

The Changing Business Climate for Agriculture The Outlook for 2015

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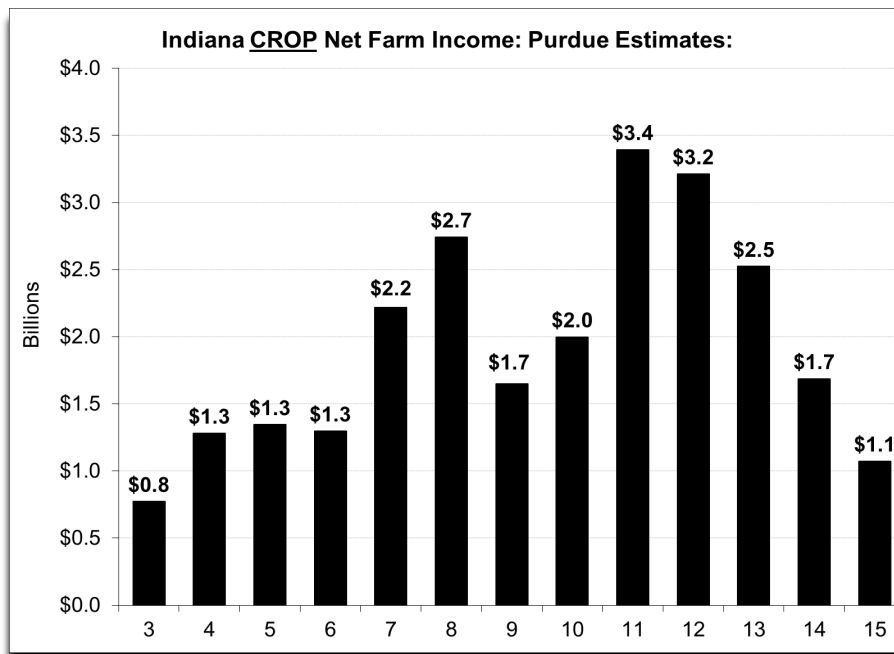
Michael Boehlje, Distinguished Professor of Ag. Economics & Extension Economist

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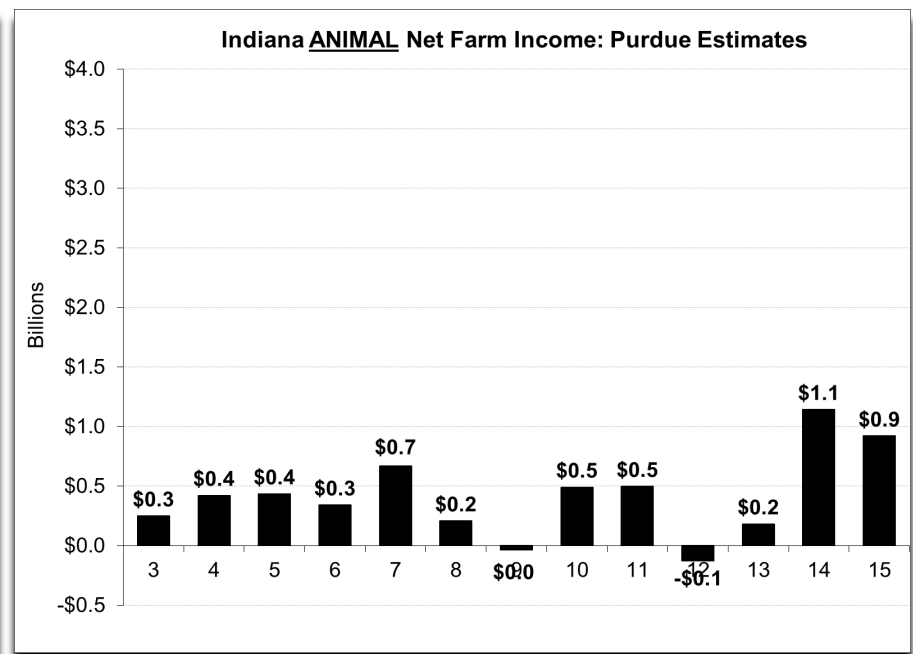
Crop Farm Incomes:

