# Farmland IN PERSPECTIVE

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GOODWIN

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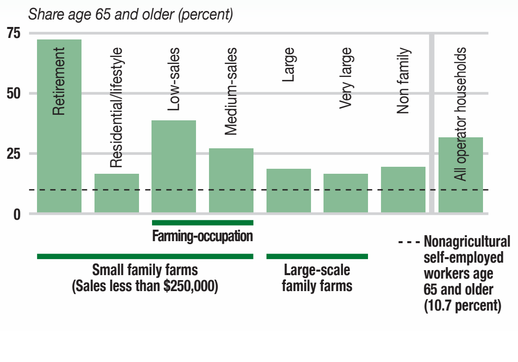
## Many farm operators are retirement age

One of the most striking characteristics of U.S. principal farm operators – the operator most responsible for running the farm – is their advanced age. In 2011, approximately 32% of principal farm operators were at least 65 years old, compared with less than 11% percent of nonagricultural self-employed U.S. workers.

Not surprisingly, retirement farms – those operated by farmers who consider themselves retired – had the highest percentage of older operators (72%). Among the principal operators of larger family farms (those with annual sales of at least $250,000) and operators of smaller farms that consider farming their primary occupation, the share of older operators declines as farm size increases. Thirty-eight percent of low-sales farm operators (under $100,000 in sales per year) are at least 65 years old, while 17% of operators running very large farms (with annual sales of $500,000 or more) are that old. The advanced age of so many farm operators is understandable given that the farm is the home for most farmers, and they can phase out of farming gradually.

### Principal farm operators age 65 and older by farm type, 2011

*(The principal operator is the operator most responsible for running the farm.)*




Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2011 Agricultural Resource Management Survey and Bureau of Labor Statistics.

# Outlook for the Dollar and Farmland Values

**By Mark G. Dotzour • Texas A&M**

Congress and the President are faced with an unpleasant new reality that previous federal politicians were able to ignore for decades. The reality is this: there is a limit to how far the country can go into debt. The curtain has been pulled back to reveal that there is no "government spending," it is just the spending of money paid into Washington from hardworking American taxpayers.

Two generations of Americans, all over the age of 40, were led to believe that the American taxpayers could pay for a lengthy retirement and unlimited health care for all. The new reality is that they can't. The tooth fairy has died. As painful as it is to recognize, America is doing just that.

How we respond to this new reality will have an impact on the economy and the U.S. dollar. It will also have a residual impact on farmland and other investment categories. There are two broad responses that could come out of Congress. First, they could do the right thing and begin to balance the budget by raising tax revenues a little bit and cutting spending on everything (including Social Security, Medicare, Medicaid and welfare). Or they could do what they do best and ignore the exploding debt in fear of offending voters with unpleasant truths about pending fiscal insolvency similar to Greece.

What if they do the right thing and begin to balance the budget over the next 10 years? Most people believe this will never happen, but just suppose it did. Federal spending would drop and the government contribution to the U.S. economy would fall. This would mean that the economy would slow down. However, optimism in the business community would increase dramatically as certainty of tax policy would have been put into place. It is possible that private sector hiring would still be positive and growth in other sectors of the economy would offset cuts in government spending. Interest rates would remain low as the Fed continues to remain in accommodation mode. The threat of runaway inflation would be significantly reduced. Smaller deficits would imply less need for government borrowing and less risk of "printing money." This would likely result in a stronger dollar and a lower price for gold and oil.

*Continued on page 2*

**Outlook for the Dollar** *cont. from page 1*

What if Congress does the wrong thing and just kicks the can down the road and extends all existing tax and spending plans into 2013? In this scenario, business uncertainty continues and there will be restraint in hiring and investment decisions just like 2012 and 2011. Job growth would be very sluggish, but positive. The Fed will continue to talk about printing more money and buying more bonds trying to drive interest rates even lower. The perceived risk of runaway inflation would remain and the dollar would remain weaker as the government piles up another trillion in debt. The cheaper dollar would make U.S. exports cheaper for our trade partners.

I would expect farmland prices to continue to see strength in 2013 as the Federal Reserve is determined to keep bond yields at record low levels. In my opinion, the price of gold, farmland, inflation-protected U.S. Treasury bonds, apartments, self-storage complexes, and the highest quality fine art are all correlated. Investors buy these assets for protection against future inflation. All of these assets are selling at near-record prices. As long as the consensus of global investors holds that the U.S. Congress and the President are unwilling to begin to balance the budget, these price trends are likely to continue.

