



The End of the World As We Know It

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The End – Were the Mayans Right?

- “Signs, Signs, Everywhere are Signs”

- Continued economic problems in Europe
 - “The slowest train wreck in history”.
- The US is getting closer to the “Fiscal Cliff”
 - Going over cliffs usually doesn’t end well
- Today’s date: 12-12-12
 - Twice as bad as that other well known number?
- If so, this is the easiest outlook I’ll ever do.
 - Goodbye, Adios and Adieu

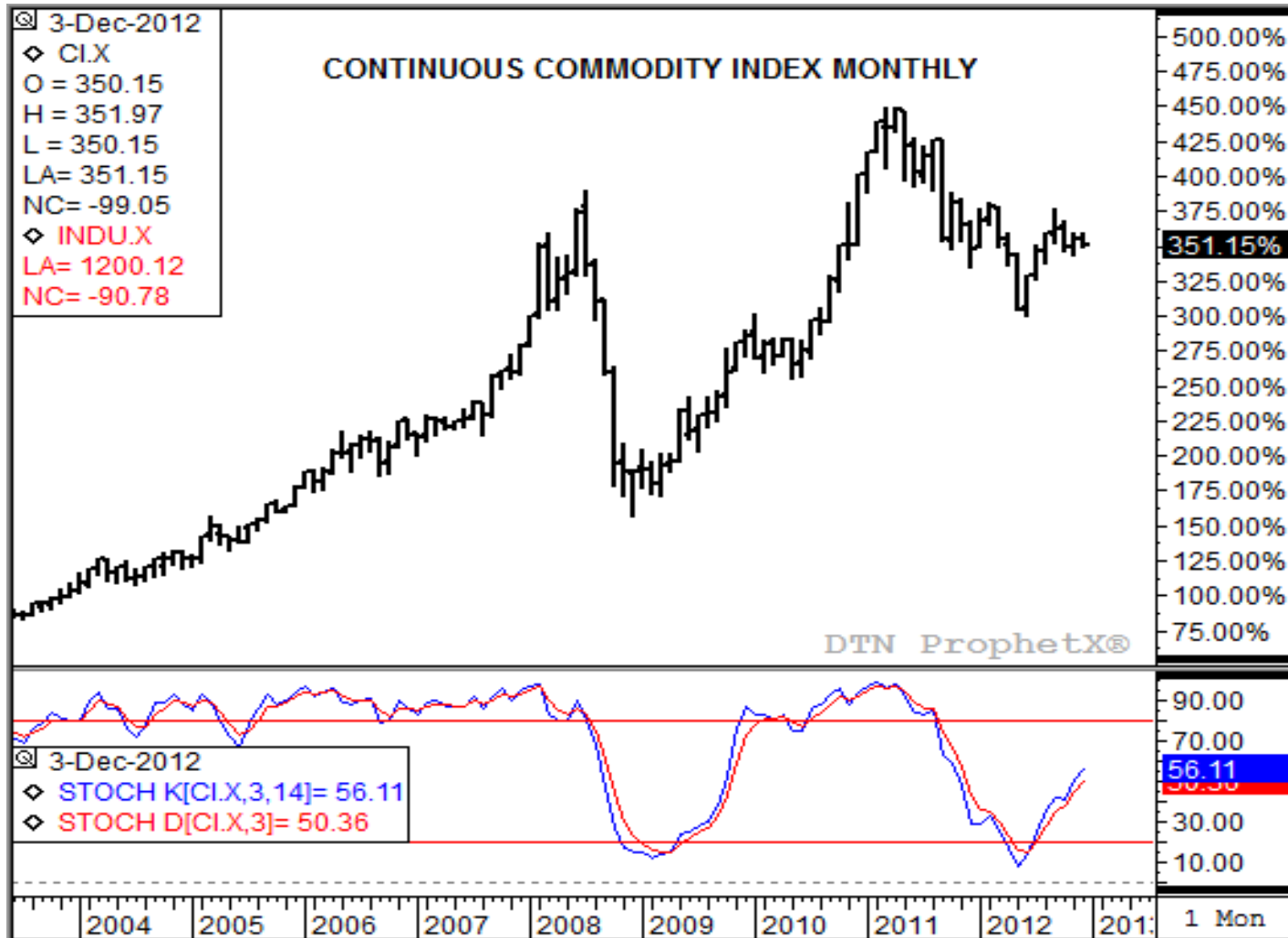
But What If?



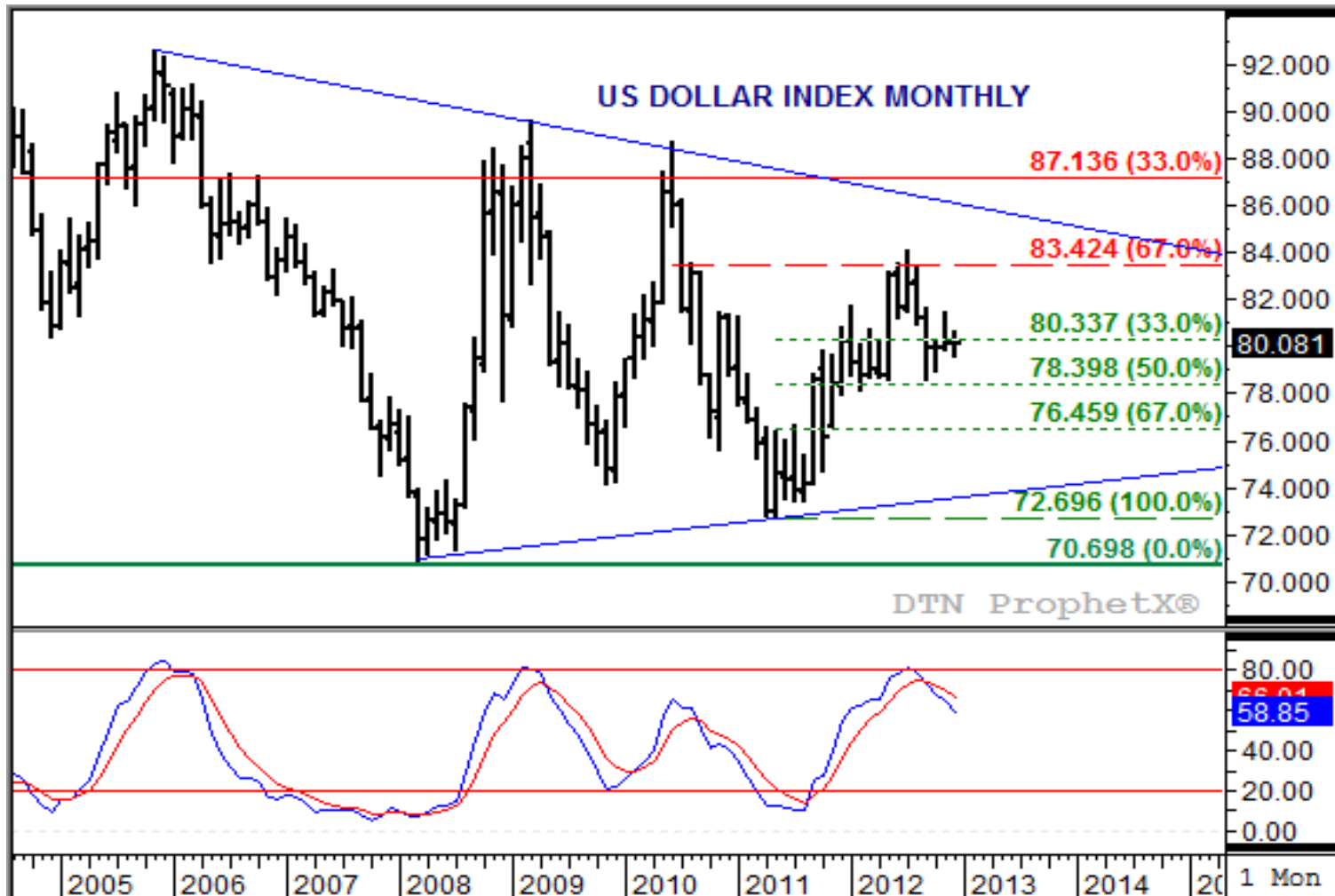
Still the End of the World as We Know It?

- Question #1: Has the boom time of buying into commodities, from an investor perspective, come to an end?
- Investors hate uncertainty
 - European situation
 - US “Fiscal Cliff”
 - Interest rates?
- Influence of outside market factors
 - Commodity sector in general
 - The US dollar index and Euro
 - Stock market(s)

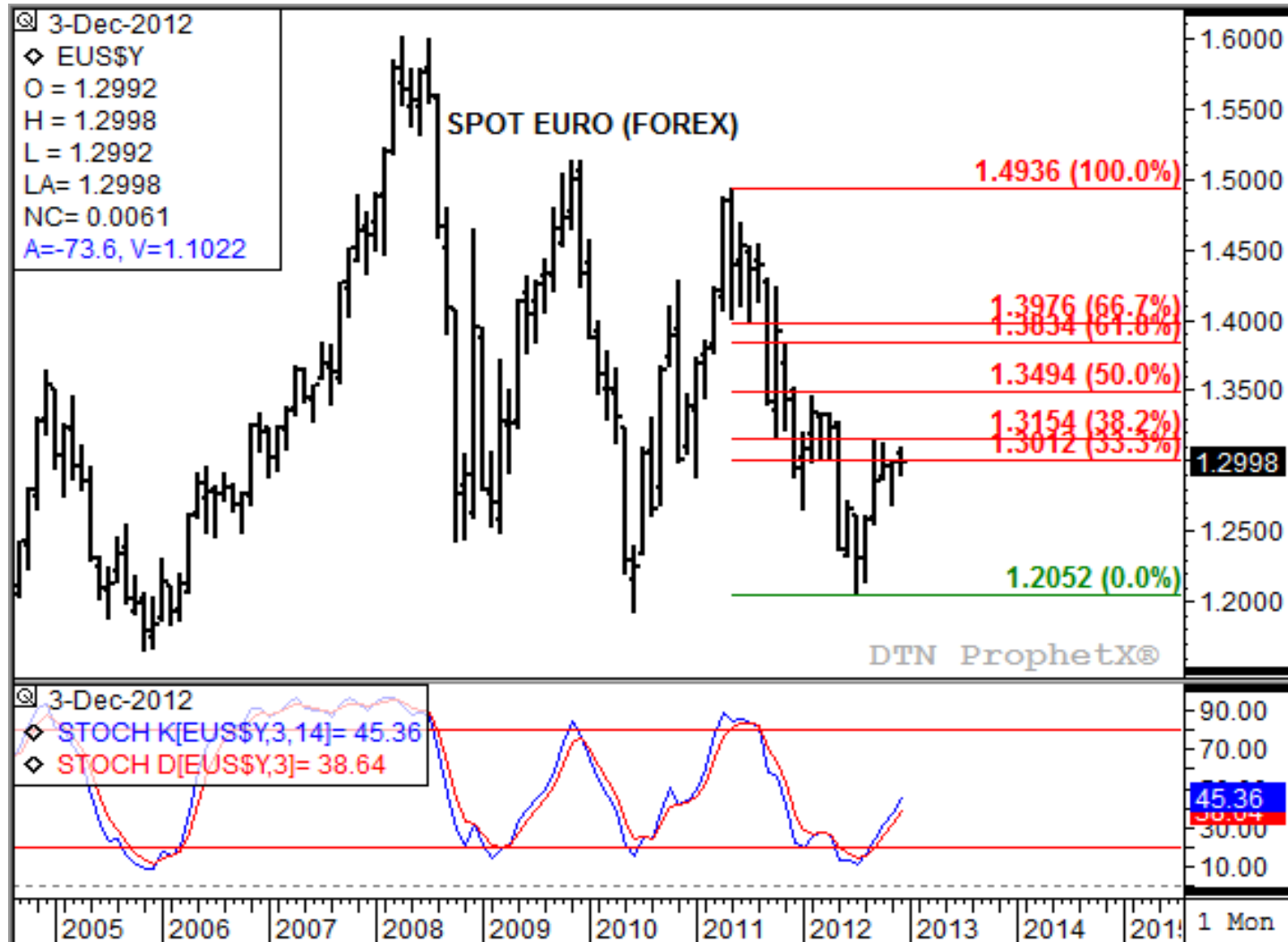
The Commodity Sector



The US Dollar Index



The Euro



The US Stock Market



Has the commodity boom come to an end?

- The commodity sector looks to be heading up again
 - Fundamentally neutral, in general
 - ▶ Grains bullish
 - ▶ Metals neutral
 - ▶ Energies bearish
- US dollar index could trend sideways to down in 2013
 - Recovery uptrend in the Euro
 - Uncertainty over the Fed Fund rate
 - No real concern over inflation
- US stock markets could trend lower early in 2013
 - Result of plummeting over the “fiscal cliff”
 - On again, off again pressure from overseas stock markets
- **Answer: No, at least not through the early part of 2013.**
Investors could move money to commodities, due in part to fundamentals.

A Closer Look at Key Commodities

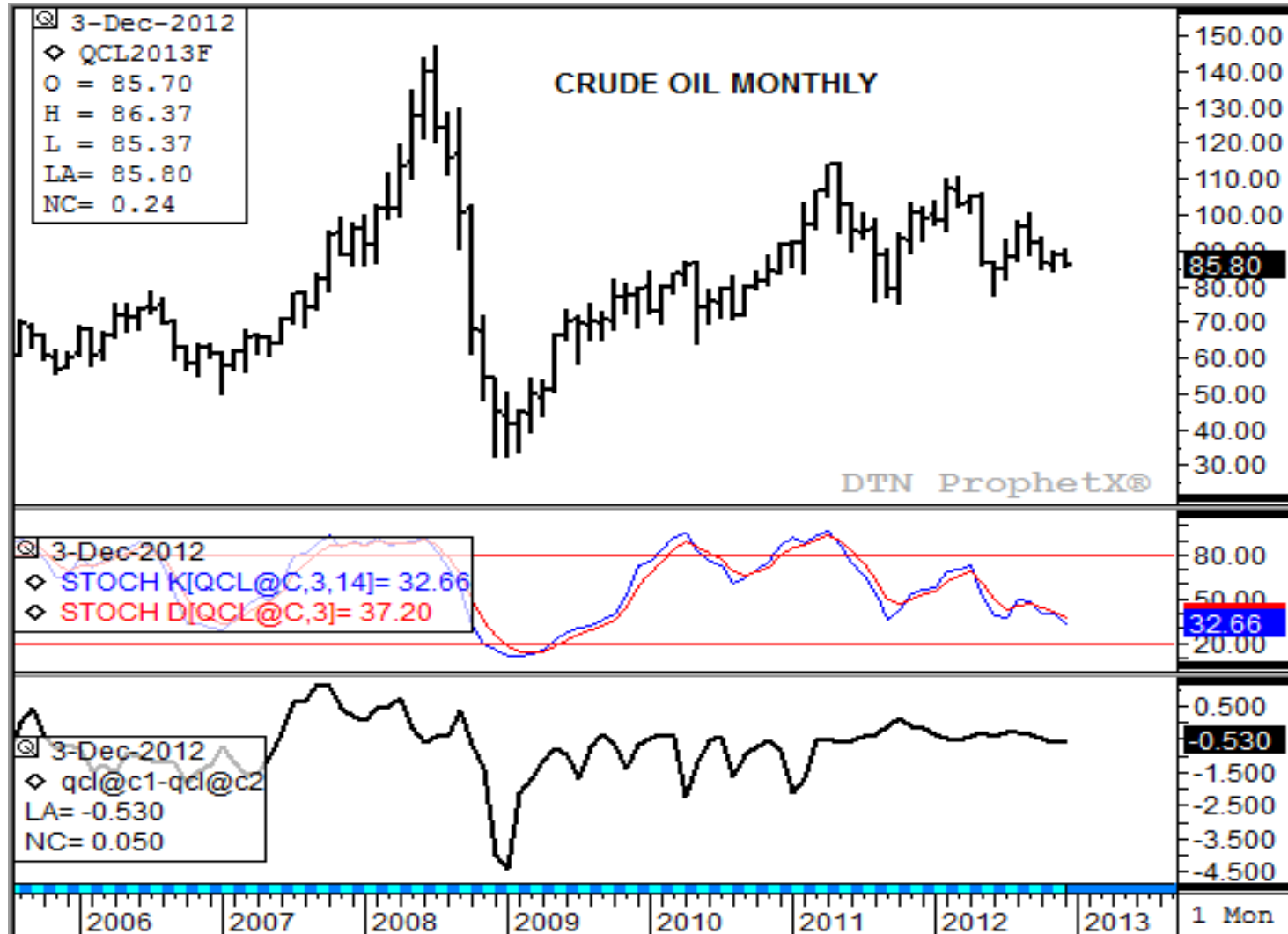
■ Energy Complex: Crude oil

- Demand for crude oil, and petroleum products in general, are expected to stay weak in 2013
 - ▶ Continued large domestic stocks of crude oil
 - ▶ Another year of lower gasoline demand

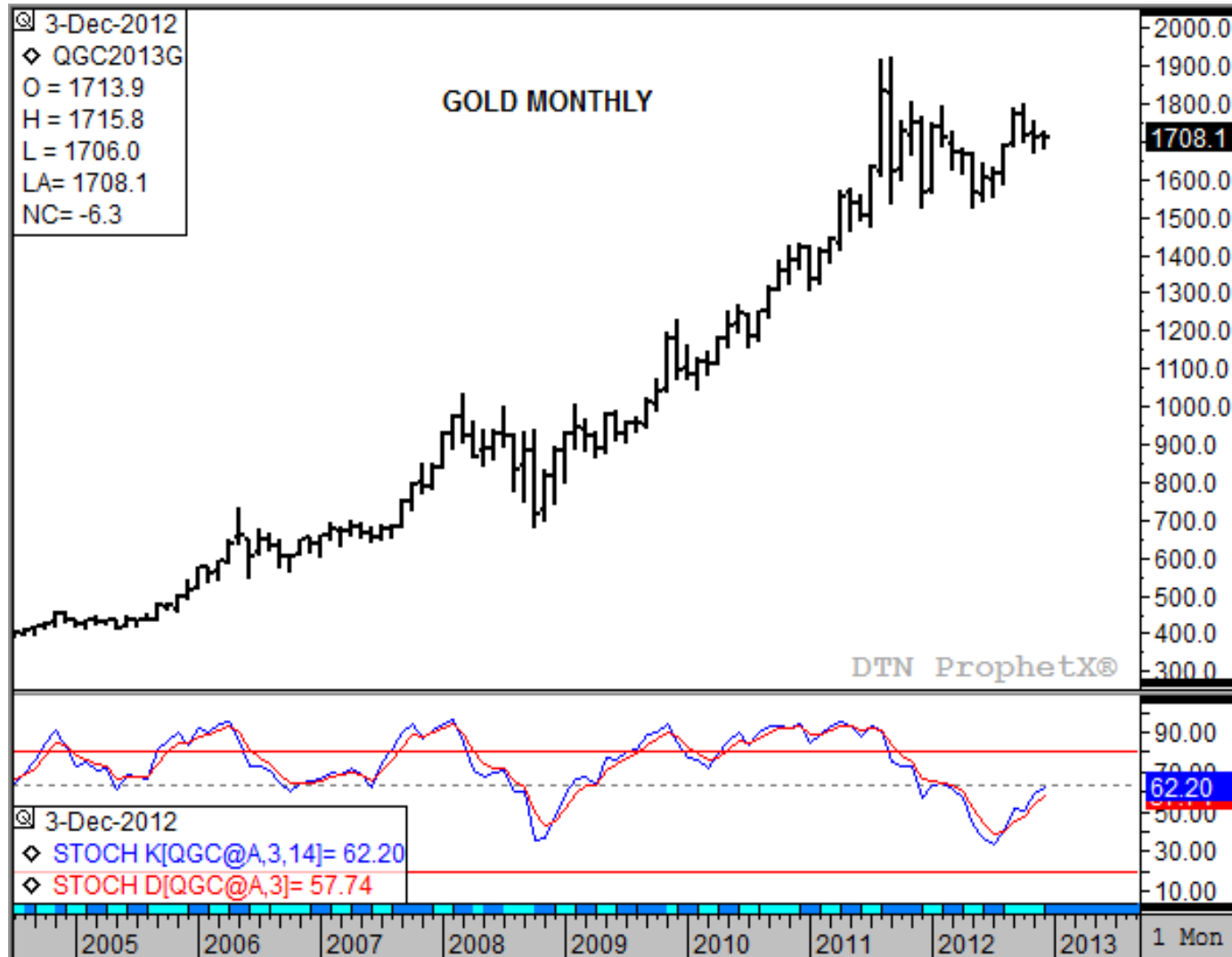
■ Metals Complex: Gold

- Constant global geopolitical and economic uncertainty could provide support
- However, market has been showing a sideways to down trend since September 2011.
- On the other hand, silver remains in a solid uptrend.