- Down 30% in 2014
- Down another 35% in 2015
- At or below 2004 to 2006

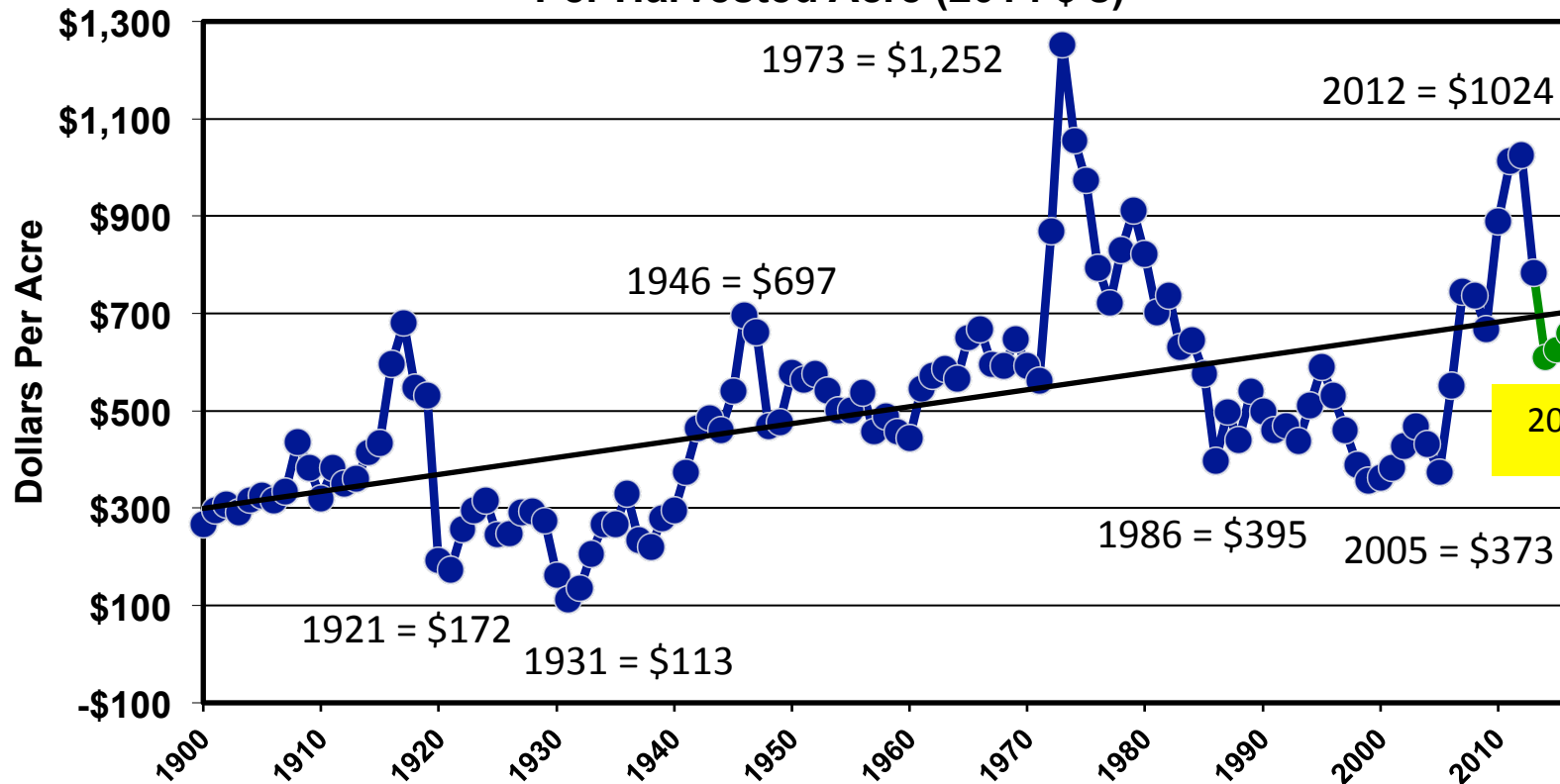


Animal Farm Incomes:

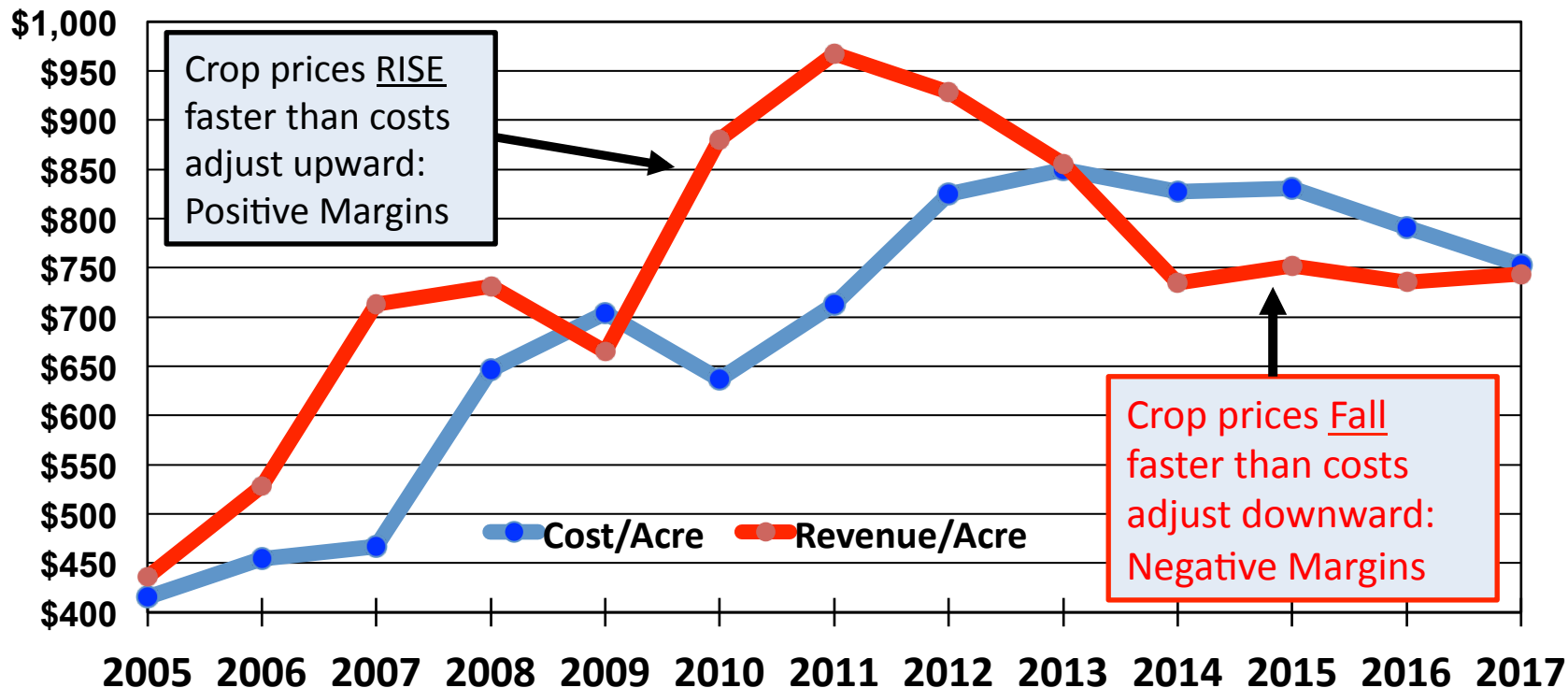
- Record High in 2014
- Near record in 2015
- But only 30% of total receipts



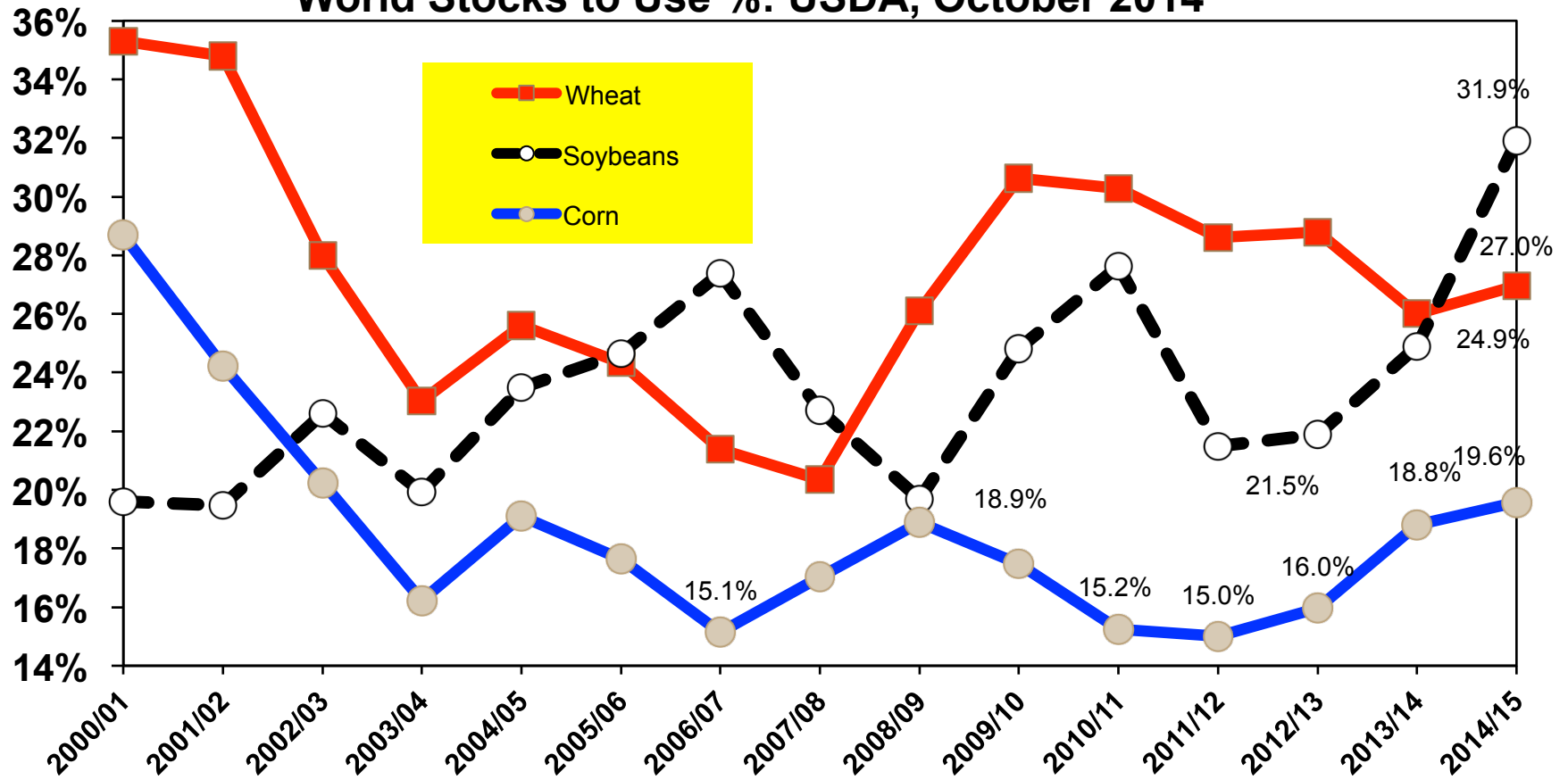
Real U.S. Corn Revenue (+Insurance) Per Harvested Acre (2014 \$'s)



