



The Fertilizer Institute Outlook Conference
The Outlook for Agriculture

November 7, 2006

Rich Pottorff
Doane Advisory Services

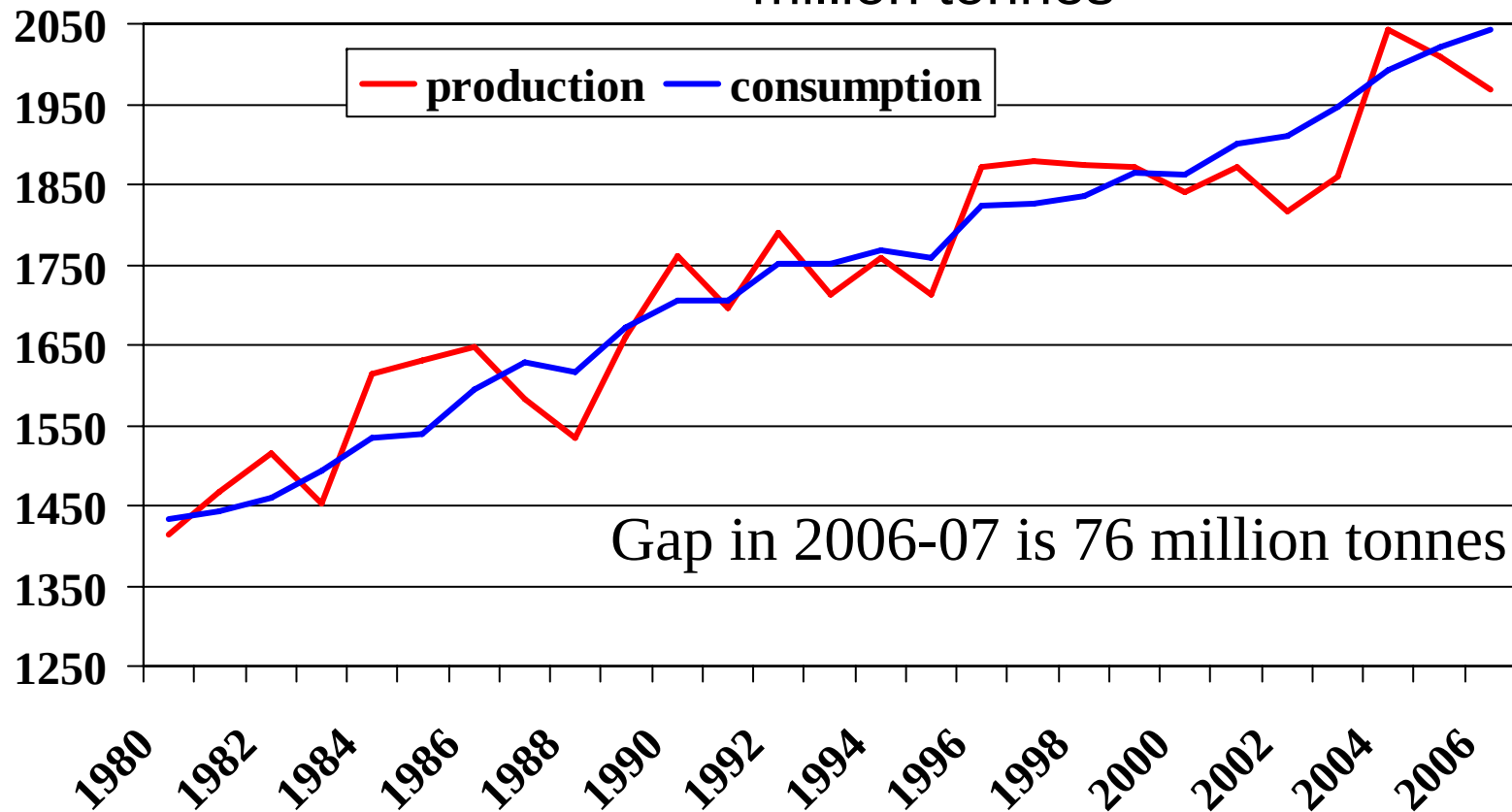
Major U.S. Crop Acreage

million acres

	2006	2007	2008	2009	2010
Corn	79.4	83.0	86.0	87.0	87.5
Soybeans	74.9	73.0	71.9	70.7	71.5
Wheat	57.3	61.1	59.5	58.6	58.5
Cotton	15.3	14.7	14.3	14.2	14.0
Rice	2.9	3.2	3.3	3.3	3.4

