



# FAPRI 2006 U.S. Baseline Briefing Book

FAPRI-UMC Report #01-06

March 2006

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**FAPRI**  
At the University of Missouri

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**Food and Agricultural  
Policy Research Institute**

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# Foreword

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This report presents a summary of ten-year baseline projections for U.S. agricultural markets prepared by the Food and Agricultural Policy Research Institute (FAPRI). FAPRI is a joint institute of Iowa State University and the University of Missouri that provides analysis of agricultural markets and policies for Congress and other decision makers.

## Process and Assumptions

The process that led to this baseline began in November 2005, when FAPRI analysts prepared a preliminary set of projections. These were reviewed at a December 2005 workshop in Washington, D.C. Reviewer comments and other new information were incorporated in this revised baseline, prepared in late January 2006.

The baseline is not a forecast of what will happen, but rather a projection of what could happen if current policies remain in place. The baseline incorporates provisions of current U.S. farm law, including the Deficit Reduction Act of 2005. For purposes of the baseline, we assume that when the Farm Security and Rural Investment Act (the 2002 farm bill) expires in 2007, all of its provisions will be extended indefinitely.

Assumptions about the non-agricultural economy rely on January 2006 forecasts by Global Insight.

## What's New This Year

In past years, FAPRI briefing books have mostly reported point estimates of what the world might look like under one very particular set of assumptions. FAPRI also conducts stochastic analysis that considers at least some of the underlying variability and unpredictability of agricultural markets. In essence, FAPRI looks at 500 possible futures that differ from each other in terms of assumptions about things like annual weather patterns, foreign demand for U.S. products, and energy prices.

In recent years, we have reported average values from the stochastic analysis for government costs and farm income and traditional point estimates for all other variables. **This year, for the first time, we are reporting the averages of the 500 stochastic outcomes wherever possible.**

The average results from the stochastic analysis are generally similar to the traditional deterministic point estimates. Important exceptions are often related to the effects of farm programs. Under several programs, government spending is near zero when prices are above a certain level but can escalate quickly when prices fall below the trigger. In general, our stochastic analysis has found that estimated government program costs and farm income tend to be greater when one considers the inherent variability of agricultural markets than would be implied by the deterministic analysis.

Also new this year is the table on page 13 reporting supply, demand, and prices for ethanol and other corn products. The table builds on work that was done in 2005 to analyze impacts of the Energy Policy Act of 2005.

## Acknowledgements

This report focusing on U.S. markets was prepared by the FAPRI unit at the University of Missouri, but it could not have been done without the help of a number of colleagues at other institutions. The FAPRI team at Iowa State took the lead in developing estimates related to international markets and the crop insurance program. The University of Arkansas took primary responsibility for developing rice market projections, colleagues at Arizona State University developed projections for fruit and vegetable markets, and we worked with colleagues at Texas Tech in developing cotton market projections. Finally, the team at the Agriculture and Food Policy Center at Texas A&M has translated these national results into estimates of effects for a number of representative farms around the country. We thank all of these colleagues and our reviewers for their help in this collaborative project.

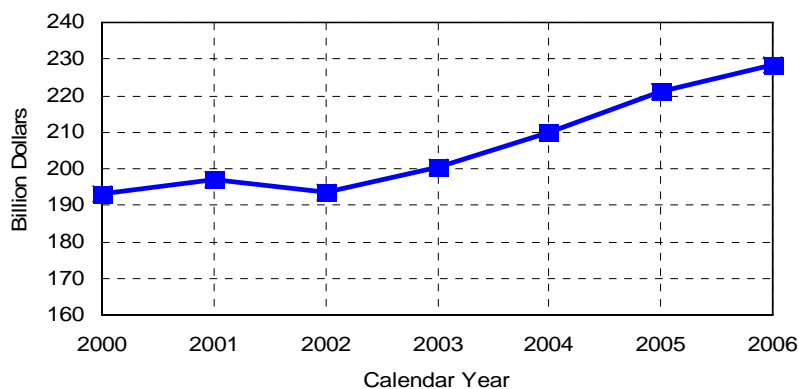
# Summary

- Farm production expenses increased by almost \$28 billion between 2002 and 2005, and an additional \$7 billion increase is projected for 2006.

- Energy prices account for much of the story, as fertilizer and fuels together contribute about \$10 billion to the cost increase between 2002 and 2006.

- Costs have also increased substantially for feed, purchased livestock, seed, repairs, and interest payments.

Farm Production Expenses

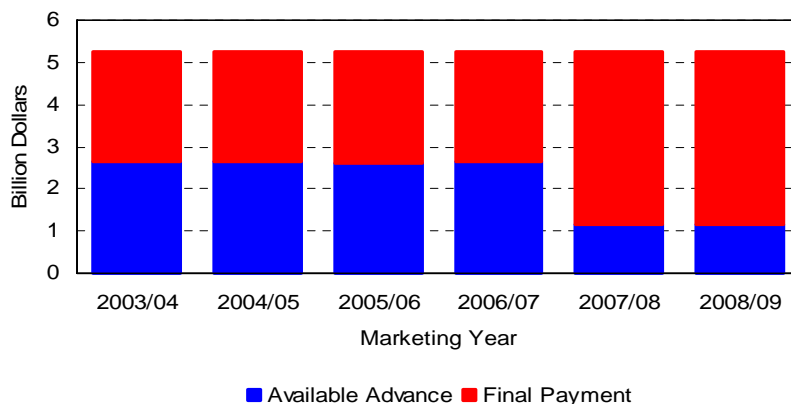


- The baseline incorporates provisions of the Deficit Reduction Act of 2005.

- The share of direct payments available before planting is reduced from 50% to 22%, but total payments are unaffected.

- The Deficit Reduction Act extends the Milk Income Loss Contract (MILC) program two years, eliminates the Cotton Step 2 program, and limits conservation spending.

Direct Payments

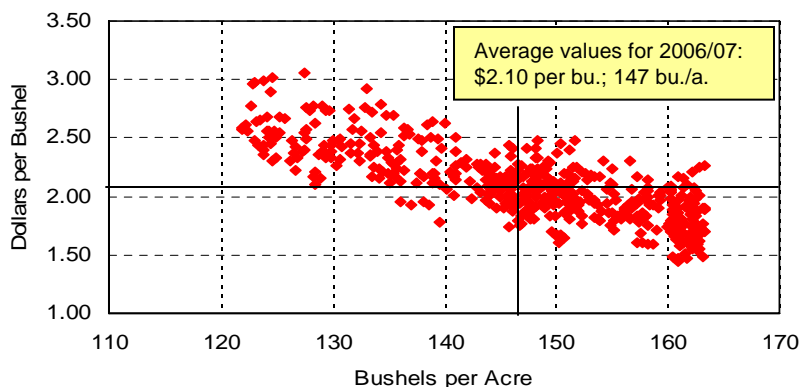


2006/07 Corn Yields and Prices

- To reflect the uncertainty of agricultural markets, FAPRI uses stochastic analysis to examine 500 alternative future scenarios, each based on a different set of supply and demand conditions but always maintaining current policies.

- For example, the range of possible corn prices in 2006/07 is wide, depending on yields and other factors.

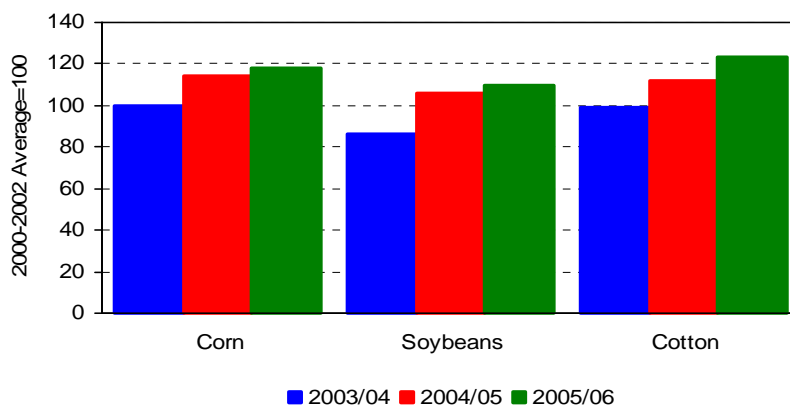
- **For the first time, almost all the figures reported in this publication are averages of the 500 outcomes.**



# Summary

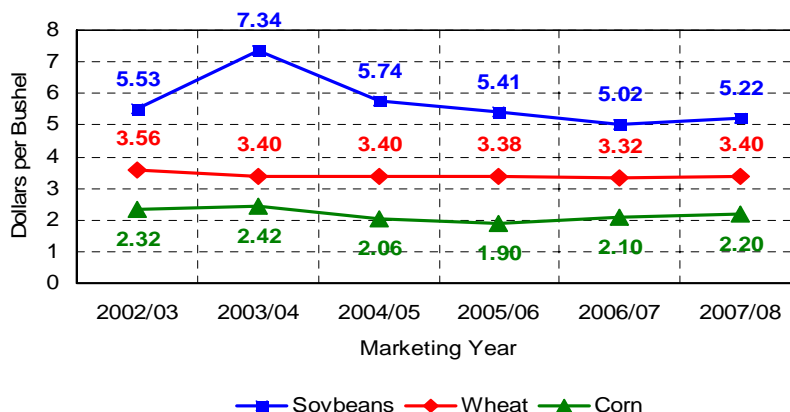
- For both corn and soybeans, the 2005 U.S. crop was the second largest ever, trailing only the 2004 record.
- U.S. upland cotton production in 2005 exceeded the record 2004 crop.
- Because of large beginning stocks, total available supplies in 2005/06 are at record highs for all three crops.
- These large supplies put downward pressure on prices for all grains, oilseeds, and cotton.

Total Crop Production + Beginning Stocks



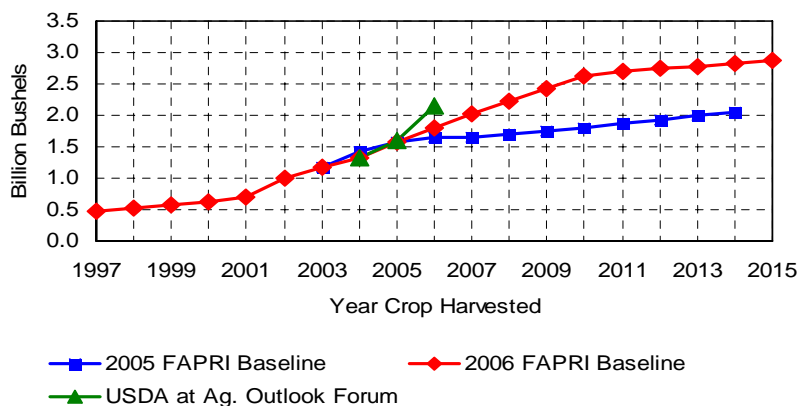
- If average growing conditions in the United States and South America prevail, large soybean supplies are likely to result in lower soybean prices in 2006/07.
- Season-average wheat prices have been steady for the last three years, and little price change is likely under average weather and market conditions.
- Large supplies have reduced corn prices in 2005/06, but strong demand growth could result in some recovery in 2006/07 and subsequent years.

Crop Prices



- This baseline projects a much faster rate of growth in ethanol production than the baseline prepared in early 2005.
- Higher petroleum prices and provisions of the Energy Policy Act of 2005 account for part of the change in the outlook.
- Some argue that actual growth could be even faster, given capacity expansion.
- Stronger ethanol demand means higher corn prices, more corn production, and more co-products available as feeds.

Corn Use for Ethanol



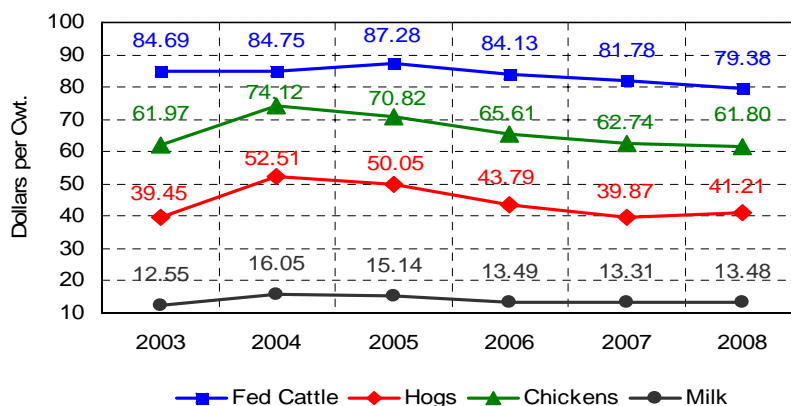
# Summary

- Cattle prices are projected to decline in 2006 with increasing domestic supplies of beef.

- As pork production expands in 2006 due in large part to increasing productivity, hog prices are expected to move lower.

- The expansion of milk production will lead to milk prices falling well below the levels the industry experienced in 2004 and 2005.

Livestock and Dairy Prices

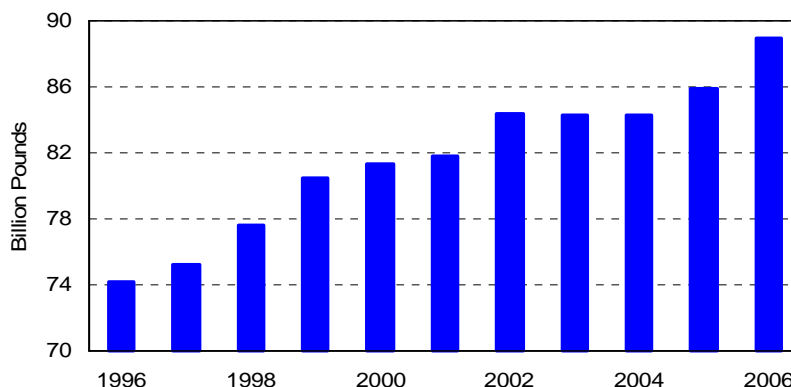


- In 2006, production of beef, pork, chicken, and turkey will continue to increase over year-ago levels, continuing a pattern that resumed in late 2004.

- The 3.6% increase in meat production expected in 2006 has not been experienced since 1999.

- The extent to which the additional supplies of meat in the domestic market lead to lower livestock prices depends greatly on U.S. meat demand strength.

Meat Production - Beef, Pork, Chicken, Turkey

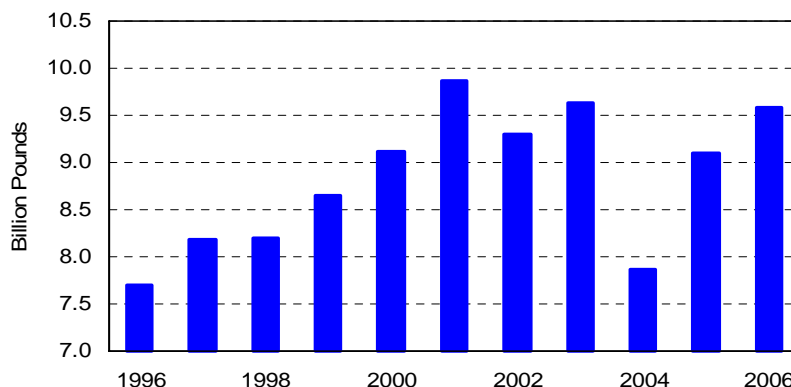


- Beef exports to Japan and avian influenza remain wildcards in international meat markets and U.S. meat trade.

- Beef, chicken, and pork exports are projected to grow in 2006, up 267, 116 and 92 million pounds, respectively, from 2005.

- Despite projected export growth in 2006, total meat exports remain below the 2001 level, yet total meat production has grown by 7 billion pounds over this period.

Meat Exports - Beef, Pork, Chicken, Turkey





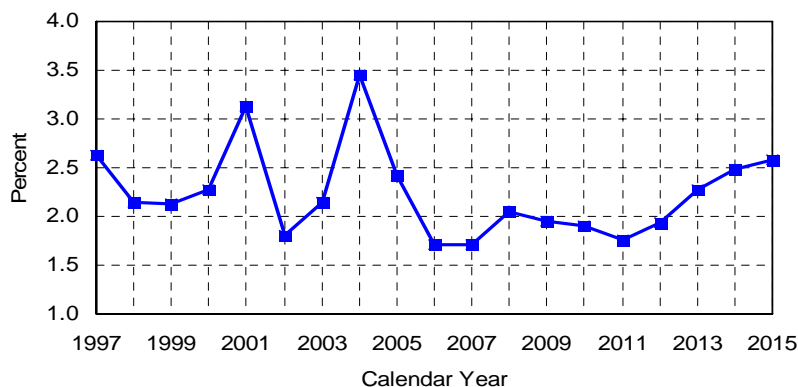
# Summary

- After posting the largest increase since 1990 in 2004, the CPI for food increased by a more typical 2.4% in 2005.

- The CPI for food is expected to grow at a slower rate than overall price inflation over the next two years as growing meat production pressures meat prices.

- Over the projection period, the CPI for fruits and vegetables registers the highest average growth rate (2.6%), with meat the lowest (1.1%).

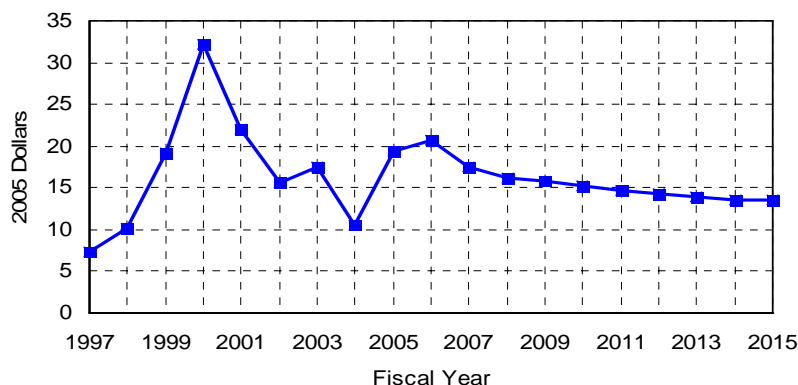
Change in the CPI for Food



- Net government farm program outlays by the Commodity Credit Corporation (CCC) jumped in fiscal year (FY) 2005, as lower crop prices resulted in increased spending on marketing loan and counter-cyclical payment (CCP) programs.

- Spending is projected to increase slightly in FY 2006, to \$20.8 billion, then slowly decline beginning in FY 2007.

Net CCC Outlays

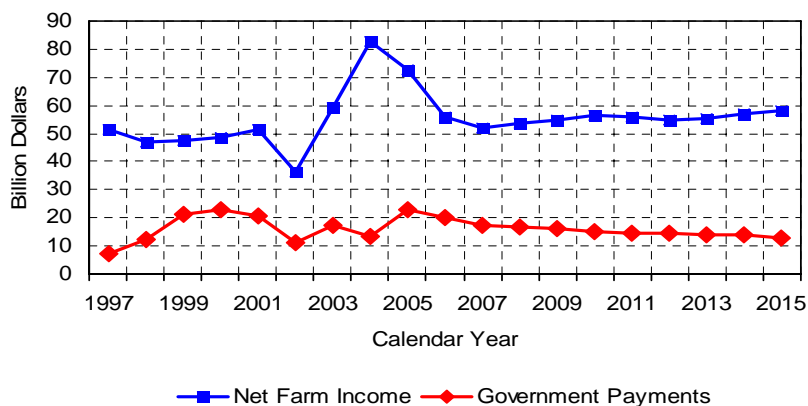


- Net farm income fell in 2005 from the 2004 record level as higher production costs more than offset the impact of increased government payments.

- In 2006, net farm income falls by \$16.8 billion from the 2005 level because of increased production costs and lower receipts for both crops and livestock.

- After a further decline in 2007, farm income increases slightly in nominal terms, and government payments decline.

Net Farm Income and Government Payments



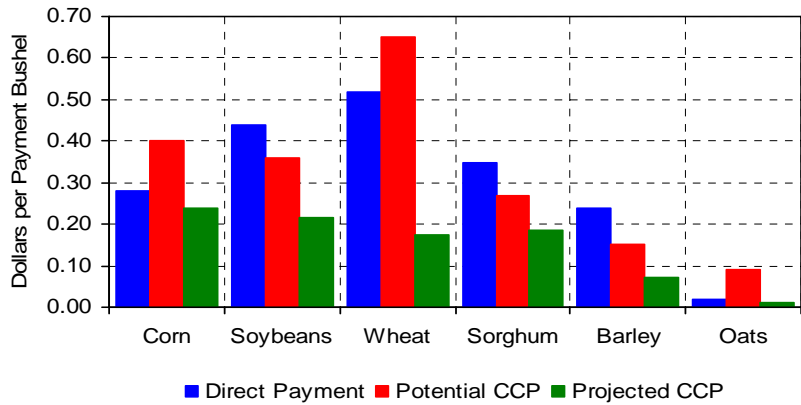
# Policy Assumptions

- The baseline assumes provisions of the Farm Security and Rural Investment Act (the 2002 farm bill) and the Deficit Reduction Act of 2005.

- Provisions set to expire in 2007 are assumed to continue throughout the baseline.

- Loan rates, target prices, and direct payment (DP) rates are all held constant between 2005/06 and 2015/16.

2006 Direct and Counter-cyclical Payments

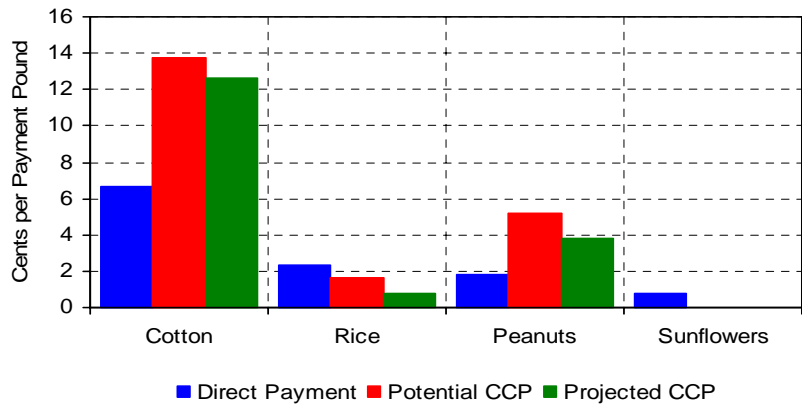


- Average CCP rates in 2006/07 vary across crops. For upland cotton, average CCP rates are near the maximum, as there is a good chance that prices will be below the loan rate.

- In contrast, average wheat CCP rates for 2006/07 are well below the maximum, as wheat prices are likely to be high enough that CCPs will be small or zero.

- DPs and CCPs depend on fixed base acreages and program yields, not on actual production.

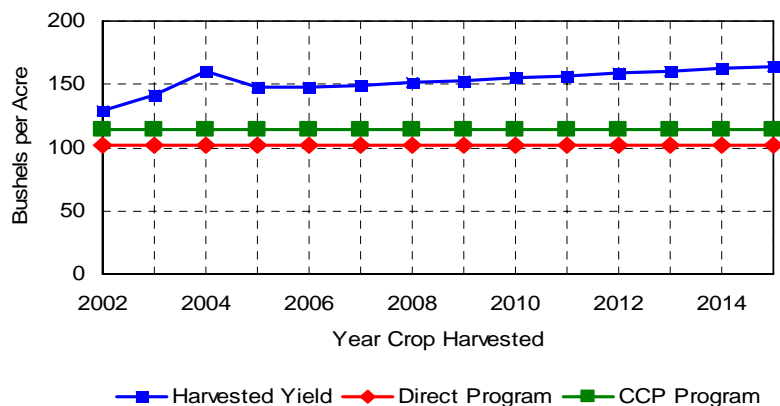
2006 Direct and Counter-cyclical Payments



- National average yields per harvested acre are generally well above DP and CCP program yields.

- In the case of corn, the projected 2006/07 yield of 147 bushels per harvested acre compares to a national average DP yield of 102 bushels per acre.

Corn Yields



## U.S. Crop Program Provisions, 2005-2015

	Direct Payment		Loan Rate		Target Price		Direct Paym't Yield		CCP Yield		2006 Base
	Level	Units	Level	Units	Level	Units	Level	Units	Level	Units	mil. a.
Corn	0.28	\$/bu.	1.95	\$/bu.	2.63	\$/bu.	102.4	bu./a.	114.4	bu./a.	86.80
Sorghum	0.35	\$/bu.	1.95	\$/bu.	2.57	\$/bu.	56.5	bu./a.	58.1	bu./a.	11.93
Barley	0.24	\$/bu.	1.85	\$/bu.	2.24	\$/bu.	47.6	bu./a.	48.7	bu./a.	8.70
Oats	0.02	\$/bu.	1.33	\$/bu.	1.44	\$/bu.	48.5	bu./a.	50.0	bu./a.	3.10
Wheat	0.52	\$/bu.	2.75	\$/bu.	3.92	\$/bu.	34.5	bu./a.	36.1	bu./a.	75.44
Rice	2.35	\$/cwt.	6.50	\$/cwt.	10.50	\$/cwt.	4,812	lb./a.	5,120	lb./a.	4.49
Soybeans	0.44	\$/bu.	5.00	\$/bu.	5.80	\$/bu.	30.8	bu./a.	34.1	bu./a.	52.73
Sunflowers	0.80	cents/lb.	9.30	cents/lb.	10.10	cents/lb.	1,084	lb./a.	n.a.	lb./a.	1.83
Canola	0.80	cents/lb.	9.30	cents/lb.	10.10	cents/lb.	1,041	lb./a.	n.a.	lb./a.	0.72
Peanuts	1.80	cents/lb.	17.75	cents/lb.	24.75	cents/lb.	2,989	lb./a.	2,989	lb./a.	1.46
Upland Cotton	6.67	cents/lb.	52.00	cents/lb.	72.40	cents/lb.	603.7	lb./a.	638.4	lb./a.	18.41
Raw Cane Sugar	n.a.	n.a.	18.00	cents/lb.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Refined Beet Sugar	n.a.	n.a.	22.90	cents/lb.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

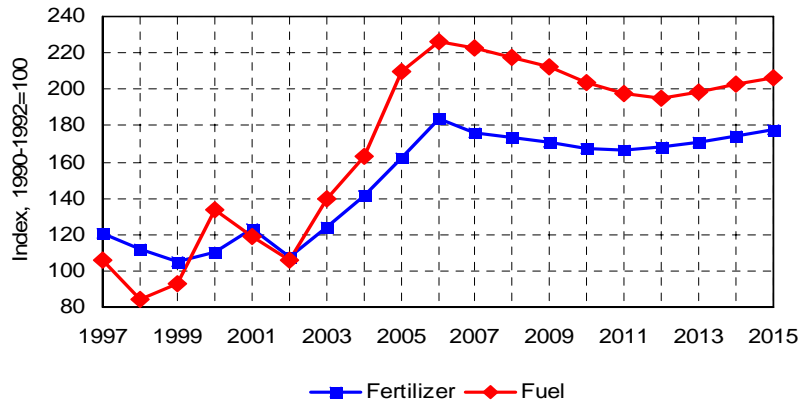
## Dairy and Conservation Reserve Program Provisions

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(Dollars per Hundredweight)										
Milk Support Price	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90
Nat'l Dairy Market Loss Pmt.	0.00	0.48	0.54	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	(Million Acres)										
Conservation Reserve	35.59	36.00	36.50	35.50	35.00	36.00	36.50	37.00	37.50	38.00	38.00

# Macroeconomic Assumptions and Farm-Level PPIs

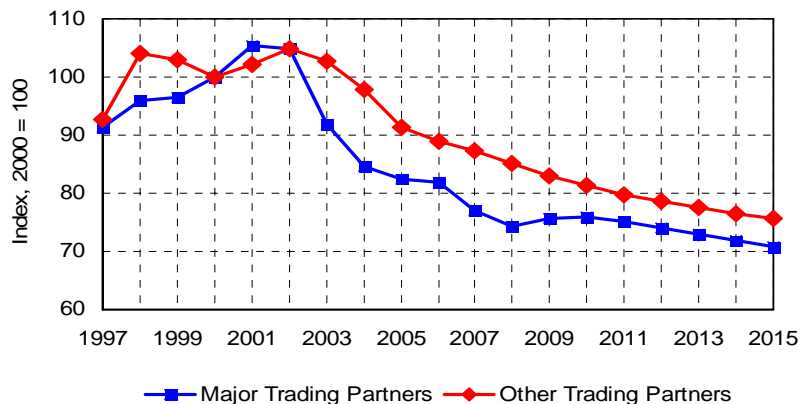
- Fuel and fertilizer prices have moved higher since 2002 as factors including hurricanes Rita and Katrina, the war in Iraq, and strong demand for petroleum from China combined to keep supplies tight.
- Based on Global Insight forecasts for energy markets, fertilizer and fuel prices are expected to decline beginning in 2007 but still remain well above the levels experienced from 1997 to 2002.

