Grains and Oilseeds Outlook

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U.S. Department of Agriculture

Agricultural Outlook Forum
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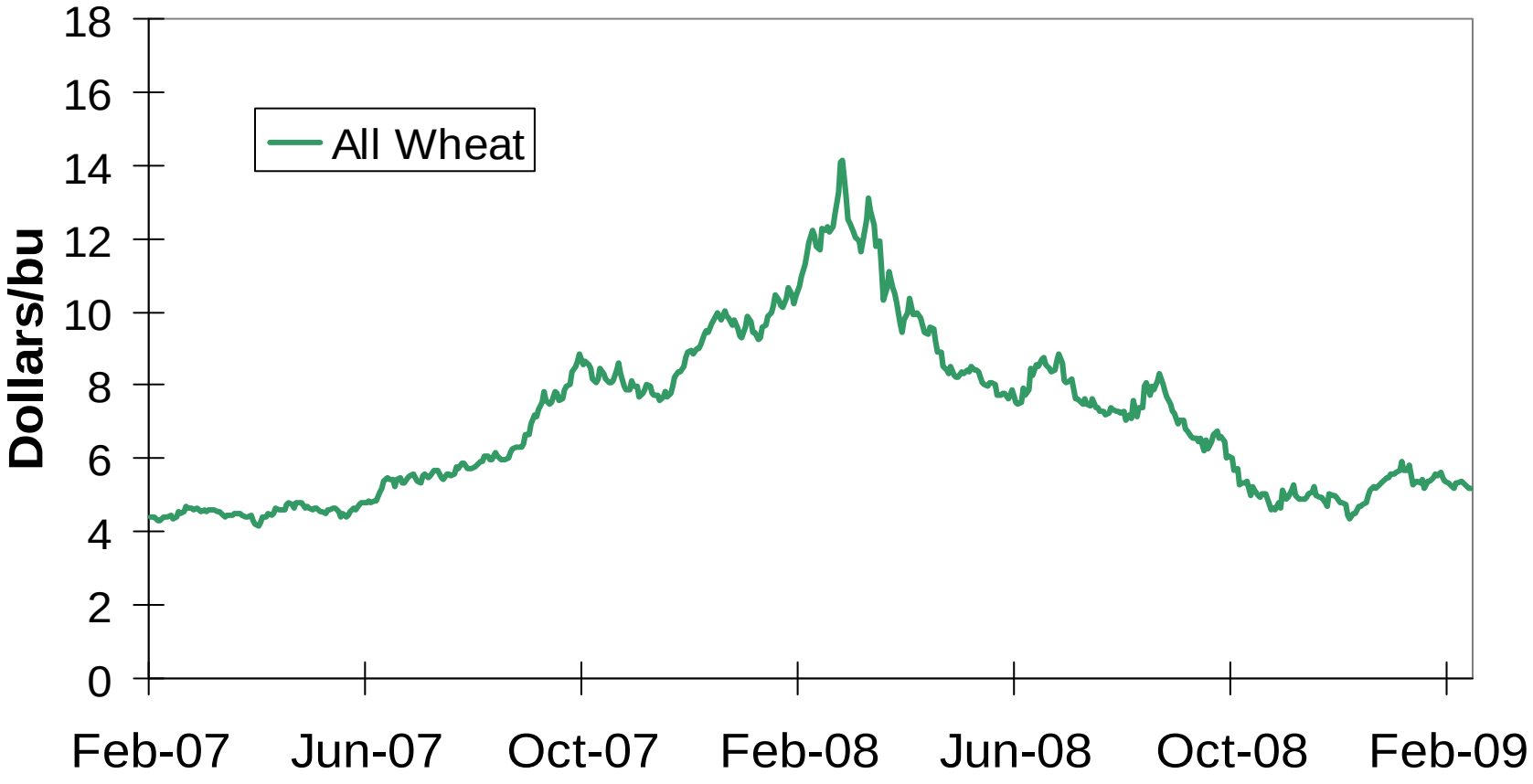
FSA
FARM SERVICE AGENCY

Outline…

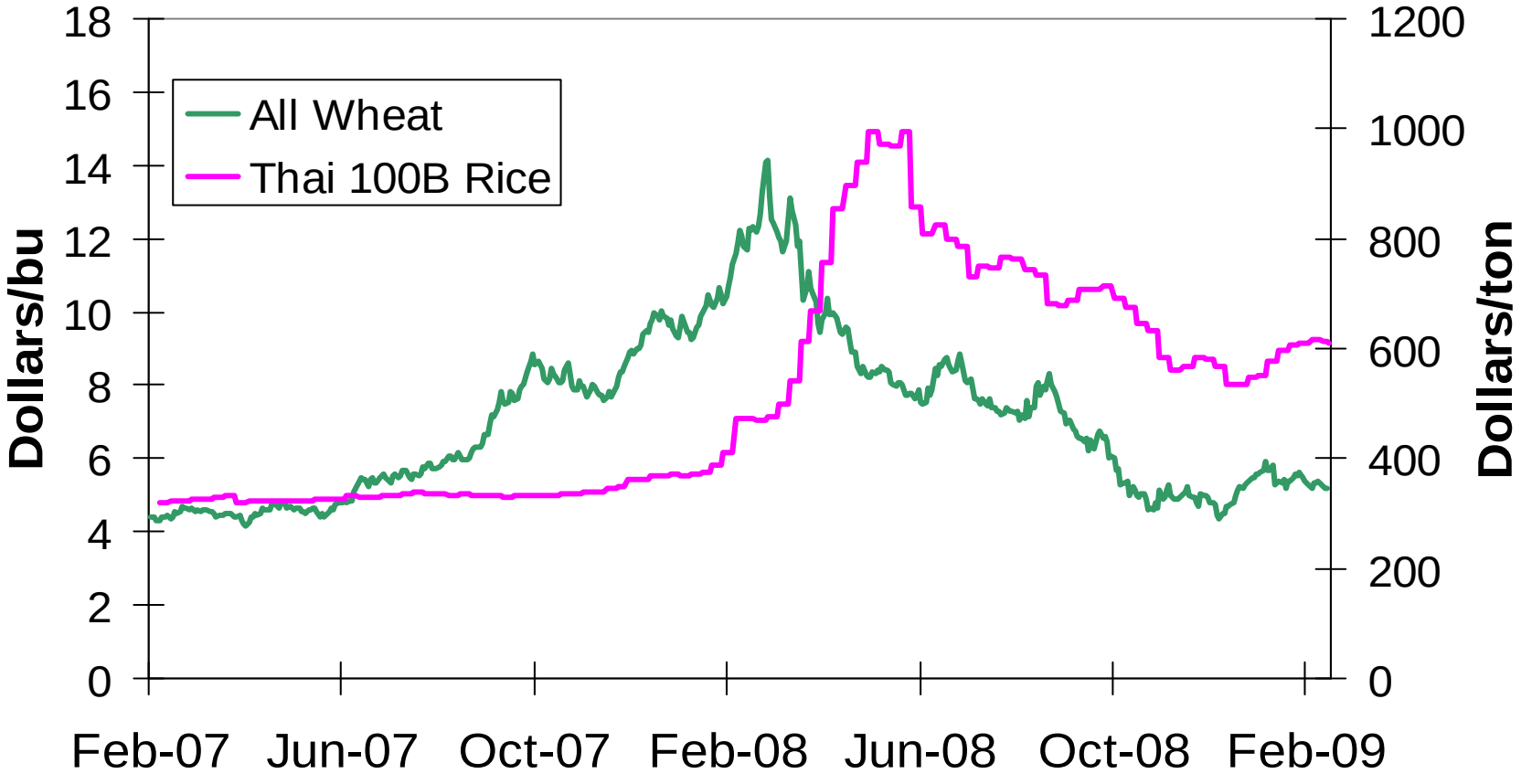
- Overview of 2008
  - High Price Volatility
  - Increased Production of Grains and Oilseeds
- Important Factors Shaping 2009
  - Global Recession
  - Weakness in the Livestock Sector
  - Volatility in the Fertilizer Market
- Out-year Supply and Demand Estimates

Prices Reach Record Highs in 2008 Then Dropped Sharply



Source: DTN Average Elevator Cash Bids and Foreign Agricultural Service

Prices Reach Record Highs in 2008 Then Dropped Sharply



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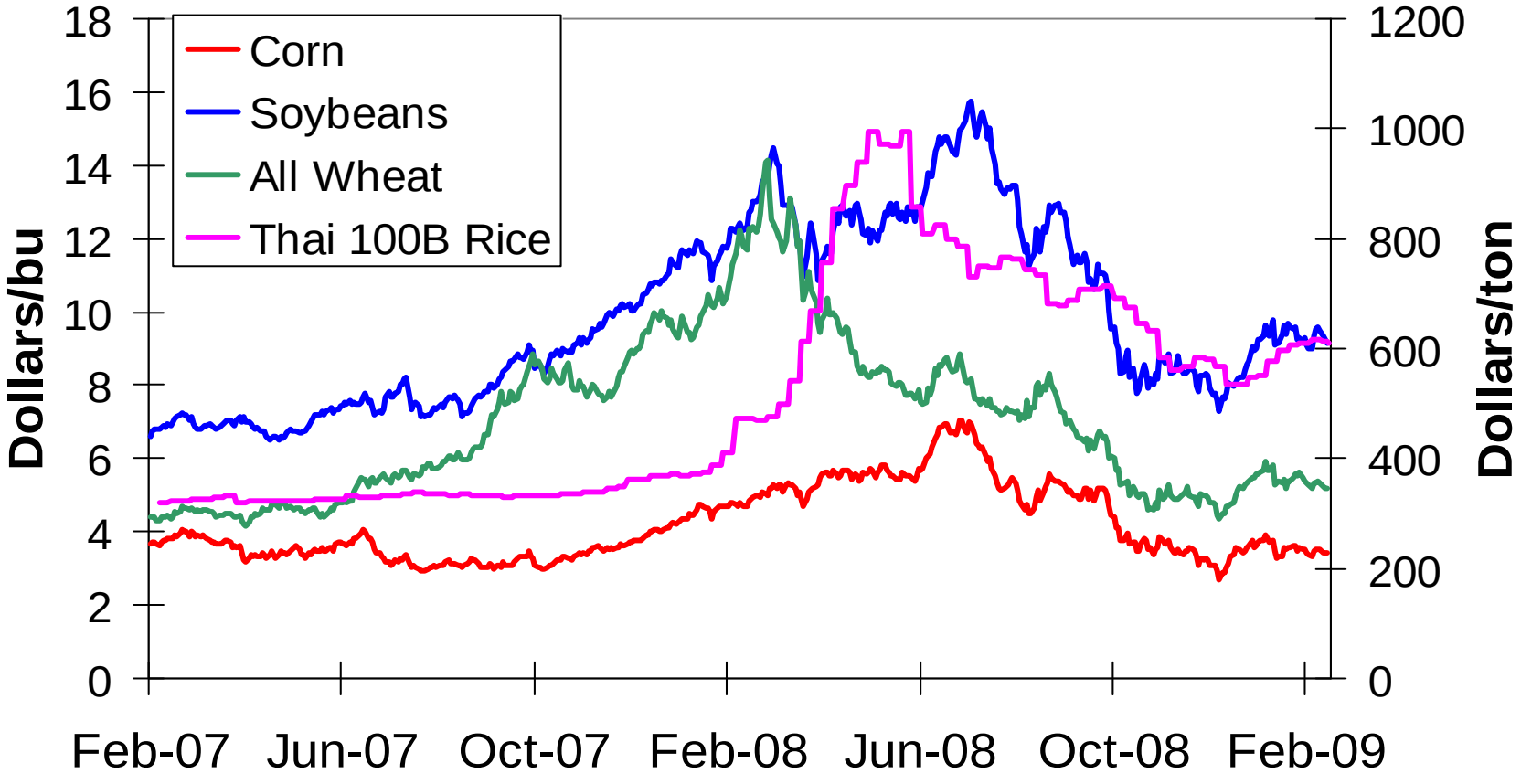

