

Fiscal Year Trade Forecasts for Ag, Fishery & Solid Wood Products

Initial 2007 Forecast...

AgExports rise to record \$72 billion,
while imports rise to record \$68.5 billion
AgSurplus estimated at \$3.5 billion

Changes in FY '06 Forecast since May...

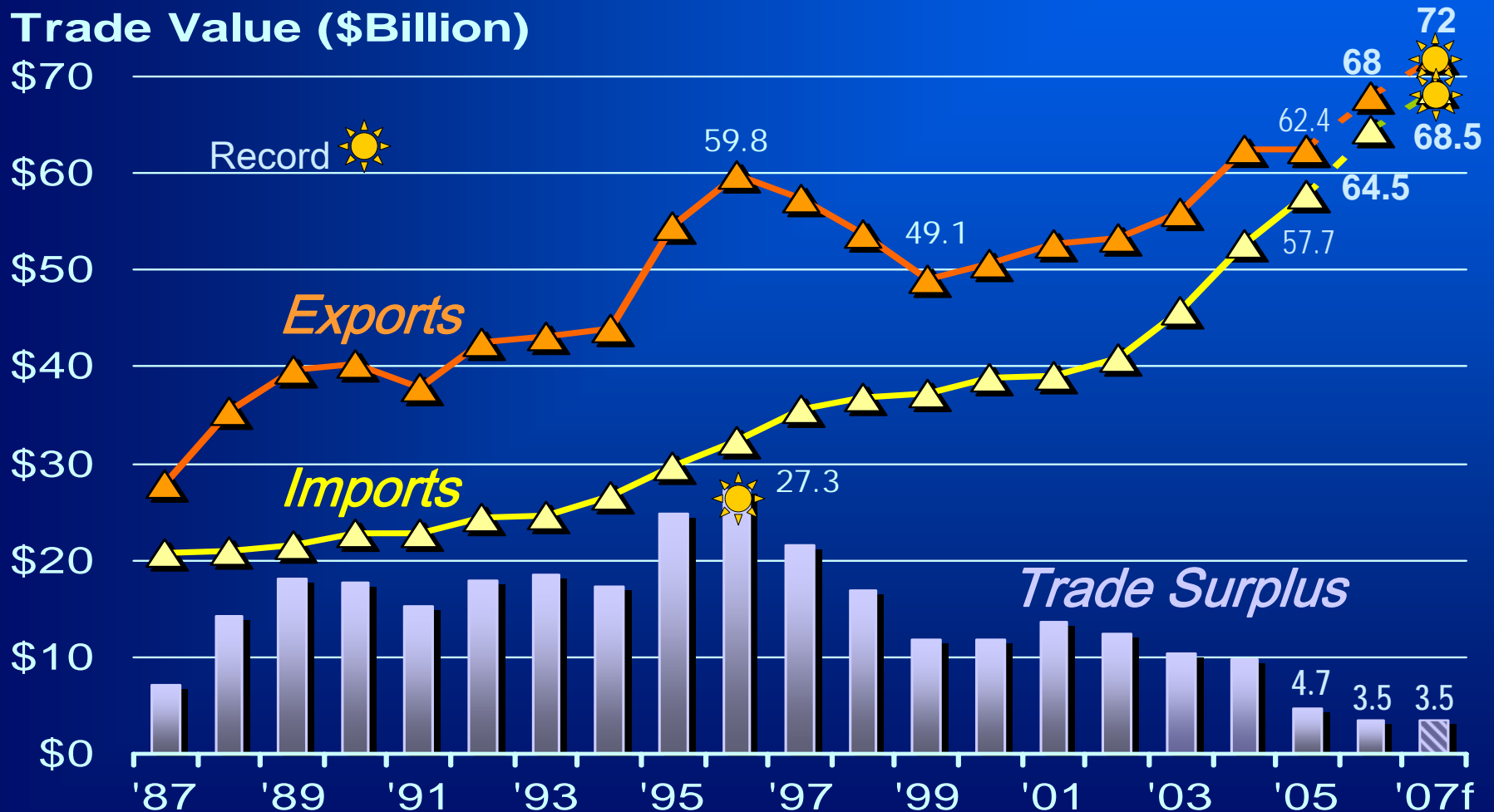
Exports are raised and imports are lowered
AgTrade Surplus raised to \$3.5 billion

USDA's "Outlook for U.S. Agricultural Trade"
was released on August 23, 2006, 4pm EST
Prepared by Foreign Agricultural Service/USDA

U.S. Agricultural Trade

Horticultural products, corn and soybeans drive export growth in fiscal 2007. A weaker dollar and reduced consumer demand slow import growth, but sales continue to rise on increased fruit, vegetable, and wine purchases.

