

Prospects for Crops and Biofuels in the United States

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to

***The National Grain and Oils
Information Center***

Beijing, China

April 14, 2008

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

Support levels for Corn

Current and proposed

| | Current levels of support | House proposal | Senate proposal |
|---|------------------------------|-------------------|--------------------|
| | Dollars per bushel | | |
| Direct payment | 0.28 | 0.28 | 0.28 |
| Loan rate | 1.95 | 1.95 | 1.95 |
| Target price | 2.63 | 2.63 | 2.63 |
| Counter-cyclical payment maximum ¹ | 0.40 | 0.40 | 0.40 |

1/ Counter-cyclical payments are available for covered commodities whenever the market price is less than the target price. The payment rate equals the target price minus the direct payment minus the larger of the market price or the loan rate.

Support levels for Soybeans

Current and proposed

| | Current levels of support | House proposal | Senate proposal |
|---|------------------------------|-------------------|--------------------|
| | Dollars per bushel | | |
| Direct payment | 0.44 | 0.44 | 0.44 |
| Loan rate | 5.00 | 5.00 | 5.00 |
| Target price | 5.80 | 6.10 | 6.00 |
| Counter-cyclical payment maximum ¹ | 0.36 | 0.66 | 0.56 |

1/ Counter-cyclical payments are available for covered commodities whenever the market price is less than the target price. The payment rate equals the target price minus the direct payment minus the larger of the market price or the loan rate.

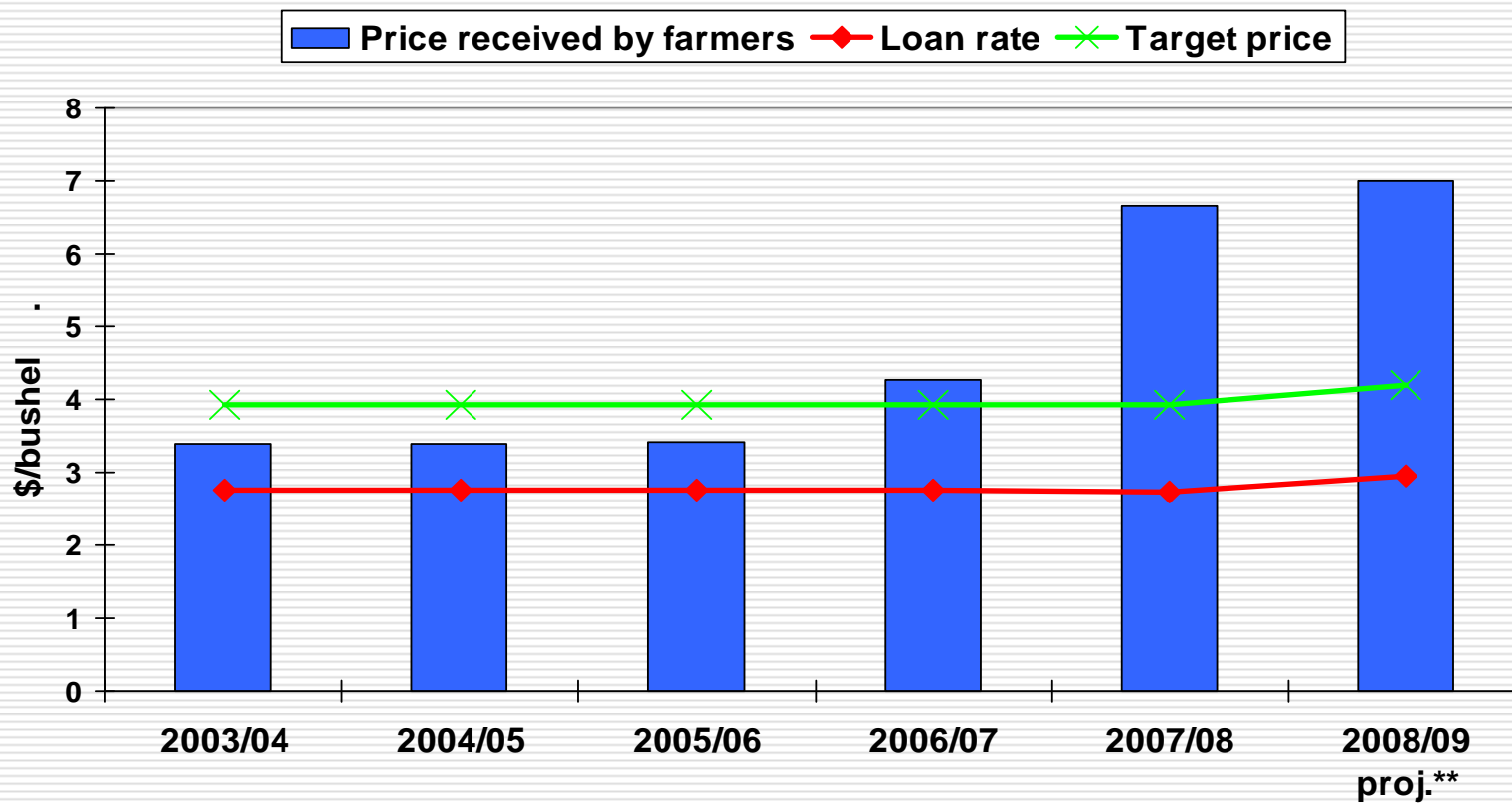
Support levels for Wheat

Current and proposed

| | Current levels of support | House proposal | Senate proposal |
|---|------------------------------|-------------------|--------------------|
| | Dollars per bushel | | |
| Direct payment | 0.52 | 0.52 | 0.52 |
| Loan rate | 2.75 | 2.94 | 2.94 |
| Target price | 3.92 | 4.15 | 4.20 |
| Counter-cyclical payment maximum ¹ | 0.65 | 0.69 | 0.74 |

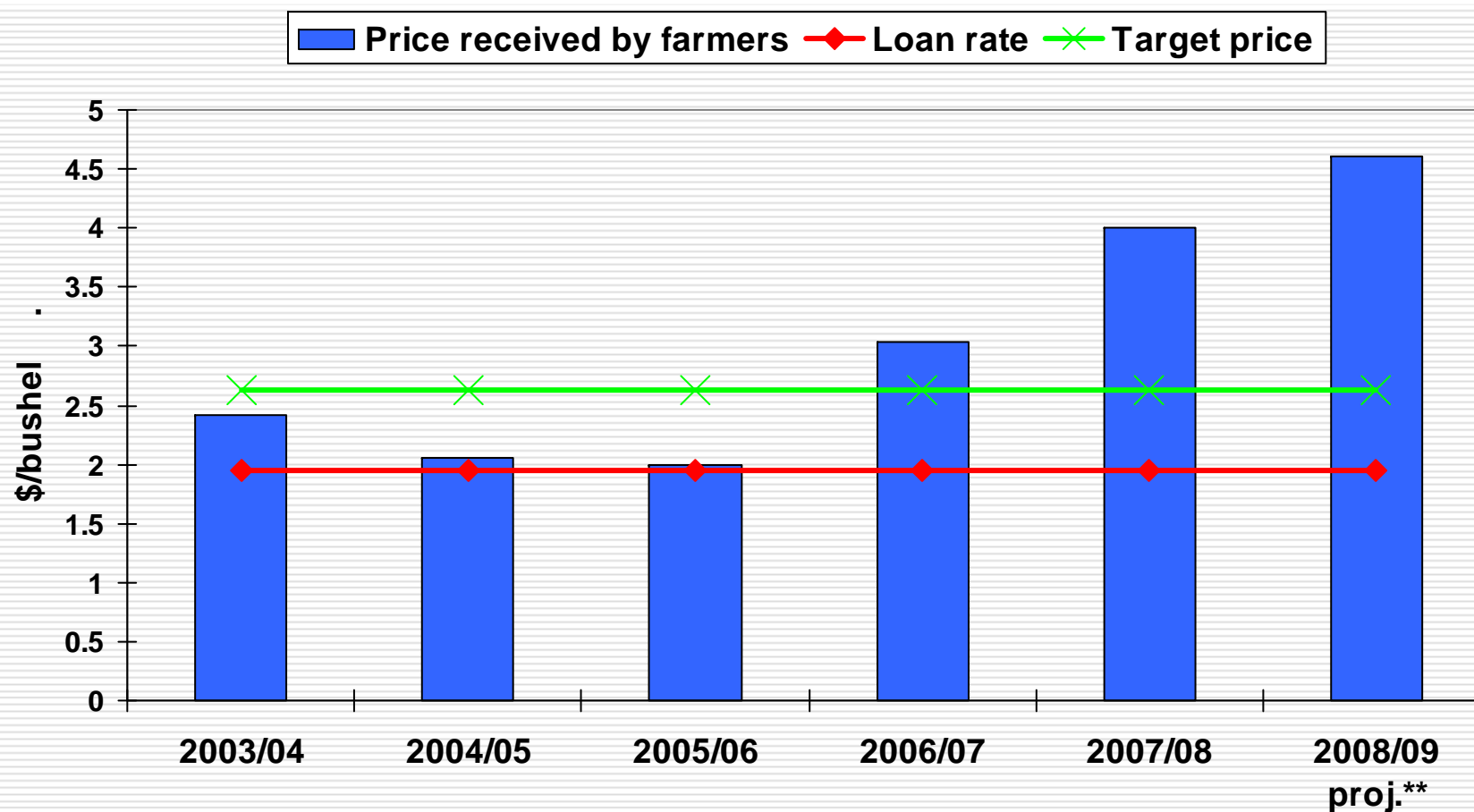
1/ Counter-cyclical payments are available for covered commodities whenever the market price is less than the target price. The payment rate equals the target price minus the direct payment minus the larger of the market price or the loan rate.

