



## March USDA S&D Report

We were all looking forward to the March report from USDA to see what revisions to corn production USDA would make. USDA announced in January that it would re-survey corn producers in IL, MI, WI, MN, ND, & SD due to the amount of corn remaining in fields. IL & MN corn yields were each cut 1 bpa in the March production report, WI & MI kept unchanged, and ND & SD postponed until more information could be obtained. The bottom line was just a 20 million bushel cut in US production to a still-record 13.131 bln bu, with a national yield of 164.9 bpa, down just 0.3 bpa.

2009-10 US Production (million bushels)			
	March USDA	January USDA	Change vs Previous
Corn	13131	13151	- 20
Soybeans	3359	3361	- 2
Wheat	2216	2216	0

As disappointing as the lack of cut in corn production was for the bulls, so was the decrease of 100 mln bu of corn exports (though most saw it coming eventually). This took corn ending stocks up to near 1.8 billion bushels – a little more margin for error next year. You have to believe that part of what is affecting US corn exports is the quality of the crop, part is the aggressive loading pace of soybeans from US ports, and part is the glut of world wheat stocks that can also be fed. Soybean stocks tightened 20 mln bu to just 190 mln, which is supporting the old crop soybean market. If it takes Brazil some time to fill its pipeline, we could even see this number tightened more in the months ahead. The wheat stocks estimate is over 1 billion bushels for the first time ever! This should continue to keep pressure on the wheat/corn spread in an attempt to get more wheat into feed rations.

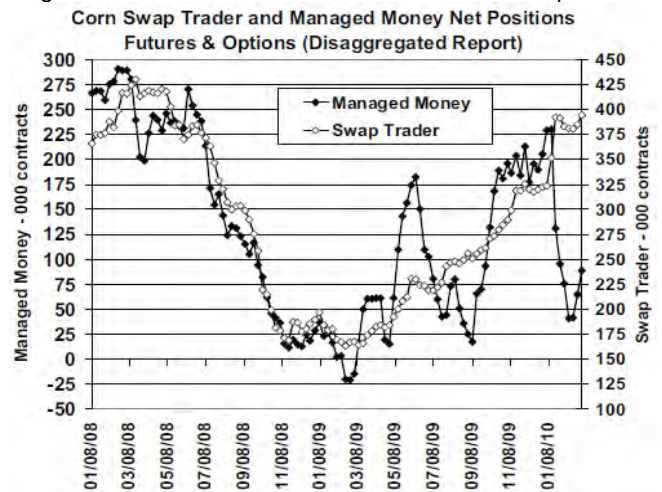
2009-10 US Ending Stocks (million bushels)			
	March USDA	February USDA	Change vs Previous
Corn	1799	1719	+ 80
Soybeans	190	210	- 20
Wheat	1001	981	+ 20

World stocks were higher for all three commodities. Corn saw the largest bump, based mostly on increases in production in Argentina and South Africa. An increase in Brazil's production of 1 mmt was the reason for the jump in soybeans. The US was the main culprit in the wheat stocks increase.

2009-10 World Ending Stocks (million metric tons)			
	March USDA	February USDA	Change vs Previous
Corn	140.15	134.04	+ 6.11
Soybeans	60.67	59.73	+ 0.94
Wheat	196.77	195.86	+ 0.91

