

15th Annual Farmer Cooperatives Conference

Presented by UW Center for Cooperatives

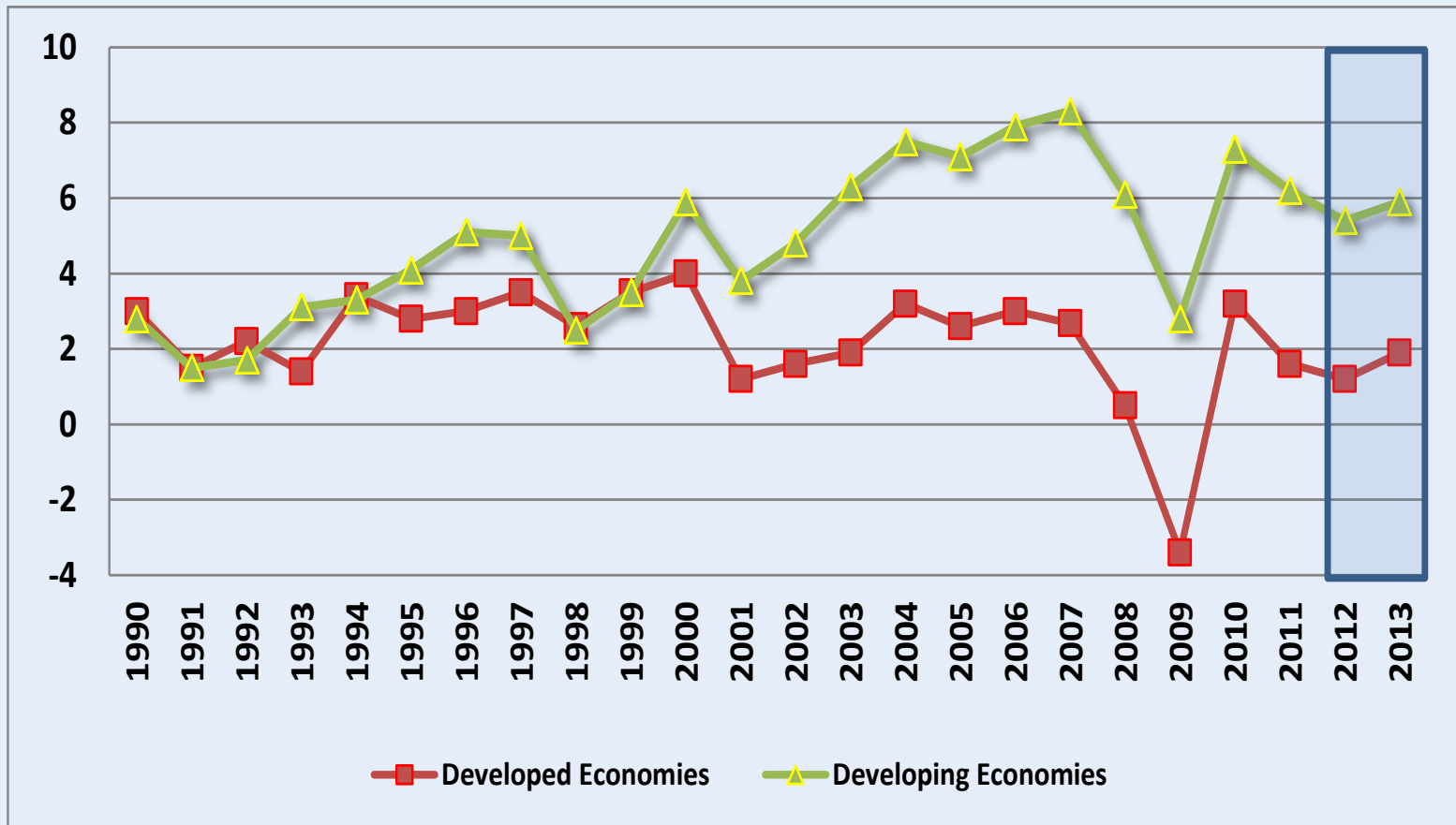
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Omaha, NE

November 8, 2012

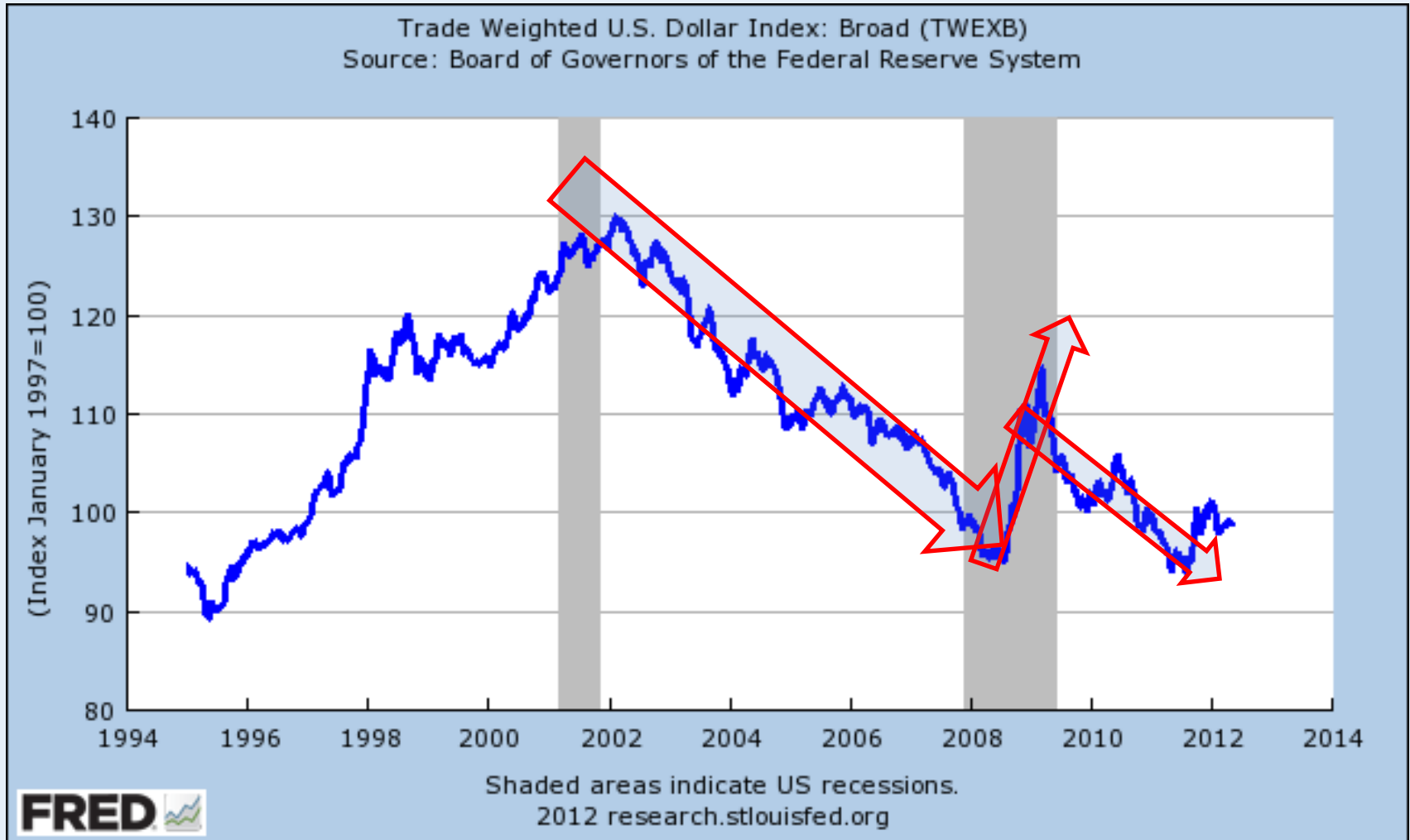
Summary of Key Drivers of Higher Commodity Prices

- Global Economic Growth in Developing Economies
- Changes in the Value of the US Dollar
- Biofuel Policy

