

Profitability Outlook

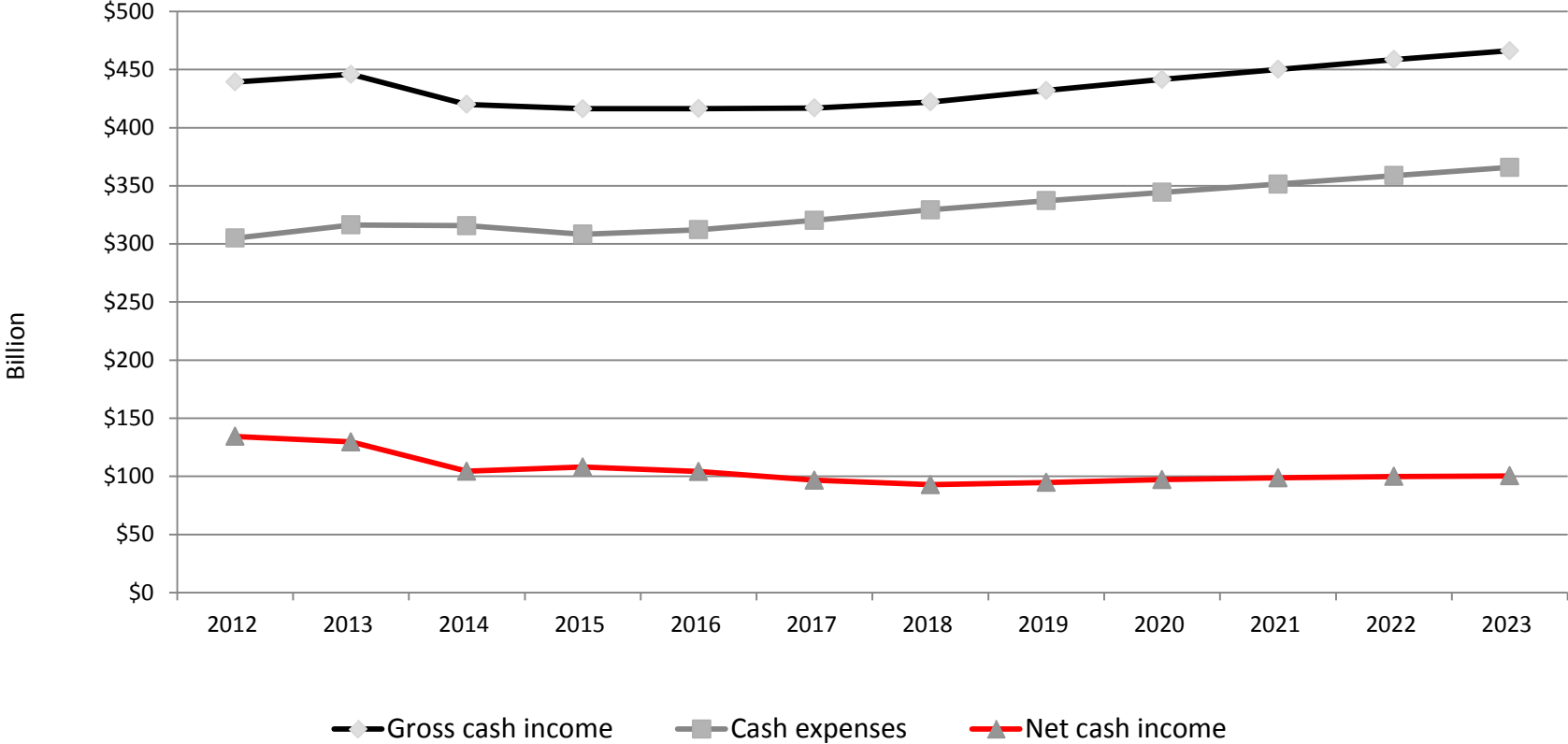
Ag Credit Conference

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U.S.- Farm Gross Income, Expense & Net Income



Changes in input cost

- Seed; up (3 to 5% increases expected)
- Fertilizer; steady or up (slow increases)
- Chemical; up (3 to 5% increases with some roll backs)
- Fuel; steady or up (increasing supply)
- Equipment; up (3 to 5% increases)
- Land; steady or down
- Overhead; steady or lower (new plateau)

Pre- Harvest Crop Cop 2015

seed	\$126.00	\$77.00	\$44.00
fertilizer- N-P-K	\$143.00	\$68.00	\$105.00
weed control	\$24.50	\$30.00	\$2.50
disease & insect control		\$27.00	\$37.00
machine cost	\$58.00	\$36.50	\$30.90
marketing	\$4.50	\$5.50	\$4.50
crop insurance	\$16.00	\$8.00	\$10.00
drying	\$36.00		
average land cost **	\$150.00	\$150.00	\$150.00
	=====	=====	=====
total cash operat. costs	\$558.00	\$402.00	\$383.90
	<u>Corn</u>	<u>Soybean</u>	<u>Wheat</u>
family labor hours	3.6	3.2	3.5
family labor value @\$13	\$ 46.80	\$ 41.60	\$ 45.50

