Outlook for Corn and Soybeans

2006

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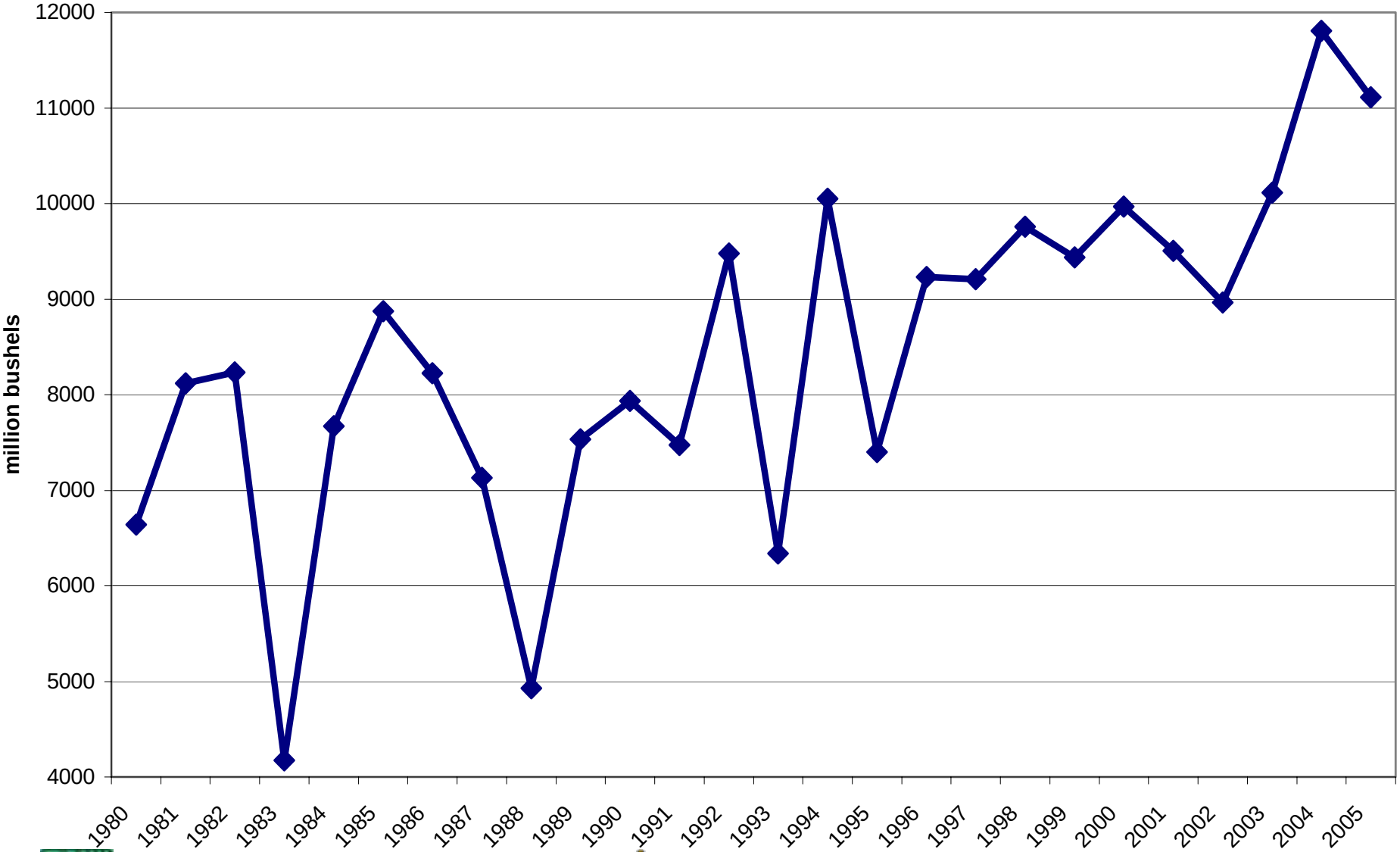
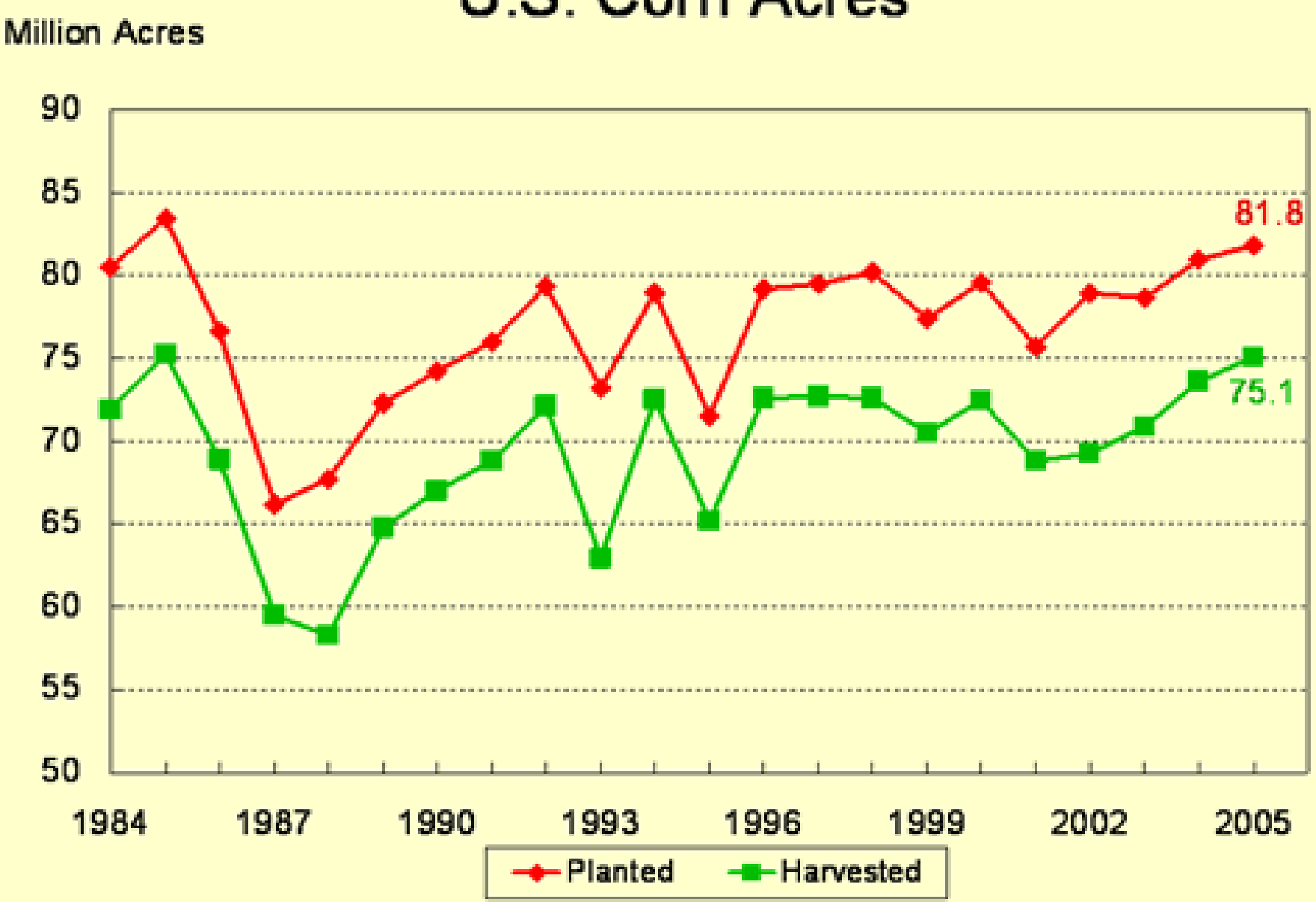
US Corn Balance Sheet (Sep/Aug)

Marketing Year	USDA 98/99	USDA 99/00	USDA 00/01	USDA 01/02	USDA 02/03	USDA 03/04	USDA Dec. Est. 04/05	USDA Dec. Fore. 05/06
Beg Stocks	1,308	1,787	1,718	1,899	1,596	1,087	958	2,114
Imports	19	15	7	10	14	14	14	10
Acres Planted	80.2	77.4	79.5	75.8	78.9	78.6	80.9	81.8
Acres Harvested	72.6	70.5	72.7	68.8	69.3	70.9	73.6	75.1
% Harvested	90.5%	91.1%	91.4%	90.8%	87.8%	90.2%	91.0%	91.8%
Yield	**134.4**	**133.8**	**137.1**	**138.2**	**129.3**	**142.2**	**160.4**	**147.9**
Production	9,759	9,431	9,968	9,507	8,967	10,089	11,807	11,112
Total Supply	**11,085**	**11,232**	**11,693**	**11,416**	**10,578**	**11,190**	**12,776**	**13,236**
Feed & residual	5,496	5,664	5,890	5,868	5,563	5,795	6,162	6,000
Food/Seed/Ind.	1,822	1,913	1,967	2,054	2,340	2,537	2,686	2,960
Exports	1,981	1,937	1,937	1,905	1,588	1,900	1,814	1,850
Total Demand	**9,298**	**9,515**	**9,794**	**9,820**	**9,491**	**10,232**	**10,662**	**10,810**
Ending Stocks	1,787	1,717	1,899	1,596	1,087	958	2,114	2,426
Stocks To Use	**19.22%**	**18.05%**	**19.39%**	**16.25%**	**11.45%**	**9.36%**	**19.83%**	**22.44%**
Avg. Farm Price	**$1.94**	**$1.82**	**$1.85**	**$1.97**	**$2.32**	**$2.42**	**$2.06**	**$1.90**