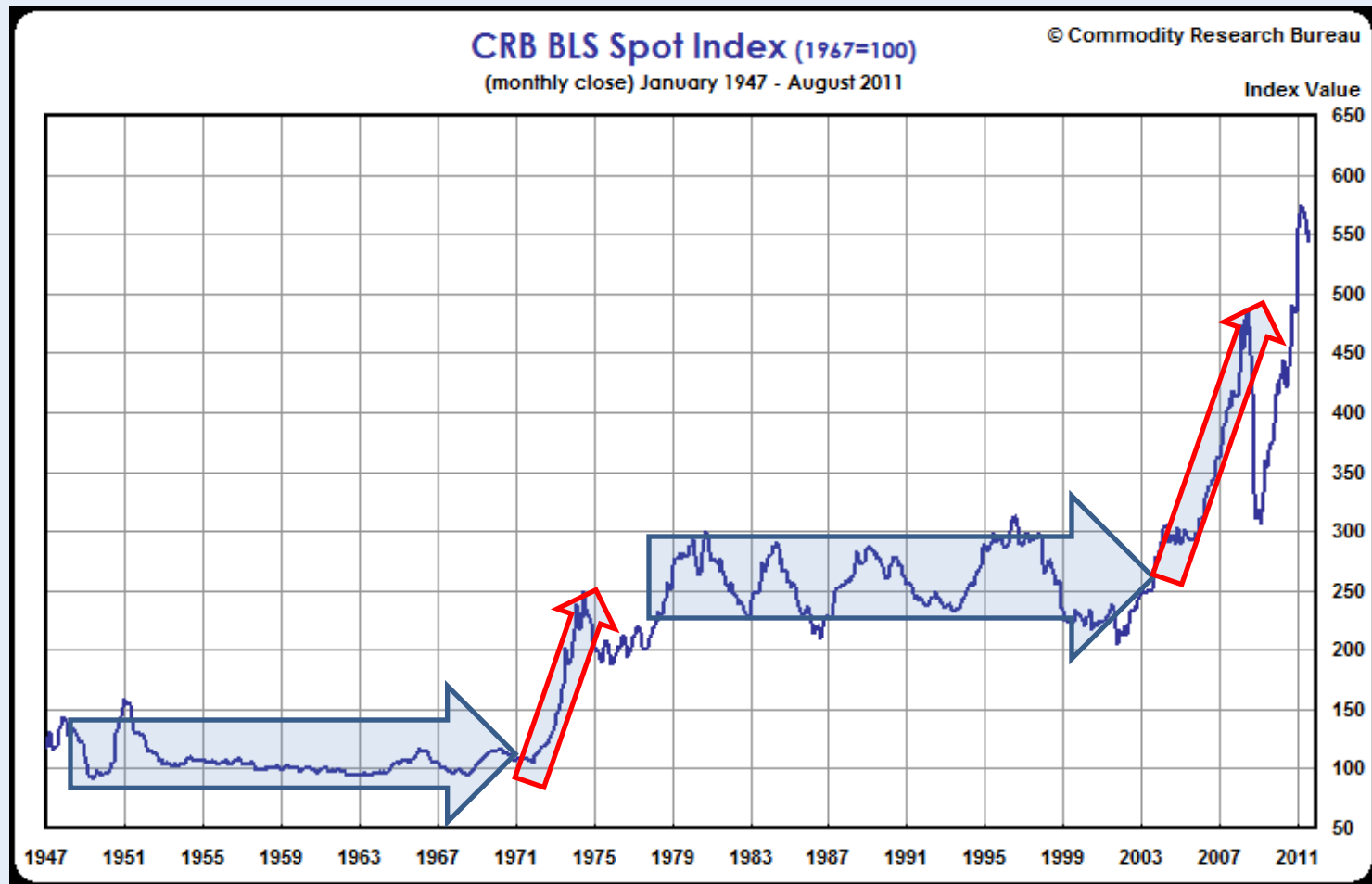
GDP Growth Led By Developing Economies



Weaker US Dollar Means Higher Commodity Prices

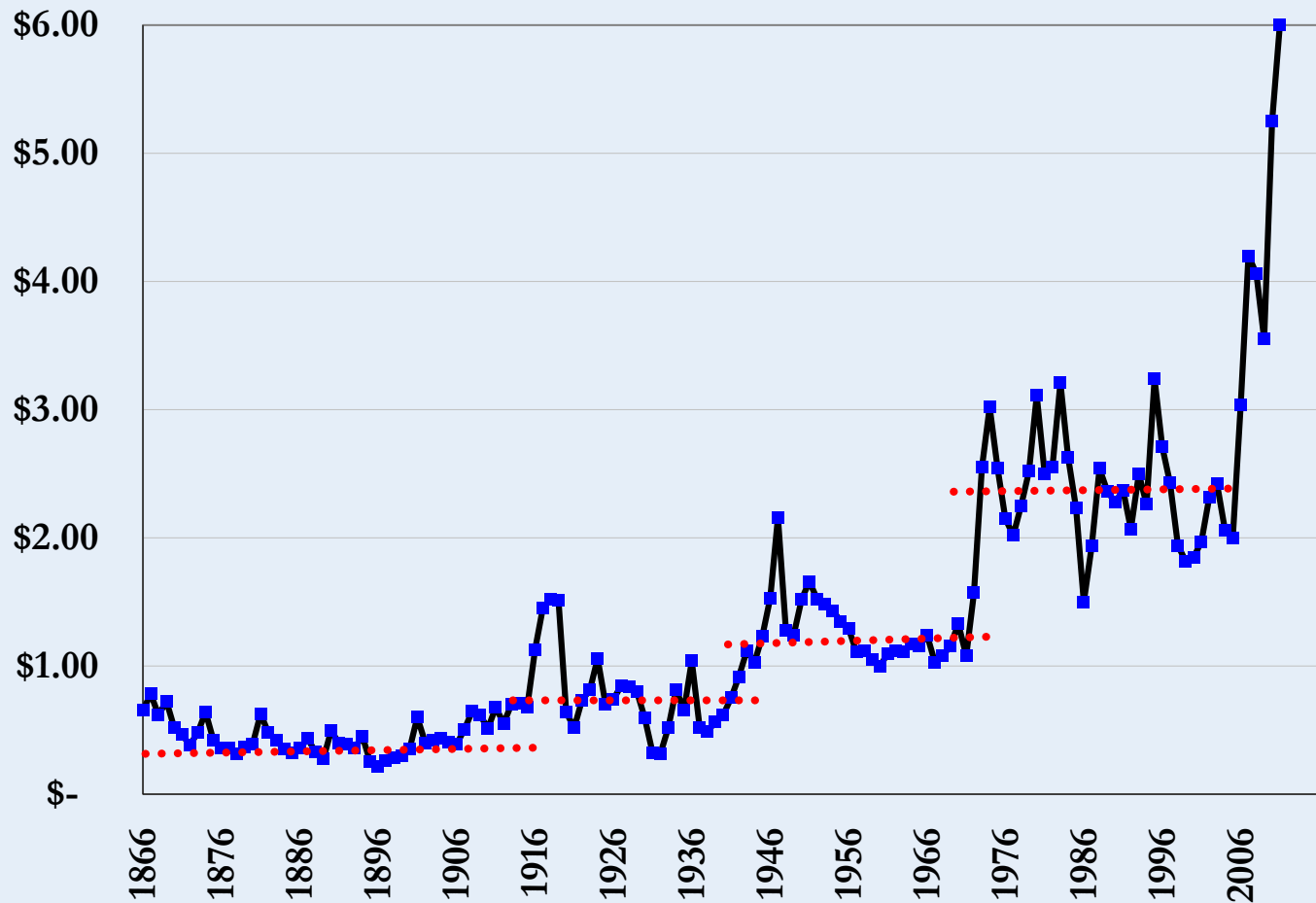


Reliving the 70s: Abrupt “Plateau Change” In Commodity Prices Not Abnormal

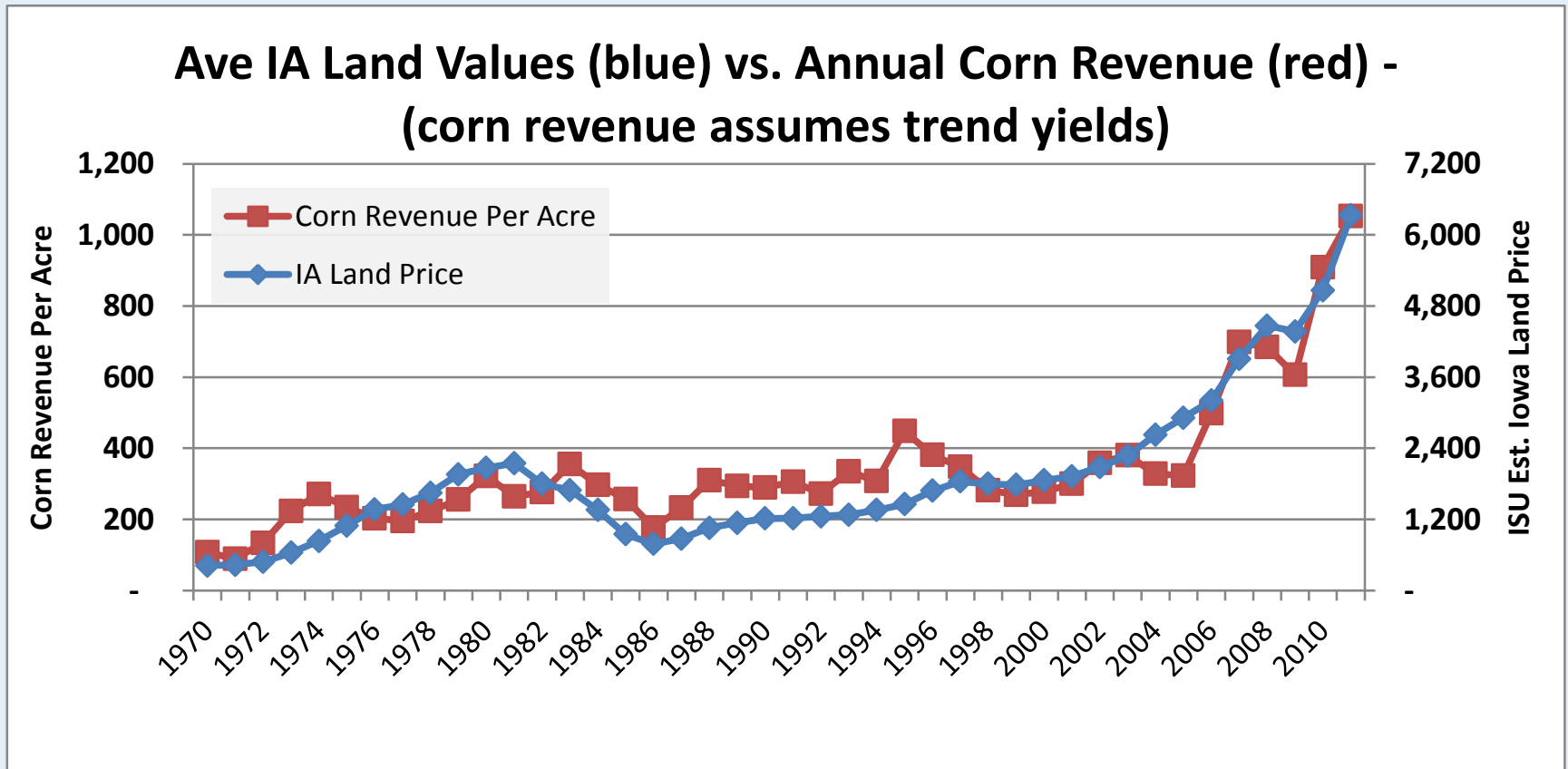