Crop Cop 2015 table

FAPRI PRICES

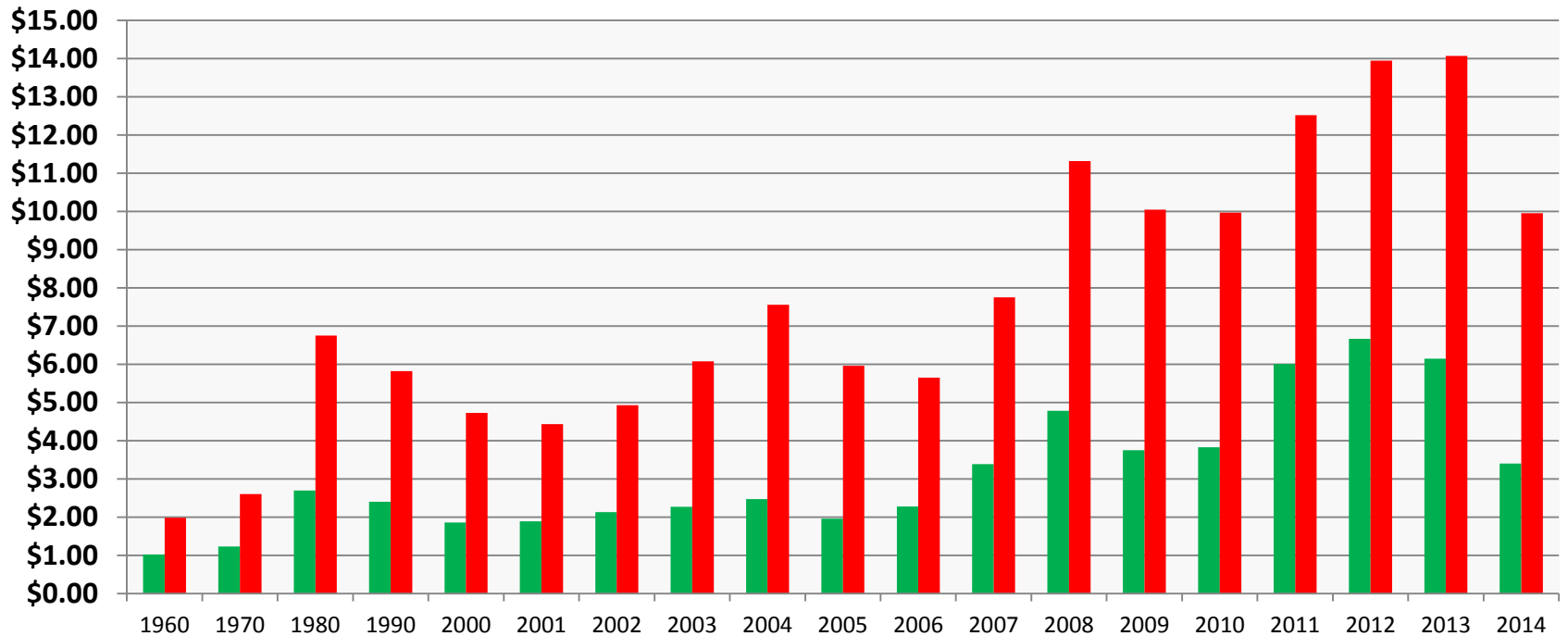
	<u>Corn</u>	<u>Soybean</u>	<u>Wheat</u>
Yield	185	60	85
Price/ Bu	\$3.74	\$8.93	\$5.28
straw			\$45.00
Gov. Program Payment	\$0.00	\$0.00	\$0.00
	=====	=====	=====
Gross \$	691.90	535.80	493.80
Pre Harvest cost/ acre	\$558.00	\$402.00	\$383.90
Harvest cost/ acre	\$30.00	\$30.00	\$28.00
Trucking	\$19.43	\$9.60	\$10.84
Family draw	\$50.00	\$50.00	\$50.00
	=====	=====	=====
Sum of Costs	\$657.43	\$491.60	\$472.74
Return to Fixed Cost*	\$34.47	\$44.20	\$21.06
Break even cost/unit	\$3.55	\$8.19	\$5.56
Break even yield/acre	175.8	55.1	89.5

