WHAT'S AHEAD FOR AGRICULTURE

Remarks by Mark Pearson
Mosaic AgCollege
St. Petersburg, Florida
January 23-24, 2008
THERE ARE CARS ALL OVER THE WORLD STARVING FOR ETHANOL... SO FINISH YOUR CORN.
USDA January Report: Corn

- July ‘08 ending stocks slashed 360M bushels to 1.438B bushels
- Projected feed demand up 300M bushels, corn for ethanol unchanged at 3.2B bushels
- Overall usage at 12.955B bushels; ‘07 production trimmed 92M bushels from Dec. estimate to 13.074B bushels

Source: USDA
USDA January Report: Wheat

- HRW winter acreage at 32.5M; 2.5M acres less than average trade guess
- SRW acreage at 10.5M: 400K acres above pre-report guesses
- Total estimated acreage, 46.610M vs. average guess 48.586M and ’07 planted total of 44.987M acres

Source: USDA
USDA January Report: Soybeans

- Fairly close to pre-report estimates with BPA at 41.2 (41.3 previous)
- 2.585B bushels in ’07; 2.587B bushels previous estimate
- Ending stocks trimmed 10M bushels to 175M bushels; 3M bushels above average guess

Source: USDA
China’s Total Primary Energy Consumption, 1970-2020

China’s Demand for Oil Imports

![Graph showing the trend of consumption and production of oil from 1996 to 2020.]

Energy Consumption in Select Asian Countries, 1980-2001

Source: EIA
Indian Energy Consumption

India’s Fuel Share of Energy Consumption, 2001 (Btu)

- Petroleum: 34.4%
- Coal: 50.9%
- Natural Gas: 6.5%
- Hydro: 6.3%
- Geothermal, wind, solar: 0.2%
- Nuclear: 1.7%

Source: EIA
China: Food Consumption Trends

- China's consumer expenditure on food, beverages and tobacco to grow at a CAGR of 12.8% during 2007 to 2011.

- China's rapid economic growth, continuing urbanization leads consumers away from staple food to more meat; consumption to grow at a CAGR of 4.23% during 2007 to 2011.

- With production rise of bottled water, flavored and carbonated drinks, tea-based beverages and fruit juices, volume sales of soft drinks to surge at a CAGR of 10.2% during 2007 to 2011.

- Increasingly busy lifestyles of urban Chinese in particular have led to an increased demand for convenience foods, such as ready meals.

Source: www.researchandmarkets.com
Energy Independence and Security Act

- Signed into law Dec. 19; takes effect Jan 1;
- 9 billion gallons renewable fuels by 2008; 36 billion by 2020;
- Mandates cellulosic feedstock ethanol volume by 2010; 16 billion gallons by 2022;
- Promotes infrastructure, R&D investment in new bio-energy sources.
U.S. Corn Industrial Use

Million Bushels

Compliments of F.C. Stone
U.S. Corn Yields 1930-2006

U.S. Corn Yields

R^2 = 0.9639

Compliments of F.C. Stone
U.S. Ethanol Biorefinery Locations

Biorefineries in Production (115)

Biorefineries under Construction (79)

Source: Renewable Fuels Association
4.3.07
Fuel Futures: Ethanol July ’08

Source: CBOT
Market Penetration By State
(10% Ethanol Blends as Share of Projected 2007 State Gasoline Sales)

North American Biofuels Information Service, October 2007
Fuel Futures: NYMEX Crude Oil

Source: NYMEX
U.S. Corn and Soybean Planted Acreage

Million Acres

Source: USDA
## Acreage Estimates ’08

<table>
<thead>
<tr>
<th></th>
<th>USDA</th>
<th>AFBF</th>
<th>Collins</th>
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<tbody>
<tr>
<td></td>
<td>’07</td>
<td>’08</td>
<td>’08</td>
</tr>
<tr>
<td>Corn</td>
<td>93.6</td>
<td>88.0</td>
<td>87-88</td>
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<tr>
<td>Soybeans</td>
<td>63.7</td>
<td>69.5</td>
<td>70.0</td>
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<tr>
<td>Wheat</td>
<td>60.4</td>
<td>64.5</td>
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## WORLD CORN SUPPLY AND USE

