

Food and Agricultural  
Policy Research Institute



*March 2011*

# **US Baseline Briefing Book**

**Projections for agricultural and biofuel markets**

FAPRI-MU Report #02-11

*Providing objective analysis for over 25 years*

Published by the Food and Agricultural Policy Research Institute at the University of Missouri–Columbia, 101 Park DeVillie Suite E; Columbia, MO 65203 in March 2011. FAPRI is part of the College of Agriculture, Food and Natural Resources.

<http://www.fapri.missouri.edu>

Material in this publication is based upon work supported by the National Institute of Food and Agriculture, Research, Education and Economics; US Department of Agriculture, under Agreement No. 2010-34149-20711.

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# Foreword

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The Food and Agricultural Policy Research Institute at the University of Missouri (FAPRI-MU) provides analysis of markets and policies for Congress and other decision makers. This report presents a summary of ten-year baseline projections for US agricultural and biofuel markets.

## Process and assumptions

In November 2010, FAPRI analysts prepared a preliminary set of projections that were reviewed at a workshop in Washington, DC in December 2010. Reviewer comments and other new information were incorporated into this final baseline prepared in January and February 2011.

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 analysis incorporates provisions of the Food, Conservation and Energy Act (FCEA, the 2008 farm bill) and the Energy Independence and Security Act (EISA, the 2007 energy bill). **In contrast to past FAPRI-MU baselines, we assume that biofuel tax and tariff provisions will expire on schedule and not be extended.**

Assumptions about the wider economy rely on January 2011 forecasts by IHS Global Insight.

## Things to look for this year

Many indicators of the farm economy have recovered after the sharp downturn tied to the recession.

- Net farm income may near \$100 billion in 2011 as higher commodity prices outpace increases in production expenses. Near-term prospects are particularly bright for corn, wheat, soybean and cotton producers.
- Although crop prices are likely to fall back from the levels prevailing in early 2011, strong international demand for food and fiber and domestic demand for biofuels may keep prices well above pre-2007 levels.
- Livestock producers face high feed costs, limiting growth in supplies of meat, milk and eggs. Livestock sector prices are also supported by increasing export demand for animal products.
- Crop insurance may account for a substantially larger share of total public support to the farm sector than in the past. High prices reduce the likelihood of large expenditures on some traditional farm programs.
- After two years of very subdued US food price inflation, food prices may increase by more than 4 percent in 2011. Projected food price inflation drops back to levels consistent with the overall rate of inflation after 2012.

The extreme price volatility of recent years may continue, as many of the factors that caused recent price swings remain in flux. FAPRI-MU recognizes this uncertainty and considers 500 alternative outcomes for the future based on different assumptions about the weather, the price of petroleum and other factors that will affect the supply and demand for agricultural commodities. The tables which follow generally report the averages of the 500 alternative outcomes, but it is important to recognize that actual market results may vary greatly from the reported averages.

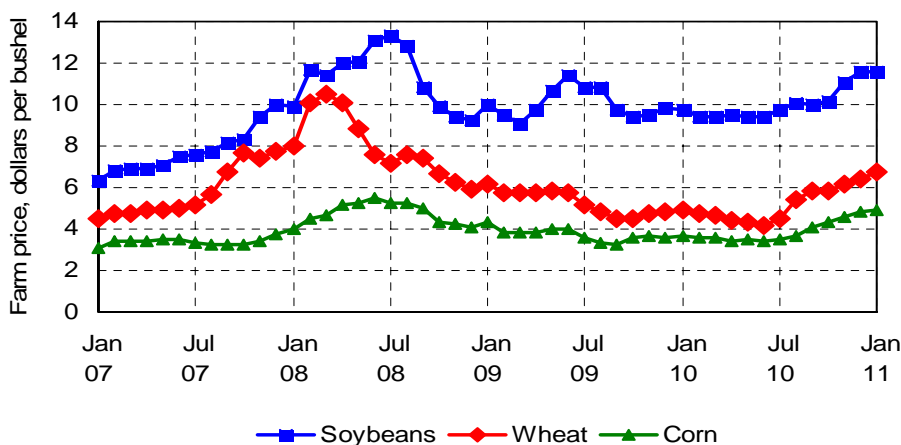
## Acknowledgments and special note

The US Baseline Briefing Book for 2011 was prepared by FAPRI-MU, a part of the College of Agriculture, Food and Natural Resources (CAFNR) at the University of Missouri. The FAPRI team at Iowa State University (ISU) and colleagues at the University of Arkansas and Texas Tech University developed preliminary estimates for international agricultural markets, and these were reviewed at our December workshop. Finally, the team at the Agricultural and Food Policy Center (Texas A&M) translated these national results into estimates of effects for representative farms around the country.

**Because of budget constraints, we did not develop a joint 2011 baseline with our colleagues at ISU and other institutions. As a result, FAPRI-MU is solely responsible for the projections in this report, including those related to US trade.**

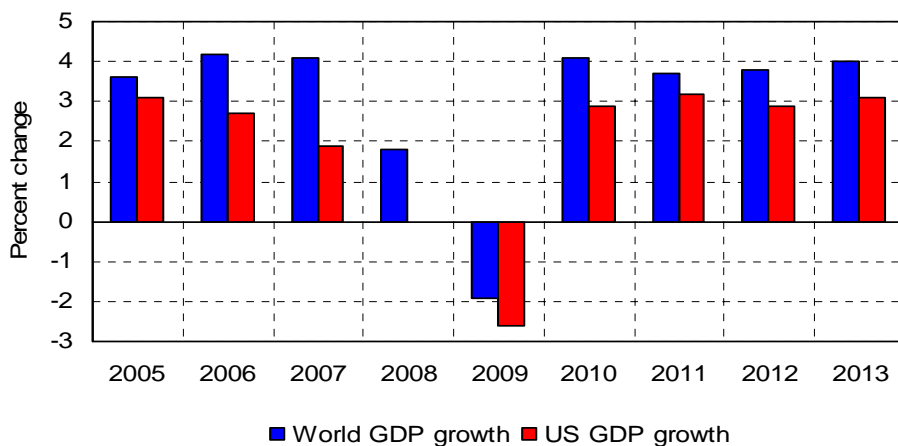
# Recent developments and key assumptions

Prices for major crops have increased again



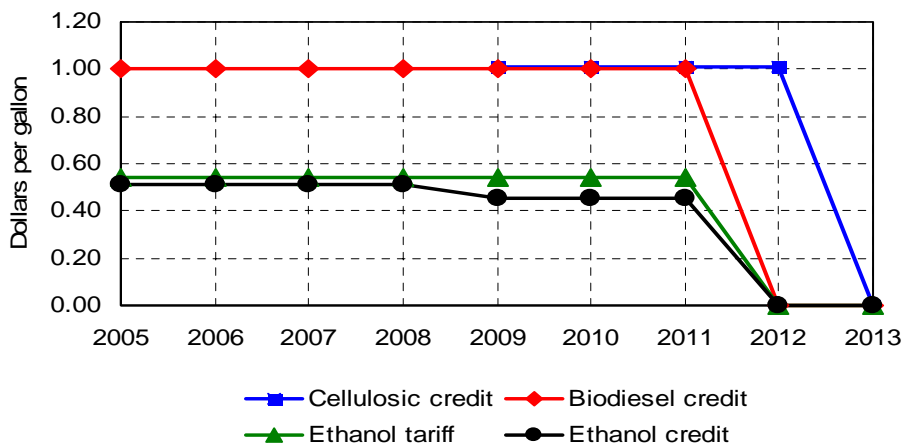
- Prices for corn, soybeans, wheat, cotton and many other crops have increased again in recent months.
- Unfavorable weather in key exporting countries, a recovering global economy, strong demand from China and rising oil prices have all contributed to the rise in crop prices.

Economic growth resumes, but problems remain



- IHS Global Insight forecasts moderate economic growth for the US and world economies.
- Forecast US unemployment does not drop below 8 percent until the end of 2013.
- Growth is much stronger in some middle-income countries. Forecast economic growth in China, for example, exceeds 8 percent per year for the next six years.

Baseline assumes biofuel policies expire

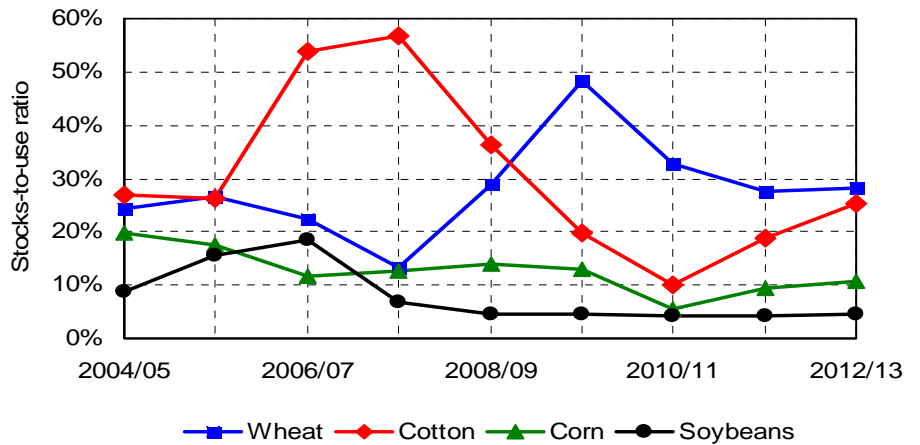


- Under current law, the ethanol tax credit, the biodiesel credit and the specific ethanol tariff all expire at the end of 2011, and the cellulosic ethanol credit expires at the end of 2012.
- In contrast to past FAPRI-MU baselines, this baseline assumes these policies expire on schedule. The new assumption matches that used by the Congressional Budget Office.
- Allowing these policies to expire results in reduced biofuel production and use.

# Factors affecting the crops outlook

## Stocks are low for most major crops

- US stocks of corn, soybeans and cotton are very low relative to use in 2010/11.
- These tight supplies have contributed to higher prices.
- US wheat stocks are not as low, but wheat prices are supported by corn prices and strong export demand.
- Projected corn and cotton stocks rebuild in 2011/12 and 2012/13 but remain low enough that prices continue to be very sensitive to supply or demand shocks.



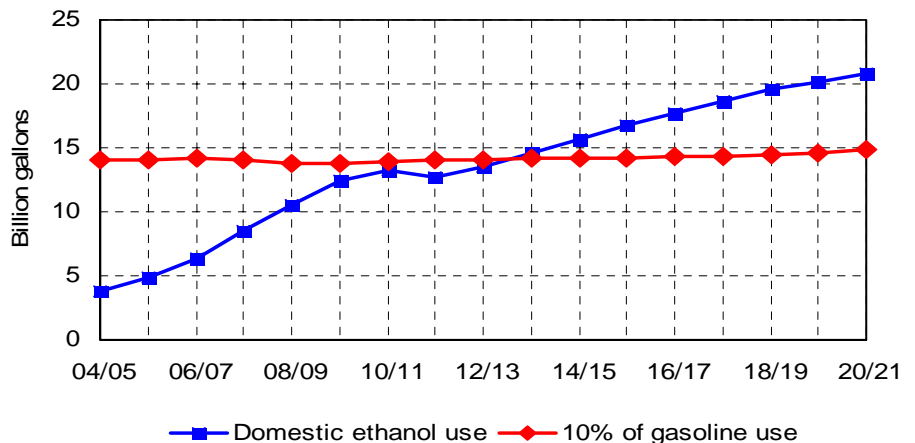
## Strong returns increase 2011 plantings

- After peaking in 2008, the total acreage planted to 13 major crops dropped in 2009 and 2010.
- Strong returns for many crops, a rebound in double cropping and a slight reduction in hay area all contribute to an 8 million acre increase in the area devoted to 13 crops in 2011.
- This increase in total area could allow corn, wheat, cotton and soybean area to all increase in 2011.



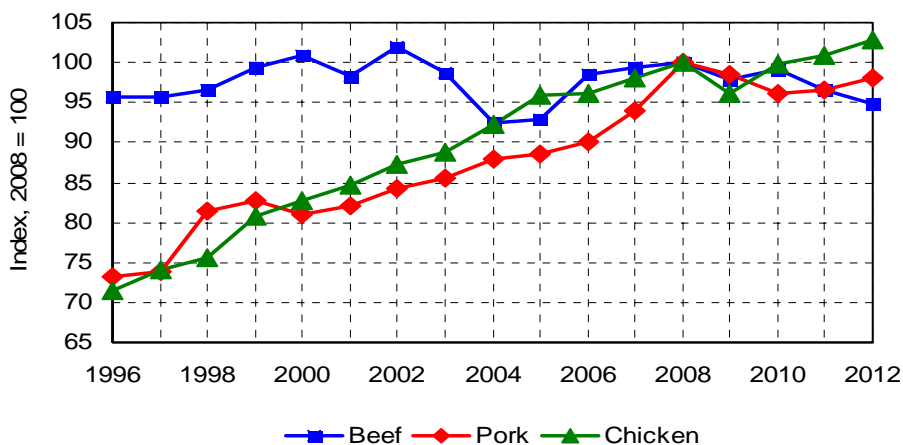
## Ethanol use dips with end of tax credit, then grows

- Domestic ethanol use has grown rapidly, but dips slightly in 2011/12, assuming the tax credit expires as scheduled at the end of 2011.
- The baseline assumes regulations allowing 15 percent ethanol blends in vehicles built in 2001 and later years.
- This allows ethanol use eventually to exceed 10 percent of gasoline use, even with limited projected use of E-85 and other higher-level blends.



# Factors affecting the livestock and dairy outlook

Meat production growth has slowed

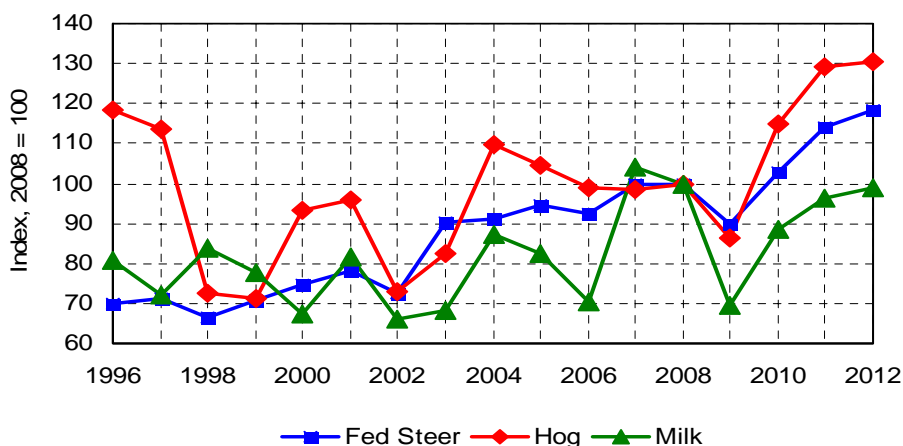


- The combination of lower output prices caused by the recession and higher input costs have severely hindered meat production growth.

- While most meat producers are expected to see higher output prices in 2011, many costs are sharply increasing as well.

- Margins are expected to improve in the next year or two, but it will take some time for these to induce higher output, especially in the case of beef.

Prices are on the rise for livestock products

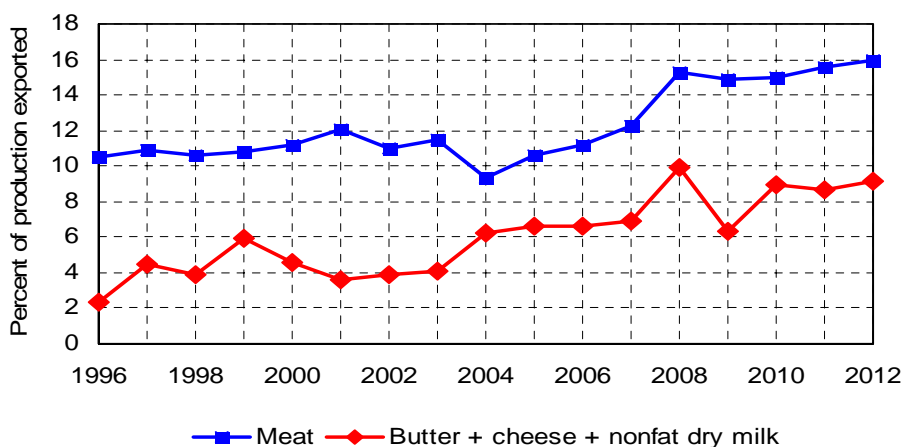


- Tight supplies and improved demand allowed for some livestock price recovery in 2010.

- Prices will strengthen in the next couple of years, with record prices expected for fed steers, feeder steers and hogs.

- These higher farm prices will lead to much higher costs for meat and dairy products at the consumer level.

Meat and dairy exports strong despite higher prices



- International demand for US meat and dairy products has remained strong, even as domestic prices have risen.

- The US dollar is expected to remain weak in the next decade, aiding the competitiveness of US products overseas.

- Constrained production growth, a growing share of exports as a percent of production and population growth are combining to limit the availability of meat and dairy products for domestic consumers.



# Farm program costs, farm income and food prices

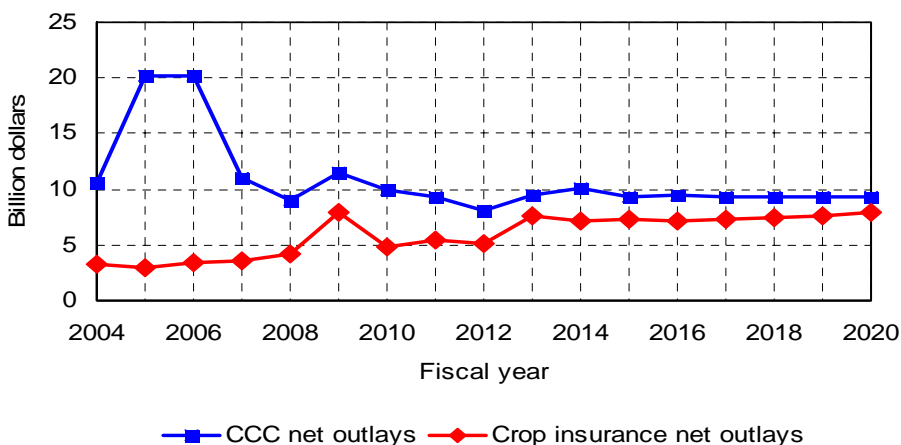
## Crop insurance accounts for growing share of support

- Net outlays by the Commodity Credit Corporation (CCC) total \$93 billion over the next ten years.

- CCC outlays include spending on major farm programs, the conservation reserve and several other programs.

- Over the next ten years, net outlays by the Federal Crop Insurance Corporation total \$70 billion.

- Higher crop prices increase crop insurance premium subsidies.



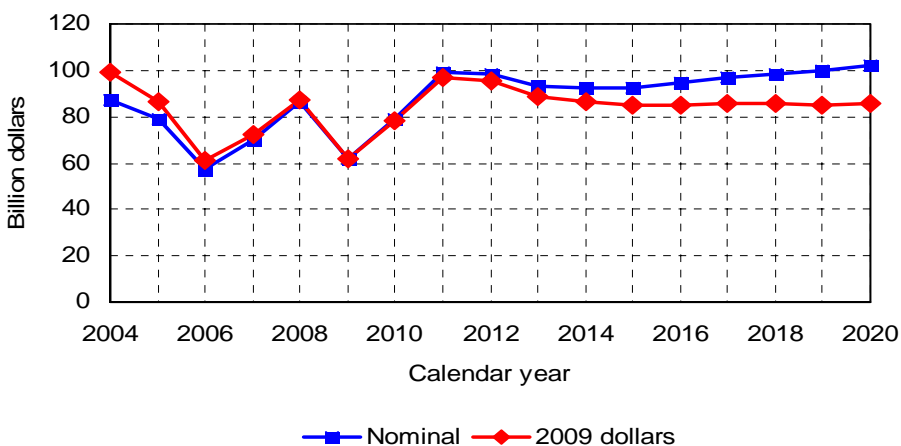
- Crop and livestock receipts are likely to increase sharply in 2011 in response to higher prices, more than offsetting a large increase in production expenses.

- Net farm income in 2011 could near \$100 billion, the highest ever in nominal terms.

- Projected receipts and costs grow at about the same rate over the next decade, leaving net farm income fairly steady.

- Actual net farm income is likely to be quite variable because of volatile prices, production and expenses.

## Net farm income may near \$100 billion in 2011

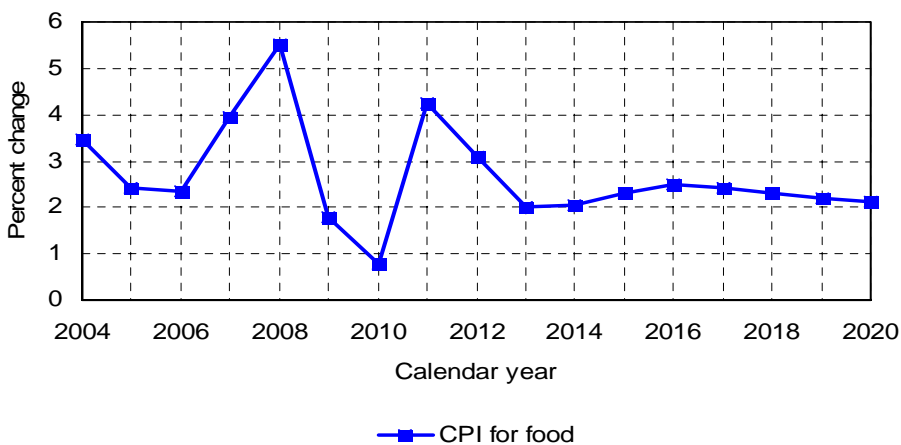


## Food price inflation rebounds in 2011

- The recession, lower farm commodity prices, lower energy prices and other factors sharply reduced food price inflation in 2009 and 2010.

- Higher prices for many farm commodities and higher petroleum prices are expected to result in a 4.2 percent increase in food prices in 2011.

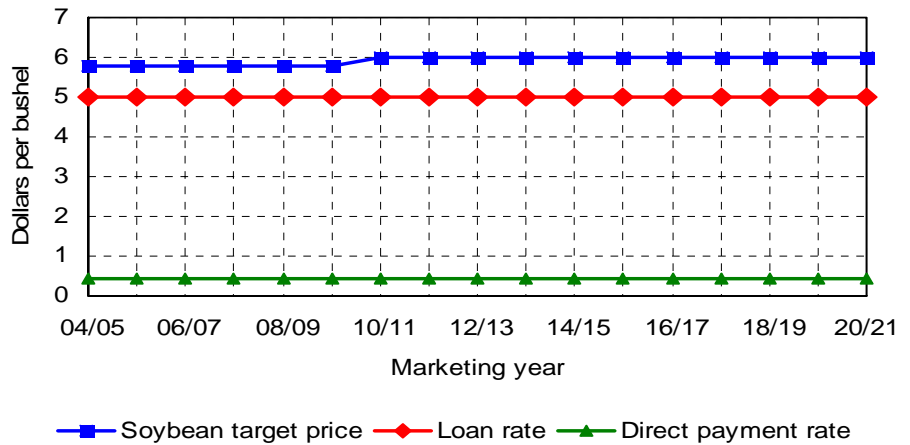
- After 2012, projected food price inflation drops to a little over 2 percent per year, similar to the general rate of inflation.



# Policy assumptions

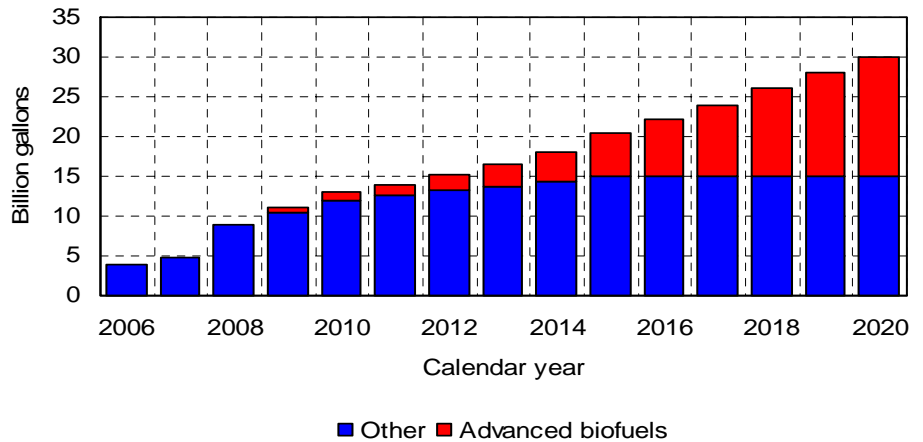
## 2008 farm bill provisions are continued

- Farm bill provisions set to expire under current law are assumed to continue throughout the baseline.
- For several commodities, target prices and loan rates adjusted in 2010.
- The percentage of base area eligible for direct payments was reduced in 2009 and is increased again in 2012.



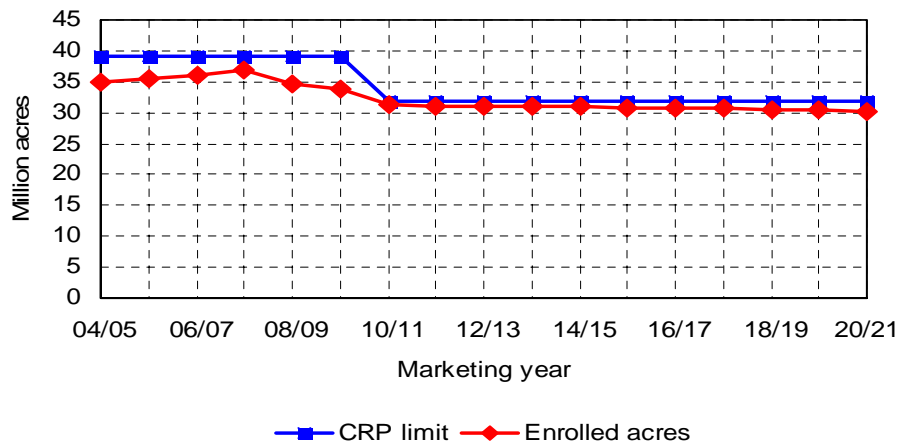
- The baseline incorporates EISA, the 2007 energy bill, which mandates minimum levels of biofuel use under the Renewable Fuel Standard (RFS2).
- The baseline assumes that authority to waive the statutory cellulosic mandate is utilized. It also assumes total and advanced mandates are reduced by the same quantity.
- Under the RFS2, no more than 15 billion gallons of corn starch-based ethanol can count toward the overall mandate in 2015 and subsequent years.

## Energy bill mandates biofuel use



## Conservation reserve area maintained near limit

- The 2008 farm bill limits the size of the conservation reserve to no more than 32 million acres beginning in 2010/11.
- The baseline assumes actual enrollment is maintained near this limit.
- Millions of acres of contracts will expire each year. To maintain conservation reserve area near the limit, re-enrollments and new enrollments must match the pace of expirations. This is less likely to occur when crop prices and returns are high.



## Crop program provisions

	Direct	Target	Loan	Base area eligible for:			Planted eligible for:		Base
	payment	price	rate	DPs	DPs	CCPs	ACRE	ACRE	area
	2010-20	2010-20	2010-20	2010-11	2012-20	2010-20	2010-11	2012-20	2011
	—Dollars per bushel—			—Percent—					mil. a.
Corn	0.28	2.63	1.95	83.3	85.0	85.0	83.3	85.0	83.53
Sorghum	0.35	2.63	1.95	83.3	85.0	85.0	83.3	85.0	11.53
Barley	0.24	2.63	1.95	83.3	85.0	85.0	83.3	85.0	8.27
Oats	0.02	1.79	1.39	83.3	85.0	85.0	83.3	85.0	2.95
Wheat	0.52	4.17	2.94	83.3	85.0	85.0	83.3	85.0	72.22
Soybeans	0.44	6.00	5.00	83.3	85.0	85.0	83.3	85.0	49.98
	—Dollars per cwt—								
Rice (all types)	2.35	10.50	6.50	83.3	85.0	85.0	83.3	85.0	4.27
	—Cents per pound—								
Sunflower seed	0.80	12.68	10.09	83.3	85.0	85.0	83.3	85.0	1.71
Canola	0.80	12.68	10.09	83.3	85.0	85.0	83.3	85.0	0.70
Peanuts	1.80	24.75	17.75	83.3	85.0	85.0	83.3	85.0	1.44
Upland cotton	6.67	71.25	52.00	83.3	85.0	85.0	83.3	85.0	17.66

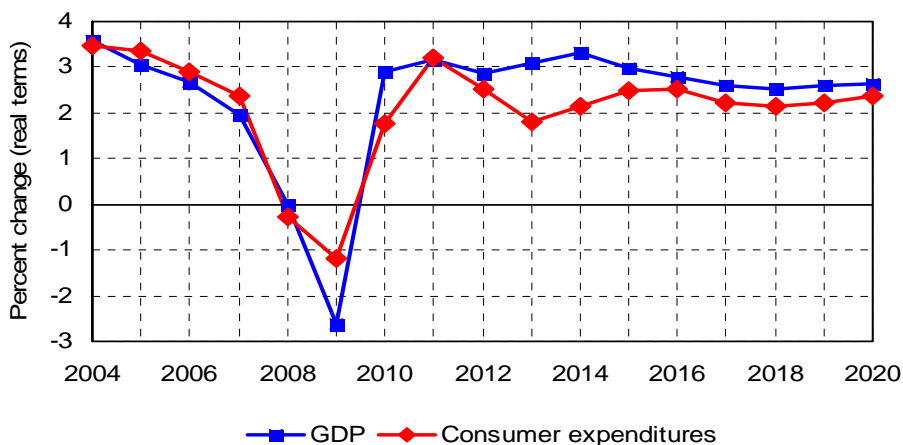
## Other program provisions

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Sugar</b>	(Cents per pound)										
Raw cane sugar loan rate	18.50	18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75
Refined beet sugar loan rate	23.77	24.09	24.09	24.09	24.09	24.09	24.09	24.09	24.09	24.09	24.09
<b>Dairy</b>	(Dollars per pound)										
Block cheese support price	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13
Butter support price	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Nonfat dry milk support	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
	(Dollars per hundredweight)										
Unadjusted MILC trigger	16.94	16.94	16.94	16.94	16.94	16.94	16.94	16.94	16.94	16.94	16.94
<b>Conservation reserve limit</b>	(Million acres)										
Conservation reserve limit	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00
<b>Renewable fuel standard</b>	(Million gallons)										
Renewable fuel standard	12,950	13,950	15,200	16,550	18,150	20,500	22,250	24,000	26,000	28,000	30,000
Advanced biofuels	950	1,350	2,000	2,750	3,750	5,500	7,250	9,000	11,000	13,000	15,000
Cellulosic ethanol (waived)	100	250	500	1,000	1,750	3,000	4,250	5,500	7,000	8,500	10,500
Biodiesel	650	800	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>Biofuel taxes and tariffs</b>	(Dollars per gallon)										
Ethanol tax credit	0.45	0.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Biodiesel tax credit	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ethanol specific tariff	0.54	0.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cellulosic producers credit	1.01	1.01	1.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(Percent)										
Ethanol ad valorem tariff	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5

# Macroeconomic assumptions and farm prices paid

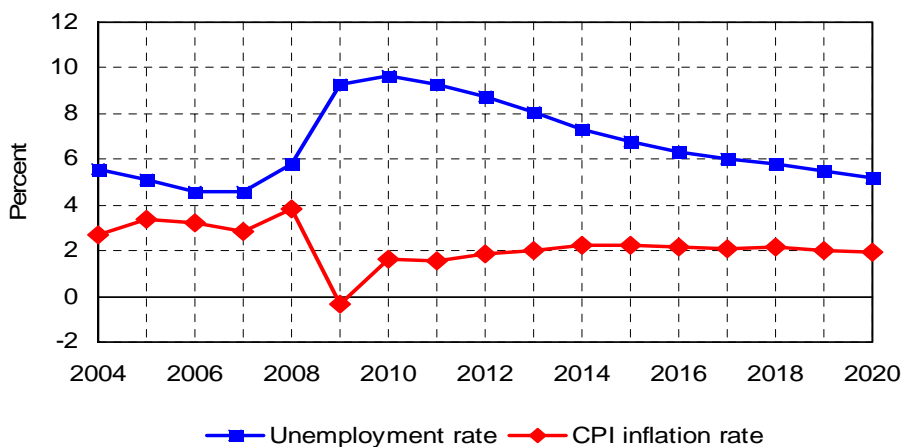
## Higher saving rate slows consumer spending growth

- Real GDP growth is expected to continue at around 3 percent per year.
- Consumer expenditures are expected to grow more slowly than GDP as consumers are more cautious with their spending.
- The higher savings rate will have negative impacts on commodity prices, particularly for higher valued products such as meat and dairy.



