

# Economic Update for Farmer Cooperatives

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KFSA Regional Meetings

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**UNIVERSITY**

**ACCC**   
Arthur Capper  
Cooperative Center

# ACCC Purpose

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Determine, develop and deliver research and education to the cooperative community.

# Will the agricultural boom continue in 2012?

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- USDA expects 2011 net farm income to increase 19 percent
  - Not as strong an increase in 2010 because of rising production costs (feed, fertilizer and fuel are each up more than 20 percent)
- What will 2012 hold?
- Could margins tighten further and temper or even derail the agricultural boom?

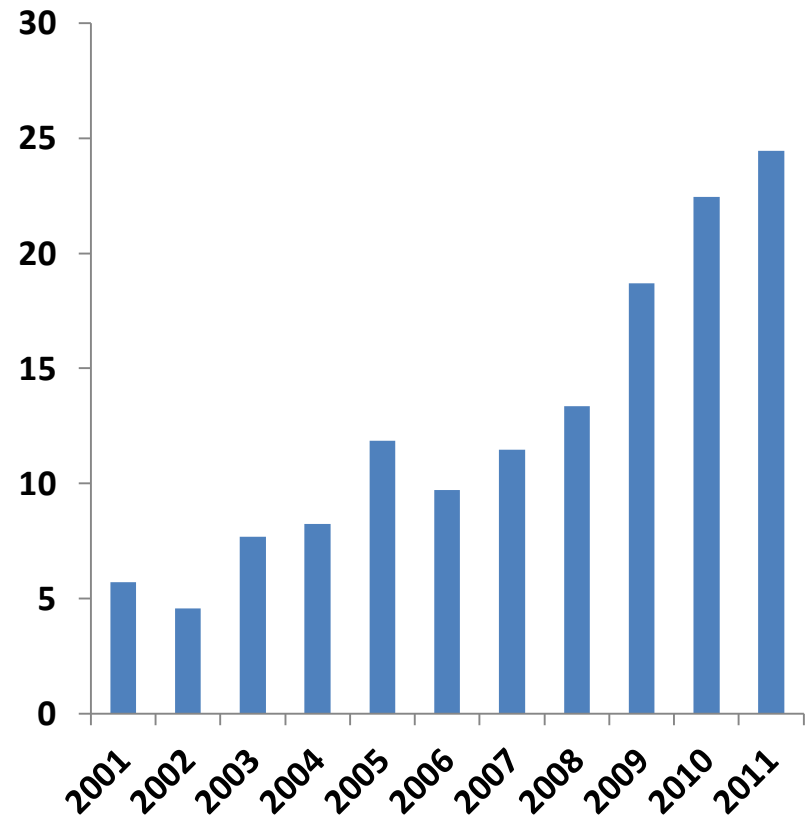
# Demand for agricultural products has remained strong, especially international demand.

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- Demand is shaped by:
  - Population
  - Income
  - Tastes and Preferences
  - Substitutes
  - Prices
- While U.S. demand remains sluggish with high unemployment, international demand remains strong.

