Macro Economic Perspective and Five Questions for Ag
Broad contraction of GDP components, but investment drove recent decline.

Change in Real GDP

Billions of 2000 Chained Dollars

Q3 2008 to Q4 2008
Q4 2008 to Q1 2009

Source: Based on Bureau of Economic Analysis data.
Forecasts of real GDP growth are more confident, but most agree the recovery will be an ‘L.’
Why all the debate regarding the recovery?

- Some fear the ‘W’ recovery.
  - Inflation concerns, but most expect inflation to be contained.

- How will the fiscal stimulus package impact the economy?
  - Expected multiplier effect of 1.2.

- Has the financial crisis been resolved?
  - Some signs of improvement.
Given the fed funds rate is at the zero bound, the Fed balance sheet has been targeted.
Some stress in financial markets has eased.
Five questions for agriculture.

- Are current farm land values sustainable?
- What is in store for loan repayment and loan delinquencies?
- How will commodity prices evolve?
- When will the U.S. consumer spend again?
- What is the potential demand for U.S. commodities in the global marketplace?
Are farm land values in line with their earnings?

Source: USDA ERS, NASS, and author's own calculations

\[ y = 0.1595x + 11.233 \]
\[ R^2 = 0.253 \]
What does 2010 hold for loan repayments and delinquent farm loan volume?

Source: 10th District Agricultural Credit Survey and Call Reports
Will the ‘new plateau’ hold for corn? And, what does the future hold for energy?

Price Index (2002)

Source: Commodity Resource Bureau
How will consumption patterns change? Will we live within our means?

Personal Savings as a Percent of Disposable Income

Source: Bureau of Economic Analysis
How will unemployment unfold during the recovery?

U.S. Unemployment Rate

Source: Bureau of Economic Analysis
Where will the growth in meat consumption come from?

U.S. and China Beef, Pork, and Poultry Consumption

Pounds per capita

Calculations based on Census and USDA data
Who will lead the global recovery?

GDP Growth

Annual Percent Change

Source: International Monetary Fund, April 2009