Trade Value (\$Billion)



Key FY 2007 Commodity Changes

Compared to 2006 . . .

	Final FY 2005	FY '06 For.	FY '07 For.	06/07 Chg	Main Reasons
Hort. Prods (\$Bil)	14.875	16.7	18.4	+1.7	demand, \$exrate, good supply
Corn (\$Bil)	4.742	6.0	6.8	+0.8	(+) price – dom. & for. demand
Soybeans (\$Bil)	6.980	6.1	6.9	+0.8	(-) competition; (+) demand
Wheat (mmt)	26.406	26.5	25.0	- 1.5	(-) US crop; (+) Canada comp.
Soybeans (mmt)	29.607	25.3	29.7	+4.4	(-) comp; (+) China demand

Top 5 Markets . . .

#1 Canada +\$1 billion to \$12.4 billion (horticultural products, meats)

#2 Mexico +\$800 million to \$11.3 billion (corn, soybeans & meal, fresh fruit, meats)

#3 Japan +\$200 million to \$8.3 billion (feed grain prices, horticultural products, beef)

#4 China +\$500 million to \$7.5 billion (cotton, soybeans, broiler meat, fruit, tree nuts)

#5 EU-25 Remains \$6.6 billion

Top Regional Mkt: WHemisphere at \$30.2 billion (Asia 2nd at \$26.3 billion)

Export Outlook for Grain & Feed Products

Revised FY 2006 Forecast:  \$200 Million to \$18.3 Billion

Initial FY 2007 Forecast: \$19 Billion

Revised FY 2006 Forecast

Key Developments

- Wheat & corn value raised \$435 mil (smaller US wheat crop boosts unit value, less competition for corn)
- Category redefined to exclude pulses, lowering exports by \$375 mil

Initial FY 2007 Projections

Upside Developments

- Higher prices expected for all grains and strong demand for US corn

Downside Developments

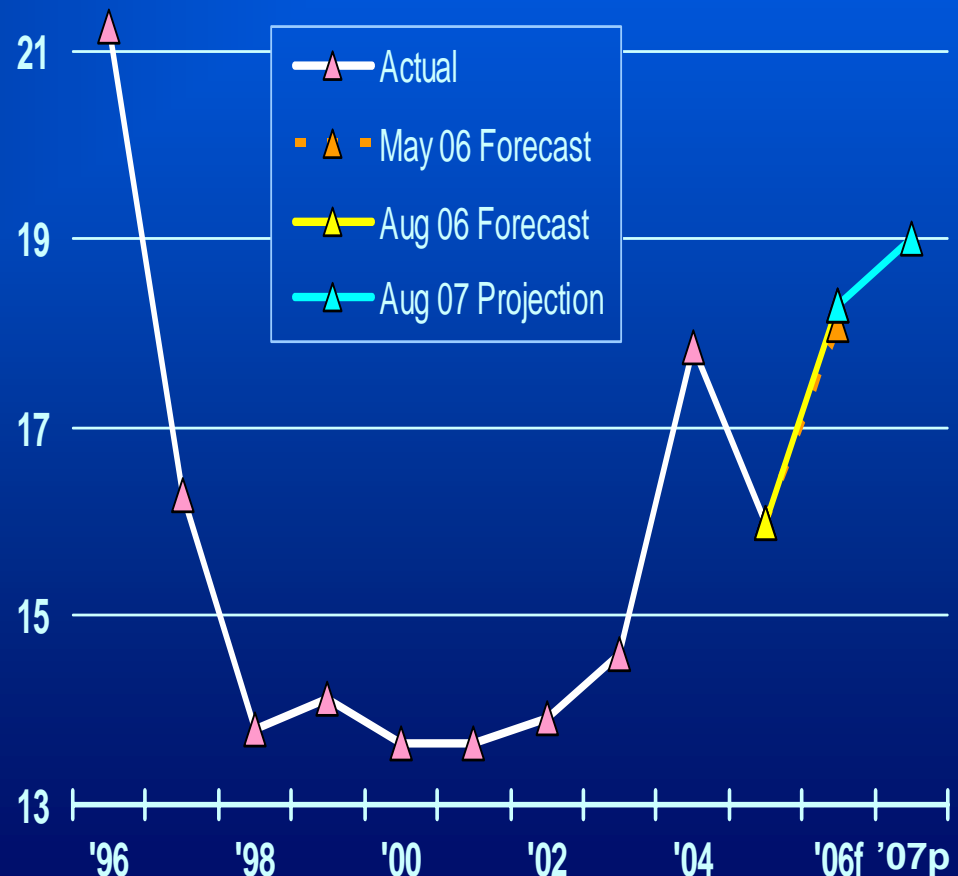
- US wheat volume down on a short crop & strong Canadian competition
- Rice sales down due to lower production and higher prices

