



2009 Outlook for Louisiana Agriculture



INTRODUCTION

With an ever-changing production and marketing environment, agricultural producers face a number of difficult decisions. This publication provides Louisiana's agricultural producers with a view of the potential marketing and production environment they are likely to face in 2009. We hope the information will help producers as they make their farm management and production plans for 2009.

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ECONOMIC OUTLOOK

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National Situation and Outlook

In last year's Outlook, this chapter explained the reasons for national weakness and raised the question of whether a stimulus package would prevent a recession. Economic conditions have deteriorated since last year and the question now is whether another, larger stimulus package can pull the nation out of a nasty recession. Last year's Outlook noted the debate some economists were having over whether the economy was already in recession. The debate is now over. The National Bureau of Economic Research (NBER) pronounced December 2007 as the beginning of the current recession, which will be the longest, though hopefully not the deepest, since the Great Depression. Gross Domestic Product fell at a 3.8 percent annual rate in the fourth quarter of last year – the largest decline since the first quarter of 1982. Economic forecasts have continued to weaken, and many economists are beginning to push a recent consensus forecast of a recovery in the third quarter of 2009 back to 2010. Because the recovery in employment sometimes lags the end of a recession by six to nine months, a 2010 recovery would leave a great deal of time for pain in the national labor market.

The initial cause of the recession may have been the bursting of a housing bubble, associated weakness in the financial sector and tighter credit. With consumer and business optimism at a thirty year low, however, cutbacks in spending by both consumers and businesses are now contributing to the economic downturn. On a national level, unemployment surged from 4.9 percent in December 2007 to 7.2 percent in December 2008. The negatives are particularly apparent in many parts of the country. In Merced county California, one of every 45 houses was recently under foreclosure.

Likewise, the unemployment rate in California is more than 9 percent, and Michigan's unemployment rate exceeds 11 percent.

On a national level, two key economic questions exist for 2010. The first is how quickly structural problems in the financial sector will be resolved. As of this writing, a debate still exists on what policies to pursue to address the weakness in bank balance sheets created by assets with questionable value. The Obama administration has suggested forceful action will be required soon. Regardless of the policy instruments used to achieve the final goal, a healthy United States economy needs a strong financial sector which can accurately price risky assets.

The other policy instrument will likely be some variant of the \$819 billion stimulus plan just passed by the United States House of Representatives. The primary goal of the stimulus is to use fiscal policy (tax cuts or government spending) to offset the reduction in demand for goods and services by businesses and consumers during a recession. The goal is to either jump-start the economy or to provide time for economic policy or market forces to address structural issues such as the financial crisis.

Louisiana Situation and Outlook

Though national economic conditions deteriorated more than expected, Louisiana residents survived 2008 relatively unscathed. Louisiana showed increases in employment in every month of 2008 with the exception of one month where hurricanes limited growth. Furthermore, Louisiana was the only state in the nation to show employment growth in December. While Louisiana's industrial mix does shield us a bit from the national recession, falling oil prices and a more severe credit crunch than anticipated make Louisiana more vulnerable to economic hardships in the year ahead. As a result, the Louisiana Economic Outlook (LEO) issued an addendum reducing

2009 employment forecasts for Louisiana and its metro areas.

One cannot say with any confidence Louisiana residents have little to fear from the national recession in 2009. Overall, the LEO now forecasts only 1,300 new Louisiana jobs in 2009 or 0.1 percent job growth. Although the forecast seems bleak, the Louisiana jobs forecast should be put in the context of 524,000 jobs lost in the United States in December 2008 alone. The key factors in Louisiana's resilience have been the strength in existing construction projects and industrial mix. Louisiana relies more heavily on the petrochemical sector rather than the durable goods manufacturing sector, which is hit more quickly as consumers spend less during national recessions. This dependence has historically made Louisiana less vulnerable to national trends. Achieving any job growth in 2009, however, may require the economy to feel a real shot in the arm from the stimulus by late 2009. A longer national recession would have bigger implications for Louisiana. Simply stated, even 0.1 percent employment growth may prove optimistic if the national recession lingers into 2010.

In terms of regions, New Orleans has benefitted in recent years from abnormally high employment growth because of the Katrina recovery. A number of infrastructure projects such as the twin span, widening of the Huey P. Long Bridge, \$4 billion of levee improvements and Marathon and Valero refinery expansions will continue to bolster the economy. Job losses at Lockheed Martin and a relatively weak tourism outlook, however, will offset this construction activity in 2009. On net, these factors lead to a projected 3,000 job loss in 2009 for the New Orleans metro area. The losses will mark the end of steady, though slowing employment growth, in the Katrina recovery period.

Baton Rouge is also benefitting from a number of industrial, infrastructures and commercial construction projects to the tune of more than \$6.0 billion in anticipated spending.

In addition, the Shaw Group recently agreed to add 150 jobs per year from 2009 until 2018 at its Baton Rouge headquarters. Albemarle joined Shaw as a second Fortune 500 headquarters in Baton Rouge, also contributing highly paid jobs to the economy. Overall, this strength led the LEO to forecast 2,400 new jobs in 2009 or 0.6 percent growth. Risks to the area include a chemical industry that could see more weakness if the global recession persists into 2010. For example, both Dow Chemical and Albemarle announced layoffs in January. Likewise, a delay in the \$350 million Women's Hospital expansion because of difficulty in finding financing at favorable rates shows the area is not immune to the nation's financial crisis.

With a greater concentration of durable goods manufacturing, Shreveport-Bossier City has historically been the Louisiana MSA most sensitive to national recessions. Layoffs at the General Motors plant are a good example. Exploration of the Haynesville Shale gas field should offset these job losses if natural gas price declines do not discourage its development. On net, the LEO is forecasting a 2,000 job loss or -0.5 percent employment growth for Shreveport in the coming year.

Lafayette was initially projected to grow rapidly in 2008 because of recent strength in the oil and gas industry and its construction sector. The collapse in oil and gas prices, however, led the LEO to lower the forecast of 2009 job growth to 2,800 in Lafayette or 1.9 percent growth. Both Schlumberger and Halliburton have announced some plans to reduce their North American workforce, although the implications for Louisiana are not clear at this point.

During 2005-2007, Houma added 12,400 new jobs, growing at a whopping 5 percent per year. Even under normal conditions, this growth rate is likely to slow. The LEO is forecasting 1.9 percent growth or 1,800 net new jobs for Houma during 2009. As an economy even more reliant on oil and gas than Lafayette,

the primary risk for Houma is also weakness in the oil and gas industry.

The LEO projects Lake Charles employment will grow by 1.5 percent or add 1,400 jobs in 2009. Key projects for the area are Pinnacle Entertainment's Sugarcane Bayou casino resort, Leucadia's synthetic natural gas plant, and a joint venture between Shaw Group, Inc. and Westinghouse. This joint venture will build and operate a nuclear fabrication facility in Lake Charles under the name Global Modular Systems.

Both Alexandria and Monroe experienced a net decline in employment in 2008, although neither metro area fell by more than 1 percent. The LEO is forecasting no change in employment for both of these MSAs in 2009. Road construction in both Monroe and Alexandria, construction of schools in Monroe and 350 new employees at the federal prison at Pollock for Alexandria should help avoid net job losses in the coming year.

FARM INPUTS OUTLOOK

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Farm inputs are those items used to produce the food and fiber needed by the United States and the world. Some inputs, such as seed, fertilizer, chemicals, fuel and feed, are completely consumed as part of the yearly production cycle. Capital inputs have a production life of several years and are only partially used up in the annual production cycle. Examples of long-term or capital input items are machinery and equipment, breeding livestock, orchards and facilities.

National Situation and Outlook

The 2009 USDA Farm Income forecasts for the nation can be found on the Economic Research Service, Farm Income Data Web site:

<http://www.ers.usda.gov/data/FarmIncome/>

As shown in Table 1, total United States production expenses for 2007 were \$254.4 billion. The USDA forecast production expenses will increase by 15 percent in 2008 to \$299.6 billion. This forecast represents the sixth straight increase in expensed since 2002. For 2008, production expenses are projected to be about 77 percent of gross farm income. Farm expenses are increasing at an increasing rate.

The USDA/ERS calculates a total of 17 expense categories for farms. Five of these categories are projected to increase more than \$3 billion in 2008. The categories include: feed, seeds, fertilizer, fuels and oils and miscellaneous expenses. Feed expenses are forecast to increase 23 percent to a record level of \$46.9 billion. Higher feed-grain prices have contributed to the higher feed prices. Five additional categories are forecast to increase by a billion dollars or more. These categories include repair and maintenance, total labor, marketing, storage and transportation, net rent to non-operators and capital consumption. Only three expense categories, livestock and poultry purchases, long-term interest and short-term interest are forecast to decrease.

Total production expenses are projected to decline in 2009. The 2007 estimates and projections for 2008, along with forecasts for 2009, are shown in Table 1. Even though total production expenses are projected to decline in 2009, the table shows expenses will remain above the most recent 10-year average for all categories. Nine of the seventeen categories are projected to remain the same or increase only slightly from 2008 levels in 2009. Significant decreases are projected to occur in purchased inputs, primarily purchased feed. Manufactured inputs are also projected to decrease with the major components being fertilizer and fuel and oil.

Table 1. United States Farm Production Expense By Category, 2007-2009

Expense Category	2007	2008P	2009F	2008-09 Change	10-Year Average	2009
						Deviation from 10-Year Average
Total Production Expenses	254.4	290.6	277.1	-13.5	218.0	59.1
Purchased Inputs	168.2	200.0	185.0	-15.0	140.4	44.7
Farm Origin	68.8	78.3	74.6	-3.6	56.6	18.0
Feed purchased	38.1	45.2	40.8	-4.4	29.9	11.0
Livestock and poultry purchased	18.8	17.7	18.1	0.3	16.8	1.3
Seed purchased	11.9	15.3	15.7	0.4	10.0	5.8
Manufactured Inputs	43.7	59.0	49.6	-9.4	35.0	14.6
Fertilizer and lime	16.7	27.5	24.0	-3.4	13.2	10.9
Pesticides	10.0	11.0	10.3	-0.7	9.0	1.3
Fuel and oil	13.0	16.3	10.9	-5.4	9.2	1.6
Electricity	3.9	4.3	4.4	0.1	3.6	0.8
Other Purchased Inputs	55.7	62.7	60.8	-1.9	48.8	12.0
Repair and maintenance	13.6	15.5	15.3	-0.3	12.0	3.3
Other miscellaneous	42.1	47.2	45.5	-1.7	36.8	8.7
Interest	15.1	14.7	14.9	0.2	13.5	1.5
Real estate	8.1	7.8	8.0	0.2	7.3	0.7
Non-real estate	7.0	6.9	6.9	0.0	6.1	0.8
Contract and Hired Labor Expenses	25.6	27.0	26.7	-0.3	23.0	3.7
Net Rent to Non-Operator Landlords	8.8	10.3	11.1	0.7	10.2	0.9
Capital Consumption	26.9	28.4	29.0	0.6	23.2	5.7
Property Taxes	9.8	10.2	10.5	0.3	7.8	2.6

Source: <http://www.ers.usda.gov/Briefing/FarmIncome/Data/Nf0709us.htm>

P - projected

F - forecast

Louisiana Situation and Outlook

The most recent year for which state-level data for production expenses is available is 2007. In 2007, purchased inputs for Louisiana totaled \$1,640.9 million (up from \$1,630.2 million): purchased feed, \$312 million (up 17.6 percent); purchased livestock and poultry, \$43 million (up 7.8 percent); purchased seed, \$131.5 million (up 16.4 percent); fertilizers and lime, \$209.4 million (up 42 percent); pesticides, \$180.7 million; petroleum fuels and oils, \$174.8 million; electricity, \$45.6 million; repair and maintenance of capital items, \$119.2 million; custom work and machinery hire, \$45.3 million;

marketing, storage and transportation, \$128.8 million; total labor expense, \$196.7 million; and miscellaneous expenses, \$246.9 million. Although most input categories exhibited increases over 2006 levels, decreased expenditures occurred in some categories. These changes reflect not only input price changes, but also changes in the amount of a particular input used within the state.

Capital consumption is a non-cash expense component of net business income and returns to operators. Components include the

replacement value of capital items consumed during the year and the value of accidental damage. These expenses were estimated to be \$268.9 million in 2007. Farm origin expenses were estimated to be \$486.5 million in 2007 compared to \$439.2 million in 2006.

Payments to stakeholders totaled \$493.1 million. These payments are composed of employee compensation (hired labor) \$179.5 million, net rent for non-operator landlords \$164.7 million and interest payments \$148.9 million. Total payments to stakeholders increased from \$442.5 million in 2006 to \$493.4 in 2007. Expenses in the form of interest payments increased by 7.8 percent to \$148.9 million and hired labor increased slightly.

Although detailed data for the state is not yet available, Louisiana producers can expect the same changes as projected at the national level. This expectation is especially true for the major input categories of fertilizer, fuel and oil. Changes in the cost of annual production inputs are important to the producer because changes in these items affect farm organization and net income immediately. Changes in the prices of long-term input items affect the producer as new investments are made.

Each year the LSU AgCenter's Department of Agricultural Economics and Agribusiness estimates the cost of production for major Louisiana commodities. Electronic copies of this publication are available from the LSU AgCenter's Web site:

http://www.agctr.lsu.edu/en/money_business/farm_business/budgets/

To prepare the annual 2009 cost estimates, farm input suppliers were surveyed in the late summer and early fall of 2008 to gather information concerning input costs. Data from all sources is summarized and compiled into a state or region average price for use in preparing the budgets. A detailed listing of inputs and prices used in the 2009 budget projections is shown in Tables 2a-2d. As a general rule, the

prices reflect pricing for consumption by commercial production agriculture. Also, prices do not include rebates or other incentives that manufacturers may be offered.

Product prices may vary from one vendor to another. In addition, some products may be available in a number of formulations and sold under a variety of trade names. Such differences provide an opportunity for producers to substitute less expensive products and formulations for more costly products. Producers should carefully look at their input requirements and compare product prices to keep the costs of production as low as possible. Prices and services offered will vary from dealer to dealer and production area to production area. Careful purchasing must take into consideration not only price, but also quality and service. Price alone should not be the only guide in the purchase of production inputs.

Prices for the 2009 budget projections shown below were collected in the summer of 2008. Market conditions have changed significantly since these price estimates were prepared. Therefore, some of these prices may understate the current cost of a particular input. As a general statement, the prices shown below reflect only small changes from 2008 levels. The two areas where significant volatility exists are fuel and fertilizer items. As noted above, energy prices have increased significantly and this increase has contributed to higher fuel and fertilizer prices. In addition, the demand for fertilizer increased because of increased corn acreage exerting additional upward pressure on prices. More recently, crude oil prices have declined significantly. Energy prices are discussed in more detail later in this report.

Comparing broad categories of inputs, prices for 2009 are projected to be only slightly different from those prices used in 2008. Within specific categories there may be larger differences in specific inputs. For example, in the category of herbicides, the overall change is small, but some individual products are projected to have price increases of 30 percent

or more. In the case of fertilizer, nitrogen prices fluctuated a great deal in 2008, but the projection for 2009 is little changed from 2008. Phosphate and potash are projected to more than double in price from the 2008 levels. Details of prices used in the 2009 budget projections are shown in Tables 2a-2d.

Energy

Petroleum: Energy prices have exhibited wide swings in recent years. Shortly after hurricanes Katrina and Rita, oil prices spiked due to the disruption of production in the Gulf of Mexico. Since then, oil prices have moderated, but still exhibit periodic spikes in price. More recently, crude oil prices decline while retail prices for fuel increase. Because energy and crude oil prices, in particular, have a large impact on agriculture this section outlines the current outlook for major energy sources.

From a global perspective, the worsening global economy has weakened the demand for crude oil. This weakened demand is reflected in the continued decline in the price of crude oil. Domestically, total petroleum products consumption in 2008 declined by almost 1.2 million barrels per day or 5.8 percent, from the 2007 average, the largest annual decline since 1980. This decline is projected to continue in 2009 and the Energy Information Administration (EIA) estimates the daily consumption will fall another 2.4 percent.

Natural Gas: The consumption of natural gas is expected to decline in 2009. This decline is the result of the weaker economy and the subsequent fall in industrial demand for natural gas. Coupled with the decline in consumption, the EIA projects a slight increase in production in 2009. These supply and demand factors are

reflected in prices. The Henry Hub spot price averaged \$5.40 per Mcf in January 2009, \$0.60 per Mcf below the average December spot price. For all of 2008, the Henry Hub spot price averaged \$9.13 per Mcf. Natural gas prices in 2009 are expected to reflect the relatively weak demand coupled with any significant change in production.

Electricity: Total electricity consumption is projected to decline in 2009. Again, the weakened economy is expected to reduce industrial demand by about 5 percent, causing an overall decline in consumption of just less than 1 percent. Electricity prices are expected to increase at a slower rate than in past years.

