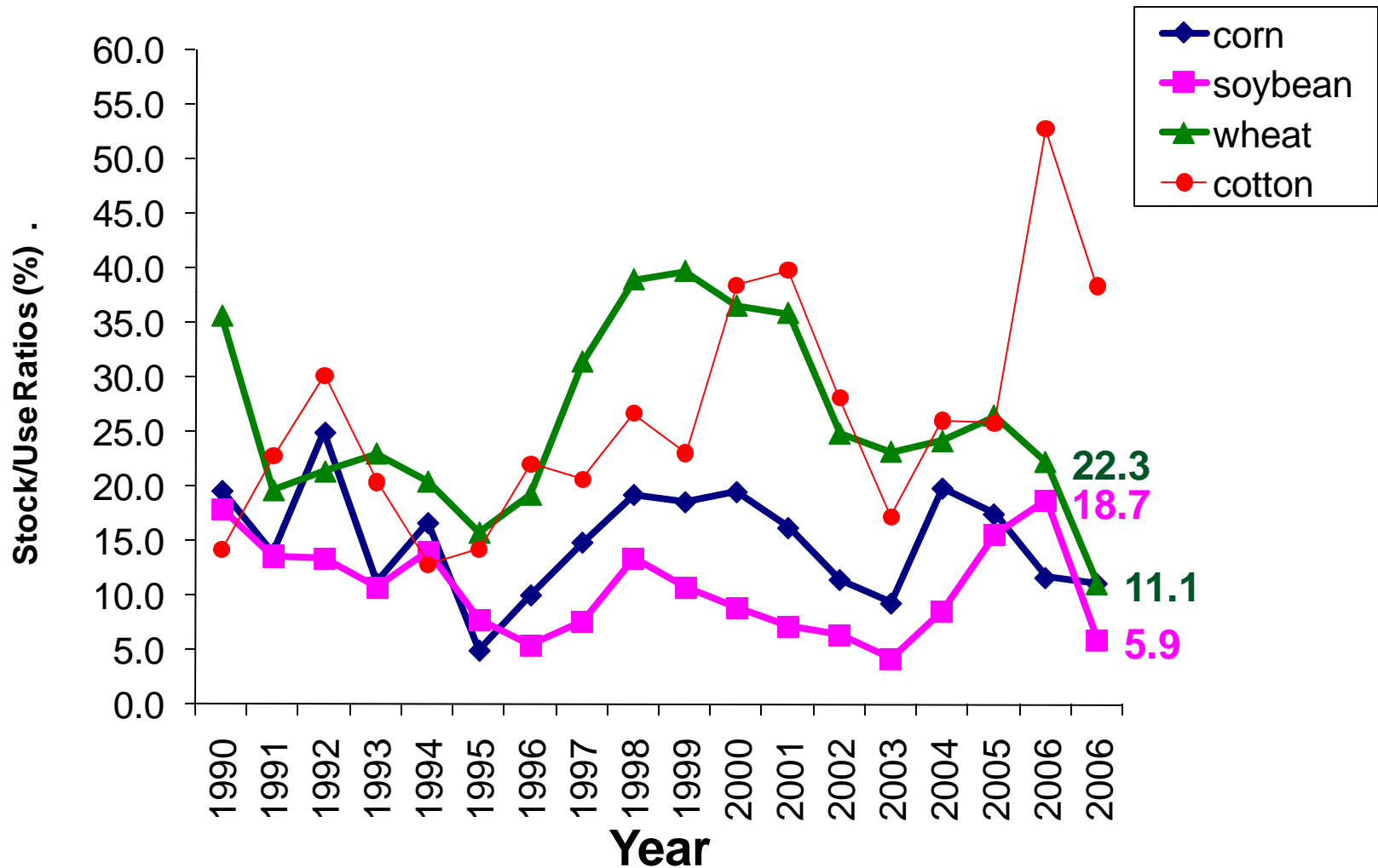
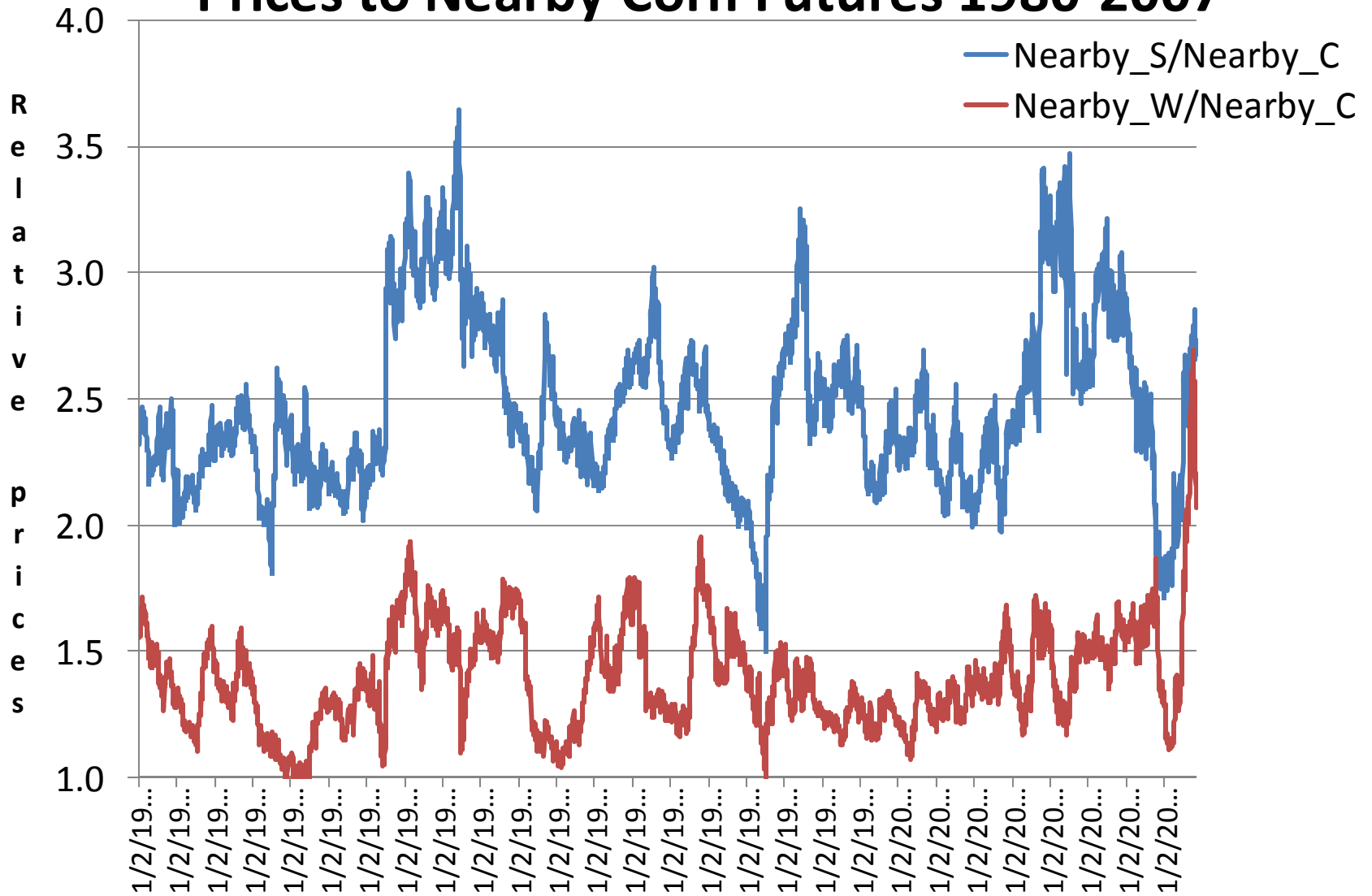