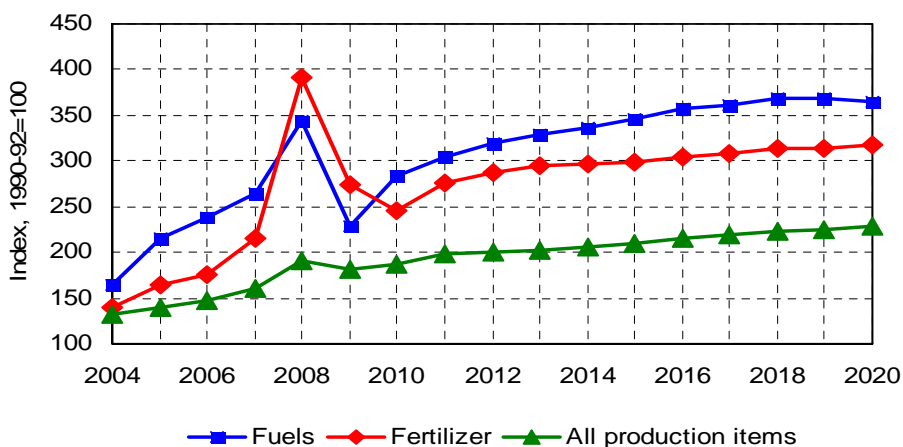
## Unemployment declines slowly, inflation mild

- Although the economic recovery has led to resumed GDP growth, high unemployment rates are expected to persist for many more years.
- It will be difficult to return to pre-recession levels of meat and dairy product demand as long as the jobless rate is high.
- Projected inflation rates remain very mild, typically around 2 percent.



## Input costs will rise again

- Even though the 2010 annual average fertilizer cost index was below the 2009 level, fertilizer prices began to increase during the last few months of the year.
- Costs for producing everything from row crops to meat products are poised to jump in both 2011 and 2012.
- Input cost inflation is expected to slow after 2012, in part because of slower growth in energy prices.



## Macroeconomic assumptions

Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Percentage change from previous year)										
Real GDP	2.9	3.2	2.9	3.1	3.3	3.0	2.8	2.6	2.5	2.6	2.6
Population growth	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9	0.9
CPI, all urban consumers	1.7	1.6	1.9	2.0	2.2	2.2	2.1	2.1	2.2	2.0	1.9
PPI, all commodities	6.7	2.1	2.4	2.3	2.1	2.0	1.4	1.4	1.3	1.1	1.0
Wages & salaries	1.6	1.8	1.9	2.1	2.2	2.3	2.4	2.5	2.5	2.5	2.5
	(Percent)										
Unemployment rate	9.7	9.3	8.7	8.1	7.3	6.7	6.3	6.0	5.8	5.5	5.2
3-month Treasury bill rate	0.1	0.3	1.4	3.4	3.6	4.5	4.6	4.6	4.6	4.6	4.6
AAA bond rate	4.9	5.0	5.2	6.0	6.2	6.8	6.9	6.9	6.9	6.9	6.9
Petroleum prices	(Dollars per barrel)										
West Texas intermediate	79.49	88.29	95.16	99.02	102.27	106.20	110.06	112.11	113.65	112.81	110.92
Refiners' acquisition cost	76.51	82.55	89.04	92.61	95.61	99.26	102.83	104.69	106.07	105.22	103.38
Inflation-adj. exchange rate	(Index, 2005=100)										
vs. major trading partners	92.4	89.8	90.2	90.9	89.9	89.0	88.1	87.3	86.9	86.6	86.2
vs. other trading partners	80.3	74.7	69.4	65.1	61.8	59.7	58.0	56.4	55.0	53.6	52.5
Foreign real GDP growth	(Percentage change from previous year)										
Major trading partners	2.6	1.9	2.2	2.4	2.4	2.3	2.1	2.0	1.9	1.9	1.8
Other trading partners	7.0	4.9	5.3	5.1	5.2	5.1	5.0	4.8	4.7	4.7	4.5

Source: IHS Global Insight, Jan. 2011

## Indices of prices paid by farmers

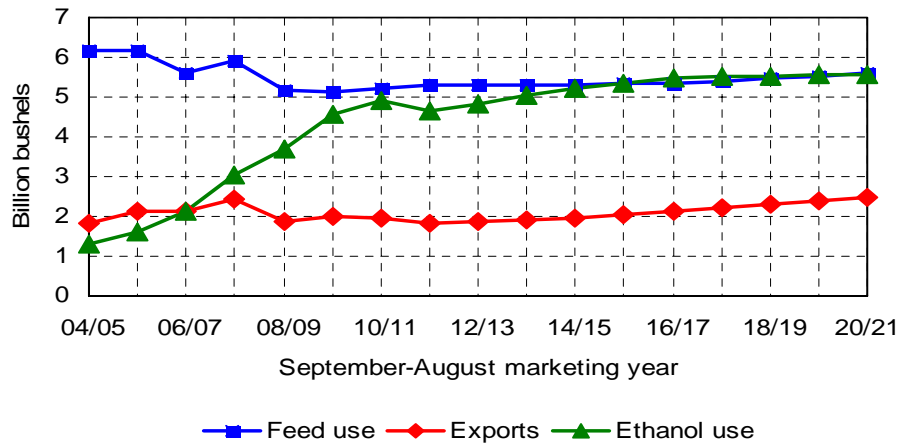
Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Production items, interest, taxes and wages</b>	(1990-92=100)										
Production items	188	198	200	204	208	213	218	222	227	230	234
Feed	187	198	200	203	206	210	214	218	223	226	229
Livestock & poultry	184	210	194	195	197	199	200	202	202	202	202
Seeds	133	137	145	143	143	143	144	144	145	145	146
Fertilizer	288	296	309	310	314	320	327	334	341	346	350
Mixed fertilizer	246	276	288	294	296	299	304	309	314	315	319
Nitrogen fertilizer	232	263	282	291	293	297	300	304	307	310	313
Potash and phosph.	239	262	275	283	285	290	297	301	307	309	313
Agricultural chemicals	310	345	360	364	365	368	370	373	377	380	383
Fuels	146	152	156	160	163	167	171	174	177	180	182
Supplies & repairs	283	305	319	329	336	346	357	362	368	368	365
Autos & trucks	160	164	168	172	177	181	185	189	193	197	201
Farm machinery	113	112	113	115	117	119	120	122	123	125	126
Building material	228	234	237	241	247	254	261	268	276	283	291
Farm services	165	169	172	175	180	184	188	191	194	197	199
Interest*	164	166	168	171	174	178	183	187	192	197	202
Taxes**	128	137	144	165	171	187	191	194	196	199	201
Wage rates	268	274	281	289	302	313	323	333	343	353	362
	189	193	195	198	202	208	215	222	229	237	245

\*Interest per acre on farm real estate debt and interest rate on farm non-real estate debt.

\*\*Farm real estate taxes payable per acre.

# Corn

Growth in ethanol use of corn slows from recent pace

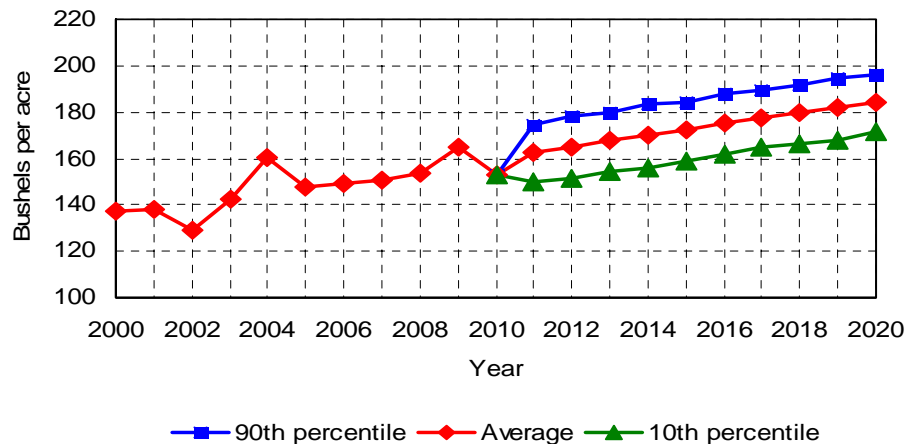


- Ethanol production could dip in 2011/12 if the blender's tax credit expires on schedule at the end of 2011.

- RFS2 mandates encourage modest renewed growth in ethanol use of corn from 2012 to 2015. Any further expansion will occur only if corn-based ethanol is competitive as a fuel.

- High prices and limited supplies could restrict US corn exports in 2011/12, but rising world feed demand results in moderate export growth in later years.

2011 corn yields will be critical

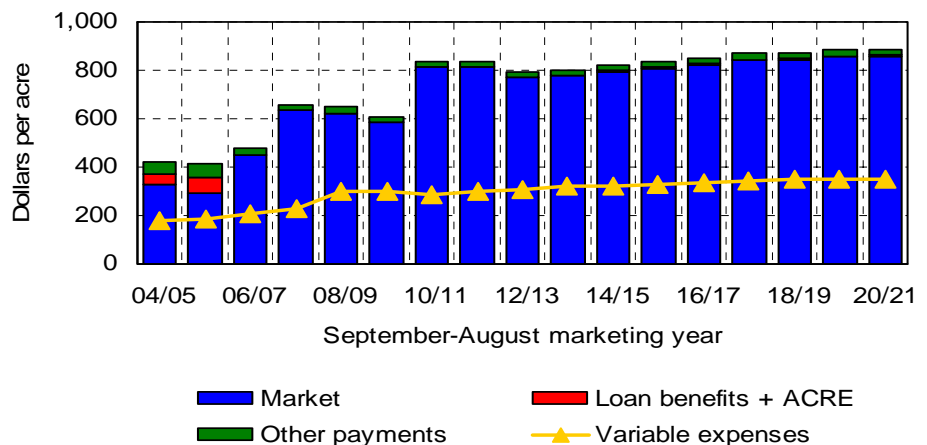


- The unexpected drop in US corn yields in 2010 is a major reason for higher world grain prices.

- With stocks limited, 2011 corn yields will be critical to world markets.

- Yield uncertainty means that corn production and prices this fall could vary widely from the averages reported in the table.

Corn returns per acre jump in 2010/11



- Higher corn prices in 2010/11 more than offset the effect of lower yields, resulting in record per-acre market receipts.

- Although variable expenses are expected to increase, net returns to corn producers remain high by historical standards, and this supports corn acreage.

- Projected farm program payments are very small relative to corn market receipts.

## Corn supply and use

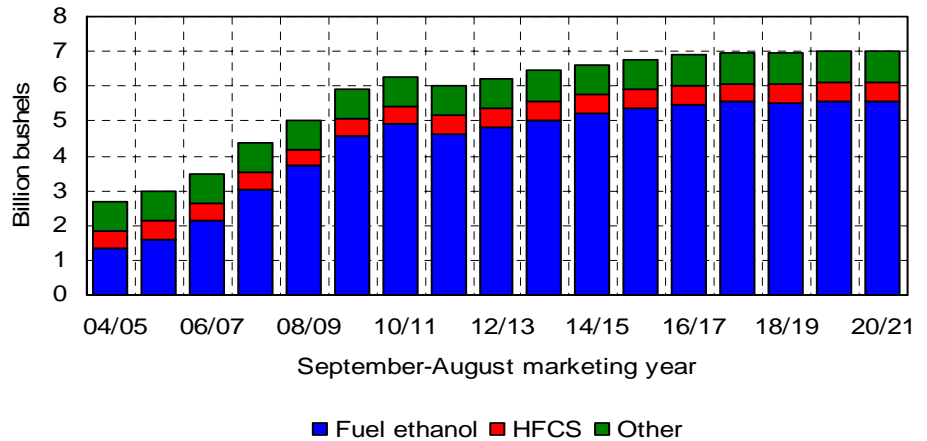
September-August year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Area</b>	(Million acres)										
Planted area	88.2	91.0	89.3	88.5	88.6	89.1	89.1	89.2	89.4	89.0	89.0
Harvested area	81.4	83.8	82.2	81.5	81.6	82.1	82.1	82.2	82.3	82.0	82.0
<b>Yield</b>	(Bushels per harvested acre)										
	152.8	162.6	165.1	167.5	169.9	172.6	175.0	177.4	179.5	181.9	184.5
<b>Supply</b>	(Million bushels)										
Beginning stocks	14,175	14,395	14,838	15,128	15,354	15,656	15,886	16,096	16,298	16,467	16,694
Production	1,708	745	1,247	1,447	1,472	1,471	1,494	1,497	1,495	1,528	1,542
Imports	12,447	13,630	13,571	13,661	13,862	14,164	14,372	14,578	14,783	14,919	15,131
	20	20	20	20	20	20	20	20	20	20	20
<b>Domestic use</b>	11,480	11,318	11,526	11,755	11,928	12,139	12,269	12,401	12,478	12,546	12,639
Feed and residual	5,198	5,283	5,297	5,291	5,290	5,340	5,353	5,397	5,474	5,521	5,589
Fuel alcohol	4,902	4,635	4,818	5,039	5,202	5,354	5,462	5,543	5,534	5,546	5,563
HFCS	515	525	526	533	537	540	542	543	545	547	549
Seed	23	23	22	22	23	23	23	23	23	23	22
Food and other	842	853	862	870	876	883	889	895	902	909	916
<b>Exports</b>	1,950	1,831	1,865	1,901	1,955	2,023	2,120	2,200	2,292	2,379	2,469
<b>Total use</b>	13,430	13,149	13,391	13,656	13,884	14,162	14,389	14,601	14,769	14,925	15,109
<b>Ending stocks</b>	745	1,247	1,447	1,472	1,471	1,494	1,497	1,495	1,528	1,542	1,585
CCC inventory	0	0	0	0	0	0	0	0	0	0	0
Under loan	125	115	151	154	157	160	158	156	163	167	172
Other stocks	620	1,132	1,296	1,317	1,314	1,334	1,339	1,339	1,366	1,375	1,413
<b>Prices, program provisions</b>	(Dollars per bushel)										
Farm price	5.32	5.03	4.70	4.66	4.71	4.71	4.74	4.77	4.75	4.74	4.68
Loan rate	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Target price	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63
Direct payment rate	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28
<b>Base area</b>	(Million acres)										
	83.5	83.5	83.5	83.5	83.5	83.5	83.5	83.5	83.5	83.5	83.6
<b>Direct payment yield</b>	(Bushels per acre)										
	102.5	102.5	102.5	102.5	102.5	102.5	102.5	102.5	102.5	102.5	102.5
<b>CCP yield</b>	(Percent)										
	114.5	114.5	114.5	114.5	114.5	114.5	114.5	114.5	114.5	114.5	114.5
<b>ACRE participation rate</b>	16.5	17.3	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1
<b>Returns and payments</b>	(Dollars)										
Gross market revenue/a.	812.84	812.18	769.71	776.16	794.67	808.17	823.71	842.53	845.68	856.27	857.61
Variable expenses/a.	283.14	297.09	309.71	319.77	323.40	328.79	335.38	341.19	347.08	350.39	353.12
Market net return/a.	529.70	515.09	460.00	456.38	471.27	479.38	488.33	501.35	498.60	505.88	504.50
Marketing loan benefits/a.*	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00
ACRE payment/a.*	0.00	0.06	1.25	2.29	2.86	2.70	2.80	2.65	2.93	3.33	3.57
CCP payment/base a.*	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00
Direct payment/base a.*	23.12	23.08	23.51	23.51	23.51	23.51	23.51	23.51	23.51	23.51	23.51

\*Figures reported are averages across ACRE participants and nonparticipants. All table figures are averages across 500 outcomes.

# Corn processing

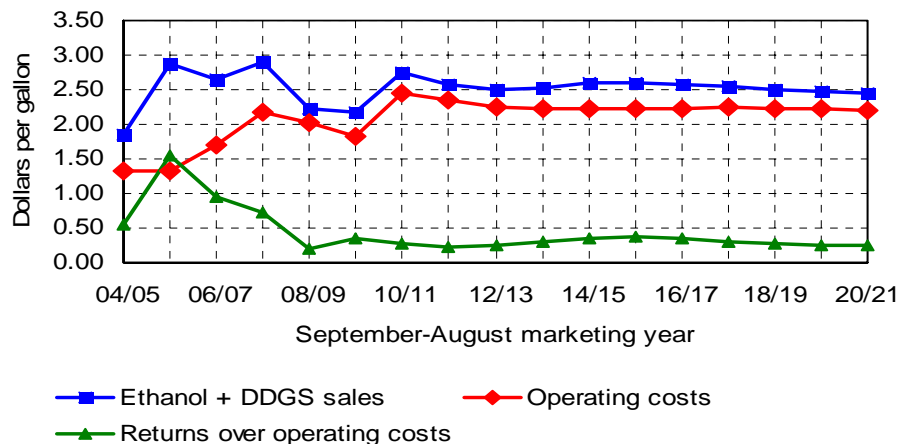
## Ethanol use dominates corn processing

- Ethanol use has accounted for most of the recent dramatic growth in corn food and industrial use.
- Ethanol use of corn could decline slightly in 2011/12 if tax credits expire, and projected growth in later years is modest compared to recent history.
- High-fructose corn syrup (HFCS) and other food and industrial uses of corn grow more slowly than population.



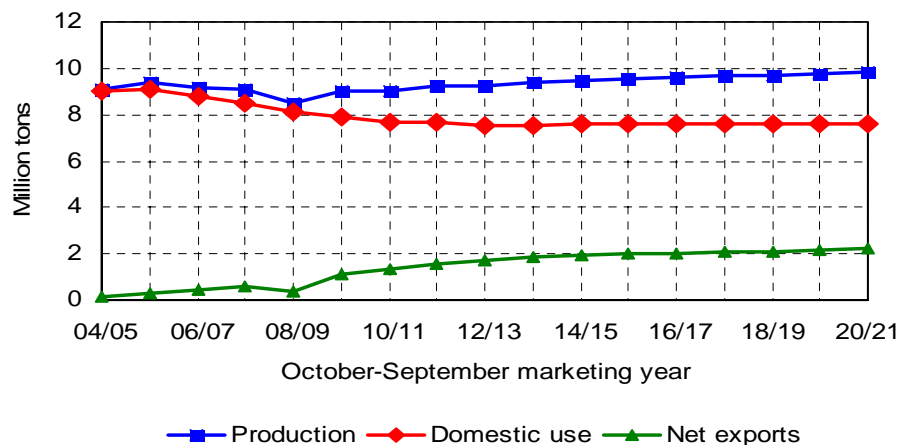
## Dry mill net returns up slightly after sharp decline

- Lower ethanol prices severely squeezed ethanol plant margins in 2008/09, but lower corn prices improved profitability at dry mill ethanol plants in 2009/10.
- In 2010/11, prices of both ethanol and corn have increased sharply, resulting in continued small net returns over operating costs for ethanol plants.
- From 2011-2020, net returns over operating costs average about \$0.30 per gallon. Operating costs exclude capital costs; net profits are lower.



## Growing exports offset weak domestic HFCS use

- HFCS production increased in 2009/10 as a large increase in exports to Mexico more than offset a decline in domestic use.
- High sugar prices contribute to further increases in HFCS exports and slow the projected decline in domestic HFCS use.
- HFCS and other industrial uses of corn remain very small relative to ethanol use.





## Corn processing

September-August year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Corn food and industrial use</b>											
	(Million bushels)										
Fuel alcohol	4,902	4,635	4,818	5,039	5,202	5,354	5,462	5,543	5,534	5,546	5,563
HFCS	515	525	526	533	537	540	542	543	545	547	549
Glucose and dextrose	260	261	260	262	263	264	265	265	266	267	268
Starch	250	254	259	262	264	266	269	271	274	276	279
Beverage alcohol	135	137	140	141	142	143	144	146	147	148	150
Cereals and other	197	200	204	206	208	209	211	213	215	217	219
Total	6,259	6,012	6,206	6,442	6,616	6,776	6,893	6,981	6,981	7,002	7,028
<b>Corn dry milling</b>											
Corn dry milled for ethanol	4,356	4,087	4,270	4,489	4,653	4,802	4,914	4,998	5,000	5,023	5,052
(Share de-oiling DDGS)	4.9%	7.7%	10.7%	13.6%	16.2%	18.7%	21.1%	23.6%	25.9%	28.3%	30.5%
<b>Yields per bushel of corn</b>											
	(Units per bushel)										
Ethanol (gallons)	2.74	2.75	2.77	2.78	2.80	2.81	2.83	2.84	2.86	2.87	2.89
Distillers grains (pounds)	17.01	16.93	16.85	16.78	16.71	16.65	16.59	16.52	16.46	16.41	16.35
<b>Costs and returns *</b>											
	(Dollars per gallon)										
Ethanol value	2.23	2.08	2.04	2.08	2.15	2.16	2.13	2.09	2.05	2.04	2.02
Distillers grains value	0.50	0.49	0.45	0.45	0.45	0.44	0.45	0.45	0.45	0.45	0.44
Corn cost	-1.94	-1.83	-1.70	-1.68	-1.68	-1.68	-1.68	-1.68	-1.66	-1.65	-1.62
Fuel and electricity cost	-0.18	-0.19	-0.21	-0.21	-0.21	-0.21	-0.21	-0.21	-0.21	-0.22	-0.22
Other operating costs	-0.33	-0.33	-0.33	-0.34	-0.34	-0.34	-0.34	-0.35	-0.35	-0.35	-0.36
Net operating return	0.29	0.23	0.25	0.30	0.36	0.38	0.35	0.30	0.27	0.26	0.25
<b>Corn wet milling</b>											
	(Million bushels)										
Corn wet milled for ethanol	546	549	548	550	549	551	548	545	534	524	511
Other corn wet milling	1,025	1,040	1,045	1,057	1,064	1,070	1,075	1,080	1,085	1,090	1,096
Total corn wet milling	1,571	1,588	1,593	1,607	1,613	1,621	1,623	1,625	1,619	1,614	1,607
<b>Yields per bushel of corn</b>											
	(Units per bushel)										
Ethanol (gallons)	2.69	2.70	2.71	2.71	2.72	2.73	2.74	2.74	2.75	2.76	2.77
Gluten feed (pounds)	11.40	11.40	11.40	11.40	11.40	11.40	11.40	11.40	11.40	11.40	11.40
Gluten meal (pounds)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Corn oil (pounds)	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58
<b>Costs and returns</b>											
	(Dollars per gallon)										
Ethanol value	2.23	2.08	2.04	2.08	2.15	2.16	2.13	2.09	2.05	2.04	2.02
Gluten feed value	0.22	0.21	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Gluten meal value	0.29	0.29	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27
Corn oil value	0.31	0.34	0.32	0.32	0.31	0.31	0.31	0.31	0.31	0.31	0.31
Corn cost	-1.98	-1.86	-1.74	-1.72	-1.73	-1.73	-1.73	-1.74	-1.73	-1.72	-1.69
Fuel and electricity cost	-0.14	-0.15	-0.17	-0.16	-0.17	-0.17	-0.17	-0.17	-0.17	-0.17	-0.18
Other operating costs	-0.52	-0.52	-0.53	-0.53	-0.54	-0.54	-0.55	-0.55	-0.56	-0.56	-0.57
Net operating return	0.42	0.38	0.40	0.44	0.48	0.49	0.46	0.40	0.38	0.36	0.35

\* Dry mill costs and returns for a plant that does not use a de-oiling process to extract corn oil from distillers grains.

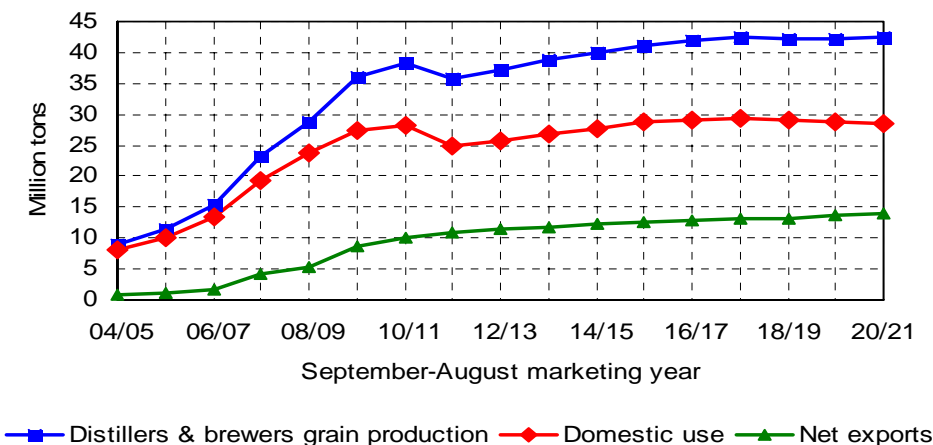
# Corn products

## Rapid growth in distillers grains use ends

- Distillers grains production and use expanded rapidly with the dry mill ethanol industry.

- Rapid growth in domestic use of distillers grains has come to an end because of slower growth in ethanol production and continued growth in distillers grain exports.

- Figures in the tables are on a dry-equivalent basis.

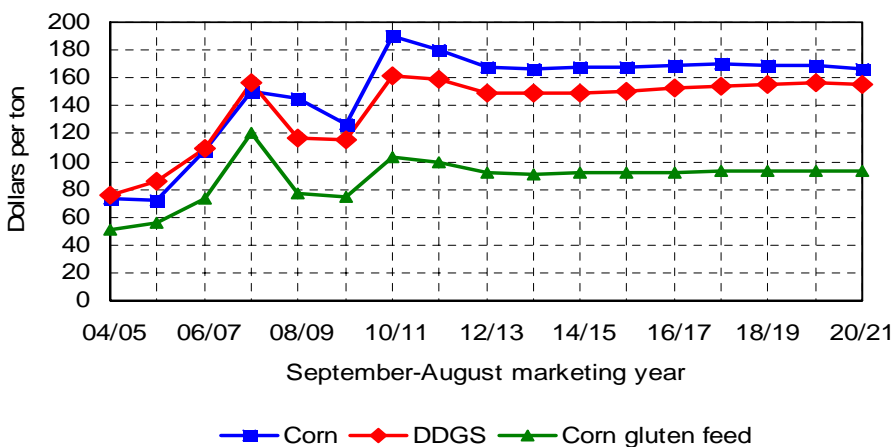


- Over the long run, prices of distillers dried grains with solubles (DDGS) and corn gluten feed generally move with corn prices.

- Since 2008, DDGS prices have declined relative to corn prices as increasing supplies were made available to livestock producers.

- As the market matures, DDGS prices slowly recover relative to corn prices over the baseline.

## Distillers grain prices generally follow corn prices

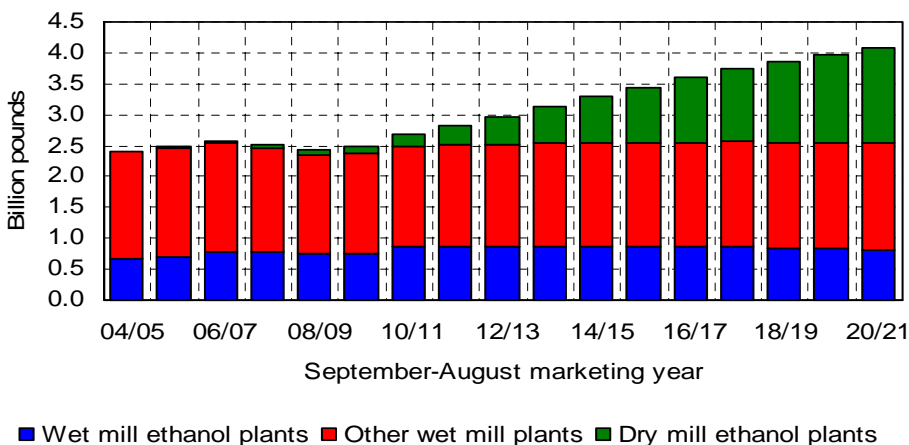


## Corn oil production from dry mill plants increases

- Corn oil production from wet mill plants has not grown in recent years. Wet mill plants produce ethanol, HFCS, and other products.

- The baseline projects an increase in the share of dry mill ethanol plants that remove oil from distillers grains.

- The oil removed in dry mill plants is used in biodiesel production.

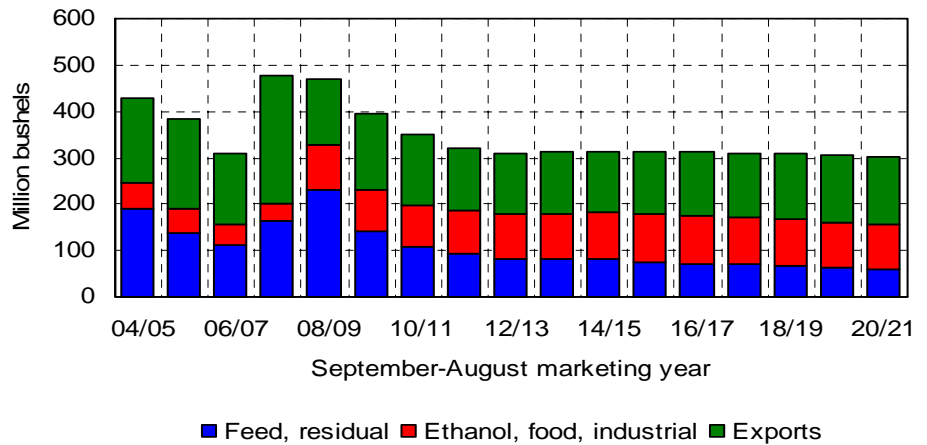


## Corn product supply and use

Marketing year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>High-fructose corn syrup</b>											
	(Thousand tons, Oct-Sep. year)										
Production	9,038	9,224	9,260	9,415	9,502	9,567	9,618	9,673	9,724	9,776	9,827
Domestic use	7,707	7,692	7,539	7,560	7,572	7,590	7,593	7,598	7,602	7,607	7,610
Net exports	1,330	1,531	1,721	1,855	1,931	1,977	2,025	2,075	2,122	2,169	2,217
	(Cents per pound, Oct-Sep. year)										
Price, 42% Midwest	25.27	24.91	24.18	24.78	25.13	25.17	25.06	24.94	24.74	24.71	24.58
HFCS price/ref. sugar price	45%	48%	54%	55%	55%	55%	55%	56%	56%	56%	57%
<b>Distillers, brewers grains</b>											
	(Thousand tons, Sep-Aug. year)										
Production (dry equiv.)	38,168	35,721	37,098	38,784	40,013	41,104	41,879	42,422	42,291	42,329	42,428
Domestic use	28,127	24,836	25,668	26,921	27,778	28,650	29,129	29,344	29,033	28,704	28,565
Net exports	10,041	10,885	11,430	11,863	12,236	12,454	12,750	13,077	13,258	13,625	13,863
	(Dollars per ton, Sep-Aug. year)										
Price, Lawrenceburg, IN	162.00	159.49	148.77	148.46	149.65	150.21	152.23	154.09	155.24	156.24	155.76
DDGS price/corn price	85%	89%	89%	89%	89%	89%	90%	90%	92%	92%	93%
<b>Corn gluten feed</b>											
	(Thousand tons, Sep-Aug. year)										
Production	8,955	9,054	9,079	9,159	9,192	9,242	9,251	9,262	9,227	9,202	9,162
Domestic use	7,979	8,106	8,138	8,237	8,301	8,376	8,417	8,459	8,454	8,461	8,449
Net exports	976	948	941	922	891	866	834	804	772	741	713
	(Dollars per ton, Sep-Aug. year)										
Price, 21%, IL points	103.24	98.96	91.49	90.90	91.37	91.38	92.26	93.12	93.31	93.53	92.83
CGF price/corn price	54%	55%	55%	55%	54%	54%	54%	55%	55%	55%	56%
<b>Corn gluten meal</b>											
	(Thousand tons, Sep-Aug. year)										
Production	2,357	2,383	2,389	2,410	2,419	2,432	2,434	2,437	2,428	2,421	2,411
Domestic use	1,537	1,550	1,537	1,548	1,544	1,546	1,539	1,532	1,513	1,496	1,476
Net exports	819	832	852	862	875	886	896	906	915	925	935
	(Dollars per ton, Sep-Aug. year)										
Price, 60%, IL points	523.62	513.29	481.40	485.69	480.64	482.38	486.27	489.83	495.12	496.51	497.50
CGM price/soymeal price	155%	156%	159%	158%	159%	159%	158%	158%	158%	157%	158%
<b>Corn oil</b>											
	(Million pounds, Oct-Sep. year)										
Production	2,689	2,816	2,967	3,141	3,294	3,452	3,596	3,738	3,848	3,965	4,075
Domestic use	2,035	2,147	2,267	2,437	2,586	2,748	2,892	3,033	3,144	3,258	3,367
Biodiesel	214	313	458	609	753	897	1,039	1,178	1,298	1,421	1,543
Net exports	693	678	685	690	695	696	697	697	698	699	701
Ending stocks	161	153	168	181	193	201	209	216	222	229	236
	(Cents per pound, Oct-Sep. year)										
Chicago price	53.09	57.50	55.41	54.37	53.40	53.69	53.96	54.25	54.36	54.38	54.13
Corn oil price/soy oil price	105%	105%	105%	105%	105%	105%	105%	105%	105%	105%	105%

# Sorghum and barley

Sorghum for ethanol increases, feed use declines

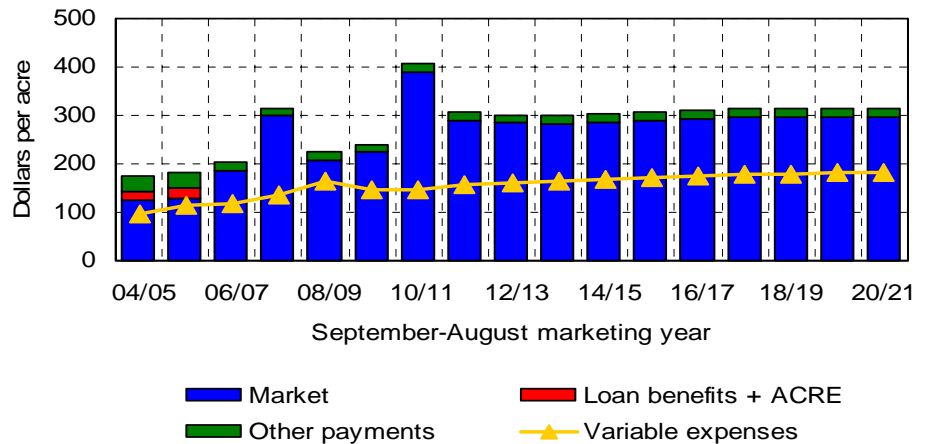


- Food and industrial use of sorghum has increased because of expanded ethanol production.

