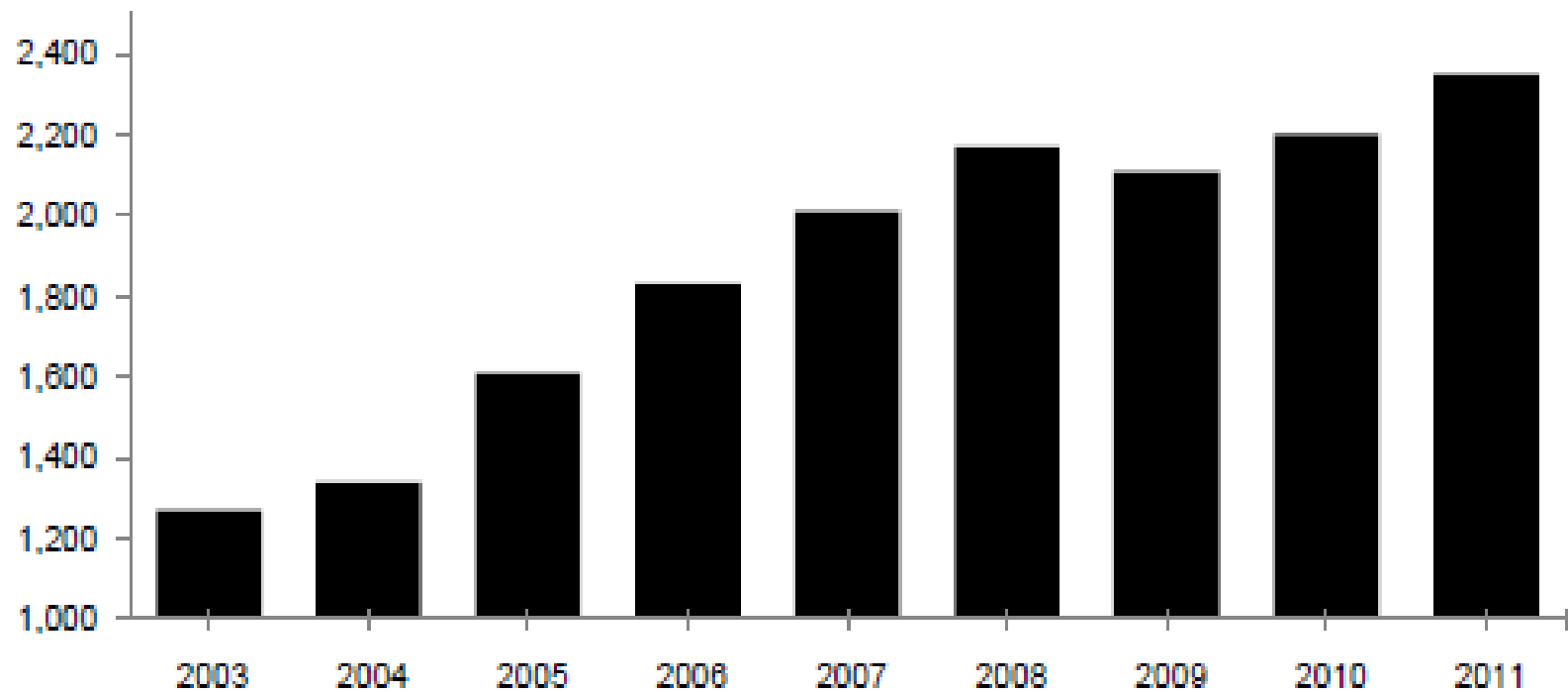


What's Ahead for Agricultural Land Values

Remarks by Mark Pearson
Federal Reserve Bank of Chicago
Chicago, Illinois
November 15, 2011

Farm Real Estate, Average Value

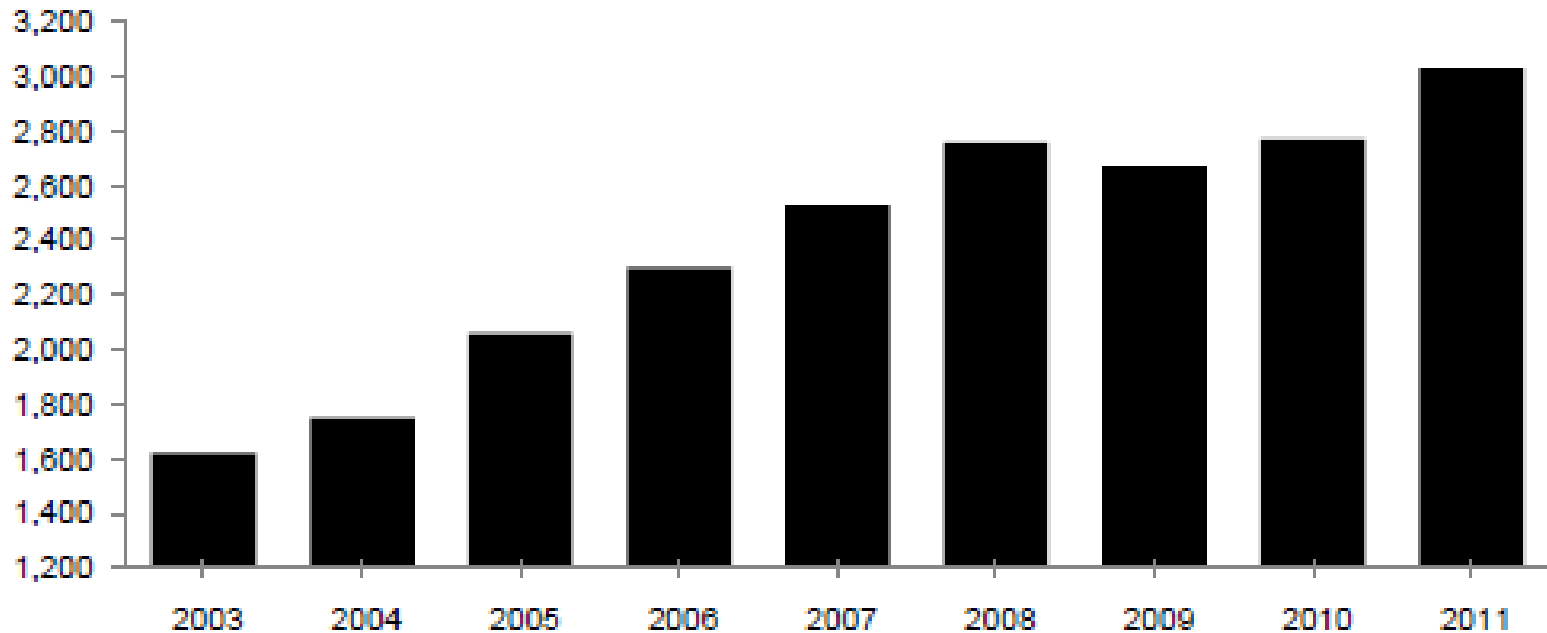
Dollars per acre



Source: NASS

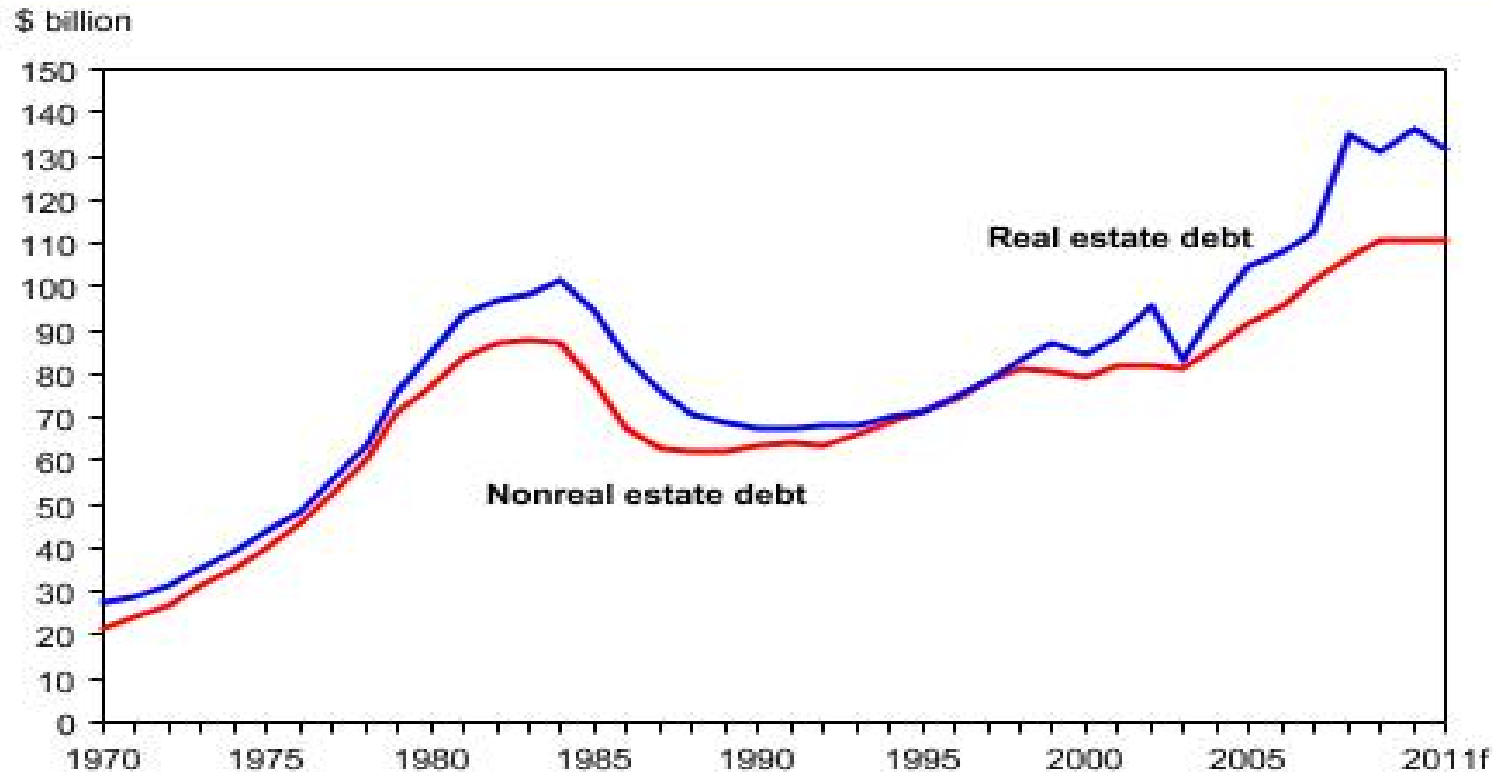
Cropland, Average Value per Acre

Dollars per acre



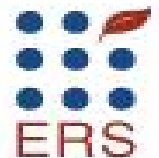
Source: NASS

Farm Sector Business Debt 1970-2011



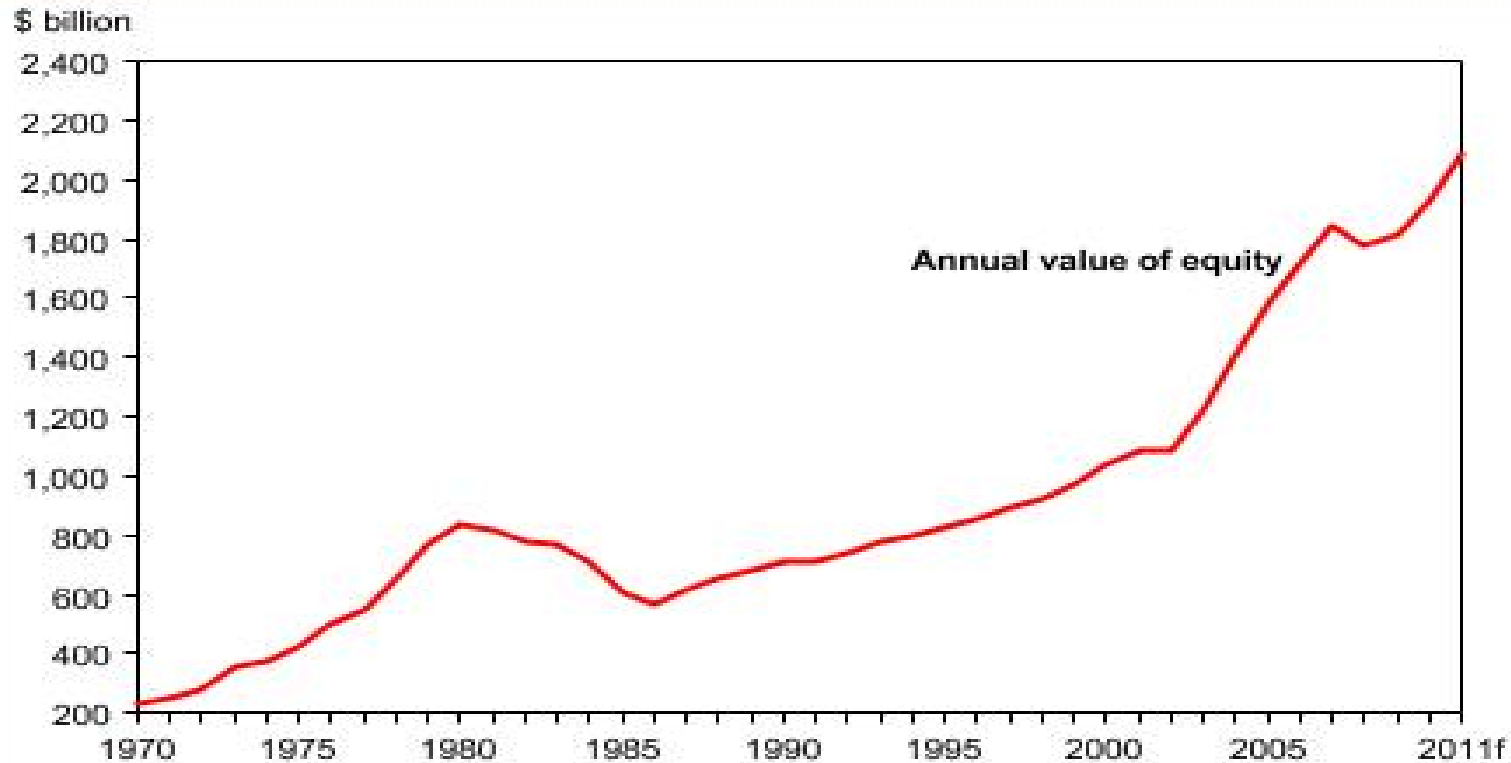
f = forecast.

Source: Economic Research Service, USDA.



Source: ERS, USDA

Farm Sector Equity 1970-2011



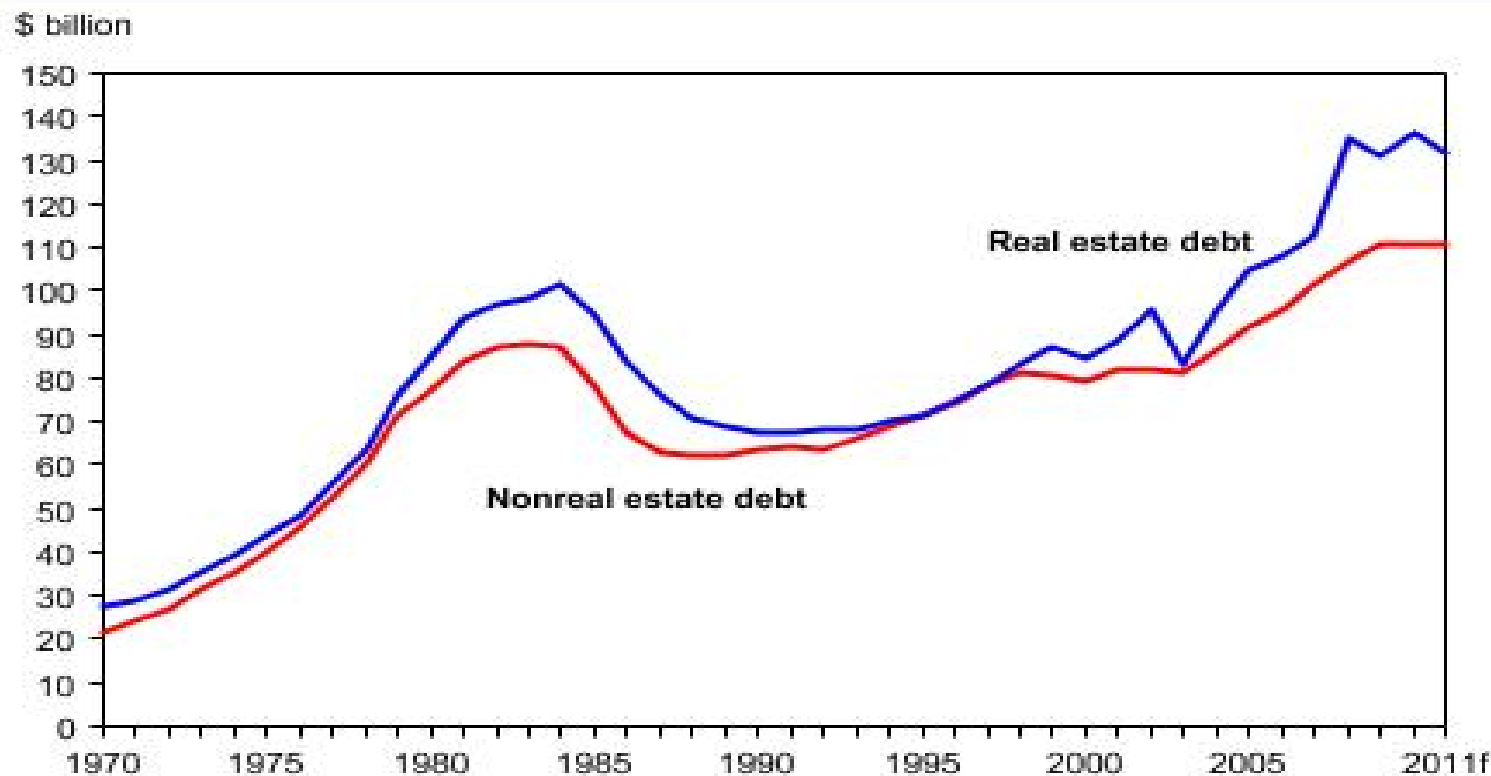
f = forecast.

Source: Economic Research Service, USDA.