Changes in income

- Projected commodity prices
- Projected commodity yields

Historical Cash Prices

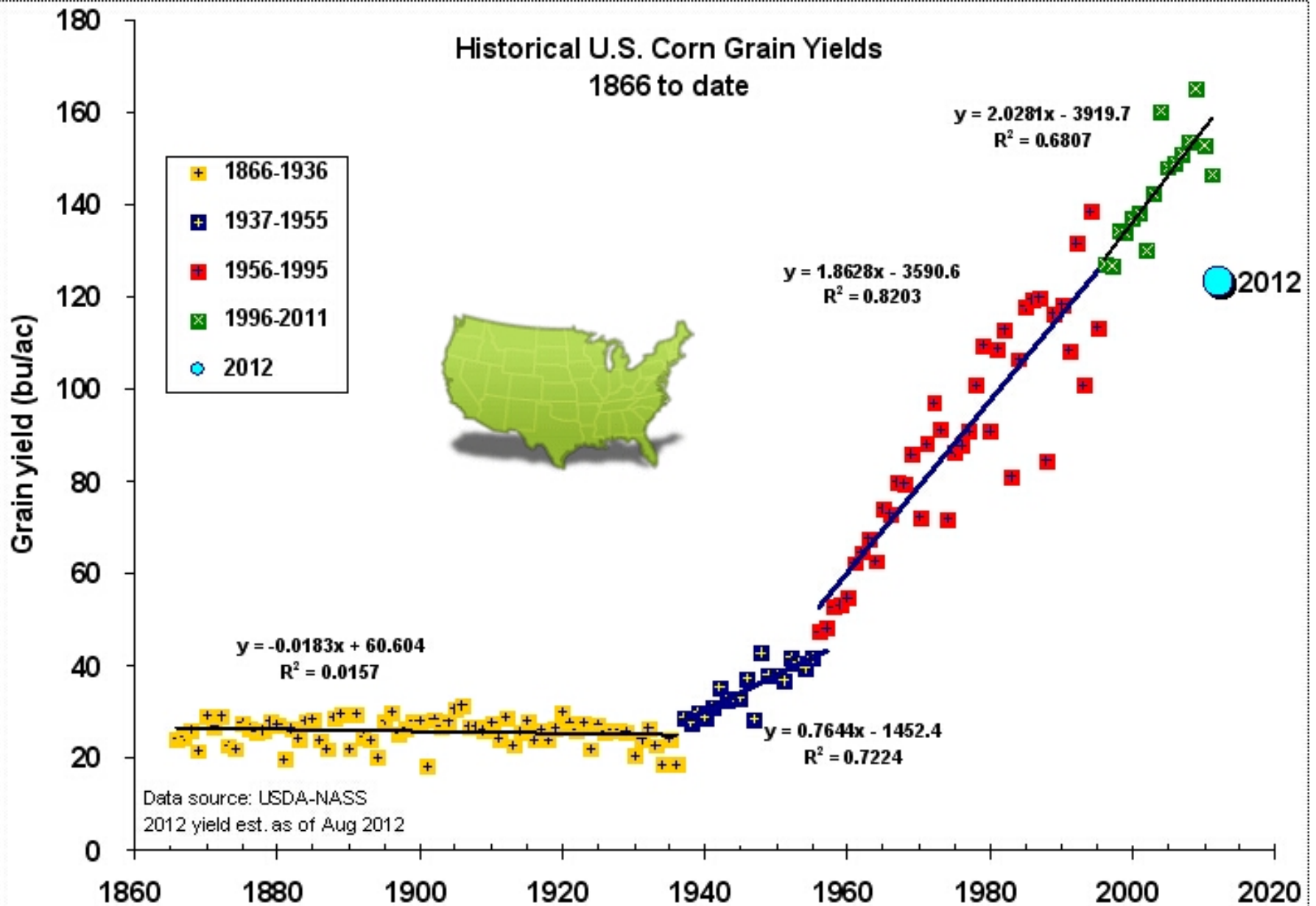
Corn & Soybean Price



FAPRI PRICE PROJECTION

Crop	2014	2015	2016	2017	2018
Grain Corn (\$/bu)	3.4	3.74	3.98	4.19	4.2
Soybeans (\$/bu)	10.0	8.66	9.0	8.97	9.19
Wheat (\$/bu)	5.9	5.1	4.38	4.33	4.56

