2007 Montana Agricultural Outlook

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Highlights

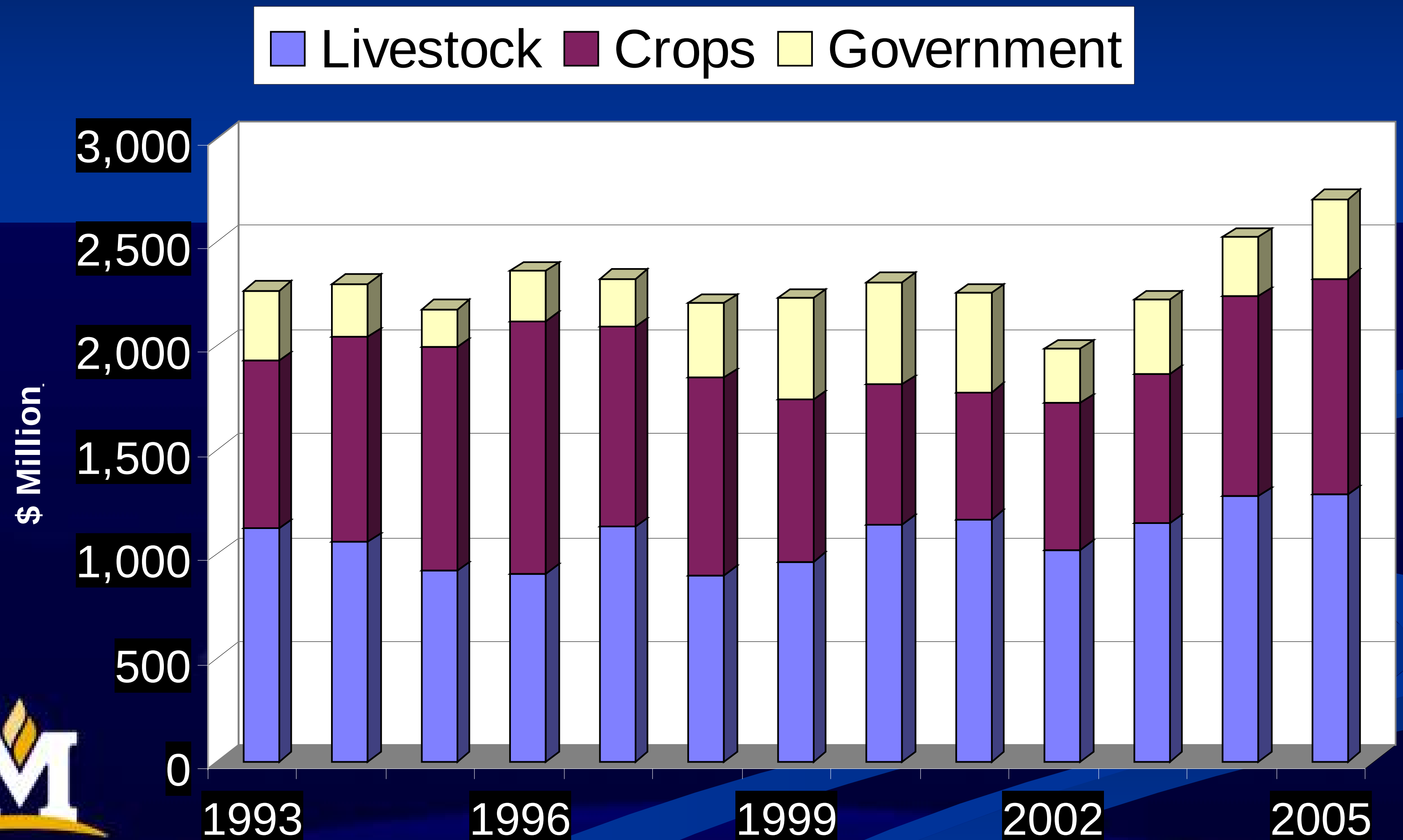
1. **Agriculture Important to State Economy**
   - **Farm and Ranch Cash Receipts are Generally over $2 Billion Annually ($2.7 Billion in 2005 and $2.5 Billion in in 2004)**

