

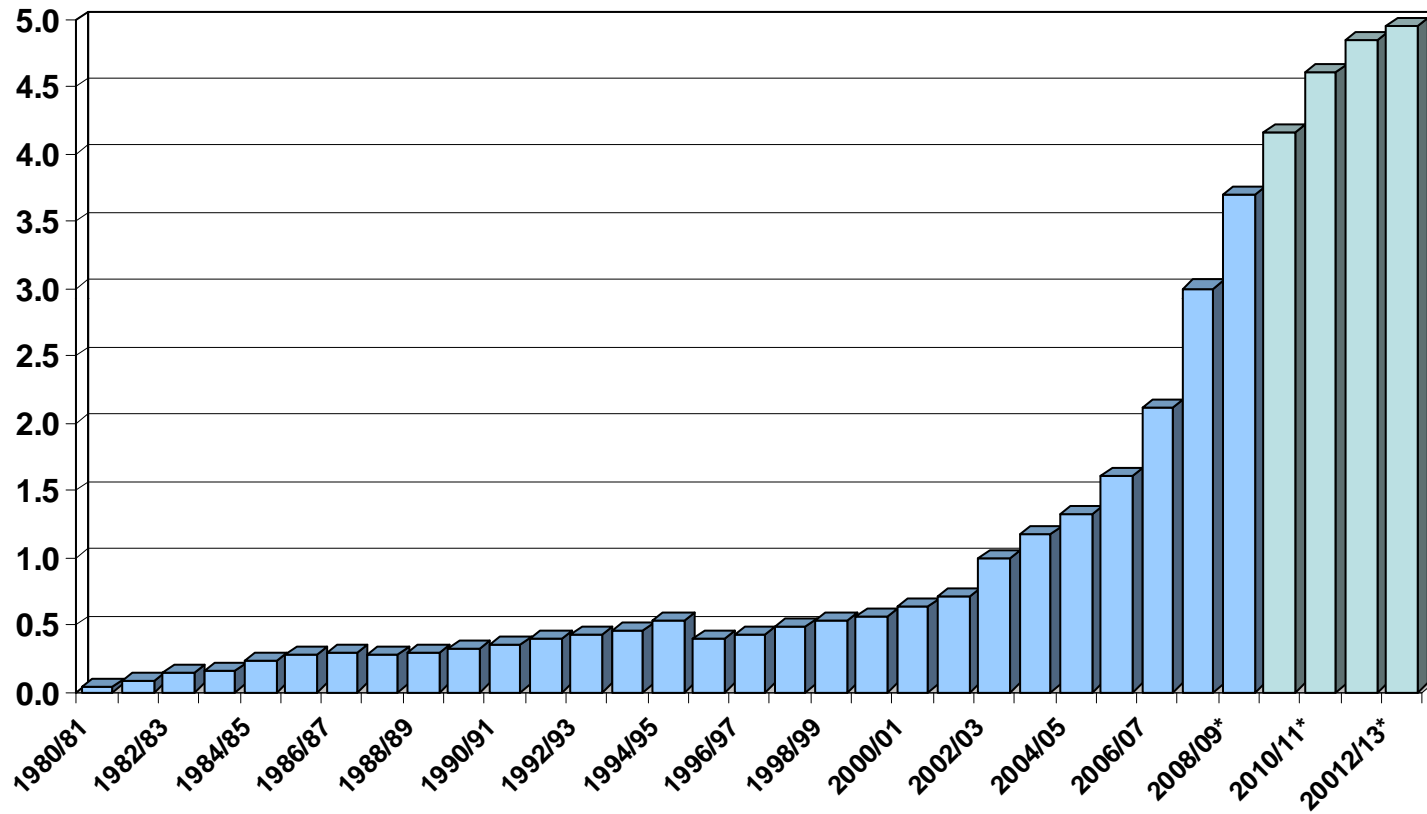
The Outlook for Agriculture



Rich Pottorff
Doane Advisory Services

Corn: Used for Ethanol Production

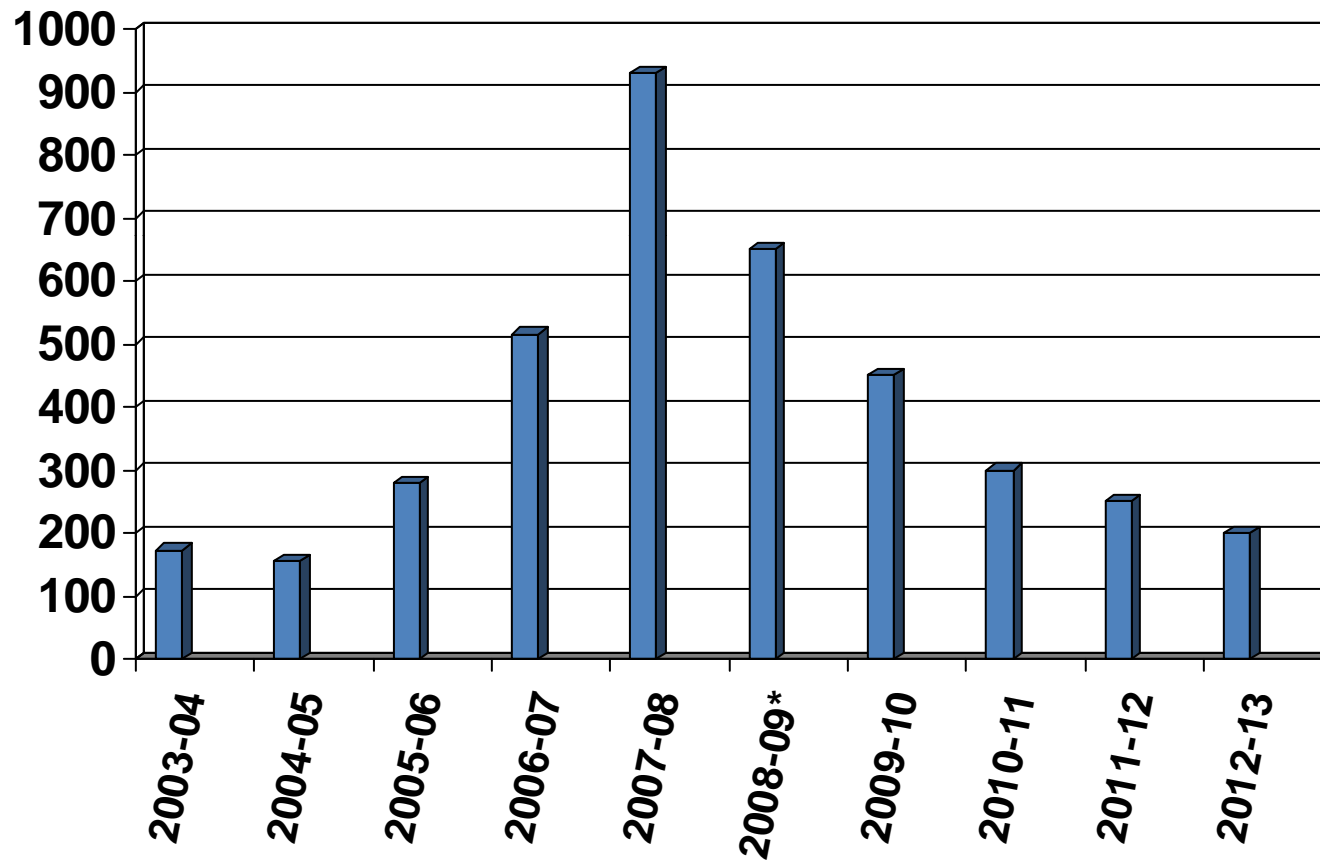
Billion Bushels



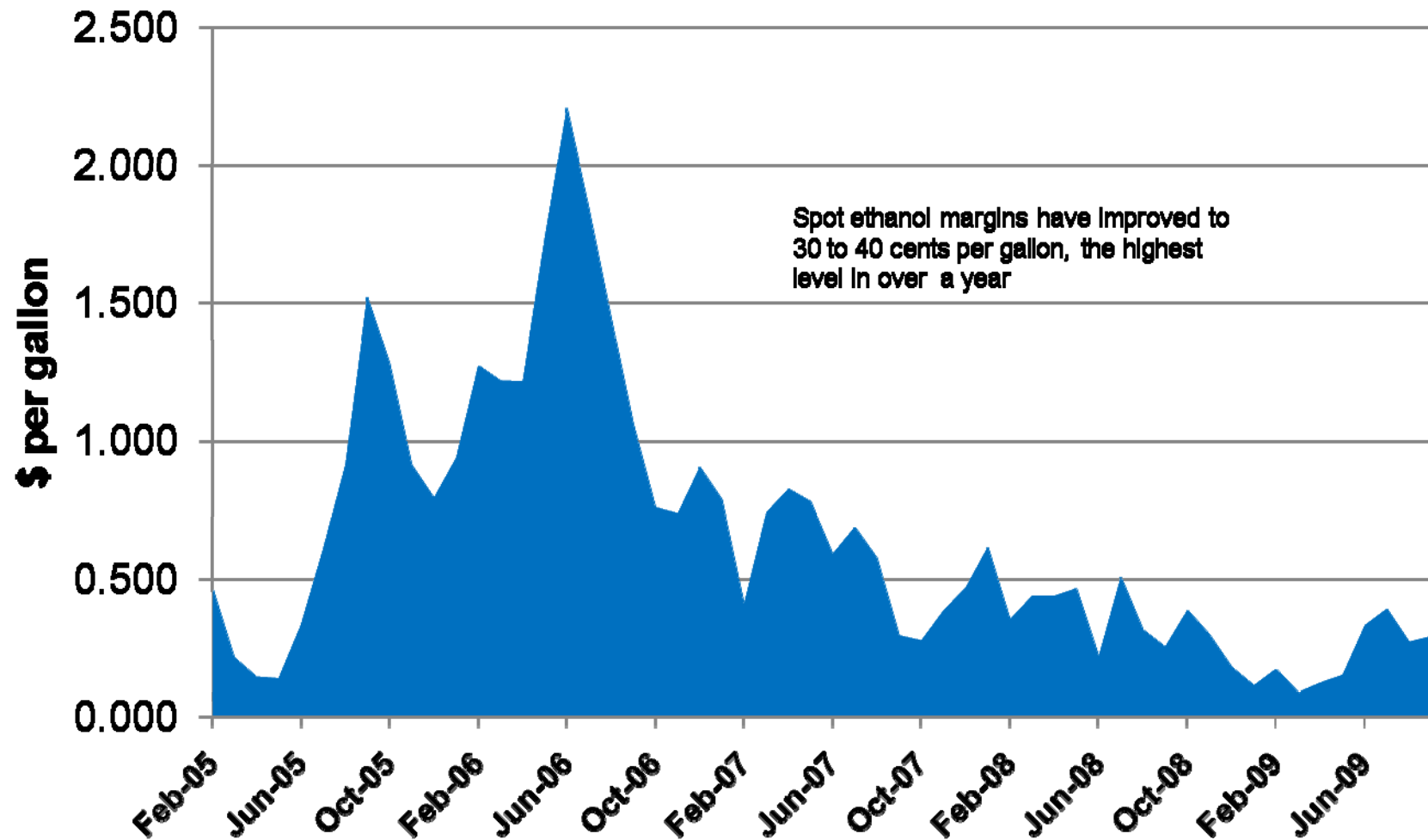
Source: USDA
*Doane Projection

Year-to-Year change in Ethanol Use

million bushels



Ethanol Processing Margins: Monthly Returns Over Variable Costs



