

Agricultural Commodity Outlook

Gerald A. Bange

Chairperson

World Agricultural Outlook Board

Office of the Chief Economist

U.S. Department of Agriculture

Kentucky Farm Bureau

Washington, DC

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Commodity Situation and Outlook

(Major Indicators and Developments to Watch)

Key USDA Releases and Upcoming Reports:

USDA Outlook Forum S&D Projections

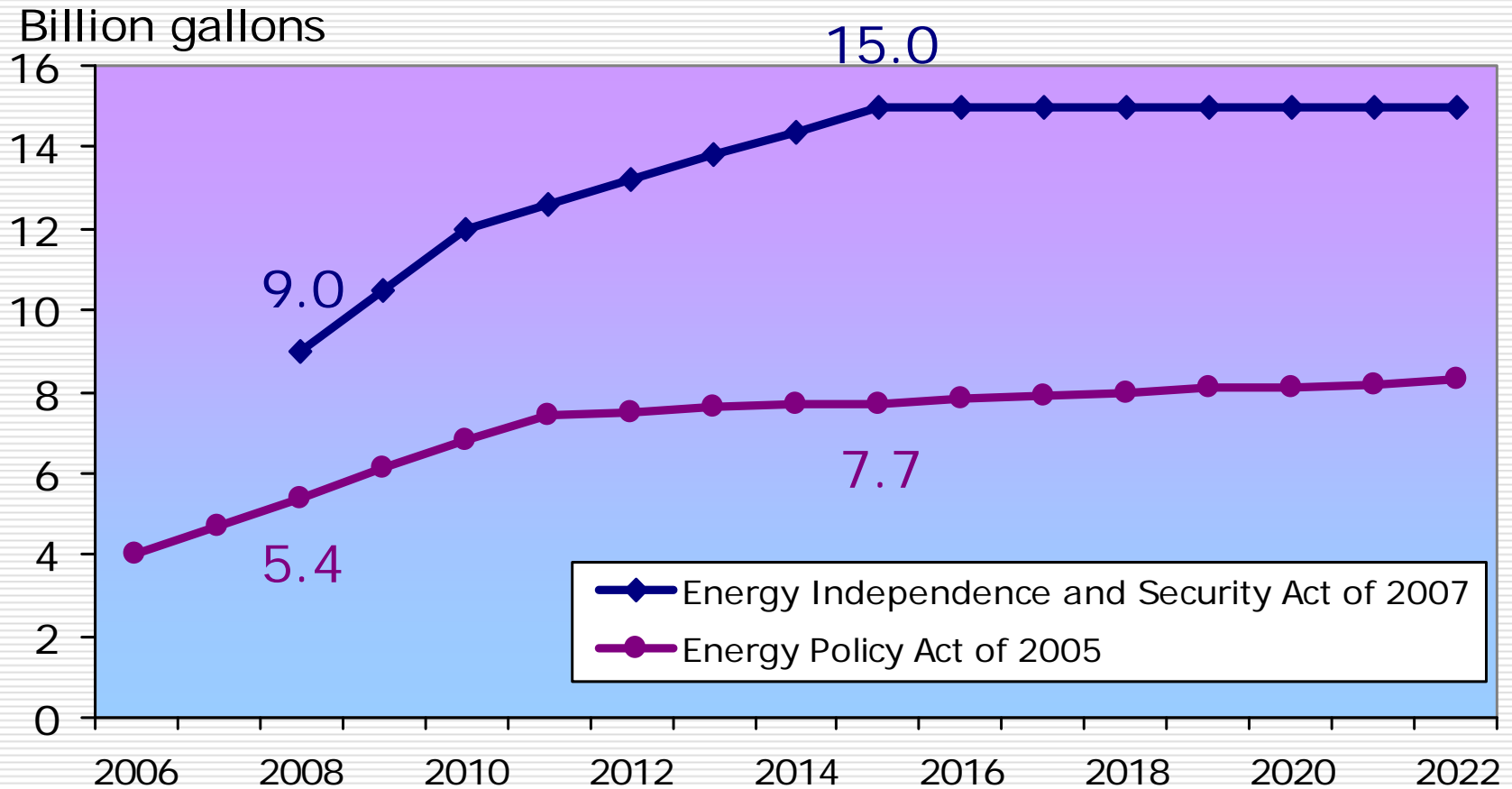
NASS Prospective Plantings Report – March 31, 2008

WASDE report S&D Forecasts - May 9, 2008

- Renewable Fuels Mandate - 2007 vs. 2005**
- Projected Prices**
- Foreign Market Developments**
- Rising Input Costs**
- Aggregate U.S. Agricultural Trade**
- U.S. Farm Income**
- Food Price Inflation**

Renewable Fuel Standards (RFS)

Corn starch based ethanol, 2006 through 2022



Note: RFS levels under the Energy Policy Act of 2005 are projected for 2013 and beyond based on the act's provisions and growth in motor gasoline consumption for transportation projected by the Energy Information Administration in *Annual Energy Outlook 2008*.

Major Crop and CRP Acreage

(USDA Outlook Forum – Feb. 2008)

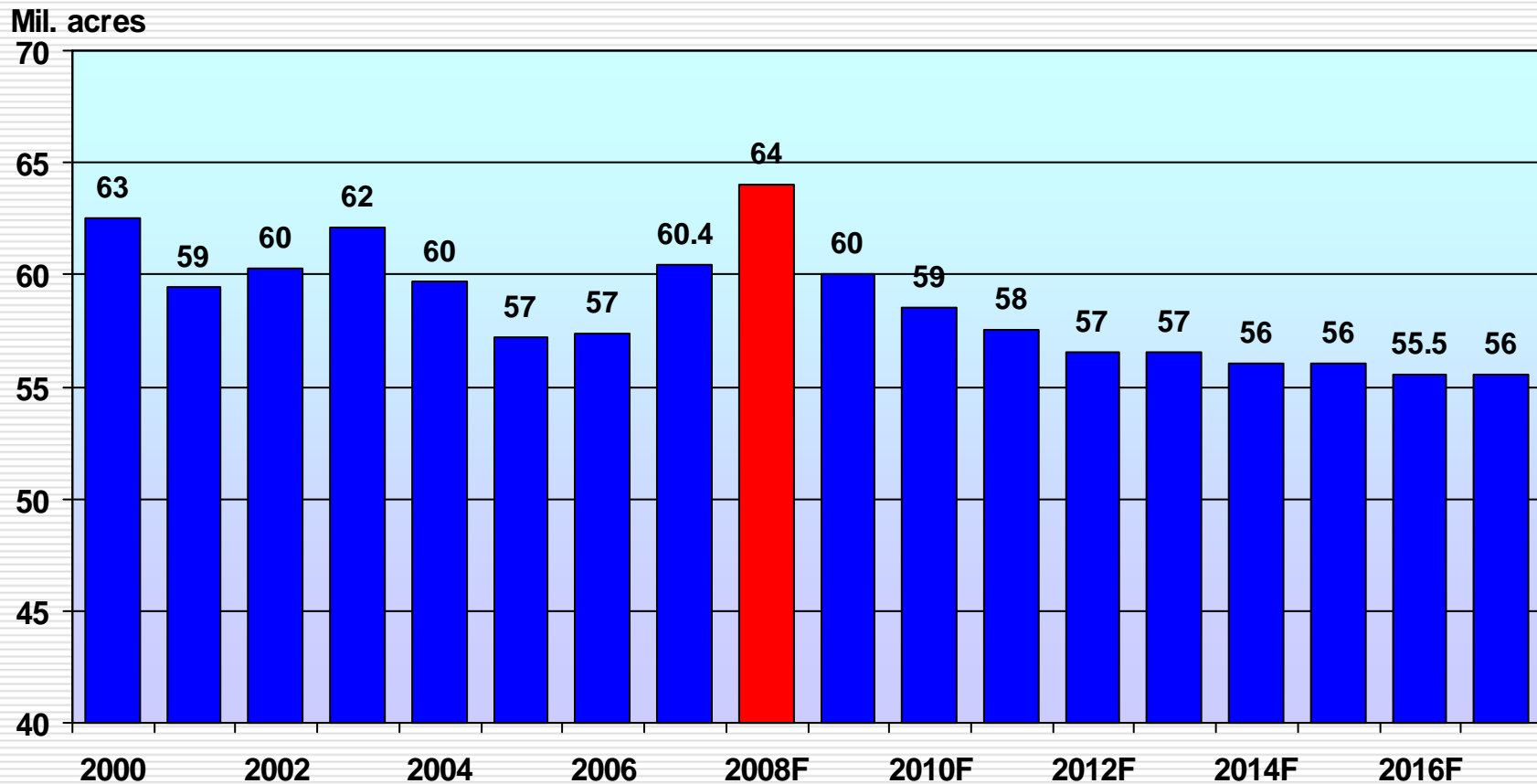
	2007/08	2008/09	Change
	Million acres		
Corn	93.6	90.0	-3.6
Soybeans	63.6	71.0	+7.4
Wheat	60.4	64.0	+3.6
All Cotton	10.8	9.5	-1.3
Rice	2.76	2.70	-0.1
5-crop total	231.2	237.2	+6.0
CRP acres	36.8	34.8	-2.0

2008 Wheat Acreage Outlook



- ❑ 2007 prices soared with a global shortfall in supply
- ❑ Winter wheat seeding are up 4 percent to 46.6 million acres
- ❑ SRW acreage up to 12-year high, but HRW down slightly
- ❑ Spring wheat area seen up 13 percent to 17.4 million acres

U.S. Wheat Planted Area Trend



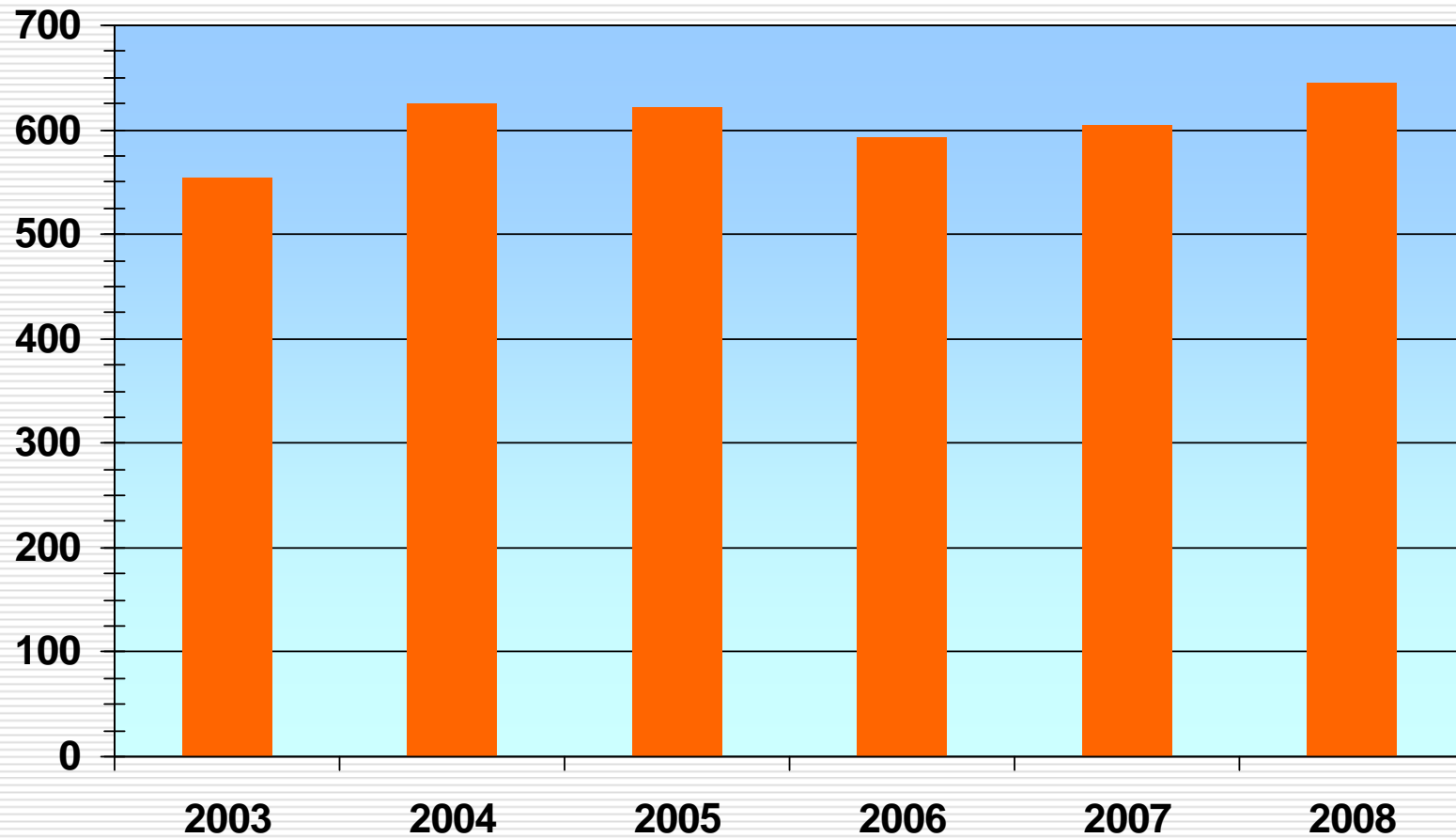
Note: 2008 planted area forecast from USDA's *Grains & Oilseeds Outlook*, Agricultural Outlook Forum, Washington, D.C., February 22, 2008. Projections for 2009-2017 are from *USDA Agricultural Projections to 2017*, February 2008.

