GRAIN MARKET OUTLOOK AND ANALYSIS

BRUSH, CO – NOVEMBER 2ND
GRAND ISLAND, NE – NOVEMBER 3RD
SALINA, KS – NOVEMBER 4TH

Dr. Stephen Koontz
Colorado State University

Dr. Daniel O’Brien
Kansas State University
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://drought.unl.edu/dm

Released Thursday, October 28, 2010
Author: Eric Luebehusen, U.S. Department of Agriculture
Objective **Short-Term Drought Indicator Blend Percentiles**

October 23, 2010

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**Percentile (D0-to-D4 equivalent):**
- 0 to 2 (D4)
- 2 to 5 (D3)
- 5 to 10 (D2)
- 10 to 20 (D1)
- 20 to 30 (D0)
- 30 to 70
- 70 to 80
- 80 to 90
- 90 to 95
- 95 to 98
- 98 to 100

**Inputs (as percentiles):**
- 35% Palmer Z-Index
- 25% 3-Month Precipitation
- 20% 1-Month Precipitation
- 13% CPC Soil Moisture Model
- 7% Palmer Drought Index

This map approximates impacts that respond to precipitation over several days to a few months, such as agriculture, topsoil moisture, unregulated streamflows, and most aspects of wildfire danger. The relationship between indicators and impacts can vary significantly with location and season. Do not interpret this map too literally.

This map is based on preliminary climate division data. Local conditions and/or final data may differ. See the detailed product suite description for more details.
FEEDGRAIN MARKETS:
CORN & GRAIN SORGHUM
U.S. CORN % END STOCKS-USE
MY 1985-86 THRU MY 2010-11 OCTOBER 8, 2010 USDA WASDE REPORT

MY 2010-11 Ending Stocks:
902 Million Bu. (6.7% S/U)
(24 days of U.S. corn use)
CBOT DEC 2010 CORN FUTURES
MAY 3 – NOVEMBER 1, 2010

High close of $5.82 on October 29, 2010
Up $2.09/bu (54%) in 4 months
(June 29th to November 1st)

Close of $5.77 ¼ on November 1st, 2010

Low close of $3.73 on June 29, 2010
CBOT CORN FUTURES
MONTHLY: AUGUST 2001 THRU OCTOBER 2010

10/29/2010  C=582^0  +86^2  O=486^0  H=585^4  L=456^0  Mov Avg 3 lines

$5.00

$3.75

$2.50

Volume 8860322.00  Open Interest 1521976.00

Created with SuperCharts by Omega Research © 1997
LIGHT CRUDE OIL FUTURES
MONTHLY PRICE CHART (CL – NYMEX): SEPTEMBER 2001 – OCTOBER 2010

$90/barrel
$70/barrel
$50/barrel
U.S. DOLLAR INDEX: 2001-2010

MONTHLY PRICE CHART (DX – NYBOT): SEPT. 2001 – OCT. 2010
BALTIC DRY INDEX
WEEKLY PRICE CHART ($BDI): OCTOBER 2007 – OCTOBER 2010
CBOT CORN FUTURES
MONTHLY CARRYING CHARGES: NOVEMBER 1, 2010

Prices declining into Harvest 2011

<table>
<thead>
<tr>
<th>Month</th>
<th>Price Per Bushel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-10</td>
<td>$5.77</td>
</tr>
<tr>
<td>Jan-11</td>
<td>$5.91</td>
</tr>
<tr>
<td>Feb-11</td>
<td>$5.96</td>
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<tr>
<td>Mar-11</td>
<td>$5.99</td>
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<tr>
<td>Apr-11</td>
<td></td>
</tr>
<tr>
<td>May-11</td>
<td>$5.61</td>
</tr>
<tr>
<td>Jun-11</td>
<td>$5.40</td>
</tr>
<tr>
<td>Jul-11</td>
<td></td>
</tr>
<tr>
<td>Aug-11</td>
<td></td>
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<tr>
<td>Sep-11</td>
<td></td>
</tr>
<tr>
<td>Oct-11</td>
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</tr>
<tr>
<td>Nov-11</td>
<td></td>
</tr>
<tr>
<td>Dec-11</td>
<td></td>
</tr>
</tbody>
</table>
Basis Information: NORTH PLATTE, NE - Corn
K-State Dept of Agricultural Economics, www.AgManager.info

3 Year Average: 2007 through 2009
Green line: 2010

Basis ($/bu. cash-futures)

