

Grains and Oilseeds Outlook for 2006

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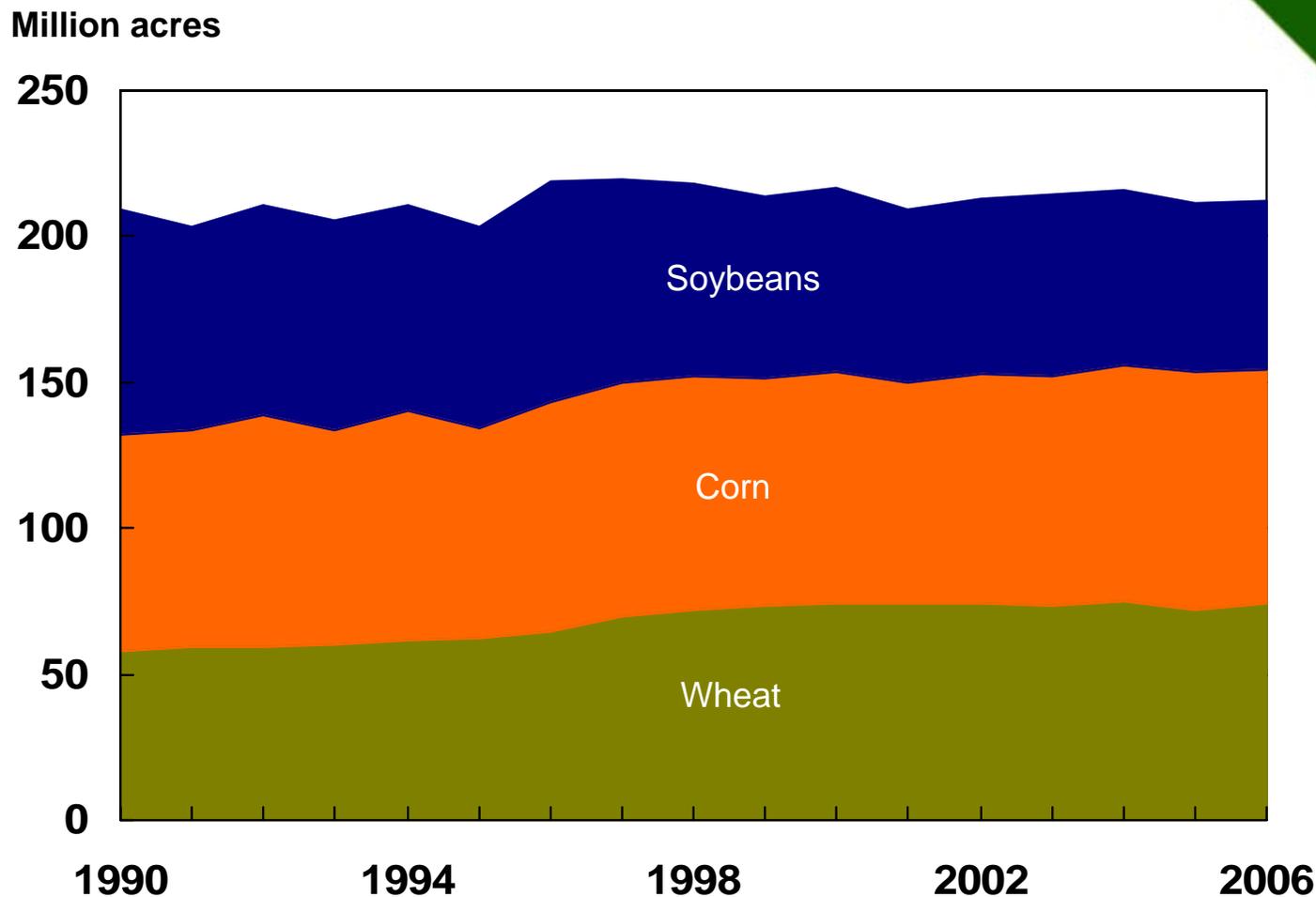


Grains & Oilseeds Outlook for 2006

- **U.S. wheat, corn, and soybean markets are expected to head in different directions in 2006/07.**
- **Acreage Outlook: A shift to soybeans.**
- **Wheat Outlook: Nearly stable supply and demand.**
- **Corn Outlook: Strong demand expected to buoy prices.**
- **Soybean Outlook: Low prices needed to move supplies.**



Area planted to the three major U.S. crops remains stable



Source: U.S. Department of Agriculture, National Agricultural Statistics Service.



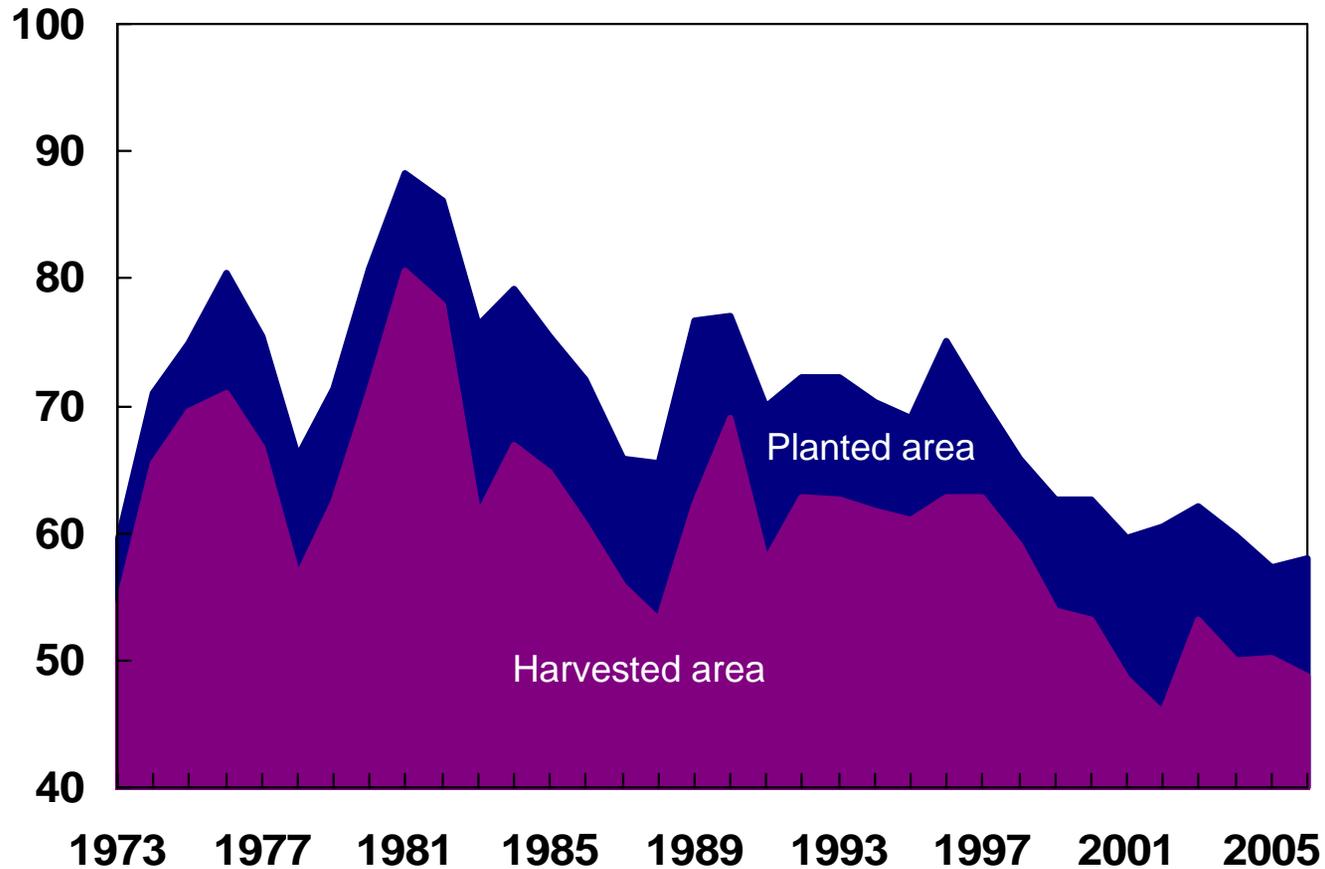
2006 Wheat Acreage Outlook

- **Winter wheat seeding up slightly on rebound in SRW area.**
- **Drought in Texas and Oklahoma a concern.**
- **Spring wheat area expected to decline slightly unless prices rally.**
- **Total wheat acres harvested to decline on a return to normal abandonment.**
- **Underlying slow trend away from wheat.**



Long Term Decline in U.S. Wheat Area

Million acres



2006 Corn and Soybean Acreage Outlook

- **Corn and soybeans complement each other in rotation, but also compete for area.**
- **Costs of production up much more for corn than for soybeans.**
- **Loan rates limit downside price risk for both.**
- **Fear of Asian Soybean Rust reduced.**
- **Soybean planted area to expand, corn decline.**
- **A return to a normal harvested-to-planted ratio would trim both corn and soybeans acres.**



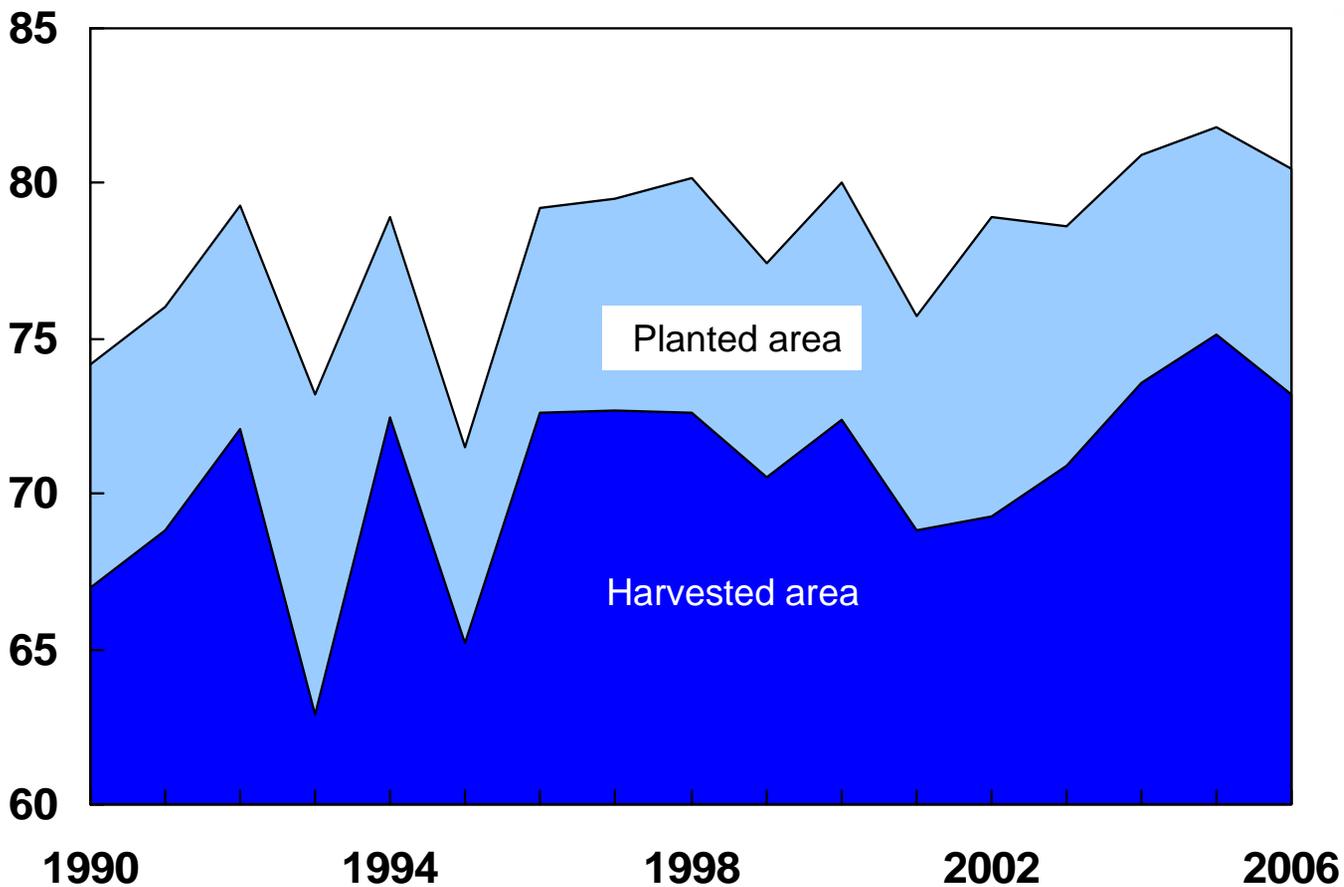
2006 Acreage Outlook

	2005	2006P	Change
Wheat planted	57.2	58.0	+0.8
Wheat harvested	50.1	48.7	-1.4
Corn planted	81.8	80.5	-1.3
Corn harvested	75.1	73.2	-1.9
Soybeans planted	72.1	74.0	+1.9
Soybeans harvested	71.4	72.9	+1.5
Total planted	211.1	212.0	+1.4
Total harvested	196.6	194.9	-1.8



