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GRAIN & OILSEED OUTLOOK FOR 2000

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February 25, 2000

2000/01 Grains & Oilseed Prospects *Over-Riding Themes*

- World Economies, Demand Recovering
 - Exports Outlook May Surprise Market
- Above Trend Yields World-Wide Over-Shadow Growth in Demand
 - *Are We Immune From Weather Problems?*
- 2000/01 U.S. Ending Stocks Outlook Mixed:
 - Wheat Declining (900 MM vs. 1.0 B)
 - Corn Steady (1.7 B)
 - Soybeans Rising (500 MM vs. 350 MM)

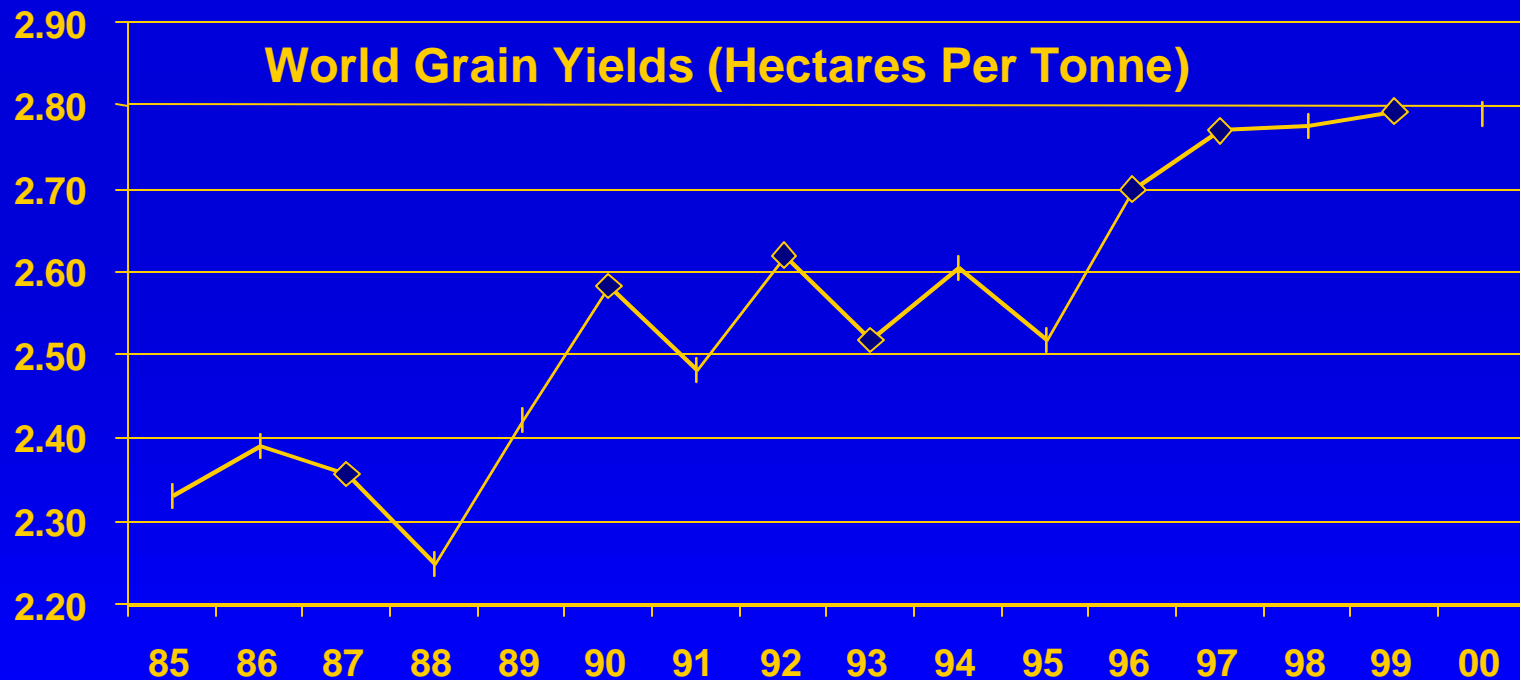
2000/01 Grains & Oilseed

Prospects *Over-Riding Themes*

- Prices Forecast To Remain Historically Low
 - But Only Soybeans Declining Again
- **U.S. Soybean Yields VS. U.S. Wheat Yields**
- **Weather Remains Key Driver For U.S./World Prospects**
- Agricultural Policy Also A Critical Driver
 - EU Agenda 2000, Chinese Internal Policy, U.S. Farm Support, China Entry Into WTO
- ***China Will Impact Markets***