Stock to Use Ratios for U.S. Crops 1990-2007



Ratio of Daily Nearby Soybean and Wheat Prices to Nearby Corn Futures 1980-2007



Current Prices Twice Their Historical Average

	1980-2007	01-22-2008		
<i>Future Contract</i>	[a]	[b]	[b]-[a]	[b]/[a]
Nearby_C	\$2.58	\$4.98	\$2.40	1.9
Nearby_S	\$6.26	\$12.64	\$6.38	2.0
Nearby_W	\$3.55	\$9.62	\$6.07	2.7
<i>Ratios</i>				
Nearby_S/Nearby_C	\$2.46	\$2.54	\$0.08	1.03
Nearby_W/Nearby_C	\$1.39	\$1.93	\$0.54	1.39

Soybean price has been drafting the corn price in a battle for acres

Corn Price

Soybean Price

Wheat Price



Its not over until the checkered flag

Soybean Acres 2007



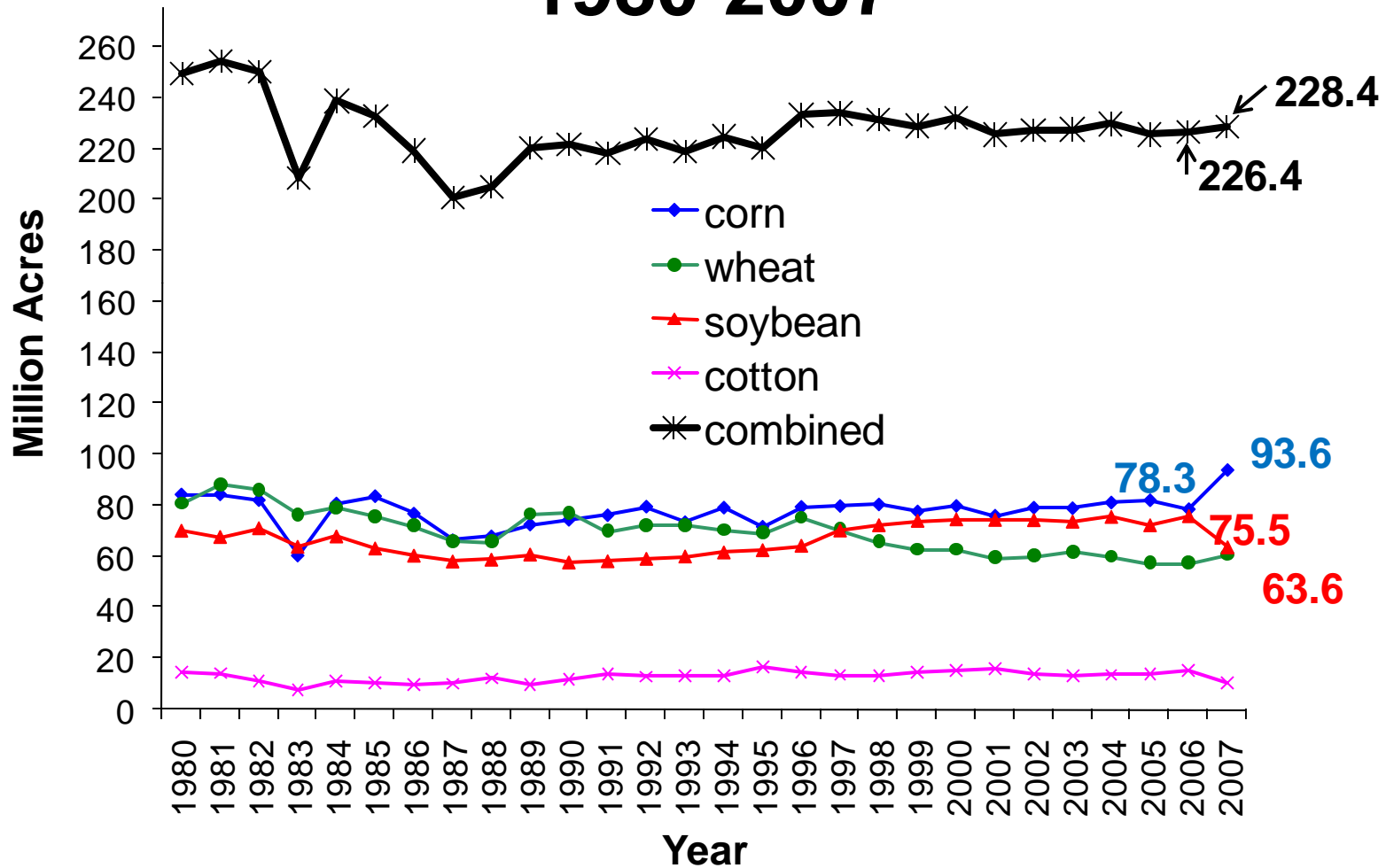
Corn Acres 2007



US Acres Planted (Millions)

Crop	2006	2007	Δ
Corn	78.3	93.6	15.3
Soybean	75.5	63.6	-11.9
Wheat	57.3	60.4	3.1
Cotton	15.3	10.8	-4.4
Combined	226.4	228.4	2.1

