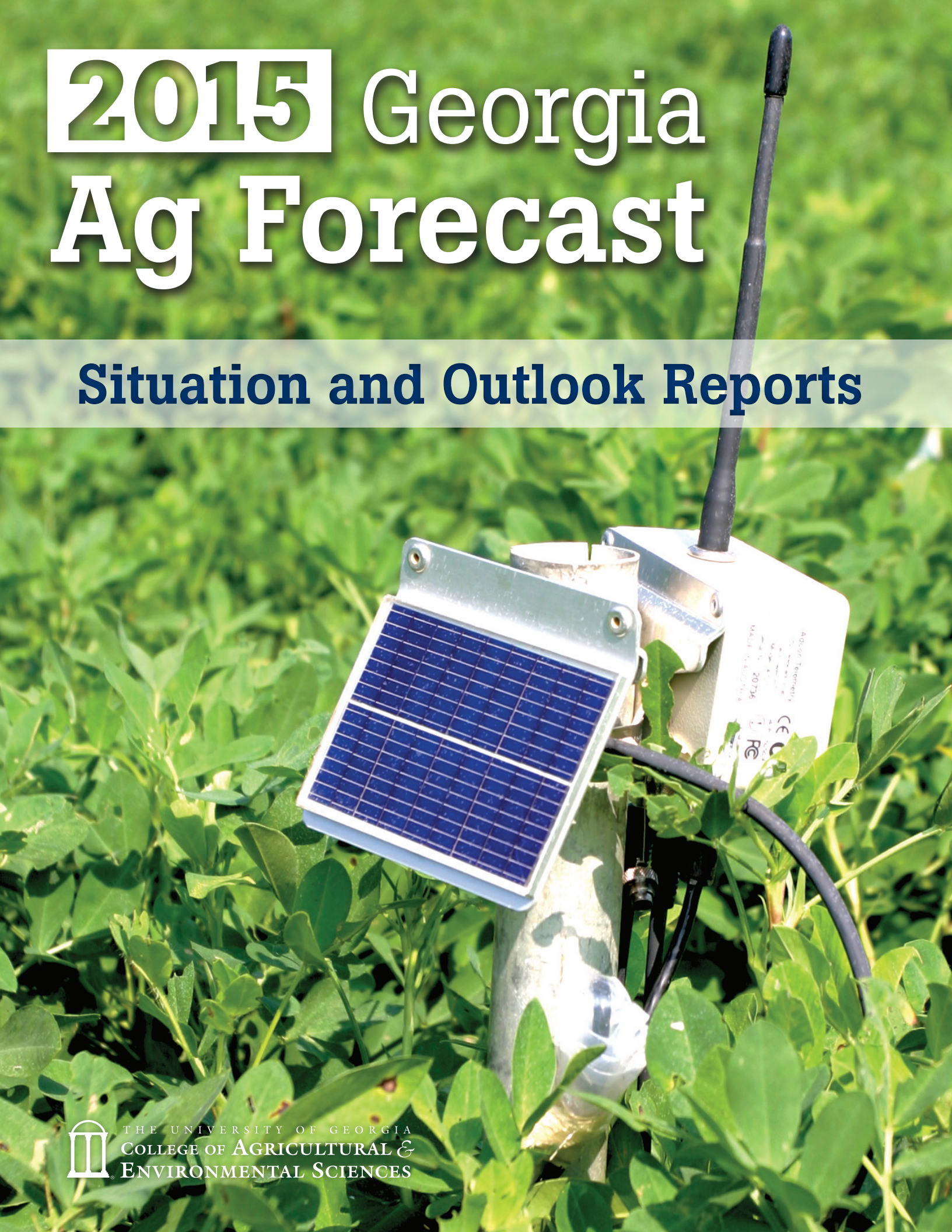
2015 Georgia Ag Forecast

Situation and Outlook Reports



THE UNIVERSITY OF GEORGIA
COLLEGE OF AGRICULTURAL & ENVIRONMENTAL SCIENCES

Introduction

From production to processing, agriculture is the single largest industry in Georgia. It supports the state with jobs, provides Georgians with food and fiber, and contributes numerous other benefits that stretch far beyond our corner of the country. Agriculture is Georgia, and we at the University of Georgia College of Agricultural and Environmental Sciences are doing everything we can to support both.

The Center for Agribusiness and Economic Development and the Department of Agricultural and Applied Economics strive to serve Georgians by bringing you the most up-to-date and relevant agricultural and economic information. Our faculty work to deliver quality research and analysis, so you can make pertinent decisions that will enhance your agribusiness operation.

High prices and record-setting exports for food and agricultural products have set the stage for Georgia agriculture to be an economic star. We expect to see the farm economy remain robust and help advance the state as the economy continues improve.

With this in mind, we present the ninth annual Georgia Ag Forecast publication. The material presented here represents the best thinking of our economists who work with the various agricultural sectors in our state. Whether you're interested in row crops, livestock, biofuels, agritourism, pollinators, or timber, we've compiled the impacts from 2014 and the potential of 2015 for you. We hope the situations and outlooks discussed in this book will help you make informed business decisions for the upcoming year.

We thank our sponsors, Georgia Farm Bureau and the Georgia Department of Agriculture, for providing the support that allows us to extend research-based information from the University of Georgia to our state's citizens. This is our job now, just as it was when UGA and other land-grant universities were founded more than 150 years ago.

We also thank you for your participation.

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U.S. and Georgia Economies

By Jeffrey M. Humphreys

The 2015 U.S. economic forecast indicates that 2015 GDP growth—2.8 percent—will be higher than in 2014, but below the average of the last 50 years—3.1 percent. The U.S. is well positioned for faster growth courtesy of extensive restructuring of the private sector, including the cleanup of the financial sector, deleveraging by consumers, and a more favorable balance of supply and demand for residential and non-residential properties. Also, most state and local governments have adjusted their spending and staffing to reflect their ability to generate revenue.

With the year-over-year rate of 2015 U.S. GDP growth predicted at 2.8 percent, the U.S. economy will be slightly less vulnerable to economic shocks and/or policy mistakes. The three main risks to economic growth are the same in 2015 as in 2014: (1) mistakes in U.S. fiscal or monetary policy, (2) oil price shocks due to supply interruptions, and (3) financial panics, potentially originating in the EU. The probability of recession is 25 percent, which is smaller than the 30 percent recession probability estimated at this time last year.

In 2015, private final domestic demand and gross private domestic investment (rather than federal fiscal stimulus, net exports, or changes in private inventories) will be the drivers of U.S. GDP growth.

For the fifth-straight year, federal fiscal policy will be restrictive, albeit slightly less so than in 2014. The Federal Reserve's monetary policy stance will shift from very stimulative to slightly restrictive when it begins to raise short-term policy interest rates—mid 2015 or later.

Meanwhile, the federal government has yet to effectively address its massive structural budget problems, which is what is needed to move the U.S. economy from its sub-par growth trajectory to an above average growth trajectory.

One reason U.S. GDP growth will be higher in 2015 than in 2014 is that we are going to see more vigorous spending by U.S. consumers. Real consumer spending will rise by 2.8 percent in 2015. Spending on nondurable goods and services will make larger percentage point contributions to GDP growth in 2015. The contribution due to spending on durable goods will be about the same as in 2014. Similarly, investment spending on new home construction and intellectual property rights will make larger percentage point contributions to GDP growth in 2015, but the contribution due to spending on nonresidential structures will hold steady.

One reason consumer spending will rise faster is that people are more confident in the economic situation and, therefore, will be less cautious in their spending. The improving performance of the labor market will support consumer spending. Fewer households will be deleveraging. Deleveraging means that money that people might have spent on goods and

U.S. and Georgia Economies, *continued*

services will go to paying down debt, which heretofore has limited consumers' contribution to GDP growth.

Compared to U.S. GDP growth, the GDP growth of our major currency trading partners will strengthen only slightly in 2015, which implies that the pace of export growth will grow more slowly than the pace of import growth. Net exports therefore will subtract slightly from U.S. GDP growth in 2015. One problem is that the EU's banking and sovereign wealth problems are still far from having been resolved. While the situation in the EU is unlikely to cause a major financial panic in 2015, its growth prospects do not look good.

Spending on business structures will be a neutral factor—or slightly positive—in terms its contribution to U.S. GDP growth in 2015, with spending on structures related to manufacturing and communications posting the largest year-over-year percentage gains. Due to weaker than expected growth of end markets, spending on inventories is expected to subtract slightly from U.S. GDP growth.

The prospects for Georgia's economy are good. The pace of Georgia's economic growth will be faster in 2015. In fact, Georgia's economy will grow faster than the country as a whole for the second-straight year. Even better, job growth and GDP growth will exceed their long-term average growth rates. It will be a positive change from what Georgia experienced in recent years. Georgia's GDP will grow by 3.2 percent in 2015. That's higher than Georgia's long-run trend rate of GDP growth of 2.9 percent and it exceeds the 2.8 percent GDP growth expected for the U.S. as a whole.

The expectations for job growth are similar. In 2015 we will see 2.3 percent job growth in Georgia. That's higher than Georgia's long-run trend rate of job growth of 2 percent, and it also exceeds the 1.8 percent job growth expected for the U.S. in 2015. Faster job growth coupled with limited growth in the labor force will cut Georgia's unemployment rate by a full percentage point—from 7.9 percent in late 2014 to 6.9 percent in late 2015.

Although it will be more difficult to find workers, wages will rise slowly. Thus, inflation will be 2 percent in 2015 compared to 1.8 percent in 2014. Higher rents and higher medical prices will drive the slight acceleration. There are no signs of runaway inflation.

It is unlikely we will see a recession in 2015. One reason the risk of recession will be low is that job growth will continue to be well balanced in the private sector. The fastest job growth will occur in construction, followed by professional and business services, and mining and logging.

The outlook for health services is also excellent. The number of chronically ill people who require medical care continues to grow rapidly, regardless of the ups and downs of the business cycle or the uncertainties of health care reform. In fact, healthcare information technology is an emerging industry that will create thousands of high-paying jobs over the next decade.

Georgia's strong transportation infrastructure will also spur more job growth in the logistics and distribution industry, helped by the approval of the Savanah Harbor Expansion Project.

Cyber security and development of software and mobile apps will also see strong job growth.

Some economic sectors will see positive, but relatively slow growth in 2015. For example, the turnaround in real estate and more favorable demographic trends will help Georgia's financial institutions. However, higher costs associated with regulatory compliance as well as less mortgage refinancing will be headwinds that will limit job growth in the financial activities sector.

Georgia's large information industry will benefit from expanding film and television production and surging demand for more sophisticated wireless services. However, Turner Communication's downsizing will sharply limit net job growth for Georgia's information industry in 2015.

Because state and most local governments have adjusted their spending to reflect available resources, their actions will contribute to job growth in 2015. But, concerns about property taxes, future

pension obligations, and retiree health care obligations will sharply limit hiring by state and local governments.

In Georgia, the federal government is the only major economic sector that will lose jobs in 2015. Job losses at the federal level will offset most of the jobs added by state and local governments. Put it all together, and overall government spending is a neutral factor in the 2015 forecast for Georgia.

What accounts for the optimism about Georgia's economic growth? There's been a renaissance in manufacturing activity. That's especially noteworthy because Georgia has lost four out of every 10 manufacturing jobs that it had at the turn of the millennium. However, in the last three years, we saw many manufacturing projects announced in the aircraft, automobile, construction equipment, life sciences, and flooring industries. It's very encouraging that we are closing so many deals in industries in which Georgia has a competitive advantage.

Low domestic natural gas prices and rising production costs in China will also help Georgia win more manufacturing projects. Concerns about product quality, intellectual property rights, and managing risk are making manufacturing in the U.S. more attractive than manufacturing overseas. With the economies of the EU and Japan performing very poorly, manufacturers who want to—or need to—locate in more developed economies increasingly opt for locations in the U.S.

The low cost of doing business in Georgia, a favorable tax structure, and competitive economic development incentives will also help Georgia forge ahead in the manufacturing sector.

There are three economic policies that could fuel growth in Georgia's manufacturing sector even further. First, we must develop a much better educated and more highly skilled workforce that's fully capable of using the latest manufacturing technologies. Second, we need to continue passing economic development legislation that makes Georgia more competitive with other states when it comes to landing economic development projects. Third, we need to become a more fertile ground for developing and adopting new technologies that raise productivity.

Why are trends in manufacturing so important? Due to productivity gains, manufacturing output is growing much faster than manufacturing jobs. Plus, the multiplier effects are much higher for factory jobs than non-manufacturing jobs. For example, one new auto assembly job supports four jobs in other Georgia industries, whereas one call center job supports less than one new job in other Georgia industries.

Another reason to be optimistic for 2015 is the upturn in construction and real estate development. Georgia gets a three-for-one from the housing recovery because (1) home builders and realtors benefit directly, (2) demand increases for goods produced by Georgia's large building materials and forestry industries, and (3) homebuilding is a very transportation-intensive economic activity that benefits Georgia's large transportation and logistics industry.

As of mid-2014, Georgia's existing home prices were still 9 percent below their pre-recession levels, and that's without taking inflation into account. Expect existing single-family home prices to rise by 6 percent in Georgia in 2015. Lower-priced homes will appreciate the fastest. That's partially because the lowest cost homes have the most ground to make up and remain the furthest from full price recovery.

The upturn in lower-priced home sales also reflects investors' interest in buying inexpensive houses for use as rental properties. As potential homebuyers see price appreciation, more will opt to become homeowners. Rising rents will reinforce this trend.

Another factor conducive to economic growth in 2015 is renewed in-migration. Georgia gained less than 100,000 net migrants over the last seven years compared to over 500,000 in the seven years that preceded the "Great Recession." That trend is about to change for the better.

In 2015 we will see 1 percent population growth in Georgia versus 0.8 percent for the U.S. Domestic net migration will rise to about 15,000 people in 2015, up from only 5,000 in 2014. That's a major upturn given that we suffered a net loss of over 6,000 domestic migrants in 2013.

Georgia's population growth also will benefit from net international migration of about 25,000 people. In fact, international migration will be much more important to Georgia's current and future growth than domestic migration. Population growth will be a stronger driver of the state's economy in 2015 than in recent years, but not as strong as it was in prior decades.

Another reason Georgia's 2015 economy seems promising is that the recent sharp drop in oil and gasoline prices should boost our economy more than the nation's economy. Georgia is a major transportation and logistics center, and these activities are very fuel intensive. Lower gas prices also will provide more relief to the average Georgia household than to the average U.S. household. This is due to our long commutes and our below-average per capita incomes. Finally, because Georgia is not an oil-producing state, there's literally no downside to low oil prices.

While this is a good time to be optimistic about Georgia's economy, we should watch three trends that could curb Georgia's rate of economic growth. First, entrepreneurs typically obtain the funds

U.S. and Georgia Economies, *continued*

needed to start, or expand, their business by borrowing, using their home as collateral. That has been a bigger problem for Georgia than for the nation as a whole because home price depreciation was much more intense here than it was nationally and because Georgia led the nation in bank failures.

While Georgia's home prices are on the upswing, lenders tend to focus on appraised real estate values rather than market values. So, a lag between increases in the market value of people's homes and increases in their appraised values might continue to restrain lending to Georgia's entrepreneurs in 2015.

The second headwind is federal fiscal policy. While data for 2013 indicates that federal spending accounts for only 11 percent of Georgia's GDP, Georgia's military-base communities are extremely dependent on federal spending. In fact, Georgia's dependence on military spending is nearly twice the U.S. average. If budget cuts continue to focus on defense spending, it's going to be very tough on Georgia.

The third adverse trend is monetary policy. As Federal Reserve policy shifts from an accommodative stance to a more restrictive stance, this will create more economic drag in Georgia than in many other states. That's because Georgians carry relatively more debt and have relatively less savings.

In addition, interest-sensitive economic sectors such as construction, real estate development, building materials manufacturing, and forestry have a relatively greater impact on Georgia's overall growth than on the nation's overall growth. The good news is that we do not expect the Federal Reserve to increase rates very aggressively. So, this headwind will be weak and intensify very slowly.

In summary, the 2015 rate of economic growth will exceed Georgia's long-run trend rate of economic growth. This improvement reflects four changes: (1) a renaissance in manufacturing, (2) an upturn in construction and real estate development, (3) a renewed in-migration into Georgia, and (4) the recent drop in oil and gasoline prices. Georgia will outperform the average state in 2015. ■

United States	2010	2011	2012	2013	2014	2015
Gross Domestic Product, Billions of 2009$	14,783.8	15,020.6	15,369.2	15,710.3	16,024.5	16,473.2
Percent Change	2.5	1.6	2.3	2.2	2.0	2.8
Nonfarm Employment (Millions)	130.3	131.8	134.1	136.4	138.8	141.3
Percent Change	-0.7	1.2	1.7	1.7	1.8	1.8
Personal Income, Billions of 2009$	12,227.2	12,676.1	13,093.9	13,327.1	13,549.4	13,894.4
Percent Change	1.2	3.7	3.3	1.8	1.7	2.5
Personal Income, Billions of $	12,429.3	13,202	13,887.7	14,290.4	14,804.9	15,500.7
Percent Change	2.8	6.2	5.2	2.9	3.6	4.7
Civilian Unemployment Rate (%)	9.6	8.9	8.1	7.4	6.2	5.6
CPI-U, Annual Percentage Change	1.6	3.2	2.1	1.5	1.8	2.0
Georgia	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Gross Domestic Product, Billions of 2009$	407	410.8	416.9	424.6	434.4	448.3
Percent Change	0.7	0.9	1.5	1.8	2.3	3.2
Nonfarm Employment (Thousands)	3861.2	3901.4	3954.9	4033.4	4113.3	4209.6
Percent Change	-1.0	1.0	1.4	2.0	2.0	2.3
Personal Income, Billions of $	333.6	356.8	371.5	381.5	396.7	418.2
Percent Change	1.0	7.0	4.1	2.7	4.0	5.4
Housing Permits, Total	17,265	18,493	24,350	35,600	37,392	44,978
Percent Change	-5.3	7.1	31.7	46.2	5.0	20.3
Unemployment Rate (%)	10.2	9.9	9.0	8.2	7.5	6.5

Source: The Selig Center for Economic Growth, Terry College of Business, The University of Georgia.