Farm-Level Prices Paid Indices



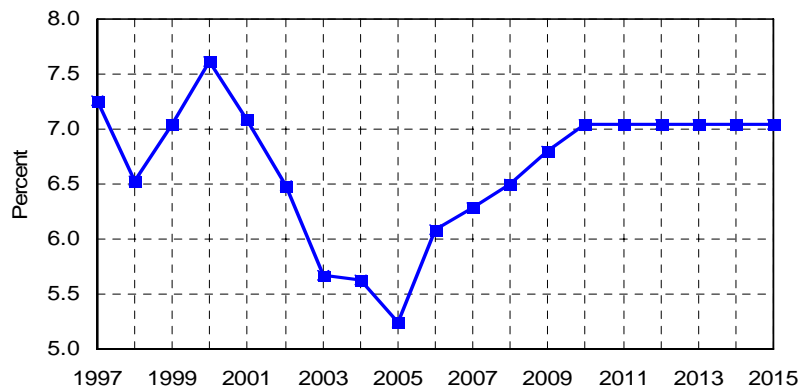
- The dollar continued to weaken against most international currencies during 2005.
- Global Insight expects the weakening trend of the dollar to continue through 2015.
- A weaker dollar benefits U.S. agricultural exports by reducing the price of U.S. products in terms of foreign currency.

Inflation-Adjusted Exchange Rates



- While short-term interest rates increased in 2005, AAA bond rates declined for the fifth consecutive year.
- Global Insight forecasts AAA bond rates will jump in 2006 to levels not experienced since 2002, beginning a climb to 7% by 2010.
- The increase in interest costs will negatively affect farm income.

Interest Rate on AAA Bonds



## U.S. Macroeconomic Assumptions

Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(Percentage Change)										
Real GDP	3.6	3.4	2.7	3.0	3.2	3.0	2.8	2.8	2.9	3.1	3.2
Population Growth	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8
CPI, All Urban Consumers	3.4	2.6	1.8	2.0	2.0	1.9	2.1	2.3	2.4	2.4	2.4
PPI, All Commodities	7.3	5.2	-0.6	-0.2	-0.2	-0.6	-0.1	0.7	1.2	1.2	1.2
Wages & Salaries	2.4	2.9	3.2	3.3	3.4	3.3	3.1	3.0	2.8	2.8	2.9
	(Percent)										
Unemployment Rate	5.1	4.8	4.9	5.0	4.9	4.9	5.0	5.1	5.1	5.0	4.8
3-Month Treasury Bill Rate	3.1	4.5	4.6	4.7	4.9	5.0	5.0	5.0	5.0	5.0	5.0
AAA Bond Rate	5.2	6.1	6.3	6.5	6.8	7.0	7.0	7.0	7.0	7.0	7.0
	(Dollars per Barrel)										
Refiners' Cost of Oil	50.38	53.27	52.26	50.74	48.36	45.61	44.06	43.10	43.88	44.92	45.87
	(Index, 2000=100)										
Inflation-Adj. Exch. Rate vs. Major Trading Partners	82.6	81.9	77.0	74.3	75.7	76.0	75.1	73.9	72.9	71.9	70.9
vs. Other Trading Partners	91.4	88.9	87.3	85.1	83.0	81.2	79.8	78.7	77.5	76.6	75.7
	(Percentage Change)										
Foreign Real GDP Growth Major Trading Partners	2.1	2.3	2.3	2.4	2.4	2.5	2.5	2.4	2.2	2.1	2.1
Other Trading Partners	4.7	4.2	4.6	4.5	4.6	4.6	4.5	4.4	4.3	4.2	4.2

Source: Global Insight

## U.S. Indices of Prices Paid by Farmers

Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(1990-92=100)										
<b>Prod. Items, Interest, Taxes and Wages</b>	141	146	147	149	151	152	154	156	159	162	165
Production Items	138	143	142	143	144	145	145	146	149	151	153
Feed	107	104	110	115	118	121	122	123	123	123	123
Livestock & Poultry	137	127	118	116	115	114	110	108	109	112	115
Seeds	166	174	181	185	187	188	190	192	194	197	199
Fertilizer	162	184	176	173	171	168	166	168	171	175	178
Mixed Fertilizer	142	160	154	154	154	154	154	157	159	162	165
Nitrogen Fertilizer	189	217	204	197	190	182	178	179	183	187	191
Potash and Phosph.	142	156	155	156	158	160	161	163	166	169	171
Agricultural Chemicals	121	124	123	123	124	124	125	127	128	130	131
Fuels	210	227	222	218	212	204	198	195	199	203	206
Supplies & Repairs	146	154	157	159	160	162	163	165	168	170	173
Autos & Trucks	113	114	113	114	114	114	115	118	121	123	126
Farm Machinery	173	181	185	191	197	203	209	215	221	227	232
Building Material	148	159	162	164	166	166	166	168	170	172	174
Farm Services	129	136	136	137	138	138	140	142	144	145	147
Rent	127	133	129	129	130	130	131	132	134	136	138
Interest 1/	107	120	121	122	124	122	124	126	129	132	135
Taxes 2/	139	145	146	149	151	151	153	155	158	161	164
Wage Rates	164	169	174	179	184	189	194	199	203	208	213

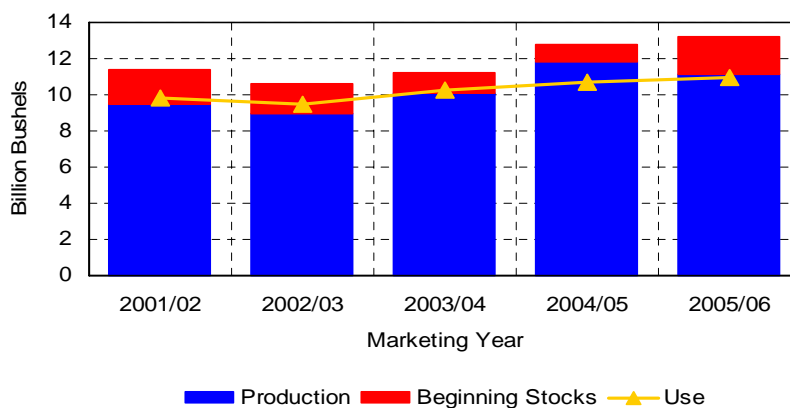
1/ Interest per acre on farm real estate debt and interest rate on farm non-real estate debt.

2/ Farm real estate taxes payable per acre.

# Corn

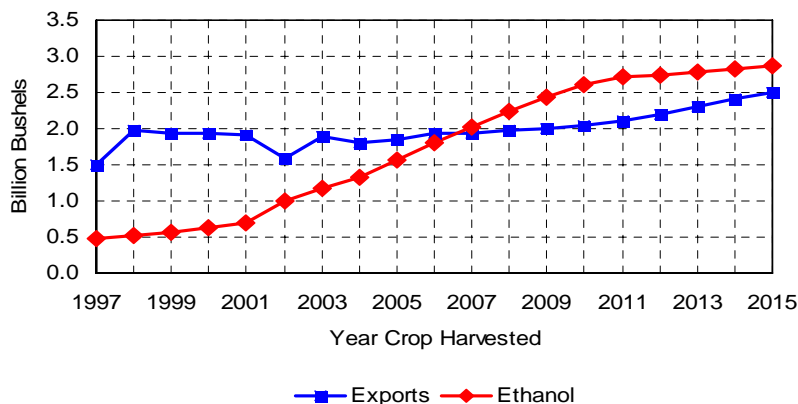
### Corn Supply and Use

- U.S. corn production set a new record in 2004, and 2005 production was the second largest ever.
- Total U.S. supplies of corn are actually larger in 2005/06 than a year earlier, as the increase in beginning stocks more than offsets reduced production.
- In spite of continued strong domestic demand for corn, the result is lower corn prices in 2005/06.



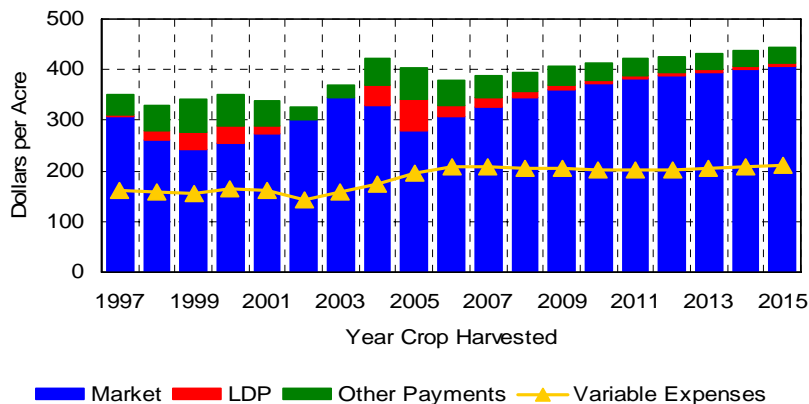
### Corn Exports and Use for Ethanol

- Higher fuel prices and provisions of the Energy Policy Act of 2005 have both contributed to a faster projected rate of growth in ethanol production than in last year's baseline.
- Corn exports are projected to show little growth as corn prices rise between 2006 and 2010. Exports do increase in later years when prices level off.
- Projected ethanol use of corn outstrips corn exports in 2007/08.



### Corn Returns

- Higher production costs and reduced prices and yields have resulted in a sharp decline in corn producer net returns in 2005/06, outweighing larger loan deficiency payments (LDPs) and CCPs.
- In 2006/07, producer margins may narrow further, as the effects of lower LDPs and higher production costs outweigh an increase in market prices.
- Rising prices and yields increase returns and encourage producers to plant more corn in later years.



## U.S. Corn Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Area</b> (Million Acres)											
Base Area	86.8	86.8	86.8	86.8	86.8	86.8	86.8	86.8	86.8	86.7	86.7
Planted Area	81.8	80.0	81.7	82.7	83.6	84.6	85.4	85.7	85.7	85.8	86.0
Harvested Area	75.1	72.7	74.4	75.3	76.2	77.2	78.0	78.3	78.3	78.5	78.6
<b>Yield</b> (Bushels per Acre)											
Actual	147.9	147.0	149.1	150.8	152.8	154.6	156.4	158.6	160.4	162.3	164.1
Program, Direct	102.4	102.4	102.4	102.4	102.4	102.4	102.4	102.4	102.4	102.4	102.4
Program, CCP	114.4	114.4	114.4	114.4	114.4	114.4	114.4	114.4	114.4	114.4	114.4
<b>Supply</b> (Million Bushels)											
Beginning Stocks	2,114	2,315	1,966	1,767	1,590	1,477	1,397	1,349	1,347	1,330	1,327
Production	11,112	10,702	11,092	11,367	11,655	11,950	12,211	12,425	12,567	12,745	12,907
Imports	10	10	10	10	10	10	10	10	10	10	10
<b>Domestic Use</b>											
Feed, Residual	6,114	5,953	5,970	5,970	5,969	5,995	6,046	6,088	6,099	6,112	6,116
Fuel Alcohol	1,576	1,796	2,024	2,233	2,429	2,618	2,711	2,744	2,781	2,825	2,872
HFCS	532	528	524	519	521	522	523	524	525	526	527
Seed	20	21	21	21	21	22	22	22	22	22	22
Food, Other	830	831	834	838	843	847	853	859	864	870	876
<b>Exports</b>											
	1,849	1,932	1,928	1,972	1,995	2,036	2,114	2,200	2,304	2,405	2,505
<b>Total Use</b>											
	10,921	11,061	11,301	11,554	11,778	12,040	12,269	12,437	12,594	12,759	12,918
<b>Ending Stocks</b>											
CCC Inventory	0	0	0	0	0	0	0	0	0	0	0
Under Loan	263	288	277	263	252	246	241	244	243	245	246
Other Stocks	2,052	1,678	1,490	1,327	1,225	1,151	1,107	1,103	1,087	1,082	1,080
<b>Prices and Returns</b> (Dollars)											
Farm Price/bu.	1.90	2.10	2.20	2.30	2.37	2.43	2.46	2.46	2.48	2.49	2.50
Loan Rate/bu.	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Average LDP Rate/bu.	0.41	0.16	0.12	0.09	0.06	0.05	0.04	0.03	0.03	0.03	0.03
Target Price/bu.	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63
CCP Rate/bu.	0.40	0.24	0.19	0.15	0.12	0.10	0.08	0.08	0.07	0.07	0.08
Direct Payment/bu.	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28
<b>Gross Market Revenue/a.</b>											
LDP Revenue/a.	61.32	24.82	18.58	13.56	10.38	7.71	6.52	5.56	5.28	5.56	6.03
Variable Expenses/a.	194.34	209.05	206.70	205.52	204.27	202.01	201.19	202.68	206.17	209.47	212.64
Mkt+LDP Net Returns/a.	147.78	121.69	137.48	151.50	165.98	178.26	187.41	191.14	194.88	198.10	200.57
CCP Revenue/Base a.	38.68	23.09	18.23	14.20	11.23	9.57	8.09	7.32	7.02	7.12	7.58
Direct Payment/Base a.	24.37	24.37	24.37	24.37	24.37	24.37	24.37	24.37	24.37	24.37	24.37

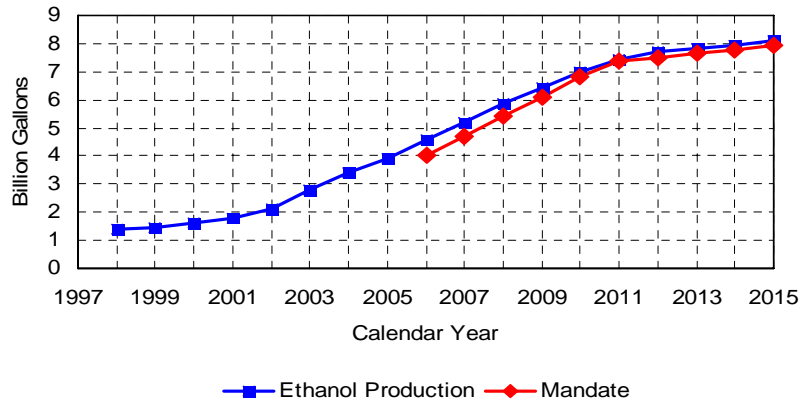
# Corn Products

- Projected U.S. ethanol production exceeds the levels of renewable fuel usage mandated by the Energy Policy Act of 2005.

- Biodiesel, ethanol imports, and other renewable fuels also can be used to satisfy the mandate.

- If the current pace of plant construction continues, ethanol production could exceed the levels shown.

Ethanol Production and Renewable Fuel Mandate

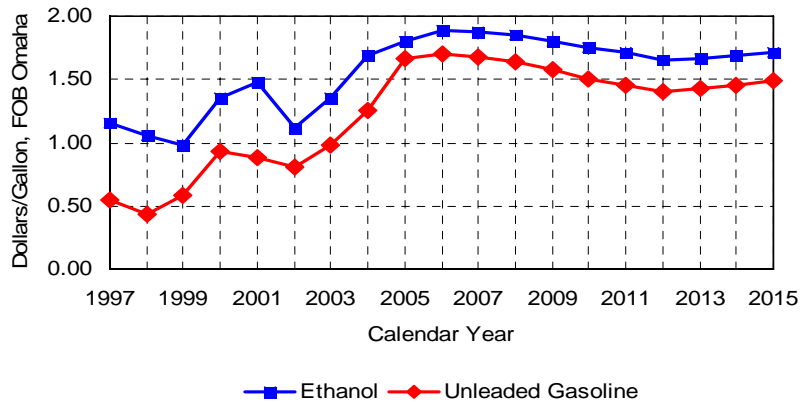


- Ethanol prices at the plant typically exceed those of unleaded gasoline. The 51 cent per gallon tax benefit for ethanol makes it price-competitive at the pump.

- Given Global Insight forecasts of petroleum product prices, both gasoline and ethanol prices are projected to decline slightly between 2006 and 2012.

- Gross margins for ethanol producers are at historic highs, but decline as corn prices increase and ethanol prices fall.

Ethanol and Unleaded Gasoline Prices

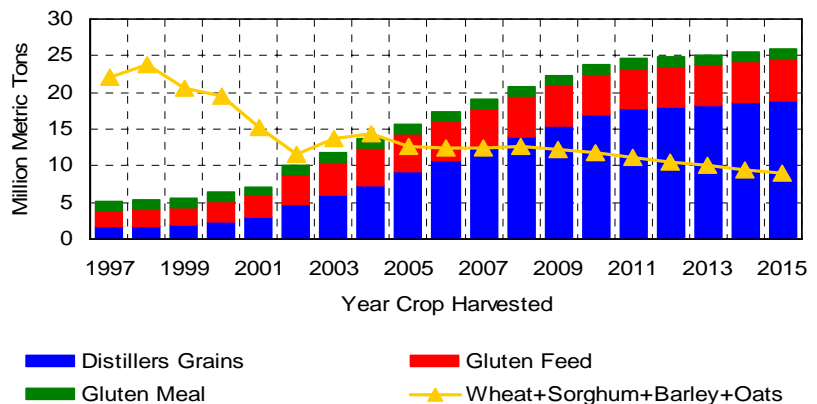


- Increased production of ethanol translates into increased production of corn co-products for use as livestock feed.

- Most of the projected growth in ethanol production occurs in dry mill plants, where distillers grains are the co-product.

- Estimated domestic feed use of corn co-products now exceeds that of wheat, sorghum, barley, and oats combined.

Feed Use of Corn Co-Products and Selected Grains





## U.S. Corn Product Supply and Utilization

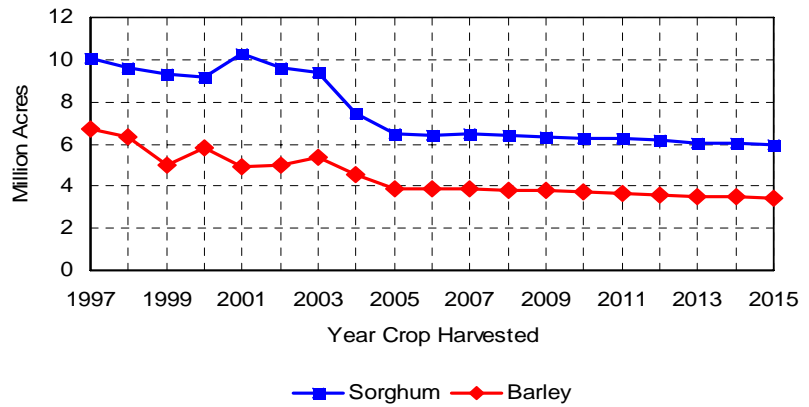
Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Ethanol</b>											
	(Million Gallons, Calendar Year)										
Renewable Fuel Mandate	n.a.	4,000	4,700	5,400	6,100	6,800	7,400	7,500	7,640	7,781	7,925
Production	3,893	4,589	5,217	5,847	6,434	6,995	7,460	7,694	7,819	7,958	8,115
Imports	81	75	83	93	107	125	140	130	139	147	155
Disappearance	3,976	4,632	5,265	5,903	6,506	7,086	7,572	7,805	7,950	8,098	8,261
Ending Stocks	250	281	316	353	388	422	451	469	477	484	493
Price, FOB Omaha	(Dollars per Gallon, Calendar Year)										
Unleaded Gas	1.66	1.70	1.68	1.64	1.58	1.51	1.45	1.41	1.43	1.46	1.49
Ethanol	1.80	1.89	1.88	1.85	1.81	1.75	1.72	1.65	1.67	1.69	1.72
<b>High-Fructose Corn Syrup</b>											
	(Thousand Tons, Calendar Year)										
Production	9,196	9,197	9,122	9,053	9,006	9,032	9,045	9,062	9,081	9,093	9,111
Domestic Use	9,084	9,075	8,990	8,906	8,858	8,880	8,890	8,903	8,919	8,928	8,943
Net Exports	112	122	132	146	148	152	155	159	162	165	168
	(Thousand Tons, Oct.-Sep. Year)										
Production (Oct-Sep. Year)	9,216	9,139	9,071	8,999	9,029	9,041	9,056	9,078	9,089	9,105	9,130
	(Cents per Pound, Sep.-Aug. Year)										
Price, 42% Tank Cars, MW	13.78	13.20	13.30	13.28	13.23	13.00	12.93	12.80	12.77	12.70	12.66
<b>Distillers Grains</b>											
	(Thousand Tons, Sep.-Aug. Year)										
Production (Dry equivalent)	10,082	11,916	13,732	15,449	17,097	18,711	19,506	19,811	20,107	20,433	20,766
	(Dollars per Ton, Sep.-Aug. Year)										
Price, Lawrenceburg, IN	76.81	76.97	78.21	78.99	78.68	78.82	79.06	78.80	78.64	77.98	76.82
<b>Corn Gluten Feed</b>											
	(Thousand Tons, Sep.-Aug. Year)										
Production	8,896	8,901	8,974	9,001	9,042	9,061	9,083	9,096	9,135	9,198	9,274
Domestic Use	5,721	5,791	5,903	5,965	6,031	6,070	6,106	6,122	6,169	6,236	6,313
Net Exports	3,174	3,110	3,071	3,035	3,010	2,990	2,977	2,974	2,966	2,962	2,961
	(Dollars per Ton, Sep.-Aug. Year)										
Price, 21%, IL Points	50.97	53.82	55.88	57.73	58.75	59.71	60.29	60.26	60.43	60.24	59.74
	0	0	0	0	0	0	0	0	0	0	0
<b>Corn Gluten Meal</b>											
	(Thousand Tons, Sep.-Aug. Year)										
Production	2,341	2,342	2,361	2,369	2,379	2,384	2,390	2,394	2,404	2,420	2,440
Domestic Use	1,451	1,421	1,436	1,438	1,442	1,443	1,444	1,442	1,447	1,458	1,471
Net Exports	890	921	926	931	937	942	947	952	957	963	969
	(Dollars per Ton, Sep.-Aug. Year)										
Price, 60%, IL Points	275.28	259.43	262.20	263.70	260.51	261.09	261.11	260.56	259.27	256.47	251.50
<b>Corn Oil</b>											
	(Million Pounds, Oct.-Sep. Year)										
Production	2,450	2,451	2,471	2,479	2,490	2,495	2,501	2,505	2,516	2,533	2,554
Domestic Use	1,691	1,685	1,713	1,721	1,727	1,731	1,735	1,736	1,744	1,759	1,777
Net Exports	746	762	762	762	764	766	768	770	772	775	777
Ending Stocks	169	173	170	166	165	163	162	161	160	159	159
	(Cents per Pound, Oct.-Sep. Year)										
Chicago Price	25.42	24.57	25.74	26.87	27.28	27.80	28.30	28.76	29.15	29.57	30.05

# Sorghum and Barley

- U.S. sorghum and barley area has declined sharply in recent years, as returns have not been competitive with other crops.

- Acresage for the two crops appears unlikely to recover and may decline further if returns do not significantly improve.

Sorghum and Barley Area Planted

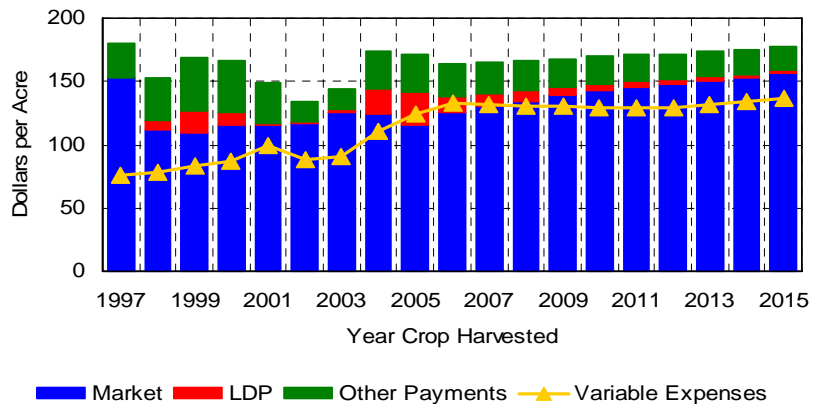


- Increases in production costs have eroded sorghum producer returns.

- Average estimated returns from market sales less variable production expenses are negative in 2005/06.

- Sorghum producers with sorghum base acreage receive a significant share of their net income from government payment programs.

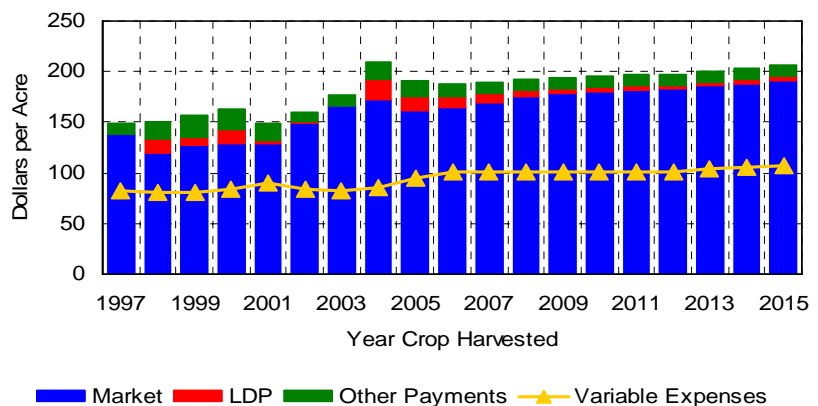
Sorghum Returns



- Barley net returns over variable expenses decline this marketing year, as 2005 yields did not match the 2004 record and production costs have increased.

- The figure shows average barley returns. Malting and feed barley producers may have very different experiences than suggested by these all-barley averages.