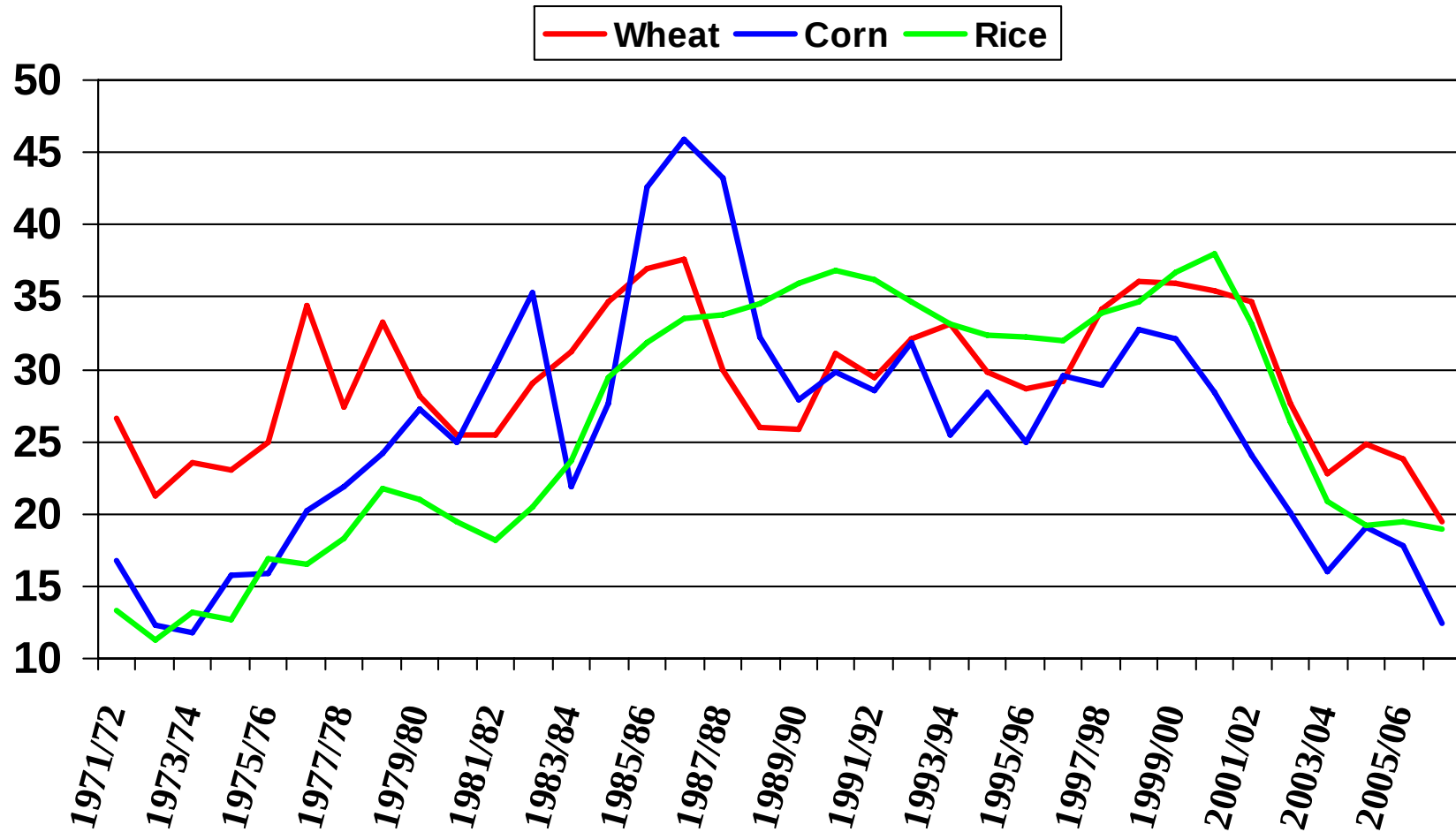
World Grain Production & Use

million tonnes



Stocks-to-use Ratios for Major Crops

Percent



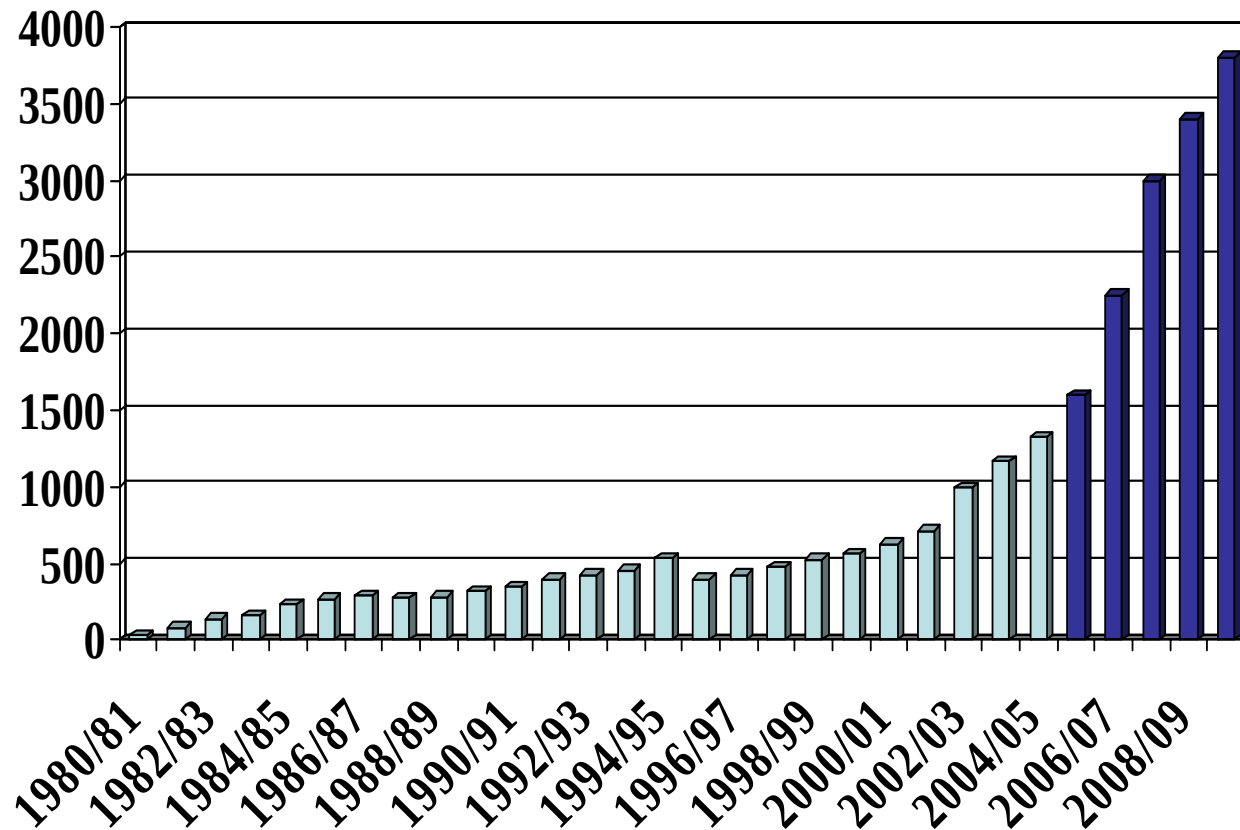
The Outlook for Corn

- Corn Stocks are large, but falling
- Demand continues to rise
 - Ethanol will fuel domestic use
 - Exports should increase if data is accurate
- Acreage will need to rebound in 2007 **(a lot)**
 - High prices will be needed

Corn Used for Ethanol Production

Corn used to produce ethanol increased 20% last season and will rise by 30% in 2006-07.