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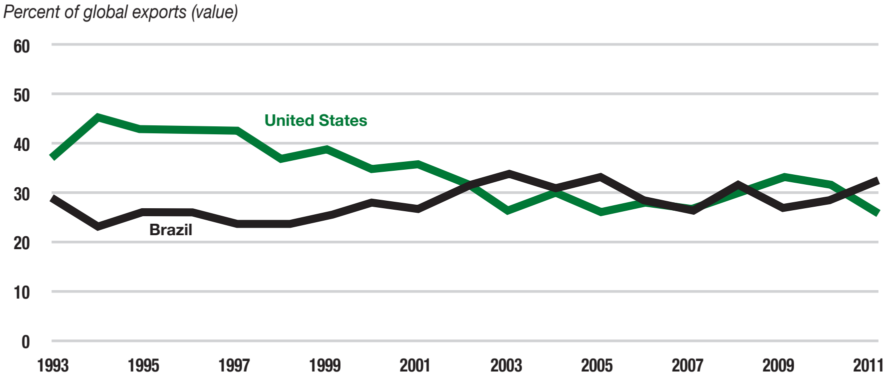
# Brazil leads the world in exports of soybean & soybean products

In recent years, Brazil's production of soybeans and soybean products has risen sharply as most areas of Brazil have seen rapid increases in the area planted to soybeans and rising yields. Relatively high profits for soybean producers are expected to lead to an average increase in planted area of about 2% per year during the next decade, with increasing soybean plantings in the Cerrado region and expansion extending into the Legal Amazon region of Brazil.

Brazil's soybean and soybean product exports have also increased significantly and are projected to continue doing so during the next 10 years, making the country the world's leading exporter of soybeans and soybean products, ahead of the United States and Argentina.

In 2011, Brazil accounted for slightly more than 32% of world trade in soybeans and soybean products. Income and population growth in China and other countries in Southeast Asia, Latin America, North Africa, and the Middle East have contributed to the rising demand for imports of soybean and soybean products.

**World exports of soybeans and soybean products, United States and Brazil, 1993–2011**




Source: USDA, Economic Research Service using data from USDA Agricultural Projections to 2021, OCE-2012-1, Office of the Chief Economist, World Agricultural Outlook Board, February 2012.

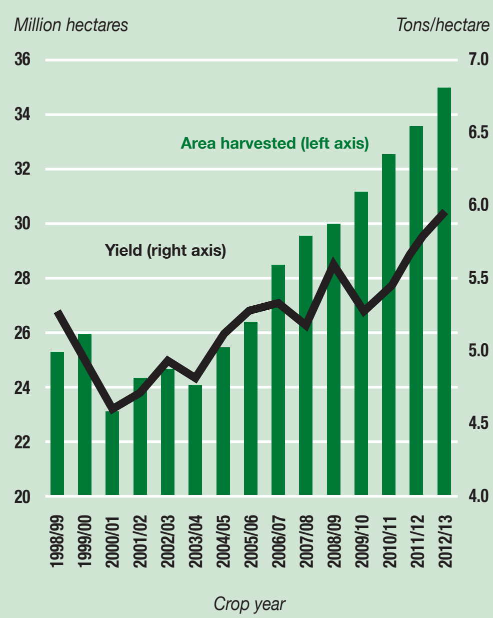
# Increased China corn production boosts 2012/13 global output

World coarse grain supplies for 2012/13 were projected higher in December 2012, mostly due to a large record corn crop reported for China, according to the Economic Research Service of the U.S. Department of Agriculture. USDA projects China's corn crop at 208.0 million tons, up 8.0 million tons from the previous forecast.

With this revision, China's 2012/13 corn crop is projected to exceed the previous year's record by 8%. The record crop, also forecast by China's National Bureau of Statistics (NBS), is supported by economic information, weather data, and satellite imagery.

NBS reported a record 34.95 million hectares of corn harvested in 2012/13, a 4% increase from the previous year. Price conditions at planting favored corn over alternative crops, especially soybeans or cotton, and favorable growing conditions limited crop losses. Corn area expansion has been strongest in the two northernmost provinces, Heilongjiang and Inner Mongolia, and temperature and rainfall conditions were favorable in these regions.

