U.S. Agricultural Export Prospects

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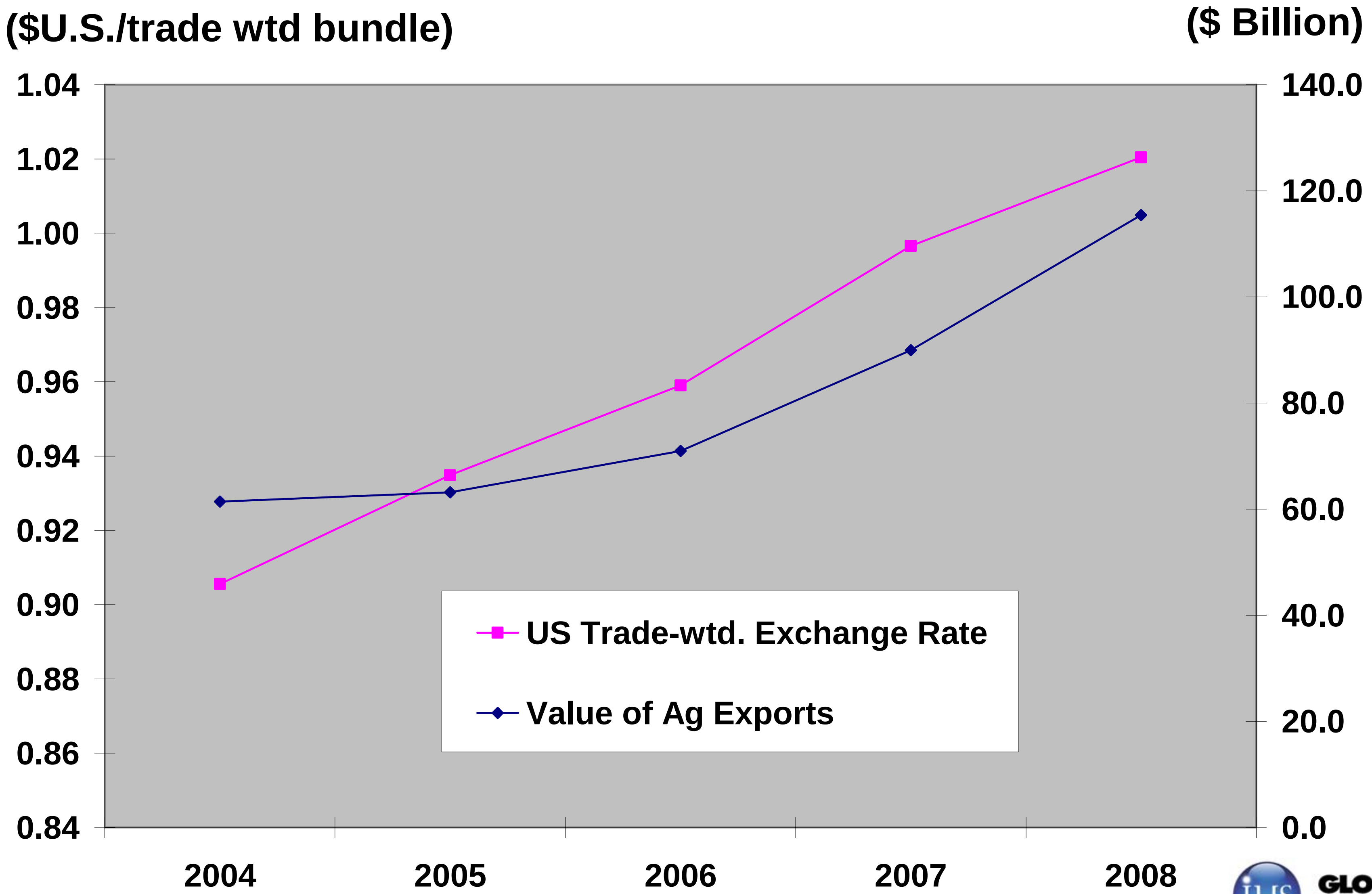