Table 1. United States and Georgia Baseline Forecast, 2010–2015
Data for 2014 and 2015 are forecasts.

U.S. and Georgia Farms

By Cesar L. Escalante

In 2014 the national and state farm economies experienced relatively slower growth in their asset, debt, and equity balances. On the asset side, national farmland values registered an annual growth rate of only 8.06 percent in 2014—after experiencing an almost 10 percent growth last year.

Georgia farmland value, however, experienced no growth, remaining at their 2013 level of $3,300 per acre. U.S. cropland values grew by only 7.61 percent in 2014 and could not duplicate the 2012 and 2013 growth rates of 12.42 percent and 13.73 percent, respectively.

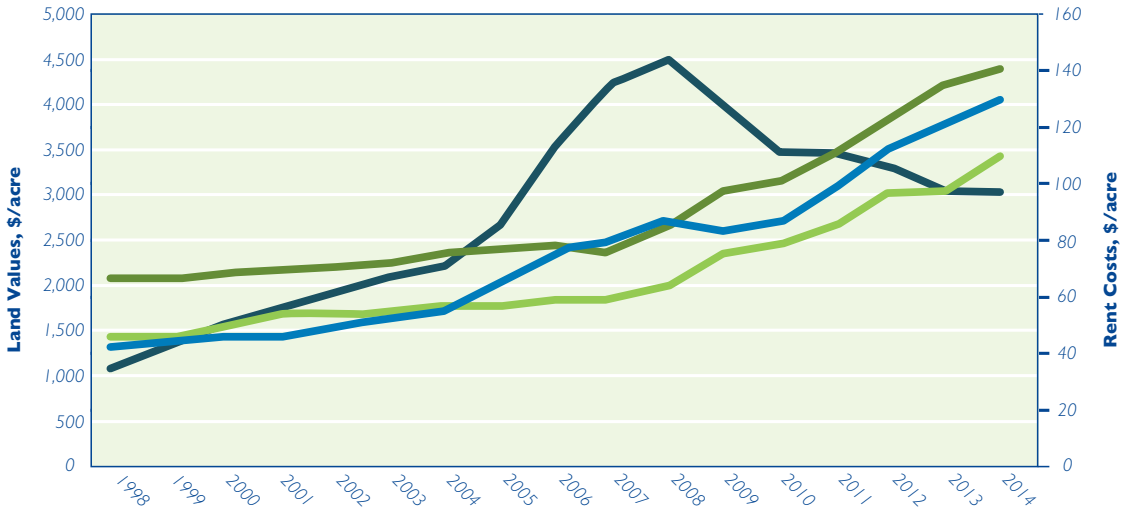
For Georgia crop farms, irrigated cropland values grew by 9.94 percent—the highest growth rate since 2006—but this feat was offset by the declining trend in non-irrigated cropland values that persisted in 2014, with a 3.91 percent decrease over the 2013 level. Notably, as the historical plots in Figure 1 show, average Georgia cropland values during the last two years have fallen below the national average, which is a departure from the usual trend recorded since 2000.

Georgia cash rents, however, outperformed national rates as cropland and pasture rents increased by 12.69 percent and 12.50 percent, respectively, in 2014. National cropland rents increased by only 3.68 percent; meanwhile, pasture rents remained unchanged in 2014. Historical plots of cropland and pasture rents in Figures 1 and 2 indicate an interesting consistency of these two rent values at the state and national levels. Georgia cropland cash rents have always been below national rates, while the reverse is true for pasture rents.

Beyond 2014, favorable marketing prospects in the livestock industries should help pasture values and rents in Georgia to rebound with slight incremental values. With less favorable expectations on crop price levels, cropland values and rents would be able to sustain their growth trends with the help of non-farm influences on real estate valuation that would be possible only if the economy indeed registers a strong resurgent performance after 2014.

On the farm liabilities side, the Federal Reserve Bank of Kansas City reported higher levels of non-real estate farm borrowing transactions as farmers demanded more operating loans to finance higher input expenses due to inflation. This growth is tempered by a slowdown in machinery and equipment financing as well as real estate lending as farmers have become less inclined to incur more capital expenditures in 2014.

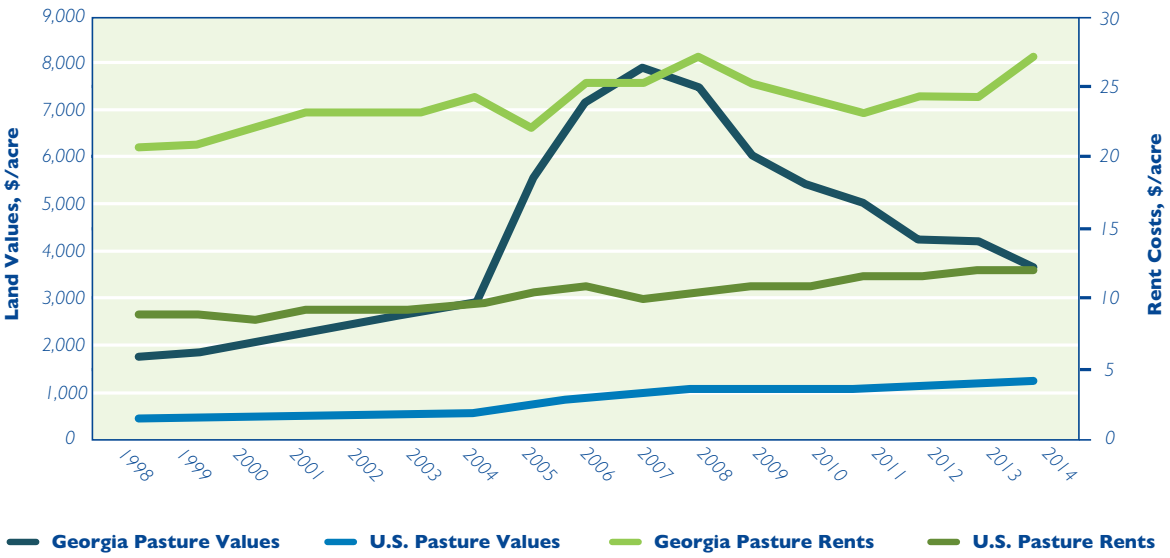
The Federal Reserve Bank of Atlanta cites the encouraging results of the most recent



Source: National Agricultural Statistics Service, U.S. Department of Agriculture.

Figure 2. Historical values and rents in dollars per acre for Georgia and U.S. croplands, 1998–2014.

U.S. and Georgia Farms, *continued*



Source: National Agricultural Statistics Service, U.S. Department of Agriculture.

Figure 2. Historical values and rents in dollars per acre for Georgia and U.S. pastures, 1998–2014.

senior loan officers' survey where banks in general have indicated an easing of lending criteria for several types of consumer and business loans. According to the survey, such an easing trend was more evident in the banks' spreads over the cost of funds that was primarily instigated by a lending environment that has become highly competitive.

A hike in interest rates may not be realized in the short term, as the Federal Open Market Committee has expressed intentions to keep the federal funds rate near zero. The rate will remain at that level probably until next year, provided that there are already more definite signals of significant economic recovery by then.

The quality of agricultural loan portfolios in commercial banks remained high relative to other classes of the banks' clientele in 2014. Even as the volume of farm loans has increased this year, farm borrowers were still able to keep delinquency rates on farm real estate and non-real estate loans at low levels and on course for its current downward trend.

Among the 100 largest lenders in the banking industry, delinquency rates on farm real estate loans dropped from 2.9 percent to 2.3 percent of outstanding loans, while the rates on non-real estate farm loans fell slightly at all commercial banks to 1 percent, which is a historical record-low level.

Such notable quality of farm loan portfolios can be further gleaned from the relatively strong performance of agricultural banks relative to their non-agricultural banking peers. Agricultural banks have recorded solid profitability conditions, and no agricultural banking failure has been recorded since the fourth quarter of 2012.

Farm equity levels in 2014 will be affected by the moderation of growth in farmland values. Moreover, 2014 net-farm incomes are down by 14 percent on average over the 2013 levels. This decline can be attributed to lower cash receipts due to higher production costs. Additionally, the elimination of direct payments under the Agricultural Act of 2014 resulted in a 15 percent decline in inflows of government subsidies to farmers. ■

Inputs and Production Expenditures

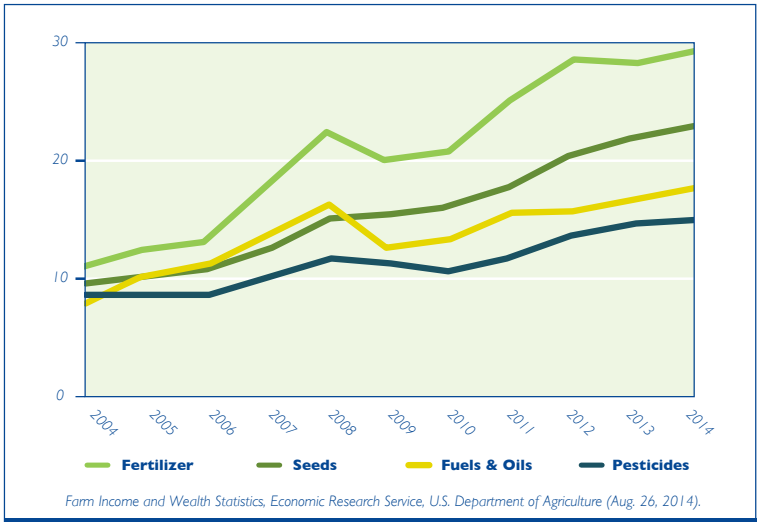
By Forrest E. Stegelin

Total production expenditures for inputs are forecast to be 4 percent higher in 2014 than in 2013, extending a five-year upward trend, with an additional 4-7 percent rise anticipated in 2015, depending upon the production input and the intended use of the input. If the 2014 increase is realized, total production expenses will constitute three-fourths of gross farm income—the highest since 2010, indicating a return to tighter margins, and the outlook is not any brighter for 2015.

The higher consumer prices for beef, pork, and poultry translate into higher expenditures for livestock and poultry as the farmer/rancher buys breeding stock to re-grow the national herd and flock size to meet demand. Price rations supply, and the current beef herd size (inventory) is at the lowest level in the past 60 years. Ironically, livestock/poultry and animal feed purchases moved in opposite directions. Animal feed expenses are falling—thanks to falling prices for crops used in livestock and poultry feeds.

Other small increases in production expenditures for 2014 were incurred for fuels and oils during the spring ground work and planting, repairs and maintenance, total labor expenses, seed and fertilizer expenditures, and miscellaneous expenses, such as animal health and general production and management expenses. These inputs are expected to maintain their current price trends into 2015. See Figure 1 for the trends of principal crop-related and fuel/oil expenses over the past decade.

The three major crop-related expenses—seeds, fertilizer, and pesticides—are expected to increase a combined 5-7 percent in 2015. The driving factor for these expenditure rises in 2015 is the planting intentions or number of planted acres by farmers participating in the 2014 Farm Act as well as the 2015 forecast crop prices. 2014 prices for all three inputs are up, with double-digit fertilizer price increases in the spring far out-weighing the slight price declines observed during the second half of 2014. The increase in 2014-planted acres coupled with early spring (high-demand) fuel prices is responsible for the rise in fuel and energy expenses.



Farm Income and Wealth Statistics, Economic Research Service, U.S. Department of Agriculture (Aug. 26, 2014).

Figure 1. Principal crop-related and fuel/oil expenses in billions of dollars, 2004–2014. *Data for 2014 and 2015 are forecasts.*

Combined farm-origin and manufactured input expenses are expected to constitute half of the total farm production expenses in 2015, up 1 percent from 2014 and nearly 45 percent over the past decade. Figure 2, representing the farm production expenses by component, reveals that farm-origin and other operating expenses have been increasing the most over the past decade. ■

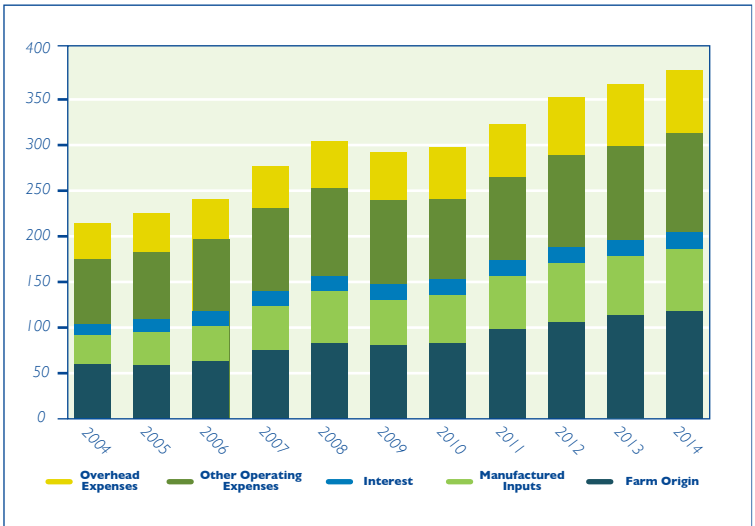


Figure 2. Farm production expenses by component in billions of dollars, 2004–2014. *Data for 2014 and 2015 are forecasts.*

Row Crop Net Returns

By Amanda Smith, Nathan B. Smith, and W. Don Shurley

As of November 2014, commodity prices for all of the major row crops grown in Georgia are down 7-14 percent from the same time last year. Corn and soybean prices are down because of anticipated record U.S. production this year. Cotton prices are down due to weak demand and large global supplies.

From an input standpoint, diesel fuel prices are expected to be 11 percent lower going into the 2015 crop year. Fertilizer prices are expected to be stable to slightly lower. This upcoming year will mean even tighter margins for growers as commodity prices have declined at a greater rate than input prices.

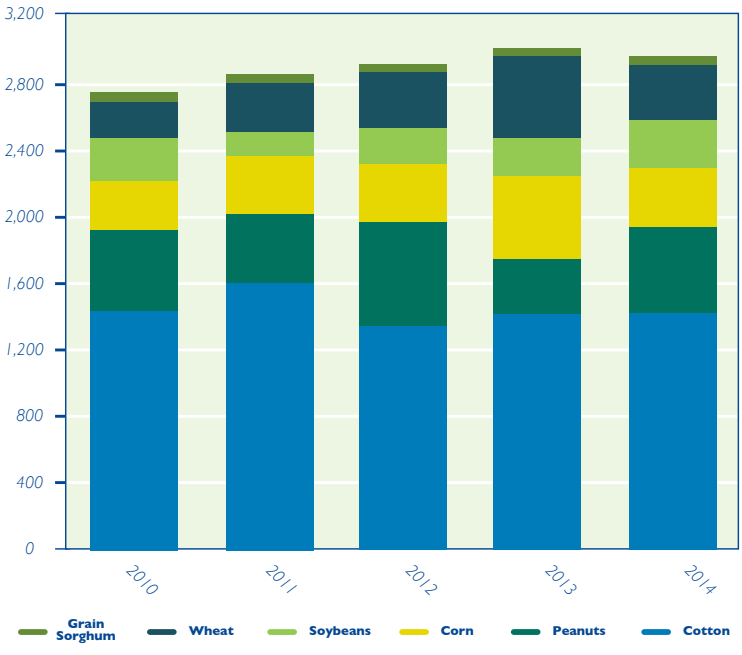
Producers should thoroughly evaluate expected prices, yields, and costs before determining what to plant in 2015. They also need to consider the impact that the new farm bill safety net programs, such as crop insurance, the Stacked Income Protection Plan (STAX) for cotton, and the Price Loss Coverage (PLC) or Agricultural Revenue Coverage (ARC) Programs, may have on their bottom line.

Figure 1 shows the planted acres for select row crops in Georgia from 2010 through 2014. Producers' planting decisions in 2014 resulted in an acreage shift away from corn, grain sorghum, and wheat primarily into peanuts, soybeans, and cotton.

Georgia producers planted less corn (down 140,000 acres) and fewer grain sorghum acres (down 20,000 acres), while they planted more peanuts (up 165,000 acres) and cotton (up 10,000 acres). Georgia producers planted more acres to soybeans (up 65,000 acres) than they did in 2013. Planted wheat acres decreased 130,000 acres, but some of these acres may have been double-cropped with cotton, soybeans, or grain sorghum during 2013.