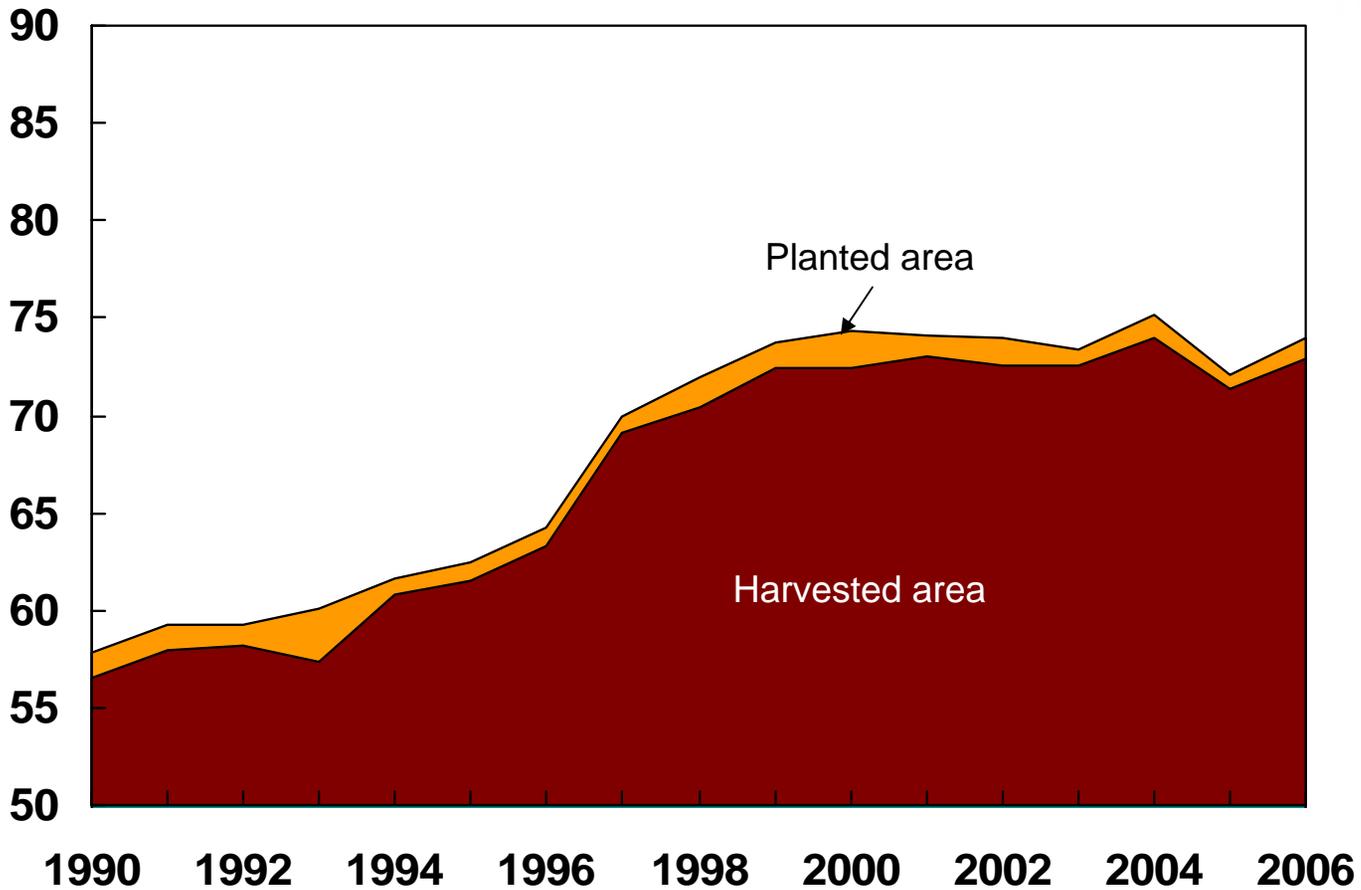
U.S. Corn Area to Decline in 2006

Million acres



U.S. Soybean Area Expanding in 2006

Million acres



2006 Wheat Outlook

- **U.S. wheat yield increase to nearly offset lower area in 2006, production down slightly.**
- **Beginning stocks stable, increased imports leave supplies slightly lower.**
- **Domestic use up slightly.**
- **Exports to decline due to increased competition for high quality, high protein wheat.**
- **Ending stocks projected unchanged.**
- **Little change projected for wheat prices in 2006/07.**



2006 Wheat Outlook

	2005/06 (Forecast)	2006/07 (Preliminary)
Yield (bu./ac.)	42.0	42.6
Production (mil. bu.)	2,105	2,075
Beginning stocks	540	542
Imports	85	95
Supply	2,730	2,712



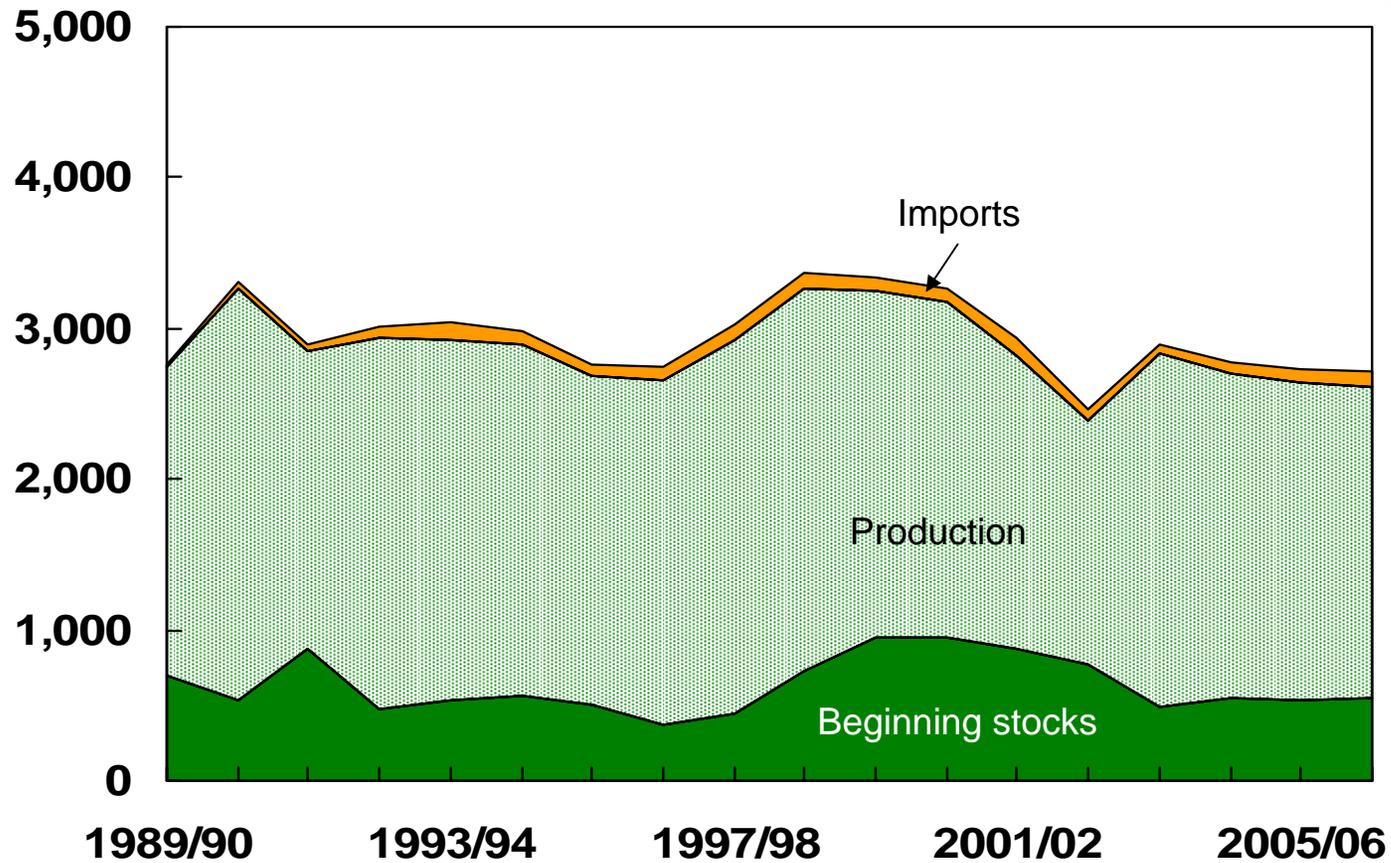
2006 Wheat Outlook

	2005/06 (Forecast)	2006/07 (Preliminary)
Total domestic use (mil. bu.)	1,188	1,194
Exports	1,000	975
Total use	2,188	2,169
Ending stocks	542	543
Stocks/use (percent)	24.8	25.0
Season average farm price (\$/bu.)	3.40	3.40



