Soy Complex Outlook

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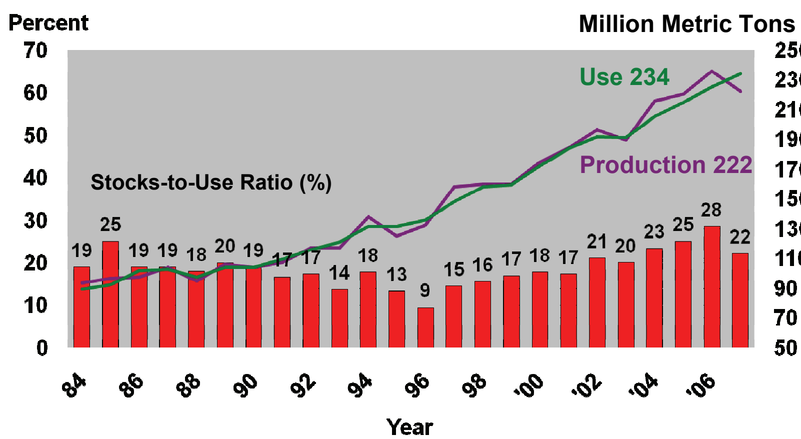
Global Soybeans



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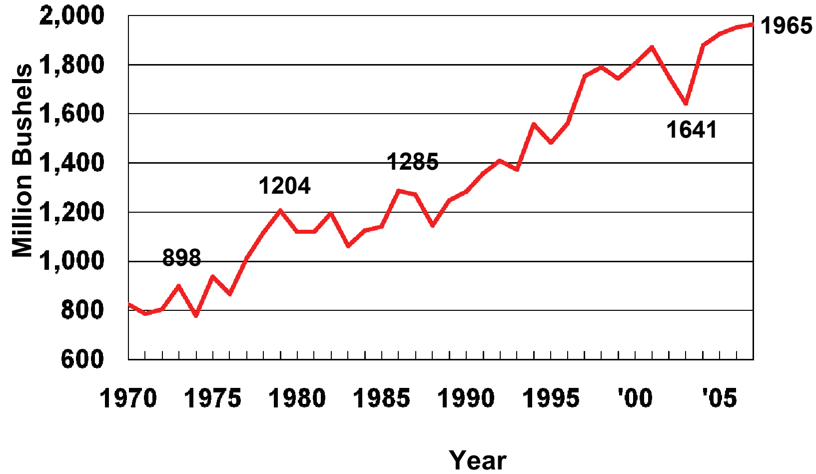
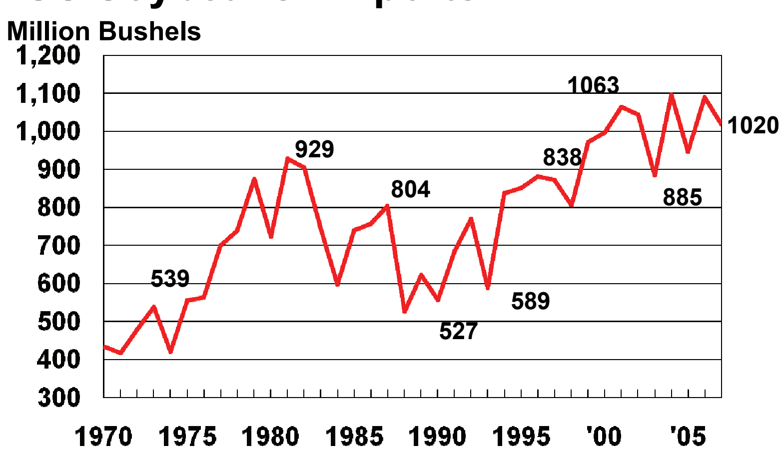
US Soybeans: Domestic Use



US Soybeans: Exports



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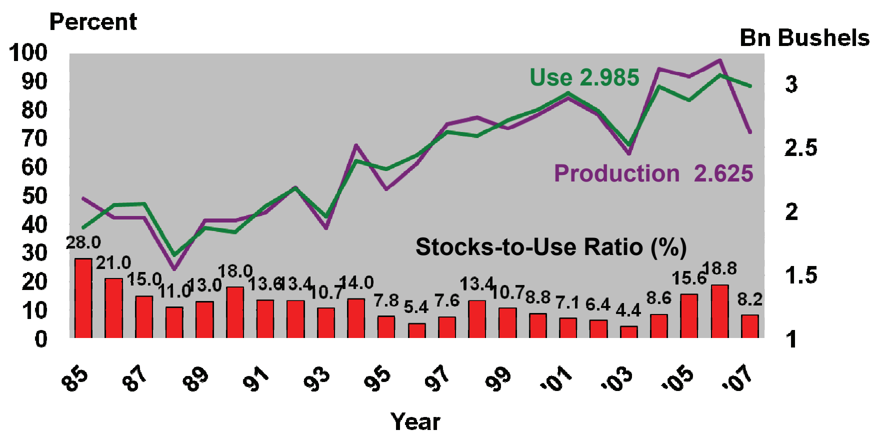
US Soybeans: Situation