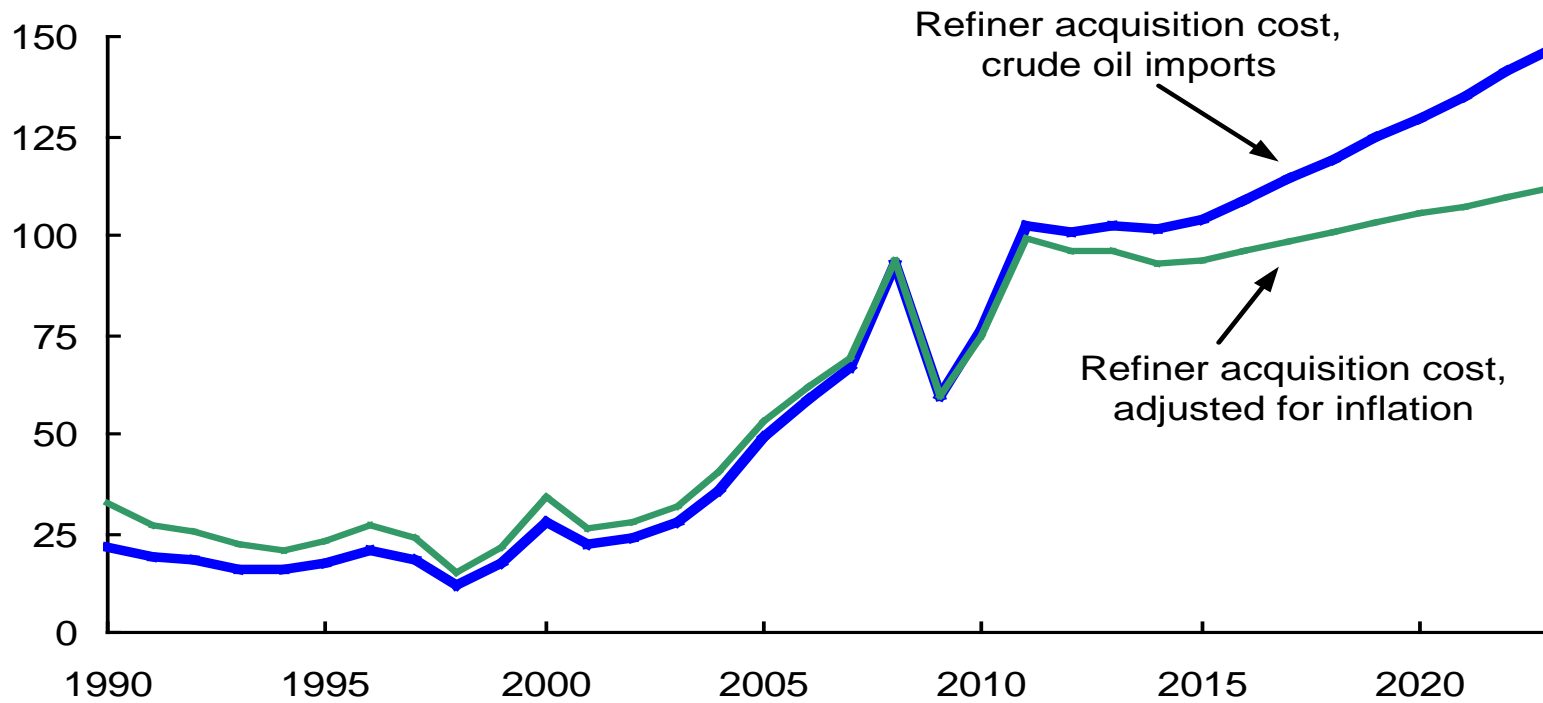
Historical U.S. Corn Grain Yields 1866 to date



