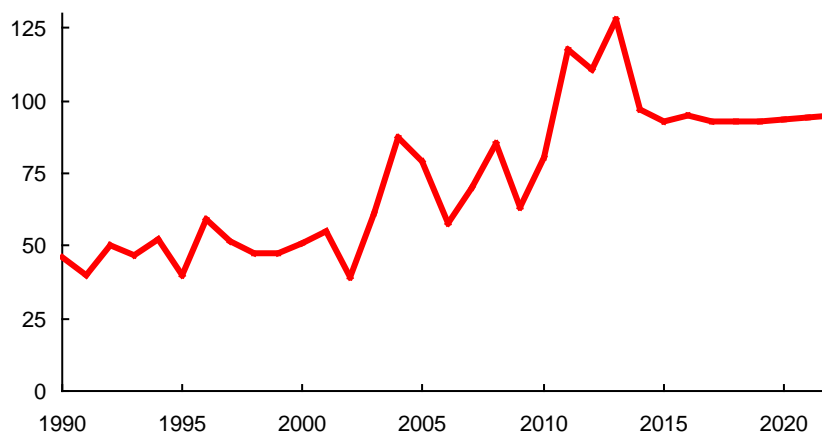


## U.S. Agricultural Sector Aggregate Indicators Farm Income, U.S. Trade Value, Food Prices, and Food Expenditures

High commodity prices are projected to lead to record values of U.S. agricultural exports and U.S. net farm income in 2013. Grain and oilseed prices along with export values and farm cash receipts are then projected to decline in 2014-15, but grow over the rest of the projection period as a return to steady domestic and international economic growth, a weaker dollar, and continuing production of biofuels support longer term demand for U.S. agricultural products. Although farm production expenses also increase beyond 2015, net farm income remains historically high. U.S. retail food prices are projected to rise faster than the overall rate of inflation in 2013 in part due to effects of the 2012 U.S. drought on farm commodity prices. For the remainder of the projection period, consumer food price increases average somewhat less than the general inflation rate, largely reflecting higher livestock production which limits consumer meat price increases.

### U.S. net farm income

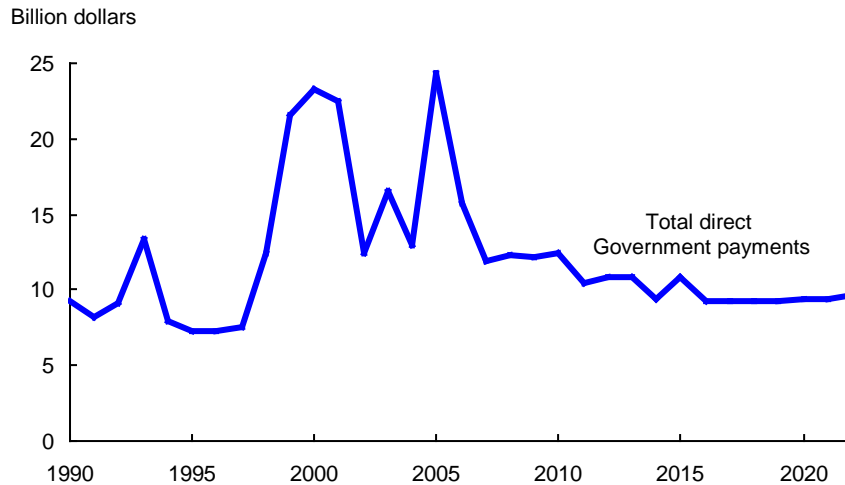
Billion dollars



Net farm income is projected to reach record levels in 2013, reflecting the runup in prices for many agricultural commodities, due in part to the 2012 U.S. drought, as well as large crop insurance indemnities paid to the sector. While income declines from the 2013 record through 2015, it remains well above the average of the previous decade (2001 to 2010).

- Strengthening global food demand, a weaker dollar, and continuing biofuel demand are major factors underlying projections of rising cash receipts after 2015.
- Lower Government payments and rising farm production expenses after 2015 offset most of the gains in cash receipts and other sources of farm income.

