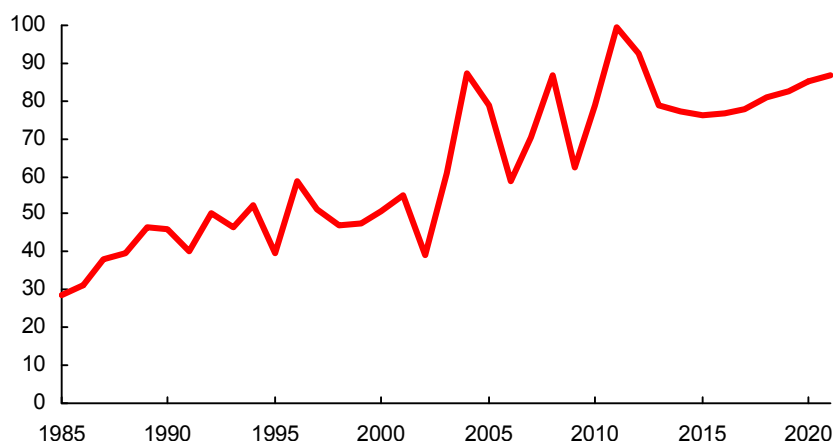


U.S. Agricultural Sector Aggregate Indicators Farm Income, U.S. Trade Value, Food Prices, and Food Expenditures

High commodity prices led to record values of U.S. agricultural exports and U.S. net farm income in 2011. Grain, oilseed, and cotton prices along with export value and farm income are initially projected to decline in 2012-13. However, a return to steady domestic and international economic growth supports longer term demand for U.S. agricultural products over the next decade. In addition, rising global demand for agricultural commodities for the production of biofuels continues. Thus, following the near-term declines, the values of U.S. agricultural exports and net farm income each remain historically high. After rising faster than the overall rate of inflation in 2011 and 2012, U.S. retail food price increases average somewhat less than the general inflation rate over the rest of the projection period, largely reflecting production increases in the livestock sector which limit consumer meat price increases.

U.S. net farm income

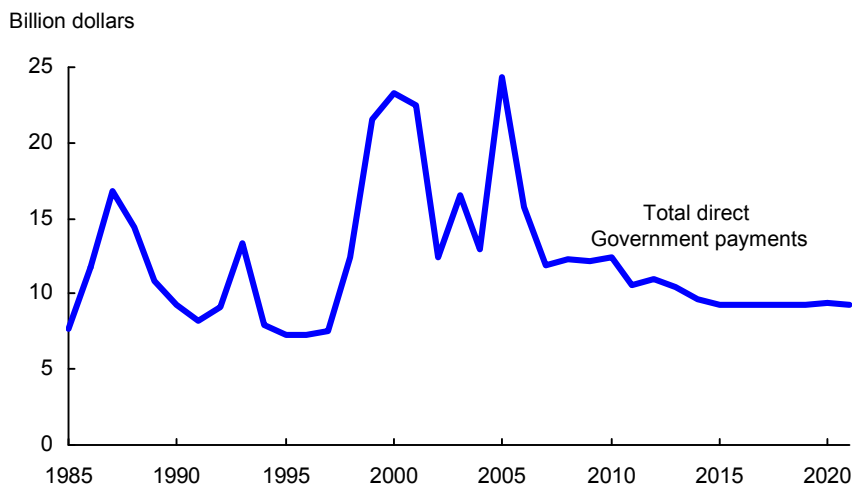
Billion dollars



Net farm income rose to record levels in 2011, largely reflecting the 2010-11 runup in prices for many agricultural commodities. While income declines in 2012 to 2015, it grows through the remainder of the projection period and stays well above the average of the previous decade (2001 to 2010).

- Strengthening global food demand and sustained biofuel demand are major factors underlying projections of rising cash receipts after 2014.
- Lower Government payments and rising farm production expenses offset some of the gains in cash receipts and other sources of farm income.