U.S. Market Prices for Wheat Compared to Support Levels



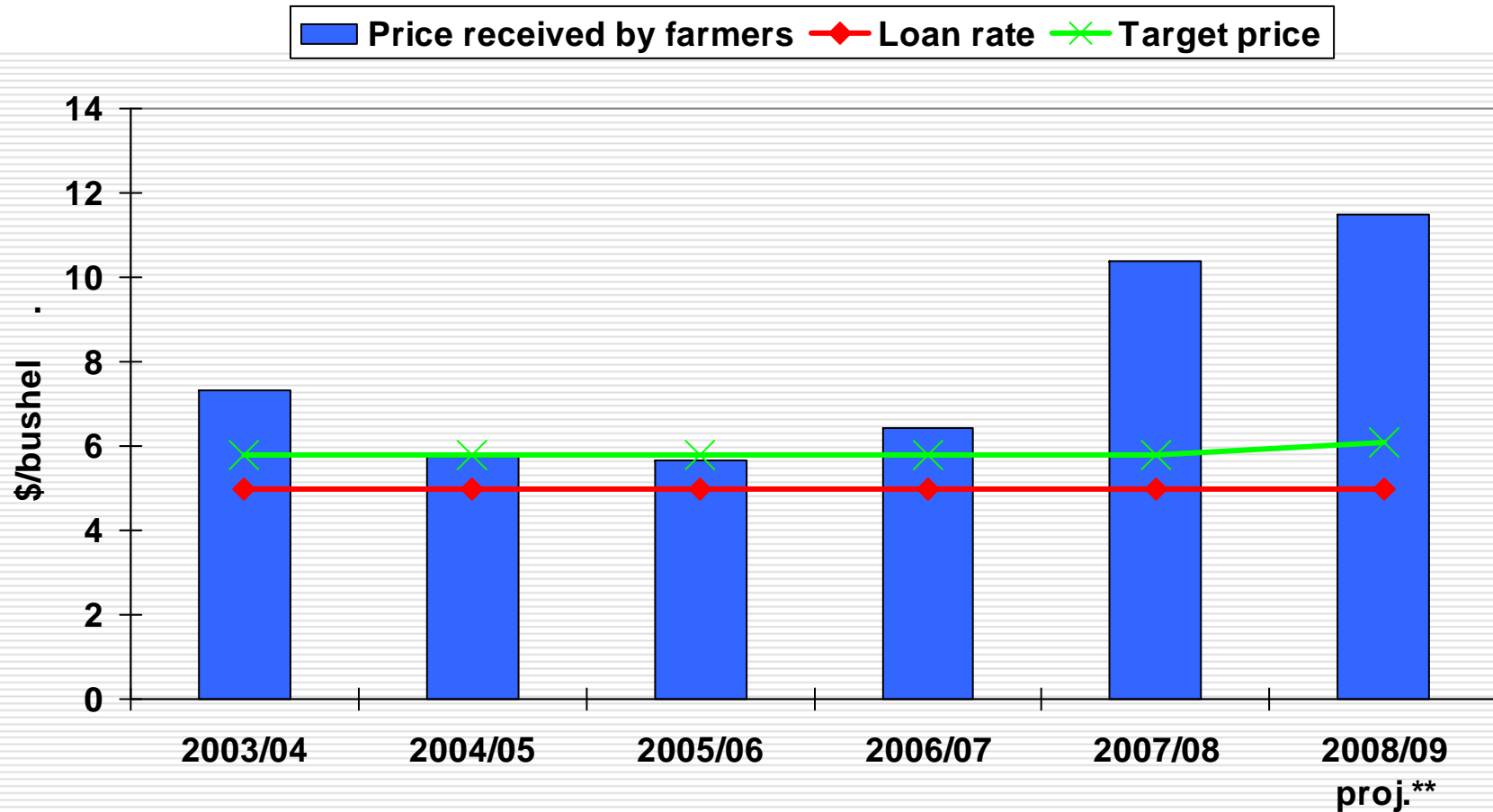
Support levels for 2008/09 are the highest included in either the House or Senate farm bills.

U.S. Market Prices for Corn Compared to Support Levels



Support levels for 2008/09 are the highest included in either the House or Senate farm bills.

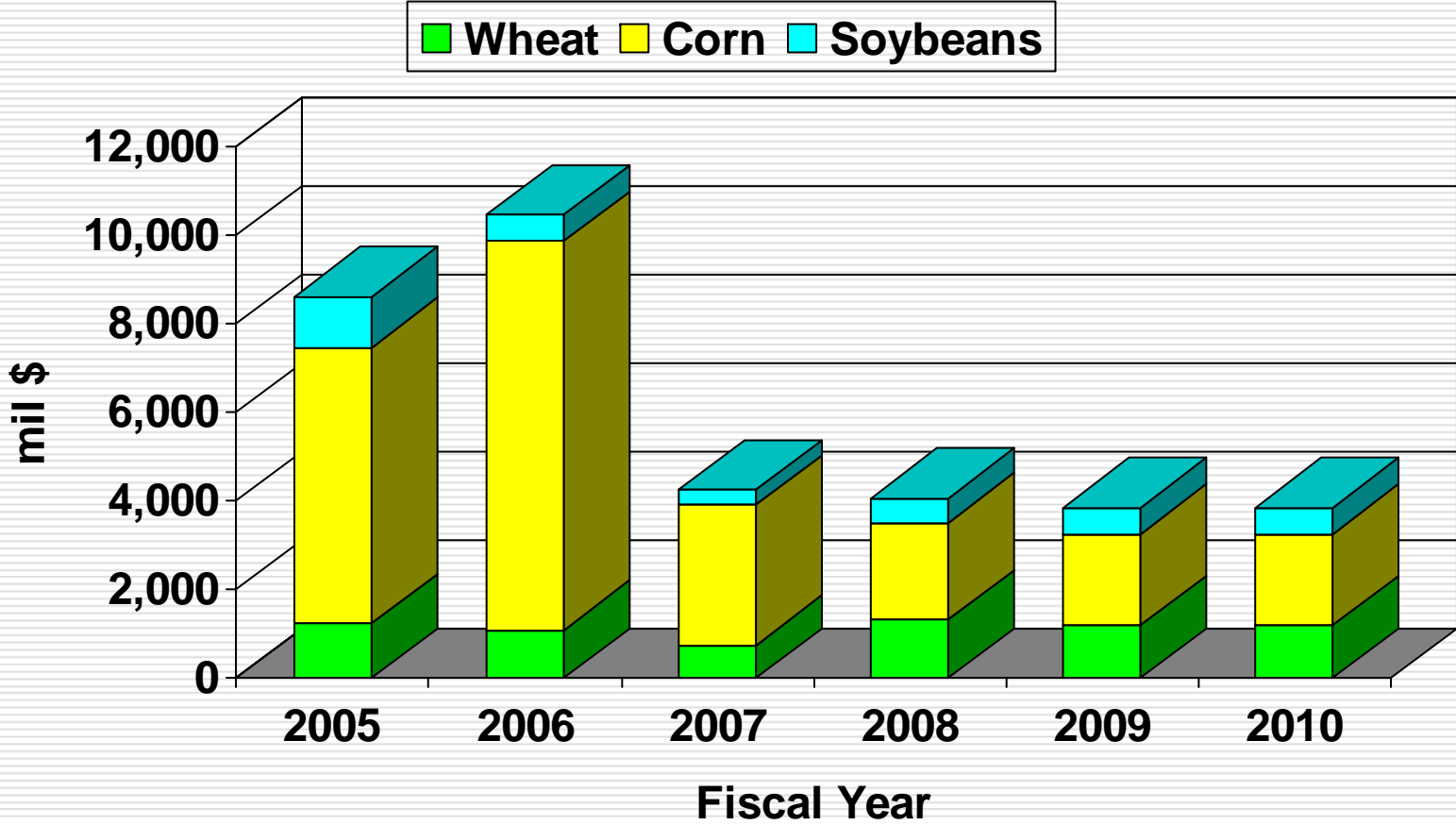
U.S. Market Prices for Soybeans Compared to Support Levels



Support levels for 2008/09 are the highest included in either the House or Senate farm bills.

Government Costs by Fiscal Year

Projected by the Congressional Budget Office

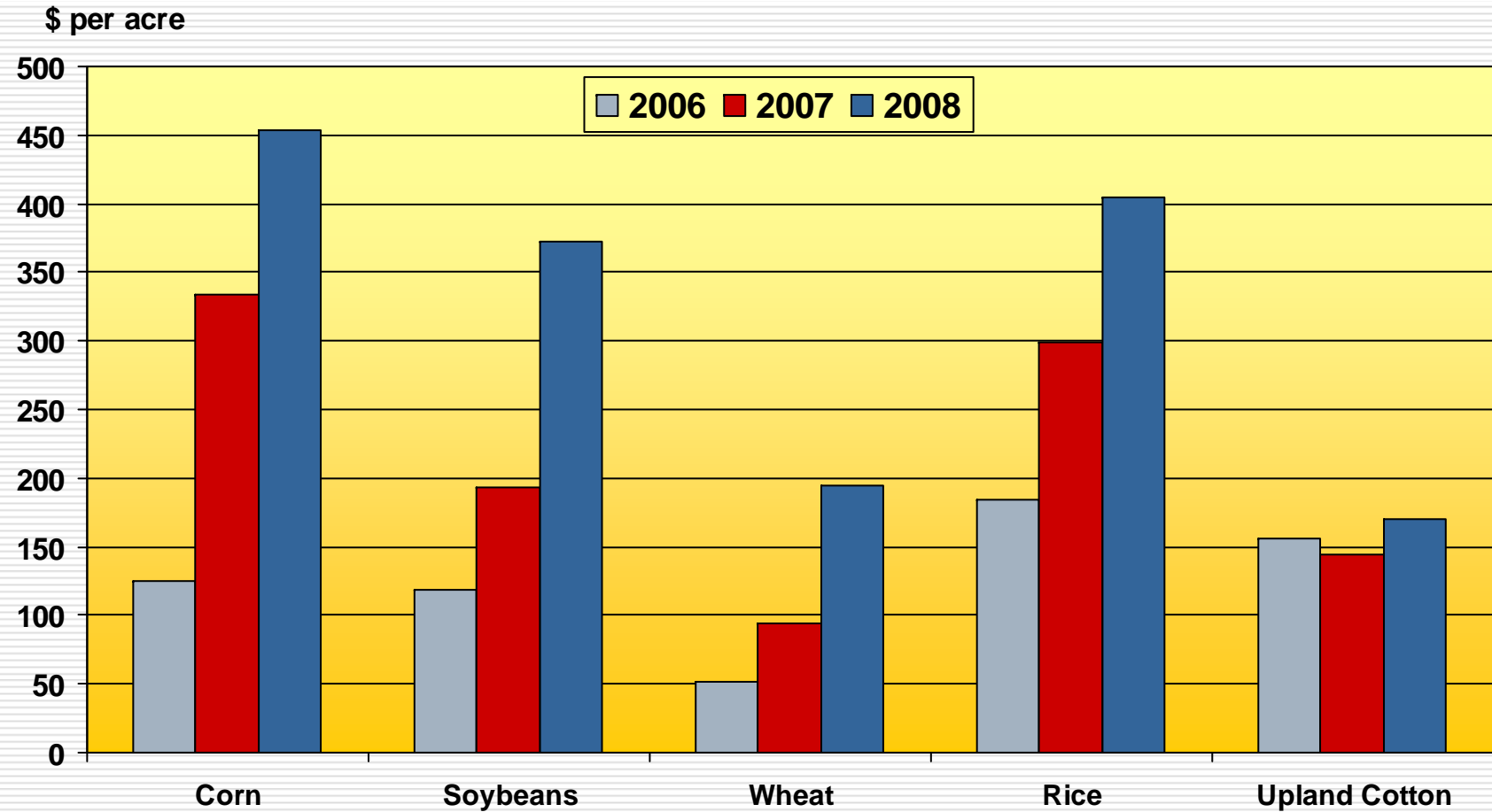


2007 Energy Act

- Mandates very ambitious renewable fuel standard (RFS), starting at 9.0 billion gals in 2008 and increasing to 36 billion gals by 2022. ¹
- 15 billion gallons of the RFS will be corn-based ethanol starting in 2015.
- By 2016, all of the RFS increase must be met with cellulosic ethanol or other non-corn starch biofuels.