Crude Oil



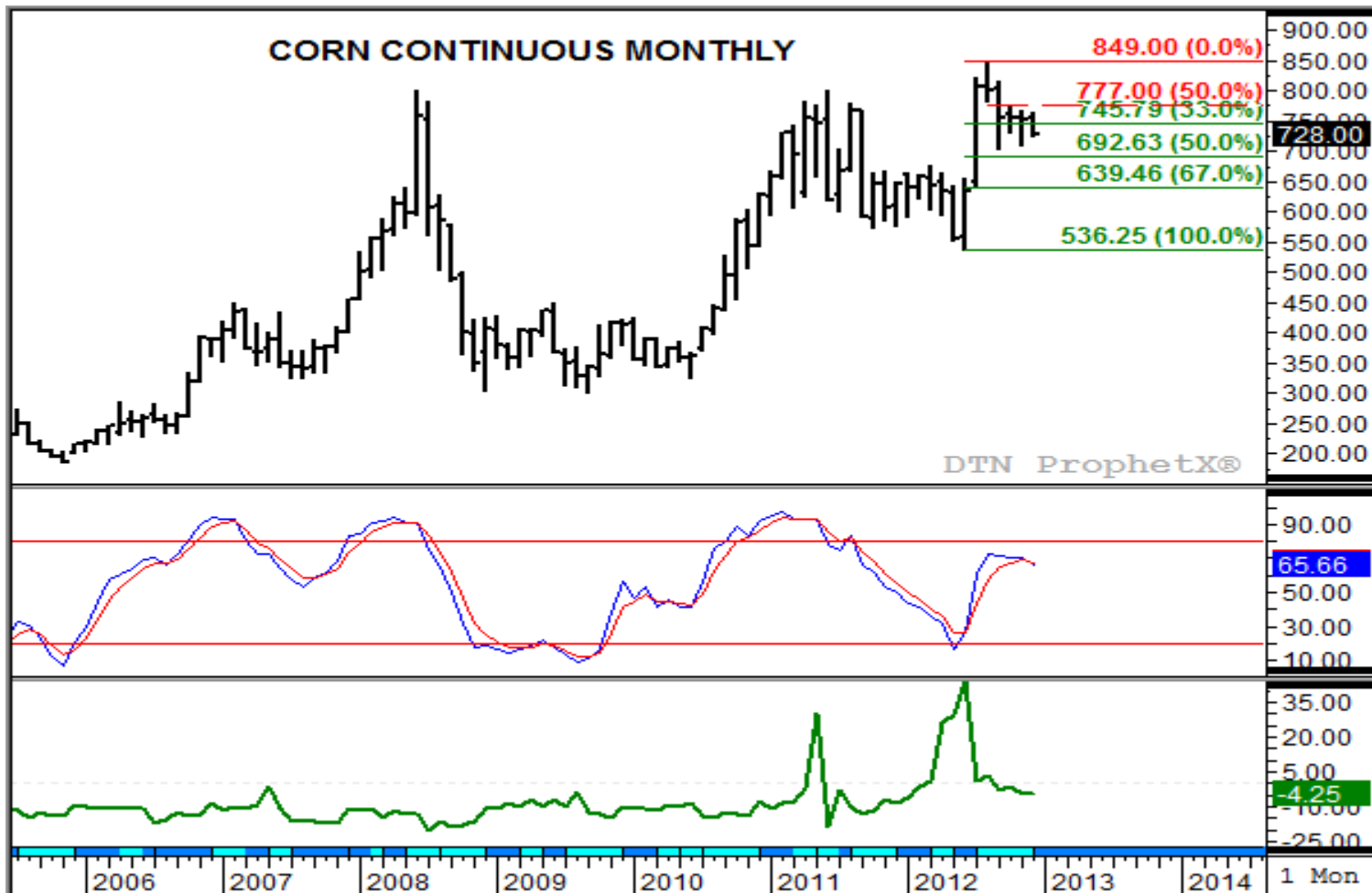
Gold



What about the third of the “Big Three” – Corn?

- Key question: Is the demand market coming to an end, or was 2012 a one-off year?

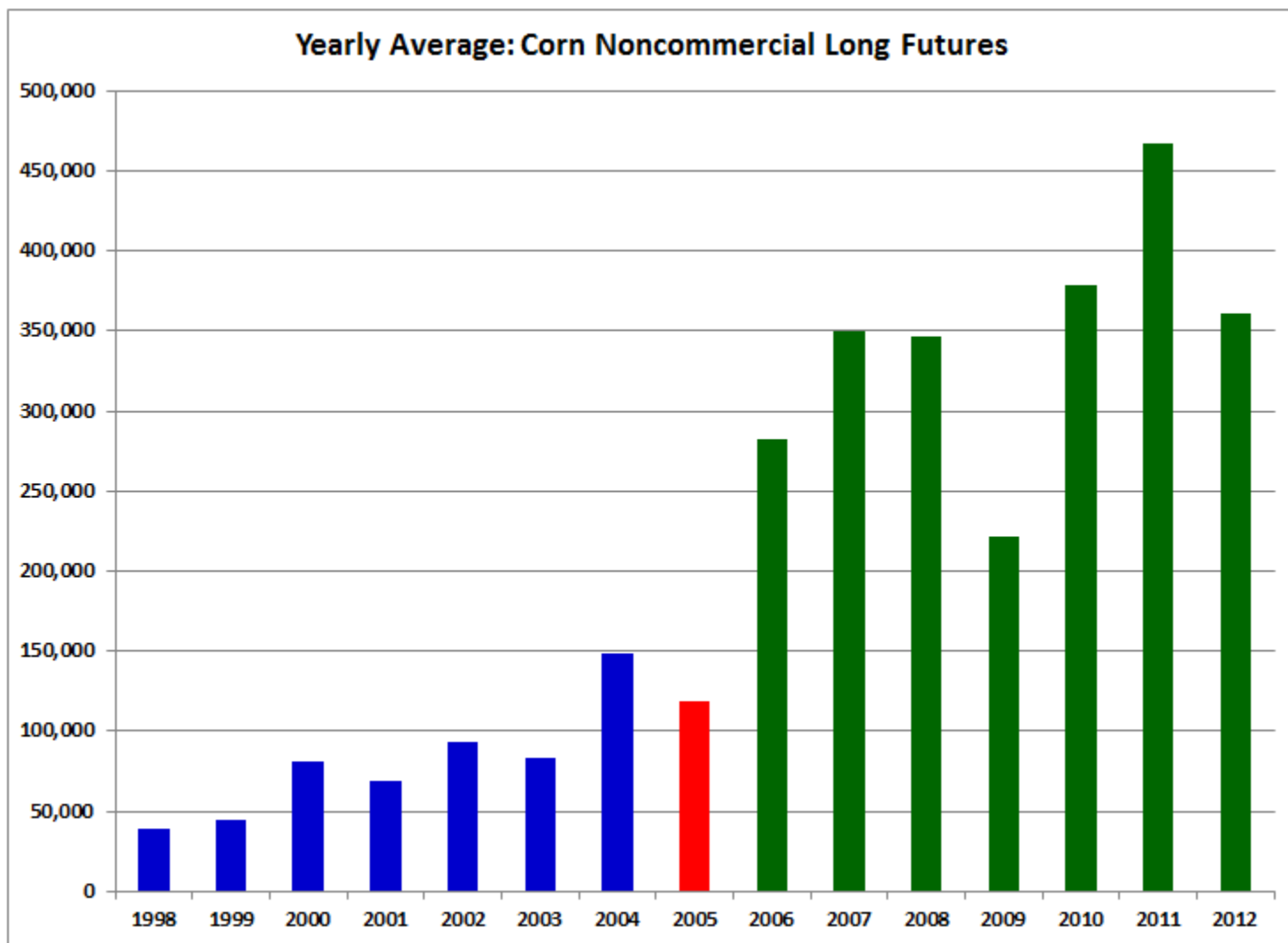
Corn: Long-term Trend



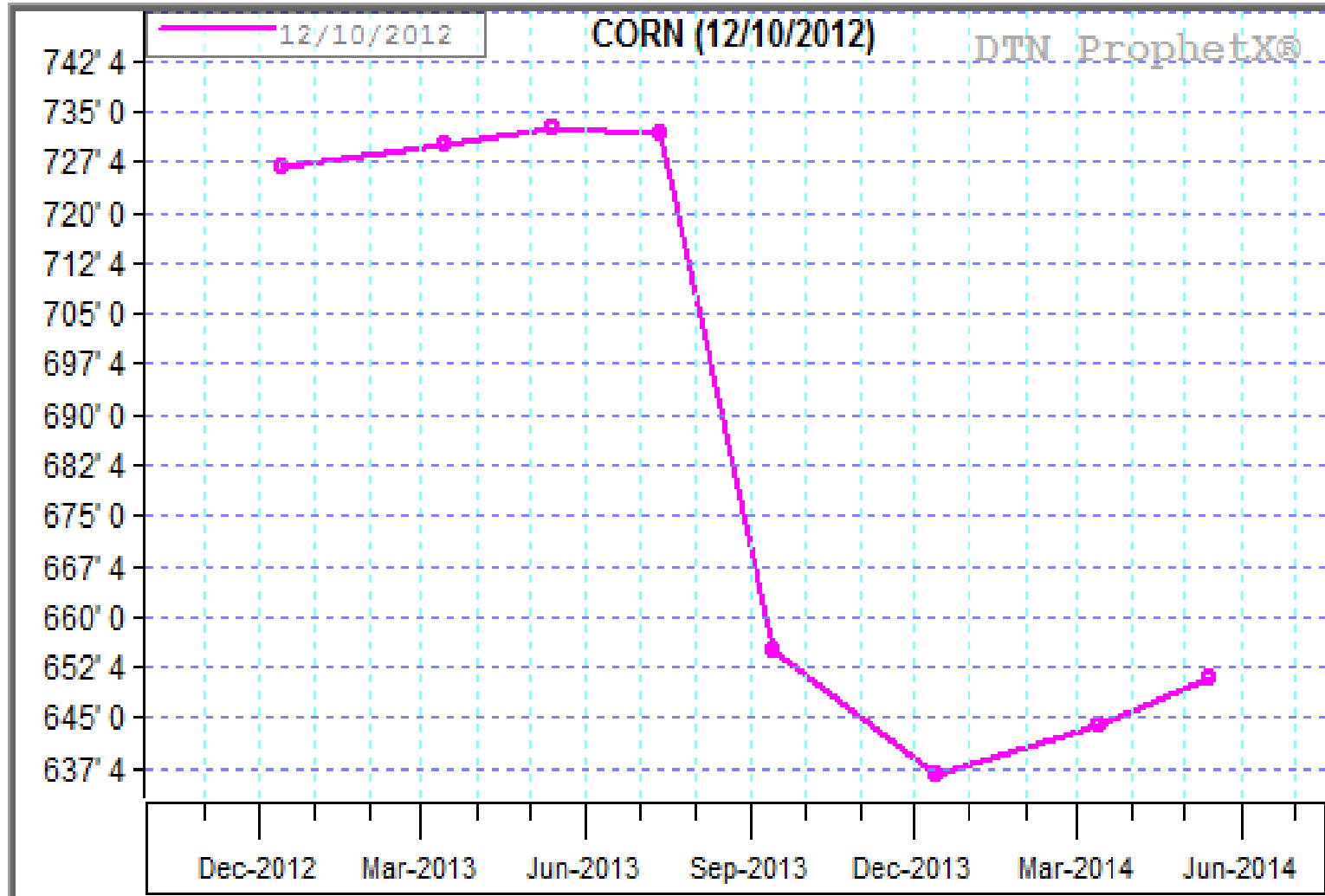
Corn: Short-term Trend



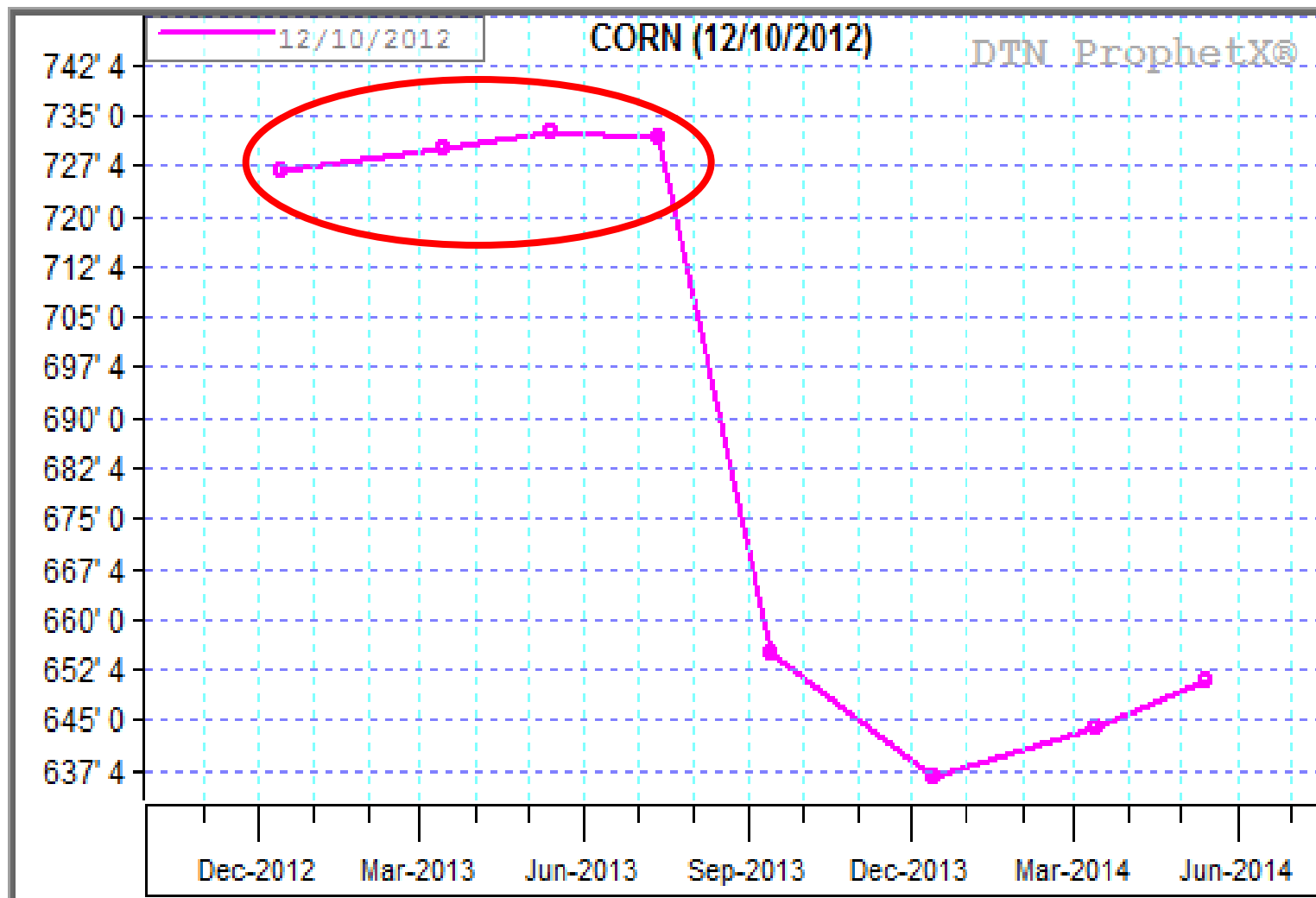
Will Funds Come Back to Corn in 2013?