4 Plateau Changes in Corn Prices During the Past 150 Years

AVERAGE U.S. CORN PRICES: (1866-2010)



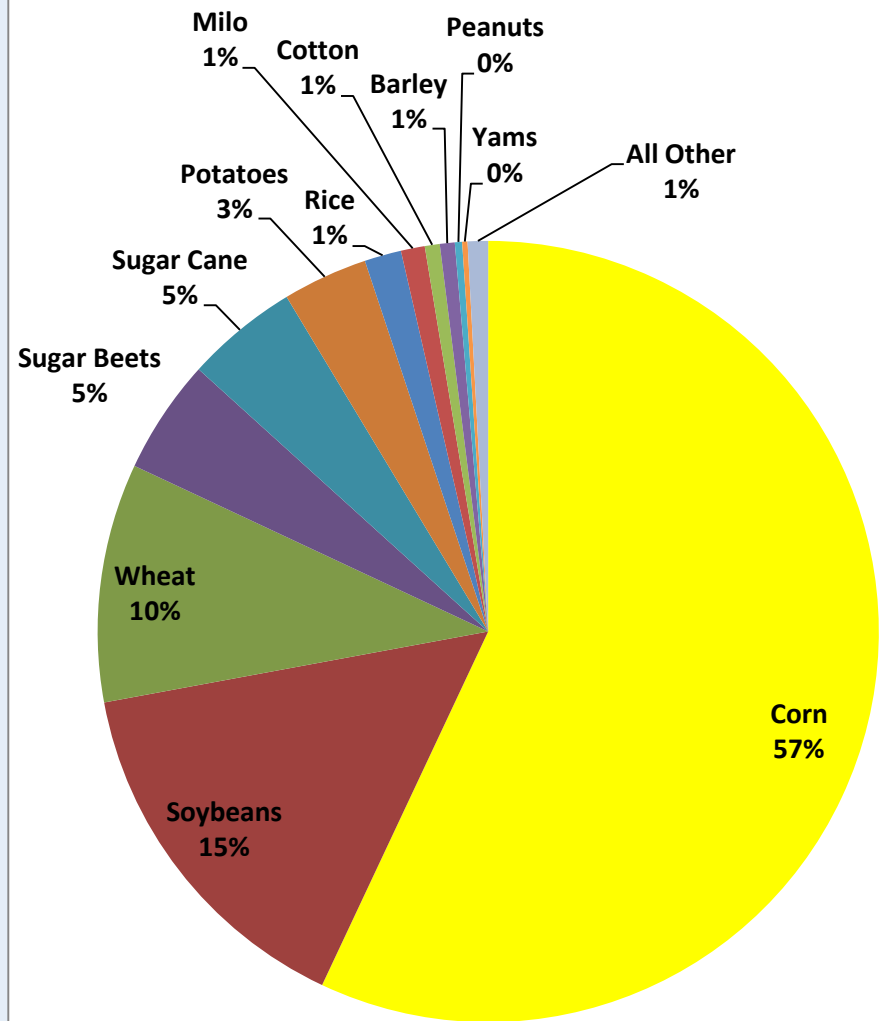
Land Values – Largely Driven By Corn Revenues Per Acre

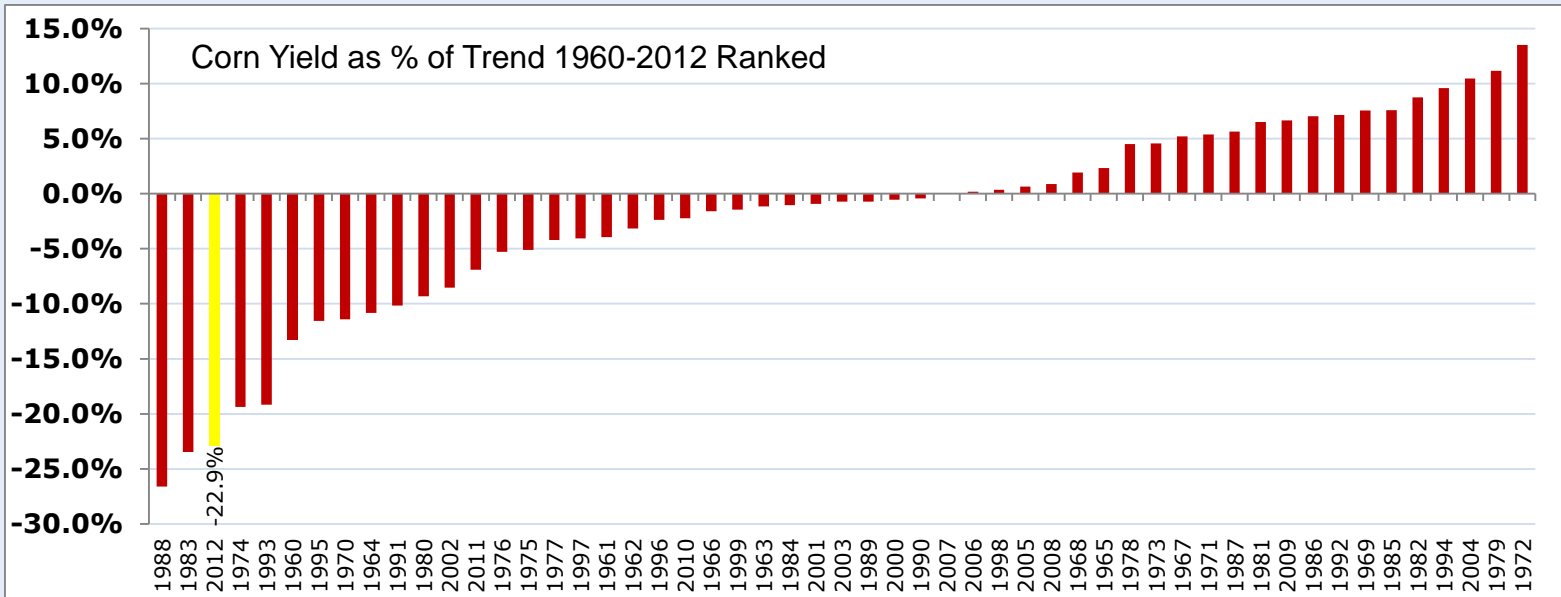
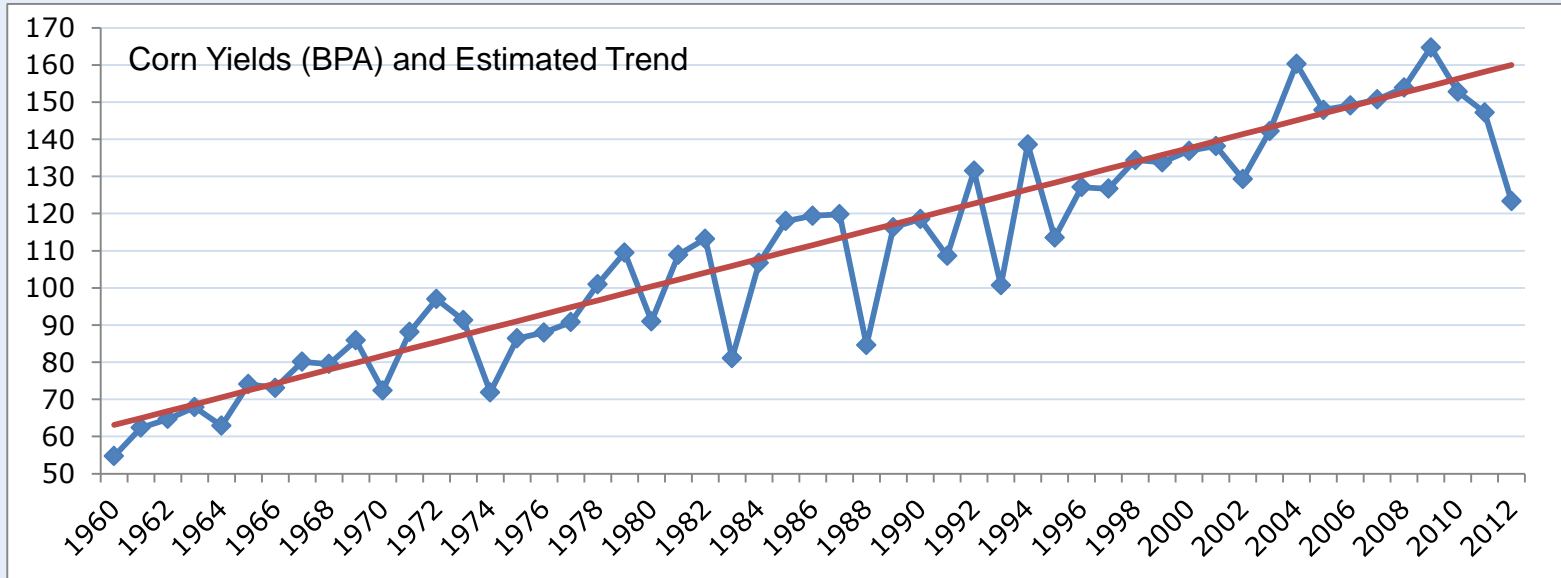