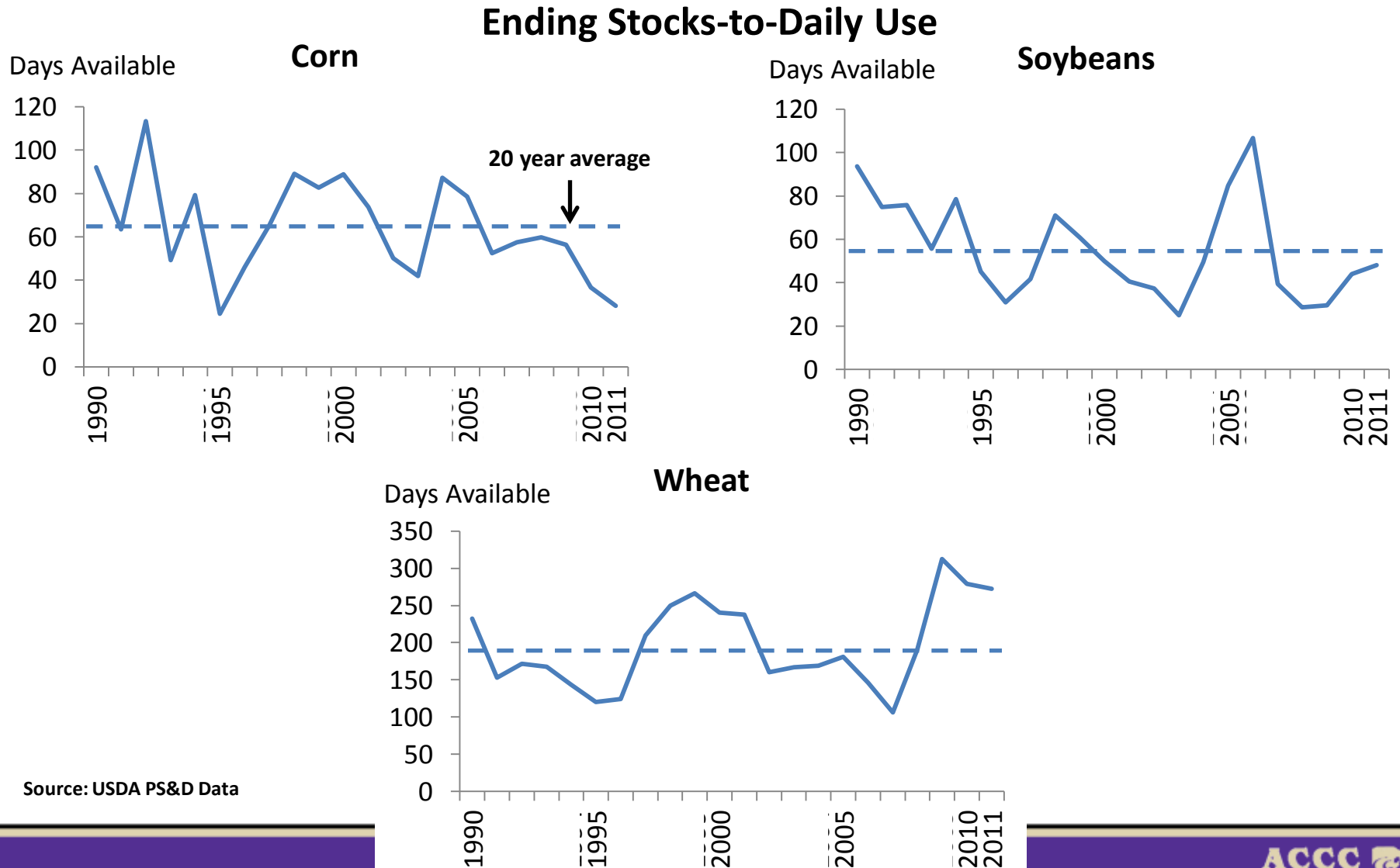
## U.S. Soybean Exports to China

Million Metric Tons