2. **Montana Farm Products**
   - **Wheat & Cattle 75% to 80% of Cash Receipts**

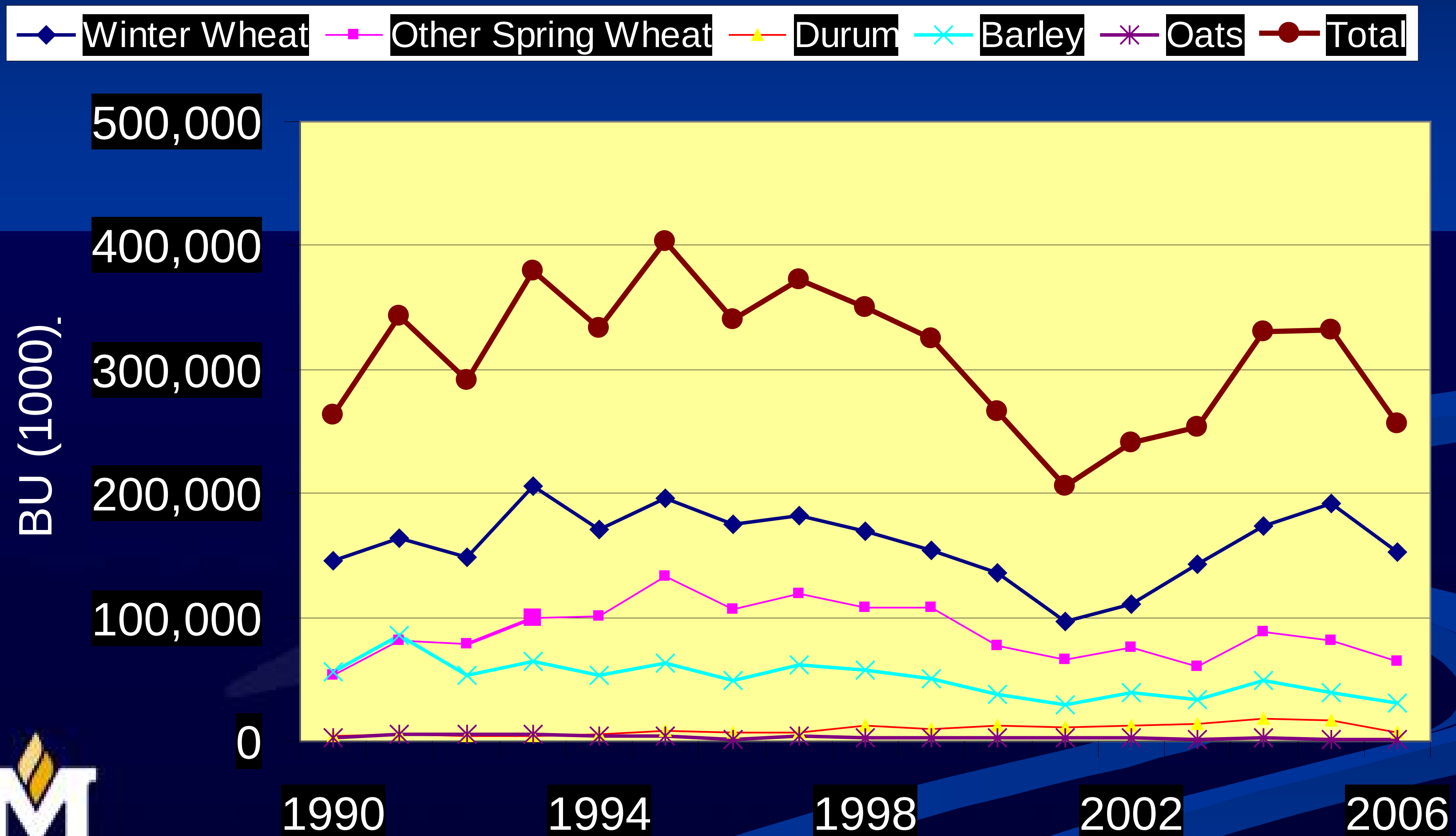
Highlights

3. Farm numbers changing
   - 28,000 farms
     - 5,000 with gross sales > $100,000
4. High Volatility in Cash Receipts Due to Weather and Prices
5. The 2007 Farm Bill is on the horizon.

