

Agricultural Commodity Outlook

Gerald A. Bange

Chairperson

World Agricultural Outlook Board

Office of the Chief Economist

U.S. Department of Agriculture

to

North Carolina Department of Agriculture

Raleigh, North Carolina

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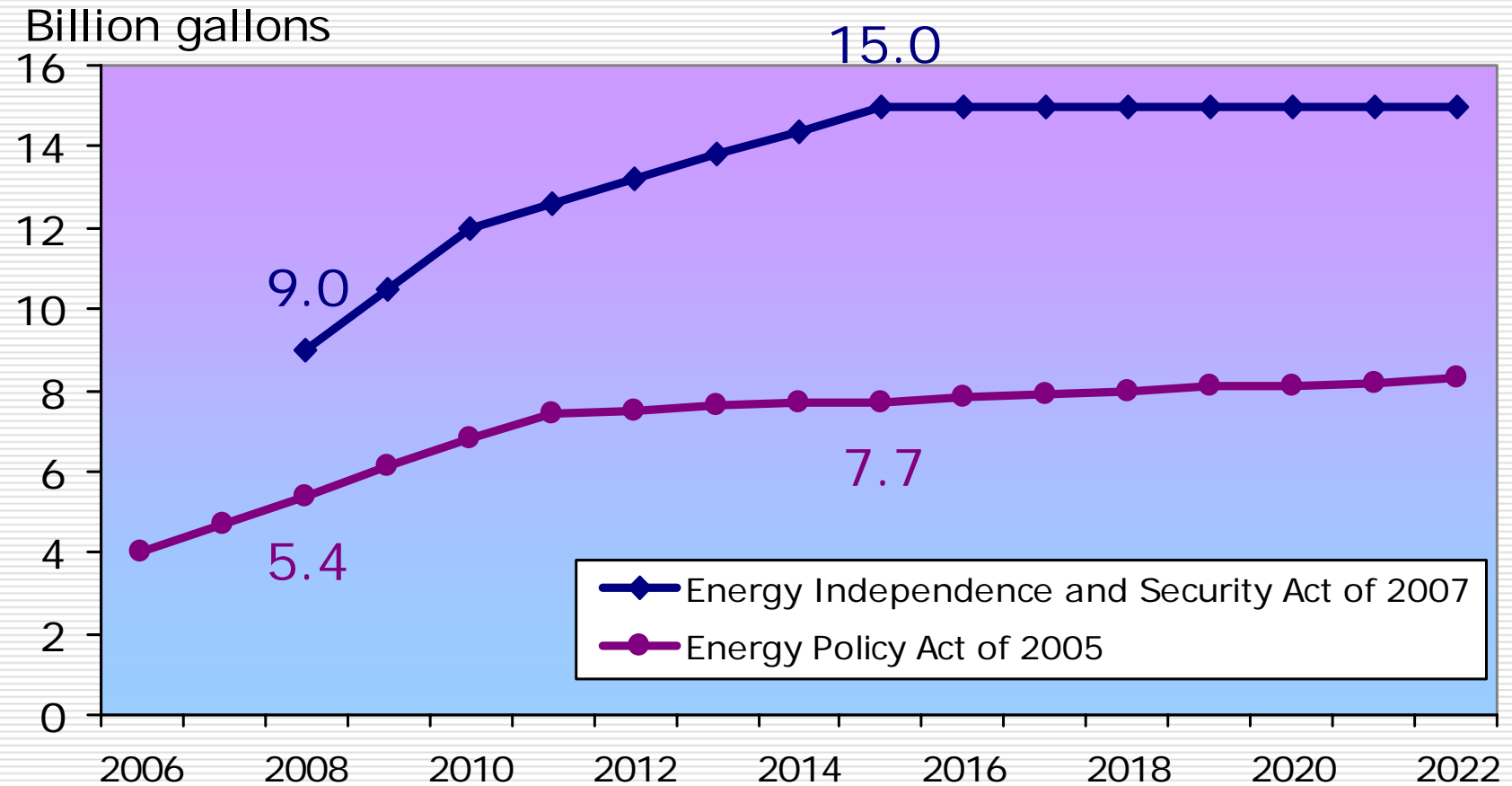
<http://www.usda.gov/oce/speeches/index.htm>

Keys to the Situation and Outlook

- Renewable Fuels Mandate
- 2007/08 Commodity Balance Sheets
- 2008/09 Prospective Plantings
- Market Impacts of Ethanol and Biodiesel
- Foreign Market Developments
- U.S. Meat Production and Trade
- Rising Input Costs
- 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*.

U.S. Wheat Supply and Demand

| | 2005/06 | 2006/07 estimate | 2007/08 forecast | Change from last year <i>Percent</i> |
|--------------------------------|---------|---------------------------|---------------------|--|
| Planted area (million acres) | 57.2 | 57.3 | 60.4 | 5.4 |
| Harvested area (million acres) | 50.1 | 46.8 | 51.0 | 9.0 |
| Yield (bushels per acre) | 42.0 | 38.7 | 40.5 | 4.7 |
| | | <i>Million bushels</i> | | |
| Beginning stocks | 540 | 571 | 456 | -20.1 |
| Production | 2,105 | 1,812 | 2,067 | 14.1 |
| Imports | 81 | 122 | 90 | -26.1 |
| Total supply | 2,726 | 2,505 | 2,613 | 4.3 |
| Food use | 915 | 933 | 945 | 1.3 |
| Seed | 78 | 81 | 86 | 5.5 |
| Feed and residual | 160 | 125 | 115 | -8.4 |
| Domestic use | 1,152 | 1,140 | 1,146 | 0.5 |
| Exports | 1,003 | 909 | 1,175 | 29.3 |
| Total use | 2,155 | 2,049 | 2,321 | 13.3 |
| Ending stocks | 571 | 456 | 292 | -36.0 |
| | | <i>Percent</i> | | |
| Stocks to use ratio | 26.5 | 22.3 | 12.6 | |
| | | <i>Dollars per bushel</i> | | |
| Average market price | 3.42 | 4.26 | 6.45/6.85 | 51.4/60.8 |

U.S. Corn Supply and Demand

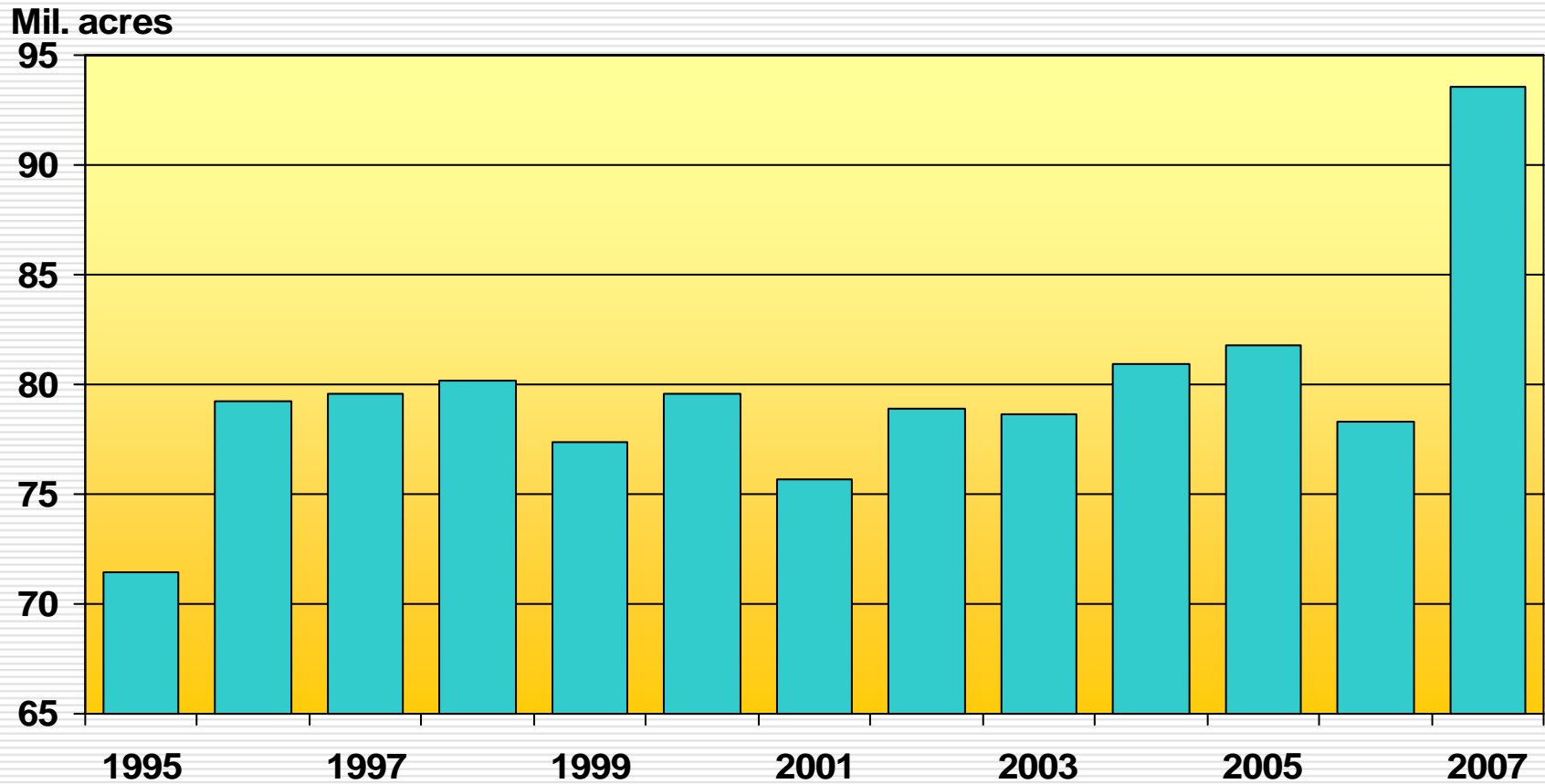
| | 2005/06 | 2006/07 estimate | 2007/08 forecast | Change from last year <i>Percent</i> |
|--------------------------------|---------|---------------------------|---------------------|--|
| Planted area (million acres) | 81.8 | 78.3 | 93.6 | 19.5 |
| Harvested area (million acres) | 75.1 | 70.6 | 86.5 | 22.5 |
| Yield (bushels per acre) | 148.0 | 149.1 | 151.1 | 1.3 |
| | | <i>Million bushels</i> | | |
| Beginning stocks | 2,114 | 1,967 | 1,304 | -33.7 |
| Production | 11,114 | 10,535 | 13,074 | 24.1 |
| Total supply | 13,237 | 12,514 | 14,393 | 15.0 |
| Feed and residual | 6,155 | 5,598 | 5,950 | 6.3 |
| Food, seed, and industrial | 2,981 | 3,488 | 4,555 | 30.6 |
| Ethanol | 1,603 | 2,117 | 3,200 | 51.2 |
| Domestic use | 9,136 | 9,086 | 10,505 | 15.6 |
| Exports | 2,134 | 2,125 | 2,450 | 15.3 |
| Total use | 11,270 | 11,210 | 12,955 | 15.6 |
| Ending stocks | 1,967 | 1,304 | 1,438 | 10.3 |
| | | <i>Percent</i> | | |
| Stocks/use | 17.5 | 11.6 | 11.1 | |
| | | <i>Dollars per bushel</i> | | |
| Average market price | 2.00 | 3.04 | 3.70/4.30 | 21.7/41.4 |

U.S. Soybean Supply and Demand

| | 2005/06 | 2006/07 estimate | 2007/08 forecast | Change from last year <i>Percent</i> |
|--------------------------------|---------|---------------------------|---------------------|--|
| Planted area (million acres) | 72.0 | 75.5 | 63.6 | -15.7 |
| Harvested area (million acres) | 71.3 | 74.6 | 62.8 | -15.8 |
| Yield (bushels per acre) | 43.0 | 42.7 | 41.2 | -3.7 |
| | | <i>Million bushels</i> | | |
| Beginning stocks | 256 | 449 | 574 | 27.7 |
| Production | 3,063 | 3,188 | 2,585 | -18.9 |
| Imports | 3.4 | 9.0 | 6.0 | -33.6 |
| Total Supply | 3,322 | 3,647 | 3,165 | -13.2 |
| Crush | 1,739 | 1,806 | 1,830 | 1.3 |
| Seed and Residual | 194 | 148 | 165 | 11.3 |
| Domestic use | 1,933 | 1,955 | 1,995 | 2.1 |
| Exports | 940 | 1,118 | 995 | -11.0 |
| Total Use | 2,873 | 3,073 | 2,990 | -2.7 |
| Ending stocks | 449 | 574 | 175 | -69.5 |
| | | <i>Percent</i> | | |
| Stocks/use ratio | 15.6 | 18.7 | 5.9 | |
| | | <i>Dollars per bushel</i> | | |
| Average market price | 5.66 | 6.43 | 9.90/10.90 | 54.0/69.5 |

