

# Marketing Club Meeting

January 15, 2009

Presented By

Mike Silver

[msilver@kokomograin.com](mailto:msilver@kokomograin.com)

800-666-0613

765-236-4162



The information contained herein, while not guaranteed as to accuracy or completeness, has been obtained from sources believed to be reliable. The opinions and recommendations contained are based on our judgment, and we do not guarantee that profits will be achieved. Recommendations should not be construed as an offer to buy or sell commodities. Opinions expressed in this presentation are those of Mike Silver and not necessarily those of Kokomo Grain Company, Inc

[www.kokomograin.com](http://www.kokomograin.com)

# 2009 vs 2008

- What has changed ?
  - US Economy
  - Global Economy
  - Market Composition
    - Index Fund Participation
  - Ethanol Profitability
  - Global Commodity Demand
  - Perceptions and Attitudes
  - Fundamentals

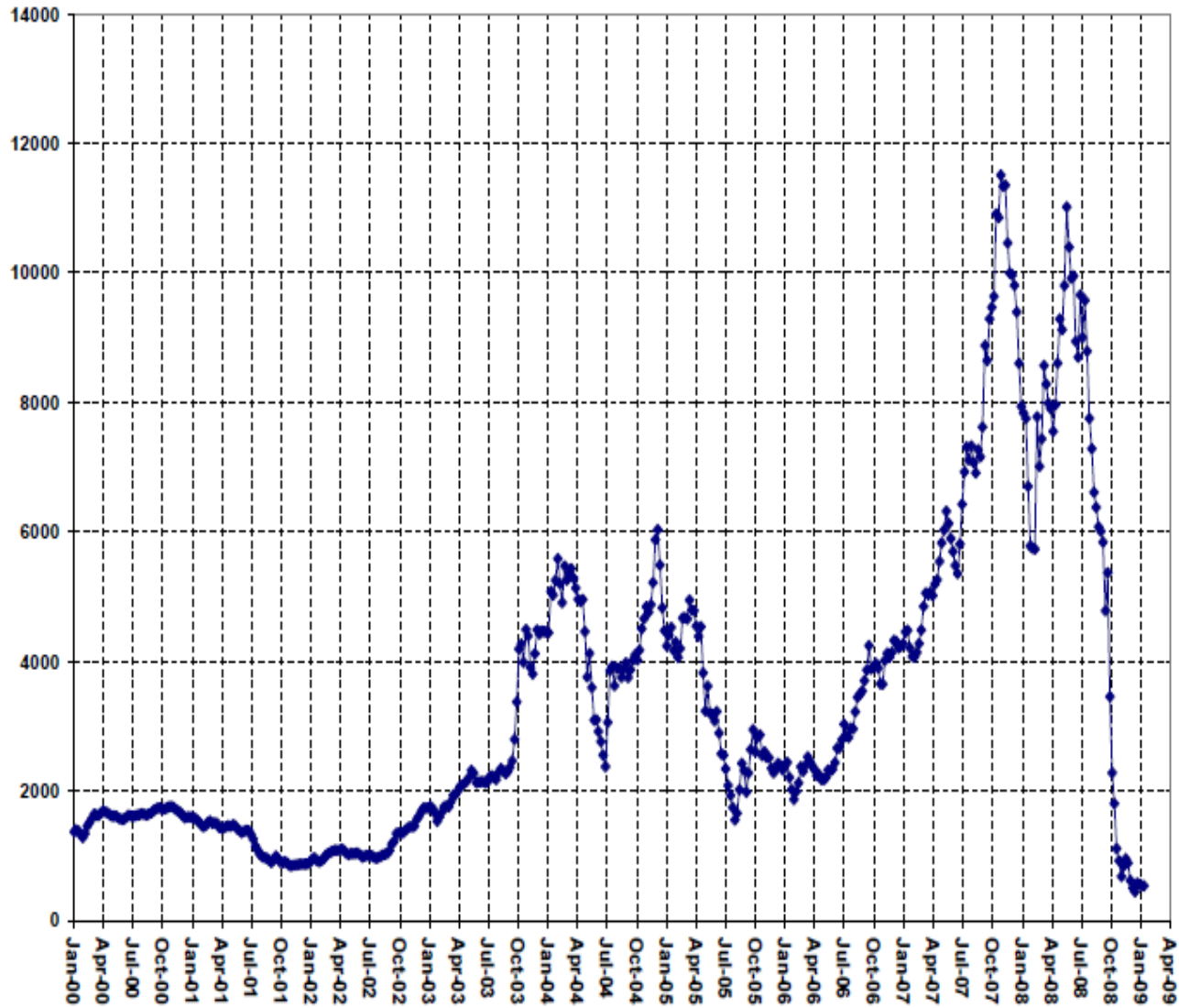
# The Dow Jones



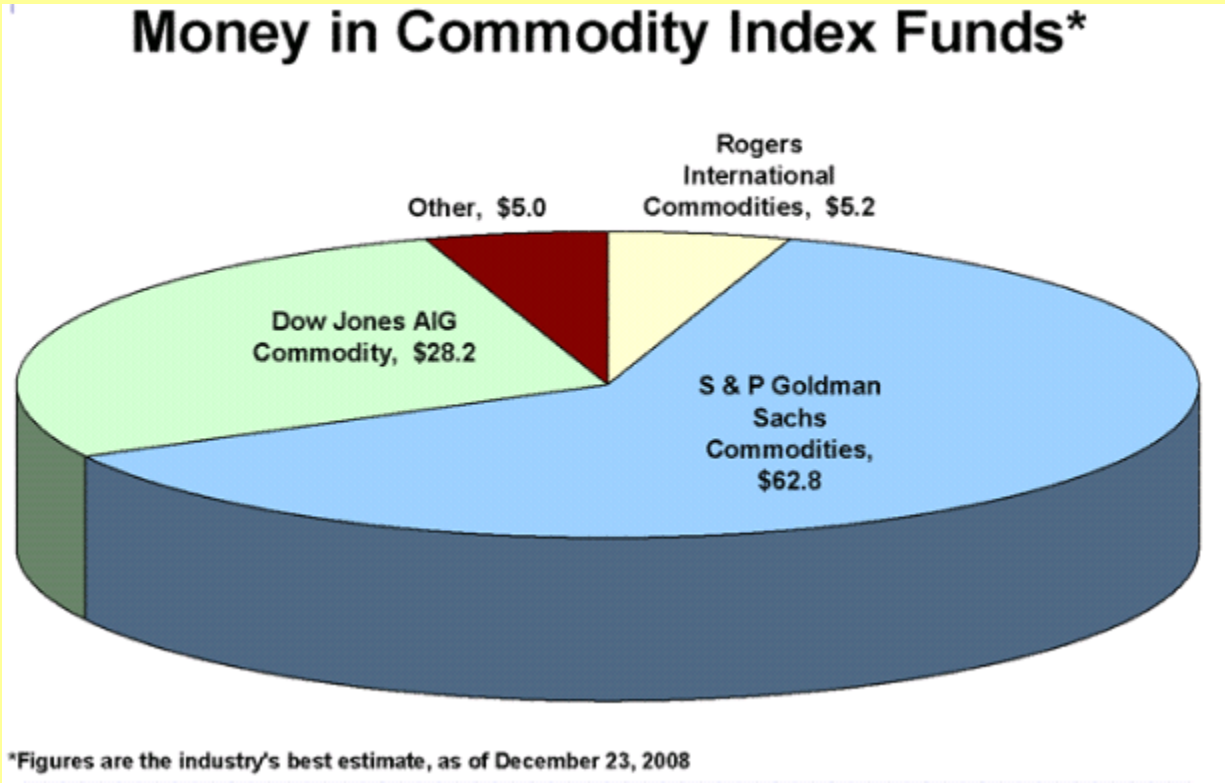
# The US Dollar Index



# Baltic Panamax Freight Index



# Current Value Estimate \$90 Bil



# Goldman Sachs Commodity Index



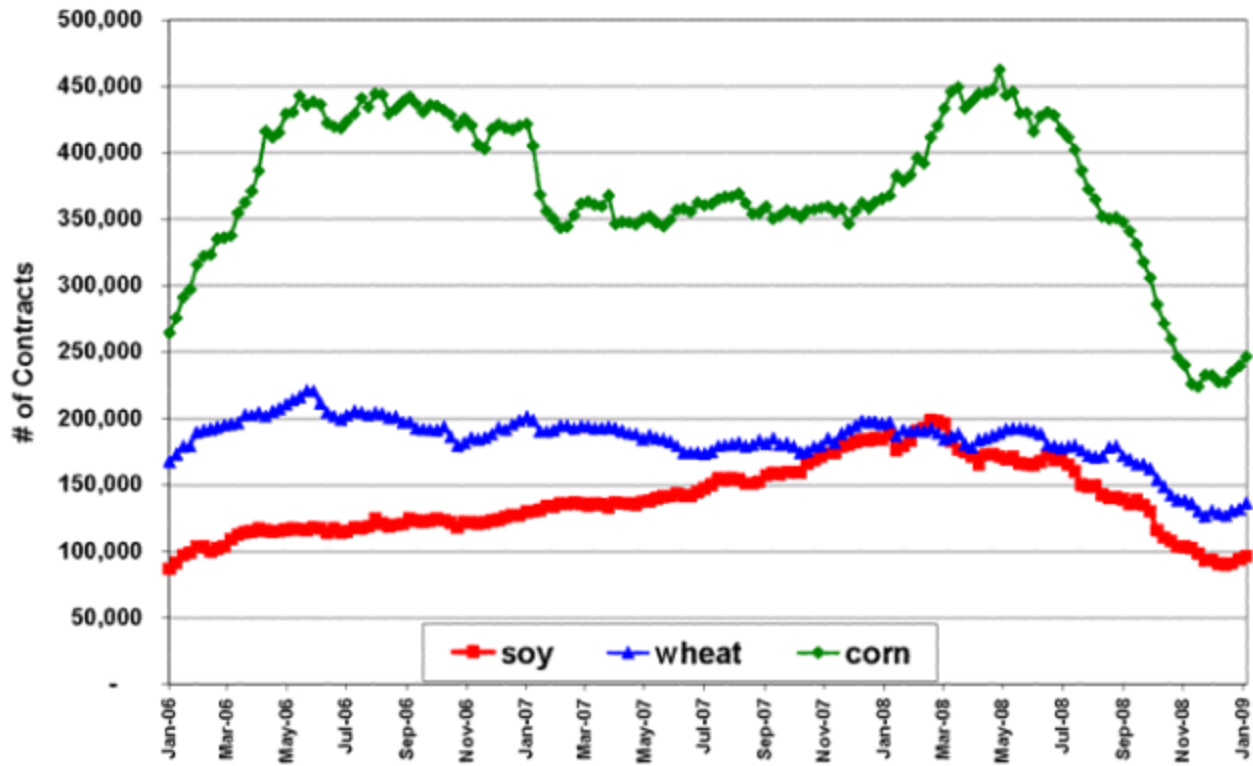
# DJAIG Commodity Index



# Crude Oil Futures

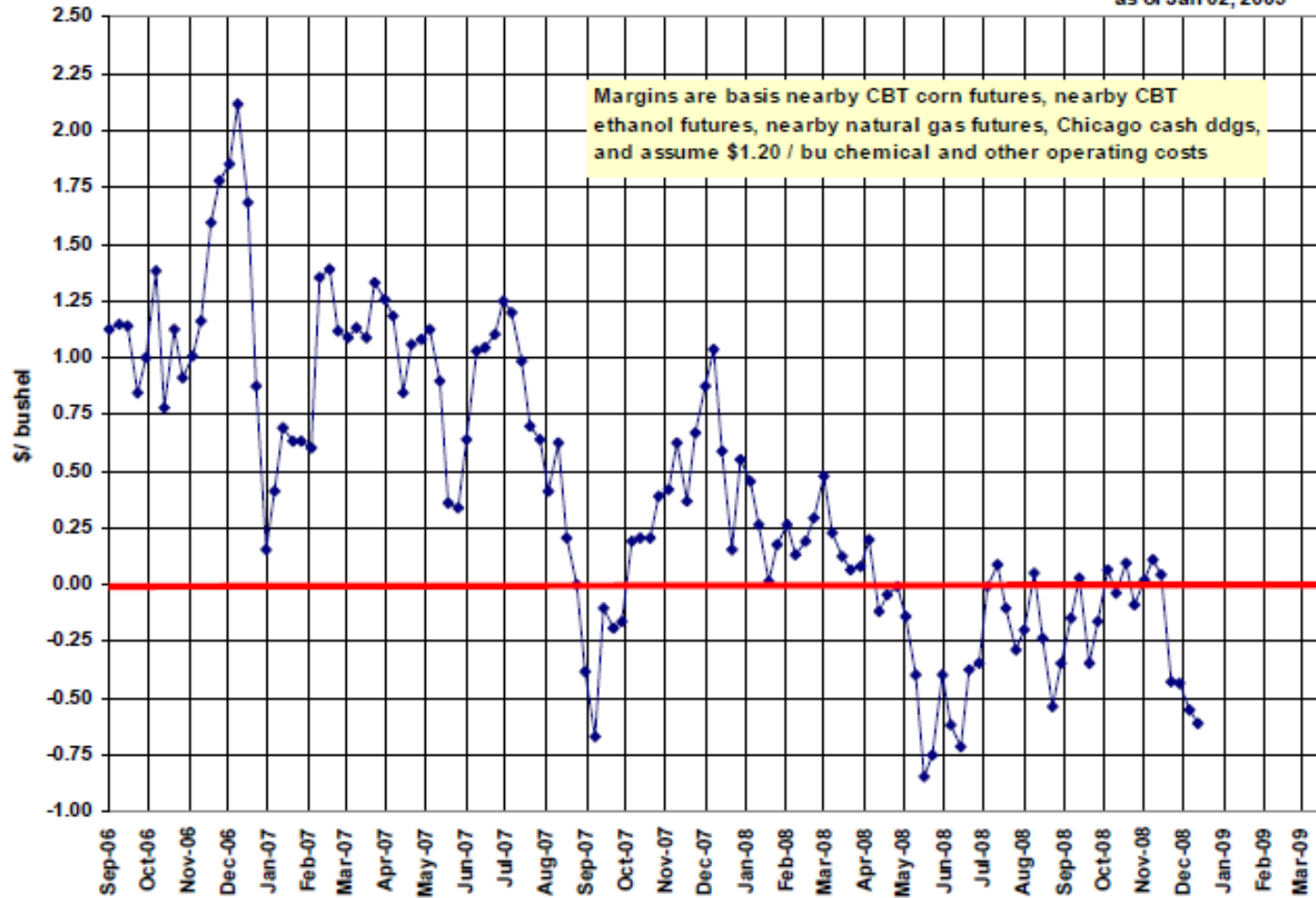


# Index Fund Position



## Ethanol Production Margins

as of Jan 02, 2009



LaSalle Group  
ROSENTHAL COLLINS GROUP

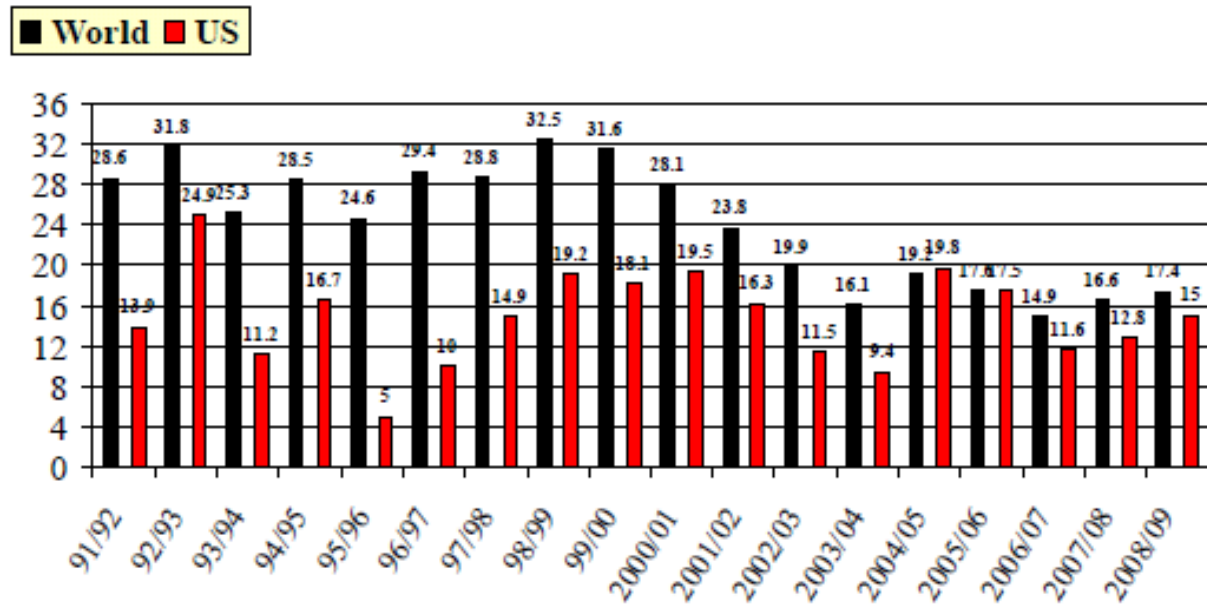


<b><u>Corn</u></b>	<b>Dec 11</b>	<b>Jan 12</b>		<b>Dec 11</b>	<b>Jan 12</b>	
	<b>2007/08</b>	<b>2007/08</b>	<b>Change</b>	<b>2008/09</b>	<b>2008/09</b>	<b>Change</b>
<b>Planted Acres</b>	93.6	93.5	-0.1	85.9	86.0	0.1
