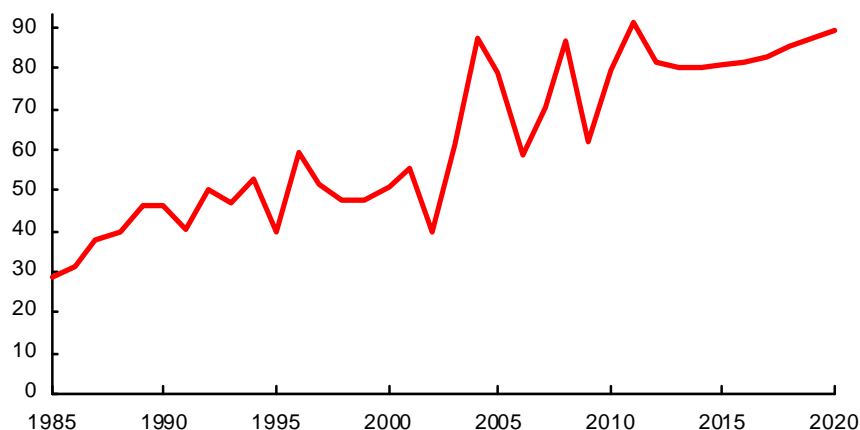


## U.S. Agricultural Sector Aggregate Indicators Farm Income, U.S. Trade Value, Food Prices, and Food Expenditures

High commodity prices underlie record projected levels of U.S. agricultural exports and U.S. net farm income in 2011. Although grain, oilseed, and cotton prices, export value, and farm income retreat somewhat in the next several years, a return to steady domestic and international economic growth supports demand for U.S. agricultural products over the next decade. In addition, rising global demand for agricultural commodities for the production of biofuels continues. Thus, after the near-term declines, the value of U.S. agricultural exports and net farm income each rise through the rest of the decade. U.S. retail food prices increase faster than the overall rate of inflation in 2011 and 2012, reflecting higher food commodity prices and energy costs and improved demand as the economic recovery continues.

### U.S. net farm income

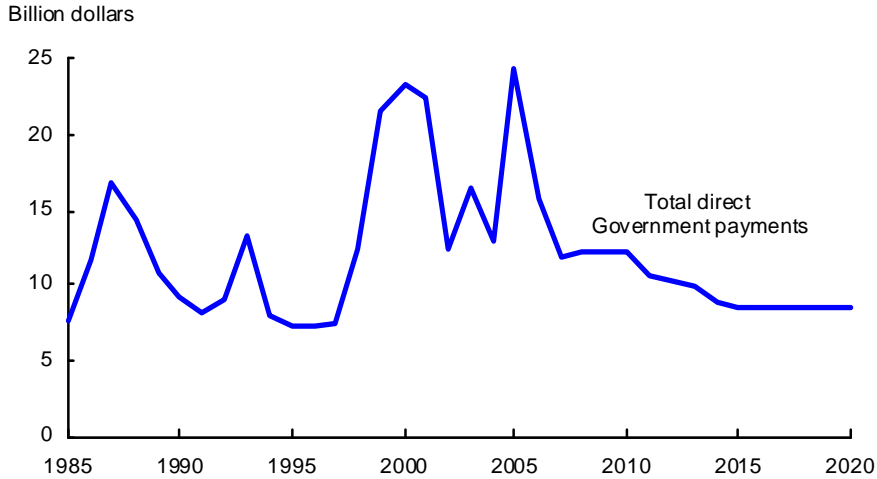
Billion dollars



Net farm income rises to record levels in 2011, largely reflecting the recent runup in prices for many agricultural commodities. While income declines in 2012-14, it grows over the rest of the decade and remains well above the average of the previous decade (2001-10) throughout the projection period.

- Strengthening global food demand and sustained biofuel demand provide a major impetus for projections of rising cash receipts.
- Lower Government payments and rising farm production expenses offset some of the gains in cash receipts and other sources of farm income.