Barley Returns



## U.S. Sorghum Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Area</b> (Million Acres)											
Planted Area	6.45	6.43	6.45	6.42	6.37	6.29	6.25	6.16	6.07	6.02	5.98
Harvested Area	5.74	5.40	5.41	5.37	5.33	5.26	5.22	5.14	5.06	5.01	4.97
<b>Yield</b> (Bushels per Acre)											
Yield	68.7	64.0	64.2	64.5	64.6	64.9	65.0	65.3	65.4	65.6	66.0
<b>Supply and Use</b> (Million Bushels)											
Production	394	346	349	348	345	343	340	336	332	329	329
Imports	0	0	0	0	0	0	0	0	0	0	0
Domestic Use	208	197	199	205	203	195	188	178	170	163	156
Exports	170	167	153	145	144	148	153	158	163	168	173
Ending Stocks	73	56	52	50	48	46	45	45	44	43	43
<b>Prices and Returns</b> (Dollars)											
Farm Price/bu.	1.69	1.97	2.05	2.11	2.17	2.22	2.26	2.28	2.32	2.35	2.38
Gross Market Revenue/a.	115.88	125.23	130.29	134.61	138.76	142.97	145.75	147.59	150.52	152.99	156.03
LDP Revenue/a.	25.59	12.24	10.26	8.59	6.97	5.36	4.34	3.70	2.99	2.85	2.58
Variable Expenses/a.	124.23	132.84	131.56	131.03	130.57	129.34	128.85	129.73	131.97	134.14	136.27
CCP Revenue/Base a.	13.33	9.11	7.66	6.57	5.42	4.65	3.97	3.71	3.24	2.98	2.70
Direct Payment/Base a.	16.81	16.81	16.81	16.81	16.81	16.81	16.81	16.81	16.81	16.81	16.81

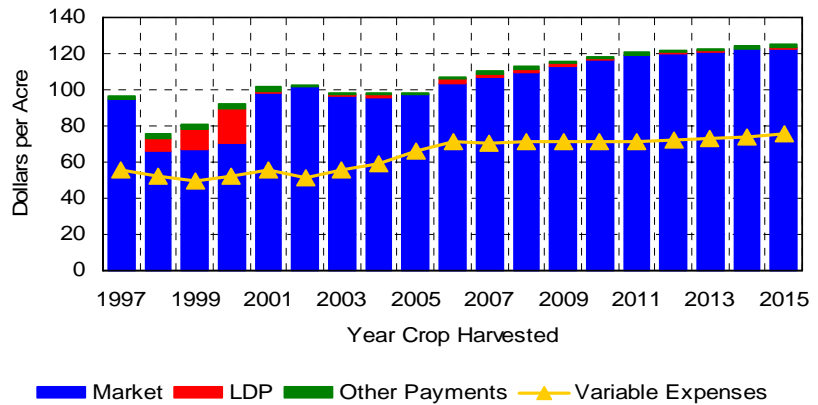
## U.S. Barley Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Area</b> (Million Acres)											
Planted Area	3.88	3.89	3.86	3.83	3.81	3.74	3.68	3.61	3.54	3.49	3.46
Harvested Area	3.27	3.42	3.40	3.36	3.35	3.29	3.24	3.18	3.12	3.07	3.05
<b>Yield</b> (Bushels per Acre)											
Yield	64.8	63.6	64.1	64.6	65.3	65.9	66.5	67.0	67.7	68.3	69.0
<b>Supply and Use</b> (Million Bushels)											
Production	212	218	218	218	219	217	216	213	211	210	210
Imports	10	11	10	9	8	8	7	8	8	10	11
Domestic Use	213	207	204	199	196	193	190	188	188	190	192
Exports	29	30	30	30	32	32	33	33	32	30	29
Ending Stocks	109	101	94	93	93	92	92	92	92	91	91
<b>Prices and Returns</b> (Dollars)											
All Barley Farm Price/bu.	2.48	2.61	2.66	2.72	2.74	2.75	2.75	2.74	2.75	2.77	2.78
Feed Barley Price/bu.	1.81	1.96	2.02	2.09	2.13	2.16	2.18	2.17	2.19	2.20	2.21
Gross Market Revenue/a.	160.75	165.14	169.90	175.31	177.91	180.45	182.20	182.91	185.57	188.63	191.27
LDP Revenue/a.	14.96	10.33	8.31	6.46	5.55	4.72	4.16	4.03	3.81	3.93	3.92
Variable Expenses/a.	94.58	100.93	100.32	100.42	100.67	100.41	100.58	101.61	103.46	105.26	107.04
CCP Revenue/Base a.	6.14	3.00	2.29	1.73	1.52	1.27	1.08	1.06	0.94	0.99	0.98
Direct Payment/Base a.	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71

# Oats and Hay

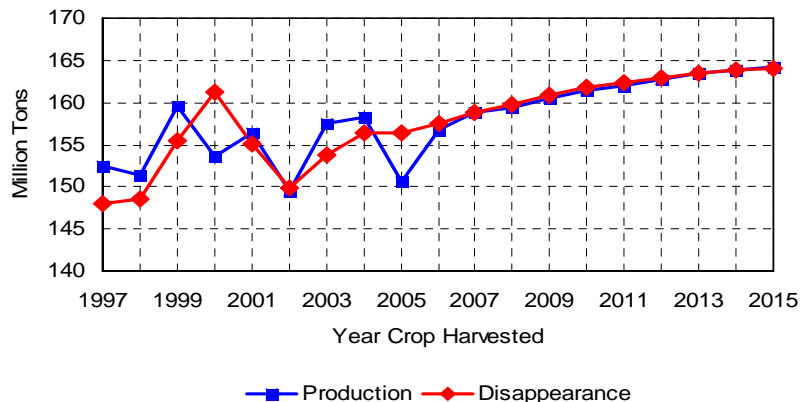
- As for other crops, oats producer net returns have declined in 2005/06 because of increases in production costs.
- Projected oats returns increase with rising prices and yields, but remain modest.
- At the projected price levels, government payments to oats producers are very small.

Oats Returns



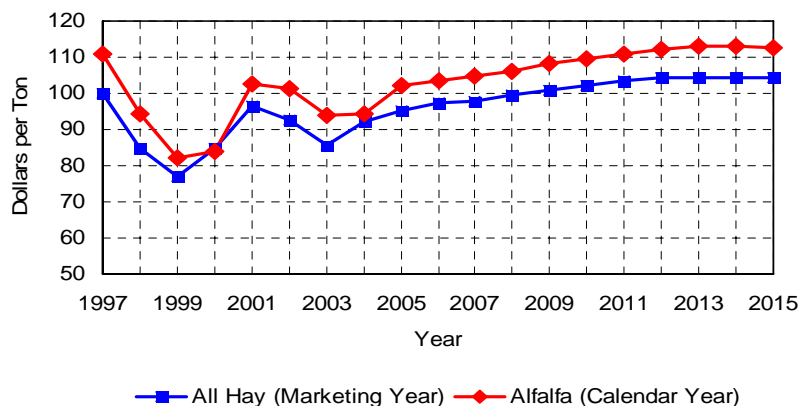
- Reduced hay yields last summer mean that production falls short of disappearance in 2005/06, leading to lower carryover stocks.
- Increasing cattle numbers contribute to the modest projected growth in hay disappearance.
- Hay area remains fairly stable, so the increase in production is a result of slow growth in yields per acre.

Hay Production and Disappearance



- Hay prices rise in 2005/06 because of tighter supplies.
- Further modest increases in hay prices result from increasing demand and competition with other crops for land.
- Hay markets are more fragmented than markets for most other agricultural commodities, so trends in national average prices may not be reflected at the local level.

Hay Price



## U.S. Oats Supply and Utilization

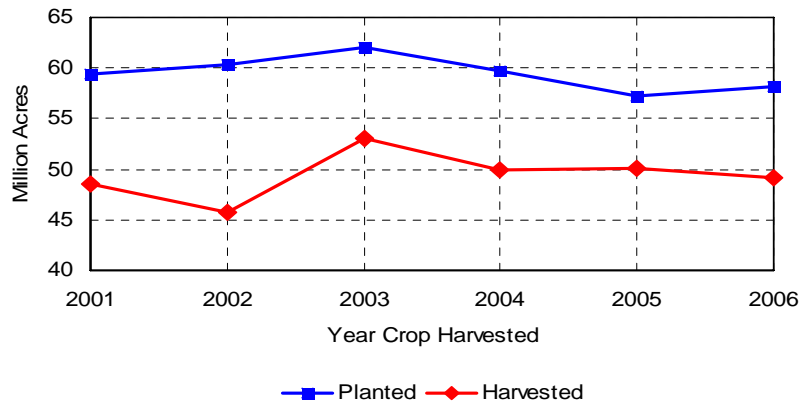
Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Area</b> (Million Acres)											
Planted Area	4.25	4.21	4.24	4.22	4.18	4.15	4.12	4.09	4.06	4.03	4.00
Harvested Area	1.82	1.85	1.87	1.86	1.83	1.81	1.79	1.77	1.76	1.73	1.72
<b>Yield</b> (Bushels per Acre)											
Yield	63.0	63.0	63.3	63.7	63.9	64.4	64.9	65.3	65.6	65.9	66.3
<b>Supply and Use</b> (Million Bushels)											
Production	115	116	119	119	117	117	116	116	115	114	114
Imports	76	88	88	88	88	88	88	88	88	88	87
Domestic Use	195	202	204	205	205	204	203	202	201	200	199
Exports	3	3	3	3	3	3	3	3	3	3	3
Ending Stocks	51	50	50	49	47	46	45	44	43	43	42
<b>Prices and Returns</b> (Dollars)											
Farm Price/bu.	1.55	1.65	1.69	1.74	1.78	1.82	1.84	1.85	1.86	1.87	1.87
Gross Market Revenue/a.	97.46	103.07	106.68	109.91	113.22	116.42	118.76	119.98	121.14	122.44	122.93
LDP Revenue/a.	0.23	2.59	2.15	1.78	1.30	0.95	0.73	0.60	0.78	0.60	0.78
Variable Expenses/a.	65.98	71.21	70.82	70.92	71.11	70.93	71.04	71.75	73.02	74.27	75.50
CCP Revenue/Base a.	0.00	0.45	0.34	0.31	0.22	0.10	0.08	0.07	0.13	0.08	0.12
Direct Payment/Base a.	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99

## U.S. Hay Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Harvested Area</b> (Million Acres)											
Harvested Area	61.6	62.1	62.4	62.5	62.6	62.6	62.5	62.5	62.4	62.4	62.2
<b>Yield</b> (Tons per Acre)											
Yield	2.44	2.52	2.54	2.55	2.56	2.58	2.59	2.60	2.62	2.63	2.64
<b>Supply and Use</b> (Million Tons)											
Production	150.6	156.7	158.9	159.4	160.5	161.4	161.9	162.7	163.5	163.9	164.3
Disappearance	156.4	157.4	158.9	159.8	160.9	161.7	162.3	162.9	163.5	163.8	164.1
Ending Stocks	22.0	21.2	21.3	20.8	20.4	20.1	19.7	19.5	19.5	19.5	19.7
<b>Prices</b> (Dollars per Ton)											
All Hay (Crop Year)	95.23	97.46	98.03	99.65	101.00	102.09	103.31	104.32	104.51	104.47	104.22
Alfalfa (Calendar Year)	102.34	103.34	104.84	106.29	108.05	109.50	110.92	112.25	112.87	112.93	112.74

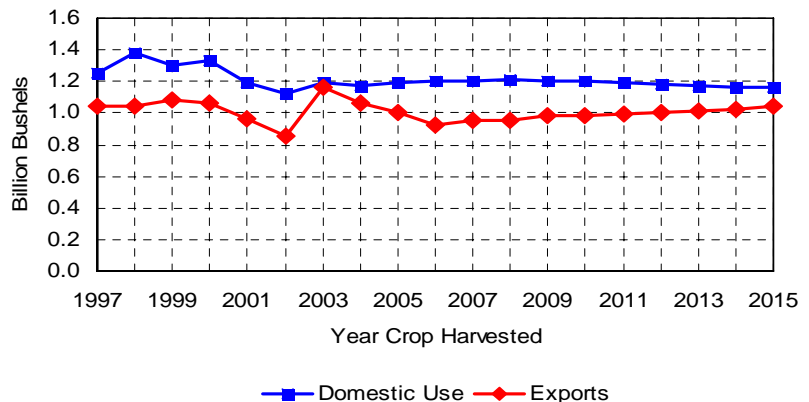
# Wheat

Wheat Area Planted and Harvested



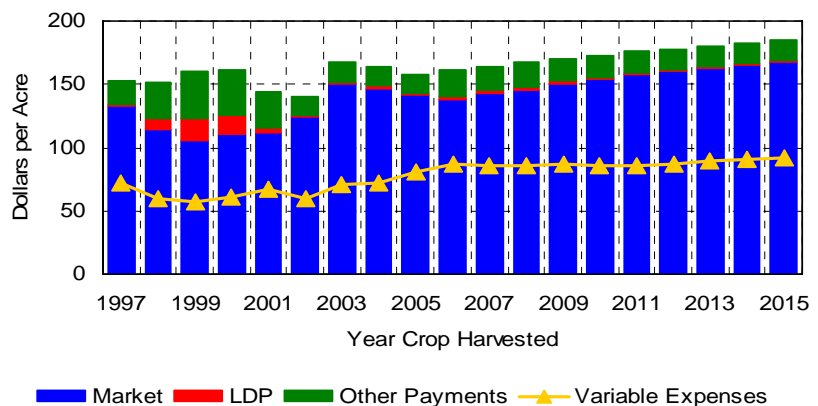
- After two years of decline, the acreage of wheat planted for harvest in 2006 is expected to increase.
- The proportion of planted wheat that is harvested for grain varies, depending on growing conditions and forage demand.
- While planted acreage is expected to increase in 2006, harvested acreage may decline, in part because of drought conditions in the Southern Plains.

Wheat Utilization



- Estimated U.S. wheat exports are down in 2005/06, and strong foreign competition could lead to another decline in 2006/07.
- The growth of U.S. wheat exports in later years is limited by available supplies, as wheat must compete with corn and other crops for land.
- Per capita domestic food use declines slightly over the baseline, and feed use declines when wheat prices rise relative to corn after 2010.

Wheat Returns



- Higher production costs and lower yields contribute to a decline in wheat producer net returns in 2005/06.
- If production cost inflation slows as projected, rising wheat prices and yields could result in a modest recovery in net returns after 2006/07.
- The projected recovery in wheat net returns is not sufficient to discourage further reductions in wheat acreage, given faster growth in corn returns.

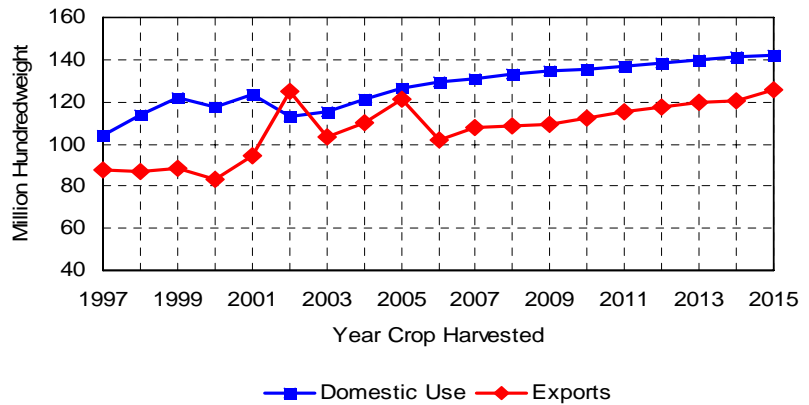
## U.S. Wheat Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Area</b>											
	(Million Acres)										
Base Area	75.5	75.4	75.4	75.5	75.5	75.4	75.4	75.4	75.4	75.4	75.4
Planted Area	57.2	58.2	57.9	57.9	57.5	57.3	57.0	56.8	56.5	56.2	56.0
Harvested Area	50.1	49.2	49.1	49.1	48.7	48.6	48.3	48.1	47.9	47.7	47.5
<b>Yield</b>											
	(Bushels per Acre)										
Actual	42.0	41.7	42.0	42.3	42.6	42.9	43.2	43.5	43.8	44.2	44.5
Program, Direct	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Program, CCP	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1
<b>Supply</b>											
	(Million Bushels)										
Beginning Stocks	540	537	549	539	535	516	505	495	490	487	484
Production	2,105	2,054	2,064	2,077	2,079	2,087	2,089	2,098	2,103	2,106	2,112
Imports	85	85	85	85	85	85	85	85	85	85	85
<b>Domestic Use</b>											
Feed, Residual	202	204	206	209	201	197	188	176	166	155	144
Seed	79	79	80	79	79	79	79	79	79	79	79
Food, Other	911	917	919	921	922	924	926	929	931	934	936
<b>Exports</b>											
	1,000	927	955	958	980	983	992	1,003	1,015	1,026	1,039
<b>Total Use</b>											
	2,192	2,127	2,159	2,167	2,182	2,183	2,185	2,187	2,192	2,194	2,198
<b>Ending Stocks</b>											
CCC Inventory	40	40	40	40	40	40	40	40	40	40	40
Under Loan	58	58	56	56	53	52	51	50	49	49	48
Other Stocks	439	451	443	439	423	413	404	400	397	395	395
<b>Prices and Returns</b>											
	(Dollars)										
Farm Price/bu.	3.38	3.32	3.40	3.45	3.55	3.60	3.66	3.70	3.73	3.76	3.79
Loan Rate/bu.	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Average LDP Rate/bu.	0.01	0.06	0.05	0.05	0.03	0.03	0.02	0.02	0.01	0.01	0.01
Target Price/bu.	3.92	3.92	3.92	3.92	3.92	3.92	3.92	3.92	3.92	3.92	3.92
CCP Rate/bu.	0.02	0.18	0.15	0.14	0.10	0.09	0.07	0.06	0.05	0.05	0.04
Direct Payment/bu.	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52
<b>Gross Market Revenue/a.</b>											
LDP Revenue/a.	0.31	2.60	2.17	2.18	1.47	1.19	0.98	0.73	0.59	0.56	0.53
Variable Expenses/a.	80.63	86.84	86.11	86.16	86.40	86.17	86.33	87.29	88.96	90.60	92.20
Mkt+LDP Net Returns/a.	61.65	53.85	58.67	61.42	65.89	69.25	72.52	73.93	74.61	75.58	76.30
CCP Revenue/Base a.	0.64	5.38	4.53	4.28	3.04	2.61	2.08	1.73	1.49	1.39	1.33
Direct Payment/Base a.	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25

# Rice

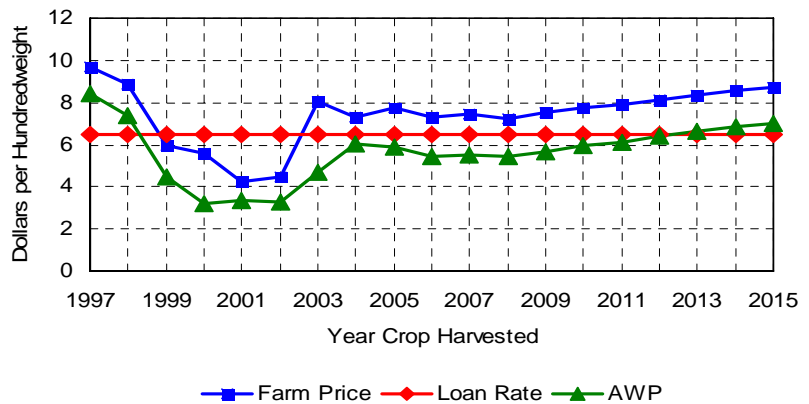
### Rice Utilization

- Projected growth in domestic use of rice reflects both population growth and a slight further increase in per capita consumption.
- After increasing in 2005/06, U.S. rice exports are projected to decline in 2006/07 because of weaker global demand and limited U.S. supplies.
- World rice markets tighten after 2006/07, resulting in larger U.S. exports and higher U.S. prices.



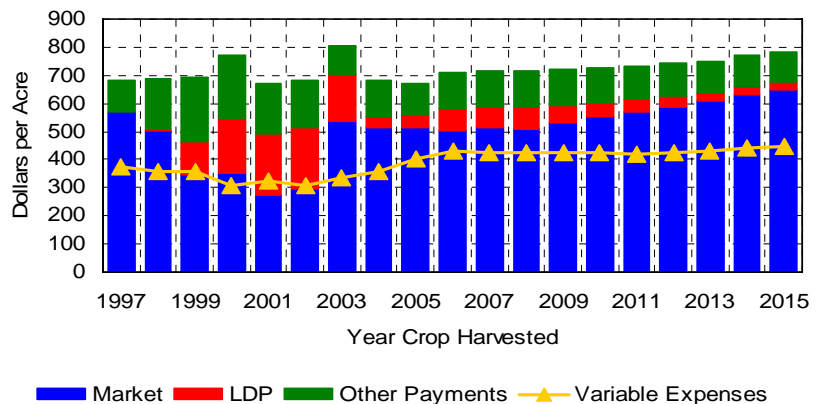
### Rice Prices

- Relative to the 1999-2002 period, world and domestic rice prices have strengthened considerably.
- Average rice farm prices remain above the loan rate throughout the baseline, and increase at a modest rate beginning in 2009.
- Average adjusted world prices (AWP) used to calculate marketing loan benefits remain below the loan rate for the next several years.



### Rice Returns

- While rice farm prices have increased sharply since 2002/03, increased market returns have been offset by lower government payments.
- Sharp increases in production costs have led to lower net returns to rice production.
- The increase in projected prices reduces the share of total rice producer income that comes from government payments.





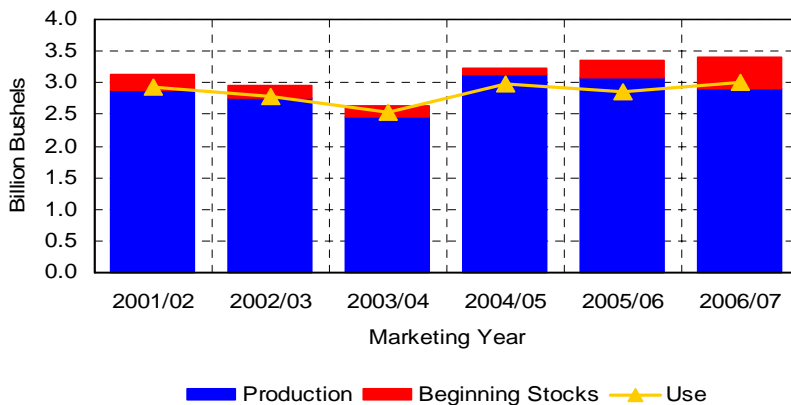
## U.S. Rice Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Area</b> (Million Acres)											
Base Area	4.49	4.49	4.49	4.49	4.49	4.49	4.49	4.49	4.49	4.49	4.49
Planted Area	3.38	3.16	3.26	3.27	3.22	3.24	3.27	3.28	3.28	3.27	3.31
Harvested Area	3.36	3.14	3.23	3.25	3.20	3.22	3.24	3.25	3.26	3.24	3.28
<b>Yield</b> (Pounds per Acre)											
Actual	6,636	6,897	6,949	7,011	7,073	7,130	7,191	7,253	7,311	7,372	7,432
Program, Direct	4,812	4,812	4,812	4,812	4,812	4,812	4,812	4,812	4,812	4,812	4,812
Program, CCP	5,120	5,120	5,120	5,120	5,120	5,120	5,120	5,120	5,120	5,120	5,120
<b>Supply</b> (Million Cwt.)											
Beginning Stocks	37.7	26.0	25.7	26.9	28.7	28.6	27.8	27.8	27.5	27.4	26.9
Production	223.2	216.5	224.5	227.6	226.2	229.3	233.1	236.0	238.3	239.1	244.2
Imports	13.4	14.5	15.4	16.3	17.1	18.0	19.0	20.0	21.1	22.2	23.3
<b>Domestic Use</b>	126.8	129.7	131.1	133.2	134.3	135.5	137.0	138.4	139.8	141.0	142.4
<b>Exports</b>	121.6	101.6	107.5	108.9	109.1	112.6	115.1	117.8	119.7	120.7	125.4
<b>Total Use</b>	248.4	231.3	238.7	242.1	243.4	248.1	252.1	256.2	259.6	261.7	267.8
<b>Ending Stocks</b>											
CCC Inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Stocks	26.0	25.7	26.9	28.7	28.6	27.8	27.8	27.5	27.4	26.9	26.7
<b>Prices and Returns</b> (Dollars)											
Farm Price/cwt	7.77	7.33	7.43	7.25	7.52	7.76	7.90	8.11	8.32	8.57	8.74
Adjusted World Price/cwt.	5.90	5.43	5.49	5.42	5.69	5.95	6.13	6.38	6.64	6.87	7.03
Loan Rate/cwt.	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Average LDP Rate/cwt.	0.66	1.10	1.05	1.10	0.88	0.72	0.65	0.53	0.44	0.39	0.36
Target Price/cwt.	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
CCP Rate/cwt.	0.38	0.77	0.71	0.83	0.67	0.55	0.50	0.42	0.35	0.31	0.27
Direct Payment/cwt.	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35
Gross Market Revenue/a.	515.54	505.58	516.64	508.57	531.58	553.15	568.05	588.13	608.08	631.61	649.59
LDP Revenue/a.	43.91	75.79	72.64	77.20	62.67	50.94	46.87	38.38	31.87	28.96	26.77
Variable Expenses/a.	402.86	429.42	426.77	426.04	425.56	422.52	421.77	424.94	432.28	439.28	446.05
Mkt + LDP Net Returns/a.	156.59	151.95	162.50	159.73	168.70	181.57	193.16	201.57	207.67	221.29	230.31
CCP Revenue/Base a.	16.59	33.70	30.82	36.30	29.29	24.14	21.75	18.09	15.25	13.37	11.67
Direct Payment/Base a.	96.13	96.13	96.13	96.13	96.13	96.13	96.13	96.13	96.13	96.13	96.13

# Soybeans

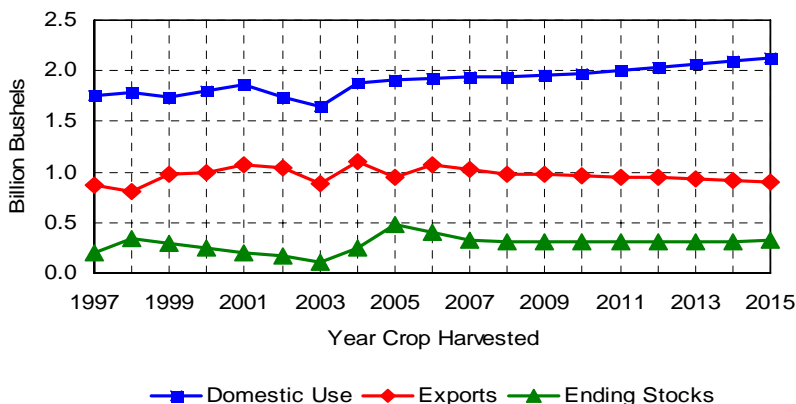
### Soybean Supply and Use

- Back-to-back record soybean yields in 2004 and 2005 have replenished soybean supplies.
- If yields return to trend levels in 2006, production is likely to decline slightly, but large beginning stocks could still lead to record total supplies.
- Unless demand is exceptionally strong in 2006/07, the result is likely to be low soybean prices.



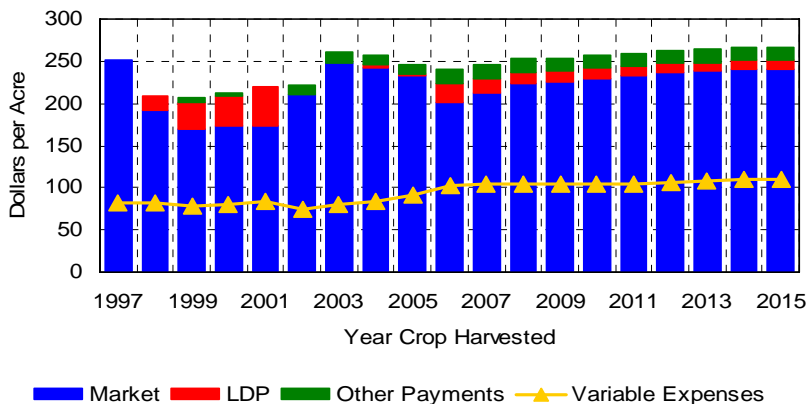
### Soybean Utilization and Stocks

- After reduced yields in 2003/04 limited soybean availabilities, crush has recovered and could set a new record in 2005/06.
- Early-season soybean exports have been very weak this year, but lower prices should allow a recovery in 2006/07.
- U.S. soybean exports decline slightly after 2006/07, in part because of strong South American competition.