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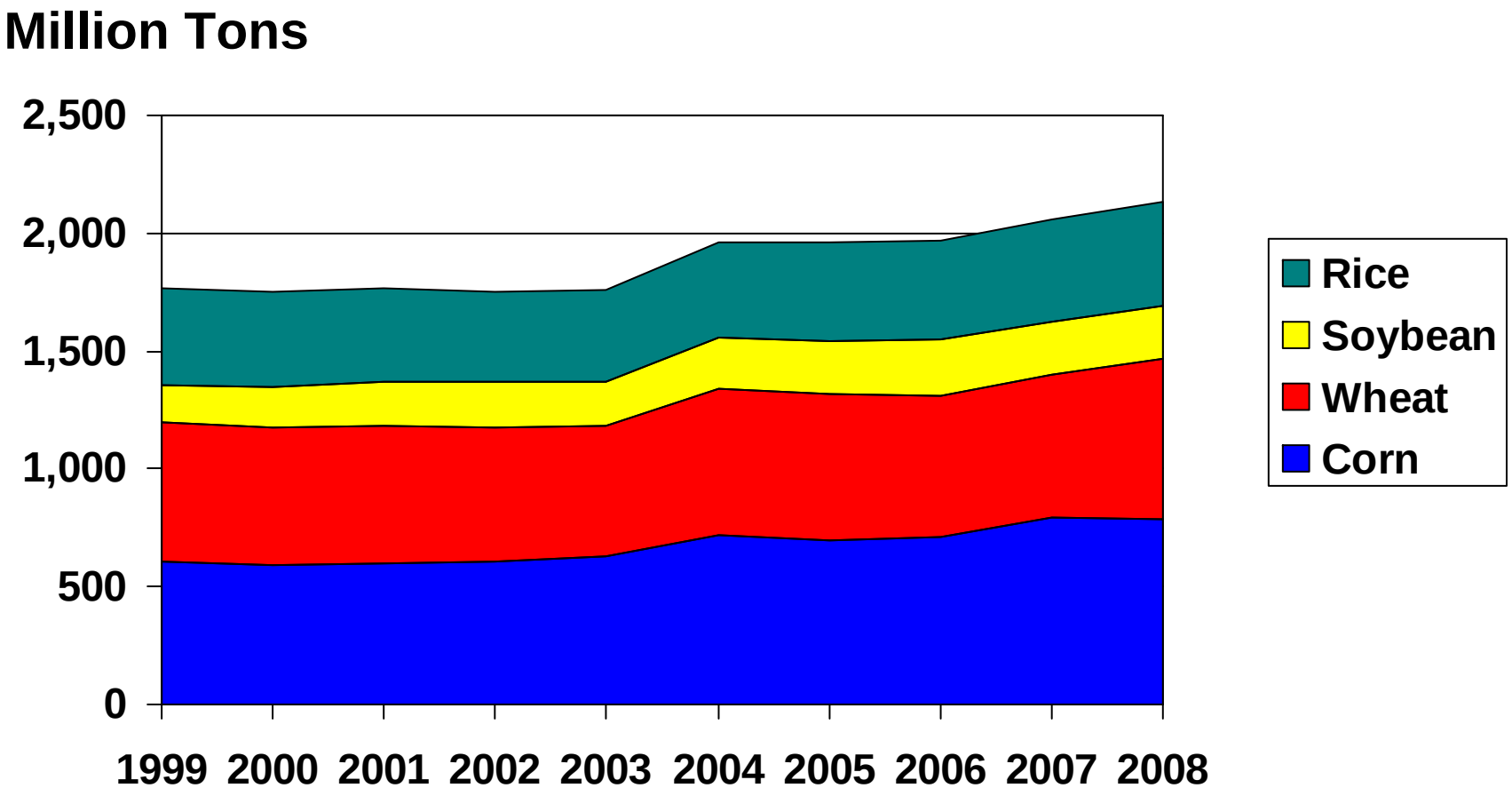
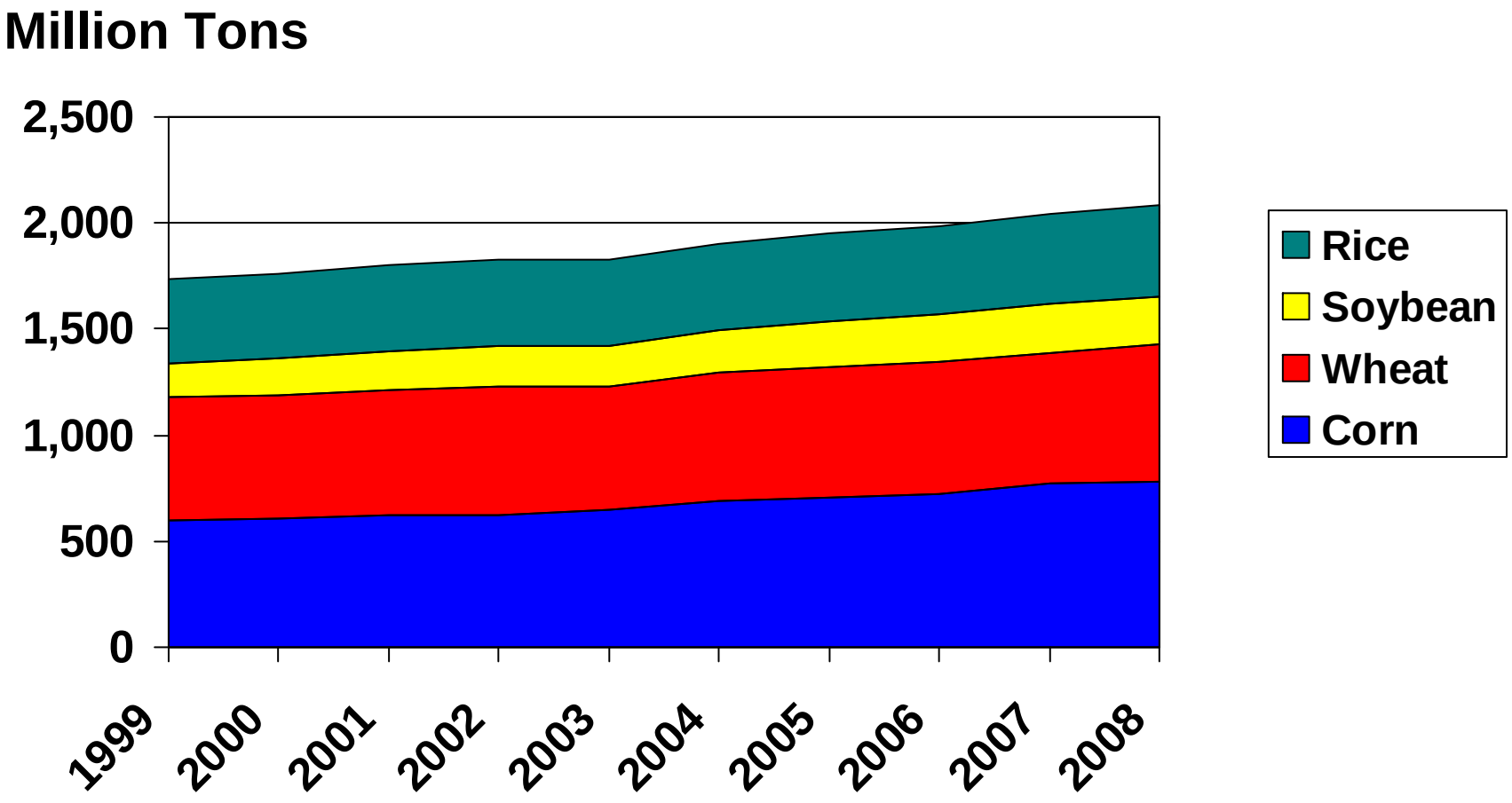
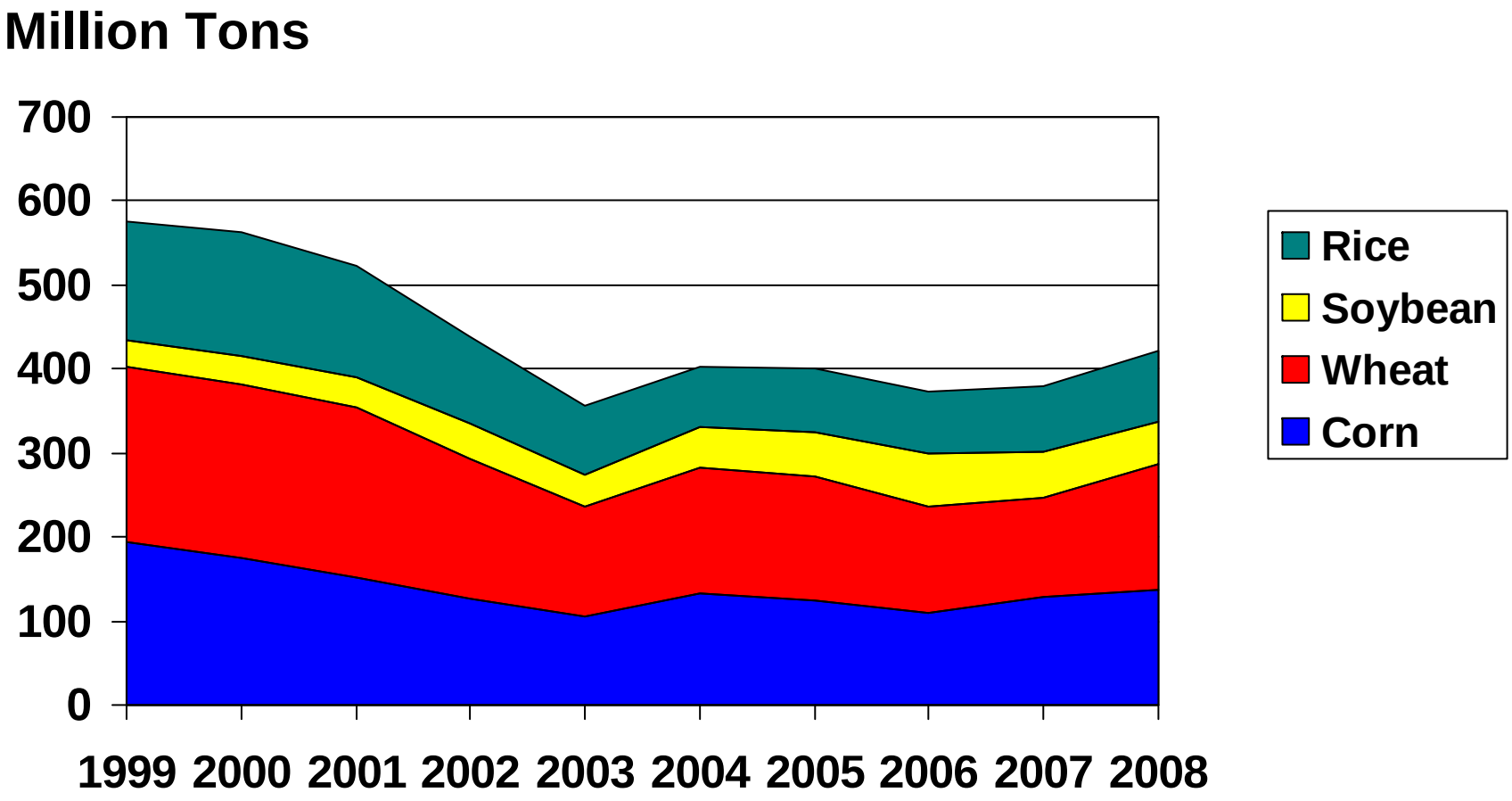
Global Wheat, Rice, and Soybean Production Increased in 2008…



