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IPEP STUDY

Huntsville, AL
April 18-19, 2005

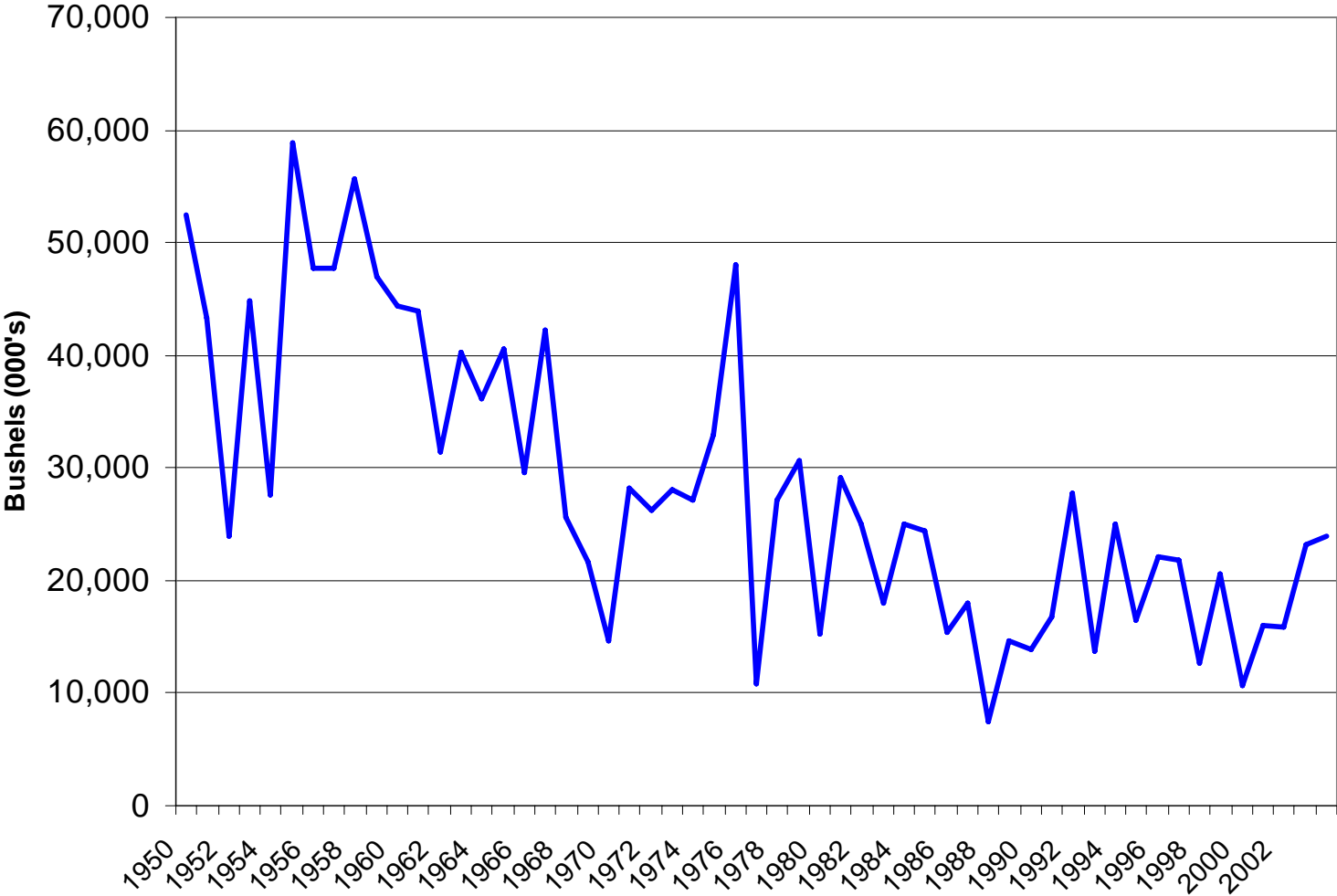
Presentation Outline

- Inputs Discussion: corn, poultry, natural gas, electricity
- Outputs Discussion: DDGS, ethanol