U.S. Wheat Supply and Demand

	2006/07 estimate	2007/08 forecast	2008/09 forecast	Change from 2008/09 Percent
Planted area (million acres)	57.3	60.4	64.0	5.9
Harvested area (million acres)	46.8	51.0	54.4	6.6
Yield (bushels per acre)	38.7	40.5	42.8	5.7
	<i>Million bushels</i>			
Beginning stocks	571	456	272	-40.4
Production	1,812	2,067	2,330	12.7
Imports	122	90	100	11.1
Total supply	2,505	2,613	2,702	3.4
Food, seed, and industrial use	1,015	1,031	1,039	0.8
Feed and residual	125	110	175	59.1
Domestic use	1,140	1,141	1,214	6.4
Exports	909	1,200	950	-20.8
Total use	2,049	2,341	2,164	-7.6
Ending stocks	456	272	538	97.8
	<i>Percent</i>			
Stocks to use ratio	22.3	11.6	24.9	
	<i>Dollars per bushel</i>			
Average market price	4.26	6.65	7.00	5.3

Potentially record global wheat production could lessen demand for U.S. exports

Million metric tons



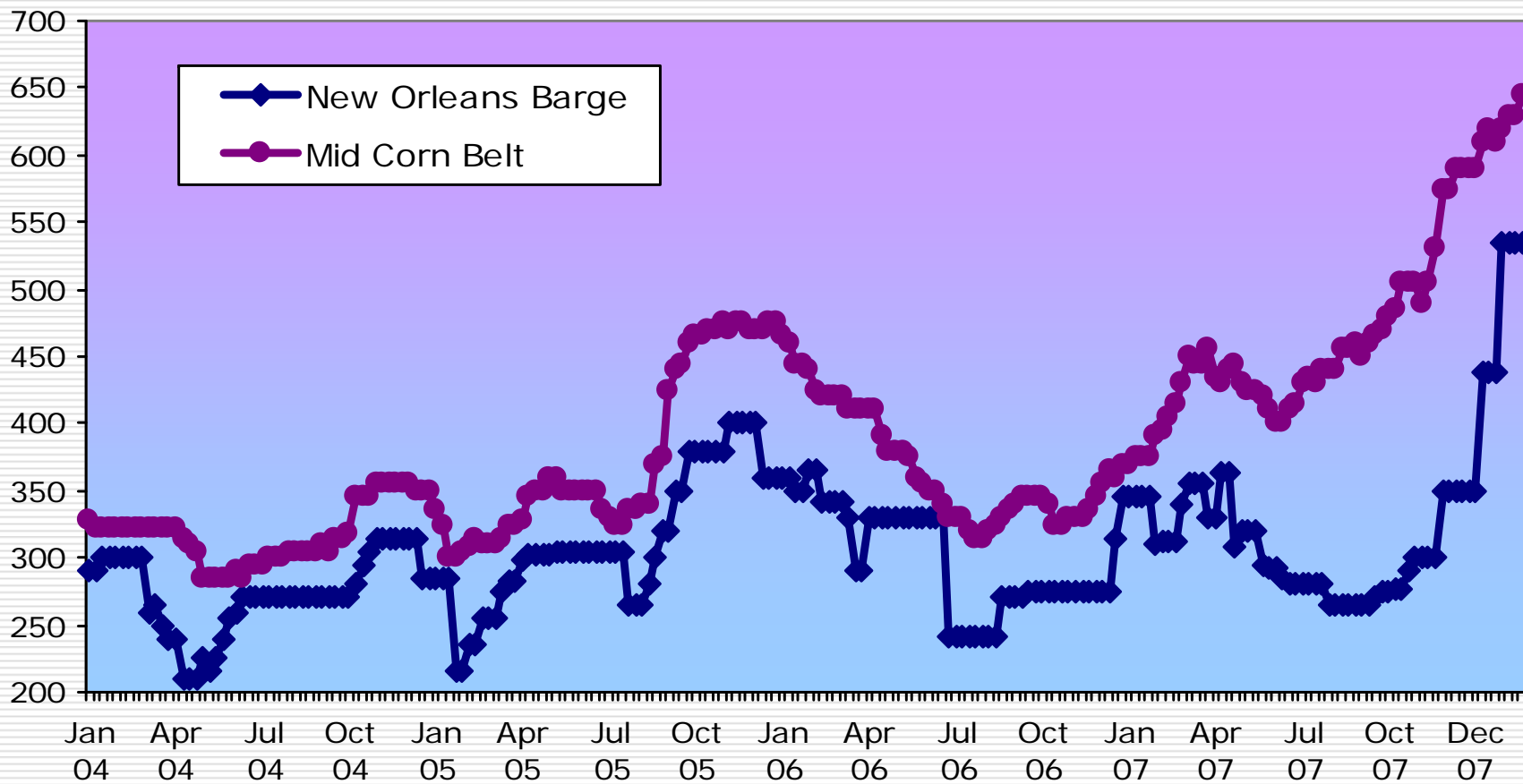
2008 Corn Acreage Outlook



- ❑ Soybean prices are relatively more competitive this year against corn
- ❑ Costs for nitrogen fertilizer are up sharply

U.S. Ammonia Prices, weekly

\$ per short ton



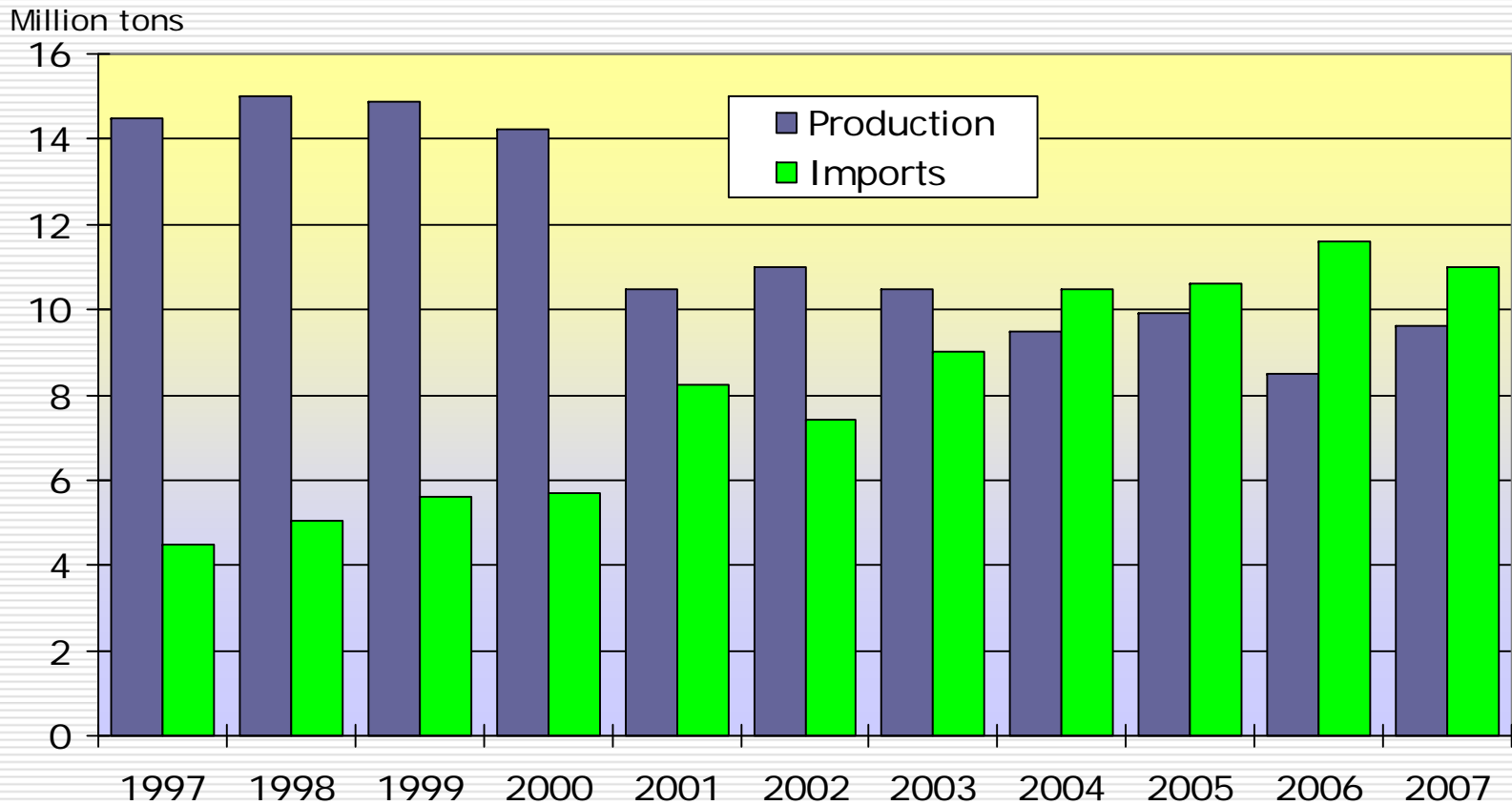
Source: Green Markets Fertilizer Market Intelligence Weekly

Projected Growth Rates

	2008	2009	2010	Average
U.S.	1.8	3.3	3.5	2.9
EU-27	1.9	2.3	2.3	2.2
Japan	1.5	2.0	2.1	1.9
China	11.0	9.2	8.7	9.6
India	7.8	7.7	7.6	7.7
World	3.3	3.7	3.7	3.6

