

Corn and Soybeans Marketing Newsletter

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Current Stocks - Corn stocks on December 1 totaled 10.36 billion bushels, up 15% from December 1 a year ago, but below expectations. Farm stocks were 6.53 billion bushels, up 16% from a year ago. Off-farm stocks were 3.74 billion bushels, up 13% from a year ago. The September through November 2007 disappearance was 4.11 billion bushels, up 15% from the same time period last year. Soybean stocks of 2.33 billion bushels were down 14% from December 1 of 2006. Farm stocks at 1.1 billion bushels were down 25%. Off-farm stocks were 1.23 billion bushels, down 1% from a year ago. Soybean disappearance was 830 million bushels for the September-November period, down 11%. Total wheat stocks were 1.13 billion bushels, down 14% from a year ago. Disappearance for September through November was 589 million bushels, up 35% from a year ago.

Corn Outlook - Cash prices in lower Middle Tennessee were \$4.75 to \$4.95, up 13 to 15 cents from the previous day. March futures closed at \$4.95 on January 11, up the 20 cent limit from the previous day driven by below expected stocks. March futures at \$4.95 with a basis estimate of minus 10 cents would hedge \$4.85 minus transaction costs. A \$4.90 put with a 11 cent premium would floor \$4.69 minus transaction costs with a minus 10 cents basis. A \$4.30 put with a 1 cent premium would floor \$4.19 a minus 10 cents basis. September cash contracts were offered at \$4.84 to \$5.04. December 2008 corn futures closed today limit up at \$5.13. That would hedge \$4.93 minus transaction costs with a 20 cent basis. A \$5.00 put option with a 40 cent premium would provide a floor at \$4.40.

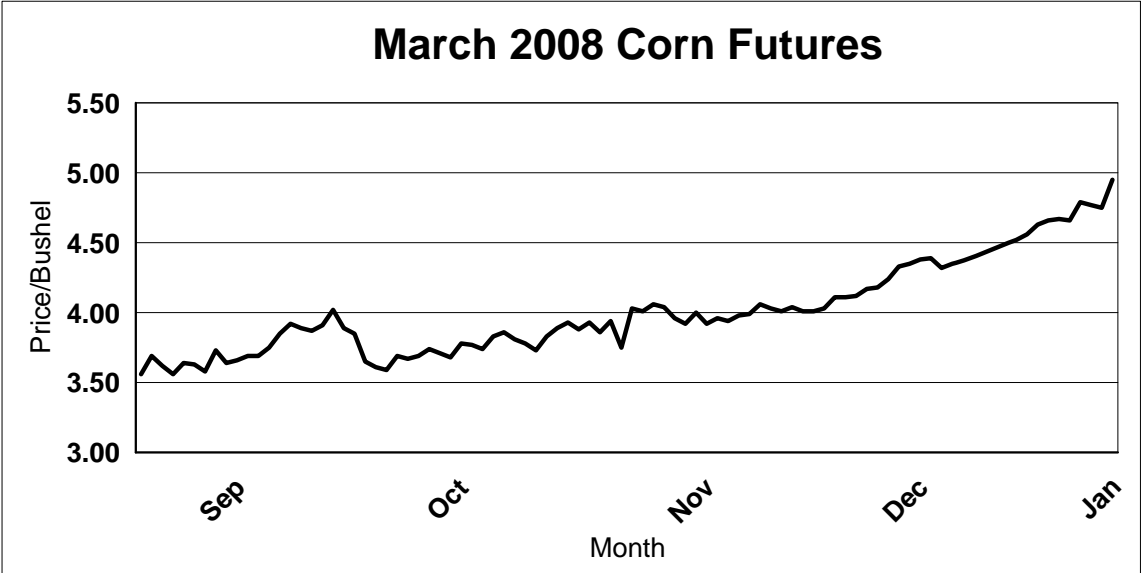
Soybean Outlook - Lower Middle Tennessee cash prices were \$12.31 to \$12.50 on January 11, up 16 cents from the previous day. March futures closed at \$12.99, up 39 cents. March futures at \$12.99 with a basis estimate of minus 30 cents would hedge \$12.69 minus transaction costs. A \$12.80 put with a 37 cent premium would floor \$12.13 minus transaction costs with a minus 30 cent basis. The November cash contract was \$11.90 to \$11.95. With November futures closing today at \$12.45, a minus 50 cent basis would hedge \$11.95. A \$12.40 put option with a \$1.19 premium would provide a floor price at \$10.76.

New Insurance Product Available - Adjusted Gross Revenue-Lite (AGR-Lite) is a whole-farm revenue protection plan of insurance. The plan provides protection against low revenue due to unavoidable natural disasters and market fluctuations. Most farm-raised crops, animals, and animal products are eligible for protection. AGR-Lite can stand alone or can be used with other Federal crop insurance plans except for Adjusted Gross Revenue. AGR-Lite uses a producer's 5- year historical average as reported on the IRS Schedule F form and an annual farm report as a base to provide a level of guaranteed revenue for the insurance period. This plan provides coverage for multiple commodities in one insurance product. The sales closing date for this insurance is March 15. Premiums are subsidized by USDA. Insurance is provided against loss of revenue due to any unavoidable natural occurrences or market fluctuations that cause a loss of revenue. Producers have some choice in choosing coverage levels and payment rates. The coverage level is the percentage of revenue that the producers chooses to insure. The coverage level determines when indemnity payments begin. The payment rate is the percentage of loss that will be paid the producer. Suppose a producer has an *Approved Adjusted Gross Revenue* of \$100,000. With an 80% coverage rate, the producer is covering \$80,000 of revenue. If actual revenue is \$70,000, there is a \$10,000 loss of revenue. If the producer chose a payment rate of 75%, then the insurance would pay \$7,500. This example is for general discussion only. Contact a crop insurance agent for more information. More information can also be found at www.rma.usda.gov/pubs/rem/fctsht.html.

What Is The Market Offering For Corn?

Date January 11 Futures Price \$4.95
 Contract Month March 2008 Est. Basis -0.10

Then if	March 2008	Futures	=	\$5.25	\$4.95	\$4.00
	and actual cash		=	5.15	4.85	3.90
Sample Strategies Executed	January 11		Realized Prices for	March 2008		
1) Sold Futures	@	\$4.11		\$4.85	\$4.85	\$4.85
2) Bought Put	\$4.30 @	0.01		5.14	4.84	4.19
3) Bought Put	\$4.50 @	0.02		5.13	4.83	4.38
4) Bought Put	\$4.90 @	0.11		5.04	4.74	4.69



What Is The Market Offering For Soybeans?

Date January 11 Futures Price \$12.99
 Contract Month March 2008 Est. Basis -0.30

Then if	March 2008	Futures	=	\$14.00	\$13.00	\$10.00
	and actual cash		=	13.70	12.70	9.70
Sample Strategies Executed	January 11		Realized Prices for	March 2008		
1) Sold Futures	@	\$7.16		\$12.69	\$12.69	\$12.69
2) Bought Put	\$10.80 @	0.01		13.69	12.69	10.49
3) Bought Put	\$11.80 @	0.07		13.63	12.63	11.43
4) Bought Put	\$12.80 @	0.37		13.33	12.33	12.13