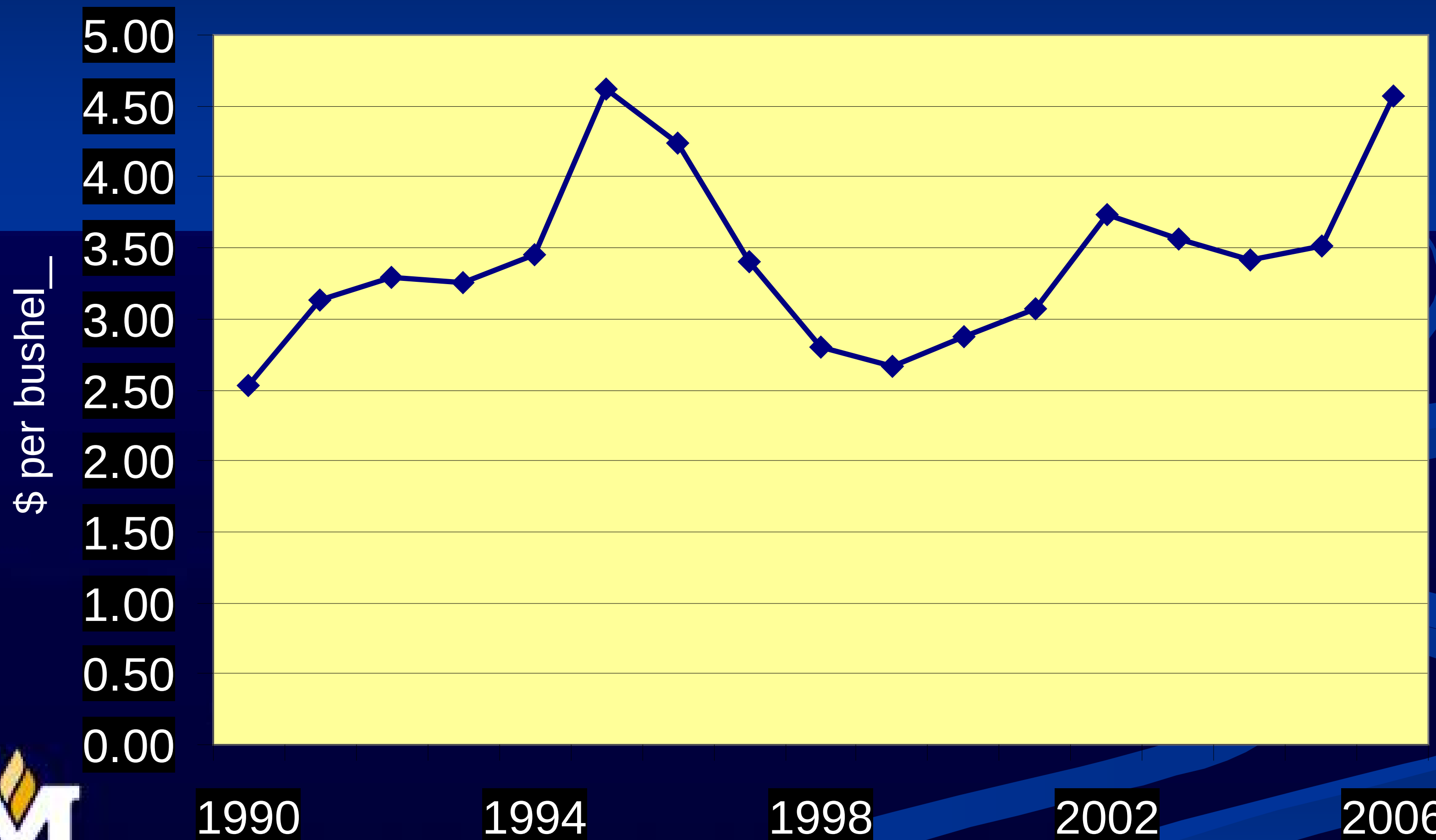
Cash Receipts and Government Payments, Montana 1993 - 2005



