

2016 Outlook and Crop Comparisons

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Row Crops Market Situation

- 2015 U.S. yields overall were strong and thus production is out-pacing demand.
- Domestic demand generally stable to growing. Exports slowing down.
- Low prices compared to two years ago.
- Lower net income as expenses have not adjusted down as much as commodity prices.
- Insurance and government payments have become more important.

ZC - Corn - Weekly Nearest OHLC Chart



ZS - Soybeans - Weekly Nearest OHLC Chart



CT - Cotton #2 - Weekly Nearest OHLC Chart

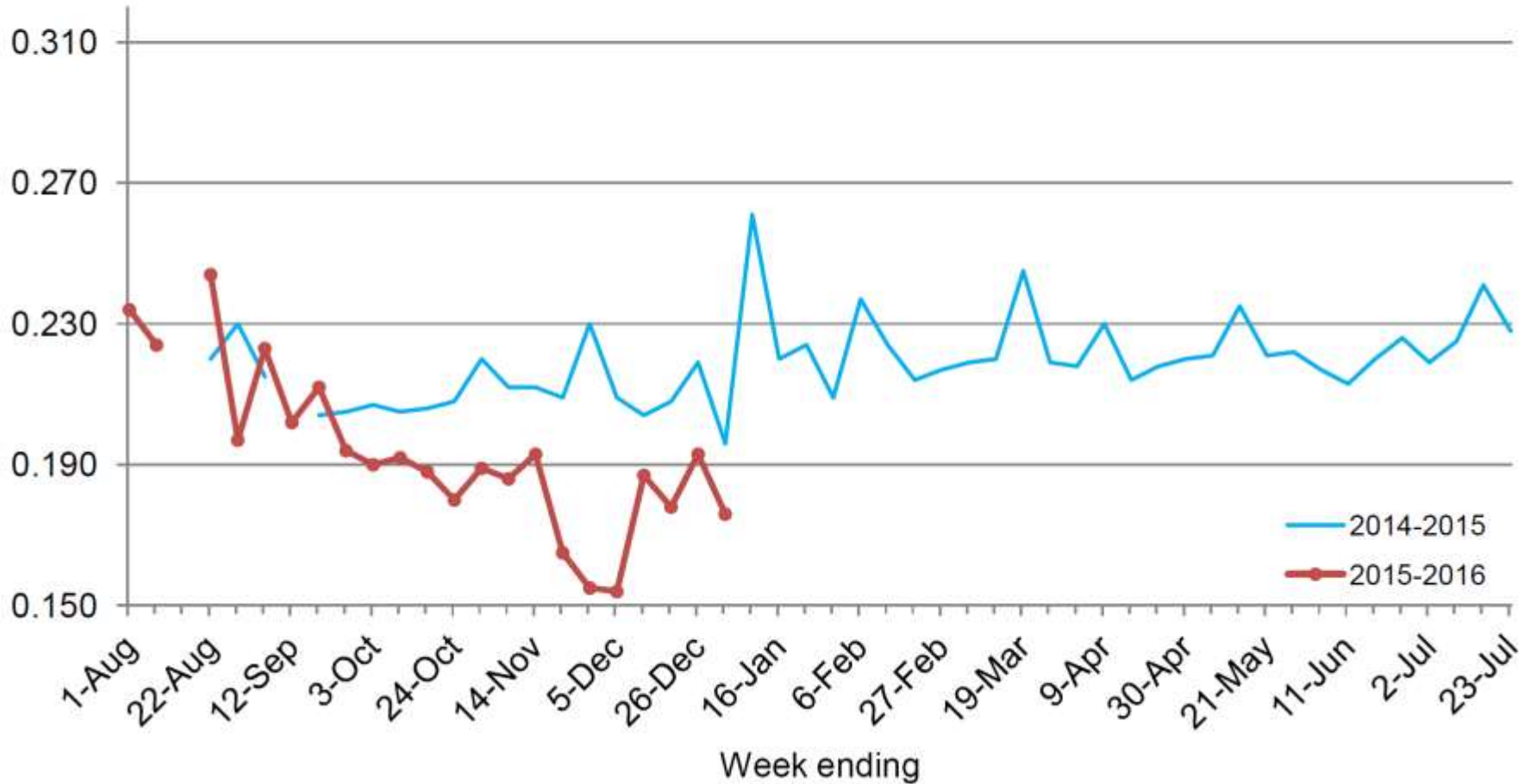


ZW - Wheat - Weekly Nearest OHLC Chart



All Peanut Prices – United States

Dollars per pound

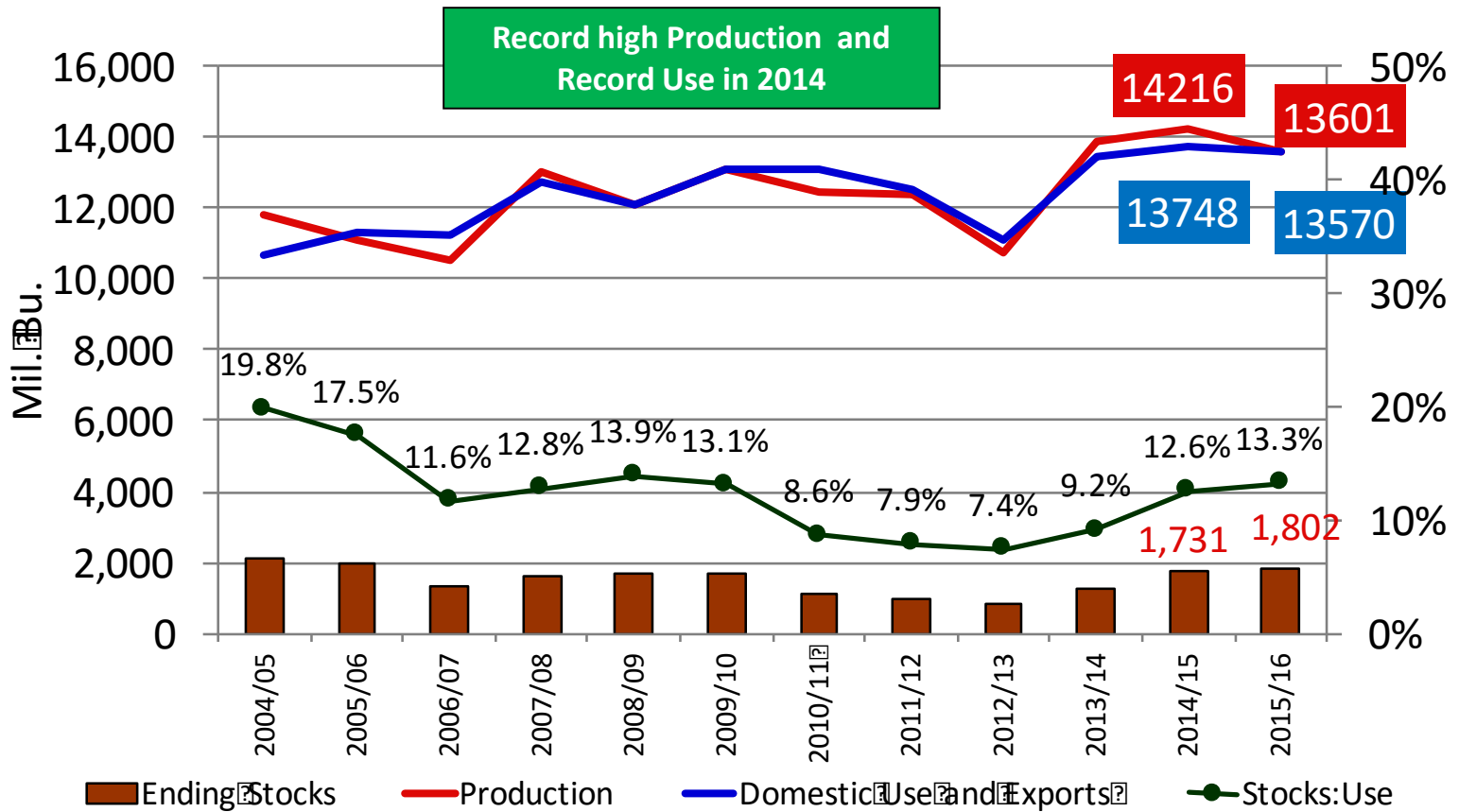


Corn

Current Situation

- USDA's January Crop Production report estimated 2015 production at 13.6 billion bushels. (2014=14.22B)
- U.S. corn yield pegged at 168.4 bu./ac., down 0.9 from November on 80.7 mil. harvested acres.