Week
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
U.S. FEEDGRAIN SUPPLY

 Corn in 2010
 - Carryover corn quality issues from 2009 crop
 - ↓ U.S. Yield & Production Forecasts since July
   - U.S. corn yields down to 155.8 bu/ac vs 165 bu in July
   - U.S. Harvest (18 states): 83% done vs 49% 5 yr avg (10/24)
   - Kansas Harvest: 93% done vs 72% 5 yr avg

 Grain Sorghum in 2010
 - ↓ Acres, Yield & Production prospects
   - U.S. Harvest (11 states): 73% done vs 54% 5 yr avg (10/24)
   - Kansas Harvest: 72% done vs 39% 5 yr avg
   - Planted acres ↓18% vs 2009
     - U.S. Sorghum acreage declining since MY 2008-09
**U.S. Feedgrain Demand**

**Growth in Corn Use for Ethanol**
- Tentative EPA approval of expansion from E-10 to E-15 in near future.

**“Stable” Domestic Use in MY 2010-11**
- Corn-Ethanol Use @ 4.70 bb (↑ 3.0%)
- Corn-Other FSI Use @ 1.38 bb (↑ 0.7%)
- Corn Exports @ 2.00 bb (↑ 0.6%)
- Corn-Feed & Residual Use @ 5.40 bb (↑ 4.5%)

**Exports of Corn**
- 54% of World corn exports by U.S. in MY 2010-11
  - Tighter World Coarse Grain S-D (*FSU-12, Canada, Brazil*)
  - Possible Chinese corn imports in MY 2010-11
## U.S. CORN SUPPLY-DEMAND

**USDA WASDE REPORT: October 8, 2010**

<table>
<thead>
<tr>
<th></th>
<th>MY 2008-09</th>
<th>MY 2009-10</th>
<th>MY 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planted Ac. (mln.)</td>
<td>86.0</td>
<td>86.5</td>
<td><strong>88.2</strong></td>
</tr>
<tr>
<td>Harvested Ac (mln.)</td>
<td>78.6</td>
<td>79.6</td>
<td><strong>81.3</strong></td>
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<tr>
<td>Yield (bu./ac.)</td>
<td>153.9</td>
<td>Record</td>
<td>164.7</td>
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<td></td>
<td></td>
<td><strong>155.8</strong></td>
<td></td>
</tr>
<tr>
<td>Beginning Stocks</td>
<td>1,624</td>
<td>1,673</td>
<td><strong>1,708</strong></td>
</tr>
<tr>
<td>Production</td>
<td>12,092</td>
<td>Record</td>
<td>13,110</td>
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<tr>
<td></td>
<td></td>
<td><strong>12,664</strong></td>
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<tr>
<td>Total Supplies</td>
<td>13,729</td>
<td>Record</td>
<td>14,791</td>
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<tr>
<td>Ethanol</td>
<td>3,709</td>
<td>4,560</td>
<td>Record</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>4,700</strong></td>
<td></td>
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<tr>
<td>Other Food, Seed, Ind.</td>
<td>1,316</td>
<td>1,370</td>
<td>1,380</td>
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<tr>
<td>Exports</td>
<td>1,849</td>
<td>1,987</td>
<td>2,000</td>
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<tr>
<td>Feed &amp; Residual</td>
<td>5,182</td>
<td><strong>5,167</strong></td>
<td><strong>5,400</strong></td>
</tr>
<tr>
<td>Total Use</td>
<td>12,056</td>
<td>13,084</td>
<td><strong>13,480</strong></td>
</tr>
<tr>
<td>End Stocks (%S/U)</td>
<td>(13.9%) 1,673</td>
<td>(13%) 1,708</td>
<td><strong>(6.7%) 902</strong></td>
</tr>
<tr>
<td>U.S. Avg. Farm $</td>
<td>$4.06</td>
<td>$3.55</td>
<td>$4.60-$5.40</td>
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</tbody>
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U.S. CORN USE & END STOCKS
MY 2004-05 THRU MY 2010-11 OCTOBER 8, 2010 USDA WASDE REPORT

Marketing Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Feed &amp; Residual</th>
<th>Ethanol</th>
<th>Exports</th>
<th>Other FSI</th>
<th>End Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>6,135</td>
<td></td>
<td>2,114</td>
<td>1,967</td>
<td>1,750</td>
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<tr>
<td>2005-06</td>
<td>6,115</td>
<td></td>
<td>2,119</td>
<td>1,804</td>
<td>1,750</td>
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<tr>
<td>2006-07</td>
<td>5,540</td>
<td></td>
<td>3,049</td>
<td>1,624</td>
<td>1,804</td>
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<tr>
<td>2007-08</td>
<td>5,858</td>
<td>3,049</td>
<td>1,624</td>
<td>1,804</td>
<td>1,967</td>
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<tr>
<td>2008-09</td>
<td>5,182</td>
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<td>1,673</td>
<td>1,750</td>
<td>1,967</td>
</tr>
<tr>
<td>2009-10</td>
<td>5,167</td>
<td>4,560</td>
<td>1,708</td>
<td>1,804</td>
<td>1,967</td>
</tr>
<tr>
<td>2010-11</td>
<td>4,700</td>
<td>4,700</td>
<td>1,708</td>
<td>1,804</td>
<td>1,967</td>
</tr>
</tbody>
</table>
U.S. CORN ETHANOL - FSI USE