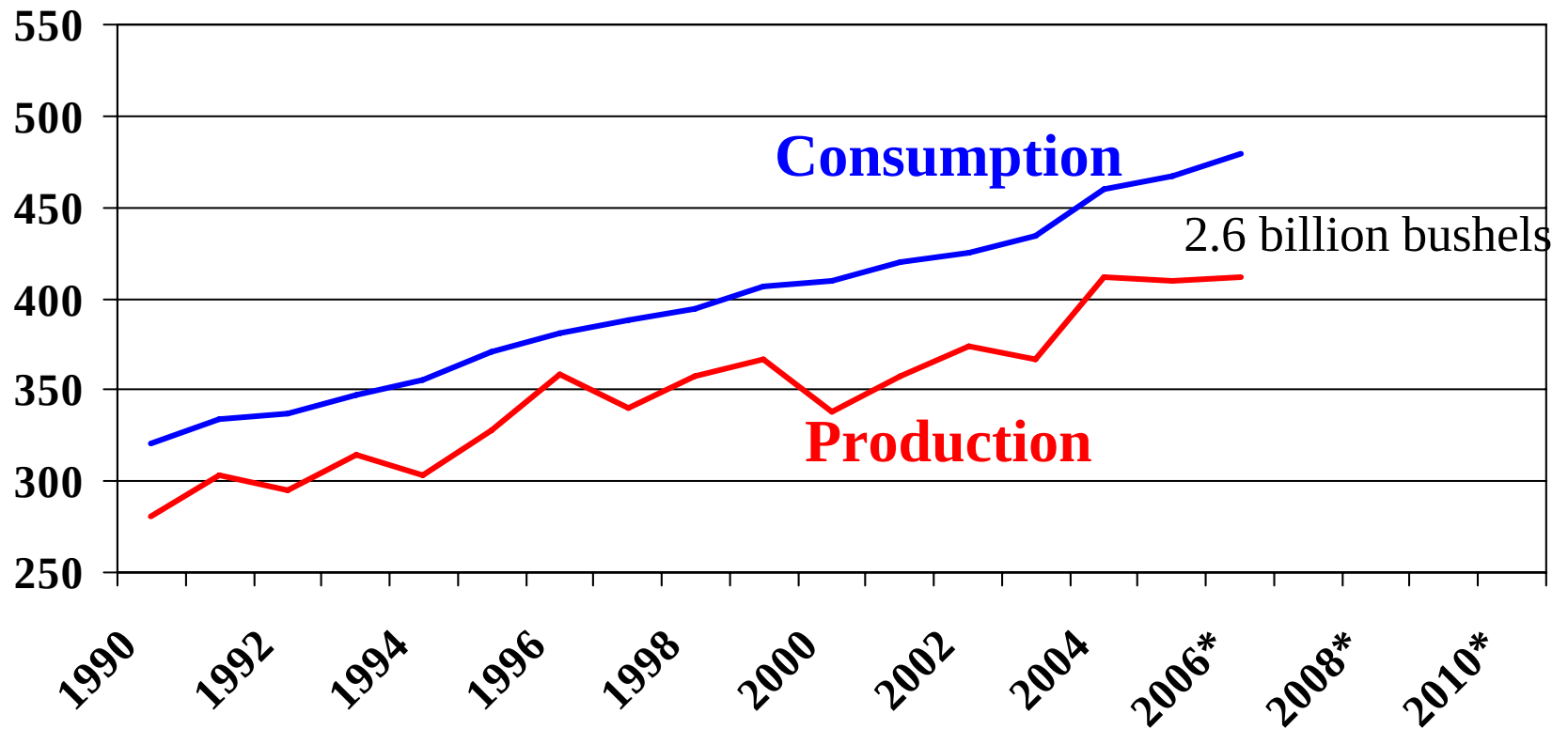
Million bushels



Source: USDA; Doane Forecast

Foreign Corn Production & Use

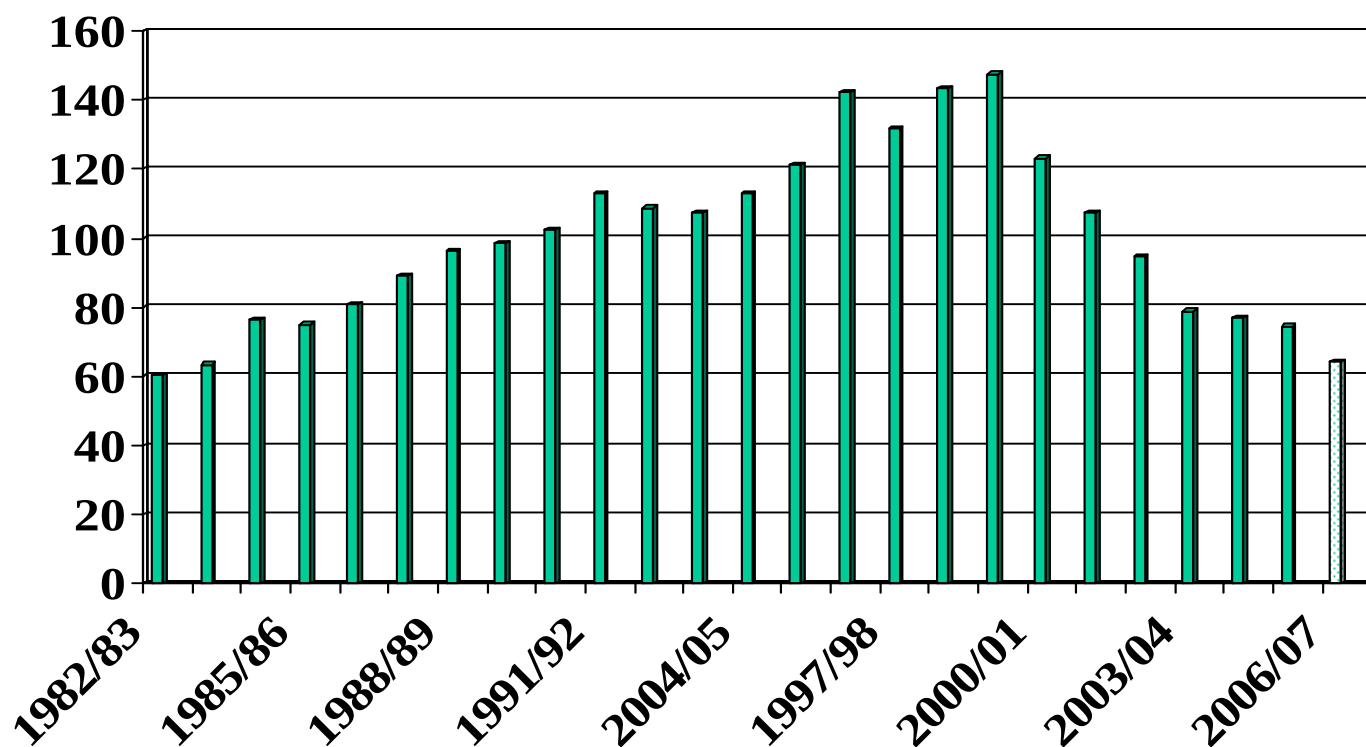
million tonnes



* Doane forecast

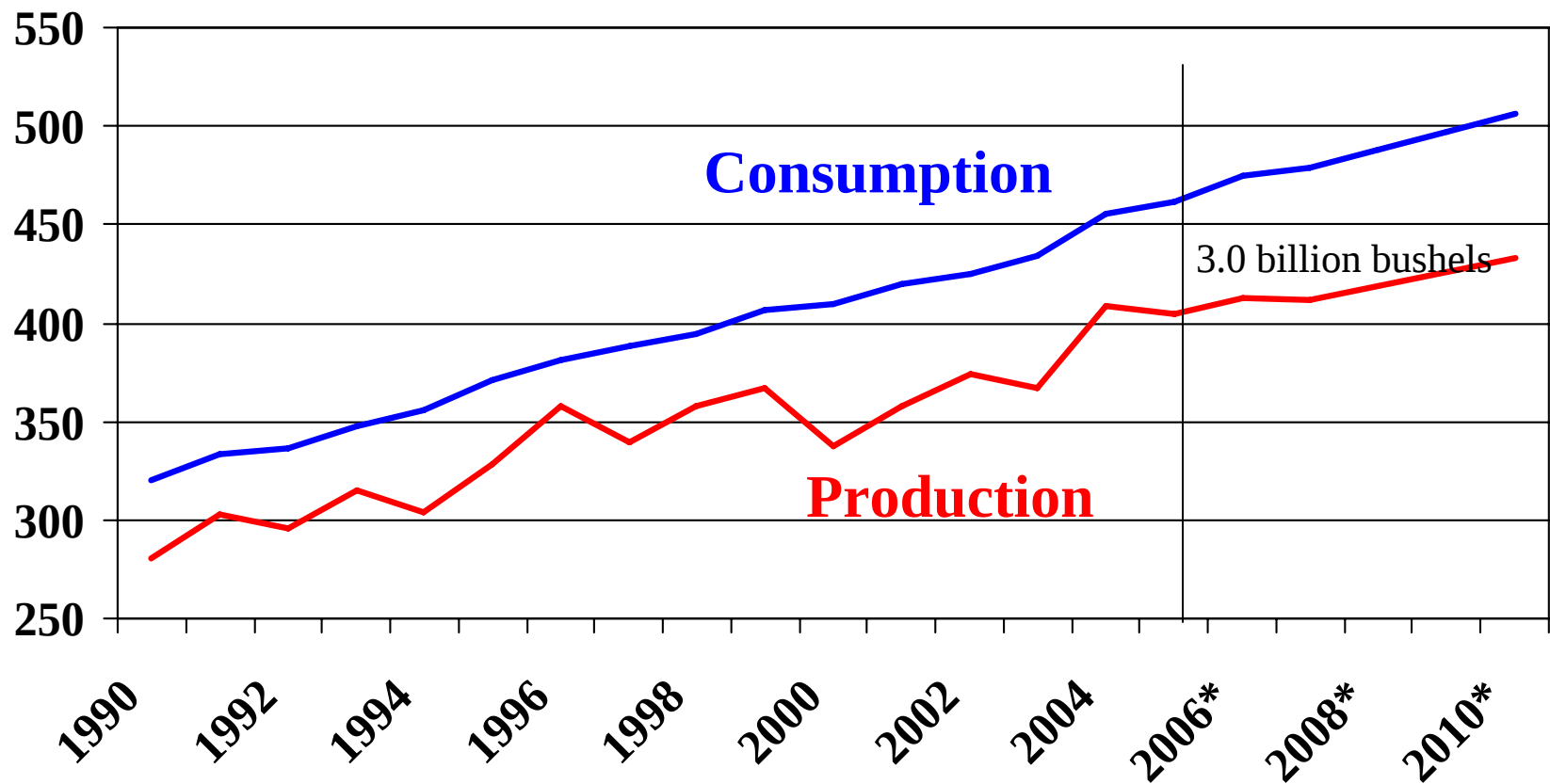
Foreign Corn Carryover Stocks

million tonnes



Foreign Corn Production & Use

million tonnes



* Doane forecast

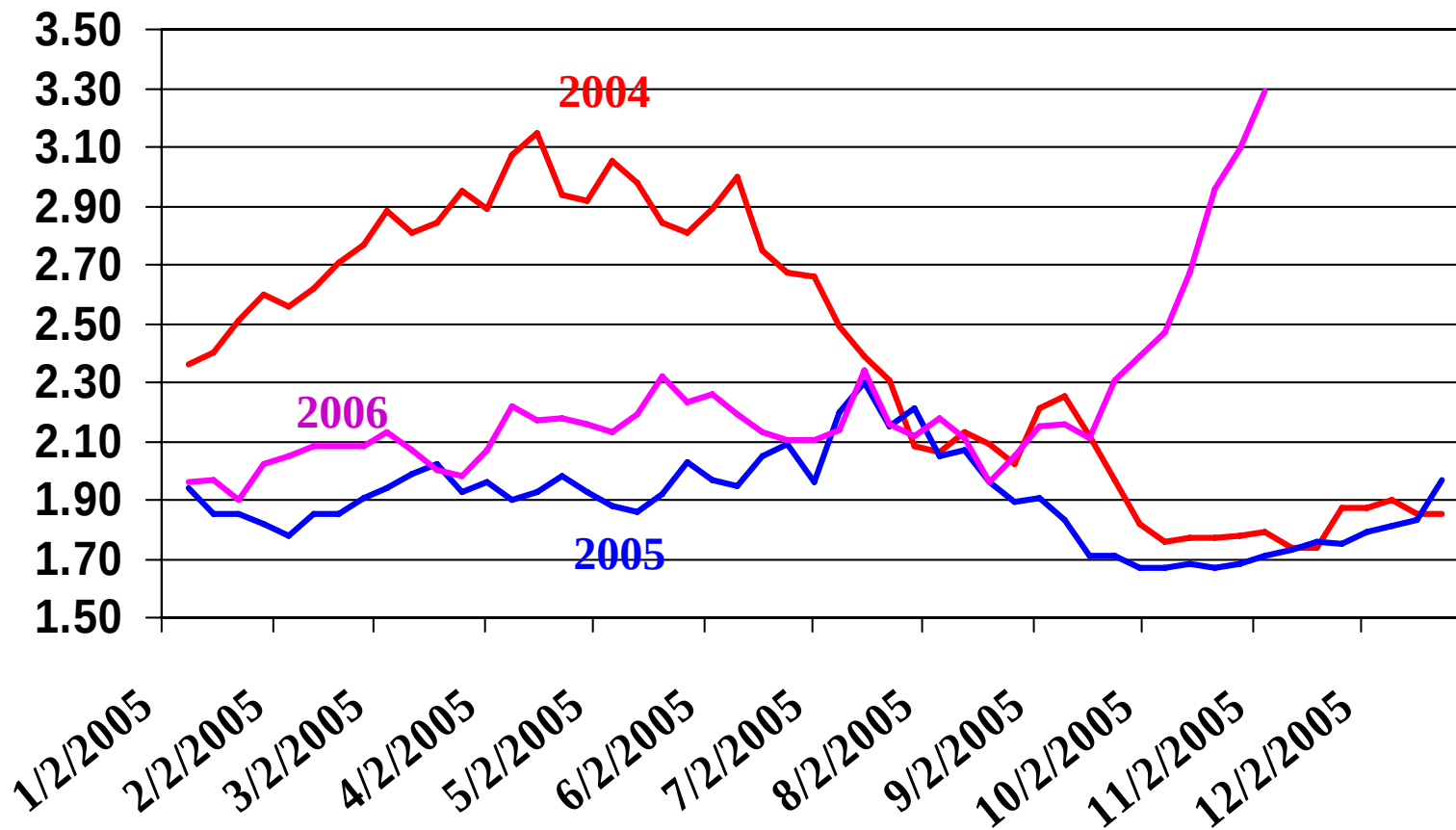
Corn Supply and Demand

	2005/06	2006/07	2007/08	2008/09
Acreage (mil acres)	81.8	78.6	85.0	87.0
Production (bil bu)	11.11	10.91	12.06	12.65
Exports (bil bu)	2.15	2.25	2.10	2.10
Ethanol (bil bu)	1.60	2.20	3.00	3.30
Total Use (bil bu)	11.27	11.94	12.40	12.60
Stocks (bil bu)	1.97	0.95	0.70	0.75
Prices (\$/bu)	\$2.00	\$2.75	\$3.20	\$3.30

It takes 87 million acres to produce 12.4 billion bushels with a 156 bu/acre yield

Corn Prices

dollars per bushel



Farm Resource Regions



U.S. Corn, Soybeans, and Wheat Budgets

(dollars per planted acre)

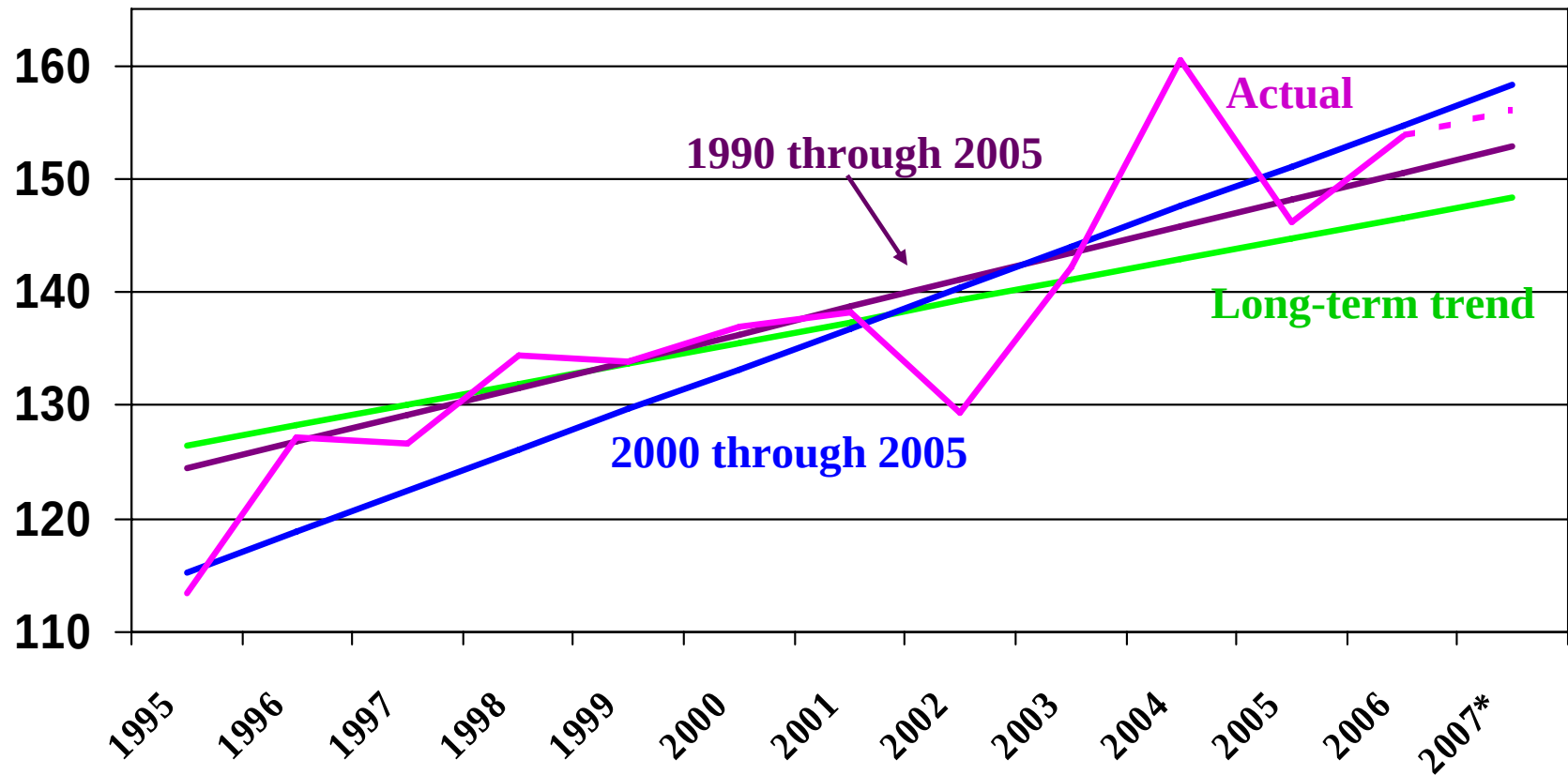
	Corn		Soybeans		Wheat	
	2005	2007	2005	2007	2005	2007
Total U.S.						
Revenue	285	471	265	274	121	151
Operating Costs	193	220	90	100	79	88
Net Returns	91	251	174	174	42	64
Heartland						
Revenue	286	484	282	294	205	240
Operating Costs	186	213	85	94	99	109
Net Returns	100	270	197	200	106	131