4 Years of Favorable Weather Leads To Favorable Yields

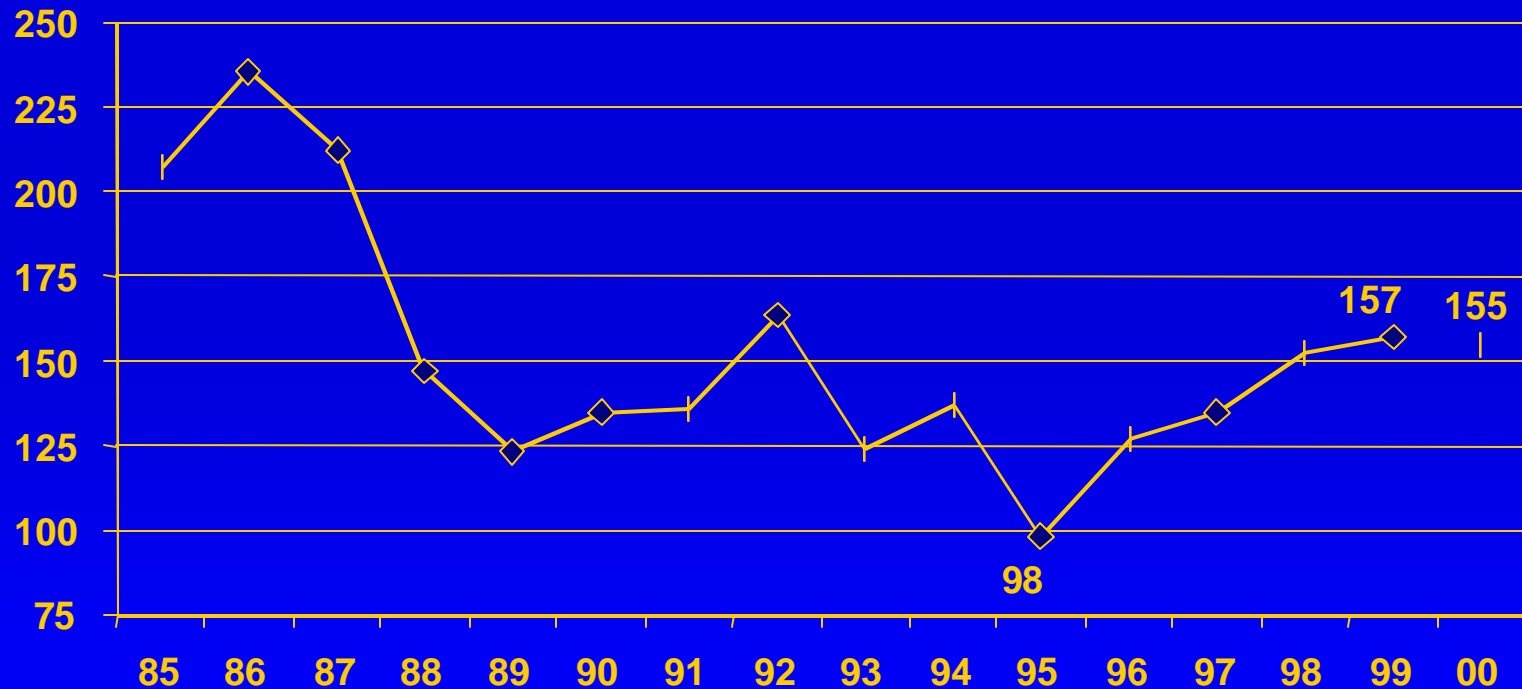
Typical Decline Equal To 55 Million Tonnes