Energy

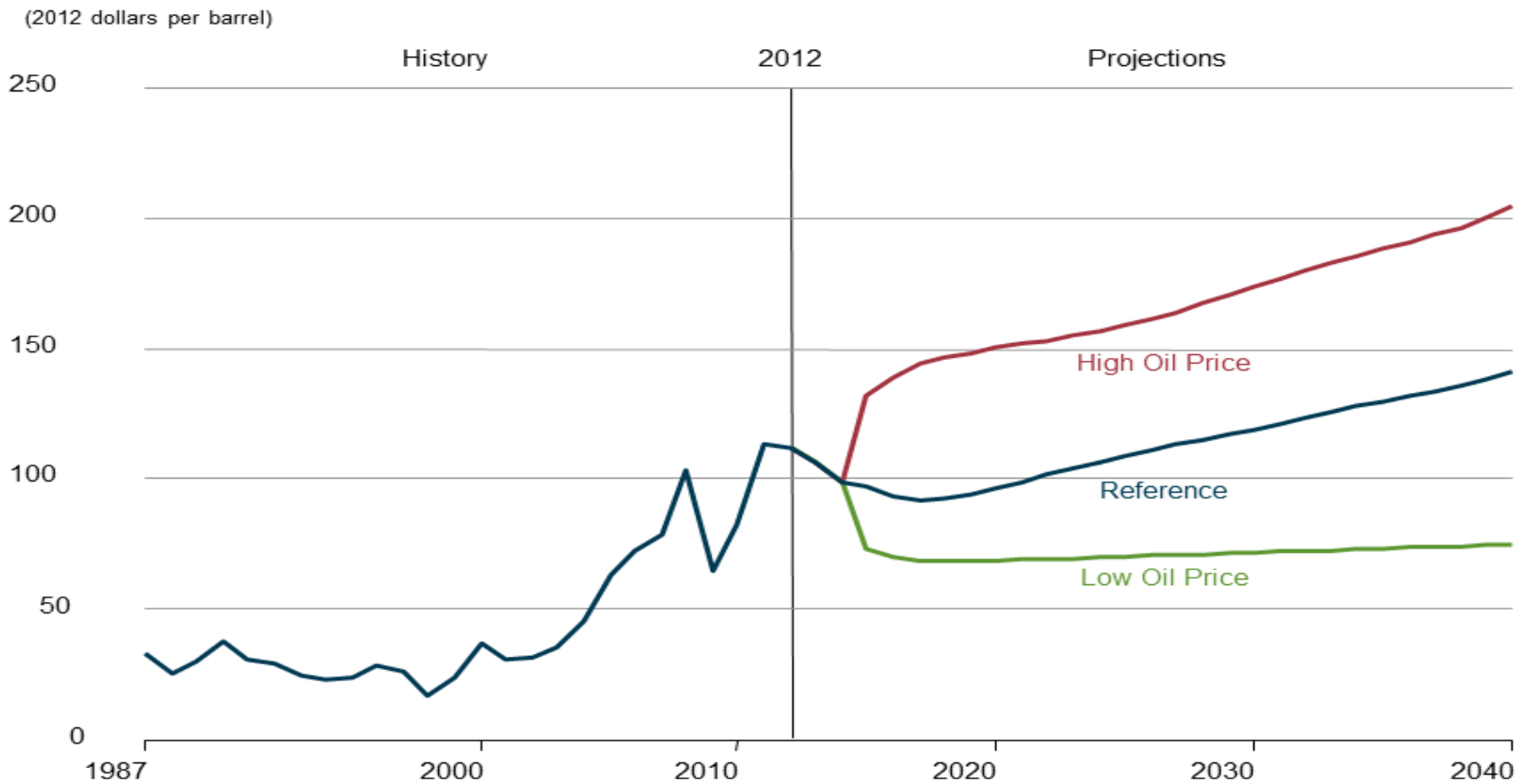
U.S. crude oil prices

Dollars per barrel



Oil Price

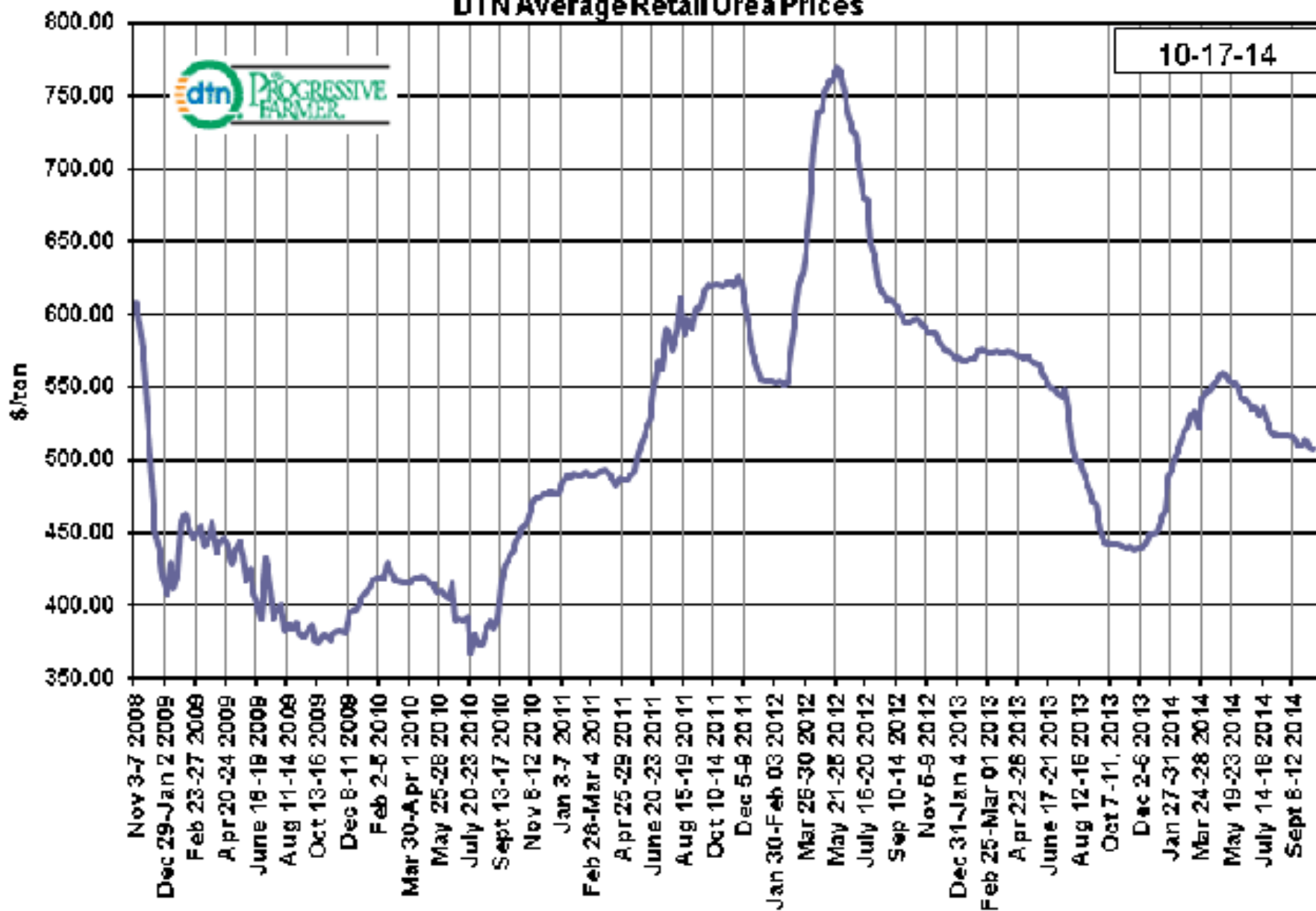
Figure 6. Average annual Brent spot crude oil prices in three cases, 1987-2040



