

Outlook for Food & Agriculture

Office of the Chief Economist



JOHN DEERE



How an Australian views the world



Outlook for Food & Agriculture

- Macro Economy
- Short Term Ag Outlook
- Longer Term Ag Trends



Agricultural Business Conditions in 2018/19

Improving crop prices, income stabilization



Weakening

Negative factors

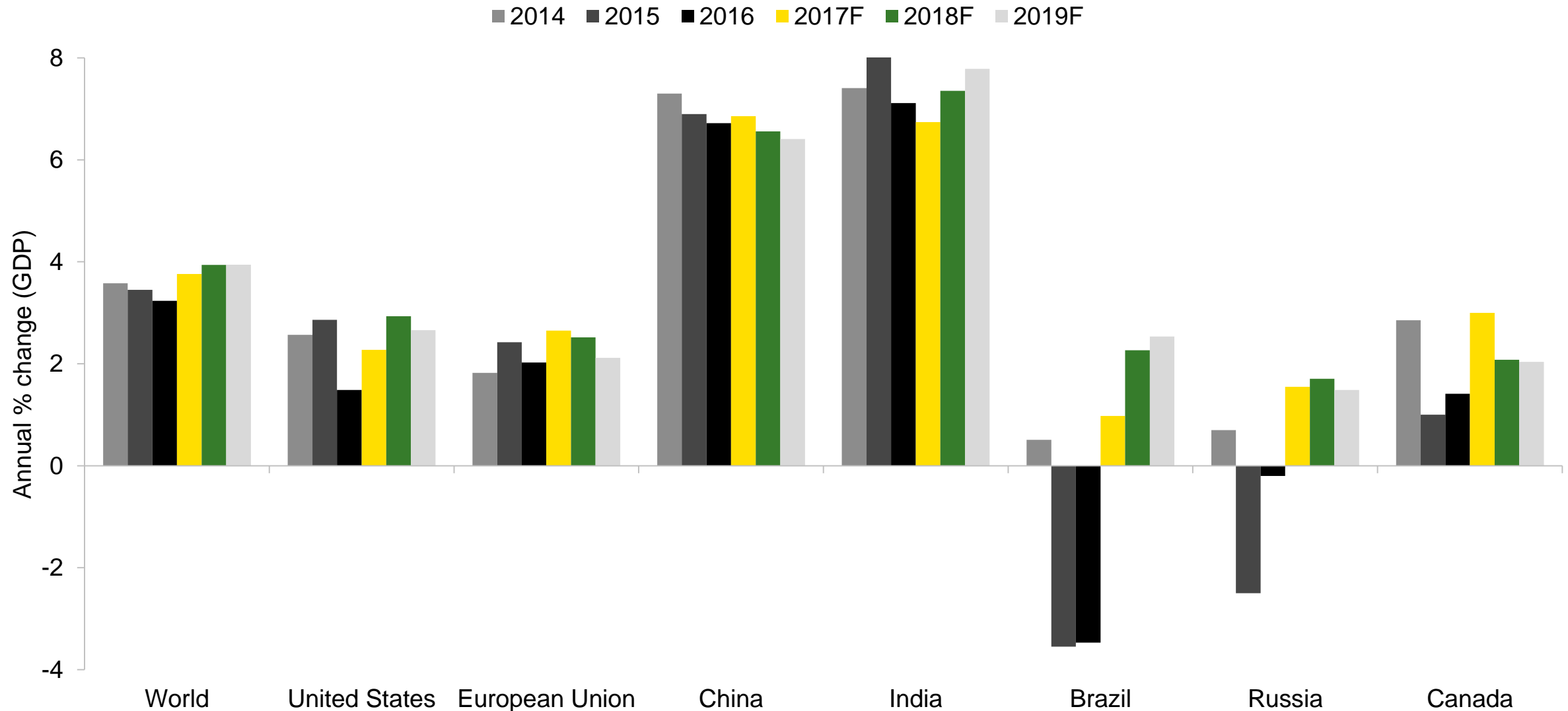
- Geopolitical risks
- Trade War uncertainty
- Inflationary pressure
- Dairy challenges

Strengthening

Positive factors

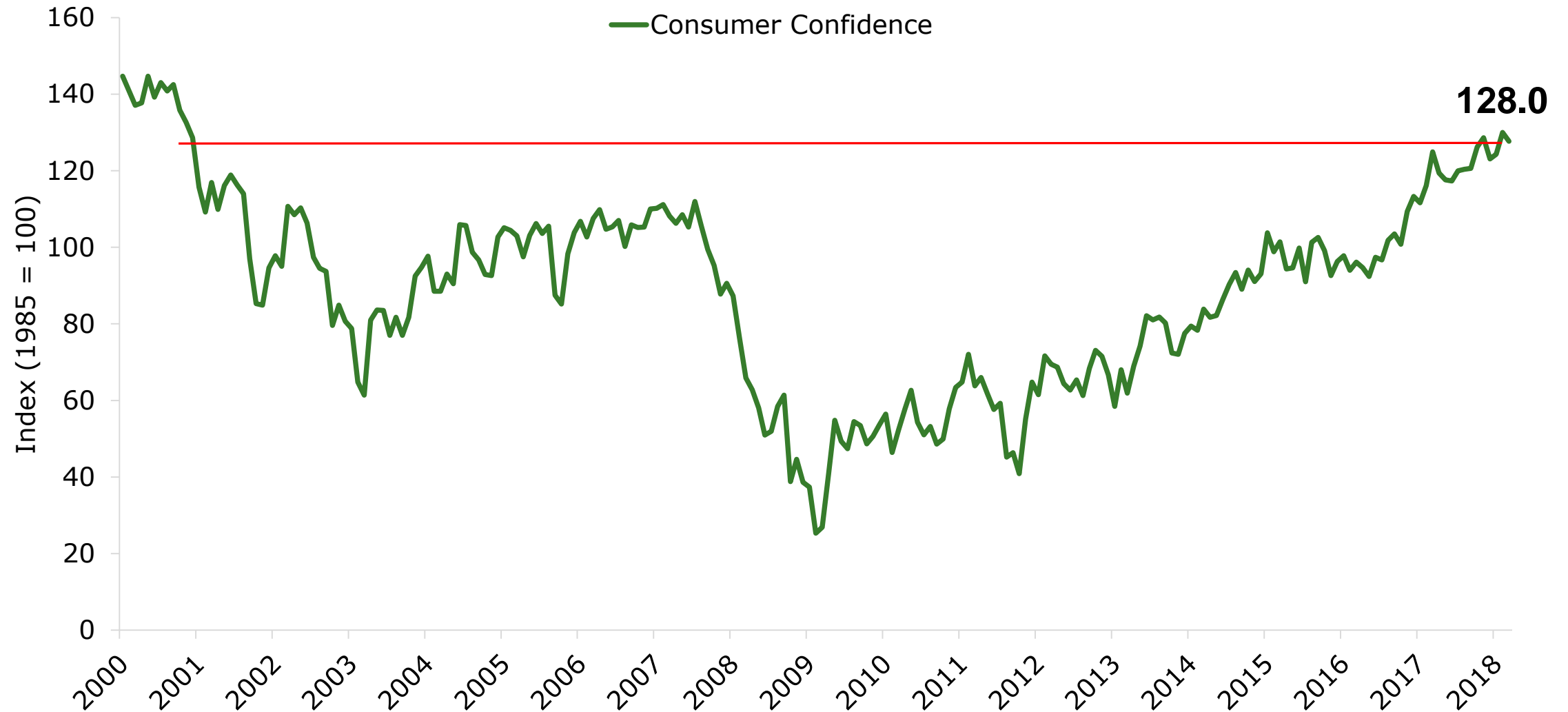
- Improving economic growth
- Agricultural fundamentals slowly turning positive
- Sentiment to improve from higher grain and oilseed prices

