2001 Grain & Oilseed Outlook

USDA Outlook Forum
February 23, 2001

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V.P. Research, Refco
Trading Rule

- The successful trader bases no moves on what supposedly will happen but reacts instead to what does happen.
Agricultural Outlook Forum 2001
## Trade vs. USDA Estimates of ’01/02 Stocks

<table>
<thead>
<tr>
<th></th>
<th>Refco</th>
<th>SCI</th>
<th>Fabri</th>
<th>FCC</th>
<th>Private Consult</th>
<th>Avg.</th>
<th>USDA</th>
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<tbody>
<tr>
<td>Corn</td>
<td>1951</td>
<td>1492</td>
<td>1719</td>
<td>1631</td>
<td>2000</td>
<td>1759</td>
<td>1636</td>
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<tr>
<td>Wheat</td>
<td>755</td>
<td>812</td>
<td>757</td>
<td>672</td>
<td>770</td>
<td>753</td>
<td>721</td>
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<tr>
<td>Beans</td>
<td>567</td>
<td>655</td>
<td>393</td>
<td>489</td>
<td>570</td>
<td>535</td>
<td>475</td>
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<tr>
<td>Oil</td>
<td>2395</td>
<td>2406</td>
<td>2294</td>
<td>1985</td>
<td>N/A</td>
<td>2270</td>
<td>2420</td>
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Grains - mil bu, oil - mil lbs.
## USDA Outlook 2000 Est. of ’00/01 Stocks vs. 2/01 Estimates & Forecasts for ‘01/02

<table>
<thead>
<tr>
<th></th>
<th>USDA Outlook 2000</th>
<th>USDA 2/8/01</th>
<th>Diff.</th>
<th>USDA Outlook 2001</th>
<th>CZ, WN, SX, &amp; BOZ ’01 2/22 close vs. ’00 2/25 close</th>
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<tbody>
<tr>
<td>Corn</td>
<td>1714</td>
<td>1891</td>
<td>+177</td>
<td>1636</td>
<td>+3 cents</td>
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<tr>
<td>Wheat</td>
<td>892</td>
<td>839</td>
<td>-53</td>
<td>721</td>
<td>+20 cents</td>
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<tr>
<td>Beans</td>
<td>510</td>
<td>345</td>
<td>-167</td>
<td>475</td>
<td>-51 cents</td>
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<tr>
<td>Oil</td>
<td>2345</td>
<td>2290</td>
<td>-55</td>
<td>2420</td>
<td>-.50 cents</td>
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Grains – mil bu, Oil – mil lbs.
Final US Corn Stocks vs USDA Feb Outlook Forecast

Mil bu

95/96  96/97  97/98  98/99  99/00  00/01
-1000  -800  -600  -400  -200  0  200  400  600  800  1000
Feb Forum Est. vs. May Yield & Final Corn Yield
Final US Corn Production vs USDA Feb Outlook Forecast

mmt

95/96 96/97 97/98 98/99 99/00 00/01

-1400 -1200 -1000 -800 -600 -400 -200 0 200 400 600 800 1000 1200 1400
Final US Corn Demand vs USDA Feb Outlook Forecast

mmt

-600 -500 -400 -300 -200 -100 0 100 200 300

95/96 96/97 97/98 98/99 99/00 00/01

CNdemFEB
Change in CK from 1st Day of USDA Feb Outlook Forum to 2nd & 4th Day After Opening

Cents/bu.

Day after opening
4th day after opening

Final US Soybean Stocks vs USDA Feb Outlook Forecast

Mil bu

-300 -250 -200 -150 -100 -50 0 50 100 150 200 250 300

95/96 96/97 97/98 98/99 99/00 00/01
Feb Forum Est. vs. May Yield & Final Soybean Yield

For/May/Fin
Final US Soybean Production vs USDA Feb Outlook Forecast

mmt

95/96  96/97  97/98  98/99  99/00  00/01

BNproFEB
Final US Soybean Demand vs USDA Feb Outlook Forecast

-100
-50
0
50
100
150
200
250
mmt

95/96 96/97 97/98 98/99 99/00 00/01

BNdemFEB
Change in SK from 1st Day of USDA Feb Outlook Forum to 2nd & 4th Day After Opening

Cents/bu.