- FL corn yield estimate up 6 bu to 141 bu/ac
- FL harvested acres at 50,000 (75,000 planted), 7.05 million bushels.

U.S. Corn Supply and Demand



U.S. Animal Inventory

- Hogs and Pigs numbers are up 2.5% for the marketing year to a record level of 68.3 million head.
- Broiler Chicks Placed are up 1.7% for the MY.
- Cattle on Feed are up 1.7% for the MY.
- January Broilers and Cattle numbers on par with last year.
- Feed demand should be stable to increasing.

2016 Corn Price Outlook

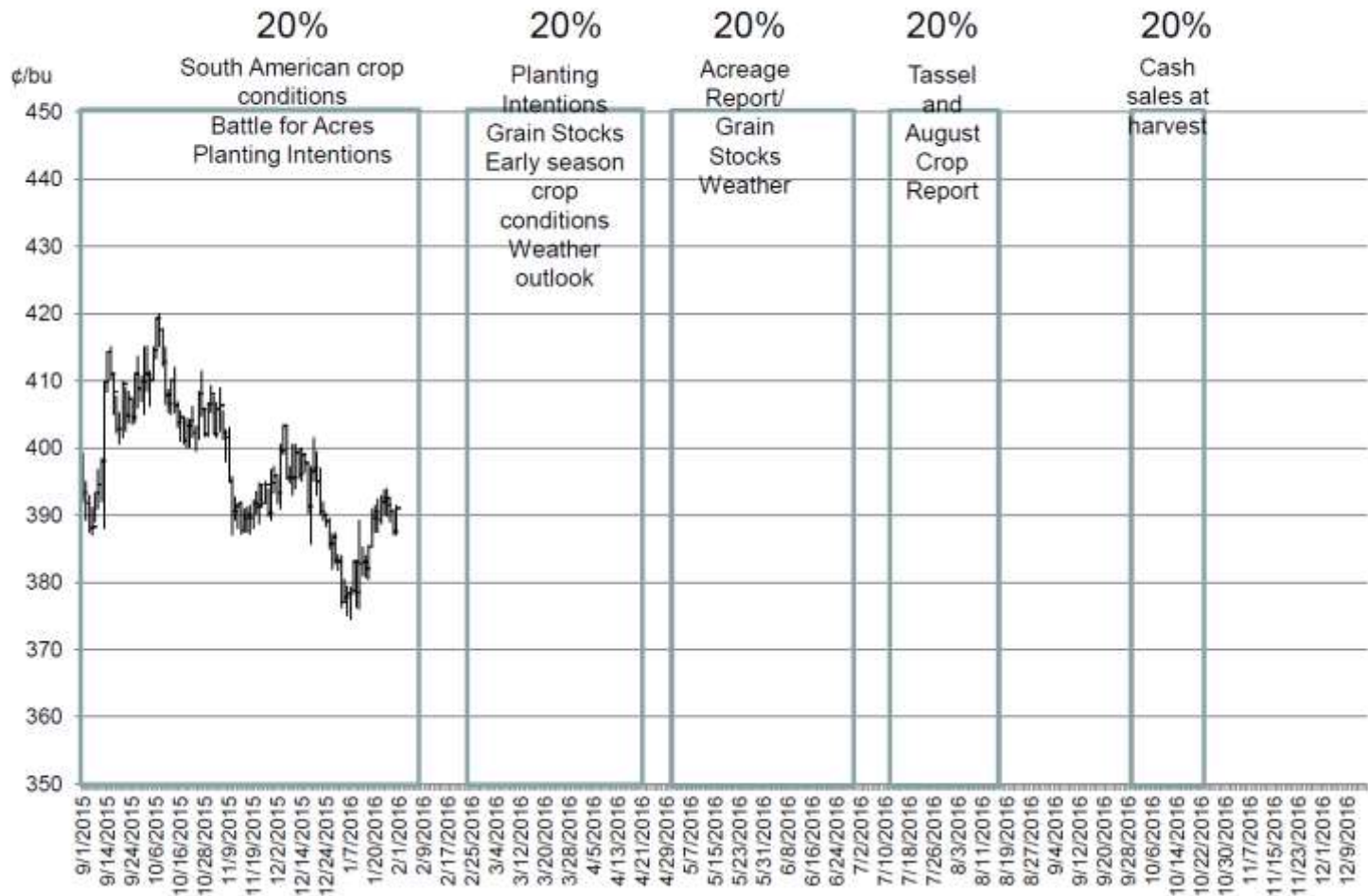
- Domestic demand continues to grow due to:
 - Feed demand as animal numbers increase,
 - Ethanol production showing some increase but should be flat as ethanol profitability has fallen to just below total cost breakeven.
- Exports a key and the global economy.
- Given level to shrinking stocks and trend line yields, corn prices have better chance to improve some but still on low \$4 end of the range.
- Look for pricing opportunities when futures get above \$4.00 in near term, above \$4.20 later.

