



FAPRI 2003 U.S. Baseline Briefing Book

FAPRI-UMC Technical Data Report 04-03

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At the University of Missouri

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Foreword

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

Each year, FAPRI prepares a set of baseline projections that provide information about the outlook for agricultural markets, farm program spending, farm income, and a variety of other indicators. This baseline then serves as the point of comparison for analyses of alternative policy options.

The process that led to this baseline began last November, when FAPRI analysts prepared a preliminary set of projections. These were reviewed at a December workshop in Washington. The comments received from market experts were then incorporated along with other new information in this revised baseline, prepared in late January.

The baseline is not a forecast of what will happen, but rather a projection of what could happen under a particular set of assumptions. Current global policies are held in place, even when there is reason to suspect changes are likely. Because the analysis was conducted in January, it does not reflect provisions of the fiscal 2003 omnibus appropriations bill that was completed in February. For purposes of the baseline, we assume that when the Farm Security and Rural Investment Act (the 2002 farm bill) is set to expire in 2007, all of its provisions will be extended indefinitely. In addition to assuming that current policies remain in place, we assume that:

- average weather conditions prevail in the United States and around the world,
- the U.S. and world economies grow in line with projections developed by Global Insight, and
- productivity generally increases in line with past trends.

In reality, these assumptions are certain to be violated and actual market outcomes will differ from the deterministic baseline projections presented in the supply-and-use tables. Recognizing this fact, FAPRI also conducts stochastic analysis that considers at least some of the underlying variability and unpredictability of agricultural markets. In essence, FAPRI looks at 500 different possible futures that differ from each other in terms of assumptions about things like annual weather patterns.

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

To better reflect the variable nature of agricultural markets, the projections of government farm program costs and net farm income reported here represent the averages of the results of the stochastic analysis, and not the point estimates consistent with the deterministic market projections reported in the supply and use tables. This choice is consistent with our practice in 2002 and our general use of a stochastic approach when examining the impacts of farm policy alternatives.

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

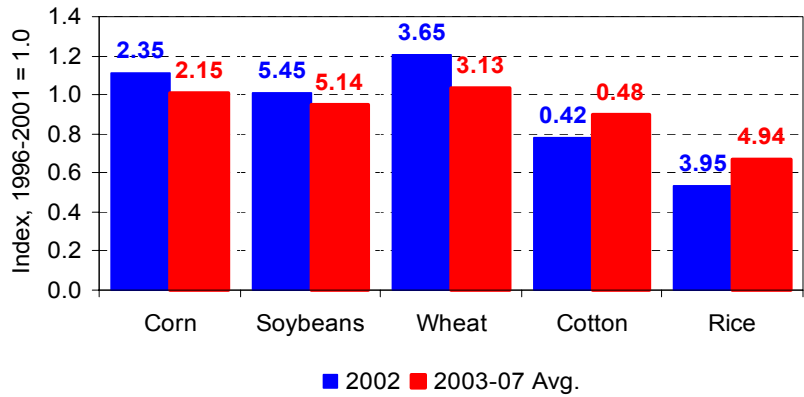
Major Issues and Results

- Reduced 2002 production has led to higher prices this year for corn, soybeans and wheat.

- Assuming a return to normal yields, projected prices for all three crops fall in 2003/04.

- Over the next five years, average market prices are slightly above loan rates for corn, soybeans, and wheat, but below loan rates for cotton and rice.

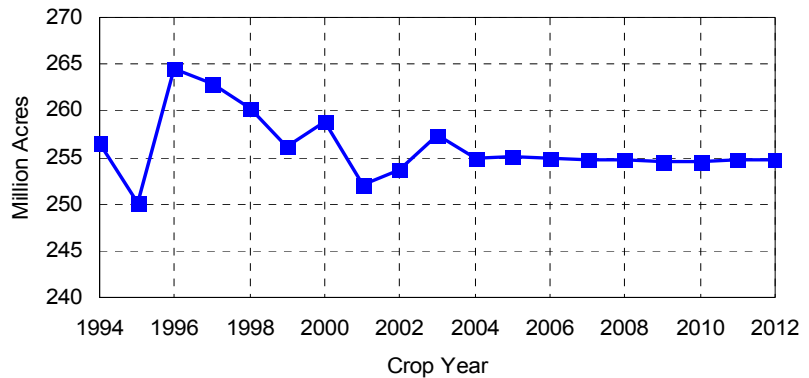
U.S. Crop Prices



- Higher crop prices and returns lead to a 3.7 million acre projected increase in the total area planted to ten major crops in 2003.

- From 2004-2012, the total area planted is stable at 255 million acres, a level similar to the 1999-2002 average.

10-Crop Planted Area

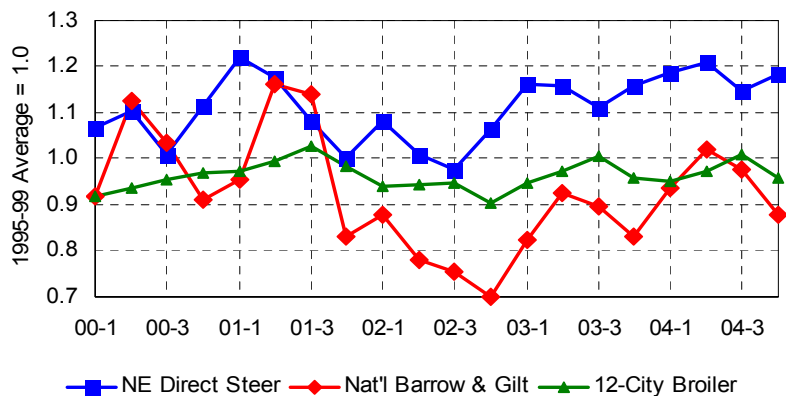


- Lower livestock prices in 2002 were driven by large supplies of meat in the domestic market.

- Cattle prices are projected to increase the next two years as domestic supplies of beef contract with fewer cattle.

- Chicken prices remain at or below their 1995-99 average for the next two years as domestic demand growth slows and export markets remain uncertain.

Quarterly Livestock Price Indices



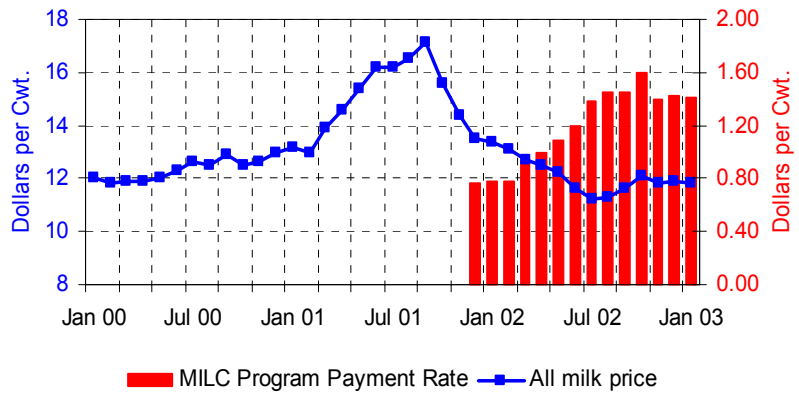
Major Issues and Results

- Milk prices plunged to near \$11 per cwt by mid 2002 after reaching over \$17 per cwt just months earlier.

- Milk Income Loss Contract (MILC) program payments have climbed to over \$1.40 per cwt as market prices for milk moved lower.

- Dairy producers with less than 2.4 million pounds of annual marketings receive the greatest benefit from the MILC program since all of the milk they market is eligible for MILC payments.

Milk Price and Payment Rate

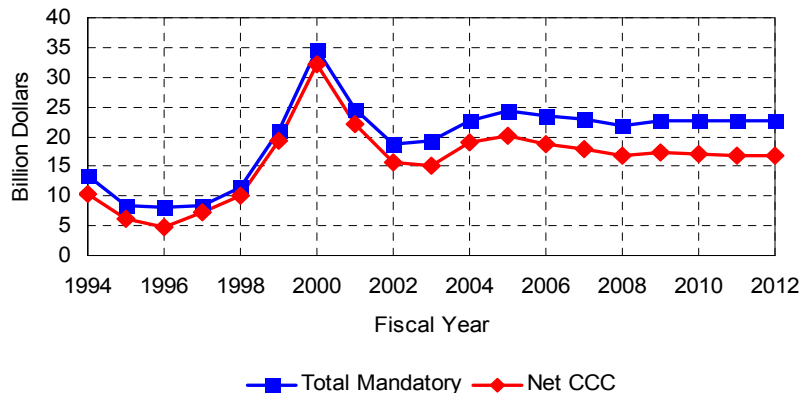


- For fiscal years 2002 and 2003, the increase in grain and oilseed prices has contributed to a temporary reduction in government spending on farm programs.

- Projected net outlays by the Commodity Credit Corporation total \$175.8 billion over fiscal years 2003-2012.

- Including crop insurance and conservation programs, total mandatory outlays total \$225.2 billion over fiscal years 2003-2012.

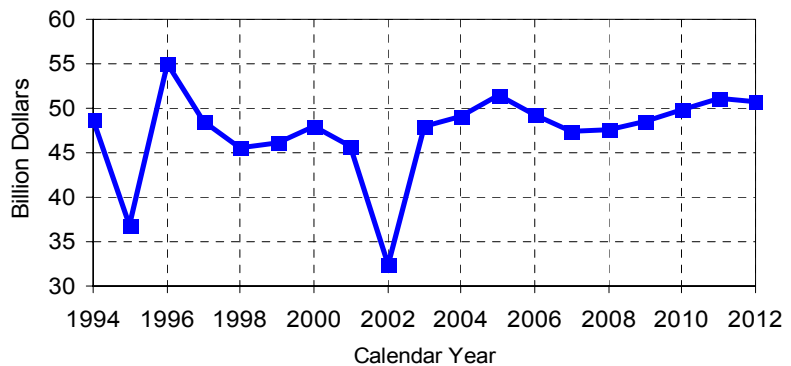
Government Outlays



- Because of a \$10.6 billion decline in livestock receipts, reduced government payments due to higher prices, and slow sign up for 2002 farm bill payments, net farm income declined dramatically in 2002.

- Projected net farm income recovers in 2003 with improving livestock prices, an increase in government payments, and increased crop production.

Net Farm Income



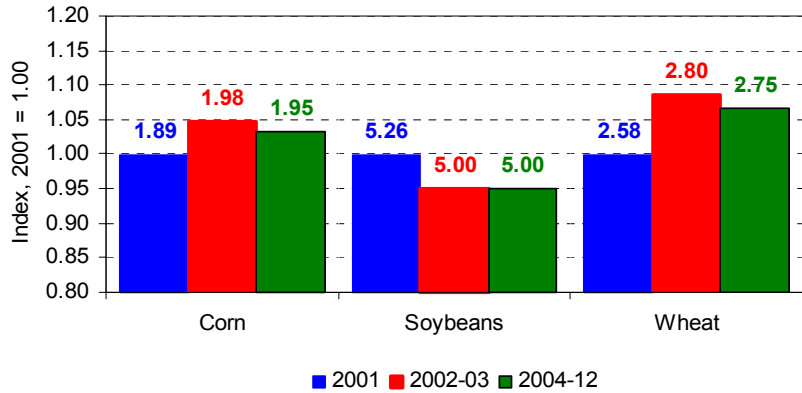
Policy Assumptions

- The 2002 farm bill increased loan rates for feed grains and wheat while reducing loan rates for soybeans.

- Cotton and rice loan rates were maintained near previous levels.

- The bill also established a marketing loan program for peanuts at a rate of 17.75 cents per pound (\$355 per ton).

Loan Rates

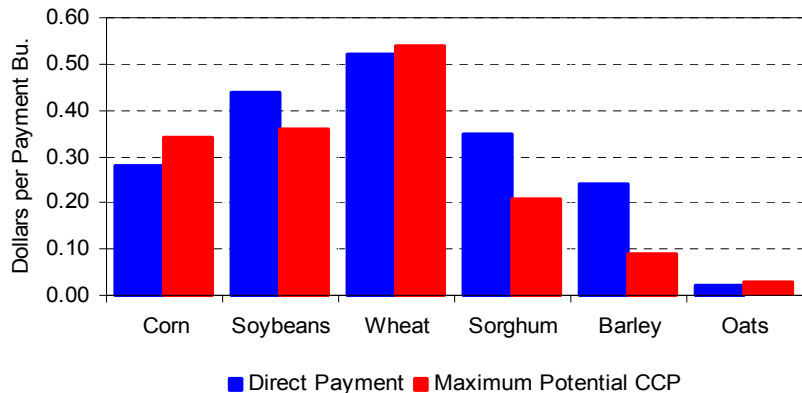


- Direct payments are available for soybeans and peanuts as well as the grains and cotton previously eligible for production flexibility contract payments.

- Counter-cyclical payments (CCPs) are available when season-average farm prices are less than the target price minus the direct payment rate.

- When season-average market prices exceed loan rates, CCPs are at less than their maximum levels.

2003 Direct and Counter-cyclical Payments

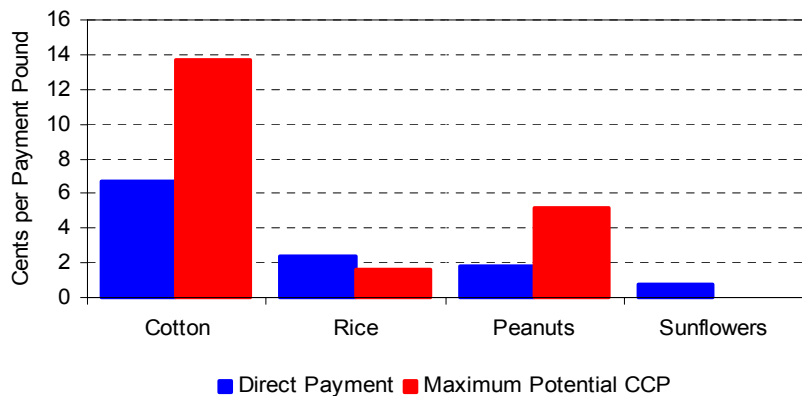


- For corn, wheat, cotton, and peanuts, potential CCP rates exceed direct payment rates.

- For soybeans, sorghum, and rice, direct payment rates exceed potential CCP rates.

- Sunflower and other minor oilseed producers are eligible for direct payments, but not CCPs.

2003 Direct and Counter-cyclical Payments



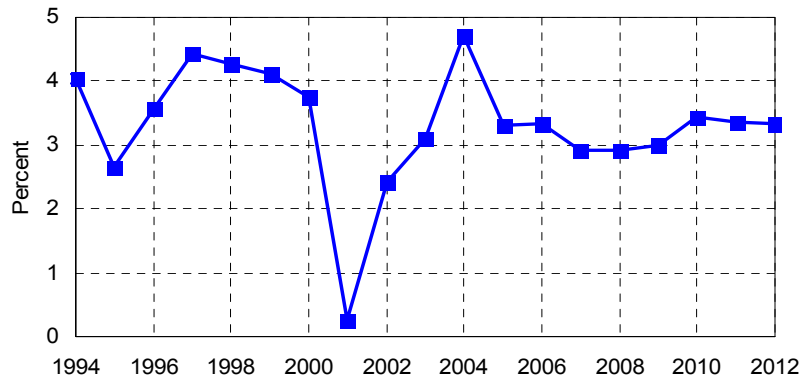
U.S. Program Provisions

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|-----------------------------|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Direct Payments | | | | | | | | | | | |
| | (Dollars per Bushel) | | | | | | | | | | |
| Corn | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 |
| Sorghum | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 |
| Barley | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 |
| Oats | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| Wheat | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 |
| Soybeans | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 |
| | (Dollars per Hundredweight) | | | | | | | | | | |
| Rice | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 |
| | (Cents per Pound) | | | | | | | | | | |
| Cotton | 6.67 | 6.67 | 6.67 | 6.67 | 6.67 | 6.67 | 6.67 | 6.67 | 6.67 | 6.67 | 6.67 |
| Sunflowers | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 |
| Peanuts | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 |
| Loan Rates | | | | | | | | | | | |
| | (Dollars per Bushel) | | | | | | | | | | |
| Corn | 1.98 | 1.98 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 |
| Sorghum | 1.98 | 1.98 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 |
| Barley | 1.88 | 1.88 | 1.85 | 1.85 | 1.85 | 1.85 | 1.85 | 1.85 | 1.85 | 1.85 | 1.85 |
| Oats | 1.35 | 1.35 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 |
| Wheat | 2.80 | 2.80 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 |
| Soybeans | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| | (Dollars per Hundredweight) | | | | | | | | | | |
| Rice | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 |
| | (Cents per Pound) | | | | | | | | | | |
| Cotton | 52.00 | 52.00 | 52.00 | 52.00 | 52.00 | 52.00 | 52.00 | 52.00 | 52.00 | 52.00 | 52.00 |
| Sunflowers | 9.60 | 9.60 | 9.30 | 9.30 | 9.30 | 9.30 | 9.30 | 9.30 | 9.30 | 9.30 | 9.30 |
| Peanuts | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 |
| Sugarcane | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 |
| Target Prices | | | | | | | | | | | |
| | (Dollars per Bushel) | | | | | | | | | | |
| Corn | 2.60 | 2.60 | 2.63 | 2.63 | 2.63 | 2.63 | 2.63 | 2.63 | 2.63 | 2.63 | 2.63 |
| Sorghum | 2.54 | 2.54 | 2.57 | 2.57 | 2.57 | 2.57 | 2.57 | 2.57 | 2.57 | 2.57 | 2.57 |
| Barley | 2.21 | 2.21 | 2.24 | 2.24 | 2.24 | 2.24 | 2.24 | 2.24 | 2.24 | 2.24 | 2.24 |
| Oats | 1.40 | 1.40 | 1.44 | 1.44 | 1.44 | 1.44 | 1.44 | 1.44 | 1.44 | 1.44 | 1.44 |
| Wheat | 3.86 | 3.86 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 |
| Soybeans | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |
| | (Dollars per Hundredweight) | | | | | | | | | | |
| Rice | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 |
| | (Cents per Pound) | | | | | | | | | | |
| Cotton | 72.40 | 72.40 | 72.40 | 72.40 | 72.40 | 72.40 | 72.40 | 72.40 | 72.40 | 72.40 | 72.40 |
| Sunflowers | 9.80 | 9.80 | 10.10 | 10.10 | 10.10 | 10.10 | 10.10 | 10.10 | 10.10 | 10.10 | 10.10 |
| Peanuts | 24.75 | 24.75 | 24.75 | 24.75 | 24.75 | 24.75 | 24.75 | 24.75 | 24.75 | 24.75 | 24.75 |
| Conservation Reserve | | | | | | | | | | | |
| | (Million Acres) | | | | | | | | | | |
| Conservation Reserve | 33.97 | 34.00 | 35.00 | 35.80 | 36.50 | 37.10 | 37.70 | 38.30 | 38.90 | 38.90 | 38.90 |
| Calendar Year | | | | | | | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Milk Support Price | | | | | | | | | | | |
| | (Dollars per Hundredweight) | | | | | | | | | | |
| Milk Support Price | 9.90 | 9.90 | 9.90 | 9.90 | 9.90 | 9.90 | 9.90 | 9.90 | 9.90 | 9.90 | 9.90 |
| MILC Payment | 1.30 | 1.22 | 1.18 | 1.16 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Macroeconomic Assumptions

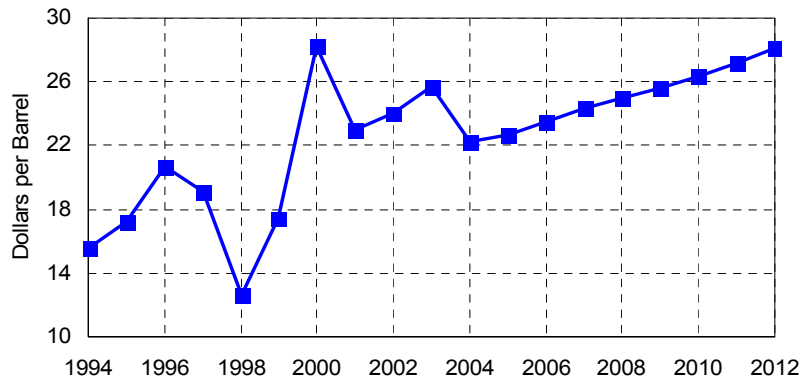
- After slow growth in 2001, the U.S. and world economies began to recover in 2002.
- Global Insight projects further increases in U.S. and global GDP growth rates in 2003 and 2004, with U.S. growth reaching 4.7 percent in 2004.
- For 2005-2012, average economic growth is projected to exceed 3 percent per year.

U.S. Real GDP Growth



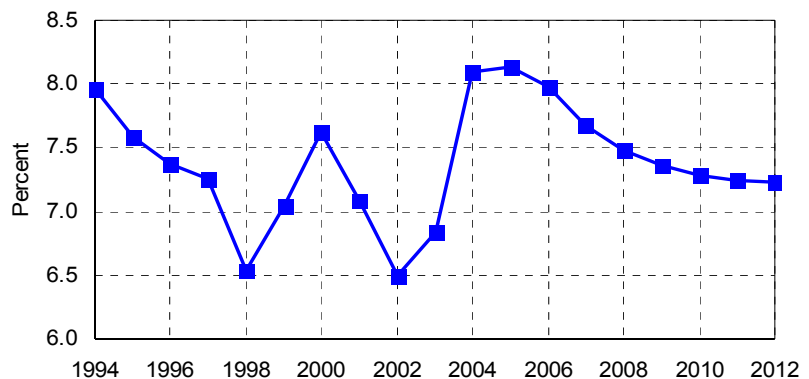
- These projections were prepared at a time of great uncertainty about future petroleum prices.
- Global Insight projected that a resolution of current supply concerns would reduce oil prices in 2004, and that prices would increase at a modest pace in later years.

U.S. Refiners' Cost of Oil



- Economic recovery is expected to result in a significant increase in interest rates in 2004.
- Higher interest rates would increase farm expenses and reduce the rate of growth in land prices.

Interest Rate on AAA Bonds



U.S. Macroeconomic Assumptions

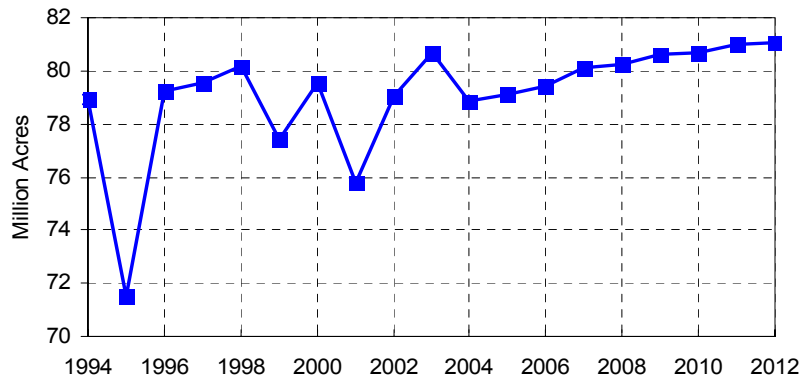
| Calendar Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | (Percentage Change) | | | | | | | | | | |
| Real GDP | 2.4 | 3.1 | 4.7 | 3.3 | 3.3 | 2.9 | 2.9 | 3.0 | 3.4 | 3.4 | 3.3 |
| Population Growth | 0.9 | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| CPI, All Urban Consumers | 1.6 | 2.3 | 2.4 | 2.6 | 2.4 | 2.4 | 2.6 | 2.6 | 2.6 | 2.6 | 2.5 |
| PPI, All Commodities | -1.3 | 1.2 | 1.2 | 1.4 | 1.2 | 1.2 | 1.3 | 1.3 | 1.3 | 1.4 | 1.4 |
| Wages & Salaries | 3.3 | 2.5 | 3.6 | 3.5 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.1 |
| | (Percent) | | | | | | | | | | |
| Unemployment Rate | 5.8 | 6.2 | 5.3 | 5.0 | 5.1 | 5.1 | 4.8 | 4.7 | 4.4 | 4.3 | 4.2 |
| 3-Month Treasury Bill Rate | 1.6 | 1.7 | 3.1 | 3.9 | 4.6 | 4.6 | 4.7 | 4.7 | 4.7 | 4.7 | 4.7 |
| Prime Rate at Com. Banks | 4.7 | 4.7 | 6.3 | 7.2 | 7.9 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| AAA Bond Rate | 6.5 | 6.8 | 8.1 | 8.1 | 8.0 | 7.7 | 7.5 | 7.4 | 7.3 | 7.2 | 7.2 |
| | (Dollars per Barrel) | | | | | | | | | | |
| Refiners' Cost of Oil | 24.07 | 25.66 | 22.29 | 22.62 | 23.53 | 24.30 | 24.97 | 25.59 | 26.32 | 27.15 | 28.16 |
| | (Index, 1996=100) | | | | | | | | | | |
| Inflation-Adj. Exch. Rate vs. Industrial Countries | 113.8 | 107.2 | 102.7 | 99.9 | 97.8 | 96.5 | 95.8 | 95.1 | 94.4 | 93.7 | 93.2 |
| vs. Developing Countries | 103.1 | 103.0 | 102.0 | 101.5 | 100.7 | 99.5 | 98.6 | 98.1 | 97.8 | 97.3 | 96.8 |
| | (Percentage Change) | | | | | | | | | | |
| Foreign Real GDP Growth Industrial Countries | 1.8 | 2.1 | 2.7 | 2.8 | 2.7 | 2.7 | 2.6 | 2.5 | 2.5 | 2.4 | 2.4 |
| Developing Countries | 2.3 | 4.0 | 4.9 | 4.9 | 4.9 | 4.9 | 4.9 | 4.9 | 4.9 | 4.8 | 4.7 |

Source: Global Insight, formerly DRI-WEFA

U.S. Corn

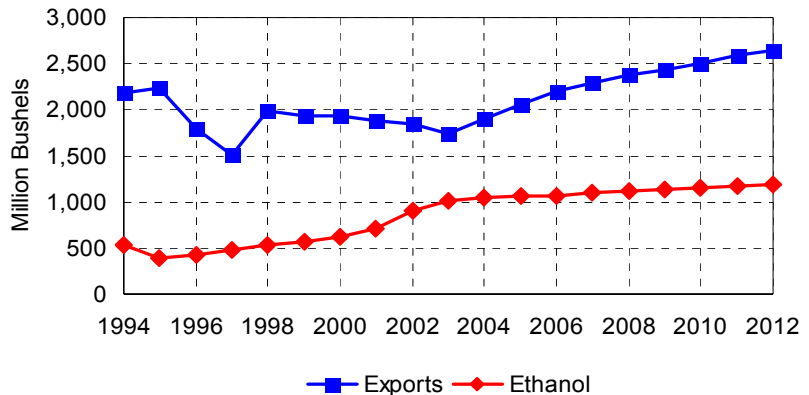
- An increase in corn returns relative to those for soybeans and other crops causes projected 2003 corn area to increase to 80.7 million acres.
- Given an assumed increase in 2003 yields, the resulting increase in 2003 production results in lower prices and a reduction in 2004 area.

Corn Planted Area



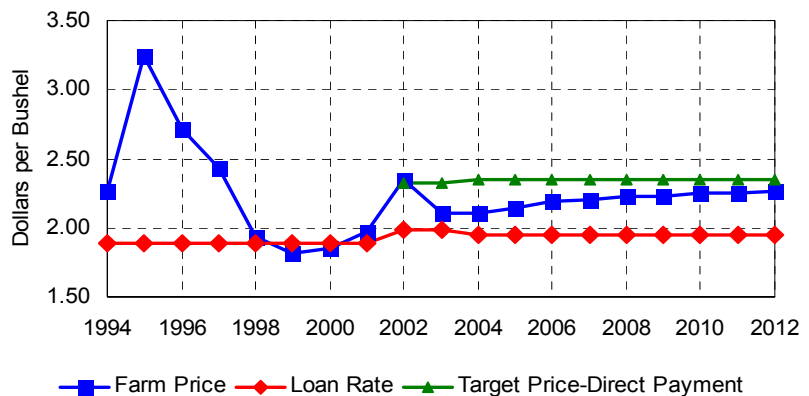
- After a further decline in 2003, projected exports of corn grow by more than 50 million bushels per year.
- The projected export growth depends on significant reductions in Chinese net exports of corn.
- Ethanol production has been rising rapidly, but further growth is projected to be slow in the absence of new legislation to encourage ethanol use.

