



The Outlook For U.S. Agriculture

November, 2007

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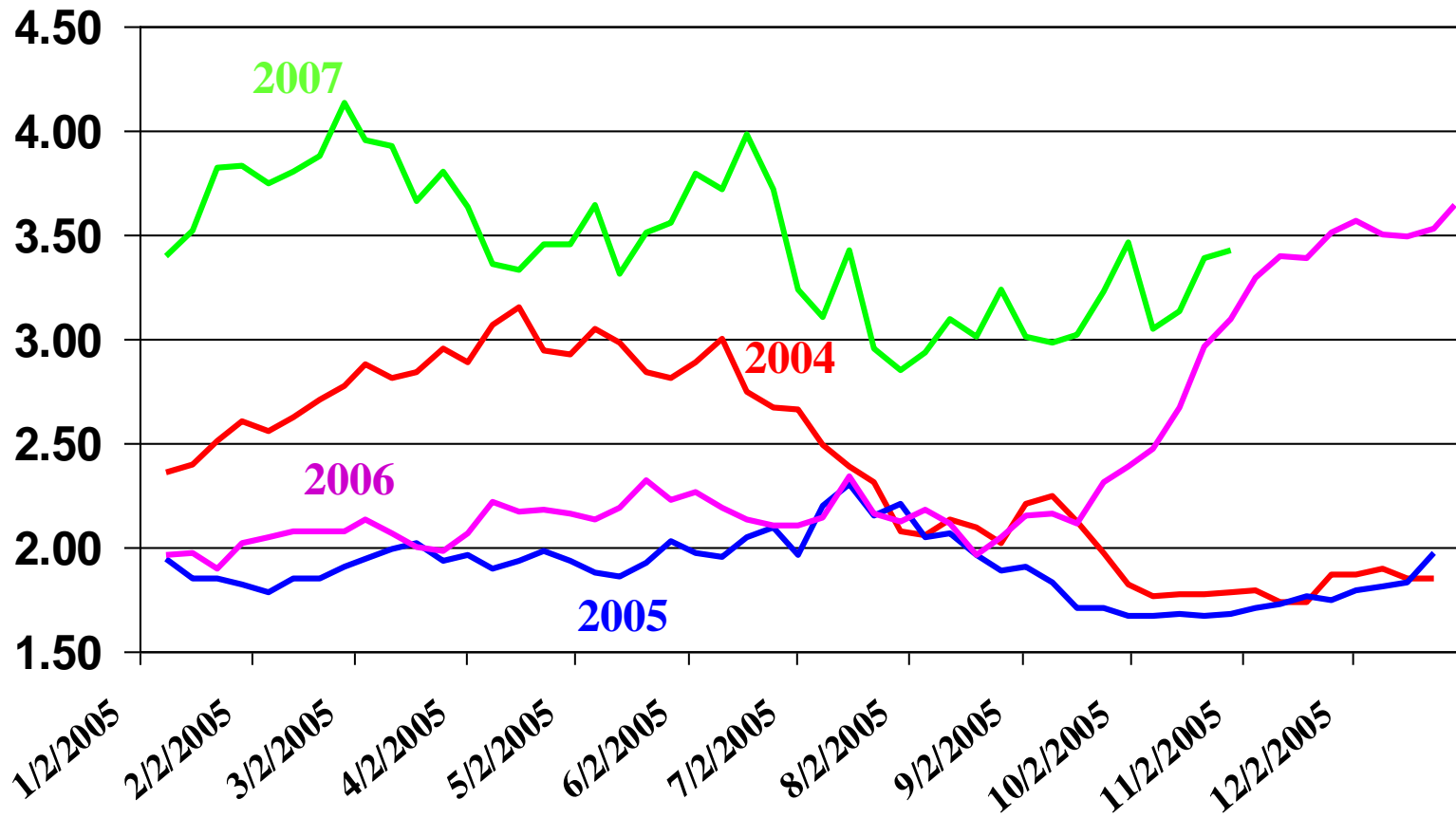
Major U.S. Crop Acreage

million acres

	2006	2007	2008	2009	2010
Corn	78.3	93.6	88.0	92.0	93.5
Soybeans	75.5	63.7	69.3	68.5	69.1
Wheat	57.3	60.3	64.3	61.8	60.8
Cotton	15.3	10.9	10.0	11.2	11.5
Major Crops	226.4	228.5	231.6	233.5	234.9

