

A stylized, colorful illustration of a farm landscape. The background features rolling green hills, a large green tree on the left, a red barn with a white roof, and a white silo. The sky is a mix of blue and purple tones. The entire scene is framed by a dark blue border.

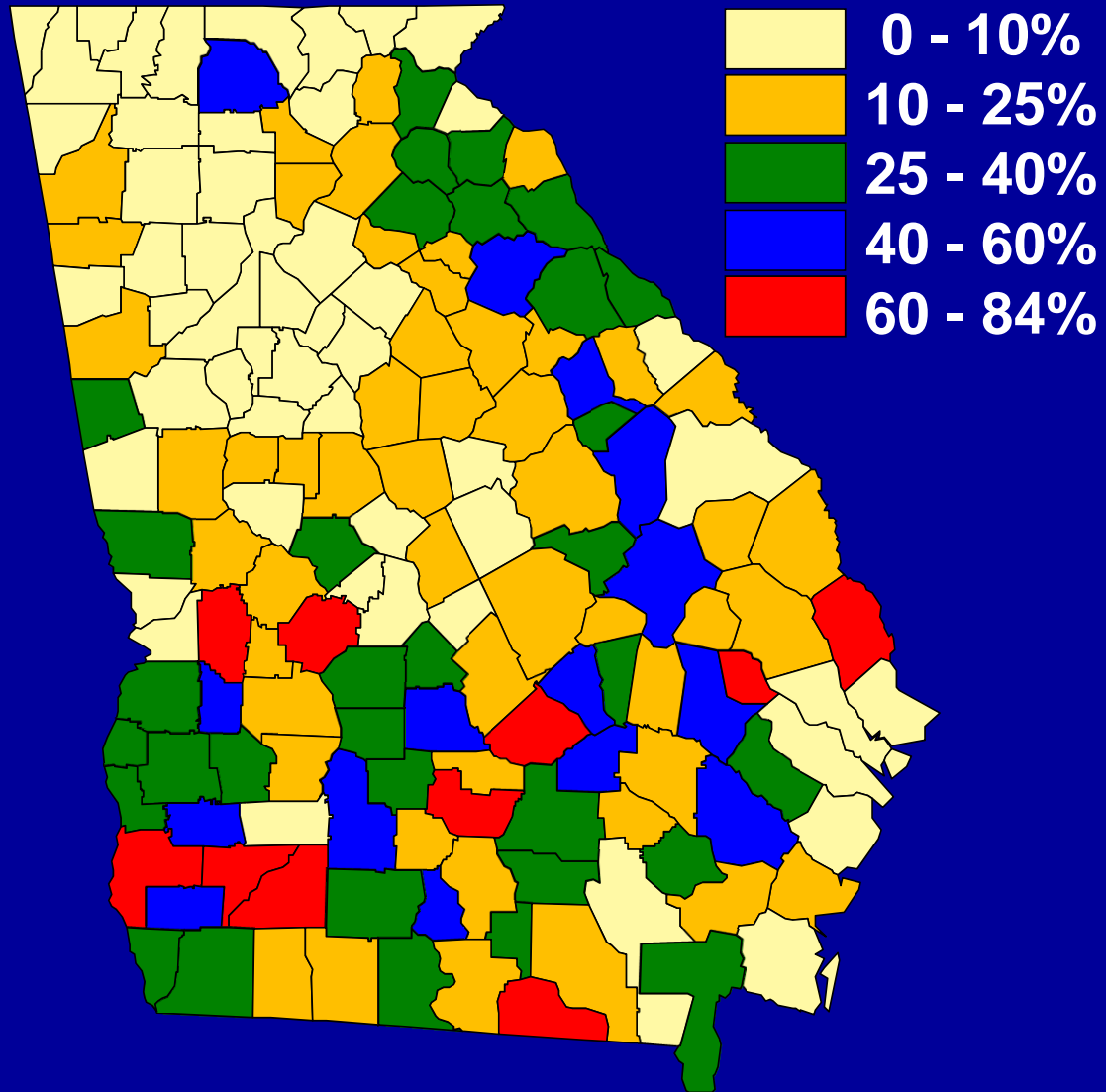
Georgia's Agribusiness Outlook

Presented by:
John C. McKissick

*The Center for Agribusiness
and Economic Development*
www.caed.uga.edu

College of Agricultural
and Environmental Sciences
The University of Georgia

Food and Fiber Production and Directly Related Manufacturing *IMPACT* as % of Total Output



Opportunities/Challenges '07?

After a "Challenged" '06!

Opportunities

- Under 2002 farm bill this crop year
- First time since 1996 "real" cropping alternatives
- High grain/oilseed prices
- Demand for some food products/"farm fresh", local grown, "Value-added"

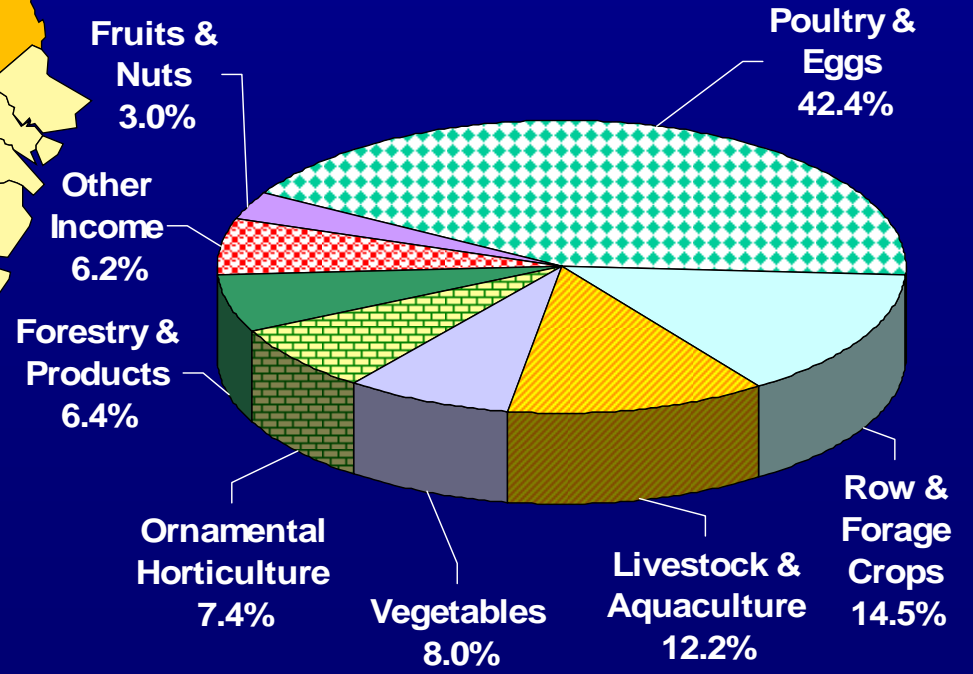
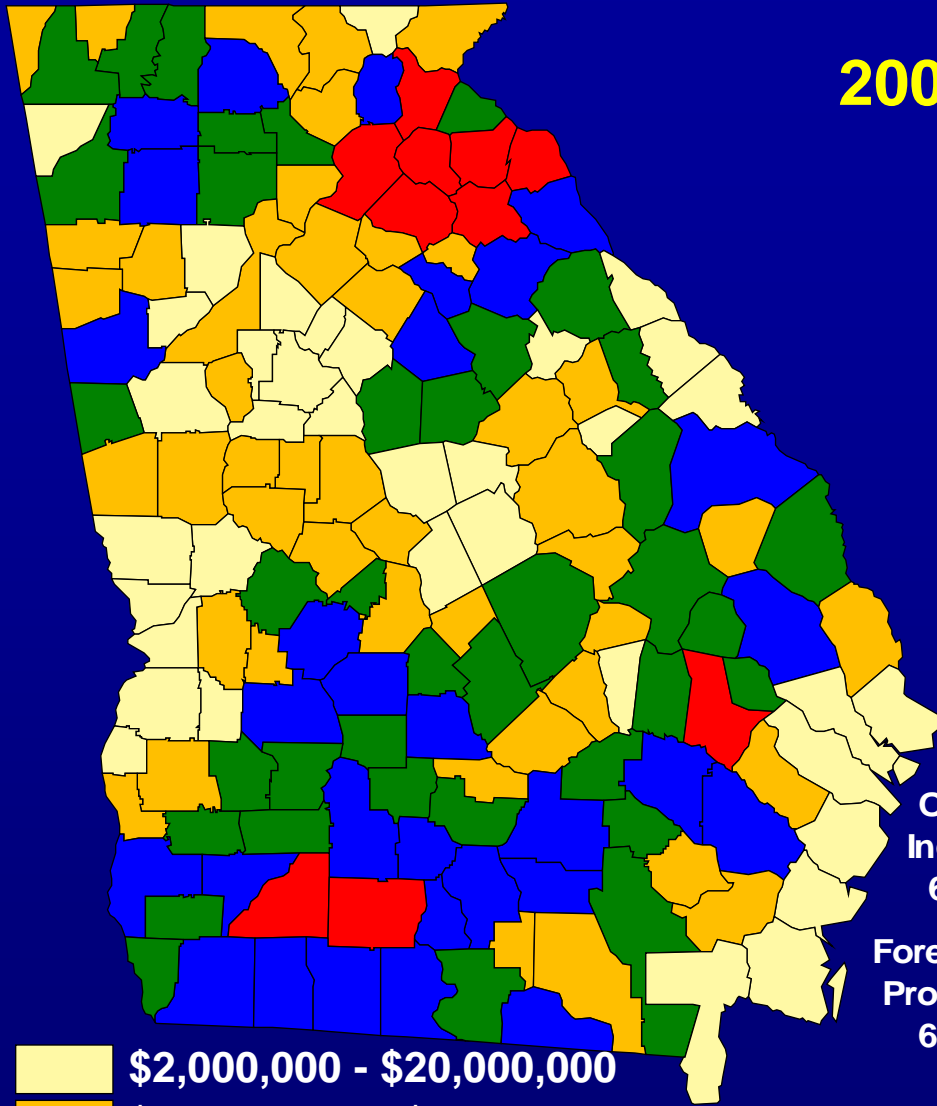
Challenges

- High grain/oilseed prices impact livestock poultry industry (60% of Farm gate)
- Food quality/safety impacts demand
- Farm/agribusiness labor
- Long-Term – New Farm Bill!
- WEATHER

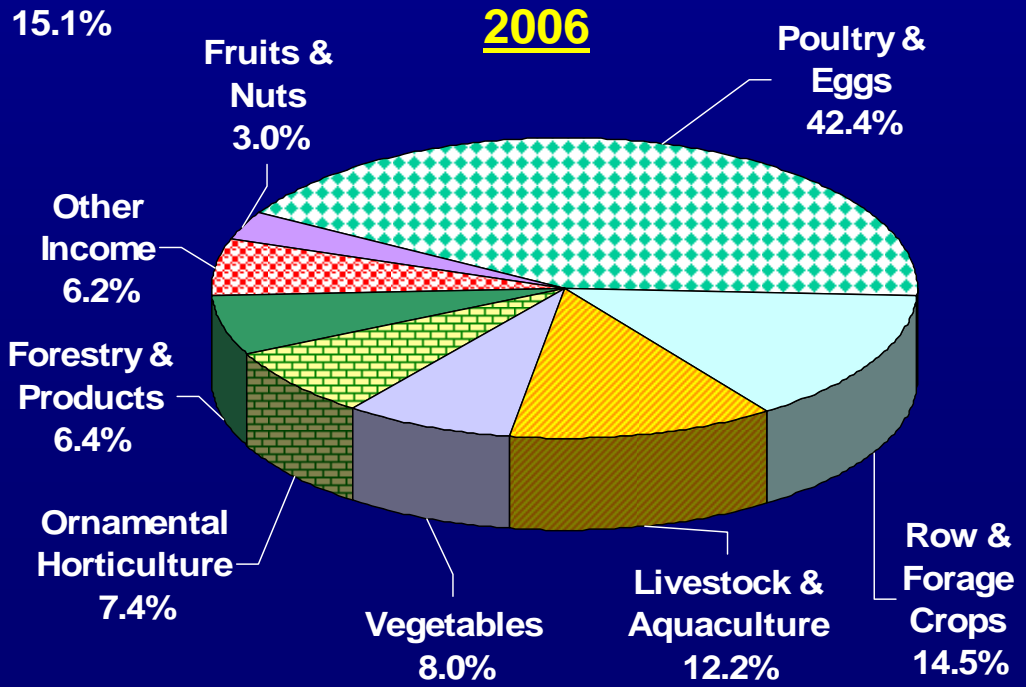
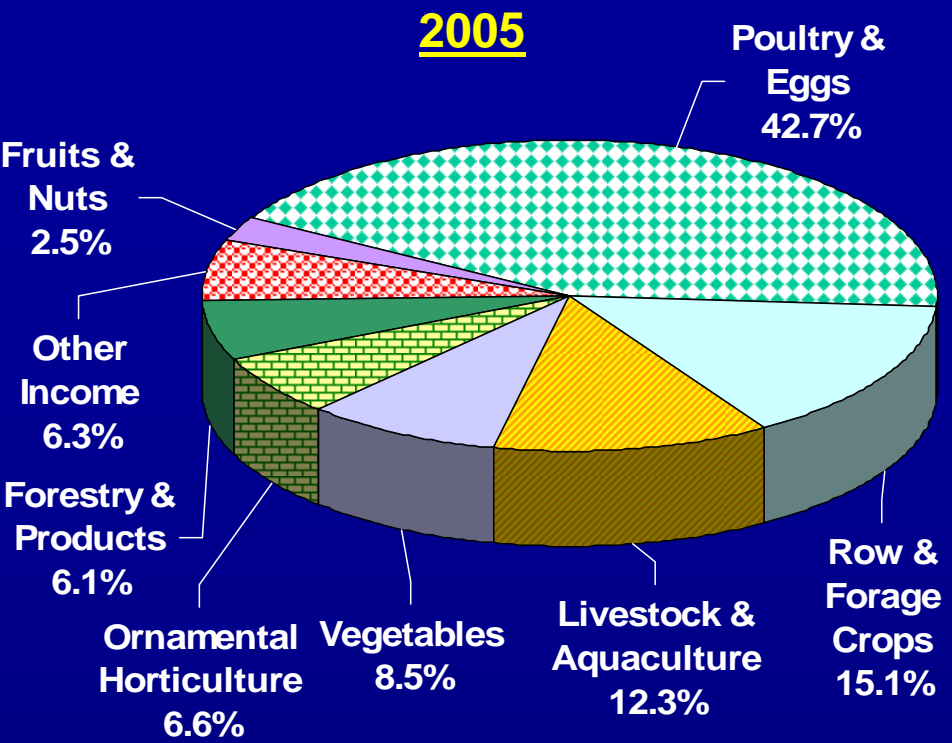
2006 Total Farm Gate Value

GA = \$10.4 billion

2005 = \$10.6 billion

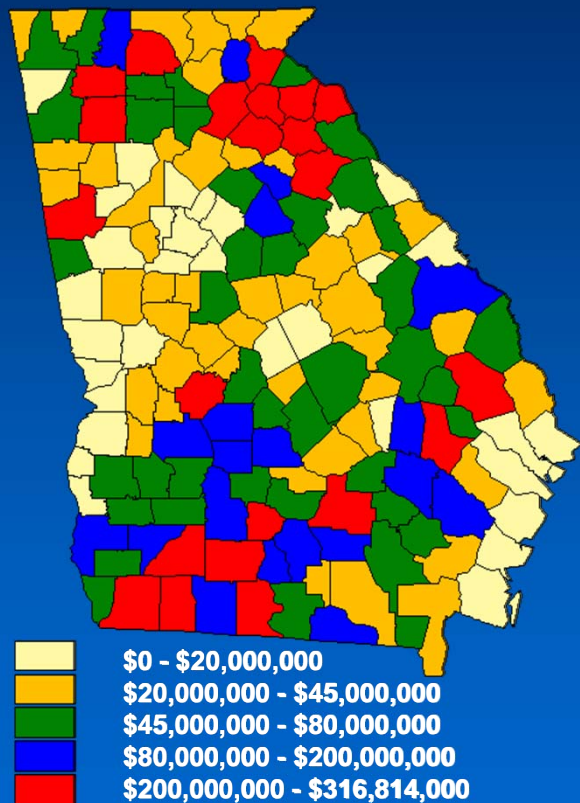


Farm Gate Value Commodity Group Comparisons: 2005-2006



Farm Gate Value
2005 = \$10.6 billion
2006 = \$10.4 billion

Farm Value Declined in 2006, First In 10 Years! What About 2007?