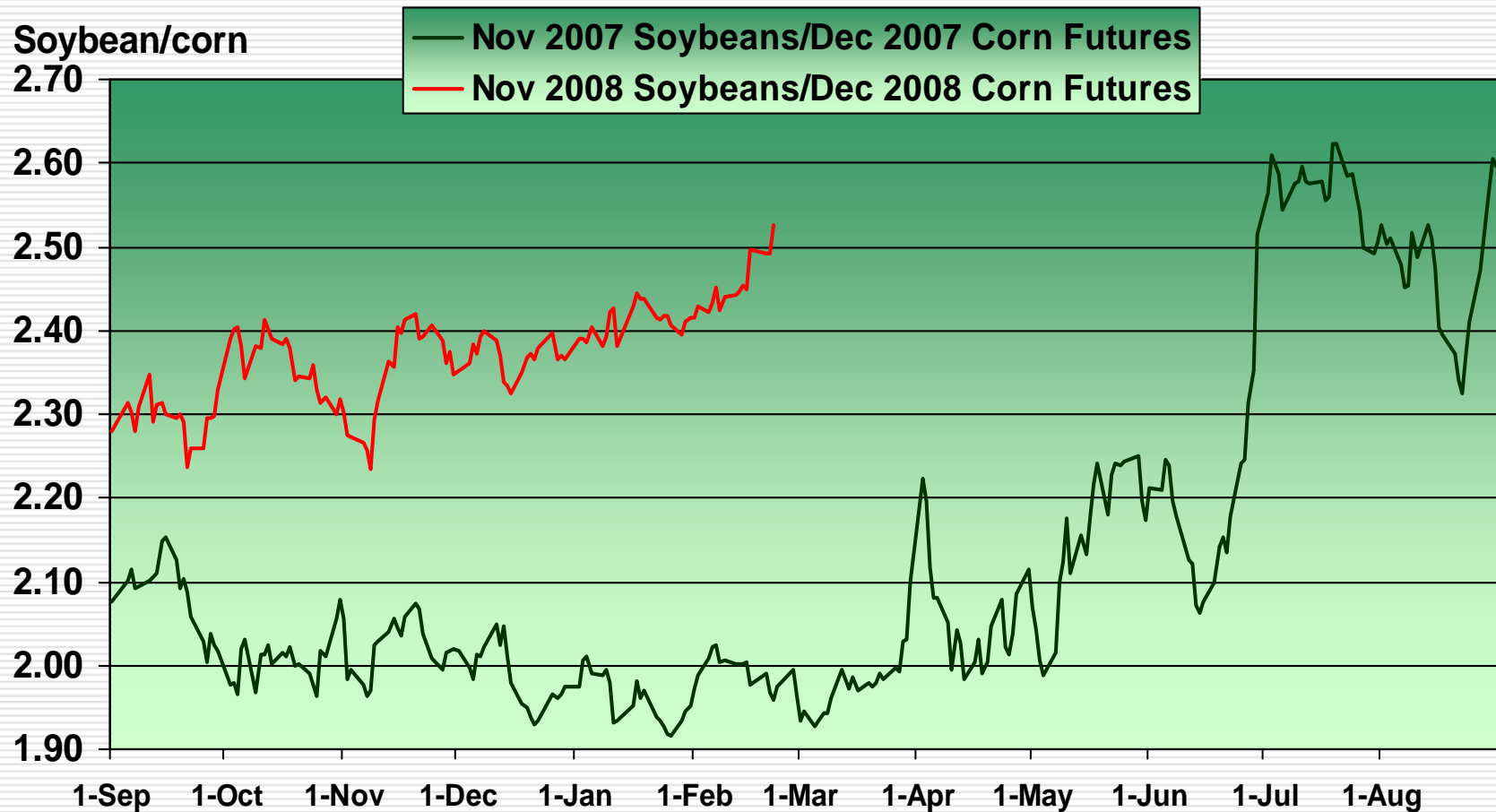
Source: Oxford Economics

Nitrogen Production and Imports



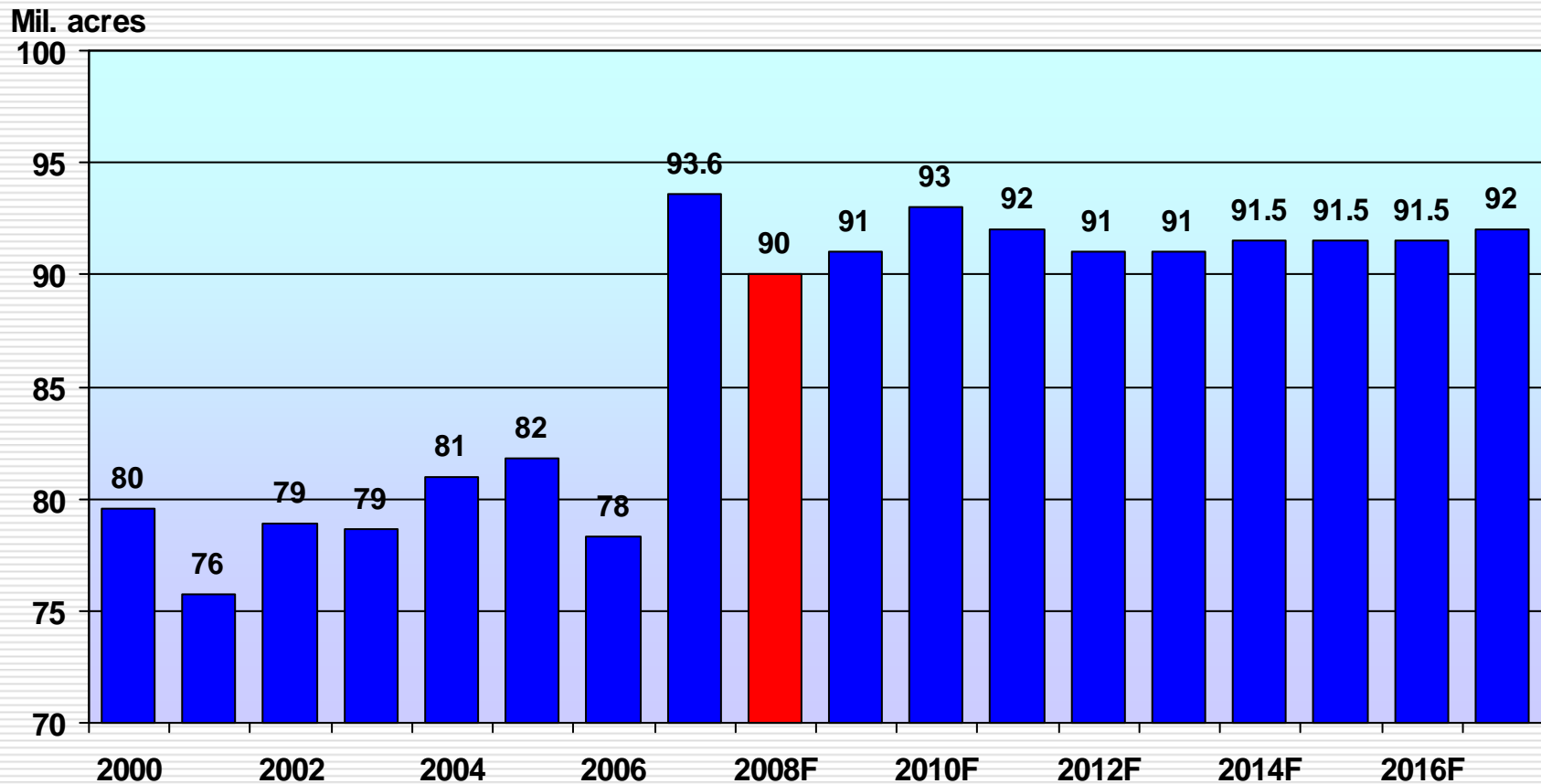
New-crop Soybean/Corn Price Ratios

2007-crop and 2008-crop to date



Note: Chicago Board of Trade daily settlement prices.

