

**STATEMENT OF KEITH COLLINS
CHIEF ECONOMIST, U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE U.S. SENATE COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY**

November 3, 2005

Mr. Chairman and members of the Committee, thank you for the invitation today to discuss the implications for U.S. agriculture of higher energy prices and the disruption of the transportation system due to hurricanes. Many farmers were already facing rising energy and lower crop prices for the 2005/06 year due to strong global energy demand and large expected crop production in the United States. Hurricanes Katrina and Rita reduced domestic crude oil, natural gas and refinery production and destroyed port infrastructure, adding significantly to energy prices and disrupting trade infrastructure system. These impacts ripple across the Nation, exerting pressure on agricultural producers. While Gulf Coast areas have made important and remarkable steps toward recovery, and USDA has implemented a number of assistance programs, energy and transportation costs remain elevated, labor to operate export facilities is tight, Mississippi barge traffic is below normal, and both transportation and storage capacity remain under pressure. The higher energy prices and disruption of the transportation system are increasing farm production expenses, lowering prices to producers and raising farm program costs.

Importance of Gulf Ports for Agricultural Trade

Four of the top 10 U.S. ports used to export agricultural products are located in the Mississippi and Texas Gulf region. They are South Louisiana, 36 percent of total agricultural exports; New Orleans, 8 percent; Westwego, 5 percent; and Houston, 5 percent. Fifty-four percent of agricultural exports, or approximately 67 million metric tons of cargo, moved through these four ports in 2004. Key commodities include bulk grains and grain products such as cereal and flour, soybeans, vegetables, animal feed, rice, and tallow.

Two of the top 10 ports used to import agricultural products are also located in the Mississippi and Texas Gulf region. They are Houston, 5 percent, and New Orleans, 3 percent. In 2004, almost 3 million metric tons of agricultural imports, or 8 percent of total agricultural imports, moved through these Gulf ports. Key commodities include oils (coconut, soybean, palm kernel, nut), coffee, fruit (bananas and pineapple), molasses, and beverages.

The Mississippi River system is a major transportation artery in the U.S. agricultural marketing system, which serves as a low-cost way for Midwest grain and oilseed producers to ship to international markets. This system is an important factor in keeping U.S. grains and oilseeds as well as other products competitive in world markets. In a typical year, 50 to 65 percent of U.S. grain exports move down this inland waterway and through the Gulf to their final destinations around the globe. Just before Hurricane Katrina hit, out of a total 50 million metric tons leaving U.S. ports in 2005, 59 percent had already been exported from the Mississippi Gulf.

Gulf Area Transportation Situation for Agriculture

Initial Situation. Immediately after Hurricane Katrina hit New Orleans on August 29, debris and loss of aids to navigation, loss of power, evacuation of the city and infrastructure damage closed the Mississippi River to navigation. In addition to the bulk grain facilities and ports along the Mississippi River, the ports of Gulfport and Pascagoula, Mississippi, sustained damage to warehouses and storage for refrigerated and frozen commodities. Hurricane Rita, tracking farther west than Katrina, added to the disruption. The pace of vessel loading at ports fell sharply the week following Hurricane Katrina. Prior to the storm, the weekly loading pace was 36 vessels, and the week after the hurricane, vessels loaded fell to 10. Alternative ports, such as the Texas Gulf, Great Lakes and Pacific Northwest, were already running at or near full capacity when the hurricanes struck, limiting diversion opportunities.

Port Recovery. USDA's Office of Transportation and Marketing in the Agricultural Marketing Service has had the USDA lead for assembling information on the status of the marketing system in the Gulf and tracking the recovery effort. Gulf Ports have made substantial progress, although much work remains. There are 10 export elevators that can each load up to 120,000 bushels per hour and three floating rigs that can each load 30,000 to 60,000 bushels of grain per hour from river barges onto ocean-going vessels between Baton Rouge and Myrtle Grove, LA. These elevators have a total storage capacity of about 53 million bushels of grain and a capability of loading 970,000 bushels per hour when fully operational. Operational capacity went from zero immediately after Katrina to 63 percent of normal by September 7 to 80 percent by October 20th. Grain elevators on the Texas Gulf generally escaped damage from Rita. Getting power restored was their most significant delay. On the Lower Mississippi River, all navigational aids have been restored and the Coast Guard has lifted all restrictions on navigation. Initially, dredgers were not able to get to ports like Gulfport and Pascagoula because they were busy dredging in the Mississippi River. Dredging has now started in these ports over the past few weeks.

At New Orleans, the number of dock workers, truckers and crane operators continues below normal. Workers are living on temporary MARAD ships provided by the Department of Transportation; these vessels are scheduled to leave in mid-November. Demand for truck drivers at the port remains high, with truck capacity running at 50 percent of pre-storm levels.

In Gulfport, the clean-up process from the storm continues, including demolition of several damaged warehouses including some used for frozen product. Pascagoula is providing only direct loading services at this time, with cargo moved directly from truck, rail, or barge to and from the vessel. The port's warehouses are being reconstructed. The port plans to have the warehouses open and operational within a matter of weeks. At the Texas Gulf, public facilities at Port Arthur, which took almost a direct hit from Hurricane Rita, are fully operational. Some private facilities/terminals have not completely restored operations due to internal damage.

All Mississippi River channels used for grain export are open and operating at normal depths. The shipping channel leading to Port Arthur and Beaumont, Texas, is open to 40-feet with no restrictions. The Coast Guard also cleared the Port of Lake Charles, Calcasieu Channel, to 40-feet with no restrictions.