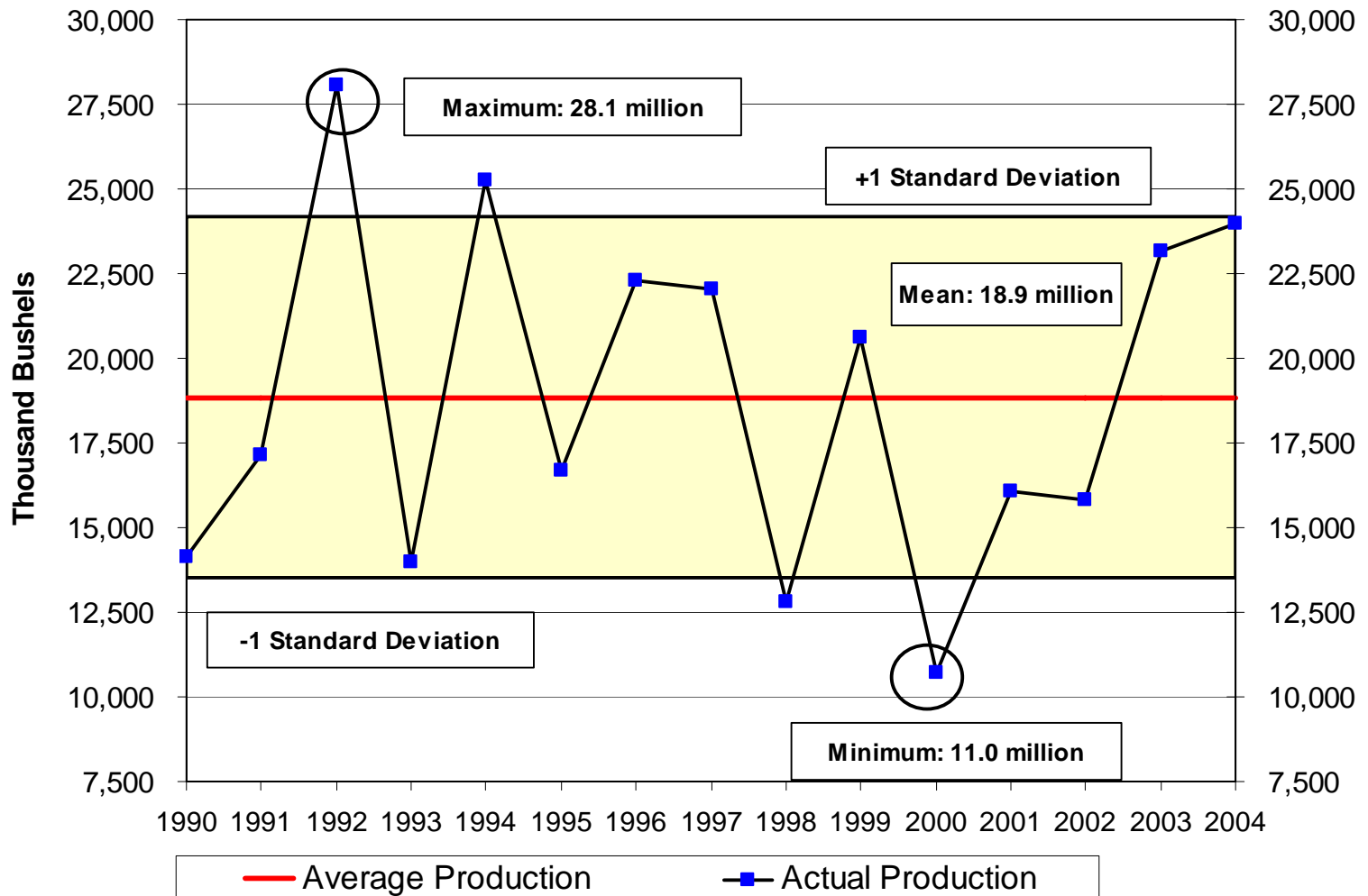


Inputs Discussion: corn, poultry, natural gas, electricity

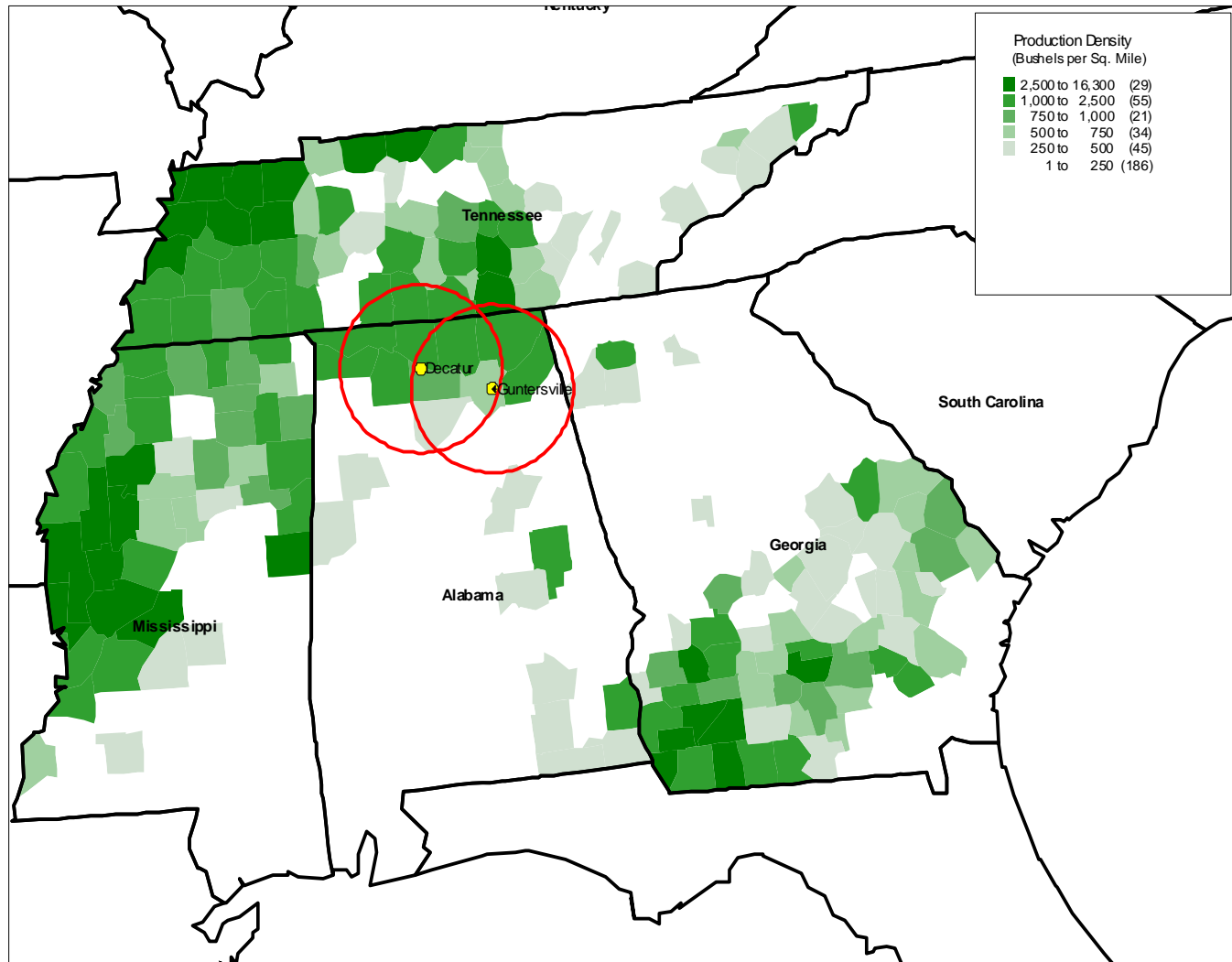
Alabama Corn Production, 1950 to 2004



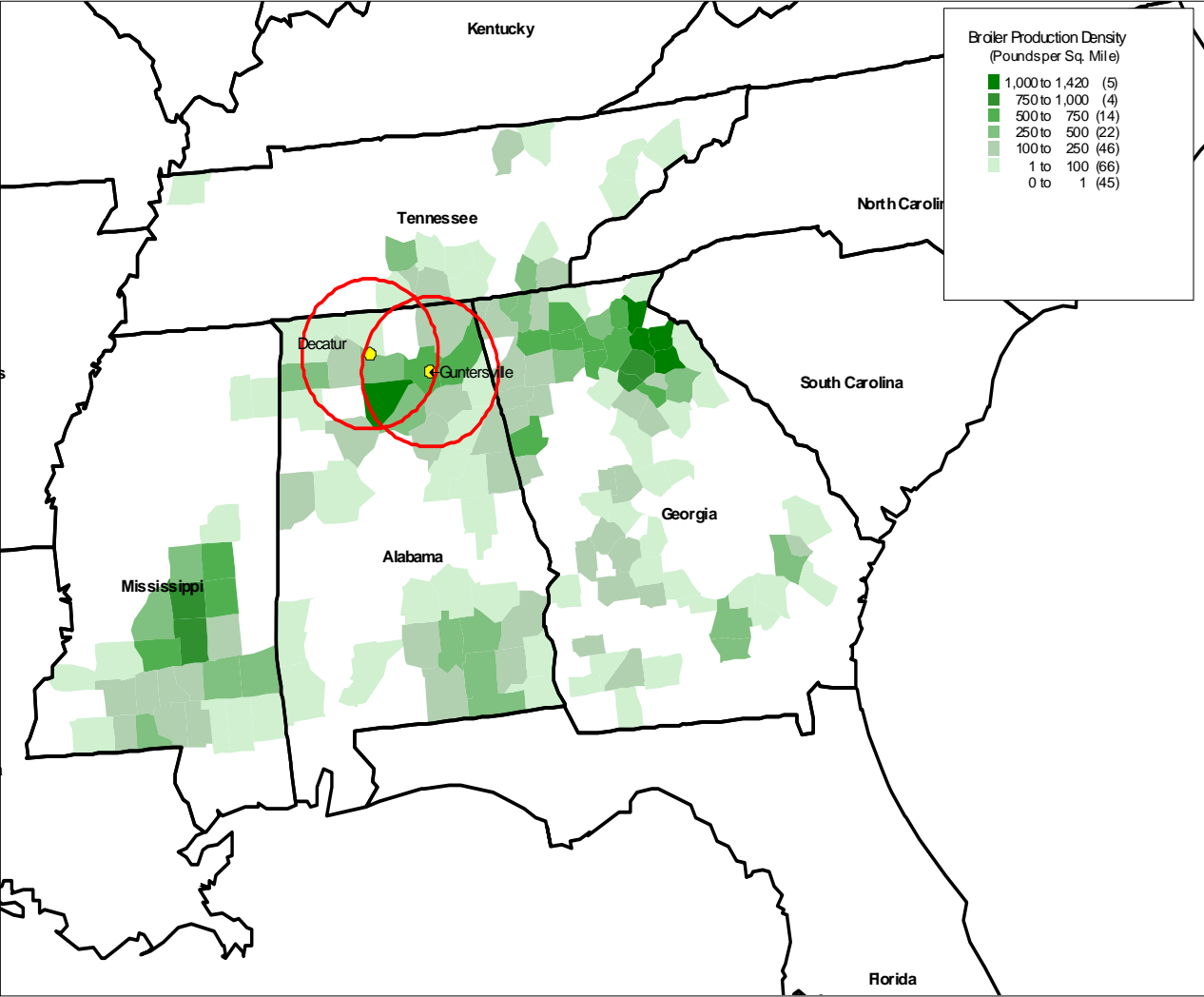
Variation in Alabama Corn Production, 1990-2004



