

The background of the slide is a light gray gradient with several realistic water droplets of various sizes scattered across it. The droplets have highlights and shadows, giving them a three-dimensional appearance. The largest droplet is on the right side, and there are smaller ones in the top left and bottom right corners.

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

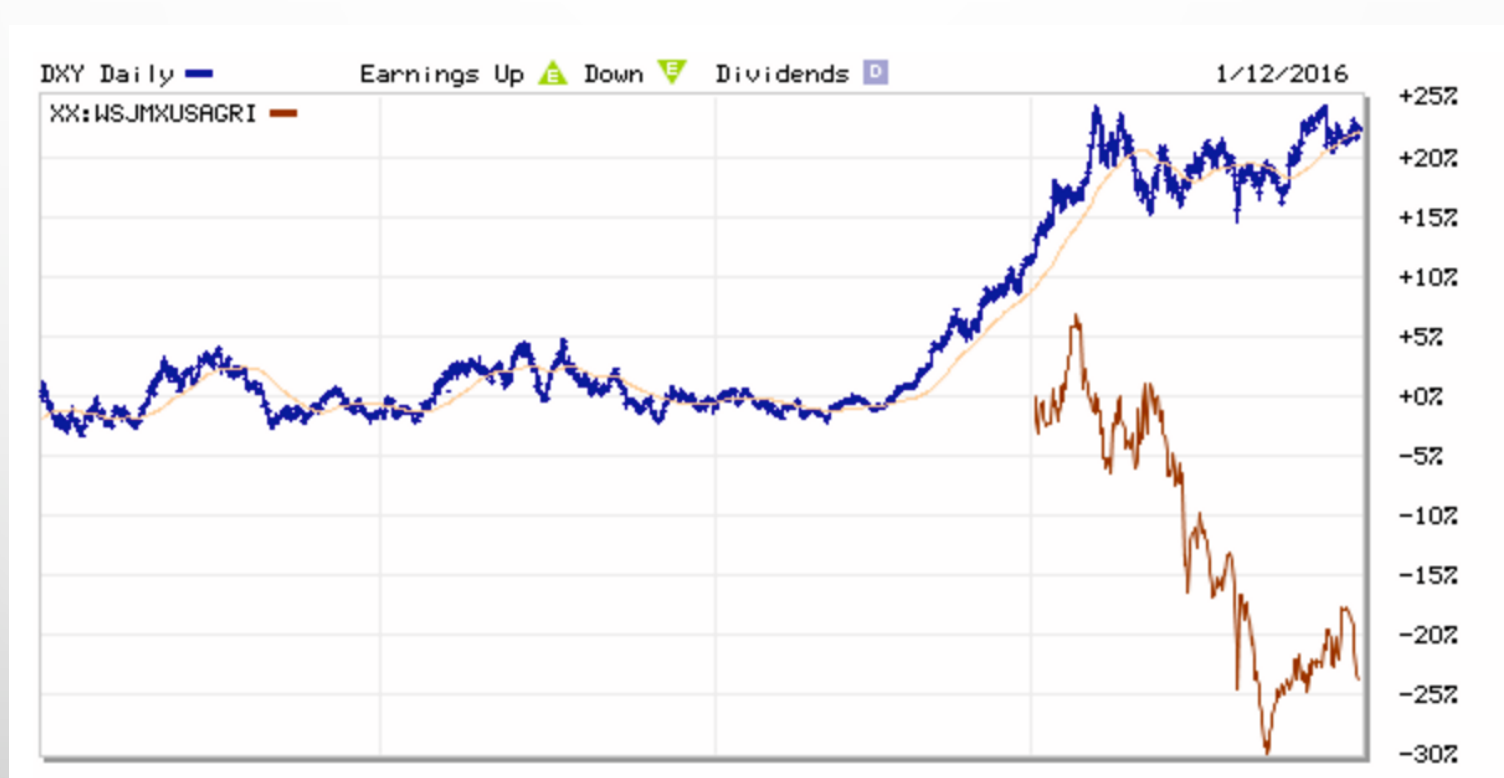
- WHAT DO YOU THINK IS THE SINGLE MOST CRITICAL ISSUE FACING AGRICULTURE TODAY AND OVER THE NEXT 10 YEARS?
- 



OVERVIEW

- **MACROECONOMICS**
 - DOLLAR APPRECIATION
 - INTEREST RATE INCREASES
 - ENERGY PRICES
 - GENERAL ECONOMIC CHANGES
 - **COTTON OUTLOOK**
- 

