



October USDA Crop Report

USDA hasn't failed to disappoint this year when it comes to reports that move the markets! The unexpectedly large September 1 corn stocks estimate a week ago (1.708 billion bushels) instigated some profit taking in the grains, but renewed enthusiasm this week triggered by end user buying was further exacerbated by the October production figures from USDA.

	October USDA	September USDA	Change vs Previous	Avg Trade Estimate
Corn	12664	13160	-496	12950
Soybeans	3408	3483	-75	3491
Wheat	2224	2265	-41	
Cotton	18.87	18.84	+0.03	

	October USDA	September USDA	Change vs Previous	Avg Trade Estimate
Corn	902	1116	-214	1172
Soybeans	265	350	-85	337
Wheat	853	902	-49	873
Cotton	2.70	2.70	-	

USDA cut its corn yield estimate 6.7 bpa to just 155.8 bpa, and took production down 496 million bushels to just 12.664 billion bushels, a much larger cut than the trade anticipated. With corn demand increased 40 million bushels, ending stocks were cut to just 902 million bushels, giving a stocks/use ratio of just 6.7%, 2nd tightest in recent history ('95/96 was 5.0%). This sets the table for the corn market to do what is needed to ration demand for feed grains worldwide and to challenge to buy acres for 2011.

The other big shocker in the October report was a cut in soybean production of 75 million bushels. USDA took yield down 0.3 bpa, while most analysts expected a small increase in yield. USDA also cut soybean planted and harvested acres by 1.2 million, which was somewhat expected. But the bottom line was a drop in ending stocks of 85 million bushels down to 265 million bushels. That's not a tight number, but it also doesn't leave any margin for error with the South American crop, and doesn't leave many extra bushels to afford to reduce US acreage much in 2011.

	October USDA	September USDA	Change vs Previous
Corn	132.36	135.56	-3.20
Soybeans	61.42	63.61	-2.19
Wheat	174.66	177.79	-2.13

Most of the cut in US stocks was carried through to the world numbers, with the exception being an increase in Argentine corn

production of 4 mmt and an increase in Brazilian soybeans of 4 mmt. Those certainly help on paper, but it still remains to be seen if they'll actually take place. With so much emphasis on the La Nina that has developed in the Pacific Ocean, the trade will certainly keep some risk premium in the soybean market for the next few months.

	2010 October 1	2010 September 1	2009 Final
Illinois	160	174	174
Indiana	160	170	171
Iowa	169	179	182
Kansas	130	138	155
Michigan	156	154	148
Minnesota	175	177	174
Missouri	134	143	153
Nebraska	170	179	178
North Dakota	140	140	115
Ohio	167	173	174
South Dakota	145	145	151
Wisconsin	162	159	153
US	155.8	162.5	164.7

	2010 October 1	2010 September 1	2009 Final
Illinois	52	51	46
Indiana	50	50	49
Iowa	52	52	51
Kansas	34	36	44
Michigan	44	42	40
Minnesota	45	46	40
Missouri	41	42	43.5
Nebraska	55	55	54.5
North Dakota	37	37	30
Ohio	48	48	49
South Dakota	40	40	42
Wisconsin	49	45	40
US	44.4	44.7	44.0

Above is the breakdown of key state yields for corn and soybeans. This was certainly unprecedented to have USDA make such large cuts in an October crop report, with Illinois, Indiana, Iowa, Kansas, Missouri, and Nebraska each seeing a cut of 8 bpa or more in corn yield!

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Revenue Insurance Update – Harvest Prices Being Set

As of this writing we are nearly 1/3 of the way through October and through the harvest pricing period for revenue policies with the harvest price option such as **CRC, RA-HP, and GRIP-HP**. With prices continuing to trade substantially higher than the base/spring prices of \$3.99 corn and \$9.20 soybeans, holders of revenue policies will need to see a yield loss larger than the deductible, or your coverage level times insurable yield (ex: 85% times 160 bpa APH = 136 bpa). Since many of you are wrapping up some harvest, if you think there's a chance you will have a bushel loss, talk with your Diversified Crop Insurance Agent very soon to get the ball rolling on a possible claim. If you have a county policy – GRP, GRIP, or GRIP-HP – you will have to wait until around March 1 when NASS releases the final county yields to determine if there is a yield loss. But to get an idea, your agent can keep you informed on what your state or even your crop reporting district yields were in the most recent NASS crop report.

