

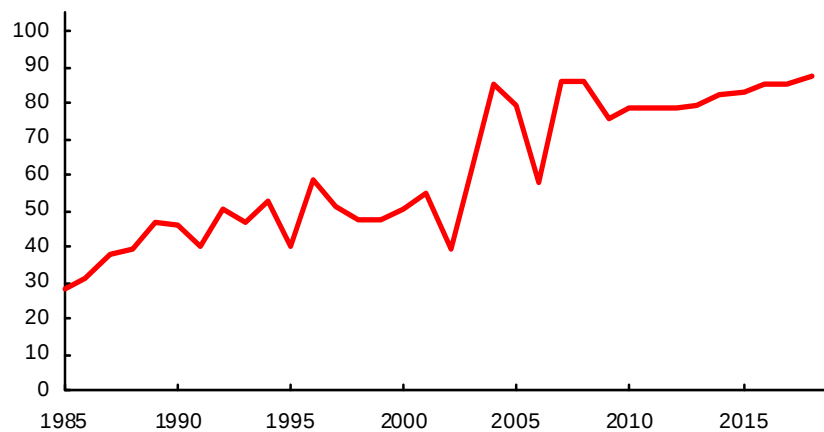
U.S. Agricultural Sector Aggregate Indicators

Farm Income, U.S. Trade Value, Food Prices, and Food Expenditures

The ongoing world economic slowdown underpins a retreat in global consumption, trade, and prices in the near term, reducing the U.S. agricultural trade value and farm income from 2008 levels. However, once global economies recover, steady domestic and international economic growth supports gains in the U.S. agricultural sector. In addition, longrun developments reflect continued demand for agricultural commodities for the production of biofuels. Thus, after declining in the near term, farm income and U.S. agricultural trade grow through the rest of the projection period. Retail food prices rise faster than the general inflation rate through 2011, partly reflecting higher meat prices due to livestock sector adjustments to increased feed costs.

U.S. net farm income

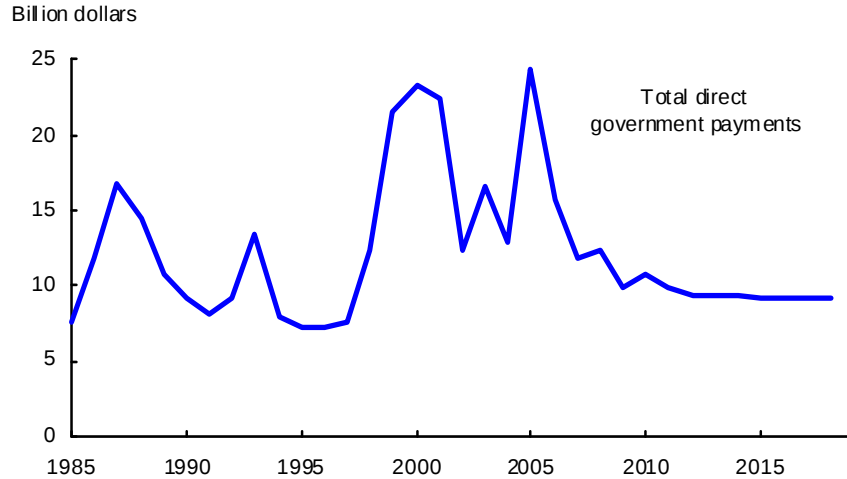
Billion dollars



Net farm income declines in the near term from the high levels of 2007 and 2008, but remains historically strong and rebounds to near-record levels by the end of the projections.

- Sustained biofuel demand and strengthening global food demand provide a major impetus for projections of rising cash receipts after 2009.
- 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

