

## Corn and Soybeans Marketing Newsletter

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**Current Stocks** - Corn stocks on June 1 totaled 4.03 billion bushels, up 14% from June 1 a year ago. Farm stocks were 1.97 billion bushels, up 8% from a year ago. Off-farm stocks were 2.06 billion bushels, up 21% from a year ago. The March through May 2008 disappearance was 2.83 billion bushels, compared with 2.53 billion bushels the same time period last year. Soybean stocks of 676 million bushels were down 38% from June 1 of 2007. Farm stocks at 227 million bushels were down 55%. Off-farm stocks were 449 million bushels, down 24% from a year ago. Soybean disappearance was 758 million bushels for the March through May 2008 period, up 9%. Total wheat stocks were 306 million bushels, down 33% from a year ago. Disappearance for March through May 2008 was 404 million bushels, up 1% from a year ago. Barley stocks were down 1%, oats up 32%, and grain sorghum up 29%.

**Planted Acreage** - USDA released the planted acreage report on June 30. Since the data was collected before the recent flooding in the mid-west, the most flood affected areas were re-surveyed. The report estimated 78.9 million acres would be harvested for corn grain, 9% less than 2007. However, this would still be the 2<sup>nd</sup> highest corn on record behind last year. Soybean acreage is expected to be up 15% from last year to 72.1 million acres. This would be the 3<sup>rd</sup> highest crop on record. All wheat acreage is expected to be up 5%. Cotton will be the loser in the acreage shift with 9.25 million acres, down 15% from last year and the lowest total since 1983.

**Corn Outlook** - The market remains volatile as mid-west floods and other growing conditions stress potential corn production this year. There have been several days recently where futures moved near the limits, up some days and down some days. Still, futures are at an all-time high. Futures were down the 30 cent per day limit for most contracts after the planting intentions and grain stock reports were released on June 30. But by Thursday, July 3 much of that drop had been recovered. There has been a lot of discussion in recent days on the affect of speculative trading on the corn market. Corn futures for May and July closed over \$8.00. Feed costs present serious problems for livestock sector profits. Some poultry processors have announced production cut-backs due to high feed costs. July 3 cash prices in lower Middle Tennessee were \$7.20 to \$7.46, down 3 to 4 cents from the previous day. December futures closed at \$7.77 on July 3, down 3½ cents from the previous day. September cash contracts are being offered at \$7.17 to \$7.33 by lower Middle Tennessee markets. December futures at \$7.77 with a basis estimate of minus 35 cents would hedge \$7.42 minus transaction costs. A \$7.70 put with a 69 cent premium would floor \$6.67 minus transaction costs with a minus 35 cents basis. A \$6.20 put with a 12 cent premium would floor \$5.73 with a minus 35 cents basis.

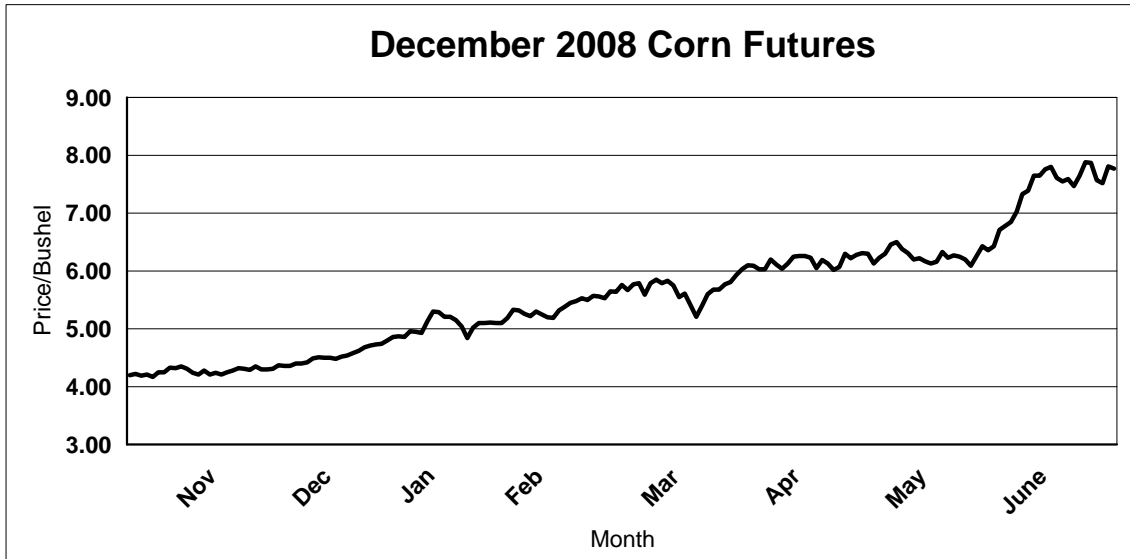
**Soybean Outlook** - Soybean prices have moved higher on prospects of lower stocks. This is in spite of increased planted acres. November futures were up 15 cents June 30 after the crop reports were released. November futures closed at \$16.31 on July 3, 72 cents higher than on the previous Friday. Soybean futures are over \$16.00 for all contract months through September 2009. November 2009 closed at \$15.54 on July 2. Lower Middle Tennessee cash prices were \$15.74 to \$16.18 on July 3, up 10 to 13 cents from the previous day. November futures at \$16.31 with a basis estimate of minus \$1.00 would hedge \$15.31 minus transaction costs. A \$16.20 put with a \$1.41 premium would floor \$13.79 minus transaction costs with a minus \$1.00 basis. A \$14.20 put with a 51 cent premium would floor \$12.69 minus transaction costs with a minus \$1.00 basis. The November cash contract was \$15.01 to \$15.56.

