



Ag Link Weekly Update: Week Beginning Monday, January 9, 2012

Farm Income and Balance Sheet Forecast: Forecast updated 12/05/2011.

There are no revisions to Farm Income forecasts for 2011:

Billion Dollars	USDA	USDA	USDA	USDA	USDA	FSE
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	2011	2012
Cash receipts	288.5	316.7	288.6	314.4	365.9	355.9
Crops	150.1	175.0	168.3	172.9	200.6	192.0
Livestock	138.5	141.6	120.3	141.4	165.4	163.9
Gov't. payments	11.9	12.2	12.2	12.4	10.6	10.5
Inventory adjust.	0.6	6.6	-1.1	-2.0	1.5	0.0
Cash Expenses	240.6	261.8	248.4	252.7	286.2	291.4
Net farm income	70.0	84.7	61.6	79.1	100.9	83.0
Net cash income	77.4	88.6	74.4	92.3	109.8	94.3

There are no revisions to Farm Balance Sheet forecasts:

Billion Dollars	USDA	USDA	USDA	USDA	USDA	FSE
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	2011	2012
Total Assets	2,055.3	2,023.3	2,054.4	2,190.9	2,339.8	2,491.9
Real Estate	1,751.4	1,703.0	1,724.4	1,853.7	1,987.2	2,121.4
Nonreal Estate	303.9	320.3	330.0	337.2	351.4	370.5
Total Debt	214.1	241.6	241.9	246.9	242.5	249.0
Real Estate	112.7	134.7	131.3	136.3	132.2	136.7
Nonreal Estate	101.4	106.9	110.6	110.6	110.3	112.3
Farm Equity	1,841.2	1,781.7	1,812.5	1,944.0	2,097.3	2,242.9

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)	6.4340	6.4640	5.8540	5.9500	8.1%
Wheat (CBT)	6.2460	6.5260	5.7340	7.7400	-19.3%
Soybeans (CBT)	11.8940	11.9840	11.0800	13.5760	-12.4%
Cotton (NYBT)	95.86	91.80	90.43	140.60	-31.8%

Corn prices **fell to \$6.4340/bu.**, and were **up 8.1%** from a year ago. Wheat prices **fell to \$6.2460bu.**, and were **down 19.3%** from a year ago. Soybean prices **fell to \$11.8940/bu.**, and were **down 12.4%** from a year ago. Cotton prices **rose to 95.86 cents/lb.**, and were **down 31.8%** 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)	120.3250	121.4500	118.3000	106.3750	13.1%
Feeder Cattle (CME)	147.3000	146.3500	142.1000	121.6000	21.1%
Hogs (CME)	83.9000	84.3000	85.4000	79.4250	5.6%

Live Cattle prices **fell to \$120.3250/cwt** and were **up 13.1%** from a year ago. Futures prices for Feeder Cattle **rose to \$147.3000/cwt** for the near-term contract, and were **up 21.1%** from a year ago.

Hog prices **fell to \$83.9000/cwt**, and were **up 5.6%** from a year ago.

On Thursday, January 12, USDA will release new estimates of World Agricultural Supply and Demand (WASDE).

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)	0.07	0.08	0.08	0.18	-11
3-month Treasury Bills (FRB)	0.02	0.02	0.01	0.14	-13
10-year Treasury Bonds (FRB)	1.96	1.87	2.07	3.33	-137
Yield spread (bonds - bills)	1.95	1.85	2.06	3.19	-125
*Euro (CME)	0.7862	0.7712	0.7469	0.7749	1.5%
*Yen (CME)	76.95	76.81	77.59	83.10	-7.4%
Crude Oil (CME)	101.56	99.06	99.83	88.48	14.8%
DJIA (NYSE)	12,359.92	12,217.56	12,184.26	11,674.76	5.9%

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

For the week ending December 30:

The interest rate on Federal Funds **fell 1 basis point**, to 0.07% (Fed target set at 0.00%-0.50%), and was down 11 basis points from a year ago. Interest on 3-month Treasury Bills **held even**, at 0.02%, and was down 13 basis points from a year ago. Interest on 10-year Treasury Bonds **rose 9 basis points**, to 1.96%, and was down 137 basis points from a year ago.

The yield spread between 10-year T-bonds and 3-month T-bills **rose 10 basis points**, to 195 basis points, and was down 125 basis points from a year ago.

The dollar **rose against the Euro**, to 0.7862 Euros/\$, and was **up 1.5%** from a year ago. The dollar **rose against the Japanese yen**, to 76.95 yen/\$, and was **down 7.4%** from a year ago.

Oil Prices **rose \$2.50**, to \$101.56/bl., and were **up 14.8%** from a year ago. The Dow Jones Industrial Avg. **rose 142.36 points**, to 12,359.92, and was **up 5.9%** from a year ago.

