Economic Update – One Year Later
The economic recovery is underway.

What does it mean for agriculture?
The U.S. economy is projected to rebound in 2010.

Real GDP Growth

Annual percent change

Source: Bureau of Economic Analysis Federal Reserve Board of Governors
U.S. consumers are spending money.

U.S. Monthly Retail and Food Sales

Billion dollars

Source: U.S. Census Bureau
Corporate profits and business investment are beginning to rebound.

Corporate Profits and Nonresidential Fixed Investment

Percent change from year ago

Source: Bureau of Economic Analysis
After dramatic improvements since 2007, U.S. net exports have stabilized.

U.S. Real Net Exports of Goods and Services and Value of the Dollar

Source: Bureau of Economic Analysis and Federal Reserve Board of Governors
How will surging federal debt levels affect economic conditions long-term?

U.S. Debt as a Percent of GDP

Source: Congressional Budget Office
The economic recovery is underway.
What does it mean for agriculture?
U.S. food expenditures have rebounded.

U.S. Retail Sales at Grocery Stores and Restaurants

Percent change from year ago

Source: Census Bureau
**U.S. agricultural exports have rebounded.**

**Real U.S. Agricultural Exports**

Billion dollars (constant 2010 dollars) vs. Billion dollars (constant 2010 dollars)

- World Total (Left Scale)
- Asia (Right Scale)

Source: USDA

Note: 2010 projections based on export growth through June 2010
Beef exports to Asia have risen.

U.S. Beef Exports to Major Markets

Source: USDA
Dairy exports have rebounded.

U.S. Dairy Imports and Exports

Millions of Dollars

Source: USDA
Will profits improve for livestock producers?

U.S. Cattle Prices and Production Costs

- Fed Cattle Price
- Production Costs

California Milk Price and Production Costs

- Milk Price
- Production Costs

Source: USDA
Tight crop supplies raise feed costs.

World Corn Inventories and U.S. Corn Price

Source: USDA
What happens to prices if crude oil demand outpaces supply?

World Crude Oil and Liquid Fuels Balance

Million barrels per day

Source: Energy Information Administration
Robust population and income gains underpin demand.

- World GDP growth strongest in developing countries.
- In 2008, almost half of the world’s population earns less than $2.50 per day.
- At $2.50 per day, most hunger problems are solved and people start eating processed foods.
- Household amenities, such as microwave ovens, also shift food demand.

Households Owning a Microwave Oven

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Source: USDA
Conclusions

- A modest economic recovery is underway.
- Agriculture is enjoying a rebound in U.S. food expenditures and in export activity.
- Livestock profit opportunities have improved, but risks remain.
  - Tight crop supplies and stronger economic activity could boost commodity prices and feed costs.
  - Are farmland values over-valued?
- How can agriculture capitalize on stronger global economies?
Federal Reserve Bank of Kansas City
Omaha Branch

The Main Street Economist:
a bi-monthly publication discussing agriculture and rural America

Agricultural Credit Survey:
a quarterly survey of agricultural credit conditions in the Tenth Federal Reserve District

Coming this fall - Agricultural Finance Databook:
a quarterly summary of national agricultural finance conditions

For Additional Information on
Agricultural and Rural Issues

www.kansascityfed.org/omaha