

*2010 FINANCE AND CREDIT ISSUES  
FOR AGRICULTURE AND FOOD  
SYSTEM*

**Corny Gallagher**  
**Agribusiness Executive**

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## U.S. FARM EQUITY (\$ billions)

	2008	2009	2010
SOURCE (EST)	USDA	USDA	USDA
• Real Estate	1,693	1,634	1,570
• Total Assets	2,001	1,944	1,876
• Total Debt	239	250	233
• Equity	\$1,767	\$1,649	\$1,643
• Net Income	\$87	\$56	\$63
• ROA	4.3%	2.9%	3.4%

# Farm Loan Demand and Funds Availability

- Ag Lenders have sufficient funds to make farm loans in 2010 and beyond. Cash flow drives ability to repay.
- Ag Lenders want farm loans and will compete to get your business.
- It is not business as usual for the banking industry or for the ag sector...credit risk... increases rates.
- Risk continues until global demand improves.



## Farm Outlook for 2010

Joseph W. Glauber  
Chief Economist, USDA  
86<sup>th</sup> Annual Agricultural Outlook Forum  
February 12, 2010

SOURCE JOE GLAUBER USDA CHIEF ECONIMIST

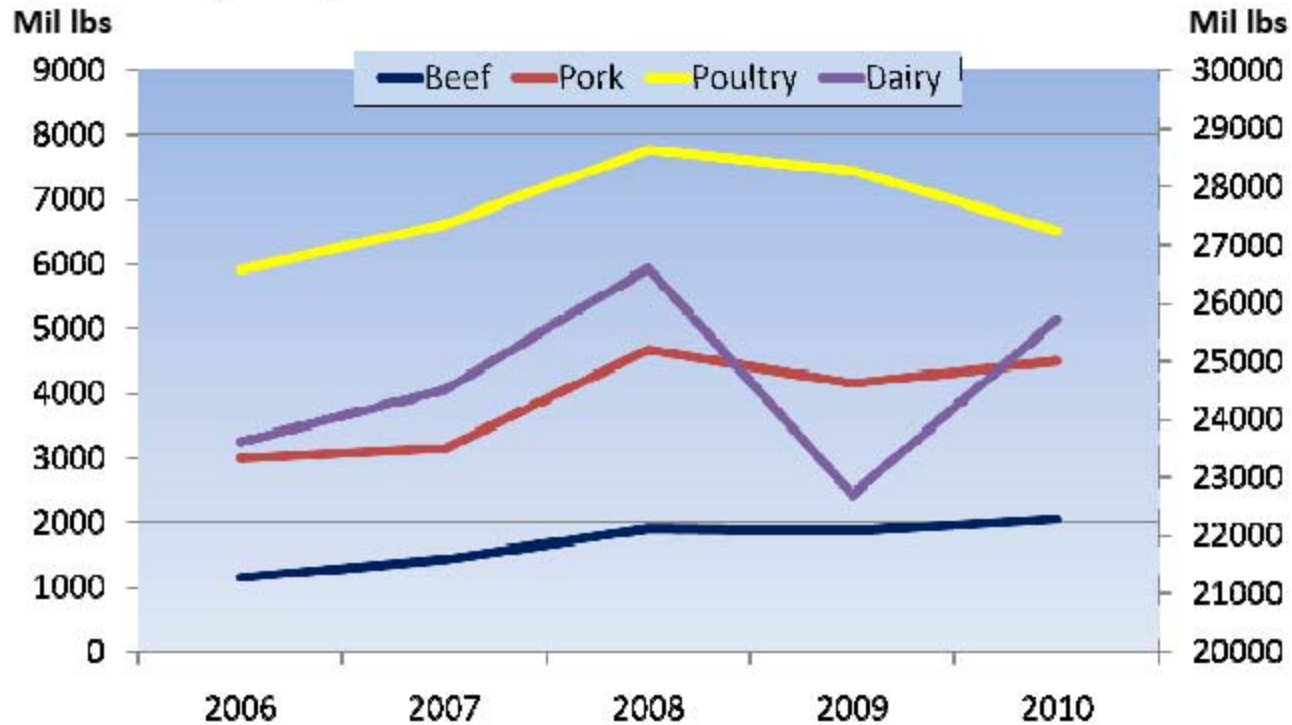
## Crop prices mixed; livestock, dairy and poultry to rise in 2010

<b>Crops</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
wheat	6.78	4.85	4.90
corn	4.06	3.70	3.60
soybeans	9.97	9.45	8.80
rice	16.80	14.30	13.00
cotton	47.8	62.0	64.0
<b>Animal products</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
beef	92.27	82.68	88.25
pork	47.84	41.24	47.75
broilers	79.70	77.60	79.50
milk	18.29	12.81	16.55