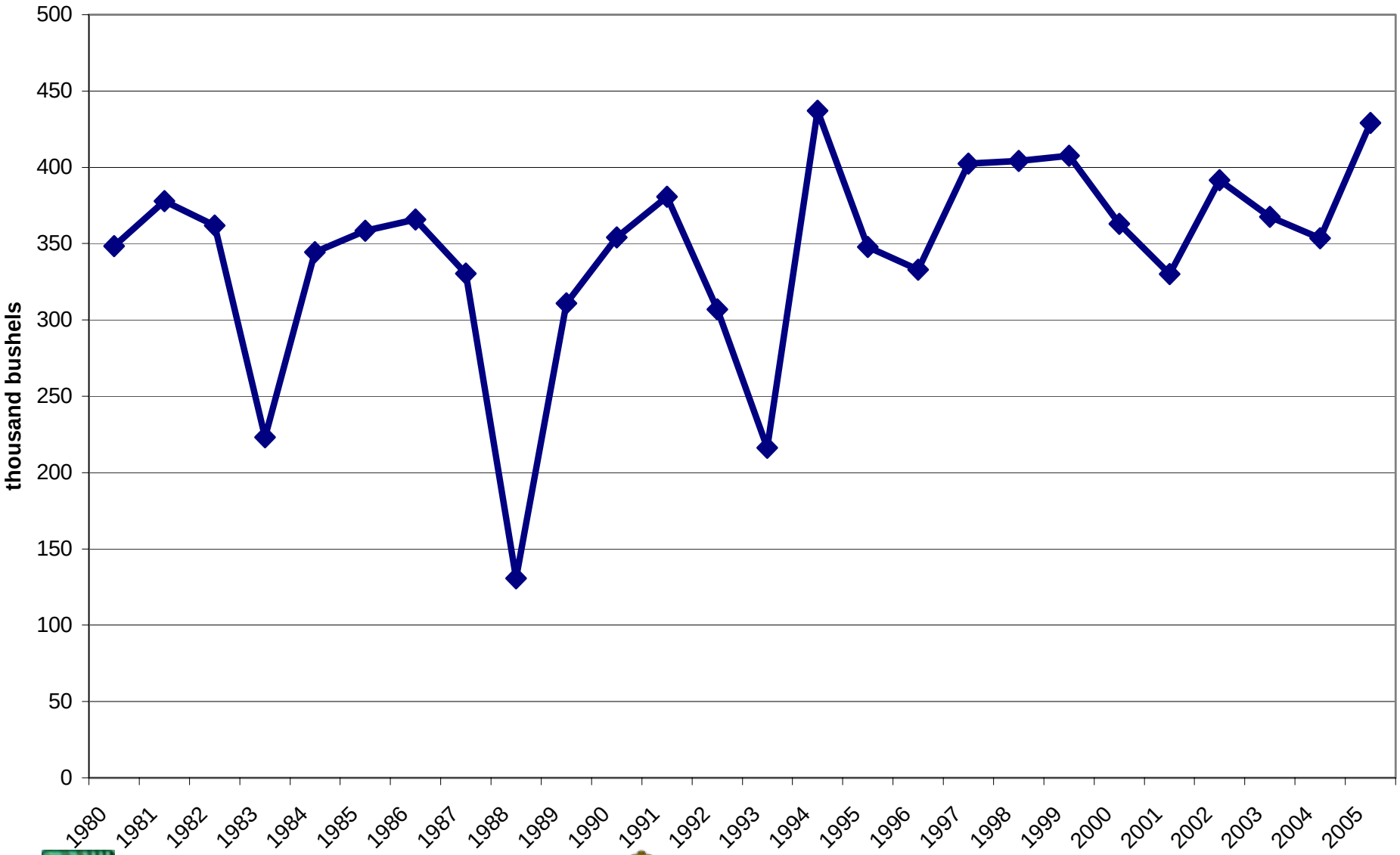
U.S. Corn Production



U.S. Corn Acres



Wisconsin Corn Production



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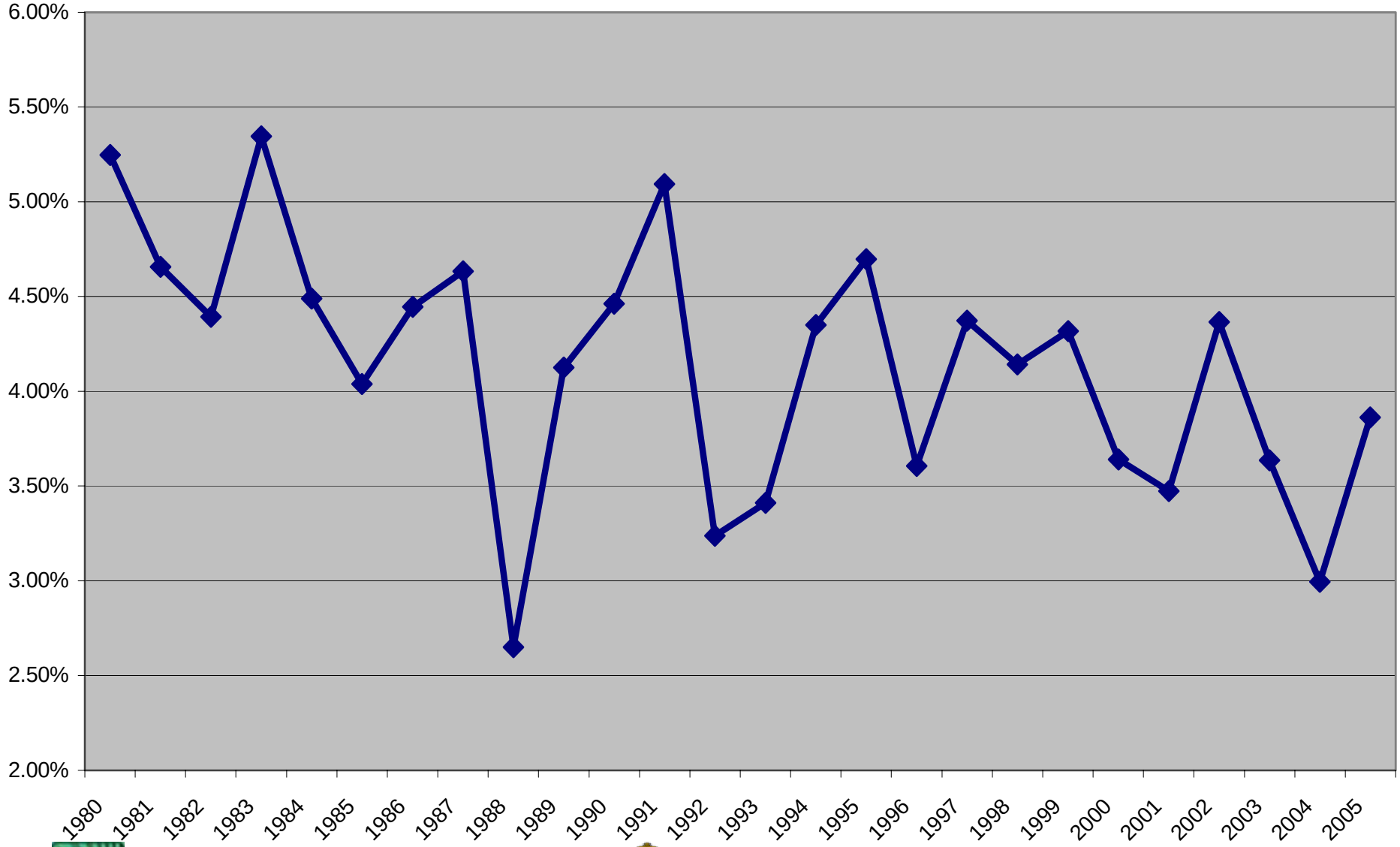
Wisconsin Percent of National Production