U.S. Corn Planted Area

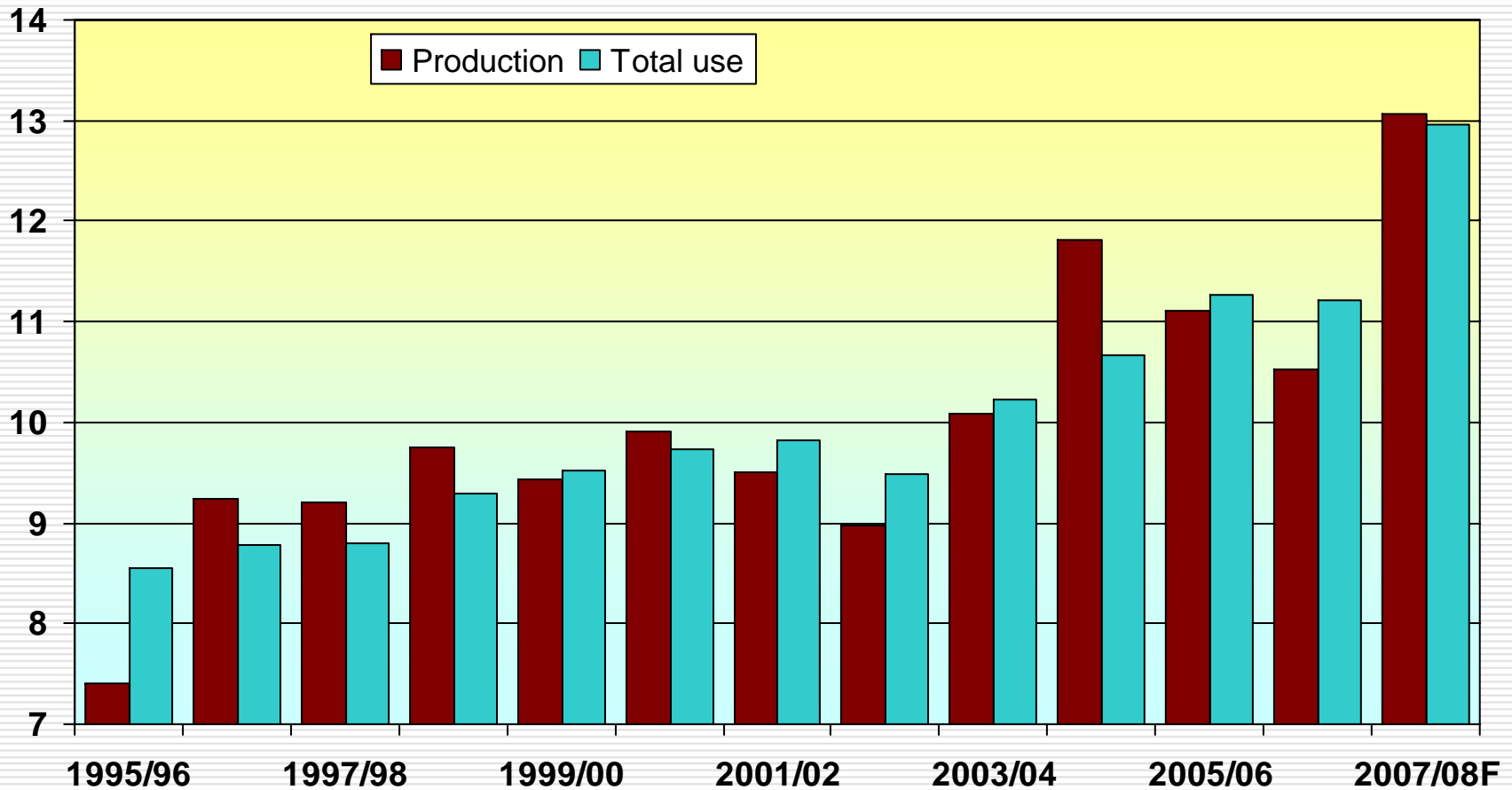
1995 through 2007



U.S. Corn Production and Total Use

1995/96 through 2007/08F

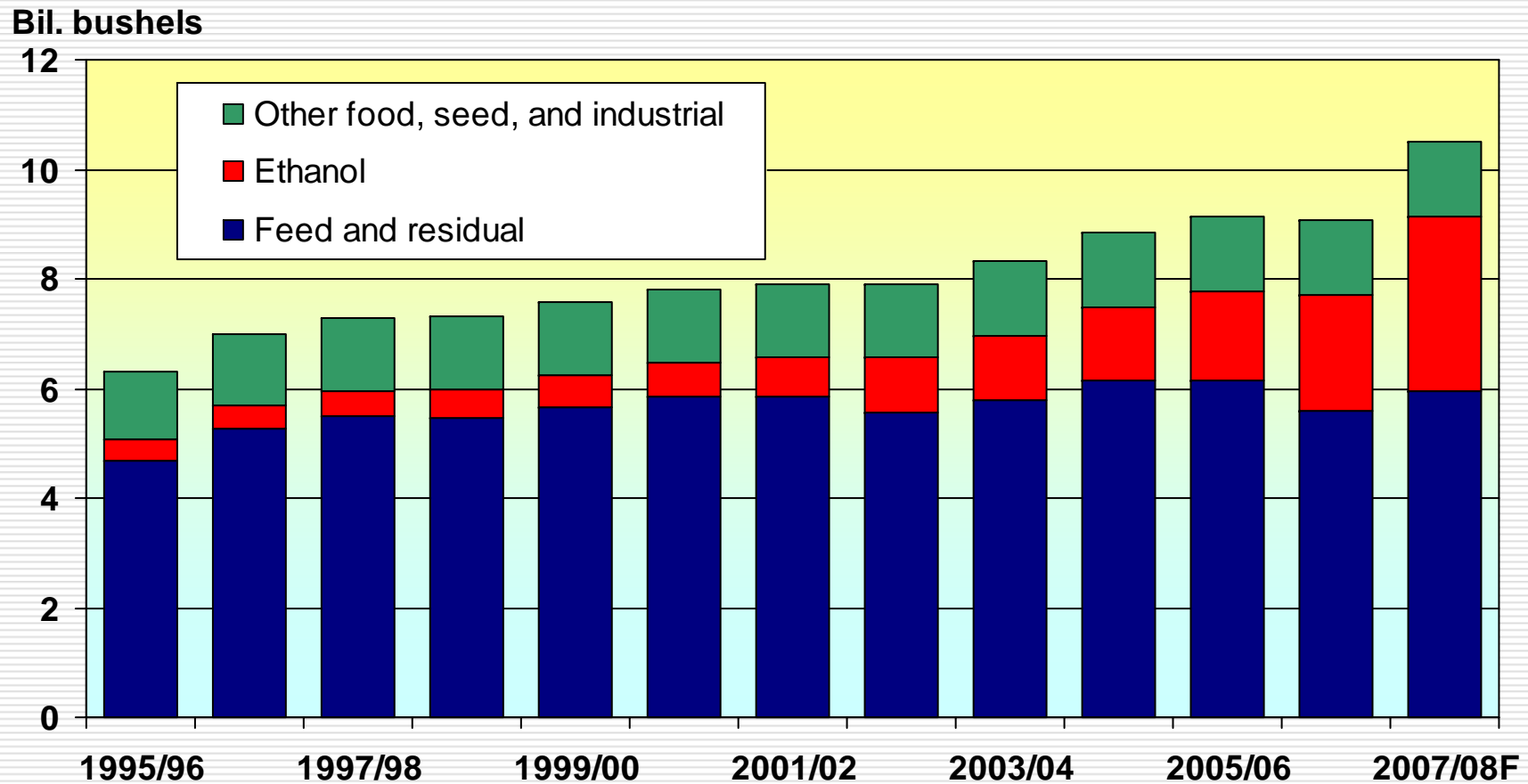
Bil. bushels



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

U.S. Domestic Corn Use

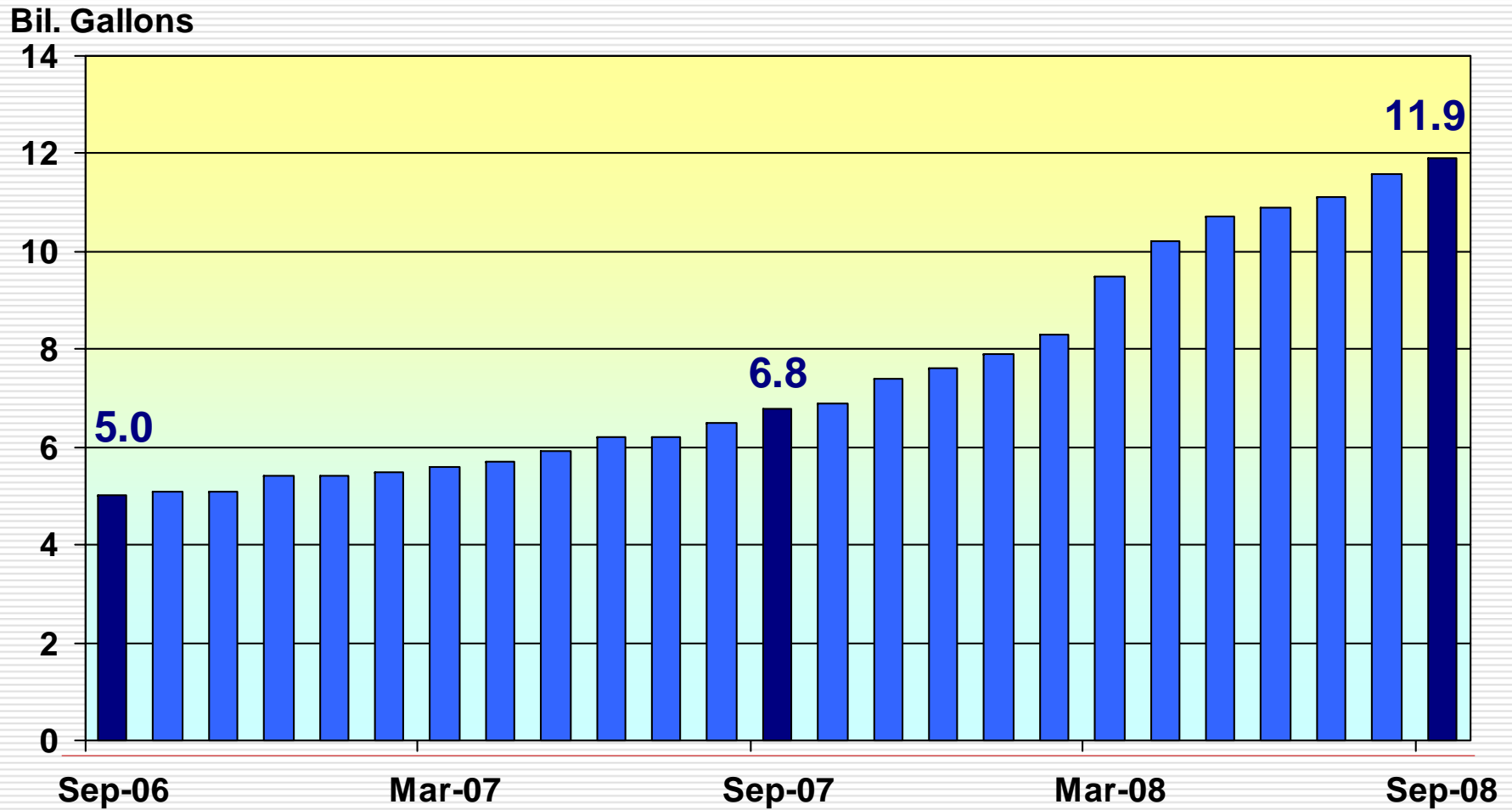
1995/96 through 2007/08F



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

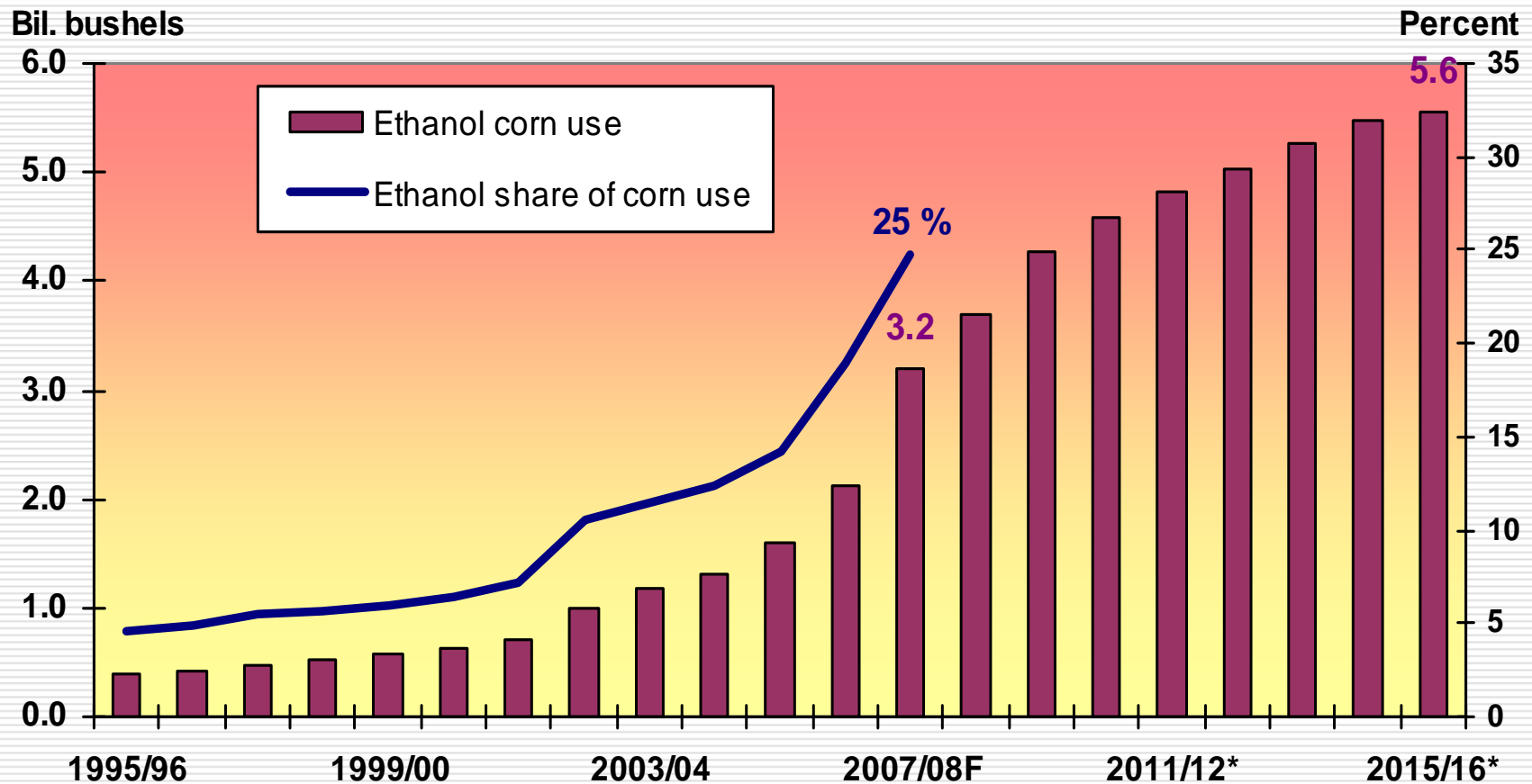
U.S. Ethanol Production Capacity

Annual Capacity by Month



U.S. Corn Used for Ethanol

