



Montana Revenue and Transportation Interim Committee

by

Myles J. Watts

**Department of Agricultural Economics & Economics
Montana State University**

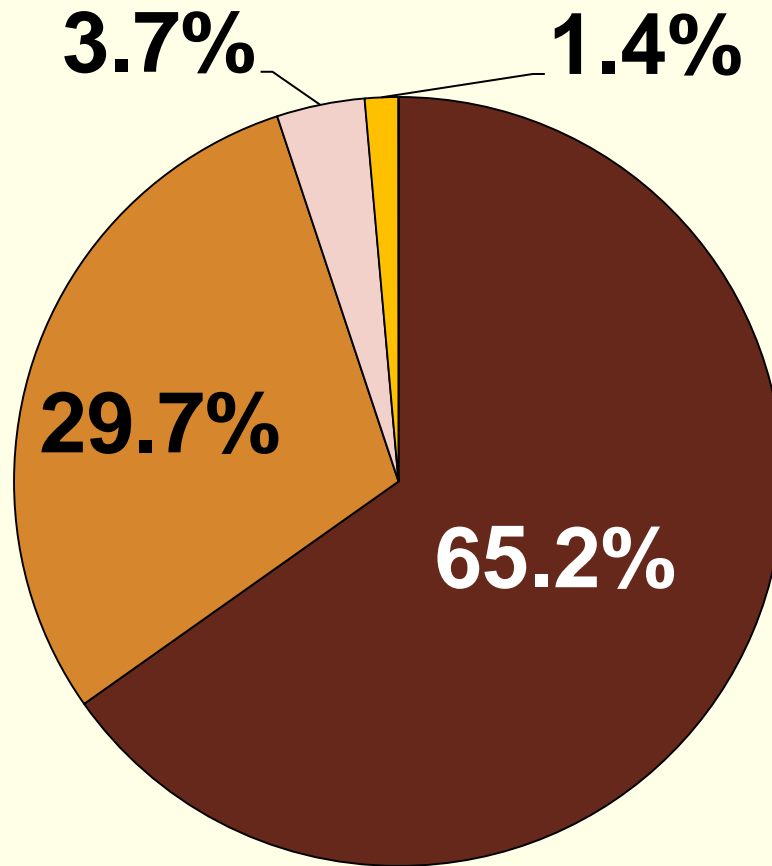
September 14, 2012



Montana Land Use

	Acres (Millions)
Total	93
Federal	29
Developed	1
Private Farms & Ranches (Including State Land)	61
Other	2