U.S. Wheat Supply Stable

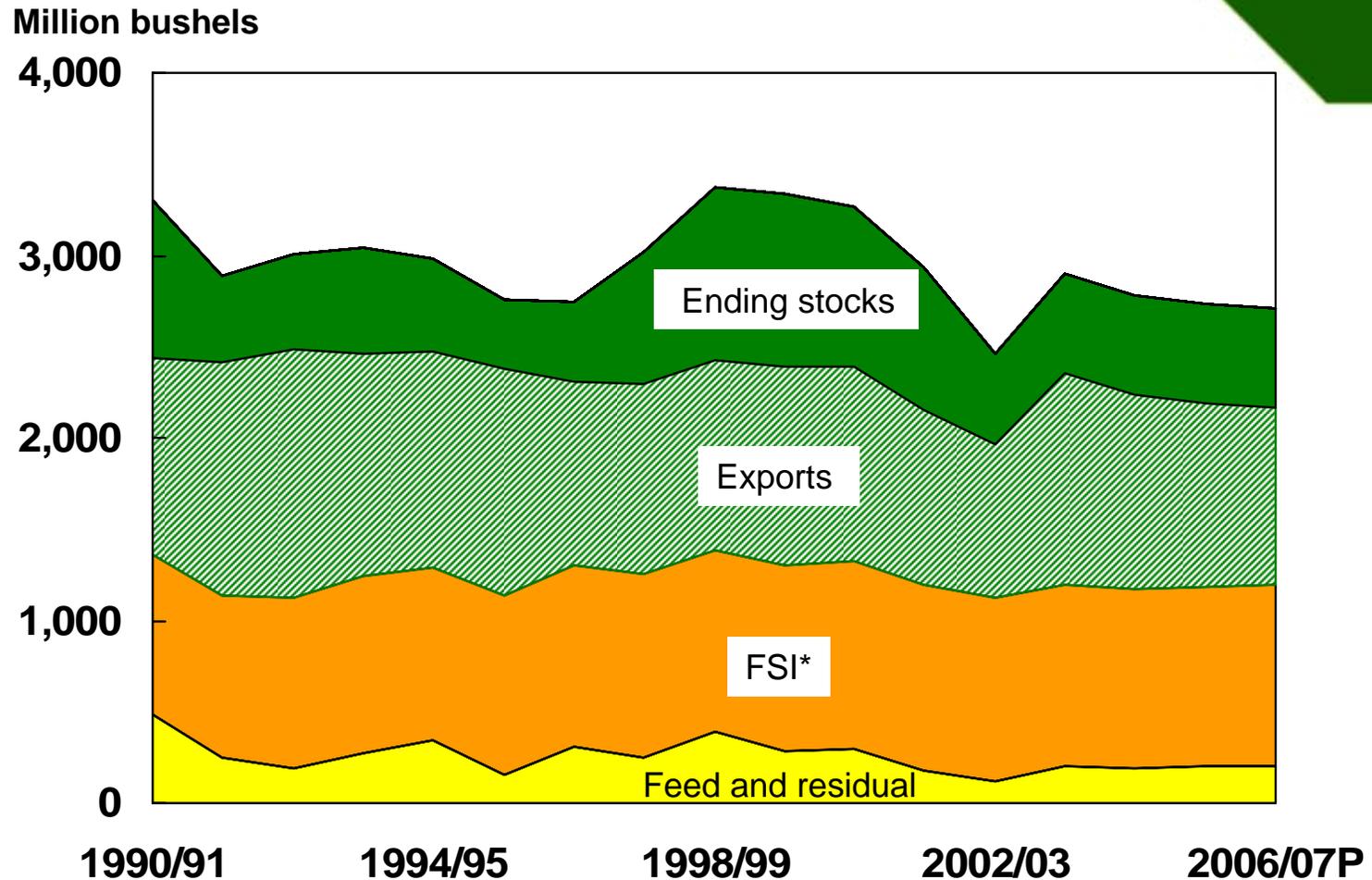
Million bushels



Source: USDA Agricultural Baseline Projections to 2014, February 2005.



Little Change Expected in U.S. Wheat Use



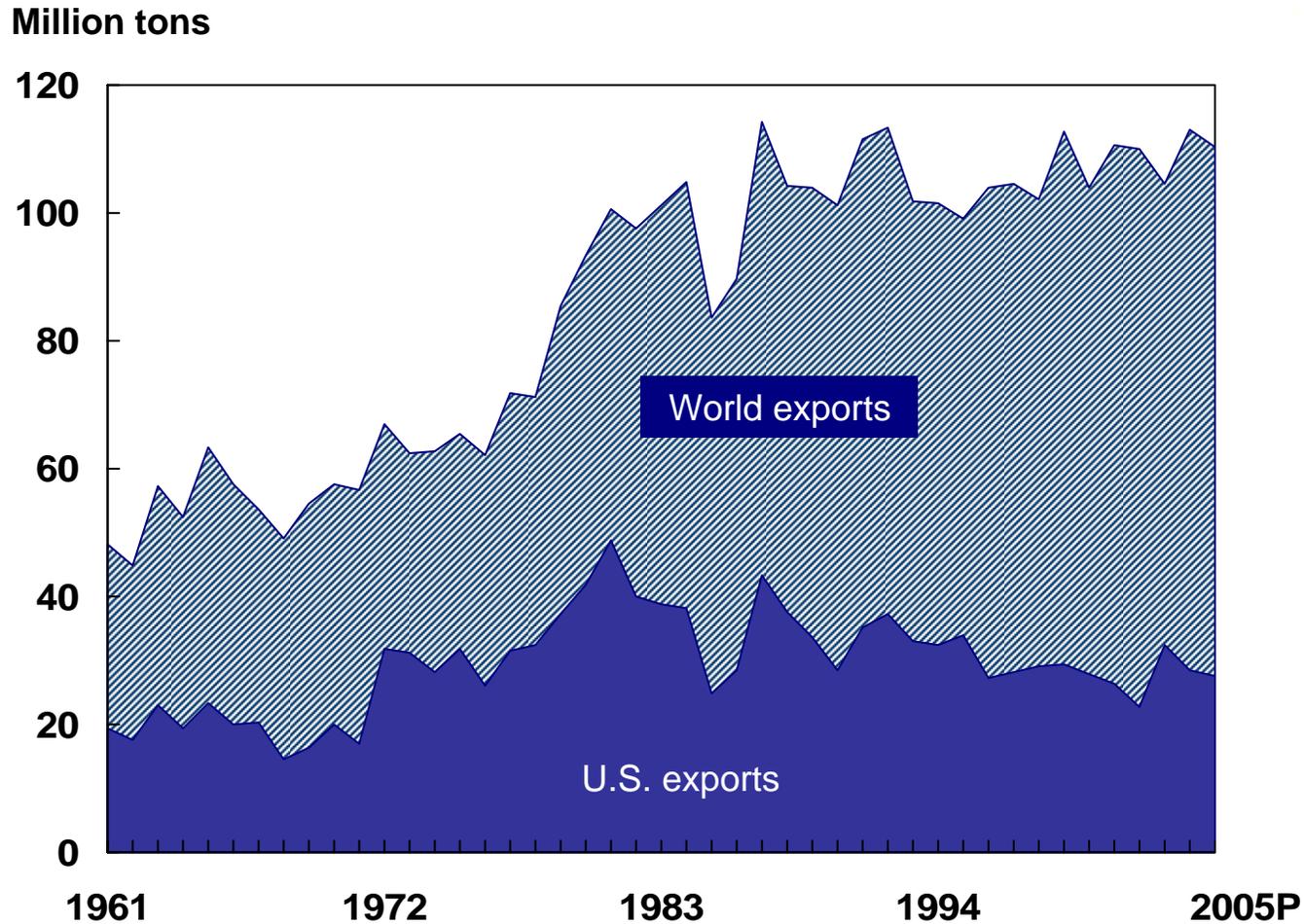
*Food, seed, and industrial use.

Source: USDA Agricultural Baseline Projections to 2014, February 2005.

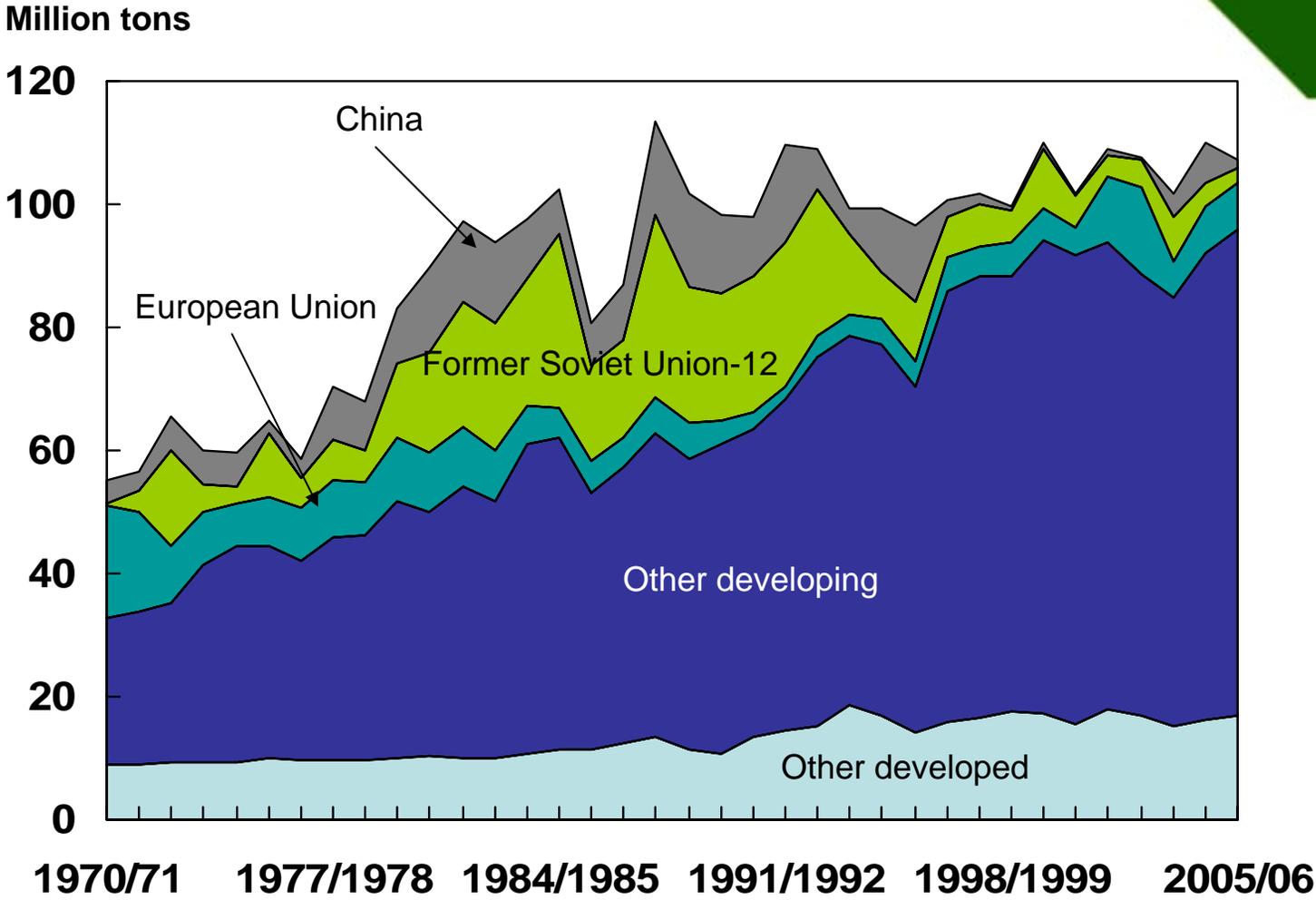
Economic Research Service, USDA.