Current margin = 31 cents per gallon

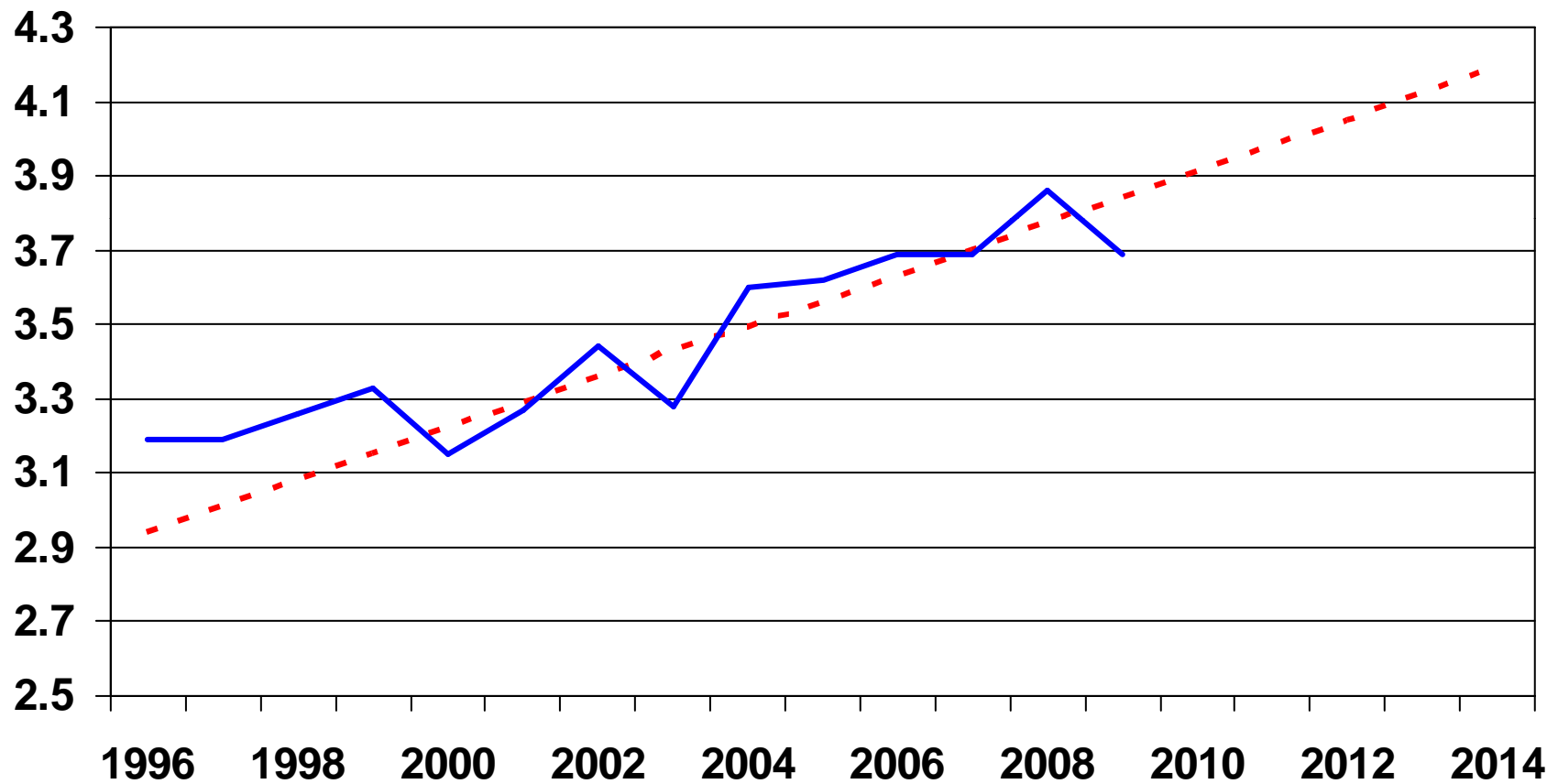
Source: AgMRC

Ethanol Issues

- Will EPA raise the blend rate?
 - December 1 deadline
 - Could be a problem by 2011
- Will ethanol from new plants qualify for RFS?
 - Key is land use calculation
- Will there be enough Capacity?
 - A lot of uncertainty now
 - Credit/profit issues
- Will EPA regulate GHG emissions?
- The RFS could even be raised