Source: ERS, USDA

Farm Sector Debt Ratios 1970-2011



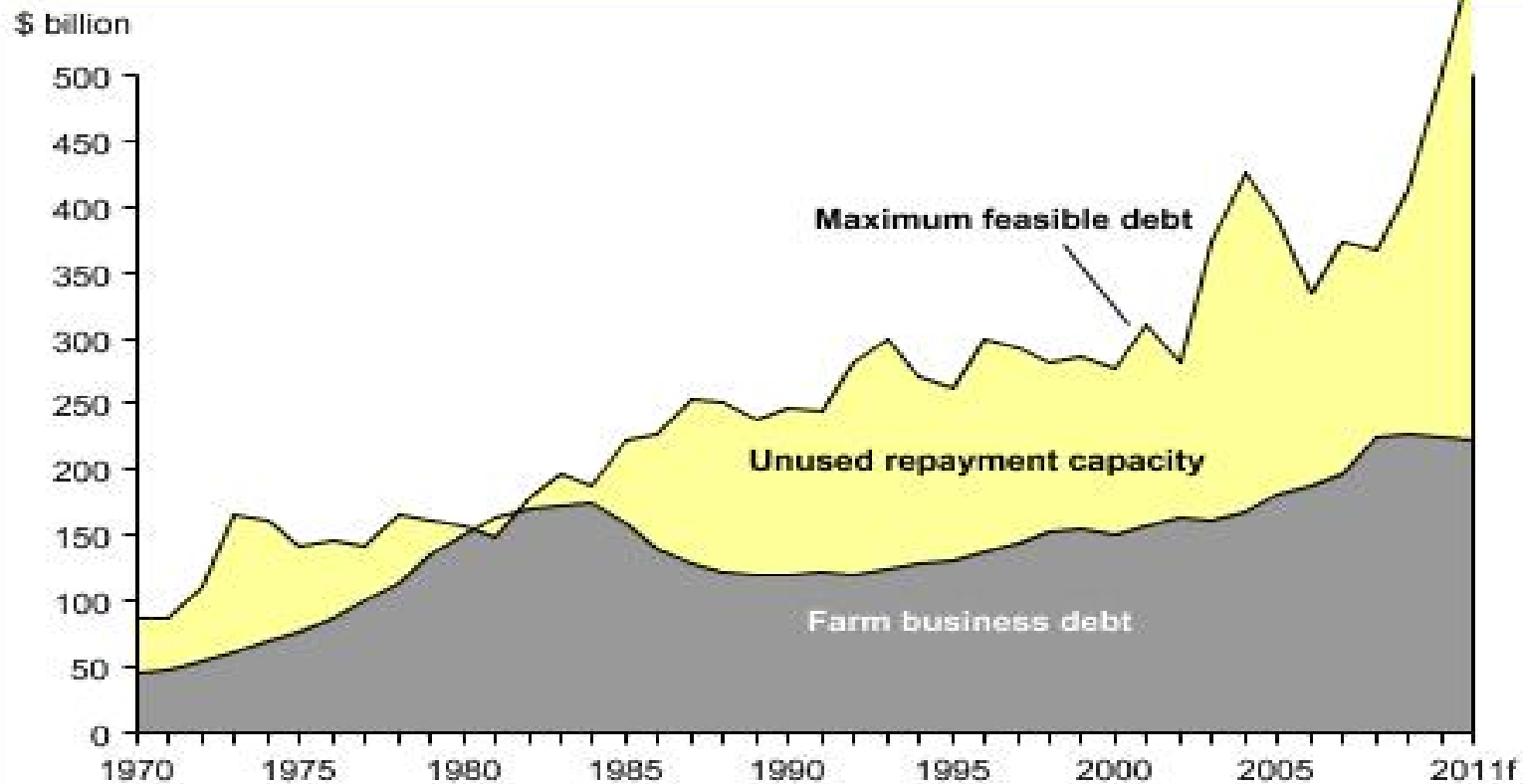
f = forecast.

Source: Economic Research Service, USDA.



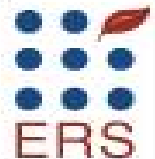
Source: ERS, USDA

Repayment Capacity 1970-2011



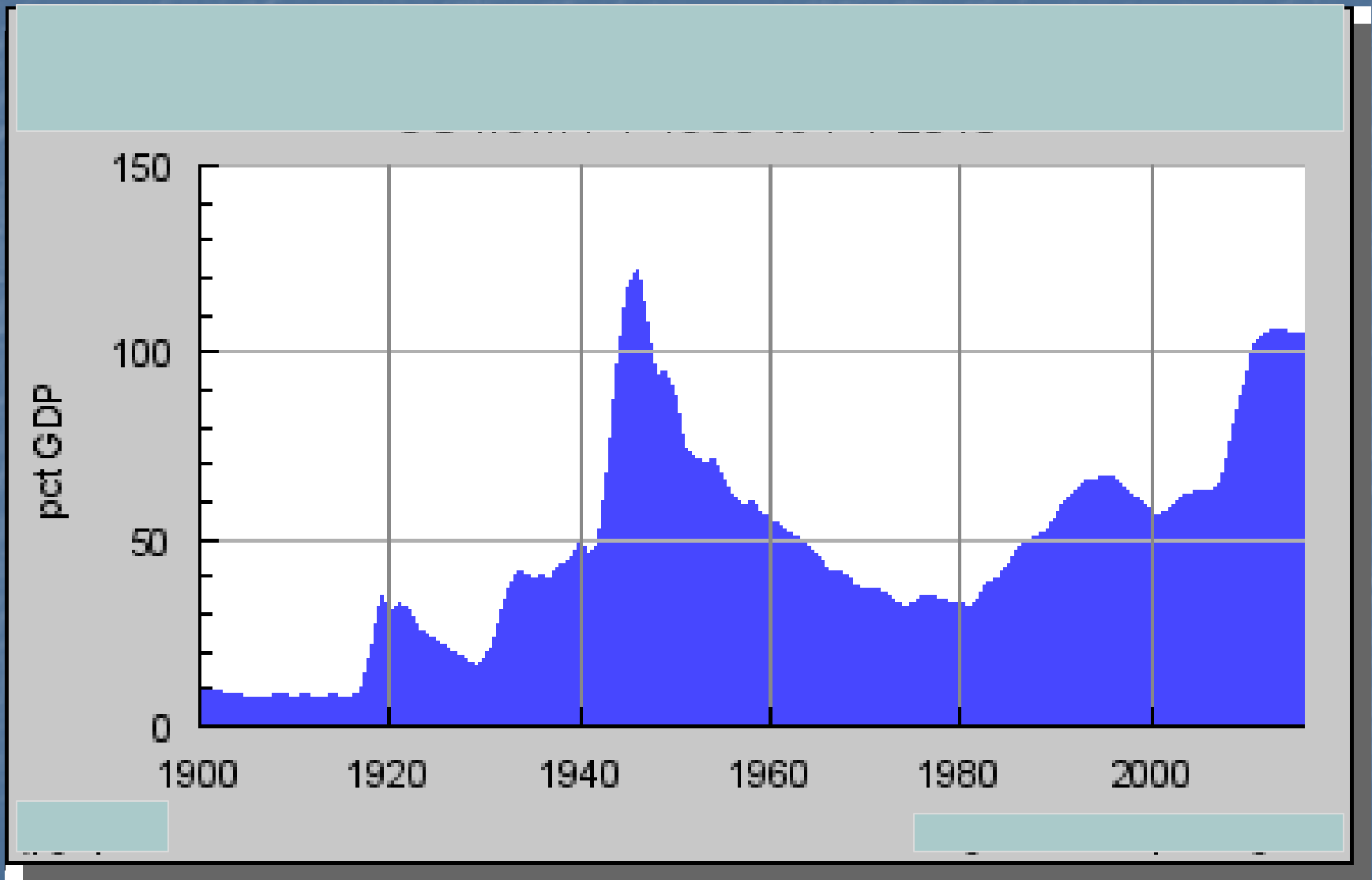
* Forecast for 2011

Source: Economic Research Service, USDA.



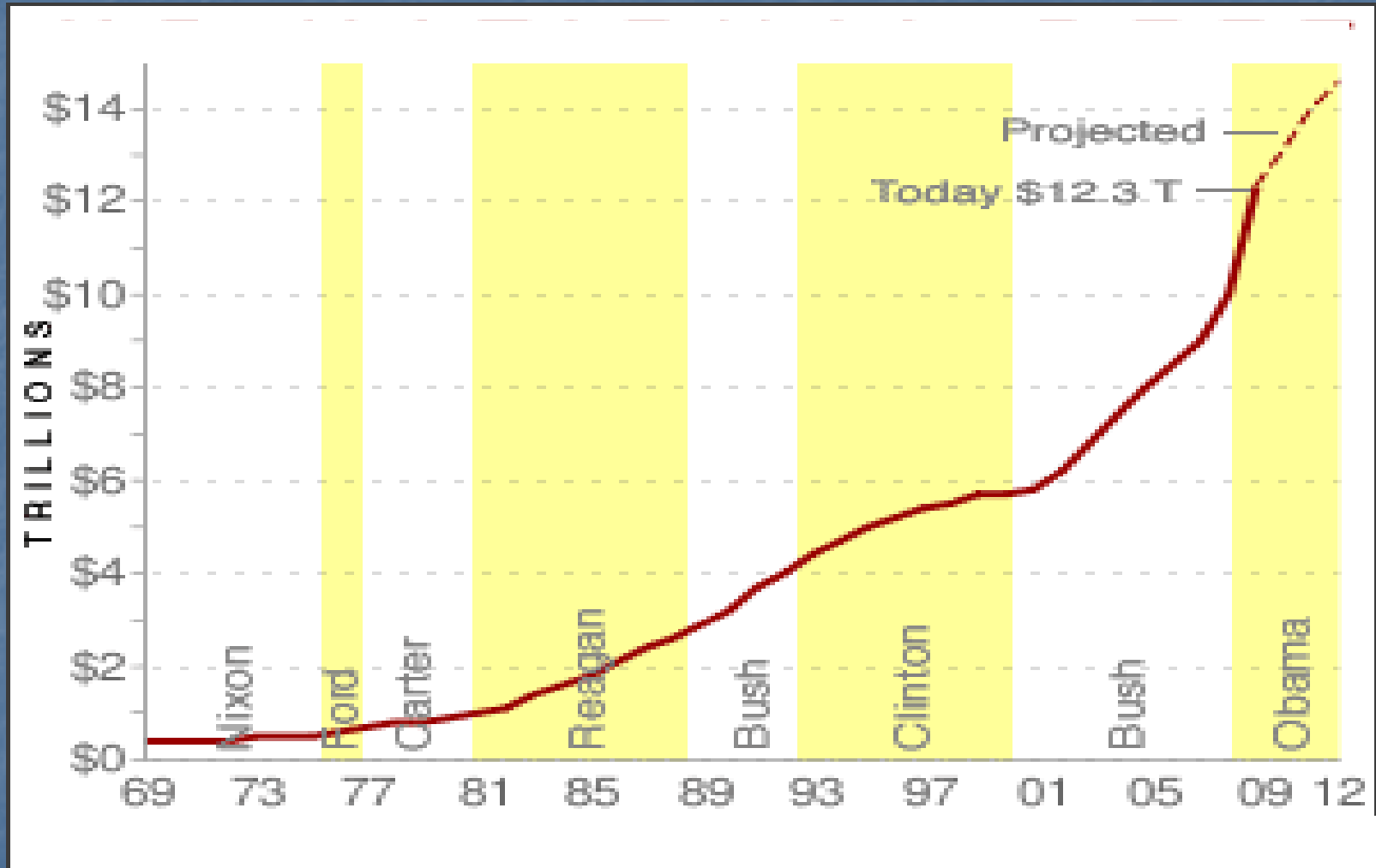
Source: ERS, USDA

Gross Fed. Debt FY-1900 to FY-2016



Source: usgovernmentspending.com

U.S. National Debt



Source: U.S. Treasury, CBO

Country Sovereign Ratings

Standard & Poor's currently rates 126 governments on their capacity to meet financial commitments. A top-notch AAA rating allows a country to borrow relatively cheaply on international markets

CAPACITY TO MEET FINANCIAL COMMITMENTS

Sovereign foreign currency ratings as of June 28, 2011

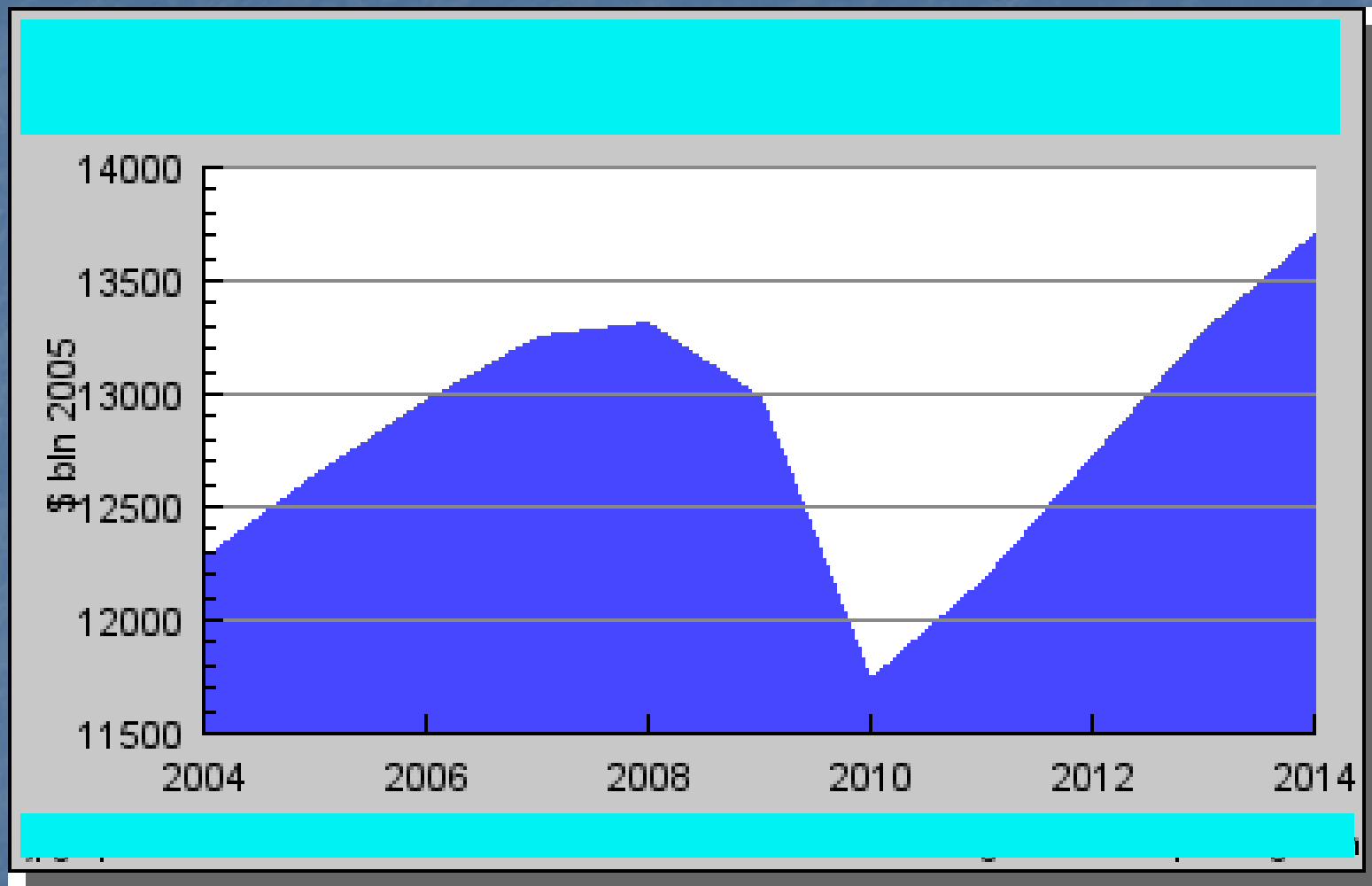


Source: Reuters

Thoughts on the World Economy

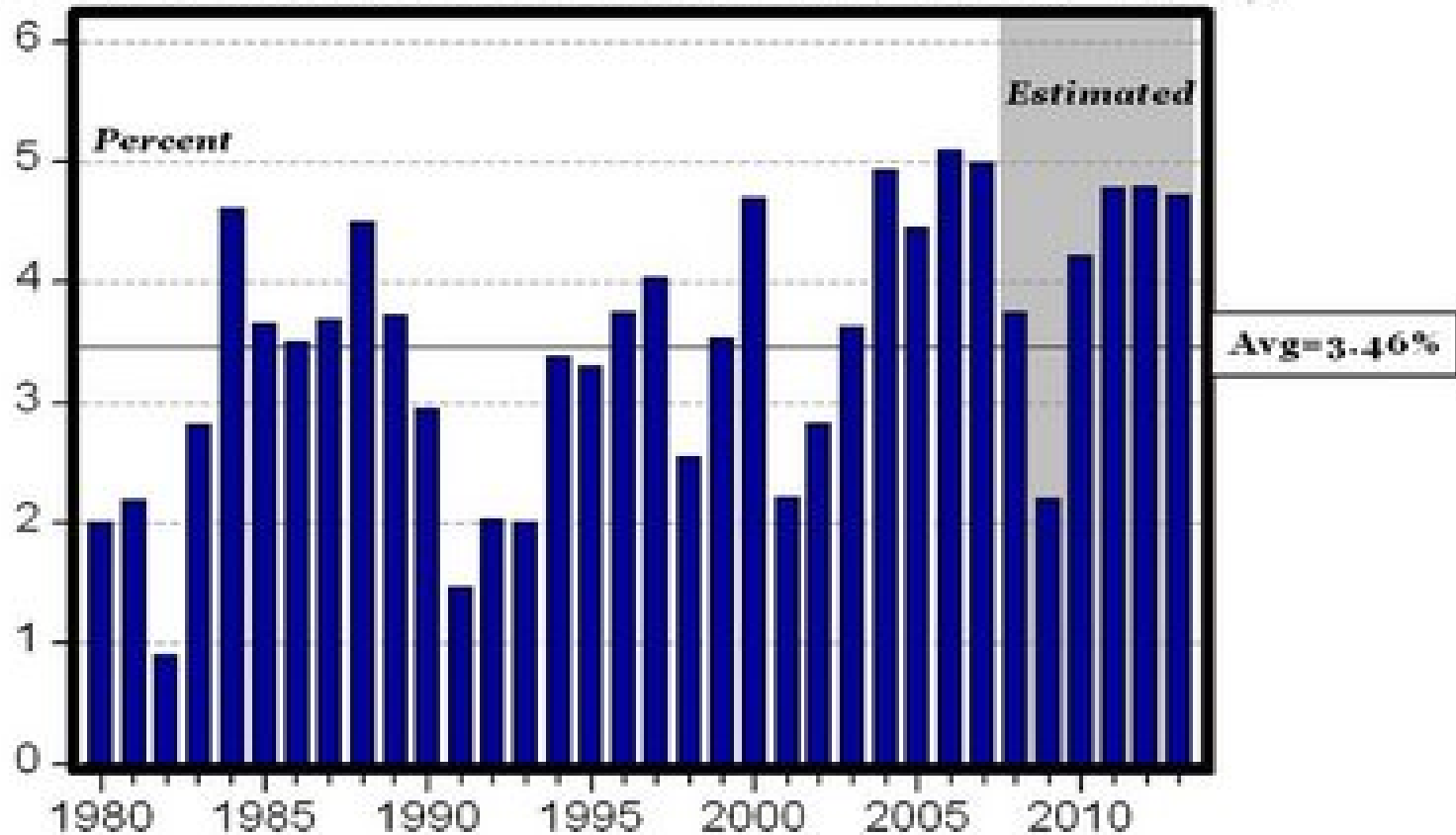
- **\$71.25 trillion – Global GDP**
- **\$14.89 trillion – EU GDP**
- **\$14.72 trillion – U.S. GDP**
- **\$9.87 trillion – China GDP**
- **\$4.33 trillion – Japan GDP**
- **\$4.04 trillion – India GDP**

