
U.S. CROPS

U.S. Wheat

After two years of decline, the acreage of wheat planted for harvest in 2006 is expected to increase. In spite of the increase in planted area, harvested acreage may decline in 2006, in part because drought conditions in the Southern Plains may result in an increase in abandonment.

U.S. wheat exports are down in 2005/06, and strong foreign competition could lead to another decline in 2006/07. The growth of U.S. wheat exports in later years of the baseline is limited by available supplies, as wheat must compete with corn and other crops for land.

Per capita domestic food use declines slightly over the baseline, but population growth results in a slight increase in total wheat food use. Feed use of wheat is fairly stable for several years but declines in later years as wheat prices increase relative to corn.

Season average wheat prices have been near \$3.40 per bushel for three straight years, and projected prices remain between \$3.30 and \$3.50 per bushel for the next three years as well. Prices increase in later years, largely because of modest increases in export demand and rising prices for competing grains.

Higher production costs and lower yields contribute to a decline in wheat producer net returns in 2005/06. If production cost inflation slows as projected, rising wheat prices and yields could result in a modest recovery in net returns after 2006/07. The projected recovery in wheat net returns is not sufficient to discourage further reductions in wheat acreage, given faster growth in corn returns.

U.S. Rice

Rice area is expected to contract in 2006, as producers respond to large increases in production costs. Rice area varies in a relatively narrow range over the baseline period.

Projected growth in domestic use of rice reflects both population growth and a slight further increase in per capita consumption.

After increasing in 2005/06, U.S. rice exports are projected to decline in 2006/07 because of weaker global demand and limited U.S. supplies. World rice markets tighten after 2006/07, resulting in larger U.S. exports and higher U.S. prices.

Relative to the 1999-2001 period, world and domestic rice prices have strengthened considerably. Average rice farm prices remain above the loan rate throughout the baseline and increase at a modest rate beginning in 2009/10. Marketing loan benefits depend on the AWP, which is linked to world market prices. The AWP remains below the loan rate through 2012/13.

While rice farm prices have increased sharply since 2002/03, higher market returns have been offset by lower government payments. Marketing loan benefits, for example, have declined from over \$200 per acre in 2002/03 to less than \$50 per acre in 2004/05 and 2005/06.

Sharp increases in production costs have led to lower net returns to rice production. Fuel and fertilizer prices moderate slightly beginning in 2007/08, and overall rice variable expenses are fairly stable from 2006/07 to 2012/13.

At the prices in this deterministic baseline, rice loan program benefits and CCPs are both zero by 2013/14. In any given year, of course, high yields or weak demand could result in prices low enough to generate payments under both programs.

U.S. Long-Grain Rice Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Area	(Million Acres)										
Planted Area	2.75	2.41	2.49	2.50	2.47	2.48	2.48	2.48	2.47	2.47	2.53
Arkansas	1.54	1.32	1.36	1.36	1.34	1.35	1.35	1.35	1.34	1.35	1.38
California	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Louisiana	0.52	0.48	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.51
Mississippi	0.27	0.23	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Missouri	0.22	0.20	0.21	0.21	0.20	0.20	0.20	0.20	0.21	0.21	0.21
Texas	0.20	0.17	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.19
Harvested Area	2.73	2.39	2.47	2.48	2.45	2.46	2.46	2.46	2.45	2.45	2.51
Yield	(Pounds per Acre)										
	6,493	6,573	6,639	6,705	6,770	6,836	6,903	6,969	7,035	7,101	7,169
Supply	(Million Hundredweight)										
Beginning Stocks	22.70	19.34	14.76	13.50	13.54	13.38	13.26	13.07	12.82	12.55	12.33
Production	177.53	157.16	164.08	166.50	166.17	167.99	169.77	171.13	172.21	174.32	180.12
Imports	10.77	11.59	12.27	13.00	13.69	14.43	15.23	16.07	16.95	17.88	18.87
Domestic Use	94.08	95.89	96.82	97.60	98.10	98.75	99.41	100.07	100.67	101.46	102.29
Exports	97.57	77.43	80.81	81.85	81.94	83.80	85.78	87.38	88.76	90.95	96.82
Residual	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending Stocks	19.34	14.76	13.50	13.54	13.38	13.26	13.07	12.82	12.55	12.33	12.20
Prices	(U.S. Dollars)										
Farm Price/cwt	7.25	6.53	6.65	6.56	6.91	7.22	7.49	7.80	8.13	8.43	8.67
Milled Rice, Gulf/cwt	14.88	13.40	13.65	13.46	14.20	14.84	15.39	16.03	16.70	17.30	17.80