- Crop/Forage Prices improved, production?
- Poultry adjustments to high feed cost results in higher prices
- Vegetable/fruits modest growth
- Ornamental markets mixed
- Livestock reduced with Beef prices down

Bottom Line – Improved in 2007

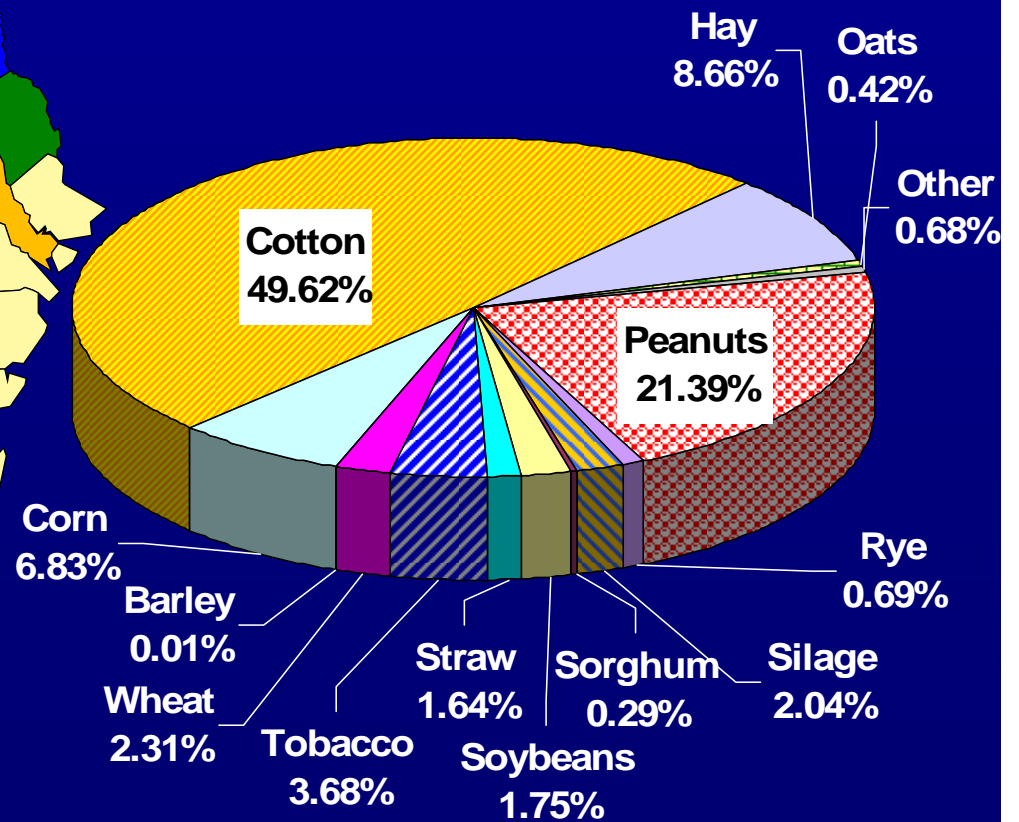
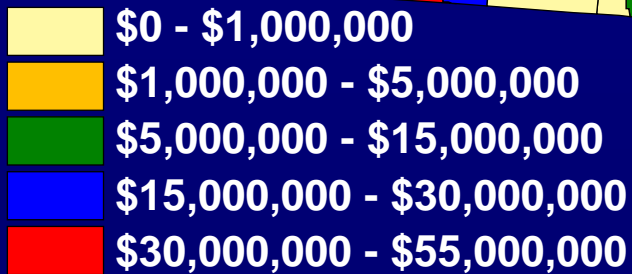
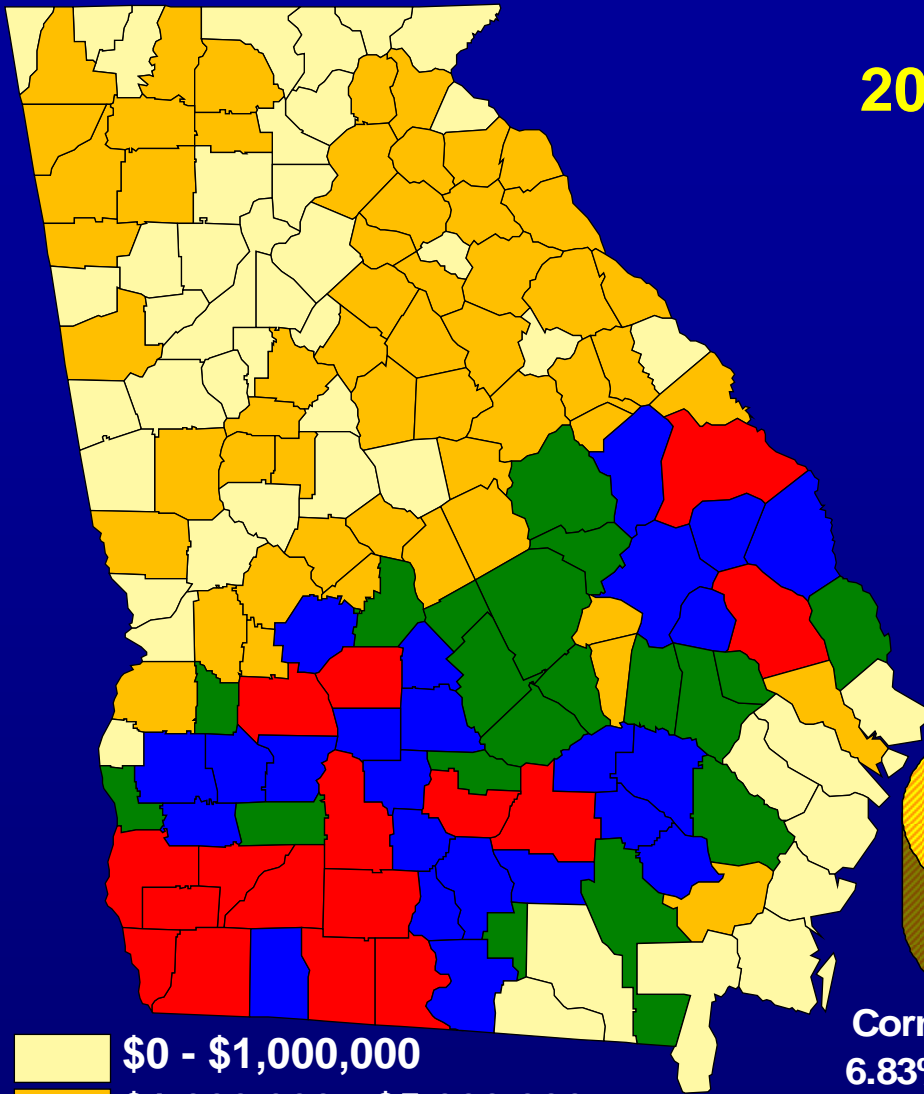
Before Freeze and Drought

2006 Row & Forage Crops

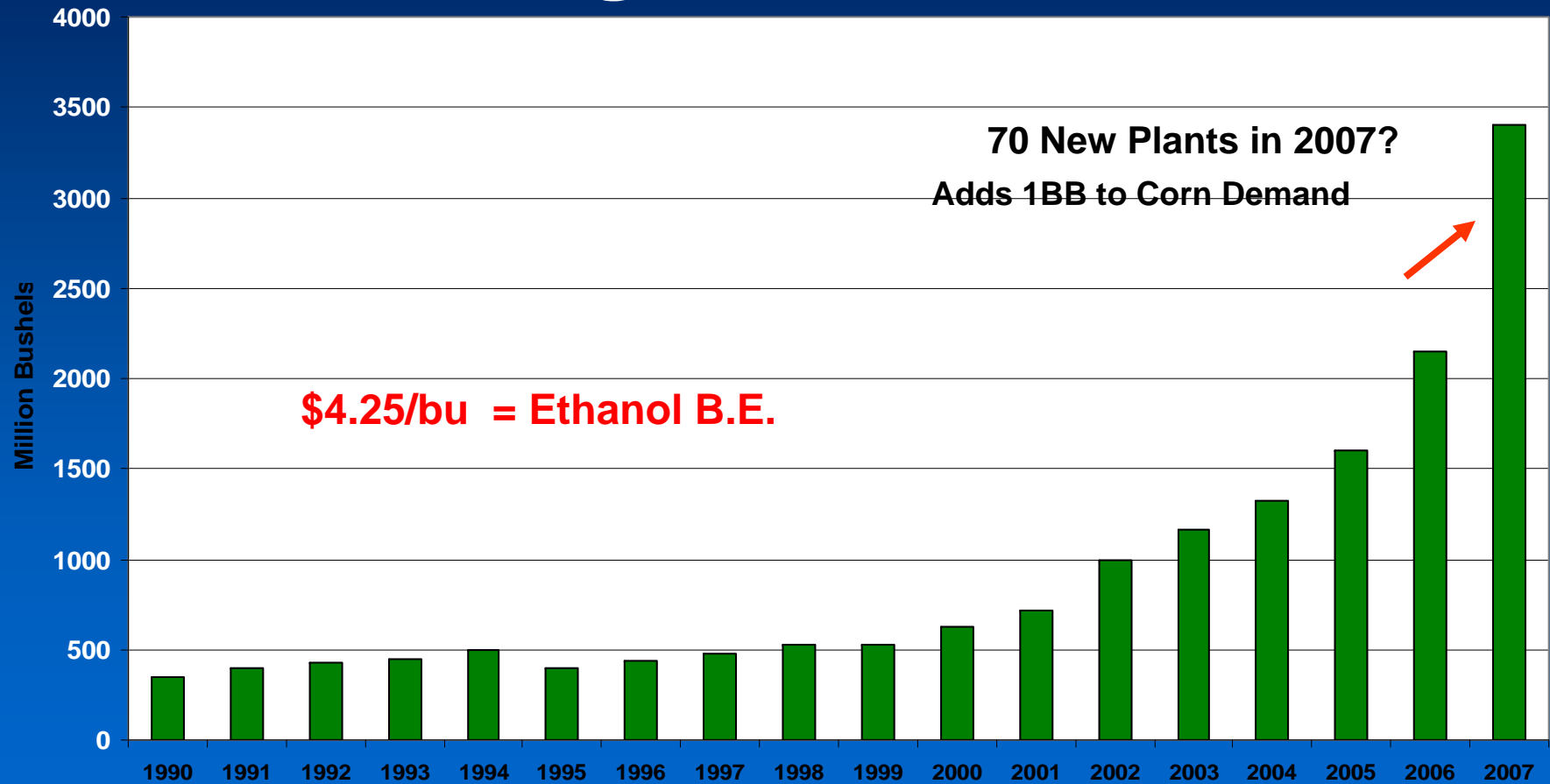
Farm Gate Value

GA = \$1.5 billion

2005 = \$1.6 billion

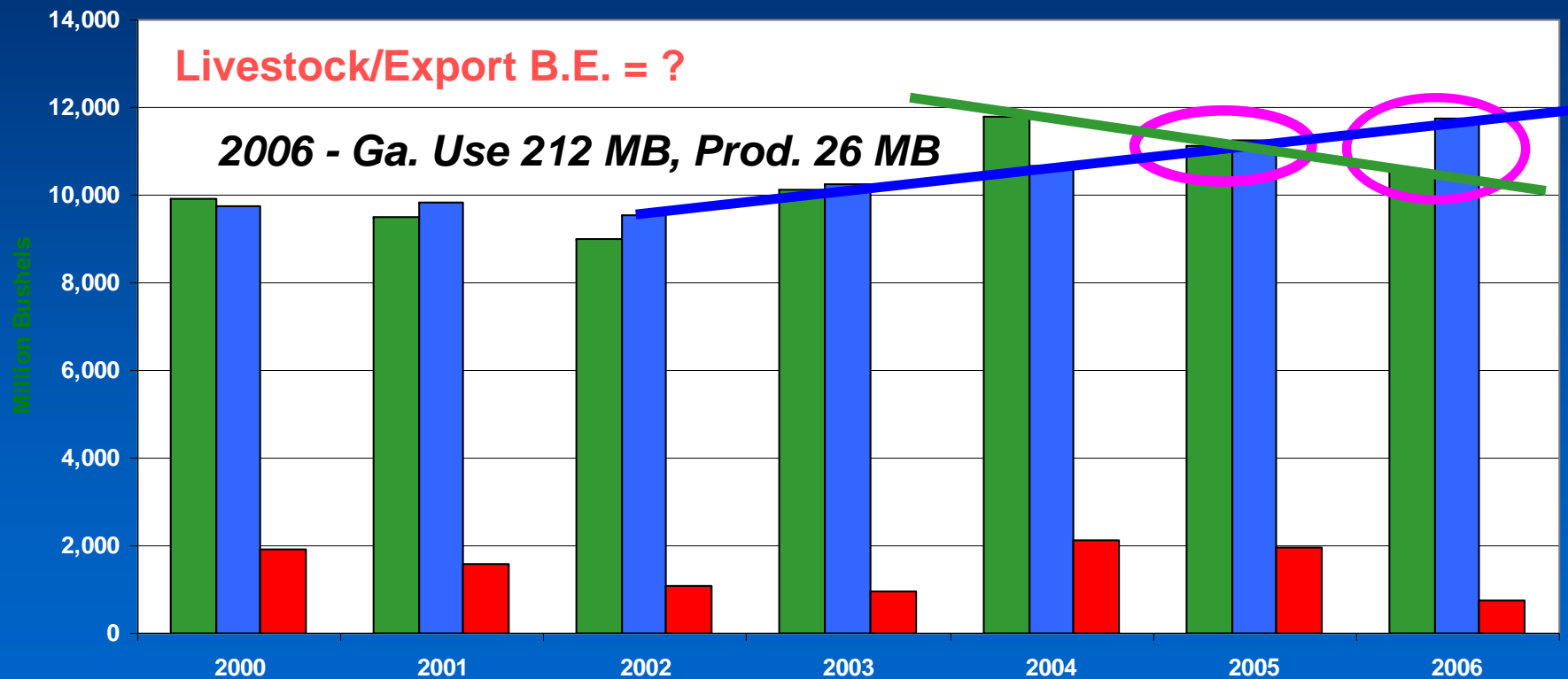


“Fueling” the Opportunities and Challenges - Corn Ethanol



Corn Production Can't Keep Up with Ethanol Demand

■ Production ■ Use ■ End Stocks



Ethanol Breakeven Matrix

**Corn
Price**


Ethanol Price

	<u>\$1.50</u>	<u>\$1.75</u>	<u>\$2.00</u>
\$2.50	\$0.13	\$0.38	\$0.63
\$3.00	-\$0.05	\$0.20	\$0.45
\$3.50	-\$0.23	\$0.02	\$0.27
\$4.00	-\$0.41	-\$0.16	\$0.09
\$4.25	-\$0.50	-\$0.25	\$0.00