¹ In comparison, the 2005 Energy Act had an RFS standard of 5.4 billion gals by 2008, rising to 7.5 billion by 2012.

Net Returns Outlook for the Major Field Crops Spring 2006, 2007, and 2008



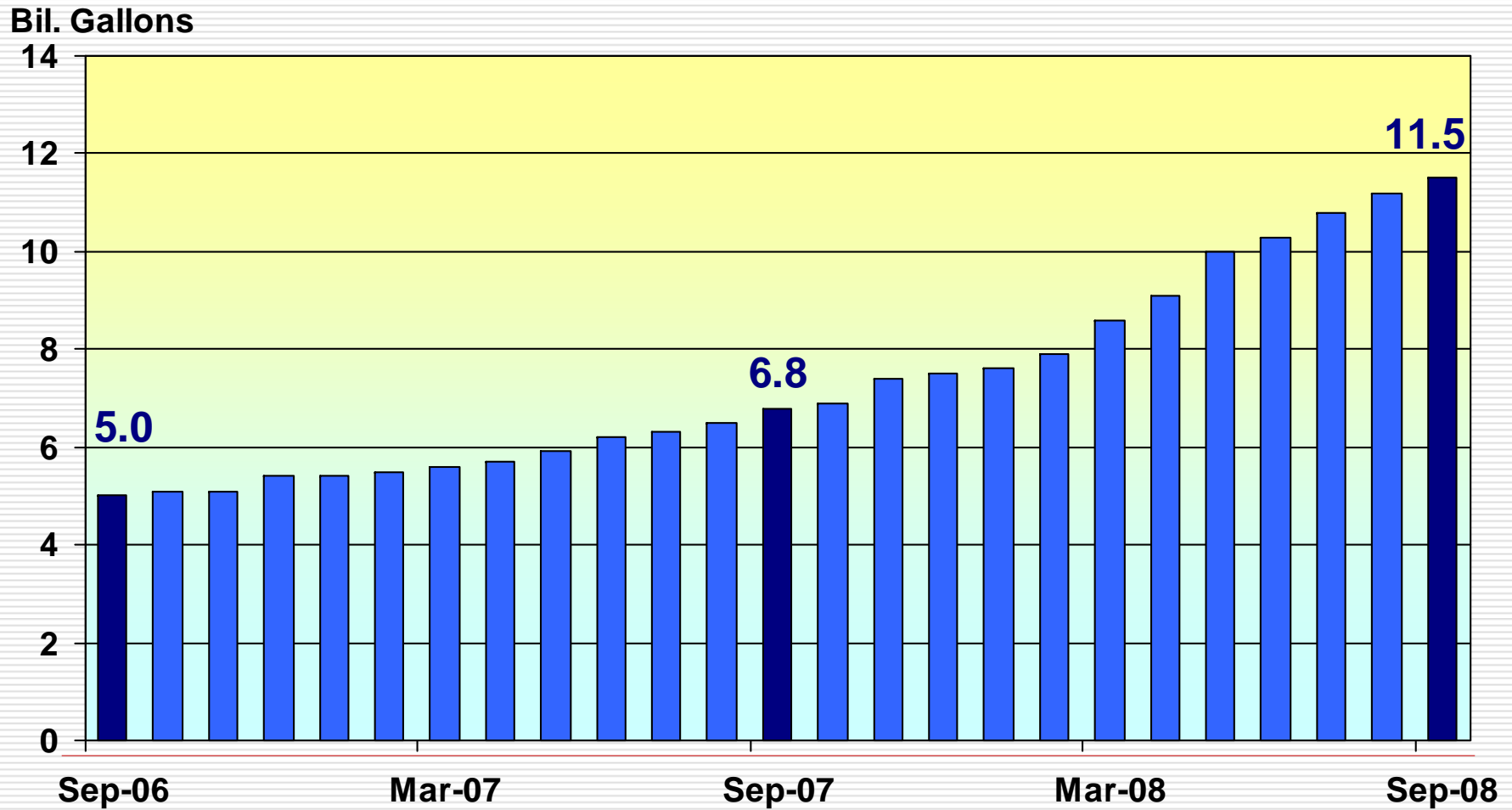
Major Crop and CRP Acreage

(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 |

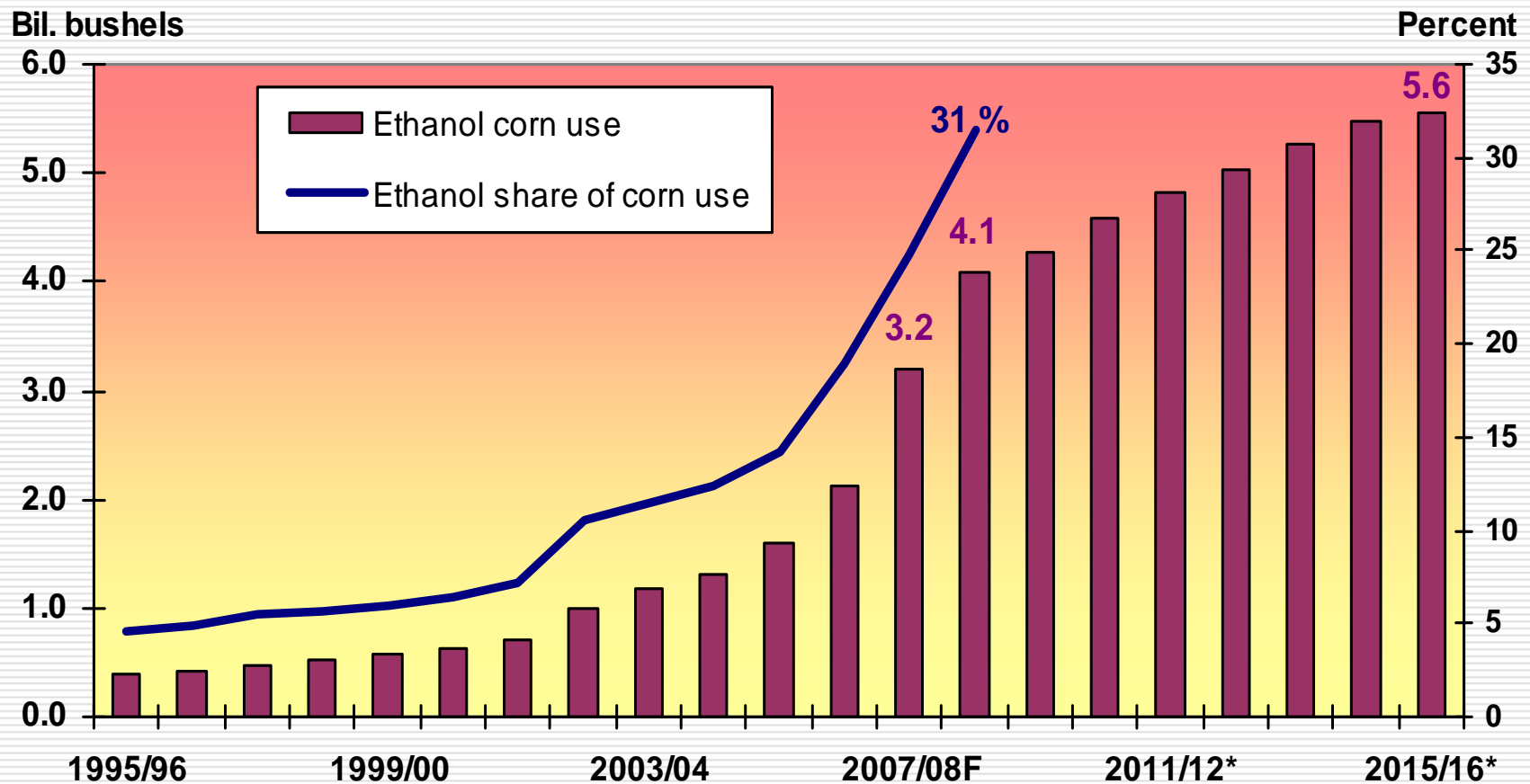
U.S. Ethanol Production Capacity

Annual Capacity by Month



U.S. Corn Used for Ethanol

1995/96 through 2015/16*

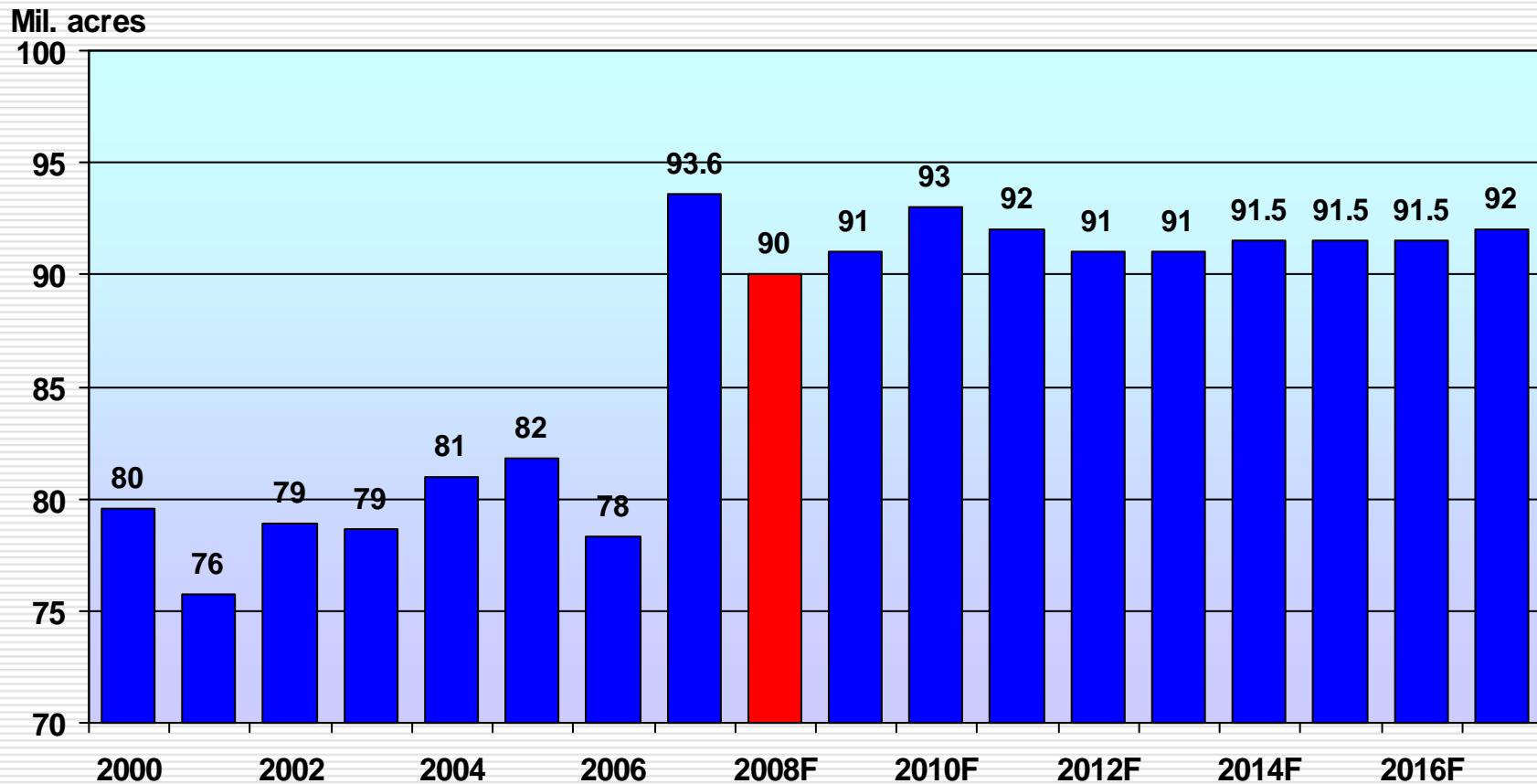


Note: 2007/08 is projected based on the *World Agricultural Supply and Demand Estimates*, February 8, 2008. 