The University of Georgia

“Markets in Transition”
East District Agent Update
February 16, 2007

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University of Georgia

Ethanol and the Corn Market

Comparison of 2007 Dryland Crops Costs and Returns

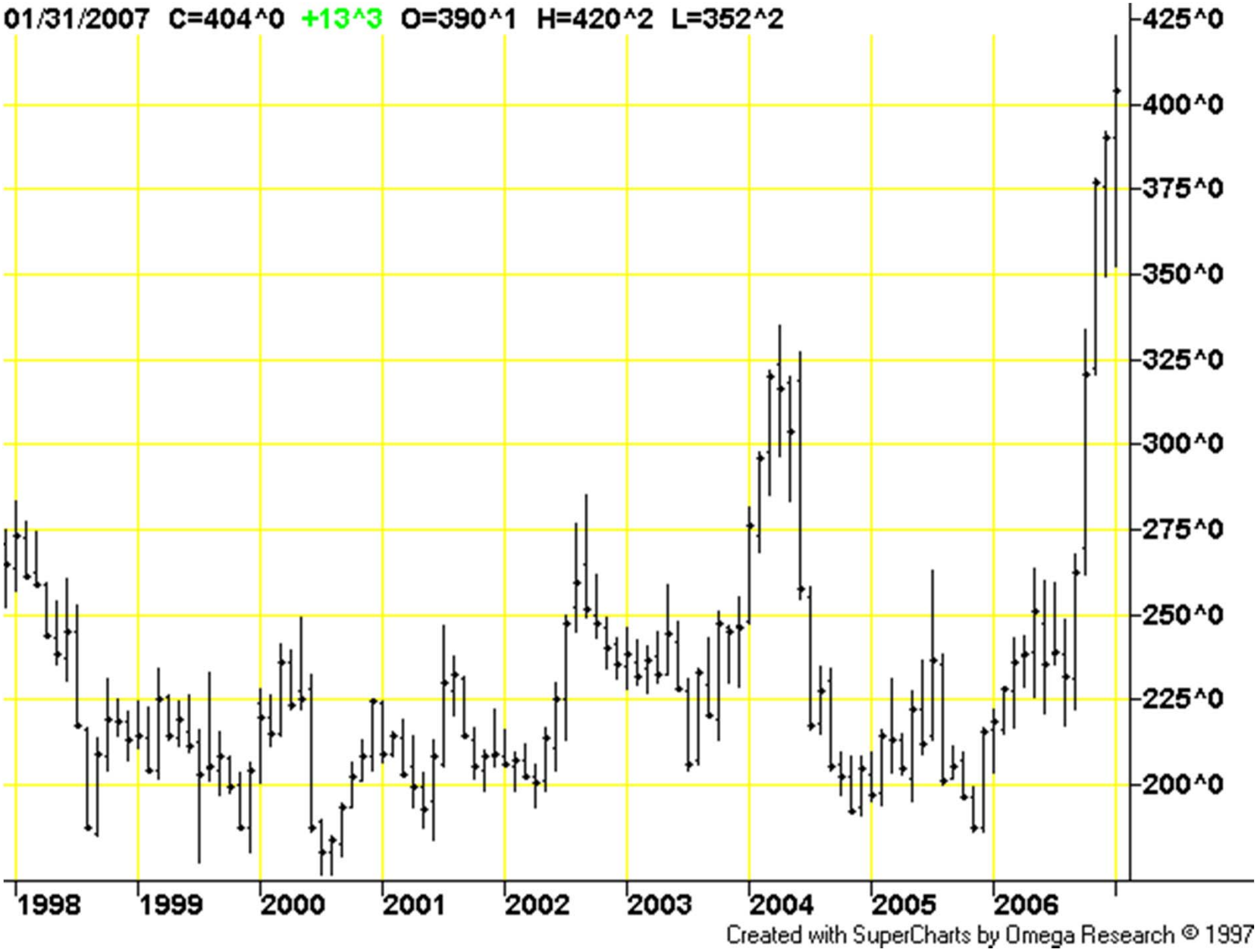
	2007 Exp Price		Exp Yield		Income	Variable Cost	Return Over VC
Corn, Conv Variety, Dryland	$3.90		85		$332	$200	$132
Cotton BT/RR, Dryland	$0.60		700		$420	$380	$40
Peanut, Dryland	$415.00		2700		$560	$429	$131
Soybean RR, Dryland	$6.75		30		$203	$178	$25
Wheat/Cotton	$4.00	$0.60	55	575	$565	$530	$35
Wheat/Soybean	$4.00	$6.75	55	24	$382	$328	$54

Comparison of 2007 Irrigated Crops Costs and Returns

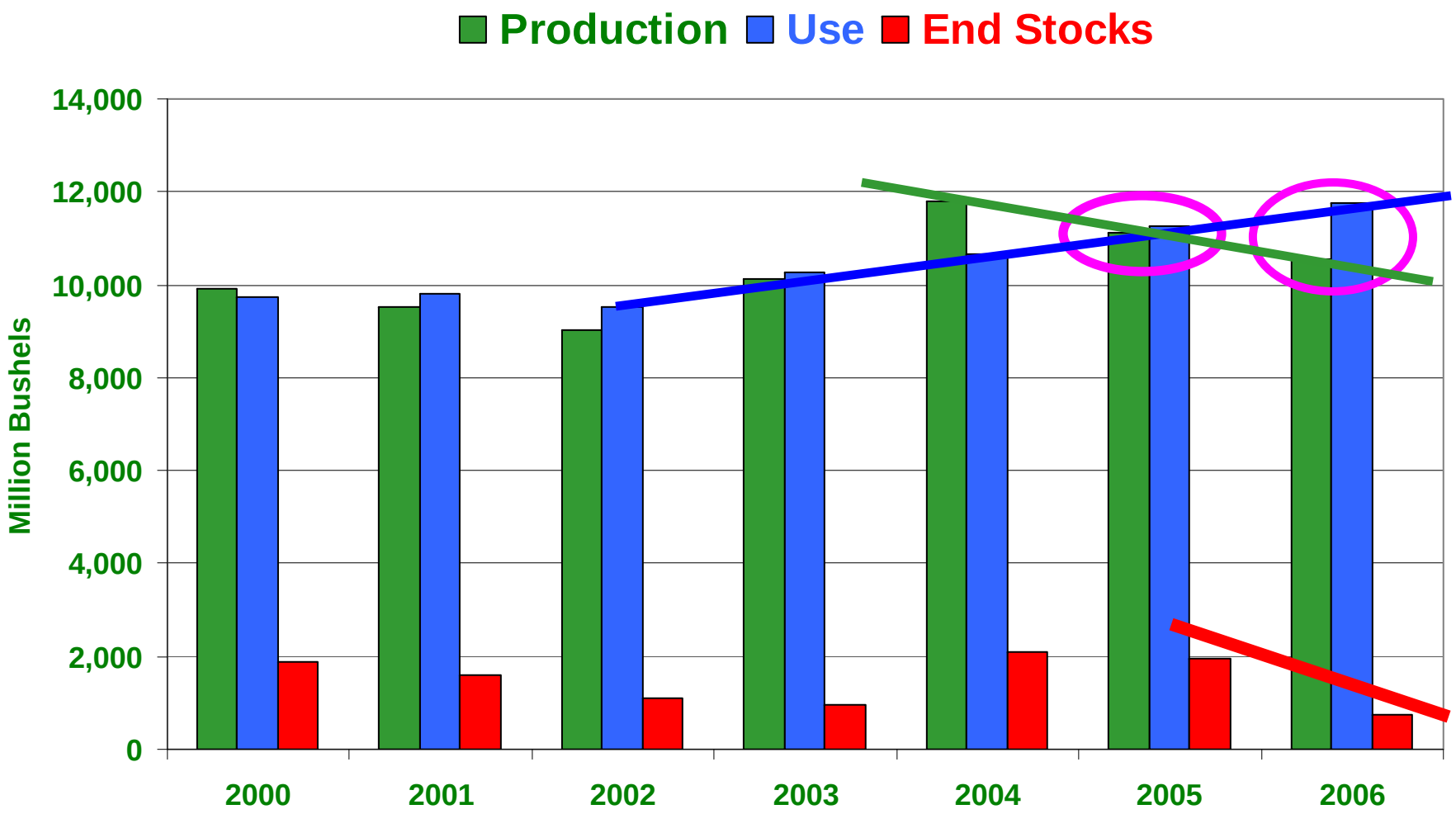
	2007 Exp Price		Exp Yield		Income	Variable Cost	Return Over VC
Corn BT Variety, Irrigated	$3.90		185		$722	$445	$277
Cotton BR/RR, Irrigated	$0.60		1100		$660	$482	$178
Peanut, Irrigated	$415.00		3700		$768	$529	$239
Soybean RR, Irrigated	$6.75		50		$338	$225	$113
Wheat/Cotton Irrigated	$4.00	$0.60	65	850	$770	$692	$78
Wheat/Soybean Irrigated	$4.00	$6.75	65	40	$530	$435	$95