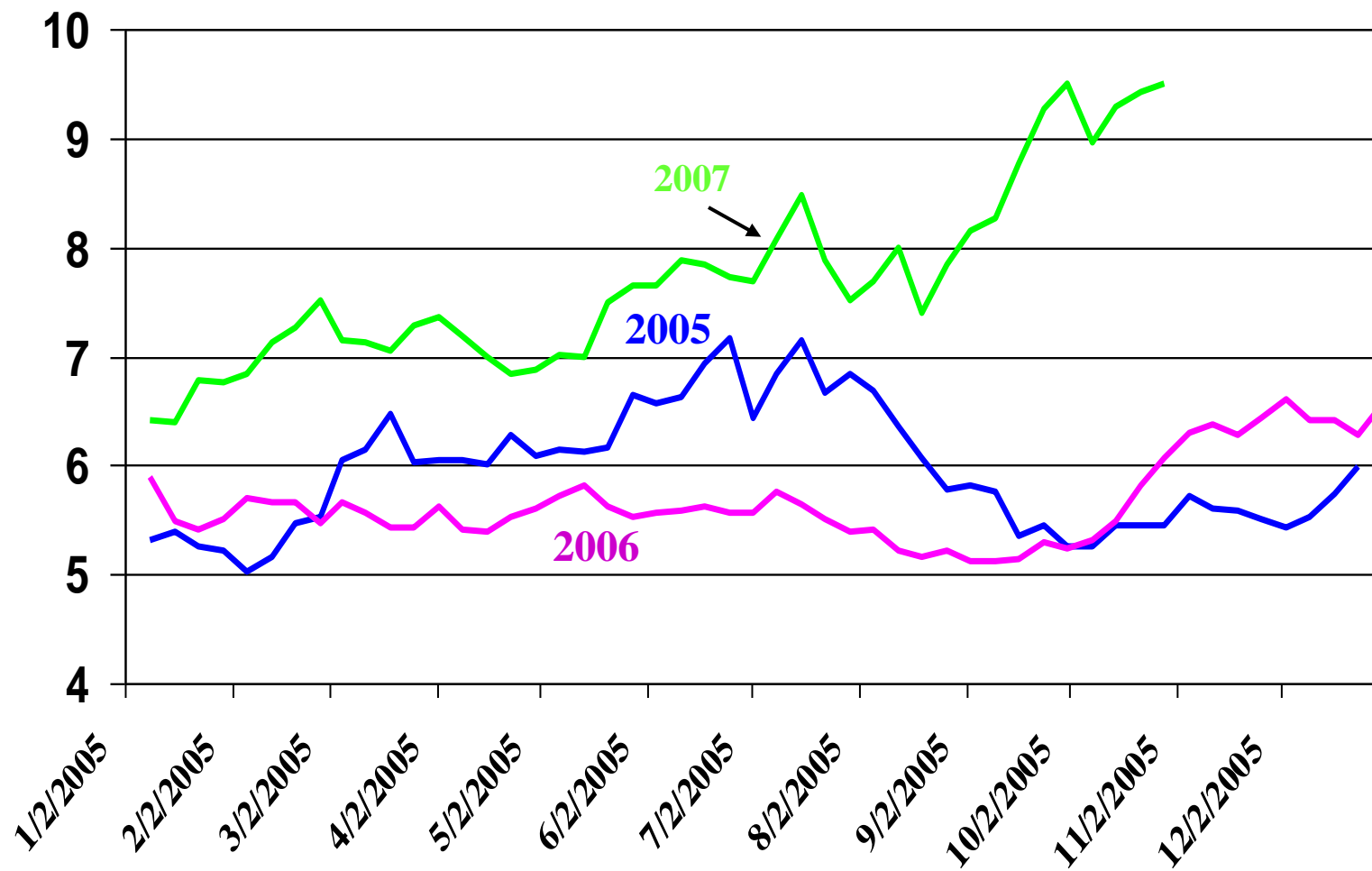
Corn Prices

dollars per bushel



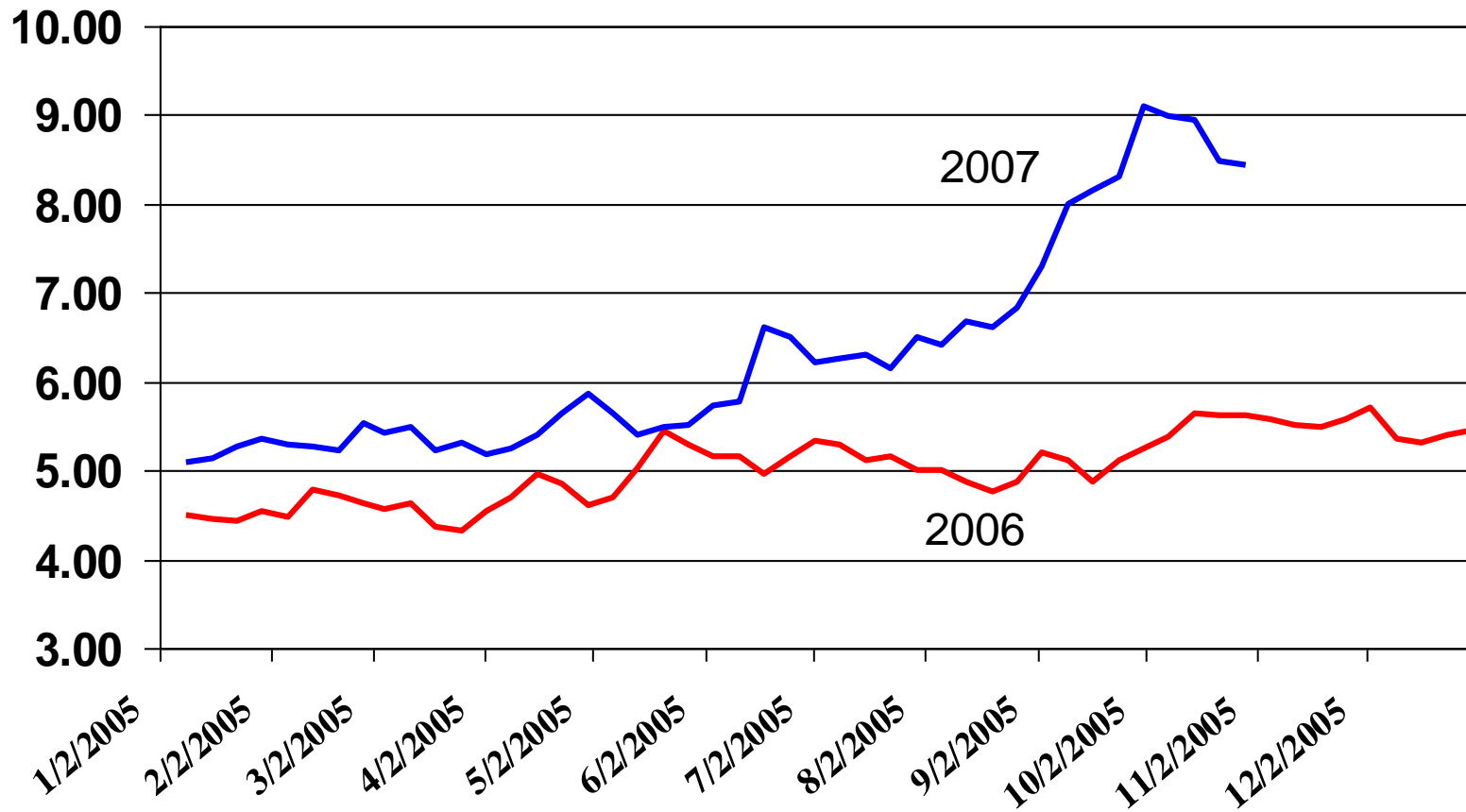
Soybean Prices

dollars per bushel

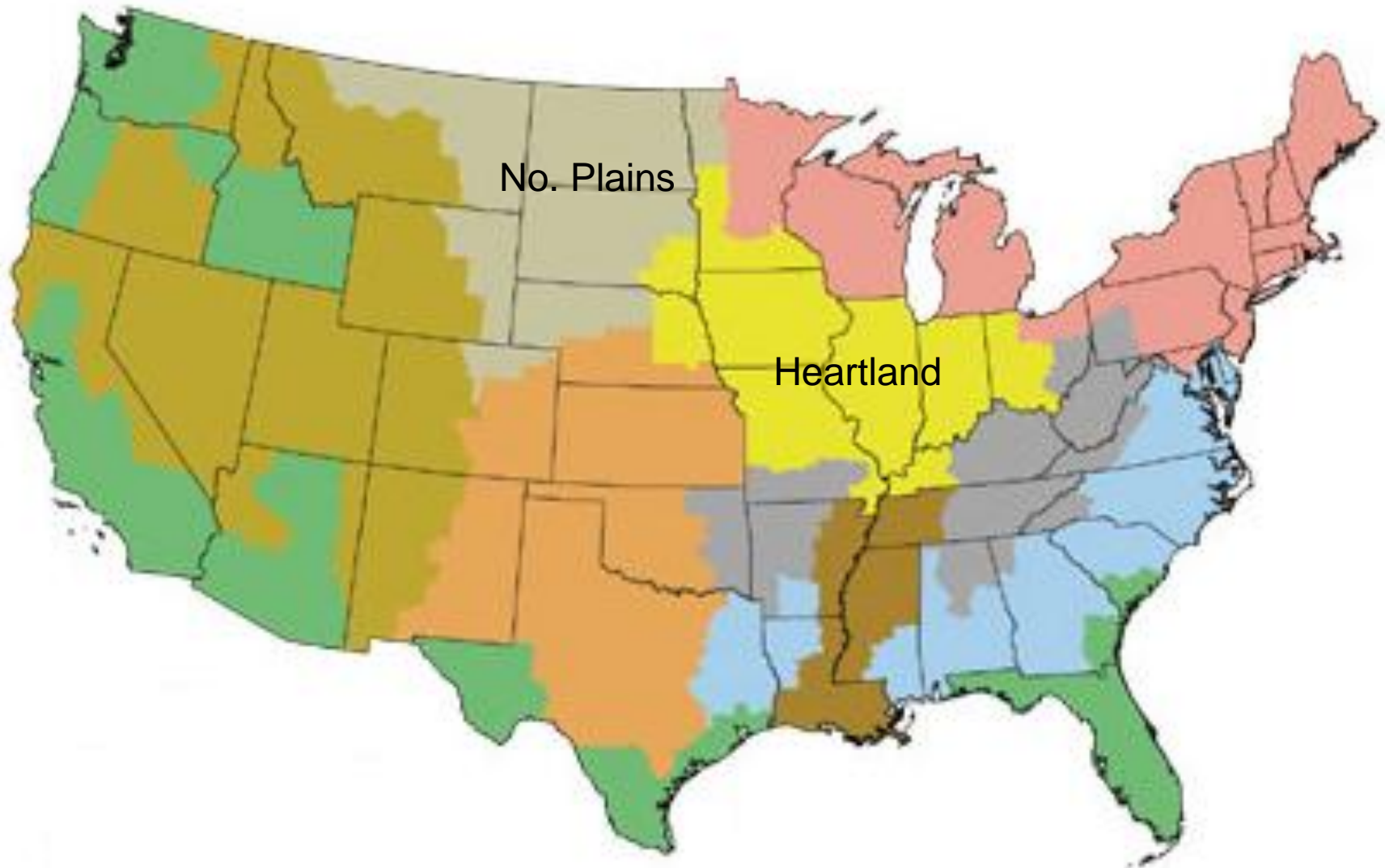


Kansas City Wheat Price

dollars per bushel



USDA Budget Regions



Corn & Soybean Budgets

Corn @ \$3.42 – Soybeans @ \$9.50

<i>Corn</i>	USA	Heartland	No. Plains
Revenue	539	554	390
Costs	234	228	196
Net Returns	305	326	194
<i>Soybeans</i>			
Revenue	434	465	313
Costs	105	99	98
Net Returns	328	366	215

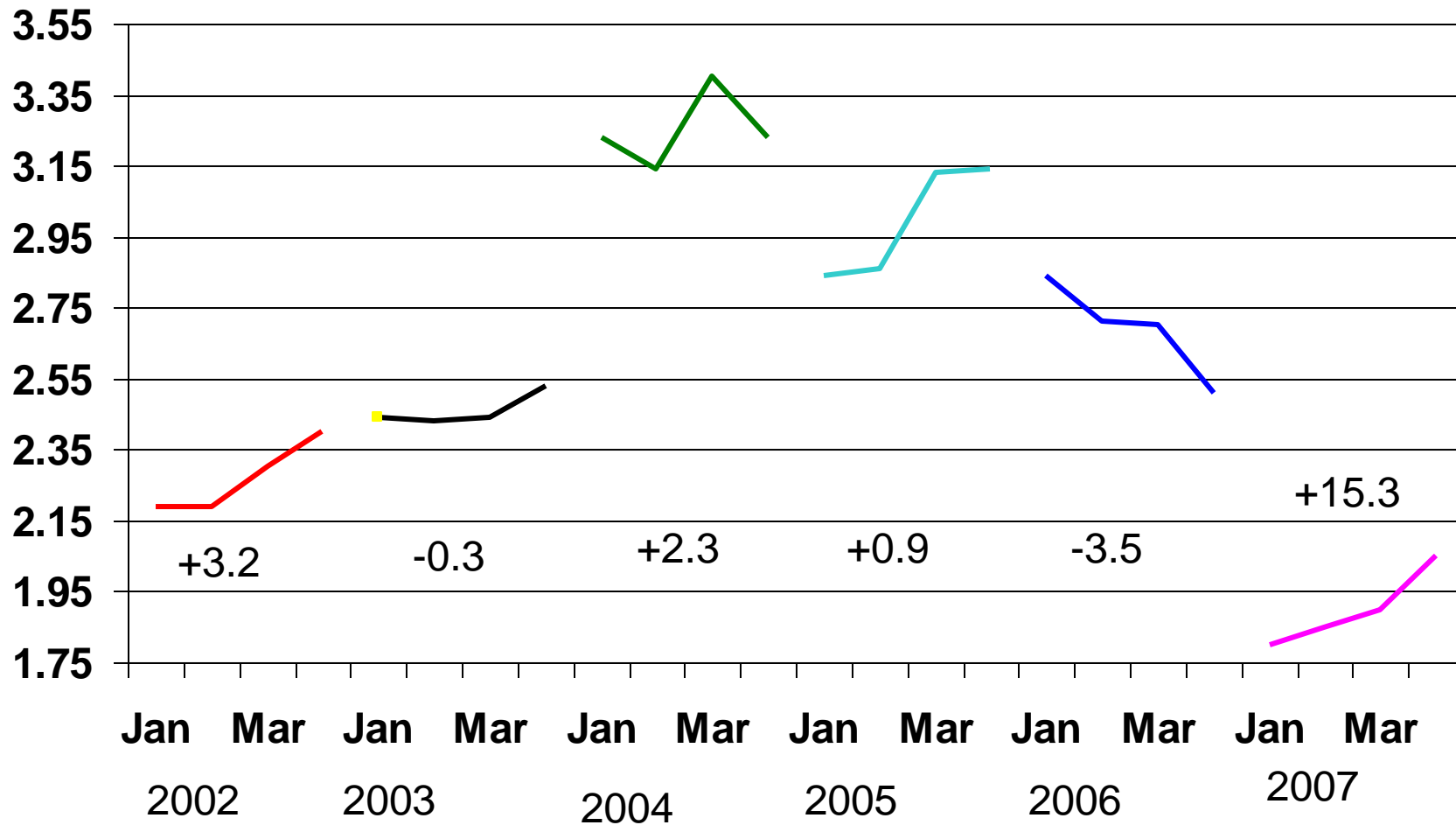
Corn & Soybean Budgets

Corn @ \$4.20 – Soybeans @ \$9.71

<i>Corn</i>	USA	Heartland	No. Plains
Revenue	661	679	477
Costs	234	228	196
Net Returns	427	452	281
<i>Soybeans</i>			
Revenue	443	476	320
Costs	105	99	98
Net Returns	338	376	222