U.S. Corn, Soybeans, and Wheat Budgets

(dollars per planted acre)

	Corn		Soybeans		Wheat	
	2005	2007	2005	2007	2005	2007
Northern Plains						
Revenue	217	341	221	198	117	147
Operating Costs	165	185	84	93	72	79
Net Returns	51	156	137	105	44	68
Prairie Gateway						
Revenue	318	521	271	278	96	116
Operating Costs	236	267	105	118	74	83
Net Returns	82	253	165	161	22	33

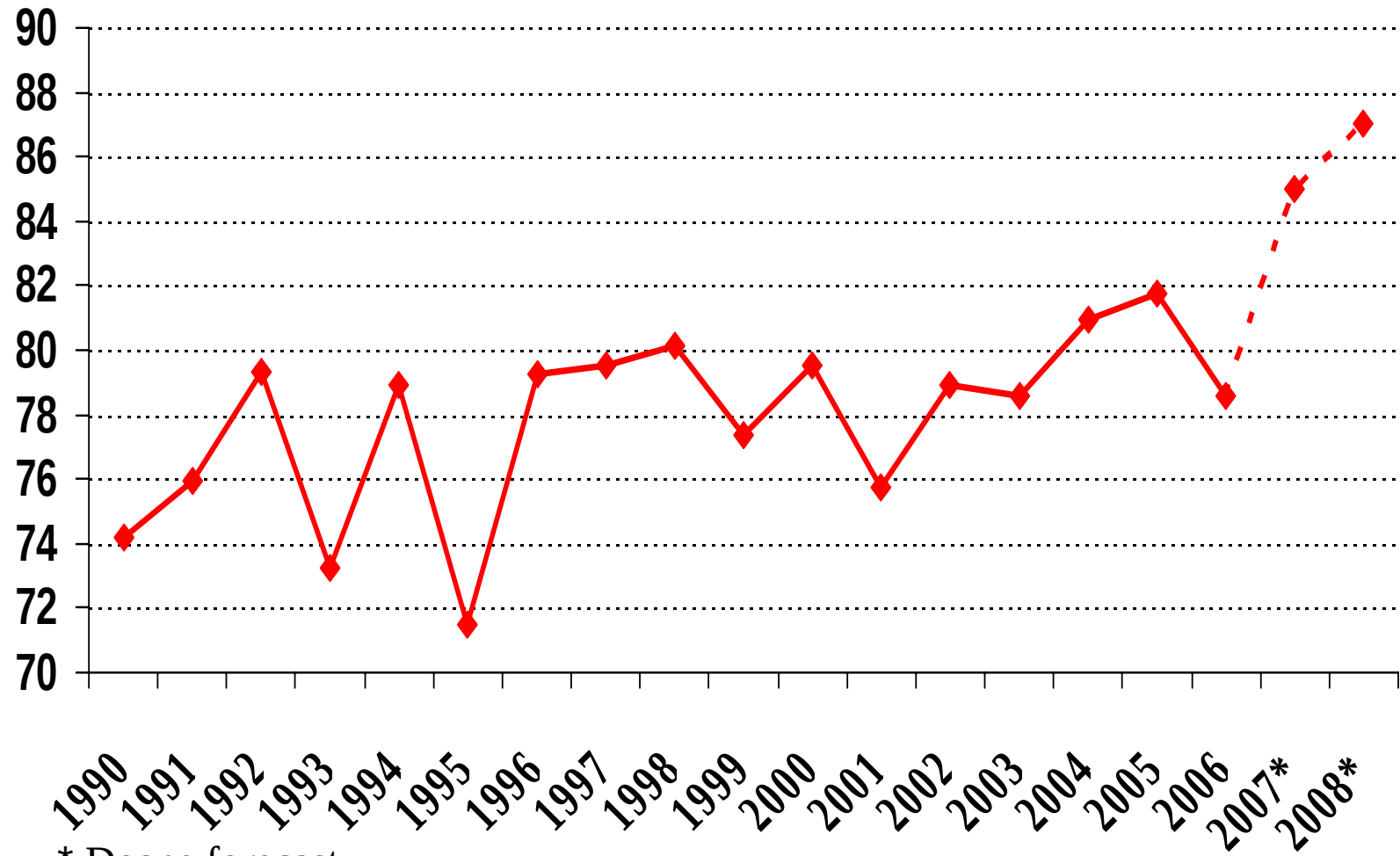
Trend Corn Yields



It takes 87 million acres to produce 12.4 billion bushels with a 156 bu/acre yield
89 million acres if the yield is 153 bu/acre

Corn Acreage needs to rise by 6 million acres or more in 2007

Million acres



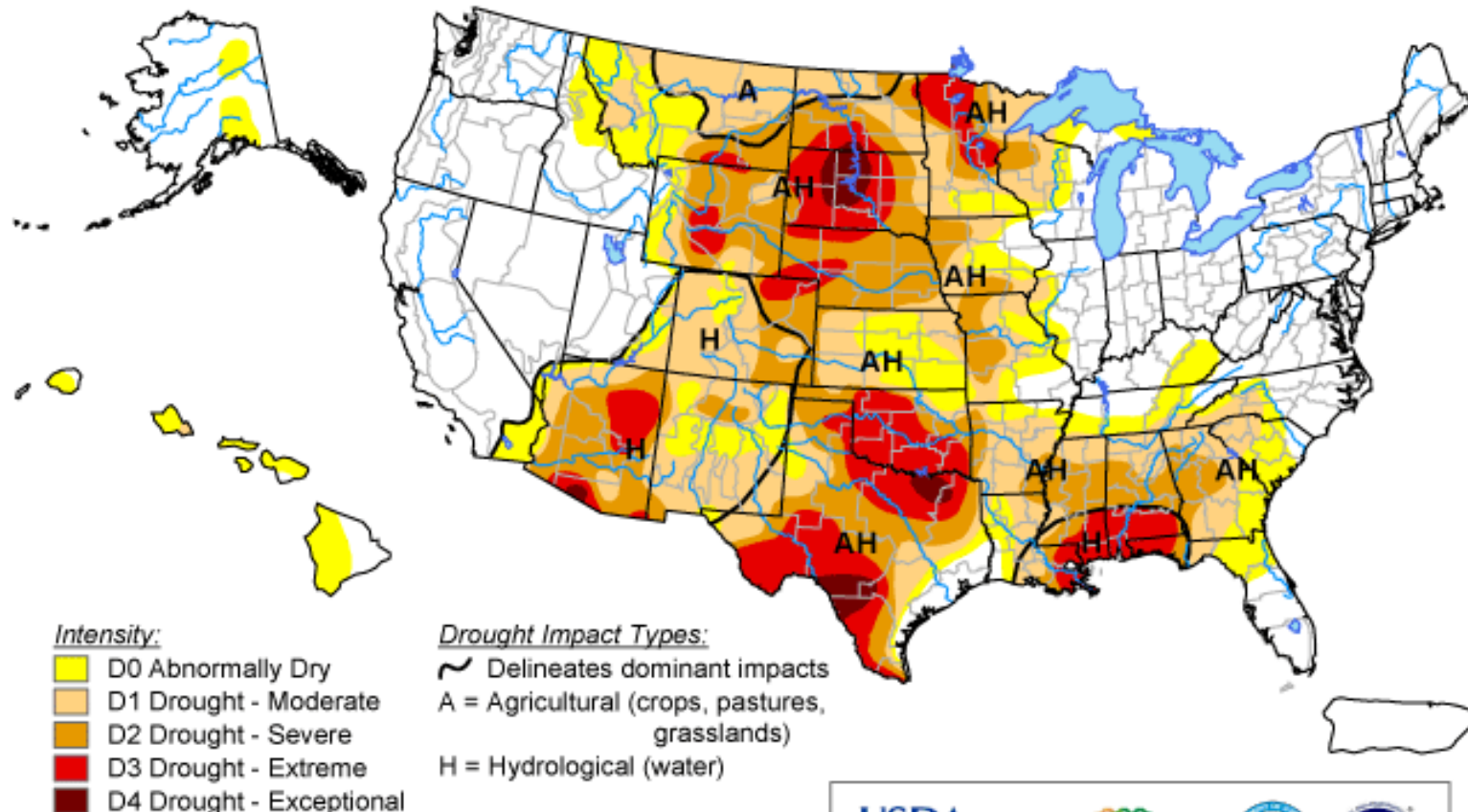
* Doane forecast

Land Coming Out of the CRP

- 3.0 million acres at the end FY 2007
 - Most (1.4 mil) in ND, SD, MT, KS, & TX
 - Only about 300K in the Corn Belt
- 1.1 million for the 2009 crop
- 3.6 million for 2010
- 4.0 million for 2011

U.S. Drought Monitor

August 1, 2006
Valid 8 a.m. EDT



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://drought.unl.edu/dm>



Released Thursday, August 3, 2006
Author: David Miskus, JAWF/CPC/NCEP/NOAA

Wheat Supply-Demand Balance

(billion bushels)

	2005-06	2006-07	2007-08
Production	2.11	1.81	2.25
Feed Use	0.15	0.15	0.18
Food	0.92	0.92	0.92
Exports	1.01	0.93	1.02
Total Use	2.16	2.07	2.19
Stocks	0.57	0.40	0.56
Price (\$/bu)	\$3.42	\$4.25	\$3.70