U.S. Major Row Crop Acreage 1980-2007

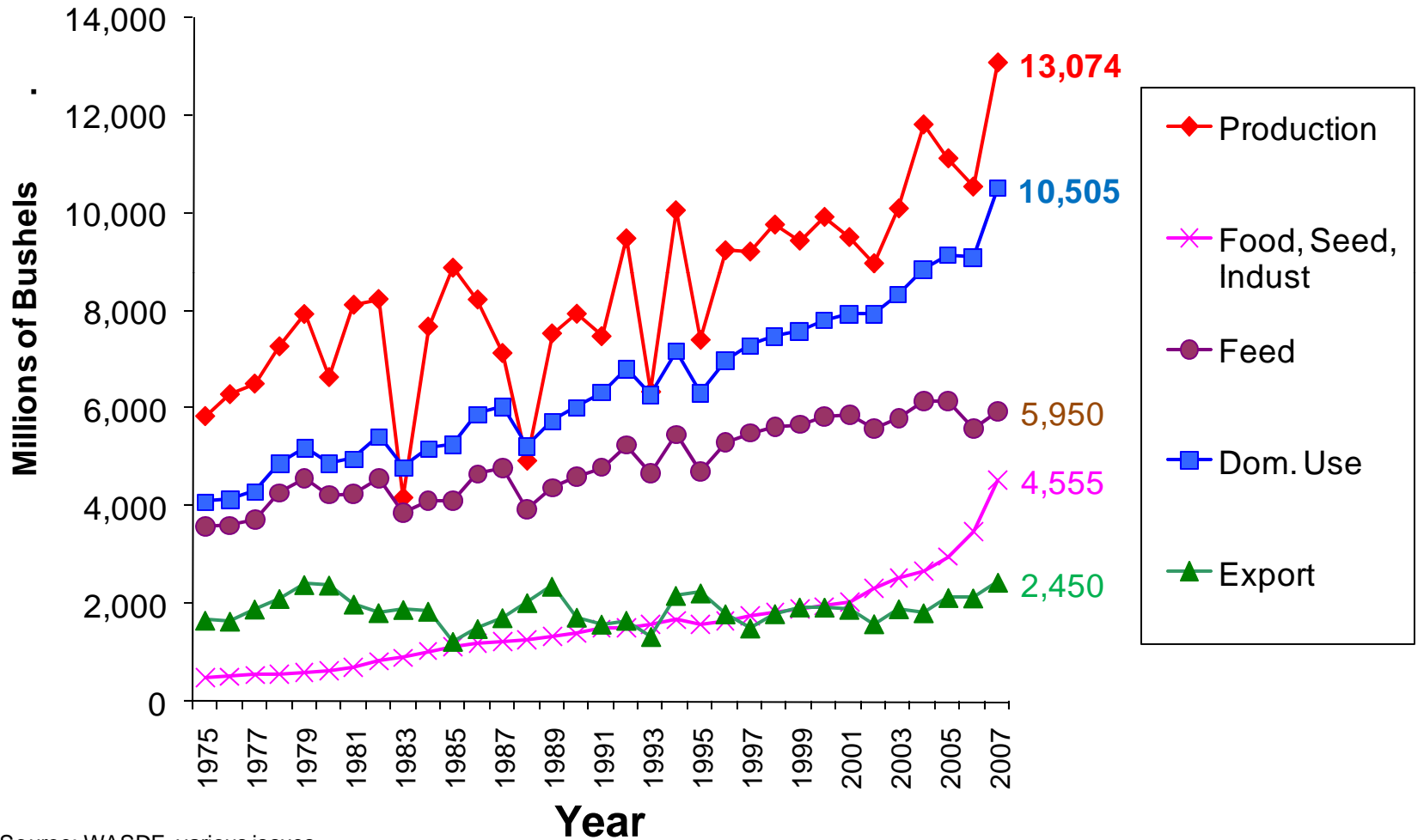


USDA SUPPLY/DEMAND BALANCE SHEET FOR CORN

	05-06	06-07	07-08	%Δ
Acres Planted	81.8	78.3	93.6	19.5%
Acres Harvested	75.1	70.6	86.5	22.5%
Bu./Harvested Acre	148.0	149.1	151.1	1.3%
Beginning Stocks	2,114	1,967	1,304	-33.7%
Production	11,114	10,535	13,074	24.1%
Total Supply	13,237	12,514	14,393	15.0%
Use:				
Feed and Residual	6,155	5,598	5,950	6.3%
Food, seed, & industrial	2,981	3,488	4,555	30.6%
Ethanol for fuel	1,603	2,117	3,200	51.2%
Exports	2,134	2,125	2,450	15.3%
Total Use (Demand)	11,270	11,210	12,955	15.6%
Ending Stocks	1,967	1,304	1,438	10.3%
Ending Stocks, % of Use	17.5	11.6	11.1	-4.6%
U.S. Season Avg. Farm Price, \$/ Bu.	\$2.00	\$3.04	\$4.00	31.6%

