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# California Agriculture Outlook and Issues

California State Board of Food and Agriculture

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## Mission

To provide thought leadership on the global F&A sector to create a unique competitive advantage that positions Rabobank as the world's leading F&A bank.

# FAR as knowledge leader



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Some 80 people across the globe in 12 different countries



# Plenty for investors still to worry about

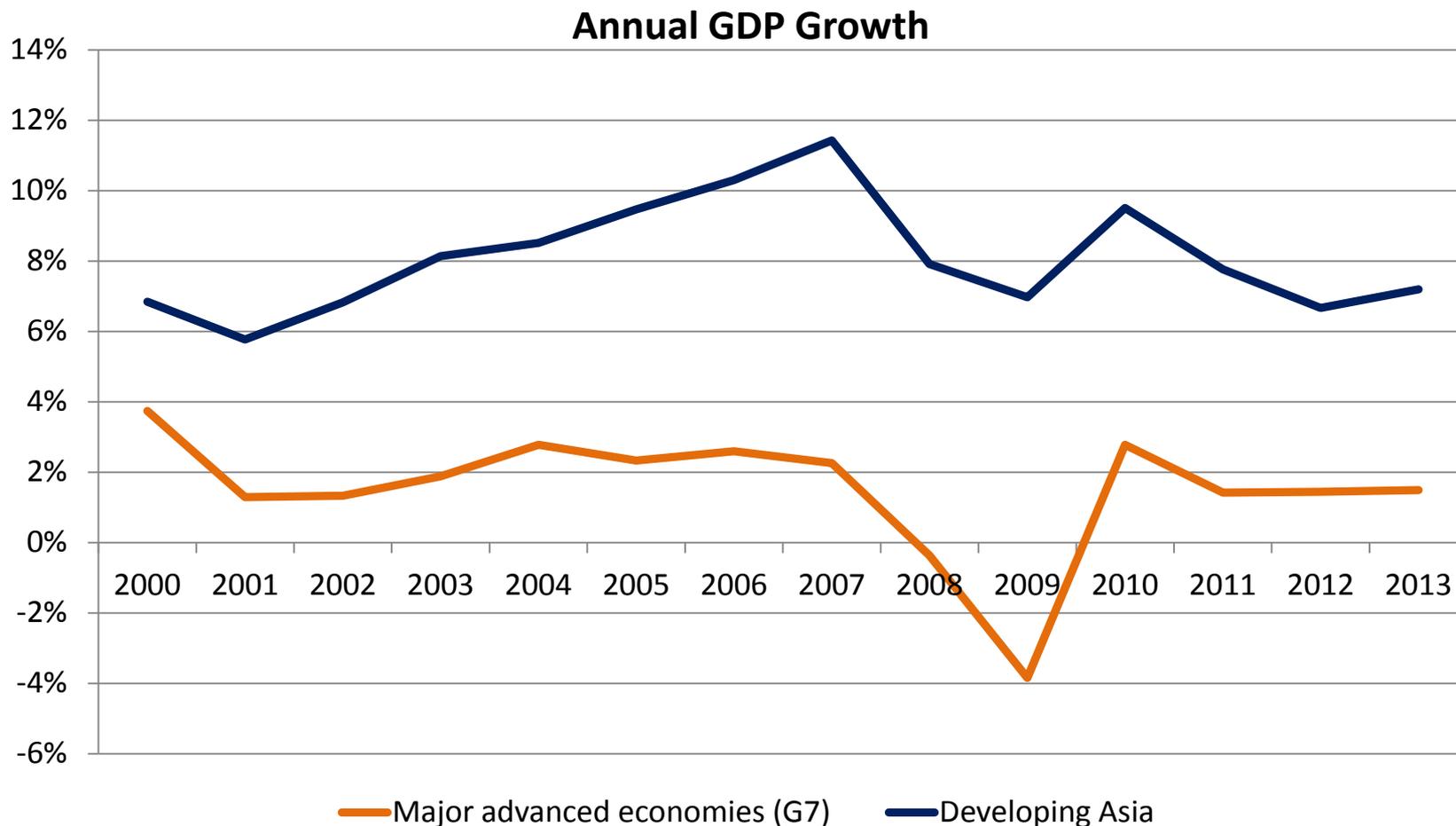


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	GDP				Inflation				Unemployment rate		
	2011	2012	2013		2011	2012	2013		2011	2012	2013
United States	1.8	2.2	1.8		3.2	1.7	1.8		9.0	8.1	7.7
Eurozone	1.5	-0.4	0.0		2.7	2.5	1.6		10.2	11.4	11.7
United Kingdom	0.8	-0.3	1.3		4.5	2.3	2.0		8.2	8.3	8.3
Japan	-0.5	2.0	0.2		-0.3	0.0	0.2		4.6	4.4	4.1
China	9.3	7.7	8.0		5.9	-0.7	3.3		na	na	na

- Weak Q4 GDP data prove the downturns in both the Eurozone and Japan are difficult to shake off.
  - Italy contracted by 2.7% y/y in 2012, this may weaken Monti's hand in forthcoming elections.
  - New BoJ governor expected to step up the monetary stimulus, how far can JPY fall and will currency wars extend?
  - US approaching the fiscal sequester on March 1, spending cuts could follow payroll tax hikes.