- Reduced sorghum supplies have led to reduced use of sorghum in domestic feed rations. Sorghum exports now exceed domestic feed use.

- Sorghum prices generally move with corn prices, but the ratio of sorghum prices to corn prices can change from one year to the next depending on available supplies and other factors.

Sorghum net returns increase in 2010/11, then fall

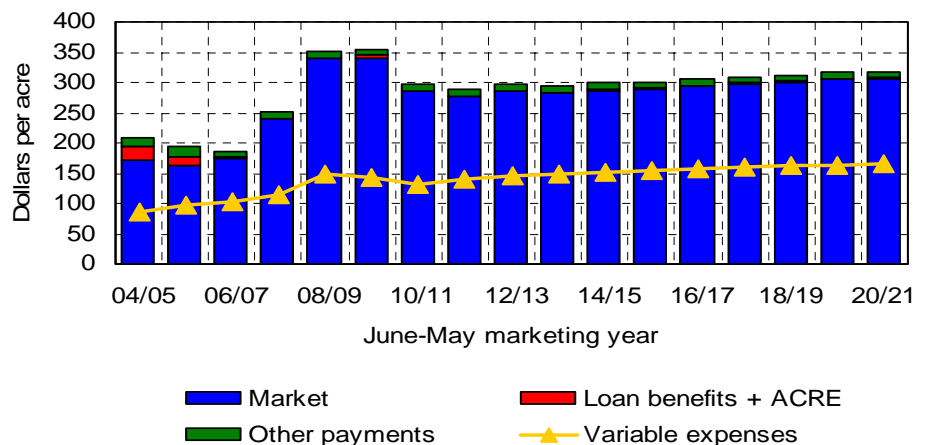


- The combination of slightly higher yields and sharply higher prices results in a large increase in sorghum net returns over variable expenses in 2010/11.

- In 2011/12, sorghum net returns will decline if yields return to trend and sorghum prices fall back as projected.

- Over the next ten years, projected sorghum net returns remain strong enough to slow the long-term decline in sorghum area.

Barley net returns decline in 2010/11



- After two years of exceptionally strong barley prices and net returns, barley prices have declined sharply in 2010/11.

- Projected average barley returns decline slightly in 2011/12 and then hold fairly steady. This helps hold barley acreage near the 2010 level over the baseline.

- Feed use accounts for less than 20 percent of projected domestic barley use beginning in 2011/12. Prices and returns can be very different for feed and malting barley.

## Sorghum supply and use

September-August year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Area</b>	(Million acres)										
Planted area	5.40	5.73	5.39	5.48	5.47	5.45	5.41	5.36	5.32	5.26	5.23
Harvested area	4.81	4.98	4.69	4.75	4.74	4.72	4.68	4.63	4.60	4.54	4.51
<b>Yield</b>	(Bushels per harvested acre)										
	71.8	65.4	65.7	65.9	66.1	66.4	66.7	66.9	67.0	67.2	67.4
<b>Supply and use</b>	(Million bushels)										
Production	345	326	309	314	315	315	313	311	309	306	305
Imports	0	0	0	0	0	0	0	0	0	0	0
Domestic use	200	188	179	180	183	181	177	173	167	162	157
Exports	150	132	131	132	131	133	137	138	142	144	147
Ending stocks	37	43	42	44	45	46	45	45	46	46	47
<b>Prices, returns and payments</b>	(Dollars)										
Farm price/bu.	5.43	4.48	4.37	4.33	4.36	4.39	4.43	4.47	4.46	4.46	4.43
Gross market revenue/a.	389.86	290.32	284.85	283.46	285.77	289.14	292.99	296.81	295.97	297.47	296.79
Variable expenses/a.	146.38	155.42	160.41	164.49	166.97	170.39	174.05	176.80	179.64	181.01	181.93
Market net return/a.	243.48	134.90	124.44	118.98	118.80	118.76	118.95	120.01	116.33	116.46	114.86
Marketing loan benefits/a.*	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.01	0.00
ACRE payment/a.*	0.04	0.08	0.21	0.36	0.46	0.42	0.38	0.34	0.36	0.36	0.39
CCP payment/base a.*	0.00	0.00	0.00	0.00	0.00	0.03	0.01	0.01	0.00	0.02	0.00
Direct payment/base a.*	16.22	16.19	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50

## Barley supply and use

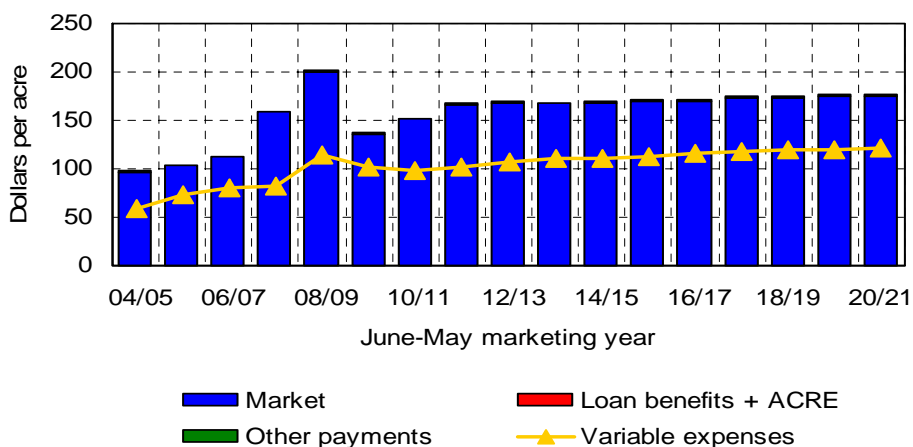
June-May year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Area</b>	(Million acres)										
Planted area	2.87	2.90	2.99	3.05	3.01	2.98	2.94	2.90	2.86	2.83	2.81
Harvested area	2.47	2.52	2.59	2.65	2.62	2.59	2.55	2.52	2.48	2.45	2.43
<b>Yield</b>	(Bushels per harvested acre)										
	73.1	67.1	68.0	68.7	69.3	69.9	70.6	71.3	71.9	72.4	72.9
<b>Supply and use</b>	(Million bushels)										
Production	180	169	177	182	182	181	180	179	179	177	178
Imports	10	19	24	23	23	23	24	24	24	25	25
Domestic use	206	196	193	196	196	196	196	195	195	194	195
Exports	10	9	8	8	8	8	8	8	8	7	7
Ending stocks	90	74	74	76	77	77	77	77	78	78	79
<b>Prices, returns and payments</b>	(Dollars)										
All barley farm price/bu.	3.90	4.14	4.20	4.13	4.15	4.14	4.17	4.19	4.20	4.23	4.21
Feed barley price/bu.	3.08	3.28	3.16	3.11	3.14	3.14	3.17	3.19	3.18	3.18	3.15
Gross market revenue/a.	285.46	276.89	284.73	282.28	286.34	288.31	293.32	297.89	300.63	304.73	306.05
Variable expenses/a.	132.16	138.86	144.84	149.08	151.42	154.33	157.33	159.89	162.52	164.00	165.39
Market net return/a.	153.29	138.03	139.89	133.19	134.91	133.98	135.99	138.00	138.11	140.73	140.66
Marketing loan benefits/a.*	0.00	0.15	0.60	0.62	1.20	1.15	0.71	0.70	0.64	1.11	0.83
ACRE payment/a.*	1.37	1.05	0.97	1.27	1.42	1.14	0.99	0.85	0.96	0.89	0.92
CCP payment/base a.*	0.00	0.32	0.87	0.97	1.24	1.11	0.92	0.90	0.87	1.15	0.98
Direct payment/base a.*	9.19	9.18	9.35	9.35	9.35	9.35	9.35	9.35	9.35	9.35	9.35

\*Figures reported are averages across ACRE participants and nonparticipants. All table figures are averages across 500 outcomes.

# Oats and hay

## Oat prices and returns recover, but stay below peak

- After declining sharply from the 2008/09 peak, projected oat prices and returns increase in 2010/11 and 2011/12.
- Imports account for more than half of domestic oat supplies after 2010/11.
- Projected oat acreage declines in 2011/12 because of strong competition from other crops. Far less oats is planted and harvested today than 20 years ago.

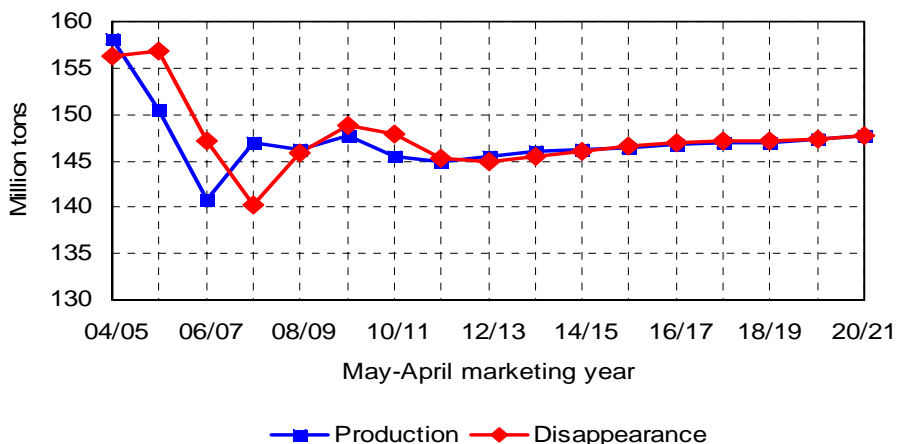


## Hay production declines in 2010 and 2011

- Lower yields reduced hay production in 2010, and a projected decline in acreage results in another slight reduction in hay production in 2011.

- Hay use also declines in 2010/11, but use exceeds production, resulting in a drawdown in hay stocks.

- Average projected hay production and disappearance are almost the same after 2011/12. Deviations from average weather and other factors will result in variability not reflected in these average projections.

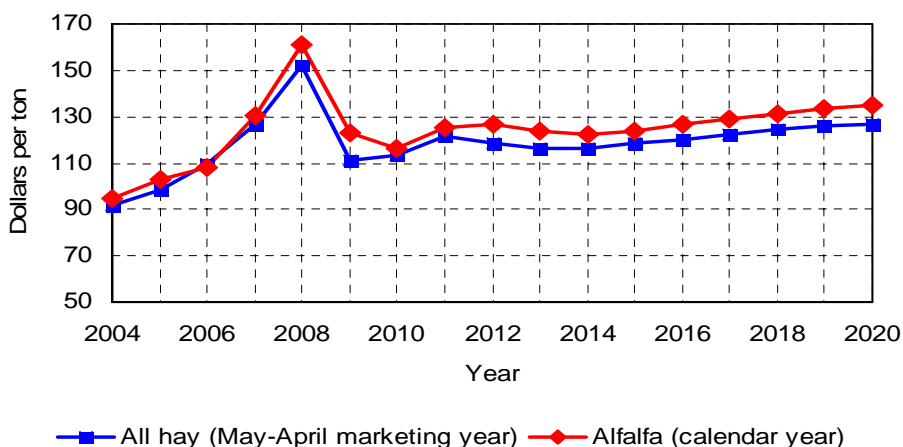


## Hay prices remain below 2008/09 record

- Hay prices have retreated from the 2008/09 peak, but some recovery is expected in 2011/12 in response to tighter supplies.

- Projected reductions in cattle numbers between now and 2013 limit upward pressure on hay prices.

- Hay markets are more fragmented than markets for most other agricultural commodities, so trends in national average prices may not reflect local conditions.



## Oats supply and use

June-May year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Area</b>	(Million acres)										
Planted area	3.14	2.87	3.08	3.18	3.17	3.14	3.11	3.07	3.05	3.02	3.00
Harvested area	1.26	1.17	1.26	1.31	1.30	1.29	1.28	1.27	1.26	1.25	1.24
<b>Yield</b>	(Bushels per harvested acre)										
	64.3	63.9	64.2	64.7	65.1	65.6	66.3	66.7	67.3	67.8	68.4
<b>Supply and use</b>	(Million bushels)										
Production	81	75	81	85	85	85	85	85	85	85	85
Imports	80	100	99	98	98	97	97	97	97	97	97
Domestic use	190	178	176	178	178	178	178	178	178	178	178
Exports	3	3	3	3	3	3	3	3	3	3	3
Ending stocks	48	41	42	43	45	46	46	47	48	49	50
<b>Prices, returns and payments</b>	(Dollars)										
Farm price/bu.	2.35	2.61	2.63	2.59	2.60	2.59	2.58	2.61	2.59	2.59	2.57
Gross market revenue/a.	151.27	166.25	168.13	167.21	168.59	169.17	170.43	173.50	173.29	175.02	175.63
Variable expenses/a.	97.59	102.50	106.85	109.85	111.35	113.29	115.33	117.05	118.86	119.75	120.69
Market net return/a.	53.68	63.75	61.28	57.36	57.24	55.88	55.11	56.45	54.43	55.27	54.94
Marketing loan benefits/a.*	0.00	0.01	0.13	0.09	0.13	0.15	0.21	0.15	0.21	0.17	0.15
ACRE payment/a.*	0.09	0.07	0.10	0.13	0.13	0.13	0.13	0.13	0.12	0.13	0.13
CCP payment/base a.*	0.00	0.05	0.29	0.31	0.39	0.39	0.47	0.39	0.36	0.34	0.35
Direct payment/base a.*	0.95	0.95	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97

\*Figures reported are averages across ACRE participants and nonparticipants. All table figures are averages across 500 outcomes.

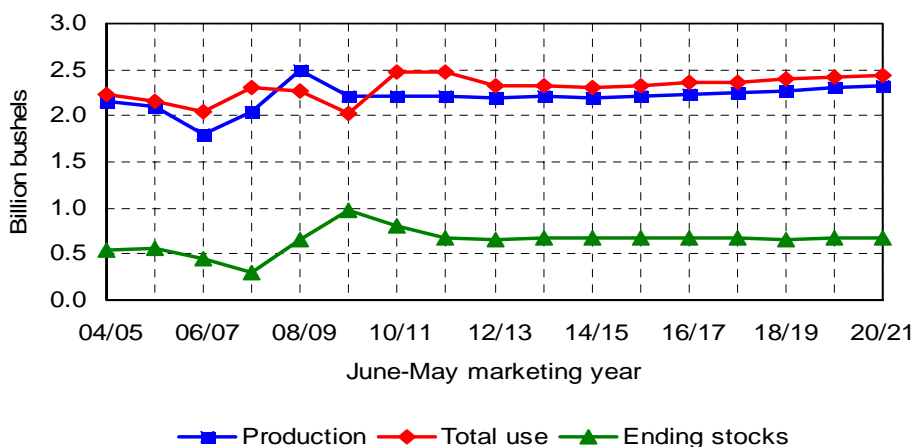
## Hay supply and use

May-April year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Harvested area</b>	(Million acres)										
	59.9	58.7	58.8	58.9	58.9	58.9	58.8	58.8	58.7	58.7	58.7
<b>Yield</b>	(Tons per acre)										
	2.43	2.47	2.48	2.48	2.48	2.49	2.49	2.50	2.50	2.51	2.52
<b>Supply and use</b>	(Million tons)										
Production	145.6	144.9	145.5	146.1	146.3	146.5	146.7	146.9	147.0	147.3	147.7
Disappearance	147.8	145.4	145.0	145.5	146.1	146.6	146.9	147.1	147.2	147.3	147.6
Ending stocks	18.7	18.2	18.7	19.3	19.6	19.5	19.4	19.2	19.0	19.0	19.1
<b>Prices</b>	(Dollars per ton)										
All hay (crop year)	113.64	121.48	118.62	116.41	116.46	118.52	120.30	122.59	124.55	126.36	126.51
Alfalfa (calendar year)	116.00	124.93	126.66	123.66	122.63	124.15	126.44	128.97	131.51	133.77	134.76

# Wheat

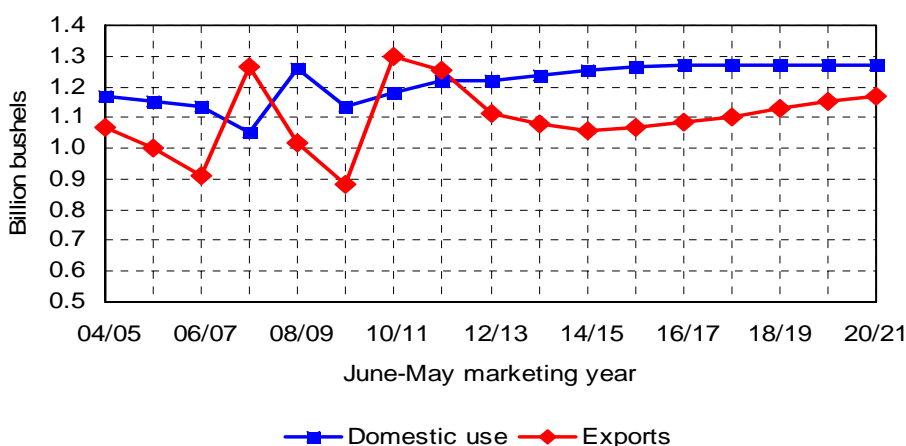
## Strong demand draws down wheat stocks

- After two years when US wheat production exceeded use, stronger export demand results in lower US wheat stocks in 2010/11 and 2011/12.
- Projected wheat production in 2011 is only slightly greater than in 2010. Area increases, but yields decline from the 2010 record.
- In spite of the projected decline, wheat stocks remain above the levels that prevailed between 2004/05 and 2007/08.



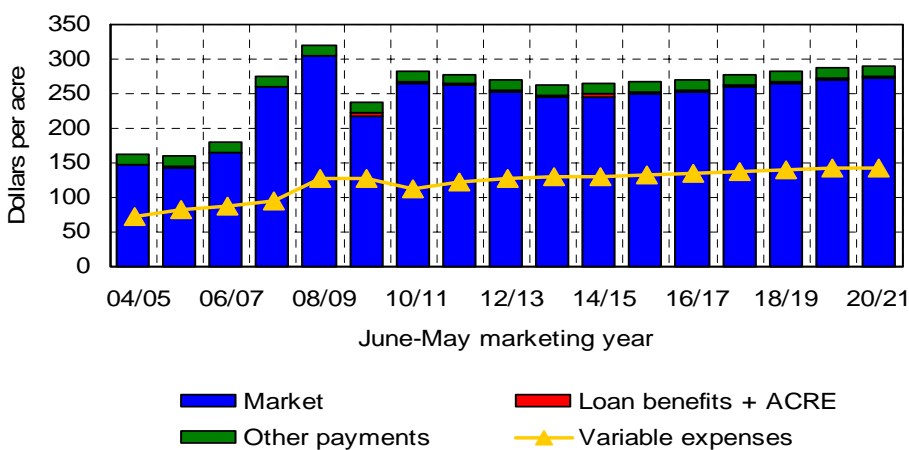
## Wheat exports jump in 2010/11

- Poor wheat crops in Russia and Ukraine contributed to a sharp increase in US wheat exports in 2010/11.
- Foreign wheat supplies are expected to remain tight in 2011/12 allowing for a second straight year of strong US wheat exports.
- US wheat exports could dip in 2012/13 if two years of high wheat prices result in a replenishment of world wheat supplies.
- Only modest growth is projected in domestic wheat consumption.



## Wheat net returns rebound in 2010/11, stay strong

- After peaking in 2008/09, season-average wheat prices and net returns declined sharply in 2009/10.
- Higher prices and record yields cause wheat net returns to rebound in 2010/11.
- Projected net returns to wheat producers remain strong enough to maintain wheat acreage above the 2010 level.
- USDA projections released after this baseline was completed suggest even higher US wheat prices in 2011/12.





## Wheat supply and use

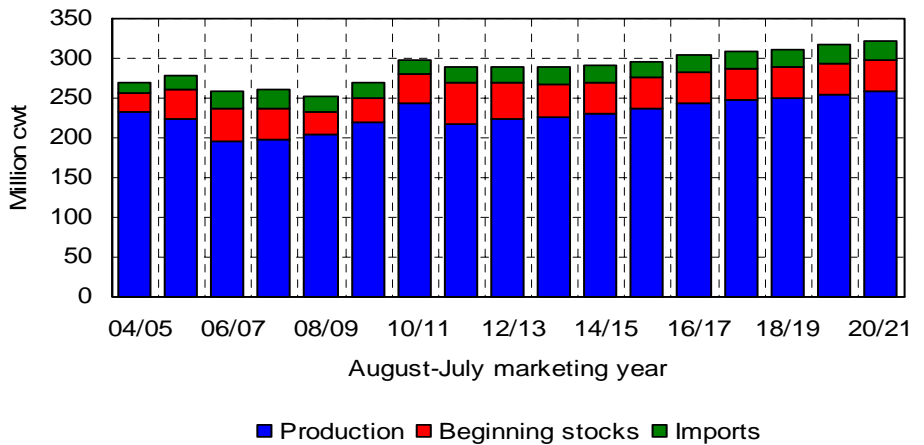
June-May year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Area</b>	(Million acres)										
Planted area	53.6	56.9	56.1	56.0	55.2	55.2	55.1	55.1	55.3	55.5	55.6
Harvested area	47.6	49.6	48.8	48.7	48.0	48.0	48.0	47.9	48.1	48.4	48.4
<b>Yield</b>	(Bushels per harvested acre)										
	46.4	44.7	45.1	45.5	45.8	46.2	46.6	47.0	47.2	47.6	48.0
<b>Supply</b>	(Million bushels)										
Beginning stocks	3,294	3,151	2,995	2,991	2,986	3,005	3,026	3,039	3,062	3,086	3,113
Production	976	815	679	661	672	674	675	671	669	665	666
Imports	2,208	2,220	2,202	2,218	2,202	2,218	2,238	2,254	2,277	2,304	2,329
	110	116	114	112	112	112	113	114	116	117	117
<b>Domestic use</b>	1,179	1,218	1,218	1,238	1,254	1,262	1,268	1,269	1,268	1,269	1,273
Feed and residual	171	200	188	197	203	202	199	192	182	174	168
Seed	76	75	75	75	75	75	75	76	76	77	77
Food and other	932	942	955	967	976	985	993	1,002	1,010	1,019	1,028
<b>Exports</b>	1,300	1,254	1,115	1,081	1,057	1,068	1,087	1,101	1,128	1,151	1,168
<b>Total use</b>	2,479	2,472	2,334	2,319	2,312	2,330	2,355	2,370	2,396	2,420	2,441
<b>Ending stocks</b>	815	679	661	672	674	675	671	669	665	666	672
CCC inventory	0	0	0	0	0	0	0	0	0	0	0
Under loan	18	20	23	25	26	26	25	24	24	24	24
Other stocks	797	659	639	647	648	649	646	644	641	642	648
<b>Prices, program provisions</b>	(Dollars per bushel)										
Farm price	5.70	5.91	5.62	5.40	5.39	5.41	5.46	5.57	5.65	5.69	5.70
Loan rate	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94
Target price	4.17	4.17	4.17	4.17	4.17	4.17	4.17	4.17	4.17	4.17	4.17
Direct payment rate	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52
<b>Base area</b>	(Million acres)										
	72.2	72.2	72.2	72.2	72.2	72.2	72.2	72.2	72.3	72.3	72.3
<b>Direct payment yield</b>	(Bushels per acre)										
	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4
<b>CCP yield</b>	(Percent)										
	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
<b>ACRE participation rate</b>	(Percent)										
	13.3	14.0	14.7	14.7	14.7	14.7	14.7	14.7	14.7	14.7	14.7
<b>Returns and payments</b>	(Dollars)										
Gross market revenue/a.	264.14	263.16	252.56	244.51	246.03	248.78	253.28	260.64	265.76	269.30	272.46
Variable expenses/a.	113.35	121.96	126.56	129.52	131.12	133.27	135.73	137.92	140.17	141.35	142.24
Market net return/a.	150.79	141.20	125.99	114.99	114.92	115.51	117.54	122.72	125.59	127.95	130.23
Marketing loan benefits/a.*	1.89	0.01	0.14	0.24	0.33	0.40	0.24	0.21	0.27	0.34	0.20
ACRE payment/a.*	0.89	0.81	1.88	2.68	2.69	2.39	2.26	1.99	1.96	2.05	2.09
CCP payment/base a.*	0.00	0.06	0.26	0.41	0.59	0.61	0.47	0.42	0.30	0.52	0.33
Direct payment/base a.*	14.50	14.48	14.76	14.76	14.76	14.76	14.76	14.76	14.76	14.76	14.76

\*Figures reported are averages across ACRE participants and nonparticipants. All table figures are averages across 500 outcomes.

# Rice

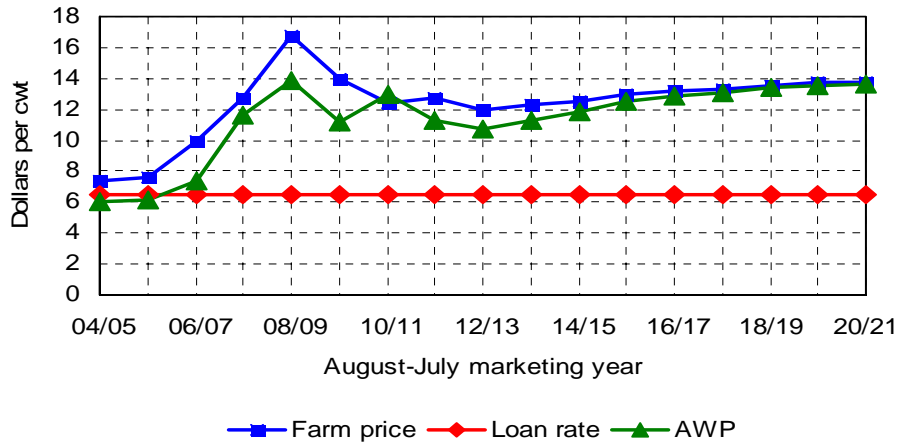
## Large 2010 crop results in record rice supplies

- The US harvested a record rice crop in 2010 as a large increase in area more than offset the impact of below-trend yields.
- Quality problems with the 2010 crop also make it more difficult to market the large supplies.
- Large projected carry-in stocks and an assumed return to normal yields mean that total projected rice supplies only drop slightly in 2011/12, in spite of a sharp reduction in rice area.



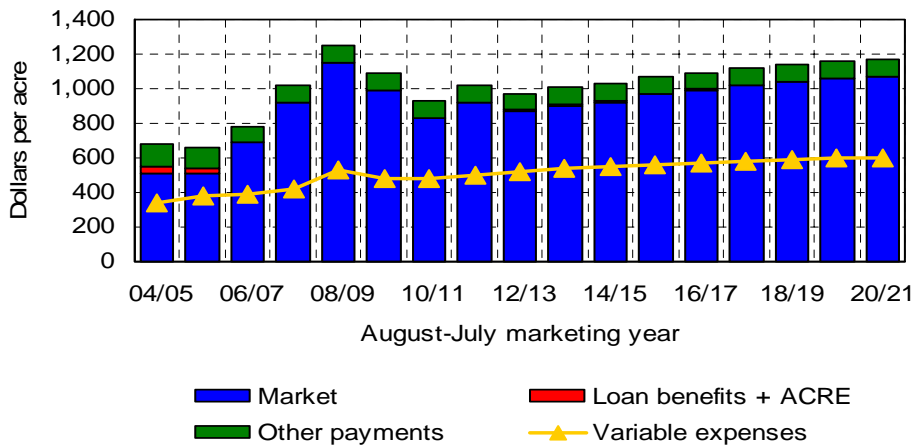
## US rice prices fall again in 2010/11

- Large US supplies and quality concerns put downward pressure on 2010/11 US rice prices, in spite of some recovery in world rice markets.
- Projected US rice prices rise slightly in 2011/12 with reduced US supplies.
- All-rice farm prices drop to around \$12 per hundredweight in 2012/13, and then slowly increase in later years in line with projected changes in world market prices.
- Short and medium grain rice continues to sell at a strong premium to long grain rice.



## Rice returns fall with lower prices

- Lower projected rice prices sharply reduce net returns to rice producers in 2009/10 and 2010/11.
- Market net returns increase slowly after 2012/13, contributing to a modest increase in rice acreage.
- Projected prices are high enough that marketing loan benefits and countercyclical payments only occur when prices are far below the reported averages.



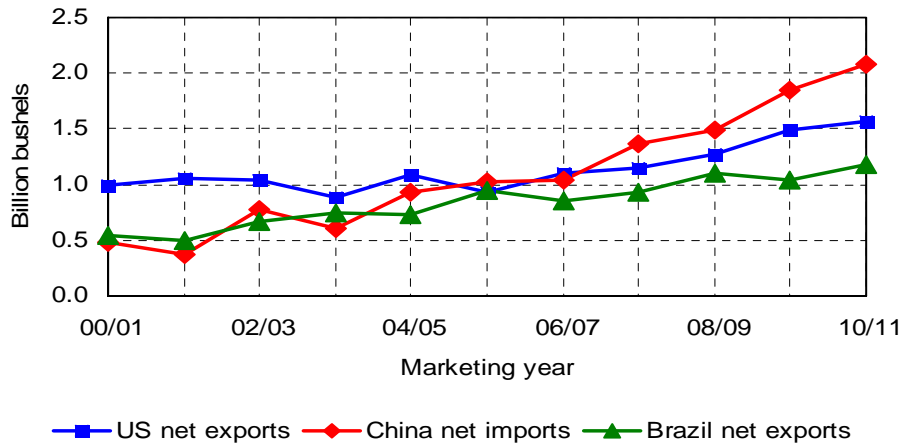
## Rice supply and use

August-July year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Area</b>	(Million acres)										
Planted area	3.64	3.05	3.10	3.09	3.14	3.19	3.26	3.27	3.27	3.30	3.33
Harvested area	3.62	3.03	3.08	3.07	3.12	3.17	3.23	3.24	3.24	3.27	3.30
<b>Yield</b>	(Pounds per harvested acre)										
	6,725	7,206	7,271	7,341	7,397	7,472	7,545	7,619	7,683	7,741	7,810
<b>Supply</b>	(Million hundredweight)										
Beginning stocks	297.9	289.5	289.6	288.3	291.1	296.5	304.0	308.6	311.9	316.9	322.8
Production	36.7	51.6	45.5	42.4	39.7	38.3	38.2	39.0	39.5	39.8	40.6
Imports	243.1	218.3	224.1	225.4	230.5	236.9	243.9	247.2	249.4	253.6	258.1
<b>Domestic use</b>	18.1	19.6	20.0	20.5	20.9	21.3	21.9	22.4	22.9	23.5	24.2
<b>Exports</b>	129.4	125.7	128.5	130.0	131.6	132.9	134.5	136.2	137.8	139.6	141.7
<b>Total use</b>	117.0	118.4	118.6	118.6	121.2	125.4	130.5	132.9	134.3	136.7	139.6
<b>Ending stocks</b>	246.3	244.0	247.2	248.7	252.8	258.3	265.0	269.1	272.1	276.4	281.3
CCC inventory	51.6	45.5	42.4	39.7	38.3	38.2	39.0	39.5	39.8	40.6	41.5
Other stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Prices, program provisions</b>	(Dollars per hundredweight)										
Farm price	12.41	12.72	11.98	12.29	12.50	12.98	13.19	13.36	13.57	13.71	13.74
Adjusted world price	12.95	11.33	10.78	11.25	11.80	12.52	12.86	13.10	13.36	13.58	13.66
Loan rate	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Target price	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Direct payment rate	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35
<b>Base area</b>	(Million acres)										
	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27
<b>Direct payment yield</b>	(Pounds per acre)										
	4,818	4,818	4,818	4,818	4,818	4,818	4,818	4,818	4,818	4,818	4,818
<b>CCP yield</b>	(Percent)										
	5,131	5,131	5,131	5,131	5,131	5,131	5,131	5,131	5,131	5,131	5,131
<b>ACRE participation rate</b>	(Percent)										
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Returns and payments</b>	(Dollars)										
Gross market revenue/a.	834.41	916.55	869.97	901.99	923.76	968.29	993.50	1017.12	1041.65	1060.13	1071.58
Variable expenses/a.	480.22	504.91	523.27	539.25	548.08	560.43	573.53	583.41	593.58	599.04	602.64
Market net return/a.	354.19	411.65	346.71	362.74	375.68	407.86	419.97	433.71	448.07	461.08	468.94
Marketing loan benefits/a.*	0.00	3.60	5.55	4.81	3.80	2.23	1.64	1.06	1.24	0.70	0.09
ACRE payment/a.*	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CCP payment/base a.*	0.00	0.63	2.70	2.55	3.19	2.58	2.61	2.88	2.02	2.51	2.05
Direct payment/base a.*	94.32	94.32	96.24	96.24	96.24	96.24	96.24	96.24	96.24	96.24	96.24

\*Figures reported are averages across ACRE participants and nonparticipants. All table figures are averages across 500 outcomes.