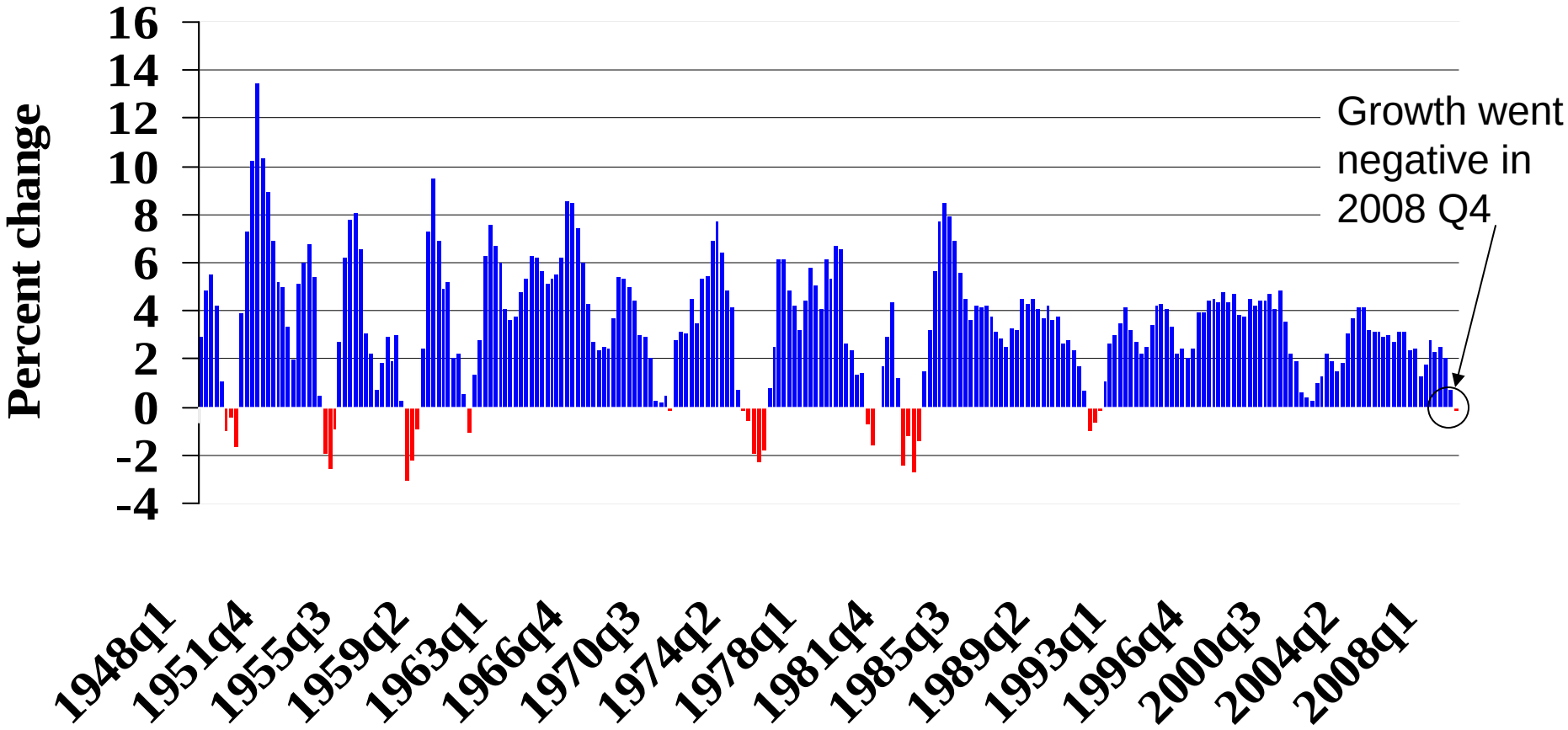
…As Did Consumption



World Wheat, Rice, and Corn Stocks Rose in 2008

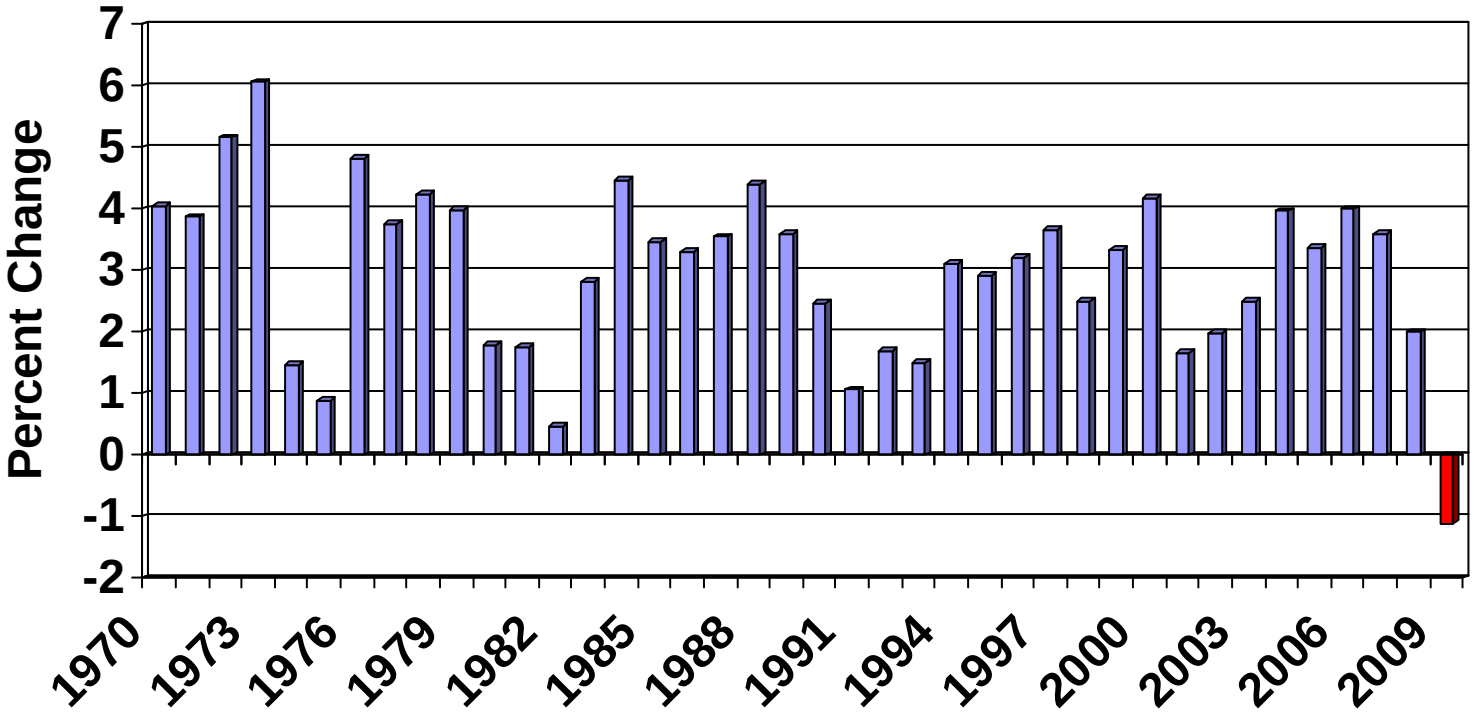


U.S. Economy Has Not Experienced a Major Recession in 25 Years



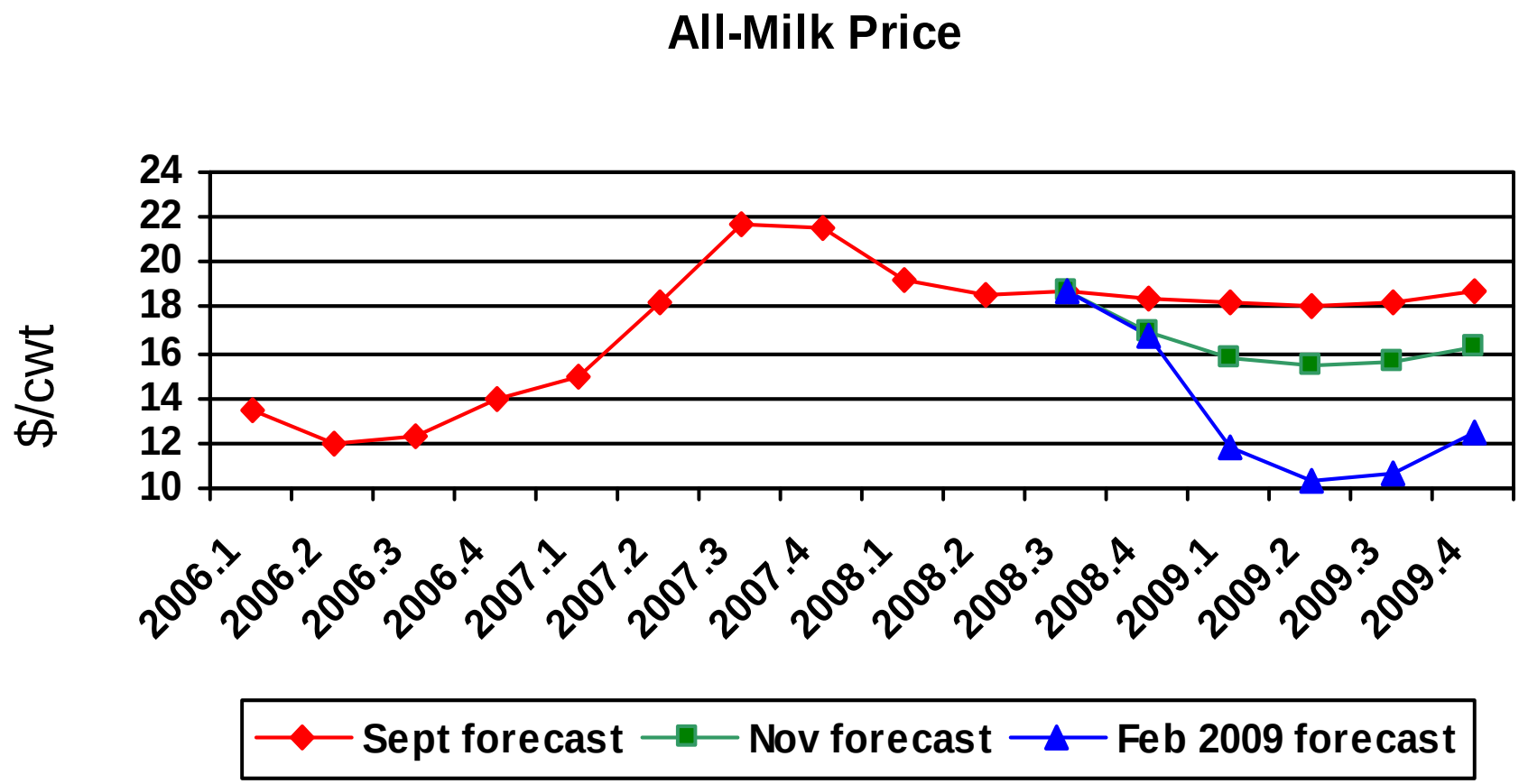
Source: Board of Governors of the Federal Reserve System

2009 World Growth Rate Projections Are Negative

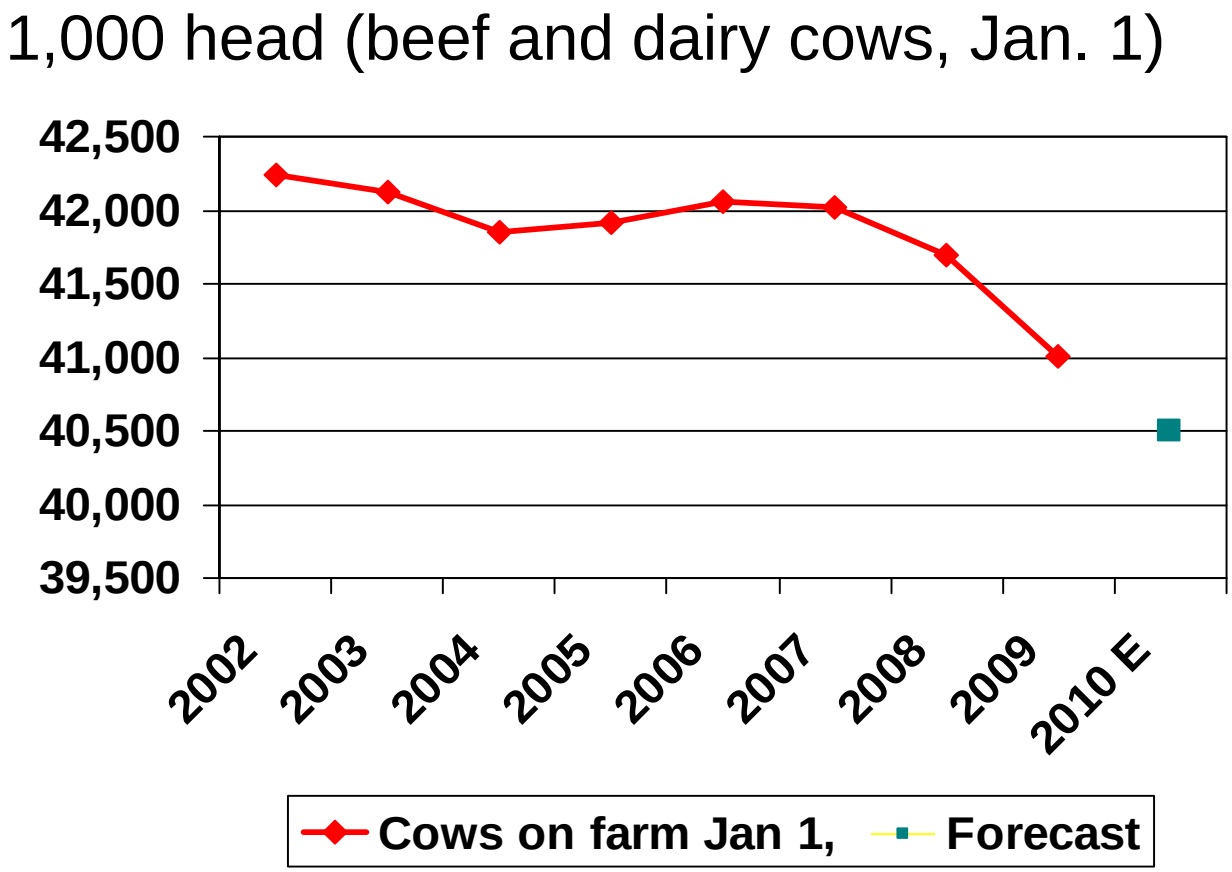


2008 Estimate and 2009 Forecast, Oxford Economics
History Economic Research Service

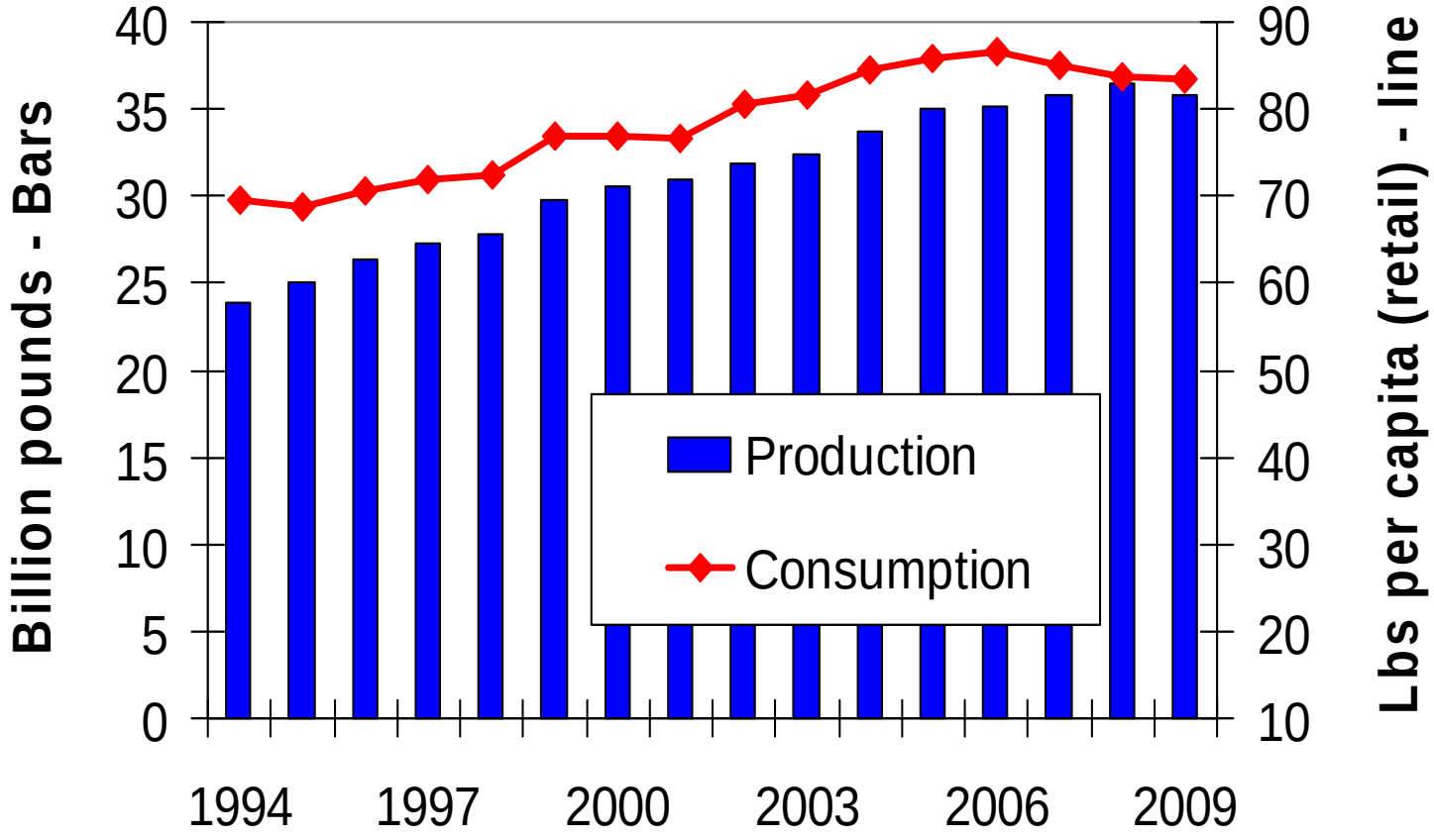
All-Milk Price Projections Adjusted Downward