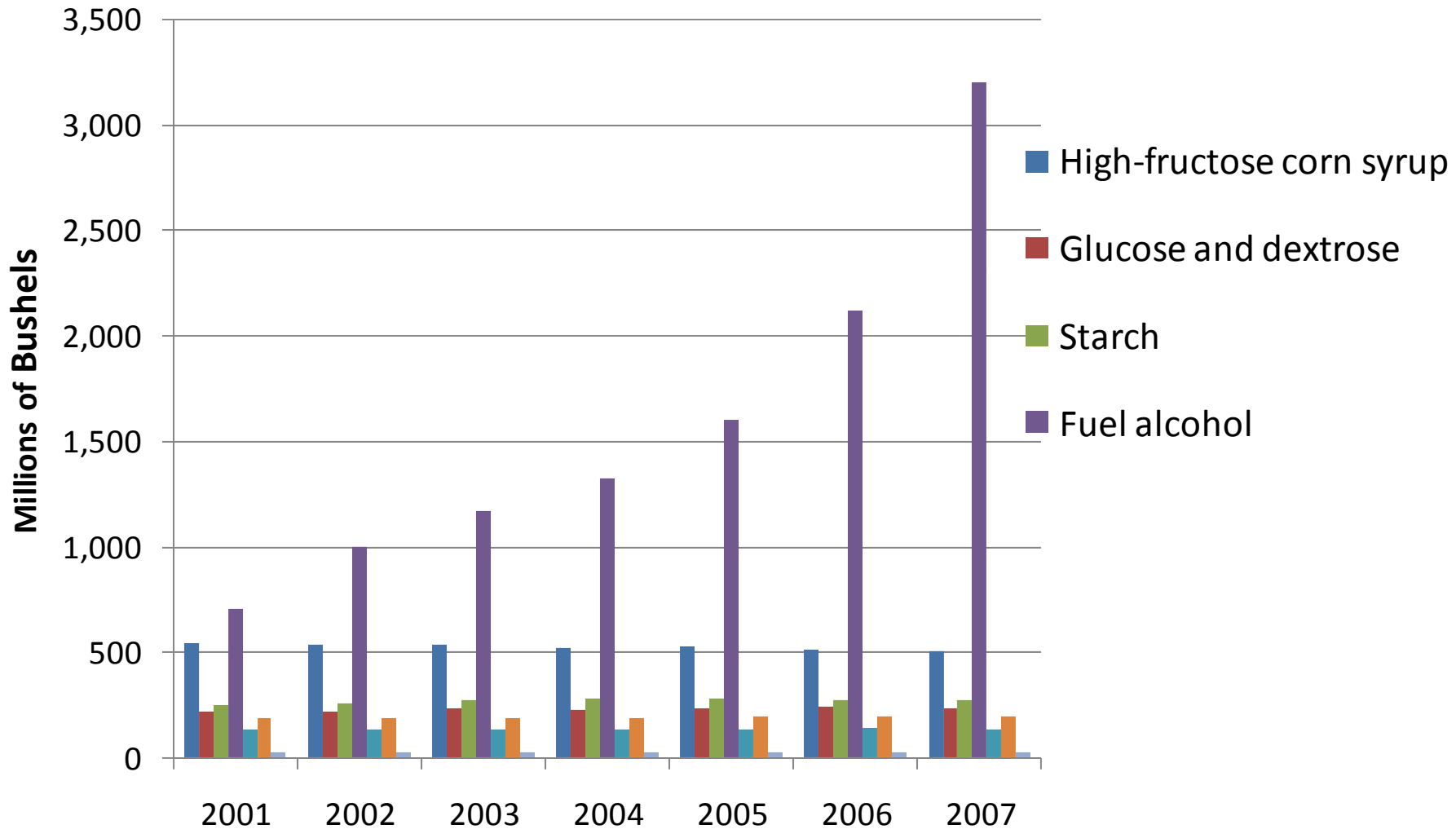
Source: USDA, WASDE Jan 11, 2008

U.S. Corn Supply and Disappearance 1975/76-2007/08

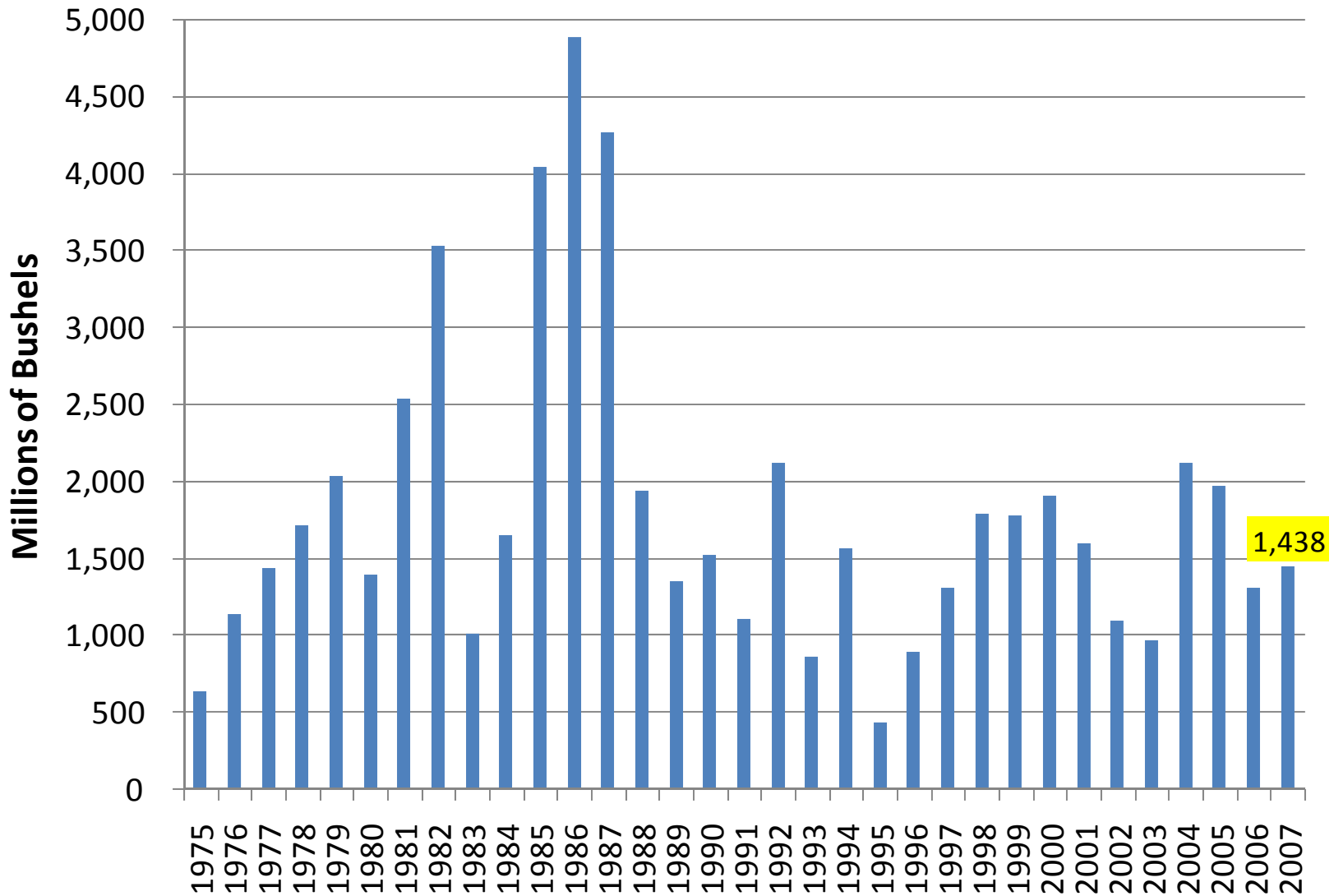


Source: WASDE, various issues

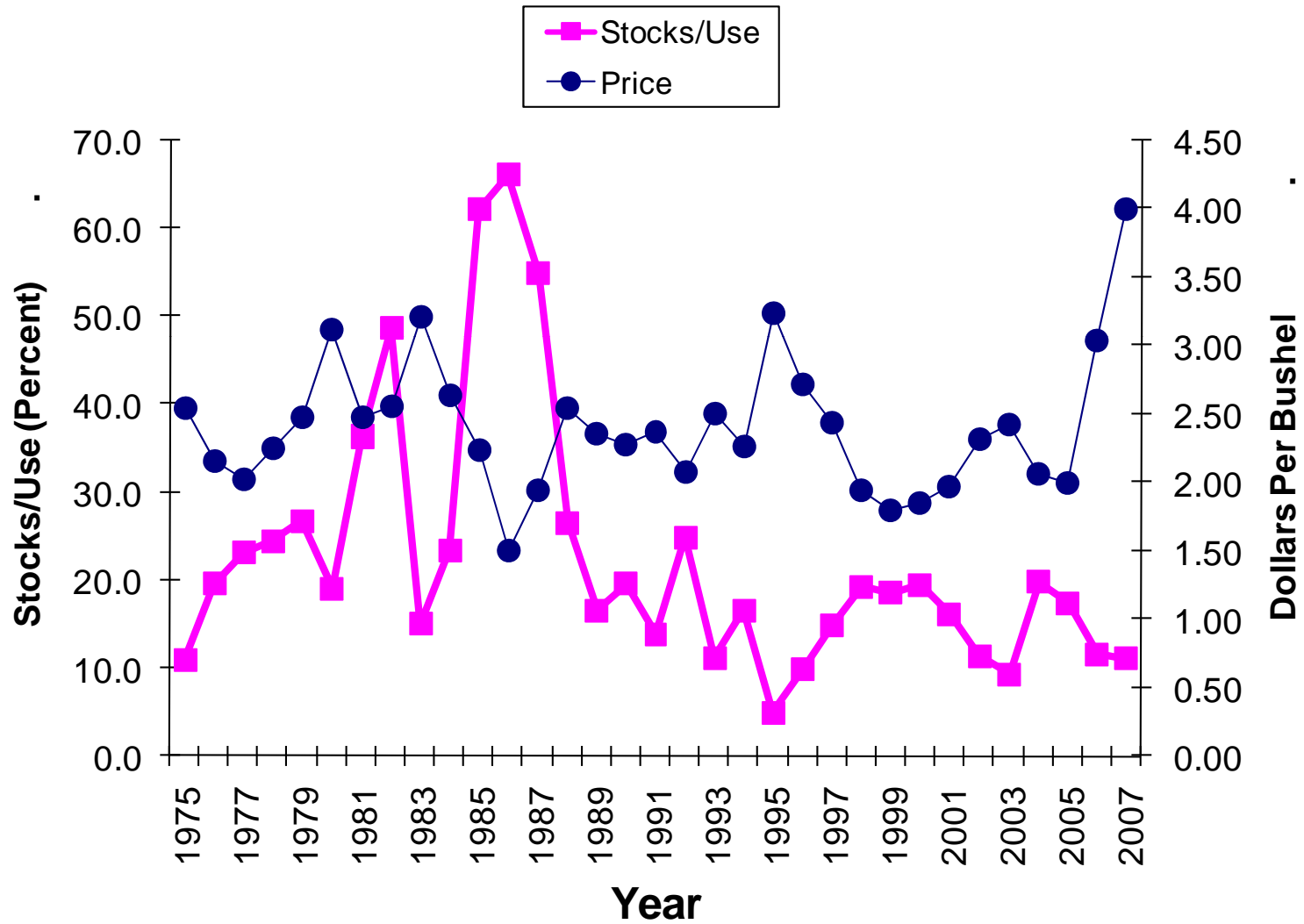
US Corn: Food, Seed and Industrial Use 2001-2007