U.S. Medium-and Short-Grain Rice Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Area	(Million Acres)										
Planted Area	0.63	0.75	0.78	0.78	0.77	0.76	0.75	0.73	0.72	0.71	0.71
Arkansas	0.10	0.17	0.18	0.19	0.19	0.19	0.18	0.18	0.17	0.17	0.17
California	0.52	0.57	0.58	0.58	0.57	0.56	0.55	0.55	0.54	0.53	0.54
Louisiana	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Mississippi	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Missouri	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Texas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Harvested Area	0.63	0.75	0.77	0.78	0.76	0.75	0.74	0.73	0.71	0.71	0.71
Yield	(Pounds per Acre)										
	7,255	7,908	7,929	7,971	8,020	8,073	8,127	8,182	8,238	8,295	8,346
Supply	(Million Hundredweight)										
Beginning Stocks	13.83	5.50	7.94	9.97	11.84	11.93	10.75	9.97	9.40	9.01	8.73
Production	45.71	59.07	61.06	61.88	61.20	60.59	60.20	59.55	58.83	58.52	59.01
Imports	2.80	2.95	3.10	3.25	3.41	3.56	3.72	3.88	4.05	4.21	4.38
Domestic Use	32.82	33.93	34.37	35.58	36.20	36.69	37.33	37.92	38.61	39.08	39.64
Exports	24.02	25.65	27.76	27.67	28.32	28.65	27.38	26.08	24.65	23.94	23.81
Residual	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending Stocks	5.50	7.94	9.97	11.84	11.93	10.75	9.97	9.40	9.01	8.73	8.68
Prices	(U.S. Dollars)										
Farm Price/cwt	10.21	9.71	9.82	9.40	9.47	9.59	9.62	9.68	9.68	9.81	9.87
Milled Rice, Gulf/cwt	24.85	23.63	23.90	22.89	23.04	23.34	23.41	23.57	23.55	23.89	24.04

U.S. Corn

U.S. corn production set a new record in 2004, and 2005 production was the second largest ever. Total U.S. supplies of corn are actually larger in 2005/06 than a year earlier, as the increase in beginning stocks more than offset reduced production.

In spite of continued strong domestic demand for corn, these large supplies have resulted in lower corn prices in 2005/06. Corn area declines in 2006/07 in response to lower prices and increased production costs. The projected decline in production allows some reduction in stocks and higher market prices.

Higher fuel prices and provisions of the Energy Policy Act of 2005 have both contributed to a faster projected rate of growth in ethanol production than projected in last year's baseline.

Corn exports are projected to show little growth as corn prices rise between 2006/07 and 2010/11. Exports do increase in later years when corn prices stabilize. Projected ethanol use of corn exceeds corn exports in 2007/08.

The growth in ethanol demand is a major factor in explaining the significant increase in corn prices between 2005/06 and 2011/12. As the pace of ethanol expansion slows in later years, the rate of increase in corn prices slows.

Higher production costs and reduced prices and yields have resulted in a sharp decline in corn producer net returns in 2005/06, outweighing larger LDPs and CCPs. In 2006/07, producer margins may narrow further, as the effects of lower LDPs and higher production costs more than offset an increase in market prices. Lower expected returns encourage a reduction in corn acreage in 2006.

Rising prices and yields in later years increase returns and encourage producers to plant more corn. Corn planted area increases from 80 million acres in 2006 to 86 million acres in 2015.

U.S. Corn Products

Because of the growing importance of corn processing, the FAPRI baseline has been extended to incorporate projections for corn product markets.

Projected U.S. ethanol production exceeds the levels of renewable fuel usage mandated by the Energy Policy Act of 2005. Besides U.S.-produced ethanol, the mandate can also be met by biodiesel, ethanol imports, and other renewable fuels.

If the current pace of plant construction continues, ethanol production could exceed the reported levels. In estimates released after this baseline was prepared, for example, USDA projects a much sharper increase in ethanol production in 2006/07.

Ethanol prices at the plant typically exceed those of unleaded gasoline. The 51¢-per-gallon tax benefit for ethanol makes it price-competitive at the pump.

Given Global Insight forecasts of petroleum product prices, both gasoline and ethanol prices are likely to decline slightly between 2006 and 2012. Gross margins for ethanol producers are at historic highs but are expected to decline as corn prices increase and ethanol prices fall.

Production and consumption of HFCS are fairly stable over the baseline period. Per capita consumption of HFCS continues to decline, consistent with the trend of recent years.

Increased production of ethanol translates into increased production of corn by-products for use as livestock feed. Most of the projected growth in ethanol production occurs in dry-mill plants, where distillers grains are the by-product. Estimated domestic feed use of corn by-products now exceeds that of wheat, sorghum, barley, and oats combined. The projected growth in corn by-product feeding limits growth in feed use of corn and soybean meal.

Some of the data used to generate corn product projections are less reliable than other figures reported in this publication, and the models used to generate the estimates are still being refined. Significant future revisions of both the data and the models are likely.

