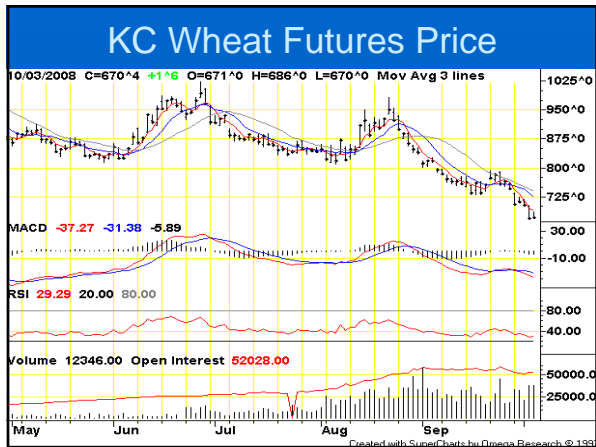
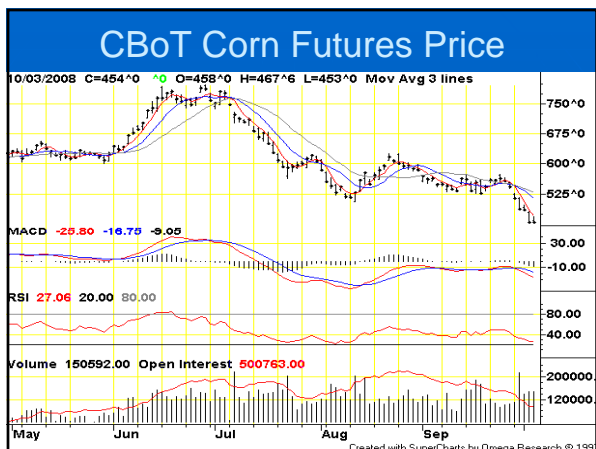


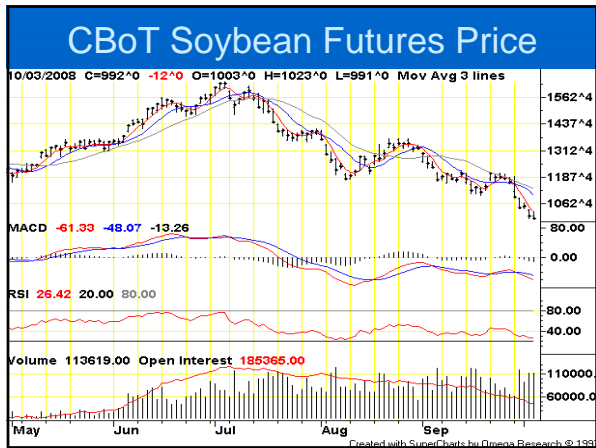
Crop Insurance Workshop

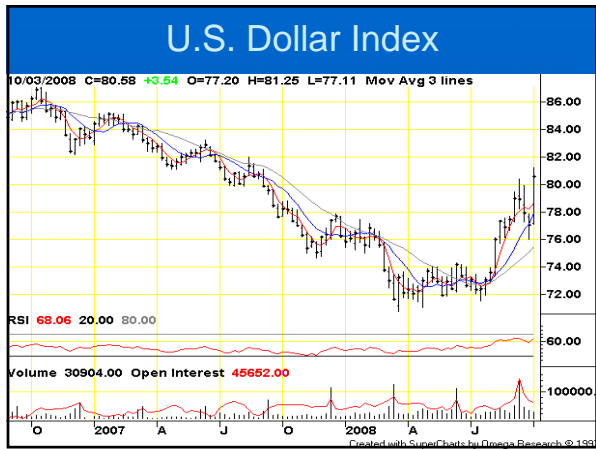
November 2008

Mike Woolverton
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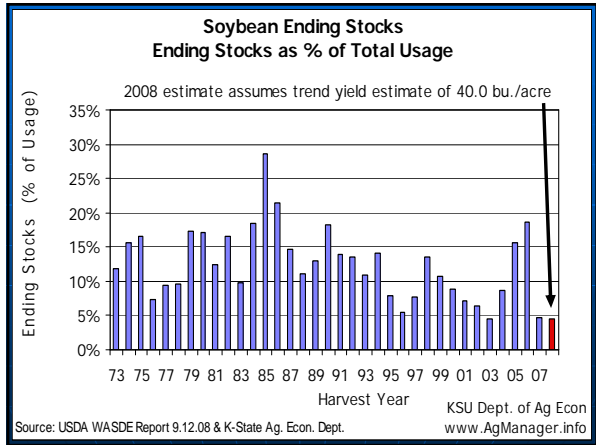