Wild Cards

- Size of Southern Hemisphere wheat and corn crops

Export Value (\$Bil)

Includes corn gluten feed/meal



Export Outlook for Oilseeds & Products

Revised FY 2006 Forecast:  \$100 Million to \$10.2 Billion
Initial FY 2007 Forecast: \$11.1 Billion

Revised FY 2006 Forecast *Key Developments*

- Reduced soybean competition from Argentine
- Strong soybean meal demand from Mexico and Canada

Initial FY 2007 Projections *Upside Developments*

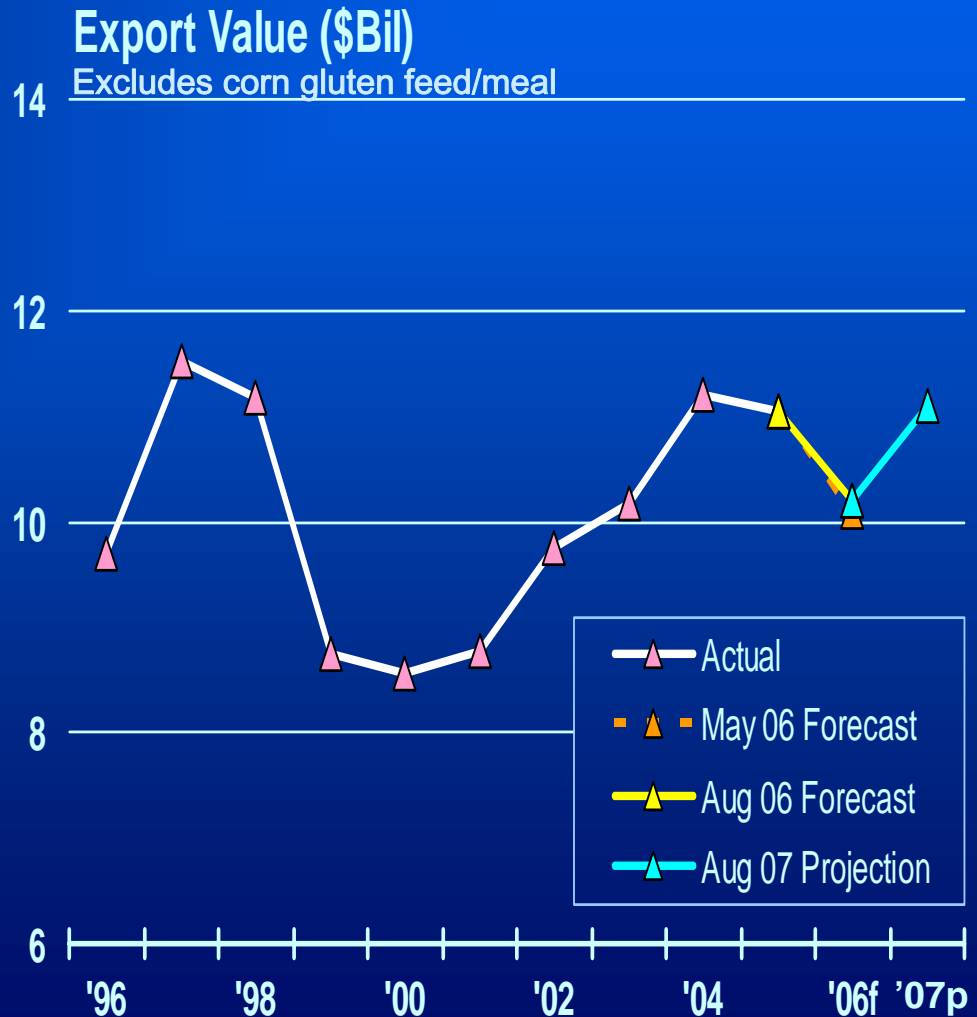
- Soybean shipments rise due to continued growth in China import demand and limited growth in American production