U.S. Corn Product Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Ethanol											
	(Million Gallons, Calendar Year)										
Renewable Fuel Mandate	n.a.	4,000	4,700	5,400	6,100	6,800	7,400	7,500	7,640	7,781	7,925
Production	3,893	4,592	5,226	5,853	6,438	7,000	7,466	7,704	7,837	7,985	8,146
Imports	81	74	81	88	98	108	114	111	116	120	124
Disappearance	3,976	4,635	5,272	5,905	6,501	7,073	7,552	7,797	7,944	8,096	8,261
Ending Stocks	250	281	317	353	388	422	451	469	477	485	494
Price, FOB Omaha	(U.S. Dollars per Gallon)										
Unleaded Gas	1.66	1.70	1.68	1.64	1.59	1.51	1.46	1.42	1.44	1.47	1.50
Ethanol	1.80	1.89	1.88	1.85	1.81	1.76	1.72	1.66	1.68	1.71	1.73
High-Fructose Corn Syrup											
	(Thousand Tons, Calendar Year)										
Production	9,196	9,204	9,148	9,069	9,013	9,031	9,032	9,050	9,062	9,072	9,087
Domestic Use	9,084	9,083	9,016	8,923	8,865	8,879	8,877	8,891	8,900	8,906	8,919
Net Exports	112	122	132	146	148	152	156	159	162	165	169
	(Thousand Tons, Oct.-Sept. Year)										
Production (Oct.-Sept. Year)	9,216	9,167	9,090	9,007	9,032	9,027	9,046	9,060	9,068	9,084	9,099
	(U.S. Cents per Pound, Sept.-Aug. Year)										
Price, 42% Tank Cars, MW	13.78	13.29	13.30	13.29	13.24	12.94	12.91	12.74	12.70	12.63	12.52
Distillers Grains											
	(Thousand Tons, Sept.-Aug. Year)										
Production (Dry Equivalent)	10,083	11,943	13,751	15,459	17,109	18,724	19,528	19,849	20,167	20,507	20,846
	(U.S. Dollars per Ton, Sept.-Aug. Year)										
Price, Lawrenceburg, IN	76.77	76.31	78.47	79.29	79.35	79.33	79.50	79.15	78.63	77.78	76.88
Corn Gluten Feed											
	(Thousand Tons, Sept.-Aug. Year)										
Production	8,896	8,918	8,983	9,004	9,043	9,056	9,082	9,095	9,137	9,203	9,276
Domestic Use	5,721	5,799	5,912	5,971	6,038	6,070	6,107	6,123	6,170	6,238	6,314
Net Exports	3,175	3,119	3,071	3,033	3,005	2,986	2,975	2,972	2,967	2,965	2,962
	(U.S. Dollars per Ton, Sept.-Aug. Year)										
Price, 21%, IL Points	50.95	53.27	56.01	57.95	59.21	60.08	60.58	60.50	60.41	60.09	59.76
Corn Gluten Meal											
	(Thousand Tons, Sept.-Aug. Year)										
Production	2,341	2,347	2,364	2,369	2,380	2,383	2,390	2,393	2,404	2,422	2,441
Domestic Use	1,451	1,425	1,439	1,439	1,444	1,442	1,444	1,442	1,448	1,459	1,472
Net Exports	891	922	925	930	936	941	946	951	957	963	969
	(U.S. Dollars per Ton, Sept.-Aug. Year)										
Price, 60%, IL Points	275.18	258.31	264.16	264.87	263.32	263.01	263.45	262.36	260.04	256.63	252.92
Corn Oil											
	(Million Pounds, Oct.-Sept. Year)										
Production	2,450	2,456	2,474	2,480	2,491	2,494	2,501	2,505	2,516	2,534	2,555
Domestic Use	1,691	1,687	1,716	1,720	1,727	1,729	1,734	1,735	1,744	1,760	1,778
Net Exports	746	764	762	763	765	767	768	771	773	775	777
Ending Stocks	169	174	170	167	165	164	162	161	161	160	159
	(U.S. Cents per Pound, Oct.-Sept. Year)										
Chicago Price	25.42	24.27	25.62	26.62	27.13	27.60	28.13	28.56	28.96	29.41	29.93

U.S. Sorghum

Sorghum planted area declined by almost 4 million acres between 2001 and 2005, as producer returns for sorghum have not been competitive with other crops. No recovery in sorghum area is projected for 2006, and further reductions could occur in later years of the baseline if returns do not improve significantly.

Sorghum feed use is limited by available supplies. Sorghum feed use declines after 2009/10, as sorghum prices increase relative to corn prices, making sorghum less attractive to livestock feeders.

Sorghum exports decline through 2008/09, as reduced Mexican corn tariffs make corn more competitive in Mexican livestock rations, reducing demand for sorghum. In later years, increased global demand for coarse grains results in a modest increase in sorghum exports.

Increased ethanol production from sorghum resulted in a significant increase in industrial use of sorghum between 2002/03 and 2004/05. Further modest increases are projected.

Increases in production costs have eroded sorghum producer returns. Average estimated returns from market sales less variable production expenses are negative in 2005/06.

Marketing loan benefits are substantial for sorghum producers in 2005/06, primarily because of very low prices early in the marketing year. Marketing loan benefits shrink in 2006/07 as market prices improve. Producers with sorghum base acreage were also expected to receive an average of \$30 per base acre in 2005/06 in DPs and CCPs. As projected prices increase in 2006/07 and later years, CCPs decline.

U.S. Barley

U.S. barley planted area dropped below 4 million acres in 2005, the lowest level in decades. As in the case of sorghum, no recovery in barley area is projected, and further declines are likely unless returns improve.

Food, seed, and industrial use of barley has declined in recent years, reflecting reduced use of barley in producing beer. Further declines in per capita consumption of barley are projected, but population growth leaves total food, seed, and industrial use fairly constant.

Feed use of barley has contracted because of reduced supplies of feed-quality barley. Given relative prices of malting and feed quality barley, an increasing share of production is targeted for the malting market.

