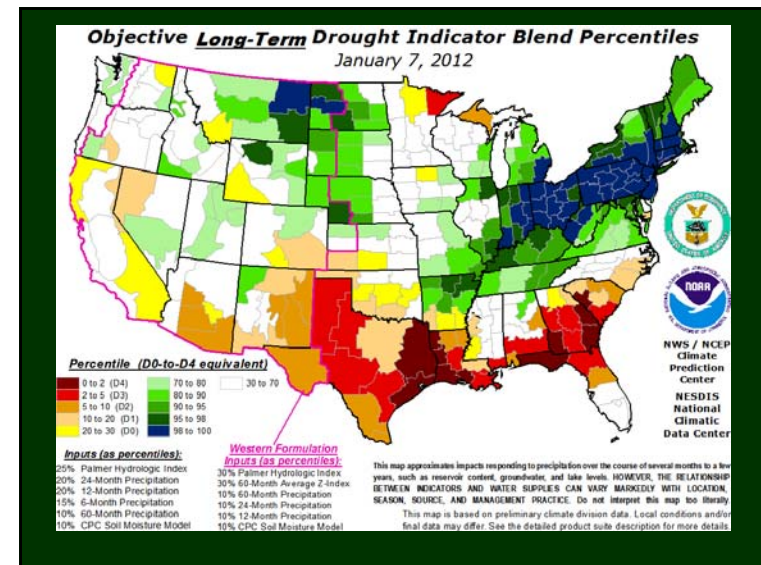
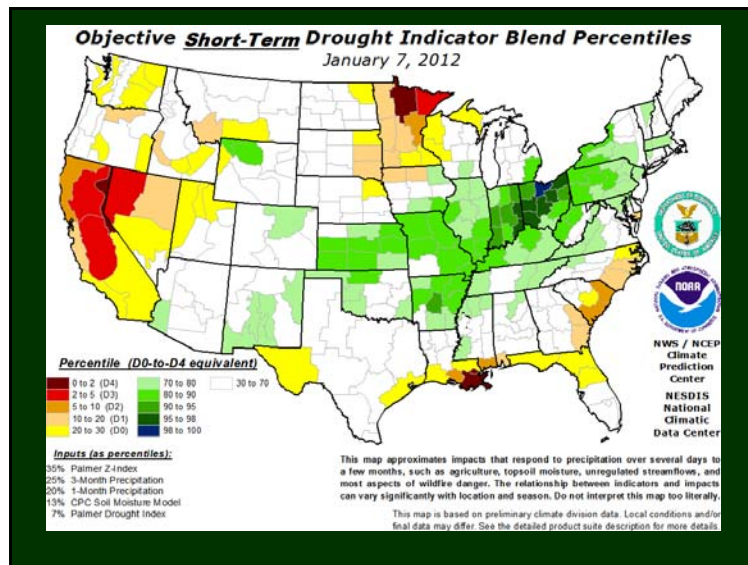
Outlook for Agriculture

- Opportunity
 - Excellent prices & incomes
 - But not for all industries & not for traditional agricultural businesses
- Volatility
 - Financial requirements, financial stress, and risk management
- Increased economic impact in both the U.S. and Colorado.

