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Contents

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Trade Adjustment Assistance (TAA) for Farmers

Nathan Kemper, TAA Coordinator and Ron Rainey, Co-Director, Southern Risk Management Education Center, U of A Division of Agriculture, Agricultural Economics and Agribusiness Department

The Southern Risk Management Education Center coordinates the outreach efforts for Trade Adjustment Assistance for Farmers (TAA for Farmers) within the Southern Region. TAA for Farmers provides free technical assistance to producers of agricultural commodities and to fishermen who have been adversely affected by import competition.

Program Overview

TAA for Farmers provides free technical assistance and cash benefits to producers of agricultural commodities and to fishermen who have been adversely affected by import competition. The focus of the current TAA implementation is on training. Producers can receive up to $4,000 after developing an approved initial business plan and up to $8,000 for subsequently developing a long-term business adjustment plan. Travel and subsistence expense may also be reimbursable, depending on training locations.

Program Description

The American Recovery and Reinvestment Act of 2009 (ARRA) reauthorized and modified the Trade Adjustment Assistance (TAA) for Farmers Program as established by the Trade Act of 2002 which amended the Trade Act of 1974. Under the TAA for Farmers Program, the USDA provides technical assistance and cash benefits to eligible producers of raw agricultural commodities and fishermen who have been hurt by import competition.

When the Administrator of USDA's Foreign Agricultural Service (FAS) determines that increased imports have contributed importantly to a greater than 15 percent decrease in 1) the national average price, or 2) quantity of production, or 3) value of production, or 4) cash receipts, compared to the average of the three preceding marketing years, producers may be eligible to receive technical training and cash benefits.

Program Benefits

TAA provides training to help producers increase profitability, improve production efficiency, consider marketing opportunities, and evaluate alternative enterprises.

TAA will also help participants develop a business plan, evaluate changes to their business, and provide funding to implement changes. TAA Technical Assistance for producers and fishermen includes the following components:

1. Initial technical assistance - an overview of TAA and opportunities to improve production and marketing or evaluate alternative enterprises
2. Intensive technical assistance - choose from a series of workshops on topics relevant to the commodity that are will help improve profitability
3. Initial business plan - write a short description of how you plan to change your business based on what was learned from the workshops to become eligible to receive a maximum $4,000 cash payment
4. Long-term business adjustment plan - get help developing a business plan outlining how you will implement changes to your business. Completion makes you eligible for a maximum $8,000 cash payment

A producer may not receive more than $12,000 during the 36-month period following certification of a group petition. Travel and subsistence expenses related to attending training sessions may also be reimbursable.

Eligibility and How to Apply

An agricultural or fisheries commodity can petition the USDA Foreign Agricultural Service to become eligible for TAA. A commodity is eligible if it has experienced more than a 15% decline in the national average price, or the quantity of production, or the value of production, or in cash receipts in the most recent marketing year compared to the previous three marketing years; and if imports contributed importantly to this decline.

A commodity organization or any group of three unrelated producers can submit a petition to the USDA. Once a commodity is approved, individual producers and fishermen can apply at their local Farm Service Agency (FSA) office.

Once a commodity is certified eligible for TAA, producers or fishermen have 90 days to sign up at a USDA Farm Service Agency (FSA) office. Initial technical assistance will be delivered by Extension Service educators within 180 days after a commodity is certified. Intensive technical assistance and assistance developing a business plan will also be provided by Extension, but producers and fishermen will have three years to complete these phases of the program. Applicants should check eligibility requirements in the *Federal Register* notice to determine their eligibility.

For More Information, contact Nathan Kemper, TAA Program Coordinator at the Southern Risk Management Education Center by phone (479-575-5226) or email (nkemper@uaex.edu). You can also learn more about the program by visiting the Center's website(http://srmec.uark.edu/) or visit www.TAAforFarmers.org.