U.S. GDP – FY2004-FY2014



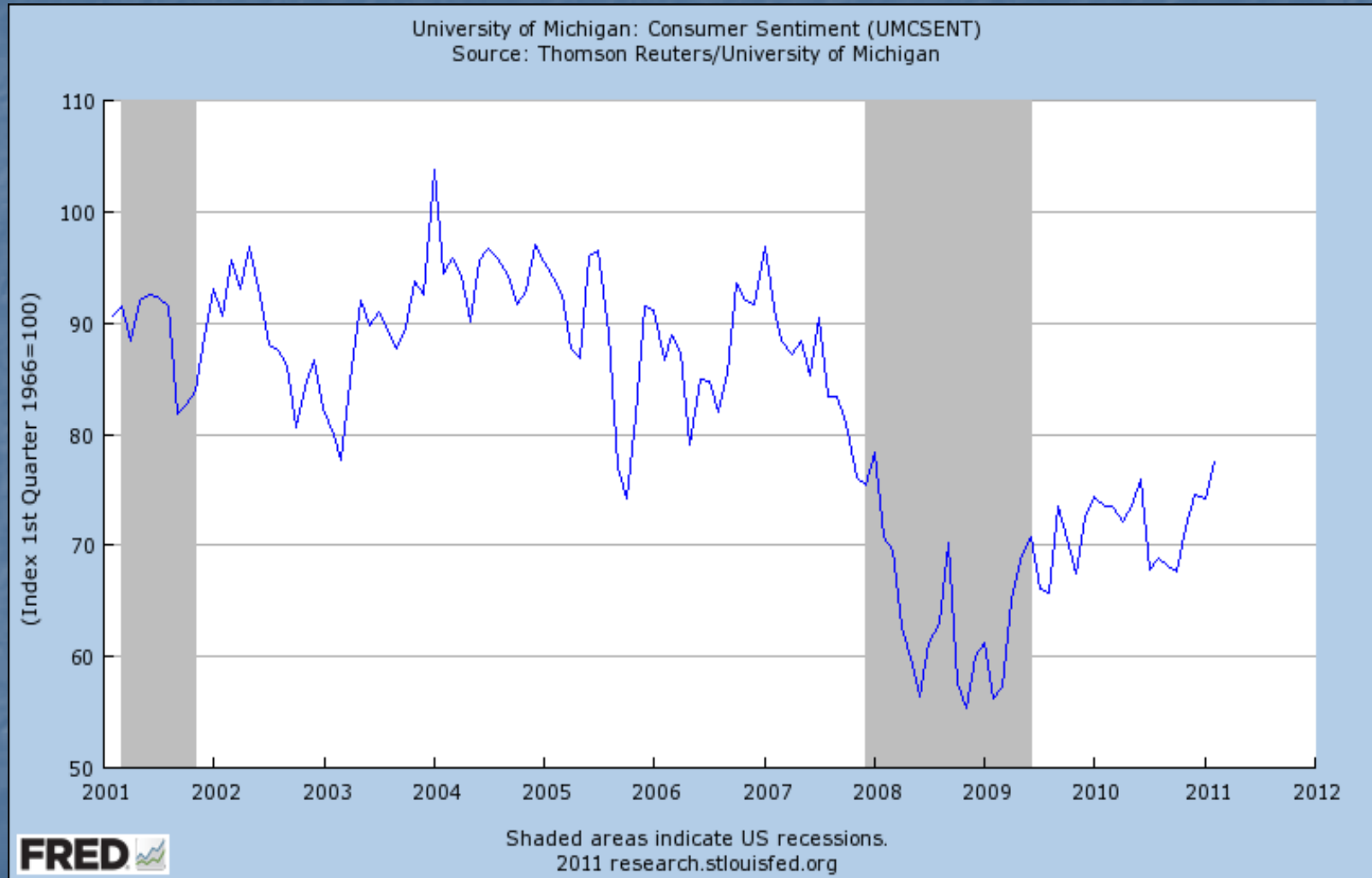
Source: usgovernmentpending.com

World Real GDP Growth 1980-2013



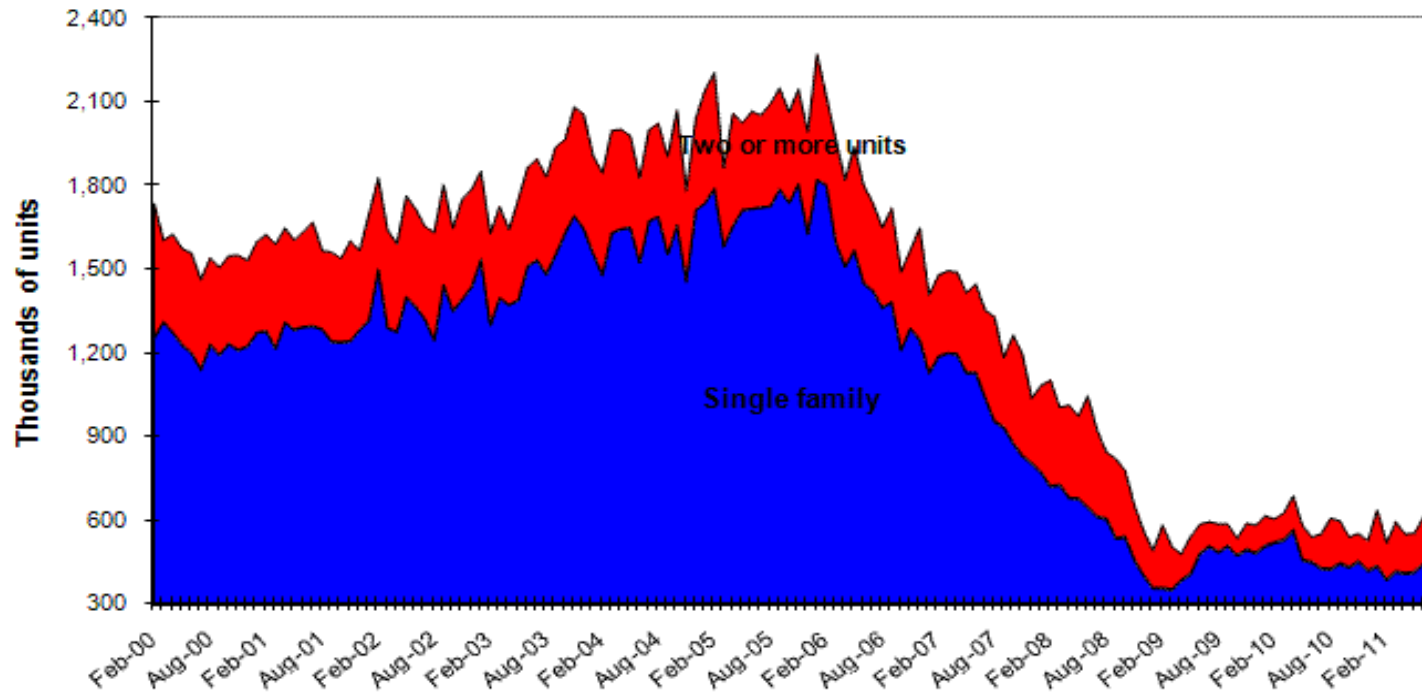
Source: Int'l Monetary Fund

U.S. Consumer Confidence



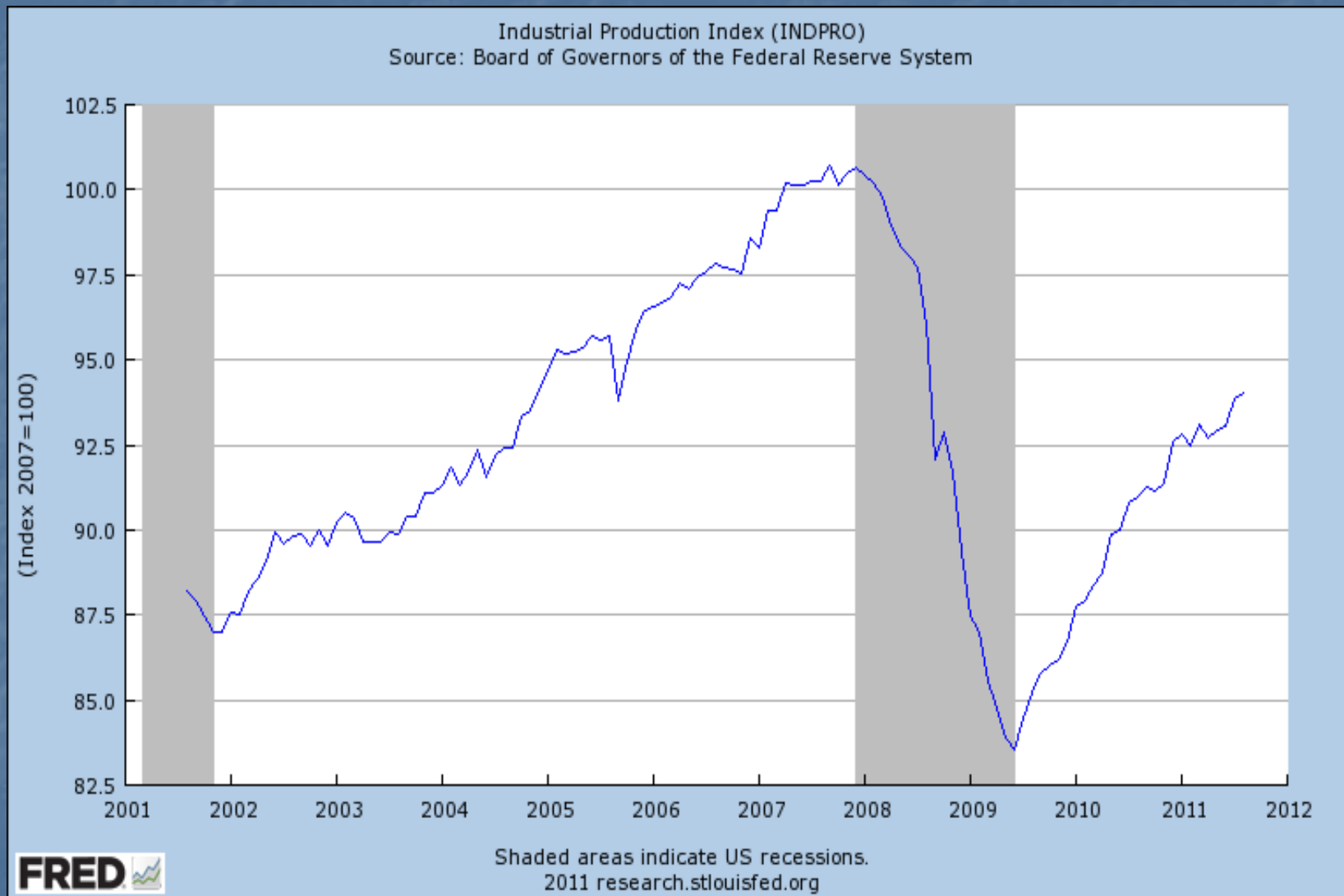
Source: Market Harmonics

New Housing Starts



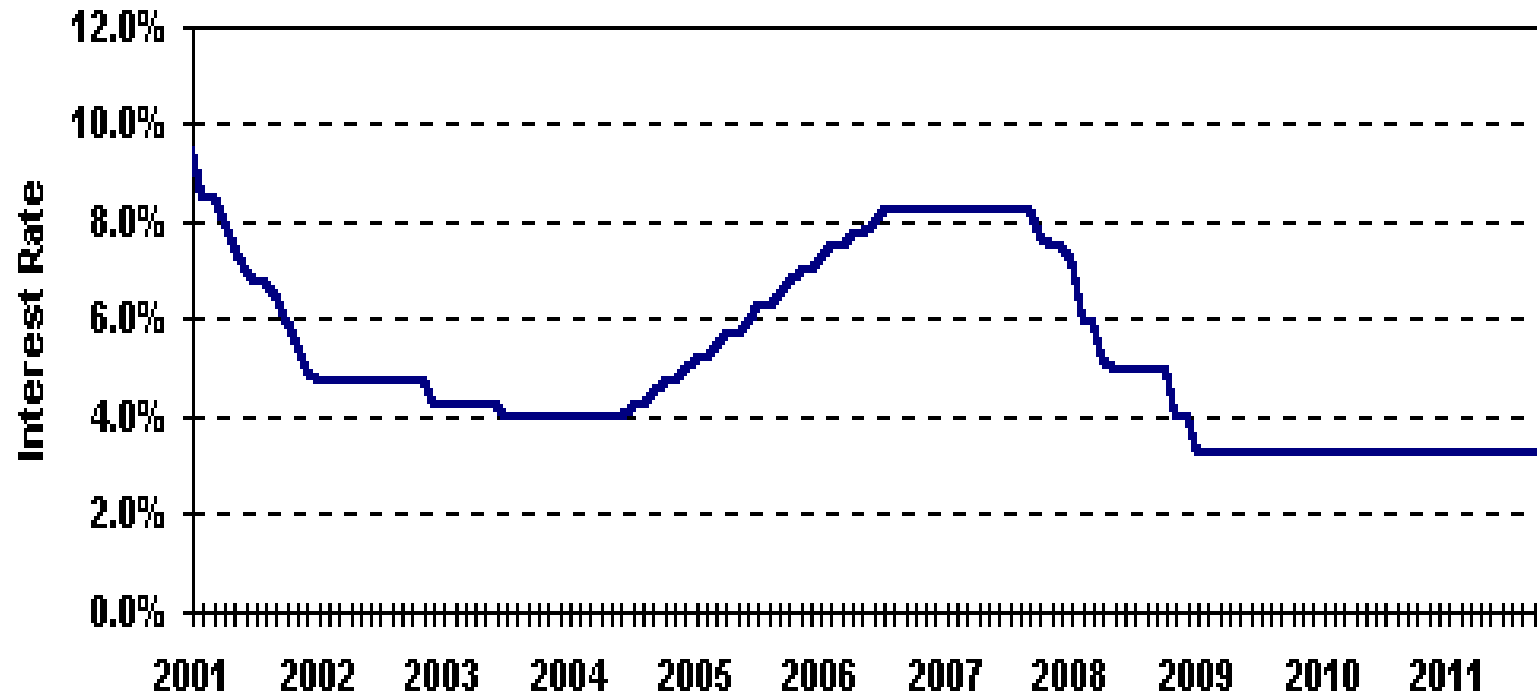
Source: U.S. Census of Bureau

U.S. Industrial Production



Source: Federal Reserve

10-Year Prime Rate



Copyright 2011 **MoneyCafe.com**

Source: MoneyCafe.com

DJIA Five-Year Performance