OCTOBER 8, 2010 USDA WASDE REPORT

Forecast 2010/11 Ethanol Corn Use:
4.7 billion bu. (34.9% of U.S. Corn Use)

2009/10 Ethanol-related Use of Corn:
4.56 billion bu. (34.9% of U.S. Corn Use)

Million Bushels

Marketing Year

Ethanol Use
Other FSI Use (Non-ethanol)
U.S. ETHANOL INDUSTRY TRENDS

- No. operating Ethanol Plants: 109  175  204
- Plants under construction: 35  43  10*
- Current capacity: (BGPY) 5.3  10.7  13.8

- Projected name plate capacity: 14.6 BGYP
  - *Current max starch-based ethanol inclusion under E-10 is 15 bln. glns. by 2015. Likely to increase as E-15 Ok’d.*

Corn Use for Ethanol Production

<table>
<thead>
<tr>
<th>Mktg. Year</th>
<th>Bln. Bu.</th>
<th>% of Crop</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007/08</td>
<td>3.05</td>
<td>24%</td>
</tr>
<tr>
<td>2008/09</td>
<td>3.71</td>
<td>31%</td>
</tr>
<tr>
<td>2009/10</td>
<td>4.56</td>
<td>35%</td>
</tr>
<tr>
<td>2010/11</td>
<td>4.70</td>
<td>35%</td>
</tr>
</tbody>
</table>
# Ethanol Profit Margin

**Est. Ethanol Plant Profit Margin ($ / gallon)**

<table>
<thead>
<tr>
<th>Prices</th>
<th>7/13/07</th>
<th>9/12/08</th>
<th>10/18/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn ($/bu.)</td>
<td>$3.53</td>
<td>$5.11</td>
<td>$5.57 ½</td>
</tr>
<tr>
<td>Ethanol $/gal</td>
<td>$1.96</td>
<td>$2.09</td>
<td>$2.21 ¾</td>
</tr>
<tr>
<td>RBOB Gas $/gal</td>
<td>$1.98</td>
<td>$2.85</td>
<td>$2.15≈</td>
</tr>
</tbody>
</table>

**Profit Margin $/gal**

- $+0.25
- $(0.05) ²
- $(0.08) ³

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1 Prices October 18, 2010. Breakeven corn price = $3.53 ½ / bu
2 Sept. 2008 Ethanol loss: 100 million gall. plant = ($5 million)
3 October 18, 2010 Ethanol loss: 100 million gallon plant = ($8 million)
World Coarse Grain S-D
MY 2006-07 thru MY 2010-11 October 8, 2010 USDA WASDE Report

World Production - Level
World Use - Increasing
World Ending Stocks - Lower

World Ending Stocks may tighten further in MY 2010-11

MY 2006-07: 30 Year Low in World Coarse Grain End Stocks
COARSE GRAIN EXPORTERS
MY 2007-08 THRU MY 2010-11
OCTOBER 8, 2010 USDA WASDE REPORT

U.S. Share of World Coarse Grain Exports
in MY 2010-11 = 47%
(vs 46% & 45% previous 2 Marketing Years)

U.S. Share of World Corn Exports
in MY 2010-11 = 54%
(vs 55% & 56% in previous 2 Marketing Years)
U.S. CORN %STOCKS/USE VS PRICE$

MY 1973-74 THRU MY 2010-11 OCTOBER 8, 2010 USDA WASDE REPORT

MY 2010-11 Avg Cash$ Forecast:
$5.00 / bu @ 6.7% S/U

% Stocks/Use

Marketing Year

$0.00 $1.00 $2.00 $3.00 $4.00 $5.00 $6.00

U.S. Corn $
U.S. CORN PRICE VS %STOCKS-TO-USE

\[ y = 0.5827x^{-0.759} \]
\[ R^2 = 0.4949 \]
CBOT CORN FUTURES PRICE %’S
BASED ON OPTION PREMIUMS FOR DEC-2010 & JULY-2011