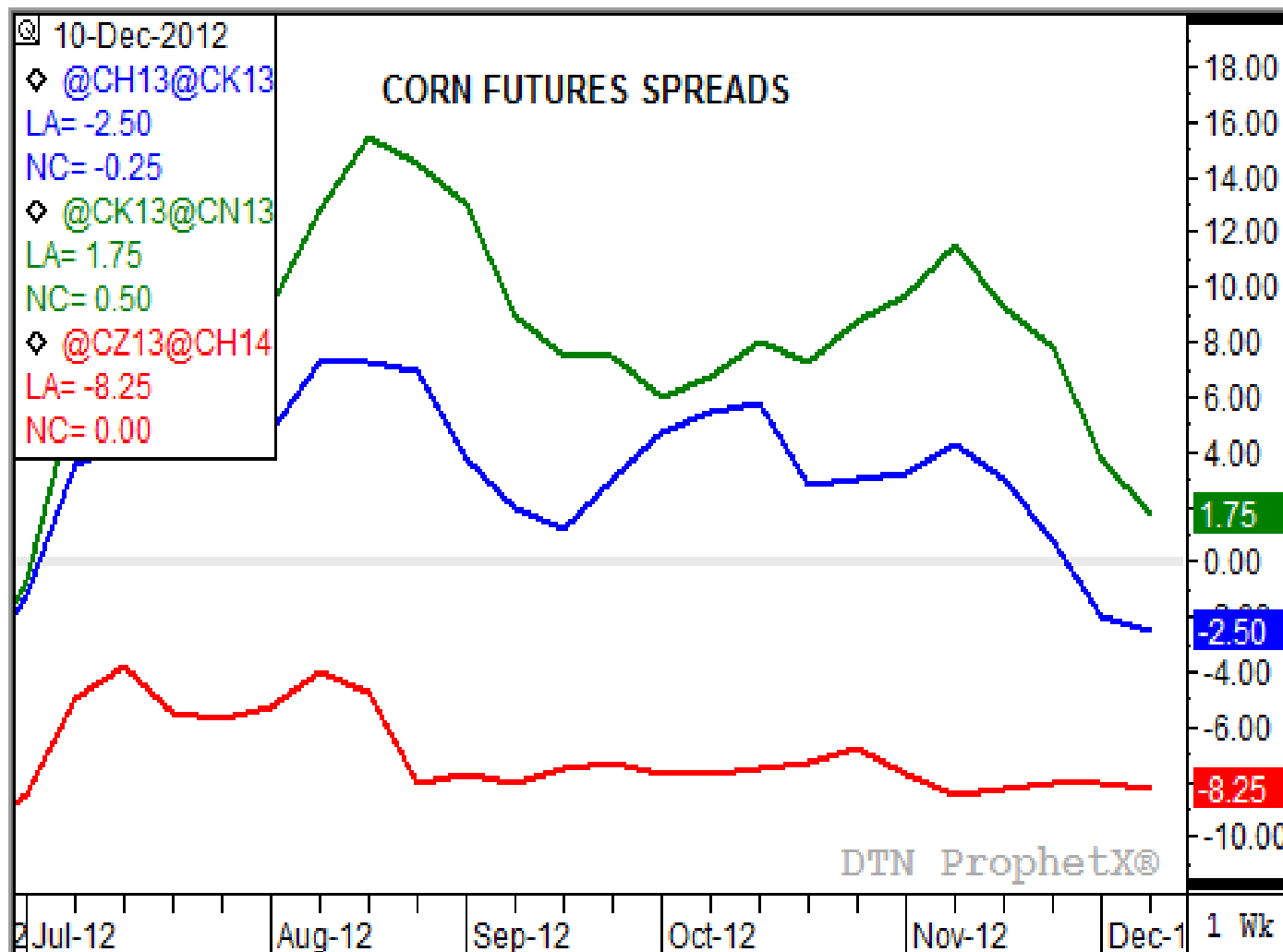
The Market's View of Corn Supply and Demand



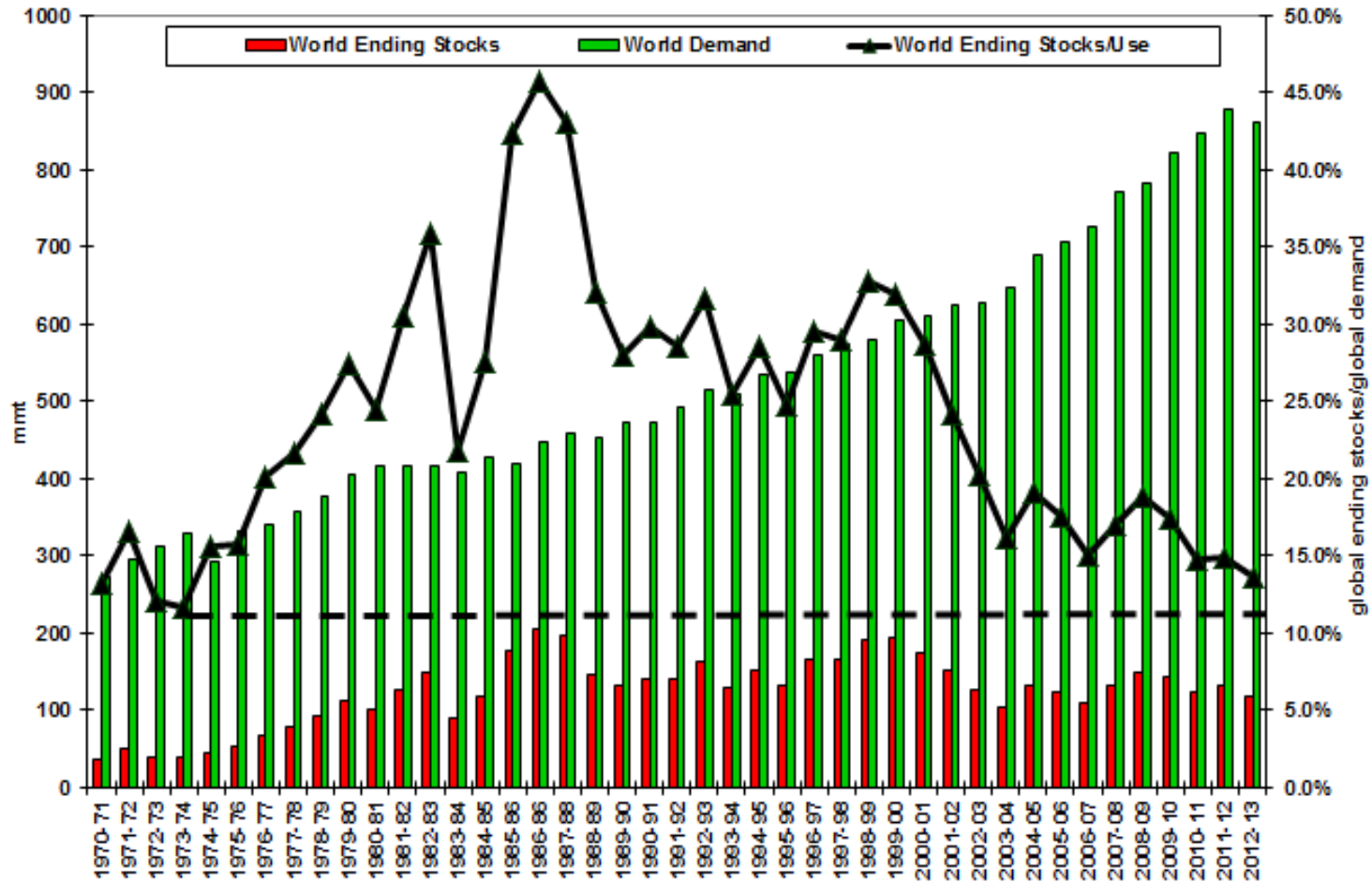
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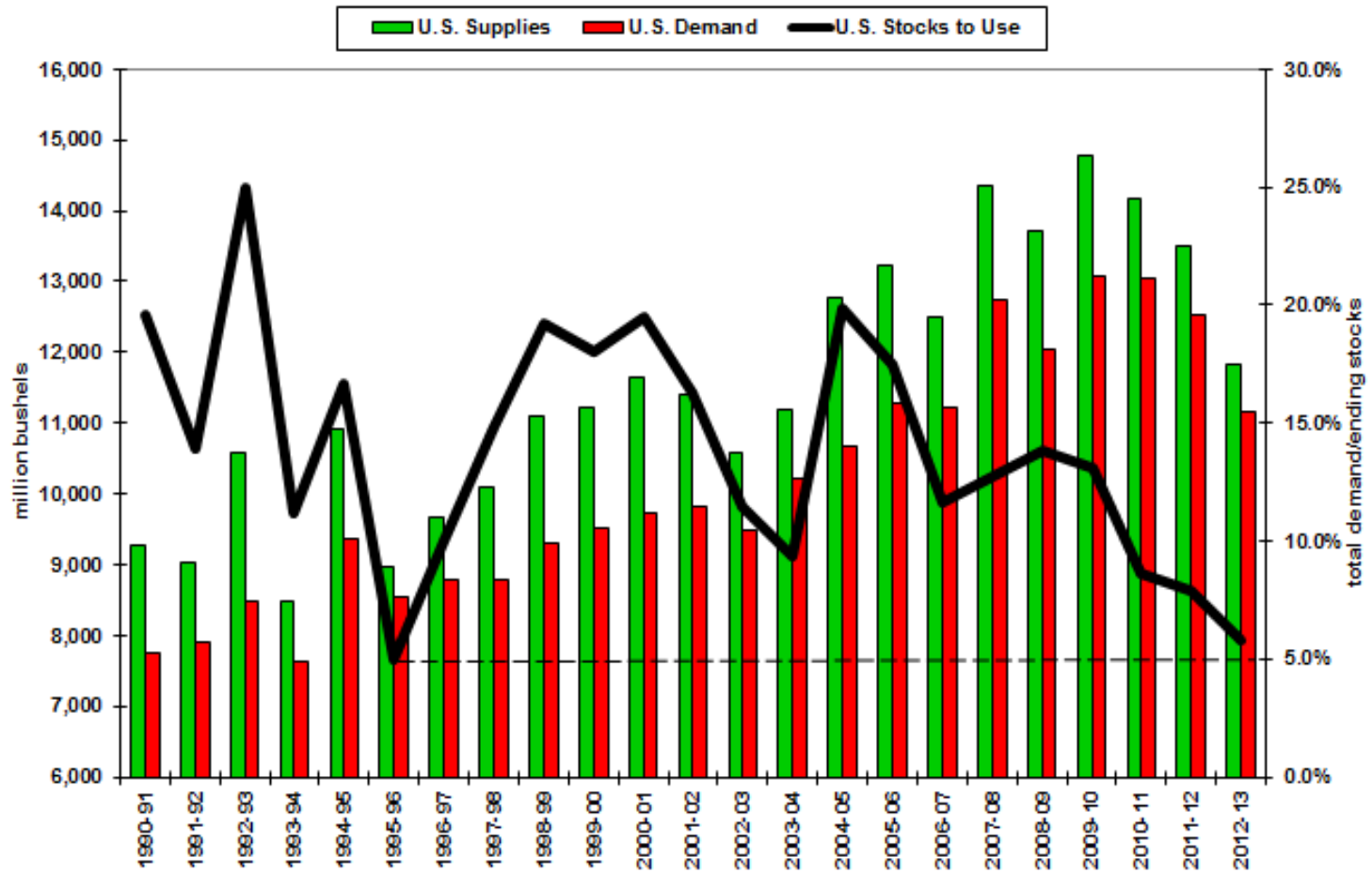
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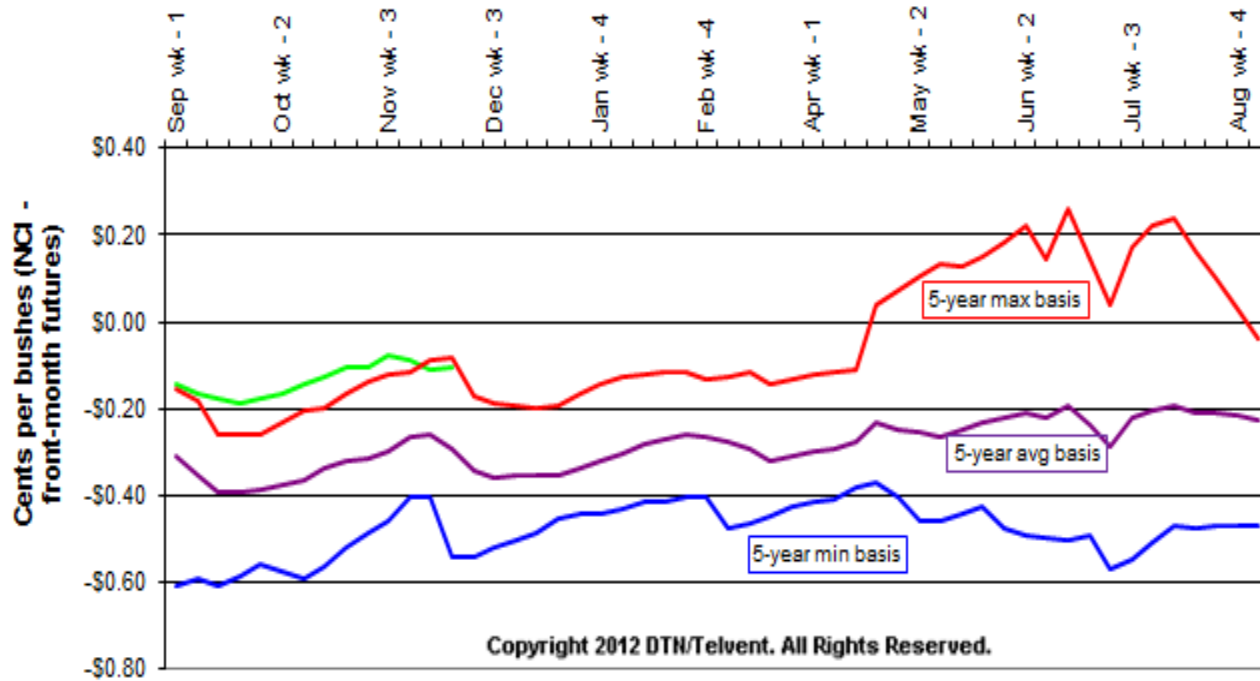
CORN: WORLD SUPPLY AND DEMAND



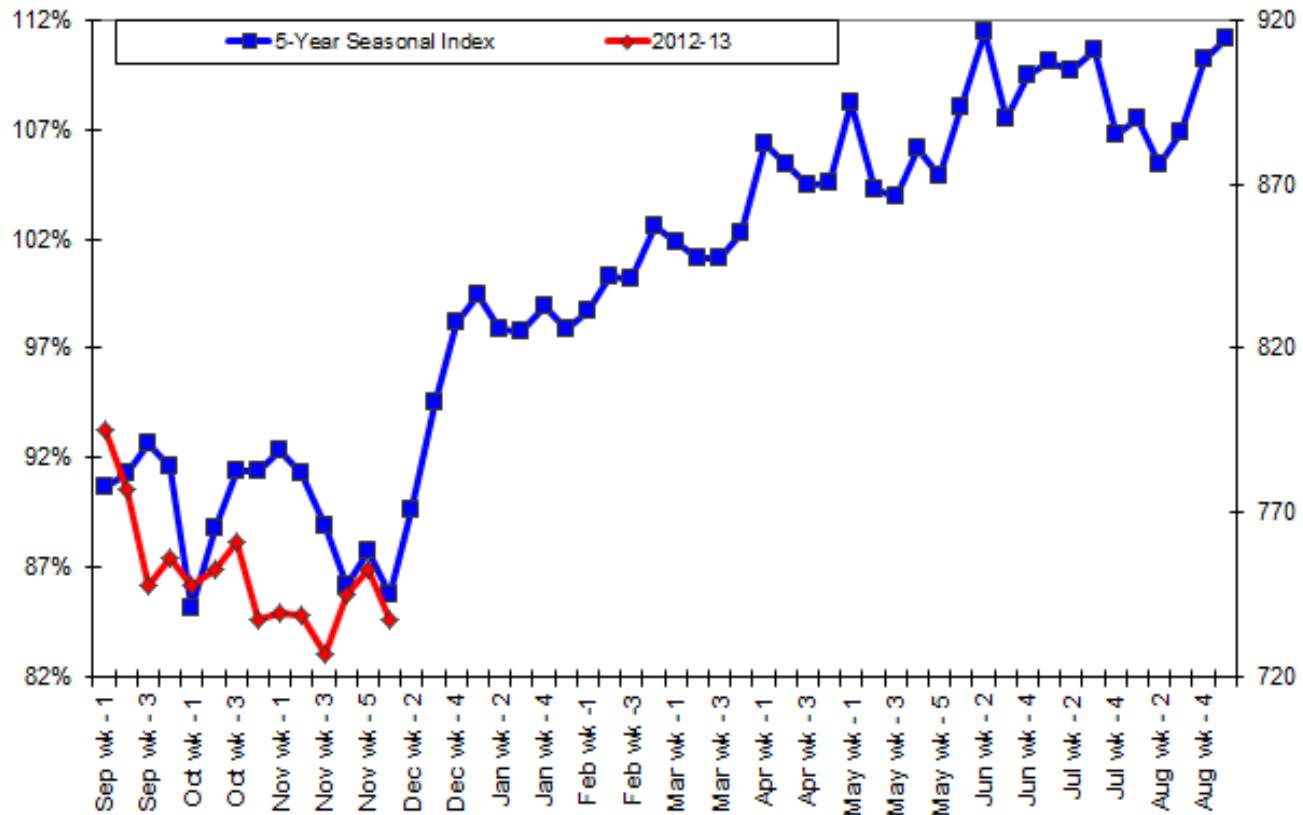
CORN: U.S. Supply/Demand and Stocks to Use



NATIONAL AVERAGE CORN BASIS (DTN National Corn Index - front month futures)