CORN IS KING!

Corn production in the US equates to 57% of all output

“When corn sneezes, all other commodities catch a cold”

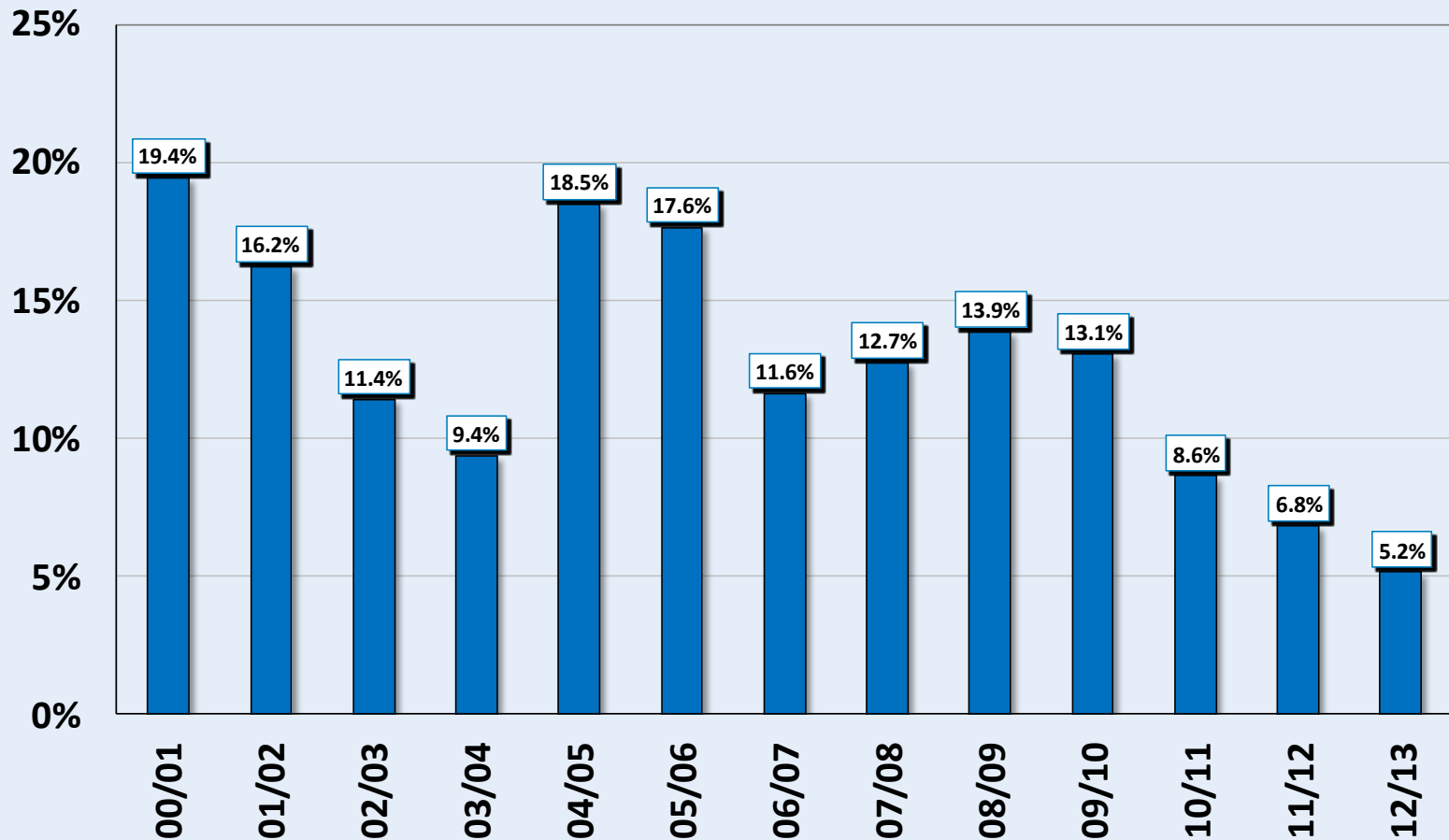




Corn Stocks: 11/12F 6.8% -

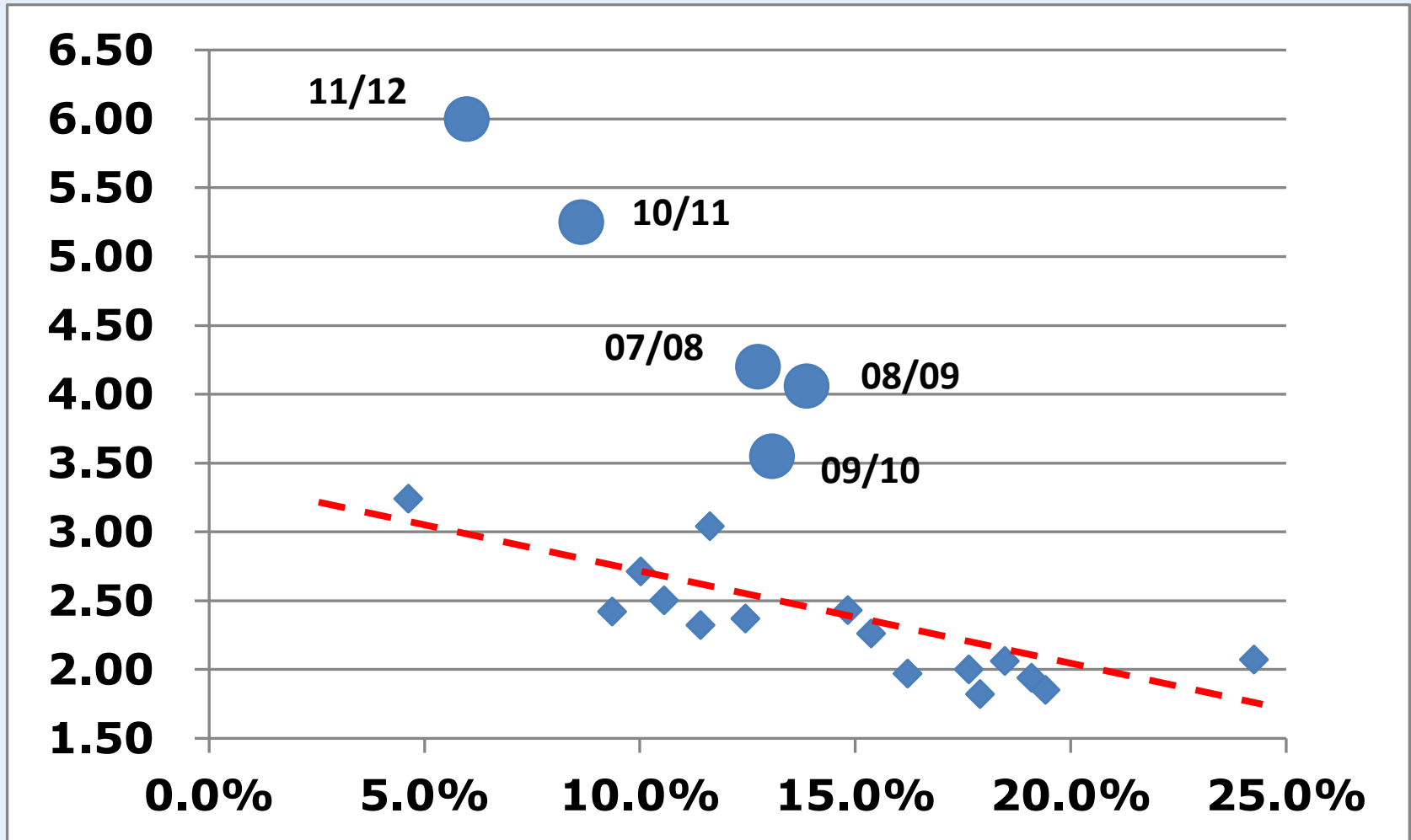
- 2012/13 now forecast at 5.2% of usage

U.S. Corn "Free" Stocks-Use Ratio (11/12 & 12/13 Forecast)