### Soybean Returns

- Since 2003/04, soybean producer net returns have declined, as lower prices and increased production costs outweigh record yields.
- In 2006/07, higher production costs and lower prices and yields are only partially offset by increased government payments.
- The projected increase in soybean returns after 2006/07 is not sufficient to keep producers from shifting to corn.



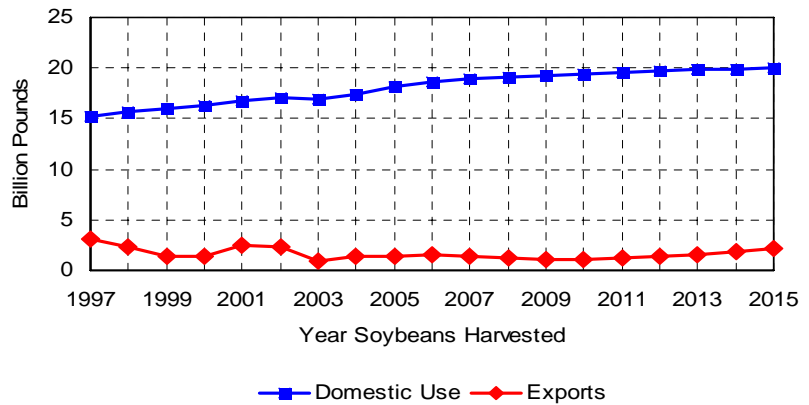
## U.S. Soybean Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Area</b>											
	(Million Acres)										
Base Area	52.7	52.7	52.7	52.7	52.8	52.7	52.7	52.7	52.7	52.7	52.7
Planted Area	72.1	73.2	71.7	71.3	71.5	70.8	70.6	70.5	70.5	70.4	70.3
Harvested Area	71.4	71.9	70.4	70.1	70.2	69.6	69.4	69.3	69.3	69.2	69.2
<b>Yield</b>											
	(Bushels per Acre)										
Actual	43.3	40.5	40.9	41.2	41.7	42.0	42.4	42.8	43.1	43.5	43.9
Program, Direct	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8
Program, CCP	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1
<b>Supply</b>											
	(Million Bushels)										
Beginning Stocks	256	487	399	333	316	317	309	305	305	307	312
Production	3,086	2,913	2,882	2,892	2,928	2,925	2,943	2,965	2,990	3,013	3,037
Imports	4	5	5	5	5	5	5	5	5	5	5
<b>Domestic Use</b>	1,910	1,931	1,934	1,937	1,959	1,973	1,999	2,027	2,061	2,094	2,131
Crush	1,731	1,774	1,778	1,779	1,799	1,813	1,835	1,863	1,892	1,924	1,957
Seed, Residual	179	157	156	158	160	160	163	164	168	170	174
<b>Exports</b>	949	1,075	1,020	977	973	965	953	943	933	919	904
<b>Total Use</b>	2,859	3,006	2,954	2,913	2,932	2,938	2,952	2,970	2,993	3,012	3,035
<b>Ending Stocks</b>											
CCC Inventory	0	0	0	0	0	0	0	0	0	0	0
Under Loan	66	54	62	59	59	57	56	55	56	56	57
Other Stocks	421	346	271	257	258	252	248	250	251	257	262
<b>Prices and Returns</b>											
	(Dollars)										
Farm Price/bu.	5.41	5.02	5.22	5.46	5.44	5.51	5.55	5.58	5.59	5.58	5.52
Ill. Proc. Price/bu.	5.71	5.34	5.53	5.76	5.74	5.81	5.85	5.88	5.88	5.87	5.82
Loan Rate/bu.	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Average LDP Rate/bu.	0.01	0.50	0.39	0.31	0.30	0.28	0.24	0.23	0.21	0.23	0.24
Target Price/bu.	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80
CCP Rate/bu.	0.02	0.22	0.19	0.16	0.15	0.15	0.14	0.13	0.13	0.13	0.14
Direct Payment/bu.	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
Gross Market Revenue/a.	233.82	201.69	211.61	222.78	224.75	229.10	233.18	236.74	238.97	240.67	240.37
LDP Revenue/a.	0.63	21.23	16.68	13.70	13.06	12.37	10.84	10.52	9.58	10.78	11.28
Variable Expenses/a.	91.32	102.18	103.47	104.21	104.72	104.72	105.13	106.06	107.62	109.07	110.49
Mkt+LDP Net Returns/a.	143.13	120.74	124.82	132.27	133.10	136.76	138.89	141.19	140.93	142.38	141.15
CCP Revenue/Base a.	0.48	6.26	5.44	4.59	4.45	4.26	4.06	3.70	3.85	3.78	4.20
Direct Payment/Base a.	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52
Bean/Corn Price Ratio	2.85	2.39	2.37	2.38	2.29	2.27	2.26	2.27	2.25	2.24	2.21
48% Meal Price/ton	173.52	168.29	170.77	172.05	169.44	169.93	169.96	169.48	168.46	166.24	162.25
Oil Price/cwt.	21.58	21.52	22.72	23.86	24.27	24.80	25.30	25.76	26.16	26.60	27.10
Crushing Margin/bu.	0.90	1.09	1.10	1.02	1.02	1.03	1.05	1.05	1.07	1.08	1.09

# Soybean Products

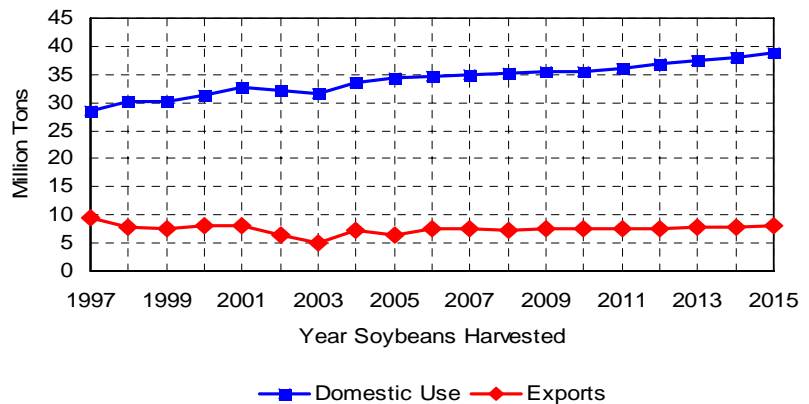
- After a pause in 2003/04, domestic soybean oil consumption has resumed steady growth.
- Increased production of biodiesel accounts for much of the projected increase in soybean oil demand.
- The U.S. remains a small net exporter of soybean oil over the next 10 years.

Soybean Oil Utilization



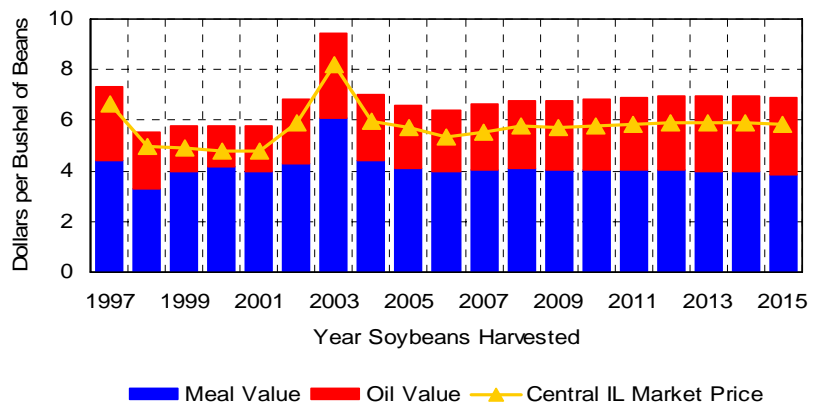
- Soybean meal domestic consumption increases throughout the baseline in response to low meal prices and growth in poultry and livestock production.
- The rate of growth in domestic soybean meal consumption is limited by growth in supplies of co-products from ethanol production.
- U.S. soybean meal exports are projected to remain relatively stable.

Soybean Meal Utilization



- Increased biofuel production affects relative soybean meal and oil prices. Meal prices are weakened by competition from corn co-products, and oil prices are strengthened by production of biodiesel.
- While meal continues to account for most of the value in a bushel of soybeans, the oil share increases over the baseline.
- Projected crushing margins are relatively stable.

Soybean Prices and Soy Product Values



## U.S. Soybean Oil Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Million Pounds)										
<b>Supply</b>	21,934	22,492	22,299	22,215	22,297	22,435	22,654	22,939	23,246	23,597	23,952
Beginning Stocks	1,699	2,425	2,186	2,084	1,945	1,920	1,888	1,863	1,843	1,832	1,814
Production	20,170	20,002	20,048	20,066	20,287	20,450	20,700	21,011	21,339	21,700	22,073
Imports	65	65	65	65	65	65	65	65	65	65	65
<b>Domestic Use</b>	18,185	18,690	18,892	19,076	19,298	19,473	19,612	19,712	19,819	19,936	20,040
<b>Exports</b>	1,324	1,616	1,323	1,194	1,078	1,074	1,179	1,384	1,595	1,847	2,114
<b>Total Use</b>	19,509	20,306	20,215	20,270	20,377	20,547	20,790	21,096	21,414	21,783	22,154
<b>Ending Stocks</b>	2,425	2,186	2,084	1,945	1,920	1,888	1,863	1,843	1,832	1,814	1,798
	(Cents per Pound)										
<b>Price</b>											
Decatur	21.58	21.52	22.72	23.86	24.27	24.80	25.30	25.76	26.16	26.60	27.10

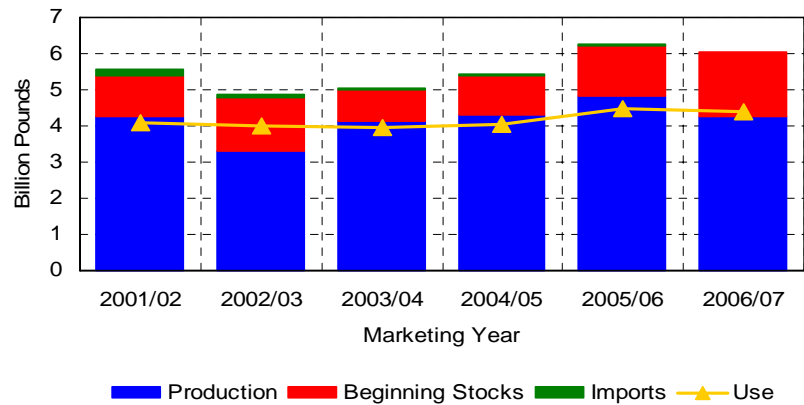
## U.S. Soybean Meal Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Thousand Tons)										
<b>Supply</b>	41,180	42,571	42,673	42,711	43,175	43,521	44,048	44,703	45,394	46,157	46,947
Beginning Stocks	172	236	241	241	239	241	240	240	241	242	244
Production	40,843	42,170	42,267	42,305	42,771	43,115	43,643	44,297	44,988	45,750	46,538
Imports	165	165	165	165	165	165	165	165	165	165	165
<b>Domestic Use</b>	34,395	34,775	34,948	35,104	35,367	35,611	36,189	36,806	37,394	38,007	38,726
<b>Exports</b>	6,550	7,554	7,484	7,367	7,567	7,669	7,619	7,655	7,758	7,906	7,973
<b>Total Use</b>	40,945	42,330	42,432	42,472	42,934	43,281	43,808	44,462	45,152	45,913	46,699
<b>Ending Stocks</b>	236	241	241	239	241	240	240	241	242	244	248
	(Dollars per Ton)										
<b>Price</b>											
Decatur, 48% Protein	173.52	168.29	170.77	172.05	169.44	169.93	169.96	169.48	168.46	166.24	162.25

# Peanuts

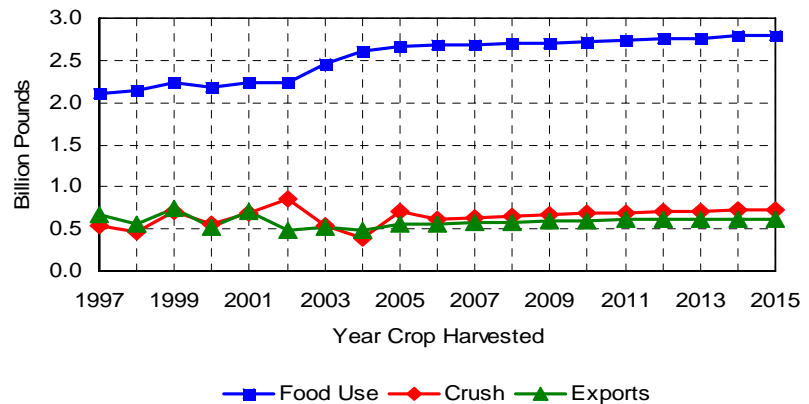
Peanut Supply and Use

- Peanut acreage increased sharply in 2005 and exceeded 2001 levels for the first time since enactment of the 2002 farm bill.
- The large increase in total supplies (production plus beginning stocks and imports) depresses 2005/06 peanut prices in spite of increased peanut use.
- With a large carryout from the 2005 crop, total supplies are likely to remain large in 2006 even if production declines.



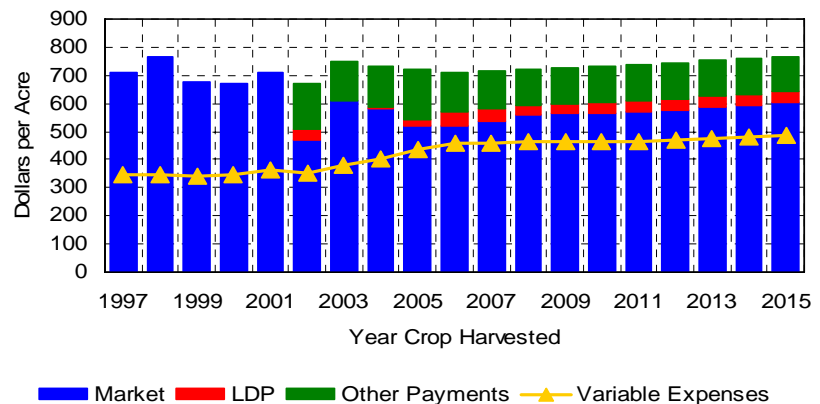
Peanut Utilization

- Domestic food use of peanuts has increased significantly since 2002, partially in response to lower prices.
- Further increases in food use of peanuts are expected to be modest.
- Peanut crush and exports can vary a lot from year to year, but little growth is expected in either category.



Peanut Returns

- Compared to the previous two years, peanut producer net returns are squeezed in 2005/06 by lower yields and prices and increased production costs.
- Lower prices in 2005/06 result in increased benefits under the marketing loan and CCP programs.
- In later years, producer revenues per acre increase slightly as yields increase, but changes in prices generally result in offsetting changes in payments.



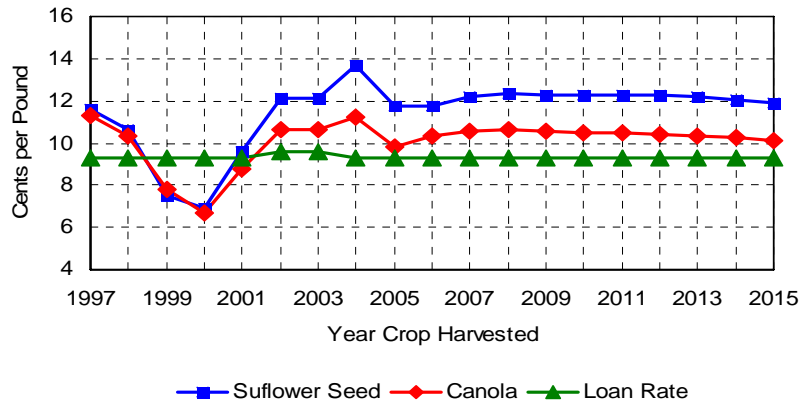
## U.S. Peanut Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Area</b> (Million Acres)											
Base Area	1.46	1.46	1.46	1.46	1.47	1.46	1.46	1.46	1.46	1.46	1.46
Planted Area	1.66	1.51	1.54	1.54	1.55	1.55	1.55	1.54	1.54	1.54	1.53
Harvested Area	1.63	1.47	1.49	1.50	1.51	1.51	1.50	1.50	1.49	1.49	1.49
<b>Yield</b> (Pounds per Acre)											
Actual	2,960	2,894	2,921	2,946	2,972	3,001	3,024	3,054	3,079	3,107	3,132
Program	2,989	2,989	2,989	2,989	2,989	2,989	2,989	2,989	2,989	2,989	2,989
<b>Supply</b> (Million Pounds)											
Beginning Stocks	1,415	1,779	1,649	1,593	1,574	1,576	1,579	1,574	1,572	1,568	1,571
Production	4,821	4,251	4,366	4,413	4,479	4,525	4,541	4,575	4,595	4,642	4,666
Imports	20	25	25	25	25	25	25	25	25	25	25
<b>Domestic Use</b>											
Food	2,662	2,682	2,687	2,693	2,705	2,722	2,735	2,751	2,767	2,786	2,804
Crush	712	613	641	653	674	689	697	706	712	723	731
Seed, Feed, & Residual	549	553	543	536	535	534	533	533	534	535	536
<b>Exports</b>											
	553	559	574	575	588	601	606	611	611	619	621
<b>Total Use</b>											
	4,477	4,407	4,446	4,458	4,502	4,547	4,571	4,602	4,625	4,664	4,692
<b>Ending Stocks</b>											
	1,779	1,649	1,593	1,574	1,576	1,579	1,574	1,572	1,568	1,571	1,570
<b>Prices and Returns</b> (Dollars)											
Farm Price	0.175	0.183	0.186	0.192	0.193	0.191	0.191	0.192	0.194	0.194	0.196
Loan Rate/lb.	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178
Average LDP Rate/lb.	0.008	0.015	0.013	0.011	0.011	0.012	0.012	0.011	0.011	0.012	0.011
Target Price/lb.	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248
CCP Rate/lb.	0.052	0.038	0.036	0.033	0.032	0.033	0.033	0.033	0.031	0.031	0.030
Direct Payment/lb.	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018
Gross Market Revenue/a.	518.00	520.76	536.10	557.33	564.36	564.14	570.15	578.43	589.39	594.18	604.62
LDP Revenue/a.	25.09	47.22	43.01	35.76	36.26	39.83	38.97	37.24	38.18	40.26	39.30
Variable Expenses/a.	433.90	458.14	460.00	461.78	463.30	462.62	463.84	467.95	475.10	482.00	488.74
Mkt + LDP Net Returns/a.	109.20	109.84	119.11	131.32	137.33	141.35	145.28	147.72	152.47	152.44	155.17
CCP Revenue/Base a.	132.10	97.67	91.95	83.72	81.73	83.49	84.37	82.71	79.67	78.76	75.70
Direct Payment/Base a.	45.73	45.73	45.73	45.73	45.73	45.73	45.73	45.73	45.73	45.73	45.73

# Other Oilseeds

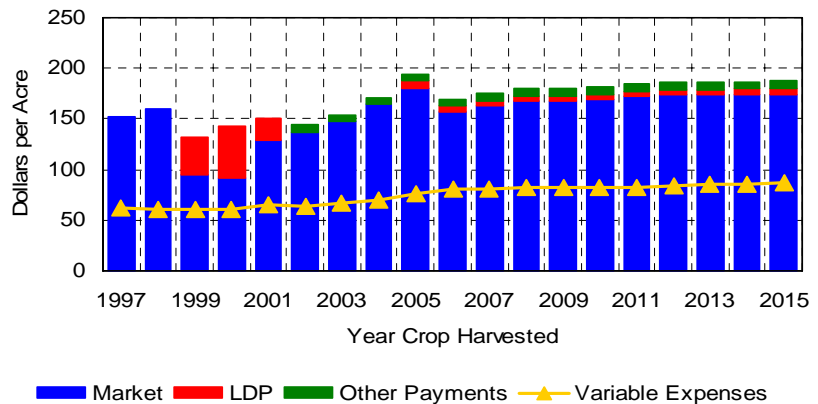
Sunflower Seed and Canola Prices

- Sunflower seed prices have declined from the peak levels of 2004/05, largely because 2005 sunflower seed production was almost double the 2004 level.
- Sunflower seed prices average about 12 cents per pound throughout the baseline.
- Canola has sold at a discount relative to sunflower seed in recent years, and that pattern continues in the projections.



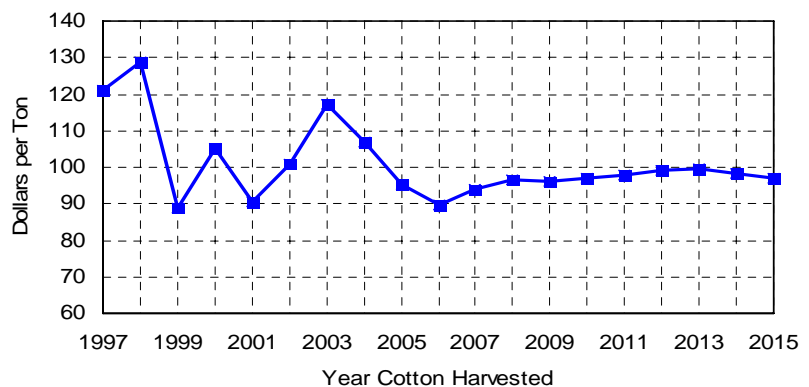
Sunflower Seed Returns

- Unlike most other crops, sunflower seed net returns have actually increased this year as the effects of much higher yields more than offset the impact of lower prices and higher production costs.
- If yields return to more normal levels in 2006/07 and production costs increase, net returns to sunflower seed producers could fall sharply from the 2005/06 level.



Cottonseed Price

- Back-to-back large crops of cottonseed have contributed to a significant decline in cottonseed prices, which may average less than \$100 per ton this year for the first time since 2001/02.
- Projected declines in prices for soybeans and other oilseeds in 2006/07 weigh on cottonseed prices, in spite of a projected reduction in cottonseed production.





## U.S. Sunflower Seed Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Area</b>											
	(Million Acres)										
Planted Area	2.71	2.59	2.44	2.47	2.47	2.44	2.43	2.41	2.40	2.39	2.37
Harvested Area	2.61	2.38	2.23	2.26	2.26	2.24	2.22	2.21	2.20	2.18	2.17
<b>Yield</b>											
	(Pounds per Acre)										
	1,540	1,341	1,353	1,368	1,380	1,393	1,409	1,424	1,434	1,450	1,469
<b>Supply and Use</b>											
	(Million Pounds)										
Production	4,018	3,189	3,029	3,105	3,128	3,127	3,138	3,155	3,163	3,177	3,190
Imports	170	170	170	170	170	170	170	170	170	170	170
Domestic Use	3,405	3,121	3,002	2,965	2,968	2,979	3,003	3,028	3,053	3,091	3,126
Exports	432	313	229	302	328	319	304	293	273	250	226
Ending Stocks	549	473	442	450	451	449	450	454	461	467	474
<b>Prices and Returns</b>											
	(Dollars)										
Farm Price/lb.	0.117	0.118	0.122	0.123	0.123	0.123	0.123	0.123	0.122	0.121	0.119
Gross Market Revenue/a.	180.89	156.75	163.62	167.04	167.94	169.80	171.75	173.66	173.48	173.70	173.56
LDP Revenue/a.	6.31	5.67	4.73	5.09	4.72	4.88	5.62	4.70	5.63	6.03	6.55
Variable Expenses/a.	76.26	80.53	81.38	81.93	82.33	82.35	82.74	83.55	84.84	86.06	87.23
CCP Revenue/Base a.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Payment/Base a.	7.37	7.37	7.37	7.37	7.37	7.37	7.37	7.37	7.37	7.37	7.37

## U.S. Other Oilseeds

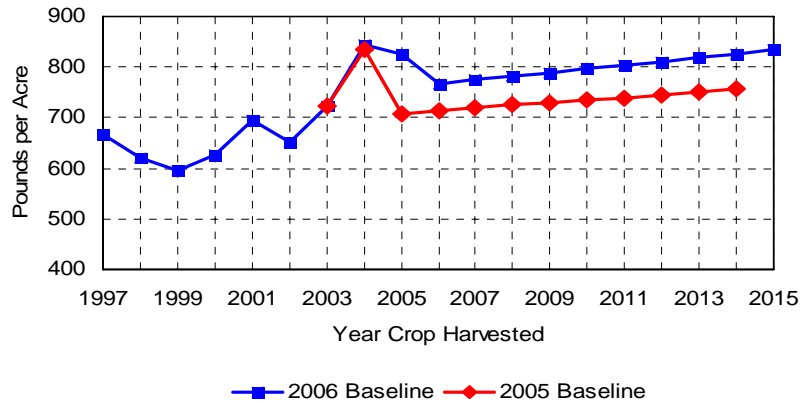
Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Production</b>											
	(Thousand Tons)										
Cottonseed	8,501	7,565	7,487	7,651	7,753	7,811	7,898	7,943	8,008	8,118	8,225
	(Million Pounds)										
Canola	1,581	1,426	1,492	1,540	1,583	1,611	1,655	1,699	1,743	1,790	1,839
<b>Prices</b>											
	(Dollars per Ton)										
Cottonseed	95.30	89.77	93.81	96.55	96.01	97.08	98.06	99.03	99.40	98.29	96.89
	(Cents per Pound)										
Canola	9.84	10.33	10.58	10.60	10.52	10.50	10.49	10.38	10.32	10.24	10.12

# Upland Cotton

- Although 2005 upland cotton yields did not match the 2004 record, they far exceeded yields in any year prior to 2004.

- After reviewing the yield data and other evidence, the projected path of cotton yields under normal growing conditions has been significantly revised upwards.

Upland Cotton Yields



- The baseline reflects the elimination of the Step 2 program at the end of the 2005/06 marketing year.

- All else equal, this has the effect of reducing the gap between the farm price of upland cotton and the AWP used to calculate marketing loan benefits.

Upland Cotton Prices

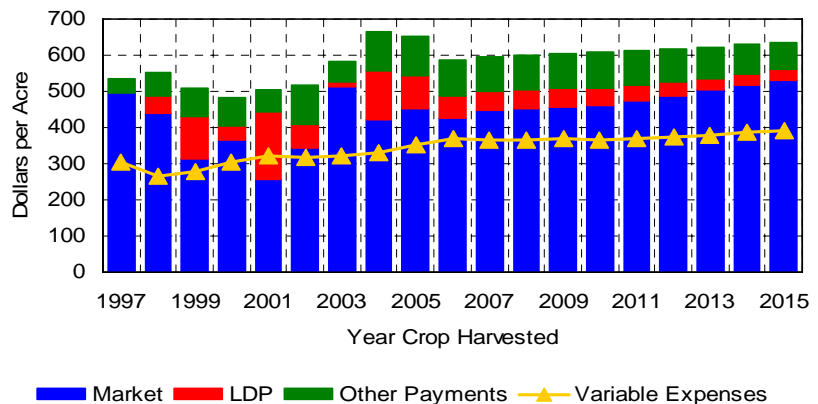


- Upland cotton returns have been relatively strong in 2004/05 and 2005/06 as the effects of high yields and large marketing loan benefits more than offset the impacts of low prices.

- Net returns could be sharply reduced in 2006/07 if yields return to trend levels and production costs increase.

- Marketing loan benefits also decline sharply in 2006/07 as the AWP increases much more than the farm price in response to the end of Step 2.