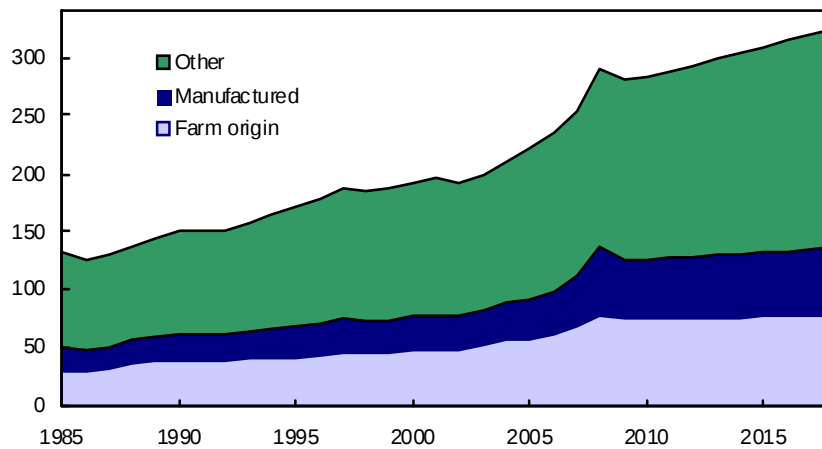


Direct government payments to farmers are projected to fall from \$12.4 billion in 2008 to an average of less than \$10 billion annually in 2009 to 2018. After 2010, price-dependent program benefits represent a declining share of payments.

- Strengthening domestic and international demand holds prices for most crops above levels that would result in marketing loan benefits or counter-cyclical payments. For example, even with stochastic considerations (included here to capture potential variation in farm program benefits due to variability in production yields), payments for marketing loan benefits and counter-cyclical payments for feed grains are minimal, totaling less than \$100 million from 2010 through 2018.
- Projections of government payments under the Average Crop Revenue Election (ACRE) program (assuming stochastic yield variability) exceed \$600 million in 2010 and reach almost \$400 million in 2011, reflecting reductions in prices from recent highs. Lower ACRE payments of less than \$200 million annually are projected for subsequent years, reflecting relative stability in agricultural commodity markets in the projections and assumed moderate levels of producer enrollment in the program.
- Sustained higher crop prices make the use of land for production more valuable, so rental rates for land in the Conservation Reserve Program (CRP) rise. Nonetheless, with reduced enrollment of acreage in the program due to the 2008 Farm Act's lowering of the maximum acreage permitted in the program, CRP payments rise only moderately and remain close to \$2 billion annually through the projection period.
- With higher 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, account for less than 3 percent during most of the projection period. Conversely, the sector relies on the market for more of its income. Cash receipts plus farm-related income rise to over 97 percent of gross cash income.

U.S. farm production expenses

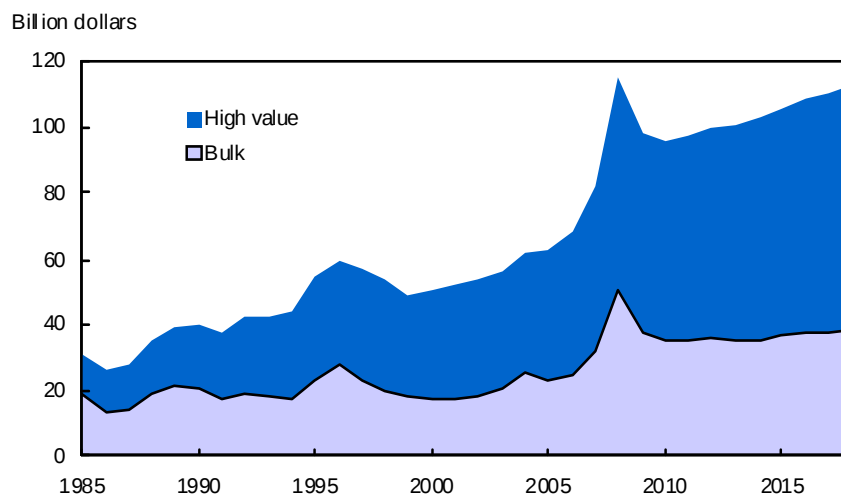
Billion dollars



Following the large runup in farm production expenses in 2008, expenses decline in 2009, largely due to reductions in energy-related costs. Production expenses then rise at close to the general inflation rate through the remainder of the projection period. Total farm production expenses are divided into three categories in the chart above: farm origin (seed, feed, and feeder livestock), manufactured (fuel, fertilizer, pesticides, and electricity), and other (labor, interest, net rent to nonoperator landlords, and other expenses).

