

Missouri Agricultural Outlook

Testimony before the Missouri Joint Committee on Agriculture

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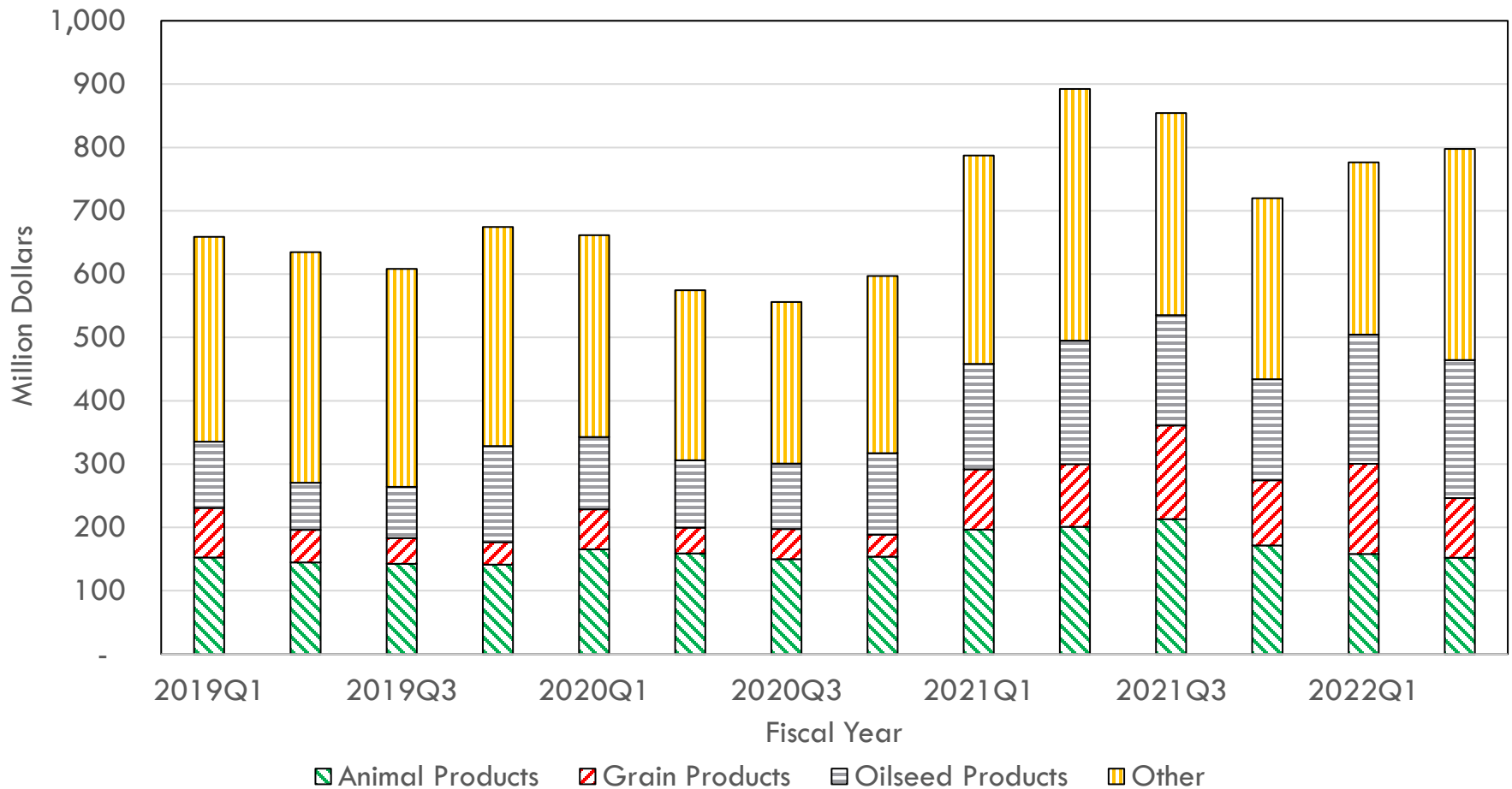


Extension
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Unprecedented Times for Agriculture!

- Precise outlook is impossible in this volatile world!
- High farm prices generally
- High costs across the board
- Supply chain disruptions – including labor
- What is normal?
- Volatility adds more risk but the possibility for high returns