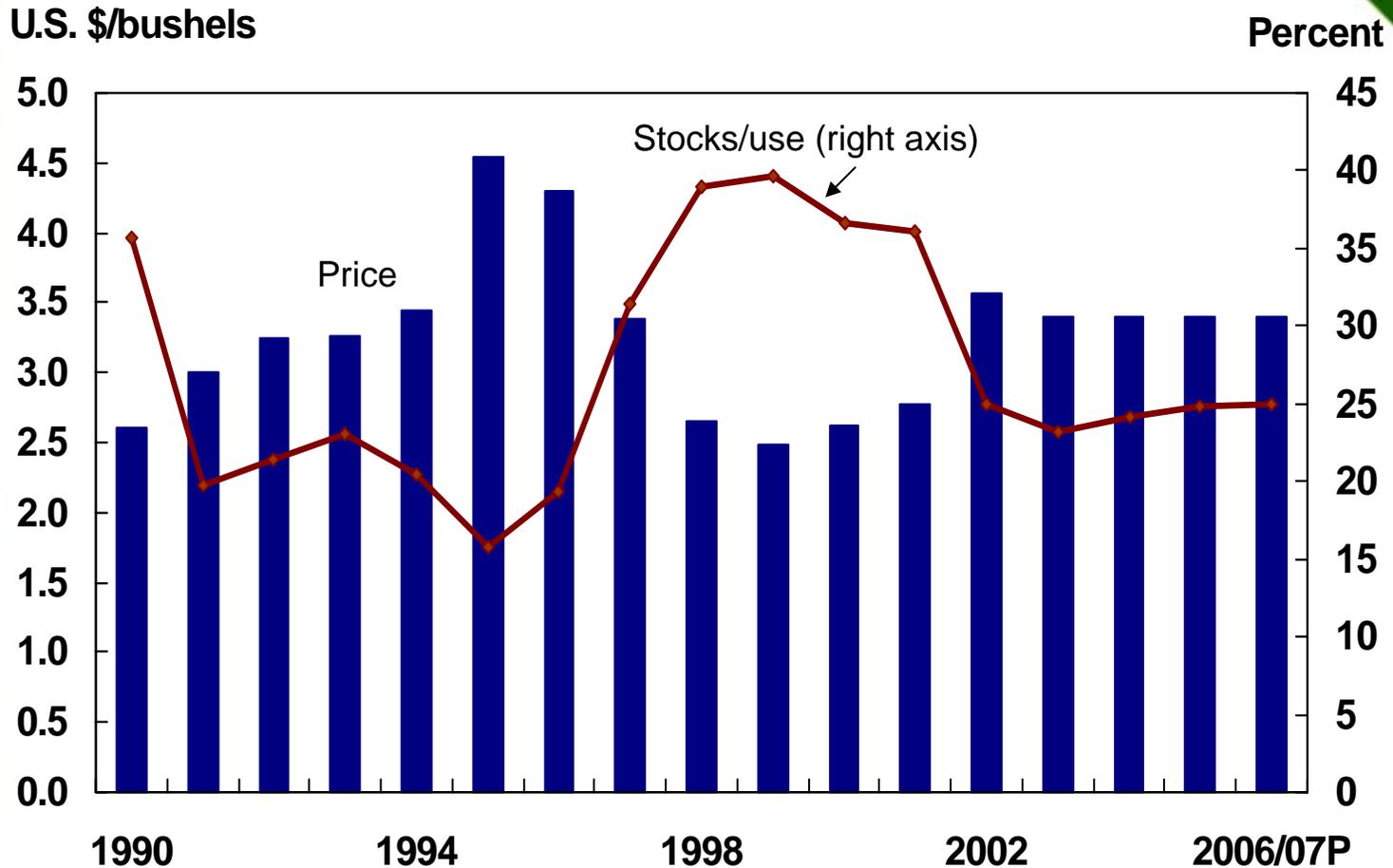
U.S. Share of World Wheat Trade Declining



Developing Countries To Boost Wheat Imports



Wheat: U.S. Price and Stocks/Use Ratio



2006 Corn Outlook

- **If U.S. corn yields return to trend, 2006 yield will be nearly the same as 2005; lower area to reduce production.**
- **Beginning stocks huge, increased stocks maintain 2006/07 supplies nearly unchanged.**
- **Domestic use up on strong ethanol production.**
- **Exports to increase significantly due to reduced competition, especially from Argentina.**
- **Ending stocks projected to decline significantly.**
- **A modest corn price increase expected in 2006/07.**



2006 Corn Outlook

	2005/06 (Forecast)	2006/07 (Preliminary)
Yield (bu./ac.)	147.9	147.7
Production (mil. bu.)	11,112	10,810
Beginning stocks	2,114	2,401
Supply	13,236	13,221

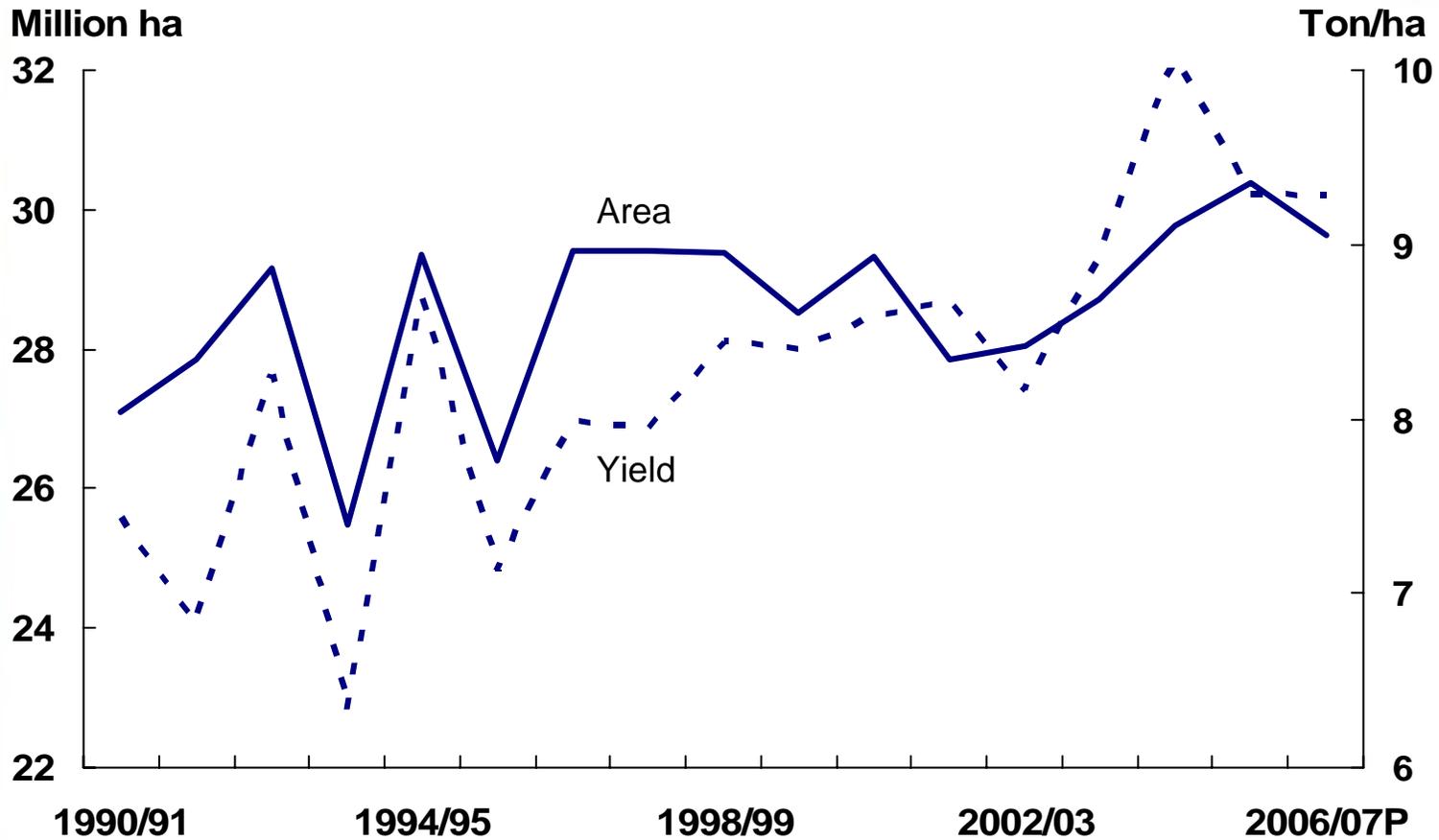


2006 Corn Outlook

	2005/06 (Forecast)	2006/07 (Preliminary)
Feed and residual (mil. bu.)	6,000	5,950
Ethanol fuel	1,600	2,150
Food, seed & other industrial	1,385	1,395
Exports	1,850	2,000
Total use	10,810	11,495
Ending stocks	2,426	1,726
Season average farm price (\$/bu.)	1.90	2.15

