



## NEWS RELEASE

# Global Commodity Oversupply and Industry Consolidation to Reshape U.S. Grain and Farm Supply Industries

*Strong Dollar and Foreign Competition Add to U.S. Producer and Retailer Challenges*

**DENVER, Colo. (December 8, 2016)** — A confluence of market factors will dramatically reshape the U.S. grain and farm supply industries between 2017 – 19, according to new report from CoBank. Continued low commodity prices, increased foreign competition and the strong U.S. dollar will stress U.S. crop and animal supply chains leading to more industry consolidation, which will introduce the next phase in the evolution of the agricultural industry.

Prices across the crops sector will continue to remain low as a result of a significant global oversupply. While low commodity prices are also boosting consumption and overall global demand, strong production will continue to outpace demand over the next three years, barring a severe weather event in a major agricultural producing country.

“The U.S. grain and farm supply industries have reached another historic inflection point that will be good news for some and bad news for others,” said Tanner Ehmke, CoBank senior economist and author of the new report. “The co-ops that thrive through this cycle will be those that offer innovative products and services to their farmer customers, are earnest and unrelenting in controlling costs, are properly aligned in the industry chain, and focused on risk management. These co-ops ultimately end up well positioned as the industry realigns.”

Adding to the list of market challenges is the increased competitiveness of foreign producers – particularly countries such as Argentina, Brazil and Russia – which have expanded production to take advantage of the export opportunities created by their weaker currencies. Ehmke notes that a strong dollar will continue to impede U.S. exports and is causing many producers to reconsider their crop rotations, switching from wheat to more profitable and higher performing crops, such as corn and soybeans.

These conditions are expected to exert additional pressures across the U.S. agricultural spectrum – from producers, to farm suppliers and to retailers – which will drive a continuing trend of consolidation. Farm size is expected to increase as farmers acquire acreage outside their existing territory, which will exert consolidation pressure on the retailers that serve them. In addition to consolidation within the respective retail and wholesale categories, some wholesalers are expected to merge with retailers resulting in compression of the supply chain.

“This trend is expected not only to continue, but to accelerate as agribusinesses adjust to a climate of low prices and thinning margins,” said Ehmke.

Disrupting factors such as severe weather or sudden changes in foreign exchange rates could prompt a deviation from the current cycle. However, given the current environment for low commodity prices, a strong dollar and increased competition, a sustained recovery over the next three years is unlikely.

A synopsis of the report, "What's Ahead for the Grain Markets and Farm Supply in 2017-2019" is available at [CoBank.com](http://CoBank.com). The full report is available to media upon request.

**About CoBank**

CoBank is a \$120 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving more than 75,000 farmers, ranchers and other rural borrowers in 23 states around the country.

CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture, rural infrastructure and rural communities. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking

For more information about CoBank, visit the bank's web site at [www.cobank.com](http://www.cobank.com).

**Media Contacts:**

Daniel Sullivan  
Senior Manager, Corporate Communications  
303-793-2324  
[dsullivan@cobank.com](mailto:dsullivan@cobank.com)