Corn Exports and Use for Ethanol



- Lower production in 2002 has resulted in higher corn prices this marketing year.
- Based on January 2003 conditions, projected 2002/03 prices are just above the level that would trigger counter-cyclical payments on the 2002 crop.
- With normal weather, the projected price falls back to \$2.10 per bushel in 2003/04 and 2004/05.

Corn Prices



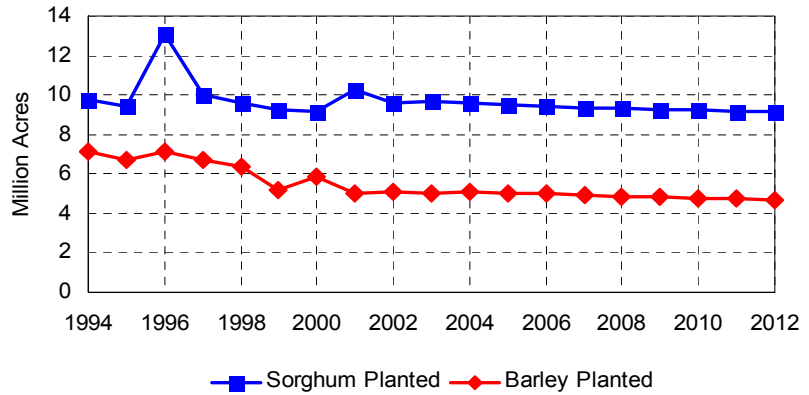
U.S. Corn Supply and Utilization

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Area (Million Acres) | | | | | | | | | | | |
| Base Area | 79.6 | 79.6 | 79.6 | 79.5 | 79.5 | 79.5 | 79.5 | 79.5 | 79.4 | 79.4 | 79.4 |
| Planted Area | 79.1 | 80.7 | 78.9 | 79.1 | 79.4 | 80.1 | 80.2 | 80.6 | 80.7 | 81.0 | 81.1 |
| Harvested Area | 69.3 | 73.1 | 71.5 | 71.7 | 72.0 | 72.7 | 72.8 | 73.2 | 73.3 | 73.6 | 73.7 |
| Yield (Bushels per Acre) | | | | | | | | | | | |
| Actual | 130.0 | 139.9 | 142.0 | 143.7 | 145.4 | 147.0 | 148.7 | 150.3 | 152.0 | 153.6 | 155.2 |
| Program, Direct | 103.0 | 103.0 | 103.0 | 103.0 | 103.0 | 103.0 | 103.0 | 103.0 | 103.0 | 103.0 | 103.0 |
| Program, CCP | 119.2 | 119.2 | 119.2 | 119.2 | 119.2 | 119.2 | 119.2 | 119.2 | 119.2 | 119.2 | 119.2 |
| Supply (Million Bushels) | | | | | | | | | | | |
| Beginning Stocks | 1,596 | 924 | 1,278 | 1,304 | 1,303 | 1,289 | 1,302 | 1,300 | 1,315 | 1,316 | 1,329 |
| Production | 9,008 | 10,230 | 10,149 | 10,308 | 10,472 | 10,685 | 10,827 | 11,008 | 11,146 | 11,311 | 11,444 |
| Imports | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Domestic Use | | | | | | | | | | | |
| Feed, Residual | 5,600 | 5,774 | 5,791 | 5,798 | 5,815 | 5,870 | 5,909 | 5,977 | 6,032 | 6,066 | 6,114 |
| Fuel Alcohol | 900 | 1,007 | 1,049 | 1,064 | 1,072 | 1,094 | 1,111 | 1,133 | 1,151 | 1,173 | 1,190 |
| HFCS | 545 | 558 | 566 | 573 | 579 | 585 | 591 | 599 | 605 | 611 | 616 |
| Seed | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Food, Other | 780 | 796 | 805 | 812 | 817 | 824 | 831 | 839 | 847 | 857 | 865 |
| Exports | 1,850 | 1,734 | 1,907 | 2,058 | 2,197 | 2,295 | 2,383 | 2,440 | 2,504 | 2,586 | 2,651 |
| Total Use | 9,695 | 9,890 | 10,138 | 10,324 | 10,500 | 10,688 | 10,844 | 11,009 | 11,160 | 11,313 | 11,457 |
| Ending Stocks | | | | | | | | | | | |
| CCC Inventory | 5 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9-Month Loan | 200 | 238 | 243 | 254 | 253 | 256 | 251 | 257 | 255 | 261 | 261 |
| "Free" Stocks | 718 | 1,039 | 1,061 | 1,049 | 1,036 | 1,046 | 1,048 | 1,058 | 1,060 | 1,068 | 1,071 |
| Prices and Returns (Dollars) | | | | | | | | | | | |
| Farm Price/bu. | 2.35 | 2.10 | 2.10 | 2.14 | 2.19 | 2.20 | 2.23 | 2.23 | 2.25 | 2.25 | 2.26 |
| FOB Gulf Price/mt | 106.42 | 95.74 | 95.90 | 97.52 | 99.64 | 100.10 | 101.13 | 101.21 | 102.01 | 102.10 | 102.75 |
| Loan Rate/bu. | 1.98 | 1.98 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 |
| Average LDP Rate/bu. | 0.00 | 0.08 | 0.05 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Target Price/bu. | 2.60 | 2.60 | 2.63 | 2.63 | 2.63 | 2.63 | 2.63 | 2.63 | 2.63 | 2.63 | 2.63 |
| CCP Rate/bu. | 0.00 | 0.22 | 0.25 | 0.21 | 0.16 | 0.15 | 0.12 | 0.12 | 0.10 | 0.10 | 0.09 |
| Direct Payment/bu. | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 |
| Gross Market Revenue/a. | 305.38 | 293.79 | 298.72 | 307.75 | 318.58 | 323.67 | 330.98 | 334.90 | 341.46 | 345.39 | 351.48 |
| LDP Revenue/a. | 0.21 | 11.21 | 6.58 | 1.24 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Variable Expenses/a. | 172.41 | 176.83 | 177.60 | 178.78 | 181.84 | 184.49 | 187.42 | 190.33 | 193.40 | 196.60 | 199.93 |
| Mkt+LDP Net Returns/a. | 133.18 | 128.16 | 127.70 | 130.22 | 136.74 | 139.18 | 143.56 | 144.58 | 148.05 | 148.79 | 151.55 |
| CCP Revenue/a. | 0.00 | 22.24 | 24.90 | 21.08 | 16.05 | 14.97 | 12.53 | 12.33 | 10.44 | 10.25 | 8.69 |
| Direct Payment/a. | 24.51 | 24.51 | 24.51 | 24.51 | 24.51 | 24.51 | 24.51 | 24.51 | 24.51 | 24.51 | 24.51 |

U.S. Sorghum and Barley

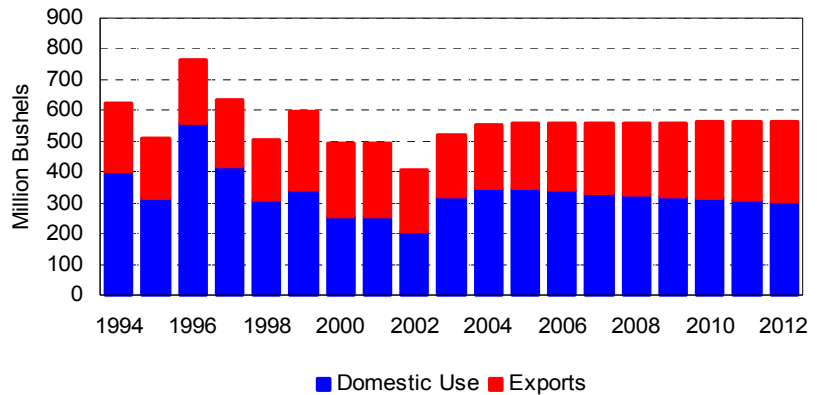
Sorghum and Barley Area

- Sorghum and barley area has been declining because of weak returns relative to alternatives.
- After remaining relatively stable in 2003 and 2004, projected area declines slowly in later years for both crops.



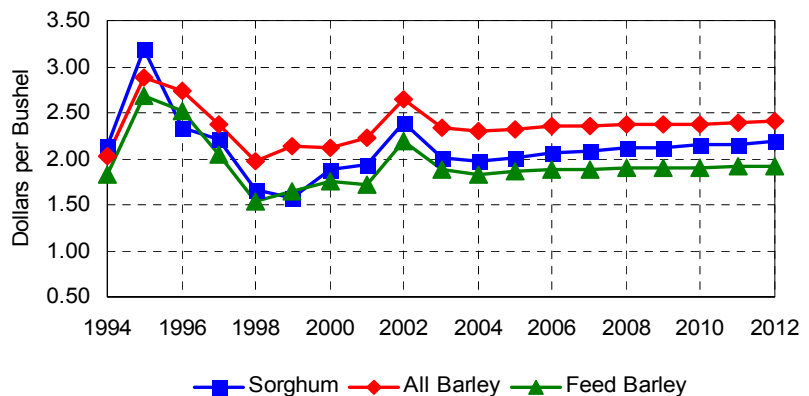
Sorghum Domestic Use and Exports

- Drought punished the sorghum feed use statistic in 2002.
- Assuming normal weather results in increased production, sorghum should become more competitive with other feeds in 2003 and 2004.
- As with corn, exports are the major source of sorghum demand growth.



Sorghum and Barley Prices

- Farm prices for sorghum and barley are projected to be lower for 2003/04 than 2002/03.
- Sorghum prices return to their historical ratio relative to corn in 2003/04.
- The feed barley price remains flat at levels low enough to result in loan deficiency and counter-cyclical payments throughout the projection period.



U.S. Sorghum Supply and Utilization

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|----------------------------|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Area | | | | | | | | | | | |
| | (Million Acres) | | | | | | | | | | |
| Planted Area | 9.58 | 9.69 | 9.56 | 9.50 | 9.43 | 9.37 | 9.31 | 9.26 | 9.21 | 9.17 | 9.14 |
| Harvested Area | 7.30 | 8.54 | 8.42 | 8.36 | 8.29 | 8.25 | 8.18 | 8.14 | 8.10 | 8.06 | 8.03 |
| Yield | | | | | | | | | | | |
| | (Bushels per Acre) | | | | | | | | | | |
| | 50.7 | 65.9 | 66.3 | 66.8 | 67.3 | 67.8 | 68.2 | 68.7 | 69.3 | 69.8 | 70.2 |
| Supply and Use | | | | | | | | | | | |
| | (Million Bushels) | | | | | | | | | | |
| Production | 370 | 562 | 558 | 558 | 558 | 559 | 558 | 559 | 561 | 562 | 564 |
| Imports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Domestic Use | 205 | 321 | 345 | 346 | 343 | 332 | 325 | 318 | 316 | 310 | 305 |
| Exports | 200 | 201 | 207 | 214 | 217 | 228 | 235 | 242 | 246 | 252 | 260 |
| Ending Stocks | 26 | 67 | 73 | 71 | 69 | 67 | 66 | 65 | 64 | 63 | 62 |
| Prices and Payments | | | | | | | | | | | |
| | (Dollars per Bushel) | | | | | | | | | | |
| Farm Price | 2.39 | 2.01 | 1.97 | 2.01 | 2.05 | 2.08 | 2.11 | 2.12 | 2.15 | 2.16 | 2.18 |
| Average LDP Rate | 0.01 | 0.15 | 0.16 | 0.12 | 0.08 | 0.05 | 0.02 | 0.01 | 0.00 | 0.00 | 0.00 |
| CCP Rate | 0.00 | 0.18 | 0.25 | 0.21 | 0.17 | 0.14 | 0.11 | 0.10 | 0.07 | 0.06 | 0.04 |
| Direct Payment | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 |

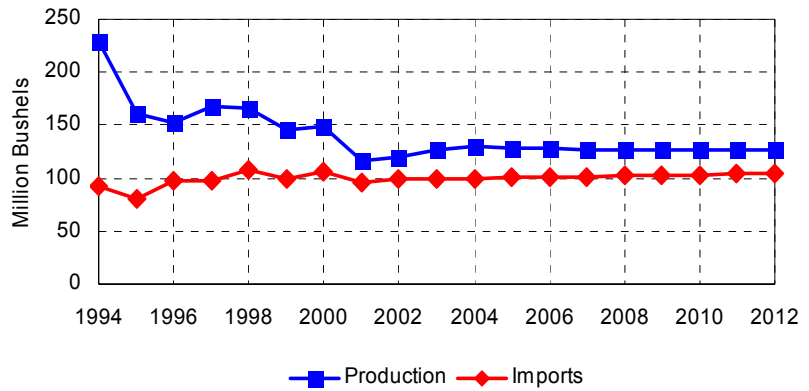
U.S. Barley Supply and Utilization

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|----------------------------|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Area | | | | | | | | | | | |
| | (Million Acres) | | | | | | | | | | |
| Planted Area | 5.07 | 4.99 | 5.06 | 5.01 | 4.97 | 4.92 | 4.87 | 4.82 | 4.78 | 4.74 | 4.71 |
| Harvested Area | 4.14 | 4.46 | 4.52 | 4.48 | 4.44 | 4.40 | 4.36 | 4.32 | 4.28 | 4.24 | 4.22 |
| Yield | | | | | | | | | | | |
| | (Bushels per Acre) | | | | | | | | | | |
| | 54.9 | 60.8 | 61.3 | 61.8 | 62.3 | 62.9 | 63.4 | 63.9 | 64.4 | 64.9 | 65.4 |
| Supply and Use | | | | | | | | | | | |
| | (Million Bushels) | | | | | | | | | | |
| Production | 227 | 271 | 277 | 277 | 277 | 277 | 276 | 276 | 276 | 276 | 276 |
| Imports | 20 | 20 | 20 | 21 | 21 | 21 | 21 | 21 | 22 | 22 | 22 |
| Domestic Use | 252 | 257 | 270 | 271 | 269 | 267 | 265 | 264 | 264 | 263 | 263 |
| Exports | 20 | 21 | 26 | 27 | 29 | 31 | 32 | 33 | 34 | 35 | 35 |
| Ending Stocks | 68 | 81 | 83 | 82 | 81 | 81 | 81 | 81 | 81 | 80 | 80 |
| Prices and Payments | | | | | | | | | | | |
| | (Dollars per Bushel) | | | | | | | | | | |
| All Barley Farm Price | 2.65 | 2.34 | 2.29 | 2.33 | 2.36 | 2.36 | 2.37 | 2.37 | 2.38 | 2.39 | 2.40 |
| Feed Barley Price | 2.20 | 1.87 | 1.83 | 1.86 | 1.89 | 1.89 | 1.90 | 1.89 | 1.91 | 1.91 | 1.92 |
| Average LDP Rate | 0.01 | 0.20 | 0.22 | 0.19 | 0.16 | 0.16 | 0.15 | 0.15 | 0.14 | 0.13 | 0.12 |
| CCP Rate | 0.00 | 0.09 | 0.15 | 0.14 | 0.11 | 0.11 | 0.10 | 0.11 | 0.09 | 0.09 | 0.08 |
| Direct Payment | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 |

U.S. Oats and Hay

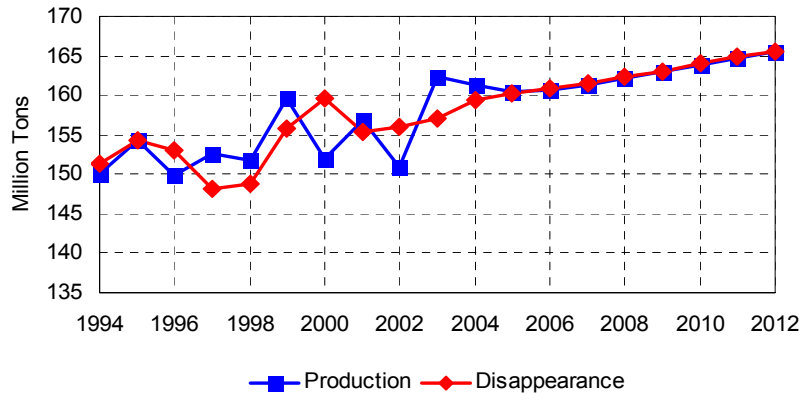
Oats Production and Imports

- Oat production appears to have arrested a long-term downtrend and is projected to be flat.
- Projected imports of oats remain close to 100 million bushels per year.



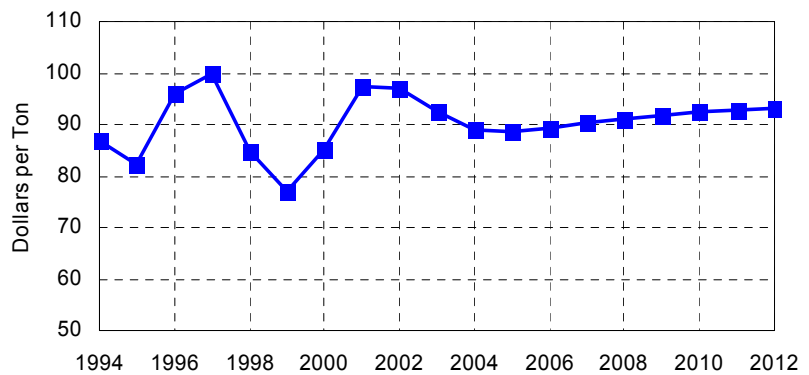
- Hay yields per acre were below the long-term trend for the second straight year in 2002, further reducing already tight stocks.
- Assuming a return to average yields, 2003 production is projected to increase enough to rebuild stocks and accommodate increased disappearance.

Hay Production and Disappearance



- After remaining near \$100 per ton for two straight years, hay prices are projected to decline in 2003/04 in response to higher supplies.
- Lower prices result in a slight reduction in production in 2004 and 2005.
- Hay production and disappearance are in better balance after 2005, and projected prices remain near \$90 per ton.

Hay Price



U.S. Oats Supply and Utilization

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Area (Million Acres) | | | | | | | | | | | |
| Planted Area | 5.01 | 4.77 | 4.85 | 4.81 | 4.79 | 4.76 | 4.74 | 4.73 | 4.72 | 4.70 | 4.69 |
| Harvested Area | 2.10 | 2.07 | 2.12 | 2.09 | 2.08 | 2.05 | 2.04 | 2.03 | 2.02 | 2.01 | 2.01 |
| Yield (Bushels per Acre) | | | | | | | | | | | |
| Yield | 56.8 | 61.1 | 61.4 | 61.6 | 61.9 | 62.1 | 62.3 | 62.4 | 62.6 | 62.8 | 63.0 |
| Supply and Use (Million Bushels) | | | | | | | | | | | |
| Production | 119 | 127 | 130 | 129 | 128 | 127 | 127 | 127 | 127 | 126 | 126 |
| Imports | 100 | 100 | 100 | 100 | 101 | 102 | 102 | 103 | 103 | 104 | 105 |
| Domestic Use | 222 | 219 | 224 | 227 | 228 | 228 | 228 | 228 | 228 | 228 | 229 |
| Exports | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Ending Stocks | 58 | 63 | 67 | 67 | 67 | 67 | 66 | 66 | 66 | 66 | 66 |
| Prices and Payments (Dollars per Bushel) | | | | | | | | | | | |
| Farm Price | 1.75 | 1.54 | 1.50 | 1.50 | 1.52 | 1.53 | 1.55 | 1.55 | 1.56 | 1.56 | 1.56 |
| Average LDP Rate | 0.00 | 0.04 | 0.07 | 0.06 | 0.04 | 0.03 | 0.02 | 0.01 | 0.01 | 0.01 | 0.00 |
| CCP Rate | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Direct Payment | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |

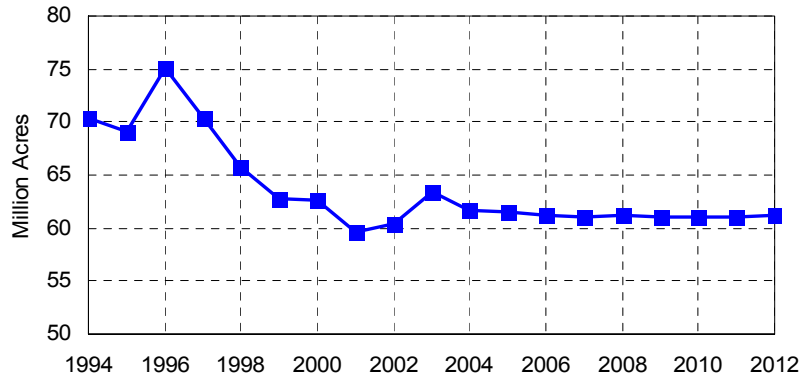
U.S. Hay Supply and Utilization

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|---------------------------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Harvested Area (Million Acres) | | | | | | | | | | | |
| Harvested Area | 64.5 | 63.8 | 63.1 | 62.5 | 62.3 | 62.4 | 62.5 | 62.7 | 62.9 | 63.0 | 63.2 |
| Yield (Tons per Acre) | | | | | | | | | | | |
| Yield | 2.34 | 2.54 | 2.56 | 2.57 | 2.58 | 2.58 | 2.59 | 2.60 | 2.61 | 2.61 | 2.62 |
| Supply and Use (Million Tons) | | | | | | | | | | | |
| Production | 151.0 | 162.3 | 161.3 | 160.5 | 160.6 | 161.2 | 162.1 | 163.0 | 163.8 | 164.7 | 165.6 |
| Disappearance | 156.0 | 157.1 | 159.4 | 160.2 | 160.8 | 161.5 | 162.3 | 163.1 | 164.0 | 164.8 | 165.6 |
| Ending Stocks | 17.5 | 22.7 | 24.5 | 24.8 | 24.6 | 24.3 | 24.1 | 24.0 | 23.9 | 23.8 | 23.7 |
| Prices (Dollars per Ton) | | | | | | | | | | | |
| All Hay (Crop Year) | 97.02 | 92.57 | 88.98 | 88.57 | 89.32 | 90.24 | 91.04 | 91.60 | 92.30 | 92.98 | 93.29 |
| Alfalfa (Calendar Year) | 102.83 | 98.64 | 93.86 | 91.83 | 92.18 | 93.21 | 94.23 | 95.03 | 95.81 | 96.64 | 97.20 |

U.S. Wheat

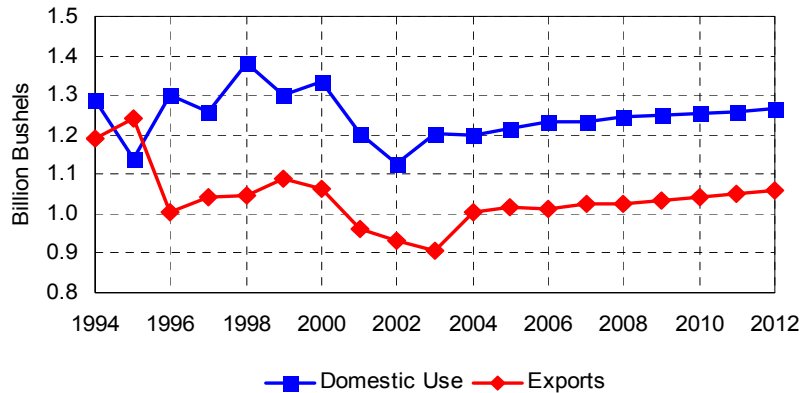
Wheat Planted Area

- Wheat area planted for the 2003 crop is projected to rise to 63.5 million acres in response to higher prices.
- Projected 2004 acreage declines, given the sharp decline in wheat prices.
- The stable wheat acreage projections for 2004-12 contrast with the sharp decline in wheat area between 1996 and 2001.



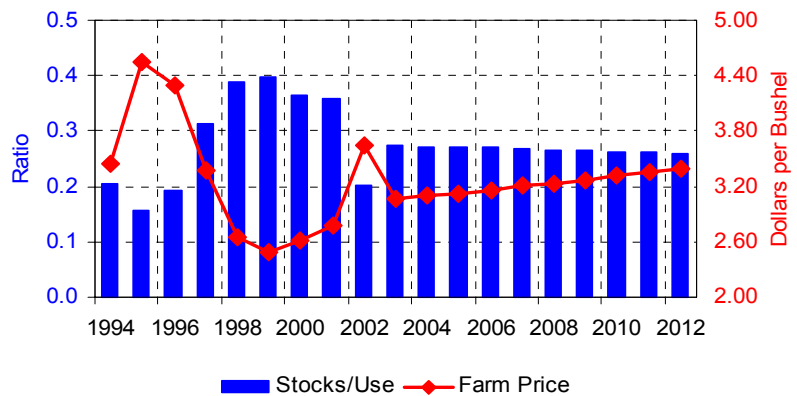
Wheat Use

- Domestic use of wheat is projected to rebound in 2003/04, with feed use accounting for most of the increase.
- Foreign competitors are expected to increase their production of wheat in 2003, depressing US export prospects.



Wheat Stocks and Price

- In 2002, low wheat production reduced the ending stock-to-use ratio to 20 percent.
- Assuming normal growing conditions, production recovers and stocks rebuild in 2003.
- The projected season-average farm price falls to \$3.07 bushel in 2003/04 and then increases slowly in subsequent years.