Input Costs for 2010 Arkansas Field Crops

Archie Flanders, Assistant Professor, U of A Division of Agriculture, Agricultural Economics and Agribusiness Department

Increasing input prices during this decade have challenged farm profitability even during periods of favorable commodity prices. Relative prices among inputs are determinants of potential profitability in selecting crops for planting. Input costs per unit of crop output is a useful measure for gauging profitability potential in relation to expected commodity prices for crops marketed.

This report presents trends in input prices for field crops produced in Arkansas, as well as estimates for costs per acre for generalized methods of crop production.

Trends in Input Prices

Agricultural input prices have increased over 50% since 2001. Figure 1 shows that input prices increased steadily during 2001-2007. There was a sharp price increase in 2008, followed by a price plateau. Prices for 2010 are based on price indexes available in January 2010.

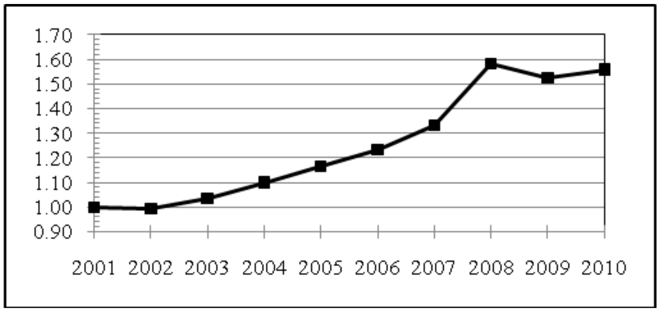

Figure 1. Index of Agricultural Input Prices, U.S., 2001-2010, 2001=1.0; Source: USDA- NASS 2010a

Increases in diesel prices are characteristic of input prices depicted in Figure 1. with a sharp annual increase in 2008 followed by a decrease in 2009. Preliminary diesel prices in January 2010 indicate a slight price increase for the upcoming production year. Monthly diesel prices are subject to fluctuations due to volatile crude oil prices.

Price indexes for fertilizers and chemicals are presented in Figures 2 and 3. Fertilizer prices in Figure 2 have increases characteristic of all input prices with a sharp increase in 2008. Since 2008, fertilizer prices are declining. The fertilizer price declines include nitrogen prices down to levels approaching 2007 prices. In contrast, phosphorous and potash prices are approximately twice their 2007 price levels.

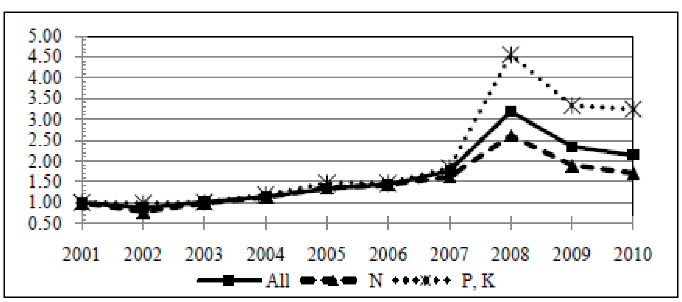

Figure 2. Index of Fertilizer Prices, U.S., 2001-2010, 2001=1.0; Source: USDA-NASS 2010a

Chemical prices in Figure 3 have increases for herbicides, insecticides, and other chemicals. Price increases for each chemical component are less than increases for fertilizers, as well as less than increases for all production inputs in Figure 1. Insecticide prices have significantly lower price increases than other chemical components.

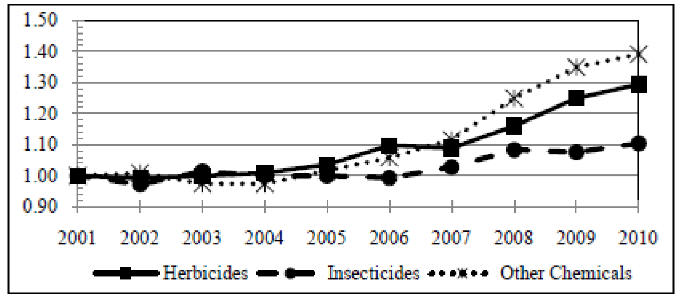

Figure 3. Index of Chemical Prices, U.S., 2001-2010, 2001=1.0; Source: USDA-NASS 2010a