## Direct Government payments

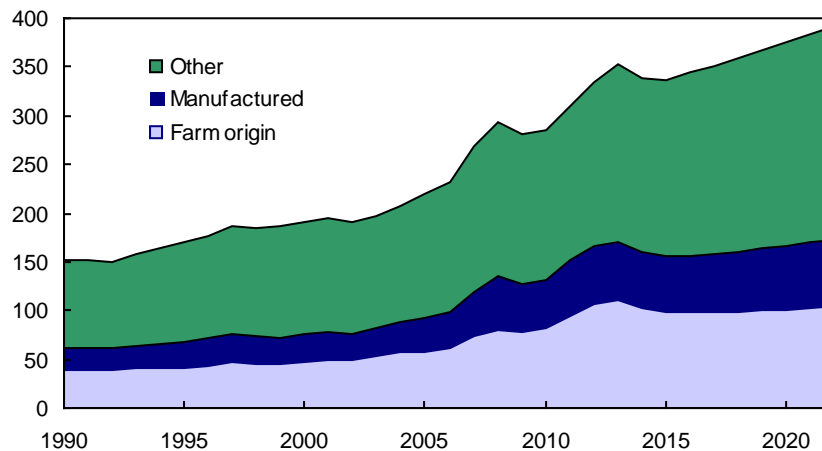


Direct Government payments to farmers average about \$9.7 billion over the next decade, below the average of \$16 billion in 2000-10. The Conservation Reserve Program (CRP) and fixed direct payments are the largest Government payments to the agricultural sector throughout the projection period, although payments under the Average Crop Revenue Election (ACRE) program jump to \$1.8 billion in 2015 following the decline in commodity prices from recent highs.

- High crop prices have made arable land more valuable, so rental rates for land in the CRP have risen. As a result, CRP payments are projected to rise from about \$2.0 billion in 2013 to \$2.6 billion in 2022.
- Fixed direct payments are projected at nearly \$5 billion annually.
- As commodity prices decline from recent high levels, payments under the ACRE program associated with 2014 crops and paid in 2015 are projected to rise to \$1.8 billion. However, with relatively low enrollment in the ACRE program and projected stability in longer run commodity prices, projections of ACRE payments average less than \$40 million annually over 2016-22.
- 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, are 2 to 3 percent during the projection period. As a result, the sector relies more on the market for its income.

## U.S. farm production expenses

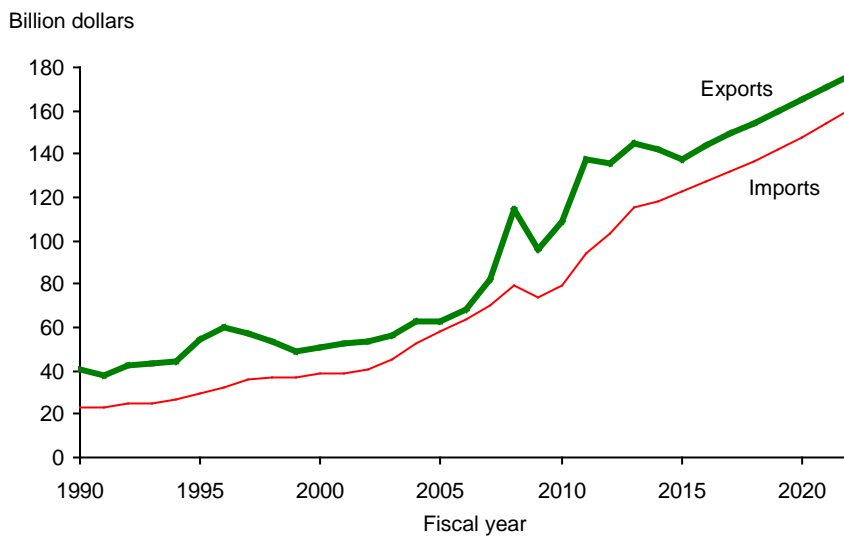
Billion dollars



Total farm production expenses are projected to fall in 2014-15 from high levels in 2013 as declining crop prices lower feed costs and lower planted acreage and lower near-term crude oil prices reduce manufactured input expenses. Beyond 2015, production expenses rise less rapidly than the overall rate of inflation through 2022. While interest expenses and some energy-related costs rise faster than the general inflation rate, expenses for farm-origin inputs, particularly feed and livestock, are up less than the general inflation rate. Other nonfarm-origin expenses increase at near the overall rate of inflation.

- Interest costs rise faster than the general inflation rate over the projection period, due to increasing debt level as well as interest rates rising from the low rates of recent years.
- Production expenses for fuel and oil also rise faster than the general inflation rate after 2015, largely reflecting increases in crude oil prices. Reductions in planted acreage in 2014 and 2015 initially lower fertilizer expenses in this period, but these costs rise faster than inflation later in the projection period.