1995/96 through 2015/16*

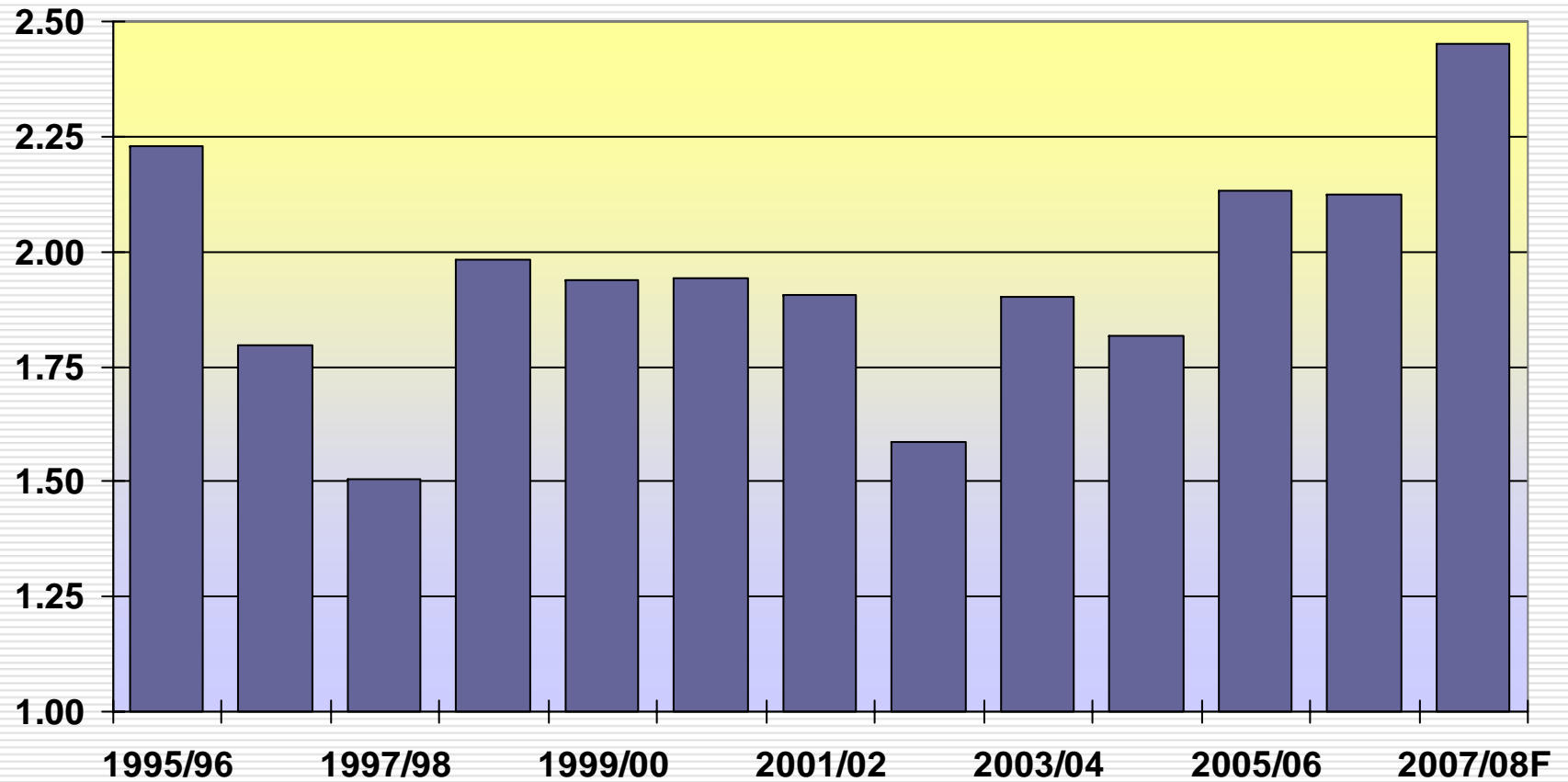


Note: 2007/08 is projected based on the *World Agricultural Supply and Demand Estimates*, January 11, 2008. *Projections for 2008/09 and beyond are based on RFS mandates for corn starch based ethanol under the Energy Independence and Security Act of 2007.

U.S. Corn Exports

1995/96 through 2007/08F

Bil. bushels

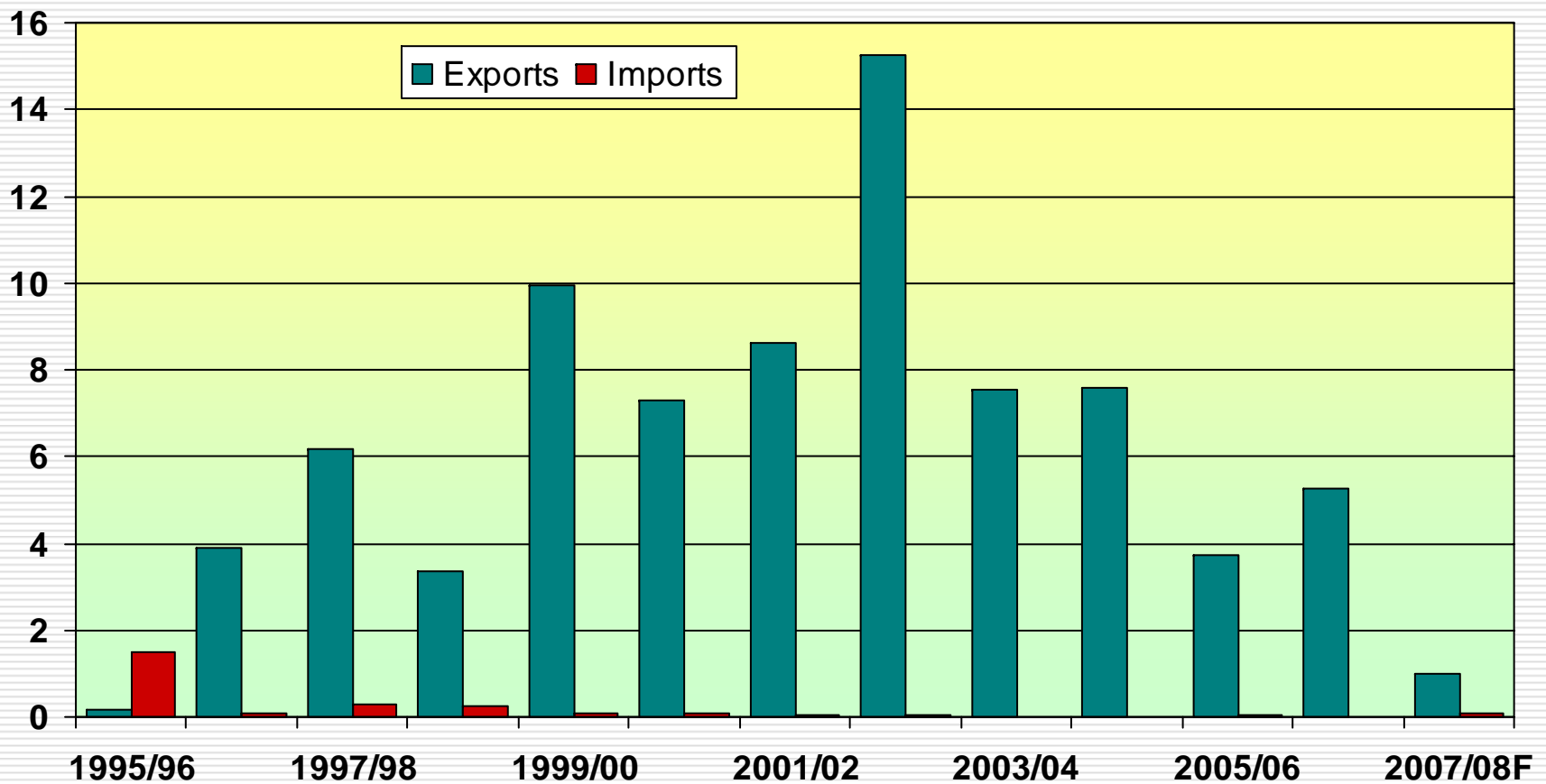


Note: 2007/08 exports are projected based on the *World Agricultural Supply and Demand Estimates*, January 11, 2008.