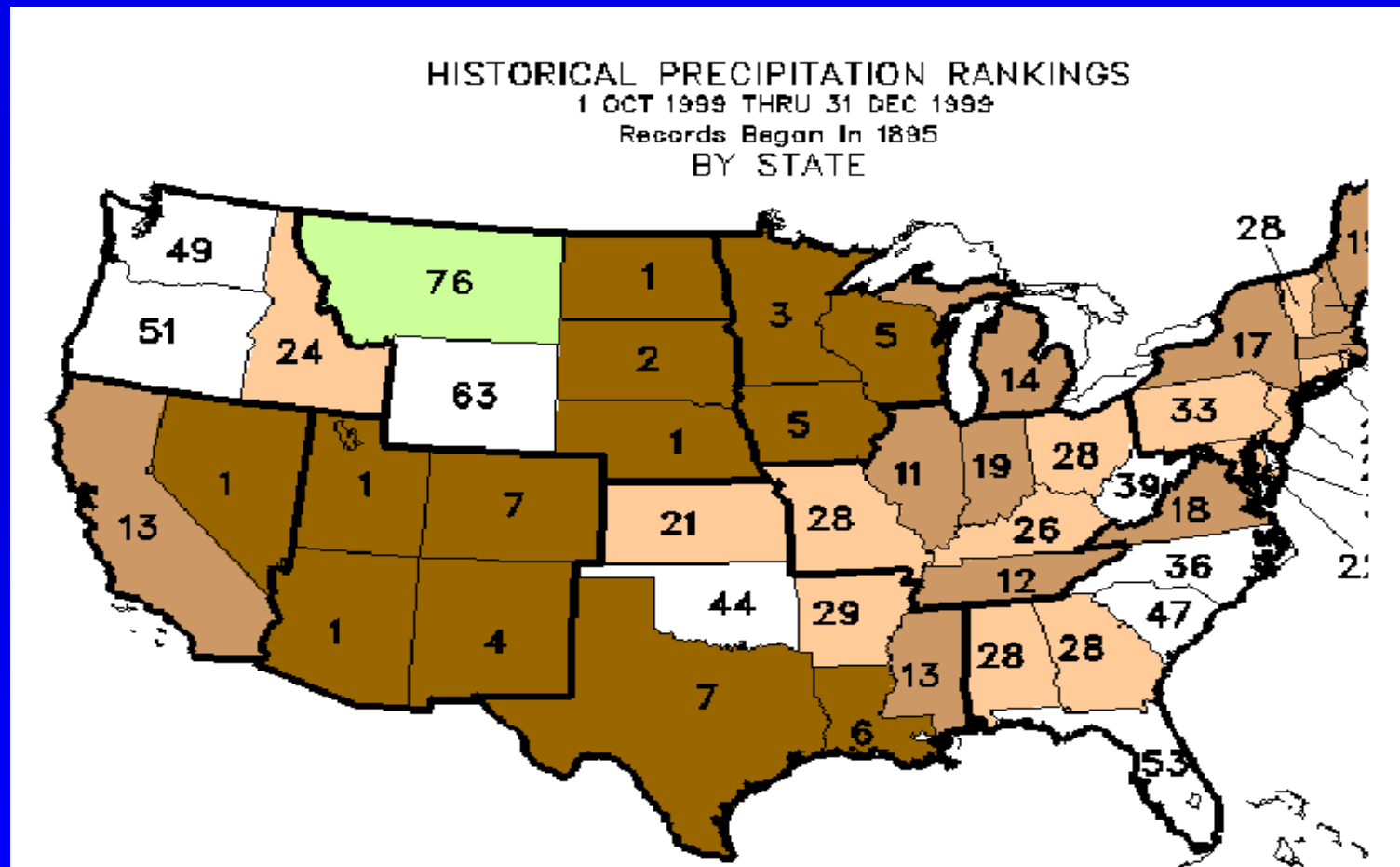
World Grain Stocks

Recovered Since 95 But Not Large

World Grain Stocks (Million Tonnes)