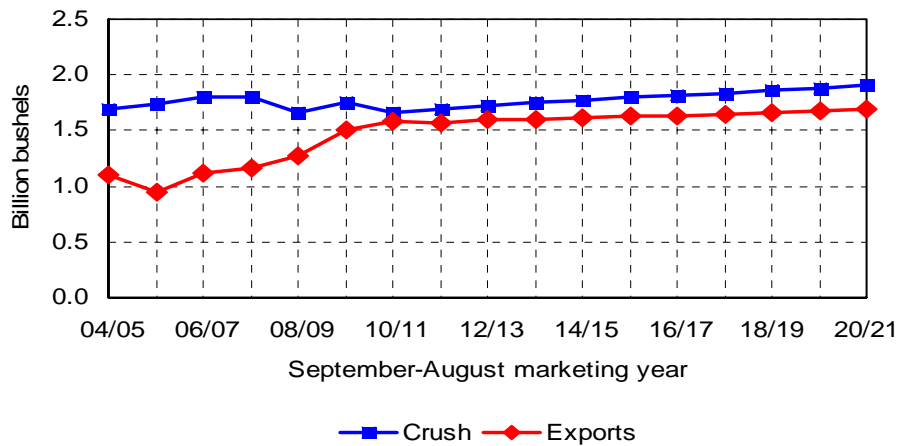
# Soybeans

Chinese imports drive world soybean markets



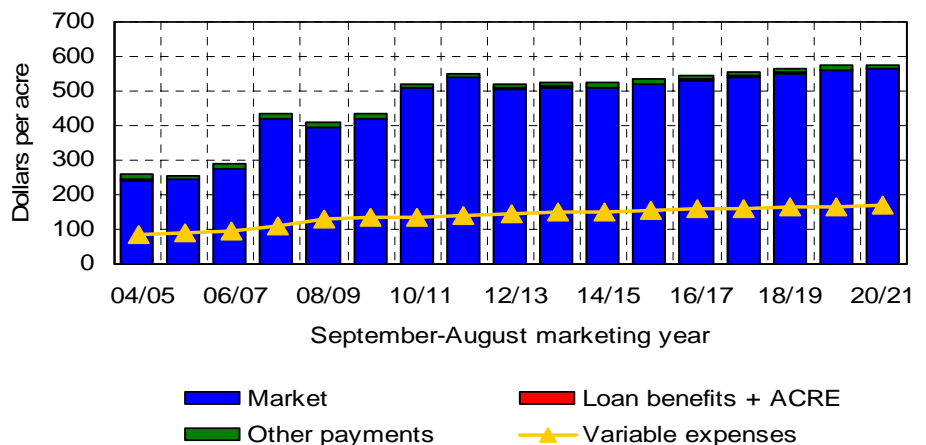
- Rapid growth in Chinese soybean imports has been a driving force in world soybean markets.
- Until 2005/06, Chinese soybean imports grew at about the same pace as Brazilian soybean exports. Since then, Chinese imports have grown much more rapidly.
- The result has been stronger export demand for US soybeans and higher world soybean prices.

Soybean exports and crush both grow



- The projected rate of growth in US soybean exports slows as foreign producers and consumers respond to continued high soybean prices.
- Competition from other crops also plays a role, limiting the growth in US soybean supplies.
- Domestic soybean crush increases with rising use of US soybean meal and soybean oil.

Soybean net returns reach record level



- Rising prices result in record soybean net returns over variable expenses in 2010/11, and returns could increase again in 2011/12.
- Soybean prices and returns remain high throughout the baseline.
- Soybean returns must remain strong for soybeans to maintain competitiveness with corn production.

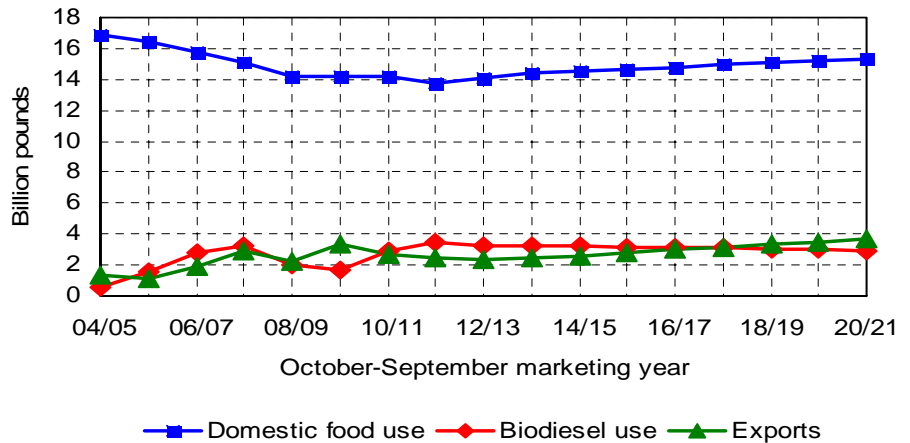
## Soybean supply and use

September-August year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Area</b>	(Million acres)										
Planted area	77.4	78.0	79.3	78.5	78.7	78.2	78.0	77.9	77.8	78.1	78.0
Harvested area	76.6	77.0	78.3	77.5	77.7	77.2	77.0	77.0	76.9	77.1	77.0
<b>Yield</b>	(Bushels per harvested acre)										
	43.5	43.5	44.1	44.6	45.1	45.7	46.3	46.8	47.2	47.8	48.3
<b>Supply</b>	(Million bushels)										
Beginning stocks	151	140	141	159	165	170	165	166	169	165	169
Production	3,329	3,350	3,453	3,461	3,510	3,527	3,562	3,605	3,633	3,683	3,718
Imports	15	15	15	15	15	15	15	15	15	15	15
<b>Domestic use</b>	1,766	1,797	1,847	1,871	1,901	1,920	1,942	1,966	1,990	2,018	2,043
Crush	1,655	1,688	1,728	1,750	1,777	1,795	1,816	1,839	1,861	1,887	1,910
Seed and residual	111	109	118	121	124	125	126	127	130	131	134
<b>Exports</b>	1,590	1,566	1,603	1,599	1,619	1,627	1,635	1,651	1,660	1,677	1,690
<b>Total use</b>	3,356	3,363	3,449	3,470	3,520	3,547	3,576	3,617	3,651	3,695	3,733
<b>Ending stocks</b>	140	141	159	165	170	165	166	169	165	169	168
CCC inventory	0	0	0	0	0	0	0	0	0	0	0
Under loan	4	5	8	9	10	9	9	10	10	11	10
Other stocks	136	136	151	157	160	156	156	158	155	158	158
<b>Prices, program provisions</b>	(Dollars per bushel)										
Farm price	11.70	12.53	11.57	11.57	11.35	11.43	11.54	11.65	11.75	11.75	11.73
Illinois processor price	12.71	12.83	11.90	11.90	11.68	11.76	11.87	11.97	12.07	12.08	12.06
Loan rate	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Target price	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Direct payment rate	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
<b>Base area</b>	(Million acres)										
	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
<b>Direct payment yield</b>	(Bushels per acre)										
	30.9	30.9	30.9	30.9	30.9	30.9	30.9	30.9	30.9	30.9	30.9
<b>CCP yield</b>	(Percent)										
	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2
<b>ACRE participation rate</b>	(Percent)										
	16.3	17.1	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9
<b>Returns and payments</b>	(Dollars)										
Gross market revenue/a.	508.42	540.82	505.70	512.48	508.14	518.70	529.96	540.77	551.68	557.86	562.54
Variable expenses/a.	135.43	138.84	144.79	149.92	151.93	155.17	158.46	161.33	164.17	166.08	167.68
Market net return/a.	372.99	401.98	360.90	362.56	356.21	363.53	371.51	379.44	387.50	391.78	394.86
Marketing loan benefits/a.*	0.00	0.00	0.00	0.11	0.10	0.15	0.10	0.11	0.14	0.13	0.11
ACRE payment/a.*	0.00	0.51	2.43	3.30	3.88	3.35	3.11	3.28	3.23	3.40	3.16
CCP payment/base a.*	0.00	0.00	0.00	0.09	0.07	0.11	0.08	0.10	0.08	0.07	0.06
Direct payment/base a.*	10.96	10.94	11.14	11.14	11.14	11.14	11.14	11.14	11.14	11.14	11.14
<b>Product prices, crush margin</b>	(Dollars)										
48% meal price/ton	338.31	329.84	303.11	306.81	302.56	304.04	307.19	310.08	314.28	315.25	315.85
Oil price/cwt.	50.37	54.81	52.65	51.67	50.71	51.04	51.32	51.62	51.70	51.70	51.41
Bioediesel rack/gallon	4.66	5.06	4.88	4.79	4.72	4.74	4.77	4.80	4.82	4.83	4.82
Crush margin/bu.	1.16	1.34	1.39	1.36	1.37	1.36	1.36	1.36	1.37	1.39	1.39

\*Figures reported are averages across ACRE participants and nonparticipants. All table figures are averages across 500 outcomes.

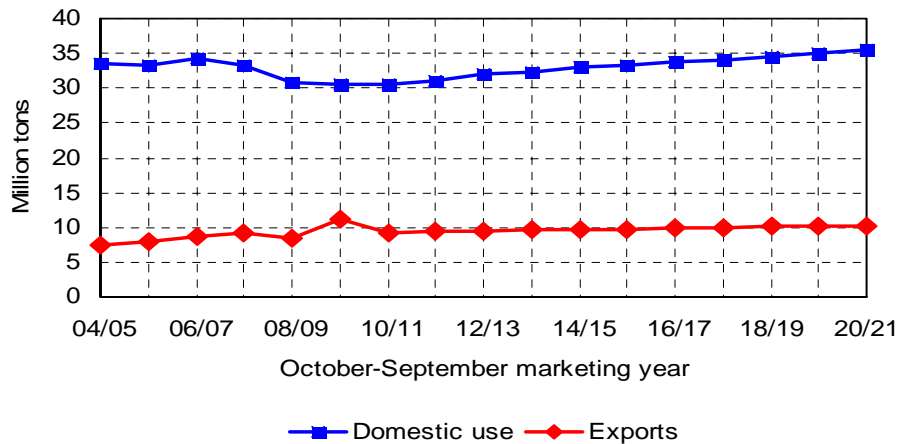
# Soybean products

Slide in domestic use of soybean oil ends in 2010/11



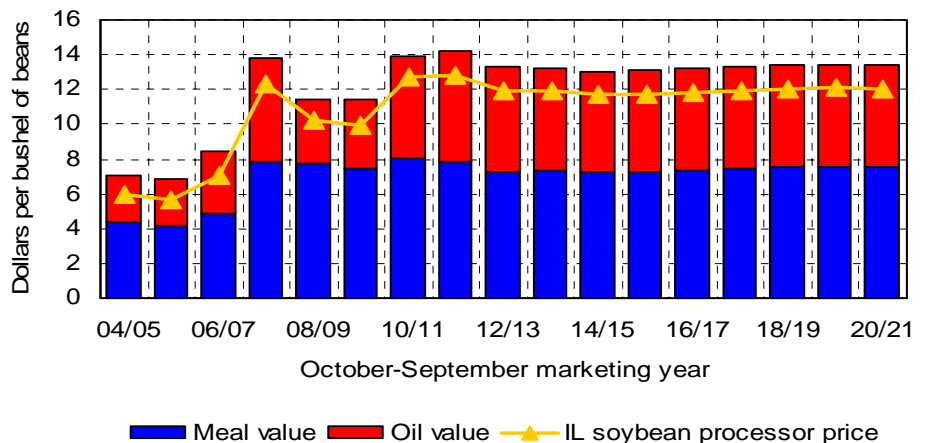
- After years of sharp decline, food use of soybean oil has leveled off. Projected food use increases with population growth.
- Biodiesel use of soybean oil was cut almost in half between 2007/08 and 2009/10.
- Biodiesel use expands in 2010/11 with rising use mandates and restoration of the biodiesel tax credit for 2011.
- Future growth in soybean oil biodiesel use also depends on growth in biodiesel production from other feedstocks.

Soybean meal use recovers from recent lows



- Reduced livestock and poultry production and competition from distillers grains have limited domestic use of soybean meal in recent years.
- Projected growth in soybean meal use results from resumed growth in poultry production, relatively stable meal prices and little or no growth in distillers grain use.
- Soybean meal exports increase only slowly because of continued competition from foreign suppliers.

Oil share of crush value increases again in 2010/11



- Soybean meal prices exceed \$300 per ton for the fourth straight year in 2010/11.
- Soybean oil prices rebound sharply in 2010/11 because of strong global demand for vegetable oil and higher domestic production of biodiesel.
- As a result, oil accounts for a larger share of the value of a bushel of soybeans in 2010/11 than in the previous two years.
- Average crushing margins remain fairly stable after 2011/12.

## Soybean oil supply and use

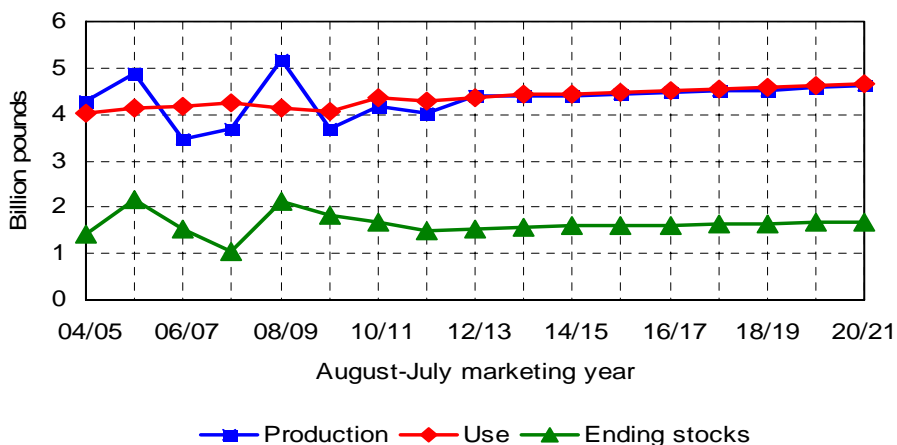
October-September year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
	(Million pounds)										
<b>Supply</b>	22,469	22,148	22,433	22,828	23,259	23,561	23,853	24,139	24,429	24,752	25,046
Beginning stocks	3,358	2,656	2,476	2,621	2,748	2,838	2,891	2,913	2,950	2,979	3,009
Production	18,996	19,377	19,843	20,093	20,396	20,608	20,847	21,111	21,364	21,659	21,922
Imports	115	115	115	115	115	115	115	115	115	115	115
<b>Domestic use</b>	17,112	17,200	17,410	17,587	17,802	17,839	17,943	18,026	18,070	18,228	18,255
Biodiesel	2,924	3,422	3,291	3,215	3,222	3,152	3,148	3,100	3,005	3,036	2,916
Food and other	14,189	13,777	14,119	14,372	14,581	14,687	14,795	14,927	15,064	15,193	15,339
<b>Exports</b>	2,700	2,472	2,402	2,493	2,619	2,831	2,996	3,162	3,380	3,515	3,734
<b>Total use</b>	19,812	19,672	19,812	20,080	20,421	20,670	20,939	21,189	21,450	21,743	21,989
<b>Ending stocks</b>	2,656	2,476	2,621	2,748	2,838	2,891	2,913	2,950	2,979	3,009	3,057
	(Cents per pound)										
<b>Price</b>											
Decatur	50.37	54.81	52.65	51.67	50.71	51.04	51.32	51.62	51.70	51.70	51.41

## Soybean meal supply and use

October-September year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
	(Thousand tons)										
<b>Supply</b>	39,991	40,784	41,762	42,300	42,934	43,380	43,879	44,428	44,956	45,569	46,118
Beginning stocks	302	302	311	329	331	336	338	338	339	339	340
Production	39,524	40,317	41,286	41,806	42,439	42,879	43,376	43,925	44,452	45,065	45,613
Imports	165	165	165	165	165	165	165	165	165	165	165
<b>Domestic use</b>	30,498	31,009	31,986	32,383	33,015	33,289	33,675	34,069	34,503	35,043	35,479
<b>Exports</b>	9,191	9,463	9,448	9,586	9,584	9,753	9,866	10,020	10,114	10,186	10,298
<b>Total use</b>	39,689	40,473	41,434	41,969	42,599	43,042	43,541	44,089	44,617	45,229	45,777
<b>Ending stocks</b>	302	311	329	331	336	338	338	339	339	340	341
	(Dollars per ton)										
<b>Price</b>											
Decatur, 48% protein	338.31	329.84	303.11	306.81	302.56	304.04	307.19	310.08	314.28	315.25	315.85

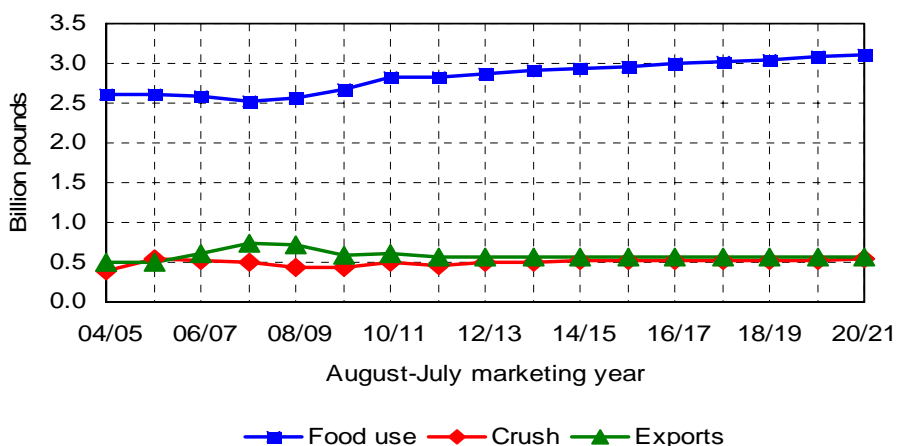
# Peanuts

## Peanut use outpaces production again



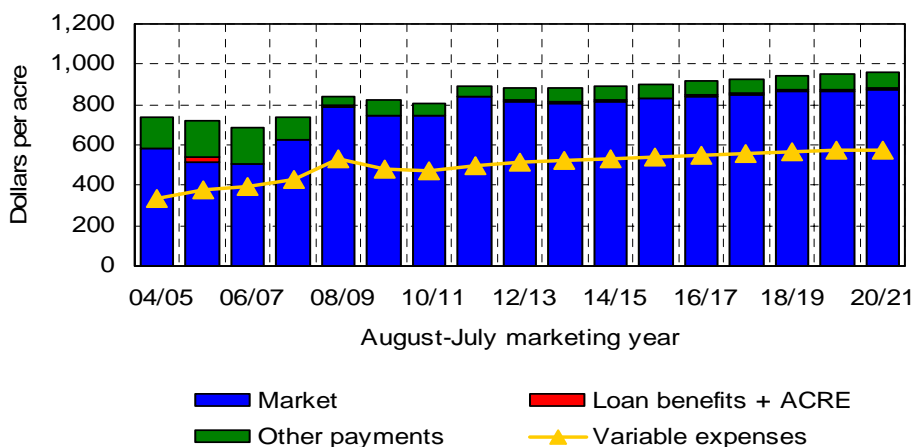
- For the second straight year, estimated peanut use exceeds production in 2010/11, resulting in a modest drawdown of stocks.
- If peanut production declines slightly in 2011 as projected, peanut stocks could be reduced for a third straight year.
- In later years, production and use are approximately in balance. In any given year, unanticipated market shocks could move supply or demand away from these average projections.

## Peanut food use slows after three years of fast growth



- Peanut food use has increased by more than 10 percent over the last three years.
- Population growth accounts for most of the projected growth in peanut food use over the baseline.
- Crush and other domestic uses are projected to remain near current levels.
- US peanut exports have declined from their peak in 2007/08.

## Market sales rise as share of peanut receipts



- Since 2007/08, peanut prices have been high enough that marketing loan benefits and countercyclical payments have been far less than in earlier years.
- Projected prices increase with lower stocks in 2011/12, and average 24 to 26 cents per pound over the baseline.
- Actual prices may sometimes dip low enough to trigger countercyclical payments and marketing loan benefits, but government payments will usually remain a small share of peanut producer income.



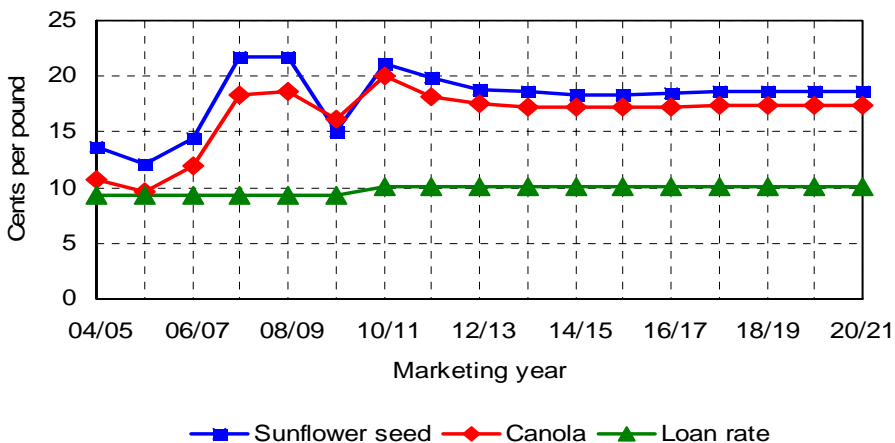
## Peanut supply and use

August-July year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Area</b>	(Million acres)										
Planted area	1.29	1.26	1.36	1.35	1.33	1.32	1.32	1.31	1.30	1.31	1.31
Harvested area	1.26	1.23	1.32	1.31	1.30	1.29	1.28	1.28	1.27	1.27	1.27
<b>Yield</b>	(Pounds per harvested acre)										
	3,311	3,271	3,313	3,355	3,395	3,436	3,481	3,524	3,569	3,615	3,657
<b>Supply</b>	(Million pounds)										
Beginning stocks	6,044	5,750	5,918	6,000	6,043	6,068	6,123	6,173	6,210	6,296	6,362
Production	1,829	1,680	1,479	1,542	1,576	1,591	1,595	1,610	1,627	1,635	1,667
Imports	4,156	4,010	4,379	4,397	4,406	4,417	4,467	4,503	4,524	4,601	4,636
	60	60	60	60	60	60	60	60	60	60	60
<b>Domestic use</b>	3,762	3,709	3,813	3,852	3,879	3,905	3,945	3,979	4,011	4,057	4,098
Food	2,829	2,820	2,878	2,909	2,932	2,956	2,989	3,016	3,046	3,079	3,111
Crush	500	467	506	510	512	512	516	521	521	531	536
Seed, feed, & residual	433	422	429	433	435	437	439	442	445	448	451
<b>Exports</b>	602	562	564	572	572	567	567	567	564	572	573
<b>Total use</b>	4,364	4,271	4,376	4,423	4,452	4,473	4,512	4,546	4,576	4,629	4,672
<b>Ending stocks</b>	1,680	1,479	1,542	1,576	1,591	1,595	1,610	1,627	1,635	1,667	1,691
<b>Prices, program provisions</b>	(Dollars per pound)										
Farm price	0.225	0.258	0.248	0.242	0.242	0.243	0.243	0.243	0.244	0.241	0.240
Loan rate	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178
Target price	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248
Direct payment rate	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018
<b>Base area</b>	(Million acres)										
	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44
<b>Program yield</b>	(Pounds per acre)										
	2,998	2,998	2,998	2,998	2,998	2,998	2,998	2,998	2,998	2,998	2,998
<b>ACRE participation rate</b>	(Percent)										
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Returns and payments</b>	(Dollars)										
Gross market revenue/a.	746.51	838.98	814.00	806.72	813.35	829.60	839.73	847.86	865.63	864.84	870.54
Variable expenses/a.	473.16	496.78	511.89	523.18	530.49	540.48	550.24	558.65	566.89	571.86	575.66
Market net return/a.	273.36	342.20	302.12	283.54	282.86	289.12	289.49	289.20	298.75	292.98	294.88
Marketing loan benefits/a.*	0.00	0.22	5.03	4.37	6.46	5.67	7.71	8.55	8.61	12.83	13.26
ACRE payment/a.*	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.01	0.01
CCP payment/base a.*	10.32	5.80	19.06	21.71	23.75	22.19	24.48	24.93	26.67	28.19	29.09
Direct payment/base a.*	44.95	44.95	45.87	45.87	45.87	45.87	45.87	45.87	45.87	45.87	45.87

\*Figures reported are averages across ACRE participants and nonparticipants. All table figures are averages across 500 outcomes.

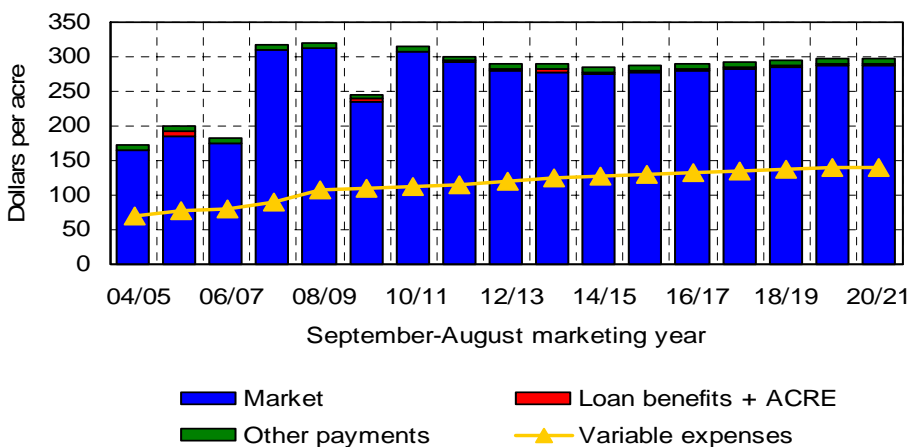
# Other oilseeds

Other oilseed prices rebound in 2010/11



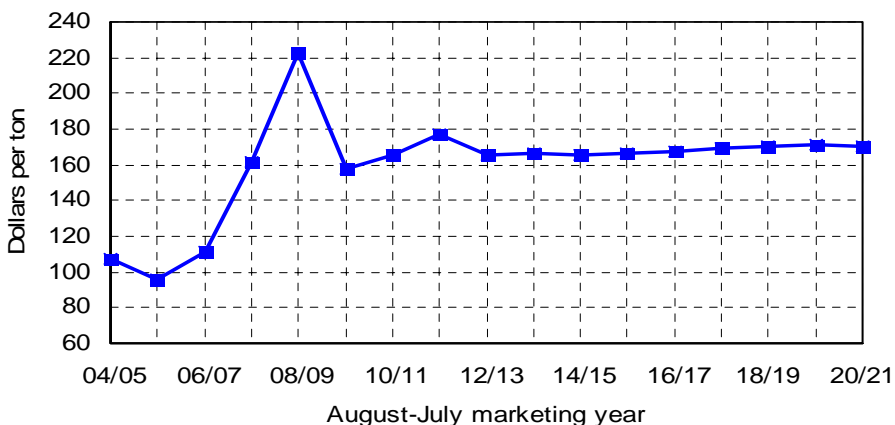
- After declining in 2009/10, prices for sunflower seed and canola have increased with other oilseed prices in 2010/11.
- Sunflower seed and canola prices are projected to moderate, but continued strong world vegetable oil prices keep sunflower seed and canola prices above pre-2007 levels.

Rising costs erode sunflower seed net returns



- The rebound in sunflower seed prices in 2010/11 results in higher net returns over variable production expenses.
- Trend rates of yield growth for sunflower seed are very low, and projected prices do not increase over time. Rising production costs contribute to a decline in net returns through 2014/15.
- ACRE program participation is higher for sunflower seed than for most other crops. ACRE payments can be large when national prices or state yields fall relative to recent averages.

Cottonseed prices stay far below peak levels



- Higher protein meal and vegetable oil prices put upward pressure on cottonseed prices in 2010/11.
- The sharp increase in cottonseed production in 2010/11 limits the increase in cottonseed prices.
- Projected cottonseed prices remain in a narrow range, but actual prices are likely to be volatile, responding to swings in production and in markets for vegetable oil and protein meals.

## Sunflower seed supply and use

September-August year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Area</b>	(Million acres)										
Planted area	1.95	2.07	1.99	1.97	1.96	1.93	1.90	1.88	1.85	1.84	1.82
Harvested area	1.87	1.99	1.91	1.89	1.88	1.85	1.82	1.80	1.78	1.76	1.75
<b>Yield</b>	(Pounds per harvested acre)										
	1,460	1,490	1,497	1,505	1,514	1,520	1,527	1,535	1,537	1,543	1,552
<b>Supply and use</b>	(Million pounds)										
Production	2,736	2,969	2,864	2,855	2,854	2,816	2,788	2,777	2,736	2,720	2,715
Imports	161	161	161	161	161	161	161	161	161	161	161
Domestic use	2,599	2,639	2,586	2,561	2,549	2,517	2,497	2,494	2,471	2,470	2,472
Exports	444	424	429	444	458	459	454	445	429	413	404
Ending stocks	244	312	323	334	342	343	341	340	337	336	337
<b>Prices, returns and payments</b>	(Dollars)										
Farm price/lb.	0.211	0.198	0.189	0.186	0.183	0.184	0.185	0.186	0.187	0.187	0.186
Gross market revenue/a.	307.85	293.50	280.45	278.33	274.69	277.20	280.56	283.63	286.06	287.16	287.75
Variable expenses/a.	113.25	116.10	121.08	125.36	127.05	129.76	132.50	134.90	137.28	138.88	140.21
Market net return/a.	194.60	177.40	159.38	152.97	147.65	147.44	148.05	148.73	148.77	148.28	147.54
Marketing loan benefits/a.*	0.00	0.03	0.20	0.23	0.24	0.18	0.18	0.21	0.07	0.22	0.15
ACRE payment/a.*	0.27	0.84	2.54	3.17	3.32	2.78	2.73	2.26	2.40	2.55	2.58
CCP payment/base a.*	0.00	0.03	0.13	0.18	0.16	0.14	0.16	0.14	0.07	0.13	0.14
Direct payment/base a.*	6.84	6.81	6.92	6.92	6.92	6.92	6.92	6.92	6.92	6.92	6.92

\*Figures reported are averages across ACRE participants and nonparticipants. All table figures are averages across 500 outcomes.

## Other oilseeds

Marketing Year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Production</b>	(Thousand tons, Aug.-Jul. year)										
Cottonseed	6,191	6,680	6,507	6,148	6,050	5,970	6,000	6,028	6,008	6,001	6,014
	(Million pounds, Jul.-Jun. year)										
Canola	2,451	2,222	1,991	1,947	1,929	1,898	1,881	1,865	1,848	1,834	1,831
<b>Prices</b>	(Dollars per ton, Aug.-Jul. year)										
Cottonseed	165.85	176.61	165.18	166.85	165.10	166.68	167.88	169.02	170.62	170.95	170.43
	(Cents per pound, Jul.-Jun. year)										
Canola	20.04	18.14	17.49	17.22	17.17	17.22	17.28	17.34	17.42	17.44	17.44

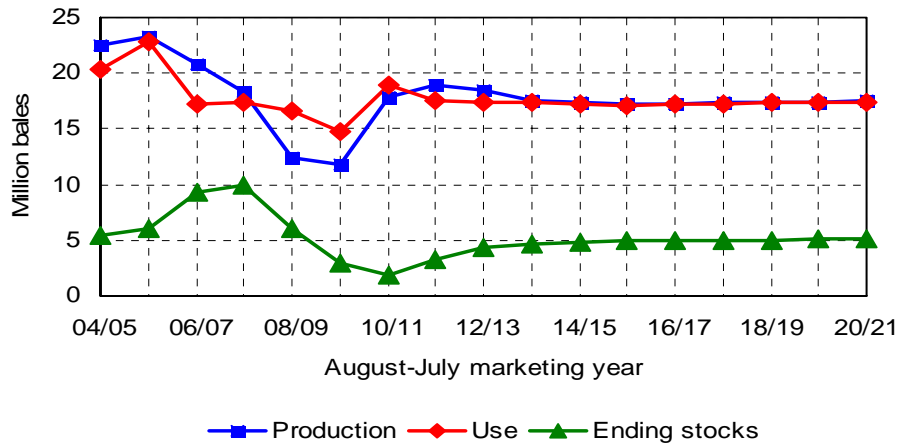
# Upland cotton

## Cotton stocks tighten due to strong demand

- US upland cotton production increased sharply in 2010/11, but ending stocks are expected to fall for the third straight year because of very strong foreign demand.

