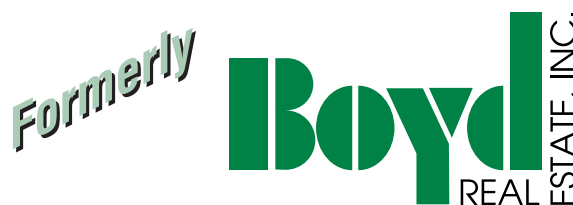


Farmland

IN PERSPECTIVE

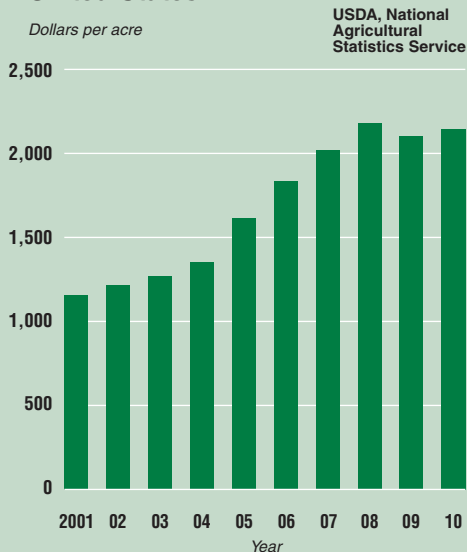
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U.S. farm real estate increases 1.4% from 2009

The United States farm real estate value, a measurement of the value of all land and buildings on farms, averaged \$2,140 per acre on January 1, 2010, up 1.4% from 2009, according to the National Agricultural Statistics Service of the U.S. Department of Agriculture. Regional changes in the average value of farm real estate ranged from a 4.9% increase in the Northern Plains regions to a 3.3% decline in the Southeast region.

Average farm real estate value – United States



Continued on page 2

U.S. exports answer world market needs

By Chad Hart • Extension Grain Markets Specialist, Iowa State University

In the past few years, crop markets have been on a wild ride. Crop prices reached record highs and took precipitous drops. Biofuels developed as a strong sector in crop demand, both here in the United States and worldwide. Crop production, especially for corn and soybeans, has increased significantly.

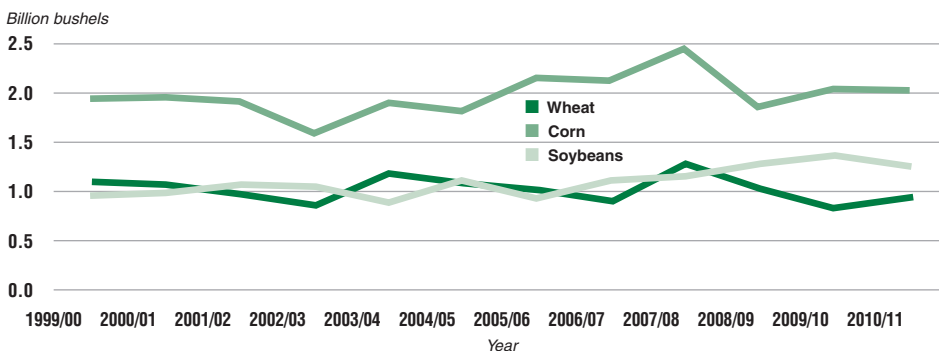
Role of Exports

Exports continue to remain important to U.S. crop markets. Corn and wheat made up 35.3% and 22.7%, respectively, of the \$26.323 billion of grains and feeds exported in 2009. Soybeans made up 66% of the \$20.951 billion of oilseeds and oilseed products exported in 2009.

As Figure 1 shows, the export picture during the past decade has been relatively steady for corn and wheat. Soybeans have benefitted from strengthening export markets with most export growth occurring in the last five years.