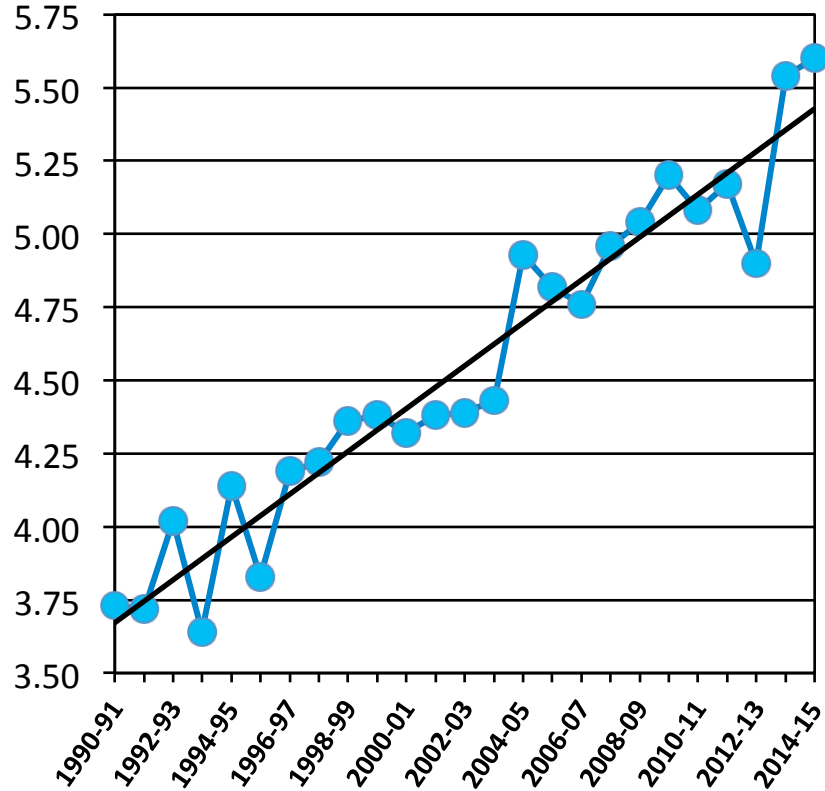
Average Corn Revenue & Costs/Acre by Year in Indiana



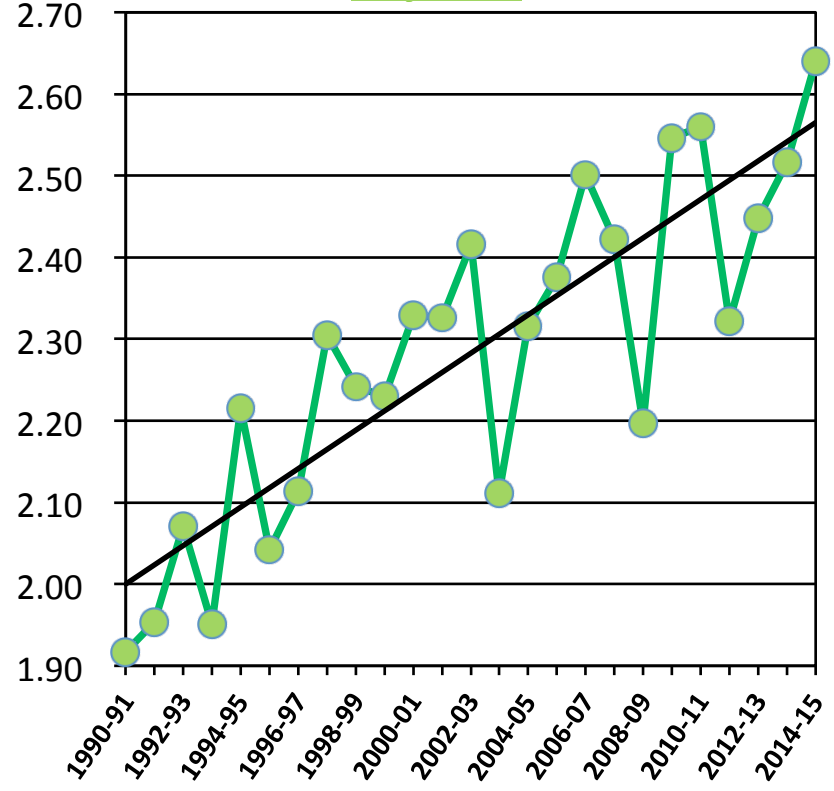
World Stocks to Use %: USDA, October 2014



World Corn Yields



World Soybean Yields



Corn: USDA

10/10/14

	10/11	11/12	12/13	13/14	14/15	14/15
	<i>Million Bushels</i>					Purdue
Carryin	1,708	1,128	989	821	1,236	1,181
Production	12,447	12,358	10,780	13,925	14,475	14,530
Total Supply	14,182	13,514	11,932	14,781	15,736	15,741
Feed & Residual	4,792	4,547	4,336	5,125	5,375	5,340
FSI Non-Fuel	1,406	1,426	1,396	1,375	1,405	1,410
FSI Fuel (Ethanol)	5,021	5,011	4,648	5,130	5,125	5,130
Export	1,835	1,541	731	1,917	1,750	1,775
Total Use	13,054	12,525	11,111	13,546	13,655	13,655
Ending Stocks	1,128	989	821	1,236	2,081	2,196
US Farm Price	\$5.18	\$6.22	\$6.89	\$4.45	\$3.40	\$3.30