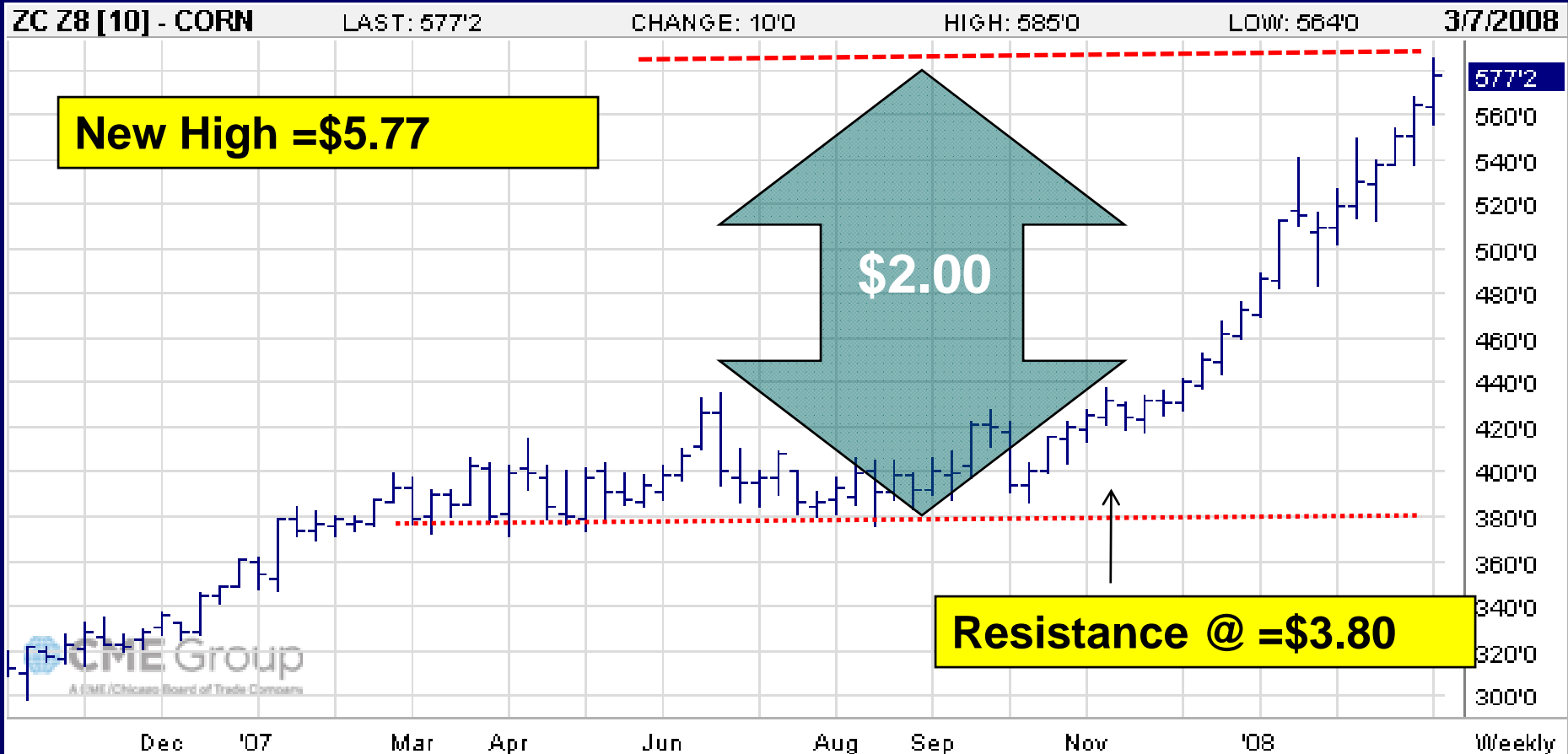
US Corn Ending Stocks



U.S. Corn Stocks/Use and Average Farm Price 1975-2007



Corn CBOT DEC 08---Weekly



Corn CBOT DEC 2010---Weekly



Marketing Corn

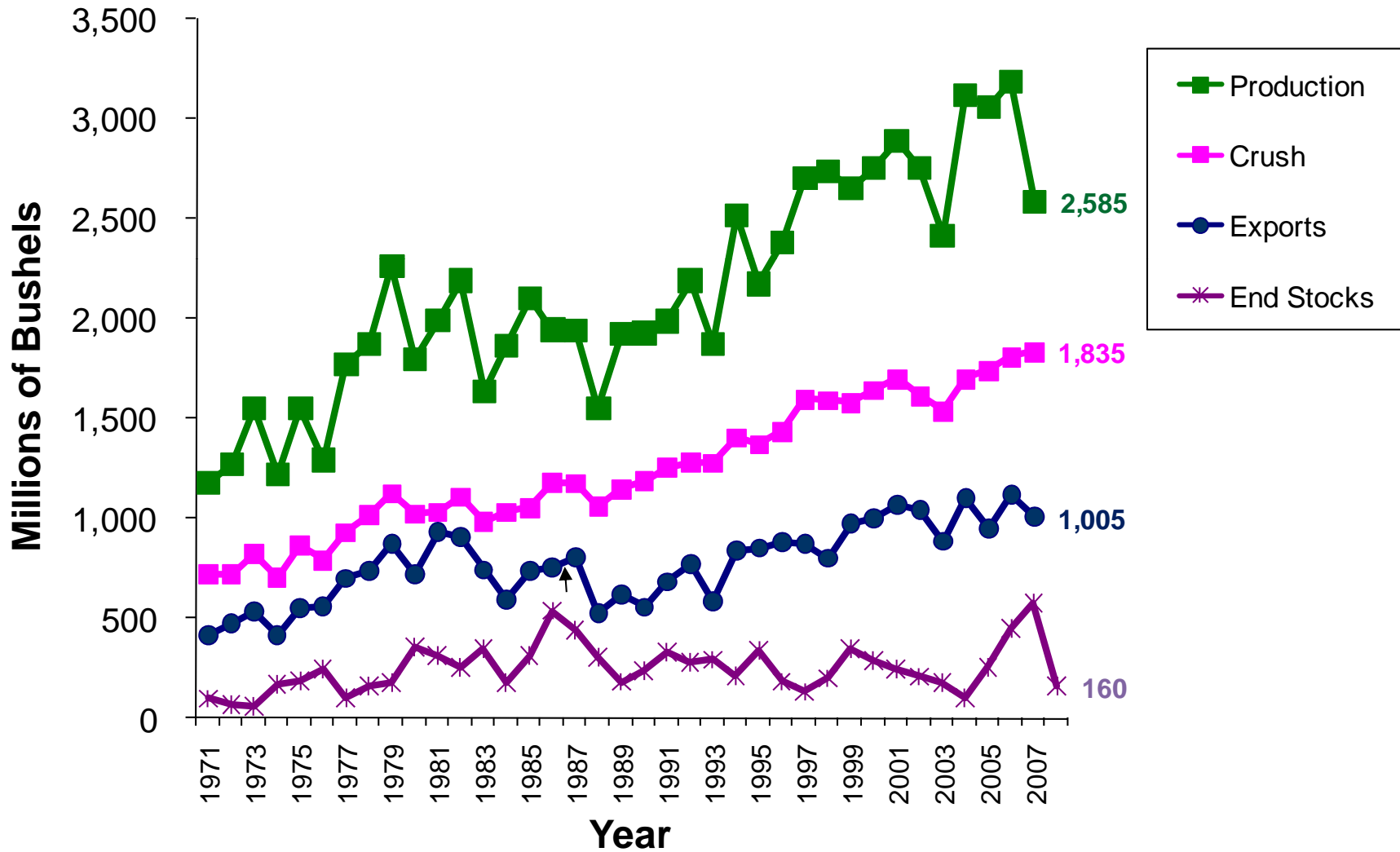
- **At time of writing market is strengthening further**
 - **C-Mar08 trading @ \$5.57**
 - **C-Dec08 trading @ \$5.77**
- **For NC with nearby corn basis of -\$0.10 in October, this would be a current expected harvest price in NC of around \$5.67 for 2008.**
 - **current new crop bids are around \$5.47-5.97**
 - **opportunity to lock in profitable sales with forward contracts**
- **A Dec 08 put option with a strike of \$5.50 is trading @ 61 cents**
 - **use puts to establish price floor but leaving upside open**
 - **might be cheaper price insurance using coverage CRC or RA**
- **Can corn prices go higher? Yes. Soybeans are bidding for some of the 2007 lost acres. Corn price will try and keep pace to retain corn acres.**
 - **Best to roll up pricing opportunities using Dec 08 put options**