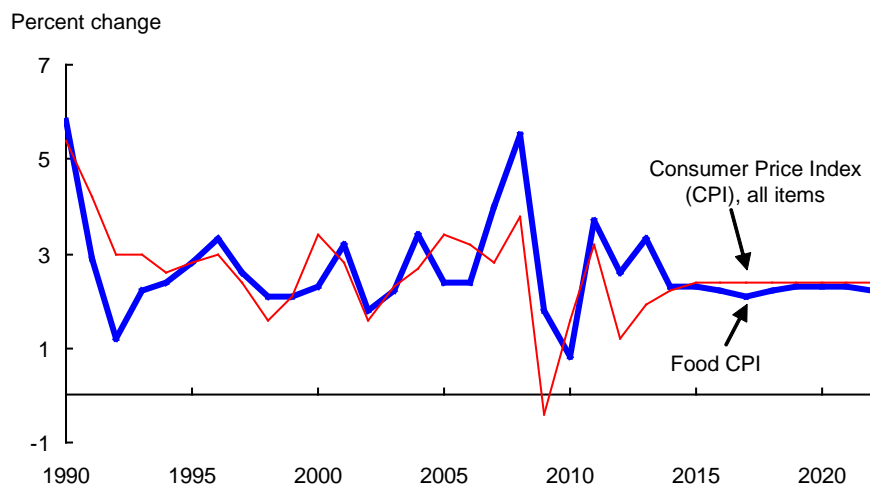
### U.S. agricultural trade value



After increasing in fiscal 2013, the value of U.S. agricultural exports declines for 2 years as prices for major field crops fall from current highs. Agricultural exports then rise through the remainder of the projections because of sustained global economic growth, strengthening 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. For example, fiscal year 2013 runs from October 1, 2012 through September 30, 2013.)

- The value of U.S. agricultural exports is projected to reach \$145 billion in 2013, a record that largely reflects high commodity prices. With prices for many crops projected to fall over the following 2 years, export values decline. Agricultural export values are then projected to grow over the rest of the decade and surpass the 2013 record. World economic growth, particularly sustained relatively high growth 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 strong commodity prices and gains in export values. Furthermore, the continuing depreciation of the U.S. dollar remains an important factor underlying projected gains in U.S. exports.
- The share of U.S. agricultural exports represented by high-value products (HVP) is projected to grow and exceed 70 percent by the end of the projection period. Much of the growth in HVP exports is for animal products and horticultural products.
- U.S. agricultural import values rise throughout the projection period and exceed \$160 billion by 2022. These increases are boosted by gains in U.S. consumer incomes and demand for a large variety of foods. Strong growth in horticultural imports is assumed to continue, contributing more than 40 percent of the overall increase in agricultural imports in the projection period.
- The agricultural trade balance is expected to continue declining for several years from the record surplus of almost \$43 billion in 2011, falling below \$15 billion in 2015. The surplus then averages about \$17 billion over the rest of the projection period.

### U.S. food inflation



U.S. retail food price increases have exceeded the general inflation rate over the past several years, reflecting higher food commodity prices and energy costs combined with stronger post-recessionary food demand.

- Overall food price inflation in 2013 is expected to remain above the general rate of inflation, in part due to effects of the 2012 U.S. drought on commodity prices. The transmission of commodity price changes to retail prices typically takes several months, so much of the drought's impact is expected to occur in 2013. The drought reduced production and raised prices for corn and soybeans (and soybean meal), which affect retail food prices for meats due to production impacts of higher feed prices. Inflation should be above the historical average for food categories such as cereals and bakery products as well.
- For the remainder of the projection period, consumer food price increases average less than the general inflation rate. This moderation largely reflects livestock production increases, which facilitate gains in per capita meat consumption and limit retail meat price increases.
- Retail prices for food away from home largely reflect the overall rate of inflation. As the U.S. economy continues to rebound, income gains will support growth in food consumption away from home. Nonetheless, competition in the fast-food and foodservice industries tends to moderate away-from-home price increases.
- Food expenditures for meals away from home are projected to rise faster than expenditures for food at home, thus accounting for a growing share of total food spending.

