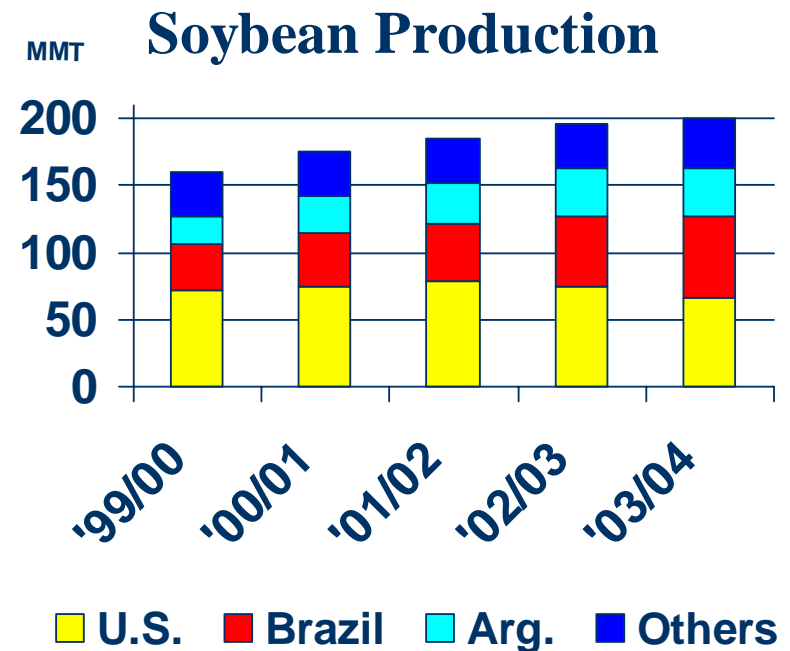


Global Situation and Outlook for Soybeans

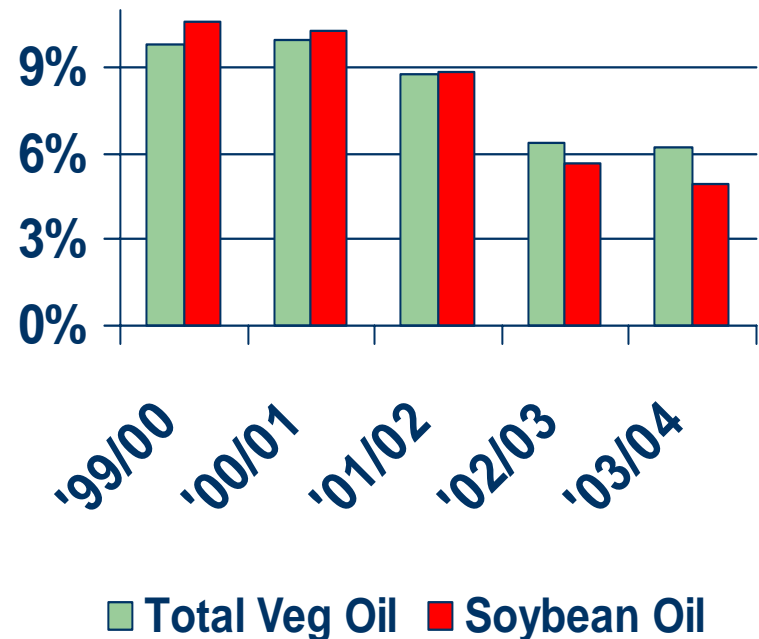
- Production increased by an average of 7.7 MMT in the five years ending in 02/03.
- First time in 7 years that global consumption has exceeded production.
- The short crop in the U.S has resulted in a very tight situation here and higher prices globally.