OUTSIDE INFLUENCES

- Oil price ↑↓ dollar ↓↑
- Financial sector deleveraging
- Speculative sell-off
- Credit pipeline freeze up
- Government bailout
- Global economic downturn
- Overseas buyers

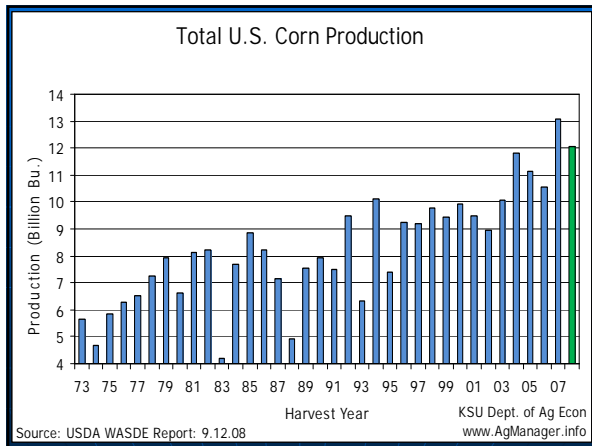
Soybean Balance Sheet

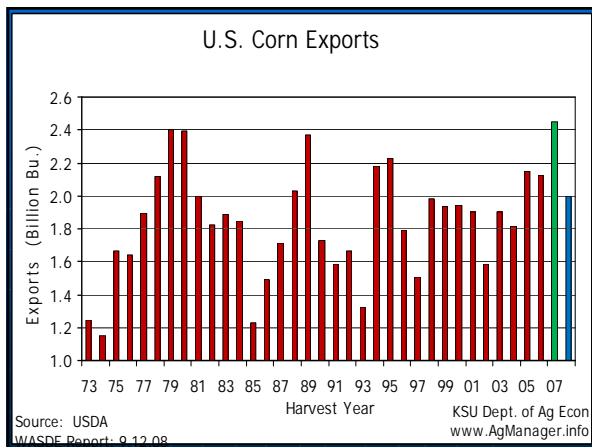
	06/07	07/08	08/09
Plant A. (mil.)	75.5	63.6	74.8
Harvest A. (mil.)	74.6	62.8	73.3
Bu./A.	42.7	41.2	40.0
Production	3,188	2,585	3,000
Imports	9	10	10
Beginning Carryover	449	574	140
Total Supply	3,647	3,169	3,084
Utilization:			
Crushings	1,808	1,815	1,785
Seed	78	94	90
Exports	1,118	1,155	1,000
Residual	69	-35	74
Total Utilization	3,073	3,029	2,949
Ending Carryover	574 (19%)	140 (5%)	135 (5%)
U.S. Farm Price	\$6.43	\$10.15	\$11.60-\$13.10

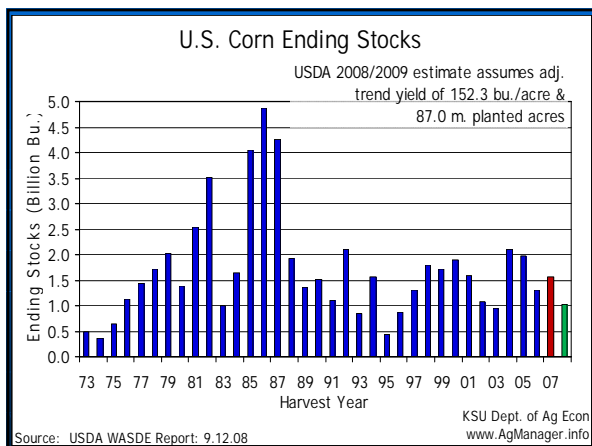


Corn Balance Sheet

	06/07	07/08	08/09
Plant A. (mil.)	78.3	93.6	87.0
Harvest A. (mil.)	70.6	86.5	79.3
Bu./A.	149.1	151.1	152.3
Production	10,535	13,074	12,072
Imports	12	18	15
Beginning Carryover	1,967	1,304	1,576
Total Supply	12,514	14,396	13,663
Utilization:			
Feed and Residual	5,598	6,050	5,200
Food, seed, industrial	3,488	4,345	5,445
Ethanol for fuel	2,117 (20%)	3,000 (23%)	4,100 (34%)
Exports	2,125	2,425	2,000
Total Utilization	11,210	12,820	12,645
Ending Carryover	1,304 (12%)	1,576 (12%)	1,018 (8%)
U.S. Farm Price	\$3.04	\$4.20	\$5.00-\$6.00







Grain Market Situation

- Wheat – All time high record global production up 11%, demand strong for feed wheat and to replenish supplies, Middle East drought, shortage of milling wheat
- Corn/CGs – Global livestock demand, U.S. ethanol demand, competition from feed wheat
- Soybeans – Low U.S. carryover, size of U.S. crop, Brazilian hectares ?, Argentinean farmers?