Biodiesel Breakeven Matrix

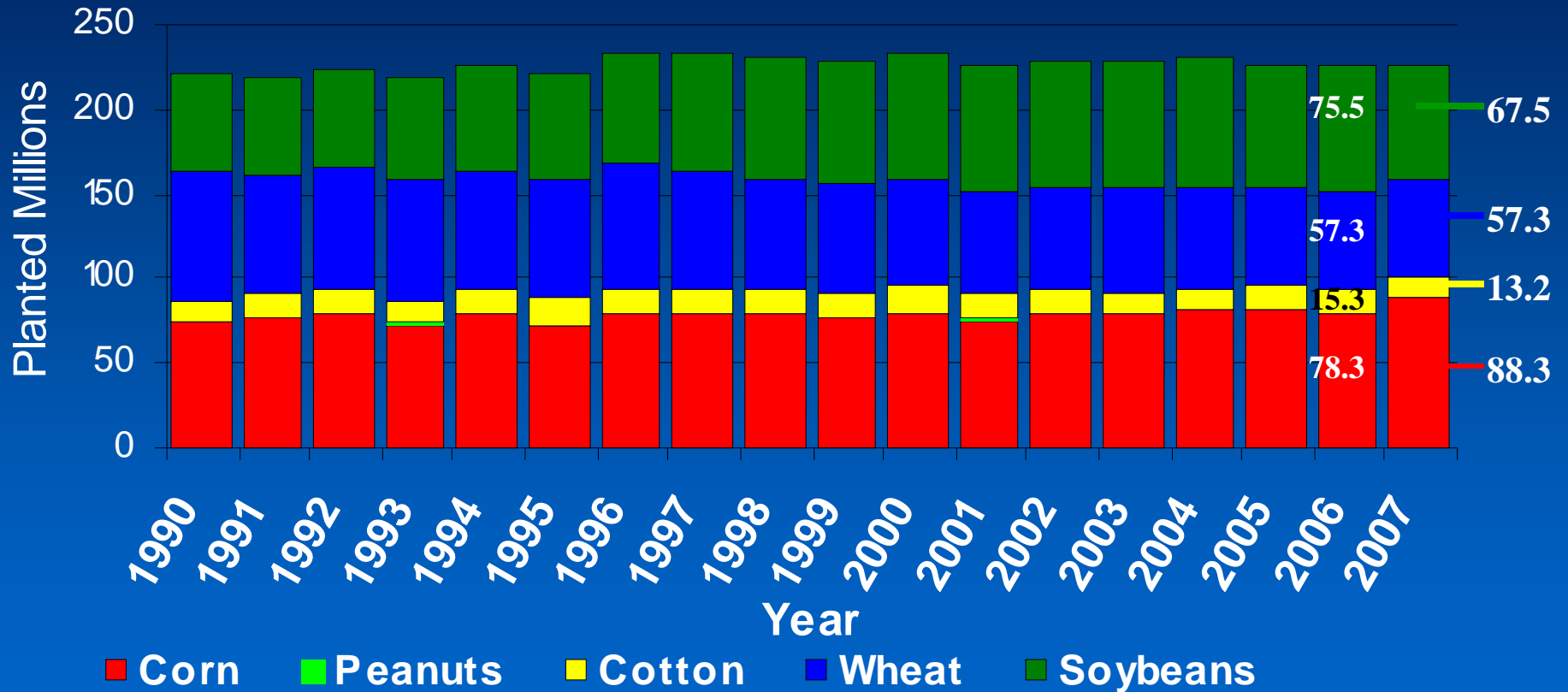
	Biodiesel Price			
<u>Oil Price</u>	<u>\$2.00</u>	<u>\$2.25</u>	<u>\$2.50</u>	<u>\$2.75</u>
\$0.20	\$0.03	\$0.28	\$0.53	\$0.78
\$0.25	(\$0.36)	(\$0.11)	\$0.14	\$0.39
\$0.30	(\$0.74)	(\$0.49)	(\$0.24)	\$0.01



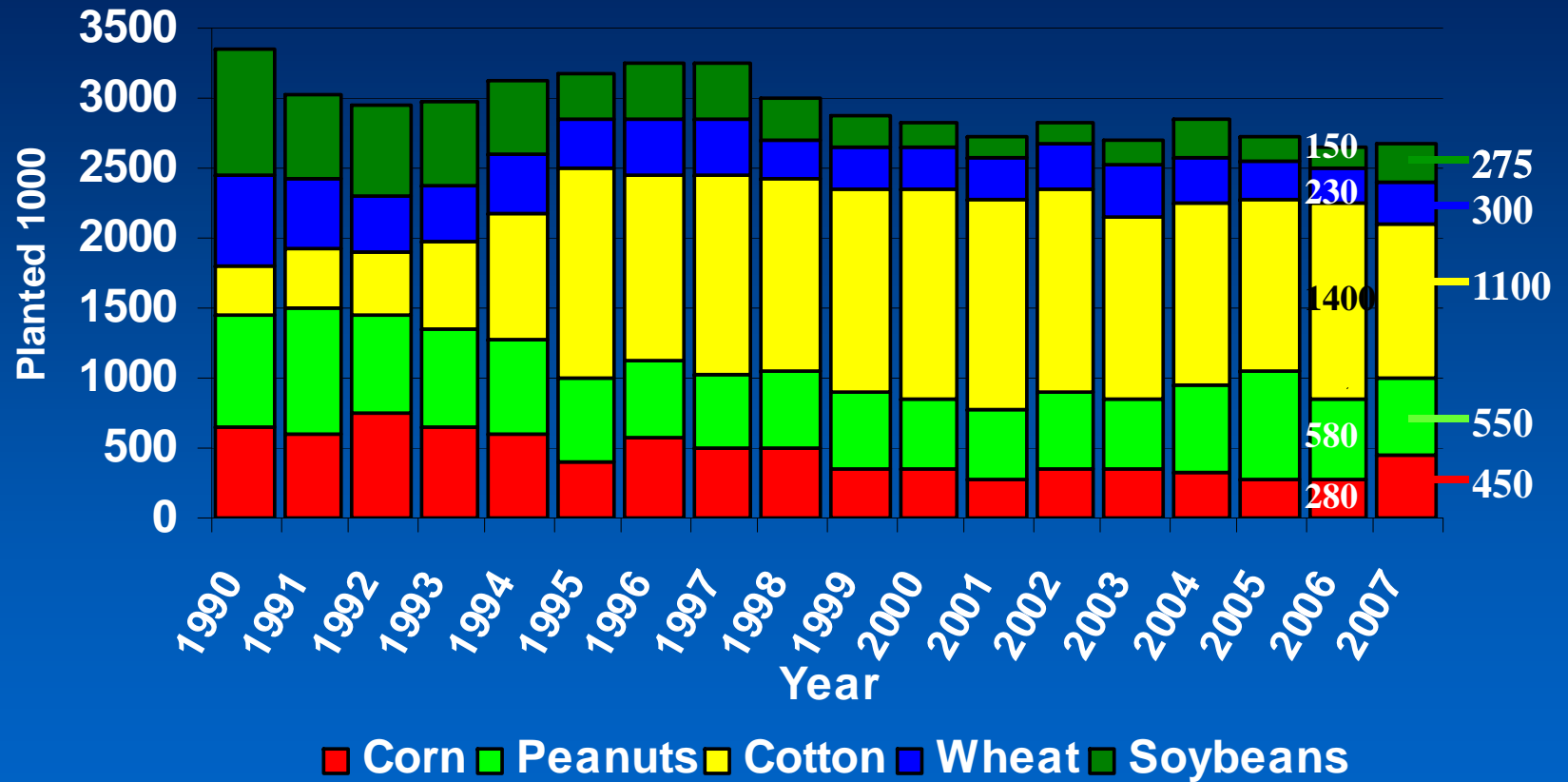
United States Crop Acreage

Acres usually chase markets, NOW markets are chasing potential acres!

Need 8 to 10 M more corn acres, from where will it come ?



Georgia Crop Acreage?

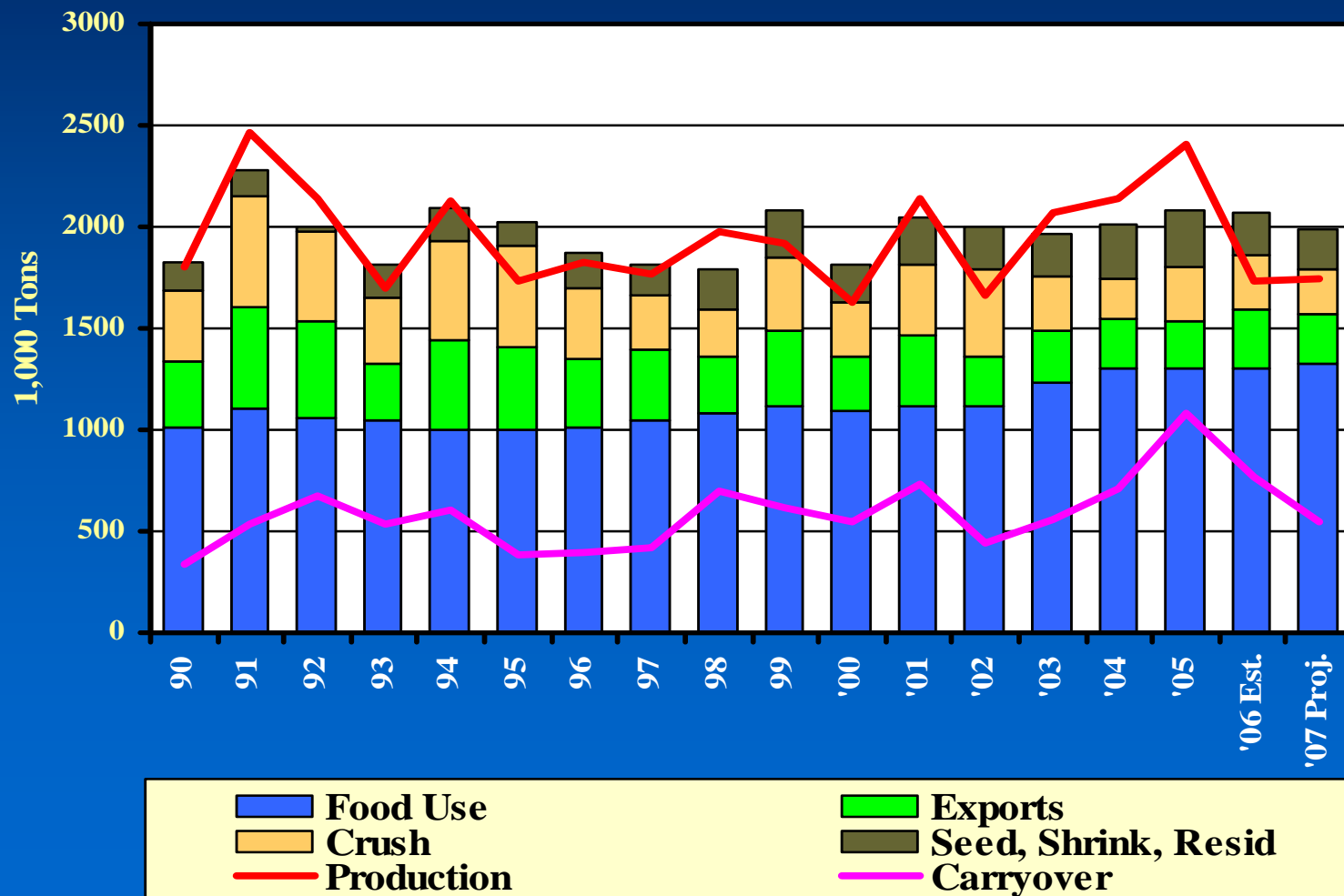


Planting Intentions: Georgia and U.S.