U.S. trade in barley has been limited in recent years, with imports and exports typically similar in magnitude. During the projection period, the United States is a small net exporter of barley.

Barley net returns over variable expenses have declined in 2005/06, as yields in 2005 did not match the 2004 record and production costs have increased. The table shows average barley returns. Malting and feed barley producers may have very different experiences than suggested by these all-barley averages. Note that the all-barley price is typically about 60¢ per bushel above the feed barley price.

U.S. Oats

Oat planted area increased slightly in 2005, but harvested area remained below 2 million acres for the second straight year. With weak producer returns relative to other crops, projected oat area is steady to declining over the baseline.

Oat imports dip in 2005/06 because of reduced Canadian supplies, but they are projected to recover in 2006/07 and remain stable in later years.

Slight further increases in oat food, seed, and industrial use primarily reflect population growth. Feed use is limited by the availability of oat supplies and by oat prices that are high relative to feed values for most uses.

At projected market prices, neither LDPs nor CCPs would be available to oat producers, and DPs for oats are very small relative to those for other crops.

As for other crops, oat producer net returns have declined in 2005/06 because of increases in production costs. Projected oat returns increase with rising prices and yields but remain modest compared to returns for competing crops.

U.S. Hay

Reduced hay yields in 2005 mean that production falls short of disappearance in 2005/06, leading to lower carry-over stocks and higher hay prices. Increasing cattle numbers contribute to the projected growth in hay disappearance over the next several years.

Hay harvested area is relatively stable over the baseline, so the projected growth in production can be attributed to slowly increasing yields per acre.

Hay prices increase in 2005/06 because of tighter supplies. Further modest increases in prices result from increasing demand and competition with other crops for land. Alfalfa prices generally run about \$7 per ton above all-hay prices.

Hay markets are more fragmented than markets for most agricultural commodities, in part because the cost of transporting hay long distances is high relative to the value of the product. Trends in national-level prices may not be reflected at the local level.

U.S. Hay Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Million Acres)										
Area Harvested	61.6	62.1	62.5	62.6	62.7	62.6	62.6	62.6	62.5	62.4	62.3
	(Tons per Acre)										
Yield	2.44	2.52	2.54	2.55	2.56	2.57	2.59	2.60	2.61	2.62	2.64
	(Million Tons)										
Supply	178.3	178.7	179.7	180.7	181.3	181.6	181.9	182.3	182.6	183.1	183.8
Production	150.6	156.7	158.4	159.6	160.5	161.2	162.0	162.6	163.3	163.9	164.4
Beginning Stocks	27.8	22.0	21.3	21.1	20.8	20.4	19.9	19.6	19.3	19.3	19.4
Disappearance	156.4	157.4	158.6	159.9	161.0	161.7	162.3	162.9	163.4	163.8	164.1
Ending Stocks	22.0	21.3	21.1	20.8	20.4	19.9	19.6	19.3	19.3	19.4	19.6
	(U.S. Dollars)										
Prices											
All-Hay (crop year)	95.23	97.36	98.27	99.56	101.06	102.37	103.39	104.32	104.67	104.54	104.09
Alfalfa (calendar year)	102.34	103.26	104.96	106.34	108.06	109.74	111.12	112.29	113.00	113.07	112.67

U.S. Soybeans and Soybean Products

Back-to-back record yields in 2004 and 2005 replenished soybean supplies and resulted in lower soybean prices.

Soybean area is expected to increase in 2006, in part because production costs have increased less for soybeans than for corn and several other crops. If soybean yields return to trend levels in 2006, production could decline slightly in spite of increased acreage. Even if production declines slightly in 2006, large stocks carried over from the 2005/06 crop year could lead to record total supplies and lower prices in 2006/07.

After reduced yields in 2003/04 limited soybean availabilities, soybean crush has recovered and could set a new record in 2005/06. Further increases in crush can be traced back to rising domestic consumption of soybean meal and oil.

Early-season U.S. exports of soybeans have been very weak in 2005/06, but lower prices should facilitate an increase in exports in 2006/07. U.S. soybean exports decline slightly after 2006/07, in part because of strong South American competition.

Since 2003/04, soybean producer net returns have declined, as lower prices and increased production costs offset the impact of record yields. In 2006/07, higher production costs and lower market prices are only partially offset by an increase in marketing loan benefits and CCPs. The projected increase in soybean returns after 2006/07 is not sufficient to keep producers from shifting to corn.

After a pause in 2003/04, domestic soybean oil consumption has resumed steady growth. Increased production of biodiesel accounts for much of the increase in soybean oil use.

Soybean meal domestic consumption increases throughout the baseline in response to low prices and increased poultry and livestock production. The rate of growth in soybean meal consumption is limited by increasing competition from the by-products of ethanol production.

Increased biofuel production affects the relative prices of soybean meal and oil. Meal prices are weakened by competition from corn by-products, and oil prices are strengthened by production of biodiesel. While meal continues to account for most of the value in a bushel of soybeans, the oil share increases over the baseline. Projected crushing margins are relatively stable.