Land Composition of Farms & Ranches

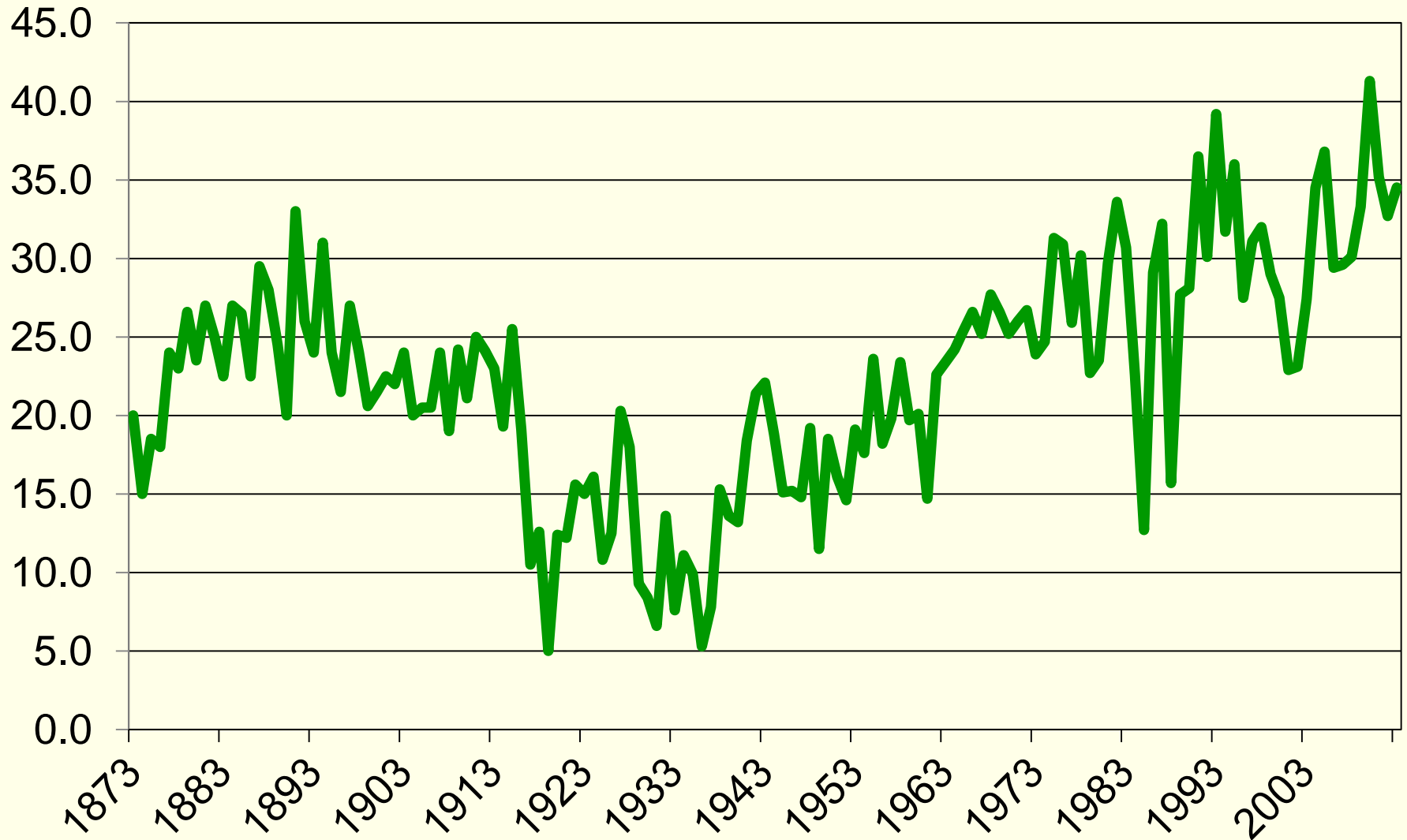


■ Pasture & Range ■ Cropland ■ Woodland ■ Other

Market Receipts and Gov't Payments

	\$(1000s)	%
Cattle	986,351	33
Wheat	965,194	32
Barley	157,751	5
Other	590,678	20
Gov't Payments	286,930	10
Total	2,986,903	100

