



# ***The Agriculture Outlook***

***Presented at***  
***The Fertilizer Institute's***  
***2005 Fertilizer Outlook Conference***

***Annapolis Marriot Waterfront Hotel***  
***Annapolis, Maryland***  
***October 27, 2004***

# ***Agenda***

- **World Agriculture**
- **U.S. Agriculture**
- **Risks & Issues**
- **Q & A**

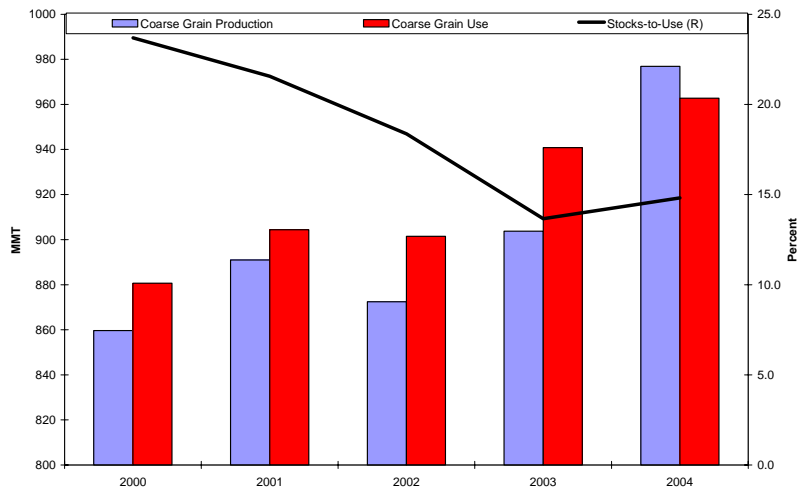




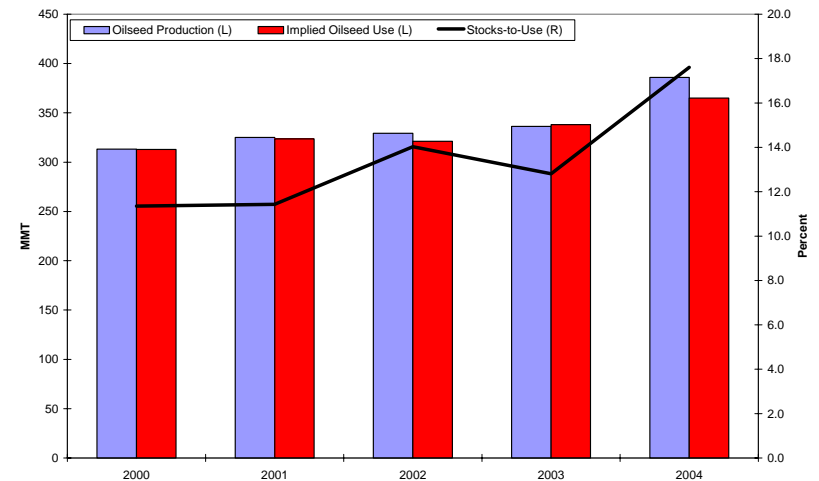
# World Agriculture

# 2004 Crop Production Looks Good Ending Stocks to Rise

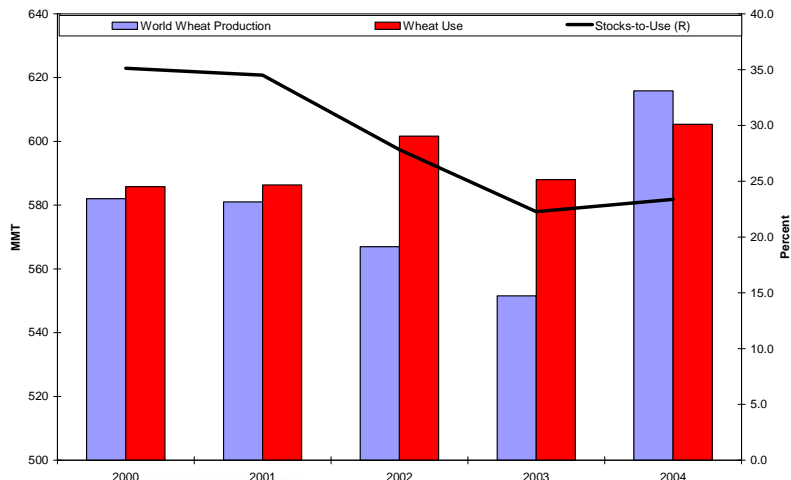
World Coarse Grain Situation



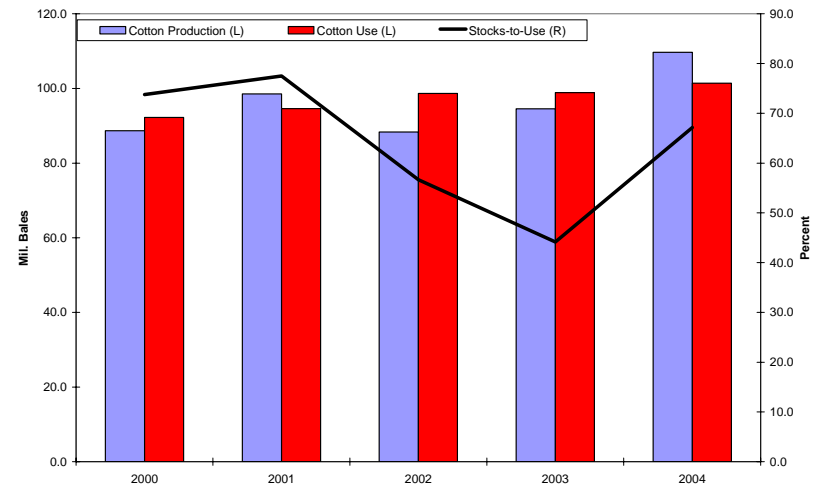
World Oilseeds Situation



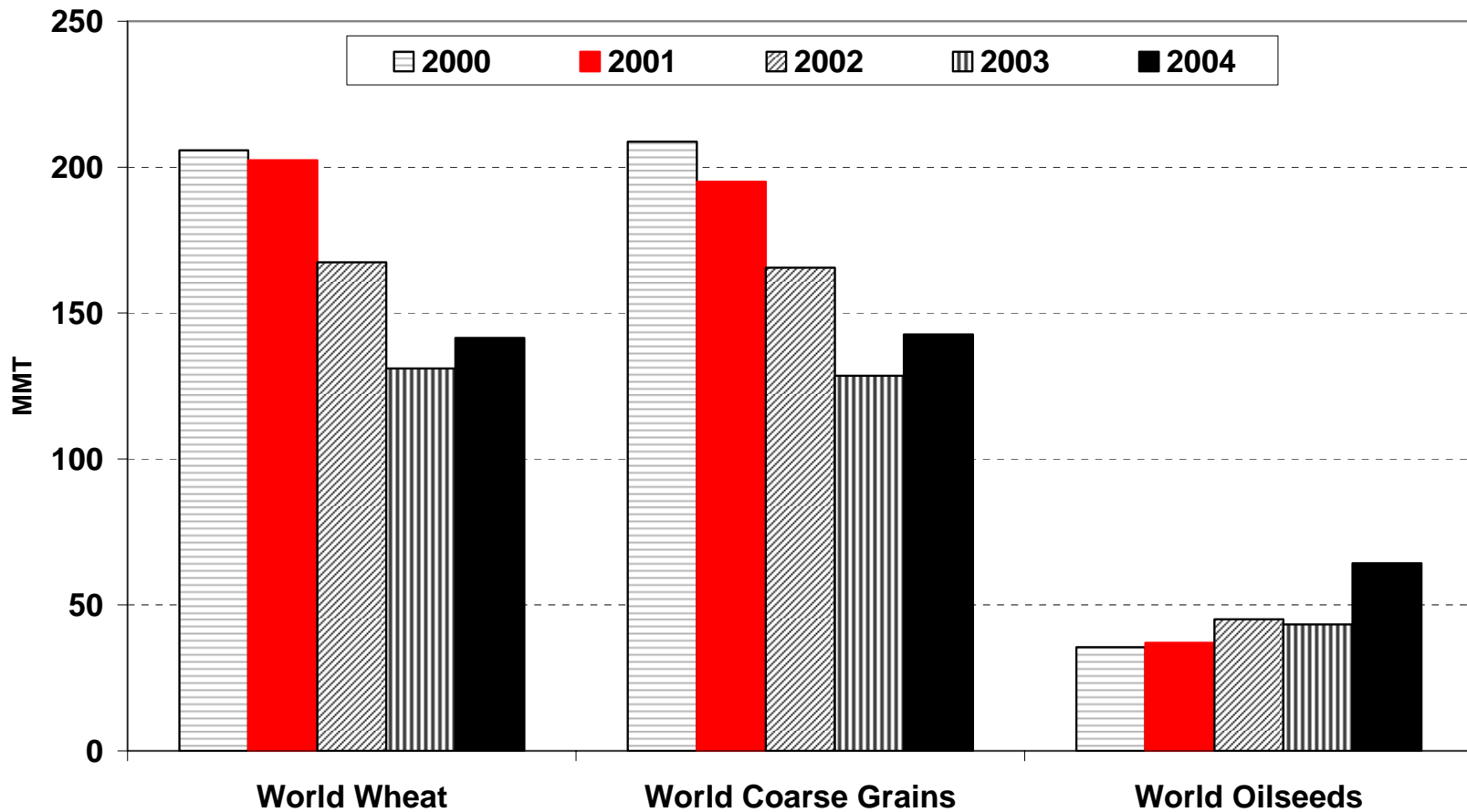
World Wheat Situation



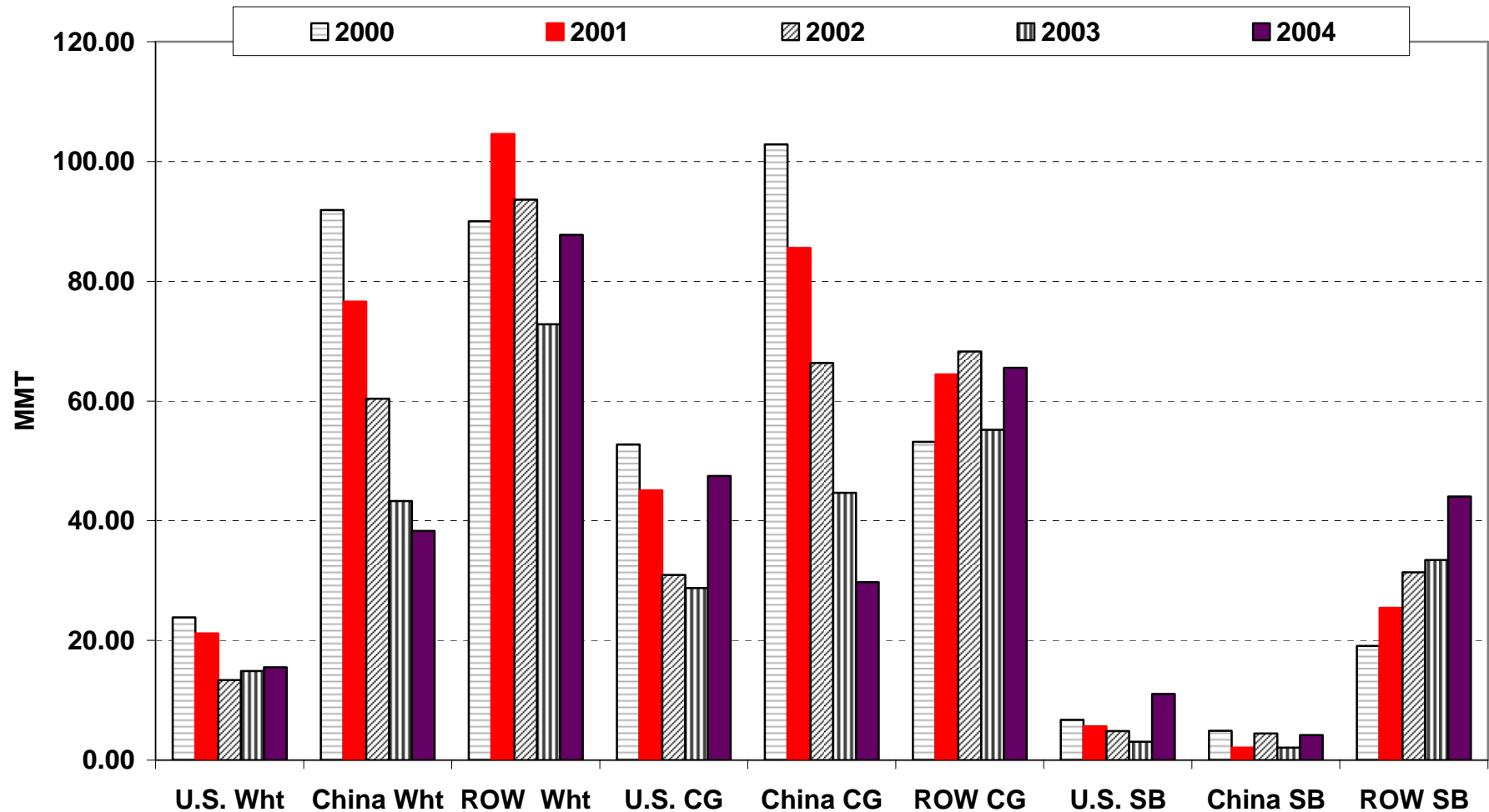
World Cotton Situation



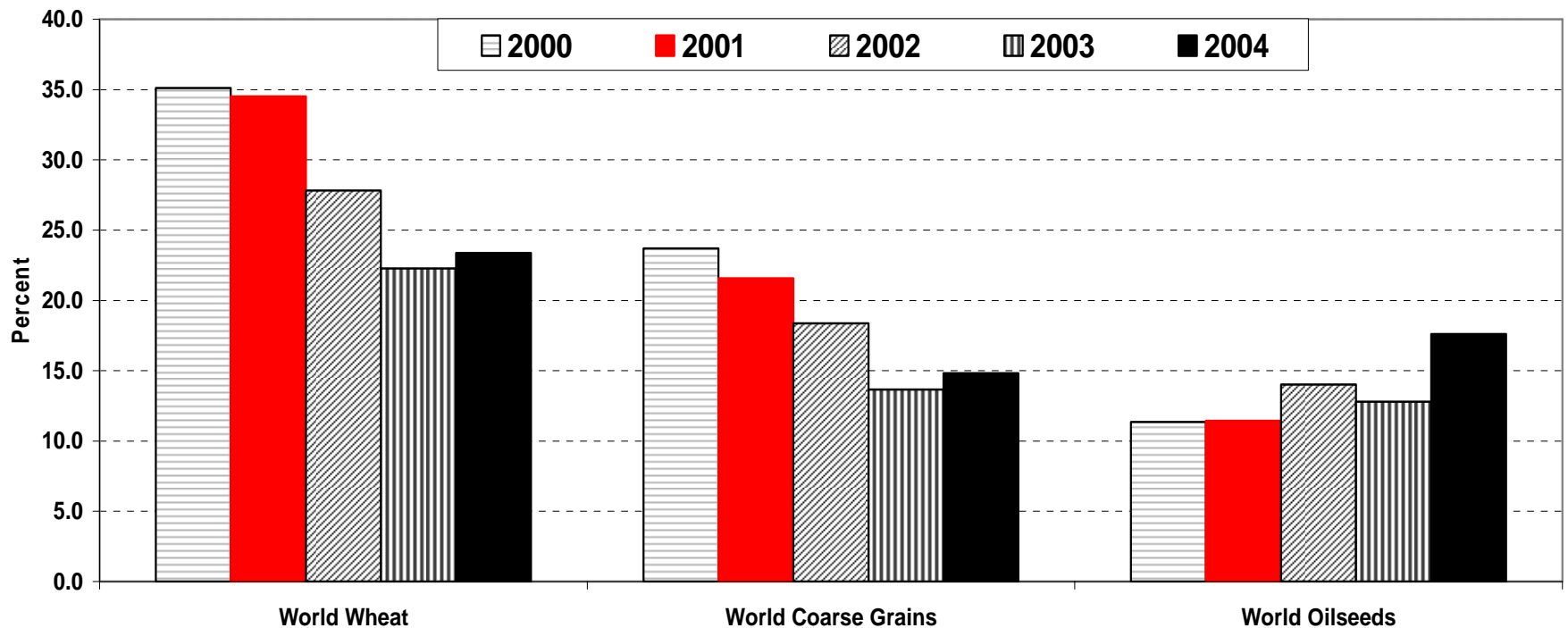
