Corn Situation and Outlook

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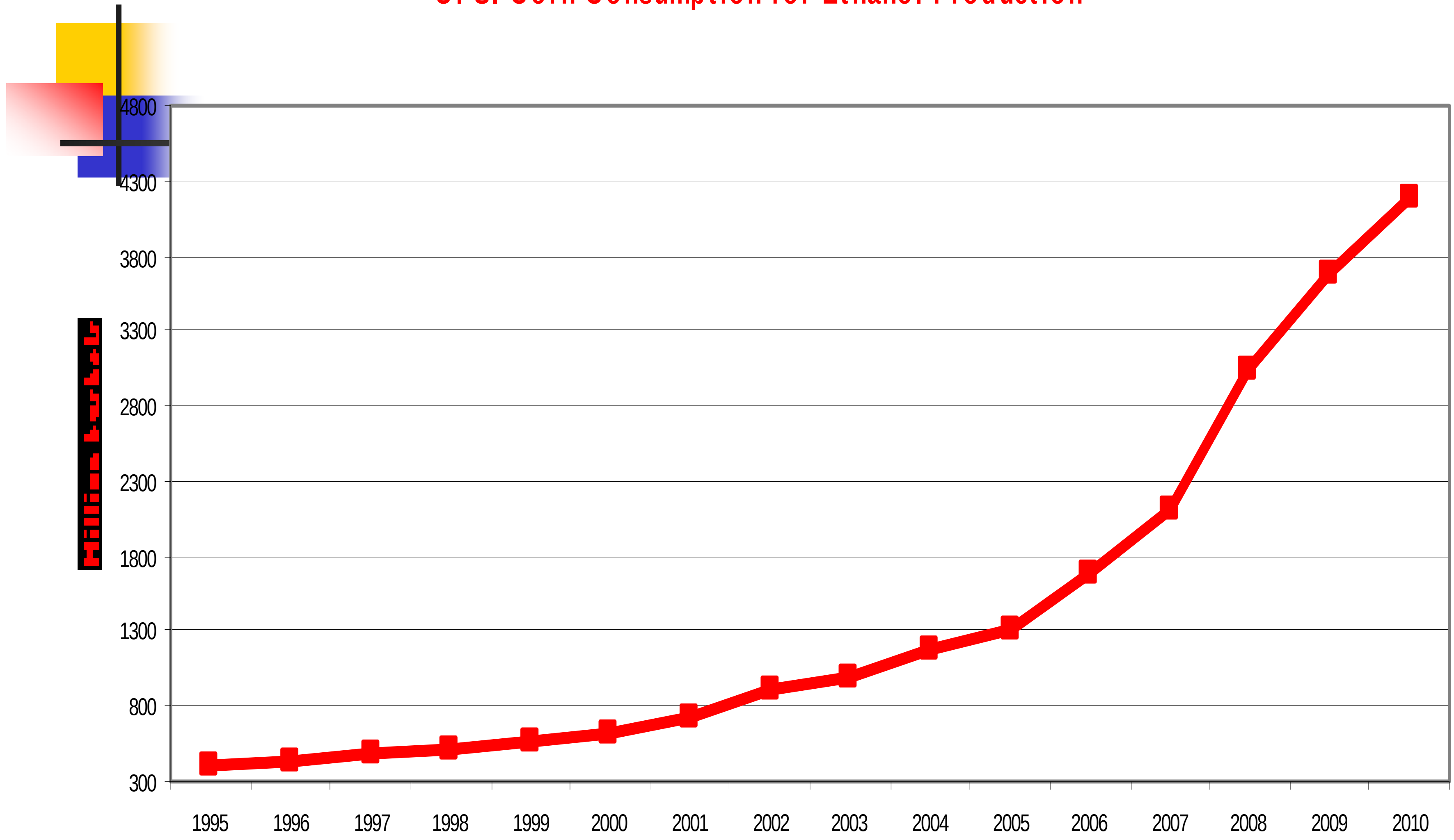