<table>
<thead>
<tr>
<th></th>
<th>Dec 2010 CBOT Corn</th>
<th>May 2011 CBOT Corn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price on 11/1/2010</td>
<td>$5.77 ¼</td>
<td>$5.98 ¾</td>
</tr>
<tr>
<td>Low 10%</td>
<td>$4.25</td>
<td>$3.93</td>
</tr>
<tr>
<td>Low 30%</td>
<td>$5.37</td>
<td>$4.87</td>
</tr>
<tr>
<td><strong>Middle 50%</strong></td>
<td><strong>$5.70</strong></td>
<td><strong>$5.54</strong></td>
</tr>
<tr>
<td>High 70%</td>
<td>$5.94</td>
<td>$6.43</td>
</tr>
<tr>
<td>High 90%</td>
<td>$6.29</td>
<td>$8.51</td>
</tr>
<tr>
<td><strong>Prob. Of $ Falling</strong></td>
<td><strong>55%</strong></td>
<td><strong>61%</strong></td>
</tr>
</tbody>
</table>
FEEDGRAIN MARKET DIRECTION

“Tight” Corn Stocks in MY 2010-11
- Down to 902 bb & 6.7% S/U
  - “Price rationing” of U.S. & World feedgrain use

Competition for Crop Acres in 2010-11
- DEC Corn vs NOV Soybeans → Spring 2011
  - NOV 2011 Soybean$ ÷ DEC 2010 Corn$ = 2.17 \(11/1/2010\)
  - Fear of short U.S. corn acres & supplies in MY 2011-12

Energy, Currency, Other Crop$ Impacts?
- U.S. Feedgrain S/D = f [ Bioenergy, Oil Markets ]
- U.S. Export Sales = f [ USD$, World Grain S/D ]
- Grain $ Volatility = f [ Economy, Other Markets ]
SOYBEAN MARKETS
U.S. SOYBEAN %END STOCKS-USE

MY 1985-86 THRU MY 2010-11: OCTOBER 8, 2010 USDA WASDE REPORT

Increase in U.S. Soybean stocks in MY 2010-11
(265 mln bu, 8.0% S/U), i.e., 29 days inventory

Compare to MY 2008-09 & MY 2009-10 @ 4.5% S/U

$y = 26.997x^{-0.14}$
$R^2 = 0.48$


$% Stocks to Use$

$Marketing Year$
CBOT Nov 2010 Soybeans
May 3 thru November 1, 2010

High close of $12.26 on October 29, 2010
Up $3.25 /bu (36%) in ≈ 3 ¾ months
(July 6th to November 1st)

Close of $12.25 ¼ on November 1, 2010

Close of $9.00 on July 6, 2010
CBOT Soybean Futures
Monthly: September 2001 thru October 2010

10/29/2010 C=1226^0 +119^2 O=1099^0 H=1236^0 L=1044^0

$13.75

$11.25

$8.75

Volume 5213020.00 Open Interest 641655.00

Created with SuperCharts by Omega Research © 1997
WEEKLY SOYBEAN FUTURES WITH TRADER POSITIONS
SOURCE: DALE L. DURCHHOLZ, AGRIVISOR LLC
CBOT Soybean Futures
Monthly Carrying Charges: November 1, 2010

<table>
<thead>
<tr>
<th>Month</th>
<th>Price (Per Bushel)</th>
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<tbody>
<tr>
<td>Oct-10</td>
<td>$12.25</td>
</tr>
<tr>
<td>Nov-10</td>
<td>$12.35</td>
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<td>Dec-10</td>
<td>$12.35</td>
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<tr>
<td>Jan-11</td>
<td>$12.40</td>
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<tr>
<td>Feb-11</td>
<td>$12.40</td>
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<tr>
<td>Mar-11</td>
<td>$12.40</td>
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<td>Apr-11</td>
<td>$12.40</td>
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<td>May-11</td>
<td>$12.45</td>
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<td>Jun-11</td>
<td>$12.45</td>
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<td>Jul-11</td>
<td>$12.28</td>
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<tr>
<td>Aug-11</td>
<td>$12.00</td>
</tr>
<tr>
<td>Sep-11</td>
<td>$11.74</td>
</tr>
<tr>
<td>Oct-11</td>
<td>$11.74</td>
</tr>
<tr>
<td>Nov-11</td>
<td>$11.74</td>
</tr>
</tbody>
</table>

60% of full carry
31% fc
0% fc
29% fc

Prices declining into Harvest 2011
Basis Information: GRAND ISLAND, NE - Soybeans
K-State Dept of Agricultural Economics, www.AgManager.info