- The largest percentage increase from 2009 to 2018 is for “other” expenses, reflecting increases in labor expenses and interest costs. Labor expenses rise as sector output increases and wage rates rise. Projected increases in interest costs reflect higher interest rates, as well as increased debt facilitated by higher income.
- Projected manufactured-input expenses decline in 2009 due to the reduction in crude oil prices from their peak in 2008. With crude oil prices then projected to rise over the remainder of the projection period, production expenses for manufactured inputs increase as well.
- Farm-origin expenses rise less than the general inflation rate. Feed expenses, which rose rapidly in recent years with higher corn prices, decline over the next several years as corn prices retreat and the livestock sector is reduced. Moderate increases in feed expenses are then projected as the livestock sector resumes growth. Seed expenses, which also rose sharply in 2008 with commodity prices, increase slowly in the projection period. Expenses for purchased livestock increase over the first half of the projections due to price increases as the sector contracts. As livestock production increases later in the projection period, prices decline and purchased-livestock expenses level off.
- Cash operating margins are projected to remain relatively stable at 75-77 percent as cash receipts and gross cash income rise at close to the same pace as cash expenses.

U.S. agricultural export value: Bulk and high value 1/

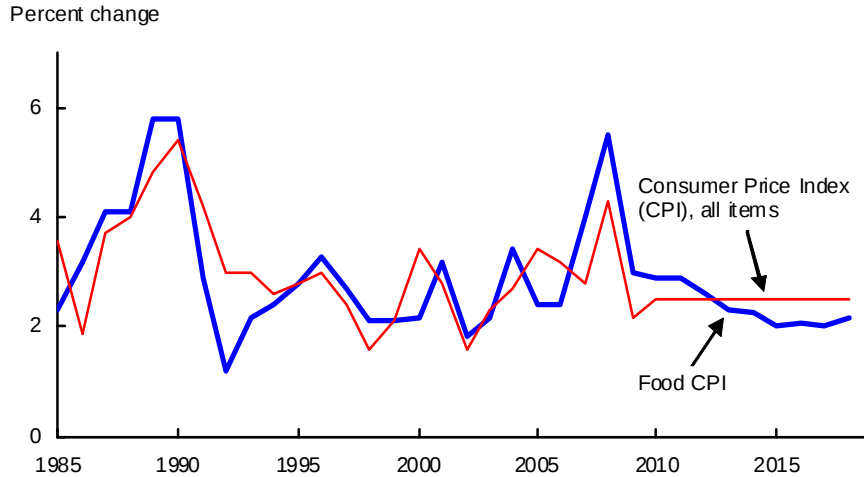


1/ Bulk commodities include wheat, rice, feed grains, soybeans, cotton, and tobacco. High-value products include semi-processed and processed grains and oilseeds, animals and animal products, horticultural products, and sugar and tropical products.

The value of U.S. agricultural exports declines over the next 2 years from the peak reached in fiscal year 2008, but then rises through the remainder of the projections due to increases in both export volumes and prices. A resumption of domestic economic growth boosts U.S. agricultural imports.

- The value of U.S. agricultural exports reached a record level exceeding \$115 billion in fiscal year 2008 as both trade volumes and prices were high. With lower volumes and declining prices, export values fall in 2009 and 2010. Agricultural export values are then projected to grow through the rest of the projection period, although they will fall short of the 2008 record. The continuing low value of the U.S. dollar is an important factor underlying recent export gains and the projected growth. And following the near-term adjustments, longer run global economic growth, particularly in developing countries, provides a foundation for gains in trade and U.S. agricultural exports. High commodity prices due to continued global biofuel demand also contribute to the gains in export values.
- Increases in bulk commodity prices and export volumes over the past several years have strengthened bulk export values, pushing the share of exports accounted for by high-value products (HVP) down from 64 percent in fiscal year 2006 to 56 percent in 2008. Over the projection period, however, HVP export values grow in importance again, initially because of declining bulk volumes and prices and then due to faster HVP growth. By the end of the projection period, HVP exports represent close to 66 percent 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 to \$110 billion in fiscal year 2018, boosted by gains in consumer income and demand for a large variety of foods. Strong growth in horticultural imports is assumed to continue, contributing about half of the overall agricultural import increase.
- With the large gains in bulk export volumes and increases in commodity prices in 2008, the overall U.S. agricultural trade surplus reached a record level of \$36 billion. The agricultural trade balance is projected to decline from this level over the projection period, but remains a surplus.