\$3.10- \$3.70

Soybeans:USDA

10/10/14

	10/11	11/12	12/13	13/14	14/15	14/15
	<i>Million Bushels</i>					Purdue
Carryin	151	215	169	141	92	92
Production	3,329	3,094	3,034	3,258	3,927	3,957
Total Supply	3,495	3,325	3,239	3,570	4,034	4,064
Seed & Residual	132	88	89	97	114	114
Crush	1,648	1,703	1,689	1,734	1,770	1775
Exports	1,500	1,365	1,320	1,647	1,700	1710
Total Use	3,280	3,156	3,098	3,478	3,584	3,599
Ending Stock	215	169	141	92	450	465
Farm Price	\$11.30	\$12.50	\$14.40	\$13.00	\$10.00	\$9.75

\$9.00-\$11.00

But the picture is much brighter
in animal agriculture

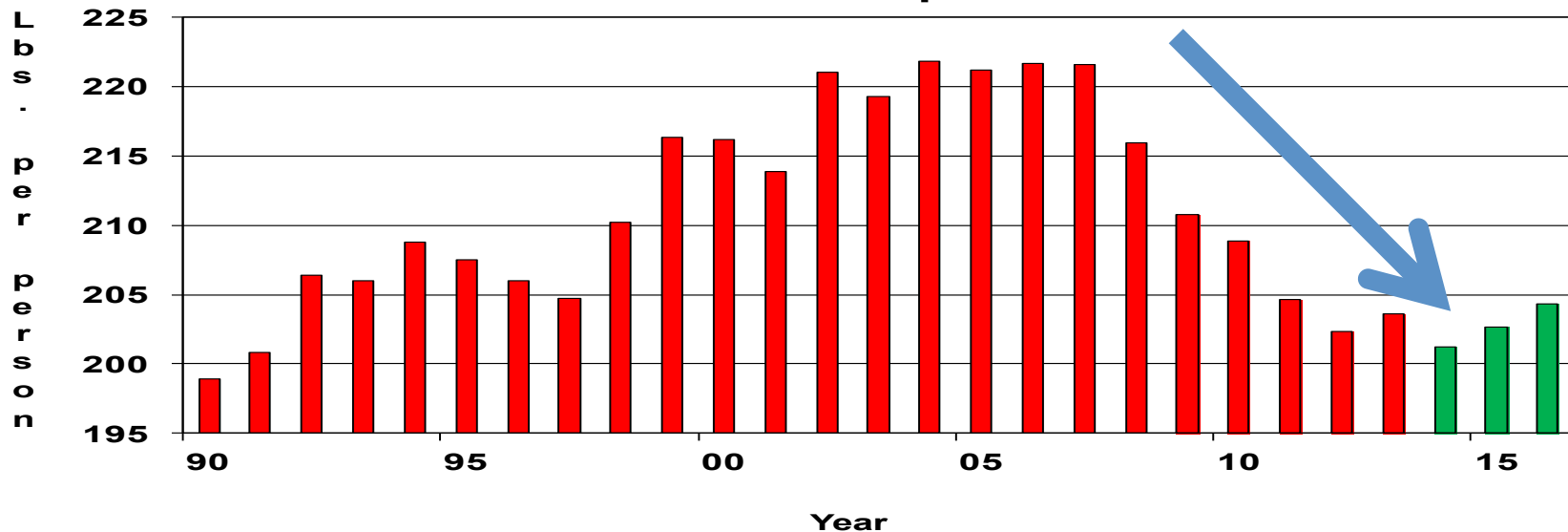
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Changing Business Climate for Agriculture Webinar
October 31, 2014

Sharp Decline in Domestic Meat Supplies Is Behind the Strength in Livestock & Poultry Prices

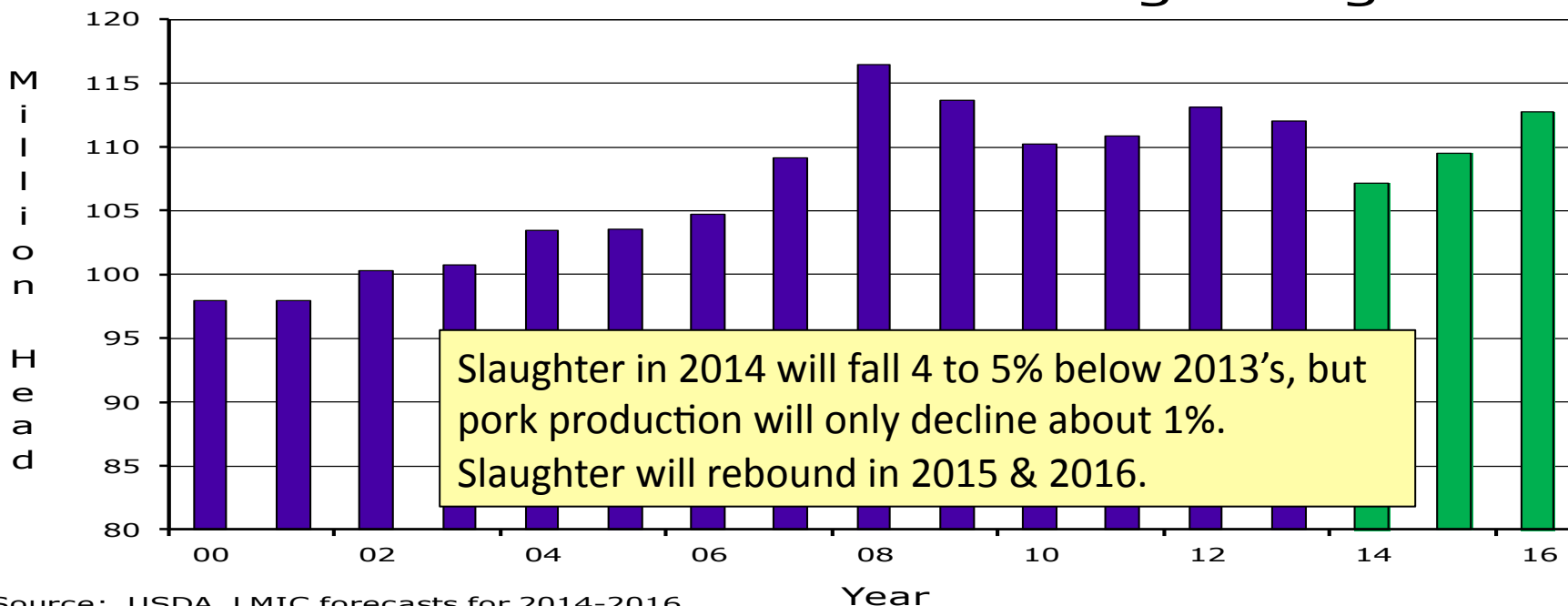
Annual U.S. Red Meat & Poultry Consumption Per Capita