Improving Economic Growth



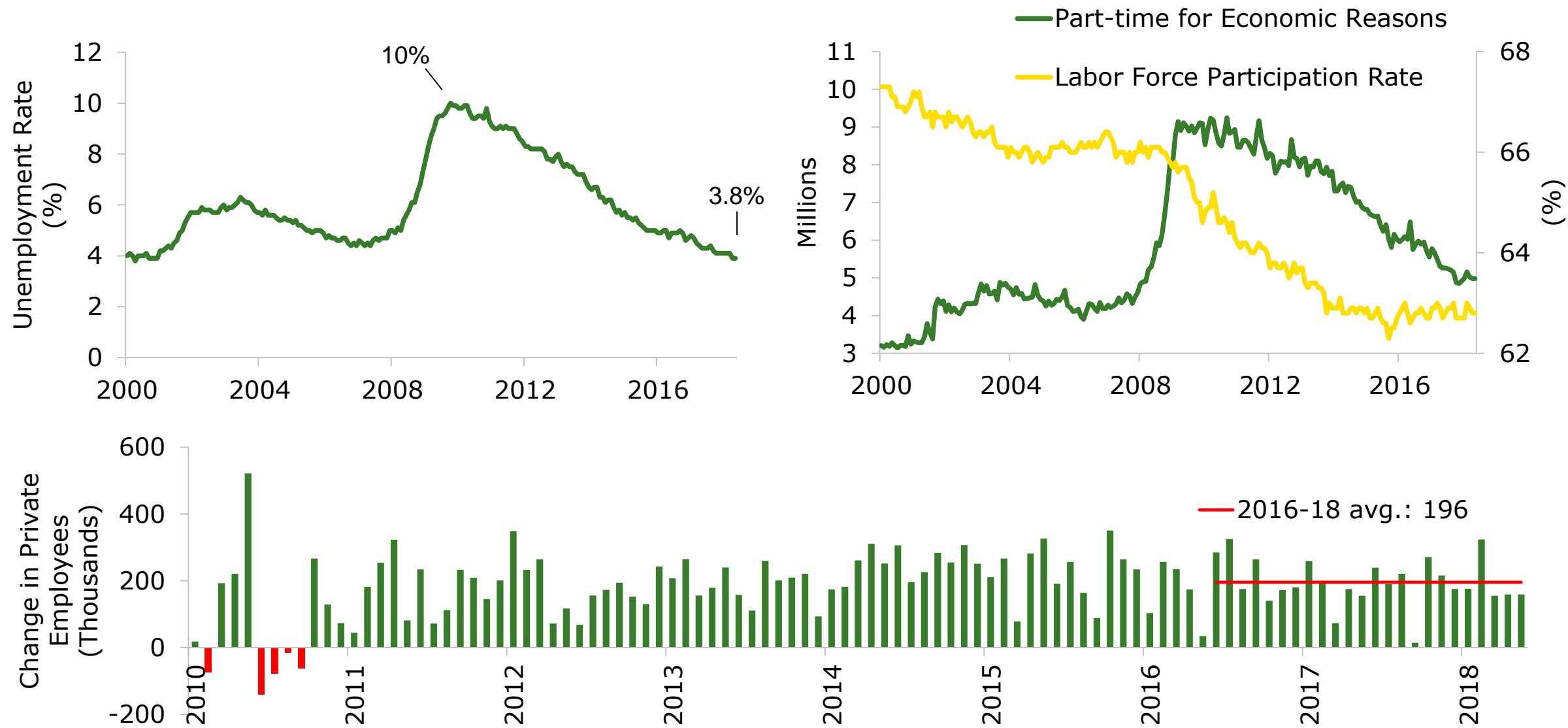
Source: IMF, April 2018

U.S. Consumer Confidence – At a 17 year high



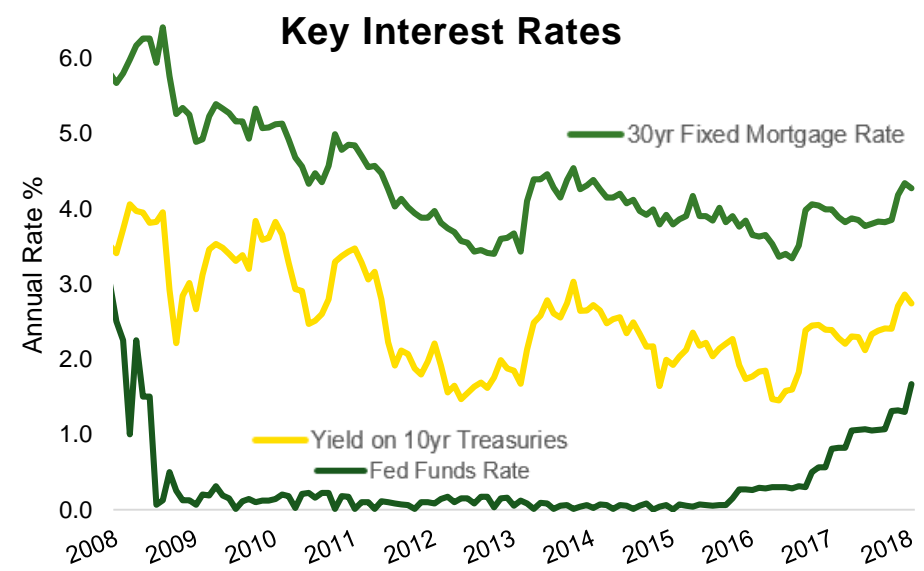
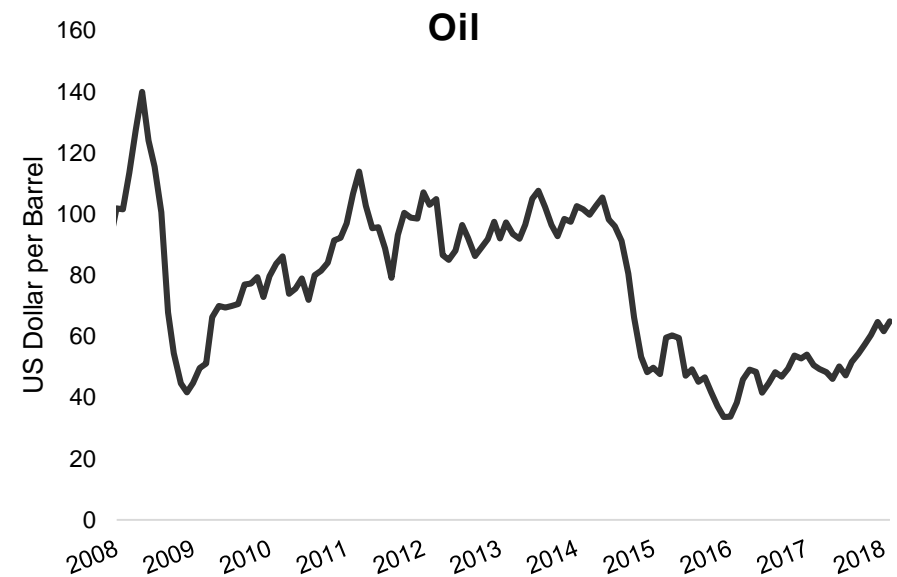
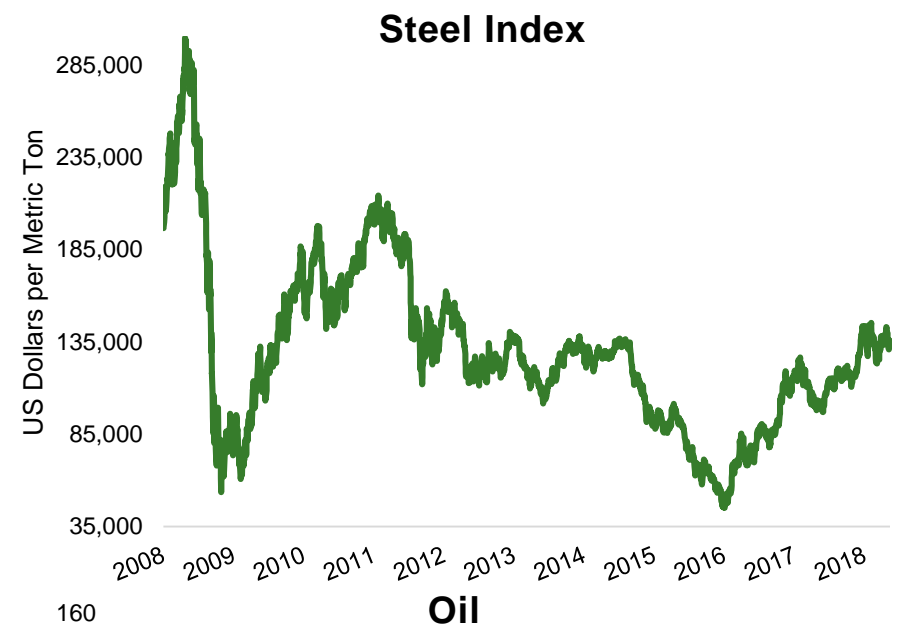
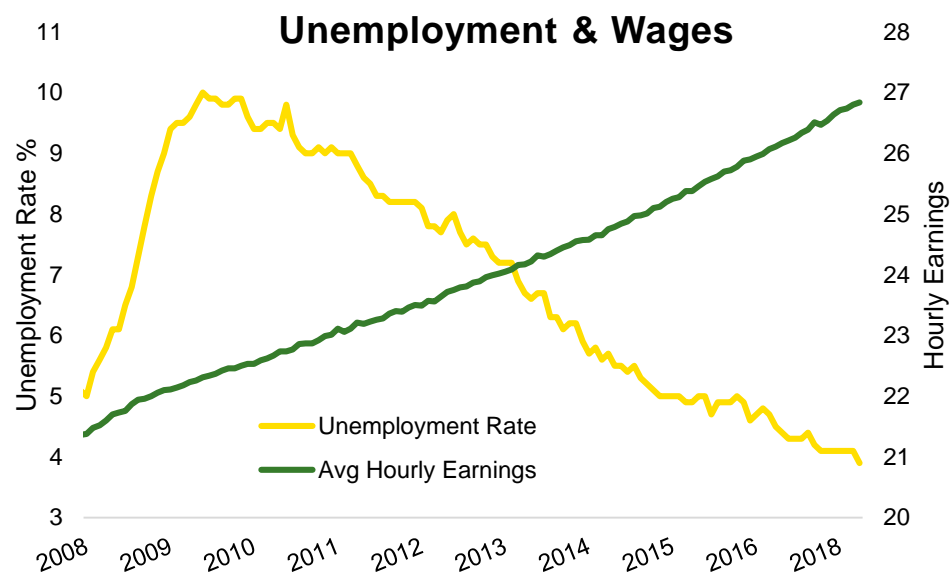
Source: The Conference Board via IHS, May 2018