U.S. Wheat Supply and Utilization

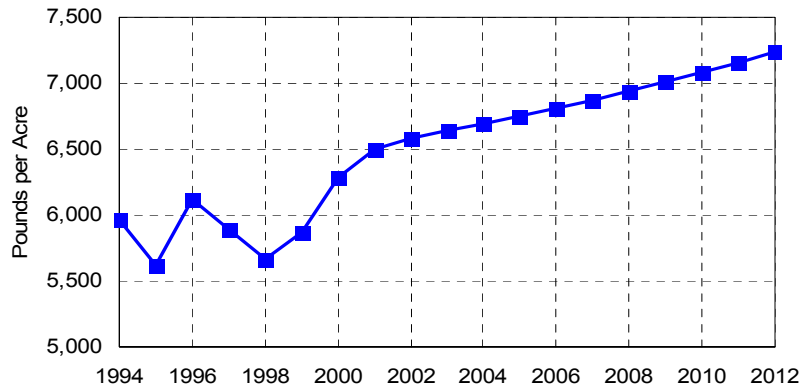
| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Area (Million Acres) | | | | | | | | | | | |
| Base Area | 73.7 | 73.7 | 73.7 | 73.6 | 73.6 | 73.5 | 73.5 | 73.5 | 73.4 | 73.4 | 73.4 |
| Planted Area | 60.4 | 63.5 | 61.6 | 61.5 | 61.3 | 61.1 | 61.2 | 61.0 | 61.0 | 61.1 | 61.2 |
| Harvested Area | 45.8 | 53.4 | 51.8 | 51.7 | 51.5 | 51.3 | 51.4 | 51.2 | 51.3 | 51.3 | 51.4 |
| Yield (Bushels per Acre) | | | | | | | | | | | |
| Actual | 35.3 | 40.7 | 41.1 | 41.3 | 41.6 | 41.8 | 42.1 | 42.3 | 42.5 | 42.7 | 43.0 |
| Program, Direct | 34.7 | 34.7 | 34.7 | 34.7 | 34.7 | 34.7 | 34.7 | 34.7 | 34.7 | 34.7 | 34.7 |
| Program, CCP | 36.3 | 36.3 | 36.3 | 36.3 | 36.3 | 36.3 | 36.3 | 36.3 | 36.3 | 36.3 | 36.3 |
| Supply (Million Bushels) | | | | | | | | | | | |
| Beginning Stocks | 777 | 414 | 578 | 600 | 605 | 605 | 602 | 605 | 603 | 603 | 604 |
| Production | 1,616 | 2,175 | 2,126 | 2,134 | 2,140 | 2,145 | 2,163 | 2,166 | 2,179 | 2,194 | 2,209 |
| Imports | 75 | 100 | 102 | 104 | 106 | 108 | 110 | 112 | 114 | 116 | 118 |
| Domestic Use | | | | | | | | | | | |
| Feed, Residual | 100 | 185 | 168 | 173 | 182 | 175 | 183 | 180 | 178 | 178 | 180 |
| Seed | 85 | 84 | 84 | 84 | 85 | 85 | 85 | 86 | 86 | 87 | 88 |
| Food, Other | 939 | 936 | 949 | 959 | 966 | 971 | 977 | 982 | 988 | 994 | 1,001 |
| Exports | | | | | | | | | | | |
| | 930 | 906 | 1,005 | 1,018 | 1,012 | 1,025 | 1,025 | 1,031 | 1,041 | 1,050 | 1,057 |
| Total Use | | | | | | | | | | | |
| | 2,055 | 2,111 | 2,206 | 2,234 | 2,245 | 2,257 | 2,270 | 2,279 | 2,294 | 2,310 | 2,326 |
| Ending Stocks | | | | | | | | | | | |
| CCC Inventory | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 |
| 9-Month Loan | 39 | 88 | 89 | 87 | 86 | 81 | 81 | 79 | 77 | 75 | 74 |
| "Free" Stocks | 300 | 414 | 436 | 443 | 445 | 446 | 448 | 449 | 451 | 453 | 456 |
| Prices and Returns (Dollars) | | | | | | | | | | | |
| Farm Price/bu. | 3.65 | 3.07 | 3.10 | 3.13 | 3.15 | 3.22 | 3.23 | 3.27 | 3.32 | 3.36 | 3.40 |
| FOB Gulf Price/mt | 163.45 | 138.28 | 139.57 | 140.90 | 142.04 | 144.84 | 145.39 | 147.17 | 149.36 | 150.99 | 152.52 |
| Loan Rate/bu. | 2.80 | 2.80 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 |
| Average LDP Rate/bu. | 0.01 | 0.05 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Target Price/bu. | 3.86 | 3.86 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 | 3.92 |
| CCP Rate/bu. | 0.00 | 0.27 | 0.30 | 0.27 | 0.25 | 0.18 | 0.17 | 0.13 | 0.08 | 0.04 | 0.00 |
| Direct Payment/bu. | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 |
| Gross Market Revenue/a. | 128.79 | 124.94 | 127.18 | 129.23 | 131.14 | 134.64 | 135.94 | 138.44 | 141.34 | 143.70 | 145.97 |
| LDP Revenue/a. | 0.35 | 1.93 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Variable Expenses/a. | 66.03 | 67.89 | 68.23 | 68.66 | 69.79 | 70.75 | 71.83 | 72.90 | 74.03 | 75.21 | 76.44 |
| Mkt+LDP Net Returns/a. | 63.11 | 58.98 | 58.95 | 60.58 | 61.34 | 63.89 | 64.12 | 65.53 | 67.32 | 68.49 | 69.53 |
| CCP Revenue/a. | 0.00 | 8.41 | 9.34 | 8.39 | 7.58 | 5.57 | 5.18 | 3.91 | 2.34 | 1.18 | 0.08 |
| Direct Payment/a. | 15.32 | 15.32 | 15.32 | 15.32 | 15.32 | 15.32 | 15.32 | 15.32 | 15.32 | 15.32 | 15.32 |

U.S. Rice

- U.S. average rice yields increased dramatically between 1998 and 2001, in part because of the adoption of new varieties.

- Rice yields are projected to set records every year of the projections, exceeding 7,200 pounds per acre by 2012.

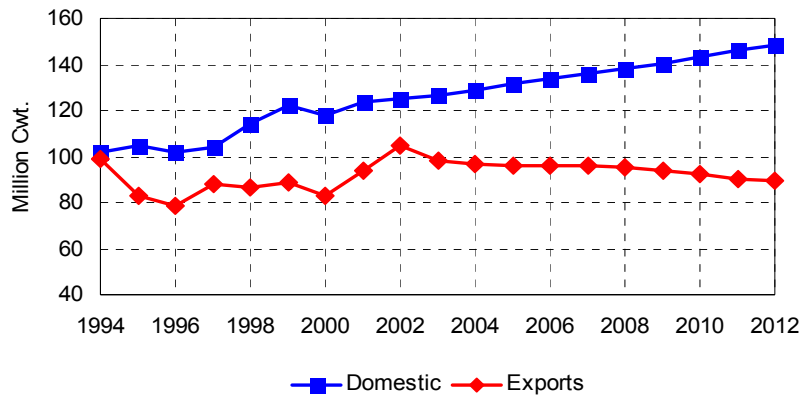
Rice Yield



- Domestic use of rice is projected to continue trend rates of growth.

- U.S. rice exports are projected to decrease to 89 million cwt by 2012/13, as domestic utilization growth outpaces the growth in rice production.

Rice Utilization

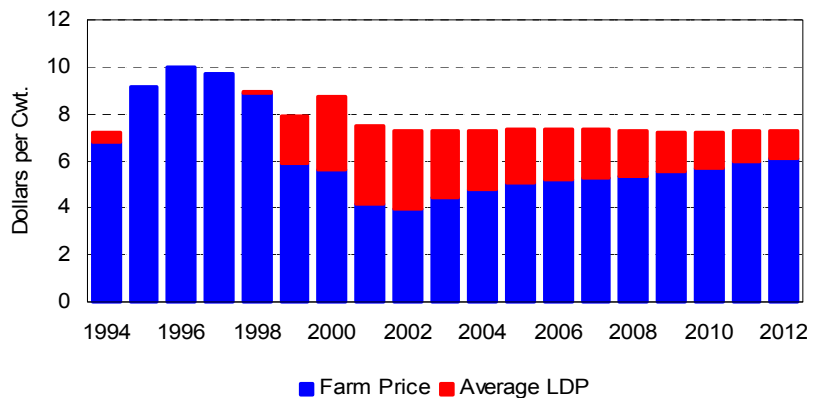


- Rice producer returns depend on the relationship between the farm price and the average world price (AWP) used to determine loan program benefits.

- The sum of projected returns from the market and from the loan program averages a little over \$7.25 per hundredweight throughout the projection period.

- Total returns were much higher in 2000/01, when the AWP was much lower relative to the farm price.

Rice Returns



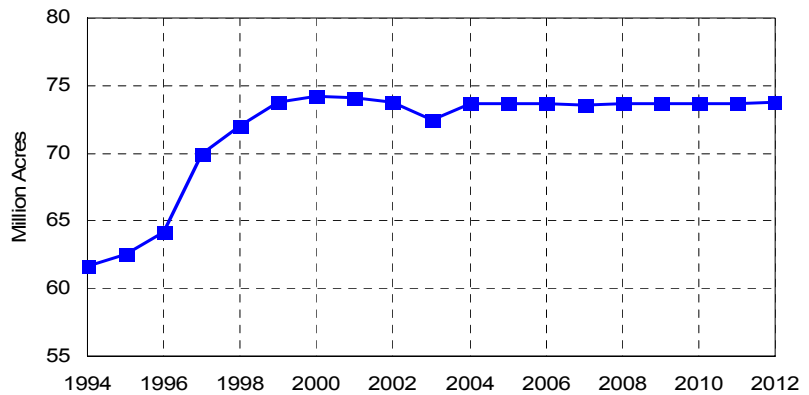
U.S. Rice Supply and Utilization

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|---------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Area | | | | | | | | | | | |
| | (Million Acres) | | | | | | | | | | |
| Base Area | 4.18 | 4.18 | 4.18 | 4.18 | 4.18 | 4.18 | 4.18 | 4.18 | 4.18 | 4.18 | 4.18 |
| Planted Area | 3.24 | 3.20 | 3.15 | 3.20 | 3.20 | 3.19 | 3.17 | 3.15 | 3.13 | 3.12 | 3.11 |
| Harvested Area | 3.21 | 3.18 | 3.13 | 3.17 | 3.18 | 3.17 | 3.15 | 3.13 | 3.11 | 3.09 | 3.08 |
| Yield | | | | | | | | | | | |
| | (Pounds per Acre) | | | | | | | | | | |
| Actual | 6,579 | 6,638 | 6,689 | 6,750 | 6,812 | 6,874 | 6,940 | 7,011 | 7,084 | 7,159 | 7,237 |
| Program, Direct | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 |
| Program, CCP | 5,252 | 5,252 | 5,252 | 5,252 | 5,252 | 5,252 | 5,252 | 5,252 | 5,252 | 5,252 | 5,252 |
| Supply | | | | | | | | | | | |
| | (Million Cwt.) | | | | | | | | | | |
| Beginning Stocks | 39.0 | 32.0 | 30.4 | 26.3 | 25.7 | 25.6 | 25.0 | 23.7 | 21.8 | 20.3 | 19.8 |
| Production | 211.0 | 211.0 | 209.3 | 214.3 | 216.5 | 217.7 | 218.5 | 219.1 | 220.1 | 221.4 | 223.2 |
| Imports | 12.0 | 12.1 | 12.4 | 12.7 | 13.0 | 13.2 | 13.5 | 13.8 | 14.1 | 14.5 | 14.8 |
| Domestic Use | 125.0 | 126.7 | 129.0 | 131.4 | 133.6 | 135.8 | 138.2 | 140.7 | 143.3 | 145.9 | 148.6 |
| Exports | 105.0 | 98.0 | 96.7 | 96.2 | 96.1 | 95.7 | 95.1 | 94.1 | 92.4 | 90.5 | 89.3 |
| Total Use | 230.0 | 224.7 | 225.7 | 227.5 | 229.6 | 231.5 | 233.3 | 234.8 | 235.7 | 236.4 | 237.9 |
| Ending Stocks | | | | | | | | | | | |
| CCC Inventory | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| "Free" Stocks | 32.0 | 30.4 | 26.3 | 25.7 | 25.6 | 25.0 | 23.7 | 21.8 | 20.3 | 19.8 | 19.9 |
| Prices and Returns | | | | | | | | | | | |
| | (Dollars) | | | | | | | | | | |
| Farm Price/cwt | 3.95 | 4.44 | 4.80 | 5.06 | 5.17 | 5.24 | 5.37 | 5.52 | 5.72 | 5.94 | 6.14 |
| FOB Houston/cwt | 8.85 | 9.65 | 10.34 | 10.68 | 10.92 | 11.16 | 11.49 | 11.81 | 12.16 | 12.53 | 12.89 |
| Adjusted World Price/cwt | 3.37 | 3.86 | 4.22 | 4.45 | 4.54 | 4.63 | 4.80 | 4.99 | 5.19 | 5.39 | 5.55 |
| Loan Rate/cwt | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 |
| Average LDP Rate/cwt. | 3.34 | 2.85 | 2.49 | 2.26 | 2.17 | 2.08 | 1.91 | 1.72 | 1.52 | 1.32 | 1.16 |
| Target Price/cwt. | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 |
| CCP Rate/cwt. | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 |
| Direct Payment/cwt. | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 |
| Gross Market Revenue/a. | 259.86 | 294.72 | 320.74 | 341.51 | 352.32 | 360.39 | 372.74 | 386.91 | 404.90 | 424.91 | 444.18 |
| LDP Revenue/a. | 219.84 | 189.43 | 166.84 | 152.62 | 147.71 | 142.81 | 132.42 | 120.81 | 107.49 | 94.67 | 84.18 |
| Variable Expenses/a | 322.12 | 329.44 | 329.43 | 333.73 | 340.82 | 347.68 | 354.88 | 362.05 | 369.66 | 377.59 | 385.50 |
| Mkt + LDP Net Returns/a. | 157.58 | 154.70 | 158.16 | 160.40 | 159.21 | 155.52 | 150.27 | 145.67 | 142.73 | 141.99 | 142.85 |
| CCP Revenue/a. | 73.67 | 73.67 | 73.67 | 73.67 | 73.67 | 73.67 | 73.67 | 73.67 | 73.67 | 73.67 | 73.67 |
| Direct Payment/a. | 97.05 | 97.05 | 97.05 | 97.05 | 97.05 | 97.05 | 97.05 | 97.05 | 97.05 | 97.05 | 97.05 |

U.S. Soybeans

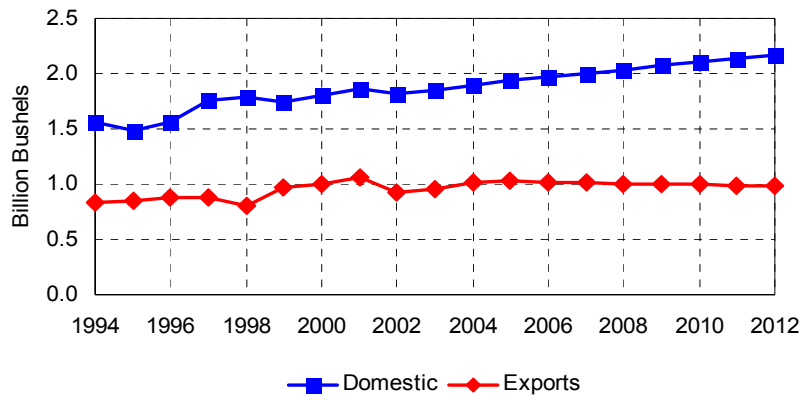
- After increasing sharply in the late 1990s, soybean area planted is projected to decline for the third straight year in 2003, to 72.5 million acres.
- Strong returns from corn and other competing crops contribute to the 2003 soybean area decline.
- Soybean area is projected to recover in 2004 and remain stable in later years.

Soybean Planted Area



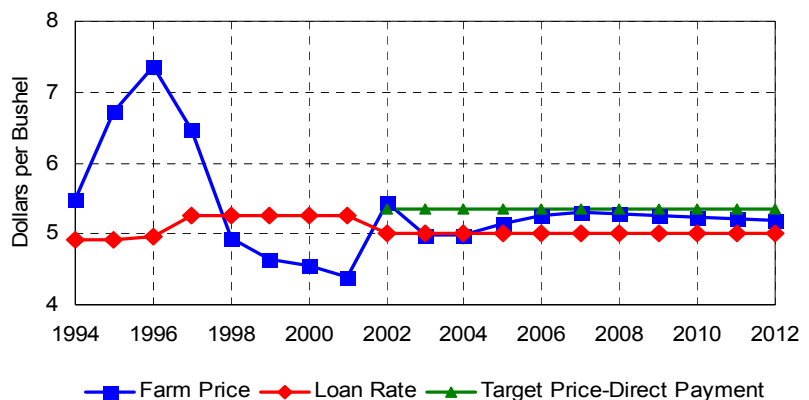
- In spite of reduced 2003 area, a return to normal yields would allow an increase in 2003 soybean production, crush, and exports.
- With strong competition from South America limiting export demand, domestic crush accounts for most of the projected growth in soybean demand after 2003.

Soybean Utilization



- Based on January 2003 conditions, projected 2002/03 soybean prices are marginally above the levels that would trigger CCPs.
- In 2003/04 and 2004/05, prices fall to the loan rate.
- Projected soybean prices are low enough to trigger CCPs for 2003-2012.

Soybean Prices



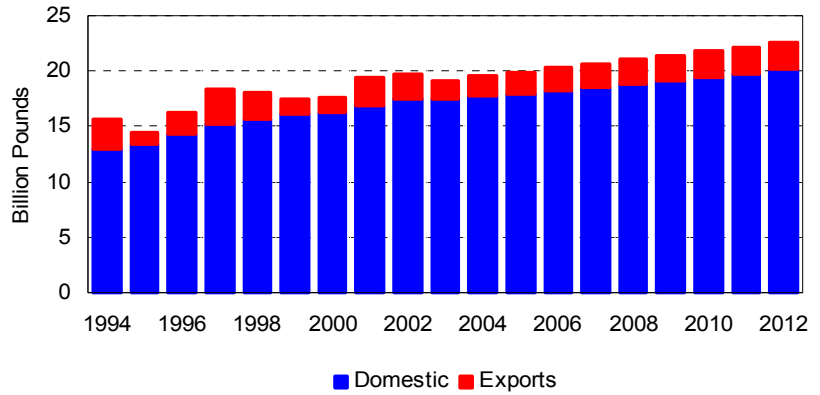
U.S. Soybean Supply and Utilization

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|---------------------------|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Area | | | | | | | | | | | |
| | (Million Acres) | | | | | | | | | | |
| Base Area | 65.4 | 65.4 | 65.4 | 65.4 | 65.4 | 65.3 | 65.3 | 65.3 | 65.3 | 65.3 | 65.3 |
| Planted Area | 73.8 | 72.5 | 73.7 | 73.6 | 73.7 | 73.6 | 73.7 | 73.6 | 73.7 | 73.6 | 73.8 |
| Harvested Area | 72.2 | 71.2 | 72.3 | 72.3 | 72.3 | 72.2 | 72.4 | 72.3 | 72.3 | 72.3 | 72.4 |
| Yield | | | | | | | | | | | |
| | (Bushels per Acre) | | | | | | | | | | |
| Actual | 37.8 | 40.0 | 40.3 | 40.7 | 41.2 | 41.6 | 42.0 | 42.5 | 42.9 | 43.3 | 43.7 |
| Program, Direct | 32.4 | 32.4 | 32.4 | 32.4 | 32.4 | 32.4 | 32.4 | 32.4 | 32.4 | 32.4 | 32.4 |
| Program, CCP | 36.6 | 36.6 | 36.6 | 36.6 | 36.6 | 36.6 | 36.6 | 36.6 | 36.6 | 36.6 | 36.6 |
| Supply | | | | | | | | | | | |
| | (Million Bushels) | | | | | | | | | | |
| Beginning Stocks | 208 | 189 | 239 | 246 | 233 | 224 | 221 | 224 | 228 | 233 | 236 |
| Production | 2,730 | 2,843 | 2,913 | 2,946 | 2,978 | 3,006 | 3,041 | 3,069 | 3,100 | 3,130 | 3,163 |
| Imports | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Domestic Use | 1,820 | 1,844 | 1,897 | 1,934 | 1,970 | 2,003 | 2,036 | 2,070 | 2,103 | 2,136 | 2,173 |
| Crush | 1,655 | 1,675 | 1,725 | 1,760 | 1,797 | 1,829 | 1,861 | 1,893 | 1,925 | 1,957 | 1,992 |
| Seed, Residual | 165 | 169 | 172 | 174 | 174 | 174 | 176 | 177 | 179 | 179 | 181 |
| Exports | 930 | 951 | 1,011 | 1,028 | 1,019 | 1,009 | 1,004 | 996 | 994 | 992 | 989 |
| Total Use | 2,750 | 2,795 | 2,908 | 2,961 | 2,989 | 3,011 | 3,040 | 3,066 | 3,097 | 3,128 | 3,161 |
| Ending Stocks | | | | | | | | | | | |
| CCC Inventory | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9-Month Loan | 37 | 28 | 29 | 33 | 37 | 39 | 39 | 38 | 37 | 37 | 37 |
| "Free" Stocks | 152 | 211 | 218 | 200 | 187 | 182 | 185 | 190 | 195 | 199 | 203 |
| Prices and Returns | | | | | | | | | | | |
| | (Dollars) | | | | | | | | | | |
| Farm Price/bu. | 5.45 | 4.99 | 4.99 | 5.15 | 5.26 | 5.30 | 5.29 | 5.26 | 5.23 | 5.21 | 5.19 |
| Ill. Proc. Price/mt | 209.35 | 193.72 | 193.56 | 199.15 | 202.81 | 204.30 | 203.92 | 202.85 | 201.96 | 201.33 | 200.68 |
| Loan Rate/bu. | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Average LDP Rate/bu. | 0.01 | 0.23 | 0.23 | 0.07 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | 0.02 |
| Target Price/bu. | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |
| CCP Rate/bu. | 0.00 | 0.36 | 0.36 | 0.21 | 0.10 | 0.06 | 0.07 | 0.10 | 0.13 | 0.15 | 0.17 |
| Direct Payment/bu. | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 |
| Gross Market Revenue/a. | 206.17 | 199.36 | 200.83 | 209.75 | 216.38 | 220.50 | 222.22 | 223.18 | 224.25 | 225.60 | 226.82 |
| LDP Revenue/a. | 0.38 | 9.13 | 9.39 | 2.83 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.25 | 1.08 |
| Variable Expenses/a. | 84.34 | 85.94 | 87.16 | 88.30 | 89.75 | 91.19 | 92.71 | 94.23 | 95.88 | 97.59 | 99.31 |
| Mkt+LDP Net Returns/a. | 122.20 | 122.54 | 123.05 | 124.28 | 126.63 | 129.30 | 129.51 | 128.96 | 128.37 | 128.26 | 128.58 |
| CCP Revenue/a. | 0.00 | 11.21 | 11.21 | 6.58 | 3.25 | 1.90 | 2.24 | 3.22 | 4.02 | 4.60 | 5.19 |
| Direct Payment/a. | 12.11 | 12.11 | 12.11 | 12.11 | 12.11 | 12.11 | 12.11 | 12.11 | 12.11 | 12.11 | 12.11 |
| Bean/Corn Price Ratio | 2.32 | 2.38 | 2.37 | 2.40 | 2.40 | 2.41 | 2.38 | 2.36 | 2.33 | 2.32 | 2.29 |
| 48% Meal Price/ton | 169.98 | 155.21 | 156.42 | 162.18 | 167.23 | 169.43 | 169.52 | 168.84 | 168.45 | 168.02 | 168.88 |
| Oil Price/cwt | 21.76 | 22.49 | 22.72 | 22.94 | 22.89 | 22.73 | 22.54 | 22.37 | 22.20 | 22.07 | 21.79 |
| Crushing Margin/bu. | 0.79 | 0.96 | 1.02 | 1.03 | 1.04 | 1.04 | 1.03 | 1.02 | 1.02 | 1.01 | 1.02 |

U.S. Soybean Products

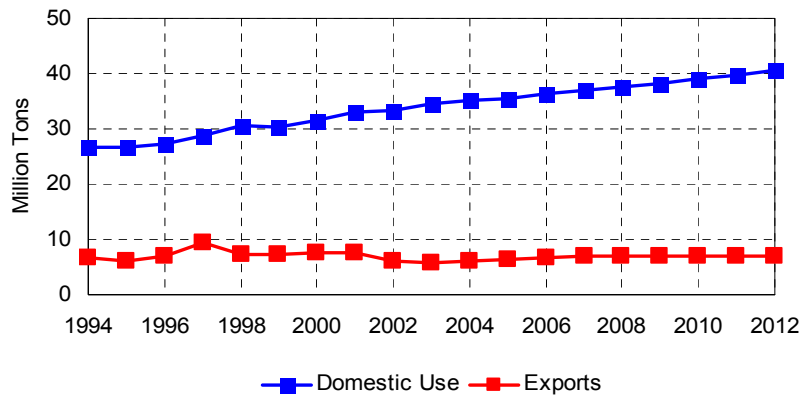
Soybean Oil Utilization

- U.S. soybean oil demand is primarily for domestic consumption. Growth over the projection period averages 1.5 percent per year.
- Projected soybean oil exports contract in 2003 and then slowly recover over time.



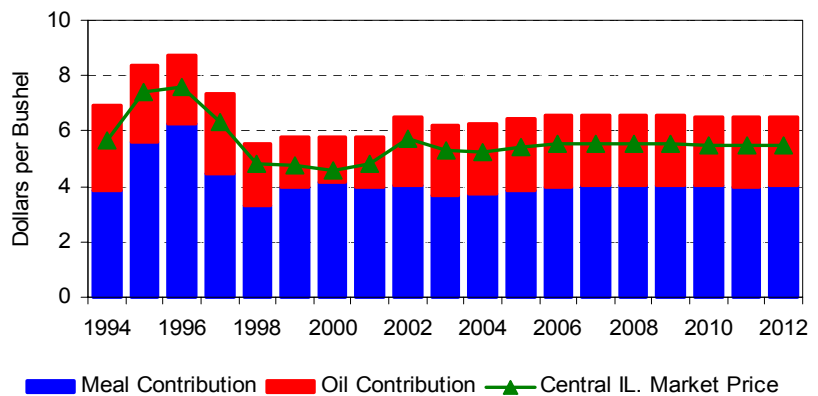
Soybean Meal Demand

- Continued growth in poultry production and low soybean meal prices contribute to steady growth in soybean meal demand over the next 10 years.
- Strong growth in South American exports limits export demand for U.S. soybean meal.



Soybean and Soy Product Prices

- While soybean meal continues to contribute most of the value to a bushel of soybeans, oil contributes more than it did between 1999 and 2001.
- Strong international demand for soybean oil accounts for the relative strength in oil prices.
- The gross crush margin averages more than one dollar per bushel.



U.S. Soybean Oil Supply and Utilization

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| (Million Pounds) | | | | | | | | | | | |
| Supply | 21,210 | 20,437 | 20,792 | 21,200 | 21,645 | 22,060 | 22,473 | 22,880 | 23,288 | 23,693 | 24,131 |
| Beginning Stocks | 2,360 | 1,466 | 1,261 | 1,263 | 1,294 | 1,345 | 1,393 | 1,436 | 1,475 | 1,515 | 1,552 |
| Production | 18,785 | 18,886 | 19,447 | 19,852 | 20,265 | 20,630 | 20,995 | 21,360 | 21,729 | 22,093 | 22,494 |
| Imports | 65 | 85 | 85 | 85 | 85 | 85 | 85 | 85 | 85 | 85 | 85 |
| Domestic Use | 17,449 | 17,477 | 17,736 | 17,965 | 18,203 | 18,471 | 18,762 | 19,093 | 19,442 | 19,799 | 20,185 |
| Exports | 2,295 | 1,699 | 1,793 | 1,941 | 2,096 | 2,197 | 2,275 | 2,313 | 2,332 | 2,342 | 2,343 |
| Total Use | 19,744 | 19,176 | 19,529 | 19,906 | 20,300 | 20,668 | 21,037 | 21,406 | 21,774 | 22,142 | 22,528 |
| Ending Stocks | 1,466 | 1,261 | 1,263 | 1,294 | 1,345 | 1,393 | 1,436 | 1,475 | 1,515 | 1,552 | 1,603 |
| (Dollars) | | | | | | | | | | | |
| Prices | | | | | | | | | | | |
| Decatur/cwt | 21.76 | 22.49 | 22.72 | 22.94 | 22.89 | 22.73 | 22.54 | 22.37 | 22.20 | 22.07 | 21.79 |
| Decatur/mt | 479.67 | 495.90 | 500.79 | 505.81 | 504.61 | 501.19 | 497.00 | 493.26 | 489.31 | 486.48 | 480.48 |

U.S. Soybean Meal Supply and Utilization

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| (Thousand Tons) | | | | | | | | | | | |
| Supply | 39,601 | 40,305 | 41,496 | 42,350 | 43,218 | 43,982 | 44,750 | 45,518 | 46,297 | 47,066 | 47,910 |
| Beginning Stocks | 240 | 253 | 267 | 274 | 277 | 280 | 285 | 293 | 302 | 310 | 318 |
| Production | 39,121 | 39,852 | 41,029 | 41,876 | 42,741 | 43,503 | 44,265 | 45,025 | 45,795 | 46,556 | 47,391 |
| Imports | 240 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| Domestic Use | 33,350 | 34,415 | 35,096 | 35,605 | 36,226 | 36,876 | 37,554 | 38,251 | 39,015 | 39,827 | 40,705 |
| Exports | 5,998 | 5,622 | 6,126 | 6,468 | 6,713 | 6,821 | 6,903 | 6,966 | 6,971 | 6,920 | 6,880 |
| Total Use | 39,348 | 40,038 | 41,223 | 42,073 | 42,938 | 43,697 | 44,457 | 45,217 | 45,987 | 46,747 | 47,585 |
| Ending Stocks | 253 | 267 | 274 | 277 | 280 | 285 | 293 | 302 | 310 | 318 | 325 |
| (Dollars) | | | | | | | | | | | |
| Prices, 48% Protein | | | | | | | | | | | |
| Decatur/ton | 169.98 | 155.21 | 156.42 | 162.18 | 167.23 | 169.43 | 169.52 | 168.84 | 168.45 | 168.02 | 168.88 |
| Decatur/mt | 187.37 | 171.09 | 172.42 | 178.78 | 184.34 | 186.77 | 186.86 | 186.11 | 185.68 | 185.21 | 186.16 |

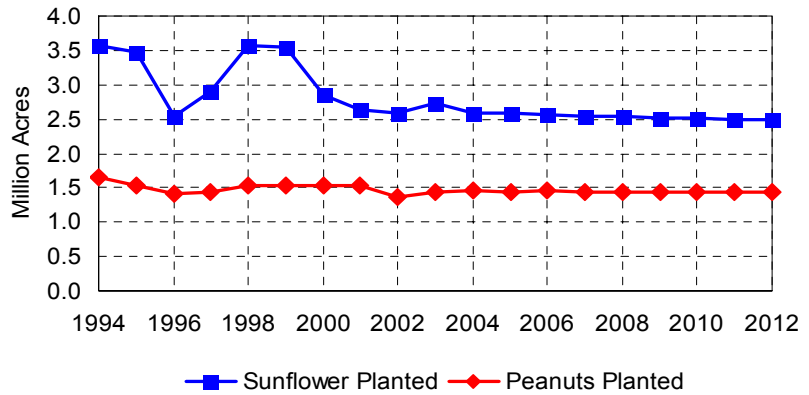
U.S. Sunflowers and Peanuts

- Sunflower planted area is projected higher in 2003, driven by strong vegetable oil prices.