Wheat exports topped out at 1.26 billion bushels in 2007/08 and have been consistently over 850 million bushels since 1999. The peak in 2007/08 was set up by the combination of larger U.S. wheat stocks, a falling U.S. dollar, and reduced production from our major competitors. A rebound in world wheat production has dampened the export market for U.S. wheat, but the U.S. remains the largest wheat exporter in the world.

Figure 1. U.S. Exports



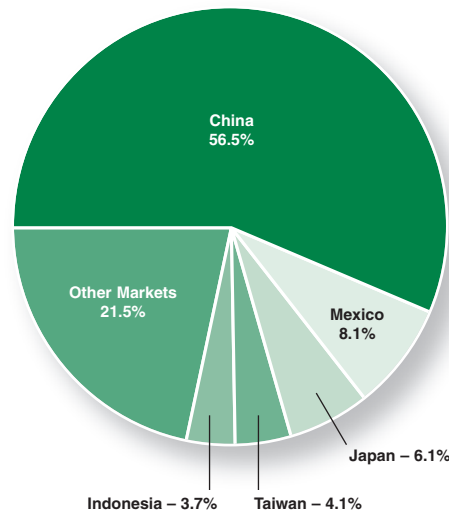
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Corn exports also peaked in 2007/08 with shipments reaching 2.44 billion bushels. The U.S. is the dominant player in the world corn market, providing roughly two-thirds of the world's corn exports. The weak U.S. dollar helped promote U.S. corn exports in the early 2000s. With the onset of the global recession and the rally in the dollar starting in the summer of 2008, corn exports fell. With the limited recovery thus far, corn exports have settled in the 2 billion bushel range.

A key player moving forward is China. China is the second largest producer of corn and tends to be a small export player. However, recent weather patterns in China have adversely affected their corn production. Within the last six months, China has begun to import modest amounts of corn.

Soybean exports have been trending upward for the past several years, despite strong competition from South America. In fact, the U.S. has set records in soybean exports in each of the past four crop years (2006/07 to 2009/10). Much of that growth originated with China as our soybean exports to China have increased 10-fold since the 1990s. Other countries, such as India, have increased their demands for U.S. soybeans as well.

Figure 2. Top U.S. Soybean Export Markets, 2009



Outlooks

The near-term outlook for U.S. 2010/11 crop exports is for wheat and corn exports to gain, while soybean exports decline slightly. The gain in wheat and corn exports is based on several factors, with the largest impact coming from the Russian drought. High stock levels, lower prices, and lower production from other trade competitors, such as Canada, are also promoting U.S. wheat exports. The situation

in China is still unfolding as well. If their corn crop continues to suffer, we could pick up additional corn exports. Soybean exports are finally expected to back off their record pace based on a rebound in South American soybean production.

Looking longer term, projections show U.S. crop exports remaining or growing from current levels. Figure 3 shows the latest projections for U.S. crop exports from the U.S. Department of Agriculture (USDA). These projections are based on the economic conditions forecasted last winter which implied a slow, but steady, economic recovery for the world following the recession. Faster growth in the world economy would point to larger export levels. If the economy falters again, lower export levels would be expected.

The wheat export picture is being shaped by two significant trends in the wheat market. First, U.S. wheat production continues to decline as agricultural lands have shifted to more corn and soybean production. Second, international competition in wheat continues to grow. The countries of the former Soviet Union have emerged as significant wheat producers and exporters. While the U.S. is expected to maintain wheat exports, our percentage of total world wheat trade will continue to decline.