USDA SUPPLY/DEMAND BALANCE SHEET FOR SOYBEANS

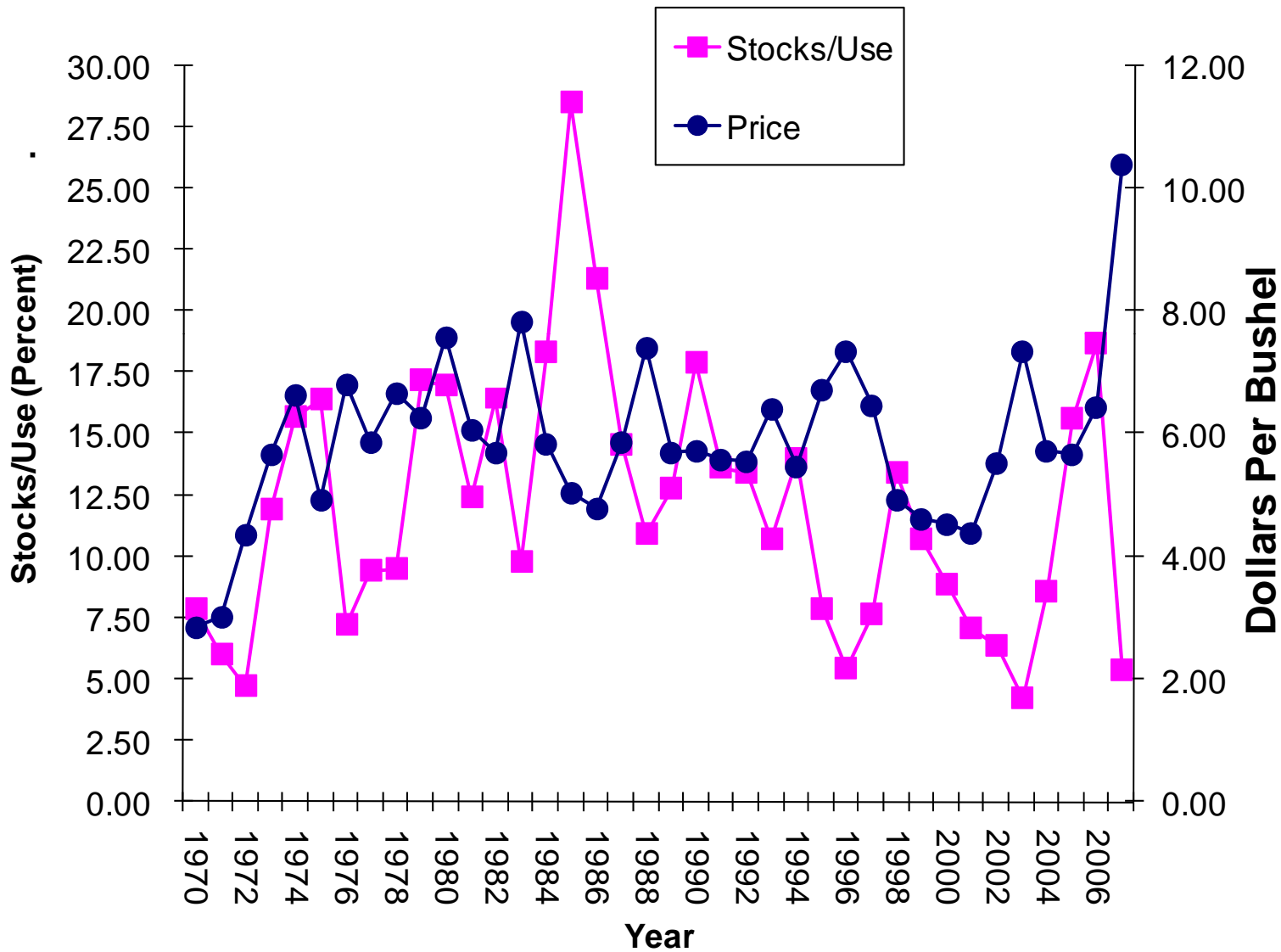
	05-06	06-07	07-08	%Δ
	Millions of Acres			
Acres Planted	72.0	75.5	63.6	-15.8%
Acres Harvested	71.3	74.6	62.8	-15.8%
Bu./Harvested Acre	43.0	42.7	41.2	-3.5%
	Millions of Bushels			
Beginning Stocks	256	449	574	27.8%
Production	3,063	3,188	2,585	-18.9%
Total Supply	3,322	3,647	3,165	-13.2%
Use:				
Crushing	1,739	1,806	1,830	1.3%
Exports	940	1,118	995	-11.0%
Seed & Residuals	194	148	165	11.5%
Total Use	2,873	3,073	2,990	-2.7%
Ending Stocks	449	574	175	-69.5%
Ending Stocks, % of Use	15.6	18.7	5.9	-68.7%
U.S. Season Average Farm Price, \$/ Bu.	\$5.66	\$6.43	\$10.40	61.7%

Source: USDA, WASDE various

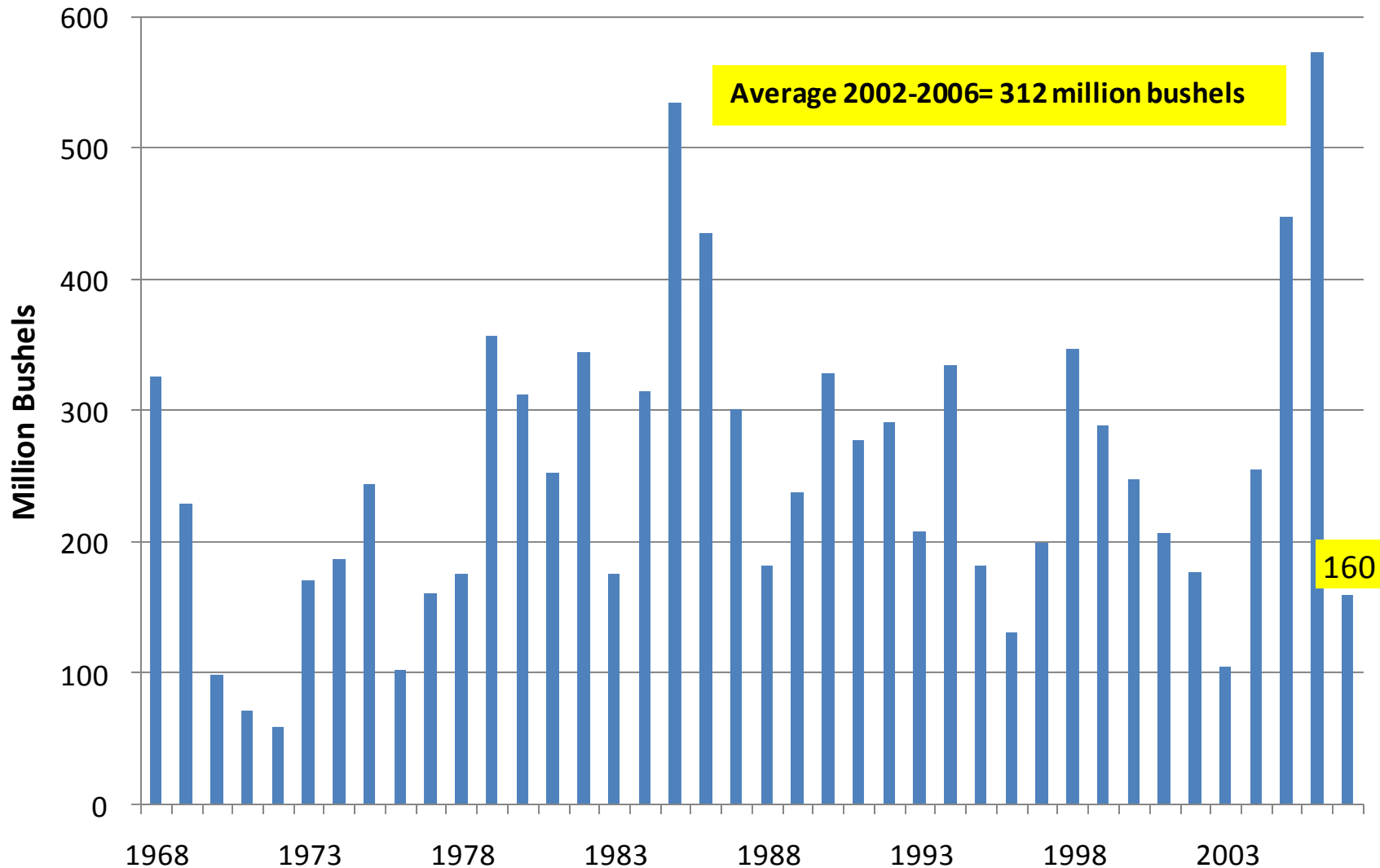
U.S. Soybean Supply and Disappearance 1971/72-2007/08