Average U.S. farm fertilizer Prices

Year	NH3	UREA	DAP	POT
2000	227	200	240	165
2001	399	280	244	170
2002	250	191	227	164
2003	373	261	250	165
2004	379	276	276	181
2005	416	332	303	245
2006	521	362	337	273
2007	523	453	442	280
2008	755	552	850	561
2009	680	486	638	853
2010	499	448	508	511
2011	749	526	703	601
2012	783	554	726	647
2013	847	592	640	595

DTN Average Retail Urea Prices



Land Cost

- Land Values
 - Slight downward adjustment in 2014
 - Continue to adjust back to 2011 levels
 - Land Rents
 - Slight adjustments in 2014 contract prices
 - bonus roll backs
 - Continue to see adjustments rolling back rents
 - Highest land rents (\$350/ ac.) must be reduced by 30%
 - Same value for most land and lower on the low productivity land.
- ** not all land is equal value range greatly

Case Farm Example

- **Cash crop farm**
 - Corn 185 bushel yield- 715 acres
 - Soybeans 60 bushel yield on – 700 acres
 - Wheat 90 bushel yield on 120 acres
 - **Total of 1535 acres of crop production**
- **USDA Farm Program Base**
 - Corn 397 acres base (139 bu. update 168.5 bu.)
 - Soybean 218 acres base (46 bu. update 54.1 bu.)
 - Wheat 160 acres base (77 bu. update 79.4 bu.)