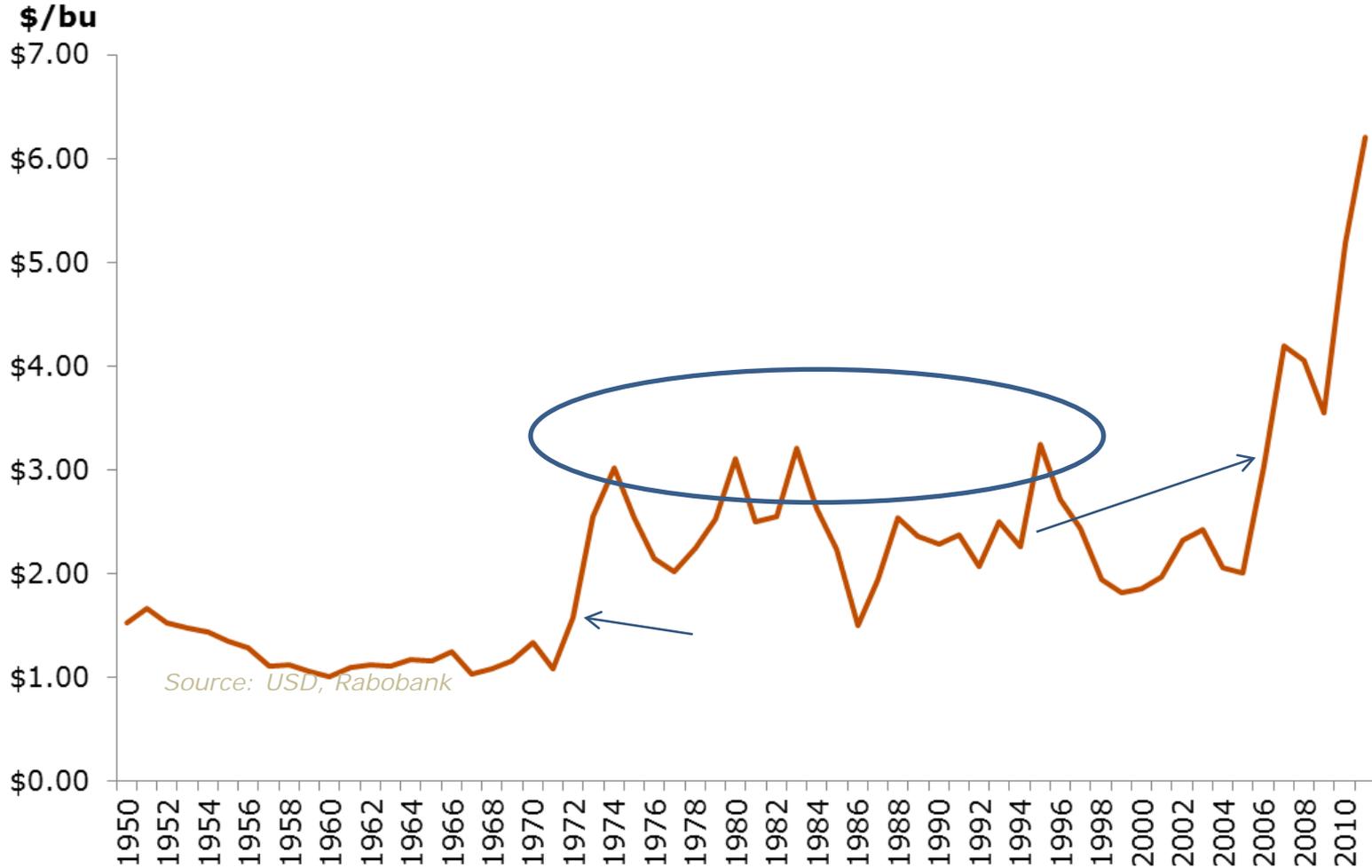
# Asia remains growth driver



# What Happened to Prices



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# Global fundamentals underpinning long term bullish trend in agri commodity markets



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## Global Demand Drivers

### Population Growth

- World population growing at 1.1%p.a.
- Concentrated on emerging economies

### Income Growth

- Global income has been improving mostly in emerging markets