<b>Harvested Acres</b>	86.5	86.5	0.0	78.2	78.6	0.4
<b>Yield</b>	151.1	150.7	-0.4	153.8	153.9	0.1
<b>Beginning Stocks</b>	1,304	1,304	0.0	1,624	1,624	0.0
<b>Production</b>	13,074	13,038	-36.0	12,020	12,101	81.0
<b>Imports</b>	20	20	0.0	15	15	0.0
<b>Total Supply</b>	14,398	14,362	-36.0	13,659	13,740	81.0
<b>Feed/Residual</b>	5,974	5,938	-36.0	5,350	5,300	-50.0
<b>Food/Seed/Industrial</b>	4,364	4,363	-1.0	5,035	4,900	-135.0
<b>Ethanol</b>	3,026	3,026	0.0	3,700	3,600	-100.0
<b>Domestic Use</b>	10,338	10,302	-36.0	10,385	10,200	-185.0
<b>Exports</b>	2,436	2,436	0.0	1,800	1,750	-50.0
<b>Total Use</b>	12,774	12,738	-36.0	12,185	11,950	-235.0
<b>Ending Stocks</b>	1,624	1,624	0.0	1,474	1,790	316.0
<b>Stocks/Use Ratio</b>	12.7%	12.7%	0.0%	12.1%	15.0%	2.9%
	4.20	4.20		3.65-4.35	3.55-4.25	