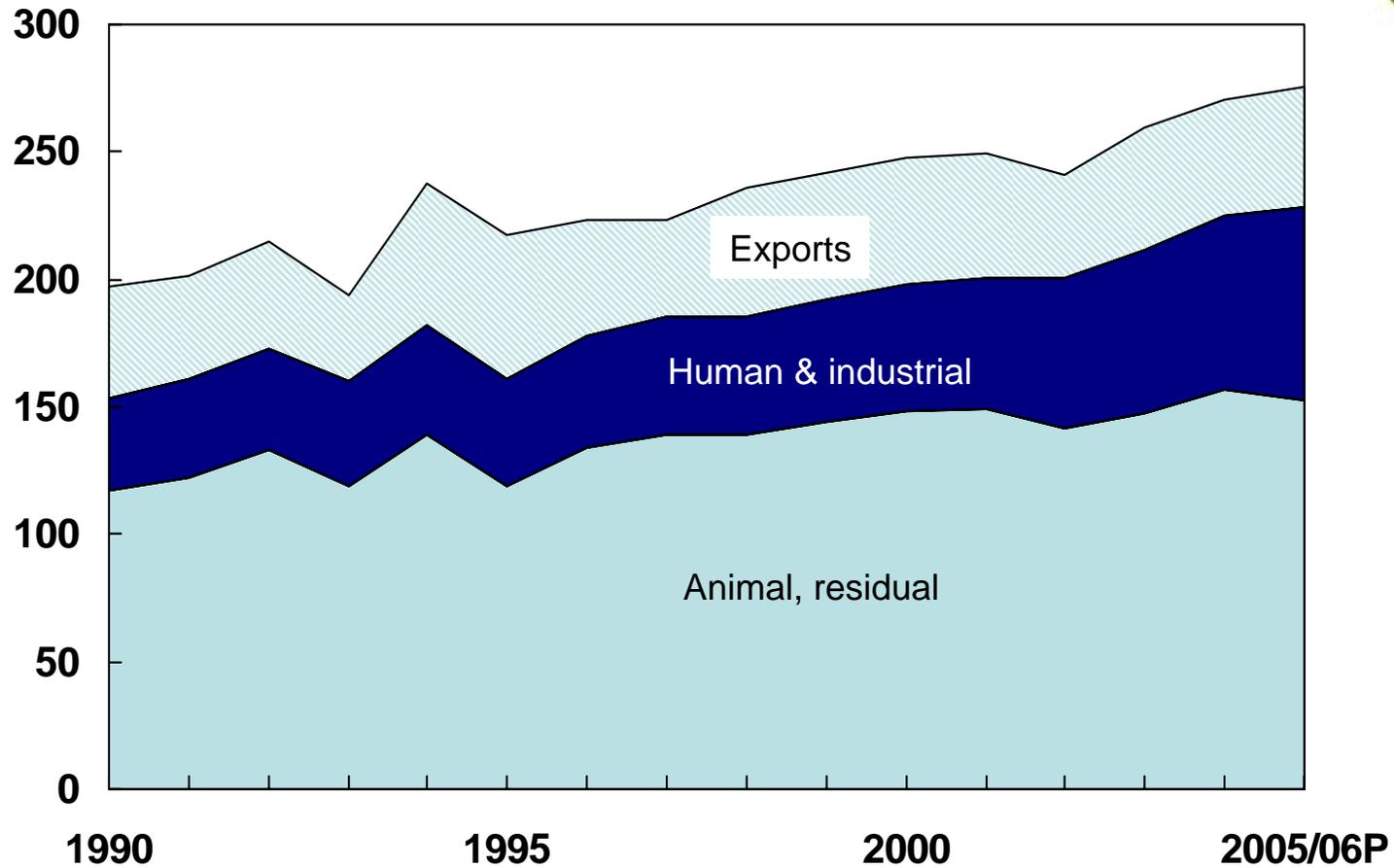


U.S. Corn Area To Decline, Yield Little Changed



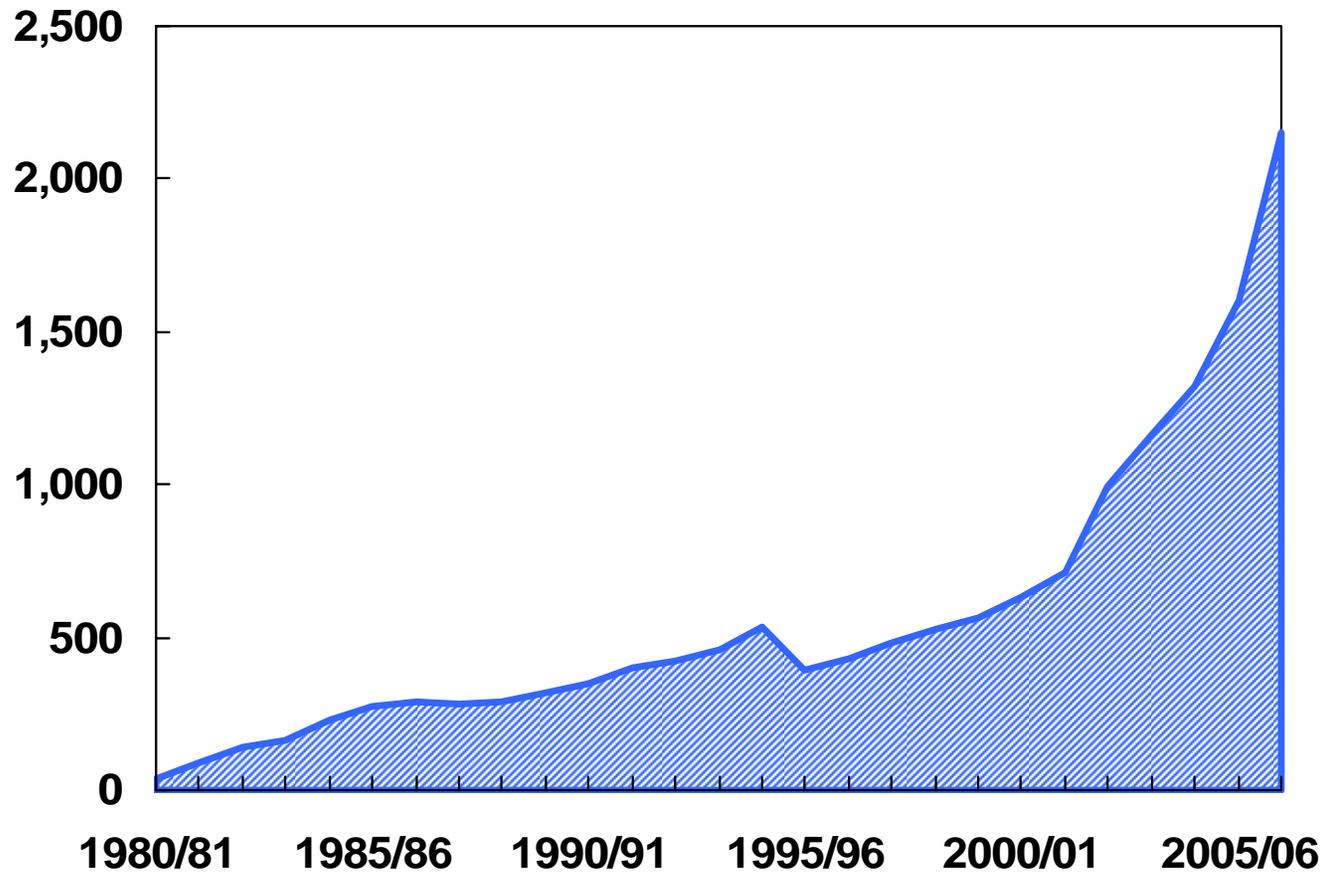
U.S. Corn Use Mostly Domestic

Million tons

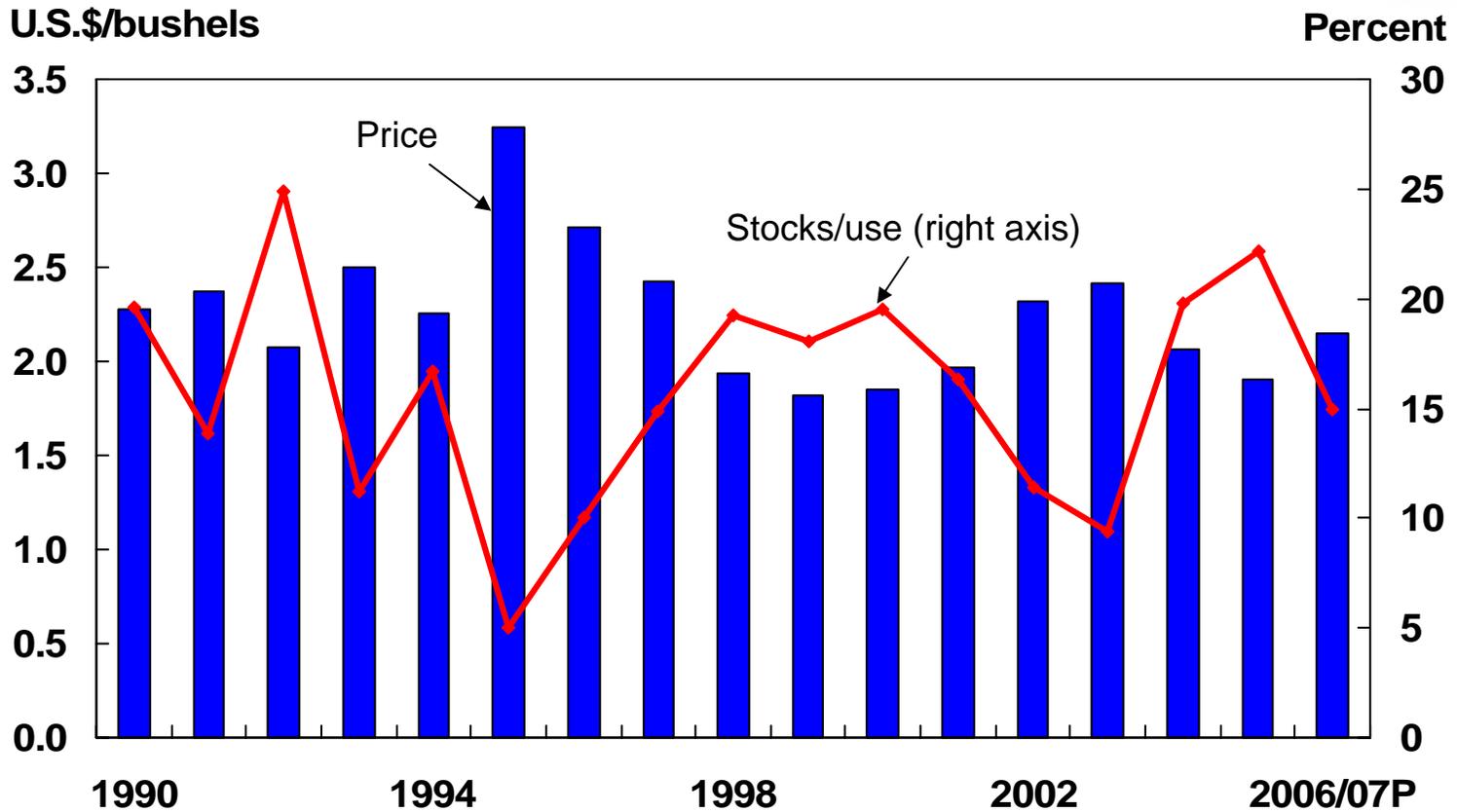


Corn Used for Ethanol

Million bushels

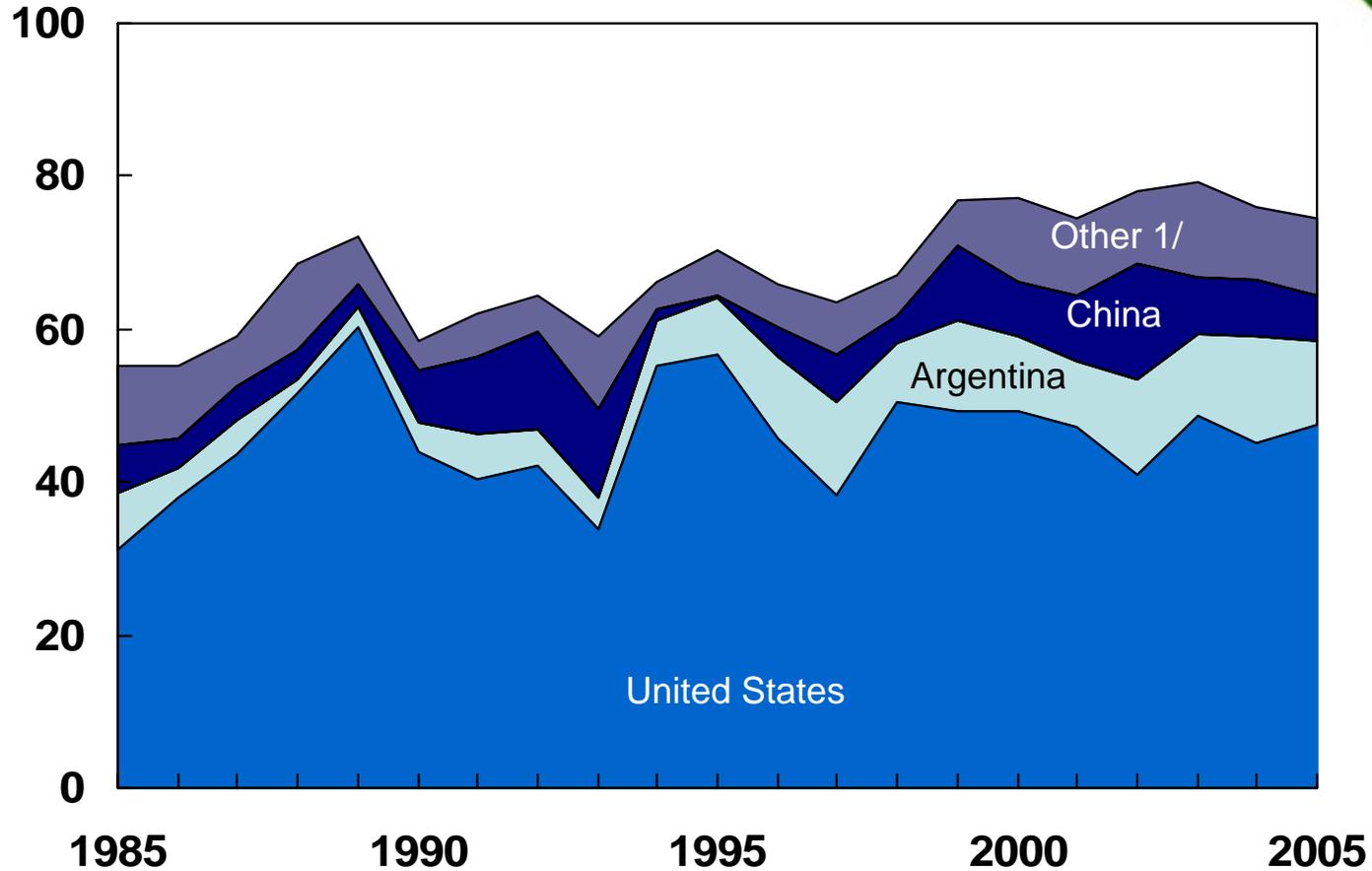


Corn: U.S. Price and Stocks/Use Ratio



Global Corn Exports

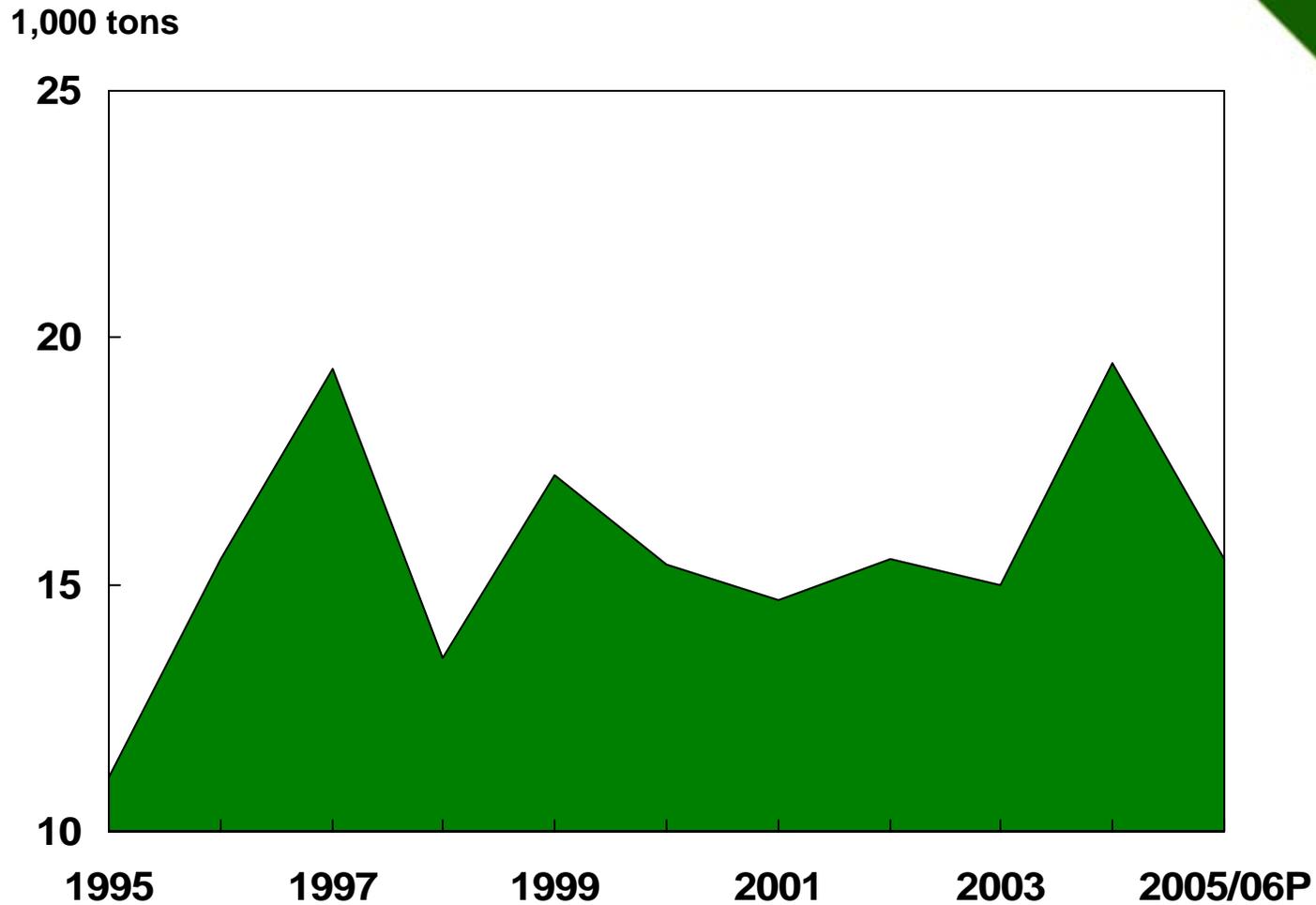
Million tons



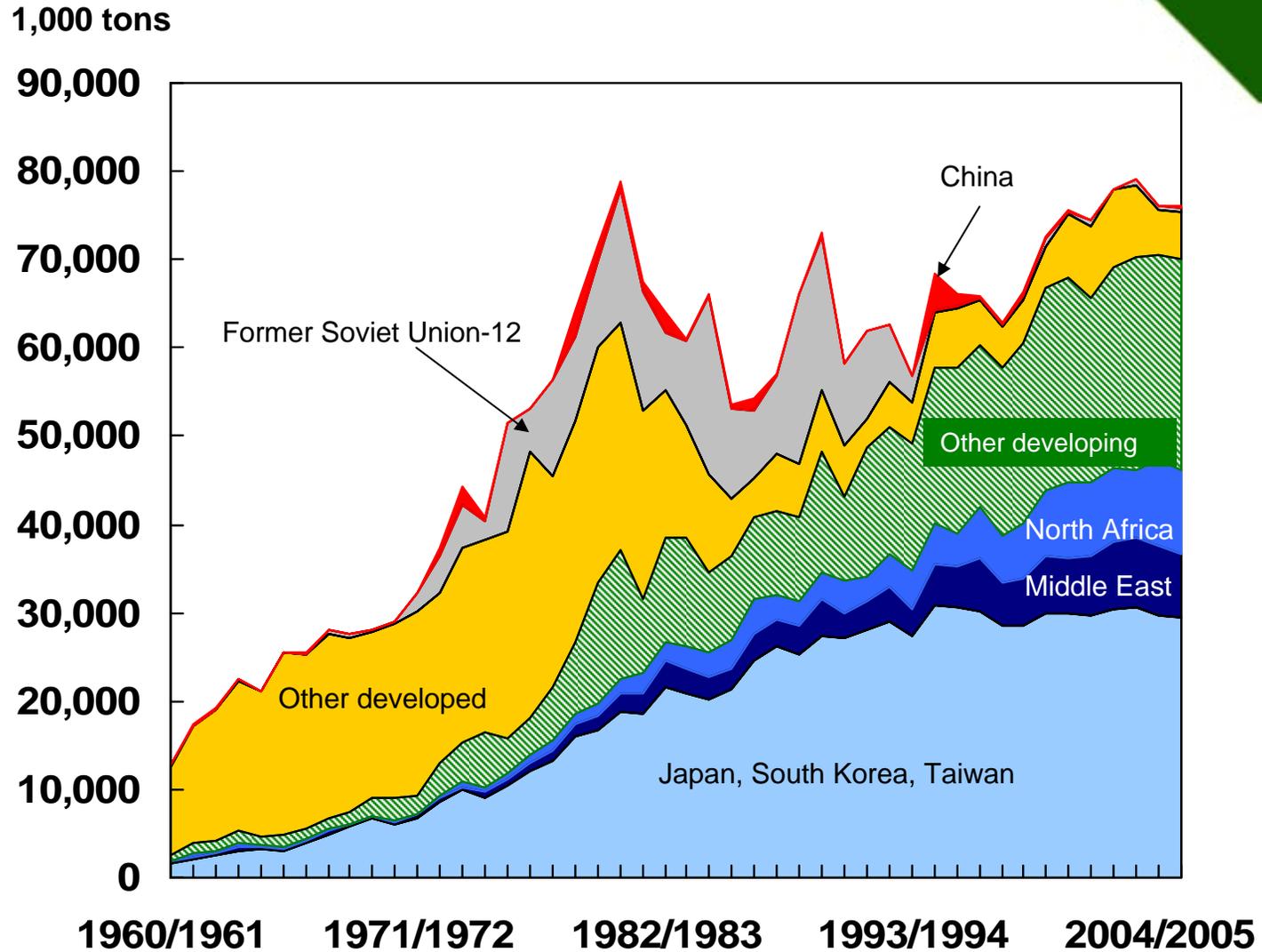
1/ Republic of South Africa, Brazil, EU, former Soviet Union, and others.



Argentina: Corn Production



World Corn Imports



2006 Soybean Outlook

- **Trend soybean yield implies a drop from the 2005 record, offsets increased area, leaving 2006 production projected down modestly.**