December Corn Futures

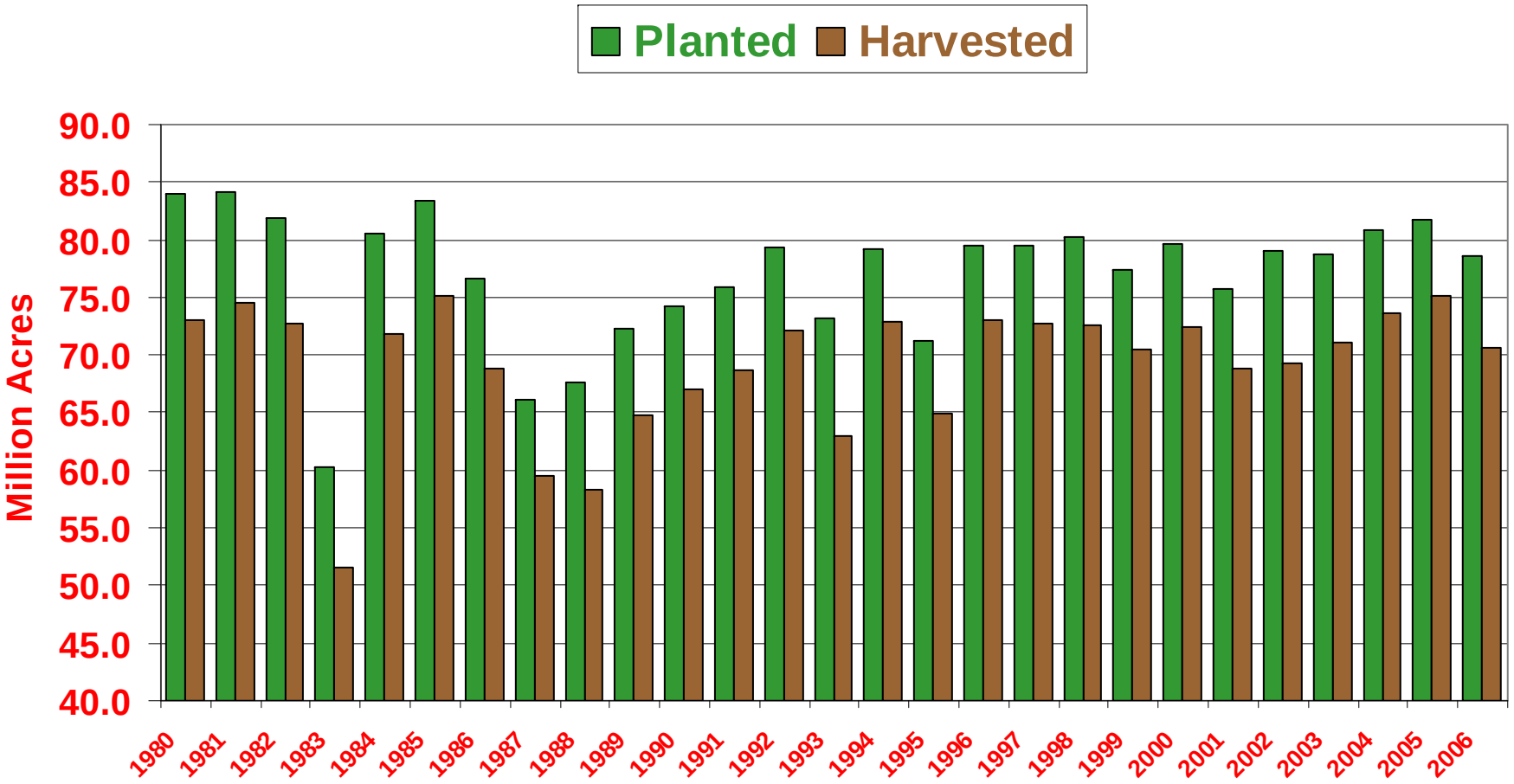
Monthly Corn Futures



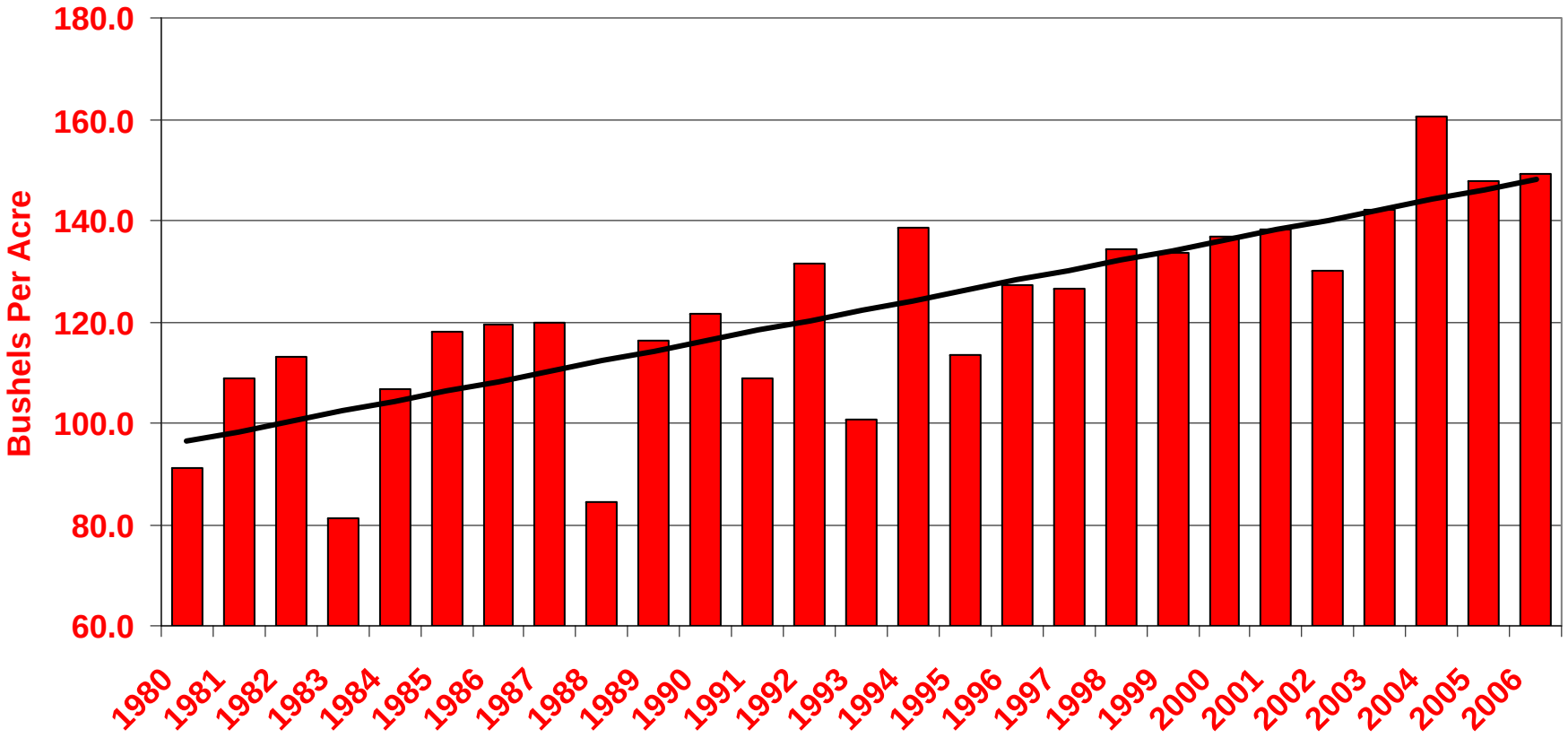
U.S. CORN SITUATION



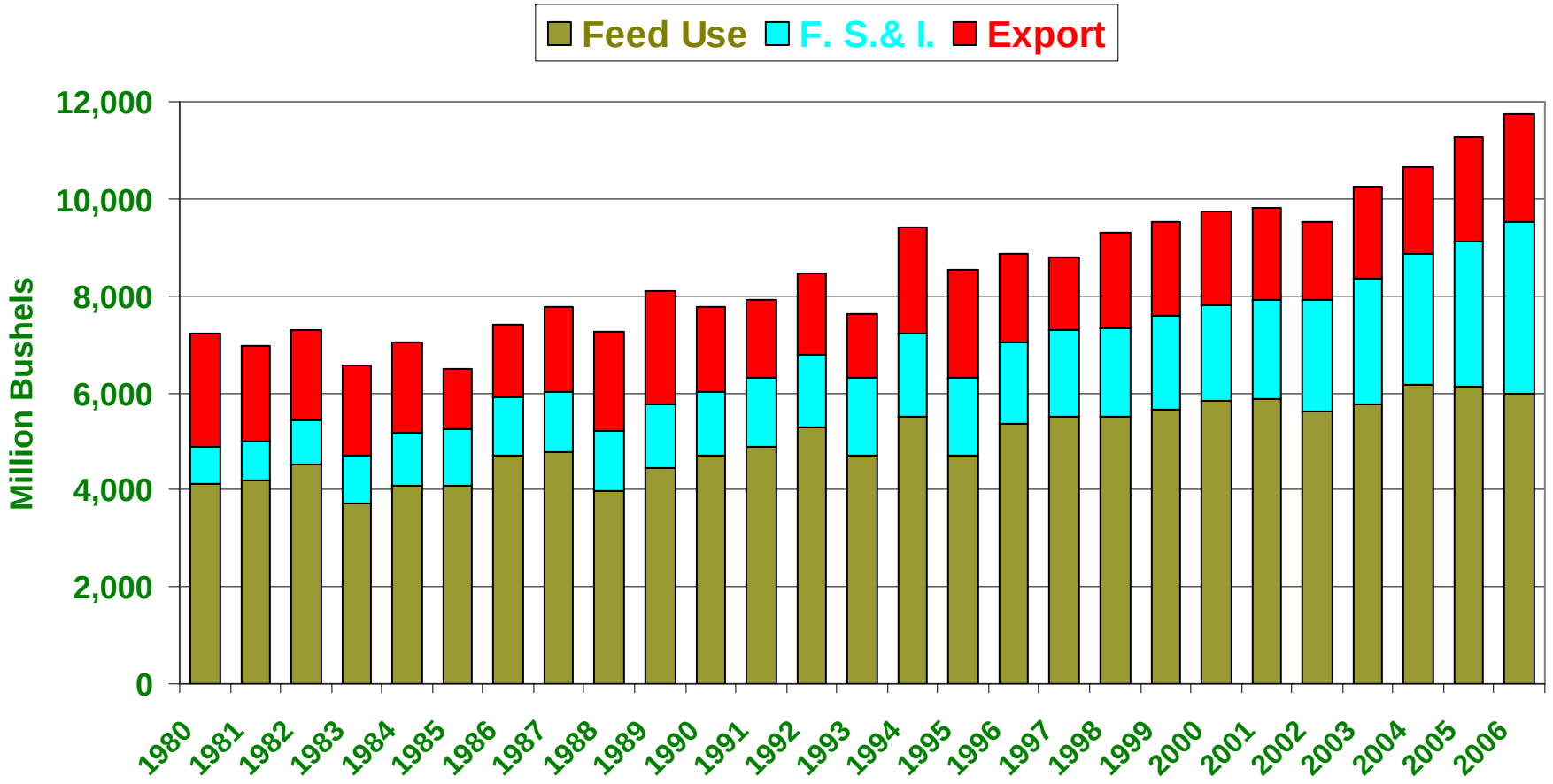
U.S. CORN ACREAGE



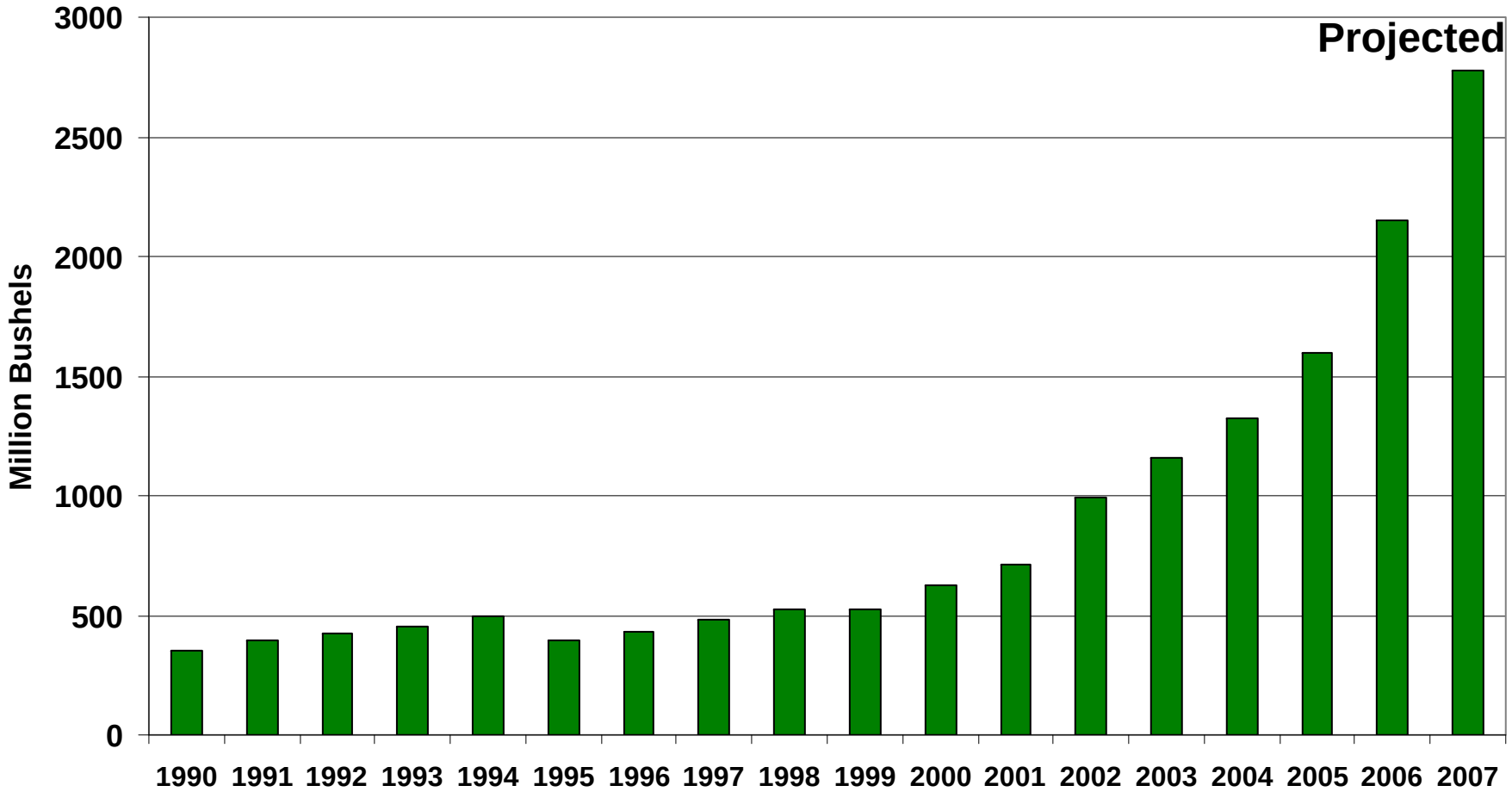
U.S. Corn Yields



U.S. Corn Usage



Corn Used For Ethanol



Photographer unknown

Economics of Ethanol

One bushel of corn yields 2.7 gal ethanol

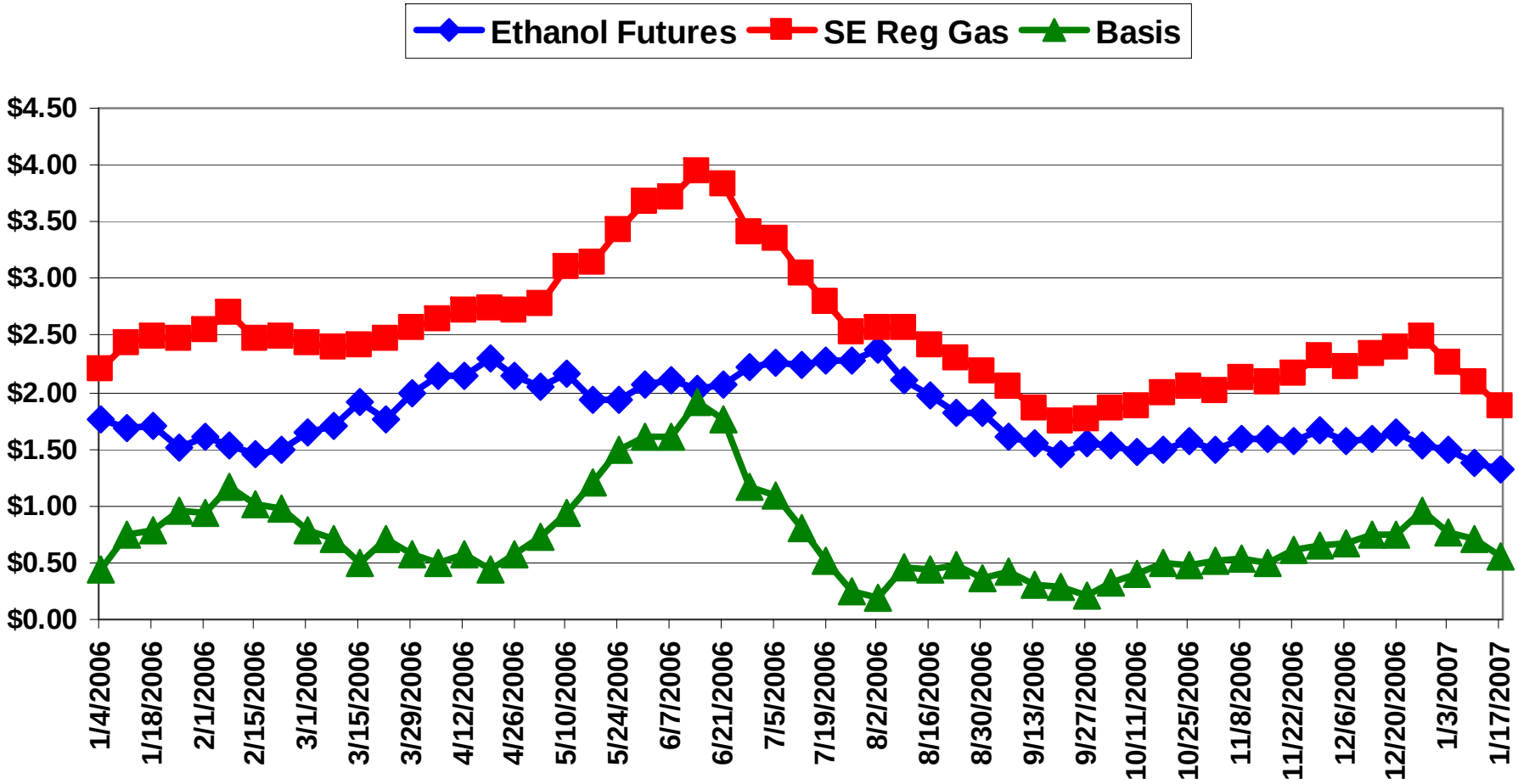