ZCU16 - Corn - Daily OHLC Chart



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December Corn Futures and 2016 Marketing Plan

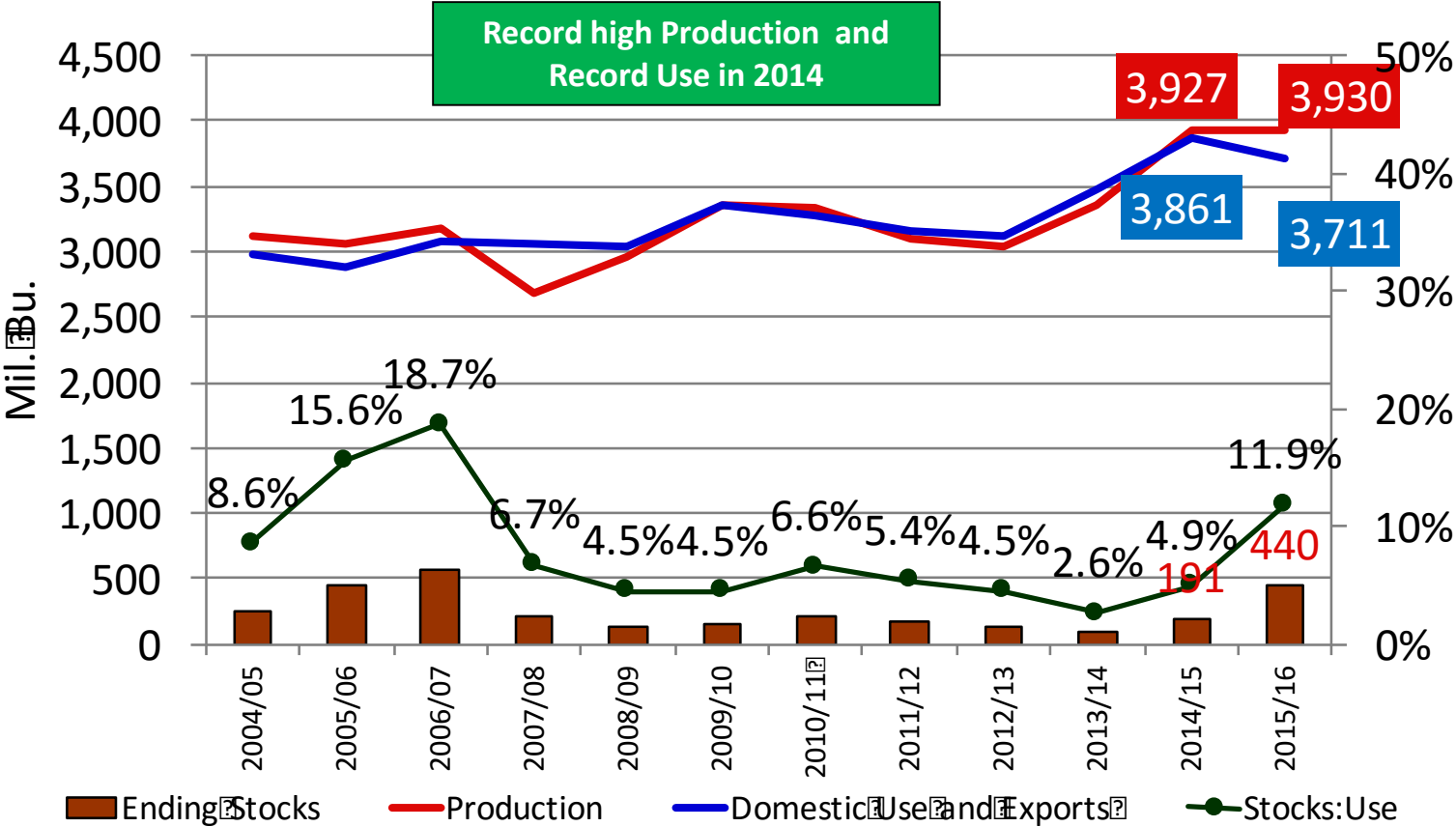


Soybeans

Current Situation

- USDA's January Crop Production report estimated 2015 production at 3.93 billion bu., down 50 mil. From December.
- U.S. soybean yield at 48.0 bu./ac., down 0.3 bu. on 81.8 mil. harvested acres, down 0.6 mil. Last year was record 47.5 bu/ac on 82.6 mil. acres.
- FL soybean yield 38 bu/ac on 31,000 harvested acres, down 6,000 acres from last year.

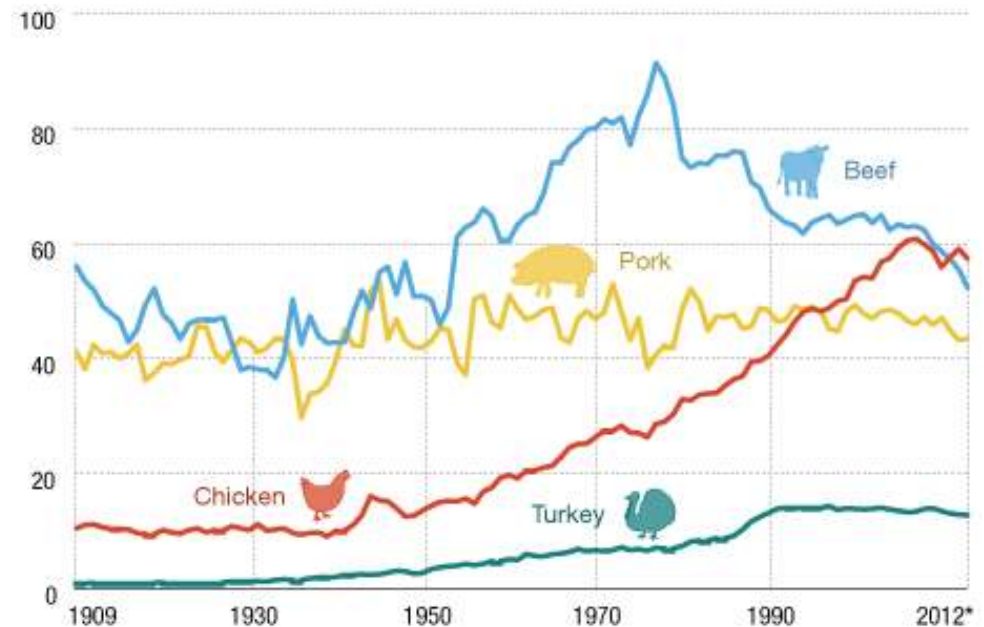
U.S. Soybean Supply and Demand



Demand for Soybeans

- Crush
 - Hogs (26%)
 - Poultry (48%)
 - Dairy (9%)
- Export
 - China
 - International Competition...

Meat Consumption Per Capita
USDA/ERS, (pounds)



World Soybean Trade

	2014 Production	2015 Production	2014 Exports	2015 Exports
United States	106.9	105.81	50.17	45.59
Argentina	60.8	57	9.6	9.75
Brazil	96.2	97	51.11	56.45
World Total	318.95 (83%)	320.49 (81%)	126.05 (88%)	126.77 (88%)

- China is expected to import 77 mmt this year and 79 million metric tons next year, 2 mil. more than last year.
- China will import 72% of World imports.

Soybean Price Outlook

- Increase in global production bearish on prices.
- China buying more from South America as they have a price advantage due to currency devaluation.
- Price rallies will be based on exports sales and South America harvest.
- USDA cash price range at \$8.05 to \$9.55 for 2015 crop.
- 2016 outlook is somewhat bearish with Nov. '16 futures below \$9.00. Price rallied above \$9.20 but couldn't hold.

