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A Pulse From the Prairie

*USDA 84th Agricultural Outlook Forum
Feb. 22, 2008*

Dr. Cole R. Gustafson
Mr. Andrew Swenson
Dept. of Agribusiness
North Dakota State University

Everyone is Smiling!

- Rising crop prices fueled optimism in '07
- However, much of '07 crop priced early
- Real increases in gross revenue in '08



And It Will Likely Continue

- New technology to increase competitiveness of Northern Plains (new hybrids, traits, technology, bio-fuel crops)
- Exchange rates rapid increase



Canadian Exchange Rate

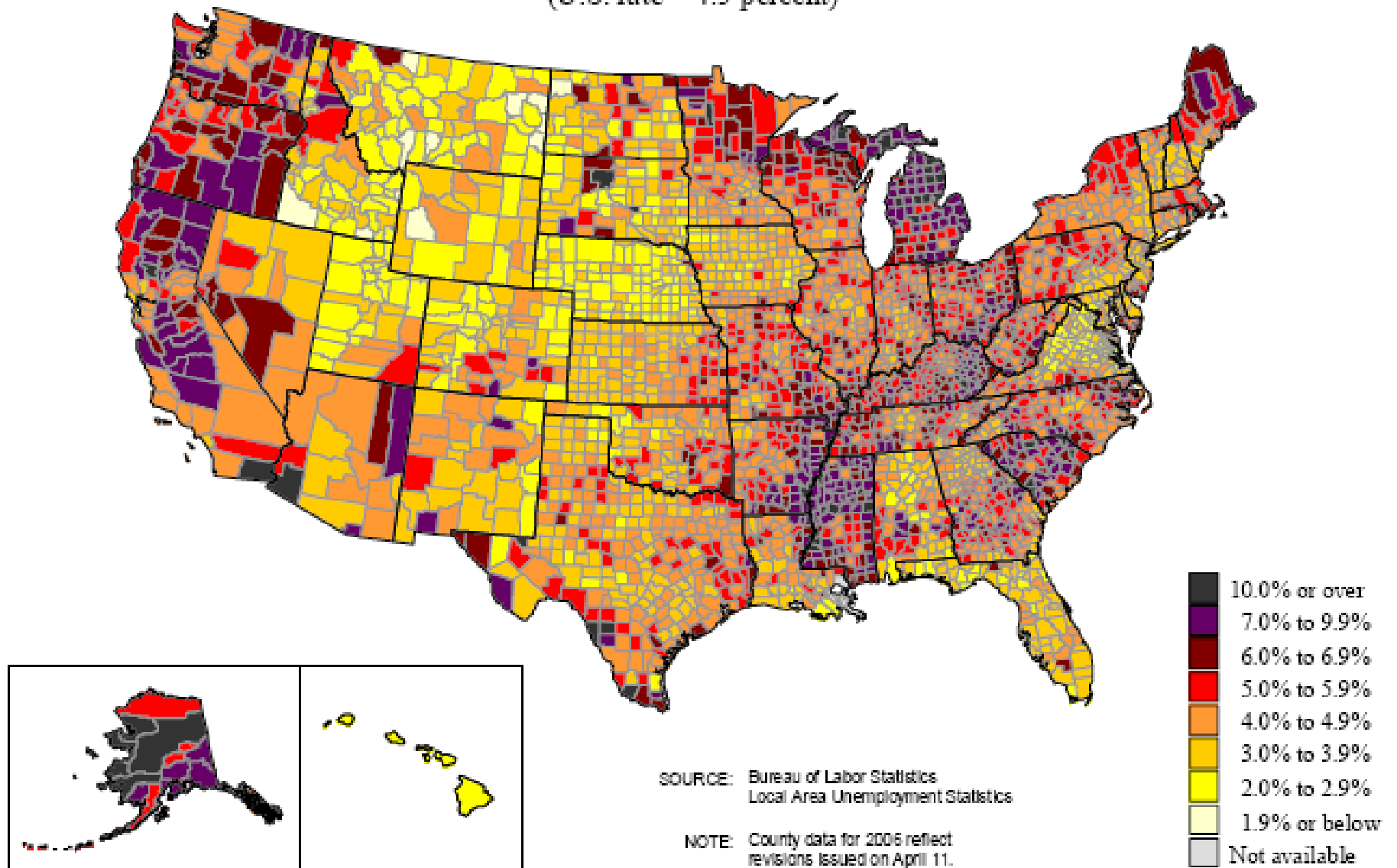


Rural America Thriving

- Strong agriculture and oil sectors
- Canadian shoppers have returned
 - 36% of Grand Forks, ND shoppers are Canadian
- Plains region less affected by sub-prime mortgage mess