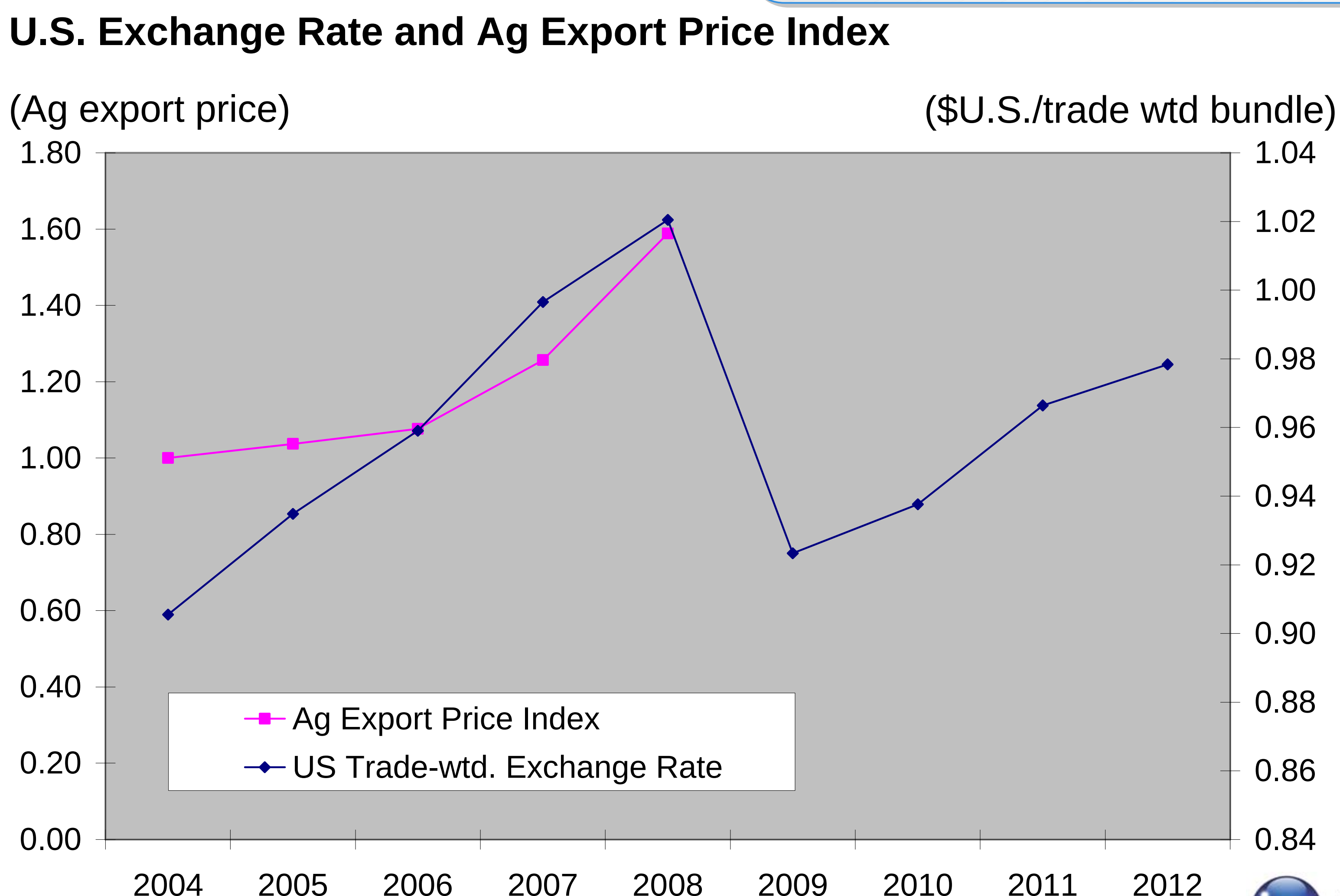
Value of Ag Exports and Trade Weighted Exchange