### Urbanization

- Urbanization leading to westernization of diet and demand for higher value added foods

### Food Demand

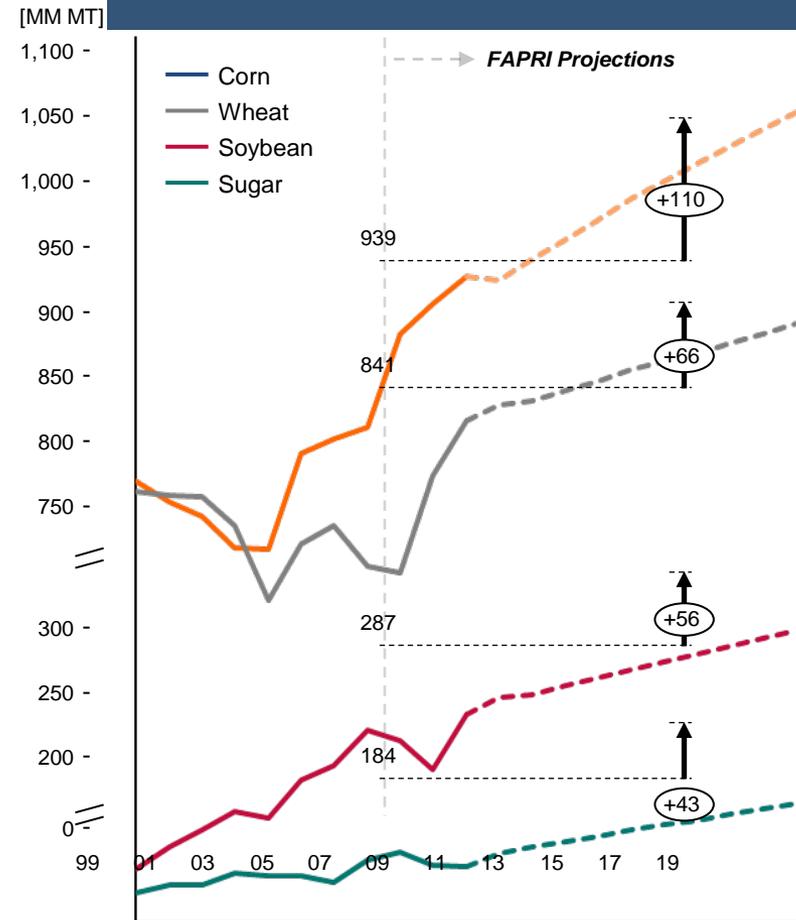
- Food production to grow over 40% by 2030 and over 70% by 2050

### Additional Demand

- Bio-fuels increasing the demand for sugarcane, grains and oilseeds

Source: FAO, FAPRI, Rabobank

## Selected Commodities Consumption



# The Four F's of China Demand



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FOOD



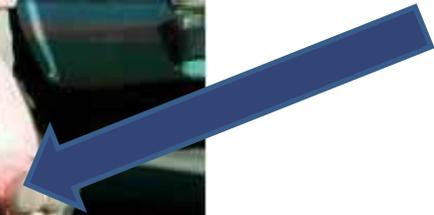
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FUEL