**Basis** - Last year the basis for corn and soybeans marketed in lower Middle Tennessee was much wider than the historical averages. Indications are for that to be the case again this year. (Basis is the difference between the farm price received and the futures price.) Based on cash prices on July 2, the corn basis for July was zero to minus 26 cents. Ten year data compiled prior to last year put the July corn basis average at plus 8 cents with the worst being minus 3 cents. For October corn sales, the average was minus 6 cents with the worst minus 20 cents. Futures compared to cash contract offerings for harvest time are predicting a basis of minus 25 cents to minus 41 cents. The soybean basis projections are moving wider as well. Basis for cash sales on July 2 was minus 41 cents to minus 73 cents. The historical numbers are an average of minus 14 cents with the worst at minus 43 cents. For November, the average basis has been minus 19 cents with the worst at minus 30 cents. November soybean futures compared to contract offerings are showing a basis of minus 75 cents to minus \$1.30. The wheat basis, with our wheat harvest nearing completion, is extremely wide. The lower Middle Tennessee wheat basis on July 2 was minus \$2.80 to minus \$3.00 with cash wheat prices at \$5.65 to \$5.85. There are likely several reasons for the lower Middle Tennessee basis to more negative. The cost of transporting the grain from is a significant factor. Also, the volatility in the market has made it more difficult for elevators to transfer their risk through the futures market. Large margins calls have resulted in some grain buyers maxing out their lines of credit. The shift of cotton acres to corn and soybeans in the southeast pressured elevator capacity during last year's harvest season. This will likely be a factor again this year.

### What Is The Market Offering For Corn?

Date July 3 Futures Price 7.77  
 Contract Month Dec. 2008 Est. Basis -0.35

Then if	Dec. 2008	Futures	=	\$8.50	\$7.75	\$6.00
	and actual cash		=	8.15	7.40	5.65
Sample Strategies Executed	July 3			Realized Prices for October 2008		
1) Sold Futures		@	7.77	\$7.42	\$7.42	\$7.42
2) Bought Put	\$6.20	@	0.12	8.03	7.28	5.73
3) Bought Put	\$7.00	@	0.36	7.79	7.04	6.29
4) Bought Put	\$7.70	@	0.69	7.46	6.71	6.66
5) Cash Forward Contract			7.25	7.25	7.25	7.25



### What Is The Market Offering For Soybeans?

Date July 3 Futures Price 16.31  
 Contract Month Nov. 2008 Est. Basis -1.00

Then if	Nov. 2008	Futures	=	\$17.25	\$16.25	\$14.00
	and actual cash		=	16.25	15.25	13.00
Sample Strategies Executed	July 3			Realized Prices for Nov. 2008		
1) Sold Futures		@	16.31	\$15.31	\$15.31	\$15.31
2) Bought Put	\$14.20	@	0.51	15.74	14.74	12.69
3) Bought Put	\$15.20	@	0.89	15.36	14.36	13.31
4) Bought Put	\$16.20	@	1.41	14.84	13.84	13.79
5) Cash Forward Contract			15.25	15.25	15.25	15.25