Table 1 shows preliminary estimates of how net returns are likely to compare for Georgia row crops in 2015. Both non-irrigated and irrigated expected prices, yields, income, costs, and net returns are shown for comparison. These are estimates of relative net returns based on current market conditions and expectations prior to planting. Expected income does not include potential payments received from government programs, such as the PLC or ARC program, or cotton-specific STAX crop insurance program. Expected yields and variable costs are based on adjustments made to the 2014 UGA enterprise budgets for corn, cotton, grain sorghum, peanuts, soybeans, and wheat. These budgets and the 2015 Crop Comparison Tool can be accessed online at *http://agecon.uga.edu/extension/budgets* or by contacting your local UGA Extension agent.

Budget estimates should be used as a guideline or starting point for individual operations whose yields and local prices



Source: Farm Service Agency and National Agricultural Statistics Service, U.S. Department of Agriculture.

Figure 1. Planted acres and of selected row crops in Georgia, 2010–2014.

Non-irrigated Production	Expected Price[1]	Expected Yield per Acre	Income per Acre[2]	Variable Costs per Acre[3]	Net Return per Acre[2,3]	Breakeven Price[3]	Breakeven Yield per Acre[1,3]
Corn	$4.25/bu	85 bu	$361	$305	$56	$3.59/bu	72 bu
Cotton	$0.70/lb	750 lbs	$525	$440	$85	$0.59/lb	629 lb
Grain Sorghum	$3.80/bu	65 bu	$247	$240	$7	$3.69/bu	63 bu
Peanuts	$415/ton	1.70 ton	$706	$570	$136	$335/ton	1.37 ton
Soybeans	$9.75/bu	30 bu	$293	$240	$53	$8.00/bu	25 bu
Conventional Wheat	$5.25/bu	55 bu	$289	$200	$89	$3.64/bu	38 bu
Intensively Managed Wheat	$5.25/bu	75 bu	$394	$310	$84	$4.13/bu	59 bu
Irrigated Production	**Expected Price[1]**	**Expected Yield per Acre**	**Income per Acre[2]**	**Variable Costs per Acre[3]**	**Net Return per Acre[2,3]**	**Breakeven Price[3]**	**Breakeven Yield per Acre[1,3]**
Corn	$4.25/bu	200 bu	$850	$665	$185	$3.33/bu	156 bu
Cotton	$0.70/lb	1,200 lbs	$840	$540	$300	$0.45/lb	771 lb
Grain Sorghum	$3.80/bu	100 bu	$380	$355	$25	$3.55/bu	93 bu
Peanuts	$415/ton	2.35 ton	$975	$670	$305	$285/ton	1.61 ton
Soybeans	$9.75/bu	60 bu	$585	$315	$270	$5.25/bu	32 bu

[1]Prices are 2015 harvest time futures price as of November 2014, adjusted for expected basis. Peanut price is expected contract price. Season average prices may vary. This analysis shows "relative" returns for comparison and ranking only.

[2]Income per acre does not include government payments from PLC, ARC, STAX or other crop insurance programs.

[3]Excludes hand weeding, land rent, fixed costs, and any custom harvesting, storage, hauling, etc., if necessary. Due to volatility in the input markets, variable costs could change ±5%.

Source: The Selig Center for Economic Growth, Terry College of Business, The University of Georgia.

Table 1. Per Acre Net Return Above Variable Cost, Breakeven Price, and Yield

for inputs will vary. Producers are encouraged to utilize the budgets by entering their own numbers to determine which crop enterprise will provide the highest net return to their operation.

Breakeven price and yield are also included in Table 1 for producers to consider when making a pricing decision. The breakeven price is the price a producer must receive in order to cover their variable costs, or operating expenses, at the expected yield (found in the third column of the table). The breakeven yield is the crop yield needed to cover variable costs given the expected price. The breakeven prices and yields shown do not include returns to land (land rent) or management (payment to the producer). A producer should also account for these costs when marketing their crop.

The expected price for Georgia's major row crops is found in the second column of each table. Expected prices are estimates based upon 2015 harvest time futures prices as of November 2014 and are adjusted for expected basis (except for peanuts). The expected peanut price is an estimate of what contract prices may be at the beginning of 2015. Producers should consider forward pricing a portion of their production at prices that have the highest probability of profit.

Relative net returns for non-irrigated production appear to favor peanuts and cotton. Producers may also consider double-cropping some acres with wheat prior to planting cotton. Irrigated production appears to favor peanuts, cotton, and soybeans. Peanut acres are likely to increase. Cotton acres are likely to remain about the same in 2014. Soybean acres are expected to increase and corn acres are likely to decrease. Grain sorghum acres are also likely to decrease. ■

Cotton

By W. Don Shurley

U.S. cotton acreage will likely decline in 2015 due to low prices, mostly 65 to 75 cents per pound. If World cotton demand continues to improve and U.S. and World production declines, then this should provide support for prices. However, this may be mitigated by the record level of World stocks.

U.S. Situation

U.S. farmers planted 11.01 million acres of cotton in 2014—up 5.8 percent from 2013. Average yield is projected at 797 pounds per acre with production of 16.4 million bales. This would be an increase of 3.49 million bales, 27 percent above 2013. Production was up due to more normal acreage abandonment of 10 percent compared to 28 percent in 2013 and 24 percent in 2012, mostly due to improved conditions in Texas. This was a significant factor in prices for the 2014 crop.

Cotton acreage in the Mid-South (Mississippi, Louisiana, Missouri, Arkansas, and Tennessee) has declined sharply in recent years due to higher expected net returns from corn and soybeans. Mid-South cotton acreage increased 17 percent in 2014 because of improved cotton prices relative to alternative crops prior to and during the planting season. Looking ahead to 2015, cotton acreage in the Mid-South will likely shift back to soybeans.

U.S. exports for the 2014-2015 crop-marketing year are expected to be 10 million bales—the lowest since 2000-2001. The U.S. export situation is highly uncertain and will be a major factor in price direction. U.S. cotton quality has been in high demand, but exports will be impacted by China policies on the use of their massive stockpile of cotton and the quality of those stocks.

U.S. cotton used in U.S. mills is projected to total 3.8 million bales for the 2014 crop-marketing year—up from 3.3 million bales in 2011, 3.5 million bales in 2012, and 3.55 million bales in 2013. While not significant in the overall level of demand, this uptrend may signal a small but positive change in the future of U.S. textile manufacturing.

World Situation

The World picture is one of production greater than Use and a subsequent buildup of stocks. World ending stocks have increased beginning in 2011. Generally, increasing stocks has the effect of depressing prices, but fiber quality and policies often determine availability and effective "stocks."

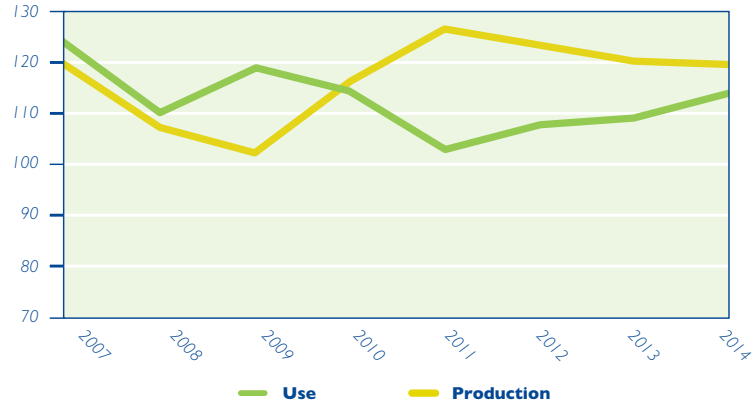
Since 2010 World production has been greater than demand/usage (Figure 1). This resulted in the buildup of stocks. But as production trended down and demand trended up, the gap between production and Use has narrowed. This is an important factor for 2015, but price direction will still be tempered by World and Chinese stocks.

World cotton production is estimated at 119.6 million bales for 2014—down slightly from 2013. Demand is estimated at 113.85 million bales—up 4.4 percent from 2013. If (due to low cotton prices) acreage and production continue to trend down and demand continues to improve, then this could provide support for 2015 prices—but China is still a source of uncertainty.

China

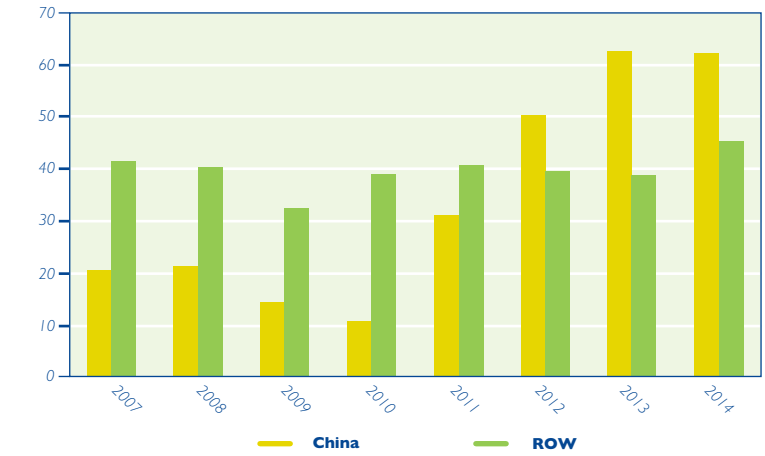
At the beginning of the 2014 crop year, China held 62 percent of World cotton stocks. It is expected to hold 58 percent at the beginning of the 2015 crop year (Figure 2). In 2011 and 2012, China ramped up imports to rebuild its then low stocks and boosted prices. Now China's massive stockpile may depress prices, depending on its policies for using those stocks. There are also questions about the quality of this cotton and the desire for the cotton by China's own mills.

Recent policy announcements by China have contributed to weakening cotton prices. China will establish a target price



U.S. Department of Agriculture World Agricultural Outlook Board (November 2014).

Figure 1. World cotton production and use by million bales, 2007–2014. *Data for 2013 and 2014 are forecasts*



Source: U.S. Department of Agriculture World Agricultural Outlook Board (November 2014).

Figure 2. Ending stocks of cotton for China compared to rest of the world by million bales, 2007–2014. *Data for 2013 and 2014 are forecasts*

policy whereby cotton growers will receive a subsidy for the difference between a target price and the market price. Reports suggest this is intended for the Xinjiang province, but other areas/growers might also be involved. Reports also say China will reduce its tax-free import quota to just the minimum required under WTO for 2015, about 4 million bales. Chinese mills would still be able to import cotton above the quota but be subjected to a tariff.

The impact and full details of these policies are unknown. Both are possibly negative for global and U.S. prices. The target price policy may encourage more production in Xinjiang. Farmers in other regions may choose to shift some cotton area to grains and soybeans. Thus, it is not clear if overall cotton production in China will increase, but the policy may be an attempt to increase production and make Chinese mills more reliant on Chinese cotton. Reducing duty free imports to the minimum doesn't necessarily mean China will import less cotton, but prices will have to be low enough to still be competitive when the import duty is added.

The New Farm Bill

Cotton base is now "Generic Base" and is fixed for the life of the farm bill. All crops, excluding cotton, are now "covered commodities." Acreage planted to all covered commodities, up to a maximum of the Generic Base, will be temporary base of the covered commodity. For example, if a farm has a 100-acre corn base and planted 150 acres of corn assigned to Generic Base, for that year the farm would have a total of 250 acres of corn base and 85 percent (212.5 acres) would be eligible for any PLC or ARC payment. This has implications for planting decisions. When comparing expected net returns, expected PLC or ARC payments must be included for acreage of covered commodities assigned to Generic Base.

Cotton is not eligible for PLC or ARC. The cotton safety net is the Stacked Income Protection Plan (STAX). This is a county/area revenue insurance policy designed to supplement the farm's typical yield or revenue policy and cover shallow losses on a county/area basis.

Participation in STAX is optional. Producers may choose not to purchase STAX, choose STAX rather than their typical policy, or have both. Producers may also choose Supplemental Coverage Option (SCO) rather than STAX. These decisions are made annually.

Price Outlook & Implications

Prices for the 2015 crop (Dec15 futures) are currently around 65 cents. This price is not profitable; cotton acreage will likely decline in 2015. This depends, however, on prices and expected net returns of alternative crops since prices for other row crops have also declined. Peanut pricing opportunities are not yet known. For some growers, soybeans appear the most likely alternative to cotton. Peanuts are expected to attract acreage due to the likelihood of a PLC payment.

In some cotton-growing states and areas, peanuts are not an alternative and/or corn and soybeans do not have the agronomic and comparative economic advantage as in other areas. In these situations, cotton is more stable and may decline only slightly even at low prices. Acreage in the Mid-South and in the Carolinas and Virginia will decline, perhaps significantly. Acreage in Texas and Georgia-Florida-Alabama may also decline, but much less.

U.S. acreage and production, foreign production (notably China), World demand, and China's stocks and imports will shape prices for 2015. If World demand continues to improve and U.S. and World production declines, this could provide support for prices.

Cotton is not expected to return to 80 cents or better, but with Dec15 futures currently near 65 cents, there could be more upside potential than downside risk. The expected range in price is mostly 65 to 75 cents. ■

Grains and Soybeans

By Nathan B. Smith

Georgia corn and wheat acreage dropped in 2014, while soybean acreage increased. Growers shifted acreage from corn to peanuts and increased double-cropped soybeans. Corn still led the way followed by soybeans and wheat (Table 1). Grain sorghum acreage also dropped in Georgia.

Overall, Georgia average yields were down in 2014 except for soybeans, which is expected to set another state record when final 2014 production estimates are released in January by the U.S. Department of Agriculture. Corn, soybean, and wheat prices appear to have bottomed out moving into next year.

	2007	2008	2009	2010	2011	2012	2013	2014
Corn	510	370	420	295	345	345	510	370
Cotton	1030	940	1000	1400	1600	1290	1370	1380
Peanuts	530	690	510	565	475	735	430	595
Grain Sorghum	65	60	55	45	50	55	55	45
Soybeans	295	430	470	270	155	220	230	300
Tobacco (harvested)	18.5	16	13.8	11.4	11.9	10	12.8	14
Wheat	360	480	340	170	250	290	420	300
Total	**2808.5**	**2986**	**2808.8**	**2756.4**	**2886.9**	**2945**	**3027.8**	**3004**

Source: QuickStats, National Ag Statistics Service, U.S. Department of Agriculture (Oct. 10, 2014).

Table 1. Georgia's Seven Major Row Crops Planted, 2007–2014 (in 1,000 Acres)

Corn

Georgia corn growers planted 370,000 acres in 2014 following a big corn acreage and production year in 2013. Nearly 88 percent of the planted acreage was harvested. The yield averaged 170 bushels per acre.

Total production in Georgia is estimated by the National Agricultural Statistics Service at 55.25 million bushels. High yields are a result of irrigation (nearly 80 percent of corn acres). Georgia corn production represents about 30 percent of the total corn needed for the state's livestock and poultry.

Nationally, corn growers reduced plantings by 4.7 percent in 2014 to 90.89 million acres (Figure 1). Despite the drop in acreage, total corn production set another record, reaching 14.4 billion bushels (an average yield of 173.4 bushels per acre on 83 million harvested acres).

Total corn use is projected to exceed last year's amount and set a new record at 13.66 billion bushels. Feed and residual use continues to rebound with an increase of 4.7 percent to 5.375 billion bushels. Ethanol use is projected to slightly increase to 5.15 billion bushels. Corn exports are not expected to grow, however, falling 8.7 percent to 1.75 billion bushels.

Ending stocks of corn are projected to reach 2 billion bushels for the 2014 crop. Another reduction in acres is needed to reverse the growing stocks trend.

Corn prices are not real attractive to corn growers for 2015. The record production and growth in global supply has pushed prices below $4 in many regions of the country. Georgia prices ranged from $3.25 to $4.50 per bushel for 2014. The 2015 average price could range between $4.25 and $4.50 per bushel. Georgia growers face a tight margin situation with cash flow being a concern in 2015. Georgia corn acreage will likely fall again, but will probably stay above 300,000 acres due to rotation considerations.

Wheat

Wheat acreage and production took big dip in 2014. Planted acres fell by 130,000 to 300,000 in 2014. The Georgia average yield fell 18 percent to 49 bushels per acre. Total wheat production dropped nearly half to 11.27 million bushels. Acreage for 2015 is expected to recede again due to lower prices. New crop prices

range from $4.35 in the Southwest corner to $5.25 for other parts of the state.

U.S. wheat production is down for the 2014-2015 marketing year at 2 billion bushels. Even though planted acres increased 1 percent to 56.8 million acres (Figure 1), the average U.S. yield is down 7.2 percent to 43.7 bushels per acre. The U.S. wheat supply is down 7.8 percent, but ending stocks are up 9 percent to 644 million bushels.

The buildup in wheat stocks is due to a decrease in feed use of 48 million bushels and a drop in exports of 251 million bushels. Low corn prices have shifted corn back into the feed ration, and growth in world wheat production has cut into wheat exports. The 2015 outlook for wheat is for total acreage to remain about the same, but for soft red winter wheat acreage to decline due to lower prices.

Soybeans

Georgia soybean production was up in 2014 as growers planted 70,000 more acres. Despite challenges with drought, soybeans did well. The projected average state soybean yield is 41 bushels per acre. U.S. soybeans set new records for planted acres, yield, and production in 2014.

Plantings increased 9.4 percent to 84.2 million acres (Figure 1), and harvested acres were up 9.6 percent at 83.4 million acres. The U.S. average yield is pegged at a new record of 47.5 bushels per acre. The resulting production is projected to reach nearly 4 billion bushels, surpassing the previous record of the 2009 crop.