2008/09 is projected based on USDA's *Grains & Oilseeds Outlook*, Agricultural Outlook Forum, Washington, D.C., February 22, 2008. *Projection for 2009/10 based on RFS mandates for corn starch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

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.

Daily Cash Market Corn Prices

2004/05 through 2007/08 to date

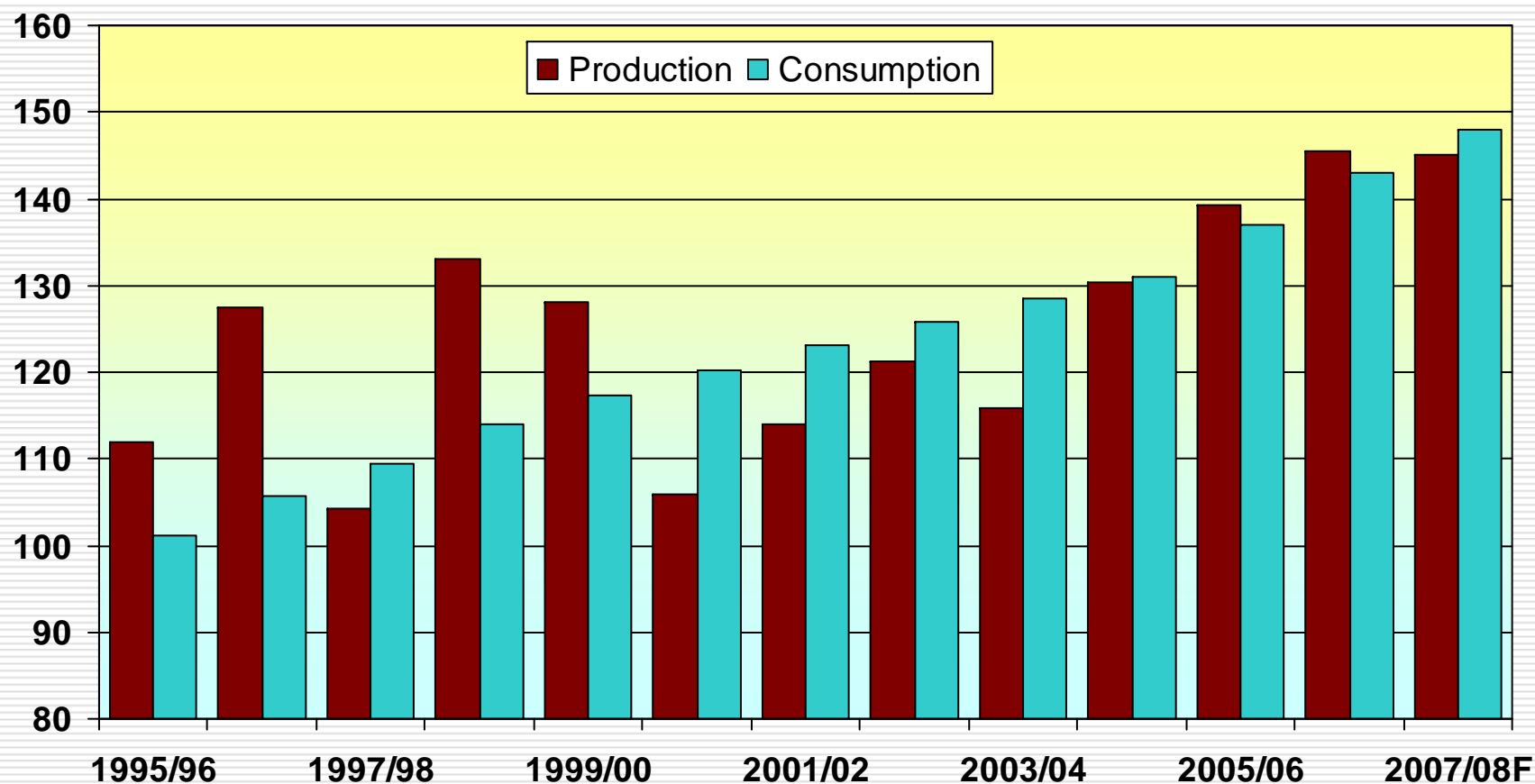


Note: Central Illinois cash bids.

China Corn Production and Consumption

1995/96 through 2007/08F

Mil. Metric Tons

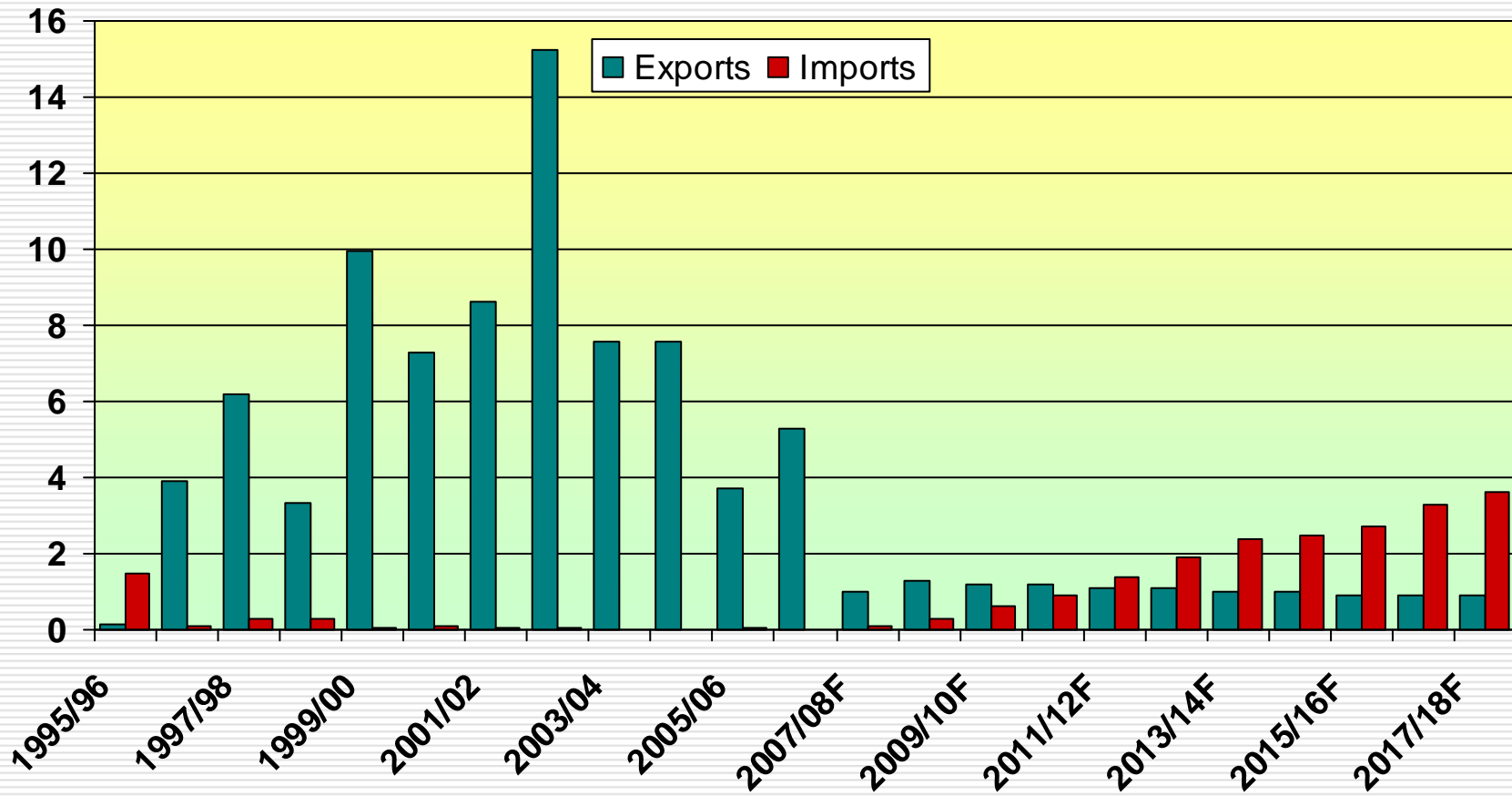


Note: 2007/08 production and consumption are projected based on the *World Agricultural Supply and Demand Estimates*, January 11, 2008.

