



NEWS RELEASE

Large Inventories, Strong Dollar, Chinese Economy All Weighing Down on U.S. Agriculture Prices

Crop Prices Should Stay Steady Through 2016, Reports CoBank's Quarterly Economic Review

DENVER (October 5, 2015) – Farm income in the United States will continue to be challenged by a confluence of global economic factors – mounting supplies of grain and oilseeds, the U.S. dollar's continued strength and slowing growth in China – through the remainder of 2015 and into 2016, according to the new Quarterly Rural Economic Review from CoBank. With inventories growing, crop prices should stay near their current levels well into 2016, according to the report.

At the same time, those weak crop prices will continue to aid ethanol producers as well as the animal protein and dairy sectors. All three of these industries have suffered their own declining prices of late. Animal protein – beef, pork and poultry – supplies are all on the rise after several years of challenges brought on by drought, higher feed grain prices and disease. In fact, the animal protein complex is now growing per capita meat supplies at the fastest rate in nearly forty years.

“In the face of mounting supplies and downward pressure on prices, U.S. agricultural exports now occupy center stage across the board – for grains and oilseeds, ethanol, animal protein, and dairy,” said Leonard Sahling, manager of CoBank's Knowledge Exchange Division, which produced the report. “The new pricing paradigm will accelerate the pace and scope of supply chain realignments, throughout the entire U.S. agricultural sector. Moreover, we're beginning to see an increased need for access to debt capital as margins narrow further and savings begin to dry up.”

Water continues to be a challenge in California where a severe drought is now in its fourth year. Many Californians are convinced that El Niño will be their deliverance, unleashing torrential rains that will end the drought. However, even if an El Niño event does end California's drought, the state's water woes will probably still persist. California will need to get several years of heavier-than-normal annual rainfall just to restore the underground aquifers to the levels where they were prior to the onset of the current drought – much more rainfall than even an exceptionally strong El Niño event will deliver in a single year.

CoBank's Knowledge Exchange Division is a knowledge-sharing practice that provides strategic insights regarding the key industries served by CoBank. Knowledge Exchange draws upon the internal expertise of CoBank, deep knowledge within the Farm Credit System and boots-on-the-ground intelligence from customers and other stakeholders to enhance the collective understanding of emerging business opportunities and risks.

A full copy of the report is available [here](#). To see a video clip of the report's highlights, click [here](#).

About CoBank

CoBank is a \$107 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 and the nation's rural economy. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit the bank's web site at www.cobank.com.

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