U.S. labor market – threatens growth



Source : Bureau of Labor Statistics via IHS, May 2018

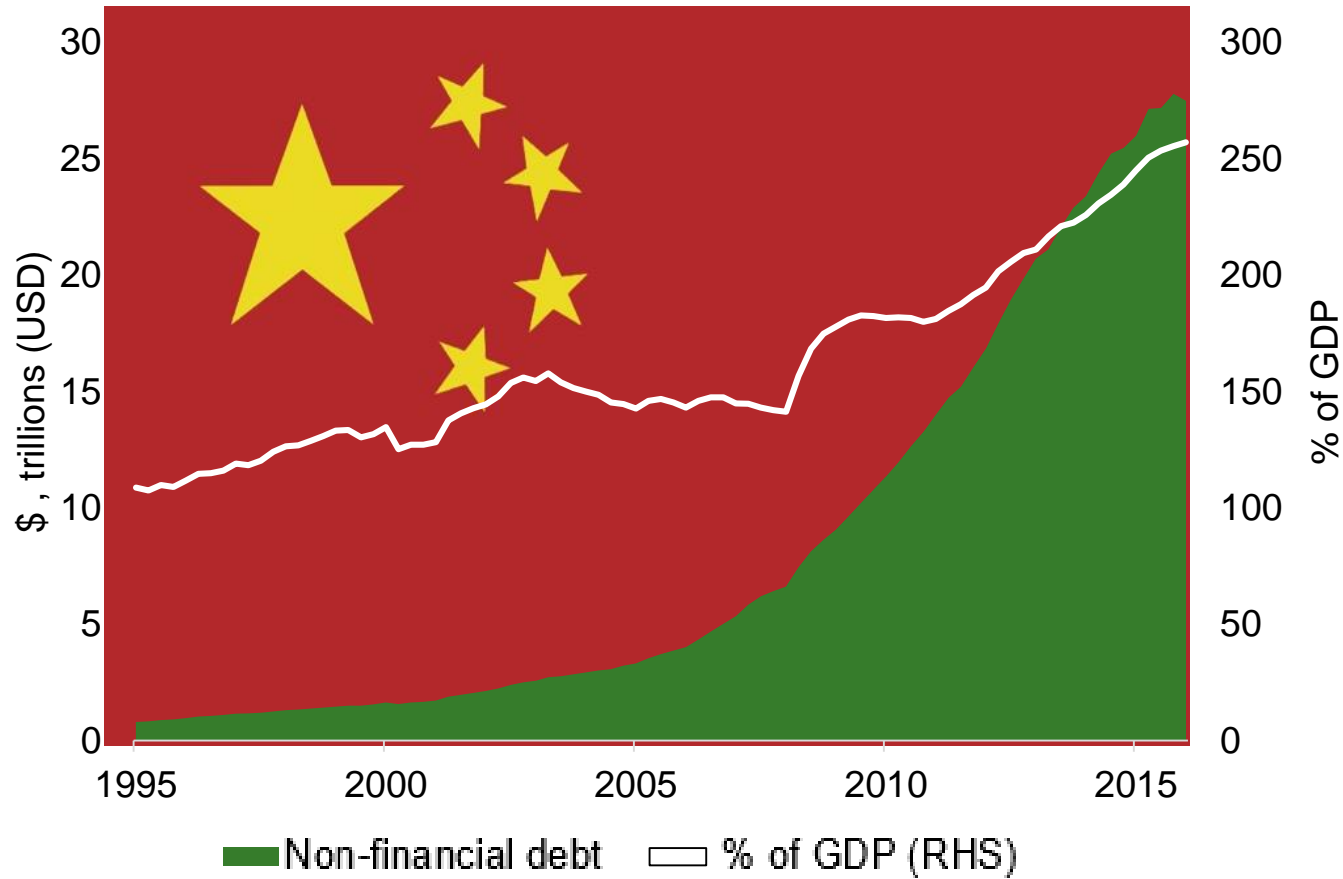
Inflationary Pressures Across the US Economy