DOLLAR APPRECIATION



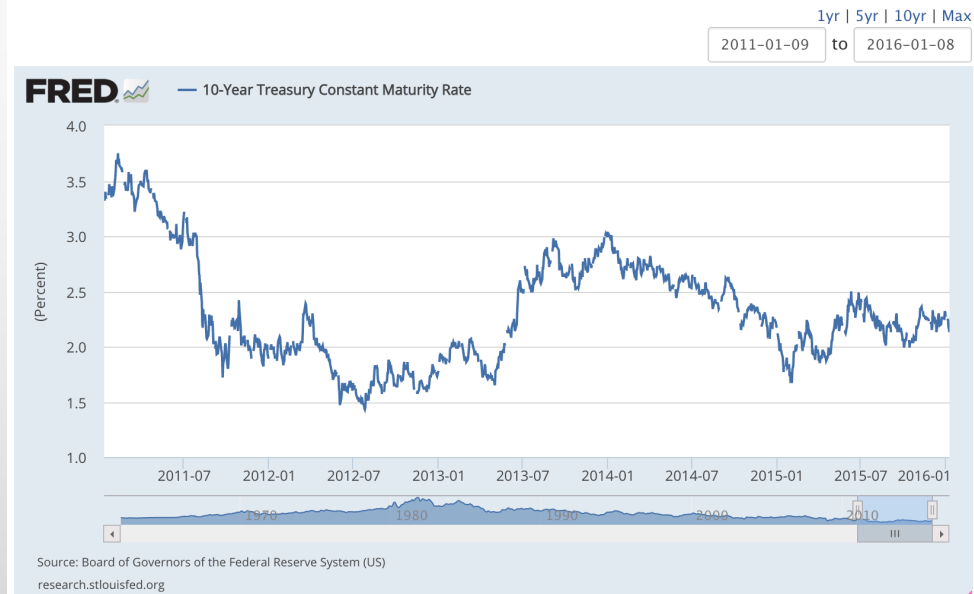
The dollar value index over the last 4 years compared with the commodity price index over the last year.

INTEREST RATES

10-Year Treasury Constant Maturity Rate

2016-01-08: **2.13** Percent (+ see more)

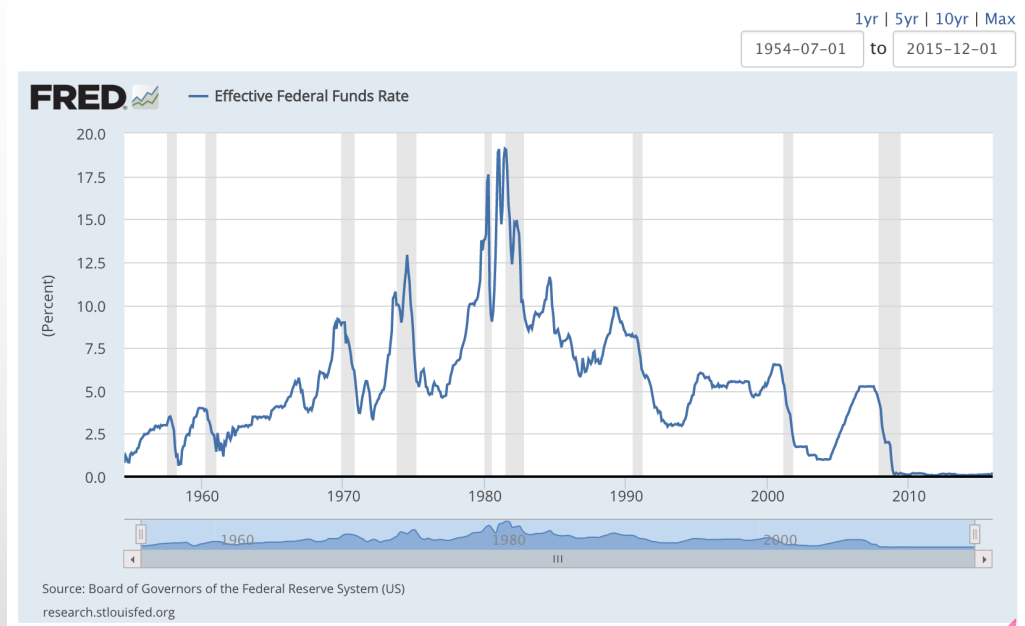
Daily, Not Seasonally Adjusted, DGS10, Updated: 2016-01-11 3:47 PM CST



Effective Federal Funds Rate

2015-12: **0.24** Percent (+ see more)

Monthly, Not Seasonally Adjusted, FEDFUNDS, Updated: 2016-01-04 3:47 PM CST



A long way to go to pre-recession levels...but, borrowing decisions are made “at the margin,” not the level of interest rates.