Ethanol Price	$2.06/gal
Ethanol Income	$5.64
DDGS Income	$1.13
Carbon Dioxide Income	$0.13
Corn Cost	$4.04
Process Cost per bushel	$1.89
Net Income per bushel	$0.90
Net Income per gallon	$0.33

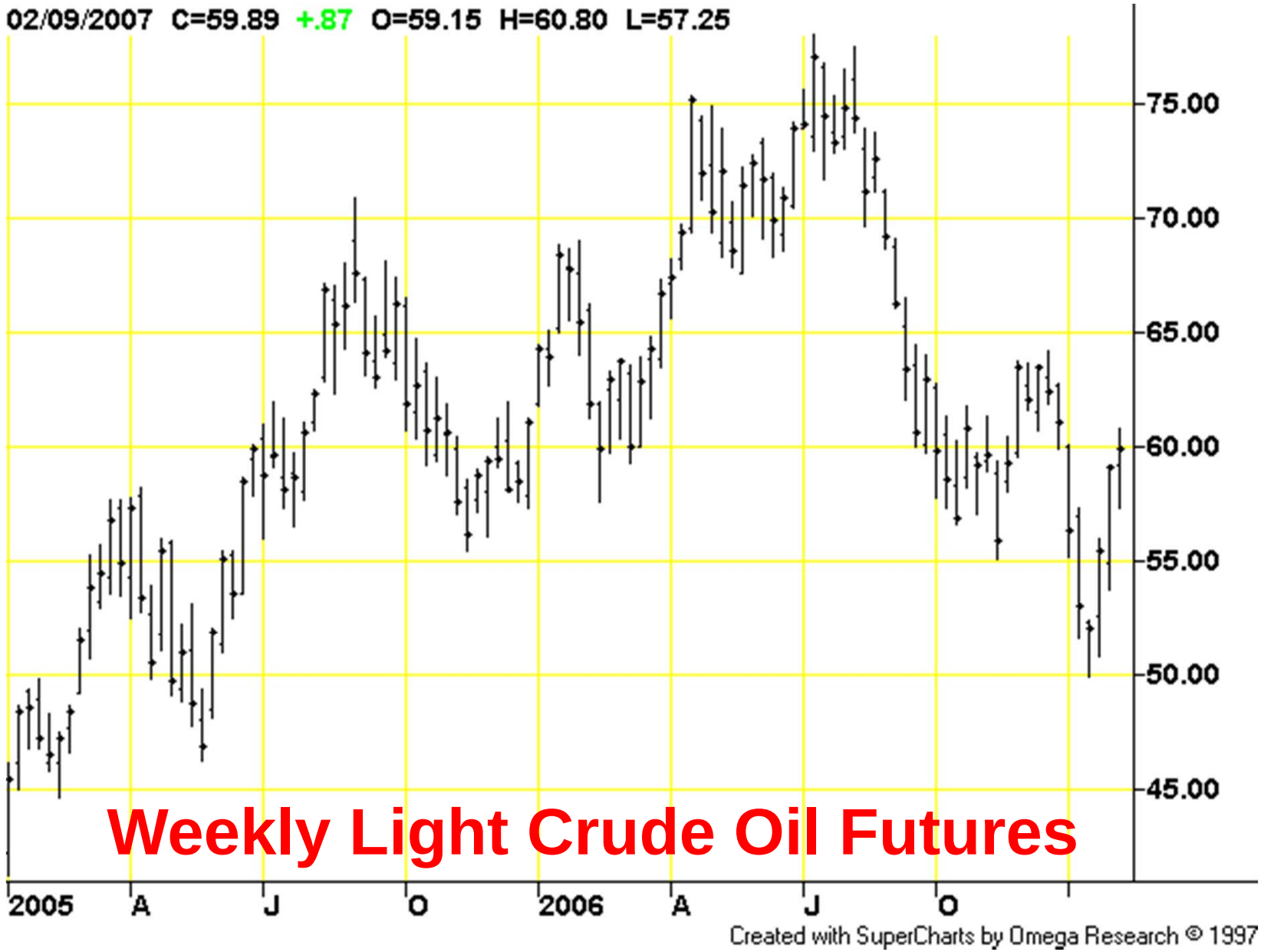
Ethanol Breakeven Matrix

Corn Price	Ethanol Price $1.50	$1.75	$2.00
$2.50	$0.13	$0.38	$0.63
$3.00	-$0.05	$0.20	$0.45
$3.50	-$0.23	$0.02	$0.27
$4.00	-$0.41	-$0.16	$0.09
$4.25	-$0.50	-$0.25	$0.00