U.S. Soybean Stocks/Use and Average Farm Price 1970-2007



US Soybeans Ending Stocks 1968-2007



Soybean CBOT Nov 08---Weekly



Soybean CBOT Nov 2010---Daily



Marketing Soybeans

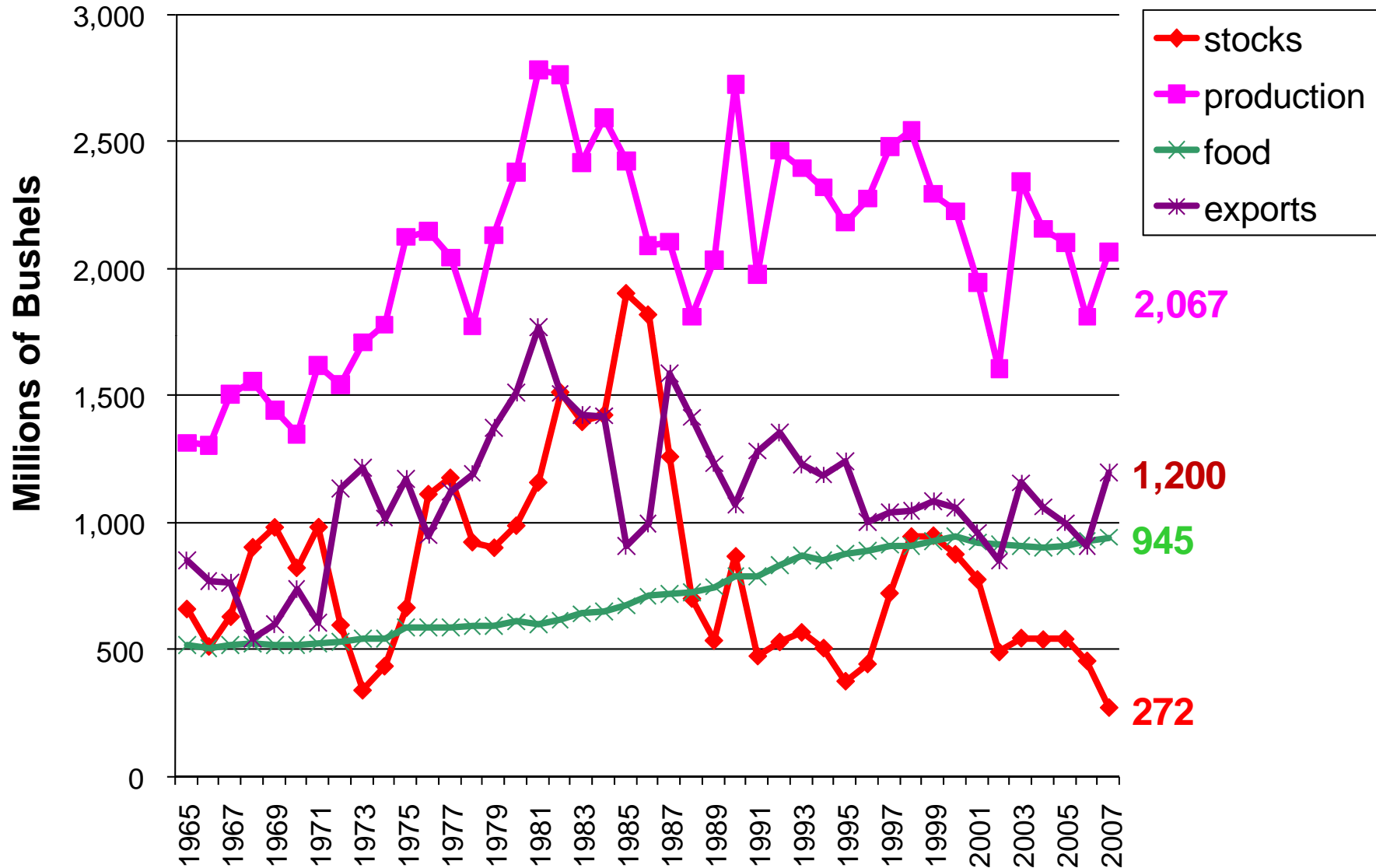
- **At time of writing market has pulled back slightly from recent \$15 (+) on nearby (March 2008) contract**
 - **S-Mar 08 trading @ \$14.90**
 - **S-Nov 08 trading @ \$13.90**
- **For NC with nearby corn basis of -\$0.20 in October, this would be a current expected harvest price in NC of around \$13.70 for 2008.**
 - **current new crop bids are around \$13.77**
 - **opportunity to lock in profitable sales with forward contracts**
- **A Nov 08 put option with a strike of \$13.40 is trading @ 140 cents**
 - **use puts to establish price floor but leaving upside open**
- **Can soybean prices go higher? Yes. With very low stocks, soybeans are bidding for some of the 2007 lost acres back**
 - **Need at least 6 million of the acres back**
 - **6 mil. acres @ 40 = 240 mill bu to restore depleted stocks**

USDA SUPPLY/DEMAND BALANCE SHEET FOR WHEAT

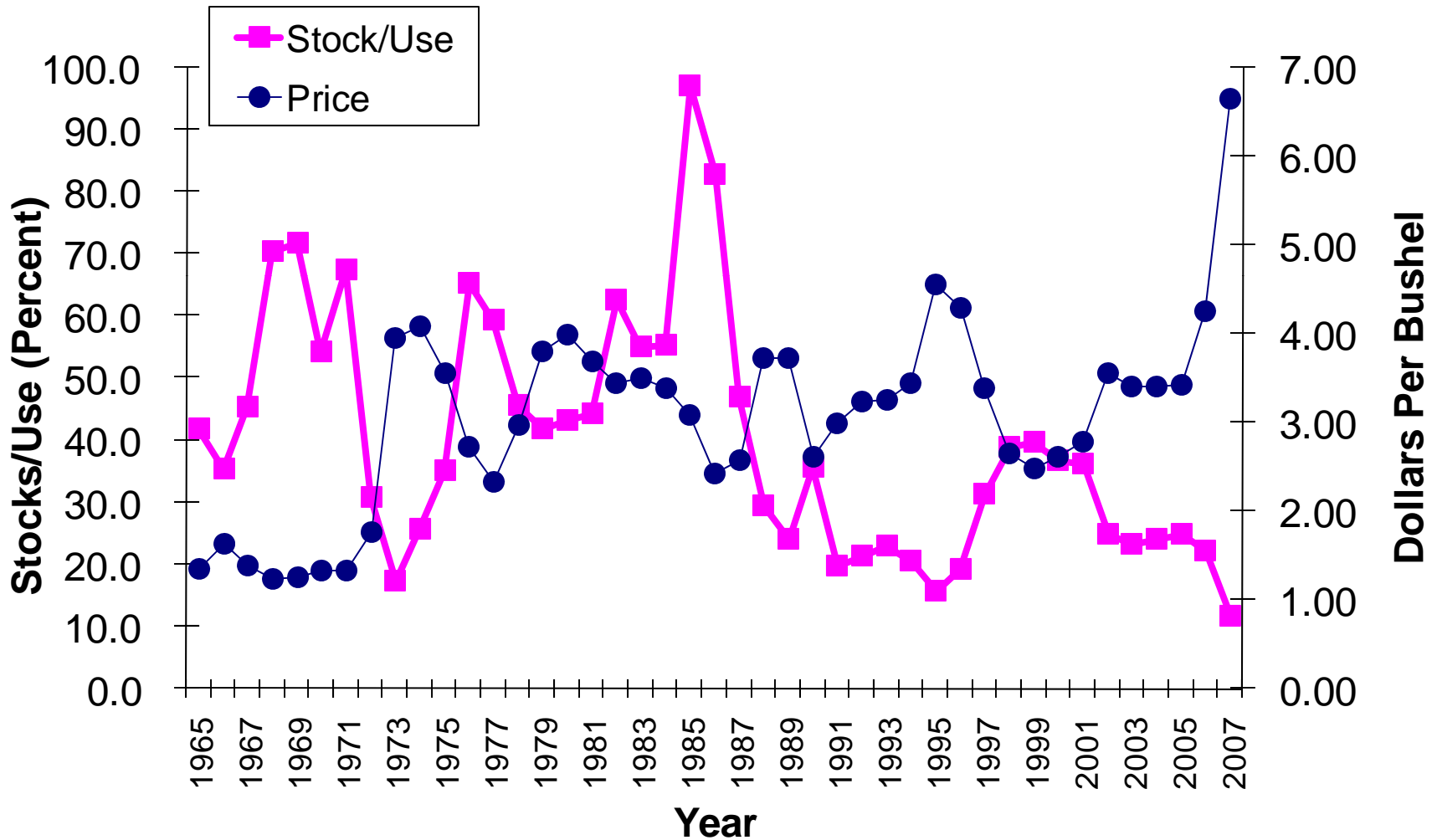
	05-06	06-07	07-08	%Δ
Million Acres				
Acres Planted	57.2	57.3	60.4	5.1%
Acres Harvested	50.1	46.8	51.0	8.2%
Bu./Harvested Acre	42	38.7	40.5	4.4%
Million Bushels				
Beginning Stocks	540	571	456	-25.2%
Production	2,105	1,812	2,067	12.3%
Imports	81	122	90	-35.6%
Total Supply	2,726	2,505	2,613	4.1%
Use:				
Food	915	933	945	1.3%
Seed	78	81	86	5.8%
Feed & Residual	160	125	110	-13.6%
Exports	1,003	909	1,200	24.3%
Total Use	2,155	2,049	2,341	12.5%
Ending Stocks	571	456	272.0	-67.6%
Ending Stocks, % of Use	26.5	22.3	11.6	-91.5%
U.S. Season Aver. Farm Price, \$/ Bu.	\$3.42	\$4.26	\$6.65	35.9%