ZSX16 - Soybeans - Daily OHLC Chart



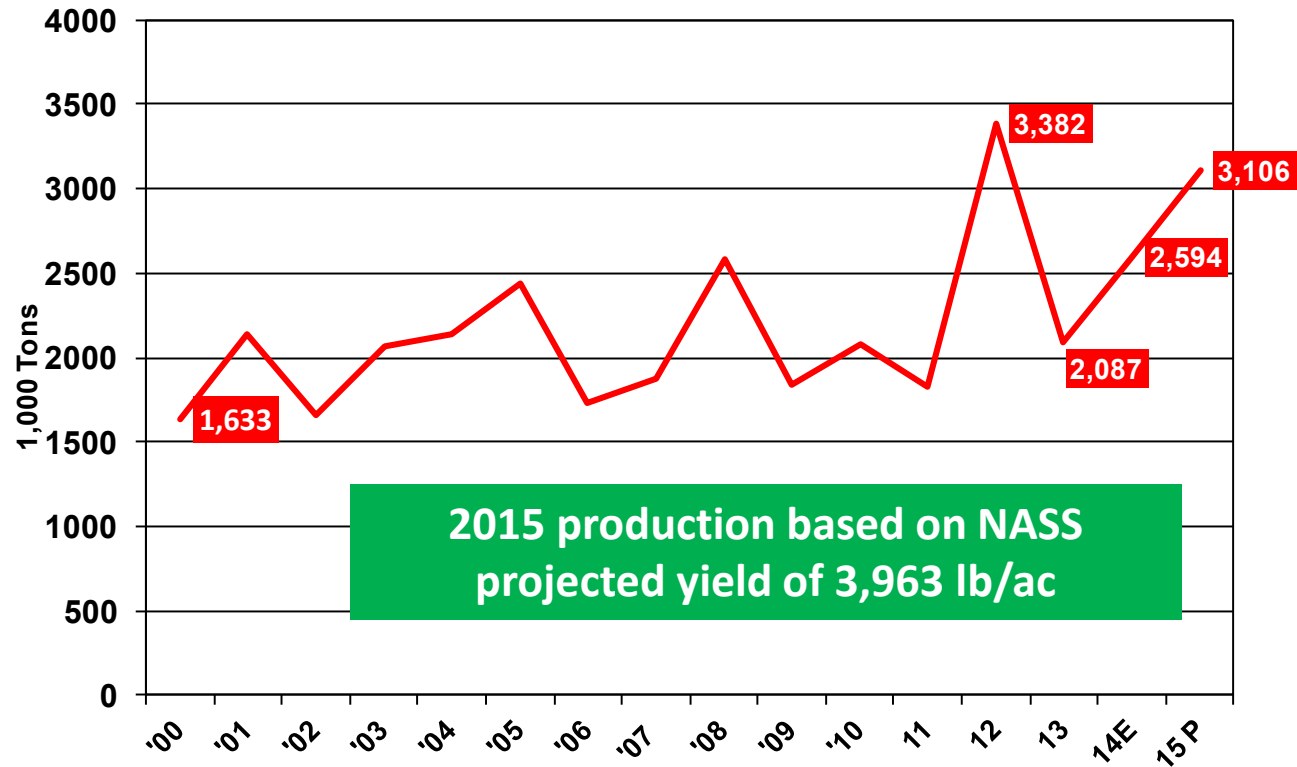
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Peanuts

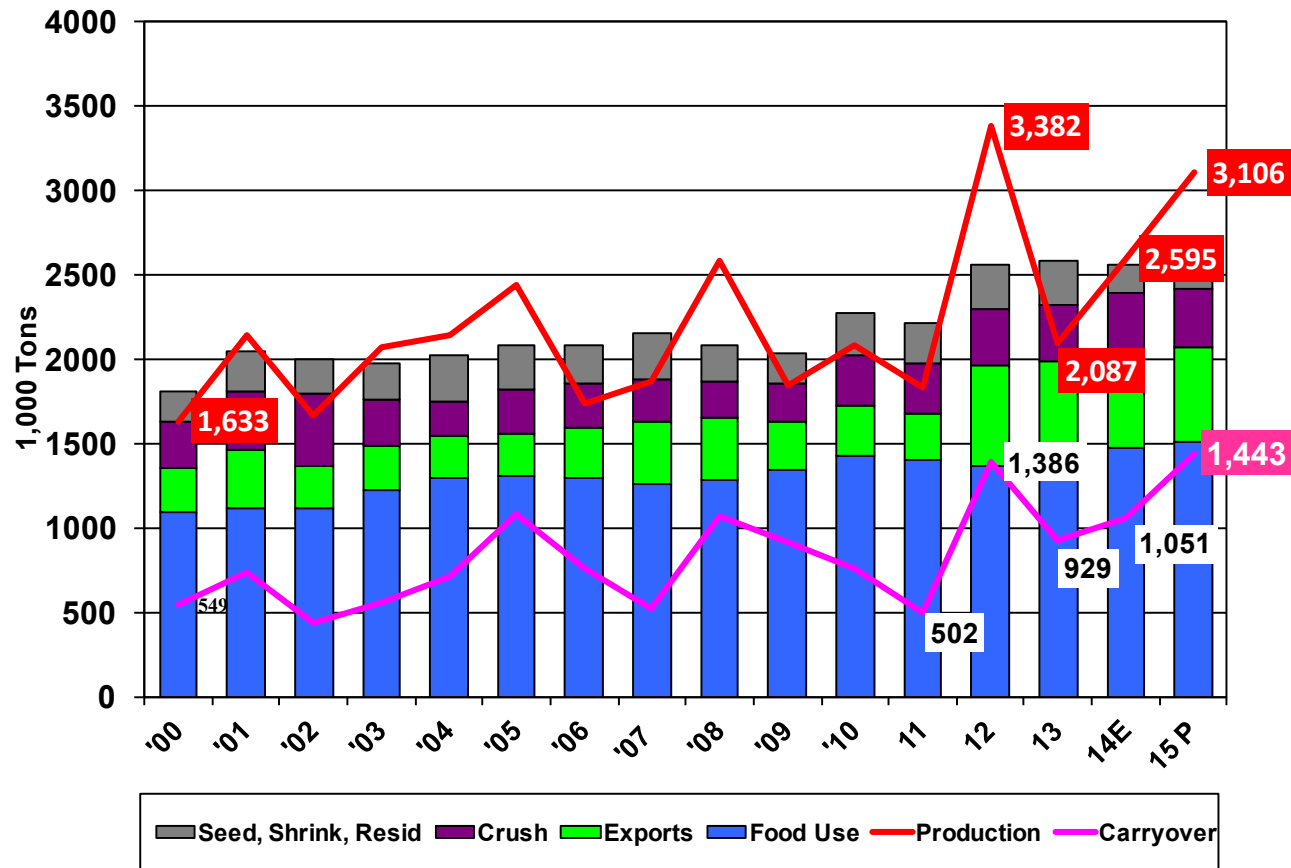
Peanut Situation

- 2015 Production Up
 - US Planted Acreage up 20% to 1,625,000 acres
 - US Yield Projection 3,963 lb/ac (40 lb > 2014)
 - FL Planted Acreage up 6% to 185,000 acres
 - FL Yield Estimate 3,650 lb/ac
- USDA projects overall peanut use up 9.5%.
- 2014 peanut butter use steady, driving overall edible use up to 3.8%.
- 2015 food use up 2.3%.