- A projected modest increase in production in 2011/12 could allow stocks to start to rebuild, but cotton supplies are likely to remain tight for at least another year.

- Lower stock levels make the cotton market very sensitive to any shifts in supply and demand.

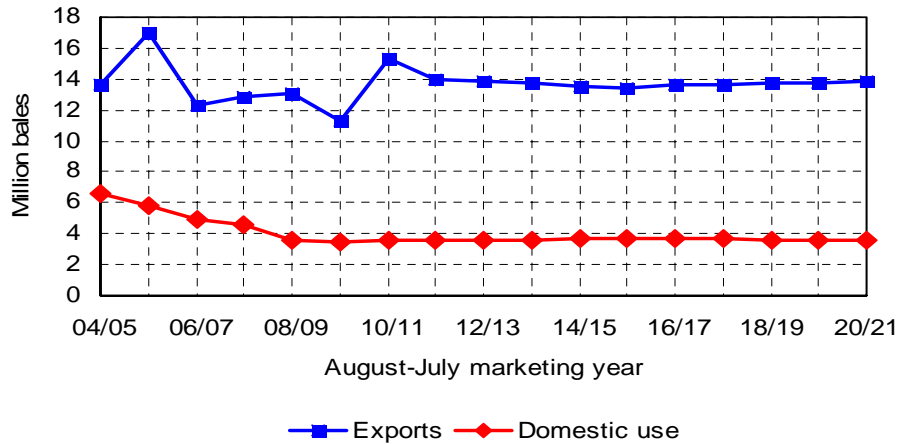


## Cotton exports increase sharply in 2010/11

- World cotton demand has bounced back from the recession.

- As a result, US exports have increased dramatically in 2010/11 and cotton prices have surged higher.

- The long-running decline in domestic mill use of cotton appears to have come to an end.

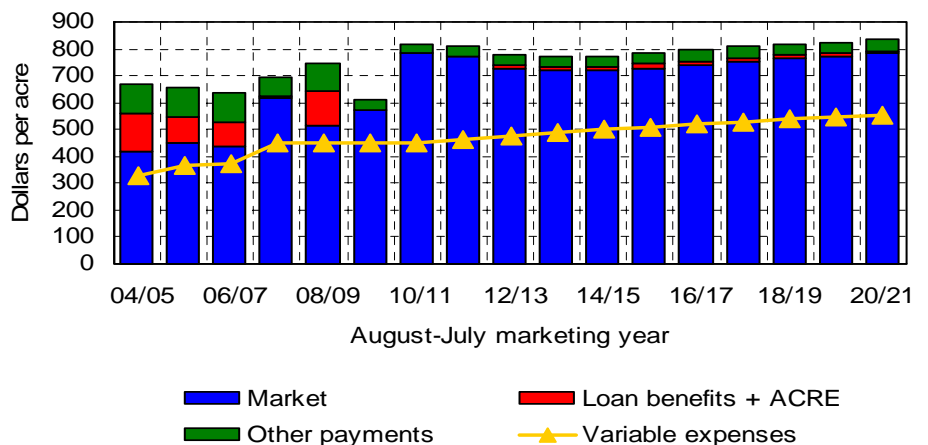


## Cotton market receipts also jump in 2010/11

- Sharply higher 2010/11 cotton prices have increased net returns and eliminated benefits from the marketing loan and countercyclical payment programs.

- Projected cotton prices decline after 2011/12, but remain above pre-2010 levels.

- USDA recently released projections indicating much higher cotton prices in 2011/12 than reported here.



## Upland cotton supply and use

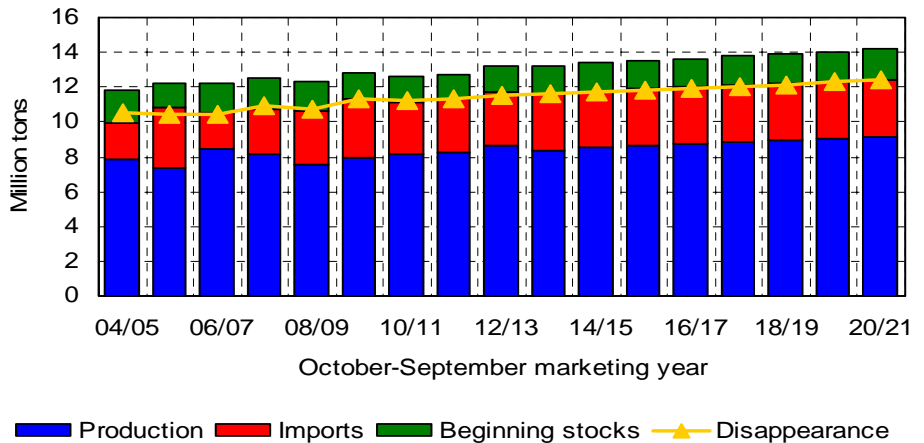
August-July year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Area</b>	(Million acres)										
Planted area	10.77	12.35	11.93	11.21	10.95	10.72	10.69	10.63	10.51	10.43	10.37
Harvested area	10.51	11.10	10.74	10.07	9.84	9.64	9.61	9.57	9.46	9.38	9.33
<b>Yield</b>	(Pounds per harvested acre)										
	814	820	828	837	845	853	862	871	880	888	898
<b>Supply</b>	(Million bales)										
Beginning stocks	2.93	1.87	3.29	4.41	4.67	4.83	4.91	4.93	5.02	5.03	5.07
Production	17.82	18.99	18.56	17.60	17.36	17.16	17.28	17.40	17.38	17.39	17.48
Imports	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Domestic mill use</b>	3.57	3.56	3.58	3.63	3.65	3.67	3.66	3.64	3.61	3.58	3.55
<b>Exports</b>	15.31	14.01	13.85	13.72	13.55	13.42	13.59	13.67	13.76	13.78	13.82
<b>Total use</b>	18.87	17.58	17.43	17.34	17.20	17.09	17.25	17.31	17.37	17.36	17.38
<b>Ending stocks</b>	1.87	3.29	4.41	4.67	4.83	4.91	4.93	5.02	5.03	5.07	5.16
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	1.87	3.29	4.41	4.67	4.83	4.91	4.93	5.02	5.03	5.07	5.16
<b>Prices, program provisions</b>	(Cents per pound)										
Farm price	84.1	81.2	76.4	74.0	73.3	73.4	73.8	74.3	74.8	75.2	75.1
Adjusted world price	121.6	81.2	75.6	71.1	69.4	69.1	69.9	70.9	71.7	72.4	72.2
Loan rate	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0
Target price	71.3	71.3	71.3	71.3	71.3	71.3	71.3	71.3	71.3	71.3	71.3
Direct payment rate	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
<b>Base area</b>	(Million acres)										
	17.65	17.66	17.66	17.66	17.66	17.66	17.66	17.66	17.66	17.66	17.66
<b>Direct payment yield</b>	(Pounds per acre)										
	595	595	595	595	595	595	595	595	595	595	595
<b>CCP yield</b>	(Percent)										
	631	631	631	631	631	631	631	631	631	631	631
<b>ACRE participation rate</b>	(Percent)										
	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>Returns and payments</b>	(Dollars)										
Gross market revenue/a.	782.16	768.45	729.61	718.90	718.16	725.89	738.07	750.08	762.84	773.82	781.22
Variable expenses/a.	452.87	464.14	477.75	491.70	498.39	508.24	518.48	527.78	537.66	545.11	552.40
Market net return/a.	329.29	304.31	251.87	227.20	219.77	217.65	219.59	222.30	225.18	228.71	228.82
Marketing loan benefits/a.*	0.00	5.13	10.85	12.65	14.19	18.40	17.09	16.30	12.85	10.70	12.58
ACRE payment/a.*	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.01
CCP payment/base a.*	0.00	2.46	5.77	6.33	7.09	8.02	7.62	7.67	6.21	5.45	6.20
Direct payment/base a.*	33.06	33.06	33.73	33.73	33.73	33.73	33.73	33.73	33.73	33.73	33.73

\*Figures reported are averages across ACRE participants and nonparticipants. All table figures are averages across 500 outcomes.

# Sugar

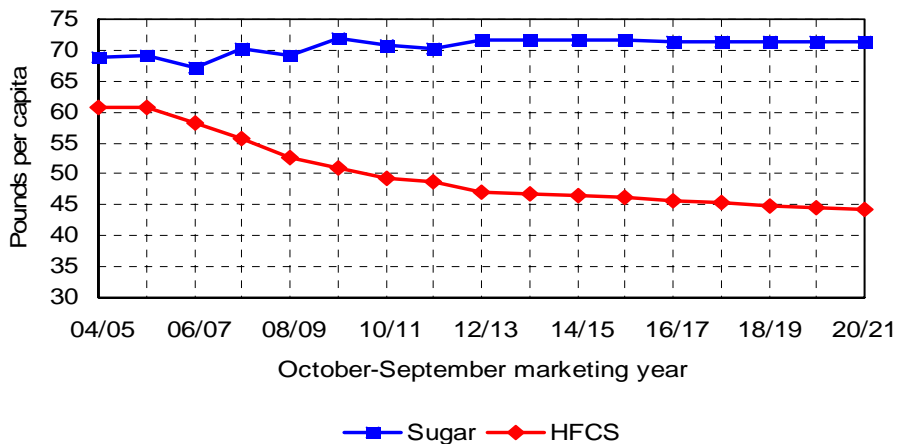
## Sugar supplies remain tight in 2010/11 and 2011/12

- In spite of two straight years of high prices, total sugar supplies have not increased in 2010/11.
- Uncertainty about the ability to plant genetically modified sugar beets could limit supply response to these high prices again in 2011/12.
- The baseline assumes this uncertainty is resolved, allowing a larger increase in sugar production in 2012/13, which in turn helps to moderate prices.



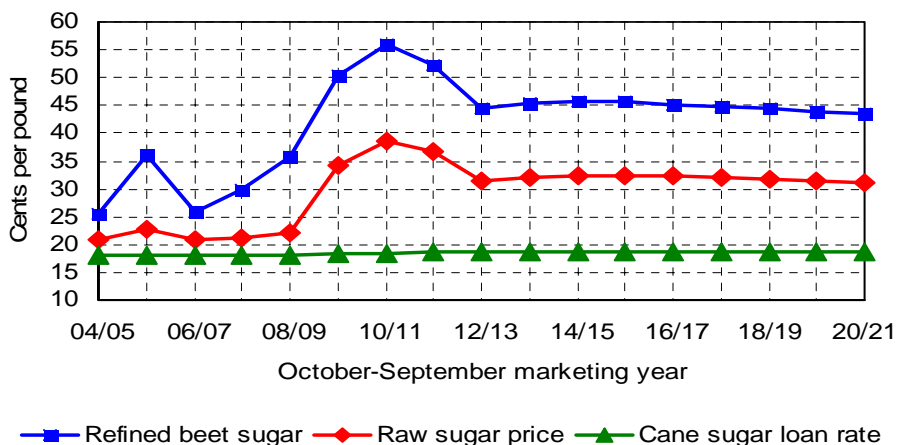
- High-fructose corn syrup (HFCS) consumption has been declining, in part because of reduced consumption of caloric soft drinks.
- Per capita sugar consumption increased in 2009/10, but current high prices cause a slight dip in 2010/11.
- Sugar per capita consumption holds fairly steady in the baseline, while HFCS consumption declines at a moderate pace.

## Sugar gains larger share of total sweetener use



## Average sugar prices hit record highs in 2010/11

- Sugar prices jumped in 2009/10 and have risen even higher in 2010/11.
- Limited supply response in 2011/12 helps keep prices high.
- Projected prices for 2012/13 and beyond remain above pre-2009 levels. Weaker demand growth or greater imports could result in lower prices, but another supply disruption could push prices higher again.



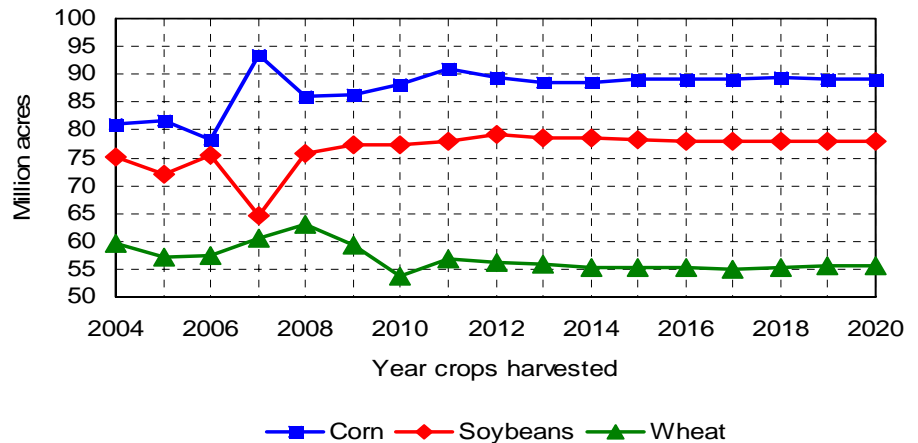
## Sugar supply and use

October-September year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Area</b>	(Million acres)										
Sugar cane harvested	0.829	0.856	0.846	0.819	0.811	0.807	0.803	0.800	0.796	0.794	0.792
Sugar beet planted	1.171	1.166	1.258	1.195	1.221	1.228	1.225	1.221	1.218	1.215	1.213
Sugar beet harvested	1.156	1.117	1.206	1.146	1.171	1.177	1.174	1.171	1.168	1.165	1.163
<b>Yield</b>	(Tons per harvested acre)										
Cane sugar	3.99	4.26	4.28	4.30	4.32	4.34	4.37	4.39	4.42	4.44	4.47
Beet sugar	4.15	4.07	4.16	4.23	4.31	4.39	4.48	4.56	4.64	4.72	4.81
<b>Supply</b>	(Thousand tons)										
Beginning stocks	12,623	12,757	13,285	13,354	13,505	13,639	13,742	13,857	13,989	14,128	14,271
Production	1,503	1,386	1,443	1,668	1,632	1,653	1,675	1,693	1,714	1,739	1,762
Cane sugar	8,110	8,197	8,639	8,368	8,549	8,680	8,770	8,848	8,937	9,032	9,135
Beet sugar	3,310	3,651	3,624	3,520	3,503	3,506	3,511	3,512	3,517	3,528	3,539
Imports	4,800	4,546	5,016	4,849	5,046	5,174	5,259	5,337	5,420	5,504	5,596
Imports	3,010	3,174	3,202	3,317	3,323	3,305	3,297	3,316	3,338	3,358	3,374
<b>Total use</b>	11,237	11,314	11,616	11,722	11,851	11,964	12,049	12,143	12,250	12,366	12,485
Domestic deliveries	11,089	11,132	11,432	11,539	11,668	11,780	11,865	11,959	12,065	12,182	12,301
Exports	148	182	184	182	183	184	184	184	185	185	185
Ethanol program	0	0	0	0	0	0	0	0	0	0	0
Residual	0	0	0	0	0	0	0	0	0	0	0
<b>Ending stocks</b>	1,386	1,443	1,668	1,632	1,653	1,675	1,693	1,714	1,739	1,762	1,785
CCC inventory	0	0	0	0	0	0	0	0	0	0	0
Other stocks	1,386	1,443	1,668	1,632	1,653	1,675	1,693	1,714	1,739	1,762	1,785
<b>Prices</b>	(Cents per pound)										
N.Y. spot raw sugar	38.43	36.56	31.49	32.20	32.51	32.47	32.27	32.04	31.73	31.45	31.16
Refined beet sugar	56.06	52.12	44.39	45.31	45.68	45.57	45.23	44.84	44.36	43.90	43.45
Cane loan rate	18.50	18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75
Beet loan rate	23.77	24.09	24.09	24.09	24.09	24.09	24.09	24.09	24.09	24.09	24.09

# Land use

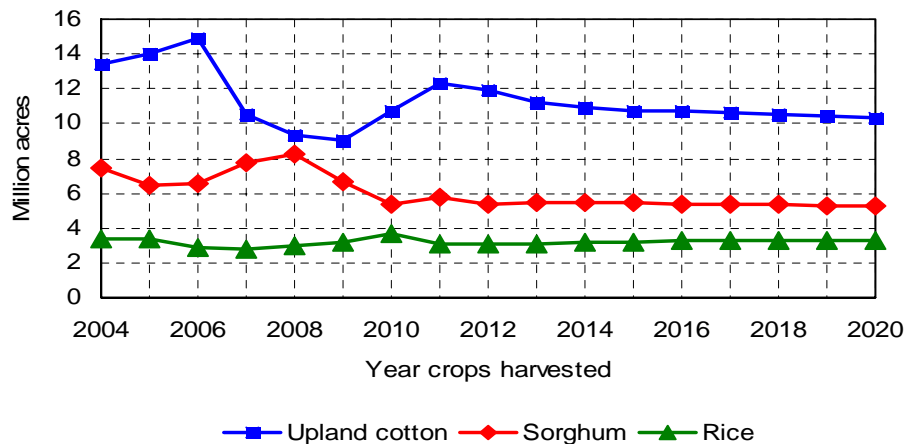
## Corn, soybean and wheat area all increase in 2011

- Projected corn area planted increases by almost 3 million acres in 2011 in response to high corn prices. As prices moderate, corn acreage declines slightly in 2012.
- Wheat area rebounds in 2011 from the weather-reduced level of 2010.
- Soybean area increases slightly in 2011 as high soybean prices and increased double cropping slightly outweigh the effect of high prices for competing crops.



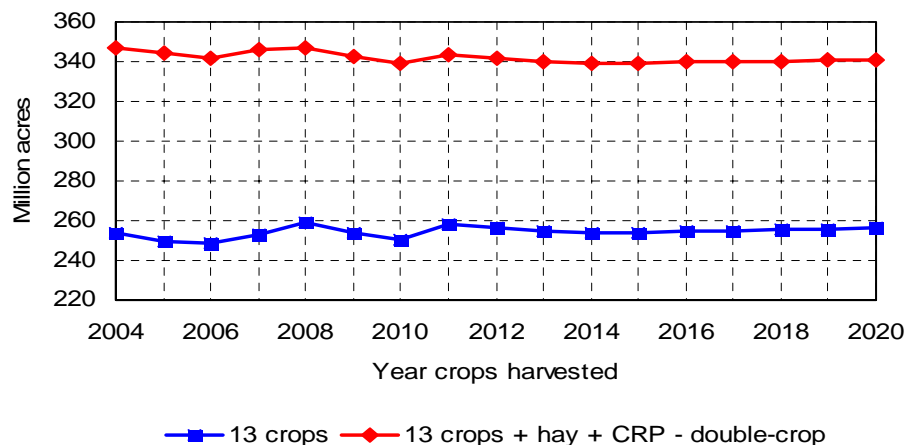
## Cotton acreage also increases in 2011

- Sharply higher cotton prices and net returns result in another increase in upland cotton acreage in 2011.
- After two straight years of decline, sorghum acreage increases slightly in 2011.
- Lower rice prices and returns contribute to a sharp reduction in rice acreage in 2011.



## 13-crop planted area in 2011 nears the 2008 level

- The total area planted to 13 major crops decreased by almost 9 million acres between 2008 and 2010.
- In response to strong returns for most major crops, 13-crop total area planted increases by almost 8 million acres in 2011, to near the 2008 level.
- Correcting for hay, conservation reserve area and double crop soybean acreage, total area dropped by about 7 million acres between 2008 and 2010 and increases by a little over 4 million acres in 2011.





## Land use for major crops and the conservation reserve

Marketing year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Planted area</b>	(Million acres)										
Corn	88.19	90.99	89.30	88.48	88.59	89.08	89.14	89.22	89.39	89.04	89.02
Soybeans	77.40	77.96	79.32	78.48	78.72	78.18	77.97	77.94	77.85	78.08	78.02
Wheat	53.60	56.90	56.09	56.01	55.22	55.18	55.14	55.06	55.26	55.53	55.64
Upland cotton	10.77	12.35	11.93	11.21	10.95	10.72	10.69	10.63	10.51	10.43	10.37
Sorghum	5.40	5.73	5.39	5.48	5.47	5.45	5.41	5.36	5.32	5.26	5.23
Barley	2.87	2.90	2.99	3.05	3.01	2.98	2.94	2.90	2.86	2.83	2.81
Oats	3.14	2.87	3.08	3.18	3.17	3.14	3.11	3.07	3.05	3.02	3.00
Rice	3.64	3.05	3.10	3.09	3.14	3.19	3.26	3.27	3.27	3.30	3.33
Sunflowers	1.95	2.07	1.99	1.97	1.96	1.93	1.90	1.88	1.85	1.84	1.82
Peanuts	1.29	1.26	1.36	1.35	1.33	1.32	1.32	1.31	1.30	1.31	1.31
Sugar beets	1.17	1.17	1.26	1.20	1.22	1.23	1.22	1.22	1.22	1.22	1.21
Sugar cane (harvested)	0.88	0.91	0.90	0.87	0.86	0.86	0.85	0.85	0.85	0.84	0.84
Switchgrass (harvested)	0.00	0.00	0.00	0.11	0.42	0.92	1.56	2.21	2.73	3.15	3.54
<b>13 crop planted area</b>	<b>250.31</b>	<b>258.17</b>	<b>256.71</b>	<b>254.49</b>	<b>254.07</b>	<b>254.18</b>	<b>254.50</b>	<b>254.92</b>	<b>255.47</b>	<b>255.85</b>	<b>256.14</b>
<b>Hay harvested area</b>	<b>59.86</b>	<b>58.71</b>	<b>58.78</b>	<b>58.95</b>	<b>58.92</b>	<b>58.87</b>	<b>58.82</b>	<b>58.75</b>	<b>58.71</b>	<b>58.69</b>	<b>58.66</b>
<b>13 crops + hay</b>	<b>310.17</b>	<b>316.88</b>	<b>315.49</b>	<b>313.43</b>	<b>312.99</b>	<b>313.05</b>	<b>313.32</b>	<b>313.67</b>	<b>314.18</b>	<b>314.54</b>	<b>314.80</b>
<b>Conservation reserve</b>	<b>31.30</b>	<b>31.13</b>	<b>30.96</b>	<b>31.05</b>	<b>30.95</b>	<b>30.85</b>	<b>30.74</b>	<b>30.63</b>	<b>30.48</b>	<b>30.35</b>	<b>30.23</b>
<b>13 crops + hay + CRP</b>	<b>341.47</b>	<b>348.01</b>	<b>346.46</b>	<b>344.48</b>	<b>343.94</b>	<b>343.90</b>	<b>344.05</b>	<b>344.30</b>	<b>344.66</b>	<b>344.88</b>	<b>345.03</b>
<b>Double crop soybeans</b>	<b>2.47</b>	<b>4.72</b>	<b>4.59</b>	<b>4.45</b>	<b>4.39</b>	<b>4.34</b>	<b>4.32</b>	<b>4.32</b>	<b>4.32</b>	<b>4.34</b>	<b>4.33</b>
<b>13 crops + hay + CRP - double crop soybeans</b>	<b>339.00</b>	<b>343.29</b>	<b>341.87</b>	<b>340.03</b>	<b>339.55</b>	<b>339.56</b>	<b>339.73</b>	<b>339.98</b>	<b>340.33</b>	<b>340.54</b>	<b>340.69</b>

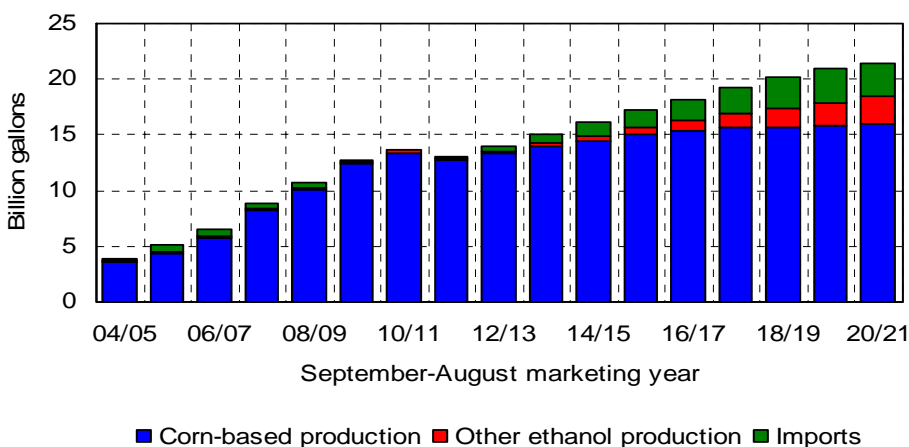
# Ethanol

## Ethanol production dips in 2011/12 as credit expires

- After years of rapid growth, ethanol production dips in 2011/12 because of the assumed expiration of the blender's credit.

- Imports of sugar-based ethanol rise to satisfy most of the RFS2 for advanced biofuels not met by cellulosic biofuels or biodiesel.

- Future cellulosic ethanol production growth is very uncertain. Projected supplies are well below the levels envisioned in the EISA.



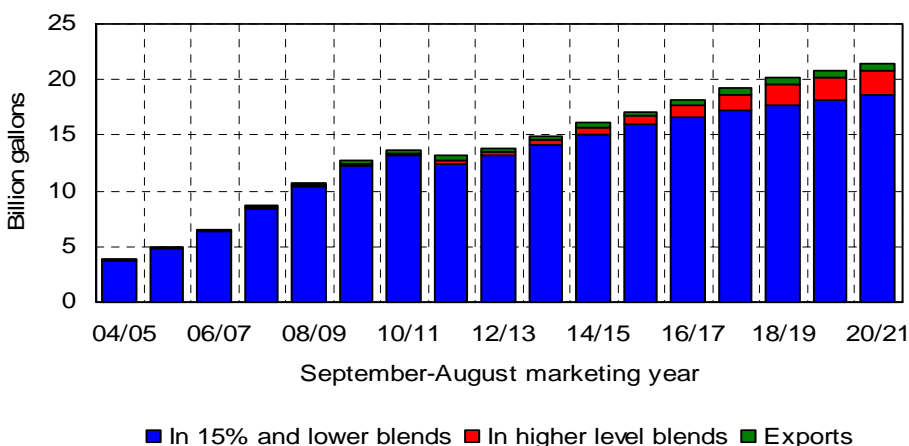
## E-15 allows more ethanol use in conventional cars

- The baseline incorporates the EPA decision to allow 15 percent ethanol blends (E-15) in vehicles built since 2001.

- Use of E-15 will depend on its availability at pumps, and this may develop slowly.

- The availability of E-15 means more ethanol can be consumed in conventional vehicles, delaying the need to expand use of higher level blends such as E-85.

- US exports of ethanol increased in 2010 and could grow again when US ethanol is priced competitively with Brazilian ethanol.

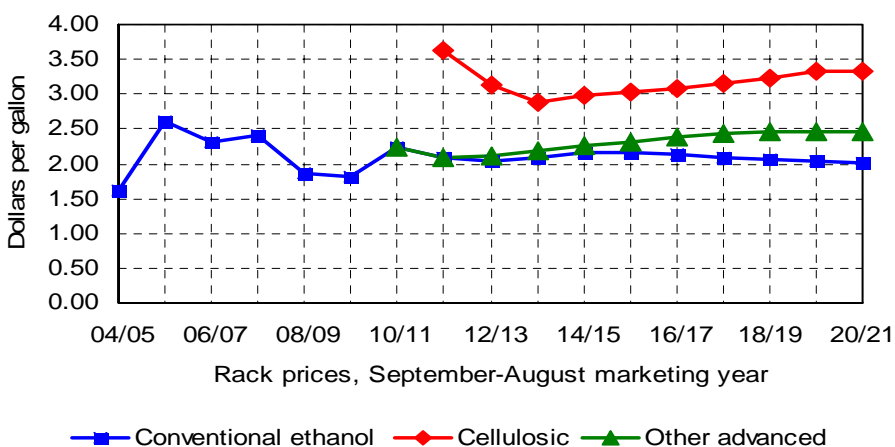


## Because of EISA, prices differ across ethanol types

- Because of EISA, different types of ethanol can command different prices.

- Producer prices for advanced ethanol can exceed prices for conventional ethanol to generate the supplies required. Cellulosic biofuel prices are effectively capped when EISA targets are not met.

- When the RFS2 is binding, Renewable Identification Numbers (RINs) take on value. RINs reflect the price biofuel blenders would be willing to pay not to use the required quantities of biofuel.



## Ethanol supply and use

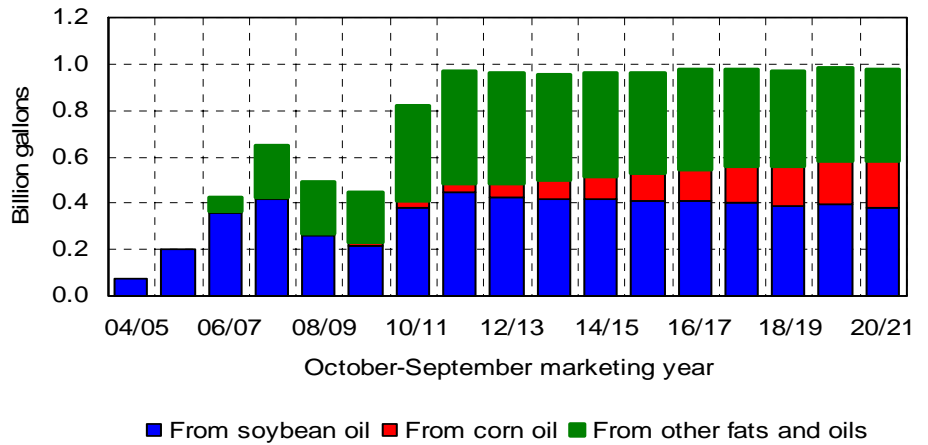
September-August year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Petroleum fuel prices</b>											
	(Dollars per barrel)										
Petroleum, W. Texas interm.	86.40	92.97	96.76	99.92	102.41	105.40	109.45	111.15	110.29	109.58	108.59
Petroleum, refiners acquis.	82.05	86.97	90.44	93.35	95.56	98.26	102.09	103.62	102.71	102.02	101.05
	(Dollars per gallon)										
Unl. gasoline, FOB Omaha	2.43	2.56	2.64	2.71	2.77	2.84	2.92	2.96	2.95	2.93	2.93
Unleaded gasoline, retail	3.06	3.19	3.28	3.36	3.43	3.50	3.60	3.64	3.64	3.62	3.63
<b>Ethanol supply and use</b>											
	(Million gallons)										
Production	13,605	12,964	13,572	14,319	14,967	15,663	16,322	16,973	17,410	17,930	18,472
From corn	13,387	12,723	13,293	13,975	14,504	15,004	15,386	15,694	15,747	15,865	15,994
Other conventional	216	217	221	231	247	259	260	255	247	242	237
Cellulosic	2	24	58	112	215	401	676	1,025	1,416	1,824	2,241
Imports (ethyl alcohol)	134	149	342	685	1,176	1,520	1,875	2,296	2,794	2,958	2,981
Domestic disappearance	13,294	12,696	13,448	14,579	15,731	16,755	17,717	18,700	19,537	20,193	20,799
In 15% and lower blends	13,131	12,498	13,177	14,149	15,136	16,028	16,670	17,294	17,774	18,134	18,569
In higher level blends	163	198	272	430	596	726	1,047	1,406	1,763	2,060	2,230
Exports (ethyl alcohol)	403	437	431	387	381	392	443	532	640	665	624
Ending stocks	771	751	786	824	854	890	928	965	992	1,021	1,051
<b>Ethanol prices</b>											
	(Dollars per gallon)										
Conventional rack, Omaha	2.23	2.08	2.04	2.08	2.15	2.16	2.13	2.09	2.05	2.04	2.02
AMS spot plant price, Iowa	2.02	1.88	1.85	1.88	1.94	1.95	1.93	1.89	1.85	1.84	1.82
Cellulosic rack	n.a.	3.62	3.12	2.89	2.98	3.02	3.09	3.16	3.23	3.32	3.32
Other advanced rack	2.24	2.08	2.10	2.18	2.27	2.32	2.38	2.43	2.47	2.47	2.45
Effective retail	2.39	2.44	2.46	2.46	2.50	2.52	2.52	2.51	2.49	2.49	2.49
Ethanol/gasoline retail	78%	77%	75%	73%	73%	72%	70%	69%	68%	69%	69%
<b>RIN values</b>											
Conventional ethanol	0.02	0.12	0.22	0.27	0.31	0.31	0.29	0.26	0.25	0.25	0.22
Advanced ethanol	0.02	0.12	0.28	0.37	0.43	0.46	0.53	0.61	0.68	0.68	0.65
Cellulosic ethanol	0.65	0.79	0.96	1.08	1.14	1.16	1.24	1.33	1.43	1.53	1.52

## Biofuel policies

Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Million gallons)										
<b>Renewable Fuel Standard</b>	12,950	13,950	15,200	16,550	18,150	20,500	22,250	24,000	26,000	28,000	30,000
Advanced biofuels	950	1,350	2,000	2,750	3,750	5,500	7,250	9,000	11,000	13,000	15,000
Cellulosic ethanol	100	250	500	1,000	1,750	3,000	4,250	5,500	7,000	8,500	10,500
Biodiesel	650	800	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	(Dollars per gallon)										
Conventional ethanol credit	0.45	0.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Biodiesel credit	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ethanol specific tariff	0.54	0.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cellulosic producers credit	1.01	1.01	1.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(Percent)										
Ethanol ad-valorem tariff	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5

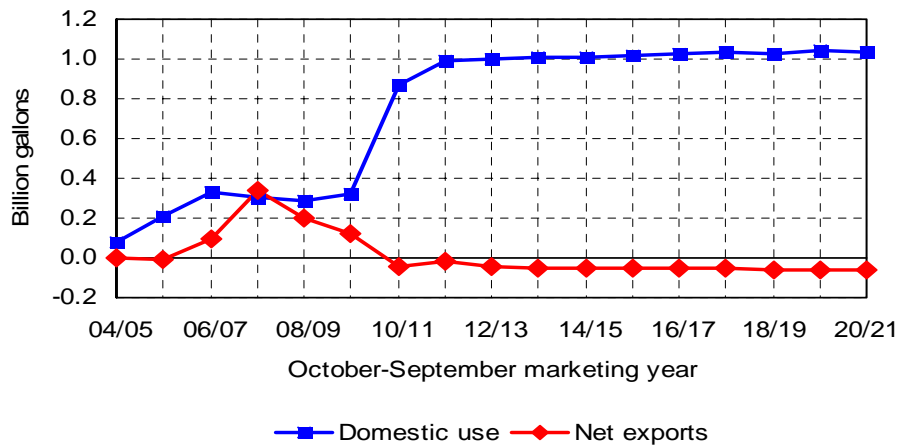
# Biodiesel and cellulosic ethanol

Biodiesel production expands in response to RFS2



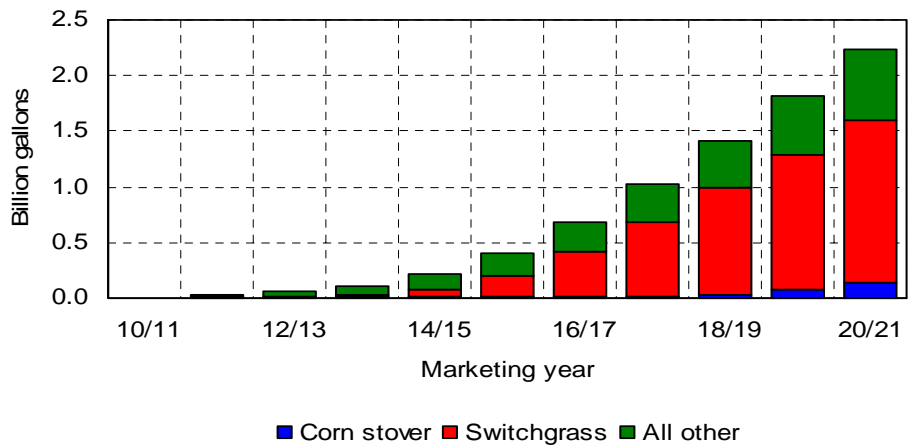
- The suspension of the biodiesel credit, high vegetable oil prices and reduced export demand cut biodiesel production in 2009/10.
- Projected production increases to satisfy the biodiesel mandate under RFS2, which is why production does not decline when the \$1 per gallon credit is assumed to expire on schedule at the end of 2011.
- Corn oil extracted from distillers grains at dry mill ethanol plants increases its share of biodiesel production.