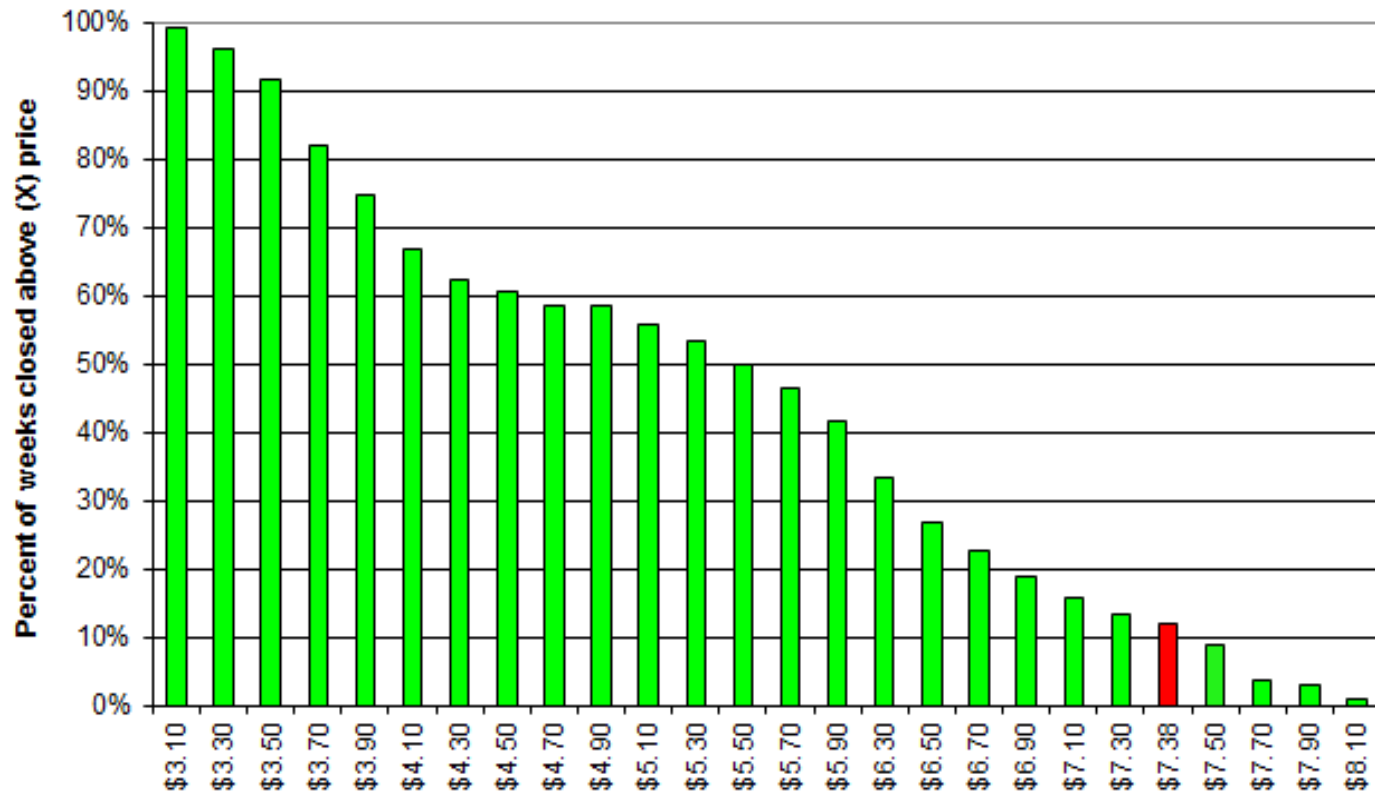


CORN 5-YEAR WEEKLY SEASONAL INDEX



This chart shows the trend of the front-month futures contract (red line) as it relates to the 5-year seasonal tendency (blue line).

FIVE-YEAR CORN PRICE DISTRIBUTION RANGE



This chart illustrates the percentage of time futures trade above given price levels. The red line indicates the front-month futures contract.

Corn Outlook - Bearish

■ Jan-Mar

- Corn futures could stay in contra-seasonal sideways trend, possibly as low as \$6.80
- Basis holds steady, but firm

■ April-June

- Best chance for old-crop corn market to rally back above \$7.50
- Possible increase in export demand
- Return of noncommercial buying interest due to seasonal strength

■ July-Sep

- Could extend rally to seasonal top in futures, possibly near \$7.75 early in the quarter
- Lower prices through the latter two-thirds of the quarter

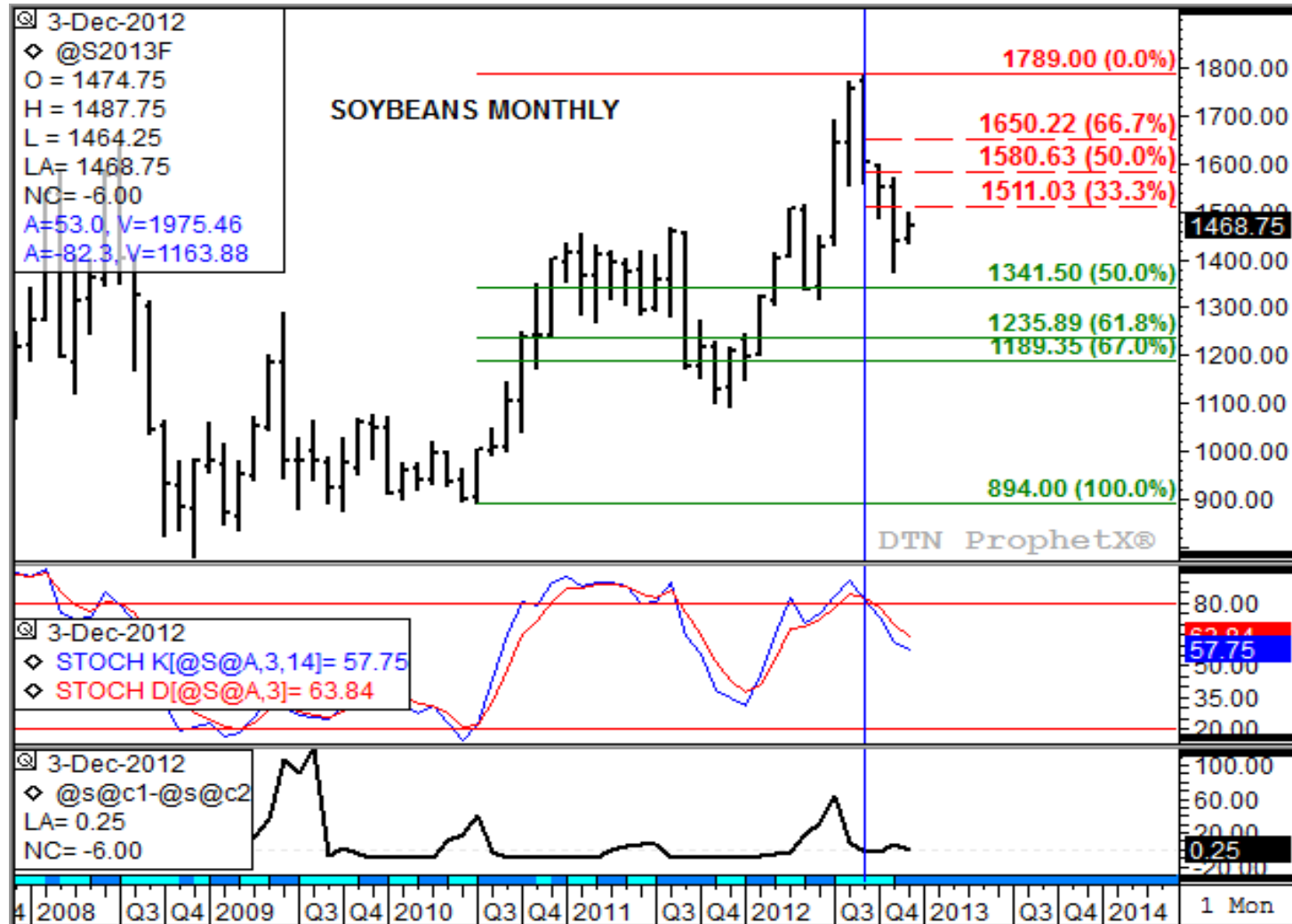
■ Oct-Dec

- Working back toward seasonal lows, possibly between \$6.15 and \$5.75

Soybeans

- Key question: Will South American production bring an end to the long-term bullish fundamental outlook?