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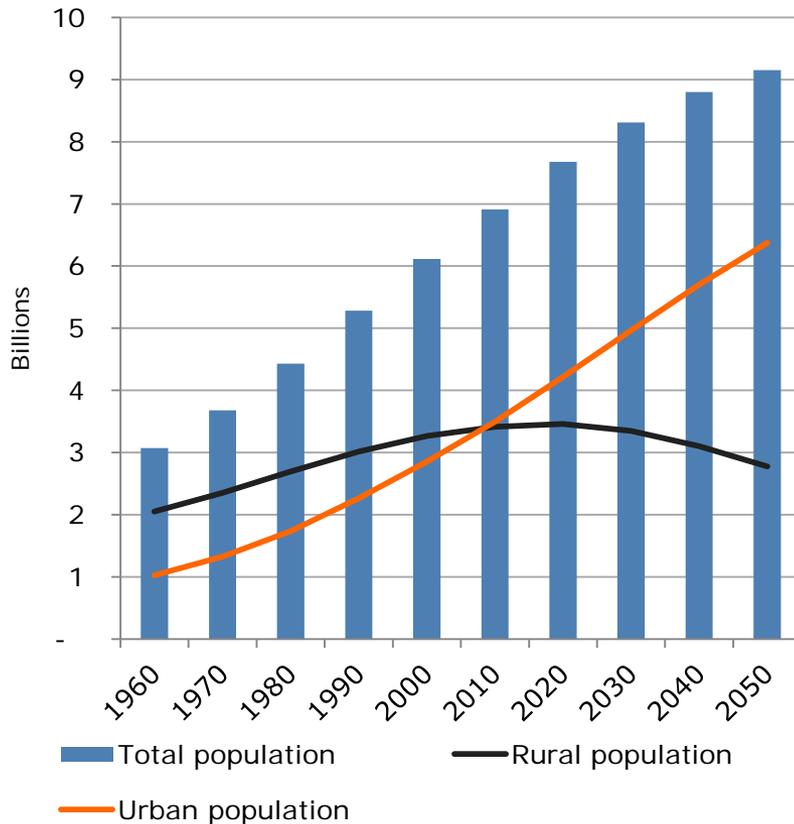


# Long term pressure on resources drive need for productivity!



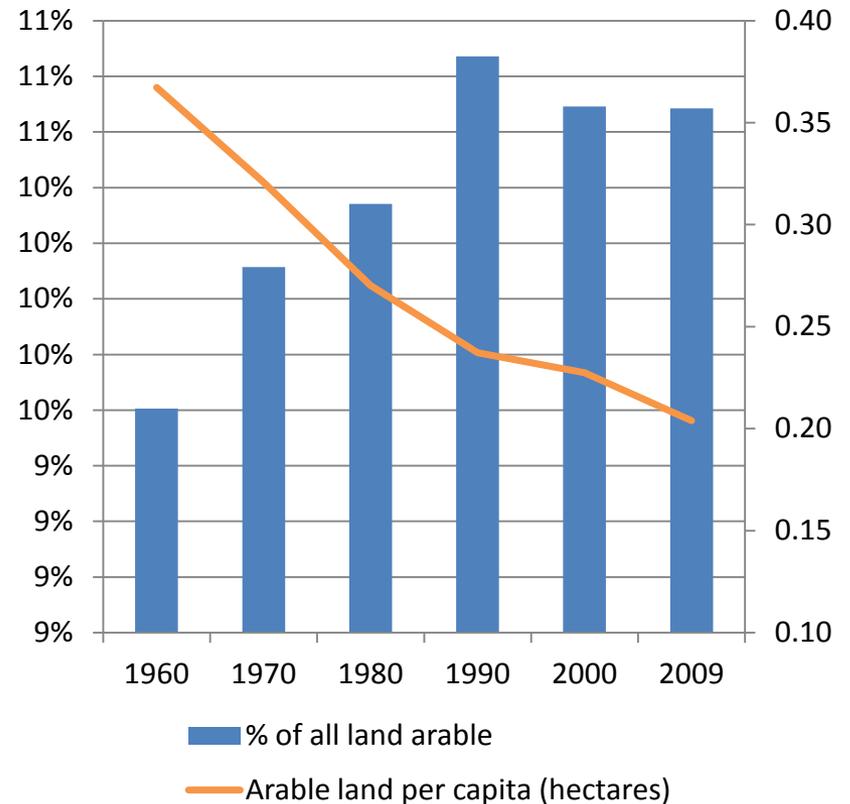
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## World Population Growth