China Corn Exports

1995/96 through 2007/08F

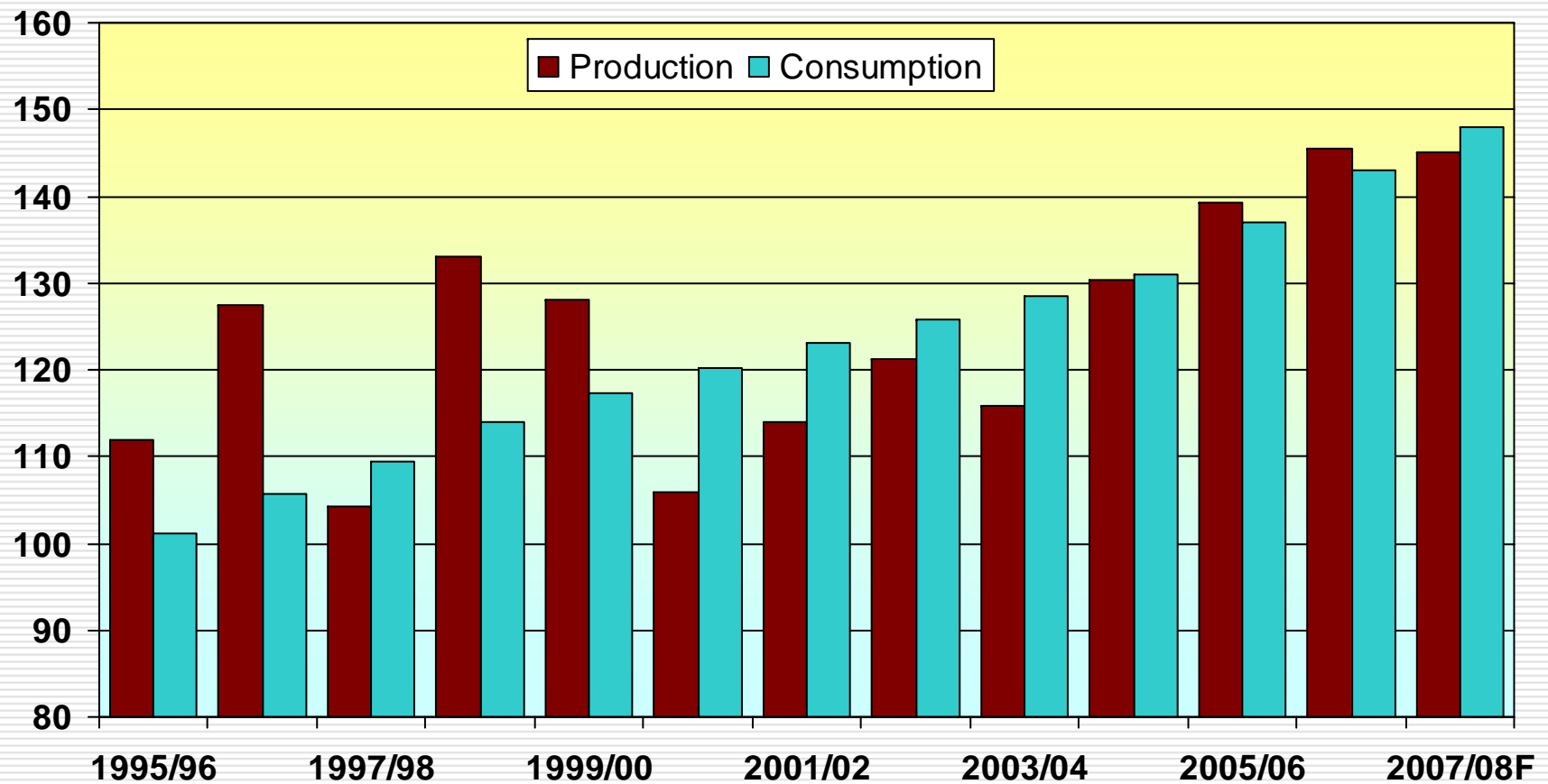
Mil. Metric Tons



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

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

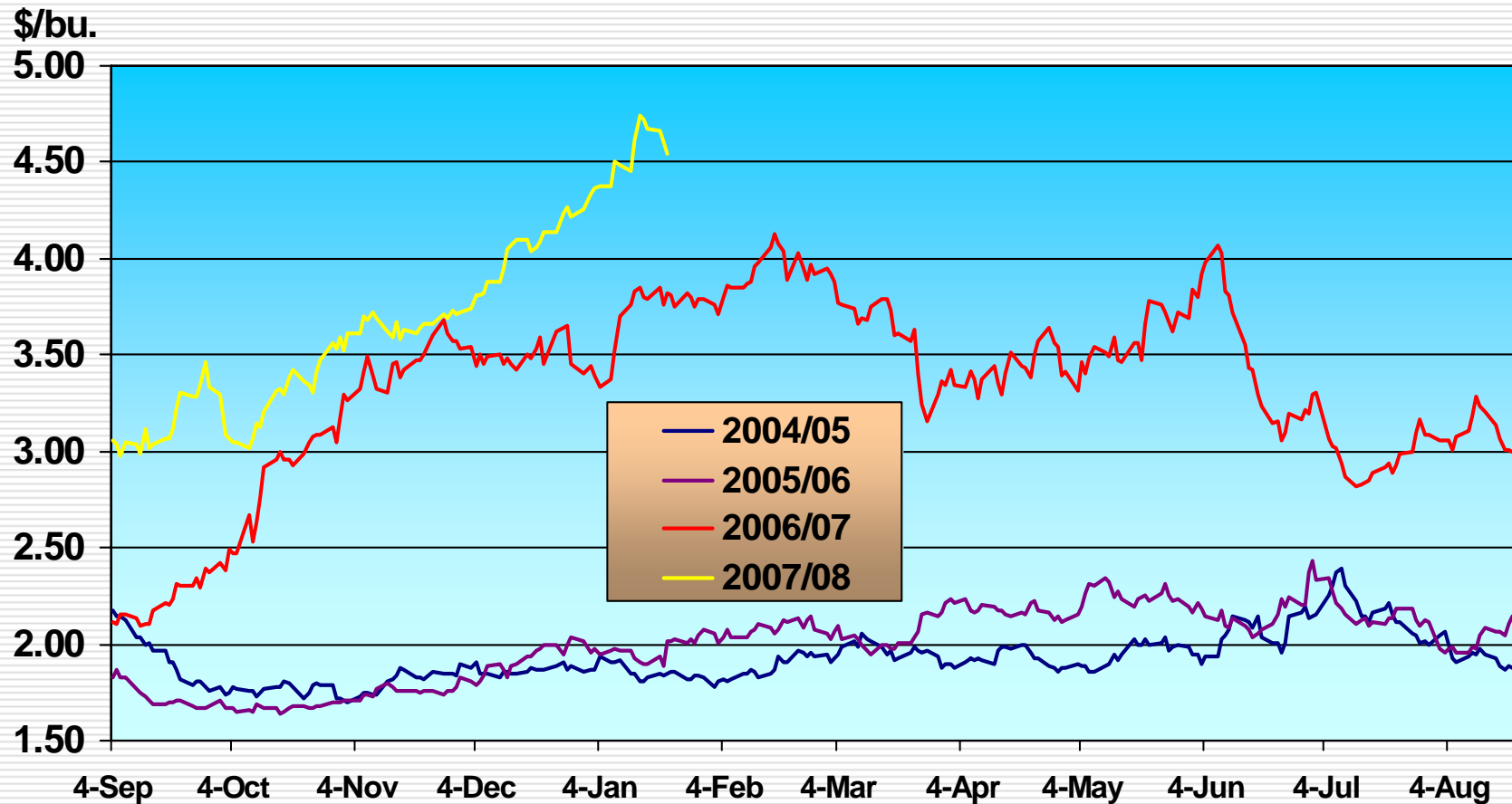
Mil. Metric Tons



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

Daily Cash Market Corn Prices

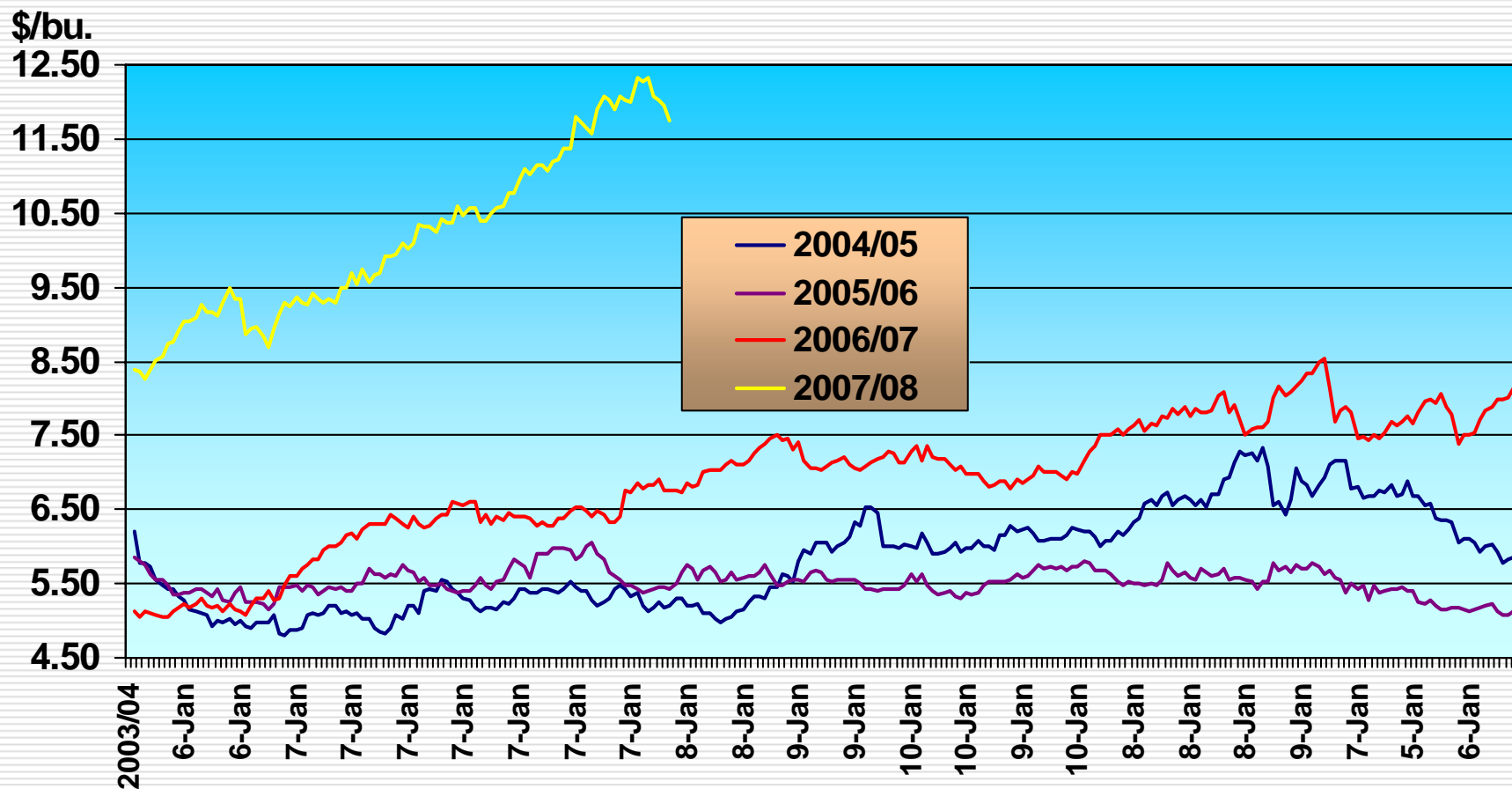
2004/05 through 2007/08 to date



Note: Central Illinois cash bids.

Daily Cash Market Soybean Prices

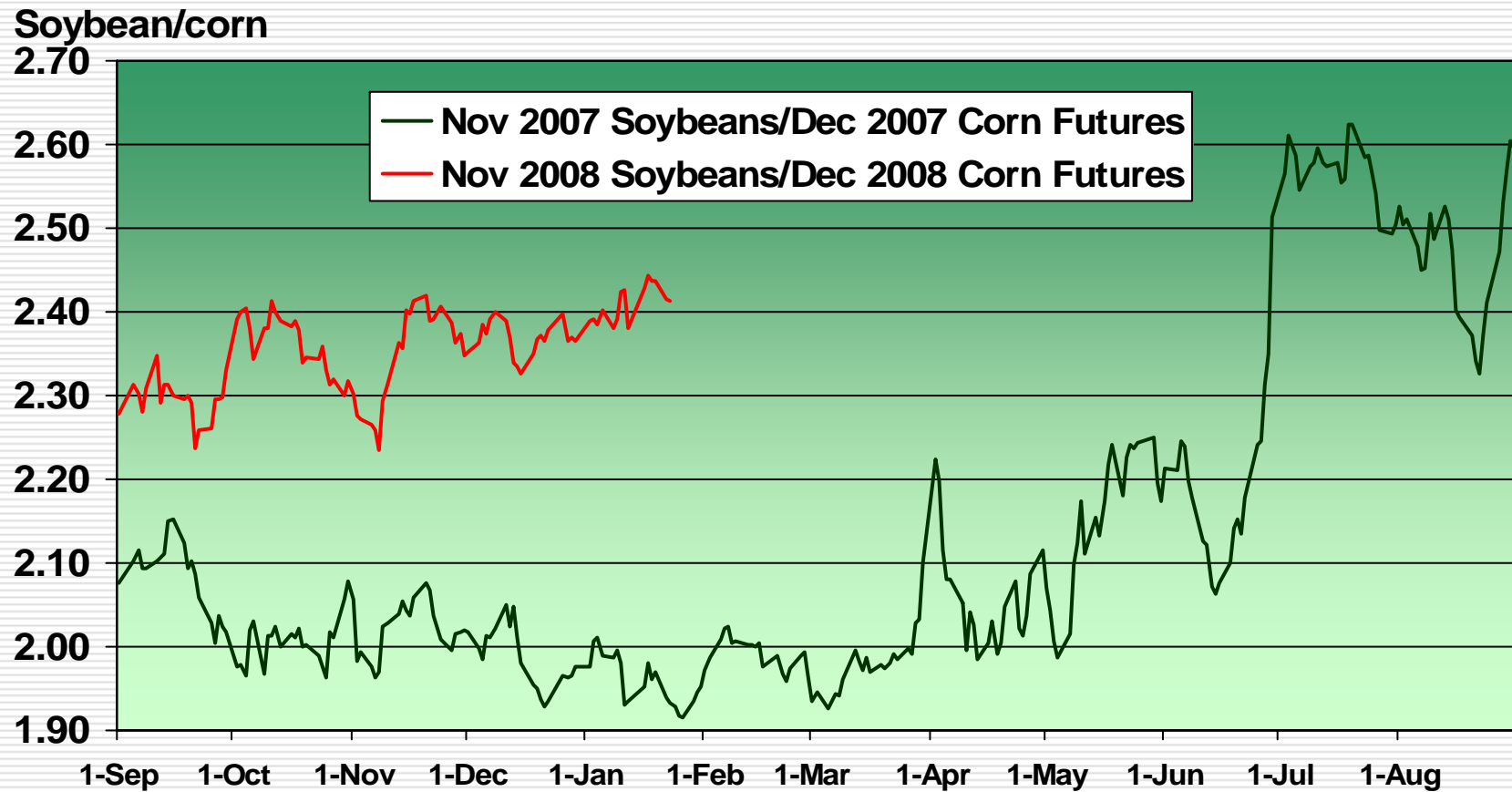
2004/05 through 2007/08 to date



Note: Central Illinois cash bids.