Downside Developments

- Reduced EU demand for soybeans

Wild Cards

- South American & U.S. soybean production



Export Outlook for Cotton

Revised FY 2006 Forecast:  \$300 Million to \$4.9 Billion

Initial FY 2007 Forecast: Record \$5.1 Billion

Revised FY 2006 Forecast

Key Developments

- Shipping volumes to China remain high

Initial FY 2007 Projections

Upside Developments

- Continued strong import demand from China
- World trade volume likely to remain high

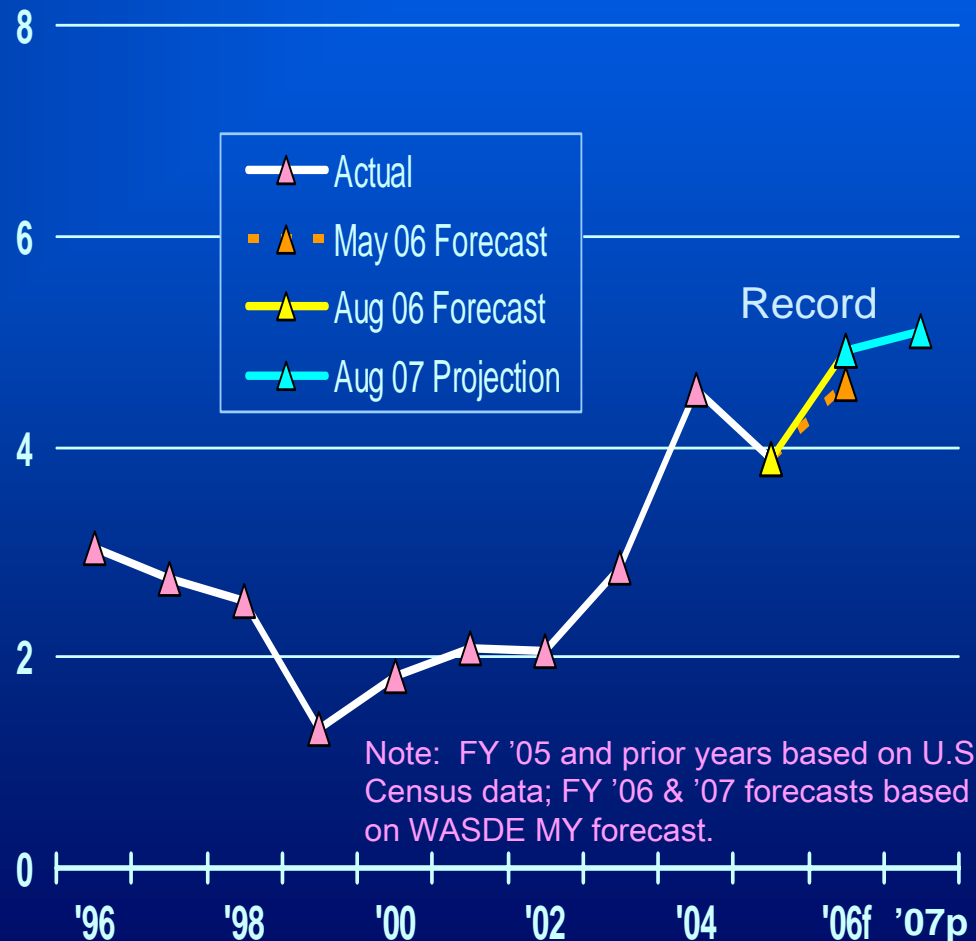
Downside Developments

- Smaller US crop in 2006
- Stronger export competition from India

Wild Cards

- How much the U.S. crop will decrease

Export Value (\$Bil)