*Source: Office of the Chief Economist, February 2010*

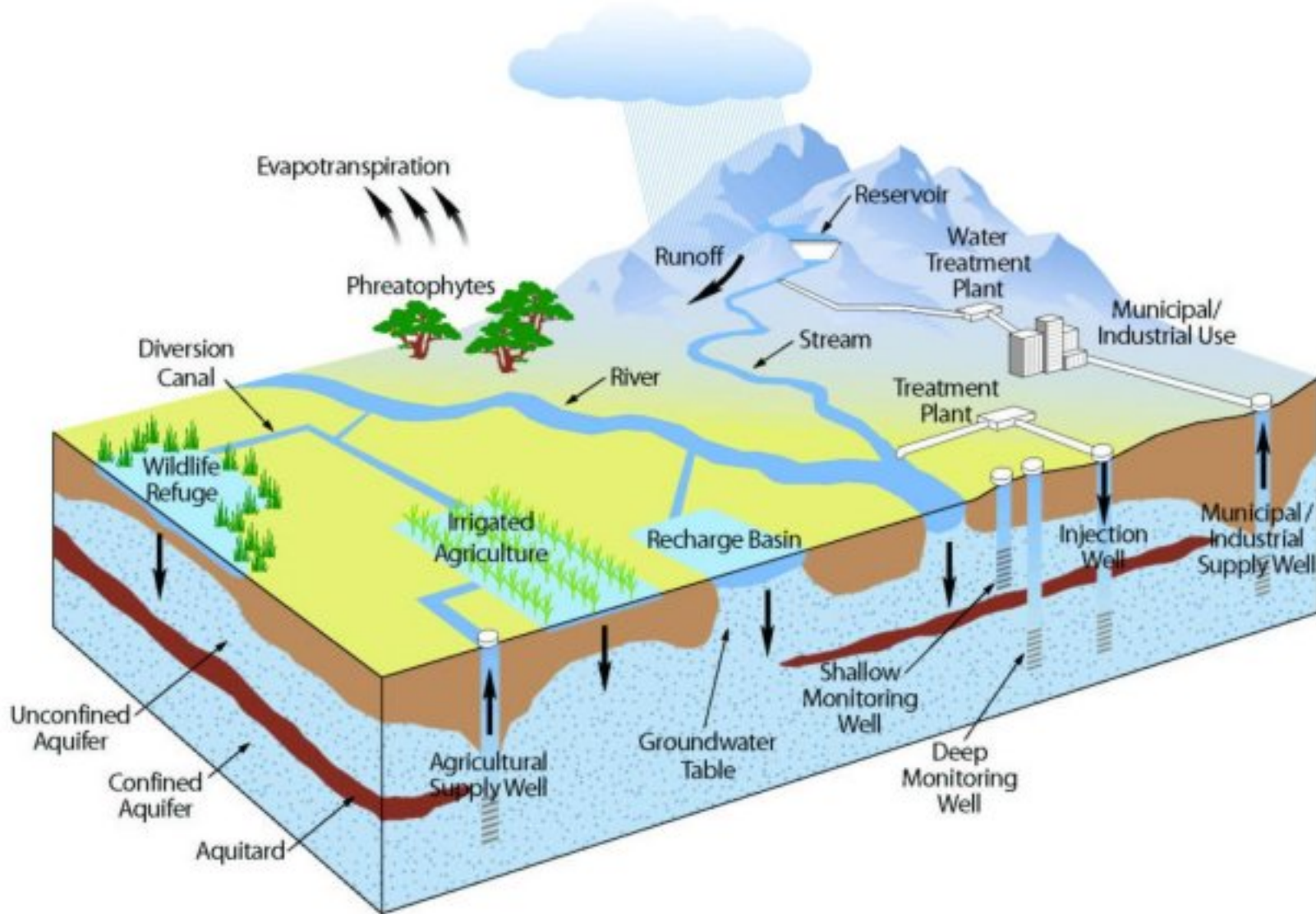
SOURCE JOE GLAUBER USDA CHIEF ECONIMIST

Beef, pork and dairy exports recover,  
poultry exports forecast to fall in 2010



# Hydrologic Cycle

Water is a global concern



# Delta Flows 1/20 to 2/23/10

**Total inflows = 2,855,000 AF**

Sacramento