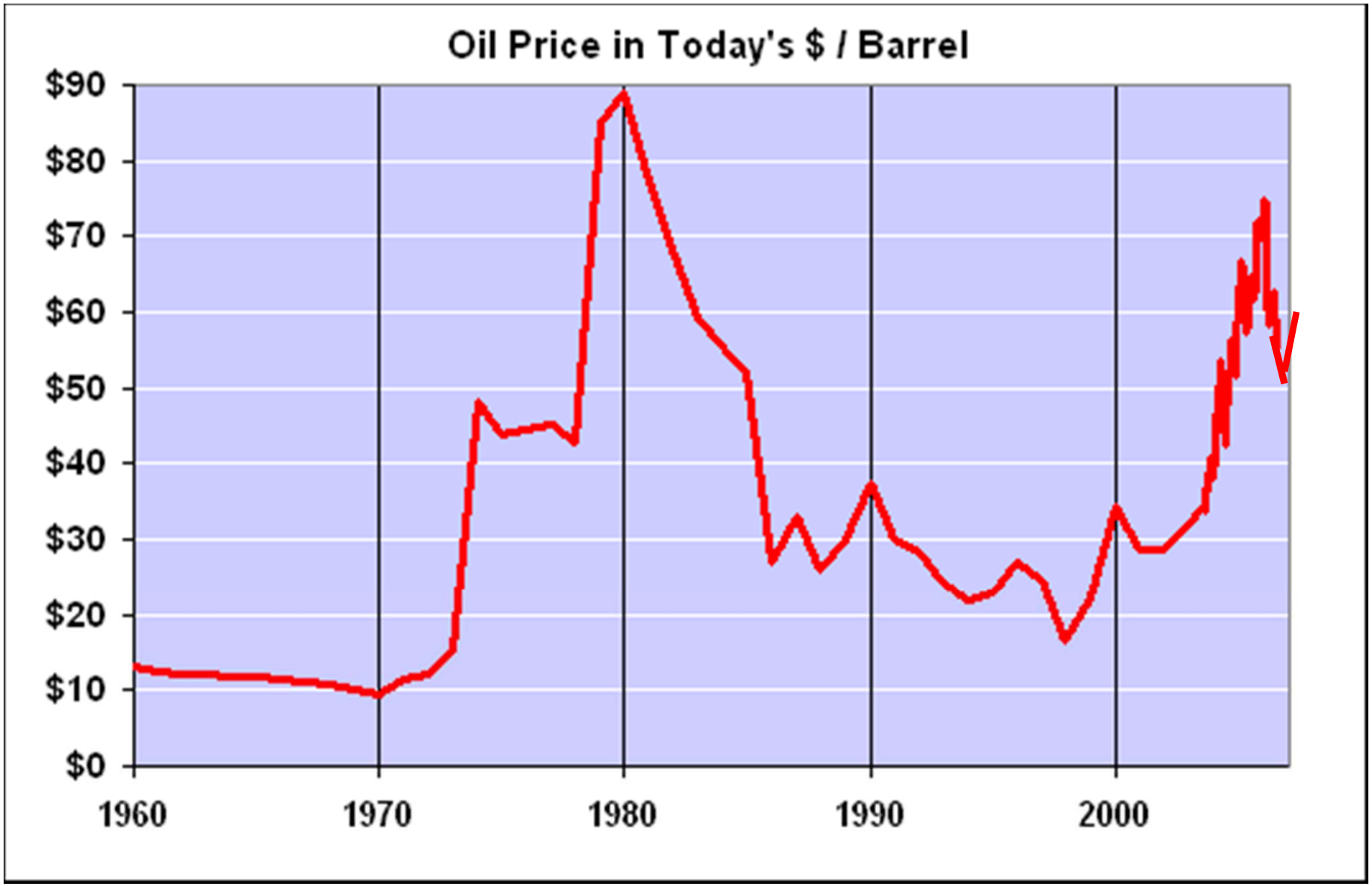
Ethanol Weekly

Ethanol Futures vs Spot Regular Gas

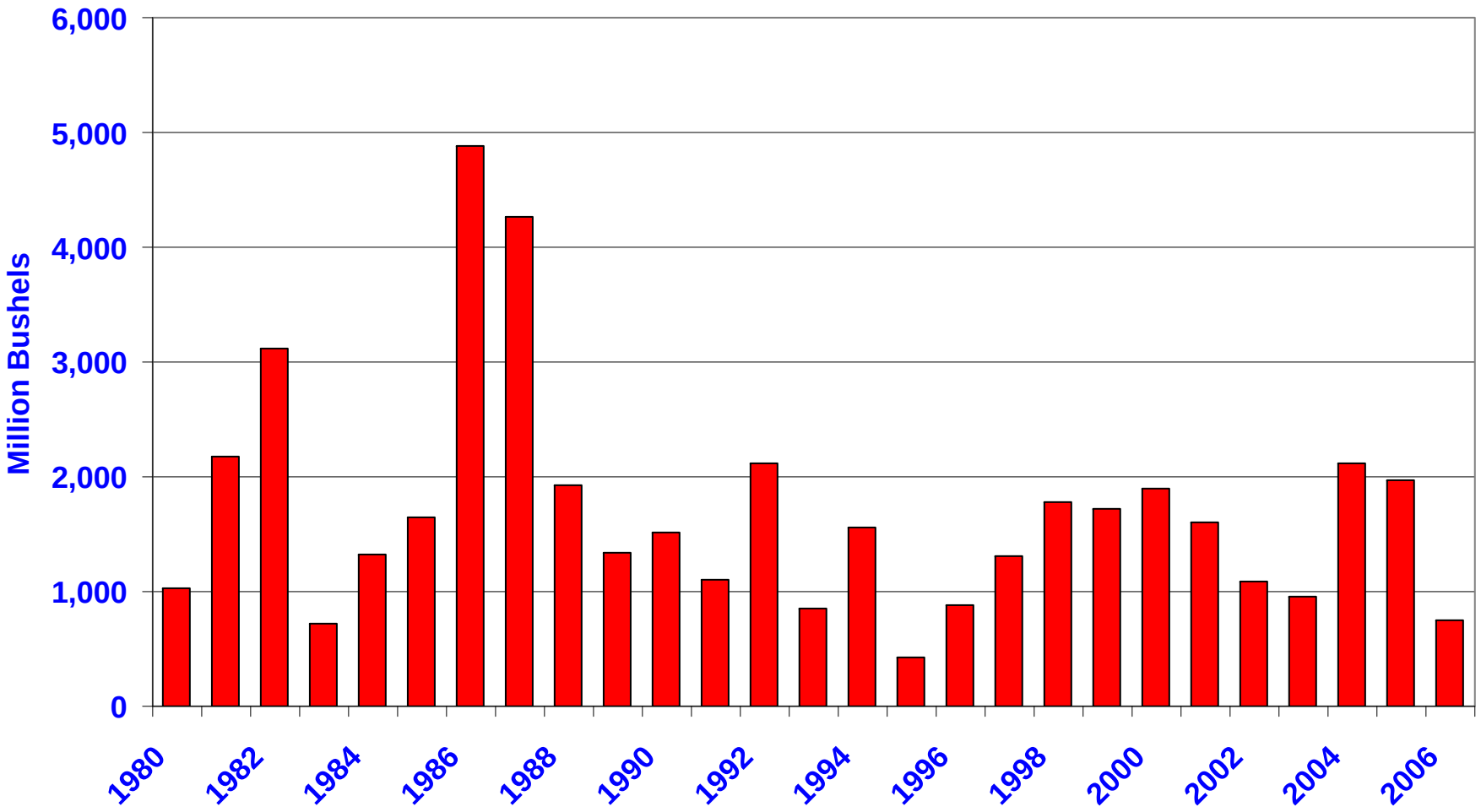




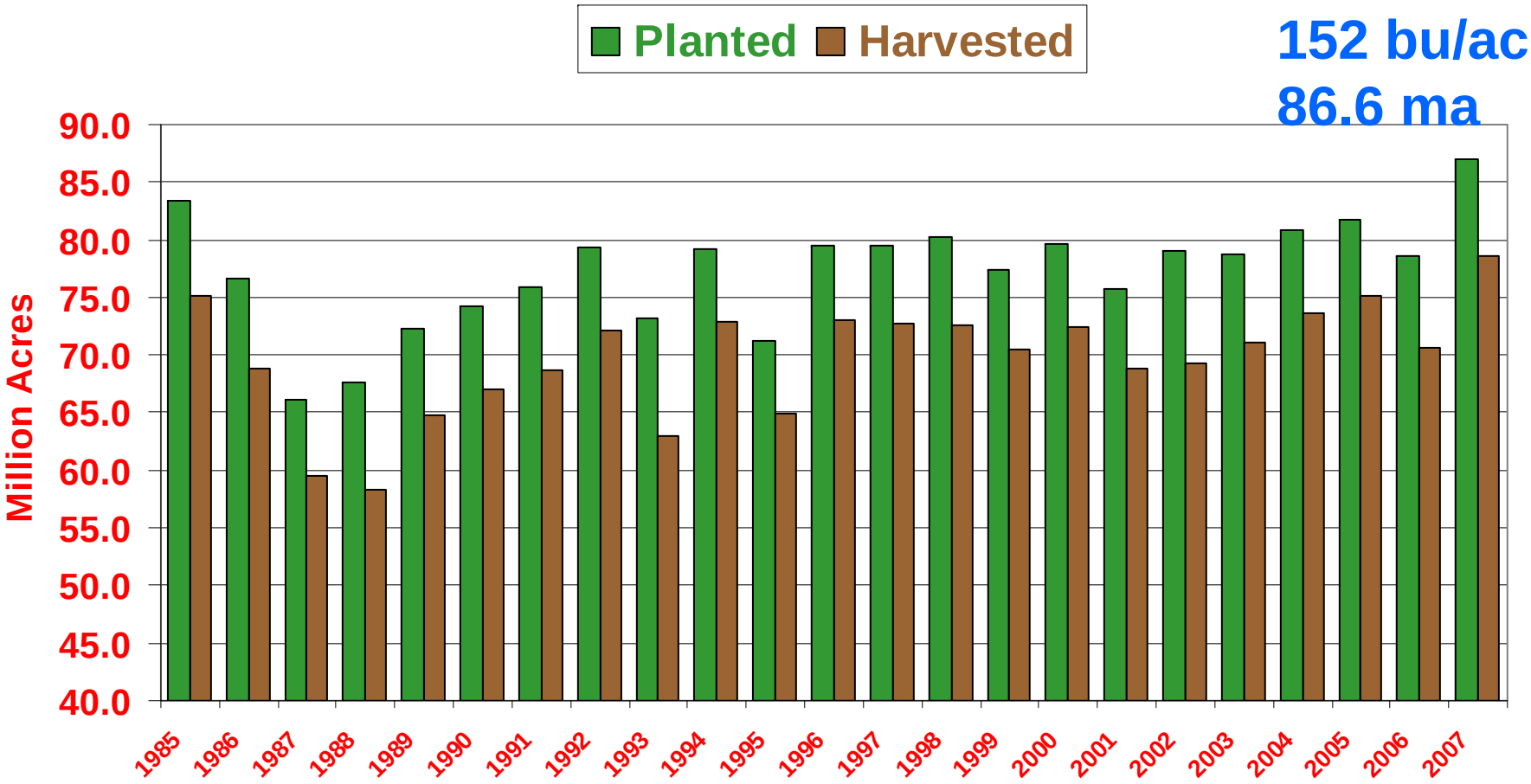
Weekly Light Crude Oil Futures


Oil Price in Today's $ / Barrel
$90
$80
$70
$60
$50
$40
$30
$20
$10
$0
1960
1970
1980
1990
2000

U.S. Corn End Stocks

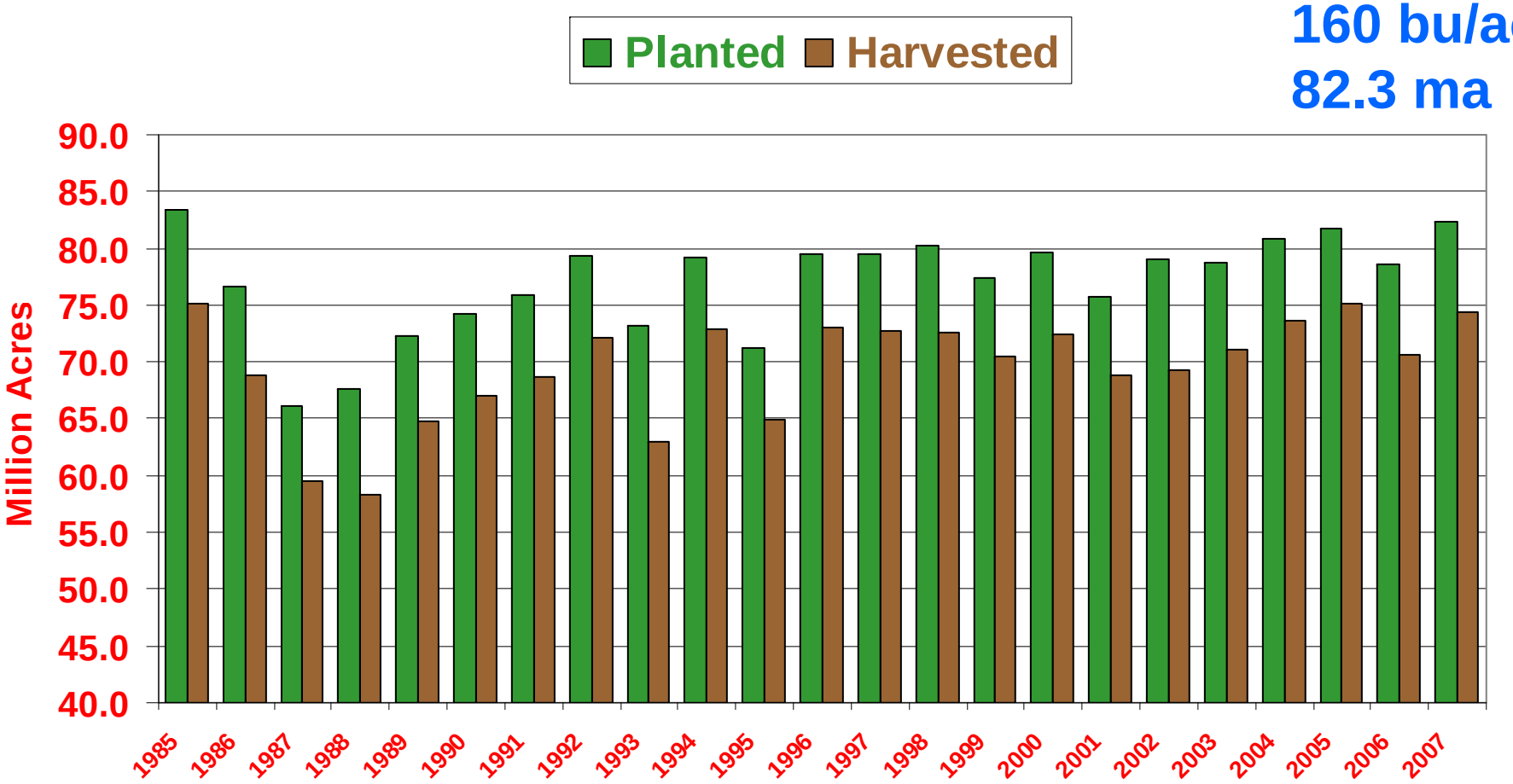


U.S. CORN ACREAGE



U.S. CORN ACREAGE

160 bu/ac
82.3 ma



Where Can We Get 8 Mil. Acres?

