THINKING ABOUT AGRICULTURE ON THE HIGH PLAINS

DARREN HUDSON, COMBEST ENDOWED CHAIR
TEXAS TECH UNIVERSITY
FCC ANNUAL MEETING
MARCH 28, 2016
LET’S START WITH A QUESTION

• WHAT DO YOU THINK IS THE SINGLE MOST CRITICAL ISSUE FACING AGRICULTURE TODAY AND OVER THE NEXT 10 YEARS?
OVERVIEW

• MACROECONOMICS
  • DOLLAR APPRECIATION
  • INTEREST RATE INCREASES
  • ENERGY PRICES
  • GENERAL ECONOMIC CHANGES

• COTTON OUTLOOK
The dollar value index over the last 4 years compared with the commodity price index over the last year.
A long way to go to pre-recession levels…but, borrowing decisions are made “at the margin,” not the level of interest rates.
MV=PY; why we have no substantial inflation
OIL PRICE ASSUMPTION GOING FORWARD

[Graph showing oil price assumptions from 2015 to 2025, comparing IHSGI and USDA/FAPRI forecasts.]
TAKE-AWAY FROM MACRO ENVIRONMENT

- Currency appreciation will favor weaker commodity prices in the U.S., other things equal.
- Interest rates (and so borrowing costs) will rise...but how fast? With lower commodity prices and weaker farm policy, borrowing capacity will be curtailed; producers will also be looking to save dollar where they can on inputs.
- If the squeeze continues, there will be exits from farming; some of your patrons will probably not be here in 5 years.
- To exacerbate the issue, energy costs, which have been a cost savings of late, will slowly rise again.
COTTON OUTLOOK
US COTTON ACRES AND PRODUCTION
EXPORTS AND A-INDEX PRICE

![Graph showing exports and A-index price over time.]

- **Exports** and **A-index** are plotted over time.
- The x-axis represents years from 2005/06 to 2025/26.
- The y-axis for the left graph (thousand bales) ranges from 0 to 20,000.
- The y-axis for the right graph (cents/lb) ranges from 0 to 180.
- The graph illustrates trends in exports and A-index price variability over the specified period.
US STOCKS AND FARM PRICE

The chart shows the trend of US stocks and farm prices from 2005/06 to 2025/26. The x-axis represents the years, while the y-axes show the number of thousand bales and cents per pound. The blue line represents stocks, and the red line represents the US farm price.
INDIA
WORLD
TAKEAWAYS

• STAGNANT TO SLIGHTLY INCREASING PRICES
• CONSUMPTION EXCEEDING PRODUCTION, BUT FED BY EXISTING STOCKS
• SOME RECOVERY IN THE US, BUT ONLY SMALL IN THE NEAR TERM