Table 2. Energy Prices For Selected Sources, 2004-2009

Item	Unit	2004	2005	2006	2007	2008	2009F	2010F
Diesel Fuel Retail Incl Taxes U.S. average	cents/gal	180.7	239.7	270.2	287.9	378.7	228.3	255.2
Diesel Fuel Retail Excl Taxes U.S. average	cents/gal	134.1	191.4	220.1	237.9	325.8	179.9	206.3
Electricity Price Commercial Sector, U.S. average	cents/kwh	8.2	8.7	9.5	9.7	10.3	10.5	10.7
Electricity Price Residential Sector, U.S. average	cents/kwh	8.9	9.4	10.4	10.6	11.3	11.6	11.8
Gasoline Regular Grade Retail Price incl taxes (Gulf Coast)	cents/gal	174.7	219.2	248.3	267.8	314.2	183.4	208.9
Gasoline Regular Grade Retail Price excl taxes (Gulf Coast)	cents/gal	133.2	176.6	206.3	226.5	271.6	141.6	167.0
Natural Gas Price Commercial Sector U.S. average	\$/mcf	9.43	11.34	12.00	11.31	11.90	9.62	9.79
Natural Gas Price Commercial Sector U.S. average	\$/mcf	9.80	12.55	13.45	12.34	13.57	11.36	11.25
Refiner Average Crude Oil Acquisition cost	\$/bbl	36.96	20.25	60.26	68.09	94.79	41.82	52.59
West Texas Intermediate Crude Oil price	\$/bbl	41.44	56.49	66.02	72.32	99.57	43.14	54.50

Source: <http://www.eia.doe.gov/steo> (Release, February 10, 2009)

F - forecast

Table 3a: Estimated Prices for Operating Inputs in Louisiana, 2008

Item Name	Unit	Price (\$)	Item Name	Unit	Price (\$)
ADJUVANTS			TECHNOLOGY FEE		
Crop Oil (Seed Oil)	pt	2.51	BG Cot Tech Fee	thous	0.28
Crop Oil (Petroleum)	pt	1.05	BG Cot Tech Fee	cap/ac	19.50
Surfactant	pt	1.68	BG II Cot Tech Fee	thous	0.71
			BG II Cot Tech Fee	cap/ac	40.00
CUSTOM FERT/LIME			BG II/RRF Tech Fee	thous	1.38
App Fert by Air	cwt	5.00	BG II/RRF Tech Fee	cap/ac	66.00
App Fert by Air(Min)	appl	5.00	BG/RR Cot Tech Fee	thous	1.05
Custom Apply Fert	acre	5.00	BG/RR Cot Tech Fee	cap/ac	49.00
Custom Spread(Truc	appl	4.50	Eradication Fee	acre	6.00
Lime (Spread)	ton	38.00	RRF Cotton Tech Fee	thous	0.86
			RRF Cotton Tech Fee	cap/ac	29.00
CUSTOM SPRAY			SEED/PLANTS		
App by Air (1 gal)	appl	2.50	Corn Seed BtRR	thous	2.42
App by Air (2 gal)	appl	4.00	Corn Seed RR	thous	2.25
App by Air (3 gal)	appl	4.75	Cotton Seed BGIIRRF	thous	0.52
App by Air (5 gal)	appl	5.75	Cotton Seed Bt	thous	0.28
App by Air (10 gal)	appl	6.50	Cotton Seed Liberty	thous	0.62
Custom Apply	acre	5.00	Cotton Seed RR	thous	0.37
Custom Terragator	acre	5.00	Cotton Seed RRF	thous	0.50
LARice GPS Charge-SW	acre	0.35	Rice Clearfield 161	lb	0.63
LARice GPS Charge_NE	acre	0.25	Rice Clearfield XL8	lb	3.26
			Rice Seed (Levees)	lb	0.32
CUSTOM PLANT			Rice Seed CF(Levees)	lb	0.63
LARice Air Plant NE	cwt	5.50	Rice Seed Conv.	lb	0.32
LARice Air Plant SW	cwt	5.60	Rice Seed Hybrid	lb	3.10
			SC Cultured seedcane	acre	484.00
CUSTOM HARVEST/HAUL			Sorghum Concept	lb	1.59
Haul Corn	bu	0.20	Sorghum NonConcept	lb	1.18
Haul Cotton	lb	0.02	Soybean Seed Private	lb	0.38
Haul Rice	bu	0.22	Soybean Seed RR	lb	0.74
Haul Rice (cwt)	cwt	0.25	Wheat Seed Private	lb	0.27
Haul Sorghum	bu	0.20			
Haul Soybeans	bu	0.20	SERVICE FEE		
Haul Wheat	bu	0.20	Cotton Storage	bale	25.00
LARice Haul	cwt	0.30	Crop Consultant	acre	6.00
			Insect Scouting	acre	9.00
GIN/DRY			Rice Consultant	acre	7.00
Dry Corn	bu	0.19	Survey & Mark Levees	acre	4.00
Dry Grain Sorghum	cwt	0.25	Survey & Mark Levees	acre	3.50
Dry Rice	bu	0.40			
Dry Rice (cwt)	cwt	0.90	GROWTH REGULATORS		
Gin	lb	0.11	Early Harvest PGR	oz	1.46
LARice Dry	cwt	0.90	LA Polado	oz	0.38
			Mepex	oz	0.19
IRRIGATION SUPPLIES			PGR IV	oz	1.56
Rice Gates	each	3.65	Pix Plus	oz	0.28
Roll-Out Pipe	ft	0.20	Pix Ultra	oz	0.39

Table 3b: Estimated Prices for Operating Inputs in Louisiana, 2008

Item Name	Unit	Price (\$)	Item Name	Unit	Price (\$)
FERTILIZERS			FUNGICIDES		
Amm Nitrate (34% N)	cwt	20.00	Vitavax T-L	oz	0.29
Amm Sulfate (21% N)	cwt	16.00	HERBICIDES		
Anhy Ammonia (82% N)	cwt	26.85	2,4-D Amine 4	pt	1.82
Boron (Solubor)	lb	0.40	2,4-D Ester	pt	1.87
DAP	cwt	44.00	AAtrex 4L	pt	1.57
Fert 10-34-0	cwt	22.00	AAtrex NINE-O	lb	3.42
Fert 41-0-0-4	cwt	20.00	Accent Gold	oz	6.30
LA Nitrogen	lb	0.53	Accent SP	oz	31.94
LA Phosphate	lb	0.88	Aim 2EC	oz	6.06
LA Potash	lb	0.75	Aim DF	oz	9.65
Phosphorus(46% P2O5)	cwt	41.00	Arrosolo	qt	7.88
Potash (60% K2O)	cwt	28.00	Assure II	oz	1.12
Sulfur	lb	0.20	Atrazine 4L	pt	1.69
UAN (32% N)	cwt	19.00	Atrazine 90DF	lb	3.11
Urea, Solid (46% N)	cwt	25.00	Authority 75DF	lb	26.40
Zinc	lb	0.60	Axiom 68DF	lb	22.86
FUNGICIDES			Backdraft	pt	2.40
Apron Maxx RTA	oz	0.85	Banvel	pt	8.85
Apron XL	oz	8.13	Basagran	pt	10.75
Apron XL LS	oz	6.37	Basis Gold	lb	18.87
Benlate 50 WP	lb	15.95	Beacon 75% WSP	oz	27.74
Captan 4L	pt	2.83	Beyond	oz	4.25
Captan 50 WP	lb	3.61	Bicep II Magnum	qt	9.46
Cruiser 5FS	oz	17.38	Bicep II zmsgnum	qt	10.58
Delta Coat AD	oz	3.75	Blazer Ultra	pt	7.81
Dithane F-45	qt	3.63	Boa	pt	3.63
Dithane Rainsheild	lb	2.28	Bolero 8EC	pt	4.83
Folicur 3.6	oz	2.33	Boundary	pt	8.69
Fungicide	lb	2.67	Buctril 4EC	pt	15.37
Gem 25 WG	oz	3.52	Butoxone 175(2,4-DB)	pt	2.70
Manzate 75 DF	lb	2.65	Butoxone 200(2,4-DB)	pt	3.89
Manzate Flowable	pt	1.90	Butyrac 175 (2,4-DB)	pt	2.71
Moncut 70 DF	lb	24.85	Butyrac 200 (2,4-DB)	pt	4.24
Orbit	oz	2.75	Canopy 75%	oz	2.89
Prevail	lb	28.06	Canopy XL	oz	2.23
Quadris	oz	2.16	Caparol 4L	pt	4.04
Quilt	pt	16.86	Celebrity Plus	lb	87.24
Ridomil GoldPC 10G	lb	1.90	Clarity	pt	10.87
Ridomil Gold PC	lb	2.05	Classic	oz	14.07
Rovral 4F	pt	17.06	Clincher EC	oz	1.74
Shelter	oz	8.50	Cobra 2EC	oz	1.33
Stiletto	oz	0.54	Command 3ME	pt	12.93
Stratego	pt	19.49	Conclude XACT	pt	11.32
Terrachlor Flowable	pt	4.74	Conclude XTRA	pt	8.32
Terraclor 2EC	pt	2.02	Cornerstone	pt	3.63
Terraclor Super X EC	pt	3.95	Cotoran 4L	lb	5.03
Terraclor Super X G	lb	2.67	Cotoran DF	lb	9.00
Tilt 3.6 EC	oz	2.33	Cotton Pro Flowable	pt	3.36
Vitavax 200	oz	0.49	Crossbow	pt	8.05
Vitavax M Flowable	oz	1.06	Delta Goal	pt	9.44
Vitavax RTU-Thiram	oz	0.33	Denim 0.16 EC	pt	24.06

Table 3c: Estimated Prices for Operating Inputs in Louisiana, 2008

Item Name	Unit	Price (\$)	Item Name	Unit	Price (\$)
HERBICIDES (continued)			HERBICIDES (continued)		
Detail	pt	7.99	Prowl 3.3 EC	pt	3.31
Direx 4L	pt	2.73	Pursuit DG	oz	11.59
Direx 80 DF	lb	7.37	Pursuit Plus EC	pt	6.31
Diuron 4L	pt	2.36	Python WDG	oz	10.24
Diuron 80 DF	lb	4.64	Raptor	oz	4.23
Domain 60DF	lb	12.75	Reflex 2LC	pt	13.34
DSMA 4	pt	0.90	Regiment 80WP	oz	32.49
Dual II Magnum	pt	13.47	Remedy	pt	12.56
Dual Magnum	pt	13.47	Resource .86EC	pt	22.60
Duet	pt	3.61	Ricestar	pt	18.13
Evik DF 80W	lb	6.99	Roundup Original	pt	5.63
Exceed	oz	10.71	Roundup Original Max	oz	0.41
Exceed Custom Pak	oz	11.50	Roundup Ultra MAX	pt	5.97
Expert	pt	4.06	Roundup Ultra Dry	lb	6.14
Facet 75DF	lb	52.09	Roundup WeatherMax	oz	0.50
First Rate	oz	27.86	Scepter 70 DG	oz	3.18
Flexstar HL	pt	13.63	Select 2EC	oz	1.34
FloMet 4L	pt	5.05	Sencor 4F	pt	10.30
Freedom	qt	2.51	Sencor DF	lb	16.01
Front Row	oz	21.92	Squadron CE	pt	4.55
Frontier 6.0	oz	0.63	Stam 4E	qt	5.12
Gramoxone Max	pt	4.97	Stam 80 EDF	lb	5.32
Grandstand R	qt	22.59	Staple 85%	oz	18.97
Guardzman	pt	4.66	Staple Plus	oz	9.35
Guardzman Max	pt	5.74	Steadfast	oz	24.13
Harmony Extra	oz	14.65	Steel	pt	10.28
Hoelon 3EC	pt	10.42	Storm	pt	10.00
Karmex DF	lb	4.20	Strongarm	oz	41.55
LA Asulox	gal	47.75	Superwham	qt	6.68
LA Weedmaster	gal	24.79	Suprend	lb	10.48
Lariat	qt	5.67	Surpass 20G	lb	2.36
Lasso 4EC	qt	6.60	Surpass EC	qt	19.27
Layby Pro	qt	9.16	Touchdown	qt	9.32
Lexone 75DF	lb	18.90	Touchdown 4 IQ	pt	3.33
Liberty	pt	8.89	Touchdown Total	qt	13.44
Lightning	oz	12.69	Treflan HFP	pt	3.33
Lightning	oz	11.23	Treflan TR-10	lb	0.77
Linex 4L	pt	7.53	Tri-Scept	pt	5.24
Londax 60DF	oz	12.70	Trifluralin 4EC	pt	2.28
Lorox 50DF	lb	16.56	Trilin 10G	lb	0.79
MSMA 6.6	pt	2.18	Trilin 4EC	pt	2.12
MSMA6 + Surfactant	pt	1.99	Typhoon	qt	13.06
Newpath 2SL	oz	3.72	Valor WP	oz	4.23
Ordram 15-G	lb	1.44	Whip 360	pt	24.12
Ordram 8-E	pt	7.75	Zorial Rapid 80DF	lb	15.06
Osprey	oz	3.44			
Outlook	pt	18.27			
Pendimax 3.3	pt	3.08			
Permit 75DF	oz	18.07			
Poast 1.53	pt	8.90			
Poast Plus	pt	6.63			
Propanil 4E	qt	5.15			

Table 3d: Estimated Prices for Operating Inputs in Louisiana, 2008

Item Name	Unit	Price (\$)	Item Name	Unit	Price (\$)
INSECTICIDES			INSECTICIDES (continued)		
Acephate 90SP	lb	7.51	Spintor 2SC	oz	4.93
Admire 2 Flowable	oz	4.78	Steward	pt	25.11
Ammo 2.5 EC	oz	0.72	Temik 15G Grit	lb	3.49
Asana .66 XL	oz	0.72	Thimet 20-G	lb	2.75
Baythroid 2	oz	2.36	Thionex 3EC	pt	3.60
Bidrin 8L	oz	0.84	Thionex 50W	lb	8.35
Capture 2EC	oz	1.45	Tracer	oz	6.58
Centric 40WG	oz	4.45	Trimax	oz	4.13
Comite	pt	7.06	Vydate C-LV	oz	0.60
Confirm 2F	oz	1.49	Warrior Z	oz	2.20
Counter 15G	lb	2.51	Warrior ZT	oz	1.88
Counter CR	lb	2.65			
Curacron 8E	pt	9.62	HARVEST AIDS		
Decis 1.5EC	oz	2.84	Accelerate	pt	2.59
Declare	pt	4.21	Ammonium Sulfate	lb	0.20
Denim 0.16EC	pt	26.51	Boll'd	pt	7.01
Di-Syston 15G	lb	2.81	CottonQuik	pt	3.12
Di-Syston 8	pt	13.89	Def 6	pt	6.75
Dimethoate 4E	pt	4.73	Def / Folex	pt	6.91
Dimilin 2L	oz	1.63	Dropp 50 WP	lb	45.45
Dipel DF	lb	10.40	Dropp SC	oz	2.37
Dipel ES	pt	4.26	Ethephon 6E	pt	4.35
Endigo ZC	pt	30.11	Finish 6	pt	7.61
Force 3G	lb	4.67	Folex 6EC	pt	7.06
Furadan 4F	pt	9.52	Ginstar EC	pt	26.29
Fury 1.5 EC	oz	1.30	Gramoxone Extra	pt	4.86
Gaicho 480	oz	8.56	Gramoxone Max	pt	4.97
Intrepid 2F	oz	1.97	Harvade 5F	oz	0.60
Intruder 70WP	oz	8.38	Leafless	pt	18.56
Karate Z	oz	3.09	Prep	pt	4.41
Lannate LV	pt	7.67	Sodium Chlorate 3L	gal	3.04
Lannate SP	oz	24.27	Solium Chlorate 6L	gal	5.20
Larvin 3.2	oz	0.51			
Leverage 2.7	oz	2.69			
Lorsban 15G	lb	1.58			
Lorsban 4E	pt	4.45			
Malathion 57EC	pt	2.63			
Malathion 8E	pt	4.25			
Malathion ULV	pt	4.93			
Mepichlor 4.2% Liq	pt	5.91			
Methyl Parathion	pt	4.23			
Monitor 4	pt	14.97			
Mustang Max	oz	1.61			
Orthene 90S	lb	8.42			
Orthene 97	lb	10.59			
Penncap M	pt	3.55			
Phaser 3E	qt	8.13			
Pounce 25WP	lb	10.94			
Pounce 3.2 EC	oz	0.91			
Provado 1.6F	oz	2.65			
Sevin 80S	lb	6.13			
Sevin XLR Plus	qt	9.44			

FORESTRY

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Louisiana Situation and Outlook

The projected Louisiana gross farm value of forest products decreased significantly for the 2008 calendar year – the period reported in this 2008 report. This decrease marks two consecutive years of significant reductions in the forest products sector of Louisiana's economy and coincides with the sharp contraction in the national economy that began toward the end of 2007. The 2008 total sawlog harvest decreased by 326 million board feet (29 percent) to a cut of 970,769,099 board feet. The pine sawtimber harvest decreased 30 percent to a total statewide harvest of 833,165,104 board feet. The hardwood sawtimber harvest fell to 137,603,995 board feet (a 21 percent decrease) in 2008. Pine chip-n-saw harvested in 2008 totaled 791,295 cords, a decrease of 10 percent from 2007 totals. Over the last four years, chip-n-saw harvests have declined more than 60 percent.

The 2008 Louisiana pulpwood harvest was 6,153,357 cords, up 186,882 cords (3 percent) from the 2007 harvest. Pine pulpwood harvest increased 2 percent, from 4,831,957 cords in 2007 to 4,932,976 cords in 2008. Hardwood pulpwood harvest increased by 85,863 cords (7.3 percent), from 1,134,518 cords in 2007 to 1,220,381 cords in 2008. This increase follows a 33 percent decline in hardwood pulpwood harvest in 2006.

Stumpage prices for the period were mostly lower for sawtimber products and chip-n-saw and significantly higher for pulpwood products, reflecting increased demand for fiber as fuel wood during the year as fuel prices spiked and peaked. Pine sawtimber stumpage prices were 21 percent lower in 2008, averaging about \$266 per mbf for the year. Oak sawtimber stumpage prices were 2 percent lower on average around the state in 2008, at approximately \$235 per mbf

for the reporting period. Statewide average pine pulpwood prices increased 32 percent in 2008. Hardwood pulpwood prices were 25 percent higher on average. The average pine pulpwood price for the year in Louisiana was almost \$29, and the average hardwood pulpwood price for the year was almost \$28. Chip-n-saw prices decreased 11 percent again this year to a statewide average of approximately \$46 per cord.

With wood-using industries and commercial timber harvesting activities occurring in all parishes in Louisiana, forestry benefits both urban and rural areas. In 2008, Louisiana's private forest landowners received an estimated \$463.3 million from the sale of forest timber, down 26 percent from 2007 and down 37 percent for the last two years combined. Timber harvesting contractors and their employees earned \$487.9 million from harvesting the trees and moving wood to mills. This total was down 1 percent from 2007 levels. This income is re-circulated many times throughout the economy. In addition, Christmas tree growers received \$1.08 million from the sale of trees, up 11 percent from the previous year. Louisiana-produced pine straw sales made \$27,600 in 2008. Louisiana's private sector forest tree seedling nurseries produced a crop worth \$87,500 in 2008.

The payroll and income derived from money generated by the forestry and wood products industry totaled an estimated \$3.2 billion in 2008, a decrease of 14 percent from 2007 totals. The gross farm income produced by all forestry-related products, such as timber, pine straw and Christmas trees totaled \$952 million in 2008, down from the \$1.1 billion generated in 2007. The value added through further processing and delivery was \$2.3 billion, down from the 2007 value added of \$2.6 billion.

COTTON OUTLOOK

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Introduction

Reduced area and smaller supplies, along with depressed prices characterize the domestic cotton market, while global economic slowdown and reduced cotton consumption describe the international situation. Total United States cotton supplies for the market year (August-July) 2008/09 are projected at 23.9 million bales, almost 17 percent lower than last year. At 10.4 million bales, beginning stocks are slightly larger than the 9.48 million bales a year earlier. The 2008/09 United States cotton crop remains forecast at 13.4 million bales, substantially lower than last year's 19.21 million bales.