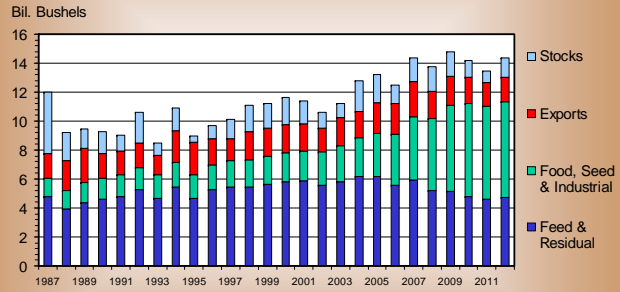
U.S. Drought Monitor

August 30, 2011
Valid 8 a.m. EDT



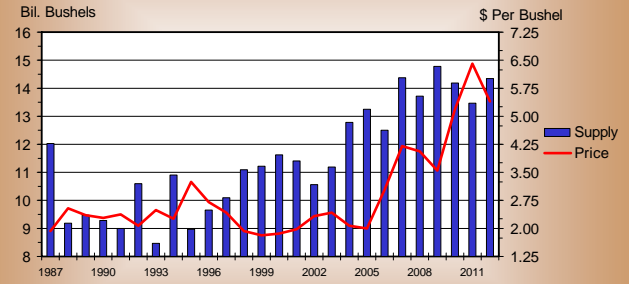


U.S. CORN DISAPPEARANCE AND STOCKS Crop Year



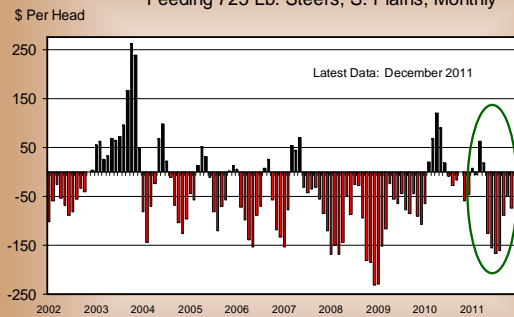
Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Forecasts by LMIC
G-NP-12
01/03/12

U S TOTAL CORN SUPPLY AND PRICE Crop Year



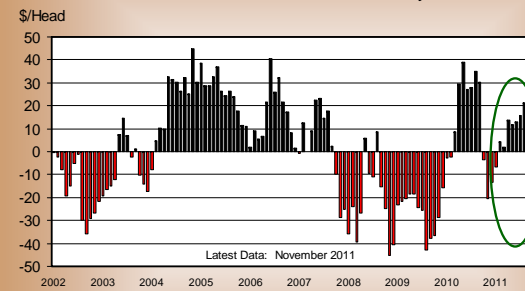
Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Forecasts by LMIC
G-NP-13
01/03/12