Soybeans = 7.5

Cotton = 2.5

Wheat = 0.5

Peanuts =0.25

Total = 10.75

Georgia Corn Situation

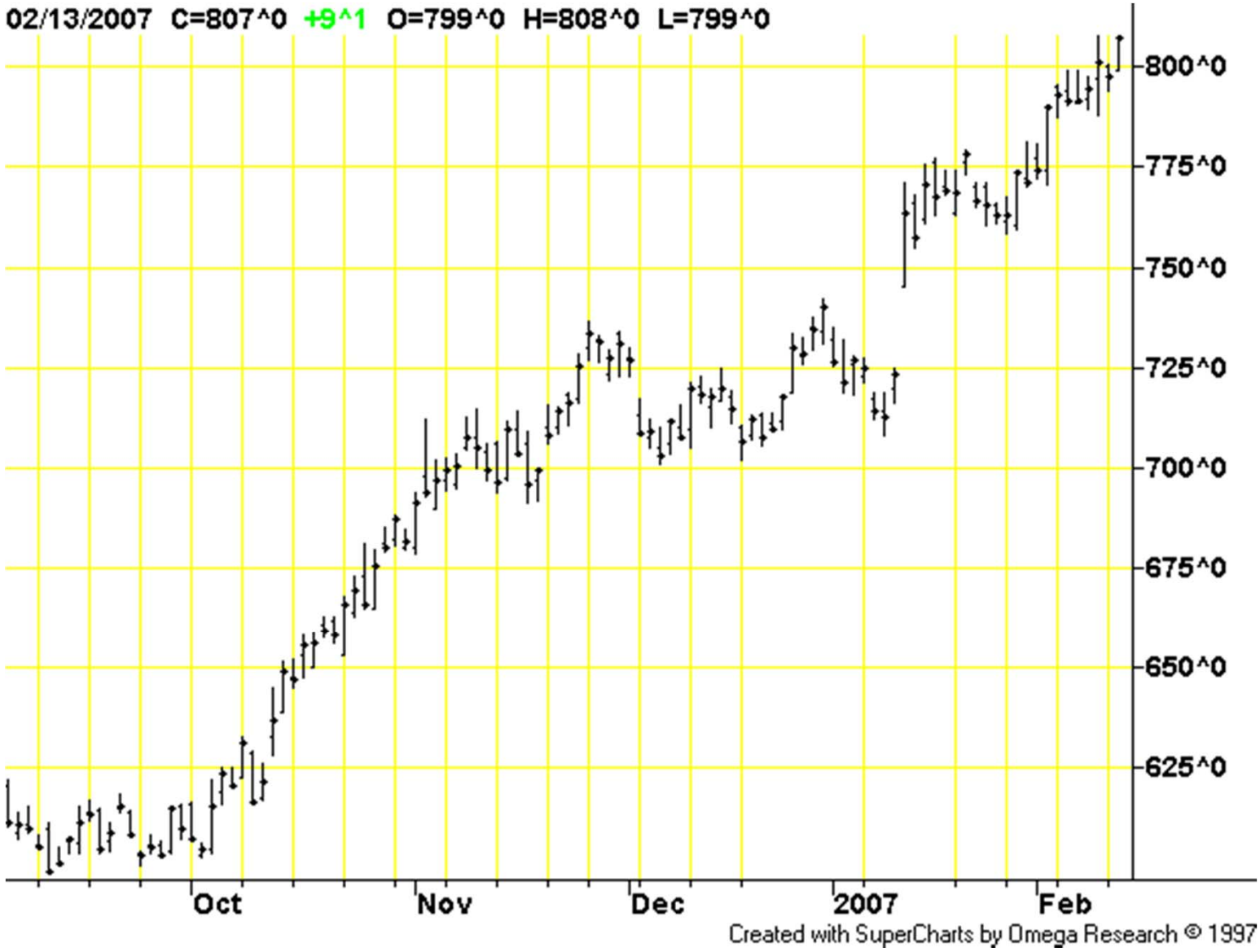
- **2006 Consumption 212.7 mil bu**
- **2006 Production 26.2 mil bu**
- **“Imports” 186.5 mil bu**

100 mil gal Ethanol Plant = @37 mil bu

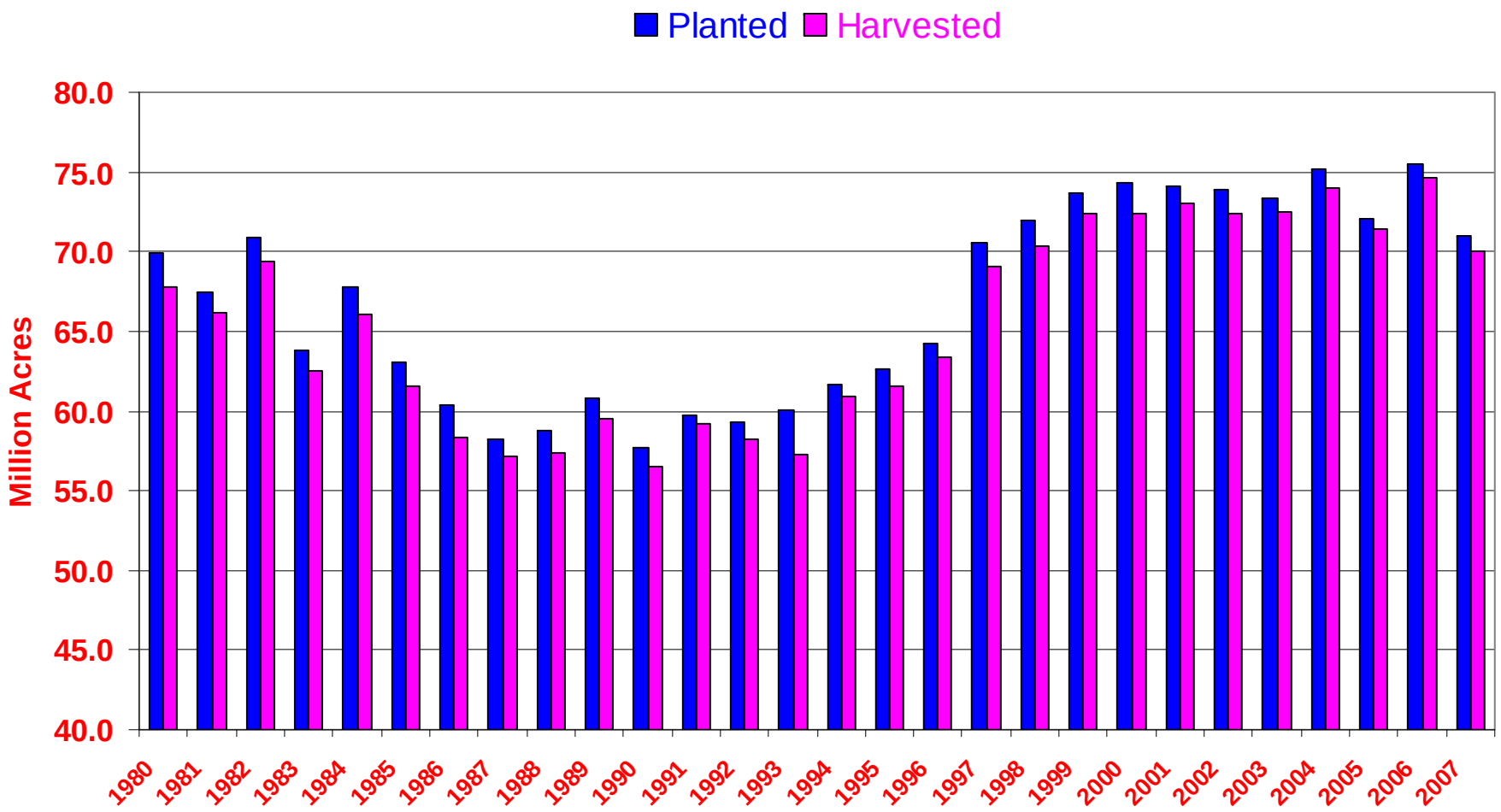
Will produce about 315, 000 tons DDGS

Would need @ 5% of total poultry ration to use it all.