Exchange Rates and Price

There is a very strong connection between the exchange rate and the price of agricultural goods.



Ag Export Quantity and Prices

Price impact on total export volume is 3 times the quantity impact between 2004 and 2008

US Agricultural Exports Volume and Price - Indexs - 2004 = 100

		2004	2005	2006	2007	2008
GRAINS & FEEDS	Quantity	100.0	95.8	104.0	115.7	111.3
OILSEEDS & PRODUCTS	Quantity	100.0	103.6	113.7	117.9	129.4
HORTICULTURAL PRODUCTS	Quantity	100.0	105.8	106.3	107.3	121.7
LIVESTOCK & MEATS	Quantity	100.0	104.8	118.6	135.2	165.2
POULTRY & PRODUCTS	Quantity	100.0	109.3	110.6	131.0	153.7
COTTON, LINTERS & WASTE	Quantity	100.0	116.5	120.3	111.7	103.0
SUGAR & TROPICAL PRODUCTS	Quantity	100.0	123.5	152.9	183.4	182.1
DAIRY PRODUCTS	Quantity	100.0	109.0	122.8	133.8	151.5
PLANTING SEEDS	Quantity	100.0	80.3	43.7	47.9	55.9
TOBACCO & PRODUCTS	Quantity	100.0	93.9	110.2	114.0	103.2
All Exports	Quantity	100.0	99.2	107.3	116.6	118.3
GRAINS & FEEDS	Price	100.0	97.0	104.9	138.7	190.8
OILSEEDS & PRODUCTS	Price	100.0	94.2	94.3	123.8	170.3
HORTICULTURAL PRODUCTS	Price	100.0	104.6	114.6	123.3	123.8
LIVESTOCK & MEATS	Price	100.0	111.5	115.7	118.0	124.6
POULTRY & PRODUCTS	Price	100.0	111.4	102.8	121.2	127.6
COTTON, LINTERS & WASTE	Price	100.0	79.3	88.3	96.6	110.6
SUGAR & TROPICAL PRODUCTS	Price	100.0	89.0	81.0	78.3	88.2
DAIRY PRODUCTS	Price	100.0	102.8	102.7	153.2	170.6
PLANTING SEEDS	Price	100.0	127.4	220.8	235.9	261.1
TOBACCO & PRODUCTS	Price	100.0	100.9	99.2	101.4	114.9
All Exports	Price	100.0	103.7	107.6	125.7	158.9

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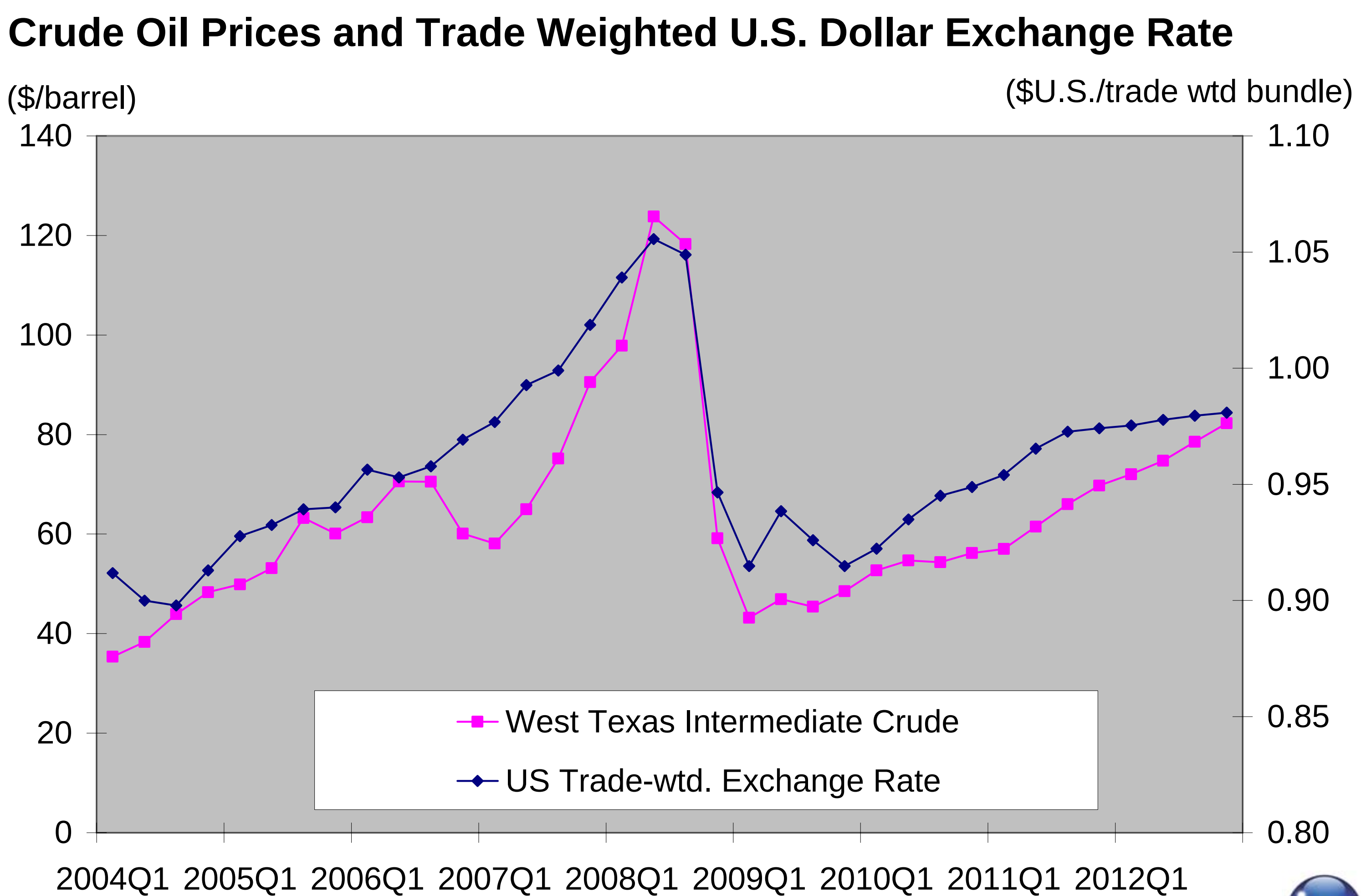
Exchange Rate and Oil Price