Export Outlook for Dairy, Livestock & Poultry

Revised FY 2006 Forecast:  \$400 Million to \$13.2 Billion

Initial FY 2007 Forecast: Record \$13.4 Billion

Revised FY 2006 Forecast

Key Developments

- Rising broiler meat exports to Mexico & China/HK
- Gains in beef sales to Canada & Mexico
- Gains in cheese & whey exports to Canada, Mexico & Asia

Initial FY 2007 Projections

Upside Developments

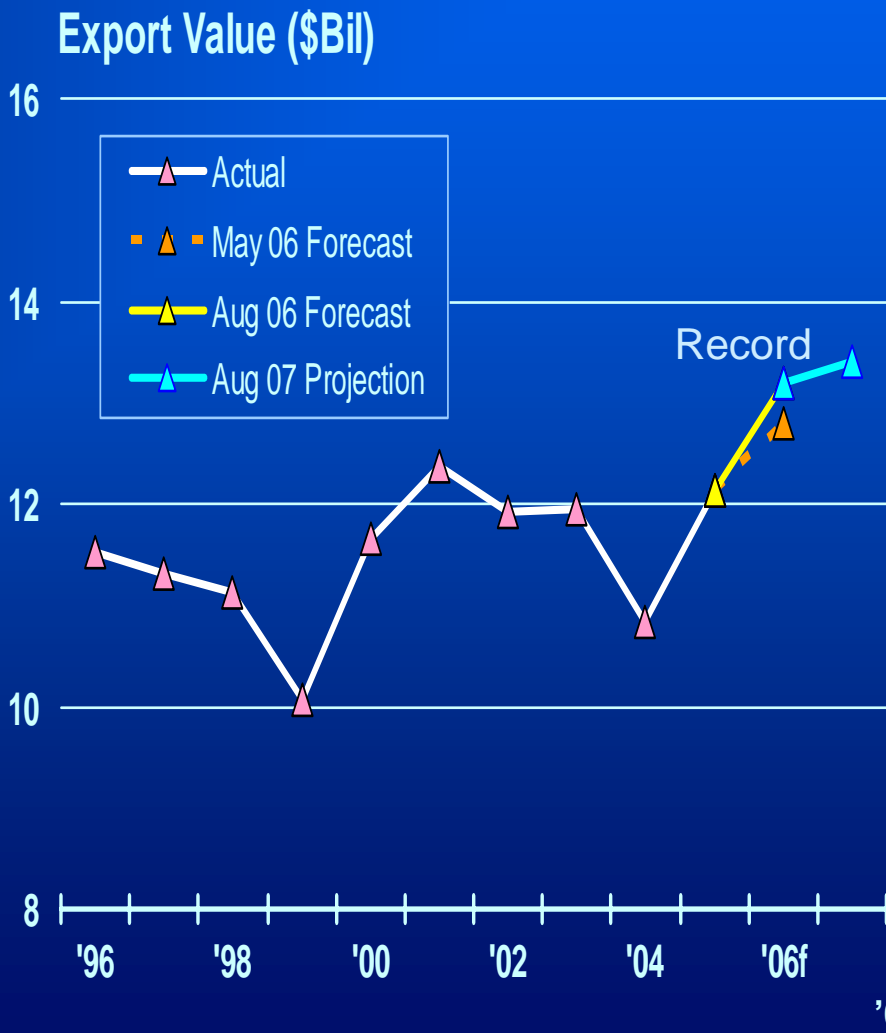
- Rising beef sales to Japan
- Pork & broiler meat export volume increases

Downside Developments

- None

Wild Cards

- Beef exports to Korea – will the BSE import ban be lifted?