Source: Bloomberg, June 2018

Global Economic Risks in 2018

Chinese Non-Financial Debt



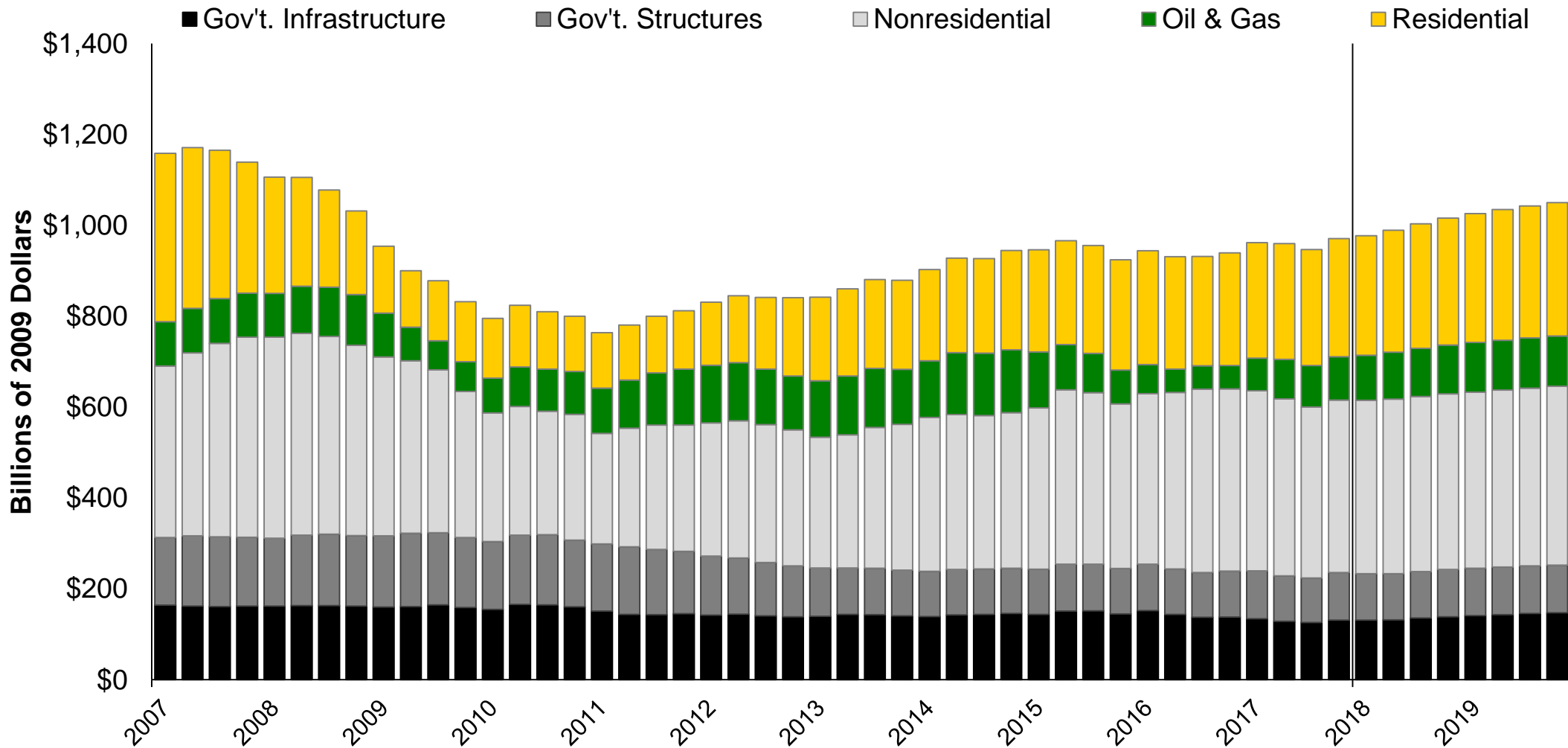
Geopolitical Uncertainty



Trade Risks

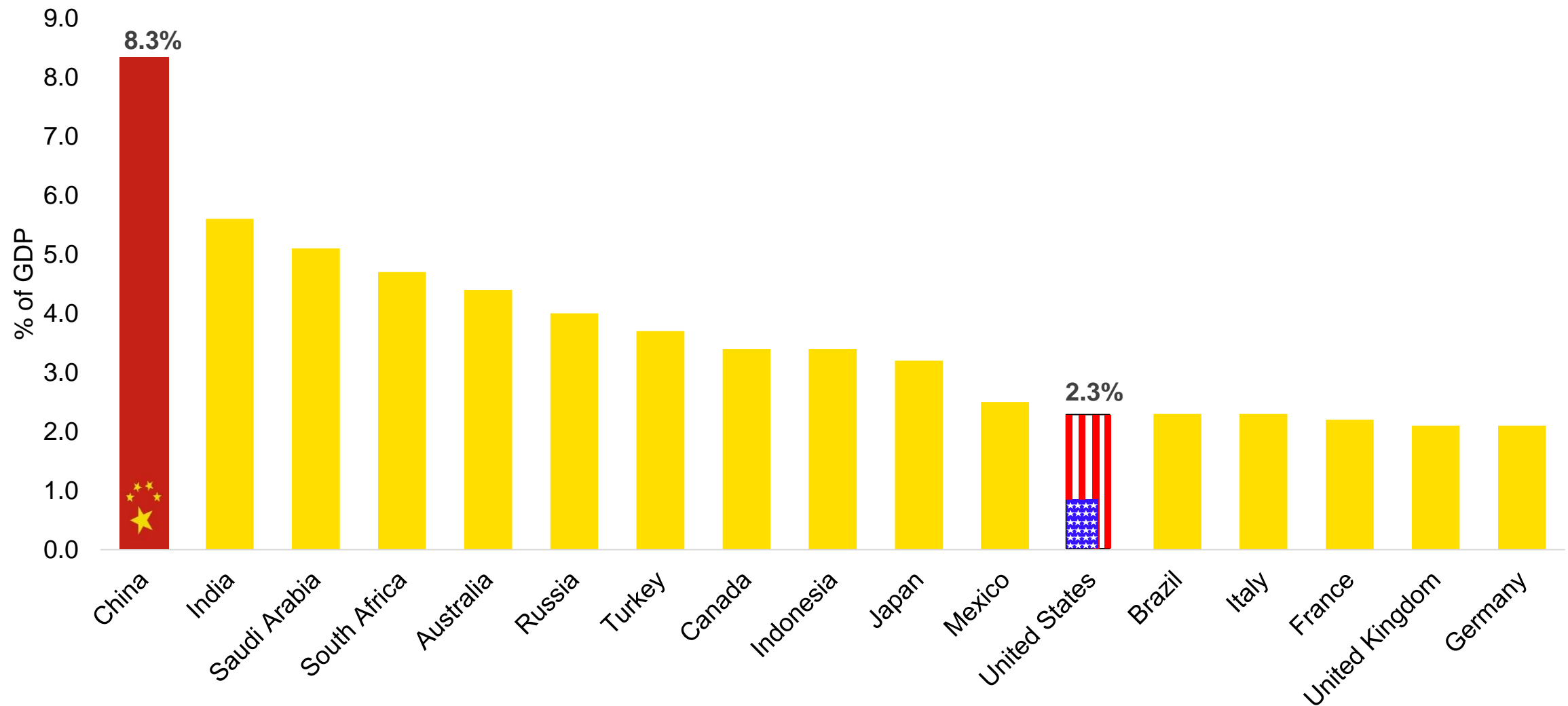


US Construction Spending: Oil & gas, residential growth continues; infrastructure set to increase through the end of 2019