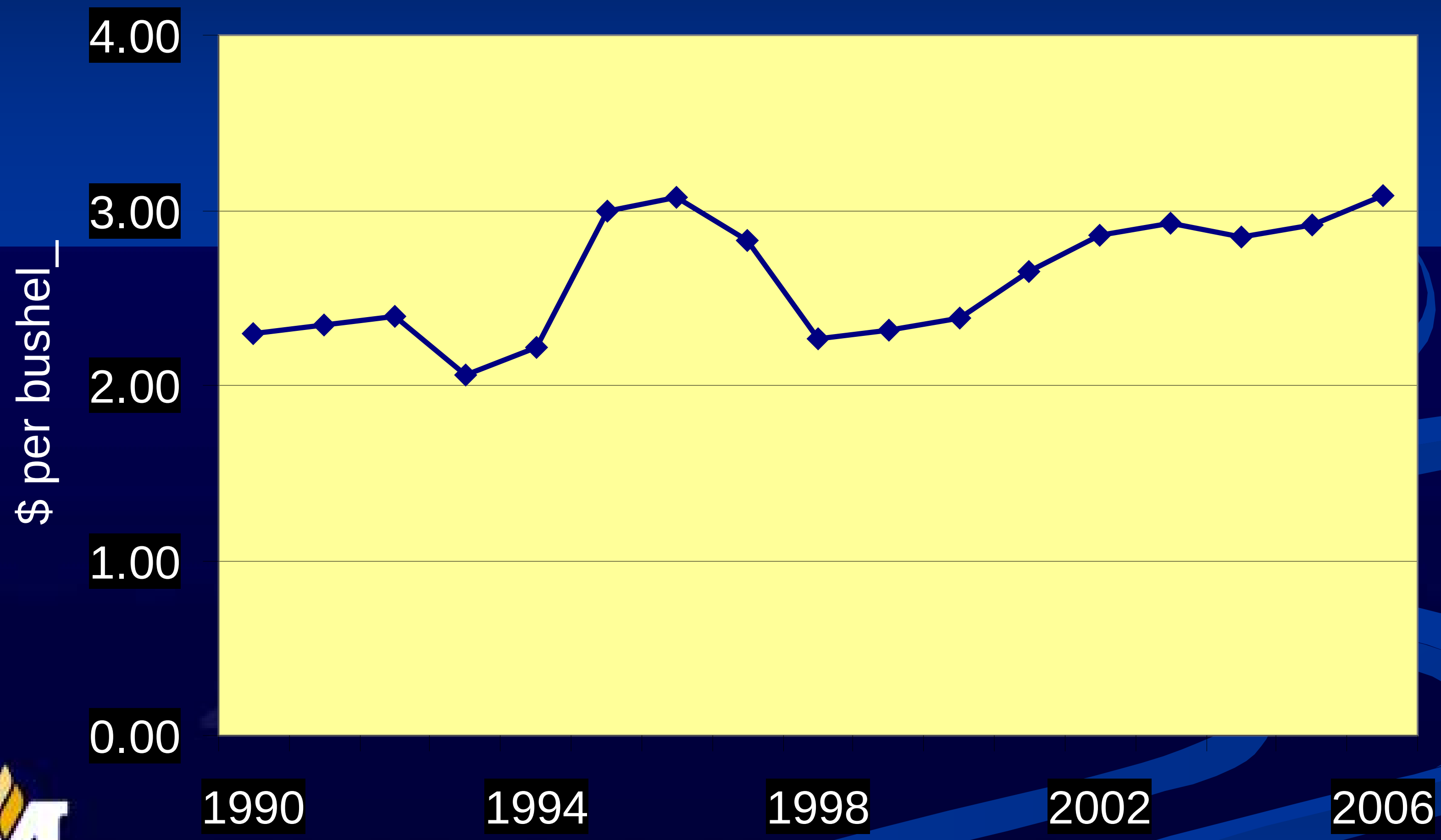
Production, All Grains



Winter Wheat Prices 1990 – 2006 (Oct)



