

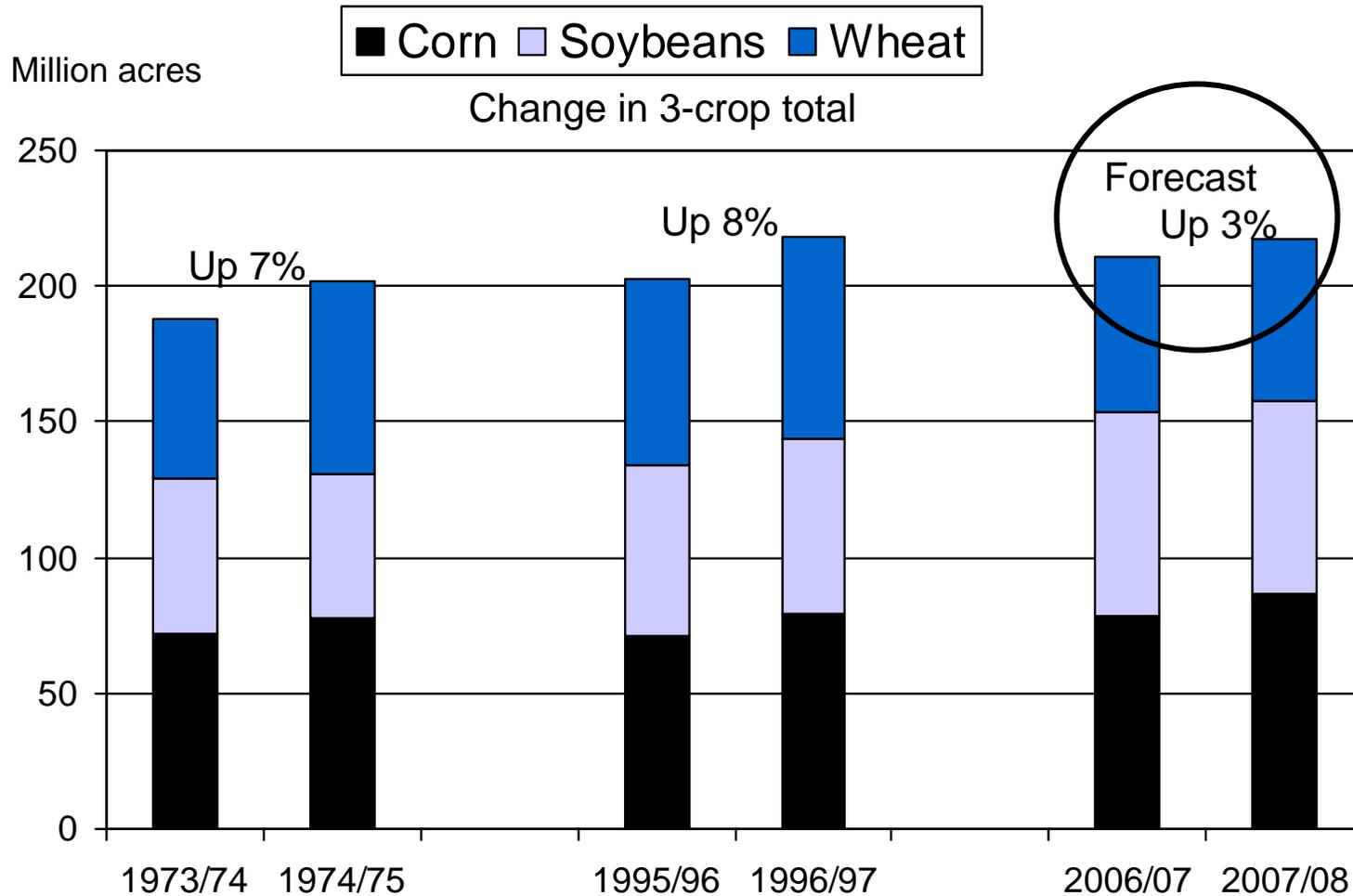
# Grains and Oilseeds Outlook

## How Will Farmers Respond in 2007?

Dennis Shields  
Farm Service Agency  
U.S. Department of Agriculture

Agricultural Outlook Forum 2007  
Arlington, Virginia  
March 2, 2007

# U.S. Acreage Expansion in Years With High Price Incentives



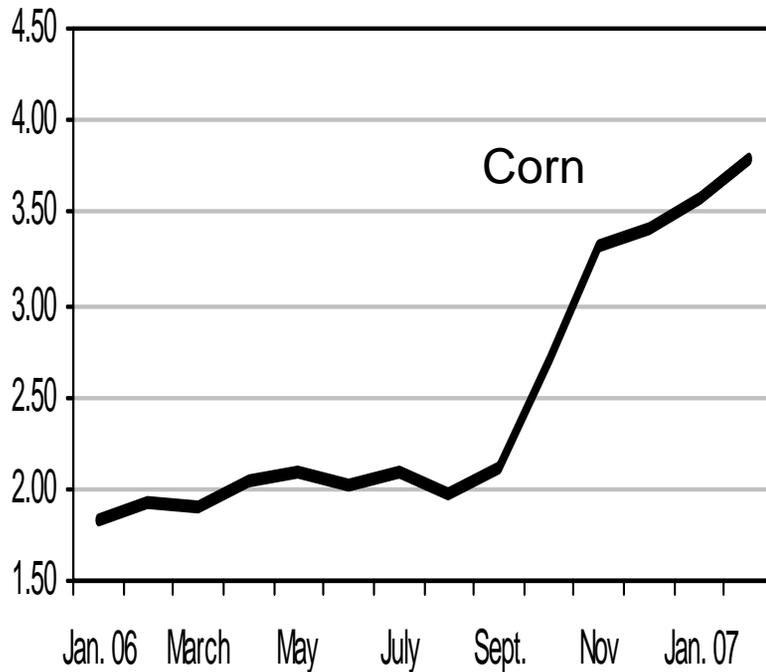


# Grains and Oilseeds Outlook for 2007/08

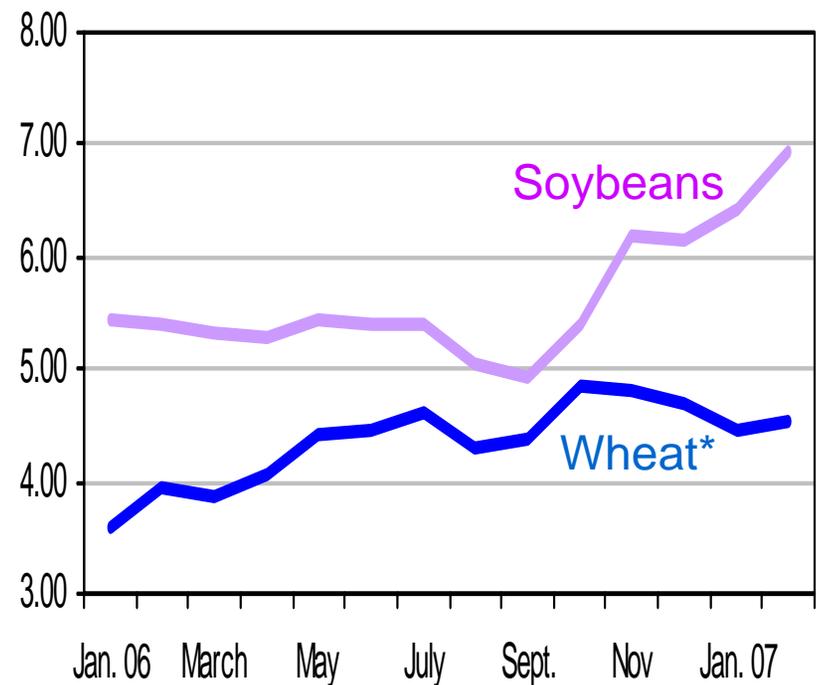
- Battle for acreage
- Market fundamentals for corn, soybeans, and wheat
  - Global stocks and major country acreage outlook
  - U.S. demand factors
  - U.S. ending stocks and price prospects

# Corn Prices Take Off During 2006 Harvest

\$ per bushel



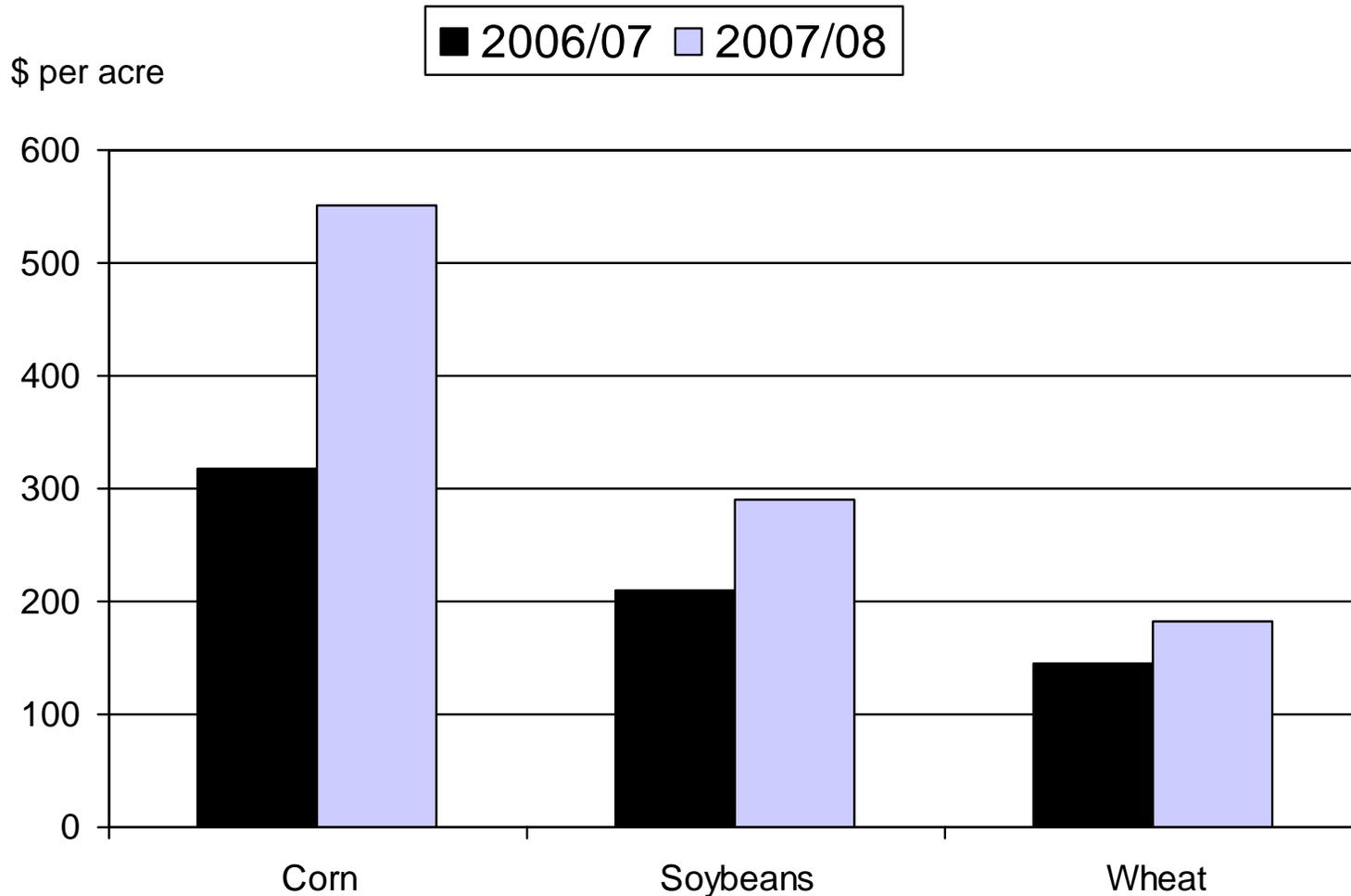
\$ per bushel



DTN monthly average elevator bids. Data through February 22, 2007.