Barge Situation. Prior to Hurricane Katrina, lower water levels in the Upper Mississippi River system resulting from the drought in Corn Belt states had already led to rising barge rates in July and August and higher overall costs of moving grain down river. The low water levels were also causing concerns about the ability to move grain down the river during the upcoming harvest season. On the Mississippi Gulf, 90 percent of grain is delivered by barge, the rest by rail.

After Katrina, barge industry representatives initially estimated 300 to 400 barges were out of service, but by mid-October, after recovery efforts, a more realistic 25 barges are estimated to have been lost due to severe damage or sinking. Out of a fleet of 11,900 covered barges, the industry reports that as many as 2,000-plus covered barges are currently on the lower Mississippi River between Baton Rouge and Myrtle Grove, Louisiana – twice the normal number. The bottleneck of barges in the south is partly due to a lack of adequate labor to unload barges. A shortage of housing for barge crews contributes to this problem. In addition, an unknown number of barges are reported to be transporting “hold off-condition” grain, some of which are said to have been on the Mississippi Gulf prior to Hurricane Katrina. In addition, covered barges are being used to move non-grain cargo back up the Mississippi River which adds about two days to the turnaround time of a barge.

Barge grain shipments on the Mississippi Gulf were running behind the 4-year average before Hurricane Katrina. After the storm, shipments declined further as barges began to back up waiting for ports, elevators, and navigation channels to reopen. Despite the below-normal turnaround time, for the week ending October 22, barge grain shipments rose to over 135 percent of the average shipments for the four preceding weeks, although still lagging the 4-year average.

Rail Situation. Grain deliveries by rail to the Mississippi Gulf decreased sharply after Hurricane Katrina, recovered by September 21, but now appear to be lagging normal delivery by 2 weeks. For the last eight weeks, rail deliveries have been down 12 percent from 2004. For the week ending October 19, Mississippi Gulf grain deliveries were 31 percent below the same week in 2004. Deliveries to the Texas Gulf have been erratic, but for the week ending October 19, were still 70 percent above the 4-year average. Interchange service in New Orleans among five of the six major railroads has been restored. CSX is the only major railroad unable to interchange freight in New Orleans, and it expects to restore service by the end of February.

Bids for guaranteed grain cars have been at record highs since August due to large harvests and grain stocks. Secondary rail bids for guaranteed delivery during the months of January and February finally began to show signs of easing during the week of October 20 from sharp increases that occurred in response to Hurricanes Katrina and Rita. Still, they remain much higher than previous years, signaling shippers’ concerns about tightness in the transportation market overall. Bids normally ease for rail cars to be delivered in December as harvest ends; however, ongoing pressure on freight rates is anticipated this year.

Export Situation. Vessel loadings of bulk grain in the Mississippi and Texas Gulf declined significantly after Hurricanes Katrina and Rita. Within two weeks after Hurricane Katrina, vessel loadings were just about back to normal, reaching the 4-year average. However, with the approach of Hurricane Rita, the loading pace dropped again. As of the week ending October 20,

the gap between vessels loading and arriving was beginning to narrow, indicating recovery is progressing.

In the period immediately after Katrina hit, Mississippi Gulf grain inspections fell to 21 percent of the corresponding week in 2004. Compared to the same period during 2004, grain inspections declined consistently up until October 13, when they increased by 30 percent. The quantity of grain inspected again declined by 32 percent during the week of October 20, however inspections increased by 124 percent between September 29 and October 20.

Texas Gulf inspections have nearly returned to normal, with the exception of the Beaumont facility. The export grain elevator at Beaumont, Texas has limited power, and cleanup is still ongoing. This facility suffered the most damage from Hurricane Rita. However, it expects to be loading a vessel within the ten-day period prior to November 6, indicating that progress is being made. As of October 20, grain inspections in the Texas Gulf were 142 percent above the same period during 2004. This contrasts significantly with the inspection figure of 16 percent of the previous year that was experienced immediately following Hurricane Rita.

USDA Efforts to Help Improve the Marketing Infrastructure. USDA has implemented a series of emergency provisions to help improve the transportation and marketing situation for producers.

- **Barge movement.** USDA is providing temporary incentives to assist immediate movement of barges of damaged corn from New Orleans to up-river locations. When empty, the barges will be available to move newly harvested crops. USDA has received proposals to move 422,194 tons of damaged corn out of New Orleans and has accepted three of the offers from two companies to move 45 barges containing 69,918 tons of damaged corn out of New Orleans to up-river locations.
- **Alternative storage.** To help producers deal with insufficient barge transportation, USDA will pay incentives for alternative storage of up to 50 million bushels of grain. USDA has received proposals for alternative storage on over 327 million bushels and, to date, accepted proposals on 41.4 million from 19 companies.
- **Alternative transportation modes.** To reduce stress on the transportation system, USDA is providing a transportation differential to cover the costs of moving grain to other river transportation modes, handling methods and locations. Proposals have been received to move 829,359 tons of commodities through ports other than the Central Gulf. Six offers from three companies have been accepted to provide freight differential incentives to move 294,770 tons of corn, wheat, and soybeans through the Great Lakes and Pacific Northwest ports. The shift from Gulf barge transportation to Great Lakes and Pacific Northwest rail transportation will help mitigate the temporary congestion at Mississippi Gulf ports.
- **Marketing Assistance Loans.** Producers with 2004-crop corn, soybean and rice marketing assistance loans maturing at the end of September and October and who wish to forfeit the loan collateral securing these loans are being provided the opportunity to keep the commodities on their farm for 60 days, rather than move it immediately to commercial warehouses as normally required. During this 60-day period, the producer may purchase these forfeited commodities at the rate allowed for repaying marketing assistance loans.
- **Emergency Loans.** More than \$150 million in emergency loans has been made available to eligible producers who have suffered at least a 30-percent reduction in crop production or

have sustained physical losses to buildings, chattel or livestock from Hurricane Katrina. Farmers and ranchers have eight months from the date of a Presidential or Secretarial disaster declaration to apply for low-interest agency loans.