Drought and Financial Stress Force Liquidation in Beef and Dairy Herds in 2009



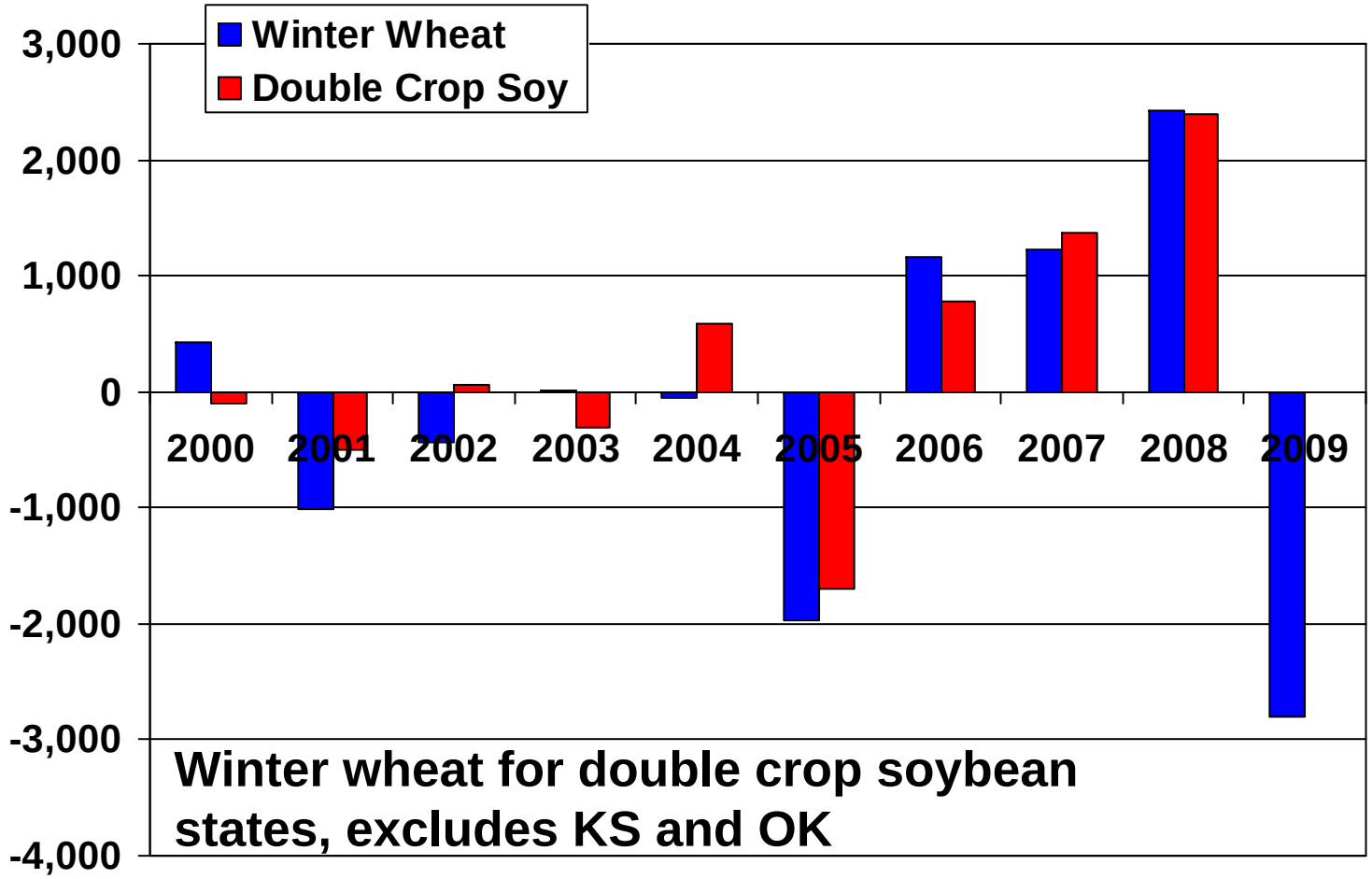
Broiler Production Expansion Ends



Crop Mix to Shift Away From Wheat and Cotton

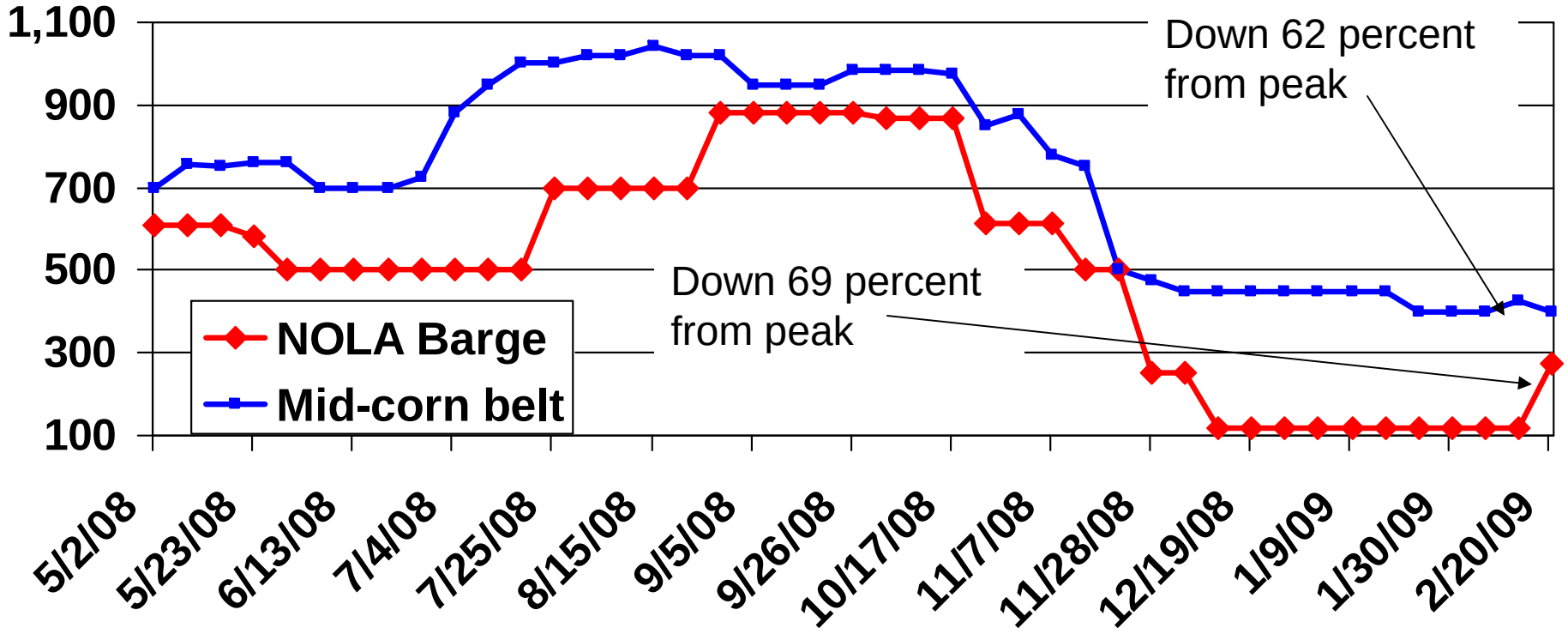
	2007/08	2008/09	2009/10	09 Chg.
	Million Acres			
Corn	93.5	86.0	86	0
Soybeans	64.7	75.7	77	1.3
Wheat	60.5	63.1	58.0	-5.1
3-Crop Total	*218.7*	*224.8*	*221.0*	*-3.8*
Cotton	10.8	9.5	8.5	-1
Rice	2.8	3.0	2.9	-0.1

Sharp Drop in Winter Wheat Area Suggests a Decline in Double Crop Soybeans



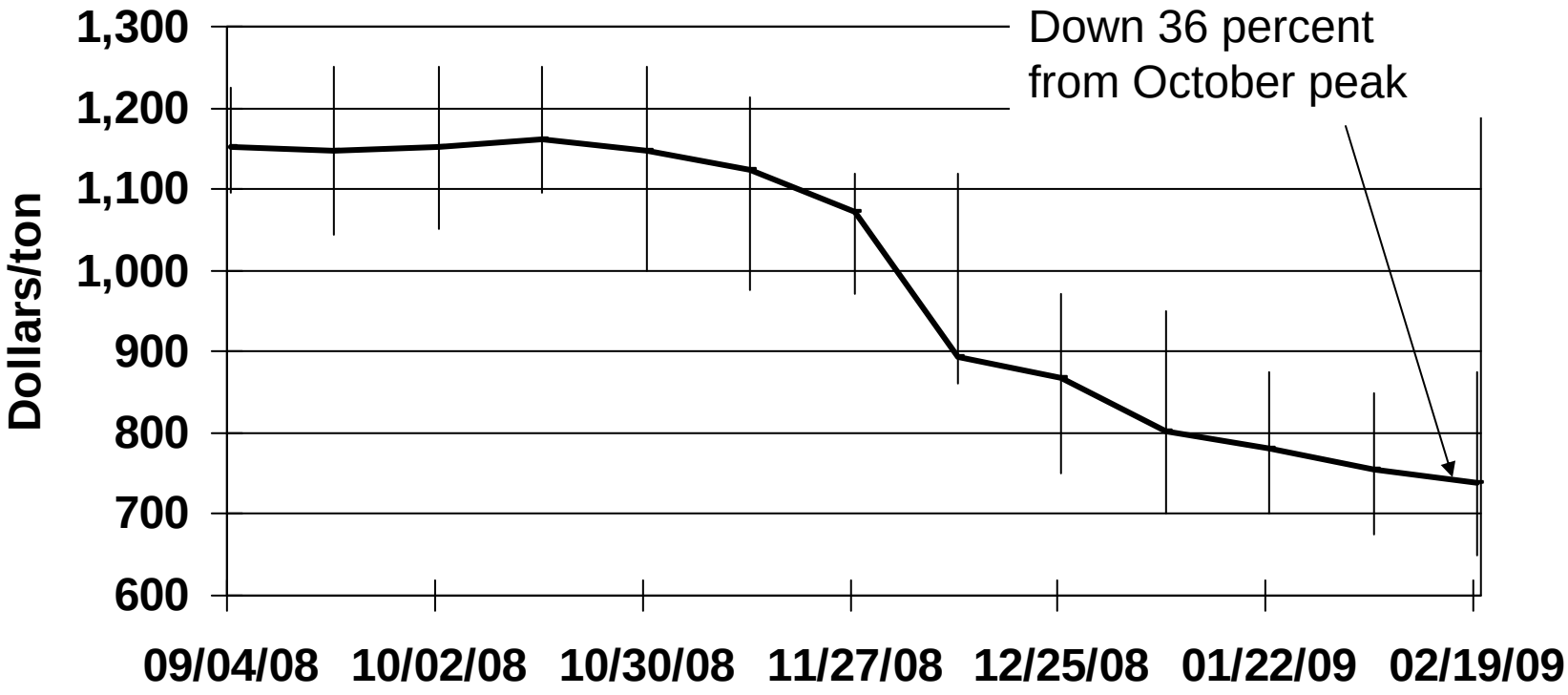
Wholesale Ammonia Prices Have Fallen Sharply…

$ per short ton



Source: Green Markets

…but Retail Prices Have Not Fallen as Much

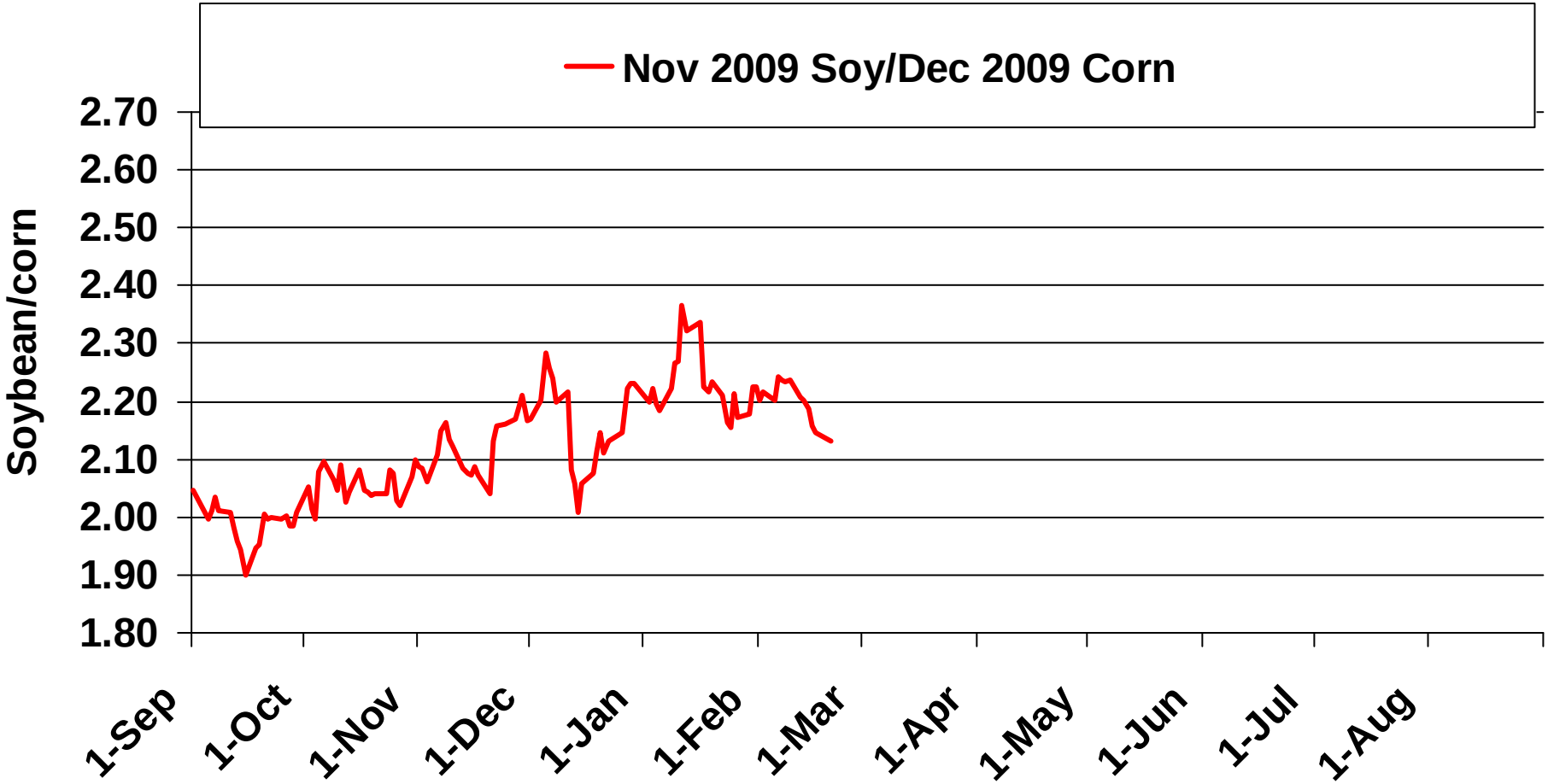


Illinois Anhydrous Ammonia Price, State wide cash bulk prices, FOB distributor

Source: USDA-Illinois Dept of Agriculture
Market News report GX_GR210

New-crop Soybean/Corn Price Ratios

2009-crop thru Feb. 20, 2009



Note: Chicago Board of Trade daily settlement prices.

