



**Paul J. Bertels**

**Dir. Agriculture Economic Analysis**

Federal Reserve Bank of Chicago

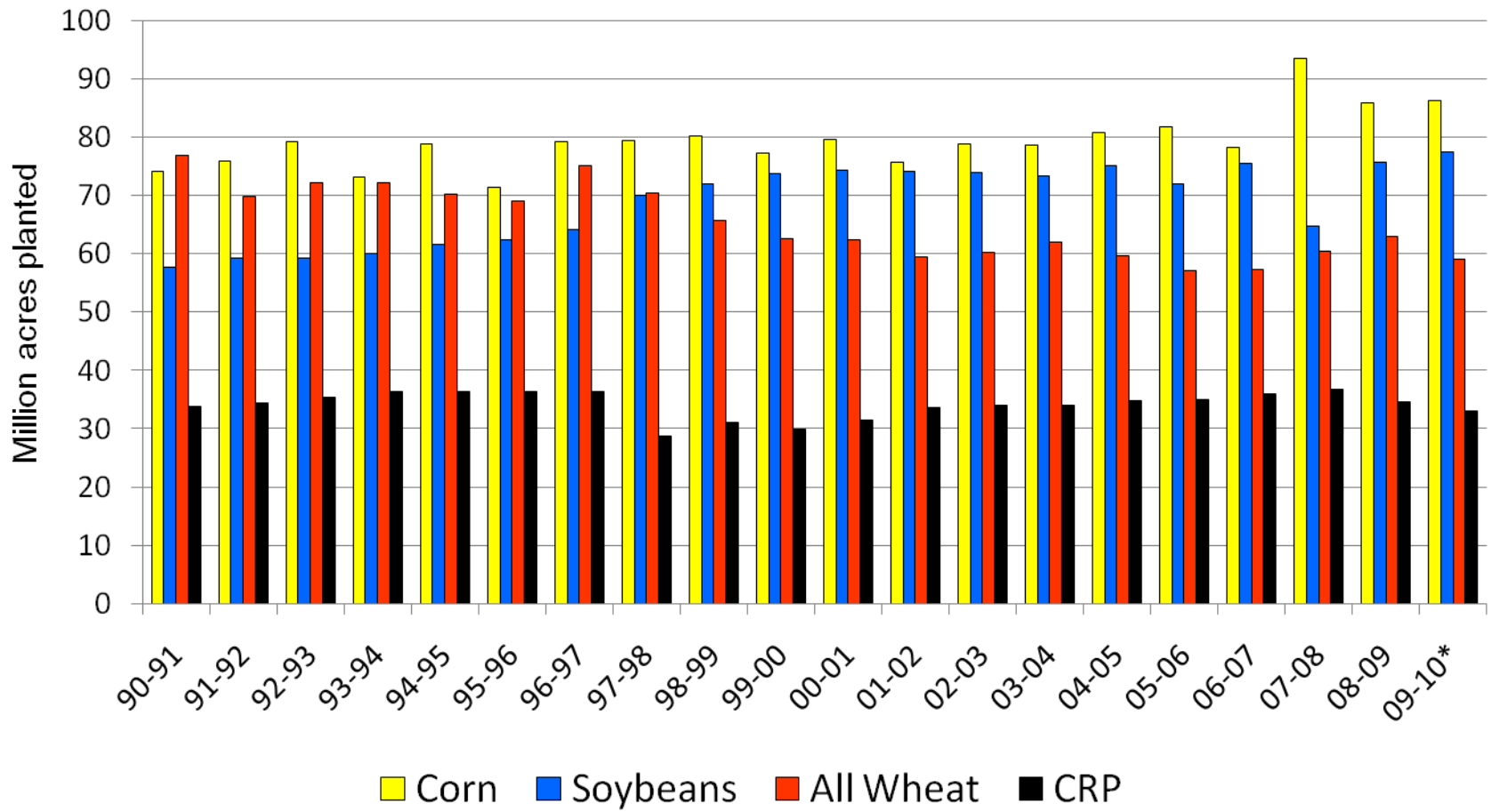
December 1, 2009



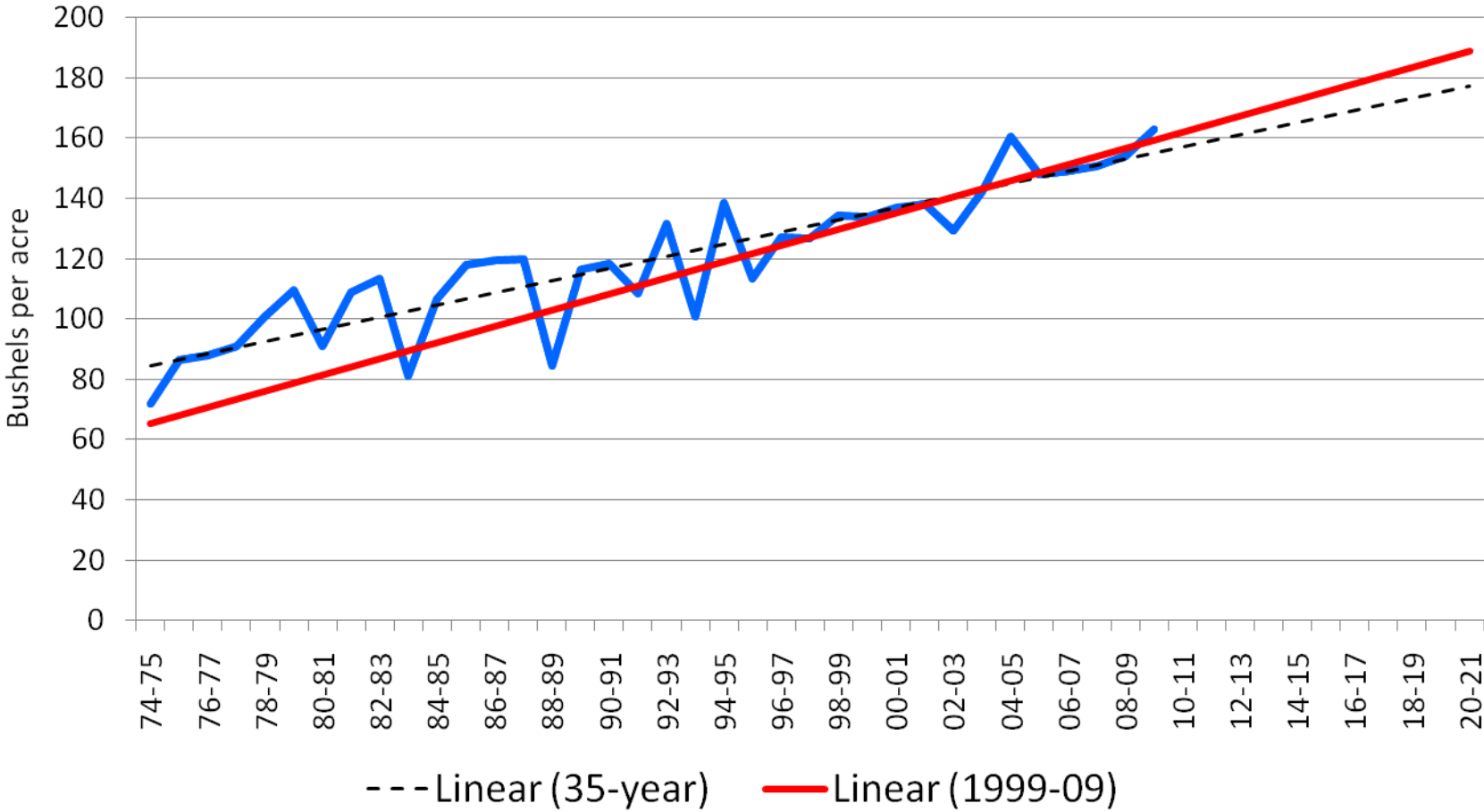
# Can Ethanol and Livestock Coexist?