- **Forecast beginning stocks are huge, increased stocks boost 2006/07 supply prospects.**
- **Domestic use nearly stable.**
- **Exports to increase significantly due to lower U.S. prices and a competitive exchange rate.**
- **Ending stocks projected to increase slightly, and remain very large.**
- **A modest soybean price decline is expected in 2006/07.**



2006 Soybean Outlook

	2005/06 (Forecast)	2006/07 (Preliminary)
Yield (bu./ac.)	43.3	40.7
Production (mil. bu.)	3,086	2,965
Beginning stocks	256	555
Supply	3,346	3,524



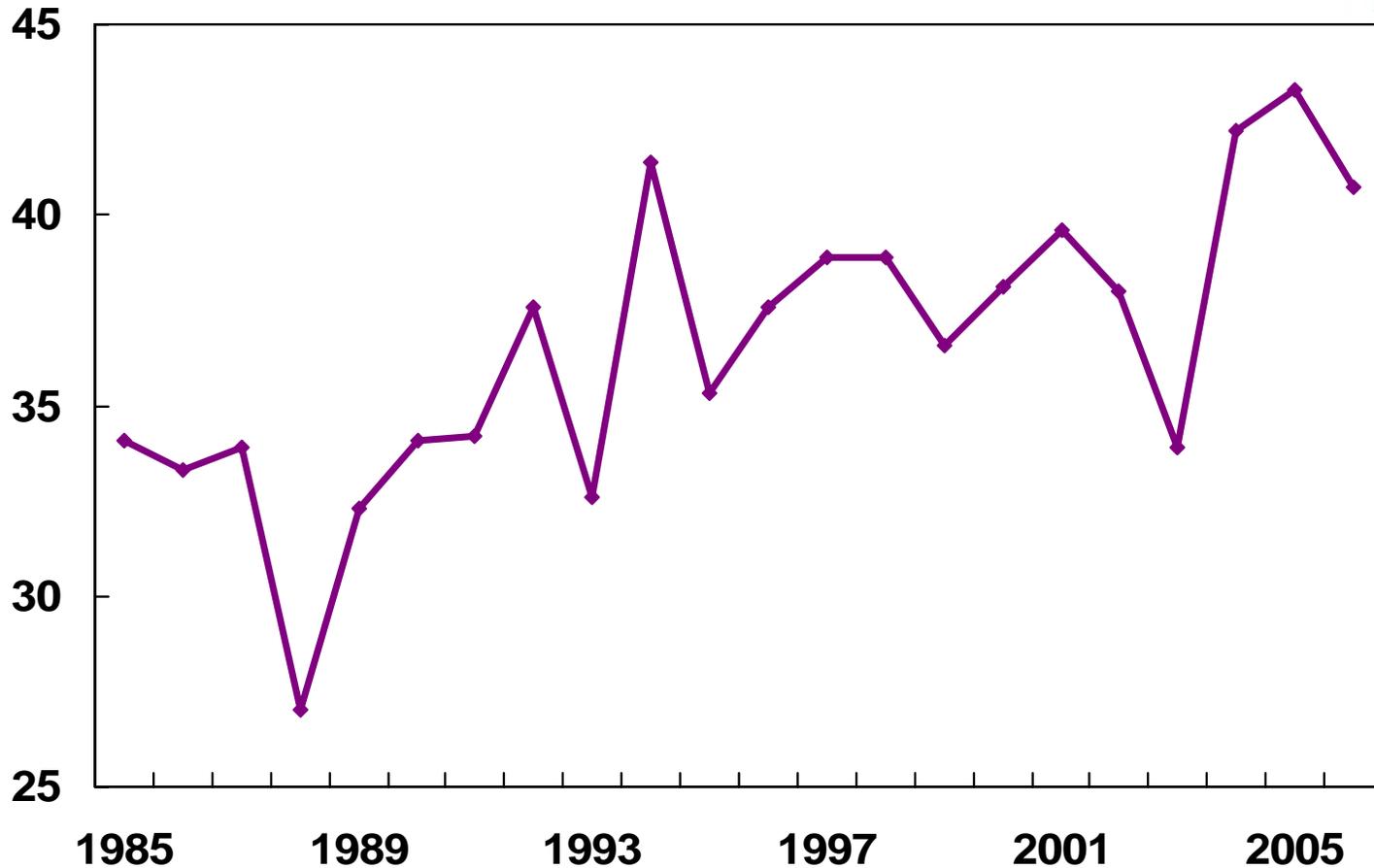
2006 Soybean Outlook

	2005/06 (Forecast)	2006/07 (Preliminary)
Crush (mil. bu.)	1,720	1,730
Seed & residual	162	159
Exports	910	1,075
Total use	2,792	2,964
Ending stocks	555	560
Stocks/use (percent)	19.9	18.9
Season average farm price (\$/bu.)	5.50	5.15