Global cotton production in 2008/09 is projected at 111.6 million bales and 7 percent less than a year earlier. Global cotton consumption in 2008/09 is projected at 116.6 million bales 6.8 million bales less than a year ago. World ending stocks are projected at 58.8 million bales, 2.6 million bales less than a year earlier. Ending stocks have been trending downward over the last few years.

United States Situation and Outlook

According to USDA's forecast, the 2008 cotton crop is projected at 13.04 million bales, well below the 2007 crop and the lowest in 25 years. Reduced acreage and lower yields led to the substantially smaller crop in 2008. Upland production is estimated at nearly 13.2 million bales, the smallest crop since 1989. The extra-long staple (ELS) crop is also down significantly at 444,000 bales, nearly half of the 2007 total, as area was diverted away from ELS in addition to a lower average yield.

On a regional basis, the Southwest region is forecast to produce an upland crop of 5.4 million bales, the smallest in five years but still accounting for 41 percent of the total U.S. crop. Despite planted area similar to a year earlier, inclement weather forced significant abandonment. The Delta region is expected to produce a crop of 3.5 million bales, down from 5.3 million bales in 2007 and the lowest since 1986. Meanwhile, the Southeast is the only region forecast to harvest a larger crop in 2008, 3.4 million bales versus 3.2 million in 2007. Although cotton area was reduced this season, a record yield for the region of 849 pounds per harvested acre pushed production higher.

U.S. cotton demand in 2008/09 was reduced to 16.20 million bales, the lowest in eight years. U.S. mill use was lowered to 4.2 million bales, nearly 7 percent below 2007/08 as the downward trend toward a smaller domestic manufacturing sector continues. At the current estimate, U.S. cotton mill use would be the smallest since 1903/04. In response to the reduction in foreign mill use and imports, United States cotton exports were reduced to 12.0 million bales, the lowest shipments since 2002/03. The projected reduction in global demand this season has limited foreign import demand, reducing shipments from all major exporting countries. Currently, ending stocks are estimated at 6.9 million bales, 3 million bales below 2007/08.

World Situation and Outlook

World cotton production in 2008/09 is forecast at 111.6 million bales, down 7.4 percent from the previous year. This decline is the largest year-to-year reduction since 2002/03. Factors explaining the declining global production include high input prices at planting time, higher returns on competing crops, and the current turmoil in world financial markets which is affecting southern hemisphere production. In the United States, the epicenter of the global financial crisis, 2008/09 production is forecast to decrease by a considerable 5.6 million bales.

In Brazil, farmers have been pessimistic about planting intentions because of tight credit conditions and low cotton prices. Brazil's production fell 1.6 million bales from last year's record production of 7.4 million. China, Pakistan, and Uzbekistan are each estimated to show a reduction of 500,000 bales in 2008/09 production. In India, 2008/09 production is forecast at 24 million bales, down 2.4 percent from last season.

World cotton consumption in 2008/09 is estimated at 116.6 million bales, down 6.8 million bales from last year and the lowest since 2005/06. This slide in use is the most significant seen since 1943/44. Among major cotton consuming countries in 2008/09, mill use will decline in China (-2.5 million bales), Turkey (-1.2 million bales), India (-800,000), Pakistan (-600,000), the United States (-309,000), and Brazil (-200,000). The declining mill use follows weak consumer demand resulting from the ongoing liquidity crisis. As a result of these supply and demand projections, global stocks are expected to decline slightly to 58.8 million bales, while foreign stocks remain essentially at the same level as last year at 51.67 million bales.

Prices

Despite lower supplies in 2008/09, United States farm prices are being influenced by a number of other factors, none more important than the apparent retrenchment in world cotton demand this season. The forecast for the upland farm price was lowered in December to a range of 41 to 51 cents per pound, down 4 cents at each end of the range for November. This price compares with a final 2007/08 farm price of 59.3 cents per pound. Currently the December 2009 futures is trading around 55.85 cents per pound and at this level cotton production in 2009 is likely continue to decline in the United States and the World.

SOYBEAN OUTLOOK

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Introduction

Record market volatility, significantly higher input costs and adverse weather conditions were all conditions soybean producers around the United States had to deal with in the 2008/09 growing and marketing years. What started as a very optimistic year for most producers soon began to turn sour as early season floods in the Midwest, sharply higher input costs and two major hurricanes all took a toll on the soybean industry. Despite the extremely difficult production year experienced by most soybean producers, record commodity prices during the first part of 2008 helped to soften the impact. Unfortunately, growing concerns about the economy and its implication for demand triggered a significant downturn in prices from those record levels and placed a sobering end to the difficult 2008 calendar year.

National and International Situation and Outlook

The concerns over the economy's poor performance and the potential for reduced demand for all commodities are causing the market to lose sight of basic supply-and-demand fundamentals. The 2008/09 supply and demand fundamentals for the soybean market remain fairly strong. Despite a 17 percent increase in planted acres in 2008, lower beginning stocks and below-average yields in 2008 resulted in only a 3 percent increase in total soybean supplies for the 2008/09 marketing year over the previous year. Difficult weather conditions experienced through much of the 2008 growing season helped limit total production and resulted in very manageable supply levels.

The real concern for the soybean market, and for all commodity markets, is the demand side of the equation. The current recession has created a great amount of uncertainty regarding the ability for demand to performance at a pace which will continue to be supportive to prices. To this point, demand in the 2008/09 marketing year has experienced mixed results. Although domestic soybean crush has struggled to maintain the pace of previous years, soybean exports have been very strong. Soybean crush has been affected by reduced consumption patterns, a contracting livestock industry and lower margins in the bio-fuel sector as crude oil prices have fallen. With the prediction of continued economic difficulties for the remainder of the 2009 calendar year, little or no improvement in domestic crush is projected. This projection places an additional burden on export demand to continue at a strong pace to help support total soybean demand.

Through the first quarter and a one-half of the 2008/09 marketing year, soybean exports have been roughly 18 percent higher than through the same period in the previous marketing year. The ability of soybean exports to continue at the current pace will likely hinge on China's future appetite for soybeans. In a typical marketing year, China will purchase 50 to 60 percent of all the soybeans sold by the United States. Although China's total soybean imports for the 2008/09 marketing year are expected to be roughly 5 percent below the previous year, U.S. soybean purchases are 50 percent higher through this point in the marketing year as compared to the previous year.

Several market analysts, however, suggest the current pace of China's soybean purchases will not be sustainable. These analysts believe China's current soybean purchases are part of an effort to build China's domestic stocks, and that, once those stocks are built to acceptable levels, demand will begin to fall. Other analysts believe the retraction in the economies of several regions around the world will soon begin in China and will impact their overall

demand. Regardless of the reason, the absence of China in the market for soybeans would undoubtedly alter the supply and demand picture for soybeans not only domestically but worldwide.

Although no signs of a slowdown in China's appetite for soybeans have been seen at this point, the market will undoubtedly pay close attention to this issue. In addition to the China factor, soybean exports will likely have to balance the negative impact of a strengthening the U.S. dollar and the positive impact of lower transportation costs. Export demand for soybeans has experienced a very strong couple of years as world protein demand increased and as the U.S. dollar experienced a period of significant devaluation.

As the United States dollar began to fall relative to foreign currency, U.S. soybeans became relatively less expensive to foreign buyers and, therefore, more competitive in the world market. The U.S. dollar continued to devalue versus foreign currency through the first half of 2008 but then began to gain value through the last half of 2008. From July 2008 through February 2009, the trade weighed exchange index for the U.S. dollar increased by slightly more than 20 percent. This regaining of strength by the U.S. dollar has and will likely continue to have implications on export competitiveness.

Helping to offset the increase in the value of the U.S. dollar has been lower energy costs and the resulting lower transportation costs. The costs associated with moving agricultural commodities both domestically and abroad have fallen significantly from the first half of 2008. For example, according to the Agricultural Marketing Service (AMS), ocean-going freight rates for moving grain from the Gulf of Mexico to Japan has fallen from a high of around \$135 per metric ton earlier in 2008 to roughly \$35 per metric ton in February 2009. This decline should help support agricultural trade and is one reason soybean exports have performed as well thus far in the marketing year.

Despite the concerns about demand in general, the stronger-than-expected export demand and the lower-than-expected production in the United States has created a fairly tight stock situation for the 2008/09 marketing year. As long as the stock situation remains relatively tight, the possibility of higher prices remains if some shock, such as weather difficulties, occurs either to the supply or demand side of the equation. The same case can not be as easily made for the world soybean supply-and-demand situation.

Total world soybean production for the 2008/09 marketing year is up slightly from the previous year, while total consumption is expected to be down slightly. As a result, world soybean stocks are expected to increase marginally during the 2008/09 marketing year. Ending stocks, while down from the record high experienced during the 2006/07 marketing year, are still well within the range of the five-year average and certainly do not denote a tight stock situation. The one caveat to this situation is the impact of adverse early season growing conditions in South America.

Dry conditions through the first part of the growing seasons in Brazil and Argentina have lowered production expectations for both countries. The USDA reduced expected production for Argentina by nearly 12 percent and Brazil by nearly 3 percent. Although rains have helped conditions in both countries, production is expected to be lower than original estimates. Although lower production in South America will certainly alter the world-ending stock situation, the decrease does not appear to be sufficient enough to turn the current ample-stock situation into a tight-stock situation. The decline in production, however, could reduce the competitiveness of these countries in world soybean trade and indirectly help support U.S. soybean exports.

Looking toward the 2009 crop year and the corresponding 2009/10 marketing year, the conditions affecting supply and demand for soybeans appear to be fairly stable from the

current marketing year. The large acreage shifts experienced in soybeans and many other feed grains over the last couple of years do not appear to be in the cards for 2009. Current price relationships between corn and soybeans do not seem to warrant significant acreage shifts. Lower cotton and winter wheat acres signal some possible shifts into soybeans and feed grains, but the magnitude of those shifts appear to be considerably smaller than previous years. At the 2009 Outlook forum, the USDA projected roughly 2 million additional acres of soybeans in 2009. Given the magnitude of the acreage shift, supply and demand conditions for soybeans are projected to remain relatively stable to 2008 levels. The projections assume total demand does not experience significant reductions. The current assumption for the soybean market is demand for soybeans has enough positive factors to remain on par with 2008/09 levels.

Louisiana Situation and Outlook

Louisiana soybean acreage in 2008 was up significantly. This increased acreage was the result of an expectation for higher input costs and a more optimistic soybean price outlook. Together, the two factors decreased the attractiveness of feed grain and cotton production. The large number of acres planted in winter wheat and the potential for double cropping with soybeans also helped increase soybean acreage. Louisiana soybean acres in 2008 were 1.05 million acres, up more than 400,000 acres from the previous year. Early projections placed soybean acres at 1.2 million, but weather conditions after wheat harvest and wet conditions early in the planting year limited total soybean acres.

The growing season was one of challenges for most soybean producers. Wet conditions in many areas during the early part of the growing season were followed by a short period of drought-type conditions and by two hurricanes. The roller-coaster ride of crop growing conditions certainly affected yields as the state average yield for 2008 was 33 bushels per acre.

This yield was down from the record-breaking 2007 year and is slightly below the five-year average. Along with lower yields, adverse weather conditions also had a fairly significant effect on the quality of the soybeans harvested. Many producers were faced with average or slightly below-average yields and considerable quality discounts when the soybeans were taken to market. In some cases, producers were left to sell soybeans for salvage value because of high-quality damage.

Despite the troubles experienced in 2008, soybean acres are expected to increase slightly in 2009. While fuel and fertilizer prices trended lower during the last quarter of 2008 and first part of 2009, the prices still remain high from a historical perspective. Crops with high fertilizer requirements such as cotton and many feed grains will still have production costs well above five-year averages. With prices for all commodities at discounted levels compared to those prices seen in 2008, producers are likely to remain leery of the profitability of crops with high production cost. Given expected production costs and average state yields, current prices and price outlooks for soybeans and feed grains, soybeans still project slightly better profitability for production in Louisiana. Early projections place soybean acreage at 1.2 million acres.

Price Outlook

Despite a generally favorable supply-and-demand situation for soybeans, prices have had a great deal of difficulty finding support through the first couple of months of 2009. Several potential, interrelated reasons exist for this problem. All the reasons point toward the downturn in the U.S. economy and the downturn's implications for investment and consumption patterns. Concerns regarding demand continue to hang over all the agricultural commodity markets. The economy's downturn has decreased the amount of confidence being exhibited in the financial and energy markets. This lack of confidence has spilled over into the agricultural

commodities markets and has helped to erode the large net-long position held by noncommercial speculative index funds in the agricultural commodity markets.

Over about a five-year period, noncommercial speculative index funds built a large net-long position in most agricultural markets, including soybeans. The large net-long position was created by these index funds purchasing many more contracts than the funds were selling. With more contracts being purchased than sold, the result was significantly higher prices. However, as concerns about the economy began to develop and as confidence in the markets began to erode, these index funds began to alter their position to balance their performance in financial and other markets. The funds altered their positions by selling more contracts than the funds were buying, which initiated the decline in prices. Prices continue to struggle to find value despite strong fundamentals and seasonal trends. The commodity markets seem to be taking more direction from outside markets than from the current supply and demand situation. Until investors have more confidence in all the markets, projecting a sustained improvement in prices is difficult.

One advantage soybeans have over other commodities is several positive factors related to soybean's fundamental supply and demand situation. With only minimal acreage increases expected for 2009 and with demand very strong through the first part of the 2008/09 marketing year, a strong possibility exists ending stocks could move even lower than current projections. Lower ending stocks would help limit any increases in total soybean supplies for the 2009/10 marketing year expected with the slightly larger acreage. As long as total demand does not experience significant losses, the supply-and-demand balance for the 2009/10 should be fairly similar to the balance experienced in the 2008/09 marketing year. While prices are expected to remain relatively stable moving into the 2009/10 marketing year,

prices will be lower than the prices experienced in 2008/09.

The major reason for the lower price projection is related to the amount and level of speculative activity in the markets. The economy is expected to struggle for all of 2009 and perhaps through the first quarter of 2010. Until the economy starts to recover, speculative index funds will not re-enter the market and will certainly not re-enter the market at levels sufficient to create the positive price situation seen in the early 2008. Without this factor in the market, prices are projected to fall from current levels in the 2009/10 marketing year. At the 2009 Outlook forum, the USDA projected the marketing year average soybean price for the 2009/10 marketing year at \$8 per bushel, down from \$9.25 during the 2008/09 marketing year. Positive supply and demand fundamentals seem to warrant a slightly more positive outlook. Given the current stock situation and the potential for situation to improve over the remainder of the 2008/09 marketing year, a price range for the 2009/10 soybean marketing year of \$8.50 to \$9.50 per bushel seems plausible.

SUGARCANE OUTLOOK

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National Situation and Outlook

U.S. cane sugar production for 2008/09 is projected at 3.575 million short tons, raw value (STRV), which is about 4.3 percent higher than the previous year. Total sugarcane harvested for the 2008/09 crop was estimated at 30.69 million tons from an estimated total acreage harvested for sugar of 869,500 acres. For the two major production states, sugarcane acreage harvested for sugar and seed in 2008/09 was estimated at 401,000 in Florida and 405,000 in Louisiana.

The U.S. average sugarcane yield was estimated at 35.3 tons per acre, up from 34.1 tons in 2007/08.

United States sugarbeet acres planted for 2008 was estimated at 1.005 million acres, down about 19.4 percent from the previous year. The national sugarbeet yield was estimated at 26.7 tons per acre, up slightly from 25.5 tons in 2007. Sugarbeet production was forecast as 26.820 million tons, down 15.8 percent from last year. Beet processors' forecast of 2008/09 beet sugar production is 4.225 million short tons, raw value (STRV), representing a decrease of 10.5 percent from the previous year.

The January 2009 WASDE report shows the total U.S. supply of sugar at 11.952 million STRV. This total sugar supply comprised 1.656 million STRV in beginning stocks, 7.800 million STRV of production and an estimated import level of 2.496 million STRV. This U.S. sugar supply level is approximately 4.9 percent lower than a year earlier.

On the demand side, sugar use is projected to change little in 2008/09 over the previous year. Total U.S. sugar use for 2008/09 is projected at 10.880 million STRV, compared with 10.913 million STRV from a year earlier. Total domestic deliveries of sugar are projected at 10.710 million STRV. Domestic food use is forecast at 10.500 million STRV.

Ending stocks for the current fiscal year (2008/09) is estimated to be down significantly, primarily the result of decreased beet sugar production and higher projected imports. The January WASDE report estimated U.S. ending sugar stocks at 1.072 million STRV, down from 1.656 million STRV in the previous year. These projected ending stock levels result in a stocks-to-use ratio of 9.9 percent, compared with 15.2 percent in 2007/08.

Price Outlook

Raw sugar prices during the 2008 calendar year fluctuated around a 21.30 cent per pound

average price level, averaging slightly above the 2007 average of 20.99 cents per pound. U.S. raw sugar prices averaged 20.24 cents per pound in January 2008 and rose to 23.76 cents per pound in July. However, higher estimates of beet sugar yields and the announcement of additional refined sugar imports in August caused raw sugar prices to decline to 19.83 cents in November and settle at 20.00 cents in December.

U.S. raw sugar prices for 2009 delivery are currently trading in the 20- to 21-cent level. Nearby raw sugar futures prices (No. 14 contract on the New York Board of Trade) are currently trading at 20.30 for March delivery and 20.70 for May delivery. Futures contract prices for months in the 2009 sugarcane grinding season are trading in the 21.07-21.10 cent per pound range.

Louisiana Situation and Outlook

In 2008, sugarcane was grown on 401,435 acres (a decrease of 17,498 acres or 4.2 percent when compared to the 2007 crop) by 526 producers (a decrease of 83 producers or 13.6 percent in 22 Louisiana parishes (counties). This drop is the largest decrease in the number of producers in recent years. An estimated 375,342 acres (a decrease of 16,360 acres or 4.2 percent) were available for harvest for sugar, assuming 6.5 percent of the total acres were used for seed cane purposes. The actual acreage for harvest may be slightly lower because, undoubtedly, more cane was needed for seed due to the lodged condition of the crop at planting as a result of hurricanes Gustav and Ike affecting the industry in 2008. Further, many producers had to plant "billets" since they were unable to plant the crooked, whole stalks. The use of billets means a decrease in the planting ratio resulting in the need for more seed cane per acre.