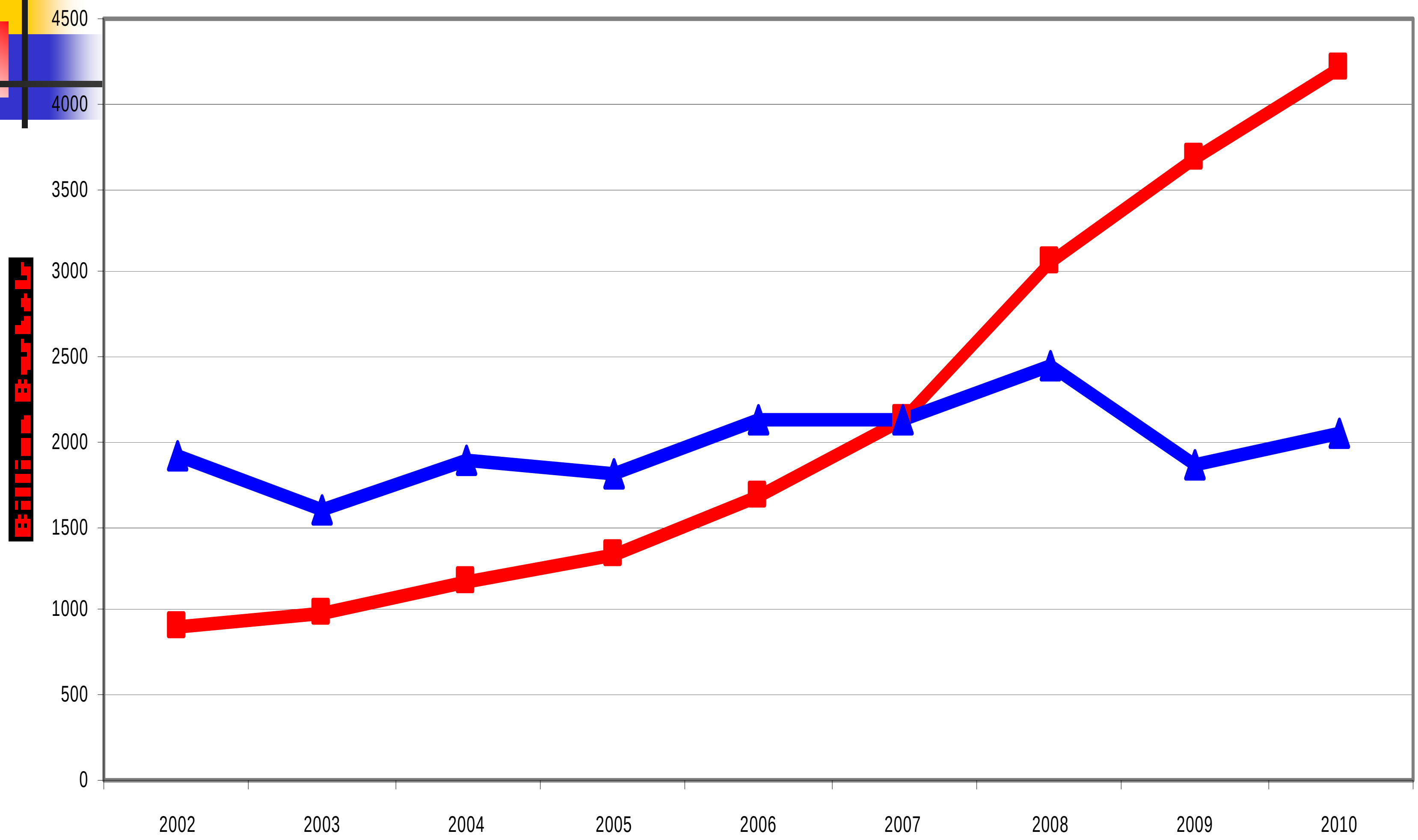
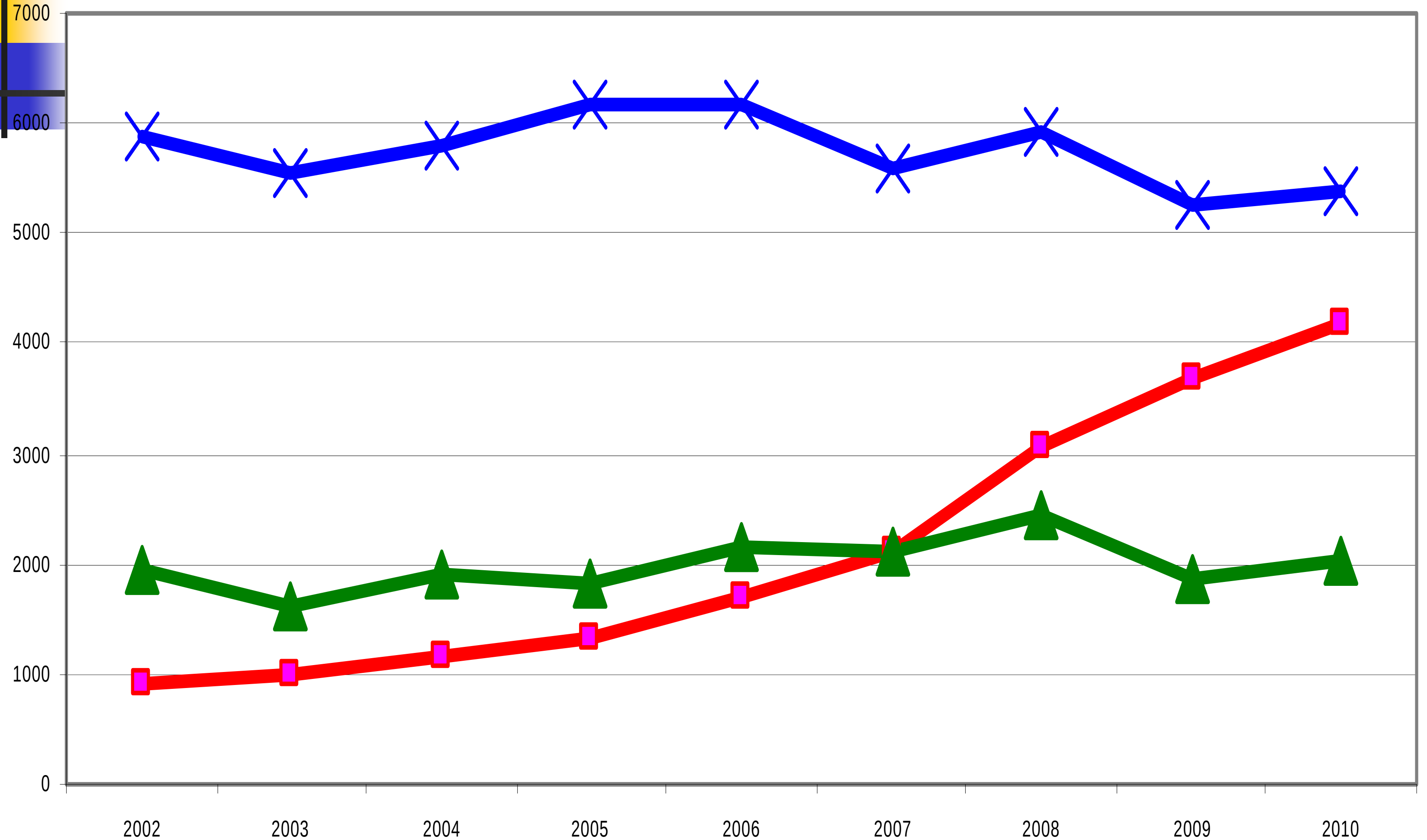
U. S. Corn Consumption for Ethanol Production