Total soybean use for the 2013-2014 marketing year set a record at 3.478 billion bushels due to strong exports and crush. The trend is expected to continue with total use for the 2014-2015 marketing year projected to climb to 3.615 billion bushels. Domestic crush is projected to reach 1.78 billion bushels for the 2014-2015 marketing year. This would be the largest crush total since the 2007-2008 marketing year. Soybean meal export commitments are at a record large level and will be supportive of meal demand as long as shipments can be met. Demand also should grow with an increase in livestock numbers. Exports are projected to increase 4.4 percent to 1.72 billion bushels or 47.6 percent of total use.

Ending stocks dropped to a historically low level of 92 million bushels at the end of August 2014. Soybean ending stocks for the 2014-2015 marketing year are projected to make a big recovery to 450 million bushels.

Argentina and Brazil are poised for a record soybean crop in 2015 as both countries expanded acreage. Global production of soybeans is projected to increase 9.2 percent to record 312 million metric tons. The record crops will grow global ending stocks by 36 percent to 90 million metric tons.

The expectation for soybean acreage in 2015 is for it to increase by 4 million acres to around 88.2 million acres. The battle for acreage with corn and other crops will be mainly to see how many more acres of soybeans will be planted. The increase will come largely from corn but may also include some cotton acres in the South. The combination of high costs and low prices will put pressure on cash flow. Some growers may be forced to go with more soybeans due to financing.

The U.S. Department of Agriculture projection for the 2014-2015 average price is to range between $9 and $11 per bushel. November 2015 futures have traded above $10 per bushel reflecting a risk premium based on future demand for soybeans. Farmers need to pay attention to pricing opportunities this winter and spring and take advantage of rallies. Once the crop is planted and the production is better known, soybeans are likely to follow the seasonal pattern of declining into harvest. ■

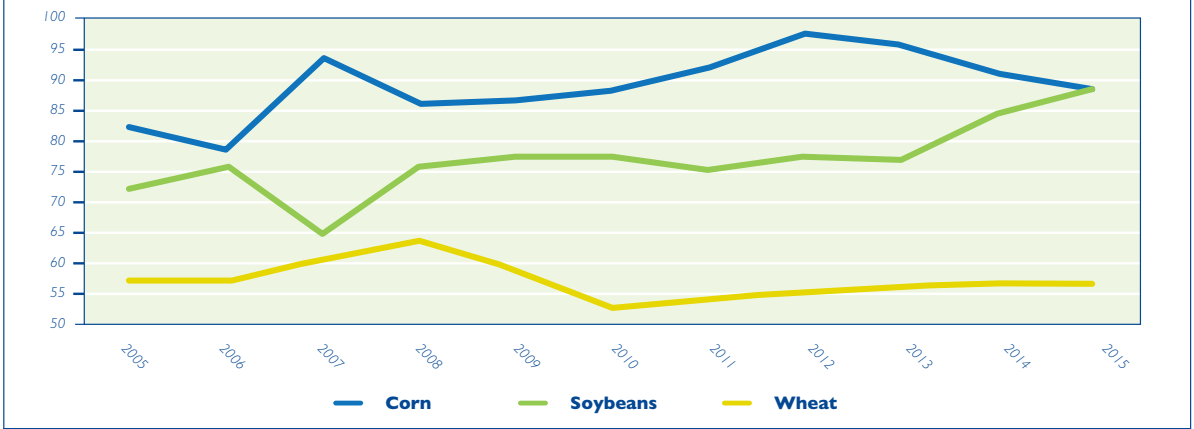


Figure 1. U.S. planted acres of corn, soybeans, and wheat in millions, 2005 – 2015.

Peanuts

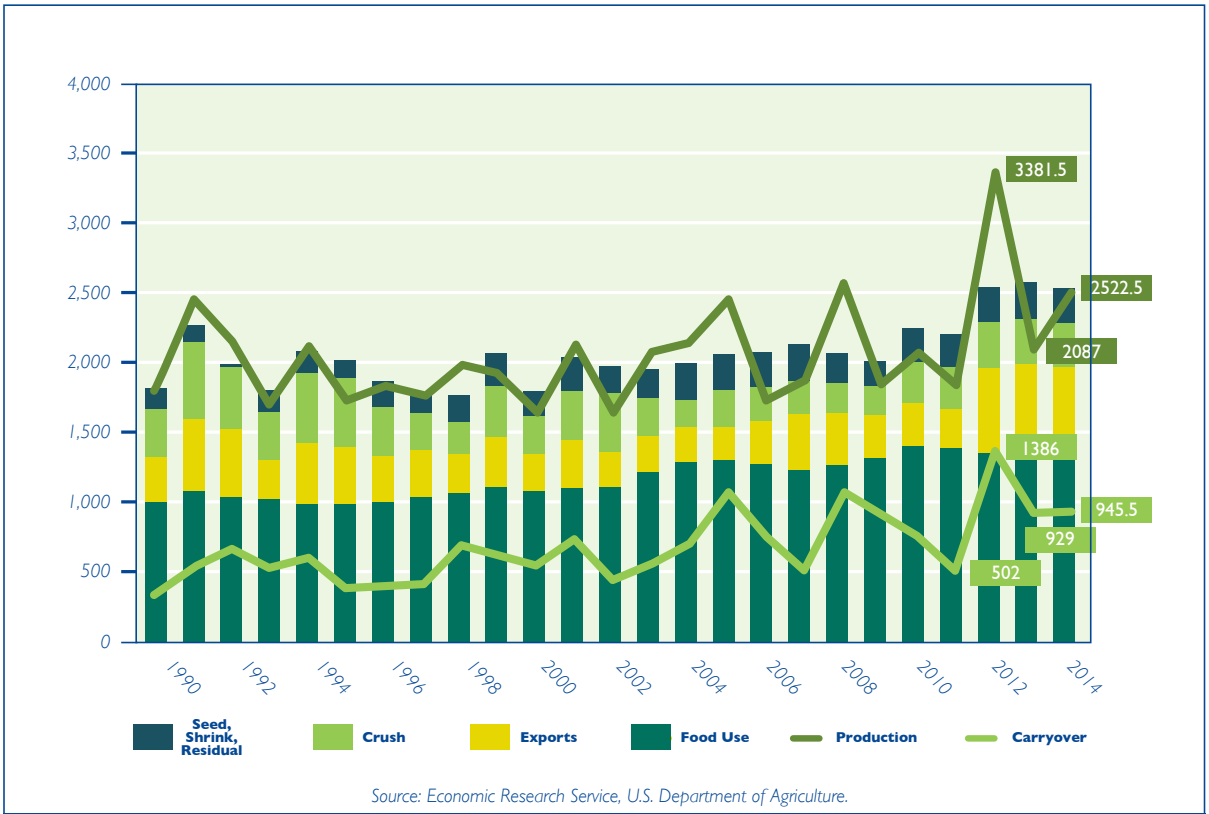
By Nathan B. Smith

Georgia and other peanut producing states increased peanut acreage last year as relative prices of cotton, corn, and soybeans decreased. Growers who had cut way back on acreage in 2013 increased plantings in 2014. This was especially noticeable in the Southeast, where some areas shifted peanut acres well below normal for a rotation. Georgia increased plantings in 2014 by 38 percent to 595,000. The U.S. planted acreage increased by 26 percent to 1.34 million acres.

Projected yields for Georgia and the U.S. are down in 2014 compared to the previous two years. Georgia is down 7.4 percent to 4,100 pounds per acre. The U.S. average yield is down 3.5 percent to 3,850. Total production is estimated at nearly 2.5 million tons on 1.3 million harvested acres. The expectation for much of 2014 was for peanut production to exceed 2.6 million tons. However, the larger crop doesn't look as probable. Going into the 2015-marketing year, ending stocks remain the same as last year, providing at least a six-month supply. This could help firm the price outlook for 2015.

Total U.S. peanut use for the 2014 crop will fall below the previous year even though domestic consumption is projected to increase (Figure 1). The 2013 peanut marketing year ended with a record total use of 2.588 million tons. The 2014 peanut marketing year, ending July 31, 2015, is projected to total 2.539 million tons in use. A drop in exports is the main reason for the decline. Domestic use is projected to increase 1.8 percent to 1.47 million tons. Candy and snack use increased last year according to the U.S. Department of Agriculture, while peanut butter use of shelled edible kernels remained flat.

Exports remain strong but will decline after peaking two years ago. Exports reached 600,000 tons after China purchased U.S. peanuts in 2013. European exports increased the next year resulting in 550,000 tons of exports for 2013-2014. China exited the market quickly and is no longer purchasing U.S. peanuts. Instead, Canada, Mexico, and Europe have grown as export destinations. Exports are expected to finish at 500,000 tons for next year.



Source: Economic Research Service, U.S. Department of Agriculture.

Figure 1. Peanut disappearance by use in 1,000 tons, 1990–2014.
Data for 2014 and 2015 are forecasts.

Crush is projected to drop next year by 4 percent to 318,000 tons. However, the Southeast has experienced a larger than normal level of Seg. 2 and Seg. 3 grade peanuts (non-edible market). Therefore, the volume of peanuts crushed for oil could increase above this projection. Seed and residual use is projected to fall 5.7 percent to 250,000 tons. Planted acres to peanuts are expected to increase in 2015, so seed use should increase. Residual use could also increase with a larger crop, so this projection may increase some, too.

2015 Forecast

Edible use of peanuts looks to have shifted in the first two months of the 2014-2015 marketing year to more peanut butter consumption versus snacks and candy. The carryover going into this marketing year beginning August 1 was 930,000 tons, about 500,000 tons less than the previous year. Next year the carryover is projected to be about the same, 946,000 tons. The final crop size reported in January could change this projection in addition to potential increases in use. A sizable buffer of stocks is still on-hand, so prices are not expected to increase significantly anytime soon. However, one poor crop is all it takes for a strong price swing, given peanuts are semi-perishable.

Two factors are weighing the most on the 2015 outlook for peanuts: (1) low relative prices of other crops, cotton in particular, and (2) the 2014 Farm Bill, where peanuts will be grown on generic base (old cotton base) in anticipation of payments related to the Price Loss Coverage commodity program. Given these factors, peanut acres are expected to increase again in 2015. Contracts could begin for runners at $400 per ton and perhaps offered on limited tons.

To begin projecting 2015, some assumptions for yield and harvested acres need to be made (Table 1). Consider a 10 percent and 15 percent increase in planted acres, respectively. These increased plantings would lead to 1.44 million and 1.5 million harvested acres. An average U.S. yield projection based on trend would be 3,850 pounds per acre. The projected size of the 2015 crop would be 2.77 million tons and 2.89 million tons, respectively. If total peanut use rises by 2.22 percent, then the carryover would grow to 1.15 million tons in the 10 percent increase scenario. A 15 percent increase in planted acres would add another 125,000 tons to carryover. Both of these scenarios would limit peanuts to around $400 per ton or less.

Avoiding a return to a major oversupply like 2012 means limiting the increase to 15 percent or less. Increasing plantings above 1.5 million acres will tax and maybe overwhelm current infrastructure for handling and storage, especially if yields are better than trend.

Overall, 2015 will be a year in which planting decisions will be key for peanuts, and it will be difficult to show positive cash flow for most crops. The farm bill program will help with low prices, but payments won't come until October the next year. ■

	USDA			2015 Projections	
	2012–2013	2013–2014	2014–2015	3850 Lb. Yield 1.44 Mil. Acres	3850 Lb. Yield 1.5 Mil. Acres
	1,000 Tons				
Beginning Stocks	502	1,386	929	946	946
Production	3,382	2,087	2,523	2,768	2,894
Total Supply	3,943	3,517	3,484	3,746	3,872
Total Use	2,557	2,588	2,539	2,596	2,596
Ending Stocks	1,386	929	946	1,150	1,275

Source: Economic Research Service, U.S. Department of Agriculture. 2015 projections calculated by author.

Table 1. Peanut Supply and Demand Estimates with 2015 Projections. Scenarios for 2015 Include 10 percent Increase in Acres with 2.2 percent Increase in Use and 15 percent Increase in Acres with 2.2 percent Increase in Use.

Fruits and Nuts

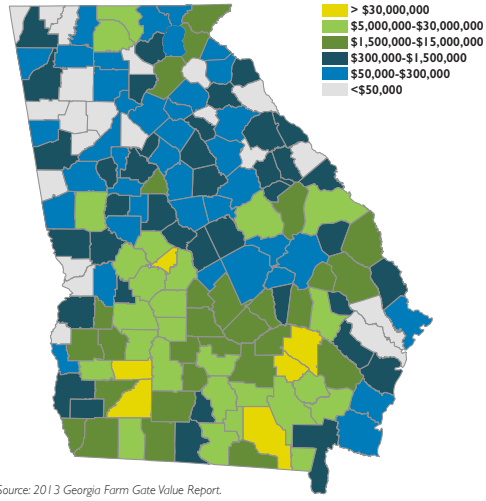
By Esendugue Greg Fonsah

Georgia is officially the national leader in blueberry production after producing a record high 96 million pounds compared to Michigan, which monopolized this position in the past by producing 91.5 million pounds in the same time period. As a whole, the U.S. fruit and nut industry enjoyed strong prices for most of its crops. The growers and consumer price indexes were mostly stronger in 2014 than 2013. These strong prices were also seen at the state level, including Georgia.

The U.S. is still credited as the largest pecan producing country in the world, and Georgia still enjoys its premier-producing-state status. Despite that, pecans still account for 15 percent of all imported tree nuts in the U.S. Several countries such as Australia, Brazil, Israel, Peru, and South Africa also produce pecans, but Mexico is the major supplier of the U.S. import market.

The Georgia fruit and nut industry is experiencing drastic structural changes. A decade ago, pecans ranked first, contributing over 60 percent of the total fruit and nut farm gate value, followed by peaches. Today, the dynamics have changed as pecans and blueberries are scrambling for the No. 1 position. Pecans still have a slight edge at 43.3 percent contribution compared to 42.9 percent for blueberries. It is only a matter of time before blueberries capture the top spot (Figure 1).

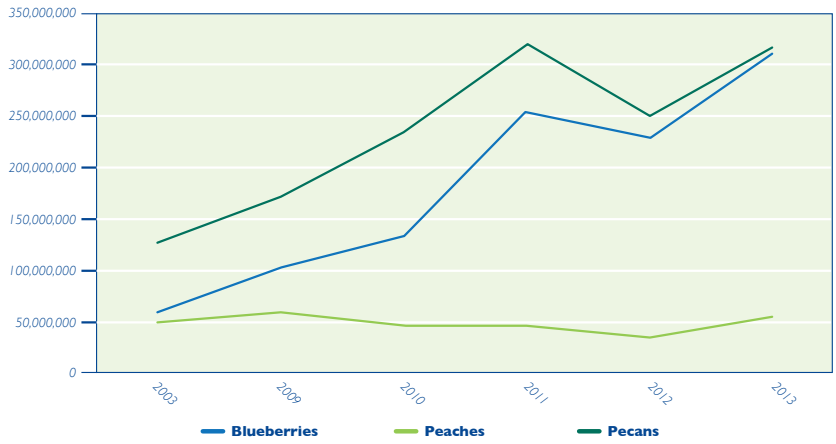
From 2008 to 2011, pecan and blueberry farm values increased exponentially from $125.9 million to $319.5 million (pecans) and from $60.9 million to $254.9 million (blueberries). Pecans and blueberries suffered an approximate 22 percent and 10 percent decrease in value from 2011-2012, respectively. In 2013, however, blueberries almost tied with pecans, generating $312.8 million compared to $315.6 million for pecans. Peaches lost the second ranked position to blueberries almost a decade ago. Peaches contributed only 7.6 percent of the total fruit and nut farm gate value in 2013 (Figure 1).



Source: 2013 Georgia Farm Gate Value Report.

Other commercial fruits and nuts in Georgia include apples, blackberries, strawberries, and grapes—all of which contribute less than 2 percent of this category's total farm gate value. Overall, the growth of the fruit and nut industry can be seen in the rapid increase in the fruit and nut farm gate value, from $265 million in 2008 to a record high of $729.2 million in 2013.

The map above shows the distribution of fruit and nut production in the state. Heavy production and major contributions to farm gate value are concentrated in southern Georgia. Areas in yellow and bright green are counties that generated between $5 million and $30 million or more in value. With continuous research and Extension programs, good agricultural practices, growth in acreages and yields, and a strong consumer price index, chances are this trend will continue into 2015, especially because the demand is still higher than the supply. ■



Source: 2013 Georgia Farm Gate Value Report, The Center for Agribusiness and Economic Development, College of Agricultural and Environmental Sciences, The University of Georgia (Oct. 2014).

Figure 1. Top fruit and nut commodities in Georgia by farm gate values (U.S. dollars), 2008–2013.

Vegetables

By Esendugue Greg Fonsah

From 2008 to 2012, onions experienced steady economic growth and dominated Georgia's vegetable industry, but took a nosedive in 2013. The highest value for Georgia onions was recorded in 2012 at $163 million, but then it went down to $93 million in 2013 (Figure 1) because of disease pressure.