- Peanut area recovers in 2003 to 1.44 million acres after the sharp decline in 2002.

- Given the major change in peanut policy resulting from the 2002 farm bill, there is much uncertainty about peanut area.

Sunflower and Peanut Area

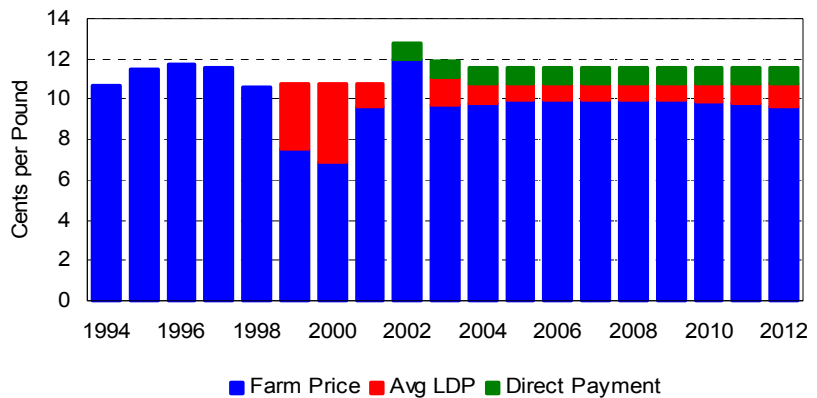


- Sunflower prices are likely to fall in 2002/03 because of increased U.S. and world production.

- The combination of market and LDP returns for sunflowers is expected to average 10.8 cents per pound for 2003-2012.

- Sunflowers are eligible for a direct payment rate of \$0.008 per pound, but no CCP.

Sunflower Prices and Payments

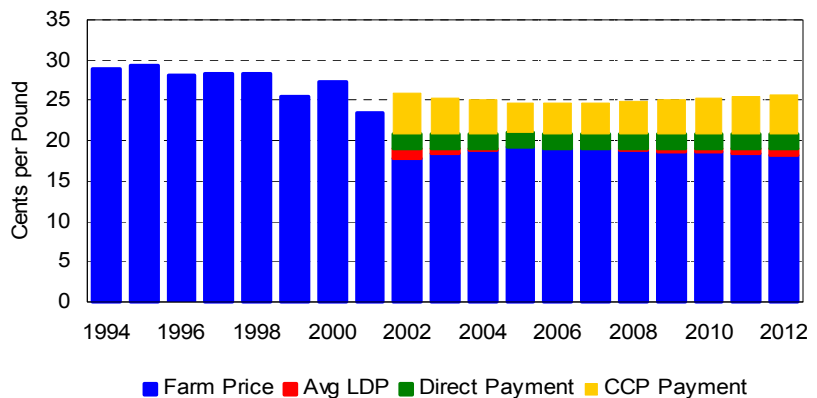


- Peanut farm prices are projected to average slightly above the 17.75 cent per pound (\$355 per ton) loan rate during the projection period.

- LDPs, direct payments, and CCPs bring total returns to approximately 25 cents per pound.

- Direct payments and CCPs do not require peanut production.

Peanut Prices and Payments



U.S. Sunflower Supply and Utilization

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|----------------------------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Area | | | | | | | | | | | |
| | (Million Acres) | | | | | | | | | | |
| Planted Area | 2.59 | 2.72 | 2.58 | 2.58 | 2.57 | 2.55 | 2.53 | 2.52 | 2.51 | 2.49 | 2.48 |
| Harvested Area | 2.21 | 2.61 | 2.48 | 2.47 | 2.46 | 2.44 | 2.42 | 2.41 | 2.41 | 2.39 | 2.38 |
| Yield | | | | | | | | | | | |
| | (Pounds per Acre) | | | | | | | | | | |
| | 1,133 | 1,346 | 1,345 | 1,350 | 1,355 | 1,360 | 1,365 | 1,371 | 1,371 | 1,376 | 1,381 |
| Supply and Use | | | | | | | | | | | |
| | (Million Pounds) | | | | | | | | | | |
| Production | 2,498 | 3,513 | 3,330 | 3,335 | 3,330 | 3,317 | 3,311 | 3,305 | 3,299 | 3,287 | 3,282 |
| Imports | 174 | 175 | 176 | 177 | 178 | 179 | 179 | 180 | 181 | 182 | 183 |
| Domestic Use | 2,403 | 3,117 | 3,133 | 3,137 | 3,146 | 3,147 | 3,147 | 3,147 | 3,152 | 3,152 | 3,154 |
| Exports | 324 | 493 | 362 | 372 | 359 | 345 | 340 | 335 | 324 | 313 | 306 |
| Ending Stocks | 185 | 264 | 275 | 278 | 281 | 284 | 287 | 290 | 295 | 299 | 304 |
| Prices and Payments | | | | | | | | | | | |
| | (Cents per Pound) | | | | | | | | | | |
| Farm Price | 12.00 | 9.70 | 9.79 | 9.96 | 9.96 | 9.96 | 9.96 | 9.96 | 9.83 | 9.79 | 9.66 |
| Average LDP Rate | 0.00 | 1.36 | 0.97 | 0.79 | 0.79 | 0.79 | 0.79 | 0.79 | 0.92 | 0.97 | 1.10 |
| CCP Rate | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Direct Payment | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 |

U.S. Peanut Supply and Utilization

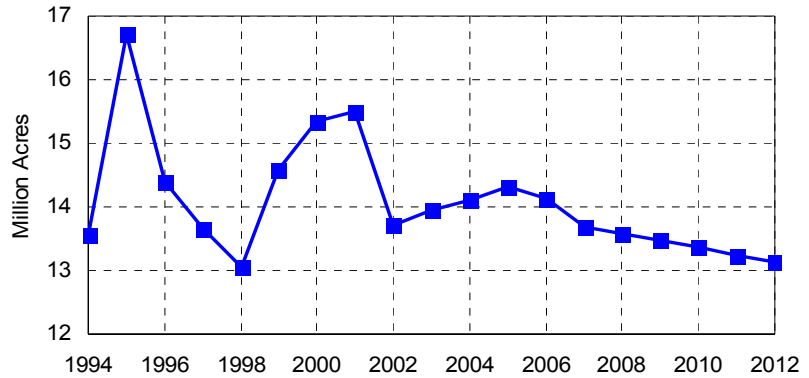
| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|----------------------------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Area | | | | | | | | | | | |
| | (Million Acres) | | | | | | | | | | |
| Planted Area | 1.36 | 1.44 | 1.46 | 1.45 | 1.46 | 1.45 | 1.45 | 1.45 | 1.44 | 1.44 | 1.44 |
| Harvested Area | 1.30 | 1.33 | 1.35 | 1.34 | 1.35 | 1.34 | 1.34 | 1.34 | 1.34 | 1.34 | 1.34 |
| Yield | | | | | | | | | | | |
| | (Pounds per Acre) | | | | | | | | | | |
| | 2,561 | 2,714 | 2,742 | 2,769 | 2,797 | 2,825 | 2,853 | 2,881 | 2,910 | 2,939 | 2,969 |
| Supply and Use | | | | | | | | | | | |
| | (Million Pounds) | | | | | | | | | | |
| Production | 3,320 | 3,613 | 3,702 | 3,712 | 3,778 | 3,795 | 3,827 | 3,866 | 3,899 | 3,932 | 3,966 |
| Imports | 100 | 105 | 107 | 109 | 108 | 109 | 108 | 108 | 107 | 106 | 106 |
| Domestic Use | 3,368 | 3,305 | 3,348 | 3,375 | 3,406 | 3,422 | 3,442 | 3,463 | 3,484 | 3,507 | 3,530 |
| Exports | 515 | 530 | 514 | 476 | 487 | 483 | 490 | 502 | 513 | 522 | 532 |
| Ending Stocks | 1,013 | 896 | 844 | 814 | 808 | 806 | 810 | 818 | 826 | 835 | 845 |
| Prices and Payments | | | | | | | | | | | |
| | (Cents per Pound) | | | | | | | | | | |
| Farm Price | 17.80 | 18.45 | 18.78 | 19.23 | 19.06 | 19.05 | 18.92 | 18.70 | 18.51 | 18.34 | 18.16 |
| Average LDP Rate | 1.23 | 0.58 | 0.25 | 0.00 | 0.00 | 0.00 | 0.12 | 0.33 | 0.52 | 0.69 | 0.87 |
| CCP Rate | 5.15 | 4.50 | 4.17 | 3.72 | 3.89 | 3.90 | 4.03 | 4.25 | 4.44 | 4.61 | 4.79 |
| Direct Payment | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 |

U.S. Upland Cotton

Upland Cotton Area

▪ In 2003, upland cotton planted area is expected to increase about 200,000 acres, with further small increases in 2004 and 2005.

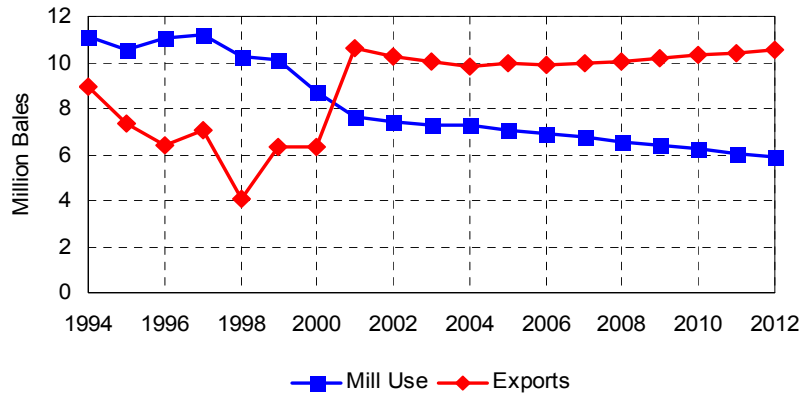
▪ Beginning in 2006, as cotton production costs rise more rapidly than returns from the market and the loan program, cotton is expected to lose area to other crops.



Upland Cotton Utilization

▪ U.S. mill use of cotton is projected to decline slowly until 2005/06, then more rapidly in later years, as existing trade agreements result in more imports of cotton products.

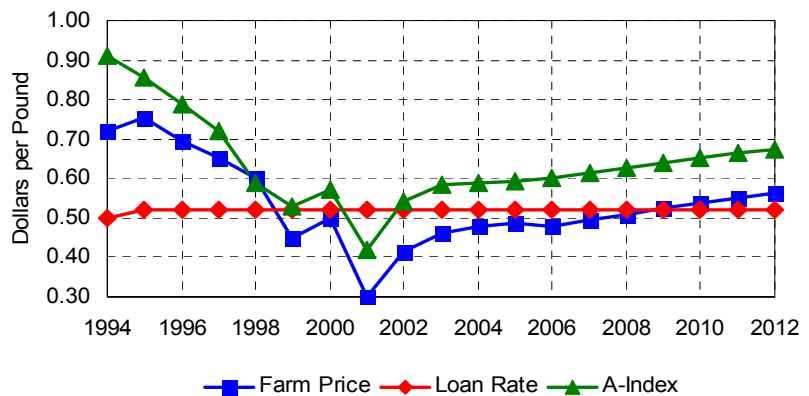
▪ Part of the decline in domestic mill use is offset by an increase in cotton exports after 2006/07.



Upland Cotton Prices

▪ The A-Index is expected to lead the farm price higher in 2003/04, as world demand strengthens relative to global supplies.

▪ Cotton farm prices are projected to rise over time, but remain near the loan rate throughout the projection period.



U.S. Upland Cotton Supply and Utilization

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|---------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Area | | | | | | | | | | | |
| | (Million Acres) | | | | | | | | | | |
| Base Area | 17.08 | 17.08 | 17.07 | 17.06 | 17.06 | 17.06 | 17.05 | 17.05 | 17.04 | 17.04 | 17.04 |
| Planted Area | 13.72 | 13.94 | 14.12 | 14.31 | 14.14 | 13.70 | 13.58 | 13.48 | 13.37 | 13.24 | 13.14 |
| Harvested Area | 12.17 | 12.20 | 12.36 | 12.55 | 12.41 | 12.00 | 11.90 | 11.81 | 11.72 | 11.61 | 11.53 |
| Yield | | | | | | | | | | | |
| | (Pounds per Acre) | | | | | | | | | | |
| Actual | 651 | 647 | 651 | 655 | 659 | 663 | 667 | 670 | 674 | 677 | 681 |
| Program, Direct | 617 | 617 | 617 | 617 | 617 | 617 | 617 | 617 | 617 | 617 | 617 |
| Program, CCP | 640 | 640 | 640 | 640 | 640 | 640 | 640 | 640 | 640 | 640 | 640 |
| Supply | | | | | | | | | | | |
| | (Million Bales) | | | | | | | | | | |
| Beginning Stocks | 7.10 | 5.93 | 5.06 | 4.82 | 4.90 | 5.12 | 5.01 | 4.93 | 4.86 | 4.80 | 4.72 |
| Production | 16.50 | 16.45 | 16.78 | 17.13 | 17.04 | 16.58 | 16.53 | 16.50 | 16.46 | 16.39 | 16.34 |
| Imports | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Domestic Use | | | | | | | | | | | |
| Mill Use | 7.39 | 7.27 | 7.24 | 7.08 | 6.93 | 6.75 | 6.57 | 6.39 | 6.22 | 6.05 | 5.89 |
| Exports | | | | | | | | | | | |
| | 10.28 | 10.06 | 9.79 | 9.98 | 9.88 | 9.94 | 10.06 | 10.18 | 10.30 | 10.41 | 10.53 |
| Total Use | | | | | | | | | | | |
| | 17.67 | 17.32 | 17.02 | 17.06 | 16.82 | 16.69 | 16.63 | 16.57 | 16.52 | 16.47 | 16.41 |
| Unaccounted | | | | | | | | | | | |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Ending Stocks | | | | | | | | | | | |
| CCC Inventory | 0.05 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| "Free" Stocks | 5.88 | 5.06 | 4.82 | 4.90 | 5.12 | 5.01 | 4.93 | 4.86 | 4.80 | 4.72 | 4.66 |
| Prices and Returns | | | | | | | | | | | |
| | (Dollars) | | | | | | | | | | |
| Farm Price/lb. | 0.415 | 0.459 | 0.479 | 0.486 | 0.480 | 0.495 | 0.510 | 0.524 | 0.537 | 0.551 | 0.565 |
| Cotlook A Index/lb. | 0.541 | 0.584 | 0.588 | 0.594 | 0.601 | 0.615 | 0.628 | 0.640 | 0.652 | 0.664 | 0.675 |
| Adjusted World Price/lb. | 0.400 | 0.448 | 0.454 | 0.460 | 0.467 | 0.480 | 0.492 | 0.503 | 0.515 | 0.526 | 0.537 |
| Loan Rate/lb. | 0.520 | 0.520 | 0.520 | 0.520 | 0.520 | 0.520 | 0.520 | 0.520 | 0.520 | 0.520 | 0.520 |
| Average LDP Rate/lb. | 0.128 | 0.080 | 0.075 | 0.068 | 0.061 | 0.049 | 0.036 | 0.025 | 0.013 | 0.002 | 0.000 |
| Target Price/lb. | 0.724 | 0.724 | 0.724 | 0.724 | 0.724 | 0.724 | 0.724 | 0.724 | 0.724 | 0.724 | 0.724 |
| CCP Rate/lb. | 0.137 | 0.137 | 0.137 | 0.137 | 0.137 | 0.137 | 0.137 | 0.134 | 0.120 | 0.106 | 0.092 |
| Direct Payment/lb. | 0.067 | 0.067 | 0.067 | 0.067 | 0.067 | 0.067 | 0.067 | 0.067 | 0.067 | 0.067 | 0.067 |
| Gross Market Revenue/a. | 323.27 | 351.77 | 366.37 | 374.21 | 373.68 | 386.97 | 398.31 | 408.96 | 419.67 | 430.87 | 441.73 |
| LDP Revenue/a. | 83.37 | 51.74 | 48.59 | 44.61 | 40.25 | 32.27 | 24.30 | 16.78 | 9.05 | 1.29 | 0.00 |
| Variable Expenses/a. | 321.42 | 324.81 | 327.39 | 331.05 | 336.54 | 341.78 | 347.40 | 353.05 | 358.99 | 365.19 | 371.41 |
| Mkt+LDP Net Returns/a. | 85.22 | 78.70 | 87.58 | 87.77 | 77.40 | 77.46 | 75.21 | 72.68 | 69.73 | 66.97 | 70.32 |
| CCP Revenue/a. | 74.64 | 74.64 | 74.64 | 74.64 | 74.64 | 74.64 | 74.64 | 72.72 | 65.30 | 57.61 | 50.21 |
| Direct Payment/a. | 34.96 | 34.96 | 34.96 | 34.96 | 34.96 | 34.96 | 34.96 | 34.96 | 34.96 | 34.96 | 34.96 |

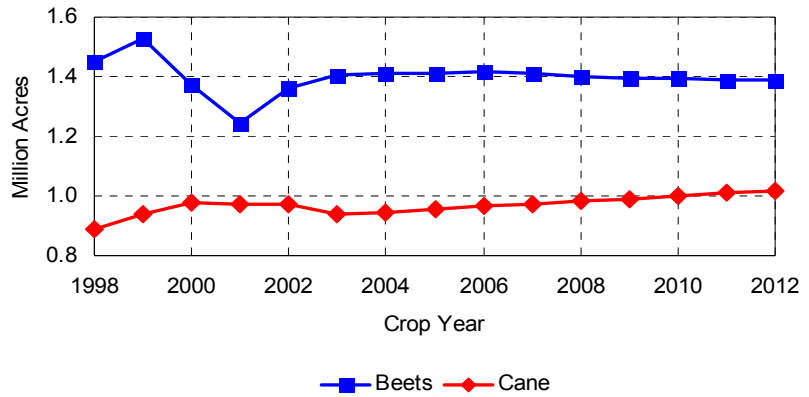
U.S. Sugar

- Sugar beet area is projected to increase slightly in 2003 and remain near 1.4 million acres during the rest of the projection period.

- Based on January 2003 conditions, it appeared that 2002/03 sugar production from cane would exceed allotment levels.

- A slight reduction in 2003/04 sugarcane area would be required to bring production in line with projected allotments.

Sugar Area Harvested

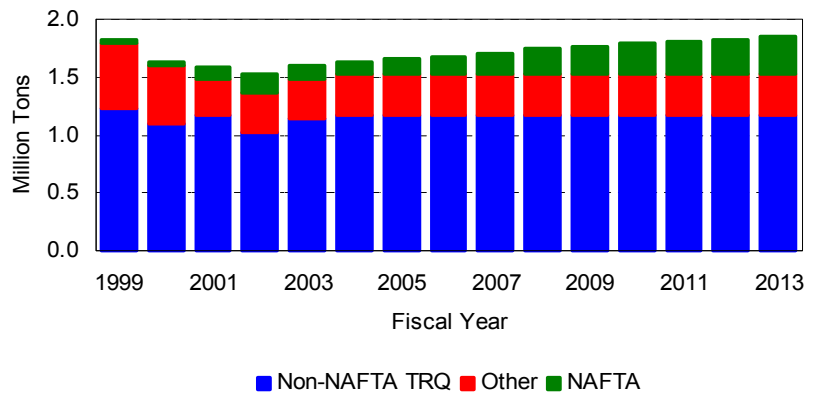


- Sugar imports from Mexico are difficult to project, given policy and market uncertainties.

- These baseline projections assume limited Mexican imports of U.S. high-fructose corn syrup and modest growth in Mexican sugar production.

- Alternative outcomes that would result in much higher or lower levels of Mexican sugar exports to the United States are possible.

Sugar Imports

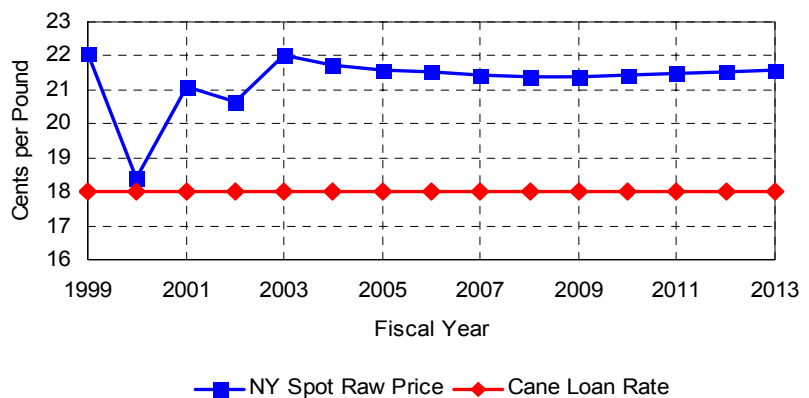


- Average raw sugar prices are between 21 and 22 cents per pound throughout the projection period.

- Prices are sustained in part because of an assumed recovery in sugar consumption and because allotments limit cane sugar production.

- Allotments, in turn, are binding only because projected imports from Mexico are relatively modest.

Sugar Prices



U.S. Sugar Crop Production

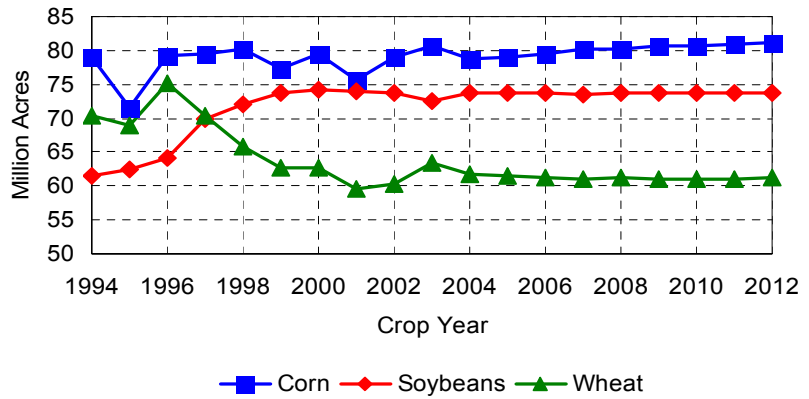
| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Sugar Beets | | | | | | | | | | | |
| Harv. Area (1,000 a.) | 1,361 | 1,408 | 1,412 | 1,413 | 1,416 | 1,409 | 1,401 | 1,396 | 1,393 | 1,390 | 1,387 |
| Yield (tons/a.) | 20.24 | 21.93 | 22.08 | 22.23 | 22.38 | 22.53 | 22.68 | 22.83 | 22.98 | 23.13 | 23.28 |
| Prod. (1,000 tons) | 27,550 | 30,872 | 31,186 | 31,409 | 31,694 | 31,738 | 31,774 | 31,884 | 32,016 | 32,157 | 32,299 |
| Sugarcane | | | | | | | | | | | |
| Harv. Area (1,000 a.) | 974 | 938 | 947 | 956 | 966 | 974 | 982 | 991 | 1,000 | 1,009 | 1,019 |
| Yield (tons/a.) | 35.14 | 35.05 | 35.12 | 35.20 | 35.28 | 35.36 | 35.44 | 35.52 | 35.60 | 35.68 | 35.76 |
| Prod. (1,000 tons) | 34,245 | 32,874 | 33,248 | 33,644 | 34,082 | 34,458 | 34,807 | 35,209 | 35,599 | 36,019 | 36,444 |

U.S. Sugar Supply and Utilization

| Fiscal Year | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| (1000 Short Tons, Raw Value) | | | | | | | | | | | |
| Allotments | 8,200 | 8,661 | 8,770 | 8,886 | 9,012 | 9,123 | 9,227 | 9,345 | 9,460 | 9,584 | 9,709 |
| Beet Sugar | 4,457 | 4,707 | 4,767 | 4,829 | 4,898 | 4,958 | 5,015 | 5,079 | 5,142 | 5,209 | 5,277 |
| Cane Sugar | 3,743 | 3,954 | 4,004 | 4,056 | 4,114 | 4,165 | 4,212 | 4,266 | 4,319 | 4,375 | 4,432 |
| Supply | 11,036 | 11,474 | 11,611 | 11,766 | 11,925 | 12,064 | 12,173 | 12,282 | 12,390 | 12,503 | 12,612 |
| Beginning Stocks | 1,276 | 1,311 | 1,318 | 1,353 | 1,377 | 1,404 | 1,422 | 1,425 | 1,428 | 1,433 | 1,434 |
| Production | 8,155 | 8,527 | 8,636 | 8,734 | 8,847 | 8,917 | 8,983 | 9,066 | 9,151 | 9,242 | 9,333 |
| Beet Sugar | 4,215 | 4,573 | 4,632 | 4,678 | 4,733 | 4,752 | 4,771 | 4,800 | 4,833 | 4,867 | 4,901 |
| Cane Sugar | 3,940 | 3,954 | 4,004 | 4,056 | 4,114 | 4,165 | 4,212 | 4,266 | 4,319 | 4,375 | 4,432 |
| Total Imports | 1,605 | 1,636 | 1,657 | 1,679 | 1,701 | 1,742 | 1,768 | 1,791 | 1,810 | 1,828 | 1,845 |
| Non-NAFTA TRQ | 1,135 | 1,178 | 1,178 | 1,178 | 1,178 | 1,178 | 1,178 | 1,178 | 1,178 | 1,178 | 1,178 |
| Duty-Free NAFTA | 110 | 89 | 103 | 118 | 133 | 215 | 241 | 263 | 283 | 301 | 317 |
| High-Tier NAFTA Tariff | 10 | 19 | 26 | 33 | 40 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 |
| Utilization | 9,725 | 10,156 | 10,258 | 10,389 | 10,521 | 10,641 | 10,748 | 10,854 | 10,957 | 11,069 | 11,179 |
| Disappearance | 9,800 | 10,031 | 10,133 | 10,264 | 10,396 | 10,516 | 10,623 | 10,729 | 10,832 | 10,944 | 11,054 |
| Exports | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 |
| Statistical Discrepancy | -200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Stocks | 1,311 | 1,318 | 1,353 | 1,377 | 1,404 | 1,422 | 1,425 | 1,428 | 1,433 | 1,434 | 1,433 |
| (Cents per Pound) | | | | | | | | | | | |
| Prices | | | | | | | | | | | |
| N.Y. Spot Raw Sugar | 22.00 | 21.75 | 21.59 | 21.52 | 21.43 | 21.37 | 21.40 | 21.44 | 21.47 | 21.53 | 21.60 |
| Refined Beet Sugar | 27.00 | 25.40 | 25.23 | 25.16 | 25.06 | 25.00 | 25.04 | 25.08 | 25.11 | 25.17 | 25.24 |
| Cane Loan Rate | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 |
| Beet Loan Rate | 22.90 | 22.90 | 22.90 | 22.90 | 22.90 | 22.90 | 22.90 | 22.90 | 22.90 | 22.90 | 22.90 |

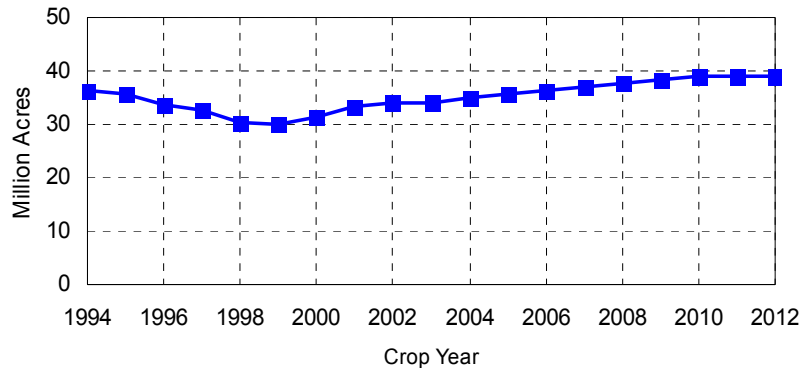
U.S. Land Use

Corn, Soybean, and Wheat Planted Area



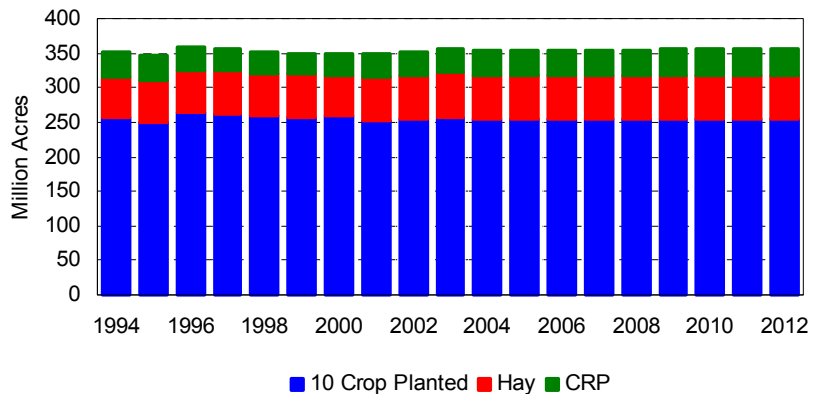
- In the late 1990s, the area planted to soybeans increased and wheat area declined.
- In 2003, wheat and corn areas planted are projected to increase, with part of the change reflected in a reduction in soybean area.
- Given lower grain price projections, 2004 wheat and corn areas decline and soybean area recovers.