The 13 factories (12 raw sugar factories and one syrup factory) processed 12,259,838 tons of cane (a decrease of 1,112,733 tons or 8.3 percent when compared to 2007). When

compared to the 2007 crop, the number of raw sugar factories increased by one factory because the St. James Factory was reopened by Louisiana Green Fuels. The sugar produced from the Lacassine syrup factory was crystallized at the Enterprise factory at Patoutville near Jeanerette, Louisiana. Altogether, the 12 raw sugar factories produced 1,373,039 short tons of sugar (96 pol) (a decrease of 83,316 short tons or 5.7 percent). Accordingly, the average yield of cane produced per total acre was 30.5 tons (a decrease of 1.4 tons or 4.4 percent). The average yield of cane produced from each harvested acre amounted to 32.7 tons (a decrease of 1.4 tons or 4.1 percent). The average sugar recovery at the 12 factories was 11.20 percent or 224 pounds of sugar (96 pol) per ton of cane; this amount was an increase of 6 pounds of sugar per ton of cane or an increase of 2.3 percent when compared to the 2007 crop. The yield of commercially recoverable sugar produced per total acre averaged 6,832 pounds (a decrease of 122 pounds or 1.8 percent). Sugar produced per harvested acre was approximately 7,325 pounds (a decrease of 109 pounds or 1.5 percent).

The gross farm value of the 2008 sugarcane crop was \$372,794,574 for sugar and molasses (a decrease of \$14,365,010 or 3.7 percent when compared to the 2007 crop). The gross farm value reported above represents 60 percent of the value of the sugar and molasses produced, with the remaining percentage going to processing and marketing (\$248,529,716). The total value of the sugarcane crop to Louisiana producers, processors and landlords at the first processing level was actually \$621,324,290. Sugarcane still ranks first in value among the state's row crops. Although field yields were undoubtedly lowered by the two hurricanes, the loss of cane tonnage was partially offset by an increase in the yield of recoverable sugar per ton of cane.

Even with the reduction, the 32.7-ton yield was the seventh best in the state's history, and the yield of sugar per acre for the 2008 crop was the third highest. The total tons of cane

produced were the ninth largest in the state's history while the yield of recoverable sugar per ton of cane was second best. Even though the acreage in sugarcane has dropped by more than 94,000 acres in Louisiana since 2000, the 2008 crop was still the sixth largest crop in its 213-year history. In 2000, approximately 496,000 acres of sugarcane were planted. Since 2000, a gradual trend toward planting fewer acres has emerged. The fewer acres can be attributed to urban encroachment, a switch to other crops, especially grain in the Northern region of the sugarcane belt because of higher commodity prices for grain and the continued low prices received for sugar. Sugar prices have remained low and virtually unchanged for the past 25 years although molasses prices have continued high for the last several years.

The 2008 sugarcane variety census shows Louisiana producers have switched to the newer varieties, especially HoCP 96-540 (44 percent of the planted area) and L 97-128 (17 percent) while dramatically decreasing the area planted to LCP 85-384 (91 percent in 2004 to 22 percent in 2008). Although field yields were somewhat disappointing for the 2008 crop, several reasons exist for the shortfall. For the most part, producers were very satisfied with the performance of the newer varieties because the producers realized yields were compromised for several reasons. These reasons include: a significant drought during much of the summer in several areas of the belt; the impact of the two hurricanes on sugarcane growth and harvest ability (with lodged cane there is a tendency for greater scrap losses in the field); and the dry weather conditions that reduced extraneous matter in harvested cane (lower extraneous material meant lower gross yields but better cane quality and a higher level of recoverable sugar per ton of cane). Also, as a result of Hurricane Ike, approximately 30,000 acres of sugarcane were flooded, causing lower yields of both tons of cane per acre and recoverable sugar per ton of cane.

Although rainfall was generally well-distributed throughout the growing season,

several areas of the state experienced brief periods of drought during the summer, which may have adversely affected cane and sugar yields in those areas. For the most part, below-normal rainfall during the harvest season helped improve the quality of harvested cane. Following the hurricanes, cane growth slowed dramatically because of excessive lodging and physiological shock to the plant. Also, after the storms an extended period of dry weather with unlimited sunlight helped to improve maturity of the crop. Previous research has shown, given a variety with early maturity and high sucrose content, incident sunlight is the most important criteria in sugarcane maturity in Louisiana.

Because of the lodged conditions of the crop, the usage of the chemical ripener, glyphosate, was reduced. Response to the ripener is less when the sugarcane is in a lodged condition. Approximately 50 percent of the total acres harvested, however, were treated to help to improve the yield of recoverable sugar per ton of cane. Another possible reason for the improved yield of recoverable sugar per ton of cane was the delayed start to the grinding season as a direct result of the two hurricanes. Many producers had little or no cane planted prior to the storms, and with the crooked stalks caused by the storms, planting efficiency was reduced. Many cane producers planted in September and October so harvest season was delayed because most producers are unable to both plant and harvest their crops at the same time. Generally, the same personnel and equipment are used in both two operations.

Although cane and sugar yields were generally good throughout much of the sugarcane belt, producers reported lower profits because of the low price of sugar and the high input prices paid for fuel and fertilizer. Because of the high cost of fertilizer in general, many producers used less nitrogen in 2008 than in past years although recommendations for stress-maximum yields of sugar per ton of cane and per acre could be achieved with lower rates of nitrogen. Undoubtedly, the lower rates of nitrogen helped to improve the maturity of the

crop and increased the yield of recoverable sugar per ton of cane. Producers also applied less phosphorus and potassium in 2008 because of the high costs. Further, research data has shown little or no response in yield of cane or sugar per acre could be expected when phosphorus and potassium are used even though soil tests indicate an insufficient level of these nutrients in the soils. In an effort to reduce fuel costs, many producers operated their whole-stalk or "soldier" harvesters whenever possible and burned standing cane prior to harvest with the cane combine. Although the pricing period is not completed for the 2008 crop, sugar prices remain low (approximately \$20.20/cwt). On a brighter note, molasses prices have remained high and should average about \$115/short ton at 79.5 Brix or \$0.675/gallon for the 2008 crop.

RICE OUTLOOK

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Introduction

A slight increase in acreage and record prices characterize the domestic rice market, while tightening supplies and high prices characterize the international market. Total U.S. rice supplies for the market year (August-July) 2008/09 are projected at 251.2 million cwt (hundredweight), 4 percent less than last year. At 29.4 million cwt beginning stocks are down 10 million cwt from a year earlier. Imports remain forecast at 18.0 million cwt, less than last year's record of 23.9 million cwt. The 2008/09 U.S. rice crop remains forecast at 203.7 million cwt, almost 3 percent larger than a year earlier. The increase in production results from increased area, as rice yields are down from last year's record level.

Global rice production in 2008/09 is projected at a record 439.1 million tons (metric tons), slightly above last year's level of 431.3 million tons. Global rice consumption is 2008/09 is projected at 435.1 million tons, 1.6 percent larger than the previous year. Global ending stocks are projected at 82.7 million tons, up 2 percent from last month and the highest since 2002/03.

United States Situation and Outlook

The decrease in beginning stocks does not offset the larger production and high levels of imports. At 29.4 million cwt beginning stocks are down 10 percent from a year earlier. Imports are projected at a high level of 18 million cwt. The 2008/09 U.S. rough rice crop remains forecast at 203.7 million cwt, up almost 3 percent from last year. Although rice yields are lower this year, the larger crop is a result of an increase of 240,000 acres planted to rice in 2008.

The average yield is forecast at 6,846 pounds per acre, 113 pounds and 5 percent lower than the 2007 record. Yields were lowered this month for all reported states except California and Louisiana. Much of the southern rice growing area was damaged by two severe hurricanes in September. In contrast, U.S. plantings increased in every state except California, primarily because of extremely high prices at planting and expectations of high prices in 2008/09.

Total U.S. rice supplies in 2008/09 are projected to be up slightly from a year earlier, as the larger acreage and high levels of imports more than offset a smaller carryin. At 251.2 million cwt, total supplies are 10.4 million cwt less than last year. By class, medium/short grain accounts for all the year-to-year supply reduction, largely because of a smaller crop. In contrast, long-grain supplies are forecast 1 percent larger than last year, a result of a bigger crop.

Total use of U.S. rice in 2008/09 is projected at 228.0 million cwt, 5 percent lower than the previous year. Exports account for all the downward revision. The 2008/09 U.S. export forecast was lowered this month 5 million cwt to 101 million cwt, down 6 percent from last year. The downward revision was largely based on shipment pace and smaller U.S. supplies. Milled rice exports were lowered 4.0 million cwt to 63.0 million, mostly because of a slower-than-expected pace of shipments and sales to the Middle East. The rough rice export forecast was lowered 1.0 million cwt to 38.0 million, mostly because of a slower-than-expected pace of sales to traditional markets in the Western Hemisphere.

Total domestic disappearance was raised 1.0 million cwt to a near-record 127.0 million cwt, up 2 percent from last year. The upward revision was largely based on domestic disappearance through November and expectations regarding domestic use the remainder of the market year. Because of the record-high prices of medium-/short-grain rice, some U.S. processors are likely switching from medium-/short-grain rice to lower priced U.S. long grain rice.

U.S. ending stocks for 2008/09 are projected at 23.2 million cwt, 21 percent below the previous year. These projections are the lowest ending stocks since 1998/99. The stocks-to-use ratio is calculated at 10.2 percent, down from 12.7 percent a year earlier and the lowest since 1974/75.

The 2008/09 U.S. all-rice season-average farm price (SAFP) was raised \$1.35 per cwt in January on both the high and low ends to \$16.50-\$17.50 per cwt, the highest on record and well above the SAFP of \$12.80 in 2007/08. The upward revision was based on reported rough rice cash prices through mid-December, especially for medium-/short-grain rice and expectations regarding prices the remainder of the market year.

World States Situation and Outlook

Global rice production for 2008/09 is projected at a record 439.1 million tons, up 4.5 million tons and almost 2 percent above 2007/08. This year's record global rice production is the result of expanded global area, estimated at a record 155.8 million hectares. Global disappearance is projected at a record 435.1 million tons, and almost 2 percent larger than a year earlier. Global ending stocks are projected at 82.7 million tons, 5 percent larger than last year. Global ending stocks are the highest since 2003/04. The global stocks-to-use is calculated at 19.0 percent, up slightly from 18.4 percent in 2007/08.

Global rice trade for calendar year 2009 is projected at 29.6 million tons, 1 percent larger than last year. Despite the slight upward revision, 2009 trade is still forecast nearly 8 percent below the 2007 record. Export estimates were raised in January for Cambodia and Brazil, but lowered for Vietnam and Ecuador. On the import side, 2008 estimates were revised upward for Bangladesh, the European Union and Haiti. These upward revisions were nearly offset by reductions for North Korea, Columbia, Syria, Australia and Taiwan.

Thailand's trading prices for various grades and types of rice are up 3 to 8 percent from early December 2008, primarily because of large purchases of rough rice by the government and recent inquiries by major buyers, especially for fragrant rice and parboiled rice. Prices for Thailand's high-quality, 100 percent Grade B milled rice for export were quoted at \$576 per ton in January, up \$40 from the end of December. Prices for 5 percent broken were quoted at \$559 per ton. In contrast to Thailand's prices, price quotes from Vietnam have decreased since the end of December. In January, prices for Vietnam's top quality 5 percent broken were quoted at \$400 per ton, down \$25 from a week earlier.

Export price quotes for U.S. long-grain milled rice continue to drop, primarily because

of a lack of new business. In January, price quotes for high-quality southern long grain rice (No. 2, 4 percent broken) were quoted at \$606 per ton, down \$28 from a month earlier and more than \$340 below the late-April record. Price quotes for U.S. long-grain rough rice (bulk, fob vessel, New Orleans) are reported at \$360 per ton in January, unchanged from a month earlier.

Price quotes for California package quality medium-grain rice for domestic sales remain at \$1,102 per ton in January, down just \$33 from the late September record. Export price quotes remain reported at a near record \$1,125 per ton. U.S. medium-grain prices are being supported at extremely high levels by Egypt's export ban, a lack of any significant exportable supplies in Australia and a smaller U.S. crop in 2008/09.

FEED-GRAIN OUTLOOK

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Introduction

Critical factors currently facing the feed-grain markets are lower livestock numbers, lower ethanol profitability and a rebound in production and stock domestically and worldwide. All these factors plus the slowdown in economic growth have an effect on the demand for feed grains and other agricultural commodities. Sharply lower crude oil prices have reduced ethanol profit margins. These reduced profit margins are expected to slow the record demand for feed grains used in ethanol production over the past three years. In addition, significant increases in world corn and feed-grain production over the past two marketing years has helped to eliminate the extremely tight stock situation that dominated

the markets and helped create some of the record prices.

National and International Situation and Outlook

Although the fundamental supply-and-demand conditions for agricultural commodities have been overshadowed by concerns for the general economy and the poor performance of the financial markets, these fundamentals still to provide some glimpse into the basic support structure of the market. For corn, the supply-and-demand conditions for the 2008/09 marketing year are considerably changed from those conditions experienced over the past few years. Although tight stocks and growing demand have been the highlights of this market in the previous two years, the 2008/09 marketing year is projected to see ending stocks increase by more than 10 percent. Rather than being significantly below five-year averages, ending stocks are expected to be nearly 13 percent above five-year averages.

With the significantly higher input costs experienced in 2007 and the projection for even higher input costs in 2008, producers cut back corn acres planted in 2008 by roughly 7 million acres. Total corn production and supplies, however, were only reduced by 4 percent from the previous year because of better-than-average yields. Reductions in total corn use of nearly 6 percent more than offset lower supplies resulting in higher ending stocks. Corn ending stocks are expected to more than 10 percent higher in 2008/09 compared to the previous year and more than 12 percent higher than the five-year average

Two major areas seemed to contribute to lower corn use: lower feed demand and slowing expansion of ethanol production. Corn used for feed is expected to fall by nearly 11 percent from the previous year. Over the last couple of years, contraction has been occurring in beef production. In 2008, signs of contraction in poultry and pork production began to appear as well. The contraction in these two commodities

is expected to continue through much of 2009. In fact, beef, poultry and pork production are all expected to fall during 2009, which will be the first time the three meat categories have experienced lower production in the same year.

The other factor contributing to demand not keeping pace with supply is the apparent slowdown in the expansion of ethanol production. Lower crude oil prices are helping to curtail growth by having a negative impact on ethanol profitability. Also, the rate of growth has weakened as total ethanol production and capacity began to approach mandated levels outlined in the U.S. energy policy. Although total corn used in ethanol production is unlikely to fall because of the slowdown, average yearly growth in corn use in ethanol will decline. From 2004 to 2007, the average yearly growth in corn used in ethanol production was roughly 32 percent. The rate of growth from the 2007/08 to the 2008/09 marketing year is expected to be 19 percent.

This slowdown in growth is expected to continue into the next marketing year because projections are pointing to lower crude oil prices for all of 2009. At the 2009 Outlook Forum, the USDA projected corn used in ethanol production during the 2009/10 marketing year will grow by only 11 percent. With corn production ramped up over the last several years to meet annual growth in corn used for ethanol production in the 30 percent range, the slower growth experienced for the 2008/09 marketing year helped create the larger stock levels being experienced in the industry. With domestic demand likely to struggle over the next year, exports will have to compensate in order to keep total corn use at typical levels.

Export demand for corn and all feed grains has been extremely strong for the past couple of years. With a falling U.S. dollar, lower world production and tight world stocks, the United States experienced a period of very good export demand. However, a stronger U.S. dollar over the last half of 2008 and a rebound in world corn and feed-grain production created a

difficult situation for feed-grain exports to keep pace with export levels of previous years. So far in the 2008/09 marketing year, corn exports are 40 percent lower than last year, and grain sorghum exports are down roughly 72 percent from last year. A look at the top 10 buyers of corn reveals the total amount of corn to be imported by these countries is expected to be down during the 2008/09 marketing year. Total import demand for those countries is expected to be down roughly 16 percent from the previous year.

Even if the United States maintains its market share in those countries, the total volume of corn sold to the countries is going to be much less than the previous year. Likewise, total grain sorghum imports by top customers are projected to be significantly lower in 2008/09. During the 2007/08 marketing year, grain sorghum exports were led by sales to the European Union as these countries substituted grain sorghum for wheat in response to extremely low domestic and world wheat supplies. For the 2008/09 marketing year, however, grain sorghum imports by the European Union are expected to fall by 96 percent from the previous year. The decrease represents a large part of the export market for U.S. grain sorghum. This market will probably not be available at 2007/08 levels during either the 2008/09 and 2009/10 marketing years.

As mentioned, corn exports are affected by growing world supplies of corn. From a low point during the 2005/06 marketing year, world corn production has increased annually by an average of 5 percent. During this time frame, consumption has grown but the growth has been at a much slower rate than the increase in supplies. As a result, ending stocks have increased by an annual average of 6 percent during the same time frame. So the very tight world wide stock situation of two to three years ago has become a situation of ample supplies. Although production shortfalls could be caused by weather-related factors, the shortfalls are unlikely to alter the supply-and-demand balance sufficiently enough to recreate the tight stock

situation seen three years ago. Although dry weather conditions in South America should curtail production in the area, world corn production for the 2008/09 marketing year is expected to remain level or increase from the previous year in all other major growing areas.

Looking ahead to 2009/10 production year, the question for the market becomes how many acres will be planted. The major acreage shift to feed grains seen over the past few years is not expected to occur in 2009. Although fuel and fertilizer costs have moderated from the highs posted in 2008, the costs are still at historically high levels. High feed-grain production costs will likely cause some concern about profitability and could minimize acreage shifts. During the 2009 Outlook Forum, the USDA projected corn acres for 2009 at 86 million acres, unchanged from the previous year. Grain sorghum acres are likely to fall in 2009. Profitability projections and concerns over extremely poor export performance have significantly lowered prices and, in particular, basis offerings for grain sorghum.

Louisiana Situation

Both corn and grain sorghum acreage in 2008 was down from the historic levels experienced during the previous year. For corn, producers planted 520,000 acres in Louisiana, down 220,000 acres from the record levels in 2007. Likewise, grain sorghum acres in 2008 were at 110,000 acres, down by 130,000 acres from the previous years. The sharply higher fuel and fertilizer prices experienced in 2007 and the first part of 2008 were the main reasons for lower acreage. However, sharply higher wheat prices in the fall of 2007 and strong prospects for soybean profitability also helped limit both corn and grain sorghum acres.