<table>
<thead>
<tr>
<th></th>
<th>2005/06</th>
<th>2006/07 (estimated)</th>
<th>2007/08 (projected)</th>
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<tbody>
<tr>
<td>Beginning Stocks</td>
<td>130.76</td>
<td>122.90</td>
<td>100.96</td>
</tr>
<tr>
<td>Production</td>
<td>696.16</td>
<td>703.30</td>
<td>774.1</td>
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<tr>
<td>Imports</td>
<td>79.41</td>
<td>87.1</td>
<td>87.93</td>
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<tr>
<td>Feed</td>
<td>476.31</td>
<td>474.31</td>
<td>486.06</td>
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<tr>
<td>Total</td>
<td>704.02</td>
<td>725.24</td>
<td>769.62</td>
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<tr>
<td>Exports</td>
<td>80.89</td>
<td>90.11</td>
<td>88.55</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>122.90</td>
<td>100.96</td>
<td>105.44</td>
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</table>

Million Metric Tons
The 2007/08 projected ratio, 11.7% (representative of supply), is small by historic comparison. Supply is in a precarious state. This will underpin price until stocks grow. The global demand base for corn/coarse grains continues to expand.
US CORN ENDING STOCKS AS A % OF USE

The 2007/08 ratio, 14%, indicates supply will readily meet demand. This suggests there are no major supply concerns in USA at present. 2008/09 is more concerning.
10-Year Corn Prices

Prices Received by Farmers, Corn, US

Dollars per Bu

Year

Source: NASS
Fuel Futures: Soybean Oil July ’08

Source: CBOT
U.S. Corn and Soybean Planted Acreage

Source: USDA
## USDA Corn Supply & Demand

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Area Planted</strong></td>
<td>78.3</td>
<td>93.6</td>
</tr>
<tr>
<td><strong>Area Harvested</strong></td>
<td>70.6</td>
<td>86.5</td>
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<tr>
<td><strong>Yield</strong></td>
<td>149.1</td>
<td>151.1</td>
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<tr>
<td><strong>Beginning Stocks</strong></td>
<td>1,967</td>
<td>1,304</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>10,535</td>
<td>13,074</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td>12</td>
<td>15</td>
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<tr>
<td><strong>Supply, Total</strong></td>
<td>12,514</td>
<td>14,393</td>
</tr>
<tr>
<td><strong>Feed &amp; Residual</strong></td>
<td>5,598</td>
<td>5,950</td>
</tr>
<tr>
<td><strong>Food, Seed &amp; Indust</strong></td>
<td>3,488</td>
<td>4,555</td>
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<tr>
<td><strong>Domestic Use, Total</strong></td>
<td>9,086</td>
<td>10,505</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td>2,125</td>
<td>2,450</td>
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<tr>
<td><strong>Use, Total</strong></td>
<td>11,210</td>
<td>12,955</td>
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<tr>
<td><strong>Ending Stocks</strong></td>
<td>1,304</td>
<td>1,438</td>
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<tr>
<td><strong>Average Farm Price</strong></td>
<td>$3.04</td>
<td>$3.70 - $4.30</td>
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Compliments of PHI Marketing
The 2007/08 projected ratio, 11.3%, is small by historic comparison. Supplies are adequate but not burdensome. This will underpin U.S. and world values and keep price volatility high until stocks begin to again consistently grow.
The 2007/08 ratio of 11% indicates supply will meet demand. This suggests there are no major supply concerns in the USA at present. 2008/09 is more concerning and price supportive.
10-Year Corn Prices

Prices Received, Corn, US

Source: NASS
March ’08 Corn

Source: CBOT
July ’08 Corn

Source: CBOT
December ’08 Corn

Source: CBOT
December '09 Corn

Source: CBOT
10-Year Soybean Prices

Prices Received, Soybeans, US

Source: NASS
March ’08 Soybeans

Source: CBOT
July ’08 Soybeans

Source: CBOT
November ’09 Soybeans

Source: CBOT
The 2007/08 projected ratio of 6.4% is a large y-o-y decline. Supply will be precarious for months to come. World supplies are projected to be adequate. Supply concerns will underpin the market for weeks to come.
WORLD SOYBEAN ENDING STOCKS AS A % OF USE