MONEY VELOCITY AND SUPPLY

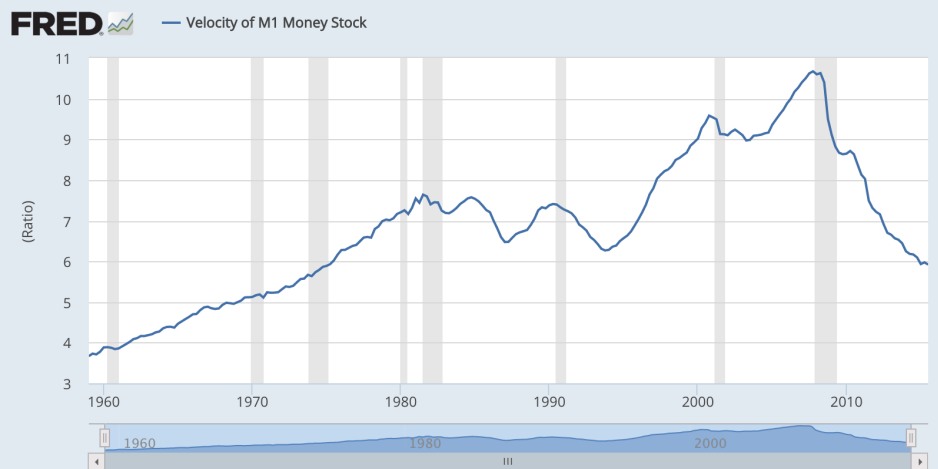
Velocity of M1 Money Stock

2015:Q3: **5.919** Ratio (+ see more)

Quarterly, Seasonally Adjusted, M1V, Updated: 2015-12-22 8:06 AM CST

1yr | 5yr | 10yr | Max

1959-01-01 to 2015-07-01



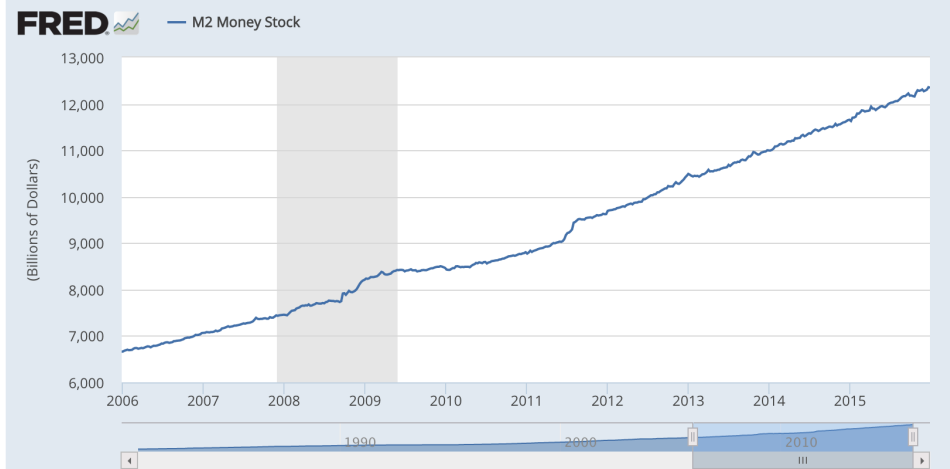
M2 Money Stock

2015-12-28: **12,347.9** Billions of Dollars (+ see more)