U.S. Peanut Production



Peanut Production, Use, Carryover

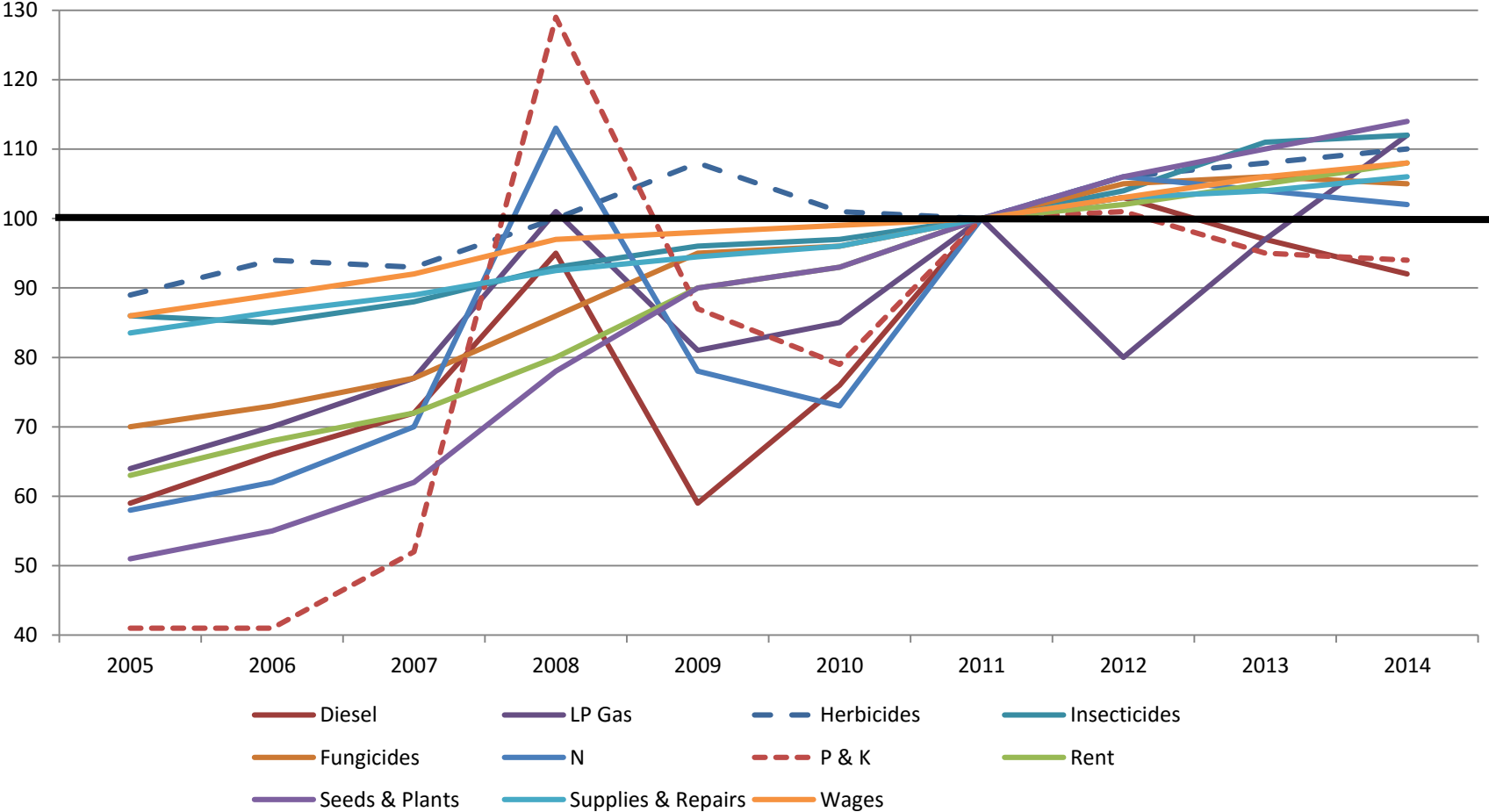


Peanut Outlook

- 2015 Crop: early runner contracts were offered for \$400 per ton. Later contracts at \$375/ton for runners. Expect \$375-\$385/ton in 2016.
- High-oleic premium of \$25/ton
- Peanut acres need to keep a 3-yr or better rotation.
- Shifted to more peanuts because of low cotton and corn prices and PLC payment expectations...BUT,
- Payment limits and having a “home” to store peanuts may play bigger role in 2016 acres, causing acres to remain the same or contract in SE.