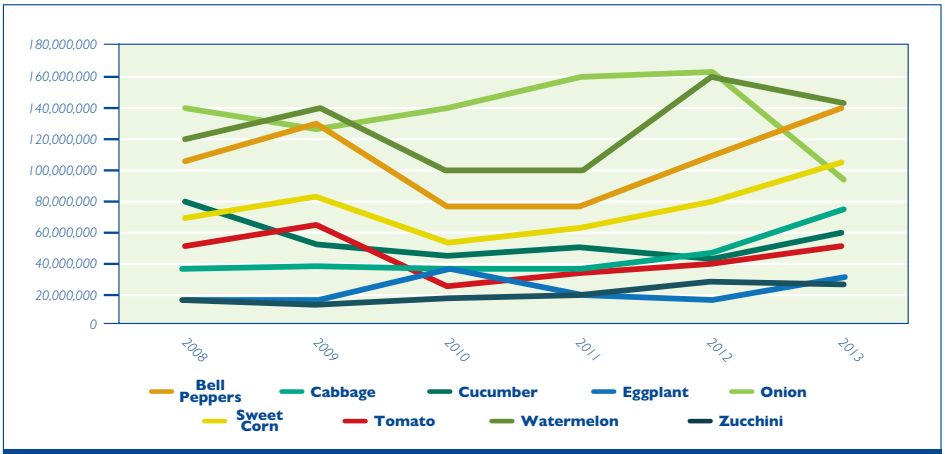


Figure 1. Top vegetable commodities in Georgia by farm gate values (U.S. dollars), 2008–2013.

Watermelons, still counted as a vegetable in Georgia, have rivaled onions in some production years for the past decade. In 2009 for instance, watermelons ranked first ($139 million) compared to second ranked onions ($126 million). Thereafter, onions took the lead until 2012. It was only in 2013 that watermelons led again, generating $144 million in farm gate value compared to $93 million for onions.

Florida, Georgia, California, and Texas produce 65 percent of all U.S. watermelons. Despite this, the U.S. is ranked fifth in the world for watermelon production after China, Turkey, Iran, and Brazil. The U.S. is still the largest importer of watermelons, followed by China, Germany, Canada, and Poland. Most watermelons imported into the U.S. come from Mexico, Guatemala, Honduras, Costa Rica, and Nicaragua. In terms of exports, the U.S. is ranked third in watermelons and fourth in cantaloupes. Due to NAFTA, the U.S. exports its melons to Canada, Mexico, and Japan.

Bell peppers are also a major player in Georgia's vegetable rankings. A record-high $139 million contribution ranked the vegetable second in 2013. Carrots are missing from the top commodities highlighted in Figure 1, but were ranked eighth in the 2013 Georgia Farm Gate Value Report, contributing $31 million.

In 2013 Georgia's vegetable industry farm gate value almost hit the $1 million mark compared to a decade ago when it was floating around $500,000. According to a U.S. Department of Agriculture Economic Research Service report, this rapid growth is partially credited to several factors (including but not limited to): "the introduction of improved planting materials with better fruit-set and disease-resistant cultivars; the introduction of precision agriculture; improved water use and spray programs; the use of plasticulture and various mulches for both summer- and winter-season crops; the adoption of good agricultural practices (GAP); the development and implementation of methyl bromide replacement alternatives; and new management strategies for tomato spotted wilt virus (TSWV)." More so, the industry has benefited from favorable prices for most of its vegetable crops, strong growers and consumer price indexes, and research and Extension services provided by the University of Georgia.

The 2013 Georgia farm gate value for vegetables stood at $998 million. The majority of commercial vegetable farms with values greater than $3 million are concentrated in the southern part of the state. Of the 35 commercial vegetables produced in Georgia, the top five contributors of the category's farm gate value in 2013 were watermelons (14 percent), bell peppers (14 percent), sweet corn (11 percent), onions (9 percent), and cabbage (8 percent).

According to the ERS, U.S. ag-export value for oilseeds and products, grains and feeds, corn and wheat, cotton, poultry, and dairy products are expected to decrease in 2015. On the other hand, horticultural crop exports are expected to go up by 8.5 percent—equivalent to $2.9 billion. Despite the slight decrease in per-capita consumption of onions, tomatoes, peppers, cucumbers, sweet corn, carrots, snap beans, and cabbage (which excluding snap beans, are all in Georgia's top 10 commercial vegetables in terms of value), the ERS reports that because of "the expected 0.7 percent growth in the U.S. population, increase in per-capita use, and increased public awareness of healthy living and healthy feeding, all economic indicators point to a continuous increase in vegetable consumption in 2015 and in years to come." ■

Environmental Horticulture and Turf

By Forrest E. Stegelin

According to the 2013 Georgia Farm Gate Value Report, the Georgia environmental horticulture industry had a $562,469,506 farm gate value, which equates to a $2 billion plus retail value. The distribution of the industry's farm gate value, by sector was greenhouse at 44 percent, container nursery at 26 percent, turfgrass at 16 percent, field nursery at 12 percent, and other at 2 percent.

"Cautiously optimistic" best describes the environmental horticulture industry outlook for 2015, as expressed by a survey of Georgia greenhouse, container, and field nursery owner-operators conducted during the late summer of 2014. The results of the survey are highlighted in the following paragraphs.

One-third of respondents anticipate increasing hiring by up to 10 percent more employees in 2015, although 60 percent stated no planned change in hiring.

One-half of owner-operators plan to budget less than $100,000 for any expansion projects in 2015. Twelve percent indicated they would budget more than $100,000, leaving 39 percent who reported no budget for expansion projects in 2015.

Nearly one-third of respondents anticipate an increase in their production acreage and/or square feet in 2015, with 15 percent citing less than a two-acre increase. Nearly two-thirds of respondents indicated no change in production area.

Among the nursery growers, crops with the highest sales volume in 2014 included container-grown shrubs and field-grown trees, followed by container-grown perennials and container-grown trees.

In response to 2015 production plans, about one-third of operations cited plans to increase production of propagation material (e.g., tissue culture, plugs, liners, etc.), container-grown perennials, and container-grown shrubs. Approximately one-fourth plan to increase production of container-grown trees and edibles.

Reduced production of field-grown trees, field-grown shrubs, field-grown perennials, and tropicals were also cited.

The crops that owner-operators viewed to represent shortages (rather than surpluses) in 2014 included, in descending order, field-grown trees, container-grown trees, container-grown shrubs, propagation material, edibles, field-grown shrubs, container-grown perennials, and groundcovers. All of these crops, excluding groundcovers, are anticipated to experience continued shortages in 2015.

No new crop categories are planned for more than half of the nurseries in 2015, although at least 15 percent of the firms indicated expansion into natives, edibles, and drought-tolerant plants.

Two-thirds of respondents reported sales increases in 2014, with 20 percent saying no change. More than 60 percent of firms anticipate an increase in their nursery's sales in 2015 from 2014, while one-third expect sales to remain about the same.

When asked which crops produced the most profit in 2014, responses included a three-way tie for the top spot: field-grown trees, container-grown shrubs, and container-grown perennials. Container-grown trees ranked fourth, mirroring the list of crops with the highest sales volume.

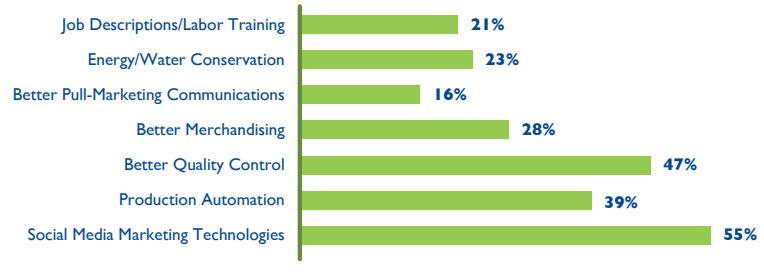
When asked how their nursery's profits changed in 2014 from 2013, 54 percent reported an increase. One-third said less than a 10 percent increase. 15 percent reported profits decreased (10 percent of firms had less than 10 percent decrease and 5 percent had more than 10 percent decrease). The balance (30 percent) reported no change in profits.

For 2015, 50 percent of firms anticipate nursery profits to increase, 45 percent expect profits to remain about the same, and 5 percent predict a decrease in their own profits.

One-fourth of nurseries self-reported 2014 profit margins of more than 20 percent, while 55 percent of firms reported profit margins of 5-20 percent. Nearly 10 percent of respondents stated they were pricing at breakeven.

The leading responses to "What measures has your nursery implemented in 2014 to maintain or improve profitability?" were "price increases due to inelastic demand" (56 percent) and "new plant introductions" (49 percent). These answers were followed by "better quality control" (42 percent), "offering a diversified mix" (41 percent), and "implementing production-technology efficiencies" (36 percent).

A follow-up question asked growers about plans for maintaining and improving profitability in 2015. The responses are shown in Figure 1. ■



Source: Survey conducted by UGA agribusiness management students, 2014.

Figure 1. Percentage of surveyed growers planning to implement defined practices in 2015.

Beef

By R. Curt Lacy

2014 was perhaps the best year ever for Georgia beef cattle producers. Historically high cattle prices and mostly favorable weather combined to produce profits that most cattlemen could only dream about.

While feeder cattle supplies and beef production continued their descent, the main force behind the astonishing prices was lower corn prices for the 2013 corn crop. These low corn prices were followed by even lower prices as 2014 yielded the largest U.S. corn crop ever.

Throughout 2014, it was not uncommon for cattlemen to report selling cattle for anywhere from $1,250 to $1,750 per head, depending on the weight and time of year.

Demand

Heading into 2015, beef demand continues to hold up fairly well considering the current state of the U.S. economy. In fact, the quarterly All-Fresh Beef Demand indices for the second and third quarters of 2014 were higher than those in 2013.

A higher demand on the index is important because many people confuse consumption with demand. Demand takes into account not only consumption, but also price. It is affected by consumer's income, the prices of competing and complementary goods, and consumer's tastes and preferences. The All-Fresh Beef Demand Index takes all of these factors into consideration for beef.

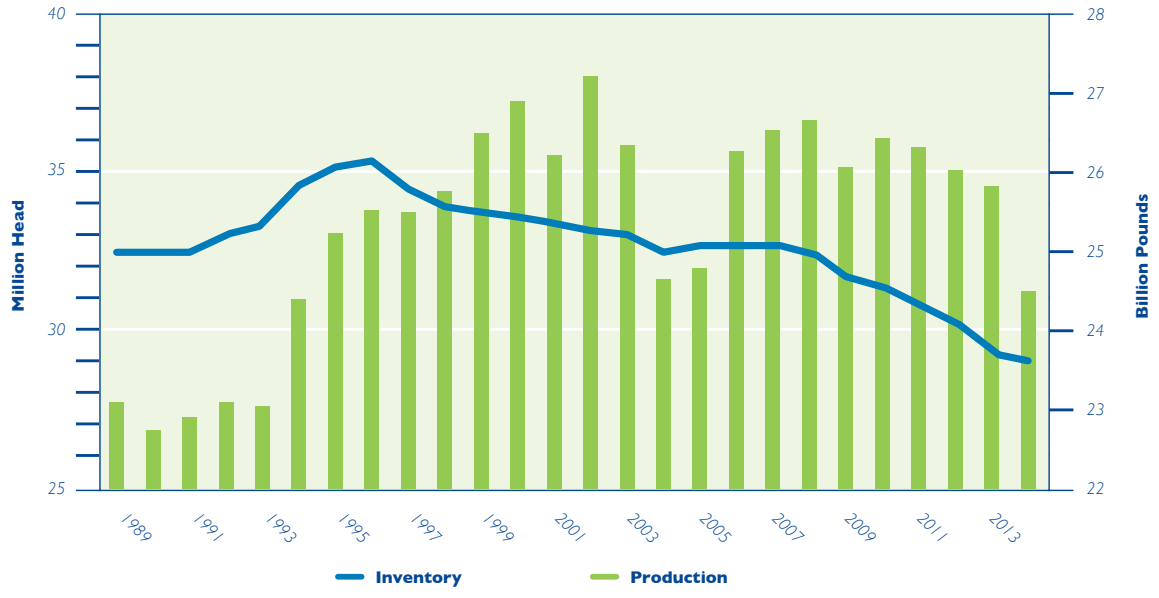
As a matter of fact, the Annual All-Fresh Beef Demand Index has improved eight points, from 75 in 2009 to 81 in 2013. This number was slightly higher in 2014 at about 84 and is expected to remain steady to slightly improved in 2015. Demand values such as this make it easy to project continued strong prices for beef and live cattle.

This optimism should be tempered, however, based on the fact that both pork and poultry production and supplies are forecast higher for 2015. The increasing levels of these competing products will help exert some downward resistance to beef and live cattle prices. At what point beef prices begin meeting a challenge is unknown. However, it is a matter that is worth recognizing.

Production & Supplies

Domestic beef production is projected to be down over 3 percent to slightly less than 23.8 billion pounds (Figure 1). This is the lowest level of beef production since 2005. On a per capita basis, the relative beef supplies will be the lowest since the early 1960s.

The decline in beef production is driven by fewer cows producing fewer calves to



Source: Compiled and analyzed by Livestock Marketing Information Center and the University of Georgia College of Agricultural and Environmental Sciences using data from the U.S. Department of Agriculture National Agricultural Statistics Service.

Figure 1. U.S. Beef production in billion pounds vs. cattle inventory in million head, 1989-2014. *Inventory as of January 1.*

Beef, *continued*

Animal Class	2013	2014	2015
500 Pound Steer* ($/Cwt.)	$149	$215	$250
750 Pound Steer* ($/Cwt.)	$127	$178	$225
Choice Fed Steer	$128	$135	$160
Slaughter Cow* ($/Cwt.)	$82	$105	$110

**Note: All prices other than Choice Fed Steer are basis Georgia.* *Source: University of Georgia.*

Table 1. Prices for Various Classes of Cattle in the Southeastern U.S, 2013–2015

go to the feed yards. Another factor that will further restrict beef production is increased heifer retention to expand the beef cowherd. October 1, 2014, marked the lowest number of heifers and heifer calves on feed since July 1, 2005. As of October 2014, the number of heifers and heifer calves on feed totaled 3.54 million or about 35.4 percent of the total. This number declined steadily through much of 2014, indicating that expansion is not far off.

The implications of increased heifer retention will be continued high prices or even higher prices in 2015 as cattle on feed numbers are reduced due to fewer heifers being placed. This will lower beef production and support prices. Longer-term prices will eventually moderate, likely in 2016 or 2017.

Price Outlook

Prices for 2015 are projected to be higher than 2014 (Table 1). For the year, prices for 500-600 pound steers are expected to run $30 to $40 per hundredweight higher than in 2014. Readers are reminded of the tremendous rally that occurred in 2014. So even though many cattlemen may have sold 500 pound calves for $250 plus in fall 2014, it is very unlikely they will see $290 in fall 2015. However, for those that sold calves in early 2014 for $175 or $200 per hundredweight, $240 to $250 should be attainable.

It bears repeating that virtually much of this dramatic increase can be attributed to higher live cattle prices and lower corn prices. As a result, feed yards can justify paying more for the calves. Thus, it should be noted that any changes driving corn prices higher or reducing consumer demand would result in lower prices.

Generally speaking, each $2 per hundredweight change in live cattle prices will change 500-pound calf break evens by $4.50 to $5 per hundredweight. Conversely, a $12 per hundredweight change in the cost of gain (equivalent to a $1 per bushel change in corn prices) will change breakevens for the same calf by about $14 per hundredweight. Since this is only an example, these numbers are somewhat imprecise, but they should serve to show readers the relative importance of fed cattle prices and corn prices on calf and feeder cattle prices.

Summary

2014 was a very good year for U.S. and Georgia cattle producers. 2015 is shaping up to be another good one as well. Tight supplies, low corn prices, and good consumer demand should combine to keep prices extremely favorable for the coming year and into the latter part of the decade. ■

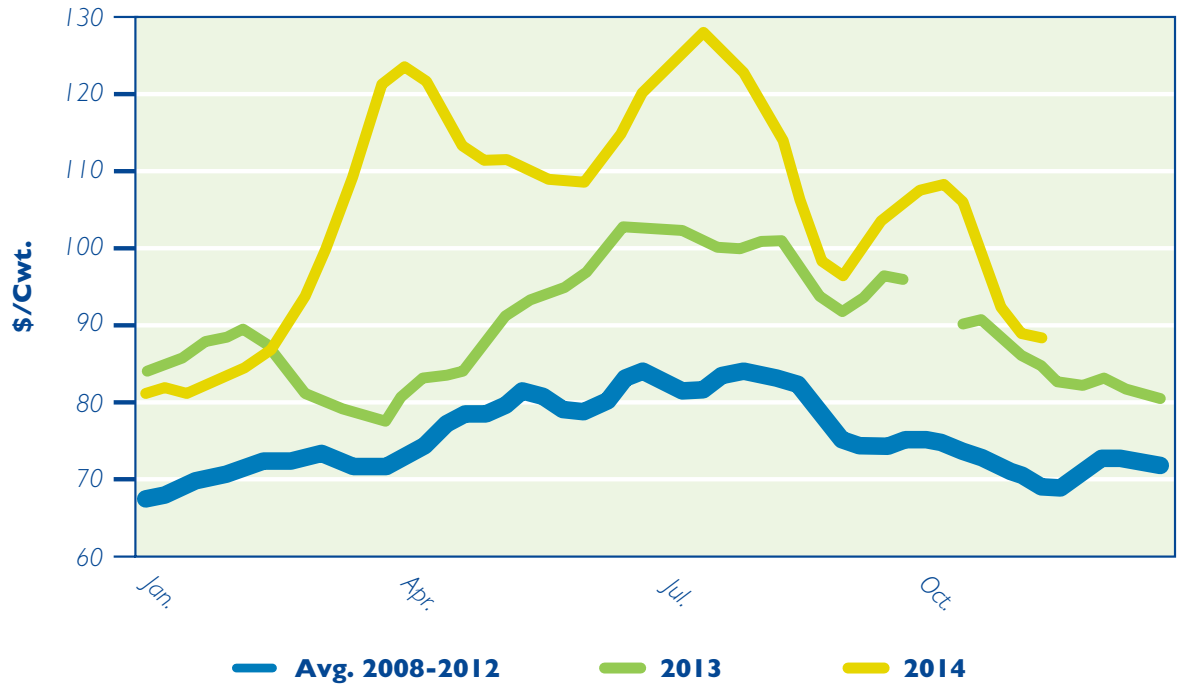
Pork

By R. Curt Lacy (clacy@uga.edu)

Pork producers saw 2014 begin the year with favorable carcass prices and moderating feed prices. By the third quarter, sales prices were at historic levels and feed costs were even lower, making for a very good year to be in the hog business.