Montana Wheat Yields/Acre 1873 - 2013

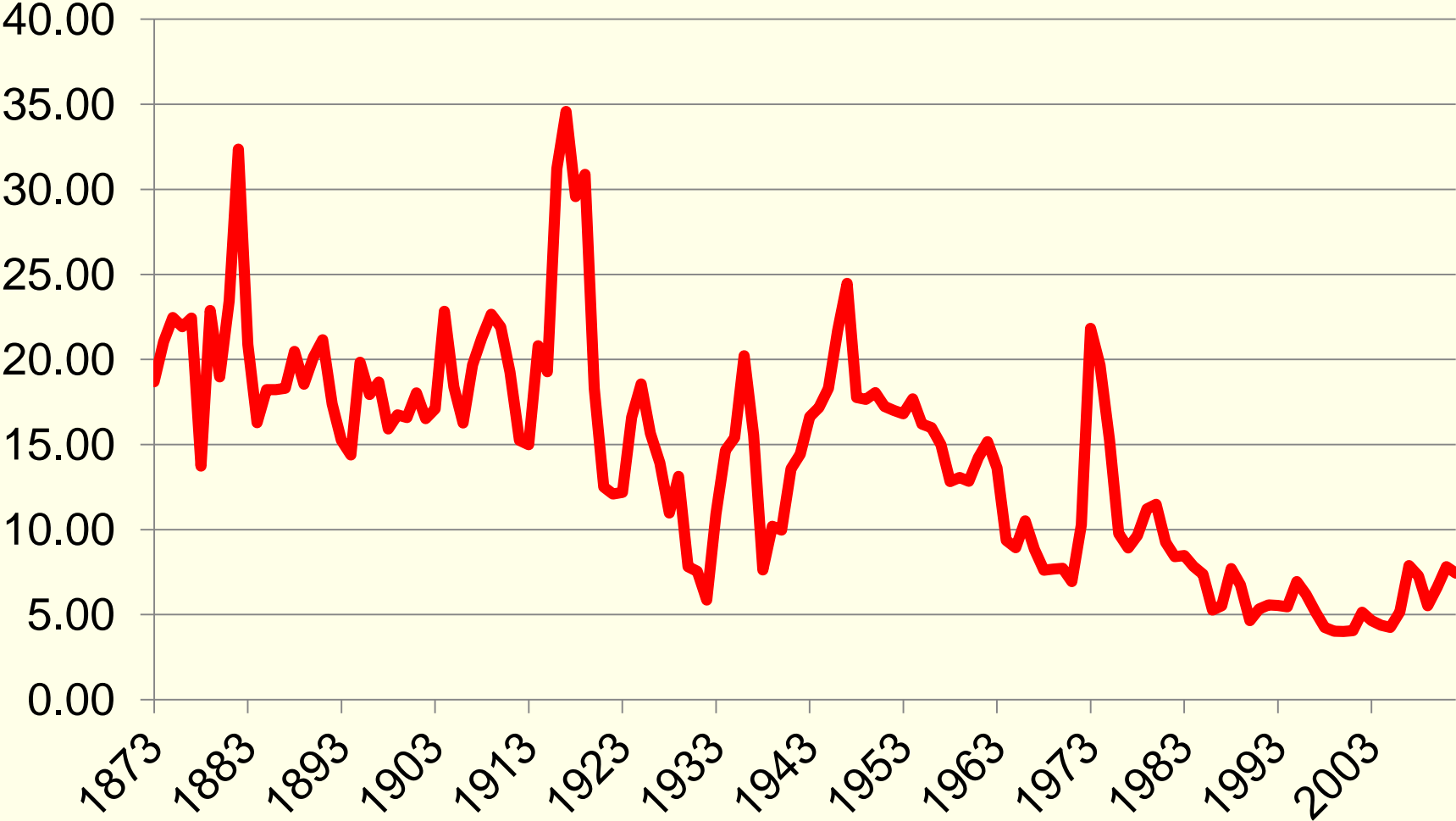


2013 Projected

Montana Wheat Price

1873 - 2013

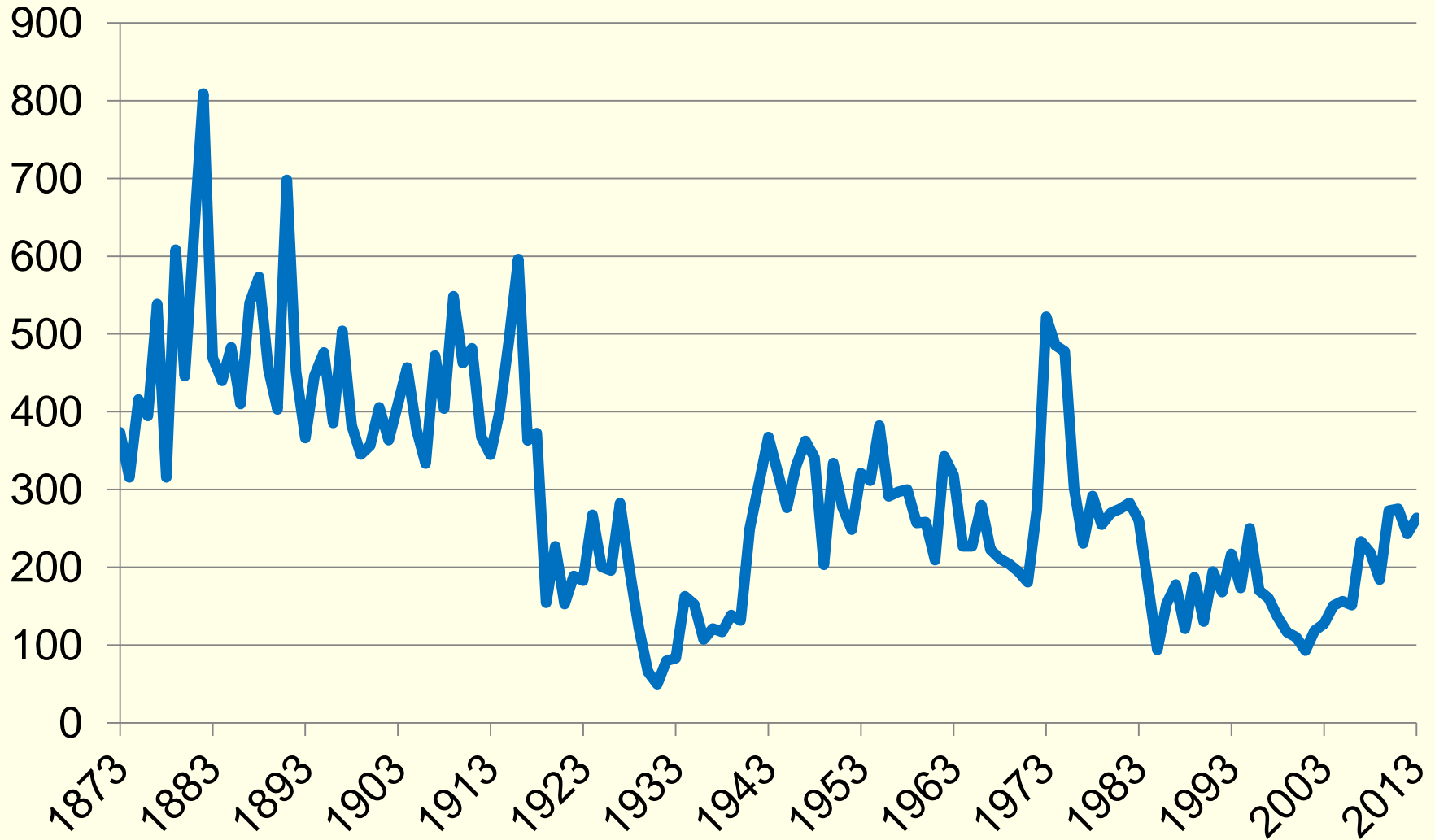
Price/Bu.
2012 \$



2013 Projected

Market Wheat Revenue/Acre 1873 - 2013

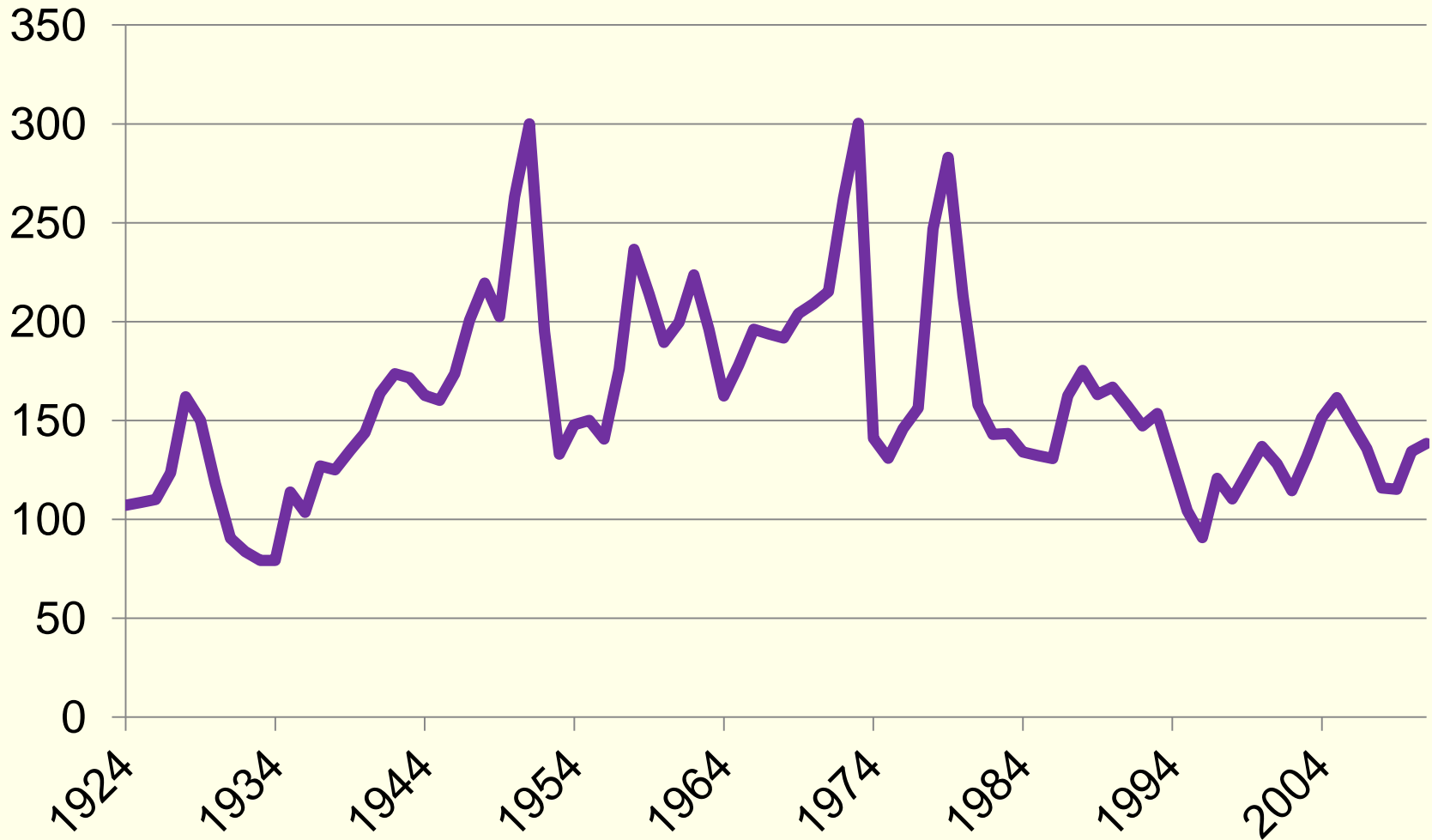
2012 \$



2013 Projected

Montana Calf - 2012 \$

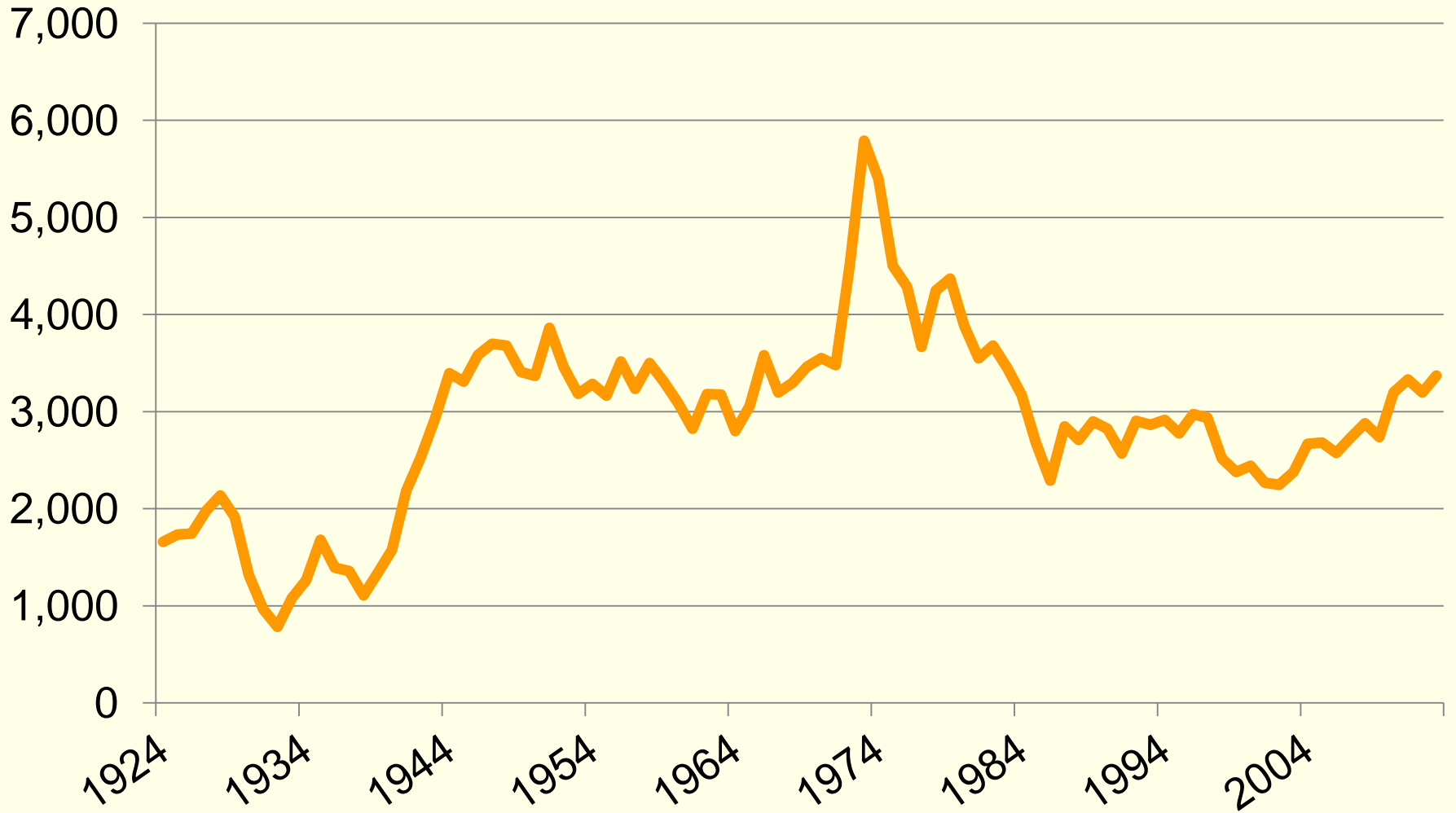