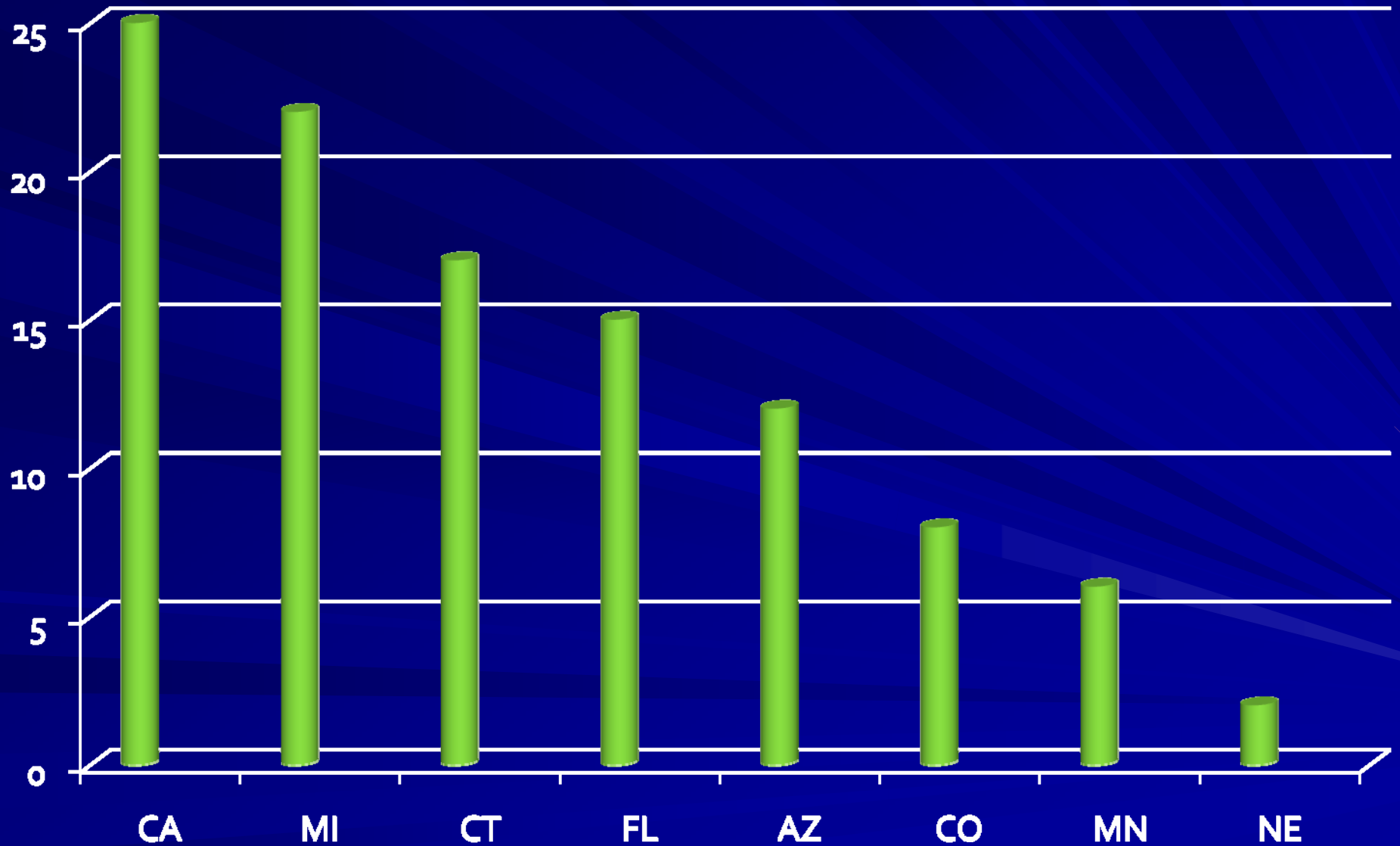
Unemployment rates by county, September 2006 - August 2007 averages

(U.S. rate = 4.5 percent)