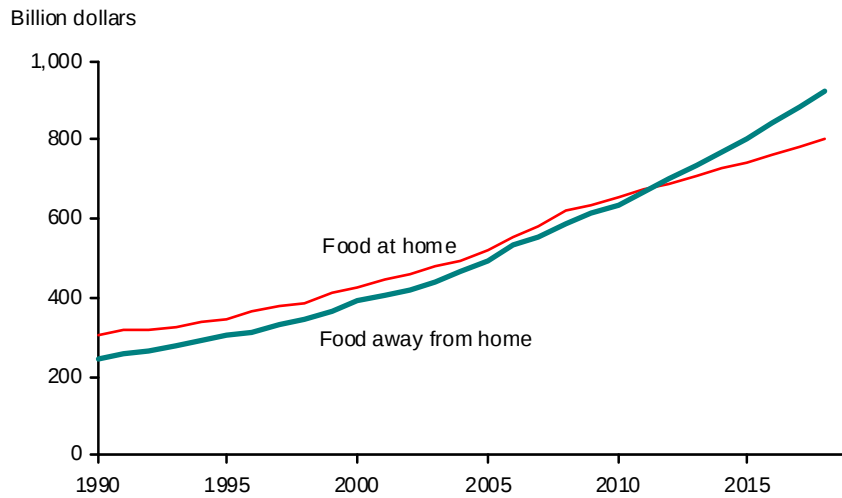
U.S. food inflation



High prices for agricultural commodities and energy contributed to U.S. consumer food prices rising more than the general inflation rate in 2008. Retail food prices continue to rise faster than overall inflation through 2011, partly reflecting higher meat prices (particularly in 2010 and 2011) as the livestock sector adjusts to increased feed costs. Then consumer food prices in the United States return to the longer term relationship of rising less than the general inflation rate over the remainder of the projection period.

- Commodity price increases for food grains and oil-bearing crops were the primary cause of large retail price increases for cereals and bakery products and fats and oils in 2008. Projected retail prices for these foods over the projection period remain among the highest of foods purchased for consumption at home. Since these are generally highly processed foods, their prices in the longer run tend to reflect processing and marketing costs and, therefore, rise at rates near the general inflation rate.
- Prices for food away from home reflect the overall inflation rate as well as some linkage to prices for retail meat and poultry. A slowing of growth in food consumption away from home is expected in the near term, due to the economic recession in the United States. Once the economy rebounds, income growth supports continuing gains in prices for food consumed away from home. Nonetheless, competition in the fast-food and foodservice industries tends to moderate these price increases.

U.S. food expenditures



The U.S. economic recession and the runup in energy-related consumer expenses in 2008 slowed growth in eating meals away from home in the United States. Moderate increases in food away from home expenditures are expected over the next several years, with stronger increases expected after domestic economic growth resumes.

- In the longer run, expenditures for meals prepared away from home resume stronger growth and account for a growing share of total food spending, reaching 53 percent of overall food expenditures in 2018.

Table 27. Farm receipts, expenses, and income, long-term projections

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<i>Billion dollars</i>												
Cash receipts:												
Crops	147.0	178.8	163.1	164.2	166.4	168.0	169.9	173.2	177.3	181.1	184.6	188.1
Livestock and products	137.9	142.7	139.9	139.6	143.7	146.8	149.4	152.0	153.3	155.2	157.0	159.5
All commodities	284.8	321.5	303.0	303.8	310.1	314.8	319.3	325.1	330.5	336.3	341.6	347.6
Farm-related income	16.6	17.7	18.1	18.6	19.0	19.5	20.0	20.5	21.0	21.5	22.0	22.5
Government payments	11.9	12.4	10.0	10.8	9.9	9.3	9.3	9.3	9.3	9.2	9.2	9.1
Gross cash income	313.4	351.6	331.1	333.2	339.0	343.7	348.6	354.9	360.8	367.0	372.8	379.2
Cash expenses	226.0	261.1	250.1	250.2	255.0	259.9	264.9	269.5	274.5	279.9	284.7	289.6
Net cash income	87.4	90.5	81.0	82.9	84.0	83.7	83.7	85.4	86.3	87.1	88.1	89.6
Value of inventory change	3.7	0.1	-1.5	0.5	0.1	0.0	0.8	1.4	1.7	2.3	1.9	1.4
Noncash income	24.0	25.4	27.2	27.4	27.9	28.5	29.0	29.5	30.0	30.6	31.1	31.7
Gross farm income	341.1	377.2	356.7	361.0	366.9	372.1	378.3	385.8	392.5	399.9	405.8	412.4
Noncash expenses	18.2	18.6	19.2	20.9	21.2	21.4	21.7	21.9	22.1	22.3	22.5	22.7
Operator dwelling expenses	10.2	11.2	11.7	11.8	11.9	12.1	12.2	12.4	12.5	12.7	12.8	13.0
Total production expenses	254.4	290.9	281.0	282.9	288.0	293.3	298.7	303.6	309.0	314.7	319.9	325.2
Net farm income	86.8	86.3	75.8	78.1	78.9	78.8	79.7	82.2	83.6	85.2	86.0	87.2