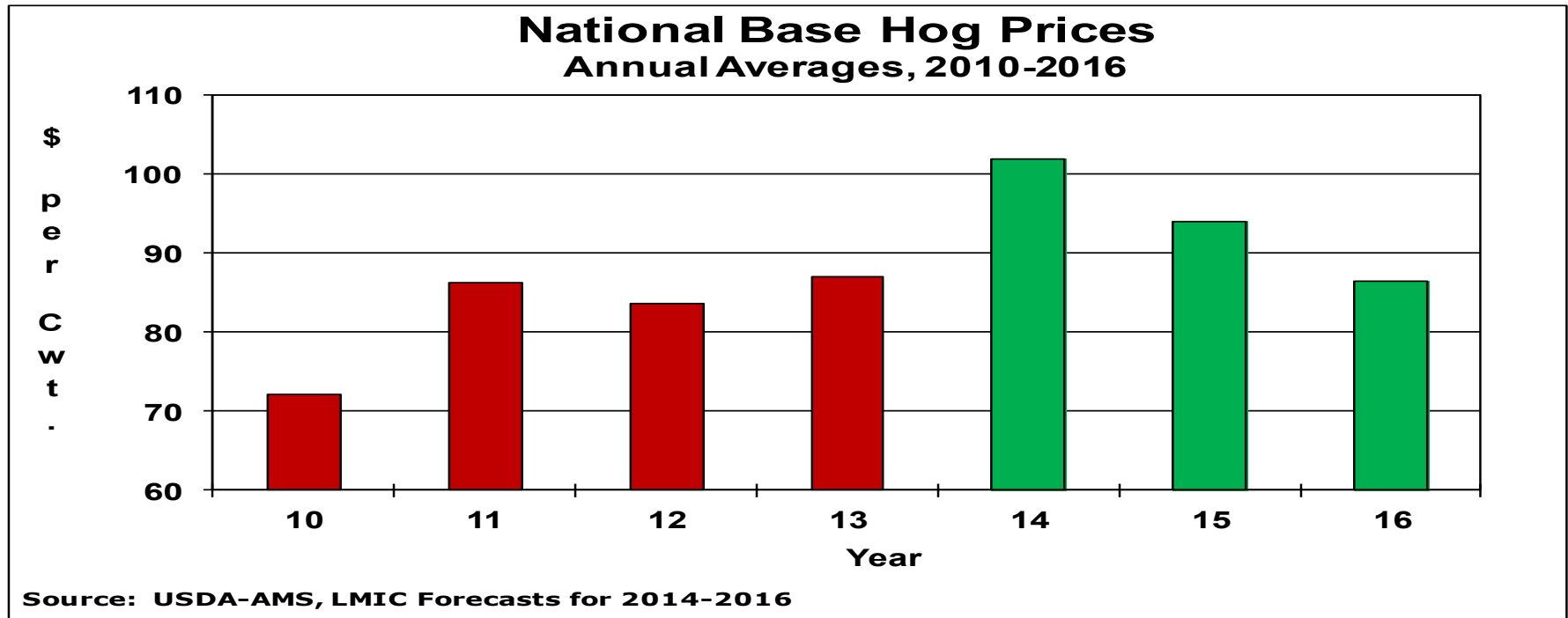
Source: USDA, LMIC Forecast for 2014-2016