China Corn Exports

1995/96 through 2017/18F

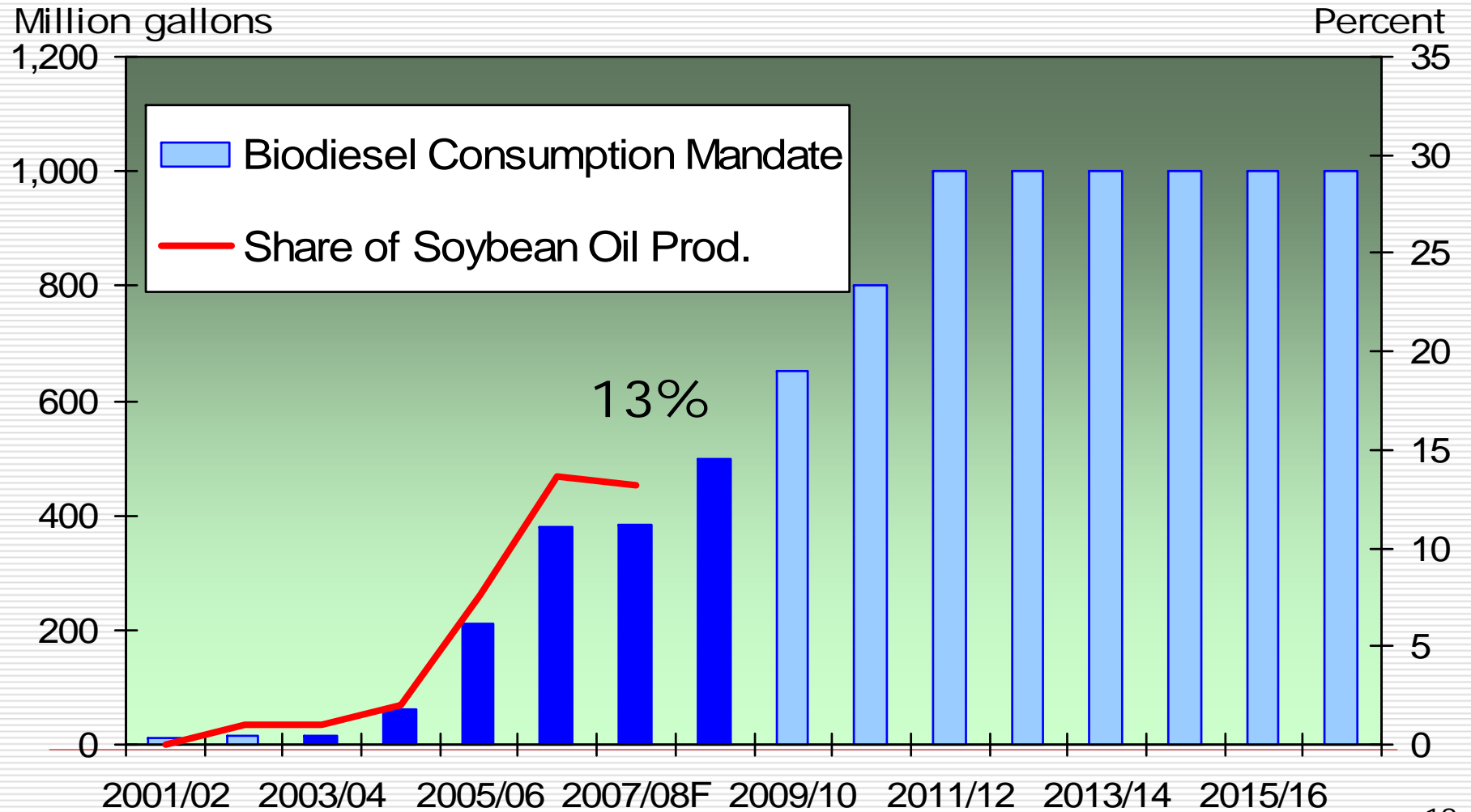
Mil. Metric Tons



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

U.S. Biodiesel Mandate . . .

(2007 Energy Act)

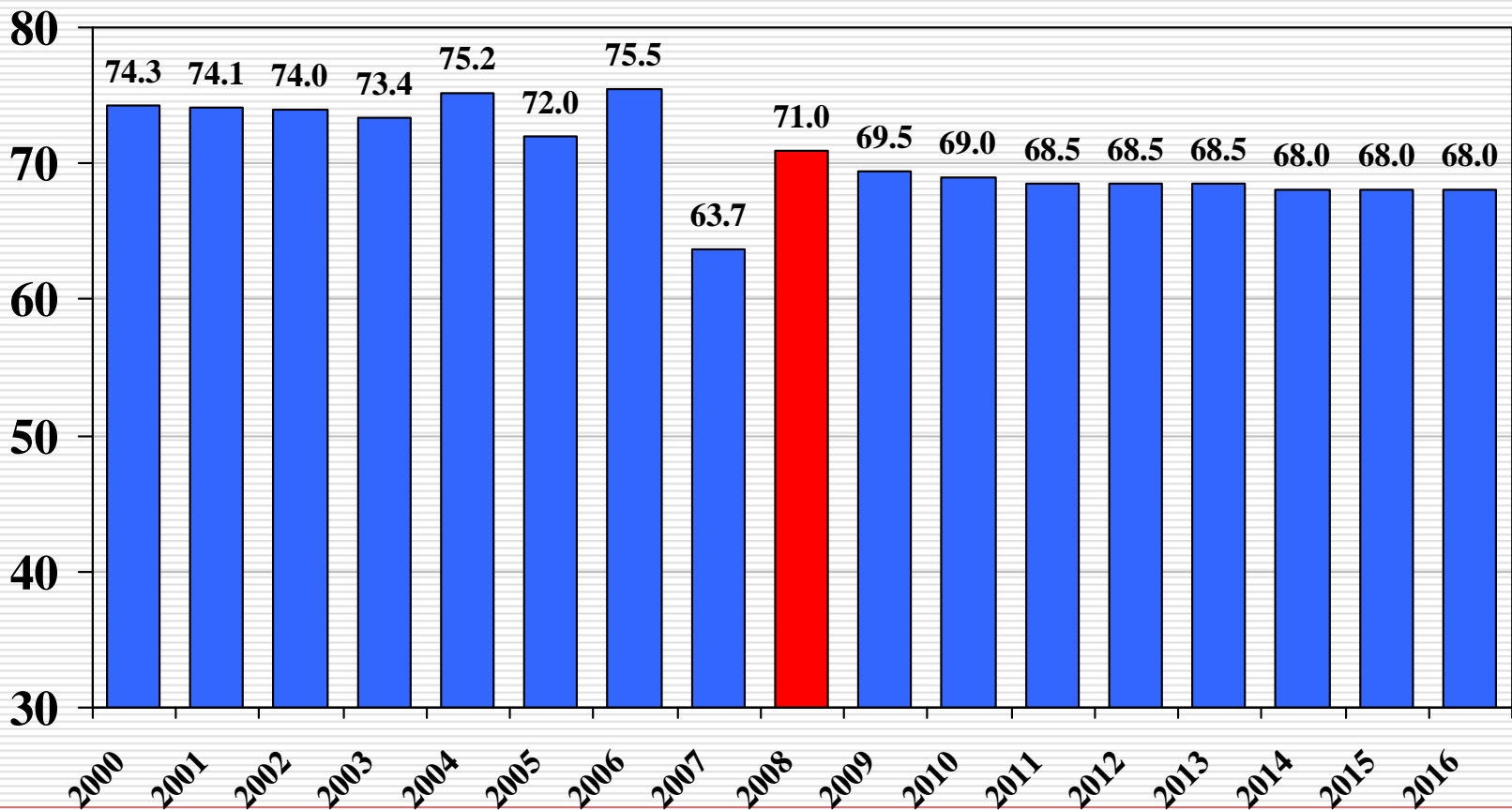


U.S. Soybean Supply and Demand

| | 2006/07 estimate | 2007/08 forecast | 2008/09 forecast | Change from 2007/08 <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 | -1.5 |
| 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 | 1,025 | 910 | -11.2 |
| Total Use | 3,073 | 3,025 | 2,947 | -2.6 |
| Ending stocks | 574 | 140 | 169 | 20.9 |
| | <i>Percent</i> | | | |
| Stocks/use ratio | 18.7 | 4.6 | 5.7 | |
| | <i>Dollars per bushel</i> | | | |
| Average market price | 6.43 | 10.40 | 11.50 | 10.6 |

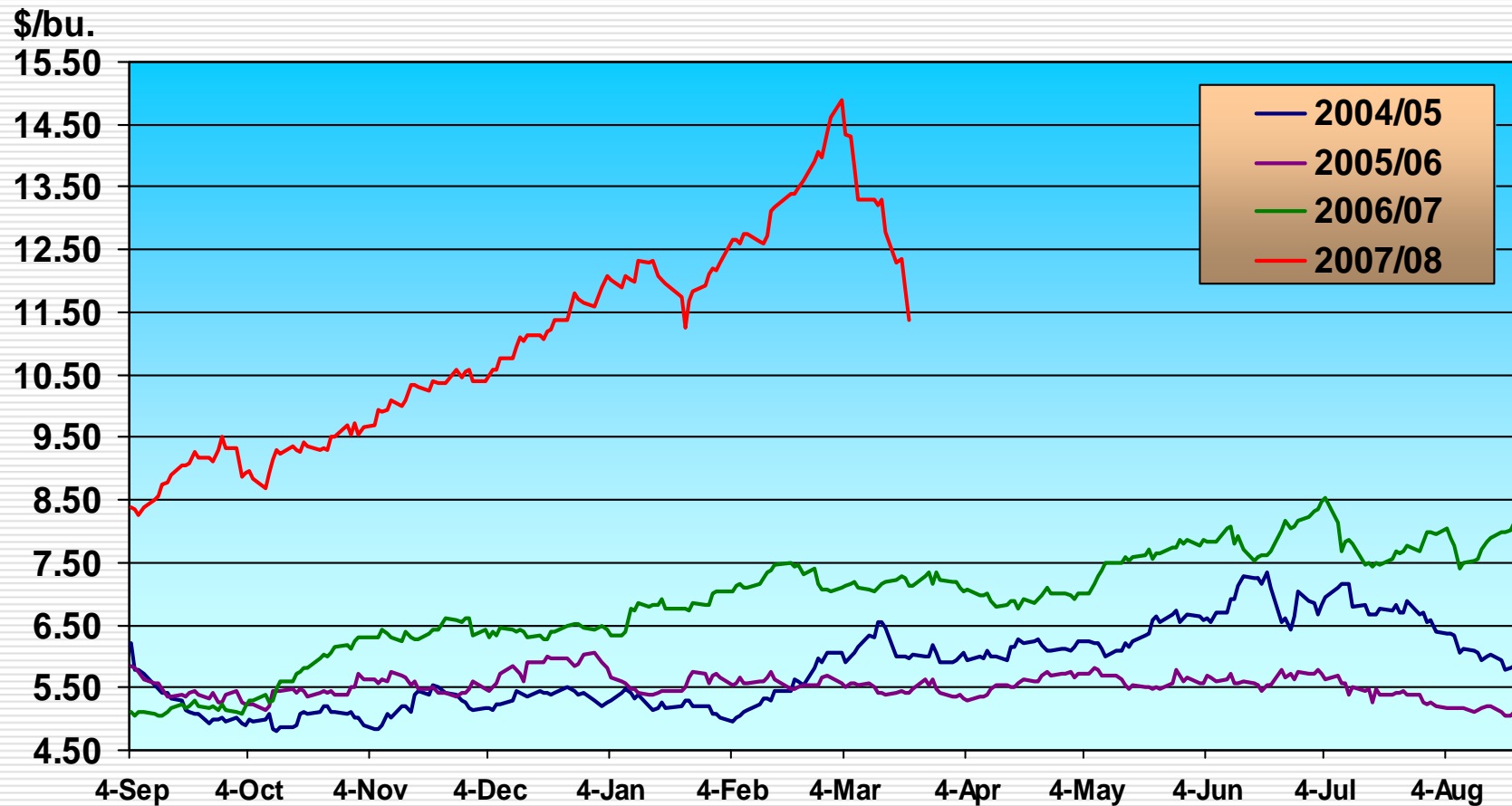
U.S. Soybean Planted Area Trend

Million Acres



Daily Cash Market Soybean Prices

2004/05 through 2007/08 to date



Note: Central Illinois cash bids.