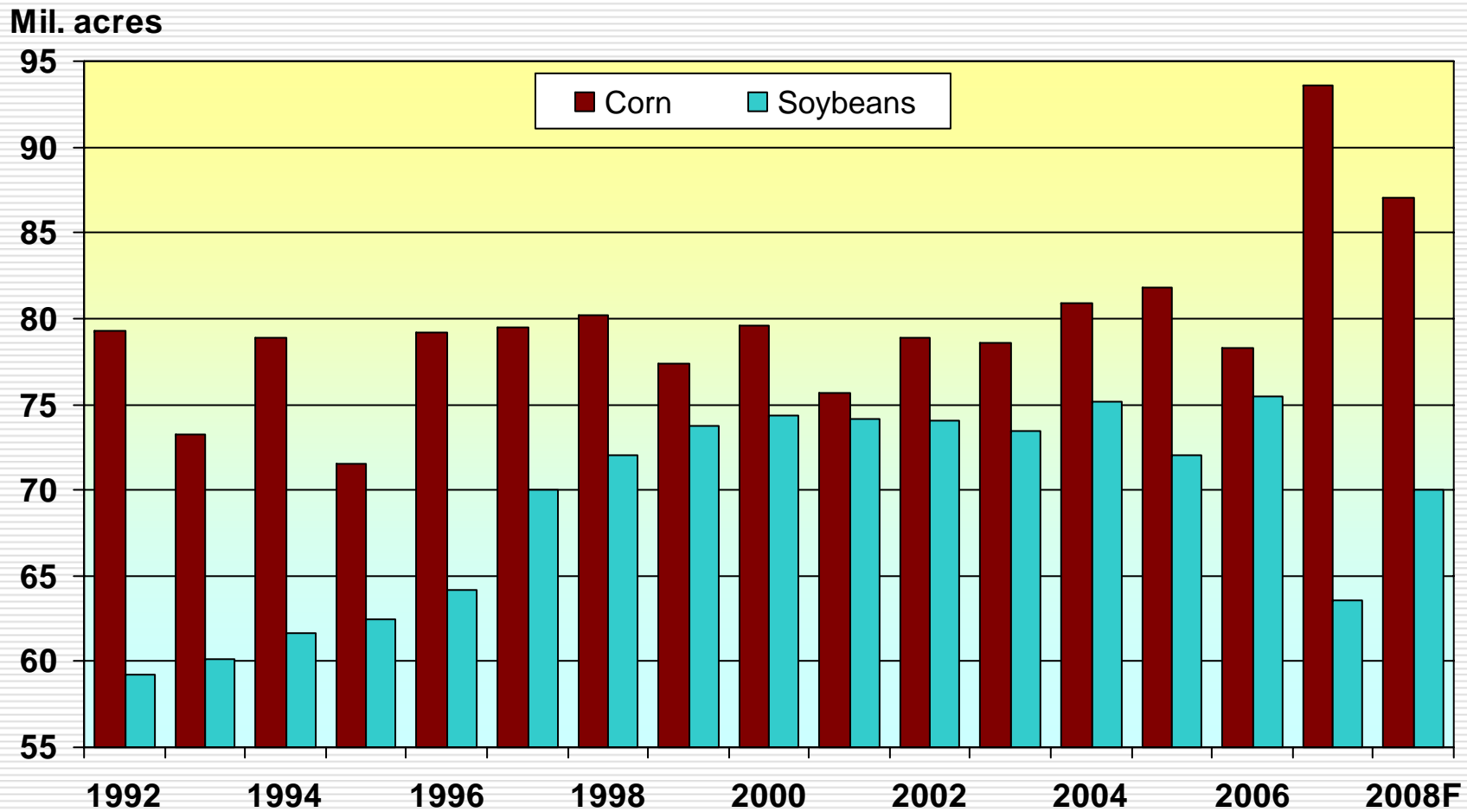
New-crop Soybean/Corn Price Ratios

2007-crop and 2008-crop to date



Note: Based on Chicago Board of Trade daily settlement prices.

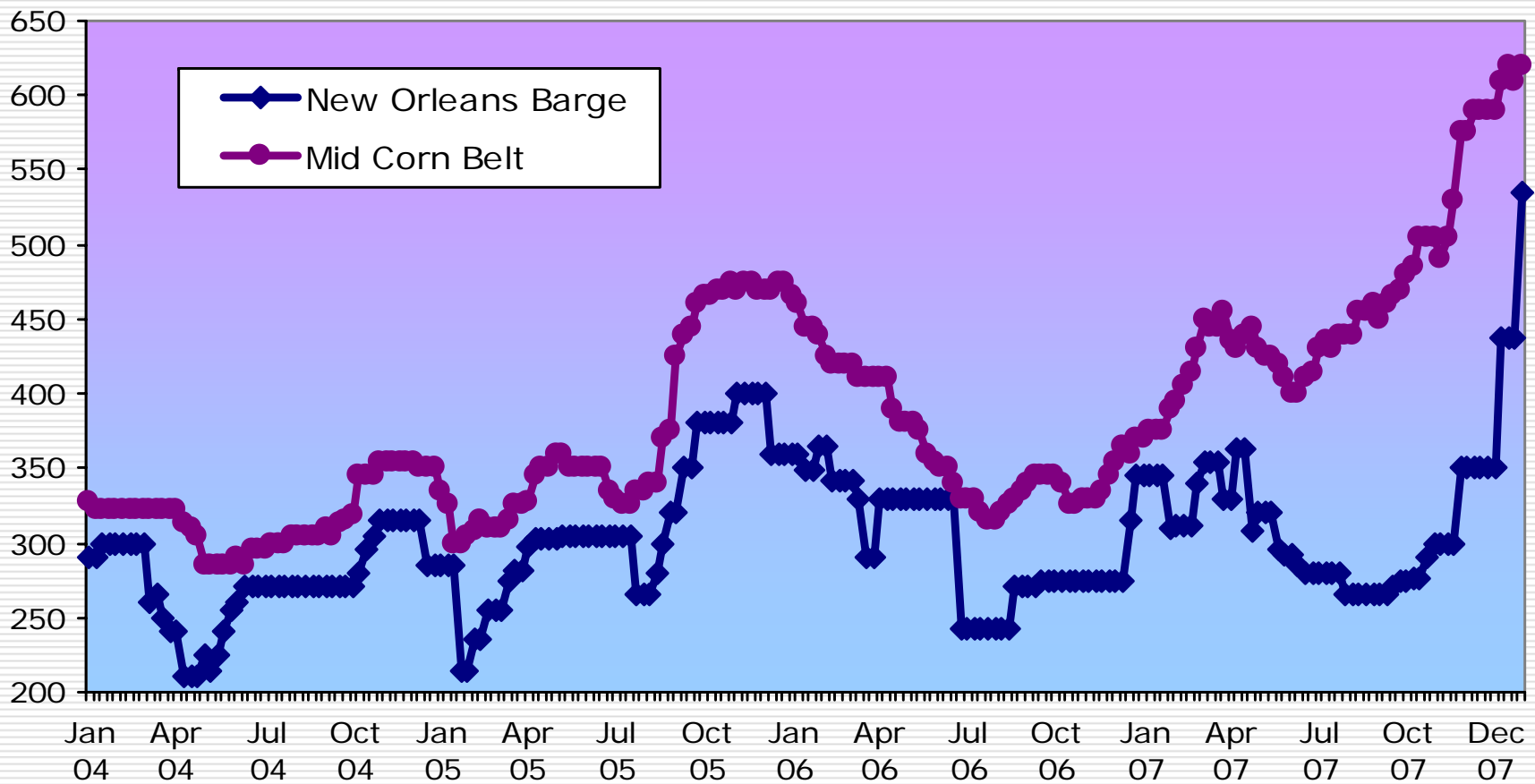
U.S. Planted Area, Corn and Soybeans 1992 through 2008F



Note: 2008 planted area forecast based on testimony by Keith Collins, Chief Economist, U.S. Department of Agriculture, before the House Committee on Agriculture, October 18, 2007.

U.S. Ammonia Prices, weekly

\$ per short ton



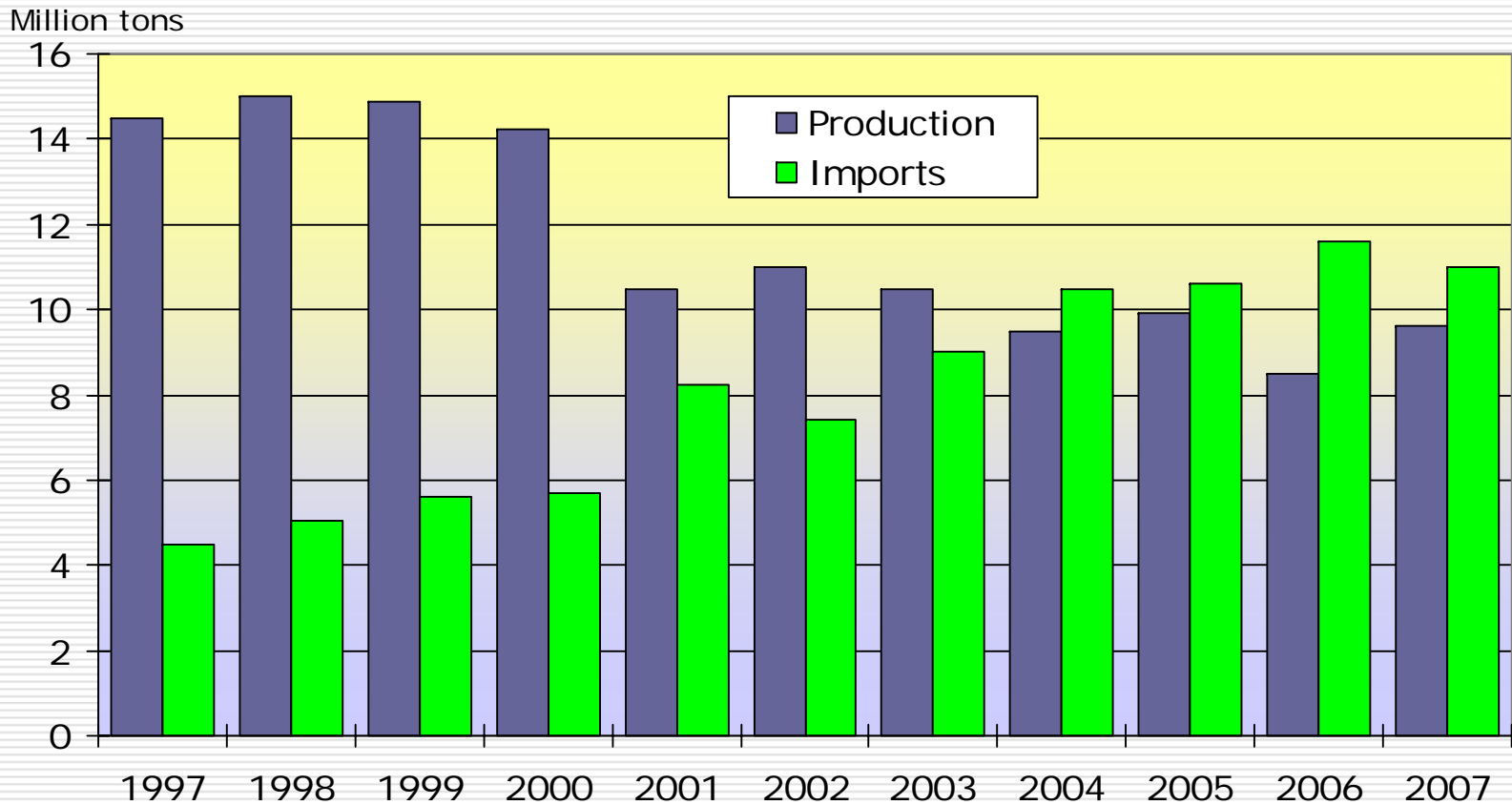
Source: Green Markets Fertilizer Market Intelligence Weekly