# Slide in Stock Levels Ends



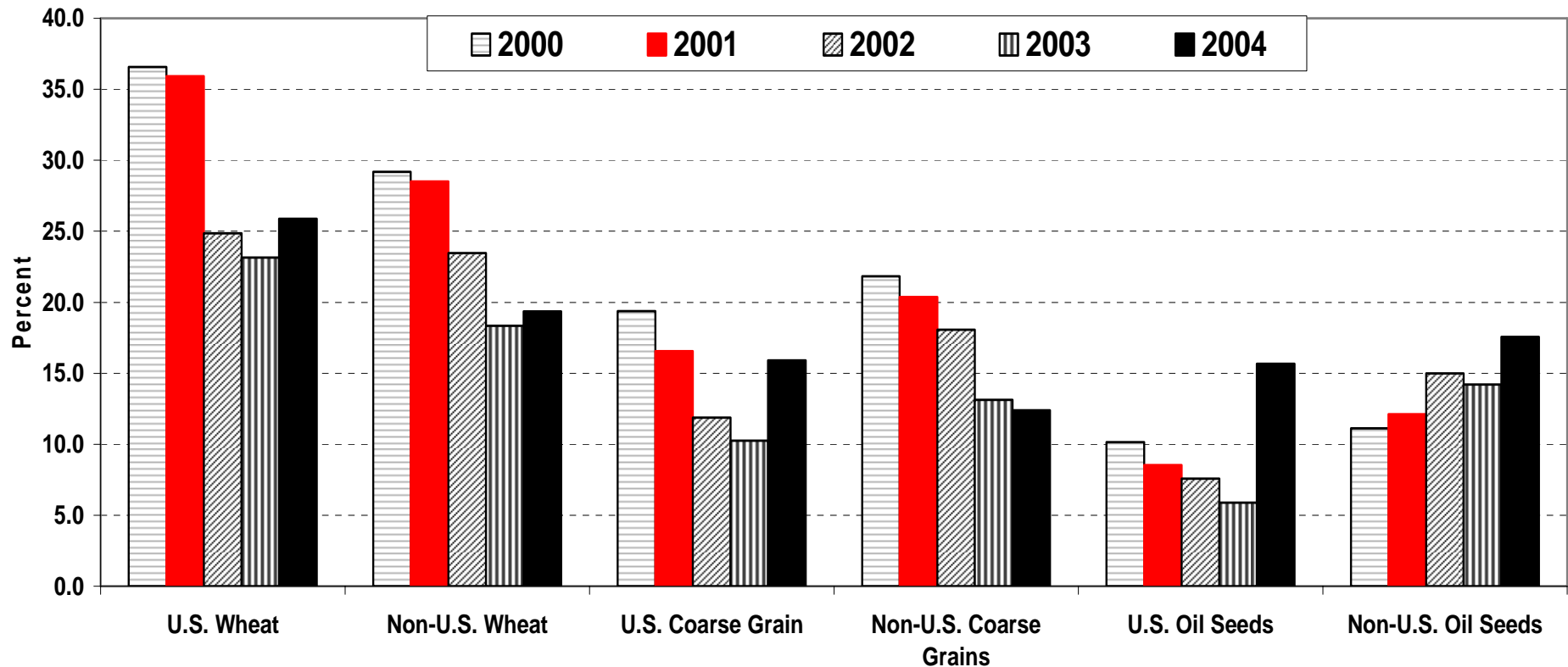
# Global Decline In Stocks in China



# Slide in Stock Levels Ends

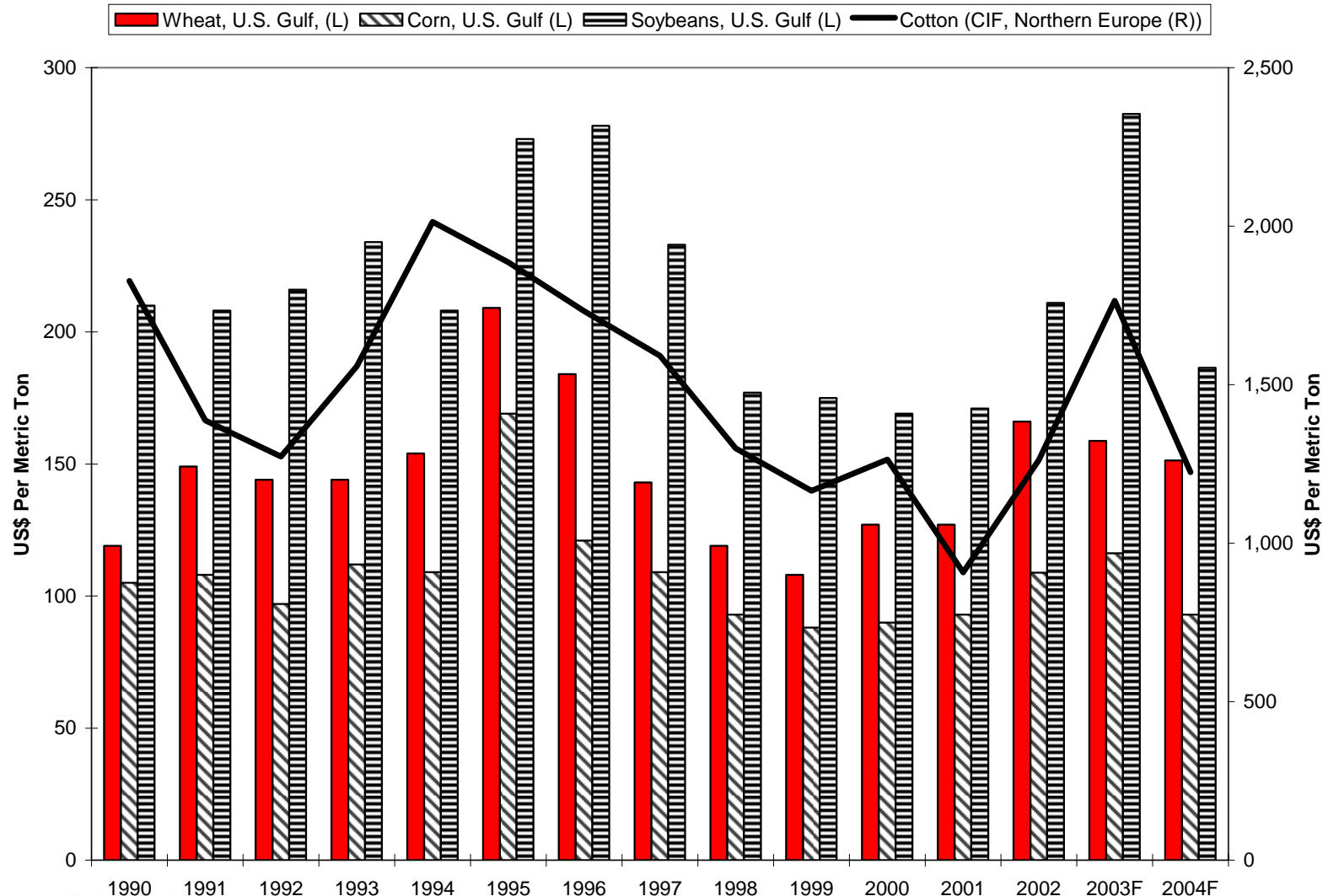


# ***Stocks to Use Ratios Loosen Globally But Not in All Regions***





# Downward Pressure on Prices in 2004/05





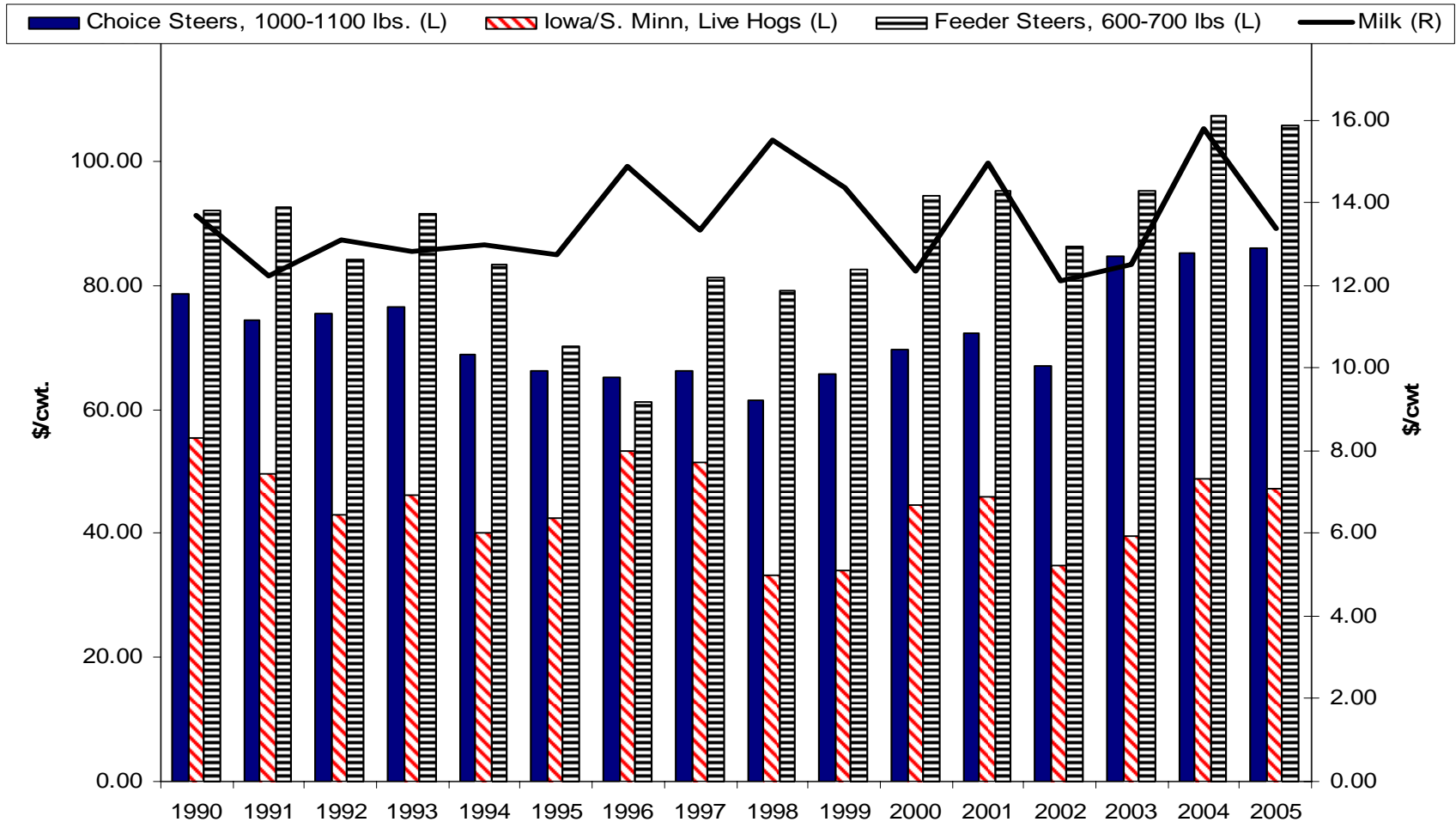
# ***U.S. Agriculture***

# ***U.S. Farm Policy Situation***

- 2004 is a Presidential election year – do not expect any significant changes to farm policy.
- No imminent policy change due to the ruling of the WTO against the U.S. cotton supports. The U.S. will likely appeal, if the decision. No policy change due to the WTO negotiating framework either.
- Recent announcements indicate beef exports to Japan may resume soon. Beef must come from animals less than 21 months .