Conservation Reserve Area



- The 2002 farm bill increases the enrollment cap on the conservation reserve to 39.2 million acres.
- The projections assume a slow but steady increase in conservation reserve area, from the current 34 million acres to almost 39 million acres in 2010.

Land Use for Major Crops



- The total area planted to ten major crops, harvested for hay, or enrolled in the conservation reserve declined from 359 million acres in 1996 to 349 million acres in 2001.
- That same total area increased by 3 million acres in 2002 with a further 3 million acre increase projected for 2003.
- The total area remains below the 1996 level throughout the projection period.

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

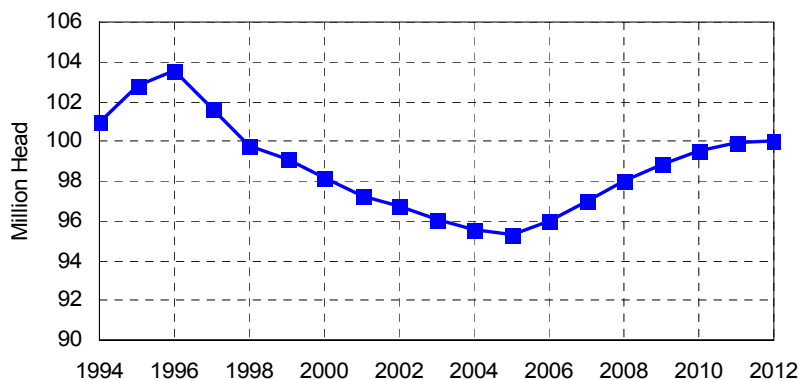
| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|-----------------------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Planted Area | (Million Acres) | | | | | | | | | | |
| Corn | 79.05 | 80.70 | 78.88 | 79.12 | 79.42 | 80.11 | 80.21 | 80.63 | 80.70 | 81.00 | 81.05 |
| Soybeans | 73.76 | 72.50 | 73.66 | 73.65 | 73.68 | 73.59 | 73.71 | 73.62 | 73.65 | 73.65 | 73.76 |
| Wheat | 60.36 | 63.50 | 61.63 | 61.49 | 61.28 | 61.10 | 61.23 | 60.99 | 61.03 | 61.13 | 61.21 |
| Upland Cotton | 13.72 | 13.94 | 14.12 | 14.31 | 14.14 | 13.70 | 13.58 | 13.48 | 13.37 | 13.24 | 13.14 |
| Sorghum | 9.58 | 9.69 | 9.56 | 9.50 | 9.43 | 9.37 | 9.31 | 9.26 | 9.21 | 9.17 | 9.14 |
| Barley | 5.07 | 4.99 | 5.06 | 5.01 | 4.97 | 4.92 | 4.87 | 4.82 | 4.78 | 4.74 | 4.71 |
| Oats | 5.01 | 4.77 | 4.85 | 4.81 | 4.79 | 4.76 | 4.74 | 4.73 | 4.72 | 4.70 | 4.69 |
| Rice | 3.24 | 3.20 | 3.15 | 3.20 | 3.20 | 3.19 | 3.17 | 3.15 | 3.13 | 3.12 | 3.11 |
| Sunflowers | 2.59 | 2.72 | 2.58 | 2.58 | 2.57 | 2.55 | 2.53 | 2.52 | 2.51 | 2.49 | 2.48 |
| Peanuts | 1.36 | 1.44 | 1.46 | 1.45 | 1.46 | 1.45 | 1.45 | 1.45 | 1.44 | 1.44 | 1.44 |
| 10 Crop Planted Area | 253.73 | 257.46 | 254.95 | 255.10 | 254.93 | 254.73 | 254.80 | 254.64 | 254.55 | 254.69 | 254.73 |
| Hay Harvested Area | 64.50 | 63.82 | 63.11 | 62.52 | 62.33 | 62.38 | 62.54 | 62.70 | 62.85 | 63.03 | 63.20 |
| 10 Crops + Hay | 318.23 | 321.27 | 318.06 | 317.63 | 317.26 | 317.12 | 317.34 | 317.35 | 317.41 | 317.72 | 317.93 |
| Conservation Reserve | 33.92 | 34.00 | 35.00 | 35.80 | 36.50 | 37.10 | 37.70 | 38.30 | 38.90 | 38.90 | 38.90 |
| 10 Crops + Hay + CRP | 352.15 | 355.27 | 353.06 | 353.43 | 353.76 | 354.22 | 355.04 | 355.65 | 356.31 | 356.62 | 356.83 |

U.S. Beef

Cattle and Calves, Jan. 1

- The number of cattle and calves on farms declined for the seventh consecutive year in 2003, as the continuation of unusually dry conditions over much of the U.S. hindered producers from rebuilding the herd.

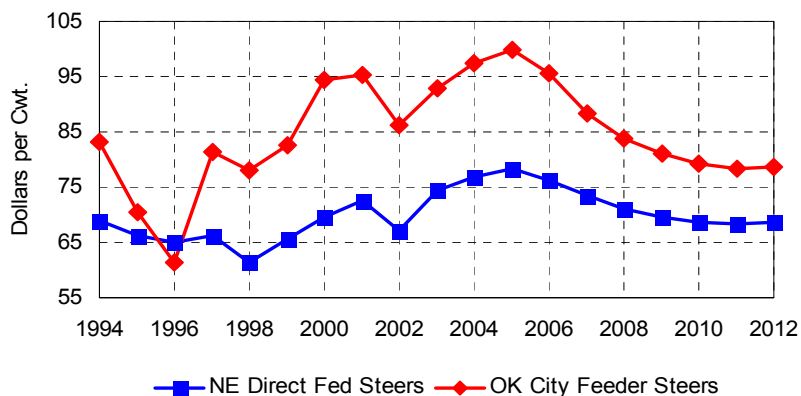
- Once inventory numbers begin to increase in 2006, they should grow for the remainder of the period. Increases in the amount of beef per cow will keep the number of animals at the next cyclical peak lower than at previous peak levels.



Cattle Prices

- Higher than expected production in 2002 lowered cattle prices, which declined for the first year since 1998. With declining beef production through 2005, prices will strengthen.

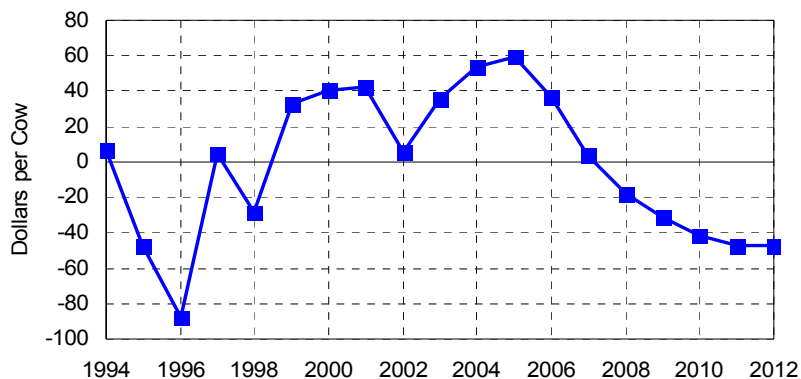
- Domestic demand for beef will determine just how high prices go through 2005. A weaker economy or consumer fears not included in our baseline could limit the price gains from reduced supplies.



Cow-Calf Net Returns

- Net returns to cow-calf producers returned to near break-even in 2002, after three years of profits. Hay prices near \$90 per ton and strong producer prices will allow positive returns through 2006.

- As cattle prices begin to decline in the middle portion of the projection period, returns will once again turn negative.



U.S. Cattle Sector

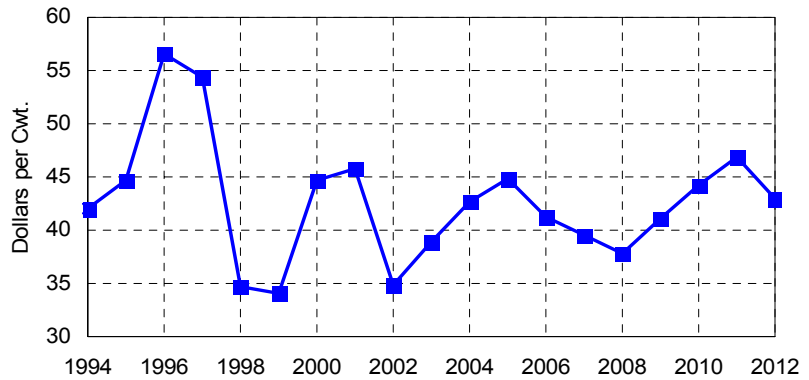
| Calendar Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------------------|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | (Million Head) | | | | | | | | | | |
| Beef Cows (Jan. 1) | 33.1 | 32.9 | 32.6 | 32.5 | 33.0 | 33.5 | 34.0 | 34.2 | 34.4 | 34.7 | 34.8 |
| Dairy Cows (Jan. 1) | 9.1 | 9.1 | 9.0 | 9.0 | 8.9 | 8.9 | 8.8 | 8.8 | 8.8 | 8.7 | 8.7 |
| Cattle and Calves (Jan. 1) | 96.7 | 96.0 | 95.6 | 95.3 | 96.0 | 97.0 | 98.0 | 98.8 | 99.5 | 99.9 | 100.0 |
| Calf Crop | 38.4 | 38.1 | 37.9 | 38.2 | 38.7 | 39.3 | 39.6 | 39.9 | 40.1 | 40.2 | 40.1 |
| Calf Death Loss | 2.4 | 2.4 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.2 | 2.2 | 2.2 | 2.1 |
| Calf Slaughter | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Beef Cow Slaughter | 3.1 | 3.0 | 2.9 | 2.7 | 3.0 | 3.3 | 3.5 | 3.7 | 3.8 | 3.8 | 3.9 |
| Dairy Cow Slaughter | 2.6 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| 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 | 29.5 | 28.7 | 28.8 | 28.5 | 28.5 | 28.8 | 29.2 | 29.5 | 30.0 | 30.4 | 30.5 |
| Total Slaughter | 36.9 | 36.1 | 36.0 | 35.6 | 35.9 | 36.4 | 37.0 | 37.5 | 38.0 | 38.5 | 38.7 |
| Cattle Imports | 2.3 | 2.2 | 2.2 | 2.3 | 2.4 | 2.4 | 2.5 | 2.5 | 2.6 | 2.6 | 2.7 |
| Cattle Exports | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Cattle Death Loss | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| Residual | 0.5 | 0.3 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Cattle and Calves (Dec. 31) | 96.0 | 95.6 | 95.3 | 96.0 | 97.0 | 98.0 | 98.8 | 99.5 | 99.9 | 100.0 | 100.0 |
| Cattle on Feed (Jan. 1) | 13.8 | 12.8 | 13.2 | 13.3 | 13.3 | 13.3 | 13.4 | 13.4 | 13.5 | 13.7 | 13.8 |
| | (Million Pounds) | | | | | | | | | | |
| Supply | | | | | | | | | | | |
| Beginning Stocks | 606 | 680 | 573 | 570 | 570 | 573 | 576 | 579 | 582 | 584 | 587 |
| Imports | 3,210 | 3,311 | 3,364 | 3,399 | 3,345 | 3,272 | 3,222 | 3,200 | 3,191 | 3,189 | 3,208 |
| Production | 27,186 | 26,451 | 26,410 | 26,346 | 26,702 | 27,304 | 27,923 | 28,484 | 29,131 | 29,759 | 30,125 |
| Total | 31,002 | 30,441 | 30,347 | 30,315 | 30,617 | 31,150 | 31,721 | 32,263 | 32,904 | 33,532 | 33,919 |
| Disappearance | | | | | | | | | | | |
| Domestic Use | 27,822 | 27,281 | 27,193 | 27,277 | 27,686 | 28,179 | 28,677 | 29,028 | 29,433 | 29,832 | 30,034 |
| Exports | 2,500 | 2,587 | 2,585 | 2,469 | 2,358 | 2,394 | 2,465 | 2,653 | 2,886 | 3,113 | 3,299 |
| Total | 30,322 | 29,868 | 29,778 | 29,746 | 30,044 | 30,573 | 31,142 | 31,681 | 32,320 | 32,945 | 33,333 |
| Ending Stocks | 680 | 573 | 570 | 570 | 573 | 576 | 579 | 582 | 584 | 587 | 587 |
| | (Pounds) | | | | | | | | | | |
| Per Capita Consumption | | | | | | | | | | | |
| Carcass Weight | 96.6 | 93.9 | 92.8 | 92.3 | 92.9 | 93.8 | 94.6 | 95.0 | 95.6 | 96.1 | 95.9 |
| Retail Weight | 67.6 | 65.7 | 65.0 | 64.6 | 65.0 | 65.6 | 66.2 | 66.5 | 66.9 | 67.2 | 67.2 |
| Change | 2.0% | -2.8% | -1.2% | -0.5% | 0.6% | 0.9% | 0.9% | 0.4% | 0.6% | 0.5% | -0.1% |
| Prices | | | | | | | | | | | |
| 1100 - 1300 #, Nebraska | (Dollars Per Hundredweight) | | | | | | | | | | |
| Direct Steers | 67.04 | 74.51 | 76.69 | 78.23 | 76.26 | 73.49 | 71.03 | 69.48 | 68.67 | 68.33 | 68.49 |
| Change | -7.8% | 11.1% | 2.9% | 2.0% | -2.5% | -3.6% | -3.4% | -2.2% | -1.2% | -0.5% | 0.2% |
| 600 - 650 #, Oklahoma City | (Dollars Per Pound) | | | | | | | | | | |
| Feeder Steers | 86.11 | 92.95 | 97.54 | 99.91 | 95.63 | 88.28 | 83.67 | 81.14 | 79.13 | 78.31 | 78.58 |
| Change | -9.6% | 7.9% | 4.9% | 2.4% | -4.3% | -7.7% | -5.2% | -3.0% | -2.5% | -1.0% | 0.3% |
| Utility Cows, Sioux Falls | 39.23 | 41.75 | 45.17 | 45.98 | 43.36 | 40.78 | 38.48 | 36.81 | 35.94 | 35.30 | 35.46 |
| Change | -11.6% | 6.4% | 8.2% | 1.8% | -5.7% | -5.9% | -5.6% | -4.4% | -2.4% | -1.8% | 0.5% |
| | (Dollars Per Pound) | | | | | | | | | | |
| Beef Retail | 3.31 | 3.47 | 3.58 | 3.64 | 3.61 | 3.59 | 3.58 | 3.56 | 3.56 | 3.56 | 3.60 |
| Change | -2.0% | 4.9% | 3.2% | 1.5% | -0.7% | -0.7% | -0.3% | -0.3% | 0.0% | -0.2% | 1.4% |
| Net Returns | (Dollars Per Cow) | | | | | | | | | | |
| Cow - Calf | 5.20 | 35.87 | 53.20 | 59.70 | 36.93 | 4.08 | -18.47 | -31.39 | -41.43 | -47.07 | -47.66 |

U.S. Pork

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

▪ Hog prices revisited 1998-99 levels in 2002, as large supplies of all meats weighed on the pork sector. Recent reductions in the sow herd point to reduced pork supplies and higher prices for the next couple of years.

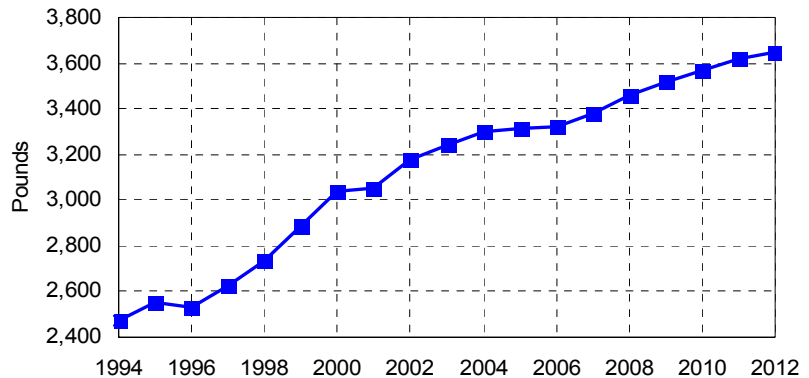
▪ The average for barrow and gilt prices for the projection period is near \$42, about two dollars below the average of the previous ten-year period. Lower ten-year average corn prices help offset the reduction.



▪ Growth in farrowings per sow and pigs per litter allowed the amount of pork per sow to grow by over 20 percent from 1996-2000. Increasing productivity will continue during the projection period, though at slower rates than those of the late 1990s.

▪ This productivity growth will allow record small sow herds to achieve record large pork production as we move through the next decade.

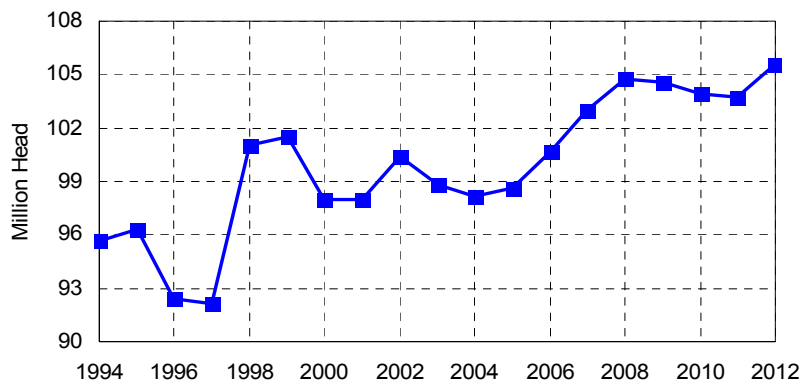
Pork per Sow



▪ Hog slaughter capacity nearly became an issue for the pork sector in 2002, but fourth quarter slaughter levels like those seen in 1998 were avoided. 2003 slaughter numbers should decline to a level more manageable by the industry.

▪ Slaughter is not anticipated to top 100 million head again until 2006, with slaughter levels near 105 million head beginning in 2008. These levels will require more processing capacity than currently exists.

Hog Slaughter



U.S. Swine Sector

| Calendar Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------------------|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | (Million Head) | | | | | | | | | | |
| Breeding Herd (Dec. 1*) | 6.21 | 6.01 | 5.89 | 5.93 | 6.07 | 6.13 | 6.12 | 6.04 | 5.95 | 5.89 | 5.98 |
| Gilts Added | 3.12 | 3.06 | 3.04 | 3.07 | 3.15 | 3.16 | 3.13 | 3.03 | 2.96 | 3.03 | 3.17 |
| Sow Slaughter | 3.26 | 3.12 | 2.95 | 2.87 | 3.03 | 3.11 | 3.15 | 3.06 | 2.96 | 2.88 | 3.01 |
| Sows Farrowed | 11.43 | 11.20 | 11.13 | 11.22 | 11.47 | 11.67 | 11.74 | 11.57 | 11.48 | 11.47 | 11.71 |
| Pigs per Litter (Head) | 8.82 | 8.86 | 8.90 | 8.94 | 8.98 | 9.02 | 9.06 | 9.10 | 9.14 | 9.18 | 9.22 |
| Market Hogs (Dec. 1*) | 53.6 | 52.9 | 52.0 | 51.6 | 51.9 | 52.8 | 53.6 | 53.6 | 52.8 | 52.3 | 52.2 |
| Pig Crop | 100.8 | 99.2 | 99.0 | 100.3 | 102.9 | 105.2 | 106.3 | 105.2 | 104.8 | 105.2 | 107.9 |
| Barrow and Gilt Slaughter | 96.8 | 95.4 | 94.9 | 95.5 | 97.4 | 99.6 | 101.3 | 101.2 | 100.6 | 100.6 | 102.4 |
| Hog Imports | 5.8 | 5.6 | 5.6 | 5.7 | 5.7 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 |
| Hog Exports | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Death Loss/Residual | 10.2 | 10.1 | 10.0 | 10.1 | 10.2 | 10.5 | 10.6 | 10.5 | 10.4 | 10.4 | 10.6 |
| Market Hogs (Nov.30) | 52.9 | 52.0 | 51.6 | 51.9 | 52.8 | 53.6 | 53.6 | 52.8 | 52.3 | 52.2 | 52.8 |
| | (Million Pounds) | | | | | | | | | | |
| Supply | | | | | | | | | | | |
| Beginning Stocks | 536 | 550 | 564 | 563 | 566 | 577 | 588 | 598 | 598 | 597 | 598 |
| Imports | 1,057 | 1,075 | 1,105 | 1,120 | 1,127 | 1,100 | 1,108 | 1,127 | 1,185 | 1,199 | 1,246 |
| Production | 19,703 | 19,470 | 19,448 | 19,648 | 20,161 | 20,714 | 21,178 | 21,247 | 21,224 | 21,314 | 21,794 |
| Total | 21,296 | 21,095 | 21,118 | 21,330 | 21,854 | 22,391 | 22,874 | 22,972 | 23,007 | 23,111 | 23,638 |
| Disappearance | | | | | | | | | | | |
| Domestic Use | 19,127 | 18,877 | 18,843 | 18,968 | 19,412 | 19,852 | 20,185 | 20,226 | 20,201 | 20,282 | 20,673 |
| Exports | 1,619 | 1,654 | 1,713 | 1,797 | 1,866 | 1,950 | 2,091 | 2,147 | 2,209 | 2,230 | 2,356 |
| Total | 20,746 | 20,531 | 20,555 | 20,765 | 21,277 | 21,803 | 22,276 | 22,374 | 22,410 | 22,512 | 23,029 |
| Ending Stocks | 550 | 564 | 563 | 566 | 577 | 588 | 598 | 598 | 597 | 598 | 609 |
| | (Pounds) | | | | | | | | | | |
| Per Capita Consumption | | | | | | | | | | | |
| Carcass Weight | 66.4 | 65.0 | 64.3 | 64.2 | 65.1 | 66.1 | 66.6 | 66.2 | 65.6 | 65.3 | 66.0 |
| Retail Weight | 51.5 | 50.4 | 49.9 | 49.8 | 50.5 | 51.3 | 51.7 | 51.4 | 50.9 | 50.7 | 51.2 |
| Change | 2.5% | -2.2% | -1.0% | -0.2% | 1.5% | 1.4% | 0.8% | -0.6% | -0.9% | -0.4% | 1.1% |
| Prices | | | | | | | | | | | |
| Natl. Base 51-52% lean equi | (Dollars Per Hundredweight) | | | | | | | | | | |
| Barrows & Gilts | 34.92 | 38.98 | 42.71 | 44.86 | 41.23 | 39.57 | 37.79 | 41.11 | 44.28 | 46.93 | 42.95 |
| Change | -23.8% | 11.6% | 9.6% | 5.0% | -8.1% | -4.0% | -4.5% | 8.8% | 7.7% | 6.0% | -8.5% |
| IA-S. Minn. #1-2, 300-400 # | | | | | | | | | | | |
| Sows | 23.71 | 27.00 | 29.85 | 31.99 | 29.24 | 27.71 | 25.70 | 28.97 | 31.35 | 33.18 | 29.99 |
| Change | -30.2% | 13.9% | 10.6% | 7.2% | -8.6% | -5.2% | -7.3% | 12.7% | 8.2% | 5.8% | -9.6% |
| | (Dollars Per Pound) | | | | | | | | | | |
| Pork Retail | 2.66 | 2.75 | 2.86 | 2.92 | 2.91 | 2.90 | 2.90 | 2.98 | 3.06 | 3.14 | 3.11 |
| Change | -1.4% | 3.5% | 3.9% | 2.4% | -0.5% | -0.2% | -0.1% | 2.8% | 2.8% | 2.4% | -0.8% |
| Net Returns | (Dollars Per Hundredweight) | | | | | | | | | | |
| Farrow - Finish | 3.56 | 5.79 | 10.19 | 12.06 | 7.96 | 5.81 | 3.64 | 6.64 | 9.54 | 11.88 | 7.85 |

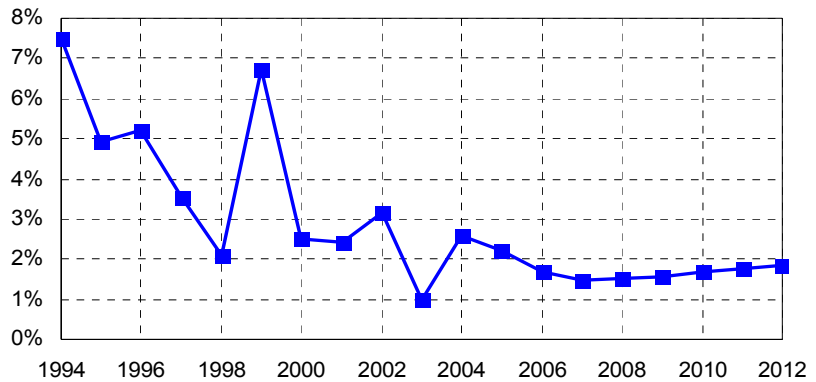
* Preceding Year

U.S. Poultry

Change in Broiler Production

▪ Broiler production shows only a 1 percent increase in 2003, the smallest annual increase since 1975. Production increases for the remainder of the projection period average just below 2 percent per year.