Export Outlook for Horticultural Products

Revised FY 2006 Forecast:  \$300 Million to \$16.7 Billion

Initial FY 2007 Forecast: Record \$18.4 Billion

Revised FY 2006 Forecast *Key Developments*

- “Horticultural products” redefined to include pulses, raising exports by \$375 million

Initial FY 2007 Projections

Upside Developments

- Fresh fruits and vegetables- ample supplies with strong demand in major markets
- Treenuts- strong domestic production and prices with continued international demand

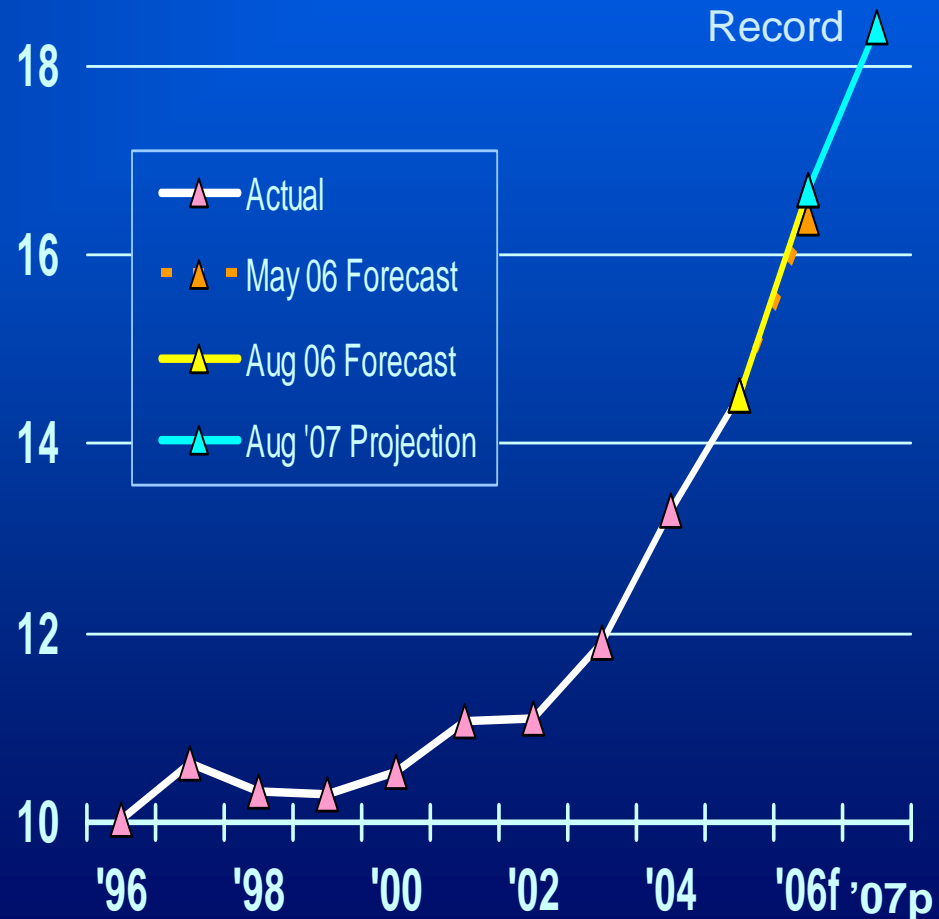
Downside Developments

- Wine sales and pulses remain flat

Wild Cards

- Weather impacts on U.S. production

Export Value (\$Bil)



Export Outlook for Fishery Products

Revised FY 2006 Forecast: Unchanged at \$4.0 Billion

Initial FY 2007 Forecast: Record \$4.2 Billion

Revised FY 2006 Forecast

Key Developments

□ The 2006 Alaska sockeye salmon harvest is down only 7% rather than the 18% forecast