# World & US Corn Stocks/Use

% Stks/Use



USDA January Report

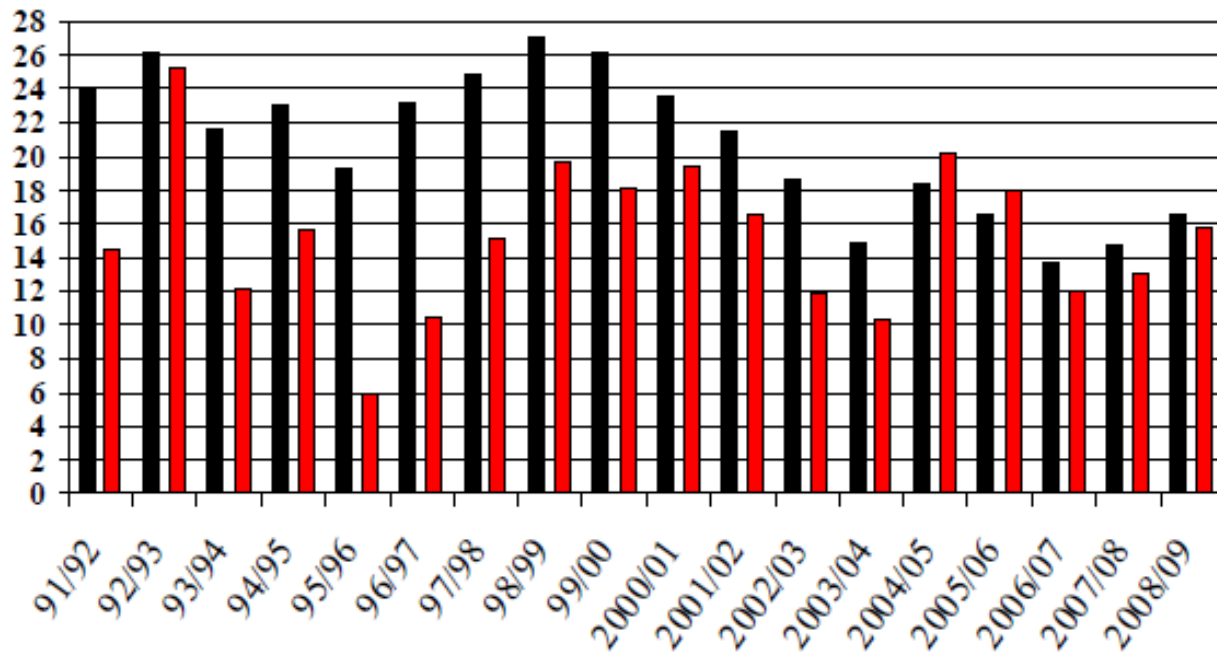
LaSalle Group



# World Coarse Grains Stocks/Use

% Stks/Use

■ World ■ US



USDA January Report

LaSalle Group



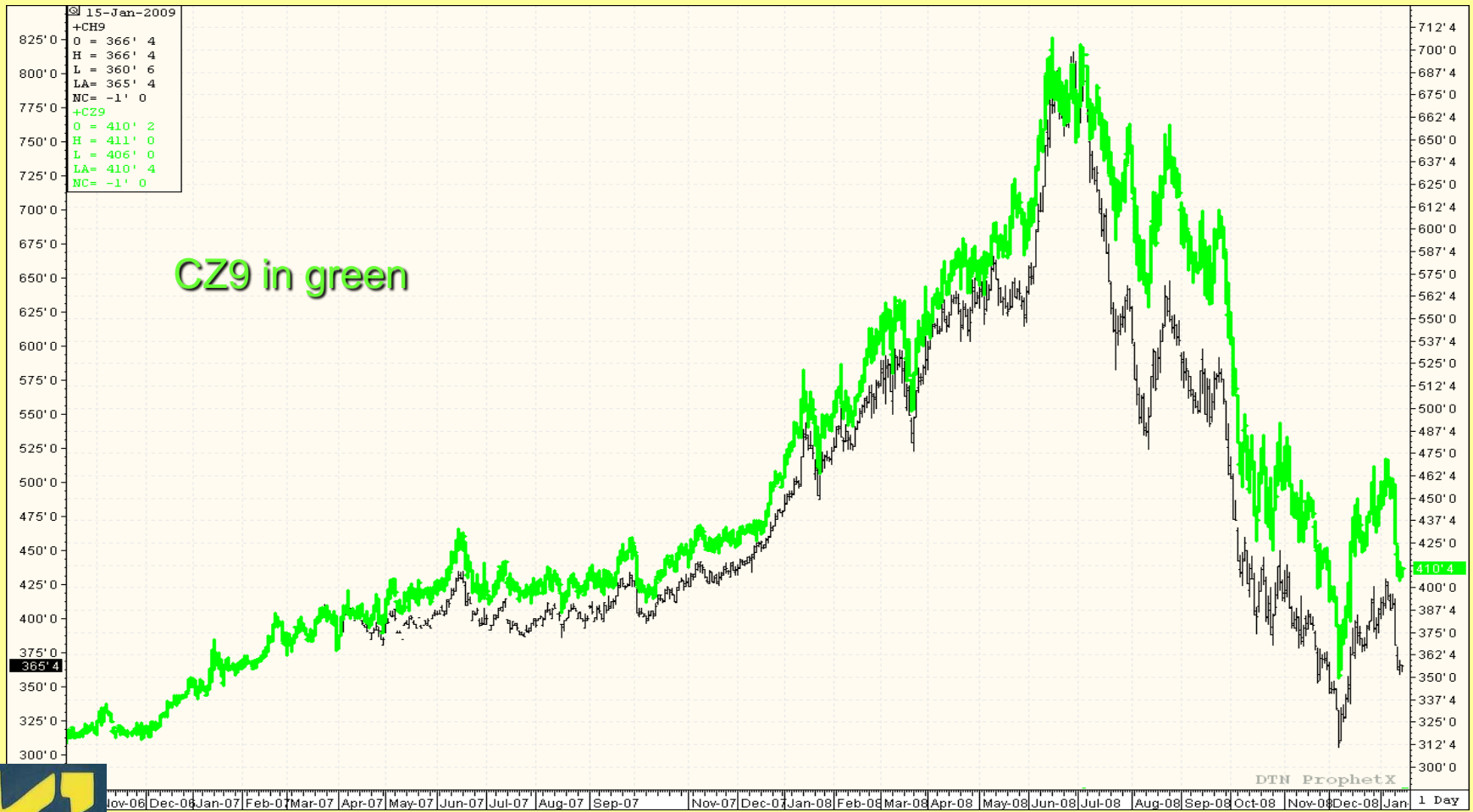
# U.S. CORN SUPPLY AND DEMAND

## 2009/10 Bullish vs. Bearish Scenarios

	Bullish Scenario	Average	Bearish Scenario
<b>ACREAGE (Mil. Acres)</b>			
Planted Area	82.5	86.5	89.0
Harvested Area	75.3	78.6	81.0
Yield	154.0	156.0	163.0
<b>SUPPLY (Mil. Bushels)</b>			
Beg. Stocks (Sep 1)	1,790	1,790	1,790
Production	11,596	12,262	13,203
Imports	12	12	12
Total Supply	13,398	14,064	15,005
<b>USAGE (Mil. Bushels)</b>			
Feed & Residual	5,300	5,300	5,250
Food/Seed/Ind	5,415	5,315	5,265
Ethanol for Fuel	4,000	3,900	3,850
Domestic Use	10,715	10,615	10,515
Exports	2,000	1,900	1,800
Total Use	12,715	12,515	12,315
<b>STOCKS (Mil. Bushels)</b>			
Ending Stocks (Aug 31)	683	1,549	2,690
Stocks/Use	5.4%	12.4%	21.8%
Farm Price (\$/Bu)	\$5.00-6.00	\$3.25-4.25	\$2.75-3.50