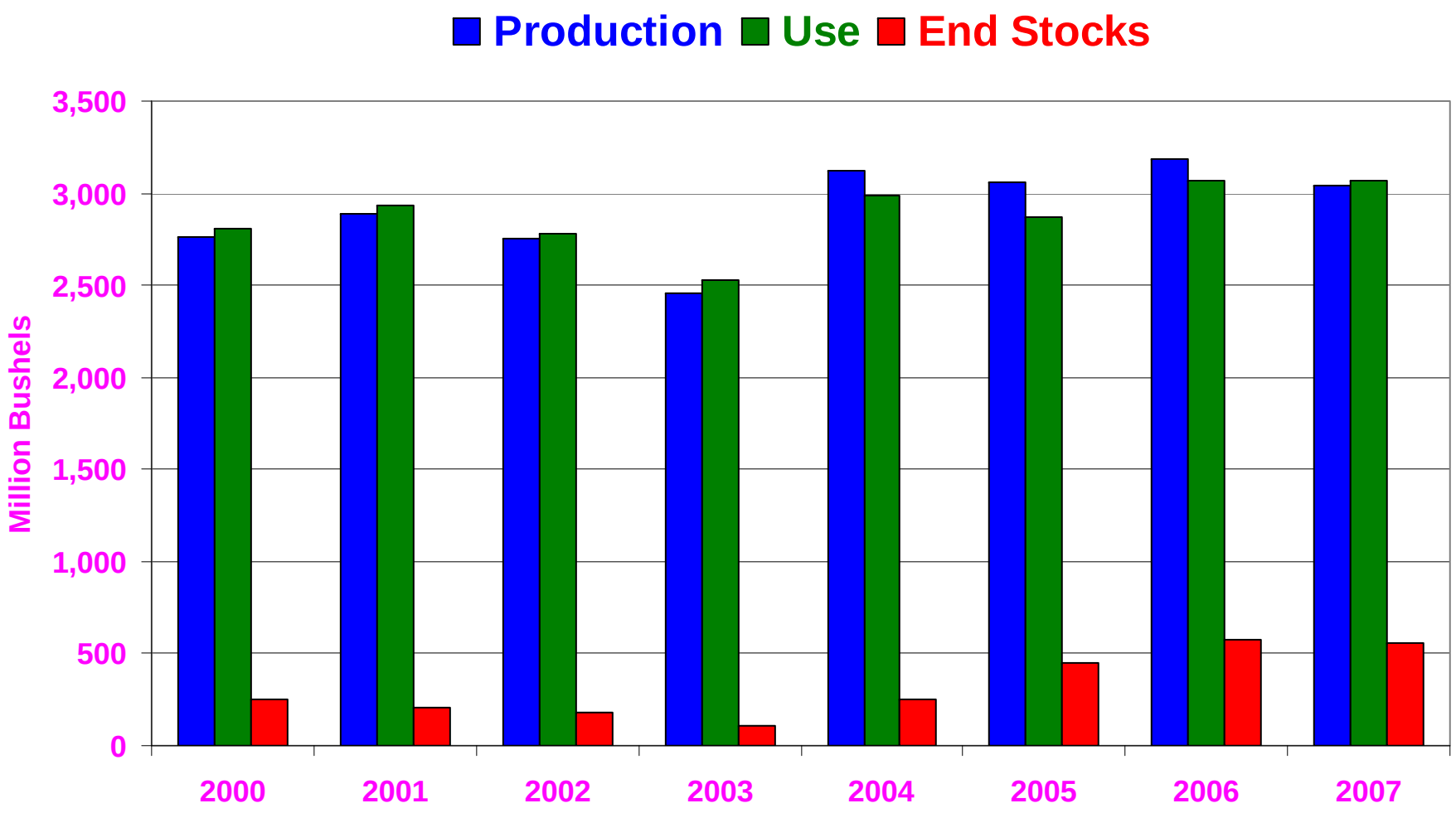
November Soybean Futures



U.S.SOYBEAN ACREAGE



U.S. SOYBEAN SITUATION



Economics of Biodiesel

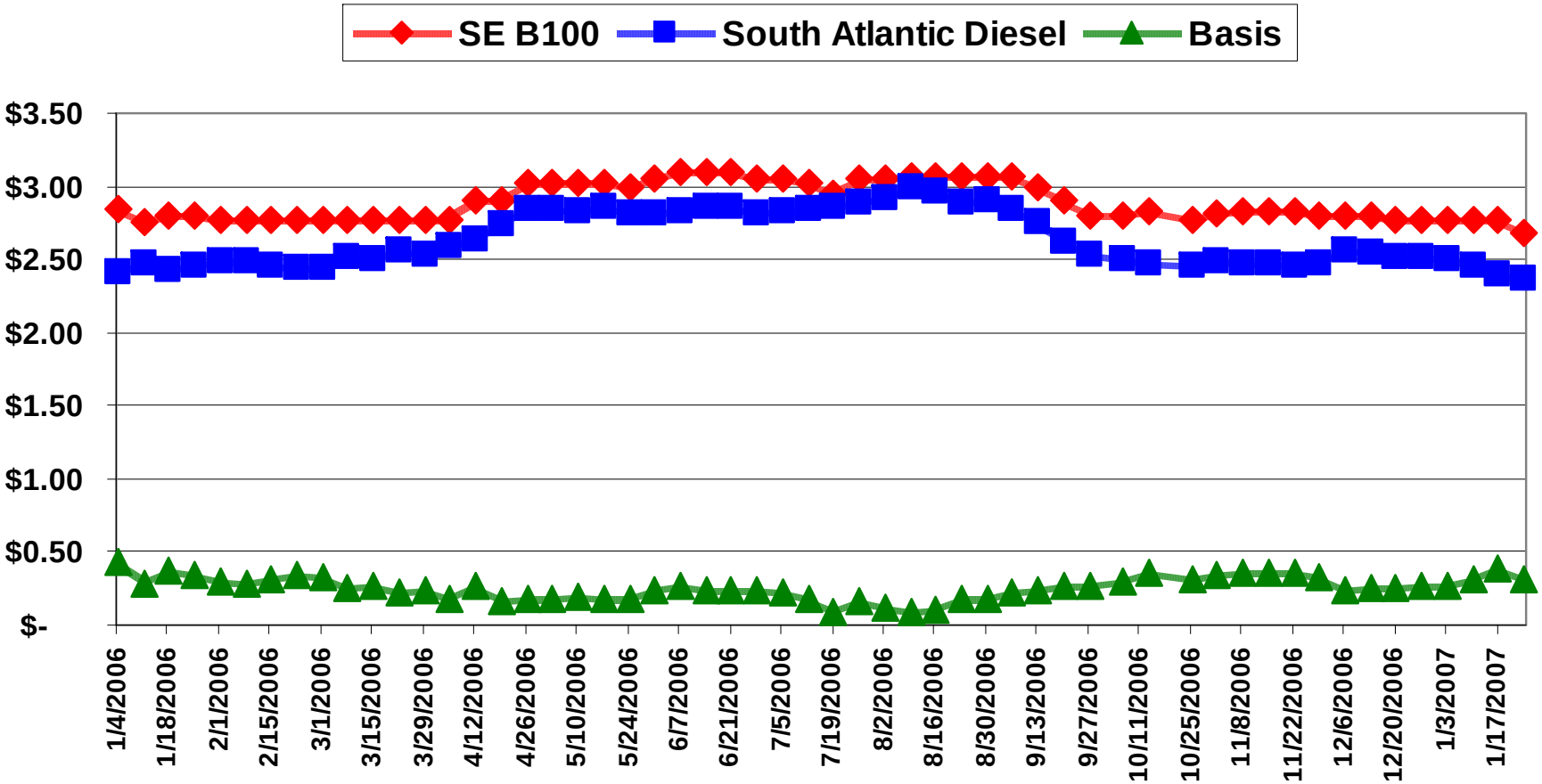
It takes 7 ½ pounds of oil to make one gallon of biodiesel.

Biodiesel Price	**$2.70/gal**
Glycerin Income	**$0.13**
Oil cost @ $.31/lb	**$2.38**
Process Cost	**$0.62**
Total Cost	**$3.00**
Net Income per gallon	**-$0.17**

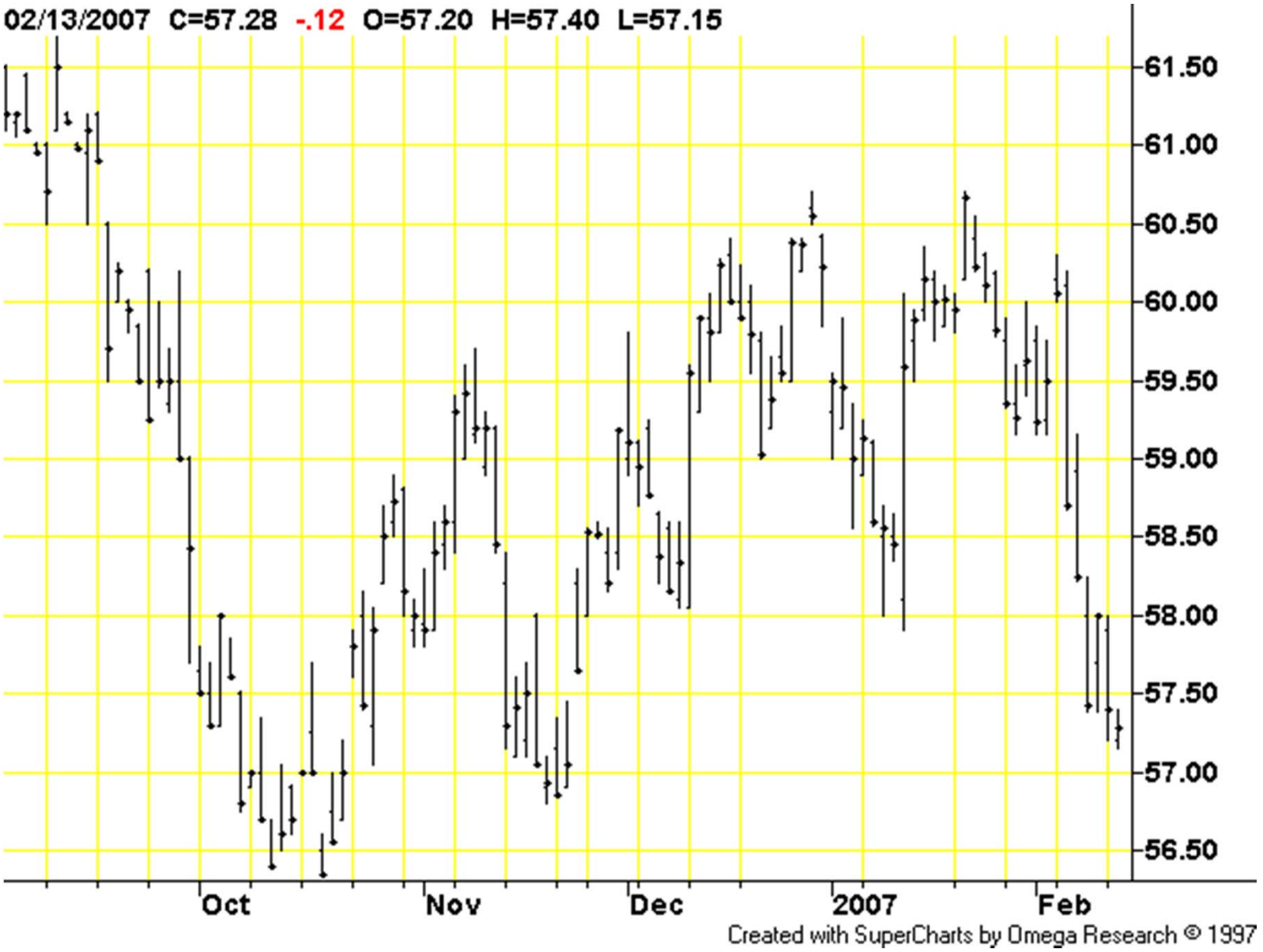
Biodiesel Breakeven Matrix

	Biodiesel Price			
Oil Price	$2.00	$2.25	$2.50	$2.75
$0.20	$0.03	$0.28	$0.53	$0.78
$0.25	($0.36)	($0.11)	$0.14	$0.39
$0.30	($0.74)	($0.49)	($0.24)	$0.01

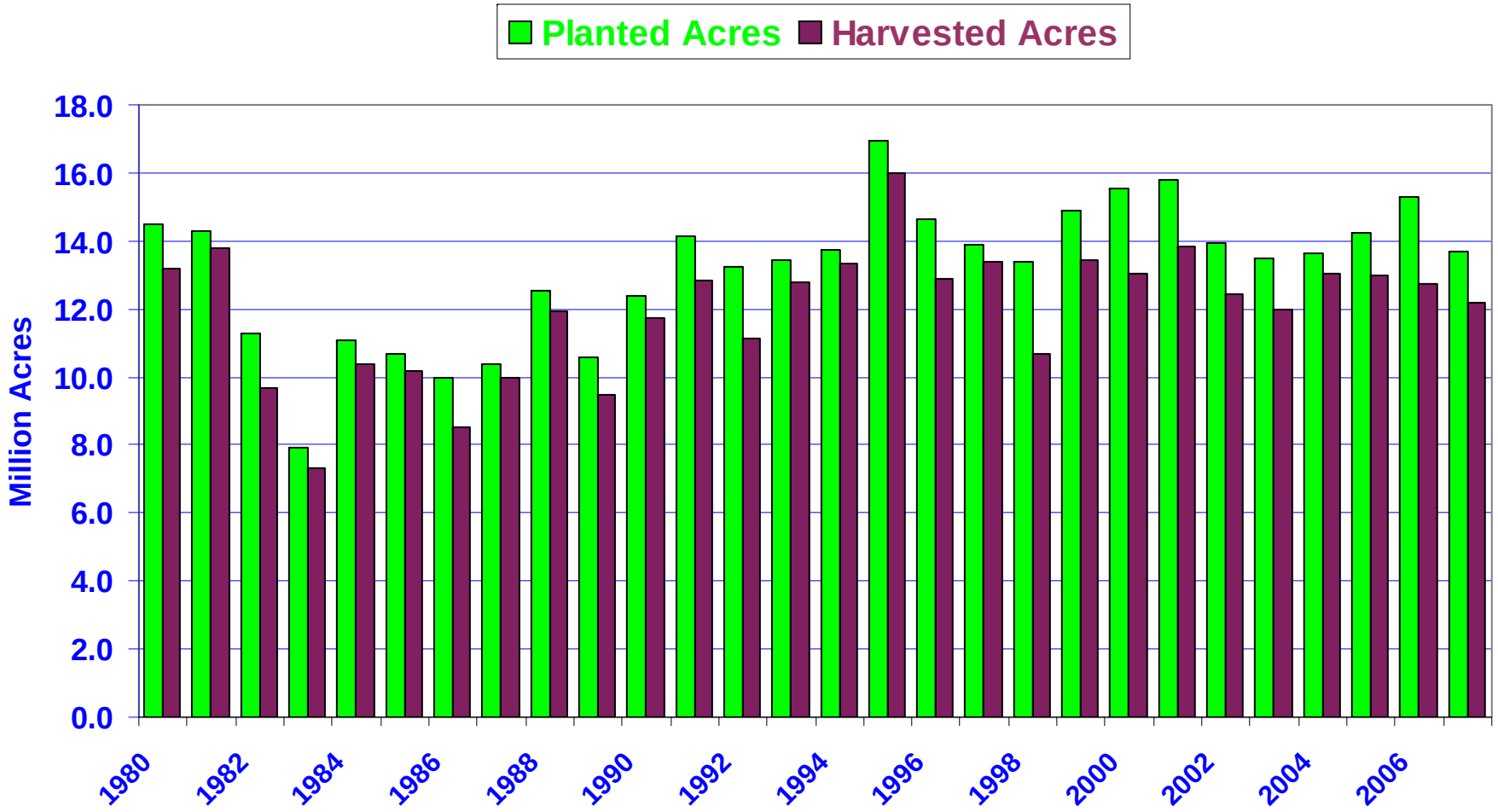
Comparison of Biodiesel & Diesel Prices
Jan 4, 2006 to Date