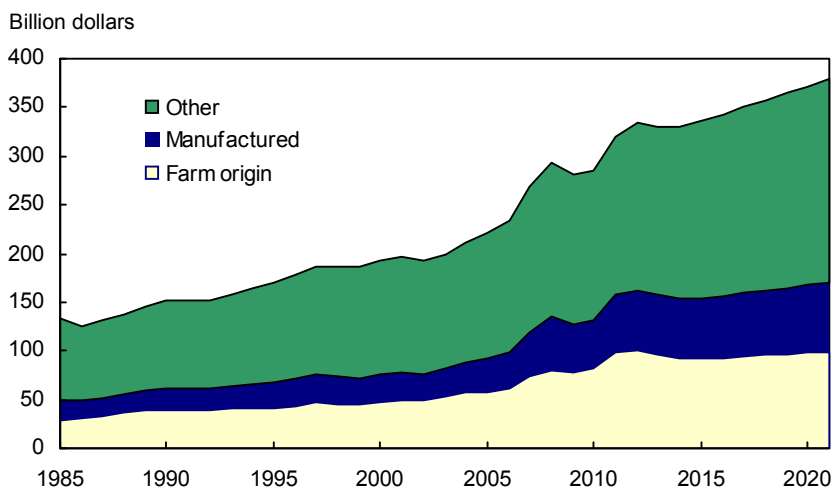
Direct Government payments



Direct Government payments to farmers average about \$9.6 billion over the next decade. Price-dependent marketing loan and counter-cyclical program benefits have become less important. Ad hoc and emergency payments are projected to fall from recent levels, in part because the supplemental agricultural disaster assistance programs authorized under the 2008 Farm Act only cover qualifying losses that occurred on or before September 30, 2011. About 80 percent of direct Government payments are accounted for by the Conservation Reserve Program (CRP) and fixed direct payments during the latter part of the projection period.

- Improving domestic and international demand keeps crop prices above levels that would result in marketing loan benefits or counter-cyclical payments, so projected benefits for these programs are negligible over the next decade. Similarly, with relatively low enrollment and projected long-run stability in commodity prices, projections of payments under the Average Crop Revenue Election (ACRE) program average less than \$100 million annually over 2012-21.
- High crop prices have made arable land more valuable, so rental rates for land in the CRP have risen. Even with reduced CRP acreage enrollment due to the 2008 Farm Act's lowering of the maximum acreage permitted in the program to 32 million acres, CRP payments rise from about \$1.8 billion in 2010 to \$2.5 billion in 2021.
- With high prices, Government payments have a smaller role in the agricultural sector's income. Government payments, which represented more than 8 percent of gross cash income in 2005, fall to a 2 to 3 percent range in the projection period. Conversely, the sector relies on the market for more of its income.

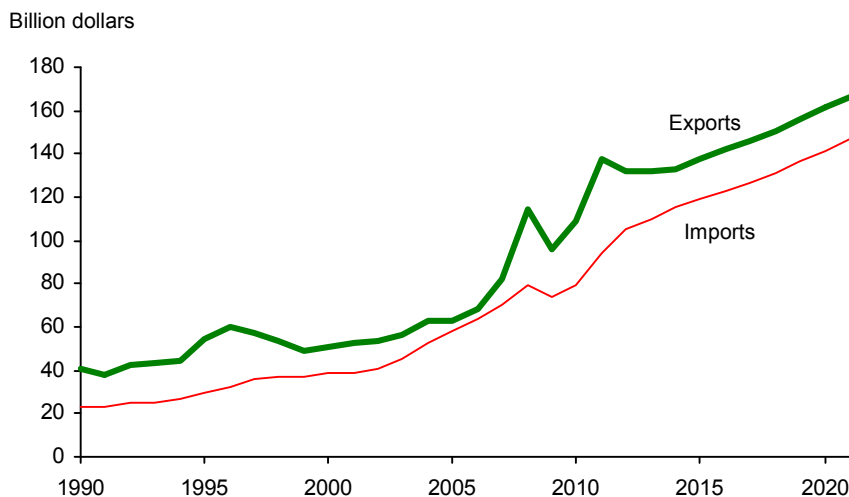
U.S. farm production expenses



Total farm production expenses are projected to rise less rapidly than the overall rate of inflation in 2012-21. While interest expenses and some energy-related costs rise faster than the general inflation rate, expenses for farm-origin inputs (seed, feed, and livestock) are up less than the general inflation rate. Other nonfarm-origin expenses increase at near the overall rate of inflation.