Price/ Cwt



2013 Projected

Total Revenue – 2012 \$ 1924 - 2013

Thousands \$



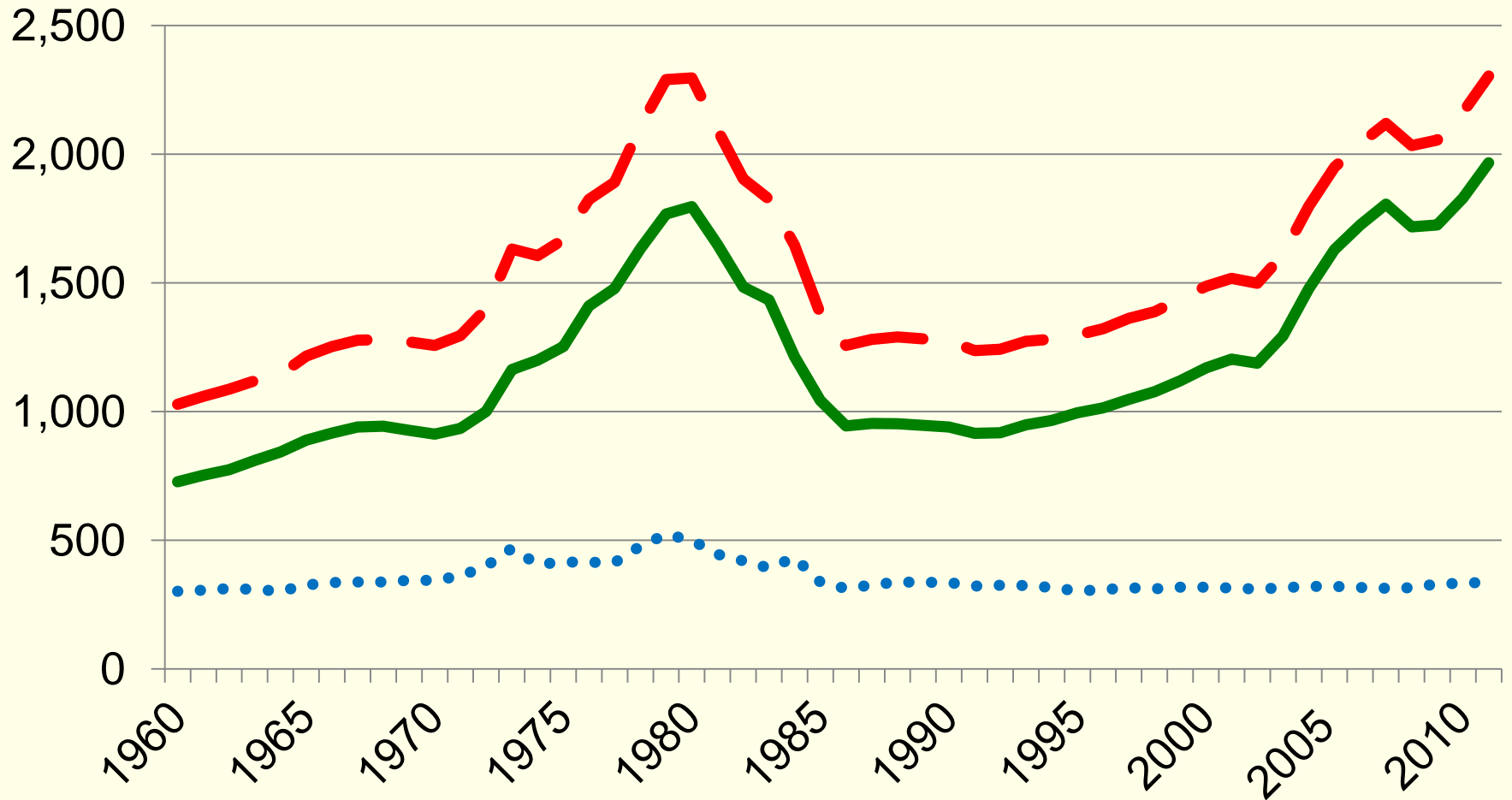
2013 Projected

Total Assets-USA

2011 \$

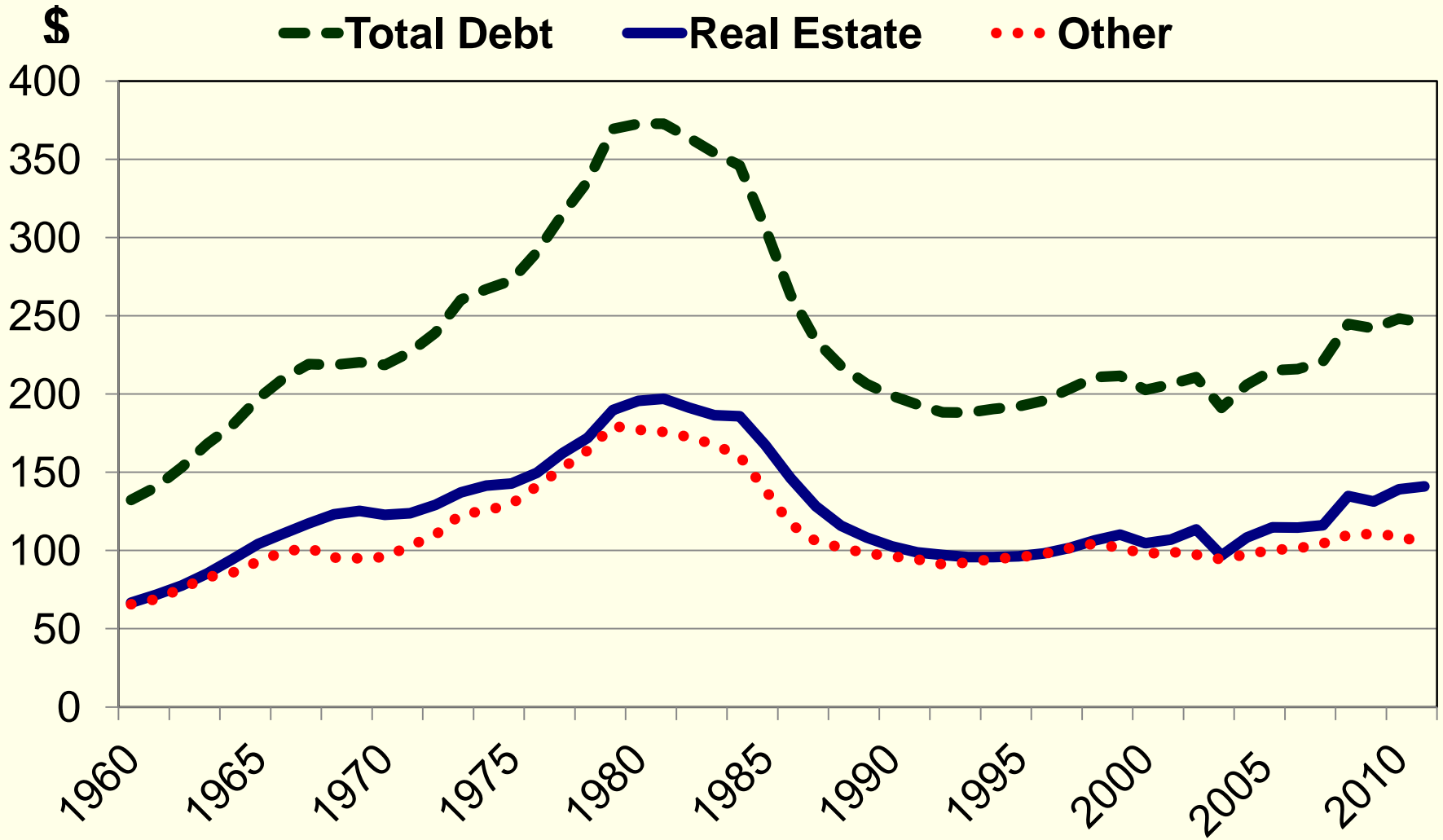
\$ Billions

— Total Assets — Real Estate ··· Personal Assets

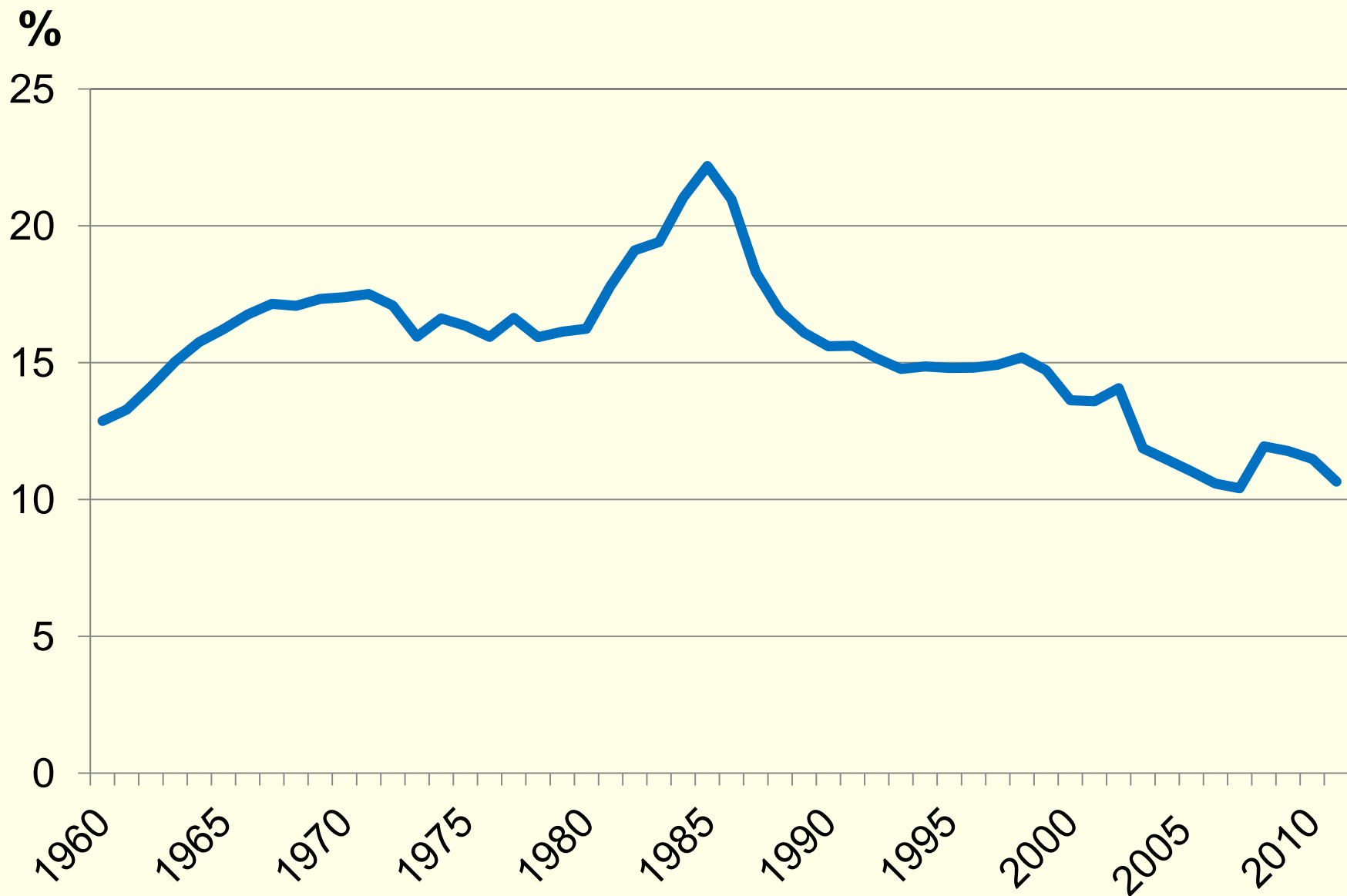


Total Liabilities-USA

2011 \$