Factors to Watch:

- Global demand
- Oil price/value of dollar
- S. Hemisphere growing conditions

Energy Independence & Security Act

Type of Fuel (Categories)	BGY
Total Renewable Fuels by 2022	36 BGY
Corn Ethanol (Starch Based)	15 BGY cap
Advanced Biofuels <ul style="list-style-type: none"> Includes imported biofuels and biodiesel Must achieve $\geq 50\%$ reduction of GHGs from baseline* 	21
Cellulosic Fuels <ul style="list-style-type: none"> Includes cellulosic ethanol, biobutanol, green diesel, green gasoline Must achieve $\geq 60\%$ reduction of GHGs from baseline* 	16
* Baseline = average lifecycle GHG emissions for gasoline or diesel sold or distributed as transportation fuel in 2005	

U.S. Ethanol Industry at a Glance

	<u>2006</u>	<u>2008</u>	
Number of operating ethanol plants:	97	174	
Plants under construction:	35	30	
Current production capacity: (BGPY)	4.8	10.5	
Projected production capacity:	12.4 BGPY end of 2008	13.1 BGPY end of 2009	
Maximum starch-based ethanol inclusion of 15 billion gallons by 2015.			
Corn used for ethanol production and percentage of U.S. crop:			
	<u>Bu. (bil.)</u>	<u>MT (mil.)</u>	<u>% of Crop</u>
2006/07 –	2.1	53.3	20
2007/08 –	3.0	76.2	23
2008/09 –	3.7	94.0	31
2014/15 -	5.0	127.0	33

Ethanol Profit Margin (\$ per gallon)

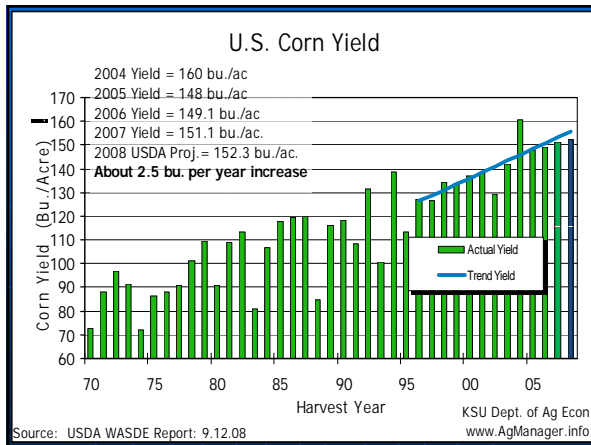
Prices	July 07	Sept. 08 ¹	Change
Corn (\$/bu.)	3.2725	4.24	+30%
Ethanol	1.905	1.835	-4%
RBOB	1.98	2.066	+4%