- Interest costs rise faster than the general inflation rate over the projection period, due to increasing debt level as well as rising interest rates from the low rates of recent years.
- Production expenses for fuel and oil also rise faster than the general inflation rate, largely reflecting increases in crude oil prices. Lower planted acreage after 2012 initially limits fertilizer expenses, but these costs rise faster than inflation later in the projection period.

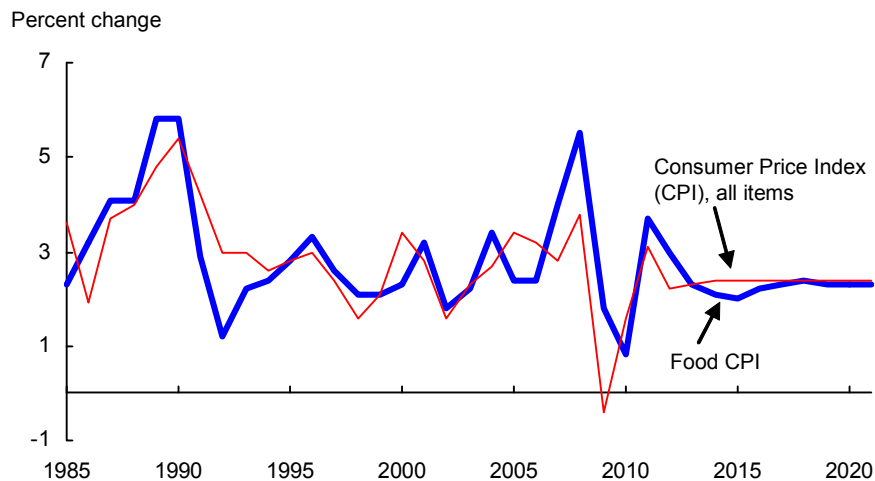
U.S. agricultural trade value



The value of U.S. agricultural exports initially falls from the record level of fiscal year 2011 as prices for major field crops decline from recent highs. Agricultural exports then rise through the remainder of the projections because of increased global economic growth, strengthening agricultural demand, and a weaker U.S. dollar. Domestic economic growth boosts demand for U.S. agricultural imports. (Fiscal years are October 1 through September 30 and are named after the second calendar year that they span. For example, fiscal year 2011 runs from October 1, 2010 through September 30, 2011.)

- The value of U.S. agricultural exports exceeded \$137 billion in 2011, a new record that largely reflected high commodity prices. With declining prices projected for major crops over the next two years, export values initially fall. Agricultural export values are then projected to grow over the rest of the decade and surpass the 2011 record. A resumption of world economic growth, particularly in developing countries, provides a foundation for increases in global food demand, trade, and U.S. agricultural exports. Continued global biofuel demand also contributes to strong commodity prices and gains in export values. Furthermore, the continuing depreciation of the U.S. dollar remains an important factor underlying projected gains in U.S. exports.
- The share of U.S. agricultural exports represented by high-value products (HVP) fell in 2011, as high commodity prices boosted bulk commodity export values. However, HVP exports grow in importance during the projection period, reaching about two-thirds of the value of U.S. exports. Much of the growth in HVP exports is for animal products and horticultural products.
- U.S. agricultural import values rise throughout the projection period and reach almost \$147 billion in 2021. These increases are boosted by gains in U.S. consumer incomes and demand for a large variety of foods. Strong growth in horticultural imports is assumed to continue, contributing close to half of the overall increase in agricultural imports in the projection period.
- The agricultural trade balance declines for several years from the record surplus of almost \$43 billion in 2011, falling below \$18 billion in 2014. The surplus then grows to reach about \$20 billion at the end of the projection period.

U.S. food inflation



U.S. retail food price increases exceeded the general inflation rate in 2011, reflecting higher food commodity prices and energy costs combined with stronger post-recessionary food demand. Food price inflation for 2012 is expected to abate from the 2011 rate as many of the inflationary pressures that pushed consumer food prices up in 2011 are not expected to intensify.