Source: IHS Markit, 2018

Global infrastructure spend 2010-2015

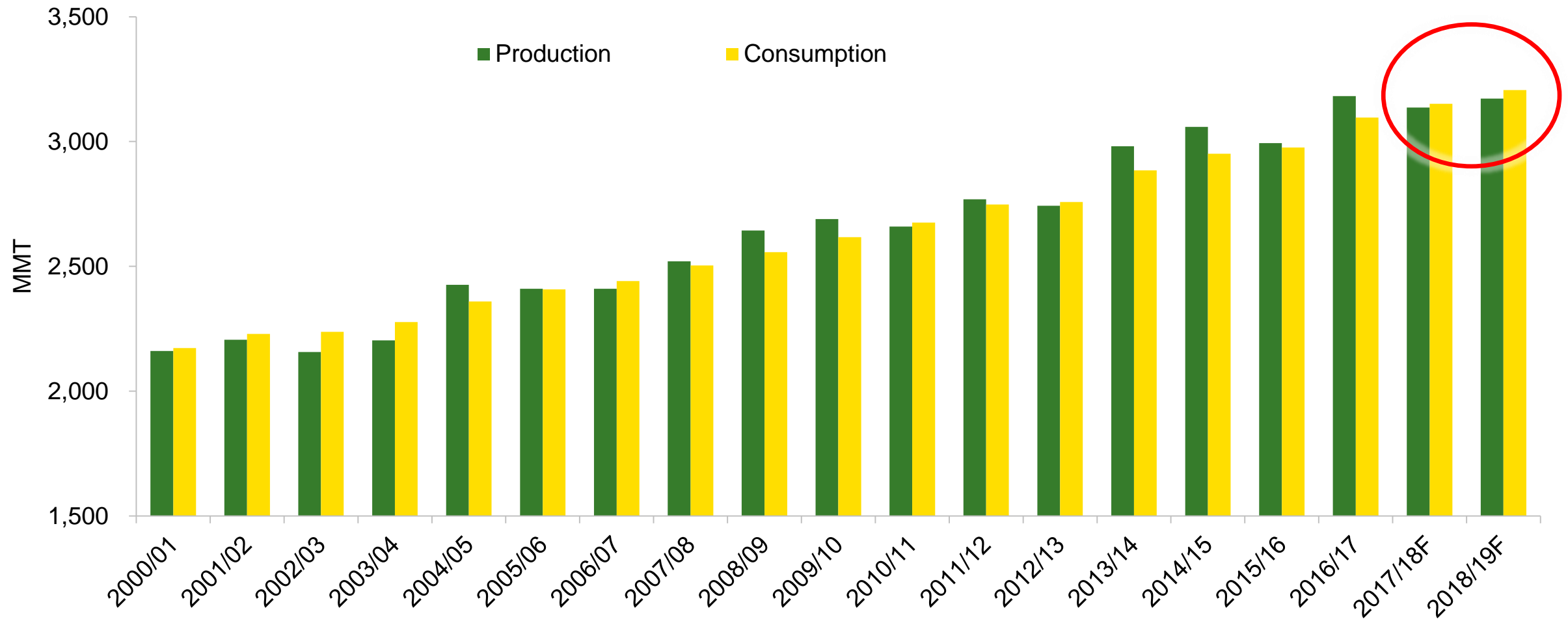


Source: GWI; IHS Global Insight; ITF; national statistics; McKinsey Global Institute Analysis



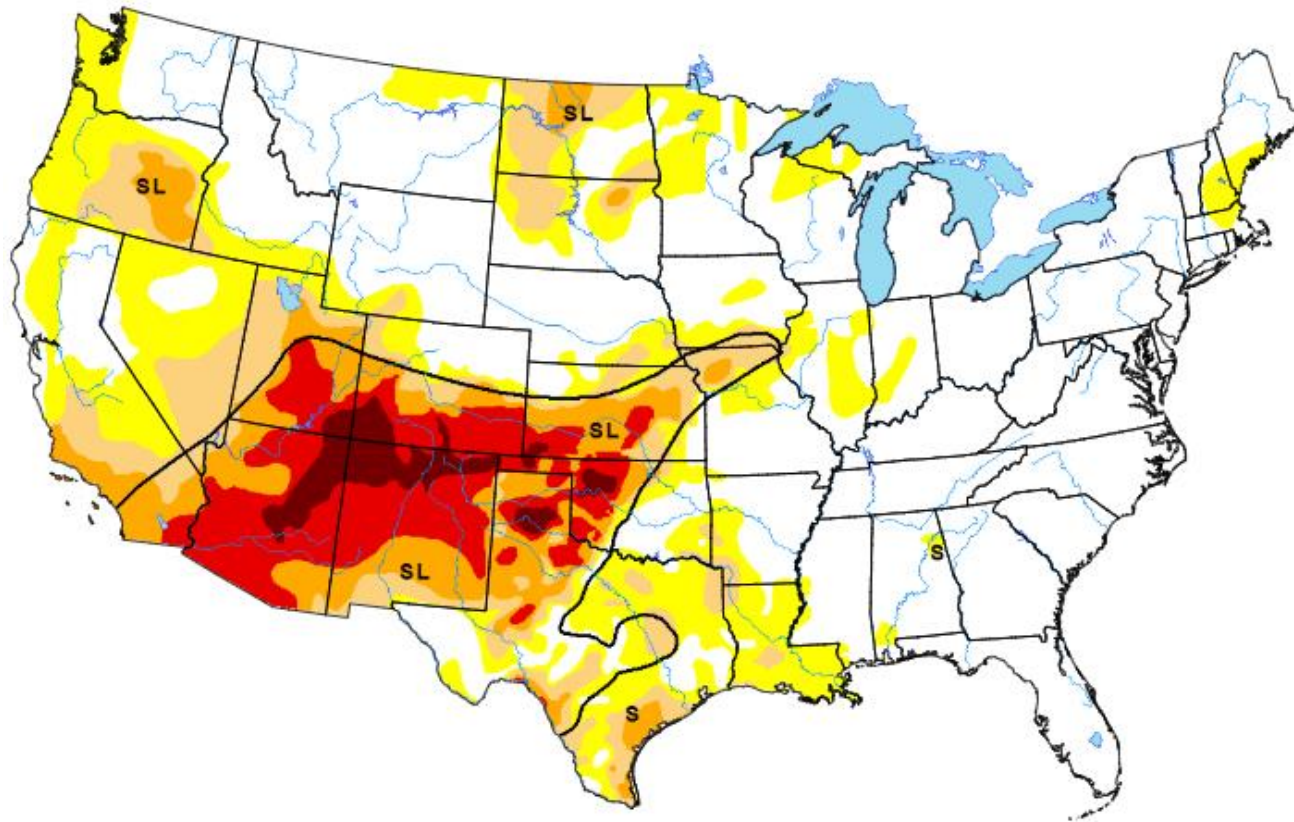
Short Term Ag Outlook

Global grains & oilseeds consumption forecast to slightly outpace production in 2017/18 and 2018/19