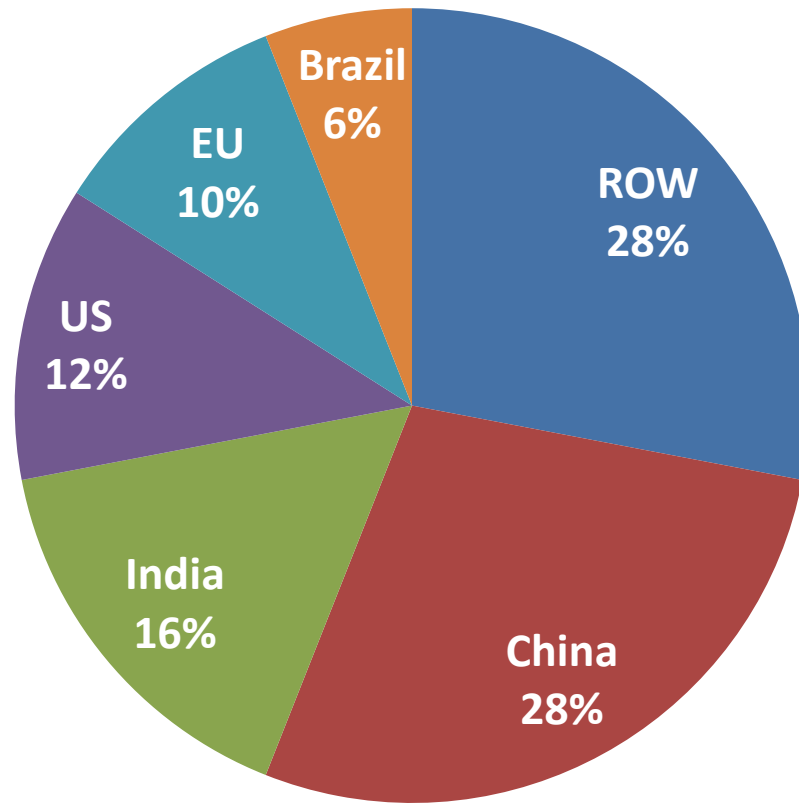
Inputs

Prices Paid Indices Past Ten Years, 2011=100

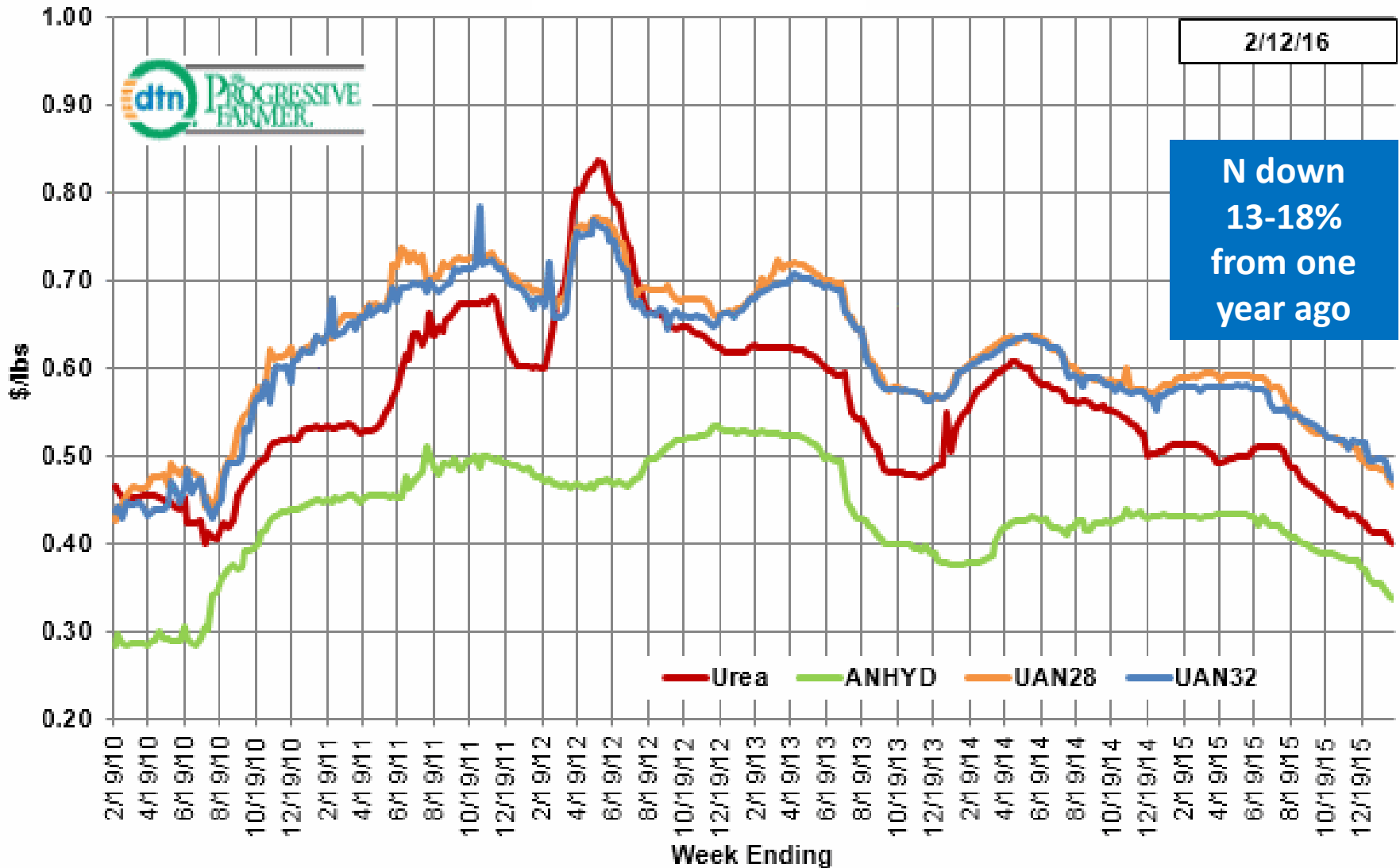


Fertilizer Demand

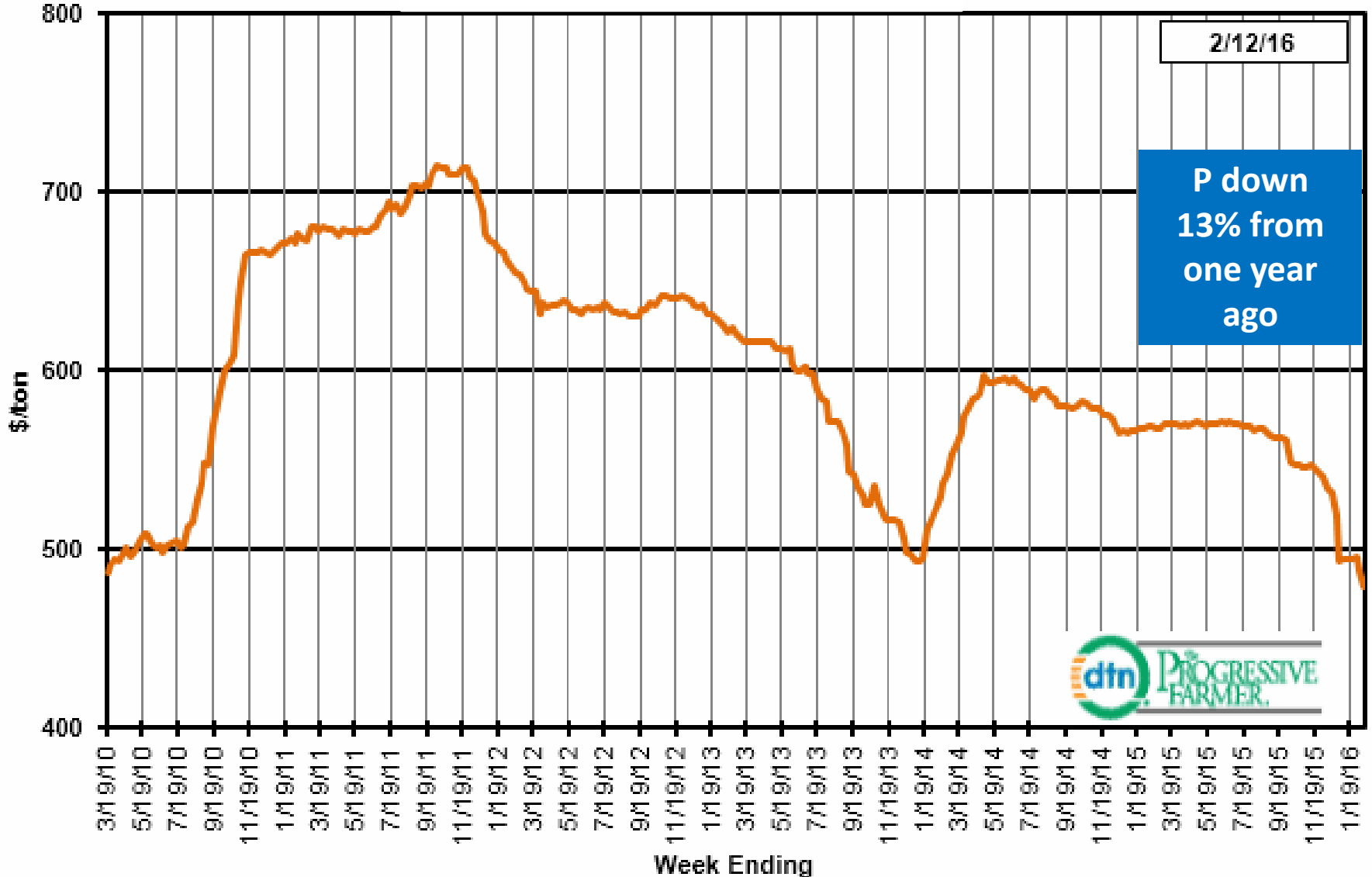
>70% fertilizer consumption is in China, India, US, EU and Brazil