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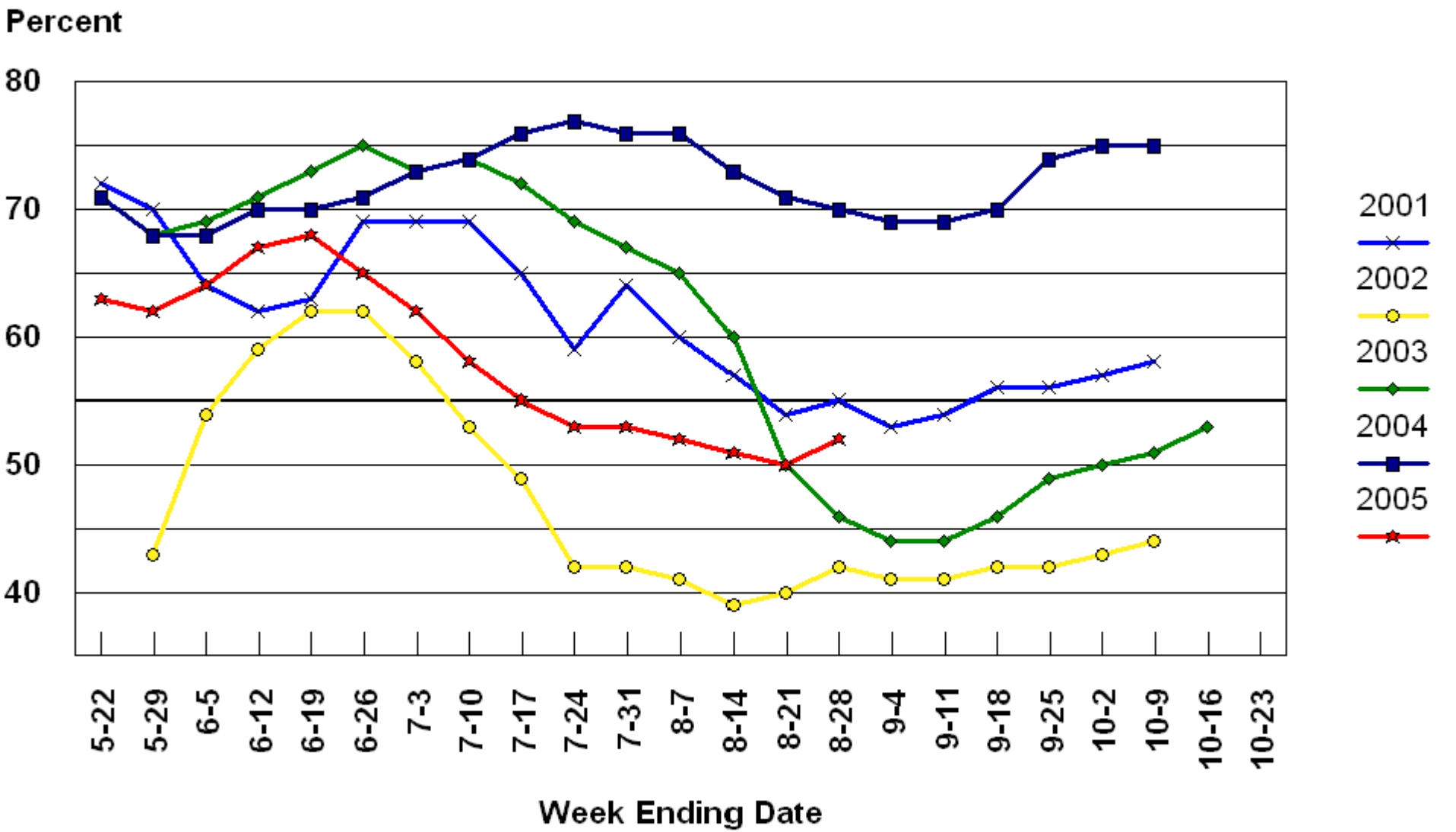
U.S. Corn Condition

Percent of Acreage Rated Good or Excellent



USDA-NASS
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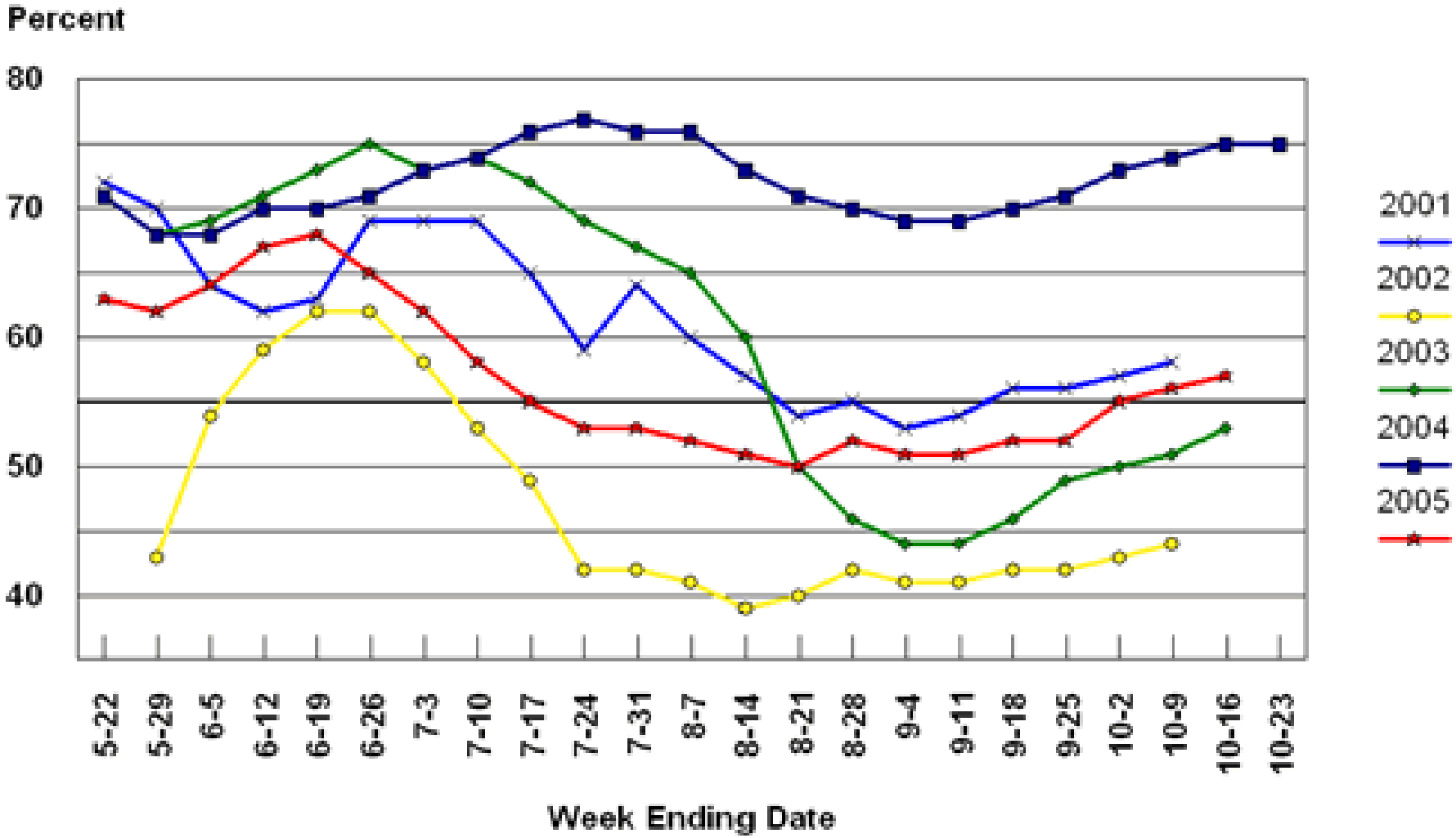
U.S. Corn Condition

Percent of Acreage Rated Good or Excellent



USDA-NASS
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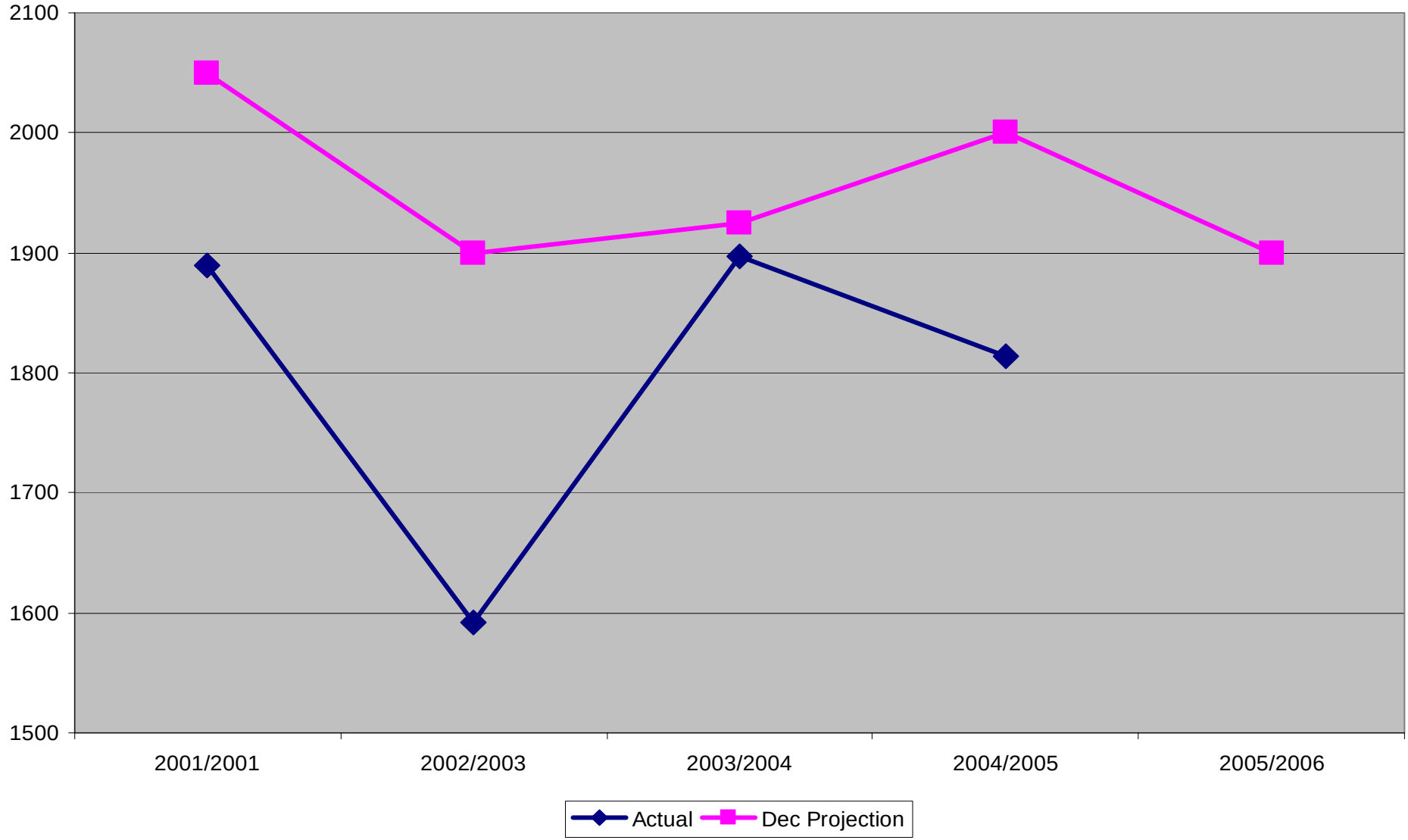
US Corn Exports