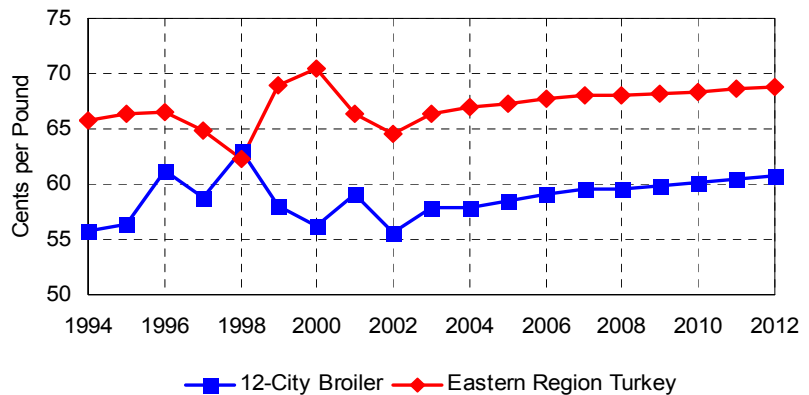
▪ Turkey and egg production will grow about 1 percent annually over the next decade, only slightly slower than growth seen during the previous ten years.



U.S. Poultry Prices

▪ Trade issues and large supplies of all meats resulted in a 2002 12-city broiler price at the lowest level since 1993. Following some recovery next year, prices will grow slowly to near 60 cents by the end of the period.

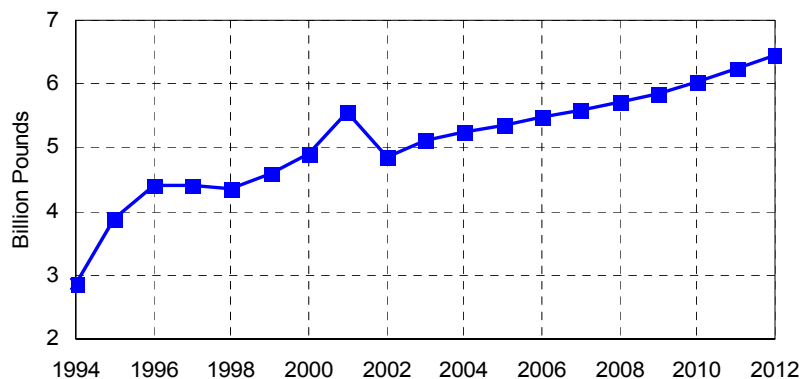
▪ Prices for turkeys and eggs will exhibit similar patterns to broilers, as prices recover from relatively low 2002 levels with only slight growth experienced longer term. Stable and relatively low feed costs underlying these projections keep average returns near levels of the past five or ten years.



Broiler Exports

▪ Broiler exports registered a sharp decline in 2002 due to trade disruptions with Russia, easily the largest importer of U.S. broiler meat. This decline led to a 17 percent fall in whole leg prices, reflecting the growing dependence of the broiler sector on export markets.

▪ Assuming no future major trade disruptions, exports are slated to grow slowly but steadily from the 2002 level, topping 2001 numbers by 2007 and surpassing 6 billion pounds by 2010.



U.S. Poultry Supply and Use

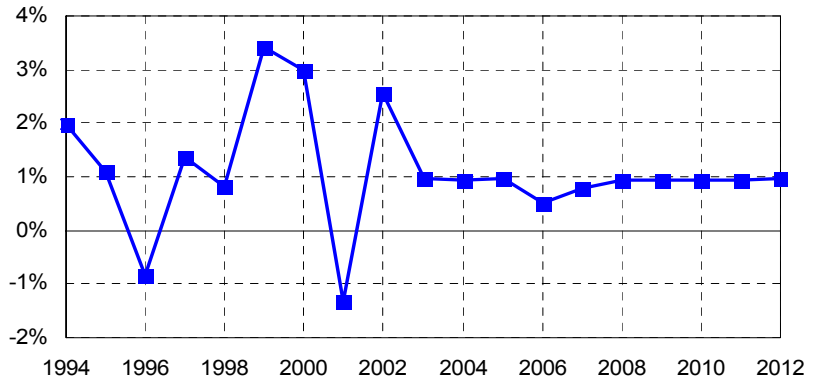
| Calendar Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Broiler | | | | | | | | | | | |
| | (Million Pounds) | | | | | | | | | | |
| Production | 31,916 | 32,232 | 33,064 | 33,791 | 34,362 | 34,864 | 35,393 | 35,945 | 36,550 | 37,189 | 37,872 |
| Domestic Use | 26,975 | 27,148 | 27,813 | 28,450 | 28,887 | 29,271 | 29,687 | 30,098 | 30,527 | 30,944 | 31,417 |
| Exports | 4,865 | 5,116 | 5,249 | 5,339 | 5,479 | 5,599 | 5,709 | 5,854 | 6,027 | 6,248 | 6,455 |
| Ending Stocks | 800 | 780 | 795 | 809 | 817 | 823 | 831 | 837 | 845 | 855 | 867 |
| Turkey | | | | | | | | | | | |
| Production | 5,621 | 5,627 | 5,719 | 5,809 | 5,887 | 5,964 | 6,039 | 6,113 | 6,190 | 6,273 | 6,358 |
| Domestic Use | 5,057 | 5,138 | 5,209 | 5,285 | 5,345 | 5,405 | 5,464 | 5,519 | 5,573 | 5,628 | 5,687 |
| Exports | 456 | 490 | 508 | 521 | 540 | 557 | 573 | 592 | 615 | 642 | 669 |
| Ending Stocks | 350 | 350 | 353 | 356 | 359 | 362 | 365 | 367 | 370 | 373 | 376 |
| Eggs | | | | | | | | | | | |
| | (Million Dozens) | | | | | | | | | | |
| Production | 7,211 | 7,241 | 7,325 | 7,413 | 7,498 | 7,577 | 7,658 | 7,741 | 7,828 | 7,916 | 8,006 |
| Domestic Use | 6,089 | 6,112 | 6,188 | 6,266 | 6,346 | 6,423 | 6,502 | 6,581 | 6,663 | 6,746 | 6,828 |
| Hatching Egg | 960 | 967 | 976 | 985 | 989 | 990 | 992 | 995 | 999 | 1,004 | 1,010 |
| Exports | 178 | 168 | 169 | 170 | 171 | 171 | 172 | 173 | 174 | 175 | 176 |
| Ending Stocks | 10 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Prices | | | | | | | | | | | |
| | (Cents Per Pound) | | | | | | | | | | |
| 12 City Wholesale Broiler | 55.60 | 57.80 | 57.89 | 58.54 | 59.02 | 59.54 | 59.57 | 59.84 | 60.13 | 60.50 | 60.74 |
| Bnls. Breast Whlsle., NE | 133.65 | 137.13 | 138.52 | 142.43 | 143.50 | 144.51 | 144.40 | 144.59 | 144.47 | 143.83 | 143.28 |
| Whole Leg Wholesale, NE | 35.39 | 38.84 | 37.47 | 36.56 | 37.08 | 37.88 | 38.02 | 38.61 | 39.51 | 40.87 | 41.55 |
| Broiler Retail | 161.89 | 166.86 | 169.47 | 170.83 | 171.71 | 172.61 | 172.81 | 174.54 | 176.45 | 178.44 | 179.97 |
| East. Region Whlsle Turkey | 64.50 | 66.41 | 66.91 | 67.32 | 67.69 | 68.00 | 68.00 | 68.12 | 68.35 | 68.66 | 68.80 |
| Turkey Retail | 105.87 | 108.48 | 109.99 | 111.06 | 111.67 | 112.17 | 112.44 | 113.10 | 113.96 | 114.90 | 115.58 |
| | (Cents Per Dozen) | | | | | | | | | | |
| NY Grade A Lg Egg | 67.10 | 67.79 | 69.12 | 69.91 | 70.32 | 70.76 | 71.16 | 71.49 | 71.79 | 72.03 | 72.11 |
| Shell Egg Retail | 102.09 | 103.86 | 106.04 | 107.65 | 108.80 | 109.99 | 110.83 | 111.61 | 112.37 | 113.10 | 113.67 |
| Per Capita Consumption | | | | | | | | | | | |
| | (Pounds) | | | | | | | | | | |
| Broiler | 93.7 | 93.4 | 94.9 | 96.3 | 96.9 | 97.4 | 98.0 | 98.5 | 99.1 | 99.7 | 100.4 |
| Turkey | 17.6 | 17.7 | 17.8 | 17.9 | 17.9 | 18.0 | 18.0 | 18.1 | 18.1 | 18.1 | 18.2 |
| | (Eggs) | | | | | | | | | | |
| Eggs | 253.7 | 252.5 | 253.4 | 254.4 | 255.5 | 256.5 | 257.5 | 258.5 | 259.6 | 260.7 | 261.8 |
| Net Returns | | | | | | | | | | | |
| | (Cents Per Pound) | | | | | | | | | | |
| Broiler | 7.75 | 9.09 | 9.93 | 10.27 | 10.26 | 10.32 | 10.07 | 10.09 | 10.18 | 10.32 | 10.37 |
| Turkey | 5.04 | 6.33 | 7.57 | 7.87 | 7.98 | 8.06 | 7.96 | 8.00 | 8.20 | 8.46 | 8.55 |
| | (Cents Per Dozen) | | | | | | | | | | |
| Eggs | 2.11 | 2.04 | 4.31 | 5.00 | 5.12 | 5.31 | 5.61 | 5.88 | 6.18 | 6.37 | 6.43 |

U.S. Dairy

Change in Milk Production

- Milk production expanded by over 2.5 percent in 2003 relative to 2002 leading to lower milk prices.

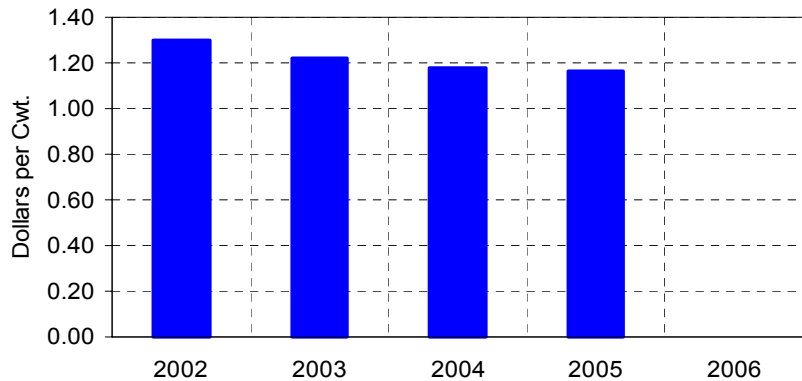
- Over the projection period, milk production expands at an annual rate of 1 percent. Adverse weather during the period would result in more variability in milk production growth.



MILC Payment Rate

- The MILC program included in the 2002 farm bill results in annual payments between 2002 and 2005 of approximately \$1.20 per cwt on a producer's eligible milk marketings.

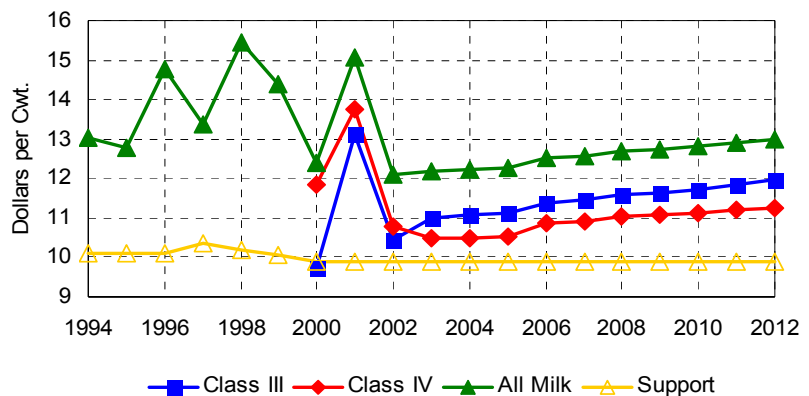
- Given no restructuring of dairy operations, 58.5 percent of milk marketed in the U.S. would be eligible for the direct payment. Eligible milk varies widely on a state-by-state basis.



Milk Prices

- The all milk price fell by nearly \$3.00 in 2002 from the \$15.05 average obtained in 2001. Milk prices are projected to increase only \$0.09 per cwt in 2003 and remain at or below \$13 per cwt for the period.

- The price support program remains in place at \$9.90 per cwt. The baseline assumes no butter/powder tilt beyond what occurred in late 2002.



U.S. Milk Component Supply and Use

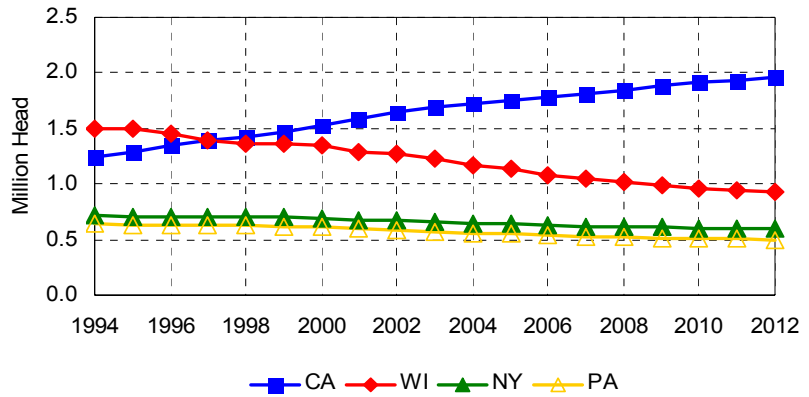
| Calendar Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------------------|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | (Million Pounds, Milk-Fat Basis) | | | | | | | | | | |
| Fluid Use | 1,621 | 1,626 | 1,640 | 1,650 | 1,655 | 1,660 | 1,666 | 1,676 | 1,687 | 1,700 | 1,713 |
| Whole Milk | 615 | 611 | 611 | 610 | 607 | 604 | 602 | 601 | 601 | 602 | 603 |
| 2% Milk | 360 | 358 | 358 | 357 | 355 | 353 | 351 | 349 | 348 | 347 | 346 |
| 1% and Skim Milk | 71 | 73 | 75 | 76 | 77 | 79 | 80 | 81 | 82 | 84 | 85 |
| Other | 575 | 585 | 597 | 608 | 616 | 625 | 634 | 644 | 656 | 667 | 679 |
| Product Use | 4,305 | 4,331 | 4,376 | 4,425 | 4,453 | 4,497 | 4,550 | 4,599 | 4,648 | 4,698 | 4,749 |
| American Cheese | 1,180 | 1,189 | 1,211 | 1,226 | 1,239 | 1,255 | 1,270 | 1,288 | 1,306 | 1,324 | 1,343 |
| Other Cheese | 1,115 | 1,131 | 1,160 | 1,185 | 1,206 | 1,230 | 1,254 | 1,280 | 1,306 | 1,331 | 1,357 |
| Butter | 1,150 | 1,136 | 1,120 | 1,122 | 1,113 | 1,110 | 1,120 | 1,119 | 1,118 | 1,116 | 1,115 |
| Nonfat Dry | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Evap and Condensed | 62 | 65 | 65 | 64 | 63 | 62 | 61 | 60 | 60 | 59 | 58 |
| Frozen Products | 720 | 732 | 740 | 748 | 753 | 759 | 765 | 772 | 780 | 787 | 795 |
| Whey Products | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Other | 59 | 60 | 61 | 61 | 61 | 61 | 62 | 62 | 62 | 62 | 62 |
| Farm Use | 46 | 47 | 47 | 48 | 48 | 48 | 49 | 49 | 49 | 50 | 50 |
| Milk Production | 169,556 | 171,210 | 172,820 | 174,476 | 175,368 | 176,734 | 178,383 | 180,041 | 181,733 | 183,463 | 185,236 |
| % Fat | 3.66% | 3.66% | 3.66% | 3.66% | 3.66% | 3.66% | 3.66% | 3.66% | 3.66% | 3.66% | 3.66% |
| Total Fat Supply | 6,206 | 6,266 | 6,325 | 6,386 | 6,418 | 6,468 | 6,529 | 6,590 | 6,651 | 6,715 | 6,780 |
| Residual Fat | 260 | 262 | 262 | 263 | 263 | 264 | 264 | 265 | 266 | 267 | 268 |
| | (Million Pounds, Solids-Not-Fat Basis) | | | | | | | | | | |
| Fluid Use | 5,003 | 5,017 | 5,059 | 5,088 | 5,100 | 5,111 | 5,123 | 5,145 | 5,172 | 5,201 | 5,231 |
| Whole Milk | 1,655 | 1,644 | 1,644 | 1,641 | 1,633 | 1,626 | 1,620 | 1,618 | 1,618 | 1,620 | 1,623 |
| 2% Milk | 1,640 | 1,630 | 1,630 | 1,626 | 1,616 | 1,606 | 1,597 | 1,591 | 1,586 | 1,582 | 1,578 |
| 1% and Skim Milk | 1,410 | 1,439 | 1,476 | 1,507 | 1,532 | 1,555 | 1,578 | 1,603 | 1,628 | 1,653 | 1,678 |
| Other | 298 | 303 | 309 | 315 | 319 | 324 | 328 | 334 | 340 | 346 | 352 |
| Product Use | 6,378 | 6,420 | 6,447 | 6,495 | 6,504 | 6,545 | 6,612 | 6,664 | 6,716 | 6,770 | 6,826 |
| American Cheese | 1,099 | 1,107 | 1,128 | 1,142 | 1,154 | 1,169 | 1,183 | 1,199 | 1,216 | 1,233 | 1,250 |
| Other Cheese | 1,146 | 1,162 | 1,192 | 1,218 | 1,239 | 1,264 | 1,289 | 1,315 | 1,342 | 1,368 | 1,394 |
| Butter | 43 | 42 | 42 | 42 | 41 | 41 | 42 | 42 | 42 | 42 | 42 |
| Nonfat Dry | 961 | 883 | 833 | 835 | 808 | 805 | 831 | 834 | 838 | 841 | 847 |
| Total Nonfat Dry | 1,461 | 1,419 | 1,364 | 1,356 | 1,320 | 1,309 | 1,325 | 1,320 | 1,315 | 1,311 | 1,310 |
| Nonfat Dry in Other | -500 | -536 | -531 | -521 | -512 | -503 | -494 | -486 | -478 | -470 | -463 |
| Evap and Condensed | 477 | 502 | 499 | 493 | 485 | 478 | 471 | 465 | 460 | 455 | 449 |
| Frozen Products | 1,057 | 1,074 | 1,086 | 1,097 | 1,105 | 1,114 | 1,123 | 1,133 | 1,144 | 1,155 | 1,167 |
| Whey Products | 1,215 | 1,267 | 1,289 | 1,295 | 1,302 | 1,308 | 1,314 | 1,320 | 1,326 | 1,331 | 1,336 |
| Other | 381 | 382 | 379 | 374 | 369 | 364 | 359 | 355 | 350 | 345 | 340 |
| Farm Use | 110 | 112 | 113 | 114 | 114 | 115 | 116 | 117 | 117 | 118 | 119 |
| Milk Production | 169,556 | 171,210 | 172,820 | 174,476 | 175,368 | 176,734 | 178,383 | 180,041 | 181,733 | 183,463 | 185,236 |
| % SNF | 8.70% | 8.70% | 8.70% | 8.70% | 8.70% | 8.70% | 8.70% | 8.70% | 8.70% | 8.70% | 8.70% |
| Total SNF Supply | 14,751 | 14,895 | 15,035 | 15,179 | 15,257 | 15,376 | 15,519 | 15,664 | 15,811 | 15,961 | 16,116 |
| Residual Whey | 2,195 | 2,249 | 2,317 | 2,380 | 2,438 | 2,501 | 2,562 | 2,627 | 2,691 | 2,755 | 2,819 |
| Residual SNF | 1,091 | 1,097 | 1,099 | 1,103 | 1,101 | 1,104 | 1,106 | 1,111 | 1,114 | 1,117 | 1,120 |
| | (Dollars per Cwt.) | | | | | | | | | | |
| Min. FMMO Class Prices | | | | | | | | | | | |
| Class I Mover | 11.18 | 11.08 | 11.17 | 11.21 | 11.47 | 11.55 | 11.69 | 11.73 | 11.83 | 11.95 | 12.06 |
| Class II | 11.88 | 11.39 | 11.40 | 11.45 | 11.75 | 11.81 | 11.96 | 11.96 | 12.02 | 12.10 | 12.16 |
| Class III | 10.45 | 10.98 | 11.07 | 11.11 | 11.37 | 11.45 | 11.59 | 11.63 | 11.73 | 11.85 | 11.96 |
| Class IV | 10.80 | 10.49 | 10.50 | 10.55 | 10.85 | 10.91 | 11.06 | 11.06 | 11.12 | 11.20 | 11.26 |
| All Milk Price | 12.10 | 12.19 | 12.24 | 12.27 | 12.52 | 12.58 | 12.71 | 12.73 | 12.81 | 12.91 | 13.00 |
| MILC Payment | 1.30 | 1.22 | 1.18 | 1.16 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

State-Level Dairy

- Dairy cows are projected to continue to increase in California over the baseline period. The rate of growth is slower than seen during the 1990s.

- The MILC program does not cause regional milk supplies to be markedly different than during the 1990s.

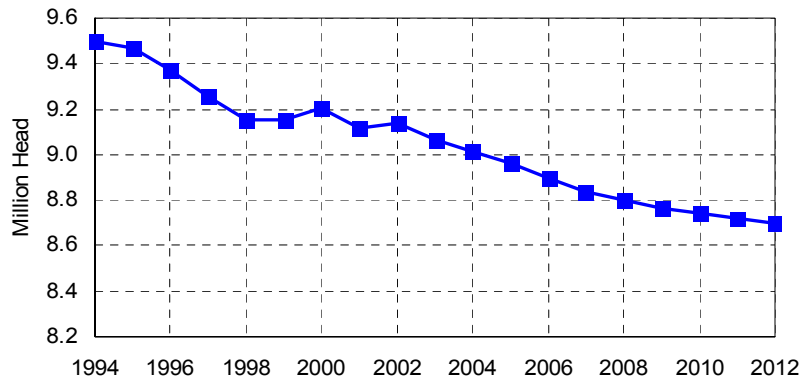
Milk Cows



- After increasing by 24 thousand head in 2002 relative to 2001, dairy cows are projected to decline by 72 thousand head in 2003.

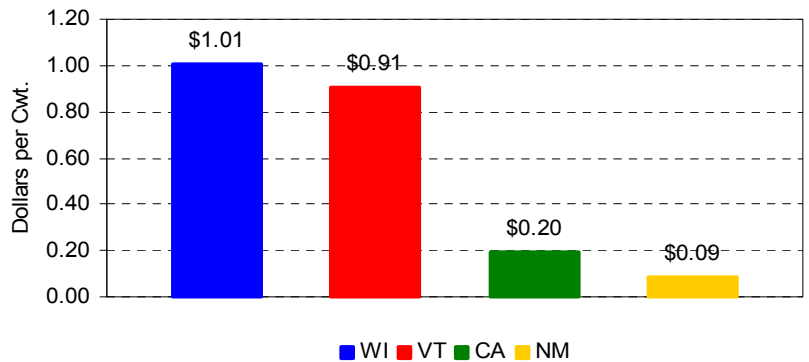
- Further declines in dairy cows are projected as the growth in milk yields is larger than the growth in domestic demand for milk and milk products.

Milk Cows



- On a state-by-state basis, the MILC program has different levels of support because these payments are capped at a producer's first 2.4 million pounds of milk marketings. Only a small portion of milk production in California or New Mexico receives a MILC payment while smaller herd states like Wisconsin and Vermont see a much larger portion of production covered by the program.

Effective MILC Payment Rate, 2003-05 average



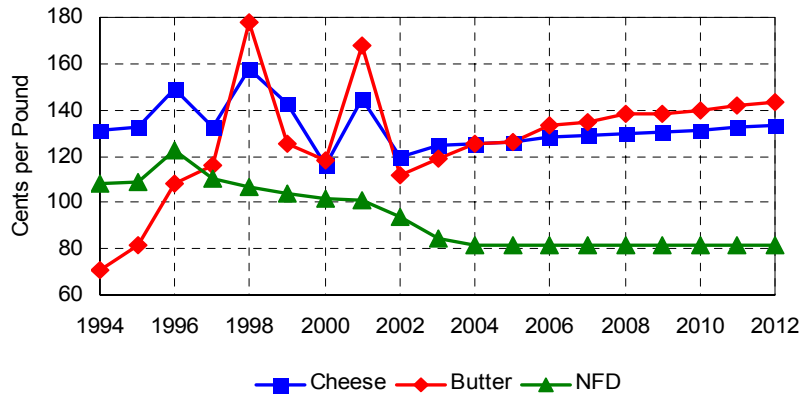
State Level Dairy Cows

| Calendar Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | (Thousand Head) | | | | | | | | | | |
| Alabama | 20 | 18 | 16 | 15 | 14 | 12 | 11 | 10 | 10 | 9 | 8 |
| Alaska | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Arizona | 145 | 150 | 154 | 159 | 163 | 167 | 171 | 175 | 178 | 181 | 185 |
| Arkansas | 32 | 30 | 29 | 27 | 25 | 24 | 22 | 21 | 19 | 18 | 17 |
| California | 1,647 | 1,687 | 1,717 | 1,749 | 1,781 | 1,814 | 1,847 | 1,881 | 1,911 | 1,938 | 1,962 |
| Colorado | 100 | 104 | 107 | 110 | 112 | 114 | 116 | 117 | 119 | 120 | 121 |
| Connecticut | 24 | 23 | 22 | 22 | 21 | 20 | 20 | 19 | 19 | 18 | 18 |
| Delaware | 9 | 9 | 10 | 10 | 10 | 10 | 10 | 10 | 9 | 9 | 9 |
| Florida | 150 | 147 | 144 | 142 | 139 | 137 | 135 | 133 | 132 | 130 | 129 |
| Georgia | 85 | 84 | 83 | 83 | 81 | 80 | 79 | 77 | 76 | 75 | 74 |
| Hawaii | 7 | 6 | 6 | 5 | 5 | 4 | 4 | 4 | 4 | 3 | 3 |
| Idaho | 388 | 408 | 427 | 444 | 459 | 472 | 485 | 496 | 506 | 515 | 523 |
| Illinois | 115 | 115 | 114 | 113 | 111 | 108 | 107 | 105 | 103 | 102 | 100 |
| Indiana | 151 | 149 | 148 | 148 | 147 | 146 | 146 | 145 | 145 | 145 | 145 |
| Iowa | 209 | 207 | 206 | 204 | 201 | 197 | 194 | 192 | 189 | 187 | 184 |
| Kansas | 103 | 110 | 117 | 122 | 127 | 131 | 134 | 138 | 140 | 143 | 145 |
| Kentucky | 122 | 118 | 114 | 110 | 106 | 102 | 99 | 96 | 93 | 90 | 87 |
| Louisiana | 51 | 47 | 45 | 42 | 40 | 37 | 36 | 34 | 32 | 31 | 30 |
| Maine | 37 | 36 | 36 | 36 | 36 | 35 | 35 | 35 | 35 | 34 | 34 |
| Maryland | 81 | 80 | 79 | 79 | 78 | 77 | 77 | 76 | 75 | 75 | 74 |
| Massachusetts | 21 | 20 | 19 | 18 | 18 | 17 | 17 | 16 | 16 | 16 | 15 |
| Michigan | 299 | 297 | 296 | 295 | 293 | 291 | 290 | 288 | 287 | 286 | 285 |
| Minnesota | 487 | 462 | 443 | 428 | 411 | 396 | 383 | 371 | 361 | 352 | 344 |
| Mississippi | 34 | 32 | 30 | 29 | 27 | 26 | 25 | 23 | 22 | 21 | 20 |
| Missouri | 137 | 130 | 123 | 117 | 111 | 105 | 100 | 95 | 90 | 86 | 82 |
| Montana | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 17 | 17 | 17 |
| Nebraska | 67 | 64 | 63 | 62 | 61 | 59 | 58 | 57 | 56 | 55 | 54 |
| Nevada | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| New Hampshire | 18 | 17 | 17 | 16 | 16 | 16 | 15 | 15 | 15 | 15 | 14 |
| New Jersey | 13 | 12 | 12 | 11 | 11 | 11 | 10 | 10 | 9 | 9 | 9 |
| New Mexico | 300 | 318 | 335 | 350 | 363 | 374 | 385 | 393 | 401 | 408 | 414 |
| New York | 677 | 662 | 649 | 636 | 625 | 618 | 613 | 608 | 604 | 601 | 598 |
| North Carolina | 64 | 62 | 60 | 57 | 55 | 53 | 51 | 49 | 48 | 46 | 45 |
| North Dakota | 40 | 37 | 36 | 34 | 32 | 30 | 28 | 27 | 26 | 24 | 23 |
| Ohio | 262 | 264 | 264 | 265 | 264 | 264 | 263 | 262 | 262 | 261 | 261 |
| Oklahoma | 88 | 86 | 85 | 84 | 82 | 81 | 80 | 79 | 78 | 77 | 77 |
| Oregon | 114 | 113 | 112 | 110 | 108 | 106 | 105 | 103 | 102 | 101 | 100 |
| Pennsylvania | 585 | 568 | 558 | 549 | 539 | 529 | 521 | 514 | 508 | 503 | 499 |
| Rhode Island | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| South Carolina | 20 | 19 | 19 | 19 | 18 | 18 | 18 | 17 | 17 | 17 | 17 |
| South Dakota | 96 | 94 | 93 | 92 | 90 | 89 | 88 | 87 | 86 | 85 | 85 |
| Tennessee | 88 | 85 | 82 | 80 | 77 | 75 | 73 | 71 | 69 | 67 | 66 |
| Texas | 309 | 298 | 293 | 289 | 285 | 280 | 276 | 272 | 269 | 266 | 264 |
| Utah | 93 | 93 | 93 | 93 | 92 | 92 | 92 | 92 | 92 | 92 | 93 |
| Vermont | 154 | 151 | 150 | 149 | 148 | 148 | 147 | 146 | 145 | 145 | 144 |
| Virginia | 120 | 117 | 116 | 116 | 114 | 113 | 112 | 110 | 109 | 108 | 108 |
| Washington | 247 | 248 | 249 | 250 | 250 | 250 | 250 | 249 | 249 | 248 | 248 |
| West Virginia | 16 | 15 | 15 | 15 | 14 | 14 | 14 | 13 | 13 | 13 | 13 |
| Wisconsin | 1,271 | 1,223 | 1,174 | 1,131 | 1,085 | 1,045 | 1,012 | 984 | 961 | 941 | 925 |
| Wyoming | 4 | 5 | 5 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 |
| United States | 9,139 | 9,067 | 9,011 | 8,965 | 8,896 | 8,841 | 8,801 | 8,768 | 8,741 | 8,718 | 8,700 |