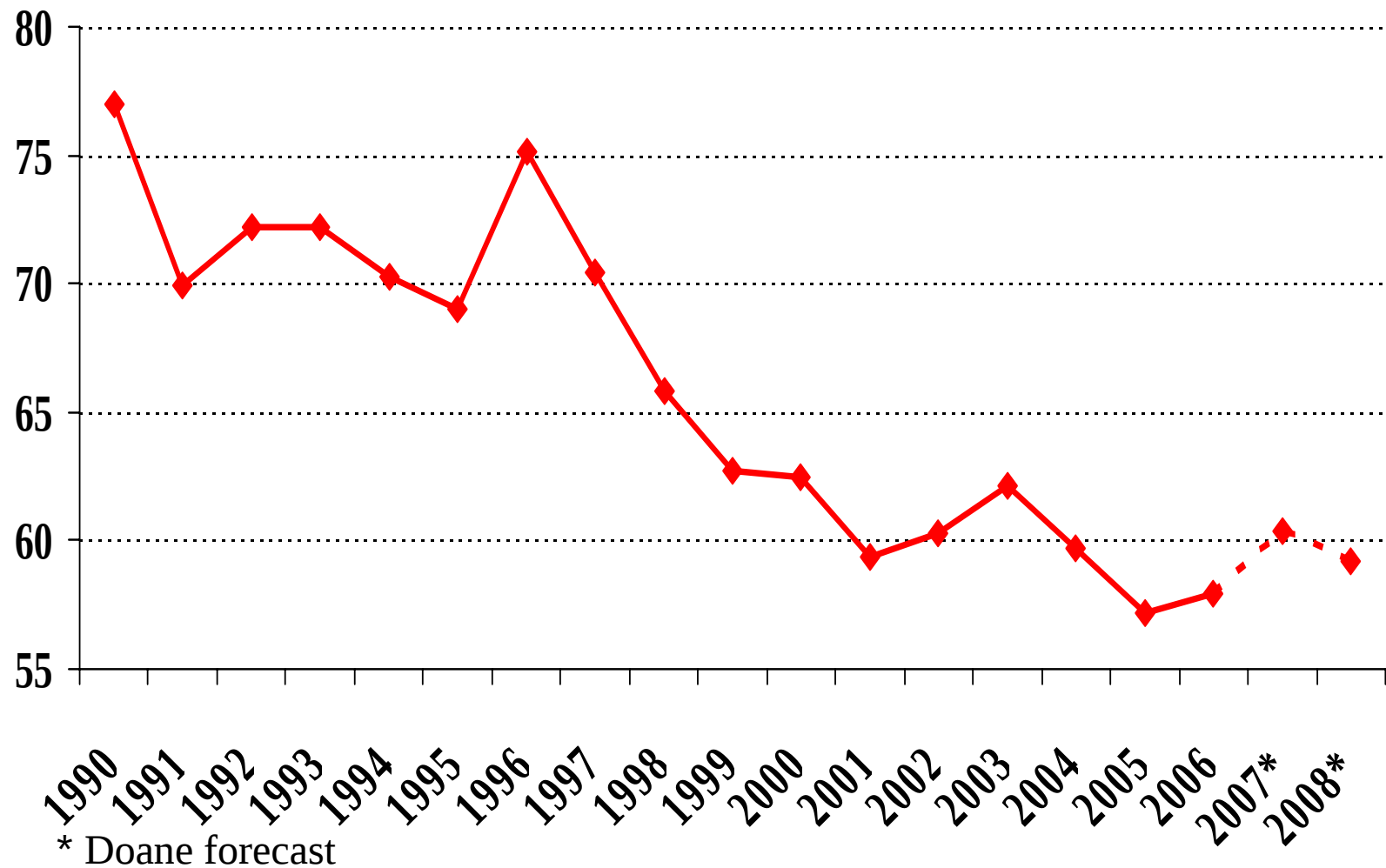
Change in Wheat Production

million tonnes

	2005	2006	difference
U.S.	57.3	49.3	-8.0
Russia	47.7	41.5	-6.2
Australia	24.5	11.0	-13.5
Ukraine	18.7	13.5	-5.2
EU-25	122.6	117.9	-4.7
Subtotal	270.8	233.2	-37.6
World Total	618.9	585.1	-33.8

U.S. ACREAGE PROJECTED TO INCREASE TO REBOUND TO 60 MILLION ACRES IN 2007

Million acres



The Outlook for Soybeans

- Stocks are high
 - Just short of 450 mbu this year
- Demand shows little growth
- Acreage was up in 2006
 - Stocks may rise further
- Slower growth expected in South America
 - But the outlook is not great for U.S. soybeans

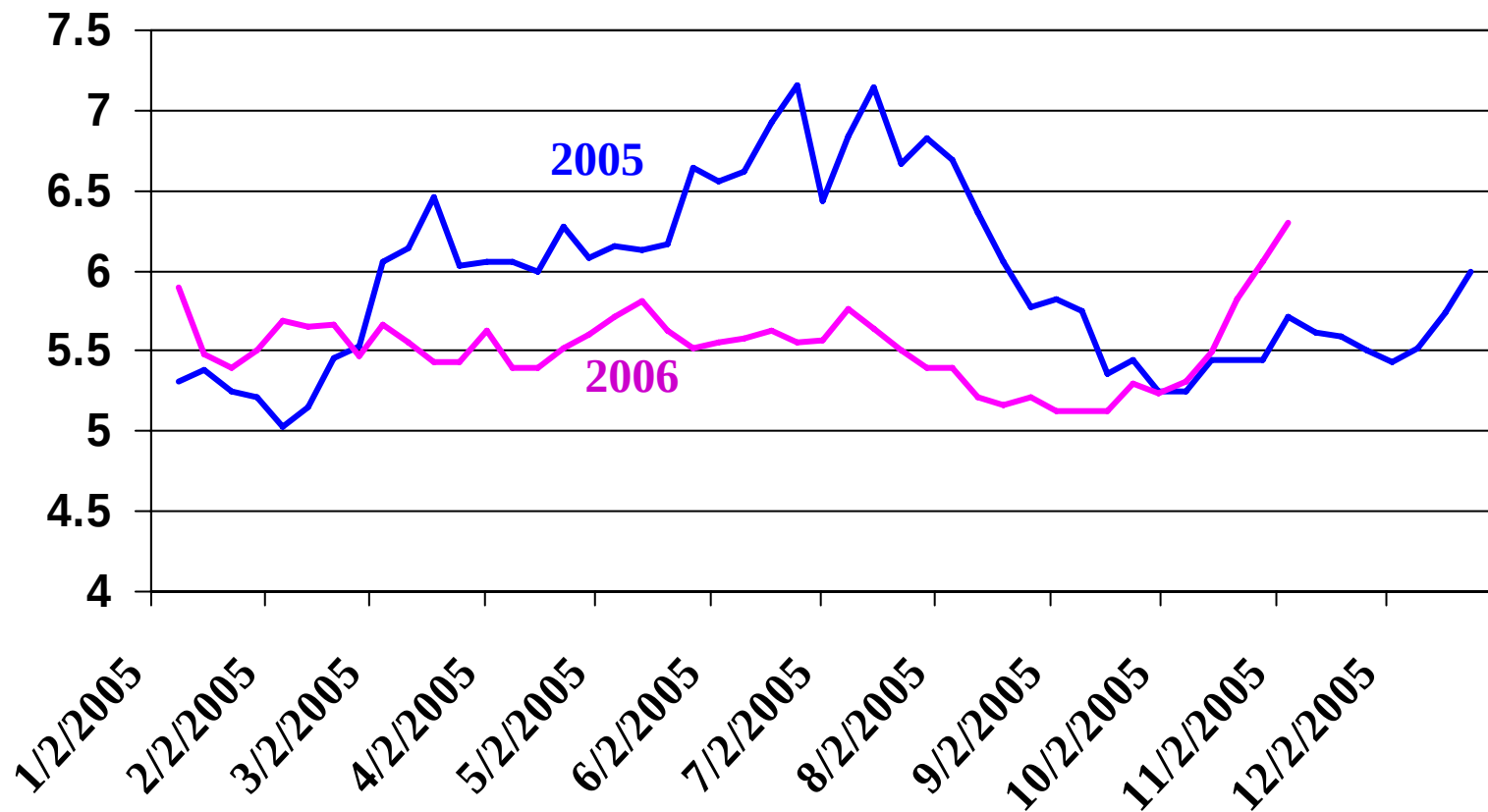
Soybean Supply-Demand Balance

(billion bushels)

	2005-06	2006-07	2007-08
Production	3.06	3.19	3.00
Crush	1.74	1.77	1.80
Exports	0.95	1.02	1.01
Total Use	2.87	2.96	3.03
Stocks	0.45	0.68	0.65
Price (\$/bu)	\$5.66	\$5.40	\$5.30