Farm Debt to Asset Ratio - USA



Forecast

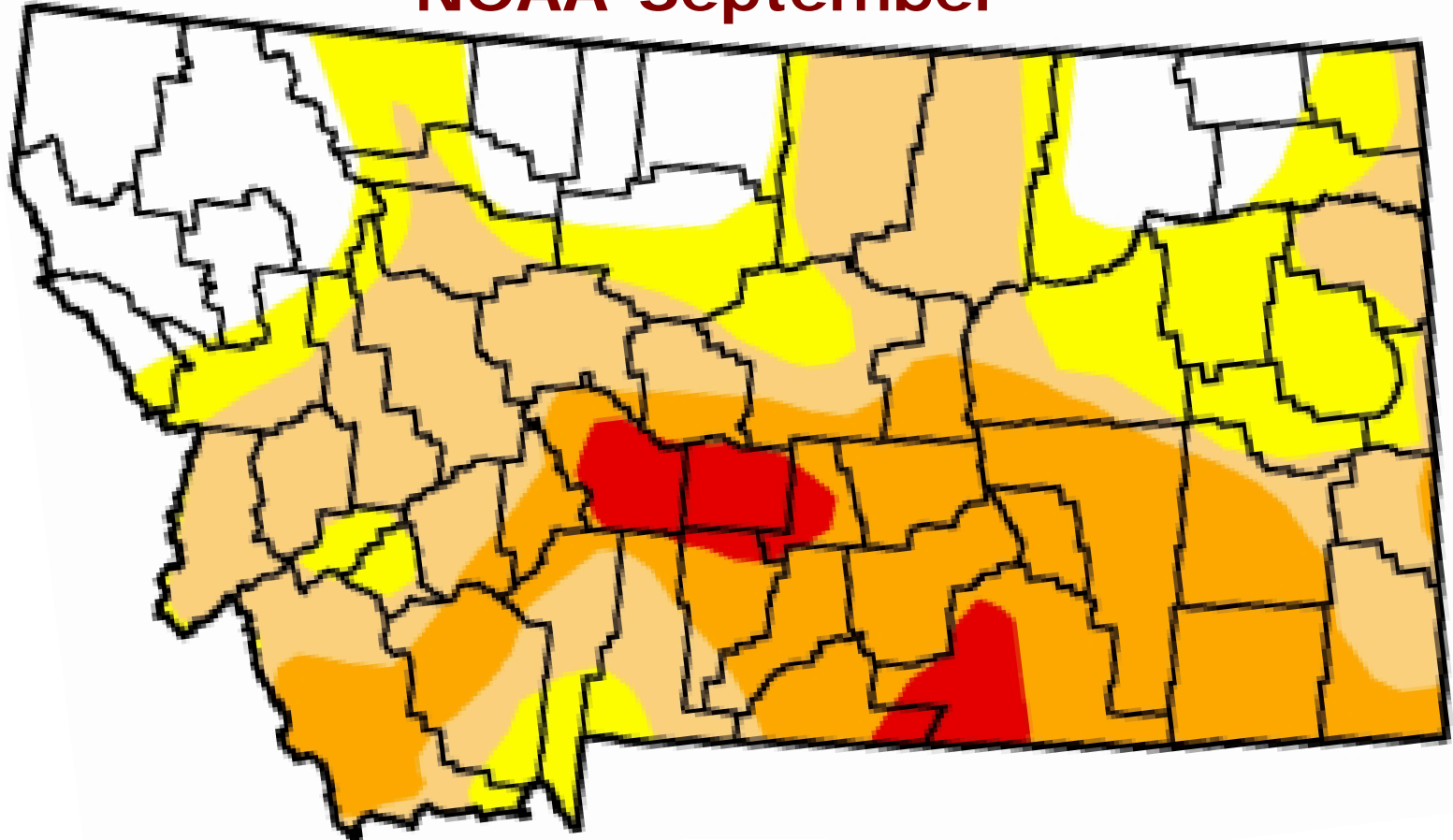
	2011	2012	2013
Wheat Acres Harvested (Thousands)	4,975	5,510	5,200
Wheat Price (\$ Bu)	7.68	7.43	7.63
Wheat Yield	35.2	32.7	34.5
Wheat Receipts (\$ Millions)	1,345	1,339	1,369
Calf Price (\$ cwt)	138	153	154
Cattle Receipts (\$ Millions)	1,208	1,314	1,382
Total Revenue (\$ Millions)	3,311	3,197	3,370