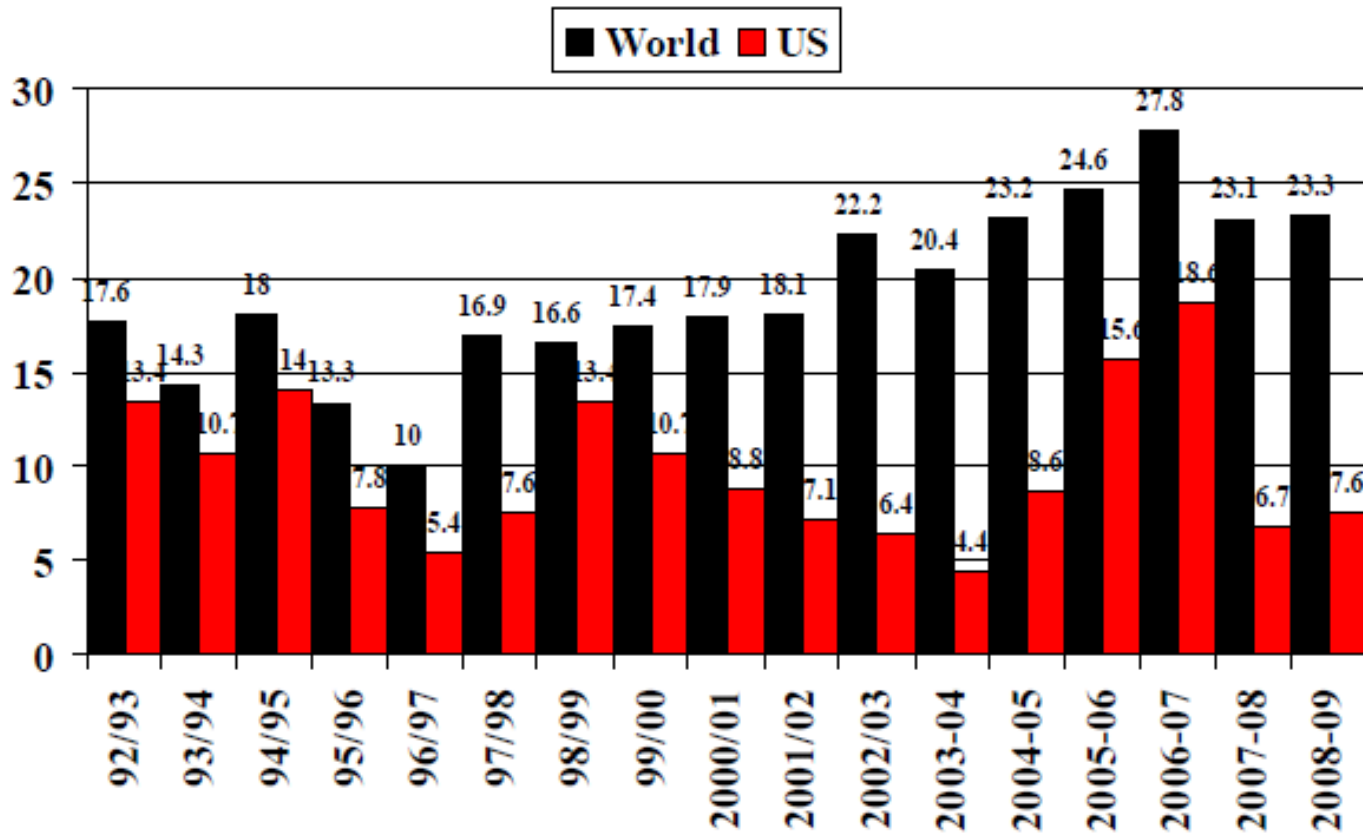
# CH9 & CZ9 Corn Futures



<b><u>Soybeans</u></b>	<b>Dec 11 2007/08</b>	<b>Jan 12 2007/08</b>	<b>Change</b>	<b>Dec 11 2008/09</b>	<b>Jan 12 2008/09</b>	<b>Change</b>
<b>Planted Acres</b>	64.7	64.7	0.0	75.9	75.7	-0.2
<b>Harvested Acres</b>	64.1	64.1	0.0	74.4	74.6	0.2
<b>Yield</b>	41.7	41.7	0.0	39.3	39.6	0.3
<b>Beginning Stocks</b>	574	574	0.0	205	205	0.0
<b>Production</b>	2,676	2,677	1.0	2,921	2,959	38.0
<b>Imports</b>	10	10	0.0	7	9	2.0
<b>Total Supply</b>	3,260	3,261	1.0	3,133	3,173	40.0
<b>Crush</b>	1,801	1,801	0.0	1,715	1,685	-30.0
<b>Exports</b>	1,161	1,161	0.0	1,050	1,100	50.0
<b>Seed</b>	93	93	0.0	90	90	0.0
<b>Residual</b>	-1	0	1.0	72	73	1.0
<b>Total Use</b>	3,054	3,055	1.0	2,927	2,948	21.0
<b>Ending Stocks</b>	206	206	0	206	225	19.0
<b>Stocks/Use Ratio</b>	6.7%	6.7%	0.0%	7.0%	7.6%	0.6%
<b>Avg.Farm Price (\$/bu.)</b>	10.10	10.10		8.25-9.75	8.50-9.50	



# World & US Soybean Stocks/Use



USDA January Report

LaSalle Group



# U.S. SOYBEAN SUPPLY AND DEMAND

## 2009/10 Bullish vs. Bearish Scenarios

	Bullish Scenario	Average	Bearish Scenario
<b>ACREAGE (Mil. Acres)</b>			
Planted Acres	76.0	78.0	79.0
Harvested Acres	75.0	77.0	78.0
Yield	40.5	43.0	43.0
<b>SUPPLY (Mil. Bushels)</b>			
Beg. Stocks (Sep 1)	225	225	225
Production	3,038	3,311	3,354
Imports	5	5	5
Total Supply	<u>3,268</u>	<u>3,541</u>	<u>3,584</u>
<b>USAGE (Mil. Bushels)</b>			
Crush	1,765	1,740	1,700
Exports	1,150	1,100	950
Seed	82	92	90
Residual	60	70	70
Total Use	<u>3,057</u>	<u>3,002</u>	<u>2,810</u>
<b>STOCKS</b>			
<b>Stocks (Aug 31)</b>	211	539	774
CCC	0	0	0
Privately-Owned	211	539	774
Stocks/Use	6.9%	18.0%	27.6%
Farm Price (\$/Bu)	\$8.50-11.00	\$7.50-9.00	\$6.50-7.50