\*Hard Red Winter Wheat.

# Gross Returns Increase Sharply for Corn

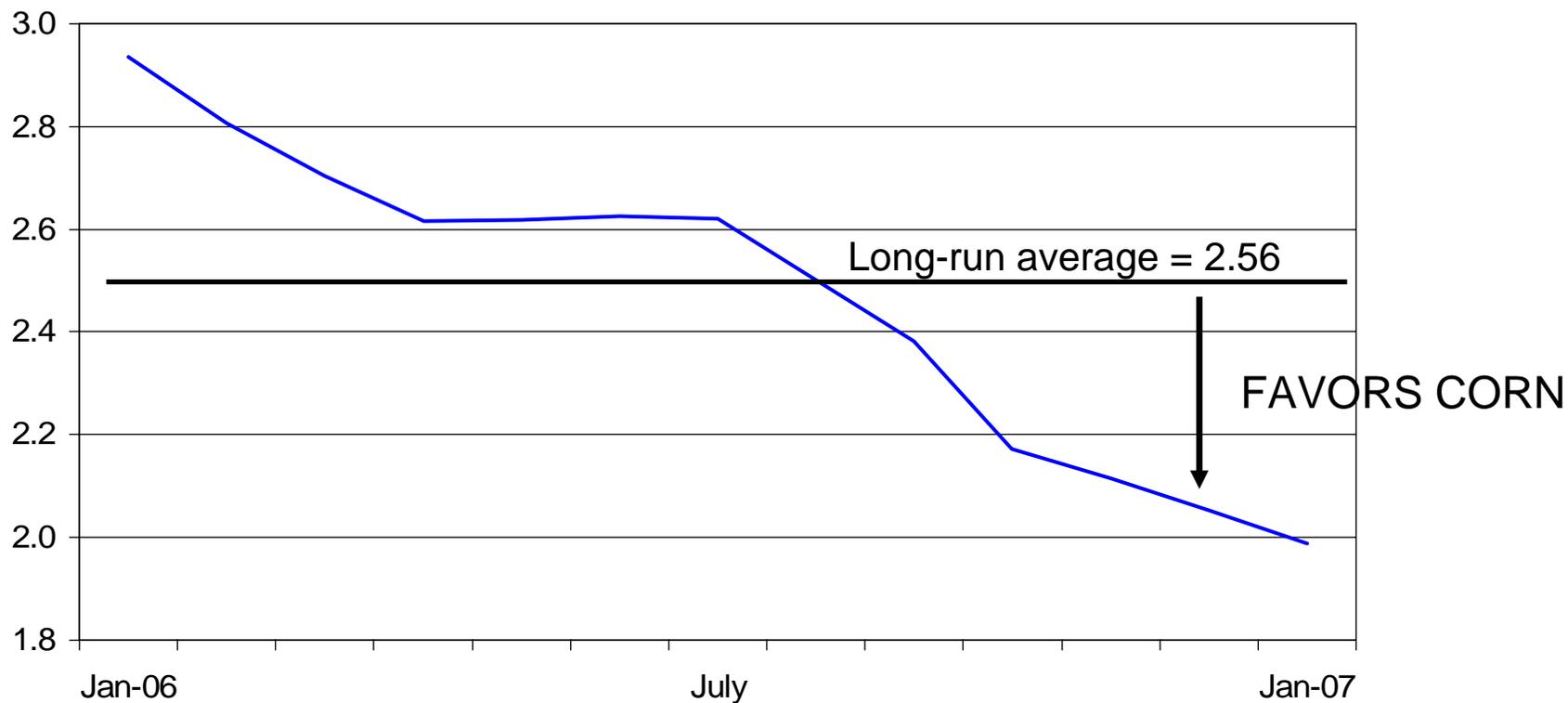


Gross returns = projected average national yield x projected season-average farm price.

# Relative Prices Favor Corn Planting

Ratio of soybean price  
to corn price

Monthly farm price ratio  
soybeans / corn

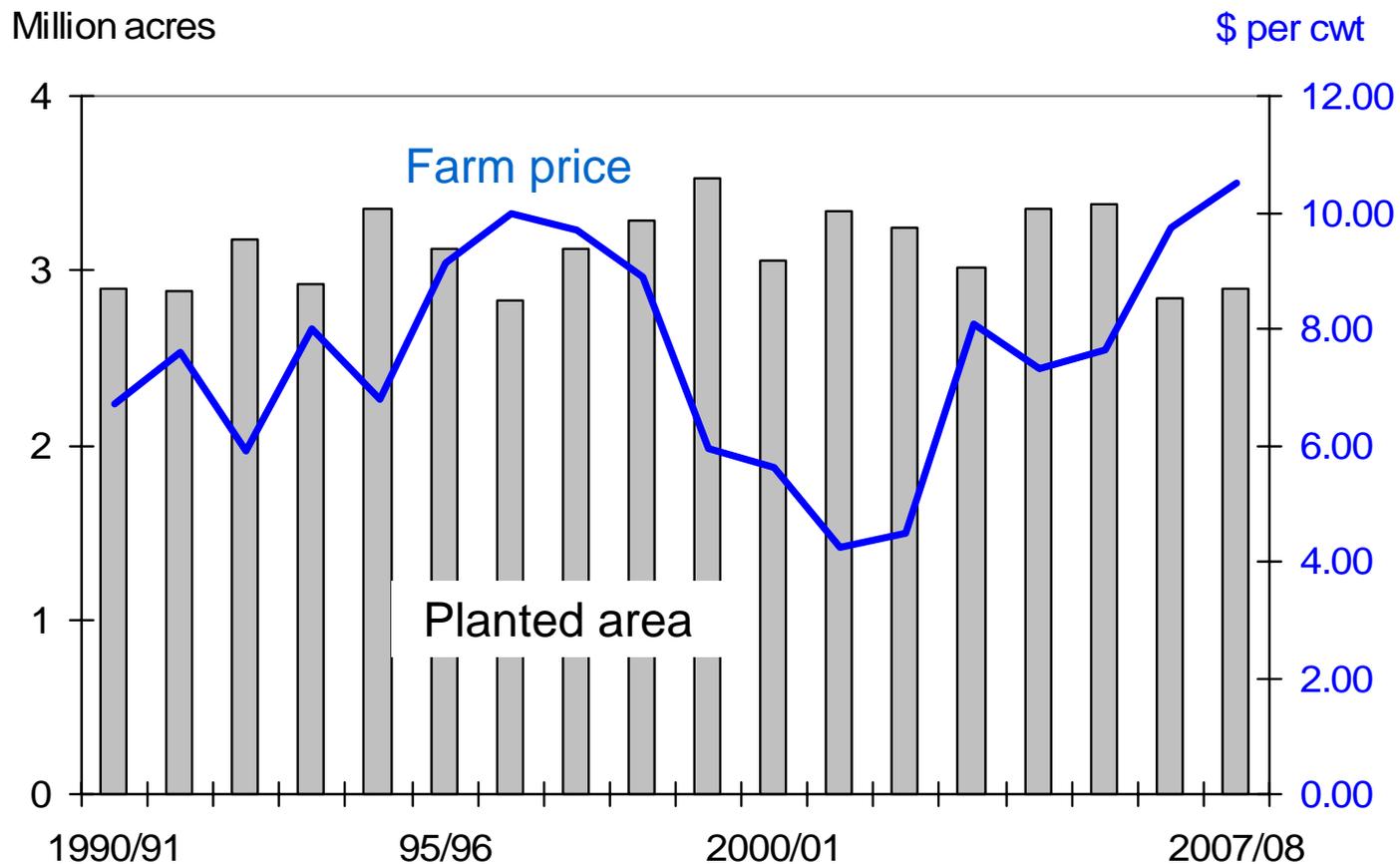


Current harvest futures price ratio is about 2.0.

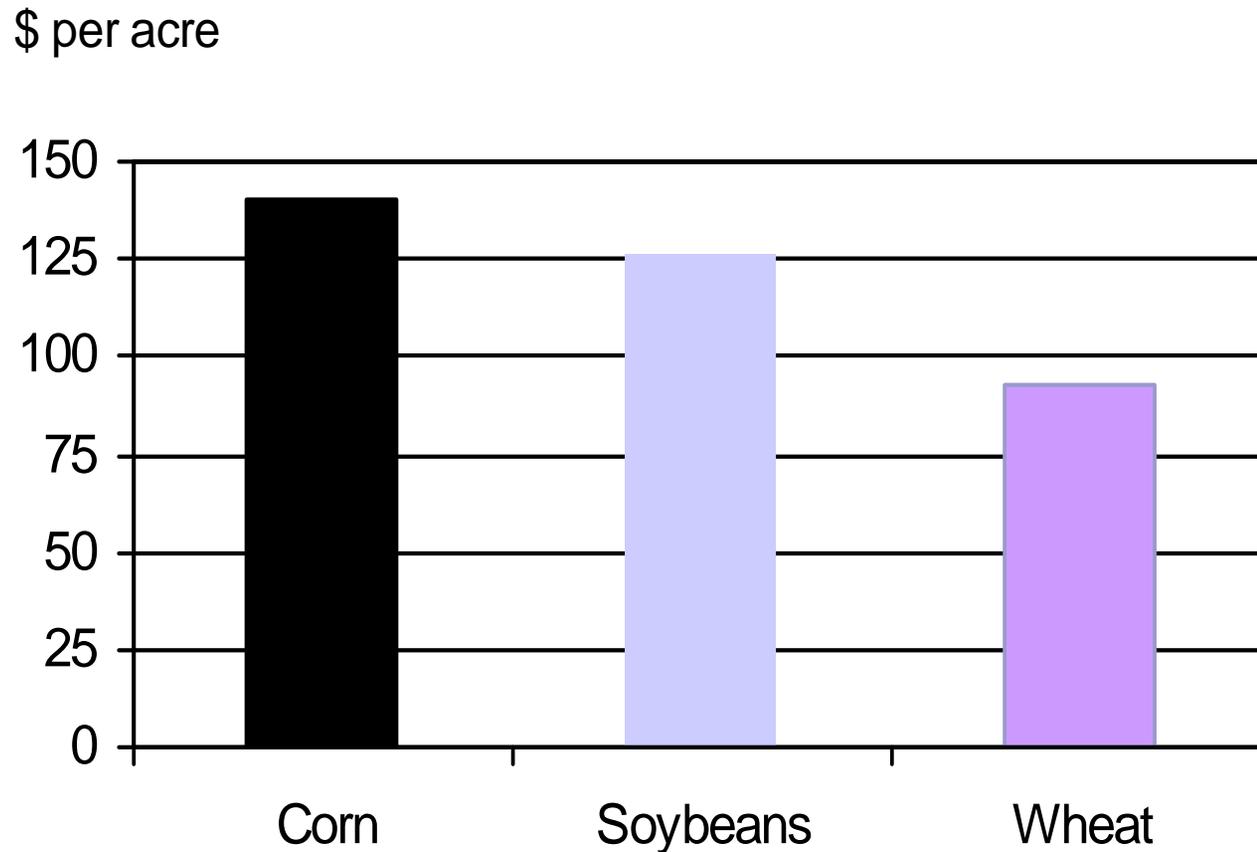
## Crop Mix Shifts to Corn

	2006/07	2007/08	Change
	Million acres		
Corn	78.3	87.0	+8.7
Soybeans	75.5	70.5	-5.0
Wheat	57.3	60.0	+2.7
<i>3-crop total</i>	<i>211.1</i>	<i>217.5</i>	<i>+6.4</i>
Upland cotton	14.95	12.65	- 2.30
Rice	2.84	2.90	+0.06