Source: finance.yahoo.com

10-Year Treasury Note Yield



Source: finance.yahoo.com

Five-Year U.S. Dollar Index



Source: NYBOT

Five-Year Gold Prices



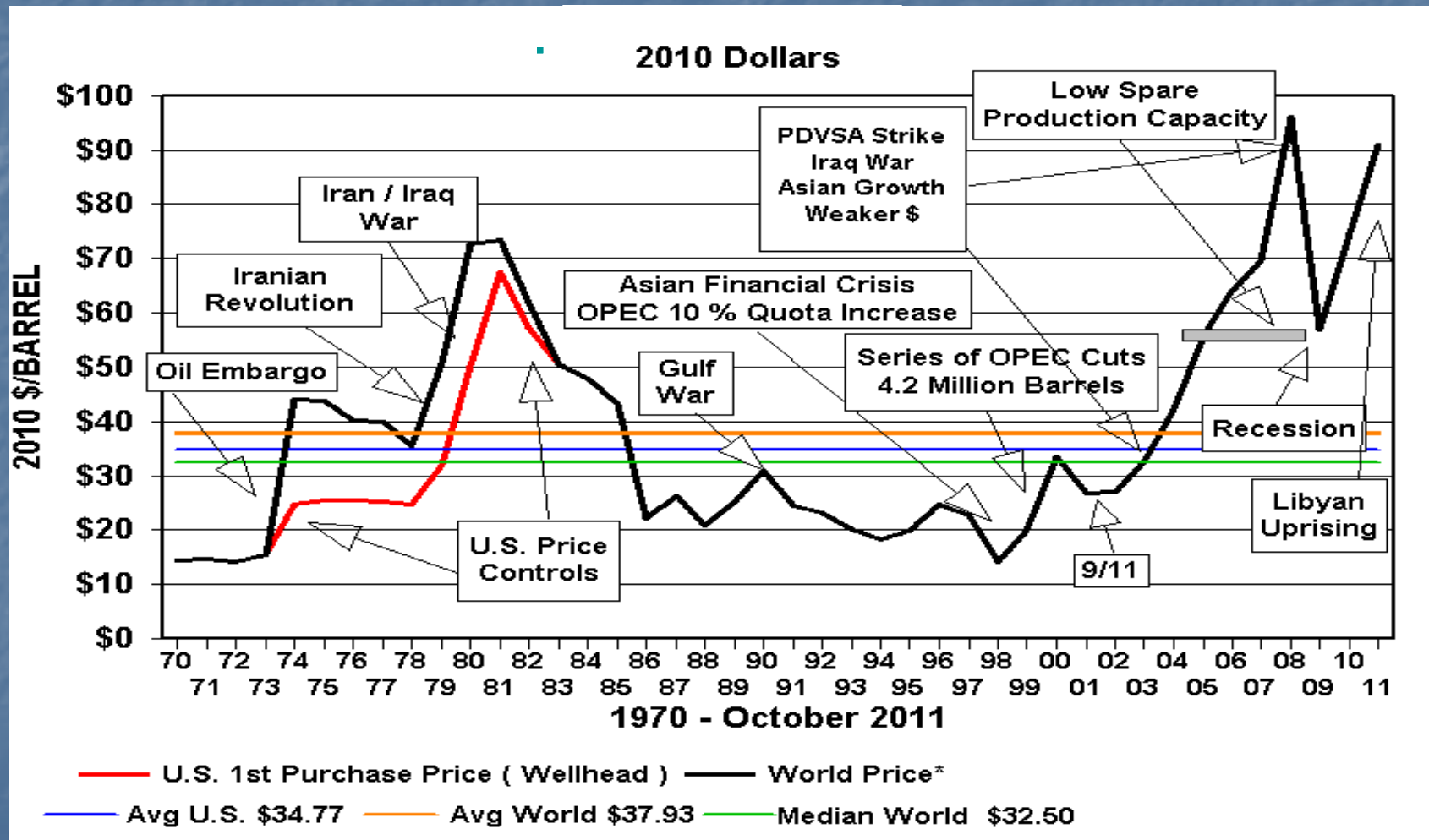
Source: kitco.com

Light Sweet Crude Oil



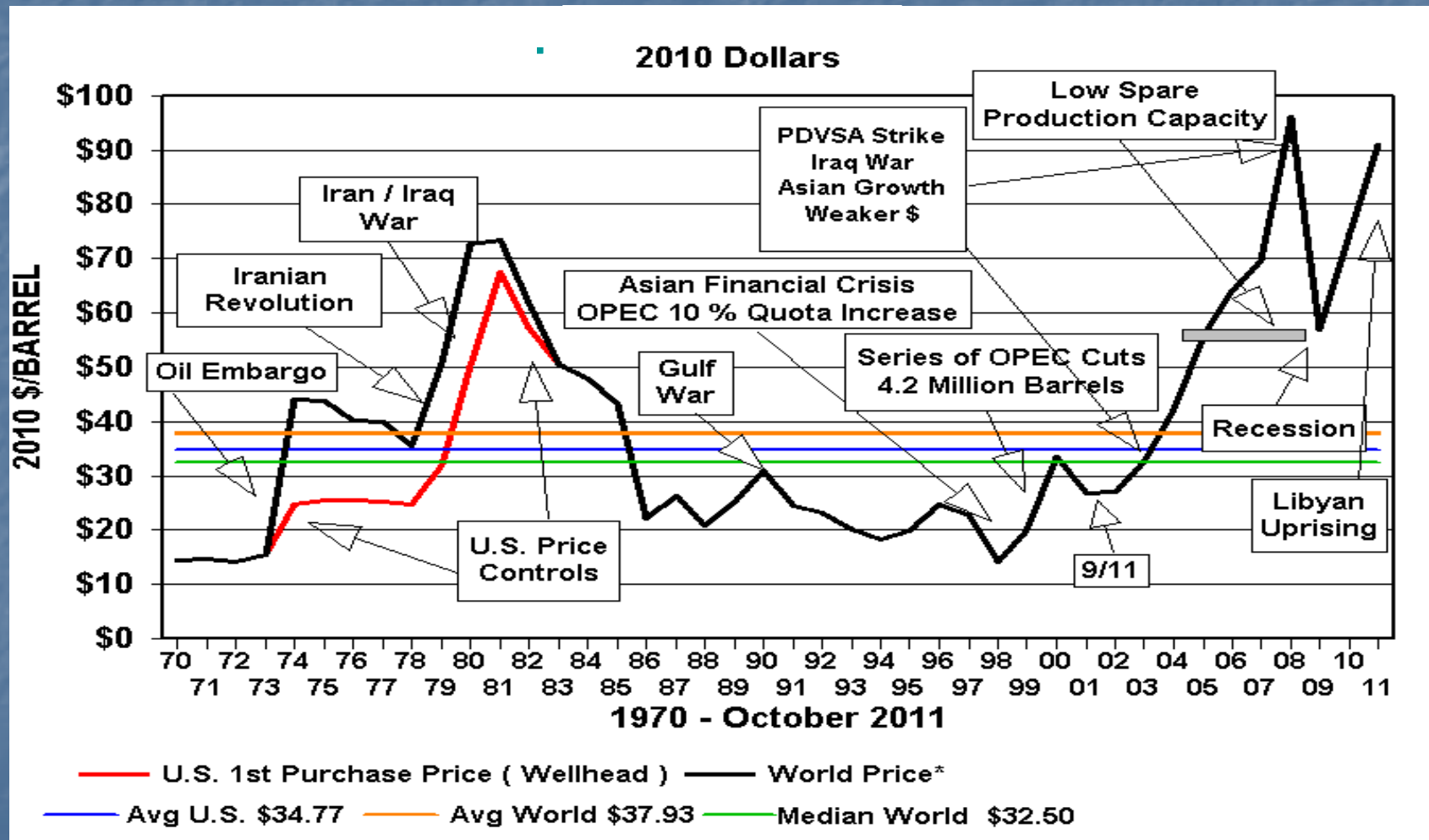
Source: NYMEX

Crude Oil Prices 1970-Oct.2011

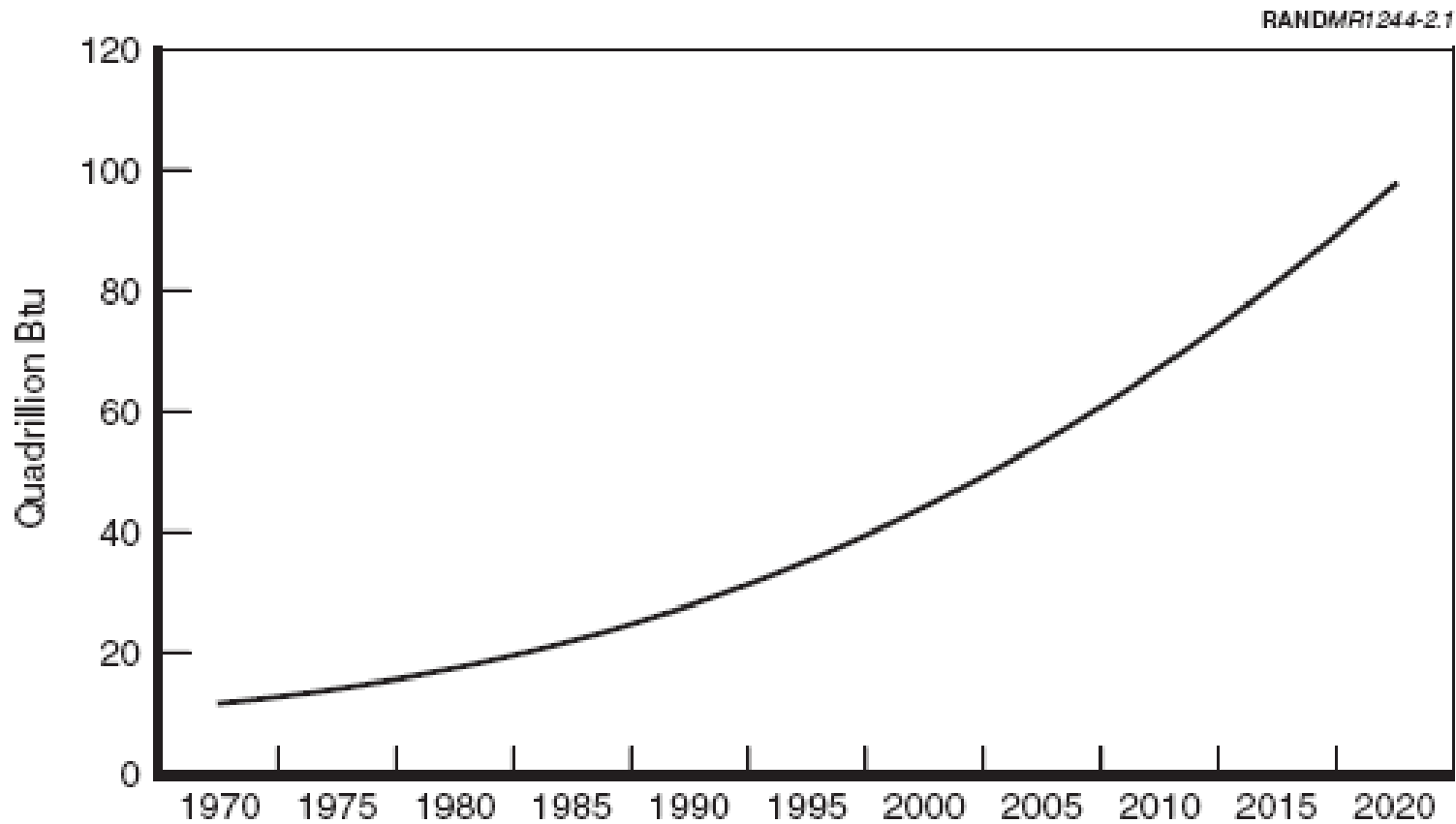


Source: WTR Economics

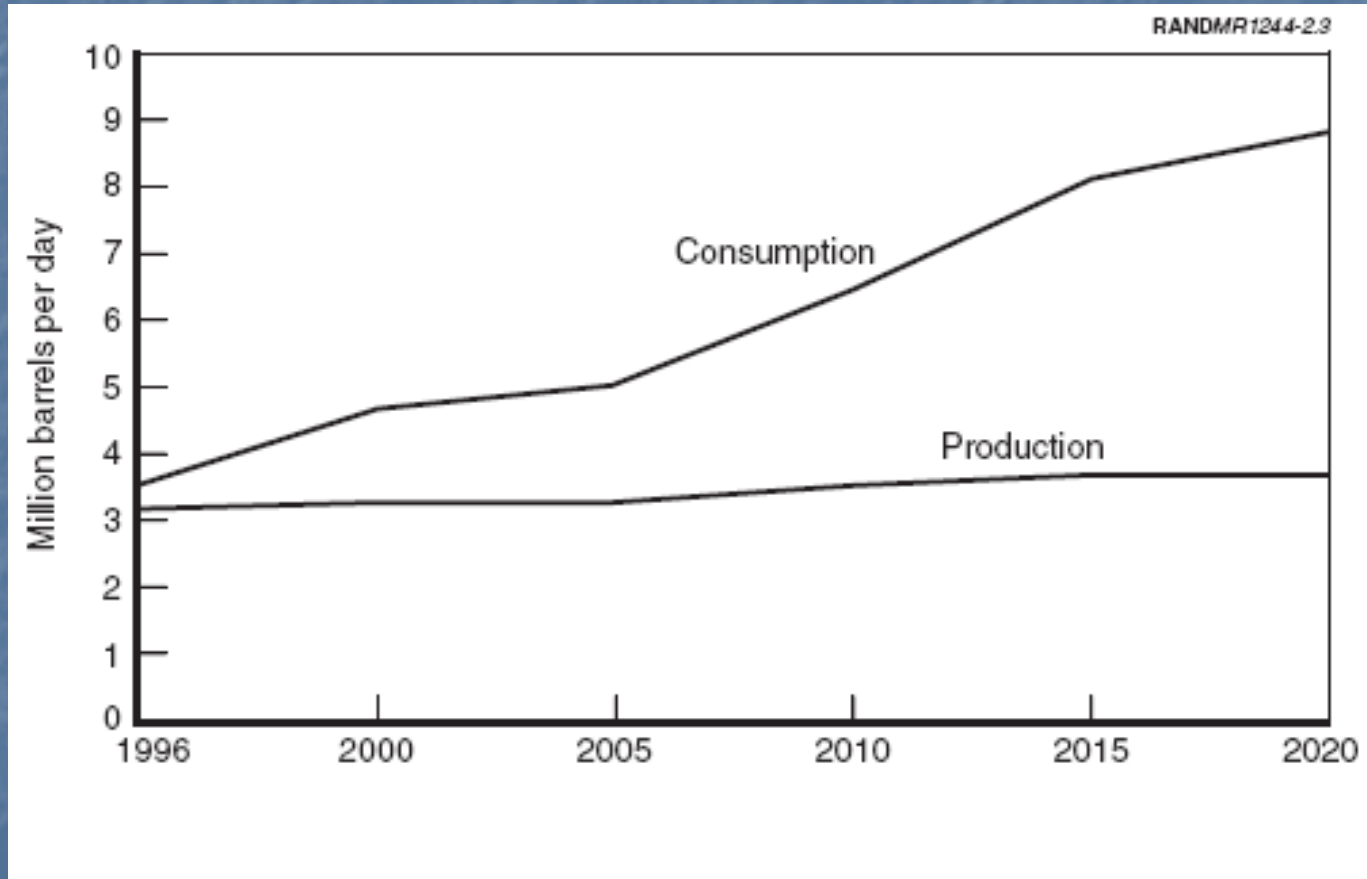
Crude Oil Prices 1970-Oct.2011



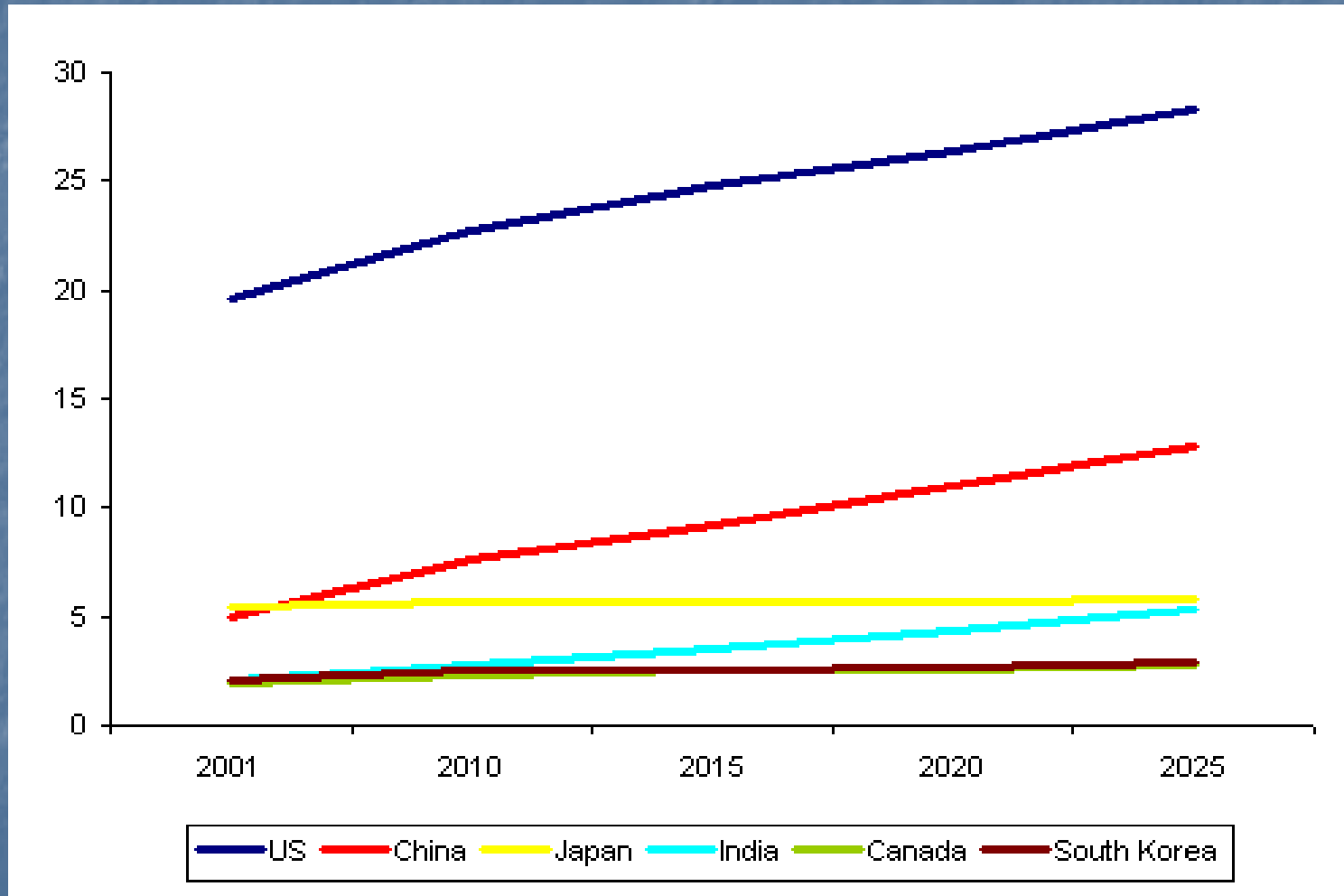
China's Total Primary Energy Consumption, 1970-2020