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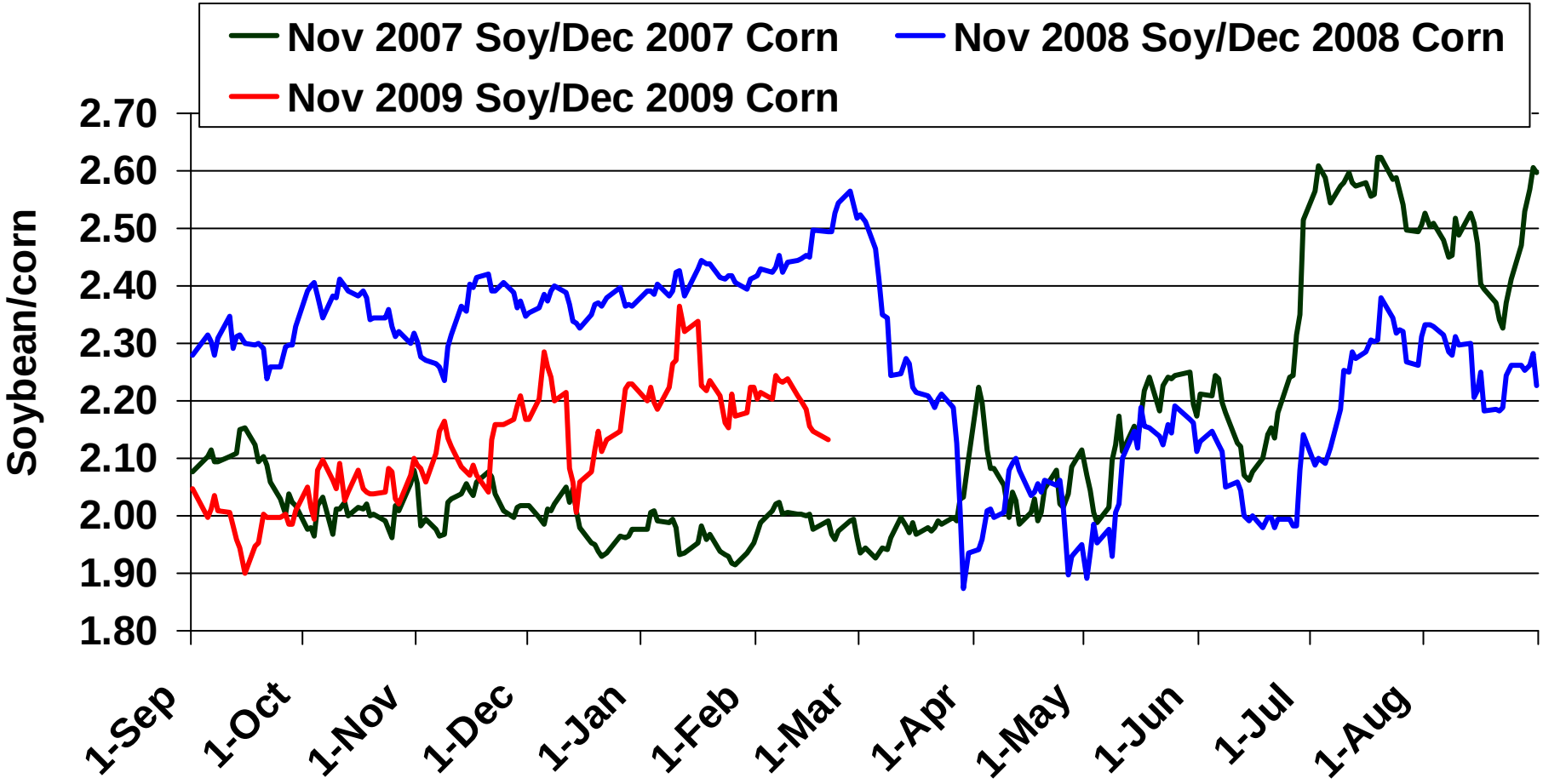

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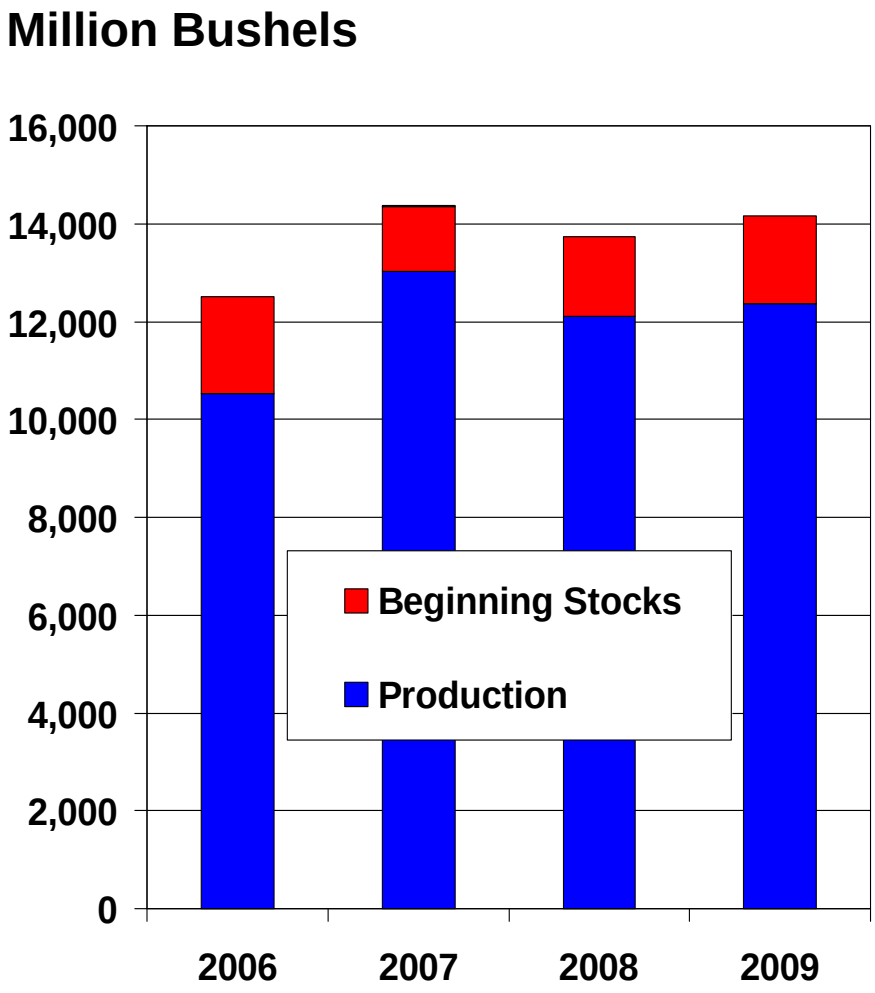
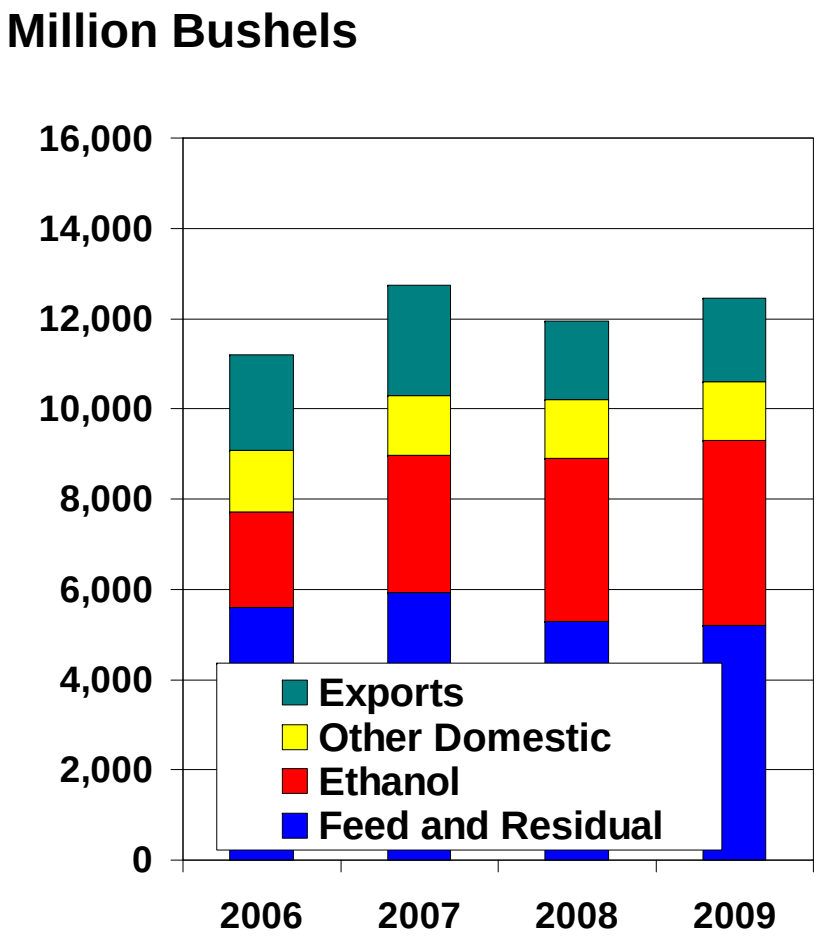
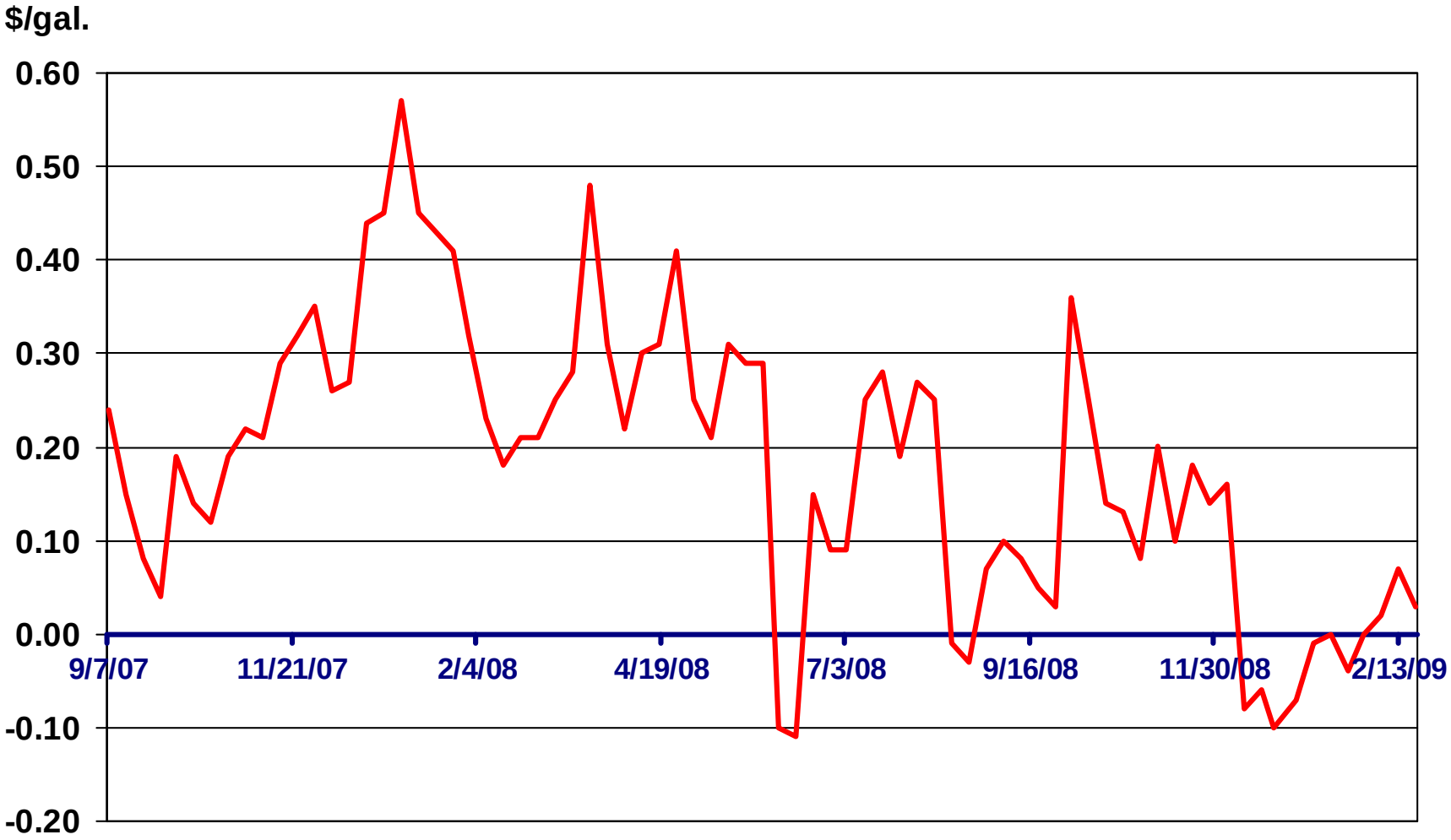
Corn Supplies and Use Increase