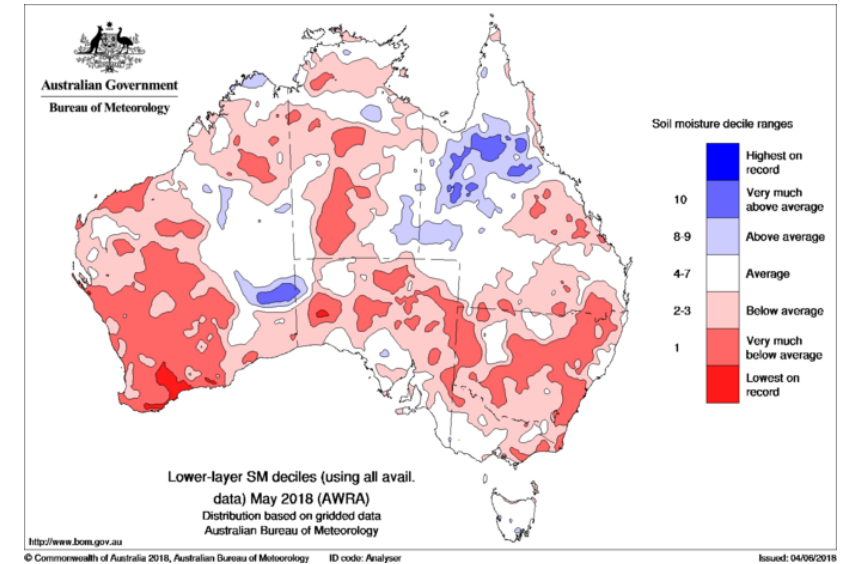
Source: USDA FAS, 10 May 2018

Weather Risks Building in 2018

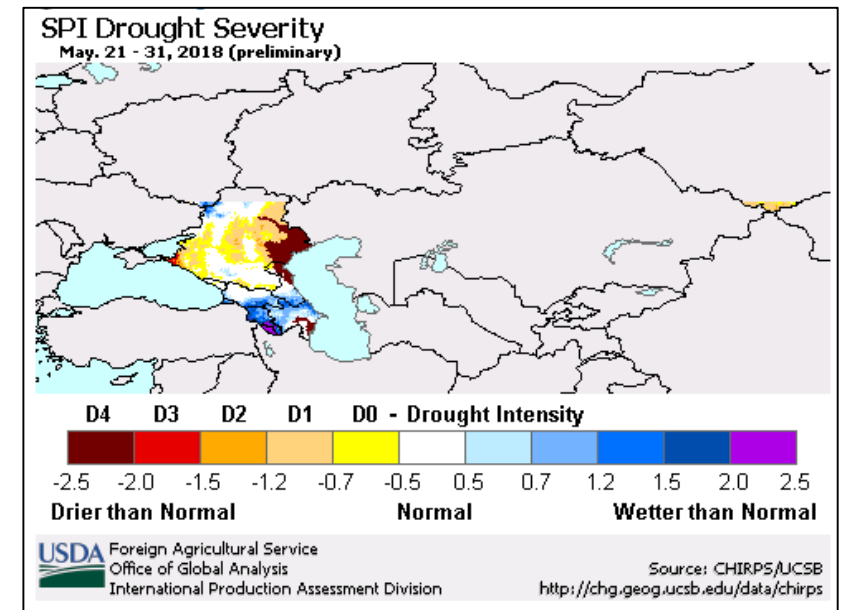


Source: USDA; Australian Government Bureau of Meteorology

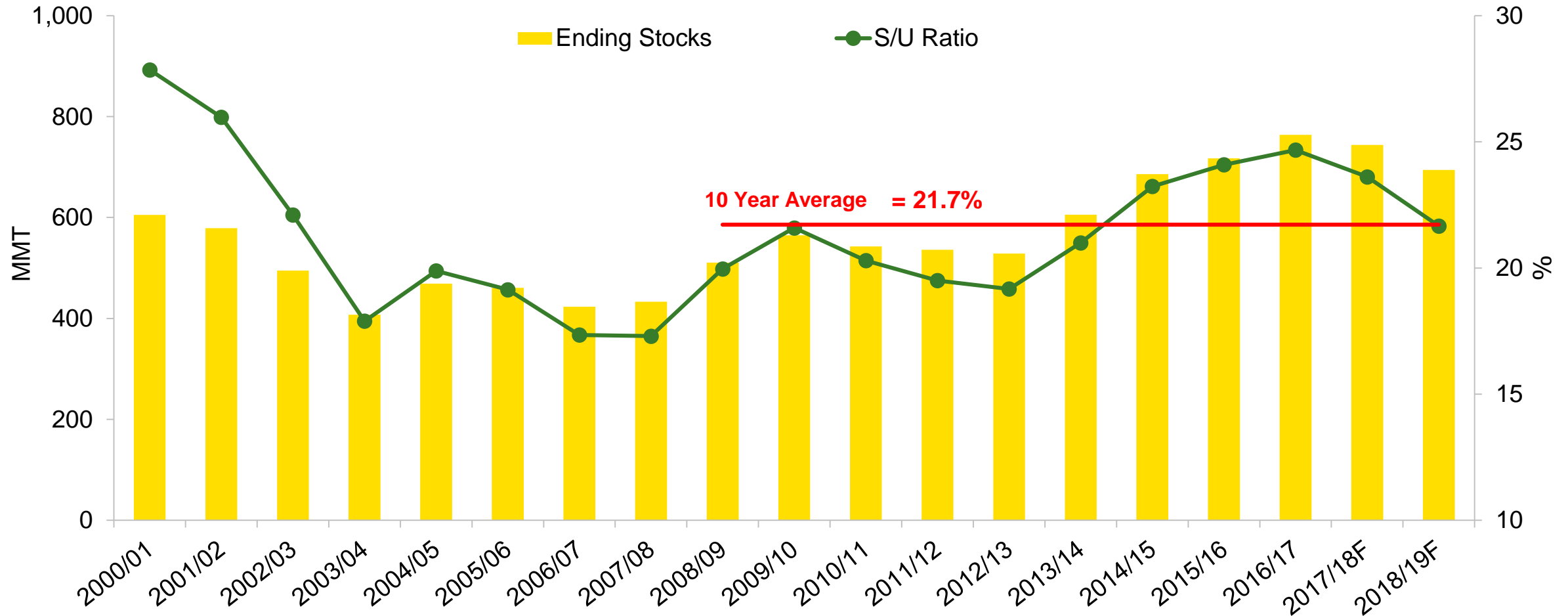
Australia



Russia



Global grains & oilseeds ending stocks forecast to decrease 7% in 2018/19 due to smaller ending stocks in U.S. and China