Until growth/stability in other major economies becomes more apparent, the Dollar will remain strong – basically through 2010



Demand Factors

Real GDP Growth: Our Preliminary June Forecast

	2007	2008	2009	2010	2011
United States	2.0	1.1	-3.0	1.5	3.4
Eurozone	2.7	0.7	-4.4	0.0	1.5
United Kingdom	3.0	0.7	-3.9	0.2	1.7
Japan	2.4	-0.7	-7.1	1.2	2.2
China	13.0	9.0	6.9	8.1	9.0
Brazil	5.7	5.1	-1.2	3.2	5.6
Russia	8.1	5.6	-6.0	1.5	3.2
India	9.0	6.1	5.3	6.6	7.4
World	4.0	2.2	-2.5	1.8	3.5

Demand Factors

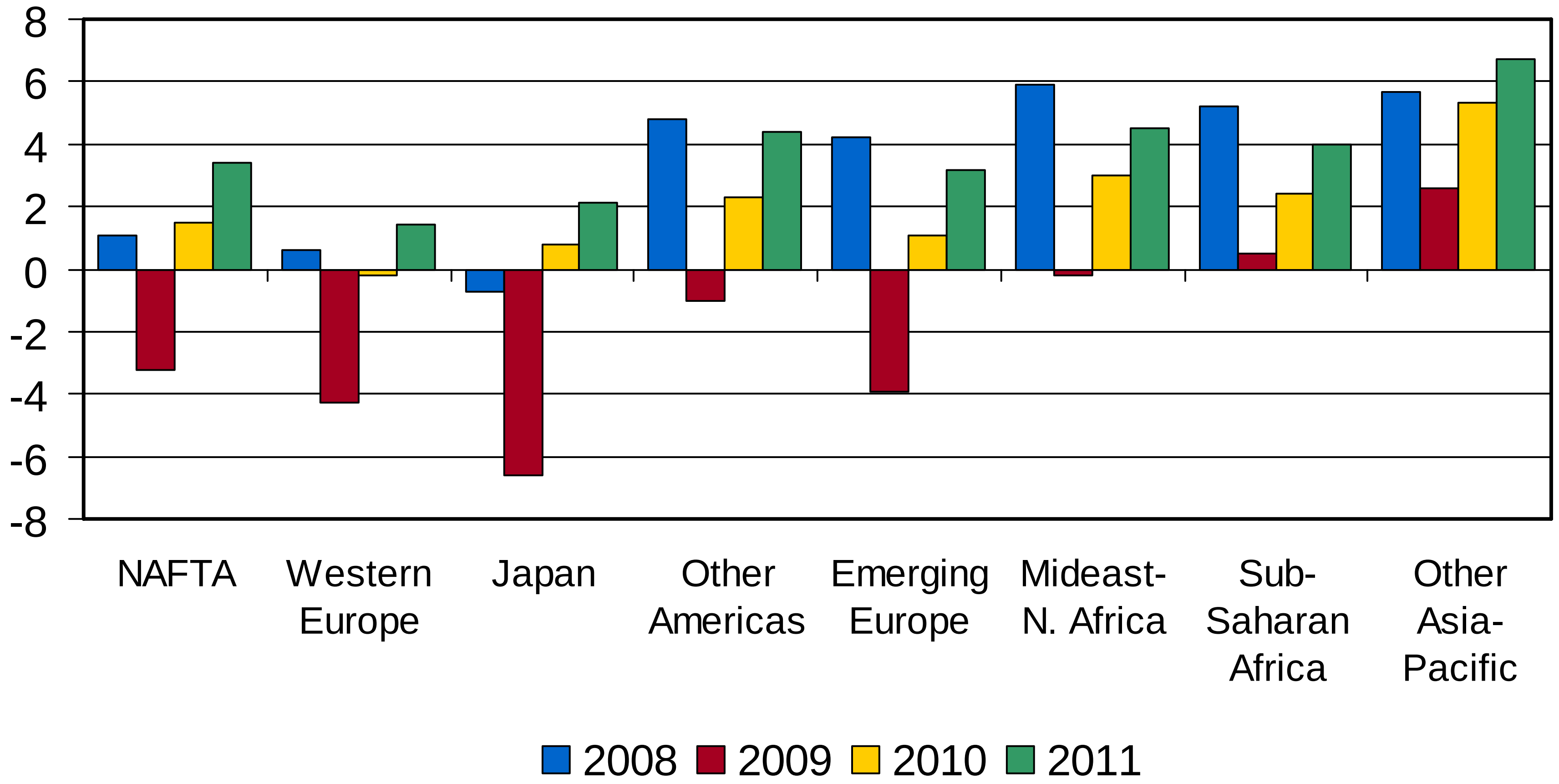
China

•China is leading the global recovery, as massive fiscal and monetary stimuli jumpstart its economy. Fixed asset investment climbed 30.5% year-on-year in the first four months of 2009, led by public spending on infrastructure projects.

•In May, the government announced a new round of stimulus measures directed at consumer markets, including plans for establishment of consumer finance companies and subsidies to encourage residents to buy new cars and home appliances to replace old ones.

•We are raising our forecast of real GDP growth in 2009 from 6.6% to 6.9% and maintaining projections of 8.1% growth next year and 9.0% growth in 2011.

Regional Variations in Economic Growth



Other Demand Factors

Positive Factors

- Poor yields and lower soybean production in Argentina and Brazil – keep US soy exports strong through 08 early 09 crop years
- Lower corn production in Argentina limits export competition for current season