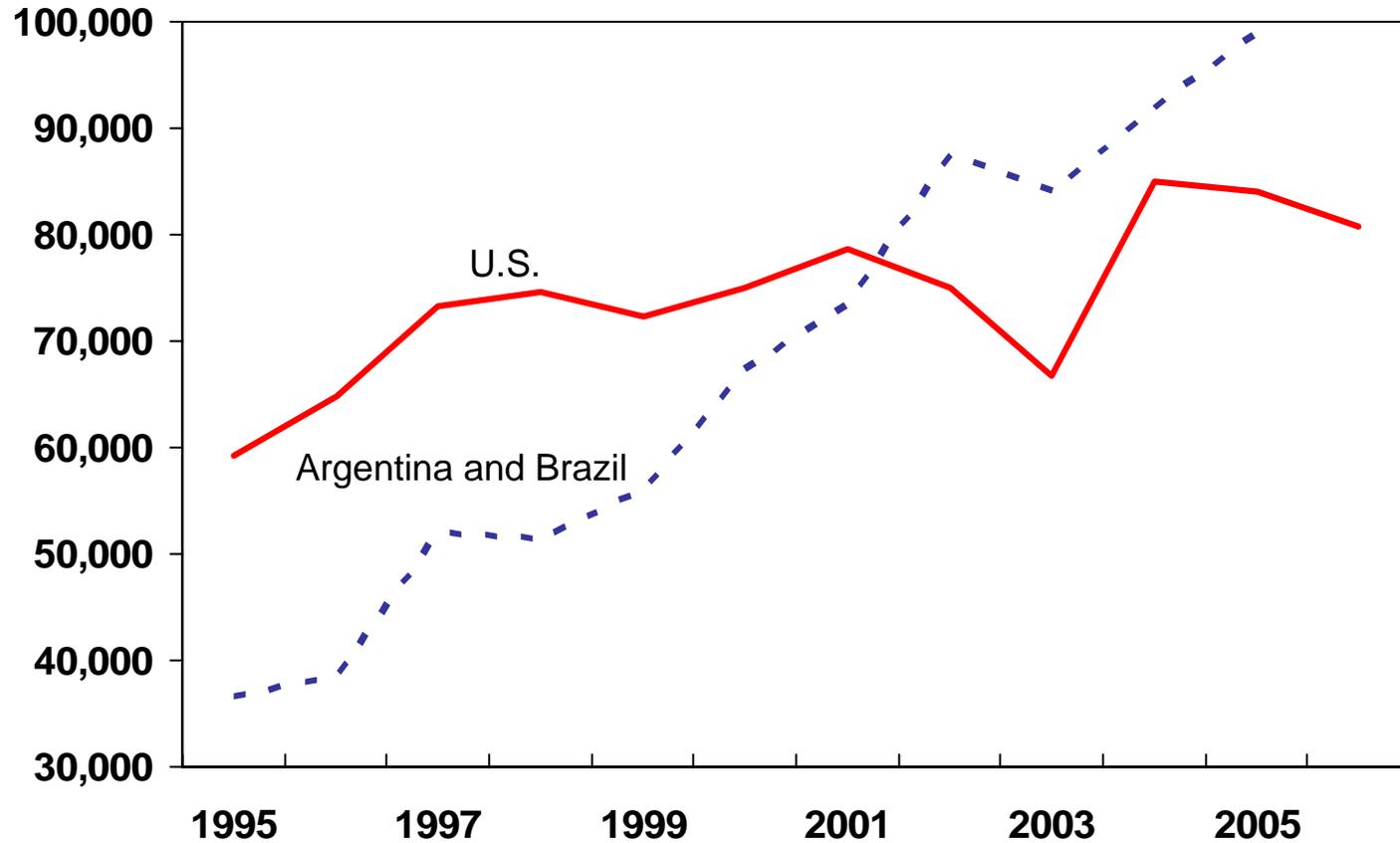
Trend Soybean Yield Below 2005 Record

Bushels/acre



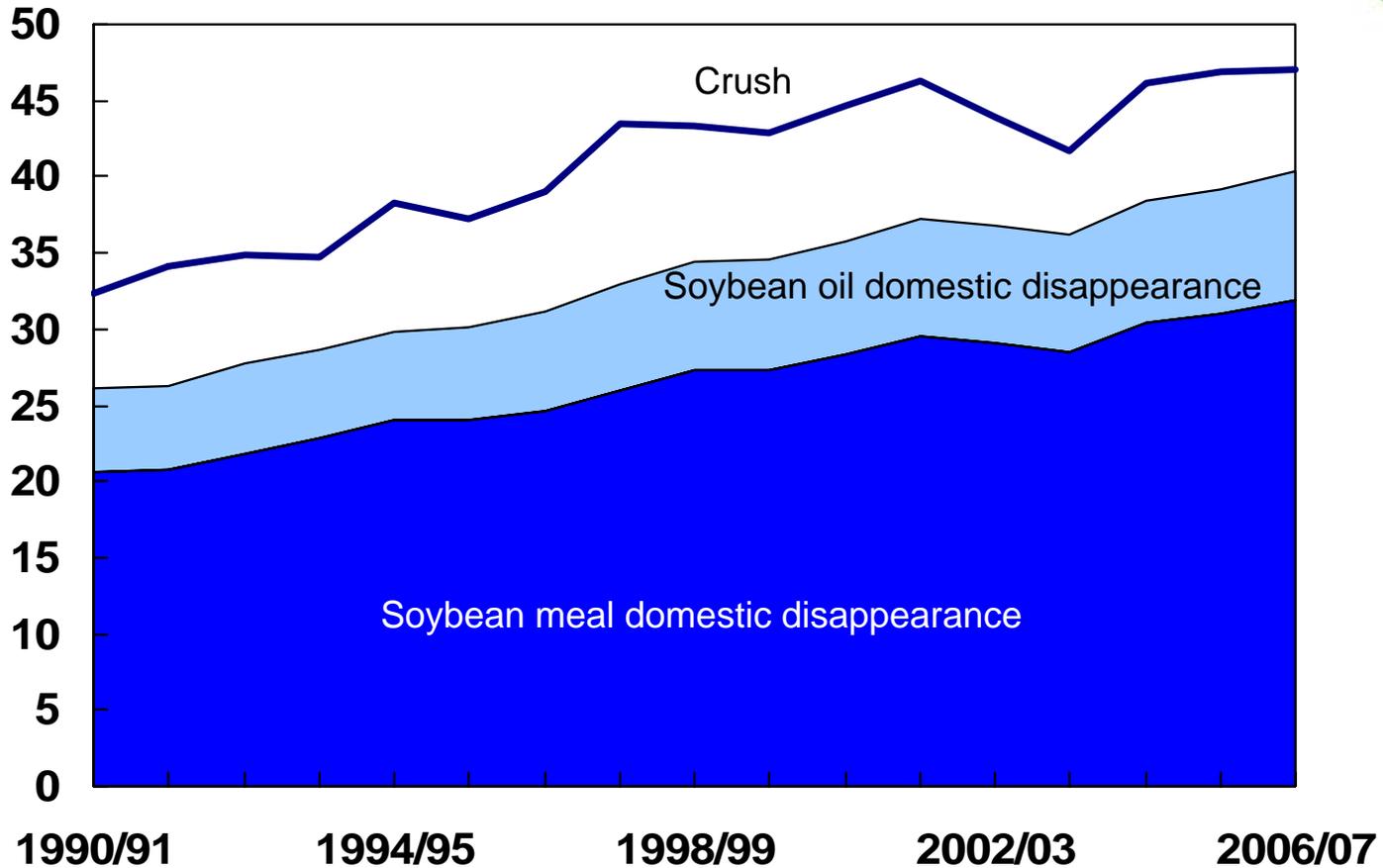
U.S. Soybean Production Takes a Backseat