Weekly, Ending Monday, Seasonally Adjusted, M2, Updated: 2016-01-07 3:46 PM CST

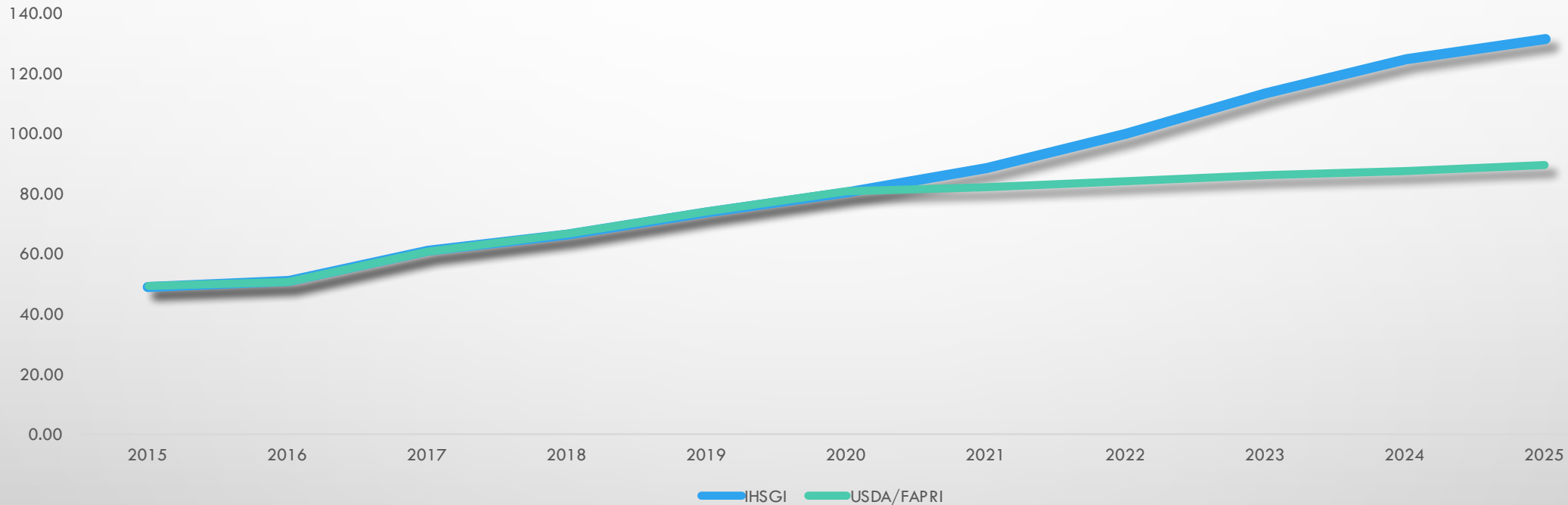
1yr | 5yr | 10yr | Max

2005-12-28 to 2015-12-28



$MV=PY$; why we have no substantial inflation

OIL PRICE ASSUMPTION GOING FORWARD



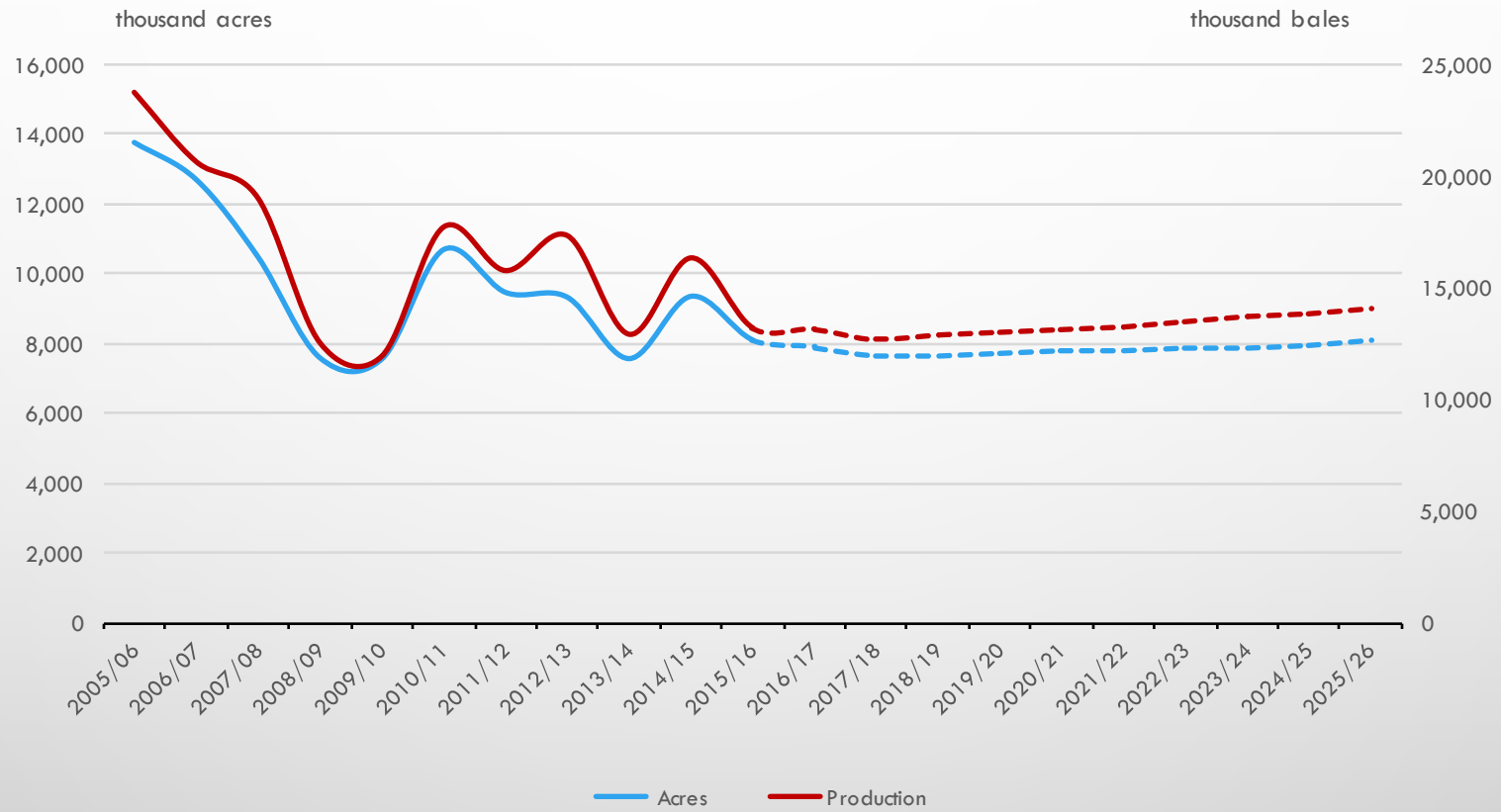
TAKE-AWAY FROM MACRO ENVIRONMENT

- 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