Input Costs

Input prices applied to field rates of usage determine production costs. Crop enterprise budgets developed by the University of Arkansas include estimated costs per acre for field crops (University of Arkansas 2009.) Budget costs represent the most generalized production practices for three irrigation scenarios: 1) surface, 2) center pivot, and 3) non-irrigated. For this report, aggregated production functions are developed for field crops as weighted averages of crop enterprise budgets (USDA-NASS 2009, USDA-NASS 2010b). Changes in annual input costs are determined by applying price indexes to input components which have 2010 costs based on crop enterprise budget application rates and prices (USDA-NASS 2010a).

Average costs per acre for all fertilizers are presented in Table 1 during 2006-2010. For 2010, corn has the greatest costs and soybeans have the least costs. Fertilizer costs trended upward until 2008 and have since declined. Corn fertilizer costs are $29 greater than for rice, $64 greater than cotton, and $114 greater than soybeans.

Table 1. Arkansas Average Costs per Acre for Fertilizers, 2006-2010

Year	Cotton	Corn	Sorghum	Soybeans	Rice	Wheat
2010	102	166	124	52	137	87
2009	109	178	133	54	145	94
2008	147	243	182	73	197	127
2007	75	129	93	30	101	69
2006	65	112	80	24	87	60

Table 2 shows increasing chemical costs each year since 2007 for all crops. Cotton has the greatest costs for chemicals. Cotton 2010 chemical costs are $23 greater than rice, $37 greater than soybeans, and $84 greater than corn. Wheat has the least costs for chemicals.

Table 2. Arkansas Average Costs per Acre for Chemicals, 2006-2010

Year	Cotton	Corn	Sorghum	Soybeans	Rice	Wheat
2010	122	38	32	85	99	25
2009	119	37	31	82	95	24
2008	113	34	29	77	89	23
2007	105	32	27	71	82	20
2006	104	33	27	71	82	20

Production inputs are seed, fertilizers, chemicals, energy costs, allocated labor, custom services, and direct supplies. Machinery repairs, crop insurance, and post-harvest expenses are not included in production costs. Table 3 shows that expenses for production inputs reached a maximum for all crops in 2008. Rice has the greatest production costs in 2010. Production costs for rice are $34 greater than cotton, $91 greater than corn, and $222 greater than soybeans.

Table 3. Arkansas Average Costs per Acre for Production Inputs, 2006-2010

Year	Cotton	Corn	Sorghum	Soybeans	Rice	Wheat
2010	429	372	210	241	463	167
2009	419	374	214	235	454	170
2008	466	452	272	262	547	205
2007	363	303	172	196	399	132
2006	336	272	155	180	369	123

Expected yields and operating costs per yield unit of output are presented in Table 4. Expected yields for 2010 are estimated as the 5-year Olympic average yield. Olympic averages are calculated as the average for 2005-2009, not including the highest and lowest annual yields (USDA-NASS 2010c). Costs per yield unit are derived by dividing operating costs, as well as total costs by expected yield. Comparing costs in Table 4 and potential commodity prices for 2010 provides an indicator of the economic outlook for Arkansas field crops.

Table 4. Arkansas Expected Yield and Average Costs per Yield Unit[1], 2010

Item	Cotton[2]	Corn	Sorghum	Soybeans	Rice	Wheat
Expected Yield	1,024	150	84	36.2	151	51
Operating Costs[3]	0.46	3.18	3.12	7.77	3.98	4.07
Total Costs[4]	0.58	3.65	3.82	9.54	4.51	4.93

[1]Cotton yield is lbs., all other crops are bu.
[2]Cotton operating costs include hauling, ginning, and other post-harvest expenses. Cottonseed value is deducted from operating costs.
[3]Operating costs are production inputs, machinery repairs, crop insurance, and post-harvest expenses.
[4]Total costs are operating costs and fixed costs.