U.S. Soybean Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Area	(Million Acres)										
Base Area	52.7	52.7	52.7	52.7	52.8	52.7	52.7	52.7	52.7	52.7	52.7
Planted Area	72.1	73.2	71.4	71.1	71.1	70.6	70.3	70.3	70.4	70.2	70.1
Harvested Area	71.4	71.9	70.2	69.9	69.9	69.4	69.1	69.1	69.2	69.1	69.0
Yield	(Bushels per Acre)										
Actual	43.3	40.6	41.0	41.4	41.7	42.1	42.5	42.8	43.2	43.6	44.0
Program, Direct	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8
Program, CCP	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1
Supply	(Million Bushels)										
Beginning Stocks	256	487	393	321	306	302	297	292	293	297	302
Production	3,086	2,918	2,875	2,892	2,917	2,922	2,935	2,961	2,990	3,011	3,032
Imports	4	5	5	5	5	5	5	5	5	5	5
Domestic Use	1,910	1,931	1,931	1,935	1,955	1,970	1,995	2,025	2,059	2,092	2,129
Crush	1,731	1,774	1,776	1,778	1,795	1,810	1,832	1,861	1,891	1,923	1,955
Seed, Residual	179	157	156	157	159	160	163	164	168	170	174
Exports	949	1,085	1,021	977	971	962	950	941	932	919	903
Total Use	2,859	3,017	2,953	2,912	2,926	2,932	2,945	2,966	2,991	3,011	3,032
Ending Stocks	487	393	321	306	302	297	292	293	297	302	307
CCC Inventory	0	0	0	0	0	0	0	0	0	0	0
Under Loan	67	64	72	65	63	61	57	56	57	58	59
Other Stocks	420	329	249	241	239	237	235	236	240	244	248
Prices and Returns	(U.S. Dollars)										
Farm Price/bu	5.40	4.96	5.25	5.45	5.48	5.52	5.57	5.59	5.58	5.56	5.54
Illinois Processor Price/bu	5.71	5.28	5.56	5.75	5.78	5.82	5.87	5.89	5.88	5.86	5.83
Loan Rate/bu	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Average LDP Rate/bu	0.01	0.26	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Target Price/bu	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80
CCP Rate/bu	0.00	0.36	0.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Payment/bu	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
Gross Market Revenue/a	233.70	201.52	215.09	225.27	228.58	232.14	236.63	239.45	241.03	242.24	243.46
LDP Revenue/a	0.40	10.36	1.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Variable Expenses/a	91.32	102.17	103.46	104.20	104.70	104.69	105.15	106.07	107.63	109.08	110.51
Mkt+LDP Net Returns/a	142.78	109.71	113.59	121.06	123.88	127.45	131.48	133.38	133.40	133.16	132.95
CCP Revenue/Base a	0.00	10.43	3.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Payment/Base a	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52
Bean/Corn Ratio	2.85	2.39	2.39	2.37	2.30	2.26	2.26	2.27	2.25	2.24	2.22
48% Meal Price/ton	5.71	5.28	5.56	5.75	5.78	5.82	5.87	5.89	5.88	5.86	5.83
Oil Price/cwt	21.58	21.22	22.60	23.60	24.12	24.59	25.13	25.57	25.98	26.44	26.98
Crushing Margin/bu	0.90	1.09	1.09	1.03	1.03	1.04	1.05	1.06	1.08	1.08	1.09

U.S. Soybean Meal Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Thousand Tons)										
Supply	41,181	42,585	42,633	42,675	43,098	43,452	43,969	44,661	45,369	46,128	46,899
Beginning Stocks	172	236	245	241	241	241	241	240	242	244	247
Production	40,844	42,184	42,223	42,269	42,692	43,046	43,563	44,255	44,963	45,719	46,487
Imports	165	165	165	165	165	165	165	165	165	165	165
Domestic Use	34,397	34,775	34,892	35,091	35,306	35,577	36,138	36,786	37,384	37,996	38,684
Exports	6,548	7,565	7,500	7,344	7,550	7,634	7,591	7,633	7,741	7,885	7,965
Total Use	40,945	42,340	42,392	42,434	42,857	43,211	43,728	44,419	45,125	45,881	46,649
Ending Stocks	236	245	241	241	241	241	240	242	244	247	250
	(U.S. Dollars per Ton)										
Prices, 48% Protein											
Decatur	173.44	167.42	172.45	173.05	171.81	171.53	171.92	170.99	169.12	166.41	163.47

U.S. Soybean Oil Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Million Pounds)										
Supply	21,935	22,499	22,308	22,219	22,287	22,426	22,641	22,943	23,262	23,608	23,955
Beginning Stocks	1,699	2,426	2,216	2,106	1,972	1,944	1,913	1,887	1,870	1,858	1,840
Production	20,170	20,008	20,027	20,049	20,249	20,417	20,662	20,991	21,326	21,685	22,049
Imports	65	65	65	65	65	65	65	65	65	65	65
Domestic Use	18,185	18,660	18,853	19,048	19,257	19,441	19,573	19,683	19,799	19,911	20,013
Food Use	17,380	17,578	17,563	17,620	17,724	17,839	17,937	18,046	18,162	18,274	18,376
Biodiesel Use	805	1,082	1,290	1,429	1,533	1,602	1,637	1,637	1,637	1,637	1,637
Exports	1,323	1,623	1,349	1,198	1,086	1,072	1,180	1,390	1,605	1,857	2,123
Total Use	19,509	20,283	20,203	20,247	20,343	20,513	20,753	21,072	21,404	21,768	22,136
Ending Stocks	2,426	2,216	2,106	1,972	1,944	1,913	1,887	1,870	1,858	1,840	1,819
	(U.S. Cents per Pound)										
Prices											
Decatur	21.58	21.22	22.60	23.60	24.12	24.59	25.13	25.57	25.98	26.44	26.98

