

Corn and Soybeans Marketing Newsletter

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Current Stocks - Corn stocks on September 1 totaled 1.62 billion bushels, up 25% from September 1 a year ago. Farm stocks were 500 million bushels, up 9% from a year ago. Off-farm stocks were 1.12 billion bushels, up 33% from a year ago. The June through August 2008 disappearance was 2.40 billion bushels, compared with 2.22 billion bushels the same time period last year. Soybean stocks of 205 million bushels were down 64% from September 1 of 2007. Farm stocks at 47 million bushels were down 67%. Off-farm stocks were 158 million bushels, down 63% from a year ago. Soybean disappearance was 471 million bushels for the June through August 2008 period, down 9%. Total wheat stocks were 1.86 billion bushels, up 8% from a year ago. Disappearance for June through August 2008 was 494 million bushels, up 18% from a year ago. Barley stocks were up 10%, oats up 35%, and grain sorghum up 65%.

General Overview - Volatility and uncertainty continue in all commodity and financial markets. A pressing question is how much of the drop in corn and soybean prices is a result of normal harvest time trends and how much is due to the financial crisis in the banking industry. The unprecedented highs in the grain markets in late June and early July have now been followed by rapid declines in the market. The credit crisis has disrupted the availability of letters of credit for grain brokers. This is holding back the export trade. Record barge rates are also depressing cash prices. Index funds that had previously invested heavily in the grain markets are now selling heavily. There is also uncertainty over the value of the U. S. dollar. Concerns over a global recession are altering the fundamentals of the grain markets. Some input price forecasts are predicting 2009 corn production costs to be as much as \$200 per acre more than this year. Stocks were up a large part of the day, but closed lower for the sixth straight day on news of world central banks lowering interest rates.

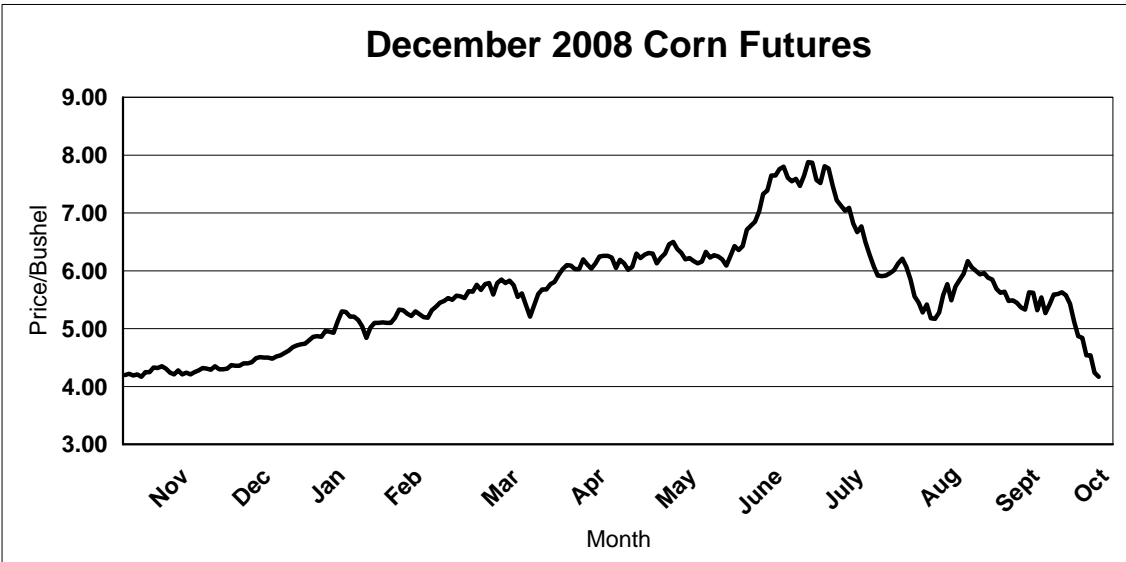
Corn Outlook - December corn futures topped \$7.80 three days in late June and early July, but dropped below \$7.00 by mid-July. December futures are now down \$1.15 in the last month after some rebound today. October 8 cash prices in lower Middle Tennessee were \$3.99, up 10 cents from the previous day. December 2008 futures closed at \$4.28 on October 8, up 10½ cents from the previous day. December futures at \$4.28 with a basis estimate of minus 45 cents would hedge \$3.83 minus transaction costs. A \$4.20 put with a .26 cent premium would floor \$3.49 minus transaction costs with a minus 45 cents basis estimate. A \$3.70 put with a 9 cents premium would floor \$3.16 with a minus 45 cents basis estimate. March 2009 futures closed today at \$4.44, also up 10½ cents. Historically, the March basis has been 22 cents stronger than December. But the instability of the markets and economy coupled with higher transportation costs may make historical basis numbers invalid. December 2009 futures closed at \$4.77, up 11½ cents.

Soybean Outlook - November soybean futures closed over \$16.00 each of the first three days of July. November futures are now down about \$2.30 over the last month. November futures closed at \$9.64 on October 8, 38 cents higher than the previous day. Lower Middle Tennessee cash prices were \$8.90 on October 8, up 38 cents from the previous day. November 2008 futures at \$9.64 with a basis estimate of minus 60 cents would hedge \$9.04 minus transaction costs. A \$9.60 put with a 42 cents premium would floor \$8.58 minus transaction costs with a minus 60 cents basis estimate. A \$9.10 put with a 22 cents premium would floor \$8.28 minus transaction costs with a minus 60 cents basis estimate. The November cash contract was \$9.27. March 2009 futures closed today at \$9.94, up 39 cents from the previous day. Historically, the March basis has been about 12 cents on average stronger than November. But as with corn, historical numbers may not hold this year. November 2009 futures closed at \$10.01, up 33 cents.

What Is The Market Offering For Corn?

Date October 8 Futures Price 4.28
 Contract Month Dec. 2008 Est. Basis -0.45

Then if	Dec. 2008	Futures	=	\$5.25	\$4.25	\$3.25
	and actual cash		=	4.80	3.80	2.80
Sample Strategies Executed	October 8		Realized Prices for	October 2008		
1) Sold Futures	@	4.28		\$3.83	\$3.83	\$3.83
2) Bought Put	\$3.20 @	0.02		4.78	3.78	2.78
3) Bought Put	\$3.70 @	0.09		4.71	3.71	3.16
4) Bought Put	\$4.20 @	0.26		4.54	3.54	3.49



What Is The Market Offering For Soybeans?

Date October 8 Futures Price 9.64
 Contract Month Nov. 2008 Est. Basis -0.60

Then if	Nov. 2008	Futures	=	\$10.50	\$9.50	\$8.50
	and actual cash		=	9.90	8.90	7.90
Sample Strategies Executed	October 8		Realized Prices for	Nov. 2008		
1) Sold Futures	@	9.64		\$9.04	\$9.04	\$9.04
2) Bought Put	\$8.60 @	0.09		9.81	8.81	7.91
3) Bought Put	\$9.10 @	0.22		9.68	8.68	8.28
4) Bought Put	\$9.60 @	0.42		9.48	8.58	8.58