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Arkansas Crop Losses from Poor Harvest Conditions in 2009

Jeffrey Hignight, Program Associate; Scott Stiles, Instructor; Eric Wailes, Professor; Brad Watkins, Associate Professor and Wayne Miller, Professor, U of A Division of Agriculture, Agricultural Economics and Agribusiness Department

Throughout the 2009 cropping season Arkansas producers have been challenged by a wet spring, dry June, and then excessive rainfall again from July through harvest. Although some crops were predisposed to lower yields from late planting, poor harvest conditions exacerbated acreage, yield, and quality losses plus additional fieldwork. Poor harvest conditions also negatively impacted the Arkansas economy by reducing labor, wages, and value-added. For the entire article on Arkansas crop losses please visit http://division.uaex.edu.

Table 1 presents the losses to producers from reduced gross receipts due to the loss of acreage, yield, quality, and additional fieldwork. Overall, the total estimated losses are $397 million. Per acre this is a $56/acre reduction or nearly 12% loss in gross receipts for Arkansas producers. Specifically by crop, corn estimated losses were 6.3% of gross receipts or $34/acre.

Cotton had an estimated 15 thousand acres destroyed and 259 lbs/acre lint loss. In total, cotton losses were 33% in gross receipts or $207/acre. In addition cottonseed losses averaged $34/acre. Grass hay losses were nearly 4% of gross receipts or $6/acre. Rice experienced an estimated loss of $31/acre which includes 10 thousand acre destroyed, one bushel decrease in yield, quality damages, and additional fieldwork. Sorghum losses were the greatest as a percentage of gross receipts but little sorghum is planted in Arkansas. Sorghum losses were an estimated 41% of gross receipts or $122/acre. Soybean total value loss was the greatest due to the large acreage planted in the state. Soybeans had an estimated 100 thousand acres destroyed and fortunately only ½ bushel state average loss per acre. Gross receipts for the crop were reduced by 16% or $62/acre.

Table 1. Estimated Reduction in Arkansas Gross Receipts from Poor Harvest Conditions, 2009.

Crop	USDA Estimated Harvested Acreage[1] (1,000)	September Estimated Gross Receipts[2] ($1,000)	Reduced Gross Receipts[3] ($1,000)	Percent Loss from Estimated Total Gross Receipts[4]	Per Acre Loss by Total Acreage[5]
Corn	410	$221,437	-$13,955	-6.3%	-$34
Cotton	500	$310,533	-$103,365	-33.3%	-$207
Cottonseed	500	$63,798	-$17,050	-26.7%	-$34
Grass Hay	1,400	$200,200	-$7,808	-3.9%	-$6
Rice	1,470	$1,293,158	-$46,298	-3.6%	-$31
Sorghum	37	$10,942	-$4,507	-41.2%	-$122
Soybeans	3,270	$1,248,585	-$204,196	-16.4%	-$62
Total	**7,087**	**$3,348,653**	**-$397,178**	**-11.9%**	**-$56**

[1] Estimates from January 2010 NASS Arkansas Crop Production Report.
Grass Hay estimates come from the October NASS Crop Production Report released Oct. 9, 2009.
[2] Estimated value of crop in September before harvest.
[3] Reduction in revenue from acreage, yield, and quality loss plus additional fieldwork costs.
[4] Equals Reduced Gross Receipts divided by Estimated Gross Receipts
[5] Equals Reduced Gross Receipts divided by USDA Estimated Harvested Acreage

In addition to the direct loss of $397 million, the economic loss has reduced economic activity beyond the farm-gate. The additional loss to the value added (Arkansas gross state product) is estimated to be nearly $202.7 million presented in Table 2. The loss from crop damage is estimated for three activities. First, crop damage results in less farm revenue which is expected to reduce farm household spending for consumer goods and services. Second, since crop output is reduced, there are fewer grains and oilseeds (corn, rice, sorghum and soybeans) to process. This reduces milling and processing activity, which in turn has negative impacts on the transportation industry, the wholesale industry, and many other industries that supply goods and services to the processing sector. Similarly, since cotton production is diminished there will be less cotton to gin which requires fewer workers and, therefore, less paid in wages and salaries and less value added to the state economy. Less cotton to gin also affects those industries that supply goods and services to operate the gins, including transportation.