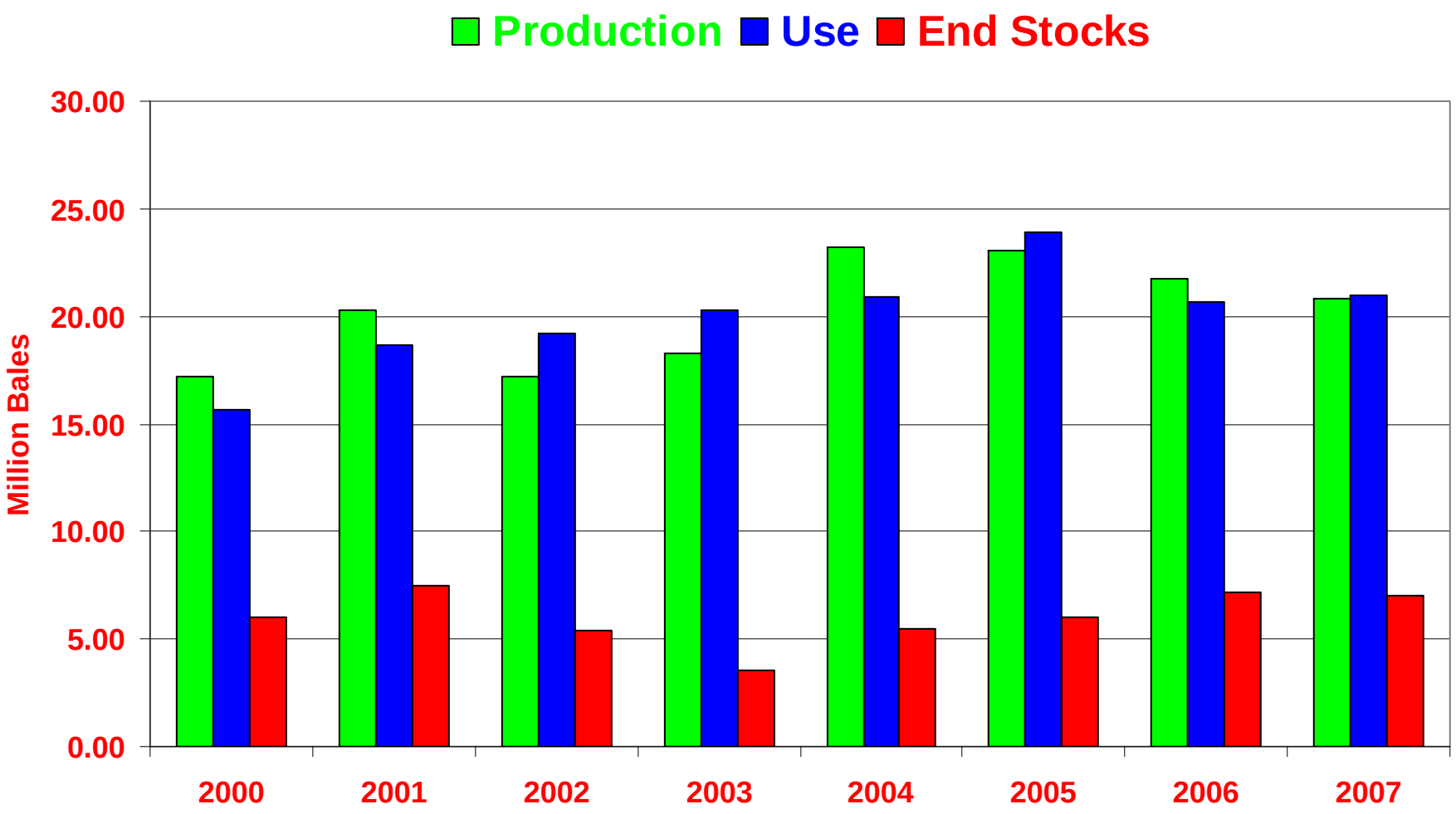
December Cotton Futures



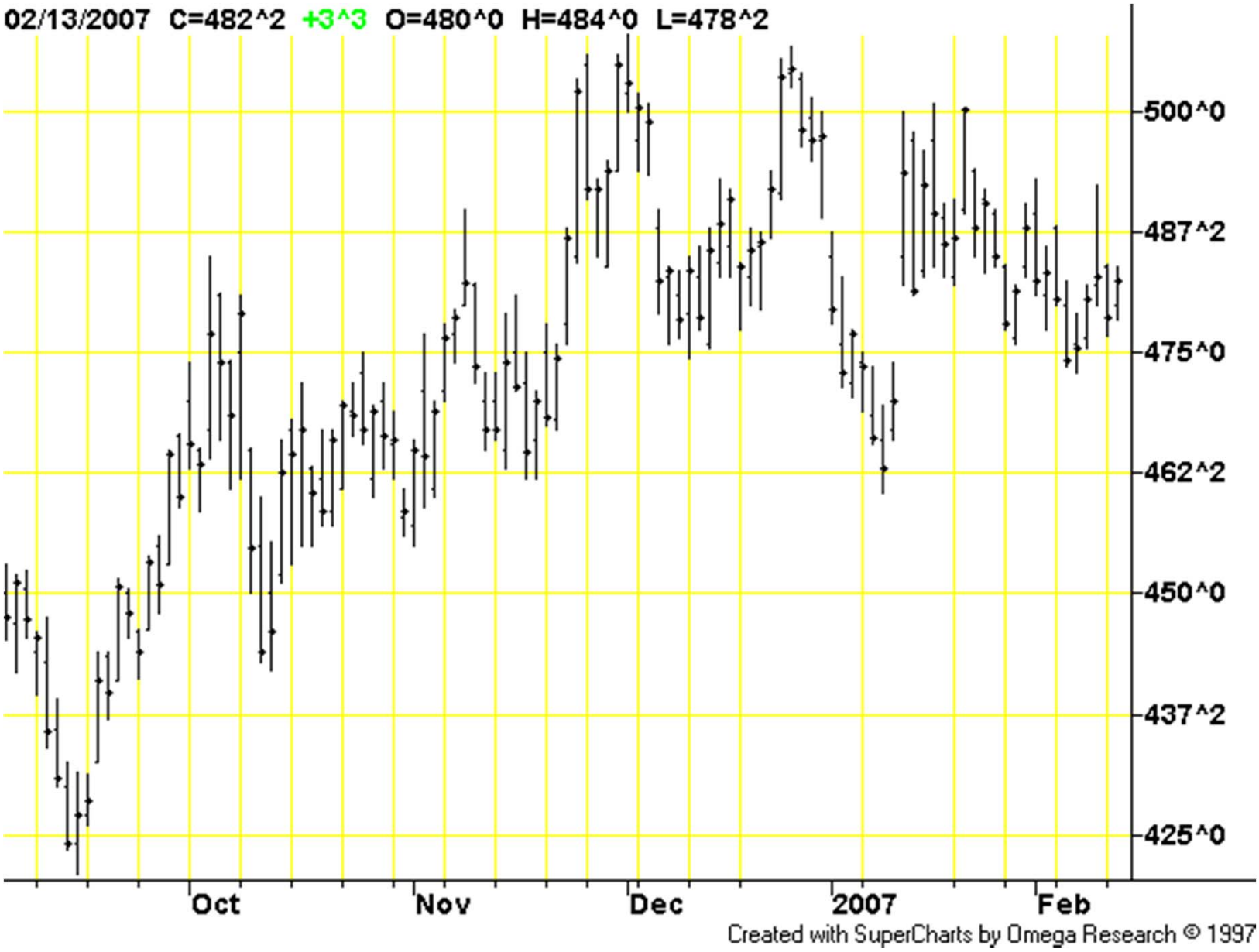
U.S. COTTON ACREAGE



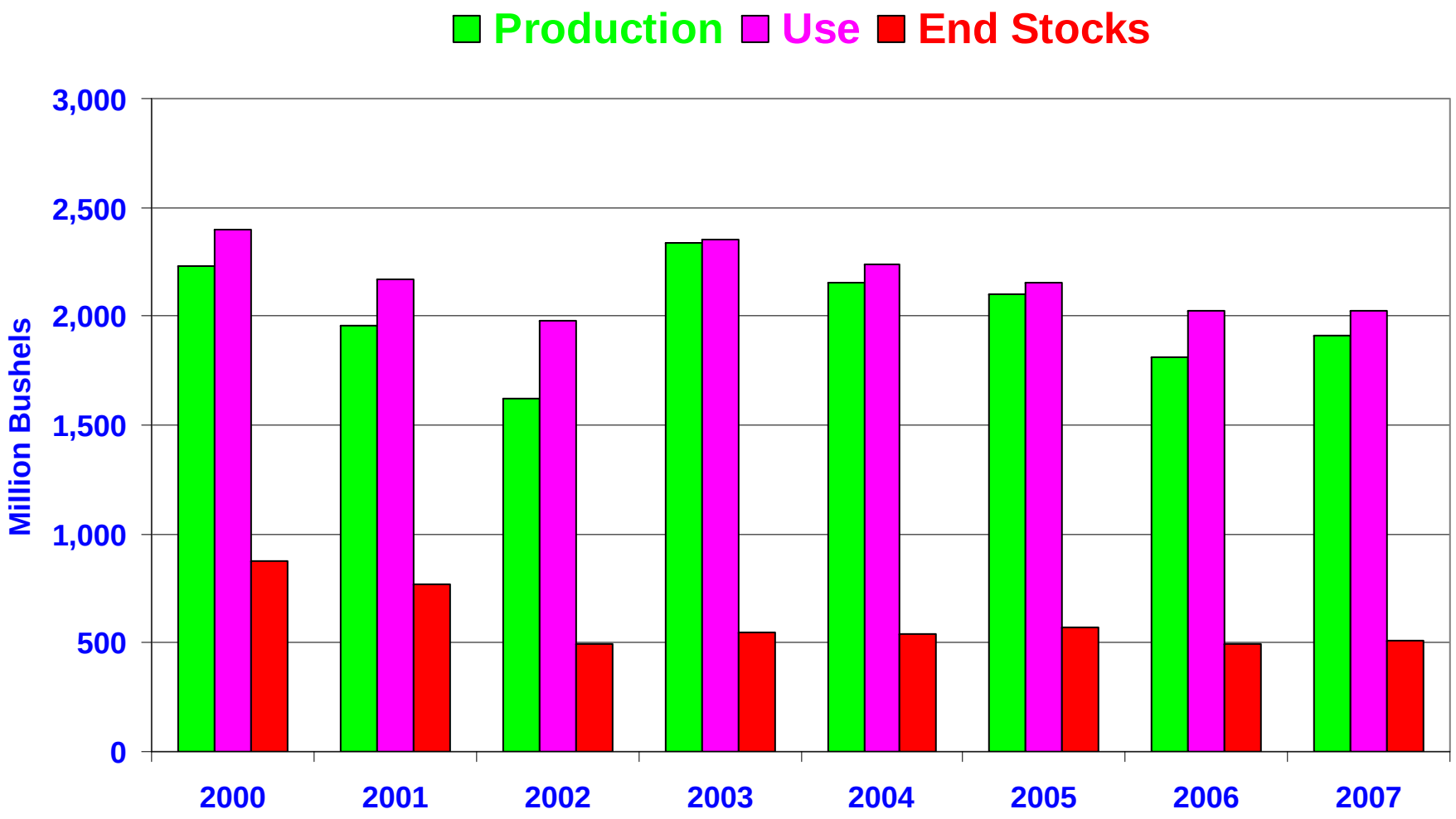
U.S. COTTON SITUATION



July Wheat Futures



U.S WHEAT SITUATION




Any Questions?
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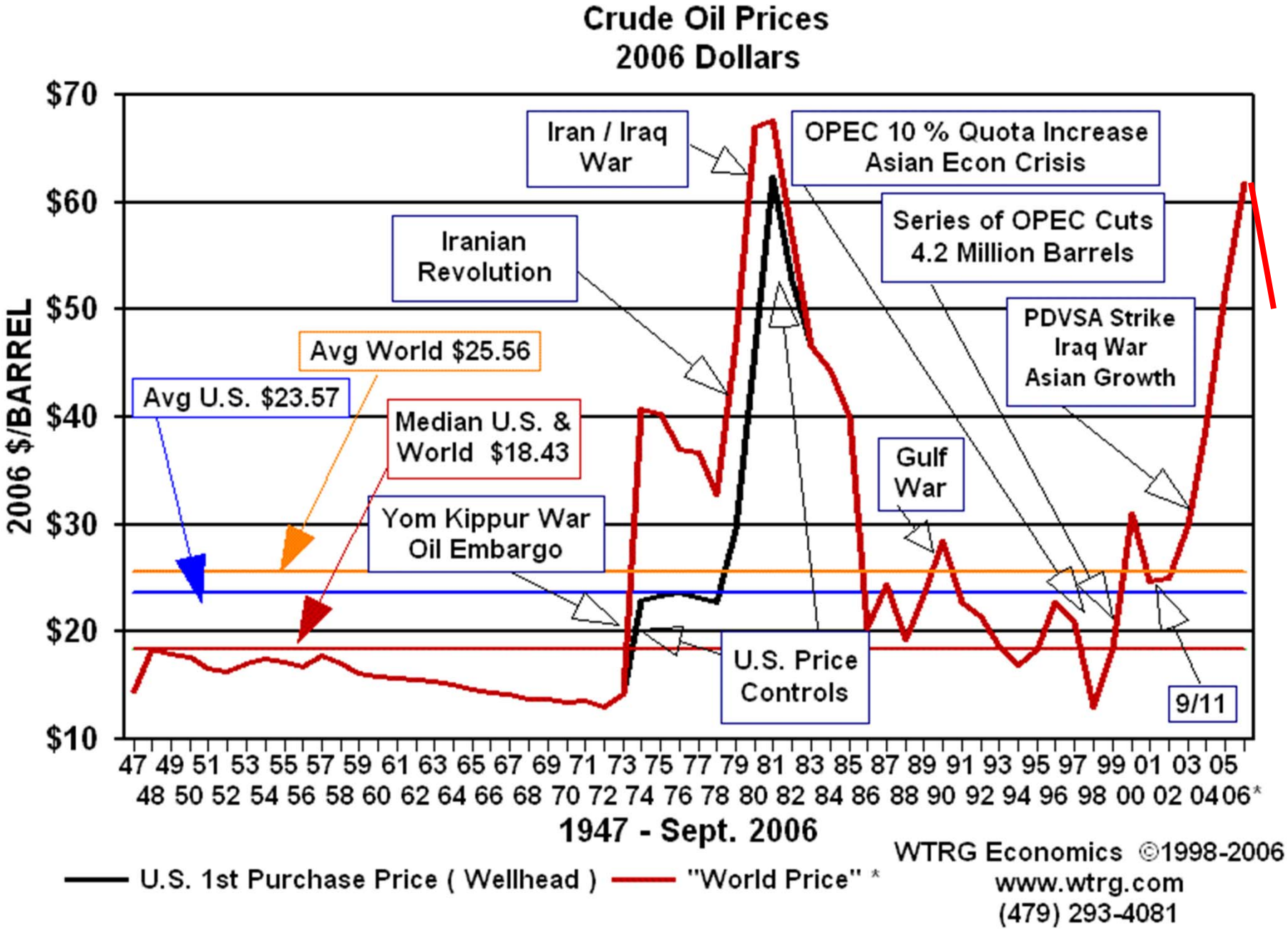
georgiadogs.com


Crude Oil Prices
2006 Dollars
2006 $/BARREL
$70
$60
$50
$40
$30
$20
$10
Iran / Iraq War
OPEC 10 % Quota Increase
Asian Econ Crisis
Series of OPEC Cuts
4.2 Million Barrels
Iranian Revolution
PDVSA Strike
Iraq War
Asian Growth
Avg World $25.56
Avg U.S. $23.57
Median U.S. & World $18.43
Gulf War
Yom Kippur War
Oil Embargo
U.S. Price Controls
9/11
47 49 51 53 55 57 59 61 63 65 67 69 71 73 75 77 79 81 83 85 87 89 91 93 95 97 99 01 03 05
48 50 52 54 56 58 60 62 64 66 68 70 72 74 76 78 80 82 84 86 88 90 92 94 96 98 00 02 04 06*
1947 - Sept. 2006
U.S. 1st Purchase Price (Wellhead)
"World Price" *
WTRG Economics ©1998-2006
www.wtrg.com
(479) 293-4081

“The Cure for High Prices Is High Prices!”

How so?

- Some buyers will reduce use
- Some buyers will not buy at high prices
- Substitutes will be used more freely

Result = demand contracts

- Some sellers will seek to produce more
- Some sellers will willingly sell all they have
- Some sellers will undercut the market
- More substitutes will be produced