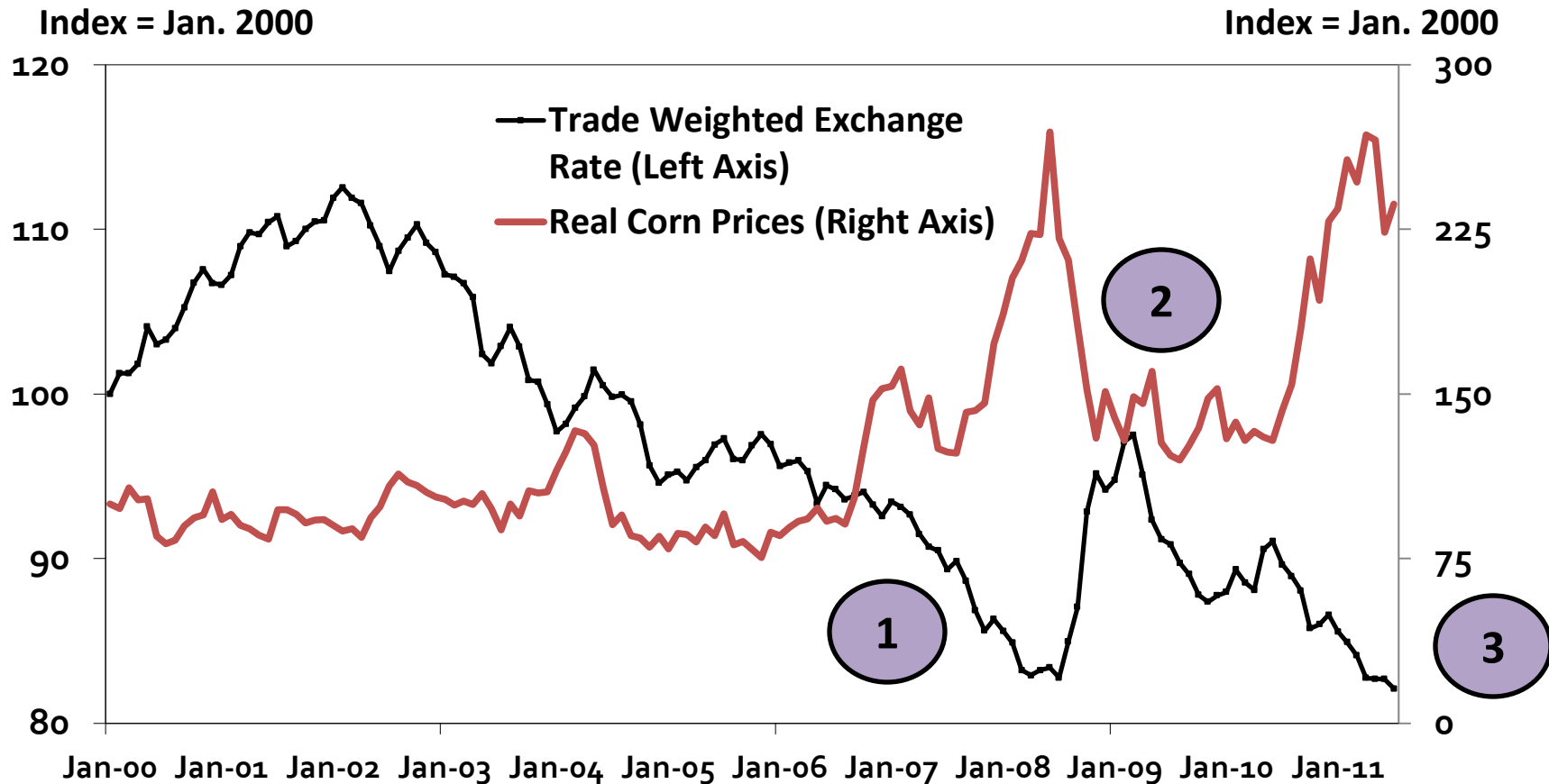
Source: USDA, Foreign Agricultural Service