- Government will continue to open markets for U.S. beef and poultry in response to BSE discovery in December and Avian Flu. Limited beef imports allowed from Canada – Still no live cattle imports. Live cattle trade with Canada likely first half 2005. There is a risk however. If Japan open's market to U.S. beef and not for Canadian beef – would prevent live cattle trade from resuming.
- Market prices strong - government payments to U.S. producers decline in 2004 to \$10 billion.
- U.S. continues to pursue bi-lateral trade agreements with countries.



# U.S. Livestock Prices



# ***Livestock Sector***

- High domestic consumption of meat and other proteins - could be a long-term shift in demand/preferences, but there is a risk that: a) people could tire of high-protein diets, or b) health issues could arise from these diets.
- Milk supply/demand is still tight, but prices have receded from highs. Producers have been able to respond to higher prices more quickly, although a big herd expansion is probably not feasible in the short run.
- BSE issues – meat exports and live animal imports – exports to Japan to start soon
- Countervailing duties on hogs coming in from Canada
- Hog prices are still being buoyed by strong demand, both domestic and export. Pork is gaining some export business in areas that are not importing beef. Lower U.S. hog numbers are being offset by increased hog imports from Canada.



# ***2004 U.S. Crops – LARGE***

## **October WASDE**

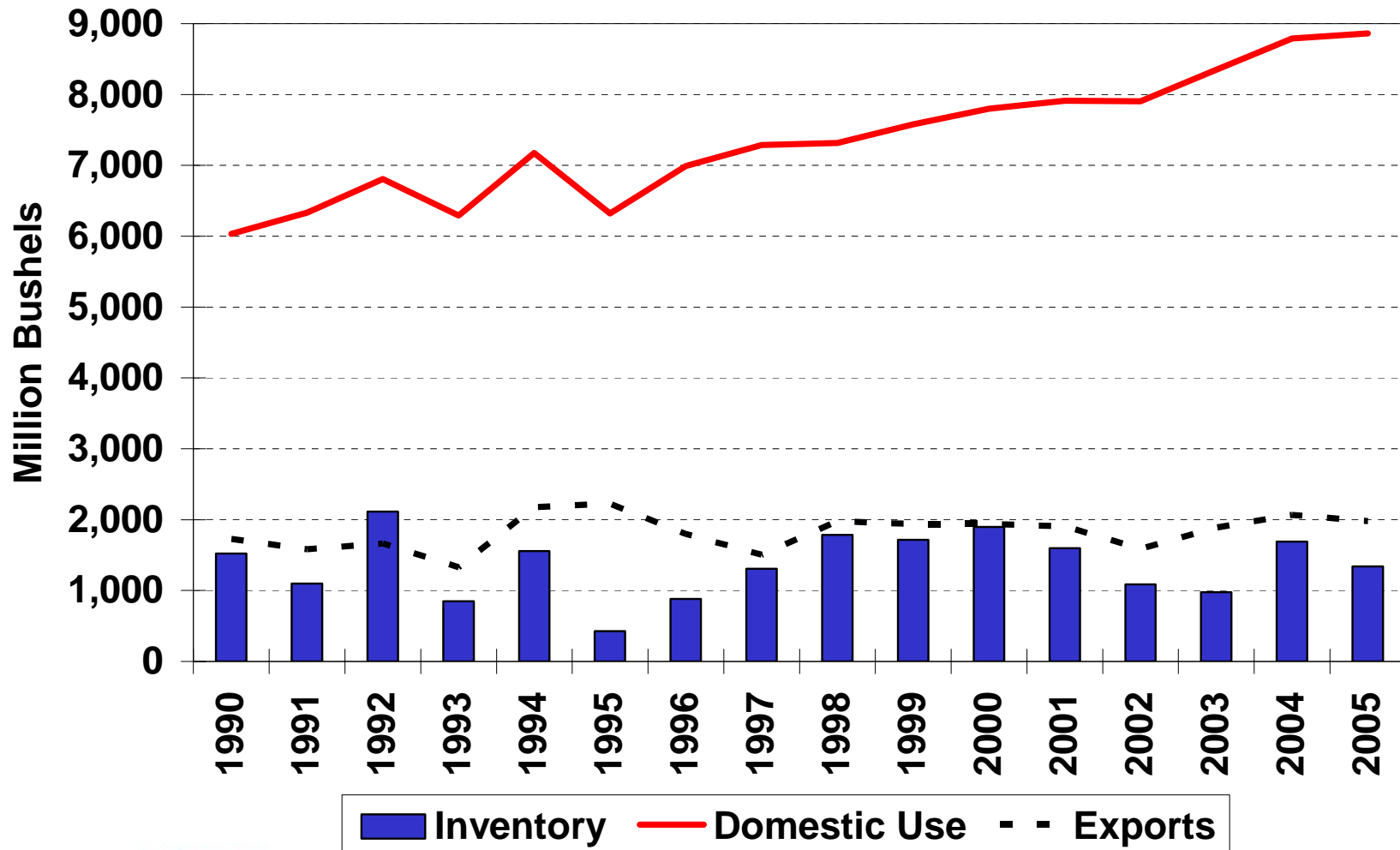
- **Record Corn Crop: 11.6 bil. Bu., 158.4 bu yield, +**
- **Record Soybean Crop: 3.1 bil. Bu., 42 bu. yield**
- **Record Cotton : 21.5 mil. Bales, 782 lbs. yield**
- **Wheat Crop: 2.2 bil. Bu., 42.1 bu. yield**