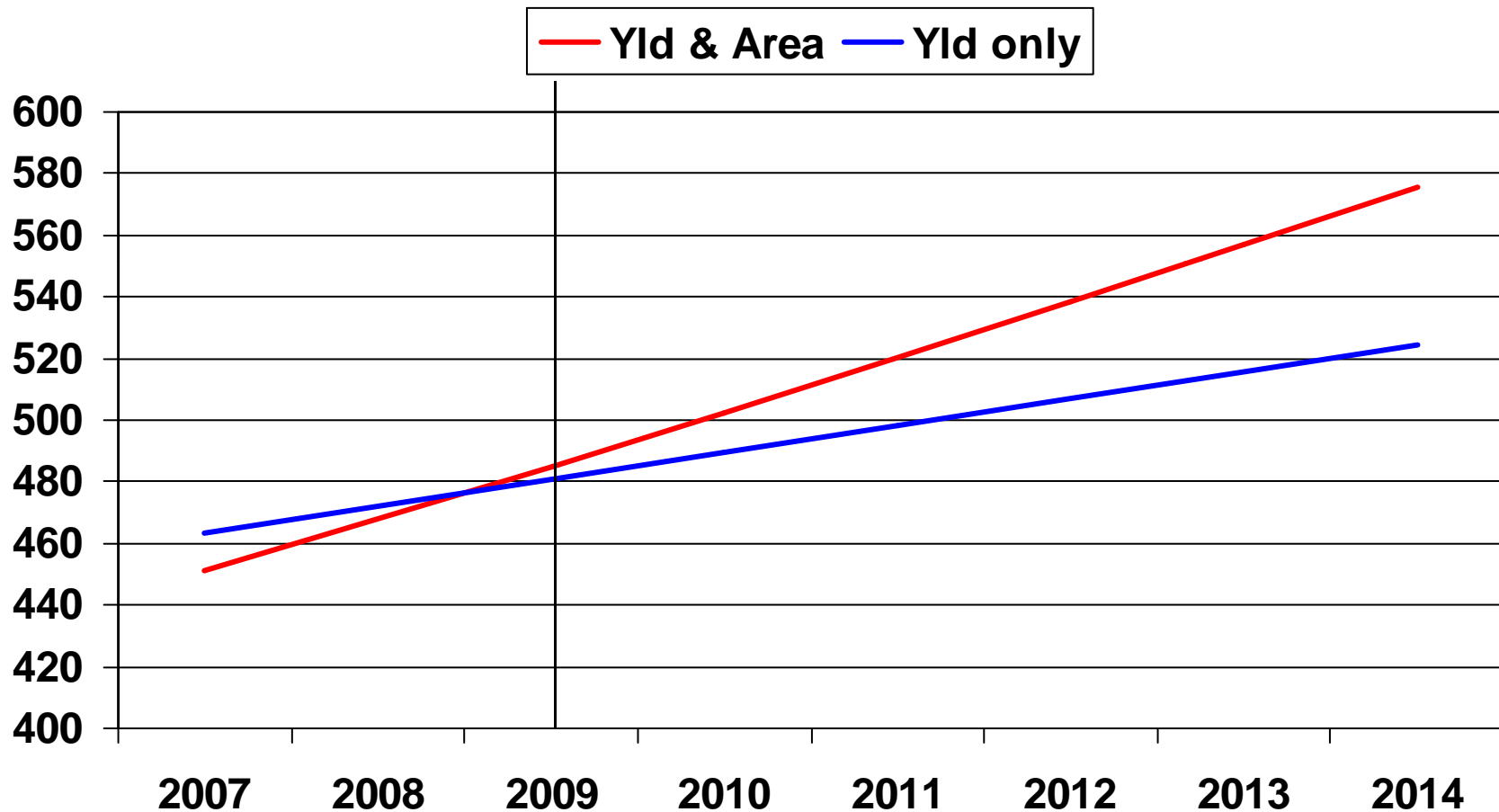
Foreign corn yield

tonnes per hectare



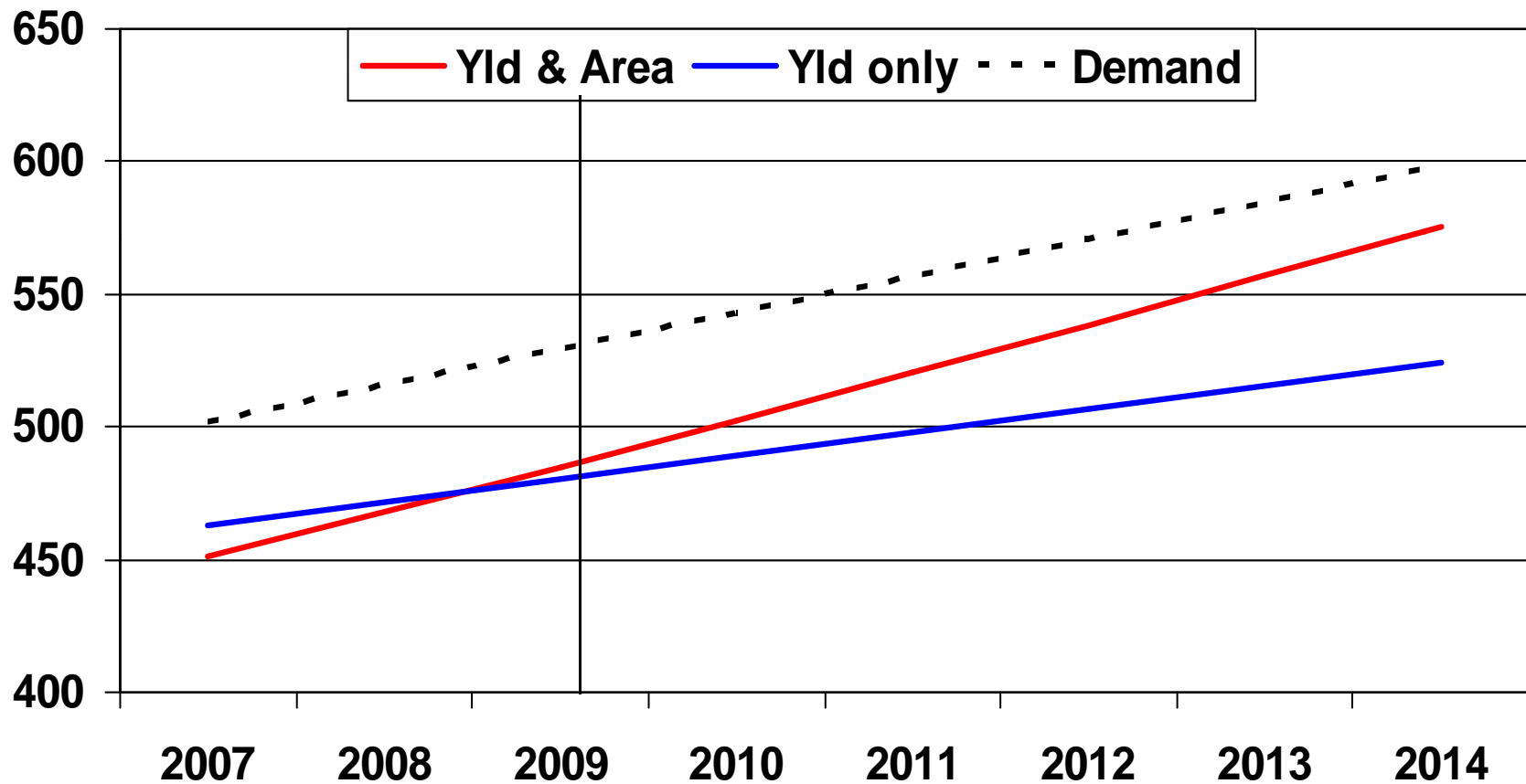
Foreign corn production

million tonnes



Foreign corn production

million tonnes



Deficit of 73 mmt or 25 mmt??

1 billion or 2.8 billion bushels

Change in Corn Area

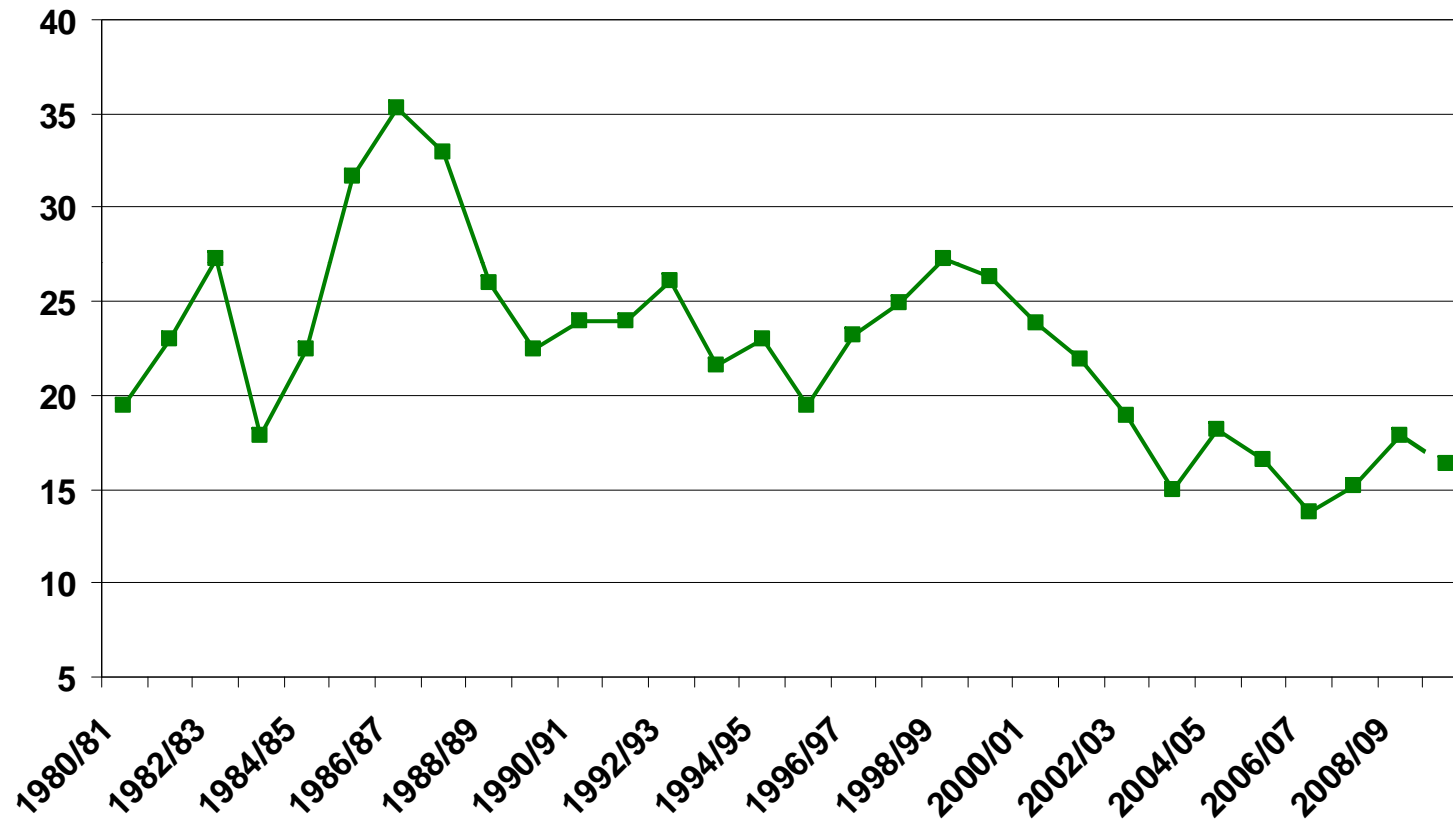
million hectares

	2000	2009	change	acres
China	23.1	30.0	6.9	17.2
India	6.6	9.3	2.7	6.7
Nigeria ←	3.2	4.9	1.7	4.2
Tanzania ←	2.0	3.1	1.1	2.7
Ukraine	1.3	2.1	0.8	2.0
Russia	0.8	1.5	0.7	1.7
Brazil	13.0	13.5	0.5	1.3
Vietnam	0.7	1.2	0.5	1.3
World total	137.2	157.1	19.9	49.3

A 7 million acre increase in the U.S.