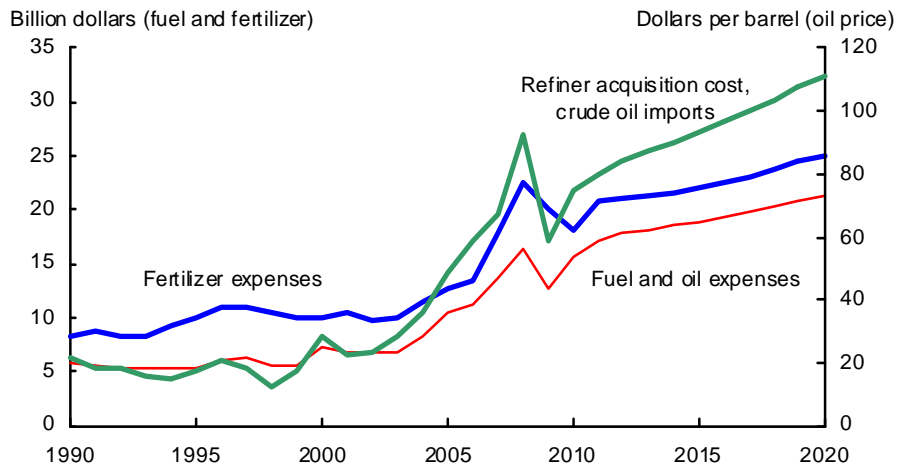
## Direct Government payments



Direct Government payments to farmers fall to about \$8.5 billion for the latter half of the next decade. Price-dependent program benefits have become less important. Ad hoc and emergency payments are projected to fall from recent levels, in part because the supplemental agricultural disaster assistance programs authorized under the 2008 Farm Act only cover qualifying losses that occur before October 2011. As a result, the Conservation Reserve Program (CRP) and fixed direct payments represent about 88 percent of direct Government payments toward the end of the projection period.

- Improving domestic and international demand holds prices for most crops above levels that would result in marketing loan benefits or counter-cyclical payments, so projected benefits for these programs are negligible over the next decade. Similarly, with relatively low enrollment and projected long-run stability in commodity prices, projections of payments under the Average Crop Revenue Election (ACRE) program average less than \$100 million over 2012-20.
- High crop prices make the use of land for production more valuable, so rental rates for land in the CRP rise. Even with reduced CRP acreage enrollment due to the 2008 Farm Act's lowering of the maximum acreage permitted in the program, CRP payments rise from about \$1.9 billion in 2010 to \$2.4 billion in 2020.
- With high 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, fall to about 2 percent by the end of the projection period. Conversely, the sector relies on the market for more of its income.

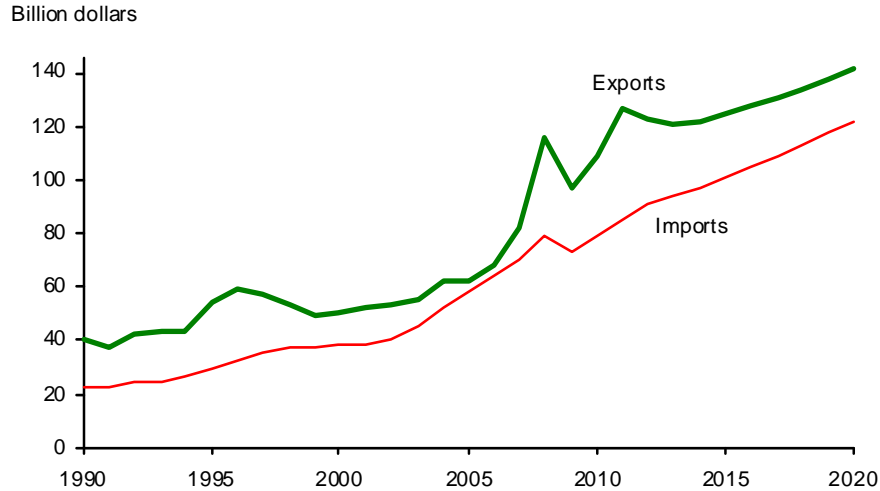
### Selected energy-related production expenses and crude oil prices



Total farm production expenses are projected to rise somewhat less rapidly than the overall rate of inflation over 2011-2020. While interest expenses and some energy-related costs rise faster than the general inflation rate, expenses for farm-origin inputs (seed, feed, and livestock) and most other nonfarm-origin expenses are up less than the general inflation rate.

- Projected increases in interest costs rise faster than the general inflation rate, due to rising interest rates from the low rates of recent years as well as increased debt.
- Energy-related production expenses for fertilizer and for fuel and oil also rise faster than the general inflation rate over the projection period, largely reflecting increases in crude oil prices.