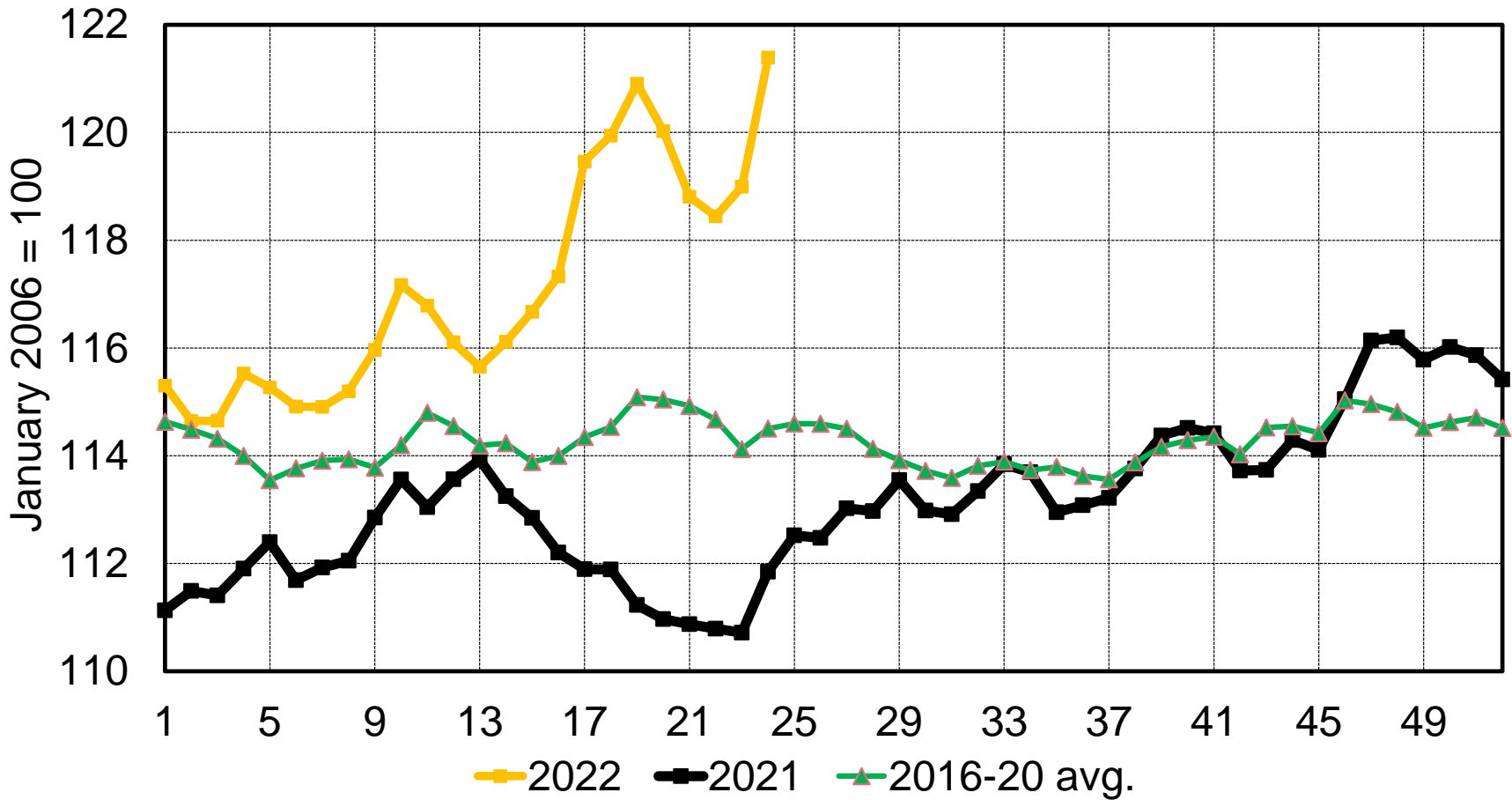
Quarterly Missouri Agricultural Exports



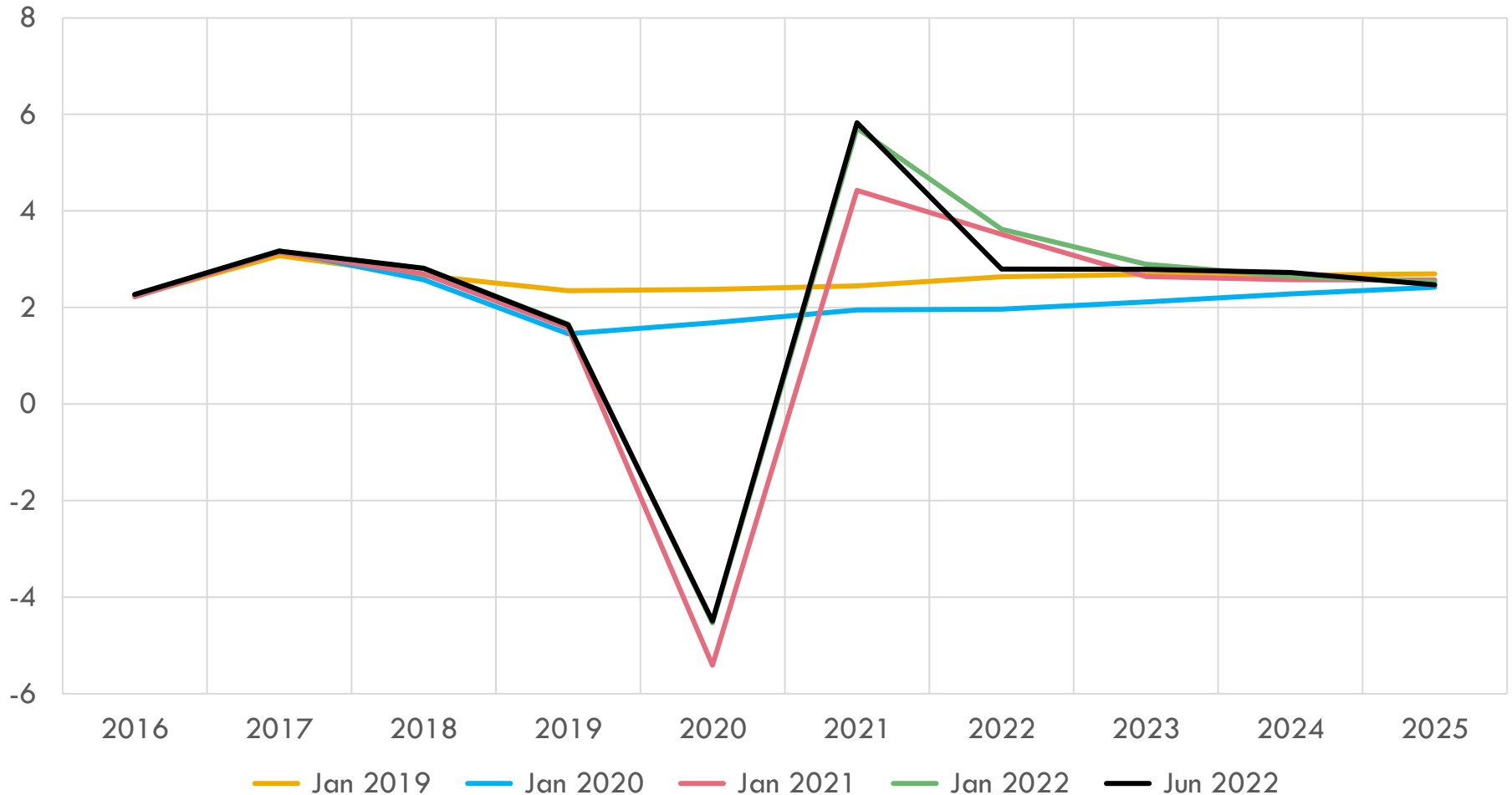
Global Challenges

- Supply bottlenecks limit exports of agricultural goods and have raised the cost of many inputs
- Economic outlook as COVID-19 continues to unfold
- The Russia-Ukraine conflict reduces available supplies of some agricultural commodities
- Animal diseases – African Swine Fever tops the list
- US agricultural growth will hinge even more on global demand in the years ahead

