

**April 7, 2013    CORN**

**MARKET INDICATORS:** The USDA's Prospective Plantings report, released on March 30, confirmed producer's intentions to plant 90 million acres of corn and another 6 million acres of grain sorghum. Planting intentions were up by 1.0 million acres in the Corn Belt but the Great Plains producers intend to reduce corn acreage but increase grain sorghum acreage over the prior year. The March 1 inventory of U.S. corn was estimated at 50 million bushels larger than the inventory on March 1, in the prior year and about 75 million bushels larger than expected. Apparently feed and residual use of corn during the second quarter of the 2012/13 marketing year was about 1 percent larger than during the same quarter last year.

The corn planting has started in the southern plains, but soil conditions are dry. Today's strong price recovery in the grain and oilseed markets were linked to news over the weekend that Argentina is set to sell China 5.0 million metric tons of corn and maybe up to 8 million. But some market analyst have questioned if the phytosanitary procedures are in place for such a sale.

USDA is also forecasting a 25% reduction in U.S. exports, pegging them at 1.5 billion bushels with nearly 400 million bushels of the reduction from corn. Export demand could improve if world wheat and coarse grain crops are smaller than the previous bumper crop. The forecasted 4.9 billion bushels for the production of ethanol, if realized, will decrease the use of corn in the production of ethanol. USDA is forecasting trend yields of 159 bushels for a 12.6 billion bu. corn crop that represents a 900 million decrease over last year's crop. With trend yields, carry overstocks would be 1,119 million bu., implying an 8.3% stocks to use ratio. This is a decrease over the 2012/13 crop carry-over of 1,608 million bu. and stocks to use ratio of 12%.

**Pricing Opportunities for corn on 04/07/13 To Be Delivered at Harvest**

|               |           |          |          |
|---------------|-----------|----------|----------|
| CME Futures   | Expected  | Put      | Expected |
| or Put Option | + Harvest | - Option | = Net    |
| Strike Price  | Basis     | Premium  | Price    |
|               | +         | -        | =        |
| _____         | _____     | _____    | _____    |

**SHOULD I SELL SOME Corn TODAY? (Y/N)      WHAT QTY? \_\_\_\_\_**

**HOW?**

\_\_\_\_\_

**WHY?**

CME Dec Corn Futures = \$5.00

|                      |         |         |              |         |         |
|----------------------|---------|---------|--------------|---------|---------|
| CME                  |         |         | CME          |         |         |
| DEC Option           | CALL    | Put     | DEC Option   | CALL    | Put     |
| Strike Price         | Premium | Premium | Strike Price | Premium | Premium |
| ----- (\$/Bu.) ----- |         |         |              |         |         |

|      |      |      |      |      |      |
|------|------|------|------|------|------|
| 7.00 | 0.10 | 2.10 | 5.00 | 0.60 | 0.60 |
| 6.00 | 0.30 | 1.30 | 4.00 | 1.20 | 0.20 |

Forward Contract Bid = \$4.90 for October 25 Delivery (Avg Basis -\$0.10/bu.)

# Case Problem, 2013 Weekly December Corn Futures (High, Low, Close)