Hog Slaughter Will Start to Rebound in '15

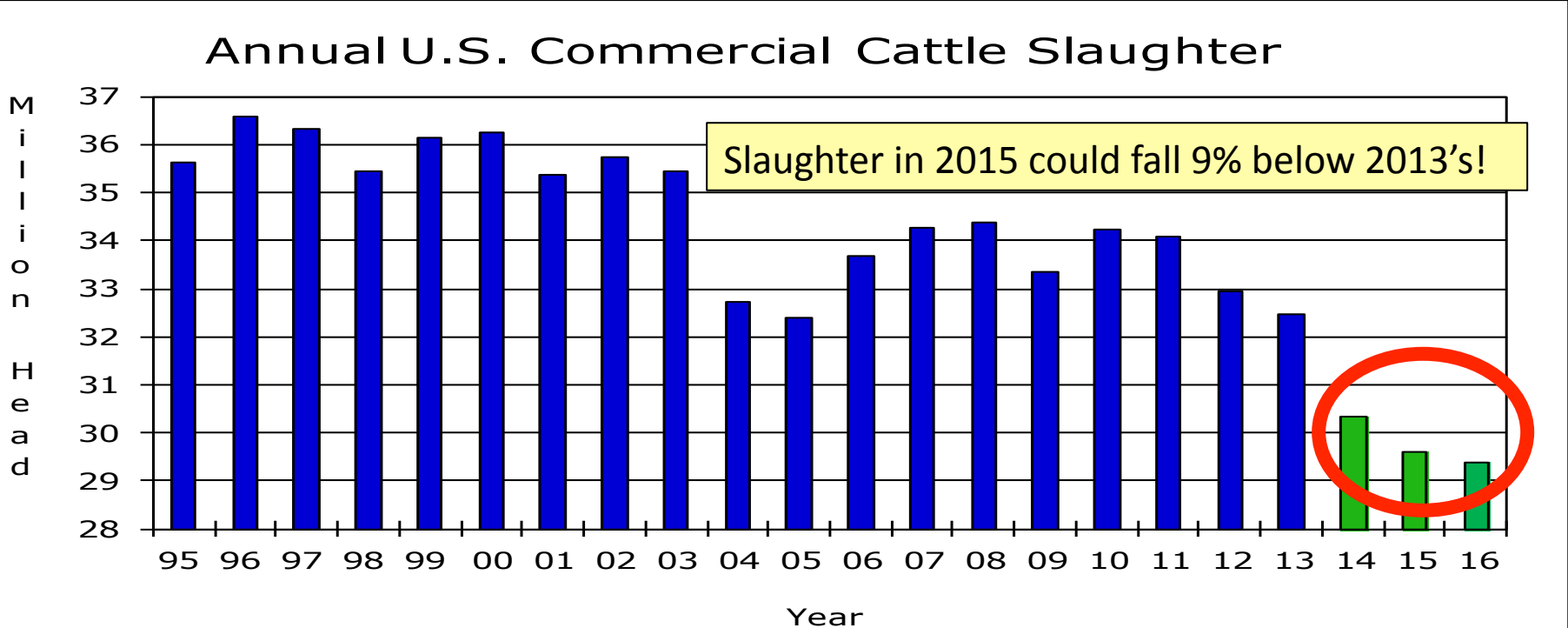
Annual U.S. Commercial Hog Slaughter



Record High Prices & Profitable Through 2015



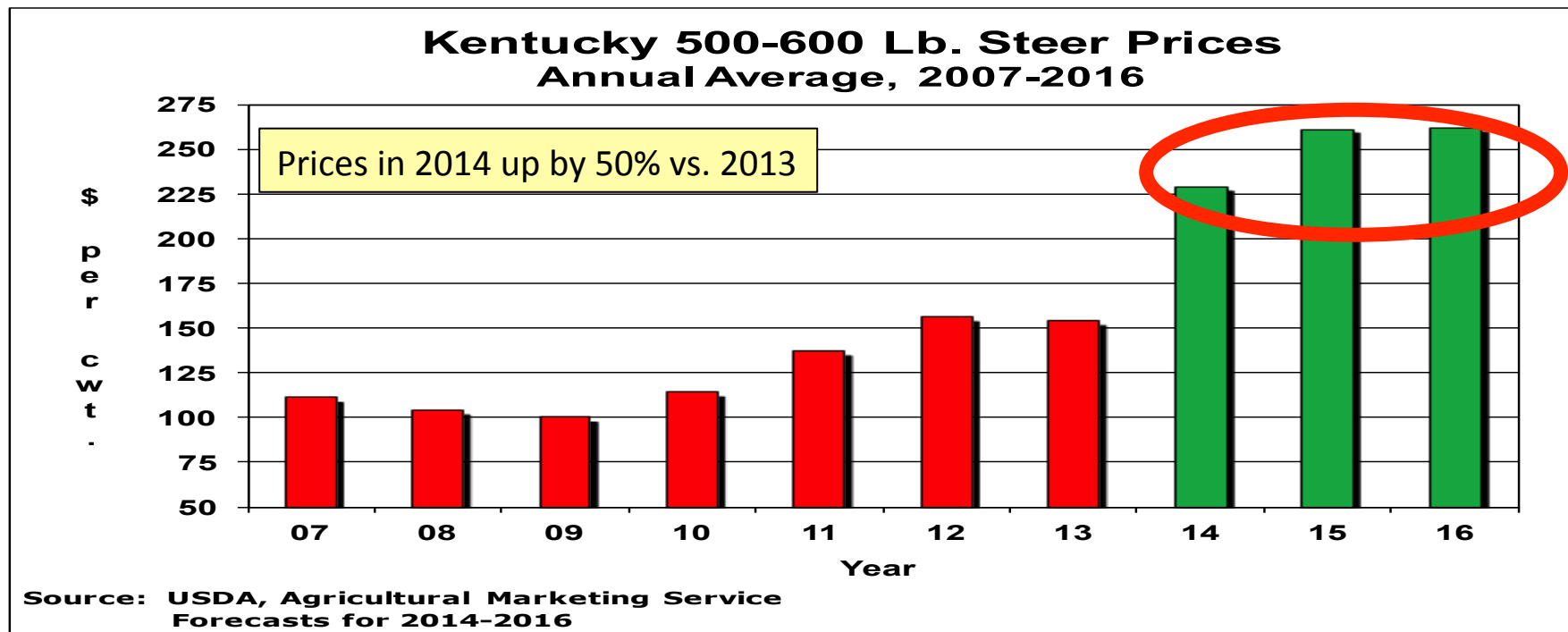
Slaughter Will Decline Sharply in 2014 & 2015



Source: USDA, LMIC Forecasts for 2014-2016

Purdue Center for Commercial Agriculture

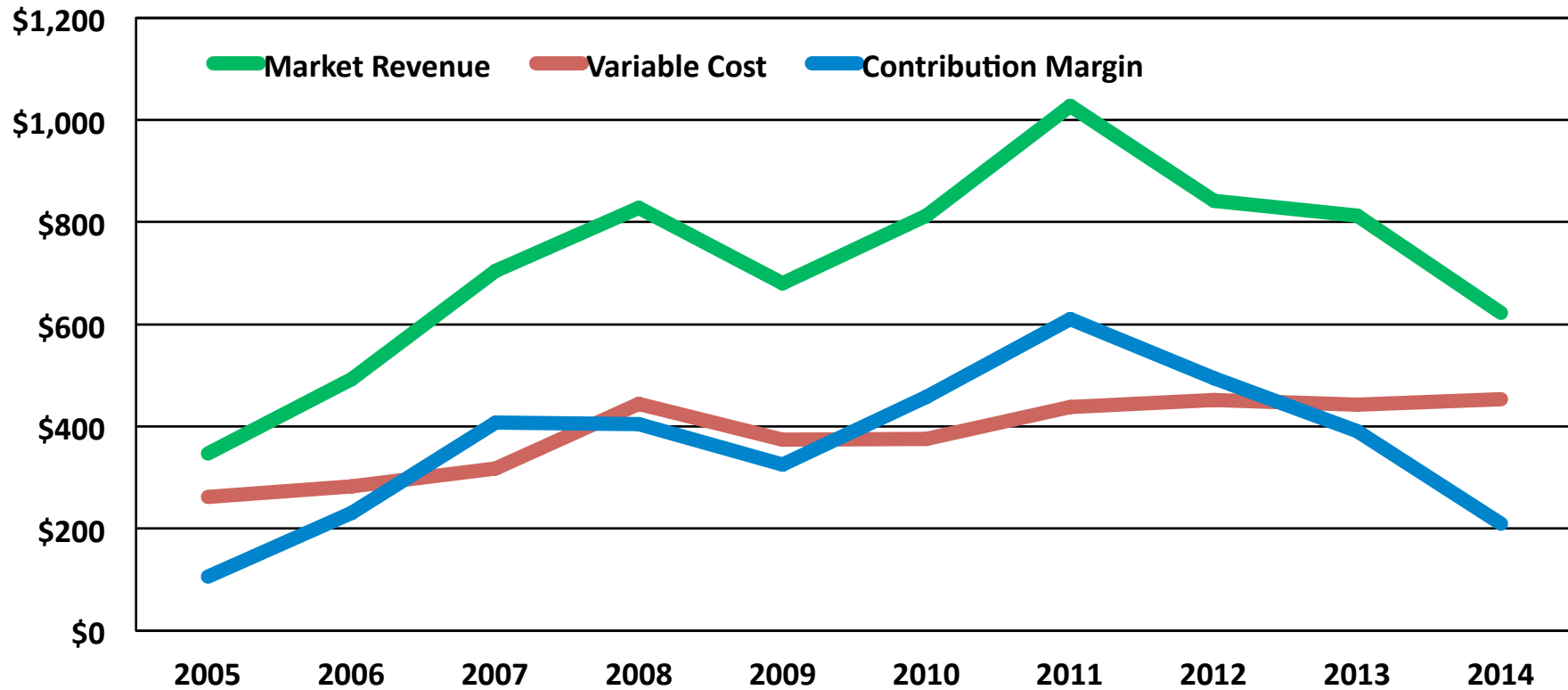
Cow-Calf Operations Expected To Be Profitable Through 2017