U.S. Dairy Products

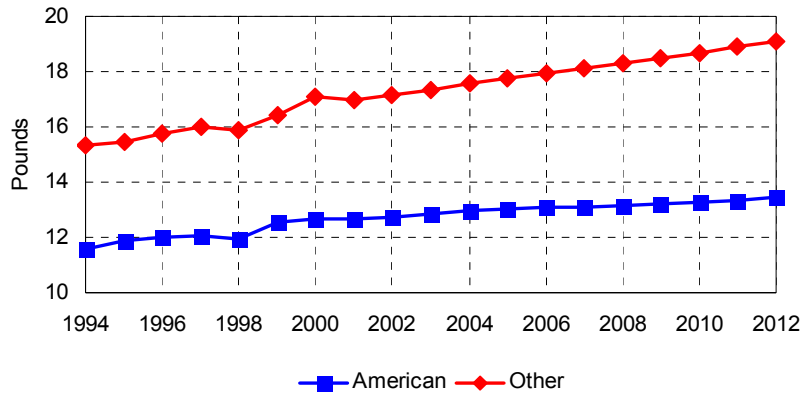
Wholesale Dairy Product Prices

- All dairy product prices were lower in 2002 relative to 2001 levels.
- Nonfat dry milk prices are projected to remain at support for the duration of the baseline.
- Butter and cheese prices increase modestly over the baseline but never exceed the levels found in 2001.



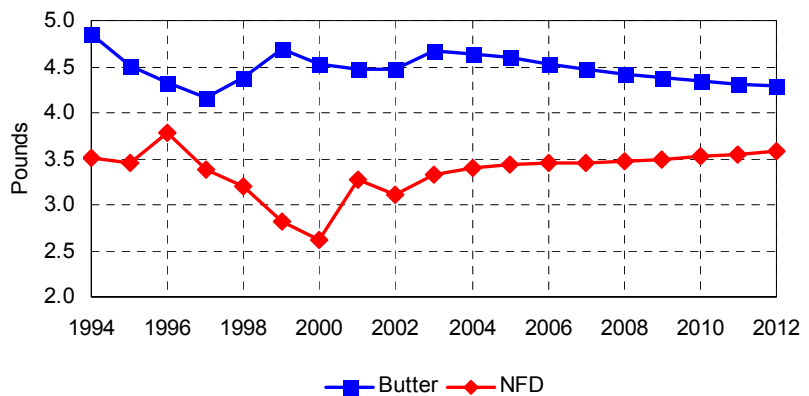
Cheese Consumption per Person

- Per capita cheese consumption grows by only 2.6 pounds over the baseline.
- Cheese demand remains critical to the longer term outlook for the dairy industry.
- Stronger cheese demand than projected would result in larger milk production than shown here.



Consumption per Person

- Butter consumption falls slightly over the baseline as butter prices increase.
- Some growth in nonfat dry milk consumption is projected with the drop in the support price. Consumption of nonfat dry milk increases by only 0.5 pounds per person over the baseline.



U.S. Dairy Product Supply and Use

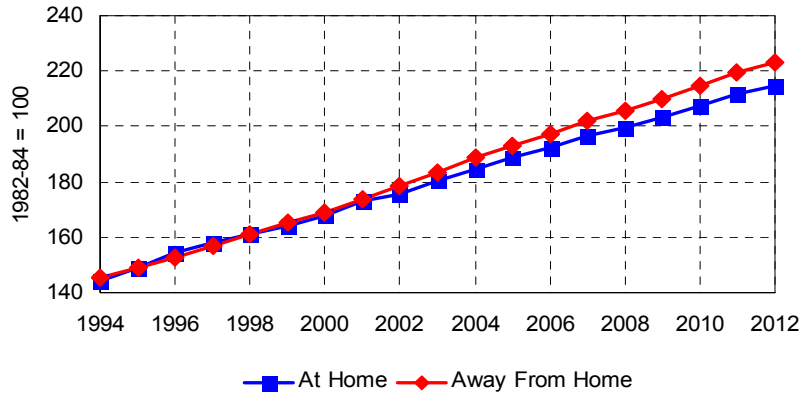
| Calendar Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Butter | (Million Pounds) | | | | | | | | | | |
| Production | 1,346 | 1,329 | 1,311 | 1,314 | 1,303 | 1,300 | 1,311 | 1,310 | 1,308 | 1,306 | 1,305 |
| Imports | 32 | 32 | 32 | 32 | 32 | 34 | 36 | 38 | 40 | 42 | 44 |
| Domestic Use | 1,287 | 1,358 | 1,356 | 1,358 | 1,348 | 1,346 | 1,339 | 1,340 | 1,340 | 1,341 | 1,341 |
| Total Foreign Use | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Ending Stocks | 140 | 135 | 114 | 94 | 73 | 53 | 54 | 54 | 54 | 53 | 53 |
| CCC Net Rem. inc DEIP | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| American Cheese | | | | | | | | | | | |
| Production | 3,660 | 3,687 | 3,756 | 3,803 | 3,841 | 3,893 | 3,939 | 3,994 | 4,049 | 4,106 | 4,163 |
| Imports | 90 | 90 | 90 | 90 | 90 | 90 | 90 | 90 | 90 | 90 | 90 |
| Domestic Use | 3,669 | 3,725 | 3,799 | 3,860 | 3,900 | 3,941 | 3,984 | 4,037 | 4,092 | 4,149 | 4,207 |
| Total Foreign Use | 32 | 43 | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 44 |
| Ending Stocks | 505 | 514 | 517 | 506 | 493 | 491 | 492 | 494 | 497 | 499 | 502 |
| CCC Net Rem. inc DEIP | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Other Cheese | | | | | | | | | | | |
| Production | 4,679 | 4,747 | 4,868 | 4,973 | 5,060 | 5,163 | 5,262 | 5,371 | 5,479 | 5,586 | 5,694 |
| Imports | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 |
| Domestic Use | 4,943 | 5,031 | 5,147 | 5,253 | 5,342 | 5,444 | 5,543 | 5,651 | 5,759 | 5,866 | 5,975 |
| Total Foreign Use | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 |
| Ending Stocks | 225 | 219 | 218 | 215 | 211 | 209 | 206 | 204 | 201 | 199 | 197 |
| Nonfat Dry Milk | | | | | | | | | | | |
| Production | 1,518 | 1,474 | 1,417 | 1,408 | 1,371 | 1,360 | 1,377 | 1,372 | 1,366 | 1,362 | 1,361 |
| Imports | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Domestic Use | 896 | 964 | 999 | 1,014 | 1,028 | 1,040 | 1,053 | 1,069 | 1,085 | 1,103 | 1,120 |
| Total Foreign Use | 285 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 |
| Ending Stocks | 1,235 | 1,502 | 1,676 | 1,828 | 1,928 | 2,005 | 2,085 | 2,145 | 2,183 | 2,199 | 2,196 |
| Government | 1,150 | 1,417 | 1,594 | 1,746 | 1,848 | 1,925 | 2,003 | 2,063 | 2,101 | 2,117 | 2,114 |
| Commercial | 85 | 85 | 82 | 82 | 80 | 80 | 81 | 82 | 82 | 82 | 82 |
| CCC Net Rem. inc DEIP | 815 | 457 | 367 | 341 | 292 | 267 | 268 | 250 | 228 | 206 | 187 |
| Evap. and Condensed Milk | | | | | | | | | | | |
| Production | 603 | 635 | 631 | 624 | 614 | 605 | 596 | 589 | 582 | 575 | 569 |
| Imports | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Domestic Use | 568 | 600 | 597 | 590 | 581 | 571 | 563 | 555 | 548 | 541 | 535 |
| Total Foreign Use | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 |
| Ending Stocks | 41 | 43 | 43 | 43 | 43 | 43 | 43 | 42 | 42 | 42 | 42 |
| Per Capita Cons. | (Pounds) | | | | | | | | | | |
| Butter | 4.5 | 4.7 | 4.6 | 4.6 | 4.5 | 4.5 | 4.4 | 4.4 | 4.4 | 4.3 | 4.3 |
| Nonfat Dry Milk | 3.1 | 3.3 | 3.4 | 3.4 | 3.4 | 3.5 | 3.5 | 3.5 | 3.5 | 3.6 | 3.6 |
| Total Cheese | 29.9 | 30.1 | 30.5 | 30.8 | 31.0 | 31.2 | 31.4 | 31.7 | 32.0 | 32.3 | 32.5 |
| American | 12.7 | 12.8 | 13.0 | 13.1 | 13.1 | 13.1 | 13.1 | 13.2 | 13.3 | 13.4 | 13.4 |
| Other | 17.2 | 17.3 | 17.6 | 17.8 | 17.9 | 18.1 | 18.3 | 18.5 | 18.7 | 18.9 | 19.1 |
| Total Fluid Milk | 208.9 | 207.8 | 207.9 | 207.5 | 206.4 | 205.3 | 204.3 | 203.7 | 203.2 | 202.9 | 202.5 |
| Ice Cream | 28.2 | 28.4 | 28.4 | 28.3 | 28.2 | 28.1 | 28.0 | 27.9 | 27.9 | 27.8 | 27.8 |
| Wholesale Prices | (Dollars per Pound) | | | | | | | | | | |
| Butter, AA, Central States | 1.12 | 1.19 | 1.25 | 1.26 | 1.33 | 1.35 | 1.38 | 1.39 | 1.40 | 1.42 | 1.43 |
| Cheese, Am., 40#, WI A. Pts | 1.20 | 1.25 | 1.25 | 1.26 | 1.28 | 1.29 | 1.30 | 1.30 | 1.31 | 1.33 | 1.34 |
| Nonfat Dry Milk, AA, C. St | 0.94 | 0.84 | 0.81 | 0.81 | 0.81 | 0.81 | 0.81 | 0.81 | 0.81 | 0.81 | 0.81 |
| Evaporated | 1.37 | 1.40 | 1.40 | 1.41 | 1.42 | 1.43 | 1.44 | 1.45 | 1.46 | 1.47 | 1.48 |
| Retail Prices | | | | | | | | | | | |
| Butter, salted, AA, stick | 3.09 | 2.91 | 3.03 | 3.11 | 3.27 | 3.35 | 3.49 | 3.57 | 3.66 | 3.77 | 3.87 |
| Cheese, Natural Cheddar | 4.24 | 4.39 | 4.44 | 4.47 | 4.55 | 4.59 | 4.65 | 4.68 | 4.74 | 4.80 | 4.86 |
| Milk, Frsh, Whole Fortified | 2.76 | 2.75 | 2.76 | 2.77 | 2.80 | 2.81 | 2.83 | 2.84 | 2.85 | 2.87 | 2.89 |
| Milk, Frsh, Lowfat Fortified | 2.56 | 2.55 | 2.56 | 2.56 | 2.60 | 2.61 | 2.63 | 2.63 | 2.64 | 2.66 | 2.67 |

U.S. Food Prices and Expenditures

Consumer Price Index for Food

■ In 2002, the CPI for food registered its smallest annual increase since 1992, with an increase of only 1.8 percent. 2002 meat and dairy prices played a large role in the small annual increase.

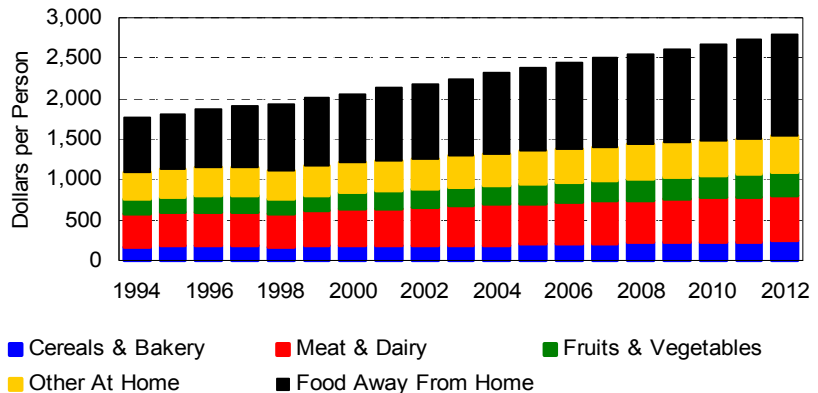
■ Growth in the CPI for food away from home continues to outpace that of food at home in the projection period, a phenomenon that has occurred every year since 1997 with the exception of 2001.



Consumer Expenditures for Food

■ Average per-capita expenditures for food were just below \$2,200 in 2002, a 2.6 percent increase over 2001. Of food consumed at home, meat and dairy accounts for roughly 37 percent of expenditures, while fruits and vegetables represent about 17 percent.

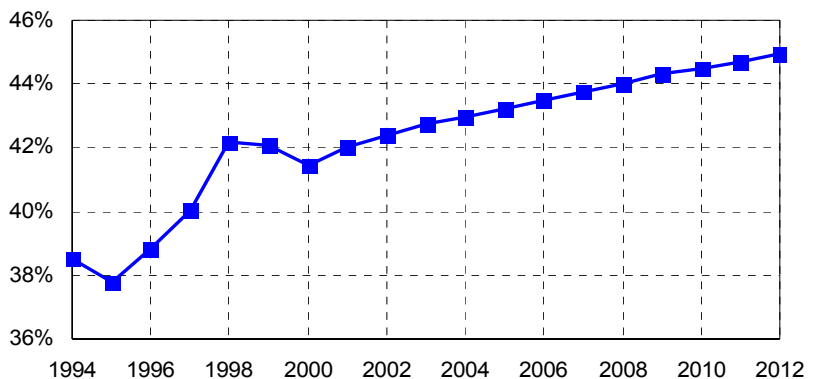
■ Combining growth in per capita expenditures with population growth, U.S. consumers will spend over \$870 billion for food by 2012.



Percent of Food Expenditures Away From Home

■ The percentage of food expenditures made away from home continues to play an increasing role in the total amount spent for food.

■ Food expenditures away from home will constitute nearly 45 percent of food expenditures by the end of the period.



Consumer Price Indices for Food

| Calendar Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------------------|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | (1982-84=100) | | | | | | | | | | |
| TOTAL | 176.2 | 181.0 | 185.8 | 190.0 | 194.0 | 198.0 | 201.5 | 205.1 | 209.8 | 213.9 | 217.5 |
| Food at Home | 175.6 | 180.2 | 184.8 | 188.8 | 192.6 | 196.4 | 199.6 | 203.1 | 207.5 | 211.4 | 214.8 |
| Cereal and Bakery | 198.0 | 201.2 | 206.6 | 212.6 | 221.3 | 230.1 | 235.2 | 239.0 | 247.2 | 252.5 | 255.9 |
| Meat | 162.1 | 169.0 | 174.5 | 178.1 | 178.7 | 179.4 | 180.4 | 182.9 | 185.7 | 188.3 | 190.3 |
| Dairy | 168.1 | 170.9 | 173.6 | 175.8 | 179.5 | 182.1 | 185.1 | 187.4 | 190.1 | 193.1 | 195.9 |
| Fruit and Vegetables | 220.9 | 226.4 | 232.1 | 238.2 | 244.2 | 250.4 | 256.9 | 263.6 | 270.5 | 277.5 | 284.4 |
| Other Food At Home | 160.8 | 163.9 | 167.1 | 169.5 | 172.2 | 174.9 | 177.6 | 180.3 | 183.2 | 186.2 | 189.0 |
| Sugar and Sweets | 159.0 | 162.5 | 165.0 | 165.9 | 168.1 | 170.2 | 172.4 | 174.2 | 175.9 | 177.9 | 179.8 |
| Fats and Oils | 155.5 | 160.9 | 169.9 | 172.6 | 175.7 | 178.6 | 179.9 | 180.8 | 183.9 | 185.9 | 187.3 |
| Other Prepared Items | 177.2 | 180.4 | 183.8 | 187.6 | 191.3 | 195.1 | 199.3 | 203.7 | 208.2 | 212.8 | 217.4 |
| Non-alc. Beverages | 139.2 | 141.4 | 142.8 | 143.9 | 145.4 | 146.8 | 148.2 | 149.5 | 150.8 | 152.2 | 153.5 |
| Food Away From Home | 178.3 | 183.4 | 188.5 | 193.1 | 197.5 | 201.8 | 205.7 | 209.8 | 214.8 | 219.3 | 223.2 |

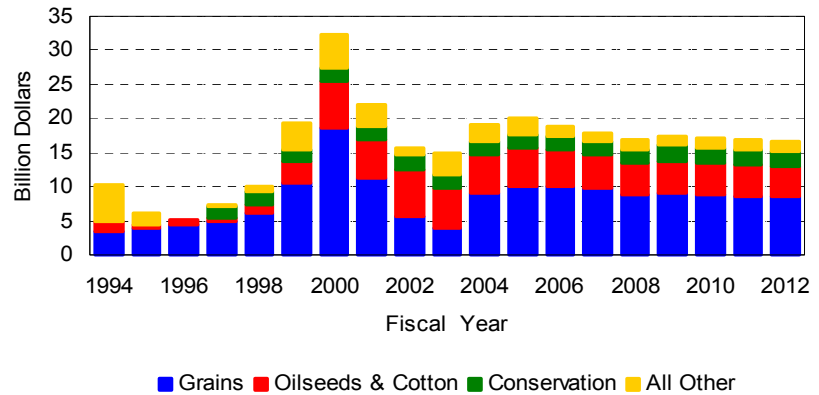
Per Capita Consumer Expenditures for Food

| Calendar Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------------|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | (Dollars per Person) | | | | | | | | | | |
| Food at Home | 1,258 | 1,286 | 1,322 | 1,351 | 1,378 | 1,405 | 1,428 | 1,452 | 1,482 | 1,510 | 1,534 |
| Cereal and Bakery | 186 | 187 | 193 | 199 | 208 | 216 | 220 | 223 | 231 | 236 | 239 |
| Meat | 339 | 350 | 360 | 368 | 371 | 375 | 378 | 384 | 390 | 395 | 401 |
| Dairy | 132 | 135 | 138 | 140 | 143 | 145 | 147 | 149 | 152 | 154 | 157 |
| Fruit and Vegetables | 218 | 224 | 230 | 237 | 244 | 251 | 259 | 266 | 274 | 283 | 291 |
| Other Food At Home | 384 | 391 | 401 | 406 | 413 | 419 | 424 | 429 | 436 | 442 | 447 |
| Sugar and Sweets | 47 | 46 | 47 | 48 | 49 | 50 | 50 | 51 | 52 | 52 | 53 |
| Fats and Oils | 35 | 36 | 38 | 39 | 40 | 41 | 41 | 42 | 43 | 44 | 44 |
| Miscellaneous | 184 | 188 | 192 | 195 | 199 | 202 | 205 | 208 | 211 | 215 | 218 |
| Trips | 16 | 16 | 17 | 17 | 18 | 18 | 19 | 19 | 20 | 20 | 20 |
| Non-alc. Beverages | 102 | 104 | 106 | 107 | 108 | 108 | 109 | 110 | 110 | 111 | 111 |
| Food Away From Home | 926 | 961 | 995 | 1,028 | 1,060 | 1,092 | 1,123 | 1,155 | 1,188 | 1,221 | 1,252 |
| TOTAL | 2,184 | 2,246 | 2,317 | 2,379 | 2,438 | 2,497 | 2,551 | 2,606 | 2,671 | 2,731 | 2,786 |
| Multiply by Population for: | (Billion Dollars) | | | | | | | | | | |
| AGGREGATE TOTAL | 629.0 | 652.6 | 679.0 | 703.0 | 726.7 | 750.5 | 773.2 | 796.2 | 822.6 | 848.0 | 872.3 |

U.S. Government Costs

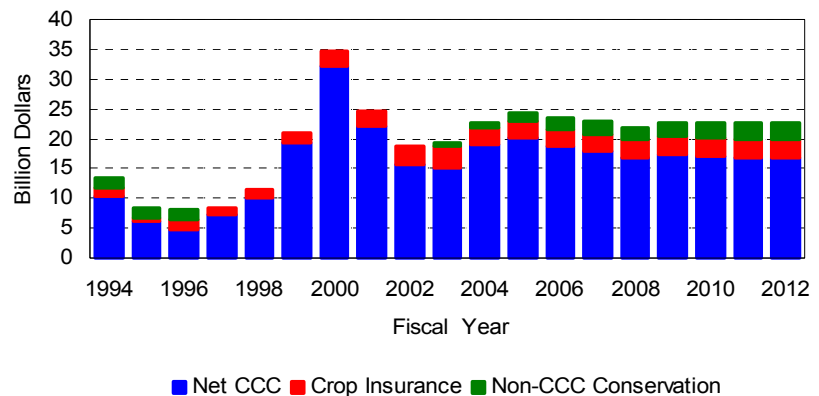
CCC Net Expenditures

- Net outlays by the Commodity Credit Corporation declined in fiscal year 2002 and remain near the 2002 level in the current fiscal year.
- Much of the decline is due to a sharp reduction in spending on wheat and feed grain programs, as higher market prices in 2002/03 reduce expenditures.
- Over fiscal years 2003-2012, CCC net outlays total \$175.8 billion.



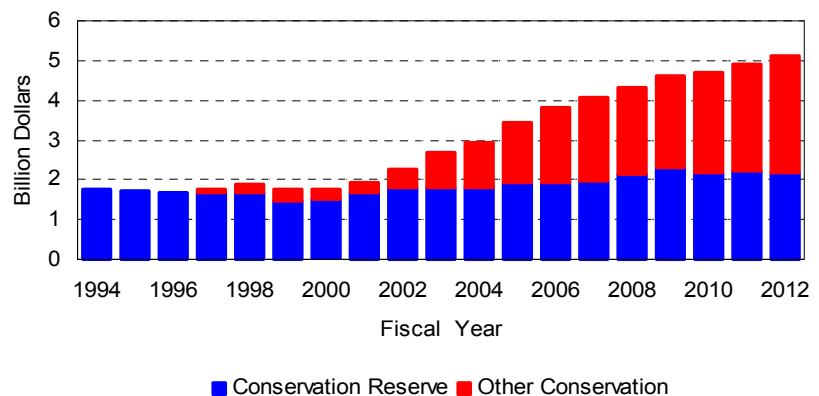
- Projected crop insurance net outlays average approximately \$3 billion per year.
- Mandatory government outlays under 2002 farm bill conservation programs such as the reauthorized Environmental Quality Incentives Program are not included in the CCC account.
- Including crop insurance and the new conservation programs, total mandatory outlays are \$225.2 billion over fiscal years 2003-2012.

Total Mandatory Government Outlays



Conservation Program Expenditures

- Increased enrollment and rental rates result in an increase in projected spending on the conservation reserve.
- Under provisions of the 2002 farm bill, spending on other mandatory conservation programs is projected to increase sharply.
- The figures reported here were prepared before the 2003 omnibus appropriations bill limited spending on the Conservation Security Program.