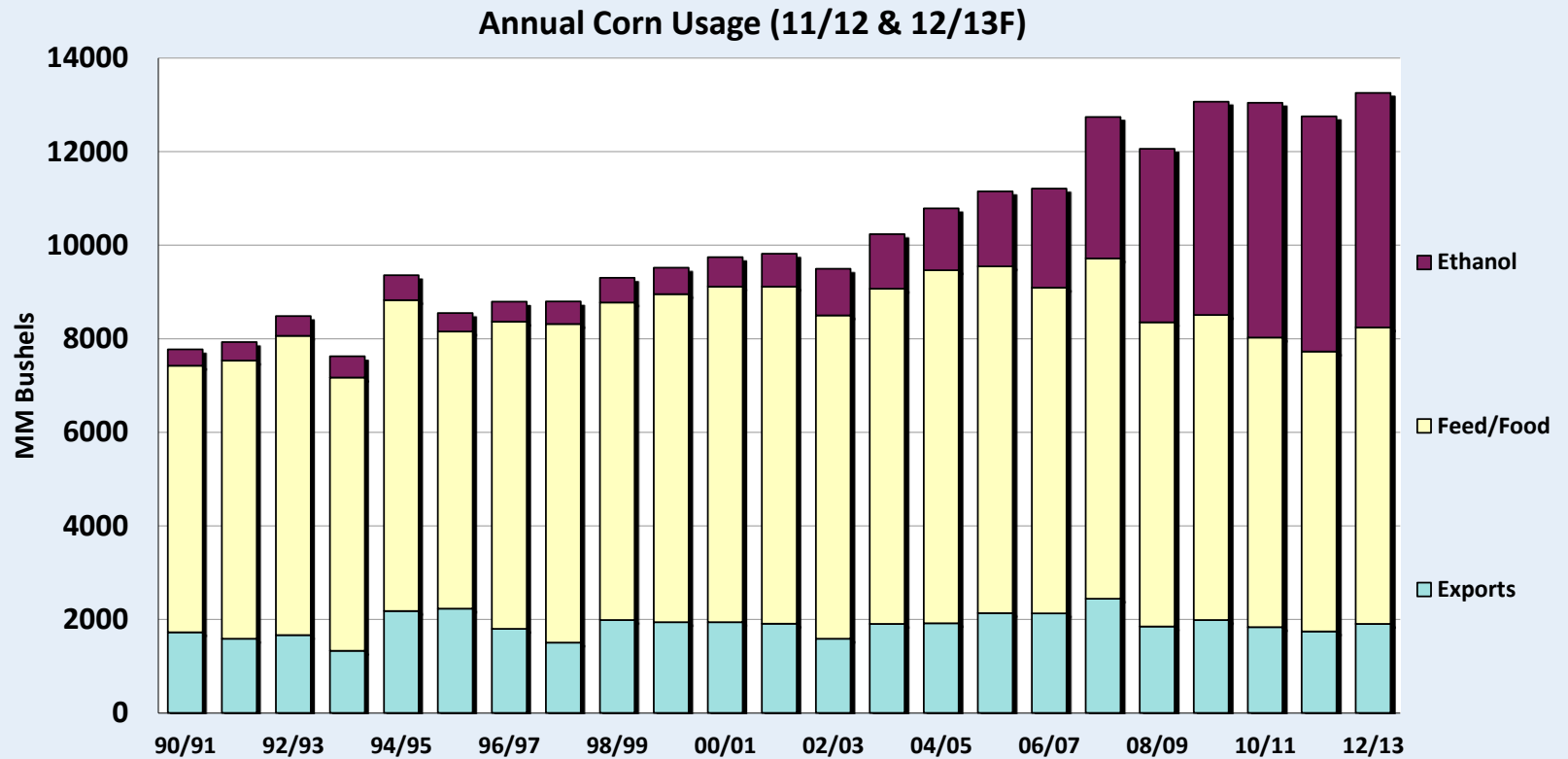


Corn Prices vs. Corn Ending Stocks

Traditional Relationship No Longer Valid



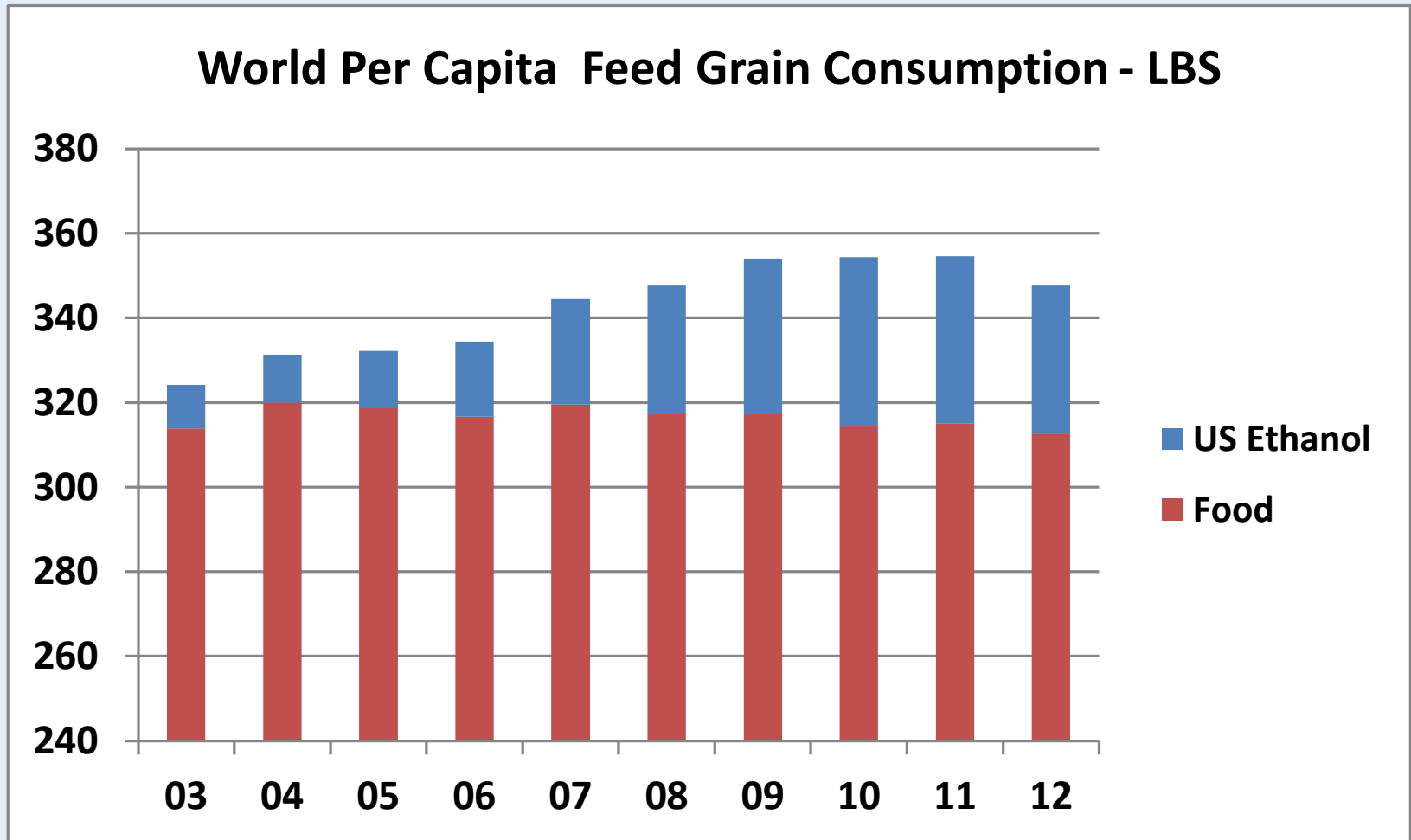
Ethanol Use of Corn: Large and Growing - Now Accounts for 40% of Demand