If there is a yield loss, either on your farm or in the county you're insured in, the policy will be calculating your indemnity payment against the price currently being set. Assuming prices continue to trade at current levels or higher from now to the end of October, the harvest price for corn would be above \$5.00 and the harvest price for soybeans would be above \$11.00. With a CRC policy (corn or soybeans) or RA (soybeans), you would be paid this harvest price for each bushel lost (RA corn will be set in November). For GRIP, you will be paid the harvest price times the



Super-Matrix 3.0

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GRIP HRO - illustrative net indemnities prepared for Sangamon County

NOTE !! - illustrated yields have been adjusted to reflect historical differential of 0 bu. per acre

prices	140	144	149	153	158	164.3	167	171	176	180
\$ 6.00	\$ 252.95	\$ 212.96	\$ 162.97	\$ 122.98	\$ 72.99	\$ 10.00				
\$ 5.91	\$ 240.15	\$ 200.75	\$ 160.52	\$ 121.12	\$ 71.88	\$ 9.84				
\$ 5.81	\$ 244.92	\$ 206.20	\$ 157.79	\$ 119.07	\$ 70.87	\$ 9.68				
\$ 5.72	\$ 241.15	\$ 203.02	\$ 155.37	\$ 117.24	\$ 69.59	\$ 9.54				
\$ 5.63	\$ 237.34	\$ 199.82	\$ 152.91	\$ 115.39	\$ 68.48	\$ 9.38				
\$ 5.53	\$ 233.14	\$ 196.28	\$ 150.20	\$ 113.34	\$ 67.27	\$ 9.22				
\$ 5.44	\$ 229.33	\$ 193.07	\$ 147.75	\$ 111.49	\$ 66.17	\$ 9.06				
\$ 5.34	\$ 225.11	\$ 189.52	\$ 145.03	\$ 109.44	\$ 64.95	\$ 8.90				
\$ 5.25	\$ 221.34	\$ 186.34	\$ 142.60	\$ 107.61	\$ 63.87	\$ 8.76				
\$ 5.16	\$ 217.53	\$ 183.14	\$ 140.15	\$ 105.76	\$ 62.77	\$ 8.60				
\$ 5.06	\$ 213.32	\$ 179.60	\$ 137.44	\$ 103.71	\$ 61.55	\$ 8.44				
\$ 4.97	\$ 209.52	\$ 176.39	\$ 134.99	\$ 101.86	\$ 60.45	\$ 8.28				
\$ 4.88	\$ 205.73	\$ 173.20	\$ 132.54	\$ 100.02	\$ 59.36	\$ 8.13				
\$ 4.78	\$ 201.51	\$ 169.85	\$ 129.82	\$ 97.96	\$ 58.14	\$ 7.96				
\$ 4.69	\$ 197.72	\$ 166.46	\$ 127.38	\$ 96.13	\$ 57.05	\$ 7.82				
\$ 4.59	\$ 193.51	\$ 162.92	\$ 124.69	\$ 94.08	\$ 55.84	\$ 7.65				
\$ 4.50	\$ 189.71	\$ 159.71	\$ 122.22	\$ 92.23	\$ 54.74	\$ 7.50				

that you purchased in your policy (100% down to 60%). For APH or GRP (yield) policies, you will be vs the price that was set last spring. Our **DS Super-Matrix^R** tool (above) is a great tool to easily show you how the possible combinations of yield and harvest price will translate into possible indemnity payments. Ask your Diversified Crop Insurance Services representative to run the **DS Super-Matrix^R** for policy to see what the possibilities are for a payment.