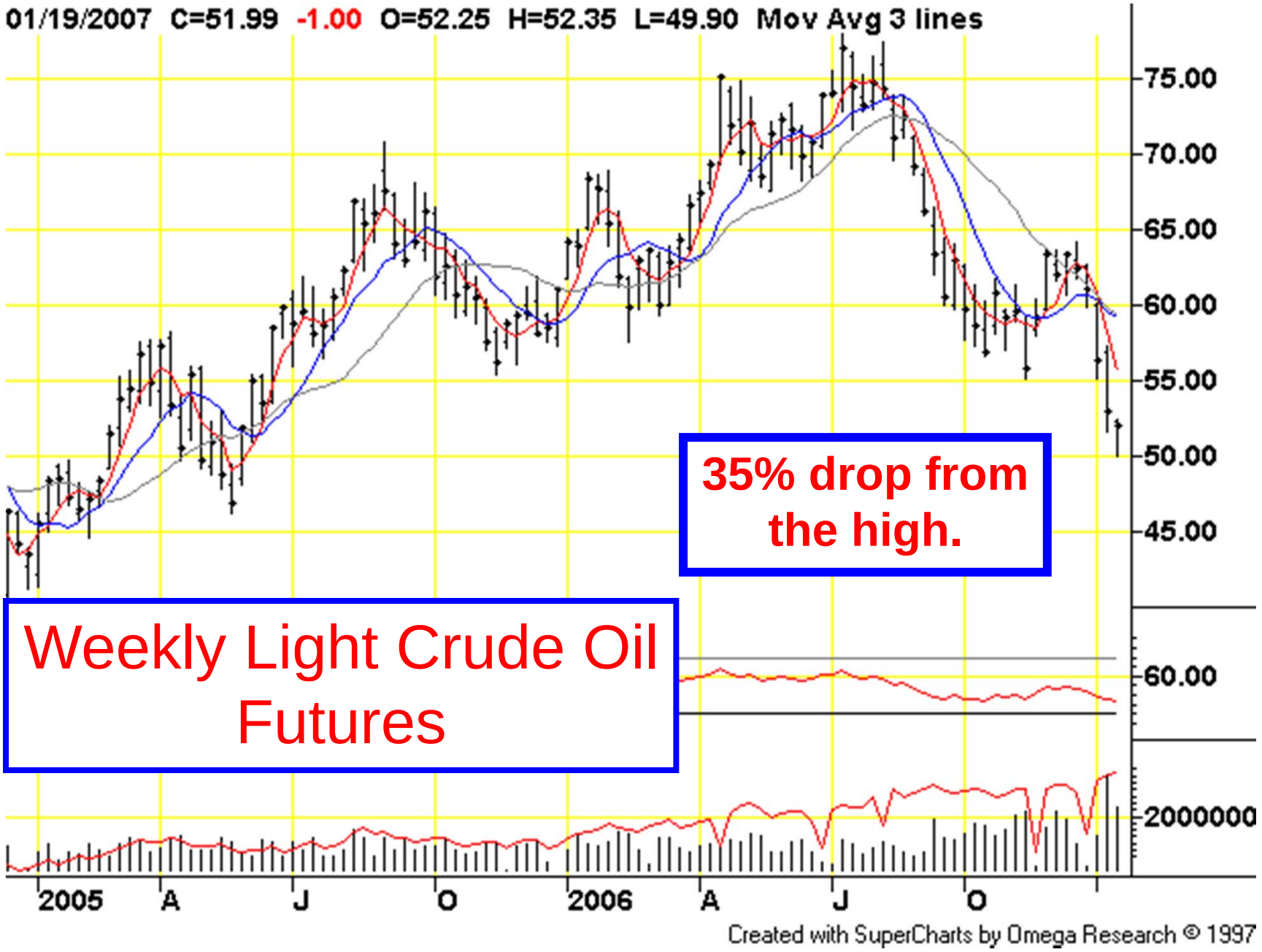
Result = Supply expands

The Corollary is also true:

“The Cure for Low Prices is Low Prices!”

The Laws of Supply and Demand have not been repealed –

but it often takes time for enforcement to become apparent!


01/19/2007 C=51.99 -1.00 O=52.25 H=52.35 L=49.90 Mov Avg 3 lines
75.00
70.00
65.00
60.00
55.00
50.00
45.00
35% drop from the high.
Weekly Light Crude Oil Futures
60.00
2000000
2005
A
J
O
2006
A
J
O
Created with SuperCharts by Omega Research © 1997

Renewable Fuels & US Policy

- **Ethanol and renewable fuels were in the spotlight of State of the Union message and the Democratic response**

- **President Bush…..**

  "We have made a lot of progress, thanks to good policies in Washington and the strong response of the market. …….Let us build on the work we have done and reduce gasoline usage in the United States by 20 percent in the next ten years

  by setting a mandatory Fuels Standard to require 35 billion gallons of renewable and alternative fuels in 2017 -- this is nearly five times the current target. "

- **Senator Webb….**

  "We are looking for affirmative solutions that will strengthen our nation by freeing us from our dependence on foreign oil, and spurring a wave of entrepreneurial growth in the form of alternate energy programs. We look forward to working with the President and his party to bring about these changes."