The growing season for feed grains was one of up and downs. Earlier in the season, pockets of the growing area were affected by excessive rains and flooding from rising water levels in

the Mississippi River. Later in the season, pockets of drought-type conditions prevailed, lowering yield potential and driving up production costs. At the end of the season, two hurricanes created an exclamation-point ending to the 2008 feed-grain season. Although most producers had harvested a large portion of their corn and grain sorghum crops prior to the hurricanes, what acreage did remain was severely threatened. Shortly after the 2008 harvest season, projections for 2009 acreage called for significantly lower corn and grain sorghum acres. At the time, fuel and fertilizer prices had just begun to descend from record highs, and commodity prices had already fallen substantially from summer highs.

As fuel and fertilizer prices have continued to fall, however, the profitability outlook for feed grains began to change marginally. With lower fuel and fertilizer prices and with corn prices remaining relatively strong compared to competing crops, the expectation for corn acreage in Louisiana became one of minimal change. While corn acres are expected to fall somewhat in 2009, planted acres are expected to be around 500,000 acres. Lower winter-wheat acres, projected lower cotton acres and an improved profitability outlook will help minimize any reduction in corn acres. Grain sorghum acres, on the other hand, are expected to decline again in 2009. The impact of very poor export demand on basis levels will most likely persuade producers to shift grain sorghum acres toward some other alternative. Talk of elevators not purchasing grain sorghum in 2009 because of falling demand could also drop acreage. Grain sorghum acreage could easily fall below the 100,000 acre level in 2009.

Price Outlook

As with most agricultural commodities, feed-grain prices have generally been trending downward. After moving to a high of over \$7

per bushel during the first half of 2008, corn futures prices have fallen almost continuously. Although concerns over domestic and international demand have contributed to this trend, the real culprits have been concerns about the general economy and a lack of investor confidence in all markets. A slowing economy has implications for demand, which in turn can alter the supply-and-demand balance for agricultural commodities. The real impact on the agricultural markets, however, has been the economic performance of speculative interests and the influence of these interests on the markets.

Over the last five years, the number of speculative index funds in agricultural commodity markets has grown substantially. The traditional view of agricultural markets as long-term investments helped create an extremely large net-long position in the markets. A net-long position is achieved when more contracts are purchased than sold. The speculative index funds created a demand for contracts that helped push prices higher and higher by purchasing many contracts and selling fewer. However as financial markets began to struggle and confidence in all markets diminished, these funds have begun to alter their position in the commodity market in an effort to limit exposure and balance portfolios with the positions held in other markets. The end result was going from a very large net-long position to a very small net-long position. This change help create the downturn in prices.

Unfortunately, these forces continue to affect agricultural markets. Traditionally, agricultural commodity markets are much more immune to changes in the performance of the economy and, therefore, tended to move in response to changes in the supply-and-demand conditions for the particular commodity. Now, a much stronger correlation seems to exist between the movement of the agricultural markets to movements in outside markets such as the financial and energy markets. The reason for this correlation is the larger presence of the speculative index funds in the agricultural

commodity market. With most economists predicting the economy will struggle through at least the end of 2009, the agricultural commodity markets will continue to feel the affect of the other markets as the agricultural market tries to find value.

Forgotten among all the turmoil caused by the influence of outside markets are the basic fundamentals underlying this market. Demand concerns for the feed-grains market are very real. Ending stocks for the 2008/09 marketing year are projected to be below 2 billion bushels. Although not quite a tight stock situation, this level is certainly not an overly burdensome level. Though production is expected to decrease, ethanol production will still be a very large source of demand for corn. A base level of corn production is needed to meet this demand. Any significant acreage reduction or any weather-related production shortfalls could easily push this stock situation back to the very tight scenario experienced a couple of years ago.

At the 2009 Outlook Forum, the USDA projected ending stocks for the 2009/10 marketing year at very similar levels to the 2008/09 marketing year. Although some could argue with the USDA's current projection for total corn use in 2009/10, the current projections for unchanged corn acreage in 2009 should keep the supply-and-demand balance very similar to levels in the 2008/09 marketing year. Although supply and demand conditions are expected to remain unchanged during the 2009/10 marketing year, the USDA projection for a marketing year price is below the price level of the previous year. The USDA's initial corn price projection for the 2009/10 marketing year is \$3.60 per bushel, a \$0.30 reduction from the 2008/09 marketing year. The major reason for the lower price with essentially the same supply-and-demand conditions is the activity of the noncommercial speculative funds in the market. These funds were a large reason for the historic price levels experienced in 2008 so the reduced position of the funds in the market would be a reason for lower price expectations. The USDA currently sees only a small price

reduction; however, concerns about the ability to meet demand expectations for 2009/10 could result in a slightly lower price projection. Given a slightly less optimistic view of demand, current projections place projected corn prices for the 2009/10 marketing year in the \$3 range with a high probability of prices in the low end of the range.

WHEAT OUTLOOK

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Introduction

The wheat industry in 2008 was the definition of agricultural producers responding to price signals. Extremely strong wheat prices in the last half of 2007 and the first quarter of 2008 saw producers across the United States and the world react by sharply increasing production. As supply conditions across the world came back inline with more normal levels and a slowdown in worldwide demand began to be experienced, the wheat market went from being characterized by extremely tight stock levels and record prices to one with better-than-average stocks and significantly lower prices. This response, along with increased competition from higher feed-grain production across the world, has definitively changed the supply and demand dynamics of this market.

National and International Situation and Outlook

Fundamentally, the wheat market has some challenges that other feed-grain and oilseed markets do not have. Wheat-ending stocks during the 2007/08 marketing year were 308 million bushels and represented a 41 percent reduction from the previous five-year average. This very tight stock situation, along with a tight

world stock situation, helped create record level prices. Producers reacted to the high prices by drastically increasing production during the 2008/09 marketing year. The result has been 2008/09 marketing year ending stocks are expected to be more than 650 million bushels and represent a 114 percent increase over the previous year.

Driving most of this expansion in ending stocks for the 2008/09 marketing year was production. Total wheat acres increased by nearly 4 million acres in 2008, and wheat yields were almost 4 bushels per acre higher in 2008 than the previous five-year average. The result was a production level in 2008 which was 22 percent higher than the previous year and 19 percent higher than the five-year average. At the same time the United States saw major increases in total supplies, the world wheat supply situation also began to increase. Over the last two marketing years, world wheat supplies have increased annually by an average 7 percent per year.

Although the increase in the United States certainly aided to the increase in world production, the major fuel for this explosion in world supplies was production increases in several major wheat-producing countries. For many of these countries, a return to normal production from consecutive years of weather-related production shortfalls was the reason for the increases. For the 2008/09 marketing year, Australia, Canada, the European Union and the former Soviet Union are each expected to see an average production increase of nearly 48 percent from the previous year. Competition in the world wheat trade has and is expected to continue to stiffen as traditional exporters of wheat have larger supplies of wheat available for the export market, and traditional importers of wheat have a much lower need to purchase wheat.

As the dynamics of world wheat supplies changed rapidly over the past couple of years, the demand base the United States had relied on to spur prices higher began to change. Although

domestic demand is expected to hold steady during the 2008/09 marketing year, export demand has not been able to keep pace. All wheat exports through this point in the 2008/09 marketing year are currently down roughly 20 percent from the previous year. With less worldwide demand, increased competition and a strengthening U.S. dollar, the ability to keep exports at previous levels has been extremely difficult.

Another factor hampering the wheat market, along with most agricultural commodity markets, has been the spillover impact of the financial and energy markets. While the downturn in the U.S. economy and many other foreign economies has definite implications for demand, the bigger factor is the impact of speculative investment activity in the agricultural markets. Speculative index funds played a large part in creating the record-level prices experienced by many agricultural commodity markets. However, as concerns over the economy began to mount and as confidence by investors began to slip, agricultural commodity markets saw a significant shift in the position of the speculative index funds from the levels built up over a four- to five-year period.

Essentially, as speculative funds began to sell contracts to offset their positions in the market, prices began to fall steadily. For all practical purposes, until the concerns over the economy begin to subside and investor confidence begins to grow, a sustained improvement in agricultural commodities is unlikely, particularly at levels anywhere close to the levels experienced during the first half of 2008. Although supply-and-demand fundamentals will help keep prices from bottoming out, the fundamentals of this wheat market certainly do not suggest prices will approach the levels seen last year without some help.

Fewer winter-wheat acres were planted in the fall of 2008. Lower acreage should help alter the current supply-and-demand balance sheet for wheat. Winter wheat acres in 2008 were

roughly 4 million acres lower than the previous year. Also, drought-type conditions in areas of the southeastern United States, plus Texas, Oklahoma and Kansas, raise some concerns about potential yield impacts as wheat comes out of dormancy this spring. A significantly lower winter wheat crop could certainly change the supply-and-demand dynamics of this wheat market and help to reduce the significant build up in stocks.

Louisiana Situation

The wheat crop harvested in 2008 (planted in 2007) was one of the larger wheat crops experienced in the state over the past 20 years. Higher wheat and soybean prices during planting encouraged producers to increase wheat acres with strong profitability projections for both wheat and wheat/soybean double crop systems. Wheat acres ballooned to 400,000 acres in 2008, an increase of 165,000 acres from the previous year. Generally favorable growing conditions helped keep wheat yields at above five-year average levels. With strong prices and good yields, wheat production in 2008 was generally viewed in a positive light.

As the time for planting the 2009 winter wheat crop approached, however, input costs had risen substantially, and the impact of the significantly higher wheat supplies in the United States started to erode price prospects. As a result, the outlook for wheat heading into the 2009/10 marketing year was not nearly as optimistic as the previous year. Just as producers reacted to higher prices heading into the 2008 crop season, producers reacted to the reduced profitability expectations for the 2009 crop by planting fewer acres of wheat in the fall of 2008. Winter-wheat acres fell from the record level of 400,000 acres in 2008 to more typical levels of 260,000 acres.

Areas of dry conditions in the state have created concern for wheat coming out of dormancy and wheat-yield potential. Time still exists for soil moisture levels to turn more favorable; however, the issue will need to be

monitored. Higher production costs thus far in the growing season, along with lower-than-expected yields, could continue to erode the profitability outlook for wheat producers.

Price Outlook

From a fundamental supply-and-demand situation, the price outlook for wheat would seem to be at a discount to the previous year. Higher wheat stocks entering the 2009/10 marketing year will help offset the impact of lower winter wheat acres. Lower winter wheat acres and projections for slightly lower spring wheat acres should help to ease some of the market's supply issues. Enough questions about demand exist, however, to suggest significant reductions in ending stocks are not likely to occur.

Domestic demand for wheat should stabilize for the 2009/10 marketing year as increases in wheat used as feed offsets decreases in wheat used for food, seed and industrial uses. With the large supplies of wheat on hand, most experts believe wheat will be used in more feed rations. This feed use may be tempered somewhat as total beef, pork and poultry production is expected to fall in 2009. Nevertheless, total domestic demand is currently being projected as holding steady in 2009. The real concern for demand comes from the export side. With increases in world wheat production and the increase in the value of the U.S. dollar, wheat exports may continue to struggle to find increased market share as the 2009/10 marketing year progresses.

Total ending stocks are expected to remain fairly stable in 2009/10. This expectation indicates prices should remain fairly stable into the new marketing year. Concerns over the economic downturn and the implications of the downturn for investment in the commodity markets will affect the ability of wheat prices to remain at the levels experienced during the 2008/09 marketing year. With the downturn in the economy expected to continue through 2009 and possibly into 2010, the ability of the market

to attract investment by speculative index funds is marginal at best. These funds are necessary to return prices to the levels seen in 2008.

At the 2009 Outlook Forum, the USDA put the 2009/10 marketing year price at \$5.15 per bushel, down from the \$6.80 projected for 2008/09. Lower planted acreage and concerns over drought conditions could create a potential price range for wheat of \$5 to \$6. Wheat prices, however, are unlikely to return to near the \$10 levels experienced in 2008 without the additional speculative interest in the wheat markets necessary to sustain those price levels.

SWEET POTATO OUTLOOK

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National Situation and Outlook

The estimated planted sweet potato acreage for 2008 was 103,000, about 3,000 acres more than 2007. The estimated harvested acreage, similar to 2007, was approximately 97,000. Production was estimated at 18,345,000 thousand cwt, or 36.7 million bushels, a slight increase from 2007. North Carolina, Louisiana, Mississippi and California account for approximately 90 percent of the sweet potato acreage and production in the United States. North Carolina's acreage was up approximately 3,000 acres from 2007. Acreage in California also increased in 2007, up 1,000 acres compared to 2007. Mississippi's acreage was down slightly compared to 2007, and Louisiana's acreage was decreased approximately 1,000 acres compared to 2007 according to USDA NASS.

Louisiana remained third overall nationwide in planted acreage. Louisiana producers experienced significant crop losses in 2008.

Some Louisiana producers dealt with drought conditions for late planting and more than 90 percent of Louisiana's acreage was negatively impacted by excessive rainfall in August and rainfall associated with two hurricanes in early September. Production areas received from 12 to 40 plus inches of rainfall, which resulted in prolonged saturated conditions and subsequent crop losses in the field and in storage. Mississippi's acreage has been increasing in the past few years, while adverse conditions in Louisiana have forced some growers out of business, resulting in a loss of acres.

Beauregard, the leading variety in the United States, looks similar when grown on Louisiana and Mississippi soils, and brokers tend to prefer this look over the "russet appearance" of the Beauregard when grown in North Carolina soils. Beauregard remains the dominant variety planted in Louisiana and Mississippi. Evangeline, a new variety released from the LSU AgCenter Sweet Potato Breeding Program in 2007, was planted on approximately 1,200 acres in 2008. This variety is similar to Beauregard in production characteristics. Evangeline held up well under saturated conditions in Louisiana in 2008. Given the unpredictable nature of weather during sweet potato harvest in Louisiana, this characteristic is definitely a positive attribute of the variety.

The majority of North Carolina producers are now producing the Covington variety. This variety accounted for approximately 75 percent of the total acreage planted in North Carolina in 2008. The Covington, which was recently released from the North Carolina breeding program, is performing well on their soil types.

Louisiana Situation and Outlook

In 2008, Louisiana producers planted about 15,000 acres of sweet potatoes. Acreage was similar to 2007. Production was drastically affected, as stated above, and is estimated at 3.0 million bushels compared to 5.8 million bushels in 2007 on approximately the same acreage. The 2008 planting season went well. The

majority of the crop was planted early and, with a few exceptions, most producers had a strong plant stand. Conditions were ideal for planting early in most areas while other areas were dry, particularly later in the planting season. Growers with irrigation capabilities utilized irrigation before and after transplanting to aid in transplant survivability and to improve overall stands. Late June and July were unusually dry. Production costs drastically increased in 2008 because of increases in the costs of fuel and fertilizers and an increase in the H2-A labor wage rate. Production and packing costs were estimated to be \$2,500 to \$3,000 per acre. Capture/Brigade insecticides (active ingredient = bifenthrin), along with several generic bifenthrin products, received a full federal label in 2007 and were used extensively in pre-plant and foliar spray programs for soil insects across the state in 2008. Bifenthrin has largely displaced other soil insecticides, namely chlorpyrifos and ethoprop, as the predominate soil insecticide used in Louisiana.

The 2008 crop was shaping up nicely prior to the rain events previously discussed. Initial estimates suggested the 2008 crop would meet or exceed the yields experienced in 2007. Rainfall received in August and September, however, created adverse conditions that negatively affected crop performance. More than 90 percent of Louisiana's acreage was subjected to excessive amounts of rainfall and prolonged saturated conditions. Approximately 50 percent of the crop was lost in the field because of rotting and souring of sweet potato roots. In addition, the pack-out percentage on the affected harvested crop was reduced, which furthered the overall loss incurred. On a positive note, some producers were largely unaffected and were able to harvest the entirety of their crop in good condition.

A year-round market has developed in recent years, and producers, shippers and brokers are interested in maintaining a year-round supply to meet their buyer's needs. In addition to the fresh market demand, recent years have seen an increase in processed consumer-friendly sweet

potato products such as sweet potato fries, canned sweet potatoes and sweet potato chips and cookies.

The number of sweet potato producers in Louisiana has decreased during the last five years, while the average acreage per producer has increased. The number of producers in 2007 and 2008 was relatively unchanged and is expected to be similar in 2009. As with many agricultural commodities, labor is a major concern. The availability of labor, the cost of labor and the hassle of dealing with labor has discouraged some growers to the point of leaving the sweet potato business. Approximately 72 percent of the sweet potato production in Louisiana is in the Northeast parishes of West Carroll, Franklin, Morehouse and Richland.

The 2009 outlook for Louisiana sweet potato acreage is around 16,000 acres. The price received by grower/shippers is considered adequate if yields are above average in 2009. Producers are also expected to expand their “Evangeline acreage” in 2009 and diversify to meet the needs of available niche markets.

COMMERCIAL VEGETABLES

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National Situation and Outlook

Vegetables and melons continue to play an important role in American diets, despite serious issues in the U.S. economy. Per-capita net domestic use of all vegetables, potatoes, melons and pulse crops increased 2 percent to 444 pounds (fresh-weight basis) in 2007 (data for 2008 are not yet available). Potatoes remained the top vegetable crop at 28 percent of total use, followed by tomatoes – 20 percent, lettuce - 8

percent, sweet corn and products – 6 percent, and onions – 5 percent.

Prices reflected this growth, with fresh-market levels up 3 percent in 2007 compared to an average increase of 4 percent since 2000. These values indicate strong preferences among consumers for the health and nutrition benefits of vegetables. For many other products and product categories, expenditures and prices were lower in 2007 and 2008. The long-term strength in consumption and prices are indicated by the Consumer Price Index for fresh vegetables. From the base of 1982/84=100, the Index for fresh vegetables had reached 319.3 late in 2008, to a level about 220 percent higher than 25 years ago.

Vegetables and melons continue to play an important role in agricultural production, increasing an overall 5 percent in 2007. Consumer prices for processed fruit and vegetables increased 4 percent in 2007, driven by prices for canned and dried product instead of frozen. During the first seven years of this decade, U.S. farm cash receipts from the sale of vegetables and melons (including mushrooms) averaged \$17.5 billion, or 16 percent of U.S. crop cash receipts. Sweet potato production in 2008 was projected by ERS to increase modestly, reducing the expected 2008/09 season-average price from the \$18.30 per cwt of 2007. Louisiana’s crop was affected by flooding, resulting in a further reduction in revenue. (*Vegetables and Melons Outlook/VGS-330/December 16, 2008 -Economic Research Service, USDA, and other USDA/ERS publications*).