- **Temporary and Emergency Storage.** For the 2005-crop year, producers may obtain marketing assistance loans for "on-farm" grain storage on the ground in addition to storage in grain bins and other normally approved structures. States along the river in the upper Midwest have requests for approval of temporary and emergency storage in excess of 71 million bushels. Areas tributary to the Illinois River have requests for approval in excess of 43 million bushels. Facilities along the Missouri River have requested temporary and emergency storage in excess of 115 million bushels. We have requests along the Ohio River of approximately 40 million bushels. In total throughout the U.S., USDA has approved 222 million bushels of temporary storage and 273 million bushels of emergency storage.
- **On-farm storage capacity.** In addition, the Farm Storage Facility Loan Program (FSFL) is available to provide low-interest financing for producers to build or upgrade on-farm grain or silage storage facilities.

Energy Situation for Agriculture

In addition to the disruption of port facilities, agricultural export infrastructure and rising transportation rates, the hurricanes have exacerbated an already tight energy market. Fuel and fertilizer prices have risen, reflecting higher prices for crude oil and natural gas. USDA estimates farmers paid 63 percent more for diesel fuel in September 2005 than in September 2004. Crude oil delivered from the Gulf accounts for 30 percent of domestic production. Ninety-percent of Gulf oil output was disrupted by the hurricanes and caused a 30-to-40-cent-per-gallon jump in gasoline and diesel prices as farmers were gearing up for harvest.

Producers use energy directly for operating machinery and equipment on the farm, transporting products to market and indirectly in fertilizer produced off the farm. Farm expenditures on energy-related production inputs—electricity, fuels and oils, and fertilizers—rose from about 5 percent of total farm cash expenses in 1910 to over 17 percent by the early 1980s. From the early 1980s to 1999, improvements in efficiency and generally stable energy prices caused energy-related expenses as a share of total farm cash expenses to fall to about 11 percent. The share of energy-related expenses started rising again after the energy price spikes of 2000-2001.

Rising energy costs affect farm commodities in different ways, depending on their reliance on energy. USDA estimates the cost of production for corn, soybeans, wheat, cotton, grain sorghum, rice, peanuts, oats, barley, sugar beets, tobacco, milk, hogs, and cow-calf operations based on surveys conducted every 3-8 years. These estimates indicate that commodities with the highest energy-related expenses per acre include tobacco, rice, sugar beets, and peanuts.

- For example, in 2003, the average energy-related expenses for tobacco were about \$400 per acre, with about \$100 per acre for fuels, lubricants, and electricity and about \$300 per acre for fertilizer and soil conditioners.
- In comparison, the average energy-related expenses for rice, sugar beets, and peanuts were about \$128, \$108, and \$97 per acre, respectively.

- Energy-related costs for corn, sorghum, and wheat averaged \$66, \$51, and \$34 per acre, respectively.
- On the lower end, energy-related costs for soybeans were only \$16 per acre because of significantly lower fertilizer use.
- Expressed as a percent of per acre total farm expenses, which includes land and depreciation, energy-related costs are the highest for sorghum, 23 percent; rice, 21 percent; corn, 19 percent; and wheat, 18 percent.
- Energy-related expenses as a share of total farm production expenses were highest in the Midwest, where energy-related expenses accounted for about 11 percent of total farm production expenses, and lowest in the Atlantic and West regions at about 7 percent.

Natural gas is the primary input in the production of nitrogen fertilizer, representing 70 to 90 percent of the cost of anhydrous ammonia nitrogen fertilizer. When U.S. natural gas prices started to increase significantly in 2000, the cost of domestically produced ammonia also rose significantly. These rising production costs have been reflected in the prices paid by farmers for fertilizers. From 1999 to 2004, the Prices Paid Index for fertilizer rose by 34 percent. The Energy Information Administration (EIA) reports that the U.S. average natural gas price for industrial users doubled over the same period. More recently, the Prices Paid Index of prices for fertilizer for September 2005 remained the same as the August 2005 index but was 11 percent above September 2004, reflecting, in part, the increase in natural gas prices from 2004 to 2005. Long-term increases in natural gas prices will lead to an increase in the cost of U.S. nitrogen fertilizer production and higher expenses for fertilizers. Increasing imports of fertilizer will limit the impact of higher domestic natural gas prices on farmers to the extent that natural gas prices in other countries do not increase as rapidly as prices in the United States.

USDA's August farm income forecast, issued on August 31, 2005, based on pre-Katrina conditions, placed energy-related expenses at 13 percent of total farm cash expenses for 2005. The forecast indicated expenses for energy-related production inputs would be up \$3.3 billion, with fuels and oils accounting for \$2 billion and fertilizers \$1.3 billion. Energy price increases following Hurricanes Katrina and Rita could add \$1.5 billion to these 2005 expense forecasts, bringing farm production expenses for fuels, fertilizer and electricity to nearly \$28 billion.