# U.S. Rice Area To Remain Low



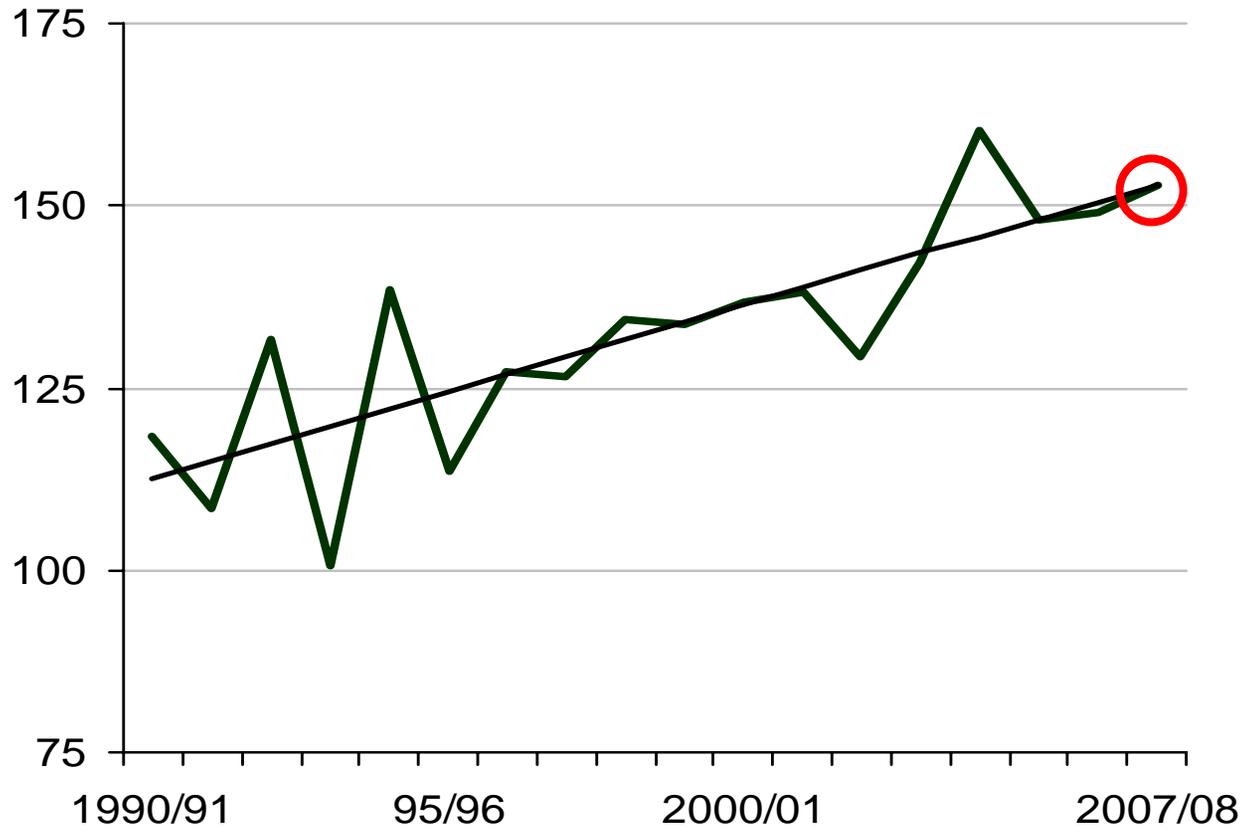
# Wheat Net Returns Lag in North Dakota



Returns above variable costs for South Valley region (eastern ND); North Dakota State University.