**China's corn area and yield**



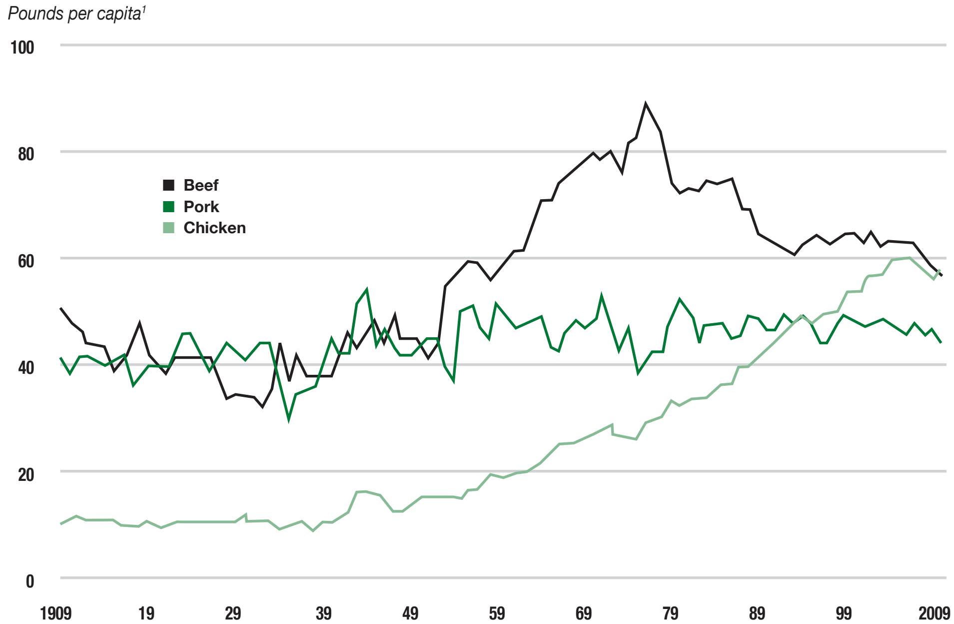

Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service.

# U.S. per capita availability of chicken tops beef in 2010

The per capita supply of chicken in the United States exceeded that of beef for the first time in 2010, according to 2010 food availability data from the Economic Research Service (ERS) of the U.S. Department of Agriculture. In 2010, 58 pounds of chicken per person on a boneless, edible basis were available for Americans to eat, compared to 56.7 pounds of beef.

Chicken began its upward climb in the 1940s, overtaking pork in 1996 as the second most consumed meat. Since 1970, U.S. chicken availability per person has more than doubled. Chicken's lower price relative to beef and pork, the wide variety of convenient chicken products marketed, and health concerns related to fat, saturated fat, and cholesterol have each played a role in chicken's growing popularity.

**U.S. per capita availability of beef, pork, and chicken, 1909–2010**




Note: Food availability data serve as proxies for food consumption.

[1] Calculated on the basis of raw and edible meat in boneless, trimmed (edible) weight. Excludes edible offals, viscera, and game for red meat. Includes skin, neck, and giblets for chicken. Excludes use of chicken for commercially prepared pet food.

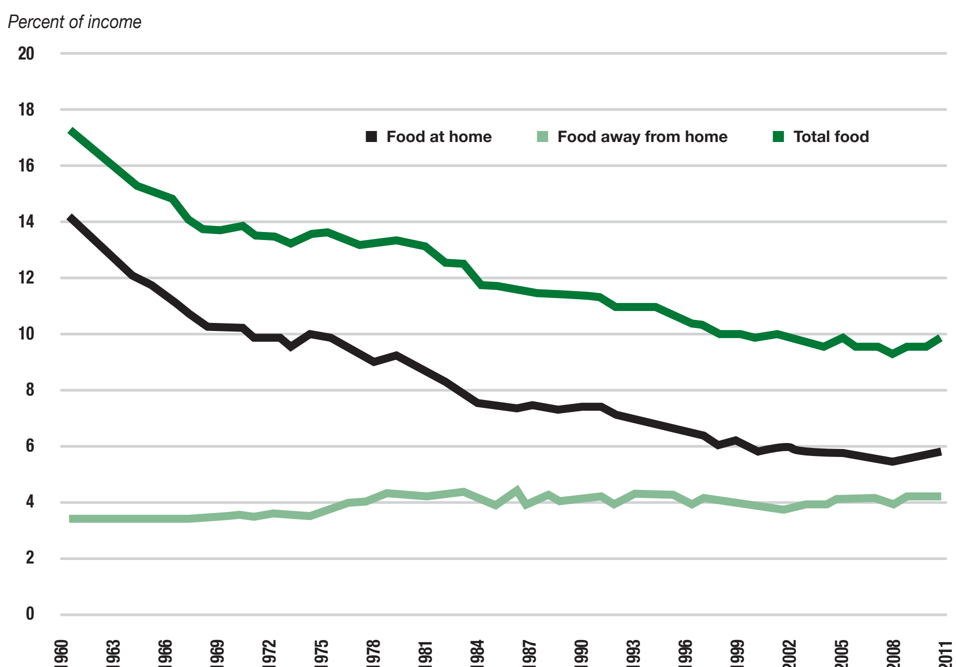
Source: USDA, Economic Research Service.

# *During the last 50 years, fewer dollars spent on food*

Between 1960 and 2011, the share of disposable personal income spent on total food by Americans fell from 17.5% to 9.8%. The share spent on food at home fell from 14.1% to 5.7%, according to the Economic Research Service of the U.S. Department of Agriculture. At the same time, the percentage of income spent on food away from home increased from 3.4% to 4.1%.

Although per capita total food spending, when adjusted for inflation, increased 33% during this period, inflation-adjusted per capita income increased more rapidly, 141%. This caused spending as a share of income to drop, allowing consumers to spend more money on other necessities and non-necessities. During the 2007–09 recession and beyond, the share of income spent on all three categories leveled off as incomes stagnated.

**Percent of disposable income spent on food in the United States, 1960–2011**




Source: USDA, Economic Research Service, Food Expenditure Series.

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