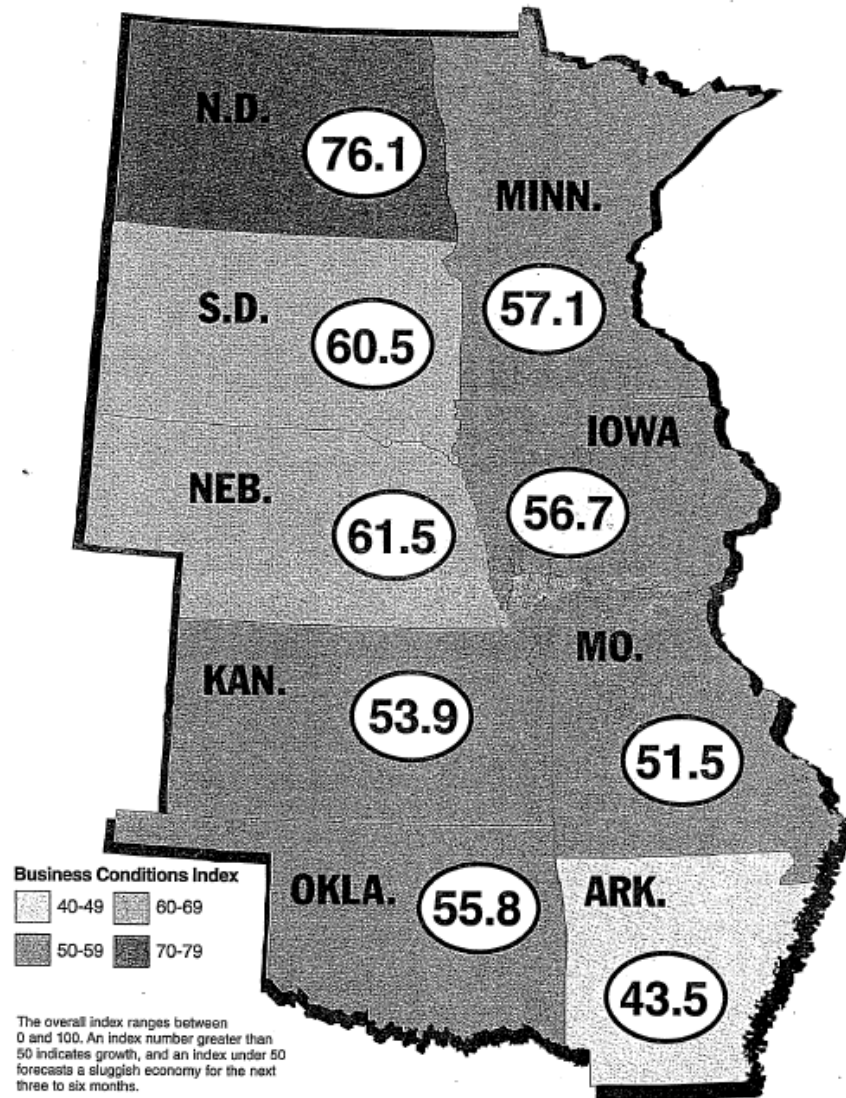


Moody's – Peak to Trough House Price Drop

Percent



State's Business Conditions Index rises to highest in the region



Profit Tug of War

Revenue

Costs



Rising Costs in '08

| | |
|------------------|----------|
| ■ Fertilizer | +50% |
| ■ Seed | +50-300% |
| ■ Crop Insurance | +10-20% |
| ■ Land | +15% |

MACHINERY AUCTION SALE PRICES SKYROCKETING!

Honestly, I've NEVER seen the used equipment market this RED HOT.