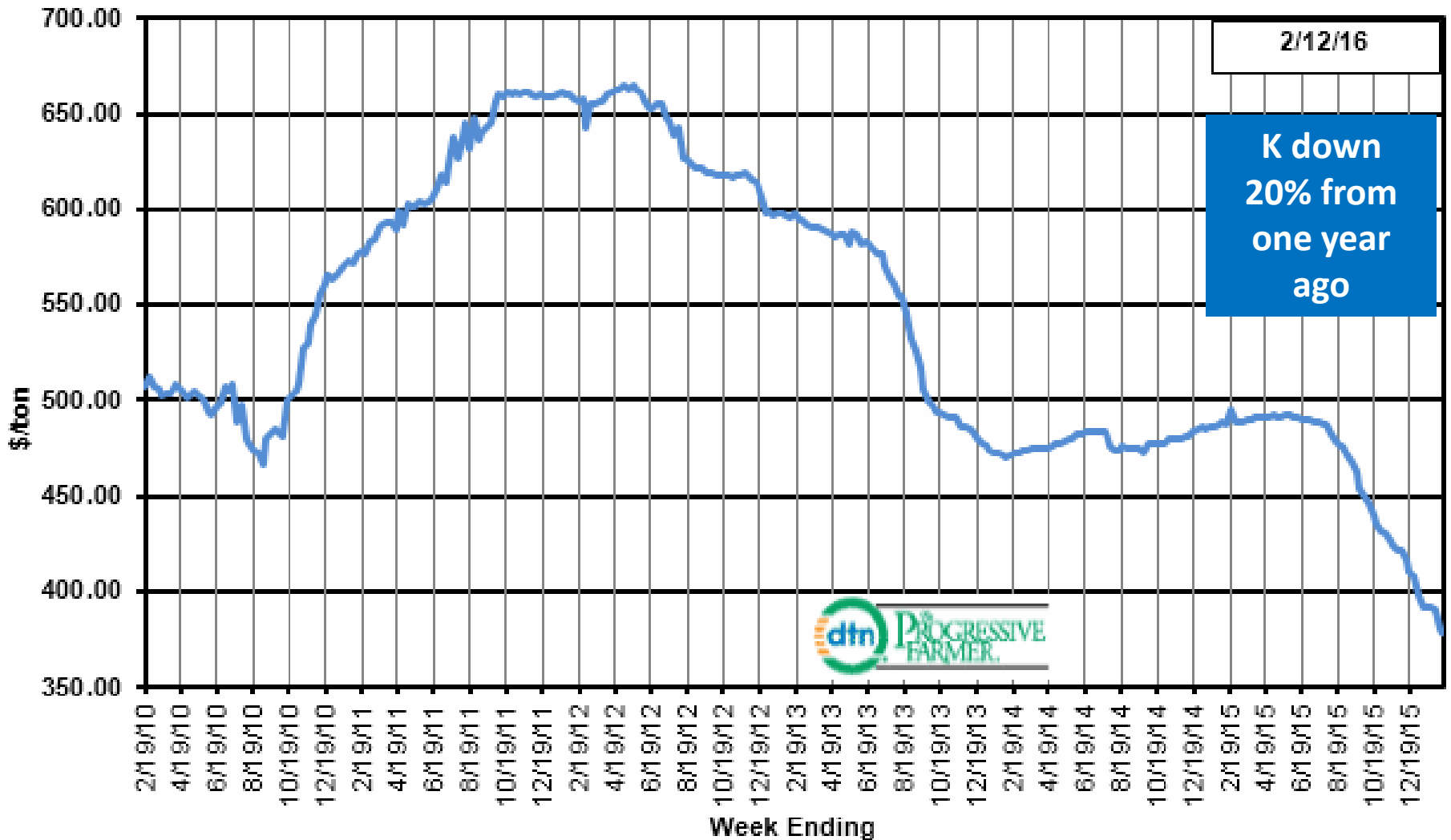
Retail N Situation



Retail DAP Situation

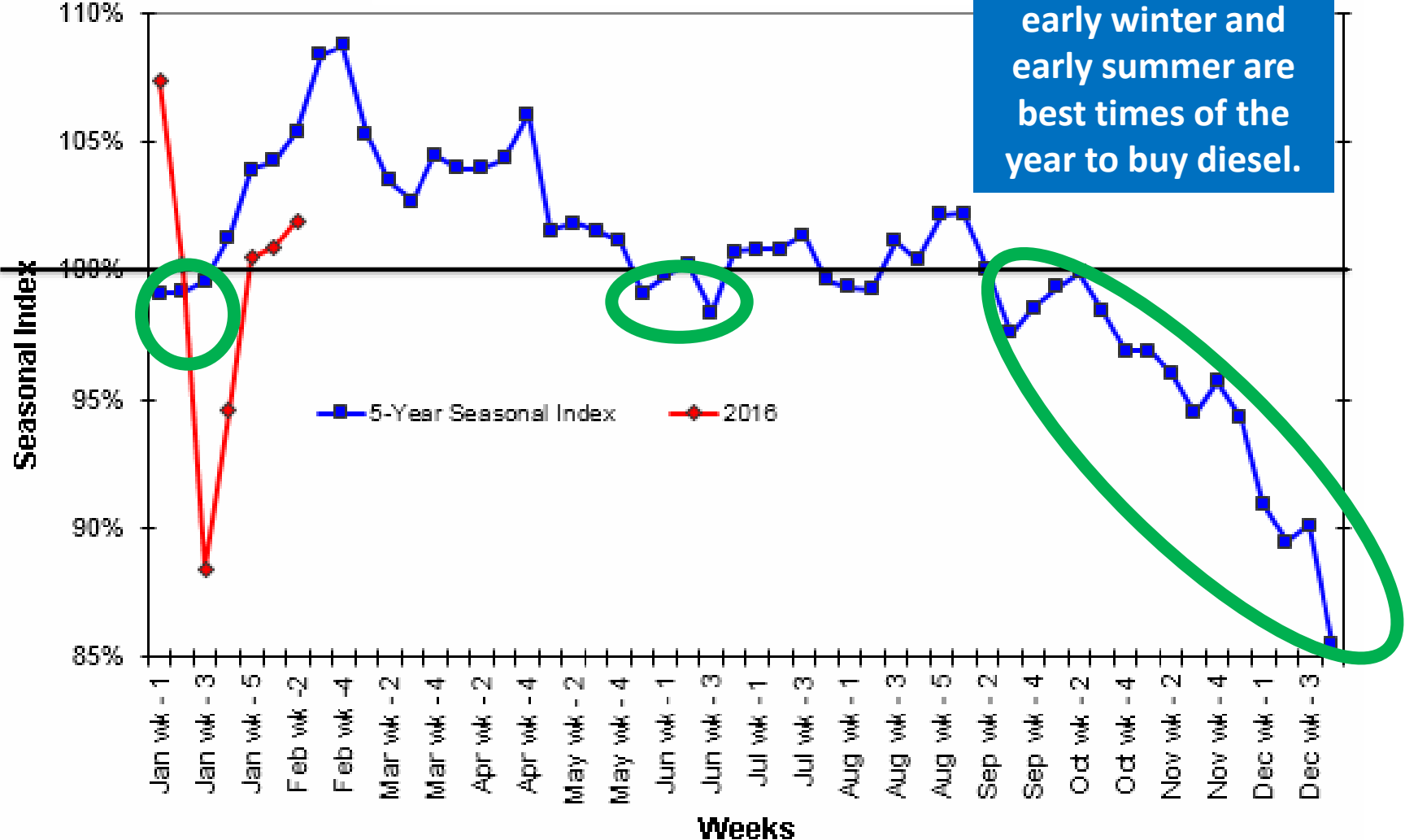


Retail Potash Situation

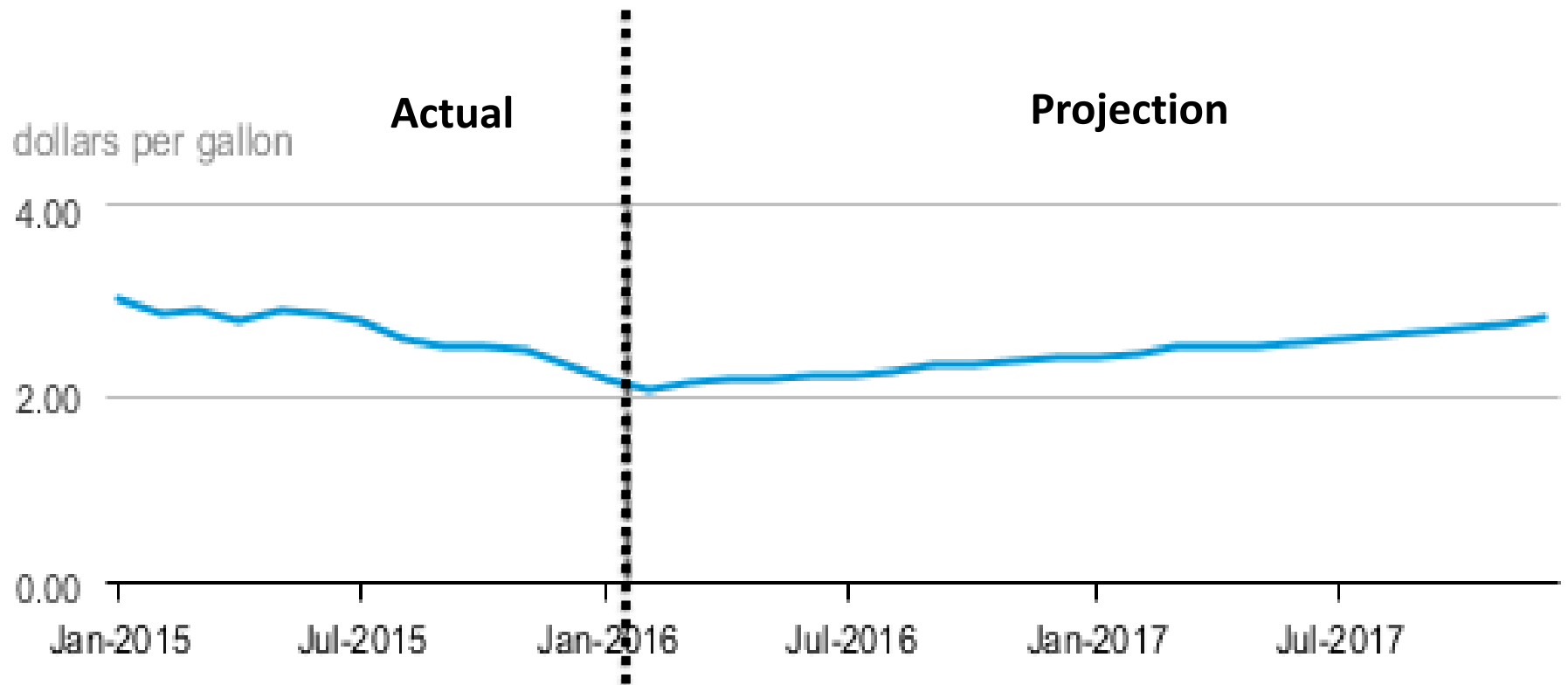


Seasonal 5-Year Diesel Fuel Index

Late fall through early winter and early summer are best times of the year to buy diesel.



Diesel Price (includes taxes) Situation & Outlook



2016 Inputs Outlook

- Seed prices, minor changes: 1% increase overall
- Fertilizers down, but may increase prior to planting
 - 2016 Budgets: N = \$0.50, P = \$0.42, K = \$0.34
- Diesel fuel down, but expected to increase gradually through 2016
 - \$1.80 per gallon (even less expensive today)
- Chemicals mixed (some up, some down); estimate about 1% increase overall
- New tractors & equipment, up 2% from last year
- Labor rates are up about 3%

Comparison of 2016 Estimated Net Returns, Georgia, Irrigated

	Corn	Cotton	Grn Sorgh	Peanuts	Soybeans
Expected Yield	200	1,200	100	4,700	60
Expected Average Price ¹	\$4.25	\$0.70	\$4.05	\$370	\$8.60
Crop Income	\$850	\$840	\$405	\$869	\$516
Variable Costs ²	\$610	\$505	\$325	\$609	\$271
Net Return Per Acre Above VC	\$240	\$335	\$80	\$260	\$245
Net Return per Acre Above VC & \$190 Land Rent	\$50	\$145	(\$110)	\$70	\$55

1/ Expected average price. Cotton includes LDP and quality premium.