Corn: World Coarse Grain % Stocks to Use

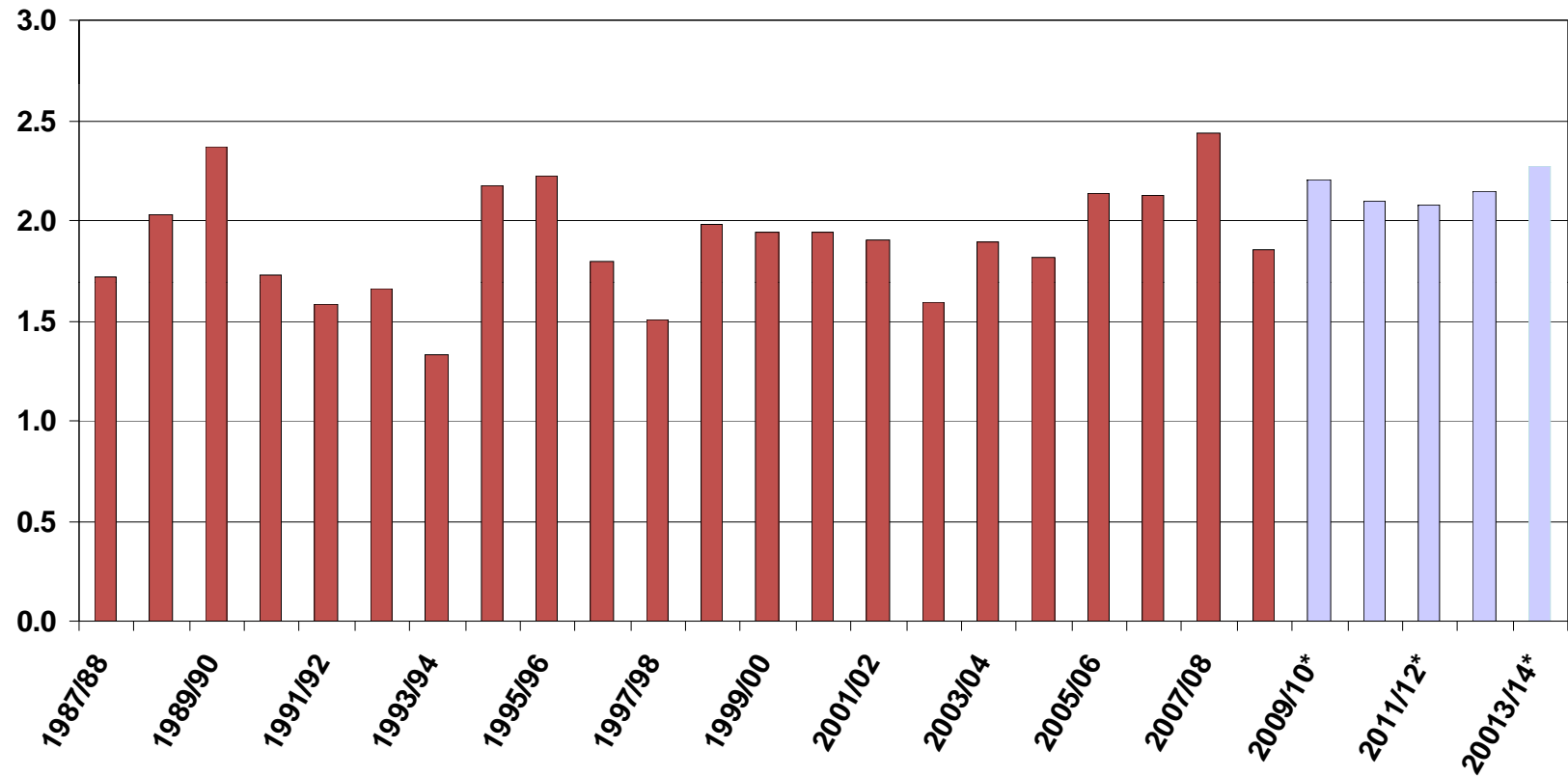
Percent



Source: USDA
* Doane Projection

Corn: U.S. Exports

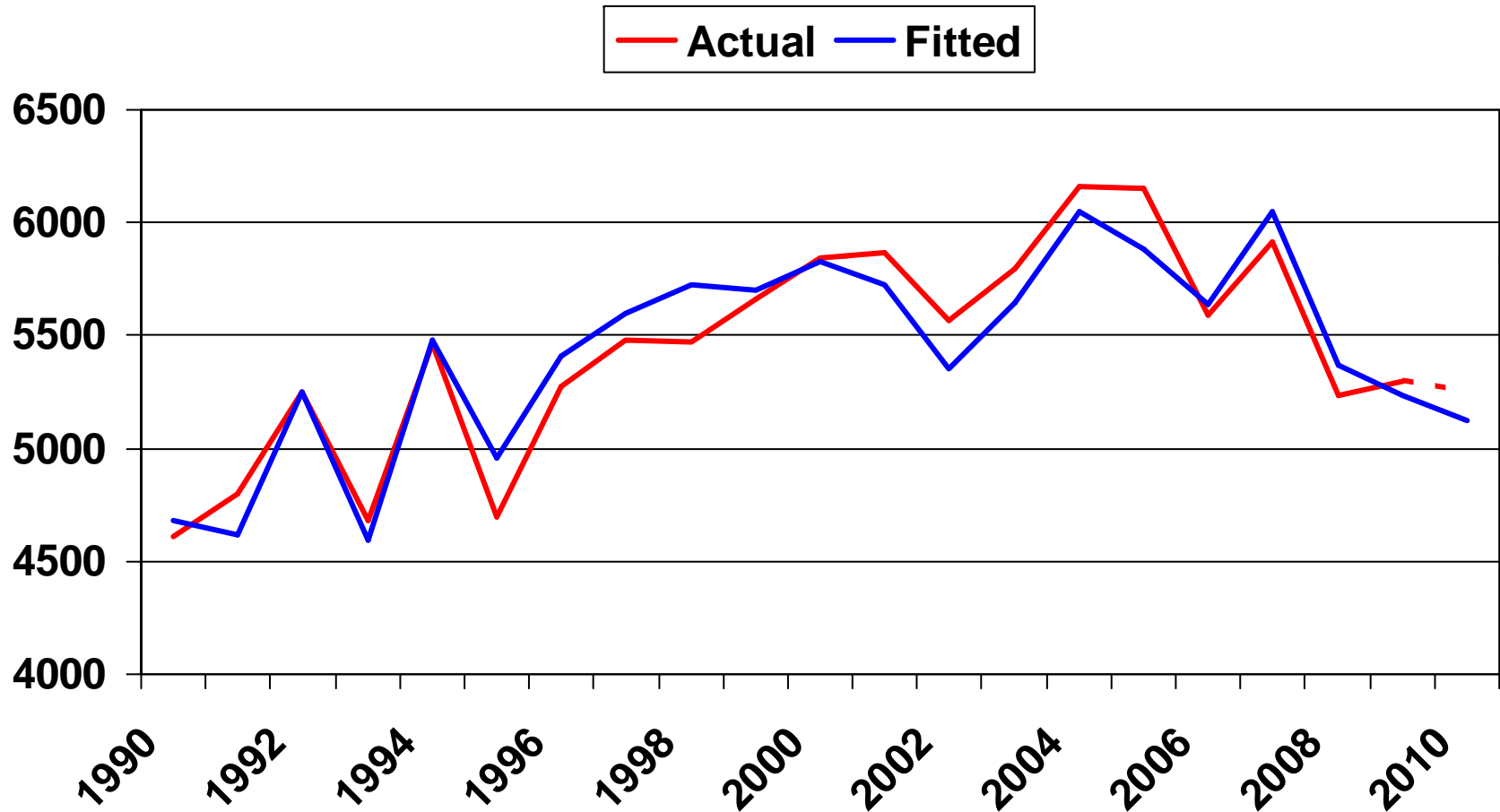
Billion Bushels



*Doane Projection

Feed and Residual

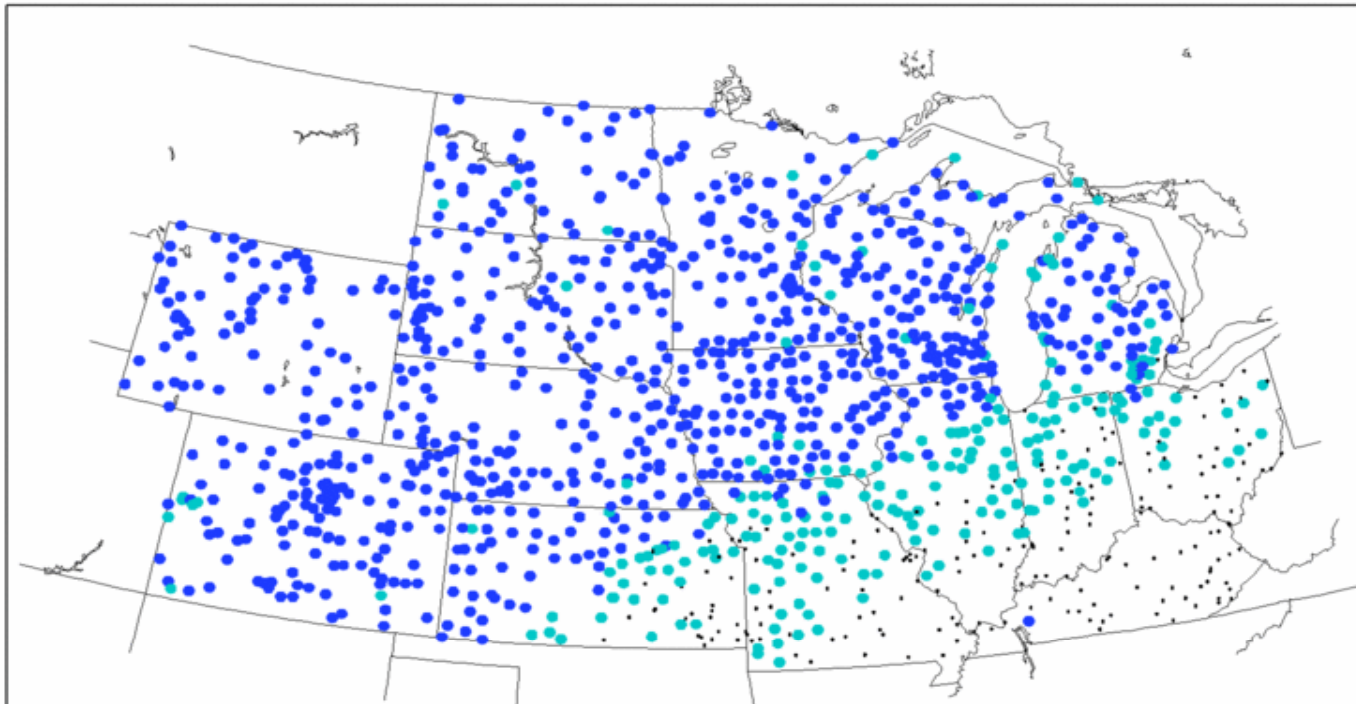
million bushels



Let's Talk About Production