CROP	GA 2007 1,000 Ac	GA 2006 1,000 Ac	GA %Chg	US 2007 1,000 Ac	US 2006 1,000 Ac	US %Chg
Corn	500	280	+78.6%	90,454	78,327	+15.5%
Cotton	1,150	1,400	-17.9%	12,147	15,274	-20.5
Hay	680	650	+4.6%	63,056	60,807	+3.7%
Oats	70	70	0%	4,029	4,168	-3.3%
Peanuts	500	580	-13.8%	1,197	1,240	-3.5%
Sorghum	40	40	0%	7,109	6,522	+9.0%
Soybeans	250	155	+61.3%	67,140	75,522	-11.1%
Tobacco	19	17	+11.8%	344,170	338,950	+1.5%
Wheat	400	230	+73.9%	60,303	57,344	+5.2%

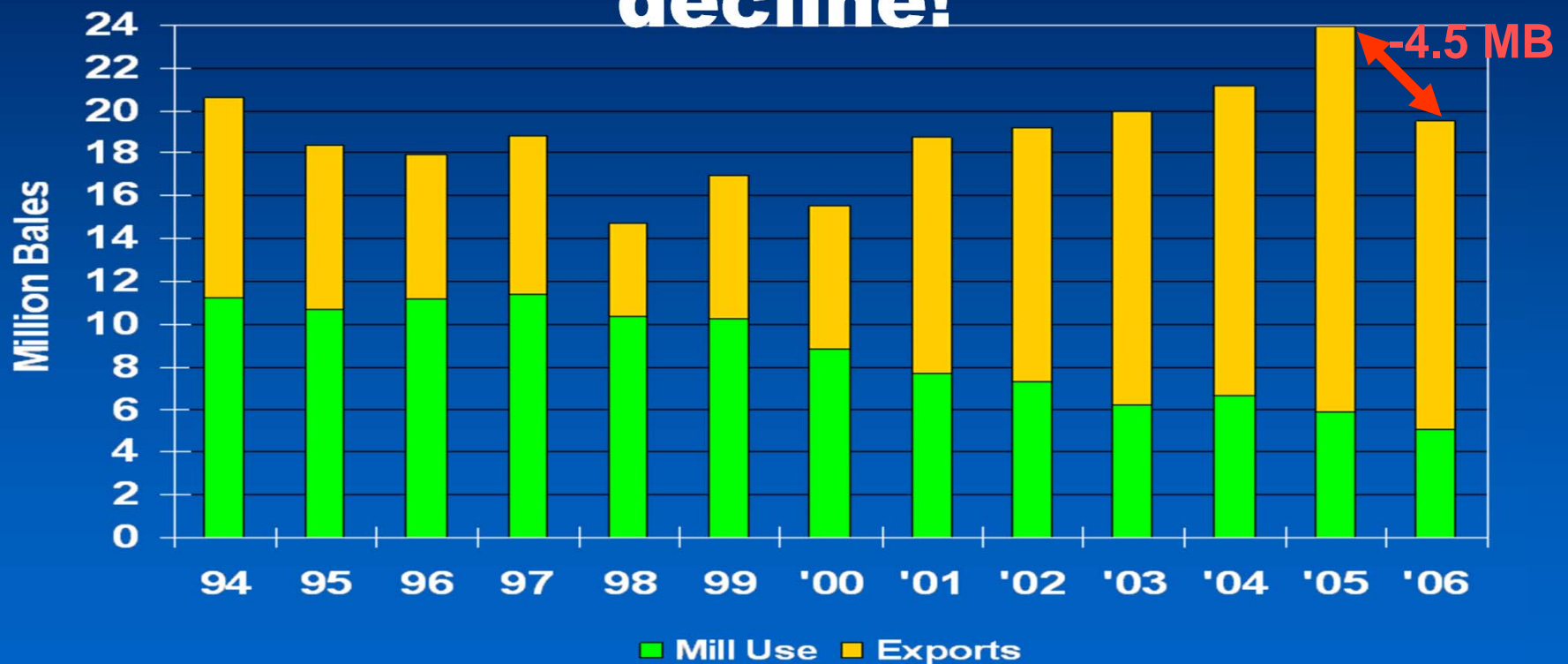
Primary data source: Prospective Plantings, March 2008, NASS

Peanut Production Falls Below Use in 2006-7? \$425/ton Prices but who pays storage/handle? Demand???



Cotton lagging in acreage race,
acreage would have to decline by
30% or more to offset '06 use

decline!

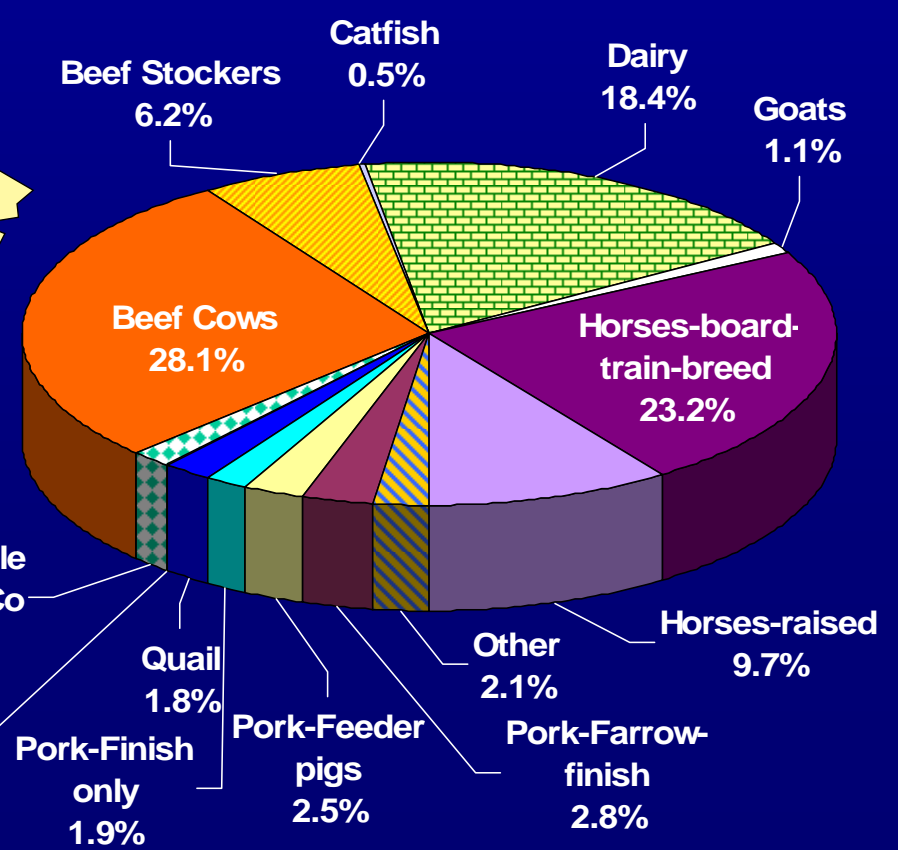
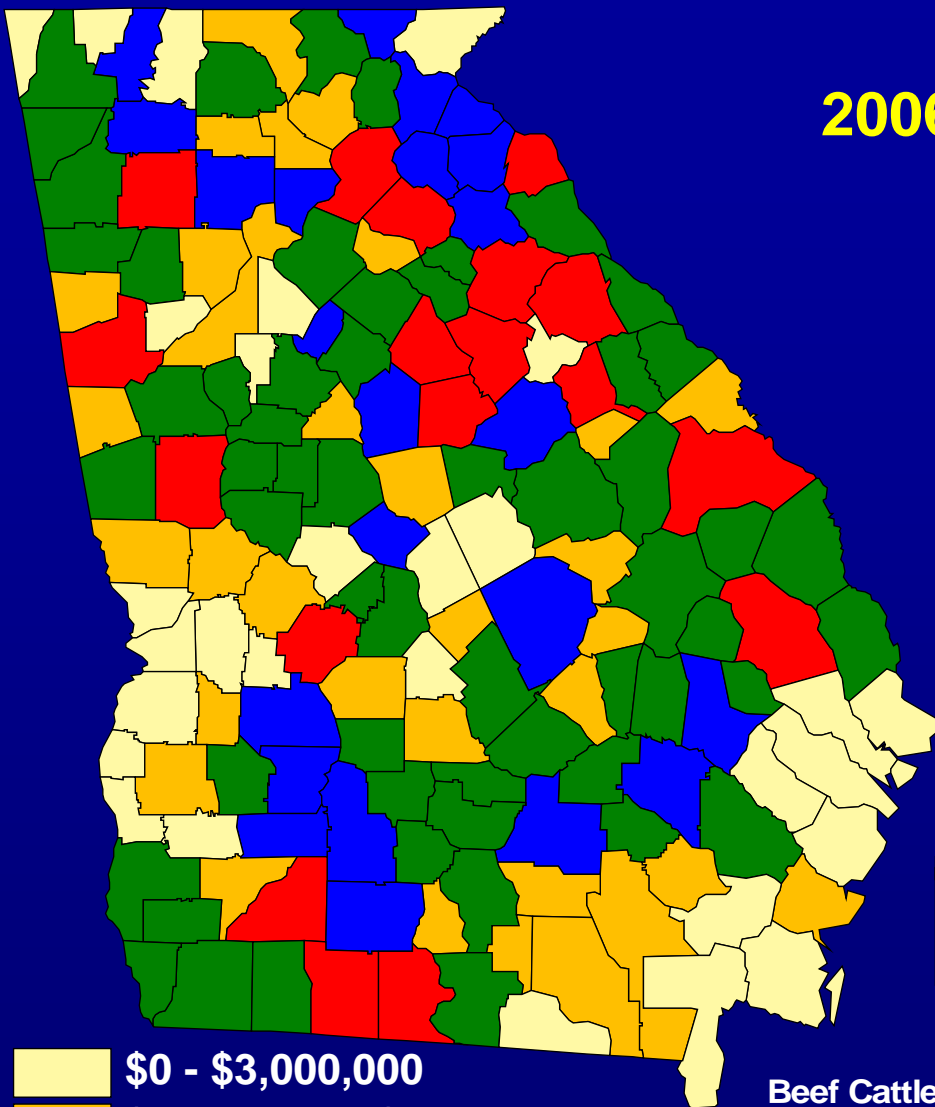


Farm Bill Implications for Crop Producers

- *Less spending on commodity programs, but same general program structure – good for land owners*
- *Some spending will be diverted from 5 major program crops to specialty crops.*
- *More in conservation, less in commodity programs*
- *Lower payment limitations and/or lower means-tests (if not done in agriculture committees, will likely be debated on floor).*
 - *Peanuts may lose separate payment limitation.*

2006 Livestock & Aquaculture Farm Gate Value

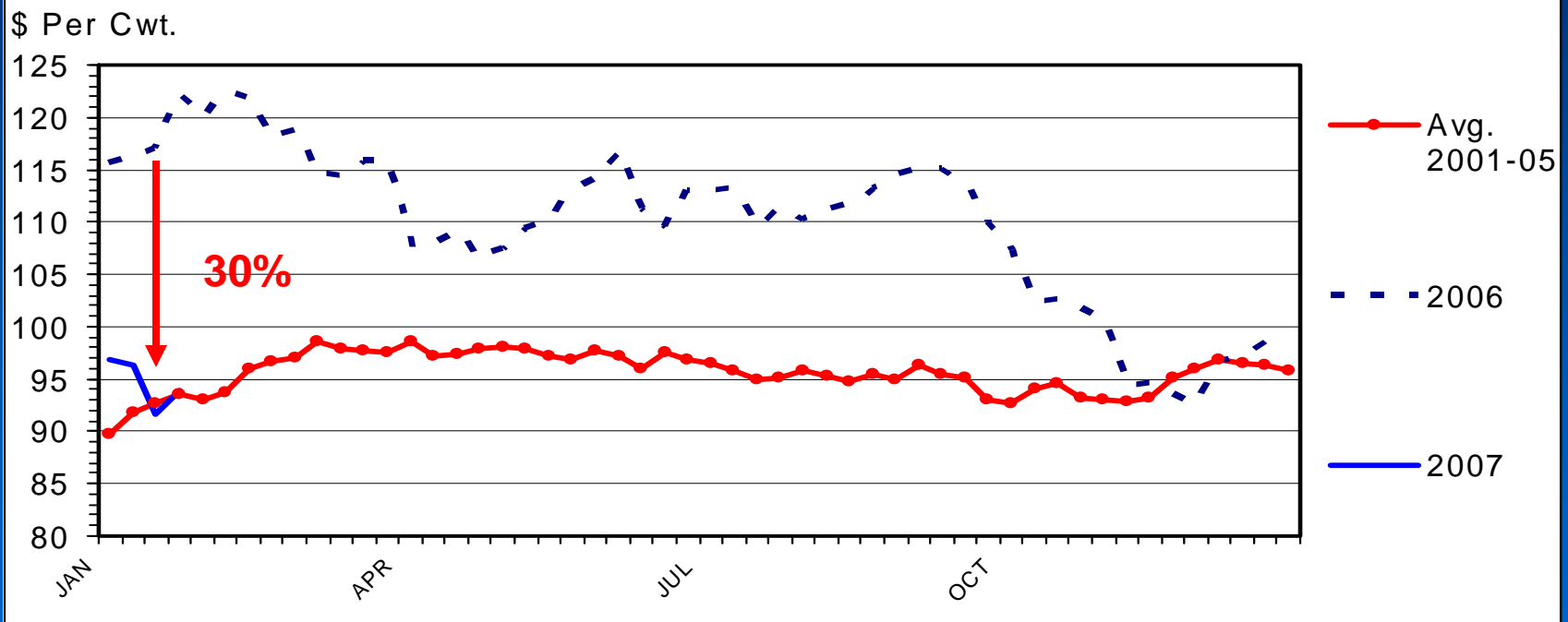
GA = \$1.266 billion
2005 = \$1.299 billion



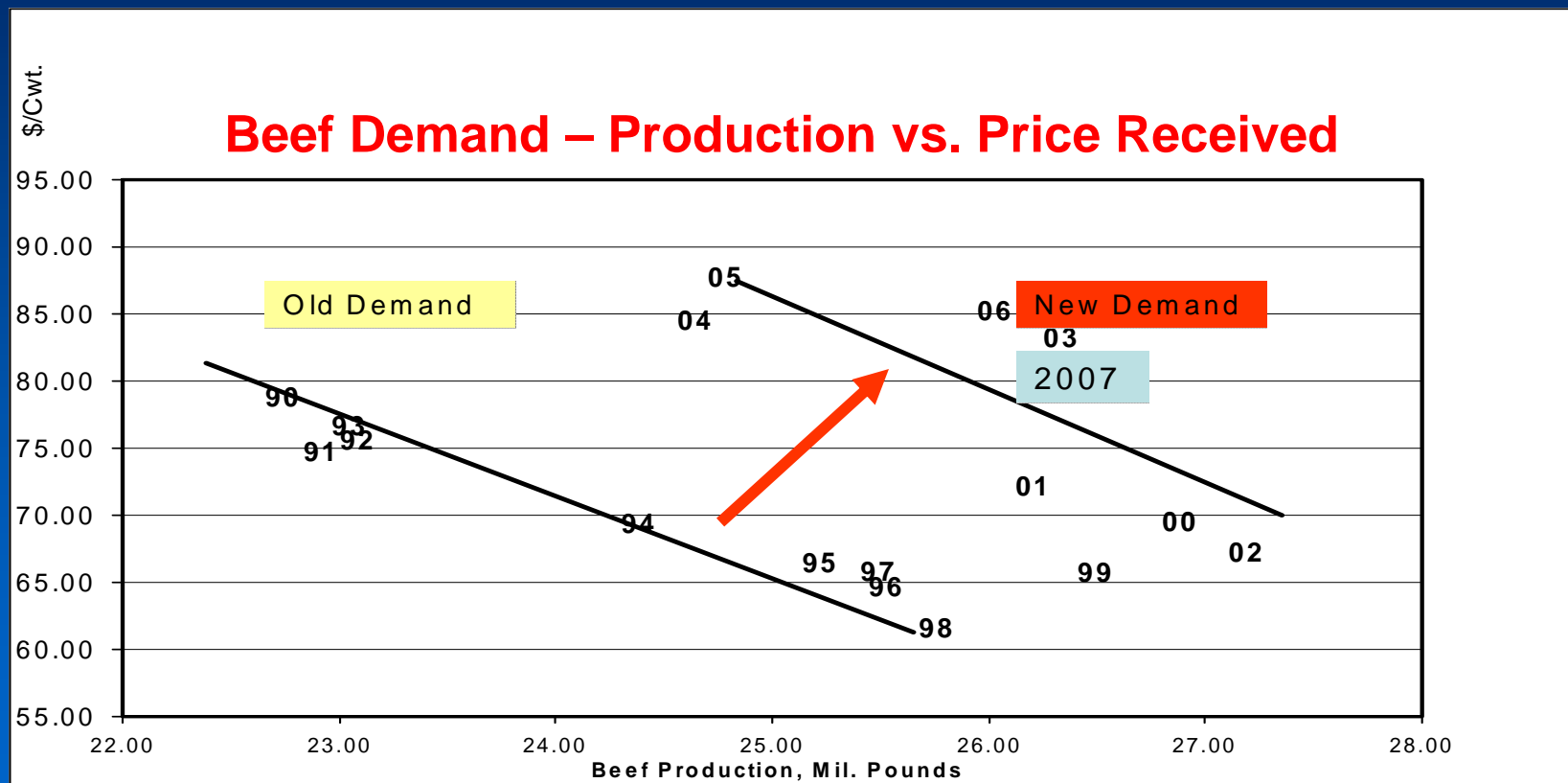
Ga. Beef Cattle Prices Feel Impact of Higher Corn Prices