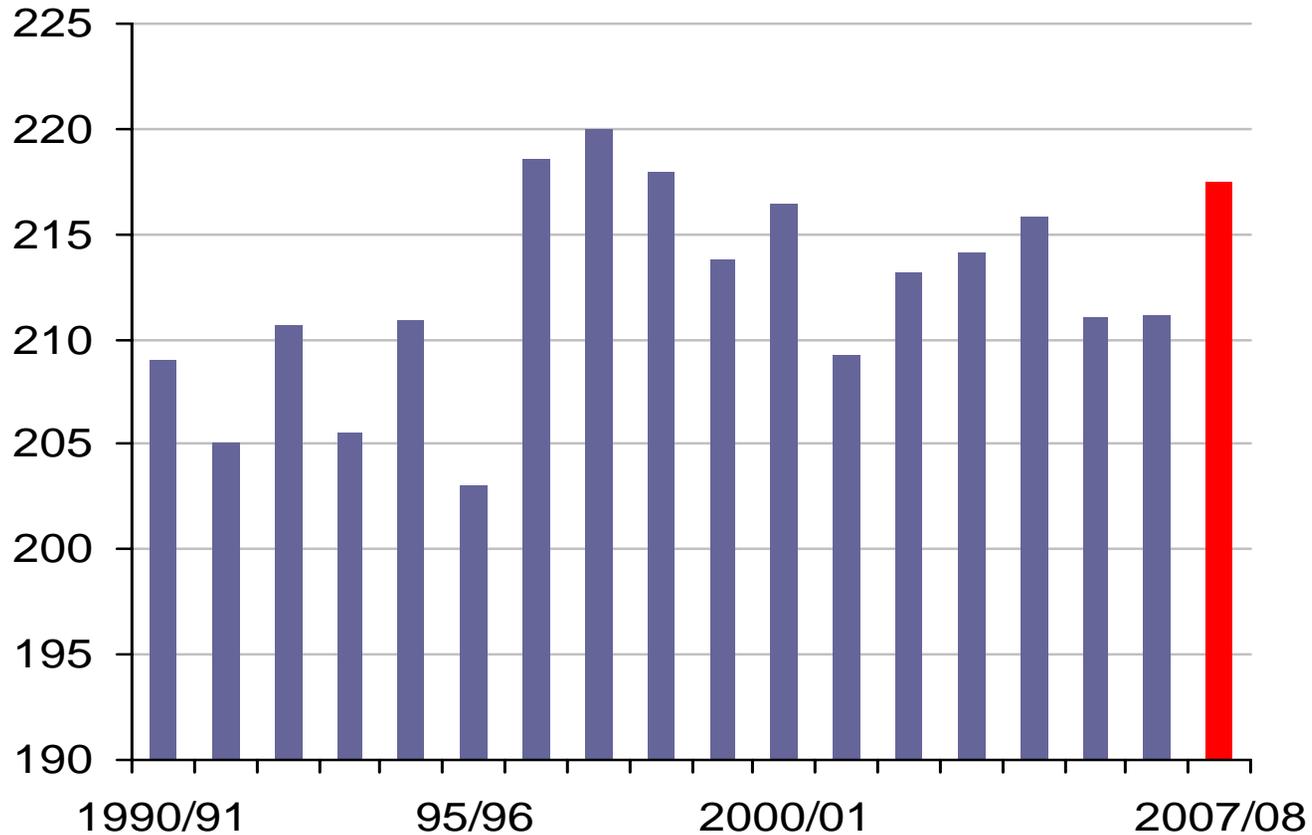
# Corn Yield to Rise

Bushels per acre

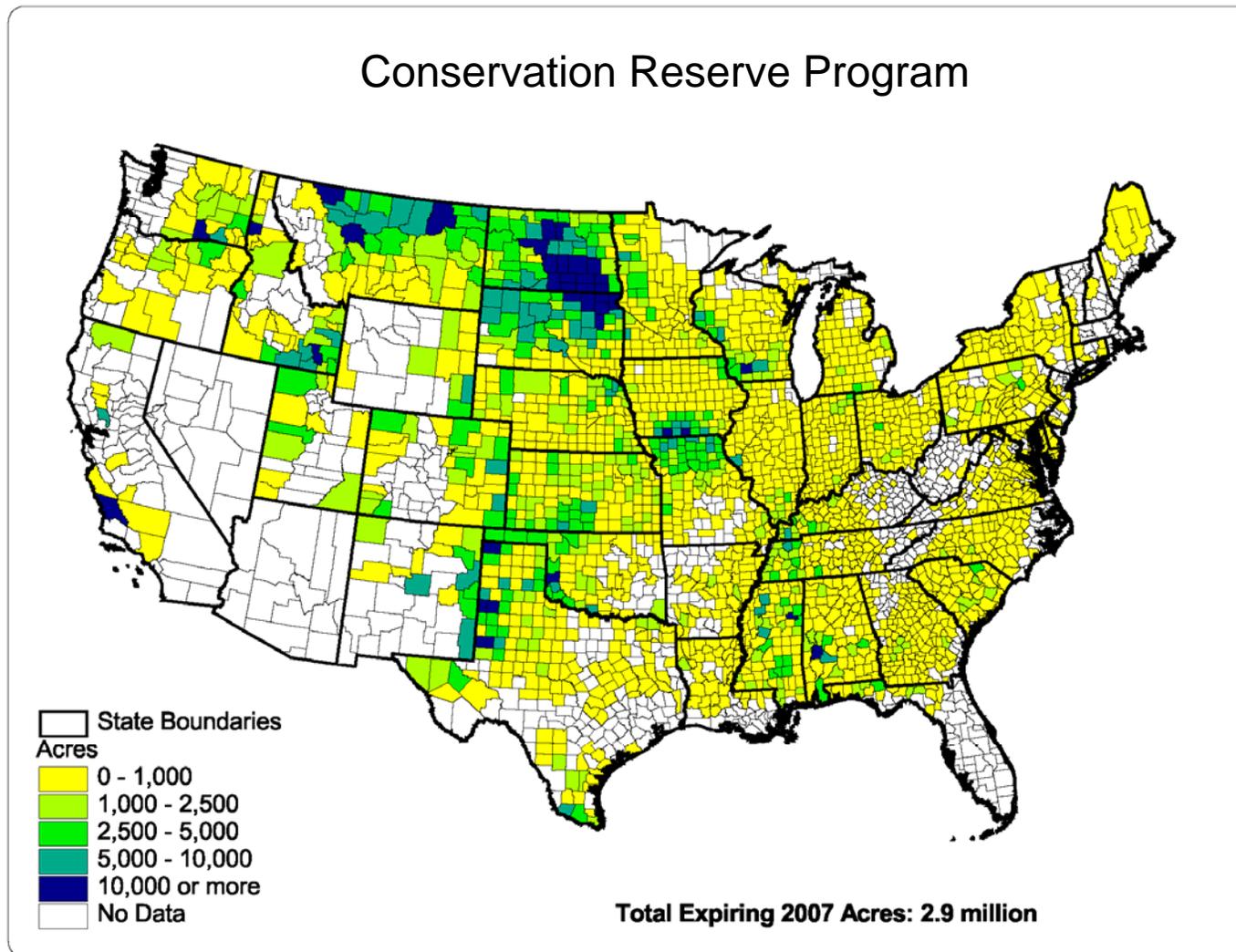


# Total Corn, Soybeans, and Wheat Planted Area to Expand in 2007/08

Million acres

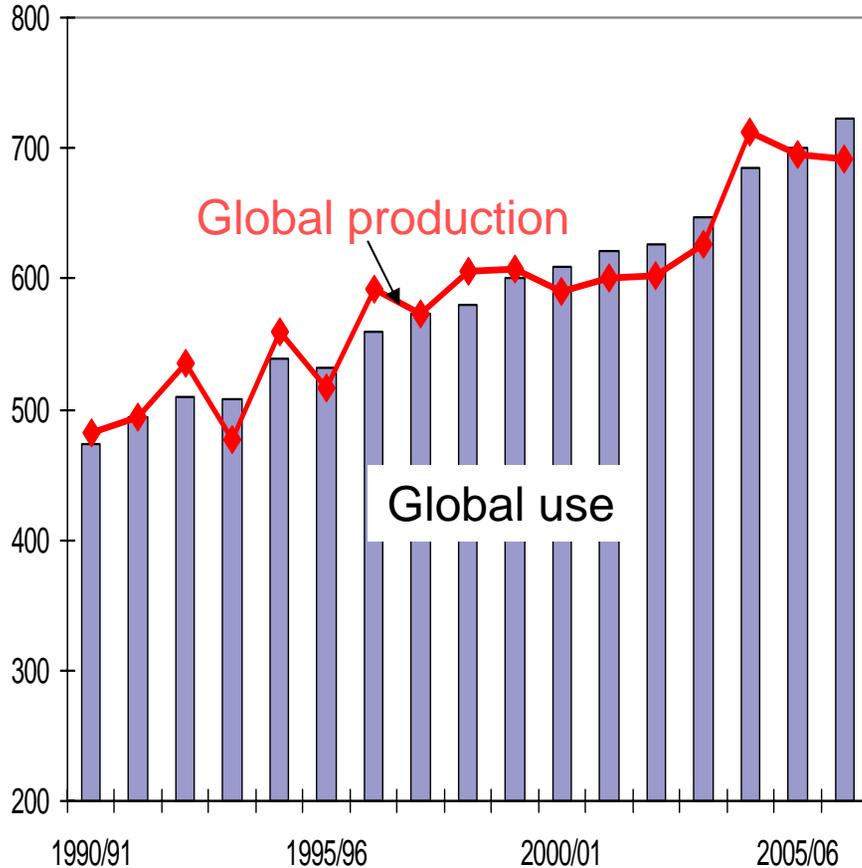


# Expiring CRP Acres -- September 30, 2007

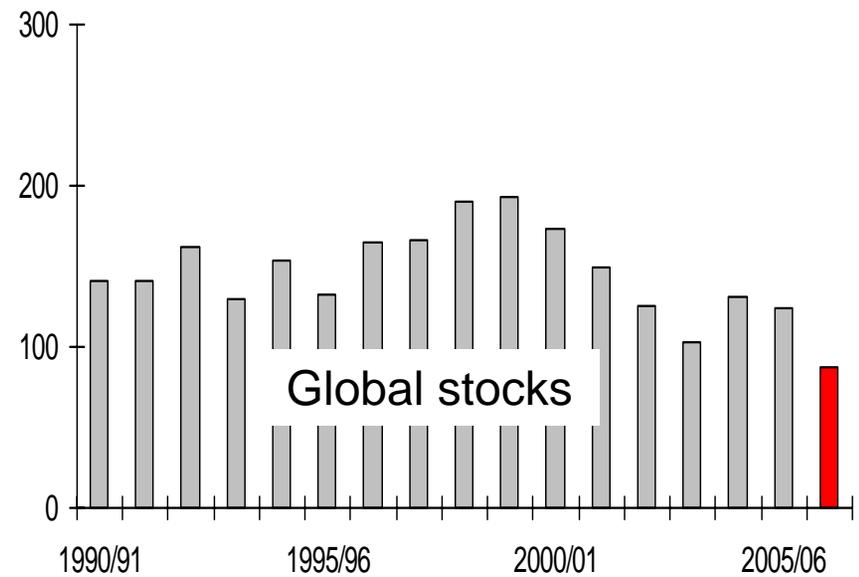


# Global Corn Stocks Drop Sharply in 2006/07

Million MT

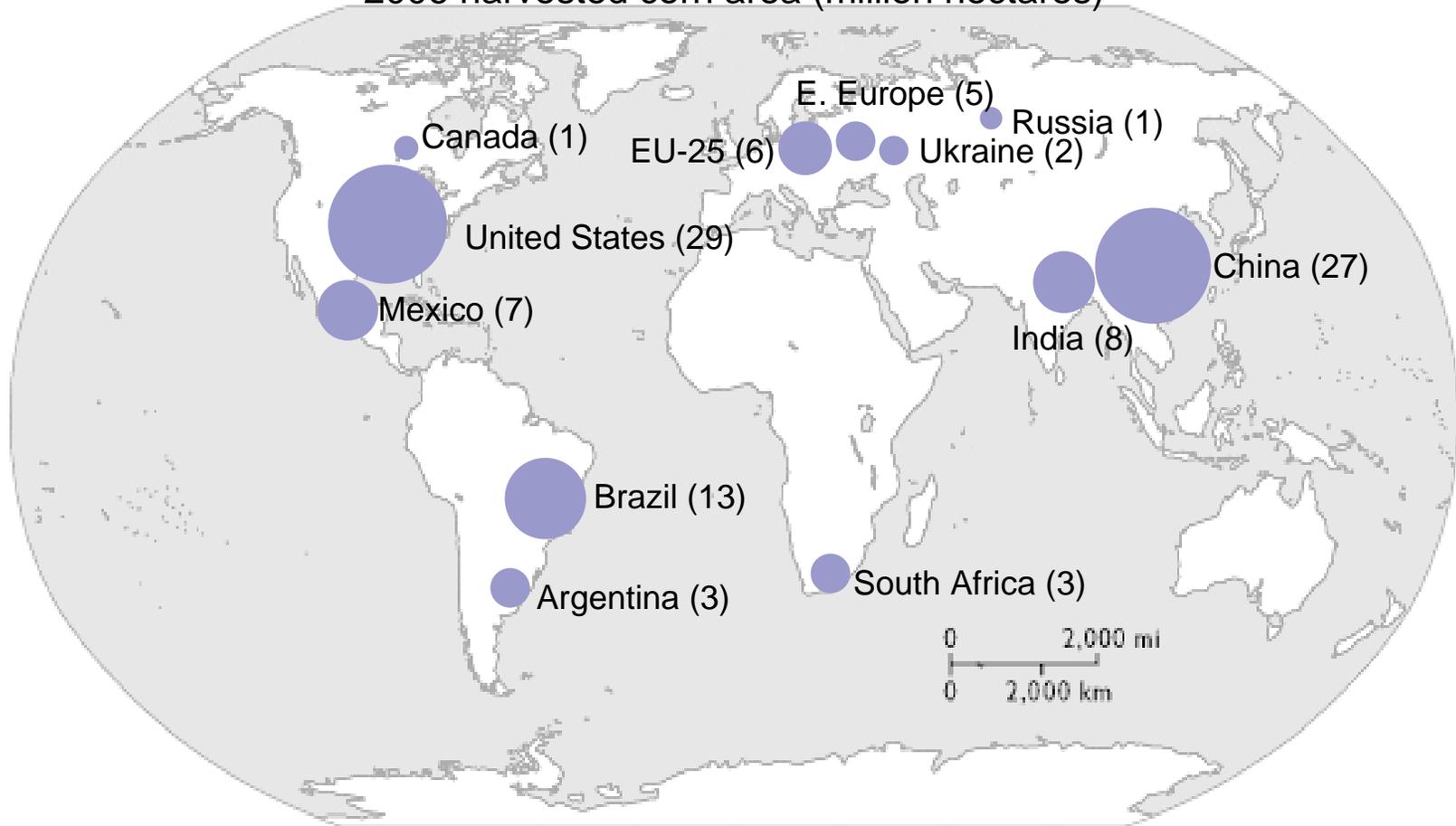


Million MT



# Major Corn Producers

2006 harvested corn area (million hectares)