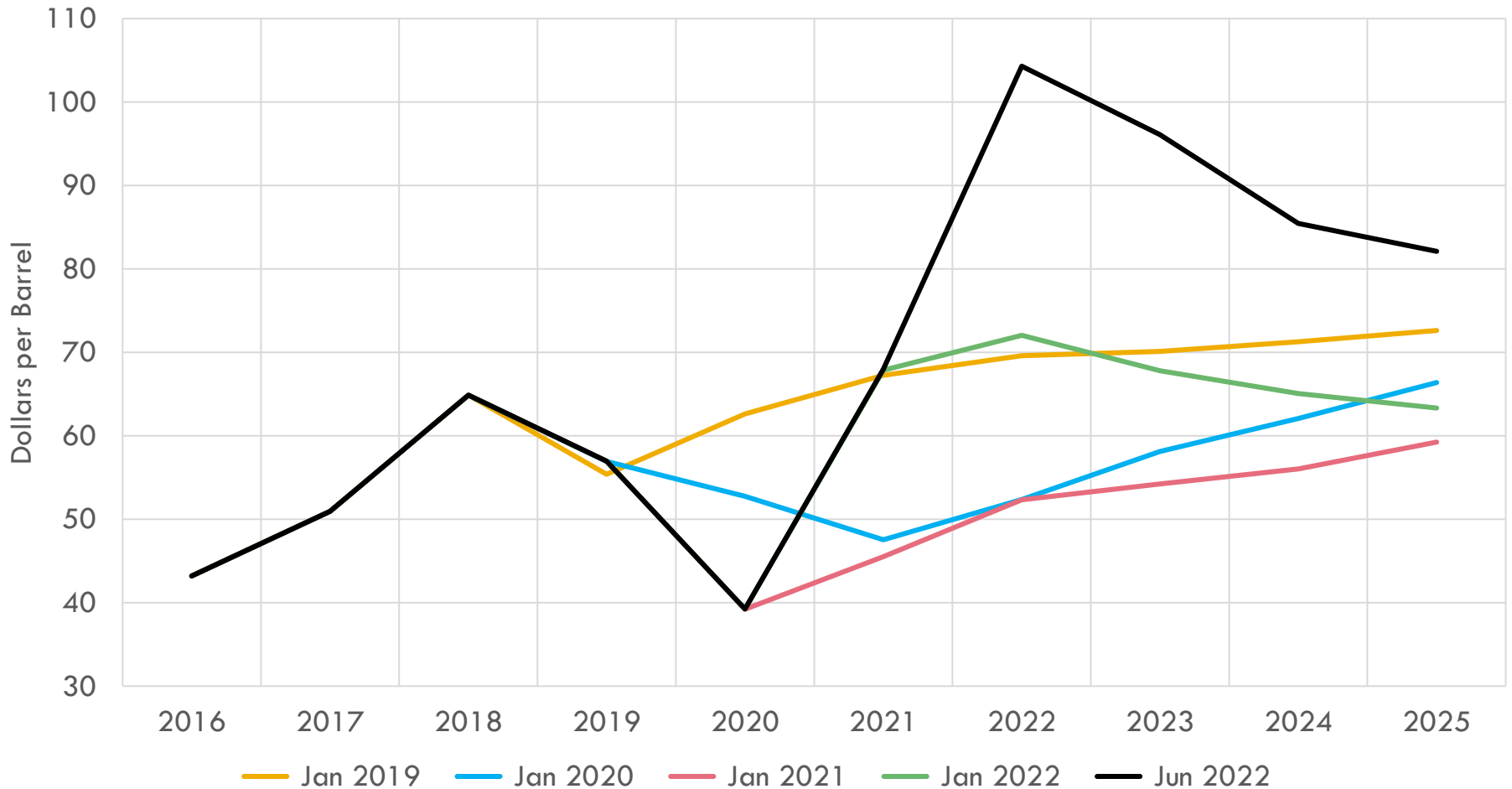
Trade-Weighted U.S. Dollar Index



Trading Partners Real GDP Growth Projections - IHS Markit