Lagging Crop Maturity Made Corn Vulnerable to Freeze

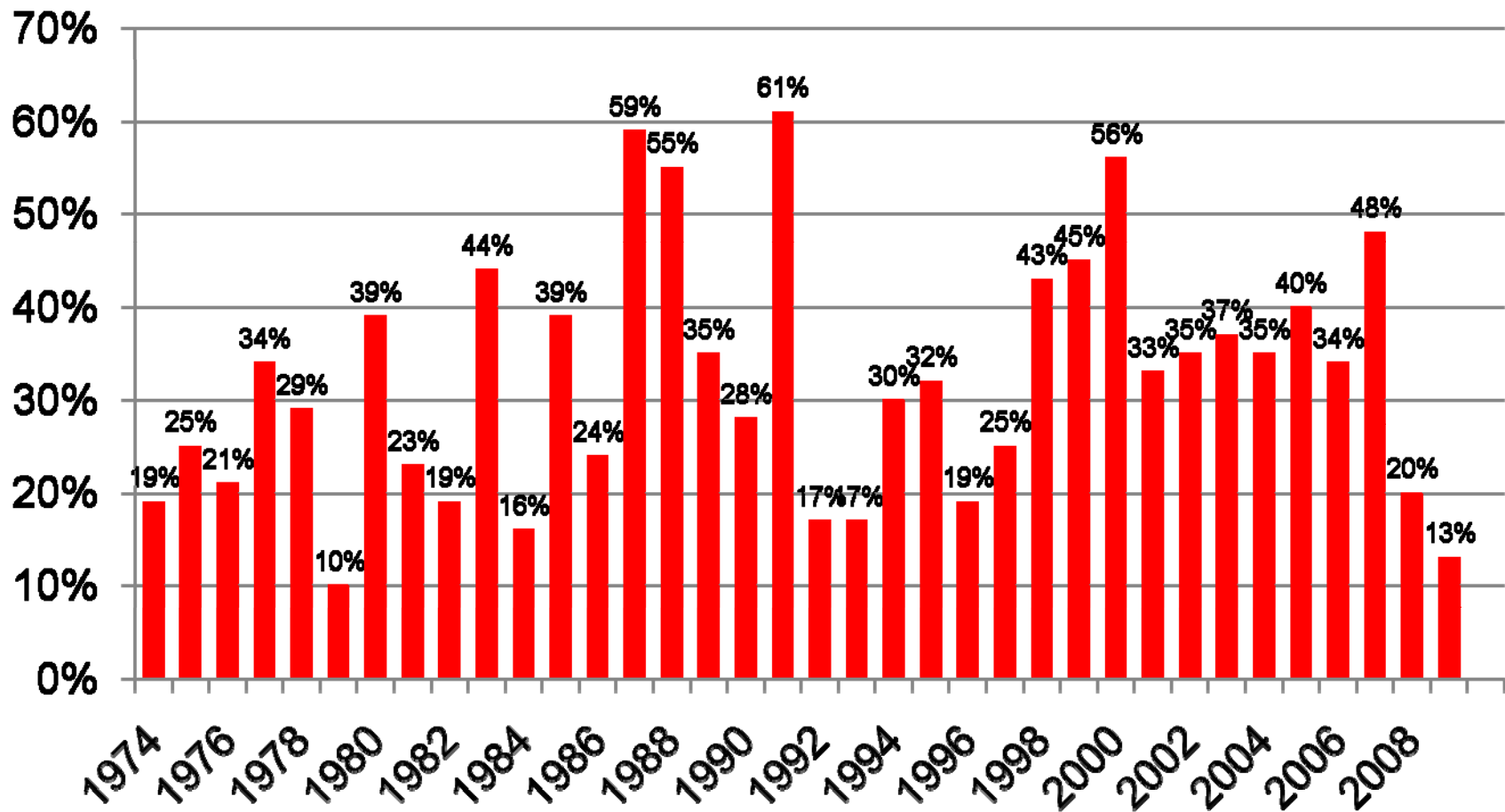
Fall Freeze Locations
As of Oct 14, 2009



NOAA Midwestern Regional Climate Center
Illinois State Water Survey
University of Illinois at Urbana-Champaign

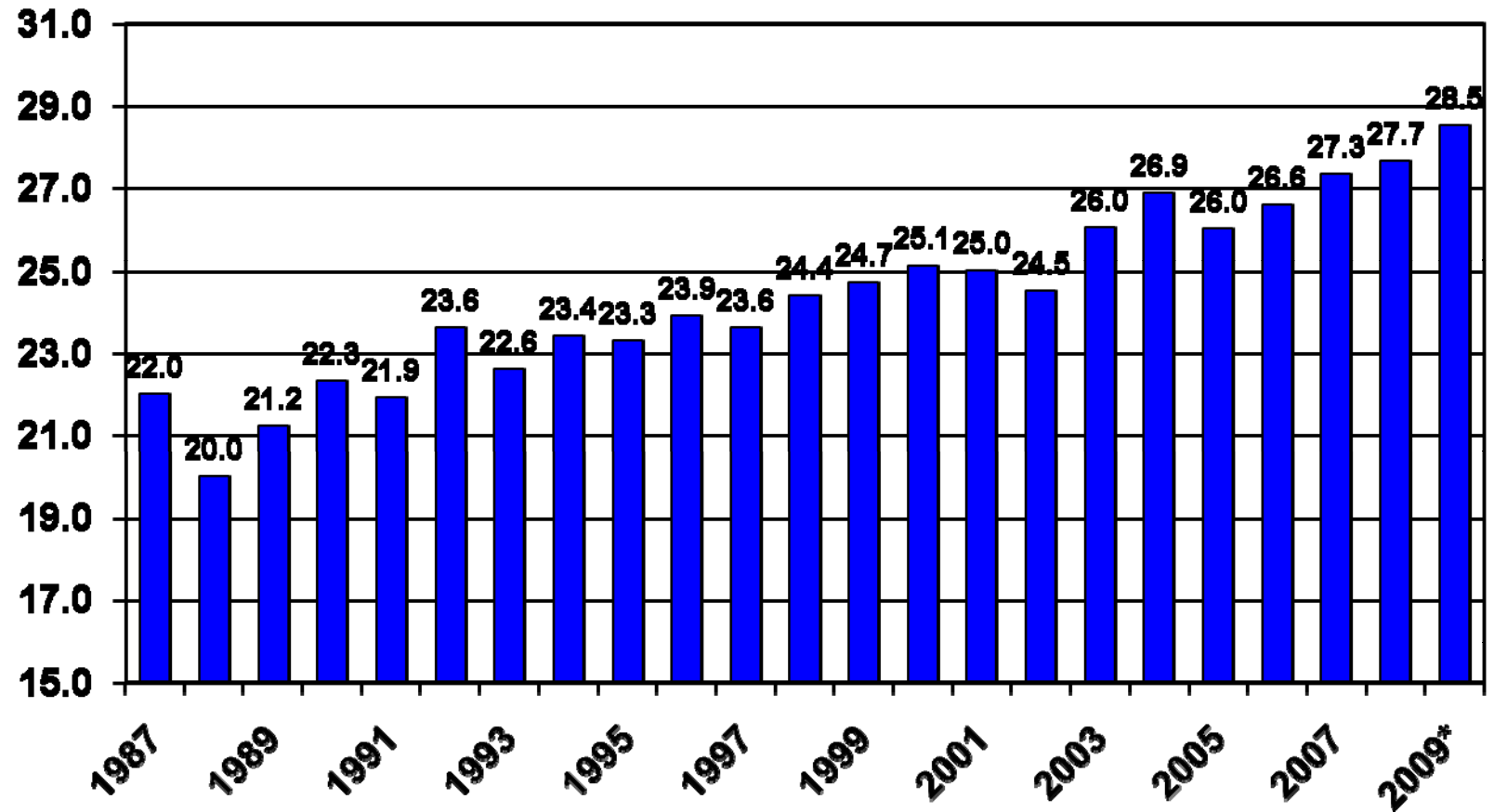
- Freeze ($\leq 28^{\circ}\text{F}$)
- Freeze ($\leq 32^{\circ}\text{F}$)
- No Freeze