Estimates of the economic loss due to crop damage are a decline of nearly 3,700 full and part-time jobs, a reduction of approximately $102 million in wages and salaries, and a decline of nearly $202.7 million in value added (Arkansas Gross State Product).

Table 2. Estimated Arkansas Value-Added Impacts from 2009 Crop Damage.

Table 2. Estimated Arkansas Value-Added Impacts from 2009 Crop Damage.

	Employment	Wages*	Value Added*
Corn, Soybean, Rice Processing	-266	-$10,776	-$19,276
Cotton Ginning	-262	-$6,098	-$7,713
Reduced Household Spending	-3,172	-$85,149	-$175,686
Total	**-3,700**	**-$102,023**	**-$202,675**

* Figures are in $1,000

MarketMaker now Available in Arkansas

Ron Rainey, Associate Professor, U of A Division of Agriculture, Agricultural Economics and Agribusiness Department

The MarketMaker (MM) resource was launched in Arkansas in March 2010. It is an interactive web resource aimed at promoting the products and services of farmers, agricultural businesses, and food related businesses. MM is designed to connect food producers, distributors, buyers, and sellers to their specific consumer markets. Most importantly, the resource is free to use for farmers interested in registering their business as well as free for those conducting searches on the site.

The goal of the resource is to develop and strengthen the food system through education and transparency of the system. It was designed to create an agile, efficient, virtual value chain that connects high quality sources of food with willing markets. Hopefully MM will serve growers with enhanced marketing options and consumers with a deeper understanding of their food and its origins.

The MM resource is a single database of demographic, marketing, and business information managed by a network of multistate partners. The system allows a user to seamlessly query the data across geographic boundaries. All of the data is geo-coded so that searches can be viewed graphically, through a mapping feature. Searches for information can be based on a zip code, county, state or multi-state level.

MM links food producers with economically viable markets, while aiding in food security and enhanced quality in food supply chains. Farmers, restaurant owners and specialty food stores, particularly those that are small to medium sized, all benefit from being connected.

The site allows growers or businesses to register/post their business information for free through a menu-driven system. The registration process is easy to use and allows numerous opportunities for business profiles to differentiate the products and services they offer. For example, a tomato grower can highlight the uniqueness of his/her operation by indicating their farm uses a "certified organic" production system; participates in the Arkansas Agriculture Dept. state branding and source verification program, Arkansas Grown; and sells only through an online website or at the area farmers' market. Additionally, a grower can detail their farm's history and other product/service offerings.

In addition to census data and business profiles, MM also contains a variety of resources and material to assist those interested in understanding and/or capturing the opportunities that local food systems offer. Site links include educational resources including University fact sheets on marketing, case studies of successful ventures, as well as resources to allow for the exploration of additional transactions to benefit your business, "buy-sell blogs".

Arkansas' project director of MarketMaker is Ron Rainey of the Division of Agriculture. He says, "the resource offers a wealth of information for both growers, agribusinesses and consumers allowing farmers to promote their products and consumers to find businesses offering niche and/or specialty items".

The Arkansas MarketMaker project is made possible by a partnership among the University of Arkansas Division of Agriculture, Arkansas Agriculture Department, and Arkansas Farm Bureau. The organizations have joined forces to promote and enhance Arkansas' local food economy by linking together all sectors of the food marketing chain - farmers, processors, wholesalers, retailers and consumers. The project also commends the continued support of the University of Arkansas' Applied Sustainability Center which is housed within the Sam M. Walton College of Business. The site contains direct links to the collaborating state partners websites as well as links to national sponsors.