Upland Cotton Returns



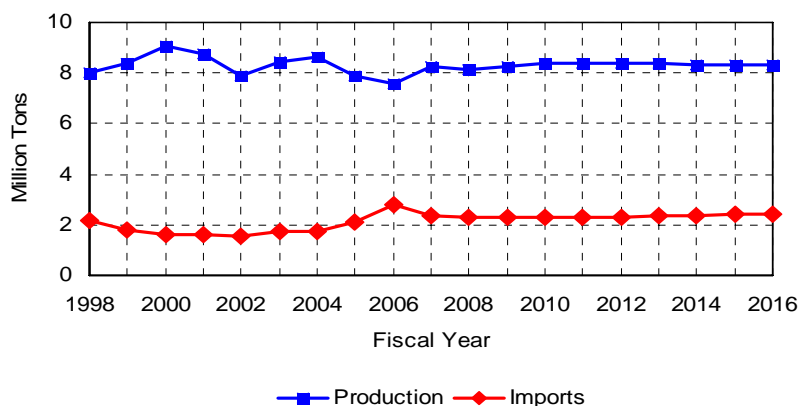
## U.S. Upland Cotton Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Area</b>											
	(Million Acres)										
Base Area	18.41	18.41	18.40	18.41	18.42	18.41	18.40	18.40	18.40	18.39	18.39
Planted Area	13.93	14.16	13.88	14.06	14.11	14.09	14.08	14.05	14.06	14.11	14.15
Harvested Area	13.43	12.85	12.59	12.75	12.78	12.76	12.76	12.74	12.73	12.77	12.81
<b>Yield</b>											
	(Pounds per Acre)										
Actual	824	766	774	781	789	796	805	811	818	826	833
Program, Direct	604	604	604	604	604	604	604	604	604	604	604
Program, CCP	638	638	638	638	638	638	638	638	638	638	638
<b>Supply</b>											
	(Million Bales)										
Beginning Stocks	5.53	6.71	6.07	5.48	5.42	5.53	5.60	5.65	5.60	5.51	5.50
Production	23.06	20.54	20.34	20.78	21.05	21.20	21.43	21.55	21.73	22.01	22.29
Imports	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
<b>Domestic Use</b>											
Mill Use	6.03	5.81	5.62	5.37	5.13	4.97	4.83	4.76	4.70	4.67	4.63
<b>Exports</b>											
	15.87	15.38	15.33	15.48	15.82	16.16	16.56	16.86	17.13	17.37	17.72
<b>Total Use</b>											
	21.90	21.19	20.95	20.86	20.95	21.14	21.40	21.62	21.83	22.04	22.35
<b>Unaccounted</b>											
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Ending Stocks</b>											
CCC Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Stocks	6.71	6.07	5.48	5.42	5.53	5.60	5.65	5.60	5.51	5.50	5.45
<b>Prices and Returns</b>											
	(Dollars)										
Farm Price/lb.	0.481	0.484	0.508	0.509	0.509	0.510	0.517	0.530	0.546	0.558	0.570
Cotlook A Index/lb.	0.584	0.613	0.636	0.635	0.636	0.637	0.648	0.662	0.677	0.688	0.700
Adjusted World Price/lb.	0.434	0.473	0.496	0.495	0.496	0.497	0.508	0.522	0.537	0.548	0.560
Loan Rate/lb.	0.520	0.520	0.520	0.520	0.520	0.520	0.520	0.520	0.520	0.520	0.520
Average LDP Rate/lb.	0.109	0.076	0.062	0.063	0.062	0.060	0.056	0.048	0.040	0.037	0.034
Target Price/lb.	0.724	0.724	0.724	0.724	0.724	0.724	0.724	0.724	0.724	0.724	0.724
CCP Rate/lb.	0.137	0.126	0.117	0.115	0.116	0.116	0.112	0.104	0.096	0.087	0.079
Direct Payment/lb.	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067
Gross Market Revenue/a.	453.49	425.97	449.35	453.88	457.37	462.07	472.11	485.88	502.52	516.57	531.11
LDP Revenue/a.	89.60	59.61	48.78	49.67	49.64	48.76	45.54	39.60	33.39	30.86	28.35
Variable Expenses/a.	351.98	370.18	366.35	366.58	367.51	367.07	368.68	373.27	380.11	386.74	393.13
Mkt+LDP Net Returns/a.	191.12	115.41	131.78	136.97	139.50	143.77	148.97	152.20	155.80	160.69	166.33
CCP Revenue/Base a.	74.50	68.33	63.44	62.61	62.84	63.10	60.63	56.60	52.05	47.45	42.99
Direct Payment/Base a.	34.23	34.23	34.23	34.23	34.23	34.23	34.23	34.23	34.23	34.23	34.23

# Sugar

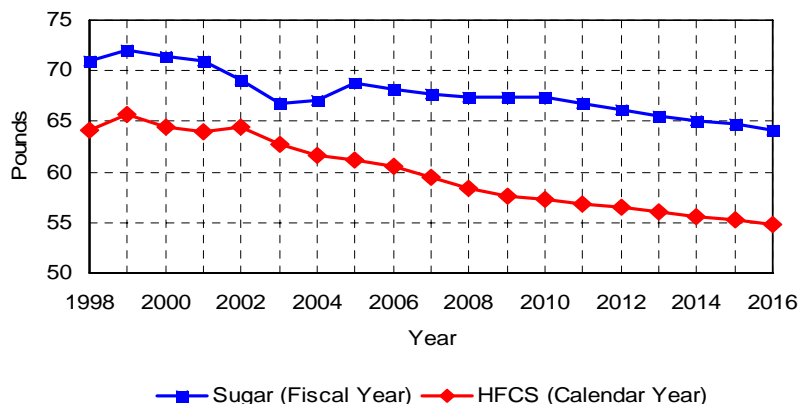
- Hurricane damage has severely reduced sugar production in FY 2006 (Oct. 2005-Sep. 2006).
- The tariff rate quota (TRQ) for sugar has been increased to supply the domestic market.
- Projected imports in subsequent years exceed pre-2005 levels, in part because of increased imports from Mexico and Central America.

Sugar Production and Imports



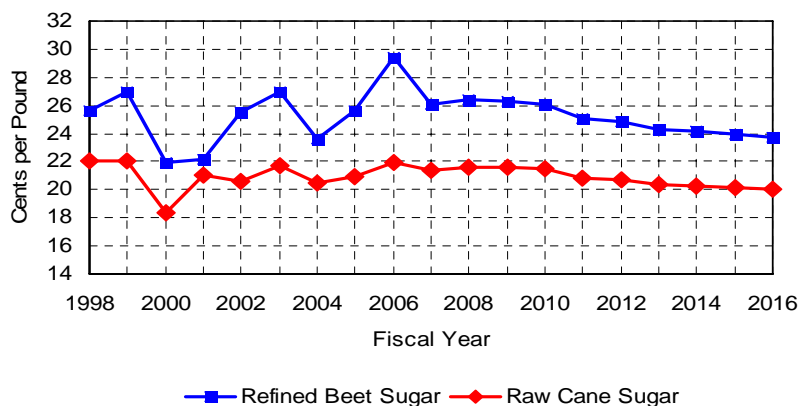
- Per capita sugar deliveries increased in fiscal years 2004 and 2005, but a decline is projected to resume in fiscal 2006.
- High-fructose corn syrup (HFCS) consumption per capita has declined since 2002, and further declines are projected.
- Even small deviations from the projected trends in sugar and sweetener consumption could have significant impacts on the long-run outlook.

Sugar and HFCS Domestic Deliveries per Capita



- Production shortfalls contributed to a sharp increase in refined beet sugar prices during the first few months of fiscal 2006, with smaller increases in raw cane sugar prices.
- Sugar prices return to more normal levels in fiscal 2007.
- Prices decline in later years of the baseline, as production and imports outstrip domestic consumption and result in government stock accumulation.

Sugar Prices

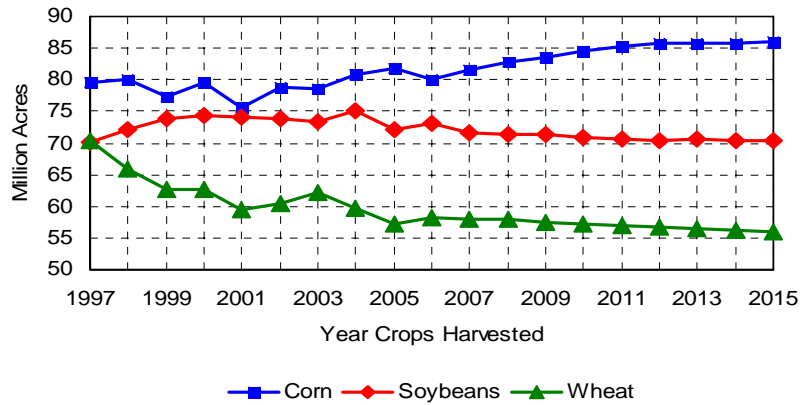


## U.S. Sugar Supply and Utilization

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Area</b>											
	(Million Acres)										
Sugar Cane Harvested	0.866	0.869	0.886	0.887	0.886	0.885	0.881	0.869	0.859	0.849	0.838
Sugar Beet Planted	1.295	1.412	1.318	1.322	1.314	1.300	1.275	1.262	1.241	1.232	1.218
Sugar Beet Harvested	1.239	1.349	1.259	1.263	1.256	1.242	1.218	1.206	1.186	1.178	1.164
<b>Yield</b>											
	(Tons per Acre)										
Cane Sugar	3.64	4.05	4.18	4.23	4.28	4.32	4.35	4.38	4.40	4.43	4.46
Beet Sugar	3.58	3.50	3.54	3.59	3.64	3.68	3.73	3.78	3.83	3.87	3.92
<b>Supply</b>											
	(Thousand Tons)										
Beginning Stocks	1,347	1,307	1,447	1,454	1,502	1,551	1,637	1,696	1,771	1,830	1,896
Production	7,593	8,237	8,167	8,289	8,360	8,404	8,376	8,362	8,319	8,324	8,307
Cane Sugar	3,158	3,517	3,709	3,756	3,792	3,827	3,829	3,803	3,779	3,760	3,741
Beet Sugar	4,435	4,720	4,458	4,533	4,568	4,578	4,547	4,560	4,540	4,564	4,566
Imports	2,770	2,334	2,305	2,325	2,327	2,314	2,322	2,347	2,377	2,410	2,441
<b>Total Use</b>	10,403	10,432	10,466	10,566	10,638	10,633	10,639	10,635	10,637	10,667	10,676
Domestic Deliveries	10,208	10,236	10,270	10,369	10,440	10,433	10,439	10,433	10,435	10,464	10,472
Exports	195	196	196	197	198	199	200	201	202	203	204
Residual	0	0	0	0	0	0	0	0	0	0	0
<b>Ending Stocks</b>											
CCC Inventory	0	0	2	4	7	25	64	115	181	239	323
Other Stocks	1,307	1,446	1,451	1,498	1,545	1,613	1,632	1,656	1,649	1,657	1,646
<b>Prices</b>											
	(Cents per Pound)										
N.Y. Spot Raw Sugar	21.92	21.36	21.63	21.59	21.45	20.83	20.66	20.33	20.28	20.13	20.02
Refined Beet Sugar	29.43	26.09	26.40	26.29	26.04	25.12	24.83	24.31	24.18	23.90	23.70
Cane Loan Rate	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Beet Loan Rate	22.90	22.90	22.90	22.90	22.90	22.90	22.90	22.90	22.90	22.90	22.90

# Land Use

Corn, Soybean, and Wheat Planted Area

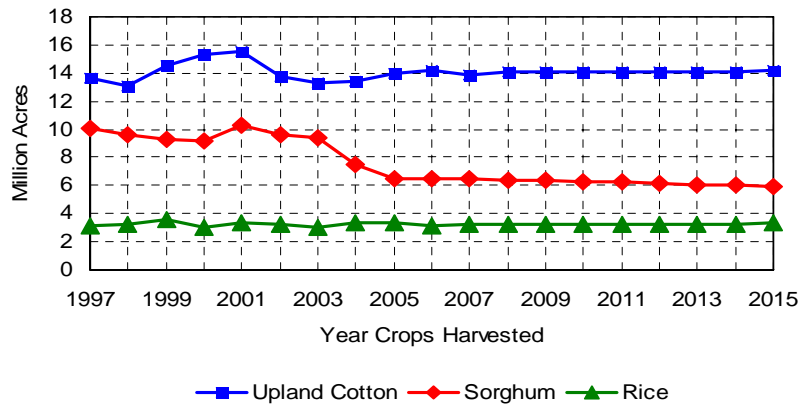


Projected corn area planted declines to 80 million acres in 2006, in part because production costs have increased more for corn than for soybeans and wheat.

Soybean area increases to 73.2 million acres in 2006 and wheat area increases to 58.2 million acres as both crops benefit at the expense of corn.

After 2006, stronger demand growth for corn than for other crops results in increases in corn acreage and less acreage planted to soybeans and wheat.

Upland Cotton, Sorghum, and Rice Planted Area

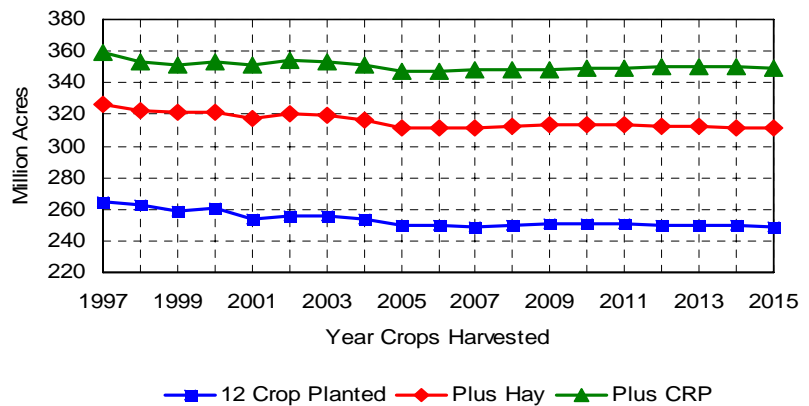


Upland cotton area planted is projected to increase to 14.2 million acres in 2006 as producers respond to two years of strong yields and returns.

Sorghum area declined sharply between 2003 and 2005, and no recovery is projected.

Increased production costs contribute to a projected decline in 2006 rice area planted to 3.16 million acres.

Land Use for Major Crops and CRP



The total area planted to 12 major crops declined by more than 4 million acres in 2005, and is projected to remain fairly steady in 2006 and subsequent years.

Conservation Reserve Program (CRP) area is projected to dip in 2008 and 2009 when many contracts expire, but then expand to 38 million acres by 2014.

## U.S. Land Use for Major Crops and the Conservation Reserve

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
<b>Planted Area</b>	(Million Acres)										
Corn	81.76	79.99	81.66	82.70	83.61	84.65	85.38	85.71	85.67	85.85	86.00
Soybeans	72.14	73.16	71.66	71.34	71.45	70.84	70.62	70.49	70.52	70.36	70.31
Wheat	57.23	58.21	57.89	57.86	57.47	57.29	56.98	56.78	56.54	56.23	55.99
Upland Cotton	13.93	14.16	13.88	14.06	14.11	14.09	14.08	14.05	14.06	14.11	14.15
Sorghum	6.45	6.43	6.45	6.42	6.37	6.29	6.25	6.16	6.07	6.02	5.98
Barley	3.88	3.89	3.86	3.83	3.81	3.74	3.68	3.61	3.54	3.49	3.46
Oats	4.25	4.21	4.24	4.22	4.18	4.15	4.12	4.09	4.06	4.03	4.00
Rice	3.38	3.16	3.26	3.27	3.22	3.24	3.27	3.28	3.28	3.27	3.31
Sunflowers	2.71	2.59	2.44	2.47	2.47	2.44	2.43	2.41	2.40	2.39	2.37
Peanuts	1.66	1.51	1.54	1.54	1.55	1.55	1.55	1.54	1.54	1.54	1.53
Sugar Beets	1.29	1.41	1.32	1.32	1.31	1.30	1.27	1.26	1.24	1.23	1.22
Sugar Cane (Harvested)	0.87	0.87	0.89	0.89	0.89	0.89	0.88	0.87	0.86	0.85	0.84
<b>12 Crop Planted Area</b>	249.54	249.61	249.08	249.92	250.45	250.47	250.50	250.26	249.78	249.36	249.17
<b>Hay Harvested Area</b>	61.65	62.09	62.44	62.52	62.58	62.56	62.52	62.49	62.45	62.35	62.25
<b>12 Crops + Hay</b>	311.19	311.70	311.52	312.44	313.04	313.03	313.02	312.75	312.22	311.71	311.42
<b>Conservation Reserve</b>	35.59	36.00	36.50	35.50	35.00	36.00	36.50	37.00	37.50	38.00	38.00
<b>12 Crops + Hay + CRP</b>	346.78	347.70	348.02	347.94	348.04	349.03	349.52	349.75	349.72	349.71	349.42

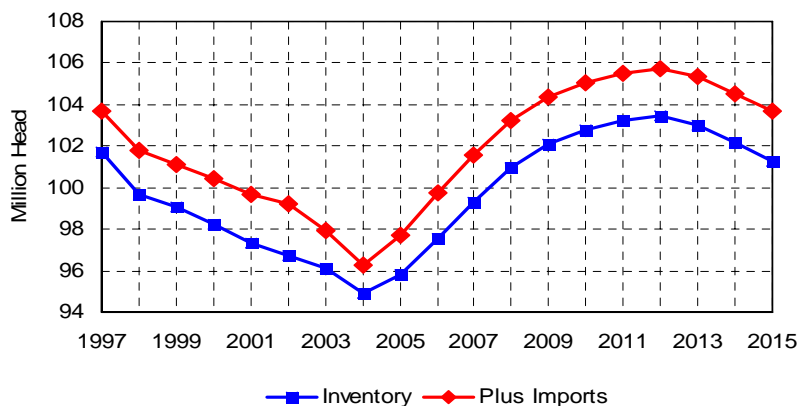
# Beef

- The cattle herd continued to expand in 2006, as producers responded to the attractive returns the industry has experienced since 2003.

- Cattle supplies are further bolstered by the resumption of live cattle trade with Canada. Imports of animals under 30 months resumed in the summer of 2005, ending a ban that began in May 2003.

- Cattle supplies will continue to grow through 2012, with the peak of this cattle cycle near 103.5 million head.

Cattle Inventory Plus Imports

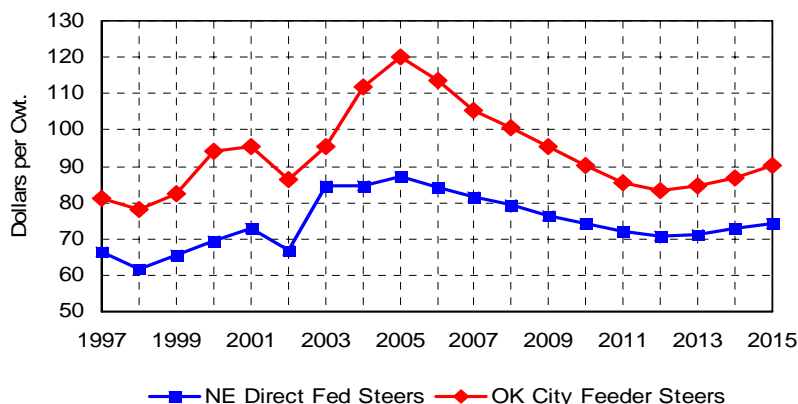


- 2005 was another profitable year for cow-calf producers, with feeder steer prices around \$120 per cwt.

- As beef supplies increase over the next few years, prices will begin to moderate.

- The spread between feeder steer and fed steer prices will tighten as corn prices increase during the baseline.

Cattle Prices

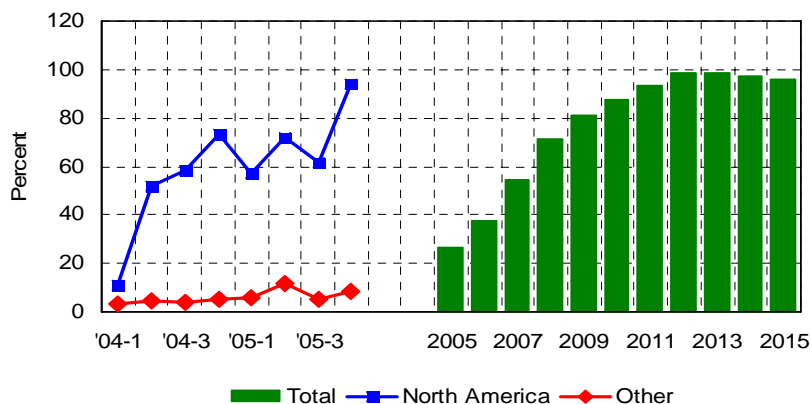


- U.S. beef exports to North American trading partners were approaching normal levels by the fourth quarter of 2005.

- Success in resuming normal trade flows has not been as easy in other markets, due both to continuing total bans and bans on specific beef products.

- It could take quite some time before total U.S. beef exports are able to achieve levels experienced from 1999-2003.

Beef Exports Relative to 1999-2003 Average





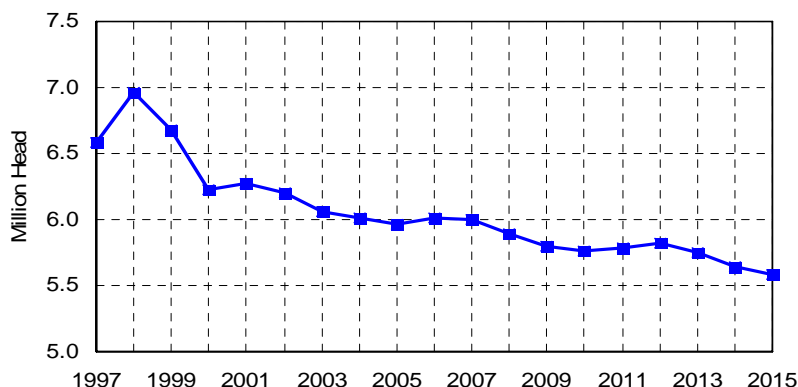
## U.S. Cattle Sector

Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(Million Head)										
Beef Cows (Jan. 1)	33.1	33.6	34.3	35.0	35.2	35.4	35.6	35.5	35.2	34.7	34.2
Dairy Cows (Jan. 1)	9.0	9.1	9.1	9.1	9.0	9.0	8.9	8.9	8.9	8.9	8.9
Cattle and Calves (Jan. 1)	95.8	97.5	99.3	101.0	102.1	102.8	103.2	103.4	103.0	102.2	101.3
Calf Crop	37.8	38.6	39.3	39.8	40.1	40.3	40.4	40.2	39.8	39.4	39.0
Calf Death Loss	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.3	2.3	2.3
Calf Slaughter	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Beef Cow Slaughter	2.6	2.8	3.2	3.5	3.6	3.7	3.8	3.9	3.9	3.7	3.5
Dairy Cow Slaughter	2.3	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Bull Slaughter	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Steer and Heifer Slaughter	27.2	28.0	28.2	28.6	29.2	29.5	29.8	30.2	30.3	30.3	30.1
Total Slaughter	33.3	34.7	35.4	36.2	36.8	37.3	37.6	38.1	38.2	37.9	37.5
Cattle Imports	1.8	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4
Cattle Exports	0.0	0.1	0.2	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Cattle Death Loss	2.3	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Residual	0.1	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Cattle and Calves (Dec. 31)	97.6	99.3	101.0	102.1	102.8	103.2	103.4	103.0	102.2	101.3	100.5
Cattle on Feed (Jan. 1)	13.7	14.3	13.6	13.7	14.0	14.0	14.1	14.2	14.3	14.4	14.5
	(Million Pounds)										
<b>Supply</b>											
Beginning Stocks	637	600	641	658	677	696	709	722	738	743	741
Imports	3,567	3,540	3,510	3,495	3,412	3,344	3,295	3,218	3,222	3,276	3,380
Production	24,797	26,000	26,709	27,487	28,236	28,813	29,319	29,871	30,076	30,083	29,967
Total	29,001	30,140	30,860	31,640	32,324	32,853	33,322	33,811	34,036	34,102	34,088
<b>Disappearance</b>											
Domestic Use	27,757	28,588	28,878	29,238	29,670	30,016	30,345	30,693	30,899	31,003	31,025
Exports	644	911	1,325	1,726	1,959	2,127	2,256	2,381	2,394	2,358	2,328
Total	28,401	29,499	30,203	30,963	31,629	32,144	32,601	33,074	33,293	33,361	33,353
Ending Stocks	600	641	658	677	696	709	722	738	743	741	735
	(Pounds)										
<b>Per Capita Consumption</b>											
Carcass Weight	93.5	95.5	95.6	95.9	96.5	96.8	97.0	97.3	97.1	96.6	95.9
Retail Weight	65.5	66.8	66.9	67.1	67.6	67.8	67.9	68.1	68.0	67.6	67.1
Change	-0.9%	2.1%	0.1%	0.4%	0.6%	0.3%	0.2%	0.3%	-0.2%	-0.5%	-0.8%
<b>Prices</b>											
1100 - 1300 #, Nebraska	(Dollars Per Hundredweight)										
Direct Steers	87.28	84.13	81.78	79.38	76.54	74.11	72.14	70.80	71.34	72.71	74.26
Change	3.0%	-3.6%	-2.8%	-2.9%	-3.6%	-3.2%	-2.7%	-1.9%	0.8%	1.9%	2.1%
600 - 650 #, Oklahoma City											
Feeder Steers	120.04	113.55	105.41	100.43	95.56	90.30	85.48	83.50	84.46	86.84	90.10
Change	7.4%	-5.4%	-7.2%	-4.7%	-4.9%	-5.5%	-5.3%	-2.3%	1.2%	2.8%	3.8%
Utility Cows, Sioux Falls	54.59	51.18	48.18	45.57	44.19	42.24	40.36	39.55	39.82	41.44	43.06
Change	4.3%	-6.2%	-5.9%	-5.4%	-3.0%	-4.4%	-4.4%	-2.0%	0.7%	4.0%	3.9%
Boxed Beef Cutout	145.60	142.20	139.00	135.89	133.05	130.03	127.01	126.01	126.43	129.03	131.49
Change	3.5%	-2.3%	-2.2%	-2.2%	-2.1%	-2.3%	-2.3%	-0.8%	0.3%	2.1%	1.9%
	(Dollars Per Pound)										
Beef Retail	4.09	4.05	4.04	4.04	4.02	4.01	4.00	3.98	4.03	4.12	4.23
Change	0.6%	-1.1%	-0.2%	-0.1%	-0.5%	-0.1%	-0.4%	-0.3%	1.2%	2.2%	2.7%
<b>Net Returns</b>											
Cow - Calf	(Dollars Per Cow)										
	138.20	72.51	31.27	6.96	-17.70	-41.04	-64.75	-79.11	-82.02	-77.04	-68.97

# Pork

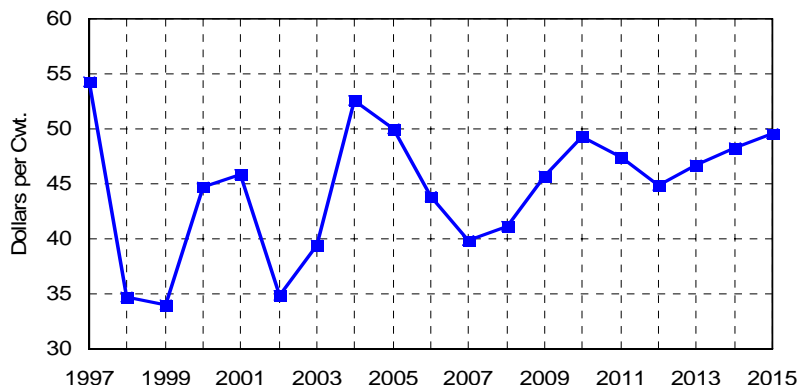
Sow Inventory

- Sow inventories have been remarkably stable over the past five years, despite volatility in producer returns.
- The sow herd will decline in the long term, though large changes are not likely.
- Continuing productivity increases and hog imports from Canada, will allow pork production to grow by 2.4 billion pounds between 2005 and 2015.