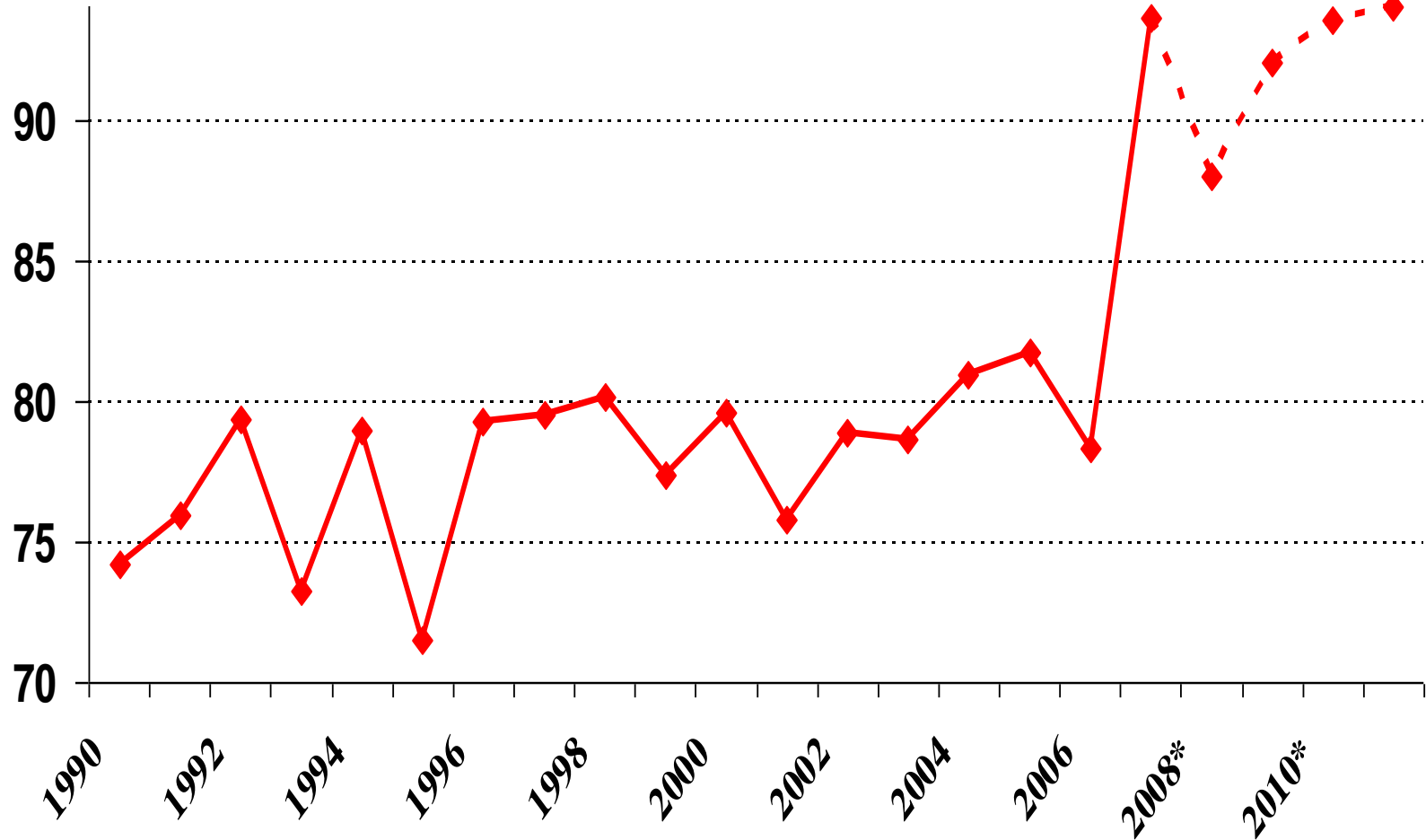
Soybean to Corn Price Ratio

Current Jan-Apr Ratio is 2.64



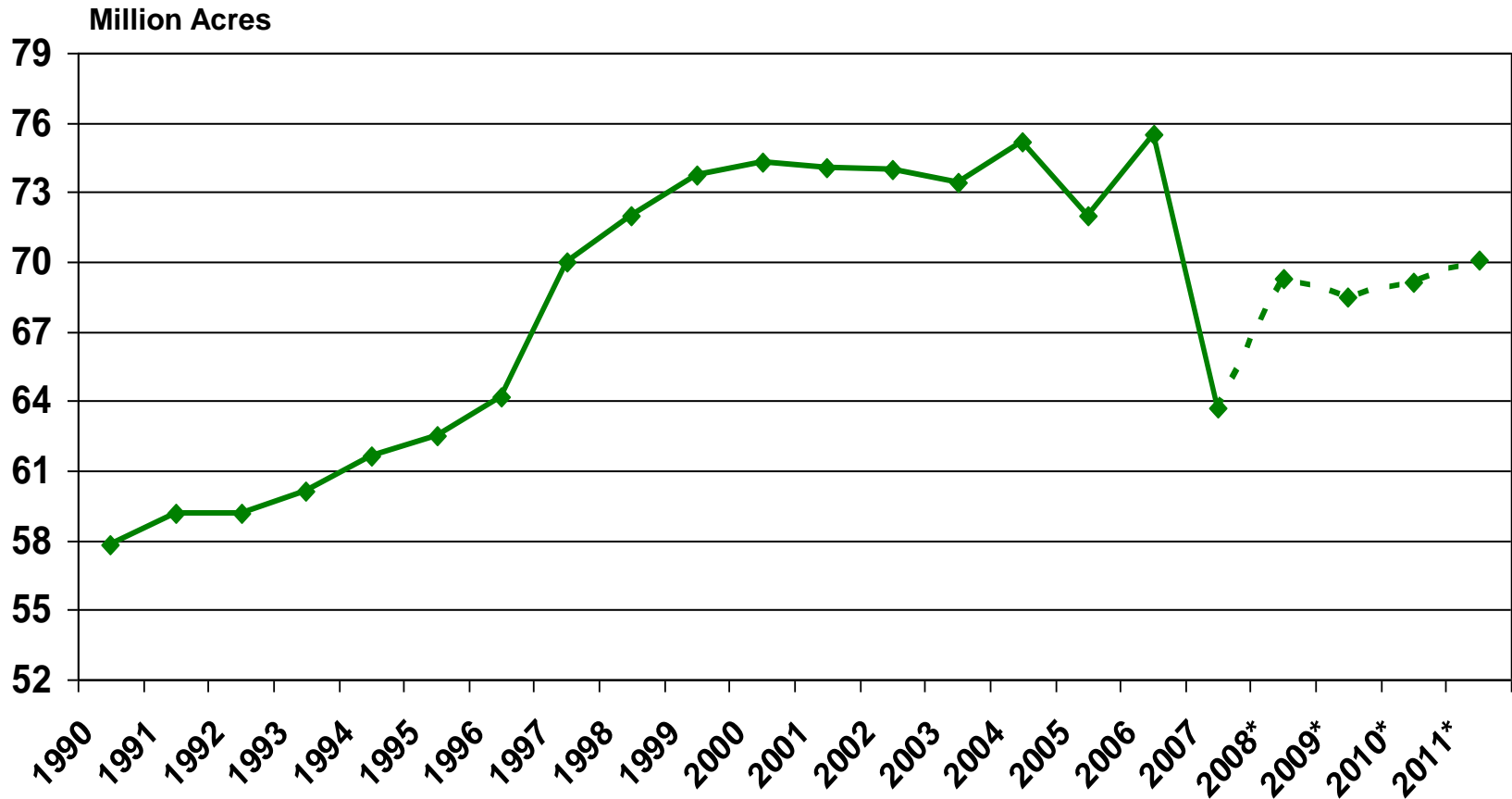
Corn Acreage Planted

Million acres



* Doane forecast

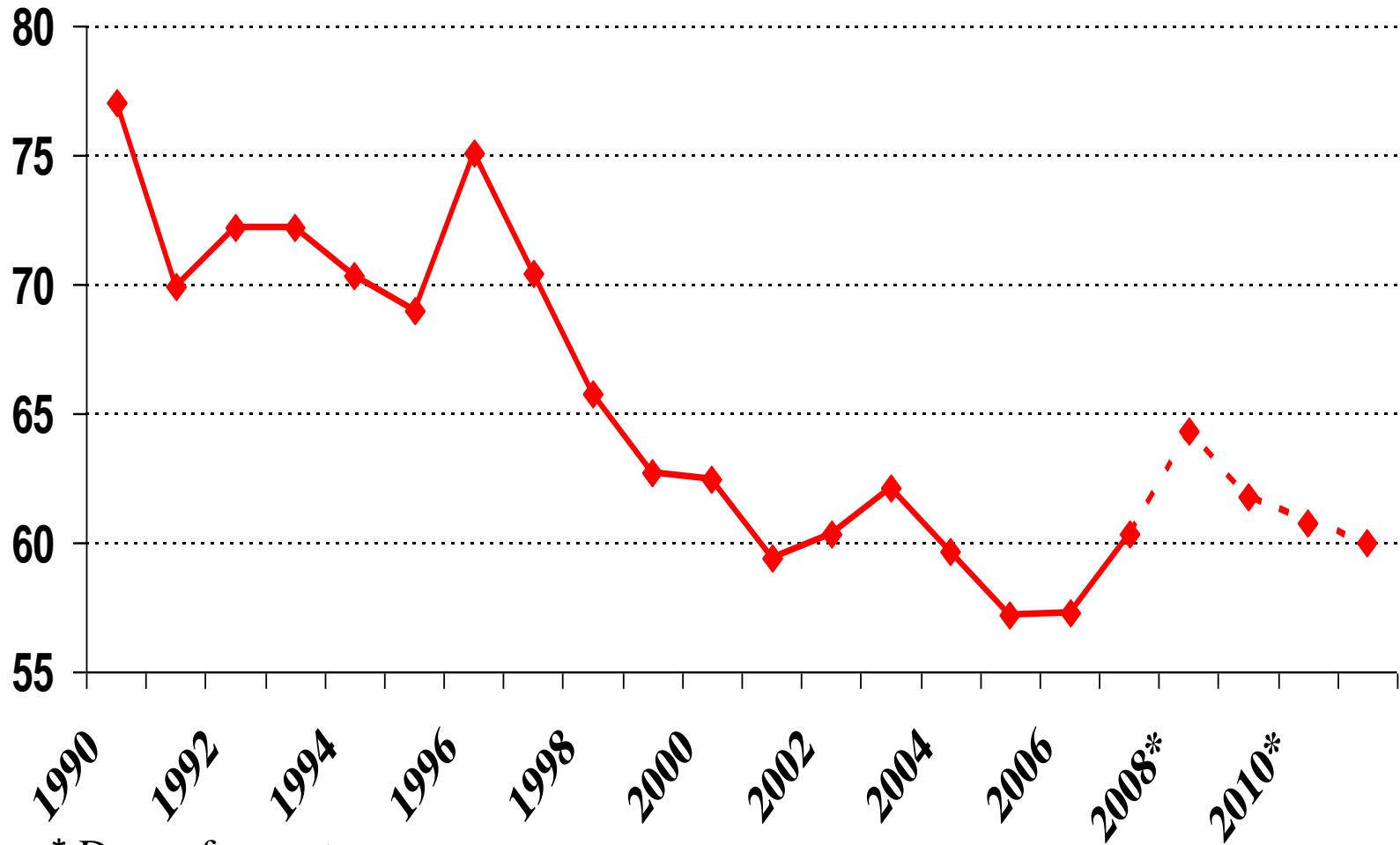
U.S. Soybean Planted Acres



* Doane Projection

U.S. Wheat Acreage

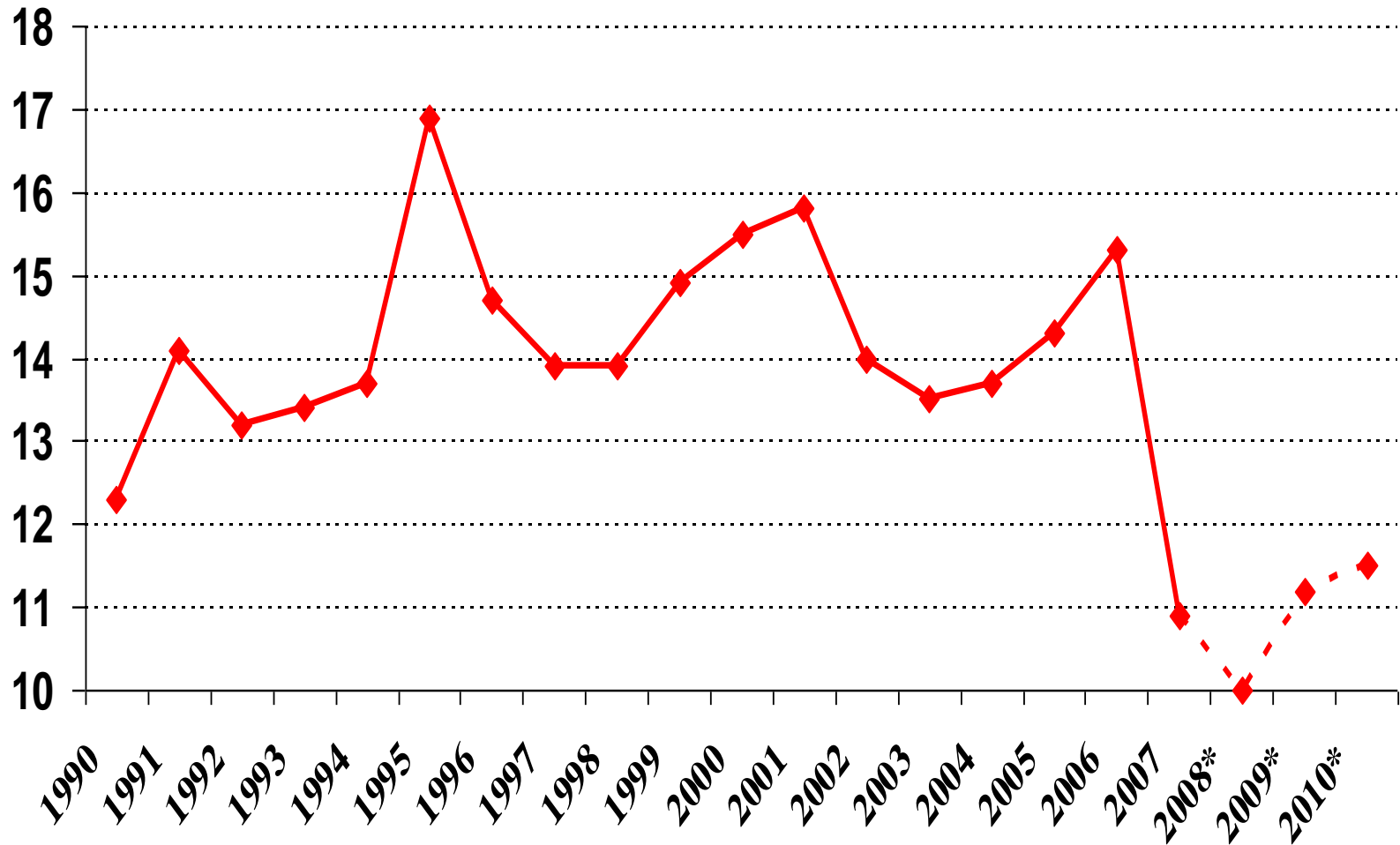
Million acres



* Doane forecast

Cotton Acreage Will Stay Low

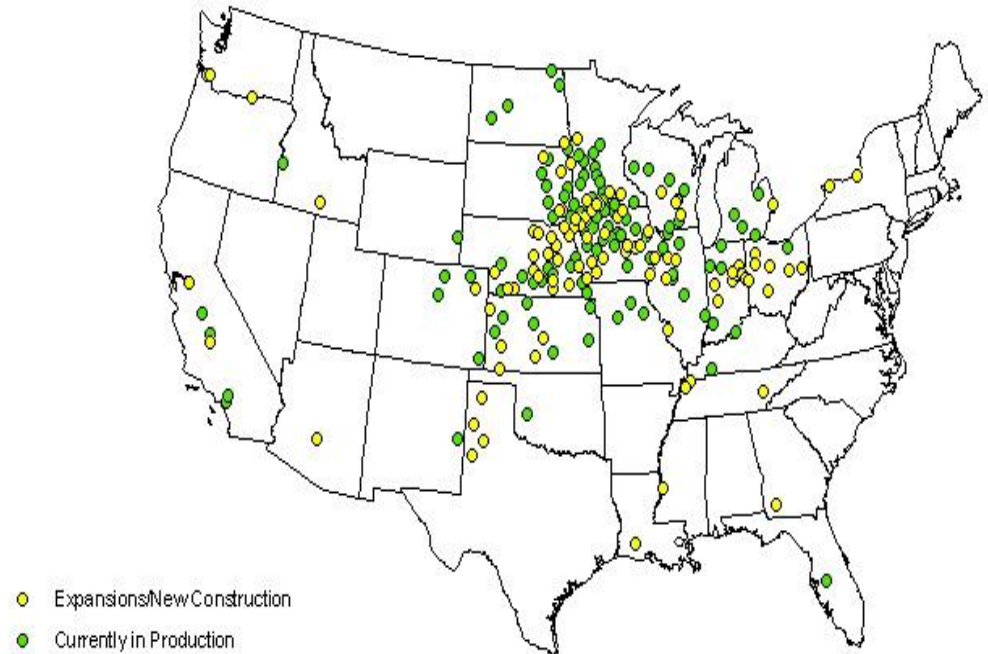
Million acres



* Doane forecast

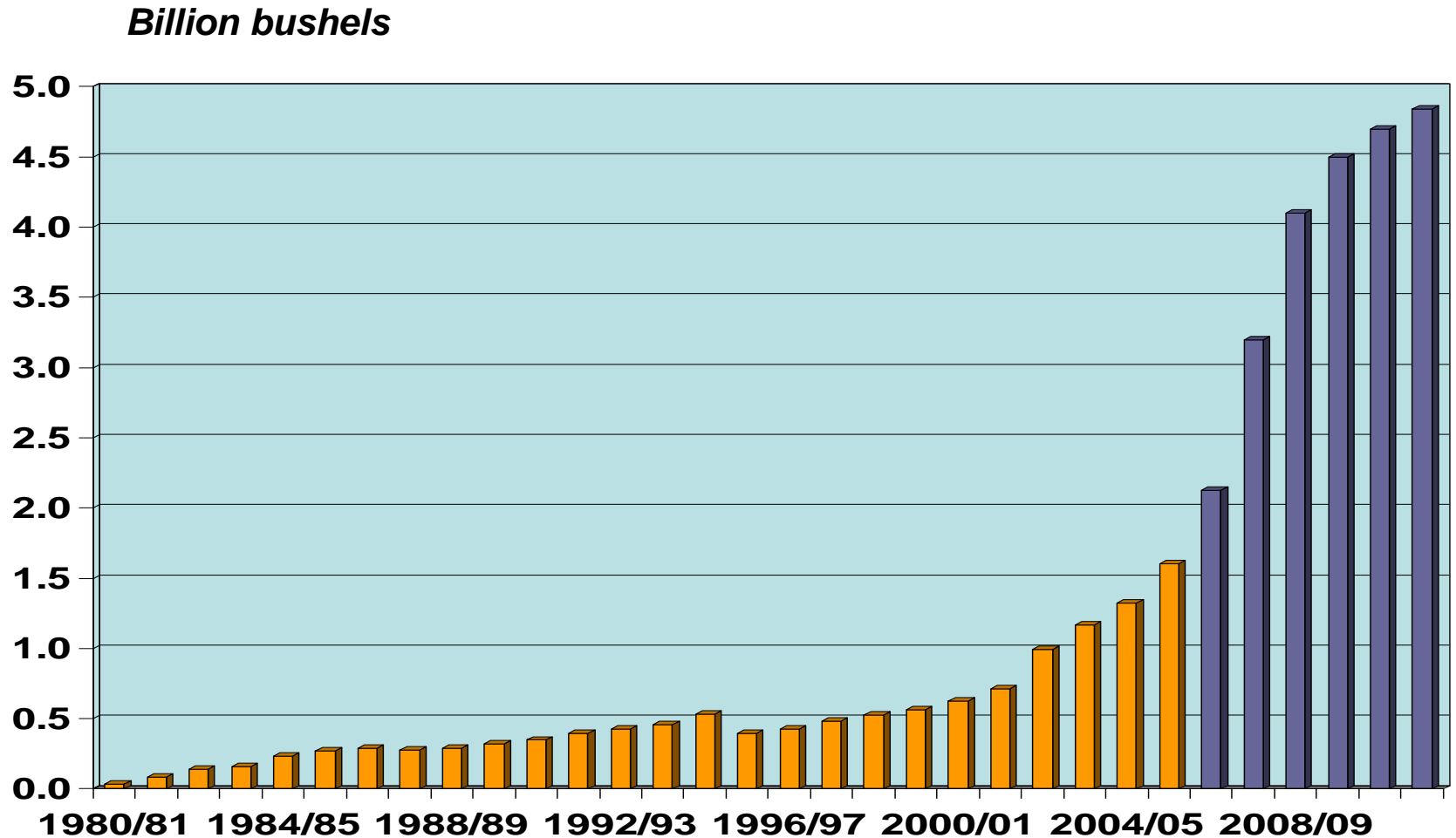