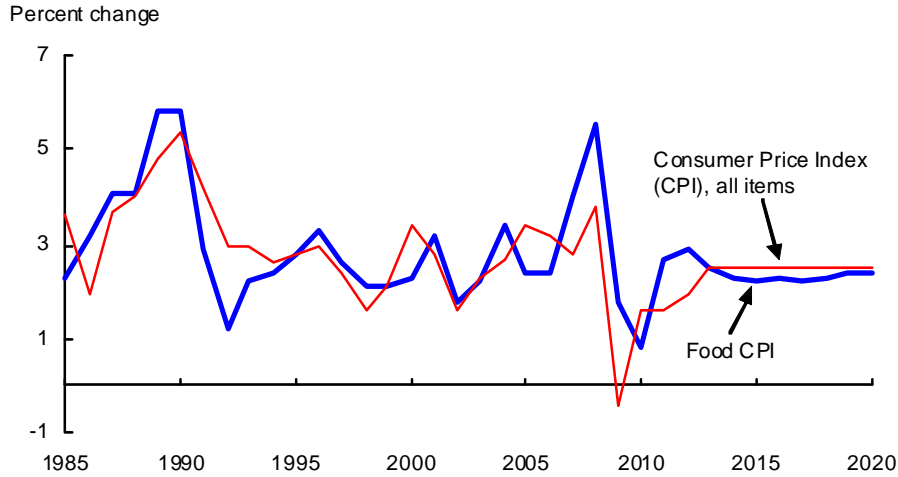
### U.S. agricultural trade value



The value of U.S. agricultural exports initially falls from the record levels projected for fiscal year 2011 as prices for major field crops decline from current high levels. Agricultural exports then rise through the remainder of the projections because of increased global economic growth and agricultural demand and a weaker U.S. dollar. Domestic economic growth boosts demand for U.S. agricultural imports. (Fiscal years are October 1 through September 30 and are named after the second calendar year that they span.)

- The value of U.S. agricultural exports is projected to reach a new record exceeding \$126 billion in 2011 largely reflecting high commodity prices. With declining prices projected for major crops over the next several years, export values fall through fiscal 2013. Agricultural export values are then projected to grow over the next decade and surpass the 2011 record. A resumption of world economic growth, particularly in developing countries, provides a foundation for increases in global food demand, trade, and U.S. agricultural exports. Continued global biofuel demand also contributes to high commodity prices and gains in export values. Furthermore, a depreciation of the U.S. dollar is an important factor underlying projected gains in U.S. exports.
- The share of U.S. agricultural exports represented by high-value products (HVP) falls in 2011 as high commodity prices boost bulk commodity exports. However, for the remainder of the projection period, HVP exports grow in importance and reach nearly two-thirds 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 \$122 billion in 2020, 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 over the projection period.
- The agricultural trade balance declines from the record surplus of \$41 billion projected for 2011, but remains a surplus of about \$19 billion at the end of the projection period.

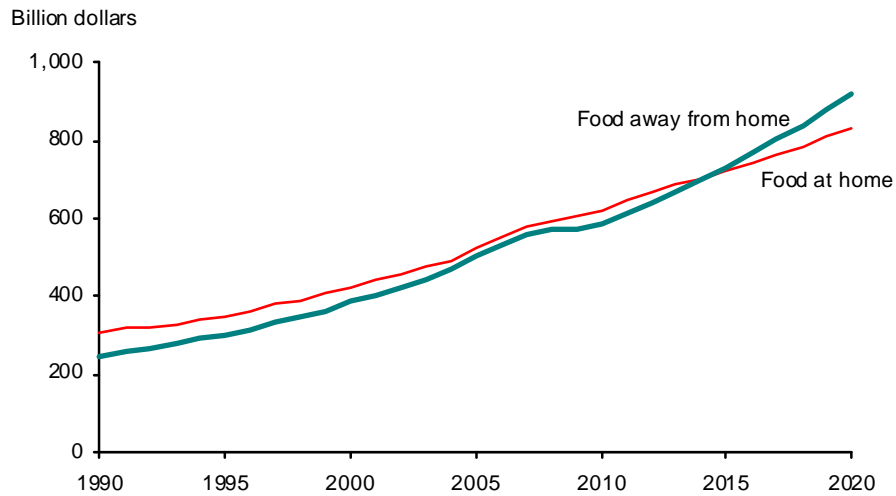
## U.S. food inflation



U.S. consumer food prices in 2010 had the smallest annual increase since the 1960s. In particular, the 1.3 percent rise in prices for away-from-home meals was the smallest increase since 1955, partly reflecting promotions to augment otherwise weak demand following the recession.