Million tons



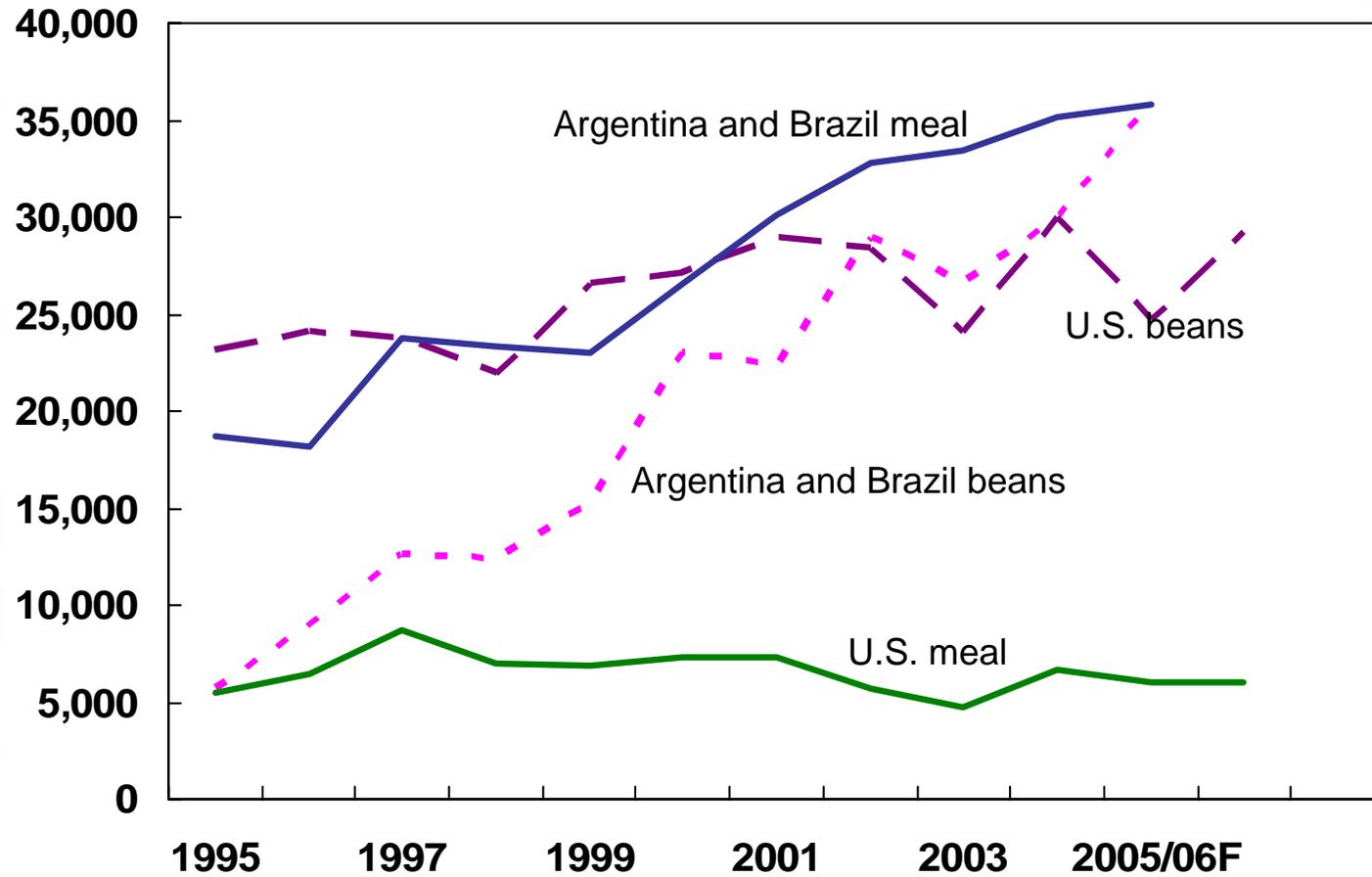
U.S. Domestic Demand Stable

Million tons



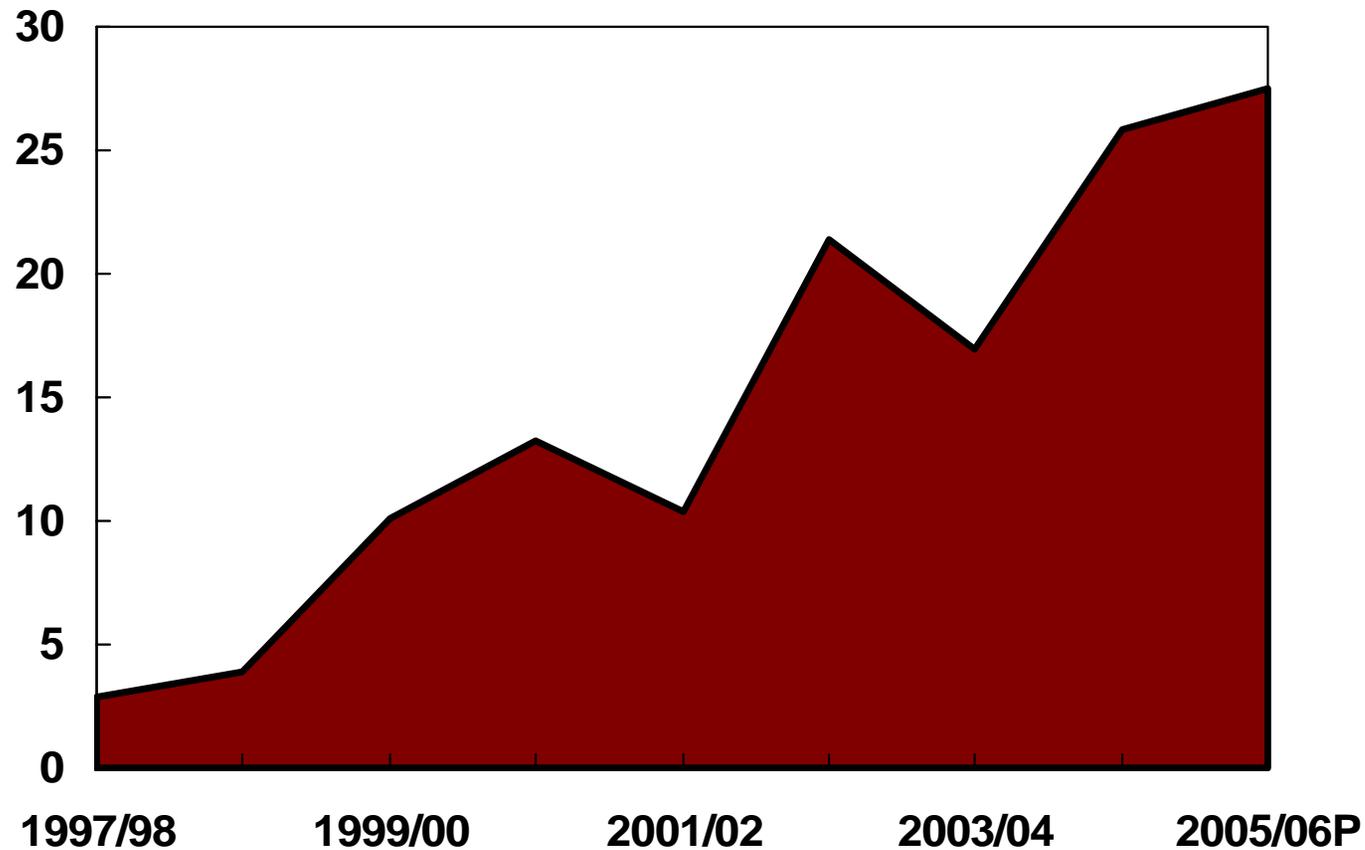
Tough Soy Export Competition

Million tons

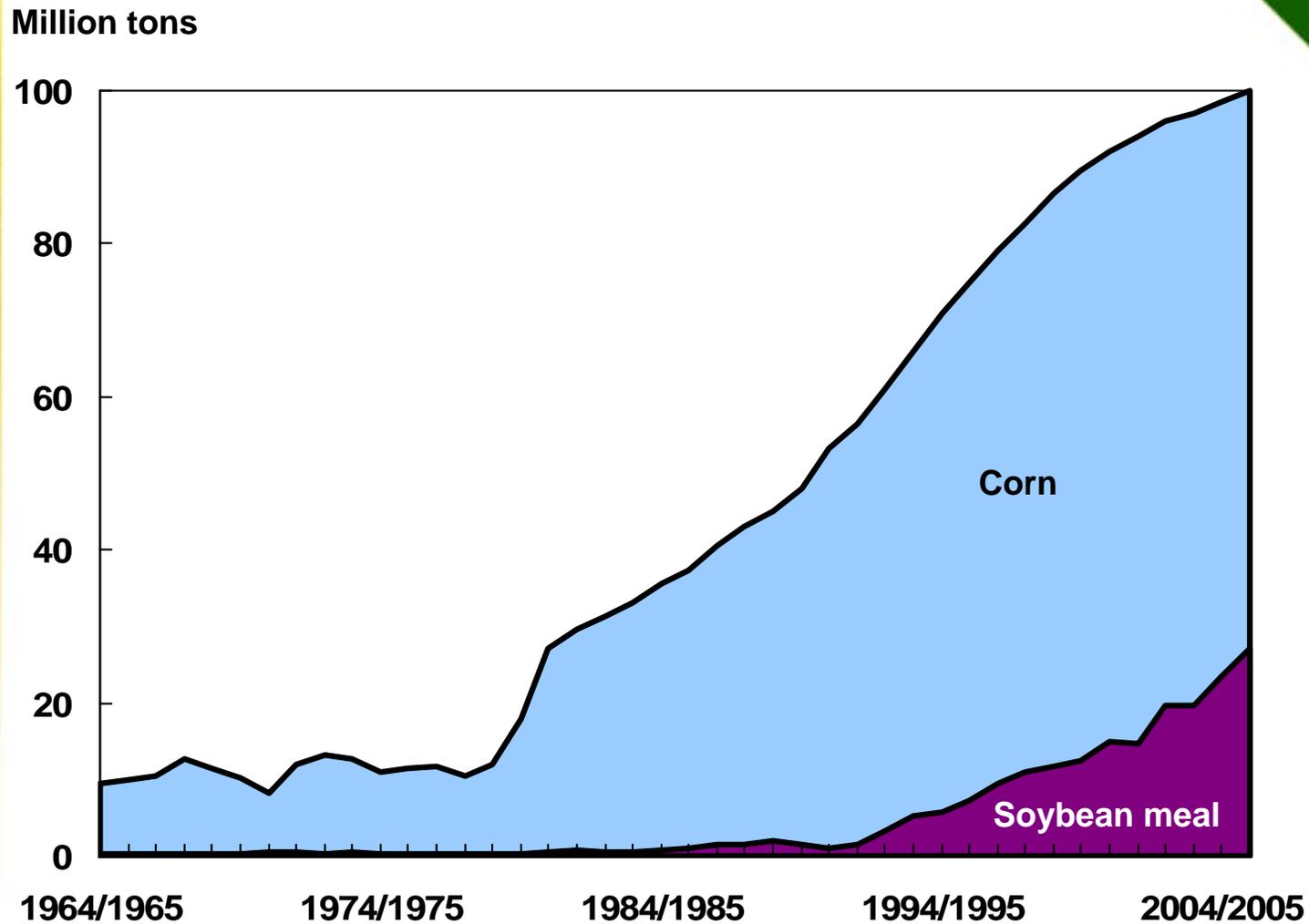


China's Bean Imports Are Key

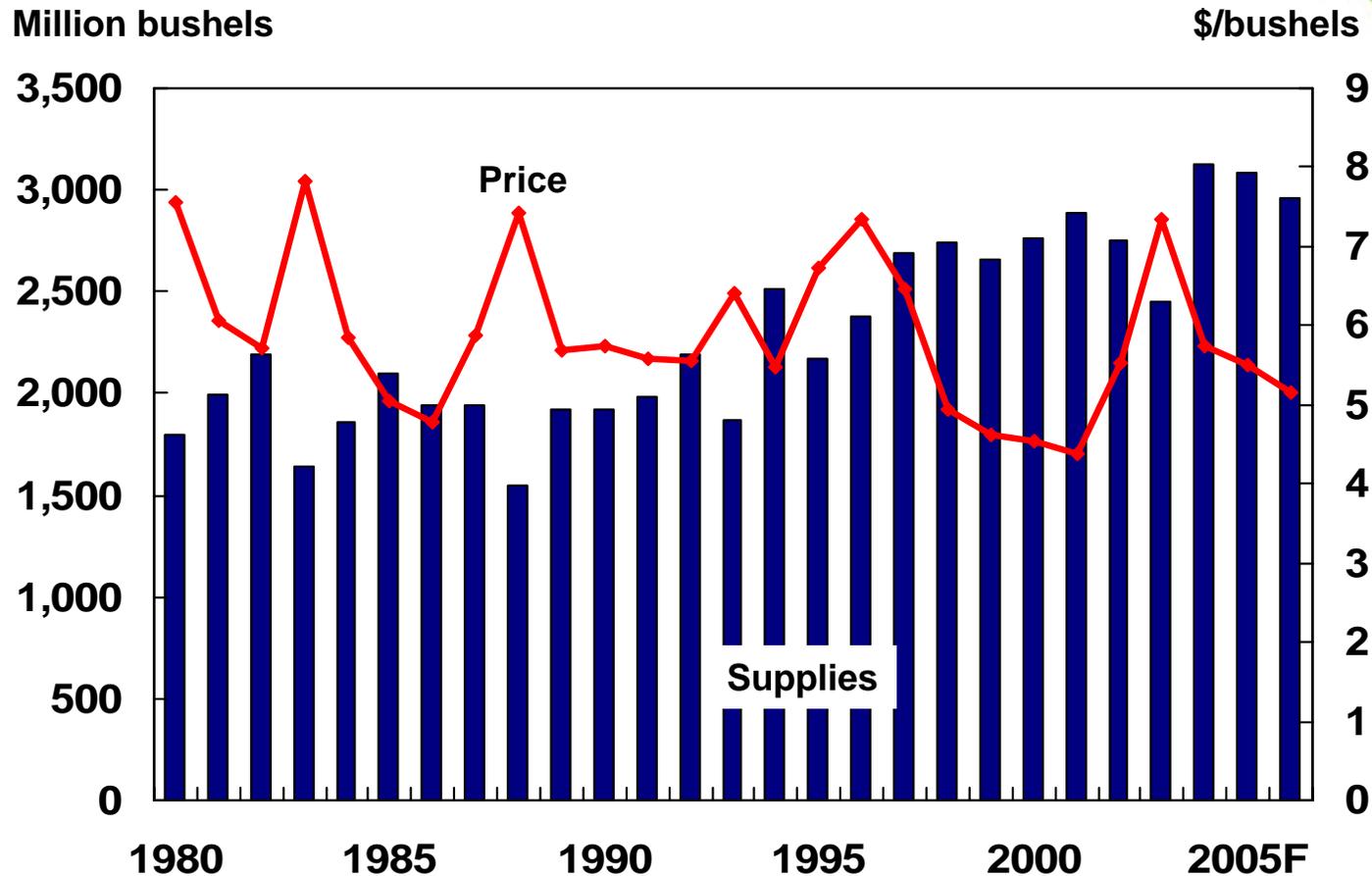
Million tons



China's Corn and Meal Feed Use Takes Off



Large Supplies To Weigh On Soybean Prices



Conclusions

- **U.S. soybeans will need to be competitively priced to increase exports and avoid further increases in stocks in 2006/07.**
- **Increasing demand is expected to begin to boost corn prices in 2006/07; yield will likely determine how much.**
- **The U.S. role in world wheat trade has changed, so quality premiums will be a key for farmers' returns.**