Domestic biodiesel use expands, net exports fall



- US biodiesel exports have declined in response to EU tariffs and new sustainability rules.
- US biodiesel imports could increase in response to strong domestic prices.
- Domestic use generally expands with the biodiesel RFS2.
- Under some market conditions, biodiesel is consumed in excess of the biodiesel mandate to help satisfy the advanced biofuel mandate.

Cellulosic ethanol supplies increase



- The baseline assumes that the EPA will continue to waive the cellulosic biofuel mandate because of insufficient capacity to reach the EISA targets.
- There is great uncertainty regarding the future of cellulosic biofuels, including not just ethanol but also biodiesel and other “drop-in” fuels.
- The projections are highly dependent on assumptions made about the cost structures for both feedstock and biofuel production.

## Biodiesel sector

October-September year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Biodiesel supply and use</b> (Million gallons)											
Production	820	968	962	956	962	962	974	979	972	987	976
From soybean oil	380	444	427	417	418	409	409	403	390	394	379
From corn oil	28	41	59	79	98	117	135	153	169	185	200
From other fats and oils	413	483	475	459	446	436	430	423	413	408	397
Net imports	46	19	40	51	50	52	53	54	57	59	60
Domestic disappearance	866	987	1,002	1,007	1,012	1,014	1,026	1,033	1,029	1,047	1,035
<b>Fuel prices and tax credit</b> (Dollars per gallon)											
Biodiesel, rack	4.66	5.06	4.88	4.79	4.72	4.74	4.77	4.80	4.82	4.83	4.82
#2 Diesel, refiner sales	2.35	2.51	2.58	2.65	2.72	2.79	2.87	2.91	2.90	2.88	2.88
#2 Diesel, retail	3.15	3.32	3.39	3.46	3.52	3.59	3.68	3.73	3.72	3.70	3.70
Biodiesel tax credit	1.00	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>RIN values</b>											
Per RIN gallon	0.84	1.53	1.53	1.43	1.34	1.31	1.28	1.27	1.28	1.32	1.30
Per physical gallon	1.25	2.30	2.30	2.15	2.01	1.97	1.92	1.91	1.92	1.98	1.94
<b>Costs and returns</b>											
Biodiesel value	4.66	5.06	4.88	4.79	4.72	4.74	4.77	4.80	4.82	4.83	4.82
Glycerin value	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Soyoil cost	-3.88	-4.22	-4.05	-3.98	-3.90	-3.93	-3.95	-3.97	-3.98	-3.98	-3.96
Other operating costs	-0.55	-0.56	-0.56	-0.57	-0.57	-0.58	-0.58	-0.59	-0.59	-0.60	-0.60
Net operating return	0.26	0.31	0.29	0.28	0.28	0.27	0.27	0.27	0.27	0.29	0.29

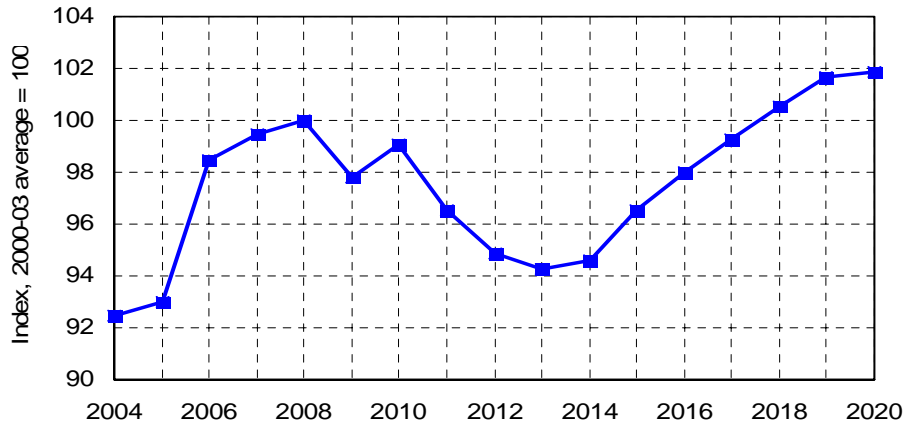
## Cellulosic biofuel feedstocks

Marketing year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
<b>Cellulosic ethanol product.</b> (Million gallons)											
From corn stover	1	8	12	15	13	14	15	19	36	73	143
From switchgrass	0	0	0	14	68	193	399	666	951	1,221	1,464
All other	1	16	45	84	134	194	262	340	429	530	634
<b>Corn stover</b> (Tons per acre)											
Available stover per acre	4.47	4.65	4.62	4.77	4.75	4.78	4.90	5.03	5.07	5.00	5.08
Proportion harvested	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.5%
<b>Switchgrass</b> (Million acres)											
Area harvested	0.00	0.00	0.00	0.11	0.42	0.92	1.56	2.21	2.73	3.15	3.54
<b>Yield per harvested acre</b> (Tons per acre)											
Production	0.01	0.01	0.16	0.21	0.17	0.18	0.19	0.25	0.50	1.02	1.99
<b>Production</b> (Million tons)											
Production	0.00	0.00	0.00	0.20	0.96	2.66	5.38	8.82	12.38	15.64	18.50

# Beef

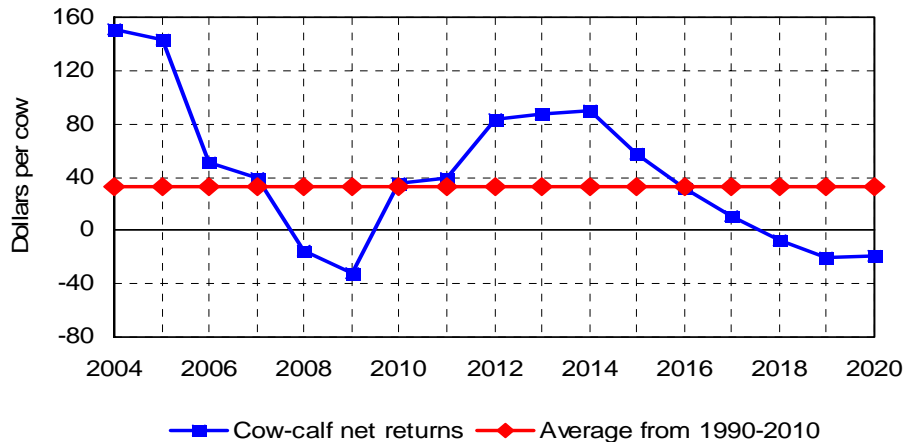
## Beef production will be limited for many years

- Beef production will be at its lowest level this year since 2005.
- Beef exports are nearly 1.5 billion pounds higher than five years ago. The combination of more international demand for US beef and less beef production has curtailed the amount of beef available for domestic consumers.
- Recent beef cow herd data suggests that it will likely take quite a few years for the production declines to come to an end.



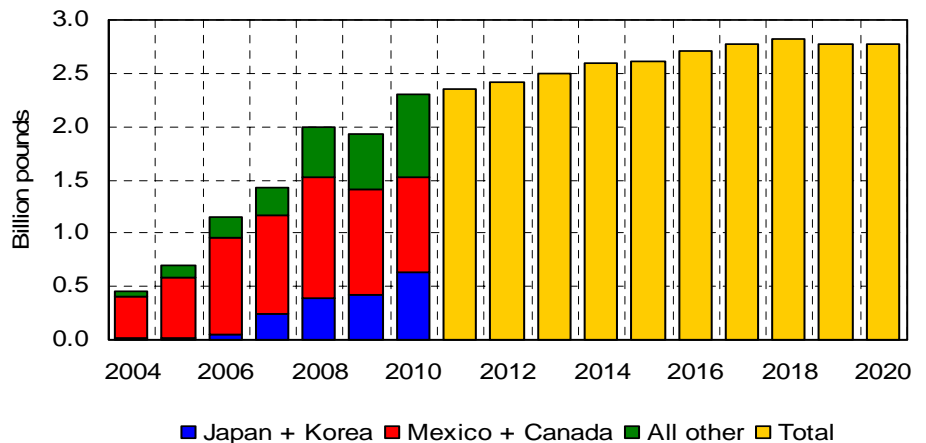
## Cow-calf producers will see strong profitability soon

- Cow-calf net returns increased to the long-run average level in 2010, after posting their worst level since 1996 in 2009.
- While fed steer prices will experience strong growth this year, expensive corn will limit the amount that feedlots are willing to pay for feeder animals, holding 2011 returns to a level similar to last year.
- The profitability outlook is bright beginning in 2012, as economic recovery continues to propel beef demand.



## Beef exports continue to gain momentum

- Beef exports during the last quarter of 2010 were at their highest fourth quarter level since 1999.
- Shipments to Japan and Korea grew by 51 percent in 2010. However, this is only 42 percent of the pre-BSE export level of 2003.
- As beef prices grow in the next few years, beef export growth will likely slow. Domestic consumers will be bidding against those in other countries for limited supplies of US beef.



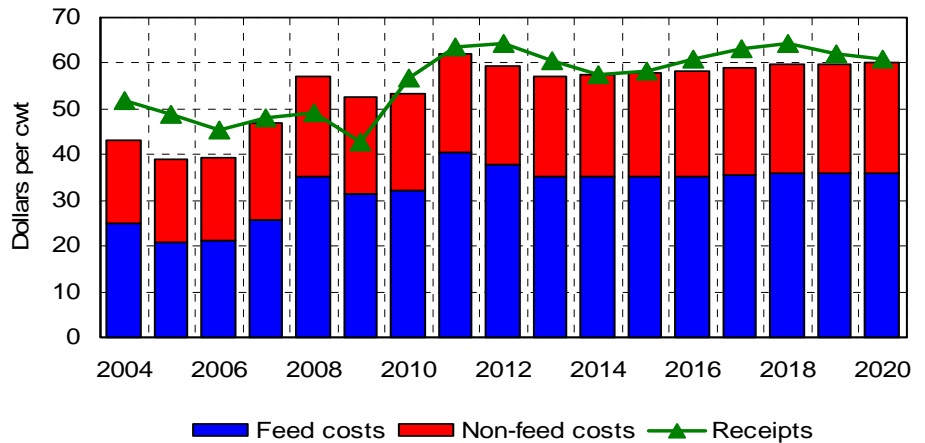
## Cattle sector

Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Million head)										
Beef cows (Jan. 1)	31.4	30.9	30.5	30.3	30.6	31.0	31.5	31.8	31.9	32.0	31.9
Dairy cows (Jan. 1)	9.1	9.1	9.1	9.1	9.1	9.0	9.0	9.0	9.0	9.0	9.0
Cattle and calves (Jan. 1)	93.9	92.6	91.6	91.2	91.2	91.6	92.0	92.3	92.6	92.6	92.4
Calf crop	35.7	35.2	34.9	35.0	35.4	35.9	36.3	36.6	36.7	36.6	36.6
Calf death loss	2.3	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.2
Calf slaughter	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Beef cow slaughter	3.7	3.5	3.1	2.9	2.8	3.1	3.2	3.4	3.4	3.5	3.5
Dairy cow slaughter	2.9	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Bull slaughter	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Steer and heifer slaughter	27.2	26.6	26.2	26.1	26.1	26.5	26.7	26.9	27.1	27.3	27.2
Total slaughter	35.3	34.4	33.6	33.2	33.3	33.8	34.2	34.5	34.7	35.0	34.9
Cattle imports	2.3	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Cattle exports	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Cattle death loss	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Residual	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Cattle and calves (Dec. 31)	92.6	91.6	91.2	91.2	91.6	92.0	92.3	92.6	92.6	92.4	92.2
Cattle on feed (Jan. 1)	13.6	14.0	13.8	13.9	14.1	14.3	14.3	14.4	14.4	14.3	14.2
<b>Supply</b>	(Million pounds)										
Beginning stocks	565	575	547	538	539	545	562	572	581	590	599
Imports	2,331	2,411	2,660	2,834	2,940	2,912	2,889	2,869	2,859	2,827	2,831
Production	26,413	25,727	25,286	25,125	25,224	25,736	26,124	26,470	26,798	27,096	27,159
Total	29,309	28,713	28,493	28,496	28,703	29,193	29,574	29,911	30,238	30,512	30,590
<b>Disappearance</b>	(Million pounds)										
Domestic use	26,431	25,819	25,544	25,455	25,569	26,013	26,292	26,549	26,830	27,136	27,223
Exports	2,303	2,346	2,412	2,502	2,589	2,618	2,711	2,781	2,818	2,777	2,766
Total	28,734	28,165	27,955	27,957	28,158	28,631	29,002	29,330	29,648	29,913	29,989
Ending stocks	575	547	538	539	545	562	572	581	590	599	601
<b>Per capita consumption</b>	(Pounds)										
Carcass weight	85.1	82.4	80.7	79.7	79.2	79.9	79.9	80.0	80.0	80.2	79.7
Retail weight	59.6	57.7	56.5	55.8	55.5	55.9	56.0	56.0	56.0	56.1	55.8
Change	-2.5%	-3.3%	-2.0%	-1.3%	-0.5%	0.8%	0.1%	0.0%	0.1%	0.2%	-0.6%
<b>Prices</b>	(Dollars per hundredweight)										
Total All Grades,	(Dollars per hundredweight)										
5-Area Direct Steers	95.38	105.67	109.93	110.06	110.54	108.40	106.94	105.68	105.04	104.57	105.73
600 - 650 #, Oklahoma City	(Dollars per hundredweight)										
Feeder steers	115.11	119.18	130.36	133.37	135.24	131.90	129.19	127.03	125.96	125.35	127.62
Utility cows, Sioux Falls	56.89	64.88	68.16	69.56	70.64	67.75	64.85	62.49	61.59	60.67	61.16
Boxed beef cutout	156.91	172.76	180.30	180.55	181.08	178.48	177.38	176.37	176.11	175.69	178.08
	(Dollars per pound)										
Beef retail	4.39	4.71	4.91	5.02	5.08	5.05	5.04	5.03	5.04	5.03	5.10
Change	3.2%	7.3%	4.1%	2.2%	1.2%	-0.5%	-0.1%	-0.2%	0.0%	-0.1%	1.3%
<b>Cow-calf returns</b>	(Dollars per cow)										
Receipts	596.25	628.48	680.66	696.11	706.34	688.64	673.57	661.49	655.84	652.11	662.27
Feed expenses	146.97	157.55	153.49	149.87	149.90	151.92	154.24	156.64	160.00	162.20	163.09
Non-feed expenses	413.30	431.41	443.43	459.15	466.90	479.68	487.39	494.49	502.64	510.00	517.69
Net returns	35.99	39.52	83.74	87.08	89.54	57.03	31.94	10.36	-6.79	-20.09	-18.50

# Pork

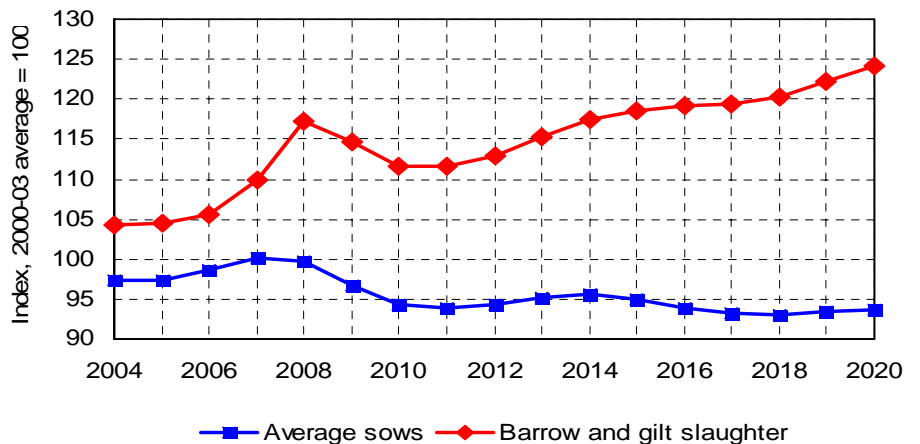
## Farrow-finish returns struggle with feed costs

- The highest annual average hog price since 1996 led to a moderately profitable 2010 for farrow-finish hog producers.
- Even though hog prices are expected to continue to grow this year, growth in feed expenses will drop returns back towards the breakeven level.
- 2012 and 2013 are expected to be profitable years for the hog industry, as reduced supply of all meats allows hog prices to remain relatively strong.



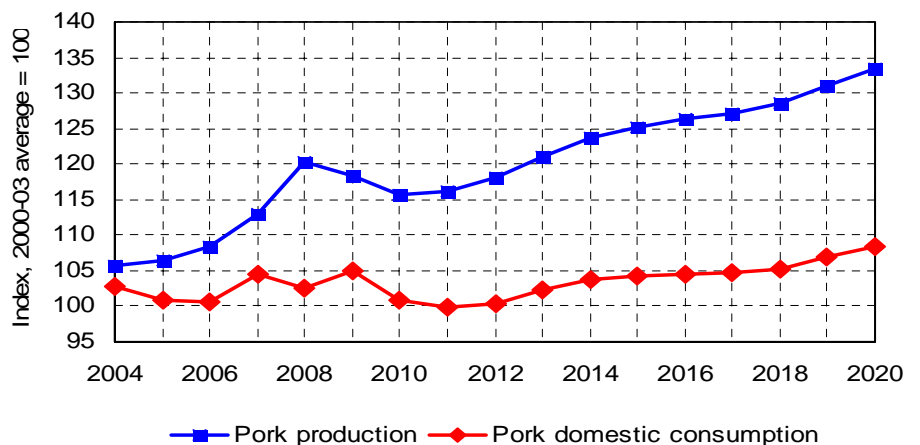
## Hog slaughter continues to grow with fewer sows

- Pork production declined for the second consecutive year in 2010, as the dreadful financial situation in 2008 and 2009 continued to result in sow herd liquidation.
- Sow inventories have now been below year-ago levels for eleven consecutive quarters. However, sow inventory levels should begin to stabilize this year.
- The productivity of the US sow herd will continue to grow strongly. Though 2010 ended with nearly eight percent fewer sows than ten years ago, 2010 pork production was nearly 19 percent greater than in 2000.



## Most growth in pork production serves export markets

- Despite strong production growth, the amount of pork available for the 2010 domestic market was only 2.5 percent greater than in 2000. When accounting for population growth, pork per person fell 7 percent during the past decade.
- Though pork export growth is not expected to repeat the 172 percent increase from 2003-08, growth will be positive in the next decade.





## Swine sector

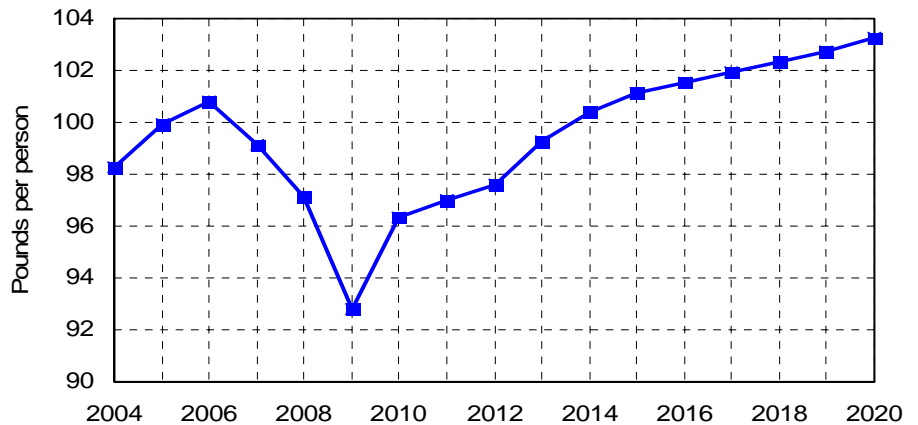
Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Million head)										
Breeding herd (Dec. 1*)	5.85	5.78	5.79	5.83	5.90	5.88	5.82	5.76	5.72	5.74	5.77
Gilts added	2.98	3.09	3.13	3.25	3.22	3.12	3.04	3.02	3.07	3.11	3.12
Sow slaughter	2.99	3.03	3.03	3.13	3.17	3.12	3.04	3.00	2.99	3.03	3.05
Sows farrowed	11.56	11.57	11.71	11.89	12.03	12.03	11.98	11.96	12.02	12.15	12.27
Pigs per litter (head)	9.78	9.83	9.90	9.97	10.02	10.08	10.14	10.20	10.26	10.31	10.37
Market hogs (Dec. 1*)	59.0	58.5	58.8	59.7	60.6	61.3	61.9	62.1	62.4	63.1	63.7
Pig crop	113.0	113.8	115.9	118.5	120.5	121.3	121.5	122.0	123.4	125.3	127.3
Barrow and gilt slaughter	106.9	107.0	108.2	110.5	112.7	113.5	114.2	114.5	115.3	117.2	119.0
Hog imports	5.8	6.0	5.9	5.9	5.9	6.1	6.1	6.1	6.2	6.2	6.2
Hog exports	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Death loss/residual	12.4	12.5	12.7	12.9	13.1	13.2	13.3	13.3	13.5	13.6	13.8
Market hogs (Nov.30)	58.5	58.8	59.7	60.6	61.3	61.9	62.1	62.4	63.1	63.7	64.3
<b>Supply</b>	(Million pounds)										
Beginning stocks	525	535	485	491	514	532	538	540	539	543	558
Imports	880	900	937	929	918	926	944	967	980	967	959
Production	22,466	22,562	22,942	23,532	24,058	24,322	24,545	24,716	24,983	25,472	25,940
Total	23,871	23,997	24,364	24,952	25,490	25,780	26,027	26,223	26,503	26,982	27,457
<b>Disappearance</b>	(Million pounds)										
Domestic use	19,106	18,908	19,018	19,364	19,647	19,733	19,795	19,821	19,944	20,226	20,518
Exports	4,230	4,603	4,856	5,074	5,311	5,508	5,692	5,863	6,016	6,198	6,368
Total	23,336	23,512	23,874	24,438	24,958	25,242	25,487	25,683	25,960	26,425	26,885
Ending stocks	535	485	491	514	532	538	540	539	543	558	572
<b>Per capita consumption</b>	(Pounds)										
Carcass weight	61.5	60.3	60.1	60.6	60.9	60.6	60.2	59.7	59.5	59.8	60.1
Retail weight	47.8	46.8	46.6	47.0	47.3	47.0	46.7	46.3	46.2	46.4	46.6
Change	-4.8%	-2.0%	-0.4%	0.8%	0.5%	-0.5%	-0.6%	-0.8%	-0.3%	0.5%	0.5%
<b>Prices</b>	(Dollars per hundredweight)										
Natl. base 51-52% lean equiv.	(Dollars per hundredweight)										
Barrows & gilts	55.06	61.77	62.49	58.71	55.78	56.39	58.97	61.17	62.20	59.93	58.68
IA-S. Minn. #1-2, 300-400 #	(Dollars per hundredweight)										
Sows	51.85	55.56	56.41	51.46	48.09	48.76	50.91	52.85	53.77	52.35	51.74
Pork cutout value	81.25	88.92	90.59	86.24	82.92	82.55	84.37	87.30	90.15	89.21	89.14
	(Dollars per pound)										
Pork retail	3.11	3.45	3.50	3.46	3.40	3.42	3.51	3.63	3.73	3.71	3.68
Change	6.6%	10.7%	1.7%	-1.3%	-1.7%	0.6%	2.7%	3.3%	2.7%	-0.5%	-0.6%
<b>Farrow-finish returns</b>	(Dollars per hundredweight)										
Receipts	56.87	63.43	64.29	60.38	57.43	58.16	60.84	63.15	64.29	62.18	61.08
Feed expenses	32.02	40.47	37.73	35.00	35.03	35.11	35.16	35.50	35.93	35.81	35.84
Non-feed expenses	21.24	21.68	21.74	22.16	22.32	22.80	23.11	23.37	23.67	23.93	24.17
Net returns	3.60	1.29	4.82	3.22	0.08	0.24	2.57	4.28	4.69	2.44	1.08

\* Preceding year

# Poultry

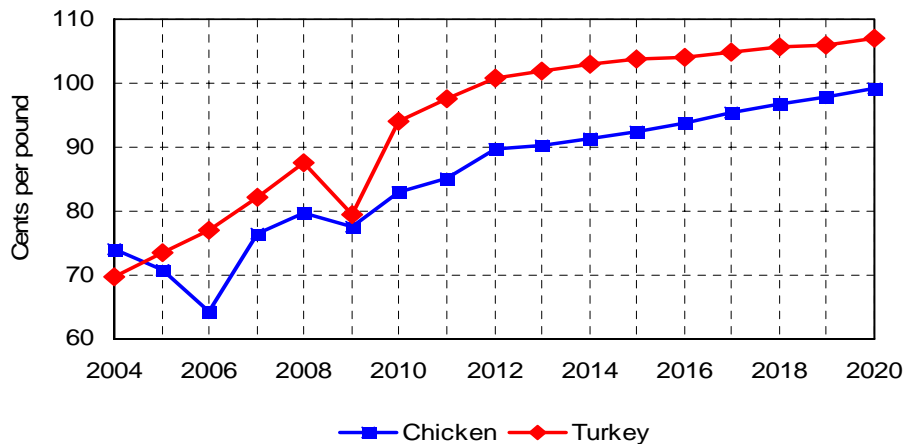
## Chicken domestic consumption will slowly recover

- The amount of chicken available for the domestic market grew by nearly five percent in 2010.
- Despite this growth, per capita supplies were still at a lower level than in 2004.
- The chicken industry will have an opportunity to gain market share due to tight beef and pork supplies during the next few years, but high feed costs will limit the ability to expand.



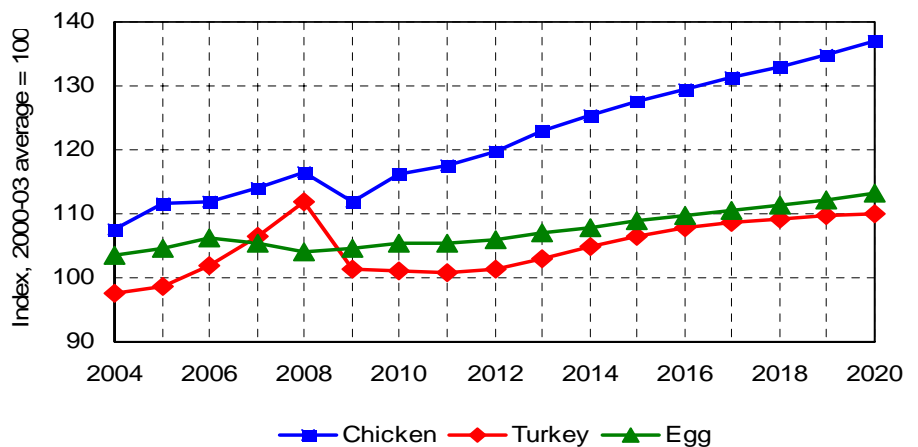
## Wholesale poultry prices continue to trend higher

- Wholesale chicken prices increased by 7 percent in 2010, a rate of growth well below that of most other meat commodities.
- Just as chicken prices did not suffer as much as other meats due to the economic weakness in 2009, they are not expected to benefit as much from economic recovery as higher cost beef and pork.
- Wholesale turkey prices in 2010 were at their third largest premium to chicken prices since 1986. Prices are expected to remain strong since producers have kept flock expansion in check to this point.



## Poultry production growth slowed through 2012

- Chicken production growth in the next decade will average just over 1.6 percent. It will be difficult to sharply increase exports due to strong competition from Brazil and a shrinking Russian TRQ.
- The turkey industry is not expected to return to its 2008 production level anytime soon.
- The salmonella outbreak which affected the egg industry last summer appears to have caused no long term damage to egg demand and prices.