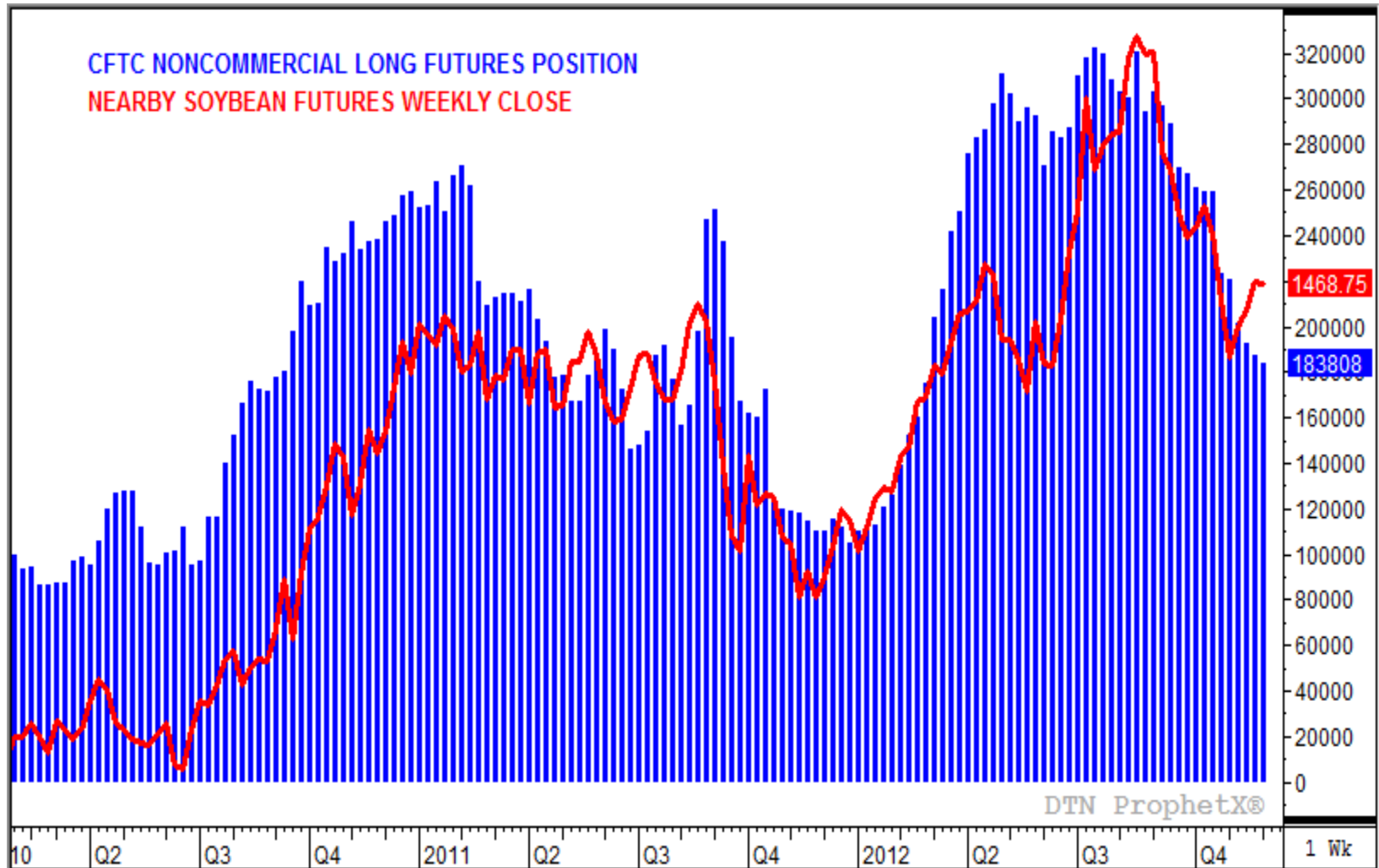
Soybeans: Long-term Trend



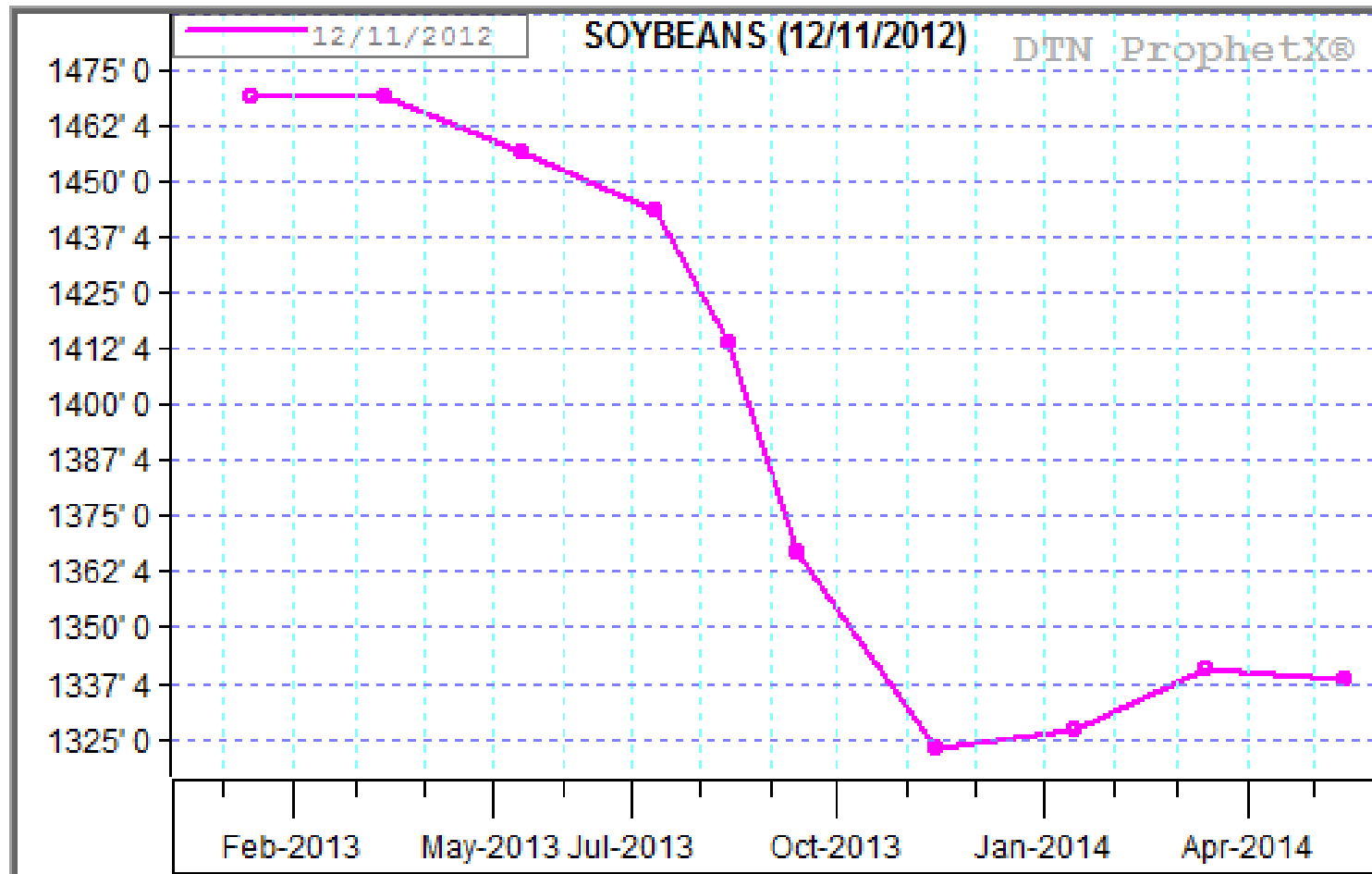
Soybeans: Short-term Trend



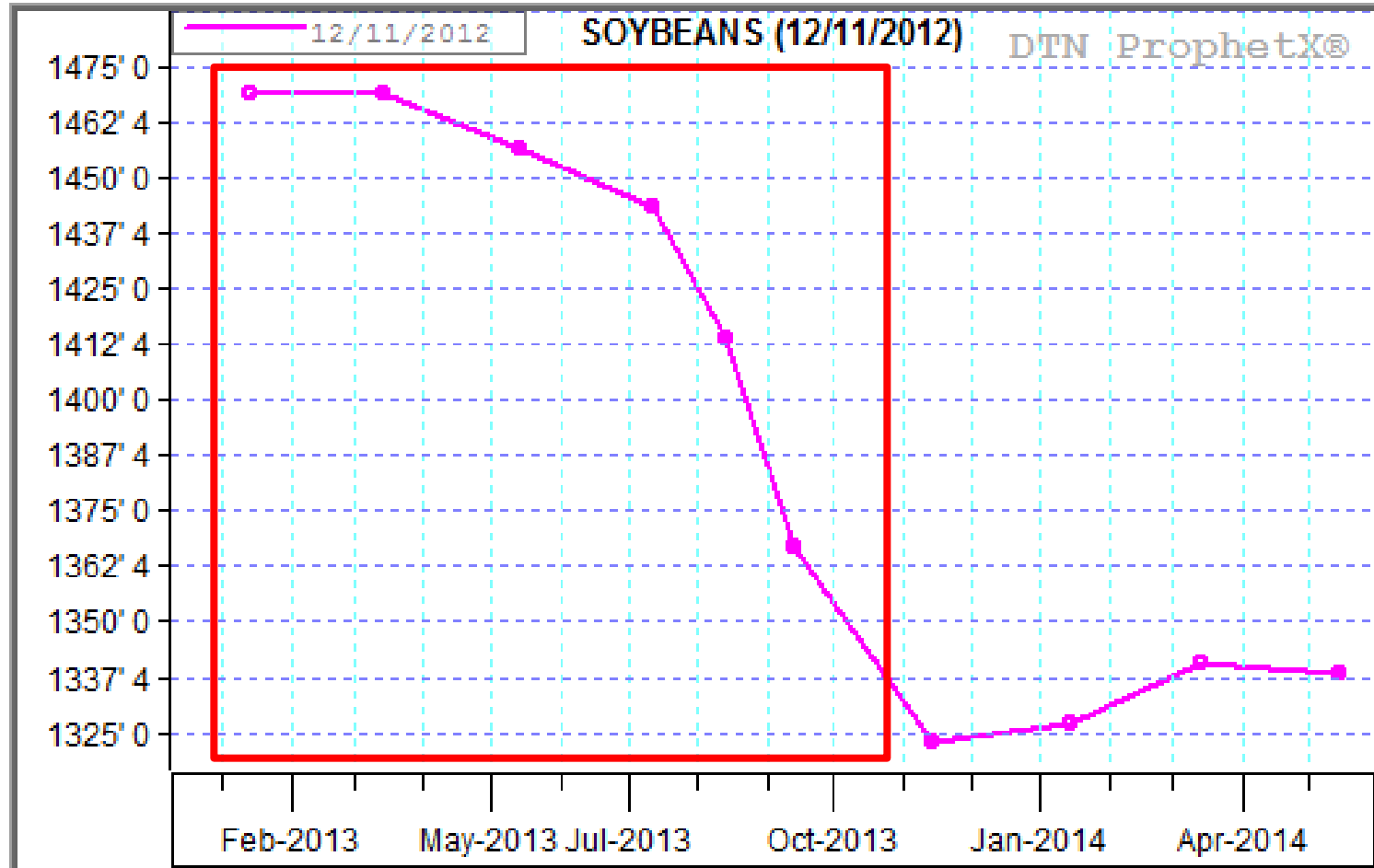
Fund Position in Soybeans



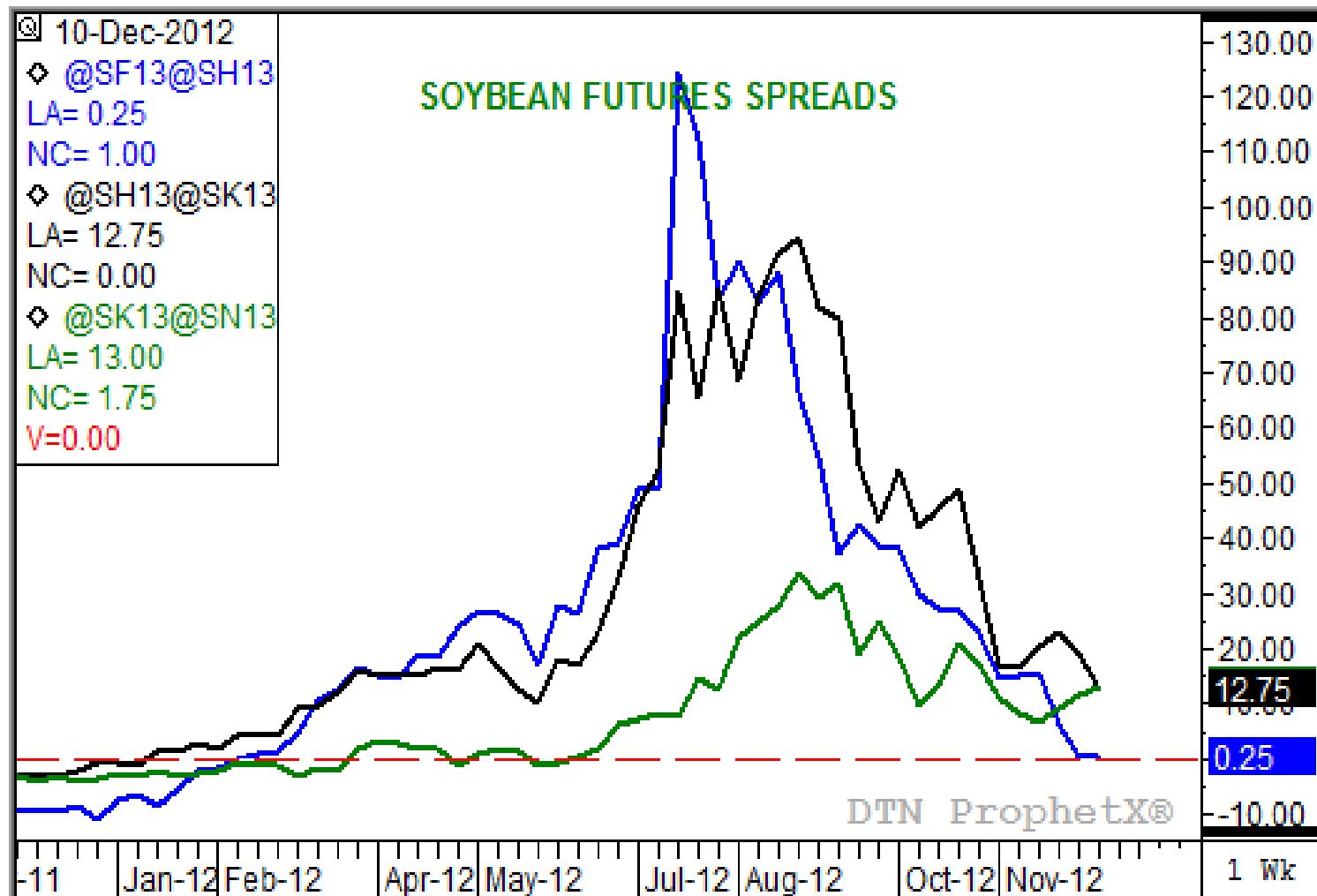
The Market's View of Soybean Fundamentals



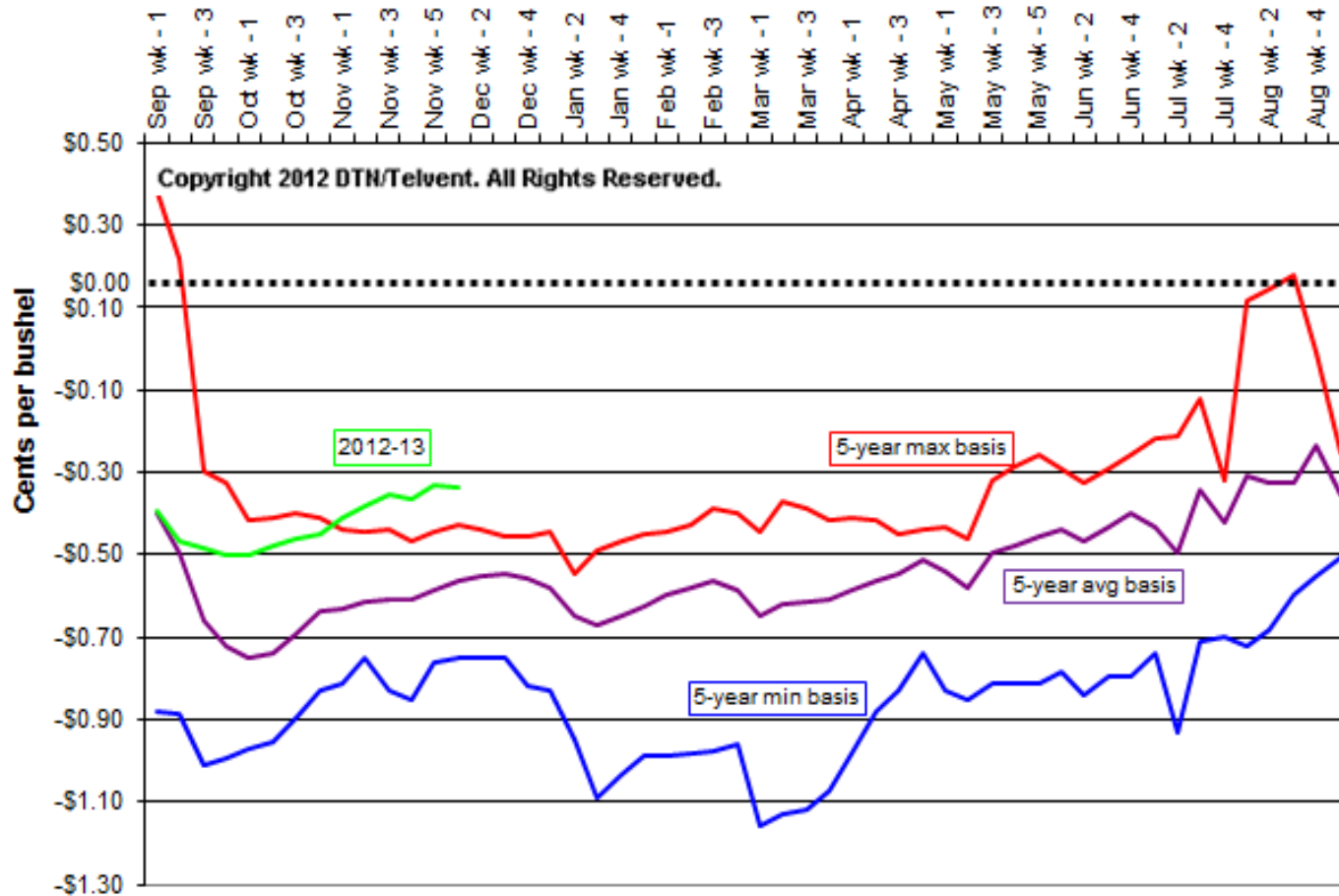
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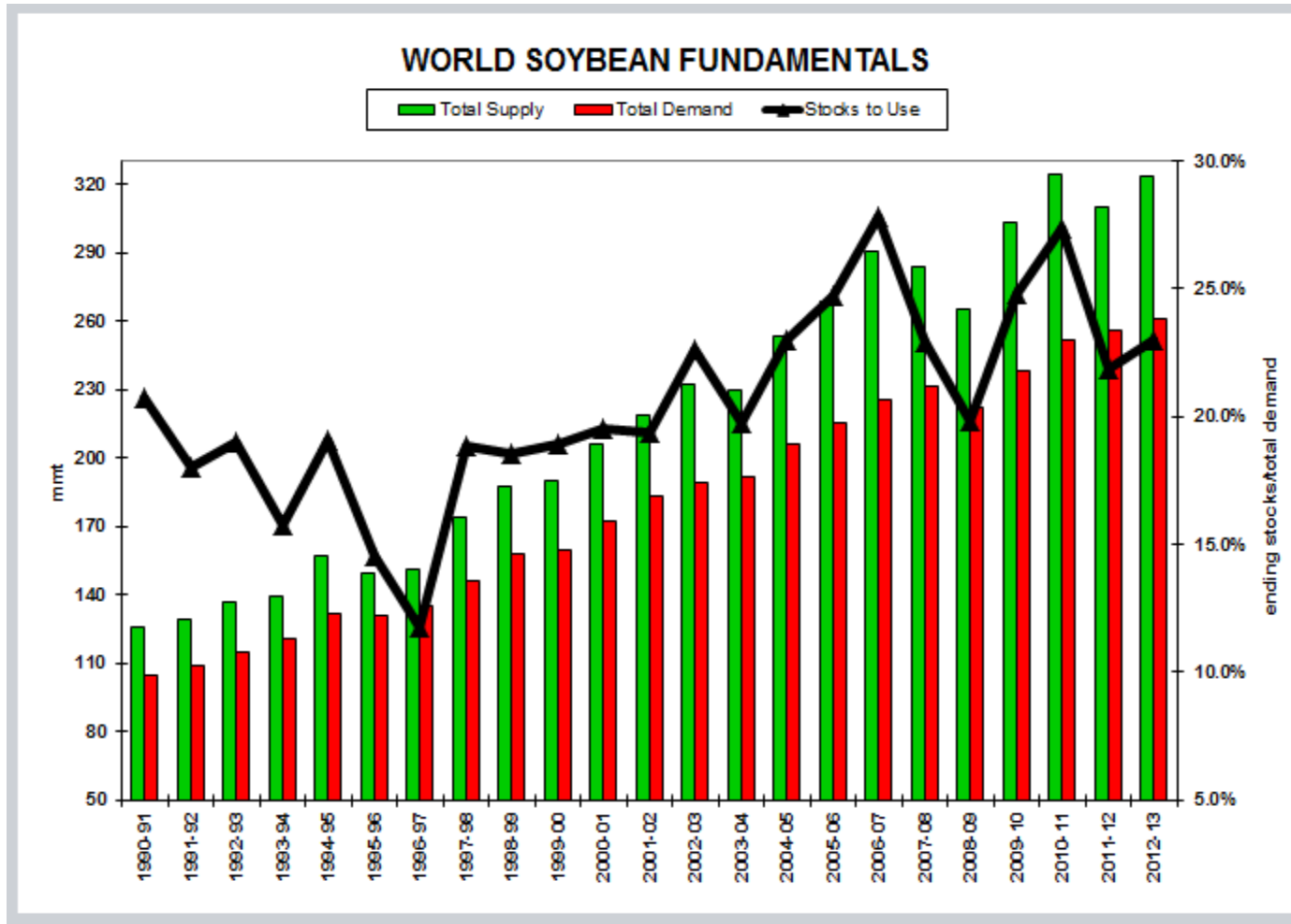
The Market's View of Soybean Fundamentals



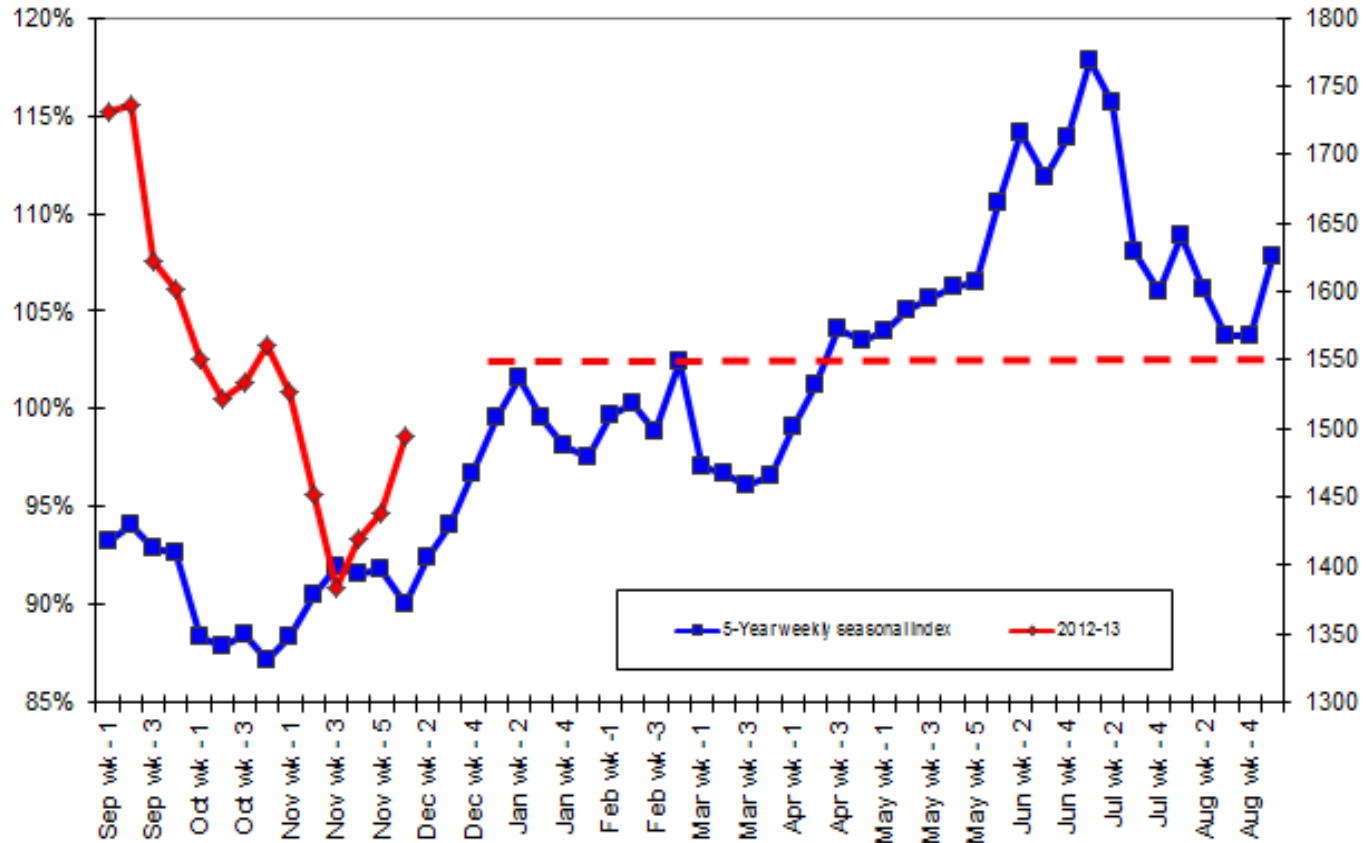
NATIONAL AVERAGE SOYBEAN BASIS: DTN Index - front month futures



Global Soybean Fundamentals (?)

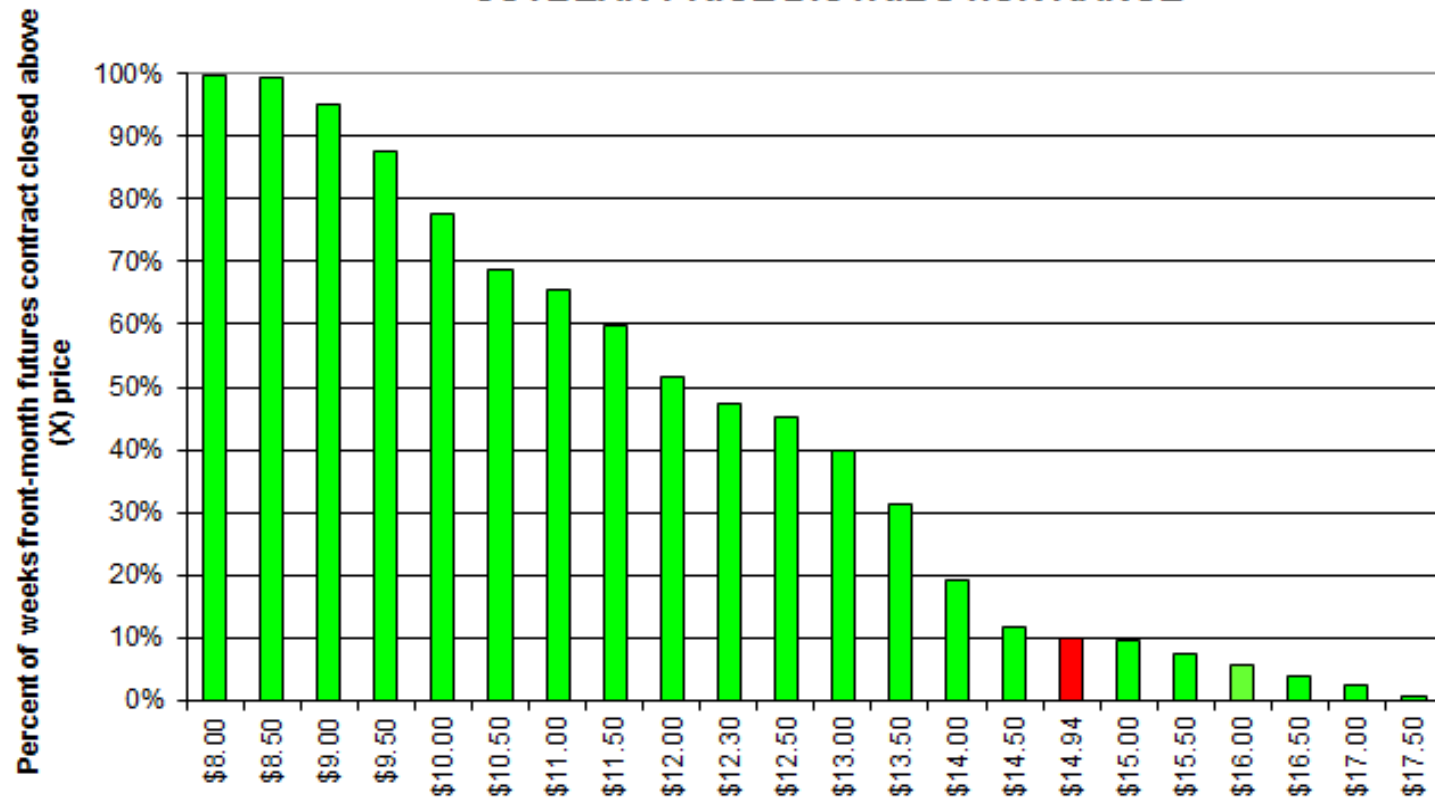


SOYBEAN 5-YEAR WEEKLY SEASONAL INDEX



This shows the trend of the front-month futures contract (red line) as it relates to the 5-year seasonal tendency (blue line).