U.S. Sunflower Seed and Sunflower Seed Products

Sunflower seed prices have declined in 2005/06 from the peak levels of 2004/05, largely because 2005 production was almost double the 2004 level. Sunflower seed prices average about 12¢ per pound throughout the baseline.

If acreage contracts a little and yields drop back to trend levels, the result could be a significant reduction in sunflower seed production in 2006. Reduced U.S. supplies are not expected to translate into sharply higher sunflower seed prices in 2006/07, in part because of strong competition from ample supplies of soybeans and soybean products.

Sunflower seed demand can swing dramatically from one year to the next. For example, crush demand was reduced sharply in 2004/05 because of tight supplies but has bounced back to the highest level in years in 2005/06.

Unlike most other crops, sunflower seed net returns actually have increased in 2005/06, as the effects of higher yields more than offset the impacts of lower prices and increased production costs. If yields return to more normal levels in 2006 and production costs increase, net returns to sunflower seed producers could decline sharply in 2006/07.

Sunflower oil has been selling at a large premium over soybean oil since 2004/05. The premium is reduced somewhat over the baseline but remains very large by historical standards. Strong domestic demand accounts for much of the strength in sunflower oil prices. Sunflower meal prices, in contrast, continue to be weighed down by competition from low-priced soybean meal.

U.S. Sunflower Meal Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Thousand Tons)										
Supply	439	405	373	362	357	355	355	355	356	357	359
Beginning Stocks	5	5	5	5	5	5	5	5	5	5	5
Production	434	400	368	357	352	350	350	350	351	352	354
Imports	0	0	0	0	0	0	0	0	0	0	0
Domestic Use	414	395	363	352	347	345	345	345	346	347	349
Exports	20	5	5	5	5	5	5	5	5	5	5
Total Use	434	400	368	357	352	350	350	350	351	352	354
Ending Stocks	5	5	5	5	5	5	5	5	5	5	5
	(U.S. Dollars per Ton)										
Price											
28% Protein, Minnesota	81.25	78.54	80.80	81.07	80.51	80.39	80.57	80.15	79.30	78.08	76.76

U.S. Sunflower Oil Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Million Pounds)										
Supply	818	815	759	734	723	718	717	717	719	722	725
Beginning Stocks	22	82	82	76	74	73	72	71	72	73	73
Production	765	703	646	627	618	614	614	614	616	618	621
Imports	31	31	31	31	31	31	31	31	31	31	31
Domestic Use	445	429	435	445	450	454	458	462	465	469	473
Exports	291	304	248	215	199	192	187	183	181	179	178
Total Use	736	733	683	660	650	646	646	645	646	648	651
Ending Stocks	82	82	76	74	73	72	71	72	73	73	74
	(U.S. Cents per Pound)										
Price											
Average Crude, Minnesota	33.35	33.34	34.21	34.40	34.53	34.72	34.95	35.11	35.23	35.38	35.53

U.S. Canola Seed and Canola Seed Products

U.S. canola planted area increased sharply in 2005 to the highest levels since 2002. The increase in production was limited by a reduction in yields in 2005 relative to the 2004 record.

Canola imports have declined in 2005/06, leaving total supplies little changed from a year earlier. Canola prices have declined in part because of large supplies of competing oilseeds.

After dipping in 2006, canola area and production increase in later years. Crush increases at about the same pace as production, leaving imports fairly stable. Canola prices vary in a relatively narrow range, near 10¢ per pound, slightly above the loan rate.

Canola LDPs increase in 2005/06, but they only offset a small portion of the decline in market receipts resulting from lower prices and yields. Increases in production expenses further reduce producer net returns. In 2006/07, the projected increase in market prices is insufficient to offset the impact of reduced LDPs and increased production costs, leaving producer net returns even lower than in 2005/06. Net returns over variable costs from the market and the marketing loan program consistently average less than \$40 per acre over the projection period.

Over the last two years, canola oil prices have increased dramatically relative to soybean oil prices. A significant price premium for canola oil over soybean oil is projected to persist over the baseline. Canola meal prices continue to be pressured by persistent low prices for soybean meal.

Rising domestic consumption of canola oil outstrips the projected growth in canola oil production, resulting in increased imports. A similar story holds for canola meal. The U.S. produces and trades a very limited amount of non-canola rapeseed and rapeseed products.