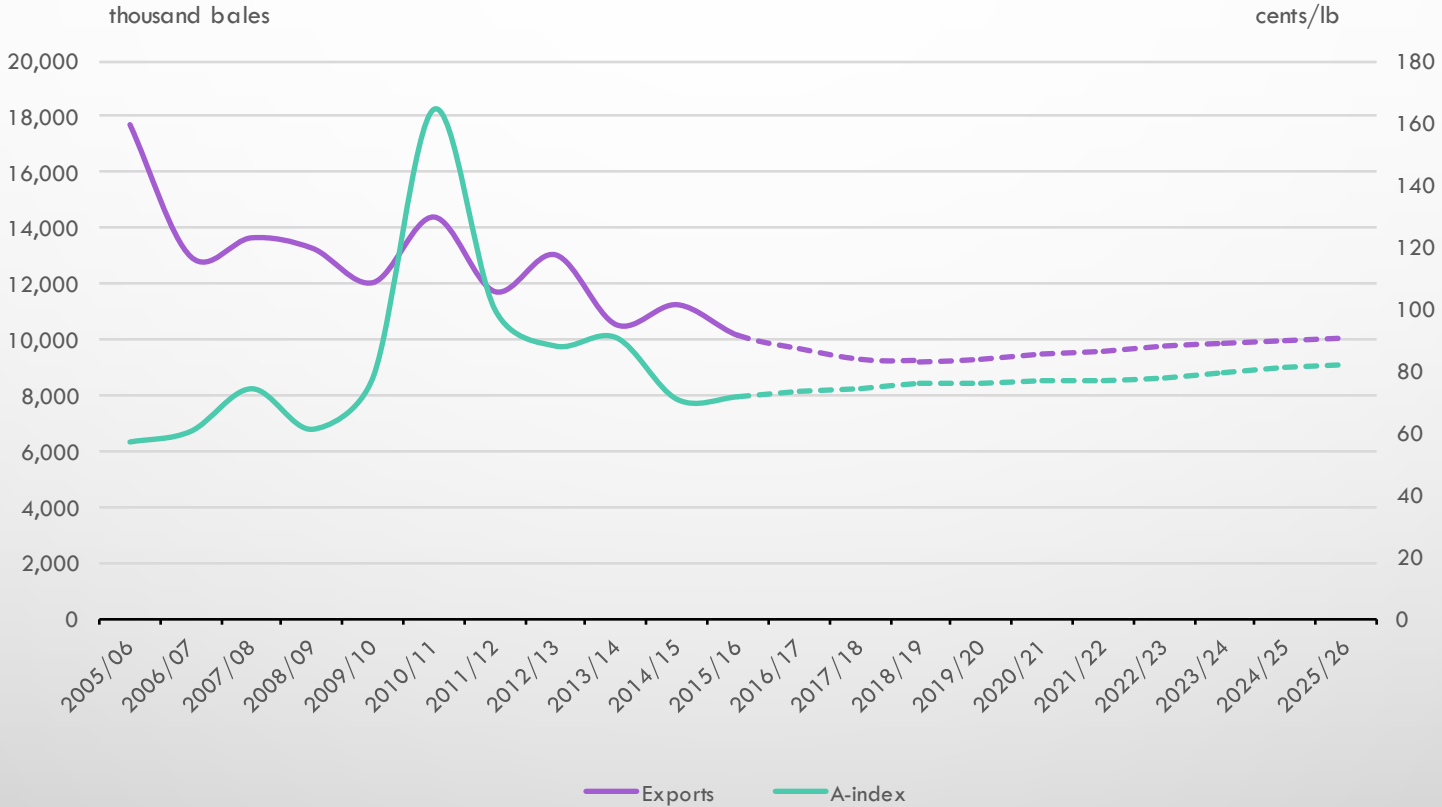
The background features a light gray gradient with several realistic water droplets of varying sizes scattered in the corners. The droplets have highlights and shadows, giving them a three-dimensional appearance. They are located in the top-left, top-right, and bottom-right areas of the page.