Current Status of Ethanol Industry

- ❑ Current capacity: 6.2 billion gallons/year (bgpy) or 2.2 billion bushels of corn
- ❑ Capacity under const/expan: 6.4 bgpy or 2.3 billion bushels of corn.
- ❑ 'Likely' additional capacity: 2.0-3.0 bgpy.
- ❑ Corn for ethanol in 2006-07 crop year will total 2.130 billion bushels and should climb to 3.3 billion in 2007-08 (Sep-Aug).



Source: RFA, Iowa State Univ.

U.S. Corn Used For Ethanol Production



Source: USDA; Doane forecast.

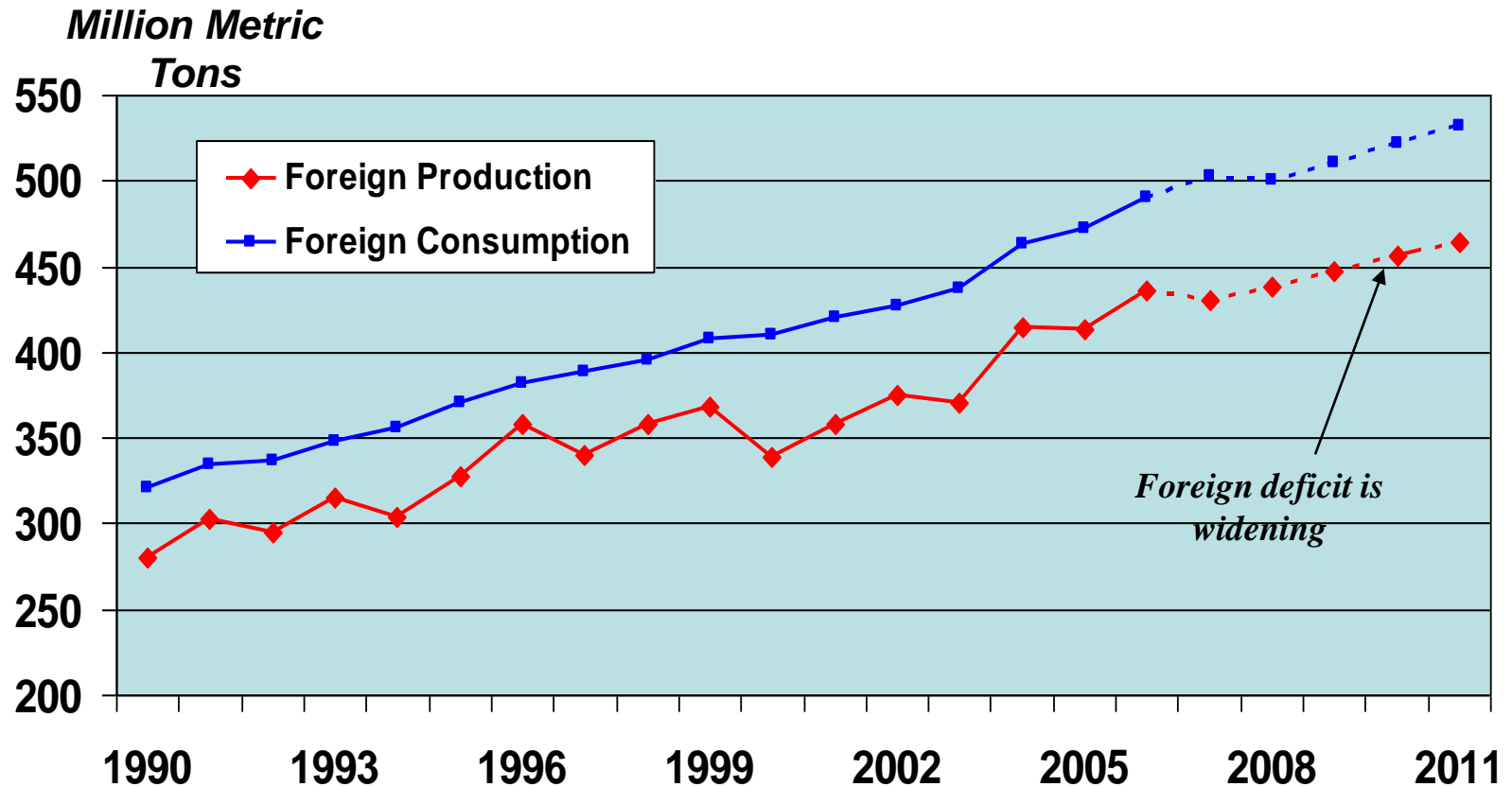
Ethanol Breakeven (\$/gallon)