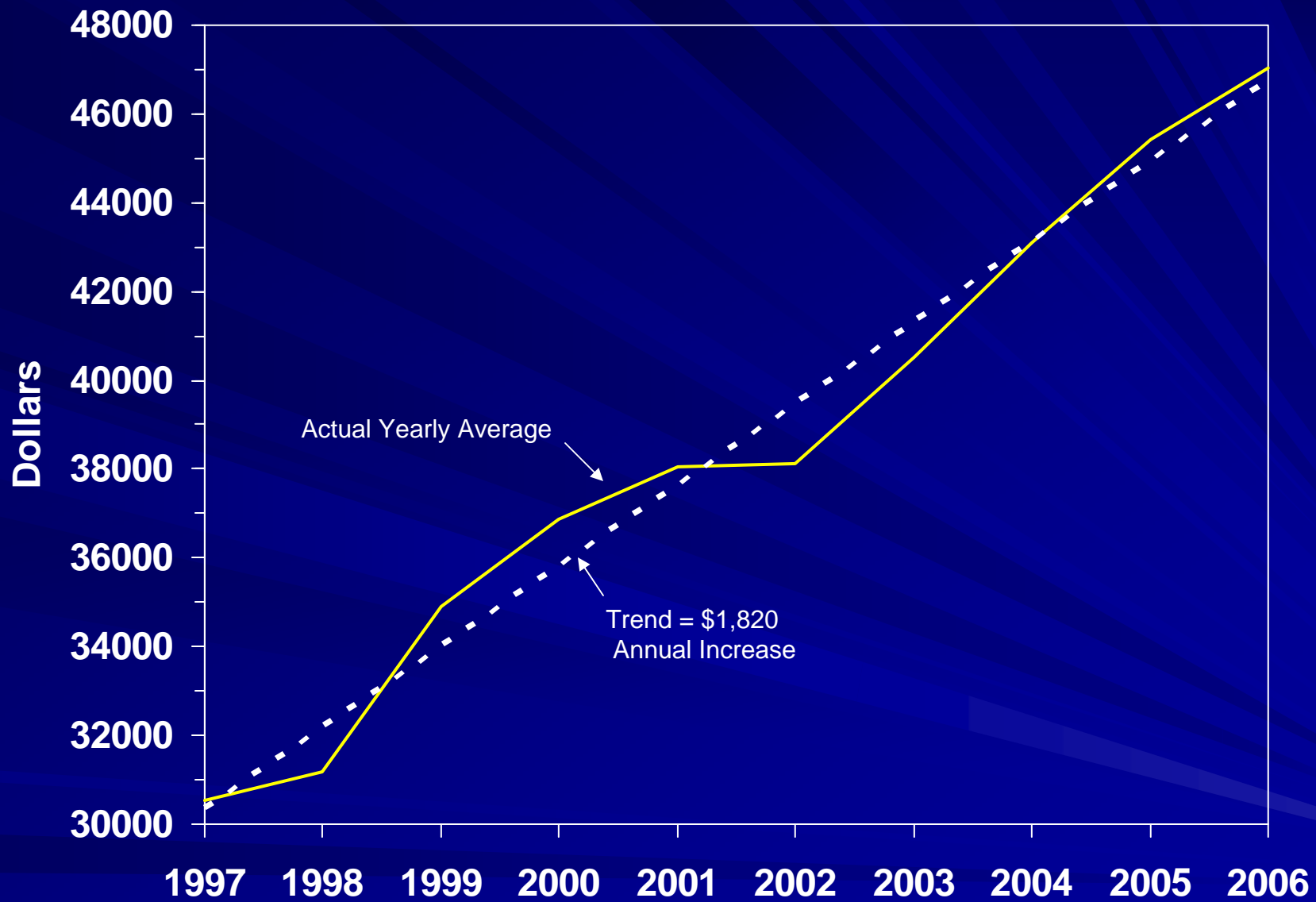
used equipment values have shot up
10-15% here in late 2007
Machinery Pete, 12/19/07

Future Concerns

- Entire cost structure of U.S. agriculture is rising, reduce future competitiveness when exchange rates fall
- Large debt pay down, lenders foresee lower volume
- Diesel and seed supply shortage, emergency exemption requests from certification

Future Concerns

- Although profits are higher, farmers assuming more risk
 - Malt barley, durum, and camelina contracts are now tied to futures, not fixed price
 - Fertilizer prices for spring were only available late December.
 - Elevators struggle with margin calls as farmers contract
- Labor shortage
- Household expenses rising to new plateau