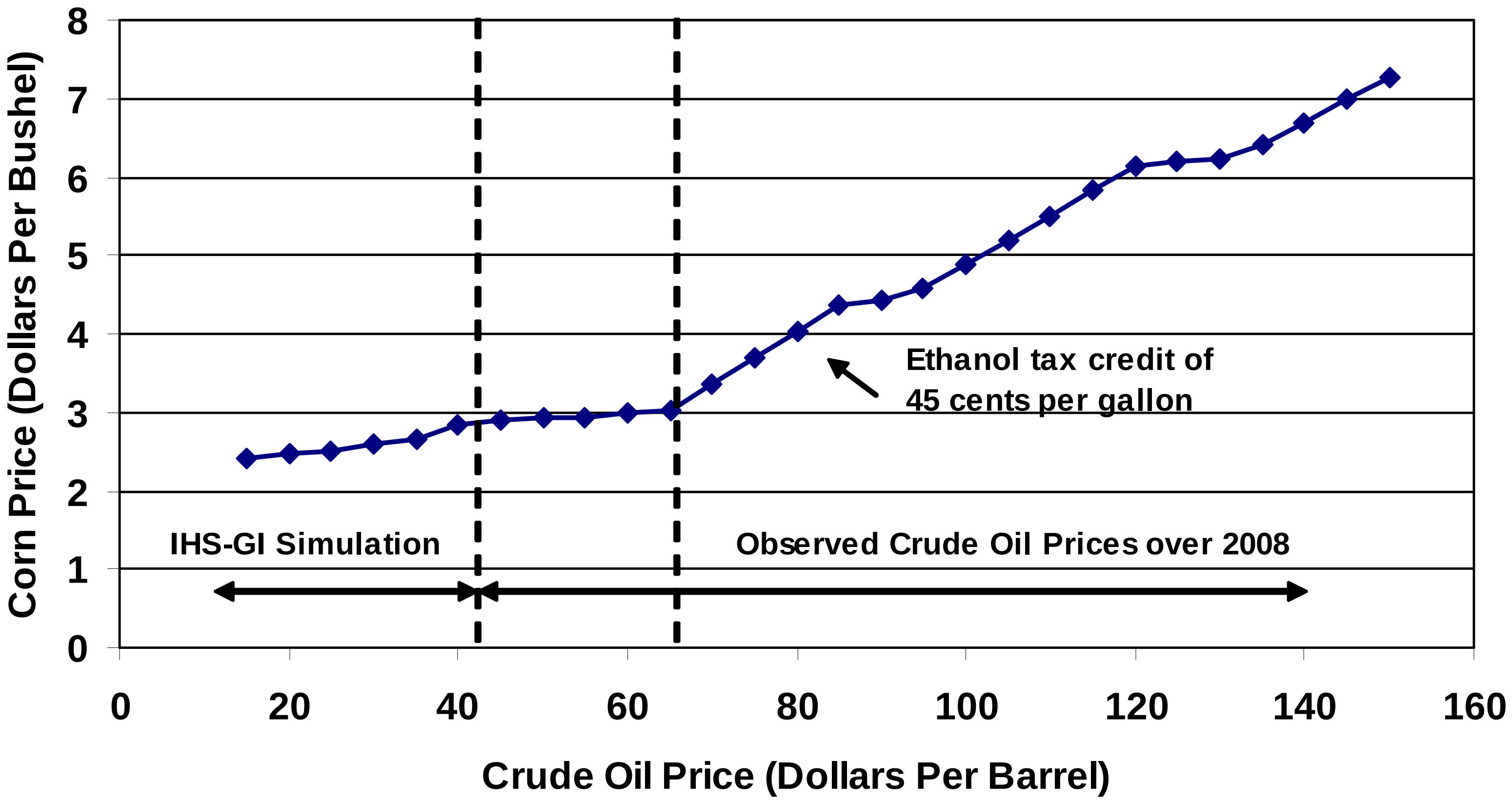
Negative Factors

- Significant build up in crop inventories around the world limits the need for imports