Louisiana Situation and Outlook

Vegetable Crops: The Louisiana vegetable industry involves 3,500 growers who grow more than 40 different vegetable crops on 8,500 acres for a gross farm value of \$50.8 million. The majority of the vegetable crops grown in Louisiana are sold by direct marketing at farmers markets and roadside stands. Direct marketing offers the producers a retail price with a minimum amount of risk. The

development of farmers markets has greatly enhanced the marketing and value of vegetable crops in the state. The remaining crops are delivered to grocery stores warehouses, individual grocery stores and fruit stands. Most of the watermelons grown in the state are sold to peddlers and only a small percentage is sold to the wholesale markets.

Tomatoes (580 acres with \$13.8 million in value) and watermelons (2,700 acres with \$13.0 million in value) were the two leading vegetable crops in the state. Peppers (180 acres) and southern peas (1,800 acres) followed with a \$3.8 million gross farm value. Cabbage (\$3.4 million, 260 acres), sweet corn (\$2.2 million, 670 acres) okra (\$1.7 million, 308 acres) and Irish potatoes (\$1.5 million, 200 acres) make up the top vegetable crops in gross farm value in the state. Cucumbers (127 acres), eggplant (100 acres), mustard greens (400 acres) and turnips (303 acres) all have over a \$1 million in value.

Tangipahoa Parish is the leading vegetable parish in the state with a gross farm value of \$8 million. The leading crops in this parish are tomatoes, peppers, cabbage and cucumbers. Plaquemines Parish is the second leading parish in vegetable production with a value of \$5.2 million. Tomatoes are the major crop in Plaquemines Parish. Bienville (\$4.4 million) and Union (\$4.0 million) are next.

Watermelons and southern peas are the major crops in both parishes. Pointe Coupee, which grows 30 different vegetables and Washington Parish, mainly watermelons, are tied for third with a farm value of \$2.7 million. Ouachita (\$2.6 million), St. Charles (\$2.5 million), Iberia (\$2.3 million), Lincoln (\$2.0 million) and Caddo (\$2.0 million) are the remaining top vegetable parishes in the state.

Citrus: The Louisiana citrus industry involves 450 growers in 17 parishes who grow 420 acres of navels, 385 acres of satsumas and 46 acres of other types of citrus, for a gross farm value of \$3.6 million. The value of citrus in 2008 is down \$1.6 million from last year because of the damage from hurricanes Gustav and Ike.

Plaquemines Parish is the leading parish with 525 acres of citrus with a gross farm value of \$2.4 million. Lafourche produces 100 acres of citrus. The majority of the citrus is sold by direct marketing at roadside stands and farmers markets. Peddlers buy citrus on the farms and resale the product across the state. Growers delivered citrus to grocery stores warehouses, individual grocery stores and fruit stands.

Strawberries: The Louisiana strawberry industry involves 90 growers who are producing 395 acres of strawberries for a gross farm value of \$14.7 million. Strawberries are the leading fruit crop in the state. Tangipahoa Parish is the leading strawberry-producing parish in the state with 300 acres and a farm value of \$11.9 million. The majority of the Louisiana strawberries are sold by peddlers. Growers also deliver berries to grocery store warehouses, individual grocery stores and fruit stands. The remaining part of the crop is sold at farmers market and roadside stands. Louisiana strawberries are now available in November, December and January. This early availability is the result of the variety Strawberry Festival, plug plants from nurseries in Quebec, Canada, row covers and wire hoops. These early berries bring a premium price and play a large part in the high returns for the crop.

NURSERY CROP OUTLOOK

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National Situation and Outlook

A recession for the U.S. economy is no longer a forecast, the recession is a fact. Economic activity declined in consecutive quarters, and continuing declines are expected at least through midyear 2009. The recession resulted from significant problems revealed in 2008, particularly in the financial system. The

spike in fuel prices worsened the situation. Linkages to other sectors of the economy spread the impacts from the financial and fuel sectors. News of layoffs has appeared regularly, and individuals and businesses have incentive to be conservative. In combination with the lack of willingness to lend, many sectors have retrenched by reducing inventories, sales effort and other business activities. Consumer confidence has been hammered down, with impacts on general consumer purchase patterns. Home sales and autos are particularly hard-hit. The rates of new home construction and sales of existing homes are down significantly. Home prices have taken substantial blows, mostly in areas where there had been rapid appreciation in recent years.

A significant portion of Louisiana's out-of-state nursery sales are to Texas, which has been beset by the above-named factors. All these factors are important because of they have direct and indirect impacts on the ornamental plants industry, from wholesale growers to retailers. As noted in Floriculture and Nursery Crops Situation and Outlook last year, USDA/ERS no longer covers this industry on an on-going basis, so the magnitude of the declines in production in Louisiana and regionally are not known. Indications from industry professionals point to increased plant inventories and decreased production and plant sales. Sales are not expected to increase in 2009. In general, sales are not expected to improve until consumers regain confidence in the stability of their income and until the value of their homes stabilizes.

In the meantime, nurserymen and garden center retailers should be conservative by taking actions to conserve cash and to re-double emphasis on understanding the customers' needs. Steps should be taken to serve those needs within the context of the kinds of products and services the business does well. Charles Hall (Ellison Professor of International Horticulture at TAMU) echoes the advice of marketing experts of "relentlessly focusing on and emphasizing their value proposition to their key customer base." This advice means retailers

must understand and respond to the needs of targeted consumers, and Louisiana's growers should consider the best way to support of the retailer's sales effort.

Louisiana Situation and Outlook

Production and sales of nursery-grown ornamentals have significantly increased over the last five years. However, 2008 saw a significant farm-gate value production decline of 10-20 percent compared to 2007 figures. This decline was only the second or third time in the last 40 years sales have decreased from one year to the next. Wholesale production in Louisiana the last few years has been in the \$120-\$125 million range with an additional \$75-\$100 million in plant inventory. Some growers feel these values are under-reported. Nursery crop sales in 2008 suffered due to less residential and commercial landscape installation projects. The nursery industry in Louisiana was also economically impacted by crop and structural losses from Hurricanes Gustav (\$5 million), Ike (\$3 million) and unexpected snowfall in south and central Louisiana in December (\$5 million).

Woody Ornamentals: Woody ornamentals account for the vast majority of the wholesale farm-gate value of commercial nursery crops in Louisiana. LSU AgCenter estimates place the wholesale value of woody ornamental sales in Louisiana at \$70-80 million annually. A recovery from the sales decline in 2008 is predicted to occur by fall 2009-spring 2010. Container production acreage has increased significantly in the last five years while acreage in field production has been stagnant or decreased slightly. The major container crops are azaleas, hollies, crape myrtles, Indian hawthorns, groundcovers, and shade/flowering tree species. The number of acres in bigger container sizes is up significantly. Excess inventory of 1-gallon and 3-gallon woody ornamental material is currently available.

Floriculture/Bedding Plants:

Floriculture/bedding plants typically represent

about 30 percent of Louisiana's nursery crop production. At the wholesale level, about 40 percent of bedding plant/floriculture crop sales occur in late winter and early spring. Floricultural crop and bedding plant production (includes poinsettias, hibiscus, garden mums, lantana, impatiens, petunias and periwinkles) has experienced little growth in Louisiana in the past three to five years. Profit margins in floriculture crop production are shrinking because of energy price increases, transportation cost, fertilizer expenses, and other factors.

Foliage Plants: Foliage plant production in Louisiana has slowed. Most foliage sold at the retail level now is imported from Florida or brought in from Florida by wholesale growers and brokers. In some cases, these imports are grown in Louisiana for several months prior to wholesale sale. Interest in wholesale production of tropical plants, however, has increased recently in Louisiana. Although this category could fall into the floriculture/bedding plant category, outdoor tropical plants such as gingers, cannas, etc. have increased sales potential. Many greenhouse growers have profitable markets for these products.

Fruit/Nut Trees: Fruit/nut tree production is stable in Louisiana at the wholesale level. A slight increase has occurred in the last several years. Container citrus production has rebounded from the damage incurred from hurricanes Katrina and Rita in 2005. However, the discovery of the Asian citrus psyllid and citrus greening in Louisiana has caused economic loss in the container citrus industry. Availability of container-grown improved pecan cultivars is significantly below market demand, and opportunities to grow these cultivars for wholesale or retail sales are considerable. Also, many new fruit cultivars could be grown to increase market potential. Citrus, figs, pecans, peaches, muscadines, blueberries, apples, and pears represented the vast majority of wholesale production of container-grown fruit and nut trees. LSU AgCenter fruit tree releases are popular with consumers and are under-produced in the state.

PECAN OUTLOOK

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National Situation and Outlook

The USDA December estimate for the 2008 pecan crop for the United States was 189 million pounds. This estimate is a 196 million pound (51 percent) decrease from the 2007 crop of 385 million pounds. The 2008 estimated crop is 65 million pounds (26 percent) above the 10-year average of 254 million pounds. The 2008 pecan crop was expected to be a cyclic low production year; however, three hurricanes in pecan producing regions plus a major drought in Georgia reduced the crop more than expected. The 2008 pecan crop in Mexico, the leading pecan exporter to the United States, is expected to be 198 million pounds. Approximately 100 million pounds a year have been imported into the United States in recent years. A large portion of these pecans are returned to Mexico, since Mexico is the largest importer of U.S. pecans.

Pecans trees are alternate bearing with a large on-year crop usually followed by a light off-year crop. Off-years often have a 30 percent or greater reduction in production. Georgia, Texas, New Mexico, Oklahoma and Arizona were the five top pecan producing states in 2007 with 90 percent of the United States crop. These five states had an off-year in 2008 with nut production down 47 percent from the cyclic on-year crop. This figure should indicate the 2009 crop will be significantly larger because of the prediction of an on-year for most of the U.S. major pecan-producing states.

Prices for the 2009 pecan crop will likely be lower than 2008 because of an expected much larger crop. Beginning stocks in cold storage next season should not be excessive since 2008 was an off year. The downturn of the economy, however, may result in more carryover than is normally expected for a 189 million pound crop.

Louisiana Situation and Outlook

Louisiana pecan growers had a very disappointing year because of hurricanes Gustav and Ike. Louisiana's pecan crop estimates during the summer were 14-15 million pounds, which is near the state's average. The crop estimate was dropped to 7 million pounds after hurricane Gustav, which caused severe wind damage to trees in south, central and northeast Louisiana. Eastern Louisiana also received severe flooding. A lot of heavily loaded pecan trees were broken up or blown down in Pointe Coupee Parish, Louisiana's top pecan-producing parish. Damage from hurricane Ike was primarily to western and northern Louisiana.

When harvesting began, growers found additional damage to the pecan crop. Many of the pecans remaining on the trees were empty shells because twisting of the pecan nut stems and bruising of the shuck by winds appears to have prevented nut development on many of the remaining nuts. This lack of development meant hurricane damage to the crop was underestimated. Louisiana harvested 4.3 million pounds of pecans in 2008, which is 9.7 million pounds below the state average of 14 million pounds. The crop was composed of 1.9 million pounds of improved pecans and 2.4 million pounds of native pecans.

Wholesale prices in Louisiana for natives averaged 72 cents per pound. Improved pecans averaged \$1.17 a pound. Considerable price variability exists due to quality, location, time of sell and amount of pecans being sold. Buyer interest dropped earlier than expected with a light pecan crop. The market had fewer buyers than usual, especially near the end of the pecan season.

Commercial production of improved cultivars consists of approximately 39 percent of the state's production and is located primarily in the northern half of the state on approximately 11,000 acres. Approximately 6,000 of the improved variety acres are managed to control diseases, insect pests and weeds. Drip irrigation

is used in rare cases. Orchards are harvested mechanically. Yield is higher and more consistent per tree and nut quality is higher. The remaining 5,000 acres frequently have low management because of small orchard size and lack of equipment. Many of these orchards are composed of older trees and are usually harvested only during good years.

Machine-harvested native groves are located primarily in central and south Louisiana. Little effort is normally made in management of these native groves. This acreage is often involved in livestock production. The number of acres harvested varies with the size of the crop and the price being paid for pecans. The smaller and low-yielding groves are often not harvested in years when pecan prices are low. Pecan acreage in this category is probably near 10,000 acres. Prices received for machine harvested pecans are usually higher than hand harvested, since the pecans are cleaned to improve quality and sold in volume directly to shellers.

Yard trees and small orchards are harvested and sold during years with heavy production and good prices. Many of these pecans are sold to accumulators in lots of less than 1,000 pounds. Some pecans are sold retail from homes and farmers markets. The amount of pounds and acreage involved in yard and small orchard production is hard to estimate. For example, St. Landry parish has produced more than 1 million pounds of pecans while having less than 50 acres of known pecan orchards. Acreage in this category could be approximately 5,000 acres.

The 2009 pecan crop in Louisiana will likely be an off-year because of the amount of storm damage received in several of Louisiana's major pecan producing parishes. Many of the southern parishes will likely take three or more years to recover from hurricane damage. Northern Louisiana will likely have a good crop in 2009 since many orchards had a light crop the previous year.

Pecan prices in 2009 will likely be lower than 2008 since most of the nation is scheduled to have an on-crop year, which usually places downward pressure on prices. The depressed economy could also have some downward pressure on prices since many end-users of pecans appear to be placing orders only for the pecans to be used immediately.

POULTRY AND EGGS

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National Situation and Outlook

Total broiler production for 2008 is estimated to be 36.9 billion pounds, which is slightly higher than in 2007 (36.1 billion pounds). Wholesale price of broilers averaged 79.7 cents per pound, up 3.3 cents per pound from 2007. Total broiler exports for 2008 are estimated to be about 15 percent higher than in 2007. Egg production remained the same in 2008 (6.4 million dozen), and egg prices increased 13.4 cents per dozen in 2008 (127.8 cents per dozen). Per-capita consumption was 248.3 eggs and 84.4 pounds of broiler meat in 2008.

Chick placements were smaller in the last quarter of 2008 and are expected to continue to decline for most of 2009. Therefore, broiler production is expected to decrease approximately 1 percent in 2009. Broiler prices are expected to increase some in 2009. The broiler export market is expected to decrease in 2009 by about 5 percent of 2008 levels, but still 10 percent above 2007 levels. Egg production is expected remain the same in 2009. Wholesale prices should remain the same in 2009.

Louisiana Situation and Outlook

In 2008, 1.02 billion pounds of broilers were produced. The gross farm value of broilers was \$481 million in 2007. There were 460 broiler

producers. There were 671 egg producers 2008 (this number includes commercial and small producers). Total eggs produced in 2008 was 21.9 million dozen. Farm value of commercial egg production was \$21.0 million in 2008.

Broiler production should follow the national outlook in 2009, which should decrease. Broiler prices and net returns should remain similar to 2008. Also, wholesale egg prices should remain similar to the 2008 prices, and production should stay the same in 2009. The number of egg producers should be similar to 2008.

BEEF CATTLE OUTLOOK

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Introduction

The 2008 calendar year saw a continuation of profitability concerns for the cattle industry. These concerns stem from a combination of increased production costs, which began in 2007, and cattle prices unable to keep pace with increasing costs. The impact of increased fertilizer prices and continued high prices in the feed-grain markets negatively affected Louisiana cow/calf producers with feed-grain prices continuing to squeeze profitability from feedlots. Returns in the cattle feeding industry are projected by the Livestock Marketing Information Center (LMIC) to be the lowest since the early 1970s. Strong export demand, which approached record levels, helped to support prices along with tightening supplies of market ready cattle. The beginning of the financial crisis in September led to a decline in cattle prices as the recession took hold among consumers and trading in commodity futures markets was driven by emotion as opposed to the fundamentals of supply and demand.

National Situation and Outlook

As with 2008, considerable uncertainty exists for the cattle industry as 2009 begins. The intertwining of the commodity markets with the S&P 500 started in late September as the economic situation worsened. Signs began to appear in mid-December, however, that the correlation between these exchanges is starting to disappear. The re-establishment of market trading based on supply-and-demand fundamentals should lead to higher prices for producers because of decreases in the supply of cattle, although concerns regarding demand will continue to exist until the economy begins to show signs of recovery.

As the 2008 year closed, fed cattle marketings were not comprised of over-finished cattle; in fact, some fed cattle were marketed earlier than would typically be expected as feedlots exhibited pessimism regarding price expectations in the immediate short term. The decline in cattle numbers, however, masks the fact commercial beef production increased by approximately 1 percent in 2008 relative to 2007, largely through increased carcass weights. Beef production in 2009 is expected to decrease slightly as much as 1.5 percent depending on the source.

Unlike the other major protein sources of poultry and pork, beef supplies in cold storage did not increase in 2008, which will support prices at the beginning of 2009. This lack of supplies in cold storage can be attributed to the strength of the export markets which lasted until September. Concerns over the strength of the economy and the abundance of other protein sources may lead to consumers “trading down” to cheaper meats such as chicken and pork as well as cheaper cuts of beef. Per-capita consumption of red meat and poultry products is expected to decline from 2008 levels to roughly 212 to 216 pounds per capita (62 pounds of beef per capita). Red meat and poultry supplies on a per-capita basis in 2009 are all expected to exhibit decreases for the first time since the 1970s.

The re-opening of the Korean market in July to U.S. beef should continue to serve as a key market for exports in 2009. The strength of the U.S. dollar may be of concern in 2009 to the overall strength of U.S. beef exports, but U.S. beef is cheaper in some countries than the domestically produced beef (specifically Japan and Korea). During the first 10 months of 2008, the United States exported 35.3 percent more beef than the same time period in 2007. The USDA is currently projecting increases in 2009 beef exports, but only about 4 percent greater than the 2008 volume.

Because of the continuing severe drought conditions affecting portions of the southeastern United States, the cow herd liquidations begun in 2007 should continue. The drought conditions have also affected forage production although production did increase in 2008 relative to 2007. The high price of fertilizer may lead to lower forage production in 2009. Some extension forage specialists in the southeastern United States have expressed concerns the increased forage production in 2008 was partially driven by increased moisture and masks decreased fertilizer and herbicide use. These concerns also extend to the quality of the forage produced and could be exacerbated in 2009 if fertilizer prices do not continue the trend of falling seen at the end of 2008. Concerns are also starting to emerge over drought conditions forming in the southern plains. Wheat prices at the close of 2008 were at a point where southern plains producers were beginning to consider purchasing cattle to graze on the wheat. Lack of adequate moisture could lead to decreased demand for stocker calves and, ultimately, lower prices.

Tightening supplies of fed cattle will result in lowered beef production for the first half of 2009. The third quarter of 2009 may see increased beef production relative to the same quarter in 2008 with increased dressed weights contributing to the increase more than an increase in the number of animals slaughtered. Price projections for the first half of 2009 show modest increases from the same time periods in

2008 in part because of reductions in projected supplies.