Implications of Transportation and Energy Situation for the Farm Economy

Barge rates, rail rates, energy prices and farm prices. The price to charter a barge on the Mississippi River from Memphis to New Orleans has increased sharply since September. Barge rates in St. Louis by early October were quoted at \$30.76 per short ton, almost double last year's rates for this time period.

Rail will continue to struggle in a few areas, most notably to the Texas Gulf, until backlogs created by Hurricane Rita are corrected. Trips from South Kansas to Galveston that normally should take 2-3 days are taking 5 days, primarily due to early bad weather that has hit the Midwest. Demand for rail cars is continuing to increase due to other, non-agricultural factors. This means that railroads are pressed to capacity and it likely means added pressure on rail rates.

The lack of barge and rail availability, strong demand for transportation, and high energy prices are driving up barge and rail rates. Higher energy prices are also raising rail, truck, storage and processing costs. Much of these increased marketing costs get passed back to producers in the form of reduced farm prices. In addition, farm production costs are rising. Off-road diesel prices used for combines could average \$1.65 per gallon higher than last year. Farmers are dealing with increased costs for propane to dry grain as well as significantly higher fertilizer costs for fall applications. For example, the U.S. Department of Energy reports the Gulf Coast spot price for propane at \$1.125 per gallon on October 21, 2005, almost \$0.16 per gallon higher than the same time last year.

In addition to lower market prices and higher production costs, grain storage capacity has become a serious problem with carryover stocks of nearly 2.5 billion bushels of corn and soybeans from the 2004 record crops as well as the second largest harvests ever expected for 2005. As of October 23, U.S. farmers had harvested 87 percent of their soybeans and 65 percent of their corn. Farmers without sufficient storage capacity face the prospect of on-ground storage, paying for commercial storage if it can be found or selling at lower cash market prices.

As the hurricanes disrupted the marketing system, the national average corn basis -- the local cash price minus the futures price -- widened substantially. The national average corn basis, as measured using data from Data Transmission Network (DTN), is 19 cents per bushel. However, the basis usually widens in the fall as harvest selling begins. This year, there are several reasons to suggest a wider-than-normal fall basis: corn carryover from last year's record crop is exceptionally large; the second-largest corn crop ever is estimated for this year; and energy prices were already high, adding to transportation costs. The national average corn basis was 46 cents on October 25, 2005, compared with 29 cents a year earlier.

Basis changes differ by region. For example, the North Central Iowa corn basis was 58 cents on October 25, compared with 32 cents a year earlier. The weaker prices in Iowa probably reflect that State's larger than average corn supplies relative to storage capacity. Iowa is expected to face a storage deficit of 470 million bushels, requiring on-ground storage. Meanwhile in Central Illinois, where drought reduced production from trend, the corn basis on October 25 was 32 cents, only slightly wider than 28 cents a year earlier.

The combination of current low prices and upward revisions in the size expected for this year's grain and oilseed production has led USDA to lower farm price expectations for 2005/06. USDA forecasts an average U.S. farm price for corn of \$1.85 per bushel for the marketing year that began September 1, 21 cents below the 2004/05 marketing year average. Soybean prices are expected to average \$5.40 per bushel, 34 cents below last year's average. The lower farm prices and higher prices for energy-related products such as diesel, propane and fertilizer are cutting into farmers' bottom lines. USDA will issue a post-Katrina, Rita and Wilma estimate of 2005 farm income on November 3, 2005.

Food Prices. Data on consumer food spending indicate that the farm value represents about 19 percent of the retail cost of food, with the remaining 81 percent attributable to food processing, transportation, wholesaling, and retailing. The energy component of the marketing bill for food was estimated to account for 3.5 percent of retail food expenditures in 2000, with eating places

incurring nearly 40 percent of the fuel and electricity costs of food marketing. The rail and transportation costs accounted for another 4 percent of food marketing costs, but only a portion of those expenses are energy-related costs. The spike in energy costs in recent years has raised questions about the effect of higher energy costs on retail food prices. Because energy and energy-related costs represent a relatively small share of the retail cost of food, we expect that higher energy prices to have only a small effect on food prices. The Consumer Price Index for food rose 2.5 percent during the first half of 2005 and in September was 2.4 percent above September 2004. This year's rate of increase is less than that experienced in 2004 when the CPI for food rose 3.5 percent compared with 2003.

Farm program costs. A sharp increase in loan deficiency payments and countercyclical payments triggered by low market prices will help offset some of producers' lost income. Through loan deficiency payments alone, corn producers could capture about 45-cents per bushel. This will, of course, add considerably to farm program spending, which was already up. Commodity Credit Corporation outlays, which dropped to \$10.6 billion in fiscal 2004, were expected to be \$19.5 billion in 2005 and nearly \$22 billion in 2006, even prior to Hurricanes Katrina and Rita.

Competitiveness of U.S. Exports. The Mississippi Gulf region is a crucial export region for movement of U.S. grains and oilseeds to overseas markets. Data recently released by the U.S. Bureau of the Census indicates that the value of U.S. agricultural exports through the Port of New Orleans fell by \$366 million (52 percent) in September compared with one year ago. Through the week ending October 13, inspections of corn for export through Mississippi Gulf ports were down 3.7 million metric tons (15 percent), compared with one year ago.