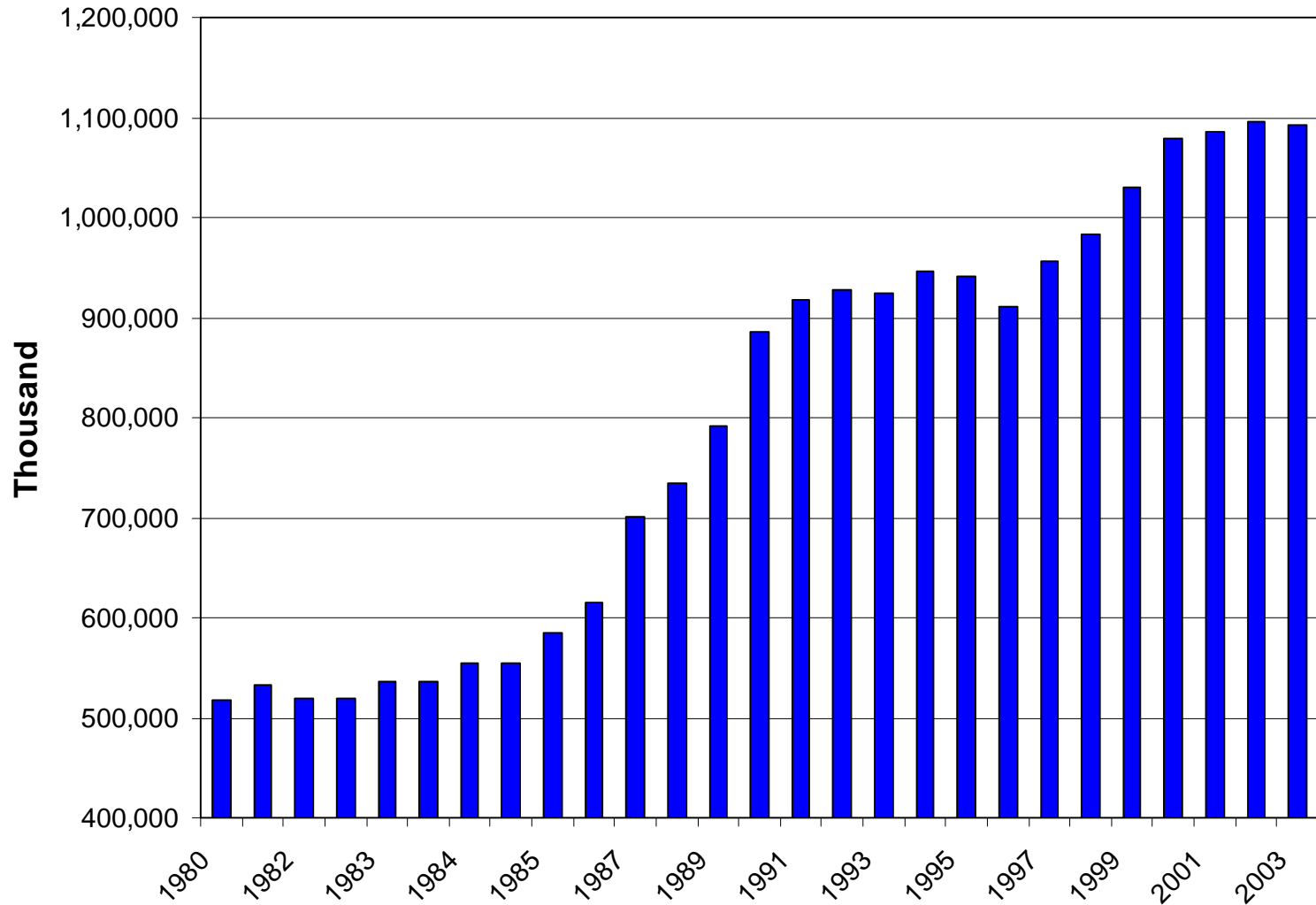
Corn Production Density in the South



Broiler Production Density, Pounds per Sq. Mile, 2002



Alabama Commercial Broiler Production, Number of Chicks Placed, 1980-2003

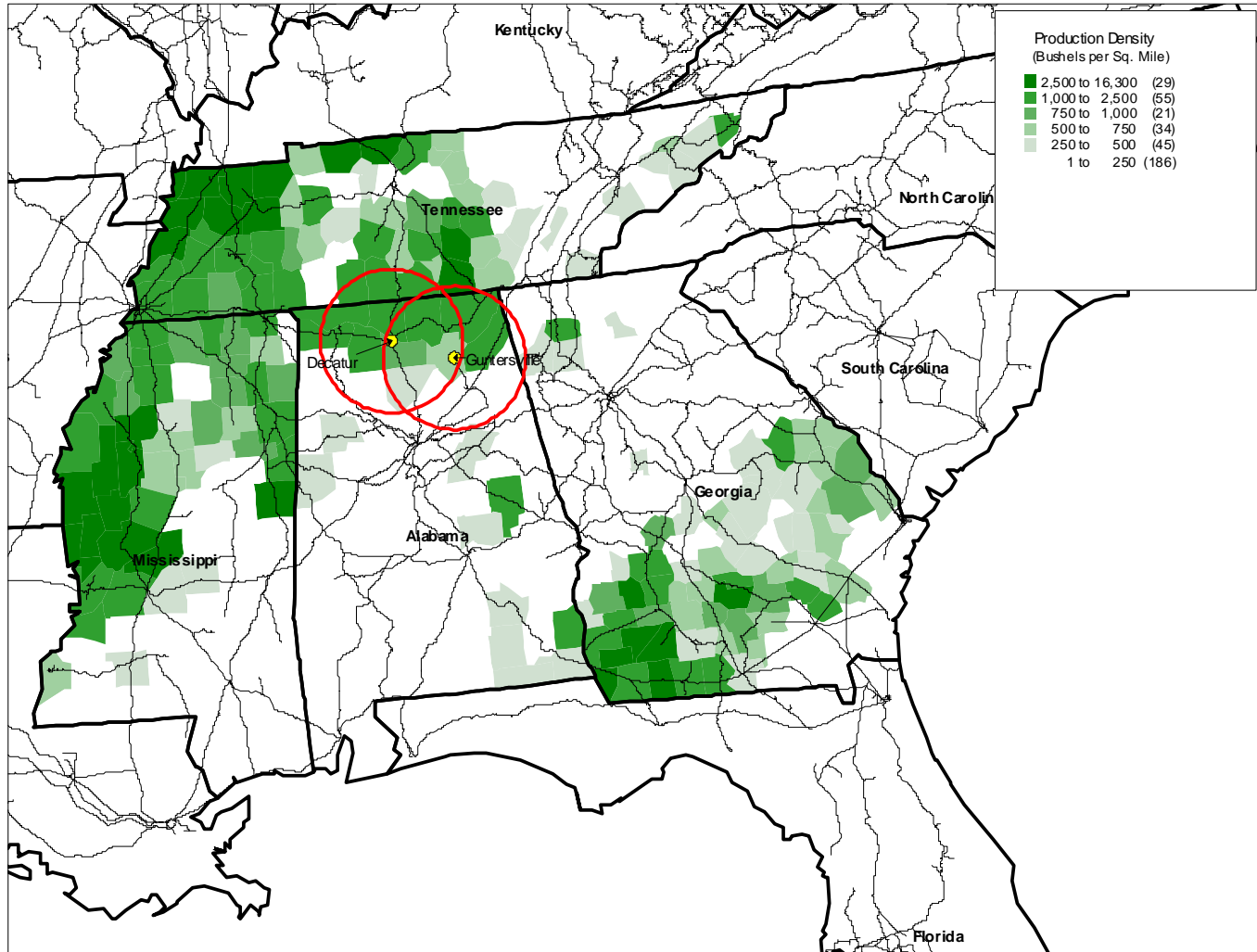


Estimate of Total AL Livestock (by major category) Consumption of Corn in 2002

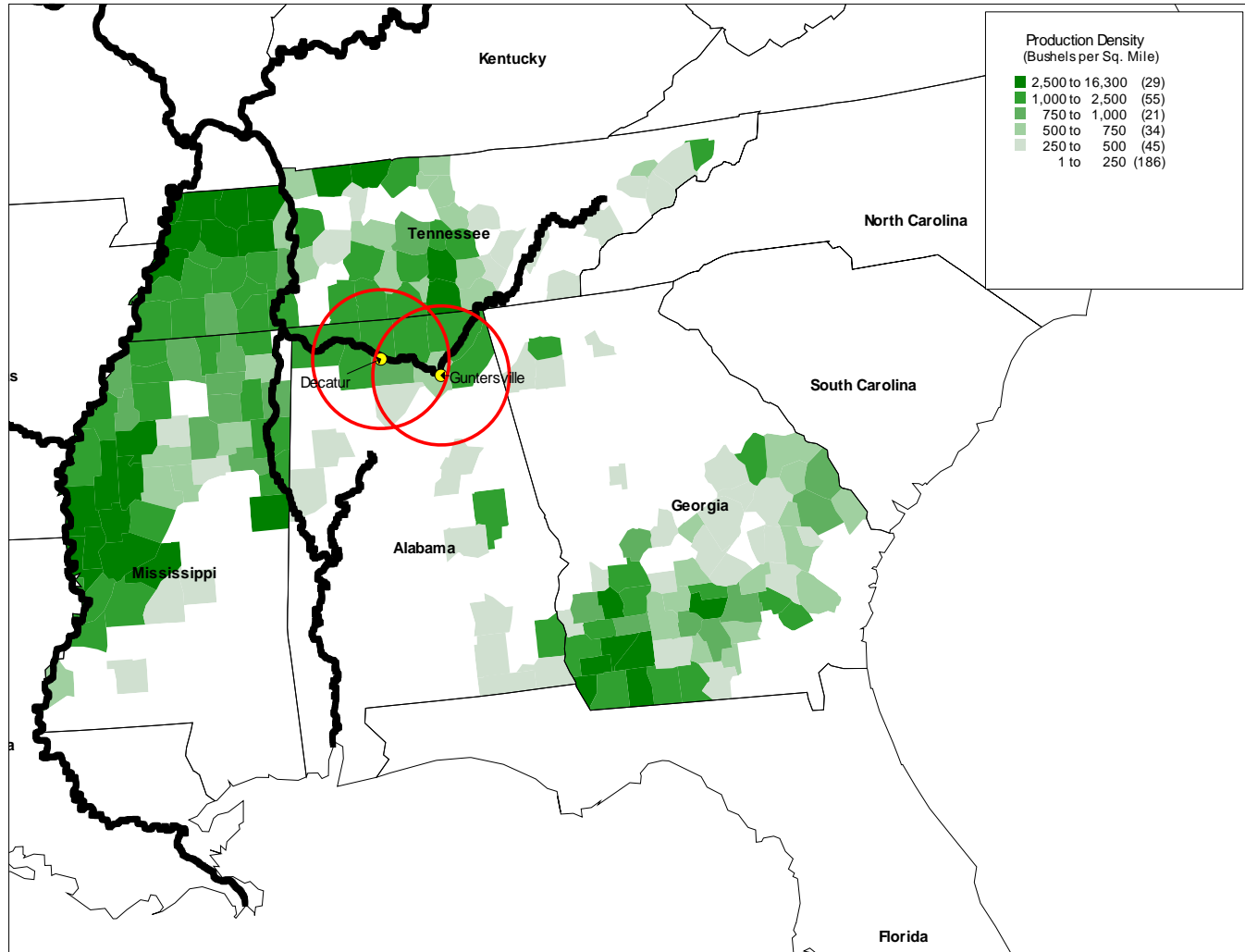
| | |
|--------------------------|-------------|
| Catfish | 2,992,143 |
| Cattle on Feed | * |
| Dairy | 1,218,839 |
| Hogs/Pigs | 3,757,071 |
| Poultry | 141,858,832 |
| | <hr/> |
| Bushels of Corn Consumed | 149,826,885 |

* Note, cattle on feed in the state is negligible based on the NASS Annual Survey

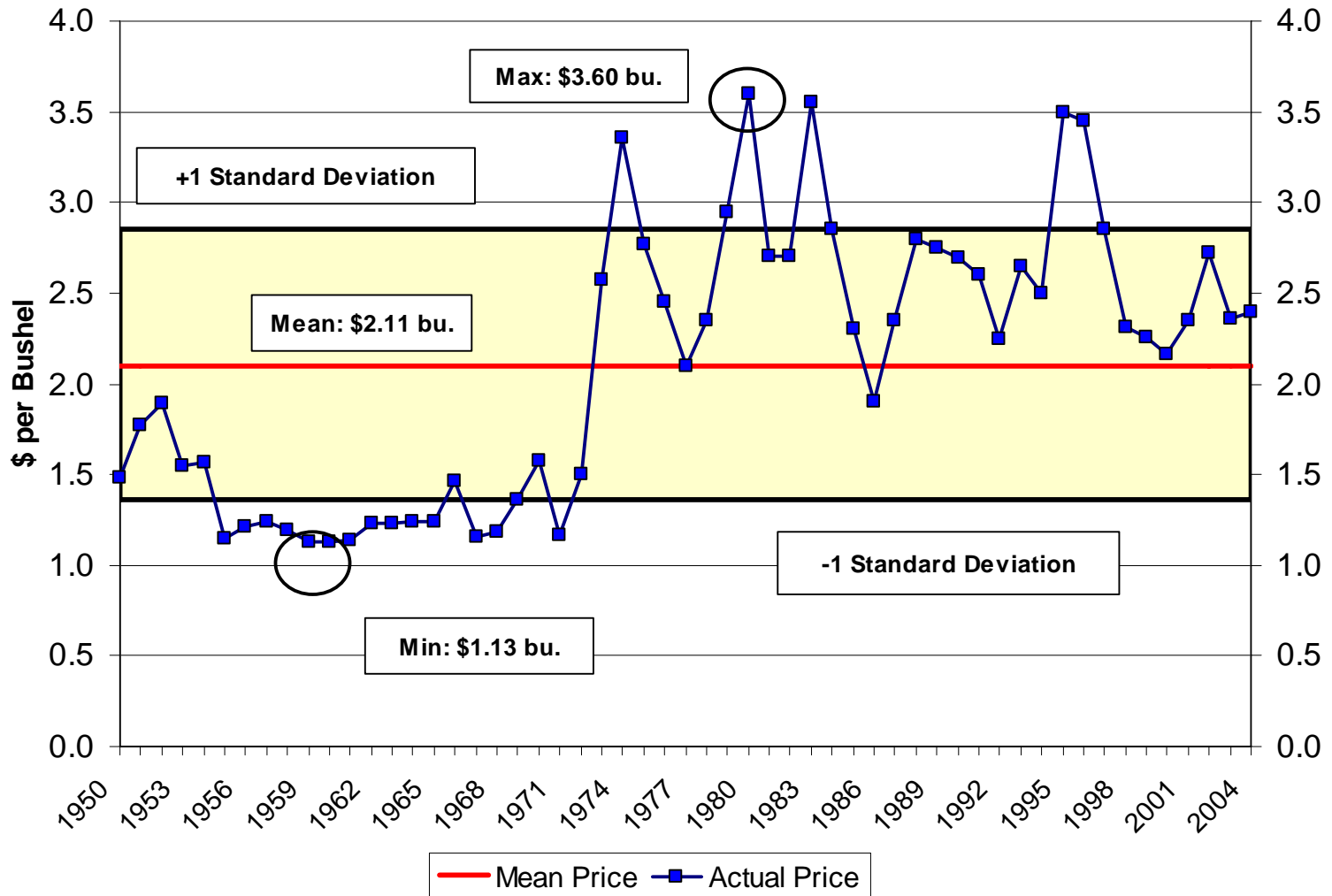
Corn Production in the South, Accessibility to Rail



