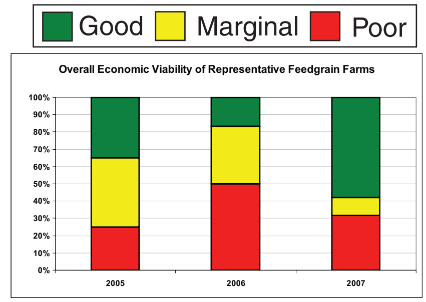
2007 Baseline Briefing Summary

Agricultural and Food Policy Center at Texas A&M University

Projected higher grain prices increase the economic viability of feedgrain and wheat farms for the current baseline.

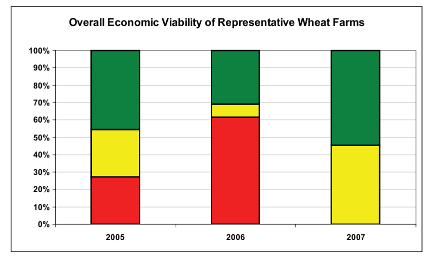
Feedgrain (19 farms)

- The improvement in price projections, partially driven by increased ethanol production, helped increase the percentage of farms classified as good.
- The 2007 baseline indicates a significant improvement in financial viability of representative feedgrain farms with more than fifty percent of the farms in the good category.



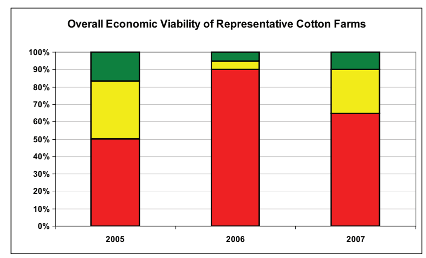
Wheat (11 farms)

- Increased price projections contributed to the elimination of farms categorized as poor.
- The 2007 baseline representative wheat farms show marked improvement in the financial viability over the previous baselines.



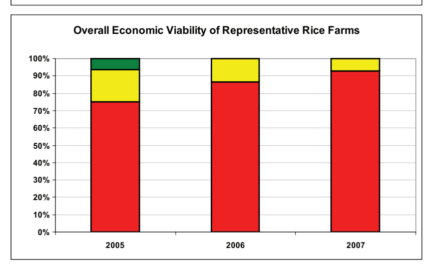
Cotton (20 farms)

- The 2007 baseline results in modest improvement in the financial viability of the representative cotton farms.
- Cotton prices rise above the loan rate, reaching $0.55 in 2008/09 and increasing to $0.58 by 2012/13.



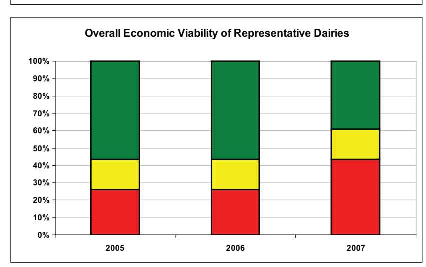
Rice (14 farms)

- The majority of representative rice farms continue to be classified as poor.
- Slight increases in projected prices are not enough to offset increasing costs of production.



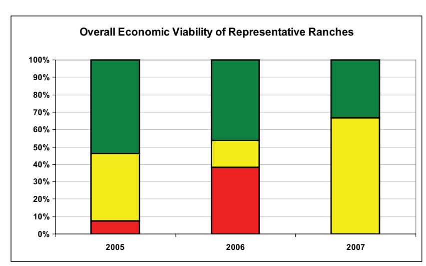
Dairy (23 farms)

- Projected increases in feed prices combined with relatively flat milk prices result in a decline in the financial viability of the representative dairies.
- Milk prices are projected to gradually increase from $14.21/cwt in 2007/08 to $14.49 in 2012/13.



Beef Cattle (12 farms)

- The number of ranches classified as poor is now zero; however, the number of ranches classified as good has also declined.
- While high corn prices have driven cattle prices lower, the opening of some export markets and slower expansion of the U.S. cowherd (due to drought) have dampened the price decline.



