

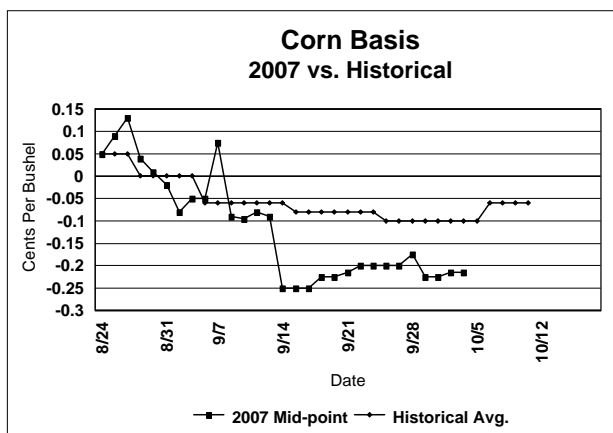
Corn and Soybeans Marketing Newsletter

October 15, 2007

John Campbell
 Area Farm Management Specialist
 Decatur, Giles, Hickman, Lawrence, Lewis, Marshall, Maury, Perry & Wayne Counties
 P. O. Box 415
 Columbia, TN 38402-0415
 931-375-5301
 jccampbell@utk.edu
 www.utextension.utk.edu/managecamp

Current Stocks - Corn stocks on September 1 totaled 1.30 billion bushels, down 34% from September 1 a year ago. Farm stocks were 460 million bushels, down 39% from a year ago. Off-farm stocks were 844 million bushels, down 31% from a year ago. The June through August 2007 disappearance was 2.23 billion bushels, compared to 2.39 billion bushels for the same time period last year. Old crop soybean stocks of 573 million bushels were up 27% from September 1 of last year. This was the largest September 1 soybeans stock on record. Farm stocks at 143 million bushels were down 19%. Off-farm stocks were 430 million bushels, up 57% from a year ago. Soybean disappearance was 519 million bushels for the June-August period, down 4%. Total wheat stocks were 1.72 billion bushels, down 2% from a year ago. Disappearance for June through August was 806 million bushels, up 27% from a year ago. Barley stocks were down 11%, oats down 12%, and sorghum down 51%.

Corn Basis - Basis is the difference between a cash price for a specific location and a particular futures price. Correctly estimating basis is important when using certain methods of forward pricing grain. Basis can be affected by location, grade, marketing method, timing of sales, and supply and demand in a particular area. Over the past month, the corn basis for lower Middle Tennessee buying stations has been more negative than the historical averages as the chart to the right shows. The corn basis has also been more negative in other area of



Tennessee. The soybean basis has been running about 20 cents more negative. Increased transportation costs are one reason for this. Another cited reason is that the acreage shift to corn from cotton and soybeans has put more bushels of grain on the market resulting in a shortage of elevator space. Also, low river levels are reducing barge capacity.

Corn Outlook - December futures closed at \$3.62 on October 15, up 11 cents from the previous day. Cash prices in lower Middle Tennessee were \$3.52 to \$3.92, up 10 cents from the previous day. The January cash contract was \$3.63 to \$3.92. December futures at \$3.62 with a basis estimate of minus 20 cents would hedge \$3.42 minus transaction costs. A \$3.60 put with a 12 cent premium would floor \$3.28 minus transaction costs with a minus 20 cents basis. A \$3.10 put with a 1 cent premium would floor \$2.89 a minus 20 cents basis. Demand is still strong and should continue after harvest. Looking long term, ethanol prices have declined lowering profitability of ethanol production. A drop in U. S. corn demand could drop all grain prices, not just corn. December 2008 corn futures closed today at \$4.08, offering an attractive price to lock in some of next year's production.