- Corn Growers need a robust, healthy livestock industry
- Ethanol producers need a robust healthy livestock industry
- \$7 corn didn't help anybody

# Major Crop Acreage

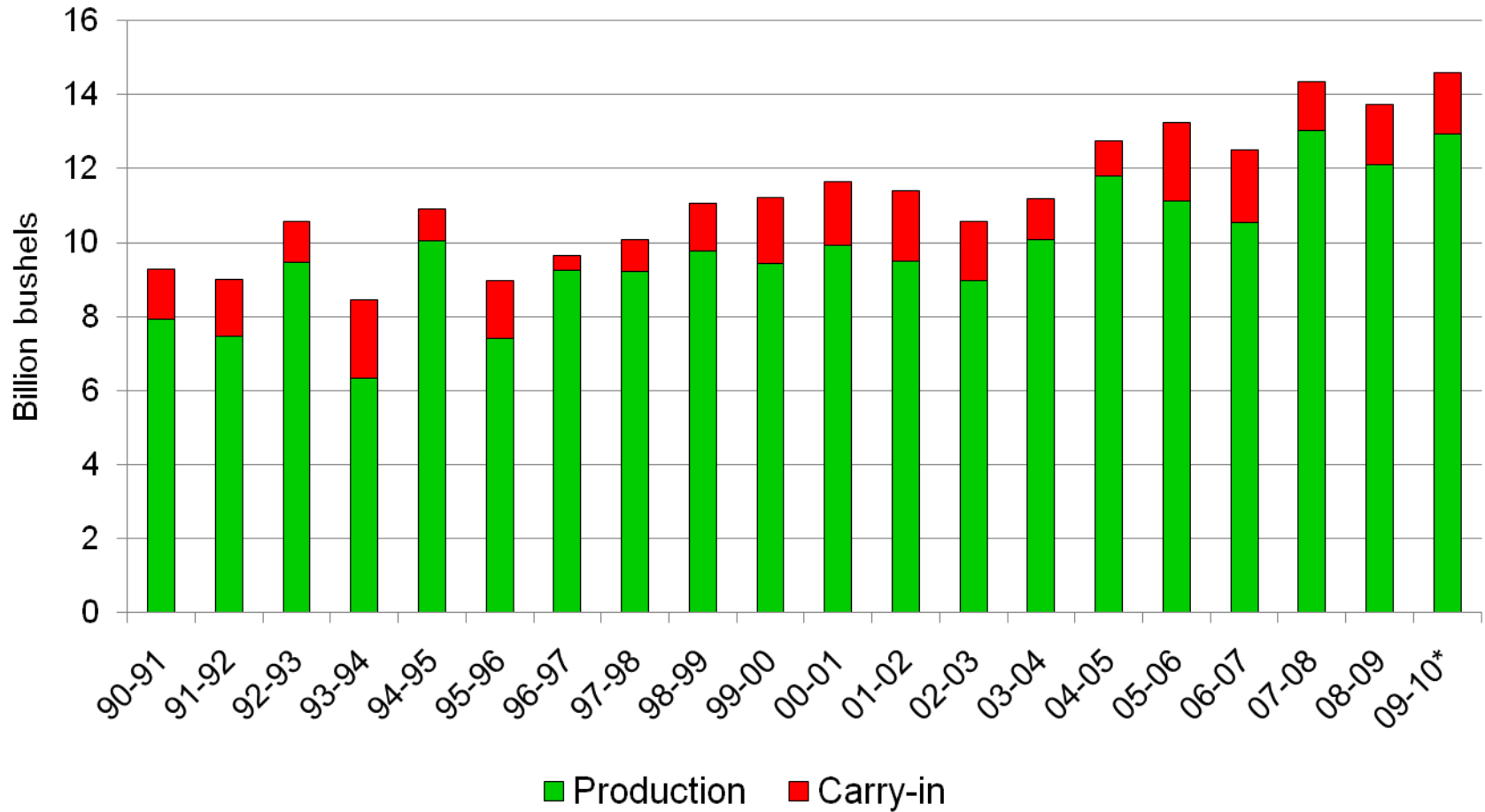


# Corn Yields

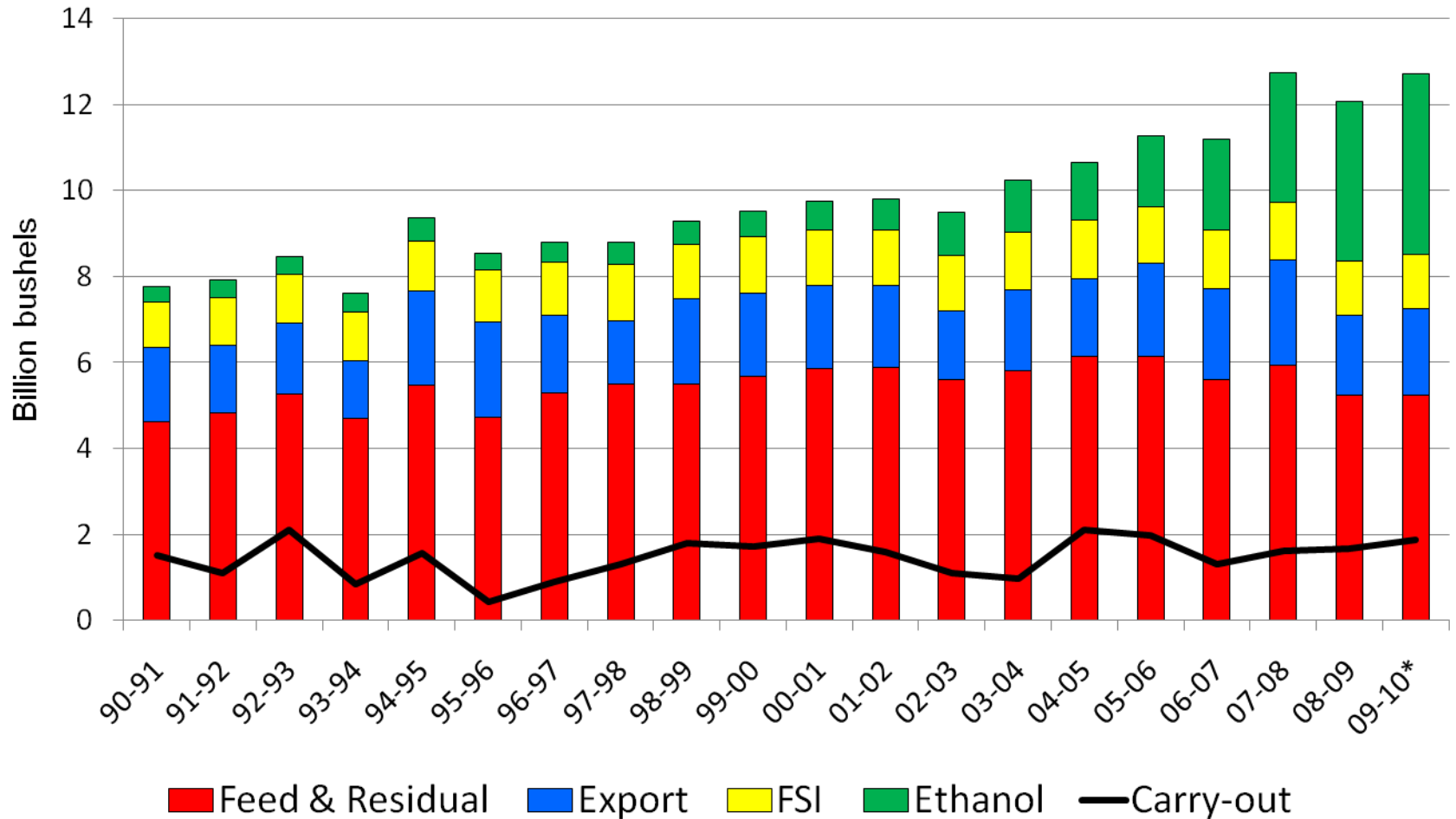


Data Source: USDA, NASS

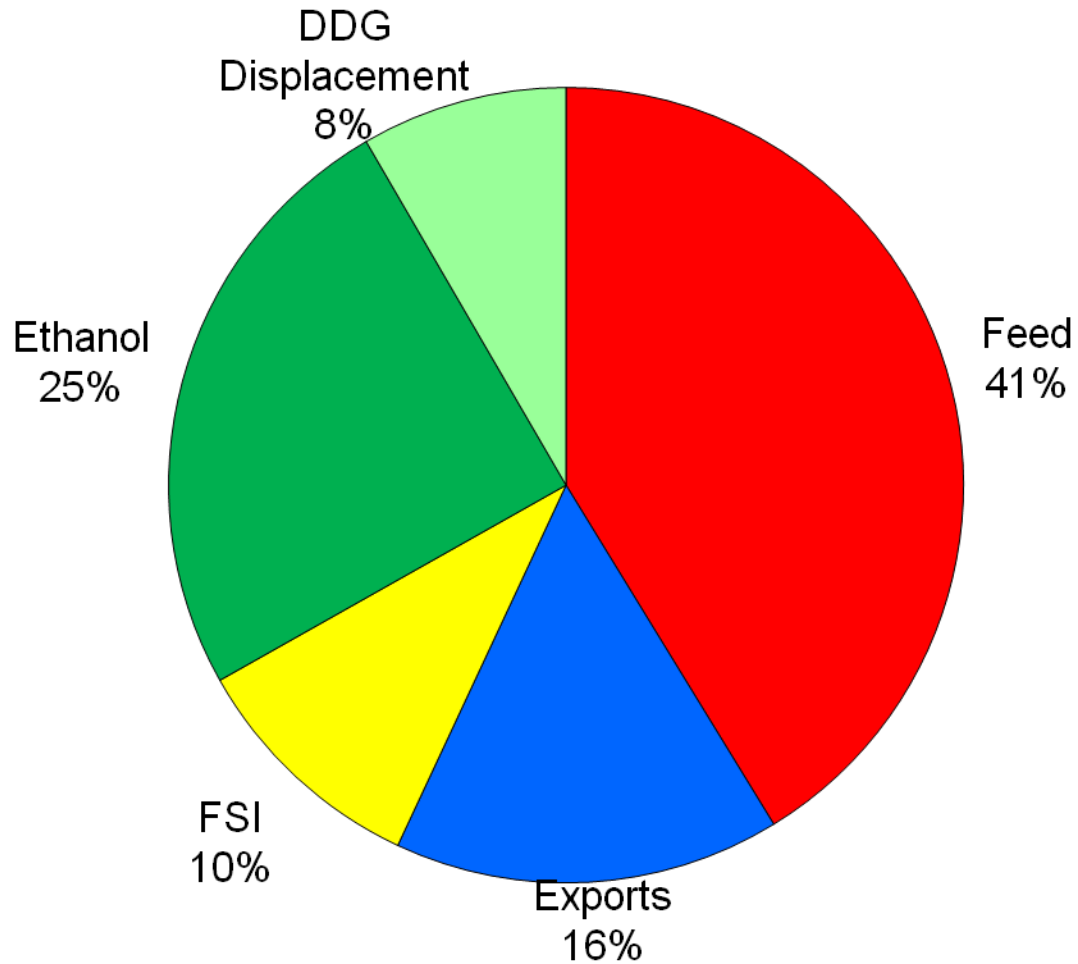