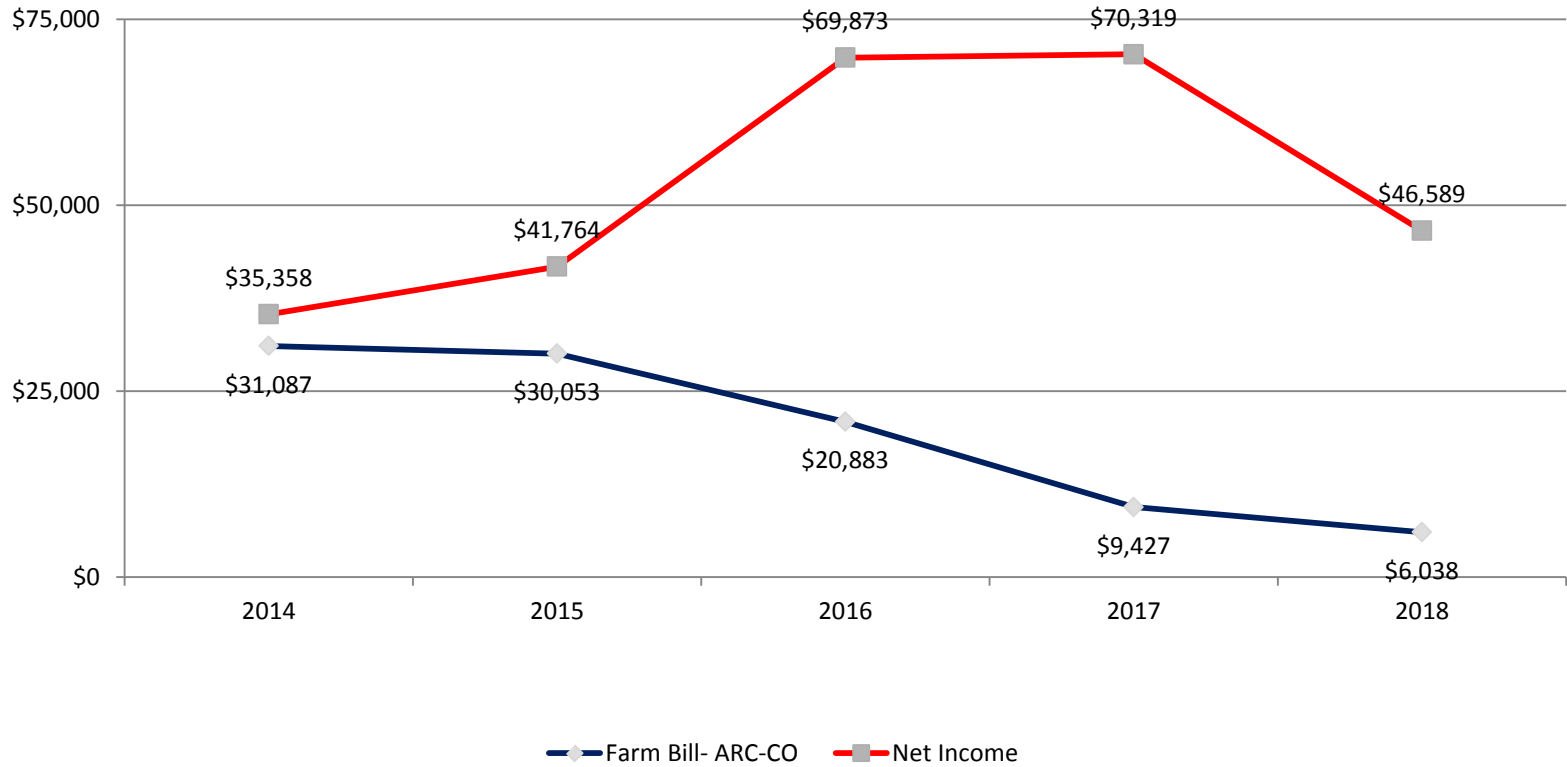
Projected Gov. Payments

FSA Program	Reallocate Base	2014	2015	2016	2017	2018	Sum	
ARC-IC	N/A							◀ Show Details
Expected Payment		\$15,884	\$25,505	\$12,587	\$1,814	\$840	\$56,630	
ARC-CO	Yes	\$30,723	\$30,461	\$21,274	\$9,880	\$5,992	\$98,329	
ARC-CO	No	\$31,087	\$30,053	\$20,883	\$9,427	\$6,038	\$97,488	
PLC ▲	Yes	\$28,646	\$24,476	\$16,354	\$11,141	\$10,358	\$90,975	
PLC ▲	No	\$31,838	\$26,554	\$18,334	\$12,895	\$12,104	\$101,726	
SCO Expected Net Indemnity	N/A	\$0	\$1,355	\$1,448	\$1,531	\$1,549	\$5,884	
PLC + SCO	Yes	\$28,646	\$25,831	\$17,802	\$12,672	\$11,907	\$96,858	
PLC + SCO	No	\$31,838	\$27,909	\$19,783	\$14,426	\$13,653	\$107,609	

PROJECTED FARM INCOME W/GOV.PROGRAM PAYMENTS

	2014	2015	2016	2017	2018
Crop Inc	\$1,006,654	\$933,418	\$1,006,337	\$1,074,066	\$1,097,462
Farm Bill- ARC-CO	\$31,087	\$30,053	\$20,883	\$9,427	\$6,038
Crop Inc.+ ARC-CO	\$1,037,741	\$963,471	\$1,027,220	\$1,083,493	\$1,103,500
Expenses					
Cash	\$541,883	\$576,332	\$596,622	\$614,074	\$657,811
Fixed	\$460,500	\$345,375	\$360,725	\$399,100	\$399,100
Exp. Total	\$1,002,383	\$921,707	\$957,347	\$1,013,174	\$1,056,911
Net Income	\$35,358	\$41,764	\$69,873	\$70,319	\$46,589