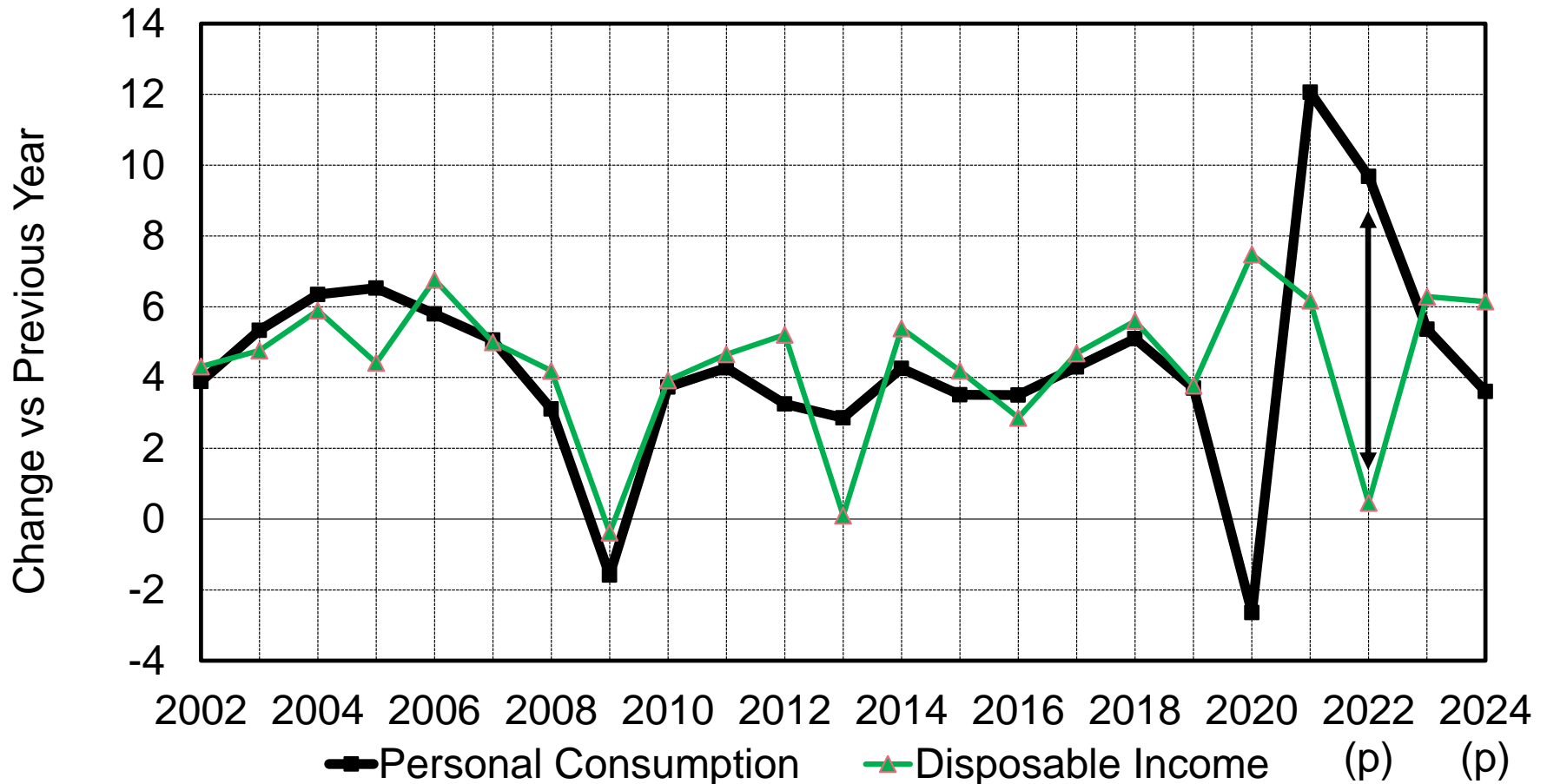


WTI Oil Price Projections - IHS Markit

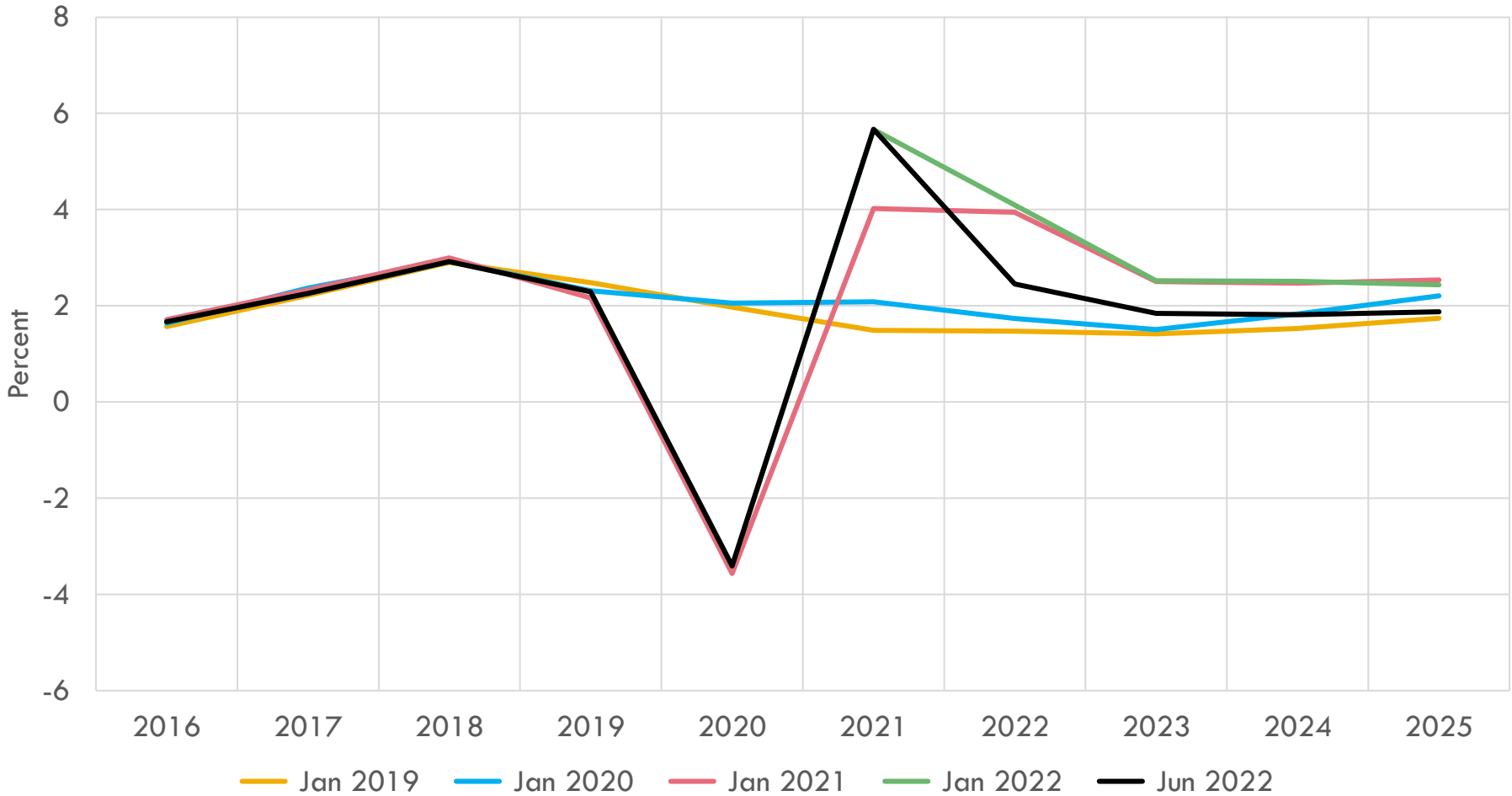


COVID Confusing U.S. Economic Measures

