



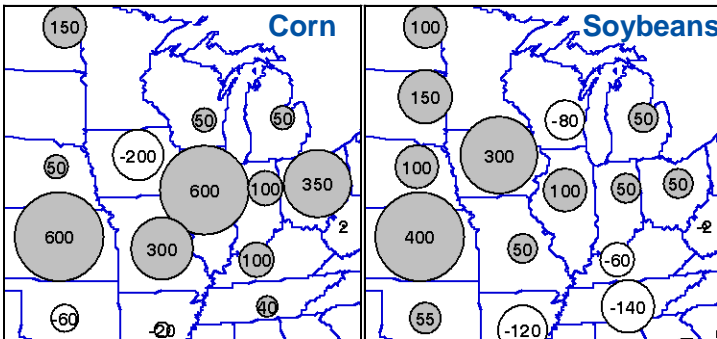
3/31 & 4/9 USDA Reports

	On-Farm	Commercial	Total
Corn	Up 460M	Up 280M	Up 740M bu
Soybeans	Down 48M	Up 15M	Down 32M
Wheat	Up 68M	Up 244M	Up 312M

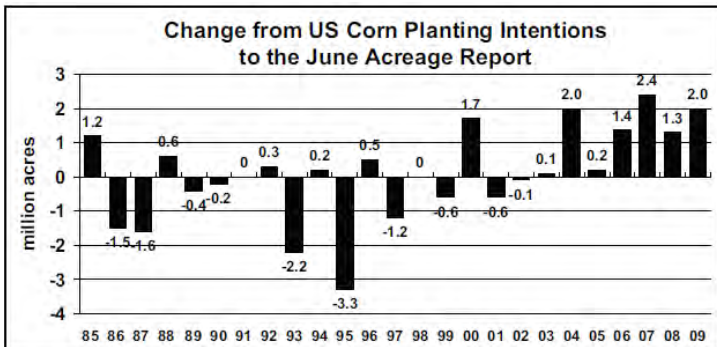
The increase in **corn stocks** of 740 mln bu from last year gave us the biggest March 1 inventory since 1987! On-farm corn stocks are also the highest since 1987, and we continue to hear about quality issues of some of those stocks. This big increase (reduced feed use) during the 2nd quarter definitely had a bearish impact on the markets! USDA figured that increase into its April S&D report, **increasing year-end stocks to 1.899 bln bu, up 100 mln from last month**. This is the 2nd month in a row USDA has increased ending stocks, thus reducing the need for price to work to add more 2010 corn acres.

Soybean stocks were lower than last year but larger than expected. Even so, USDA's export estimate did continue to get bigger due to the continued strong loading pace, and thus eat up those increased bushels. The April US ending stocks estimate of **190 million bushels is unchanged from March due to offsetting changes in exports and "residual" use**.

These maps below from Pro Exporter show the anticipated changes by state in corn (left) and soybean (right) acres for



2010 vs 2009. Overall, USDA estimated **corn acres at 88.8 million**, up 2.3 million, and **soybean acres at 78.1 million**, up 700 thousand from last year. Keep in mind that these are just the *intentions* of producers interviewed around the first of March. The table below from Informa shows changes in final (June) corn planted acres compared to the March intentions.



What is surprising to me is that final corn acres were higher than the intentions in each of the last 7 years, with last year even being one of the largest increases! Corn price rallies from March to May had a lot to do with the acreage jumps in recent years. And when it comes down to it, conditions weren't bad over the *entire* Corn Belt, allowing some places to plant extra.

Production Reports for 2009 spring

planted crops are due no later than **April 29th**. See your DCIS agent on the next rainy day to get your history up to date!

Other dates: The **first planting date for corn** for most IL and IN readers was **April 6th** and for **soybeans** it is **April 21st**. In KY the **first planting date for corn** was **April 1st** and for **soybeans** it is **April 16th**.

ACRE Update - April Report

Here is the latest update on the 2009 corn ACRE possibilities in the state of Illinois. As I've written before, Illinois and North Dakota appear to be the only two states likely to get an ACRE payment this year. The final Illinois state yield (though it hasn't been formally published yet) should be 174 bpa. In the April report, USDA narrowed its **corn average farm price forecast to a range of \$3.50-3.70**. When we plug those yield and price numbers into our ACRE matrix (below), it shows the possible **average** payments that we could expect from ACRE for 2009. I've highlighted the likely scenarios in black - the 174 bpa state yield and the \$3.70-3.50 price range. We won't know the FINAL 2009-10 average farm price until the September USDA report, but as each month goes by we expect the range given by USDA to tighten. Keep in mind that the numbers in the boxes are



Super-Matrix for ACRE

ACRE: State-Based (Illinois) Revenue Program for 2009 Corn									
Avg Price	Average Illinois State Yield (based on planted acres)								
	170	171	172	173	174	175	176	177	
\$ 4.13	\$ (62.78)	\$ (66.91)	\$ (71.04)	\$ (75.17)	\$ (79.30)	\$ (83.43)	\$ (87.56)	\$ (91.69)	
\$ 3.75	\$ 1.82	\$ (1.93)	\$ (5.68)	\$ (9.43)	\$ (13.18)	\$ (16.93)	\$ (20.68)	\$ (24.43)	
\$ 3.70	\$ 10.32	\$ 6.62	\$ 2.92	\$ (0.78)	\$ (4.48)	\$ (8.18)	\$ (11.88)	\$ (15.58)	
\$ 3.65	\$ 18.82	\$ 15.17	\$ 11.52	\$ 7.87	\$ 4.22	\$ 0.57	\$ (3.08)	\$ (6.73)	
\$ 3.60	\$ 27.32	\$ 23.72	\$ 20.12	\$ 16.52	\$ 12.92	\$ 9.32	\$ 5.72	\$ 2.12	
\$ 3.55	\$ 35.82	\$ 32.27	\$ 28.72	\$ 25.17	\$ 21.62	\$ 18.07	\$ 14.52	\$ 10.97	
\$ 3.50	\$ 44.32	\$ 40.82	\$ 37.32	\$ 33.82	\$ 30.32	\$ 26.82	\$ 23.32	\$ 19.82	
\$ 3.45	\$ 52.82	\$ 49.37	\$ 45.92	\$ 42.47	\$ 39.02	\$ 35.57	\$ 32.12	\$ 28.67	