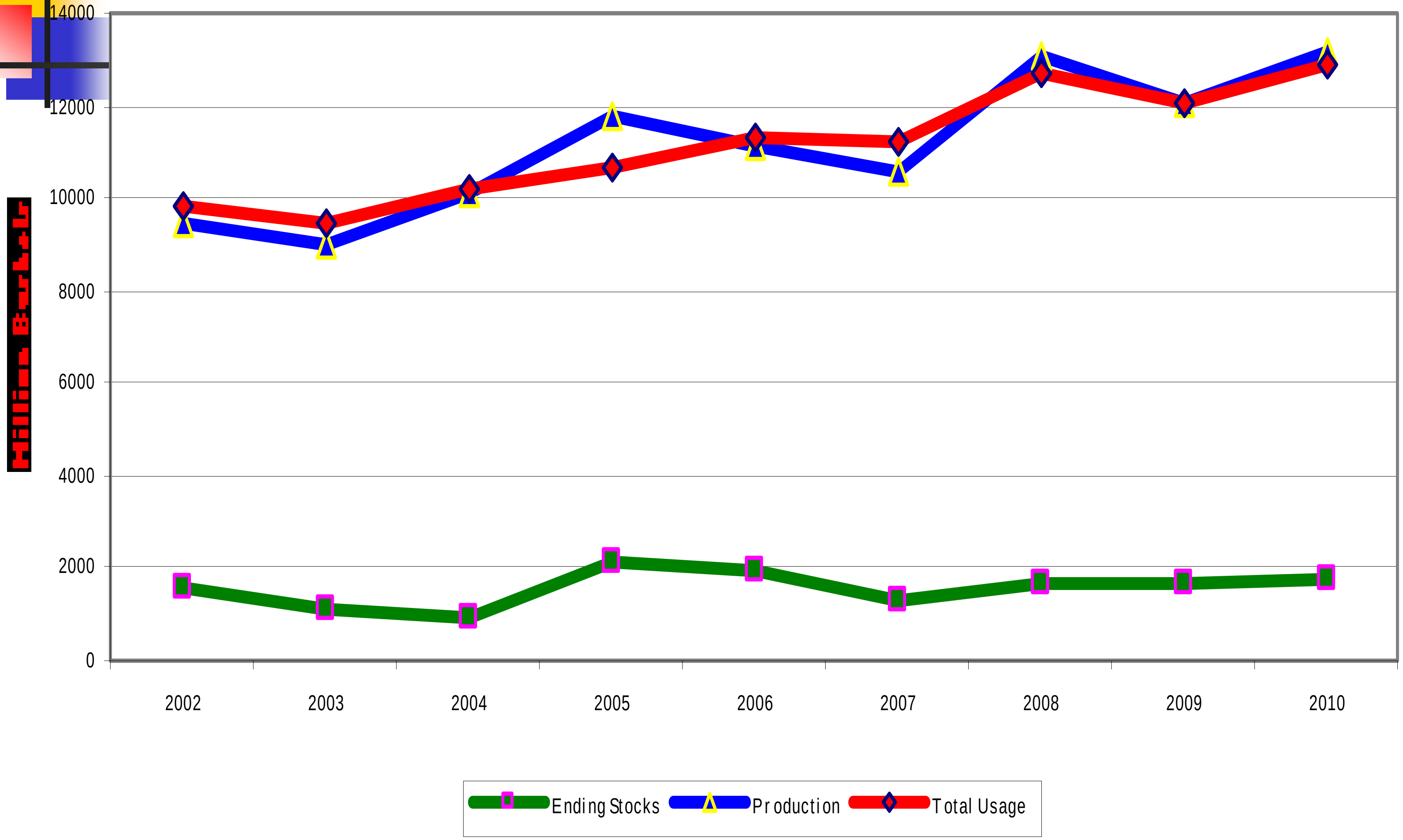
U. S. Corn Exports vs. Corn Usage For Ethanol Production