Global Situation and Outlook for Vegetable Oil

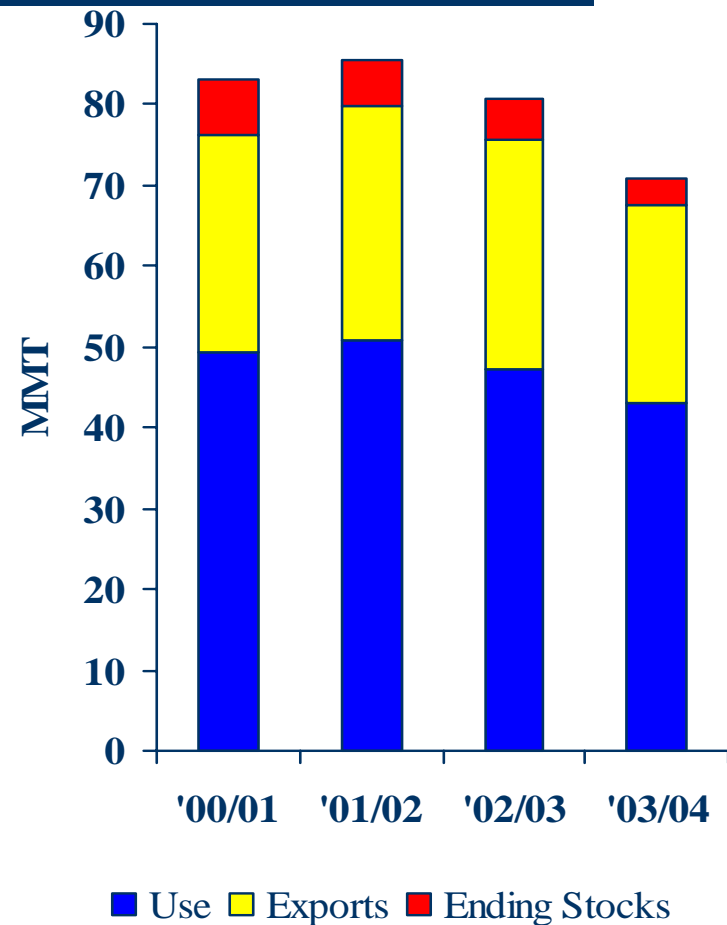
- Low 02/03 veg-oil ending stocks translate into a tight supply situation for 03/04.
- Global veg-oil supply is projected up 4.51 MMT in 03/04, after increasing 1.16 MMT in 02/03. Increase mainly in minor oils.
- Fall in global soybean oil stocks mainly due to the reduction in U.S. stocks.

Stocks to Use Ratio



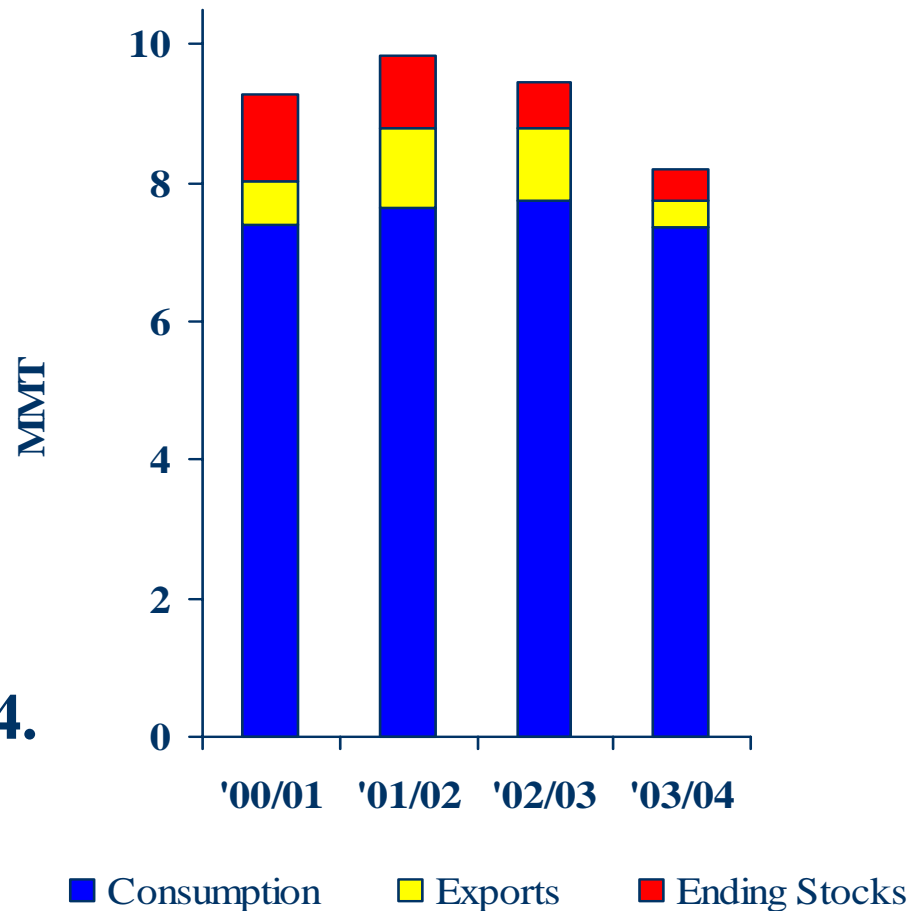
U.S. Situation and Outlook for Soybeans

- Reduced soybean supply on two years of drought.
- Strong exports and crush since September will lead to low domestic use for the next six months.
- Use estimates assume 771 TMT of soy bean equivalent imports.
- Tight supply pushes soybeans to nearly \$8.50/bu.