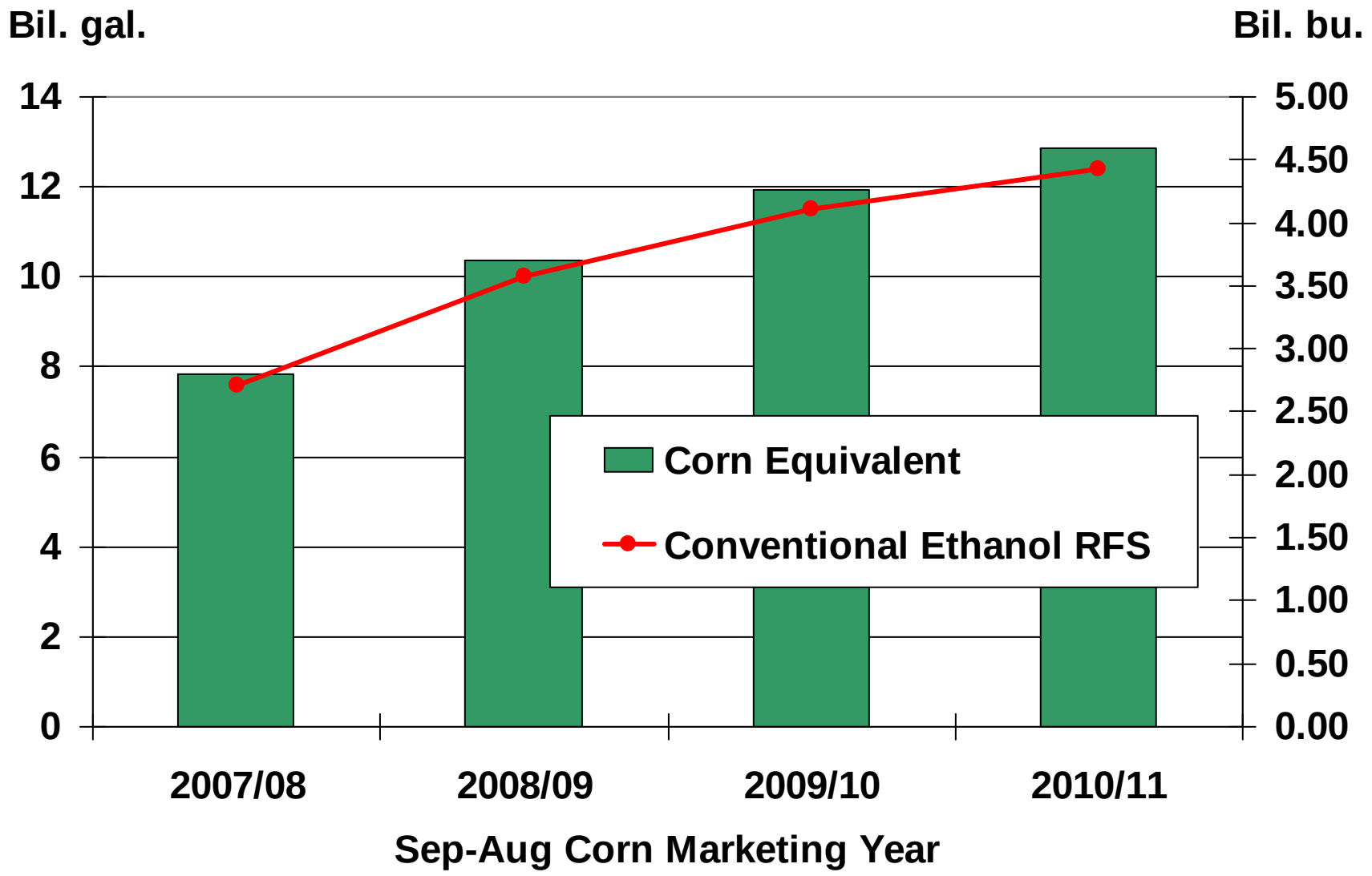
Ethanol Producer Net Returns

Above Variable Costs

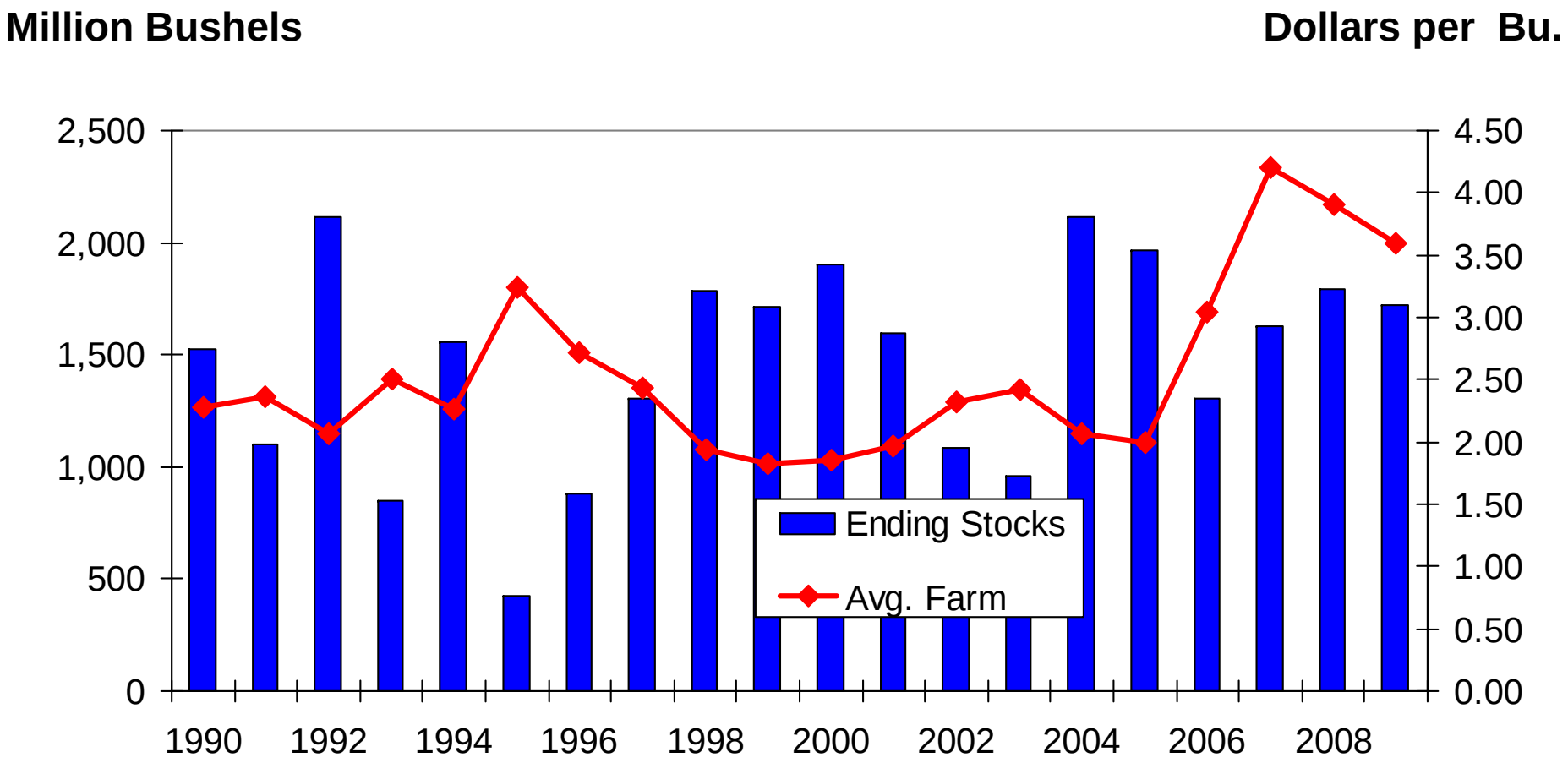


Note: USDA-WAOB estimates based on USDA-AMS plant reports and DOE-EIA estimates and forecasts for natural gas and electricity prices.