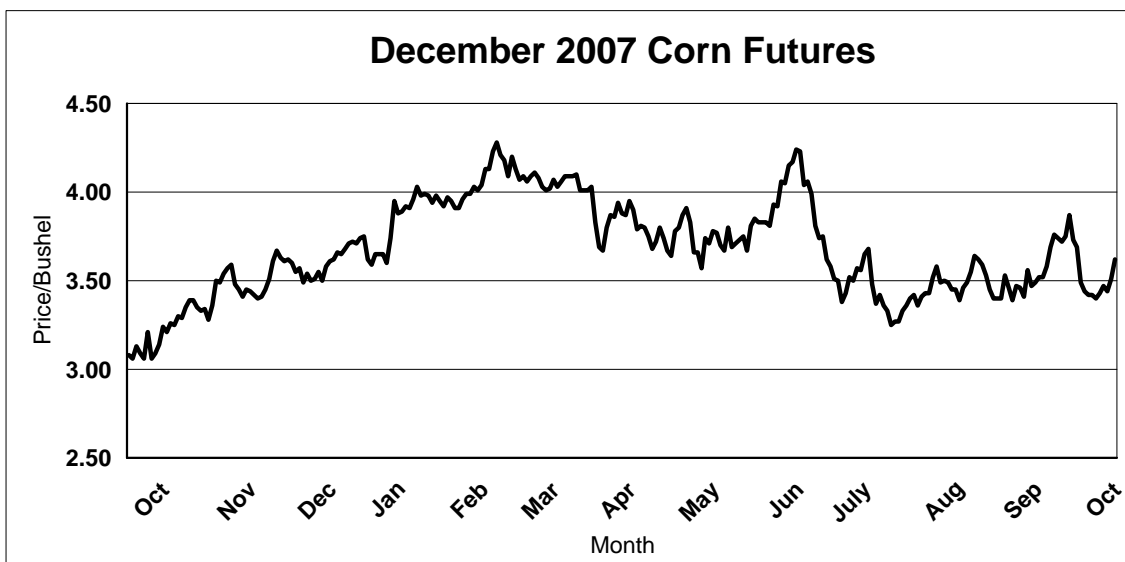
Soybean Outlook - Lower Middle Tennessee cash prices were \$9.37 to \$9.52 on October 15. The January cash contract was \$9.42 to \$9.81. November futures closed at \$9.87, up 10 cents. November futures at \$9.87 with a basis estimate of minus 60 cents would hedge \$9.27 minus transaction costs. A \$9.80 put with a 13 cent premium would floor \$9.07 minus transaction costs with a minus 60 cent basis. January cash contracts are running enough over current cash to look at the cost of storage. Projections of current use rates indicate the U. S. will need to harvest 6 to 8 million acres more of soybeans next year compared to this year's crop. If corn demand does not decrease, soybean prices will be bid up to get the acres of soybeans.

What Is The Market Offering For Corn?

Date Oct. 15 Futures Price 3.62
 Contract Month Dec. 2007 Est. Basis -0.20

Then if	Dec. 2007	Futures	=	\$3.80	\$3.60	\$3.00
	and actual cash		=	3.60	3.40	2.80

Sample Strategies Executed	Oct. 15	Realized Prices for October 2007				
1) Sold Futures	@ 3.62	\$3.42	\$3.42	\$3.42	\$3.42	\$3.42
2) Bought Put	\$3.10 @ 0.01	3.59	3.39	2.89		
3) Bought Put	\$3.30 @ 0.03	3.57	3.37	3.07		
4) Bought Put	\$3.60 @ 0.12	3.48	3.28	3.28		



What Is The Market Offering For Soybeans?

Date Oct. 15 Futures Price 9.87
 Contract Month Nov. 2007 Est. Basis -0.60

Then if	Nov. 2007	Futures	=	\$10.20	\$9.80	\$9.00
	and actual cash		=	9.60	9.20	8.40

Sample Strategies Executed	Oct. 15	Realized Prices for Nov. 2007				
1) Sold Futures	@ 9.87	\$9.27	\$9.27	\$9.27	\$9.27	\$9.27
2) Bought Put	\$9.20 @ 0.01	9.59	9.19	8.59		
3) Bought Put	\$9.50 @ 0.04	9.56	9.16	8.86		
4) Bought Put	\$9.80 @ 0.13	9.47	9.07	9.07		