All Barley Prices 1990–2006



Futures Prices

Location	03/07	07/07	09/07	12/07
Minneapolis Grain Exchange				
Hard Red Spring Wheat	509	519	523	530
Kansas City Board of Trade				
Wheat	493	497	501	509
Chicago Board of Trade				
Corn	408	426	402	392

MT Crop Summary - what a year!

- Winter wheat
  - 13% below 2005 (82.6 m. bushels)
    - Fewer acres seeded
    - Hot/dry weather
- Spring wheat
  - 22% below 2005 (63.8 m. bushels)
    - More acres seeded
    - Hot/dry weather

Global Wheat Market Production Shares

Country	2005/06	shares	2006/07	shares
	(thousand metric tons)			
EU-25	122,638	19.8	117,887	20.1
China	97,450	15.7	103,500	17.7
India	68,640	11.1	68,000	11.6
U.S.	57,280	9.3	49,316	8.4
Russian Federation	47,700	7.7	41,500	7.1
Canada	26,775	4.3	26,300	4.5
Australia	24,500	4.0	11,000	1.9
Other	173,938	28.1	167,639	28.6

Global Wheat Market

- World Forecast
  - **2006 Wheat Production → 14% Lower than 2005**
    - **Wheat prices are 20% higher in 2006**
  - **Global Ending Wheat Stocks – lowest since 1981/82**
    - **Down 27% from 2005/06 (119 million tons)**
  - **Feed Grain Production – remained stable worldwide, *however* US stocks are at a 10 year low**

Developments in International Trade

- **The WTO Trade Talks in Geneva were suspended**

- **Continued Movement Towards Free Trade**
  - **Goal -** *'substantially improve' market access in agriculture through programs of fundamental reform and by reducing barriers to industrial goods.*