U.S. Soybean Oil Supply and Demand

| | 2006/07 estimate | 2007/08 forecast | 2008/09 forecast | Change from 2008/09 |
|----------------------|------------------------|---------------------|---------------------|------------------------|
| | <i>Million pounds</i> | | | <i>Percent</i> |
| Beginning stocks | 3,010 | 2,904 | 2,502 | -13.9 |
| Production | 20,487 | 21,195 | 21,205 | 0.0 |
| Imports | 37 | 37 | 50 | 33.4 |
| Total supply | 23,535 | 24,137 | 23,757 | -1.6 |
| Domestic | 18,743 | 18,900 | 19,750 | 4.5 |
| Methyl ester | 2,796 | 2,800 | 3,500 | 25.0 |
| Exports | 1,888 | 2,400 | 1,850 | -22.9 |
| Total use | 20,630 | 21,300 | 21,600 | 1.4 |
| Ending stocks | 2,904 | 2,837 | 2,157 | -24.0 |
| | <i>Cents per pound</i> | | | |
| Average market price | 31.02 | 55.00 | 49.50 | -10.0 |

Soybean Oil Futures Prices

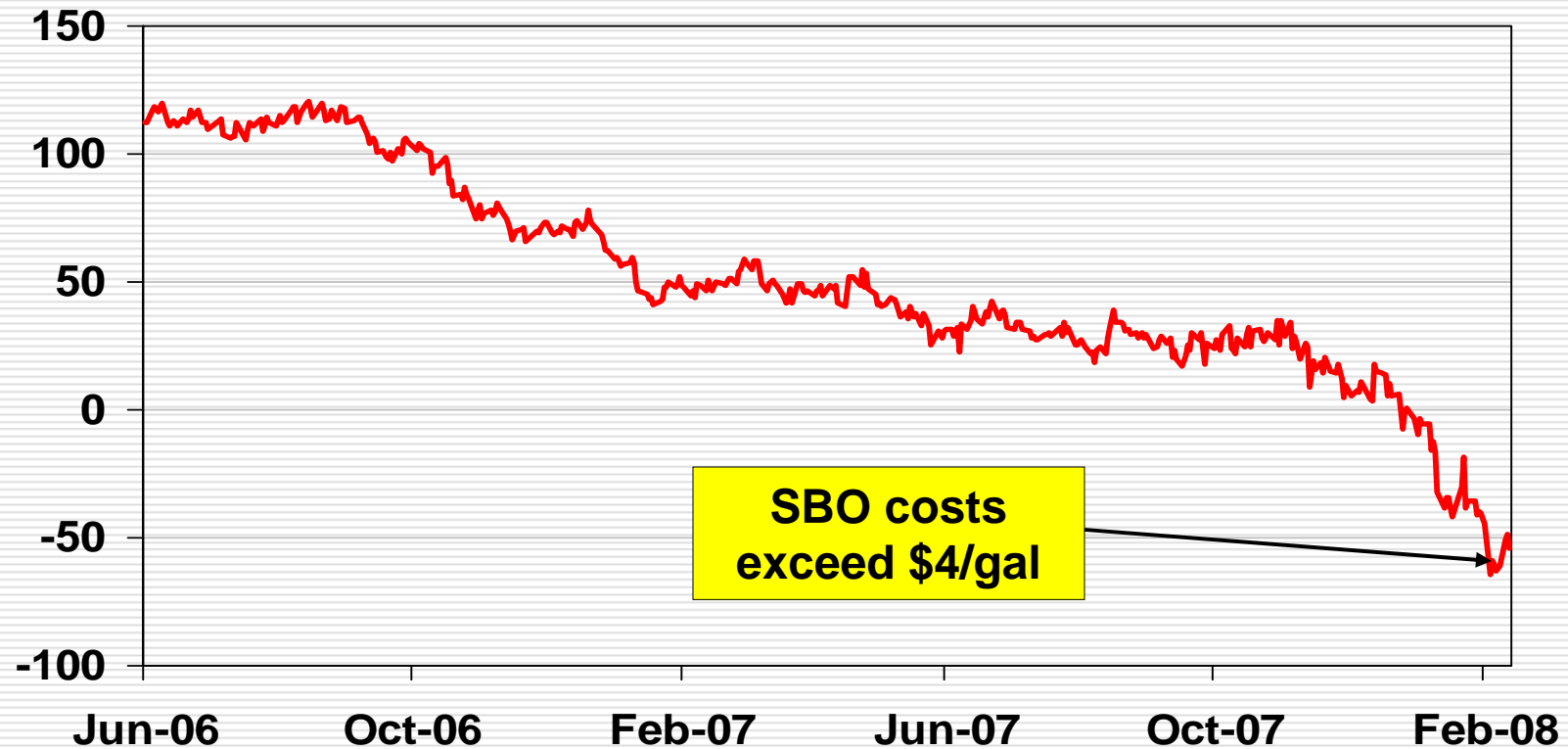
December 2008 Contract



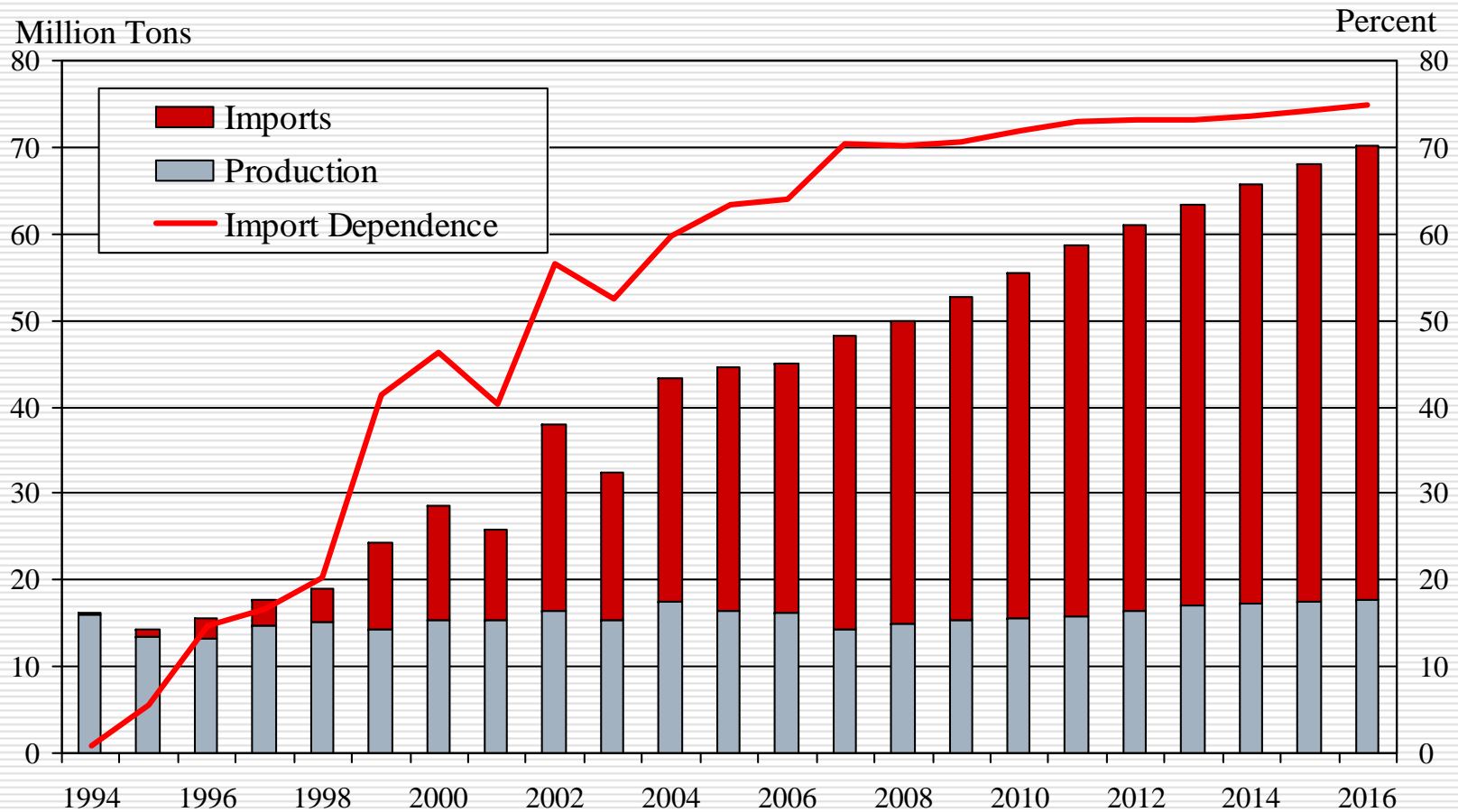
Note: Chicago Board of Trade daily settlement prices.

