Overview of Corn Outlook for 2006-2010

• U.S. Avg. Corn Price, 2006-2007, up $0.30-$0.35/bu. vs. prev. year
• ‘07-’08 & ‘08-’09 (normal weather) up $0.65 to $0.90/bu. vs. ‘05-’06.
• Driving force: huge expansion in ethanol
• Market will buy more corn acres
• China corn exports? The wild card.
• Weather: U.S. & World?
• Feed cost risk management -- extremely important
• Basis to strengthen, spring & summer ‘07
Monthly CRB Index
Index Funds to Support Prices?

Percent of 18 Major-States Corn in Good-to-Excellent Condition
USDA Crop Vegetative Index, 7/10/06 Change From A Year Earlier

Source: USDA, FAS, PECAD: http://www.pecad.fas.usda.gov/cropexplorer/

U.S. Seasonal Drought Outlook
Through September 2006
Revised July 7, 2006

KEY:
- Drought to persist or intensity
- Drought ongoing, some improvement
- Drought likely to improve, impacts ease
- Drought development likely

Risk of Development
Persistence
Some Improvement
Improvement

National Weather Service & USDA
Source of data: USDA, FAS & WAOB
Figure 5. China's Net Corn Imports, 1970-2004 Marketing Years & Projected 2006-07

Bars above zero are imports, below indicate net exports

Wheat & Coarse Grain Carryover Stocks in Selected Global Regions

Sources: USDA FAS & WAOB
Figure 1. U.S. Corn Production, Domestic Use, & Availability for Exports—Proj. to 2012

(a) Prod’n needed to maintain exports, & (b) with 300 mil. Bu. To China + 5% annual China growth

Existing & Planned U.S. Corn Processing Plants

Data are from Terry Francl at AFBF, Press releases, and Renewable Fuels Association.
### Extra U.S. Corn Acres Needed to Maintain Exports & Projected Ethanol Production

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>With China not importing corn</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>With China as corn importer</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>10</td>
<td>12</td>
<td>16</td>
<td>20</td>
</tr>
</tbody>
</table>

- **With trend yield:**
- **DGS reducing corn feeding:**
- **New acres: yield 80% of current acres:**
- **No major droughts:**