U.S. Canola Meal Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Thousand Tons)										
Supply	1,941	1,946	1,951	2,016	2,036	2,069	2,102	2,126	2,147	2,173	2,200
Beginning Stocks	6	6	6	6	6	6	6	6	6	6	6
Production	541	541	541	548	557	566	576	586	596	607	617
Imports	1,394	1,399	1,404	1,462	1,472	1,497	1,520	1,533	1,544	1,560	1,577
Domestic Use	1,909	1,914	1,918	1,983	2,003	2,036	2,070	2,093	2,114	2,140	2,168
Exports	26	26	26	26	26	26	26	26	26	26	26
Total Use	1,935	1,940	1,945	2,010	2,030	2,063	2,096	2,120	2,141	2,167	2,194
Ending Stocks	6	6	6	6	6	6	6	6	6	6	6
	(U.S. Dollars per Ton)										
Market Price	140.12	140.47	146.72	144.03	144.28	144.20	145.16	145.82	145.79	144.81	143.90

U.S. Canola Oil Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Million Pounds)										
Supply	1,974	1,975	1,997	2,018	2,048	2,068	2,093	2,127	2,155	2,185	2,220
Beginning Stocks	127	109	111	105	96	90	83	77	74	73	72
Production	685	687	686	695	707	718	731	744	757	770	783
Imports	1,162	1,179	1,201	1,219	1,245	1,259	1,279	1,306	1,324	1,343	1,365
Domestic Use	1,592	1,591	1,620	1,649	1,685	1,712	1,743	1,780	1,810	1,841	1,875
Exports	273	273	273	273	273	273	273	273	273	273	273
Total Use	1,864	1,864	1,893	1,922	1,958	1,984	2,016	2,053	2,082	2,113	2,148
Ending Stocks	109	111	105	96	90	83	77	74	73	72	71
	(U.S. Cents per Pound)										
Market Price	34.43	33.46	34.64	35.55	35.76	36.30	36.69	36.80	37.15	37.53	37.81

U.S. Peanuts and Peanut Products

U.S. peanut acreage increased sharply in 2005 and exceeded 2001 levels for the first time since enactment of the 2002 farm bill. The large increase in total peanut supplies (production plus beginning stocks and imports) depressed 2005/06 peanut prices in spite of increased peanut use. With a large projected carryover from the 2005/06 crop, total supplies are likely to remain large in 2006/07 even if production declines.

Domestic food use of peanuts has increased significantly since 2002, partially in response to lower prices. Further increases in food use of peanuts are projected to be modest. Peanut crush and exports can vary a lot from year to year, but little growth is projected in either category.

Compared to the previous two years, peanut producer returns have been squeezed in 2005/06 by lower yields and prices and increased production costs. Lower prices in 2005/06 have resulted in increased benefits under the marketing loan and CCP programs. After 2006/07, producer revenues per acre increase slightly as yields increase, but changes in prices generally result in offsetting changes in payments.

Peanut oil and meal production and use increase sharply in 2005/06, given a large increase in crush. Production and use of both products declines in 2006/07 but then recovers slowly in subsequent years. Peanut oil continues to sell at a large premium over other vegetable oils throughout the baseline, but peanut meal prices are limited by large supplies of other protein meals.

U.S. Peanut Meal Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Thousand Tons)										
Supply	313	281	290	295	305	311	314	318	322	325	329
Beginning Stocks	2	4	4	4	4	4	4	4	4	4	4
Production	311	277	285	290	300	306	310	314	317	321	325
Imports	0	0	0	0	0	0	0	0	0	0	0
Domestic Use	302	270	279	284	294	300	303	307	311	314	318
Exports	7	7	7	7	7	7	7	7	7	7	7
Total Use	309	277	285	290	300	306	310	314	317	321	325
Ending Stocks	4	4	4	4	4	4	4	4	4	4	4
	(U.S. Dollars per Ton)										
Price											
Southeast Mills, FOB	107.05	114.19	117.90	117.62	117.79	117.81	118.28	118.54	118.14	117.14	116.06

U.S. Peanut Oil Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Million Pounds)										
Supply	346	305	311	316	320	323	327	330	332	335	339
Beginning Stocks	75	60	60	60	60	60	60	60	60	60	60
Production	236	201	207	211	218	222	225	227	230	233	236
Imports	35	45	45	46	43	42	43	43	43	43	43
Domestic Use	260	229	235	240	244	247	251	254	256	259	263
Exports	26	16	16	16	16	16	16	16	16	16	16
Total Use	287	245	251	257	261	264	267	270	273	276	279
Ending Stocks	60	60	60	60	60	60	60	60	60	60	60
	(U.S. Cents per Pound)										
Price											
50% Southeast Mills	47.07	47.81	48.42	48.86	48.99	49.32	49.76	50.12	50.50	50.93	51.35

U.S. Upland Cotton and Cottonseed Products

Although 2005 upland cotton yields did not match the 2004 record, they far exceeded yields in any year prior to 2004. Combined with an increase in cotton planted and harvested area in 2005, the result was another record cotton crop. After reviewing the yield data and other evidence, the projected path of cotton yields under normal growing conditions has been significantly revised upwards.

The baseline reflects the elimination of the Step 2 program at the end of the 2005/06 marketing year. All else equal, this has the effect of reducing the gap between the farm price of upland cotton and the AWP used to calculate marketing loan benefits.