The loss in corn exports and the adverse effects on corn prices due to the disruption in grain movements caused by hurricanes Katrina and Rita depends on: (1) the length of time port operations are affected, (2) the extent that foreign buyers can delay purchases from us, and (3) the extent to which grain might be diverted to other ports or to alternative uses, including short term storage. The quick actions taken by the U.S. Army Corp of Engineers to replace navigation aides on the Mississippi River and to re-open the Port of New Orleans helped minimize the disruption caused to the grain transportation and shipping industries by hurricanes Katrina and Rita. Data indicate grain inspections for export are already exceeding year ago levels and total U.S. Gulf vessel loadings have returned to the previous 4-year average. USDA helped by providing assistance with the movement of barges containing damaged grain from New Orleans, providing incentives for alternative grain storage, encouraging alternative shipping patterns, and allowing producers to store USDA-owned corn on the farm with the option to purchase. Finally, we know of no cases where major foreign buyers of U.S. corn have indicated they were going to switch to a foreign source because of the disruption to Mississippi Gulf ports. Foreign buyers have increased purchases from west coast ports and were capable of drawing on their inventories as New Orleans recovered. Traffic through west coast ports has increased 23 percent year-to-date with no discernable congestion problems.

Based on the above considerations, USDA has not reduced its official forecasts of the volume of corn exports for the 2005/06 crop year. As of October, 12, USDA's estimate of this year's corn exports is 2.0 billion bushels, the same as the early September estimate and up slightly from the

early August estimate. While actual exports were below expected levels in September, USDA believes the shortfall will be made up as the year progresses. The season-average corn price forecast has been reduced for the 2005/06 crop year, from \$2.00 per bushel in early August to \$1.85 in early October, which does reduce the value of exports. (Note that price forecast is for the full year and includes forward contracted prices.) But, much of the reduction in the price forecast is due to an increasing corn production forecast, which is now placed at 10.9 billion bushels, the second largest crop ever.

What can farmers do? USDA believes that the Mississippi River system will be able to handle this year's grain movements, although it will take longer to move grain down the river and it will cost more to do so. USDA is working to help producers deal with the slowdown in barge traffic and storage problems. In the short run, farmers are limited in what they can do to mitigate the effects of lower farm and higher energy prices. Higher LDPs and countercyclical payments will help offset lower farm prices for eligible producers. Some producers may be able to reduce energy consumption by allowing crops to dry naturally, although with most fall crops already harvested there is little flexibility for this year.

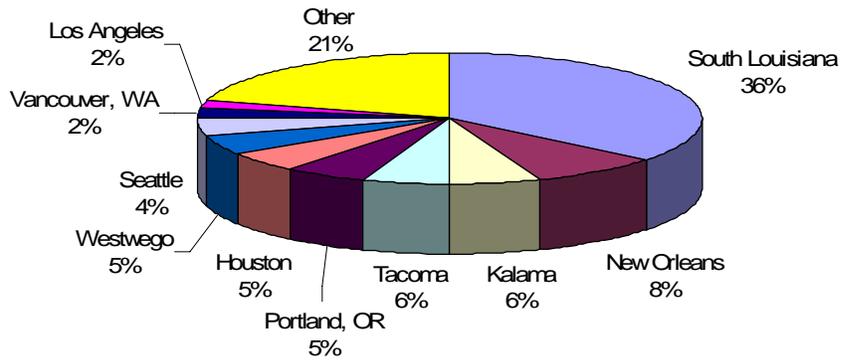
Over the longer term, research indicates energy savings are possible in a number of areas. For example, under conservation tillage, it has been estimated farmers can save 3.9 gallons of fuel per acre by going from conventional tillage to no-till. Energy savings can also come from better irrigation water management, including low-energy precision application; improved pesticide management; improved nutrient management; shifting to grazing systems instead of baled feed; adding windbreaks; adopting precision agriculture; purchasing energy efficient equipment; and generating energy on the farm using anaerobic digesters. Some producers may also be able to switch to less energy-intensive crops. In addition, U.S. farms and ranches have increasing opportunities to produce biomass for biofuel and electricity production.

Conclusion

This year's devastating weather has damaged crops, livestock and livestock products and the agricultural production and marketing infrastructure in the Gulf Coast area. These disruptions combined with higher energy costs have slowed farm marketings, lowered prices of some farm commodities, and raised farm production and marketing costs. While these impacts will reduce many producers' farm incomes, farm product demand remains strong, and farm programs are cushioning the income drop from many producers. While energy costs in particular will be a financial problem for some producers this and next year, as long as cash receipts remain strong the farm economy is likely to absorb these costs without crisis. Substantial work remains to restore the marketing system to normal. USDA will continue its efforts with other Federal, State and local agencies to provide needed assistance. We will also continue to monitor the energy price situation closely. While farmers and ranchers face a number of challenges for 2006, we are confident that the underlying financial strength of U.S. agriculture is likely sufficient to deal with the uncertainties ahead.

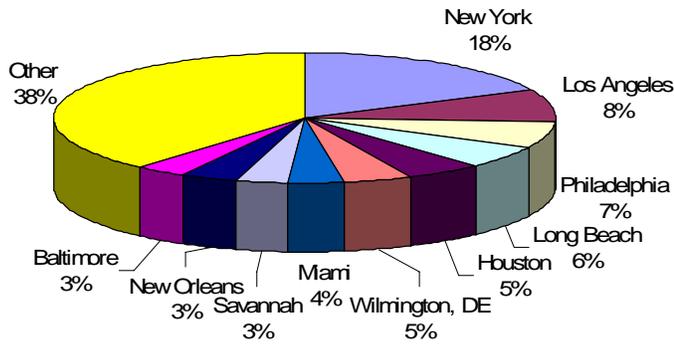
That completes my statement, and I will be happy to respond to any questions.