Biodiesel Margin

cents/lb

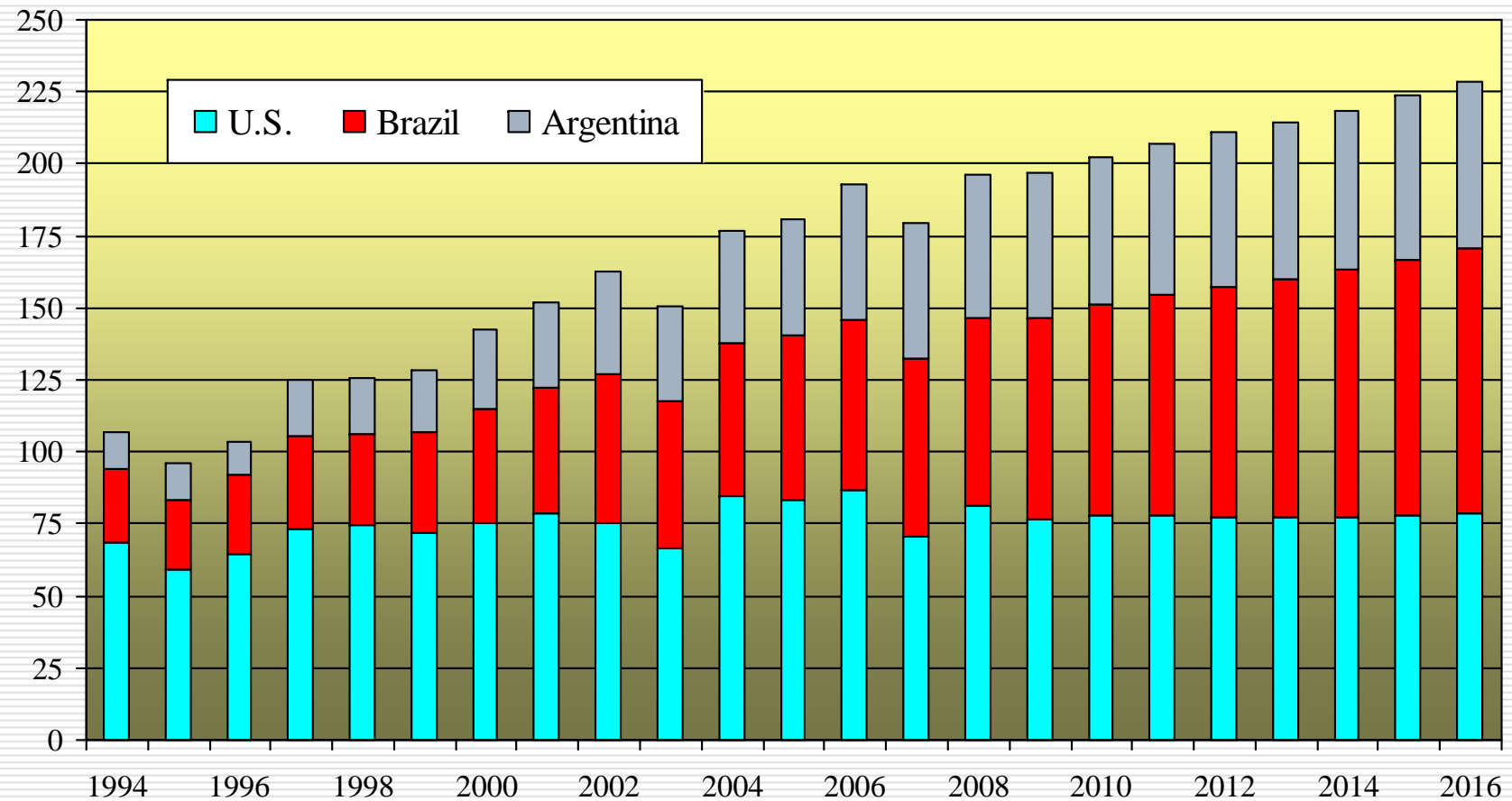


China Soybean Import Dependence Expected to Increase in the Next 10 Years



Soybean Production Trends

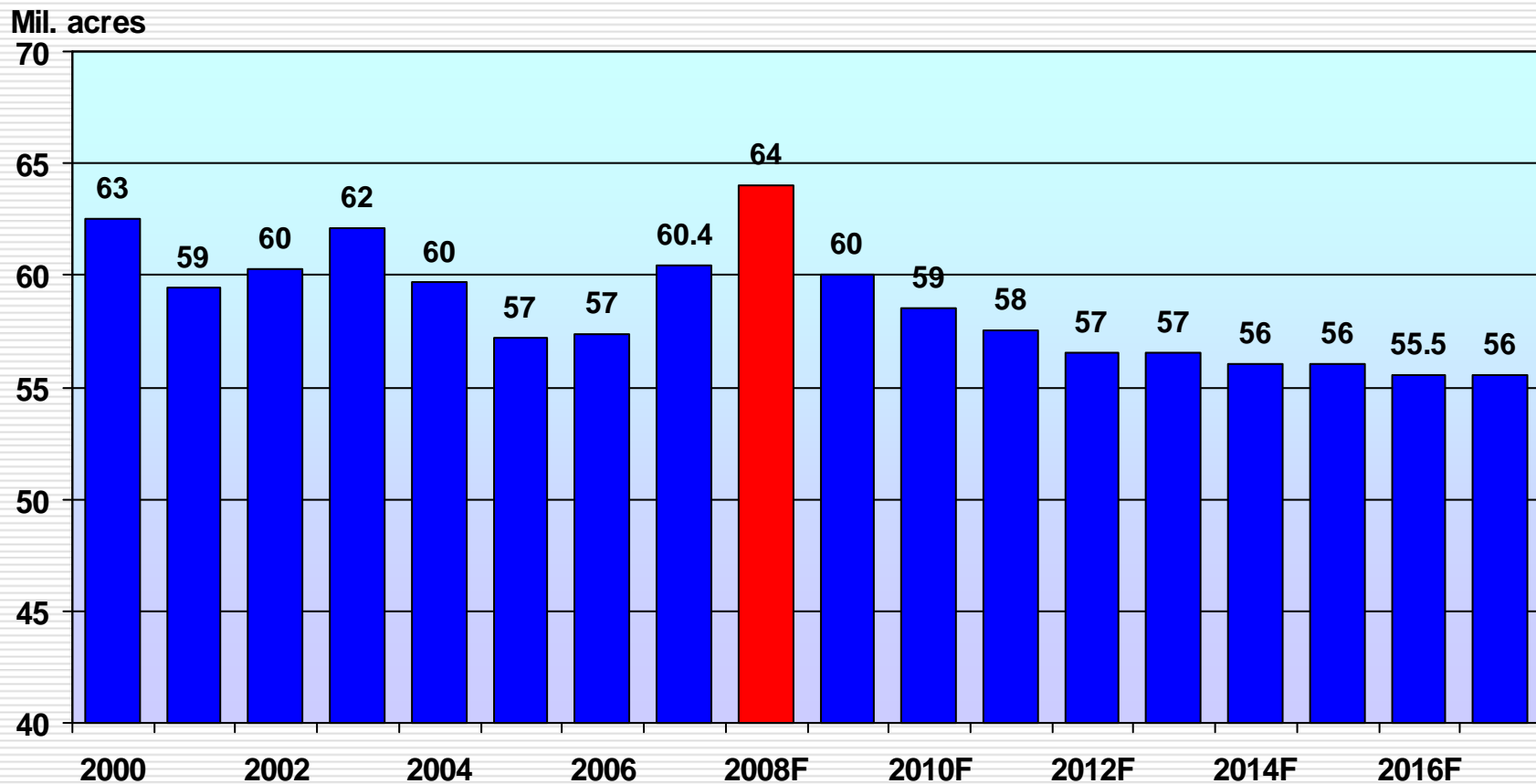
Million Tons



U.S. Wheat Supply and Demand

| | 2006/07 estimate | 2007/08 forecast | 2008/09 forecast | Change from 2007/08 <i>Percent</i> |
|--------------------------------|---------------------------|---------------------|---------------------|--|
| 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 | 1,036 | 1,039 | 0.3 |
| Feed and residual | 125 | 110 | 175 | 59.1 |
| Domestic use | 1,140 | 1,146 | 1,214 | 5.9 |
| Exports | 909 | 1,225 | 950 | -22.4 |
| Total use | 2,049 | 2,371 | 2,164 | -8.7 |
| Ending stocks | 456 | 242 | 538 | 122.4 |
| | <i>Percent</i> | | | |
| Stocks to use ratio | 22.3 | 10.2 | 24.9 | |
| | <i>Dollars per bushel</i> | | | |
| Average market price | 4.26 | 6.65 | 7.00 | 5.3 |

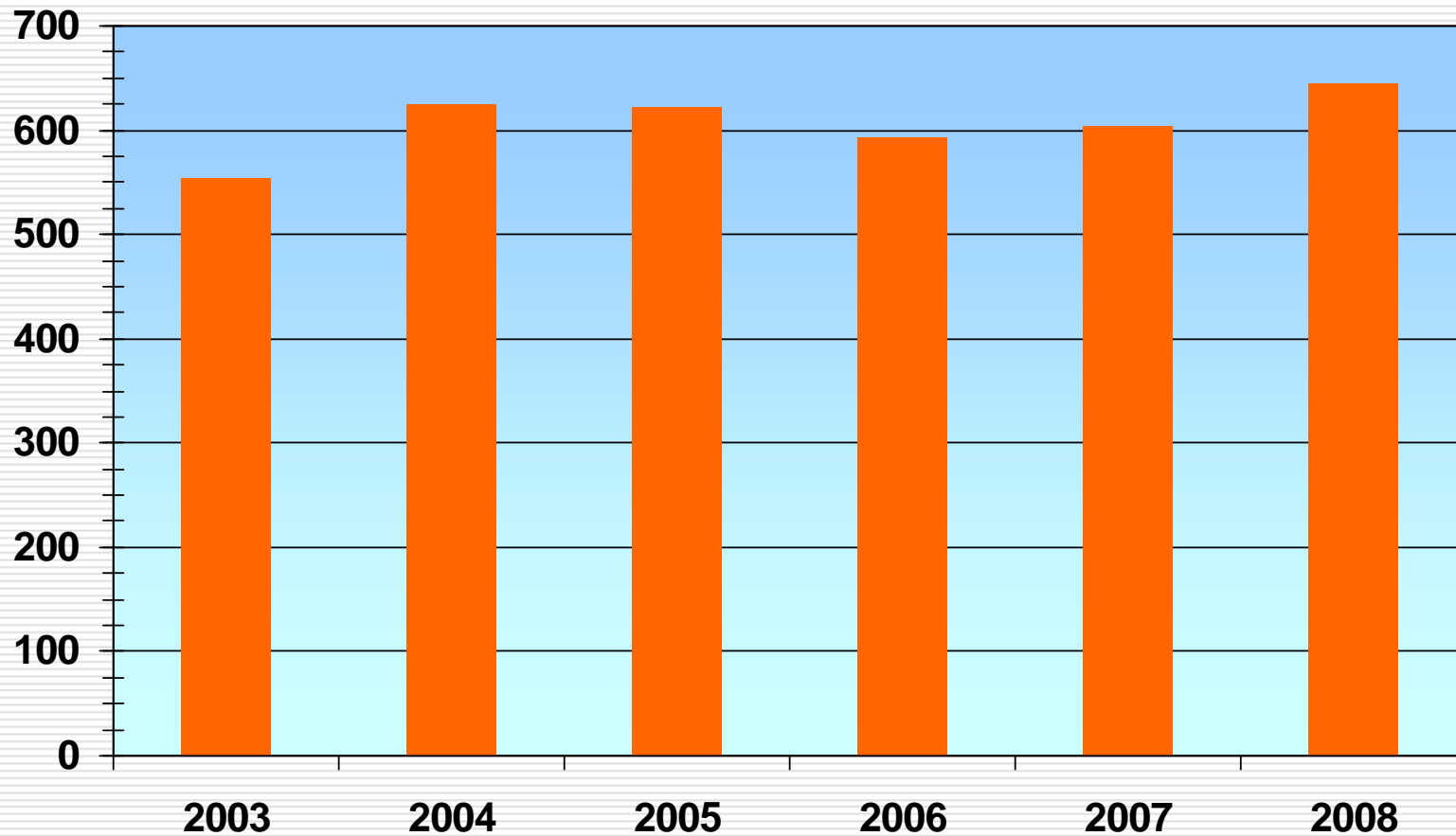
U.S. Wheat Planted Area Trend



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.