- Over the remainder of the projection period, consumer food price increases average less than the general inflation rate. This moderation largely reflects livestock production increases which facilitate gains in per capita meat consumption and limit retail meat price increases.
- Retail prices for highly processed foods, such as cereals and bakery products and fats and oils, tend to reflect processing and marketing costs, thus keeping their increases near the general rate of inflation.
- Retail prices for food away from home largely reflect the overall rate of inflation. As the economy rebounds, income gains will support growth in food consumption away from home. Nonetheless, competition in the fast-food and foodservice industries tends to moderate away-from-home price increases.
- Food expenditures for meals away from home are projected to rise faster than expenditures for food at home, thus accounting for a growing share of total food spending.

Table 36. Farm receipts, expenses, and income, long-term projections

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	<i>Billion dollars</i>											
Cash receipts:												
Crops	172.9	198.1	201.0	187.9	182.6	186.5	190.0	193.2	196.3	199.7	203.2	206.2
Livestock and products	141.4	165.7	164.9	166.2	166.7	165.9	169.2	173.9	180.3	184.9	189.7	193.8
All commodities	314.4	363.8	365.9	354.1	349.3	352.4	359.3	367.1	376.5	384.6	392.9	400.0
Farm-related income	18.3	21.9	19.4	20.4	20.7	21.0	21.2	21.6	21.8	22.2	22.5	22.8
Government payments	12.4	10.6	11.0	10.5	9.7	9.2	9.2	9.2	9.3	9.3	9.4	9.3
Gross cash income	345.0	396.3	396.2	385.0	379.6	382.6	389.6	397.8	407.6	416.0	424.8	432.1
Cash expenses	252.7	286.0	299.2	293.7	293.3	297.5	303.3	310.2	316.8	323.0	328.9	334.9
Net cash income	92.3	110.3	97.0	91.4	86.3	85.0	86.4	87.6	90.9	93.0	95.9	97.2
Value of inventory change	-2.0	0.0	6.1	-1.0	2.6	3.3	2.1	1.8	2.1	1.7	1.4	1.4
Non-money income	21.6	23.2	24.7	24.8	25.6	26.3	27.2	28.1	28.9	29.8	30.7	31.7
Gross farm income	364.7	419.5	427.0	408.9	407.8	412.1	418.9	427.7	438.6	447.6	456.9	465.2
Noncash expenses	21.0	21.7	22.5	23.4	24.3	25.0	25.7	26.4	27.2	28.0	28.7	29.5
Operator dwelling expenses	11.9	12.2	12.6	12.8	13.1	13.2	13.3	13.5	13.6	13.8	13.9	14.1
Total production expenses	285.6	319.9	334.2	329.8	330.6	335.7	342.3	350.1	357.6	364.7	371.5	378.5
Net farm income	79.1	99.7	92.8	79.0	77.2	76.4	76.6	77.6	81.0	82.8	85.4	86.7

The projections were completed in December 2011.