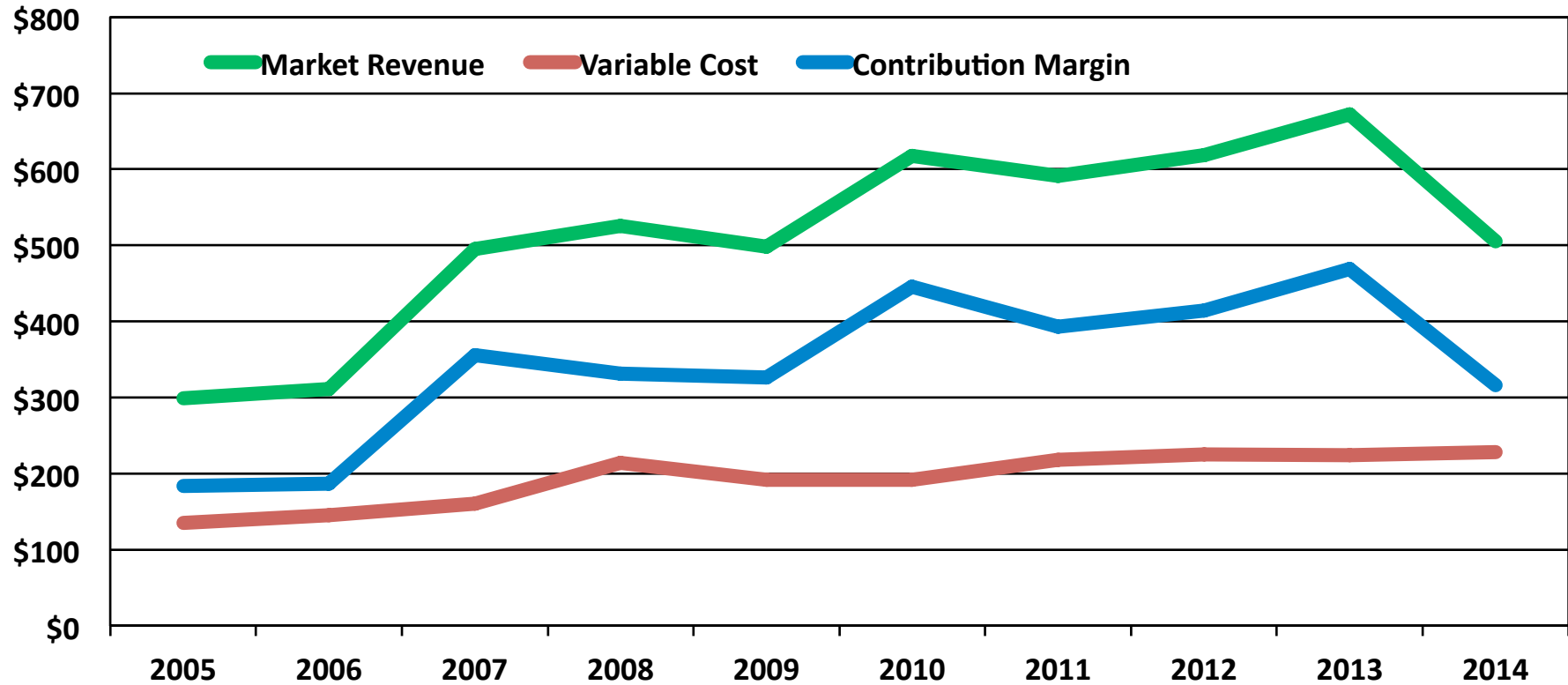
Key Points

- Revenue, Variable Cost, & Contribution Margin Trends
- Earnings per Acre, 2005 to 2014
- Cash Rents & Land Values
- Price/Rent Ratios
- Factors Impacting Land Values