# Corn Production



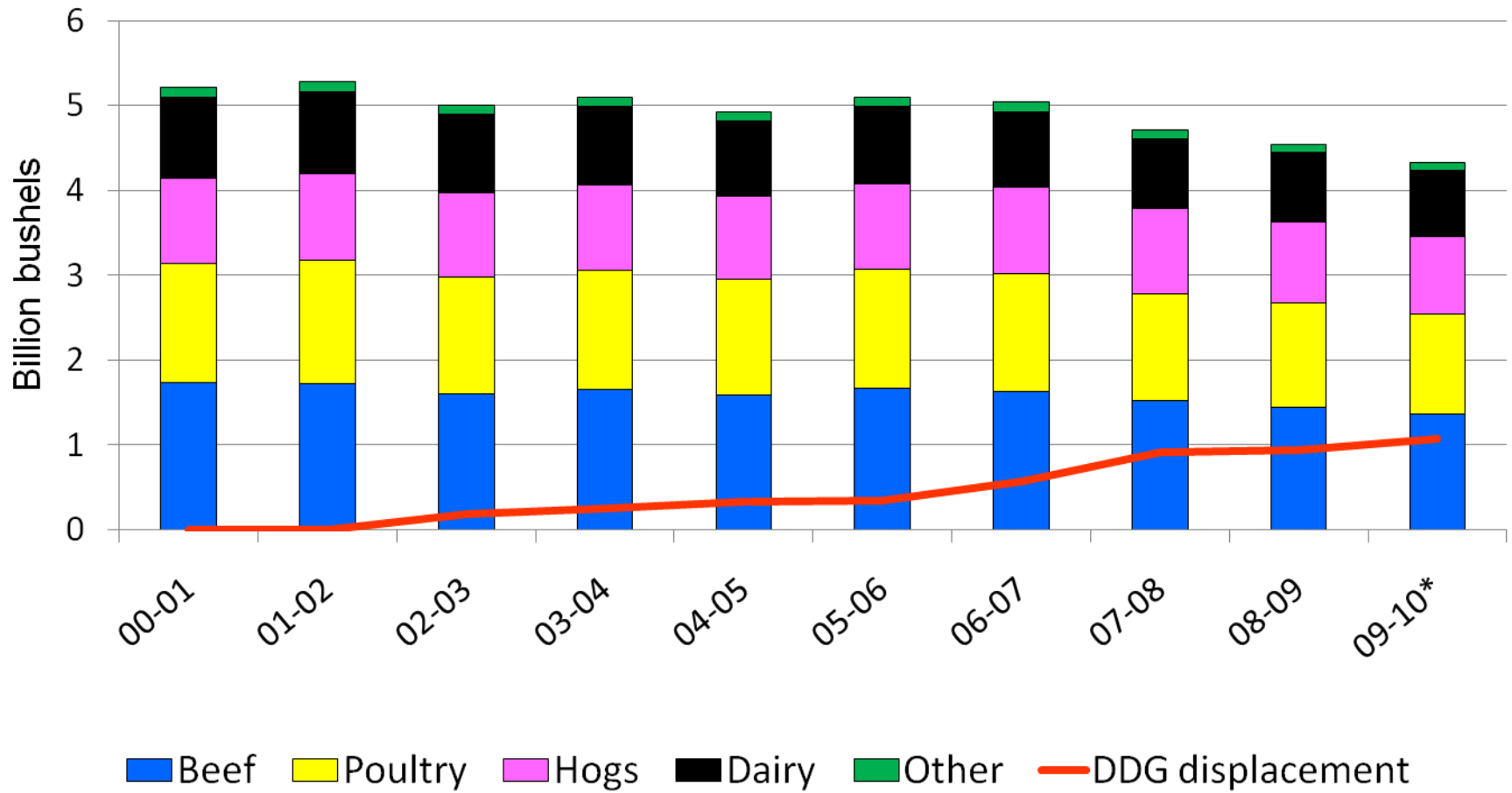
# Corn Usage



# Corn Usage 2009-10\*

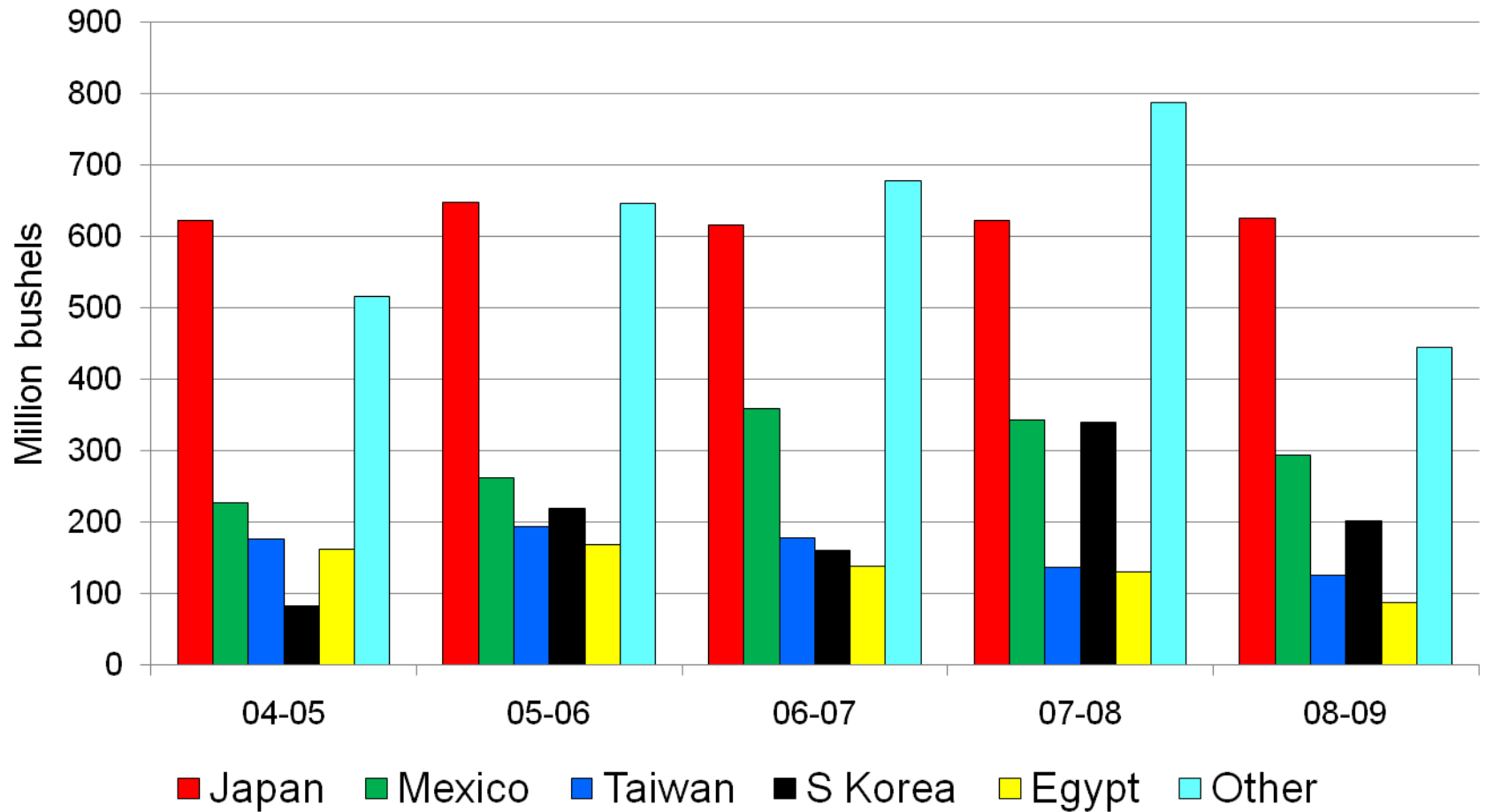