Table 37. Summary of U.S. agricultural trade long-term projections, fiscal years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	<i>Billion dollars</i>											
Agricultural exports (value):												
Livestock, dairy, and poultry	21.5	27.3	28.0	28.5	29.7	29.8	30.7	31.6	33.1	34.9	36.9	38.7
Livestock, poultry, and products	18.2	22.8	24.0	24.3	25.1	25.0	25.5	26.1	27.3	28.7	30.3	31.8
Dairy products	3.4	4.5	4.0	4.1	4.6	4.9	5.2	5.5	5.8	6.2	6.6	7.0
Grains and feeds	27.2	37.9	35.4	34.9	33.4	35.1	36.5	37.4	38.3	39.6	40.7	41.5
Coarse grains	9.8	14.0	14.2	12.7	11.5	12.5	13.2	13.7	14.0	14.4	14.7	15.0
Oilseeds and products	25.3	29.2	26.0	24.8	24.5	25.4	26.0	26.4	26.9	27.4	28.1	28.6
Soybeans and products	22.0	25.4	22.6	20.9	20.6	21.4	22.0	22.3	22.6	23.0	23.5	23.8
Horticultural products	22.6	25.9	28.0	29.0	30.1	31.2	32.3	33.5	34.7	36.0	37.3	38.7
Fruits and vegetables, fresh	5.9	6.6	6.9	7.1	7.4	7.6	7.9	8.2	8.4	8.7	9.0	9.3
Fruits and vegetables, processed	5.6	6.3	6.7	6.9	7.1	7.3	7.6	7.8	8.0	8.3	8.5	8.8
Cotton	4.8	8.9	6.0	6.3	6.3	6.5	6.7	6.8	6.8	6.9	6.9	7.0
Other exports	7.0	8.0	8.7	8.5	8.9	9.4	9.8	10.2	10.7	11.1	11.5	12.0
Total agricultural exports	108.6	137.4	132.0	131.9	132.8	137.4	141.9	145.9	150.6	155.9	161.4	166.6
Bulk commodity exports	40.8	57.9	50.1	48.8	47.1	49.2	50.7	51.5	52.2	53.3	54.2	55.0
High-value product exports	67.7	79.5	81.9	83.1	85.8	88.2	91.2	94.5	98.4	102.7	107.2	111.5
High-value product share	62.4%	57.9%	62.0%	63.0%	64.6%	64.2%	64.3%	64.7%	65.3%	65.8%	66.4%	67.0%
	<i>Million metric tons</i>											
Agricultural exports (volume):												
Bulk commodity exports	128.4	131.1	111.5	123.2	128.4	133.0	136.2	137.3	139.0	141.0	142.5	143.7
	<i>Billion dollars</i>											
Agricultural imports (value):												
Livestock, dairy, and poultry	10.8	11.8	12.5	13.7	14.9	14.9	15.0	15.2	15.7	16.2	16.8	17.3
Livestock and meats	7.9	8.6	9.1	10.1	11.3	11.2	11.2	11.3	11.6	12.0	12.5	12.9
Dairy products	2.4	2.7	2.8	2.9	2.9	2.9	3.1	3.1	3.2	3.4	3.5	3.6
Grains and feeds	7.5	8.4	9.0	9.2	9.7	10.1	10.6	11.0	11.5	12.0	12.6	13.1
Grain products	4.9	5.4	5.8	6.1	6.4	6.7	7.0	7.4	7.8	8.2	8.6	9.0
Oilseeds and products	5.3	7.7	9.3	9.5	10.1	10.6	11.2	11.8	12.4	13.1	13.8	14.5
Vegetable oils	3.8	5.6	6.7	7.1	7.5	7.9	8.3	8.8	9.2	9.7	10.3	10.8
Horticultural products	35.6	39.4	43.3	45.2	47.2	49.2	51.4	53.6	56.0	58.5	61.0	63.7
Fruits and vegetables, fresh	12.0	12.8	13.5	14.1	14.7	15.4	16.1	16.8	17.6	18.4	19.2	20.1
Fruits and vegetables, processed	6.8	8.2	9.6	10.0	10.5	11.0	11.5	12.0	12.5	13.1	13.7	14.3
Wine and beer	7.7	8.3	9.1	9.5	9.8	10.2	10.7	11.1	11.5	12.0	12.5	13.0
Sugar and tropical products	18.3	25.6	29.6	30.1	31.7	32.5	32.5	32.9	33.9	34.7	35.2	36.1
Sugar and related products	4.1	5.1	6.0	5.9	6.9	7.1	6.4	6.2	6.5	6.6	6.5	6.6
Cocoa, coffee, and products	8.6	12.0	13.3	13.6	14.0	14.3	14.7	15.0	15.4	15.8	16.2	16.6
Other imports	1.5	1.6	1.8	1.8	1.8	1.9	1.9	1.9	1.9	1.9	2.0	2.0
Total agricultural imports	79.0	94.5	105.5	109.5	115.4	119.2	122.6	126.4	131.4	136.3	141.3	146.7
Net agricultural trade balance	29.6	42.9	26.5	22.4	17.4	18.2	19.4	19.5	19.3	19.6	20.1	19.9

Sources: U.S. Department of Agriculture and Bureau of Census, U.S. Department of Commerce.