# 2004/05 Corn

- **Weaker dollar helping exports – BUT ACROSS THE BOARD – EXPORT VOLUMES POSE THE GREATEST RISK**
- **Corn:**
  - **Beginning stocks down – total supply up 12%**
  - **Domestic use up 6% - growth in ethanol and feed use**
  - **Exports up 9% fueled by growth in global use**
  - **Ending inventories build (+70%) – S/U ratio rises to 15.5%**
  - **Season average price drops 20%, loan rate level**

# Corn – 2004/05 Use 10.9 bil. bu.

## Corn Demand and Ending Inventories

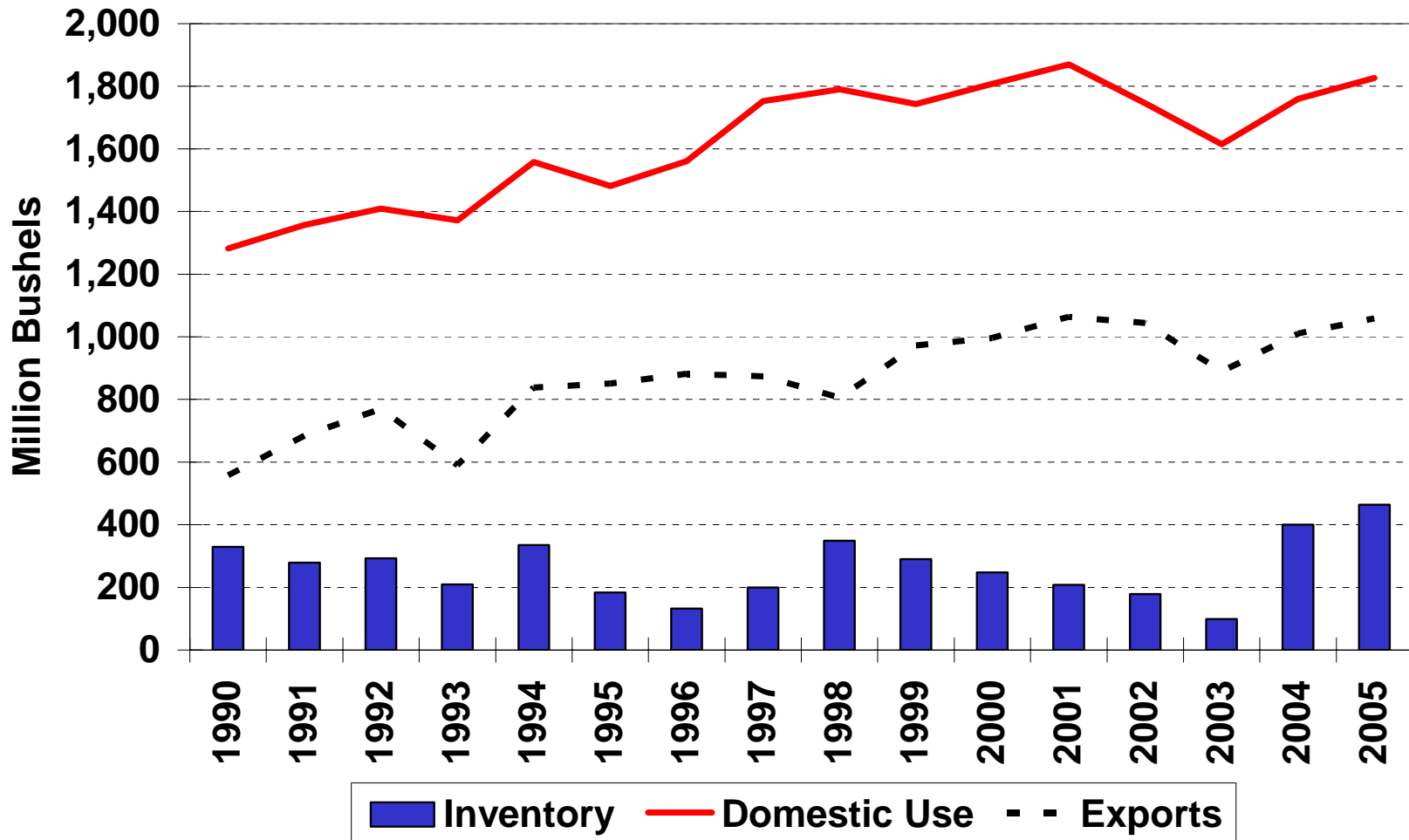




# 2004/05 Soybeans

- **Supply/Use**
  - **Weaker dollar helping exports – BUT ACROSS THE BOARD – EXPORT VOLUMES POSE THE GREATEST RISK**
  - **Soybeans:**
    - **Beginning stocks down – total supply rise 22%**
    - **Crush up 8% - strong oil demand**
    - **Exports up 16% - larger U.S. crop and continued strong demand by China**
    - **Ending inventories more than triple (+261%) – S/U ratio rises to 14%**
    - **Season average price drops dramatically (-30%), loan rate level**