Table 28. Summary of U.S. agricultural trade long-term projections, fiscal years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<i>Billion dollars</i>												
Agricultural exports (value):												
Livestock, dairy, and poultry	16.4	22.2	20.4	20.2	21.3	22.1	23.0	23.8	24.5	25.1	25.5	26.0
Livestock, poultry, and products	13.9	18.1	17.3	17.3	18.5	19.5	20.4	21.3	21.9	22.6	23.0	23.6
Dairy products	2.5	4.0	3.1	2.8	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.5
Grain and feeds	24.3	38.3	28.3	26.0	25.6	25.5	25.2	25.4	26.1	26.8	27.3	27.8
Coarse grains	9.8	15.8	10.9	10.4	10.2	10.1	10.0	10.0	10.3	10.6	10.7	10.9
Oilseeds and products	13.7	22.9	18.3	18.3	18.4	18.5	18.3	18.2	18.4	18.6	18.7	18.9
Soybeans and products	11.0	19.3	15.6	15.5	15.5	15.5	15.2	15.1	15.2	15.3	15.4	15.6
Horticultural products	18.0	20.8	21.5	22.1	22.8	23.5	24.2	24.9	25.6	26.4	27.2	28.0
Fruits and vegetables, fresh	4.8	5.5	6.0	6.2	6.3	6.5	6.6	6.8	7.0	7.2	7.4	7.6
Fruits and vegetables, processed	4.4	5.4	5.6	5.7	5.9	6.0	6.2	6.3	6.5	6.6	6.8	6.9
Cotton and linters	4.3	4.8	4.0	3.4	3.6	4.1	4.4	4.6	4.9	5.1	5.4	5.4
Other exports	5.6	6.5	6.0	5.6	5.8	6.0	6.1	6.3	6.4	6.6	6.7	6.8
Total agricultural exports	82.2	115.5	98.5	95.7	97.5	99.7	101.2	103.2	105.9	108.6	110.8	113.0
Bulk commodity exports	31.5	50.7	37.6	35.4	35.6	35.8	35.5	35.7	36.6	37.5	38.1	38.5
High-value product exports	50.6	64.8	60.9	60.2	62.0	63.8	65.6	67.5	69.3	71.1	72.7	74.4
High-value product share	61.6%	56.1%	61.8%	62.9%	63.6%	64.0%	64.9%	65.4%	65.4%	65.5%	65.6%	65.9%
<i>Million metric tons</i>												
Agricultural exports (volume):												
Bulk commodity exports	125.4	139.4	112.8	119.4	121.3	122.8	123.2	124.4	125.9	127.4	129.2	131.0
<i>Billion dollars</i>												
Agricultural imports (value):												
Livestock, dairy, and poultry	12.0	12.2	12.0	12.5	13.2	13.8	14.3	14.8	15.3	15.7	16.1	16.5
Livestock and meats	8.9	8.7	8.4	9.0	9.5	10.0	10.4	10.8	11.1	11.3	11.5	11.8
Dairy products	2.7	3.0	3.0	3.2	3.2	3.3	3.5	3.6	3.8	4.0	4.1	4.3
Grain and feeds	6.0	7.9	8.0	7.8	8.0	8.3	8.6	8.9	9.3	9.7	10.1	10.5
Grain products	3.9	4.6	4.6	4.8	5.0	5.3	5.5	5.8	6.1	6.4	6.7	7.1
Oilseeds and products	4.0	6.6	5.7	5.9	6.1	6.3	6.6	6.8	7.1	7.4	7.7	8.0
Vegetable oils	2.8	4.6	4.0	4.1	4.3	4.5	4.6	4.8	5.0	5.2	5.4	5.6
Horticultural products	32.4	34.7	36.1	37.3	38.7	40.2	41.8	43.4	45.1	46.9	48.7	50.6
Fruits and vegetables, fresh	9.6	10.0	10.2	10.5	10.9	11.3	11.8	12.3	12.7	13.2	13.8	14.3
Fruits and vegetables, processed	6.6	7.5	8.1	8.4	8.7	8.9	9.3	9.6	9.9	10.2	10.6	11.0
Wine and beer	8.2	8.4	8.5	8.8	9.2	9.6	10.0	10.5	11.0	11.5	12.0	12.5
Sugar and tropical products	14.1	16.4	17.4	17.8	17.9	18.7	19.3	20.3	20.8	21.4	22.0	22.6
Sugar and related products	2.8	3.0	3.3	3.4	3.0	3.3	3.4	3.9	3.8	3.8	3.9	3.9
Cocoa, coffee, and products	6.2	7.4	8.1	8.3	8.5	8.8	9.1	9.4	9.7	10.0	10.3	10.6
Other imports	1.5	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.9
Total agricultural imports	70.1	79.3	81.0	83.0	85.7	89.1	92.4	96.1	99.5	102.9	106.4	110.1
Net agricultural trade balance	12.1	36.2	17.5	12.6	11.9	10.5	8.8	7.1	6.4	5.7	4.4	2.9