	June 2006	Current Midwest Prices
Ethanol Price	3.30	1.60
Cash Operating Expense	-0.58	-.58
Co-Product Credit (DG)	.26	.38
Revenue Before Corn Cost	2.98	1.40
corn cost ~	0.77	1.20
Net Returns/gallon	2.21	0.20

Source: Doane Estimate

Foreign Corn Demand Exceeds Production

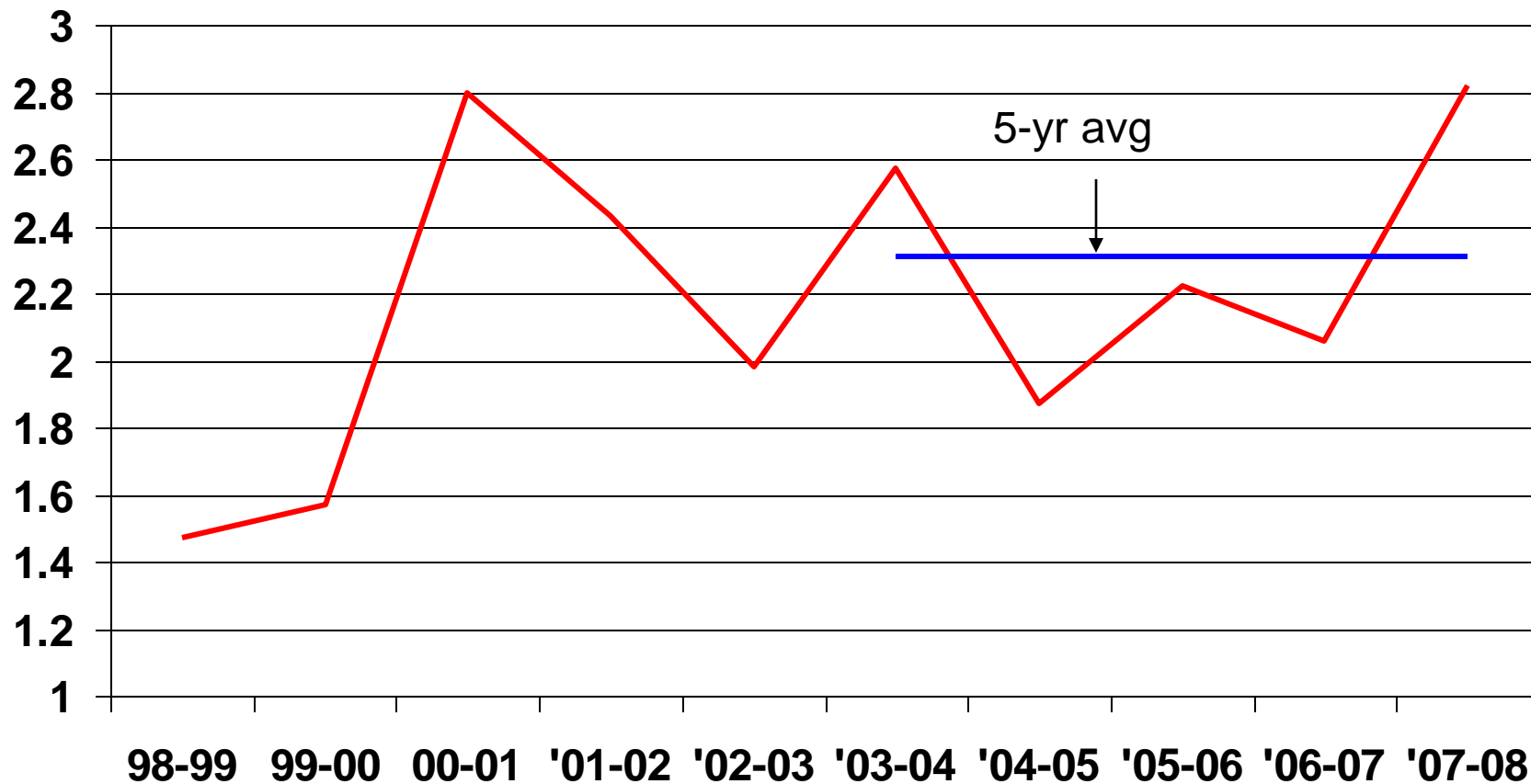
Gap widens from 53 mmts currently to 67 mmts in 2011-12 using '95-'06 trend