# Soybeans – 2004/05 Use 2.8 bil. bu.

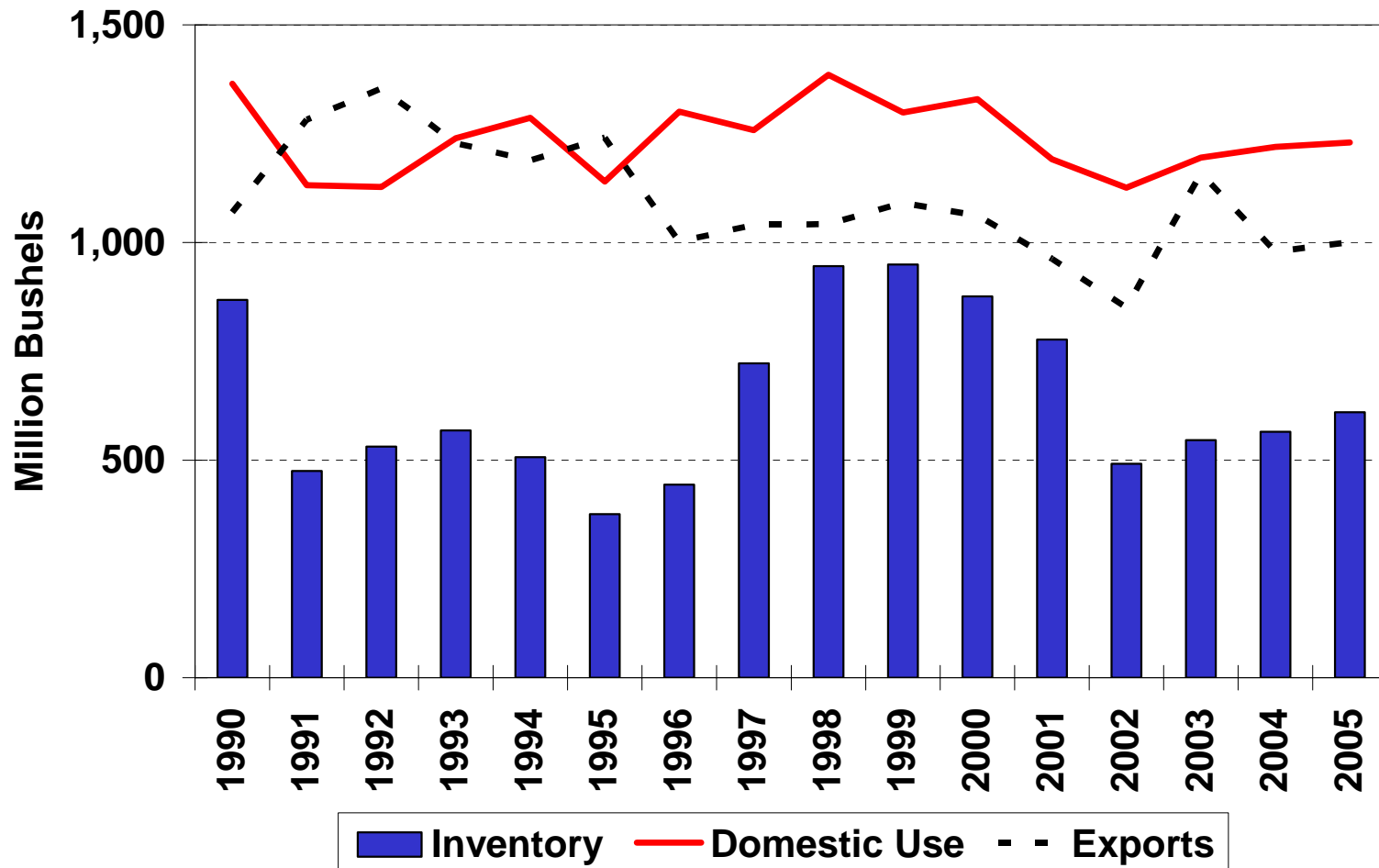


# 2004/05 Wheat

- **Supply/Use**
  - **Wheat:**
    - Beginning stocks up— total supply down 5%
    - Domestic use up marginally
    - Exports off 16% as improved production globally (EU, Russia Ukraine, India) adversely impact U.S. trade
    - Ending inventories rise 4% – S/U ratio flat at 23%
    - Season average price weakens 7%

# Wheat – 2004/05 Use 2.2 bil. bu.

## Wheat Demand and Ending Inventories

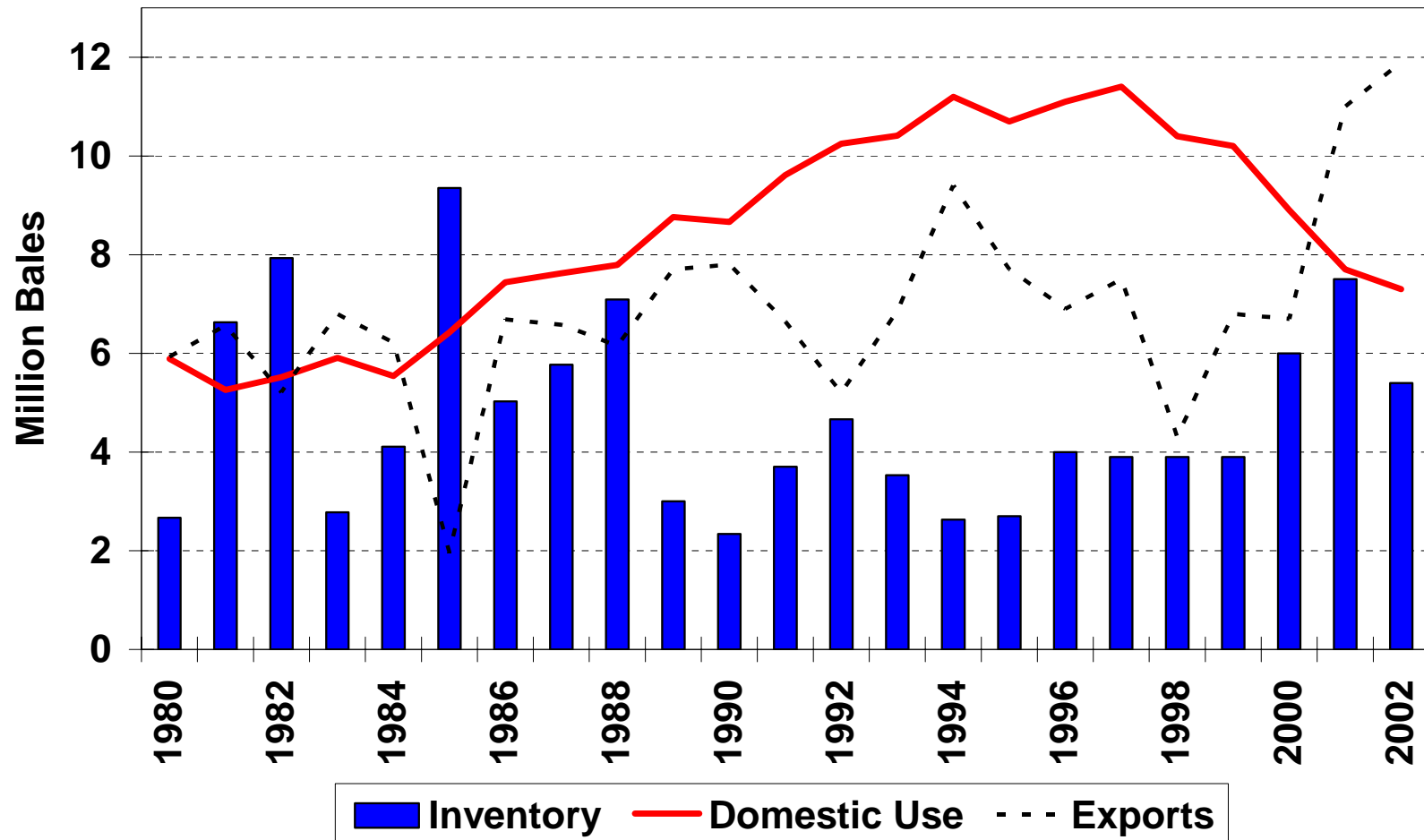


# 2004/05 Cotton

- **Cotton:**
  - **Beginning stocks down – total supply up 6%**
  - **Mill use off 6% - shift to export of raw material**
  - **Exports off 11% - slowing in world**
  - **Ending inventories rise (+90%) – S/U ratio up to 36%**
  - **Season average price drops to below loan rate (-30%)**