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

Notes: The projections were completed in November 2008 based on policy decisions and other information known at that time. 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 and preparations. Bulk commodity exports covers wheat, rice, feed grains, soybeans, cotton, and tobacco. High-value product (HVP) exports is calculated as total exports less the 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 29. Prices received by farmers, selected food commodities, long-term projections

CPI category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Price indexes:	1990-92=100											
Food commodities ¹	138.0	146.0	145.6	143.8	146.8	149.1	150.3	152.2	153.0	153.7	154.3	155.6
Food grains	186.0	258.0	277.8	232.9	224.3	219.1	213.1	212.2	216.3	218.7	219.6	220.5
Oil-bearing crops	137.0	202.0	177.0	175.0	175.0	174.0	172.0	174.0	175.0	175.0	175.0	176.0
Vegetables ²	150.6	152.0	166.5	168.2	170.5	172.8	175.2	177.6	180.0	182.4	184.9	187.3
Fruit and nuts	157.0	148.0	152.1	156.2	160.5	164.9	169.4	174.0	178.7	183.5	188.5	193.5
Meat animals	118.0	117.0	121.7	123.1	130.5	135.7	137.9	140.3	139.5	139.1	138.2	138.0
Dairy products	147.0	141.0	121.0	121.0	118.3	117.2	118.3	119.1	119.5	120.3	121.4	124.1
Poultry and eggs	140.0	151.0	154.7	156.2	160.4	162.4	164.0	165.6	166.0	166.2	166.5	167.8
Changes in price indexes:	Percent											
Food commodities ¹	17.9	5.8	-0.2	-1.2	2.1	1.5	0.8	1.3	0.5	0.5	0.4	0.8
Food grains	38.8	38.7	7.7	-16.2	-3.7	-2.3	-2.7	-0.4	1.9	1.1	0.4	0.4
Oil-bearing crops	37.0	47.4	-12.4	-1.1	0.0	-0.6	-1.1	1.2	0.6	0.0	0.0	0.6
Vegetables ²	12.9	0.9	9.5	1.0	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.3
Fruit and nuts	1.9	-5.7	2.8	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Meat animals	1.7	-0.8	4.0	1.2	6.0	4.0	1.6	1.7	-0.6	-0.3	-0.6	-0.1
Dairy products	48.5	-4.1	-14.2	0.0	-2.2	-1.0	1.0	0.6	0.3	0.6	1.0	2.2
Poultry and eggs	26.1	7.9	2.4	1.0	2.7	1.3	1.0	0.9	0.3	0.1	0.2	0.8

1/ The aggregate price index for food commodities is a weighted average using the 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 Summary; Economic Research Service.

Table 30. Consumer food price indexes and food expenditures, long-term projections