average numbers. Your payment would depend on a) whether you had a revenue loss on your farm, and b) how your baseline yield compares to the state.

The signup deadline for ACRE for the 2010 crop year (& beyond) is June 1. We've updated the ACRE Matrix for 2010, and encourage you to visit with your DCIS agent (or come to the next TTMM) to see what ACRE might be able to do for you to provide long-term revenue support for your operation. We especially urge you to at least consider the revenue floor ACRE could give you for your soybean farms in 2010.

HOGS RULE!! From Diana Klemme: "The battered hog sector is finally seeing black ink. The US breeding herd is lowest since the early '70's although the March 1 inventory is 3rd largest on record, reflecting productivity gains. The hog/corn ratio, the simple barometer of spot-month hog futures divided by nearby corn futures, is at its high since 3rd quarter 2007, over 21. This compares to the low ratios in 2008 at 10-12. The ratio for summer hogs is over 24, with December at 19+. Some of those empty buildings may again hear the squeals of feeder pigs. The challenge will be whether the balance sheets of the hog sector will attract the financing for expansion and if it means *hedging to protect forward margins*, and risking futures margin calls."

Whether it is hedging corn or meal prices with futures or options, or hedging the finished livestock prices, give DS a call. We can help you lock in those profitable feeding margins!

Midwest Ag Finance
210 E. Hwy. 52, P.O. Box 736
Rushville, IN 46173



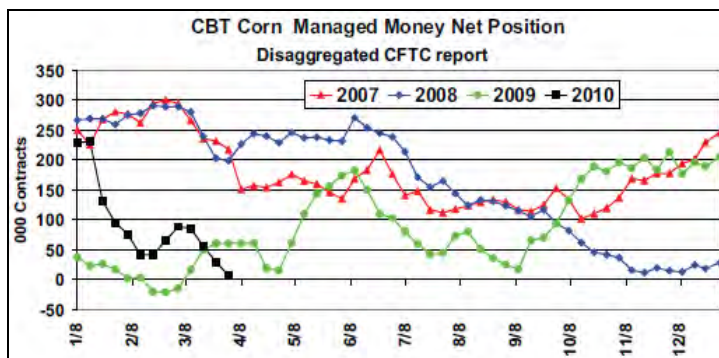
2010 Corn Market: the Bulls vs the Bears



Are you bullish or bearish corn price? Here are some arguments for both sides. Whether you're bullish or bearish, we encourage using tools like revenue insurance, ACRE, futures, and options to lock in profitable prices or set price and/or revenue floors.

The Bulls

1) The **managed money** traders are almost out of corn! As of last week's Commitment of Traders Report, they only held 7,000 contracts of corn, down 80,000 contracts in just three weeks. Since funds seldom trade from the short side, that means if anything happens to spark an interest in corn, they could jump in as buyers – in a big way. The chart below shows the Managed Money net position in corn futures over the last four years, with 2010 the black line. The only way for them to go is up, isn't it?



2) **Ethanol margins** are again climbing, as crude oil and gasoline prices continue to make highs for the year while corn continues to seek lower levels. There is now talk that blenders may voluntarily increase blending rates due to the profitability in blending.

3) **Feeding margins** are also improved. With both cattle and hog futures trading at their highest levels in months while corn and meal prices have sagged, expansion in animal numbers in the months ahead certainly makes sense (see front page, bottom right).

4) **Weather** remains unpredictable, and with so much catch-up field work to be done, the odds of substantially increasing corn acres would seem rather slim this spring.

The Bears

1) **Old crop corn stocks** are pushing toward being described as "burdensome". Exports just haven't picked up the pace quick enough to make traders think USDA's target of 2 billion bushels will be accomplished.

2) **World wheat stocks** are at all-time highs, and not likely to drop much this year despite a cut in acreage. The wheat market needs to stay cheap relative to corn in order to entice feeders to feed wheat – not what corn growers want to hear.

3) The **US Dollar** continues to push higher based on ideas of improved economies in the US and China (and not so in Europe). As the Dollar trades higher, speculators have usually strayed from investing in commodities.

4) **Chart and cycle traders** continue to look for lower lows to be made in 2010. Dan Hueber is looking for a rebound in May futures to \$3.60 and December to \$3.85-90 as selling opportunities before May drops to \$3.30 and December to \$3.50 yet this spring. Informa suggests that July futures should trade down "to \$3.30 over the next 90 days". Ultimately, Dan still looks for the 30-year cycle low to be made this year, with a run down to \$2.65 this fall not out of the question. Informa projects an average futures price for the 2010-11 crop year at \$3.45 (and average cash price of \$3.20). And Pro Exporter predicts an average cash price this year of \$3.40.

The chart below shows futures prices for **May corn** (blue), **December '10 corn** (red), and **December '11 corn** (black). We still encourage producers to sell or protect new crop and even 2011 prices when profitable levels are realized.