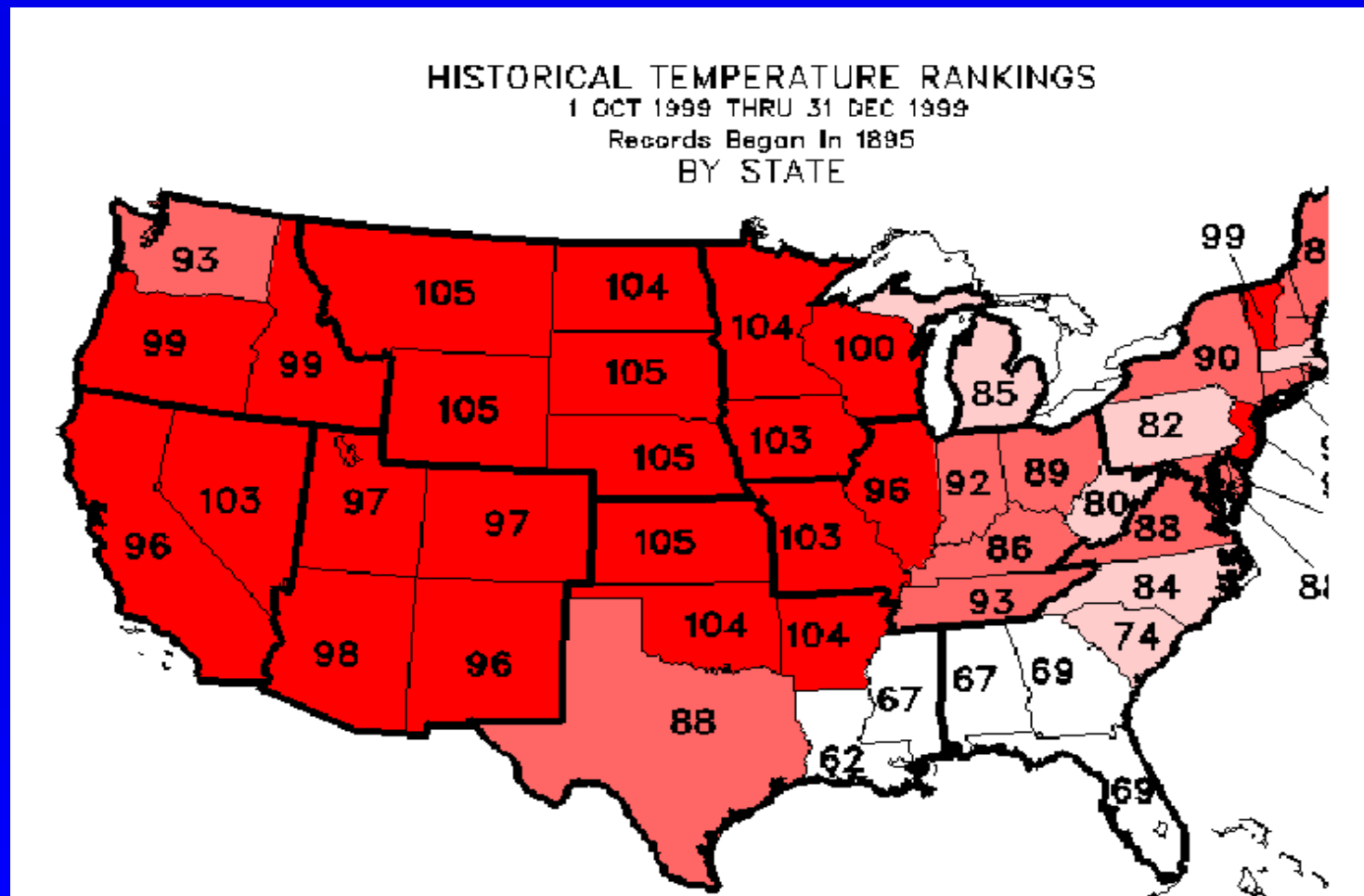
Driest Fall In 105 Years In Many States



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Warmest Fall In 105 Years In Most States



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December 1 Stocks (Million Bushels)

	<u>12/1/99</u>	<u>YR AGO</u>	
• CORN	9437	9759	-3%
• WHEAT	1879	1896	-1%
• SOYBEANS	2182	2186	-0%

- *Still Historically Large*
- *Limited Government Ownership/Control*
- *First Year-To-Year Decline Since 1996*