U.S. Factors Impacting Trade

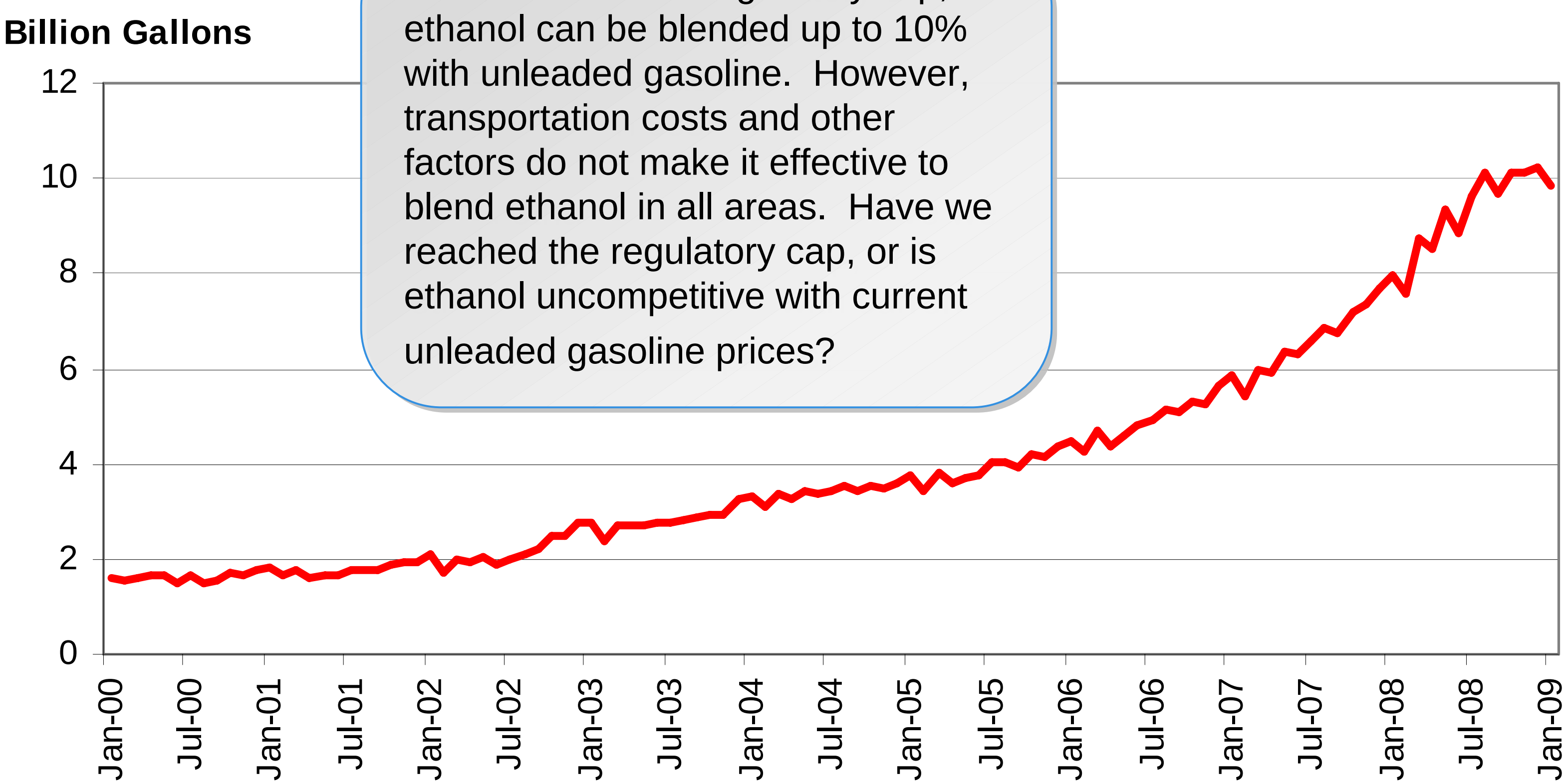
This graph is based on data from the 2008 calendar year. Note that ethanol was not close to the regulatory blending cap during this period. It is unlikely that corn prices could follow another surge in oil prices with current policy since the regulatory blending cap reduces demand expansion to E85 only.

(Based on observed data for crude oil prices exceeding $40/barrel)



Annualized Ethanol Production Rate

Under the current regulatory cap, ethanol can be blended up to 10% with unleaded gasoline. However, transportation costs and other factors do not make it effective to blend ethanol in all areas. Have we reached the regulatory cap, or is ethanol uncompetitive with current unleaded gasoline prices?



GLOBAL INSIGHT

The Hypothesis of Indirect Effects of Increased Biofuels Production in the U.S.

U.S. corn farmer switches practice corn/soybeans =>corn/corn to supply a new ethanol plant

U.S. soybeans export decline and world soybeans price rise

Additional land put into soybeans production (i.e. Brazil via deforestation)

Land use change increases GHG emissions as new land is brought into production potentially in environmentally sensitive areas.

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Meat Exports this Century – The Rest of the Story

- **U.S. meat exports expected to take to 2012 to return to 2008 levels**
  - **Not due just to world economy, but that's a big factor**
  - **Some countries, like Japan and South Korea, have been costing themselves a lot of money with unwillingness to adjust to world beef standards**
  - **Others, like Russia, costing themselves with import quotas/tariffs**

Future Growth in Developing Markets

- Global meat demand expected to slip in 2009, but start to recover in 2010 and grow along with economy from 2011 on
- Per capita meat consumption growing more rapidly in developing and emerging markets
  - That's where GDP growth (in % terms) has been higher, as well
- Per capita meat consumption actually stagnant/slightly declining in some developed countries
  - Lack of supplies
  - Mature market?
  - Demographics (aging populations)

Thank you

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