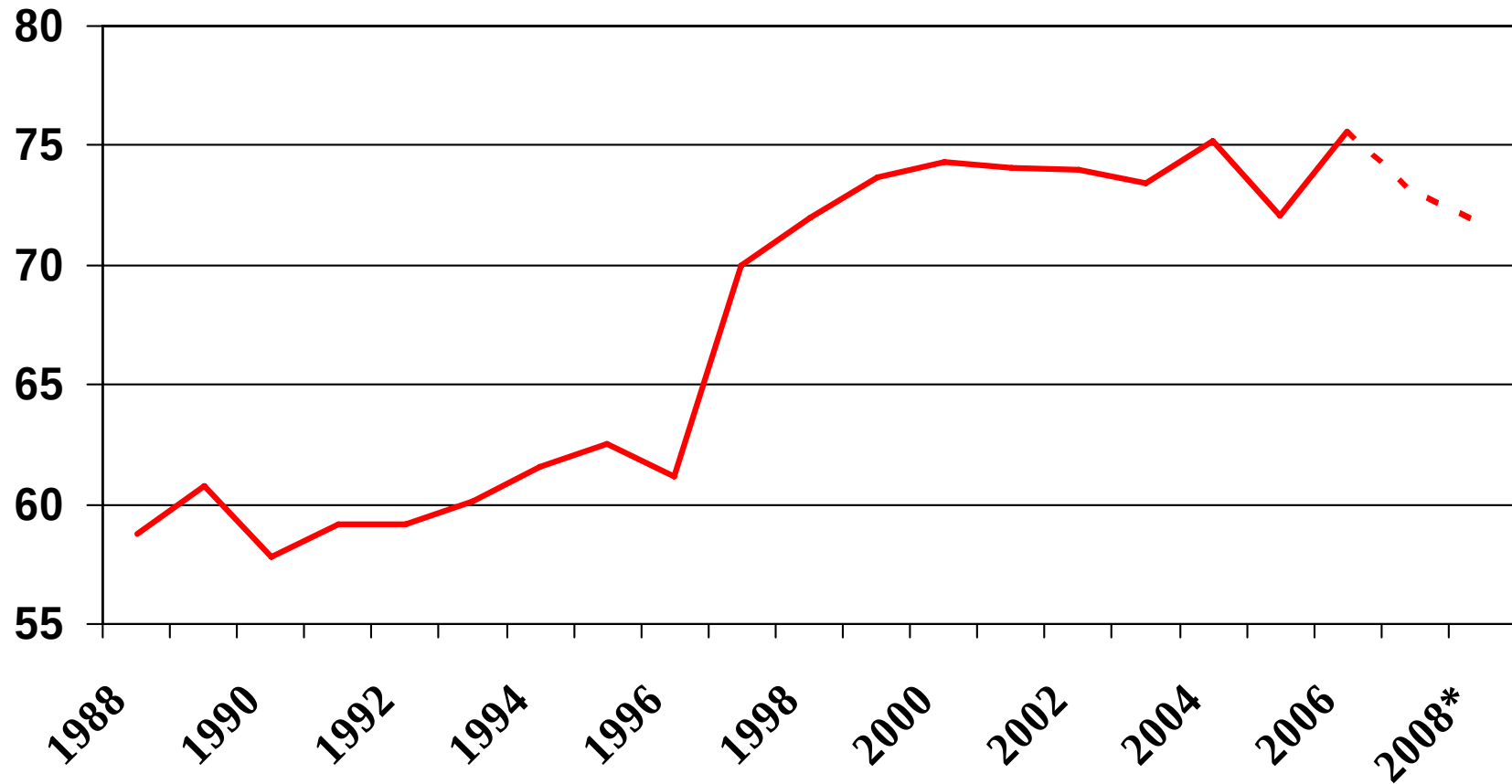
Soybean Prices

dollars per bushel



Soybean Acreage Will Decline

million acres



* Doane forecast

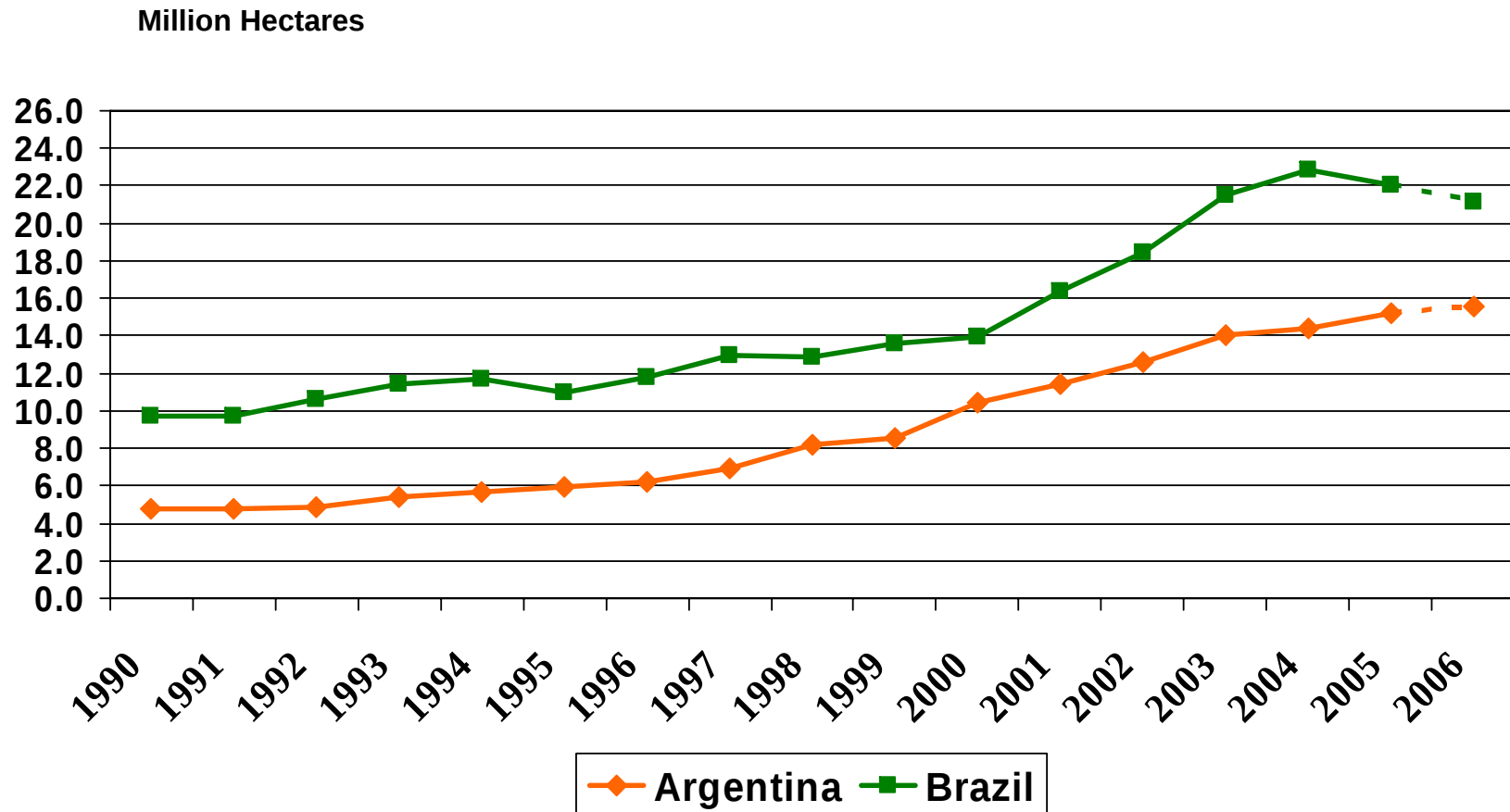
U.S. Corn, Soybeans, and Wheat Budgets

(dollars per planted acre)

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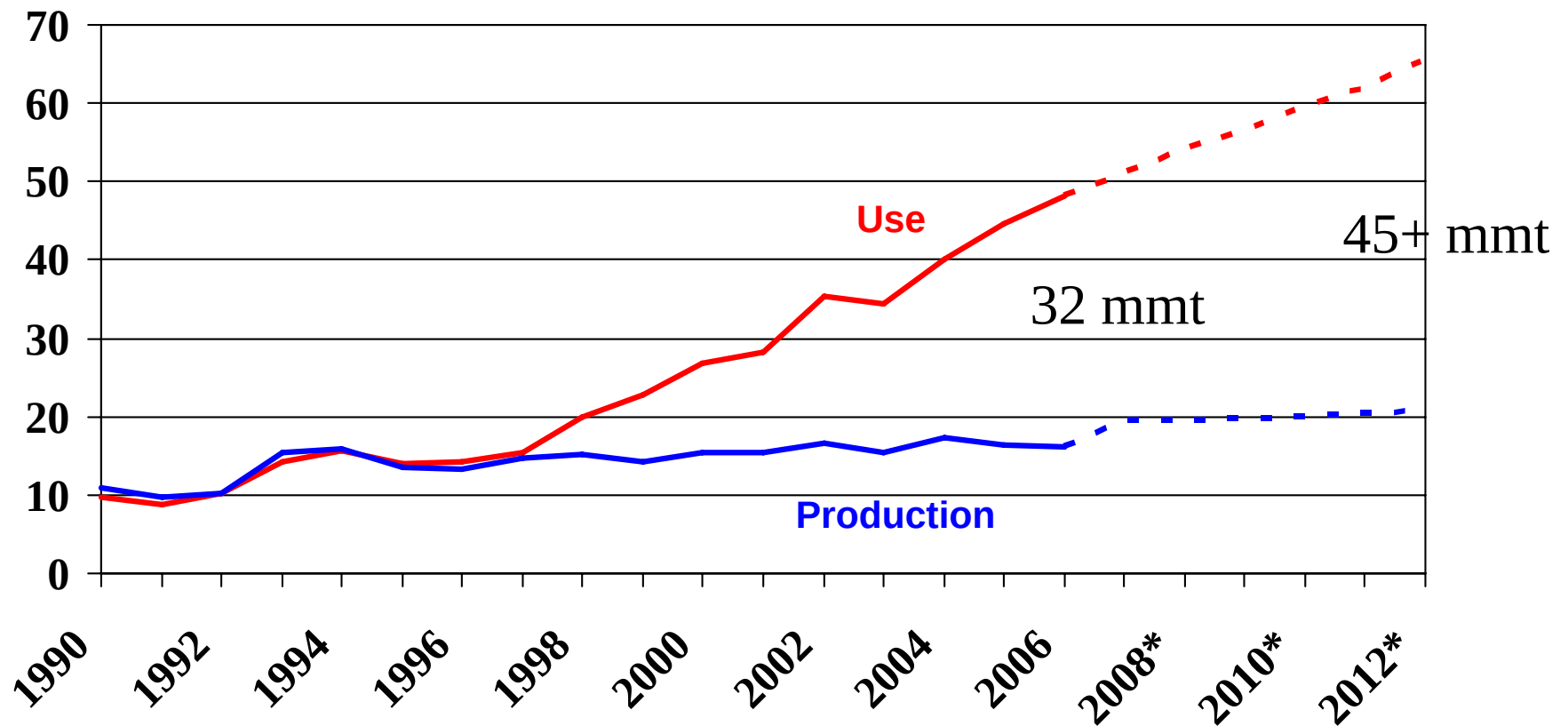
Argentina and Brazilian Soybean Harvested Area

Brazilian soybean area may be flattening out while Argentine area continues to expand