SOYBEAN PRICE DISTRIBUTION RANGE



This chart illustrates the percentage of time futures closed at given price levels over the last five marketing years. The red line indicates the weekly close of the front-month contract.

Soybean Outlook – Bullish, then bearish

■ Jan-Mar

- Strong exports should rally both the futures and cash market.
- Futures could reach \$16.50 with national average cash near \$16.15.
- If South American harvest is delayed, futures and cash could test 2012 highs (\$17.89 and about \$17.50).

■ April-June

- Long-term downtrend (established September 2012) should kick in.
- New South American supplies switch exports away from US.
- Basis market begins to weaken.

■ July-Sep

- Old-crop market weakness on a sharp slowdown in demand.
- New-crop pricing opportunities tied to weather. Possible seasonal high near \$14.60 early in the quarter.

■ Oct-Dec

- Depending on weather developments, futures could be back near \$13.00

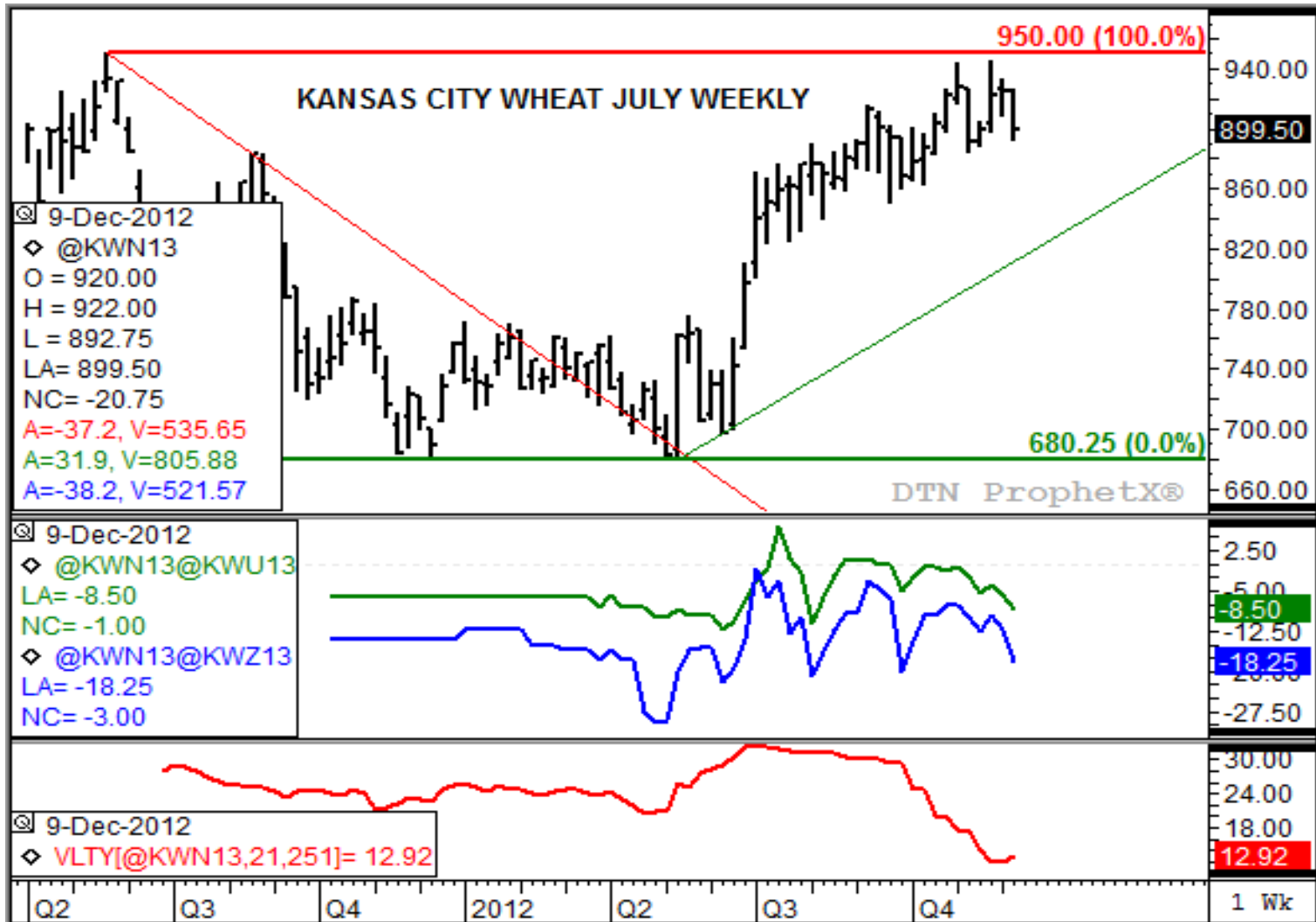
Wheat

- Key question: Will the drought in the Southern Plains winter wheat growing area ever end, and does it even matter?

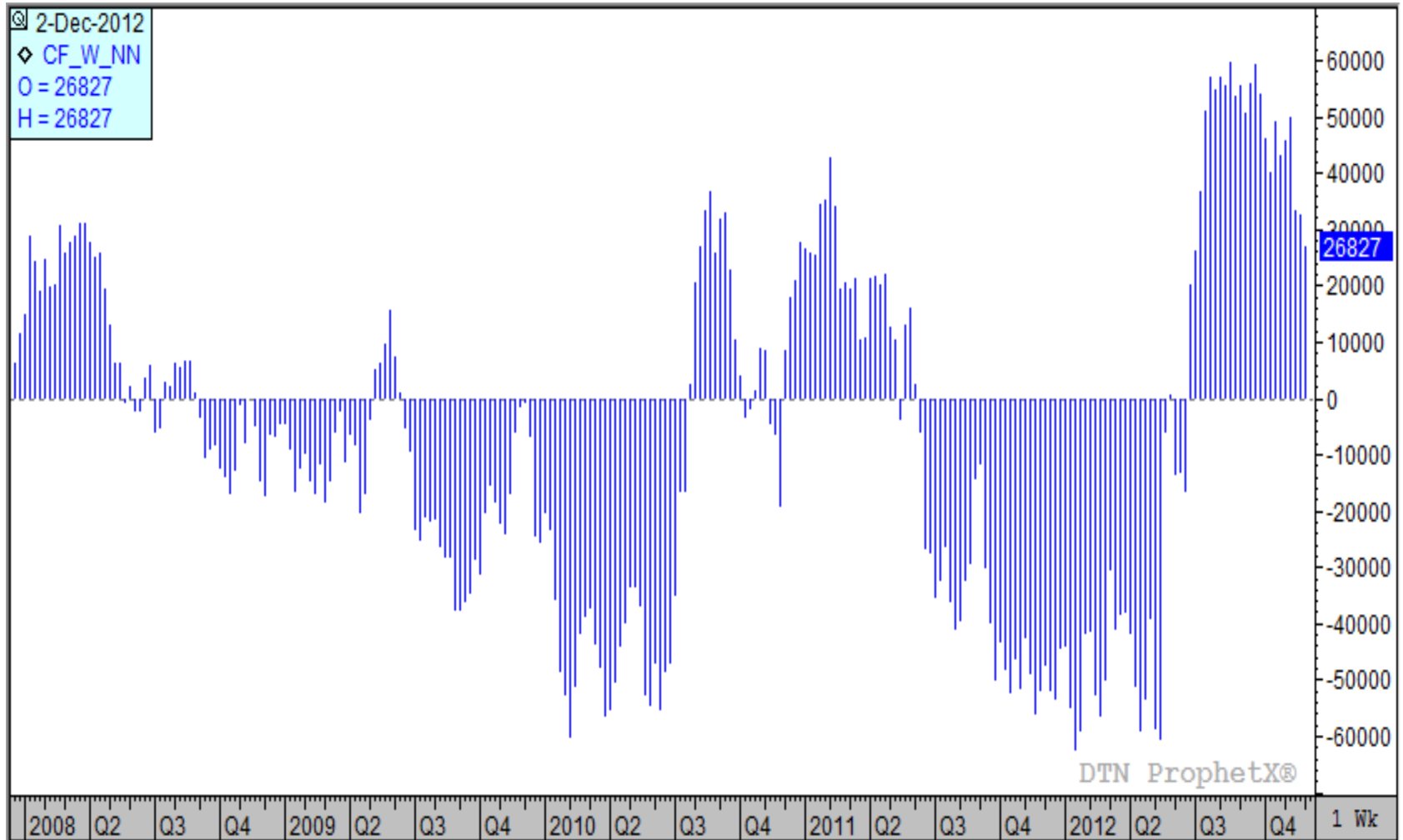
Wheat: Long-term Trend



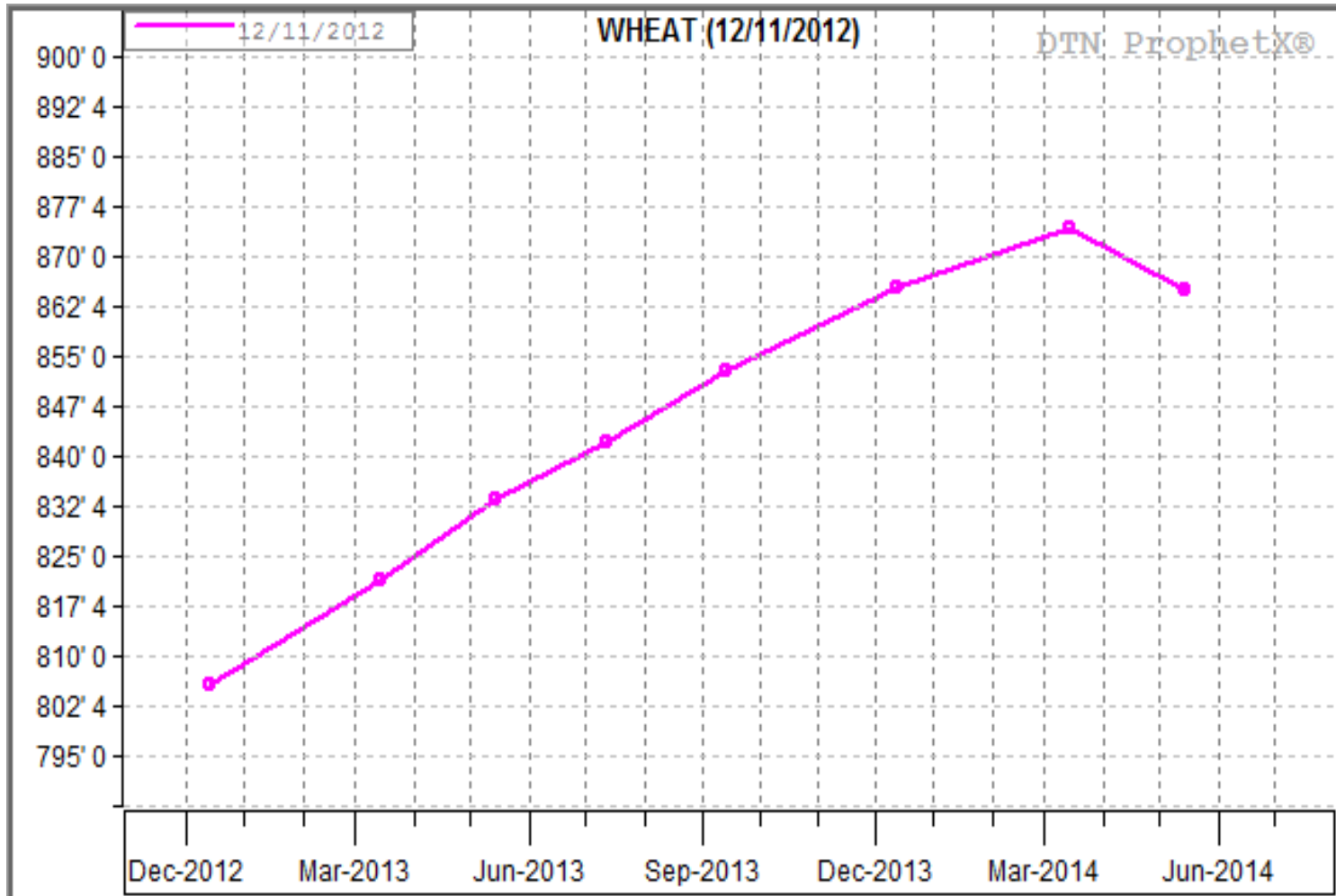
Wheat: Short-term Trend (KC New Crop)