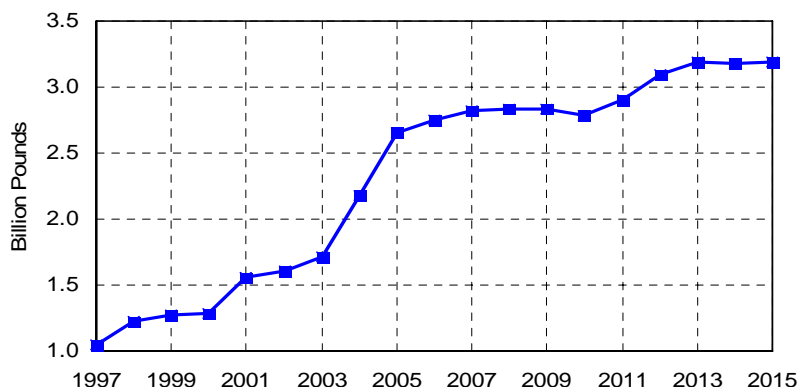
Barrow and Gilt Price, Nat'l Base, 51-52% Lean

- 2005 hog prices remained near \$50 per hundredweight despite the fifth consecutive year of record high pork production.
- As pork production grows at a faster rate in 2006 and 2007 and pork export growth slows, prices fall below \$44 per cwt. in 2006 and to near \$40 in 2007.
- Higher corn prices combined with higher non-feed costs keep producer returns modest longer term, despite prices ranging from \$45 to \$50 dollars per cwt.



Pork Exports

- Pork exports exhibited their second consecutive year of phenomenal growth in 2005. The 2005 export level of 2.66 billion pounds was 55% above the level achieved in 2003.
- The top five U.S. pork export markets (Japan, Mexico, Canada, Korea, China) have all shown strong growth recently.
- As U.S. beef is welcomed back into more international markets, pork export growth will slow, but will stay positive.



## U.S. Swine Sector

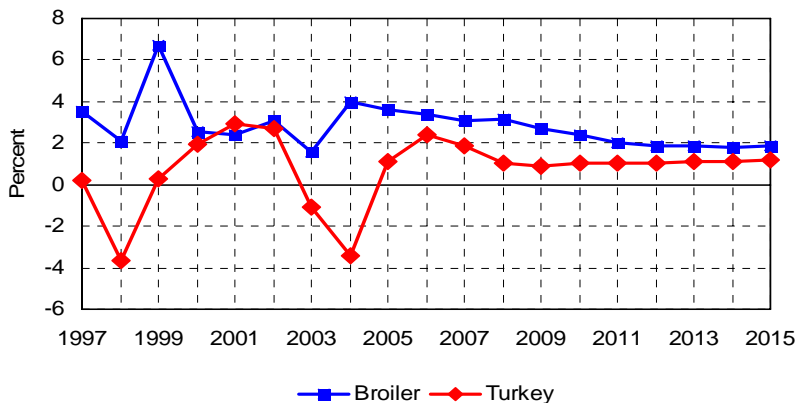
Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(Million Head)										
Breeding Herd (Dec. 1*)	5.97	6.01	6.00	5.89	5.80	5.76	5.79	5.82	5.75	5.65	5.58
Gilts Added	3.25	3.30	3.28	3.23	3.18	3.20	3.24	3.20	3.11	3.08	3.06
Sow Slaughter	3.15	3.25	3.32	3.26	3.17	3.11	3.15	3.21	3.15	3.09	3.04
Sows Farrowed	11.50	11.67	11.67	11.55	11.41	11.40	11.55	11.63	11.54	11.42	11.37
Pigs per Litter (Head)	9.01	9.08	9.14	9.20	9.26	9.31	9.36	9.41	9.46	9.50	9.54
Market Hogs (Dec. 1*)	55.0	55.2	56.2	56.2	56.4	56.4	56.9	57.9	58.3	58.2	58.0
Pig Crop	103.7	106.0	106.7	106.3	105.7	106.1	108.2	109.5	109.2	108.5	108.5
Barrow and Gilt Slaughter	100.1	102.1	103.9	103.8	103.6	103.6	105.2	107.1	107.4	107.1	107.0
Hog Imports	8.0	8.6	8.9	9.2	9.4	9.6	9.7	9.9	10.1	10.2	10.4
Hog Exports	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Death Loss/Residual	11.3	11.4	11.4	11.4	11.3	11.4	11.6	11.7	11.7	11.7	11.7
Market Hogs (Nov.30)	55.2	56.2	56.2	56.4	56.4	56.9	57.9	58.3	58.2	58.0	58.1
	(Million Pounds)										
<b>Supply</b>											
Beginning Stocks	543	535	559	572	570	567	564	577	592	595	593
Imports	1,002	982	933	1,001	1,076	1,116	1,094	1,073	1,106	1,171	1,251
Production	20,702	21,248	21,714	21,782	21,830	21,915	22,353	22,864	23,011	23,046	23,113
Total	22,247	22,766	23,206	23,355	23,476	23,598	24,011	24,514	24,709	24,812	24,957
<b>Disappearance</b>											
Domestic Use	19,054	19,457	19,810	19,957	20,073	20,243	20,531	20,823	20,920	21,035	21,178
Exports	2,658	2,750	2,824	2,828	2,836	2,791	2,904	3,099	3,194	3,184	3,187
Total	21,712	22,207	22,634	22,785	22,909	23,034	23,435	23,922	24,114	24,219	24,366
Ending Stocks	535	559	572	570	567	564	577	592	595	593	592
	(Pounds)										
<b>Per Capita Consumption</b>											
Carcass Weight	64.2	65.0	65.6	65.5	65.3	65.3	65.6	66.0	65.8	65.6	65.5
Retail Weight	49.8	50.4	50.9	50.8	50.7	50.7	50.9	51.2	51.0	50.9	50.8
Change	-2.9%	1.2%	0.9%	-0.1%	-0.3%	0.0%	0.6%	0.6%	-0.4%	-0.3%	-0.2%
	(Dollars Per Hundredweight)										
<b>Prices</b>											
Natl. Base 51-52% lean equiv.											
Barrows & Gilts	50.05	43.79	39.87	41.21	45.65	49.30	47.47	44.90	46.65	48.25	49.62
Change	-4.7%	-12.5%	-8.9%	3.4%	10.8%	8.0%	-3.7%	-5.4%	3.9%	3.4%	2.8%
IA-S. Minn. #1-2, 300-400 #											
Sows	42.85	37.89	35.27	36.61	39.12	41.48	39.44	36.72	38.39	39.81	40.96
Change	-1.5%	-11.6%	-6.9%	3.8%	6.9%	6.0%	-4.9%	-6.9%	4.5%	3.7%	2.9%
Pork Cutout Value	69.87	65.76	63.41	65.07	68.63	71.97	70.18	67.71	69.34	70.74	71.92
Change	-5.0%	-5.9%	-3.6%	2.6%	5.5%	4.9%	-2.5%	-3.5%	2.4%	2.0%	1.7%
	(Dollars Per Pound)										
Pork Retail	2.83	2.80	2.79	2.85	2.93	3.01	3.00	3.00	3.05	3.15	3.24
Change	1.3%	-1.0%	-0.5%	2.2%	3.1%	2.5%	-0.2%	-0.1%	1.7%	3.2%	3.1%
	(Dollars Per Hundredweight)										
<b>Net Returns</b>											
Farrow - Finish	13.77	7.11	1.76	2.01	5.27	8.27	5.75	2.55	3.83	4.87	5.77

\* Preceding Year

# Poultry

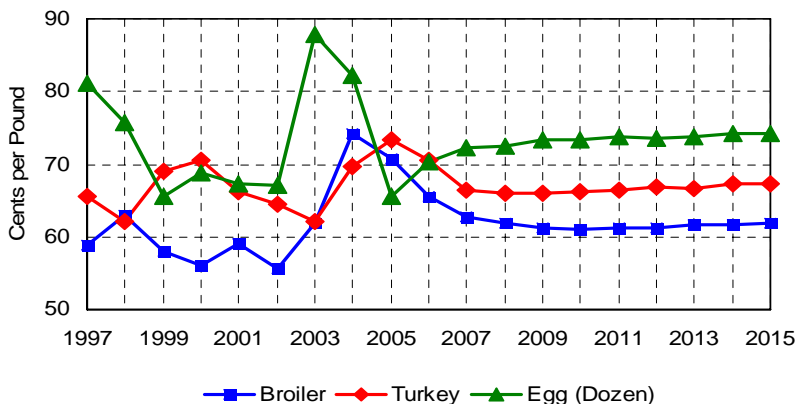
Change in Poultry Production

- Broiler production registered 3.5% growth last year, completing two consecutive years of 3.5% growth for the first time since 1996-1997.
- Production growth will likely stay near or above 3% through 2008.
- After experiencing weak or negative growth for the past three years, turkey production will increase by 2.4% in 2006.



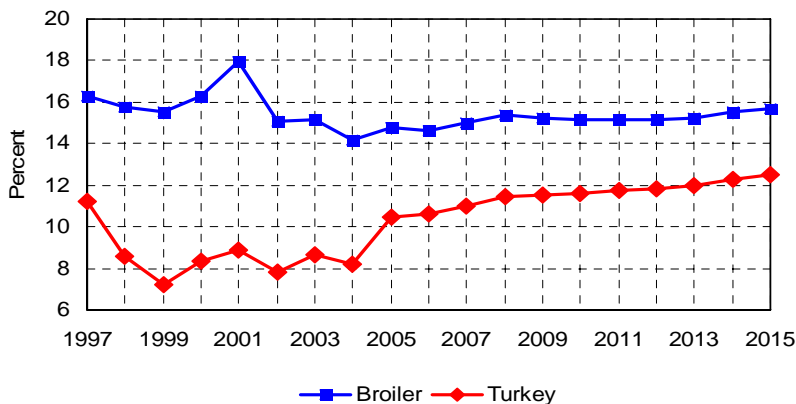
Wholesale Poultry Prices

- Even though broiler part prices began weakening in late 2005, the 12 city wholesale broiler price averaged over 70 cents for the second year in a row.
- Broiler and turkey prices will decline considerably over the next couple of years as increased production of all meats places more product in the domestic market.
- Egg prices, which hit their lowest level since 1992 in 2005, recover to around 74 cents per dozen longer term.



Percentage of Poultry Production Exported

- Slightly less than 15% of 2005 broiler production was exported, while turkey exports totaled just over 10% of production in 2005.
- Recent outbreaks of highly pathogenic avian influenza around the world could be a threat to broiler exports in the next couple of years.
- Most turkey exports are sent to Mexico. Turkey export growth prospects are important, as U.S. turkey consumption has declined for the past three years.



## U.S. Poultry Supply and Use

Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Broiler</b>											
	(Million Pounds)										
Production	34,915	36,107	37,225	38,396	39,443	40,381	41,214	41,981	42,755	43,535	44,363
Domestic Use	29,601	30,777	31,592	32,439	33,377	34,225	34,933	35,577	36,189	36,737	37,342
Exports	5,211	5,327	5,646	5,968	6,081	6,177	6,305	6,430	6,591	6,823	7,044
Ending Stocks	850	889	912	936	957	972	984	995	1,007	1,018	1,032
<b>Turkey</b>											
Production	5,441	5,570	5,678	5,736	5,789	5,850	5,910	5,972	6,039	6,108	6,183
Domestic Use	4,958	4,926	5,013	5,062	5,112	5,163	5,209	5,257	5,305	5,349	5,398
Exports	580	600	633	666	678	688	702	715	735	759	784
Ending Stocks	200	249	285	298	300	303	306	309	313	317	322
<b>Eggs</b>											
	(Million Dozens)										
Production	7,510	7,614	7,726	7,833	7,928	8,016	8,094	8,168	8,244	8,325	8,412
Domestic Use	6,320	6,406	6,503	6,594	6,675	6,748	6,815	6,880	6,945	7,017	7,093
Hatching Egg	998	1,016	1,036	1,056	1,071	1,084	1,093	1,101	1,109	1,117	1,125
Exports	200	200	195	191	190	192	194	196	198	200	202
Ending Stocks	14	14	14	14	14	14	14	14	14	14	14
<b>Prices</b>											
	(Cents Per Pound)										
12 City Wholesale Broiler	70.82	65.61	62.74	61.80	61.19	61.04	61.18	61.26	61.63	61.74	61.95
Bnls. Breast Whlsle., NE	133.89	127.18	125.11	124.11	122.60	122.40	122.10	122.82	123.77	125.06	126.22
Whole Leg Wholesale, NE	52.15	44.21	41.39	40.24	39.61	39.40	39.30	39.58	39.98	40.68	41.28
Broiler Retail	174.07	172.76	172.05	171.87	171.42	171.79	172.62	174.17	175.91	177.98	179.99
East. Region Whlsle Turkey	73.42	70.54	66.42	66.05	66.00	66.24	66.44	66.88	66.68	67.23	67.25
Turkey Retail	107.23	110.15	108.79	109.34	109.35	109.77	110.18	110.99	111.30	112.28	112.86
	(Cents Per Dozen)										
NY Grade A Lg Egg	65.50	70.24	72.20	72.54	73.27	73.33	73.84	73.61	73.83	74.11	74.11
Shell Egg Retail	121.82	129.49	131.14	131.87	132.79	132.87	133.43	133.69	134.77	136.01	137.01
<b>Per Capita Consumption</b>											
	(Pounds)										
Broiler	99.7	102.8	104.6	106.4	108.6	110.4	111.7	112.8	113.7	114.5	115.4
Turkey	16.7	16.4	16.6	16.6	16.6	16.6	16.7	16.7	16.7	16.7	16.7
	(Eggs)										
Eggs	255.5	256.7	258.3	259.6	260.5	261.1	261.5	261.7	262.0	262.4	263.1
<b>Net Returns</b>											
	(Cents Per Pound)										
Broiler	20.69	15.98	12.48	11.11	10.11	9.74	9.65	9.59	9.92	9.95	10.16
Turkey	10.69	8.25	3.72	3.04	2.71	2.83	2.87	3.23	3.01	3.53	3.57
	(Cents Per Dozen)										
Eggs	-0.83	4.37	5.82	5.82	6.25	6.15	6.50	6.19	6.42	6.68	6.70

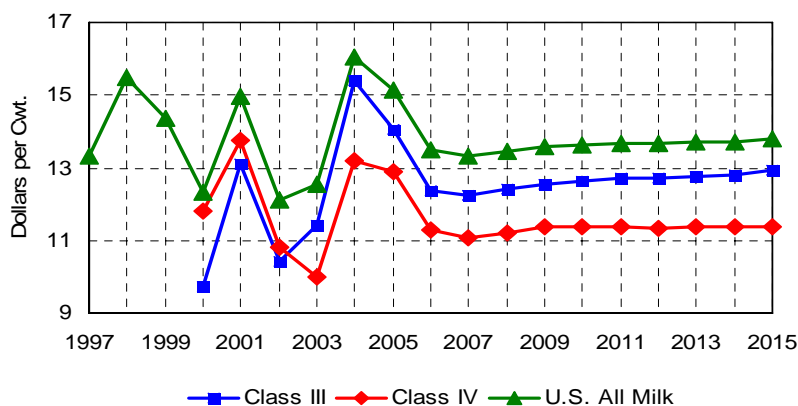
# Dairy

- After averaging above \$15 per cwt. for the past two years, the U.S. all milk price is expected to fall to \$13.49 per cwt. in 2006.

- Further weakness in the all milk price is expected in 2007 as milk supplies outpace demand.

- Milk prices increase for the remainder of the baseline as milk supplies are more closely balanced with demand.

Milk Prices

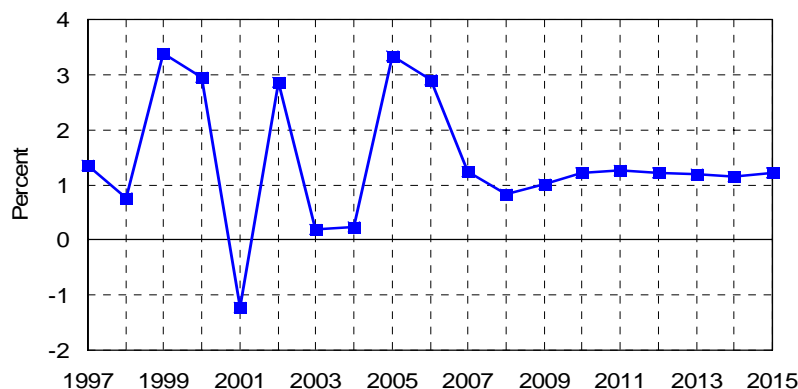


- Annual growth in milk production is expected to exceed 2.5% in 2006 in response to the higher milk prices of 2004 and 2005.

- Annual milk production growth is expected to average just over 1% in the baseline.

- Although the baseline shows little volatility in milk production growth, external shocks will make supplies more variable than the average shown here.

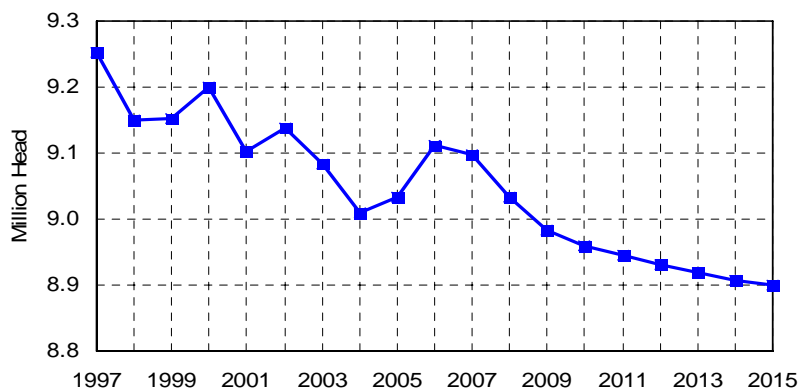
Milk Production Growth



- Dairy cow inventories are expected to exceed 9.1 million head in 2006.

- Inventories decline for the remainder of the baseline, as growth in milk yields requires fewer dairy cows to balance milk supplies with overall demand growth.

Dairy Cow Inventory



## U.S. Dairy Sector

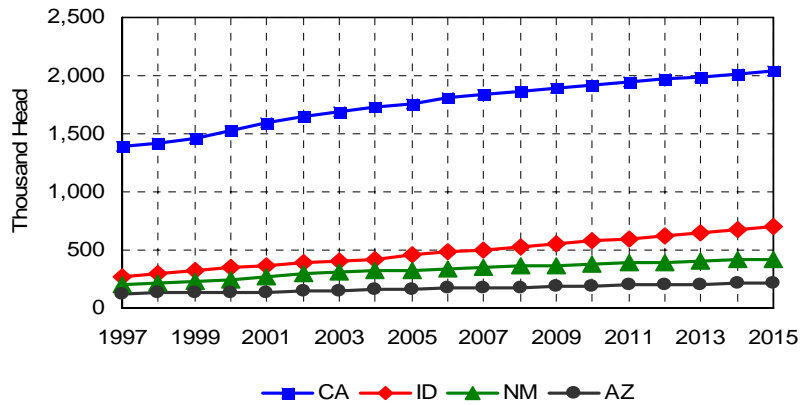
Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>U.S. Milk Supply</b>											
Dairy Cows (Thou. Head)	9,033	9,112	9,097	9,034	8,984	8,960	8,946	8,932	8,919	8,908	8,901
Milk Yield (Lbs.)	19,537	19,931	20,213	20,521	20,843	21,153	21,457	21,751	22,045	22,328	22,618
Milk Production (Bil. Lbs.)	176.5	181.6	183.9	185.4	187.2	189.5	191.9	194.3	196.6	198.9	201.3
<b>Min. FMMO Class Prices</b> (Dollars per Cwt.)											
Class I Mover	14.40	12.64	12.48	12.66	12.81	12.89	12.94	12.98	13.01	13.07	13.16
Class II	13.48	11.88	11.67	11.83	11.98	11.98	11.97	11.96	12.00	11.97	12.00
Class III	14.05	12.39	12.23	12.43	12.55	12.64	12.70	12.73	12.76	12.82	12.93
Class IV	12.88	11.28	11.07	11.23	11.38	11.37	11.37	11.35	11.39	11.36	11.40
<b>All Milk Price</b>	15.14	13.49	13.31	13.48	13.60	13.64	13.67	13.68	13.70	13.72	13.80
<b>MILC Payment</b>	0.00	0.43	0.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Wholesale Prices</b> (Dollars per Pound)											
Butter, CME	1.55	1.29	1.24	1.25	1.26	1.25	1.25	1.23	1.24	1.24	1.26
Cheese, Am., 40#, CME	1.49	1.33	1.32	1.34	1.35	1.36	1.37	1.37	1.37	1.38	1.39
Nonfat Dry Milk, AA	0.99	0.93	0.93	0.95	0.96	0.96	0.96	0.97	0.97	0.97	0.96
Evaporated	1.47	1.44	1.45	1.46	1.47	1.48	1.49	1.50	1.51	1.52	1.53
<b>Dairy Product Production</b> (Million Pounds)											
American Cheese	3,814	3,931	3,986	4,033	4,075	4,132	4,185	4,235	4,282	4,336	4,390
Other Cheese	5,288	5,550	5,658	5,755	5,865	5,968	6,076	6,180	6,279	6,382	6,499
Butter	1,335	1,365	1,382	1,383	1,394	1,411	1,416	1,423	1,431	1,430	1,428
Nonfat Dry Milk	1,190	1,364	1,456	1,511	1,597	1,688	1,801	1,918	2,035	2,139	2,249

# State-Level Dairy

- Dairy cow inventories in California are expected to continue to grow in the baseline. They increase by another 229 thousand head from 2006 to 2015, far less than the nearly 1 million head increase seen from 1996 to 2005.

- Over the baseline, Idaho, New Mexico and Arizona exhibit the largest inventory increases after California.

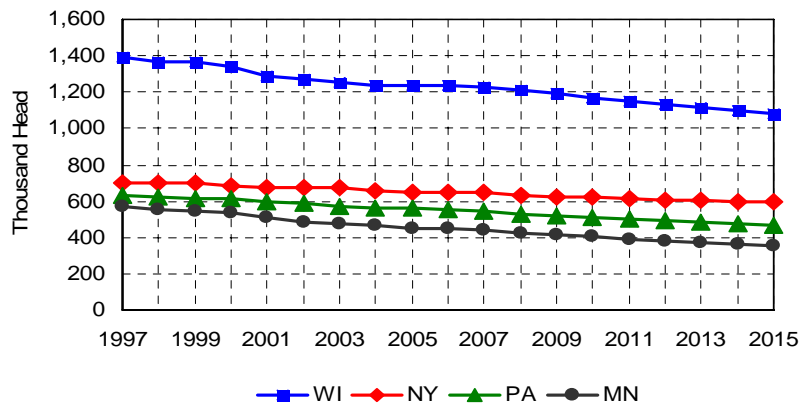
Milk Cows, Selected States



- Although Wisconsin dairy cow inventories have stabilized the last couple of years, further contraction by 163 thousand head occurs in the baseline. In comparison, the decline from 1996 to 2005 was 214 thousand head.

- New York, Pennsylvania and Minnesota dairy cow inventories are also expected to contract over the baseline. In the three states combined, inventories fall by 233 thousand head from 2006 to 2015.

Milk Cows, Selected States

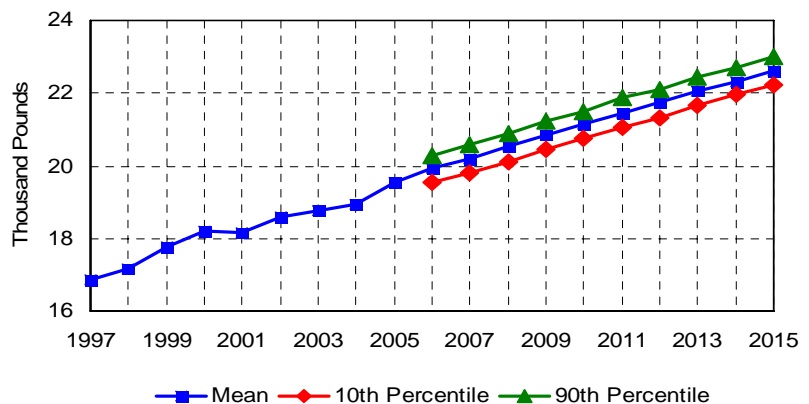


- The baseline presented here represents the average of 500 outcomes derived using the stochastic baseline process FAPRI has developed in recent years.

- The range of milk yields used in the stochastic baseline is shown by the 10<sup>th</sup> and 90<sup>th</sup> percentile lines on the graph.

- In 2015, the range in milk yields is nearly 2 thousand pounds per cow.