# Feed Usage

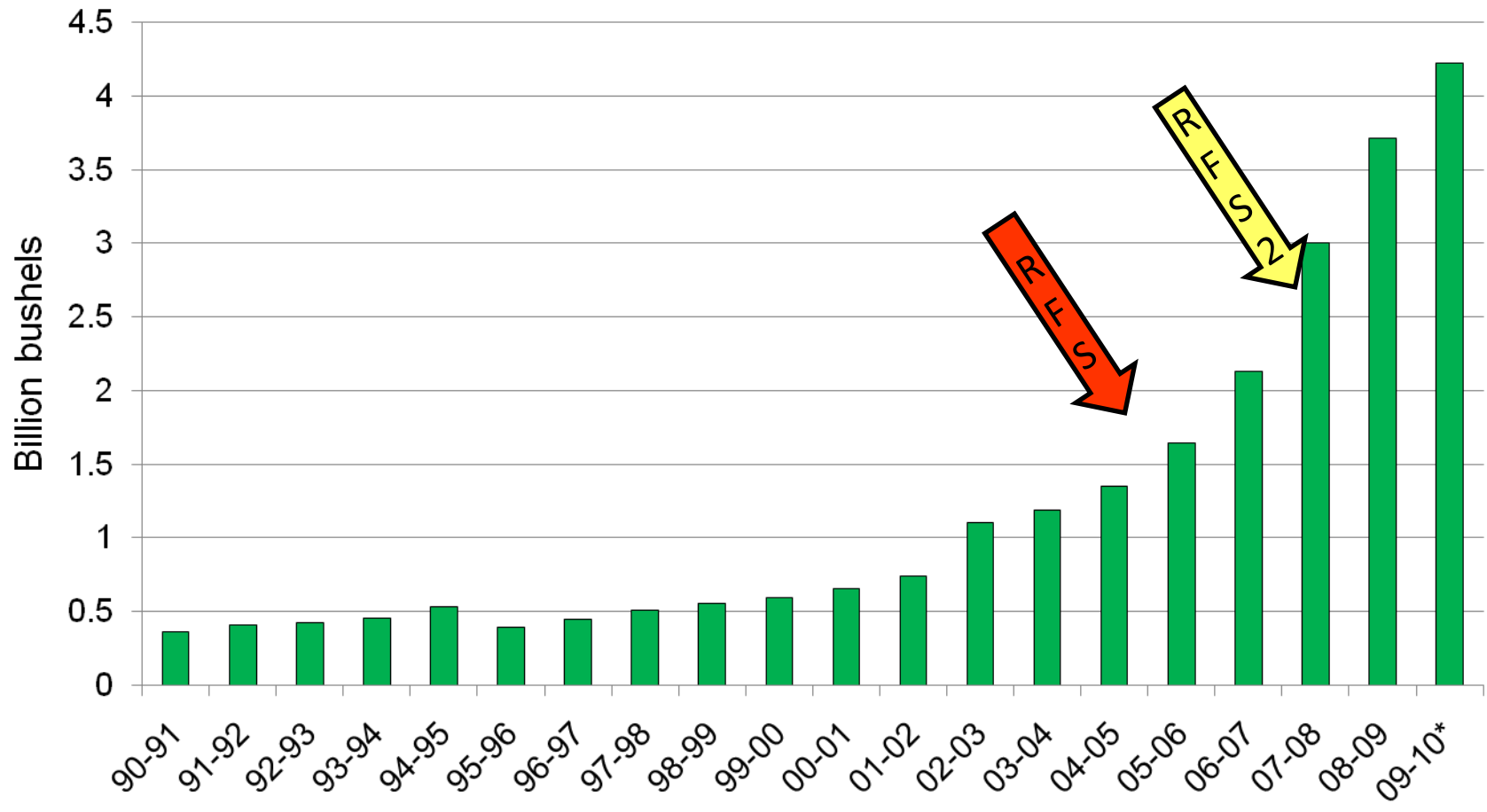




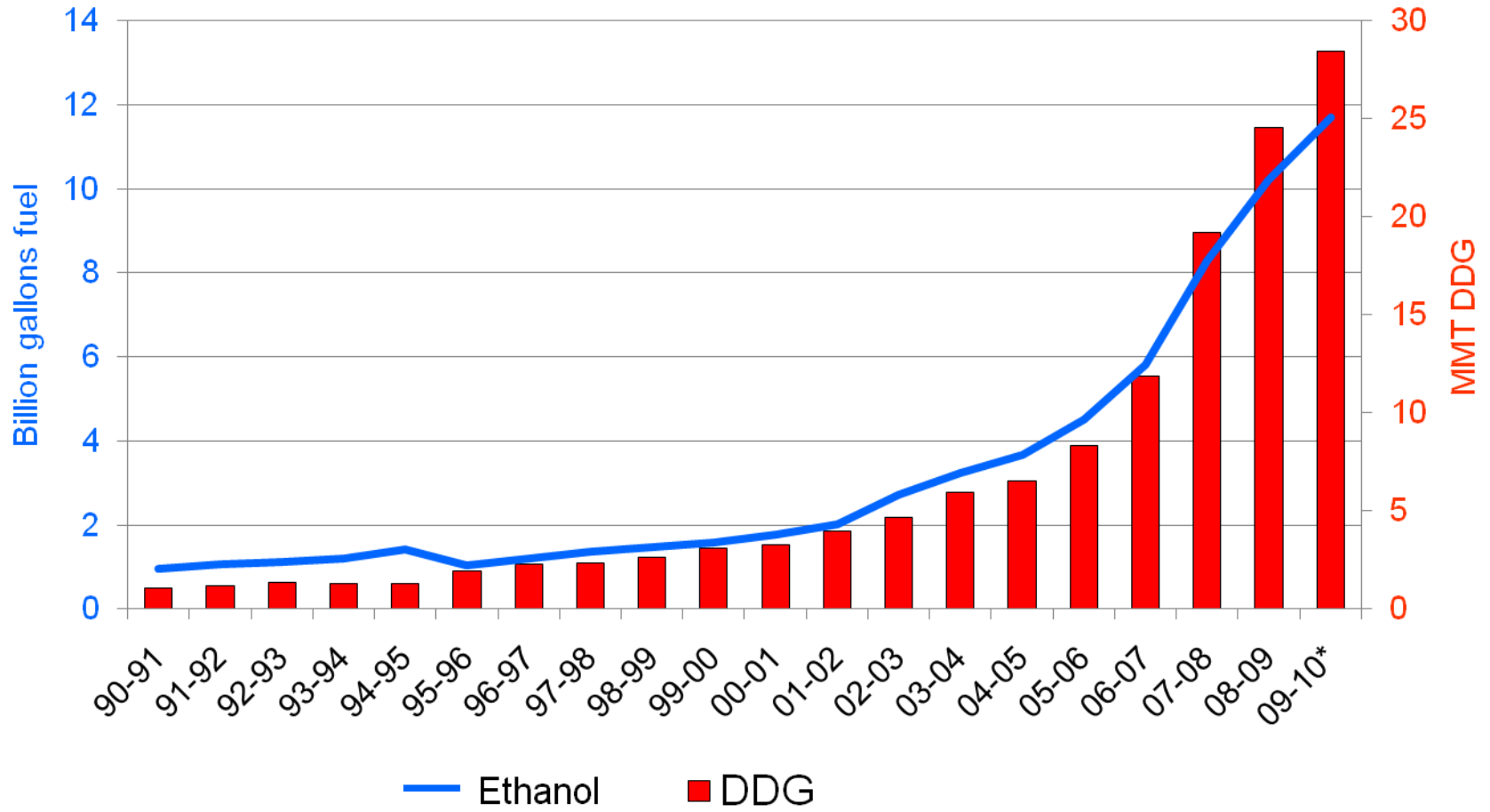
# U.S. Corn Exports



# Ethanol Usage

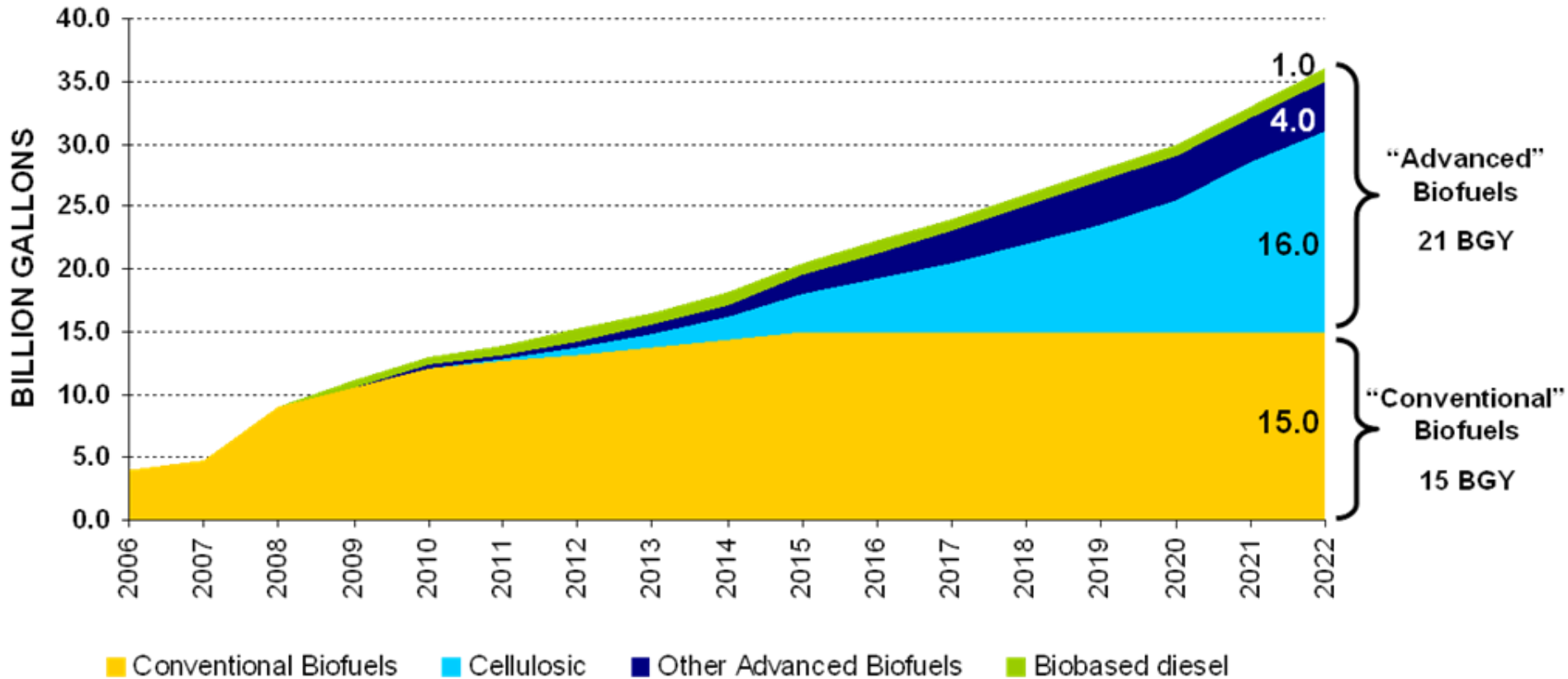