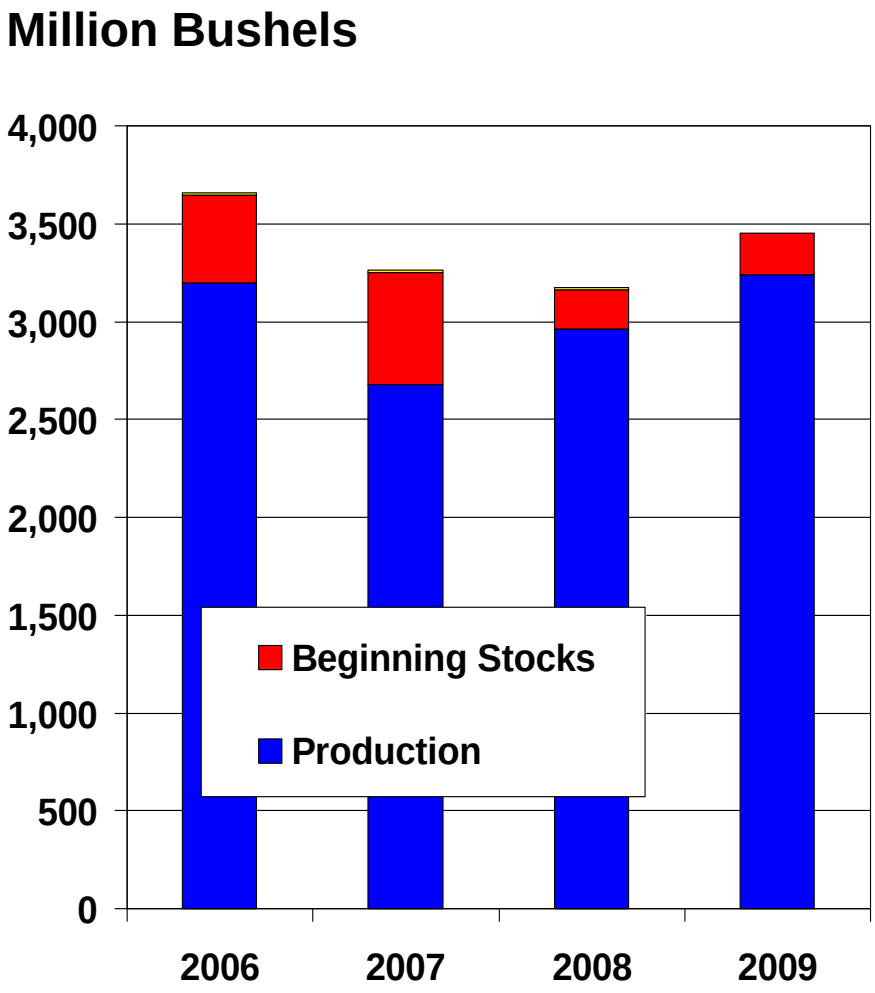
RFS and Corn Equivalent

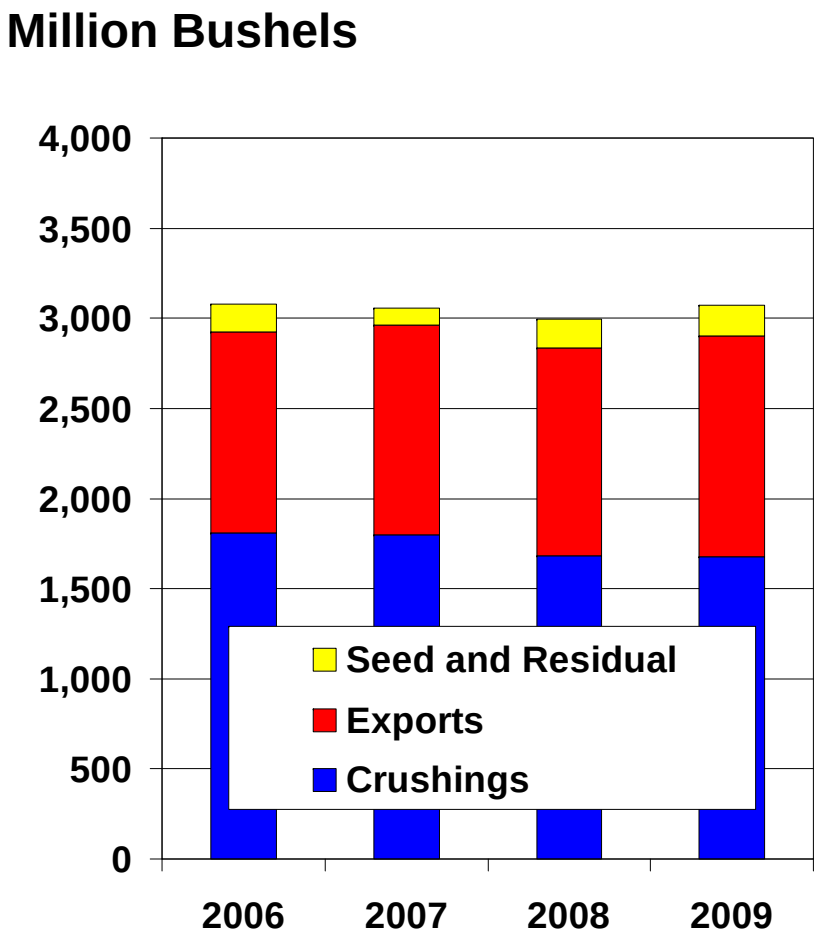


Corn Price to Decline 2009

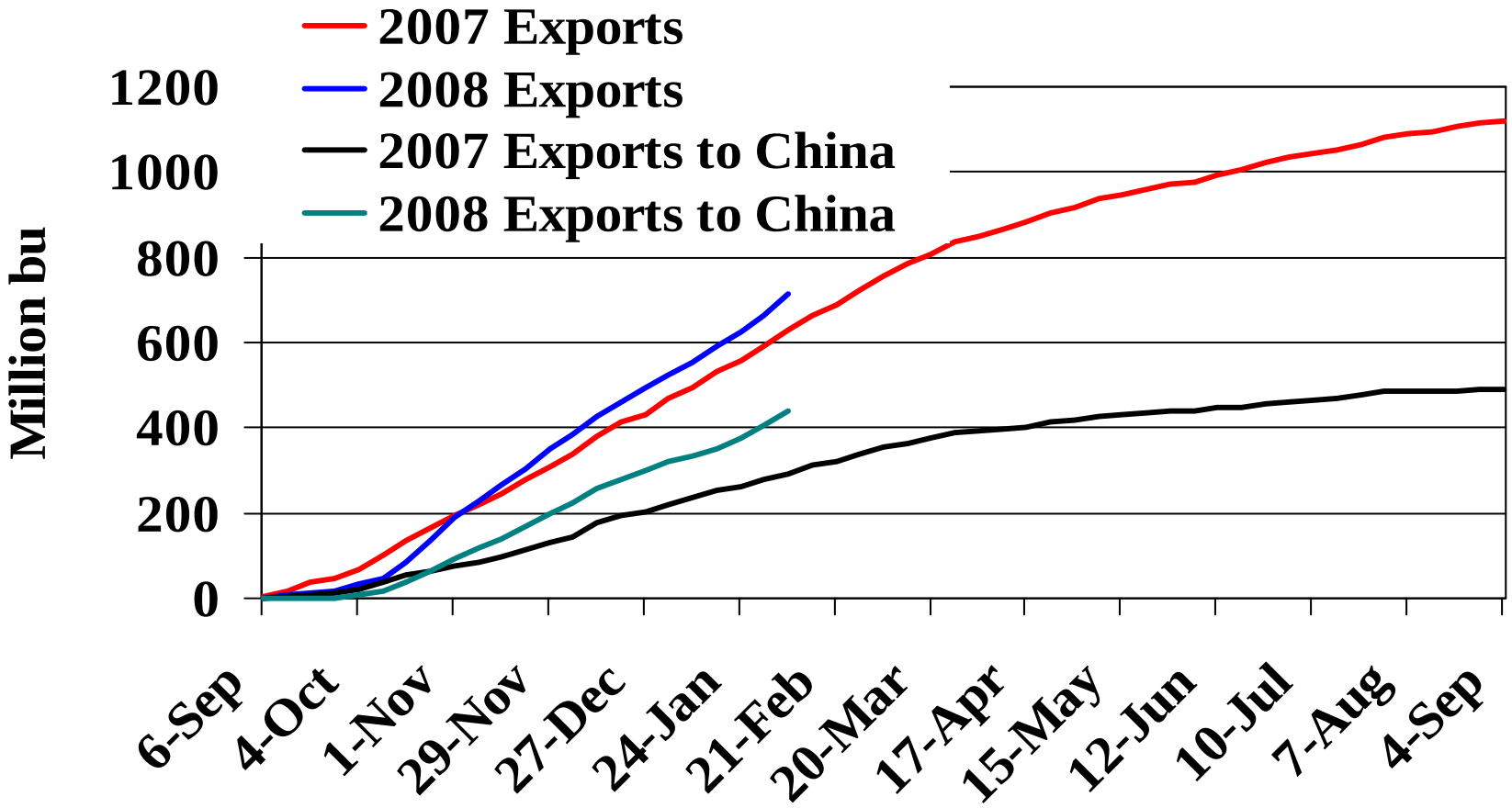


Record Soybean Production and Exports in 2009



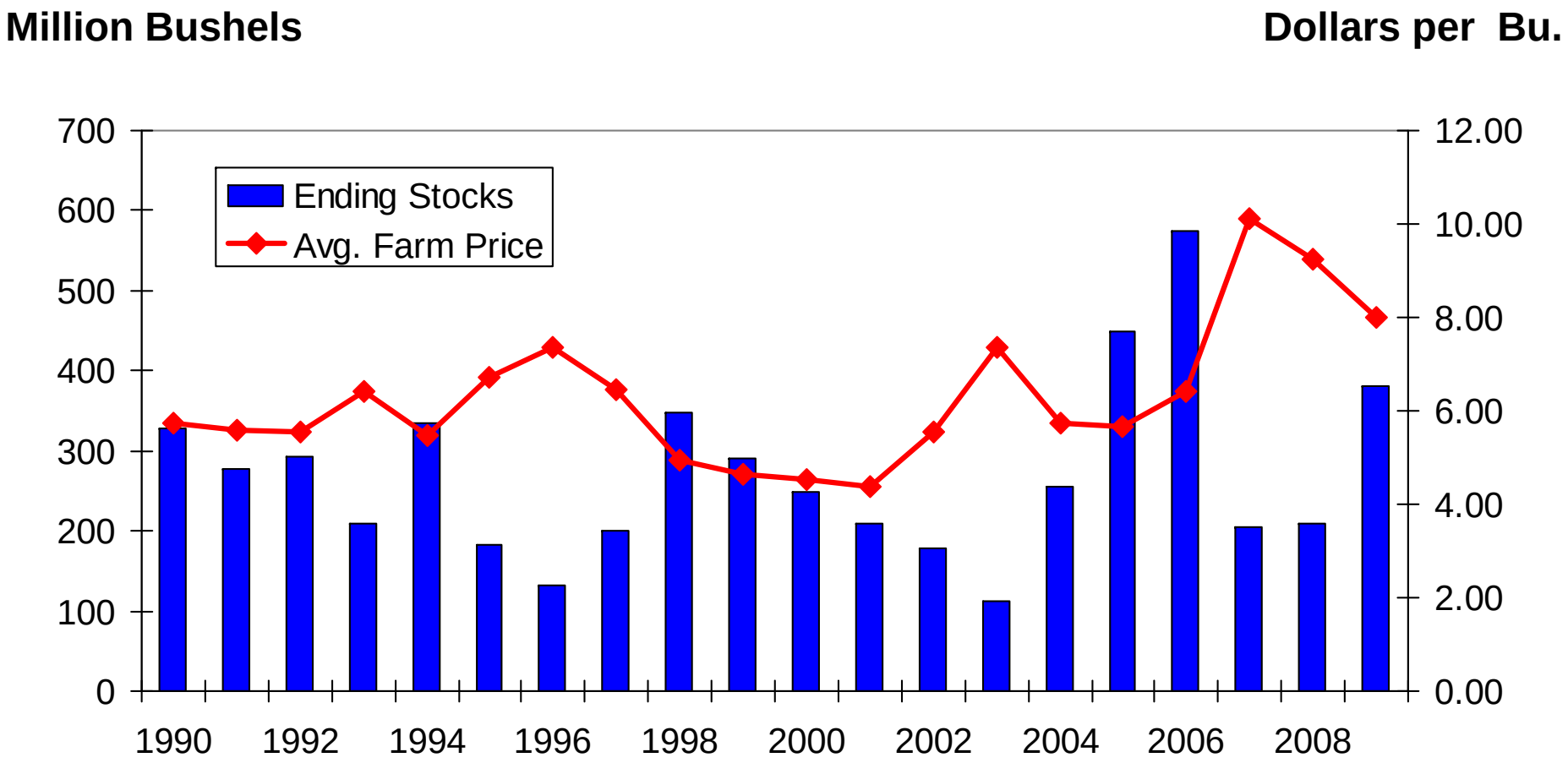


Soybean Trade to China is Extremely Strong

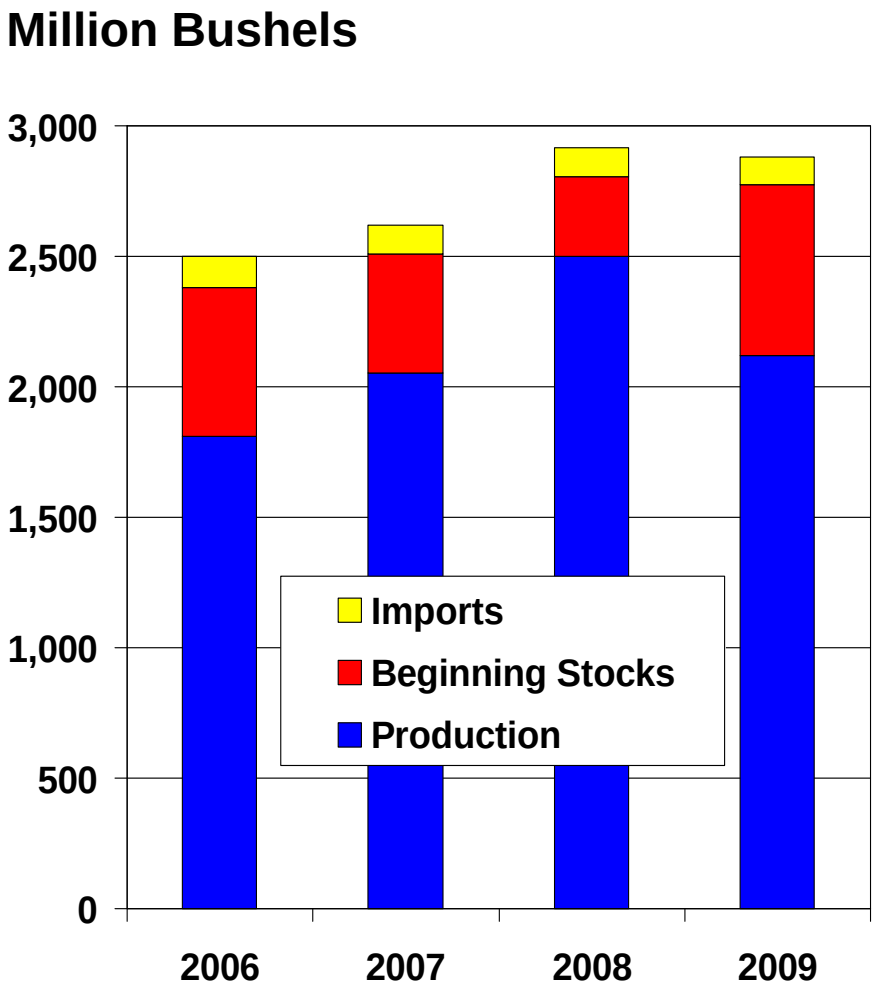


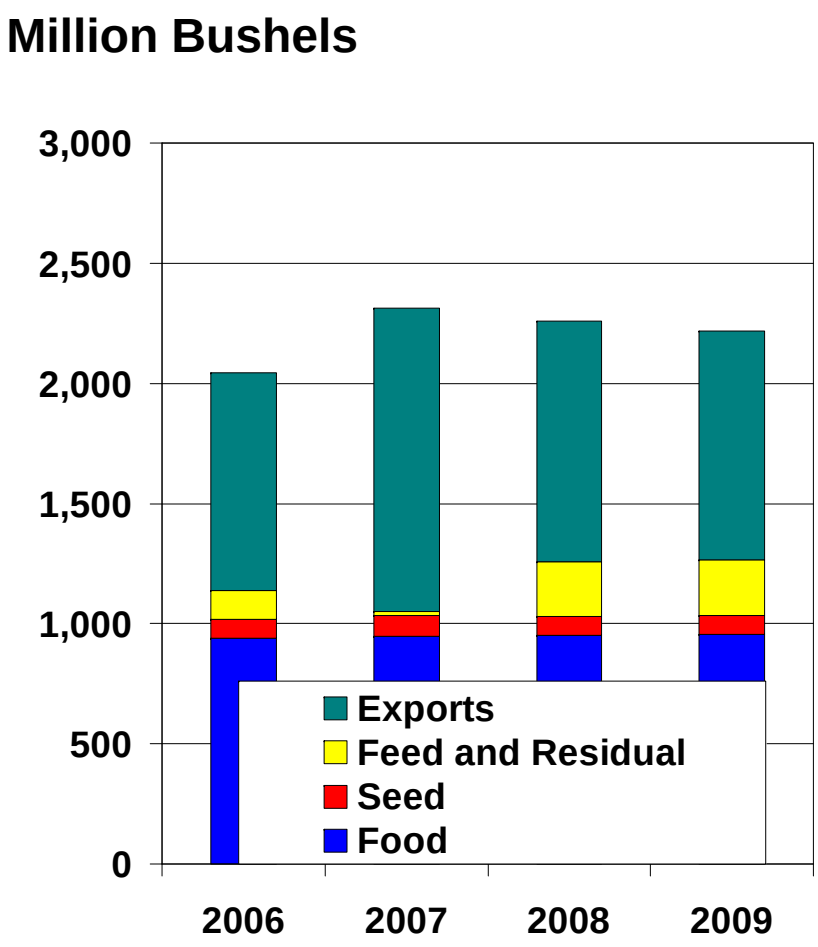
Source: Foreign Agricultural Service, USDA