- Higher food commodity and energy prices will exert pressure on retail food prices into 2011. Additionally, as the economy recovers, retail food prices are projected to rise faster than overall inflation in 2011 and 2012. Over the remainder of the projection period, consumer food prices in the United States rise less than the general inflation rate. This moderation largely reflects production increases in the livestock sector which facilitate gains in per capita meat consumption and limit meat price increases.
- Higher commodity prices for food grains and oil-bearing crops push projected retail prices for cereals and bakery products and for fats and oils up more than the overall inflation rate in the near term. However, in the longer run, prices for these highly processed foods tend to reflect processing and marketing costs, thus keeping their increases near the general rate of inflation.
- Retail price increases for food away from home slowed in 2009 and 2010 as demand weakened due to the recession and the away-from-home food industry used promotions in response. As the economy rebounds, income gains will support growth in food consumption away from home. This factor, along with some linkage to price increases for meat and poultry, suggests that retail prices for food consumed away from home are likely to rise more than the overall rate of inflation over the next several years.
- In the longer run, prices for food away from home largely reflect the overall rate of inflation. Competition in the fast-food and foodservice industries tends to moderate away-from-home price increases, keeping their gains close to the general inflation rate over the rest of the projection period.

### U.S. food expenditures



The U.S. economic recession reduced consumer sales for meals eaten away from home in 2009. In response, the away-from-home food industry relied heavily on promotions in 2010 to partly offset otherwise continued weak demand.

- As the domestic economy rebounds, food expenditures resume stronger growth. As consumer demand strengthens, expenditures for meals away from home rise faster than expenditures for food at home and account for a growing share of total food spending.

Table 37. Farm receipts, expenses, and income, long-term projections

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	<i>Billion dollars</i>											
Cash receipts:												
Crops	163.7	171.4	192.8	187.8	182.6	182.3	184.3	186.8	189.9	193.1	195.9	198.5
Livestock and products	119.8	140.6	143.0	149.0	153.6	156.3	158.6	161.5	164.5	168.5	172.6	176.6
All commodities	283.4	312.1	335.8	336.9	336.2	338.5	342.8	348.4	354.4	361.6	368.5	375.2
Farm-related income	22.0	21.0	21.1	21.4	21.9	22.4	22.9	23.5	24.0	24.5	25.1	25.6
Government payments	12.3	12.2	10.6	10.3	9.9	8.8	8.4	8.4	8.4	8.5	8.4	8.4
Gross cash income	317.6	345.2	367.6	368.6	368.0	369.8	374.2	380.2	386.8	394.6	402.0	409.2
Cash expenses	248.5	254.4	271.7	276.1	278.1	281.1	284.9	289.6	295.0	300.6	305.9	311.0
Net cash income	69.1	90.8	95.8	92.6	89.9	88.6	89.3	90.6	91.8	94.0	96.1	98.2
Value of inventory change	4.5	-0.2	5.6	-0.1	0.9	2.2	2.0	1.7	1.6	1.4	1.5	1.6
Non-money income	21.1	21.7	23.1	23.6	24.1	24.6	25.0	25.5	26.0	26.5	27.1	27.6
Gross farm income	343.2	366.7	396.3	392.2	393.1	396.5	401.2	407.4	414.4	422.6	430.6	438.4
Noncash expenses	20.8	21.2	21.5	21.9	22.4	22.7	23.0	23.2	23.5	23.7	24.0	24.2
Operator dwelling expenses	11.7	11.8	12.1	12.3	12.4	12.6	12.7	12.9	13.0	13.1	13.3	13.5
Total production expenses	281.0	287.5	305.4	310.2	312.9	316.4	320.6	325.7	331.5	337.5	343.2	348.7
Net farm income	62.2	79.3	90.9	81.9	80.2	80.0	80.6	81.8	82.9	85.1	87.4	89.7

The projections were completed in December 2010.