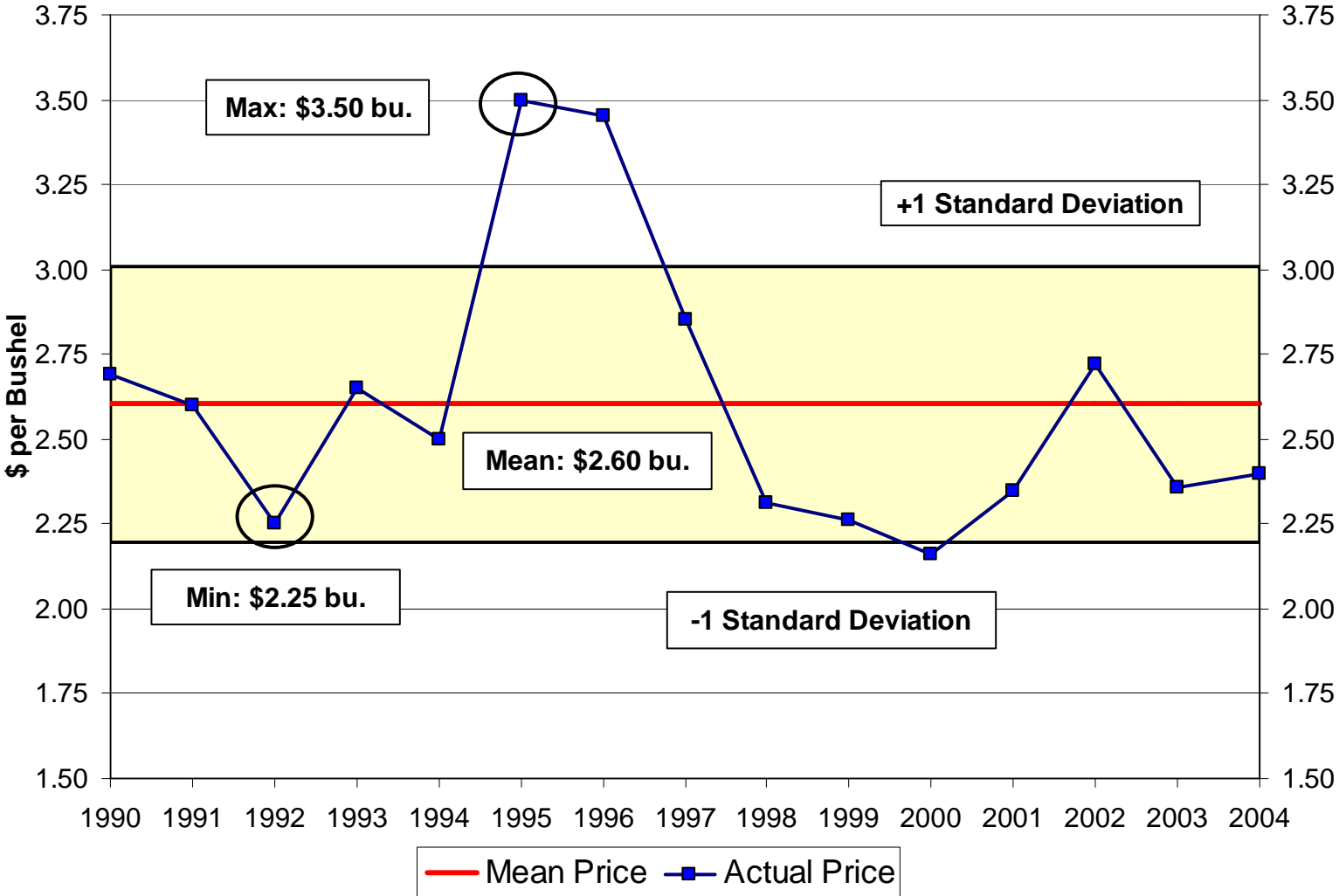
Corn Production Density, Accessibility to River



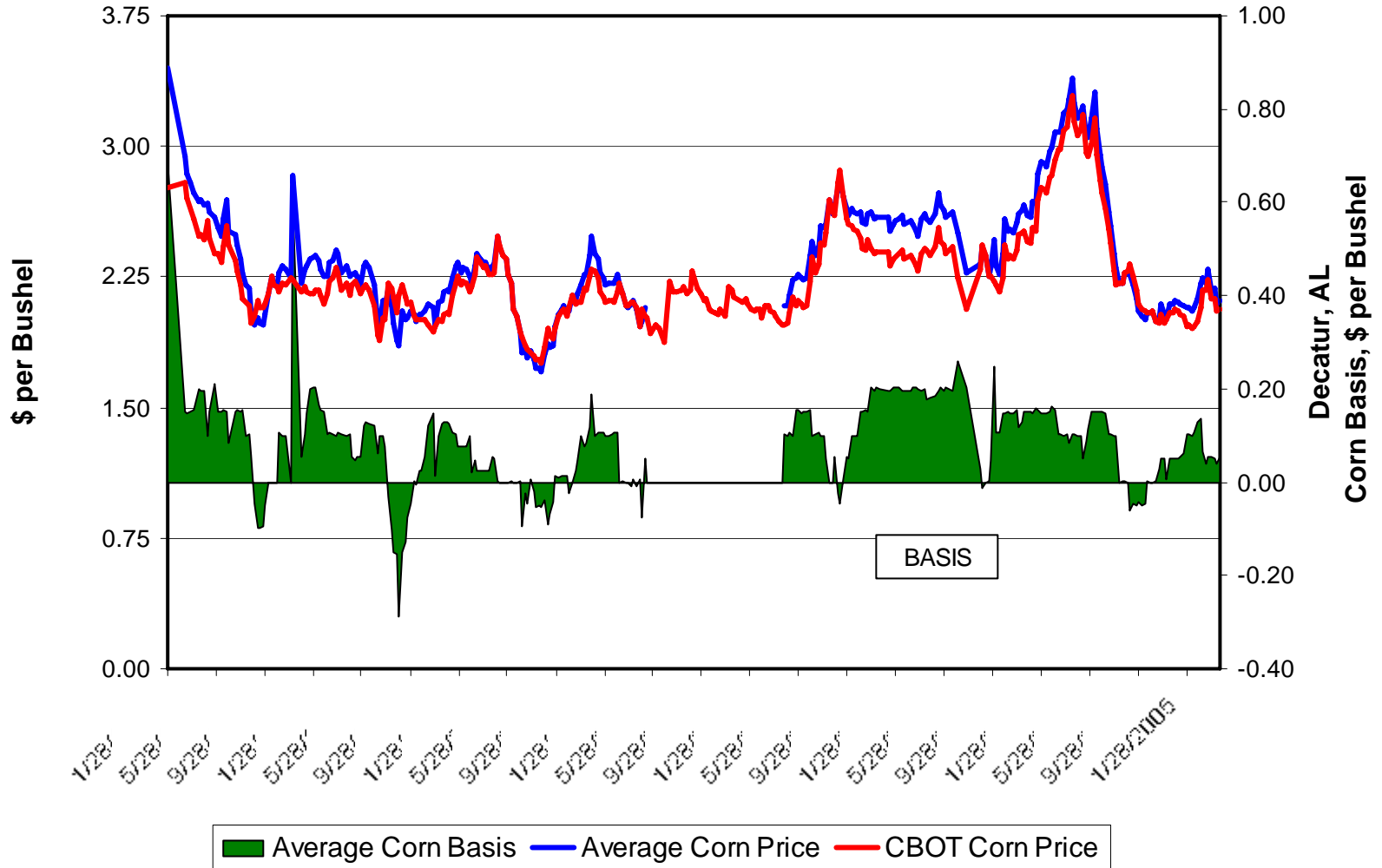
Corn, Variation in Alabama Prices Received by Farmers, 1950-2004