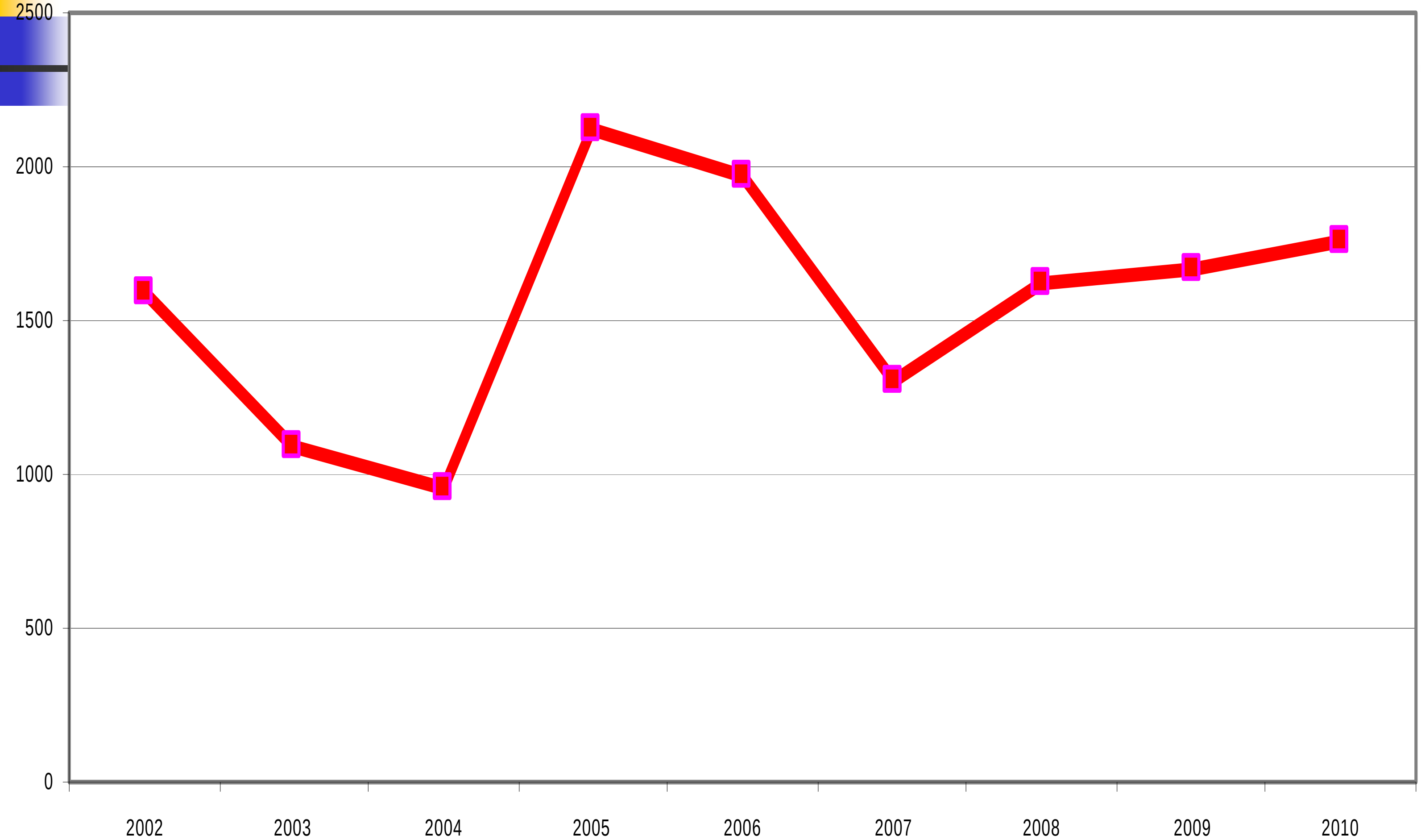
U.S. Corn Usage for Feed, Exports and Ethanol



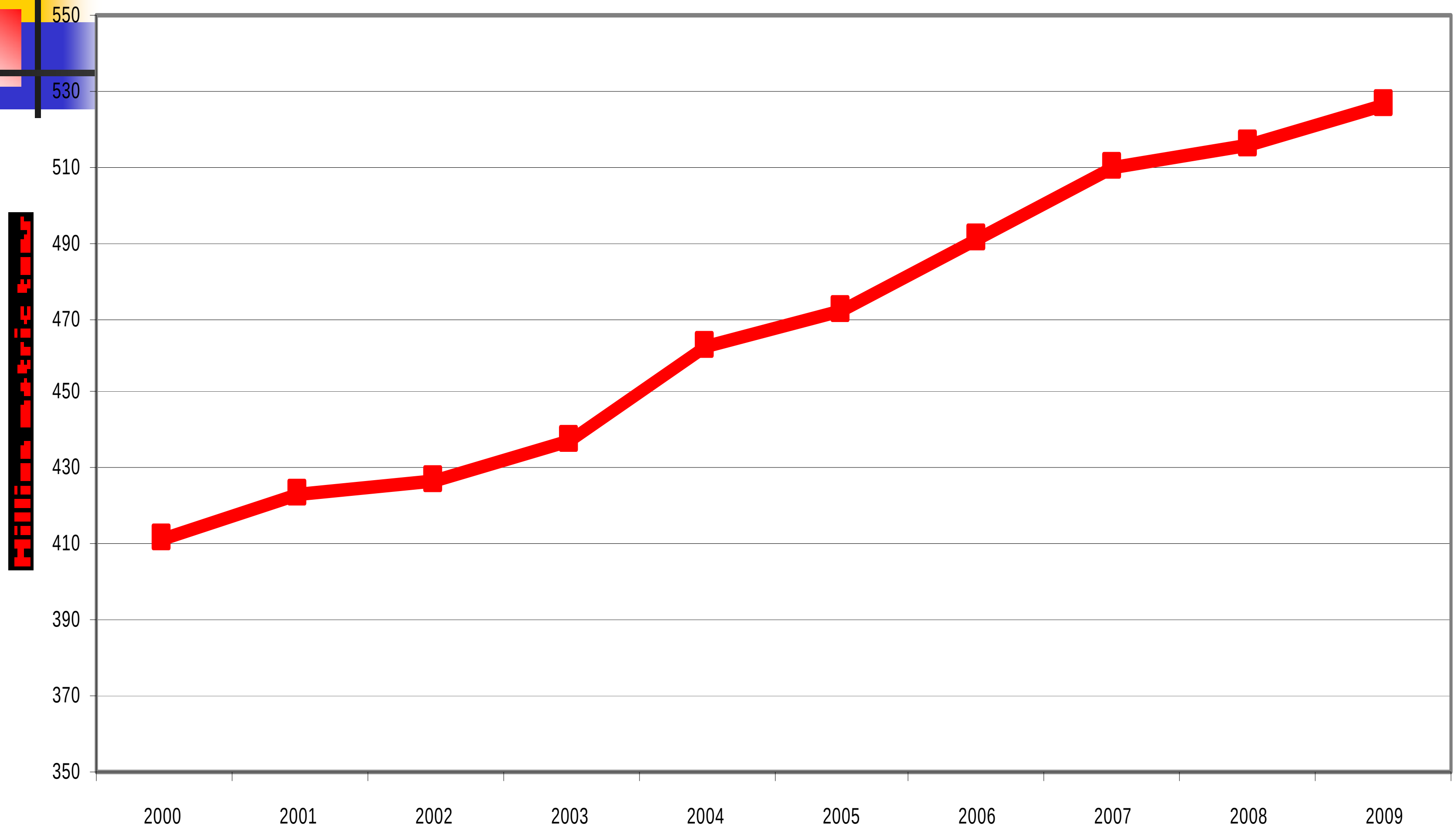
U. S. Corn Production, Usage and Ending Stocks