Major macroeconomic data released the week of January 2. December Nonfarm Payroll Employment rose by 200,000, and the Unemployment Rate fell 0.2%, to 8.5%; and the December Purchasing Manager's Index rose 1.2%.

According to the Household Survey, the civilian labor force shrank by another 50,000 in December.

The major threat to the U.S. economy, that we believe will pull us back into recession in 2012, is the emerging recession in Europe. Major forecasters have not yet caught on to the developing recession in Europe, FSE believes it is already underway. The spillover from their already-fragile financial situation, both private banks and public treasuries, will reach the U.S.

U.S. Macroeconomic Forecast Comparison: Forecast updated 12/26/2011 (FSE=Farm Sector Economics; BC=Blue Chip Economic Indicators; Fair=Fairmodel)

There are no revisions to U.S. Macroeconomic Forecasts :

	<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>2012:</u> <u>Q1</u>	<u>2012:</u> <u>Q2</u>	<u>2012:</u> <u>Q3</u>	<u>2012:</u> <u>Q4</u>	<u>Year</u> <u>2011</u>	<u>Year</u> <u>2012</u>	<u>Year</u> <u>2013</u>
%GDP											
FSE	0.4	1.3	2.0	1.7	-1.2	-3.5	-2.7	-1.6	2.3	-0.8	1.5
BC	0.4	1.3	2.0	2.7	1.9	2.1	2.3	2.6	1.7	2.2	NA
Fair***	0.4	1.3	2.5	3.9	3.2	3.7	4.4	4.9	2.0	4.1	5.2
%Un.											
FSE*	8.9	9.2	9.1	9.0	9.1	9.2	9.3	9.5	9.1	9.3	9.8
BC**	8.9	9.1	9.1	8.8	8.8	8.8	8.7	8.6	9.0	8.8	NA
Fair***	8.9	9.1	9.1	8.9	8.7	8.5	8.3	8.1	9.0	8.4	7.3
%T-bill											
FSE*	0.10	0.04	0.01	0.01	0.02	0.02	0.02	0.50	0.04	0.03	0.05
BC**	0.10	0.10	0.00	0.00	0.10	0.10	0.10	0.10	0.10	0.10	NA
Fair***	0.13	0.05	0.02	0.56	0.80	0.80	0.87	1.10	0.19	0.89	1.78
%CPI											
FSE*	6.1	1.4	4.9	3.7	4.1	3.6	4.2	3.8	3.6	3.9	4.5
BC**	5.2	4.1	3.1	1.6	1.9	1.9	2.2	2.1	3.2	2.1	NA
Fair***	2.7	2.6	2.5	2.5	3.1	3.1	3.2	3.4	2.6	3.2	3.8

*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 12/12/2011

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>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Canada	2.3	2.1	2.8	2.0	1.09	1.40	1.00	1.02
Eurozone	1.6	-0.1	2.6	1.8	1.27	1.11	0.74	0.75
U.K.	0.9	0.9	4.5	2.7	0.85	0.87	0.64	0.63
Japan	-0.4	2.1	-0.2	-0.1	0.20	0.21	77.6	80.4
China	9.1	8.4	5.4	3.8	5.22	5.16	6.34	6.13
S. Korea	3.7	3.6	4.2	3.1	3.40	3.56	1125	1062
Taiwan	4.4	3.7	1.7	1.6	1.05	1.20	29.41	29.37
Mexico	3.6	3.3	3.4	3.7	4.49	4.56	13.09	12.97
Brazil	3.3	3.7	6.5	5.3	11.42	10.31	1.74	1.76
Australia	1.7	3.3	3.4	2.8	4.69	4.45	0.99	1.02

*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 12/26/2011

There are no revisions to FSE Macroeconomic Forecast Detail:

MACROECONOMIC FORECAST (NIPA as of December 23, 2011)

(Real GDP billions of chained 2000 dollars)