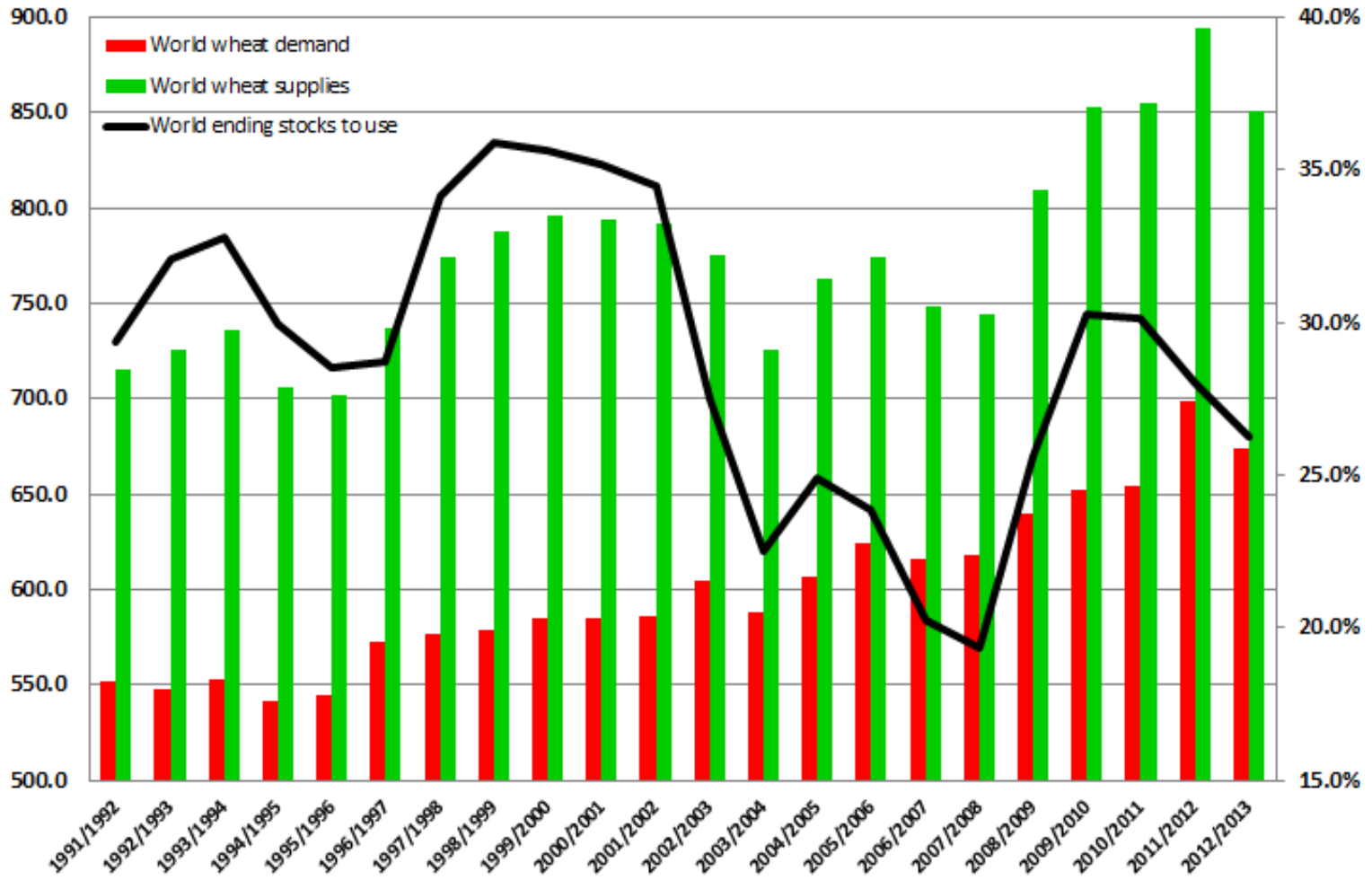
Fund Position in Chicago Wheat



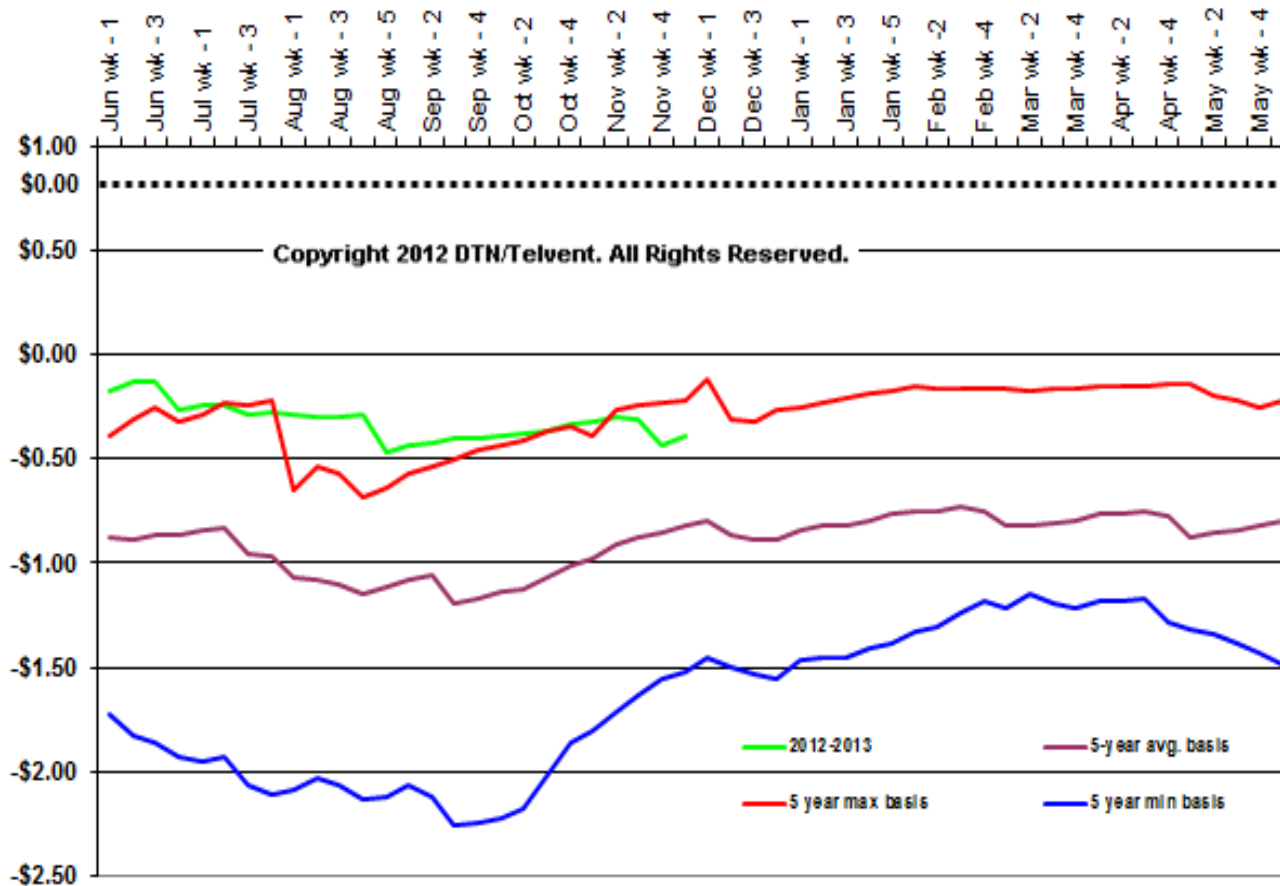
The Market's View of Wheat Supply and Demand



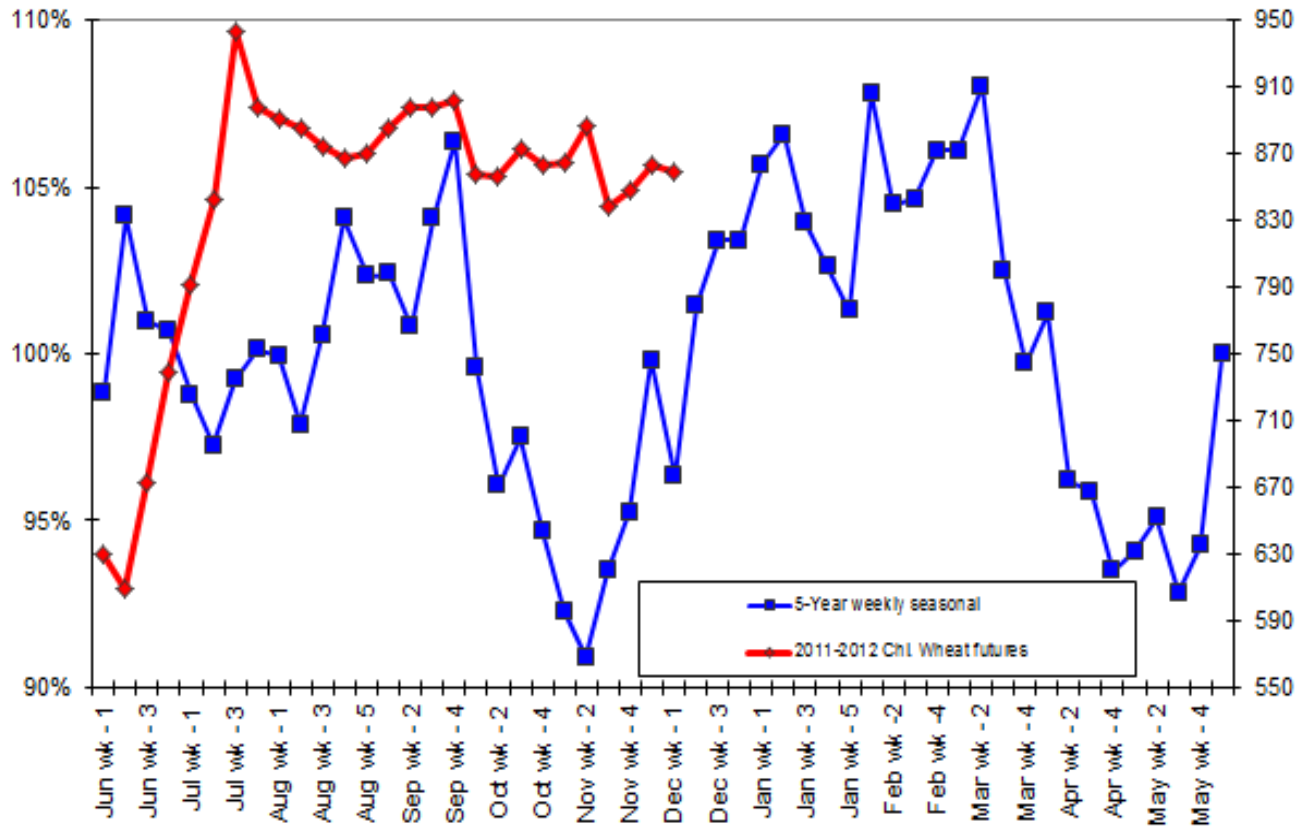
World Wheat Fundamentals



SRW Basis

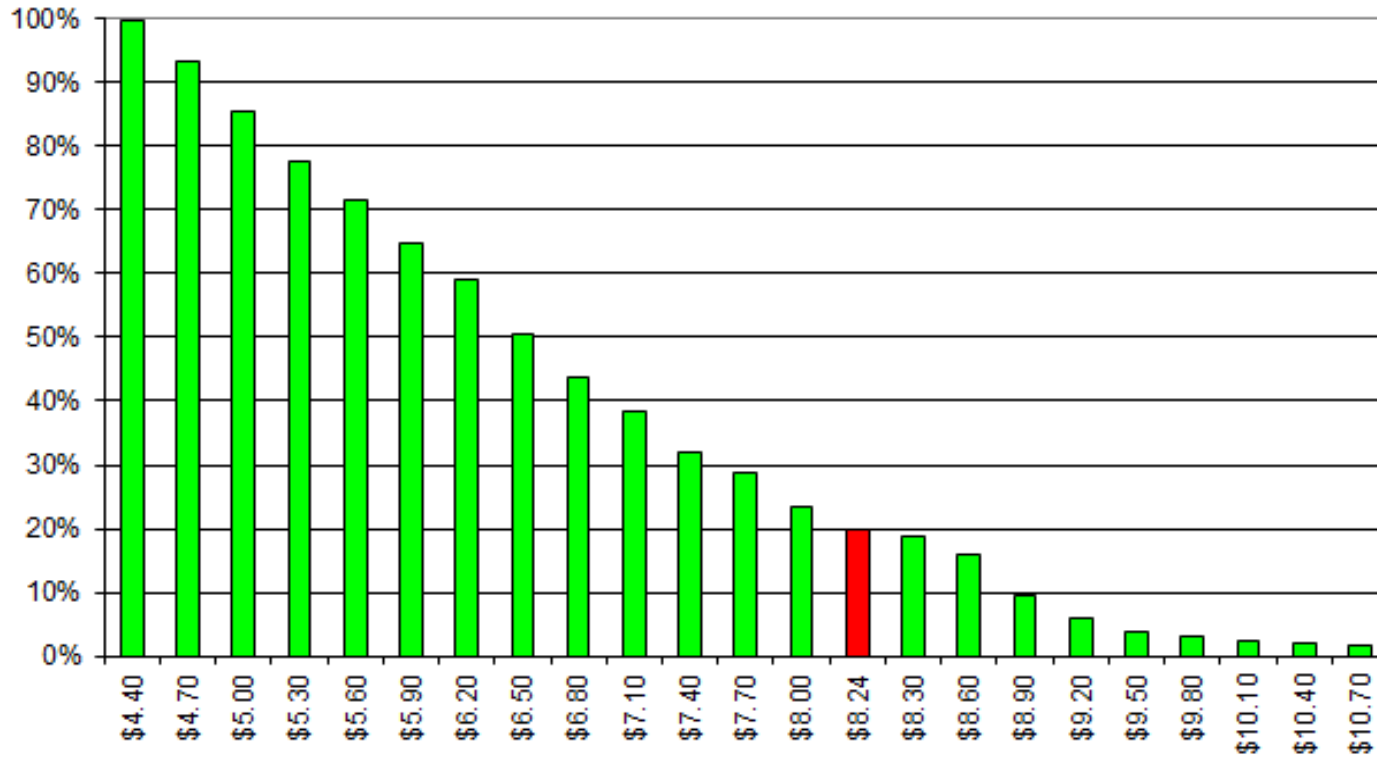


5-YEAR CHICAGO WHEAT WEEKLY SEASONAL INDEX



This is shows the trend of the front-month futures contract (red line) as it relates to the 5-year seasonal tendency (blue line).

5-YEAR SRW PRICE PROBABILITY CHART



This illustrates the percentage of time futures trade above given price levels.

Wheat Outlook – Bearish*

■ Jan-Mar

- Moving into a modest seasonal rally could result in wheat testing \$8.60 with support coming from continued drought in the Southern Plains.
- A lack of export demand could limit buying enthusiasm.
- Global harvests in Australia, India, and Argentina could keep pressure on spreads.

■ April-June

- Normal seasonal harvest pressure in the US could be minimal.
- Still, new-crop July contract could fall back to near \$8.00.
- Basis could stay firm due to low yields.

■ July-Sep

- Reduced harvest and a slowdown in cash sales could spark a rally to near \$9.00 during seasonally strong quarter.

■ Oct-Dec

- The end of the year could see Chicago wheat fall back to \$7.75.



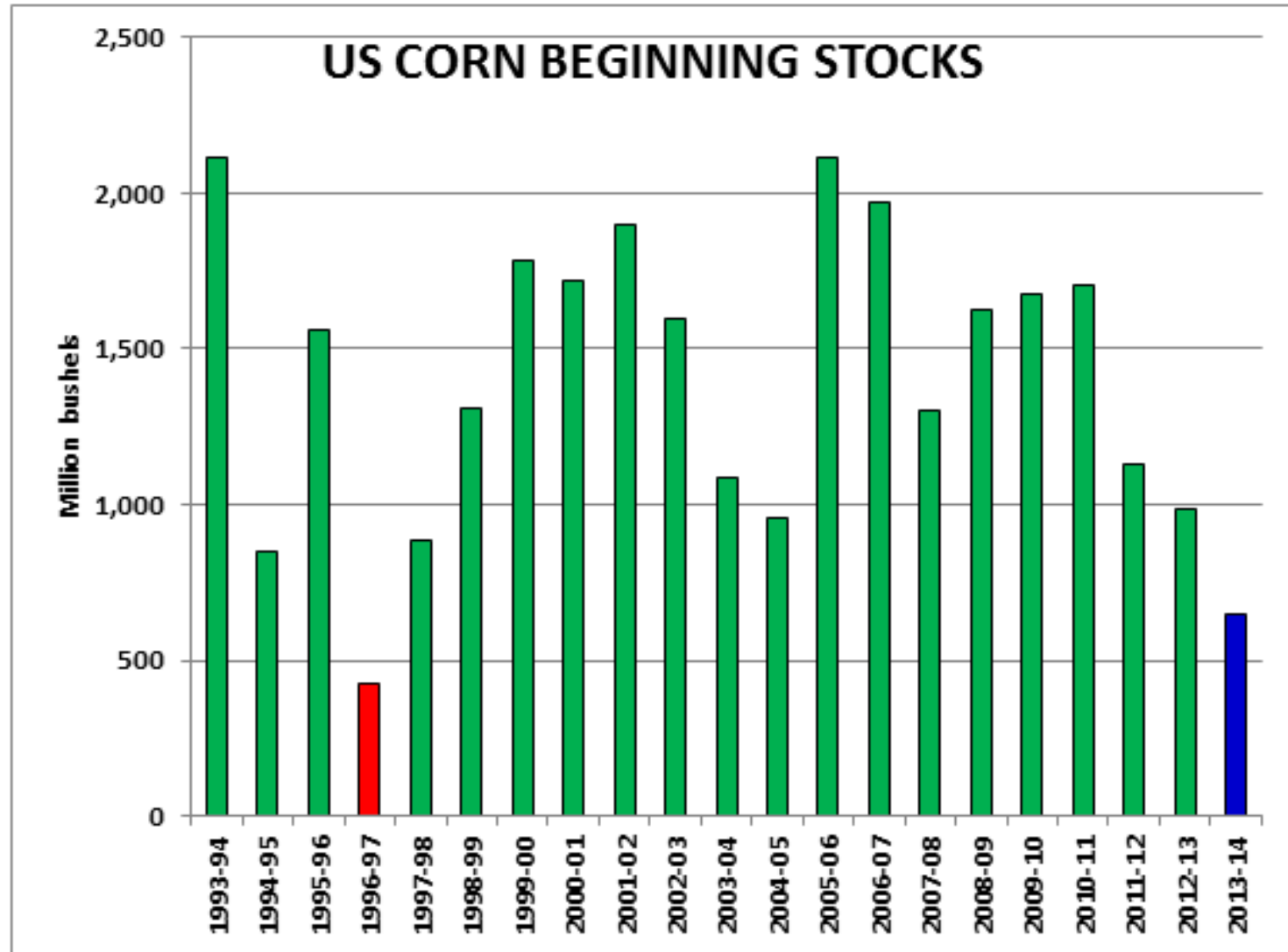
For more information:

Visit: www.dtnprogressivefarmer.com

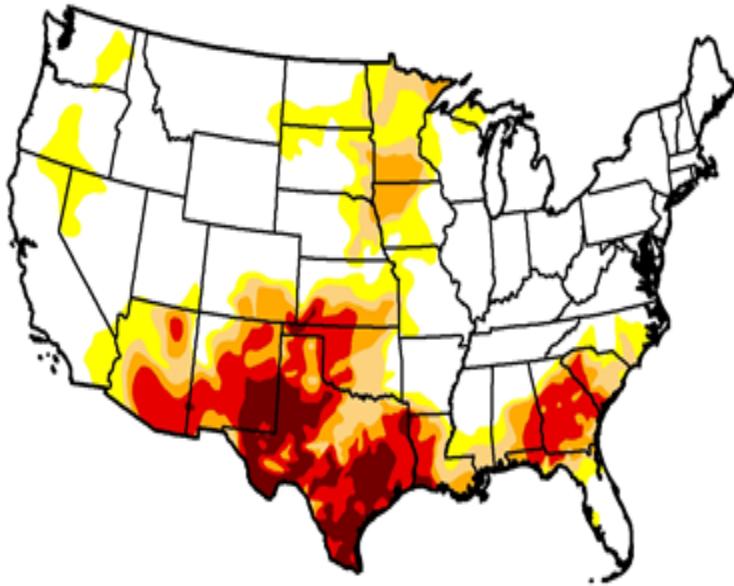
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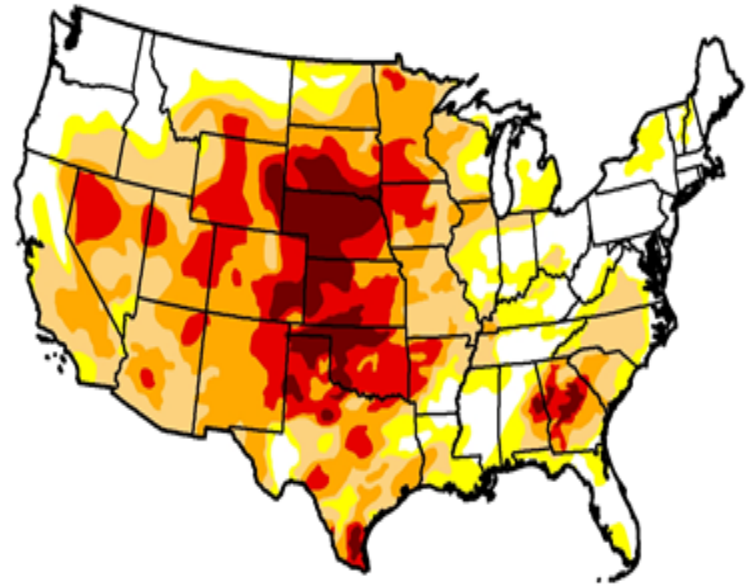
Thank you