The largest concern to the beef industry in 2009 will be the health of the general U.S. economy, including concerns over the availability of credit. The Kansas City Federal Reserve Bank is projecting agricultural credit standards to tighten in early 2009 for member institutions in its region. Profitability in all agricultural sectors is questionable given the recent collapse of commodity prices with input prices staying high. Profitability is projected to return to feedlots late in 2009 and into 2010 as a result of tighter supplies. This profitability may result in herd expansion starting in 2010 as prices increase and reflect the tight of the cattle supply of cattle which has developed over the past few years.

Louisiana Situation and Outlook

Cattle producers in Louisiana continued to face increased production costs and weakening calf prices in 2008. Feedlots continued to minimize the time cattle spent on feed leading to opportunities for producers to maintain value in calves by selling at heavier weights if cheap costs of gain could be achieved. The high price of fertilizer and diesel made profitability a struggle for many producers. In addition to rising costs of production, two major hurricanes caused sizable losses, although not as much damage as from hurricanes Katrina and Rita in 2005.

In the January 2009 cattle inventory report, the USDA placed inventory of cattle and calves in Louisiana at 890,000 head, which is unchanged from the 2008 inventory report. Beef cow inventory numbers were placed at 520,000 head, up by 7,000 from the previous year. The beef cow numbers for 2009 are the highest since 1996 and are now above the pre-hurricane levels. Beef heifer replacements were down in 2009, totaling 87,000 head as compared to 90,000 in 2008.

Prospects for forage availability are good for 2009 because of moisture through the fall and early winter months. Reduced use of fertilizer, however, may have adverse impacts on forage quantity and quality. These adversities could be masked by the amount of rainfall. The tightening supply of feeder cattle will help support prices in 2009. Cattle prices may begin to approach levels last seen in 2007 as 2009 progresses. Decreased costs of inputs (namely fuel and fertilizer) will help to possibly restore profitability to at least the cow-calf sector by late 2009. Volatility for feedstuffs, however, is expected to continue, which may lead to rapidly depressed calf and yearling prices. Prices in the first quarter of 2009 are expected to be the weakest for the year.

Price Outlook

The largest issue facing most agricultural commodities as 2009 begins is how long the recession will last. Decreased demand (domestic and export) will continue to dominate the tightening supply of cattle until an economic turnaround occurs. Increased production of pork and poultry in 2008 have resulted in cheaper sources of protein during the current economic situation, but decreases of beef, pork and poultry production should help support prices for these commodities.

Feeder and live cattle futures have shown resilience in recent weeks since the commodity markets collapsed in early October. As the year progresses, prices are expected to remain above \$100 per hundredweight for feeder cattle. Recent USDA Cattle on Feed reports have shown a limited number of market-ready cattle are in the feedlots with cattle entering the feeding-out phase at higher weights. This situation is likely to continue in 2009 because of price volatility arising from feedstuffs. Feedlot profitability was at historic lows in 2008 and profitability will continue to be a concern as a result of excess capacity at the feedlot and packer level as supplies of fed cattle diminish. Fed cattle are projected to average in the \$92-

\$99 per hundredweight according to USDA and LMIC.

There is reason to be optimistic for 2009 in terms of prices in the face of continued volatility in the inputs and output markets. LMIC is projecting 2010 could see record-high slaughter steer and cull cow prices in 2010 largely because of tightening supply. Producers should be aware of this projection as plans for 2009 and beyond are made. Producers should also be aware, however, that weather conditions and reduced corn production may reduce U.S. calf prices in the immediate future.

EQUINE OUTLOOK

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National Situation and Outlook

The downturn of the economy has resulted in fewer disposable dollars that typically comprise a fair amount of income spent on horses. The cost of production has also increased. Many indications exist of market saturation because of overproduction and the loss of the slaughter option for unwanted horses. As a result, too many horses are available. Donations of horses to universities are at an all-time high with many horses being turned away. Most horse shelters are reported to be full, and reports of abandoned horses continue to increase. All these factors combined place considerable negative pressure on horse prices and the entire horse industry.

The United States has approximately 9 million horses and almost 2 million horse owners. The total impact of the horse industry was estimated by the American Horse Council in 2005 as \$102 billion. Approximately \$32 billion is generated by recreational activities, \$28 billion from the horse show segment of the industry, and \$26 billion from the racing industry. The horse industry generates 453, 000

direct jobs and 1.4 million total jobs. Market saturation is decreasing horse prices and the anti-horse-slaughter legislation is adding 100,000 horses to the market each year. Most breed associations report a reduction in the number of mares being bred because producers are breeding fewer mares. Recent surveys, however, indicate single mare owners and recreational owners are still breeding at the same rate. Many of these foals are low-quality horses, which add little or no value to the industry. These horses will tend to maintain market saturation and decrease prices for all horses. The depressed economy, market saturation and cost of production are expected to have a negative impact on the horse industry for the next few years.

Prices for horses vary drastically, from million-dollar horses at the top of the market to horses that have essentially no value at the bottom. Sale results indicate the top horses are still bringing good prices in all areas of the industry – thoroughbreds, quarter horses, etc. Because of the emphasis on quality, however, the average to below-average horses are going down in price. Recent sale results indicate overall price decreases of 10-30 percent with only the top 5 percent of the horses maintaining value or increasing in value. Horses in the bottom third of the market have little or no value, meaning these horses are selling below \$500 per head. Breeders must emphasize quality and breed for the top of the market to have a sustainable business.

The cost of producing horses continues to increase as a result of increases in the price of feed, vet supplies, facilities and labor. The basic cost of producing a 2-year-old in a very efficient operation will average \$5,000-\$6,000 per horse. An extensive or intensive operation may average \$8,000-\$10,000 or more. Therefore, the average 2-year-old needs to bring \$8,000-\$10,000 to produce a profit for their owners. In general, the horse should be worth twice the stud fee, and most stud fees are \$2,000-\$3,000 and up. With the decrease in price of horses, an adjustment of stud fees is

essential. Producers must watch the markets closely and breed quality horses sufficient to attract top end buyer while minimizing production costs.

Louisiana Situation and Outlook

The influx of casinos supporting purses for the racehorse industry has resulted in increases in the breeding and training for racing operations within the state. Quality horses are still needed to capture the money available in the racing industry. Large purses are attracting owners and breeders from other states. In Louisiana, breeders must pay close attention to maintain a competitive advantage and capture the economic opportunity. Recent sales indicate a softening of the market, but quality horses are still bringing good prices. Relative small fields in most races indicate there is still opportunity for race horses in Louisiana.

Competition horses continue to expand in areas of barrel racing, roping and ranch horse competition. Horse shows in general have declined with more emphasis on a few big shows as opposed to a lot of smaller shows. Specialty areas such as calf roping and barrel racing are attracting large fields of competitors. A newly formed Ranch Horse Association has expanded opportunities for Louisiana competitors in the show arena.

Trail riding and recreational activities continue to expand in Louisiana. The trail riding associations scattered throughout the state represent one of the largest groups of horse owners in the state. Horsemen are traveling and spending a great deal of money in their recreational pursuits. Much of these expenditures are going out of state because of lack of trails and campsite opportunities. A tremendous opportunity exists to increasing the economic effects of these recreational riders by developing trails on the national forest and other state-owned lands. More campsites, housing and dining facilities will be needed to keep these riders in Louisiana and to attract out of state

riders. Opportunities for economic development of this group are readily available.

DAIRY OUTLOOK

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Influence of 2007 and 2008 on the Context for the 2009 Outlook

U.S. milk production rose to record highs in 2007, and the national average all-milk price rose to \$19.13. Although somewhat lower in 2008, milk prices still recorded a second record high of \$18.34. The high prices in 2007 and 2008 attracted additional resources into milk production as evidenced by increases in both cow numbers and production per cow. As a consequence of increased milk production capacity, total milk production going into 2009 is high and exerting downward pressure on milk prices. In addition, economic problems in the United States and the world have weakened demand for dairy products. This weaker demand is projected to last through 2009 and beyond. Weaker demand in both domestic and export markets will be more responsible for low milk prices in 2009 than the increase in U.S. milk production.

Dairy industry analysts believe the depressed milk prices the industry has experienced since the latter half of 2008 will continue through at least the first half of 2009. These lower milk prices are expected to have positive effects on milk prices by (1) reducing milk production and (2) increasing milk consumption. The lower production is expected to result from both heavier culling of milk cows and reductions in production per cow. Recovery in the second half of 2009 will depend upon the effectiveness of the stimulus package, mortgage rescue plan

and TARP II. Recovery will also depend upon dairy specific events such as the CWT dairy export program, the CWT herd reduction program and USDA purchases of dairy products for both domestic and international markets. Failure of these initiatives will delay recovery into 2010.

Because milk production is a biological as well as an economic phenomenon, time will be required for resources (cows and dairy farms) to adjust out of production. The increased milk prices during 2007 and into 2008 not only increased total milk production but also resulted in a buildup of a high level of dairy product stocks. These high-stock levels are not only placing downward pressures on milk prices, but are also increasing product flows from current production into the Commodity Credit Corporation (CCC) at support price levels.

Record high milk prices in 2007 and 2008 increased cow numbers, milk per cow and total milk production. Total milk production in 2008 increased to 189.6 billion pounds, an increase of 2.2 percent or 4 billion pounds over 2007. U.S. production per cow averaged 20,396 pounds for 2008, 192 pounds above 2007. Milk production is forecast to increase by less than 1 percent in 2009 reaching 190.6 billion pounds. Average cow numbers in 2008 was 9.32 million head, up 1.4 percent from 2007. Heavy cow cullings and nearly flat per cow productivity will likely slow total milk production in 2009.

Input prices, primarily for concentrates (corn and soybean meal) and crop production costs (fertilizer, feed and seed), also rose significantly in 2008 peaking in the summer. Although input prices have declined somewhat, the cost of production in 2009 will be higher than in past years, but lower than in 2008. The profitability outlook for dairying is bleak, especially for the first half of 2009, because of sharply reduced prices for raw milk and high production costs. The exit of resources (cows and dairy farmers) during the first six months of 2009 will enhance the economic outlook for the second half of 2009. Fewer dairy cows and farmers will

reduce total milk production and moderate the downward pressures on milk prices.

Government intervention is expected to stabilize and strengthen the economy. This intervention is also expected to have a positive impact on milk prices from a demand perspective. Reduced milk supply and a stimulated demand should improve financial outcomes in the latter half of 2009 and into 2010. The combination of lower milk prices and sharply higher input costs meant a significant reduction in profit margins in 2008 compared to 2007. Lower milk prices in 2009 are a virtual certainty because of high levels of total milk production, high total dairy product production, reduced domestic consumption and reduced dairy exports.

Changes in the Rules Governing Milk Production, Processing, Pricing and Distribution

Changes in the rules governing milk production, processing, pricing and distribution are always a constant. The rules originate in the economic, political and cultural processes that render the milk market “manmade.” Rule changes foster adjustments throughout milk production, processing, pricing and distribution systems. The relentless march of technology leads to changes in the physical transformation practices associated with milk production. These practices get incorporated into the rules, which in turn, cause adjustments to the physical transformation activities through which cows convert feedstuffs into milk. Rule changes also cause adjustments within the social systems, economic and political, men use to modify, create and eliminate rules associated with the systems. Adjustments to rule changes may prove to be minor or radical in nature. Proposed or modified rule changes likely to impact the economics of dairying in 2009 and beyond include: the Louisiana Dairy Producers Tax Credit/Refund Program and the Market Income Loss Contract (MILC) Program.

The Louisiana Dairy Producers Tax Credit /Refund Program of 2007: This legislation provides a tax credit/refund against state income taxes to Louisiana dairy farmers whenever the uniform price (UP) in Federal Milk Market Order 7 (FMMO 7) for the taxable year drops below a three-year moving average of annual “announced production prices” (APP) in the prior three years. The APP is a single value derived as the average of the prior three years of annual production prices (PP). The annual PP is an annual average of the monthly market balancing factors (MBF) and the estimated annual cost of milk production in Louisiana. The MBF is a monthly calculation of the difference between the costs of importing milk into Louisiana and the UP paid to Louisiana dairy farmers for the month. The cost of importing milk is calculated as the average of the UPs in the exporting orders plus the associated transportation costs to New Orleans.

Tax credit calculations for the 2008 tax year will be made in 2009. To calculate the 2008 credit, the UP in each calendar month of 2008 will be compared against the single-valued APP for the calendar years 2005, 2006 and 2007. If the APP is greater than the 2008 calendar month's UP, the month qualifies for the tax credit. Furthermore, if any one month in a calendar quarter qualifies for the tax credit, the entire calendar quarter qualifies for the tax credit. Early indications show two of the four calendar quarters (first and fourth) in 2008 will qualify for the tax credit. The amount of the tax credit can range from \$2,500 to \$15,000 per producers, depending upon the dairy farmer's 2008 level of milk production. For any given tax year, total program tax credits/refunds are capped at \$2.5 million dollars while individual producer tax credits/refunds are capped at \$30,000 dollars.

Milk prices are expected to decline substantially in 2009. The APP will be based on the prices, cost of transportation and cost of Louisiana milk production for the calendar years 2006, 2007 and 2008. Since UPs for milk in Federal Order 7 were a record high in 2007

(\$20.40), a low in 2006 (\$13.89) and an in-between in 2008 (\$ 20.17), a strong likelihood exist refundable tax credits will be given in 2009. The price for every month in 2009 is projected to be lower than the previous month in 2008.

The Market Income Loss Contract (MILC) Program: Initially created in 2001, the provisions of the national Market Income Loss Contract (MILC) program have been modified in the 2008 farm bill. Changes made in the Farm bill make the program more complex and include a trigger price, which is adjusted for changes in estimated feed costs. If the market price is below the trigger price in a particular month, farmers will receive a percentage of the difference. The 2008 farm bill includes changes in the percentage of payment from 34 percent to 45 percent of the difference between the month's reference price and the “trigger” price of \$16.94 per hundredweight. The changes also include a *per farm* annual total production cap, which ranges from 2.4 to 2.985 million pounds for each fiscal year until August 31, 2012. Early estimates predict dairy farmers who signed up for MILC payments in February will receive payments ranging from \$1.45 to \$1.55 per hundredweight. The final figure will depend upon final feed costs in February.

Concluding Observations

The outlook for the dairy industry in 2009 is one of declining prices, especially milk prices. Milk price decreases will be much larger than the decreases in feed and other input costs. The net effect will be a reduced milk-feed price ratio that will result in an exit of dairy farmers and cows from the industry. Total milk production, however, is expected to rise incrementally. The extent of the decline in milk prices will be strongly affected by the relative strength of the export demand. Domestic demand is not expected to make a strong contribution to increased prices for either raw milk or dairy products. The government will support prices for the first time since 2006.

The productive capacity of the Louisiana dairy industry has been declining. This decline is expected to continue because long-run sustainability is not possible on a pasture-based feeding program. Pasture-based feeding programs do not provide the production per cow levels nor the milk production volumes necessary at the farm level for Louisiana farms to be competitive long-term in milk production. The producer has little control over the milk price and the costs of inputs. To some extent, the producer has some control over the cost of production through cow culling and other management decisions. A key to gaining control over per hundredweight milk costs is increased production per cow. Identifying and retaining the higher producing cows requires current and accurate records. Culling lower-producing cows might prove to be one way to increase profitability in 2009. As in all management actions, care must be taken to introduce replacements for culled animals at costs consistent with milk prices and feed costs.

Additional compensation to Louisiana dairy farmers in the form of refundable tax credits and the MILC program will depend upon the magnitude of the decline experienced in farm level milk prices and feed costs. In 2009, a strong possibility exists for farm milk prices to decline to levels that will trigger both refundable tax credits and MILC payments for Louisiana dairy farmers. Such payments, however, will signal negative circumstances for the dairy industry in Louisiana and the nation as a whole. These payments will mean 2009 milk prices were, on average, lower than prices over the last three years.

AQUACULTURE OUTLOOK

C. Greg Lutz

Professor (Aquaculture Research Station)

Louisiana Situation and Outlook

Catfish: Pond-bank prices for farm-raised catfish were lower than production costs for much of 2008, even in the face of declining supplies. Many growers have low inventories in 2009 because of supply and demand cycles and the lack of financing and cash flow. Additionally, demand for corn and other feed components will probably keep feed prices high until late 2009 or beyond, resulting in reduced profitability. High energy costs will also continue to reduce catfish producers' overall profits in Louisiana and elsewhere. Louisiana's catfish acreage and production will probably continue to decrease. Depending on the trends over the coming months, the catfish industry may be all but gone by 2010.

Crawfish: Higher energy prices and bait shortages have forced many producers to adopt a more focused approach to water management and harvesting strategies. Some crawfish acreage may not be in production in 2009 because of high pumping costs, especially if rice profitability appears promising. The 2008/09 season is expected to be later and leaner than the "typical" harvest season for crawfish.

Alligators: Prices for alligator skins, like farm-raised catfish, tend to be cyclic in nature based on supply and demand. Factors which have bolstered prices in recent years should continue, especially the continued economic development in a number of consuming nations, particularly in Asia. The global economic slow-down remains a threat, however. This slowdown could significantly reduce demand for alligator products.

Pet Turtle Hatchlings: Pet turtle hatchling production experienced considerable market disruptions during recent years. Long-term industry survival will depend to a large extent

on finding methods to certify salmonella free hatchlings to FDA's satisfaction. Unless hatchlings can be certified salmonella free, the domestic markets in United States can not reopen. This goal seems less likely today than just one year ago. The global economic slow-down remains a threat to the turtle industry as well, since major markets are overseas.

Baitfish: Because the baitfish industry in Arkansas controls the marketing and distribution channels, major expansions of the industry in Louisiana are unlikely. Continued improvements in artificial baits and marketing efforts by manufacturers will put pressure on live bait producers in 2009. As recreational fishing activities decline because of poor economic conditions, the demand for baitfish will be reduced.

HUNTING LEASE ENTERPRISES

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National Situation and Outlook

Outdoor recreation has changed dramatically in the United States over the past years. Changing land-use patterns, the greater abundance of disposable income by many Americans and greater amounts of leisure time have led to tremendous opportunities for hunting leases to provide substantial economic gains to landowners nationwide. The latest National survey of fishing, hunting and wildlife associated recreation reveals 12.5 million Americans participated in hunting-related activities within the United States. These individuals spent \$22.9 billion in pursuing their hunting activities. Increasing human populations have led to urban sprawl in many parts of our country, which has fragmented wildlife habitats. Many farmers engaged in the production of traditional agricultural commodities have begun to include hunting leases as part of their economic returns strategy

for land management. The recent passage of a new Farm bill includes numerous programs for promoting wildlife enhancement and conservation. These same programs, which at one time heavily subsidized crop production, are now providing the means whereby landowners can greatly enhance wildlife habitat on their lands, leading to increased wildlife populations. These wildlife habitat improvement programs allow landowners to demand greater lease rates for lands under their control.