3 Year Average: 2007 through 2009
2010

Basis ($/bu. cash-futures)

Week

Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

-1.3
-1.2
-1.1
-1.0
-0.9
-0.8
-0.7
-0.6
-0.5
-0.4
-0.3
-0.2
-0.1
0

3 Year Average: 2007 through 2009
2010
Basis Information: NORTH PLATTE, NE - Soybeans
K-State Dept of Agricultural Economics, www.AgManager.info
U.S. Oilseed Supply

Soybeans in 2010

- 2010 Yields & Production @ record highs
  - Total Supplies 2\textsuperscript{nd} highest on record
    - 3.56 bb vs 3.66 bb in MY 2006-07
  - U.S. Planted acres estimates dropped 1.2 mln acre in October Crop production report to 77.7 million

Soybean Harvest Progress (10/25/2010)

- U.S. Harvest Progress in 18 major states
  - 91% Harvested vs 72% 5 year average
- Kansas Harvest Progress
  - 77% Harvested vs 61% 5 year average
## U.S. Soybean Supply-Demand

**October 8, 2010 USDA WASDE Report**

<table>
<thead>
<tr>
<th></th>
<th>MY 2008-09</th>
<th>MY 2009-10</th>
<th>MY 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planted Acres (mln.)</td>
<td>75.7</td>
<td>77.5</td>
<td><strong>77.7</strong></td>
</tr>
<tr>
<td>Harvested Acres (mln.)</td>
<td>74.7</td>
<td>76.4</td>
<td><strong>76.8</strong></td>
</tr>
<tr>
<td>Yield (bu./ac.)</td>
<td>39.7</td>
<td>44.0</td>
<td>Record High 44.4</td>
</tr>
<tr>
<td>Beginning Stocks</td>
<td>205</td>
<td>138</td>
<td>151</td>
</tr>
<tr>
<td>Production</td>
<td>2,967</td>
<td>3,359</td>
<td>Record High 3,408</td>
</tr>
<tr>
<td><strong>Total Supplies</strong></td>
<td>3,185</td>
<td>3,512</td>
<td><strong>3,569</strong></td>
</tr>
<tr>
<td>Crushings</td>
<td>1,662</td>
<td>1,750</td>
<td><strong>1,665</strong></td>
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<tr>
<td>Exports</td>
<td>1,279</td>
<td>1,498</td>
<td>Record High 1,520</td>
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<tr>
<td>Seed &amp; Residual</td>
<td>106</td>
<td>111</td>
<td>120</td>
</tr>
<tr>
<td><strong>Total Use</strong></td>
<td><strong>3,047</strong></td>
<td><strong>3,361</strong></td>
<td><strong>3,305</strong></td>
</tr>
<tr>
<td>Ending Stocks (%S/U)</td>
<td>(4.5%) 138</td>
<td>(4.5%) 151</td>
<td>(8.0%) 265</td>
</tr>
<tr>
<td>U.S. Avg. Farm $</td>
<td>$9.97</td>
<td>$9.59</td>
<td>$10.00-$11.50</td>
</tr>
</tbody>
</table>
WORLD OILSEED SUPPLY

Large South American Soybean Crops
- Brazil: 67 mmt in MY 2010-11
  - Compared to 58 & 69 mmt in MY 2008-09 & MY 2009-10, respectively
- Argentina: 50 mmt in MY 2010-11
  - Compared to 32 & 55 mmt in MY 2008-09 & MY 2009-10, respectively

World Oilseed Supply-Demand Trends
- Total Supply: 513 mmt in MY 2010-11 (Up 12% in 2 years)
- Total Use: 373 mmt in MY 2010-11 (Up 10% in 2 years)
- Ending Stocks: 71 mmt in MY 2010-11 (Up 26% in 2 years)
  - But…. World Oilseed Ending Stocks ↓ 1.2% (0.86 mmt) from MY 2009-10
WORLD SOYBEAN SUPPLY-DEMAND
MY 2006-07 THRU MY 2010-11 OCTOBER 8, 2010 USDA WASDE REPORT

Production – Higher last 2 yrs
Use – Growing last 2 yrs
Exports – Increasing trend
End Stocks - Stable

World Soybean Imports lead by China in MY 2010-11 (59%)
Major Soybean Exporters in MY 2010-11

相反箭头表示阿根廷

United States:
- MY 2006-07: 30
- MY 2007-08: 32
- MY 2008-09: 35
- MY 2009-10: 41
- MY 2010-11: 41

Brazil:
- MY 2006-07: 23
- MY 2007-08: 25
- MY 2008-09: 30
- MY 2009-10: 29
- MY 2010-11: 31