### Corn Balance Sheet (Mil. Bu.)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Harv. A. (mil)</strong></td>
<td>65.0</td>
<td>66.0</td>
<td>67.0</td>
<td>67.4</td>
<td>67.4</td>
<td>68.8</td>
<td>69.3</td>
<td>71.1</td>
<td>73.6</td>
<td>75.1</td>
<td>71.8</td>
<td>72.1</td>
</tr>
<tr>
<td><strong>Bu. Wt.</strong></td>
<td>113.5</td>
<td>134.4</td>
<td>136.6</td>
<td>136.9</td>
<td>136.2</td>
<td>129.4</td>
<td>142.2</td>
<td>160.4</td>
<td>147.9</td>
<td>140.0</td>
<td>147.0</td>
<td>152.0</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>7,374</td>
<td>9,759</td>
<td>9,431</td>
<td>9,915</td>
<td>9,507</td>
<td>8,968</td>
<td>10,089</td>
<td>11,807</td>
<td>11,112</td>
<td>10,059</td>
<td>10,599</td>
<td>11,035</td>
</tr>
<tr>
<td><strong>Carryover</strong></td>
<td>1,556</td>
<td>1,308</td>
<td>1,767</td>
<td>1,718</td>
<td>1,899</td>
<td>1,596</td>
<td>1,687</td>
<td>958</td>
<td>2,114</td>
<td>2,036</td>
<td>2,036</td>
<td>2,036</td>
</tr>
<tr>
<td><strong>Total Supply</strong></td>
<td>8,948</td>
<td>11,086</td>
<td>11,232</td>
<td>11,639</td>
<td>11,416</td>
<td>11,578</td>
<td>11,190</td>
<td>12,776</td>
<td>13,236</td>
<td>12,106</td>
<td>12,645</td>
<td>13,083</td>
</tr>
<tr>
<td><strong>Feed &amp; Resid.</strong></td>
<td>4,711</td>
<td>5,496</td>
<td>5,664</td>
<td>5,842</td>
<td>5,901</td>
<td>5,564</td>
<td>5,795</td>
<td>6,162</td>
<td>6,100</td>
<td>5,825</td>
<td>6,025</td>
<td>6,100</td>
</tr>
<tr>
<td><strong>Food, Ind. &amp; Seed</strong></td>
<td>1,563</td>
<td>1,822</td>
<td>1,913</td>
<td>1,957</td>
<td>2,054</td>
<td>2,340</td>
<td>2,537</td>
<td>2,686</td>
<td>2,975</td>
<td>3,525</td>
<td>3,545</td>
<td>3,555</td>
</tr>
<tr>
<td><strong>Corn for fuel ethanol</strong></td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>1,323</td>
<td>1,600</td>
<td>2,130</td>
<td>2,150</td>
<td>2,160</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td>2,220</td>
<td>1,091</td>
<td>1,037</td>
<td>1,041</td>
<td>1,006</td>
<td>1,608</td>
<td>1,107</td>
<td>1,814</td>
<td>2,125</td>
<td>2,040</td>
<td>2,080</td>
<td>2,125</td>
</tr>
<tr>
<td><strong>Total Utilization</strong></td>
<td>8,522</td>
<td>9,299</td>
<td>9,515</td>
<td>9,740</td>
<td>9,820</td>
<td>9,491</td>
<td>10,232</td>
<td>10,662</td>
<td>11,200</td>
<td>11,390</td>
<td>11,650</td>
<td>11,780</td>
</tr>
<tr>
<td><strong>Carryover</strong></td>
<td>426</td>
<td>1,787</td>
<td>1,718</td>
<td>1,899</td>
<td>1,596</td>
<td>1,087</td>
<td>958</td>
<td>2,114</td>
<td>2,036</td>
<td>716</td>
<td>995</td>
<td>1,303</td>
</tr>
<tr>
<td><strong>U.S. Farm Price</strong></td>
<td>$3.25</td>
<td>$1.94</td>
<td>$1.82</td>
<td>$1.85</td>
<td>$1.97</td>
<td>$2.32</td>
<td>$2.42</td>
<td>$2.06</td>
<td>$2.00</td>
<td>$3.15</td>
<td>$3.25</td>
<td>$3.25</td>
</tr>
<tr>
<td><strong>Iowa Ave. Price, $/Bu</strong></td>
<td>3.15</td>
<td>1.86</td>
<td>1.72</td>
<td>1.75</td>
<td>1.87</td>
<td>2.22</td>
<td>2.37</td>
<td>1.96</td>
<td>1.95</td>
<td>3.10</td>
<td>2.30</td>
<td>2.20</td>
</tr>
<tr>
<td><strong>Counter-Cyclical Pmt.</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.30</td>
<td>0.35</td>
<td>0.00</td>
<td>0.00</td>
<td>0.10</td>
<td>0.00</td>
<td>0.00</td>
<td>16%</td>
<td>65%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>HARV. PRICE, C/A</strong></td>
<td>2.90</td>
<td>1.75</td>
<td>1.40</td>
<td>1.60</td>
<td>1.65</td>
<td>2.20</td>
<td>1.92</td>
<td>1.60</td>
<td>1.40</td>
<td>2.85</td>
<td>1.80</td>
<td>1.70</td>
</tr>
<tr>
<td><strong>DEC. FUT. @ HARV.</strong></td>
<td>$3.35</td>
<td>$2.10</td>
<td>$1.95</td>
<td>$2.05</td>
<td>$2.05</td>
<td>$2.52</td>
<td>$2.25</td>
<td>1.98</td>
<td>2.00</td>
<td>2.35</td>
<td>2.35</td>
<td>2.25</td>
</tr>
<tr>
<td><strong>HISTORICAL PROBABILITY</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>16%</td>
<td>65%</td>
<td>17%</td>
<td>16%</td>
<td>65%</td>
<td>17%</td>
<td>16%</td>
<td>65%</td>
<td>17%</td>
<td>16%</td>
</tr>
</tbody>
</table>

- **Weeks carryover supply:** 2.6 | 10.0 | 9.4 | 10.1 | 8.5 | 6.0 | 4.9 | 10.3 | 9.5 | 3.3 | 4.4 | 5.8

*Based on U.S. yields, 1967-2005*
What Could Alter the Projected Long-term Acreage?

• Accelerated Growth in Corn Yields
• Some Ethanol Projects Put on Hold (not in sight currently)
• More CRP or Hay Acres Going to Corn
• Iowa Losing Corn Export Share (What states will make up difference?)
• Ethanol production from biomass, sugar, or imports
• Plants not operating at full capacity
• Reduced Livestock feeding

Key Developments to Watch

• Weather, acres 8/11 USDA report
• China exports, U.S. Export Sales
• Index funds
• U.S. $
• Soy Diesel
• Fate of 15 bil. Ethanol, 2 bil. Gal. biodiesel
...and justice for all
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