The interactive website is now live on the national link so visit either the national portal (http://national.marketmaker.uiuc.edu/) or the Arkansas site directly (http://ar.marketmaker.uiuc.edu/) to learn more about and to use this exciting resource.

If you have questions or comments email marketmaker@uaex.edu or feel free to contact Ron Rainey at 501-671-2175 or rrainey@uaex.edu .

Macroeconomic Impacts on Agriculture

Brandon R. McFadden, Instructor; Bruce L. Dixon, Professor; and Bruce L. Ahrendsen, Professor, U of A Division of Agriculture, Agricultural Economics and Agribusiness Department

The economic uncertainty of 2009 is likely to continue in 2010 as politicians, producers, consumers and investors search to find what the new normal looks like. Until fears are eased and uncertainties resolved, the slow recovery will likely remain just that. While the economy might not fall back into recession, we do not anticipate strong, sustained growth. The U.S. economy as a whole is beginning to gain traction but some states are feeling the woes of recession (for example, California) more than others. The same is true abroad. The EU is struggling to figure out how to maintain a unified currency when one member state is at the brink of budgetary failure and others are being more closely scrutinized.

Despite slow, real gross domestic product (GDP) growth in 2008 (0.4%) and negative real growth in 2009 (-2.4%), the economy experienced positive growth in the last two quarters of 2009 and by year's end returned to a level slightly over the 2006 level of economic output. A preliminary report by the Bureau of Economic Analysis (BEA) estimates that real GDP increased at an annual rate of 5.7% during the fourth quarter of 2009. The increase in the fourth quarter marked the second consecutive quarter of growth following four consecutive quarters of contraction. The real GDP upturn in the third quarter is chiefly due to a 20.4% annual rate increase in consumer expenditures for durable goods. The third quarter real GDP of 2009 was also characterized by large increases in residential investment and exports of goods, 18.9% and 24.6% annual rate increases respectively. For the seven quarters prior to the third quarter of 2009, investment growth was strongly negative. Residential investment slowed in the fourth quarter from its third quarter rebound.

Nevertheless, private investment increased in the fourth quarter due to an annual rate increase of 13.3% in equipment and software. Exports of goods continued to increase in the fourth quarter by an annual rate increase of 28.1%.

In a February 12, 2010, release by the Federal Reserve Bank of Philadelphia, 42 forecasters projected real GDP will grow at an annual-average rate of 3.0% in 2010. Furthermore, an economic contraction is seen as unlikely. The forecasters on average indicated the probability of a decrease in real GDP during 2010 at less than 5%. For the next few years, the 42 forecasters estimate real GDP to grow 2.9 percent in 2011, 3.4 percent in 2012, and 3.1 percent in 2013.

Unemployment, Interest Rates and Oil Prices

The national average unemployment rate has stayed at 9.7% from January to February, as indicated by the Bureau of Labor Statistics (BLS) in a March 6th news release. In 2009, unemployment reached a high of 10.1% in October and finished the year at 10%. The BLS has unemployment rates available since 1948, and 2009 is only the third year since 1948 that unemployment has reached double-digits (unemployment also reached double-digits in 1982 and 1983). Jobs continue to be lost. Nonfarm payroll employment decreased by 36,000 during February 2010. Construction employment dropped more than any other measured sector in February, totaling 1.9 million construction jobs lost since December 2007. Manufacturing is another sector heavily affected by the recession. Approximately 2.1 million manufacturing jobs have been lost with three-fourths of them occurring in durable goods.

However, the decline in manufacturing jobs slowed in the beginning of 2010. The forecasters surveyed by the Philadelphia Federal Reserve predict unemployment will decrease annually throughout the projection period and end 2013 at 7.3%. The good news for Arkansas is that its unemployment rate is below the national average, although Arkansas' rate has also increased (see figure). Unemployment in Arkansas has not risen above 7.6% during the current recession and remains there at the start of 2010.