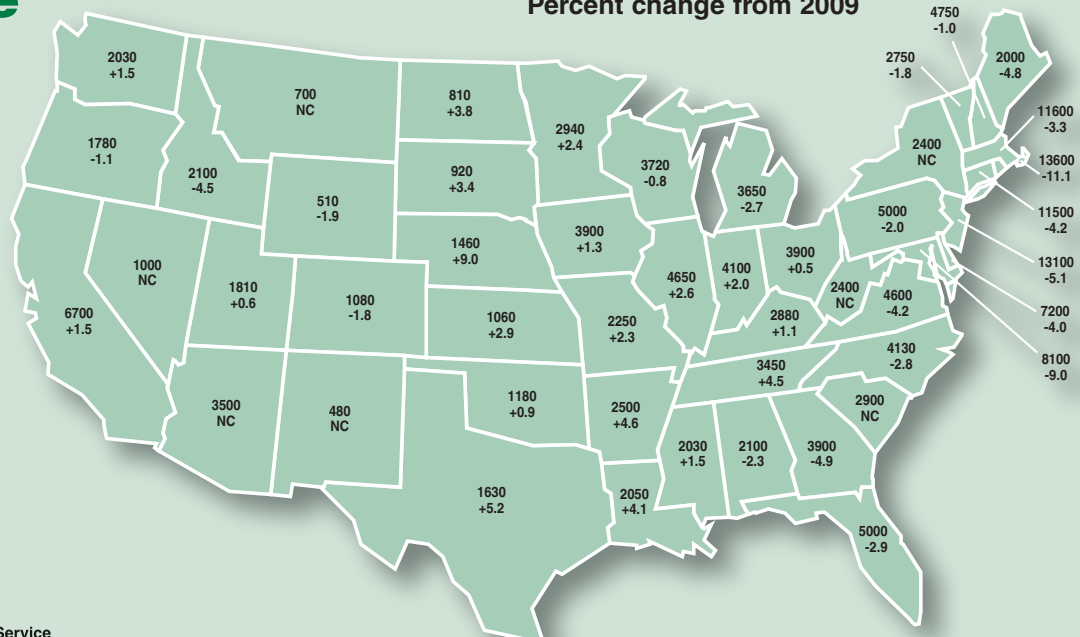
U.S. farm real estate increases 1.4% from 2009

US: \$2,140 / acre +1.4% from 2009

NC = No change

2010 Farm Real Estate Value by State

Dollars per acre
Percent change from 2009

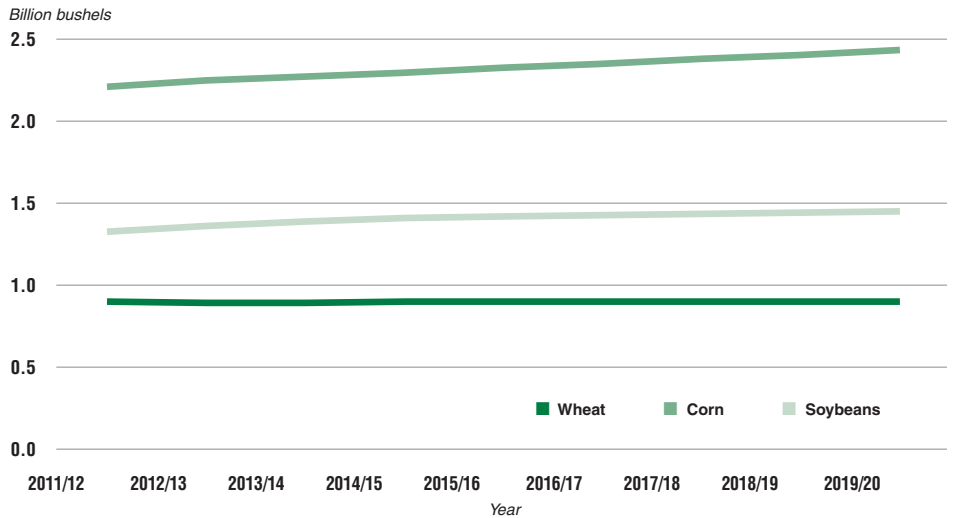


Corn exports are projected to grow as many developing countries continue to expand their livestock sectors. Key areas for growth are Latin America, southern Asia, and northern Africa. With expanding human and animal populations, China is projected to become a consistent importer of U.S. corn during the coming decade. However, one should view this projection with some caution as China continues to maintain relative self-sufficiency in corn.

