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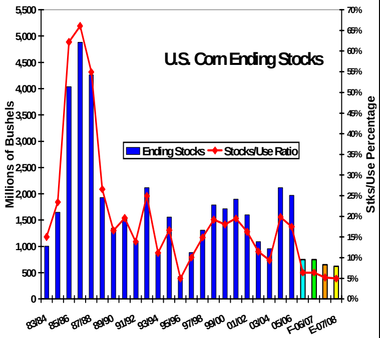
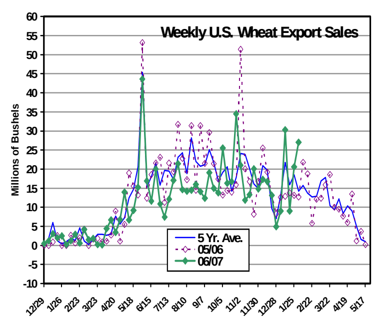
# No USDA Grain Changes—Focus Now on 07/08 Prospects



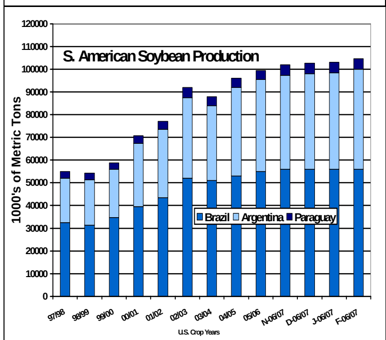

**U.S. Corn Supply/Demand**

| (Millions) | 2006/07 Jan USDA | 2006/07 Feb USDA | 2007/08 Dec NARMS | 2007/08 Feb NARMS |
|---|---|---|---|---|
| Planting Acres | 78.33 | 78.33 | 85.50 | 87.00 |
| Harvested Acres | 70.65 | 70.65 | 78.20 | 79.50 |
| Yield in Bu. | 149.1 | 149.1 | 157.0 | 156.0 |
| Initial Stocks | 1,967 | 1,967 | 906 | 802 |
| Production | 10,535 | 10,535 | 12,275 | 12,400 |
| Imports | 10 | 10 | 10 | 10 |
| Ttl Supply | 12,512 | 12,512 | 13,191 | 13,212 |
| Feed & Residual | 5,975 | 5,975 | 5,850 | 5,700 |
| Food & Seed | 1,385 | 1,385 | 1,390 | 1,390 |
| Ethanol | 2,150 | 2,150 | 3,400 | 3,700 |
| Ttl Domestic | 9,510 | 9,510 | 10,640 | 10,790 |
| Exports | 2,250 | 2,250 | 1,900 | 1,800 |
| Ttl Usage | 11,760 | 11,760 | 12,540 | 12,590 |
| Ending Stocks | 752 | 752 | 651 | 622 |
| Stks/Use Ratio | 6.4% | 6.4% | 5.2% | 4.9% |




**U.S. Wheat Supply/Demand**

| (Millions) | 2006/07 Jan USDA | 2006/07 Feb USDA | 2007/08 Dec NARMS | 2007/08 Feb NARMS |
|---|---|---|---|---|
| Planting Acres | 57.34 | 57.34 | 60.14 | 60.14 |
| Harvested Acres | 46.81 | 46.81 | 52.00 | 52.00 |
| Yield in Bu. | 38.7 | 38.7 | 42.0 | 42.5 |
| Initial Stocks | 571 | 571 | 456 | 472 |
| Production | 1,812 | 1,812 | 2,184 | 2,210 |
| Imports | 115 | 115 | 90 | 90 |
| Ttl Supply | 2,498 | 2,498 | 2,730 | 2,772 |
| Food | 925 | 925 | 925 | 930 |
| Seed | 81 | 81 | 79 | 79 |
| Feed | 145 | 145 | 176 | 225 |
| Ttl Domestic | 1,151 | 1,151 | 1,180 | 1,234 |
| Export | 875 | 875 | 1,000 | 975 |
| Ttl Usage | 2,026 | 2,026 | 2,180 | 2,209 |
| End Stocks | 472 | 472 | 550 | 563 |
| Stocks/Use | 23.3% | 23.3% | 25.2% | 25.5% |