Upland cotton returns have been relatively strong in 2004/05 and 2005/06, as the effects of high yields and large marketing loan benefits more than offset the impacts of low prices. Net returns could be sharply reduced in 2006/07 if yields return to trend levels and production costs increase as projected.

Projected marketing loan benefits also decline sharply in 2006/07 as the AWP increases much more than the farm price in response to the end of Step 2.

After two years of relatively good returns, cotton area is expected to increase in 2006, but the estimated reduction in net returns could result in lower acreage in 2007.

Large supplies have put downward pressure on cottonseed prices in 2004/05 and 2005/06. Cottonseed prices could decline further in 2006/07, as the impact of reduced production is more than offset by increased competition from other oilseeds. Cottonseed oil sells at a modest premium over soybean oil, while cottonseed meal sells at a discount to soybean meal.

The United States is a small net exporter of cottonseed, cottonseed oil, and cottonseed meal throughout the baseline.

U.S. Cottonseed Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Thousand Tons)										
Supply	9,118	8,260	7,974	8,077	8,176	8,239	8,307	8,315	8,316	8,447	8,586
Beginning Stocks	592	640	500	500	500	500	500	500	500	500	500
Production	8,501	7,595	7,449	7,552	7,651	7,714	7,782	7,790	7,791	7,922	8,061
Imports	25	25	25	25	25	25	25	25	25	25	25
Domestic Use	8,053	7,410	7,124	7,227	7,326	7,389	7,457	7,465	7,466	7,597	7,736
Crush	3,113	2,567	2,500	2,575	2,636	2,677	2,722	2,730	2,731	2,806	2,887
Other	4,940	4,843	4,624	4,652	4,691	4,713	4,735	4,736	4,735	4,791	4,850
Exports	425	350	350	350	350	350	350	350	350	350	350
Total Use	8,478	7,760	7,474	7,577	7,676	7,739	7,807	7,815	7,816	7,947	8,086
Ending Stocks	640	500	500	500	500	500	500	500	500	500	500
	(U.S. Dollars)										
Prices and Returns											
Farm Price/ton	95.27	88.67	94.08	96.68	96.68	97.44	98.69	99.71	100.30	99.03	97.75
Meal Price/ton	134.10	123.21	124.46	124.09	122.17	121.39	121.14	120.29	118.69	115.24	111.52
Oil Price/cwt	27.23	26.03	27.11	28.07	28.54	28.98	29.48	29.91	30.33	30.73	31.19
Crushing Margin/ton	51.02	50.41	48.99	49.26	49.85	50.12	50.35	50.30	50.29	51.25	52.26

U.S. Cottonseed Meal Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Thousand Tons)										
Supply	1,454	1,238	1,201	1,234	1,264	1,284	1,306	1,310	1,311	1,346	1,385
Beginning Stocks	52	55	49	47	48	50	51	52	52	52	54
Production	1,402	1,183	1,153	1,187	1,215	1,234	1,255	1,258	1,259	1,294	1,331
Imports	0	0	0	0	0	0	0	0	0	0	0
Domestic Use	1,309	1,120	1,084	1,116	1,144	1,163	1,184	1,188	1,189	1,222	1,259
Exports	90	70	70	70	70	70	70	70	70	70	70
Total Use	1,399	1,190	1,154	1,186	1,214	1,233	1,254	1,258	1,259	1,292	1,329
Ending Stocks	55	49	47	48	50	51	52	52	52	54	56
	(U.S. Dollars per Ton)										
Prices											
Memphis	134.10	123.21	124.46	124.09	122.17	121.39	121.14	120.29	118.69	115.24	111.52

U.S. Cottonseed Oil Supply and Utilization

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
	(Million Pounds)										
Supply	1,059	890	864	886	906	919	933	936	936	959	985
Beginning Stocks	77	78	74	72	72	73	73	73	72	72	72
Production	982	811	790	814	833	846	861	863	863	887	913
Imports	0	0	0	0	0	0	0	0	0	0	0
Domestic Use	901	777	763	774	784	791	798	798	797	810	824
Exports	80	38	29	40	49	55	62	65	67	77	88
Total Use	981	816	792	814	833	846	860	863	864	887	912
Ending Stocks	78	74	72	72	73	73	73	72	72	72	73
	(U.S. Cents per Pound)										
Prices											
Valley Points	27.23	26.03	27.11	28.07	28.54	28.98	29.48	29.91	30.33	30.73	31.19

U.S. Sugar

Hurricane damage has severely reduced sugar production in FY 2006 (October 2005-September 2006). The TRQ for sugar has been increased to supply the domestic market. Projected imports in FY 2007 and subsequent years exceed pre-2005 levels, in part because of increased imports from Mexico and Central America.

Per capita sugar deliveries increased in FY 2004 and FY 2005, but a decline is projected to resume in FY 2006. HFCS consumption per capita has declined since 2002, and further declines are projected. Even small deviations from the projected trends in sugar and sweetener consumption could have significant impacts on the long-run outlook.

Production shortfalls contributed to a large increase in refined beet sugar prices during the first few months of FY 2006, with smaller increases in raw cane sugar prices. Projected sugar prices return to more normal levels in FY 2007. Prices decline in later years of the baseline, as production and imports outstrip domestic consumption and result in government stock accumulation.