## What lies ahead for corn price?

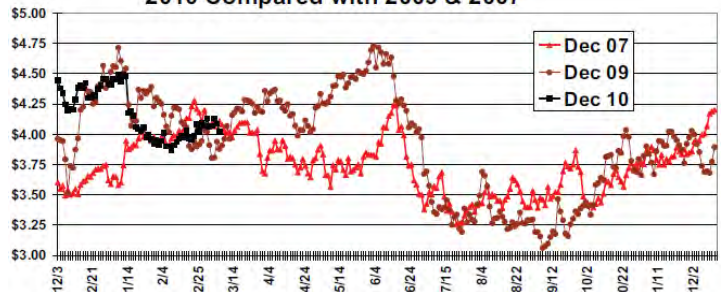
After the dust settles from the March report, the direction corn price moves will largely come down to these factors: 1) spring weather/acreage intentions; 2) the value of ethanol (right now in oversupply); and 3) perceived value of corn by investment traders. Number 1 & 2 are somewhat easy to measure; intended acres will be released on March 31, and then within a couple of months we *SHOULD* know what got planted. Ethanol prices are traded daily, and lately overproduction has ethanol values trading lower while crude oil prices have risen. As for the corn as an investment, take a look at the Managed Money positions (dark line) on this chart, which goes back to the first of 2008. These investors/spec funds



have held positions longer than 175,000 contracts long three times since then. And each time the corn market made a high. Conversely, when these funds sold off those positions, the markets made short-term bottoms. As of last Friday's Commitment of Traders report, the Managed Money was long 89,000 contracts of corn. The question is now, "What will they do from here?" What value do they see in corn/commodities? The change in the value of the Dollar has certainly impacted this perceived value greatly over the last couple of years. Weaker Dollars has brought investment money into the grains at times, but the stronger Dollar the last couple of months has caused investors to run from commodities.

The chart below from Informa shows how corn price played out in 2007 & 2009, and so far in 2010. What sticks out to me is that in each year from February-April we've traded December corn from \$4.00-4.25 much of the time. We've seen price spikes in June, likely based on weather. We've seen nose-dives from July-September. And then seen the markets gradually pick themselves up at the end of the year. Much of this pattern is the same seasonal pattern we've watched play out in previous years. I encourage you to use tools like revenue insurance, forward sales, and options, to take advantage of profitable pricing opportunities as we see them in 2010.

December Corn Price Settlements  
2010 Compared with 2009 & 2007



# ACRE Program is working where we thought it could.

There was a reason why signups for the ACRE program were highest in Illinois and North Dakota – both states got the corn crop planted very late, we had until August 15 to sign up due to the extension we were given, and there remained much uncertainty about price for the coming year. In the March report, USDA re-surveyed corn producers in IL, MI, WI, and MN (ND & SD will be later). USDA cut the IL corn yield another bushel to 174 bpa in that report, which equates to only a 1% increase vs the 5-year Olympic average. By comparison, the IN corn yield at 171 is 15 bpa above (or 9.6%) its Olympic average. USDA did drop its estimated average farm price to \$3.45-3.75, down 20 cents on the top end. The matrix at right (top) shows the current USDA numbers in blue, with the most likely payment scenarios in the black boxes. With a yield of 174 and price at \$3.60 (the midpoint of USDA's range), ACRE would pay an average of \$12.92 in Illinois for those who qualify (also must have a revenue loss on the farm). The matrix shows that of course if the average farm price is at the high end of USDA's range, there may not be a payment. But if price is at the low end of the range, the payment could exceed \$30 an acre! Due to yields being higher than the Olympic average in most states, IL and ND appear to be the only states that could possibly get a corn payment this year.

For soybeans, even with slightly lower yield estimates in a few states, price would have to drop to the bottom of USDA's estimated range of \$8.95-9.95

in order to trigger an ACRE payment. Right now, the states closest to receiving an ACRE payment on soybeans are ND, IL, and MN. On both corn and soybeans, ACRE is now acting like a *revenue put option*, providing protection against lower prices.