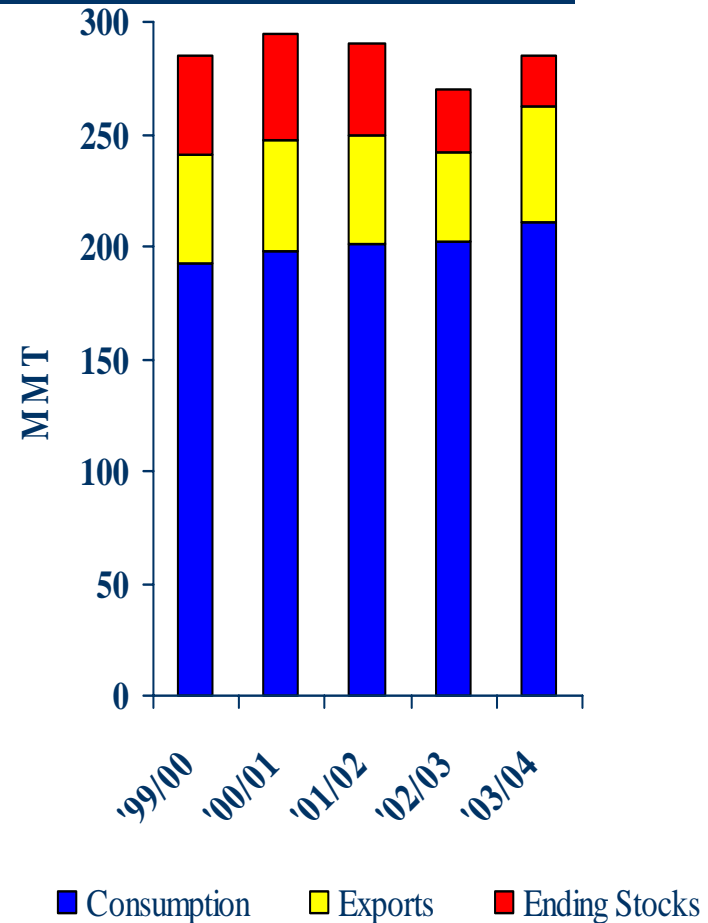
U.S. Situation and Outlook for Soybean Oil

- Domestic crush is projected to fall nearly ten percent, reducing oil production.
- Projected U.S. soy-oil ending stocks are the tightest since 85/86.
- U.S. soy oil imports are projected to reach a record 110 TMT in 03/04.



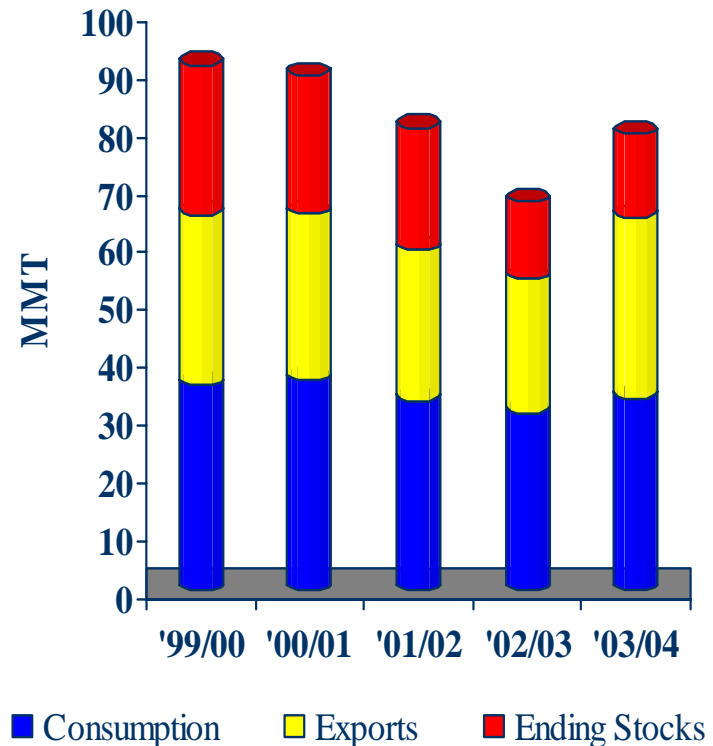
U.S. Situation and Outlook for Corn

- Domestic demand is projected to continue strong growth, fueled by ethanol production.
- Exports rebound and expected to reach a five-year high.
- Ending stocks forecast to reach the lowest level in 7 years.