Through November 2014, net prices on a carcass-weight basis were running 16 percent above 2013 levels and 38 percent above the five-year average (Figure 1). With carcass weights increasing about 5 pounds up to 213 pounds (dressed-weight basis), the net effect was an increase of more than $38 per head in revenue compared to 2013.

The combination of the increased revenue along with the lower corn prices beginning in fall 2013 and continuing through 2014 resulted in per head profits that many pork producers would never imagine. According to Iowa State University calculations, every month during the year saw black ink—with July eclipsing $100 per head profits.



Livestock Marketing Information Center using data from U.S. Department of Agriculture Agricultural Marketing Service.

Figure 1. Net Slaughter hog prices in dollars per countweight for U.S. barrows and gilts, 2014 and recent years.

Production & Supplies

Pork production in 2014 was down from 2013 on the continued prevalence of Porcine Epidemic Diarrhea Virus (PEDV) in the nation's swineherd. For 2014, both the U.S. Department of Agriculture and the Livestock Marketing Information Center (LMIC) estimate total pork production to be between 22.62 billion and 22.9 billion pounds, a decrease of about 1.4-1.90 percent.

The September 2014 Hogs and Pigs Report contained some interesting information. The total number of hogs and pigs in the U.S. was down 2.3 percent to 65.4 million head. However, the USDA pegged the nation's breeding herd at 5.92 million head, 1.7 percent larger than 2013. The report indicated that hog producers intended to farrow essentially the same number of sows in June–November as last year. The net result

Pork, *continued*

of these static farrowing intentions should mean slightly higher pork production in 2015.

This is because carcass weights are projected to remain the same, but pigs per litter are expected to increase slightly in 2015 as the industry gets a better handle on managing PEDV.

Exports

The U.S. continues to be the world leader in pork exports, which is beneficial to our domestic producers. Even though we account for less than 10 percent of global production, we export more than one-third of the pork that is traded worldwide. Total pork exports declined slightly in 2013 on lower production due to PEDV. However, 2014 exports rebounded, and this trend should continue into 2015.

It is worth noting that not only is the U.S. the largest exporter in the world, but the level of exports continues to grow. In 2004 pork exports accounted for 13 percent of U.S. pork production and net pork exports accounted for 8 percent of production. By 2014 total pork exports represented 22 percent of domestic production with net pork exports accounting for 18 percent of U.S. pork production. This number is expected to increase into 2015 and for the foreseeable future.

Price Outlook

If consumer disposable income increases as economists predict, demand for pork will also increase and help support these higher prices. Quarterly Retail Demand indices for pork averaged better than 7 percent above 2013's demand for the first three quarters of 2014. For 2013, the Annual Retail Pork Demand Index was calculated at 84 (1990=100) and 2014's demand index is forecast at around 88.

While it is unlikely that we will see a similar type increase into 2015, it is likely that demand will remain stable or improve slightly, which should lend some support to prices next year.

Prices are expected to remain about the same or slightly less during the first half of 2015 compared to 2014. However, as production increases on more pigs and consistent weights in the second half of the year, prices should decline slightly when compared to 2014. Accordingly, profits are expected to decline somewhat with lower sales prices.

Much of the pressure on prices will come from increased pork and poultry production (Table 1). For the coming year, pork production is expected to increase by more than 4 percent. At the same time, broiler production is forecast up slightly at almost 3 percent. The combination will boost total red meat and poultry production by a little over 1.5 percent compared to 2014.

Some readers who study Table 1 closely will notice that there is little difference in beef and pork production forecasts in 2015. Given the imprecision of these types of forecasts, it is quite possible that pork production will actually surpass beef production in 2015. This would mark the first time that this has occurred since 1952. It is uncertain what, if any, psychological effects this could have on markets if this scenario materializes. However, this potential situation is one that should be interesting to observe.

In summary, 2015 is shaping up to be a good year, though not as good as 2014. While increasing supplies will certainly pressure prices later in the year, feed costs should be low enough to keep profits positive. ■

Commodity	2013	2014 (Projected)	2015 (Forecast)	Change from 2013 to 2014	Change from 2014 to 2015
	Billion Pounds			Percent	
Beef	25.72	24.53	23.76	-4.63%	-3.14%
Pork	23.18	22.68	23.66	-2.16%	4.32%
Total Red Meat	**49.17**	**47.46**	**47.61**	**-3.48%**	**0.32%**
Broilers	37.83	38.08	39.21	0.66%	2.97%
Total Poultry	44.16	44.33	45.68	0.38%	3.05%
Total Red Meat & Poultry	**93.33**	**91.80**	**93.29**	**-1.64%**	**1.62%**

Table 1. Total U.S. Meat Production Comparisons

Dairy

By Tommie Shepherd

2014 Farm Bill

The 2014 Farm Bill will bring broad changes to the dairy price support system beginning in 2015. The bill will shift dairy producers away from traditional price support payments to a margin insurance format similar to what is already in place for row crops.

The new farm bill eliminates the old Dairy Price Support Program, which authorized the Secretary of Agriculture to purchase manufactured dairy products as a means of supporting farm level milk prices. Also gone is the Dairy Export Incentive Program, which subsidized prices for exported U.S. dairy products to make them more competitive on the world market, and the Milk Income Loss Program, which made direct payments to dairy farmers when milk prices fell below a specified level.

The new Dairy Margin Protection Program will instead provide margin insurance to producers, which will pay an indemnity when the difference in the U.S. All-Milk Price and a national dairy feed cost index falls below $4 per hundred pounds of milk. Producers may elect to purchase additional margin coverage up to $8 per hundred pounds of milk based on a fixed premium payment schedule.

This new program addresses concerns that the old Milk Income Loss Program had become too expensive from a budgetary standpoint as well as being unpopular with mid-sized and large dairy operations due to limitations on the amount of milk production eligible for payments.

The Margin Protection Program begins to shift dairy producers towards the crop insurance model, which has been the preferred method of providing price support to other areas of agriculture for a number of years. Dairy producers are unlikely, however, to collect indemnity payments under the program during 2015, since milk prices are expected to decline only moderately from 2014 levels while feed costs remain favorable.

Global Markets

Although Georgia's Dairy Industry is primarily a local industry that supplies fluid milk to bottling plants in Georgia and Florida, local milk prices are increasingly influenced by regional, national, and even international supply and demand conditions for dairy products.

A strong international demand for dairy products, coupled with favorable exchange rates and drought conditions in other major dairy exporting countries helped push U.S. farm milk prices to record levels in 2014.

When all of the data is accounted for, the U.S. All-Milk Price for 2014 is expected to be near $24 per one hundred pounds of milk. By the end of 2014, however, signs of eroding export opportunities were evolving.

Meanwhile, export figures for U.S. butter, nonfat dry milk, dry whey, and whey protein concentrates were all weakening due to recovering milk production in other exporting countries, a strengthening U.S. dollar, and a decline in exports to China, which has apparently accumulated sufficient stocks of dairy products to meet current demand.

If Australia and New Zealand, major dairy exporters, avoid a repeat of drought conditions in 2015 and the U.S. dollar continues to strengthen against major foreign currencies, U.S. exporters will find it difficult to maintain exports at or near z2014 levels.

This will translate into increasing dairy commodity stocks in the U.S. and place downward pressure on domestic farm milk prices.

U.S. Market

U.S. milk production expanded during both 2013 and 2014 as feed costs moderated from the drought induced levels of 2012. The trend towards more favorable feed prices should continue into 2015 in the absence of unforeseen weather related conditions such as those that plagued the summer of 2012. Strong farm milk prices and favorable feed costs laid the foundation for milk production growth in 2014, which will continue into 2015.

The national dairy herd is expected to grow by around 0.8 percent, from 9.26 million head to approximately 9.33 million. Milk per cow is projected to rise by 2.2 percent, from 22,255 pounds annually to 22,790. The combination of these two factors is forecast to push total U.S. milk production up by about 3 percent to 212.8 billion pounds.

In recent years, milk prices have been characterized by considerable volatility, with small changes in production, demand, and exports often leading to wide swings in farm level milk prices.

Somewhat weaker demand for U.S. dairy exports is a strong possibility in 2015 due to increased competitiveness from Australia and New Zealand, coupled with the absence of the Dairy Export Incentive Program. Current dairy market conditions suggest that as national milk production grows by around 3 percent and export markets become increasingly competitive, the U.S. All-Milk Price could decline by as much as 20 percent from 2014 levels.

Georgia Prices & Production

Georgia dairy farms generated around $450 million in farm gate value in 2014 due to a combination of record high milk prices and production increases of around 7 percent over the prior year. State production levels are likely to remain high well into 2015,

Dairy, *continued*

although declining milk prices will probably push the value of state dairy production below $350 million.

The state will begin 2015 with approximately 229 dairies, which are collectively expected to produce about 1.6 billion pounds of milk during the year. The number of dairies in the state has declined substantially over the past decade, from 394 at the beginning of 2001 to 229 by the end of 2014. Losses have been primarily among smaller dairies milking 200 or fewer cows, while the number of dairies milking 750 or more cows has increased as the remaining farms grow larger.

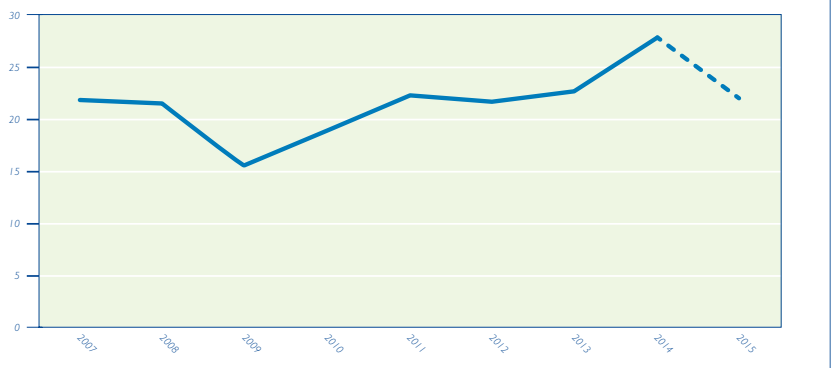
Following a period of steady decline between 2000 and 2010, milk production rebounded to 1.44 billion pounds in 2011 and increased to 1.65 billion pounds by 2014 as producers responded to a surge in milk prices. Georgia's dairy herd declined from 97,000 cows in 1996 to 77,000 in 2010 before stabilizing at around 80,000 where it has remained for the past few years. Milk production has also received a boost through efficiency gains, with milk per cow increasing by nearly 14 percent since 2010—from 17,500 pounds per cow per year to around 20,000 pounds today.

Milk production is highly concentrated in the central and southwest parts of the state. The top five milk producing counties are home to 47 percent of the state's dairy herd and produce an equivalent percentage of its total milk production. More than half of the milk produced in Georgia is exported to fluid milk bottling plants outside the state, primarily in Florida, while the remainder is processed in one of Georgia's three major bottling plants.

Georgia is located in the Southeast Federal Milk Marketing Order. As a part of the Federal Milk Marketing Order system, milk prices in Georgia are tied to national prices for manufactured dairy products and adjusted upward to account for the fact that the state is "milk deficit" (i.e. consumes more milk than it produces).

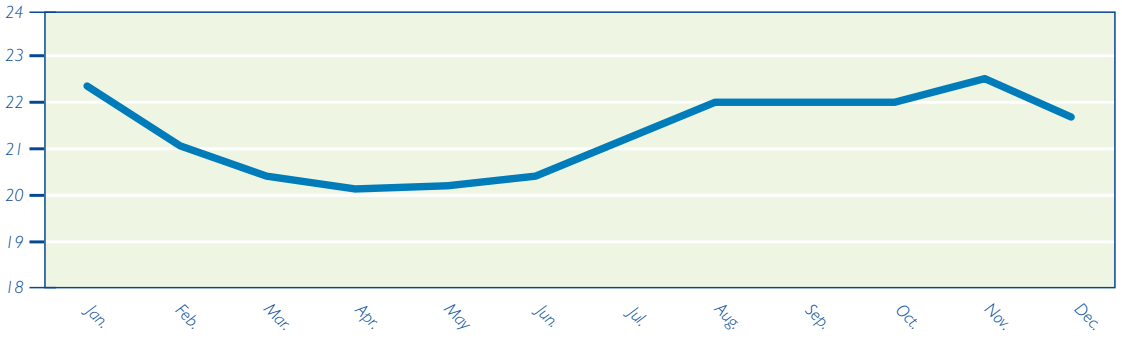
Milk prices in Georgia will follow the national trend of decreasing by an estimated 18 percent to 22 percent from 2014's record high price levels (Figure 1). Georgia dairy farmers received an average of about $27 per hundred pounds (cwt.), in 2014 and can expect about $20 to $22 per hundred pounds in 2015 (Figure 2).

The trend of increasing milk production witnessed over the past two years in Georgia will likely level out at around 1.5 billion pounds a year, declining a bit from 2014 as producers face lower milk prices, increasingly expensive replacement heifers, and high beef prices providing an incentive to send older cows to slaughter. ■



Source: Generated by author based on U.S. Department of Agriculture data.

Figure 1. Georgia's mailbox milk prices in dollars from 2007 to 2015.
The 2015 value is the predicted price.



Source: Generated by author based on U.S. Department of Agriculture data.

Figure 2. Georgia mailbox milk prices projected by month for 2015.

Poultry

By John C. McKissick

The poultry industry "profit party" started early in 2014 and will continue through 2015. Restrained increases in 2014 poultry and red meat production resulted in record high product prices. Most importantly, feed cost fell to sustained levels not seen since 2008. The combination of feed cost factors moves the U.S. from very tight feed use stocks back to ample stocks, assuring that the feed drop will not be temporary this time around.

Therefore, it's likely poultry producers will look to build production in 2015. While the rate of increased production will pressure prices some, it certainly will not slow down the 2015 profit party, especially since other meat producers won't be able to increase production as quickly as those in poultry.

Broiler Profit Outlook

Broiler producers were unexpectedly restrained in responding to 2013's return to profitability as well as to the additional positive 2014 grain and price market news. Broiler production for the first half of 2014 was only 1.5 percent above 2013's production. As a result, the National Composite broiler price was almost exactly the same in the first half of 2014 as in 2013. Lower prices in the first quarter of the year were offset by record-high prices in the second quarter of 2014.

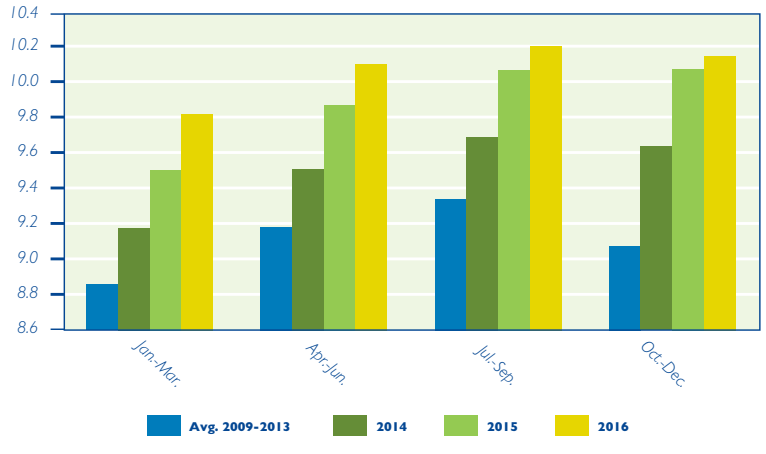
By the second half of 2014, producer confidence in sustaining attractive profits was beginning to show. Producers gradually moved to increase chick placements and to enlarge the hatching egg flock. 2014's second-half production is expected to come in somewhere around 2 percent above 2013's; there were slightly more birds harvested and more production per bird (Figure 1).

Prices are likely to average well above the last half of 2013 at over $1 per pound, the first average over the $1 mark for the last half of any previous year.

The rate of broiler production increases will quicken in 2015 given profit prospects. It's possible production reaches the 3 percent year-over-year production increases experienced only twice in the last 10 years (2005 and again in 2010).

Competing meat supplies showed only modest gains in 2014. Beef producers were constrained by very small herd numbers, and pork producers contended with health related production problems. Total red meat production is expected to be only 1-2 percent higher in 2015 and will continue to support poultry demand since consumers' will be attracted to lower priced products. Small competing meat supplies and resulting high prices will likely continue to support the strong white meat demand experienced in 2013 and 2014.