Table 38. Summary of U.S. agricultural trade long-term projections, fiscal years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	<i>Billion dollars</i>											
<b>Agricultural exports (value):</b>												
Livestock, dairy, and poultry	18.6	21.5	23.0	22.8	24.2	25.5	26.2	26.8	27.3	28.0	28.9	29.7
Livestock, poultry, and products	16.4	18.2	19.8	19.5	20.7	21.8	22.4	22.8	23.2	23.7	24.4	25.1
Dairy products	2.3	3.4	3.2	3.3	3.5	3.7	3.8	4.0	4.1	4.3	4.5	4.7
Grain and feeds	26.3	27.3	35.4	32.4	29.3	28.2	28.7	29.3	30.2	31.2	32.1	32.8
Coarse grains	10.0	9.8	13.3	12.6	11.5	11.1	11.3	11.4	11.8	12.2	12.7	13.0
Oilseeds and products	20.9	25.4	28.3	27.5	26.3	26.0	26.3	26.7	27.1	27.4	27.6	27.9
Soybeans and products	17.6	22.1	24.8	23.7	22.5	22.1	22.4	22.8	23.1	23.4	23.6	23.9
Horticultural products	20.6	22.6	24.3	25.3	26.3	27.3	28.3	29.4	30.5	31.7	32.9	34.2
Fruits and vegetables, fresh	5.4	5.9	6.2	6.5	6.7	6.9	7.2	7.4	7.7	7.9	8.2	8.5
Fruits and vegetables, processed	5.4	5.6	5.9	6.1	6.3	6.5	6.7	6.9	7.1	7.4	7.6	7.8
Cotton	3.5	4.8	8.0	6.9	6.3	5.9	6.0	6.0	6.1	6.2	6.3	6.3
Other exports	6.3	7.0	7.5	7.5	7.8	8.1	8.4	8.8	9.1	9.3	9.6	10.0
<b>Total agricultural exports</b>	<b>96.3</b>	<b>108.7</b>	<b>126.5</b>	<b>122.4</b>	<b>120.1</b>	<b>121.1</b>	<b>124.0</b>	<b>127.0</b>	<b>130.3</b>	<b>133.8</b>	<b>137.4</b>	<b>140.9</b>
Bulk commodity exports	36.8	41.0	55.0	50.7	46.2	44.3	44.7	45.2	46.1	46.8	47.7	48.4
High-value product exports	59.5	67.6	71.5	71.6	73.9	76.8	79.3	81.7	84.2	86.9	89.7	92.6
High-value product share	61.8%	62.3%	56.5%	58.5%	61.5%	63.4%	63.9%	64.4%	64.6%	65.0%	65.3%	65.7%
	<i>Million metric tons</i>											
<b>Agricultural exports (volume):</b>												
Bulk commodity exports	115.2	128.9	139.5	137.9	135.6	135.1	136.9	138.2	140.5	142.6	144.8	146.9
	<i>Billion dollars</i>											
<b>Agricultural imports (value):</b>												
Livestock, dairy, and poultry	10.7	10.8	11.5	12.4	12.8	13.2	13.5	13.8	14.2	14.7	15.2	15.7
Livestock and meats	7.6	7.9	8.5	9.3	9.6	9.8	10.0	10.2	10.5	10.8	11.2	11.5
Dairy products	2.7	2.4	2.5	2.6	2.7	2.8	2.9	3.0	3.1	3.2	3.3	3.4
Grain and feeds	7.4	7.5	8.2	8.4	8.7	9.1	9.5	9.9	10.3	10.8	11.3	11.8
Grain products	4.5	4.9	5.4	5.7	6.0	6.3	6.6	6.9	7.2	7.6	8.0	8.4
Oilseeds and products	5.4	5.3	5.6	5.9	6.2	6.5	6.8	7.2	7.5	7.9	8.3	8.8
Vegetable oils	3.7	3.8	4.0	4.2	4.5	4.7	5.0	5.2	5.5	5.8	6.1	6.5
Horticultural products	33.0	35.5	38.5	40.8	42.6	44.3	46.2	48.2	50.2	52.3	54.5	56.9
Fruits and vegetables, fresh	10.3	12.0	13.3	14.1	14.8	15.4	16.1	16.9	17.6	18.4	19.3	20.2
Fruits and vegetables, processed	6.9	6.8	7.3	7.8	8.1	8.4	8.8	9.1	9.5	9.8	10.2	10.6
Wine and beer	7.5	7.7	8.1	8.6	8.9	9.3	9.6	10.0	10.4	10.8	11.2	11.6
Sugar and tropical products	15.3	18.3	20.3	21.3	21.9	22.6	23.3	24.1	24.8	25.7	26.5	27.4
Sugar and related products	3.3	4.1	4.6	5.1	5.1	5.2	5.3	5.4	5.6	5.7	5.9	6.0
Cocoa, coffee, and products	7.4	8.6	9.5	9.9	10.2	10.6	11.0	11.4	11.8	12.3	12.8	13.2
Other imports	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.8	1.8	1.8	1.8
<b>Total agricultural imports</b>	<b>73.4</b>	<b>79.0</b>	<b>85.5</b>	<b>90.5</b>	<b>93.9</b>	<b>97.4</b>	<b>101.0</b>	<b>104.9</b>	<b>108.9</b>	<b>113.2</b>	<b>117.6</b>	<b>122.3</b>
<b>Net agricultural trade balance</b>	<b>22.9</b>	<b>29.7</b>	<b>41.0</b>	<b>31.9</b>	<b>26.2</b>	<b>23.7</b>	<b>23.0</b>	<b>22.1</b>	<b>21.4</b>	<b>20.6</b>	<b>19.8</b>	<b>18.6</b>

