2012 Montana Agricultural Outlook

George Haynes
Department of Agricultural Economic & Economics
MSU Extension

Data Source: National Agricultural Statistics Service
Montana Field Office
2011 “Recap”

- **Crops**
  - All wheat prices – up 26%
  - All wheat production – down 17%
    - Spring Wheat – production down 29%
  - Pulse crops
  - Organic agriculture

- **Cattle**
  - Cattle and Calf Prices – up 15%+
  - Cow Herd - down by 2%, but total herd value is record high
Gross Revenue Estimates
(2011 dollars)
Drought Status – July 2011
Locally Declared Emergencies
as of July 21, 2011

As of 7/21/11
10:00 a.m.
Drought Status – September 2011
U.S. Drought Monitor

October 11, 2011
Valid 8 a.m. EDT

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.

http://droughtmonitor.unl.edu/

Released Thursday, October 13, 2011
Authors: R. Tinker/M. Rosencrans, NOAA/NWS/NCEP/CPC

Montana State University Extension
Mountains & Minds
CROPS (GRAIN, HAY & PULSES)
Wheat Exports
percent of total U.S. production

Total U.S. Exports = 34.5 mmt in 2010/2011 and 25.2 mmt in 2011/2012
Where are these exports going?

- **Wheat (50% of total U.S. wheat exports)**
  - Sub-Saharan Africa: 4.9 million metric tons
  - Egypt: 3.8
  - Japan: 3.3
  - Mexico: 2.8
  - Philippines: 1.8

- **Export competition**
  - Kazakhstan, Ukraine, Russia, Australia & Canada
“Biggest Losers – Wheat Production”  
2010 to 2011

<table>
<thead>
<tr>
<th>State</th>
<th>Total Production (1,000 bu.)</th>
<th>2010</th>
<th>2011</th>
<th>Difference</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Dakota</td>
<td></td>
<td>361,550</td>
<td>205,845</td>
<td>-155,705</td>
<td>-43</td>
</tr>
<tr>
<td>Kansas</td>
<td></td>
<td>360,000</td>
<td>276,500</td>
<td>-83,500</td>
<td>-23</td>
</tr>
<tr>
<td>Texas</td>
<td></td>
<td>127,500</td>
<td>49,400</td>
<td>-78,100</td>
<td>-61</td>
</tr>
<tr>
<td>Oklahoma</td>
<td></td>
<td>120,900</td>
<td>70,400</td>
<td>-50,500</td>
<td>-42</td>
</tr>
<tr>
<td>Montana</td>
<td></td>
<td>215,360</td>
<td>178,290</td>
<td>-37,070</td>
<td>-17</td>
</tr>
<tr>
<td>Colorado</td>
<td></td>
<td>108,234</td>
<td>81,828</td>
<td>-26,406</td>
<td>-24</td>
</tr>
<tr>
<td>South Dakota</td>
<td></td>
<td>123,475</td>
<td>104,796</td>
<td>-18,679</td>
<td>-15</td>
</tr>
<tr>
<td>Minnesota</td>
<td></td>
<td>88,070</td>
<td>70,456</td>
<td>-17,614</td>
<td>-20</td>
</tr>
</tbody>
</table>
## Global Wheat Market Shares

<table>
<thead>
<tr>
<th>Country</th>
<th>2010/2011 shares</th>
<th>2011/2012 shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mmt</td>
<td>%</td>
</tr>
<tr>
<td>Australia</td>
<td>26.00</td>
<td>4.0</td>
</tr>
<tr>
<td>Canada</td>
<td>23.17</td>
<td>3.6</td>
</tr>
<tr>
<td>China</td>
<td>115.18</td>
<td>17.8</td>
</tr>
<tr>
<td>EU-27</td>
<td>135.61</td>
<td>20.9</td>
</tr>
<tr>
<td>India</td>
<td>80.80</td>
<td>12.5</td>
</tr>
<tr>
<td>FSU-12</td>
<td>80.97</td>
<td>12.5</td>
</tr>
<tr>
<td>U.S.</td>
<td>60.06</td>
<td>9.3</td>
</tr>
<tr>
<td>Other</td>
<td>126.37</td>
<td>19.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>648.16</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source, WASDE-499, October 12, 2011
Grain Prices
(2011 dollars)
All Hay Production

Thousands of Tons

All Hay Prices
(2011 dollars)
Pulse Crop Production

Millions of Pounds


- Lentils
- Dry Beans
- Dry Peas
Pulse Crop Prices

$/Hundred Weight (cwt)


