



Ag Link Weekly Update: Week Beginning Monday, August 2, 2010
Farm Income and Balance Sheet Forecast: Forecast updated 02/15/10.

There are no revisions to Farm Income forecasts:

Billion Dollars	USDA	USDA	USDA	USDA	USDA	FSE
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	2010	2010
Cash receipts	240.9	288.5	324.2	285.0	290.5	287.5
Crops	122.3	149.9	183.1	166.3	160.3	161.1
Livestock	118.6	138.6	141.1	118.8	130.3	126.4
Gov't. payments	15.8	11.9	12.2	12.9	12.4	13.4
Inventory adjust.	-3.1	0.6	-2.4	-1.8	0.2	0.7
Cash Expenses	204.5	238.5	258.7	247.8	248.2	250.7
Net farm income	58.5	70.9	87.1	56.4	63.0	61.2
Net cash income	68.8	78.24	97.5	70.8	76.3	72.3

There are no revisions to the Farm Balance Sheet forecast:

Billion Dollars	USDA	USDA	USDA	USDA	USDA	FSE
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	2010	2010
Total Assets	1,923.6	2,055.3	2,005.5	1,943.7	1,875.9	1,875.3
Real Estate	1,625.8	1,751.4	1,692.7	1,633.8	1,570.2	1,575.1
Nonreal Estate	297.8	303.9	312.8	309.9	305.7	300.2
Total Debt	203.6	214.1	238.9	249.5	232.5	230.3
Real Estate	108.0	112.7	130.1	138.5	129.0	129.5
Nonreal Estate	95.5	101.4	108.8	111.0	103.5	100.8
Farm Equity	1,720.0	1,841.2	1,766.6	1,694.2	1,643.3	1,645.0

Crops: (Near-term futures contract for week ending Friday)

	<u>Last Week</u>	<u>1-Wk. Ago</u>	<u>4-Wks. Ago</u>	<u>52-Wks Ago</u>	<u>Year%Change</u>
Corn (CBT)	3.9260	3.7120	3.6400	3.3940	15.7%
Wheat (CBT)	6.6140	5.9620	4.8760	5.2820	25.2%
Soybeans (CBT)	10.5240	10.1700	9.6260	11.3400	-7.2%
Cotton (NYBT)	82.36	80.47	82.01	57.93	42.2%

Corn prices **rose to \$3.9260/bu.**, and were **up 15.7%** from a year ago. Wheat prices **rose to \$6.6140/bu.**, and were **up 25.2%** from a year ago. Soybean prices **rose to \$10.5240/bu.**, and were **down 7.2%** from a year ago. Cotton prices **rose to 82.36 cents/lb.**, and were **up 42.2%** from a year ago.

Livestock: (Near-term futures contract for week ending Friday)

	<u>Last Week</u>	<u>1-Wk. Ago</u>	<u>4-Wks. Ago</u>	<u>52-Wks. Ago</u>	<u>Year%Ch.</u>
Cattle (CME)	92.6500	93.4250	89.4750	84.7000	9.4%
Feeder Cattle (CME)	113.7250	115.1750	112.6750	102.3500	11.1%
Hogs (CME)	85.8250	83.2250	78.2000	56.0250	53.2%

Live Cattle prices **fell to \$92.6500/cwt** and were **up 9.4%** from a year ago. Futures prices for Feeder Cattle **fell to \$113.7250/cwt** for the near-term contract, and were **up 11.1%** from a year ago.

Hog prices **rose to \$85.8250/cwt**, and were **up 53.2%** from a year ago.

Macroeconomics: (Near-term futures contract for week ending Friday for crude oil and currencies; Friday market close for Dow Jones Industrial Average and interest rates.)

	Last Week	1-Wk. Ago	4-Wks. Ago	52-Wks. Ago	Year%Change
Overnight Federal Funds (FRB)	0.19	0.18	0.19	0.19	1
3-month Treasury Bills (FRB)	0.15	0.15	0.17	0.19	-4
10-year Treasury Bonds (FRB)	2.91	3.00	2.98	3.48	-58
Yield spread (bonds - bills)	2.76	2.85	2.81	3.30	-54
*Euro (CME)	0.7660	0.7740	0.7964	0.7016	9.2%
*Yen (CME)	86.32	87.36	87.64	95.03	-9.2%
Crude Oil (CME)	78.95	78.98	72.14	69.50	13.6%
DJIA (NYSE)	10,465.94	10,424.62	9,686.48	9,171.61	14.1%

*Foreign currency units per U.S. dollar. A rise indicates a stronger dollar; a fall indicates a weaker dollar.