Corn
updated Jan 17
Corn
285
280
275
270
265
260
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230
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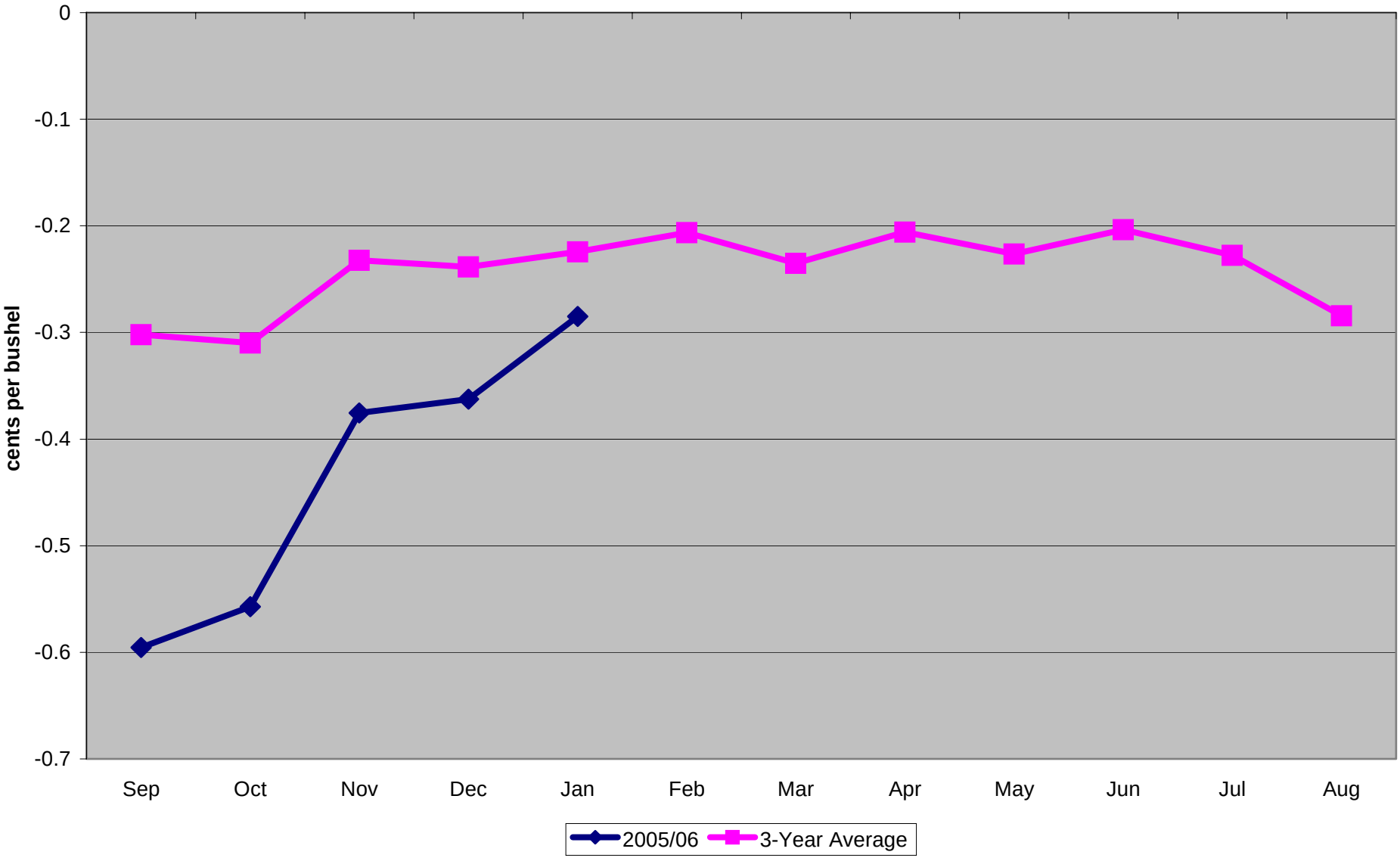
210
205
200
195
July 2006 Futures
March 2006 Futures
Jun 05
Jul 05
Aug 05
Sep 05
Oct 05
Nov 05
Dec 05
Jan 06

Rcok County Corn Basis



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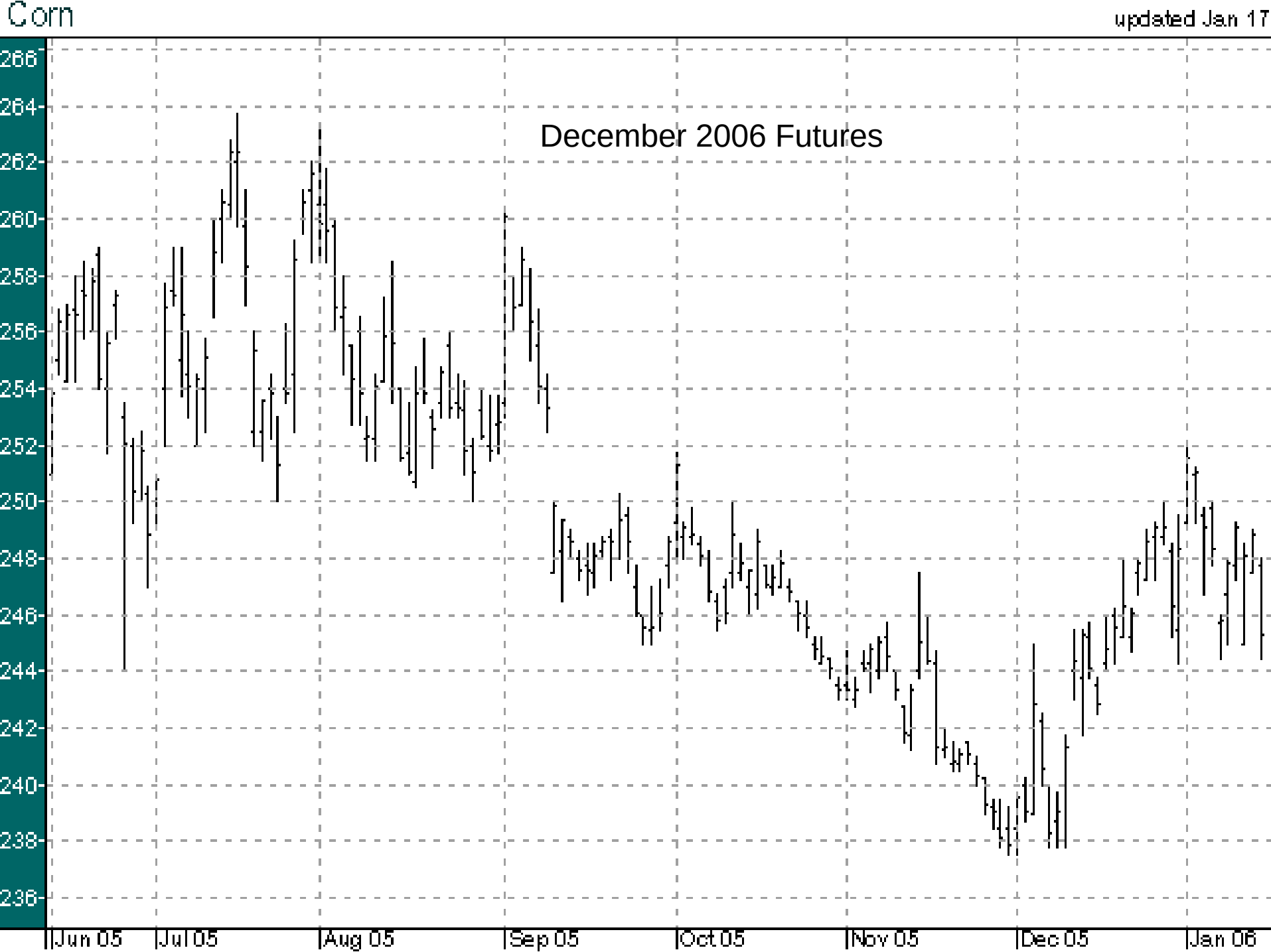
Corn
updated Jan 17
December 2006 Futures
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250
248
246
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242
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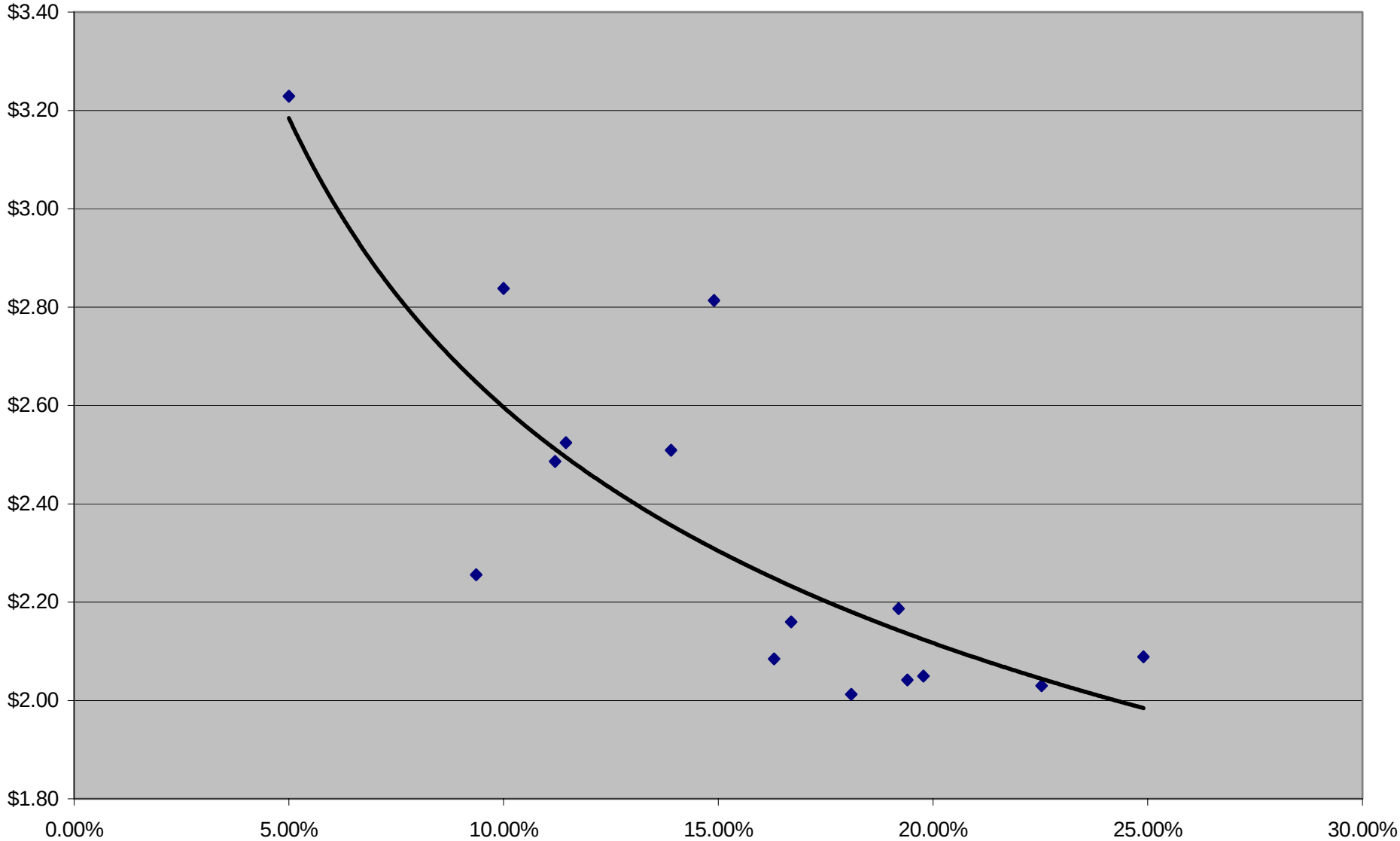
Jun 05
Jul 05
Aug 05
Sep 05
Oct 05
Nov 05
Dec 05
Jan 06