River + Tributaries

@Freeport

2,505,000 AF

Yolo Flood Bypass

95,000 AF

Sacramento

Ocean/Tidal

East Side Rivers

52,000 AF

Net Outflow

2,455,000 AF

In-Delta Runoff

Less Use

122,000 AF

Stockton

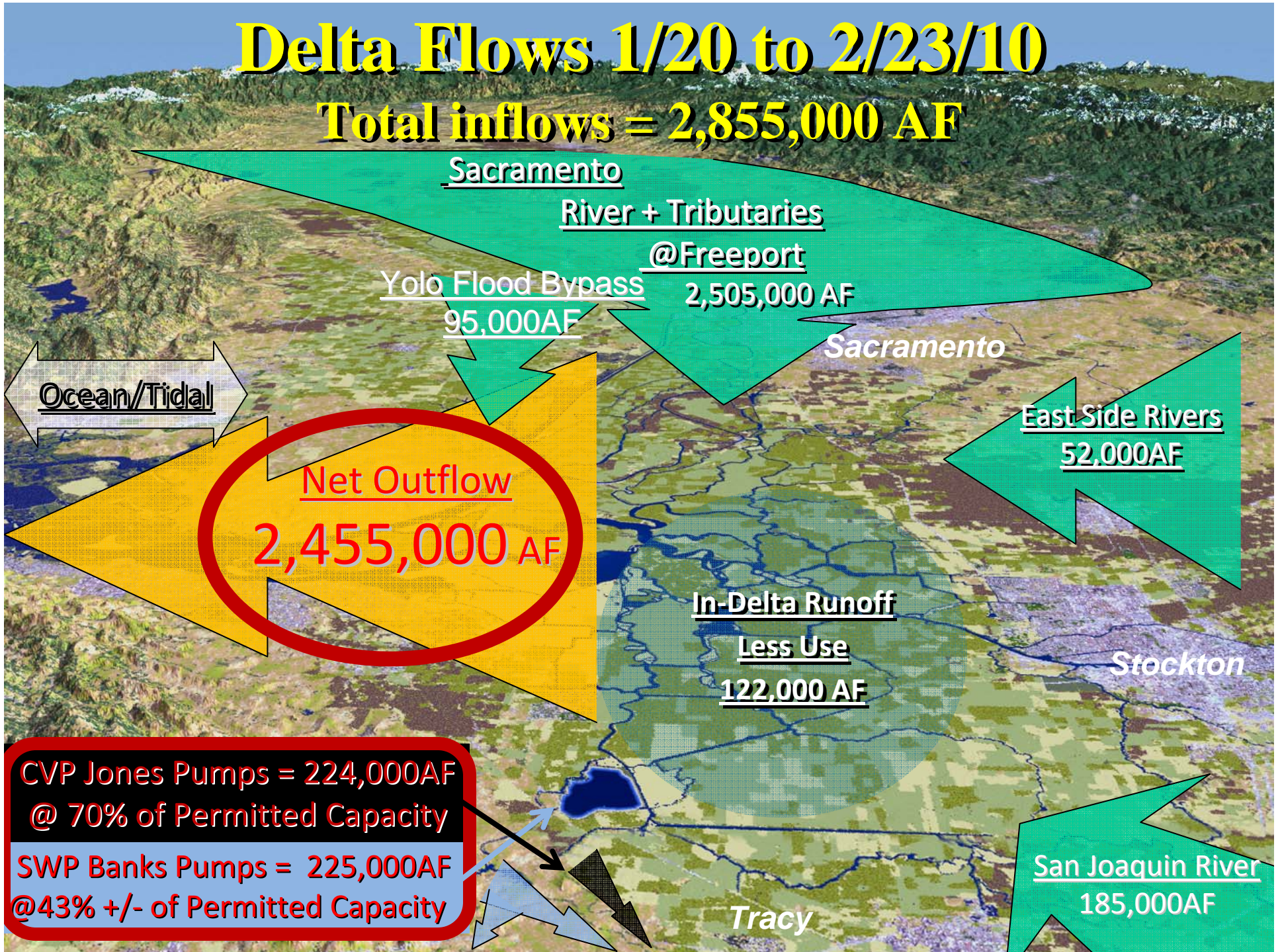
CVP Jones Pumps = 224,000 AF  
@ 70% of Permitted Capacity