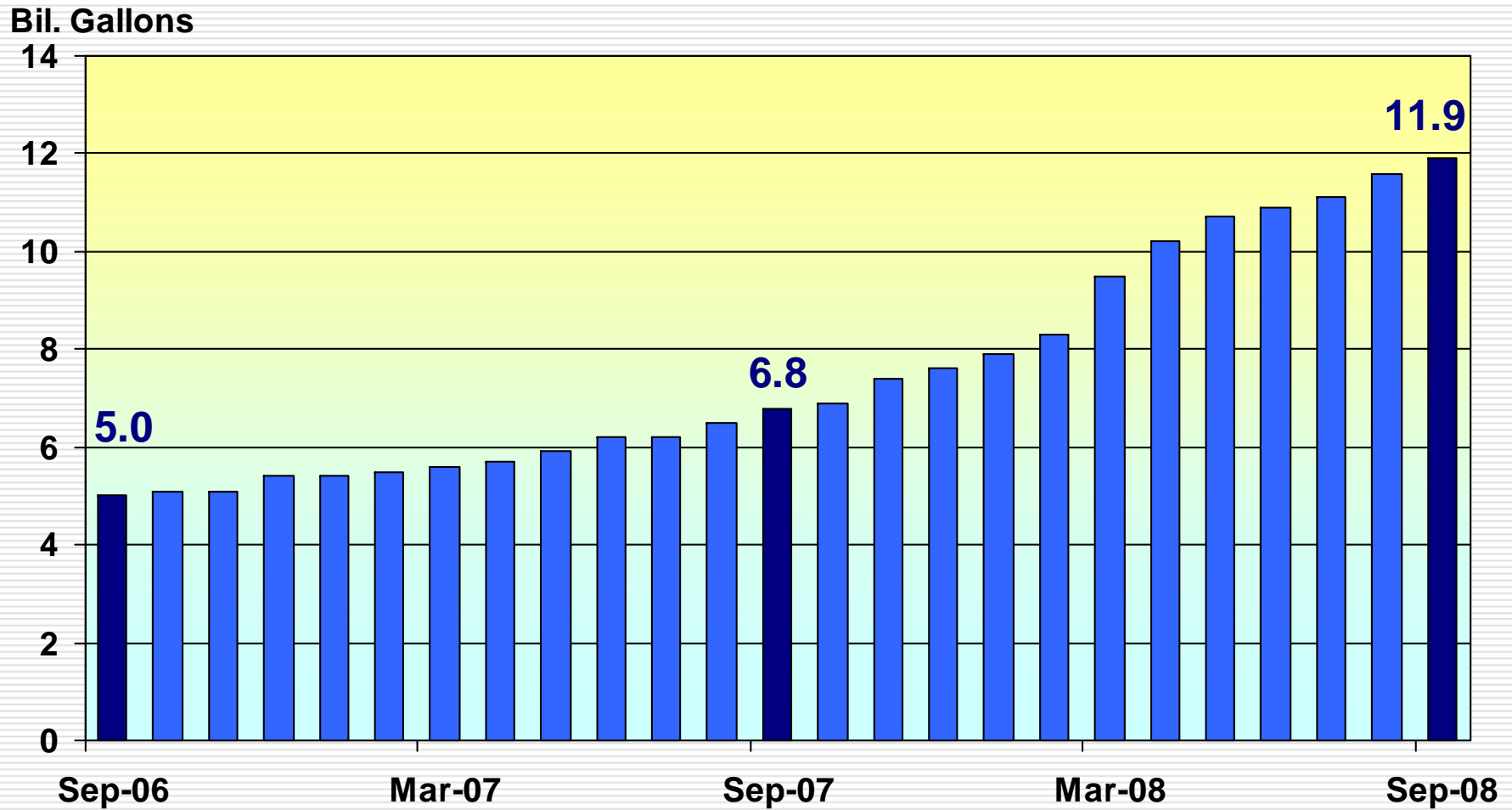
U.S. Corn Planted Area Trend



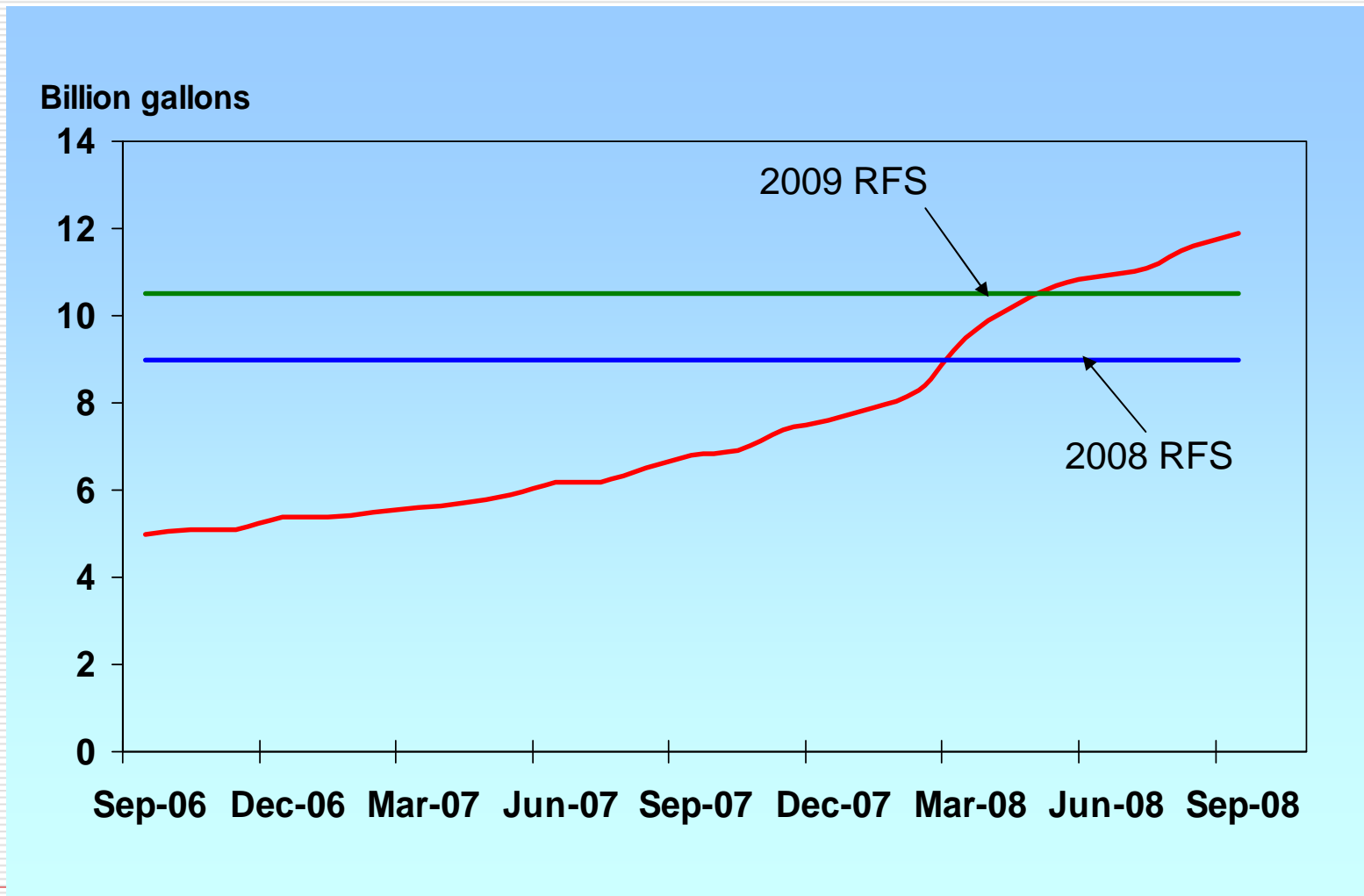
Note: 2008 planted area forecast from USDA's *Grains & Oilseeds Outlook*, Agricultural Outlook Forum, Washington, D.C., February 22, 2008. Projections for 2009-2017 are from *USDA Agricultural Projections to 2017*, February 2008.

U.S. Ethanol Production Capacity

Annual Capacity by Month

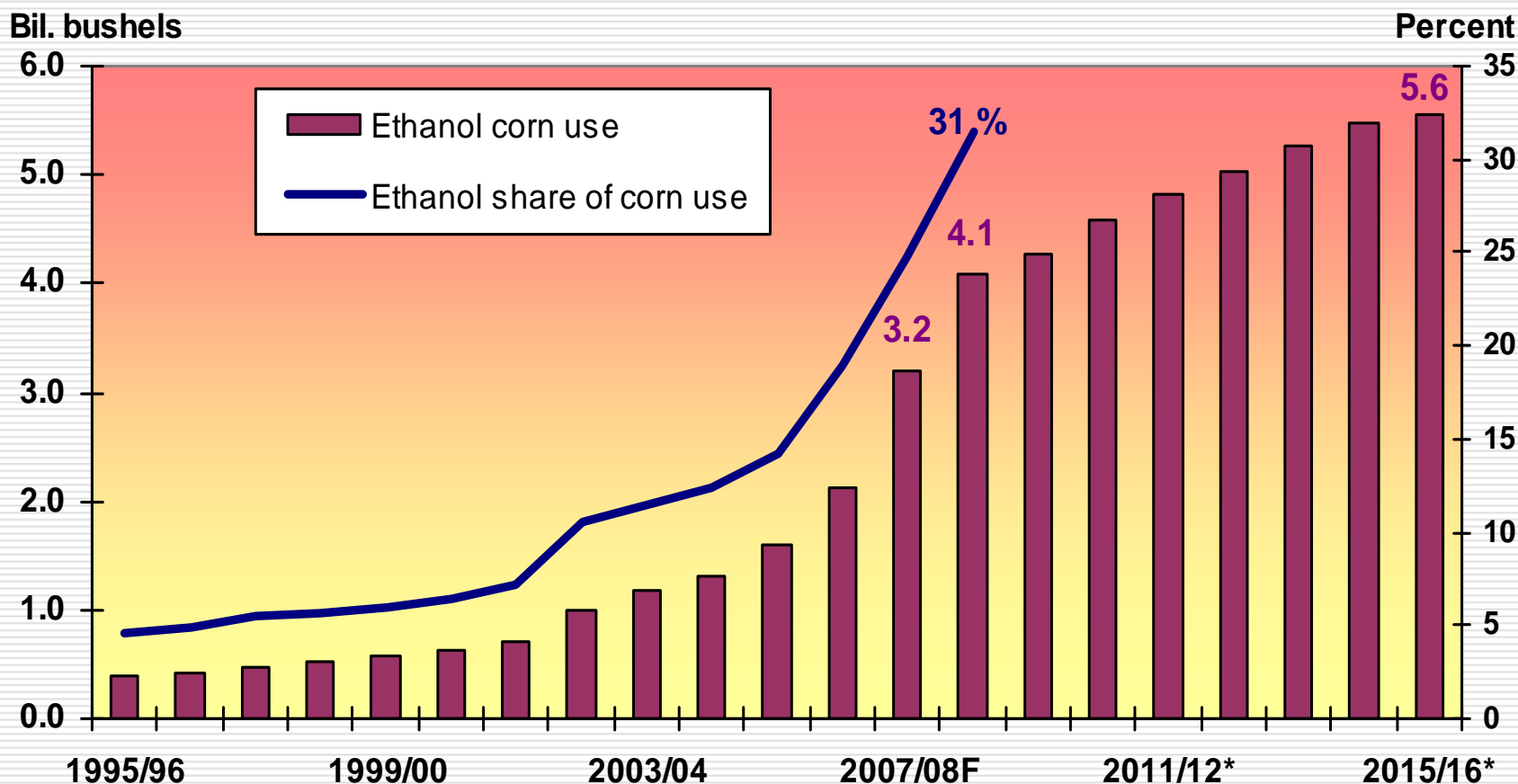


Expansion of U.S. Ethanol Production Capacity Well Ahead of 2007 RFS Requirements



U.S. Corn Used for Ethanol

1995/96 through 2015/16*



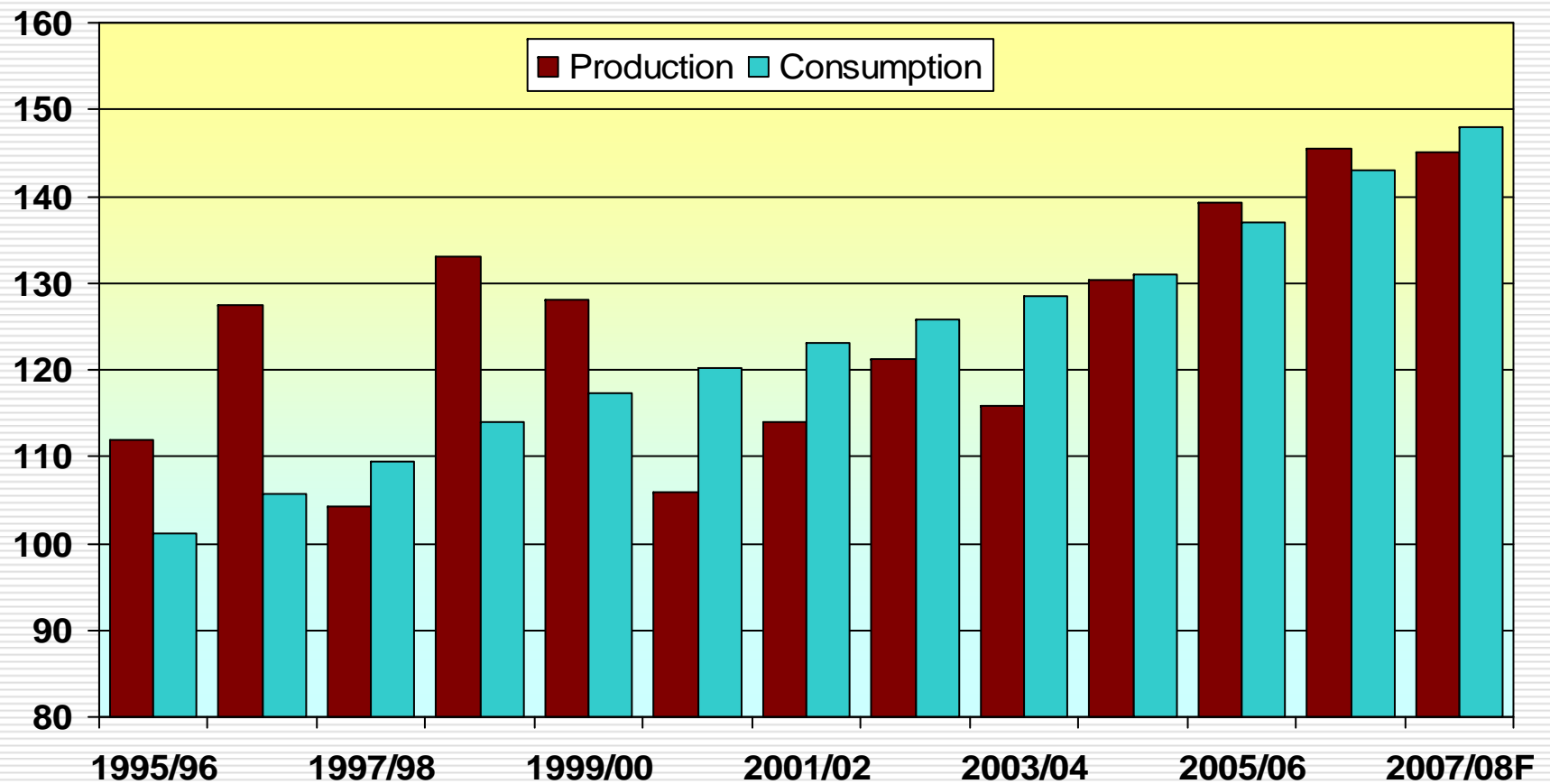
Note: 2007/08 is projected based on the *World Agricultural Supply and Demand Estimates*, February 8, 2008. 2008/09 is projected based on USDA's *Grains & Oilseeds Outlook*, Agricultural Outlook Forum, Washington, D.C., February 22, 2008. *Projection for 2009/10 based on RFS mandates for corn starch based ethanol under the Energy Independence and Security Act of 2007.