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

U.S. trade value projections were completed in November 2010. 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. Bulk commodity exports covers wheat, rice, feed grains, soybeans, cotton, and tobacco. High-value product (HVP) exports is calculated as total exports less 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 39. Prices received by farmers, selected food commodities, long-term projections

CPI category	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Price indexes:	<i>1990-92=100</i>											
Food commodities <sup>1</sup>	128.0	144.0	146.8	151.4	153.4	153.9	154.4	155.3	156.7	158.8	161.0	163.0
Food grains	186.0	177.0	207.3	198.0	188.6	186.8	187.4	189.4	190.0	192.0	192.7	194.8
Oil-bearing crops	177.0	173.0	192.0	188.8	183.4	182.6	183.4	183.4	184.3	184.3	185.2	185.2
Fruit and nuts	135.0	150.0	148.6	150.9	153.2	155.6	158.0	160.4	162.9	165.4	167.9	170.5
Vegetables <sup>2</sup>	158.4	164.4	166.2	167.6	169.0	170.4	171.8	173.3	174.7	176.1	177.5	179.0
Meat animals	105.0	124.0	128.4	137.6	142.5	142.1	140.9	140.9	141.8	144.3	147.1	149.9
Dairy products	98.0	125.0	125.0	129.2	130.4	131.9	133.0	134.9	136.5	138.7	141.0	142.6
Poultry and eggs	139.0	151.0	151.4	158.0	163.8	166.9	169.7	171.7	174.0	176.5	178.9	181.4
Changes in price indexes:	<i>Percent</i>											
Food commodities <sup>1</sup>	6.5	12.5	1.9	3.1	1.3	0.3	0.3	0.6	0.9	1.3	1.4	1.2
Food grains	39.2	-4.8	17.1	-4.5	-4.7	-1.0	0.3	1.1	0.3	1.1	0.4	1.1
Oil-bearing crops	47.4	-2.3	11.0	-1.7	-2.9	-0.4	0.4	0.0	0.5	0.0	0.5	0.0
Fruit and nuts	-6.3	11.1	-0.9	1.5	1.5	1.6	1.5	1.5	1.6	1.5	1.5	1.5
Vegetables <sup>2</sup>	1.5	3.8	1.1	0.8	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.8
Meat animals	-0.8	18.1	3.5	7.2	3.6	-0.3	-0.8	0.0	0.6	1.8	1.9	1.9
Dairy products	-4.1	27.6	0.0	3.4	0.9	1.2	0.8	1.4	1.2	1.6	1.7	1.1
Poultry and eggs	7.9	8.6	0.3	4.4	3.7	1.9	1.7	1.2	1.3	1.4	1.4	1.4

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

Table 40. Consumer food price indexes and food expenditures, long-term projections