Net Government Outlays

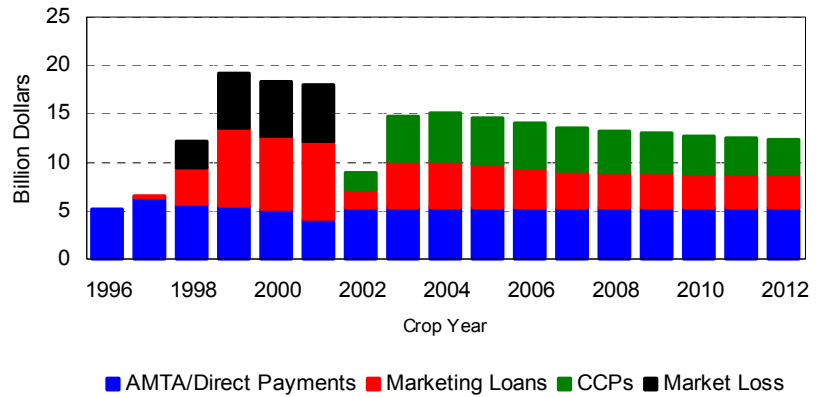
| Fiscal Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Feed Grains | (Million Dollars) | | | | | | | | | | |
| Corn | 2,959 | 1,188 | 4,954 | 5,781 | 5,841 | 5,578 | 4,880 | 5,257 | 5,201 | 5,119 | 5,127 |
| Sorghum | 207 | 137 | 393 | 456 | 453 | 436 | 389 | 408 | 402 | 395 | 385 |
| Barley | 97 | 101 | 198 | 223 | 218 | 213 | 213 | 213 | 210 | 209 | 206 |
| Oats | 7 | 11 | 25 | 35 | 35 | 34 | 33 | 32 | 32 | 31 | 32 |
| Food Grains | | | | | | | | | | | |
| Wheat | 1,190 | 1,308 | 2,290 | 2,382 | 2,323 | 2,227 | 2,117 | 2,077 | 1,981 | 1,881 | 1,838 |
| Rice | 1,084 | 1,241 | 1,305 | 1,228 | 1,193 | 1,183 | 1,158 | 1,123 | 1,078 | 1,029 | 985 |
| Oilseeds | | | | | | | | | | | |
| Soybeans | 3,447 | 1,273 | 2,163 | 2,394 | 2,124 | 1,972 | 1,771 | 1,886 | 1,991 | 2,033 | 2,066 |
| Peanuts | 129 | 1,399 | 394 | 259 | 252 | 259 | 227 | 277 | 290 | 297 | 302 |
| Other Oilseeds | 87 | 30 | 98 | 71 | 66 | 67 | 67 | 67 | 66 | 72 | 73 |
| Other Commodities | | | | | | | | | | | |
| Upland Cotton | 3,307 | 2,996 | 2,899 | 2,859 | 2,828 | 2,628 | 2,499 | 2,402 | 2,267 | 2,168 | 2,065 |
| Sugar | -130 | -83 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Dairy | 614 | 2,678 | 1,638 | 1,640 | 703 | 391 | 400 | 400 | 378 | 357 | 341 |
| CCC Conservation | | | | | | | | | | | |
| Conservation Reserve | 1,785 | 1,787 | 1,824 | 1,912 | 1,945 | 1,979 | 2,147 | 2,289 | 2,194 | 2,208 | 2,190 |
| Other CCC Conservation | 286 | 293 | 201 | 94 | 69 | 42 | 15 | 9 | 5 | 3 | 2 |
| Other | | | | | | | | | | | |
| Disaster Payments, NAP | 414 | 241 | 231 | 235 | 234 | 234 | 234 | 234 | 234 | 234 | 234 |
| Other Net Costs | 198 | 429 | 397 | 473 | 535 | 651 | 677 | 754 | 843 | 840 | 837 |
| Net CCC Outlays | 15,680 | 15,029 | 19,012 | 20,044 | 18,820 | 17,895 | 16,827 | 17,429 | 17,173 | 16,877 | 16,684 |
| FSRIA Conservation | 215 | 611 | 921 | 1,441 | 1,814 | 2,038 | 2,142 | 2,310 | 2,515 | 2,711 | 2,912 |
| CCC + FSRIA Conservation | 15,895 | 15,640 | 19,933 | 21,485 | 20,634 | 19,933 | 18,969 | 19,739 | 19,688 | 19,588 | 19,596 |
| Crop Insurance | 2,952 | 3,696 | 2,760 | 2,783 | 2,844 | 2,892 | 2,934 | 2,976 | 2,999 | 3,033 | 3,069 |
| Total Mandatory Outlays | 18,847 | 19,336 | 22,692 | 24,268 | 23,478 | 22,825 | 21,902 | 22,715 | 22,688 | 22,621 | 22,665 |

Note: For feed grains, food grains, oilseeds, cotton, and dairy, figures represent the means of the results of the stochastic analysis based on 500 random draws. "FSRIA Conservation" denotes mandatory spending on conservation programs authorized by the 2002 farm bill that is not included in reported CCC spending. Figures do not include effects of the FY 2003 omnibus appropriations bill.

Payments and Crop Insurance

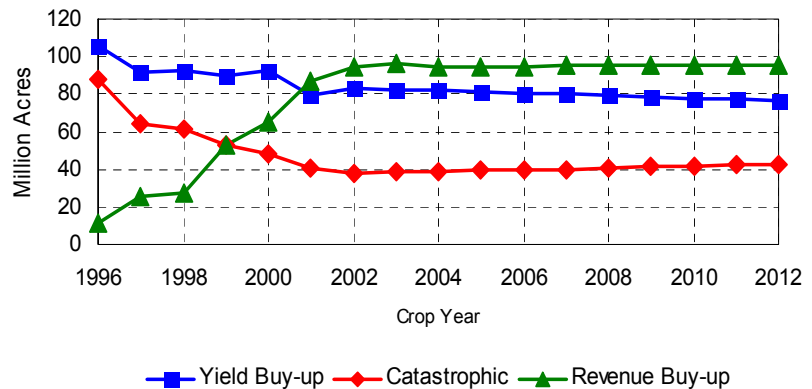
Selected Government Payments

- Payments associated with the 2002/03 crops of grains, oilseeds, and cotton have declined sharply from 2001/02 levels.
- Higher 2002/03 wheat, feed grain, and soybean prices result in reduced LDPs and no projected CCPs for those crops.
- Lower projected grain and oilseed prices in 2003/04 lead to sharp increases in payments.



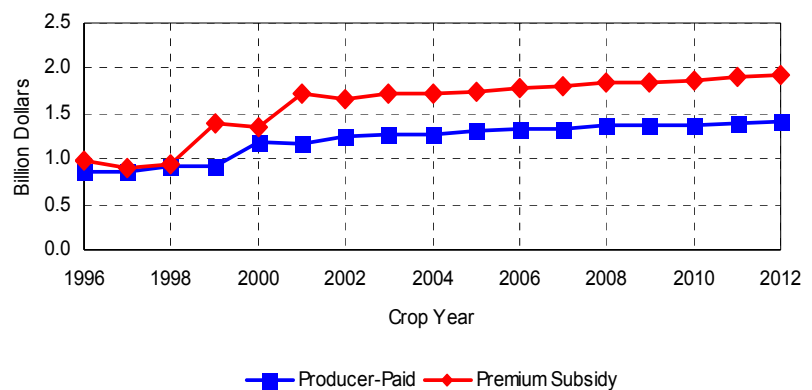
- Producers continued to shift to revenue-based crop insurance policies in 2002.
- After a slight increase in 2002, the share of total insured acres covered by yield buy-up policies continues to decline over time.
- Throughout the projection period, approximately 80 percent of eligible acres are enrolled in some form of crop insurance.

Total Insured Acres



- Projected crop insurance premium subsidies increase from \$1.7 billion in 2003 to \$1.9 billion in 2012.
- Total projected premiums increase over the next decade, mainly because of increasing farm prices.

Crop Insurance Premiums



Selected Direct Government Payments

| Crop Year | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|---------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | (Million Dollars) | | | | | | | | | | |
| Direct Payments | 5,264 | 5,263 | 5,261 | 5,259 | 5,258 | 5,257 | 5,255 | 5,254 | 5,253 | 5,253 | 5,253 |
| Marketing Loans | 1,862 | 4,791 | 4,787 | 4,521 | 4,165 | 3,815 | 3,644 | 3,633 | 3,497 | 3,450 | 3,480 |
| Counter-cyclical Payments | 1,764 | 4,596 | 5,064 | 4,838 | 4,667 | 4,382 | 4,268 | 4,086 | 3,901 | 3,821 | 3,637 |
| Total | 8,890 | 14,650 | 15,112 | 14,619 | 14,090 | 13,454 | 13,167 | 12,973 | 12,651 | 12,524 | 12,370 |

Note: Includes direct payments, marketing loans (loan deficiency payments and marketing loan gains) and counter-cyclical payments for feed grains, food grains, oilseeds, and upland cotton. Figures represent the means of the results of the stochastic analysis based on 500 random draws.

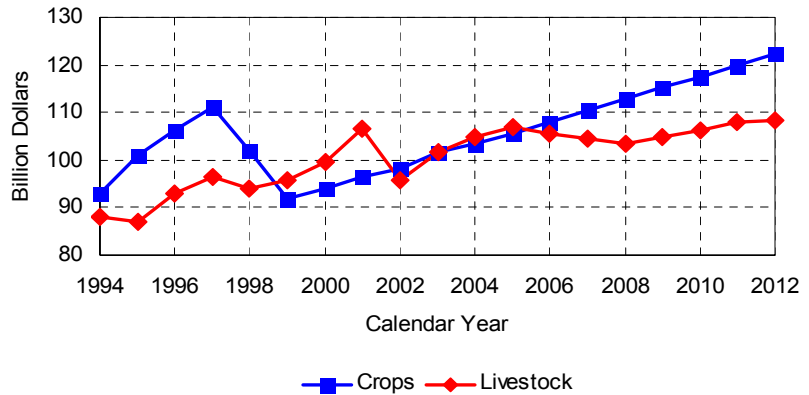
Crop Insurance

| Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------------------|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | (Million Acres, Crop Year) | | | | | | | | | | |
| Eligible Acres | 267.8 | 271.3 | 269.0 | 269.1 | 268.9 | 268.8 | 268.8 | 268.7 | 268.6 | 268.8 | 268.8 |
| Net Acres Insured | 215.7 | 217.0 | 215.3 | 215.4 | 215.2 | 215.0 | 215.1 | 214.9 | 214.9 | 215.0 | 215.0 |
| Catastrophic | 38.2 | 38.5 | 38.8 | 39.3 | 39.7 | 40.1 | 40.6 | 41.1 | 41.7 | 42.3 | 42.9 |
| Yield Buy-Up | 83.3 | 82.4 | 82.3 | 81.6 | 80.8 | 79.9 | 79.1 | 78.5 | 77.7 | 77.1 | 76.3 |
| Revenue-Based | 94.1 | 96.1 | 94.1 | 94.5 | 94.7 | 95.0 | 95.3 | 95.3 | 95.5 | 95.7 | 95.9 |
| Crop Insurance Participation Rate | 80.5% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% |
| | (Billion Dollars, Crop Year) | | | | | | | | | | |
| Total Premiums | 2.92 | 2.99 | 2.99 | 3.06 | 3.11 | 3.15 | 3.21 | 3.23 | 3.26 | 3.30 | 3.33 |
| Producer-Paid Premiums | 1.25 | 1.28 | 1.28 | 1.30 | 1.33 | 1.34 | 1.36 | 1.37 | 1.38 | 1.40 | 1.41 |
| Premium Subsidies | 1.67 | 1.71 | 1.71 | 1.75 | 1.79 | 1.81 | 1.84 | 1.85 | 1.87 | 1.90 | 1.92 |
| Total Indemnities | 4.14 | 2.99 | 2.99 | 3.06 | 3.11 | 3.15 | 3.21 | 3.23 | 3.26 | 3.30 | 3.33 |
| Loss Ratio | 1.42 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| | (Billion Dollars, Fiscal Year) | | | | | | | | | | |
| Total Obligations | 3.92 | 4.62 | 3.70 | 3.73 | 3.81 | 3.87 | 3.92 | 3.98 | 4.00 | 4.05 | 4.09 |
| Net Outlays | 2.95 | 3.70 | 2.76 | 2.78 | 2.84 | 2.89 | 2.93 | 2.98 | 3.00 | 3.03 | 3.07 |
| Budget Authority | 2.82 | 3.93 | 2.76 | 2.77 | 2.84 | 2.89 | 2.93 | 2.97 | 3.00 | 3.03 | 3.07 |

U.S. Farm Income

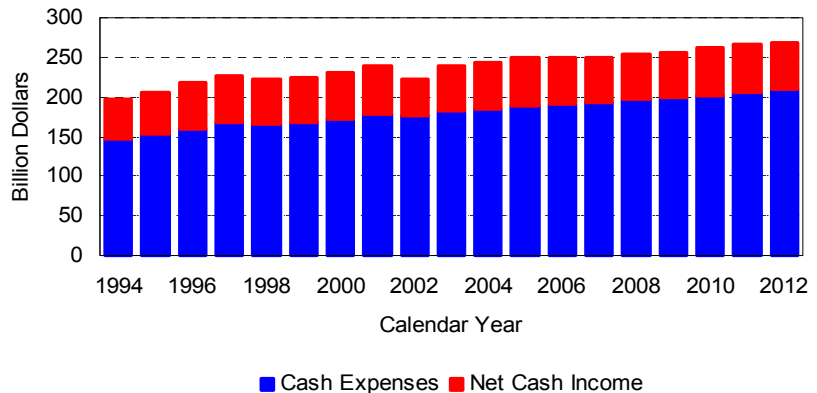
Cash Receipts

- After a large increase in 2001, livestock receipts fell by \$10.6 billion in 2002 because of lower prices for cattle, hogs, poultry, and milk.
- Increased livestock prices result in a recovery in livestock receipts in 2003.
- Crop cash receipts grow steadily over the projection period, reaching \$122 billion in 2012.



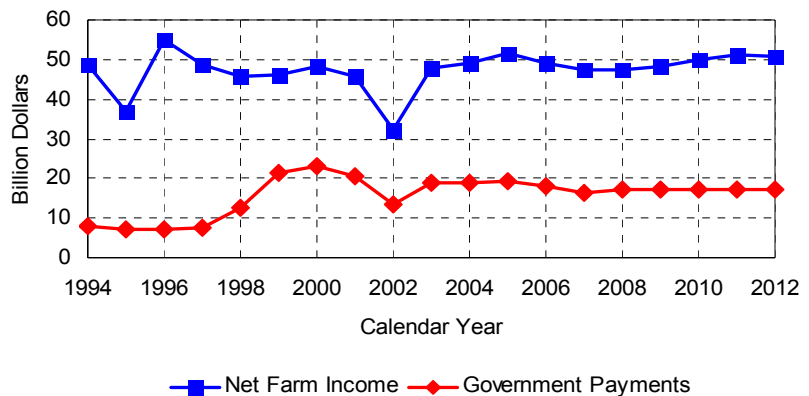
Cash Expenses and Net Cash Income

- After declining in 2002, cash production expenses are projected to increase by 3 percent in 2003 and at a slower pace in subsequent years.
- Net cash income fell dramatically in 2002 because the reductions in livestock receipts and government payments outweighed lower production costs.
- Net cash income recovers in 2003, and averages \$58 billion between 2003 and 2012.



Net Farm Income and Government Payments

- Net farm income also declined sharply in 2002 and recovers in 2003.
- Government payments fell sharply in calendar year 2002, as higher grain and oilseed prices reduced payment rates and slow sign-up under the 2002 farm bill delayed some payments into 2003.



Farm Income Statistics

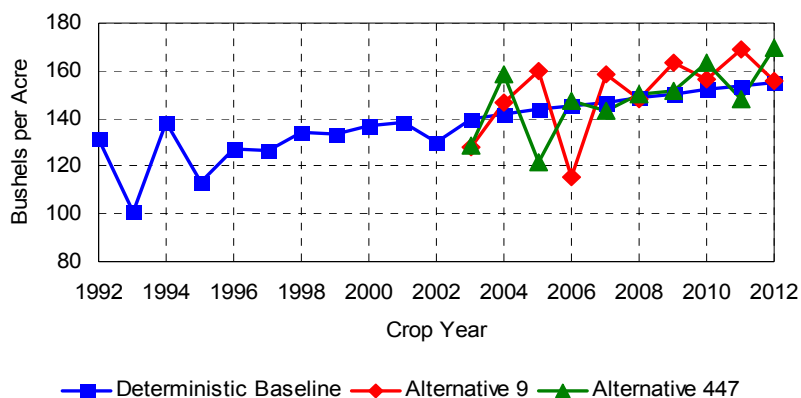
| Calendar Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | (Billion Dollars) | | | | | | | | | | |
| 1. Farm Receipts | 209.61 | 219.62 | 225.11 | 229.82 | 231.64 | 233.56 | 235.66 | 239.65 | 244.16 | 248.86 | 252.08 |
| Crops | 98.07 | 101.66 | 103.41 | 105.39 | 107.93 | 110.50 | 112.89 | 115.19 | 117.50 | 119.87 | 122.21 |
| Livestock | 95.80 | 101.53 | 104.74 | 106.89 | 105.60 | 104.39 | 103.53 | 104.65 | 106.29 | 108.06 | 108.36 |
| Farm-Related | 15.74 | 16.43 | 16.96 | 17.53 | 18.11 | 18.67 | 19.23 | 19.80 | 20.36 | 20.93 | 21.50 |
| 2. Government Payments | 13.41 | 18.78 | 18.83 | 19.25 | 17.96 | 16.43 | 17.40 | 17.34 | 17.22 | 17.16 | 17.24 |
| 3. Gross Cash Income (1 + 2) | 223.02 | 238.40 | 243.94 | 249.07 | 249.60 | 249.99 | 253.06 | 256.99 | 261.38 | 266.02 | 269.32 |
| 4. Nonmoney Income | 11.24 | 11.58 | 12.26 | 12.45 | 12.50 | 12.52 | 12.59 | 12.72 | 12.90 | 13.08 | 13.20 |
| 5. Value of Inventory Change | -2.81 | 2.73 | 0.26 | 0.85 | 0.99 | 0.98 | 0.81 | 0.67 | 0.59 | 0.51 | 0.51 |
| 6. Gross Farm Income (3 + 4 + 5) | 231.45 | 252.71 | 256.46 | 262.37 | 263.09 | 263.49 | 266.45 | 270.39 | 274.86 | 279.61 | 283.02 |
| 7. Cash Expenses | 176.84 | 182.65 | 185.13 | 188.56 | 191.56 | 193.70 | 196.42 | 199.36 | 202.38 | 205.77 | 209.35 |
| 8. Total Expenses | 199.00 | 204.79 | 207.30 | 210.84 | 213.90 | 216.12 | 218.93 | 221.94 | 225.05 | 228.54 | 232.20 |
| 9. Net Cash Income (3 - 7) | 46.18 | 55.75 | 58.81 | 60.50 | 58.04 | 56.29 | 56.64 | 57.63 | 59.00 | 60.25 | 59.97 |
| 10. Realized Net Farm Inc (3 + 4 - 8) | 35.26 | 45.19 | 48.90 | 50.67 | 48.20 | 46.40 | 46.72 | 47.77 | 49.22 | 50.56 | 50.31 |
| 11. Net Farm Income (6 - 8) | 32.44 | 47.92 | 49.16 | 51.52 | 49.19 | 47.37 | 47.53 | 48.45 | 49.82 | 51.07 | 50.82 |
| Deflated (1997 \$) | 29.93 | 43.25 | 43.38 | 44.43 | 41.47 | 39.04 | 38.30 | 38.16 | 38.34 | 38.34 | 37.21 |

Note: Figures represent the means of the results of the stochastic analysis based on 500 random draws. Figures do not include effects of the FY 2003 omnibus appropriations bill.

Stochastic Analysis: The Approach

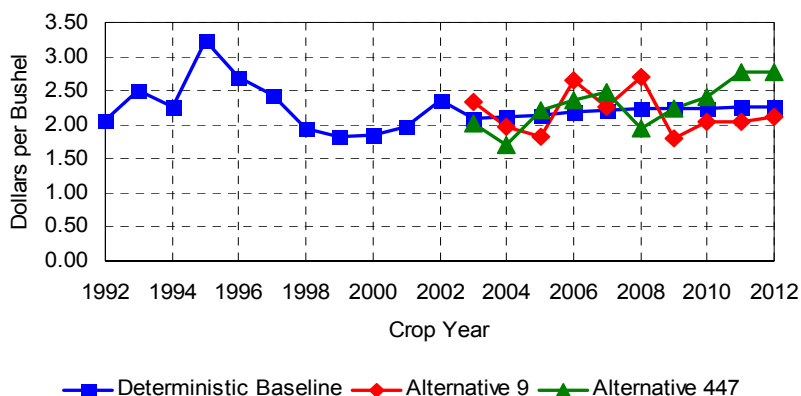
- To reflect inherent uncertainty in commodity markets, FAPRI uses stochastic analysis to look at 500 alternative futures.
- Assuming average weather, yields grow steadily in the deterministic baseline used to generate the supply and use tables earlier in this report.
- The chart shows two of the 500 draws on corn yields used to drive the stochastic analysis.

U.S. Corn Yield



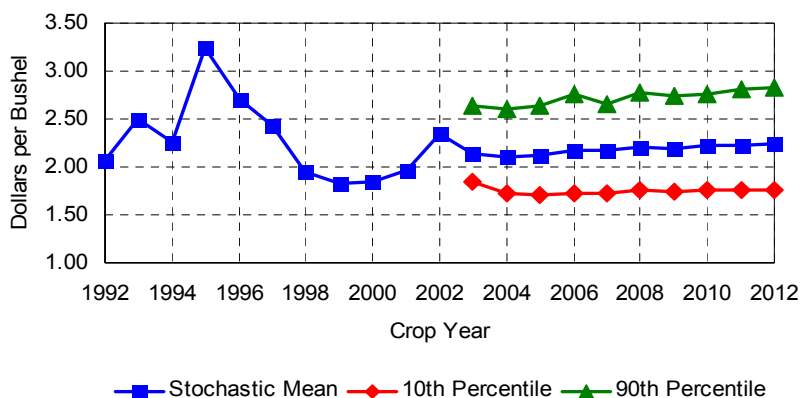
- For each of the 500 alternative futures, price projections reflect the joint effects of all the random supply and demand factors.
- Prices generally exceed the deterministic baseline when yields are below average.
- Random factors affecting demand also play an important role, so it is possible to have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

U.S. Corn Prices



- The mean (average) value of the corn price from the stochastic analysis is very similar to the deterministic baseline reported earlier.
- In 10 percent (50) of the 500 alternative futures, the 2003/04 corn price falls below \$1.85 per bushel.
- In 10 percent (50) of the 500 alternative futures, the 2003/04 corn price exceeds \$2.64 per bushel.

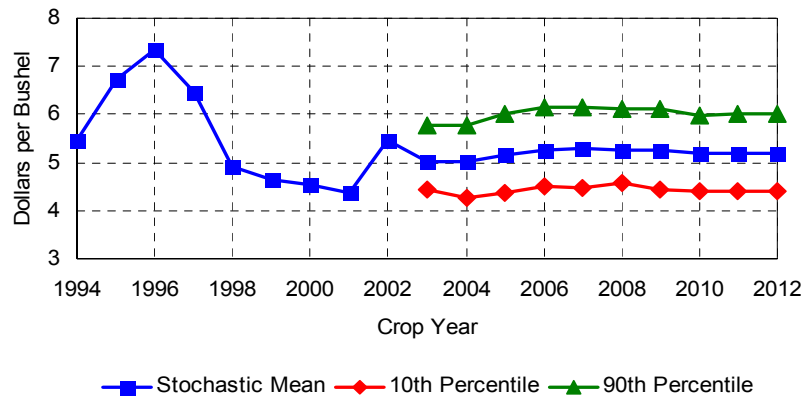
U.S. Corn Prices



Stochastic Analysis: Commodity Prices

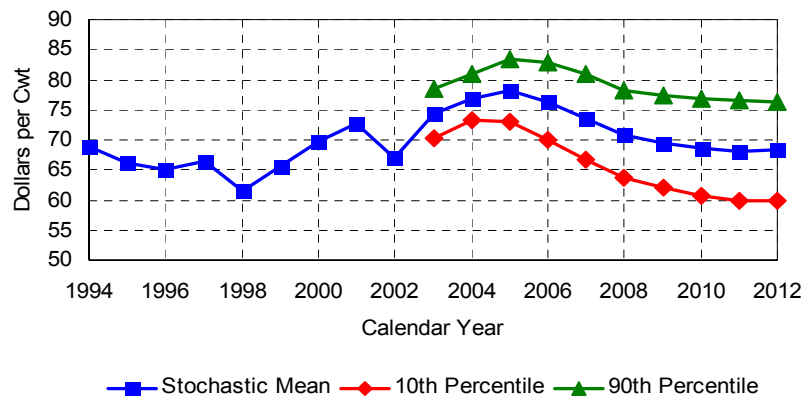
U.S. Soybean Prices

- The stochastic mean of soybean prices is also close to the deterministic baseline.
- In 10 percent (50) of the 500 alternative futures, the 2003/04 soybean price falls below \$4.45 per bushel.
- In 10 percent (50) of the 500 alternative futures, the 2003/04 soybean price exceeds \$5.79 per bushel.



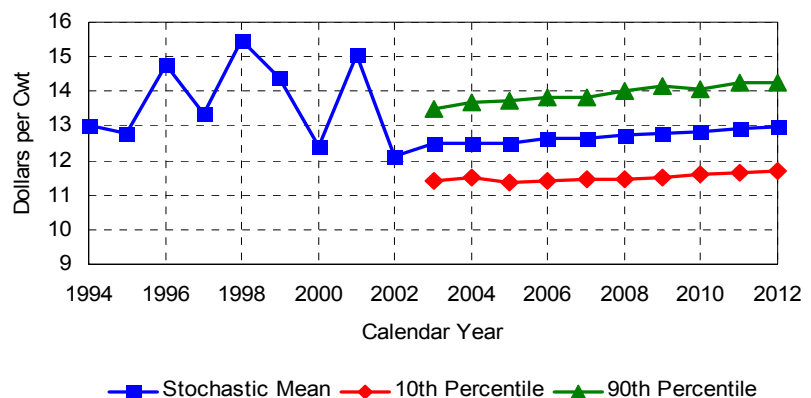
- The stochastic mean of Nebraska fed steer prices is also close to the deterministic baseline.
- In 10 percent (50) of the 500 alternative futures, the 2004 steer price falls below \$73.42 per cwt.
- In 10 percent (50) of the 500 alternative futures, the 2004 steer price exceeds \$80.88 per cwt.

Nebraska Direct Fed Steer Prices



- The stochastic mean of all-milk prices is also close to the deterministic baseline.
- In 10 percent (50) of the 500 alternative futures, the 2004 all-milk price falls below \$11.50 per cwt.
- In 10 percent (50) of the 500 alternative futures, the 2004 all-milk price exceeds \$13.68 per cwt.

All Milk Prices



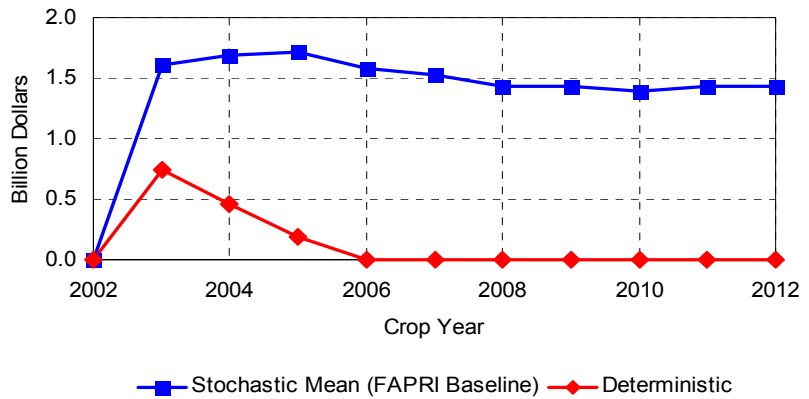
Stochastic Analysis: Costs and Income

- In the deterministic baseline, by 2006/07 corn prices are high enough that farmers would not receive any LDPs.

- In the stochastic analysis of 500 alternative futures, however, corn prices are sometimes low enough to trigger sizable LDPs, even after 2006.

- The stochastic mean of corn LDPs is therefore much greater than would be implied by the deterministic analysis.

Corn Loan Deficiency Payments

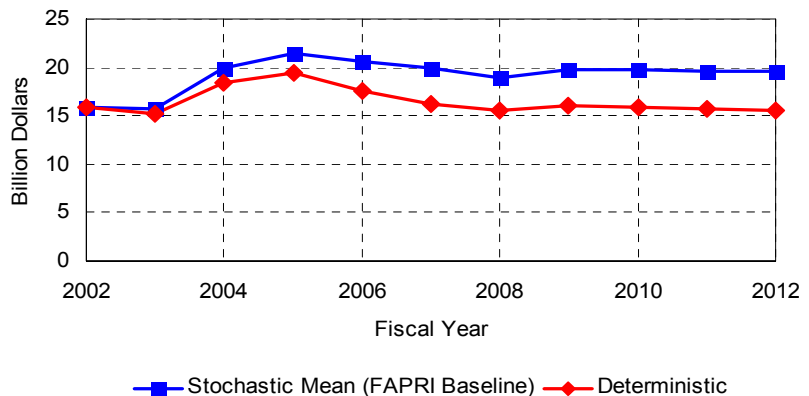


- In some cases, government spending is greater when examined using stochastic analysis, as in the case of corn LDPs.

- In some other cases, the reverse holds (e.g., when deterministic prices are significantly below loan rates).

- On balance, government spending tends to be greater when examined stochastically.

Net CCC and Conservation Outlays



- Because the mean level of government payments is greater under the stochastic analysis, the mean level of net farm income is also higher than the deterministic result.

- For government costs and net farm income, means of the stochastic analysis are presented in the tables in this report.

Net Farm Income