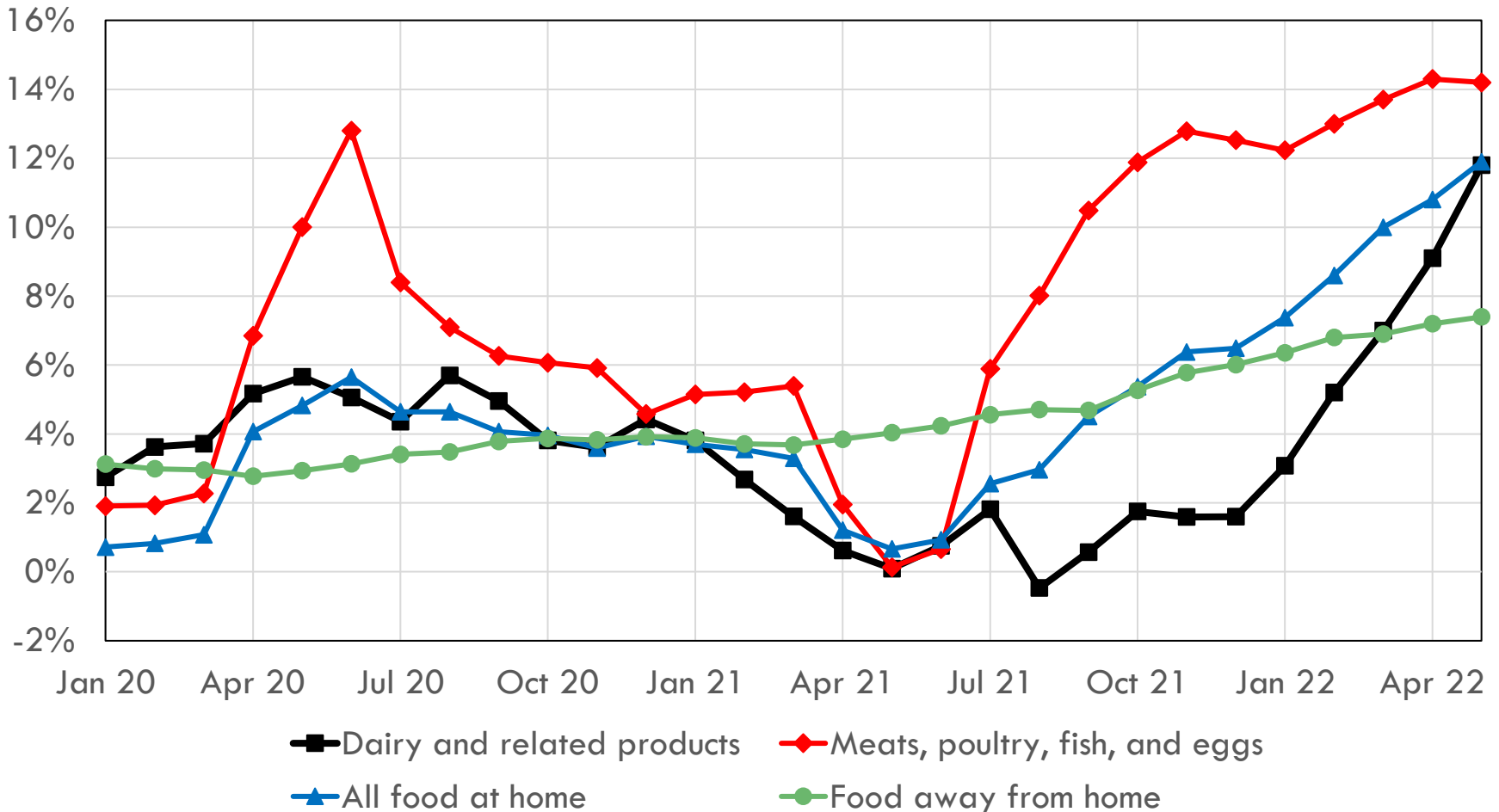
2022 consumption and income projections imply the smallest saving rate since 2007