Soybean Production & Use in China

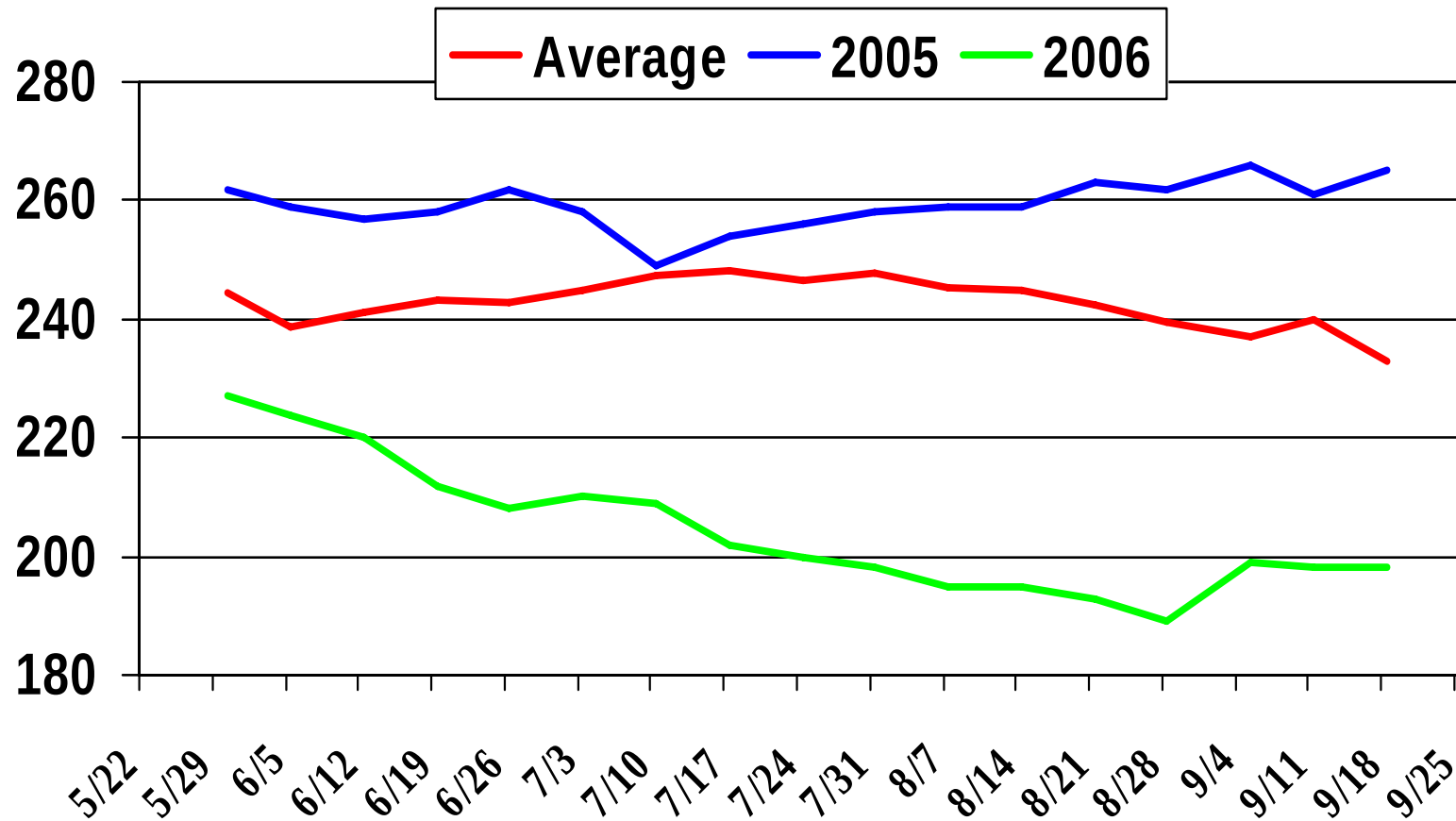
million tonnes



* Doane forecast

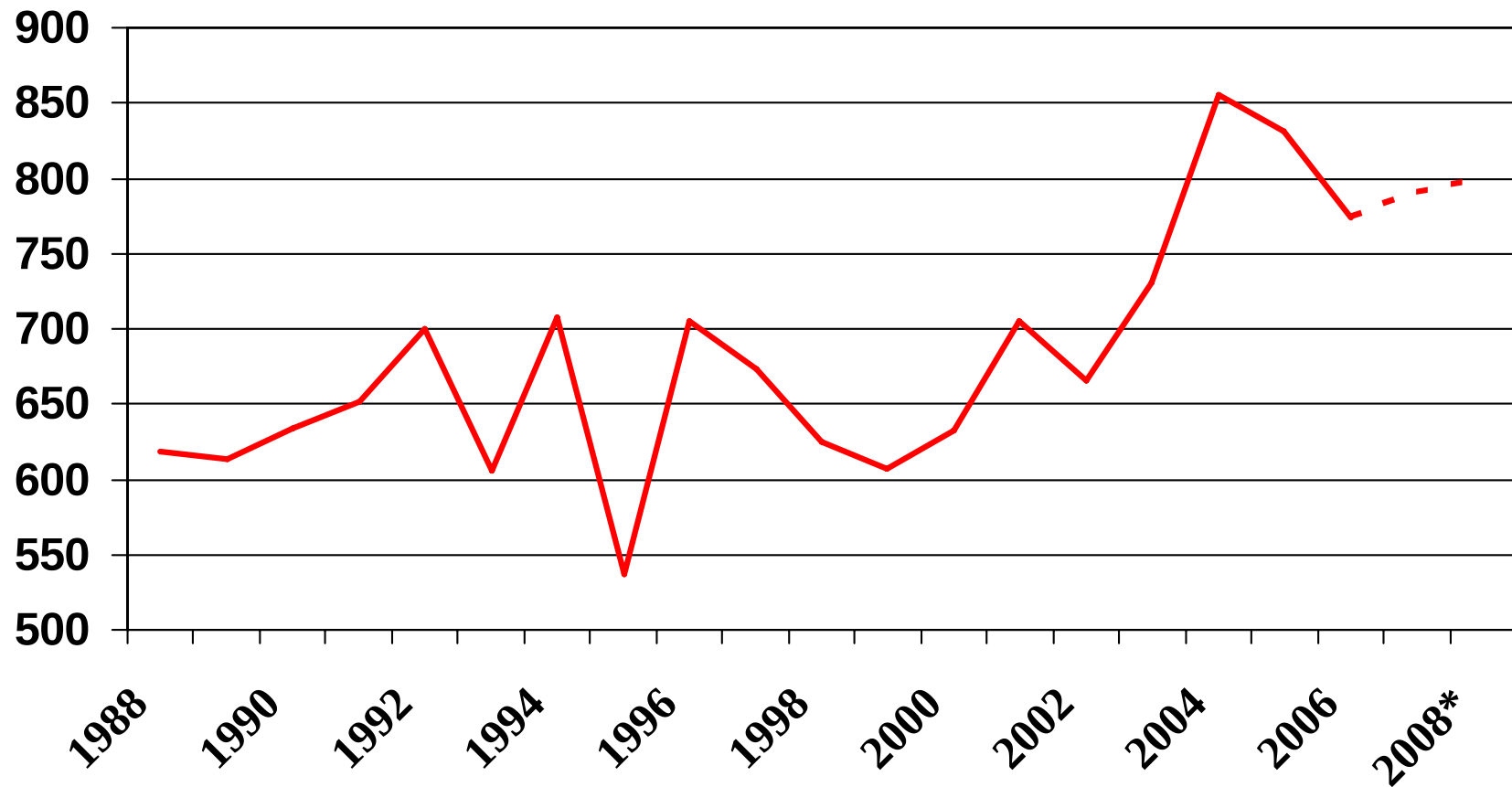
Cotton Crop Condition Ratings

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Cotton Yields Have Shifted Up

pounds per acre



* Doane forecast

Cotton Supply & Use

million bales

	2004/05	2005/06	2006/07	2007/08
Production	23.3	23.9	20.7	21.7
Dom. Use	6.7	5.9	5.3	5.1
Exports	14.4	18.0	16.0	15.7
Total Use	21.1	23.9	21.3	20.8
Stocks	5.5	6.1	5.4	6.2
Prices (cents)	41.6	47.7	47.5	45.5

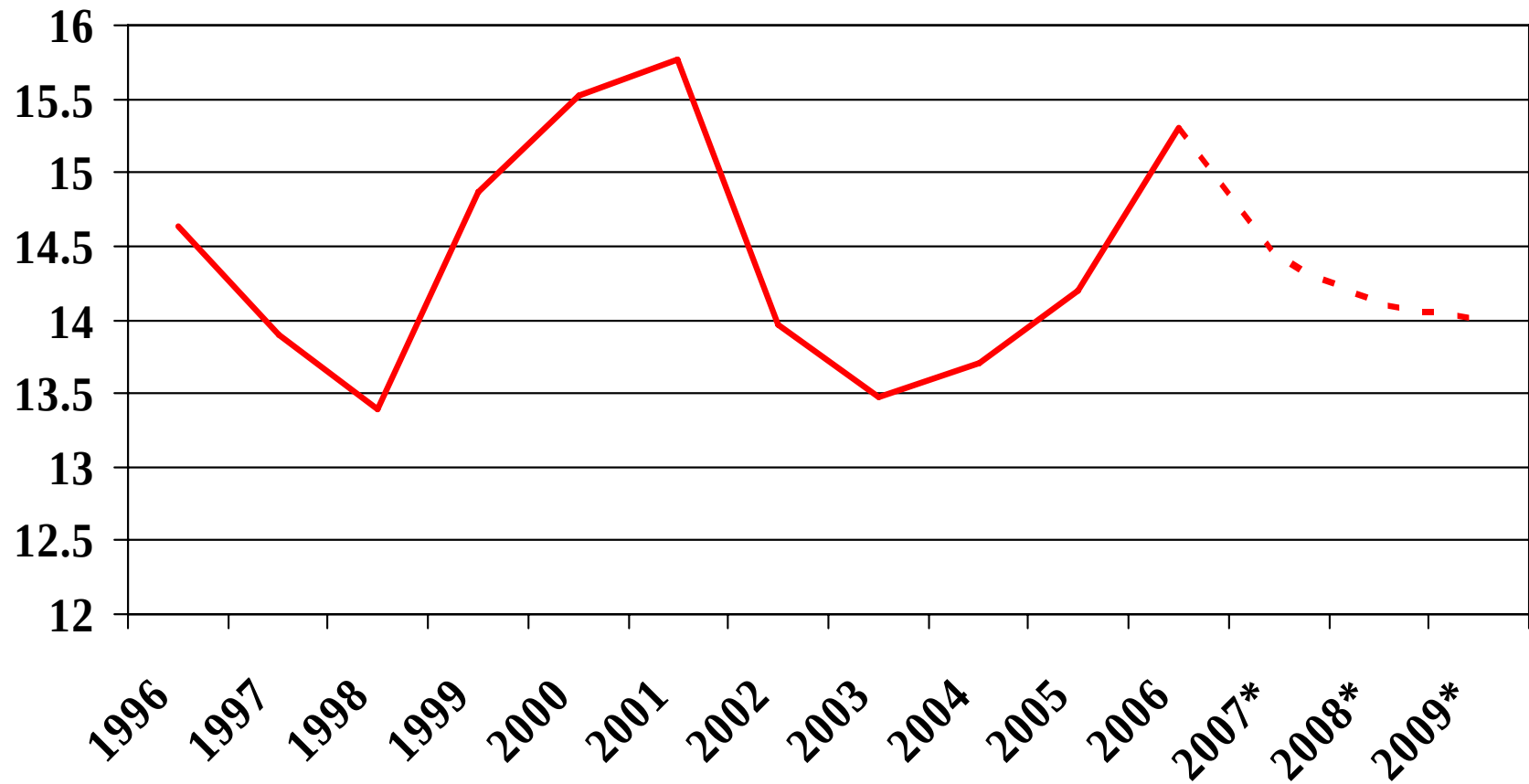
U.S. Soybeans and Cotton Budgets

(dollars per planted acre)