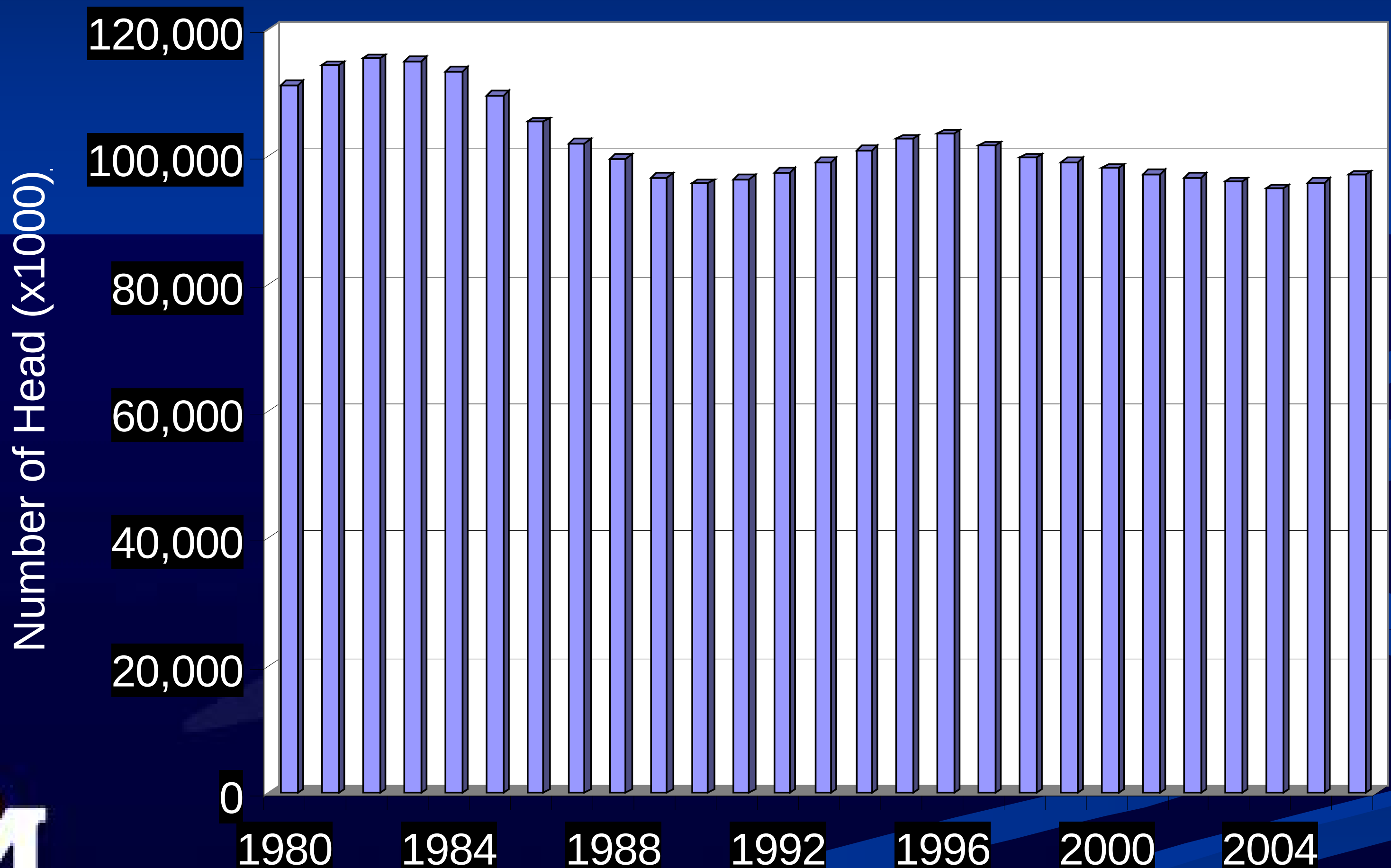
- **Exports/Imports**
  - **Exports of wheat have remained stable**
    - **26 million metric tons**
  - **Exports of coarse grains have increased by nearly 20%**

Montana Wheat Outlook (USDA)