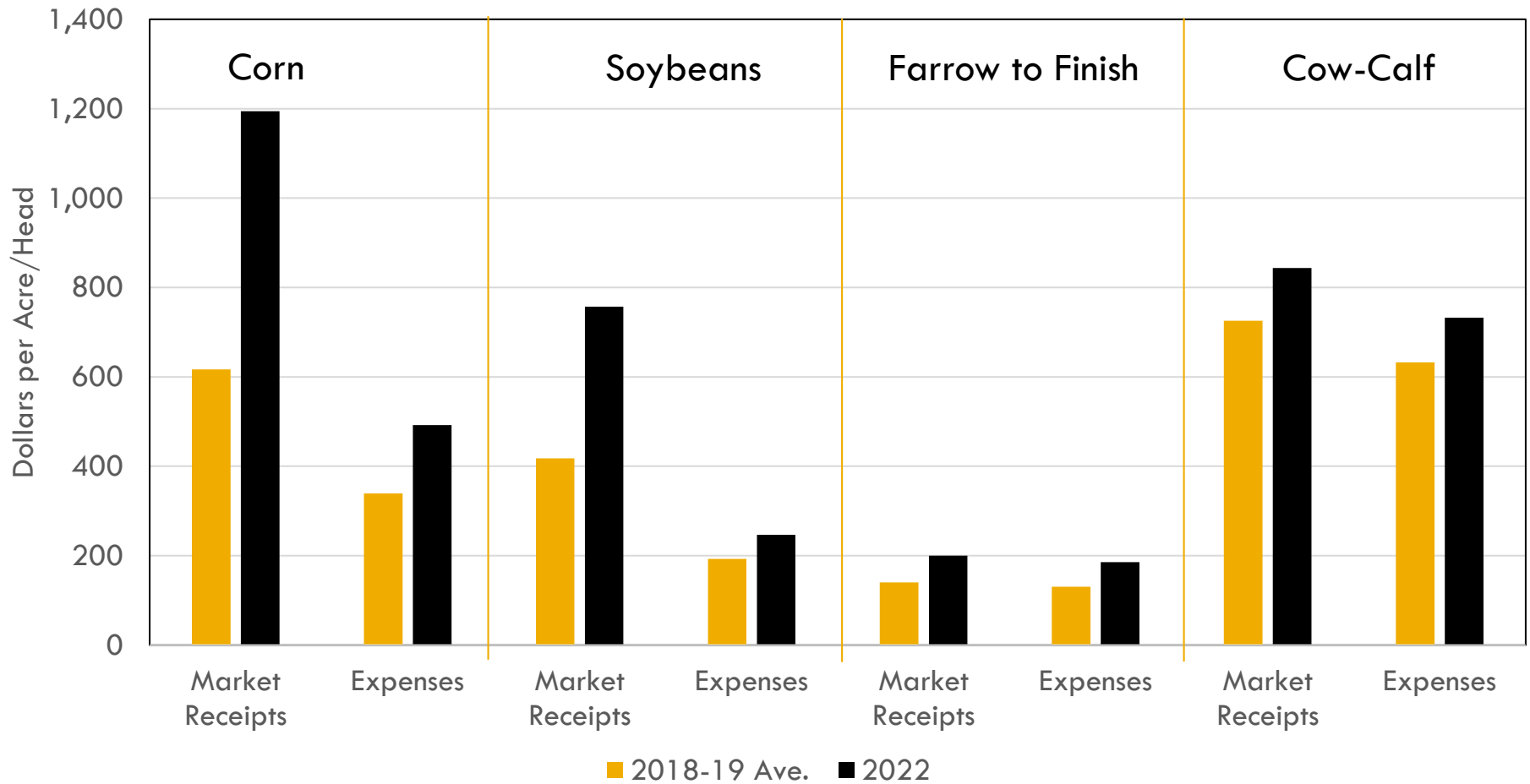
U.S. Real GDP Growth Projections - IHS Markit