U.S. Corn Supply and Demand

	2006/07 estimate	2007/08 forecast	2008/09 forecast	Change from 2008/09 <i>Percent</i>
Planted area (million acres)	78.3	93.6	90.0	-3.8
Harvested area (million acres)	70.6	86.5	82.7	-4.4
Yield (bushels per acre)	149.1	151.1	154.9	2.5
	<i>Million bushels</i>			
Beginning stocks	1,967	1,304	1,438	10.3
Production	10,535	13,074	12,810	-2.0
Total supply	12,514	14,393	14,263	-0.9
Feed and residual	5,598	5,950	5,400	-9.2
Food, seed, and industrial	3,488	4,555	5,470	20.1
Ethanol	2,117	3,200	4,100	28.1
Domestic use	9,086	10,505	10,870	3.5
Exports	2,125	2,450	2,150	-12.2
Total use	11,210	12,955	13,020	0.5
Ending stocks	1,304	1,438	1,243	-13.5
	<i>Percent</i>			
Stocks/use	11.6	11.1	9.5	
	<i>Dollars per bushel</i>			
Average market price	3.04	4.00	4.60	3.0

China Corn Production and Consumption 1995/96 through 2007/08F

Mil. Metric Tons

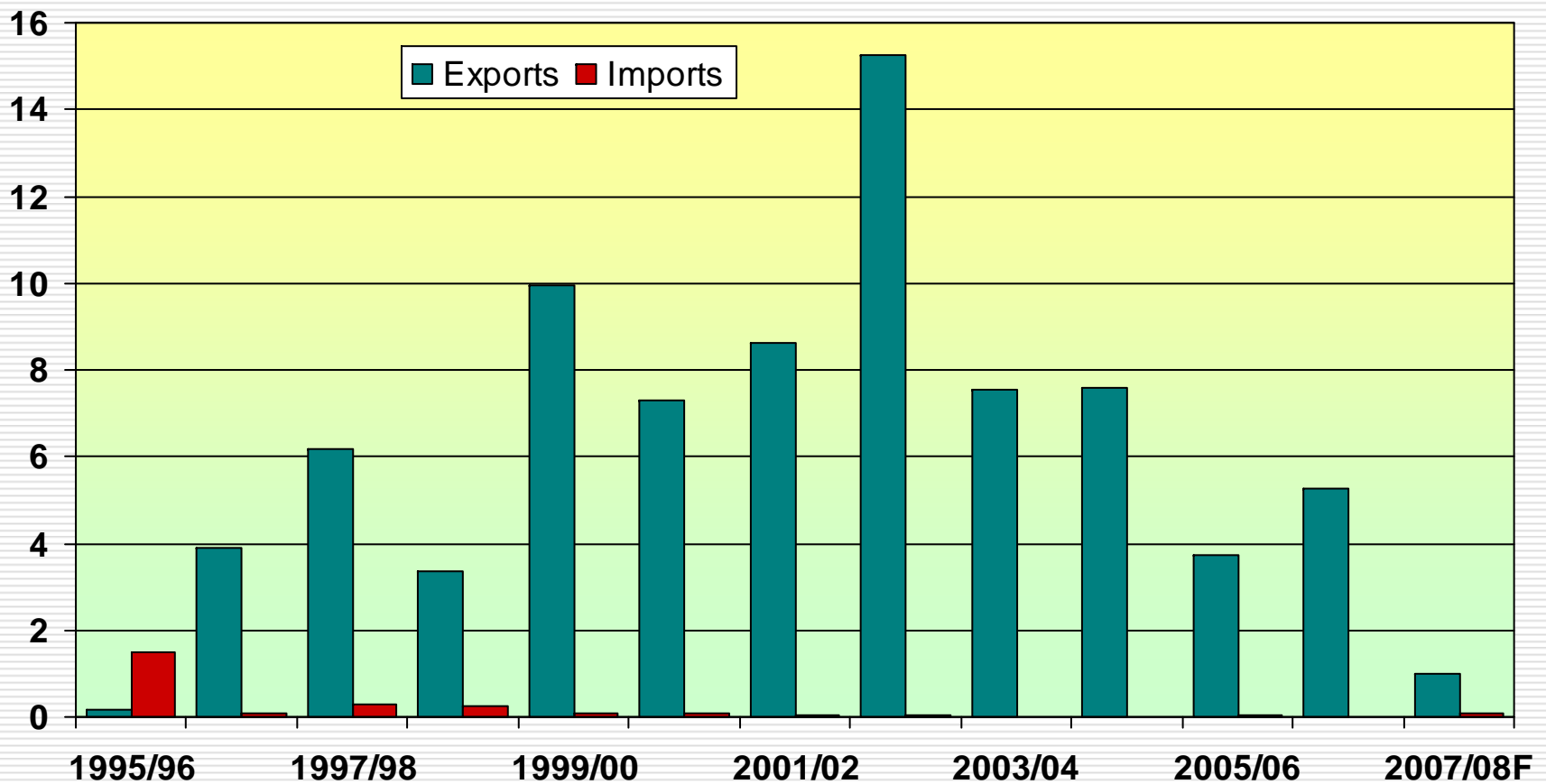


Note: 2007/08 projections based on the *World Agricultural Supply and Demand Estimates*, February 8, 2008.

China Corn Exports

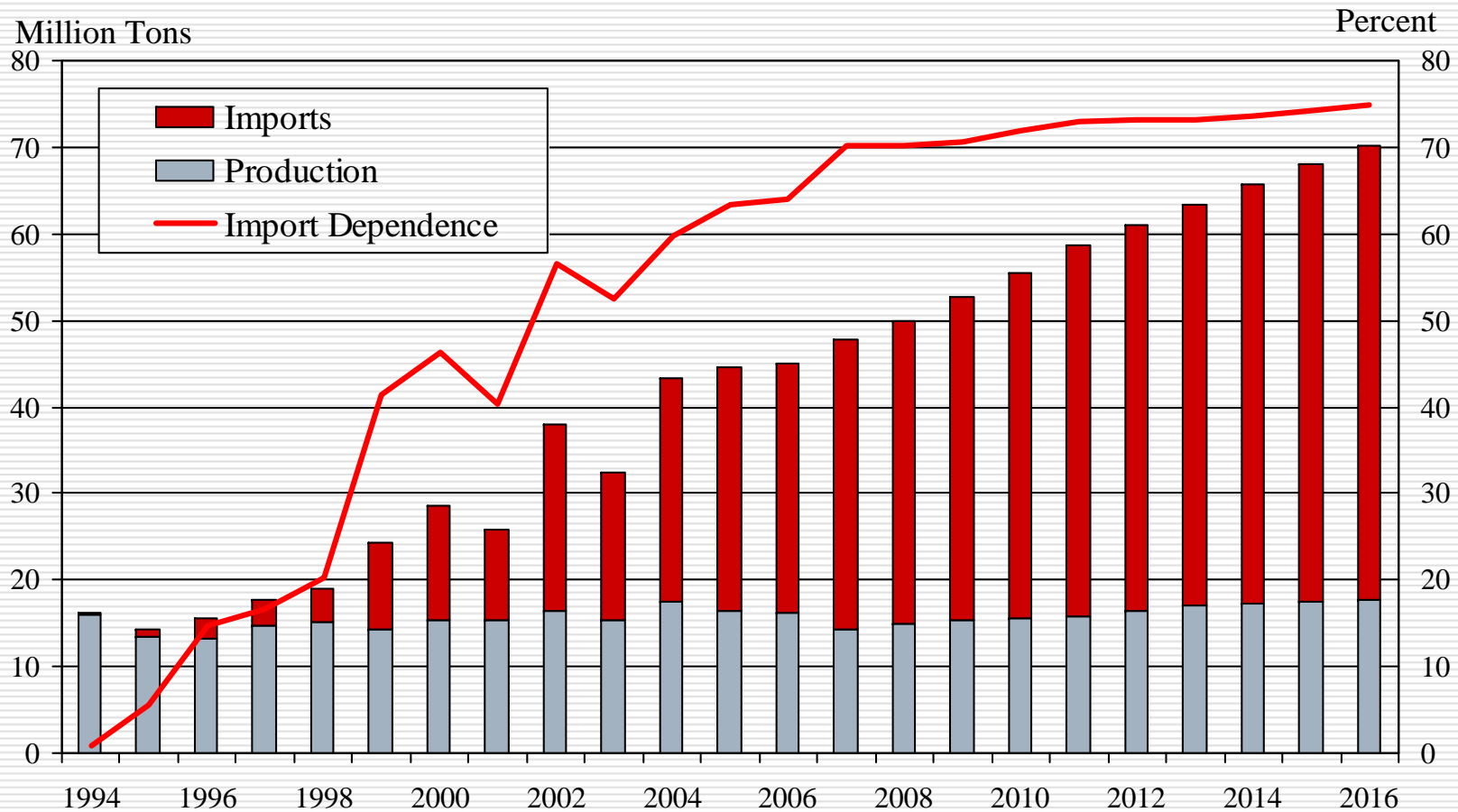
1995/96 through 2007/08F

Mil. Metric Tons



Note: 2007/08 production and consumption are projected based on the *World Agricultural Supply and Demand Estimates*, January 11, 2008.

China Soybean Import Dependence Expected to Increase in the Next 10 Years



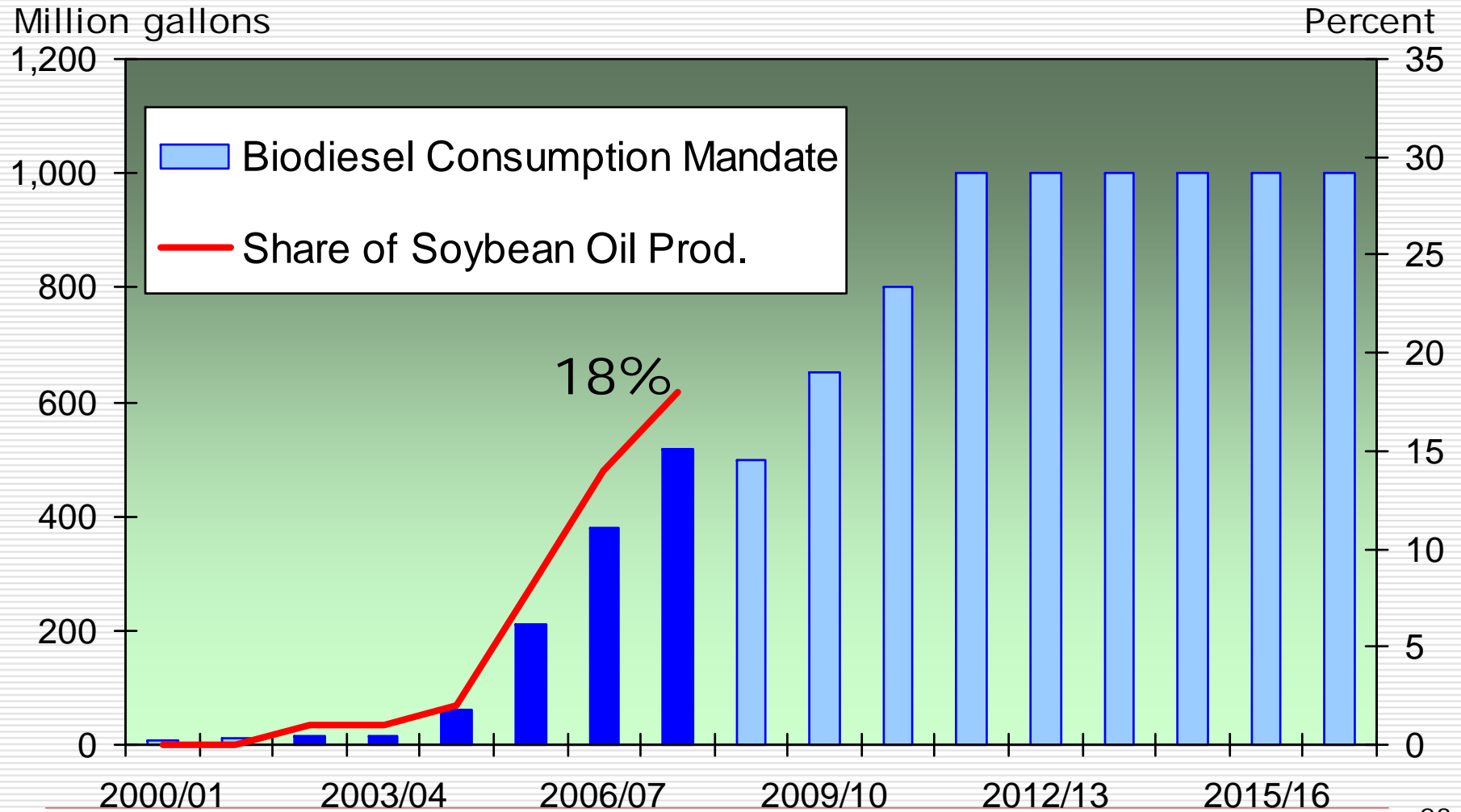
2008 Soybean Acreage Outlook



Sowing favored by:

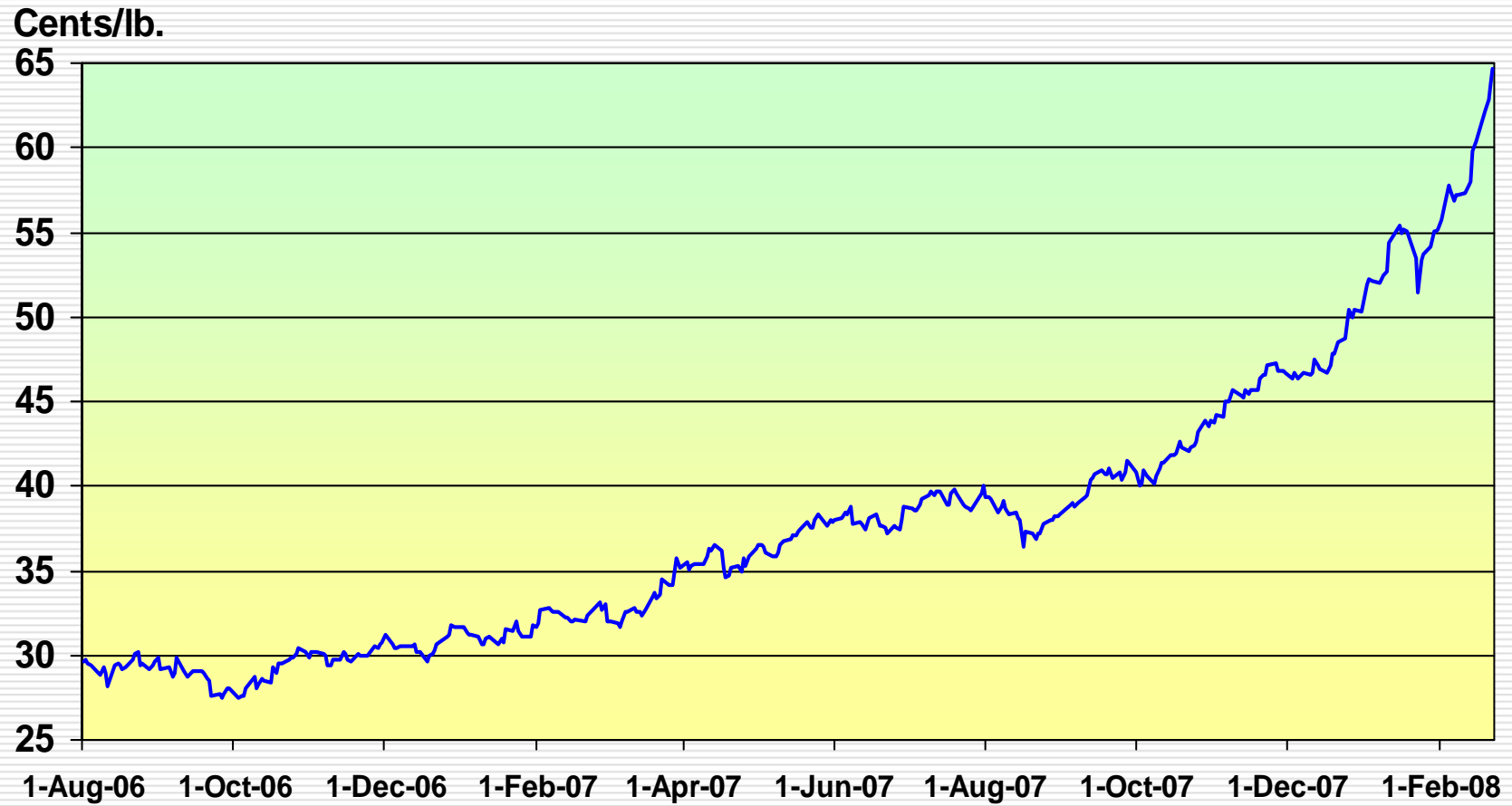
- Record-high cash and new-crop prices
- Low input costs
- Crop rotations
- Double-cropping after wheat

U.S. Biodiesel Mandate . . . (2007 Energy Act)



Soybean Oil Futures Prices

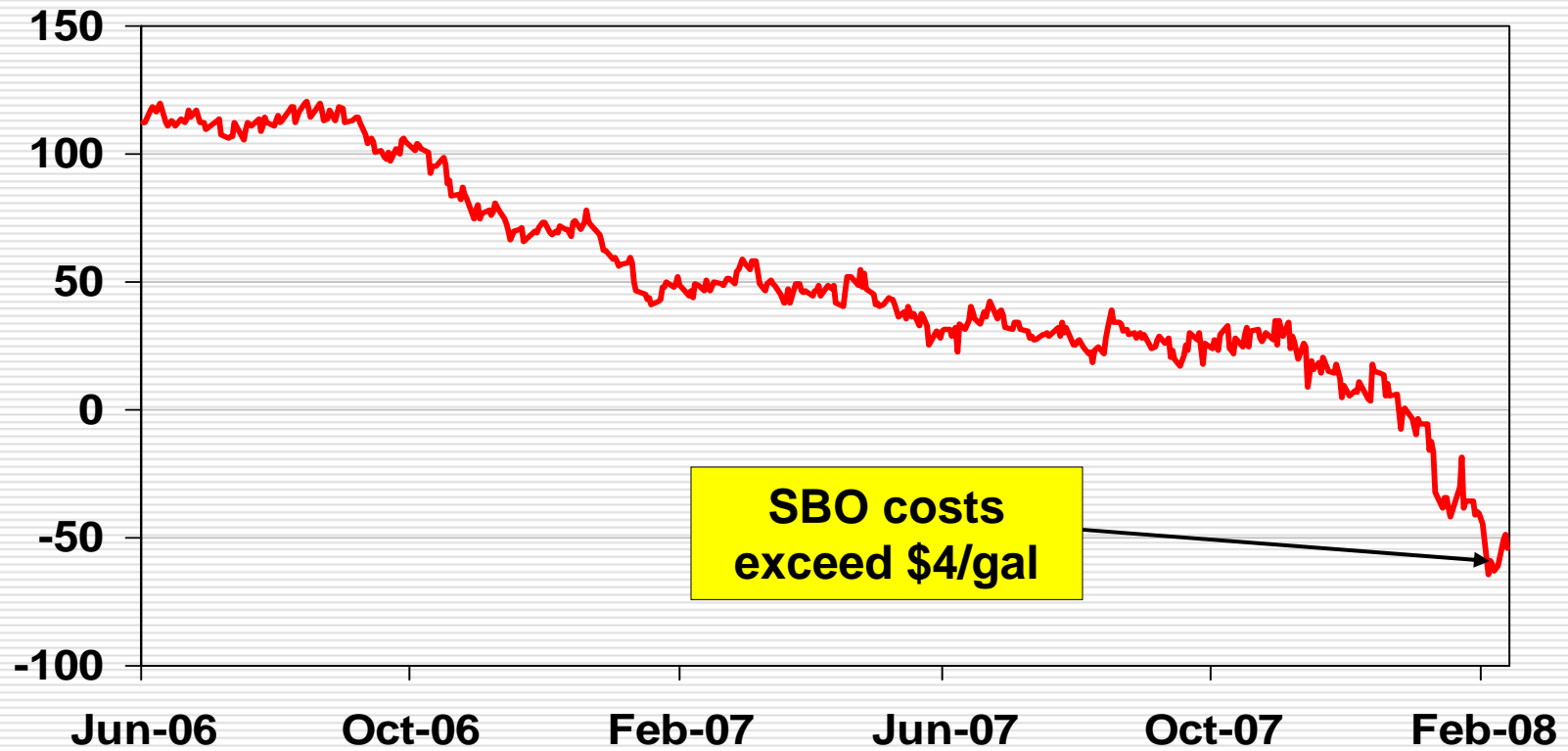
December 2008 Contract



Note: Chicago Board of Trade daily settlement prices.