# Corn stocks remain tight...Soybeans stocks are near their average...Wheat stocks remain ample.



# If financial market stress were to rise, how might crop prices respond?

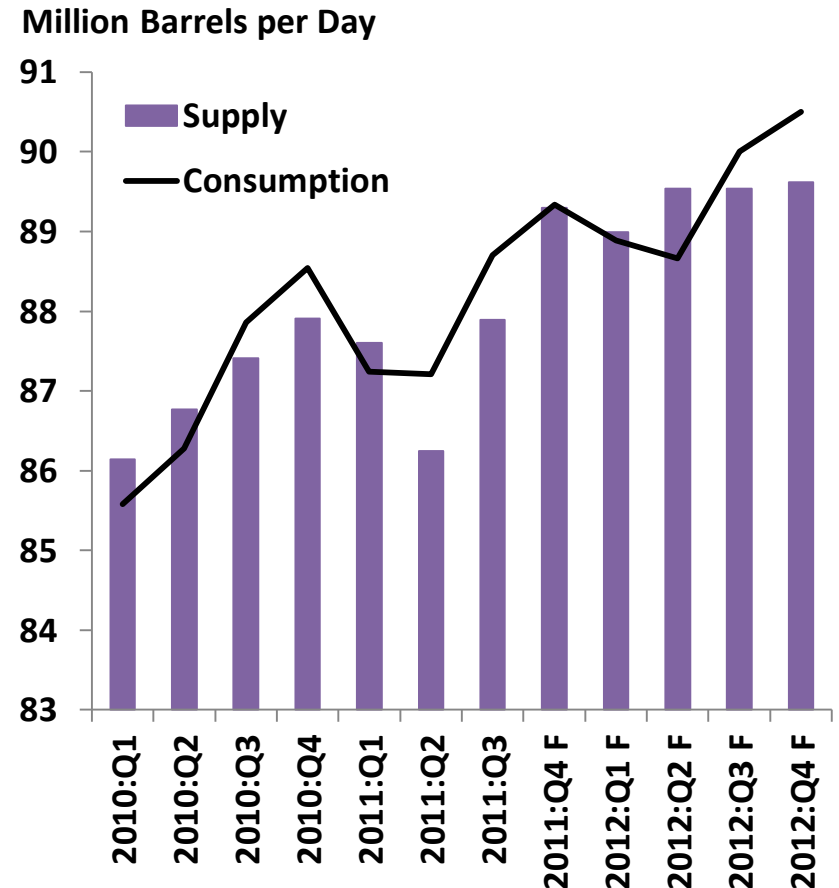
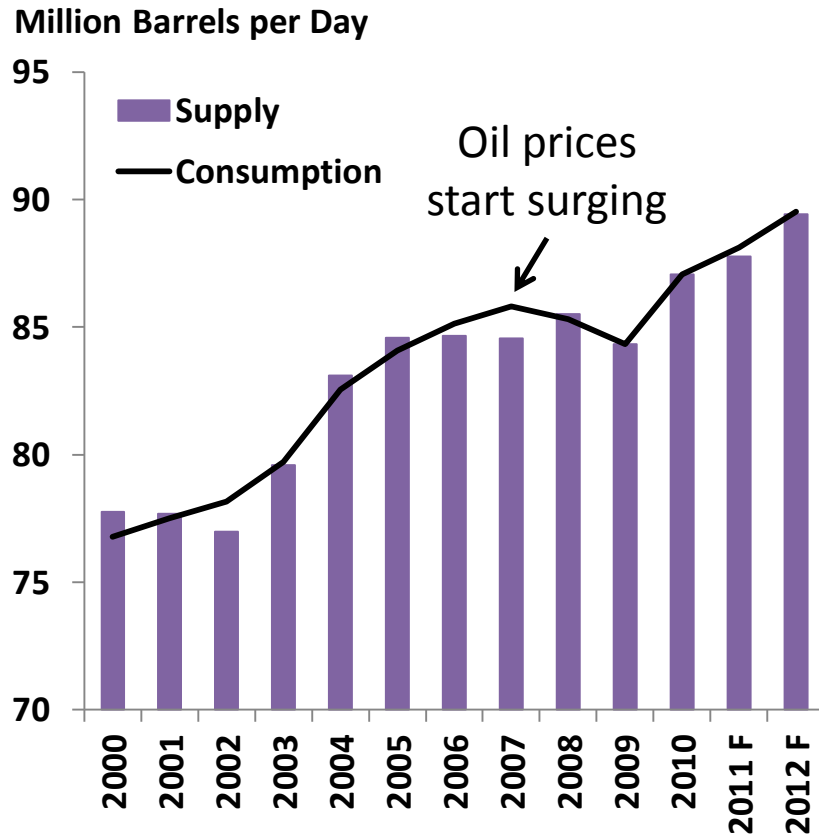
## Exchange Rate and Corn Price Indices