Argentina:
- MY 2006-07: 10
- MY 2007-08: 14
- MY 2008-09: 6
- MY 2009-10: 13
- MY 2010-11: 12
U.S. SOYBEAN %STOCKS/USE VS $ $ $

MY 1973-74 THRU MY 2010-11 OCTOBER 8, 2010 USDA WASDE REPORT

MY 2010-11 Forecast:
$10.75 /bu @ 265 mln bu (8% S/U)

Marketing Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Stocks/Use%</th>
<th>U.S. Soybean Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>$6.64</td>
<td>$6.81</td>
</tr>
<tr>
<td>1975</td>
<td>$7.57</td>
<td>$7.83</td>
</tr>
<tr>
<td>1977</td>
<td>$7.42</td>
<td>$7.35</td>
</tr>
<tr>
<td>1979</td>
<td>$7.34</td>
<td>$7.34</td>
</tr>
<tr>
<td>1981</td>
<td>$6.64</td>
<td>$6.81</td>
</tr>
<tr>
<td>1983</td>
<td>$7.57</td>
<td>$7.83</td>
</tr>
<tr>
<td>1985</td>
<td>$7.42</td>
<td>$7.35</td>
</tr>
<tr>
<td>1987</td>
<td>$7.34</td>
<td>$7.34</td>
</tr>
<tr>
<td>1989</td>
<td>$6.64</td>
<td>$6.81</td>
</tr>
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<td>1991</td>
<td>$7.57</td>
<td>$7.83</td>
</tr>
<tr>
<td>1993</td>
<td>$7.42</td>
<td>$7.35</td>
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<tr>
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<td>$6.81</td>
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<tr>
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<td>$7.34</td>
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<tr>
<td>2009</td>
<td>$7.42</td>
<td>$7.35</td>
</tr>
<tr>
<td>2011</td>
<td>$6.64</td>
<td>$6.81</td>
</tr>
</tbody>
</table>
U.S. SOYBEAN $ VS %STOCKS-TO-USE

\[ y = 2.8734x^{-0.328} \]
\[ R^2 = 0.234 \]
### CBOT Soybean Futures $ %’s

**Based on Option Premiums for Jan-2011 & July-2011**

<table>
<thead>
<tr>
<th></th>
<th>Jan-2011 CBOT Soybeans</th>
<th>July-2011 CBOT Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price on 11/1/2010</strong></td>
<td>$12.35</td>
<td>$12.44 ¾</td>
</tr>
<tr>
<td>Low 10%</td>
<td>$11.01</td>
<td>$9.25</td>
</tr>
<tr>
<td>Low 30%</td>
<td>$11.70</td>
<td>$10.74</td>
</tr>
<tr>
<td><strong>Middle 50%</strong></td>
<td>$12.16</td>
<td>$11.80</td>
</tr>
<tr>
<td>High 70%</td>
<td>$12.66</td>
<td>$12.44</td>
</tr>
<tr>
<td>High 90%</td>
<td>$13.45</td>
<td>$14.81</td>
</tr>
<tr>
<td><strong>Prob. Of $ Falling</strong></td>
<td><strong>58%</strong></td>
<td><strong>70%</strong></td>
</tr>
</tbody>
</table>
OILSEED MARKET DIRECTION

- Competition for U.S. Crop Acres in 2011
  - NOV 2011 Soybeans vs DEC 2010 Corn Futures
    - NOV 2011 Soybean$ ÷ DEC 2010 Corn$ = 2.17 (11/1/2010)
    - Fear of short U.S. Soybean acres & supplies in 2011

- U.S., Brazil & Argentina Competing for Exports of 2011 Soybeans & Soy Products
  - China → a strong but “narrow” export demand base

- Impacts of U.S.-World Economy, falling USD$, other broader economic factors?
WHEAT MARKETS
High close of $7.95 on 8/5/2010
Up $3.00 (61%) in 5+ weeks
(June 29th to August 5th)

Close of $4.95 on June 29, 2010

Close of $7.54 ¼ on November 1, 2010
WEEKLY WHEAT FUTURES WITH TRADER POSITIONS
SOURCE: DALE L. DURCHHOLZ, AGRIVISOR LLC

Chi & KC trader positions

Net positions - billion bushels

Commercials
Managed Money
Swaps

cents/bushel

(1.50)
(1.00)
(0.50)
0.00
(1.00)
(0.50)
0.00
1.00
1.50

200 400 600 800 1000 1200 1400
Dec-06 Feb-07 Apr-07 May-07 Jul-07 Sep-07 Nov-07 Jan-08 Mar-08 Apr-08 Jun-08 Aug-08 Oct-08 Dec-08 Feb-09 Apr-09 Jun-09 Aug-09 Oct-09 Dec-09 Feb-10 Apr-10 Jun-10 Aug-10 Oct-10 Dec-10