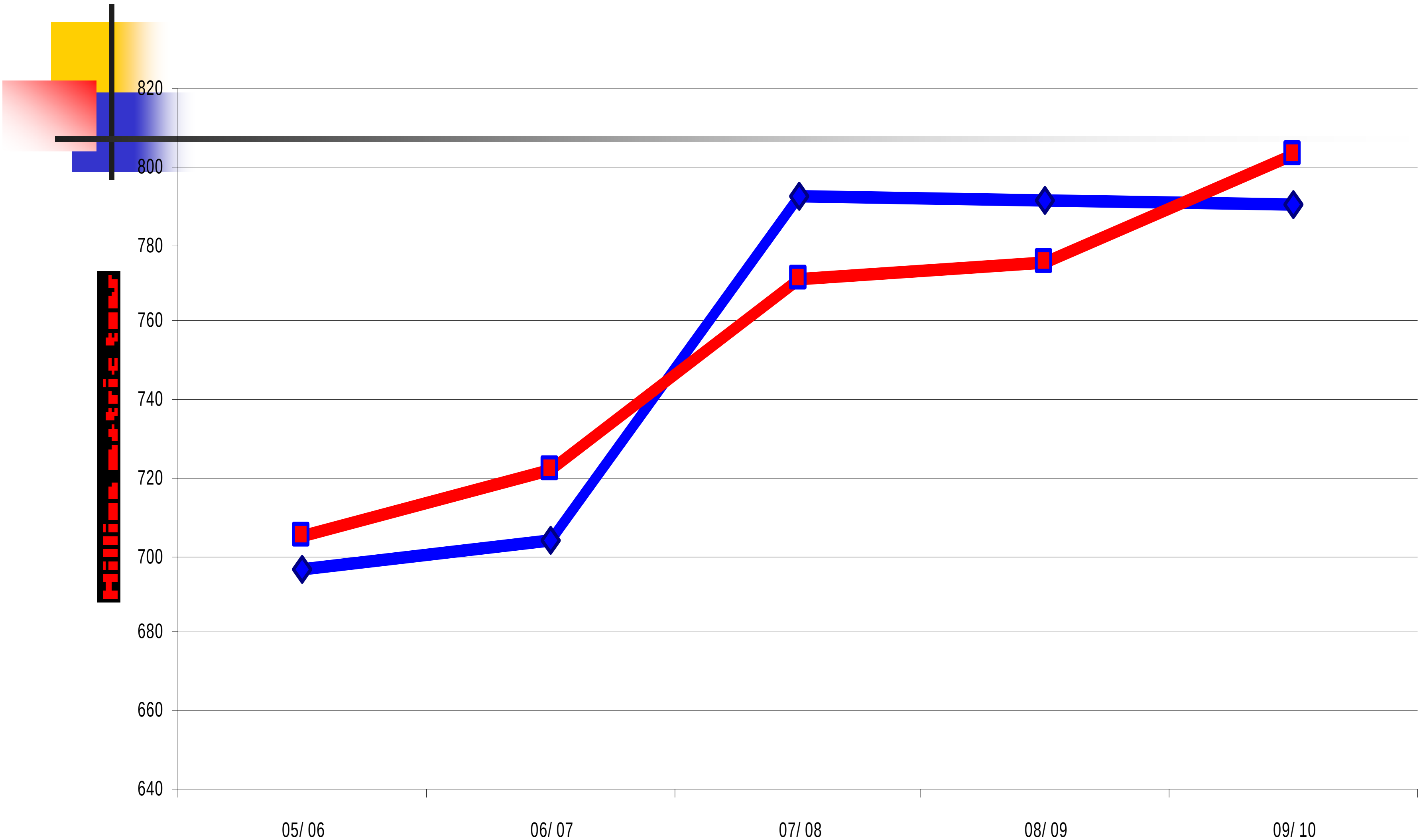
U. S. Corn Ending Stocks



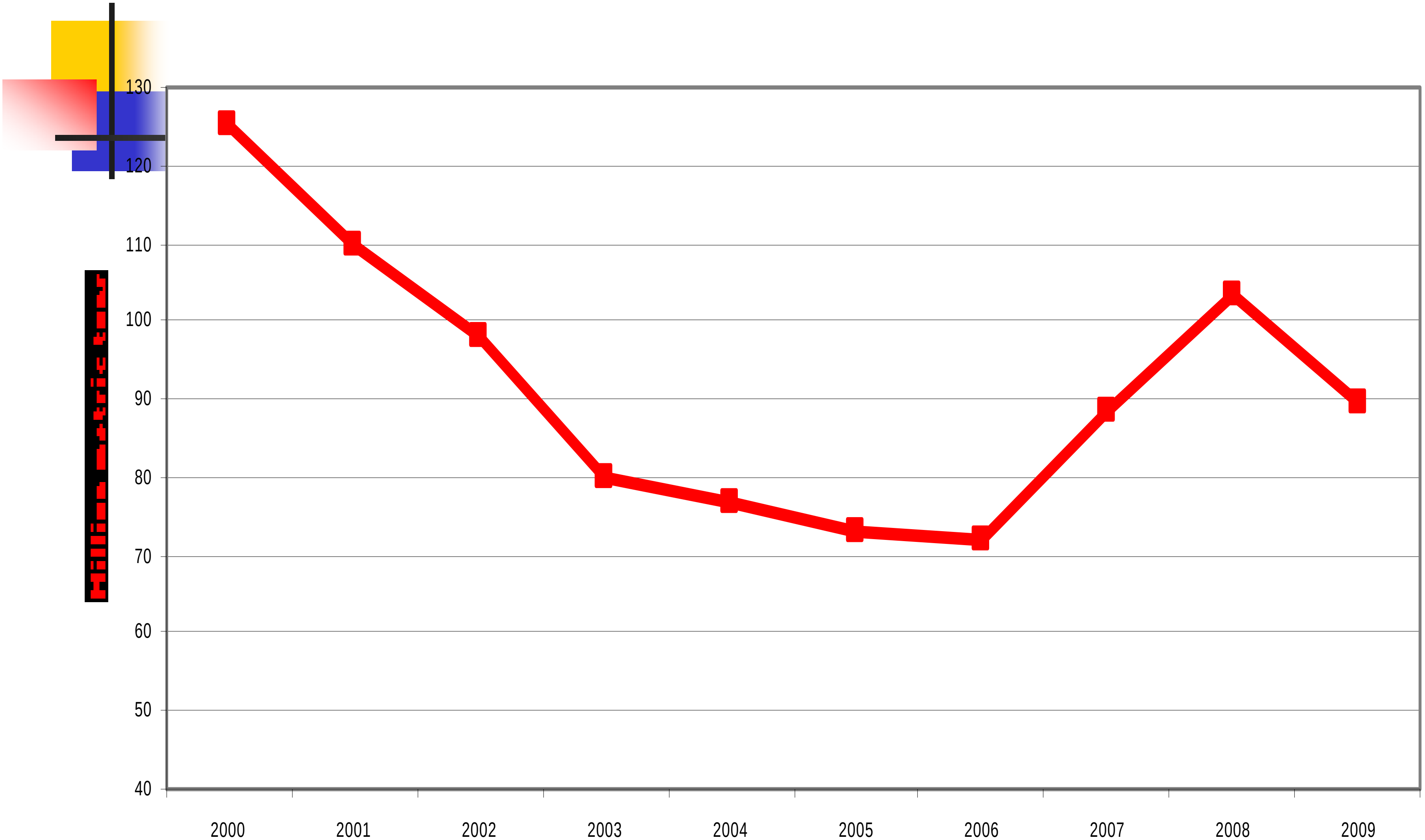
Non - U. S. Corn Usage

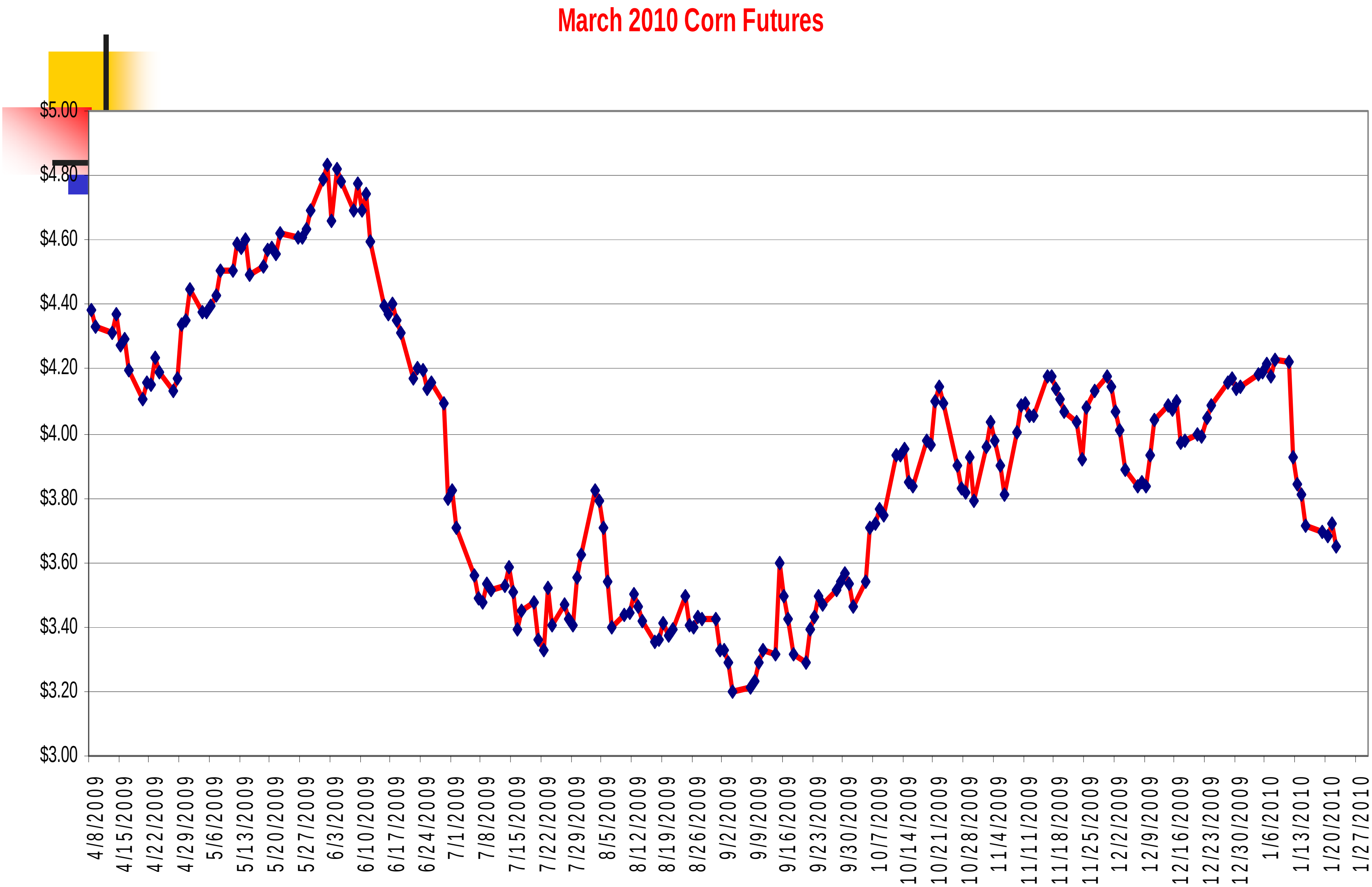


Global Corn Production and Usage



Non - U. S. Corn Ending Stocks

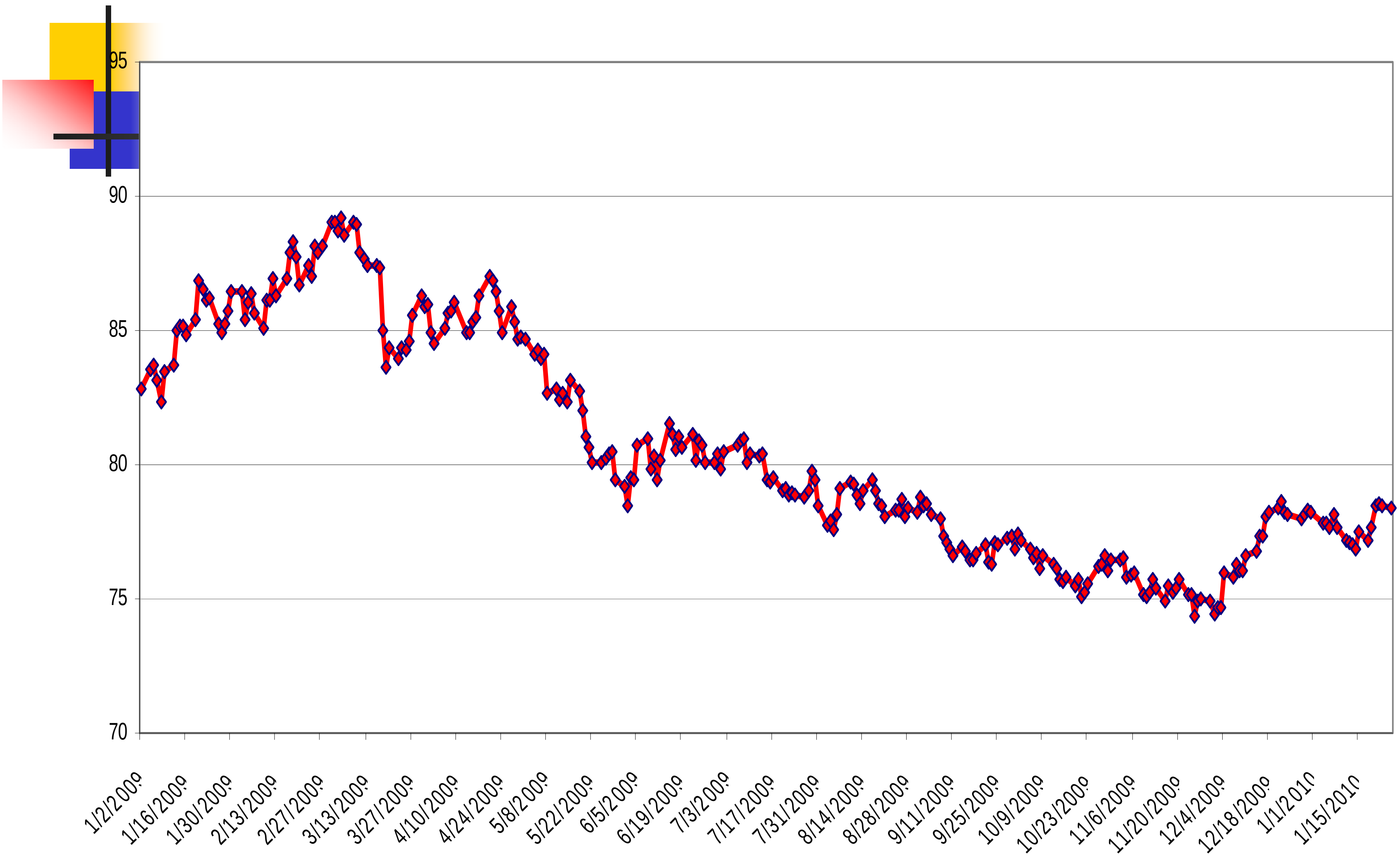



March 2010 Corn Futures
$5.00
$4.80
$4.60
$4.40
$4.20
$4.00
$3.80
$3.60
$3.40
$3.20
$3.00
4/8/2009
4/15/2009
4/22/2009
4/29/2009
5/6/2009
5/13/2009
5/20/2009
5/27/2009
6/3/2009
6/10/2009
6/17/2009
6/24/2009
7/1/2009
7/8/2009
7/15/2009
7/22/2009
7/29/2009
8/5/2009
8/12/2009
8/19/2009
8/26/2009
9/2/2009
9/9/2009
9/16/2009
9/23/2009
9/30/2009
10/7/2009
10/14/2009
10/21/2009
10/28/2009
11/4/2009
11/11/2009
11/18/2009
11/25/2009
12/2/2009
12/9/2009
12/16/2009
12/23/2009
12/30/2009
1/6/2010
1/13/2010
1/20/2010
1/27/2010