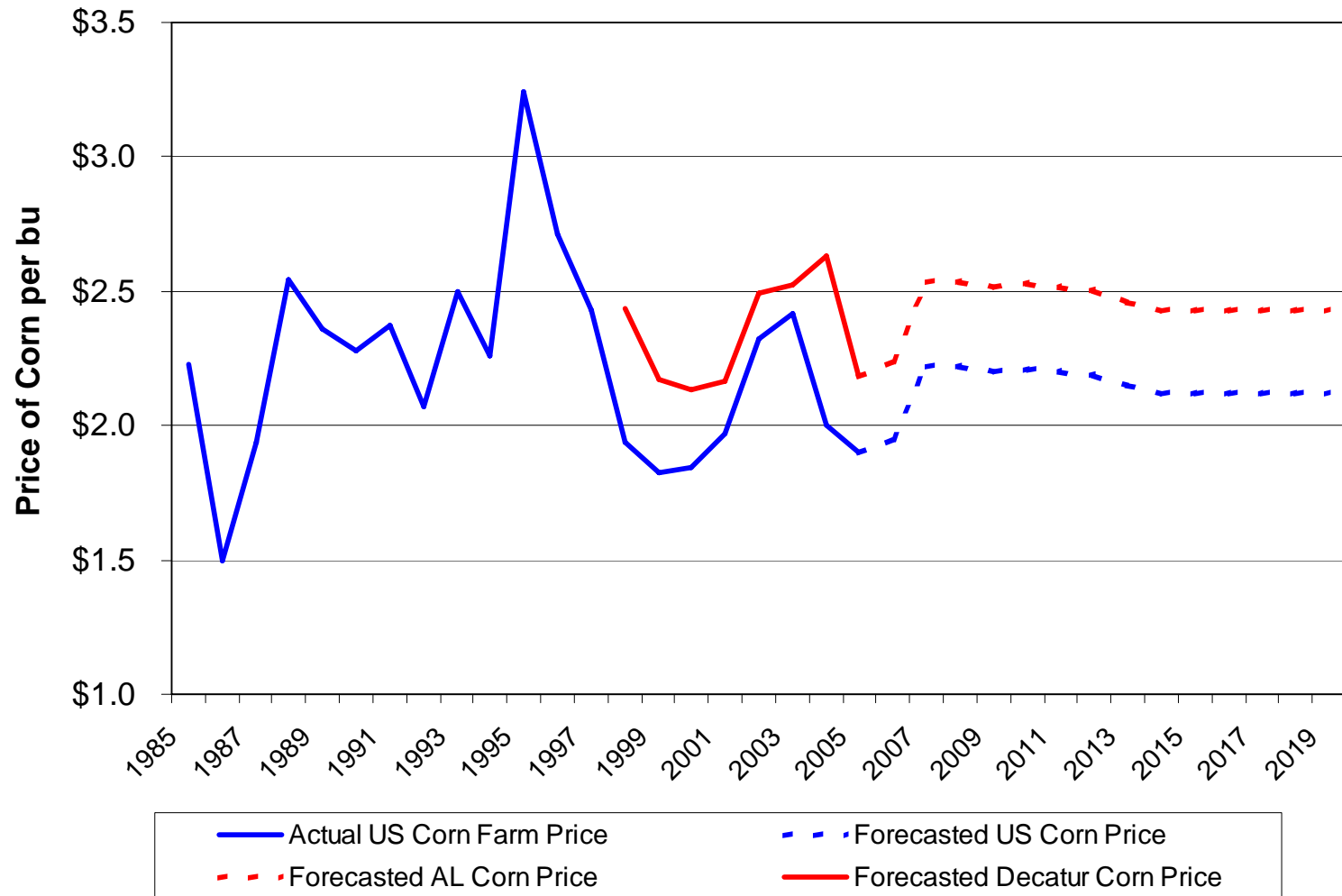
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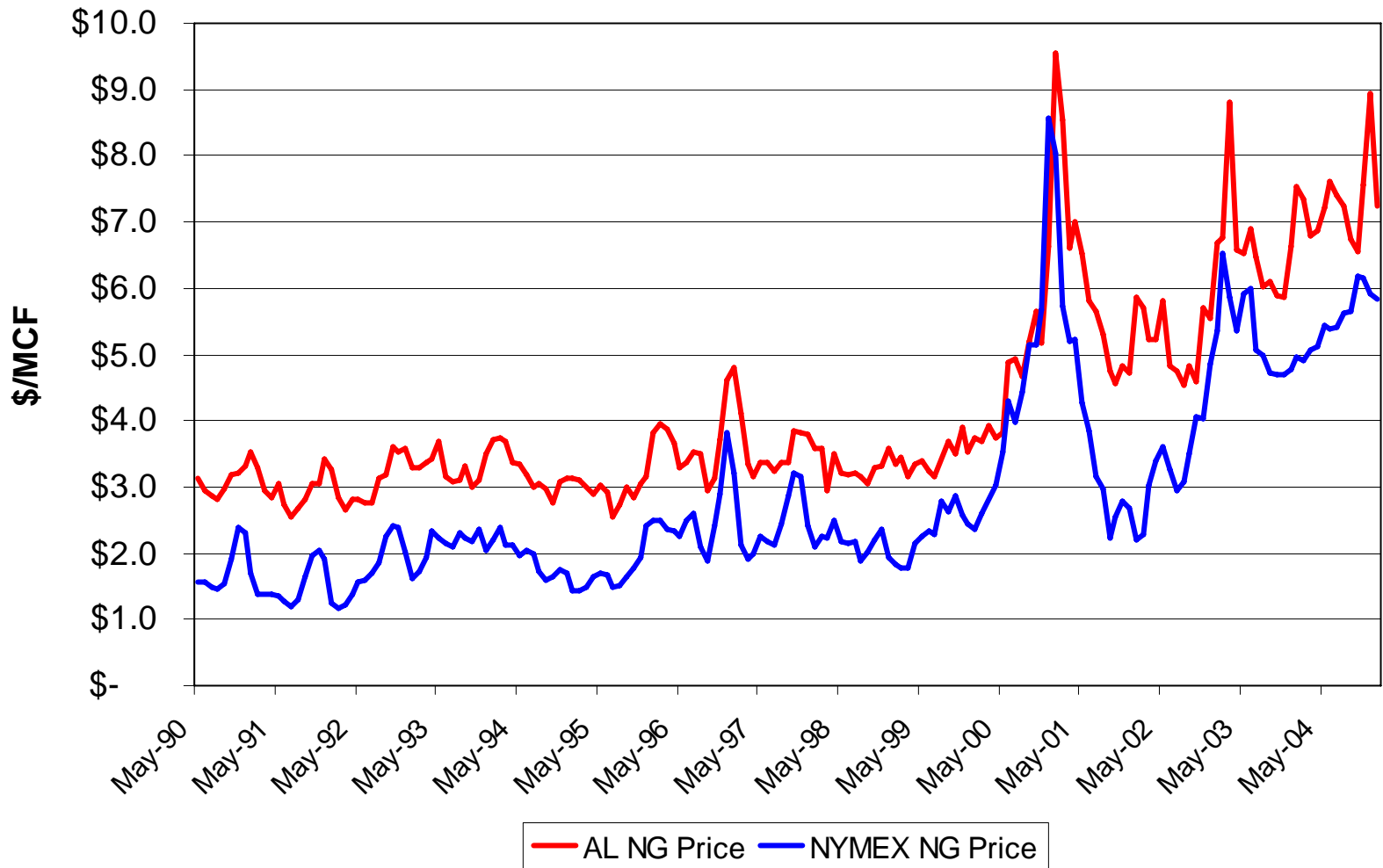
Comparison of Average Decatur, AL Farm Corn Price vs. CBOT Corn Futures Price, 1998-2005



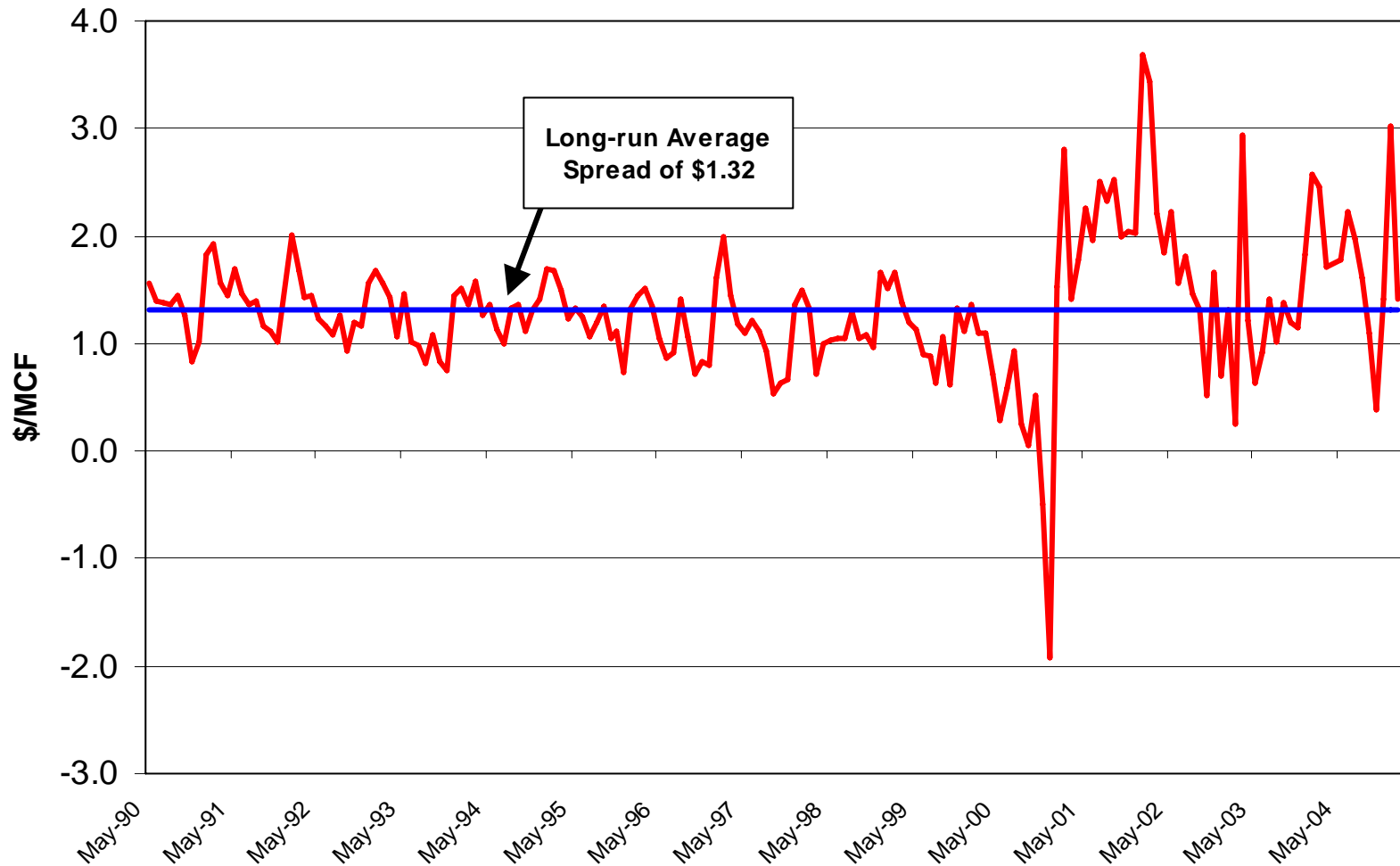
Corn Price: Actual and Forecasted, US versus Decatur, AL