# SH9 & SX9



<b>All Wheat</b>	<b>Dec 11</b>	<b>Jan 12</b>	<b>Change</b>	<b>Dec 11</b>	<b>Jan 12</b>	<b>Change</b>
	<b>2007/08</b>	<b>2007/08</b>		<b>2008/09</b>	<b>2008/09</b>	
<b>Planted Acres</b>	60.4	60.5	0.1	63	63.1	0.1
<b>Harvested Acres</b>	51	51	0.0	55.7	55.7	0.0
<b>Yield</b>	40.5	40.2	-0.3	44.9	44.9	0.0
<b>Beginning Stocks</b>	456	456	0.0	306	306	0.0
<b>Production</b>	2,067	2,051	-16.0	2,500	2,500	0.0
<b>Imports</b>	113	113	0.0	110	110	0.0
<b>Total Supply</b>	2,635	2,620	-15.0	2,915	2,915	0.0
<b>Food</b>	947	947	0.0	950	950	0.0
<b>Seed</b>	88	88	0.0	82	80	-2.0
<b>Feed/Residual</b>	31	15	-16.0	260	230	-30.0
<b>Domestic Use</b>	1,066	1,050	-16.0	1,292	1,260	-32.0
<b>Exports</b>	1,264	1,264	0.0	1,000	1,000	0.0
<b>Total Use</b>	2,330	2,314	-16.0	2,292	2,260	-32
<b>Ending Stocks</b>	305	306	1.0	623	655	32.0
<b>Stocks/Use Ratio</b>	13.1%	13.2%	0.1%	27.2%	29.0%	1.8%
<b>Avg. Farm Price (\$/bu.)</b>	6.48	6.48		6.40-7.00	6.50-6.90	

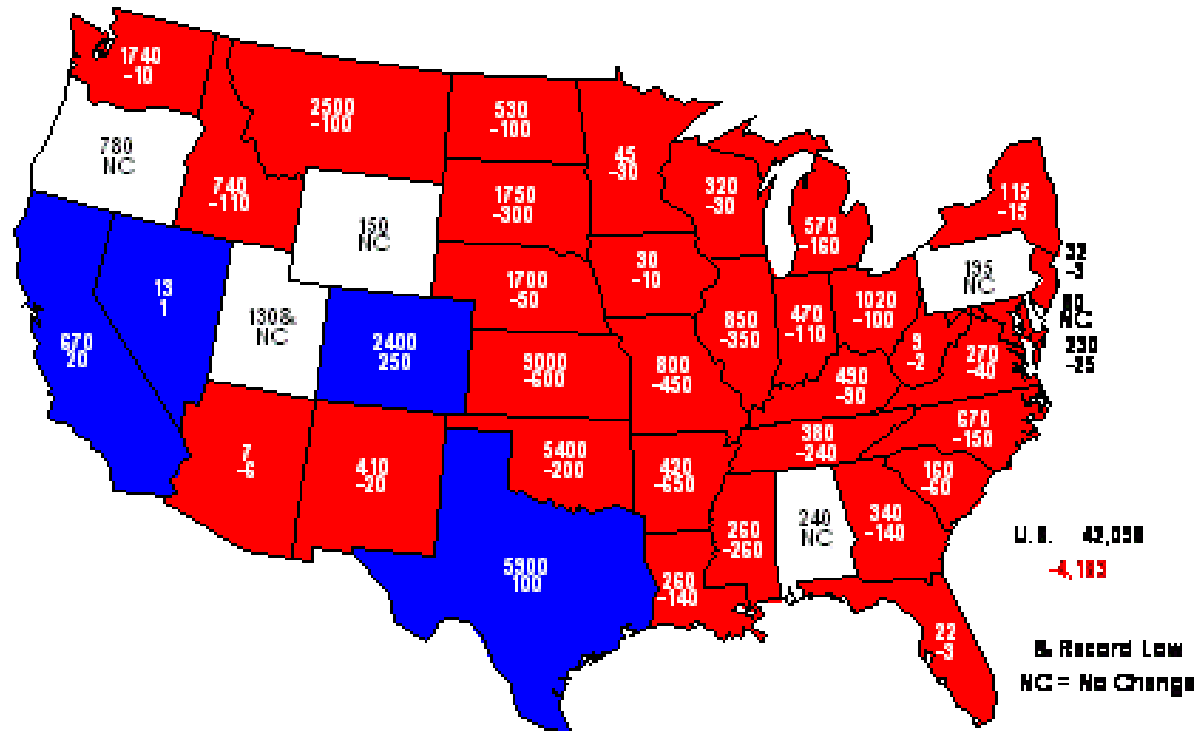


<b><u>Wheat By Class</u></b>	<b>Hard</b>	<b>Hard</b>	<b>Soft</b>			
<b>Projected 2008/2009</b>	<b>Winter</b>	<b>Spring</b>	<b>Red</b>	<b>White</b>	<b>Durum</b>	<b>Total</b>
<b>Beginning Stocks</b>	138	68	55	37	8	306
<b>Production</b>	1,035	512	614	254	85	2,500
<b>Total Supply</b>	1,174	620	694	300	128	2,916
<b>Domestic Use</b>	466	250	351	106	87	1,260
<b>Exports</b>	460	210	190	120	20	1,000
<b>Total Use</b>	926	460	541	226	107	2,260
<b>Ending Stocks</b>	248	160	153	74	21	656
<b>Stocks/Use Ratio</b>	26.8%	34.8%	28.3%	32.7%	19.6%	29.0%
<b><i>Change from previous month</i></b>	<b>Hard Winter</b>	<b>Hard Spring</b>	<b>Soft Red</b>	<b>White</b>	<b>Durum</b>	<b>Total</b>
<b>Beginning Stocks</b>	0	0	0	0	0	0
<b>Production</b>	0	0	0	0	0	0
<b>Total Supply</b>	0	0	0	0	0	0
<b>Domestic Use</b>	-42	10	1	0	0	-31
<b>Exports</b>	0	-10	0	10	0	0
<b>Total Use</b>	-42	0	1	10	0	-31
<b>Ending Stocks</b>	42	0	-1	-10	0	31
<b>Stocks/Use Ratio</b>	5.5%	0.0%	-0.2%	-6.1%	0.0%	1.7%