**U.S. Soybean Supply/Demand**

| (Millions) | 2006/07 Jan USDA | 2006/07 Feb USDA | 2007/08 Dec NARMS | 2007/08 Feb NARMS |
|---|---|---|---|---|
| Planted Acres | 75.52 | 75.52 | 70.50 | 69.00 |
| Harvested Acres | 74.60 | 74.60 | 69.50 | 68.00 |
| Yield in Bu. | 42.7 | 42.7 | 42.5 | 42.5 |
| Initial Stocks | 449 | 449 | 632 | 625 |
| Production | 3,188 | 3,188 | 2,955 | 2,890 |
| Imports | 4 | 4 | 4 | 4 |
| Total Supply | 3,642 | 3,642 | 3,591 | 3,519 |
| Crush | 1,780 | 1,780 | 1,795 | 1,795 |
| Seed/Residual | 167 | 167 | 169 | 160 |
| Ttl Domestic | 1,947 | 1,947 | 1,964 | 1,955 |
| Exports | 1,120 | 1,100 | 1,100 | 1,050 |
| Total Usage | 3,067 | 3,047 | 3,064 | 3,005 |
| Ending Stocks | 575 | 595 | 527 | 514 |
| Stks/Use Ratio | 18.7% | 19.5% | 17.2% | 17.1% |

As suspected, the USDA didn't make many changes in its U.S. & world corn and wheat 2006/07 supply/demand estimates. However, it did cut the U.S. soybean export projection for the current year due to a projected increase in South American production because of this year's ongoing favorable weather for the region.

In corn, the USDA made no changes in its U.S. old-crop supply/demand levels, as was generally expected. Export sales continue to run ahead of its 5-yr seasonal pace for overseas demand by 129 million bu. thru early February to hit the USDA's forecast of 2.25 billion bu. But, the USDA did raise its South American corn crop outlook sharply (Argentina +2 mmt and Brazil +4 mmt) this month because of favorable weather, which could provide 2-3 mmt of additional exportable supplies to 2007's tight world corn situation. It also prompted the USDA to boost its stocks by 1.5 mmt to 87.75 mmt last week.

In wheat, the U.S. 2006/07 ending stocks were left unchanged at 472 million bu. as anticipated. However, the USDA cut world ending stocks 1 mmt to 120.8 mmt when it increased the world feed demand estimate. After 4-5 months of lackluster demand, the current narrow price relationship between wheat and corn in both the country and the Gulf is increasing feed interest in the United States, and also prompted three of the best weekly export sales levels since last fall over the last month. Ice from previous winter storms in the Plains and Arctic temperatures in Midwest and East could also become output concerns if U.S. weather improves this month.

In soybeans, U.S. export sales were cut 20 million this month to 1.1 billion bu., resulting in a rise in stocks to 595 million bu. because of sluggish exports, as we expected. However, it was a bit surprising that the USDA increased Argentine output by 1.5 mmt to 44 mmt while keeping Brazil's crop unchanged at 56 mmt. Given the USDA's higher corn crop estimate, a larger Brazilian bean crop of 1-2 mmt seems possible, adding further supplies to the record world soybean stocks of 57.4 mmt & increasing this year's S. American crop to 106.7 mmt., a 7.2 mmt rise.

With the U.S needing 2 billion bu.. more corn to meet its expanding 2007 ethanol demand, the USDA's annual Ag Outlook new-crop economic projections on March 2 and the U.S. planting intentions report on March 30 will be the next updates to see if this can occur. Hold old-crop sales for now, but be prepared to increase them on March strength to $4.30-$4.40 in corn, $7.80-$7.95 in beans and 35- to 45-cent rallies in wheat.