Corn Harvest Progress as of Oct 11: Slowest Harvest Pace Since 1979



Rising Ear Count Driving Increase in U.S. Corn Yield

1,000 per acre



Source: USDA, NASS

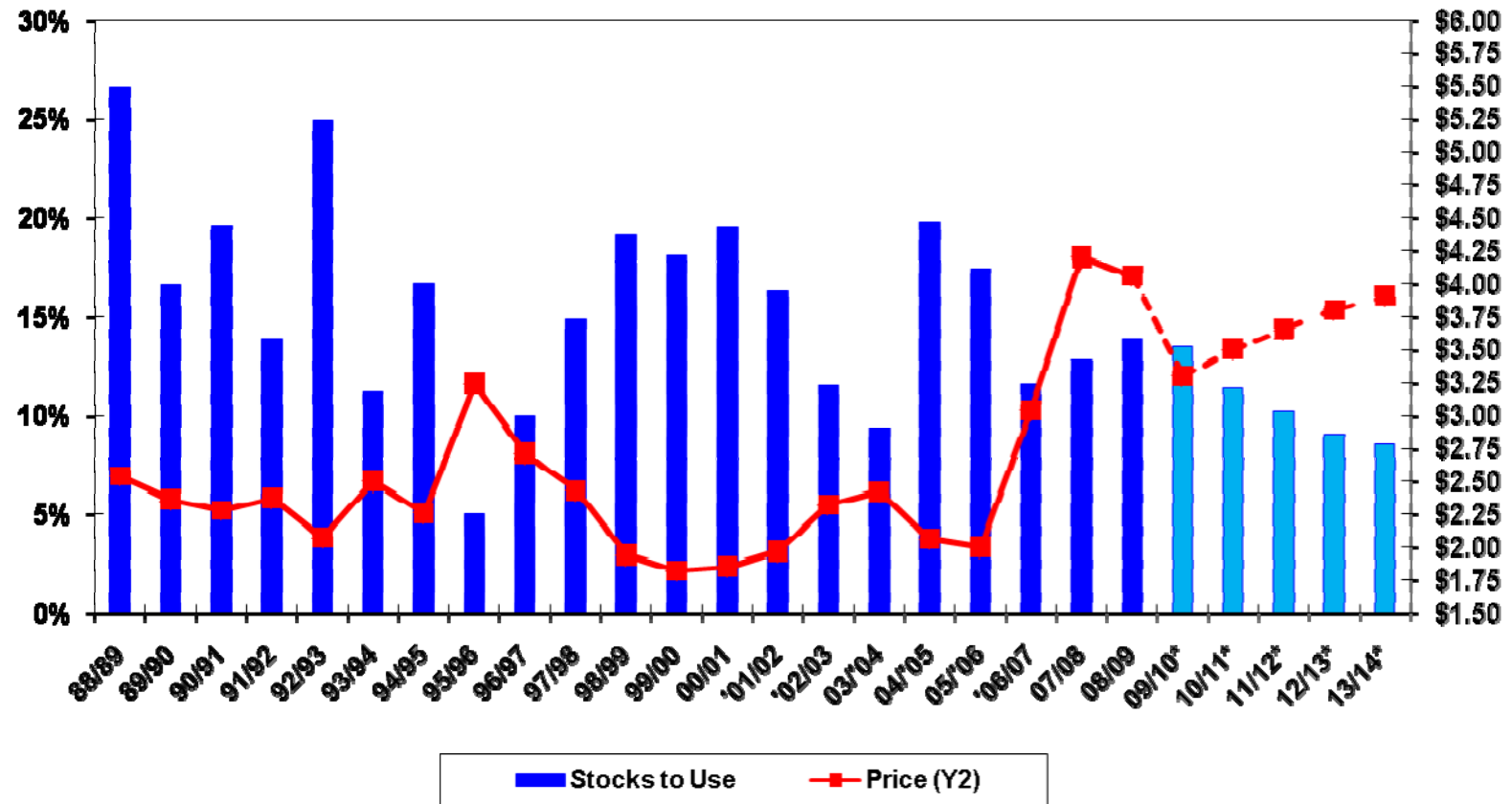
Corn: U.S. Balance Sheet – Sep/Aug Crop Year (million bushels)

	2008/09	2009/10	2010/11	2011/12
Supply				
Planted Acres	86.0	86.4	88.0	90.0
Production	12,101	13,000	12,870	13,365
Exports	1,858	2,200	2,100	2,150
Total Disappearance	12,066	12,950	13,125	13,500
Ending Stocks	1,674	1,743	1,495	1,370
On-Farm Corn Price (\$/bu)	\$4.06	\$3.30	\$3.50	\$3.65

Corn: U.S. Stocks-to-use ratio vs Price

% Stocks to Use

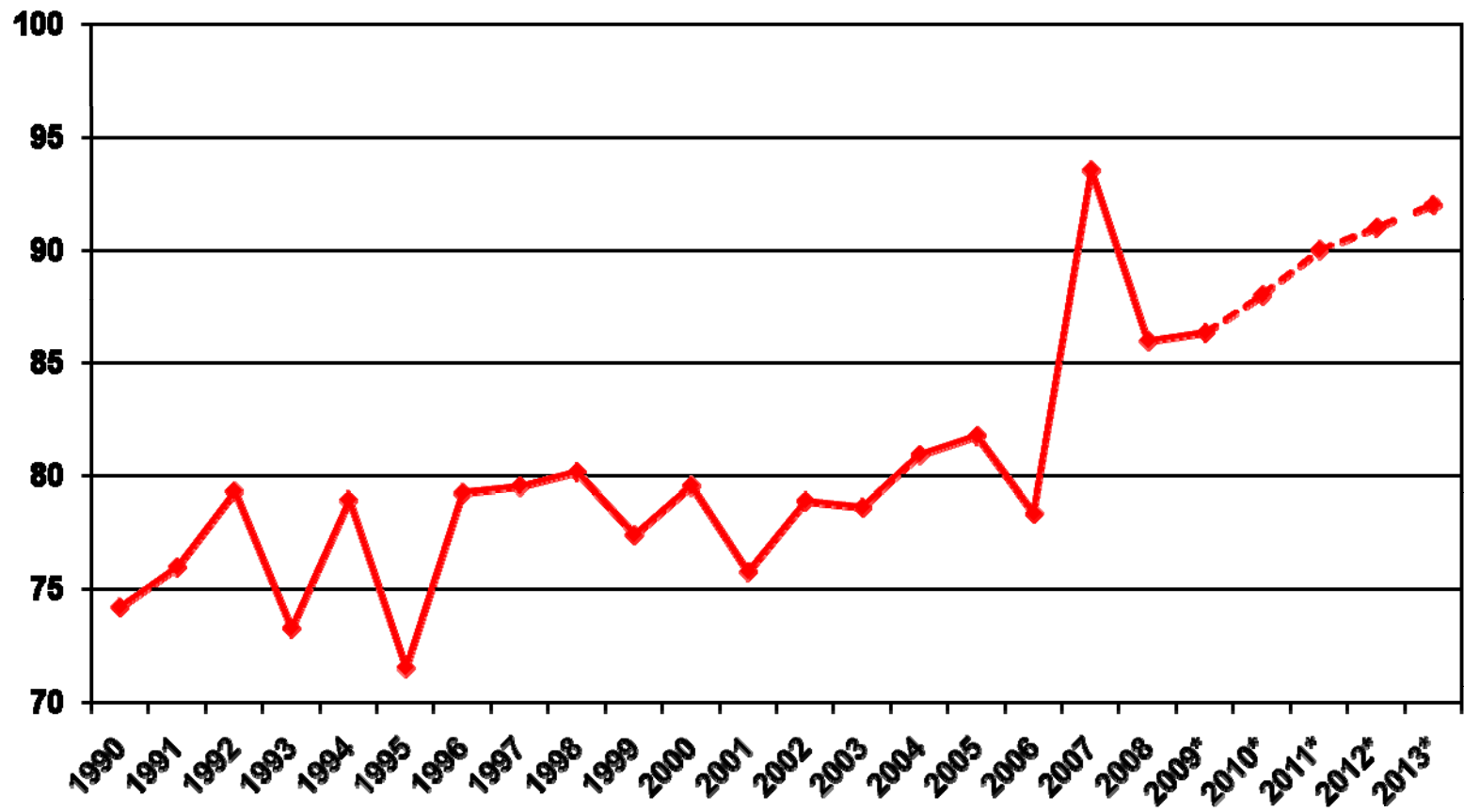
\$/bushel



*Doane projection

Corn: U.S. Acreage

Million acres



*Doane projection

Corn and Soybean Returns over Operating Costs for 2010

dollars per planted acre

	Corn	Soybeans
Total Revenue	\$609	\$418
Operating Costs	\$312	\$136
Net over Operating Costs	\$297	\$282

Based on new crop corn futures of \$4.14 and soybeans of \$9.77

Corn budget is for corn following corn = higher costs & lower yields

Corn and Soybean Returns over Operating Costs for

2010 - Heartland

dollars per planted acre

	Corn	Soybeans
Total Revenue	\$646	\$472
Operating Costs	\$312	\$125
Net over Operating Costs	\$334	\$346

Based on new crop corn futures of \$4.14 and soybeans of \$9.77

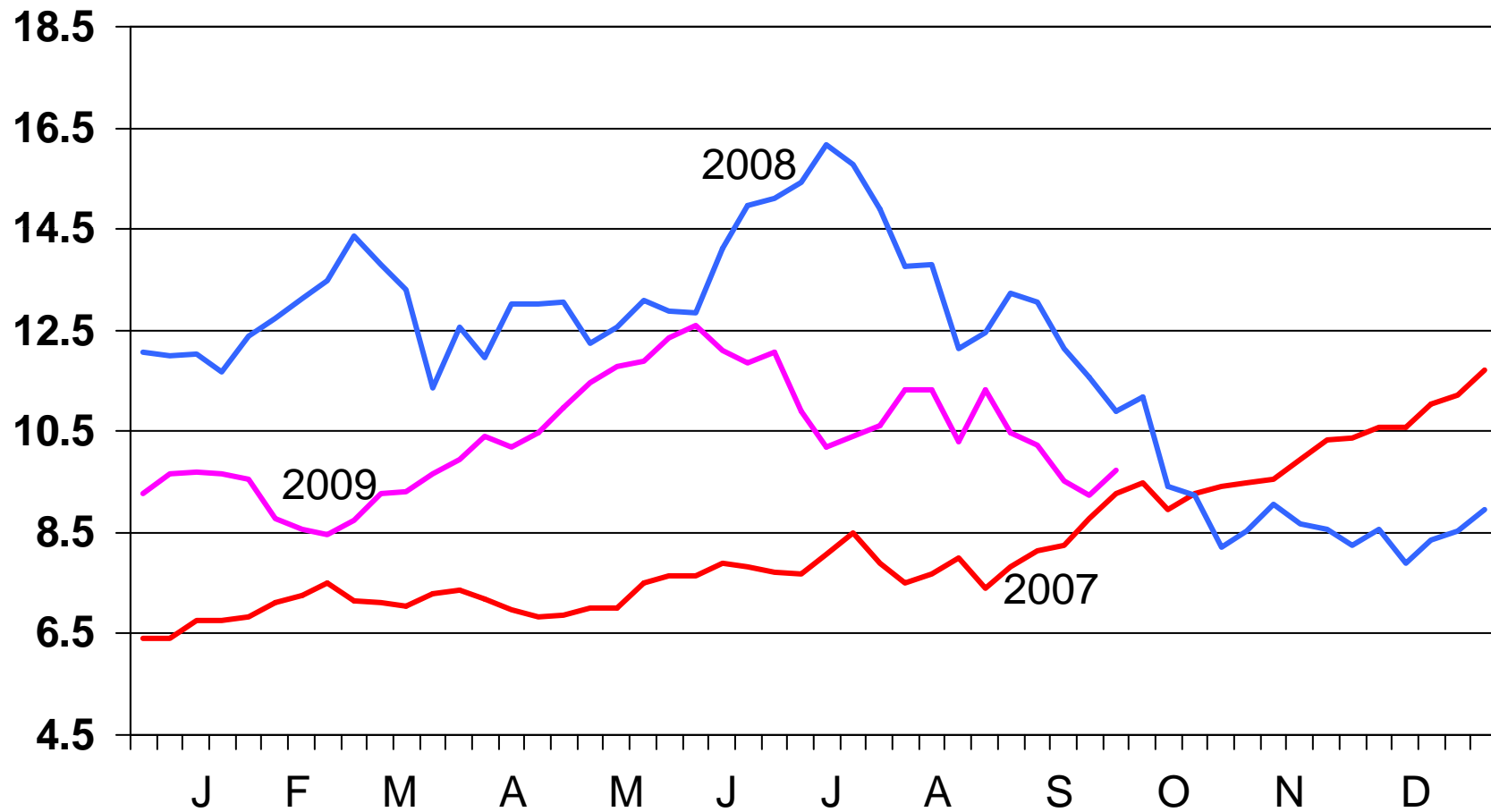
Corn budget is for corn following corn = higher costs & lower yields