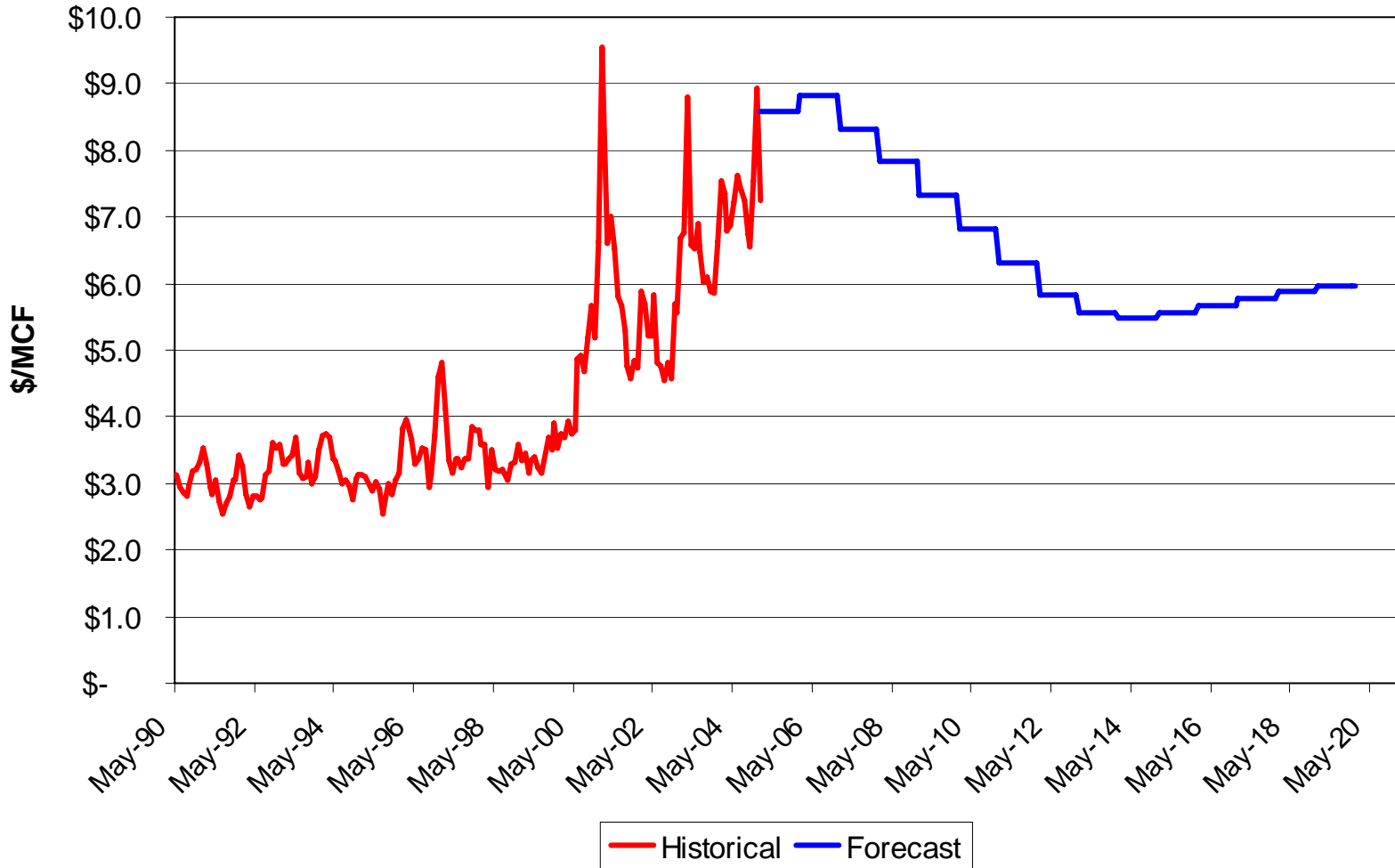
Natural Gas Prices, Average Price Sold to Industrial Consumers in AL, US NYMEX (Henry Hub) Nearby Futures (Source: US DOE, Energy Information Administration & NYMEX)



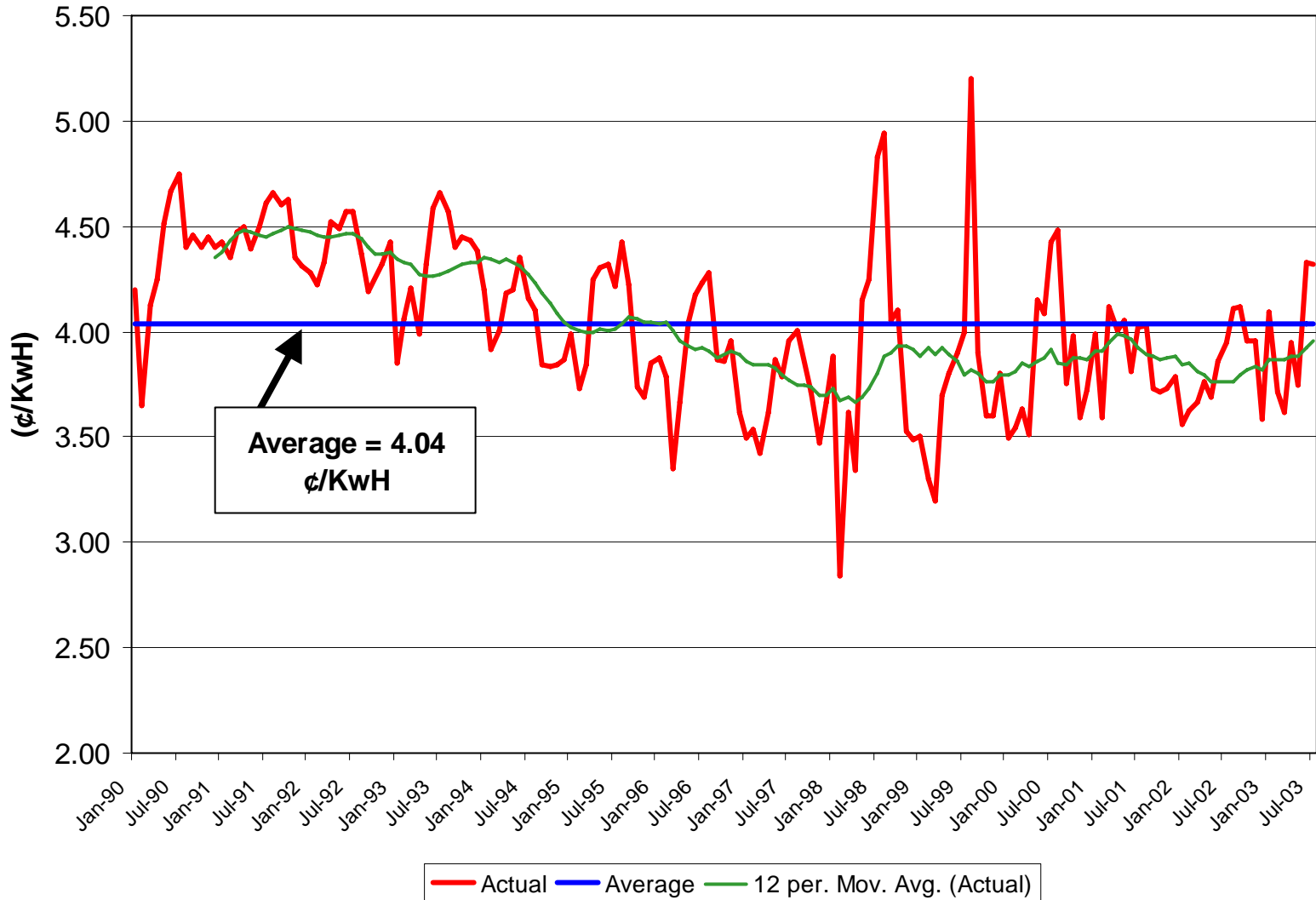
Spread Between Natural Gas Prices, NYMEX (Henry Hub) Nearby Futures to Average Industrial Consumers Price in AL (Source: US DOE, Energy Information Administration & NYMEX)



Natural Gas Prices, Historical Average Price Sold to Industrial Consumers in AL & Forecast (Source: US DOE, Energy Information Administration, NYMEX, Decision Economics & Informa)



Alabama Average Cost Per KWH for the Industrial Sector



Outputs Discussion: Ethanol & DDGS

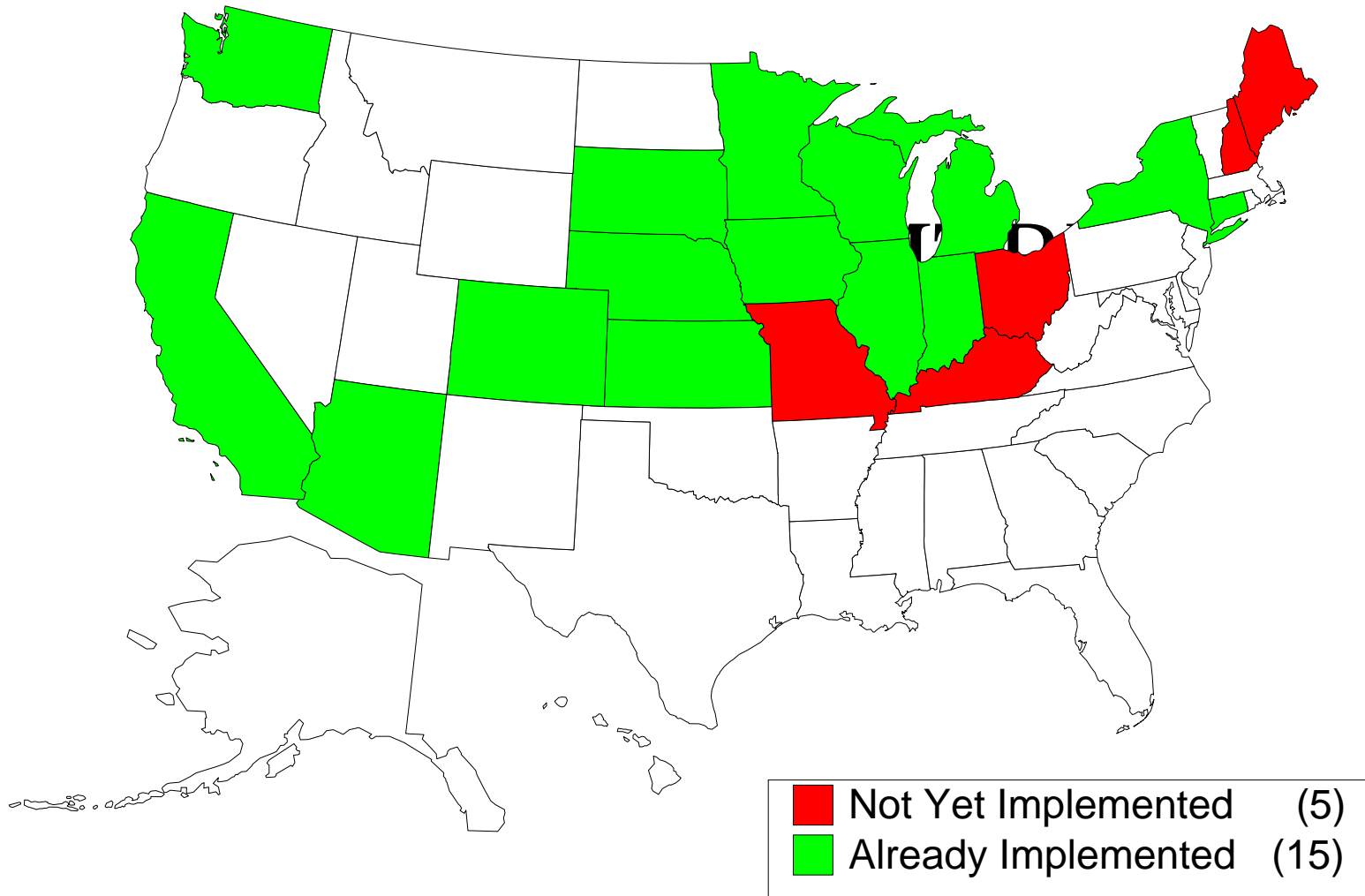
Ethanol Sector Summary

- **20 states banning MTBE**
 - 15 already implemented
 - CA, NY, CT were effective at beginning of 2004
 - Other important states include AZ & CO, plus Corn Belt states
- **Rapid pace of plant construction/expansion**
 - Capacity has roughly doubled since 2000