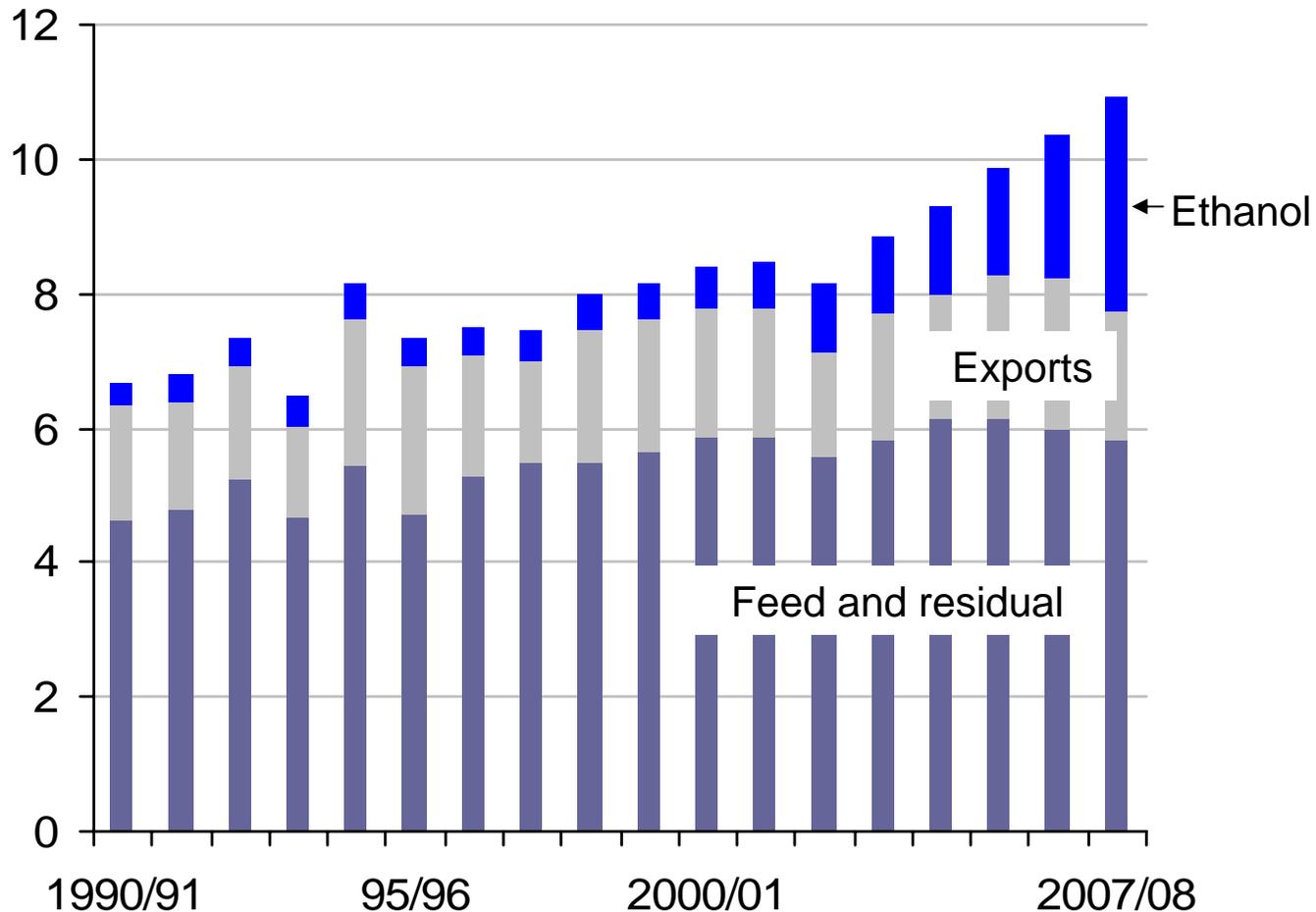


1 hectare = 2.47 acres

USDA data; world map from National Geographic Society.

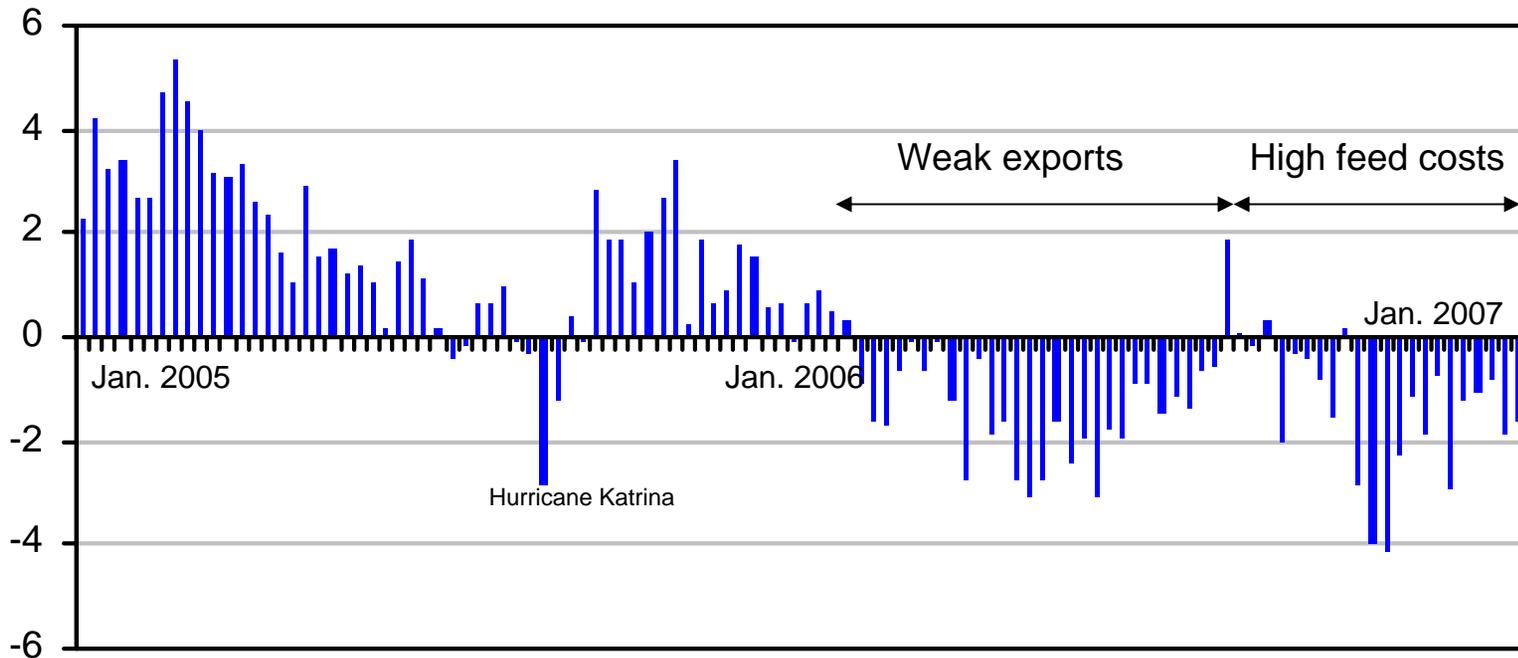
# U.S. Corn Use for Ethanol Expands, Feed and Exports to Slow in 2007/08

Billion bushels



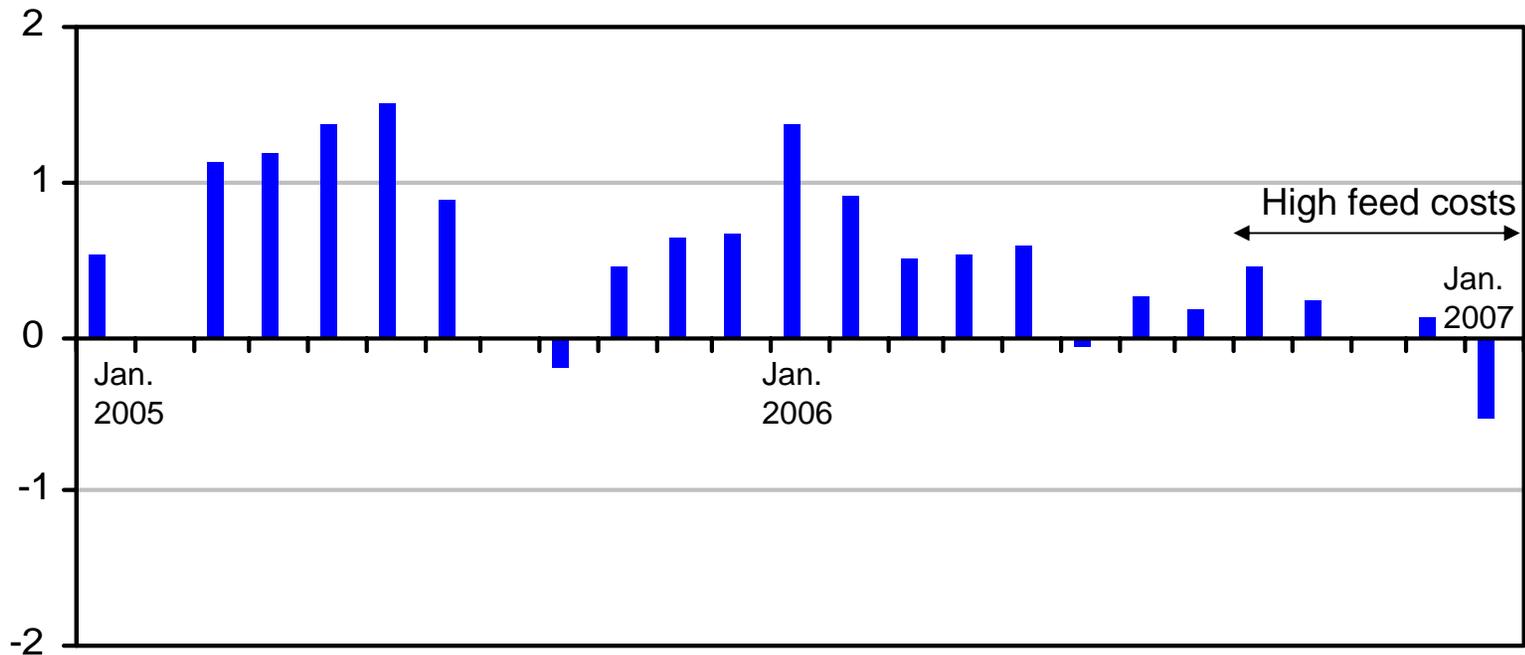
# Broiler Chick Placements Have Declined