MED. & LRG. #1 & 2 STEER CALF PRICES

500-600 Pounds, Georgia, Weekly

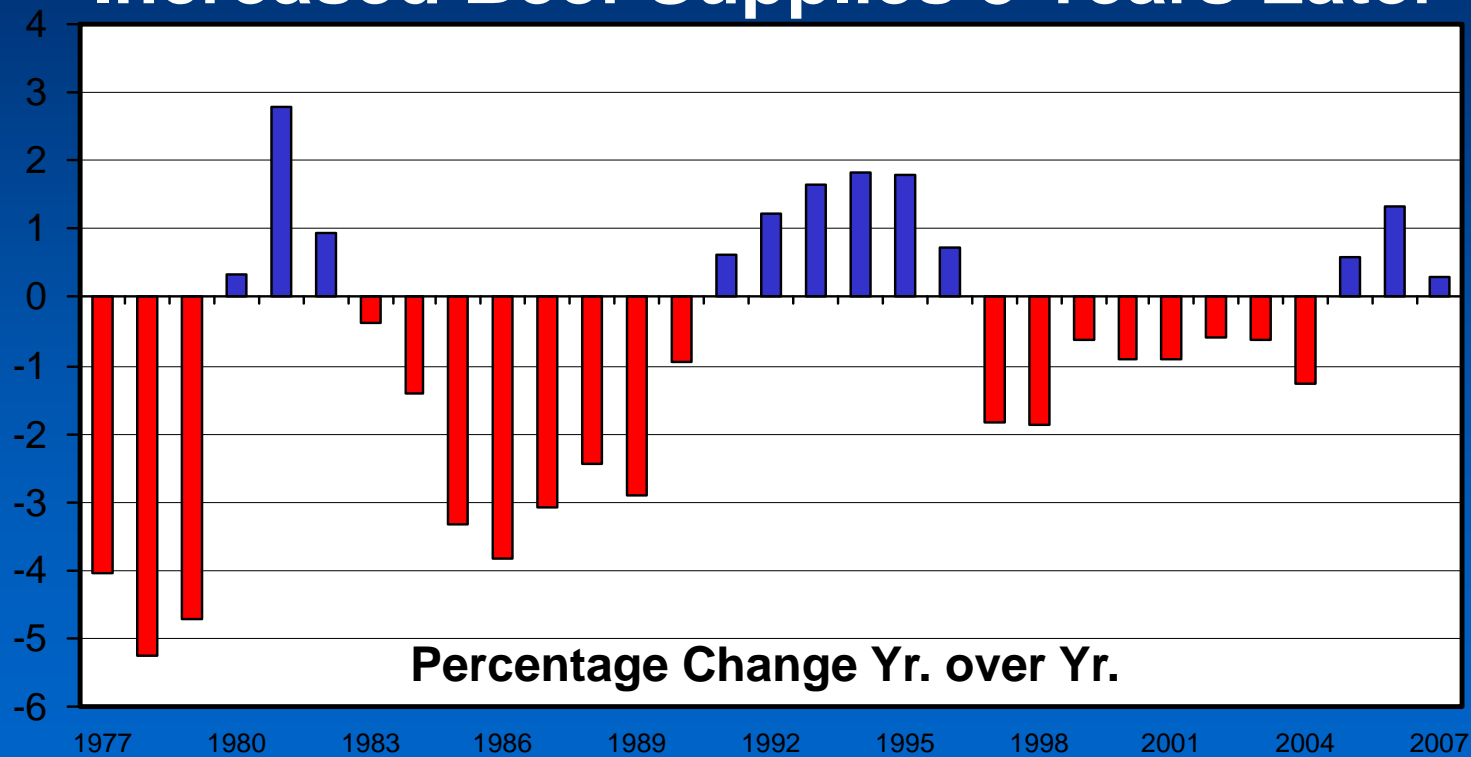


If Not For Improved Beef/Red Meat Demand, Adjustments Would Be More Severe!



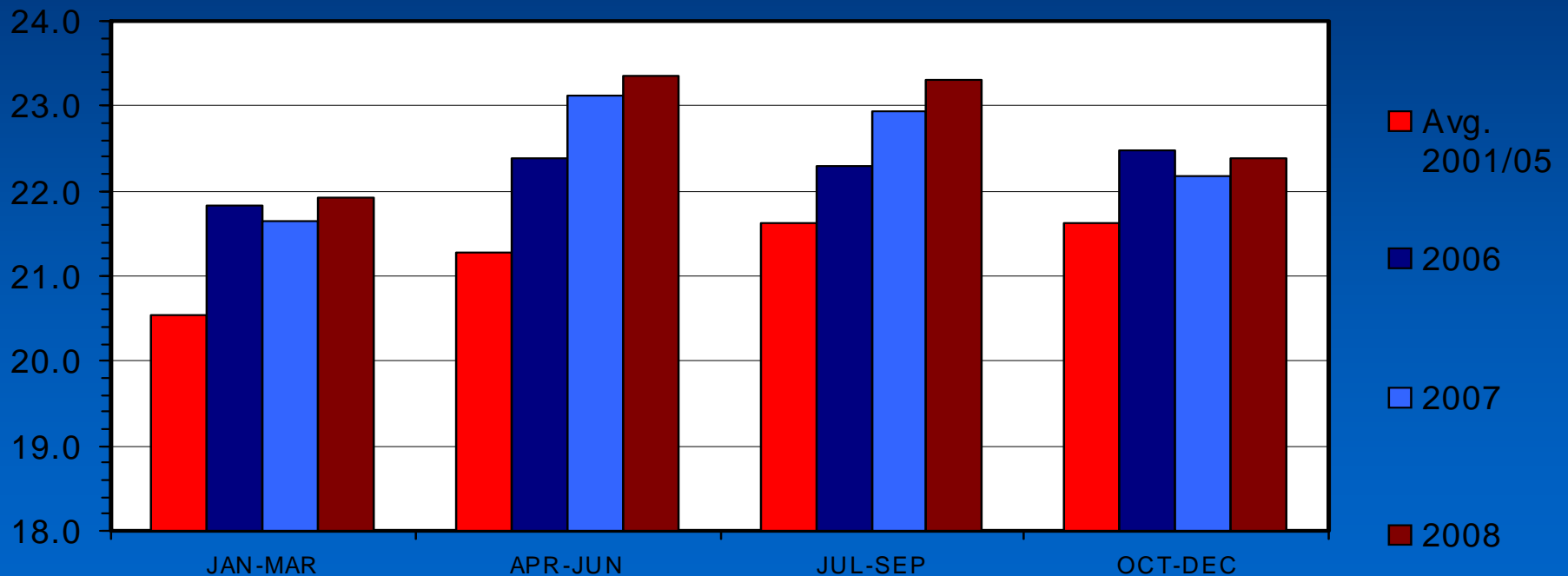
THE BEEF CATTLE CYCLE

Increase in Cattle Inventory Means Increased Beef Supplies 3 Years Later

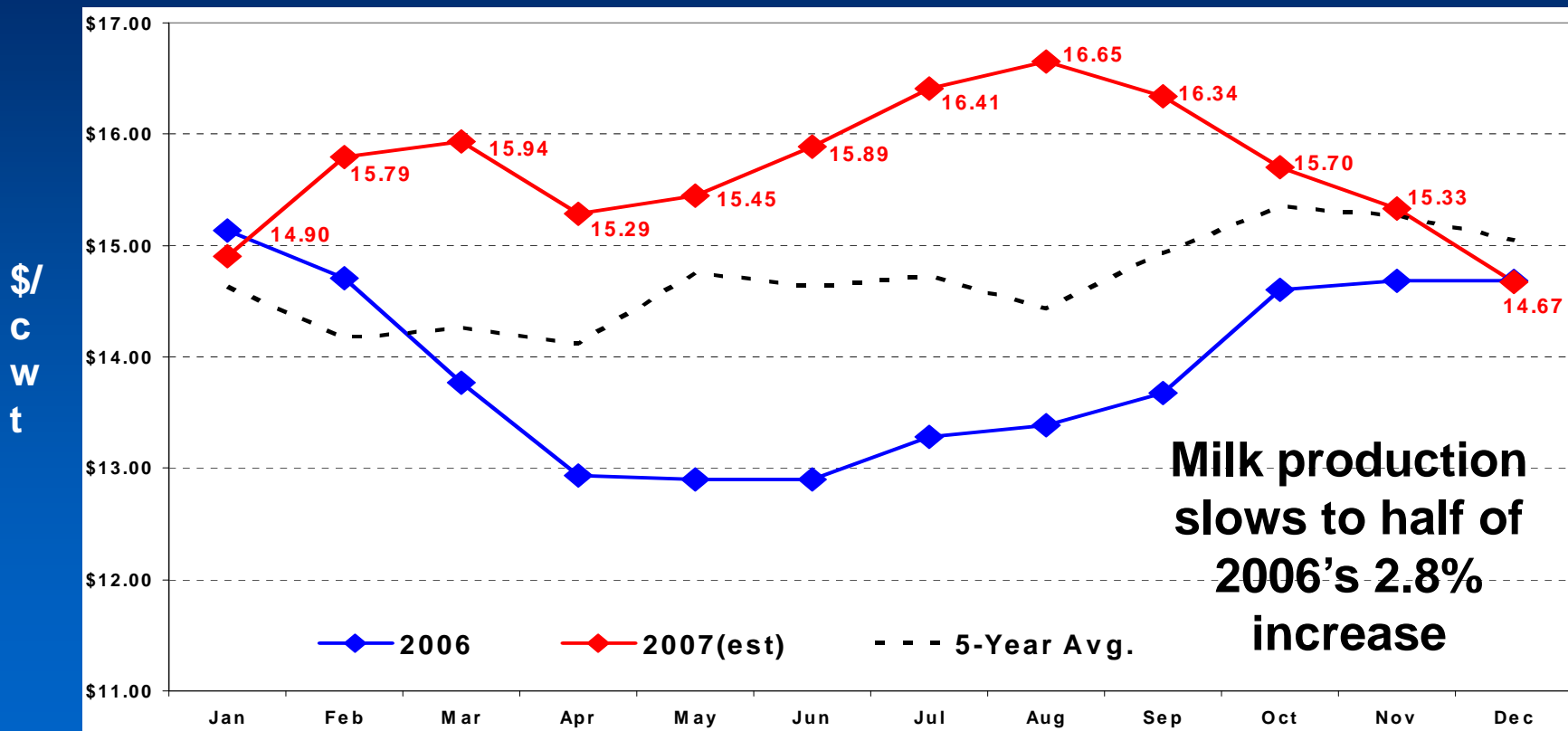


Total Red Meat and Poultry Production

Bil. Pounds



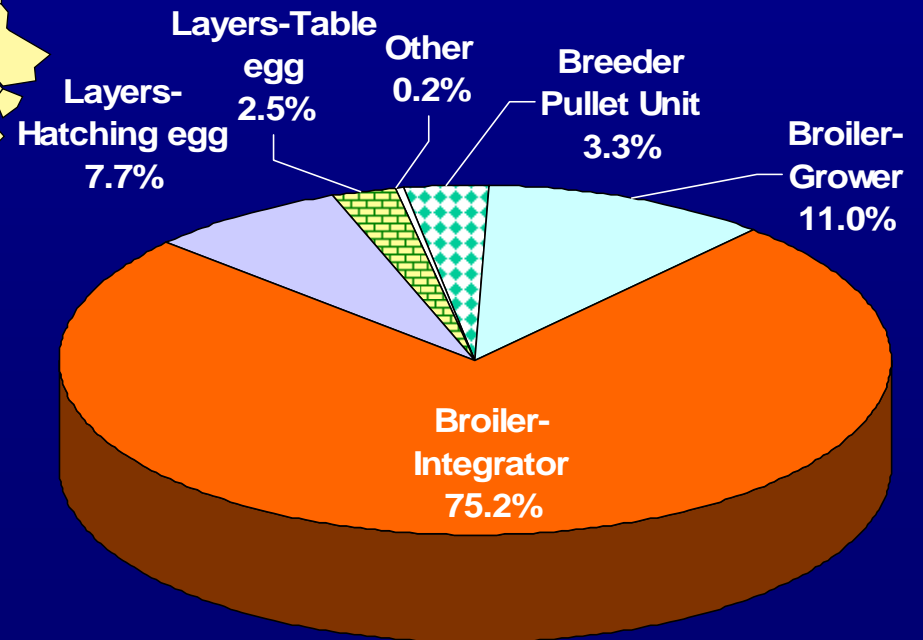
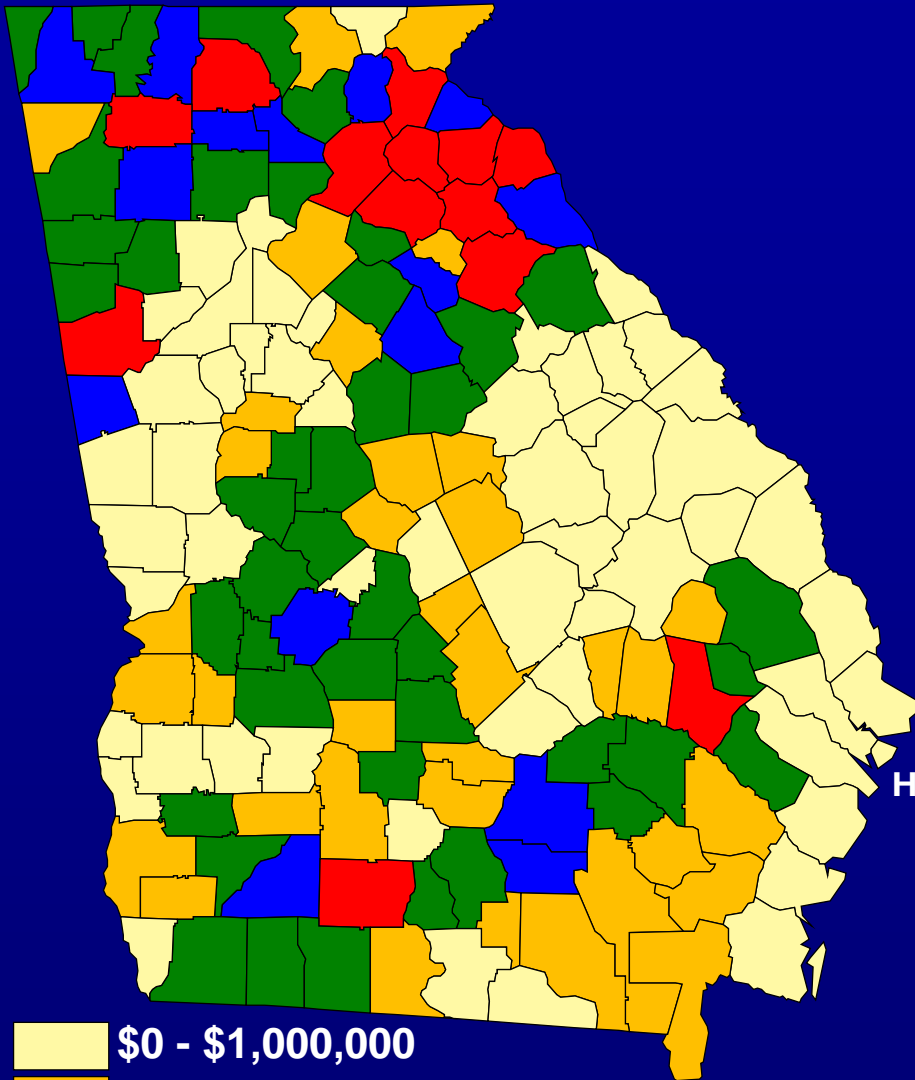
Georgia Milk Prices Recover



Georgia Livestock – Generally Lower Prices or Returns?