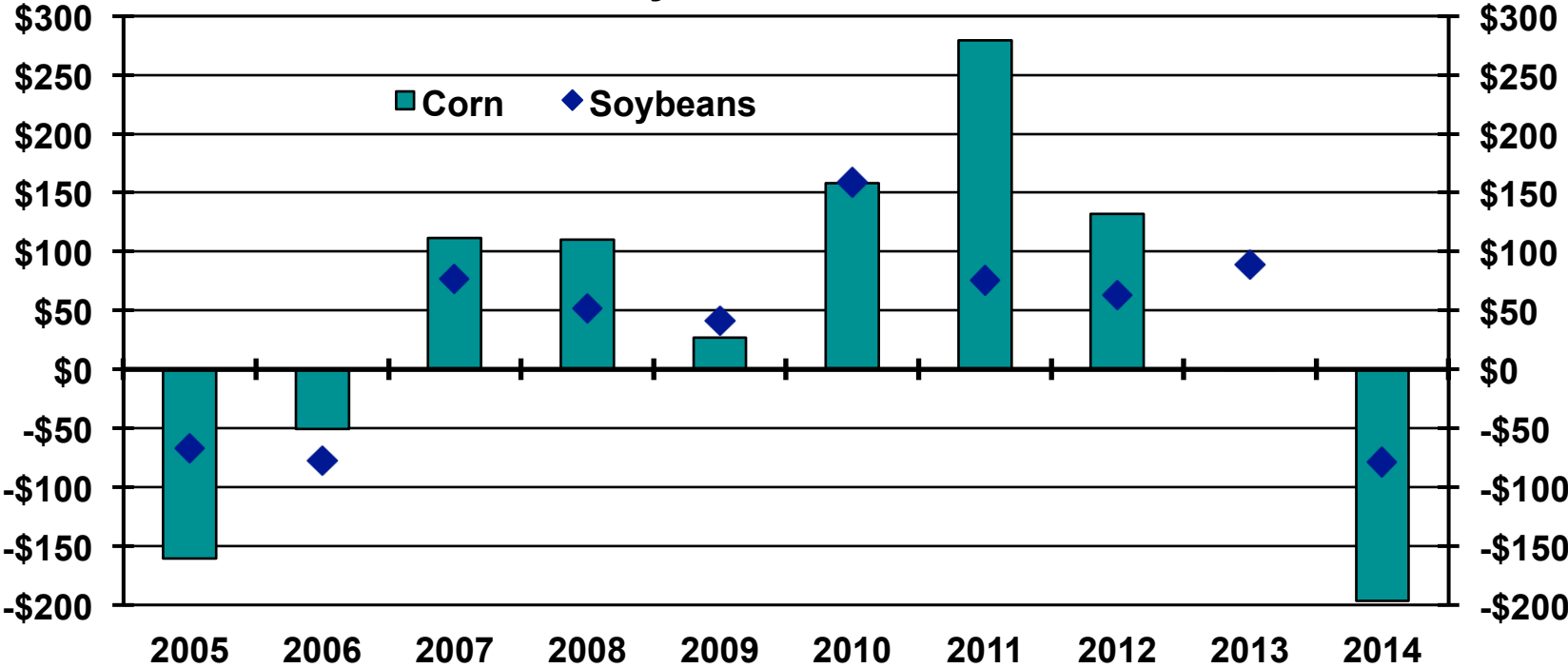
Rotation Corn in Indiana, \$'s/Acre



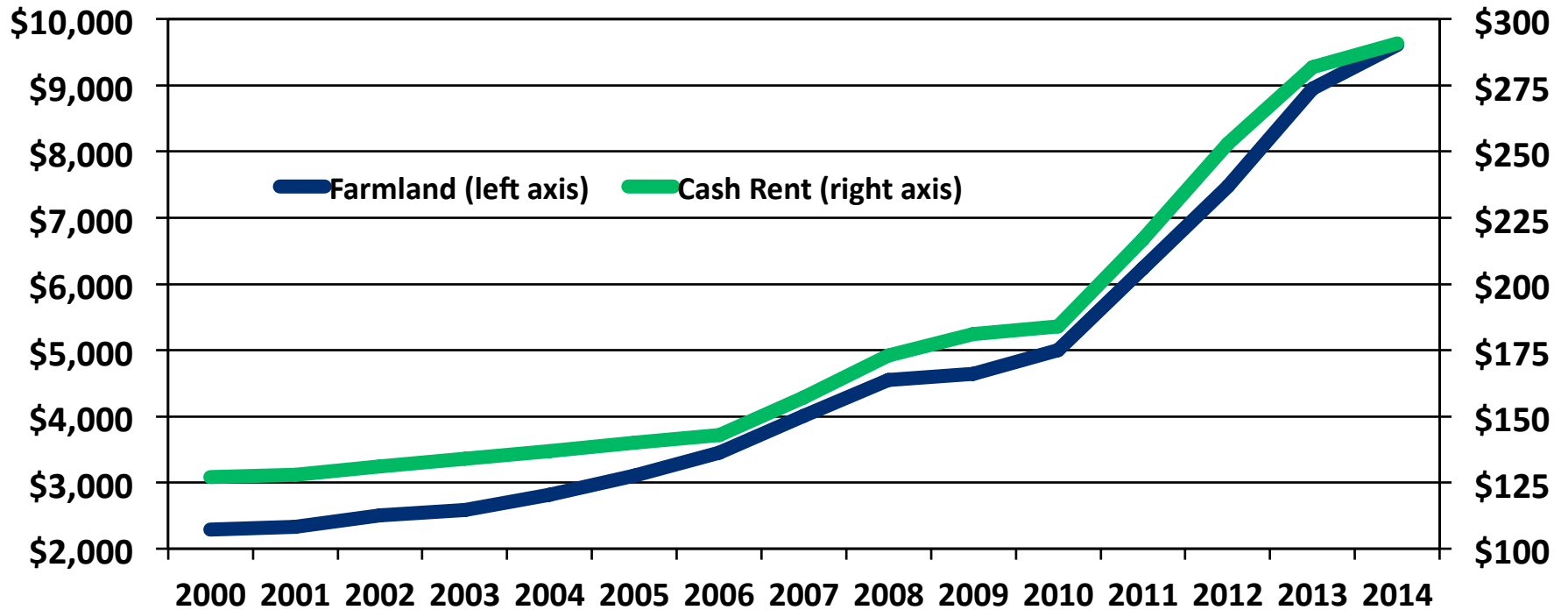
Rotation Soybeans in Indiana, \$'s/Acre



Historical Earnings per Acre Corn & Soybeans in Indiana

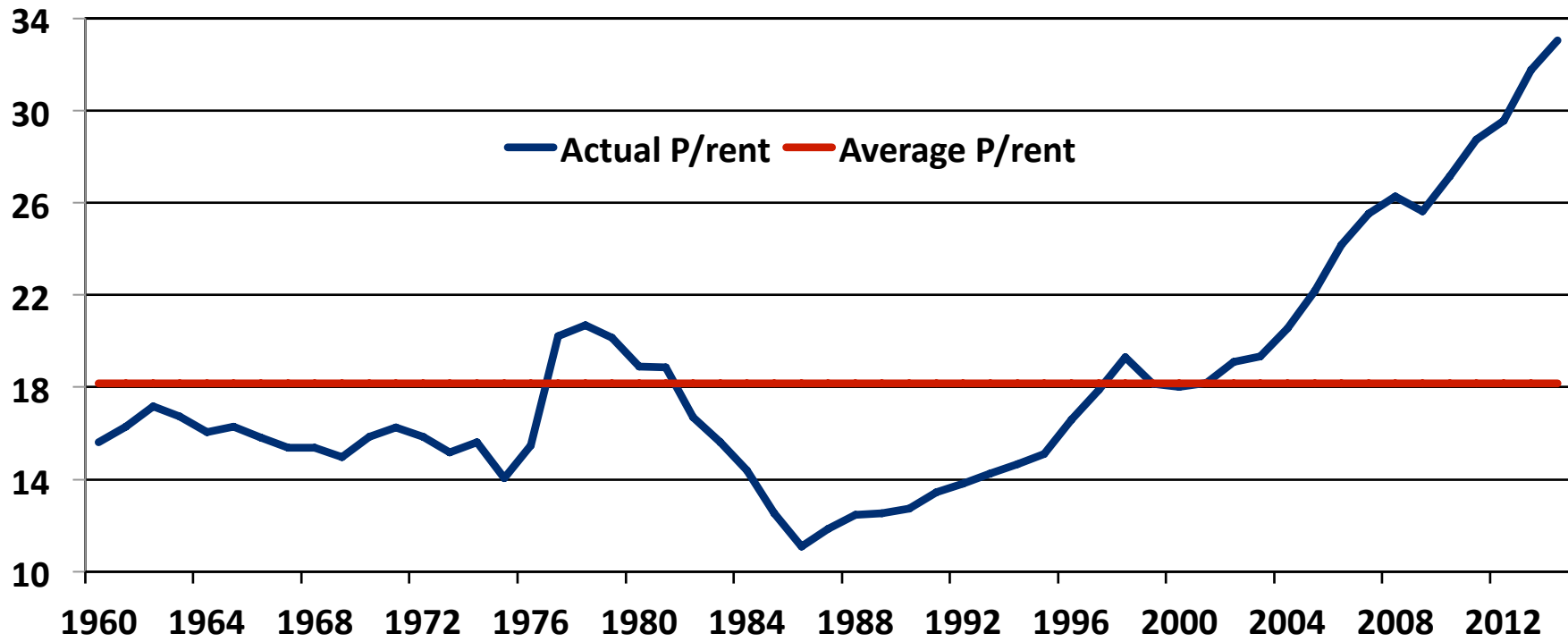


West Central Indiana Cash Rents & Farmland Prices 2000 to 2014



Farmland Price to Cash Rent Multiples

West Central Indiana, 1960 to 2014



Factors Impacting Land Values

- Cash Rent
 - Previous Cash Rent
 - Net Return to Land and Management
- Capitalization Rate
 - Interest Rate
 - U.S. Treasury
 - Inflation
 - Risk Premium

Strategies for Success During A Downturn

- ✓ Protect your working capital
- ✓ Hold on to cash & restructure debt
- ✓ Increase asset utilization
- ✓ Buy right
- ✓ Emphasize better execution