	Soybeans		Cotton	
	2005	2007	2005	2007
Miss. Portal				
Revenue	243	276	504	571
Operating Costs	107	119	448	494
Net Returns	136	157	56	77
So. Seaboard				
Revenue	163	203	473	478
Operating Costs	95	105	368	407
Net Returns	67	97	105	71

Cotton Acres Planted

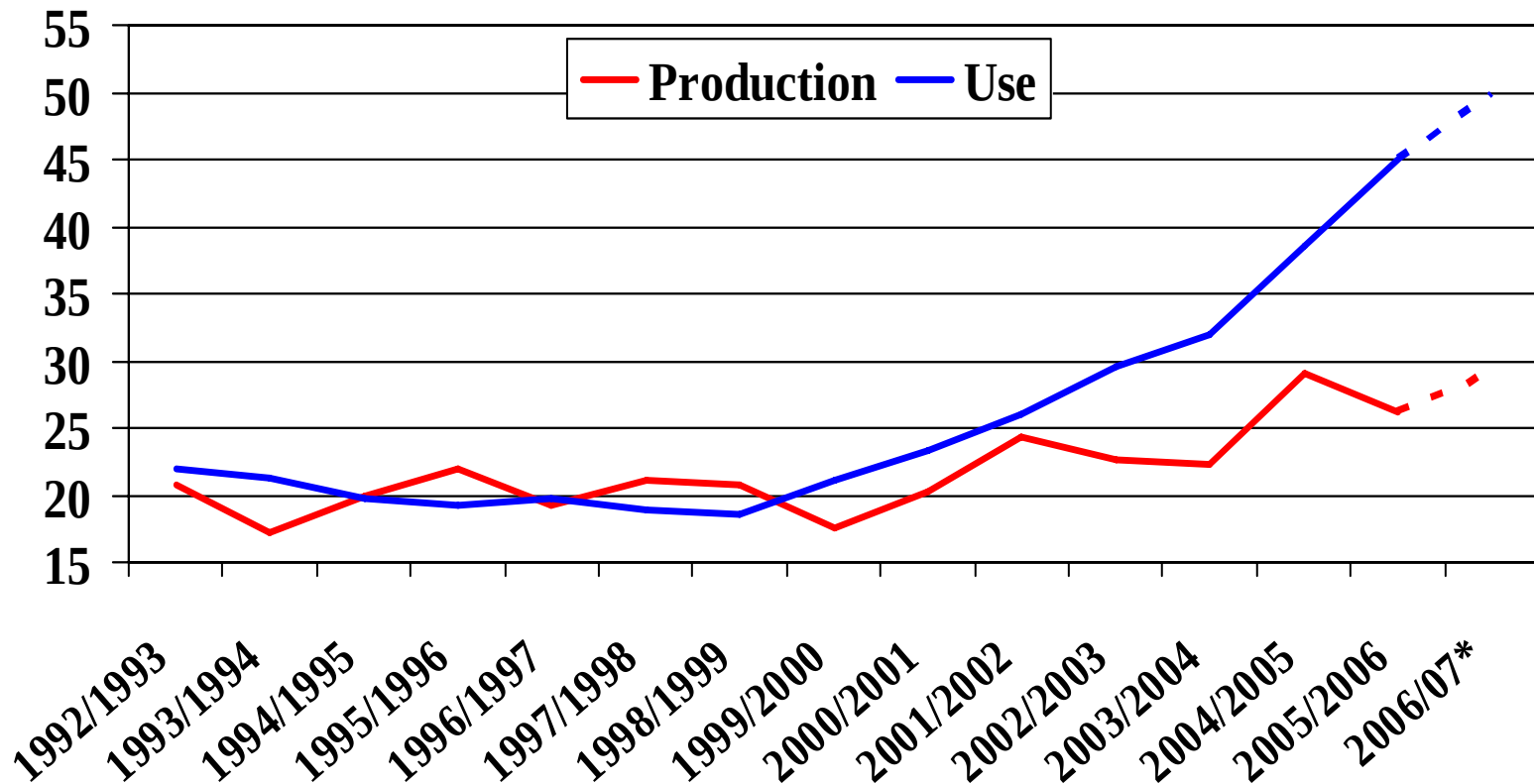
million acres



* Doane forecast

China's Cotton Balance

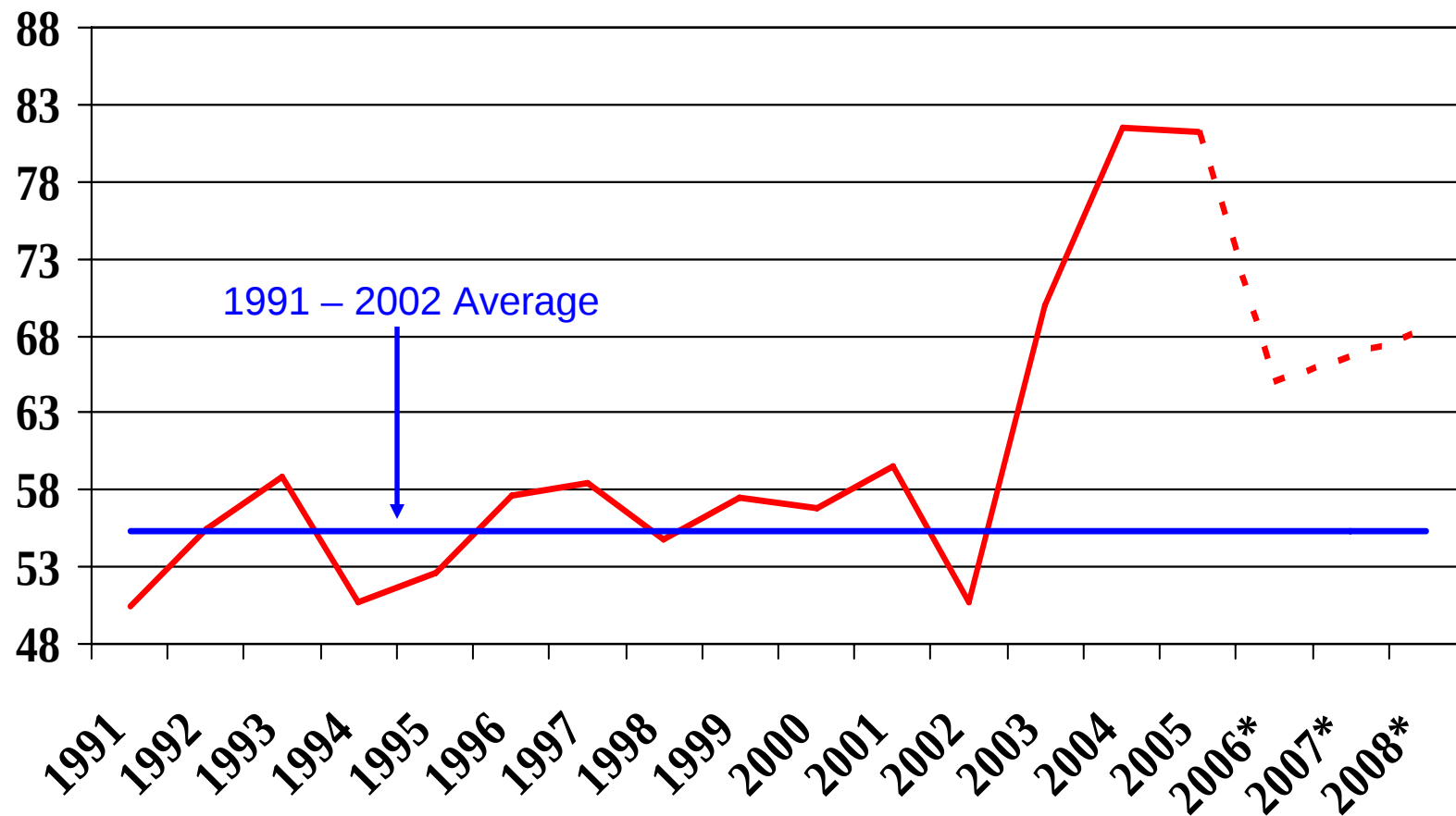
million bales



* Doane forecast

Net Cash Farm Income

billion dollars



* Doane forecast

Farm Income Info

- Big Crops in 2004 and record high livestock prices boosted farm income
- Government payments were record high in 2005 > \$24 billion
 - High disaster aid and tobacco buyout payments
- Crop cash receipts will be up in 2006
- Income will stay well above the average of the 1990s and early 2000s.

Farm Policy Issues

Issues that will drive the farm bill

- The budget
 - The overall budget & the budget for agriculture
- WTO Negotiations
- New Initiatives
 - May make more people eligible

Potential Changes to Farm Policy

- Less money for program crop producers
 - But good prices may soften the blow
 - Cotton producers are most at risk
- More money for conservation programs
 - Adds to administrative costs
- Revenue Assurance??
- Money for fruit & vegetable growers?

Questions??