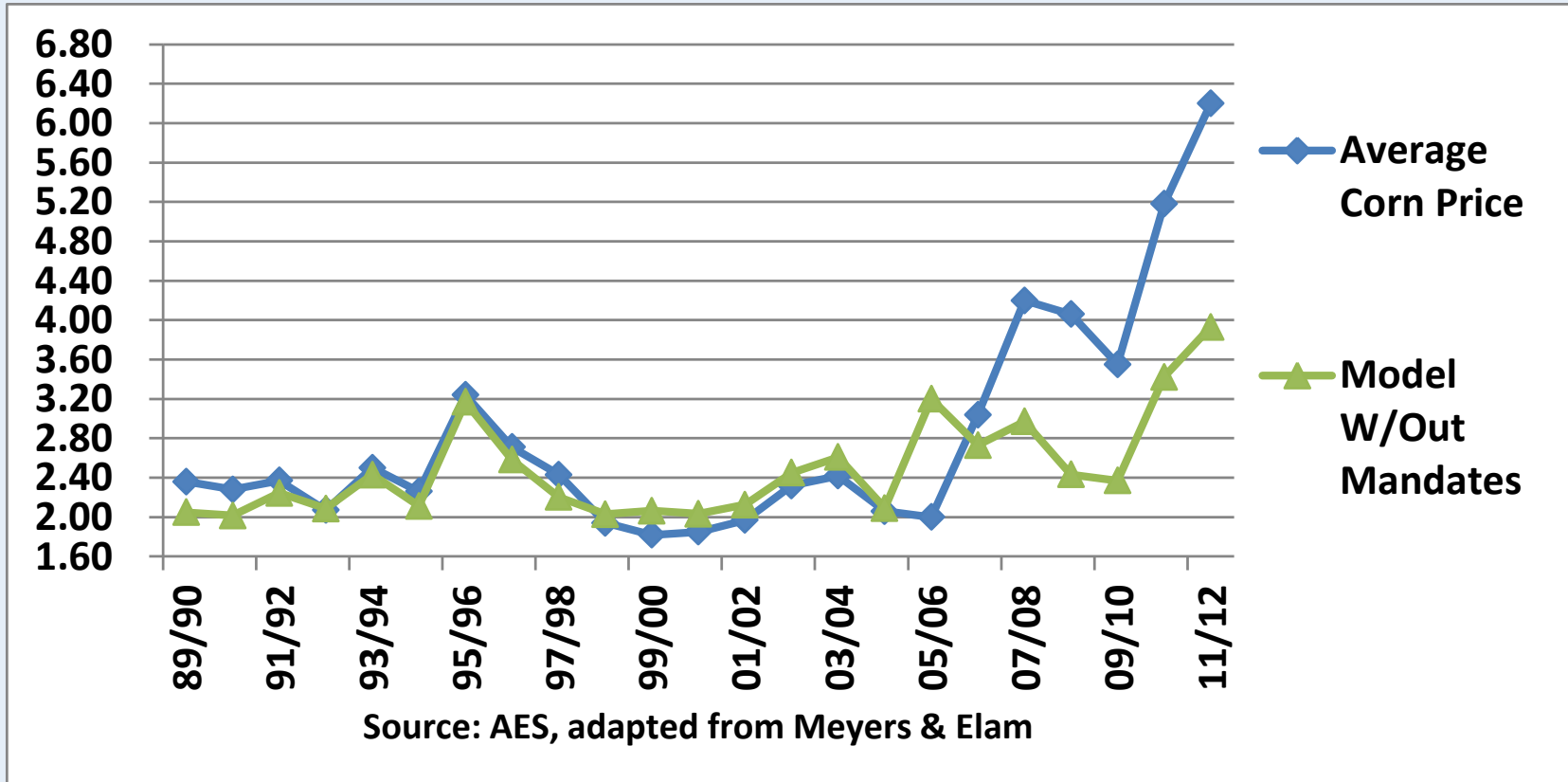
Impact of Biofuels

Less Food For Humans

More For Fuel

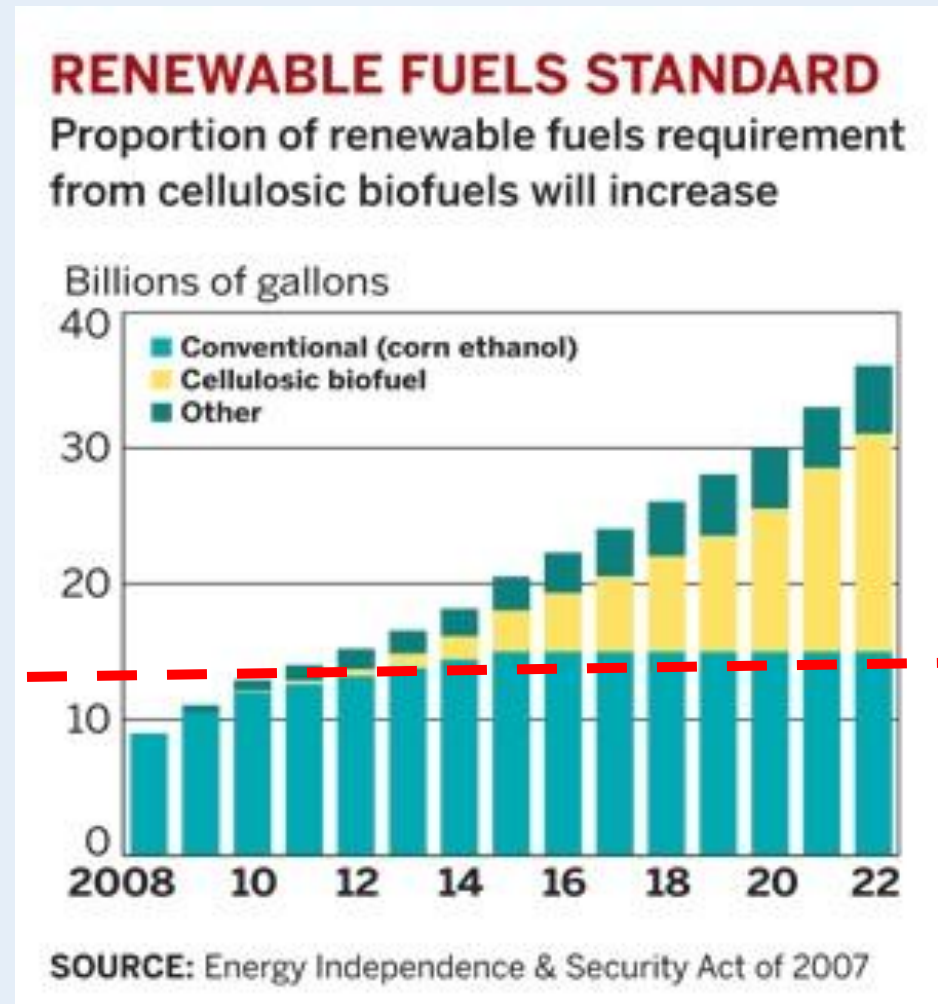


Impact of Mandating Use of 40% of Corn Crop For Ethanol: +\$2.00/Bu +50%)

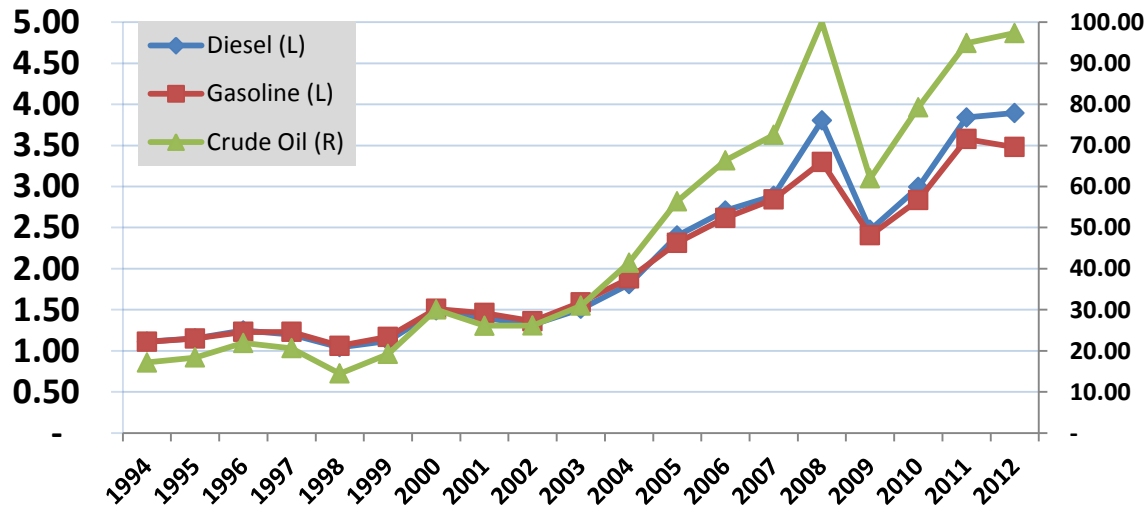


RFS Headed For Problems

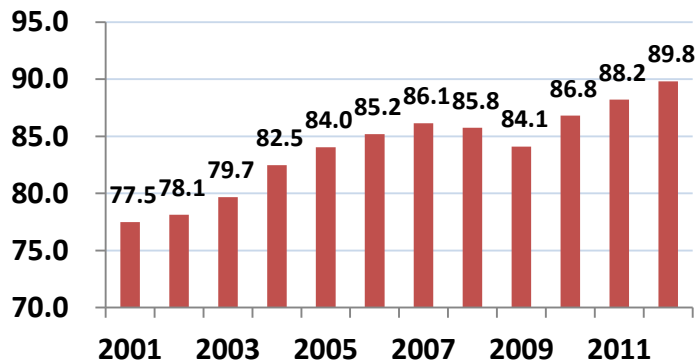
- Mandate continues higher in coming years – well beyond 10% of gasoline demand
- E10 is the “law of the land”, with slow progress moving to E15
- Cellulosic usage is mandated but not invented
- In “short crop” years, there is no practical way to reduce mandates