COTTON OUTLOOK

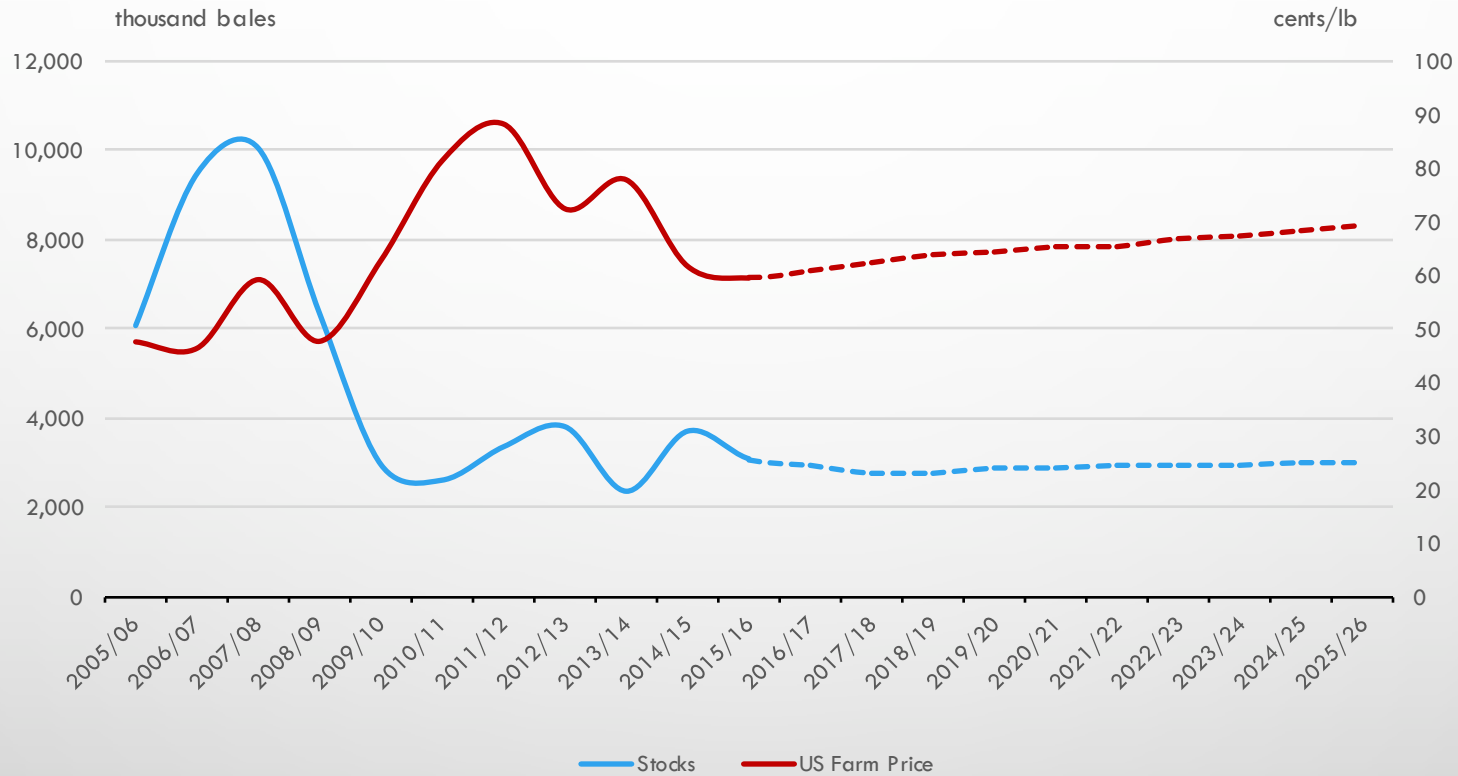
US COTTON ACRES AND PRODUCTION



