

Summary Outlook for FY 2009 AgExports

Global Grain Market: Increased Competition

Global Recession: Weaker Demand, Lower Prices, Stronger Dollar

1) Increased Competition in Global Grain Markets

□ Large foreign exportable wheat supply, the result of record exports from Russia & Ukraine, Europe's crop recovery and a larger Australian crop, and reduced grain demand (esp. EU demand) force sharp decrease in wheat & coarse grain prices and US shipments

2) Global Financial & Economic Crisis

□ US financial crisis spread to Europe/Russia (less impact elsewhere); credit mkts prove difficult to unfreeze; deleveraging financial institutions & households takes time

□ World GDP contracts 2.5-3.0% in 2009 (2005-07 = +3.8%): recession in nearly every country; emerging mkts slow from +7.3% (3-yr avg) to near zero

□ Emerging mkts threatened as trade slows, commodity prices fall & currencies adjust

□ Fiscal policies cushion downturn in US and China; many countries have large reserves

FY 2008 to FY 2009: All Categories Decline Except Horticulture

□ Grain & feed (-) \$12.7 billion to \$26.5 billion – vol declines account for over half

□ Oilseeds (-) \$2.9 billion to \$20 billion – **soybeans rise to record 33.7 mmt**, but prices fall

□ Cotton (-) \$1 billion to \$3.8 billion – volume & price declines

□ Animal products (-) \$3.7 bil to \$18.4 billion – dairy (-) \$1.8 bil, fats & oils (-) \$520 mil, hides & skins (-) \$480 mil, pork (-) \$465 mil, broilers (-) \$270 mil

□ **Horticulture prods (+) \$700 million to record \$21.5 billion**, but slowest growth in 7 years