Initial FY 2007 Projections

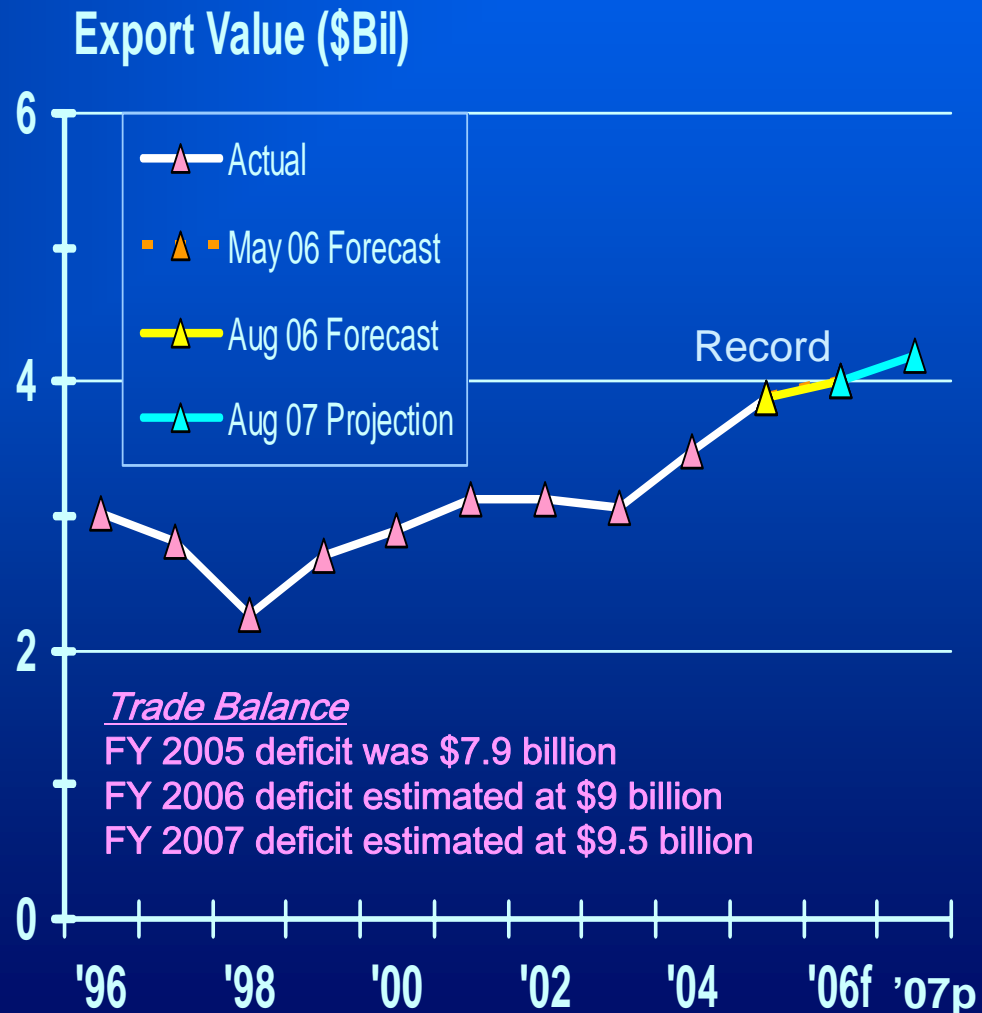
Upside Developments

□ Exports to China and the European Union (both up 14 to 16% by value and quantity) continue to increase

□ Mackerel exports (up 77% by value and 66% by quantity over 2005 record exports) are expected to continue to increase

Wild Cards

□ Size of U.S. harvests of lobster, salmon, and other species



Export Outlook for Solid Wood Products

Revised FY 2006 Forecast:  \$100 Million to \$6.1 Billion

Initial FY 2007 Forecast: \$6.2 Billion

Revised FY 2006 Forecast

Key Developments

- Exports to Mexico rise on strength of lumber and panel products

Initial FY 2007 Projections

Upside Developments

- China's demand for hardwood logs, lumber & veneer for furniture production remains strong
- Caribbean softwood lumber demand, especially treated lumber, remains strong reflecting hurricane-related rebuilding

Downside Developments

- Softwood exports to Japan losing market share to China & Malaysia

Wild Cards

- Impact of slowing US housing mkt