Top U.S. Ports Moving Agricultural Exports, 2004



Source: Port Import Export Reporting Service (PIERS), Journal of Commerce
 Data is calculated by weight

U.S. Ports Moving Agricultural Imports, 2004



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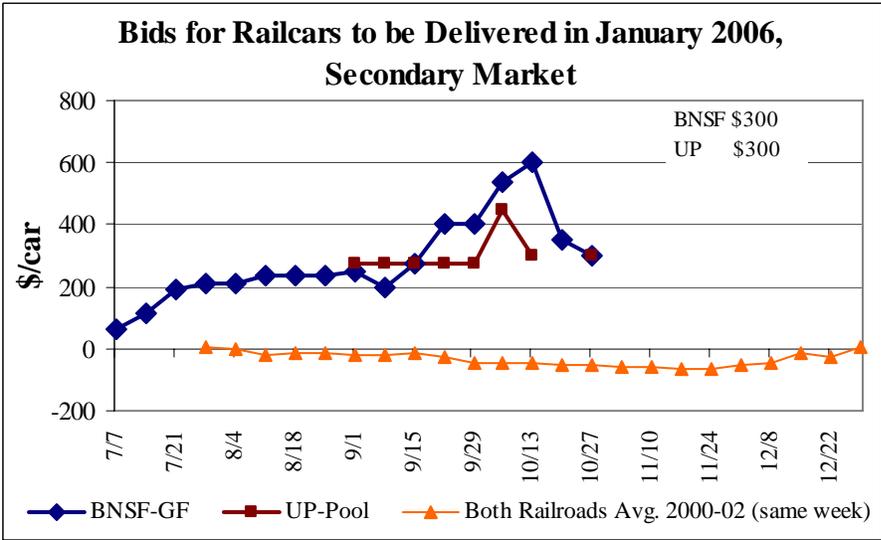
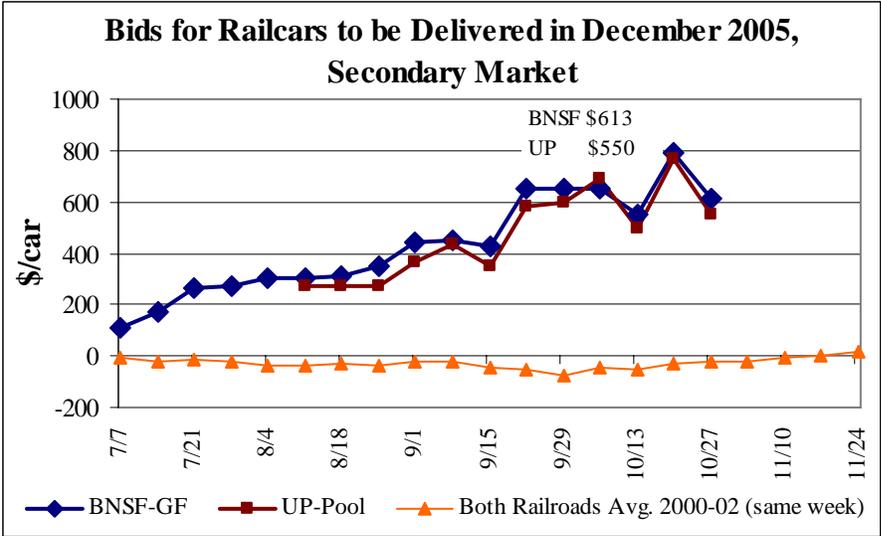
**Total 2004 Agricultural Exports
New Orleans, South Louisiana, and Westwego, LA**

Commodities	Thousand Metric Tons	Share	U.S. Share
Bulk grain	29,365	44%	48%
Soybeans	17,500	26%	68%
Grain products, flour	7,536	11%	82%
Vegetables	5,660	9%	60%
Animal feed	3,879	6%	48%
Rice, crackers, pasta	1,176	2%	42%
Soybean oil	269	0%	83%
Bulbs and seeds	266	0%	31%
Poultry	262	0%	12%
Corn oil	236	0%	70%
Other	436	1%	4%
Total	66,585	100%	49%

**Top 10 Agricultural Commodities Exported through
Texas Gulf Ports*, 2004**

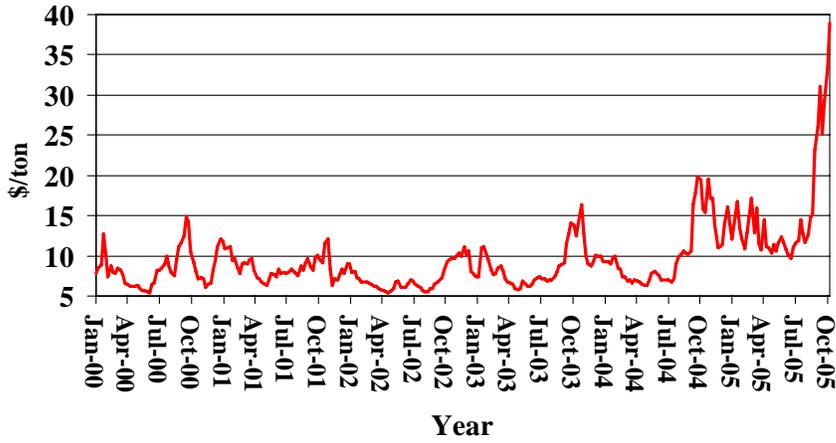
Commodities	Thousand Metric Tons	Share	U.S. Share
Bulk grain	7,906	76%	13%
Tallow, grease	546	5%	68%
Rice, crackers, pasta	32	3%	12%
Bulbs and seeds	245	2%	29%
Grain products, flour	174	2%	2%
Edible nuts	145	1%	30%
Soybeans	121	1%	0.5%
Poultry	112	1%	5%
Cotton	104	1%	6%
Corn oil	79	1%	23%
Other	703	7%	2%
Total	10,464	100%	8%