	2011	2011	2011	2011	2012	2012	2012	2013		ANNUAL	
	I	II	III	IV	I	II	III	IV	2011	2012	2013
GDP											
Nominal (bil. \$)	14,868	15,013	15,176	15,357	15,451	15,435	15,462	15,540	15,104	15,472	16,333
Real (bil. '6\$)	13,228	13,272	13,332	13,388	13,348	13,229	13,139	13,086	13,305	13,200	13,398
% Change	0.4	1.3	1.8	1.7	-1.2	-3.5	-2.7	-1.6	2.3	-0.8	1.5
CONSUMPTION											
Total	9,376.7	9,392.7	9,433.5	9,473.3	9,444.8	9,361.0	9,297.2	9,259.8	9,419.1	9,340.7	9,480.8
Durables	1,277.4	1,260.2	1,277.8	1,283.2	1,279.3	1,268.0	1,259.3	1,254.3	1,274.6	1,265.2	1,284.2
Nondurables	2,075.4	2,076.6	2,073.7	2,082.5	2,076.2	2,057.8	2,043.7	2,035.5	2,077.0	2,053.3	2,084.1
Food and Bev.	682.1	684.1	683.9	686.8	684.7	678.6	674.0	671.3	684.2	677.2	687.3
Services	6,039.1	6,067.0	6,096.1	6,121.8	6,103.4	6,049.3	6,008.0	5,983.8	6,081.0	6,036.1	6,126.7
INVESTMENT											
Total	1,750.9	1,778.4	1,784.2	1,791.7	1,786.3	1,770.5	1,758.4	1,751.3	1,776.3	1,766.6	1,793.1
Fixed Nonres.	1,378.9	1,413.2	1,465.6	1,471.8	1,467.4	1,454.3	1,444.4	1,438.6	1,432.4	1,451.2	1,473.0
Residential	321.1	324.4	325.4	326.8	325.8	322.9	320.7	319.4	324.4	322.2	327.0
Change in Inv.	49.1	39.1	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	21.0	-2.0	-2.0
NET EXPORTS	-424.4	-416.4	-402.8	-404.5	-403.3	-399.7	-397.0	-395.4	-412.0	-398.8	-404.8
GOV. PURCH.	2,513.9	2,508.2	2,507.6	2,518.2	2,510.6	2,488.3	2,471.4	2,461.4	2,512.0	2,482.9	2,520.2
Fed. Sur.(bil. \$)	-1,364.1	-1,393.2	-1,598.7	-1,635.3	-1,675.0	-1,685.0	-1,692.0	-1,667.0	-1,497.8	-1,679.8	-1,650.0
PRICE INDEXES											
GDP Price	112.4	113.1	113.8	114.7	115.8	116.7	117.7	118.8	113.5	117.2	121.9
% Change	2.5	2.5	2.6	3.2	3.7	3.2	3.5	3.7	2.3	3.3	4.0
CPI All Items	223.5	224.3	227.0	229.1	231.4	233.4	235.9	238.1	226.0	234.7	245.2
% Change	6.1	1.4	4.9	3.7	4.1	3.6	4.2	3.8	3.6	3.9	4.5
CPI Food	225.2	227.5	230.7	233.6	236.3	239.4	242.5	245.7	229.2	241.0	254.2
% Change	7.4	4.1	5.7	5.1	4.8	5.3	5.2	5.5	4.4	5.1	5.5
PPI Fin. Goods	189.5	191.0	192.9	194.6	196.9	199.1	201.6	204.5	192.0	200.5	212.4
% Change	13.2	3.2	4.0	3.6	4.7	4.7	5.1	5.8	6.7	4.4	5.9
MONEY M1	1,888.5	1,947.2	2,007.2	2,070.4	2,137.9	2,203.2	2,272.1	2,344.7	1,978.3	2,239.5	2,553.0
% Change	14.0	13.0	12.9	13.2	13.7	12.8	13.1	13.4	13.5	13.2	14.0
MONEY M2	8,928.3	9,111.4	9,262.5	9,409.5	9,572.2	9,717.3	9,873.8	10,042.2	9,177.9	9,801.4	10,536.5
% Change	5.3	7.0	6.8	6.5	7.1	6.2	6.6	7.0	6.3	6.8	7.5
INTEREST %											
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.15	3.00	3.00	3.25	3.10	3.15
3-mn.T-Bills	0.10	0.04	0.01	0.01	0.02	0.02	0.02	0.05	0.04	0.03	0.05
10-yr.T-Bonds	3.41	3.00	1.98	2.10	2.10	2.00	2.00	2.00	2.62	2.03	2.30
DISP. INCOME											
Nominal (bil. \$)	11,481.0	11,559.2	11,571.1	11,704.8	11,766.8	11,745.0	11,760.5	11,806.4	11,579.0	11,769.7	12,398.5
% Change	5.2	2.8	0.4	4.7	2.1	-0.7	0.5	1.6	3.6	1.6	5.3
Real (bil. '96\$)	10,183.2	10,169.7	10,121.6	10,151.8	10,108.4	10,005.8	9,924.7	9,872.2	10,156.6	9,977.8	10,077.6
% Change	1.2	-0.5	-1.9	1.2	-1.7	-4.0	-3.2	-2.1	0.9	-1.8	1.0
PCE Price	112.7	113.7	114.3	115.3	116.4	117.4	118.5	119.6	114.0	118.0	123.0
% Change	3.9	3.3	2.3	3.5	3.9	3.4	3.9	3.8	2.6	3.5	4.3
UNEMPLOY.	8.9	9.2	9.1	9.0	9.1	9.2	9.3	9.5	9.1	9.3	9.8
POPULATION	311.870	312.440	313.013	313.587	314.162	314.738	315.316	315.894	312.728	315.028	317.305
EXCH. RATE	97.1	95.3	98.0	98.6	99.0	99.6	100.0	100.3	97.3	99.7	101.2
% Change	-10.7	-7.4	11.8	2.5	1.8	2.2	1.7	1.1	2.9	2.5	1.5