Source: FAO, Rabobank, World Bank

## World Arable Land per Capita



# California Agricultural Outlook



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<b>Total receipts</b>	<b>\$ 43,500,000,000</b>
Milk	\$ 7,681,000,000
Vegetables	\$ 7,077,341,000
Almonds, Walnuts & Pistachios	\$ 6,069,000,000
Grapes	\$ 3,861,000,000
Nursery & Floriculture	\$ 3,687,000,000
Cattle & Calves	\$ 2,825,125,000
Strawberries	\$ 1,948,118,000
Hay	\$ 1,318,827,000
Citrus	\$ 1,188,292,000
Stone Fruits	\$ 907,505,000
Cotton	\$ 894,000,000
Processing tomatoes	\$ 887,216,000
Rice	\$ 852,590,000



# Milk

Total Value \$7,681,000,000



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2011 production	2001 to 2011 production change	2001 to 2011 price change	2001 to 2011 herd change
41,462,000,000 lbs	+25%	+32%	+14%

- Despite higher milk prices, expensive feed is hurting margins
- However, world demand for dairy remains relatively strong
- New Zealand drought will help support US price in near term, and falling grain prices will help lower costs



# Vegetables



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	Crop Value	2011 acreage	2001 to 2011 acreage change	2001 to 2011 price change
<b>All Vegetables</b>	<b>\$7,077,341,000</b>	<b>800,000</b>	<b>-24%</b>	<b>N/A</b>
Lettuce	\$1,513,000,000	209,000	-1%	-14%
Broccoli	\$684,000,000	126,000	+3%	+32%
Carrots	\$670,000,000	67,000	-7%	+93%
Fresh Tomatoes	\$378,000,000	35,500	-13%	+22%

- For lettuce, most growth has been for leaf and romaine, while head lettuce has lost demand
- Weather this winter varied from unusually warm to cool, damaging lettuce, but warm spells helping crops like broccoli
- Industry continues to focus on health benefits and value added to encourage growth

# Almonds, Walnuts & Pistachios



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	Crop Value	2011 acreage	2001 to 2011 acreage change	2001 to 2011 price change
<b>All Nuts</b>	<b>\$6,069,000,000</b>	<b>1,162,000</b>	<b>+43%</b>	<b>N/A</b>
Almonds	\$3,867,000,000	760,000	+39%	+111%
Walnuts	\$1,323,000,000	245,000	+20%	+156%
Pistachios	\$879,000,000	153,000	+96%	+96%

- 2012 almond harvest went well, although high heat lowered moisture and production weight, exports continue to be strong, price is strong
- Walnuts production is expected to be up slightly with prices likely to be higher than 11/12
- 2012 pistachio crop expected to be largest in history with price above 10 year average

# Grapes

Total value \$3,861,000,000



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	Crop Value	2011 acreage	2001 to 2011 acreage change	2001 to 2011 price change
Wine Grapes	\$2,161,000,000	506,000	+5%	+7%
Raisin Grapes	\$865,000,000	205,000	-13%	+118%
Table Grapes	\$835,000,000	85,000	-3%	+33%

- Excellent 2012 wine grape harvest has put some pressure on bulk wine prices, but strong demand is keeping prices high compared to two years ago
- Raisin grape production down 13% from last season, but strong demand should keep prices high
- Table grape production was at a record in 2012, breaking the 100 million box threshold

# Nursery, Greenhouse & Floriculture



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	Crop Value	2001 to 2011 change in value
<b>Total</b>	<b>\$3,687,000,000</b>	<b>+19%</b>
<b>Nursery Products</b>	<b>\$2,676,000,000</b>	<b>+28%</b>
<b>Flowers and Foliage</b>	<b>\$1,011,000,000</b>	<b>+1%</b>
Cut Flowers	\$278,000,000	-5%
Potted Flowering plants	\$243,000,000	+19%
Bedding/garden plants	\$247,000,000	-18%
Foliage for indoors	\$110,000,000	-2%