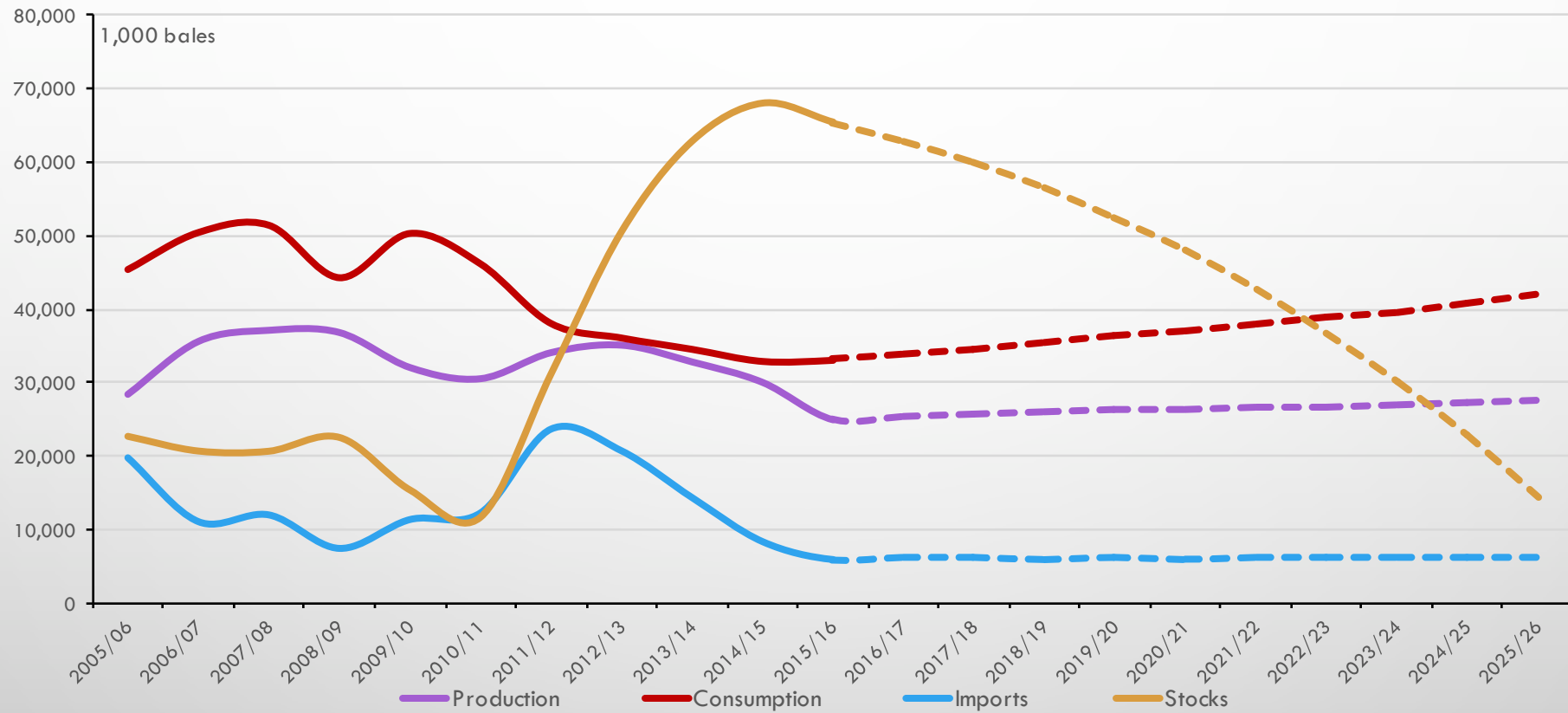
EXPORTS AND A-INDEX PRICE



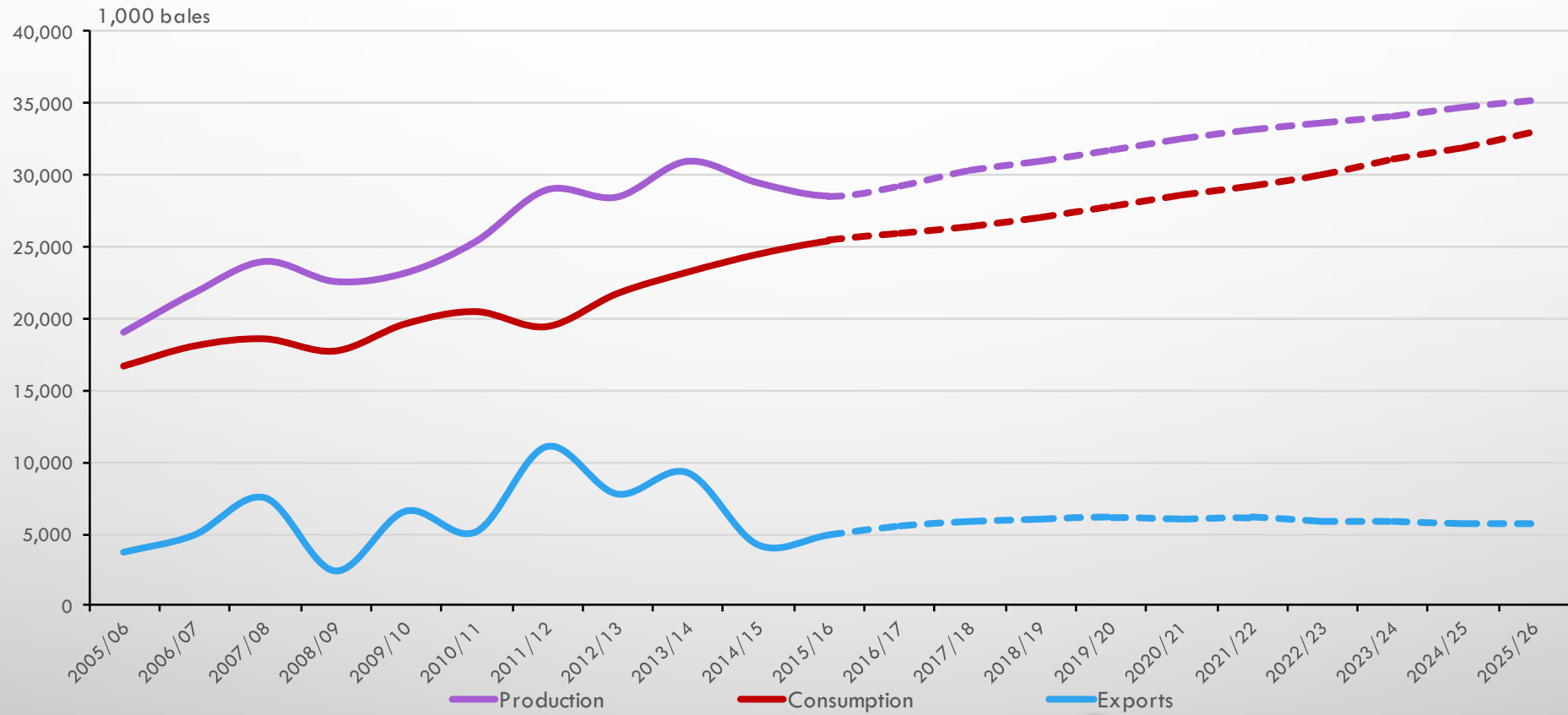
US STOCKS AND FARM PRICE