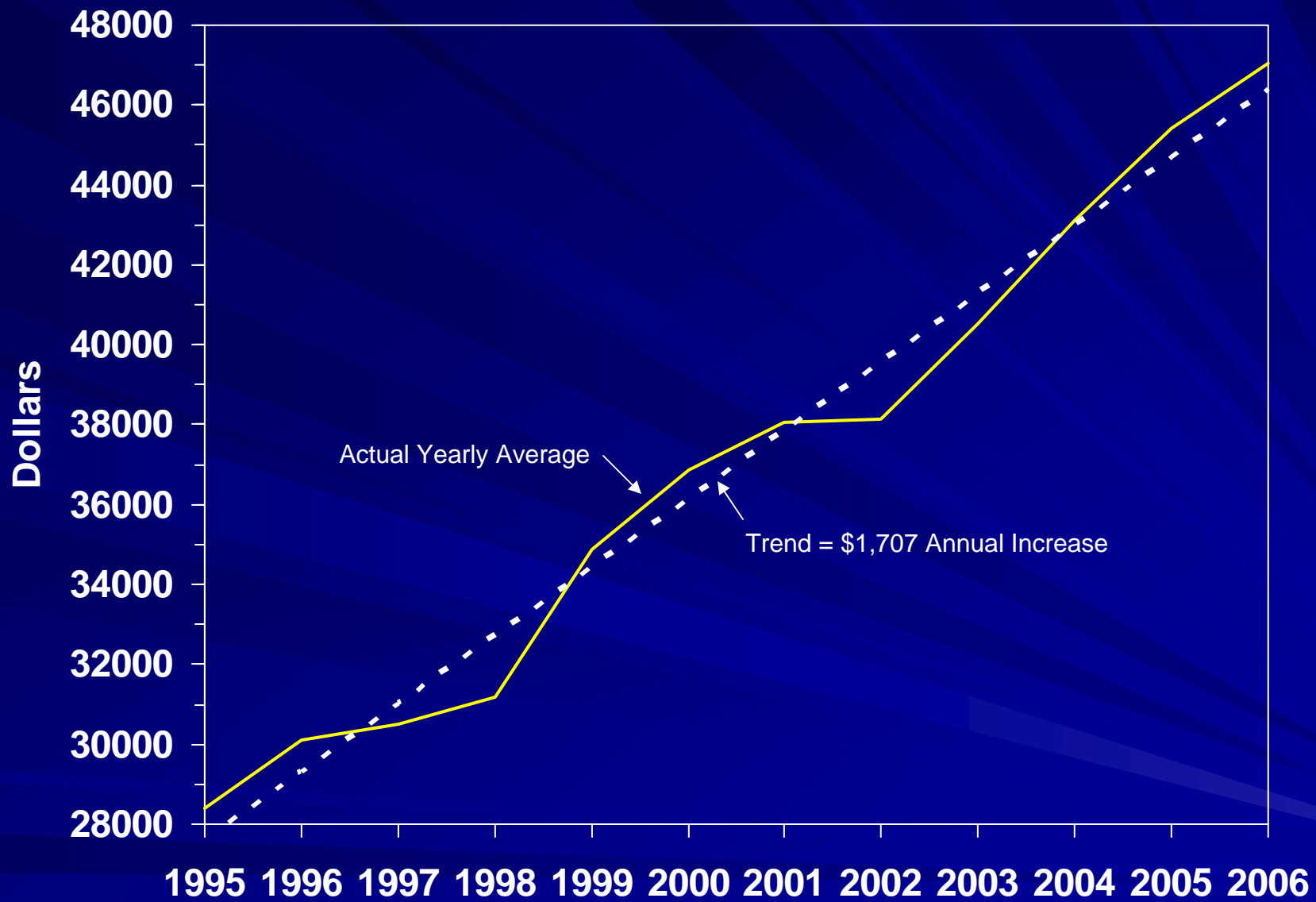


Family Living Expense, ND Farm Bus. Mgmt

**2006 Average Family Living Expenses
N.D. Farm Business Mgmt Program**

| Family Living Expenses | | Percent of Total Expense |
|-----------------------------------|------------------|-------------------------------------|
| Food | \$ 6,879 | 15 |
| Shelter, supplies, furnishings | 6,978 | 15 |
| Clothing | 1,774 | 4 |
| Medical care and health insurance | 8,437 | 18 |
| Vehicle operation and purchase | 5,143 | 11 |
| Utilities | 2,200 | 5 |
| Education | 1,654 | 3 |
| Contributions and gifts | 2,525 | 5 |
| Personal purchase and recreation | 6,959 | 15 |
| Life and other personal insurance | 1,947 | 4 |
| Non-farm interest expense | 956 | 2 |
| Other | 1,582 | 3 |
| Total | \$ 47,031 | 100 |

Questions?



Family Living Expense, ND Farm Bus. Mgmt