A Challenging Year

The graph illustrates the decline in both Calf prices and Wheat prices from January 2015 to December 2016. Calf prices, represented in red, started at around $300 per hundredweight and fell to just over $200 by December. Wheat prices, represented in blue, began at around $8 per bushel and dropped to below $4 by the end of the year.
2016/17 Overview

• Cattle
  – Declining cattle prices
    • US beef production increased by 6% in 2016
      – Anticipated to increase by 4% in 2017

• US beef exports – expected to decrease in 2017

• US beef imports – expected to decrease in 2017
2016/17 Overview

Crops

– Declining grain prices

  • Record worldwide wheat production (and stocks)
  • Improving, but low exports (*strong dollar*)
    – Japan, Mexico, Philippines, Nigeria, S. Korea, Taiwan
    – Australia competition on the horizon (largest crop in history)

– Pulse crop production continues to increase

– Beet production strong, other issues

– Local foods/farmer’s markets
Cash Receipts (1995 – 2016f)
Drought Status – February 2017


CATTLE
U.S. Cattle Inventory

Montana herd flat at approximately 2.5 million head
U.S. Average Calf Prices (2016$)
National Calf Prices 1913-2016

Avg. (1982-2012) 143.8
Demand Weakens
(beans demand index)

Source: BLS, USDA-ERS, Compiled & Analyzed by LMIC
Beef Exports

Millions of Pounds

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<td>S. Korea</td>
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USDA, FAS
Beef Imports

Millions of Pounds

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## 2017 Futures Prices

($/hundred pounds, no basis adjustments – 3/10/17)

<table>
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<th>Location</th>
<th>March</th>
<th>April</th>
<th>August</th>
<th>October</th>
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<tr>
<td>Chicago Mercantile Exchange</td>
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<tr>
<td>Feeder Cattle</td>
<td>127</td>
<td>127</td>
<td>127</td>
<td>126</td>
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<tr>
<td>Live Cattle</td>
<td>118</td>
<td>103</td>
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Basis – 3/13/17: $9.98/cwt
CROPS (GRAIN, HAY & PULSES)
Montana Major Crop Acreage
Global Wheat Production Shares

<table>
<thead>
<tr>
<th>Country</th>
<th>2014/2015 shares</th>
<th>2015/2016 shares</th>
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<tr>
<td></td>
<td>mmt</td>
<td>%</td>
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<tr>
<td>Australia</td>
<td>23.9</td>
<td>3.3</td>
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<td>Canada</td>
<td>29.4</td>
<td>4.0</td>
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<td>China</td>
<td>126.2</td>
<td>17.3</td>
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<td>EU-27</td>
<td>156.9</td>
<td>21.5</td>
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<tr>
<td>India</td>
<td>95.9</td>
<td>13.2</td>
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<td>FSU-12</td>
<td>112.7</td>
<td>15.5</td>
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<tr>
<td>U.S.</td>
<td>55.2</td>
<td>7.6</td>
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<tr>
<td>Other</td>
<td>128.1</td>
<td>17.6</td>
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<tr>
<td>Total</td>
<td>728.3</td>
<td>100.0</td>
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</table>

Source, WASDE-563, 2017

Australia 2016/17 projection: 35.0

USDA, FAS
Source: USDA; almost all Canadian imports; imports – 16% of exports
“Glut” – Yoder Bunker
Montana Grain Prices
(2015$)
Montana Wheat Prices (2015/2016)

38% decline since 1/2015; 17% decline in 2016
# 2017 Futures Prices
($/bu, no basis adjustment – 3/10/17)

<table>
<thead>
<tr>
<th>Location</th>
<th>May</th>
<th>July</th>
<th>Sept</th>
<th>Dec</th>
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<tr>
<td>Minneapolis Grain Exchange</td>
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<tr>
<td>Hard Red Spring Wheat</td>
<td>5.38</td>
<td>5.45</td>
<td>5.52</td>
<td>5.62</td>
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<tr>
<td>Kansas City Board of Trade</td>
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<tr>
<td>Hard Red Winter Wheat</td>
<td>4.55</td>
<td>4.67</td>
<td>4.82</td>
<td>5.02</td>
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<tr>
<td>Chicago Board of Trade</td>
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<td>Corn</td>
<td>3.64</td>
<td>3.72</td>
<td>3.79</td>
<td>3.98</td>
</tr>
</tbody>
</table>

Basis –$0.23/bu
Montana Hay Production

Thousands of Tons

Montana Pulse Production

Millions of Pounds

Lentils

Dry Edible Peas
Montana Pulse Prices
($2016)

$/Hundred Weight (cwt)


Lentils

Dry Edible Peas
Farmer’s Markets/Local Foods

• Farmer’s Markets
  – 62+ communities markets
  – *Still growing*, but rate of growth rate has slowed in the past three years

• Local Foods
  – Maturing small farm agriculture
  – Major issues – crop insurance & farm programs

Department of Agriculture, Montana
Marketing Channels

Trends in U.S. Local and Regional Food Systems, USDA/ERS, 1/2015 (068)
Local and Organic, US

Farms with local (direct-to-consumer or with intermediated) sales 163,675

Farms with both organic and local sales 7,556

Farms with organic sales 16,525

Trends in U.S. Local and Regional Food Systems, USDA/ERS, 1/2015 (068)
2017 Forecast

• Livestock:
  ▪ Herd expansion continues
  ▪ Lower prices, moving below historical averages

• Grains/Pulses:
  ▪ World wheat “glut” continues
  ▪ Prices below historical averages
  ▪ Continued growth in pulse crop acreage
Questions?

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