Ethanol Sector Summary

- New markets in Atlanta & Baton Rouge stalled
- Energy Bill with Renewable Fuels Standard questionable
- New demand needed for prices to strengthen
 - Price weakness likely a temporary phenomenon

States Banning MTBE



NJ, PA and other states could also adopt

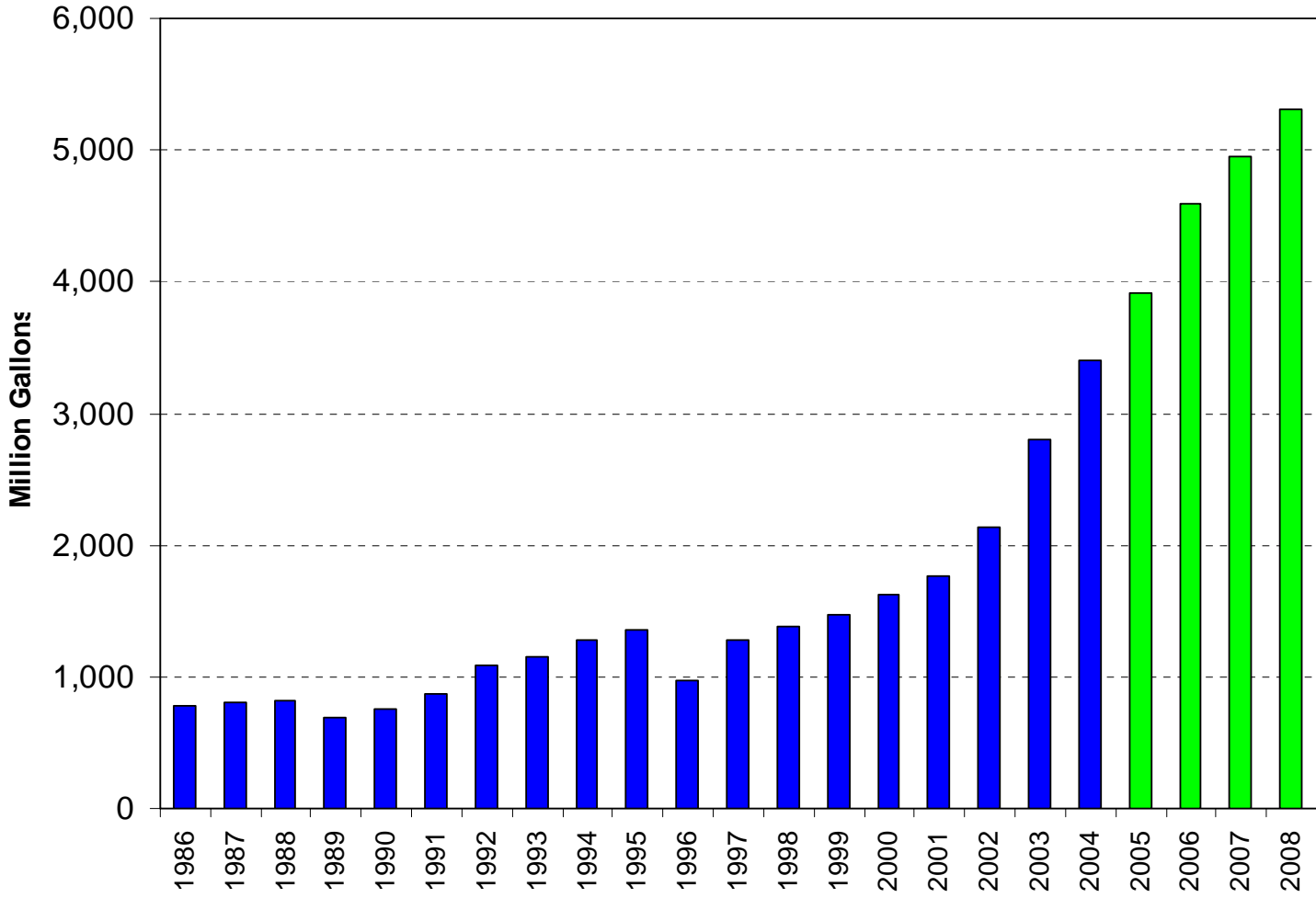
Energy Bill Considerations

- Attempted to pass an omnibus Energy Bill for last two Congresses
 - MTBE liability was major issue; some effort at compromise via cleanup fund
 - Ethanol tax treatment legislation was enacted separately in Oct. 2004
 - Some prospect for an Energy Bill in the new Congress

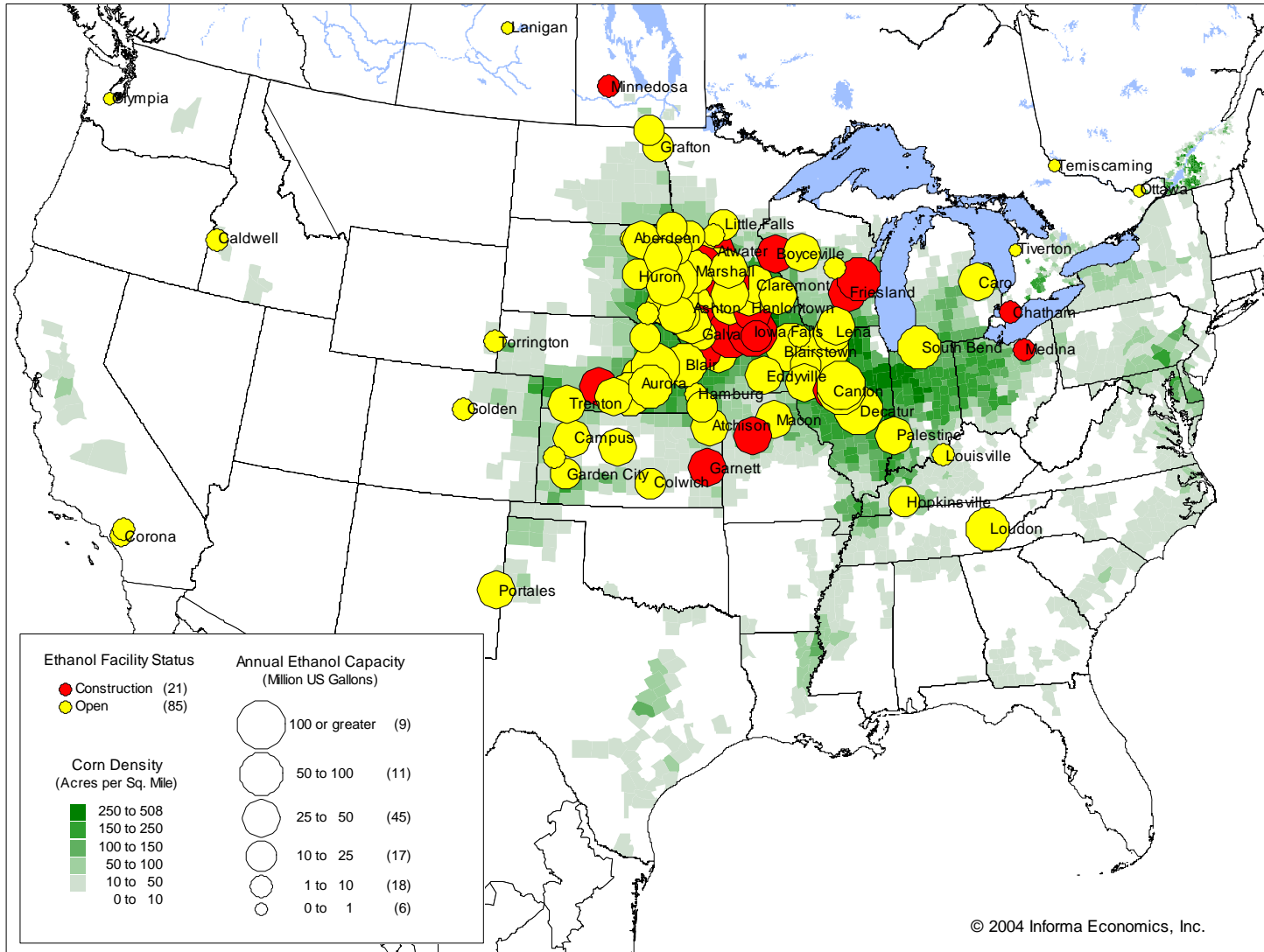
Energy Bill Considerations

- Renewable Fuels Standard
 - Conference version of last bill; House cmte. recently approved similar version
 - 2005 3.1 billion gallons
 - 2012 5.0 billion gallons
 - Not just ethanol; biodiesel would count toward RFS, but industry small
 - Some support in Senate for 6-8 billion gallon RFS