Diversified Services

## 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	178	179
\$ 4.13	\$ (62.78)	\$ (66.91)	\$ (71.04)	\$ (75.17)	\$ (79.30)	\$ (83.43)	\$ (87.56)	\$ (91.69)	\$ (95.82)	\$ (99.95)
\$ 4.05	\$ (49.18)	\$ (52.23)	\$ (57.28)	\$ (61.33)	\$ (65.38)	\$ (69.43)	\$ (73.48)	\$ (77.53)	\$ (81.58)	\$ (85.63)
\$ 4.00	\$ (40.68)	\$ (44.68)	\$ (48.68)	\$ (52.68)	\$ (56.68)	\$ (60.68)	\$ (64.68)	\$ (68.68)	\$ (72.68)	\$ (76.68)
\$ 3.95	\$ (32.18)	\$ (36.13)	\$ (40.08)	\$ (44.03)	\$ (47.98)	\$ (51.93)	\$ (55.88)	\$ (59.83)	\$ (63.78)	\$ (67.73)
\$ 3.90	\$ (23.68)	\$ (27.58)	\$ (31.48)	\$ (35.38)	\$ (39.28)	\$ (43.18)	\$ (47.08)	\$ (50.98)	\$ (54.88)	\$ (58.78)
\$ 3.85	\$ (15.18)	\$ (19.03)	\$ (22.88)	\$ (26.73)	\$ (30.58)	\$ (34.43)	\$ (38.28)	\$ (42.13)	\$ (45.98)	\$ (49.83)
\$ 3.80	\$ (6.68)	\$ (10.48)	\$ (14.28)	\$ (18.08)	\$ (21.88)	\$ (25.68)	\$ (29.48)	\$ (33.28)	\$ (37.08)	\$ (40.88)
\$ 3.75	\$ (1.82)	\$ (1.93)	\$ (5.68)	\$ (9.43)	\$ (13.18)	\$ (16.93)	\$ (20.68)	\$ (24.43)	\$ (28.18)	\$ (31.93)
\$ 3.70	\$ (10.32)	\$ 6.62	\$ 2.92	\$ (0.78)	\$ (4.48)	\$ (8.18)	\$ (11.88)	\$ (15.58)	\$ (19.28)	\$ (22.98)
\$ 3.65	\$ 18.82	\$ 15.17	\$ 11.52	\$ 7.87	\$ 4.22	\$ 0.57	\$ (3.08)	\$ (6.73)	\$ (10.38)	\$ (14.03)
\$ 3.60	\$ 27.32	\$ 23.72	\$ 20.12	\$ 16.52	\$ 12.92	\$ 9.32	\$ 5.72	\$ 2.12	\$ (1.48)	\$ (5.08)
\$ 3.55	\$ 25.82	\$ 32.27	\$ 28.72	\$ 25.17	\$ 21.62	\$ 18.07	\$ 14.52	\$ 10.97	\$ 7.42	\$ 3.87
\$ 3.50	\$ 44.32	\$ 40.82	\$ 37.32	\$ 33.82	\$ 30.32	\$ 26.82	\$ 23.32	\$ 19.82	\$ 16.32	\$ 12.82
\$ 3.45	\$ 52.82	\$ 49.37	\$ 45.92	\$ 42.47	\$ 39.02	\$ 35.57	\$ 32.12	\$ 28.67	\$ 25.22	\$ 21.77
\$ 3.40	\$ 61.32	\$ 57.92	\$ 54.52	\$ 51.12	\$ 47.72	\$ 44.32	\$ 40.92	\$ 37.52	\$ 34.12	\$ 30.72
\$ 3.35	\$ 69.82	\$ 66.47	\$ 63.12	\$ 59.77	\$ 56.42	\$ 53.07	\$ 49.72	\$ 46.37	\$ 43.02	\$ 39.67
\$ 3.30	\$ 78.32	\$ 75.02	\$ 71.72	\$ 68.42	\$ 65.12	\$ 61.82	\$ 58.52	\$ 55.22	\$ 51.92	\$ 48.62