Interest rates were low in 2009 and are likely to remain low in 2010. Low interest rates are an expansionary monetary policy and ideally should encourage borrowing and consequent investment. However, lending institutions and consumers continue to behave conservatively, likely in response to economic uncertainty. The federal funds rate, which the Federal Reserve targets in determining the money supply, started 2009 at 0.10% and reached a high of 0.24% in June 2009. January 2010 started out at 0.08%, the lowest the federal funds rate has been since 1954—the historical start of the available data. Recently the rate has increased slightly and is 0.16% as of March 10. The fed funds rate has been below 1% since October 2008. It is unlikely that the federal funds rate will increase in the near future since consumers are still wary and are trying to weather the economic storm. The prime rate began and finished 2009 at 3.25%. Longer term rates, as measured by ten-year U.S. government securities adjusted for constant maturities, started 2009 at 2.52%. While oscillating back and forth, it climbed through the year and ended February 2010 at 3.69%. The Philadelphia Fed survey projects the ten-year bond rate to increase to an average of 3.9% for 2010 and 4.5% in 2011.

According to data from the Board of Governors of the Federal Reserve System, the effective interest rate on farm non-real-estate bank loans increased from an average of 4.8% in the fourth quarter of 2008 to 5.1% in the first quarter of 2009. After the slight first quarter increase, farm interest rates decreased the following three quarters and ended 2009 at a new decade low of 4.5%. The average farm non-real-estate interest rate for all of 2009 was 4.8%, down from 5.6% in 2008.

Inflation is becoming a larger concern due to the low interest rate, expansionary monetary policy and stimulus package. On a seasonally adjusted basis, the two money supply aggregates, M1 and M2, both grew from January 2009 to January 2010 by 6.5% and 1.9%, respectively. The M1 and M2 growth occurred steadily throughout 2009, with a slight decrease in January 2010. Yet, the Consumer Price Index (CPI) indicates annual inflation in 2009 was -0.4%, a large decrease from 2008 when inflation was 3.8%. The -0.4% annual inflation represents the first annual deflation since 1955. The USDA's Economic Research Service (ERS) projects that retail food prices will increase faster than inflation from 2010 to 2012.

U.S. and world oil prices rebounded in 2009 even in the face of decreased demand. In January of 2009, crude oil was at $31.76/barrel in the U.S., but by December 2009 it had nearly doubled to $69.94/barrel. The U.S. crude oil price continued increasing in the beginning of 2010 and ended February at $75.51/barrel. OPEC reports that world oil demand is estimated to have declined 1.6% in 2009. Most of the decrease in oil demand occurred in the U.S., due to low consumption of industrial fuel. Increasing fuel prices will benefit biofuel producers. Increased demand for biofuels will likely raise corn and soybean prices. The Agricultural Marketing Resource Center recorded monthly national average ethanol cash prices at $1.82 per gallon in January of 2010, up from $1.52 per gallon in January of 2009. Monthly national average diesel cash prices increased from $2.29 per gallon in January 2009 to $2.84 per gallon in January 2010.

Exchange Rates and Exports

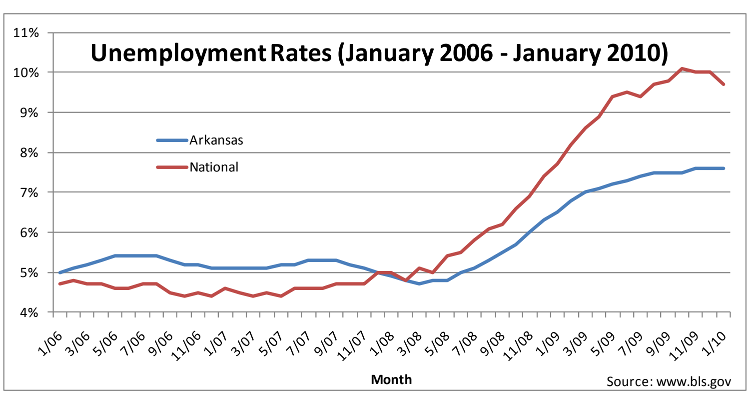
The U.S. dollar depreciated 9.1% from January 2009 to December 2009 before appreciating 2.4% so far this year during January and February according to a broad currency index. However, ERS estimates that the U.S. dollar will depreciate through 2019, the end of the ERS forecast period. This is good news for agricultural exports—all other things held constant—since a weaker dollar encourages export gains.