The 2007/08 projection, 14.9% (representative of supply), is smallest since 2003/04. Embedded within this projection is a record So. American (SA) '08 crop. Supplies will be adequate to meet growing global demand BUT no margin for short SA '08 production.
## WORLD SOYBEAN SUPPLY AND USE

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<th>2006/07 estimated</th>
<th>2007/08 projected</th>
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<tr>
<td>Beginning Stocks</td>
<td>47.41</td>
<td>52.83</td>
<td>61.58</td>
</tr>
<tr>
<td>Production</td>
<td>220.44</td>
<td>235.57</td>
<td>220.34</td>
</tr>
<tr>
<td>Imports</td>
<td>64.15</td>
<td>68.79</td>
<td>75.11</td>
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<tr>
<td>Crush</td>
<td>185.03</td>
<td>195.25</td>
<td>204.91</td>
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<tr>
<td>Total</td>
<td>215.17</td>
<td>224.66</td>
<td>235.26</td>
</tr>
<tr>
<td>Exports</td>
<td>63.99</td>
<td>70.96</td>
<td>75.54</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>52.83</td>
<td>61.58</td>
<td>46.24</td>
</tr>
</tbody>
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Million Metric Tons

Compliments of PHI Marketing
10-Year Wheat Prices

Prices Received, Wheat, US

Source: NASS
March ’08 Chicago Wheat

Source: CBOT
July ’08 Chicago Wheat

Source: CBOT
December ’08 Chicago Wheat

Source: CBOT
December ’09 Chicago Wheat

Source: CBOT
## WORLD WHEAT SUPPLY AND USE

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<th>2007/08 projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Stocks</td>
<td>150.62</td>
<td>147.65</td>
<td>124.38</td>
</tr>
<tr>
<td>Production</td>
<td>621.46</td>
<td>593.66</td>
<td>603.00</td>
</tr>
<tr>
<td>Imports</td>
<td>110.15</td>
<td>112.37</td>
<td>103.90</td>
</tr>
<tr>
<td>Feed</td>
<td>111.30</td>
<td>105.56</td>
<td>98.49</td>
</tr>
<tr>
<td>Total</td>
<td>624.43</td>
<td>616.93</td>
<td>616.45</td>
</tr>
<tr>
<td>Exports</td>
<td>116.16</td>
<td>110.69</td>
<td>104.68</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>147.65</td>
<td>124.38</td>
<td>110.93</td>
</tr>
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Million Metric Tons

(30 year low)
WORLD WHEAT ENDING STOCKS
AS A % OF USE

The 2007/08 projected ratio, 15.4%, is the smallest in the last 32 years. Supplies are tight. No margin for crop shortfalls in the world.

Compliments of PHI Marketing
US WHEAT ENDING STOCKS AS A % OF USE

The 2007/08 projected ratio, 13%, is small by historic comparison. This will underpin values until stocks grow.

Compliments of PHI Marketing
10-Year Cattle Prices

Prices Received, Cattle, US

Dollars per Cwt

Source: NASS
Feeder Cattle

Source: Chicago Mercantile Exchange
Live Cattle

Source: Chicago Mercantile Exchange
10-Year Hog Prices

Source: NASS
Lean Hogs

Source: Chicago Mercantile Exchange
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://drought.unl.edu/dm
U.S. Average Cropland Value

Source: USDA-NASS
U.S. Average Pasture Value

U.S. Average Pasture Value
Dollars per Acre, 1998 - 2007

Source: USDA-NASS
U.S. Average Cropland Rented for Cash

Source: USDA-NASS
U.S. Average Pasture Rented for Cash

Source: USDA-NASS
10-Year Treasury Note Yield

Source: http://finance.yahoo.com
10-Year Prime Rate

Source: MoneyCafe.com
“THE ULTIMATE RESOURCE”

Julian Simon