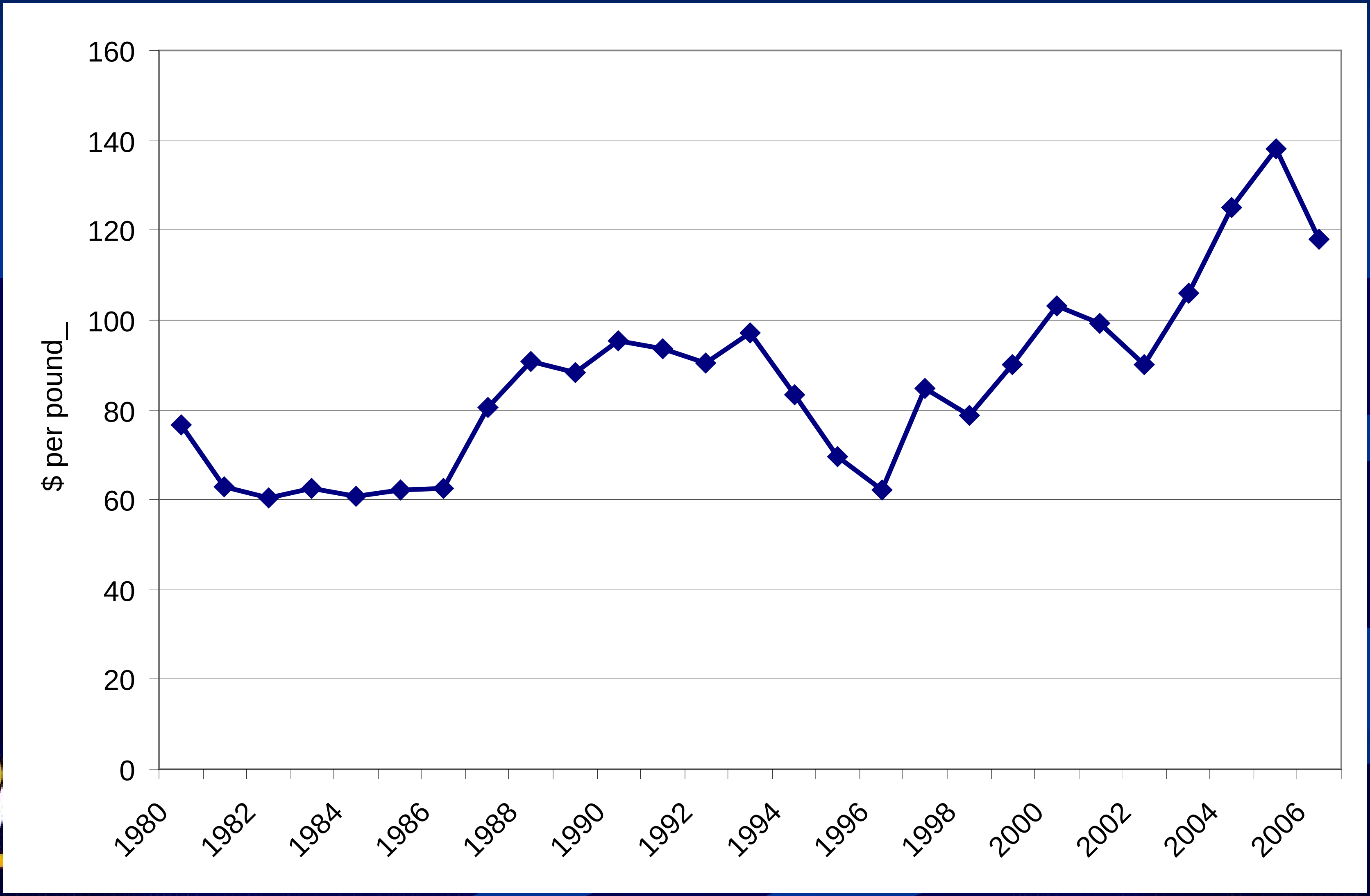
- ***2006 Production →153 million bushels***
- ***2007 W. Wheat Plantings →up by 10 percent***
  - ***US crop conditions are average to good***
  - ***MT crop conditions are adequate (slightly lower than last year)***
- ***2007 Production (Forecast) → ???***
  - ***MT 2006 All Wheat Price: $4.50 +***
  - ***US 2007 All Wheat Price: higher***

Cattle Outlook

US Cattle Inventory (Jan. 1)



Montana Calf Prices



Futures Prices

Location	04/07	08/07	10/07
Chicago Mercantile Exchange			
Live Cattle	94.30	88.00	90.50
Feeder Cattle	92.50	98.40	99.00

Cattle Outlook

- 2006
  - Cash receipts from beef production increased slightly (from $49.2 b. to $49.7 b.) in US
    - Export demand is expected to increase mainly in Mexico, Canada and Japan
  - Higher feed grain prices put downward pressure on on feeder/stocker cattle prices
    - Ethanol effects
      - Higher demand for corn

Cattle Outlook

- 2007
  - Prices - ???
    - Beef exports are expected to increase
      - More than 1.5 billion pounds, if Canada, Mexico, Japan & S. Korea increase imports
        - Still lag far behind 2.5 billion pounds of 2003
    - High corn prices
    - Cattle on feed (higher than expected)
    - Consumer demand (steady to lower)

Farm Bill 2007

- Total government payments to producers are likely to remain stable, however . . .
  - vegetable and fruit producers will be competing for payments
  - more emphasis on conservation programs (CRP, CSP and cost share programs)
  - more emphasis on risk management and insurance
  - disaster payments are looming

Questions

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