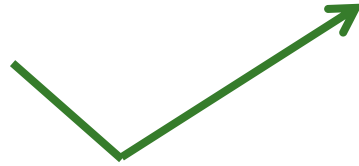


Source: USDA FAS, 10 May 2018

Livestock & Dairy: Small price improvement, margins remain weak



Strong domestic demand

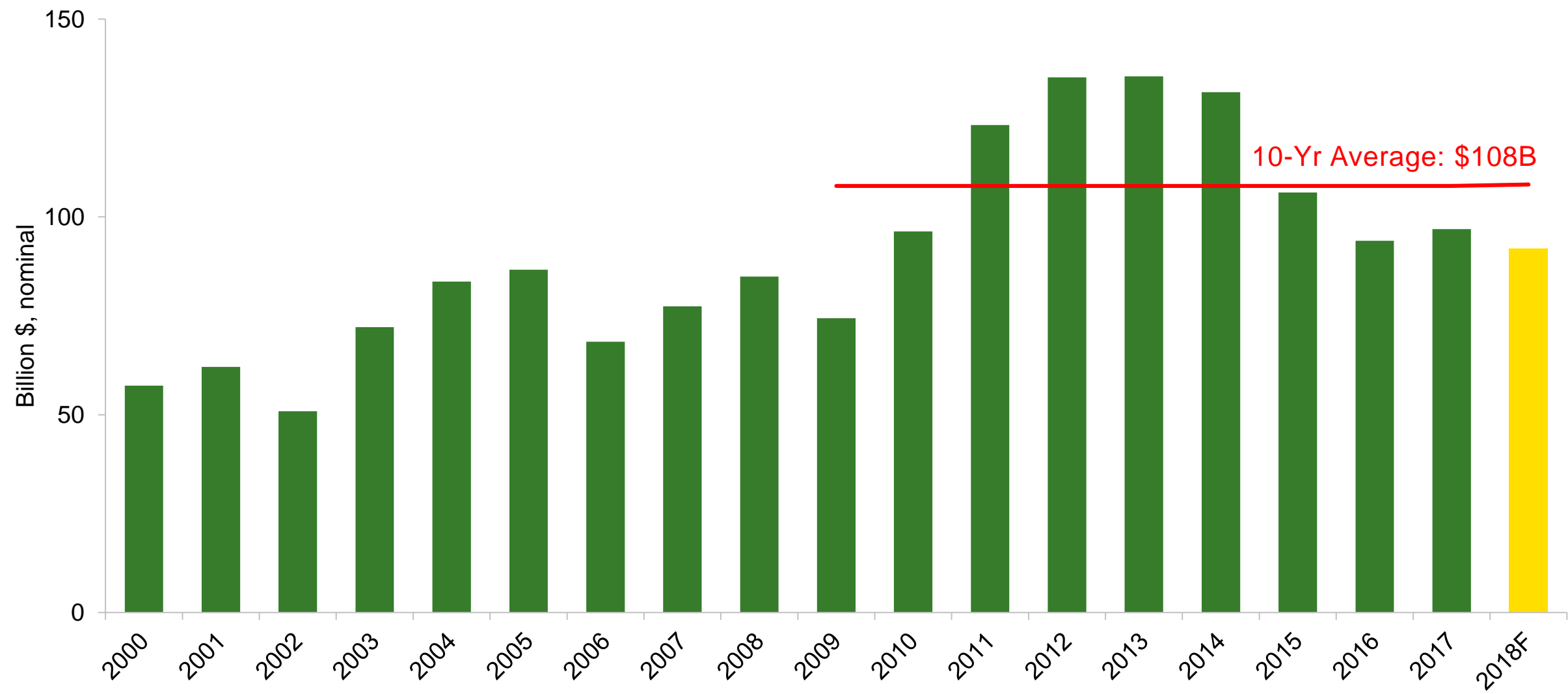


But Record production continues to weigh on prices



Weak margins from rising feed costs

U.S. Net Farm Cash Income to fall in 2018

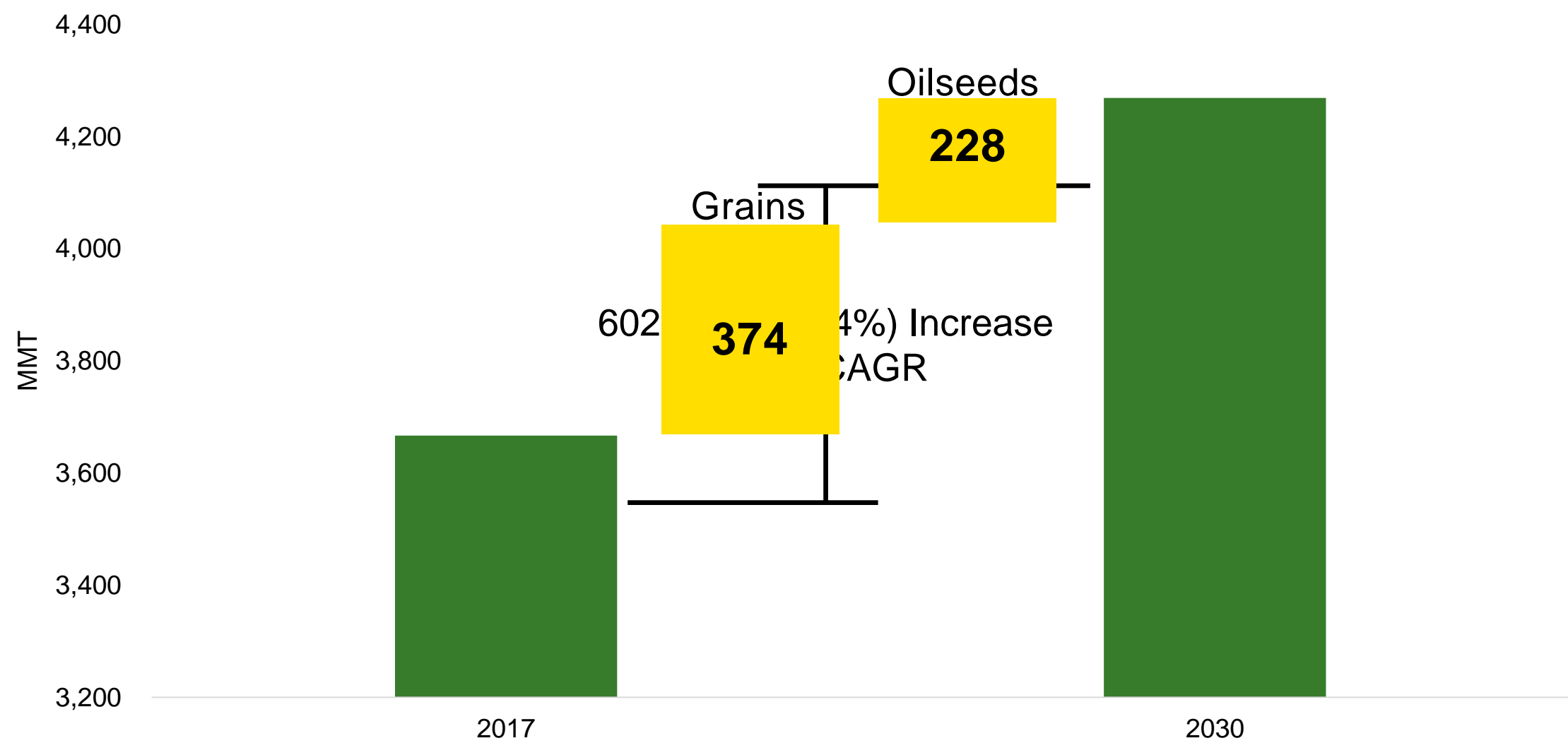


Source: USDA; ERS Feb 2018

Longer Term Ag Trends

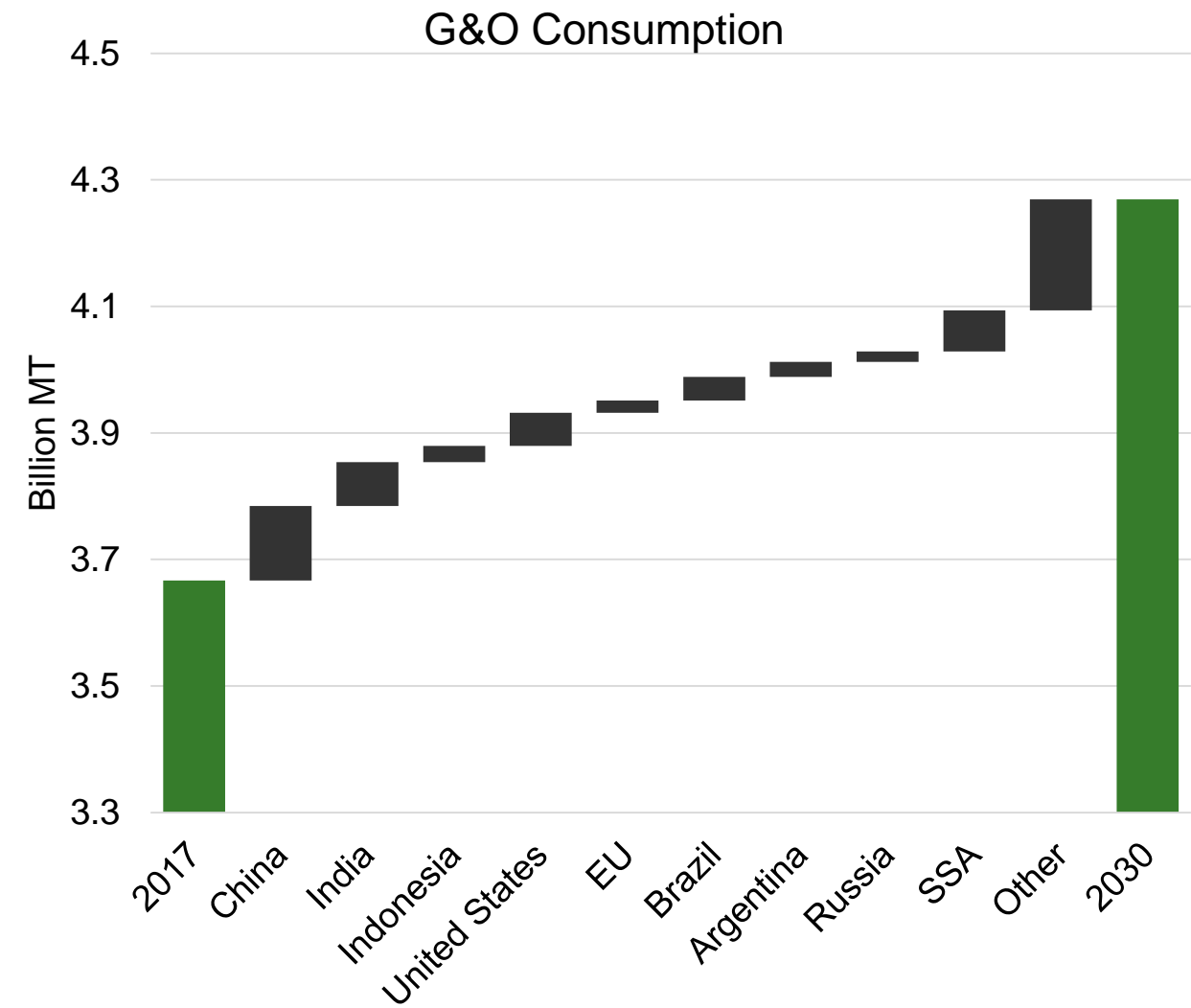


Global consumption of grains and oilseeds is forecast to increase by an additional 602 MMT or 16.4% to 4.27 billion MT by 2030.