Diversified Services

## Super-Matrix for ACRE

ACRE: State-Based (Illinois) Revenue Program for 2009 Soybeans										
Avg Price	Average Illinois State Yield (based on planted acres)									
	41	42	43	44	45	46	47	48	49	50
\$ 10.15		\$ (1.61)	\$ (11.76)	\$ (32.06)	\$ (32.06)	\$ (42.21)	\$ (52.36)	\$ (62.51)	\$ (72.66)	\$ (82.81)
\$ 10.04			\$ (7.03)	\$ (27.11)	\$ (27.11)	\$ (37.15)	\$ (47.19)	\$ (57.23)	\$ (67.27)	\$ (77.31)
\$ 9.95			\$ (3.16)	\$ (23.06)	\$ (23.06)	\$ (33.01)	\$ (42.96)	\$ (52.91)	\$ (62.86)	\$ (72.81)
\$ 9.85	\$ 20.84	\$ 10.99	\$ 1.14	\$ (8.71)	\$ (18.68)	\$ (28.41)	\$ (38.28)	\$ (48.11)	\$ (57.98)	\$ (67.81)
\$ 9.75	\$ 24.94	\$ 15.19	\$ 5.44	\$ (4.31)	\$ (14.06)	\$ (23.81)	\$ (33.56)	\$ (43.31)	\$ (53.06)	\$ (62.81)
\$ 9.65	\$ 29.04	\$ 19.39	\$ 9.74	\$ 0.09	\$ (9.66)	\$ (19.21)	\$ (28.86)	\$ (38.51)	\$ (48.16)	\$ (57.81)
\$ 9.55	\$ 33.14	\$ 23.59	\$ 14.04	\$ 4.49	\$ (5.06)	\$ (14.61)	\$ (24.16)	\$ (33.71)	\$ (43.26)	\$ (52.81)
\$ 9.45	\$ 37.24	\$ 27.79	\$ 18.34	\$ 8.89	\$ (0.56)	\$ (10.01)	\$ (19.46)	\$ (28.91)	\$ (38.36)	\$ (47.81)
\$ 9.35	\$ 41.34	\$ 31.99	\$ 22.64	\$ 13.29	\$ 3.94	\$ (5.41)	\$ (14.76)	\$ (24.11)	\$ (33.46)	\$ (42.81)
\$ 9.25	\$ 45.44	\$ 36.19	\$ 26.94	\$ 17.69	\$ 8.44	\$ (0.81)	\$ (10.06)	\$ (19.31)	\$ (28.56)	\$ (37.81)
\$ 9.15	\$ 49.54	\$ 40.39	\$ 31.24	\$ 22.09	\$ 12.94	\$ 3.79	\$ (5.36)	\$ (14.51)	\$ (23.66)	\$ (32.81)
\$ 9.05	\$ 53.64	\$ 44.69	\$ 35.54	\$ 26.49	\$ 17.44	\$ 8.39	\$ (0.66)	\$ (9.71)	\$ (18.76)	\$ (27.81)
\$ 8.95	\$ 57.74	\$ 48.79	\$ 39.84	\$ 30.89	\$ 21.94	\$ 12.99	\$ 4.04	\$ (4.91)	\$ (13.86)	\$ (22.81)
\$ 8.85	\$ 61.84	\$ 52.99	\$ 44.14	\$ 35.29	\$ 26.44	\$ 17.59	\$ 8.74	\$ (0.11)	\$ (8.96)	\$ (17.81)
\$ 8.75	\$ 65.94	\$ 57.19	\$ 48.44	\$ 39.69	\$ 30.94	\$ 22.19	\$ 13.44	\$ 4.69	\$ (4.06)	\$ (12.81)
\$ 8.65	\$ 70.04	\$ 61.29	\$ 52.74	\$ 44.09	\$ 35.44	\$ 26.79	\$ 18.14	\$ 9.49	\$ 0.84	\$ (7.81)
\$ 8.55	\$ 74.14	\$ 65.69	\$ 57.04	\$ 48.49	\$ 39.94	\$ 31.39	\$ 22.84	\$ 14.29	\$ 5.74	\$ (2.81)