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2001



## Conference Provides Producers With Cautious View

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will probably be getting many soybeans from an ever-rapidly expanding soybean producing industry in Brazil.

Brazil is ideal to be a major exporter of soybeans. Most of the country's northwest regions are served by the Amazon River, 2000 miles long and deeper than the Mississippi. A rail system is being put in place, noted Utterback, to connect cropland to ports.

Like the Old West of the U.S. a century and a half ago, "They're making land in South America," said Utterback.

And Asia is actively investing in South America to grow soybeans for confinement facilities. They're building crushing plants to crush South American beans.

The downside to U.S. producers: if China "ticks us off," said Utterback, "do we do a trade embargo on them?"

Producers must work to get the U.S. State Department to not use "food as a political weapon," he said, because if that happens, it could have "major, long-term implications."

Utterback believes there are several distinct patterns developing on the world economic scene:

- The dollar will not be allowed to crash, he said.
- The U.S. will continue to use food as a policy weapon.
- South America will grow as a major grain supplier, with Brazil a major player.
- Asia, including China and Japan, will be a major growth area, good news for potential

U.S. ag exports.

On the global market, "we're still the leading economy. If we cool off, it will have a direct bearing on the Asian economies," Utterback said.

Utterback noted that it is important to look at the economic "big picture" to be able to predict where commodity prices will be.

He noted that the longest period of economic growth in U.S. history has been achieved, but there are many who believe "this is going to come back and haunt us," he said. "Maybe the prosperity has lasted a little too long."

High consumer debt is an issue. Occasionally, home equity loans have paid for the economic expansion. Utterback noted that in Lafayette, Ind., houses are being built at \$300,000 each, with people buying "new Suburbans in the front and a boat in the back," he said.

While a mild recession because of the "economic correction" will no doubt be under way by the fall of this year, and could last early into 2002, the proposed Bush "tax cut" could either refuel a sliding economy or, in case of a market panic, the consumer could merely take the money and stick it in the bank, a way of shoring up against impending economic doom.

And the recession could get even worse if the "fuel prices stay high and consumers panic," said the broker.

Fortunately, noted Utterback, President Bush will likely operate the U.S. government like a

"business," he said.

And as natural gas prices remain high, nitrogen sources could be in extremely short supply. Nitrogen is a key input for corn production. Natural gas is the source of hydrogen, and energy, for producing anhydrous ammonia, from which other nitrogen fertilizers are derived.

For soybean producers, nitrogen isn't a great input cost. But with fertilizer prices escalating

because of the natural gas crunch, less corn yields could result, and more corn acres could be placed in soybeans.

In rare instances where nitrogen fertilizer is available, anhydrous ammonia prices have soared to \$420 a ton, according to information from Ohio State University.

The Farm Bill of 1996 was written to get the government out of farming, "designed to take you off the government

teat," Utterback said. But with the \$28 billion budget surplus, with a tax break, what will the 2002 Farm Bill look like?

"No one likes where we're at, and no one knows how to fix it," Utterback said.

In the past, producers "went for the brass ring" in terms of how they planned their crops and conducted business. The government could always come in and bail the producer out. We "believed the government was

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Speakers and conference sponsors at the Decisions conference. From left, Kyle Henninger, president of the Lehigh Valley Grain Marketing Club; David Smith; Bob Utterback, Utterback Marketing Services, Inc.; Paul Knight, Pennsylvania State climatologist; Dan Wolf, president of the Pennsylvania Master Corn Growers Association; and Curt Cooper. Photo by Andy Andrews