Corn: Summary and Conclusions

- **Corn supply adequate this year, final yield still uncertain**
- **High corn price and attractive returns needed to support acreage**
- **Increased corn-based ethanol production drives increase in total use and accounts for rising share of demand**
- **Prices could move up sharply if yields are only slightly below trend.**
- **With normal weather corn prices range from \$3.00 to \$4.50**

Soybean Price

(\$/bushel)



Soybeans: U.S. Balance Sheet – Sep/Aug Crop Year (million bushels)

	2008/09	2009/10	2010/11	2011/12
Supply				
Planted Acres	75.7	77.7	78.3	76.5
Production	2,959	3,224	3,290	3,246
Total Disappearance	3,059	3,172	3,205	3,251
Ending Stocks	120	200	300	305
On-Farm Soybean Price (\$/bu)	\$10.10	\$9.50	\$9.00	\$9.25

Wheat and Soybean Returns over Operating Costs

Northern Plains

dollars per planted acre

	Wheat	Soybeans
Total Revenue	\$269	\$321
Operating Costs	\$113	\$116
Net over Operating Costs	\$156	\$205

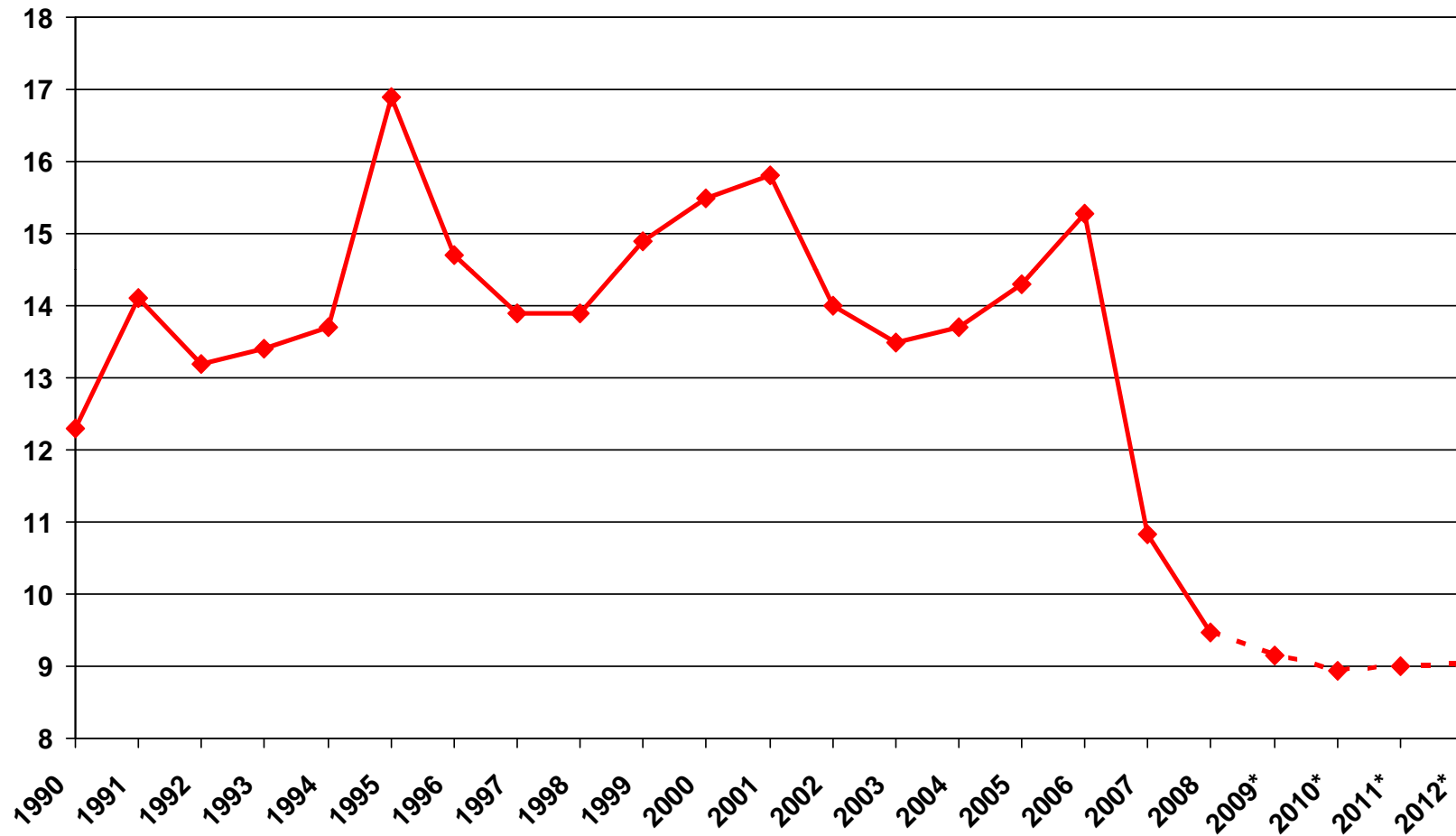
Based on new crop wheat futures of \$5.50 and soybeans of \$9.77

Wheat: U.S. Balance Sheet – Jun/May Crop Year (million bushels)

	2008/09	2009/10	2010/11	2011/12
Supply				
Planted Acres	63.1	59.8	57.5	58.8
Production	2,500	2,215	2,111	2,177
Total Disappearance	2,265	2,172	2,234	2,286
Ending Stocks	667	820	812	803
On-Farm Wheat Price (\$/bu)	\$6.78	\$5.20	\$5.25	\$5.31

Cotton: U.S. Acreage Will Remain Low

cents per pound



* Doane Projection

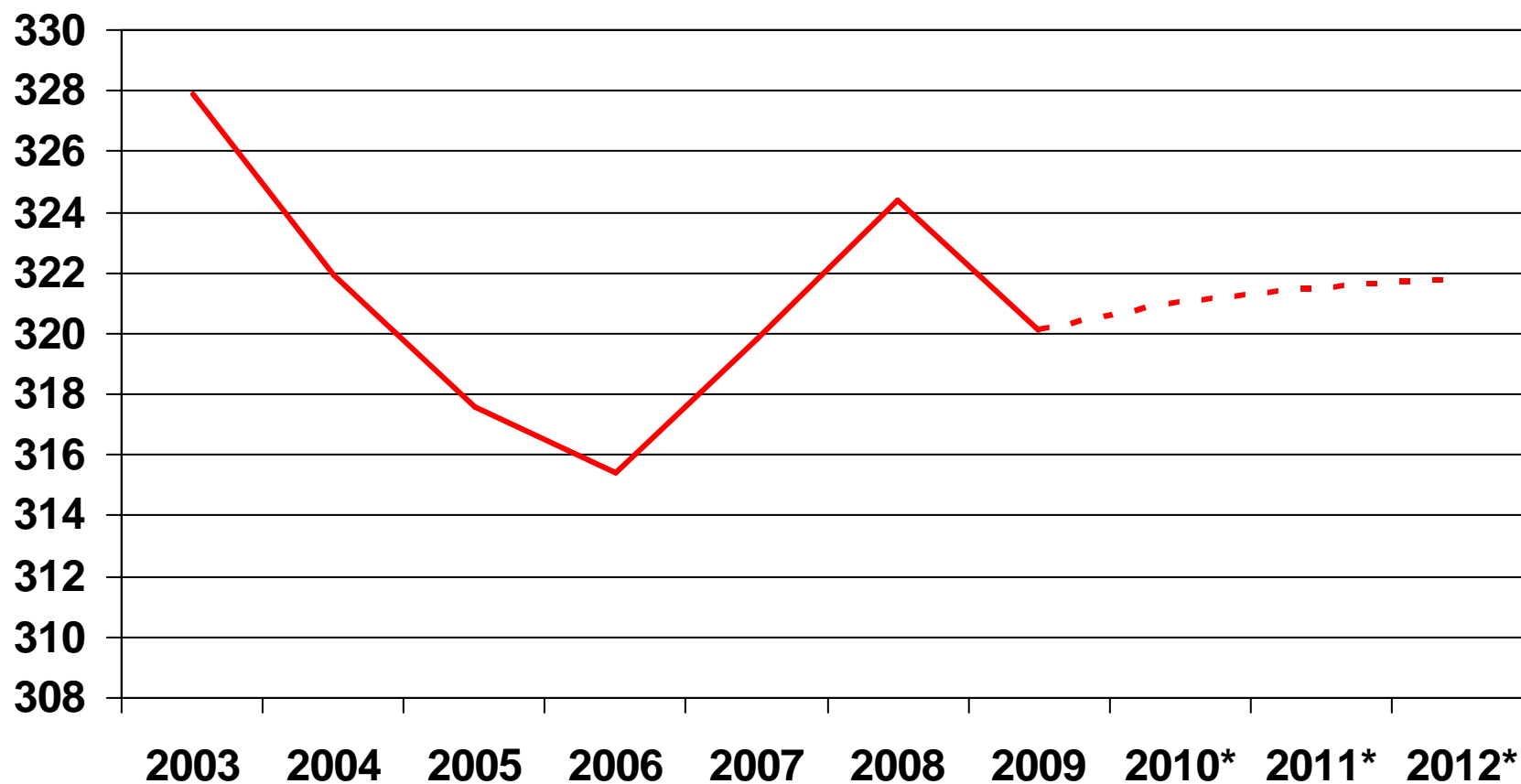
Cotton Supply-Demand Balance

(Million Bales)