U.S. trade value projections were completed in November 2011. For updates of the nearby year forecasts, see USDA's *Outlook for U.S. Agricultural Trade* report, published in February, May, August, and November.

Notes: Other exports includes tobacco, seeds, sugar and tropical products, and beverages. Bulk commodity exports covers wheat, rice, feed grains, soybeans, cotton, and tobacco. High-value product (HVP) exports is calculated as total exports less bulk commodities. HVP's include semiprocessed and processed grains and oilseeds, animals and animal products, horticultural products, and sugar and tropical products. Other imports include cotton, tobacco, and planting seeds.

Table 38. Prices received by farmers, selected food commodities, long-term projections

CPI category	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Price indexes:	<i>1990-92=100</i>											
Food commodities ¹	140.0	168.0	162.6	163.4	164.5	161.4	162.0	163.3	166.3	169.0	172.1	174.6
Food grains	177.0	237.0	198.4	190.9	192.0	193.9	195.8	196.3	198.2	198.8	198.3	198.8
Oil-bearing crops	172.0	223.0	194.7	182.3	186.7	189.4	191.1	192.9	194.7	197.3	199.1	200.9
Fruit and nuts	148.0	158.0	160.0	162.3	164.6	166.9	169.2	171.6	174.1	176.5	179.0	181.5
Vegetables ²	156.7	172.7	170.5	172.0	173.4	174.9	176.4	177.9	179.4	180.9	182.4	183.9
Meat animals	123.0	151.0	159.6	161.5	160.2	150.0	147.6	147.5	151.3	154.2	158.3	160.9
Dairy products	124.0	154.0	141.4	144.1	144.8	145.6	149.0	152.1	155.9	159.3	162.4	166.2
Poultry and eggs	152.0	152.0	149.6	158.9	164.4	165.8	169.2	172.0	174.8	177.9	182.2	185.0
Changes in price indexes:	<i>Percent</i>											
Food commodities ¹	9.4	20.0	-3.2	0.5	0.6	-1.9	0.4	0.8	1.9	1.6	1.8	1.5
Food grains	-4.8	33.9	-16.3	-3.8	0.5	1.0	1.0	0.3	1.0	0.3	-0.2	0.3
Oil-bearing crops	-2.8	29.7	-12.7	-6.4	2.4	1.4	0.9	0.9	0.9	1.4	0.9	0.9
Fruit and nuts	10.4	6.8	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Vegetables ²	-1.0	10.2	-1.3	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Meat animals	16.0	22.8	5.7	1.2	-0.8	-6.3	-1.6	-0.1	2.6	2.0	2.6	1.6
Dairy products	26.5	24.2	-8.2	1.9	0.5	0.5	2.4	2.1	2.5	2.2	1.9	2.4
Poultry and eggs	9.4	0.0	-1.6	6.2	3.4	0.8	2.1	1.7	1.6	1.8	2.4	1.6

1/ The aggregate price index for food commodities is a weighted average using NASS relative weights, which are based on average shares of farm cash receipts from 1990 to 1992. 2/ The price index for vegetables is a weighted average of the index for commercial vegetables and the index for potatoes and dry beans.

Sources: USDA, National Agricultural Statistics Service (NASS), *Agricultural Prices*; Economic Research Service.

Table 39. Consumer food price indexes and food expenditures, long-term projections