Soybean Stocks Rise in 2009

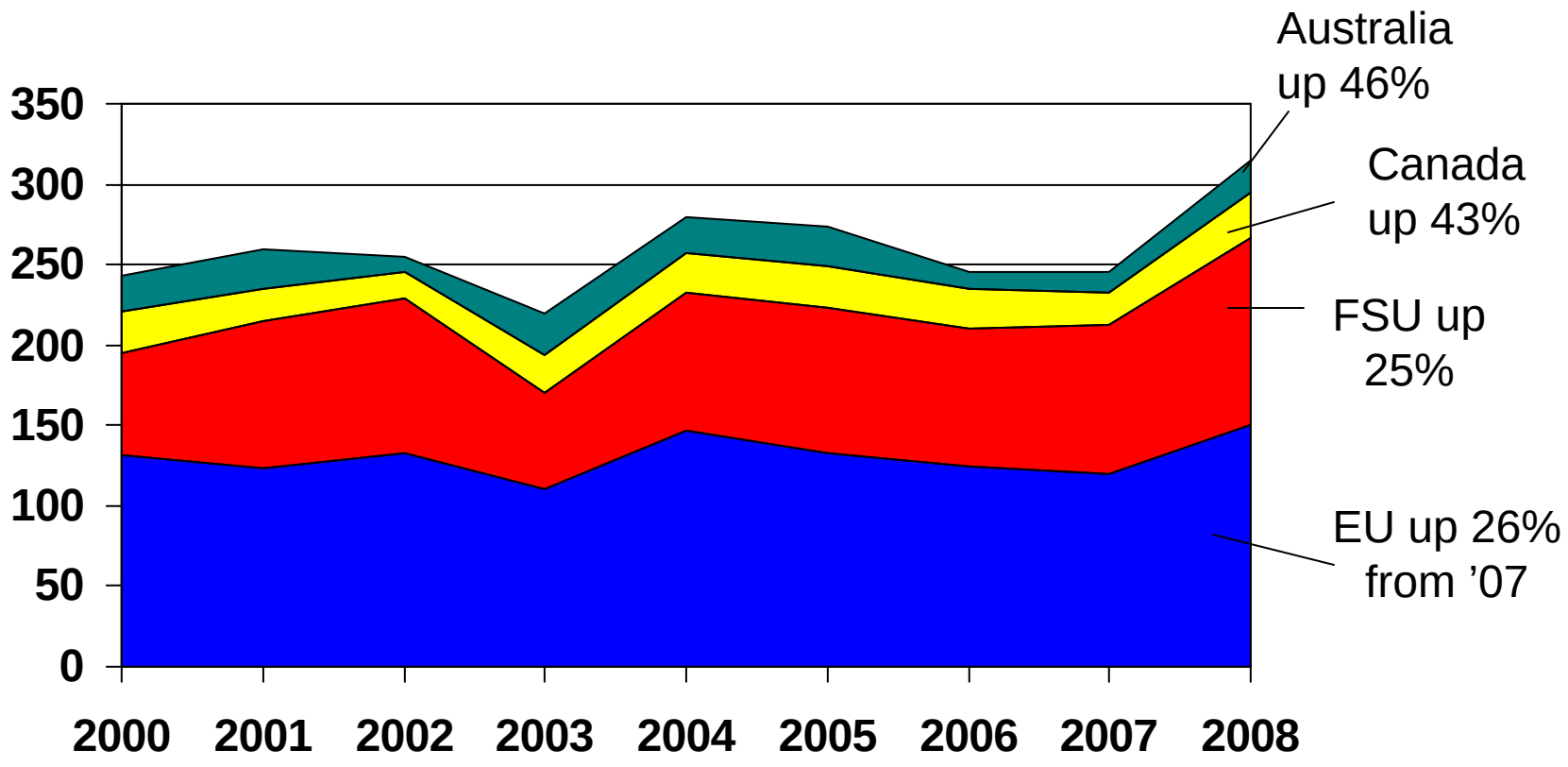


Wheat Production Declines Sharply

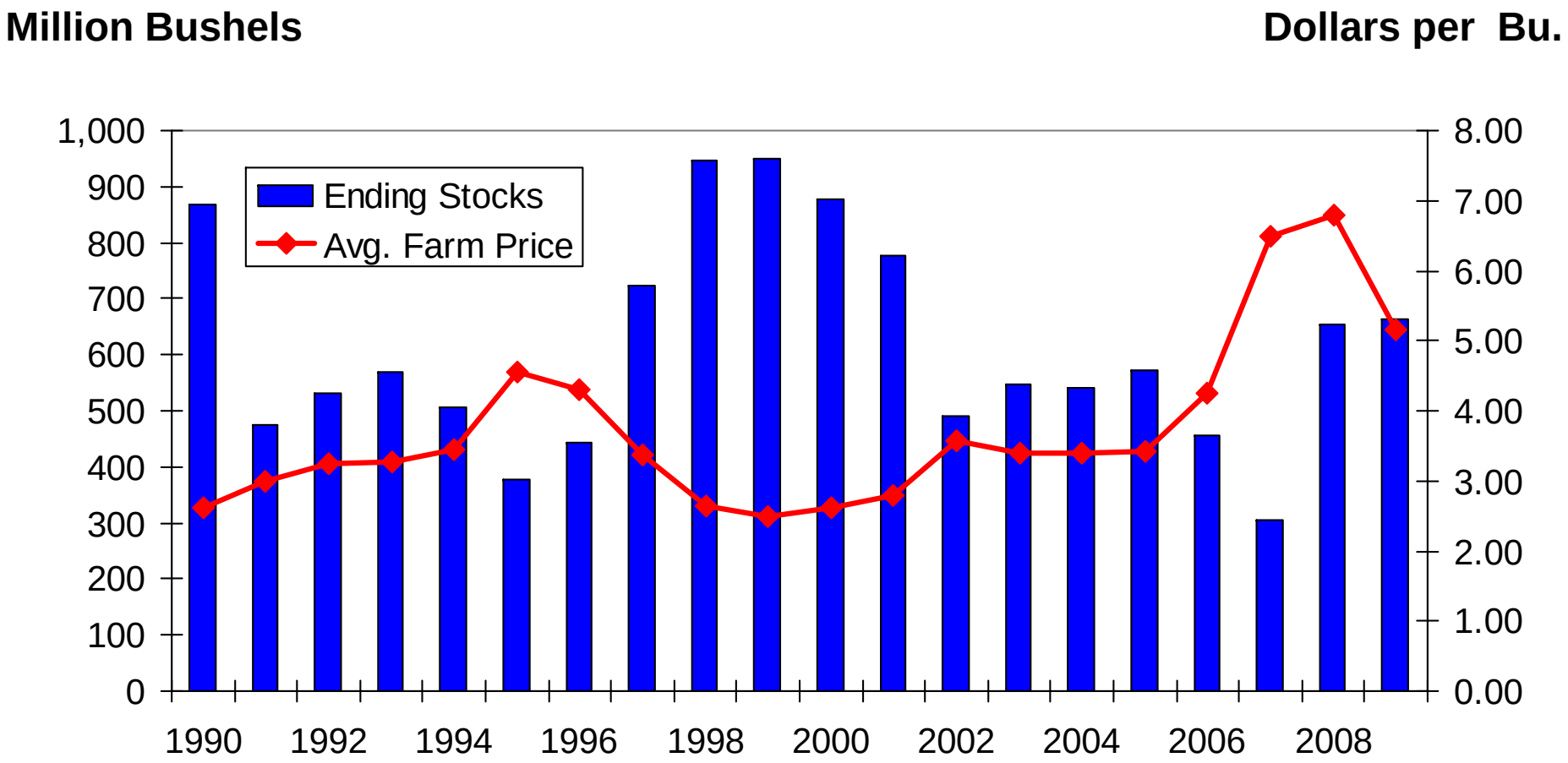




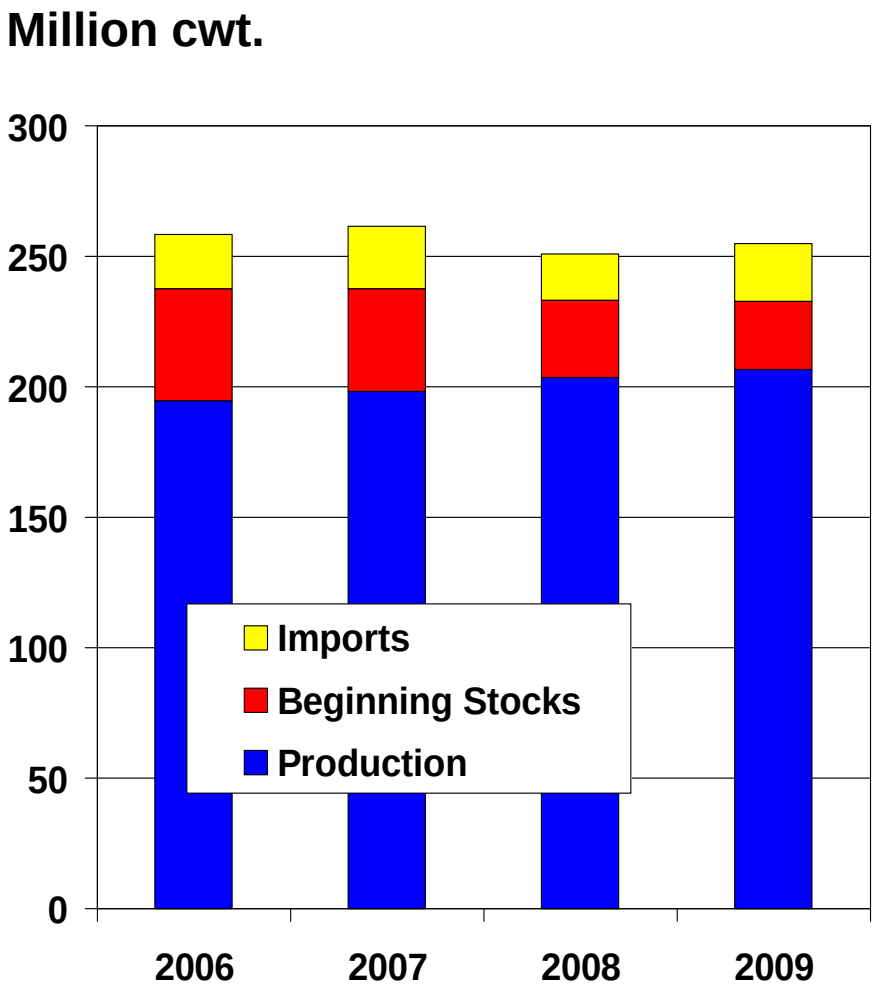
2008 Had Sharp Wheat Production Increases Among Major Competitors

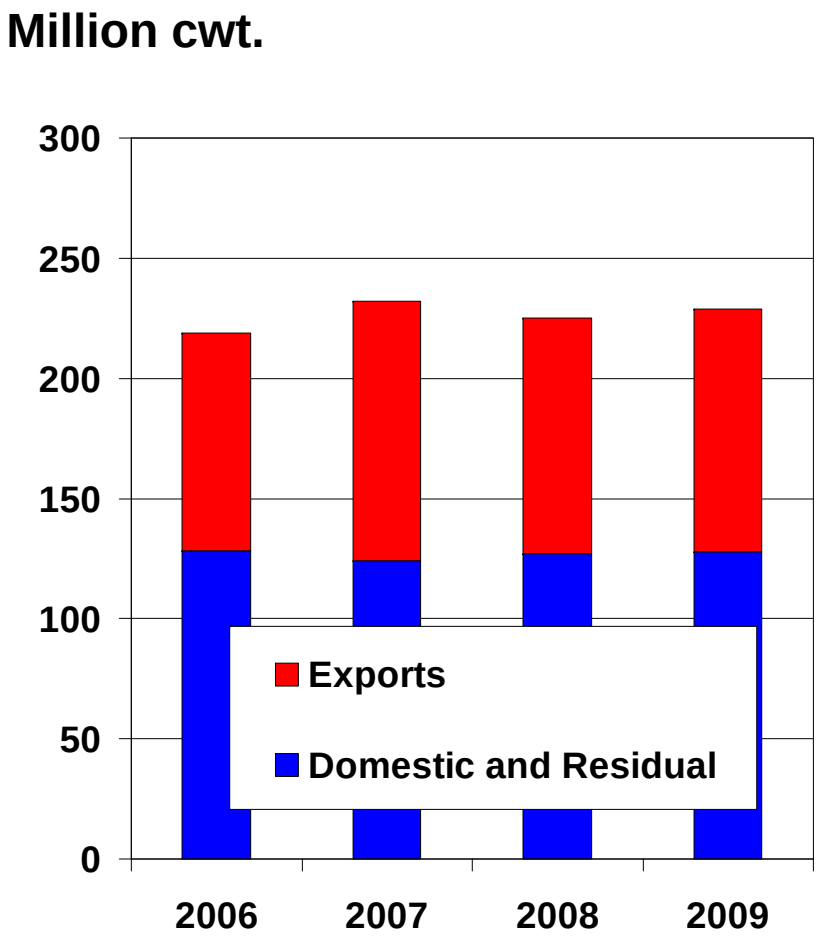


Wheat Price to Fall in 2009

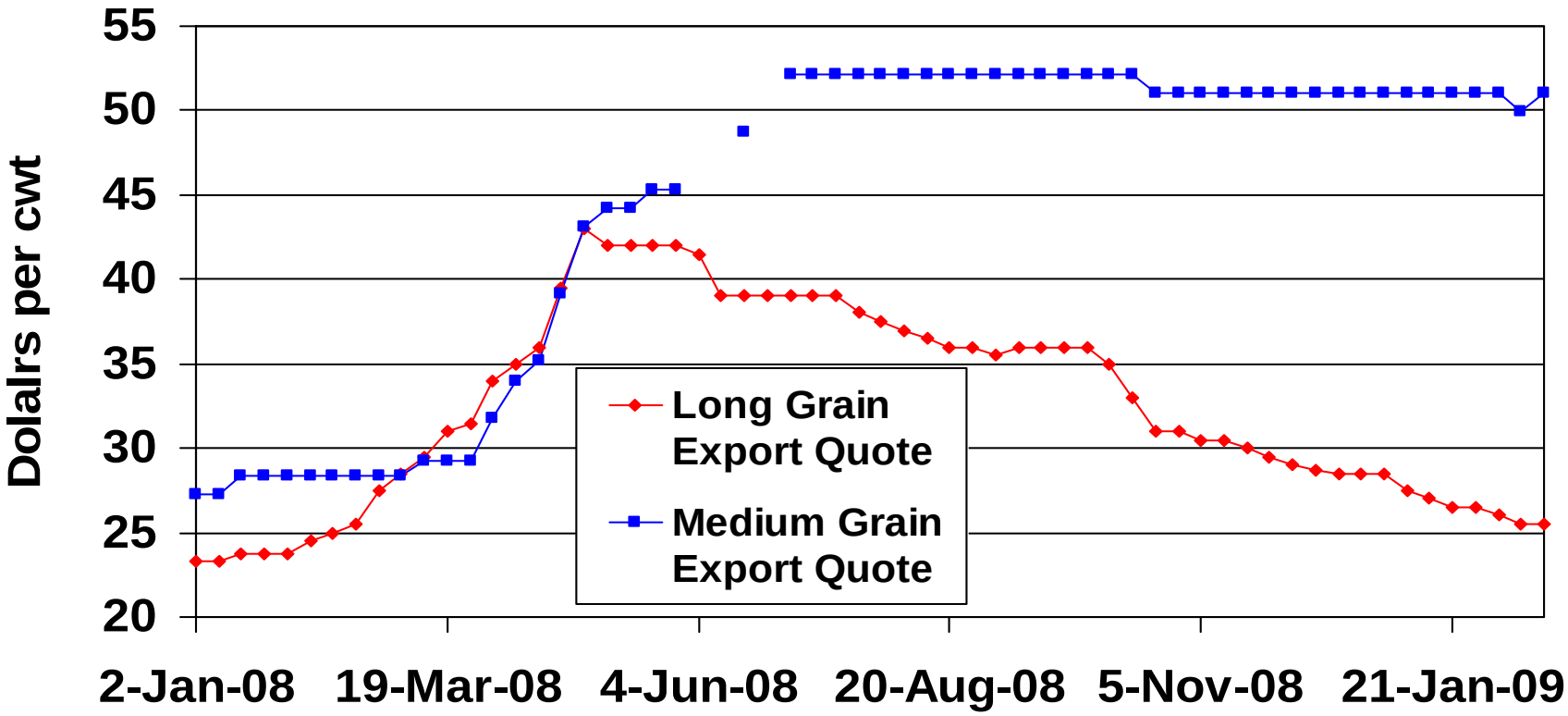


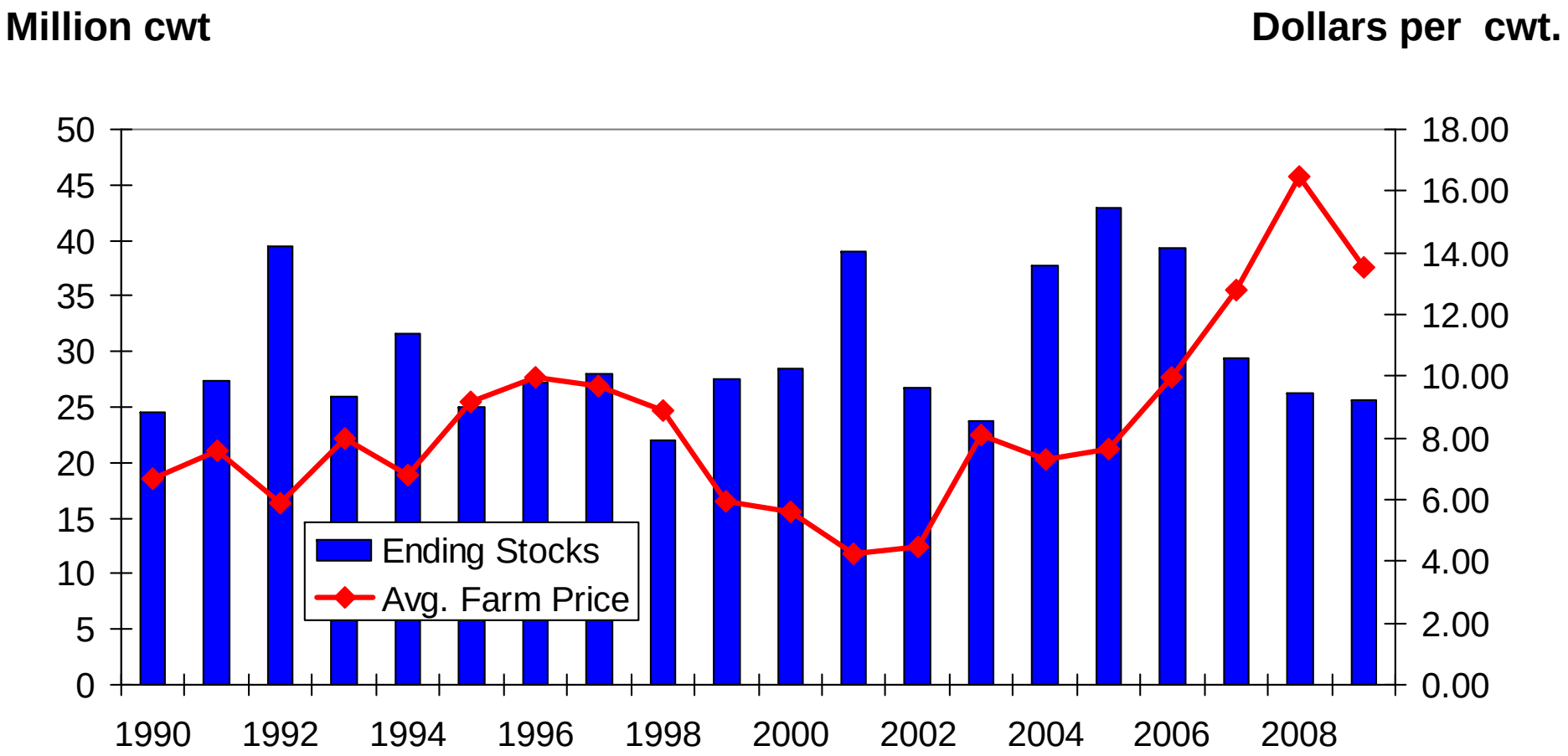
Yield Increases Leads to Larger 2009 Rice Crop





California Medium Grain Prices Remain Extremely High



Source: Creed Rice Market Report

Rice Prices to Fall in 2009