Table 36. Farm receipts, expenses, and income, long-term projections

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	<i>Billion dollars</i>											
Cash receipts:												
Crops	208.3	218.9	216.5	197.8	188.0	192.8	197.8	201.6	204.9	208.4	212.5	217.2
Livestock and products	166.0	170.7	174.6	175.2	175.7	178.7	178.8	181.8	186.0	189.5	192.9	195.3
All commodities	374.3	389.5	391.1	373.0	363.6	371.5	376.6	383.4	390.9	397.8	405.4	412.5
Farm-related income	26.1	31.3	36.2	28.5	26.8	27.1	27.5	27.9	28.2	28.6	29.0	29.4
Government payments	10.4	10.8	10.9	9.4	10.9	9.3	9.2	9.3	9.3	9.4	9.4	9.6
Gross cash income	410.8	431.7	438.1	410.9	401.3	407.9	413.3	420.6	428.5	435.9	443.9	451.4
Cash expenses	276.1	297.9	316.0	299.8	296.9	303.7	310.4	317.6	325.2	331.7	339.2	346.0
Net cash income	134.7	133.8	122.1	111.1	104.4	104.2	102.9	103.0	103.2	104.2	104.6	105.4
Value of inventory change	-5.2	-11.7	16.5	-2.7	0.7	3.4	2.5	2.5	1.7	1.6	1.7	1.5
Non-money income	22.8	24.5	25.2	26.4	27.0	27.7	28.6	29.5	30.5	31.4	32.4	33.3
Gross farm income	428.5	444.5	479.9	434.7	429.0	439.0	444.4	452.6	460.7	468.9	478.0	486.2
Noncash expenses	22.0	23.0	23.3	24.8	26.0	26.7	27.3	28.1	28.8	29.6	30.4	31.1
Operator dwelling expenses	12.5	12.9	12.9	13.2	13.3	13.4	13.6	13.7	13.9	14.0	14.2	14.3
Total production expenses	310.6	333.8	352.3	337.8	336.2	343.8	351.3	359.4	368.0	375.4	383.8	391.5
Net farm income	117.9	110.7	127.6	96.9	92.7	95.2	93.1	93.2	92.7	93.5	94.2	94.7

The projections were completed in December 2012.