Agricultural exports for fiscal 2009 were $97 billion, a decrease of nearly $19 billion from the record level in 2008. The 2009 decline was largely due to lower world grain and feed demand. A weaker year for exports decreased the agricultural trade surplus in 2009 to $23 billion, down from $36 billion in 2008. ERS forecasts U.S. agricultural exports will slowly increase and reach 2008 levels again by 2018. Even with agricultural exports growing, the trade balance is expected to decrease annually through 2019 due to increases in agricultural imports across all major categories.

Production Expenses and Land Values

ERS predicts net cash income to be $76.3 billion for 2010, a $5.5 billion increase from 2009 preliminary figures but remaining below 2007 and 2008 levels. In 2010, crop receipts are expected to decline $6 billion and livestock receipts are expected to increase $11.5 billion. The net increase in receipts explains the increase in net cash income since other items are nearly static, including expenses. Farm expenses are expected to be $281.4 billion in 2010, an increase of 0.3% from 2009 preliminary farm expenses. In 2008 farm expenses were at a record high and, while farm expenses decreased during 2009, the projected slight 2010 increase will make 2010 the second highest year for farm expenses. Fuel and oils are projected to rise more than $1 billion in 2010, while feed and fertilizer are projected to fall by 2.4% and 7%, respectively. Hired labor cost is estimated to increase by 1.8%, or $430 million.

In an August 2009 summary, the National Agricultural Statistics Service reported U.S. farm real estate values averaged $2,100 per acre in January 2009. The real estate value measures all land and buildings on farms. The $2,100 farm real estate value is a 3.2% decrease from 2008 and represents the first decrease in farm real estate value since 1987. However, farm real estate value hit a record high in 2008 and the 2009 value is still above the 2007 value. Cropland and pasture values also decreased. Average cropland value decreased 3.9%, with the largest decrease occurring in the Cornbelt region. Average pasture value decreased 1.8%, with the largest decrease in the Mountain region.



The average value of Arkansas farm real estate dropped from $2,420 per acre in 2008 to $2,390 per acre in 2009, a 1.2% decrease. Arkansas cropland increased from $1,770 per acre in 2008 to $1,860 per acre in 2009, representing a 5.1% increase. This was the third highest percent increase in cropland value in the nation. Pasture values in Arkansas were unchanged from 2008 to 2009, remaining at $2,200 per acre. Arkansas land values have held up better than the U.S. land values. However, weather related production problems during 2009 and softness in the residential and commercial real estate markets that persists into 2010 will likely have a dampening effect on land values this year.

Summary

With 2009 behind us, it is plausible to believe that better days lie ahead. Unfortunately, the world's developed economies continue to suffer from a lack of confidence. The recent Greek financial crisis could be a harbinger for countries that have promised more to various constituencies than they can readily deliver. Unemployment lags productivity.

The federal government cannot perpetually subsidize spending—the stimulus package—due to deficit and inflationary concerns. Furthermore, those who borrow funds to invest in new physical plant, machinery and residential housing are doing so at comparatively low levels. Major policy debates on health care (as of this writing), cap and trade, labor issues and the timing of the unwinding of the massive liquidity the Fed has put on its balance sheet remain to be resolved. Until the debates are decided, macroeconomic growth will likely remain tepid.

We hope you find our newsletter useful. If you have any comments or questions regarding these articles, or would like to make suggestions for future articles, contact the editor.

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