Other Crops 2011 to 2012 Change

	Acres	Yields	Price
Hay	4% ↓	18% ↓	40% ↑
Sugar Beets	6% ↑	12% ↑	12% ↓
Potatoes	2% ↑	15% ↓	2% ↓

Drought Map

NOAA-September



 D0 Abnormally Dry

 D1 Drought-Moderate

 D2 Drought-Severe

 D3 Drought-Extreme

 D4 Drought-Exceptional

International Competitiveness

Finance Example

	U.S.	Developing Countries
Risk Free Interest Rate Includes Inflation (LIBOR or U.S. T-Bills Based)	3.5	3.5
Bank Margin	1.5	2.0
Inflation or Currency Risk-Excess	0	1.5
Default Risk	1.0	8.0
Political & Judicial	0	5.0
Commercial Farmer Interest Rate	6.0	20.0
Small Farmer Adjustment	N/A	3.0
Small Farmer Interest Rate	6.0	23.0

Overview of Ethanol (Short-Term Effects)

	No Government	Current Mandates	Increased Mandates
Ethanol (B Gal)	8.9	11.0	14.6
Ethanol Price	Base	29%↑	50% ↑
Corn for Ethanol (B Bu)	3.6	4.3	5.5
Corn Price	Base	38%↑	102%↑
Corn Price/ Ethanol Price	1.87	2.00	2.53

From James Brown, Master's Thesis in Department of Agricultural Economics and Economics, Montana State University, October 2011.

Note: Recent corn production is about 12.4 billion bushels

QUESTIONS