Projected Growth Rates

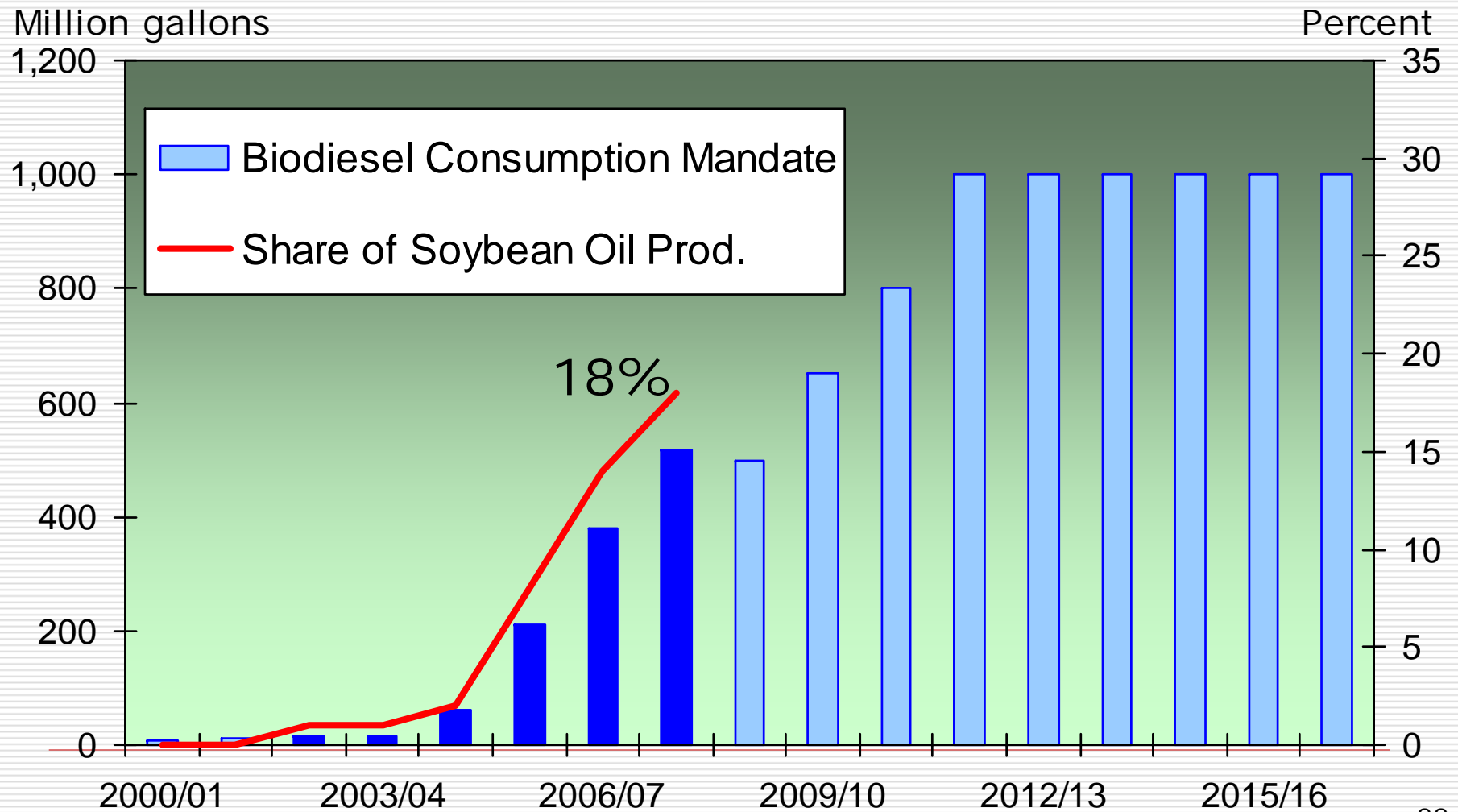
| | 2008 | 2009 | 2010 | Average |
|-------|------|------|------|---------|
| U.S. | 1.8 | 2.7 | 3.5 | 2.7 |
| EU-27 | 2.1 | 2.4 | 2.3 | 2.3 |
| Japan | 1.5 | 2.0 | 2.1 | 1.9 |
| China | 11.4 | 9.2 | 8.7 | 9.8 |
| India | 7.8 | 7.7 | 7.6 | 7.7 |
| World | 3.4 | 3.6 | 3.7 | 3.6 |

Source: Oxford Economics

Nitrogen Production and Imports



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

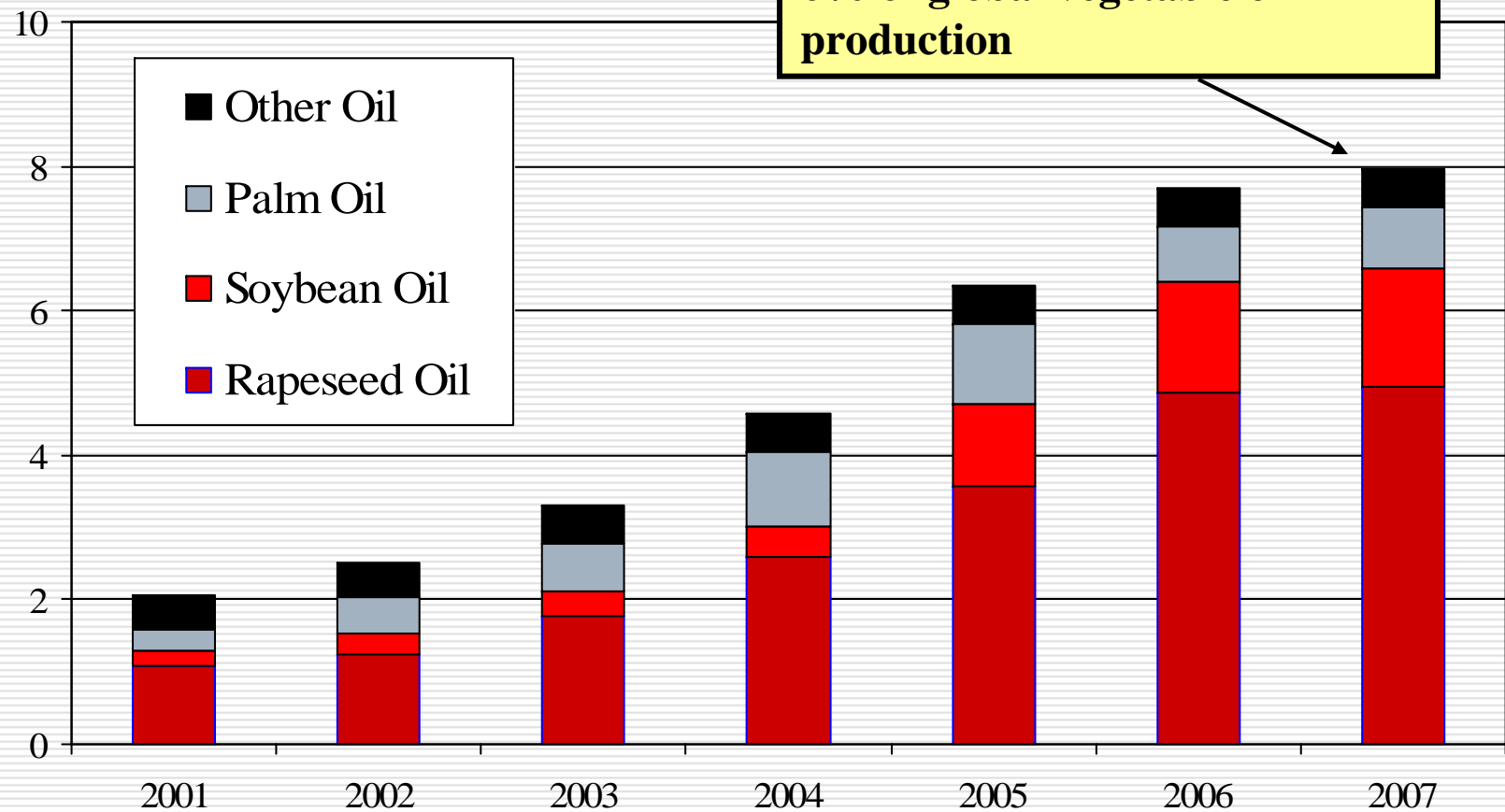


U.S. Soybean Oil Supply and Demand

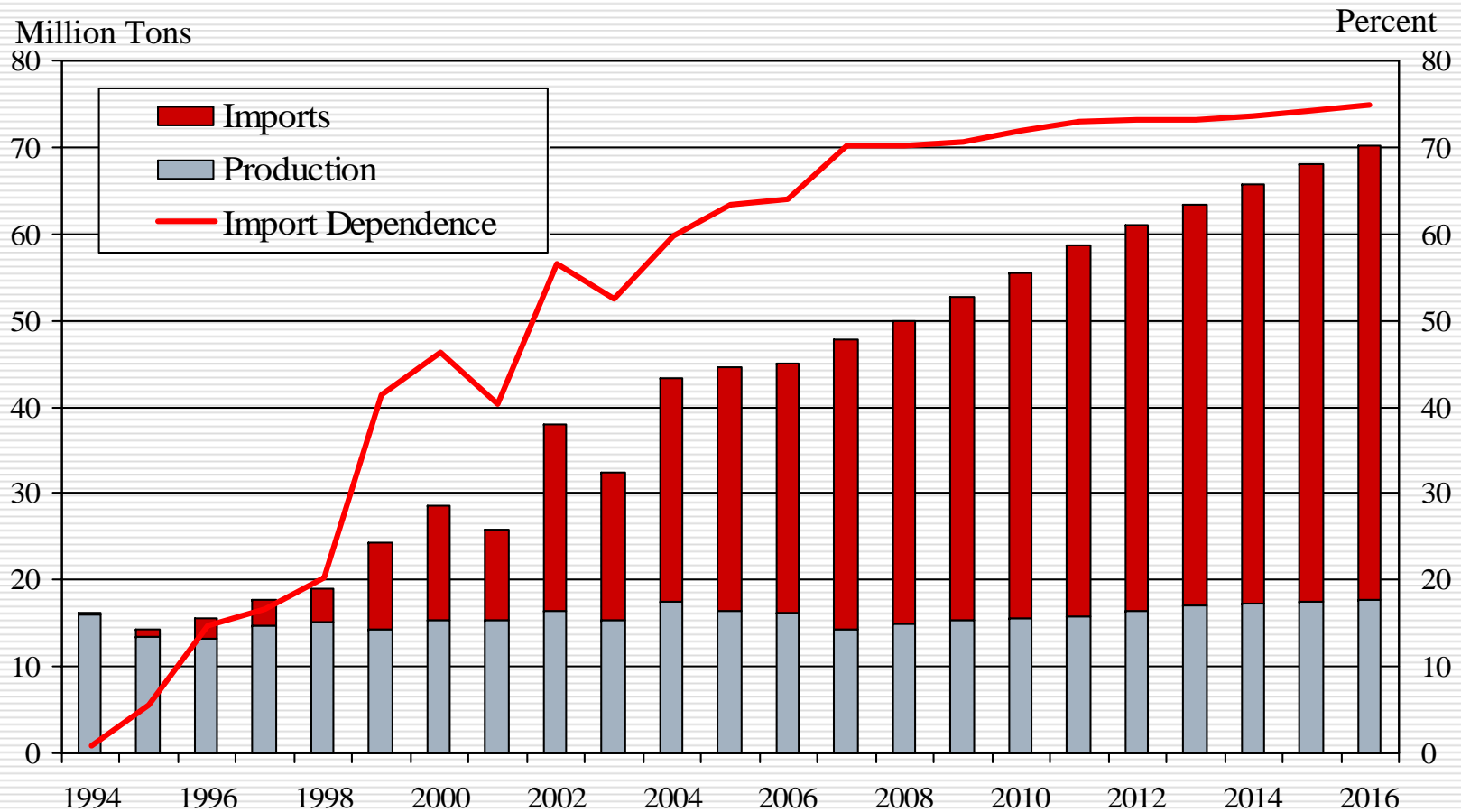
| | 2005/06 | 2006/07 estimate | 2007/08 forecast | Change from last year |
|-----------------------------|---------------|------------------------|---------------------|--------------------------|
| | | <i>Million pounds</i> | | <i>Percent</i> |
| Beginning stocks | 1,699 | 3,010 | 2,904 | -3.5 |
| Production | 20,387 | 20,487 | 20,860 | 1.8 |
| Imports | 35 | 37 | 37 | 0.0 |
| Total supply | 22,122 | 23,535 | 23,802 | 1.1 |
| Domestic | 17,959 | 18,743 | 19,900 | 6.2 |
| Methyl ester | 1,555 | 2,796 | 3,800 | 35.9 |
| Exports | 1,153 | 1,888 | 1,650 | -12.6 |
| Total use | 19,112 | 20,630 | 21,550 | 4.5 |
| Ending stocks | 3,010 | 2,904 | 2,252 | -22.5 |
| | | <i>Cents per pound</i> | | |
| Average market price | 23.41 | 31.02 | 45.50/49.50 | 46.7/59.6 |