Lentils
Dry Beans
Dry Peas
# Share of Pulse Crops Grown in MT

<table>
<thead>
<tr>
<th>Crop</th>
<th>Montana (1,000 cwt)</th>
<th>U.S. (1,000 cwt)</th>
<th>Montana Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dry Beans</td>
<td>359</td>
<td>31,801</td>
<td>1.1</td>
</tr>
<tr>
<td>Pinto Beans</td>
<td>275</td>
<td>13,814</td>
<td>2.0</td>
</tr>
<tr>
<td>Garbonzo Beans</td>
<td>84</td>
<td>1,939</td>
<td>4.3</td>
</tr>
<tr>
<td>Lentils</td>
<td>3,359</td>
<td>8,657</td>
<td>38.8</td>
</tr>
<tr>
<td>Dry Peas</td>
<td>4,140</td>
<td>14,221</td>
<td>29.1</td>
</tr>
<tr>
<td>Austrian Winter Peas</td>
<td>110</td>
<td>237</td>
<td>46.4</td>
</tr>
</tbody>
</table>
Organic Product Prices
# Futures Prices
(not basis adjusted – 2/3/12)

<table>
<thead>
<tr>
<th>Location</th>
<th>Units</th>
<th>3/12</th>
<th>5/12</th>
<th>7/12</th>
<th>9/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minneapolis Grain Exchange</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hard Red Spring Wheat</td>
<td>$/bu</td>
<td>8.33</td>
<td>8.18</td>
<td>8.06</td>
<td>7.83</td>
</tr>
<tr>
<td>Kansas City Board of Trade</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Winter Wheat</td>
<td>$/bu</td>
<td>7.14</td>
<td>7.23</td>
<td>7.31</td>
<td>7.42</td>
</tr>
<tr>
<td>Chicago Board of Trade</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corn</td>
<td>$/bu</td>
<td>6.39</td>
<td>6.46</td>
<td>6.50</td>
<td>5.97</td>
</tr>
</tbody>
</table>

Hay and pulse crops
Montana Grain (wheat) 2012

- 2012 Winter Wheat Plantings
- Influence of corn prices (public policy)
  - No blenders credit
  - No ethanol tariffs
  - Renewable fuel standards (???)
  - Farm Bill 2012
- Cautiously optimistic
CATTLE/BEEF
Consumer Demand for Beef
(annual choice retail beef demand index)

http://www.agmanager.info/livestock/marketing/graphs/Tonsor/Annual_ChoiceBeefDemandIndex_Table_1990.htm
54.1 lbs./capita (USDA)
U.S Beef Exports
percentage of production, beef & veal, carcass wt.
Exports – who’s buying U.S. beef

- 90% of U.S. beef exports

<table>
<thead>
<tr>
<th>Country</th>
<th>Export Value</th>
<th>Growth ’10 – ‘11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>$ 662 m.</td>
<td>38%</td>
</tr>
<tr>
<td>Mexico</td>
<td>670 m.</td>
<td>---</td>
</tr>
<tr>
<td>South Korea</td>
<td>540 m.</td>
<td>50%</td>
</tr>
<tr>
<td>Canada</td>
<td>730 m.</td>
<td>39%</td>
</tr>
<tr>
<td>Russia</td>
<td>80 m.</td>
<td>72%</td>
</tr>
</tbody>
</table>

USDA Livestock, Dairy and Poultry Outlook, 10/18/2011
Montana Cattle Herd

Thousands of Head

2,500
2,000
1,500
1,000
500
0


Montana State University Extension

Mountains & Minds
Calf Prices
(2011 dollars)

Dollars per CWT

NASS, 190 – 2010, MSU 2011 estimate
Futures Prices
(no basis adjustments – 2/3/12)

<table>
<thead>
<tr>
<th>Location</th>
<th>04/12</th>
<th>05/12</th>
<th>08/12</th>
<th>12/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago Mercantile Exchange</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feeder Cattle, cwt</td>
<td>158</td>
<td>158</td>
<td>160</td>
<td>160</td>
</tr>
<tr>
<td>Live Cattle, cwt</td>
<td>129</td>
<td>128</td>
<td>130</td>
<td>134</td>
</tr>
</tbody>
</table>

20% increase from 2009
Montana Cattle 2012

- **Strong prices**
  - Global demand (Japan, South Korea, Canada, Russia)
  - Duration (2 to 3 years)

- **Opportunity to increase cattle herd**
  - Southern U.S. drought conditions
  - Aging rancher population (*interest in expansion*)
Questions

George Haynes, Ph.D.
haynes@montana.edu