# Cotton – 2004/05 Use 18.4 mil. bales

## Cotton Demand and Ending Inventories

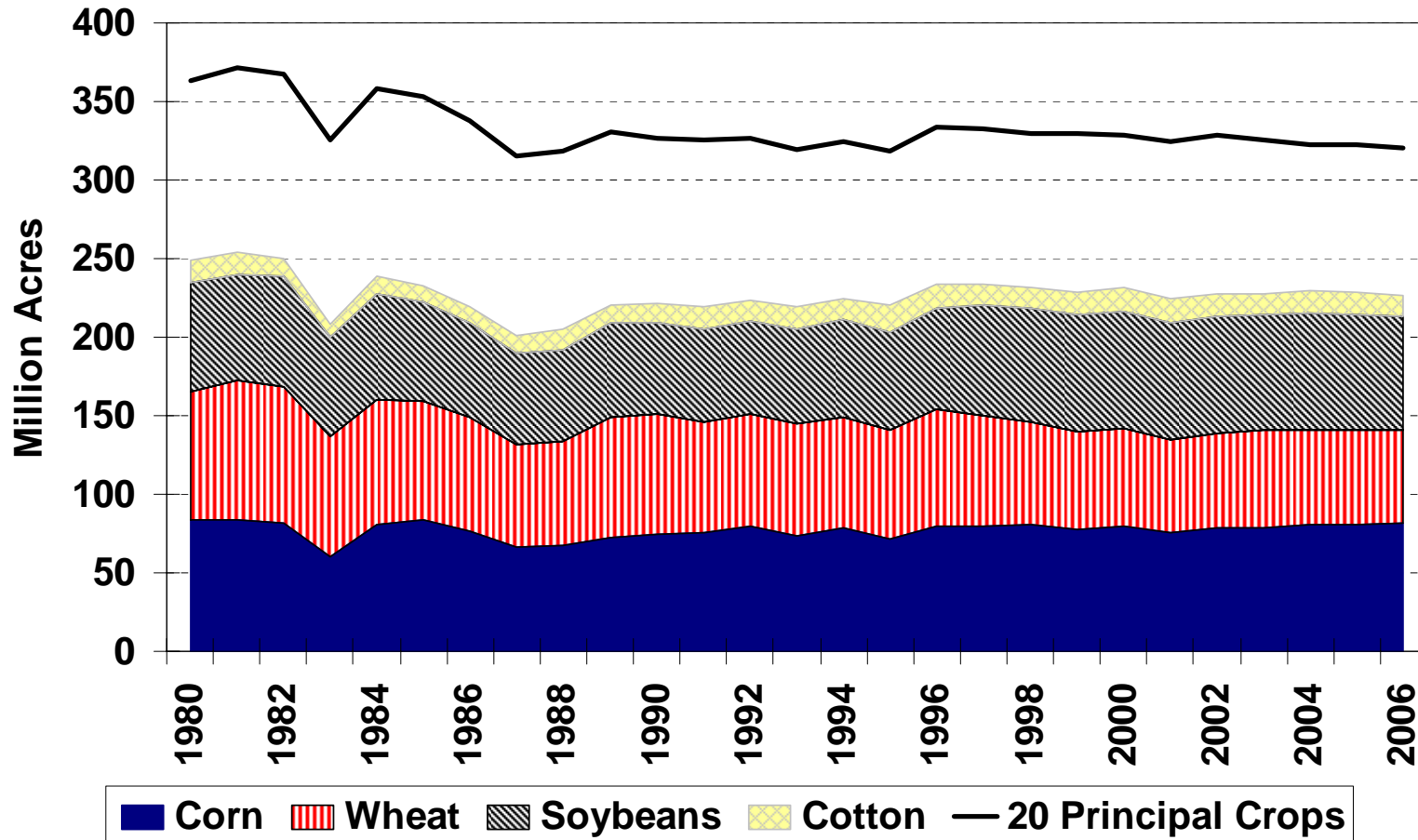


# 2005 Acreage

- **Corn Demand 10.8 – 11.0 bil bu, trend yield 142.2, stock draw down, implies 80 – 81 mil. acres planted**
- **Soybean Demand 2.9 – 3.0 bil. bu., trend yield 40.5, no stock draw down, implies 73.5 to 74.3 mil. Acres**
- **Wheat Demand 2.2 – 2.3 bil. bu., trend yield about 42.2, no stock draw down, implies about 60 – 61 mil. Acres**
- **Cotton Demand about 18 mil. bales, trend yield 684 lbs., implies 13 -13.5 mil. acres**