Source: USDA, WASDE Jan 11, 2008

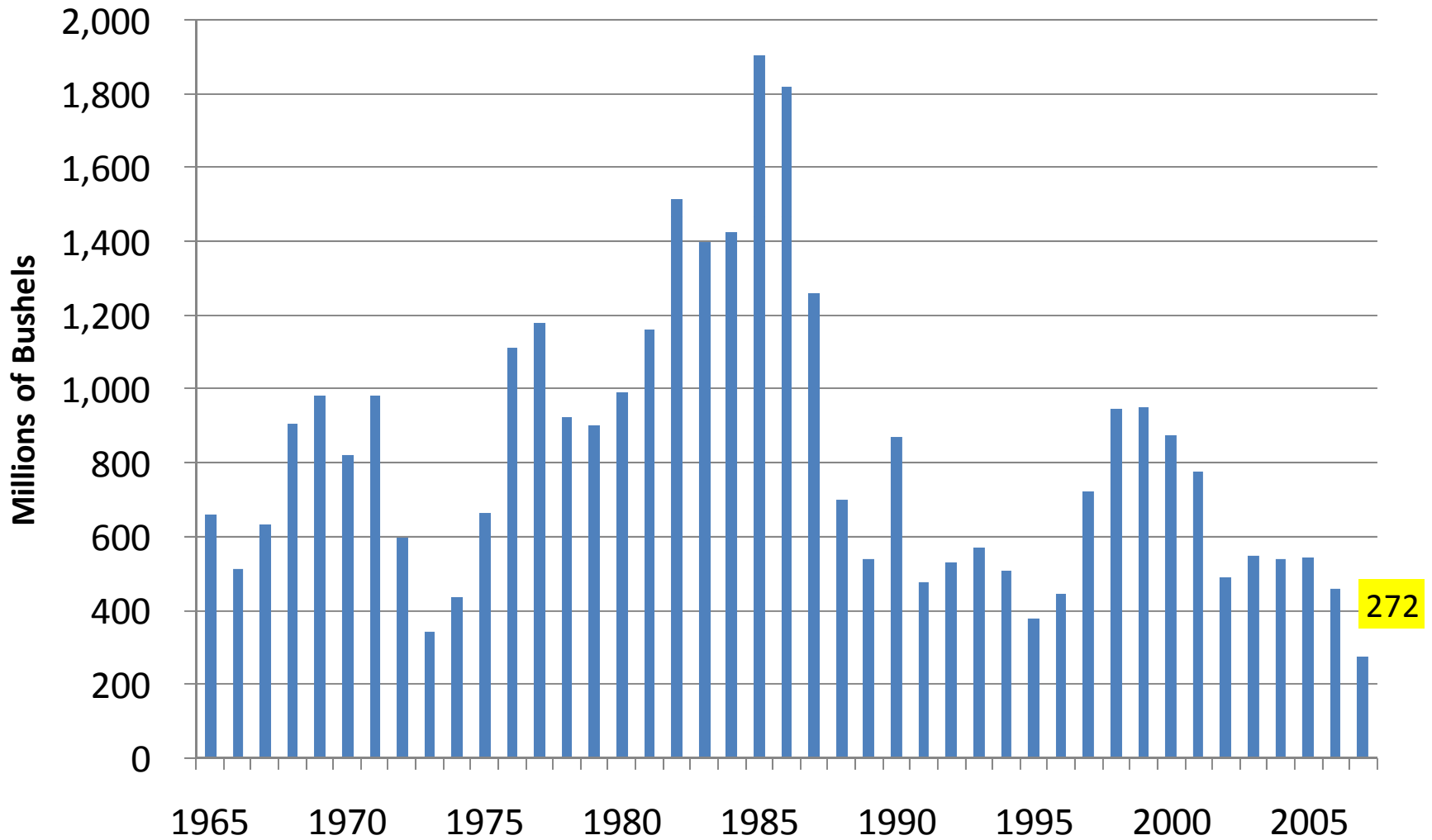
Wheat Supply and Disappearance 1965-2007



U.S. Wheat Stocks/Use and Average Farm Price 1965-2007



US Wheat Ending Stocks 1965-2007



Wheat CBOT Jul 08---Weekly



Marketing Wheat


- **At time of writing market is still trying to ration demand and prices are trying to establish where that will occur. Exports are attractive because of the cheap US dollar.**
 - **W-Mar 08 trading @ \$10.96**
 - **W-Jul 08 trading @ \$9.92**
- **Current new crop bids in NC are around \$6.09-8.47**
 - **Basis levels should improve**
- **A Jul 08 put option with a strike of \$9.50 is trading @ 65 cents**
 - **use puts to establish price floor but leaving upside open**
 - **might be cheaper price insurance using revenue insurance coverage**
- **Can wheat prices go higher? Yes. The strong demand (led by exports) has to be further rationed given the shrinking supplies.**

Some Final Thoughts

- **A perfect storm of factors has led to these opportunities.**
- **Substantially higher prices and price volatilities means that much more at risk**
 - **The need to manage price and production risk has never been greater**
- **Key strategies to consider:**
 - **establish price floors using tools available (options, revenue insurance) and let the upside ride**
 - **be diligent with efficient production practices to ensure you have the yield to sell at these prices**
 - **consider purchasing revenue crop insurance (CRC or RA) (premiums are heavily subsidized)**

NC State Grain Marketing Homepage

www.ag-econ.ncsu.edu/faculty/piggott/outlook.html



SAMMY - WHAT'S
GOING ON?
WHAT IS HE
DOING HERE?