* Texas Gulf ports include: Houston, Galveston, Freeport, Corps Christi, Beaumont, Pt. Arthur, Point Comfort, Brownsville

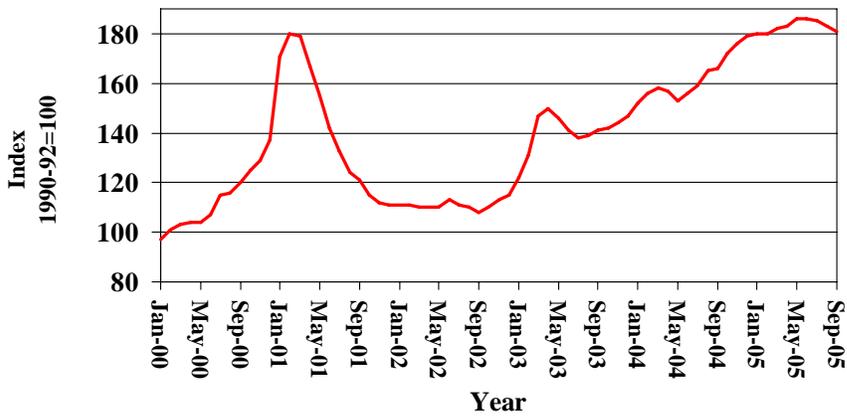


Barge Rate Quotes, 2000-05

Illinois River to New Orleans

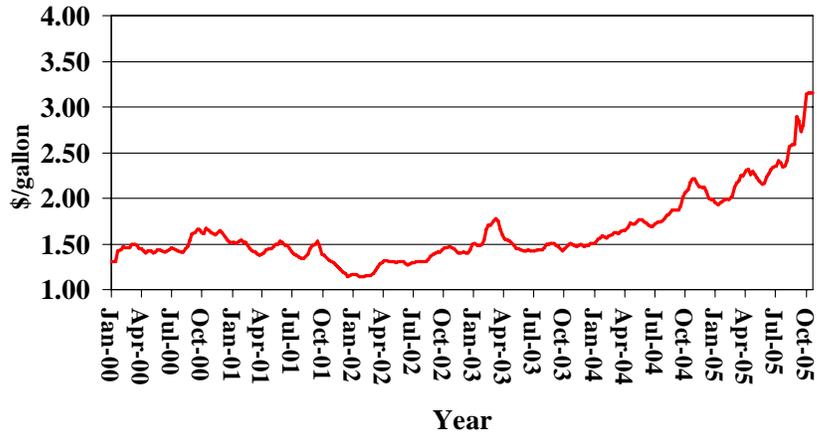


Monthly Nitrogen Prices, 2000-05



Retail Diesel Prices, 2000-05

On-Highway, U.S. Average



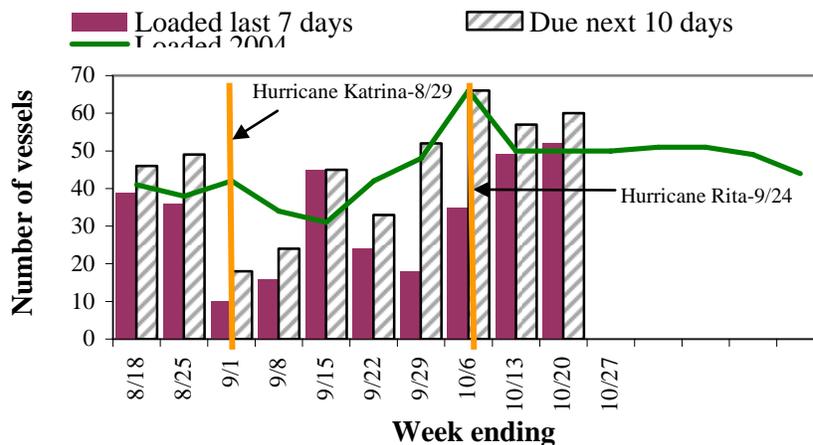
2005 vs. 2004 Grain Inspections (1,000 bushels)

Week Ending	Mississippi Gulf			Texas Gulf			Total (MS, TX, & PNW)		
	2005	2004	% Chg.	2005	2004	% Chg.	2005	2004	% Chg.
08/25/05	32,126	36,348	↓ 12	5,455	3,994	↑ 37	61,551	56,021	↑ 10
9/1/2005*	6,232	30,931	↓ 80	9,318	5,185	↑ 80	30,601	56,665	↓ 46
09/08/05	9,436	35,775	↓ 74	5,794	3,044	↑ 90	33,708	52,895	↓ 36
09/15/05	27,139	26,781	↑ 1	15,307	2,822	↑ 442	58,445	45,738	↑ 28
09/22/05	31,483	53,839	↓ 42	6,935	4,935	↑ 41	57,827	81,667	↓ 29
9/29/2005*	20,968	50,372	↓ 58	1,024	6,397	↓ 84	42,543	74,209	↓ 43
10/06/05	41,025	46,862	↓ 12	11,637	966	↑ 1105	73,966	64,157	↑ 15
10/13/05	53,389	41,143	↑ 30	8,522	5,045	↑ 69	79,660	68,295	↑ 17
10/20/05	46,951	69,517	↓ 32	7,328	3,023	↑ 142	80,482	95,783	↓ 16
Season to Date	221,798	322,051		63,992	32,388		438,301	499,647	
2005 as % 2004	69%			198%			88%		
YTD 2005	1,365,401	1,516,366		237,723	257,580		2,462,658	2,551,181	
2005 as % 2004	90%			92%			97%		

* Hurricane Katrina, Aug. 29; Hurricane Rita, Sept. 24.