U.S. broiler exports may be the only troubling factor in the industry outlook. Russia, a major importer of U.S. broilers and products, announced a one-year ban on agricultural products from the U.S. and



Source: Livestock Marketing Information Center using data from U.S. Department of Agriculture Agricultural Marketing Service.

Figure 1. Ready-to-cook broiler production in billions of pounds for 2009–2013 (averaged). *Data for 2014–2016 are forecasts.*

Poultry, *continued*

other countries. Russia had accounted for about 7 percent of broiler exports. Mexico and countries in Asia are expected to pick up most of the exports, but at a reduced price. In addition, the U.S. dollar has risen in value against other currencies, increasing the price of U.S. imports in foreign countries.

The economic slowdown in China and the near standstill of the European economy will also negatively impact poultry exports. In 2014 exports are expected to be down 1-2 percent, recovering only slightly in 2015. Dark meat prices will lag behind white meat, as dark meat is the preferred export.

Per capita domestic broiler meat supplies (production net of exports) increased by more than the growth in production as exports declined in 2014. With some improvement in 2015 export rates, per capita supplies will increase slightly less than the percentage change in year-over-year production. Still, 2015 per capita broiler supplies will increase by 2 percent or more for the first time since 2010. The forecast levels of production combined with demand should result in 2015 implied whole bird values about 1-2 percent lower than 2014's record price. If the rate of expansion increases by the last half of 2015, prices may struggle to remain close to 2014's levels.

While the 2015 broiler price is expected to decline from 2014, profit prospects are extremely good given the expected continuation of reduced production costs. The industry goes into another year with the knowledge of a fundamental shift in feed prices, and that lower prices should persist for some time.

Excessive industry production growth and/or broiler demand problems seem the greatest concern for 2015. The history of the broiler industry has been one of aggressive growth when faced with similar cost and return margins. However, this industry may have shifted to moving at a slow but steady pace.

Turkey Prices & Returns

2014 turkey production shrank by another 1 percent after a more than 2 percent decline the previous year. The last two years were evidence of the low profit situation turkey producers faced, despite prospects of lower grain prices. However, prices for 2014 rebounded almost 8 percent to a record high yearly price of $1.08 per pound.

Unlike the broiler situation, dark meat (drumsticks and thighs) prices were significantly higher. Breast prices were only marginally higher than in 2013. Given the better than expected 2014 prices and cheap feed costs, turkey producers are expected to increase production in 2015 by 3 percent or so.

Improved exports, along with population growth, will result in only slight increases in domestic supplies for 2015. If expected production increase are held to these levels, 2015 turkey prices should be off their record 2014 level by only 1 to 2 percent. Therefore, industry profits should be good once again in 2015.

Egg Industry Outlook

Egg producers took advantage of 2014 by continuing to increase production. Table egg layer numbers have been growing for almost two years. Despite the 2.5 percent increase in 2014 egg production, table eggs set another yearly record price at around $1.37 per dozen.

Producers may be hard pressed to maintain the rate of increase seen in 2014, but will certainly produce more, especially in light of the feed cost and egg price margin. Table egg production is forecast to increase another 1.7 percent in 2015. Total egg production may approach a 2 percent growth rate, as broiler integrators continue to increase the hatching flock as they ramp-up broiler production. Table egg prices may fall below the $1.30 per dozen level, but this will not deter egg producers. ■

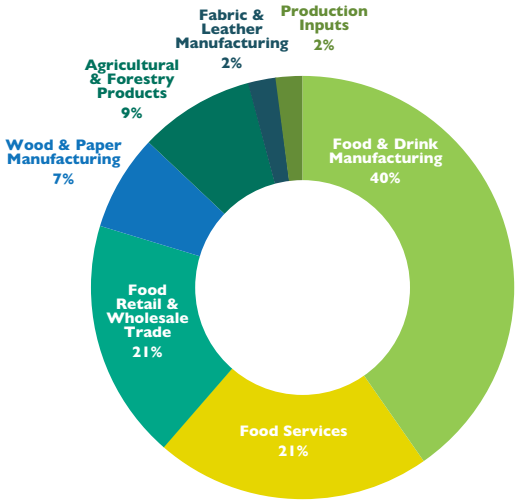
	2011	2012	2013	2014	2015
Broilers					
Production (Mil. Lb.)	37,201 +0.8%	37,039 -0.4%	37,830 +2.1%	38,451 +1.6%	39,600 +2.9%
Exports (Mil. Lb.)	6,971 +3.1%	7,274 +4.3%	7345 +1.0%	7,269 -1.0%	7,365 +1.3%
Per Capita Supplies (Lb.)	82.9 +0.7%	80.4 -3.0%	81.9 +1.9%	83.4 +1.8%	85.3 +2.3%
12 City Price (Cents/Lb.)	$79.00 -4.7%	$86.60 +9.6%	$99.70 +15.1%	$105.20 +5.5%	$104.00 -1.1%
Turkeys					
Production (Mil. Lb.)	5,791 +2.6%	5,967 +3.0%	5,805 -2.7%	5,731 -1.3%	5925 +3.4%
Exports (Mil. Lb.)	703 +20.8%	798 +13.5%	759 -4.9%	807 +6.3%	820 +1.6%
Per Capita Supplies (Lb.)	16.1 -1.8%	16.0 +0.6%	16.0 0.0%	15.6 -2.59%	15.7 +0.6%
3 Region Price (Cents/Lb.)	$102.00 +12.8%	$105.60 +3.5%	$99.80 -5.5%	$107.6 +7.8%	$106.5 -1.0%
Eggs					
Total Production (Mil. Doz.)	7,698 +1.4%	7,876 +2.0%	8,046.2 +2.2%	8,233 +2.4%	8,380 +1.7%
Exports (Mil. Doz.)	276.3 +6.9%	301.7 +9.2%	371.9 +23.3%	358.4 -3.6%	340.0 -5.1%
Table Egg Per Capita Supplies	247.8 -0.0%	254.3 +2.6%	255.1 +0.3%	261.1 +2.4%	264.6 +1.3%
Grade A, NY Price (Cents/Doz.)	$115.3 +8.5%	$117.4 +1.8%	$124.7 +6.2%	$137.2 +10.0%	$129.0 -6.0%

Table 1. Outlook Summary

Value-Added Agribusiness

By Kent L. Wolfe and Sharon P. Kane

Food and fiber industries continue to have a substantial presence in the Georgia economy, encompassing agricultural and forestry production, including support services; food and fiber processing and manufacturing; product inputs; food retail and wholesale trade; and food services. The largest value-added sector is food and drink manufacturing, making up 40 percent of the industry (Figure 1).



Source: 2013 Georgia Farm Gate Value Report, The Center for Agribusiness and Economic Development, College of Agricultural and Environmental Sciences, The University of Georgia (Oct. 2014).

Figure 1. Percentages of Georgia value-added food and fiber output by industrial sector in 2012.

In 2012 (most recent data available), the total food and fiber sector accounted for 719,427 jobs in the Georgia economy with annual sales of nearly $125 billion. As in recent years, this magnitude ranks the total food and fiber sector the highest among all of Georgia's economic sectors, with nearly 14 percent of the total employment in the economy (over 16 percent of the economy's sales) and more than 12 percent of the value added.

According to an IBISWorld forecast, the agribusiness industry will experience an annual average growth in industry value added of 2.2 percent through 2019 as the economy continues to improve; this is particularly due to downstream buyers (supermarkets and grocery stores, convenience stores, meat markets, chain restaurants, single location, full-service restaurants, and caterers) purchasing more agricultural products and services.

Since growth in agribusiness enterprises can depend on consumer spending patterns, it is important to keep an eye on the consumer. According to a recent Mintel survey, Americans have "left their recessionary mindsets behind." They are going beyond just keeping up with the bills to spending on long-term goals, little luxuries, and experiences.

The total number of agribusiness enterprises has declined in recent years, but is expected to be relatively steady over the next five years. Export markets are forecast to grow 3.4 percent a year between 2014 and 2019.

Trends

Although the trends vary across restaurants, food services, and groceries, some version of "local" has been popular for many years, shaping and being shaped by the food culture. There are differing definitions for "local" because consumers tend to form their own version of what it means—reduced food miles, humane practices, understanding the history or context of the food origins, or simply regional tastes and influences. A newcomer to this trend is in the grains category: "freshly milled and locally grown," according to Sterling-Rice Group.

Supermarket Guru® Phil Lempert notes that foods characteristically made in small batches with specialized, local ingredients or "craft foods" may soon be found in grocery store freezers and shelves across the country. This combines the look and taste of homemade specialty items with convenience and availability. This continuation of expanded availability for either local or perceived as local foods helps drive consumer interest.

In recent years, we have seen how vegetables in all forms (even used as a main dish) have become an accepted staple because of their wide-ranging appeal and health benefits. Recent trends include food processors making sweets out of vegetables such as cookies or muffins, a focus on vegetable protein sources, and a quest for both nutrition and convenience.

During 2014, U.S. processed vegetables accumulated sales of over $13.3 billion, nearly flat from the previous year. Mintel expects that processed vegetable sales will increase moderately from 2014 to 2019, reaching $14.8 billion. This dampened forecast is the result of increased consumer demand for fresh foods and minimal processing. Fresh cut salads are forecast to increase more than all other fruit and vegetable segments, up 18 percent between 2012 and 2014.

According to a U.S. Department of Agriculture survey, even respondents with the highest reported share of vegetable consumption fall short of the MyPlate recommendations. This means value-added vegetable producers still have opportunities to capture additional consumer sales through innovations in flavor, variety, nutrition, health benefits, convenience, or packaging. ■

Biofuels

By George A. Shumaker

Ethanol Market Outlook

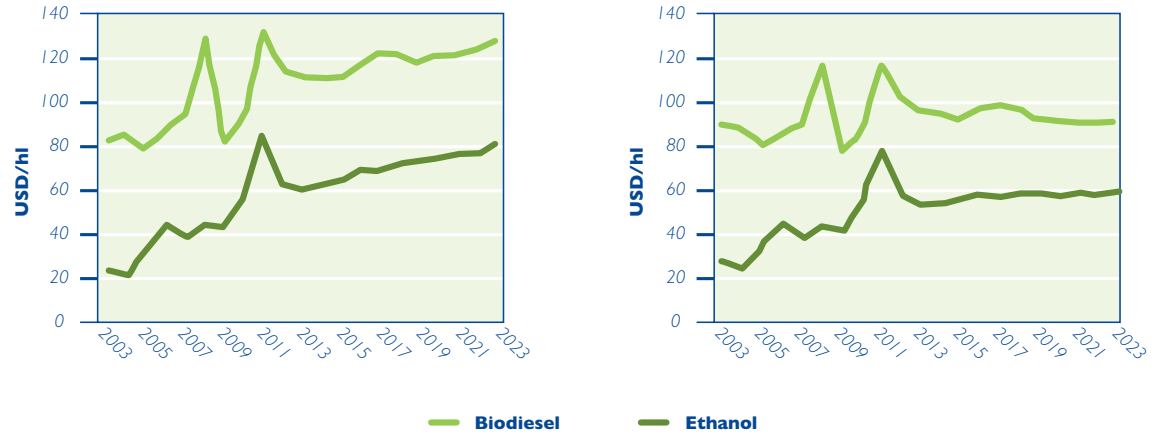
The outlook for ethanol production has improved recently primarily due to lower corn prices, strong export demand for ethanol, and good dried distillers grain with solubles (DDGS) prices. Ethanol production is expected to be near an all-time high of 14.2 billion gallons for 2014, surpassing the 2011 record of 13.9 billion gallons and up 900 million gallons over last year, according to estimates from the Renewable Fuels Association.

U.S. ethanol exports are the largest they've been in the last two and a half years, Canada and Brazil are currently our best customers. Total export sales through May 2014 were about 476 million gallons and could top 1 billion gallons by year-end. The U.S. will again be a net exporter of ethanol at an estimated total of about 650 million gallons.

The current U.S. Department of Agriculture World Agricultural Supply and Demand Estimates released August 12, 2014, indicate that ethanol production may fall slightly during 2015 depending on the amount of corn allocated in the report to ethanol production. The August estimate for the 2014-2015 corn-marketing year contains 5.075 billion bushels for ethanol production versus 5.125 billion bushels for the previous year, implying a small reduction in ethanol production. The report lowers the average price of corn for the 2014-2015 year to between $3.55 and $4.25 a bushel from the projected $4.45 for last year's crop. This implies lower input cost for ethanol producers and potentially high net profitability.

U.S. ethanol use is supported by government mandates for blending into gasoline for transportation use. The current mandated amount (the blend wall) is a 10 percent blend. It required about 15.2 billion gallons of biofuels in 2014. This is actually a decrease of the mandated 16.55 billion gallons for 2013. Producer groups and others are strongly pushing to increase the mandate saying higher blends are safe to use in the current vehicle fleet. Other groups resist the increase, pointing to many problems with engines and other parts that deteriorate from the inclusion of ethanol in the fuel. The recession that has slowed economic activity and consumers actually driving fewer miles in even more efficient cars has reduced fuel demand. The legislative battles are far from over. Producer groups may need to increase export markets and find ways to reduce consumer ethanol related engine concerns to expand domestic markets if they hope to find growth in sales.

The longer-term outlook for ethanol production appears bright. The Organization for Economic Cooperative Development and the Food and Agriculture Organization of the United Nations recently released a new 10 year projection indicating they see U.S. ethanol production near 18.8 billion gallons by 2023 (Figure 1). Most of this ethanol is expected to come from corn with only about 10-12 percent from cellulosic sources. These two groups see



The Organization for Economic Co-operation and Development (OECD) and Food and Agriculture Organization of the United Nations Secretariats.

Figure 1. Evolution of biofuel prices expressed in nominal terms (a) and in real terms (b). *Ethanol: Brazil, Sao Paulo (anhydrous, ex-distillery); Biodiesel: Producer price, Germany, net of biodiesel tariff and energy tax.*

the ethanol mandate remaining at 15 billion gallons with a blend wall of 14 percent by 2020.

Exports may be where future growth exists. Dr. Chad Hart, an agricultural economist at Iowa State University and a leading expert in biofuel economics says that the future is bright for U.S. ethanol over the longer term. He expects China to increase ethanol imports as their demand for fuel increases. He thinks India and many nations in Africa are potential ethanol markets as well. These nations need fuel, and they need clean burning fuels to combat growing pollution problems. U.S. ethanol producers need to be able to tap into those markets.

Biodiesel Market Outlook

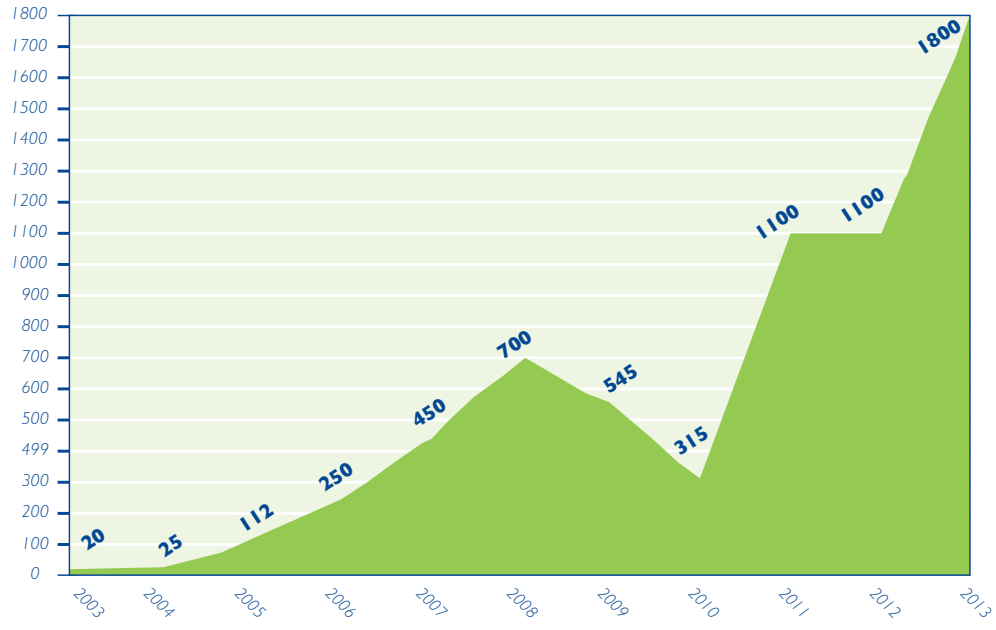
According to the U.S. Energy Information Administration, biodiesel production averaged 1.75 million gallons in 2013 and is forecast to average 1.6 million gallons in 2014 and 1.68 million gallons in 2015. The U.S. Biodiesel Board estimates vary slightly and are presented in Figure 2.

Unlike robust trade expected for ethanol over the next decade, OECD/FAO expects biodiesel trade to increase only slightly, with Argentina as the main exporter followed by Indonesia. However, global biodiesel production is expected to increase by 54 percent from 2013 to 2023. In the U.S., the study expects the biodiesel mandate to remain at 1.28 billion gallons.

U.S. biodiesel consumption is projected to increase and to be above the mandate in every year. One reason for this increase is the ethanol blend wall because biodiesel helps fulfill the advanced and total mandates of the Renewable Fuels Standard. Biodiesel should therefore capture a share, lowering the need for imports of sugarcane-based ethanol.