Weekly percent  
change from  
previous year

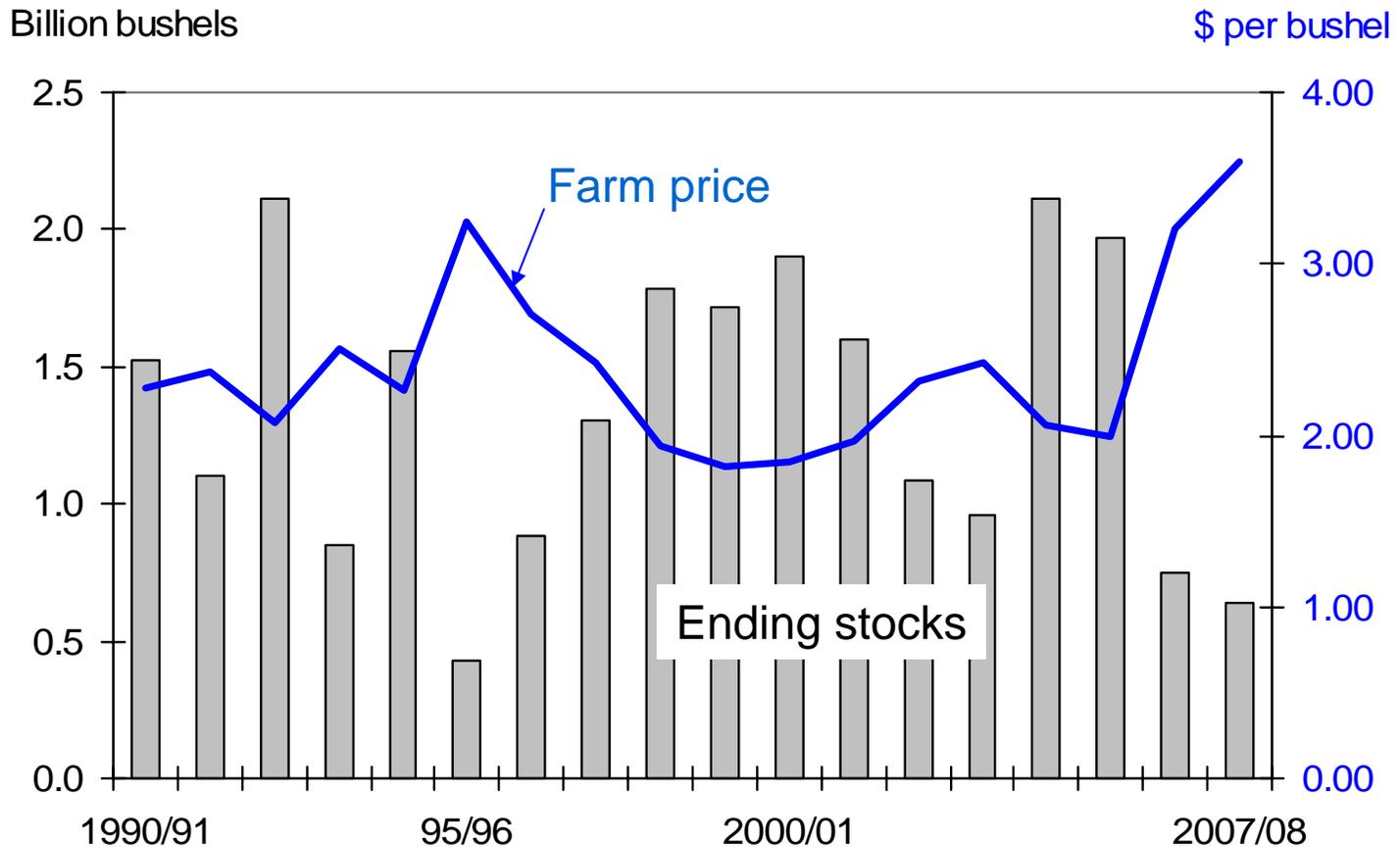


# Growth in Hog Slaughter Weights Has Slowed

Monthly percent  
change from  
previous year

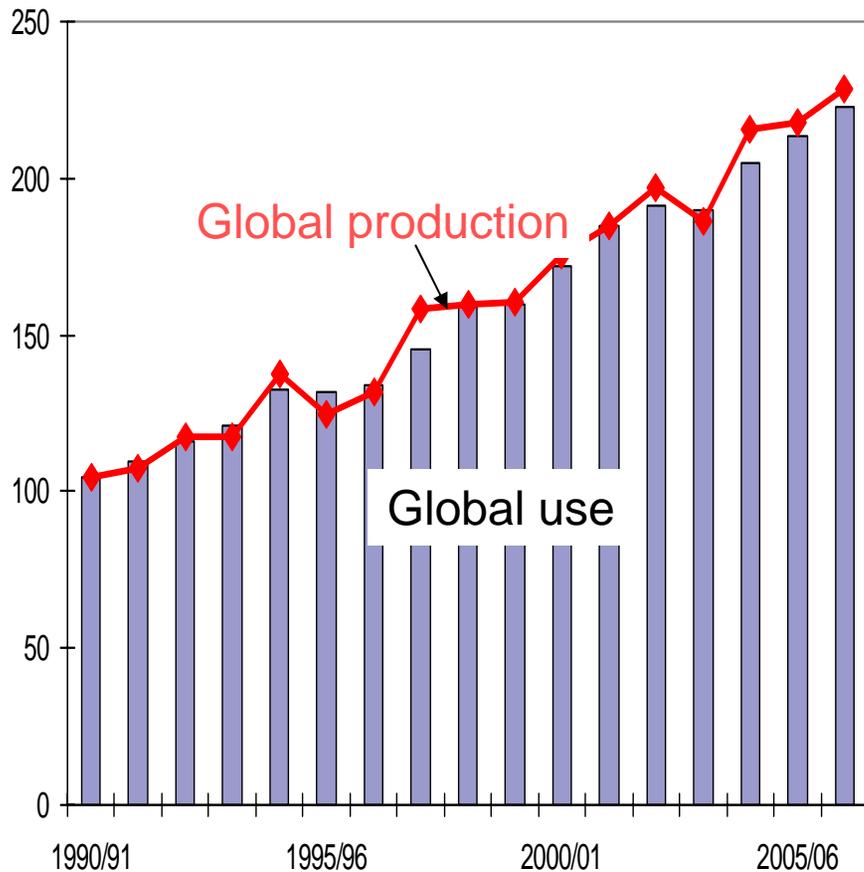


# U.S. Corn Stocks to Decline in 2007/08

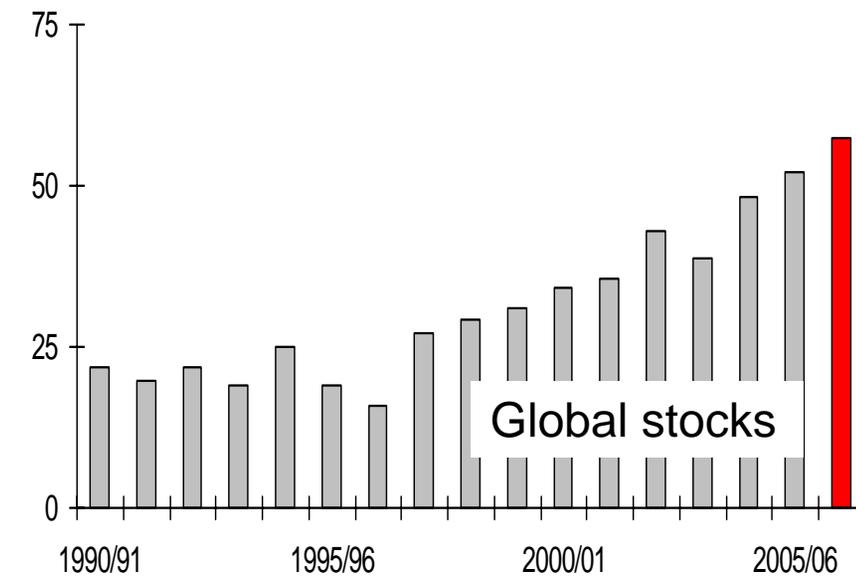