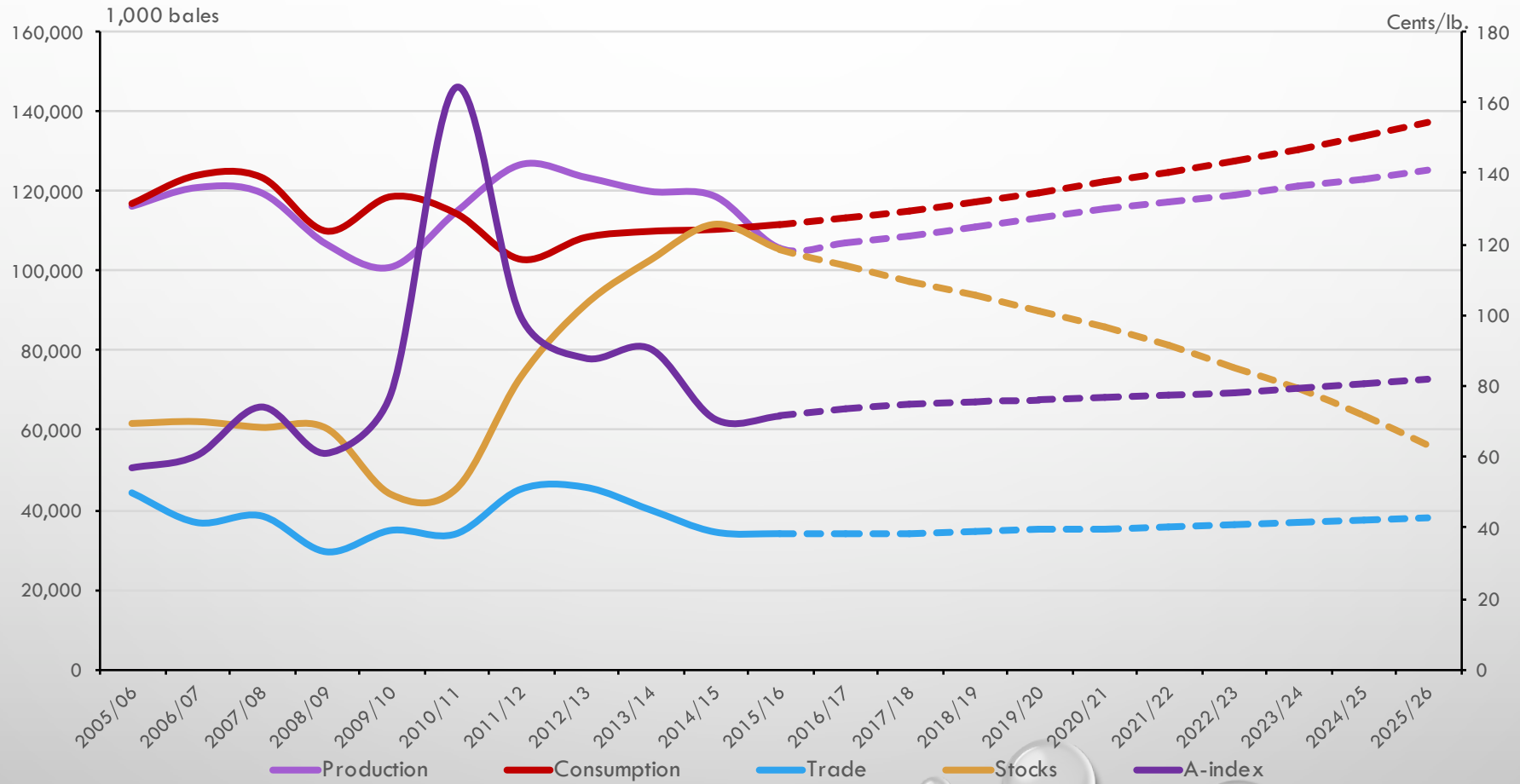
CHINA



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