U.S. Milk Yield





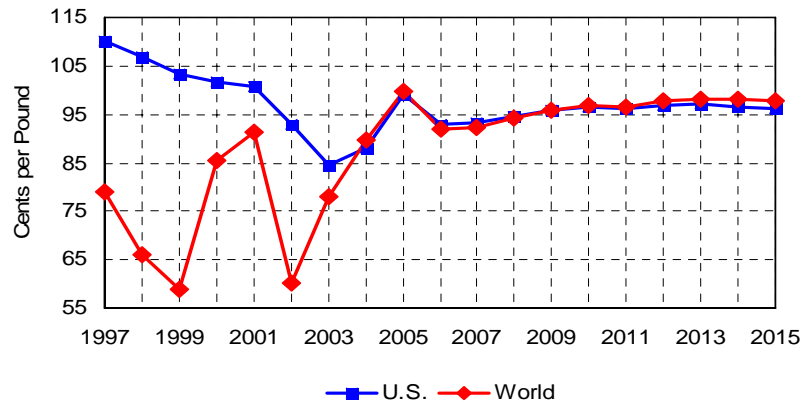
## State Level Dairy Cows

Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(Thousand Head)										
Alabama	16	14	13	11	10	9	8	8	7	7	6
Alaska	1	1	1	1	1	1	1	1	1	1	1
Arizona	163	170	176	181	186	192	197	201	205	209	213
Arkansas	22	20	18	16	15	14	13	12	11	11	11
California	1,758	1,806	1,840	1,863	1,888	1,915	1,942	1,967	1,990	2,013	2,036
Colorado	104	104	105	105	106	107	108	109	110	110	110
Connecticut	20	20	19	19	18	18	17	17	17	16	16
Delaware	7	7	7	7	7	7	6	6	6	6	6
Florida	137	134	130	125	121	118	116	113	111	109	107
Georgia	81	80	79	77	76	74	73	72	70	69	68
Hawaii	5	5	4	4	3	3	3	3	3	3	3
Idaho	455	483	506	528	551	575	599	624	649	673	699
Illinois	104	104	103	101	100	98	97	95	94	93	91
Indiana	156	158	159	158	158	158	159	160	160	161	162
Iowa	187	185	182	178	174	171	169	167	165	164	163
Kansas	111	113	113	112	113	113	114	114	115	115	116
Kentucky	106	102	97	92	87	83	79	75	71	68	65
Louisiana	35	34	32	30	28	25	23	21	19	17	14
Maine	33	32	31	30	29	28	27	27	26	25	25
Maryland	72	71	70	69	68	67	67	67	66	66	66
Massachusetts	17	16	15	14	13	12	12	12	11	11	11
Michigan	311	316	319	319	320	320	321	321	321	321	321
Minnesota	453	447	437	425	413	402	392	383	374	365	357
Mississippi	25	23	21	19	18	16	15	14	14	13	12
Missouri	117	115	112	108	104	101	98	95	92	90	87
Montana	19	19	19	19	18	18	18	17	17	17	17
Nebraska	60	58	54	51	48	45	43	41	38	36	35
Nevada	25	25	25	25	25	25	25	26	26	26	26
New Hampshire	16	16	15	15	14	14	14	14	13	13	13
New Jersey	12	12	11	11	11	10	10	10	9	9	9
New Mexico	328	343	353	361	369	377	387	396	405	414	423
New York	648	650	644	635	627	621	615	610	604	599	595
North Carolina	54	51	48	45	43	41	40	39	38	37	37
North Dakota	33	32	31	30	29	28	27	27	26	26	25
Ohio	270	273	273	271	269	268	266	265	264	262	261
Oklahoma	75	74	72	71	69	68	67	66	66	65	64
Oregon	121	120	119	117	116	115	115	116	116	117	119
Pennsylvania	561	555	544	531	519	509	500	491	483	475	467
Rhode Island	1	1	1	1	1	0	0	0	0	0	0
South Carolina	18	18	18	17	17	17	16	16	15	14	14
South Dakota	81	81	79	77	75	73	71	69	67	65	63
Tennessee	70	67	63	59	55	52	48	45	42	40	37
Texas	320	321	320	316	314	313	312	312	311	311	312
Utah	88	86	84	82	80	79	78	77	76	76	75
Vermont	143	142	140	138	135	133	131	129	127	125	123
Virginia	105	106	105	103	102	101	100	100	99	98	98
Washington	240	241	241	239	238	237	236	235	234	232	231
West Virginia	13	13	12	11	11	10	10	10	9	9	8
Wisconsin	1,236	1,241	1,230	1,210	1,189	1,171	1,153	1,135	1,117	1,098	1,079
Wyoming	5	5	5	5	5	5	5	5	5	5	5
<b>United States</b>	<b>9,033</b>	<b>9,112</b>	<b>9,097</b>	<b>9,034</b>	<b>8,984</b>	<b>8,960</b>	<b>8,946</b>	<b>8,932</b>	<b>8,919</b>	<b>8,908</b>	<b>8,901</b>

# Dairy Products

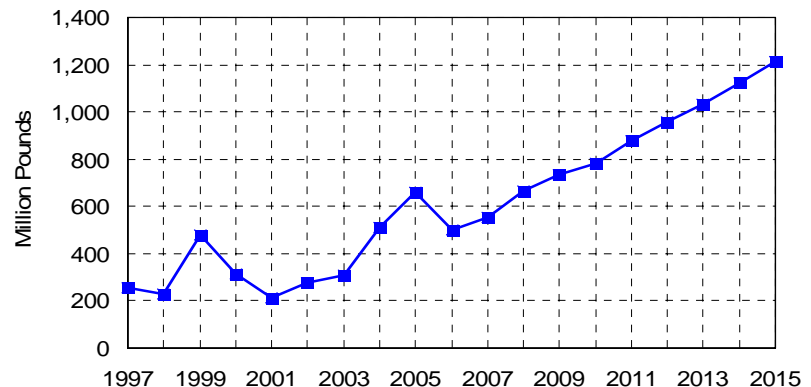
- U.S. nonfat dry milk prices are expected to follow world prices over the baseline.
- World nonfat dry prices remain at high enough levels for the CCC to avoid accumulation of any nonfat dry milk.
- This baseline for nonfat dry milk is in stark contrast to recent FAPRI baselines due to world powder demand strength.

Nonfat Dry Milk Prices



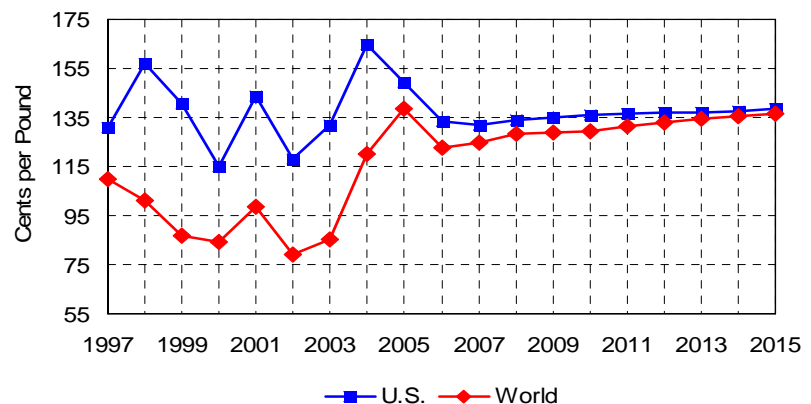
- With strong global demand for nonfat dry milk, U.S. nonfat dry exports grow each year, reaching 1.2 billion pounds in 2015.
- Over 55% of domestic nonfat dry milk production is exported by 2015.
- If global demand were to be much weaker than expected, some of the exports shown here could end up in CCC inventories.

Nonfat Dry Milk Exports



- Cheese prices are expected to continue to move lower in 2006, averaging below \$1.35 per pound.
- The difference between world and U.S. cheese prices is much less than a few years ago.
- Opportunities may exist for certain types of U.S. cheese to become competitive on world markets.

Cheese Prices



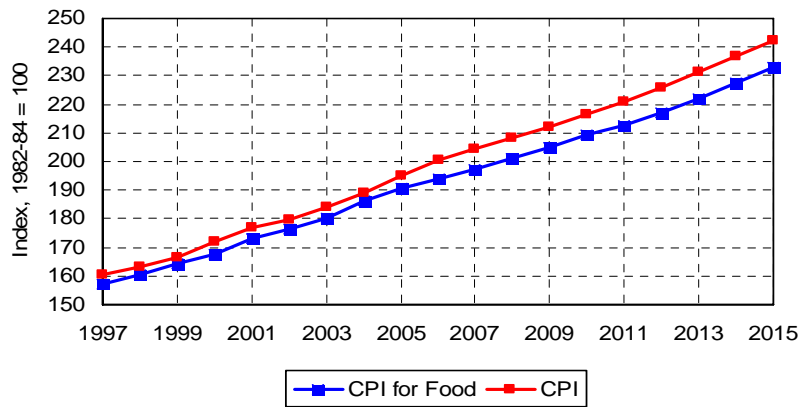
## U.S. Dairy Product Supply and Use

Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Butter</b>											
	(Million Pounds)										
Production	1,335	1,365	1,382	1,383	1,394	1,411	1,416	1,423	1,431	1,430	1,428
Imports	33	79	74	73	82	74	90	90	88	93	101
Domestic Use	1,365	1,407	1,427	1,440	1,450	1,466	1,474	1,491	1,504	1,512	1,514
Total Foreign Use	0	0	0	0	0	0	0	0	0	0	0
Ending Stocks	48	86	114	130	156	175	207	230	245	256	271
CCC Net Rem. inc DEIP	0	36	35	18	25	17	32	22	16	11	15
<b>American Cheese</b>											
Production	3,814	3,931	3,986	4,033	4,075	4,132	4,185	4,235	4,282	4,336	4,390
Imports	45	45	45	45	45	45	45	45	45	45	45
Domestic Use	3,797	3,896	3,955	3,993	4,041	4,093	4,142	4,181	4,222	4,272	4,322
Total Foreign Use	37	52	62	77	71	72	77	88	95	99	101
Ending Stocks	510	538	551	560	568	579	591	602	612	622	634
CCC Net Rem. inc DEIP	-2	0	1	-1	0	0	0	1	0	-1	1
<b>Other Cheese</b>											
Production	5,288	5,550	5,658	5,755	5,865	5,968	6,076	6,180	6,279	6,382	6,499
Imports	403	407	411	415	419	424	428	432	436	441	445
Domestic Use	5,561	5,802	5,925	6,024	6,136	6,244	6,355	6,465	6,567	6,675	6,796
Total Foreign Use	146	146	146	146	146	146	146	146	146	146	146
Ending Stocks	209	218	216	216	218	219	222	224	225	227	228
<b>Nonfat Dry Milk</b>											
Production	1,190	1,364	1,456	1,511	1,597	1,688	1,801	1,918	2,035	2,139	2,249
Imports	2	2	2	2	2	2	2	2	2	2	2
Domestic Use	774	806	844	861	881	900	925	946	965	997	1,020
Total Foreign Use	666	502	555	666	735	784	879	959	1,035	1,124	1,216
Ending Stocks	164	222	280	266	249	255	255	271	308	328	344
Government	70	116	173	159	141	144	141	154	187	204	216
Commercial	94	105	107	107	109	111	114	118	121	124	127
CCC Net Rem. inc DEIP	-80	46	57	-14	-19	4	-3	12	33	17	12
<b>Evap. and Condensed Milk</b>											
Production	711	713	709	702	698	694	691	686	682	678	674
Imports	20	20	20	20	20	20	20	20	20	20	20
Domestic Use	631	641	638	631	627	623	620	615	611	607	602
Total Foreign Use	91	91	91	91	91	91	91	91	91	91	91
Ending Stocks	45	46	46	46	46	46	46	46	46	46	46
<b>Per Capita Cons.</b>											
	(Pounds)										
Butter	4.6	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Nonfat Dry Milk	2.6	2.7	2.8	2.8	2.9	2.9	3.0	3.0	3.0	3.1	3.2
Total Cheese	31.5	32.4	32.7	32.9	33.1	33.3	33.6	33.7	33.9	34.1	34.4
American	12.8	13.0	13.1	13.1	13.1	13.2	13.2	13.3	13.3	13.3	13.4
Other	18.7	19.4	19.6	19.8	20.0	20.1	20.3	20.5	20.6	20.8	21.0
Total Fluid Milk	196.2	196.4	194.7	192.8	190.7	189.5	187.7	185.8	184.1	182.2	180.6
Ice Cream	26.7	26.8	26.8	26.8	26.8	26.9	26.8	26.8	26.8	26.8	26.8
<b>Retail Prices</b>											
	(Dollars per Pound)										
Butter, salted, AA, stick	3.28	3.03	3.00	3.04	3.09	3.10	3.11	3.10	3.12	3.14	3.16
Cheese, Natural Cheddar	4.38	4.23	4.22	4.33	4.38	4.47	4.52	4.59	4.64	4.70	4.80
Milk, Frsh, Whole Fortified	3.19	2.97	2.98	3.04	3.09	3.13	3.17	3.20	3.24	3.27	3.32
Ice Cream (Half Gallon)	3.74	3.70	3.72	3.75	3.80	3.85	3.88	3.90	3.92	3.96	3.99

# Food Prices and Expenditures

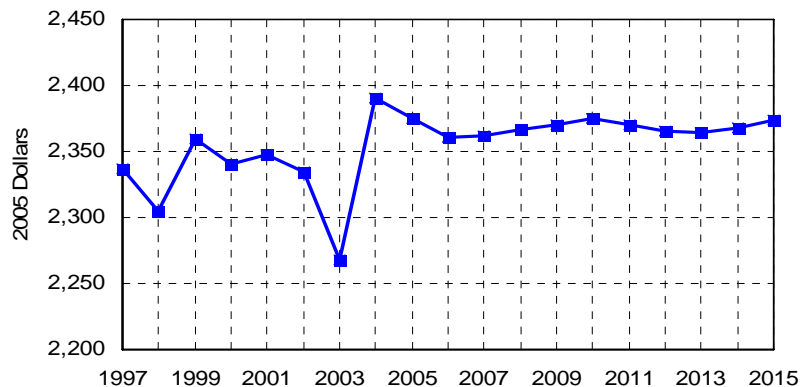
- After posting the largest increase since 1990 in 2004, the CPI for food increased by a more typical 2.4% in 2005.
- Lower meat prices for the next few years should keep increases in the overall CPI for food near or below 2%.
- The CPI for fruits and vegetables registers the highest average growth rate over the projection period (2.6%), with meat the lowest (1.1%).

Consumer Price Index for Food



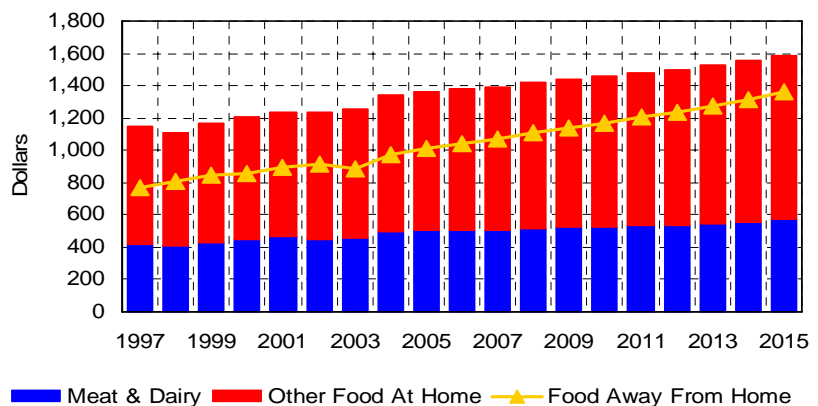
- In real terms, per capita food expenditures declined slightly last year after a sharp increase in 2004.
- Nominal food expenditures will rise from just over \$700 billion in 2005 to about \$950 billion in 2015.
- Real per capita food expenditures will stay relatively stable over the baseline, but not return to pre-2004 levels.

Real Food Expenditures per Person



- Meat and dairy products account for roughly 36% of at home food purchases.
- The amount spent on food away from home increases from 43% of total food expenditures in 2005 to 46% in 2015.
- The average consumer spent \$573 more for food in 2005 than in 1995. A similar increase in food spending per person will occur from 2005 to 2015.

Food Expenditures per Person



## Consumer Price Indices for Food

Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(1982-84=100)										
<b>TOTAL</b>	190.7	194.0	197.3	201.3	205.2	209.1	212.8	216.9	221.8	227.4	233.2
<b>Food at Home</b>	189.8	192.3	195.1	198.8	202.2	205.7	208.8	212.4	216.9	222.0	227.4
Cereal and Bakery	209.0	213.6	218.4	222.8	227.2	231.5	236.4	241.9	247.9	254.0	260.2
Meat	184.7	185.3	186.0	188.0	189.8	191.8	192.5	193.7	196.9	201.6	206.8
Dairy	182.4	176.6	179.0	183.7	187.8	191.8	195.1	198.6	201.9	205.5	209.8
Fruit and Vegetables	241.4	249.1	254.6	260.7	266.7	272.7	279.5	286.9	294.9	303.1	311.4
Other Food At Home	167.0	170.5	172.7	175.6	178.2	180.5	182.6	185.2	187.8	190.7	193.5
Sugar and Sweets	165.2	169.0	170.4	174.0	177.2	180.3	182.8	186.0	189.2	192.7	196.1
Fats and Oils	167.7	170.4	173.6	176.1	178.6	180.7	183.0	185.3	187.7	190.0	192.3
Other Prepared Items	182.5	187.1	190.2	193.8	196.8	199.2	201.7	204.6	208.0	211.4	214.9
Non-alc. Beverages	144.4	146.3	147.4	149.3	151.0	152.7	154.2	156.0	157.7	159.5	161.3
<b>Food Away From Home</b>	193.4	197.7	201.7	206.2	210.7	215.2	219.6	224.4	229.9	235.9	242.4

## Per Capita Consumer Expenditures for Food

Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(Dollars per Person)										
<b>Food at Home</b>	1,362	1,379	1,394	1,416	1,437	1,458	1,476	1,497	1,523	1,554	1,586
Cereal and Bakery	187	190	193	196	198	201	204	207	211	215	219
Meat	355	359	362	367	372	377	379	382	388	398	408
Dairy	149	146	147	149	151	153	155	157	158	160	162
Fruit and Vegetables	231	236	240	245	250	255	260	266	272	278	285
Other Food At Home	441	448	453	459	466	474	480	487	495	503	513
Sugar and Sweets	53	54	54	55	56	57	57	57	58	58	59
Fats and Oils	37	38	39	40	40	41	41	42	42	42	43
Miscellaneous	215	218	221	225	229	233	237	241	246	252	259
Trips	17	18	19	19	19	20	20	21	22	22	23
Non-alc. Beverages	119	120	120	121	121	123	124	125	127	128	129
<b>Food Away From Home</b>	1,013	1,045	1,074	1,107	1,139	1,172	1,204	1,237	1,275	1,315	1,358
<b>TOTAL</b>	2,375	2,424	2,469	2,523	2,576	2,630	2,680	2,735	2,798	2,869	2,943
Multiply by Population for:	(Billion Dollars)										
<b>AGGREGATE TOTAL</b>	704.8	725.8	746.0	768.9	792.1	815.7	838.3	862.7	890.2	920.5	952.4

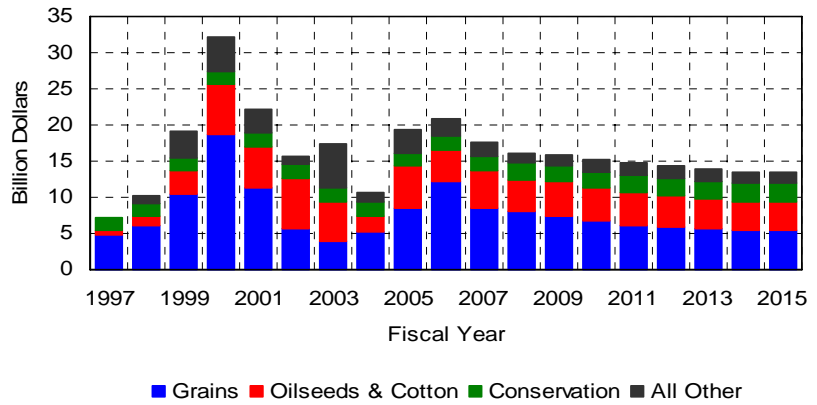
# Government Costs

CCC Net Expenditures

- Net CCC outlays jumped in FY 2005, as lower prices translated into increased spending on marketing loan and CCP programs.

- A further slight increase in net CCC outlays is expected in FY 2006. Low corn prices in 2005/06 account for much of the increase.

- Projected net CCC outlays decline in later years as average prices increase. Net outlays total \$155.4 billion over FY 2006-FY 2015.

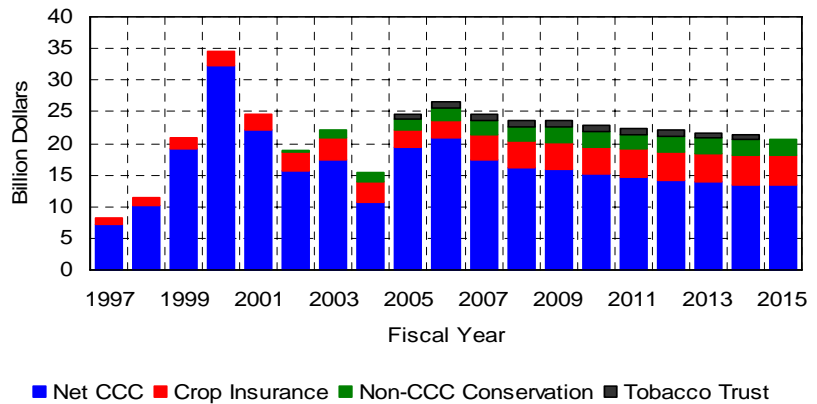


Total Mandatory Government Outlays

- Mandatory government outlays under the crop insurance program and certain conservation programs are not included in the CCC account..

- Tobacco Trust Fund outlays, included in CCC spending in USDA reports but not in CBO reports, average about \$1 billion per year between FY 2005 and FY 2014.

- Including these non-CCC programs, total mandatory outlays are \$229.4 billion over FY 2006-FY 2015.

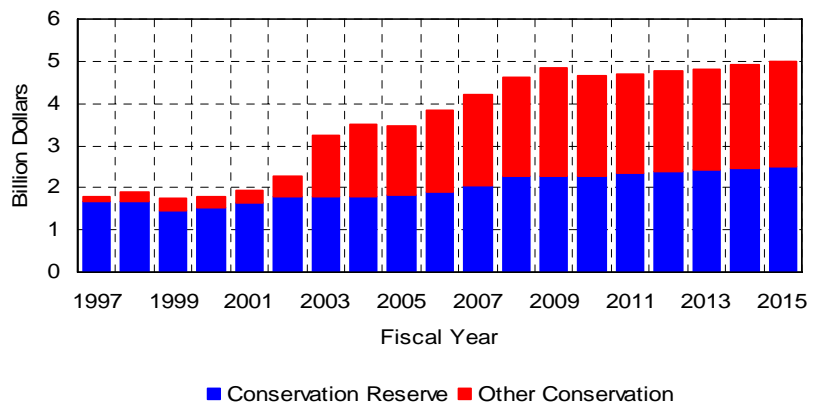


Conservation Program Expenditures

- Increased enrollment and rental rates result in an increase in projected CRP spending.

- For other mandatory conservation programs, projected expenditures are based on preliminary estimates from CBO.

- Estimates include effects of limitations on conservation spending required by the Deficit Reduction Act of 2005.



## Net Government Outlays

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Feed Grains</b>	(Million Dollars)										
Corn	6,242	9,495	5,992	5,053	4,551	4,011	3,606	3,382	3,215	3,139	3,152
Sorghum	376	527	347	352	333	310	289	274	265	257	251
Barley	189	194	119	129	119	114	109	106	105	104	104
Oats	3	6	8	8	7	6	5	5	5	5	5
<b>Food Grains</b>											
Wheat	1,232	1,313	1,375	1,628	1,578	1,469	1,423	1,374	1,339	1,317	1,309
Rice	473	699	684	780	819	777	718	683	643	604	590
<b>Oilseeds</b>											
Soybeans	1,140	529	2,157	2,012	1,840	1,771	1,704	1,585	1,546	1,476	1,559
Peanuts	408	346	336	279	314	308	314	314	311	308	308
Other Oilseeds	32	59	40	47	49	49	50	53	51	55	57
<b>Other Commodities</b>											
Upland Cotton	4,245	3,366	2,576	2,170	2,501	2,494	2,487	2,432	2,298	2,144	2,033
Sugar	-86	0	17	5	6	15	54	44	72	59	73
Dairy	-95	333	415	45	16	29	42	47	61	47	53
<b>CCC Conservation</b>											
Conservation Reserve	1,828	1,905	2,032	2,259	2,278	2,258	2,361	2,382	2,421	2,460	2,482
Other CCC Conservation	22	3	3	0	0	0	0	0	0	0	0
<b>Other</b>											
Disaster Payments, NAP	2,575	1,055	325	325	325	325	325	325	325	325	325
Other Net Costs	703	935	1,086	1,099	1,162	1,226	1,240	1,238	1,235	1,227	1,226
<b>Net CCC Outlays</b>	19,288	20,765	17,511	16,189	15,899	15,162	14,725	14,244	13,890	13,527	13,526
<b>Tobacco Trust Fund</b>	899	1,033	955	955	955	955	955	955	955	955	0
<b>NRCS Conservation</b>	1,604	1,943	2,182	2,346	2,552	2,395	2,342	2,374	2,388	2,450	2,511
<b>Crop Insurance</b>	2,872	2,915	3,882	4,060	4,198	4,307	4,382	4,438	4,496	4,540	4,583
<b>Total Mandatory Outlays</b>	24,662	26,656	24,530	23,550	23,605	22,818	22,404	22,011	21,729	21,472	20,620

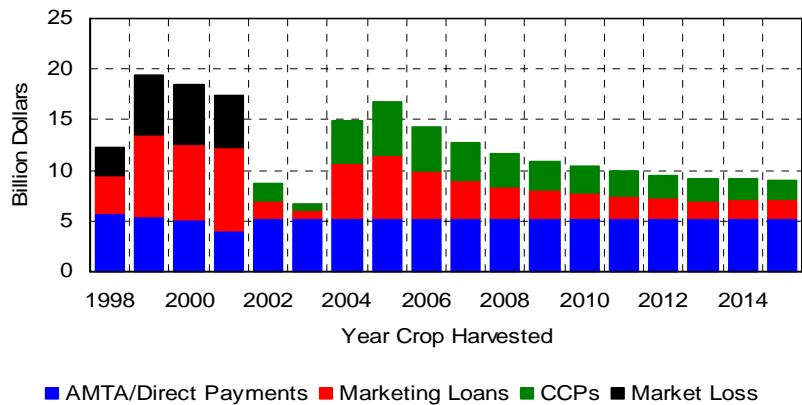
Note: "NRCS Conservation" denotes mandatory spending on conservation programs authorized by the 2002 farm bill that is not included in reported CCC outlays. USDA includes Tobacco Trust Fund spending in its tables reporting CCC outlays, but CBO does not.

# Payments and Crop Insurance

Selected Government Payments

▪ Direct payments, CCPs and marketing loan benefits associated with the 2005/06 crop total an estimated \$16.8 billion, the most since enactment of the 2002 farm bill.

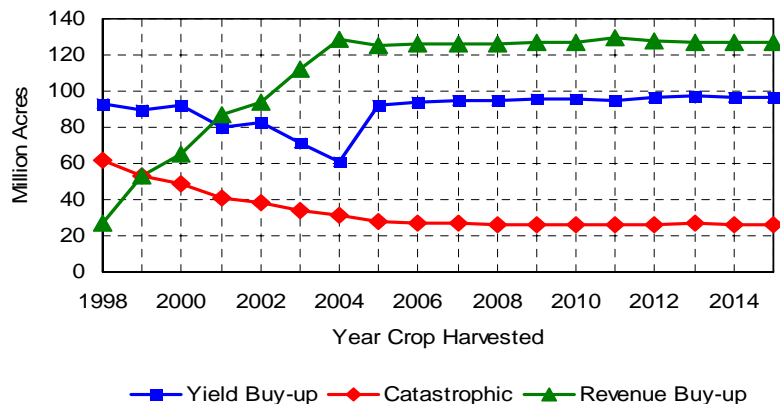
▪ Increasing prices for corn and most other commodities result in lower CCPs and marketing loan benefits in 2006/07 and subsequent years.



▪ Between 1998/99 and 2004/05, the number of acres enrolled in revenue-based crop insurance policies increased sharply at the expense of catastrophic and yield buy-up policies.

▪ In 2005/06, acres covered by yield buy-up policies increased dramatically, mostly because of a 23 million acre increase in rangeland enrollment.

Total Insured Acres

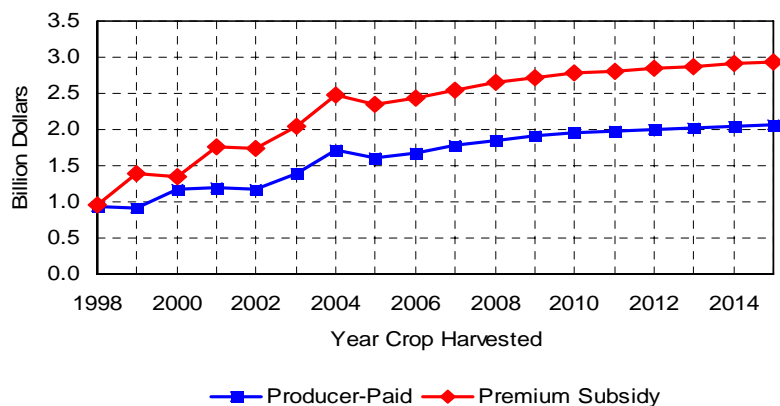


▪ Crop insurance premium subsidies are projected to increase from \$2.3 billion for the 2005/06 crop to \$2.9 billion in 2015/16.

▪ Premiums change with insurable prices, explaining both the dip in premiums in 2005/06 and the projected increase in later years.

▪ Premium subsidies account for approximately 59% of total premiums over the projection period.