# 2009 Winter Wheat Planted Acres (000) and Change From Previous Year



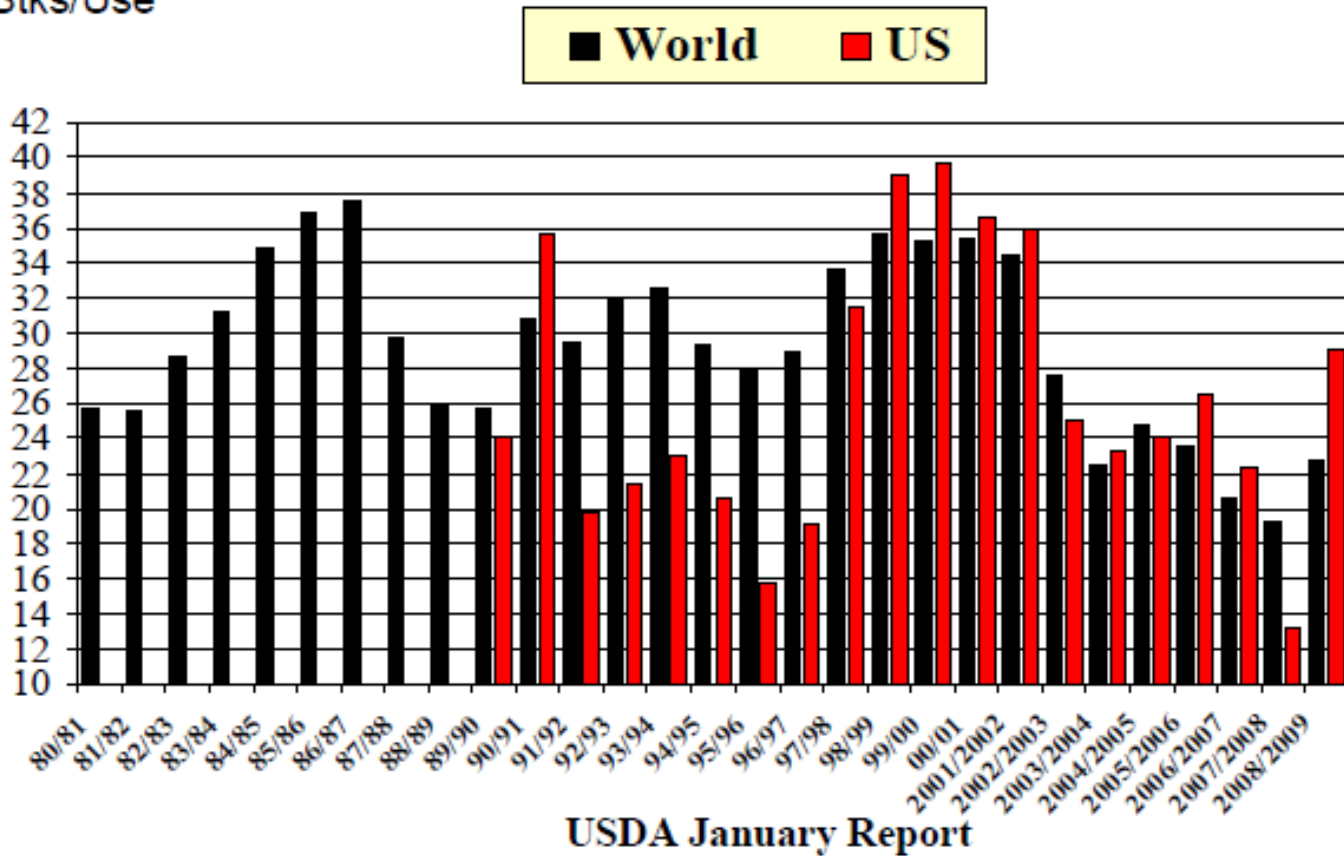
U.S. 42,058  
-4,183  
■ Record Low  
NC = No Change

USDA/NASS  
01-12-09



# World & US Wheat Stocks/Use

% Stks/Use



LaSalle Group



# WN9



# New Crop Soybean Corn Ratio



# Futures Highs/Lows

Cnt	Last	High	High Date	Low	Low Date
• +CH9	365' 4	816' 0	6/27/2008	305' 4	12/5/2008
• +CN9	385' 6	826' 0	6/27/2008	314' 0	9/15/2006
• +CZ9	410' 4	707' 0	6/16/2008	302' 0	10/11/2006
•					
• +SH9	977' 6	1653' 4	7/3/2008	779' 2	12/5/2008
• +SX9	956' 4	1557' 4	7/3/2008	670' 0	11/16/2006
•					
• +WN9	594' 0	1144' 6	2/27/2008	447' 0	10/31/2006



# SURE and ACRE Updates December 2008



# Average Crop Revenue Election (ACRE)

- **ACRE does not replace crop insurance**
- **ACRE guarantees**
  - ACRE uses a combination of state average yields, farm level yields, and the national marketing year price to determine levels of revenue guarantees and payments for each covered commodity. There are two revenue triggers that have to be met before any ACRE payments are generated, one at the state level and one at the farm level.



- **Actual Revenue**

- To trigger a payment under ACRE the “actual” revenue for both the state and the farm must be less than their corresponding guarantees. The actual revenues are the current marketing year price multiplied by the state average yield and the actual farm level yield, respectively. If both triggers are reached, the payment to the farm will be the difference between the state guarantee and the state actual revenue.



- **How much does ACRE cost?**

- Producers who sign up for ACRE will forfeit 20 percent of their current direct payments through 2012, so that is a fixed cost. They also will give up any potential counter-cyclical payments, and the loan rate used to calculate their loan deficiency payments or marketing loans will be lowered by 30 percent.



- **Should I sign up?**

- Producers can sign up for the ACRE program beginning in any crop year from 2009 through 2012. Once enrolled, they must remain in the program through 2012. All program crops on the farm must be enrolled. The decision of whether or not to enroll is a classic insurance decision. Producers will give up a fixed amount of revenue, 20 percent of their direct payment, in exchange for a possible ACRE payment in a year when gross revenue is low. Payments could be zero in all four years, or they could be sizable.



- The other key factor is the likely price trend over the next four years. If production is stable and prices either trend upward or are steady, no ACRE payments are likely, and the producer will simply lose part of the direct payment. However, if prices trend downward from present levels, ACRE will provide an important safety net for gross revenues. Each individual producer will have to assess his or her expectations for the future and need for financial risk protection before making the ACRE decision.
- [A decision tool is available to estimate payments under the ACRE program.](#)



Ag. Economist, Ohio State  
University  
Updated: October 3, 2008



- <http://ageconsearch.umn.edu/bitstream/43907/2/Zulauf%20-%20ACRE%20-%20USDA%20-%20October%202008a.pdf>



- **5 Web Sites for SURE and ACRE**
- • **Ag Decision Maker - ISU Extension Economics**
- **(Spreadsheets - Decision Tools: SURE and ACRE)**
- **[www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm)**
  
- • **USDA Farm Service Agency (FSA)**
- **[www.fsa.usda.gov](http://www.fsa.usda.gov)**
  
- • **Kansas State University - Ag Economics**
- **[www.agmanager.info](http://www.agmanager.info)**
  