Source: USDA

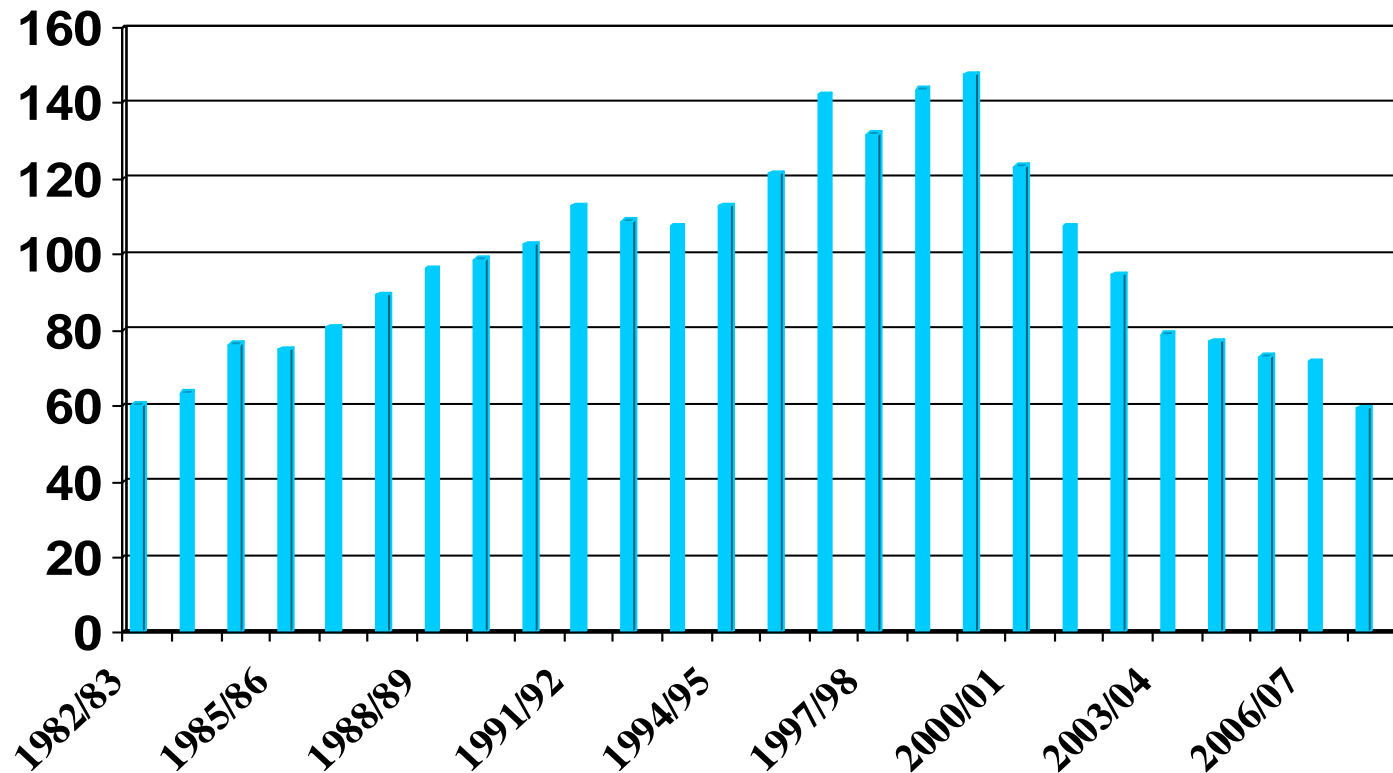
Foreign Corn Deficit

billion bushels

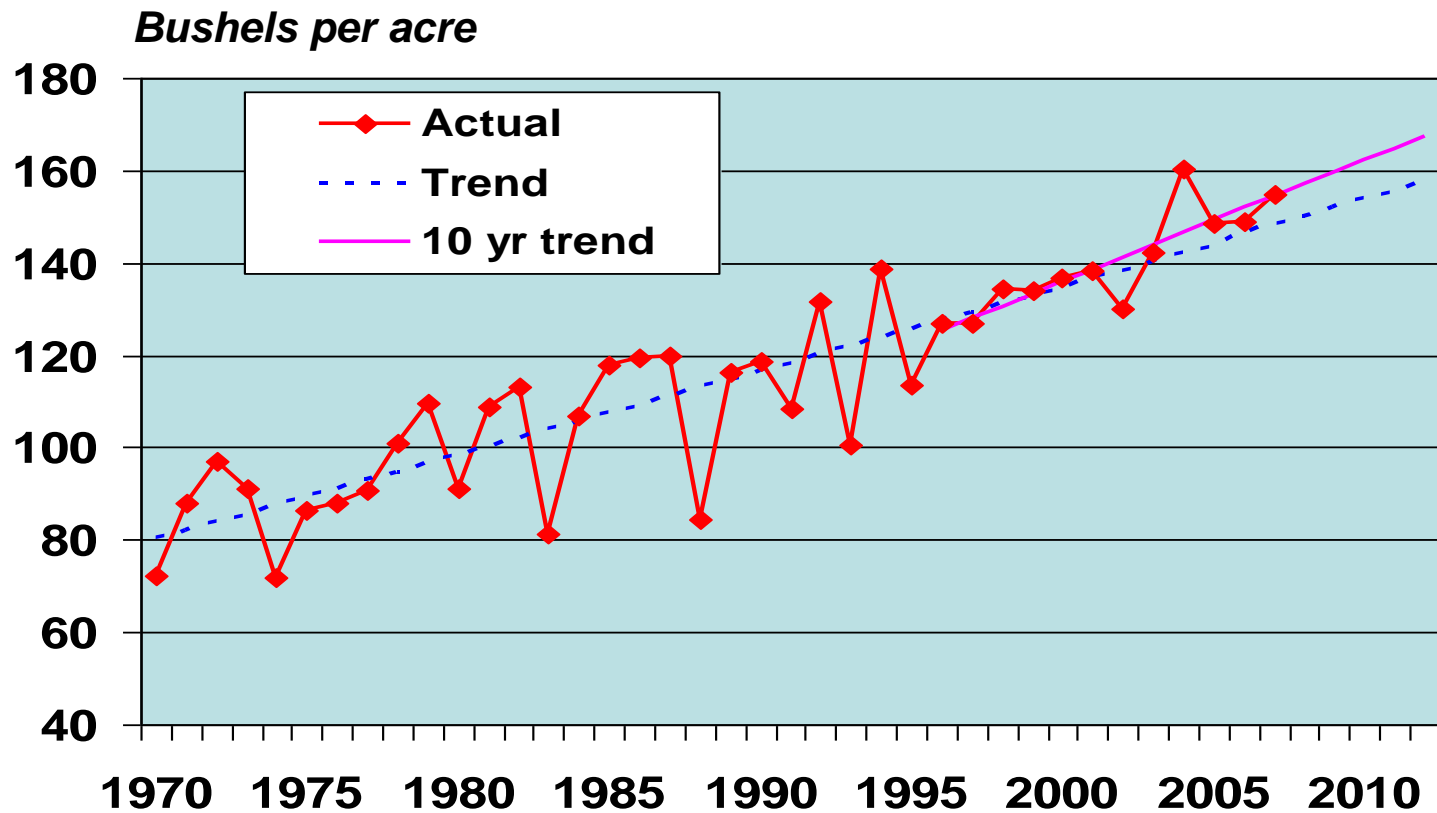


Foreign Corn Carryover Stocks

million tonnes



Corn Yield Growth Is Accelerating



Source: USDA, Doane forecast

U.S. Corn Supply & Demand Balance

Acreage	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Planted (mil acres)	81.8	78.3	93.6	88.0	92.0	93.5
Yield (bushels/acre)	148.0	149.1	154.7	157.0	159.6	162.2
Production	11,114	10,535	13,318	12,642	13,435	13,877
Use						
Feed & Residual	6,142	5,600	5,700	5,500	5,500	5,600
Food, Seed, & Industrial	2,982	3,486	4,592	5,500	5,920	6,185
Ethanol	1,603	2,115	3,200	4,100	4,500	4,750
Exports	2,147	2,125	2,300	2,200	2,250	2,275
Total Use	11,271	11,210	12,592	13,200	13,720	14,060
Ending Stocks	1,967	1,304	2,045	1,496	1,222	1,048
Avg. farm price (\$ per bushel)	2.00	3.04	3.20	3.30	3.40	3.50



Source: USDA; Doane forecast.
(000's bushels except where noted)

U.S. Soybean Balance Sheet

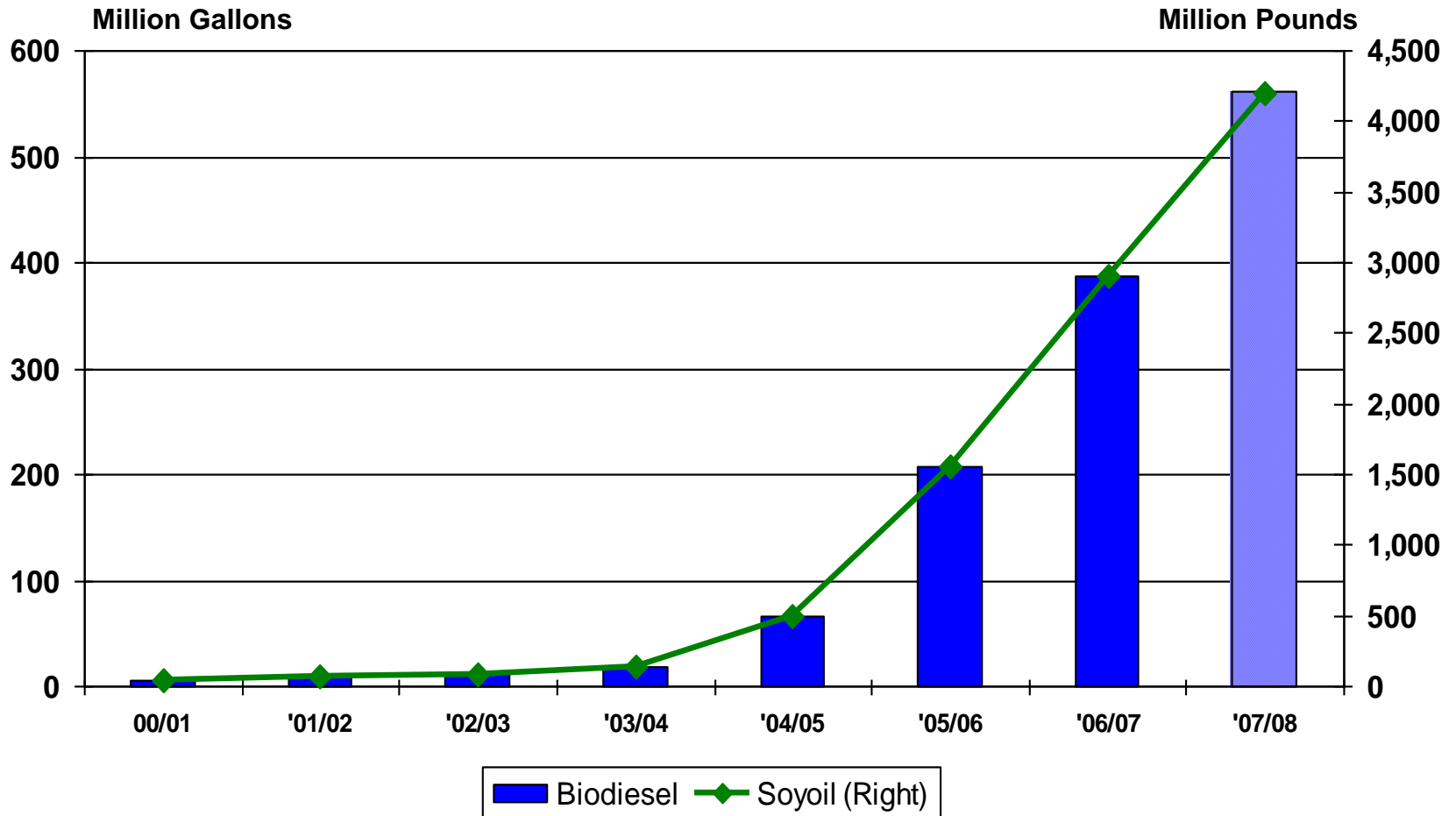
(million bushels)

	2004/05	2005/06	2006/07	2007/08	2008/09
Planted Acres (mln)	75.2	72.0	75.5	63.7	66.5
Yield (bu./acre)	42.2	43.0	42.7	41.4	42.5
Production	3,124	3,063	3,188	2,598	2,795
Disappearance					
Crush	1,696	1,739	1,806	1,815	1,825
Exports	1,097	940	1,118	965	925
Total Disappearance	2,986	2,873	3,074	2,960	2,925
Ending Stocks	256	449	573	217	209
Stocks-to-Use Ratio (%)	8.6%	15.6%	18.6%	7.3%	7.1%
Average Farm Price (\$/bu.)	\$5.74	\$5.66	\$6.43	\$8.25	\$8.75

Biodiesel Situation

- Production capacity near 1 billion gallons
- A lot more capacity under construction
- Capacity utilization is low (near 40%)
- High soyoil prices keep profits slim
 - Soyoil = \$2.80/gallon at 38 cents per pound
 - Other costs add between 50 cents and \$1
 - Blenders credit is essential for any profits

U.S. Biodiesel Production



Source: USDA/FSA

Wheat Supply-Demand Balance

(billion bushels)

	2006-07	2007-08	2008-09
Acreage	57.3	60.3	→ 64.3
Production	1.81	2.07	2.42
Dom. Use	1.14	1.15	1.20
Exports	0.91	1.17	1.10
Total Use	2.05	2.32	2.30
Stocks	0.46	→ 0.29	0.48
Price (\$/bu)	\$4.26	\$6.10	\$5.35

Cotton Outlook is Less Bright

- Cotton prices are not keeping up
- Stocks were near 10 million bales last year
- Exports will have to rebound substantially
- Cotton acreage will probably stay low

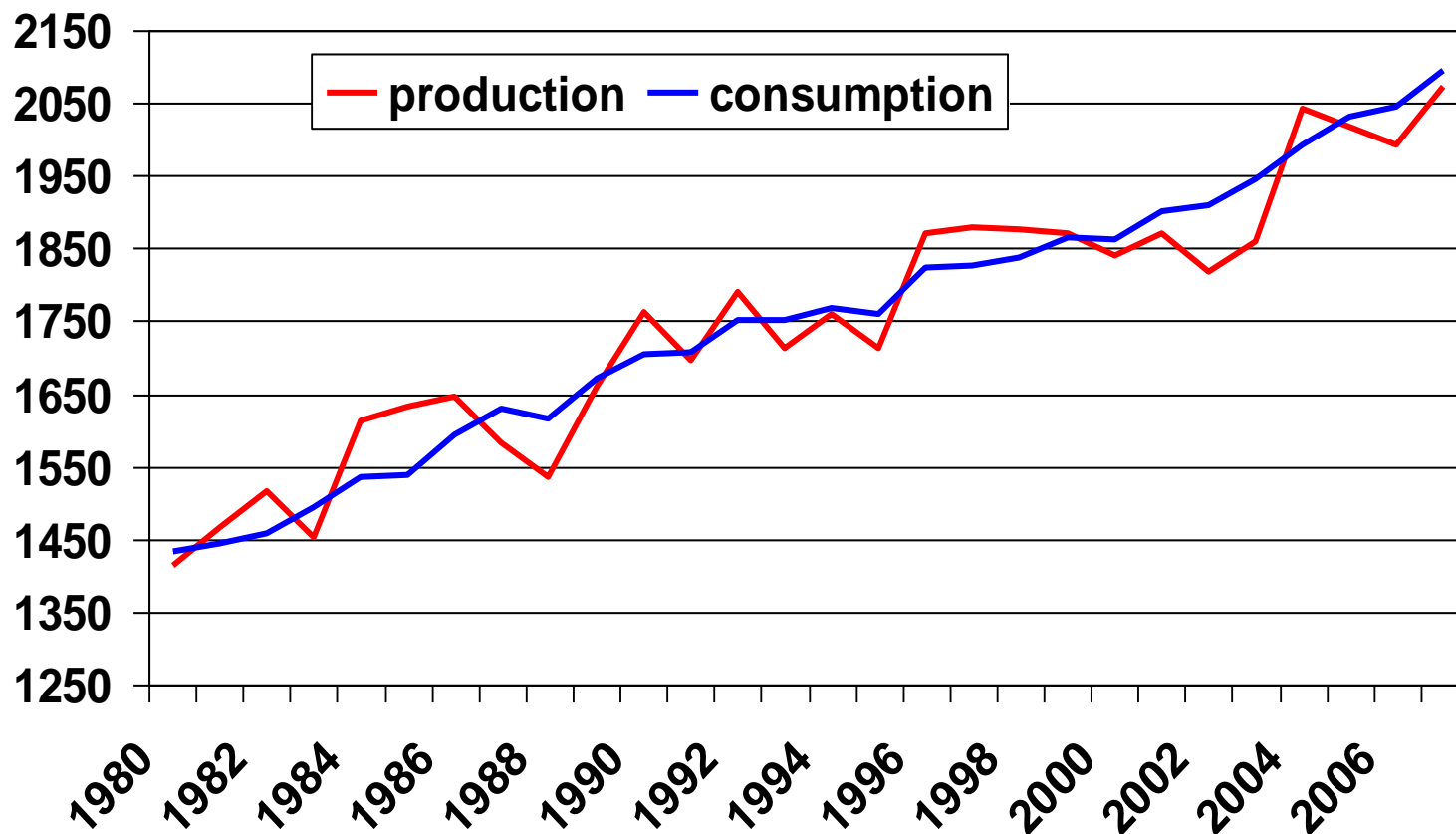
Cotton Supply-Demand Balance

(Million Bales)