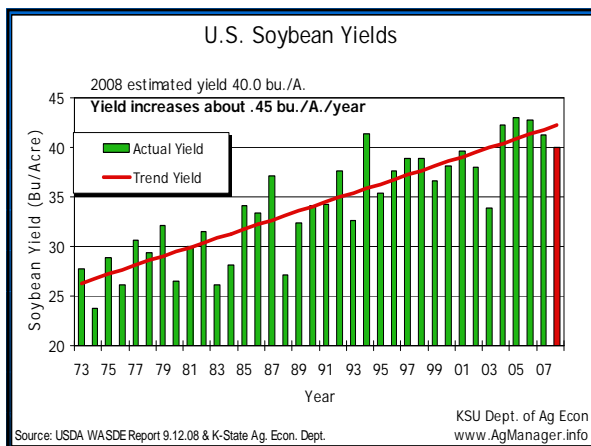
Profit Margin ±.26 -.03²

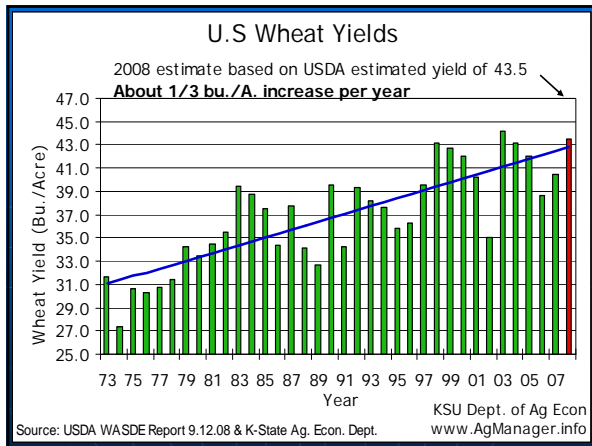
¹ Nearby futures prices Oct. 6, 2008. Breakeven corn price: \$4.14

² Ethanol profit for a 100 million gallon plant = -\$3.0 million
Distiller's Grain revenue would be about \$50 million.

To compete with gasoline as a substitute, ethanol price would need to fall to \$1.36 per gallon.







WORLD'S LARGEST CORN PRODUCERS, MMT, 2008/09 (Projected)

1.	U.S.	306.7
2.	China	156.0
3.	EU-27	58.1
4.	Brazil	57.0
5.	Mexico	24.0
6.	Argentina	19.0
7.	FSU-12	18.4
8.	SE Asia	18.3
9.	South Africa	11.5
10.	Canada	9.9

Source: USDA, WASDE Report, September 2008

WORLD SOYBEAN TRADE, MMT 2008/09 (Projected)

<u>Major Importers</u>		<u>Major Exporters</u>	
China	35.5(46%)	Brazil	28.9(38%)
EU-27	14.2	U.S.	27.2(36%)
Japan	4.1	Argent.	12.2
Mexico	3.6		
Argent.	2.7		

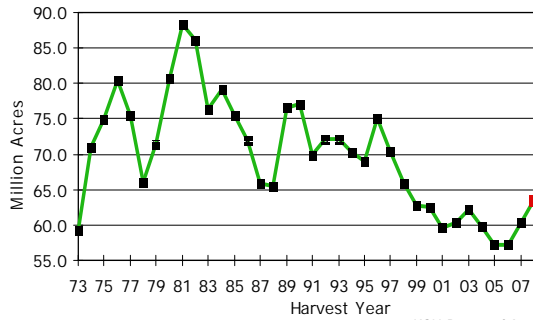
Source: USDA, WASDE Report, July 2008

**WORLD'S LARGEST WHEAT PRODUCERS,
MMT, 2008/09 (Projected)**

1. EU -27	141.7
2. China	114.0
3. FSU	102.3
4. India	76.8
5. U.S.	67.0
6. Australia	25.0
7. Canada	24.5
8. Pakistan	21.5
9. N. Africa	15.8
10. Argentina	14.5

Source: USDA, WASDE Report, July 2008

U.S. Wheat Planted Acreage



Source: USDA WASDE Report 7.11.08 & K-State Ag. Econ. Dept. KSU Dept. of Ag Econ
www.AgManager.info

**WORLD'S LEADING EXPORTERS,
MMT, 2008/09 (Projected)**

Country/Region	Amount	Commodities
United States	112.7	CG, SB, W, R
Brazil	47.1	SB, CG, R
FSU-12	41.0	CG, W
Argentina	37.5	SB, CG, W
Canada	21.2	W, CG
EU-27	18.0	W
Australia	17.8	W, CG

Source: USDA, WASDE Report, September 2008

Fertilizer Situation

- After increasing 2 to 3 times depending upon type, fertilizer prices have declined
- Growing demand in developing countries
- U.S. now imports more than one-half of nitrogen needs and nearly all potash
- Fertilizer dealers are trying to shift inventory risk to farmers
- Relief: N depends on nat gas price; P and K additional capacity in 2 years

Comparative Grain Prices, Dollars per Bushel

	<u>Ave.¹</u>	<u>Now²</u>	<u>Future³</u>
Wheat	\$3.36	\$5.78	\$6.50
Corn	2.27	3.97	\$4.50
Soybeans	5.64	8.92	\$9.00

¹ Average price per bushel, 2000-2006.

² Kansas City cash truck bids, October 6, 2008.

³ Suggested long term average price (estimated breakeven cost per bushel) to be used for planning purposes.

CONCLUSIONS

- Global demand for grains and oilseeds will continue grow
- Livestock feeding and bio-processing demand for raw materials will grow
- Farm sector is financially healthy...for now
- But great danger of a cost/price squeeze
- Risk management is critical