- • **ISU Center for Ag Law and Taxation (CALT)**
- **[www.calt.iastate.edu](http://www.calt.iastate.edu)**
  
- • **Crop Risk Management - ISU Polk County**
- **Marketing, Crop Insurance & Farm Programs:**
- **Updates/Newsletters/Webcasts**
- **[www.extension.iastate.edu/polk/farmmanagement](http://www.extension.iastate.edu/polk/farmmanagement)**



# ACRE Payment Calculators



# CHANGE – CHALLENGE OPPORTUNITY

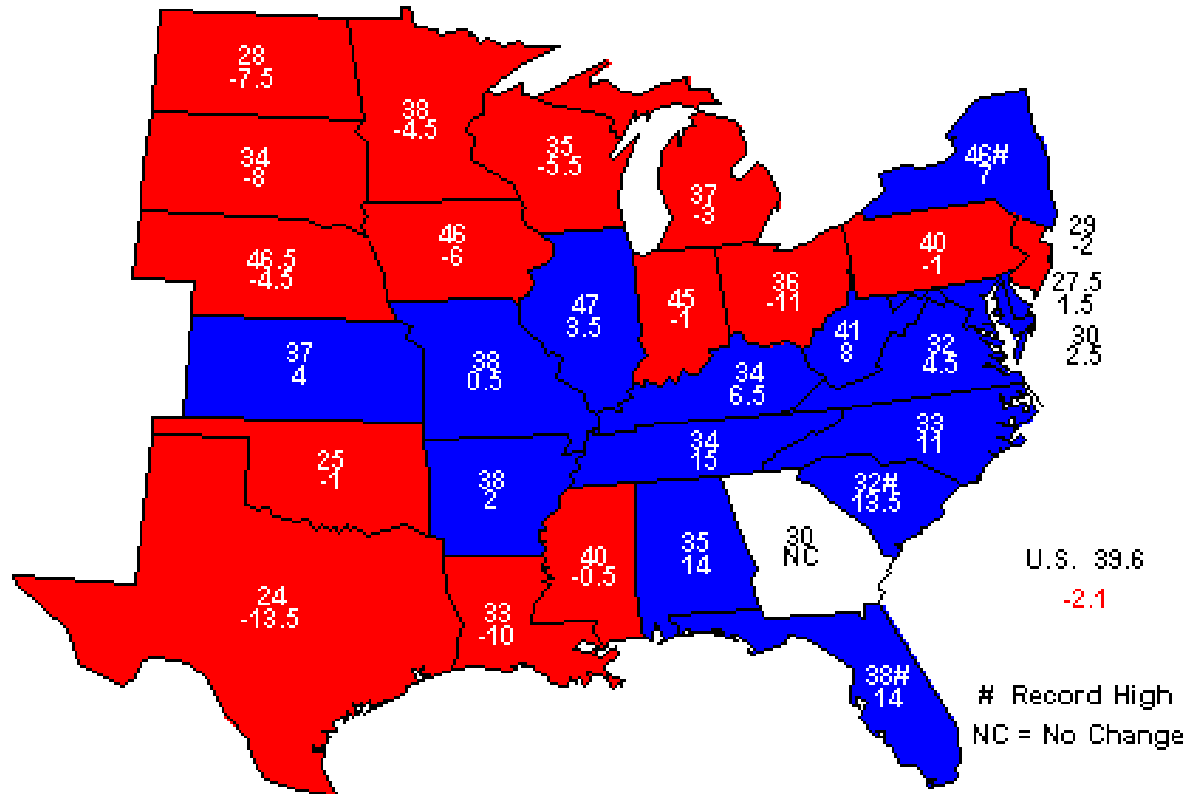
- CZ9 & SX9 in February
  - Spring insurance guarantees determined
- SURE & ACRE Information
  - FSA meetings and information
- Crop Insurance Sales Closing – March 15
- [www.dicksimsinc.com](http://www.dicksimsinc.com)
- [www.kokomograin.com](http://www.kokomograin.com)
- Best Wishes for much success!





# Soybean Yields 2008

## Bushels and Change From Previous Year



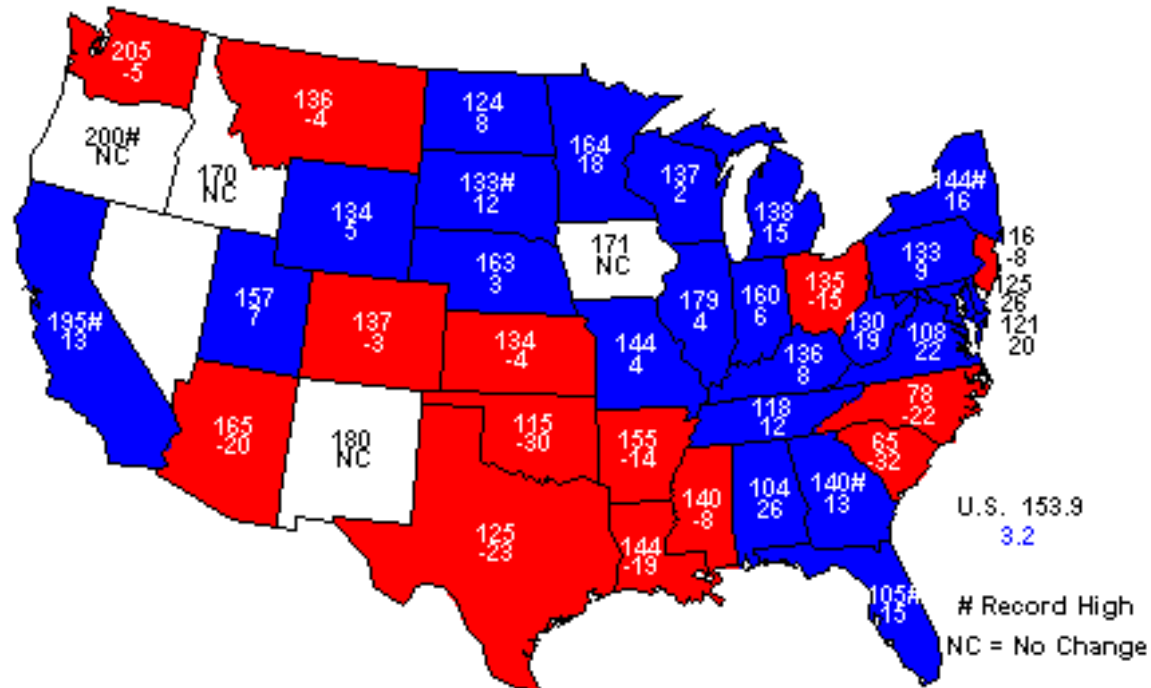
USDA NASS  
01-12-09





# Corn for Grain Yields, 2008

## Bushels and Change From Previous Year



USDA-NASS  
01-12-09