China's Demand for Oil Imports

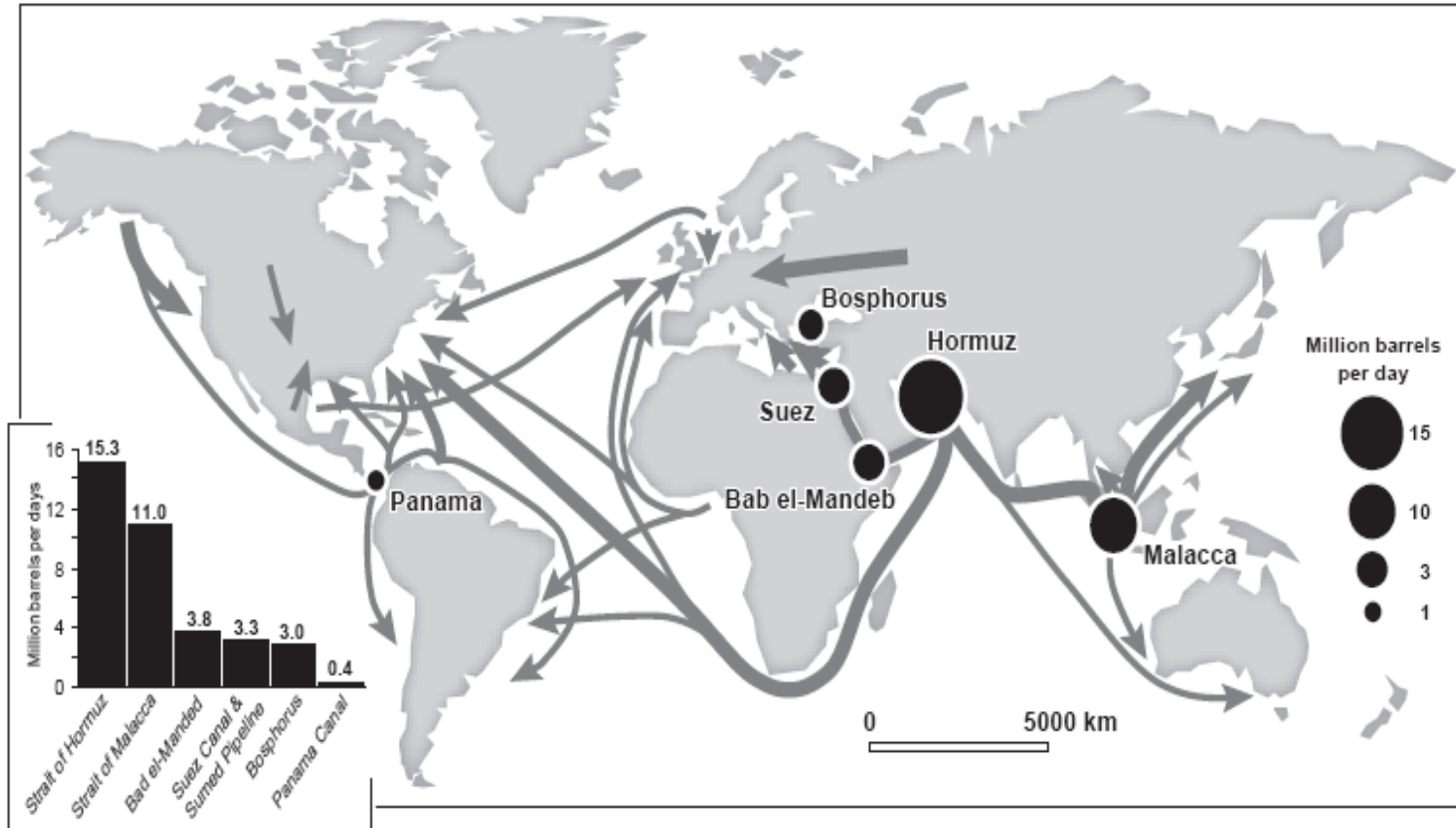


Projected Oil Consumption Trends in Key Countries Through 2025



Source: IEA, EIA

Vital Maritime Chokepoints



Source: EIA

10-Year Corn Prices

Prices Received for Corn by Month – United States

Dollars per bushel



USDA - NASS
10/31/2011

Source: NASS

Corn Use: Fuel versus Food

Bushels



Feed



Ethanol

6

4

2

0

'02

'03

'04

'05

'06

'07

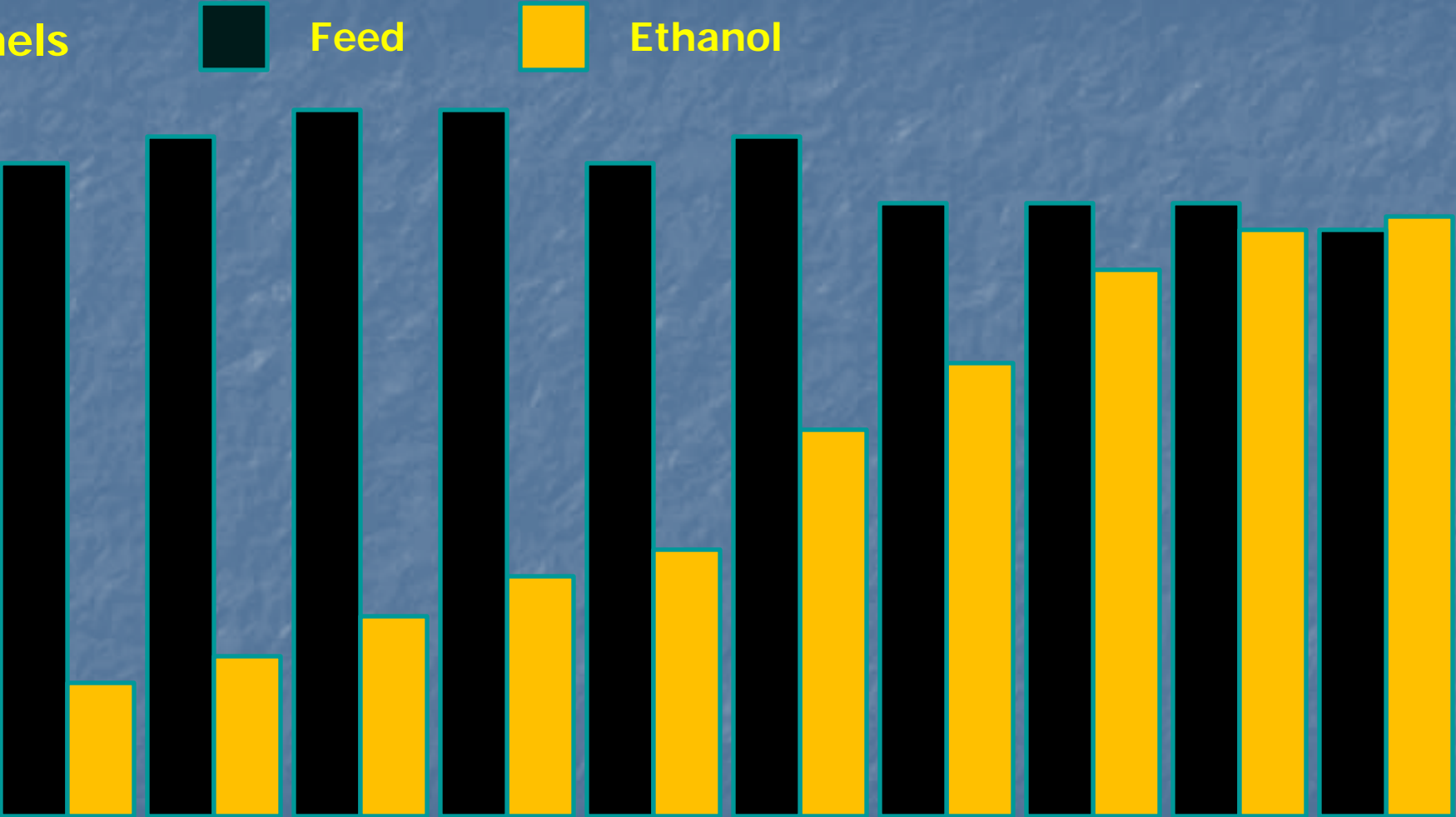
'08

'09

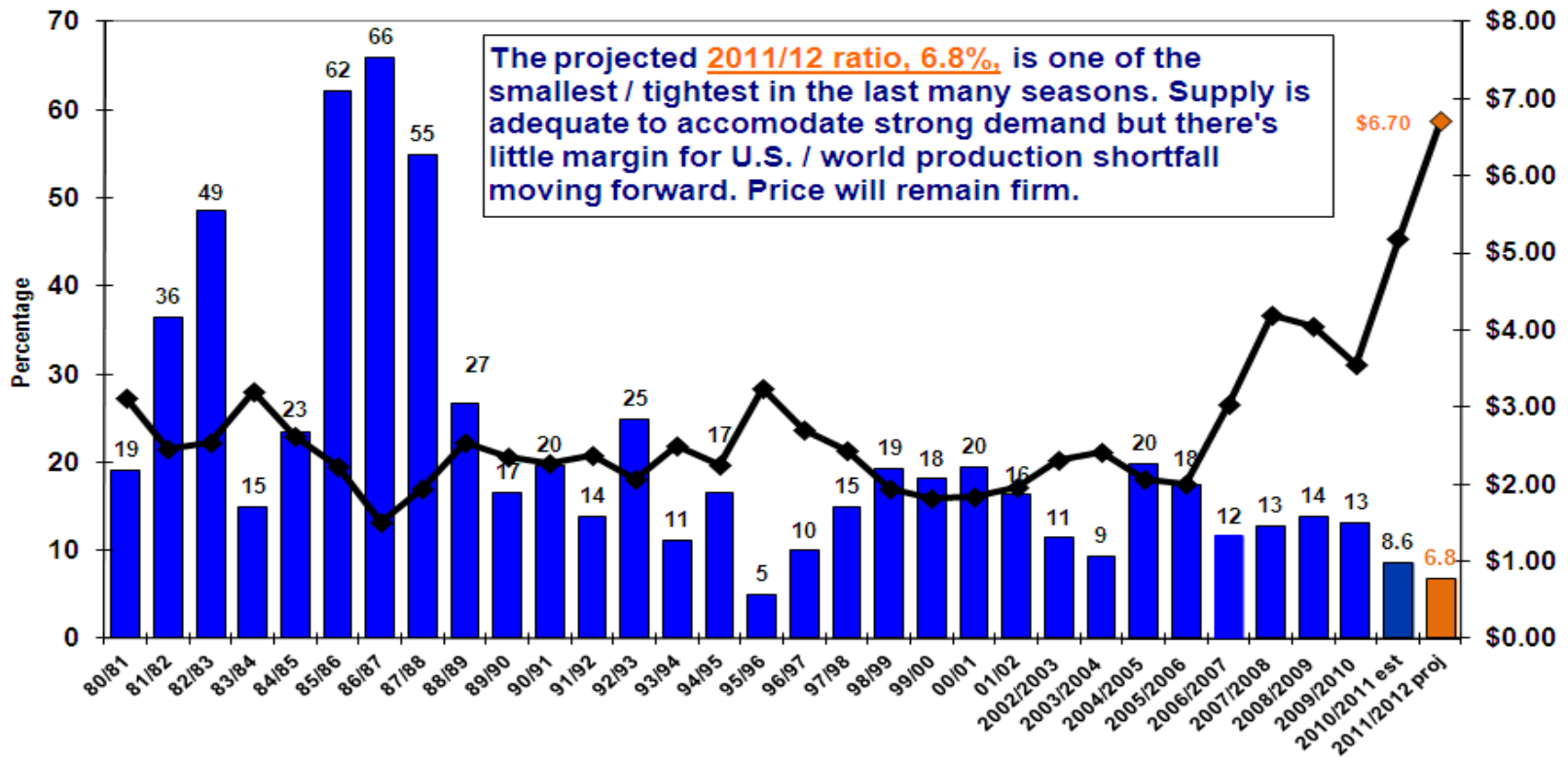
'10

'11

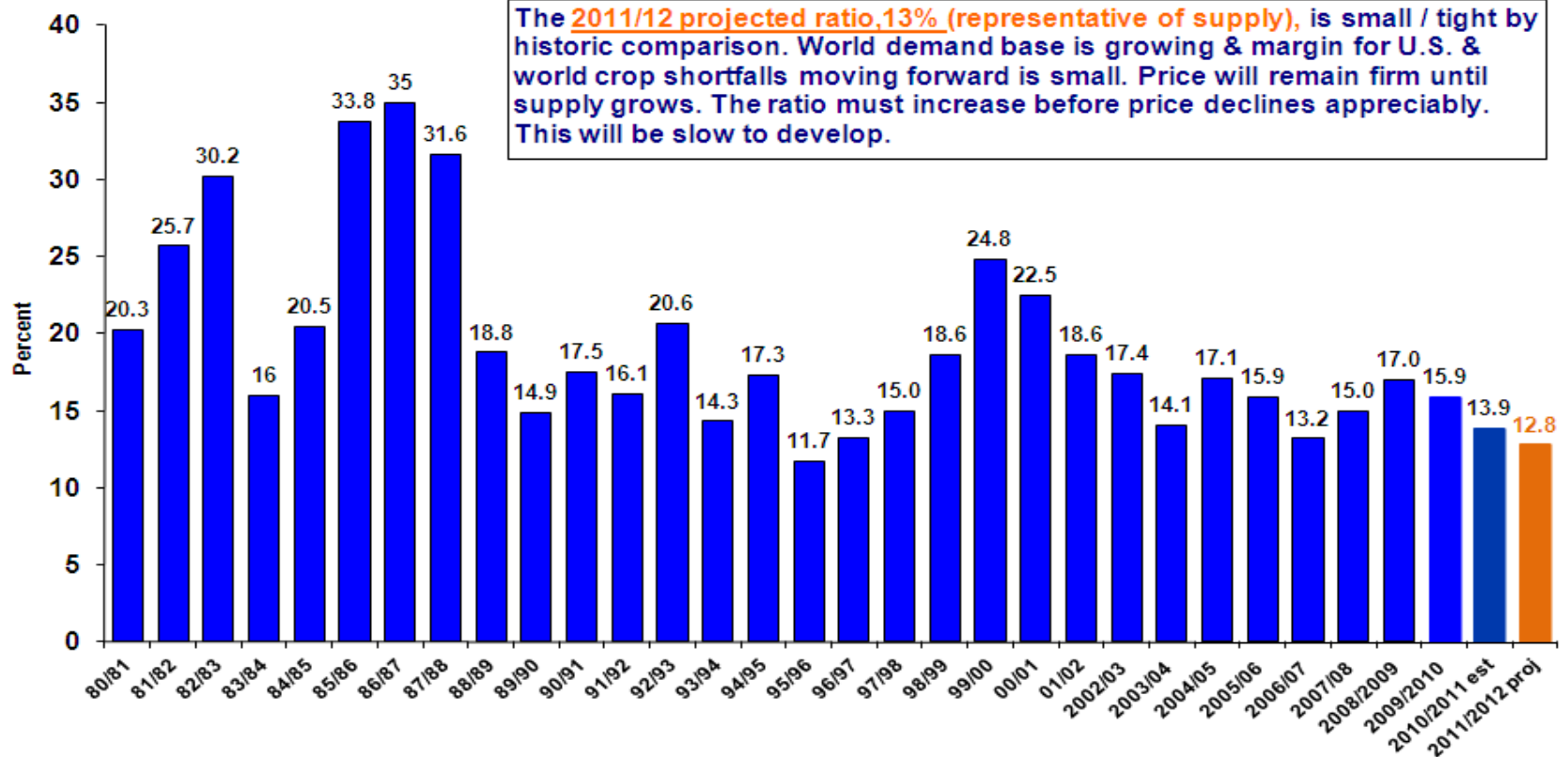
Source: USDA



U.S. Corn Ending Stocks as Percentage of Use



World Corn Ending Stocks As Percentage of Use



USDA Corn Supply and Use

	<u>2010/11 est. (11/9/11)</u>	<u>2011/2012 proj.</u>
Area Planted	88.2	91.9
Area Harvested	81.4	83.9
Yield	152.8	146.7
Beginning Stocks	1,708	1,128
Production	12,447	12,310
Imports	28	15
Supply, Total	14,182	13,453
Feed & Residual	4,792	4,600
Food, Seed & Industrial	6,428	6,410
Domestic Use, Total	11,220	11,010
Exports	1,835	1,600
Use, Total	13,054	12,610
Ending Stocks	1128	843
Average Farm Price	\$5.18	\$6.20-\$7.20

World Corn Supply and Use

	<u>2009-10</u>	<u>2010-11 (est.)</u>	<u>2011-12 (proj.)</u>
Beginning Stocks	147.20	144.05	129.04
Production	819.61	828.69	858.99
Imports	89.76	90.09	92.11
Feed	488.66	494.04	508.53
Total	822.76	843.70	866.46
Exports	96.81	90.45	95.14
Ending Stocks	144.05	129.04	121.57