SWP Banks Pumps = 225,000 AF  
@ 43% +/- of Permitted Capacity

San Joaquin River

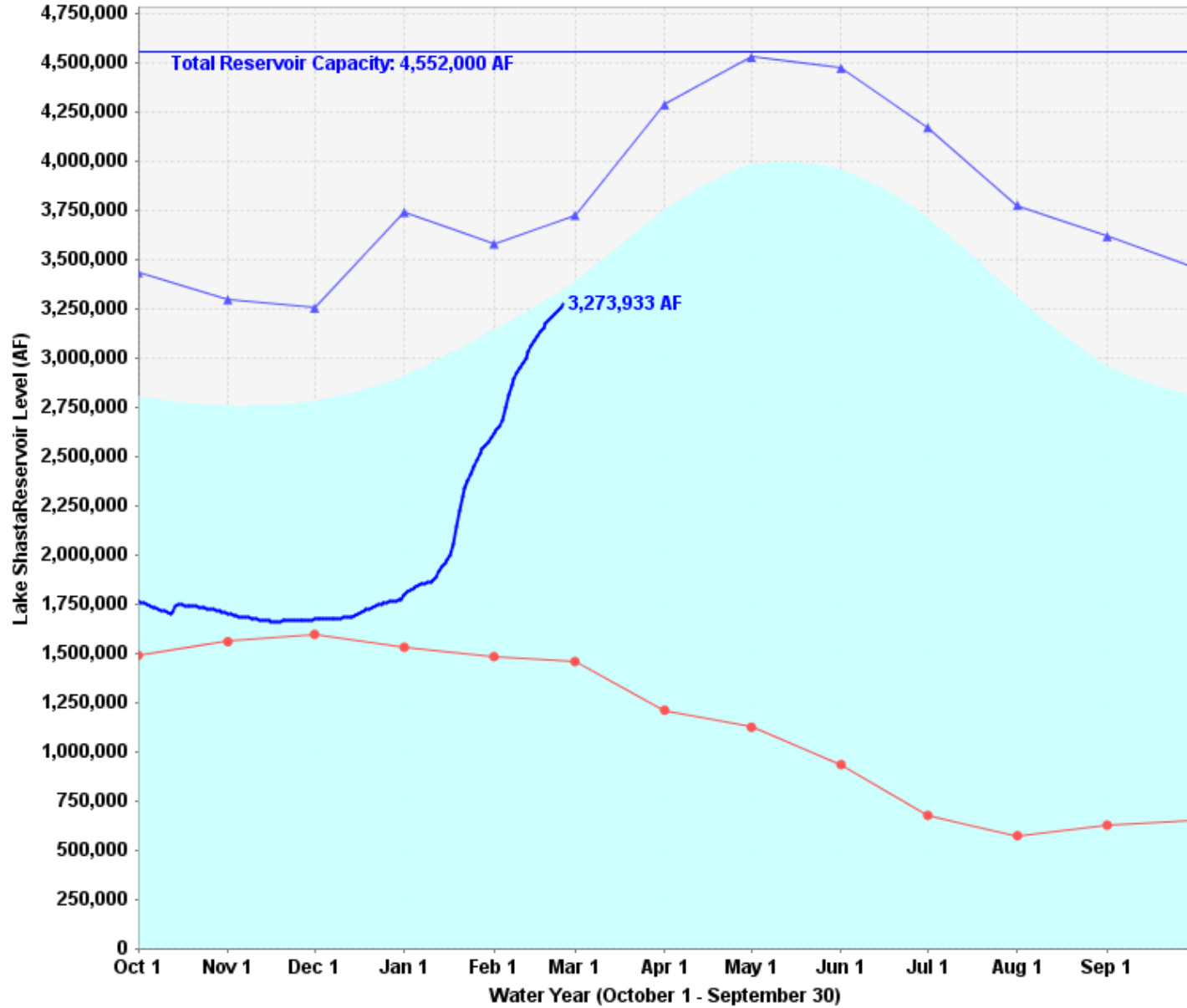
185,000 AF

Tracy



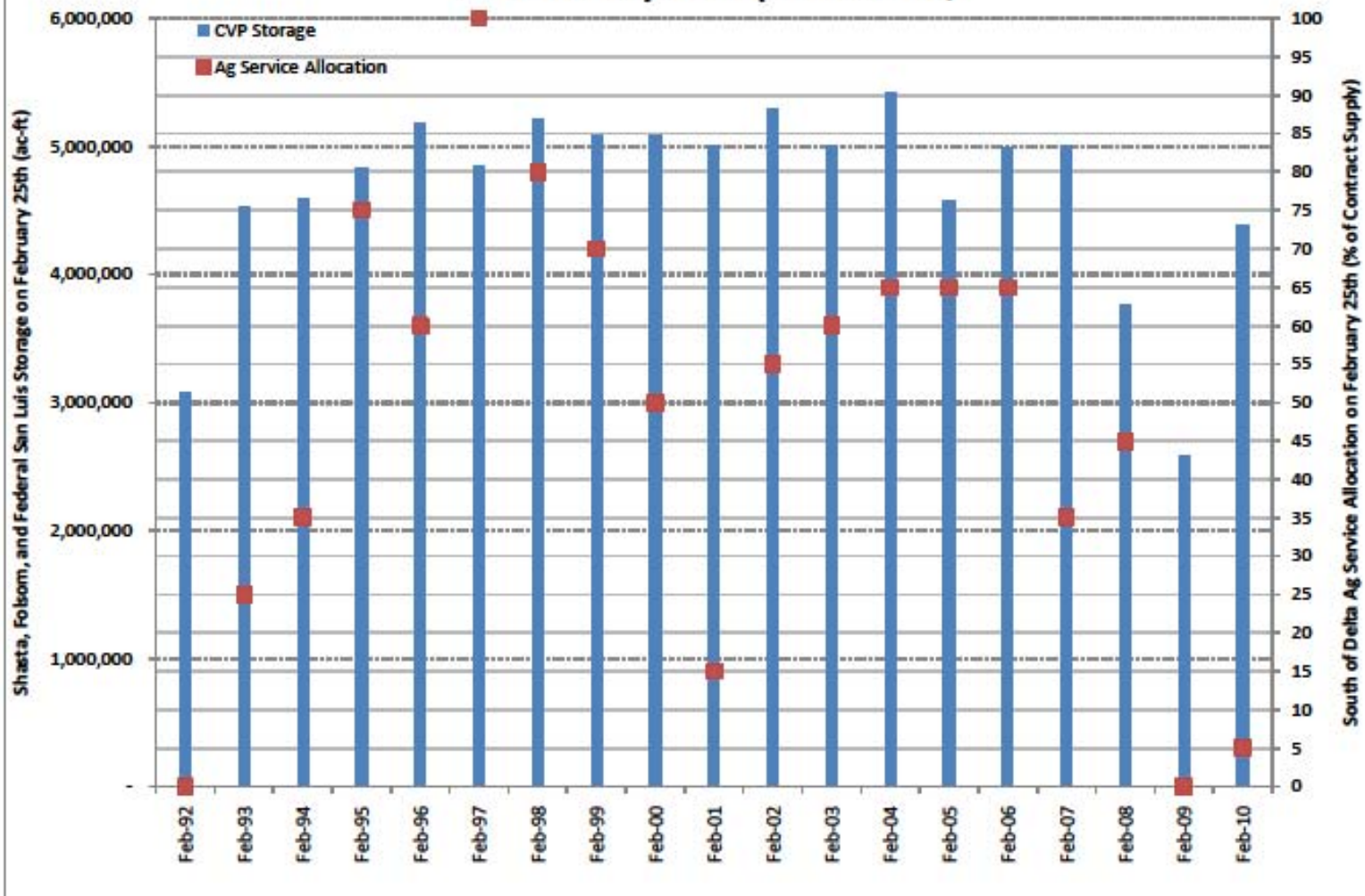


## Lake Shasta Storage Levels

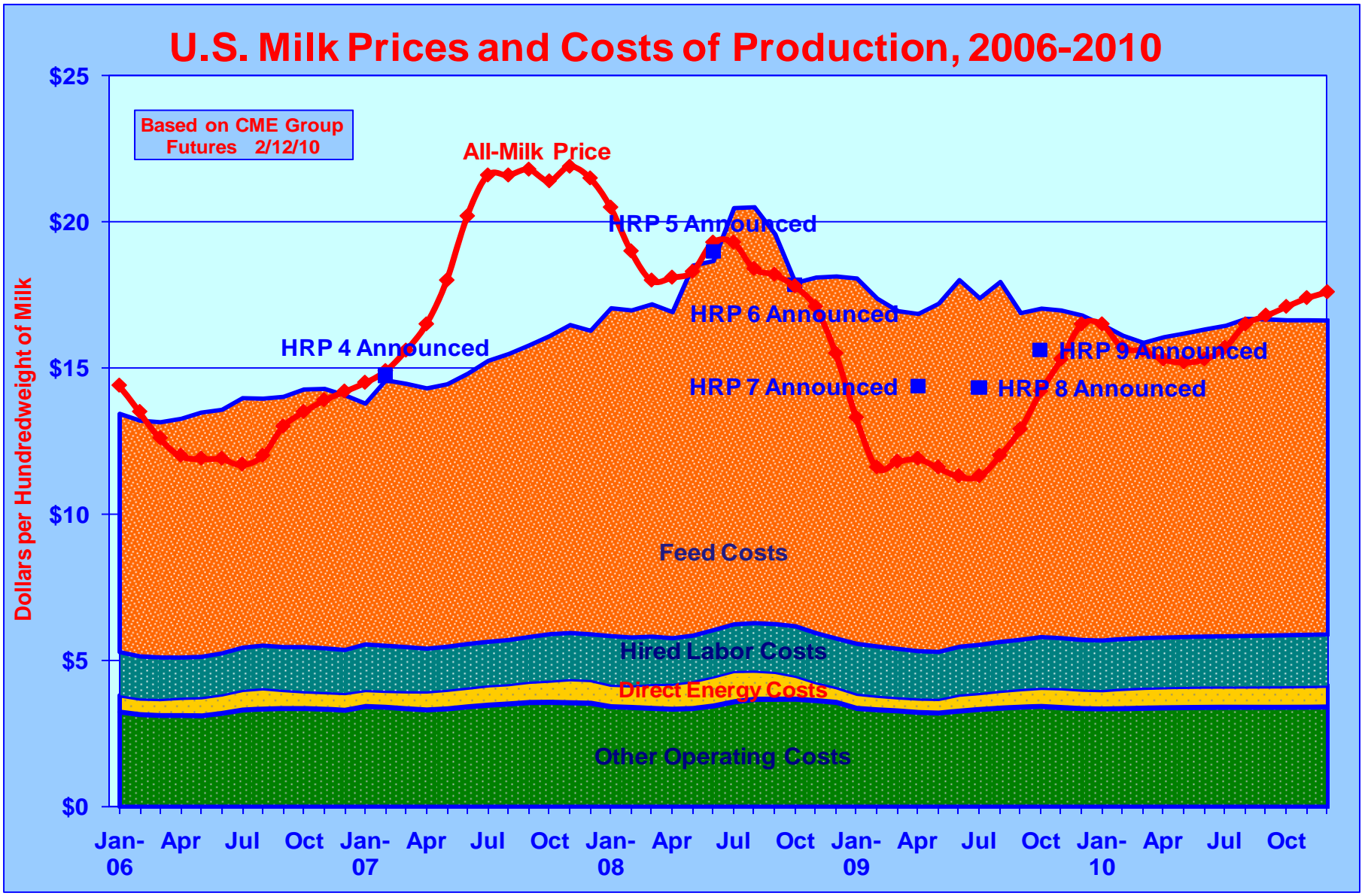


■ Historical Average   
 — Total Reservoir Capacity   
 ● 1976-1977 (dry)   
 ▲ 1982-1983 (wet)   
 — 2009-2010(current)

### CVP Storage vs Ag Service Allocation on February 25th (1992-2010)



SOURCE JIM TILLISON , NMPF



# Dairy Situation and Outlook

SOURCE JIM TILLISON , NMPF

USDA is projecting a partial recovery in U.S. commercial dairy exports from their steep drop in 2009, equivalent to 2.1 billion pounds of milk