Oct. Corn Price (Dec futures) vs Stocks/Use



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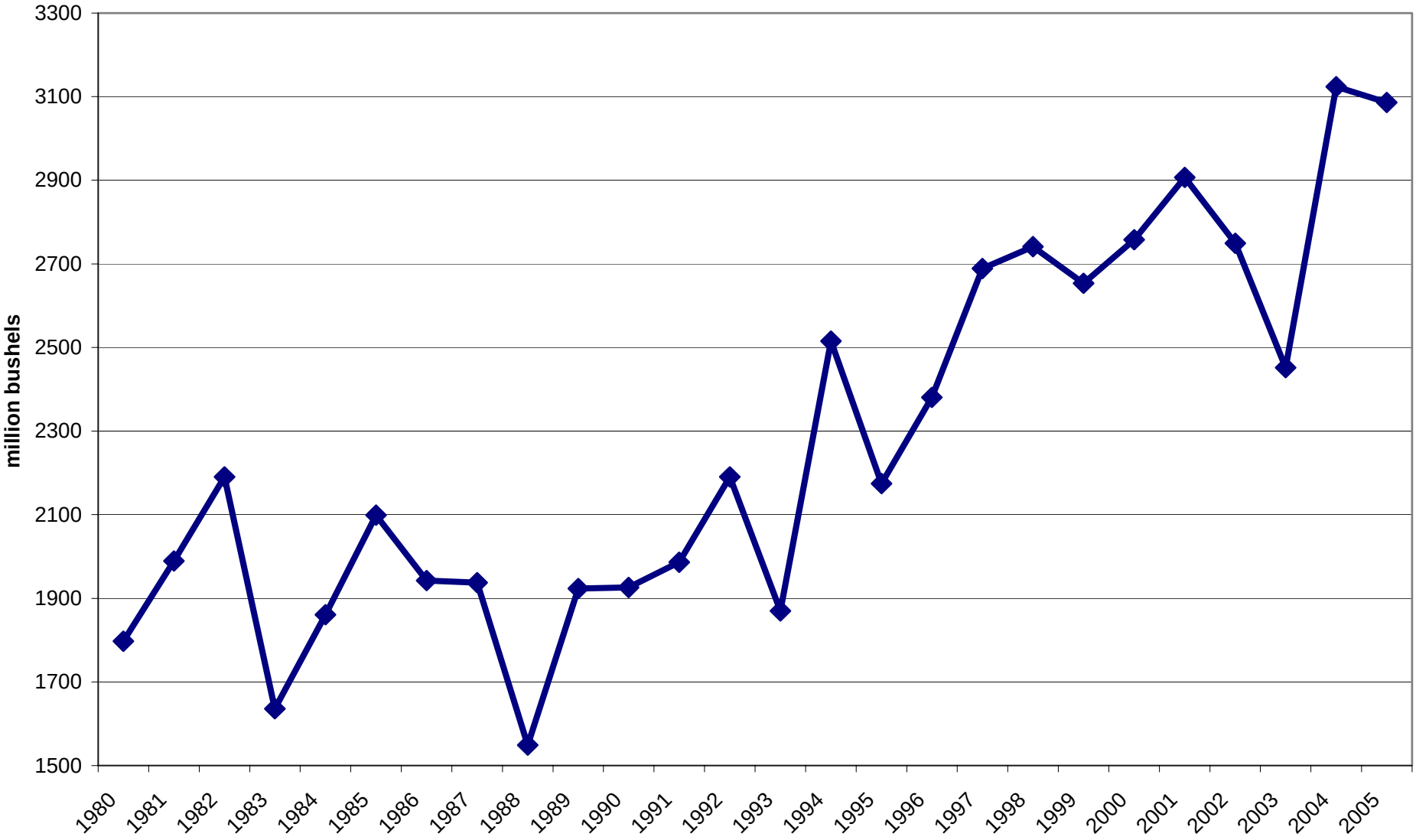
Corn Summary

- Current basis relationships suggest some opportunities for strength going forward, and futures prices for later delivery reflect near full carry. This suggests storage opportunities
- Corn buyers who have not already priced spring corn should consider forward purchases now.
- Current new crop price levels will not be sustained through harvest without a serious supply problem.
- We would need a stocks/use ratio projection for 2006/07 to be about half of the 2005/06 ratio to keep prices at current levels.
- The large increase in expected ending stocks this year compared to last year will result in a less dramatic price reaction to any crop problems than was the case last year.
- New crop price target - $2.50 - $2.55 on Dec 2006 futures.

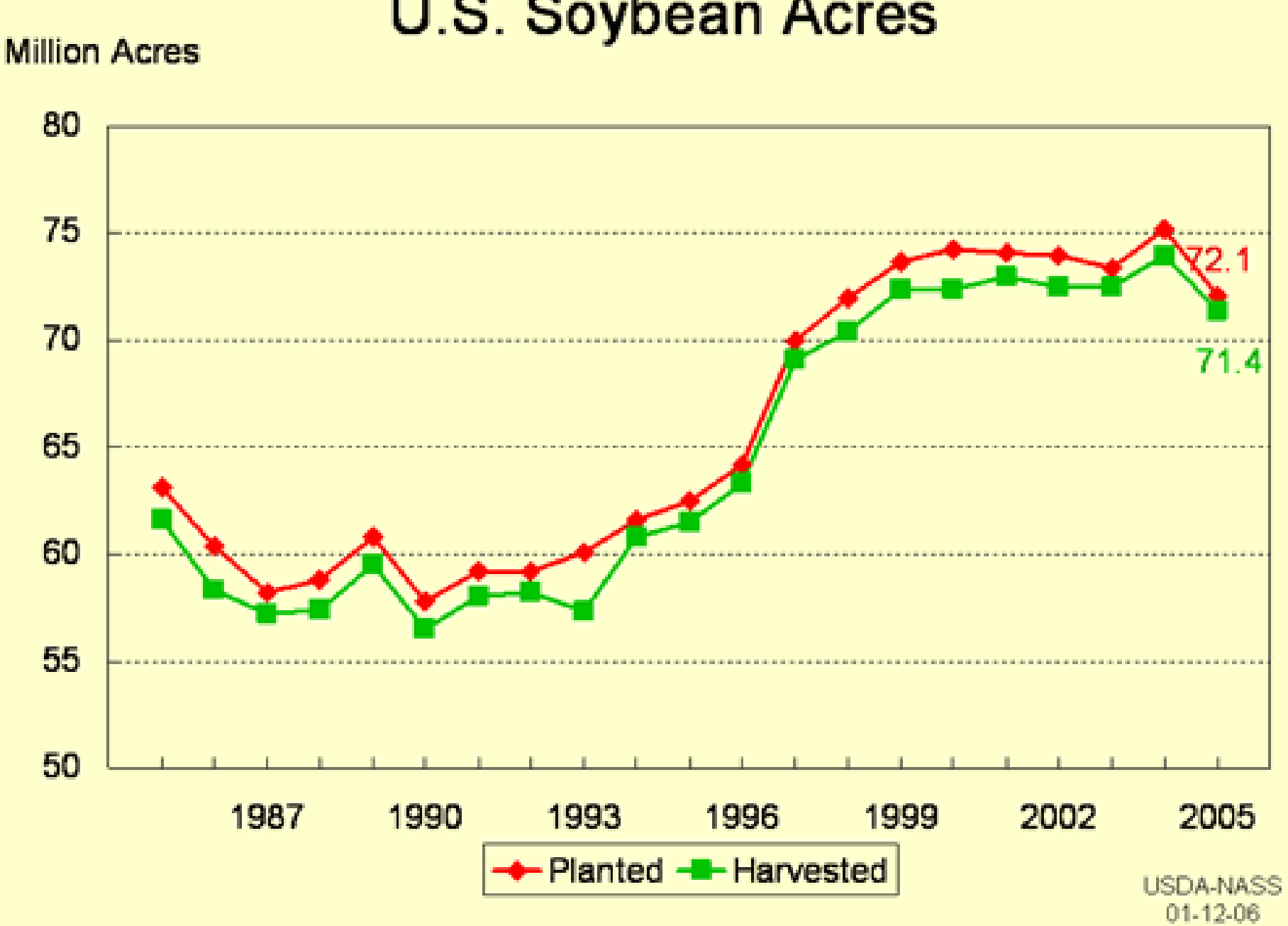
US Soybean Balance Sheet (Sep/Aug)