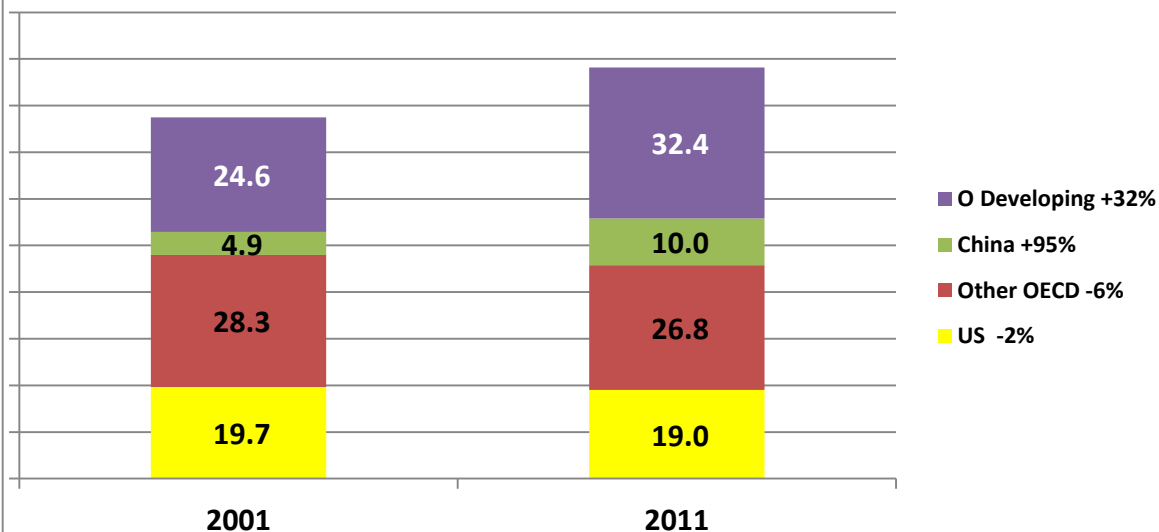
Annual Retail Gasoline & Diesel Fuel Prices vs. Crude Oil



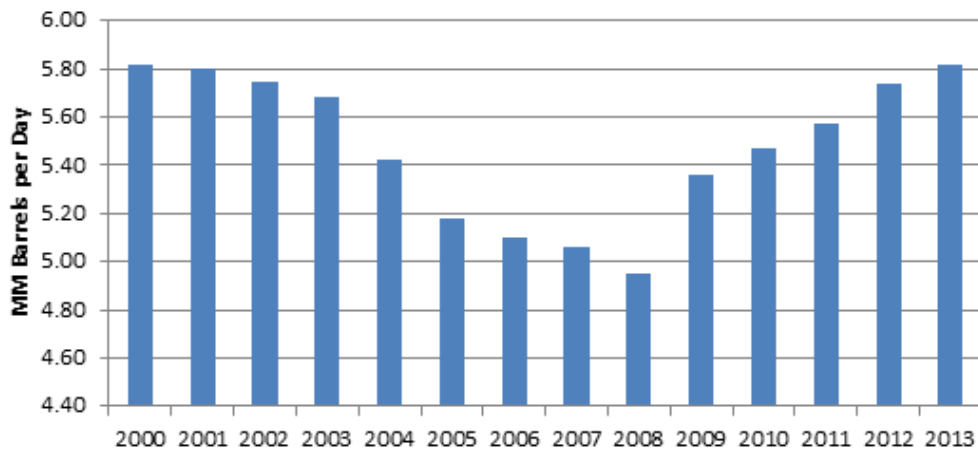
World Crude Oil Demand (MM Barrels per Day)