Crop Insurance Premiums





## Selected Direct Government Payments

Crop Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Million Dollars)										
Direct Payments	5,254	5,259	5,258	5,260	5,261	5,259	5,258	5,257	5,255	5,254	5,254
Marketing Loans	6,290	4,701	3,724	3,159	2,785	2,459	2,192	1,971	1,773	1,842	1,874
Counter-cyclical Payments	5,249	4,396	3,734	3,301	2,897	2,682	2,438	2,231	2,090	1,992	1,953
Total	16,793	14,356	12,715	11,720	10,943	10,400	9,888	9,459	9,118	9,089	9,082

Note: Includes direct payments, marketing loans (loan deficiency payments and marketing loan gains) and counter-cyclical payments for feed grains, food grains, oilseeds, and upland cotton.

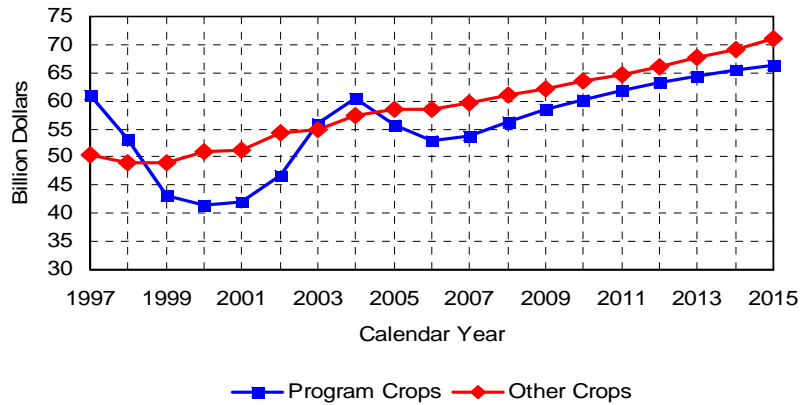
## Crop Insurance

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(Million Acres, Crop Year)										
Eligible Acres	308.4	308.6	307.9	308.3	308.9	309.1	309.2	309.2	308.7	308.3	308.2
Net Acres Insured	245.8	247.5	247.2	248.0	248.9	249.4	251.2	250.0	251.9	250.0	250.2
Catastrophic	28.2	27.2	26.6	26.4	26.4	26.4	26.3	26.4	26.9	26.3	26.4
Yield Buy-Up	92.3	94.3	94.6	95.2	95.6	95.9	94.9	96.2	97.7	96.6	96.9
Revenue-Based	125.3	126.0	126.0	126.4	126.9	127.1	130.0	127.4	127.3	127.1	126.9
Crop Insurance Participation Rate	79.7%	80.2%	80.3%	80.5%	80.6%	80.7%	81.2%	80.9%	81.6%	81.1%	81.2%
	(Billion Dollars, Crop Year)										
Total Premiums	3.95	4.11	4.33	4.50	4.63	4.73	4.79	4.86	4.90	4.96	4.99
Producer-Paid Premiums	1.60	1.68	1.78	1.85	1.91	1.95	1.98	2.01	2.02	2.04	2.06
Premium Subsidies	2.34	2.43	2.55	2.65	2.72	2.78	2.81	2.85	2.88	2.91	2.93
Total Indemnities	2.76	4.11	4.33	4.50	4.63	4.73	4.79	4.86	4.90	4.96	4.99
Loss Ratio	0.70	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	(Billion Dollars, Fiscal Year)										
Total Obligations	4.11	3.54	4.90	5.16	5.35	5.51	5.63	5.70	5.78	5.84	5.90
Net Outlays	2.87	2.92	3.88	4.06	4.20	4.31	4.38	4.44	4.50	4.54	4.58
Budget Authority	3.02	2.53	3.82	4.02	4.16	4.28	4.37	4.42	4.48	4.53	4.57

# Farm Receipts and Expenses

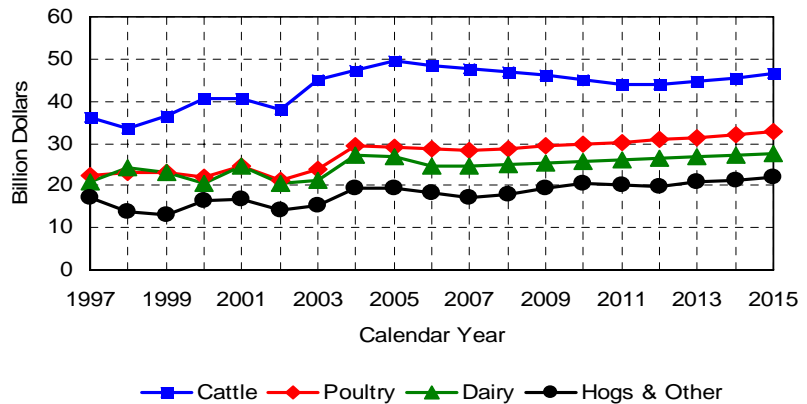
- Cash receipts from sales of program crops (grains, oilseeds, cotton, and sugar) accounted for less than half of total crop receipts in 2005.
- Lower prices contribute to a reduction in program crop receipts in 2005 and 2006.
- Program crop receipts increase with prices and production after 2006.
- Other crop receipts vary less from year to year and grow at an annual rate of 2%.

Crop Cash Receipts



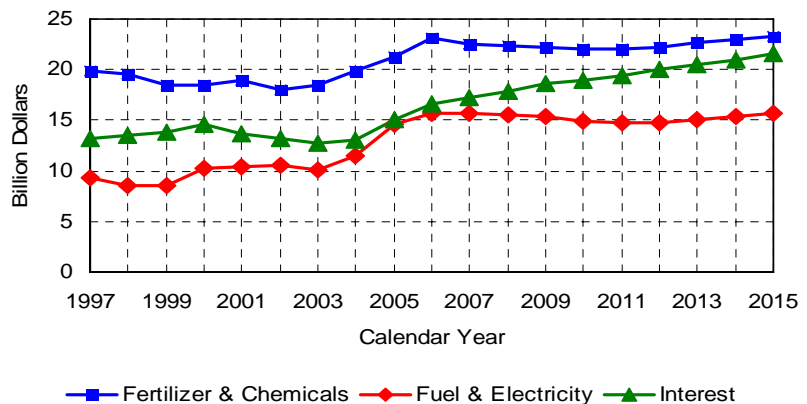
- Cash receipts from sales of cattle and calves reached record highs in 2005. Projected declines in cattle prices result in reductions in cattle receipts from 2006-2012.
- Poultry receipts dipped slightly in 2005 and further small declines could occur in 2006 and 2007 because of lower prices for broilers and turkey.
- Dairy receipts declined slightly in 2005 and a larger reduction is expected in 2006 because of lower milk prices.

Livestock Cash Receipts



- Farm production expenses increased sharply between 2002 and 2005, and a further increase is expected in 2006.
- Higher energy prices have contributed to steep increases in fuel and fertilizer expenses. Global Insight forecasts of lower energy prices in 2007 suggest those costs could level off after 2006.
- Increases in interest rates and real estate values contribute to increases in interest expenses.

Selected Production Expenses



## Farm Cash Receipts

Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(Billion Dollars)										
Feed Grains	25.82	25.36	27.24	29.02	30.71	32.24	33.56	34.53	35.26	35.97	36.62
Food Grains	8.83	8.20	8.22	8.40	8.61	8.83	9.02	9.18	9.33	9.48	9.62
Oilseeds	18.51	16.36	15.82	16.31	16.68	16.84	17.04	17.27	17.46	17.58	17.61
Cotton	5.47	5.81	5.69	5.87	5.93	5.99	6.09	6.25	6.46	6.67	6.87
Sugar	2.22	2.27	2.29	2.31	2.32	2.28	2.23	2.19	2.17	2.15	2.14
Other Crops	53.24	53.37	54.25	55.42	56.44	57.59	58.67	59.99	61.32	62.84	64.59
Cattle	49.59	48.61	47.58	47.05	46.21	45.08	44.11	43.97	44.63	45.65	46.62
Hogs	14.23	12.83	11.95	12.36	13.69	14.81	14.53	14.04	14.69	15.21	15.68
Dairy Products	26.97	24.49	24.46	24.96	25.44	25.84	26.22	26.55	26.92	27.27	27.75
Poultry, Eggs	28.97	28.62	28.38	28.79	29.26	29.79	30.37	30.88	31.49	32.07	32.66
Other Livestock	5.11	5.28	5.34	5.44	5.57	5.69	5.76	5.85	6.02	6.18	6.36
Total Cash Receipts	238.96	231.20	231.21	235.94	240.85	244.97	247.60	250.71	255.76	261.09	266.52

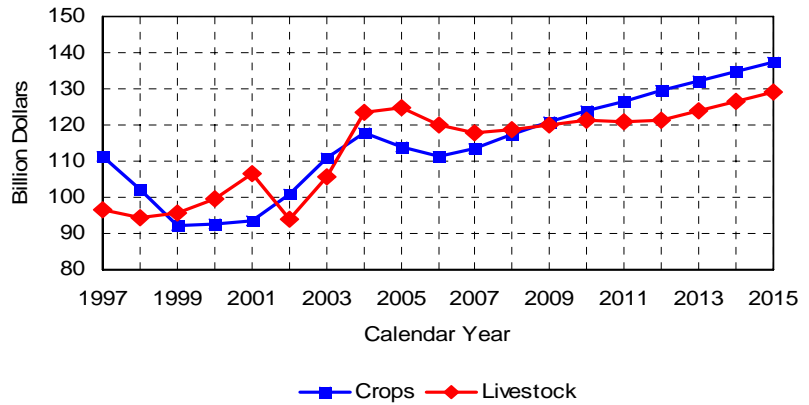
## Farm Production Expenses

Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(Billion Dollars)										
Feed	29.55	29.07	30.20	31.35	32.32	33.07	33.81	34.39	34.75	35.04	35.20
Purchased Livestock	18.20	17.40	16.70	16.37	15.77	15.06	14.42	14.26	14.47	14.85	15.23
Seed	9.98	10.45	10.89	11.13	11.28	11.38	11.51	11.63	11.79	11.93	12.08
Fertilizer and Chemicals	21.22	23.08	22.44	22.30	22.21	22.05	22.02	22.26	22.62	22.96	23.28
Fuels and Electricity	14.55	15.76	15.70	15.58	15.38	14.98	14.71	14.70	15.03	15.37	15.72
Interest	15.05	16.62	17.30	17.91	18.58	18.93	19.44	19.96	20.51	21.03	21.57
Contract and Hired Labor	23.61	24.50	25.38	26.21	26.99	27.70	28.52	29.32	30.08	30.90	31.73
Capital Consumption	23.00	23.80	24.36	24.74	25.05	25.32	25.59	25.90	26.27	26.68	27.11
Rent to Non-Operators	10.48	10.45	9.82	9.86	10.41	10.93	11.40	11.72	11.93	12.10	12.20
All Other	55.44	57.33	57.91	58.67	59.41	59.98	60.73	61.75	62.96	64.22	65.50
Total Production Expenses	221.09	228.47	230.70	234.10	237.41	239.42	242.14	245.90	250.41	255.07	259.61

# U.S. Farm Income

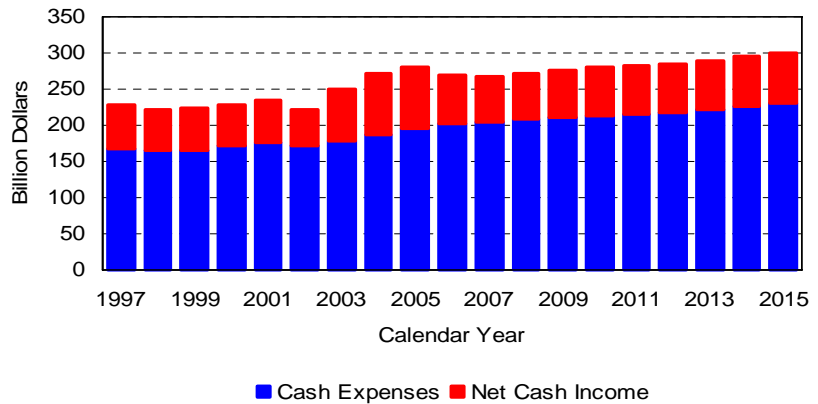
## Cash Receipts

- Livestock receipts set another record in 2005, in part because of an increase in cattle prices.
- Livestock receipts decline in 2006 because of lower prices for cattle, hogs, chickens, and milk.
- Crop receipts dipped in 2005 from the 2004 record level, and a further decline is expected in 2006.
- Increases in production and prices result in rising crop receipts after 2006.



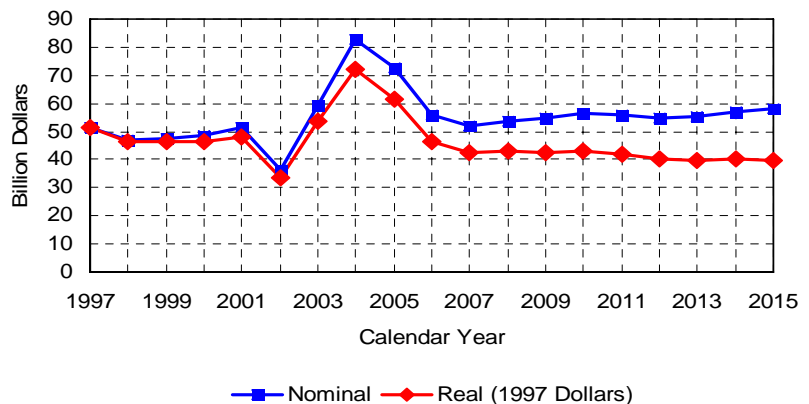
## Cash Expenses and Net Cash Income

- Farm cash expenses generally change with total production expenses.
- Cash expenses increased by \$25 billion between 2002 and 2005. After a further significant increase in 2006, cash expenses increase by 1.4% per year between 2007 and 2015.
- Net cash income declines from \$83 billion in 2005 to \$62 billion in 2007 and increases slightly in subsequent years.



## Net Farm Income

- In 2005, nominal net farm income declined from the 2004 record, largely because of increased production costs.
- Net farm income declines by \$16.8 billion in 2006 because of reduced cash receipts and increased production costs.
- After a further smaller decline in 2007, net farm income generally increases in nominal terms but declines in real terms after correcting for inflation.



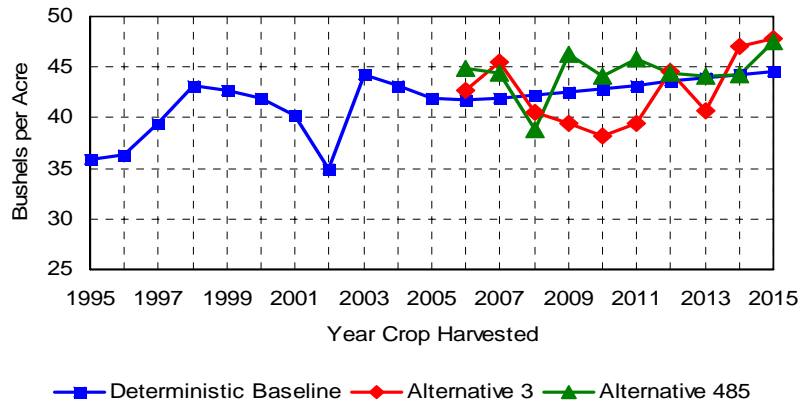
## Farm Income Statistics

Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(Billion Dollars)										
1. Farm Receipts	256.47	249.18	249.55	254.65	259.90	264.28	267.17	270.60	276.03	281.73	287.52
Crops	114.08	111.38	113.51	117.33	120.68	123.76	126.60	129.41	132.00	134.70	137.45
Livestock	124.88	119.83	117.70	118.61	120.16	121.21	121.00	121.30	123.76	126.39	129.07
Farm-Related	17.51	17.97	18.34	18.71	19.05	19.31	19.57	19.89	20.27	20.64	21.00
2. Government Payments	23.03	19.92	17.08	16.83	15.98	15.25	14.79	14.37	14.00	13.95	13.12
3. Gross Cash Income (1 + 2)	279.51	269.10	266.64	271.48	275.88	279.54	281.96	284.97	290.03	295.67	300.64
4. Nonmoney Income	14.47	15.46	15.75	15.85	15.97	16.05	16.03	16.08	16.37	16.81	17.32
5. Value of Inventory Change	-0.32	-0.29	0.54	0.40	0.33	0.28	0.19	-0.09	-0.42	-0.43	-0.31
6. Gross Farm Income (3 + 4 + 5)	293.65	284.27	282.92	287.74	292.18	295.86	298.18	300.96	305.99	312.05	317.65
7. Cash Expenses	196.70	203.19	204.83	207.82	210.79	212.50	214.92	218.34	222.44	226.67	230.75
8. Total Expenses	221.09	228.47	230.70	234.10	237.41	239.42	242.14	245.90	250.41	255.07	259.61
9. Net Cash Income (3 - 7)	82.81	65.91	61.81	63.66	65.09	67.04	67.03	66.63	67.59	69.00	69.89
10. Realized Net Farm Inc (3 + 4 - 8)	72.88	56.09	51.69	53.24	54.44	56.17	55.85	55.15	56.00	57.41	58.36
11. Net Farm Income (6 - 8)	72.56	55.80	52.22	53.64	54.78	56.45	56.04	55.06	55.58	56.98	58.05
Deflated (1997 \$)	61.77	46.34	42.52	42.76	42.75	43.17	41.98	40.38	39.89	40.06	39.96

# Stochastic Analysis: The Approach

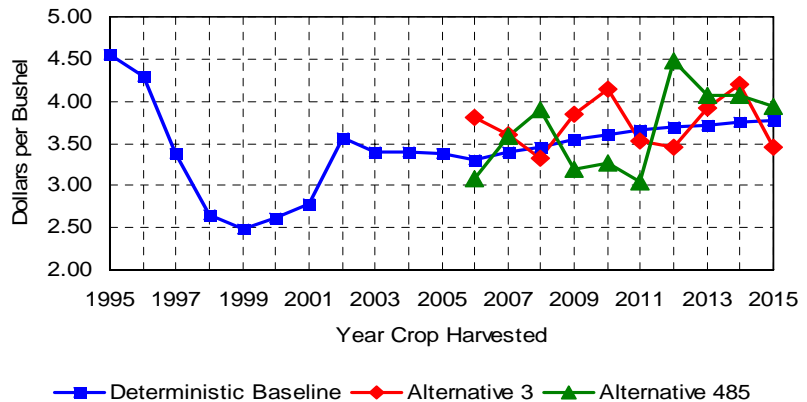
- To reflect the uncertainty in commodity markets, FAPRI looked at 500 alternative futures using stochastic analysis.
- Assuming average weather, yields grow steadily in the deterministic baseline used as the starting point for the analysis.
- The chart shows two of the 500 draws on wheat yields used to drive the stochastic analysis.

U.S. Wheat Yield



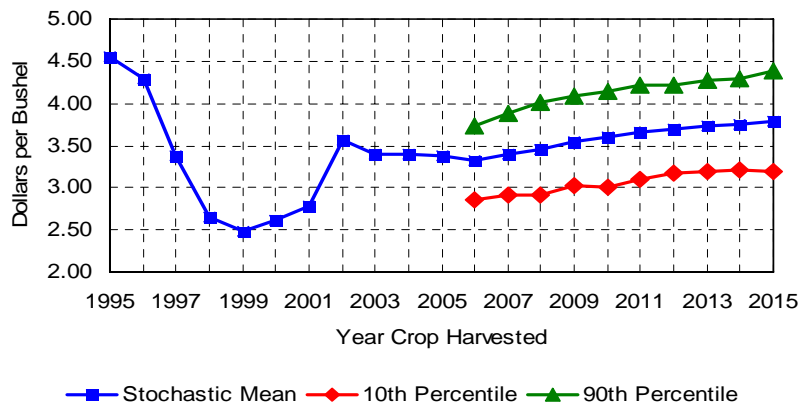
- For each of the 500 alternative futures, price projections reflect the joint effects of all the random supply and demand factors.
- Prices generally exceed the deterministic baseline when yields are below average.
- Random factors affecting demand also play an important role, so it is possible to have lower-than-average production and lower-than-average prices in the same year.

U.S. Wheat Prices



- The mean (average) value of the wheat price from the stochastic analysis is very similar to the deterministic baseline.
- In 10% (50) of the 500 alternative futures, the 2006/07 wheat price falls below \$2.86 per bushel.
- In 10% (50) of the 500 alternative futures, the 2006/07 wheat price exceeds \$3.74 per bushel.

U.S. Wheat Prices



## Selected Stochastic Analysis Results

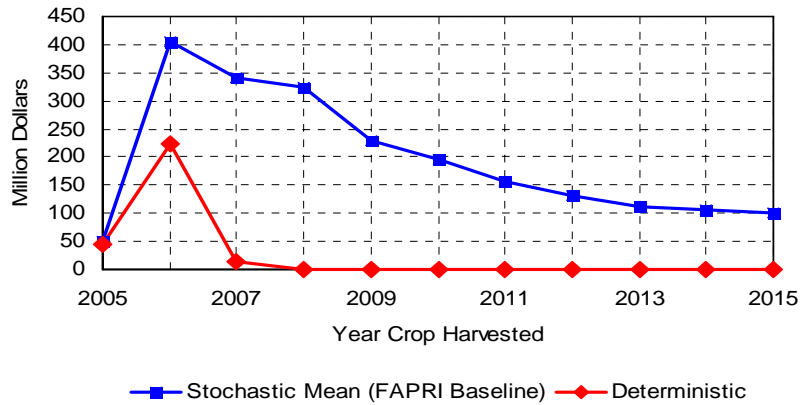
Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Corn Price</b>											
	(Dollars per Bushel, Crop Year)										
Deterministic Baseline	1.90	2.08	2.20	2.30	2.38	2.44	2.46	2.47	2.48	2.48	2.49
Stochastic Mean		2.10	2.20	2.30	2.37	2.43	2.46	2.46	2.48	2.49	2.50
10th Percentile		1.74	1.79	1.86	1.92	2.01	2.06	2.07	2.08	2.07	2.07
90th Percentile		2.51	2.64	2.77	2.87	2.93	2.90	2.89	2.97	2.98	2.96
<b>Soybean Price</b>											
Deterministic Baseline	5.40	4.96	5.25	5.45	5.48	5.52	5.57	5.59	5.58	5.56	5.54
Stochastic Mean		5.02	5.22	5.46	5.44	5.51	5.55	5.58	5.59	5.58	5.52
10th Percentile		3.84	4.01	4.19	4.15	4.25	4.41	4.33	4.46	4.39	4.38
90th Percentile		6.34	6.44	6.86	6.88	6.89	6.90	6.90	6.95	6.85	6.76
<b>Wheat Price</b>											
Deterministic Baseline	3.38	3.30	3.39	3.45	3.55	3.61	3.66	3.69	3.72	3.75	3.77
Stochastic Mean		3.32	3.40	3.45	3.55	3.60	3.66	3.70	3.73	3.76	3.79
10th Percentile		2.86	2.91	2.91	3.03	3.01	3.10	3.18	3.20	3.21	3.20
90th Percentile		3.74	3.88	4.02	4.08	4.15	4.22	4.22	4.28	4.30	4.39
<b>Nebraska Steer Price</b>											
	(Dollars per Hundredweight, Calendar Year)										
Deterministic Baseline	87.28	83.93	81.68	79.35	76.46	74.19	72.35	70.94	71.33	72.68	74.15
Stochastic Mean		84.13	81.78	79.38	76.54	74.11	72.14	70.80	71.34	72.71	74.26
10th Percentile		74.95	72.87	69.72	66.97	63.85	62.07	59.92	61.06	62.49	62.48
90th Percentile		93.03	91.76	88.67	86.11	85.13	82.67	81.95	82.55	83.62	85.19
<b>Barrow and Gilt Price</b>											
Deterministic Baseline	50.05	43.69	39.82	41.15	45.55	49.26	47.56	45.01	46.64	48.19	49.54
Stochastic Mean		43.79	39.87	41.21	45.65	49.30	47.47	44.90	46.65	48.25	49.62
10th Percentile		35.16	30.64	30.44	34.61	38.36	36.39	32.03	35.06	35.73	37.71
90th Percentile		55.30	51.48	53.31	58.81	62.42	60.45	58.97	60.37	62.25	62.79
<b>Milk Price</b>											
Deterministic Baseline	15.14	13.38	13.22	13.47	13.66	13.65	13.67	13.68	13.69	13.75	13.81
Stochastic Mean		13.49	13.31	13.48	13.60	13.64	13.67	13.68	13.70	13.72	13.80
10th Percentile		12.43	12.06	12.24	12.40	12.44	12.34	12.37	12.39	12.31	12.36
90th Percentile		14.64	14.64	14.74	14.81	14.96	15.02	15.03	15.06	15.07	15.27
<b>Net CCC Outlays</b>											
	(Billion Dollars, Fiscal Year)										
Deterministic Baseline	19.29	20.54	15.89	13.50	12.69	11.70	11.43	11.24	11.02	10.77	10.67
Stochastic Mean		20.76	17.51	16.19	15.90	15.16	14.72	14.24	13.89	13.53	13.53
10th Percentile		19.59	11.48	11.06	11.12	10.93	10.83	10.71	10.66	10.42	10.39
90th Percentile		21.91	25.23	22.82	23.15	21.80	20.39	19.16	18.43	17.46	18.18
<b>Net Farm Income</b>											
	(Billion Dollars, Calendar Year)										
Deterministic Baseline	72.56	54.64	50.47	51.90	52.86	54.76	54.76	53.88	54.31	55.70	56.72
Stochastic Mean		55.80	52.22	53.64	54.78	56.45	56.04	55.06	55.58	56.98	58.05
10th Percentile		44.84	41.16	41.86	41.42	43.47	44.62	40.38	41.58	42.43	43.76
90th Percentile		67.85	63.89	65.81	67.30	70.08	68.88	68.96	70.17	72.13	71.88

# Stochastic Analysis: Costs and Income

- In the deterministic baseline, wheat prices exceed the levels that would trigger CCPs in every year after 2007/08.

- Because there is some probability of wheat prices low enough to trigger payments, the stochastic mean of wheat counter-cyclical payments is much greater than would be implied by the deterministic analysis.

Wheat Counter-cyclical Payments

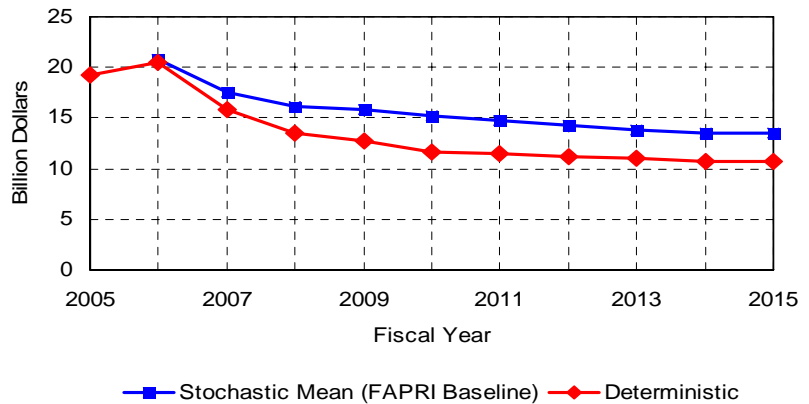


- In most cases, expected government spending is greater when examined using stochastic analysis, as in the case of wheat CCPs.

- In other cases, the reverse holds.

- On balance the average level of government spending in the stochastic analysis is greater than the deterministic estimates.

Net CCC Outlays



- Because the average level of government payments is greater in the stochastic analysis, the average level of net farm income is also greater than the deterministic estimate.

- **For the first time, almost all the figures reported in this publication are averages of the 500 stochastic outcomes.**

Net Farm Income