Marketing Year	USDA 98/99	USDA 99/00	USDA 00/01	USDA 01/02	USDA 02/03	USDA 03/04	USDA Jan. Est. 04/05	USDA Jan. Fore. 05/06
Beg Stocks	200	348	290	248	208	178	112	256
Imports	3	4	4	2	5	6	6	4
Acres Planted	72	73.7	74.3	74.1	74	73.4	75.2	72.1
Acres Harvested	70.4	72.4	72.4	73.0	72.5	72.5	74	71.4
% Harvested	97.8%	98.2%	97.4%	98.5%	98.0%	98.8%	98.4%	99.0%
Yield	**38.9**	**36.6**	**38.1**	**39.6**	**38**	**33.9**	**42.2**	**43.3**
Production	2,741	2,654	2,758	2,891	2,756	2,454	3,124	3,086
Total Supply	**2,944**	**3,006**	**3,052**	**3,141**	**2,969**	**2,638**	**3,242**	**3,346**
Crush Sep/Aug	1,590	1,578	1,641	1,700	1,615	1,530	1,696	1,730
Exports	801	973	998	1,064	1,044	887	1,103	950
F/S/R	205	165	165	169	130	109	187	161
Total Demand	**2,595**	**2,716**	**2,804**	**2,933**	**2,791**	**2,526**	**2,986**	**2,841**
Ending Stocks	348	290	248	208	178	112	256	505
Stocks To Use	**13.41%**	**10.68%**	**8.84%**	**7.09%**	**6.38%**	**4.43%**	**8.57%**	**17.78%**
Avg. Farm Price	**$4.93**	**$4.63**	**$4.54**	**$4.38**	**$5.53**	**$7.34**	**$5.74**	**$5.45**

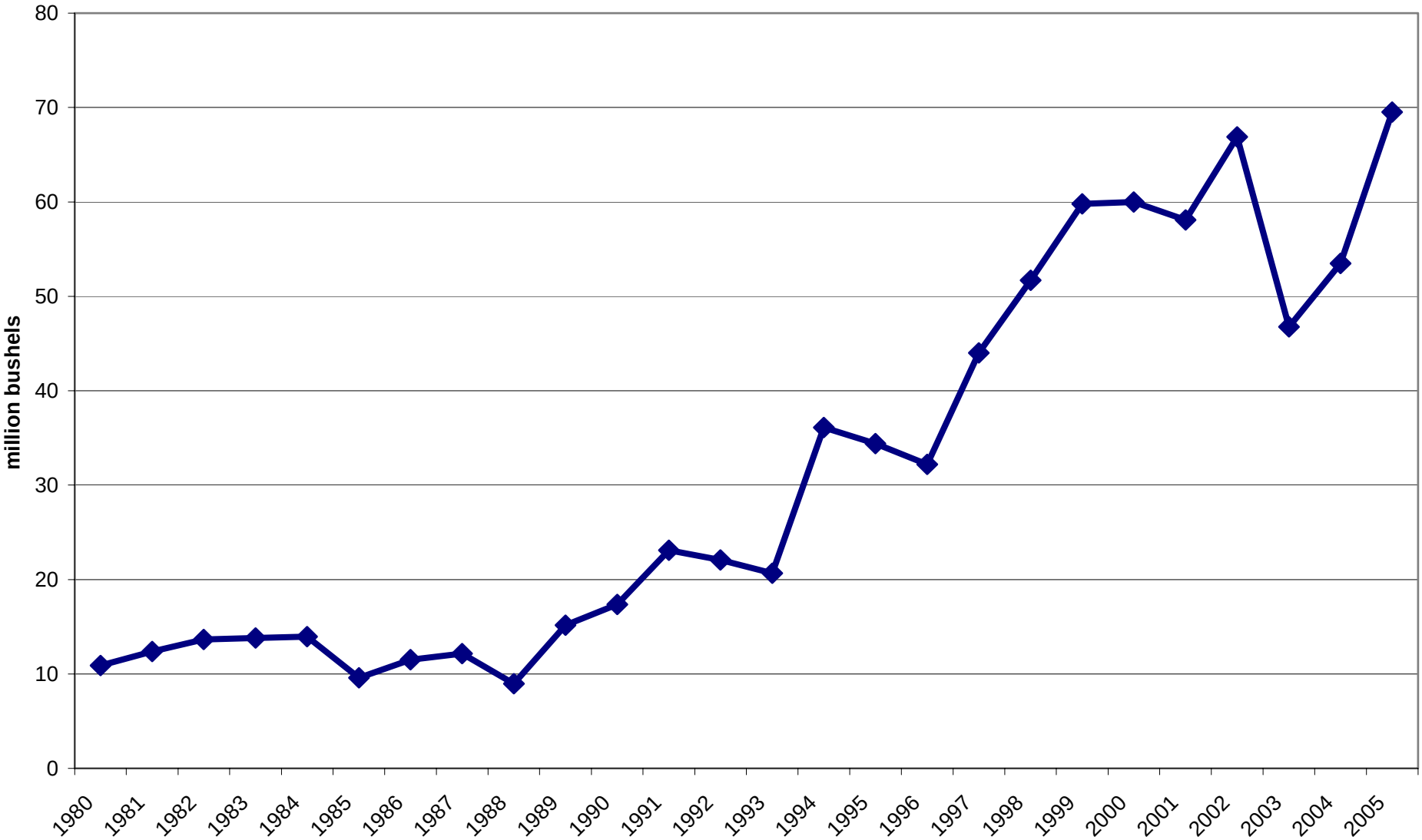
U.S. Soybean Production



U.S. Soybean Acres



Wisconsin Soybean Production



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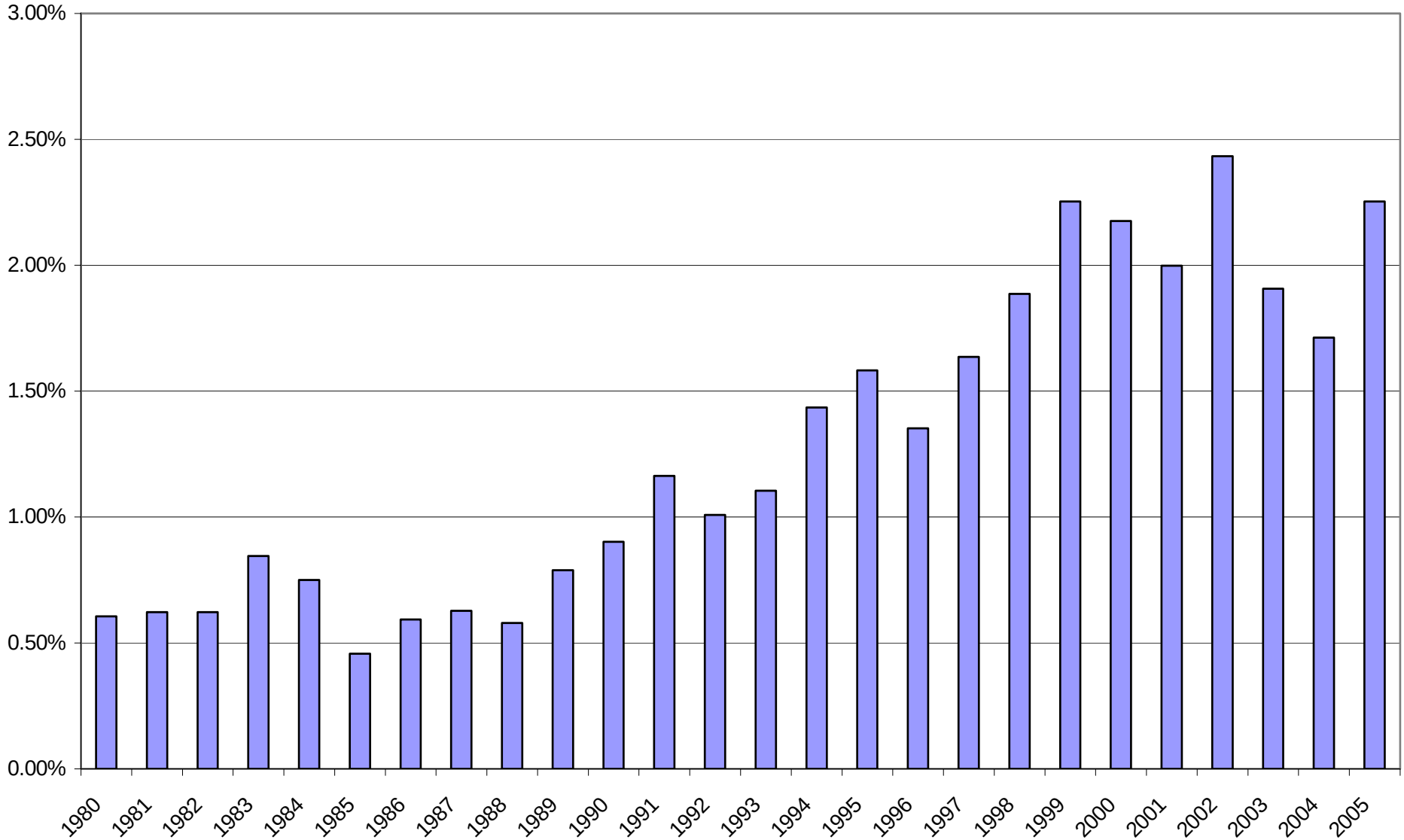
Wisconsin Share of US Soybean Production