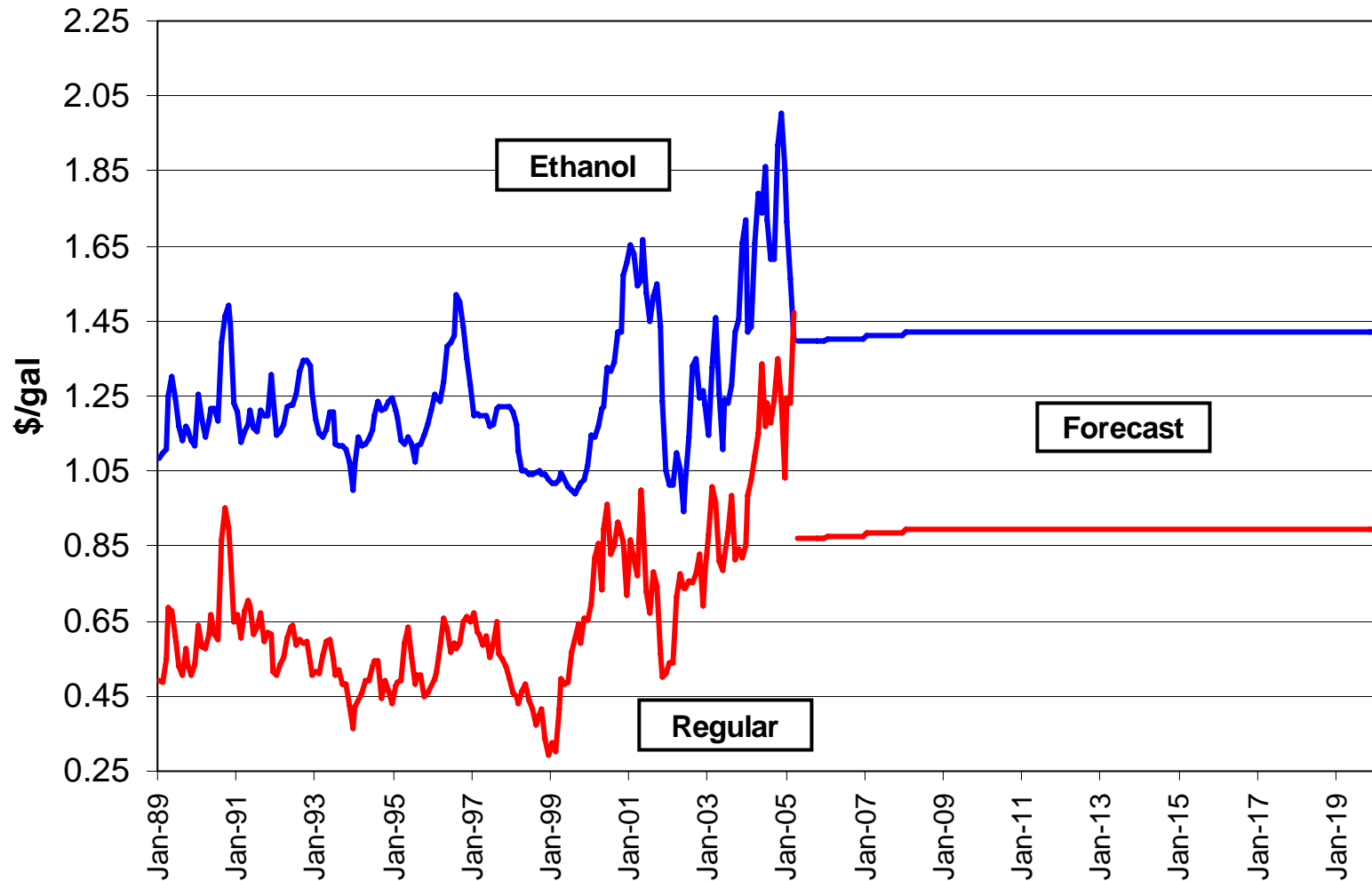
Ethanol Production: History & Forecast



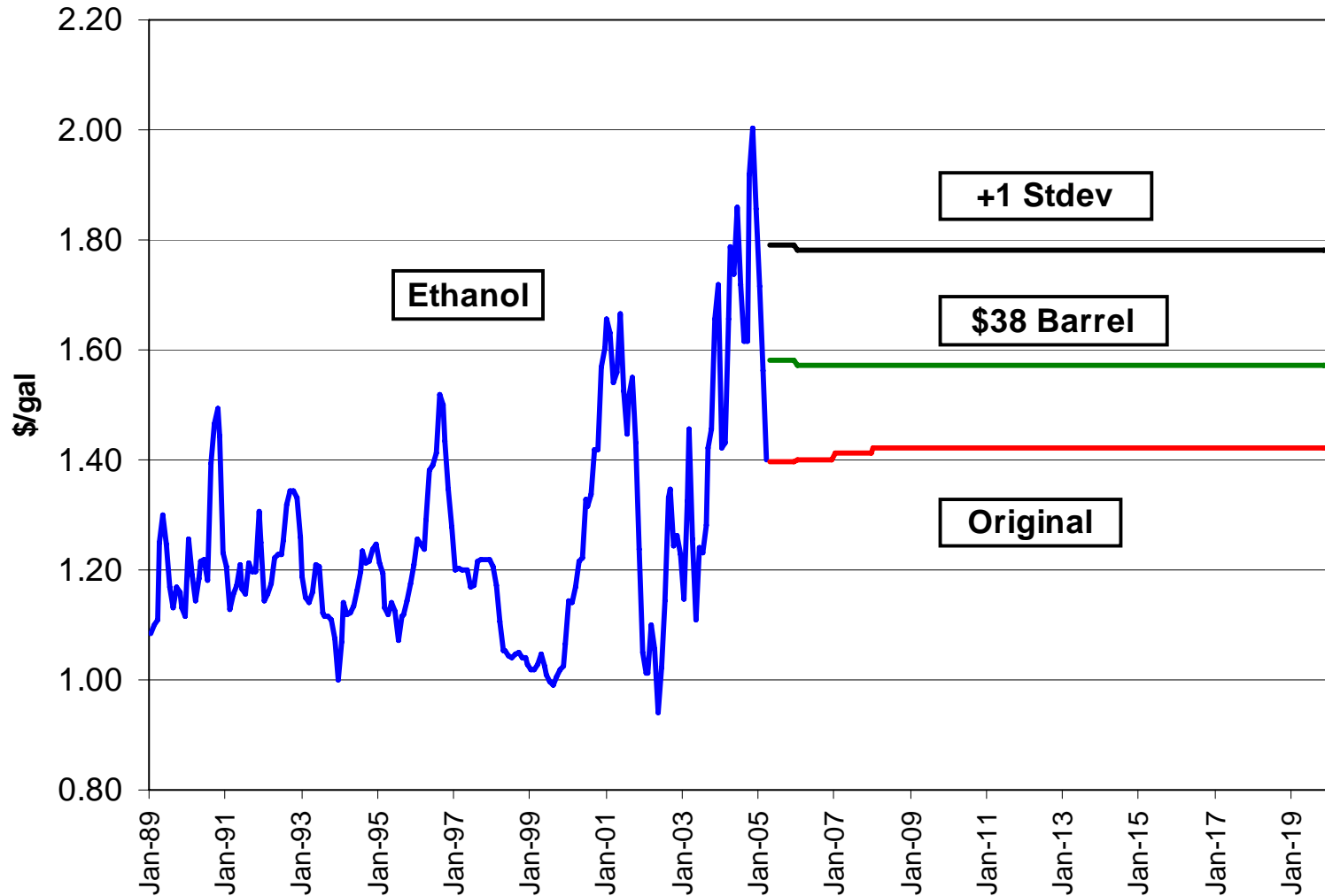
Corn Density Production Relative to Current & Under Construction Ethanol Facilities



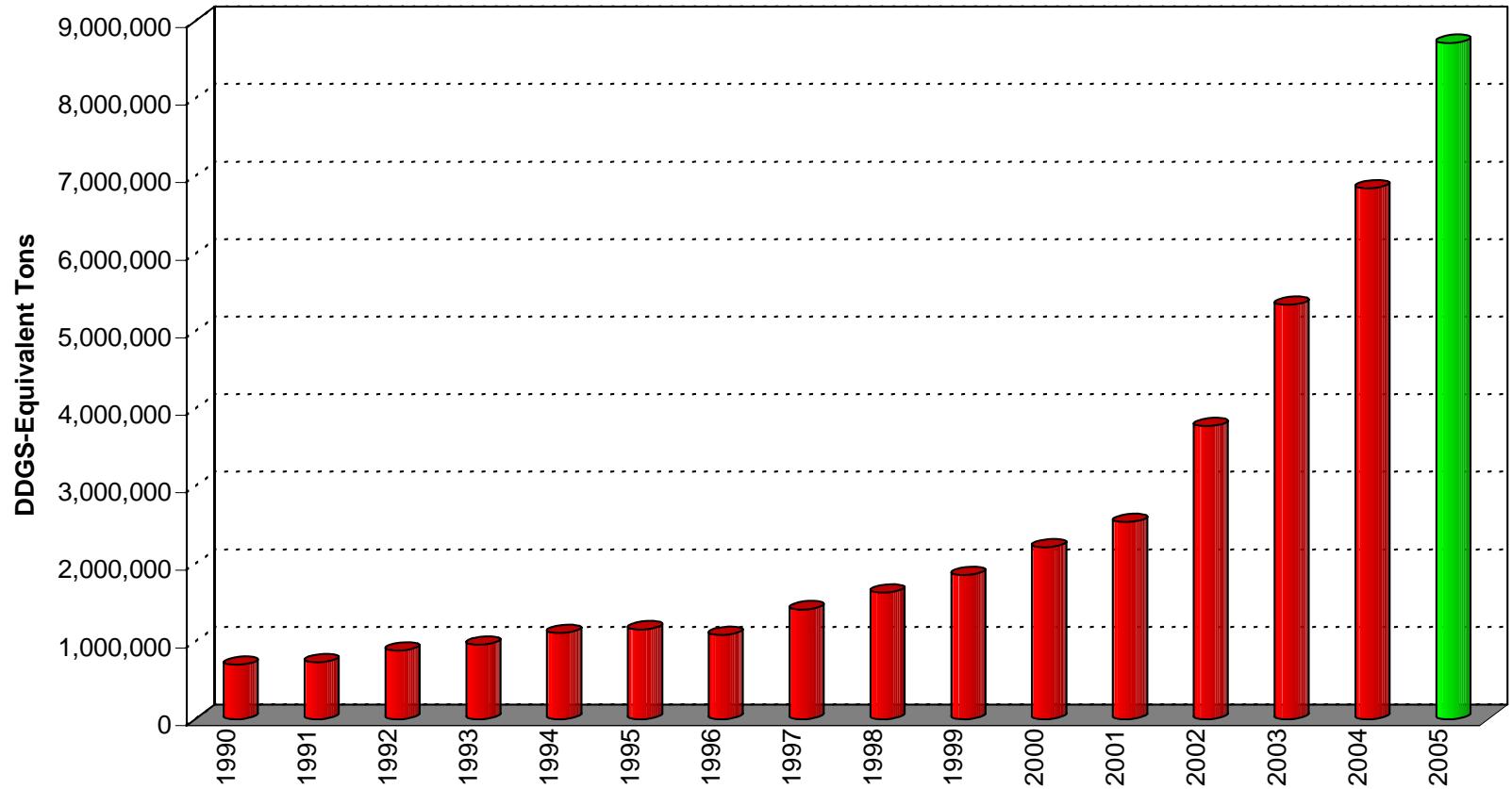
New Orleans, Gulf: Ethanol & Regular Gasoline Spot Price FOB, Historical Average and Forecast (month)



New Orleans, Gulf: Ethanol & Regular Gasoline Spot Price FOB, Historical Average and Forecast (month)



US Distillers Grain Output



Potential Ethanol & DDG Disposition within the Alabama Region