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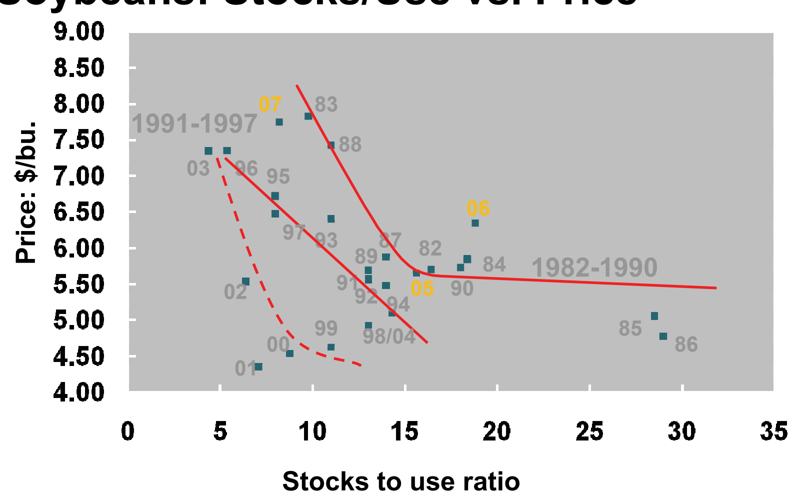
Soybeans: Stocks/Use vs. Price



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Soybean Futures Prices

Aug-07	8.21
Nov-07	8.46
Mar-08	8.75
Jul-08	8.93
Nov-08	8.91
Jul-09	9.05
Nov-09	8.80

Soybean Meal…

- Mixed competition in feed rations from DGS…
  - DGS can substitute against SBM…
    - But primarily in dairy and monogastrics
    - Most DGS fed to feeder cattle…
    - But with DGS volumes rising…
      - Corn/DGS spread must rise…
    - Keeping pressure on SBM.

Biodiesel

- 05/06: 1.55bn lbs SBO
- 06/07: 2.4bn lbs (14% of domestic SBO cons)
- 07/08: 3.5bn lbs
- SBO demand is highly inelastic:
  - Competing directly w/ human consumption

- European production is larger & growing faster, reducing global oil availability.

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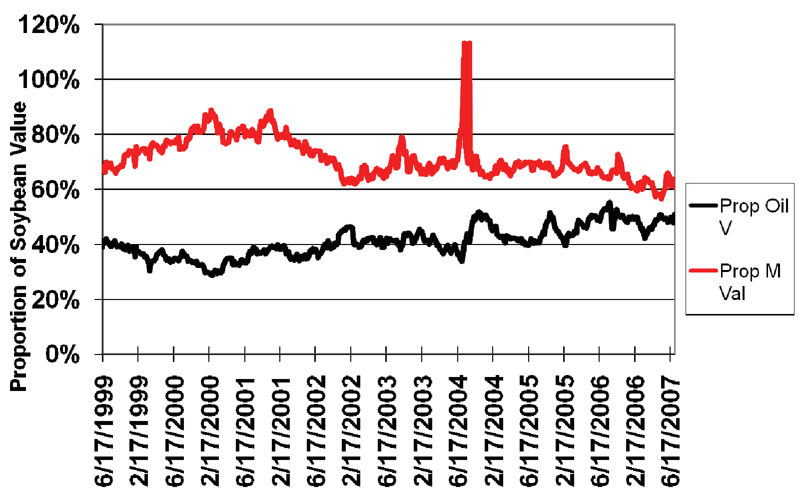
US Soybeans: Meal vs. Oil Value



Acreage Details…

- If all Corn Belt states go 2:1 corn:bean, that is 17.7m more corn acres than 2006 (about 5m more than ‘07)
  – Will happen fastest in WCB, more full-time farmers, generally better soils.
- Soybean net acreage losses will be smaller as soybeans will displace wheat in Great Plains.
- In 2007, ~1.2m acres of cotton to corn.
- Sorghum unlikely to lose acres, may gain.

Acreage Details…, cont’d

- Hay/Forage is a big question mark. Generally low quality land, but at sufficient prices, can still be profitable.
- CRP: Best land is also likely to be most sensitive: buffer strips, etc.
- Most land available from 2006-2009 already resigned.
  – About 7.7m has not yet. Likely good ground.
  – Will CRP rates go up in 2007 Farm Bill? Yes.
  – Some will leave, but many like stewardship/stability of CRP

2007 Situation/Outlook

- Yield:
  - Market will watch closely: inventories falling fast.
- S. Am. Plantings:
  - Lots of different stories, flat to +5m acres
- Basis:
  - What the #@!! is going on in Chicago?
- 2008 Pressure:
  - Corn acres cannot decline.
  - Soybean acres cannot decline.
    - SX8, CZ8 will remain high
    - => Strong returns to storage in '07

Planting: 2008

- In 2007:
  - SX07 Jan/Feb Avg: $7.96
  - CZ07 Jan/Feb Avg: $4.08
    - Beans -11.4m ac, Corn +14.6m ac
- In 2008:
  - SX08: $8.91
  - CZ08: $3.83

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Thank You For Your Time

If you would like a copy of this presentation, please email me, citing the date and location of the presentation.

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