Source: DOE

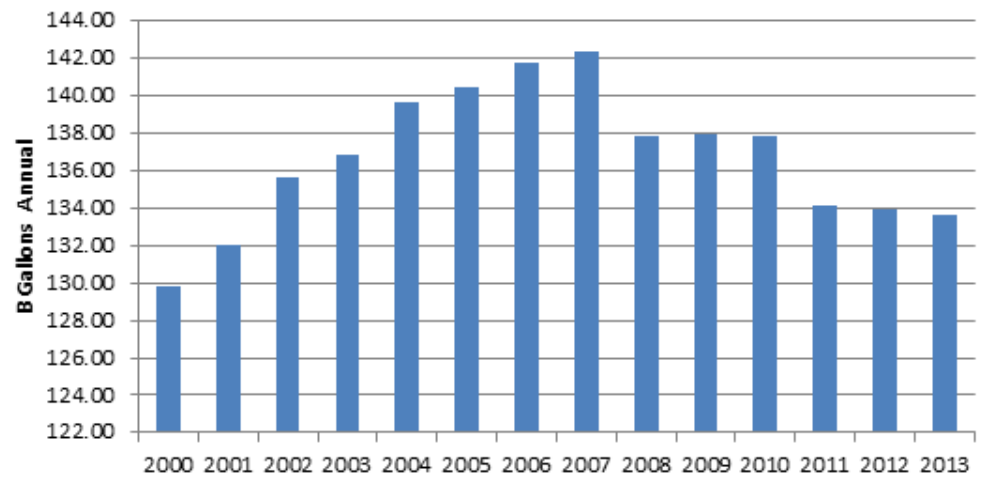


Domestic Crude Oil Production



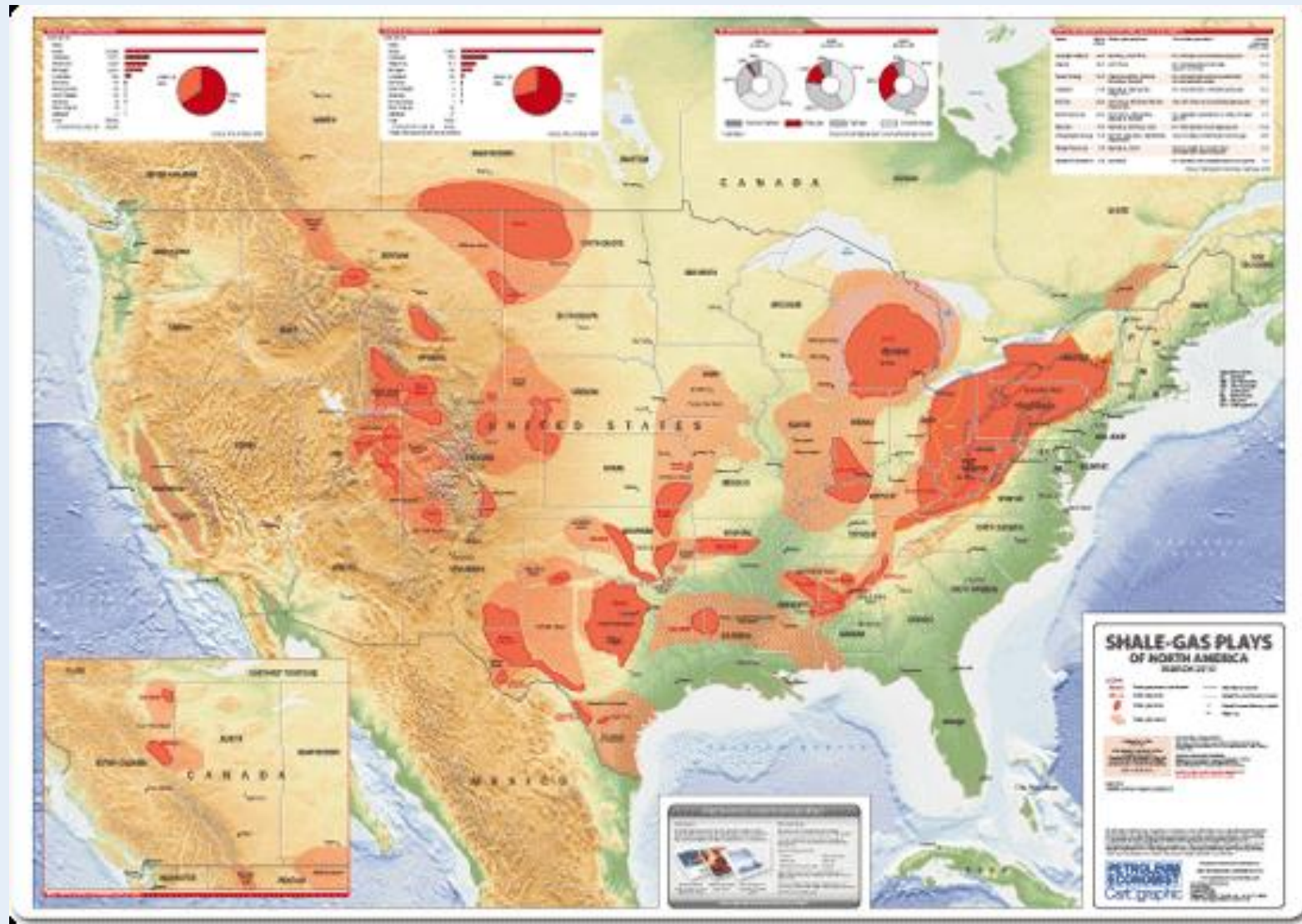
Source: EIA

Motor Gasoline



Source: EIA

Energy From Shale: A Big Fracking Deal

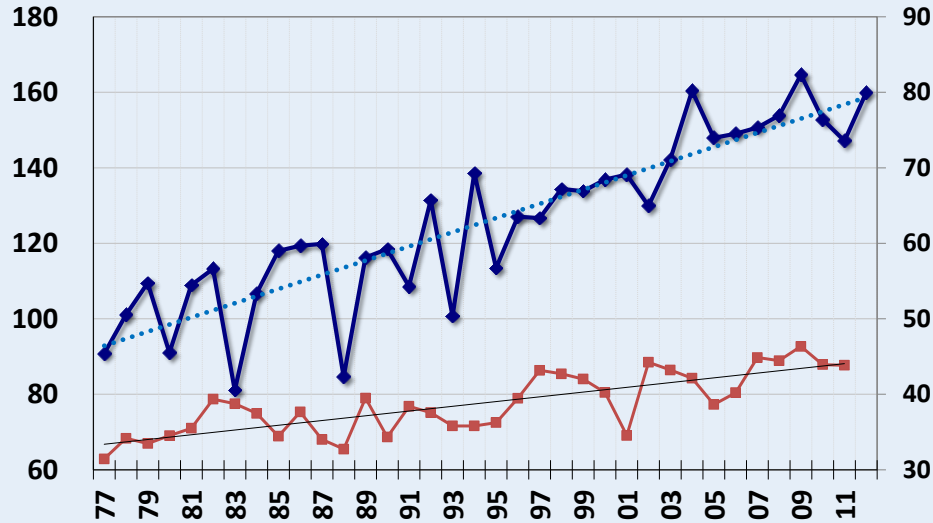


CORN YIELDS/ACREAGE vs. WHEAT: “Winning, Duh”

HISTORIC US YIELDS 1978-2011

Corn +1.9%/yr

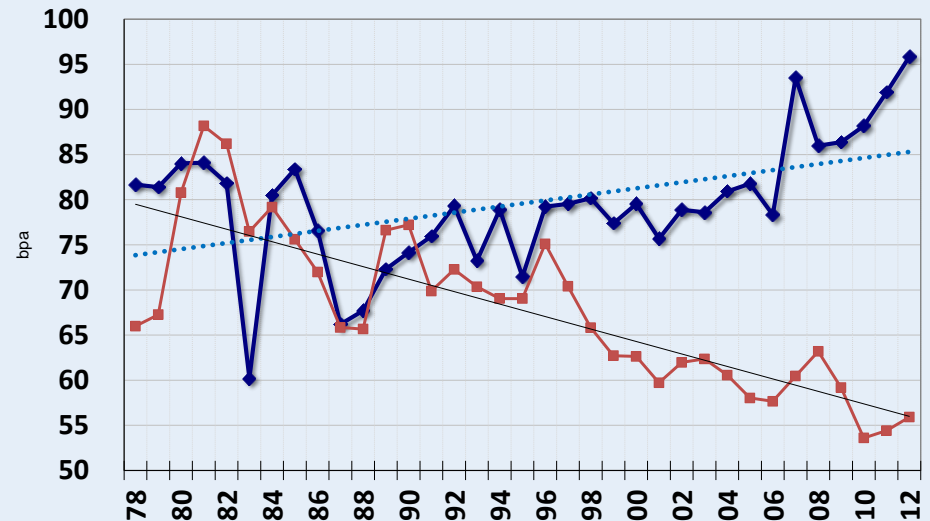
Wheat +1.1%/yr



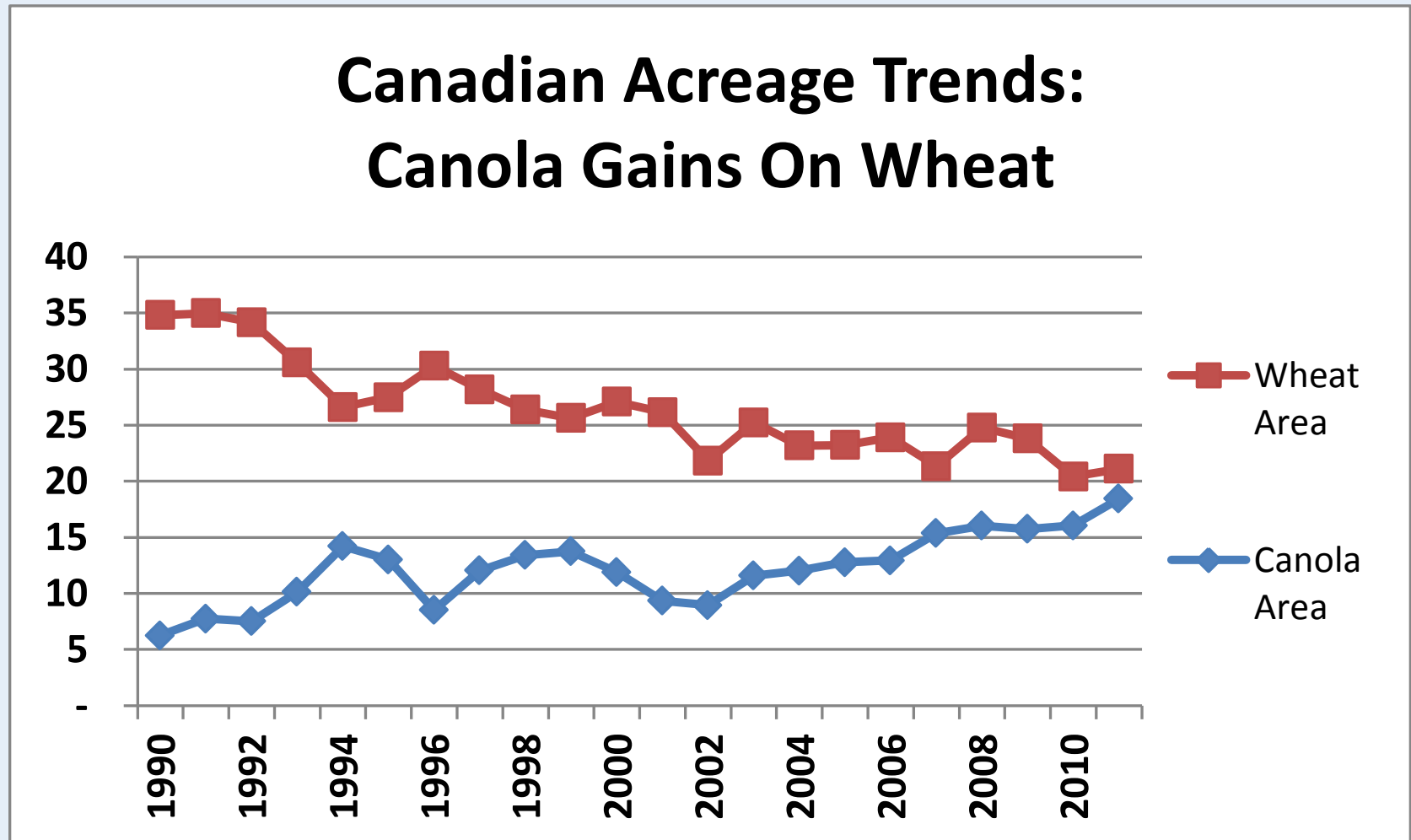
HISTORIC US Acreage 1978-2011

Corn +14 MM

Wheat -11 MM



Similar Trends In Canadian Wheat Acreage



Trends in Global Yields & Demand 1990-2011

	Annual Yield Growth	Annual Demand Growth	Annual Surplus / Shortfall	Implied Market Signal
Corn	1.9%	1.2% (1.7%)	Surplus 0.7%	Need less acres
Wheat	1.1%	1.0%	Surplus 0.1%	About in balance
Soybeans	1.2%	4.3%	Deficit 3.1%	Need more acres

- In the future, the biggest threat to global wheat acreage likely comes from oilseeds

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