Biodiesel Margin

cents/lb

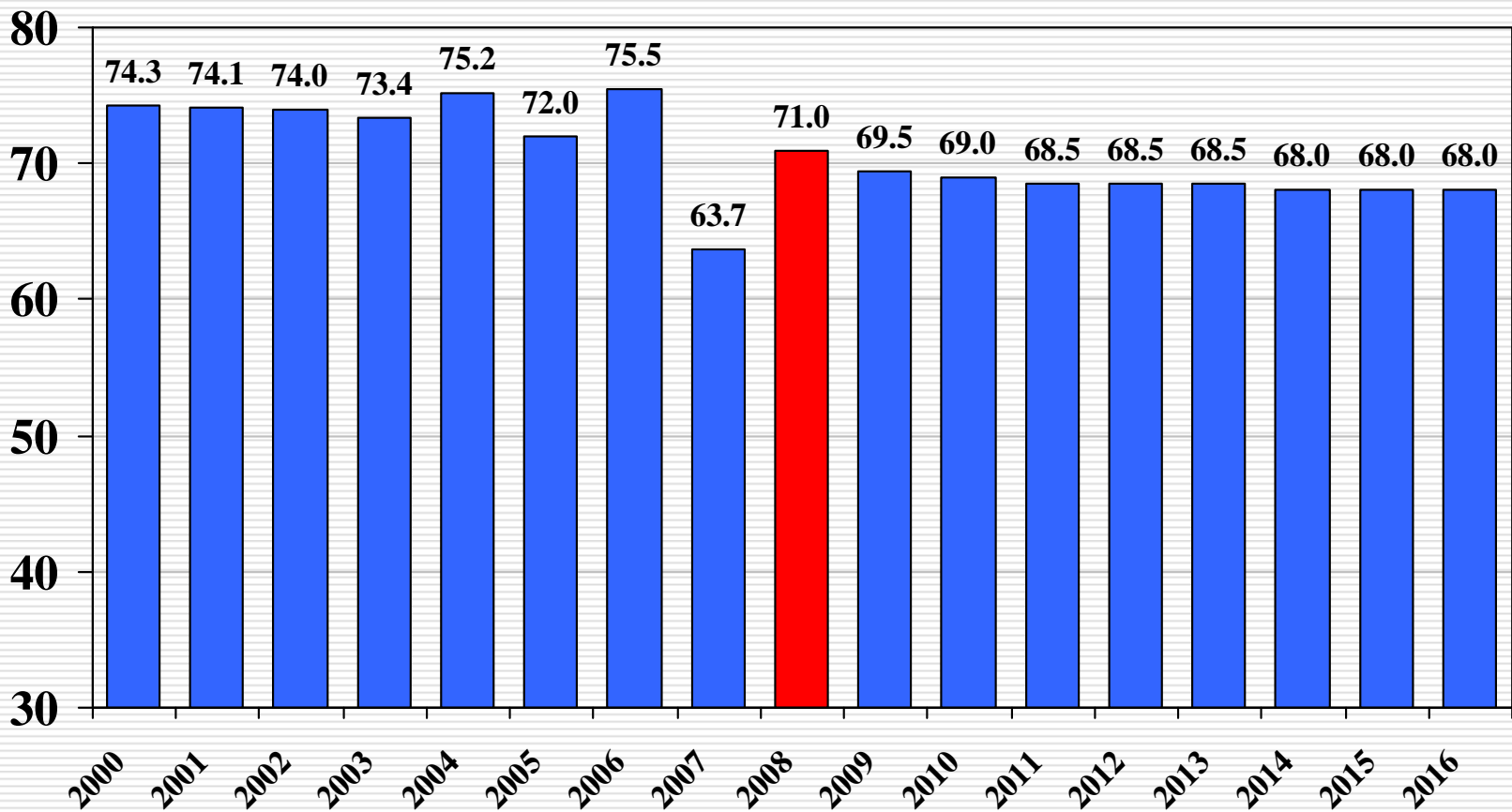


U.S. Soybean Supply and Demand

	2006/07 estimate	2007/08 forecast	2008/09 forecast	Change from 2008/09 <i>Percent</i>
Planted area (million acres)	75.5	63.6	71.0	11.6
Harvested area (million acres)	74.6	62.8	70.1	11.6
Yield (bushels per acre)	42.7	41.2	42.1	2.3
	<i>Million bushels</i>			
Beginning stocks	449	574	160	-72.1
Production	3,188	2,585	2,950	14.1
Imports	9.0	6.0	6.0	0.0
Total Supply	3,647	3,165	3,116	-1.6
Crush	1,806	1,835	1,860	1.4
Seed and Residual	148	165	177	7.1
Domestic use	1,955	2,000	2,037	1.8
Exports	1,118	1,005	910	-9.5
Total Use	3,073	3,005	2,947	-1.9
Ending stocks	574	160	169	5.6
	<i>Percent</i>			
Stocks/use ratio	18.7	5.3	5.7	
	<i>Dollars per bushel</i>			
Average market price	6.43	10.40	11.50	10.6

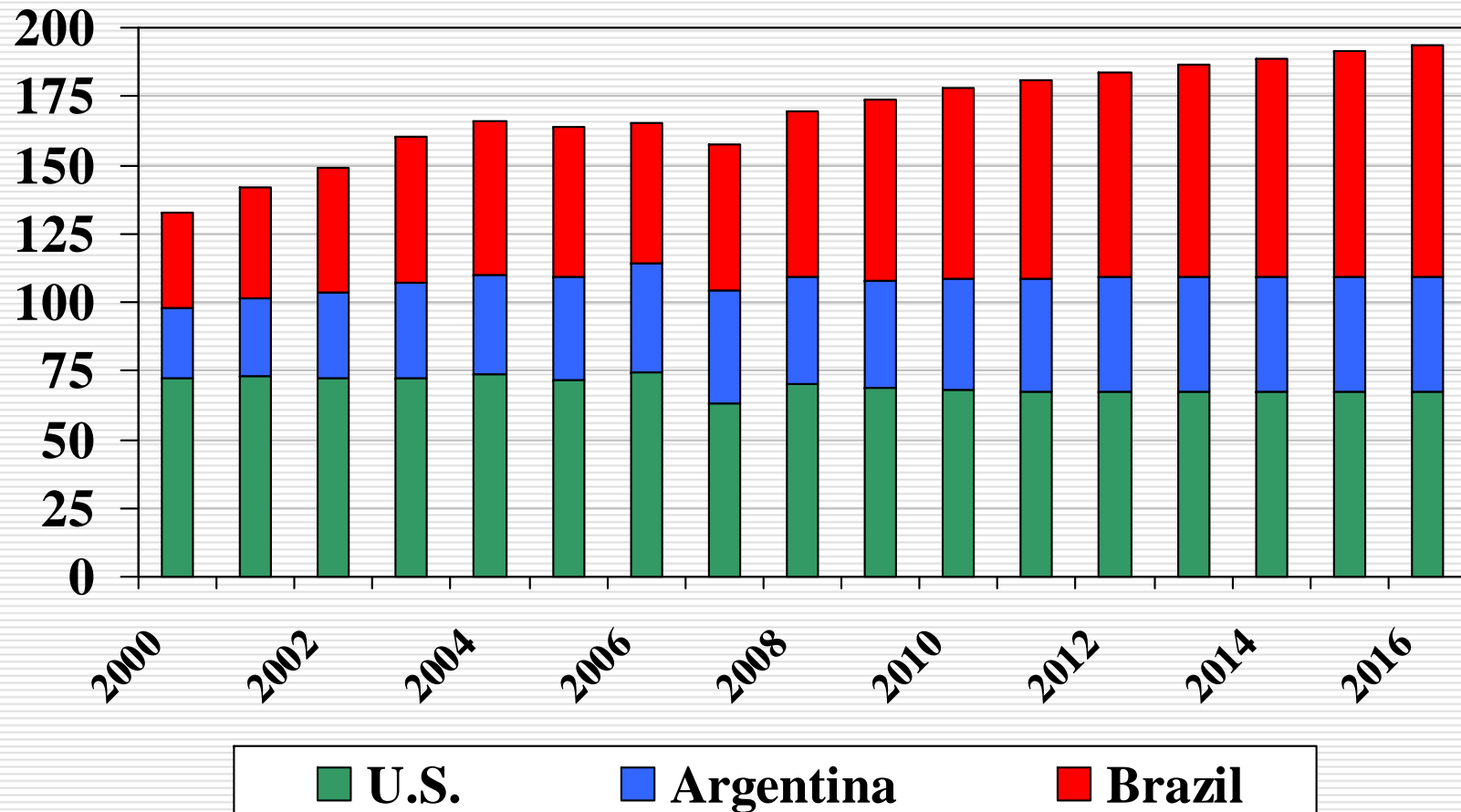
U.S. Soybean Planted Area Trend

Million Acres



Soybean Harvested Area

Million Acres

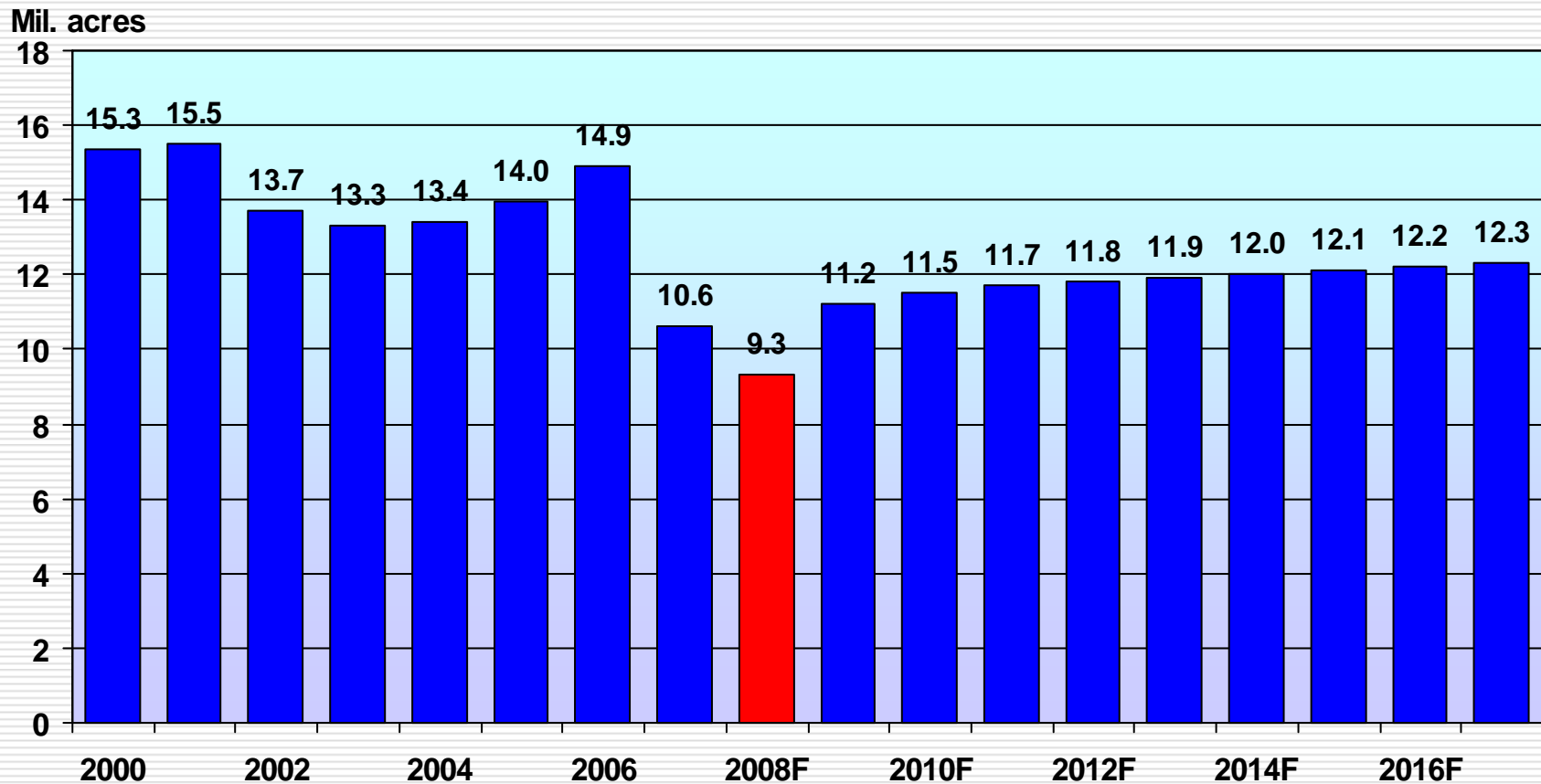


U.S. Cotton Supply and Demand

	2006/07 estimate	2007/08 forecast	2008/09 forecast	Change from 2008/09 <i>Percent</i>
Planted area (million acres)	15.3	10.8	9.5	-12.3
Harvested area (million acres)	12.7	10.5	8.6	-18.0
Yield (pounds per acre)	814.0	871.0	835.0	-4.1
		<i>Million bales</i>		
Beginning stocks	6.1	9.5	8.2	-13.5
Imports	0.0	0.0	0.0	0.0
Production	21.6	19.0	15.0	-21.2
Total supply	27.7	28.5	23.2	-18.6
Mill use	4.9	4.6	4.5	-2.2
Exports	13.0	15.7	15.0	-4.5
Total use	18.0	20.3	19.5	-3.9
Unaccounted	0.2	0.0	0.0	
Ending stocks	9.5	8.2	3.7	-54.6
		<i>Percent</i>		
Stocks to use ratio	52.8	40.4	19.1	
		<i>Cents per pound</i>		
Average market price	46.50	53.50*		

*Average price for August-December 2007. USDA is prohibited by law from publishing cotton price projections.