Source: USDA, FGIS

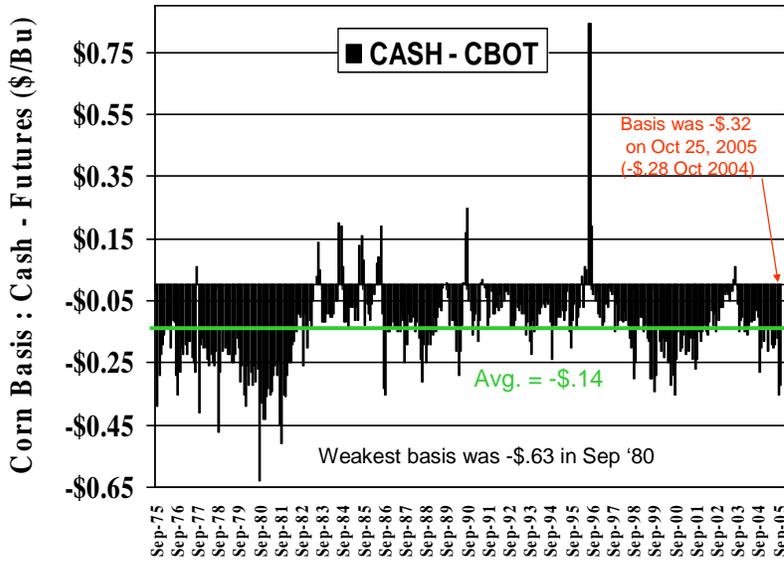
U.S. Gulf* vessel loading activity, 2005



Source: Transportation & Marketing Programs/AMS/USDA

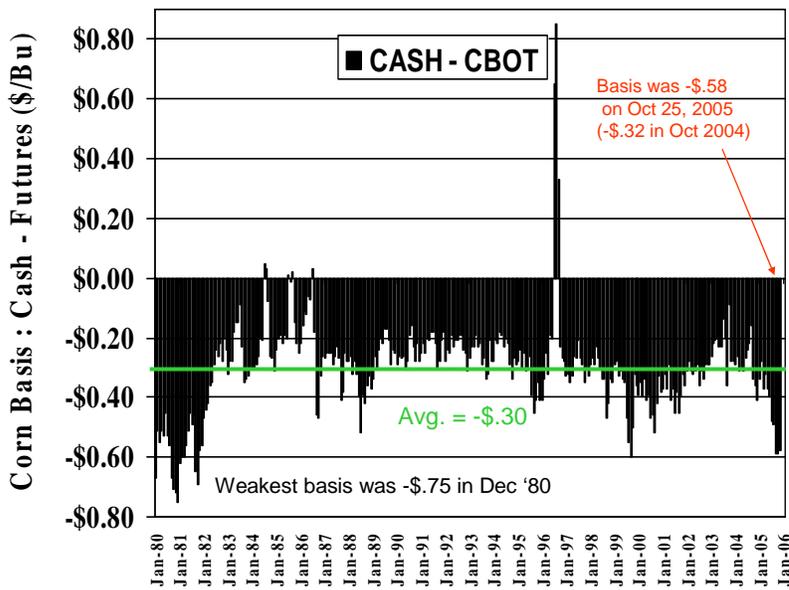
*U.S. Gulf includes Mississippi, Texas, and East Gulf

Central Ill. Corn Basis



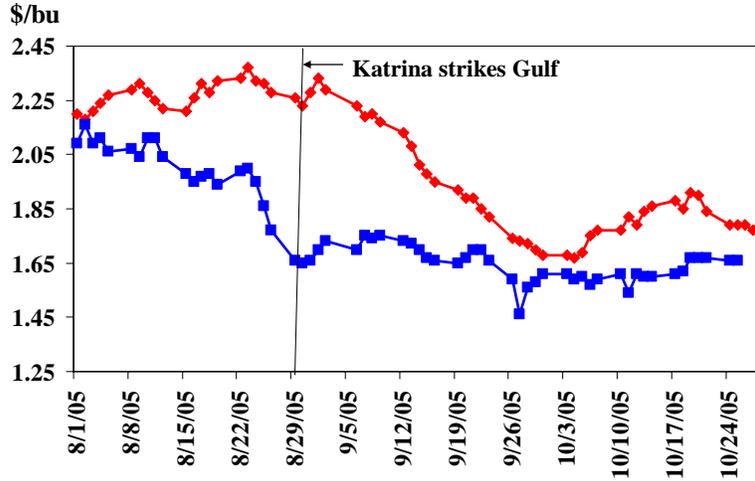
* Sources: USDA/AMS and CBOT

North Central Iowa Corn Basis



* Sources: USDA/AMS and CBOT

Daily Corn Cash Prices at Southern Iowa Barge Terminals



Daily Soybean Cash Prices at Southern Iowa Barge Terminals