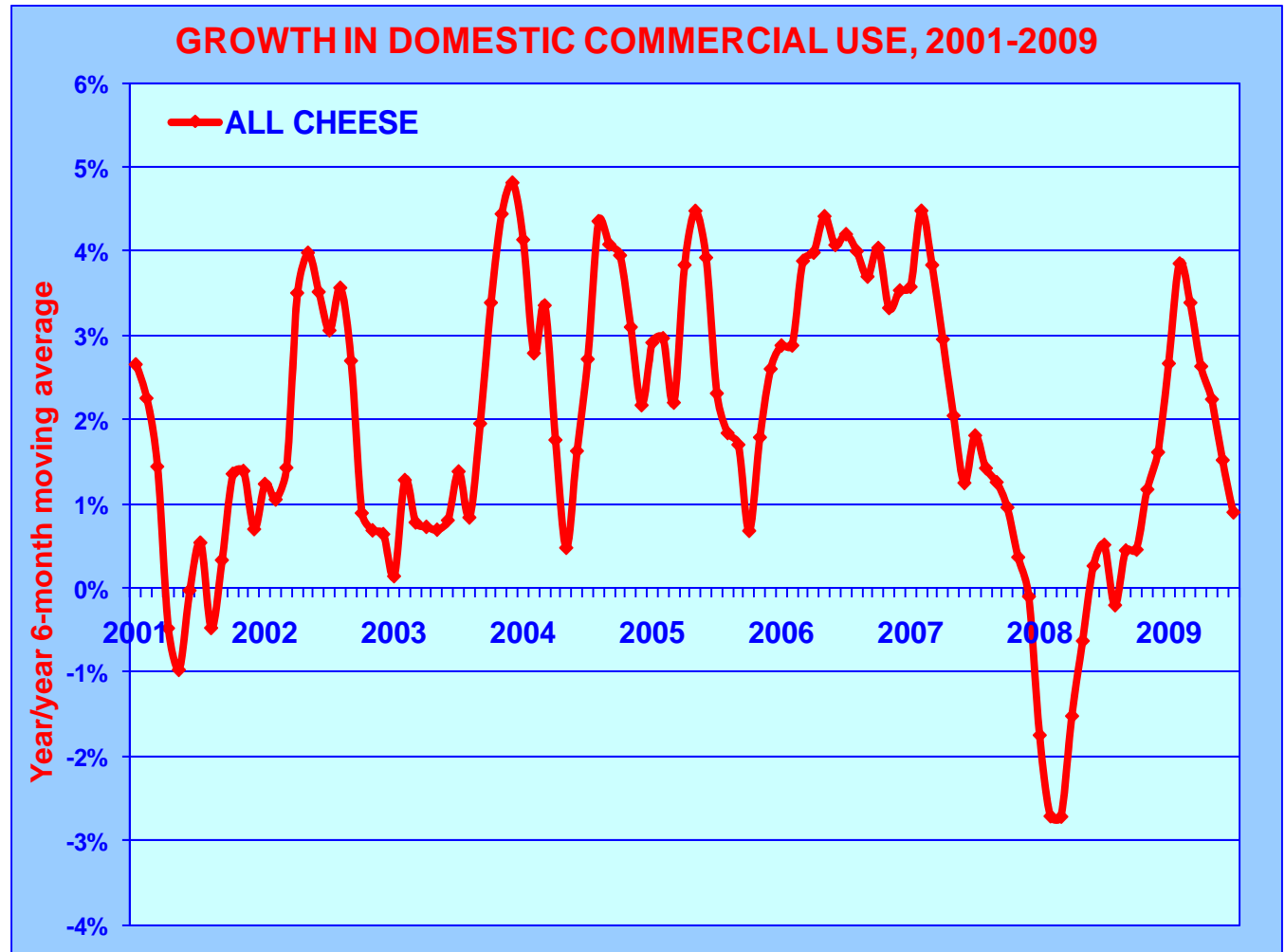


# Dairy Situation and Outlook

SOURCE JIM TILLISON NMPF

Domestic cheese consumption has recovered from 2008 levels, but growth has moderated in recent months

Growth of American types was strong in 2009 but currently weaker; non-American types were weak in 2009 but currently recovering