WEEKLY WHEAT FUTURES WITH TRADER POSITIONS
SOURCE: DALE L. DURCHHOLZ, AGRIVISOR LLC

Chi & KC trader positions

Net positions - billion bushels

Commercials
Managed Money
Swaps

cents/bushel

(1.50)
(1.00)
(0.50)
0.00
(1.00)
(0.50)
0.00
1.00
1.50

200 400 600 800 1000 1200 1400
Dec-06 Feb-07 Apr-07 May-07 Jul-07 Sep-07 Nov-07 Jan-08 Mar-08 Apr-08 Jun-08 Aug-08 Oct-08 Dec-08 Feb-09 Apr-09 Jun-09 Aug-09 Oct-09 Dec-09 Feb-10 Apr-10 Jun-10 Aug-10 Oct-10 Dec-10
KCBT WHEAT FUTURES
MONTHLY CARRYING CHARGES: NOVEMBER 1, 2010

$10.00

$9.00

$8.00

$7.00

$6.00

$ Per Bushel


76% of full carry  61% fc  29% fc  43% fc  62% fc
WORLD & U.S. WHEAT SUPPLY

○ (Still) Large U.S. Wheat Stocks
  - Increase in World & U.S. Wheat Supplies in MY 2010-11 from 30 & 60 year lows in 2007/08
    ○ World Supplies ↑ 13%; Ending Stocks ↑ 40%
    ○ U.S. Supplies ↑ 26%; Ending Stocks ↑ 278%

○ Will U.S./World Wheat Area ↑ in 2011?
  - Farmer’s response to ↑ wheat income prospects??
  - Earlier 2010 fall harvest: ↑ U.S. HRW wheat acres??

○ Will World Wheat Production Problems in MY 2010-11 continue into MY 2011-12?
  - Black Sea region, Europe, Canada, China...
U.S. Wheat Seeded Acreage


14% ↓ in U.S. Winter Wheat Acres in 2010 (lowest since 1913)

9% ↓ in All U.S. Wheat Acres in 2010

Million Acres

- Winter Wheat
- Spring Wheat
- Durum
U.S. WHEAT DEMAND

 стрелка вверх Wheat Export Prospects in MY 2010-11
• Short crops in 2010 for some Major Exporters have provided a “pressure release” for the U.S. wheat industry’s “overburdening stocks” problem
• U.S. is acting as the defacto “Supplier of Last Resort” in World wheat exports (see MY 2007-08 & MY 2010-11)

Impact of U.S. Dollar on U.S. Exports
• ↓↑ in the U.S. Dollar ➔ ↑↓ in U.S. Wheat Exports

Cross-Market Effects Grain & Oilseed $s
• Wheat switched roles recently & lead other grain $s
# U.S. Wheat Supply-Demand

**USDA WASDE Report: October 8, 2010**

<table>
<thead>
<tr>
<th></th>
<th>MY 2008-09</th>
<th>MY 2009-10</th>
<th>MY 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planted Acres (mln.)</strong></td>
<td>63.2</td>
<td>59.2</td>
<td><strong>53.6</strong></td>
</tr>
<tr>
<td><strong>Harvested Ac. (mln.)</strong></td>
<td>55.7</td>
<td>49.9</td>
<td><strong>47.7</strong></td>
</tr>
<tr>
<td><strong>Yield (bu./ac.)</strong></td>
<td>44.9</td>
<td>44.5</td>
<td><strong>46.7</strong></td>
</tr>
<tr>
<td><strong>Beginning Stocks</strong></td>
<td>306</td>
<td>657</td>
<td><strong>976</strong></td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>2,499</td>
<td>2,218</td>
<td><strong>2,224</strong></td>
</tr>
<tr>
<td><strong>Total Supplies</strong></td>
<td>2,932</td>
<td>2,993</td>
<td>**** 3,299</td>
</tr>
<tr>
<td><strong>Food &amp; Seed</strong></td>
<td>1,005</td>
<td>986</td>
<td>1,016</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td>1,015</td>
<td>881</td>
<td><strong>Key!</strong></td>
</tr>
<tr>
<td><strong>Feed &amp; Residual</strong></td>
<td>255</td>
<td>150</td>
<td>180</td>
</tr>
<tr>
<td><strong>Total Use</strong></td>
<td>2,275</td>
<td>2,018</td>
<td>**** 2,446</td>
</tr>
<tr>
<td><strong>End Stocks (%S/U)</strong></td>
<td>(28.9%)</td>
<td>(48.4%)</td>
<td>(34.9%)</td>
</tr>
<tr>
<td><strong>U.S. Ave. Farm $</strong></td>
<td>$6.78</td>
<td>$4.87</td>
<td>$5.20-$5.80</td>
</tr>
</tbody>
</table>
U.S. WHEAT USE & END STOCKS