# Global Soybean Stocks at Record in 2006/07

Million MT

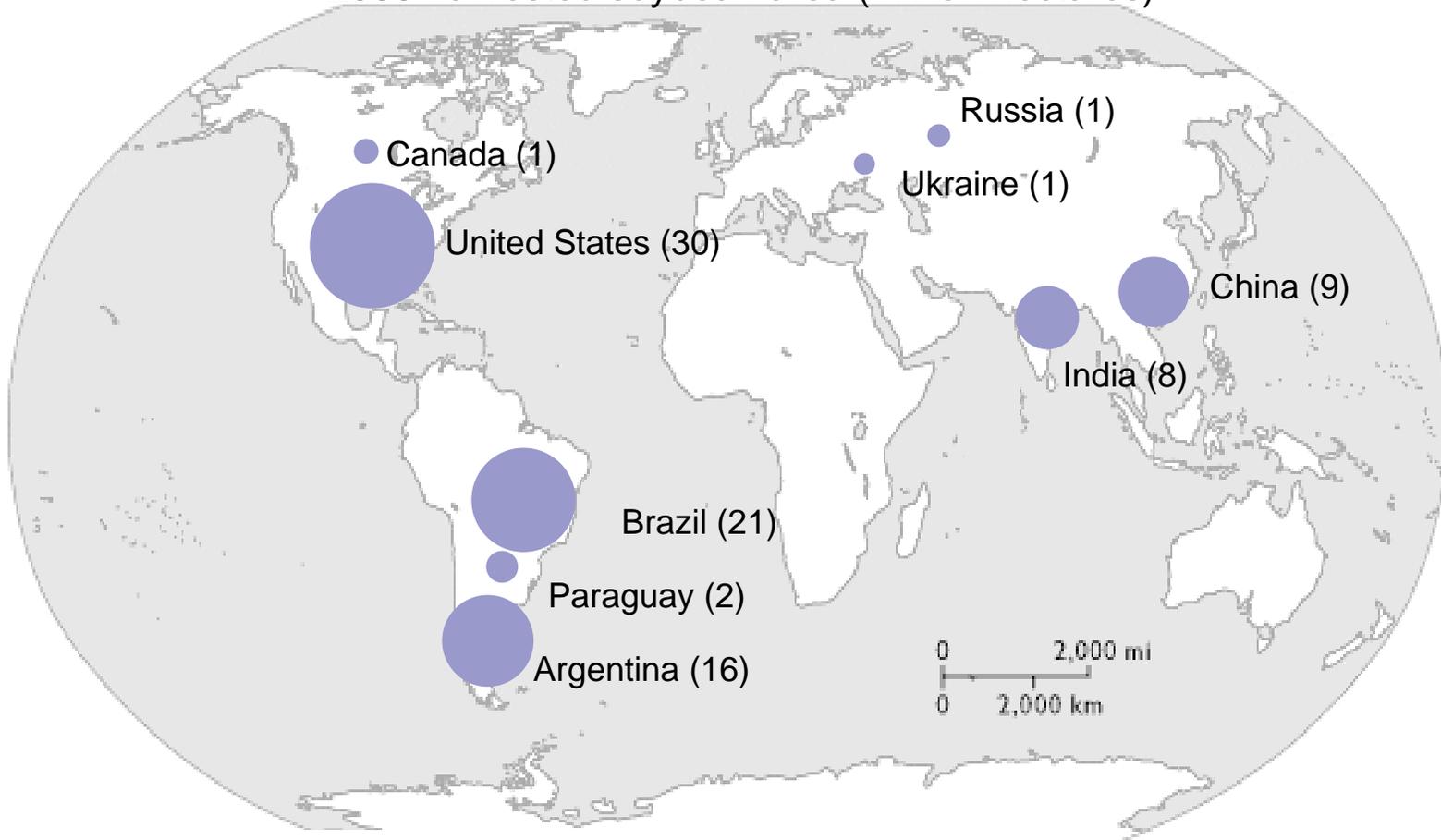


Million MT



# Major Soybean Producers

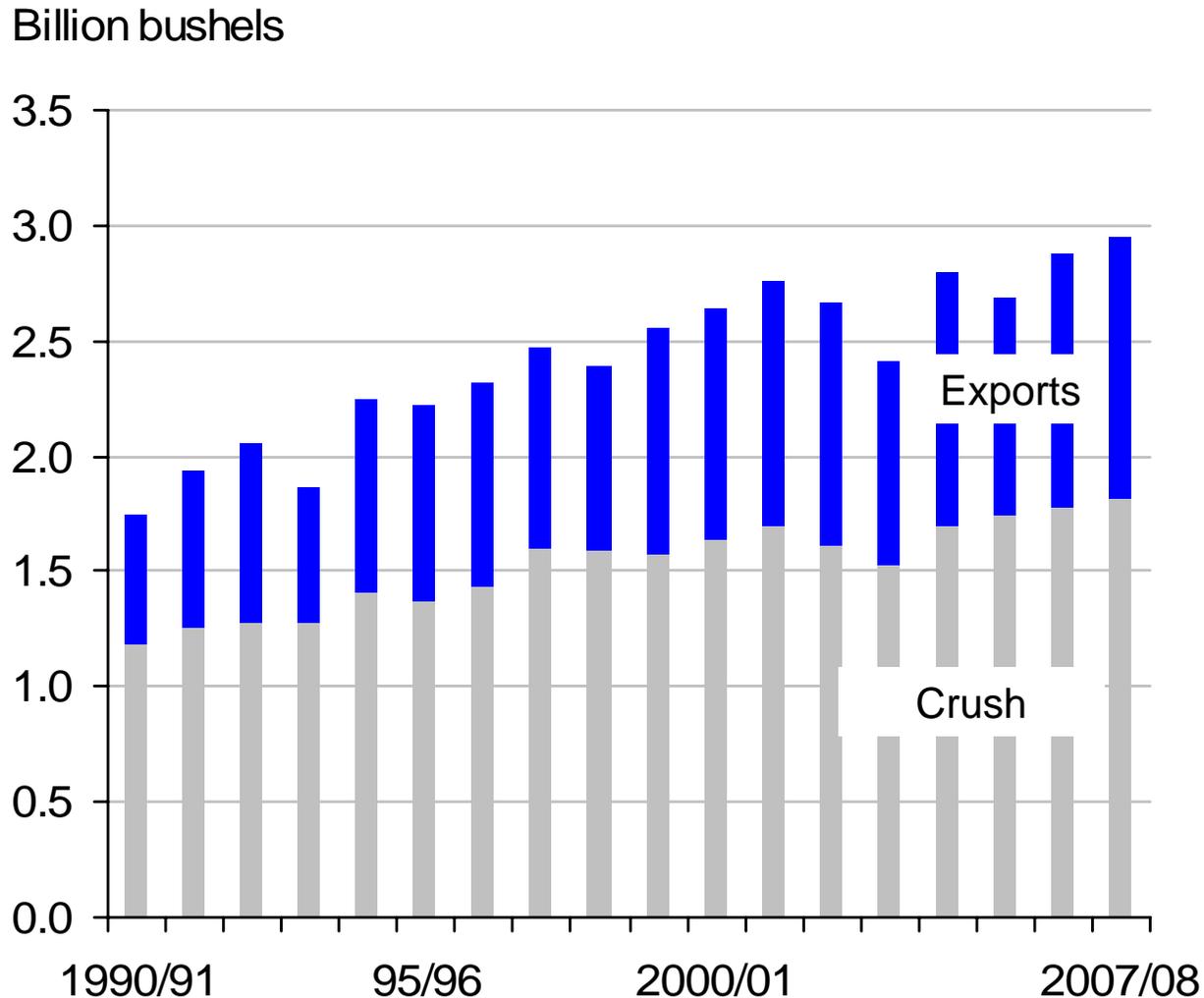
2006 harvested soybean area (million hectares)



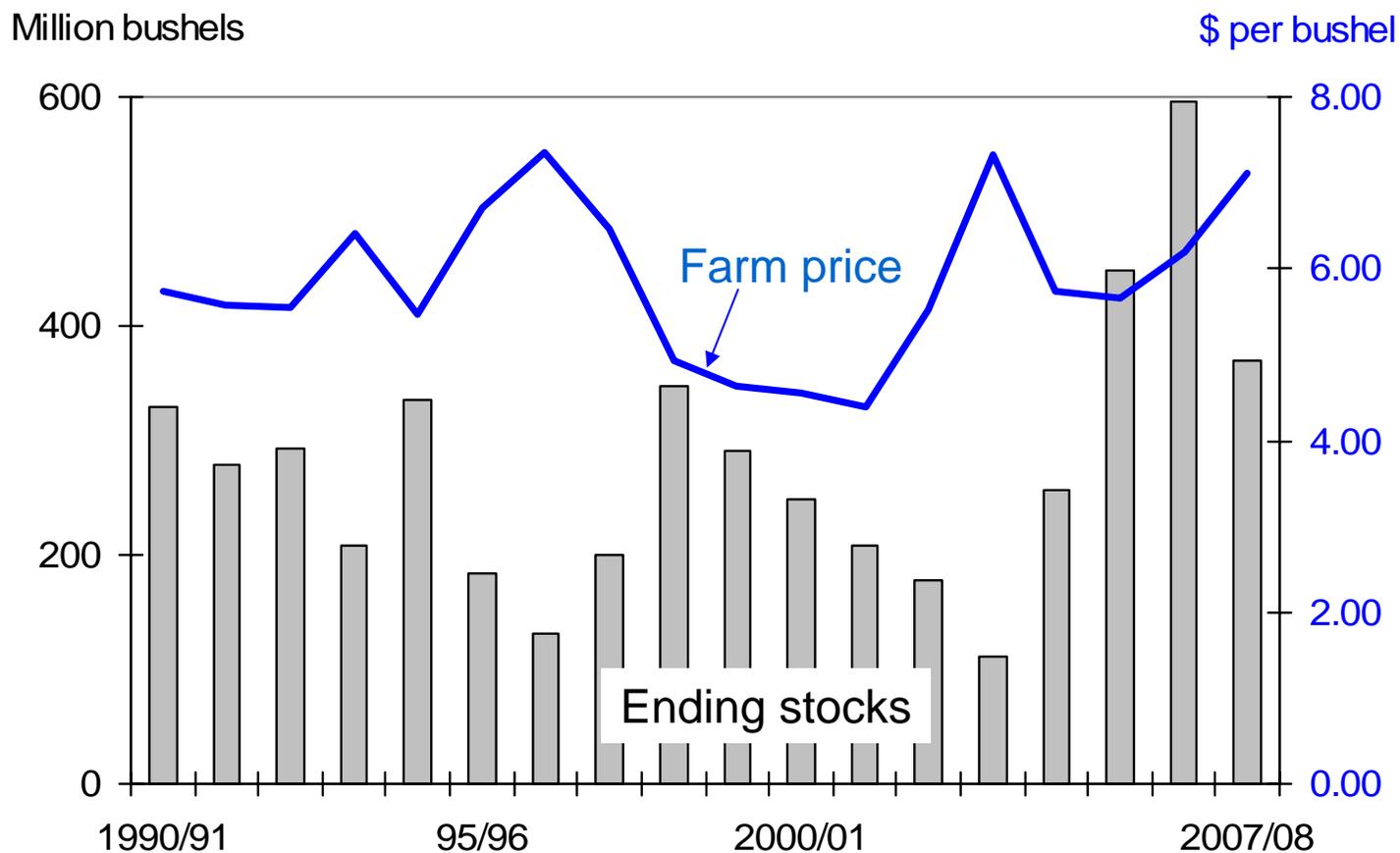
1 hectare = 2.47 acres

USDA data; world map from National Geographic Society.