	2009-10	2010-11	2011-12
Acreage	9.1	8.9	9.0
Production	12.9	13.8	14.1
Dom. Use	3.4	3.5	3.5
Exports	10.6	11.2	11.3
Total Use	14.0	14.7	14.8
Stocks	5.2	4.4	3.7
Price (cents)	54.0	55.0	56.0

Principal Crop Acreage

million acres

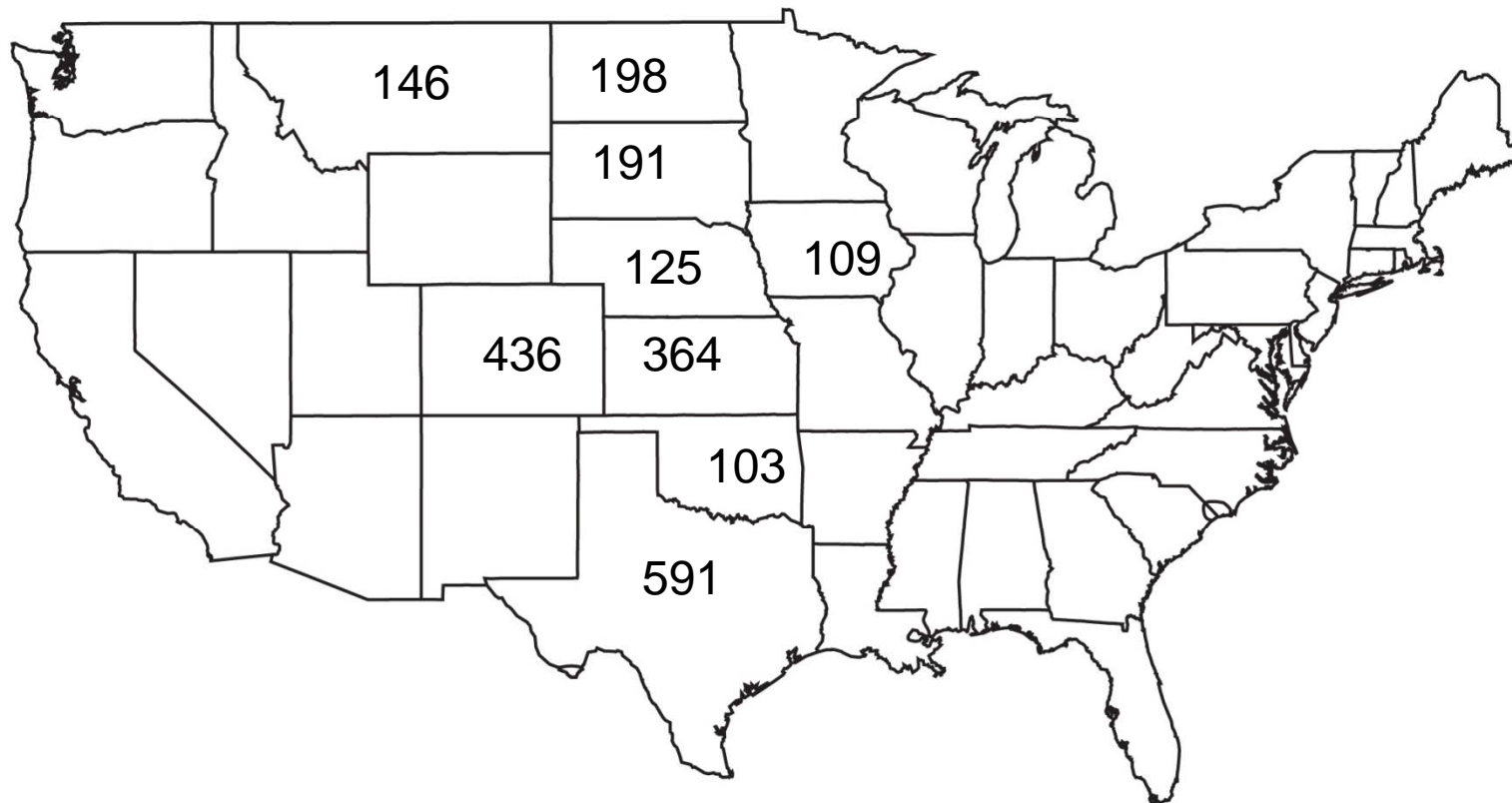


Crop Acreage for 2010

- Total is up about 1 million acres
 - Wheat acreage is down 2 million
 - Mostly in the So. Plains
- Almost 3 million exited the CRP
 - Most in the Plains states
 - 2.2 million in the Plains states
 - Web survey – 1/3 says feedgrains - 1/5 oilseeds
- 2 million acres not planted in N. Dakota in '09
 - 500,000 in Texas
- Corn and soybean acreage could be higher than projected

Land Exiting the CRP this Year

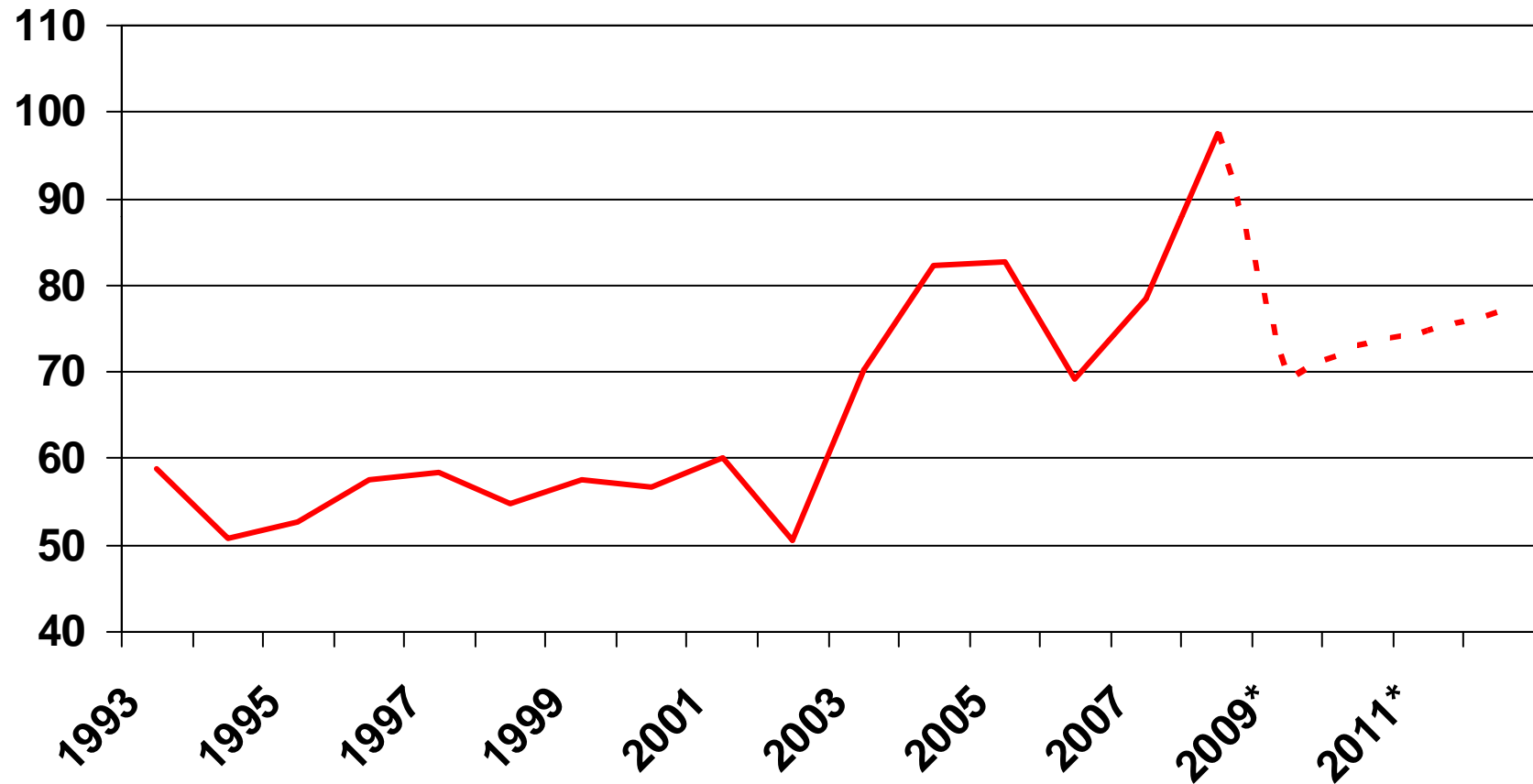
Thousand acres



Total - 2.97 million acres --- 76% in these 9 states

Net Cash Farm Income Headed Lower

billion dollars



Livestock producers are taking the biggest hit

Where are we with the Climate Change Bill?

- **Bill passed the House (barely)**
 - Includes provisions for farmers to sell carbon credits
 - EPA ruling on ethanol put on hold for five years
- **Senate will consider the bill this fall**
 - Will need 60 votes
 - Passage is far from certain
- **Bill then goes to conference committee**
- **Administration wants it before December Conference but probably won't get it**
- **Will EPA regulate GHG emissions if Congress fails to act?**



Questions??