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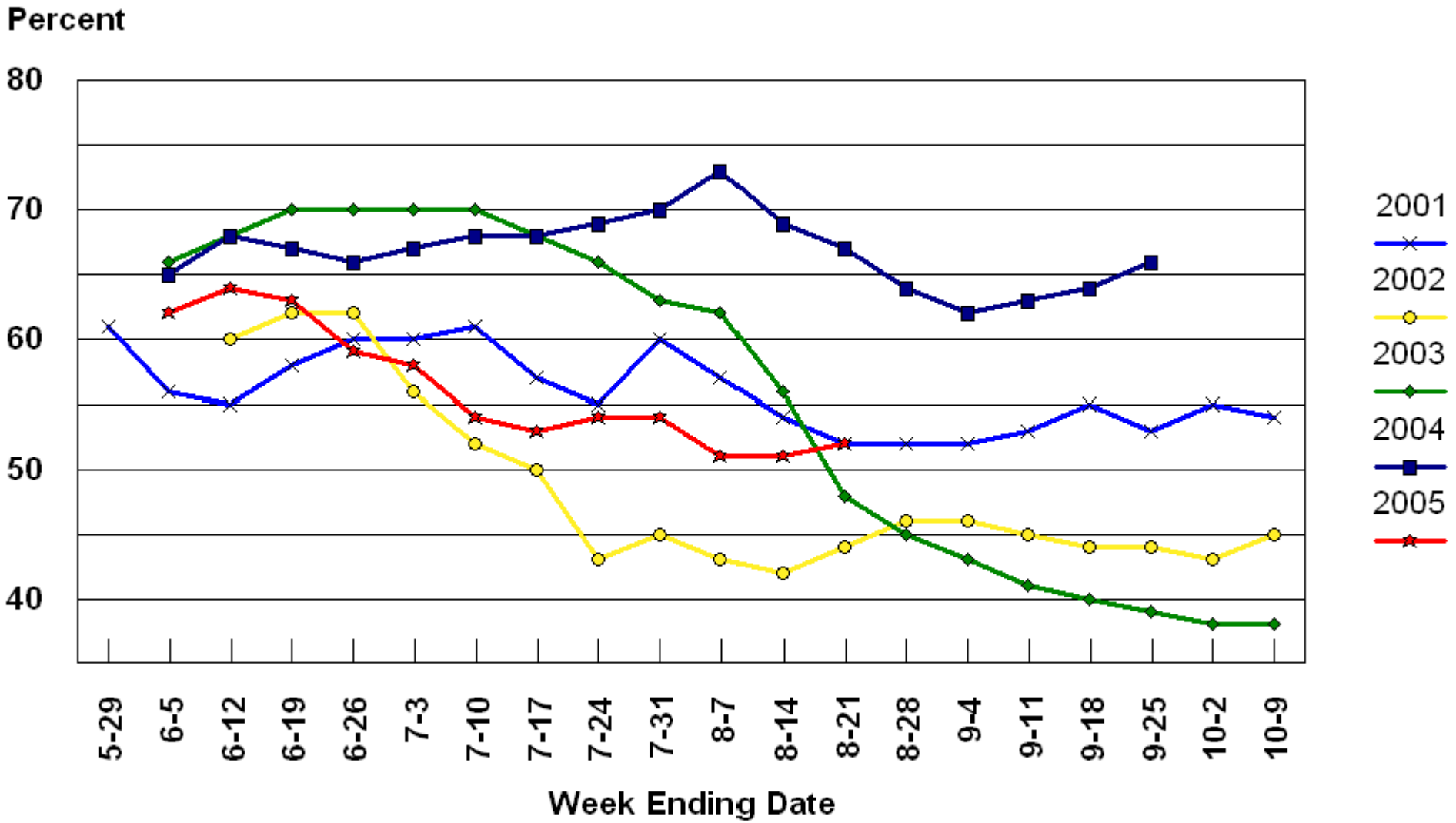
U.S. Soybean Condition

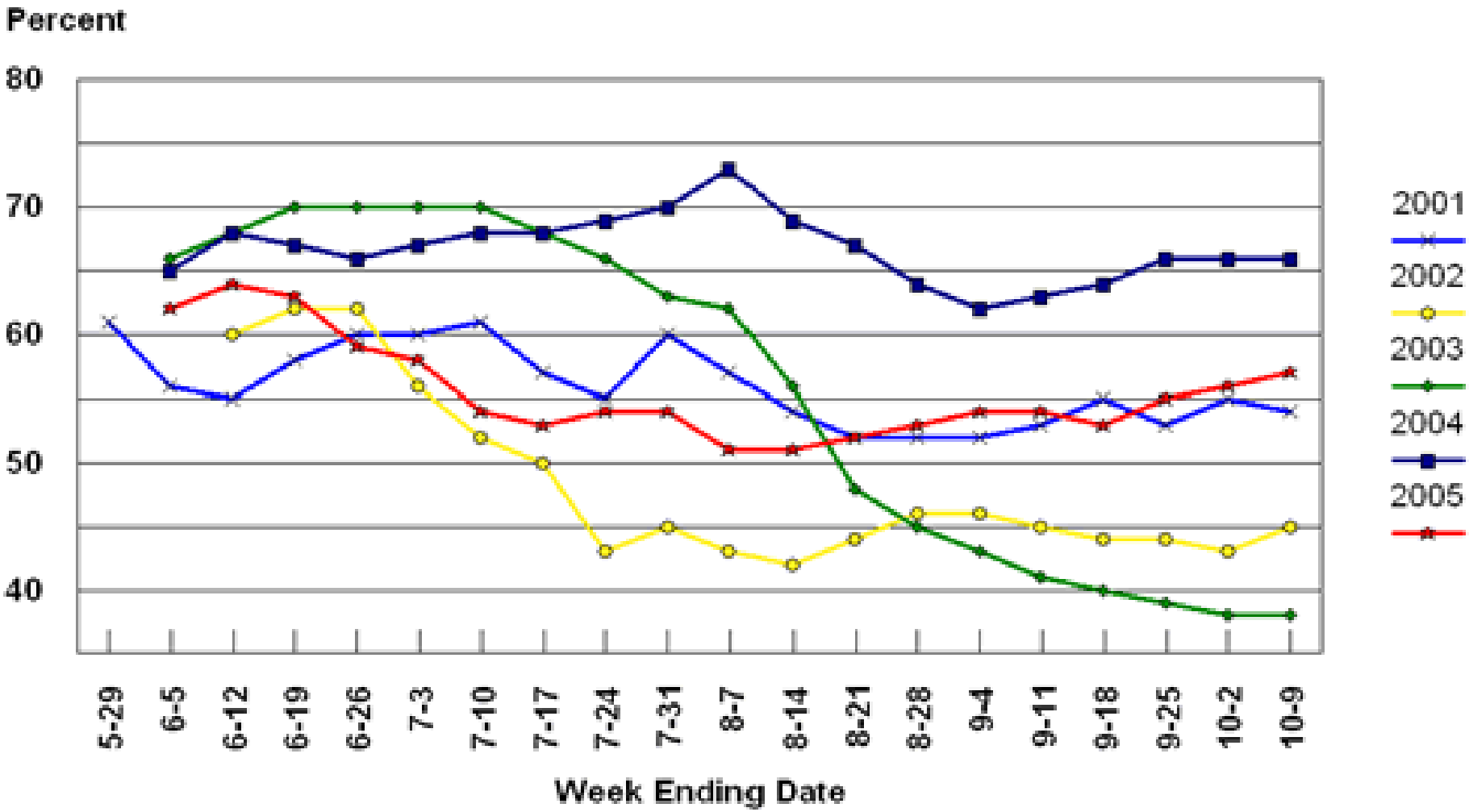
Percent of Acreage Rated Good or Excellent