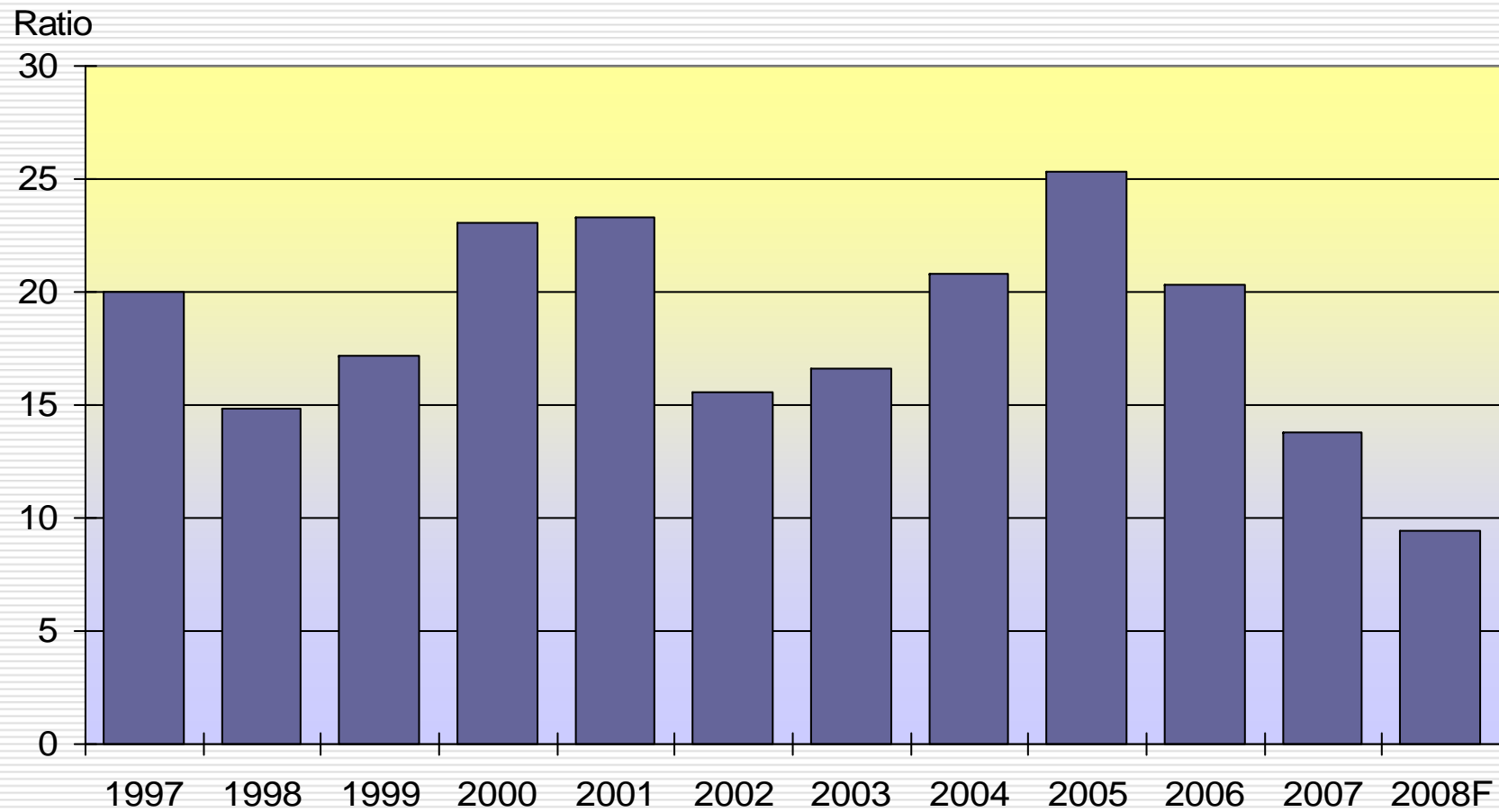
U.S. Upland Cotton Planted Area Trend



Note: 2008 planted area forecast from USDA's *Cotton Outlook*, Agricultural Outlook Forum, Washington, D.C., February 22, 2008. Projections for 2009-2017 are from *USDA Agricultural Projections to 2017*, February 2008.

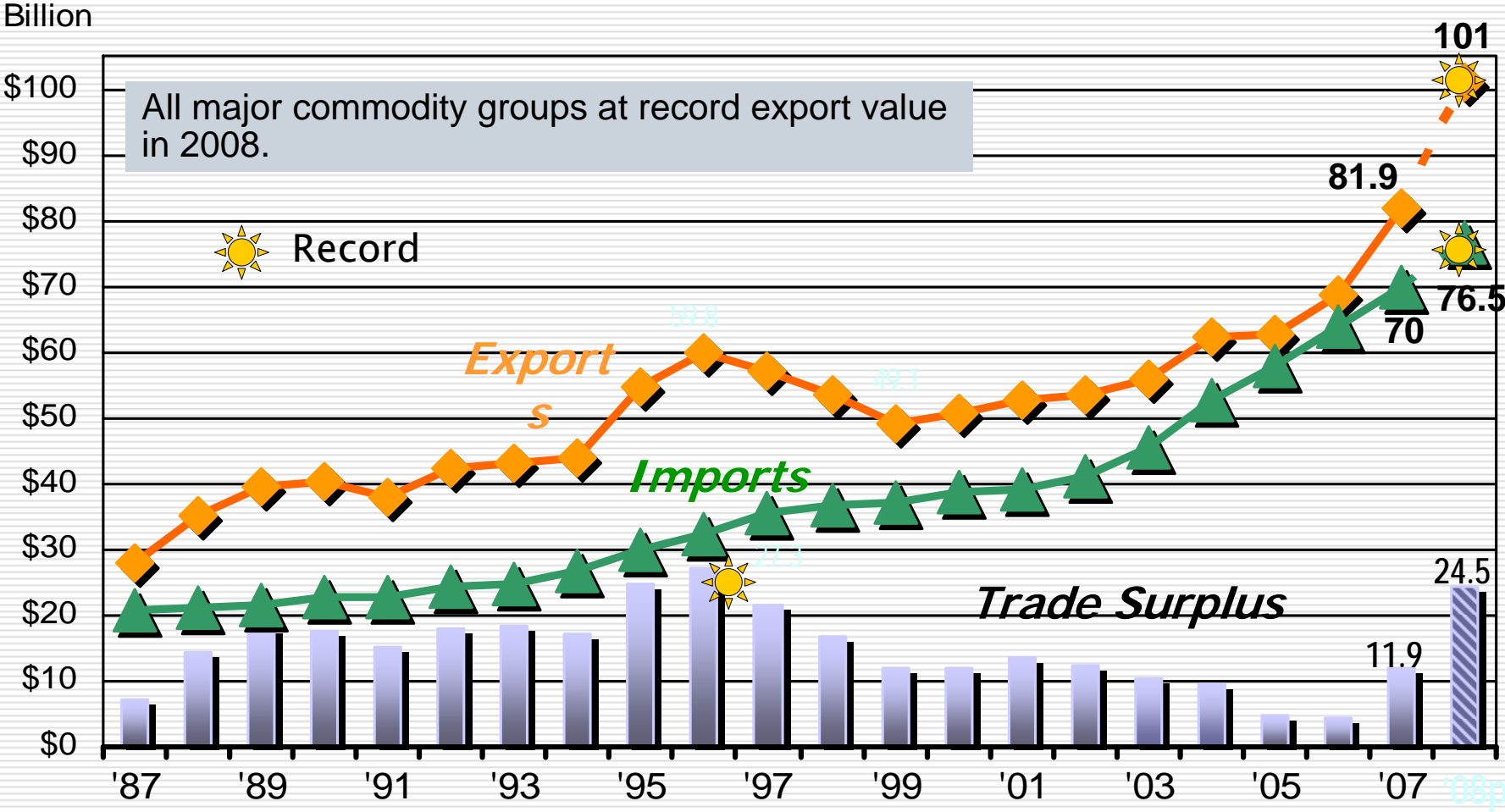
Hog-Corn Price Ratio

*Bushels of Corn per 100 lbs of Live Hog**

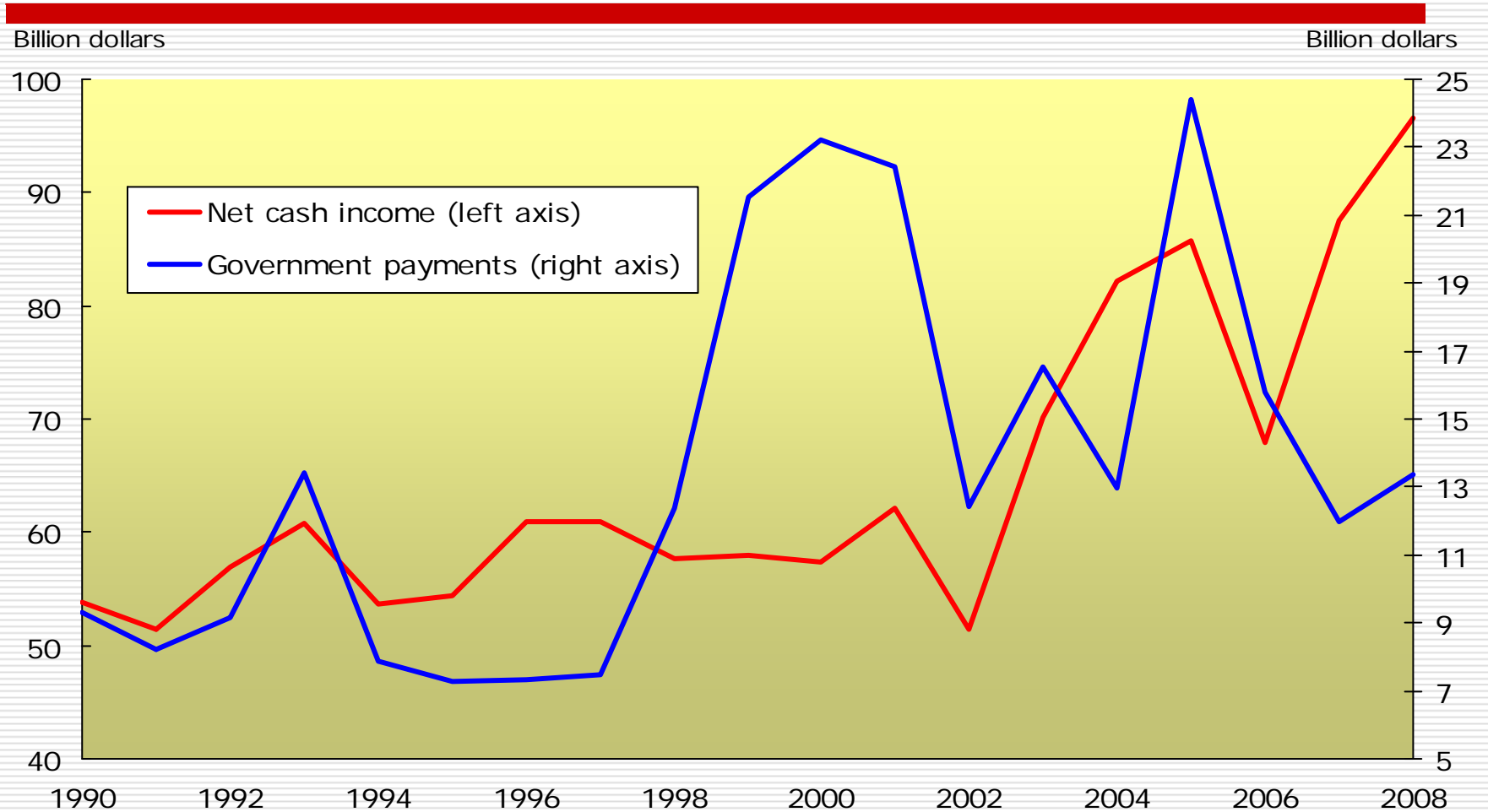


*Based on NASS Prices Received

U.S. Agricultural Trade



Cash Farm Income and Government Payments



Source: Economic Research Service, USDA

Consumer Prices and Prices Received by Farmers

Year	CPI for Food	Farm Prices Percent
2005	2.4	-2.7
2006	2.4	0.1
2007	4.0	19.0

Sources: U.S. Bureau of Labor Statistics, National Agricultural Statistics Service

END



Kentucky Presentation