CPI category	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Consumer price indexes	<i>1982-84=100</i>											
All food	217.955	219.625	225.5	232.0	237.9	243.3	248.7	254.4	260.1	266.2	272.5	279.0
Food away from home	223.272	226.114	231.1	237.6	244.3	250.7	257.2	263.9	270.8	277.8	285.0	292.4
Food at home	215.124	215.836	222.3	228.8	234.2	239.1	243.9	248.9	254.0	259.6	265.4	271.3
Meats	200.545	206.232	212.4	222.5	227.9	230.1	231.5	233.4	235.8	239.5	243.4	247.4
Beef and veal	218.273	224.511	231.3	243.3	248.5	250.0	250.8	252.1	254.4	258.7	263.6	268.6
Pork	181.366	189.957	196.6	207.0	213.4	216.0	217.1	219.1	221.3	224.0	226.7	229.4
Other meats	194.901	194.787	198.5	203.7	207.9	211.4	214.8	218.0	221.3	224.6	228.0	231.4
Poultry	204.220	203.978	209.3	217.3	221.5	223.5	225.1	226.9	229.4	232.6	235.6	238.4
Fish and seafood	240.556	243.229	250.5	258.0	265.7	273.7	281.9	290.4	299.1	308.1	317.3	326.8
Eggs	190.024	192.833	198.6	207.0	217.8	227.0	236.3	242.4	246.3	250.2	254.2	258.9
Dairy products	197.013	199.245	209.0	214.5	218.5	223.0	227.5	232.5	237.0	242.0	247.5	252.5
Fats and oils	201.224	200.587	208.1	212.7	217.8	223.2	228.7	234.4	240.1	246.1	252.3	258.5
Fruits and vegetables	272.945	273.458	281.8	287.9	294.9	302.1	309.3	316.7	324.2	331.8	339.6	347.4
Sugar and sweets	196.933	201.242	206.0	210.4	215.1	220.0	225.0	230.0	235.2	240.5	245.9	251.5
Cereals and bakery products	252.567	250.449	257.0	263.4	269.1	275.2	281.9	289.0	296.4	304.0	311.6	319.6
Nonalcoholic beverages	163.034	161.602	164.0	167.3	171.5	175.8	180.2	184.7	189.3	194.0	198.9	203.9
Other foods	205.497	204.553	208.3	212.5	217.6	222.9	228.2	233.6	239.2	245.0	250.9	256.9
Food expenditures:	<i>Billion dollars</i>											
All food	1,182.0	1,213.6	1,257.2	1,307.0	1,356.7	1,406.2	1,457.2	1,511.2	1,567.7	1,627.2	1,689.2	1,753.6
Food at home	607.4	622.0	643.7	665.8	684.9	703.3	722.1	742.2	763.2	785.8	809.2	833.2
Food away from home	574.5	591.6	613.5	641.2	671.8	702.9	735.1	769.0	804.5	841.4	880.0	920.4
Changes in consumer food prices:	<i>Percent</i>											
All food	1.8	0.8	2.7	2.9	2.5	2.3	2.2	2.3	2.2	2.3	2.4	2.4
Food away from home	3.5	1.3	2.2	2.8	2.8	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Food at home	0.5	0.3	3.0	2.9	2.4	2.1	2.0	2.1	2.0	2.2	2.2	2.2
Meats	-0.6	2.8	3.0	4.8	2.4	1.0	0.6	0.8	1.0	1.6	1.6	1.6
Beef and veal	-1.0	2.9	3.0	5.2	2.1	0.6	0.3	0.5	0.9	1.7	1.9	1.9
Pork	-2.0	4.7	3.5	5.3	3.1	1.2	0.5	0.9	1.0	1.2	1.2	1.2
Other meats	2.3	-0.1	1.9	2.6	2.1	1.7	1.6	1.5	1.5	1.5	1.5	1.5
Poultry	1.7	-0.1	2.6	3.8	1.9	0.9	0.7	0.8	1.1	1.4	1.3	1.2
Fish and seafood	3.6	1.1	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Eggs	-14.7	1.5	3.0	4.2	5.2	4.2	4.1	2.6	1.6	1.6	1.6	1.8
Dairy products	-6.4	1.1	4.9	2.6	1.9	2.1	2.0	2.2	1.9	2.1	2.3	2.0
Fats and oils	2.3	-0.3	3.7	2.2	2.4	2.5	2.5	2.5	2.4	2.5	2.5	2.5
Fruits and vegetables	-2.1	0.2	3.1	2.2	2.4	2.4	2.4	2.4	2.4	2.3	2.4	2.3
Sugar and sweets	5.6	2.2	2.4	2.1	2.2	2.3	2.3	2.2	2.3	2.3	2.2	2.3
Cereals and bakery products	3.2	-0.8	2.6	2.5	2.2	2.3	2.4	2.5	2.6	2.6	2.5	2.6
Nonalcoholic beverages	1.9	-0.9	1.5	2.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Other foods	3.7	-0.5	1.8	2.0	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4