- The US and CA flower/foilage industry has been pressured by imports, especially from Columbia with a recent free trade agreement.
- Most cut flowers are now imported, but US growers have shifted focus to specialty items, such as products that are difficult to import
- Nursery industry has been helped with increases in permanent plantings

# Cattle & Calves

Total Value \$2,825,000,000



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	Herd Inventory	2001 to 2011 inventory change	2001 to 2011 price received change
Cattle & Calves	5,350,000	+1%	+59%

- California cattle industry highly influenced by dairy industry
  - 73% of CA cow/heifer herd (weighing 500 lbs or more) is from dairies, 59% 20 years ago
- Beef cow sector hurt by drought, high feed costs
- Expect high beef prices as US tries to rebuild cattle stocks

# Strawberries

	Crop Value	2011 acreage	2001 to 2011 acreage change	2001 to 2011 price change
<b>Strawberries</b>	<b>\$1,948,000,000</b>	<b>38,000</b>	<b>+44%</b>	<b>+26%</b>

- Strong 2012 strawberry season with price and production similar to 2011



# Hay



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	Crop Value	2011 acreage	2001 to 2011 acreage change	2001 to 2011 price change
<b>All Hay</b>	<b>\$1,735,000,000</b>	<b>1,390,000</b>	<b>-11%</b>	<b>+94%</b>
Alfalfa	\$1,439,000,000	880,000	-13%	+99%
Other hay	\$296,000,000	510,000	-7%	+72%

- If dairy margins are weak again in 2013, hay prices could soften further this year
- However, strong hay exports will likely limit price declines (exports doubled over last 15 years)
- Hay acreage continues to compete with other high value crops

# Citrus



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	Crop Value	2011 acreage	2001 to 2011 acreage change	2001 to 2011 price change
<b>All Citrus</b>	<b>\$1,188,000,000</b>	<b>269,400</b>	<b>No Change</b>	<b>N/A</b>
Navel	\$607,000,000	137,000	+5%	+6%
Valencia	\$169,000,000	40,000	-38%	+66%
Lemons	\$436,000,000	45,000	-12%	+36%
Mandarins & Hybrids	N/A	38,000	+300%	N/A

- 2012 navel and mandarin production was expected to be strong, but hurt by January freeze
- Freeze damage will likely push navel and mandarin prices higher

# Stone Fruits



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	Crop Value	2011 acreage	2001 to 2011 acreage change	2001 to 2011 price change
<b>Peaches</b>	<b>\$289,000,000</b>	<b>47,500</b>	<b>-27%</b>	<b>+27%</b>
<b>Cherries</b>	<b>\$197,000,000</b>	<b>27,000</b>	<b>+31%</b>	<b>+91%</b>
<b>Nectarines</b>	<b>\$130,000,000</b>	<b>27,000</b>	<b>-26%</b>	<b>+27%</b>
<b>Plums</b>	<b>\$64,000,000</b>	<b>26,000</b>	<b>-30%</b>	<b>+31%</b>
<b>Apricots</b>	<b>\$53,000,000</b>	<b>10,800</b>	<b>-40%</b>	<b>+166%</b>

# Cotton



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	Crop Value	2011 acreage	2001 to 2011 acreage change	2001 to 2011 price change
All Cotton	\$894,000,000	456,000	-47%	N/A
Pima	\$614,000,000	273,000	+14%	+92%
Upland	\$280,000,000	182,000	-71%	+160%

- 2012 prices are roughly 50% down from 2011 due to massive global supplies
- 2013 prices are expected to be weak as supplies clear the market
- There will be significant downward pressure on US acreage due to competition from more profitable alternative crops

# Processing Tomatoes



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	Crop Value	2011 acreage	2001 to 2011 acreage change	2001 to 2011 price change
Processing tomatoes	\$887,000,000	255,000	-1%	+29%

- 2012 crop was second largest in 20 years, despite slightly lower acreage
- Contracted 2012 price was up 2% from 2011 and contracted volume up 8%



# Rice



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	Crop Value	2011 acreage	2001 to 2011 acreage change	2001 to 2011 price change
All Rice	\$774,000,000	585,000	+24%	+201%

- California's rice varieties have fared better than the larger Southern US rice industry in recent years
- High input cost and volatile world markets remain a challenge
- Current prices are being pressured by strong production from Australia and Egypt

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