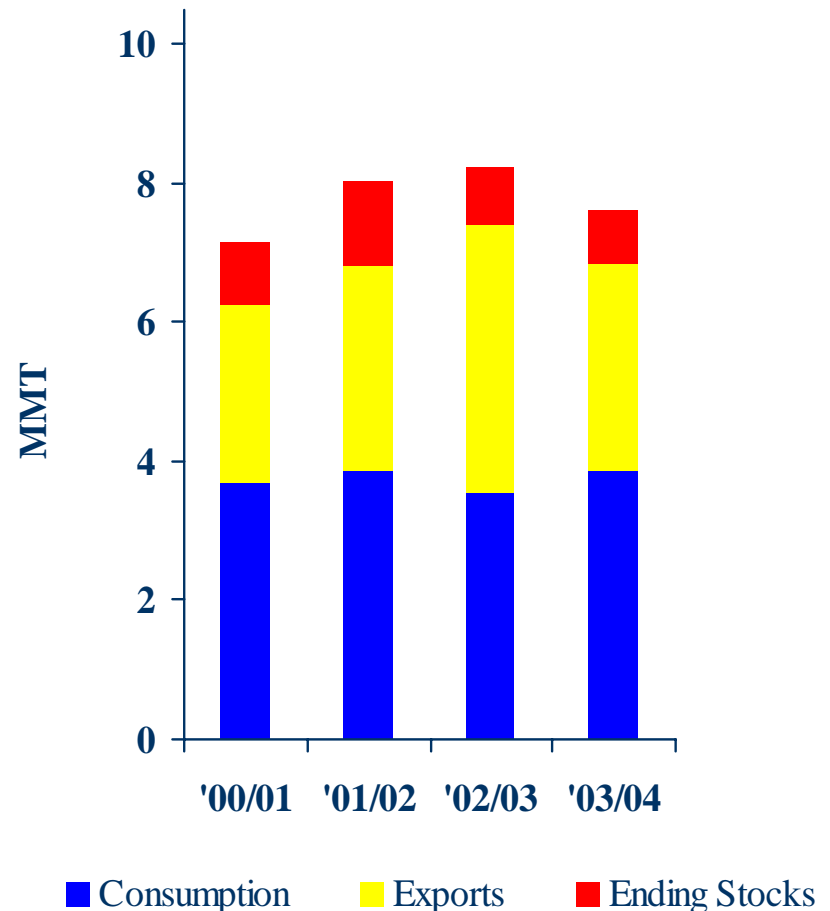
U.S. Situation and Outlook for Wheat

- U.S. domestic wheat consumption is up 8% to 33 MMT in 03/04
- Exports are projected to reach 31.3 MMT– a 35% increase from last year and an 8-year high
- Ending Stocks will increase only 1.2 MMT



U.S. Situation and Outlook for Rice

- Ending stocks fall to normal levels after 2 consecutive years of record and near-record production.
- Exports fall about 20% on smaller supplies and less rough rice demand in the Western Hemisphere.



Budget for U.S. Foreign Food Assistance FY 2004 - 2005

| <u>Program</u> | <u>2004 Current Estimate</u> | | <u>2005 Request</u> | |
|---------------------------------------|------------------------------|------------------|---------------------|------------------|
| | <u>\$ Mil.</u> | <u>Mil. MTGE</u> | <u>\$ Mil.</u> | <u>Mil. MTGE</u> |
| P.L. 480 Title I | \$197 <u>a/</u> | 0.7 | \$123 | 0.5 |
| P.L. 480 Title II | <u>1,271</u> <u>b/</u> | <u>2.7</u> | <u>1,185</u> | <u>2.7</u> |
| Total P.L. 480 | 1,468 | 3.4 | 1,308 | 3.2 |
| Emerson Humanitarian Trust | <u>c/</u> | <u>c/</u> | <u>c/</u> | <u>c/</u> |

a/ Includes \$38 million of prior year unobligated carryover funding.

b/ Includes \$106 million of prior year unobligated carryover funding.

c/ 500,000 tons available annually for emergency assistance.