Over the next couple of years, the U.S. biodiesel industry is expected to have tightening margins and periods of negative returns. Those producers best positioned for success are the low cost producer who has access to multiple feedstock sources and adequate working capital that will withstand volatile prices for both inputs and sales.

One positive element for the future of biodiesel is the advanced biofuel component of the Renewable Fuel Standard (RFS), which is primarily fulfilled by biodiesel. The advanced biofuel requirement could be met using sugar and sorghum-based ethanol, however, domestic production of both is problematic. Securing economically competitive imports is also a challenge. Far more significant in supporting biodiesel production is that future increases in the use of ethanol may be limited by low-cost transportation and other infrastructure issues. ■



Source: National Biodiesel Board Annual Estimates.

Figure 2. U.S. biodiesel production in millions of gallons from 2003 to 2013. *2013 includes entire biomass-based diesel category.*

Agritourism

By Kent L. Wolfe

Agritourism is defined as a commercial enterprise at working farms or agribusinesses that is conducted for the enjoyment or education of visitors and generates additional on-farm income for the owner. It represents a number of ventures ranging from farm stands, U-pick, farm stays, tours, on-farm classes, fairs, festivals, pumpkin patches, Christmas tree farms, wedding venues, orchard dinners, youth camps, barn dances, hunting or fishing, guest ranches, horse back riding, and more.

The 2013 Georgia Farm Gate Report estimates that agritourism and nature-based tourism generated approximately $142 million dollars, down significantly from an estimated $194 million in 2012[1] . The continued fall in unemployment and improving economy should help increase the demand for agritourism activities in 2015.

The Travel Industry Association of America conducted a study in 2007, and found that 87 million Americans visited a rural destination, most often for leisure purposes (Brown and Reeder, 2007). The continued interest in how food is produced has increased people's desire to meet farmers and processors and learn about agricultural operations. A working farm visit for many people, especially children, may be their first exposure to how food is grown, whether is visiting a working dairy, a corn maze, or even a pick-your-own blackberry farm.

Married couples with kids are one of the most likely of any demographic to go participate in agritourism opportunities. This group enjoys venturing out for an afternoon or daylong activity. Women, particularly mothers, between 25-35 years of age are a key target market for the agritourism industry.

There are three primary economic factors that will impact agritourism and nature-based tourism in Georgia in 2015:

(1) Fuel prices

Fuel prices have the potential to positively impact agritourism in 2015. Fuel prices have fallen significantly in the second half of 2014 and this trend is expected to continue in to 2015 according to the Energy Information Administration. Given that school field trips are important to agritourism operations, the anticipated lower road diesel costs in 2015 may benefit Georgia's agritourism. Also, because of falling fuel prices increased car fuel efficiency, it will be less expensive for consumers to travel to agritourism sites than it has been in recent years.

(2) Tax Revenue

According to the Georgia Budget and Policy Institute, the $20.8 billion budget proposed for Georgia's 2015 fiscal year projects general fund revenue growth of 4.3 percent, or $807 million more than the recently revised 2014 revenue estimate. State revenues are back to pre-recession levels, and there is a projected $450 million in additional K-12 formula funding and restoration of austerity cuts in the 2015 budget. This increase in funding may relieve some financial pressure on schools, allowing them to take more field trips, which would be beneficial for the agritourism industry.

(3) Unemployment

Georgia's economy continues to grow and is expected to grow by 2.5 percent in 2015. Additionally, continued rising home prices and stock market appreciation indicate that Georgia's economy will continue to expand in 2015. Georgia's unemployment level is expected to decrease to 6.7 percent in 2015. Accompanying this fall in unemployment will be an increase in income, which is forecast to increase by 5.3 percent. As consumers experience an increase in income, they will be more likely to visit agritourism operations.

Leisure Travelers

The anticipated growth in both employment and wages in 2015 will positively impact leisure travel, as long as there is not a major economic shock to the U.S. and Georgia's economies. Industry figures show that domestic leisure travel will grow by about 2 percent in 2015. People are still seeking authentic and cultural experiences, which will positively impact agritourism and nature-based tourism in Georgia.

The average leisure traveler is around 48 years of age. Approximately 36 percent of leisure travelers are between 35 and 55 years of age. These travelers generally travel with children, making them excellent candidates for agritourism operations. Even more promising is the fact that an estimated 20 percent of leisure travels are 25-34 and are also likely to have smaller children in tow. Domestic leisure travelers seek escapes and places where they can spend time with family and friends; agritourism can fulfill that need.

Inbound, international travel to the U.S. is forecast to increase by 5.7 percent in 2015, which will benefit Georgia agritourism venues that have historical themes. Georgia is one of the top U.S. travel destinations for international travel. Visiting historical venues ranks in international travelers' top five activities.

School Field Trips

Increased funding in K-12 could free up resources allowing school to take field trips. The budget is expected to grow, as is employment and household incomes.

The counties will still be watching expenditures and may retard the growth of school field trips. However, some schools and systems have started to recoup the cost of field trips by increasing student contributions to help cover the total cost of the field trip, not just admittance. ■

[1] *This figure does not include hunting lease revenue figures.*

Timber

By Nicholas Forsburg, By Nicholas Forsburg, Bob Izlar, and Michael Clutter

The macro economic outlook for the U.S. in 2015 is relatively bright with expectations of 3 percent GDP growth. One area of the economy that has been disappointing throughout this period of recovery since the 2008 downturn is homebuilding. Housing starts are a strong driver in Georgia's economy. In 2015 they are projected to improve slightly over levels seen in 2014, which should help increase timber demand. Other primary economic indicators that drive demand for timber in the South (e.g., real GDP growth, commodity prices, and energy prices) have been fair in the third quarter of 2014 and are projected to sustain moderate growth in 2015.

Commodity Prices

Commodity prices have been relatively strong throughout the summer and early fall of 2014 and are expected to remain stable into 2015.

Random Lengths Softwood Framing Lumber prices increased 5.5 percent in the third quarter to $393.33 per MBF on strong demand for higher grades of southern yellow pine lumber. Chicago Mercantile Exchange (CME) futures indicate declining framing lumber prices in the near term, but this may only be a result of seasonally lower demand to close out 2014.

Pulp prices (Northern Bleached Softwood Kraft pulp) were unchanged in the third quarter of 2014 at $1,030 per metric ton. Our outlook position, due to delisted CME NBSK Europe pulp futures, has pulp prices continuing this trend with expectations of roughly $1,025 per ton by year's end. Current reports from major pulp producers in the U.S. indicate that moderate gains in inventories are expected to decline over the fourth quarter as mills take scheduled downtime and seasonal demand returns. We expect softwood pulp prices to stabilize at roughly $1,035 per metric ton in the first quarter of 2015.

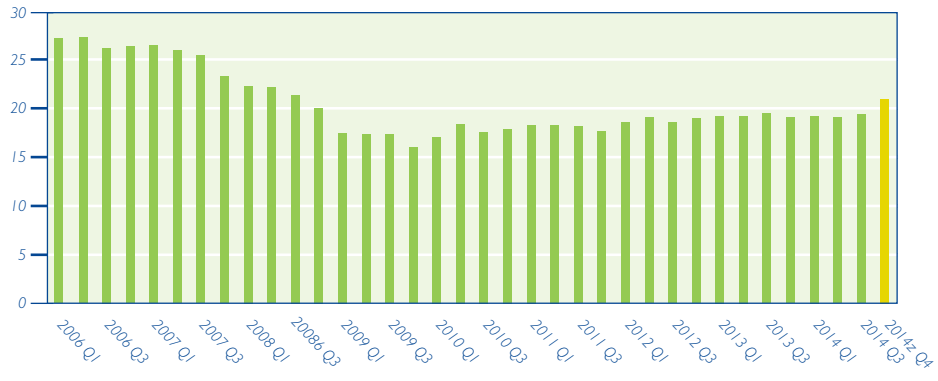
Local market conditions for stumpage vary. For up-to-date market prices, please check with local forestry consultants.

Demand Outlook

In 2014, demand for pine grade timber[1] increased by 1.7 percent throughout the South after the end of the second quarter, but it is still slightly lower than the fourth quarter of 2013 due to weaker than expected housing numbers. A number of southern yellow pine lumber mills noted that strong demand and good prices for a number of their finished products allowed them to run close to capacity.

The largest grade demand increases in the third quarter were observed in Florida and Georgia. Projections for increasing housing starts, further declining unemployment, and unchanged diesel prices have our grade demand outlook trending upward in the coming quarters (Figure 1).

A large increase in demand for pine grade material in 2014 did not materialize as expected. This was due to housing starts missing levels forecasted at the end of last year. Timber inventory on the stump, which was conserved and growing in the forest since late 2007, will likely dampen any significant price increases as timber demand recovers. However, timber supply may be constrained by logging availability and capacity, extreme weather events, and energy price changes. These factors also may raise delivered timber prices, even with abundant timber inventory.

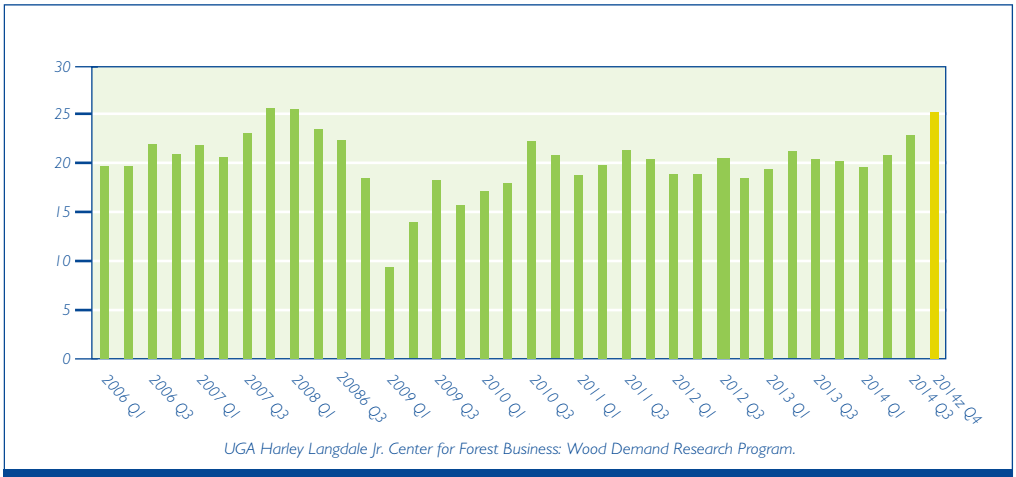


UGA Harley Langdale Jr. Center for Forest Business: Wood Demand Research Program.

Figure 1. Demand for pine grade timber in millions of tons for the southern U.S. from 2006 to 2014. *Value for 2014 Q4 is forecasted.*

Hardwood grade demand (including timber used in lumber and pallet production) increased 0.3 percent in the third quarter of 2014 and is slightly higher than this time last year. The largest demand increases were reported in Tennessee and Virginia, but small declines were seen in Georgia and Oklahoma.

Pine pulpwood[2] and woods-direct chips (delivered wood chips from in-woods chipping operations) demand



UGA Harley Langdale Jr. Center for Forest Business: Wood Demand Research Program.

Figure 2. Demand for pine pulpwood and in-woods chips in millions of tons for the southern U.S., 2006–2014. *Value for 2014 Q4 is forecasted.*

increased 2.3 percent across the South in the third quarter of 2014. While Georgia, Oklahoma, and North Carolina reported significant consumption increases, demand declined slightly in Tennessee and Virginia. Pulpwood and woods-direct chip demand has grown each of the last three quarters across the South. Demand is also 2 percent higher than the third quarter of 2013 (Figure 2). Although the outlook depicts strong growth in the next quarter, it should be considered as a likely, maximum possible scenario.

Demand for pulp used in newsprint and writing papers (the largest sector of pulp production) has been under pressure from the increasing popularity and use of e-books and tablets. Since population and economic growth are trending up in 2015, demand for pulp consumer products, such as paper towels and napkins, is expected to grow.

Oriented Strand Board (also produced from pulpwood-sized trees) demand was lower than expected due to slow homebuilding activity, but demand is expected to increase if construction activity gains momentum in 2015.

The existing and planned bioenergy facilities (including pellet mills) in the South may have a significant impact on prices and demand for pulpwood timber in the region as well. There are 91 announced bioenergy facilities for the southern U.S.[3] with an estimated demand of 36.8 million tons. Global demand for U.S. pellets is expected to increase at least 25 million tons over current demand. Also, pine pulpwood demand from bioenergy is projected to increase by 302 percent in the South by 2023[4].

Bioenergy projects will increase demand for wood-based raw materials and compete with the traditional forest industry at the local level, likely leading to higher timber prices. Some current operations are already starting to impact local market dynamics. Therefore, declining pulpwood demand from newsprint and paper consumption will likely be compensated by an increase in demand from producers of Oriented Strand Board and bioenergy.

Throughout 2014 we have seen demand for pine pulpwood and direct chips climb steadily higher. Demand projections for 2015 have pine pulpwood and direct chip volumes reaching levels close to those seen at the end of 2007 and beginning of 2008. At the local operating level, the aggregate impact will likely lift pulpwood prices.

Overall, the outlook for timber markets in the U.S., particularly in the South, is positive with the potential to be driven higher by European demand for grade hardwood and Chinese demand in general. Forestland owners in the South are well positioned to take advantage of increased demand for timber when housing construction returns to its long-run average. Demand is expected to increase, and timber prices have a good chance of moderate growth, depending on logging and trucking capacity or unexpected weather impacts. ■

References:

CME futures contracts. Freddie Mac and Fannie Mae economic outlook. Wells Fargo Securities economic outlook. Random Lengths. Timber Mart-South, Q3 2014. Wood Demand Report, Q3 2014, Center for Forest Business (www.ugacfb.com/research/wdrp).

Footnotes:

[1] *Grade timber includes large and medium sized logs that are primarily used in lumber production. Some portion of medium-sized logs, known as chip-n-saw, are chipped and further used in pulp production.*

[2] *Pulpwood is a common name for small-sized logs that historically have been used primarily in pulp production, but more recently have also been used for Oriented Strand Board and bioenergy production—particularly pellets.*

[3] *Includes facilities passing a viability screen, (www.forisk.com/UserFiles/File/WBUS_Free_201209(1).pdf).*

[4] *Wood Bioenergy U.S., Volume 6, Issue 4. FORISK Consulting, (http://forisk.com/wordpress/wp-content/assets/WBUS_Free_201410.pdf).*

Honey Bees

By Jennifer A. Berry

The 2014 honey crop for the Piedmont region, along with north and south Georgia, was above average for most crops. Longer-than-average nectar flows resulted in record amounts in certain parts of the state. However, location determined whether or not flows were above or below average. In central and northern areas, spring crop estimates ranged from 15 to 20 percent above normal yield. Sourwood was the only exception, with just average to slightly above average flows. Pure sourwood, untainted with sumac or other floral sources, was difficult to find. The extended nectar flow contaminated most crops of sourwood, so prices for pure sourwood are up 50 cents per pound. Higher-than-normal yields of gallberry, cotton, and wildflower were harvested from southern regions of Georgia, with honey prices increasing 10 to 15 cents per pound.

Yields of tupelo honey, on the other hand, were extremely low. Rainy weather was to blame. During the weeks when the tupelo trees were in bloom, the rain set in and kept the bees inside the hives instead of working the blooms. Because of supply and demand, prices for tupelo honey increased over $1 per pound.

Colony failure has not been as pronounced in 2014 as in previous years. Weather patterns were closer to the norm, allowing bees to forage consecutive days in a row. Unlike 2013, week-long cloudy weather and rain decreased their ability to forage. Supplemental feeding is only being reported in colonies in which too much honey was removed. Yet, without this feed, colonies would definitely starve, so feeding is highly encouraged.

On the pest front, lower-than-normal levels of Varroa destructor have been reported. Also, total colonies collapsing from these mites are lower than normal. This may be due to increased swarming from abundant nectar; an additional, new miticide available; and/or beekeepers being more mindful of the harmful effects of these mites and the importance of keeping populations of them low. With that said, higher-than-normal small hive beetle (SHB) populations are being reported in the southern regions of Georgia, with lower-than-normal activity in the north. In late summer, most beekeepers were administering mite treatments and applying other techniques to reduce pest population levels.

Public interest in beekeeping continues to increase, adding backyard beekeepers along with sideliners and commercial operations to the state. Consequently, the number and size of beekeeping clubs and associations has also increased. All of this is certainly due, at least in part, to the media attention in recent years on Colony Collapse Disorder (CCD) and the importance of honey bees and pollination. This increase also results in a high demand in the market for queens, packages, and nucleus colonies, which have seen steady increases in sales over the last several years. Indications are that the 2015 season will follow the same trend—some suppliers are already reporting anticipated shortages based on pre-orders before the end of 2014. However, prices across the board for packages, bees, and nucleus colonies are not anticipated to increase much due to the jump in cost over the last few years.

The demand for pollination services looks somewhat promising for the upcoming 2015 season. Once again, truckloads of bees from Georgia will be heading west by mid-January as fees for almond contracts will be at least equal to last year. However, if severe drought conditions continue in California, the demand for pollinators may be greatly reduced, which may cause prices for pollination contracts to decrease. With that said, beekeepers across the state and nation are still diligently trying to keep colonies healthy and strong in order to supply the colonies necessary for the almond-bearing trees and other pollinator-dependent crops. ■

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