USDA-NASS
8/21/2005

U.S. Soybean Condition

Percent of Acreage Rated Good or Excellent



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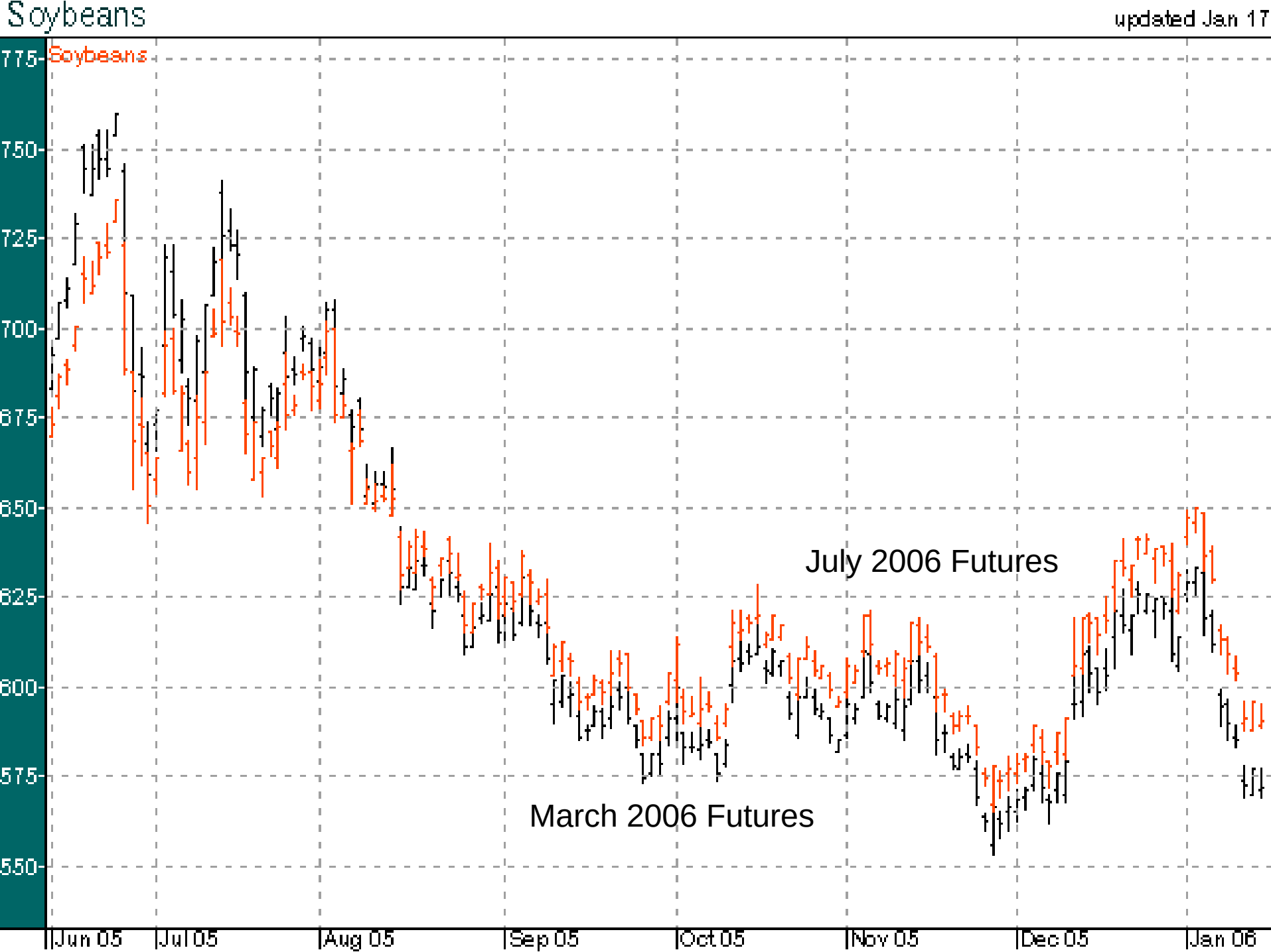
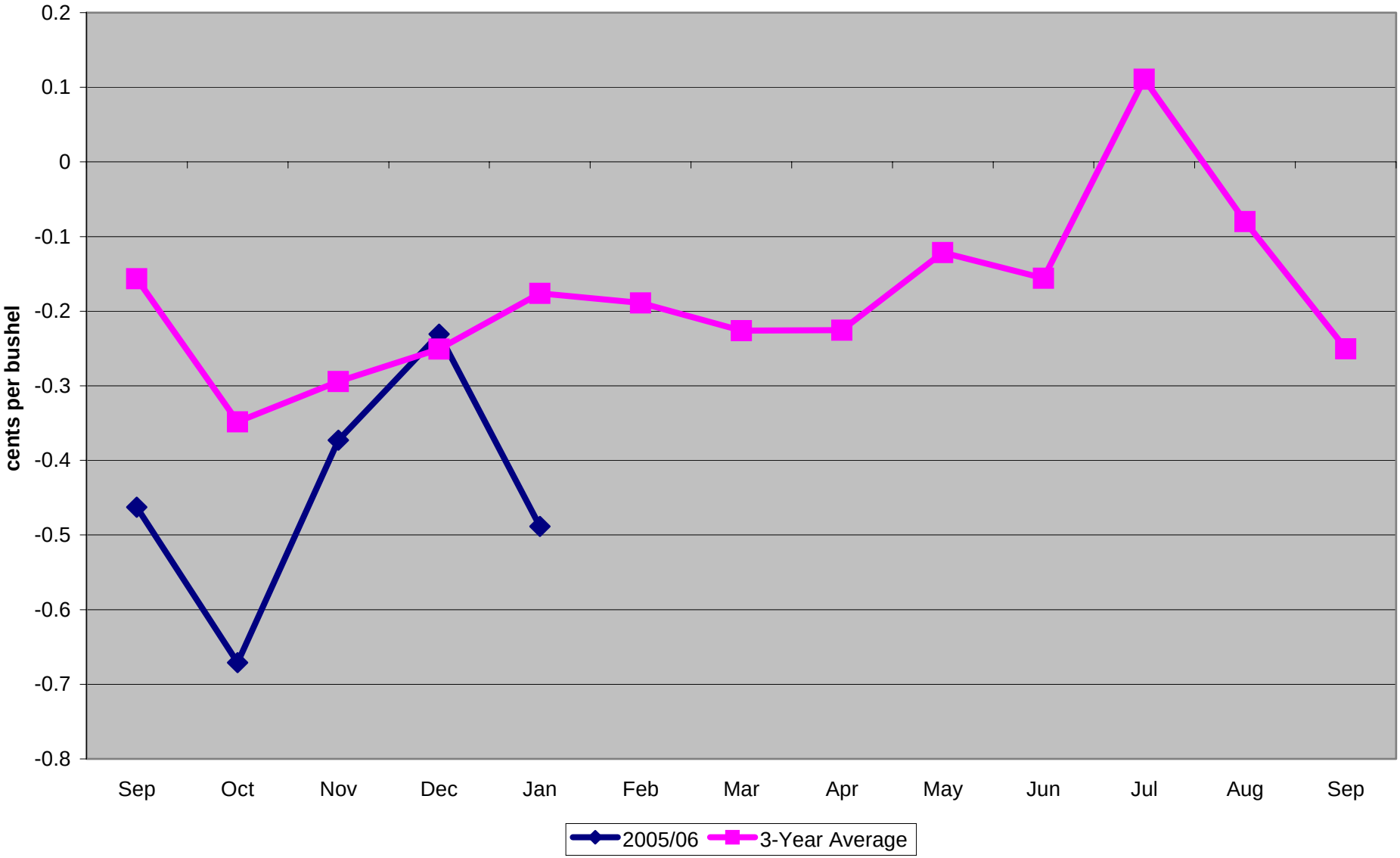
10/9/2005


Soybeans
updated Jan 17
Soybeans
775
750
725
700
675
650
625
600
575
550
July 2006 Futures
March 2006 Futures
Jun 05
Jul 05
Aug 05
Sep 05
Oct 05
Nov 05
Dec 05
Jan 06

Rock County Soybean Basis



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Soybeans
updated Jan 17
660
650
640
630
620
610
600
590
580
570
Jun 05
Jul 05
Aug 05
Sep 05
Oct 05
Nov 05
Dec 05
Jan 06

Soybean Summary

- The market is offering premiums for deferred delivery, which is generally favorable for storage but it will be hard to maintain current price levels without significant stress in South America.
- New crop prices could be below $5 (November futures) next fall with a normal crop.

What About Energy Demand? Corn

- Energy Policy Act of 2005:
  - Increase ethanol consumption to 7.5 billion gallons by 2012.
  - We currently produce about 4.2 billion gallons (94 plants in 20 states)
  - 29 plants under construction and 9 in major expansion. Increase production capacity by 1.5 billion gallons. If 90 percent uses corn as a feedstock – 500 million additional bushels of corn.

Energy Demand

- Growth in ethanol demand has increased the commercial use of corn to 27 percent of total consumption (18 percent 8 years ago).
- Price impacts have been positive:
  - About 12 cents per bushel on average
    - (low of <5, high >19) BUT NOT ENOUGH GIVEN PRODUCTION TO PUT US CONSISTENTLY ABOVE THE LOAN RATES

Soybeans

- We don’t crush soybeans, so bio-diesel production may not have a positive impact for some time on Wisconsin soybean prices.
- Soyoil is currently 21 to 22 cents per pound. In a 10 MGY bio-diesel plant, this would result in a production cost of about $2.10 per gallon.
- The key to making this a permanent part of the fuel supply is maintaining high petroleum diesel prices, and/or public policy that encourages consumption.

SO:

- Ethanol production has had a very positive influence on the balance sheet for corn, but the positive impacts have been more than offset by production the last couple of years. This is a significant risk for next year as well.
- Bio-diesel production could have a positive impact on the balance sheet for soybeans through increased crush, but direct price impacts in Wisconsin may not be felt in the near term because of the lack in local processing.