Palmer Drought Index Comparisons

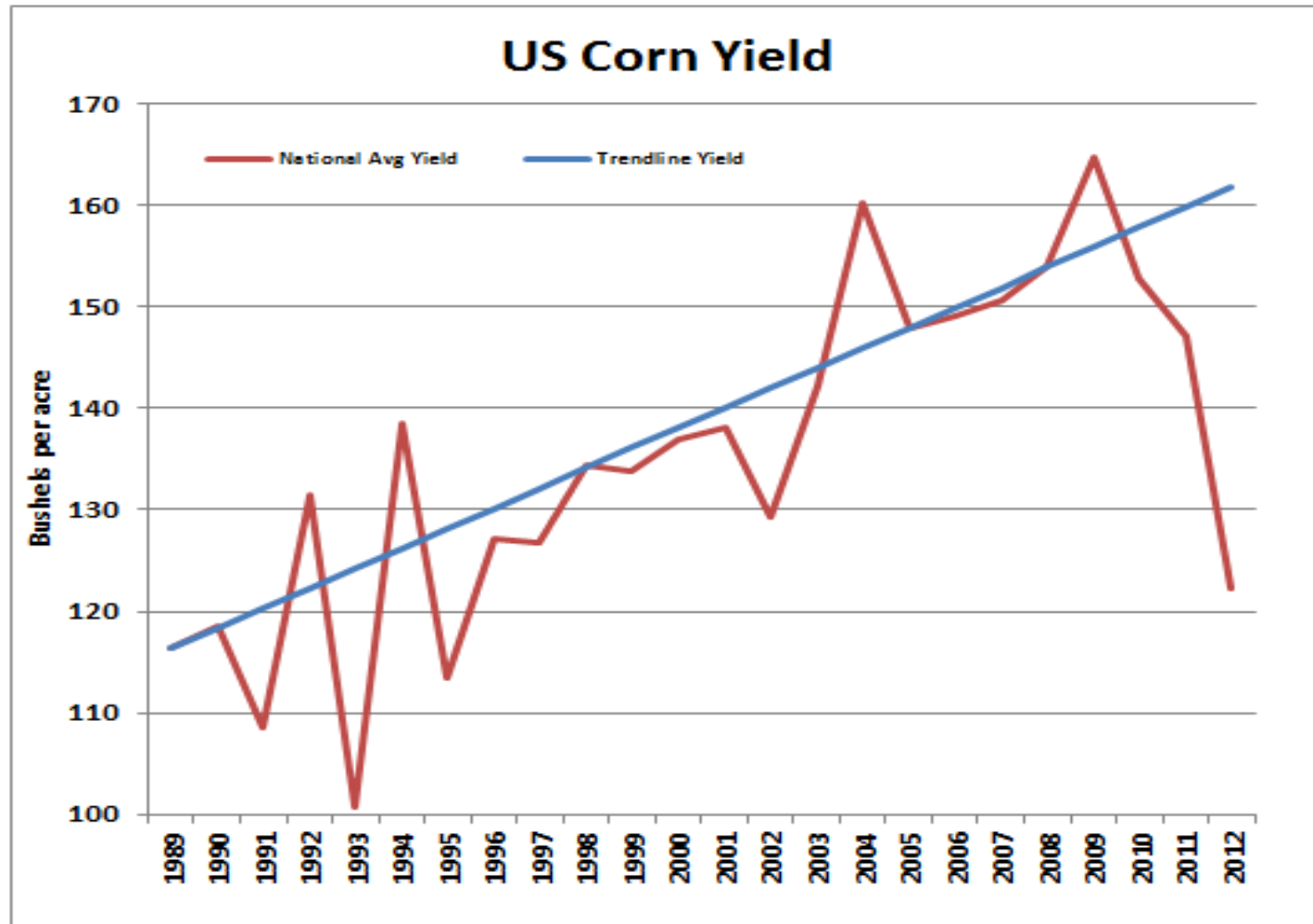


December 6, 2011

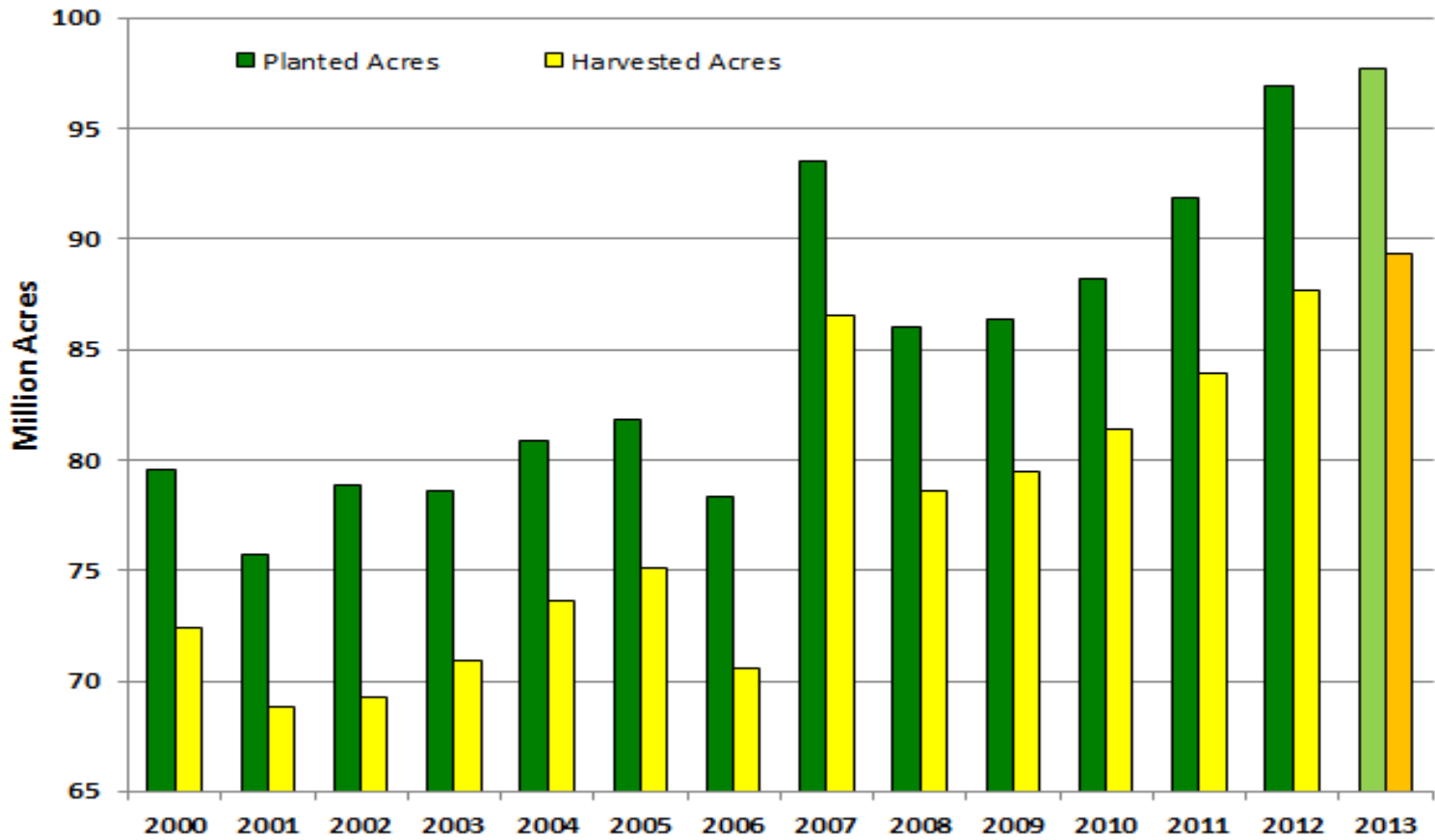


December 4, 2012

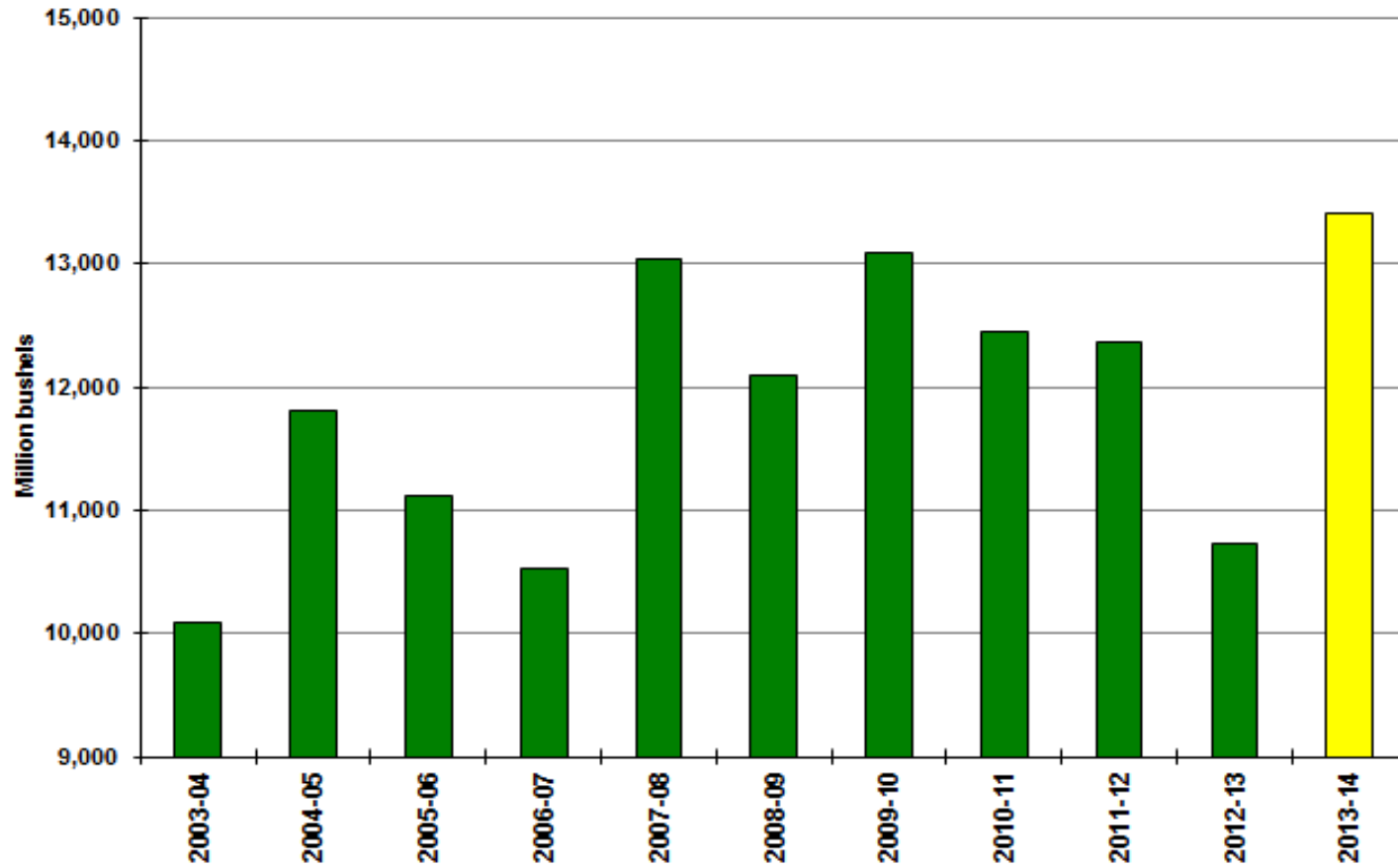




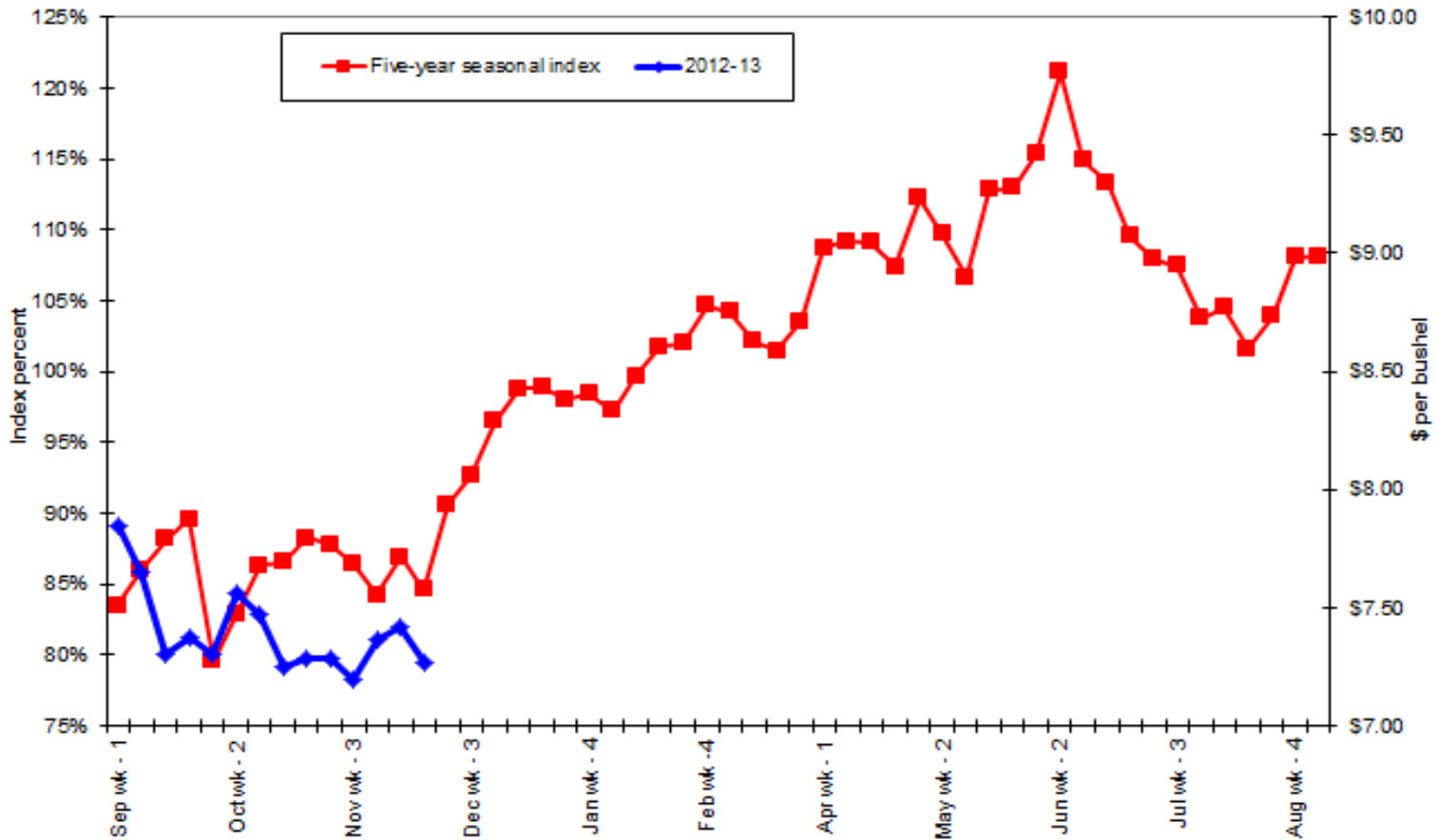
US Corn Acreage



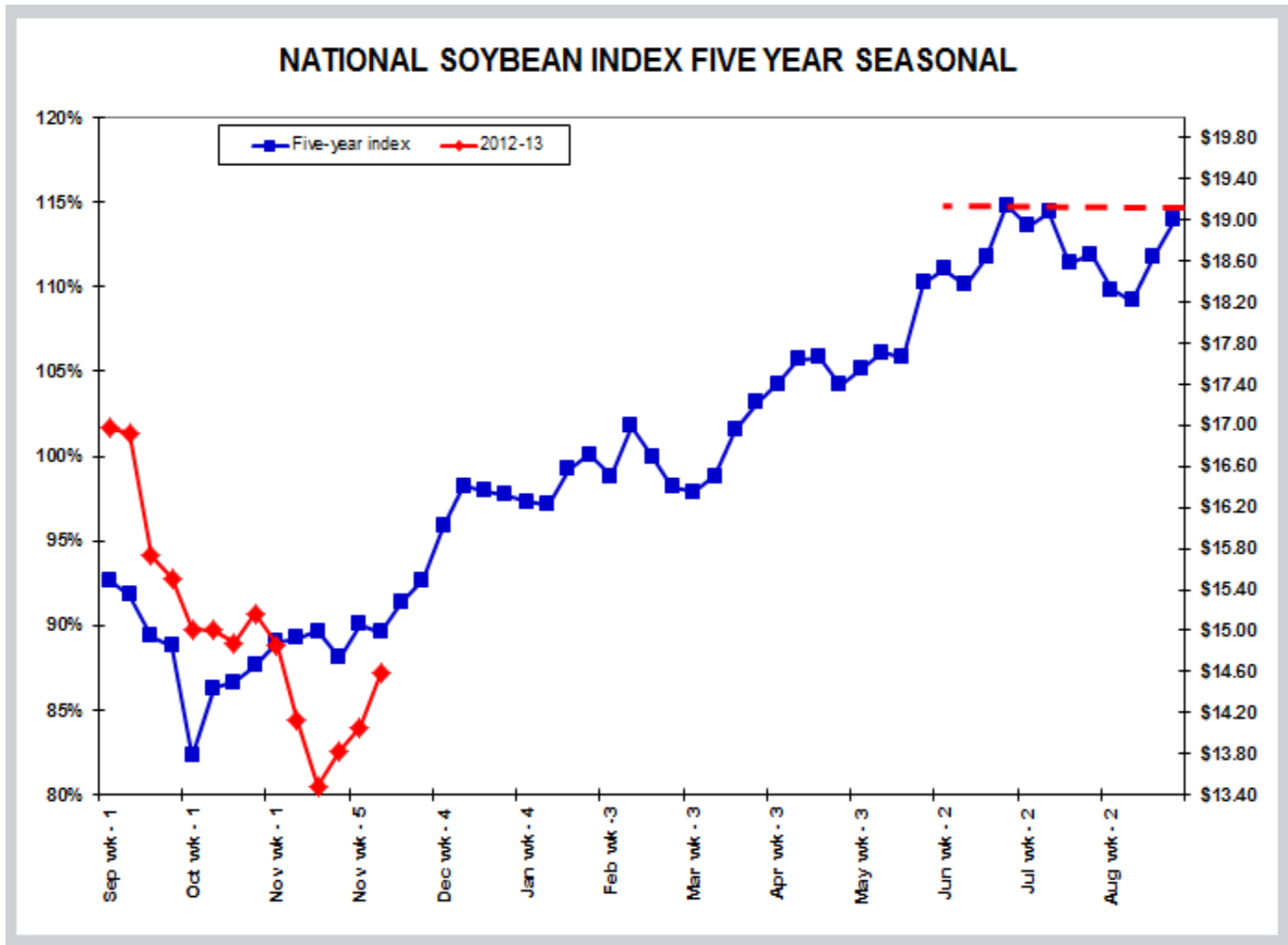
US CORN PRODUCTION



DTN NATIONAL CORN INDEX: SEASONAL INDEX



Cash Soybeans Seasonal Cycle(s)



Corn Export Inspections