Private rural lands in the United States make up more than 60 percent of this country's total land area and cover approximately 1.28 billion acres. Because of the many Farm bill programs promoting the return of marginal agricultural areas back to more suitable wildlife habitat, there has been a big increase in suitable wildlife habitat. Many forestry and wildlife-related Farm Bill programs provide for tree planting, which, in turn, has led to increasing numbers of ownerships and total acreage of private lands in forest cover. Much of this forest cover provides excellent habitat for a wide variety of wildlife species, which, in turn, provides the opportunity for hunting lease enterprises to become part of a landowners management options. Other federal programs designed specifically toward the creation of wildlife habitat are available to private landowners. Many of these programs are tied either to long-term or perpetual easements requiring landowners to maintain habitat conditions as specified under terms of the contract. These areas are, however, available for landowners to engage in hunting lease enterprises.

A possible concern for owners of hunting leases dependent on the habitat provided by water-related agricultural operations is the current alternative energy programs. These programs could lead to a conversion of water-cropping systems such as rice and crawfish farming to dry-land agricultural systems. The wildlife species dependent of the habitat provided by these water-related systems would be affected.

Louisiana Situation and Outlook

Landowners who engage in hunting lease enterprises are an important component in the management of wildlife in our state. Many of the wildlife improvements made on lands leased for hunting whether by lessee or lessor provide game and non-game wildlife species with food and cover necessary for their success. In 2008, approximately 6,474 producer's leased land in Louisiana under a fee-based hunting lease enterprise. This figure is represented by 5,086 individuals who participated in upland game leasing (predominately for deer and turkey) and 1,388 individuals who participated in waterfowl leases. Acreage leased for each of these operations was 6,091,822 for upland game and 1,694,175 for waterfowl. Gross farm values for these leases amounted to \$45,688,665 for upland game and \$39,633,825 for waterfowl. Average lease rates were \$7.50 per acre for upland leases and \$23 for waterfowl leases. Waterfowl leases averaged \$15 per acre in coastal areas of the state and \$50 per acre in other areas. Although overall acreage for waterfowl leases was up over last year, some areas of the state which received damage to agricultural fields as a result of Hurricane Gustav, experienced lower leased acreages. This decrease was due to certain manipulations performed on damaged standing crops. Under current federal baiting guidelines, these manipulations rendered some fields unlawful for hunting purposes. Leasing rates varied greatly throughout the state from lows of \$1 to highs of \$30 per acre for upland game leases. In all hunting lease enterprises, rates were dependent on location, habitat quality and species involved. Although these factors were most important in setting the base price for hunting lease operations, the amount of amenities provided was another important factor. A high demand for a good hunting lease with extra amenities will many times bring prices greater than the state average. Value-added components raised the total economic impact of hunting leases in the state to 89.5 million dollars.

Public demand for hunting leases should continue to drive a strong market in the future regardless of the current recession. The wildlife related programs in the new Farm bill will help further the commitment many Louisiana landowners make to provide additional habitat for game and non-game species. The wildlife habitat created by such programs as the Wetlands Reserve Program, Conservation Reserve Program, Wildlife Habitat Incentives Program and the Conservation Reserve Enhancement Program have made available hunting lease opportunities for many landowners within the guidelines of each specific program. A competitive market for hunting leases will continue to be the driving force providing landowners with the potential for significant income gains from this revenue.

Recommendations

Wildlife management is not a one-time endeavor whereby targeted wildlife will continue to benefit from the management performed. Landowners must be aware of the successional nature of land management, especially under the climatic conditions of the southeastern United States. These conditions require constant monitoring of the lands managed. Tree plantings, timber cuttings, disking, mowing, prescribed burning, the use of herbicides and other habitat manipulation procedures are necessary to steer succession in the direction beneficial the targeted wildlife species. Landowners must also be aware of the risks involved in engaging in overly competitive markets for hunting leases. A serious threat to sport hunting will emerge if the large numbers of individuals comprising the core support of this recreational activity are lost. The recruitment of new individuals into the sport of hunting is one of the most important issues facing every state game agency in the United States. Dwindling hunter numbers negatively impacts the federal dollars states receive for their state wildlife management programs.

CONSERVATION PROGRAMS

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Introduction

Conservation Programs in the United States, for the most part, are associated with the USDA Natural Resource Conservation Service (NRCS). Although the agency is not the only public agency or nonprofit organization providing technical or financial assistance in state, the USDA-NRCS is the primary entity for conservation programs in Louisiana. The USDA-NRCS leads the way in the number of producers contacted, acres under conservation contracts and dollars obligated or spent for technical and financial assistance. The USDA-NRCS also partners with the Farm Service Agency (FSA), a sister agency within USDA that provides financial assistance for certain conservations programs.

Various Federal conservation programs were created, modified or deleted under the Food, Conservation and Energy Act of 2008 (the 2008 farm bill). The changes in the federal legislation and the programs authorized by the bill will have an effect on conservation programs in Louisiana. This situation and outlook on conservation programs will explain the core programs USDA-NRCS has ongoing in Louisiana and how those programs address the state's natural resource concerns in agriculture.

Program Overview

Since 1935, the Natural Resources Conservation Service (known back then as the Soil Conservation Service) has been a partner with private landowners and managers to help conserve soil, water and other natural resources. In addition to landowners or managers, NRCS partners with other federal and state agencies, nongovernmental entities and land-grant universities like the LSU AgCenter to deliver conservation programs that address natural resource concerns in the state. NRCS

professionals provide science-based technical assistance to private landowners. This assistance is suited to the specific needs of a producer. NRCS and FSA provide financial assistance for many conservation activities to encourage the adoption of conservation practices and resource conserving structures that may be prohibitively costly for producers to adopt otherwise. Producer or landowner participation in all USDA programs is voluntary.

Conservation programs with NRCS are designed to help producers address local and national resource concerns such as reducing soil erosion, reducing nutrient losses, enhancing water supplies, improving water quality, increasing wildlife habitat and reducing damages caused by floods and other natural disasters. When implemented appropriately, these conservation programs provide multiple benefits to society. The benefits enhance natural resources and in turn help sustain agricultural productivity and environmental quality while supporting continued economic development, recreation and scenic beauty. These ecosystems services are the principal public benefits provided by NRCS programs. In addition to such public benefits, producers and individual private landowners derive substantial private benefits from the programs. Of course, public and private costs are incurred in providing the benefits associated with the private-public partnerships conservation programs foster.

Conservation programs are classified into easement (land retirement) programs and working land programs. With most easement or land retirement programs, producers voluntarily enter into a contract with USDA-NRCS, or in the case of CRP with USDA-FSA, to set aside land for a lengthy period (10 years or more) for specific conservation or environmental purposes. Easement programs that convert cropland into conservation or environmental reserves include the Conservation Reserve Program (CRP) and the Wetlands Reserve Program (WRP). Other easement programs like

the Grassland Reserve Program (GRP) and the Farm and Ranch Lands Protection Program (FRPP) are designed to protect and preserve working agricultural lands from development.

In all easement programs, the federal government acquires certain rights over the property for the duration of the contract. Regarding working lands programs, however, a producer or landowner enters into an agreement with NRCS to implement some best management practices (BMPs). Using these BMPs or conservation practices (CPs), the producer modifies some field practices or builds a specific structure addressing some local or national resource concern. Working lands programs include the Environmental Quality Incentives Program (EQIP) and Wildlife Habitat Incentive Program (WHIP). Total financial assistance obligated by USDA for all these conservation programs in 2008 was \$3.03 billion nationally and \$39.7 million in Louisiana (Table 1).

Easement Programs – Current Situation and Outlook

Conservation Reserve Program (CRP). Started in 1985, the CRP is the oldest and largest easement program in the country. The program provides technical and financial assistance to eligible farmers and ranchers so soil, water and related natural resource concerns on their lands can be addressed in an environmentally beneficial and cost-effective manner. The program is funded through the Commodity Credit Corporation (CCC) and is administered by the Farm Service Agency (FSA), with the NRCS providing technical assistance. CRP encourages farmers to convert highly erodible cropland or environmentally sensitive areas to vegetative cover, such as native grasses, wildlife plantings, trees, filter strips or riparian buffers. As a result, land enrolled in CRP reduces soil erosion and sedimentation in streams and lakes, improves water quality, establishes wildlife habitat and enhances forest and wetland resources. Farmers receive an annual rental payment for the term of the multiyear contract

(10 to 15 years in duration). Cost-sharing is provided to establish the vegetative cover practices.

At the end of 2008, 34.7 million acres were enrolled in all categories of CRP in the United States, a decline of 2.1 million acres from last year. Nationwide, this enrollment constituted 771,674 contracts with 431,867 farms with an average annual rental payment of \$51 or \$1.77 billion annually (Table 1). When cost-share and incentive payments are included, the total obligation of financial assistance was \$1.95 billion for the upcoming year. At the end of 2008, Louisiana's total enrollment in CRP was 304,905 acres, a decline of 5,395 acres. This figure represents 4,644 contracts with 3,040 farms receiving an average annual rental payment of \$53 per acre. Total annual rental payments obligated by USDA in Louisiana for all CRP contracts were \$16.2 million in 2008.

For 2009 and beyond, acreage enrolled in CRP will decline because the 2008 farm bill caps acreage enrollment at 32 million starting October 2009. Another driver associated with declining enrollment is the pressure to place CRP land back into crop production due to high commodity prices – primarily corn, soybeans and wheat. With record-high prices for these commodities, a producer's opportunity cost for continuing to retire land has increased substantially. To prevent CRP rental rates from increasing, the federal government has limited supply of CRP contract acres. This scarcity puts downward pressure on bid prices landowners offer for CRP acreage contracts. Funding for CRP is projected to be \$1.8 billion for 2009.

Wetlands Reserve Program (WRP). This voluntary program, begun in 1992, offers landowners an opportunity to protect, restore and enhance wetlands on their property. NRCS assists landowners with technical and financial support to help restore wetland on their property. With WRP, NRCS is seeking to achieve the greatest wetland functions and values, along with optimum wildlife habitat, on acres enrolled into this program. This program

offers landowners an opportunity to establish long-term conservation and wildlife practices and protection as most contracts under WRP are perpetual easements. As of the end of 2008, over 10,000 contracts had been established between private landowners and USDA resulting in cumulative nationwide enrollment in WRP of 2.0 million acres. These numbers include the additional 56,127 acres enrolled nationally during 2008. The USDA obligated \$149.8 million in financial assistance to producers last year nationwide (Table 1).

In Louisiana, the cumulative enrollment in WRP was 221,449 acres under contracts with more than 600 landowners. No new contracts were written in 2008 in Louisiana. Total obligation for financial assistance to Louisiana landowners was approximately \$15,000 in 2008, representing previous contractual obligations. Louisiana is the most successful state under the WRP, both in terms of contracts and acres enrolled. More than 11 percent of the wetlands restored under WRP have been in Louisiana. WRP has provided millions of dollars in economic and environmental benefit to the state and the country.

Future prospects for WRP in Louisiana are somewhat brighter than in the past few years. The reason no new contracts were signed or acres enrolled in 2008 was a function of the method used for valuing land for WRP contracts in 2008. That method placed values for new WRP lands at levels unacceptably low for Louisiana landowners. The approach for valuing wetlands authorized under the 2008 farm bill, similar to the method used when producers enthusiastically enrolled, should increase enrollment acreage in Louisiana. The cap on area under WRP was raised under the 2008 farm bill to 3.041 million acres through 2012. Federal funding available in 2009 for WRP is projected to be \$540 million, with nearly \$14 million projected to be available for Louisiana landowners.

Farm and Ranch Land Protection Program (FRPP). Matching funds are provided by FRPP

to help purchase development rights to keep productive farm and rangeland in agricultural uses. Working through existing programs, USDA-NRCS works with governments and nongovernmental organizations to acquire conservation easements or other interests in land from landowners. Under FRPP, USDA provides up to 50 percent of the fair market easement value of the conservation easement. For 2009, USDA has made \$100 million available for FRPP nationally. The Farm bill authorized \$743 million from 2008 until 2012 for FRPP. However, because this program depends on partners working with NRCS and the landowner to help with the cost-share portion of the easement, FRPP has been relatively small in Louisiana and is expected to continue to be so unless a willing Louisiana partner is found.

Grassland Reserve Program (GRP). Created in 2002, landowners are given the opportunity to protect, restore and enhance grasslands on their property under the GRP. The program helps landowners restore and protect grassland, rangeland, pastureland and shrubland and provides assistance for rehabilitating grasslands. NRCS, FSA and the Forest Service (FS) jointly implement GRP. This program has had limited implementation in Louisiana, in part due to national program funding levels. Nationally, \$1.8 million in financial assistance was obligated in 2008 (Table 1).

Working Lands Programs – Current Situation and Outlook

The Environmental Quality Incentives Program (EQIP). Authorized under the 2002 Farm bill, EQIP is the oldest working lands program promoting agricultural production and environmental quality as compatible national goals. EQIP helps eligible producers install or implement structural and management practices on eligible agricultural lands. EQIP offers contracts with terms ending from one to 10 years after a producer has implemented the last scheduled practices. EQIP contracts provide incentive financial assistance to implement

conservation practices. Payments rates range up to 75 percent (90 percent for limited-resource or beginning farmers) of the costs of certain conservation practices. Incentive payments may be given to producers for up to three years to encourage implementation of management practices which may be too costly otherwise.

Under the 2008 farm bill, EQIP rules prohibit a producer from receiving, directly or indirectly, financial assistance or incentive payments exceeding \$300,000 for all EQIP contracts during any six-year period. This payment amount is down from the \$450,000 under the 2002 Farm bill. Additionally, EQIP funding in Louisiana (as most states) will be allocated on the basis of Soil and Water Conservation Districts instead of Parishes. In 2009, this requirement will mean certain regions of the state may not be funded at levels previously observed. In 2008, national financial assistance obligations to producers under EQIP totaled \$0.94 billion (Table 1). In Louisiana, USDA obligated \$21.9 million in financial assistance to producers in 2008 (Table 1). This program is popular with producers as well as policymakers. The projected funding level for 2009 is \$1.0 billion nationally.

The Wildlife Habitat Incentives Program (WHIP). This program provides technical assistance and financial assistance (up to 75 percent) to landowners interested in establishing and improving fish and wildlife habitat on land that had been used in agriculture. WHIP agreements between NRCS and the landowner generally last from five to 10 years, with annual payments limited to \$50,000 per year for producers. Since beginning in 2002, this program has proven to be a highly effective and widely accepted program across the country.

Nationally, WHIP obligated nearly \$57.2 million in financial assistance to landowners in 2008; an increase of \$17.3 million over last year (Table 1). This figure represented 646,491 acres under 3,495 contracts. In Louisiana, slightly more than \$1.14 million was obligated in 2008 for approximately 9,265 acres under

126 contracts. Funding under WHIP more than doubled in Louisiana between 2007 and 2008. Under the 2008 farm bill, USDA is authorized to spend up to \$85 million annually. Expectations are \$74 million will be obligated to WHIP in 2009 nationwide.

Conservation Security Program (CSP). CSP seeks to conserve and improve soil, water, air, energy and plant and animal life (ecosystem services) on working lands by rewarding a producer's past stewardship behavior. Working lands include cropland, grassland, prairie land, improved pastureland and rangeland, as well as forested land, which is an incidental part of an agriculture operation. The program is implemented on a watershed basis and is open to all eligible producers within the watershed. The program is not available to producers outside the designated watershed.

Nationally, financial assistance obligations for CSP were \$20.8 million in 2008 (Table 1). In Louisiana, financial and technical assistance obligations were nearly \$0.4 million for CSP last year to service and to make payment for prior year contracts as well as payments for several new contracts. In 2008, nationwide 2.1 million acres were enrolled in CSP, with 1,980 acres enrolled in the Tickfaw Watershed in Louisiana. Under the 2008 farm bill, CSP was eliminated. USDA, however, will pay existing contract through the duration of those contracts. CSP has been replaced by the new Conservation Stewardship Program (CStP).

Conservation Stewardship Program (CStP). The 2008 farm bill replaces the CSP with the new CStP for 2009 through 2017. This voluntary conservation program is designed to encourage producers to address resource concerns in a comprehensive manner. Producers are urged to improve, maintain and manage existing conservation activities and to undertake additional conservation activities. To participate in CStP, producers must show a stewardship threshold for at least one resource concern is being met. Producers must also address at least one additional priority resource

concern by the end of the CStP contract. Anticipated enrollment in CStP is 12.77 million acres for each fiscal year at an average annual cost of \$18 per acre (for technical and financial assistance). Acreage will be allocated proportionally across states or areas, based on the total number of eligible acres nationwide. Contracts will cover the entire agricultural operation and will be for five years.

CStP payments are designed to compensate producers for going beyond their current conservation efforts by installing and adopting additional conservation activities or by adopting resource-conserving (beneficial) crop rotations. Producers are expected to improve, maintain and manage conservation activities in place at the time the contract offer is accepted. CStP payments are available to producers who engage

in activities related to on-farm conservation research, demonstration activities and pilot testing of new technologies or innovative conservation practices.

CStP payments are based on the cost of installing, adopting or maintaining the conservation activities, income forgone by the producer and expected environmental benefits. Environmental benefits are determined by NRCS conservation measurement tools. Payments cannot be made for expenses associated with animal-waste storage or treatment facilities or related waste transport or transfer devices for animal feeding operations. CStP payments to an individual or legal entity are limited to \$200,000 for all contracts entered into during any 5-year period.

Table 1. Financial Assistance Obligated by USDA for Conservation Programs in Louisiana and the United States in 2008

<u>Program</u>	<u>Louisiana</u>	<u>United States</u>
CRP	\$ 16,205,000	\$ 1,766,217,000
WRP	\$ 14,482	\$ 149,757,783
FRPP	\$ 0	\$ 95,169,717
GRP	\$ 0	\$ 1,800,000
EQIP	\$ 21,911,323	\$ 943,407,338
WHIP	\$ 1,136,046	\$ 57,221,029
CSP	\$ 384,109	\$ 20,834,357
Total	\$ 39,650,960	\$ 3,034,407,224

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