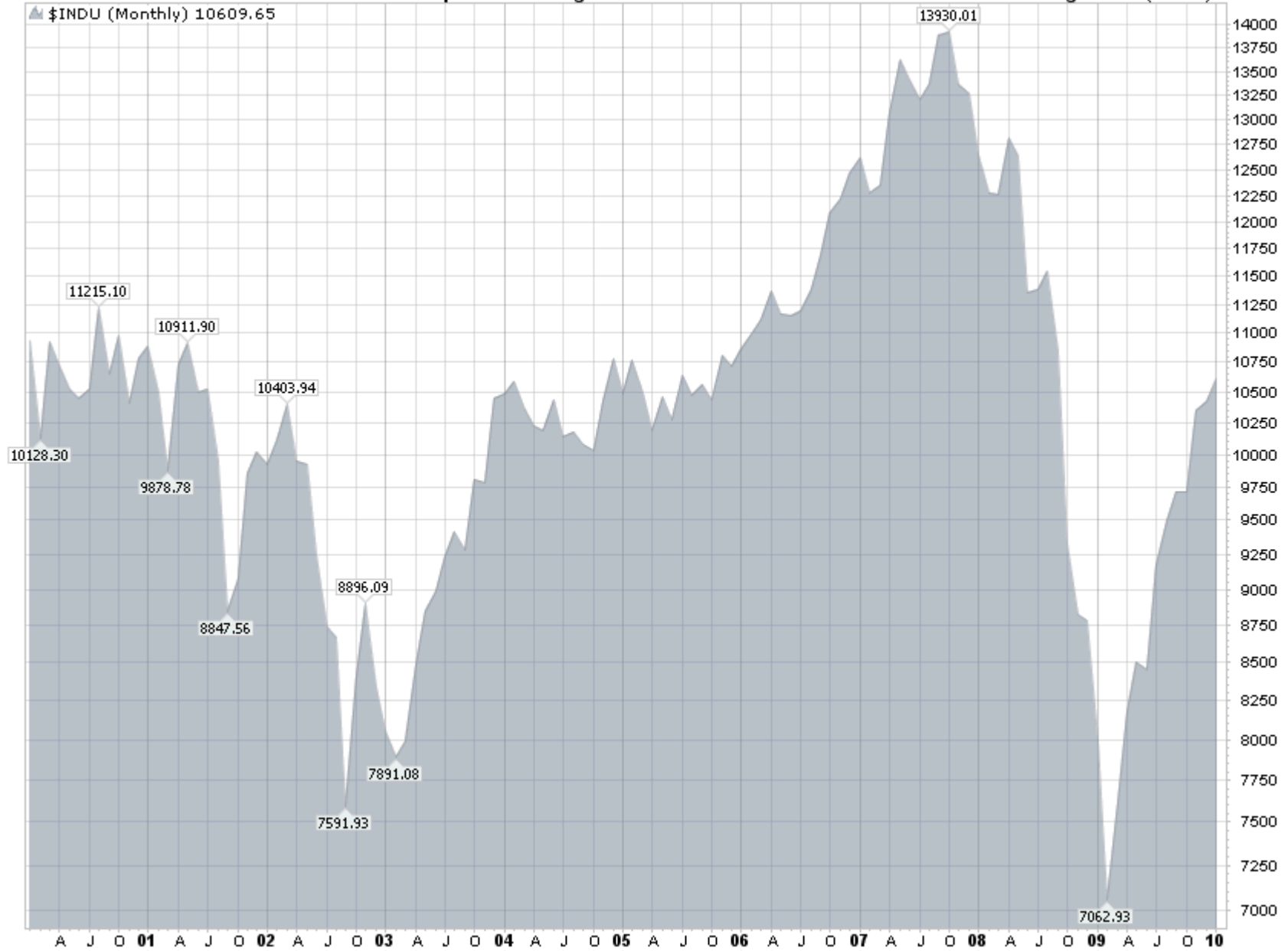


**\$INDU** (Dow Jones Industrial Average) INDX  
15-Jan-2010

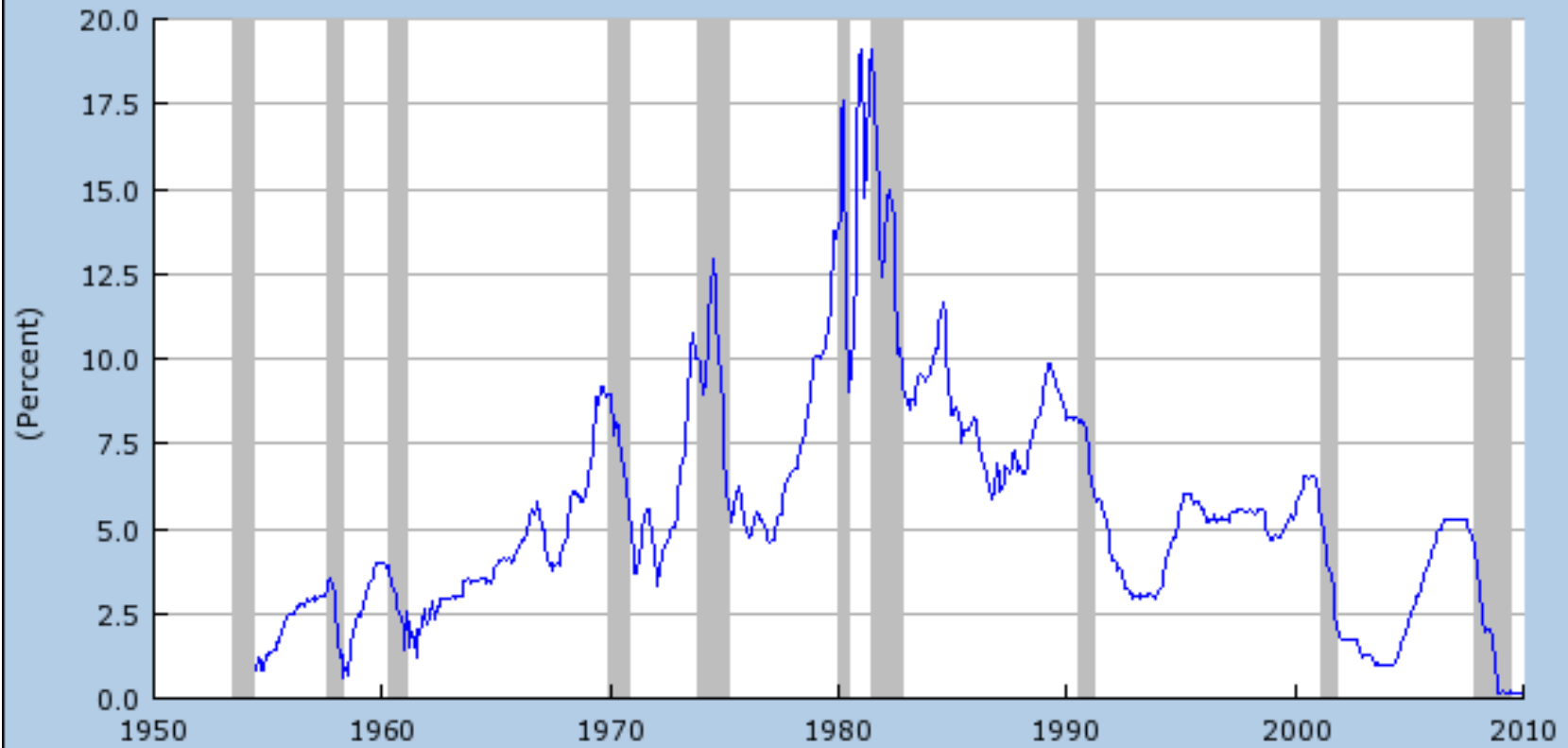
© StockCharts.com

**Open** 10430.69 **High** 10723.77 **Low** 10430.69 **Close** 10609.65 **Volume** 8.9B **Chg** +181.60 (+1.74%) ▲

▲ \$INDU (Monthly) 10609.65



Effective Federal Funds Rate (FEDFUNDS)  
Source: Board of Governors of the Federal Reserve System



Shaded areas indicate US recessions.  
2010 research.stlouisfed.org

# GLOBAL FOOD SYSTEM ISSUES

- The food system policy and regulatory "tent" has expanded well beyond traditional ag organizations and they may not be in leadership position.
- Focus on lessons learned from Global financial crisis
- System is more interconnected and interdependent than expected.
- Biggest lesson is stick to the basics.
- Know your risks and core opportunities.
- Investments must have a reasonable risk based return.
- Shocks may continue.
- Interest rates and US dollar value will change and both impact commodity values.
- Global Food and Water demand will increase and current technology will not meet anticipated demand.