Comments On Supply/Demand CORN 2000/01

- Supply/Demand Appears Stable
 - Modest Acreage Decline
 - Feed Use Growth Slows: Beef/Pork Reductions
 - Exports Subdued -- Under 2.0 B Again
 - Stocks Remain At 1.9 B Bushels
- Prices “Subdued” Until Catalyst Appears
 - Weather, Chinese Policy Change
 - 10% Yield Decline = 50% of Ending Stocks

Key Risks/Unknowns For CORN

- Weather - U.S. & World-Wide
 - Midwest Dryness Needs To Be Rectified
 - 850 Trillion Kernels Pollinate in 14 Days
- Demand Better Than Expected, Improving
- Chinese Export Policy
 - Key Limiting Factor For U.S. Exports
 - Chinese Internal Policy Subject To Change
 - *China's Entry Into WTO Could Change Outlook For Corn Dramatically*

Comments On Supply/Demand WHEAT 2000/01

- Excess Exportable Supply Has Kept Prices Under Pressure
 - Market Impact of Donations Unclear
- EU Increased Crop -- Agenda 2000 Impact
- U.S. Southern Plains Enter 2000 Very Dry
- Iran Market Potential Will Remain Large
- *China Internal Policy, WTO Impacts Could Be Lead Market Mover*

Key Risks/Unknowns For WHEAT

- Weather - U.S. & World-Wide
 - Extremely Dry Fall Throughout Plains
 - Iran Still Facing Water Shortage
- U.S. Donations of Wheat
 - Quantity, Timing, Destinations - All Unclear
 - Impact Upon Markets - Also Unclear
- *Chinese Import Demand Could Surprise*

Comments On Supply/Demand SOYBEANS 2000/01

- Acreage Up Every Year Since 1990 (+30%)
- 2000 Crop Projected +12%
- Stocks Rise Sharply By End of 2000/01
 - In Spite Of 6% Rise In Demand
- Canada, EU Rapeseed Acreage Cut Back
- South America Soybean Acreage Decline?
- Weak Price Outlook - Sub \$5 Again

Key Risks/Unknowns For SOYBEANS

- Weather - U.S. & World-Wide
 - Midwest Dryness Needs To Be Rectified
 - Less Risky Than Corn
 - (1999 U.S. Yields Were 10% Below Trend)
- Demand On The Rise
 - 99/00 Forecasts On The Rise
 - World Economic Growth Promotes Soy Demand
- *At What Price Do Producers Reduce SB Acres?*

Summary Of Grain Situation

- Weather Remains A Risk
- World Stocks, Demand Provide Potential For Market Volatility
- Soybeans Will Need To Buy Demand If Trend Yields Are Realized
- *China Internal Policy, WTO Status Are Key Unknowns*

China Impact On Markets

- Economic Model:
 - 1.2 BILLION X Anything = A LOT
- Recent Impact On U.S. Ag Dramatic
 - Competing Exporter of 3-8 MM Tonnes of Corn
 - Sharp Decline In Wheat Imports
 - Rise In Oilseed/Product Demand
- In The Future China Will Continue To Impact U.S. Ag Markets

Chinese Policy Shifts

- Internal Policies Changes In Mid-90s
 - Reduced Dependence On Imports
 - But High Costs To Chinese Government Rise
- Asian Crisis Impacts Chinese Economy
- China Has Strong Desire To Participate In World Economy
 - *Their Goal: Entry Into WTO*

China & WTO

- China Has Formally Applied For Entry Into World Trade Organization (WTO)
- China Required To Complete Bi-Lateral Agreements With All WTO Members Countries *Prior To Entry*
- China and U.S. Have Reached A Bi-Lateral Agreement
 - *Not In Effect Until Congress Grants China Permanent Normal Trade Relations*

China-U.S. Proposed Bi-Lateral WTO Agreement

- If Enacted, It Would Be A Watershed Event For U.S. Agriculture
- Results In \$2 B Additional U.S. Ag Exports
- China Would Eliminate Export Subsidies
- Average Tariffs On Imports Fall From 31% to 14%
- TCK Wheat Issue Resolved

2 Numbers To Remember

7.3 Million

4.5 Million

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