EU Industrial Use of Vegetable Oil

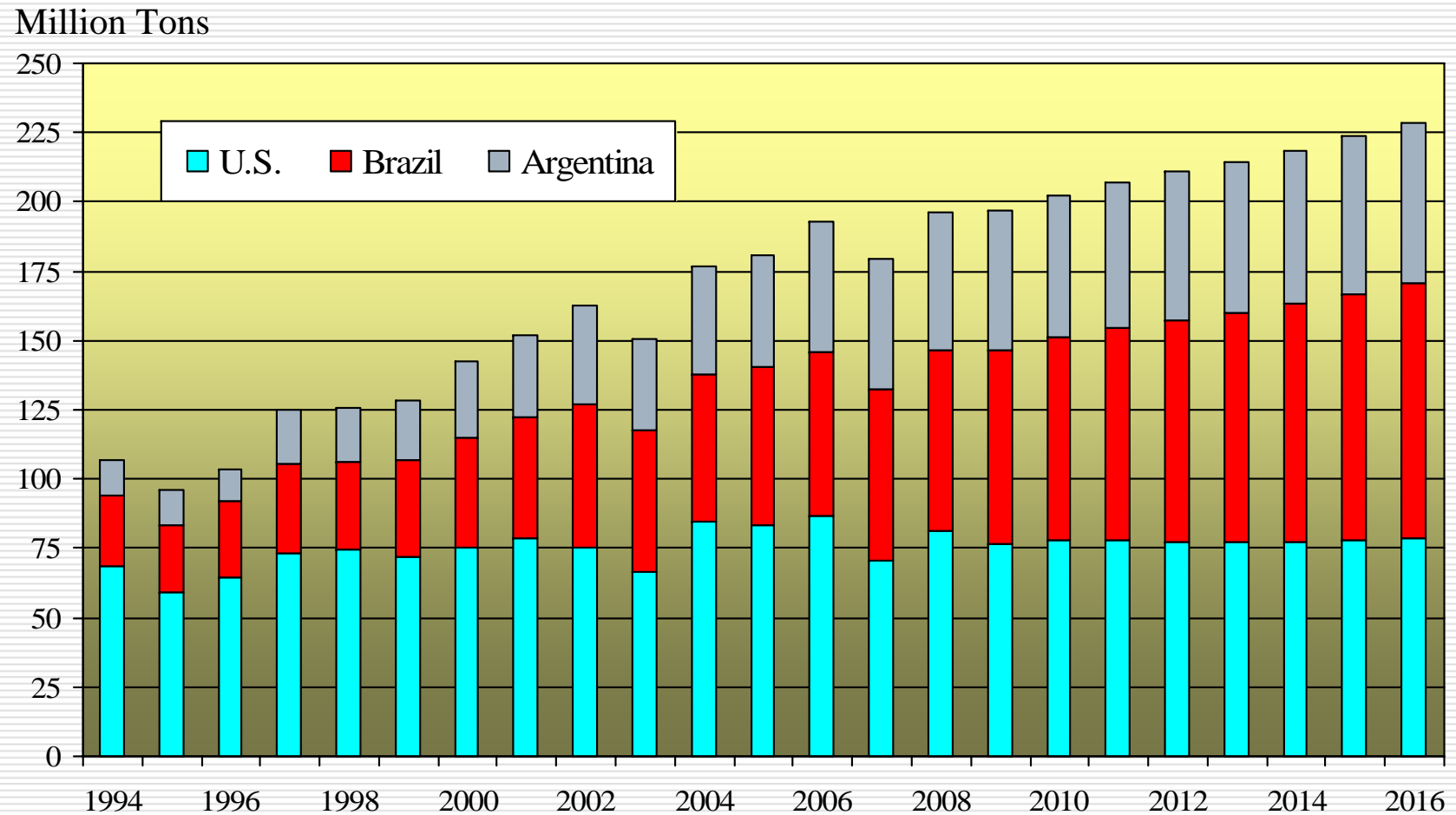
Million Tons



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



Soybean Production Trends

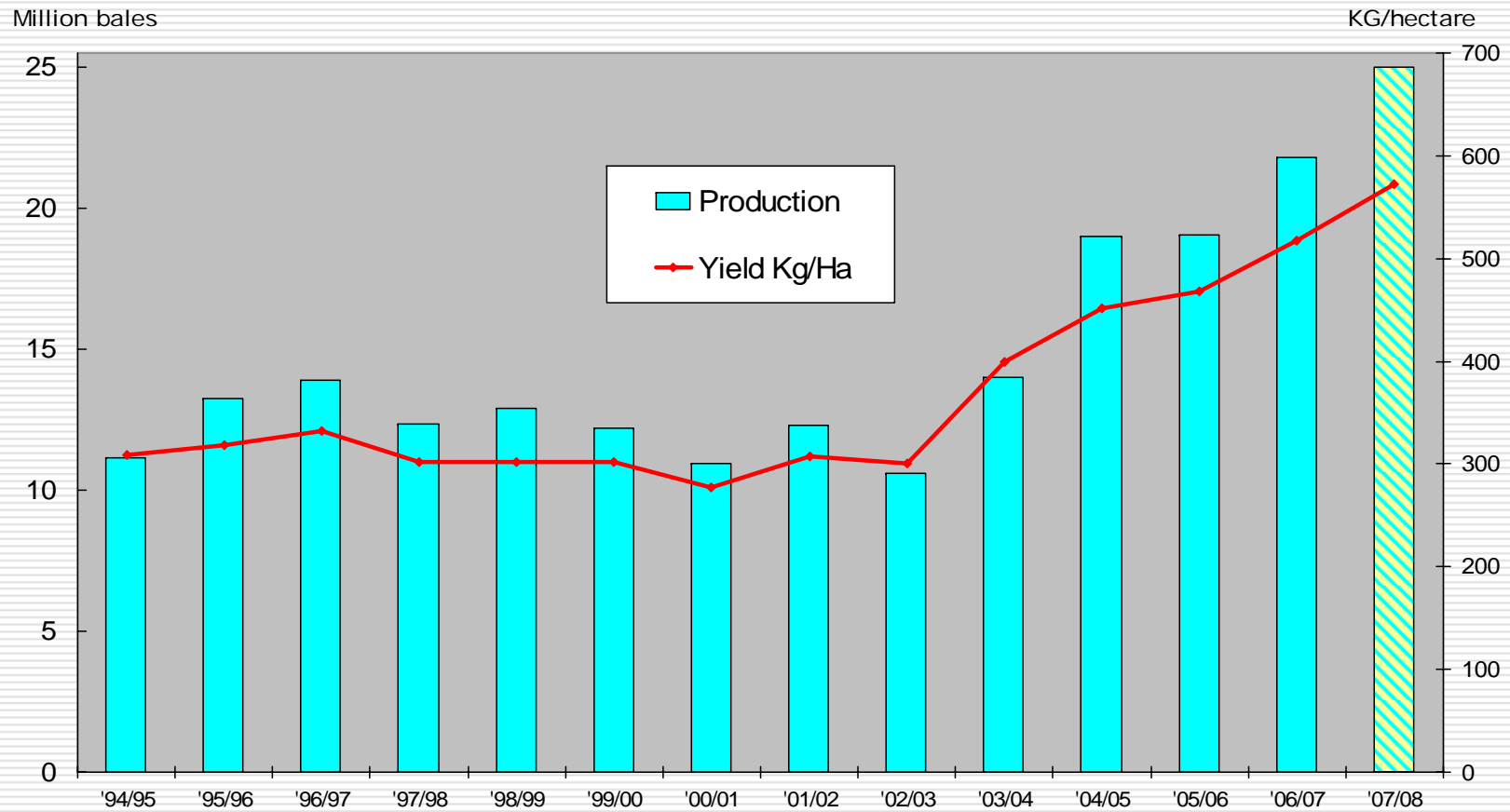


U.S. Cotton Supply and Demand

| | 2005/06 | 2006/07 estimate | 2007/08 forecast | Change from last year <i>Percent</i> |
|--------------------------------|---------|------------------------|---------------------|--|
| Planted area (million acres) | 14.25 | 15.27 | 10.83 | -29.1 |
| Harvested area (million acres) | 13.80 | 12.73 | 10.49 | -17.6 |
| Yield (pounds per acre) | 831 | 814 | 871 | 7.0 |
| | | <i>Million bales</i> | | |
| Beginning stocks | 5.50 | 6.05 | 9.48 | 56.6 |
| Imports | 0.03 | 0.02 | 0.02 | 5.3 |
| Production | 23.89 | 21.59 | 19.03 | -11.8 |
| Total supply | 29.41 | 27.66 | 28.53 | 3.2 |
| Mill use | 5.87 | 4.95 | 4.60 | -7.0 |
| Exports | 17.55 | 13.01 | 16.00 | 23.0 |
| Total use | 23.42 | 17.96 | 20.60 | 14.7 |
| Unaccounted | -0.06 | 0.22 | 0.03 | |
| Ending stocks | 6.05 | 9.48 | 7.90 | -16.6 |
| | | <i>Percent</i> | | |
| Stocks to use ratio | 25.8 | 52.8 | 38.3 | |
| | | <i>Cents per pound</i> | | |
| Average market price | 47.70 | 46.50 | 51.50* | |

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

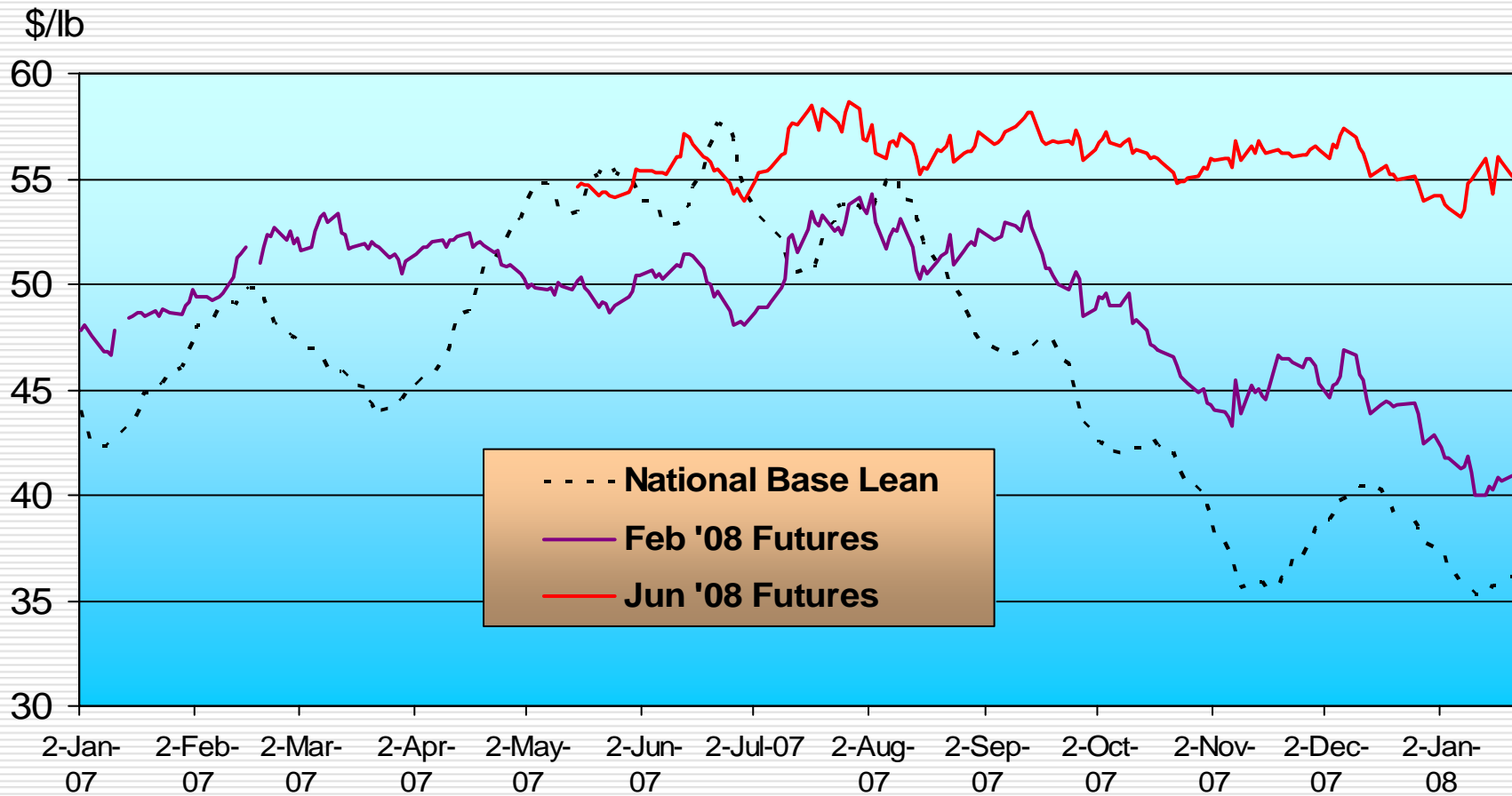
India Cotton, Production and Yield



U.S. Meat Production and Prices

| Item | 2006 | 2007 | Change from 2006 | 2008 | Change from 2007 |
|-------------------|-----------------------|-----------------------|---------------------|-----------------------|---------------------|
| Production | <i>Billion pounds</i> | <i>Billion pounds</i> | <i>Percent</i> | <i>Billion pounds</i> | <i>Percent</i> |
| Beef | 26.15 | 26.41 | 1.0 | 26.10 | -1.2 |
| Pork | 21.06 | 21.94 | 4.2 | 22.75 | 3.7 |
| Broilers | 35.75 | 35.88 | 0.3 | 36.85 | 2.7 |
| Turkey | 5.69 | 5.90 | 3.8 | 5.94 | 0.6 |
| Total meat | 89.48 | 90.95 | 1.6 | 92.48 | 1.7 |
| Prices | | | <i>Dollars/Cwt</i> | | |
| Steers | 85.41 | 91.82 | 6.41 | 91.50 | -0.32 |
| Hogs | 47.26 | 47.09 | -0.17 | 42.75 | -4.34 |
| | | | <i>Cents/pound</i> | | |
| Broilers | 64.4 | 76.4 | 12.1 | 74.0 | -2.4 |
| Turkey | 77.0 | 82.1 | 5.1 | 78.0 | -4.1 |