2/ Assumes Jan 2016 costs, [Crop Comparison Tool](#), Department of Agricultural and Applied Economics, UGA

Comparison of 2016 Estimated Net Returns, Georgia, Non-Irrigated

	Corn	Cotton	Grn Sorgh	Peanuts	Soybeans
Expected Yield	85	750	65	3,400	30
Expected Average Price ¹	\$4.25	\$0.70	\$4.05	\$370	\$8.60
Crop Income	\$361	\$525	\$263	\$630	\$258
Variable Costs ²	\$311	\$415	\$218	\$535	\$203
Net Return Per Acre Above VC	\$50	\$110	\$45	\$95	\$55
Net Return Per Acre Above VC + \$65 Land Rent	(\$15)	\$45	(\$20)	\$30	(\$10)

1/ Expected average price. Cotton includes LDP and quality premium.

2/ Assumes Jan 2016 costs, [Crop Comparison Tool](#), Department of Agricultural and Applied Economics, University of Georgia

2016 Row Crop Comparison Tool

Available online at

agecon.uga.edu/extension

Manage your Cash Flow

- ✓ Don't leave rebates on the table
- ✓ Get the best yield you can - excellent management (reduce cost per lb)
- ✓ Calculate your equipment needs
- ✓ Can you afford your land rent?
- ✓ Reduce family living withdrawals



GEORGIA COTTON COMMISSION

Thank You



Cotton
Incorporated



**Georgia Peanut
Commission**

Working for farmers since 1961.



National Peanut BoardSM

Partial support provided by growers for
economics education and research

Amanda Smith

<http://agecon.uga.edu/extension/>



Agricultural & Applied Economics