Table 37. Summary of U.S. agricultural trade long-term projections, fiscal years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Billion dollars</i>												
Agricultural exports (value):												
Livestock, poultry, and dairy	27.3	29.8	29.8	30.8	31.8	33.3	34.7	36.2	38.0	39.7	41.6	43.3
Livestock products	17.3	18.5	18.7	19.2	19.5	20.1	20.9	21.8	23.0	24.2	25.4	26.4
Dairy products	4.5	5.2	5.0	5.3	5.7	6.2	6.6	7.0	7.3	7.7	8.0	8.5
Poultry products	5.5	6.2	6.1	6.3	6.6	7.0	7.2	7.4	7.7	7.9	8.2	8.4
Grains and feeds	38.0	33.4	37.1	35.6	30.7	32.9	34.1	35.7	36.9	38.2	39.6	41.2
Coarse grains	14.0	11.7	11.6	12.4	10.4	11.4	11.9	12.6	13.1	13.7	14.3	15.0
Feeds and fodder	6.4	6.9	7.3	7.6	8.0	8.3	8.7	9.1	9.5	9.9	10.4	10.8
Oilseeds and products	29.2	28.6	31.4	27.6	25.0	26.4	27.2	27.9	28.5	29.0	29.6	30.4
Soybeans and products	25.4	24.5	27.0	23.1	20.3	21.6	22.2	22.8	23.3	23.5	24.1	24.6
Horticultural products <sup>1</sup>	25.9	28.6	32.0	33.0	34.1	35.1	36.2	37.4	38.6	39.8	41.1	42.4
Fruits and vegetables, fresh	6.6	7.0	7.6	7.8	8.0	8.2	8.5	8.7	8.9	9.2	9.4	9.7
Fruits and vegetables, processed	6.3	6.8	7.4	7.6	7.8	8.0	8.2	8.4	8.6	8.8	9.0	9.3
Tree nuts, whole and processed	5.1	6.1	7.0	7.3	7.6	7.9	8.2	8.6	8.9	9.3	9.7	10.1
Cotton	8.8	6.6	4.6	4.5	4.9	5.4	5.5	5.6	5.6	5.6	5.7	5.7
Sugar and tropical products	5.5	6.2	7.3	7.6	8.1	8.4	8.6	8.7	9.1	9.4	9.7	10.1
Other exports <sup>2</sup>	2.6	2.5	2.8	2.8	2.9	3.0	3.0	3.1	3.1	3.2	3.3	3.3
Total agricultural exports	137.4	135.8	145.0	142.1	137.4	144.4	149.3	154.5	159.8	165.0	170.5	176.4
Major bulk products <sup>3</sup>	57.9	49.5	53.5	48.6	42.2	45.3	46.7	48.1	49.1	50.0	51.1	52.4
High-value product exports <sup>4</sup>	79.5	86.3	91.5	93.5	95.2	99.1	102.6	106.4	110.7	115.0	119.4	124.0
High-value product share	57.9%	63.6%	63.1%	65.8%	69.3%	68.6%	68.7%	68.9%	69.2%	69.7%	70.1%	70.3%
<i>Million metric tons</i>												
Agricultural exports (volume):												
Bulk commodity exports	131.3	111.9	110.0	108.5	119.7	127.3	130.3	133.4	135.9	138.1	140.5	142.9
<i>Billion dollars</i>												
Agricultural imports (value):												
Livestock and dairy products	11.8	13.3	14.2	15.1	15.8	16.2	16.7	17.2	17.8	18.4	19.0	19.5
Livestock and meats	8.6	9.7	10.3	11.1	11.6	11.9	12.3	12.6	13.1	13.5	13.9	14.3
Dairy products	2.7	3.0	3.2	3.3	3.4	3.5	3.6	3.7	3.9	4.0	4.1	4.2
Grains and feeds	8.4	9.5	11.6	10.7	10.6	11.1	11.7	12.2	12.7	13.3	13.8	14.4
Grain products	5.4	5.7	6.2	6.5	6.8	7.1	7.5	7.8	8.2	8.6	9.0	9.5
Oilseeds and products	7.7	8.7	10.0	9.1	9.0	9.4	9.9	10.4	10.8	11.3	11.8	12.4
Vegetable oils	5.6	5.8	6.1	6.4	6.7	7.1	7.4	7.8	8.2	8.6	9.0	9.5
Horticultural products	39.4	41.6	44.4	46.3	48.2	50.3	52.4	54.6	57.0	59.4	61.9	64.5
Fruits and vegetables, fresh	12.8	13.4	14.2	14.8	15.4	16.1	16.8	17.5	18.3	19.1	19.9	20.7
Fruits and vegetables, processed	8.2	8.6	9.1	9.5	9.9	10.3	10.8	11.2	11.7	12.2	12.7	13.3
Wine and beer	8.3	8.8	9.4	9.8	10.2	10.6	11.0	11.5	11.9	12.4	12.9	13.4
Sugar and tropical products	25.6	28.3	32.3	34.2	36.5	38.1	38.4	39.6	41.1	42.7	44.5	46.5
Sugar and related products	5.1	5.2	5.5	6.2	7.4	7.6	6.7	6.5	6.6	6.7	7.0	7.4
Cocoa, coffee, and products	12.0	11.9	12.8	13.3	13.8	14.3	14.9	15.5	16.1	16.7	17.3	18.0
Other imports <sup>5</sup>	1.6	2.1	2.5	2.6	2.6	2.7	2.7	2.8	2.9	2.9	3.0	3.1
Total agricultural imports	94.5	103.4	115.0	117.8	122.8	127.8	131.8	136.8	142.2	148.0	154.1	160.5
Net agricultural trade balance	42.9	32.4	30.0	24.3	14.6	16.6	17.5	17.7	17.6	17.0	16.4	15.9

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

U.S. trade value projections were completed in December 2012. For updates of the nearby year forecasts, see USDA's *Outlook for U.S. Agricultural Trade* report, published in February, May, August, and November.

1/ Includes wine, beer, essential oils, nursery crops, hops, and mint. 2/ Includes unmanufactured tobacco, planting seeds, and nonalcoholic beverages. 3/ Includes bulk grains, soybeans, cotton, and tobacco. 4/ 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. 5/ Includes planting seeds, tobacco, and cotton.

Table 38. Consumer food price indexes and food expenditures, long-term projections