AVERAGE RETURNS TO CATTLE FEEDERS Feeding 725 Lb. Steers, S. Plains, Monthly

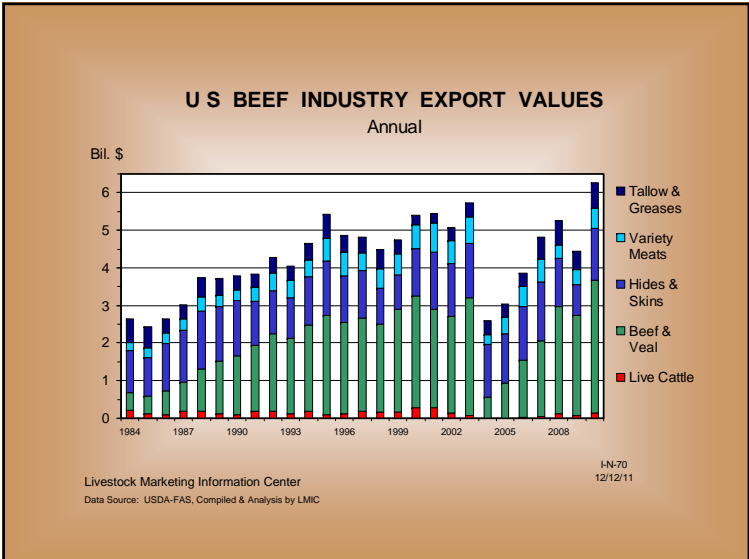
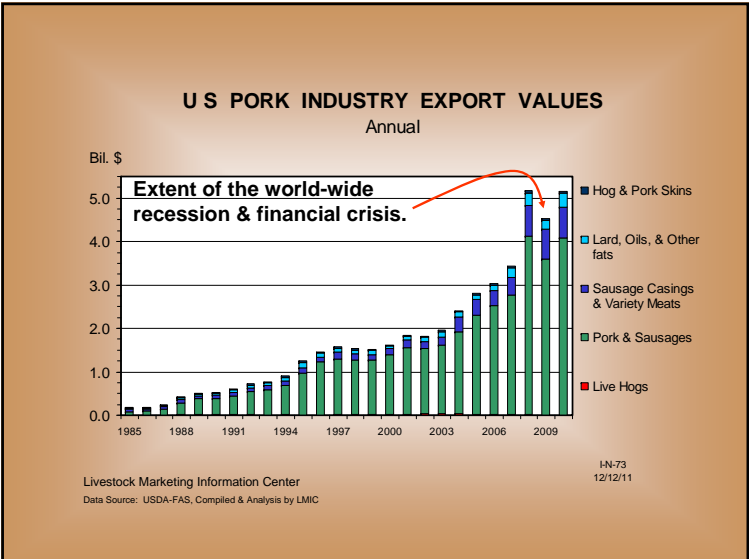
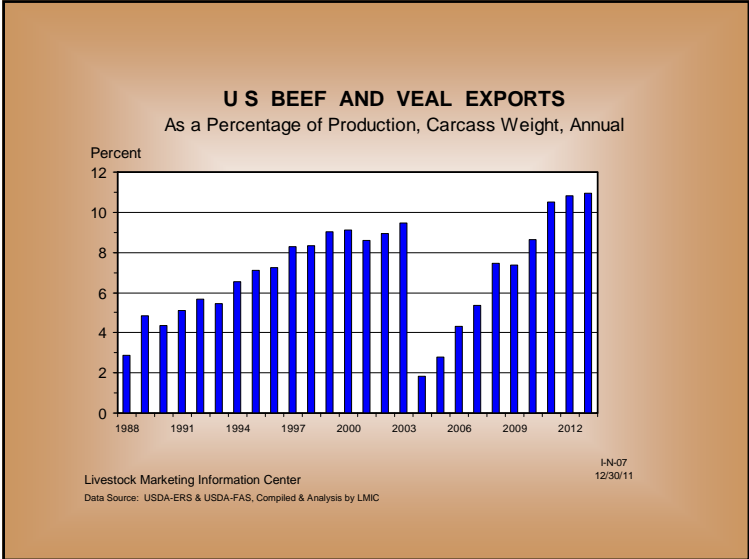
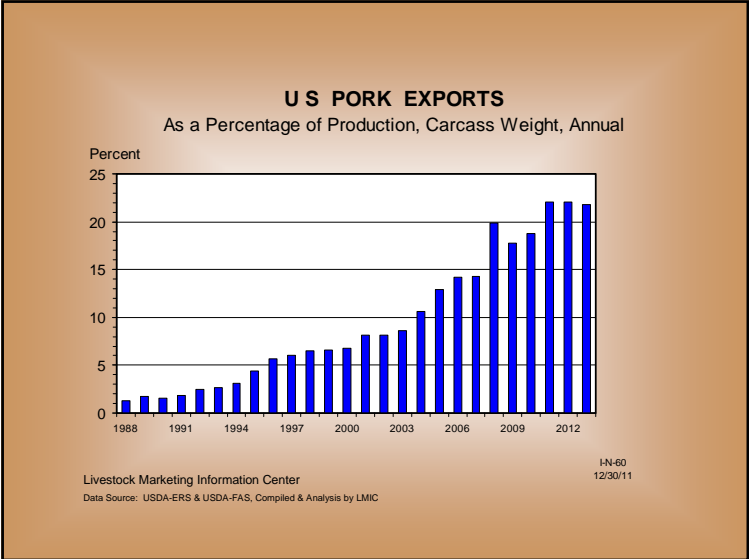


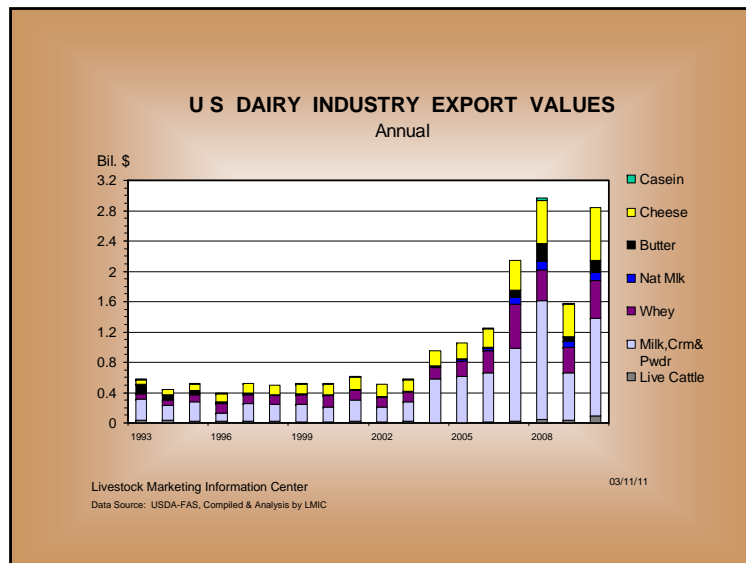
Livestock Marketing Information Center
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC
C-P-22
01/03/12