MY 2004-05 – MY 2010-11 OCTOBER 8, 2010 USDA WASDE REPORT

![Chart showing U.S. wheat use and end stocks from MY 2004-05 to MY 2010-11. The chart displays data in million bushels, with separate bars for food, exports, seed, feed + residual, and end stocks for each marketing year. The data shows fluctuations in wheat use and end stocks across the years, with a peak in 2006-07 and a peak in 2007-08 for end stocks, and a peak in food use in 2006-07 and 2008-09. The chart highlights the variations in wheat usage and stock levels over the specified years.]
WORLD WHEAT SUPPLY-DEMAND
MY 2006-07 – MY 2010-11 OCTOBER 8, 2010 USDA WASDE REPORT

For MY 2010-11:
Production – Declining in 2010
Use – Steady growth
Exports – Down with $ rationing
End Stocks – Down vs MY 2009-10

- Production in Black Sea Region (Russia, Kazakhstan, Ukraine),
- EU-27 (Germany, France) & Canada
### MAJOR WHEAT EXPORTERS

**MY 2008-09 – MY 2010-11**  
**OCTOBER 8, 2010 USDA-WASDE REPORT**

<table>
<thead>
<tr>
<th>Country</th>
<th>MY 2008-09</th>
<th>MY 2009-10</th>
<th>MY 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>28</td>
<td>24</td>
<td>34</td>
</tr>
<tr>
<td>EU-27</td>
<td>25</td>
<td>22</td>
<td>21</td>
</tr>
<tr>
<td>Canada</td>
<td>19</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>Australia</td>
<td>15</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Argentina</td>
<td>7</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Russia</td>
<td>4</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>6</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Ukraine</td>
<td>13</td>
<td>9</td>
<td>6</td>
</tr>
</tbody>
</table>

* Increases in U.S.**, Australia & Argentina

* Decreases in Russia*, Ukraine*, Kazakhstan, Canada & EU-27
U.S. Wheat %Stocks/Use vs $ 
MY 1973-74 – MY 2010-11 OCTOBER 8, 2010 USDA-WASDE REPORT

Forecast MY 2010-11 U.S. Wheat $ 
$5.50 /bu @ 35% Stocks/Use

Marketing Year

U.S. Wheat Ending Stocks-to-Use %
U.S. Wheat Price
U.S. WHEAT $ VS %STOCKS-TO-USE
# KCBT Wheat Futures $ %’s
Based on Option Premiums: Dec-2010 & July-2011

<table>
<thead>
<tr>
<th></th>
<th>Dec-2010 KCBT Wheat</th>
<th>July-2011 KCBT Wheat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price on 11/1/2010</td>
<td>$7.54 ¼</td>
<td>$7.82 ½</td>
</tr>
<tr>
<td>Low 10%</td>
<td>$6.03</td>
<td>$4.80</td>
</tr>
<tr>
<td>Low 30%</td>
<td>$7.15</td>
<td>$6.39</td>
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<td>$8.55</td>
</tr>
<tr>
<td>High 90%</td>
<td>$8.37</td>
<td>$11.85</td>
</tr>
<tr>
<td>Prob. Of $ Falling</td>
<td>55%</td>
<td>62%</td>
</tr>
</tbody>
</table>
Wheat Market Directions

- **U.S. Wheat Price Trends**
  - Due to World wheat supply problems, wheat $ trends shifted up during July & early August (*driven by exports*)
  - Since early August wheat futures have traded sideways

- **Weather, Crop Prospects Driving Market**
  - **IF** 2010 crop problems **do not** carry over to 2011, then world production likely to \( \uparrow \) (*response to current $s*)
    - World wheat ending stocks could be quickly rebuilt in 1-2 years
  - **BUT, IF** 2010 crop problems **do** last into 2011, then higher, volatile wheat Prices$ would persist
Bottom Line...

- Corn $5.00
- Soybeans $9.25
- Wheat $5.15
QUESTIONS?

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Dept. of Ag & Resource Economics
Colorado State University

Daniel M. O’Brien, Ph.D.
Extension Agricultural Economist
K-State Research & Extension