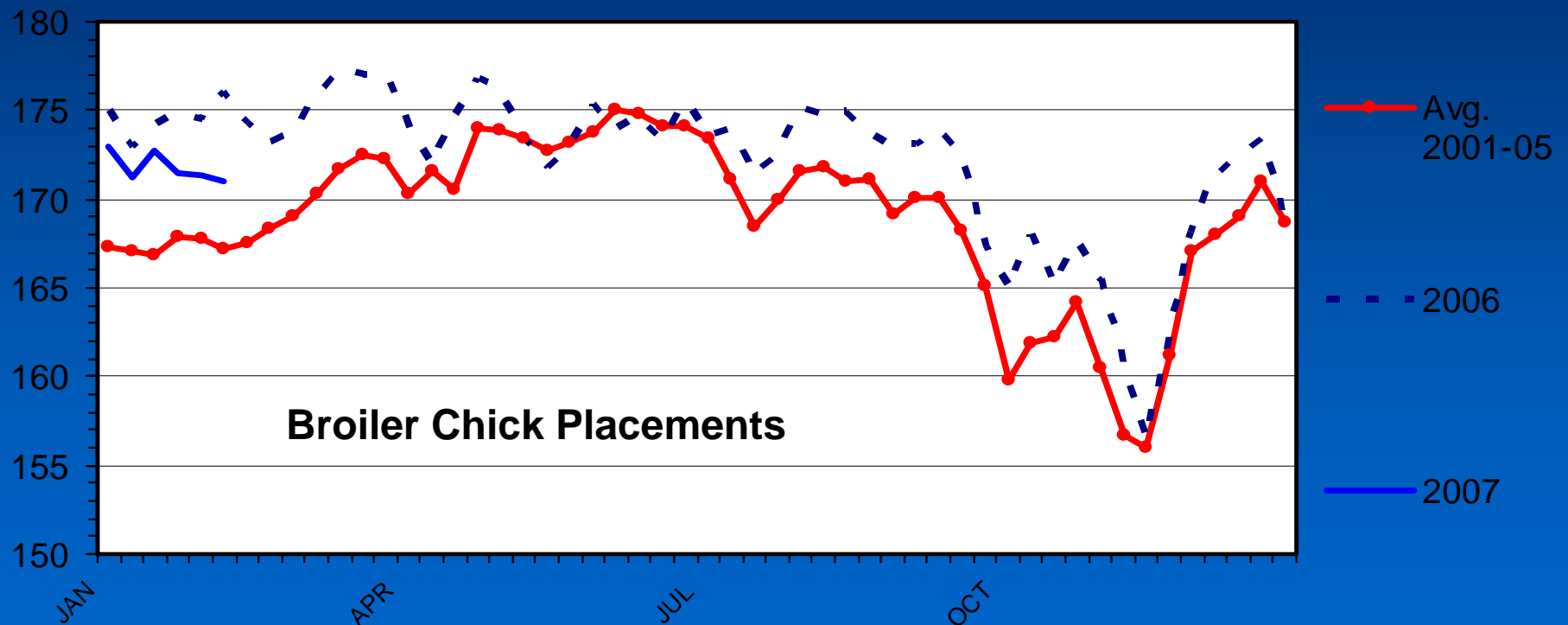
- **GRAIN** prices increases real risk to all livestock. Further adjustments, i.e. reduced production or lower calf prices will be required with \$5 corn!
- **RED MEAT** demand still good !
- **BEEF CATTLE** – Grain reduces calf prices in 2007, but still relatively good! Production is *GROWING in US but drought management in Ga.*
- **PORK** production growing nationally ,but prices up supported by strong exports.
- **DAIRY** – Production up, prices up, but only enough over 5 yr avg. to cover added feed cost.
- **HORSES** – pleasure agriculture continues on the rise

2006 Poultry & Egg Farm Gate Value GA = \$4.4 billion 2005 = \$4.5 billion

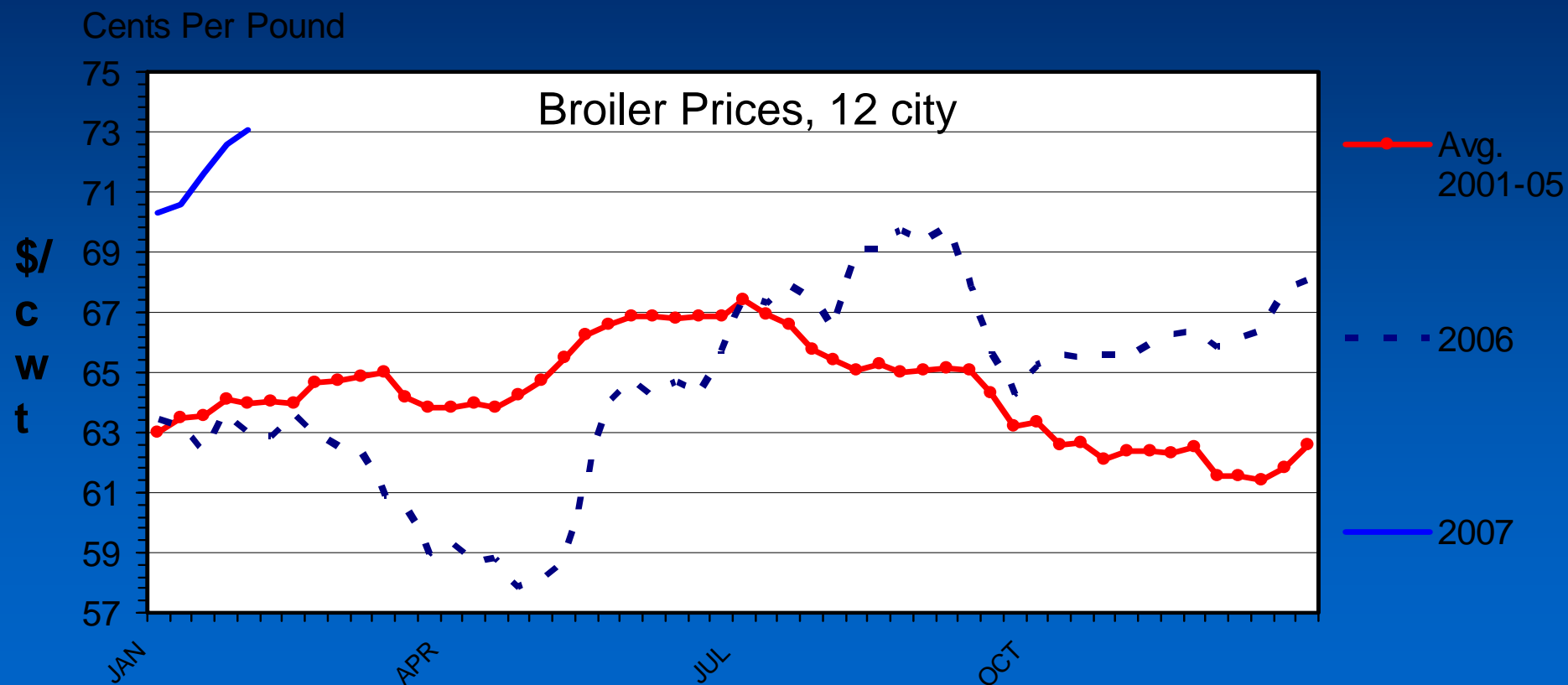


Broiler Producers Adjust To Higher Feed Cost

Mill. Birds

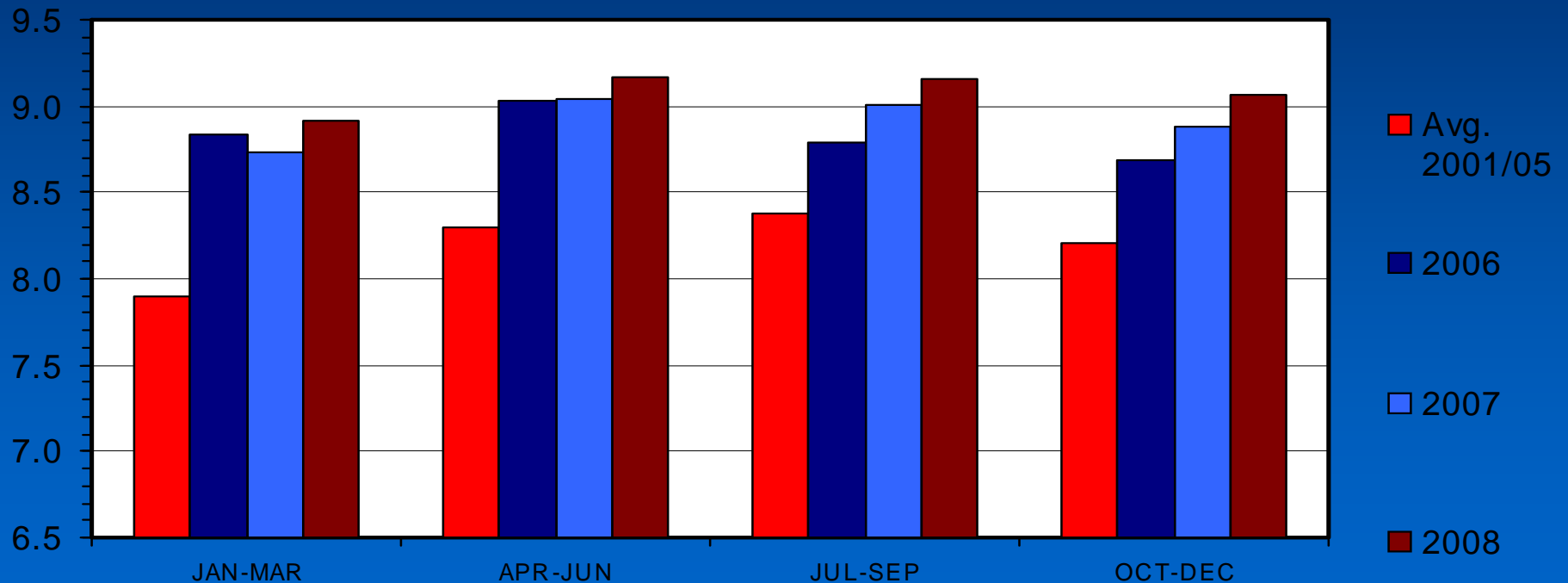


Broiler Prices Much Improved – Better Demand, Production Lower



Broiler Production Drops .8 lbs. Per Person in 2007! 2008 - See Corn?