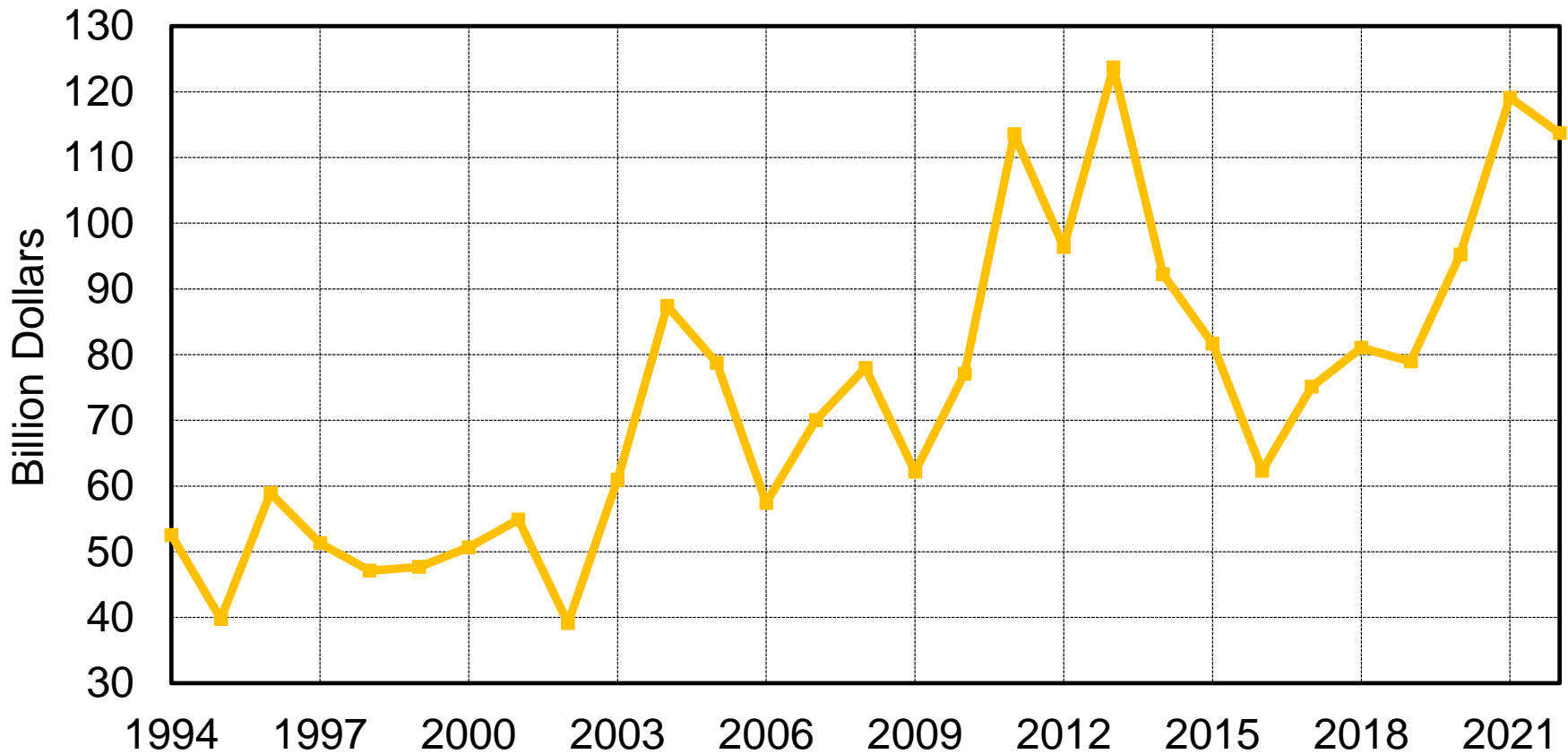
Consumer Price Index for Food



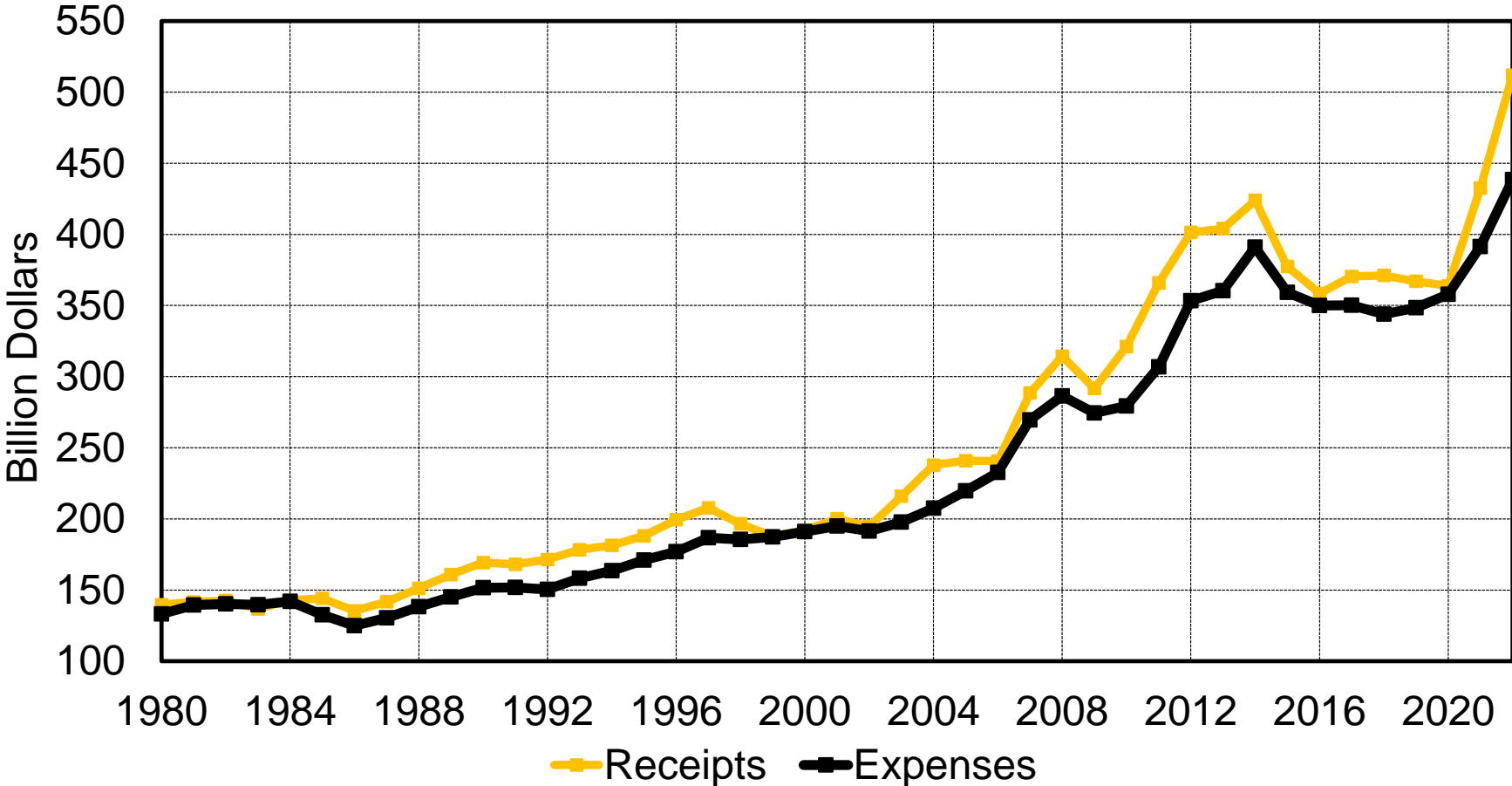
Higher Revenues but Higher Expenses



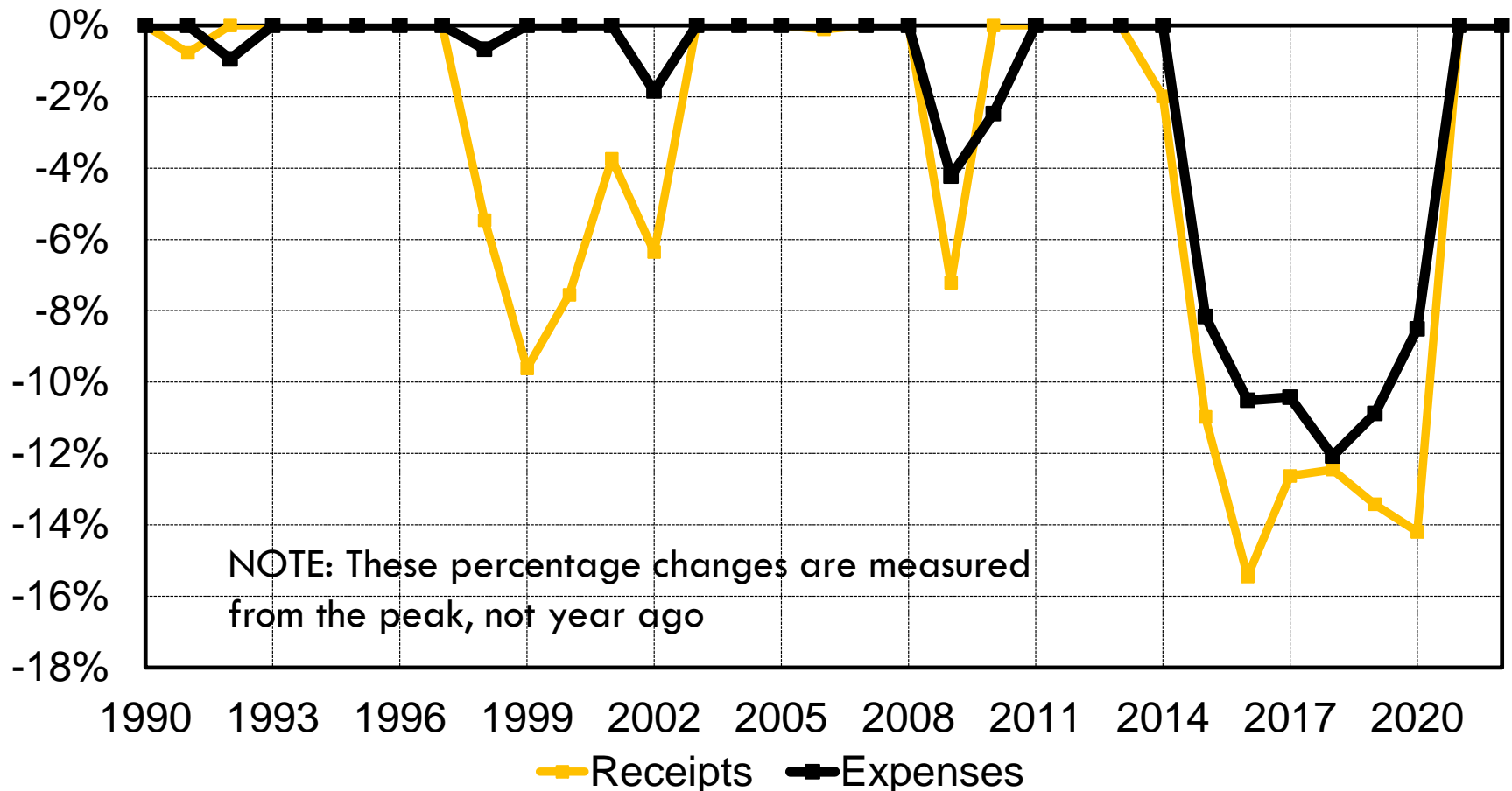
U.S. Farm Income Pushed Higher in 2021



U.S. Farm Income - Cash Receipts vs. Production Expenses



U.S. Farm Income - Downside Changes in Receipts and Expenses



Correlation Adds Risk to the Outlook

- Diversification versus specialization
- Agricultural prices are generally moving together today
- Costs are moving together today
- Missouri Farm Income
 - Nearly 97% of the variation in Missouri agricultural cash receipts can be explained by corn and feeder cattle prices
 - 99% of the variation in Missouri production expenses can be explained by crop and livestock receipts and crude oil prices

Summary

- ❑ Concern remains that agricultural prices could tumble in the coming months
- ❑ Economies of scale continue to increase concentration in agriculture at all levels
- ❑ Expenses remain at high levels for the foreseeable future
- ❑ Role of demand changes versus supply changes in agricultural price outlook important to understand
- ❑ Export demand remains critical
 - ❑ Missouri export value was 30% of cash receipts in the early 2000s
 - ❑ It has grown to over 45% recently
- ❑ How will agriculture fare if the U.S. or global economies enter a recessionary period?