Day after opening
4th day after opening

SKdayafterUSDA
Final US Wheat Stocks vs USDA Feb Outlook Forecast
Feb Forum Est. vs. May Yield & Final Wheat Yield
Final US Wheat Production vs USDA Feb Outlook Forecast

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (mmt)</th>
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<tbody>
<tr>
<td>95/96</td>
<td>-300</td>
</tr>
<tr>
<td>96/97</td>
<td>-200</td>
</tr>
<tr>
<td>97/98</td>
<td>100</td>
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<tr>
<td>98/99</td>
<td>200</td>
</tr>
<tr>
<td>99/00</td>
<td>100</td>
</tr>
<tr>
<td>00/01</td>
<td>50</td>
</tr>
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WHTproFEB
Final US Wheat Demand vs USDA Feb Outlook Forecast

mmt

95/96  96/97  97/98  98/99  99/00  00/01
-200  -150  -100  -50   0    50   100   150   200
Change in WK from 1st Day of USDA Feb Outlook Forum to 2nd & 4th Day After Opening

cents/bu.

Day after opening
4th day after opening

US National Temperature Jun-Aug, 1895-
Thoughts on ’01 US Weather

- Fading La Nina suggests cooler/wetter summer
- Unlike early ‘00, no bullish weather scenarios for ‘01
- Low odds of 3 consecutive years of early corn planting
- No history since 67/68 of 7 consecutive years without record US corn/soybean yields
Corn Outlook

Corn Outlook
CZ Range From High to Low
Feb Through July

2001 range (6 ½ cents) since Feb 1
Weekly May Corn

Long Term Uptrend Forming

May Corn Daily

Uptrend persists through Spring but adverse weather needed for breakout above $2.40
Wheat Outlook
World Ending Wheat Stocks vs. Wheat Stocks Held by Major Exporters

MMT

- World Wheat Ending Stocks
- Major Exporters

‘01/02 Forecast = Refco Feb forecast
WN Range From High to Low Jan Through July

Date of price higher on top of bar
Spring Rallies in WN

Footnote: Rally start and end dates on top of each bar.
Spring low at base of bar.
Monthly March Wheat

Need close above $3.00 for move to $3.30-3.50 area

Weekly March Wheat

Wide base-building & trading ranges with near term resistance at $3.00 and support at the $2.60 level
PRC Update

- Wide range of estimates on level of PRC grain stocks
- Public & private estimates of grain exp/imp unreliable
- Do shrinking wheat stocks portend higher ’01/02 imports?
- Will Beijing disenfranchise northeast China corn farmer?
Drought fears & strong demand of early ’00 are absent

CZ $2.40-$2.45 value area; start hedging @ $2.65

KWN support $2.80-3.00; start hedging @ $3.40 KWN

Markets vulnerable to weather adversity

Funds will reinitiate corn long before Spring

Wheat lows likely June vs. Sept in ‘00

Slowing GDP growth reduces odds of unexpected demand
Trade Ideas

- Buy CZ & sell WZ: objective 55 cents
- Buy KWN & sell WN: objective 57 cents
- Buy SMN & sell BON: objective 30%
- Sell SX @ $5.00: objective $4.40
- Buy 3 CN & sell 2 SMN after April 1
Duration of Current Downtrend in Grain Prices v. Prior Periods of Extended Price Weakness

- **Soybeans**: 5/97-
- **Corn**: 7/96-
- **Wheat**: 10/80-5/88

<table>
<thead>
<tr>
<th>Months</th>
<th>Soybeans</th>
<th>Corn</th>
<th>Wheat</th>
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<tbody>
<tr>
<td>6/88-7/93</td>
<td>5/97-</td>
<td>7/96-</td>
<td>3/96-</td>
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<td>7/88-11/93</td>
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</tr>
<tr>
<td>10/80-5/88</td>
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Price Implications of LDP

- Producers maximize planted area as payments are based on production
- Producers that haven’t taken LDP and/or have grain under loan are indifferent to price signals
- Larger quantities LDPed at harvest increases free supplies and farmer willingness to sell on small rallies
- Deferred futures over loan unlikely to earn carry if adequate old crop stks & normal weather
- Large S. America bean crop not as bearish as large US bean crop (those without LDP must market smarter)