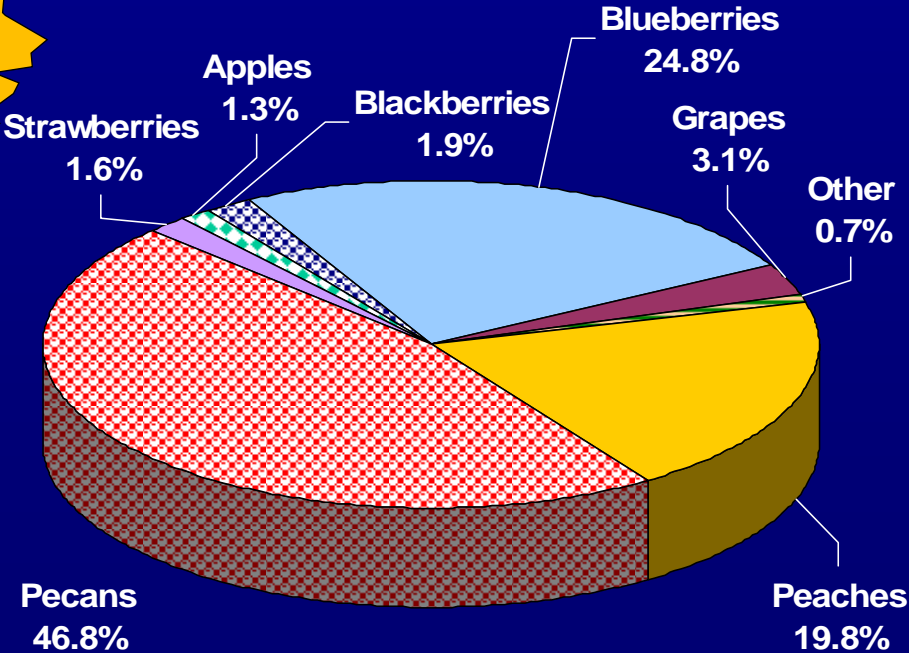
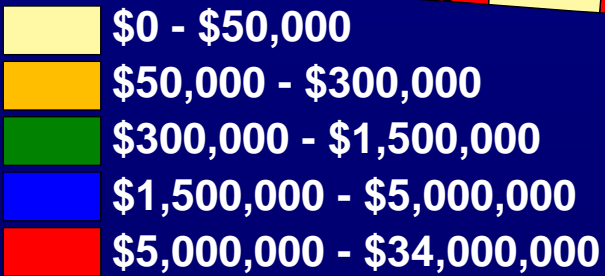
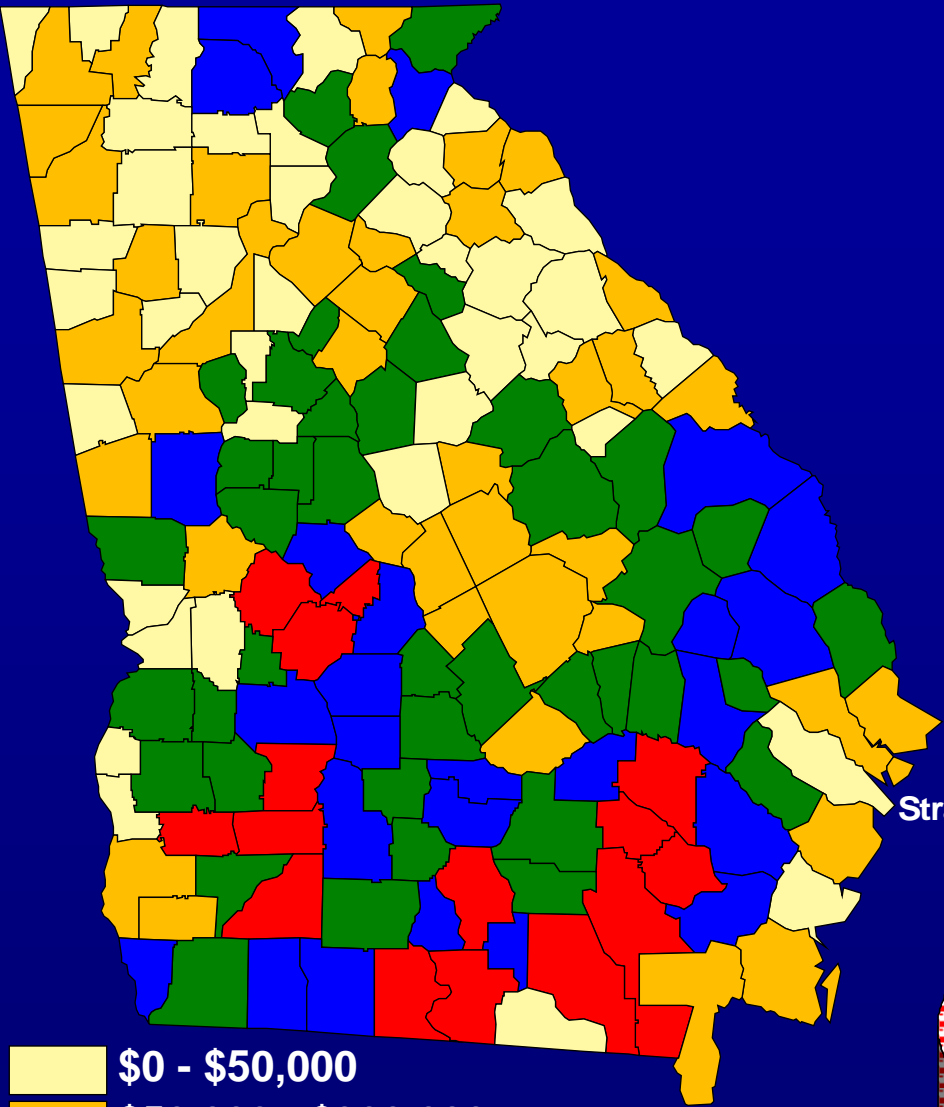
Bil. Pounds



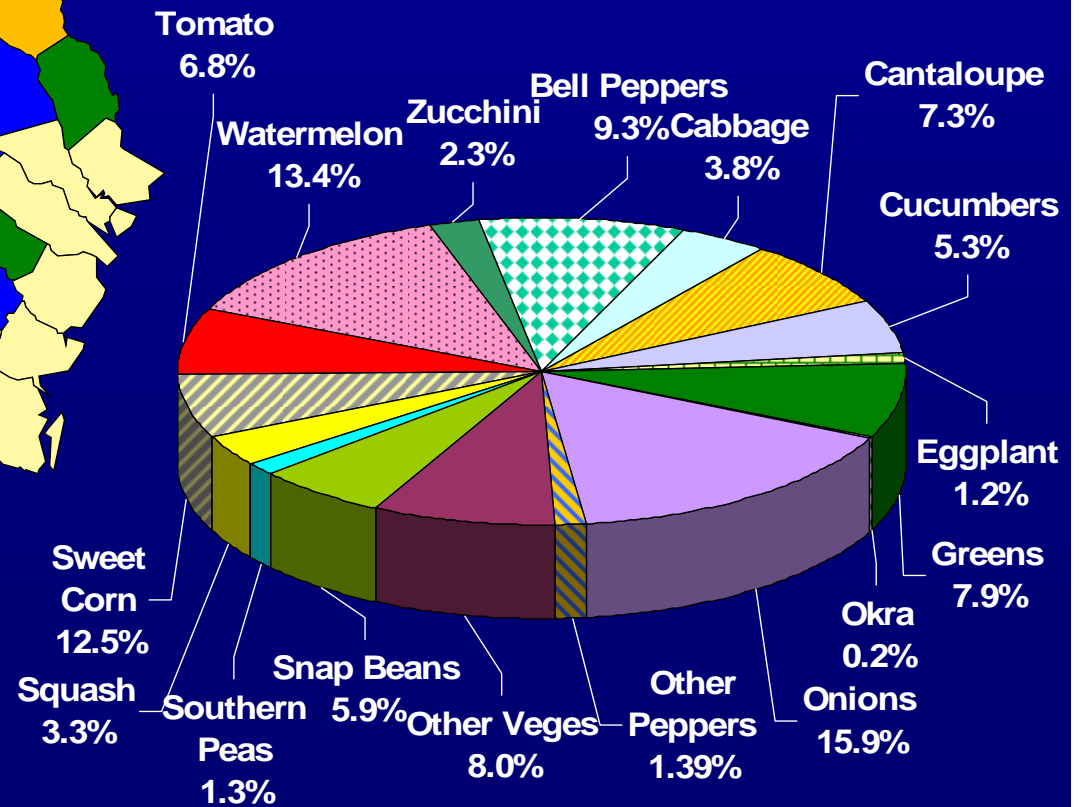
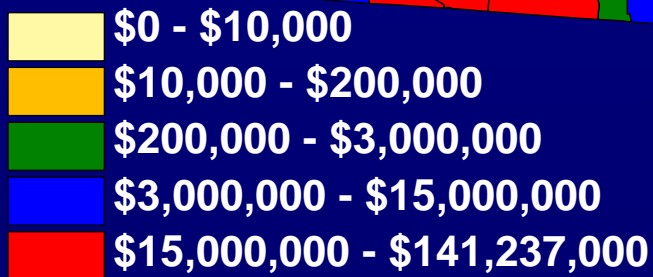
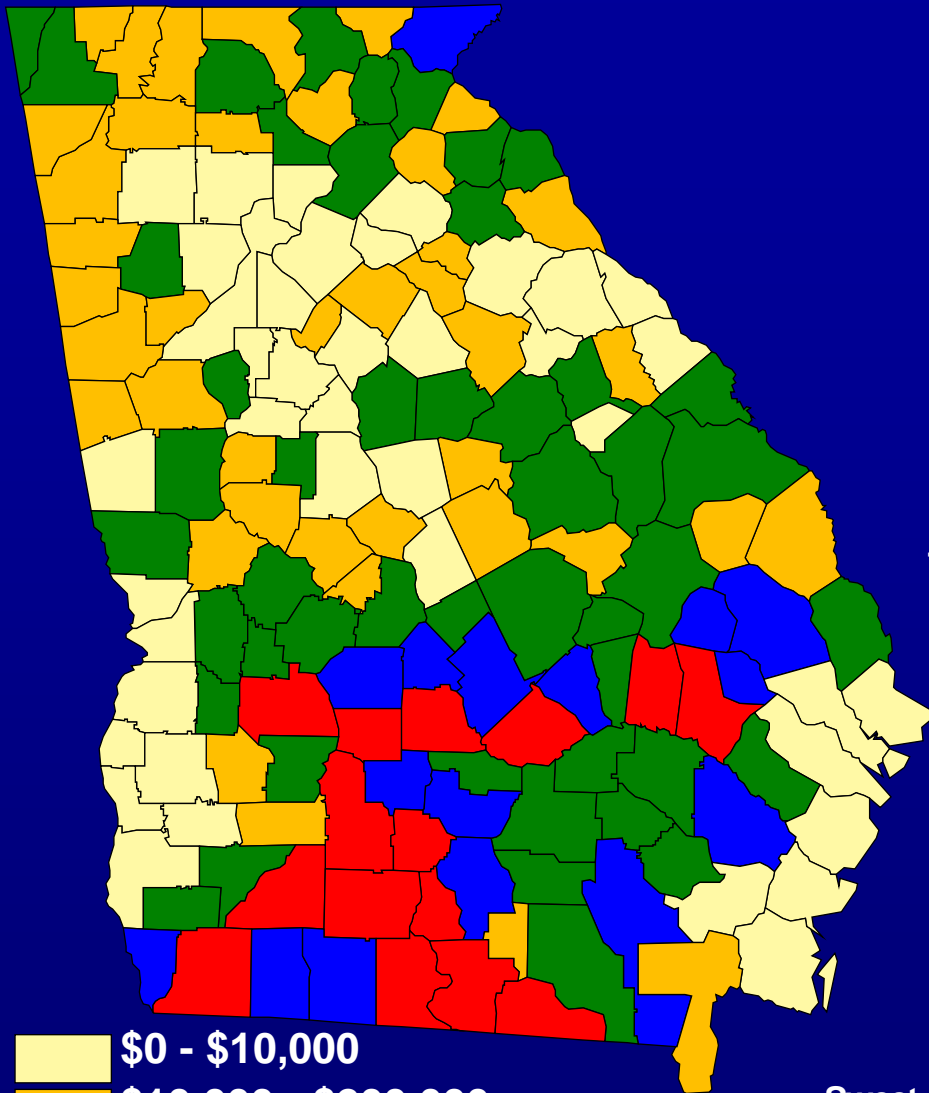
Farm Bill Implications for Livestock Producers

- *Additional spending on ethanol development.*
 - *Implies higher feed cost for poultry and swine producers.*
 - *Lower prices for feeder cattle.*
- *No further postponement in mandatory country of origin labeling.*
 - *Affects beef and swine producers.*
- *Restrictions on long-term packer ownership or contracting of livestock (Harkin and Peterson have both supported this in the past).*

**2006 Fruits & Nuts
Farm Gate Value
GA = \$306 million
2005 = \$268 million**



2006 Vegetables Farm Gate Value GA = \$828 million 2005 = \$896 million

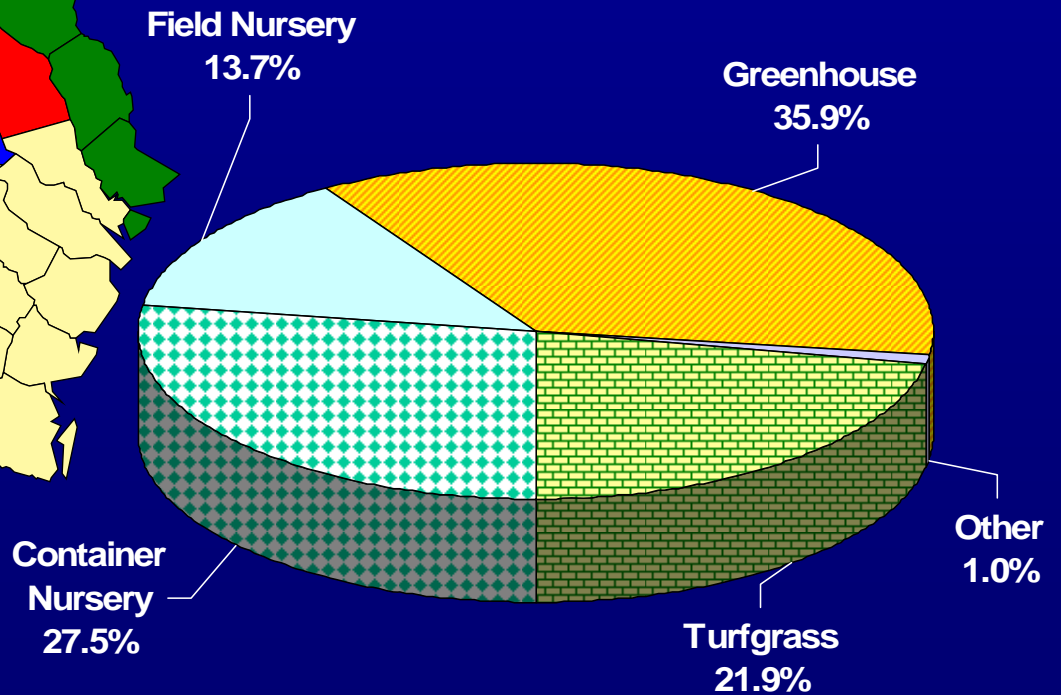
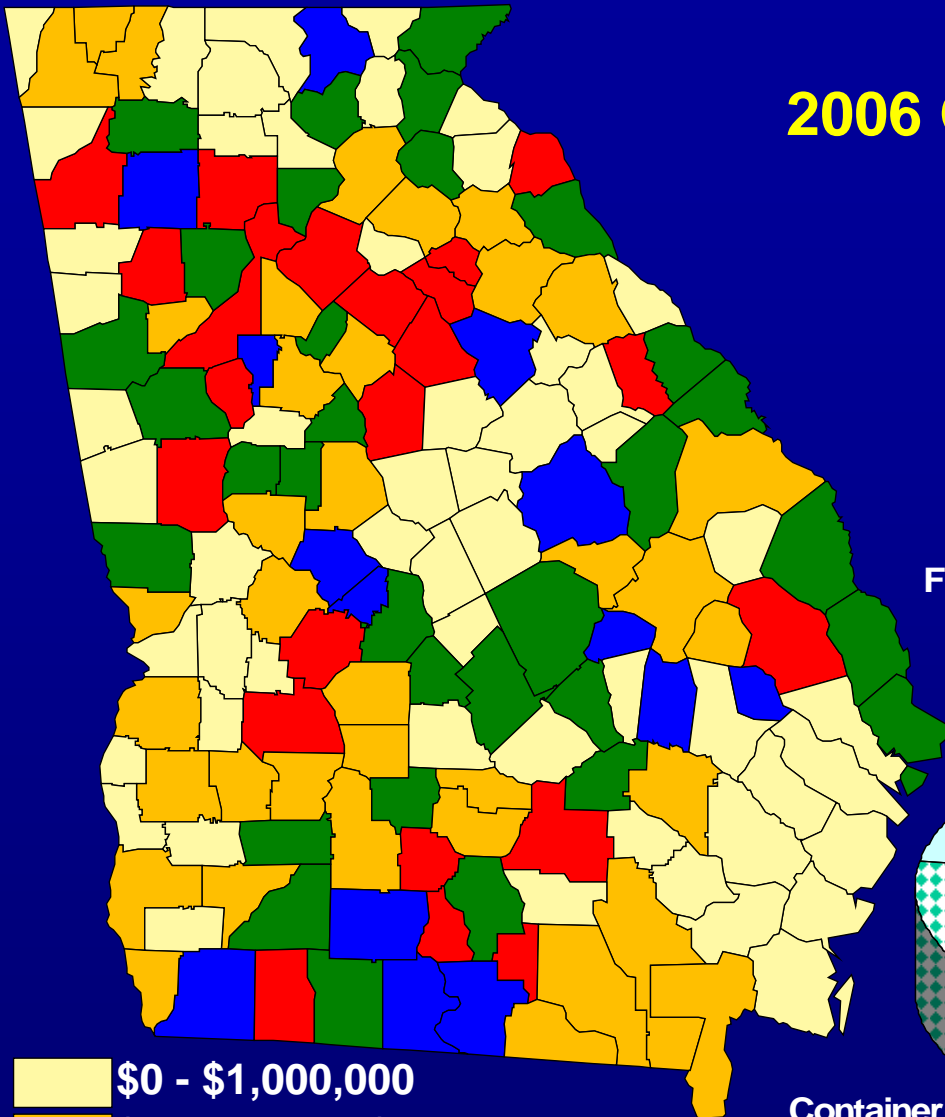


