Global Economic Background to Farm Transition Decisions

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Many Opportunities…and Challenges in Agriculture

• Agriculture is being asked to do more of everything...
  – Biofuels
  – Global food demand
• Resource pressures in agriculture
  – More competition among crops for acres
  – More competition from crops for forage and hay production
• High and volatile input prices
Global Food Demand is Growing...

... and Global Food Prices are Rising

Source: FAO
Many Ag Markets at Historic Levels

**Corn Price**
Crop year average, 1960-2013

New demand for corn has pushed prices to unprecedented levels!

**U.S. CORN DISAPPEARANCE AND STOCKS**
Crop Year

Source: USDA

**Many Ag Markets at Historic Levels**

**JANUARY 1 TOTAL CATTLE INVENTORY**
U.S., Annual

U.S. cattle inventories are the lowest since 1952

Source: USDA

**ANNUAL AVERAGE CATTLE PRICES**
Southern Plains

Source: USDA
Input Prices have Risen Faster Than Output Prices!

Many Challenges for Farm Transitions

- Exit of Older Producers – Estate Planning
  - Retire in Place
- Rising Asset Values
  - Land, Machinery, Livestock
- New/Young Producer Access to Capital and Financial Feasibility
  - Need for New Business Model?
- Changing Relative Values of Outputs and Inputs Changes Resource Allocation
- Rising and Volatile Input Markets
  - Risk
- Dynamic Domestic and International Product Markets
  - New Opportunities for Whom?
- Structural and Regional Changes in Agriculture
- Drought
Ensuring Agricultural Productivity Depends on Transitions to Maintain Agriculture’s Vital Human Resources

Thank You!

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