CPI category	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Consumer price indexes												
	<i>1982-84=100</i>											
All food	219.625	227.842	234.6	240.1	245.2	250.1	255.6	261.4	267.6	273.8	280.2	286.7
Food away from home	226.114	231.401	237.2	242.7	248.3	253.8	259.6	265.8	272.2	278.7	285.4	292.2
Food at home	215.836	226.201	233.5	239.0	243.9	248.4	253.8	259.4	265.5	271.6	277.8	284.2
Meats	206.232	224.439	233.4	237.5	239.6	239.9	242.9	246.4	251.9	257.4	263.0	268.9
Beef and veal	224.511	247.377	258.5	262.4	263.1	261.1	263.6	266.9	273.5	279.5	285.6	292.0
Pork	189.957	206.053	213.3	218.0	221.6	223.8	227.2	231.0	235.7	241.1	246.8	252.7
Other meats	194.787	207.310	213.4	217.2	220.7	223.9	227.5	231.2	235.2	239.4	243.8	248.3
Poultry	203.978	209.916	217.0	224.6	229.2	234.6	241.6	248.3	253.9	259.7	265.6	271.5
Fish and seafood	243.229	260.493	272.2	281.7	290.2	298.3	306.7	315.3	324.1	333.2	342.5	352.1
Eggs	192.833	210.492	213.7	220.0	226.5	233.2	239.0	243.0	247.0	251.0	255.0	259.0
Dairy products	199.245	212.745	218.0	223.0	227.0	231.0	236.5	242.0	248.0	253.5	259.0	265.0
Fats and oils	200.587	219.163	225.7	231.8	237.6	243.3	249.4	255.6	262.1	268.5	275.0	281.8
Fruits and vegetables	273.458	284.662	292.4	299.1	305.8	312.3	318.9	325.7	332.5	339.5	346.5	353.8
Sugar and sweets	201.242	207.832	213.0	217.5	222.2	227.1	232.1	237.2	242.4	247.7	253.1	258.6
Cereals and bakery products	250.449	260.311	270.8	277.5	284.4	291.5	298.7	306.1	313.6	321.1	328.8	336.7
Nonalcoholic beverages	161.602	166.790	170.1	174.4	178.8	183.3	187.9	192.6	197.4	202.3	207.4	212.6
Other foods	204.553	209.292	214.6	219.8	224.8	230.0	235.3	240.8	246.3	251.9	257.7	263.7
Food expenditures:												
	<i>Billion dollars</i>											
All food	1,241.1	1,303.8	1,359.8	1,410.4	1,460.8	1,515.2	1,572.3	1,632.1	1,694.5	1,757.9	1,823.6	1,891.9
Food at home	646.8	683.8	711.8	734.7	756.0	780.7	806.4	832.6	859.7	886.5	913.8	942.2
Food away from home	594.3	620.0	648.0	675.7	704.8	734.5	765.9	799.5	834.8	871.4	909.8	949.7
Changes in consumer food prices:												
	<i>Percent</i>											
All food	0.8	3.7	3.0	2.3	2.1	2.0	2.2	2.3	2.4	2.3	2.3	2.3
Food away from home	1.3	2.3	2.5	2.3	2.3	2.2	2.3	2.4	2.4	2.4	2.4	2.4
Food at home	0.3	4.8	3.2	2.4	2.1	1.8	2.2	2.2	2.4	2.3	2.3	2.3
Meats	2.8	8.8	4.0	1.8	0.9	0.1	1.3	1.4	2.2	2.2	2.2	2.2
Beef and veal	2.9	10.2	4.5	1.5	0.3	-0.8	1.0	1.3	2.5	2.2	2.2	2.2
Pork	4.7	8.5	3.5	2.2	1.7	1.0	1.5	1.7	2.0	2.3	2.4	2.4
Other meats	-0.1	6.4	2.9	1.8	1.6	1.4	1.6	1.6	1.7	1.8	1.8	1.8
Poultry	-0.1	2.9	3.4	3.5	2.0	2.4	3.0	2.8	2.3	2.3	2.3	2.2
Fish and seafood	1.1	7.1	4.5	3.5	3.0	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Eggs	1.5	9.2	1.5	2.9	3.0	3.0	2.5	1.7	1.6	1.6	1.6	1.6
Dairy products	1.1	6.8	2.5	2.3	1.8	1.8	2.4	2.3	2.5	2.2	2.2	2.3
Fats and oils	-0.3	9.3	3.0	2.7	2.5	2.4	2.5	2.5	2.5	2.4	2.4	2.5
Fruits and vegetables	0.2	4.1	2.7	2.3	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Sugar and sweets	2.2	3.3	2.5	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Cereals and bakery products	-0.8	3.9	4.0	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.4
Nonalcoholic beverages	-0.9	3.2	2.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Other foods	-0.5	2.3	2.5	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3