	2006-07	2007-08	2008-09
Acreage	15.3	10.9	10.0
Production	21.59	18.00	16.67
Dom. Use	4.95	4.60	4.20
Exports	13.00	16.1	15.5
Total Use	17.95	20.7	19.70
Stocks	9.48	6.85	3.90
Price (cents)	47.30	48.76	53.00

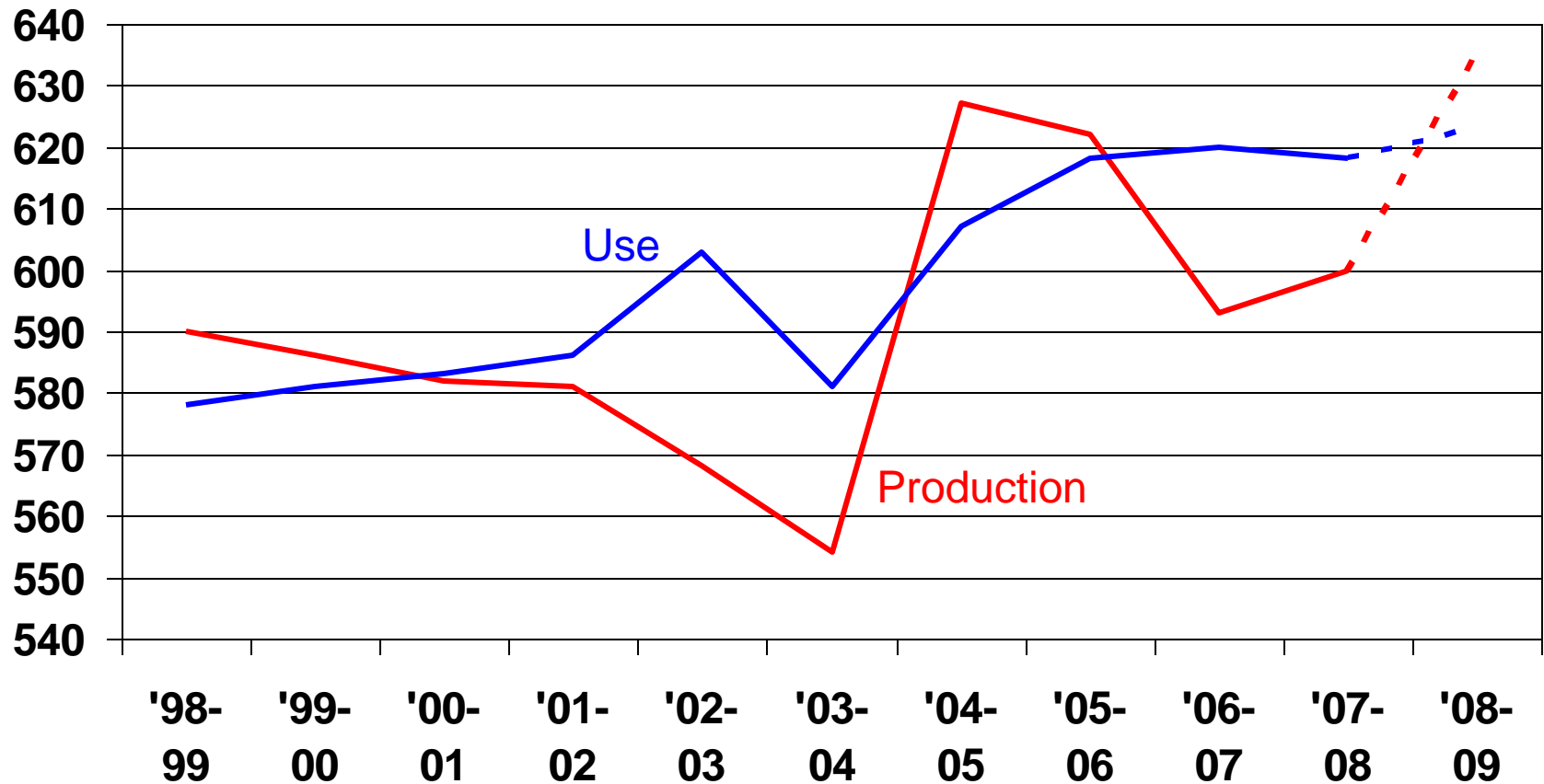
World Grain Production & Use

million tonnes

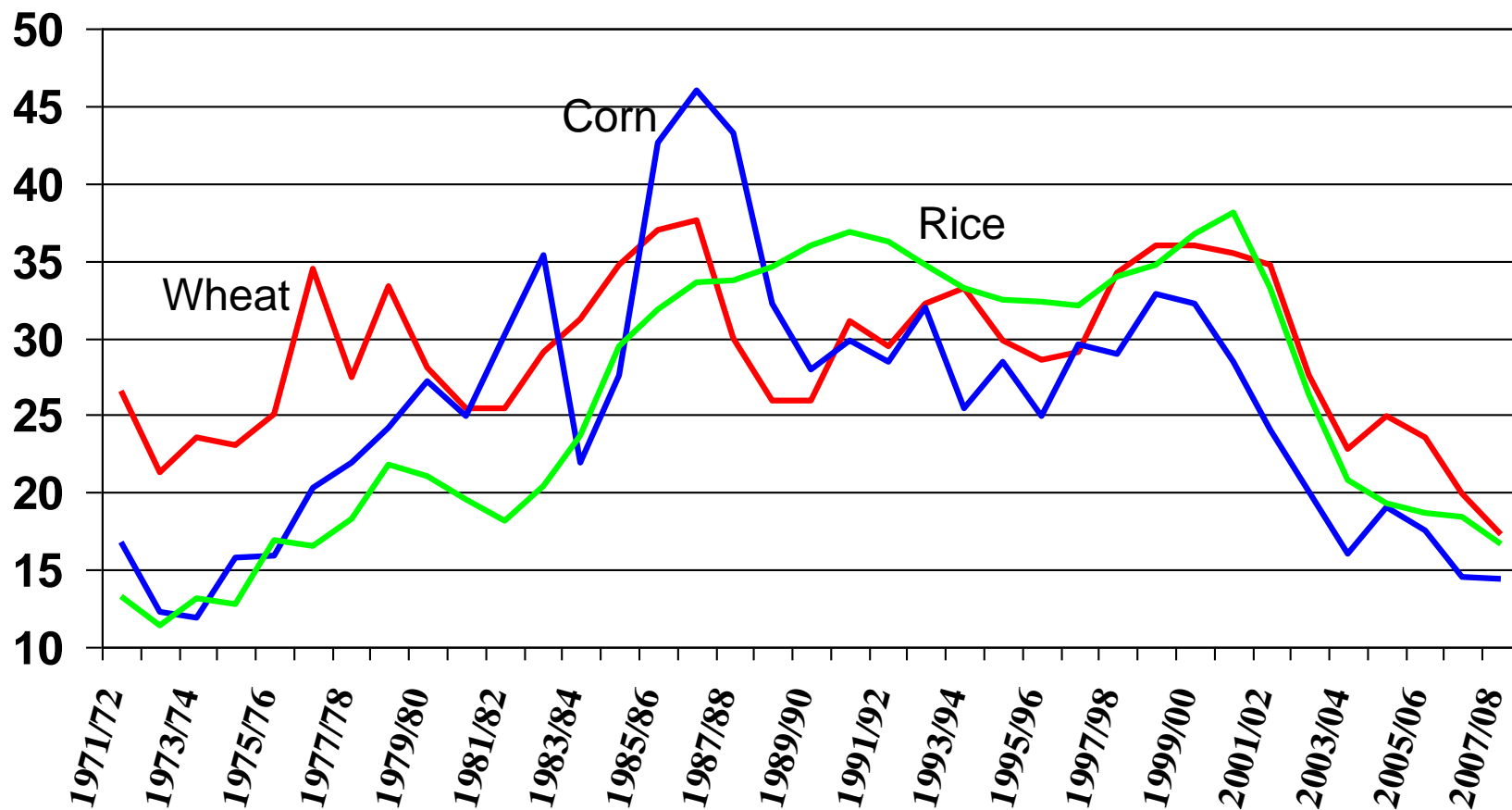


World Wheat Prod. & Use

million tonnes



World Stocks-to-use Ratios percent



World Grain Area Harvested

million hectares

	1997	2002	2007	2012
Coarse Grains	311.4	293.1	316.1	323.8
Wheat	228.4	214.6	217.4	222.1
Rice	151.2	145.8	154.0	156.3
Soybeans	68.6	82.3	92.0	100.8
Cotton	33.8	30.4	34.0	35.3
Sum Total	793.4	766.2	813.5	838.3

An Overview of the Farm Economy

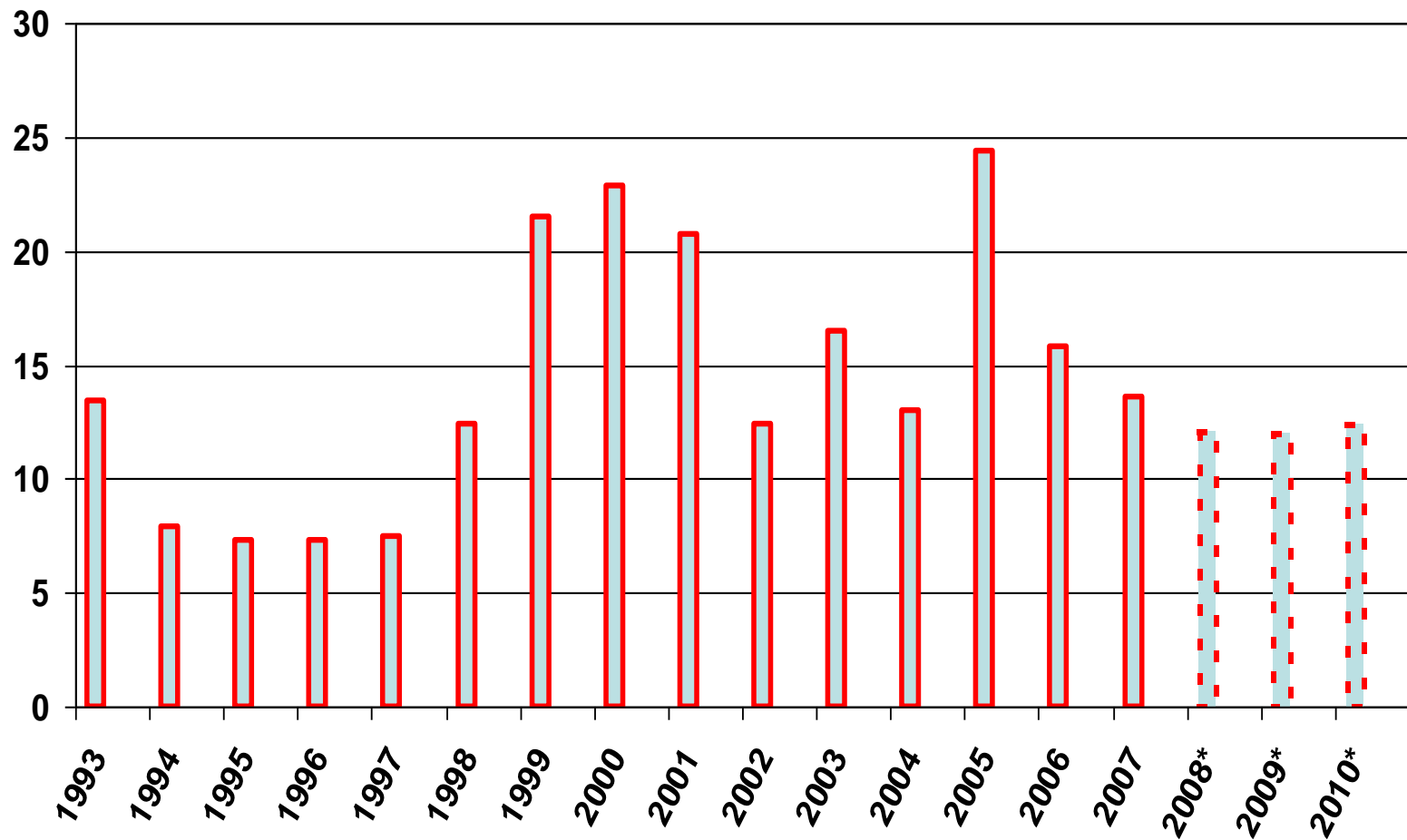
- **The U.S. farm economy is very strong**
- **Net cash farm income is expected to be record high in 2007**
 - High crop prices will push up crop cash receipts
 - Livestock cash receipts are also up a lot
 - Dairy cash receipts are up more than 50% over last year
- **Production expenses are rising – but by less than cash receipts**
 - Expenses will be up about \$20 billion this year while cash receipts are up more than \$35 billion
- **Farm equity will rise to more than \$2 trillion**
 - Soaring land prices are a major factor in the balance sheet
- **Overall economic conditions should remain strong through the forecast**