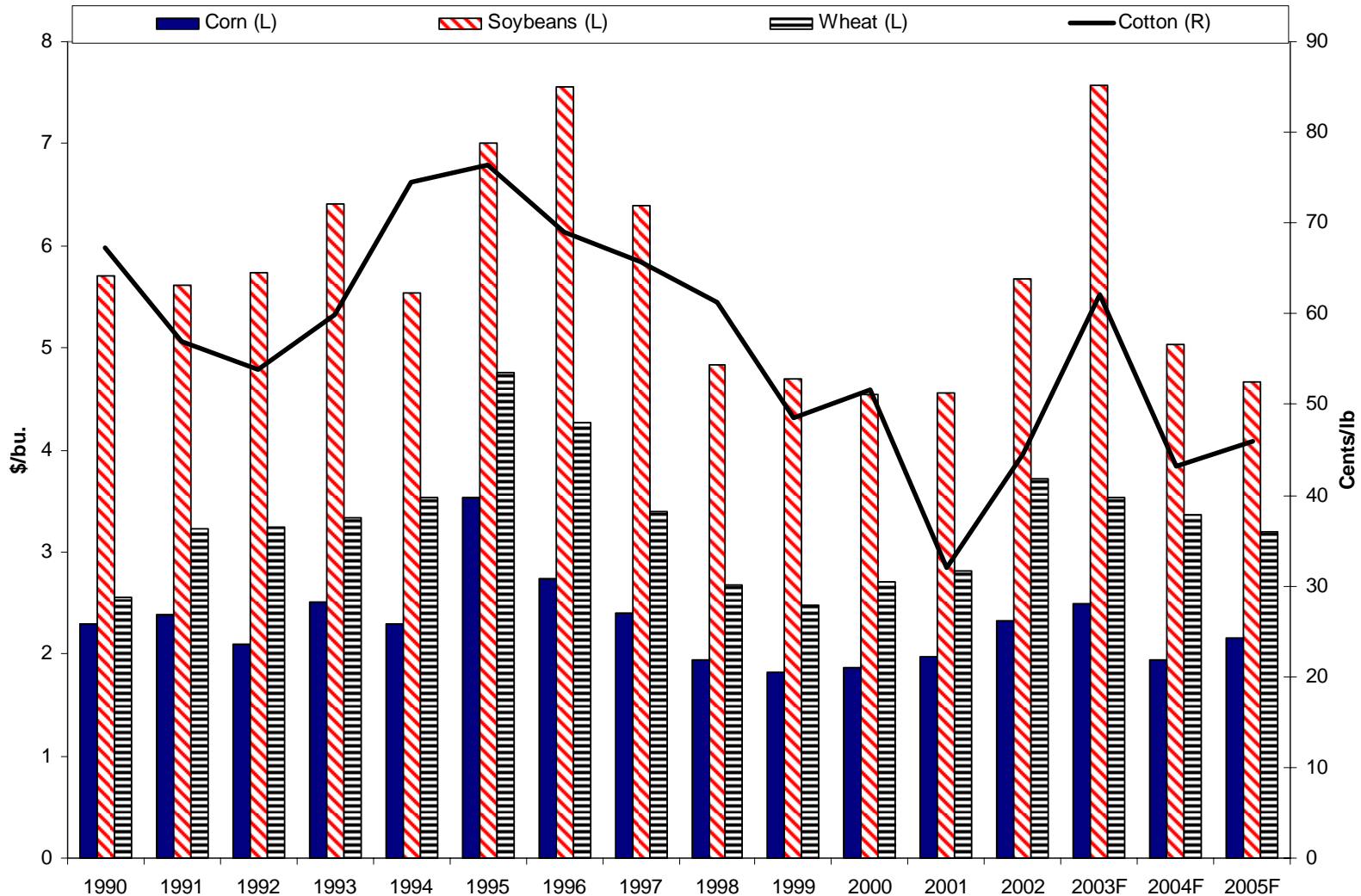
# *U.S. Crop Prices Trend Down*

## Acreage Planted of Principal Crops

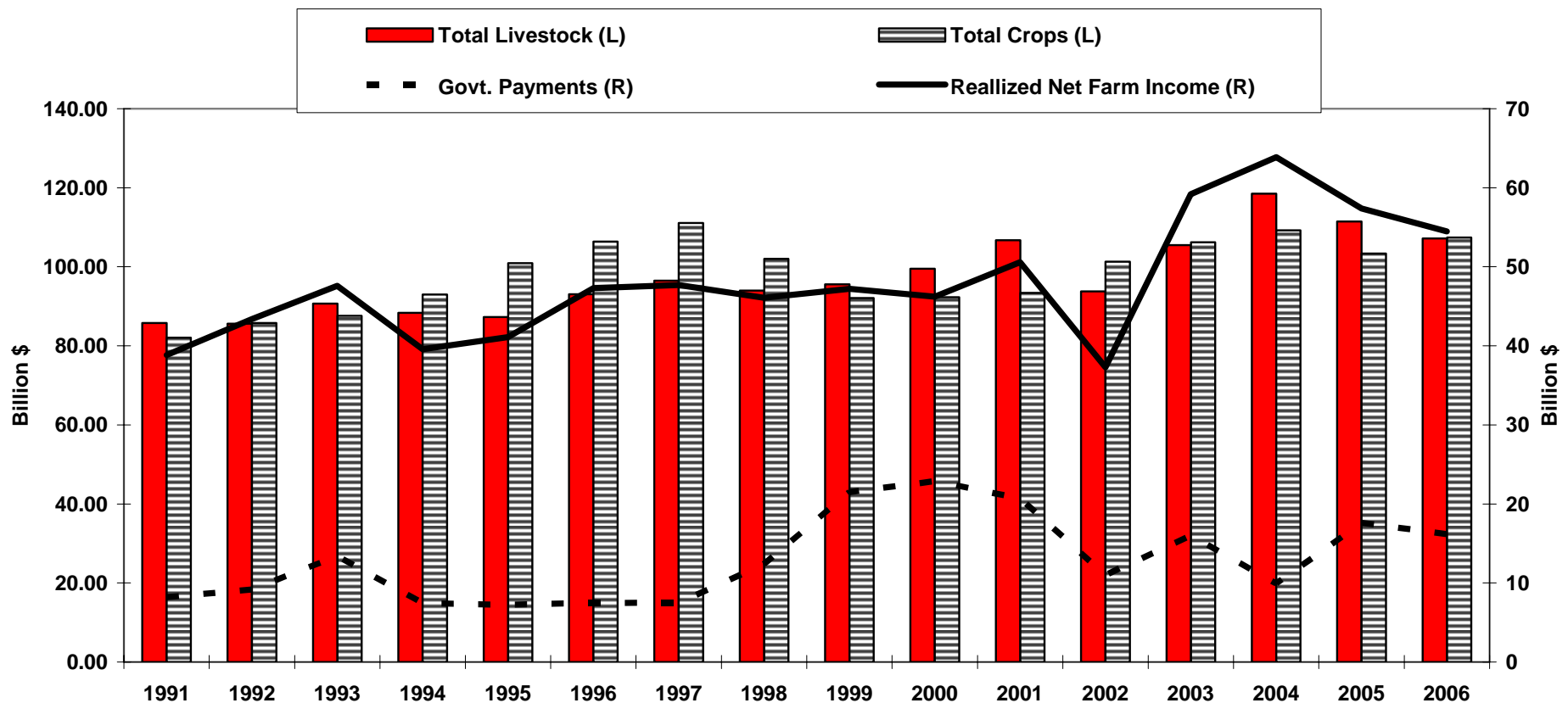




# U.S. Crop Prices Trend Down



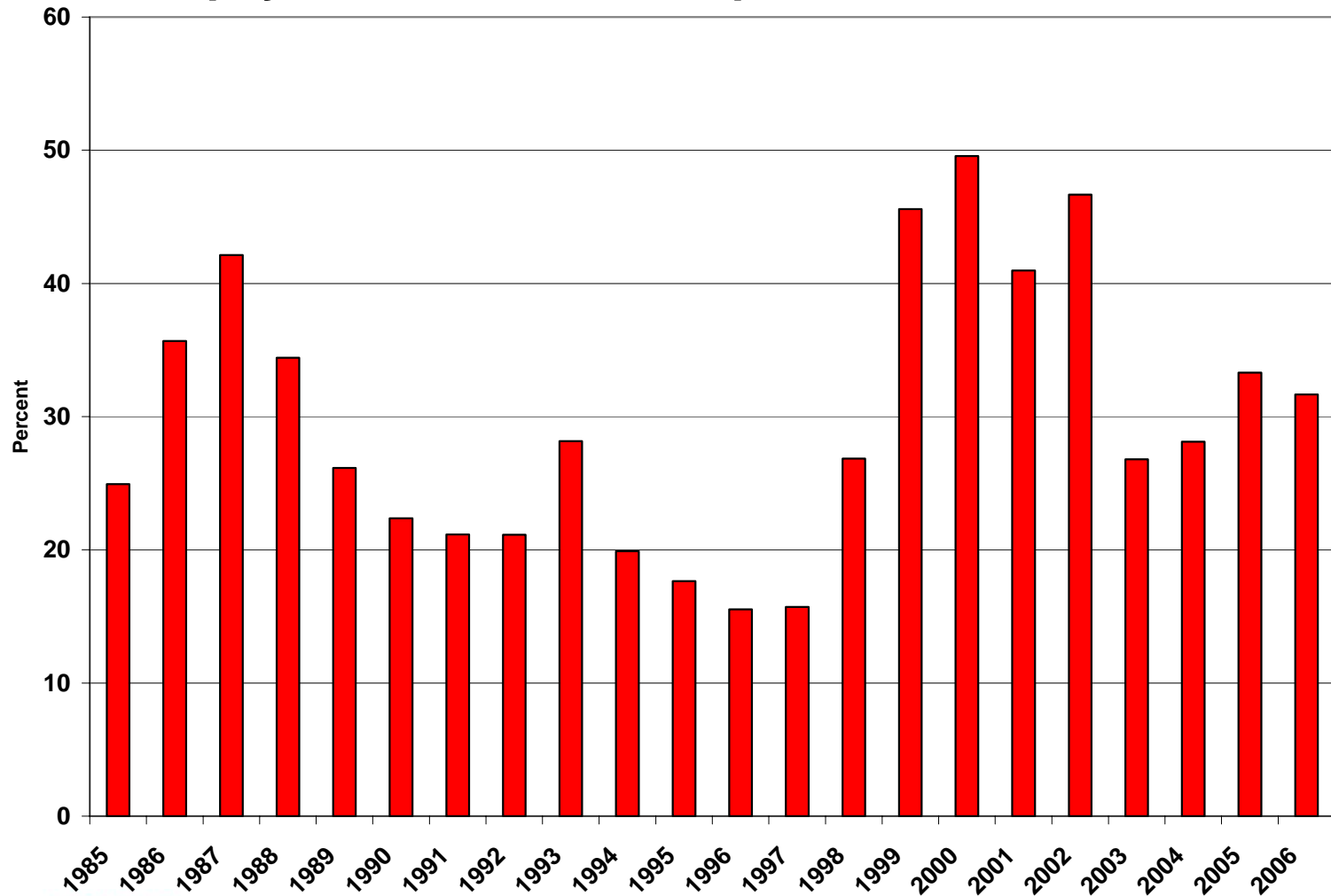
# U.S. 2004 Farm Income - \$63 billion!



# Importance of U.S. Government Direct Payments

## Percent of Realized Net Farm Income

Direct payments remain an important source of farm income



# ***Key Global Issues and Risks***

- **Brazil**
- **High oil prices**
- **The Dollar?**
- **China**
- **Interest Rates**





# Q & A