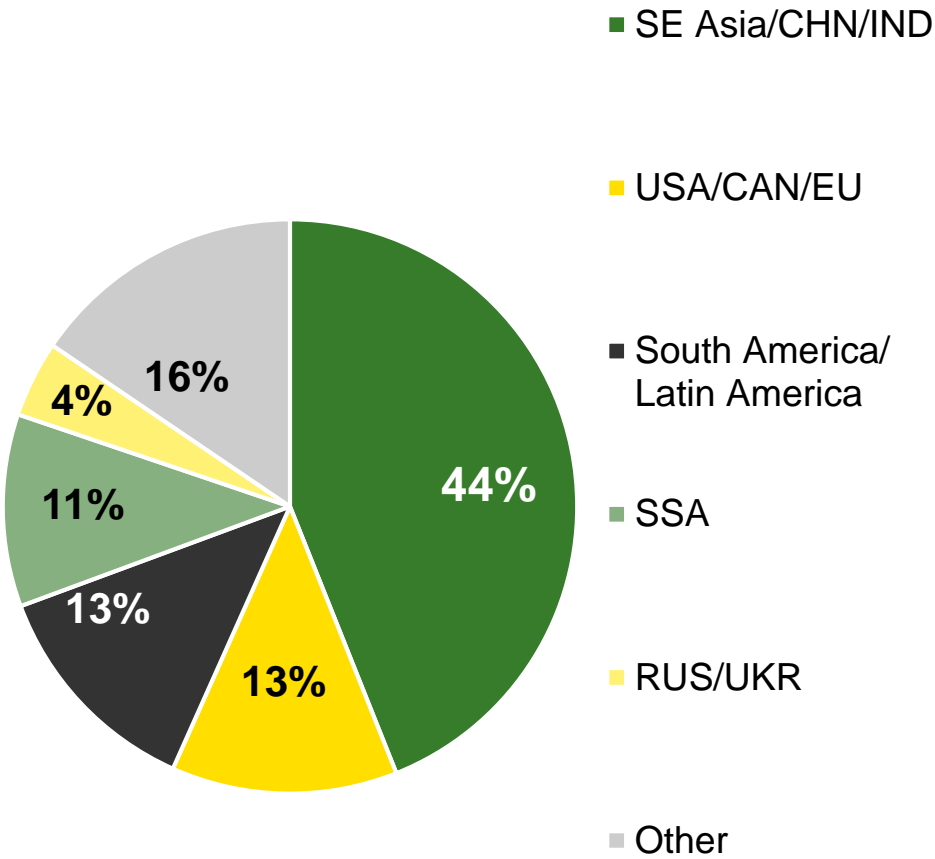


Source: OECD and FAO Forecast, 2017; Deere calculations 2018

Asia leads Grains & Oilseeds Consumption Growth

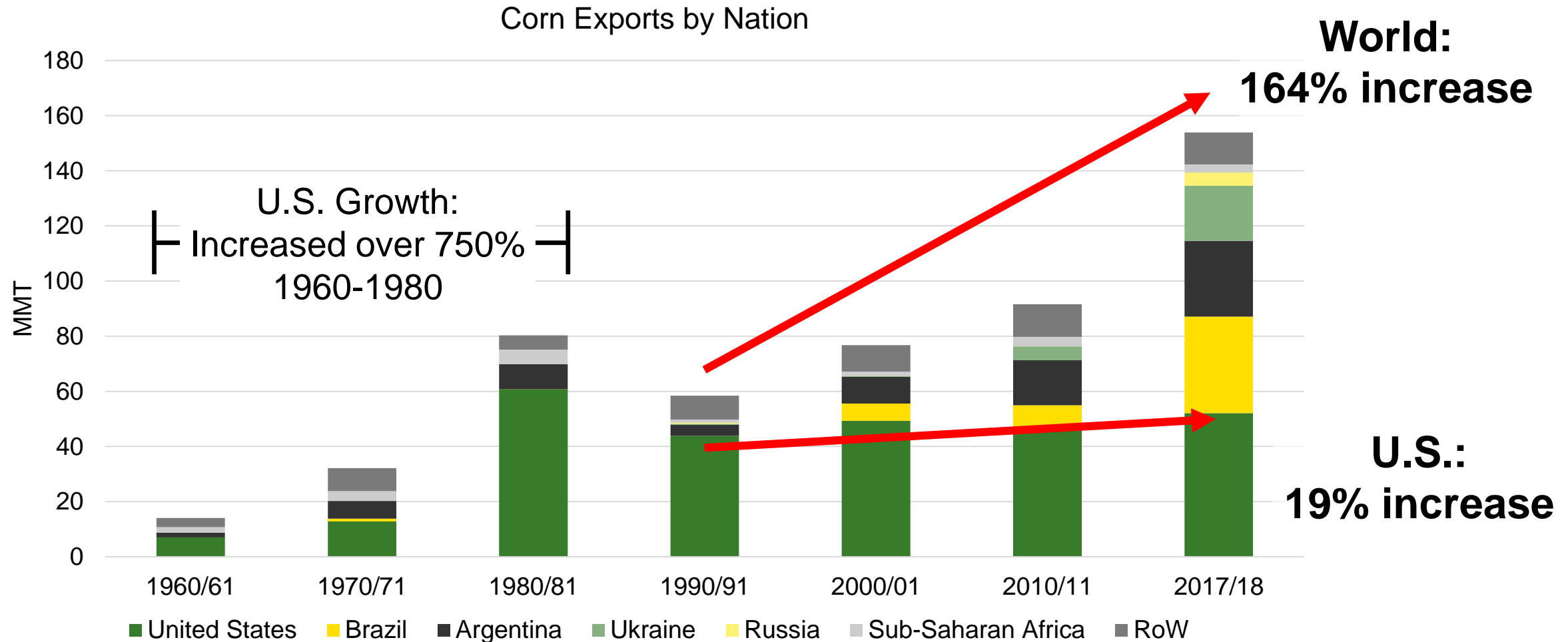


Share of World Consumption Growth



Source: OECD and FAO Forecast, 2017; Deere calculations 2018

Over last three decades, U.S. corn export growth has plateaued while overall world growth accelerated



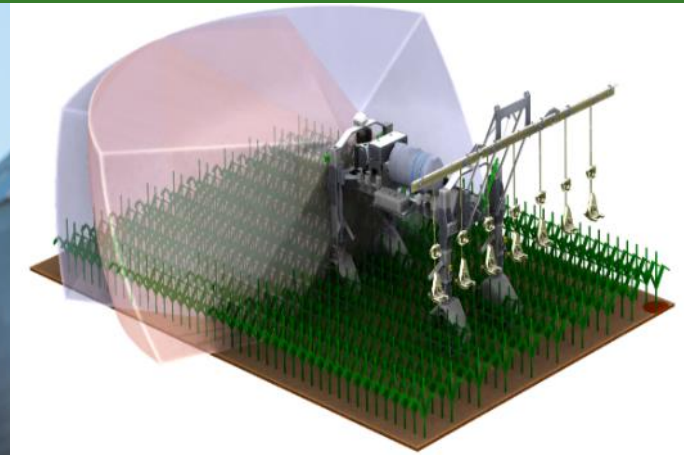
Source: USDA FAS, March 2018

Traditional Agriculture



Bigger. Faster. Stronger.

Next Frontier of Agriculture



Automated. Easy to Use. More Precise.

Blue River Video

<https://www.youtube.com/watch?v=-YCa8RntsRE>



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Connectivity

Automation

Data

Artificial Intelligence

Machine Learning