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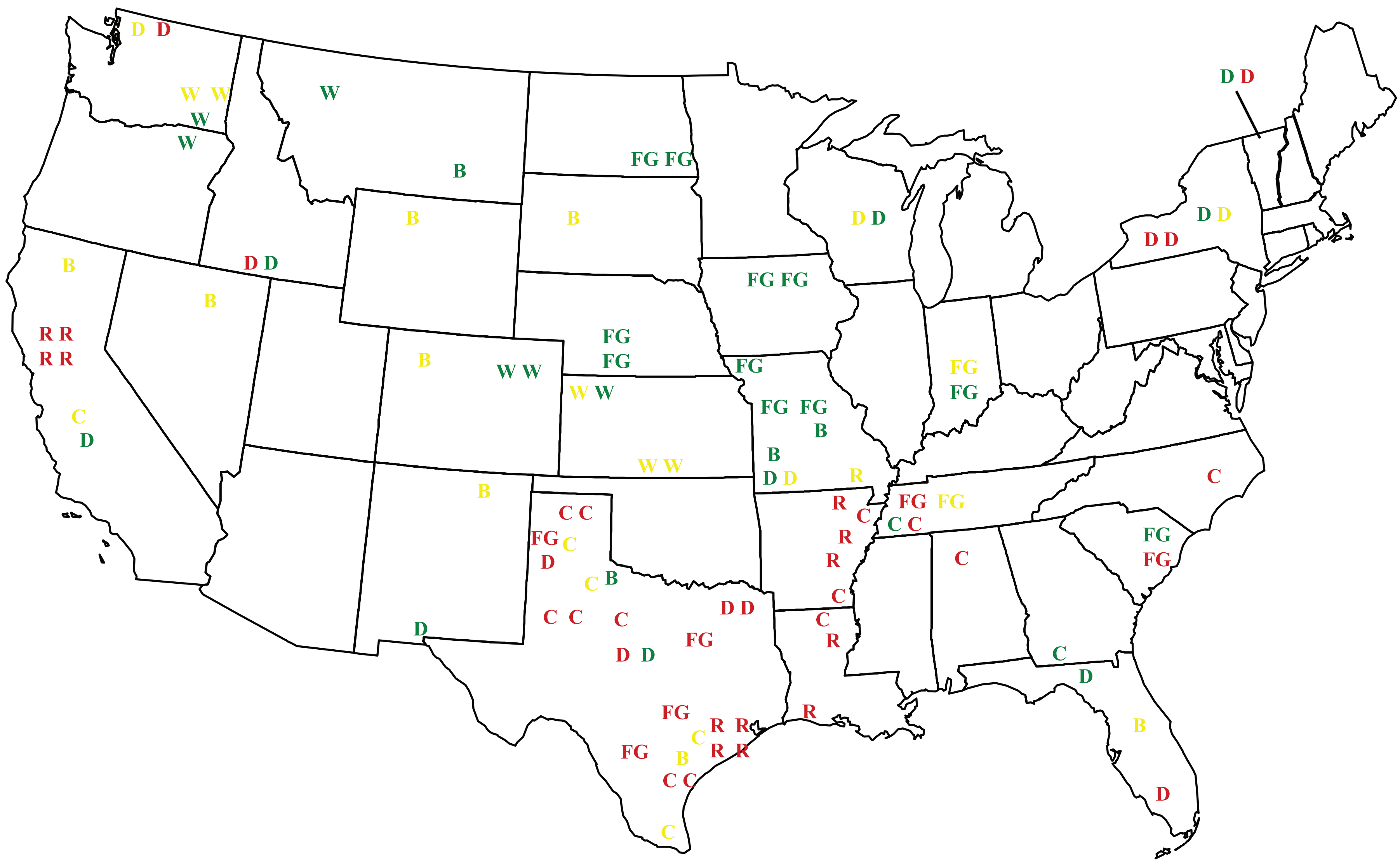
Regional Distribution of the Outlook for U.S. Representative Farms



Viability is classified as good (green), moderate (yellow), and poor (red) based on the following criteria: A farm is in a good financial position when it has less than a 25 percent chance each of negative-ending cash and losing real net worth. If the probabilities of these events are between 25 and 50 percent the farm is classified as marginal. Probabilities greater than 50 percent place the farm in a poor financial position.

Legend

FG: Feedgrain	D: Dairy
W: Wheat	B: Beef Cattle
C: Cotton	R: Rice