# Ethanol Production



# 2007 EISA (Energy Act or RFS2)

## RENEWABLE FUELS STANDARD



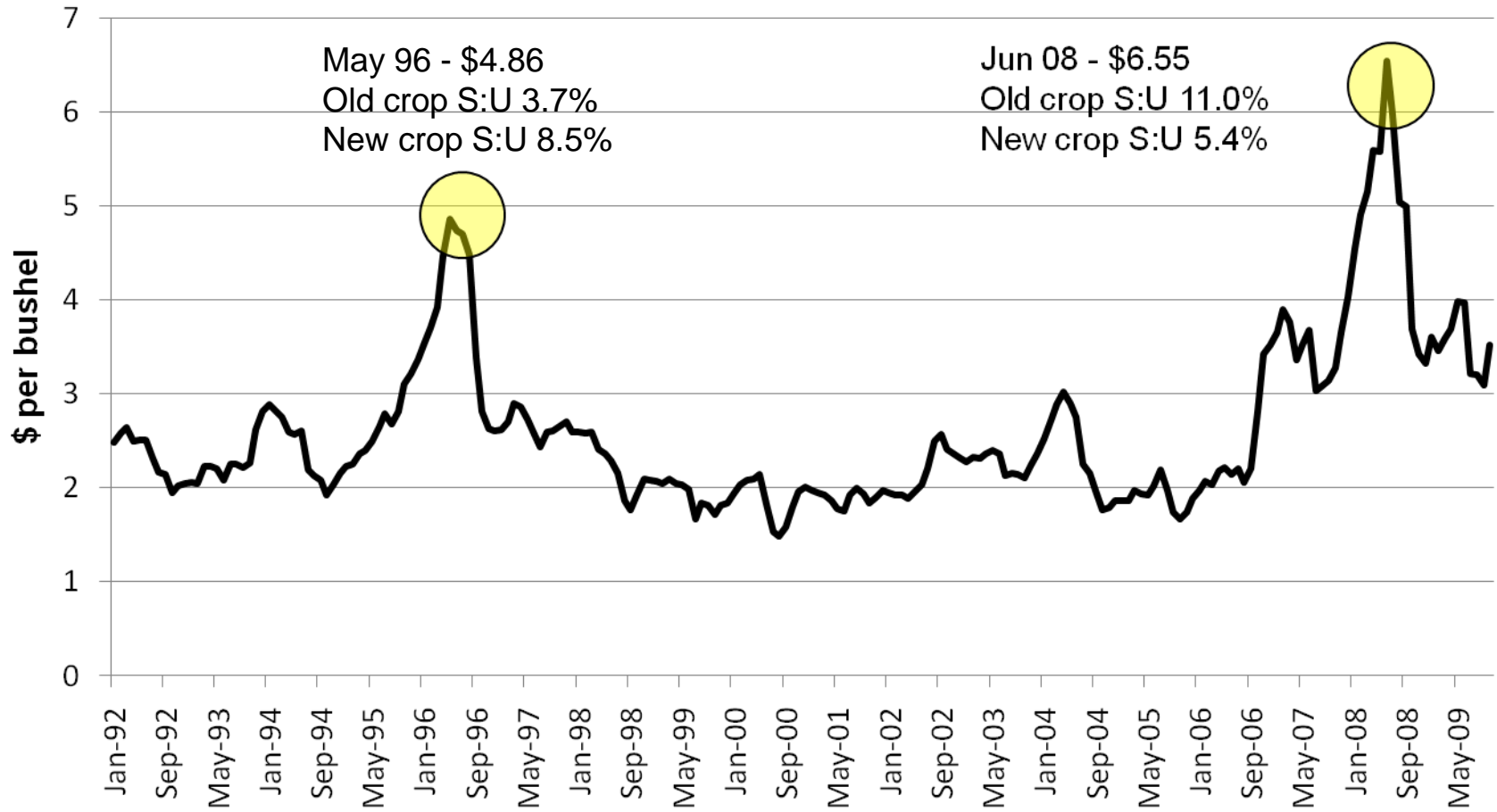
# The Fed: Don't Blame Corn

- Non-farm costs have added more costs to retail food dollar
- 59% in 1959 to 80% today, due primarily to rising **labor and energy costs**