IOWA MARKET HOG PROFIT Farrow/Finish, Monthly



Livestock Marketing Information Center
Data Source: Iowa State University
12/16/11





2012 Colorado Business Economic Outlook

Agriculture

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demand improving, led by growing ethnic populations nationwide. Iberian Walnut and Sugar are notably featuring lamb in meat promotions. Northwest Colorado has the greatest concentration of sheep and lamb producers and that part of the state enjoyed good pastures in 2011. Encouraged and supported by strong prices, producers are expected to raise slightly larger flocks of sheep and goats in 2012. This sector should continue to contribute historically large cash receipts to the state's agricultural economy in 2012, with prices expected to continue the upward trend, though more moderately.

Hog production in Colorado has been steadily declining in Colorado for the past decade. From 2000 to 2010, state hog production fell by 60%, with annual cash receipts for producers falling between \$100 million and \$150 million by 2008. 2009. Responding to strong prices in 2010, the hog inventory in Colorado and sow productivity increased, allowing producers to benefit from the 18% rise in prices nationally in 2011. Cash receipts were up 15% for the state's hog producers in 2011 as a result. Export demand from Asia, fueled by the weak dollar, should continue to support prices, and the newly approved U.S.-Korea Free Trade Agreement could mean more sales of U.S. pork (and beef) to that growing market in 2012 and beyond. While 2012 cash receipts for hogs are forecast to be in the \$225 million range for the second straight year, this is 25% below the peak recorded in 2000. Colorado's declining poultry industry followed the national trend of substantial net losses per bird in

VALUE ADDED BY COLORADO AGRICULTURAL SECTOR 2000-2012 (In Millions of Dollars)

Year	Livestock	Crops	Total Value of Production	Value of Services and Forestry*	Government Payments ^b	Gross Value of Farm Revenue
2000	\$3,425.9	\$1,293.9	\$4,819.8	\$572.7	\$319.9	\$6,711.5
2004	4,187.4	1,399.9	5,587.3	643.4	221.2	6,449.9
2006	4,129.6	1,811.4	5,941.0	732.7	382.0	6,755.7
2008	4,168.7	1,574.7	5,743.4	773.4	244.7	6,761.9
2009	4,324.0	2,111.6	6,435.6	848.2	197.4	7,479.2
2008	3,862.1	2,231.2	6,123.3	886.0	261.0	7,269.3
2009	3,338.1	2,329.8	5,667.9	849.9	191.8	6,809.4
2010	3,807.9	2,203.1	6,121.1	887.0	271.8	7,282.2
2011 ^c	4,438.3	2,993.8	7,432.2	700.0	227.0	8,359.8
2012 ^d	4,721.3	2,846.8	7,568.2	700.0	196.0	8,663.2

*Includes sales of forest products, custom feeding fees, custom hauled fees, and other farm income.
^bIncludes farm program payments directly to producers.
^cEstimated.
^dForecast.

Source: Colorado Business Economic Outlook Agricultural Committee.

Summary

- Short-term supply & drought disruptions increasing prices of forage, grains, & cattle.
- Intermediate-term growth in demand for feedgrains to produce ethanol.
- Long-term strong expansions of world economies and demand for fats & proteins.
- Strong profits but not all of agriculture and not all downstream industries. And accompanying risk & financial instability.

Impacts

- Commodity agriculture is 80% of Colorado agriculture. (Livestock 60% & crops 40%.)
- Strong feed & forage commodity prices.
- Expansions in acreage and demand for CO water. Record land price increases.
- Volatility & margin problems for all livestock production.
- Supply & volume problems for livestock product processing & value-added businesses.



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