CPI category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Consumer price indexes												
<i>1982-84=100</i>												
All food	202.916	214.106	220.5	226.9	233.4	239.5	245.0	250.6	255.7	261.0	266.3	272.1
Food away from home	206.659	215.769	224.0	231.2	238.6	245.8	252.7	259.8	266.8	274.0	281.4	289.0
Food at home	201.245	214.125	219.5	225.4	231.4	236.8	241.5	246.3	250.3	254.4	258.6	263.2
Meats	194.983	201.815	207.9	217.3	227.2	234.7	238.8	242.2	242.5	242.8	242.8	243.5
Beef and veal	211.060	220.586	227.2	239.7	251.3	261.4	266.9	272.0	271.8	270.5	268.5	267.9
Pork	180.912	185.034	189.7	196.1	205.9	210.5	212.0	212.1	211.2	212.1	213.1	214.4
Other meats	184.822	190.588	197.3	203.2	209.3	214.5	218.8	222.7	226.0	229.4	232.8	236.3
Poultry	191.360	200.901	204.5	215.3	224.9	227.4	228.5	229.2	227.3	224.9	223.0	223.2
Fish and seafood	219.087	232.122	242.6	251.1	258.6	266.4	274.4	282.6	291.1	299.8	308.8	318.1
Eggs	195.291	222.708	213.0	206.7	205.9	206.9	209.7	212.5	217.1	221.7	225.5	229.2
Dairy products	194.770	210.396	202.0	204.5	206.0	208.5	212.0	215.5	218.5	222.0	226.0	230.5
Fats and oils	172.921	196.751	202.6	207.1	211.4	216.0	221.1	226.3	231.4	236.8	242.5	248.4
Fruits and vegetables	262.628	278.932	289.8	295.7	301.9	308.1	314.7	321.3	328.0	334.9	341.9	349.1
Sugar and sweets	176.772	186.577	192.0	194.0	196.1	199.8	202.7	206.2	210.1	214.1	218.3	222.5
Cereals and bakery products	222.107	244.853	251.8	256.6	262.2	267.9	273.8	280.2	286.9	293.6	300.4	307.3
Nonalcoholic beverages	153.432	160.045	166.1	171.9	177.1	181.5	186.0	190.7	195.5	200.4	205.4	210.5
Other foods	188.244	198.103	206.2	212.4	218.2	223.7	228.9	234.2	239.5	245.0	250.7	256.4
Food expenditures:												
<i>Billion dollars</i>												
All food	1,139.4	1,203.6	1,243.1	1,287.9	1,337.0	1,389.5	1,442.1	1,496.9	1,551.6	1,608.6	1,668.3	1,731.3
Food at home	583.7	617.8	632.0	651.1	670.2	689.3	708.2	727.7	746.3	765.5	785.6	807.1
Food away from home	555.7	585.8	611.1	636.8	666.8	700.2	733.9	769.2	805.3	843.1	882.7	924.2
Changes in consumer food prices:												
<i>Percent</i>												
All food	4.0	5.5	3.0	2.9	2.9	2.6	2.3	2.3	2.0	2.1	2.0	2.2
Food away from home	3.6	4.4	3.8	3.2	3.2	3.0	2.8	2.8	2.7	2.7	2.7	2.7
Food at home	4.2	6.4	2.5	2.7	2.7	2.3	2.0	2.0	1.6	1.6	1.7	1.8
Meats	3.3	3.5	3.0	4.5	4.6	3.3	1.7	1.4	0.1	0.1	0.0	0.3
Beef and veal	4.4	4.5	3.0	5.5	4.8	4.0	2.1	1.9	-0.1	-0.5	-0.7	-0.2
Pork	2.0	2.3	2.5	3.4	5.0	2.2	0.7	0.0	-0.4	0.4	0.5	0.6
Other meats	2.3	3.1	3.5	3.0	3.0	2.5	2.0	1.8	1.5	1.5	1.5	1.5
Poultry	5.1	5.0	1.8	5.3	4.5	1.1	0.5	0.3	-0.8	-1.1	-0.8	0.1
Fish and seafood	4.6	5.9	4.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Eggs	29.2	14.0	-4.4	-3.0	-0.4	0.5	1.4	1.3	2.2	2.1	1.7	1.6
Dairy products	7.4	8.0	-4.0	1.2	0.7	1.2	1.7	1.7	1.4	1.6	1.8	2.0
Fats and oils	2.9	13.8	3.0	2.2	2.1	2.2	2.4	2.4	2.3	2.3	2.4	2.4
Fruits and vegetables	3.8	6.2	3.9	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Sugar and sweets	3.1	5.5	2.9	1.0	1.1	1.9	1.5	1.7	1.9	1.9	2.0	1.9
Cereals and bakery products	4.4	10.2	2.8	1.9	2.2	2.2	2.2	2.3	2.4	2.3	2.3	2.3
Nonalcoholic beverages	4.1	4.3	3.8	3.5	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Other foods	1.8	5.2	4.1	3.0	2.7	2.5	2.3	2.3	2.3	2.3	2.3	2.3