Million Metric Tons

December '11 Corn



Source: CBOT

March '12 Corn



Source: CBOT

10-Year Soybean Prices

Prices Received for Soybeans by Month – United States

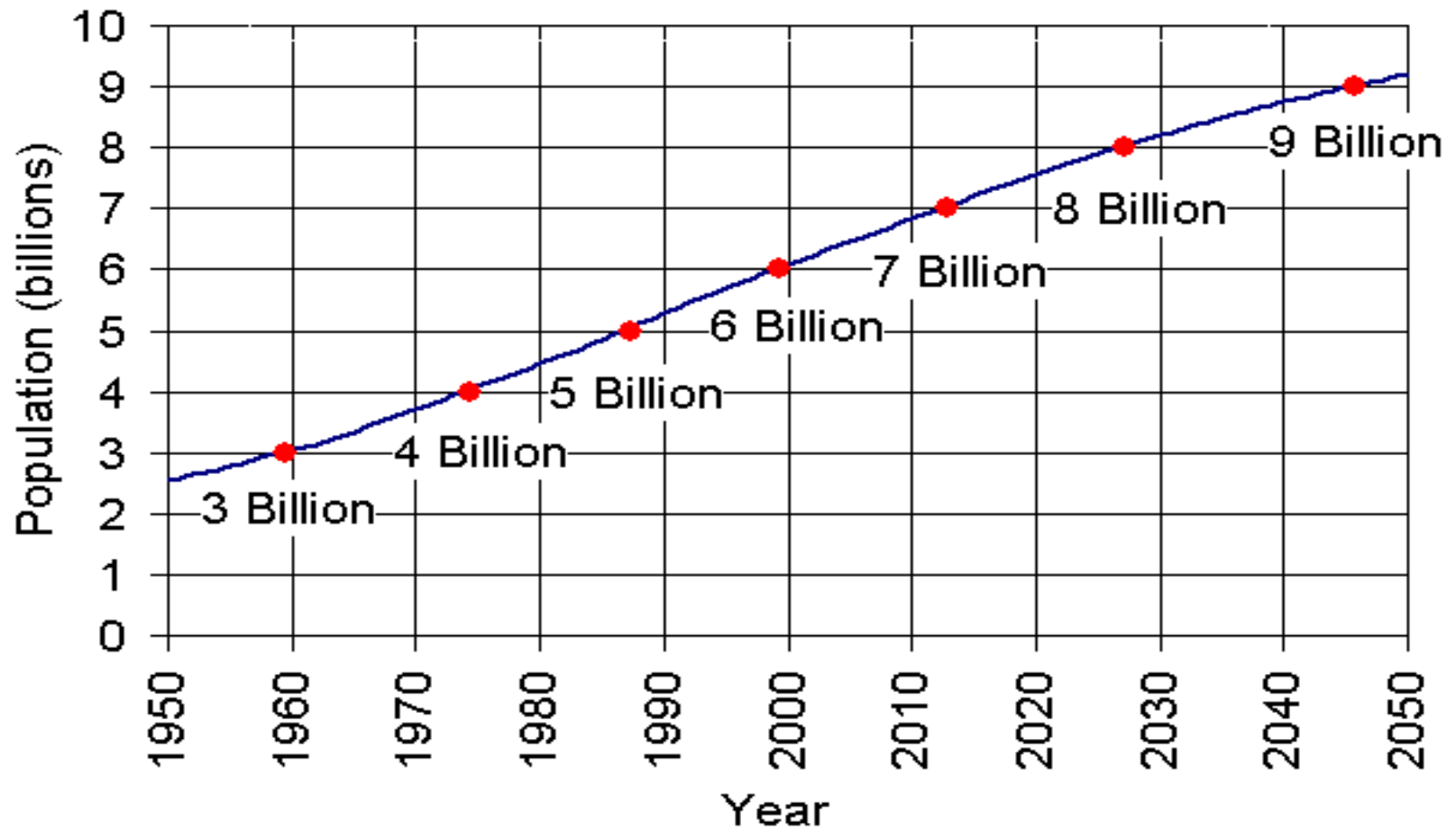
Dollars per bushel



USDA - NASS
10/31/2011

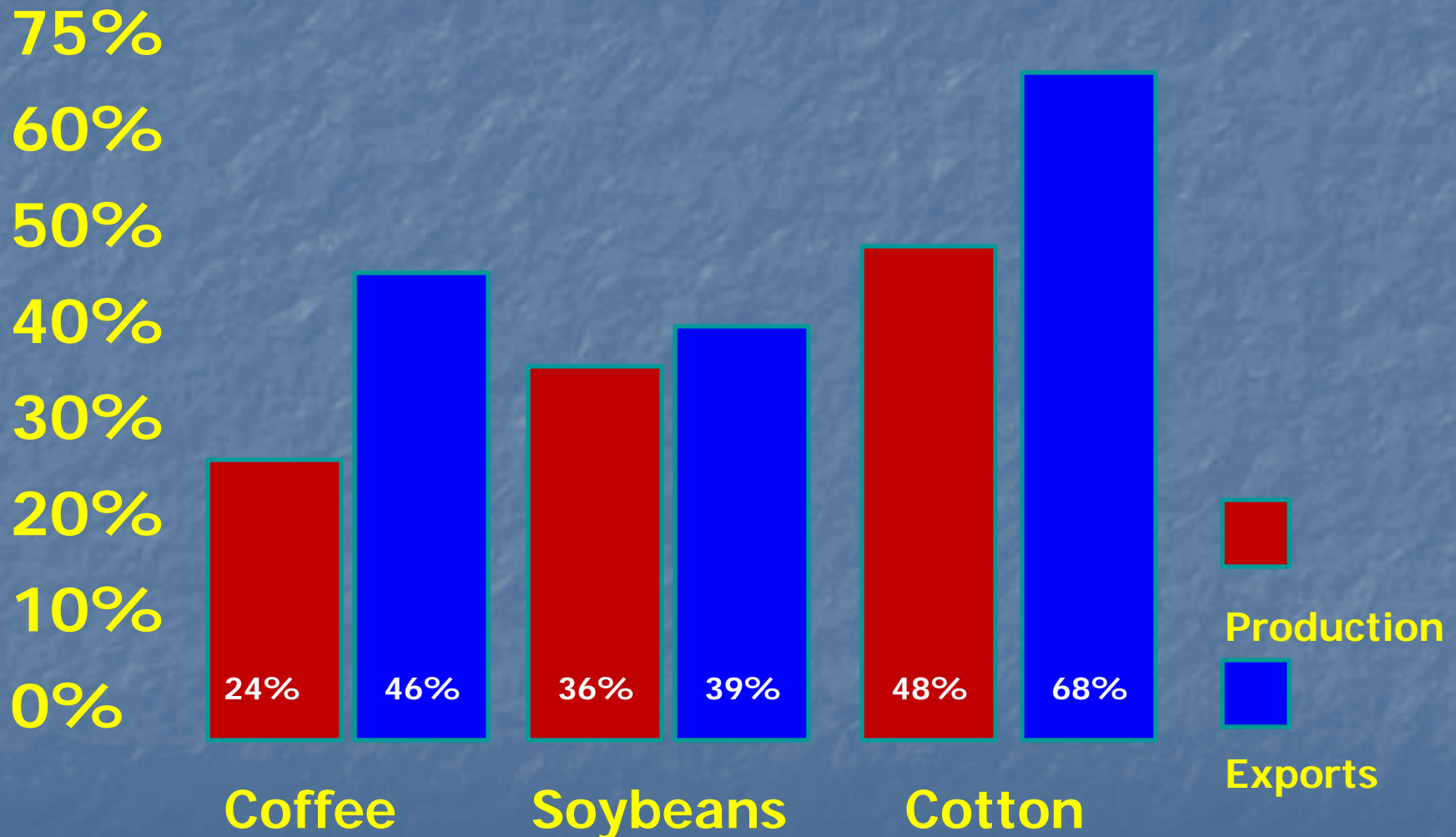
Source: NASS

Projected World Population 2050



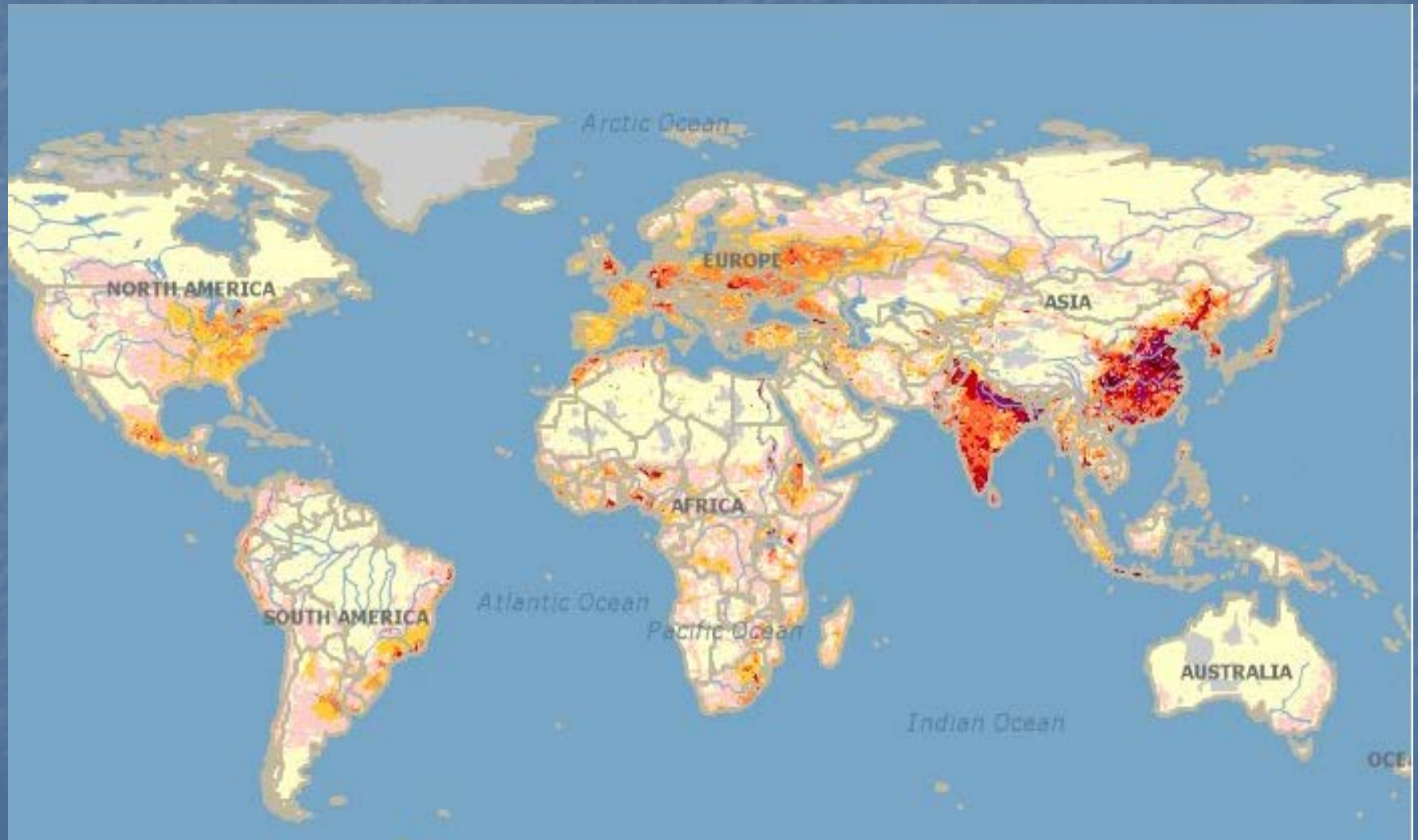
Source: U.S. Census Bureau, International Data Base, December 2009 Update.

