

Corn and Soybeans Marketing Newsletter

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Current Stocks - Corn stocks on June 1 totaled 3.53 billion bushels, down 19% from June 1 a year ago. Farm stocks were 1.83 billion bushels, down 22% from a year ago. Off-farm stocks were 1.71 billion bushels, down 15% from a year ago. The March through May 2007 disappearance was 2.53 billion bushels, compared to 2.63 billion bushels for the same time period last year. Soybean stocks of 1.09 billion bushels were up 10% from June 1 of last year. This was the largest June 1 soybeans stock on record. Farm stocks at 500 million bushels were up 1%. Off-farm stocks were 591 million bushels, up 19% from a year ago. Soybean disappearance was 696 million bushels for the March-May period, up 3%. Total wheat stocks were 456 million bushels, down 20% from a year ago. Disappearance for March through May was 401 million bushels, up slightly from a year ago. 2007 U. S. wheat production is forecast up 24% from a year ago. Barley stocks were down 36%, oats down 3%, and sorghum down 35%.

Acreage Report - USDA's planted acreage report issued June 29 surprised the markets. The report showed higher totals for feed grains and lower numbers for soybeans, cotton and spring wheat. The planted corn acreage is estimated at 92.9 million acres. This is 2.4 million more acres than expected from the March *Prospective Plantings* report and 14.6 million acres more than 2006. Also, this is the highest corn acreage reported since 1944. Illinois, Indiana, Iowa, Minnesota, and Ohio reported planted acreage 300,000 to 400,000 acres each more than the intentions report. Planted acreage of sorghum was reported at 7.8 million, 1.2 million more than last year. Given estimates for corn use, a U. S. average yield of 152.2 bushels would result in some build up in inventories over the next year. Planted acreage of soybeans is projected at 64.1 million, down 15% from last year's record high and the lowest since 1995. The large declines in soybean acreage were in states with large increases in corn acreage. Spring wheat acreage is down, but total wheat acreage is up 6% over last year. Increased corn acreage in the cotton belt resulted in a 28% drop in cotton acreage, 11.1 million acres, the lowest since 1989.

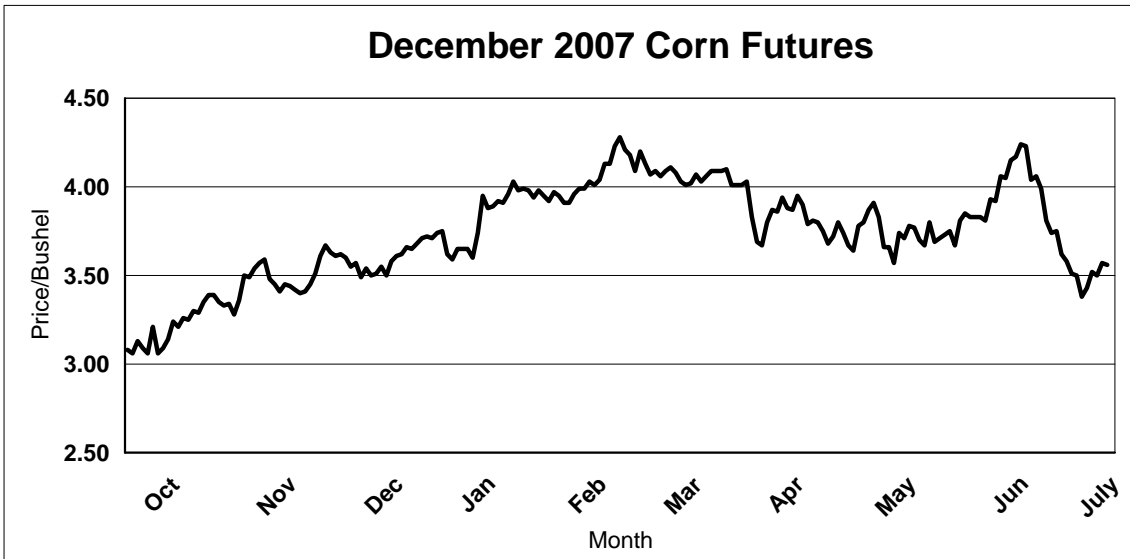
Corn Outlook - Drought conditions throughout the corn growing regions of Tennessee have dampened the enthusiasm growers had coming into the planting season. Reduced yields are certain with some disastrous yields possible in areas that missed the spotty rain. The higher than expected acreage reported sent the market downward. December futures closed at \$4.24 on June 15, but had dropped to \$3.38 on July 3 before rebounding to \$3.56 on July 11. Cash prices in lower Middle Tennessee were \$3.63 to \$3.78 on Wednesday, July 11, down 2 cents from the previous day. The September cash contract was \$3.36 to \$3.68. December futures at \$3.56 with a basis estimate of minus 10 cents would hedge \$3.46 minus transaction costs. A \$3.50 put with a 23 cent premium would floor \$3.17 minus transaction costs with a minus 10 basis. A \$2.70 put with a 1 cent premium would floor \$2.59 a minus 10 basis. The current weather situation makes it much more difficult to commit to forward pricing, but opportunities still exist.

Soybean Outlook - Fewer acres of soybeans are keeping prices strong in spite of record stocks on hand. Lower Middle Tennessee cash prices were \$8.31 to \$8.73 on Wednesday. The November cash contract was \$8.83 to \$9.08. November futures initially dropped with the corn price, but now have recovered and broken \$9.00. November futures closed at \$9.23 on July 11, up 2¼ from the previous day and up 21 cents since Monday. November futures at \$9.23 with a basis estimate of minus 25 cents would hedge \$8.98 minus transaction costs. A \$9.20 put with a 53 cent premium would floor \$8.42 minus transaction costs with a minus 25 cent basis. Any weather scares for the soybean crop could send futures above \$10.00. Futures prices reflect the market's desire to hold up soybean acres. However, if futures prices remain around or above \$9.00, South American acreage will likely increase in 2008.

What Is The Market Offering For Corn?

Date July 11 Futures Price 3.56
 Contract Month Dec. 2007 Est. Basis -0.10

Then if	Dec. 2007	Futures	=	\$3.50	\$3.25	\$2.50
	and actual cash		=	3.40	3.15	2.40
Sample Strategies Executed	July 11		Realized Prices for	October 2007		
1) Sold Futures	@	3.56		\$3.46	\$3.46	\$3.46
2) Bought Put	\$2.70 @	0.01		3.39	3.14	2.59
3) Bought Put	\$3.20 @	0.10		3.30	3.05	3.00
4) Bought Put	\$3.50 @	0.23		3.17	3.17	3.17
5) Cash Forward Contract		3.52		3.52	3.52	3.52



What Is The Market Offering For Soybeans?

Date July 11 Futures Price 9.23
 Contract Month Nov. 2007 Est. Basis -0.25

Then if	Nov. 2007	Futures	=	\$9.20	\$8.60	\$8.00
	and actual cash		=	8.95	8.35	7.75
Sample Strategies Executed	July 11		Realized Prices for	Nov. 2007		
1) Sold Futures	@	9.23		\$8.98	\$8.98	\$8.98
2) Bought Put	\$8.40 @	0.18		8.77	8.17	7.97
3) Bought Put	\$8.80 @	0.33		8.62	8.22	8.22
4) Bought Put	\$9.20 @	0.53		8.42	8.42	8.42
5) Cash Forward Contract		9.00		9.00	9.00	9.00