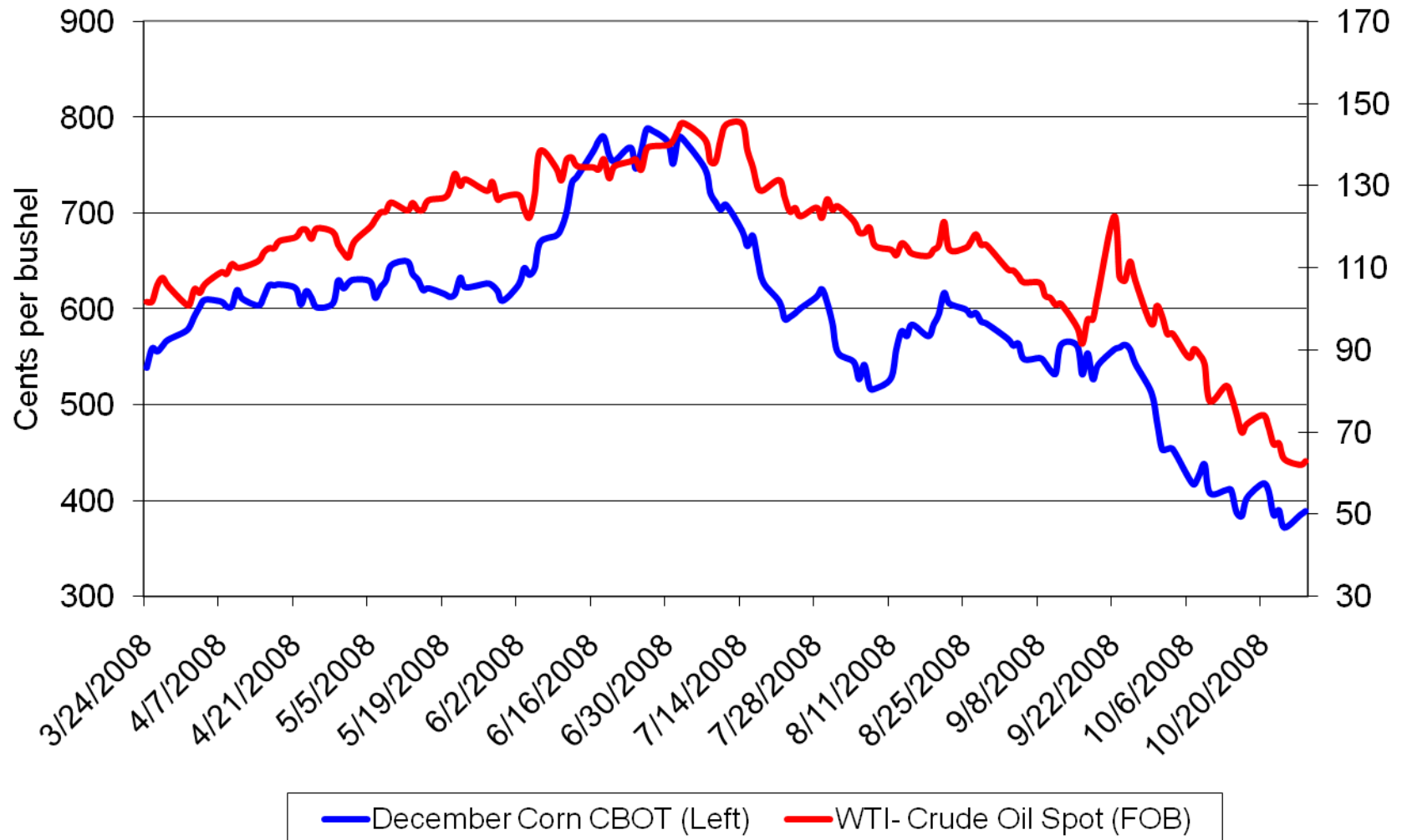


# Monthly Corn Price Received

## Central Illinois



# Corn, Oil Prices Down



— December Corn CBOT (Left) — WTI- Crude Oil Spot (FOB)

Table1: NCGA's Vision of the Future Change in Corn Production

	2007-08*		2015-16**		2020-21***	
	(mil bu)	% Supply	(mil bu)	% Supply	(mil bu)	% Supply
<b>Production</b>	13,074		15,170		17,000 <sup>1</sup>	
<b>Carry-in</b>	1,304		1,731		1,800	
<b>Supply</b>	14,398		16,911		18,800	
<b>Feed &amp; Residual</b>	5,974	43%	5,425	32%	6,100 <sup>2</sup>	32%
<i>DDG Fed – Corn equivalents</i>	792		1,454		1,400	
<b>Food, Seed &amp; Industrial (FSI)</b>	4,364	30%	6,922	41%	7,900	42%
Food	1,095	8%	1,006	6%	1,025	5%
New Uses, Industrial, Starch	270	2%	435	3%	725 <sup>6</sup>	4%
Ethanol (-DDG credit)	3,010 (2,218)	<i>Adjusted Consumption 15%</i>	5,481 (4,027)	<i>Adjusted Consumption 24%</i>	6,150 <sup>3</sup> (4,750) <sup>4</sup>	<i>Adjusted Consumption 25%</i>
<b>Exports (Grain Only)</b>	2,436	17%	2,500	15%	2,760 <sup>5</sup>	15%
<b>Total Use</b>	12,773		14,847		16,760	
<b>Carry Out</b>	1,624	(Stocks: Use) 13%	2,064	(Stocks: Use) 14%	2,140	(Stocks: Use) 13%