Brazil's Big Ag Expansion 2011-21



Source: DTN

World Population Density



"Youth Bulge" Population Impact

Millions

300

250

200

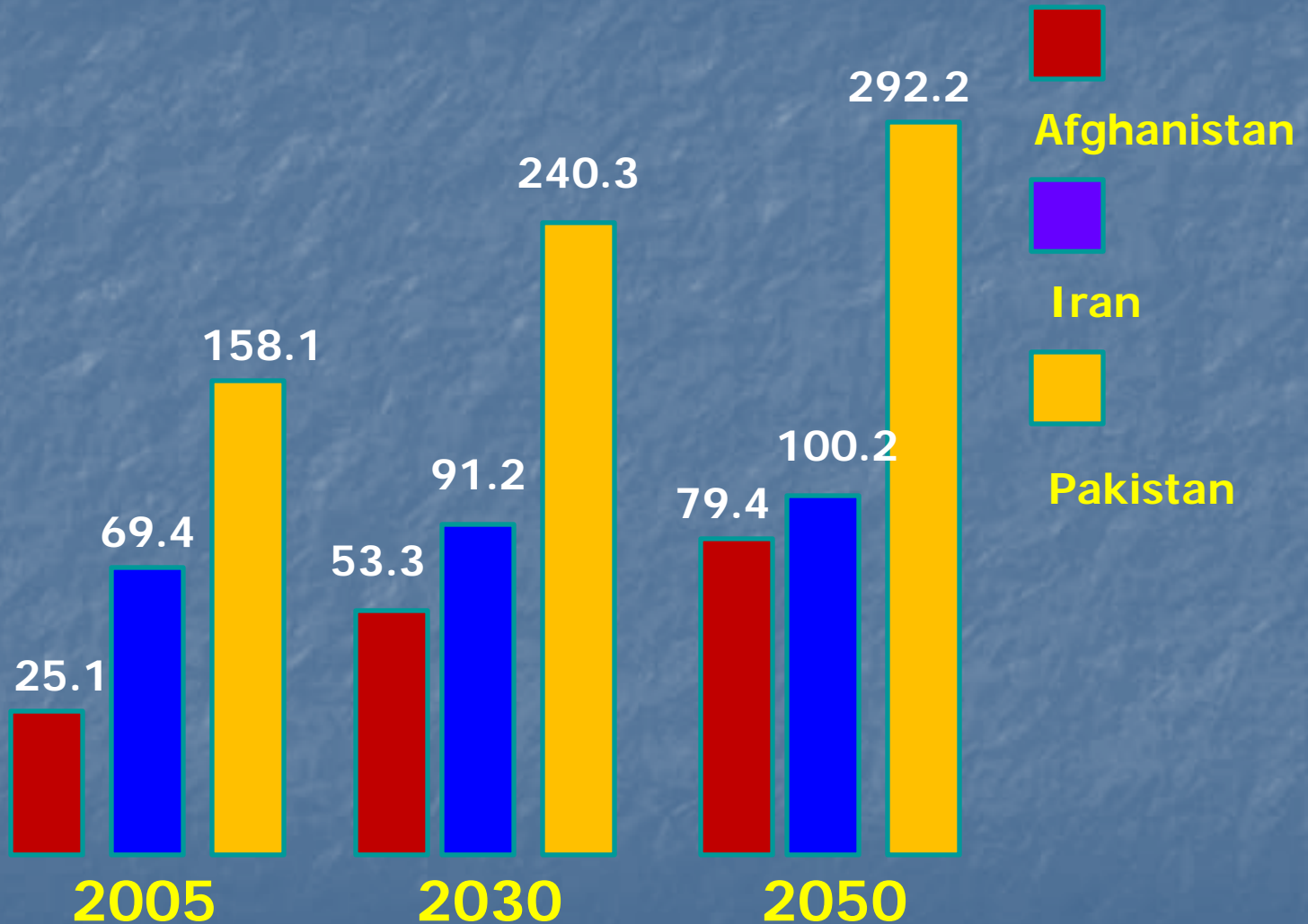
150

100

50

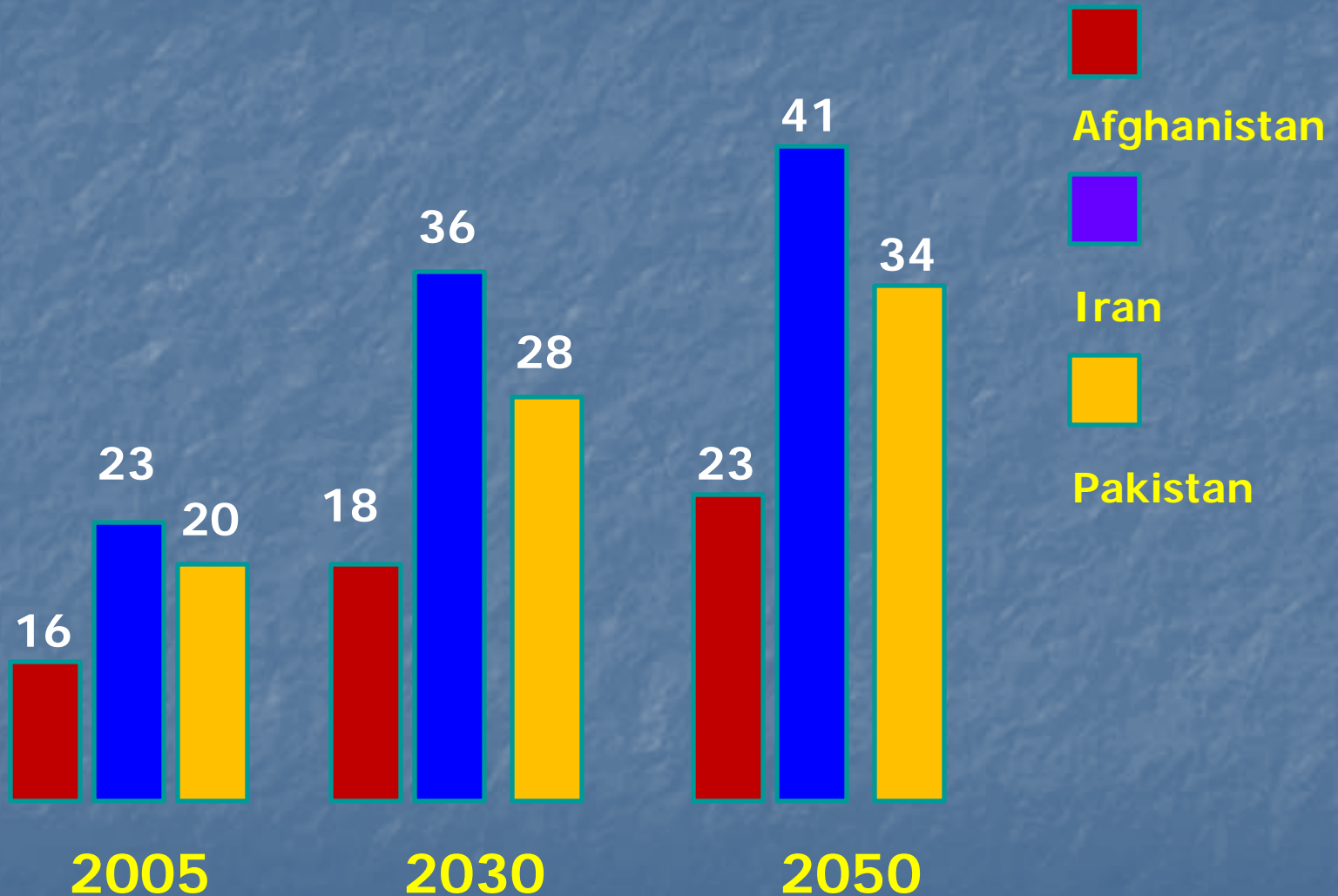
25

0



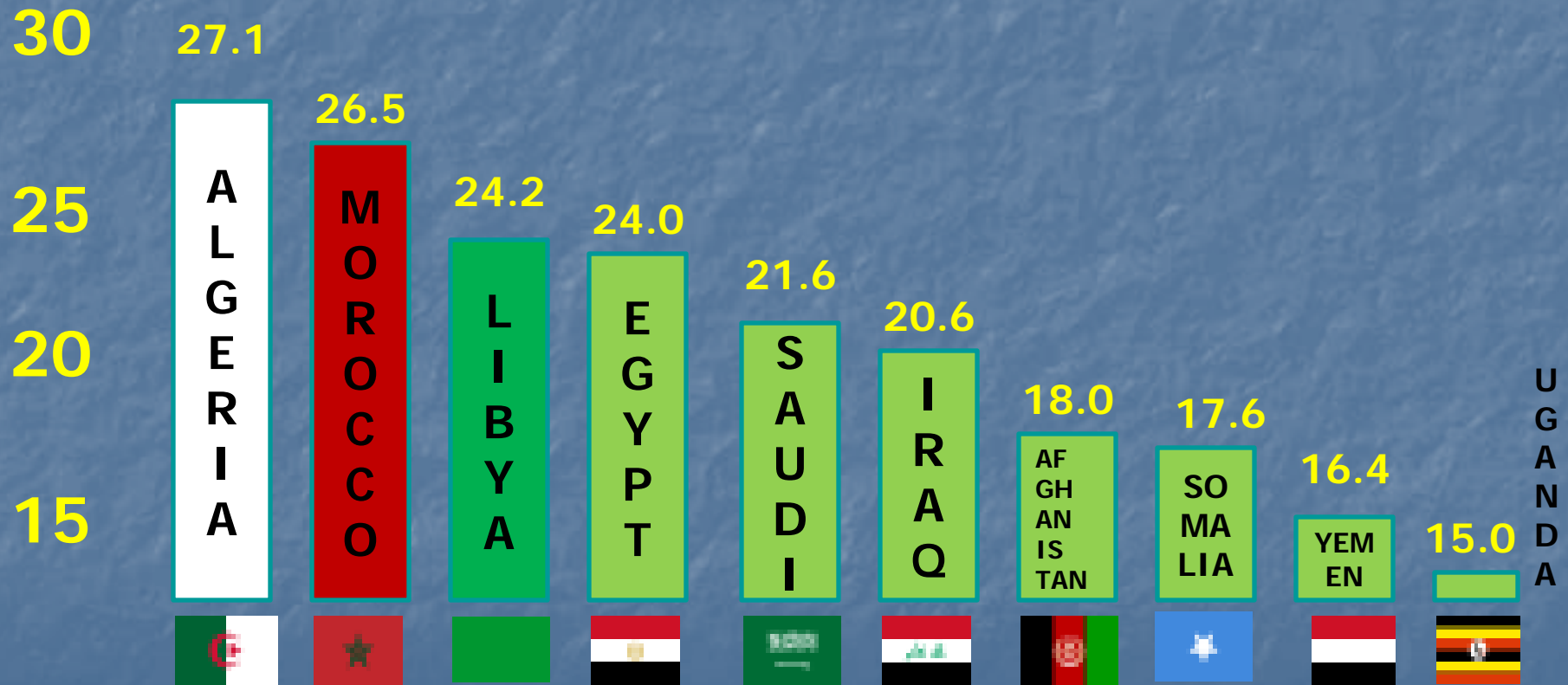
Source: Stanford Center for Longevity

Median Age in Mideast Hot Spots



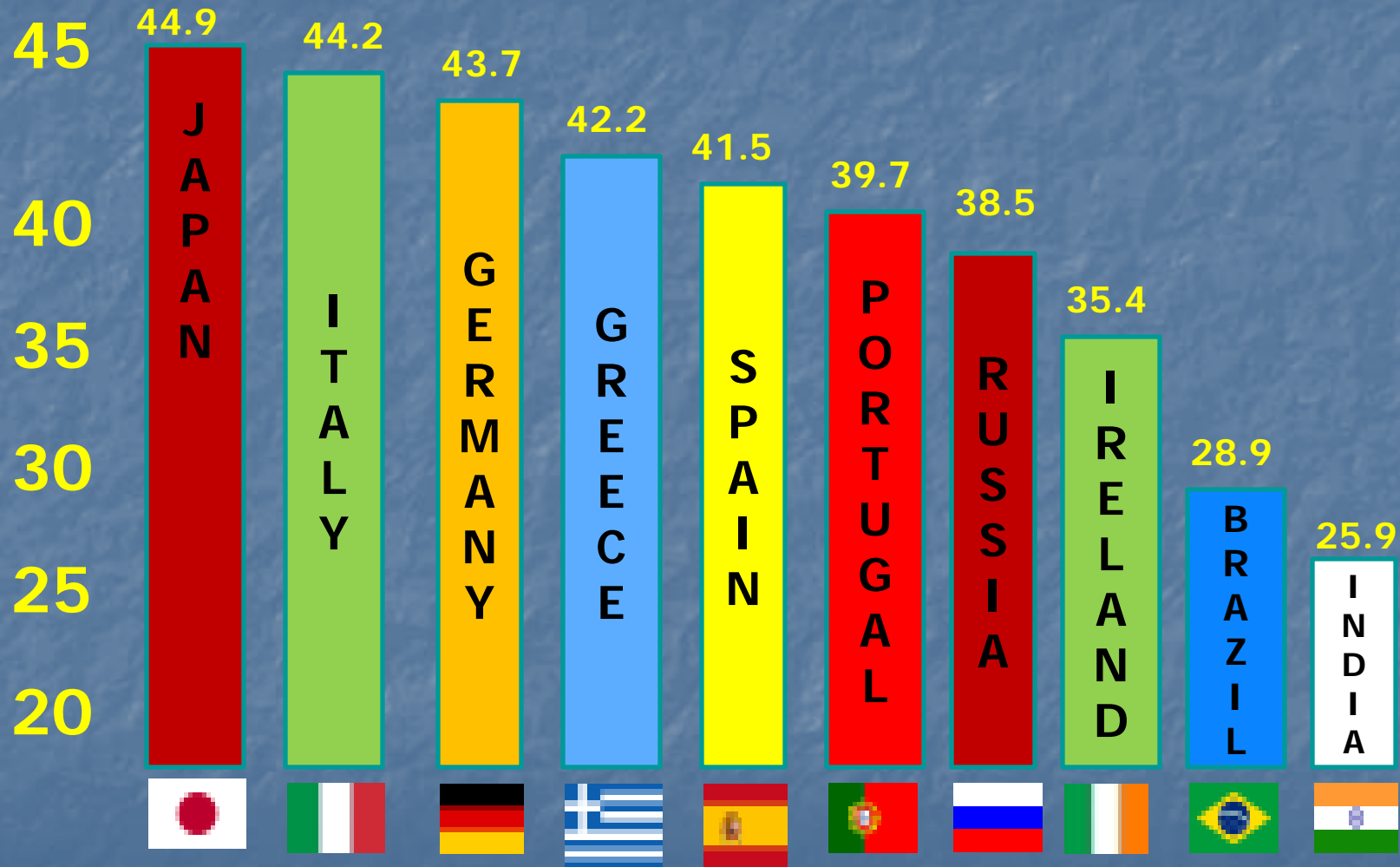
Source: Stanford Center for Longevity

Median Age – Global Hot Spots



Source: CIA World Factbook

Median Age – BRICs, PIIGS & More



Source: CIA World Factbook

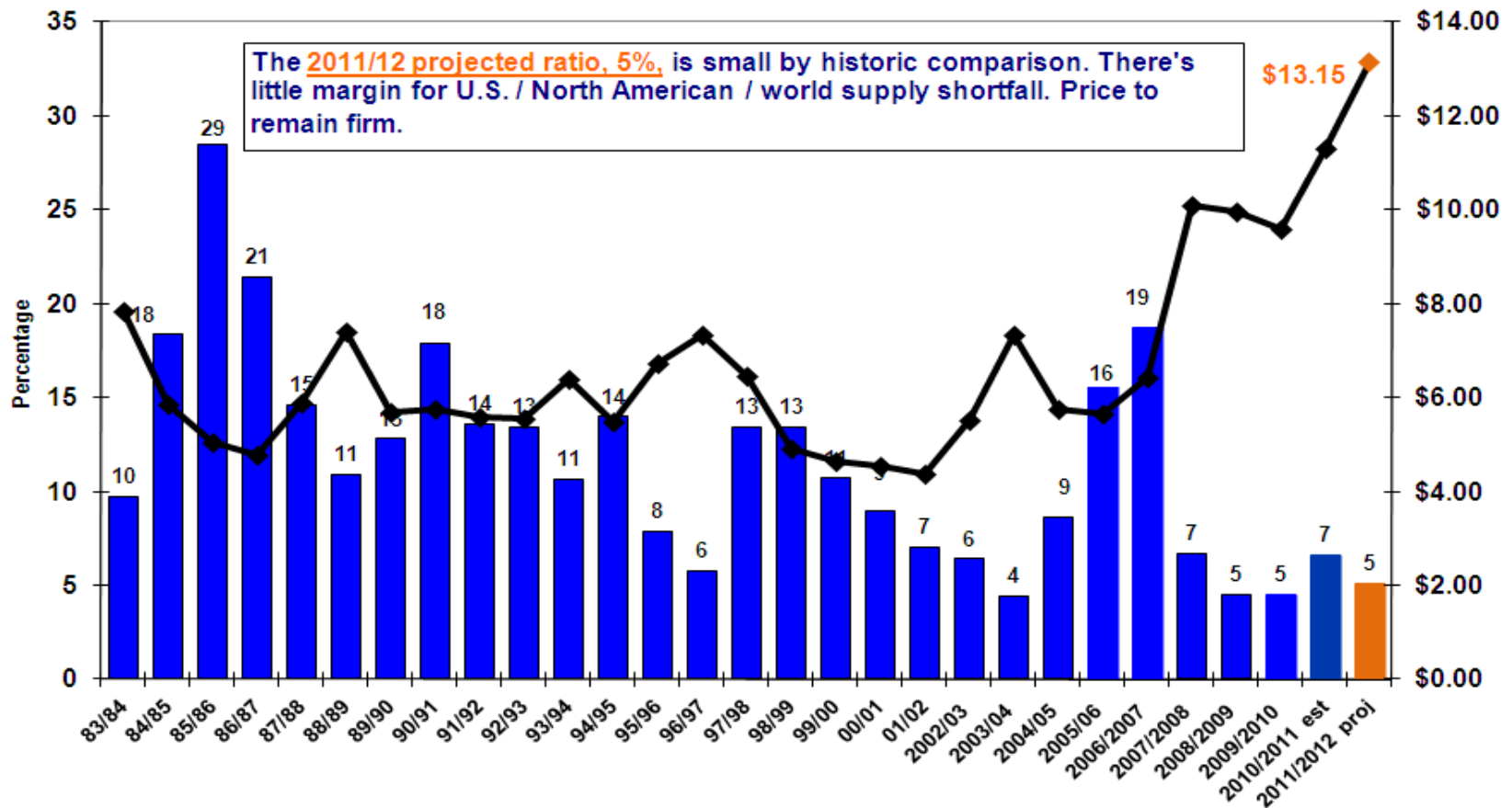
Solid as a BRIC?

- Brazil, Russia, India, China to be "among four most dominant economies by 2050";
- 25 percent of world's land mass;
- 40 percent of global population;
- \$18.48 trillion in combined GDP
- 41 percent of world's market capitalization by 2030.

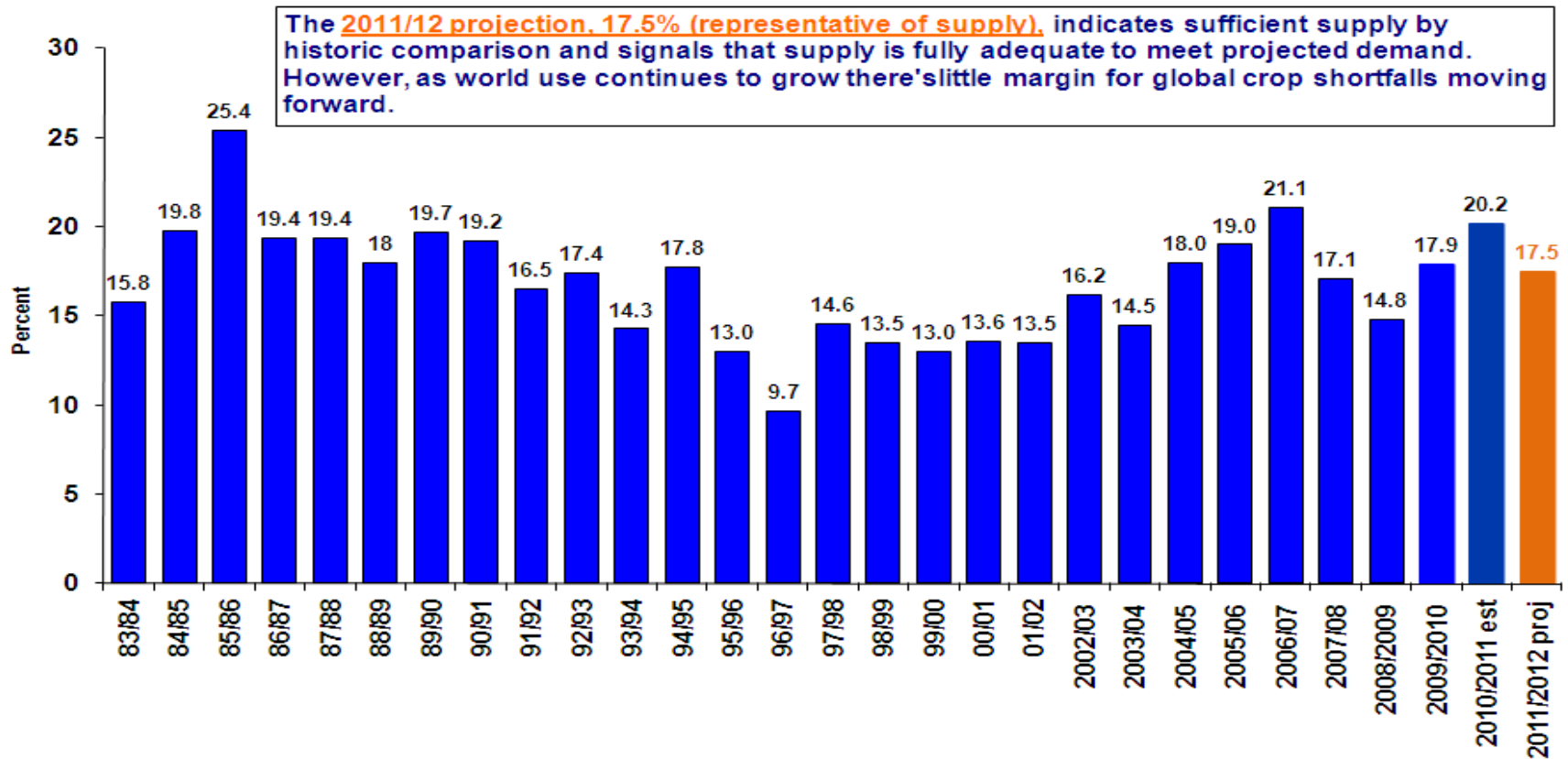
How BRIC Stacks Up – Part II

- Middle class in all four countries could reach 200 million by 2025;
- India alone has 10 of world's 30 fastest-growing urban centers; 700 million to move to cities by 2050;
- Forbes: March 2011, BRIC has more billionaires than Europe for first time.

U.S. Soybean Ending Stocks As % of Use



World Soybean Ending Stocks as Percentage of Use



USDA Soybean Supply and Use

	2010/11 Est. (11/9/11)	2011/2012 Projected
Area Planted	77.4	75.0
Area Harvested	76.6	73.7
Yield (bushels per acre)	43.5	41.3
Beginning Stocks	151	215
Production	3,329	3,046
Imports	14	15
Supply, Total	3,495	3,275
Crush	1,648	1,635
Exports	1,501	1,325
Seed	87	88
Residual	43	32
Use, Total	3,280	3,080
Ending Stocks	215	195
Average Farm Price	\$11.30	\$11.60-\$13.60

World Soybean Supply and Use

	<u>2009/10</u>	<u>2010/11 (est.)</u>	<u>2011/2012(Proj.)</u>
Beginning Stocks	42.57	59.41	68.37
Production	260.85	264.18	258.91
Imports	86.80	88.68	94.21
Crush	209.50	221.11	230.67
Total	238.22	251.48	261.03
Exports	92.60	92.41	96.90
Ending Stocks	59.41	68.37	63.56

Million Metric Tons

November '11 Soybeans



Source: CBOT

March '12 Soybeans



Source: CBOT

10-Year Wheat Prices

Prices Received for Wheat by Month – United States

Dollars per bushel



USDA - NASS
10/31/2011

Source: NASS

USDA Wheat Supply and Use

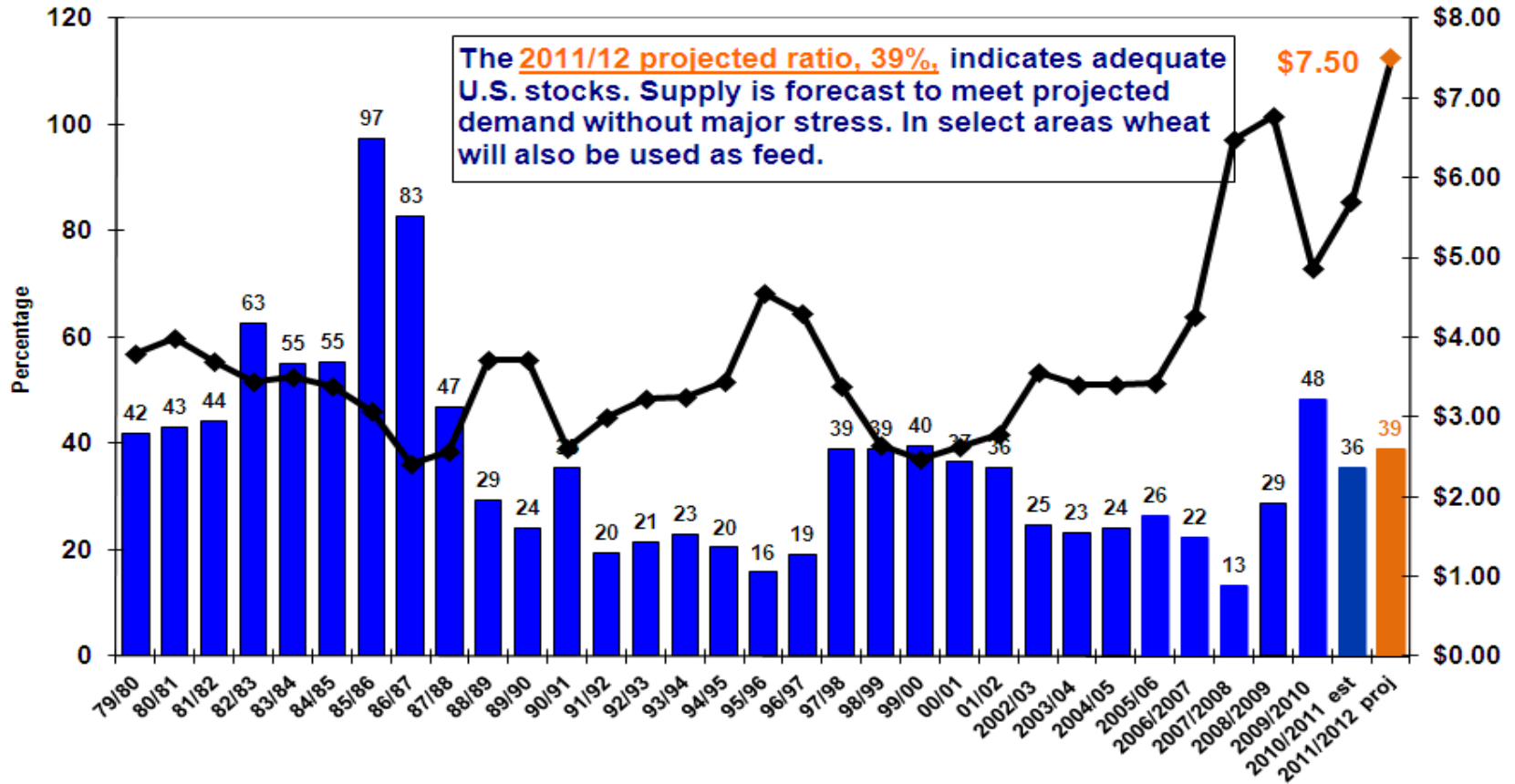
	2010/11 (11/9/11)	2011/2012 Projected
Area Planted	53.6	54.4
Area Harvested	47.6	45.7
Yield (bushels per acre)	46.3	43.7
Beginning Stocks	976	862
Production	2,207	1,999
Imports	97	120
Supply, Total	3,279	2,982
Food	926	940
Seed	71	78
Feed & Residual	132	160
Exports	1,289	1,178
Use, Total	2,417	2,153
Ending Stocks	862	837
Average Farm Price	\$5.70	\$7.05-\$7.75