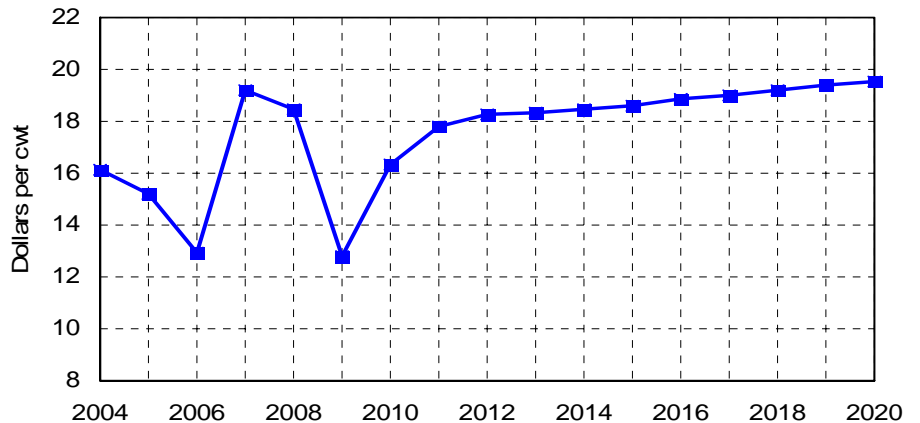


## Poultry supply and use

Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Broiler</b>											
	(Million pounds)										
Production	36,457	36,831	37,517	38,526	39,321	39,997	40,581	41,155	41,708	42,292	42,935
Domestic use	29,899	30,402	30,882	31,724	32,399	32,938	33,397	33,857	34,301	34,762	35,281
Exports	6,519	6,592	6,724	6,874	7,006	7,151	7,283	7,402	7,514	7,639	7,764
Ending stocks	750	682	692	722	743	759	771	781	791	802	815
<b>Turkey</b>											
Production	5,564	5,559	5,585	5,673	5,773	5,864	5,938	5,989	6,022	6,047	6,067
Domestic use	5,090	5,006	5,022	5,107	5,208	5,290	5,355	5,398	5,423	5,439	5,451
Exports	554	550	559	568	579	589	599	609	620	630	640
Ending stocks	200	219	240	255	261	266	271	274	276	277	278
<b>Eggs</b>											
	(Million dozens)										
Production	7,593	7,587	7,641	7,710	7,775	7,840	7,906	7,966	8,024	8,087	8,153
Domestic use	6,362	6,369	6,412	6,464	6,516	6,571	6,630	6,684	6,735	6,791	6,850
Hatching egg	982	984	990	1,005	1,013	1,019	1,023	1,026	1,029	1,033	1,037
Exports	262	247	251	254	258	262	266	270	274	277	280
Ending stocks	18	18	18	18	18	18	18	18	18	18	18
<b>Prices</b>											
	(Cents per pound)										
12 city wholesale broiler	82.92	85.25	89.85	90.30	91.24	92.49	93.81	95.49	96.75	97.86	99.07
Broiler retail	175.28	184.43	194.11	199.71	202.02	205.49	209.00	213.02	216.89	220.07	223.38
East. region wholesale turkey	94.17	97.57	100.83	101.93	102.86	103.85	104.11	104.81	105.56	106.05	106.90
Turkey retail	147.67	159.33	163.41	167.12	169.31	171.90	173.77	175.26	177.27	178.81	180.47
	(Cents per dozen)										
NY grade A large egg	106.24	117.76	121.85	121.44	121.85	122.98	124.03	125.26	126.65	127.71	128.77
Shell egg retail	165.97	182.52	189.69	191.91	194.13	197.30	200.47	203.54	206.90	209.72	212.39
<b>Per capita consumption</b>											
	(Pounds)										
Broiler	96.3	97.0	97.6	99.3	100.4	101.1	101.5	102.0	102.3	102.7	103.3
Turkey	16.4	16.0	15.9	16.0	16.1	16.2	16.3	16.3	16.2	16.1	16.0
	(Eggs)										
Eggs	245.9	243.8	243.1	242.7	242.3	242.1	241.9	241.5	241.1	240.8	240.6
<b>Feed-price ratios</b>											
	(Ratio)										
Broiler	4.5	4.1	4.7	4.8	4.8	4.8	4.8	4.9	4.9	4.9	5.0
Turkey	6.1	5.4	5.9	6.2	6.2	6.2	6.1	6.0	6.0	6.0	6.0
Eggs	7.5	7.3	8.1	8.2	8.2	8.1	8.1	8.1	8.2	8.2	8.2

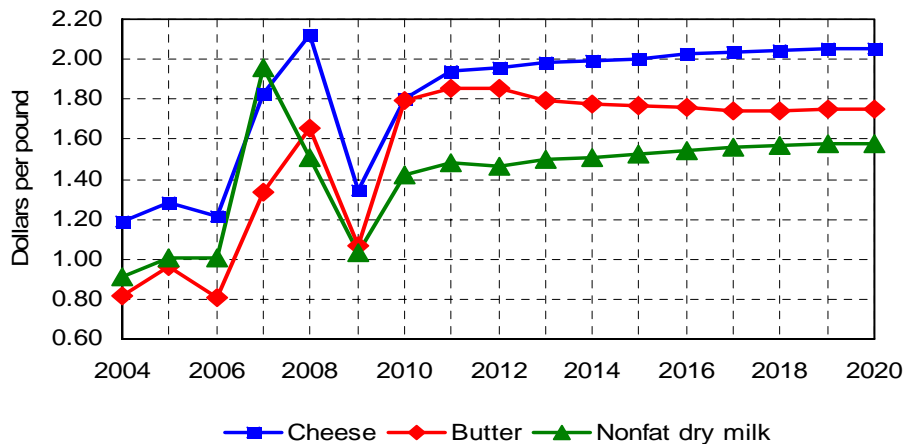
# Dairy prices

All milk price continues to rise in 2011



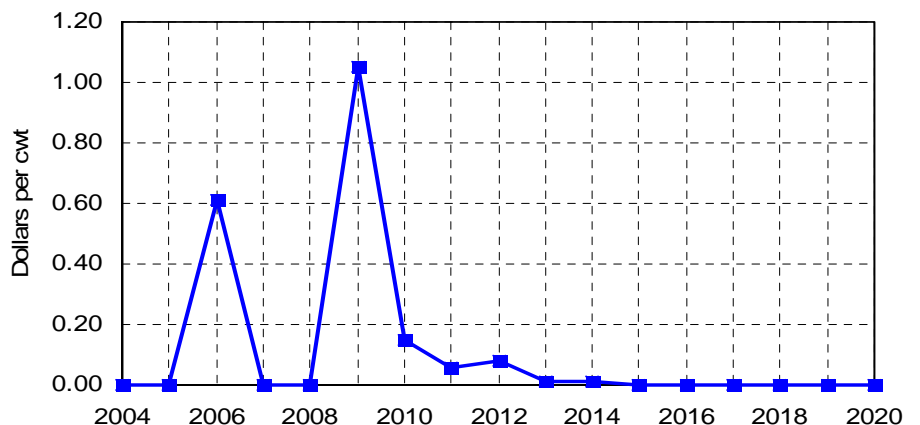
- 2010 farm-level milk prices recovered from the extremely low levels experienced in 2009.
- All milk prices are expected to increase in 2011 to near \$18 per cwt. The increase in 2011 prices is driven in part by international demand.
- In any given year there is a large range in the price outcomes suggesting more volatility is expected in the years ahead.

World dairy prices support US dairy exports



- The recovery of world dairy prices in 2010 allowed US milk and dairy prices to rise.
- Prices for all world dairy products remain well above the low levels experienced in 2009.
- The US is expected to be a larger player in world markets in the baseline due to growing US commercial dairy product exports.

MILC payments expected to be small



- The level of Milk Income Loss Contract (MILC) payments increased substantially in 2009 due to low milk prices and high feed costs.
- MILC payments are on average at minimal levels in the baseline. However, some of the 500 outcomes trigger large payments.

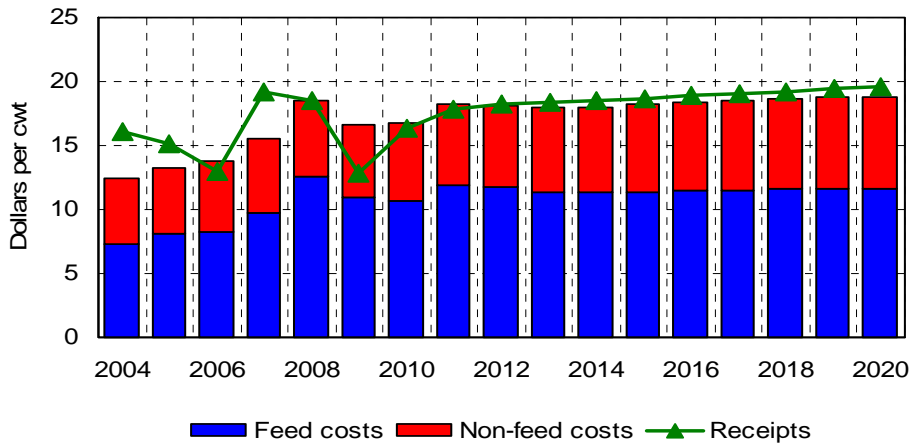
## Dairy sector

Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>US milk supply</b>											
Dairy cows (thou. head)	9,113	9,106	9,096	9,073	9,051	9,032	9,011	8,995	8,981	8,970	8,965
Milk yield (lbs. per cow)	21,148	21,471	21,791	22,087	22,345	22,615	22,885	23,129	23,378	23,614	23,857
Milk production (bil. lbs.)	192.7	195.5	198.2	200.4	202.2	204.3	206.2	208.0	210.0	211.8	213.9
<b>Min. FMMO class prices</b>											
	(Dollars per hundredweight)										
Class I mover	15.35	17.39	17.86	17.93	18.03	18.25	18.50	18.63	18.89	19.09	19.28
Class II	16.02	16.82	17.09	17.21	17.32	17.45	17.71	17.85	18.01	18.19	18.26
Class III	14.41	15.69	16.31	16.37	16.47	16.68	16.95	17.11	17.29	17.48	17.66
Class IV	15.09	16.12	16.39	16.51	16.62	16.75	17.01	17.15	17.31	17.49	17.56
<b>All milk price</b>	16.31	17.79	18.27	18.35	18.45	18.63	18.89	19.03	19.21	19.40	19.54
<b>MILC payment rate</b>											
	0.15	0.06	0.08	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00
<b>MILC trigger</b>											
	18.40	18.49	17.06	17.04	17.04	17.04	17.07	17.10	17.10	17.11	17.08
<b>Wholesale prices</b>											
	(Dollars per pound)										
Butter, CME	1.73	1.81	1.80	1.74	1.72	1.72	1.72	1.71	1.70	1.71	1.70
Cheese, Amer., 40#, CME	1.50	1.62	1.68	1.68	1.70	1.72	1.74	1.76	1.77	1.79	1.81
Nonfat dry milk, AA	1.25	1.33	1.37	1.41	1.43	1.44	1.48	1.50	1.52	1.54	1.55
Evaporated milk	1.72	1.77	1.78	1.79	1.81	1.82	1.83	1.84	1.86	1.86	1.87
<b>Dairy product production</b>											
	(Million pounds)										
American cheese	4,289	4,427	4,558	4,633	4,694	4,757	4,823	4,887	4,952	5,013	5,081
Other cheese	6,179	6,313	6,405	6,527	6,625	6,735	6,833	6,931	7,035	7,135	7,248
Butter	1,562	1,576	1,596	1,613	1,622	1,633	1,643	1,652	1,663	1,671	1,680
Nonfat dry milk	1,750	1,811	1,860	1,885	1,885	1,894	1,904	1,912	1,918	1,917	1,925

# Milk production

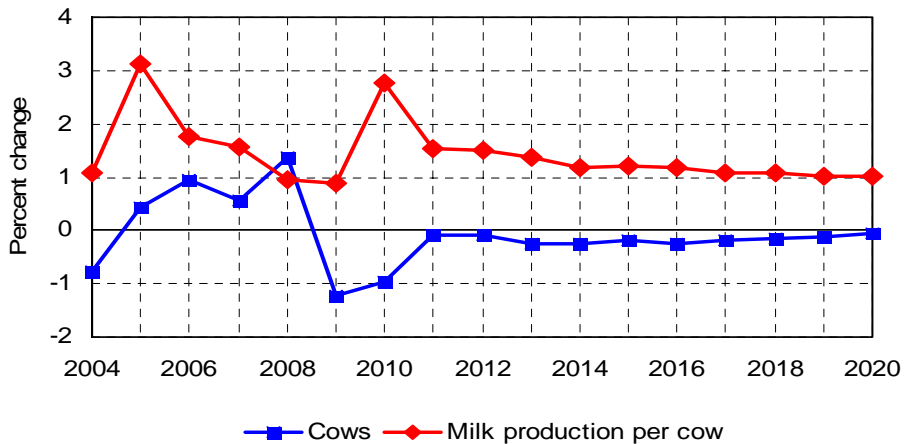
Milk returns remain historically low

- The cost of producing milk has increased rapidly due to high costs for feed and energy-related inputs.
- Low milk prices coupled with historically high production costs resulted in the dairy industry experiencing one of the worst years on record in 2009.
- Milk production costs have declined from their 2008 peak. However, they remain well above the historical average.



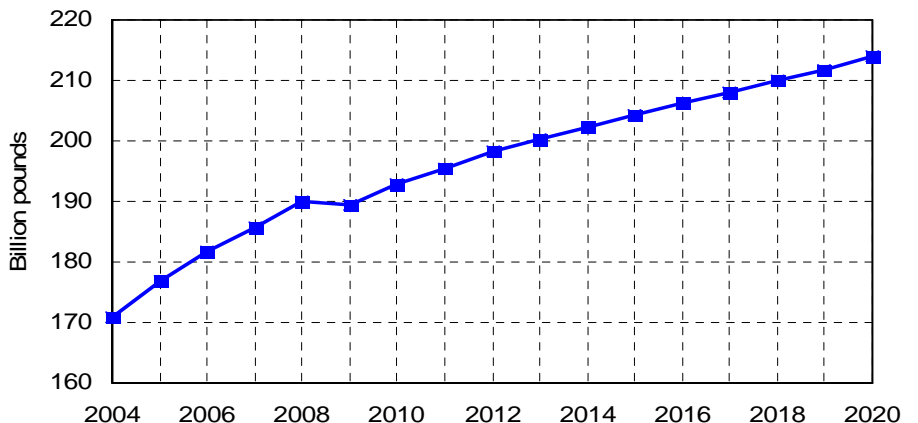
Modest dairy cow herd contraction continues

- Dairy cow inventories declined substantially in 2009 as a result of the negative returns faced by the industry. Further contraction is expected to continue as returns remain historically low.
- Milk yield growth accelerated in 2010 due to the heavy culling of lower-producing dairy cows that occurred in 2009.
- New technologies such as sexed semen could accelerate the growth in milk yields in the future.



Milk production grows as dairy exports expand

- Milk production grew by 3.4 billion pounds in 2010.
- Milk production is projected to grow by 1.0 percent annually on average.
- Higher feed and transportation costs appear to be pushing regional milk production closer to feed and other input sources.



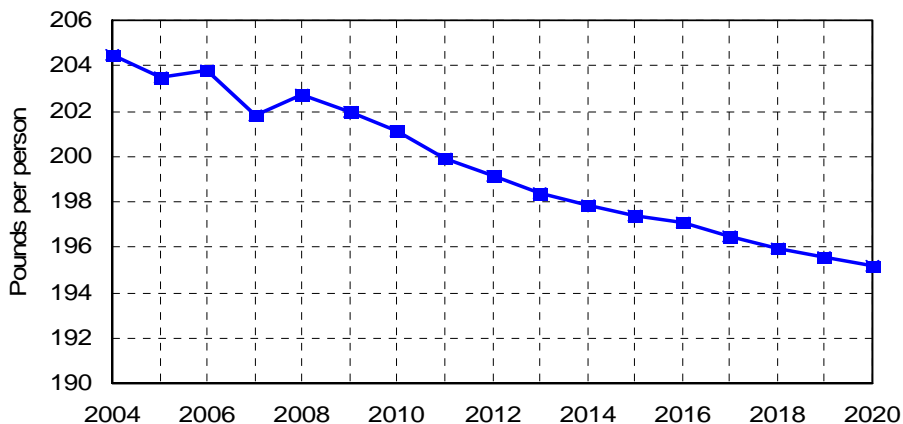
## State level dairy cows

Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Thousand head)										
Alabama	11	11	11	11	10	10	10	9	9	8	7
Alaska	1	1	1	1	1	1	1	1	1	1	1
Arizona	177	179	180	181	182	183	183	183	183	182	182
Arkansas	12	11	11	10	10	9	9	9	9	9	10
California	1,751	1,743	1,740	1,738	1,740	1,746	1,755	1,766	1,780	1,797	1,817
Colorado	119	118	117	117	116	116	116	115	115	115	114
Connecticut	19	19	19	19	19	19	19	19	19	19	19
Delaware	5	5	4	4	3	3	3	3	3	2	2
Florida	114	114	114	114	114	114	113	112	112	111	110
Georgia	78	78	78	79	79	79	79	79	79	79	78
Hawaii	2	2	2	3	3	3	3	3	3	3	3
Idaho	564	582	599	615	628	640	651	662	672	681	689
Illinois	100	99	98	97	96	95	94	94	93	92	91
Indiana	169	171	173	175	177	178	179	180	180	181	181
Iowa	209	205	202	198	195	192	189	186	184	181	179
Kansas	119	121	122	123	124	124	124	124	124	123	123
Kentucky	78	73	69	66	63	61	58	57	55	54	53
Louisiana	20	18	15	13	12	11	9	8	7	7	6
Maine	32	31	31	30	29	29	29	28	28	28	28
Maryland	54	53	52	50	49	47	46	45	45	44	44
Massachusetts	14	14	14	14	14	14	14	15	15	15	15
Michigan	358	363	367	369	372	374	375	377	378	379	380
Minnesota	470	471	470	467	463	458	453	447	441	434	428
Mississippi	17	16	16	15	14	14	13	13	13	12	12
Missouri	99	93	89	85	81	78	75	72	69	67	64
Montana	14	13	13	12	12	11	11	11	11	11	11
Nebraska	58	56	54	52	51	49	48	47	47	46	46
Nevada	28	28	28	28	29	29	29	29	29	29	29
New Hampshire	15	15	15	15	15	15	15	15	15	15	15
New Jersey	8	7	6	6	5	4	4	3	3	2	2
New Mexico	321	322	323	323	323	324	325	326	326	327	327
New York	611	607	603	598	593	589	583	578	573	568	564
North Carolina	44	43	42	41	40	38	36	35	33	31	29
North Dakota	21	19	18	17	16	15	14	13	13	12	12
Ohio	270	267	265	263	261	259	257	255	253	251	249
Oklahoma	56	54	52	50	49	48	46	45	44	43	43
Oregon	117	120	122	123	124	124	124	124	124	123	123
Pennsylvania	541	540	539	538	536	534	531	529	526	524	523
Rhode Island	1	1	1	1	1	1	1	1	1	1	1
South Carolina	16	15	15	14	13	13	12	12	12	11	11
South Dakota	92	91	89	88	87	86	85	84	84	83	82
Tennessee	52	49	46	43	40	37	35	32	30	27	25
Texas	413	409	405	402	398	396	393	391	389	387	386
Utah	85	86	86	86	86	85	85	85	85	85	85
Vermont	137	138	138	137	135	135	134	133	133	133	133
Virginia	95	95	95	95	94	94	94	93	93	92	92
Washington	251	255	258	260	262	263	264	266	267	268	268
West Virginia	10	9	9	8	8	7	7	7	7	7	7
Wisconsin	1,262	1,271	1,277	1,277	1,276	1,274	1,272	1,270	1,268	1,265	1,263
Wyoming	6	7	7	7	7	7	7	7	7	7	6
<b>United States</b>	<b>9,113</b>	<b>9,106</b>	<b>9,096</b>	<b>9,073</b>	<b>9,051</b>	<b>9,032</b>	<b>9,011</b>	<b>8,995</b>	<b>8,981</b>	<b>8,970</b>	<b>8,965</b>

# Dairy products

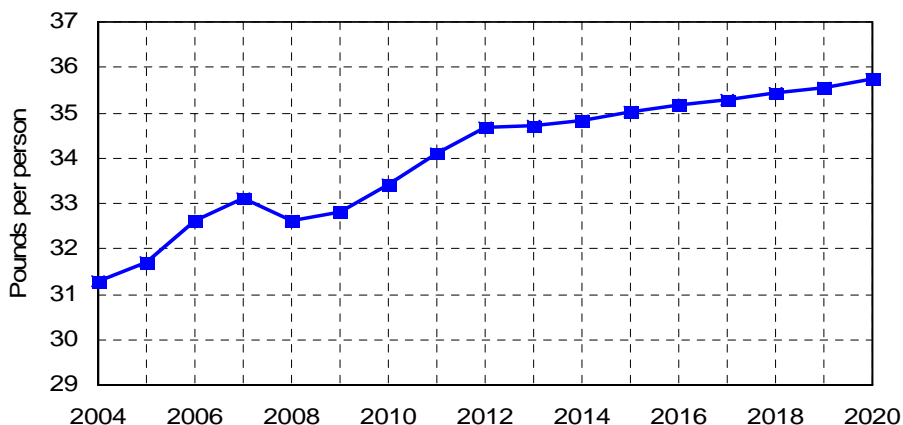
## Fluid milk consumption declines

- Fluid milk consumption continues on a long-term decline, albeit at a reasonably small rate.
- Fluid milk consumption changes are having less effects on producer milk prices as a smaller percentage of milk production is used for fluid purposes.



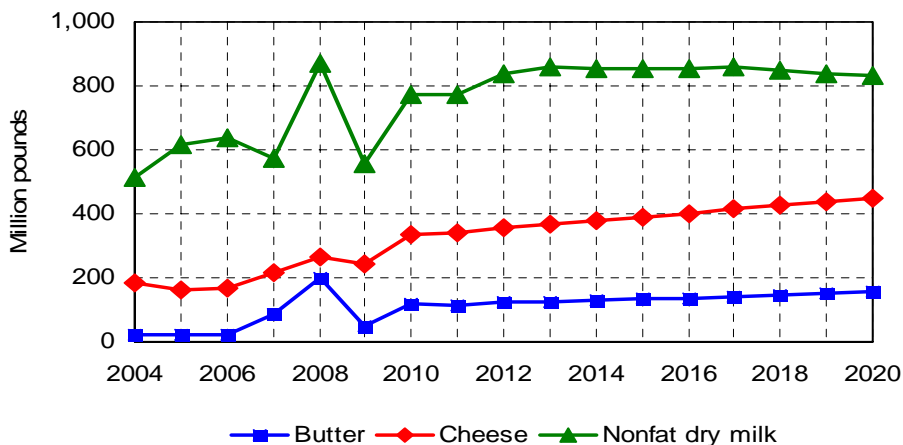
## Cheese consumption growth slows

- Total cheese per capita consumption grew in 2010 by about 0.5 pounds, following two years of declining or flat consumption levels.
- Per capita cheese consumption growth remains important to the overall dairy outlook.
- Total per capita cheese consumption reaches 35.7 pounds by 2020, an increase of 1.6 pounds from the 2011 level.



## Dairy product exports recovered in 2010

- Exports of dairy products fell in 2009 as many global economies contracted.
- Economic recovery and strong international markets allowed US dairy exports to recover in 2010.
- US exports of nonfat dry milk remain a large proportion of domestic production. Exports remain a smaller share of domestic production of cheese and butter.



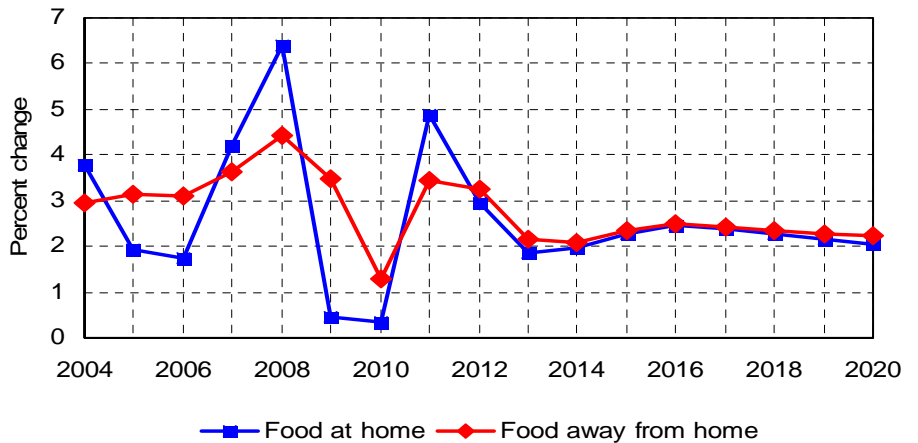


## Dairy product supply and use

Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Butter</b>											
	(Million pounds)										
Production	1,562	1,576	1,596	1,613	1,622	1,633	1,643	1,652	1,663	1,671	1,680
Imports	31	31	31	31	31	31	31	31	31	34	37
Domestic use	1,526	1,492	1,502	1,514	1,520	1,528	1,538	1,542	1,547	1,554	1,559
Total foreign use	117	115	123	127	131	134	136	139	145	150	157
Ending stocks	82	82	84	86	88	90	91	92	94	94	95
CCC net rem. inc DEIP	0	2	1	1	1	1	-1	1	0	0	-1
<b>American cheese</b>											
Production	4,289	4,427	4,558	4,633	4,694	4,757	4,823	4,887	4,952	5,013	5,081
Imports	29	29	29	29	29	29	29	29	29	29	29
Domestic use	4,137	4,301	4,426	4,495	4,550	4,607	4,664	4,720	4,777	4,832	4,891
Total foreign use	134	139	145	153	162	169	177	185	192	200	207
Ending stocks	632	649	664	678	690	701	712	723	734	745	757
CCC net rem. inc DEIP	0	0	-1	0	0	0	0	0	0	0	0
<b>Other cheese</b>											
Production	6,179	6,313	6,405	6,527	6,625	6,735	6,833	6,931	7,035	7,135	7,248
Imports	270	283	286	288	291	294	297	300	303	306	309
Domestic use	6,236	6,386	6,544	6,599	6,693	6,801	6,900	6,996	7,100	7,200	7,312
Total foreign use	201	202	210	214	218	222	225	229	233	236	239
Ending stocks	394	401	338	341	346	352	358	363	369	375	381
<b>Nonfat dry milk</b>											
Production	1,750	1,811	1,860	1,885	1,885	1,894	1,904	1,912	1,918	1,917	1,925
Imports	0	0	0	0	0	0	0	0	0	0	0
Domestic use	1,032	1,033	1,020	1,022	1,031	1,039	1,048	1,051	1,071	1,081	1,095
Total foreign use	775	773	839	861	854	854	855	860	847	836	830
Ending stocks	136	142	143	145	145	146	146	147	148	148	149
Government	0	3	1	1	0	0	0	0	0	0	0
Commercial	136	139	142	144	145	146	146	147	148	148	149
CCC net rem. inc DEIP	10	13	-2	0	0	0	0	0	0	0	0
<b>Evap. and condensed milk</b>											
Production	686	681	681	680	681	683	684	685	685	686	688
Imports	11	11	11	11	11	11	11	11	11	11	11
Domestic use	627	626	625	624	624	626	627	628	629	629	631
Total foreign use	68	68	68	68	68	68	68	68	68	68	68
Ending stocks	47	47	47	47	47	48	48	49	49	49	50
<b>Per capita consumption</b>											
	(Pounds)										
Butter	4.9	4.8	4.7	4.7	4.7	4.7	4.7	4.6	4.6	4.6	4.6
Nonfat dry milk	3.3	3.3	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Total cheese	33.4	34.1	34.7	34.7	34.8	35.0	35.2	35.3	35.4	35.6	35.7
American	13.3	13.7	14.0	14.1	14.1	14.1	14.2	14.2	14.3	14.3	14.3
Other	20.1	20.4	20.7	20.7	20.7	20.9	21.0	21.1	21.2	21.3	21.4
Total fluid milk	201.1	199.9	199.2	198.4	197.9	197.4	197.1	196.5	195.9	195.6	195.2
Ice cream	22.9	22.9	22.9	22.8	22.7	22.6	22.6	22.5	22.4	22.3	22.2
<b>Retail prices</b>											
	(Dollars per unit)										
Cheese, cheddar (pound)	4.71	4.90	5.03	5.16	5.27	5.40	5.52	5.62	5.72	5.81	5.89
Milk, whole (gallon)	3.26	3.72	3.79	3.80	3.81	3.84	3.88	3.90	3.93	3.96	3.98
Ice cream (half gallon)	4.46	4.54	4.48	4.49	4.54	4.60	4.67	4.72	4.78	4.84	4.89

# Food prices and expenditures

Inflation for food at home near 5 percent in 2011

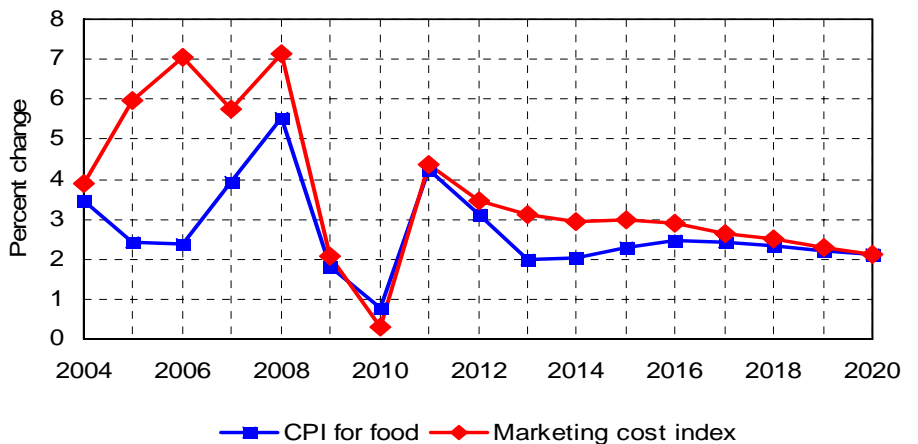


- Growth in the CPI for food in 2010 was at its lowest level since 1962.

- The situation is expected to be quite different in the next couple of years, as food prices rise due to increases in commodity and other costs, such as energy.

- Growth in the CPI for food away from home is not as volatile as that for food at home. Both indices are expected to grow in the range of 2 to 3 percent annually after 2012.

Most food cost is independent of commodity prices

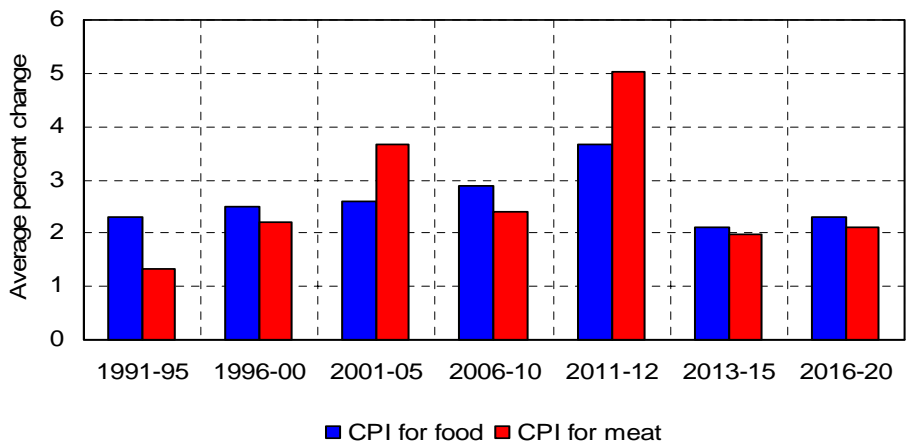


- There is a strong correlation between the cost of food and the cost of transforming raw farm products into consumer-ready foods, regardless of farm commodity price levels.

- Commodity costs will take much of the blame for expected higher food prices in 2011 and 2012, but the farm value of food accounts for only about 15 to 20 percent of the finished product in the US.

- The largest category of costs associated with final food prices is labor. Energy and packaging costs are also very important.

Consumer prices for meat move sharply higher



- Higher meat prices will likely be the most notable factor for food price inflation during the next couple of years.

- Since the percentage of corn and many other feed grains consumed directly is small, higher corn prices mostly affect consumers when it comes to buying meat and dairy products.

- Longer term food inflation is expected to approximate that of the general consumer price index, leaving real expenditures for food roughly unchanged.