The interest rate on Federal Funds **rose 1 basis point**, to 0.19% (Fed target set at 0.00%-0.50%), and was up 1 basis point from a year ago. Interest on 3-month Treasury Bills **held even**, at 0.15%, and was down 4 basis points from a year ago. Interest on 10-year Treasury Bonds **fell 9 basis points**, to 2.91%, and was down 58 basis points from a year ago.

The yield spread between 10-year T-bonds and 3-month T-bills **fell 9 basis points**, and was down 54 basis points from a year ago. A declining yield spread is usually a sign of a weakening economy.

The dollar **fell against the Euro**, to 0.7660 Euros/\$, and was **up 9.2%** from a year ago. The dollar **fell against the Japanese yen**, to 86.32 yen/\$, and was **down 9.2%** from a year ago.

For the week ending July 30: Oil Prices **fell \$0.03**, to \$78.95/bl., and were **up 13.6%** from a year ago. The Dow Jones Industrial Avg. **rose 41.32 points**, to 10,465.94, and was **up 14.1%** from a year ago.

Major Macroeconomic data released the week of July 26: July Consumer Confidence fell 3.9 points, the 2nd straight monthly decline; June Durable Goods Orders fell 1.0%; and Preliminary 2nd-quarter GDP rose 2.4% (Real Final Sales rose 1.3%).

The U.S. Department of Commerce released its benchmark revisions to GDP. For 2006-2009, real GDP decreased at an average annual rate of 0.2 percent; in the previously published estimates, the growth rate of real GDP was 0.0 percent.

For the revision period, the change in real GDP was revised down for all 3 years: 0.2 percentage point for 2007, 0.4 percentage point for 2008, and 0.2 percentage point for 2009.

For the 1st quarter of 2010, real GDP was revised up to 3.7%.

Major macroeconomic data scheduled to be released the week of August 2: July Manufacturing Report on Business on Monday (Purchasing Managers index); June Personal Income and Outlays on Tuesday; June New Factors Orders on Tuesday; and July Employment on Friday.

U.S. Macroeconomic Forecast Comparison: Forecast updated 08/02/10 (FSE=Farm Sector Economics; BC=Blue Chip Economic Indicators; Fair=Fairmodel)

FSE and Fairmodel revised their U.S. Macroeconomic Forecast to show lower GDP, higher unemployment, lower inflation, and lower interest rates:

	<u>2010:</u> <u>Q1</u>	<u>2010:</u> <u>Q2</u>	<u>2010:</u> <u>Q3</u>	<u>2010</u> <u>Q4</u>	<u>2011:</u> <u>Q1</u>	<u>2011:</u> <u>Q2</u>	<u>2011:</u> <u>Q3</u>	<u>2011:</u> <u>Q4</u>	<u>Year</u> <u>2010</u>	<u>Year</u> <u>2011</u>	<u>Year</u> <u>2012</u>
%GDP											
FSE	3.7	2.4	2.7	2.3	1.8	1.5	-2.7	-3.9	2.9	1.0	-2.3
BC	2.7	3.2	2.7	2.8	2.8	3.0	3.1	3.2	3.1	3.1	NA
Fair***	3.7	2.4	2.5	2.9	3.1	3.8	4.4	4.0	2.9	3.8	4.2
%Un.											
FSE*	9.7	9.8	9.9	10.2	9.8	9.7	9.6	9.9	10.2	9.8	10.3
BC**	9.7	9.7	9.6	9.5	9.4	9.2	9.0	8.8	9.6	9.1	NA
Fair***	9.7	9.7	9.6	9.3	9.0	8.8	8.5	8.2	9.2	7.7	6.6
%T-bill											
FSE*	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2
BC**	0.1	0.2	0.2	0.3	0.4	0.7	1.1	1.6	0.2	1.0	NA
Fair***	0.1	0.1	0.1	0.2	0.4	0.6	0.8	1.1	0.1	0.7	1.7
%CPI											
FSE*	0.9	-1.5	1.1	1.3	1.7	2.1	1.8	1.6	1.2	1.4	1.7
BC**	1.5	-0.2	1.3	1.5	1.7	1.6	1.8	1.8	1.7	1.5	NA
Fair***	1.1	1.8	0.8	1.6	1.8	2.1	2.4	2.7	1.3	2.3	2.5

*FSE uses end-month for monthly data: Un., T-bill, and CPI; **BC uses quarter averages. ***Fairmodel uses quarter averages for monthly data, and the GDP deflator instead of the CPI. Fairmodel annual % change for GDP and the deflator is 4Q-4Q.