World Wheat Supply and Use

	<u>2009/10</u>	<u>2010/11(est.)</u>	<u>2011/2012 (Proj.)</u>
Beginning Stocks	167.10	200.91	196.13
Production	684.31	648.70	683.30
Imports	133.58	129.85	133.79
Feed	115.66	112.49	126.42
Total	650.50	653.48	676.83
Exports	135.80	131.37	137.30
Ending Stocks	200.91	196.13	202.60

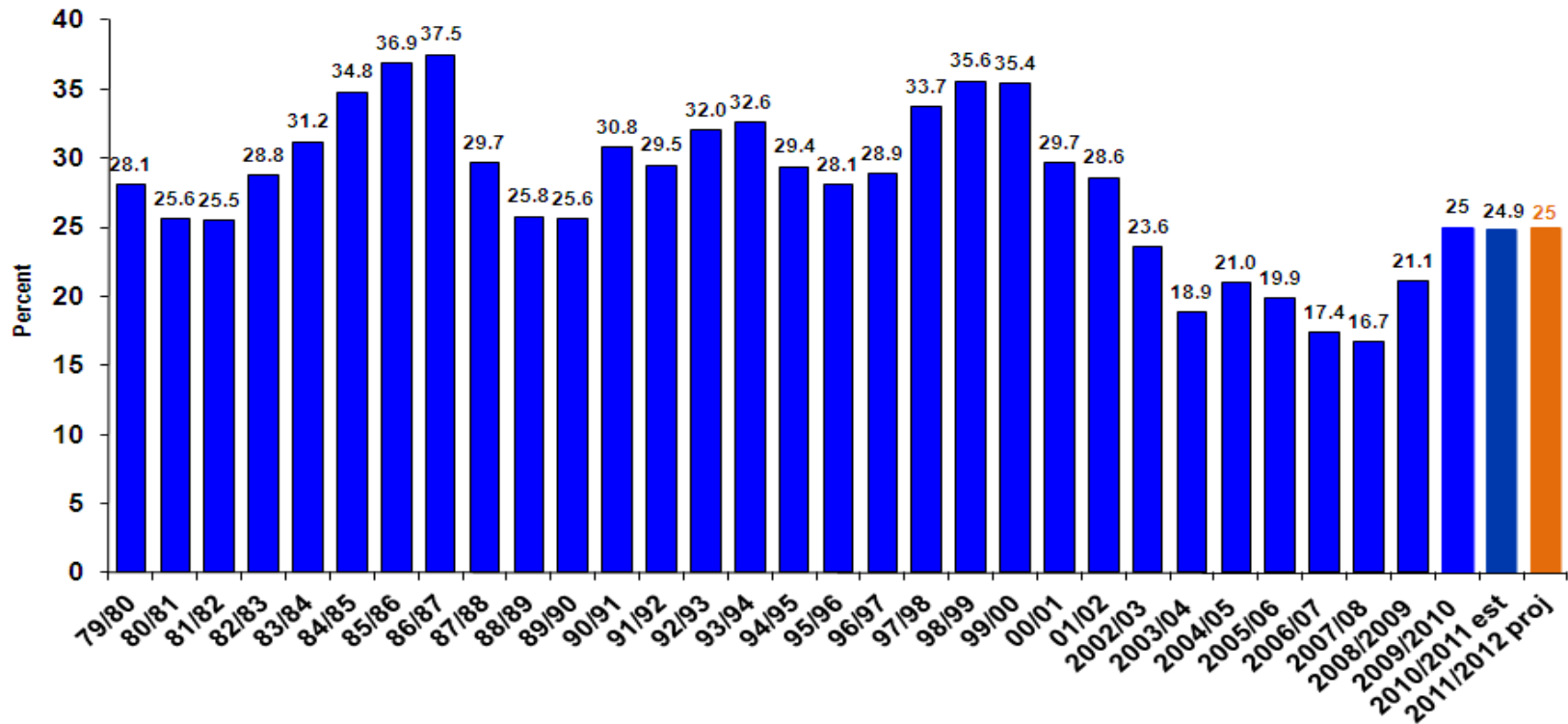
Million Metric Tons

U.S. Wheat Ending Stocks As % of Use



World Wheat Ending Stocks as a Percentage of Use

While lower yr/yr the **2011/12 projected ratio, 25%**, indicates that supply will comfortably meet demand. Wheat will also be utilized as feed grain in select markets.

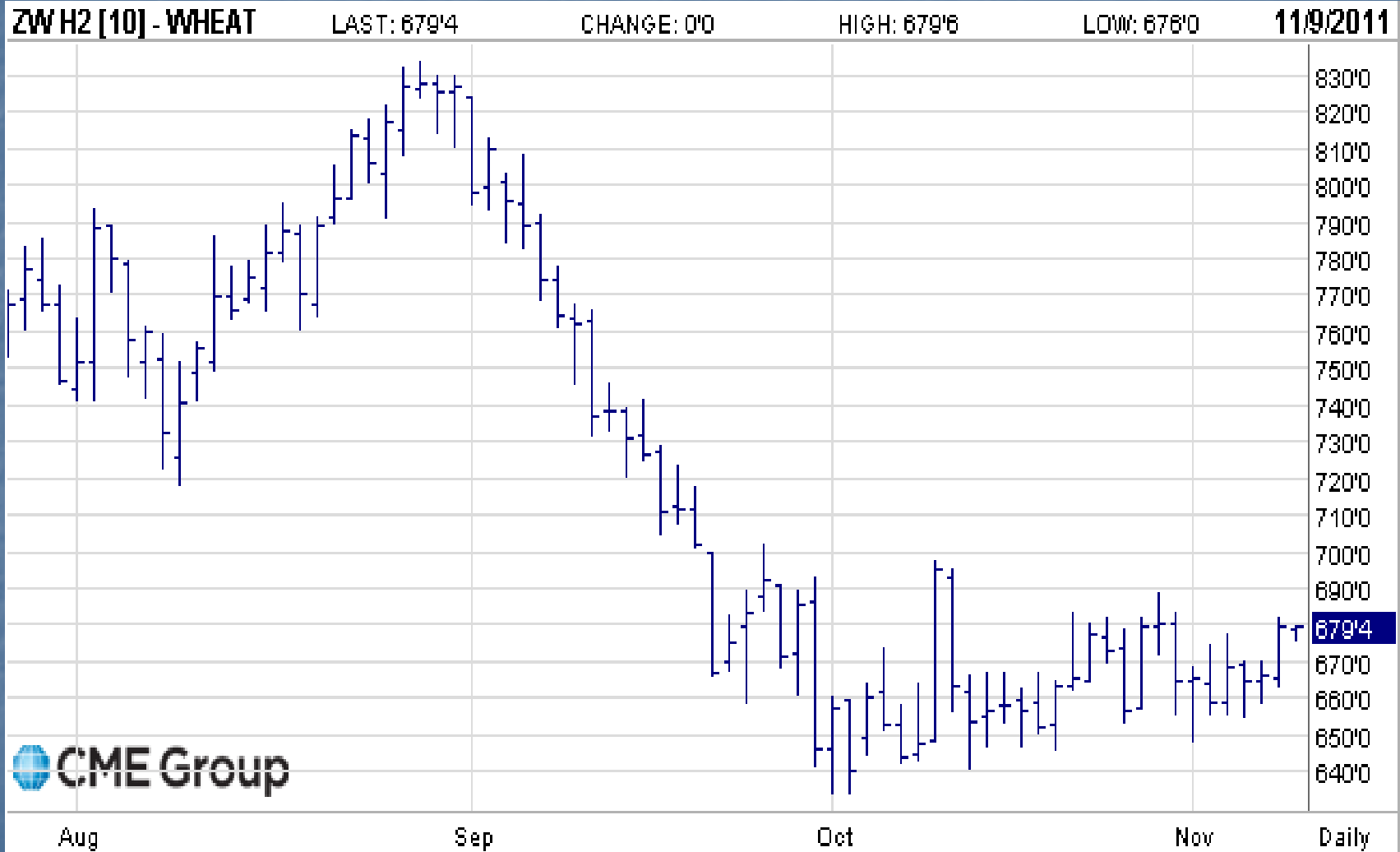


December '11 Chicago Wheat



Source: CBOT

March '12 Chicago Wheat



Source: CBOT

10-Year Cotton Prices

Prices Received for Upland Cotton by Month – United States

Dollars per pound



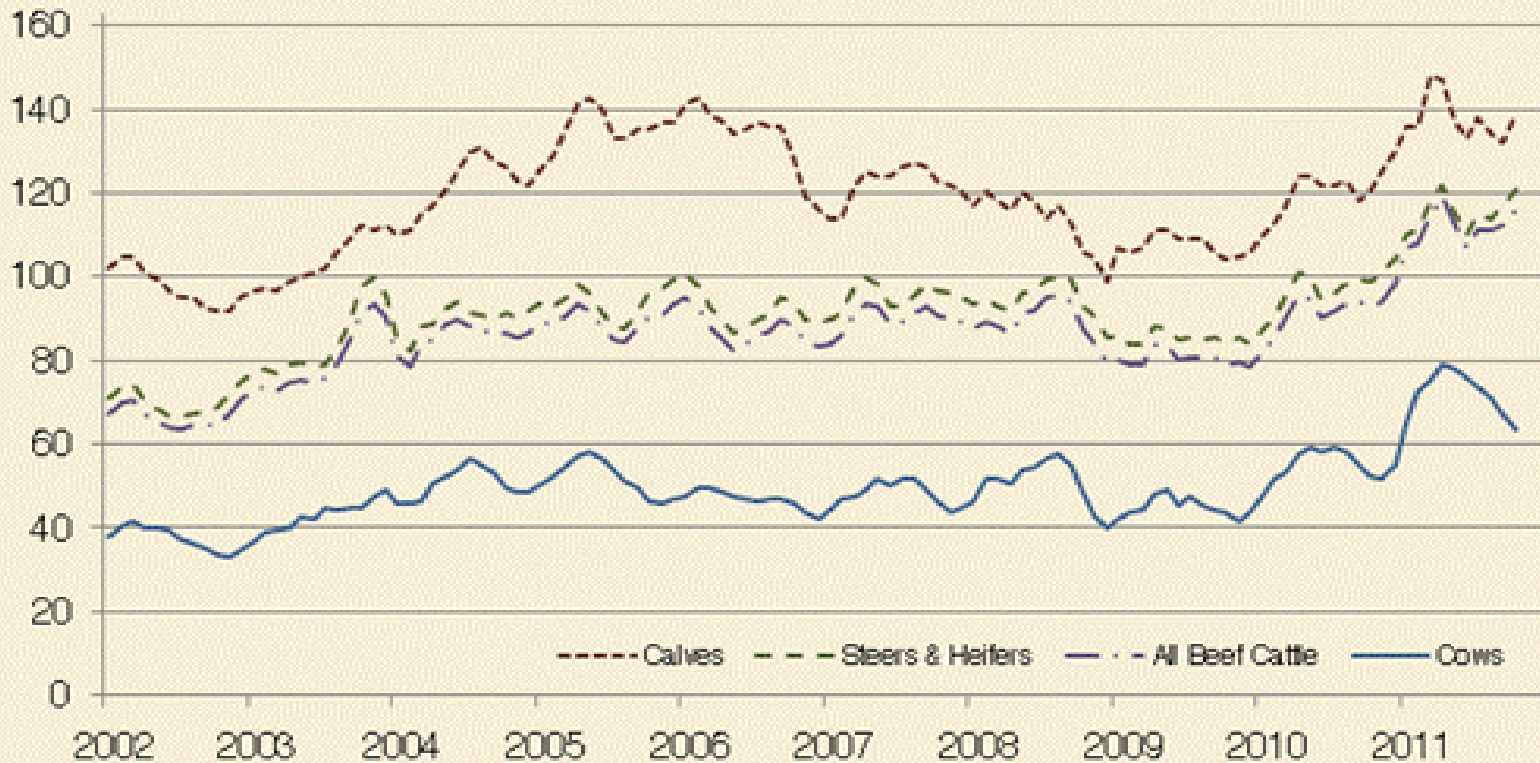
USDA - NASS
10/31/2011

Source: NASS

10-Year Cattle Prices

Prices Received for Cattle by Month – United States

Dollars per cwt



USDA - NASS
10/31/2011

Source: NASS

10-Year Hog Prices

Prices Received for Hogs by Month – United States

Dollars per cwt



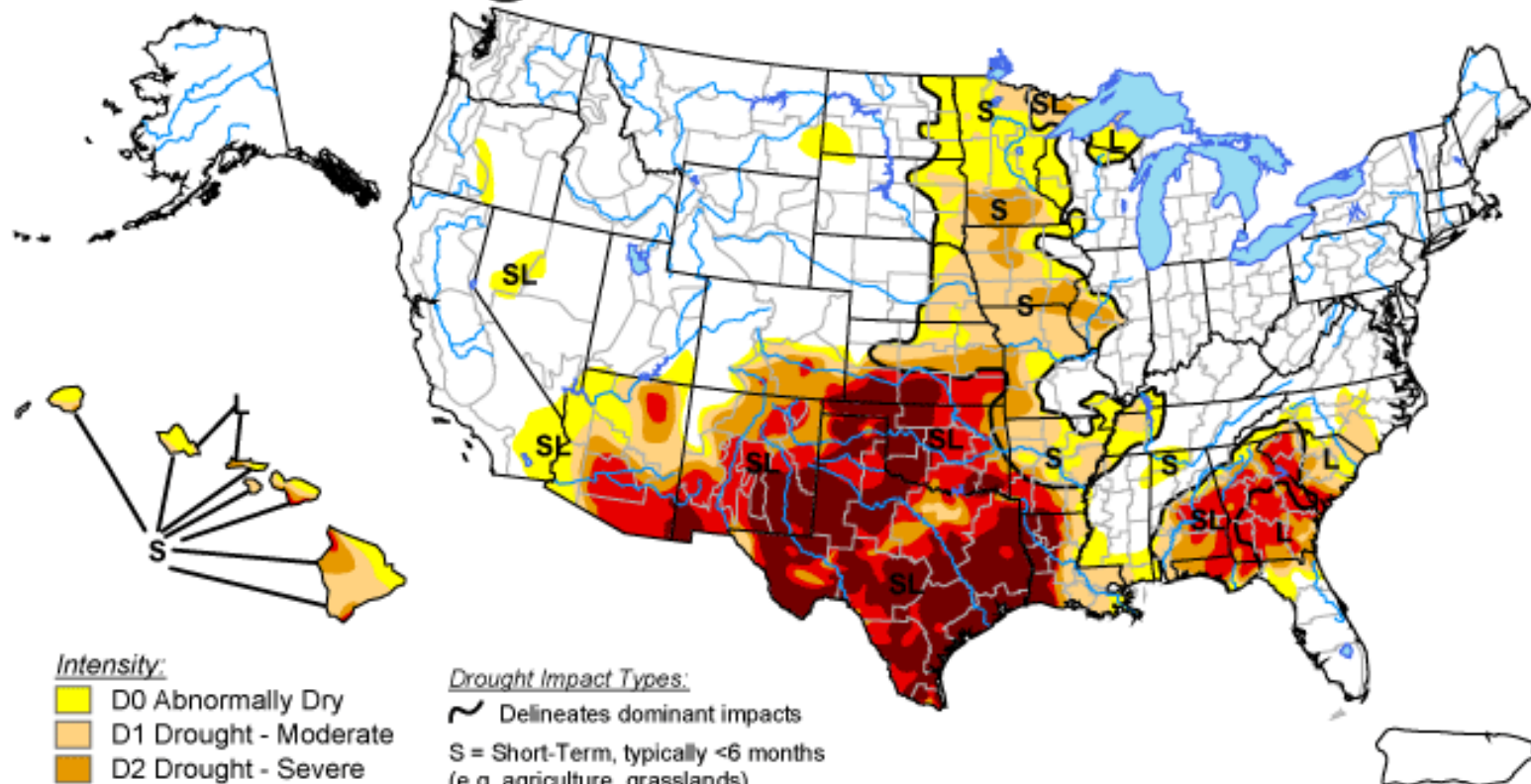
USDA - NASS
10/3 1/20 11

Source: NASS






U.S. Drought Monitor

November 1, 2011


Valid 8 a.m. EDT



Intensity:

-  D0 Abnormally Dry
-  D1 Drought - Moderate
-  D2 Drought - Severe
-  D3 Drought - Extreme
-  D4 Drought - Exceptional

Drought Impact Types:

-  Delineates dominant impacts
- S = Short-Term, typically <6 months
(e.g. agriculture, grasslands)
- L = Long-Term, typically >6 months
(e.g. hydrology, ecology)

*The Drought Monitor focuses on broad-scale conditions.
Local conditions may vary. See accompanying text summary
for forecast statements.*

<http://droughtmonitor.unl.edu/>



Released Thursday, November 3, 2011

Author: Brian Fuchs, National Drought Mitigation Center

Globally Local World: What's Ahead

- Recovering economy
- Demographics will drive ag/food product demand
- Next world industrial expansion: Africa
- U.S. continues to be ag technology leader
- U.S., China will drive African development
- Infrastructure build-out continues in South America
- 'Youth bulge' means growth in Middle East, but destabilized environment
- What's this mean for you: Continued strong demand for U.S. agricultural commodities and land values