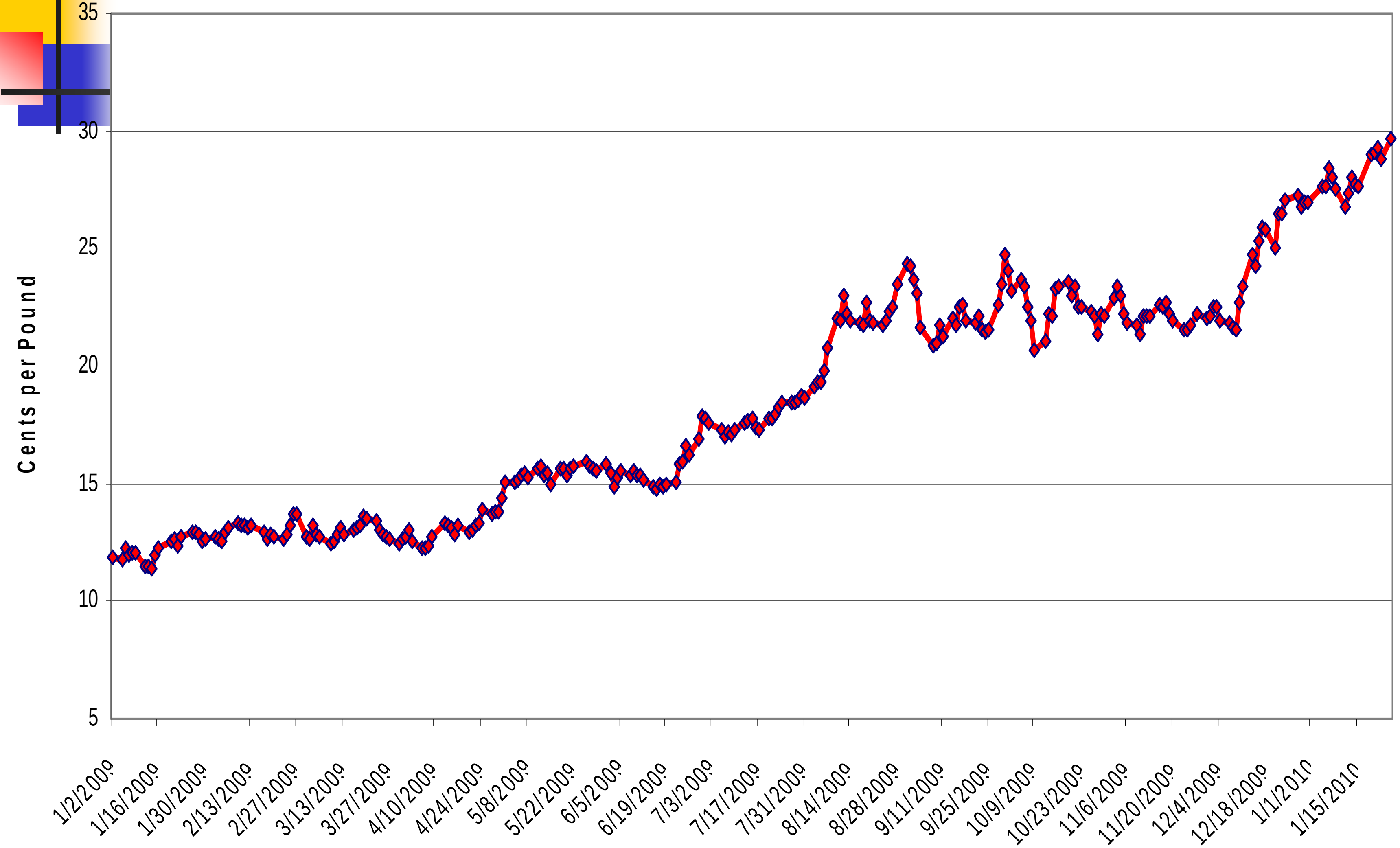
Wildcards

- How accurate is USDA's last report?
- Obama administration's moves to limit trading by banks
- EPA's decision on ethanol blends above E-10
- China – corn crop and general economy
- The direction of the U. S. dollar
- Sugar

Front Month U. S. Dollar Continuation Chart



Front Month Sugar Continuation Chart



Alternatives to Selling in the Cash Market

Selling The Futures Market:

- Must post margin – currently $1620 per 5000 bushel contract – can change
- Money flows into your account if market falls – penny for penny
- You owe margin calls if the market rallies – penny for penny - now

Selling the Futures Market

- Initial margin returns to you when you buy back the contract
- If market rises – losses in futures are offset by gains in cash market value
- If market falls – gains in futures are offset by losses in cash market value
- The major expense is interest on your margin money

Selling the Futures Market

- Amount of margin risk is open ended – cannot be defined in advance
- Many growers are not psychologically or financially suited to trade futures
- Your banker MUST know your operation and what you are trying to accomplish and know it WELL
- Your banker MUST understand the nature of futures market trading

Selling the Futures Market

- Disadvantage – must have funding in place to meet possible margin calls, interest on margin money
- Advantage – does not commit bushels for delivery
- Advantage – may allow you to hedge for delivery in a month with a better basis
- Advantage/disadvantage – no basis

Alternatives to Selling in the Cash Market

Buying Put Options:

- Put options grant you the right to sell futures at a fixed price
- If the market falls, put options gain value that MAY offset losses in cash market value
- Buying options require you to pay a premium

Buying Put Options

- The option premium you pay will vary based on a number of factors
- On January 25, with December 2010 futures at $4.00 a December $4.00 strike price put option had a premium of 51 ½ cents, or 12 ½% of the value of the contract

Buying Put Options

- Disadvantage – premium must be paid up front
- Advantage – flexibility, sets a minimum price but no maximum price
- Advantage – does not commit bushels for delivery
- Advantage – full risk defined
- Advantage/disadvantage – no basis fixed

Alternatives to Selling in the Cash Market

- Combinations of Options:

- Buying put options/selling call options
- Establishes a minimum and maximum price
- Complex and far beyond the time limits we have today

Can We Assist You?

- Issue daily email reports on the markets
- Offer marketing assistance customized to your operation
- Can assist you in both cash and futures/options markets
- Help you evaluate specific marketing opportunities
- Would love to visit with you about how we might work with you to improve your marketing