World Economic Forecast (Blue Chip Economic Indicators): Updated 07/12/10

There are no revisions to the Blue Chip World Economic forecast:

<u>Country</u>	<u>%GDP</u>	<u>%GDP</u>	<u>%CPI</u>	<u>%CPI</u>	<u>Interest</u> <u>rate (3-mn)</u>	<u>Interest</u> <u>rate (3-mn)</u>	<u>Exchange</u> <u>Rate*</u>	<u>Exchange</u> <u>Rate*</u>
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Canada	3.2	2.9	1.8	2.0	1.02	2.44	1.03	1.034
Eurozone	1.1	1.5	1.4	1.6	0.88	1.77	0.83	0.83
U.K.	1.2	2.0	2.8	2.2	0.91	2.11	0.68	0.66
Japan	2.7	1.6	-0.9	-0.2	0.27	0.36	94.1	97.4
China	10.2	9.1	2.8	3.2	3.87	4.60	6.79	6.59
S. Korea	5.6	4.2	2.9	3.2	2.84	3.95	1142	1086
Taiwan	6.0	4.5	1.4	2.0	0.98	1.94	31.75	30.64
Mexico	4.3	3.7	4.9	4.1	4.91	5.85	12.48	12.57
Brazil	6.2	4.5	4.7	4.5	10.32	10.54	1.74	1.81
Australia	2.8	3.2	2.8	2.9	4.80	5.33	1.15	1.16

*Exchange rate: Foreign currency units per U.S. dollar; a higher number represents dollar appreciation, while a lower number indicates dollar depreciation.

Macroeconomic Forecast Detail (FSE, Inc.): Updated 08/02/10

FSE revised its Macroeconomic Forecast Detail:

MACROECONOMIC FORECAST (NIPA as of July 30, 2010)											
(Real GDP billions of chained 2000 dollars)											
	2010	2010	2010	2010	2011	2011	2011	2011		ANNUAL	
	I	II	III	IV	I	II	III	IV	2010	2011	2012
GDP											
Nominal (bil. \$)	14,446	14,598	14,823	15,055	15,289	15,527	15,622	15,683	14,731	15,530	15,963
Real (bil. '6\$)	13,139	13,217	13,305	13,381	13,440	13,491	13,399	13,266	13,260	13,399	13,091
% Change	3.7	2.4	2.7	2.3	1.8	1.5	-2.7	-3.9	2.9	1.0	-2.3
CONSUMPTION											
Total	9,225.4	9,262.7	9,324.6	9,377.8	9,419.7	9,454.8	9,390.3	9,297.4	9,297.6	9,390.6	9,174.6
Durables	1,138.9	1,159.6	1,167.3	1,174.0	1,179.3	1,183.6	1,175.6	1,163.9	1,160.0	1,175.6	1,148.6
Nondurables	2,053.5	2,061.7	2,075.5	2,087.3	2,096.6	2,104.5	2,090.1	2,069.4	2,069.5	2,090.2	2,042.1
Food and Bev.	702.7	698.1	702.8	706.8	709.9	712.6	707.7	700.7	702.6	707.7	691.5
Services	6,029.6	6,041.0	6,081.4	6,116.0	6,143.4	6,166.3	6,124.2	6,063.6	6,067.0	6,124.4	5,983.5
INVESTMENT											
Total	1,690.2	1,800.6	1,812.6	1,823.0	1,831.1	1,837.9	1,825.4	1,807.3	1,781.6	1,825.5	1,783.5
Fixed Nonres.	1,302.6	1,354.7	1,363.8	1,371.5	1,377.7	1,382.8	1,373.4	1,359.8	1,348.1	1,373.4	1,341.8
Residential	330.7	351.6	353.9	356.0	357.6	358.9	356.4	352.9	348.1	356.5	348.3
Change in Inv.	44.1	75.7	76.2	76.6	77.0	77.3	76.7	76.0	68.2	76.7	75.0
NET EXPORTS	-338.4	-425.9	-428.7	-431.2	-433.1	-434.7	-431.8	-427.5	-406.1	-431.8	-421.8
GOV. PURCH.	2,540.2	2,567.5	2,584.7	2,599.4	2,611.0	2,620.7	2,602.9	2,577.1	2,572.9	2,602.9	2,543.1
Fed. Sur.(bil. \$)	-1,310.6	-1,355.0	-1,348.7	-1,385.3	-1,363.5	-1,372.8	-1,448.7	-1,485.3	-1,349.9	-1,417.6	-1,541.7
PRICE INDEXES											
GDP Price	110.0	110.5	111.0	111.6	112.2	112.7	113.2	113.6	110.8	112.9	114.6
% Change	1.0	1.8	2.1	1.9	2.2	2.0	1.7	1.5	1.0	2.0	1.5
CPI All Items	217.7	216.9	217.5	218.2	219.1	220.3	221.2	222.1	217.6	220.7	224.4
% Change	0.9	-1.5	1.1	1.3	1.7	2.1	1.8	1.6	1.2	1.4	1.7
CPI Food	219.0	219.4	220.1	220.9	222.0	223.0	224.1	225.2	219.8	223.6	228.0
% Change	2.3	0.7	1.2	1.5	2.0	1.8	2.1	1.9	0.8	1.7	2.0
PPI Fin. Goods	180.0	178.4	178.9	179.4	180.1	181.0	181.8	182.5	179.2	181.3	184.1
% Change	6.7	-3.5	1.1	1.2	1.5	2.0	1.8	1.5	3.6	1.2	1.5
MONEY M1	1,735.8	1,779.2	1,825.9	1,876.2	1,924.1	1,976.7	2,033.1	2,093.8	1,804.3	2,006.9	2,273.8
% Change	9.6	10.4	10.9	11.5	10.6	11.4	11.9	12.5	9.9	11.2	13.3
MONEY M2	8,579.5	8,738.1	8,918.1	9,127.0	9,289.1	9,482.7	9,700.3	9,950.0	8,840.7	9,605.6	10,479.7
% Change	6.3	7.6	8.5	9.7	7.3	8.6	9.5	10.7	5.6	8.7	9.1
INTEREST %											
Prime Rate	3.25	3.25	3.25	3.15	3.15	3.15	3.00	3.00	3.23	3.08	3.00
3-mn.T-Bills	0.14	0.12	0.14	0.16	0.18	0.20	0.18	0.16	1.75	0.18	0.20
10-yr.T-Bonds	3.78	3.20	3.25	3.25	3.28	3.50	3.30	3.25	3.37	3.33	3.25
DISP. INCOME											
Nominal (bil. \$)	11,225.0	11,347.6	11,516.7	11,689.2	11,853.9	12,023.5	12,078.3	12,107.0	11,444.6	12,015.7	12,181.5
% Change	3.8	4.4	6.1	6.1	5.8	5.8	1.8	1.0	3.7	5.0	1.4
Real (bil. '96\$)	10,121.8	10,231.1	10,286.9	10,332.9	10,366.3	10,392.1	10,308.0	10,192.7	10,243.2	10,314.8	10,026.0
% Change	1.7	1.9	2.2	1.8	1.3	1.0	-3.2	-4.4	1.4	0.7	-2.8
PCE Price	110.9	110.9	112.0	113.1	114.4	115.7	117.2	118.8	111.7	116.5	121.5
% Change	2.1	3.5	3.8	4.3	4.4	4.8	5.2	5.6	2.3	4.3	4.3
UNEMPLOY.	9.7	9.8	9.9	10.2	9.8	9.7	9.6	9.9	10.2	9.8	10.3
POPULATION	309.284	309.988	310.693	311.399	312.108	312.817	313.529	314.242	310.341	313.174	316.033
EXCH. RATE	101.6	102.2	103.0	103.7	104.3	104.6	103.9	102.9	102.7	103.9	100.3
% Change	-3.7	2.5	3.1	2.7	2.1	1.3	-2.6	-3.8	-3.0	1.2	-3.5

***NOTE: Monthly data is now reported by FSE for the last month of the quarter, rather than the quarter average (CPI All Items, CPI Food, PPI Finished Goods, Money M1 & M2, Interest rates, Unemployment, Population, and Exchange Rate).**