Source: Federal Reserve Board of Governors and Chicago Board of Trade

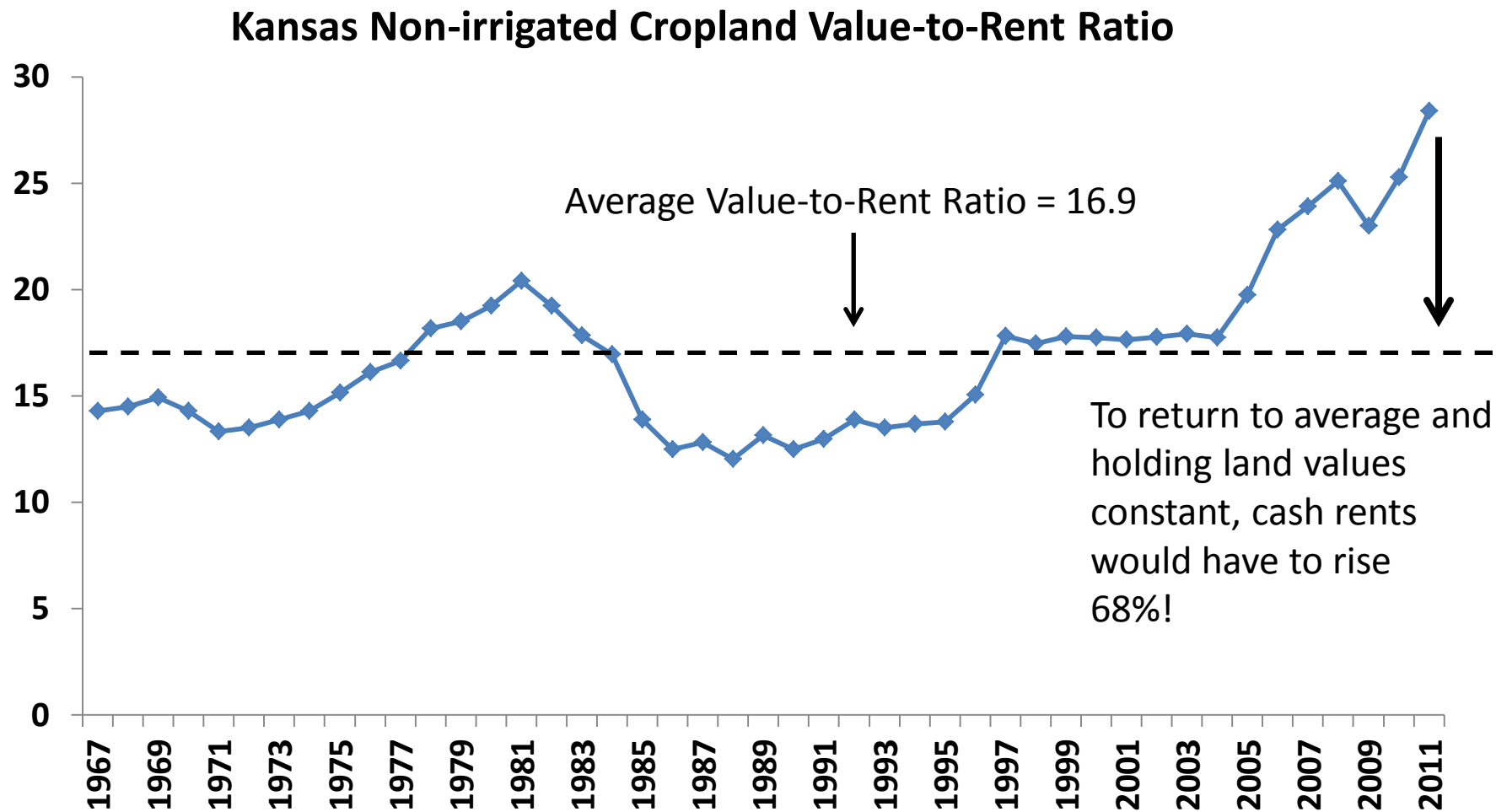
# Oil prices could rise further in 2012, especially if oil demand outpaces oil supply.

## Total World Crude Oil Supply and Consumption



Source: Energy Information Administration

# With Kansas cropland values at record high levels, could a “correction” come from rents?



Source: USDA, NASS



# Will the agricultural boom continue in 2012?

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- Some initial forecasts point to a “flattening” or even a slight decline in net farm incomes (NFI).
  - John Deere NFI forecast:
    - \$115.7 billion in 2011
    - \$109.2 billion in 2012
- Why flat?
  - Uncertainty of U.S. recovery and global developments as well as rising production costs.
- For more information: [www.agmanager.info](http://www.agmanager.info)