Budget for U.S. Foreign Food Assistance FY 2004 – 2005 (cont.)

| <u>Program</u> | <u>2004 Current Estimate</u> | | <u>2005 Request</u> | |
|---|------------------------------|------------------|---------------------|------------------|
| | <u>\$ Mil.</u> | <u>Mil. MTGE</u> | <u>\$ Mil.</u> | <u>Mil. MTGE</u> |
| Food for Progress d/ McGovern-Dole Int'l Food for Education | 128 | 0.3 | 149 | 0.4 |
| | 49.7 e/ | 0.1 | 75 | 0.1 |
| Section 416(b) Donations | <u>147</u> | <u>0.1</u> | <u>147</u> | <u>0.1</u> |
| Subtotal | 324.7 | 0.5 | 371 | 0.6 |
| Total Programming | <u>\$1,792.7</u> | 3.9 | <u>\$1,679</u> | 3.8 |

d/ Includes that portion of Food for Progress programming supported by CCC funds.

e/ The current level of \$49.7 mil. represents a rescission of \$295,000 from the \$50.0 mil. appropriated level.

Expected Programming Levels FY04

| Program Type | Dollars (Mil) | Quantity (000 MT) | Number of Agreements Expected |
|--------------------|----------------|-------------------|-------------------------------|
| Title I | \$162 | 675 | 20 |
| Title II | \$1,271 | 2,700 | NA |
| Food for Progress | \$131 | 268 | 25 |
| Section 416(b) | \$147 | 75 | 25 |
| Food for Education | \$49.7 | 60 | 15-20 |
| TOTAL | \$1,761 | 3,778 | 85-90 |

Estimates pending full programming decisions.

FY03 Programmed Levels

| Program Type | Dollars* (Mil) | Quantity (000 MT) | Number of Agreements |
|-----------------------|-------------------|----------------------|-------------------------|
| Title I** | \$168.5 | 573.5 | 15 |
| Title II | 1,797.0 | 3,182 | NA |
| Food for Progress | \$135.4 | 381.6 | 24 |
| Section 416(b) | \$225.2 | 254 | 28 |
| Food for Education*** | \$100.0 | 130.7 | 21 |
| TOTAL | \$2,426.1 | 4,521.8 | 88 |

* All costs: Commodity, freight, and administrative. ** Includes Title I-funded Food for Progress.

*** Estimated Quantity and Agreement Planned.

Estimated Commodities in 2004 USG Programs (000 Tons)

| Commodity | Title I | Title II | Food for Progress | Section 416(b) | Food for Education |
|-----------------------|------------|------------|-------------------|----------------|--------------------|
| Soybeans and products | 0 | 326 | 75 | 0 | 13 |
| Feed Grains | 112 | 990 | 2 | 0 | 10 |
| Nonfat Dry Milk | 0 | 0 | 0 | 75 | 0 |
| Pulses | 0 | 0 | 7 | 0 | 2 |
| Rice | 51 | 85 | 53 | 0 | 8 |
| Wheat and Flour | 507 | 1499 | 124 | 0 | 22 |
| Other | 5 | 0 | 7 | 0 | 5 |
| Total | 675 | 675 | 268 | 75 | 60 |

FY2003 Commodity Total (000 tons)

| Commodity | Title I | Title II | Food for Progress | Section 416(b) | Food for Education |
|------------------------------|----------------|-----------------|--------------------------|-----------------------|---------------------------|
| Soybeans and Products | 4 | 275 | 162 | 0 | 24 |
| Feed Grains | 0 | 522 | 30 | 0 | 5 |
| Nonfat Dry Milk | 0 | 1 | 3 | 74 | 0 |
| Pulses | 0 | 214 | 0 | 0 | 8 |
| Rice | 147 | 121 | 18 | 0 | 24 |
| Wheat & flour | 399 | 1,518 | 166 | 179 | 42 |
| Other | 24 | 573 | 3 | 0 | 28 |
| Total | 574 | 3,224 | 382 | 253 | 131 |

Major Challenges Facing USDA Food Aid Administrators

1. How to measure the impact of food aid
2. How to maintain the continuity of resources, especially for programs such as the McGovern Dole Program
3. Being aware of medical/nutritional benefits of certain foods and how to work with industry to develop these products