The growth in U.S. soybean exports is but a slice of the projected growth in world soybean trade. World trade in soybeans is expected to increase by 25% in the next decade. Chinese demand will continue to be the major driver as the Chinese ramp up crushing facilities to produce soybean meal for their livestock industry and soybean oil for food and industrial uses. Argentina and Brazil will continue to be our major competitors for soybean exports, but other South American countries (Uruguay and Paraguay) will become stronger soybean competitors as well.

Figure 3. Projected U.S. Exports

Source: USDA



Chad Hart, Ph.D., is an extension economist and assistant professor of economics at Iowa State University. Previously, he concentrated on crop insurance, international trade agreements, and bioenergy policy at the Food and Agricultural Policy Research Institute (FAPRI) and the Center for Agricultural and Rural Development (CARD) at Iowa State University.

Dr. Hart received a B.S. in economics with minors in mathematics, history, and astronomy from Southwest Missouri State University in 1991. He received his Ph.D. in economics and statistics from Iowa State University in 1999.

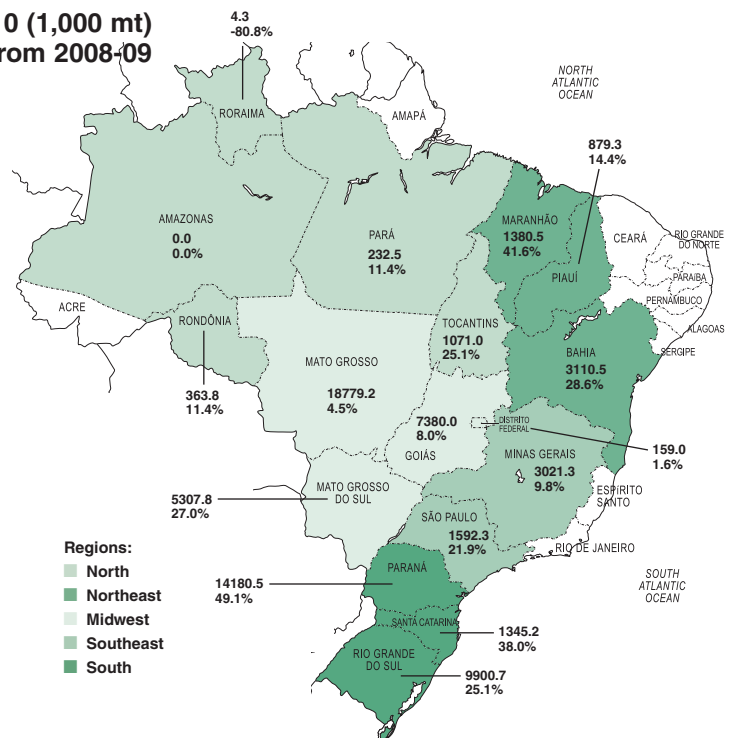
Dr. Hart grew up on a rural homestead near Stark City in southwest Missouri.

Brazilian competition in soybean production

Brazil is the second largest soybean exporter after the United States and one of the most important U.S. competitors in the world oilseed market. Its competitiveness depends largely on its transportation infrastructure and cost. The Confederacao Nacional do Transporte (CNT) estimates that, because of the poor conditions of the paved roads, Brazilian operational costs of cargo trucks are 28% higher than they would be on paved roads under optimal conditions. The Brazilian government has instituted the Growth Acceleration Program (PAC) 2007-2010 and the National Plan of Logistics and Transportation (PNLT) 2008-2023 to improve infrastructure and aid Brazil's competitiveness in the world market.

Production data based on calendar year, January-December.
Production forecasts as of June 2010.
Source: Companhia Nacional de Abastecimento (CONAB) and USDA/AMS

Soybean Production by State
2009-2010 (1,000 mt)
Percent change from 2008-09



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