Year-to-Year Change in Cash Receipts – billion dollars

Crop	2006	2007	% Chg
Corn	21.7	31.3	+44
Soybeans	16.9	19.5	+15
Wheat	7.3	9.7	+33
Cotton	6.2	5.1	-18
Cattle	49.1	50.5	+3
Dairy	23.4	35.4	+51

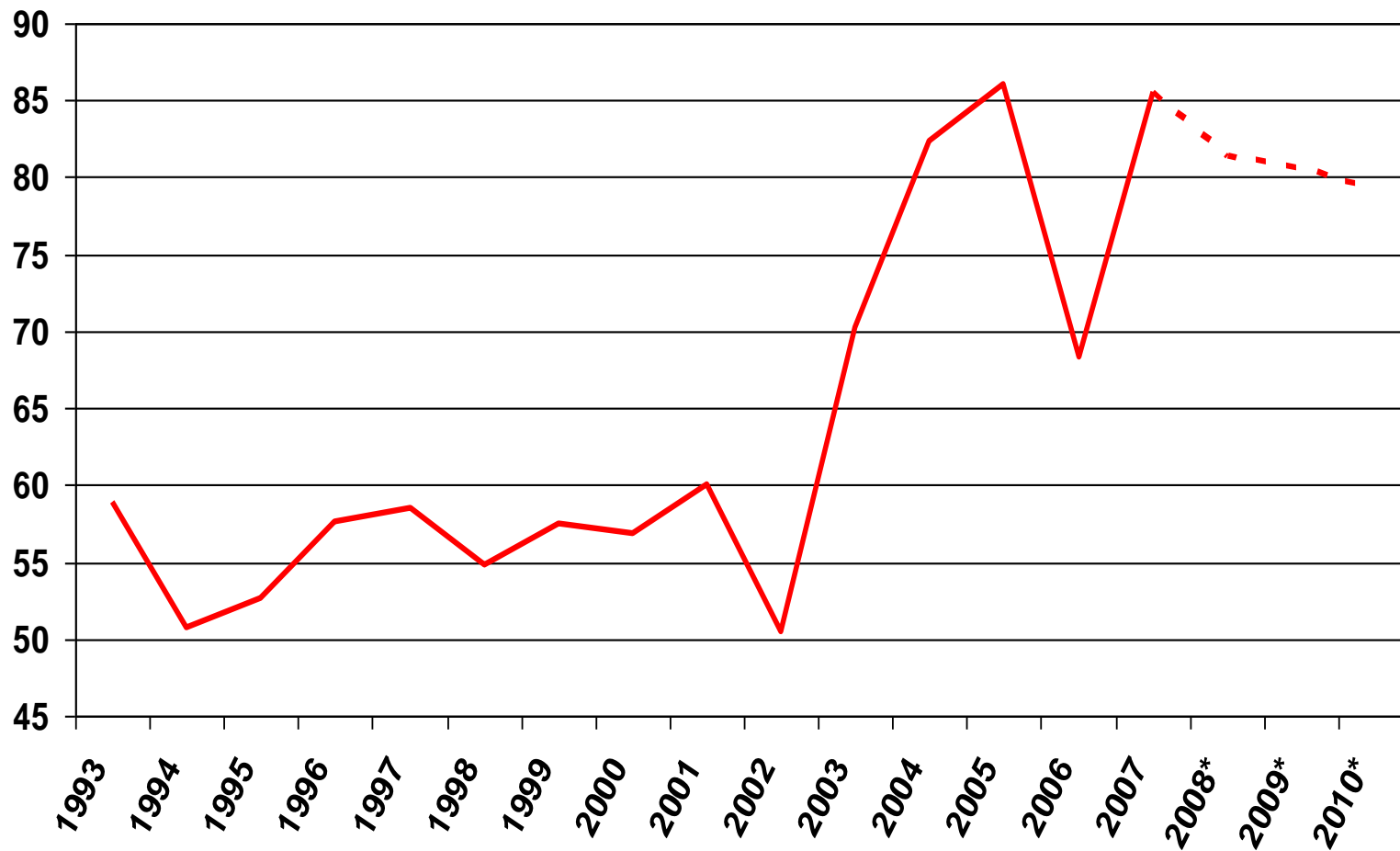
Government Payments

Billion dollars



Net Cash Farm Income

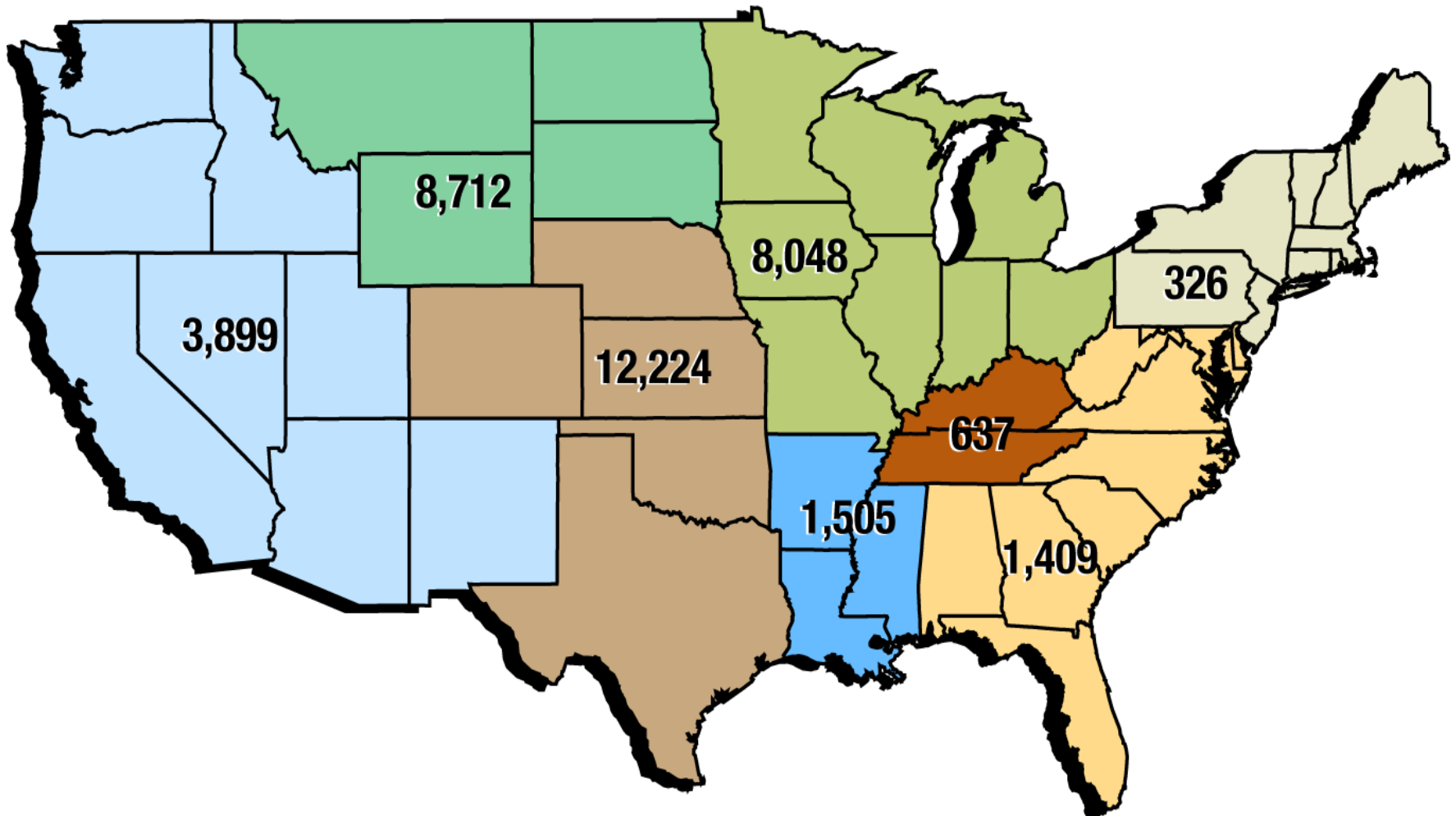
Billion dollars



The Conservation Reserve Program

- **Almost 37 million acres are currently enrolled**
 - About 21 million in the Plains states
 - About 8 million in the Corn Belt
- **Some land exited the program this year**
 - USDA offered extensions or re-enrollment for expiring contracts
 - Contracts covering 2.1 million acres were not retained
 - About 400,000 acres of continuous sign-up land is scheduled to exit too
- **Contract expirations accelerate in 2009 and beyond**
 - Because of the extensions approved last year
 - More than 7 million acres could come out by 2010
- **USDA will not offer general sign-ups in 2008**
- **USDA said no to “early-outs”**

MAP OF LAND ENROLLED IN THE CRP

Thousand acres

Land Set to Exit the CRP

2007	2.5
2008	1.4
2009	3.9
2010	4.5
2011	4.4

Some Comments About the Farm Bill

- **House passed bill – little change from 2002**
 - Direct, CCP, and LDPs still intact
 - Increases for some loan rates and target prices
 - Tighter restrictions on payments (sort of)

- **Bush threatens a veto**
 - Not consistent with WTO requirements
 - Raises taxes on foreign-owned companies

Some Comments About the Farm Bill

- Senate passed bill also has few real changes
 - Permanent Disaster Aid plan
 - State level revenue-based payment plan
 - Some increases in target prices and loan rates

- Senate Floor Debate this week

- Tighter Payment Limits may be added

A Few Observations

- Higher crop Prices are here to stay
 - Especially for corn and soybeans
- Total U.S. crop acreage will increase to keep pace with demand growth
- Foreign crop acreage will also have to increase.
- World grain demand is rising faster than world production

A Few Observations

- The outlook for the U.S. agriculture sector is strong.
 - Crop prices should stay high and net farm income should increase
 - Cash expenses are also rising, trimming profits
 - High crop prices will encourage high fertilizer application rates.
- There will be a battle for acreage in 2008 and probably in 2009 too

Questions?