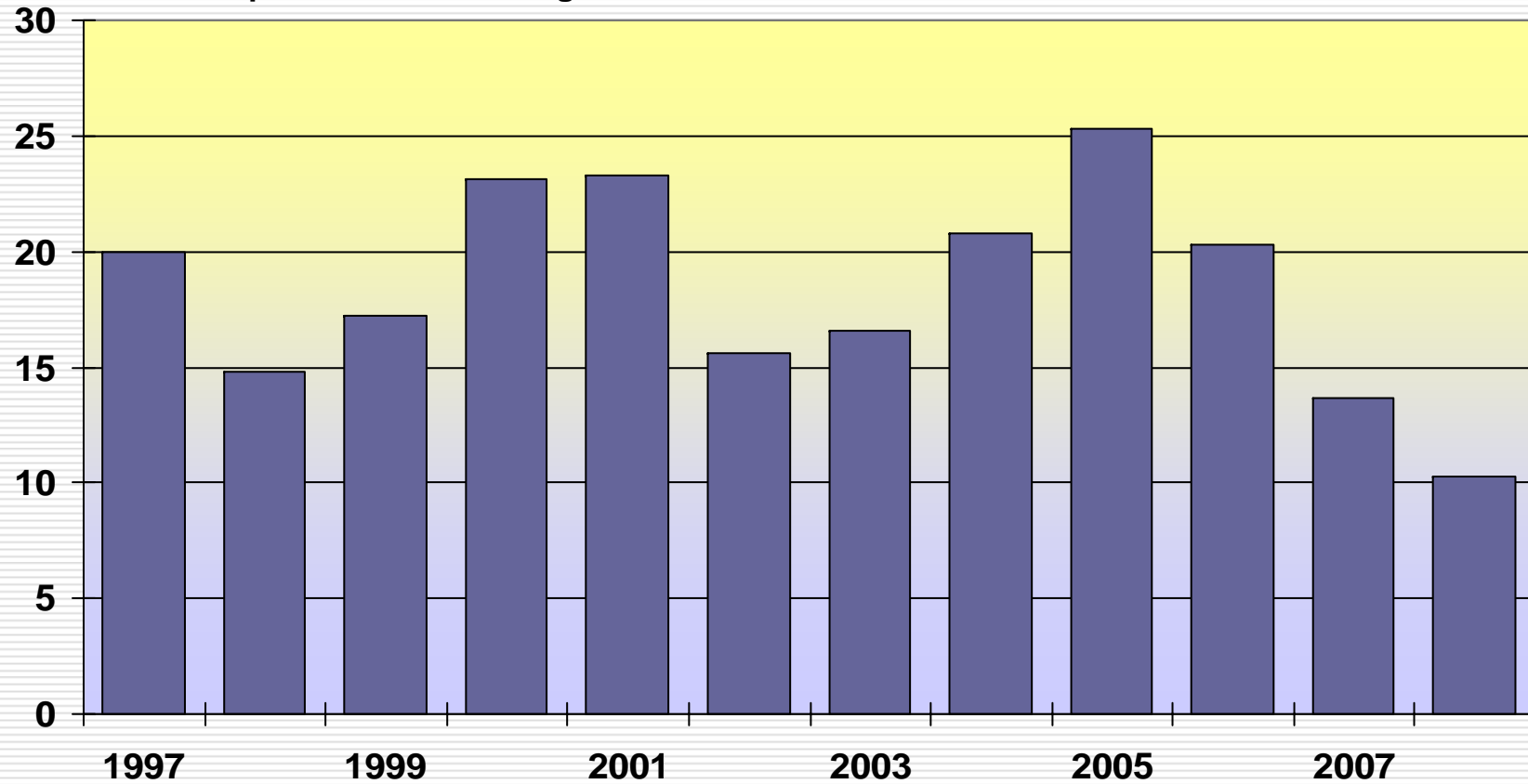
Cash Hog and Futures Prices*



*Live Equivalent

Hog-Corn Price Ratio

Bushels of Corn per 100 lbs of Live Hogs



*Based on NASS Prices Received

U.S. Soybean Meal Supply and Demand

| | 2005/06 | 2006/07 estimate | 2007/08 forecast | Change from last year |
|-----------------------------|------------------------------|---------------------|---------------------|--------------------------|
| | <i>Thousand short tons</i> | | | <i>Percent</i> |
| Beginning stocks | 172 | 314 | 351 | 11.8 |
| Production | 41,244 | 43,027 | 43,484 | 1.1 |
| Imports | 141 | 156 | 165 | 5.5 |
| Total supply | 41,557 | 43,497 | 44,000 | 1.2 |
| Domestic | 33,195 | 34,360 | 35,300 | 2.7 |
| Exports | 8,048 | 8,786 | 8,400 | -4.4 |
| Total use | 41,243 | 43,146 | 43,700 | 1.3 |
| Ending stocks | 314 | 351 | 300 | -14.5 |
| | <i>Dollars per short ton</i> | | | |
| Average market price | 174.17 | 205.44 | 305.0/335.0 | 48.5/63.1 |

U.S. Meat Trade

Million Pounds

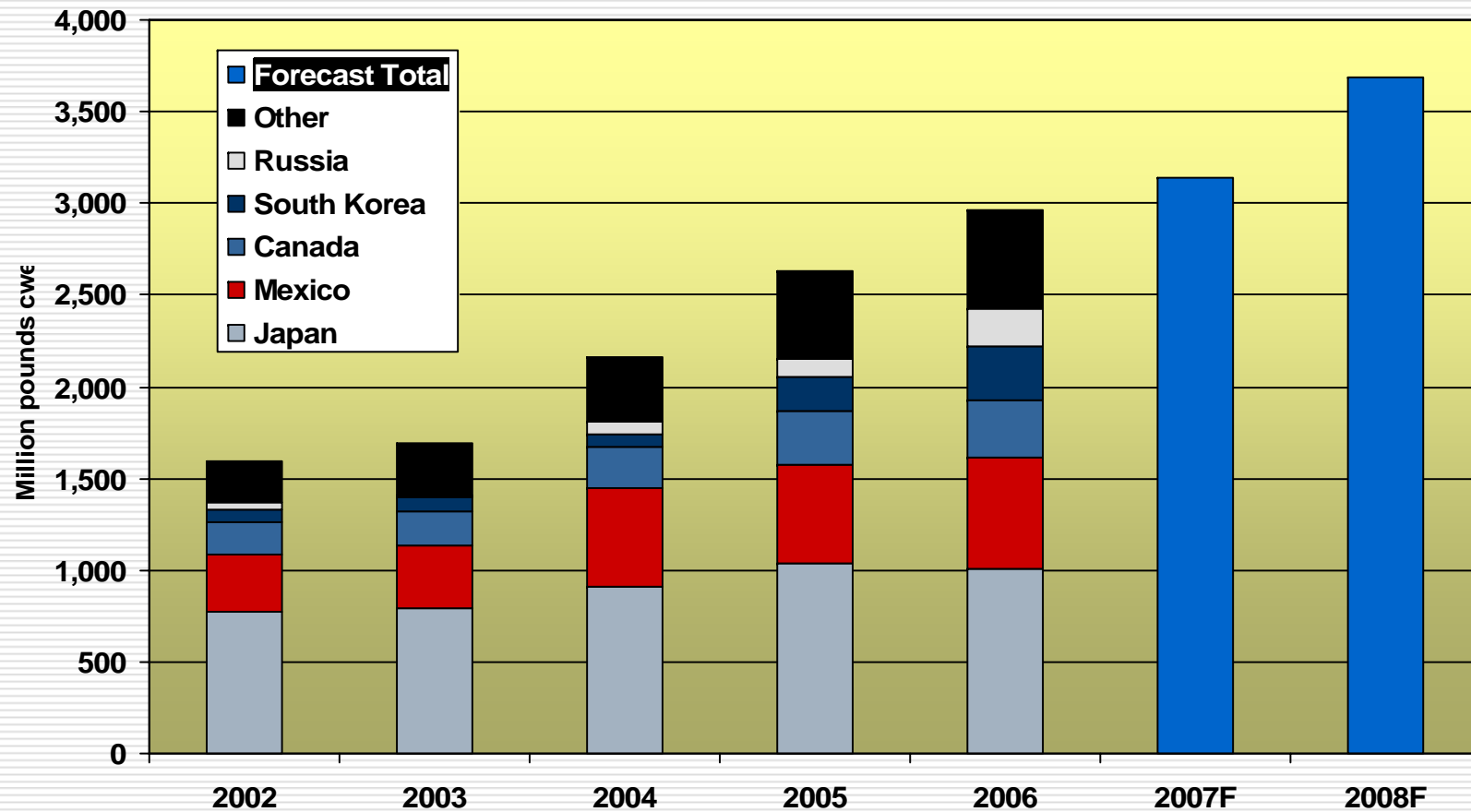
U.S. Meat Exports

| | 2006 | 2007 estimate | Change from 2006 <i>Percent</i> | 2008 forecast | Change from 2007 <i>Percent</i> |
|------------------------|--------|------------------|---------------------------------------|------------------|---------------------------------------|
| Beef | 1,146 | 1,450 | 26.5 | 1,710 | 17.9 |
| Pork | 2,974 | 3,160 | 6.2 | 3,685 | 16.6 |
| Broilers | 5,205 | 5,701 | 9.5 | 5,775 | 1.3 |
| Turkey | 547 | 562 | 2.9 | 605 | 7.6 |
| Mature Chickens | 159 | 169 | 6.5 | 150 | -11.2 |
| Total Meat | 10,049 | 11,053 | 10.0 | 11,935 | 8.0 |

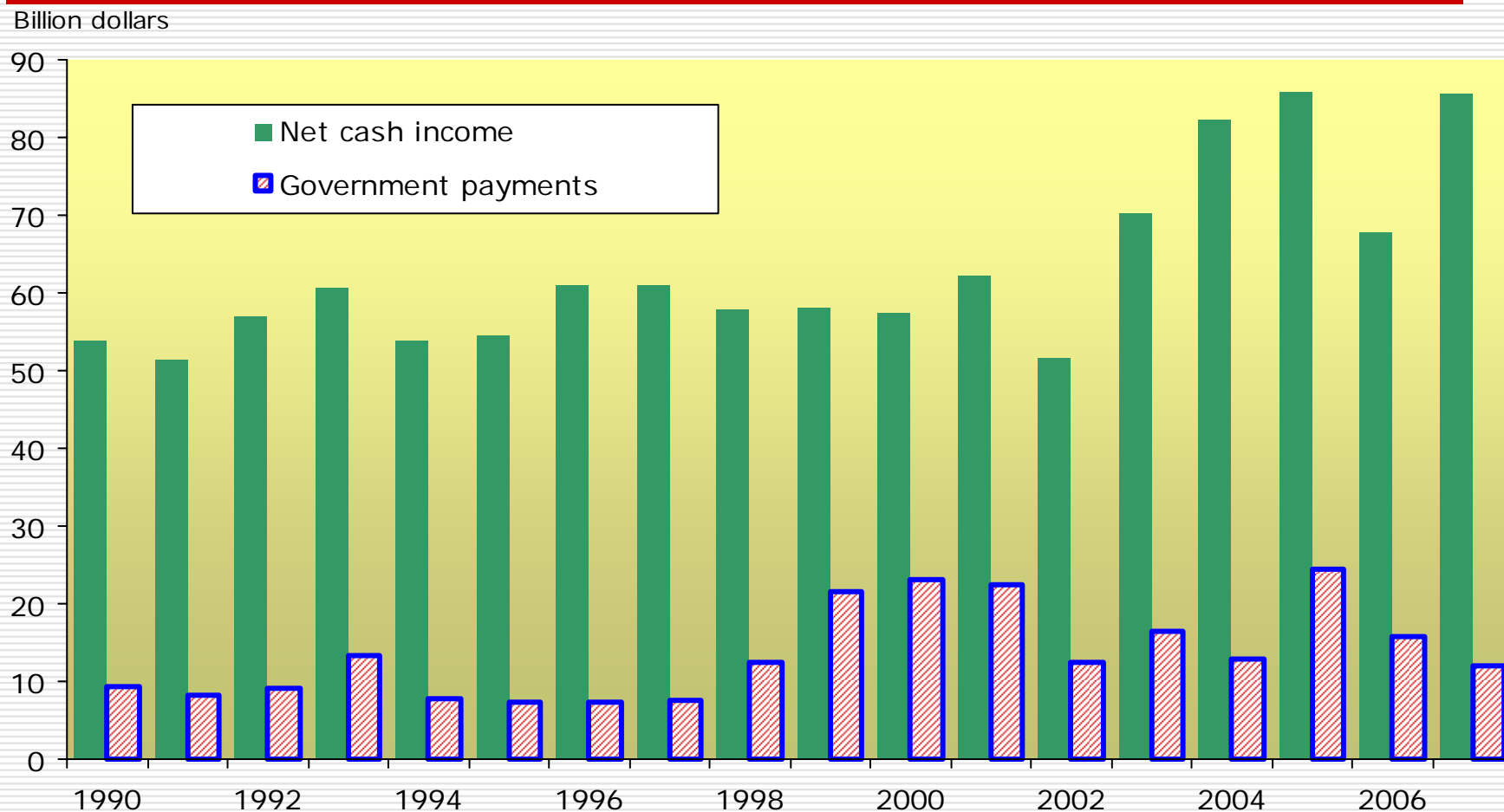
U.S. Meat Imports

| | | | | | |
|-------------|-------|-------|-----|-------|-----|
| Beef | 3,086 | 3,165 | 2.6 | 3,340 | 5.5 |
|-------------|-------|-------|-----|-------|-----|

U.S. Pork Exports



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

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