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

Million metric tons



Area Planted, 5 major crops

USDA forecasts for 2008/09

| | 2007/08 actual | Initial 2008/09 forecast 1/ | March 2008/09 forecast 2/ | June 2008/09 forecast 3/ |
|---------------|-------------------|-----------------------------------|---------------------------------|--------------------------------|
| Million acres | | | | |
| Corn | 93.6 | 90.0 | 86.0 | |
| Soybeans | 63.6 | 71.0 | 74.8 | |
| Wheat | 60.4 | 64.0 | 63.8 | |
| All Cotton | 10.8 | 9.5 | 9.4 | |
| Rice | 2.8 | 2.7 | 2.8 | |
| 5-crop total | 231.2 | 237.2 | 236.8 | |

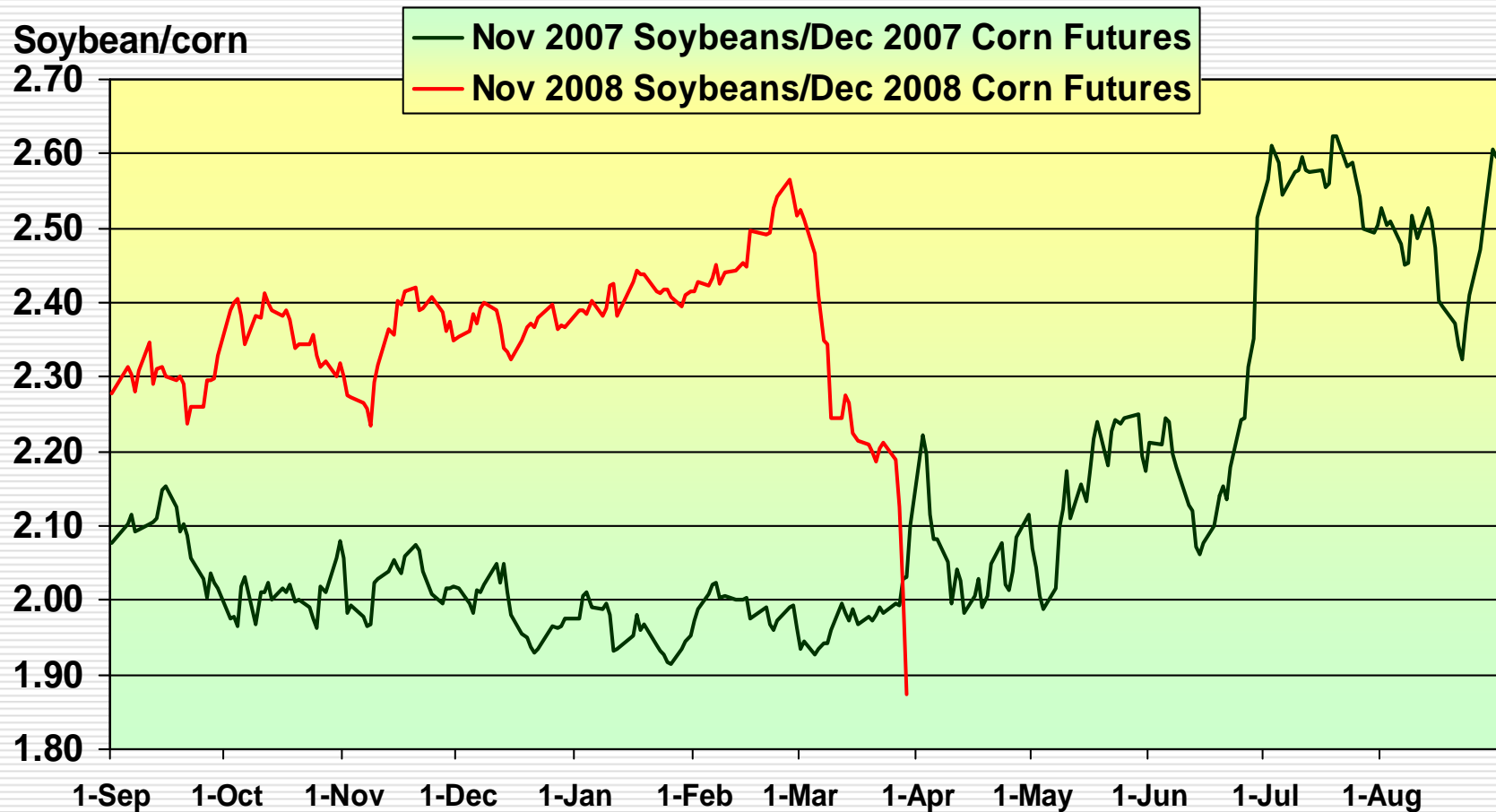
1/ February 22, 2008 Agricultural Outlook Forum.

2/ March 31, 2008 *Prospective Plantings* , from the National Agricultural Statistics Service.

3/ June 30, 2008 *Acreage* , from the National Agricultural Statistics Service.

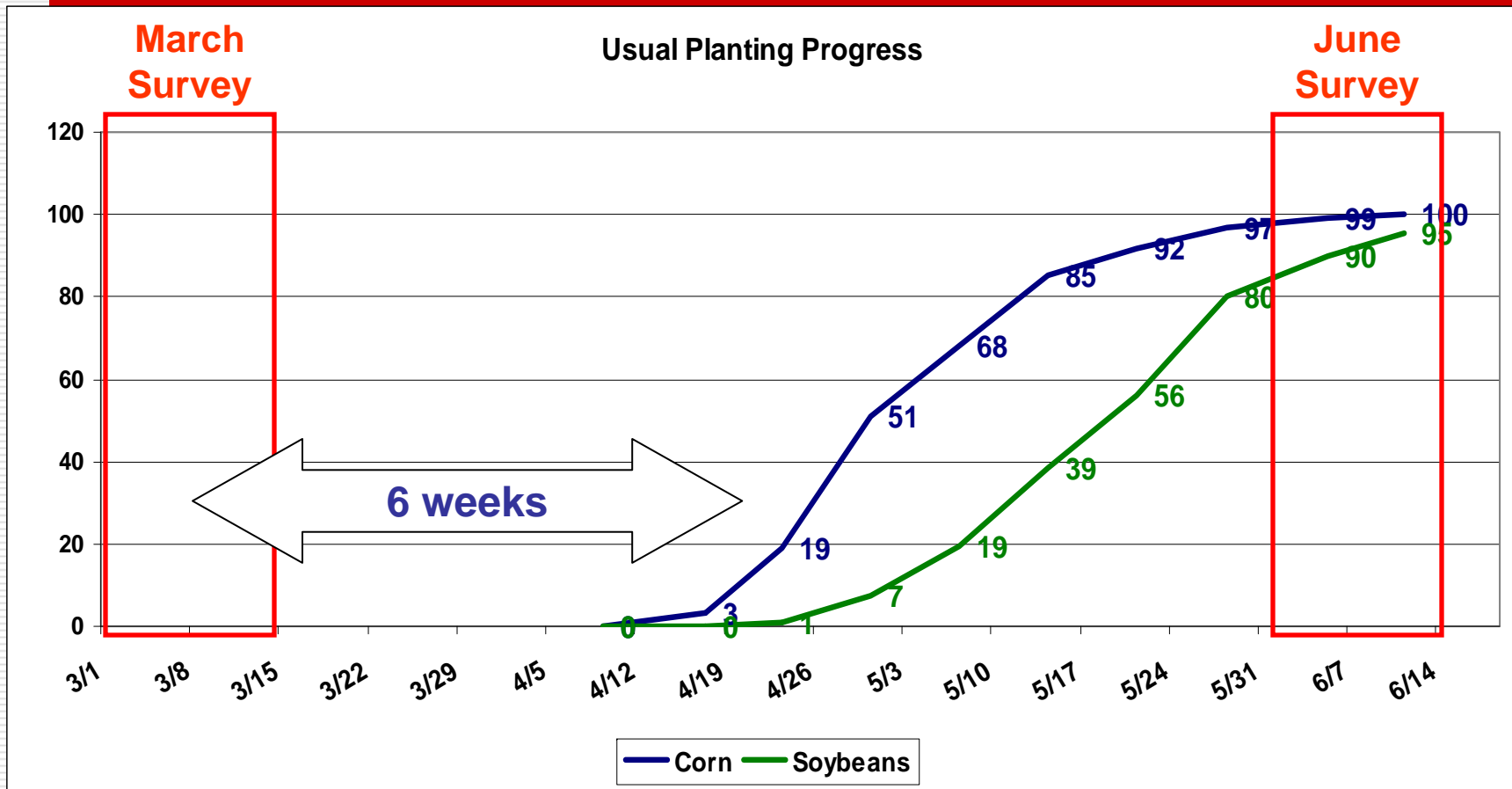
New-crop Soybean/Corn Price Ratios

2007-crop and 2008-crop through March 31, 2008



Note: Chicago Board of Trade daily settlement prices.

Acreage Estimates Change From March To June



Area Planted, 5 major crops

USDA forecasts and actual for 2007/08

| | Initial 2007/08 forecast 1/ | March 2007/08 forecast 2/ | June 2007/08 forecast 3/ | Actual 2007/08 acreage |
|---------------|-----------------------------------|---------------------------------|--------------------------------|------------------------------|
| Million acres | | | | |
| Corn | 87.0 | 90.5 | 92.9 | 93.6 |
| Soybeans | 70.5 | 67.1 | 64.1 | 63.6 |
| Wheat | 60.0 | 60.3 | 60.5 | 60.4 |
| All Cotton | 13.0 | 12.1 | 11.1 | 10.8 |
| Rice | 2.9 | 2.6 | 2.7 | 2.8 |
| 5-crop total | 233.4 | 232.6 | 231.3 | 231.2 |

1/ March 2, 2007 Agricultural Outlook Forum.

2/ March 30, 2007 *Prospective Plantings* , from the National Agricultural Statistics Service.

3/ June 29, 2007 *Acreage* , from the National Agricultural Statistics Service.

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 | 18.1 |
| 2008 | 3.5-4.5 | ? |

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

END

NGOIC Presentation