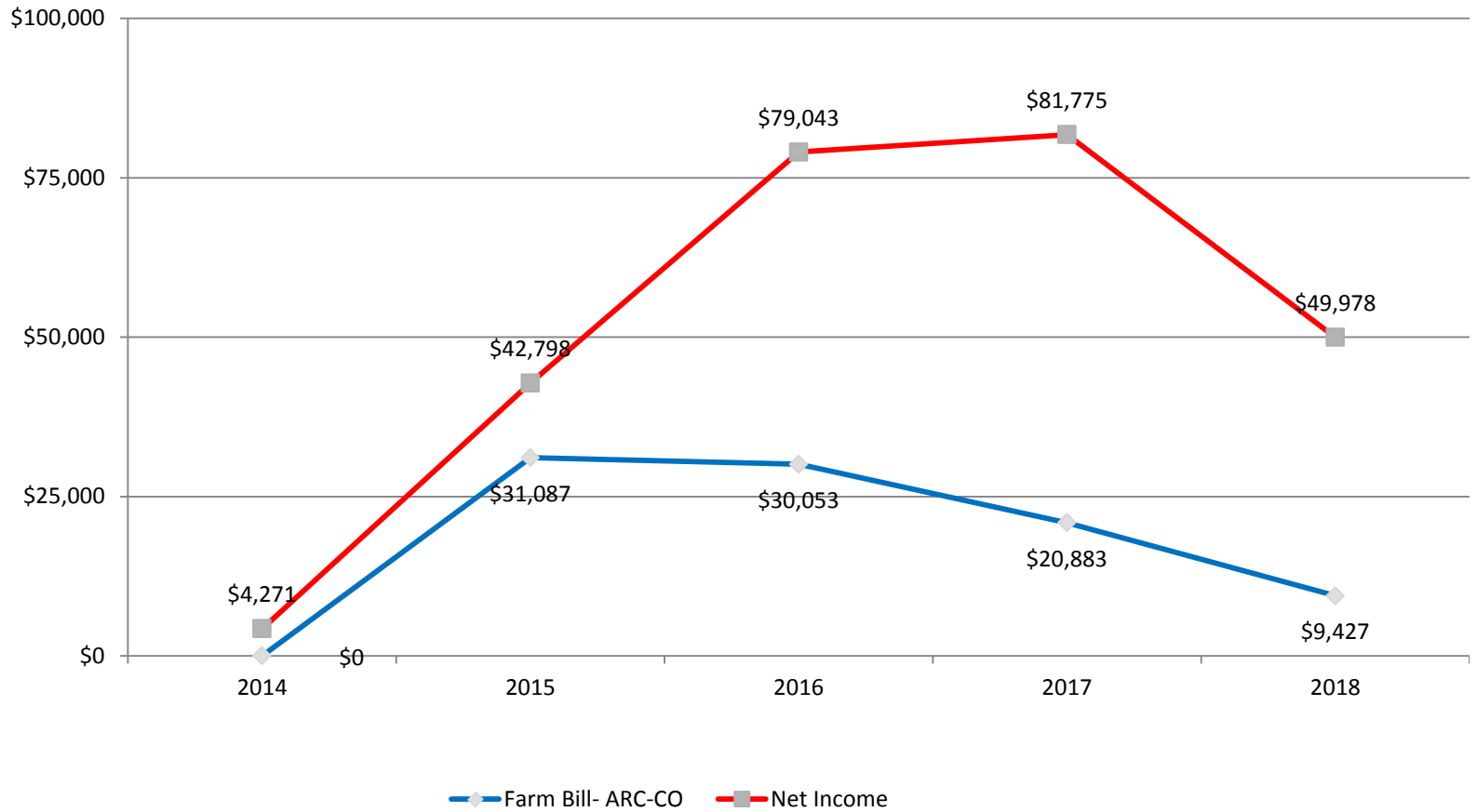
PROJECTED NET FARM INCOME



PROJECTED CASH FLOW

	2014	2015	2016	2017	2018
Crop Inc	\$1,006,654	\$933,418	\$1,006,337	\$1,074,066	\$1,097,462
Farm Bill- ARC-CO		\$31,087	\$30,053	\$20,883	\$9,427
Crop Inc.+ ARC-CO	\$1,006,654	\$964,505	\$1,036,390	\$1,094,949	\$1,106,889
Expenses					
Cash	\$541,883	\$576,332	\$596,622	\$614,074	\$657,811
Fixed	\$460,500	\$345,375	\$360,725	\$399,100	\$399,100
Exp. Total	\$1,002,383	\$921,707	\$957,347	\$1,013,174	\$1,056,911
Net Income	\$4,271	\$42,798	\$79,043	\$81,775	\$49,978

PROJECTED CASH FLOW



Looking into the Crystal Ball

- Trends
 - Commodity Prices
 - Crops
 - Livestock
 - Yields
 - Input costs
 - Tied to cost of energy and inflation
 - Overhead costs & Land
 - Overhead costs are being spread over more acres, head, cwt's
 - Land rents will lower on the top end and be stable on the lower end of the range. Land values should have peaked and will drop back to 2011-2012 levels

Summary

- Crop sector farms have enjoyed a few years of over the top profits however, moving back to normal
- Livestock sector farms are enjoying a few years of over the top returns that may continue for the “short term”?
- General agriculture economy should return to more sustainable long term returns but will take some time to balance all sectors

• *Questions?*

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