# Small Rise in U.S. Soybean Use for 2007/08

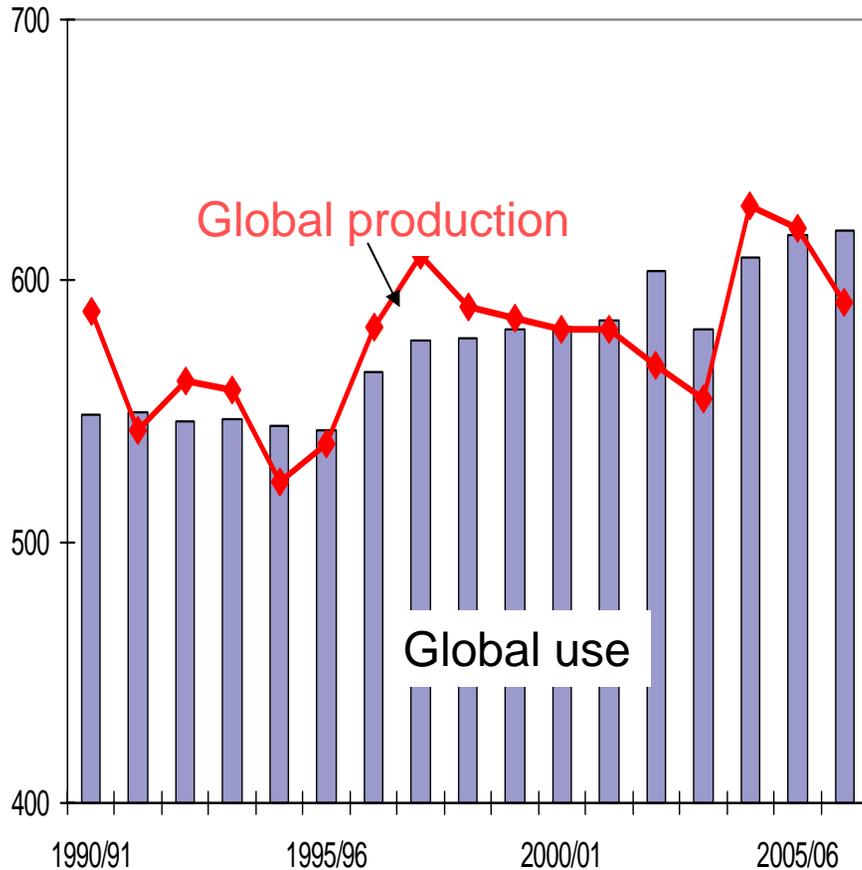


# U.S. Soybean Stocks to Decline From Record

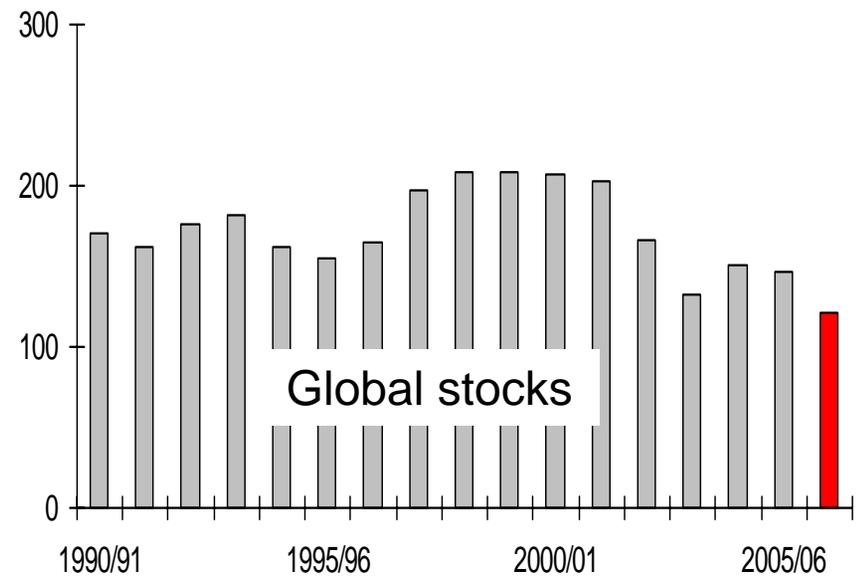


# Global Wheat Stocks Fall in 2006/07

Million MT

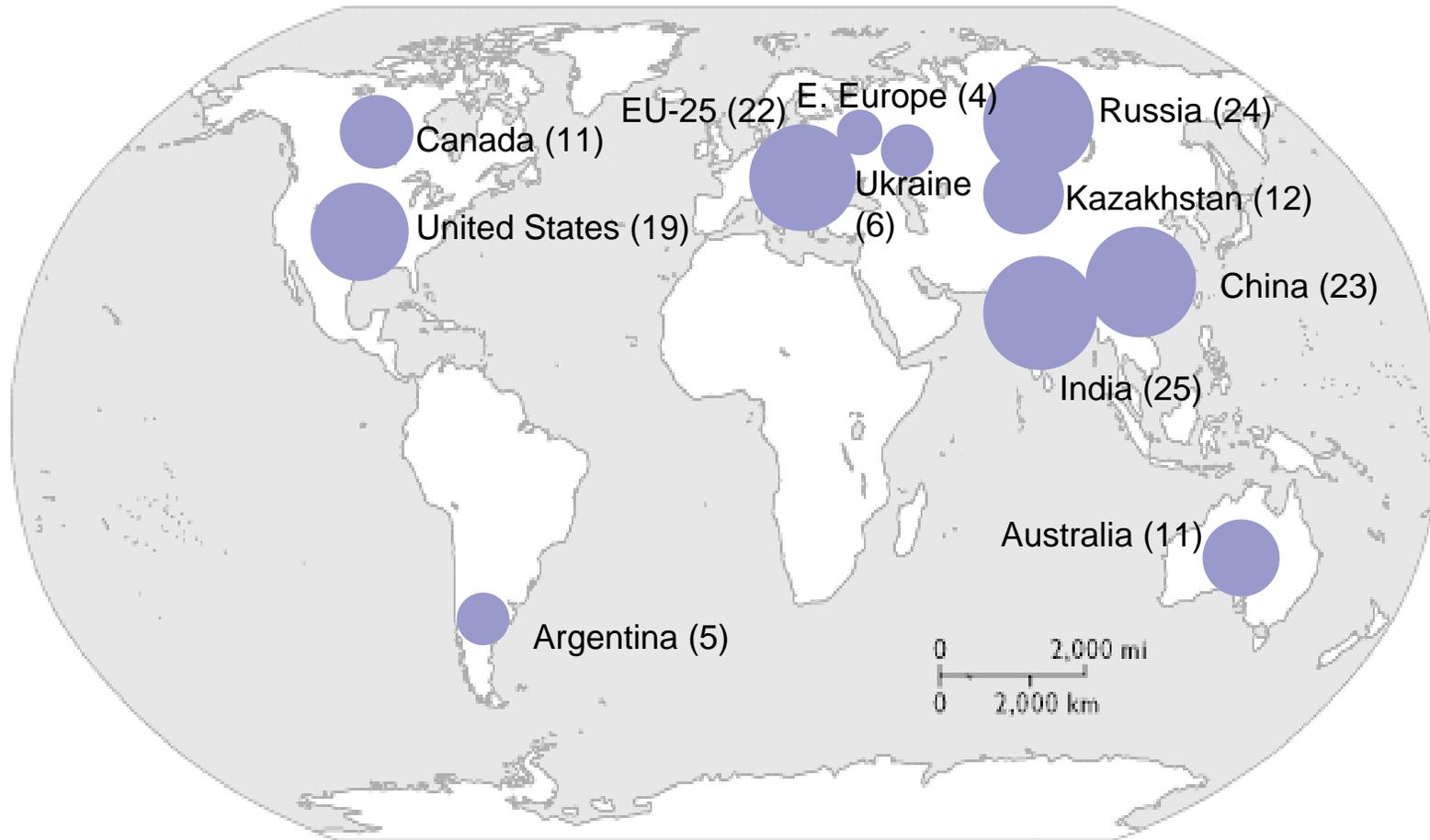


Million MT



# Major Wheat Producers

2006 harvested wheat area (million hectares)

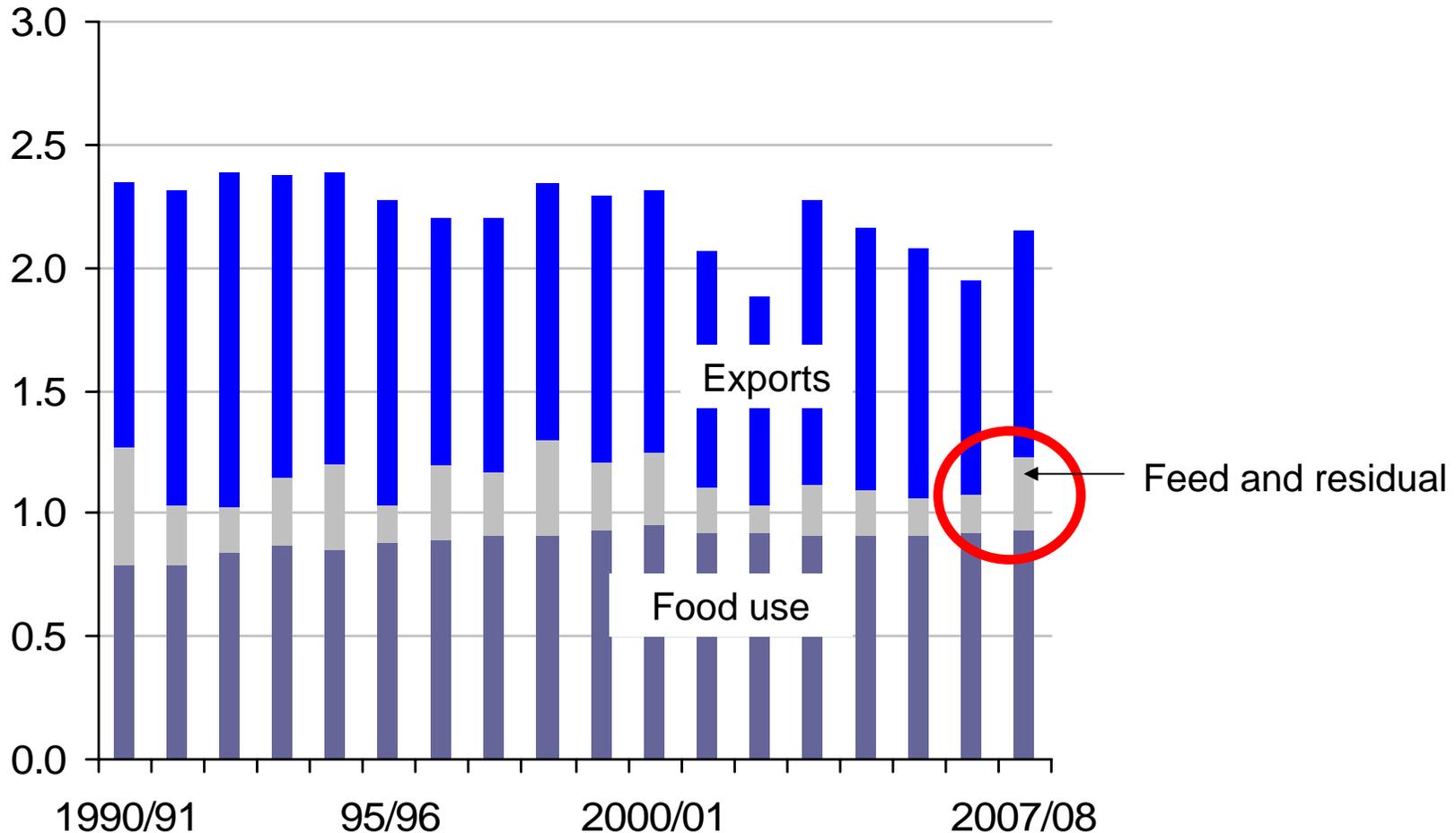


1 hectare = 2.47 acres

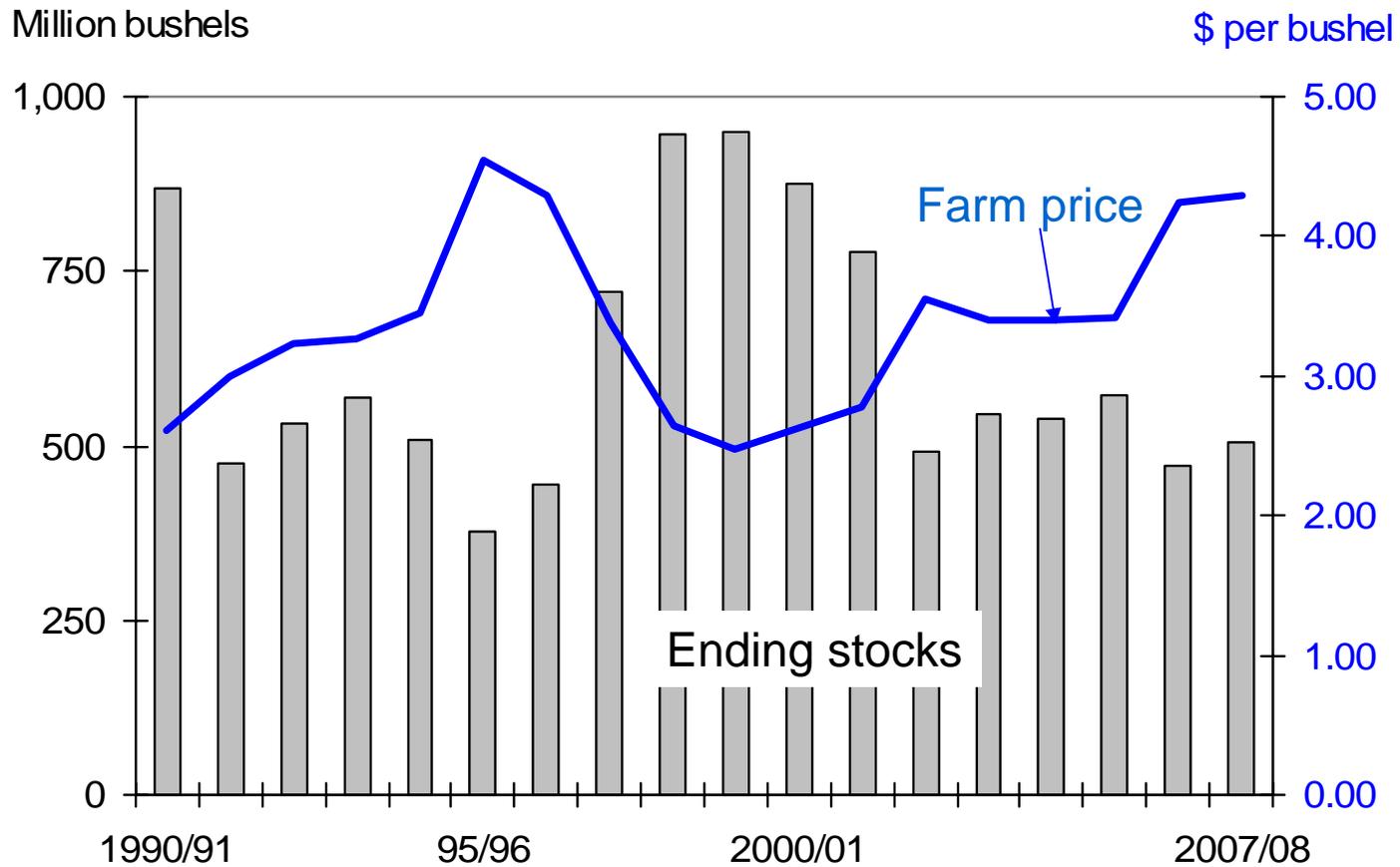
USDA data; world map from National Geographic Society.

# U.S. Wheat Feeding to Expand, Exports Rise Modestly

Billion bushels



# U.S. Wheat Stocks to Remain Low



# Conclusions

- Dramatic corn acreage rise, but only moderate increase in total U.S. acreage
- High price volatility given expected stock levels
- Declining stocks, except for wheat, and prices at historically high levels