CPI category	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Consumer price indexes <i>1982-84=100</i>												
All food	227.842	233.777	241.4	247.0	252.6	258.2	263.6	269.4	275.6	281.9	288.4	294.8
Food away from home	231.401	237.986	245.1	251.5	257.8	264.0	270.1	276.3	282.9	289.7	296.7	303.8
Food at home	226.201	231.774	239.8	244.9	250.0	255.3	260.4	265.9	271.9	278.0	284.2	290.2
Meats	224.439	231.981	240.2	244.8	247.6	250.2	253.0	256.6	262.9	268.4	274.2	277.7
Beef and veal	247.377	263.089	272.3	277.0	281.1	283.5	285.2	287.9	295.0	300.1	306.1	308.9
Pork	206.053	206.612	214.1	218.3	218.7	221.0	225.1	229.9	236.1	242.7	249.0	253.4
Other meats	207.310	210.862	217.9	222.6	225.8	229.1	233.0	237.1	241.6	246.3	250.9	255.1
Poultry	209.916	221.381	229.1	233.8	241.5	248.0	252.4	257.4	263.3	268.4	274.4	279.7
Fish and seafood	260.493	266.652	274.7	282.4	290.3	298.4	306.8	315.4	324.2	333.3	342.6	352.2
Eggs	210.492	217.141	224.5	233.5	241.5	249.5	253.8	258.1	262.4	266.7	271.9	277.2
Dairy products	212.745	217.270	226.0	228.8	232.5	237.3	241.2	246.7	251.3	256.5	261.3	266.7
Fats and oils	219.163	232.579	238.5	243.4	248.9	254.8	260.5	266.9	273.2	279.7	286.2	293.1
Fruits and vegetables	284.662	282.827	292.4	299.3	306.1	312.9	319.9	326.9	334.1	341.4	348.7	356.4
Sugar and sweets	207.832	214.670	219.3	223.8	231.5	238.4	243.3	246.3	249.7	253.8	259.6	266.6
Cereals and bakery products	260.311	267.682	276.4	280.1	284.7	291.7	298.5	305.4	312.4	319.5	326.8	334.6
Nonalcoholic beverages	166.790	168.606	173.3	177.6	182.0	186.6	191.3	196.1	201.0	206.0	211.2	216.5
Other foods	209.292	216.611	225.3	232.6	239.1	244.6	250.2	256.0	261.9	267.9	274.0	280.4
Food expenditures: <i>Billion dollars</i>												
All food	1,317.8	1,376.7	1,439.4	1,493.0	1,548.2	1,607.4	1,664.9	1,726.1	1,790.6	1,857.6	1,927.2	1,998.3
Food at home	676.6	699.9	729.2	750.0	771.7	796.7	819.3	844.2	870.0	896.4	923.6	950.6
Food away from home	641.2	676.8	710.2	743.0	776.5	810.7	845.6	881.9	920.6	961.2	1,003.6	1,047.7
Changes in consumer food prices: <i>Percent</i>												
All food	3.7	2.6	3.3	2.3	2.3	2.2	2.1	2.2	2.3	2.3	2.3	2.2
Food away from home	2.3	2.8	3.0	2.6	2.5	2.4	2.3	2.3	2.4	2.4	2.4	2.4
Food at home	4.8	2.5	3.5	2.1	2.1	2.1	2.0	2.1	2.3	2.2	2.2	2.1
Meats	8.8	3.4	3.5	1.9	1.1	1.1	1.1	1.4	2.5	2.1	2.2	1.3
Beef and veal	10.2	6.4	3.5	1.7	1.5	0.9	0.6	0.9	2.5	1.7	2.0	0.9
Pork	8.5	0.3	3.6	2.0	0.2	1.1	1.9	2.1	2.7	2.8	2.6	1.8
Other meats	6.4	1.7	3.3	2.2	1.4	1.5	1.7	1.8	1.9	1.9	1.9	1.7
Poultry	2.9	5.5	3.5	2.1	3.3	2.7	1.8	2.0	2.3	1.9	2.2	1.9
Fish and seafood	7.1	2.4	3.0	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Eggs	9.2	3.2	3.4	4.0	3.4	3.3	1.7	1.7	1.7	1.6	1.9	1.9
Dairy products	6.8	2.1	4.0	1.2	1.6	2.1	1.6	2.3	1.9	2.1	1.9	2.1
Fats and oils	9.3	6.1	2.5	2.1	2.3	2.4	2.2	2.5	2.4	2.4	2.3	2.4
Fruits and vegetables	4.1	-0.6	3.4	2.4	2.3	2.2	2.2	2.2	2.2	2.2	2.1	2.2
Sugar and sweets	3.3	3.3	2.2	2.1	3.4	3.0	2.1	1.2	1.4	1.6	2.3	2.7
Cereals and bakery products	3.9	2.8	3.3	1.3	1.6	2.5	2.3	2.3	2.3	2.3	2.3	2.4
Nonalcoholic beverages	3.2	1.1	2.8	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Other foods	2.3	3.5	4.0	3.2	2.8	2.3	2.3	2.3	2.3	2.3	2.3	2.3