## Consumer price indices for food

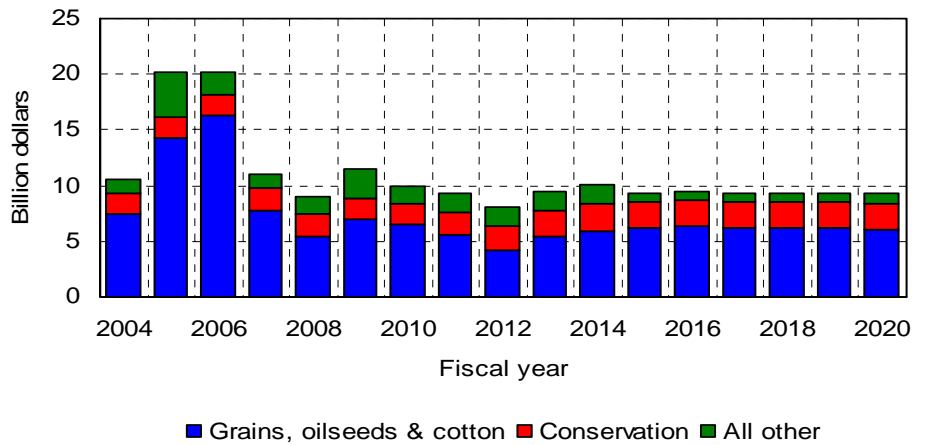
Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
					(1982-84=100)						
<b>Total food</b>	219.6	228.9	236.0	240.7	245.6	251.3	257.5	263.7	269.8	275.8	281.7
(Inflation rate)	0.8%	4.2%	3.1%	2.0%	2.0%	2.3%	2.5%	2.4%	2.3%	2.2%	2.1%
<b>Food at home</b>	215.8	226.3	233.0	237.4	242.1	247.6	253.6	259.7	265.6	271.3	276.9
Cereal and bakery	250.4	264.6	271.1	275.4	281.0	287.6	294.7	301.8	308.9	315.8	322.2
Meat	207.7	220.6	229.0	233.8	238.2	242.8	248.2	253.9	259.4	264.4	269.7
Dairy	199.2	208.3	213.5	217.8	222.3	227.3	232.9	238.2	243.4	248.4	253.3
Fruit and vegetables	273.5	285.2	290.6	296.7	304.3	313.2	322.7	332.1	341.3	350.4	359.3
Other food at home	191.1	197.8	204.6	207.9	211.0	215.1	219.6	224.0	228.4	232.8	236.9
Sugar and sweets	201.2	211.0	216.2	217.2	219.6	224.3	228.8	232.8	236.7	240.5	244.1
Fats and oils	200.6	209.6	216.0	219.6	222.8	226.7	231.1	235.7	240.2	244.5	248.5
Other prepared items	204.6	209.6	218.1	222.2	225.6	229.8	234.6	239.7	244.8	249.8	254.6
Non-alc. beverages	161.6	169.0	173.8	176.1	179.0	182.6	186.3	189.6	192.8	195.9	198.9
<b>Food away from home</b>	226.1	233.9	241.5	246.6	251.8	257.6	264.1	270.5	276.9	283.2	289.4

## Consumer expenditures for food

Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
					(Dollars per person)						
<b>Total food per capita</b>	3,711	3,889	4,002	4,074	4,155	4,249	4,353	4,453	4,549	4,643	4,734
<b>Food at home</b>	1,918	2,004	2,057	2,090	2,127	2,170	2,219	2,267	2,314	2,360	2,404
<b>Food away from home</b>	1,793	1,885	1,945	1,984	2,028	2,079	2,134	2,186	2,235	2,283	2,331
Multiply by population for:					(Billion dollars)						
<b>Total US food expenditures</b>	1,152	1,219	1,266	1,302	1,341	1,384	1,432	1,479	1,525	1,571	1,617

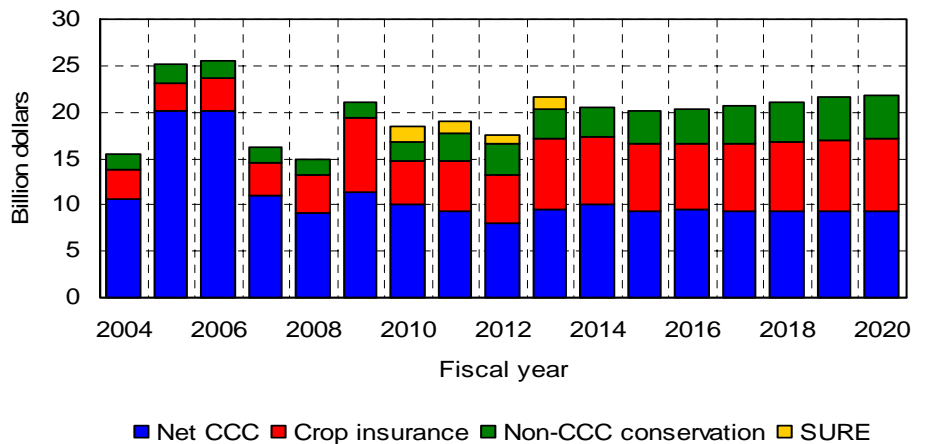
# Government costs

Net CCC outlays total \$93 billion over FY 2011-2020



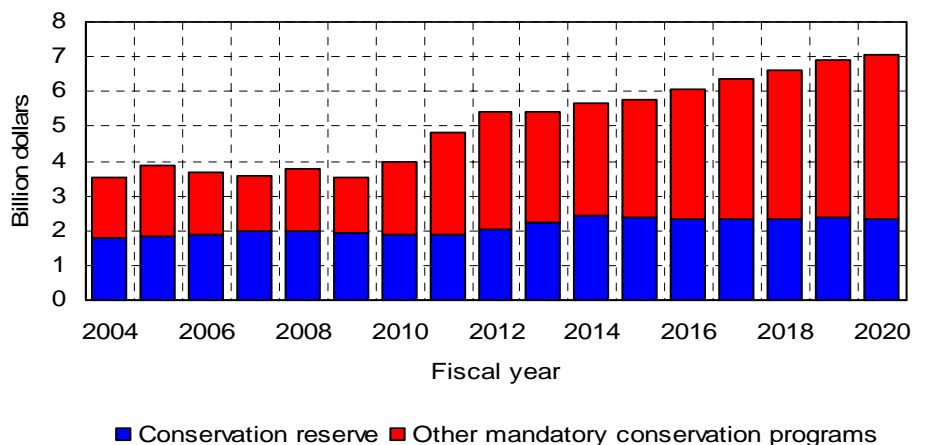
- Reduced dairy program spending contributed to a decline in net CCC outlays in FY 2010.
- Projected spending averages about \$9 billion per year.
- The first payments under the ACRE program occurred in October 2010, which is part of FY 2011.
- The last tobacco trust fund payments are made in FY 2014.

Crop insurance share of program spending increases



- Mandatory government outlays under the crop insurance program, the supplemental revenue (SURE) program and certain conservation programs are not included in the CCC account.
- Crop insurance outlays vary with the weather and crop prices.
- Crop insurance outlays are reduced in FY 2012 by mandated changes regarding when producers pay premiums and providers are reimbursed for expenses.

Conservation outlays rise due to farm bill changes



- CRP spending reflects changes in CRP area under contract and increased rental rates when new contracts are signed.
- For other mandatory conservation programs, projected expenditures are based on preliminary estimates from the Congressional Budget Office (CBO).
- Provisions of the 2008 farm bill lead to increased spending on the Conservation Stewardship Program, the Environmental Quality Incentive Program and other conservation programs.

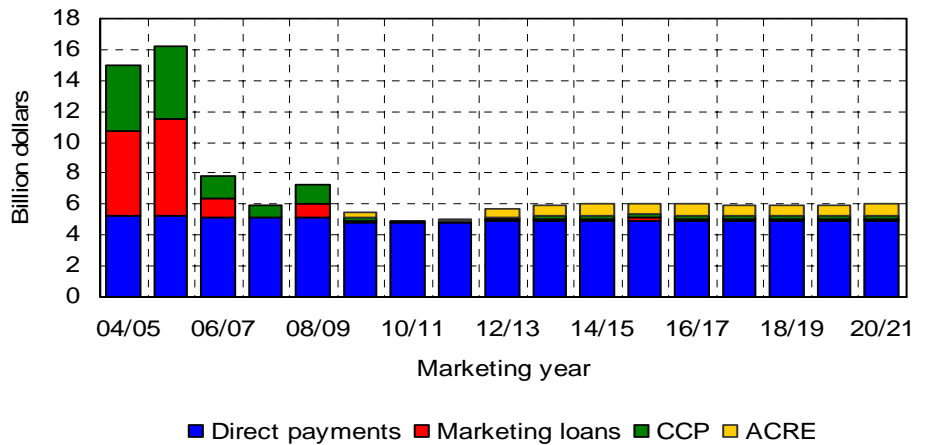
## Net government outlays

Fiscal year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Feed grains</b>	(Million dollars)										
Corn	1,965	2,007	1,489	1,985	2,069	2,165	2,218	2,205	2,213	2,202	2,230
Sorghum	179	184	143	187	188	188	189	189	189	188	189
Barley	79	87	63	82	87	89	91	89	87	86	87
Oats	3	5	3	3	4	4	5	5	5	5	5
<b>Food grains</b>											
Wheat	1,280	1,364	904	1,161	1,233	1,293	1,298	1,276	1,263	1,246	1,233
Rice	535	346	334	429	438	432	433	427	423	428	422
<b>Oilseeds</b>											
Soybeans	557	538	428	605	775	856	906	855	835	853	848
Peanuts	103	76	57	85	100	106	108	109	114	114	123
Other oilseeds	19	33	14	19	26	28	28	26	26	24	25
<b>Other commodities</b>											
Upland cotton	1,729	996	817	901	962	983	1,036	1,037	1,021	988	940
Sugar	1	0	0	0	0	0	0	0	0	0	0
Dairy	355	58	57	12	5	4	3	3	2	1	1
<b>CCC conservation</b>											
Conservation reserve	1,904	1,888	2,054	2,258	2,428	2,364	2,337	2,324	2,350	2,375	2,338
Other CCC conservation	27	19	29	2	1	1	1	1	1	1	1
<b>Tobacco trust fund</b>	937	960	780	960	960	0	0	0	0	0	0
<b>Other CCC</b>											
Disaster payments, NAP	99	117	115	115	115	115	115	115	115	115	115
Other net costs	231	627	749	732	654	705	707	709	713	714	715
<b>Net CCC outlays</b>	10,003	9,306	8,034	9,536	10,045	9,334	9,475	9,369	9,356	9,340	9,271
<b>NRCS conservation</b>	2,064	2,923	3,324	3,153	3,233	3,423	3,729	4,038	4,272	4,523	4,723
<b>Supplem. Revenue (SURE)</b>	1,559	1,460	1,055	1,197	0	0	0	0	0	0	0
<b>Other non-CCC Emergency</b>	928	278	277	32	0	0	0	0	0	0	0
<b>Crop insurance</b>	4,784	5,403	5,185	7,677	7,210	7,287	7,190	7,285	7,376	7,686	7,853
<b>Total mandatory outlays</b>	19,338	19,370	17,875	21,595	20,487	20,043	20,394	20,692	21,004	21,549	21,847

Note: "NRCS Conservation" denotes mandatory spending on conservation programs authorized by the 2002 and 2008 farm bills that is not included in reported CCC outlays. Fiscal years begin on Oct.1 of the previous calendar year (FY 2011: Oct. 1,2010-Sep. 30, 2011).

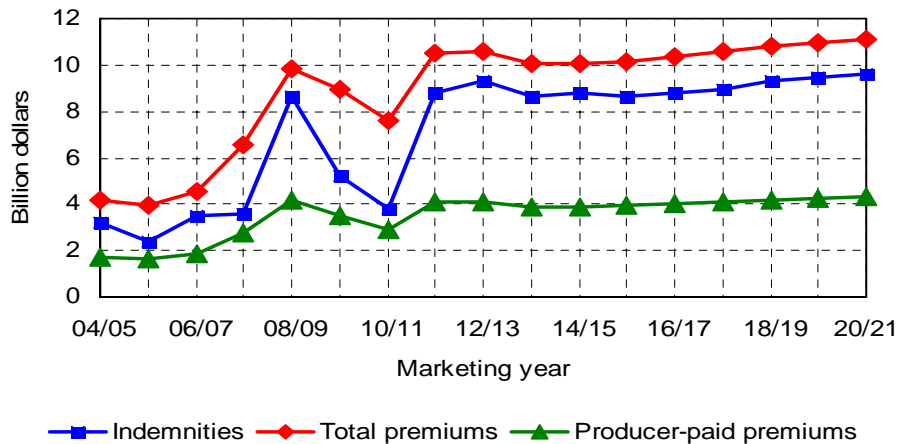
# Payments and crop insurance

Direct payments dominate total traditional payments



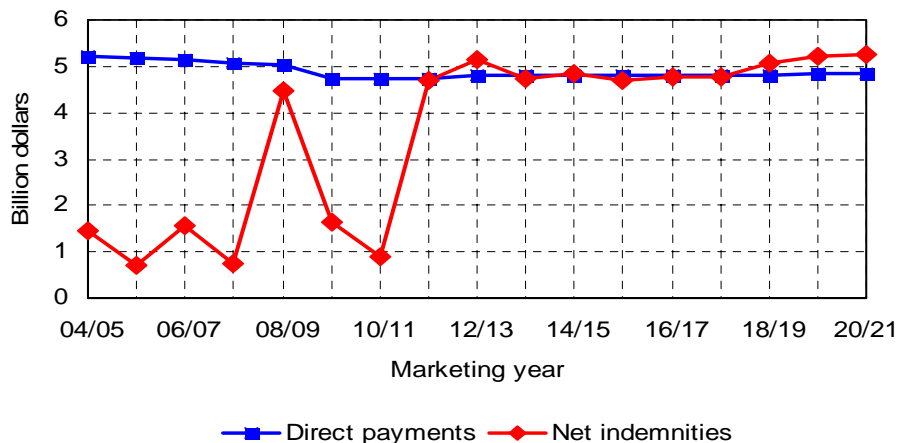
- Direct payments do not depend on market conditions.
- Average projected prices are above levels that would trigger marketing loan benefits or countercyclical payments for most crops.
- High prices and limited participation mean ACRE payments are very small in 2010/11 and 2011/12. After 2012/13, ACRE payments average about \$700 million per year.

Crop insurance subsidies rise with higher prices



- Higher coverage levels and crop prices have increased crop insurance premiums and premium subsidies.
- The average annual crop insurance loss ratio (indemnities divided by total premiums, including premium subsidies) averaged 0.80 over the last 10 years.
- Given projected levels and variation in prices and yields, the average annual loss ratio over the next 10 years is 0.86.

Net indemnities may match direct payments



- The crop insurance program has grown in importance relative to other farm programs.
- Projected net indemnities (indemnities minus producer-paid premiums) are comparable to the value of direct payments.
- Projected net USDA expenditures on the crop insurance program total \$70 billion over the FY 2011-FY 2020 period.

## Selected direct government payments

Marketing year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
	(Million dollars)										
Direct payments	4,789	4,783	4,875	4,875	4,875	4,875	4,875	4,876	4,876	4,876	4,876
Marketing loans	90	72	158	179	196	241	211	202	172	158	166
Countercyclical payments	15	60	163	192	225	240	223	222	186	195	191
ACRE payments	55	104	454	678	787	703	682	662	686	740	749
<b>Total</b>	<b>4,949</b>	<b>5,019</b>	<b>5,649</b>	<b>5,924</b>	<b>6,083</b>	<b>6,060</b>	<b>5,991</b>	<b>5,961</b>	<b>5,920</b>	<b>5,969</b>	<b>5,982</b>

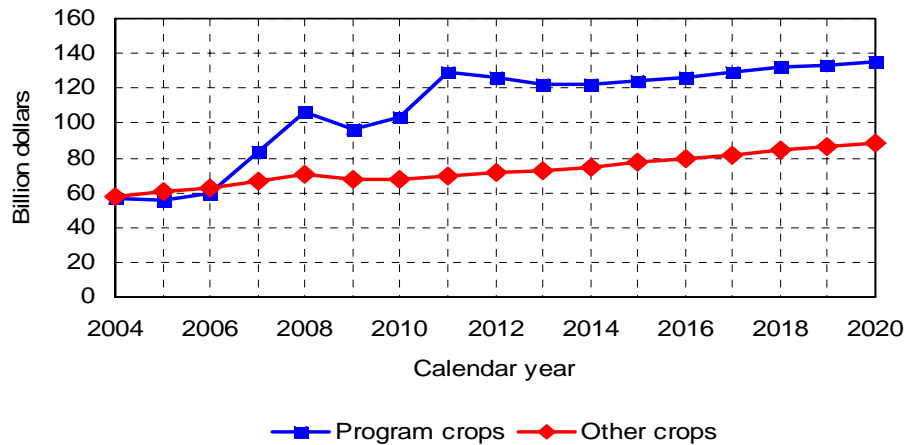
Note: Includes selected payments for feed grains, food grains, oilseeds, and upland cotton.

## Crop insurance

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Million dollars, crop year)										
<b>Total premiums</b>	7,581	10,515	10,564	10,029	10,053	10,141	10,326	10,551	10,807	10,972	11,127
Producer-paid premiums	2,878	4,068	4,089	3,881	3,890	3,923	3,994	4,081	4,180	4,244	4,303
Premium subsidies	4,702	6,446	6,475	6,148	6,163	6,218	6,332	6,470	6,627	6,728	6,824
<b>Total indemnities</b>	3,816	8,807	9,295	8,675	8,780	8,679	8,812	8,920	9,290	9,496	9,614
<b>Loss ratio</b>	0.50	0.84	0.88	0.87	0.87	0.86	0.85	0.85	0.86	0.87	0.86
	(Million dollars, crop year)										
<b>Net indemnities</b>	937	4,738	5,206	4,794	4,890	4,755	4,818	4,838	5,110	5,253	5,311
Corn	475	1,803	1,862	1,630	1,704	1,702	1,857	1,865	1,968	2,020	2,013
Soybeans	14	725	815	662	835	707	704	695	765	778	814
Wheat	121	779	1,108	1,196	1,055	1,046	948	941	1,006	1,058	1,055
All other	328	1,431	1,421	1,306	1,295	1,300	1,310	1,338	1,371	1,397	1,430
	(Million dollars, fiscal year)										
<b>Net outlays</b>	4,784	5,403	5,185	7,677	7,210	7,287	7,190	7,285	7,376	7,686	7,853

# Farm receipts and expenses

Program crop receipts increase sharply in 2011

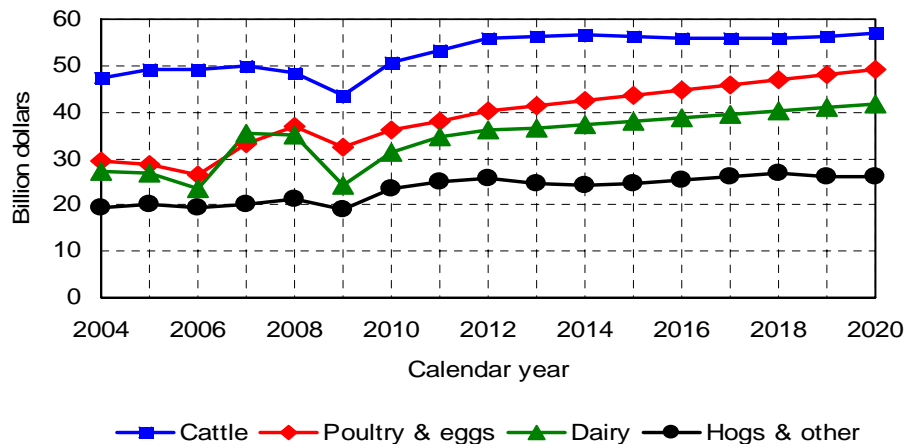


- Cash receipts from sales of program crops (grains, oilseeds, cotton and sugar) have more than doubled since 2005.

- Sharply higher prices for most major crops cause the large increase in program crop receipts in 2011.

- Receipts for other crops (including vegetables, fruits, nursery crops and hay) dipped slightly with the recession but generally grow at a modest pace.

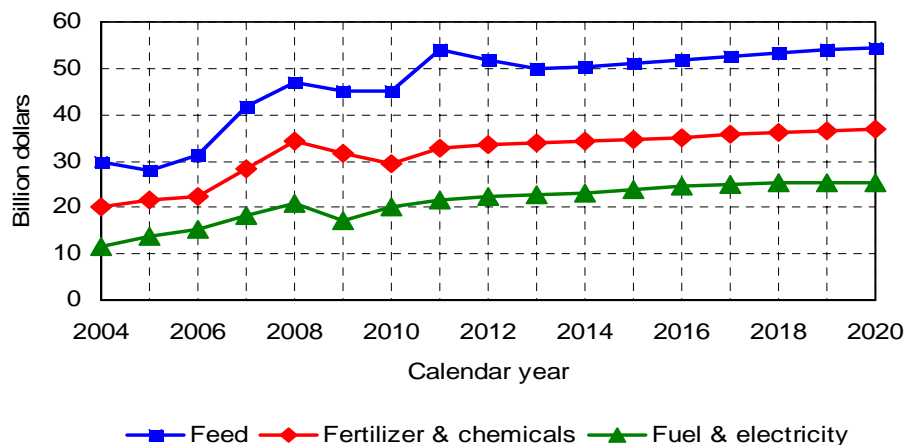
Dairy and livestock receipts grow after 2009 decline



- Lower prices resulted in lower cash receipts for every major livestock category in 2009, with dairy experiencing the largest decline.

- Dairy and livestock receipts increase in 2010 and later years, as the assumed recovery in the US and global economies leads to increased demand for animal products.

Production costs also increase after 2009 decline



- Farm production expenses increased sharply between 2002 and 2008, primarily because of large increases in spending on fertilizer, fuel and feed.

- Lower prices for these key inputs resulted in lower farm expenditures in 2009.

- Rising prices for energy and other inputs result in resumed growth in production expenses. Feed expenses increase sharply in 2011 with higher grain prices.



## Farm cash receipts

Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Billion dollars)										
Feed grains	52.51	67.67	66.14	63.97	64.89	66.63	68.32	70.07	71.52	72.32	73.03
Food grains	14.26	15.58	14.91	14.33	14.23	14.43	14.78	15.20	15.57	15.90	16.15
Oilseeds	32.27	39.77	40.05	38.90	38.79	38.93	39.60	40.28	40.98	41.65	42.11
Cotton	6.16	8.19	7.81	7.25	6.91	6.80	6.82	6.91	6.97	7.01	7.04
Sugar	3.71	3.76	3.43	3.27	3.33	3.41	3.44	3.45	3.45	3.45	3.46
Other crops	61.95	63.30	65.19	66.97	68.96	71.16	73.35	75.44	77.55	79.62	81.74
Cattle	50.57	53.21	55.80	56.13	56.81	56.36	56.00	55.77	55.90	56.12	57.01
Hogs	18.38	20.09	20.63	19.86	19.29	19.68	20.71	21.59	22.16	21.79	21.73
Dairy products	31.40	34.70	36.12	36.67	37.21	37.95	38.83	39.48	40.24	40.97	41.68
Poultry, eggs	36.15	37.84	40.16	41.22	42.34	43.53	44.64	45.91	47.00	48.06	49.21
Other livestock	4.97	5.00	5.00	4.91	4.83	4.75	4.69	4.62	4.54	4.45	4.37
Total cash receipts	312.33	349.11	355.23	353.47	357.57	363.65	371.18	378.70	385.87	391.34	397.53

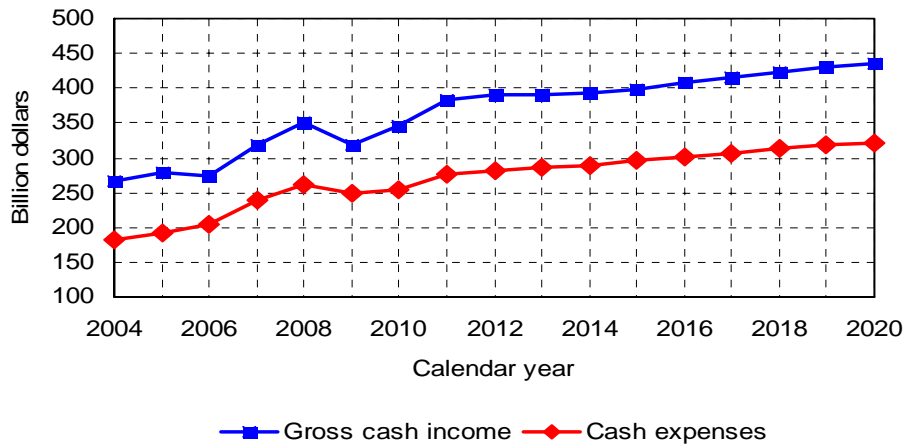
## Farm production expenses

Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Billion dollars)										
Feed	45.16	54.06	51.64	49.85	50.31	50.99	51.77	52.64	53.47	54.08	54.50
Purchased livestock	19.45	19.34	21.12	21.48	21.76	21.45	21.20	21.02	20.94	20.95	21.38
Seed	15.25	15.81	16.66	17.15	17.31	17.64	18.05	18.42	18.79	19.09	19.33
Fertilizer and chemicals	29.36	32.73	33.56	33.92	34.19	34.61	35.13	35.69	36.25	36.46	36.72
Fuels and electricity	20.14	21.54	22.20	22.76	23.22	23.86	24.52	24.89	25.34	25.47	25.49
Interest	14.95	15.39	16.09	17.99	18.87	20.62	21.41	22.04	22.59	23.11	23.58
Contract and hired labor	28.80	30.04	30.27	30.78	31.55	32.41	33.54	34.63	35.80	37.03	38.23
Capital consumption	30.63	31.45	32.25	33.03	33.66	34.25	34.71	35.11	35.54	36.02	36.53
Rent to non-operators	9.94	11.65	13.49	13.64	13.25	13.00	13.00	13.24	13.56	13.86	14.13
All other	73.58	78.24	79.80	80.91	82.36	83.98	85.85	87.57	89.37	90.90	92.38
Total production expenses	287.27	310.24	317.07	321.51	326.49	332.82	339.18	345.25	351.65	356.97	362.28

# Farm income

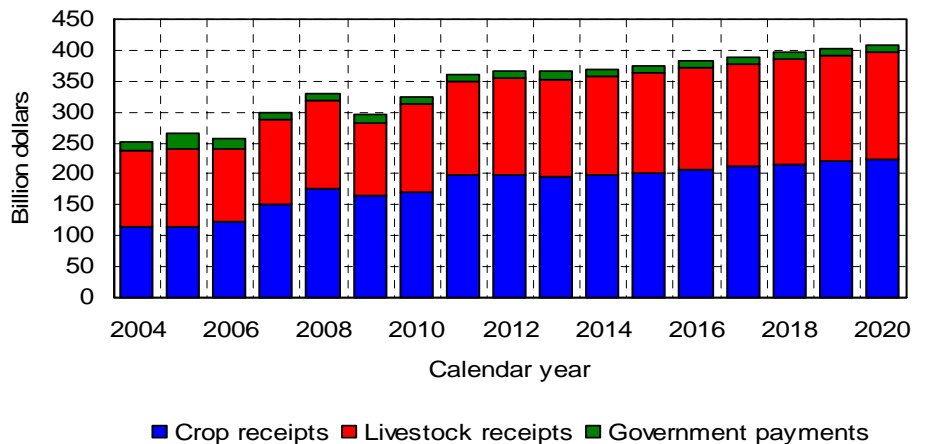
Cash income and expenses resume growth in 2010

- Gross cash income (sales receipts and government payments) recovered in 2010 and increases again in 2011.
- Cash expenses also increase in 2011, but by less than cash income.
- Gross cash income and expenses increase at a similar pace after 2011.



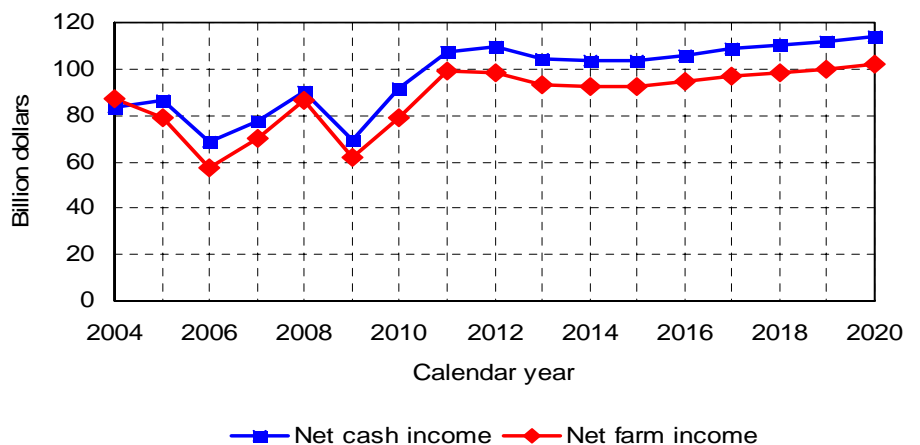
Crop and livestock receipts both increase in 2011

- Both crop and livestock sales receipts declined in 2009, in part because of the recession.
- Livestock receipts resumed their increase in 2010, and projected crop receipts increase by more than \$27 billion in 2011.
- Government payments are a modest share of gross farm income.



Net cash and net farm income set records in 2011

- Net cash income exceeds \$100 billion for the first time in 2011, and net farm income also reaches its highest level ever in nominal terms.
- Both measures of farm income remain at elevated levels after 2011.
- Even after adjusting for inflation, real net farm income in 2011 is at the highest level since 2004.



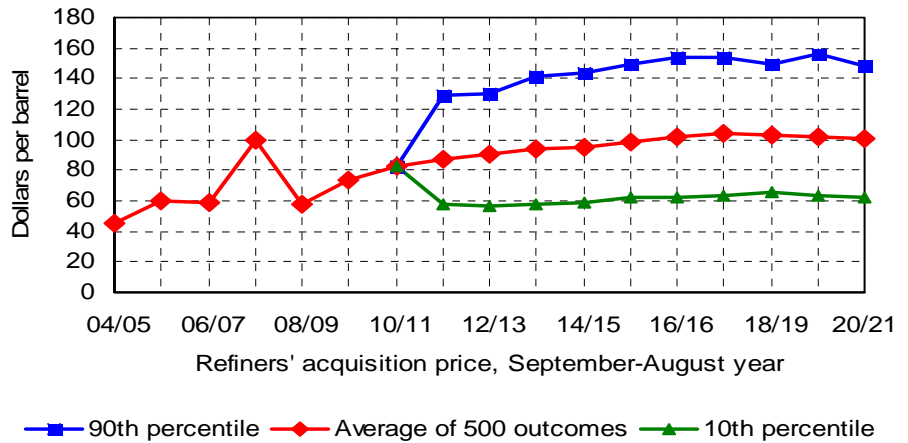
## Farm income statistics

Calendar year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Billion dollars)										
1. Farm receipts	333.40	372.38	380.02	378.08	382.42	388.74	396.67	404.59	412.39	418.40	425.03
Crops	170.86	198.26	197.52	194.69	197.10	201.37	206.31	211.34	216.04	219.95	223.53
Livestock	141.48	150.84	157.71	158.78	160.47	162.27	164.87	167.36	169.84	171.39	174.00
Farm-related	21.07	23.27	24.79	24.61	24.85	25.09	25.48	25.89	26.52	27.06	27.50
2. Government payments	12.18	11.22	11.47	12.08	11.21	10.58	10.68	10.81	10.94	11.08	11.22
3. Gross cash income (1 + 2)	345.58	383.60	391.48	390.16	393.63	399.32	407.35	415.40	423.33	429.48	436.25
4. Nonmoney income	21.69	22.66	23.77	24.61	25.23	25.83	26.30	26.68	27.10	27.51	27.98
5. Value of inventory Change	-0.99	2.83	0.02	-0.37	0.14	0.42	0.17	0.14	-0.13	-0.14	0.05
6. Gross farm income (3 + 4 + 5)	366.28	409.09	415.28	414.40	419.00	425.57	433.81	442.23	450.31	456.84	464.28
7. Cash expenses	254.24	276.24	282.11	285.62	289.86	295.47	301.27	306.85	312.71	317.47	322.15
8. Total expenses	287.27	310.24	317.07	321.51	326.49	332.82	339.18	345.25	351.65	356.97	362.28
9. Net cash income (3 - 7)	91.34	107.36	109.38	104.54	103.78	103.85	106.08	108.55	110.62	112.01	114.11
10. Realized net farm inc (3 + 4 - 8)	79.99	96.02	98.19	93.26	92.37	92.34	94.47	96.83	98.79	100.01	101.96
11. Net farm income (6 - 8)	79.00	98.85	98.21	92.89	92.51	92.75	94.64	96.97	98.66	99.87	102.00
Deflated (2009 \$)	78.28	96.85	95.04	88.52	86.54	85.15	85.32	85.84	85.71	85.21	85.46

# Ranges from the 500 alternative futures

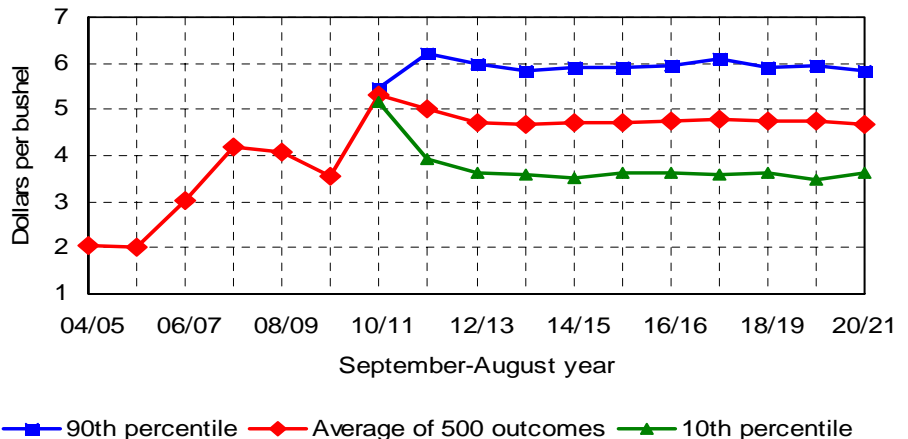
## Oil price uncertainty is great

- IHS Global Insight expects the refiners' acquisition price for petroleum to increase to \$100 per barrel by 2016.
- To examine alternative futures for biofuel and agricultural markets, we explored a range of possible oil prices approximately centered on the IHS Global Insight forecast.
- This process is repeated for hundreds of other variables to generate the stochastic baseline.



## Corn prices depend on oil prices, yields and more

- Corn prices depend on petroleum prices, crop yields, global economic growth, the value of the dollar and many other uncertain factors.
- Average corn prices are projected to decline slightly from the 2010/11 record but remain above earlier levels.
- In most of the outcomes, corn prices are between \$3.50 and \$6.00 per bushel.



## Crop insurance net outlays are also uncertain

- Volatility in commodity yields and prices creates uncertainty for outlays for the crop insurance program.
- Higher crop prices, production and coverage levels increase crop insurance premiums and premium subsidies.
- In any given year, outlays will depend on yields, prices and resulting indemnities.
- There are certain to be risks not captured in these 500 alternative futures.