Georgia Fruits, Nuts and Vegetables

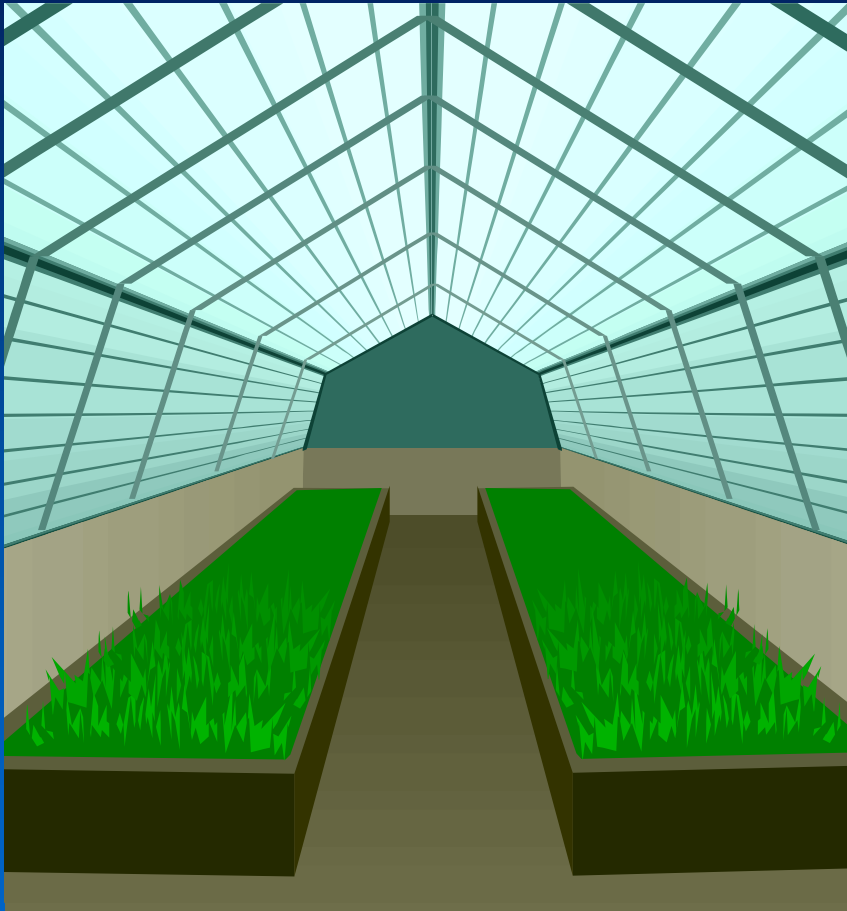


-in 2007
- Capitalized on our main competitive advantage – proximity to large diversified markets
- Move to value added – farm processing. Fresh saturated except for specialty/ethnic markets.
- Expected gains – Sweet Corn, Fresh packaged, Onions....
- Labor? Food Safety, quality? Demand?

2006 Ornamental Horticulture Farm Gate Value GA = \$765 million 2005 = \$699 million



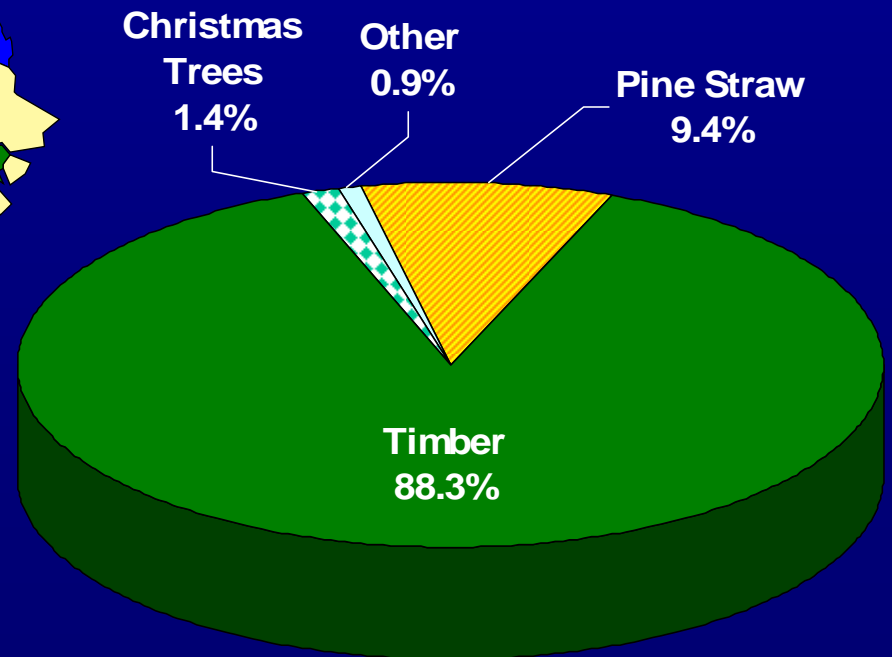
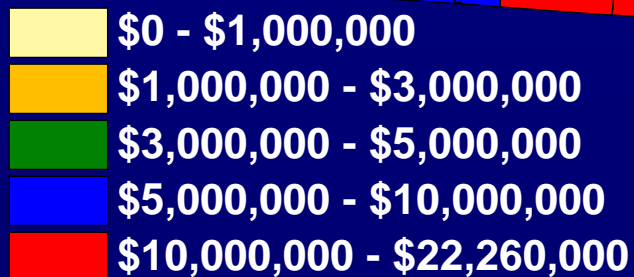
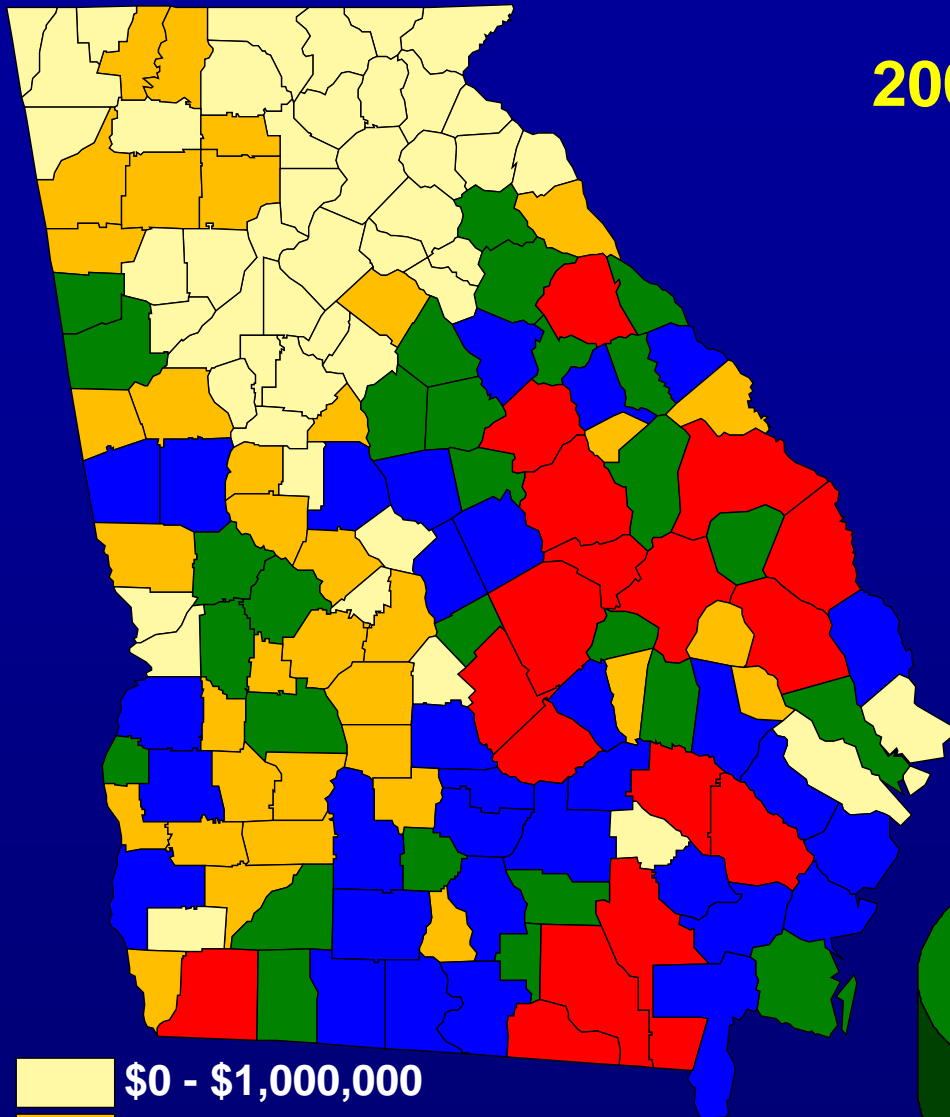
Ornamental Horticulture



Gains marginal

- Market advantage –Ga. 4th Fastest Growing State offsets declining housing starts
- Declining energy cost support disposable income growth for discretionary goods?
- Some oversupply – new greenhouses, annuals?
- New demand – new turf species, environmental landscaping, sod turf requirements, tree-scaping (field container)
- Labor for installation, maintenance and production operations?

2006 Forestry & Products Farm Gate Value GA = \$663 million 2005 = \$644 million

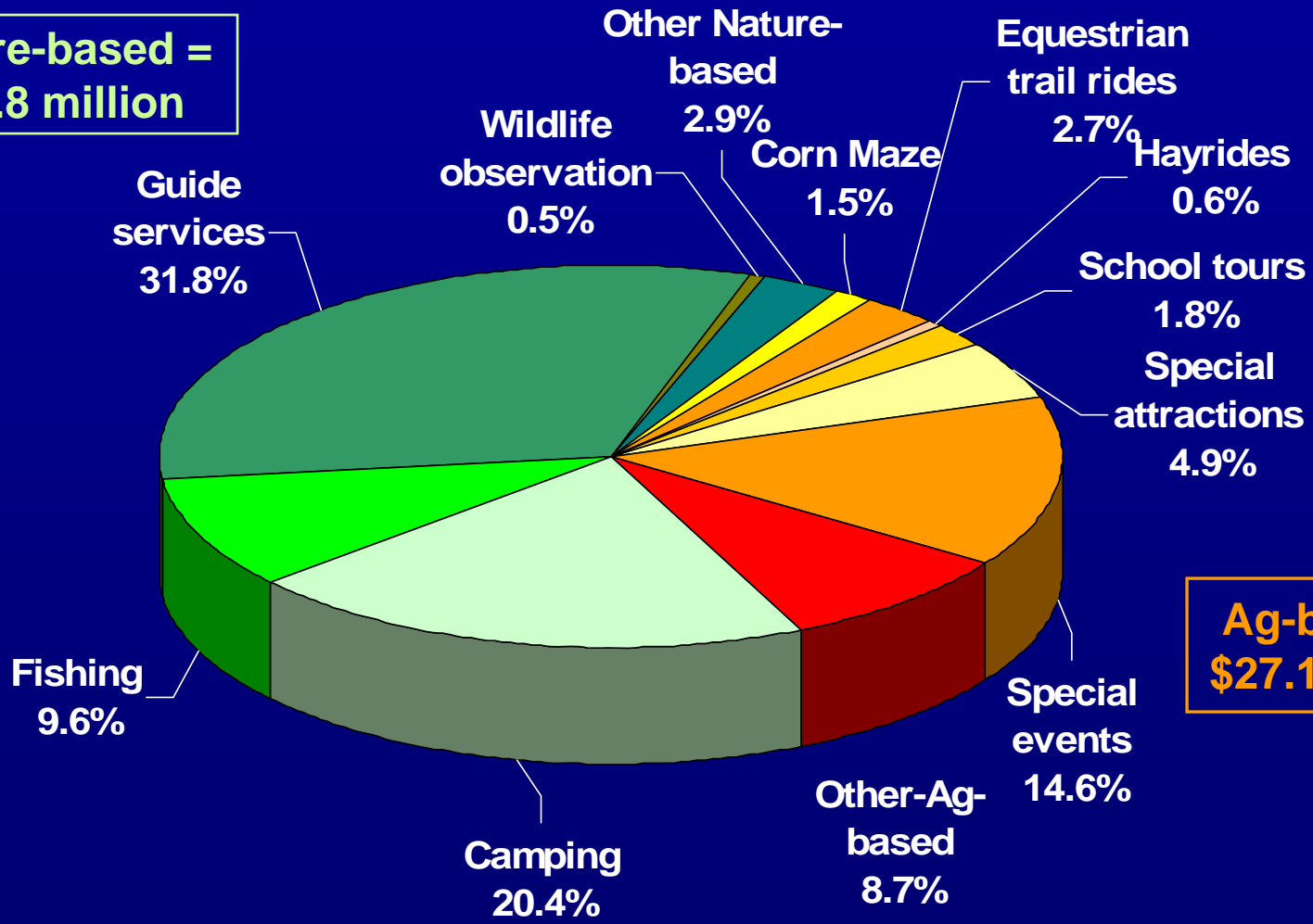


2006 Ag-based & Nature-based Tourism

Farm Gate Value = \$78 million

2005 = \$72 million

Nature-based =
\$50.8 million



Ag-based =
\$27.1 million

**Always be alert
and then wait.
Perhaps what
you're looking
for, will find
you...**



Contact Information

Prepared by
John McKissick and Sue Boatright
Center for Agribusiness & Economic Development

*“Adding Value to Georgia's Agricultural Economy
Through Research and Extension”*

*To learn more about Georgia counties, go to:
<http://www.caed.uga.edu/>
...click on “Georgia Statistics System”*

**Special Area Report
SA-07-14
2007**

