

Are the Good Times Really Over For Good?

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DTN Senior Analyst

DTN/The Progressive Farmer
2013 Ag Summit
December 10, 2013

Corn's Camelot: 2006-2013



CORN SUPPLY AND DEMAND TABLES

	USDA 2012-13 Nov	USDA 2013-14 Aug	USDA 2013-14 Sep	USDA 2013-14 30-Sep	USDA 2013-14 Nov
Planted acres	97.2	97.4	97.4	97.4	95.3
Harvested Acres	87.4	89.1	89.1	89.1	87.2
Yield	123.4	154.4	155.3	155.3	160.4
Production	10,780	13,763	13,843	13,843	13,987
Beginning Stocks	989	719	661	824	824
Imports	162	30	25	26	25
TOTAL SUPPLY	11,931	14,512	14,529	14,693	14,836
Feed and residual	4,333	5,100	5,100	5,100	5,200
Food, seed, ind.	1,396	1,450	1,450	1,450	1,450
Ethanol	4,648	4,900	4,900	4,725	4,900
Exports	731	1,225	1,225	1,225	1,400
TOTAL USE	11,108	12,675	12,675	12,500	12,950
ENDING STOCKS	824	1,837	1,854	2,193	1,886
STOCKS TO USE	7.4%	14.5%	14.6%	17.5%	14.6%

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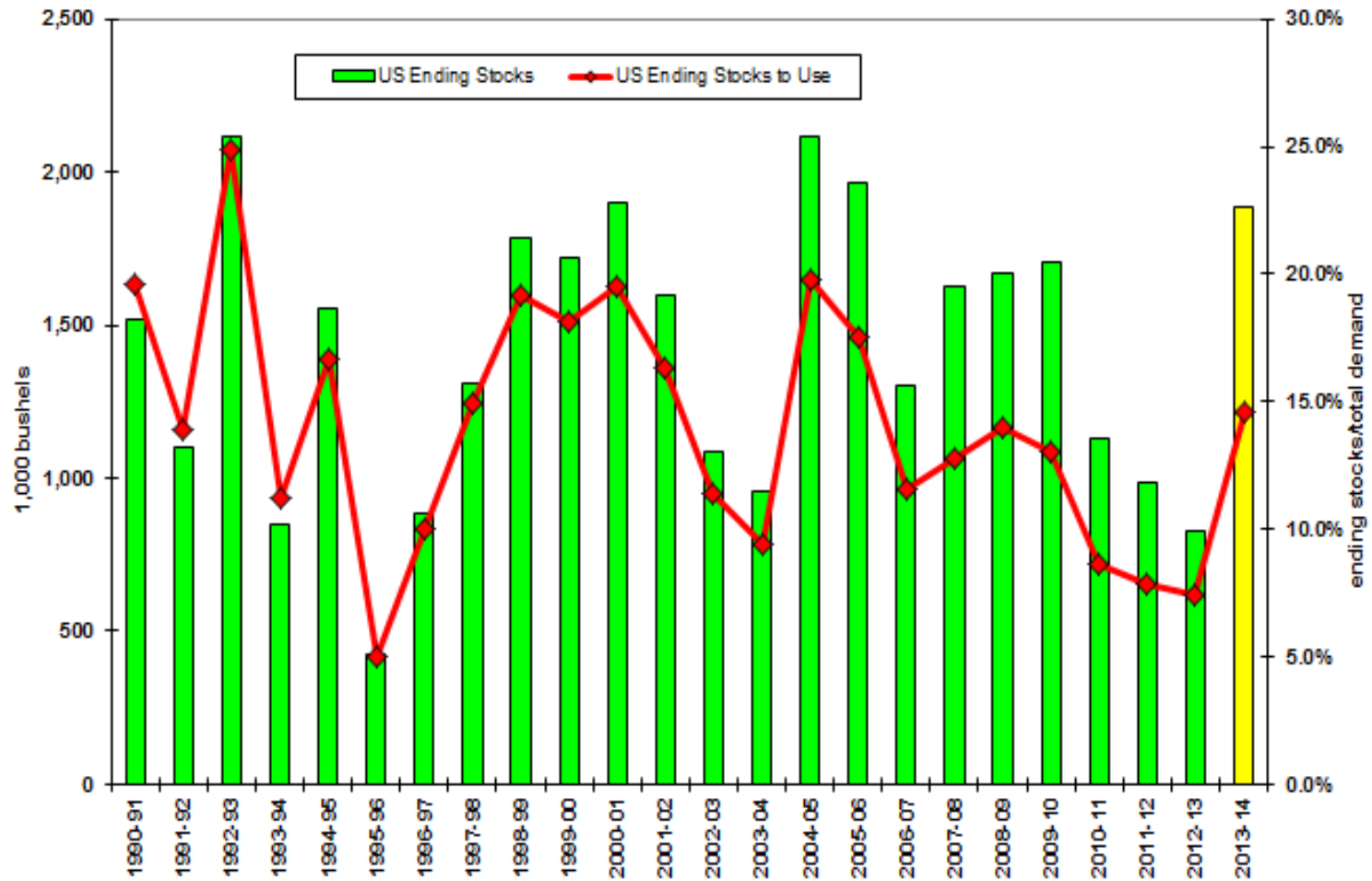
CORN SUPPLY AND DEMAND TABLES

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TOTAL USE	11,108	12,675	12,675	12,500	12,950	12,325
ENDING STOCKS	824	1,837	1,854	2,193	1,886	
STOCKS TO USE	7.4%	14.5%	14.6%	17.5%	14.6%	

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TOTAL USE	11,108	12,675	12,675	12,500	12,950	12,325
ENDING STOCKS	824	1,837	1,854	2,193	1,886	2,511
STOCKS TO USE	7.4%	14.5%	14.6%	17.5%	14.6%	20.4%

CORN: US ENDING STOCKS AND ENDING STOCKS TO USE



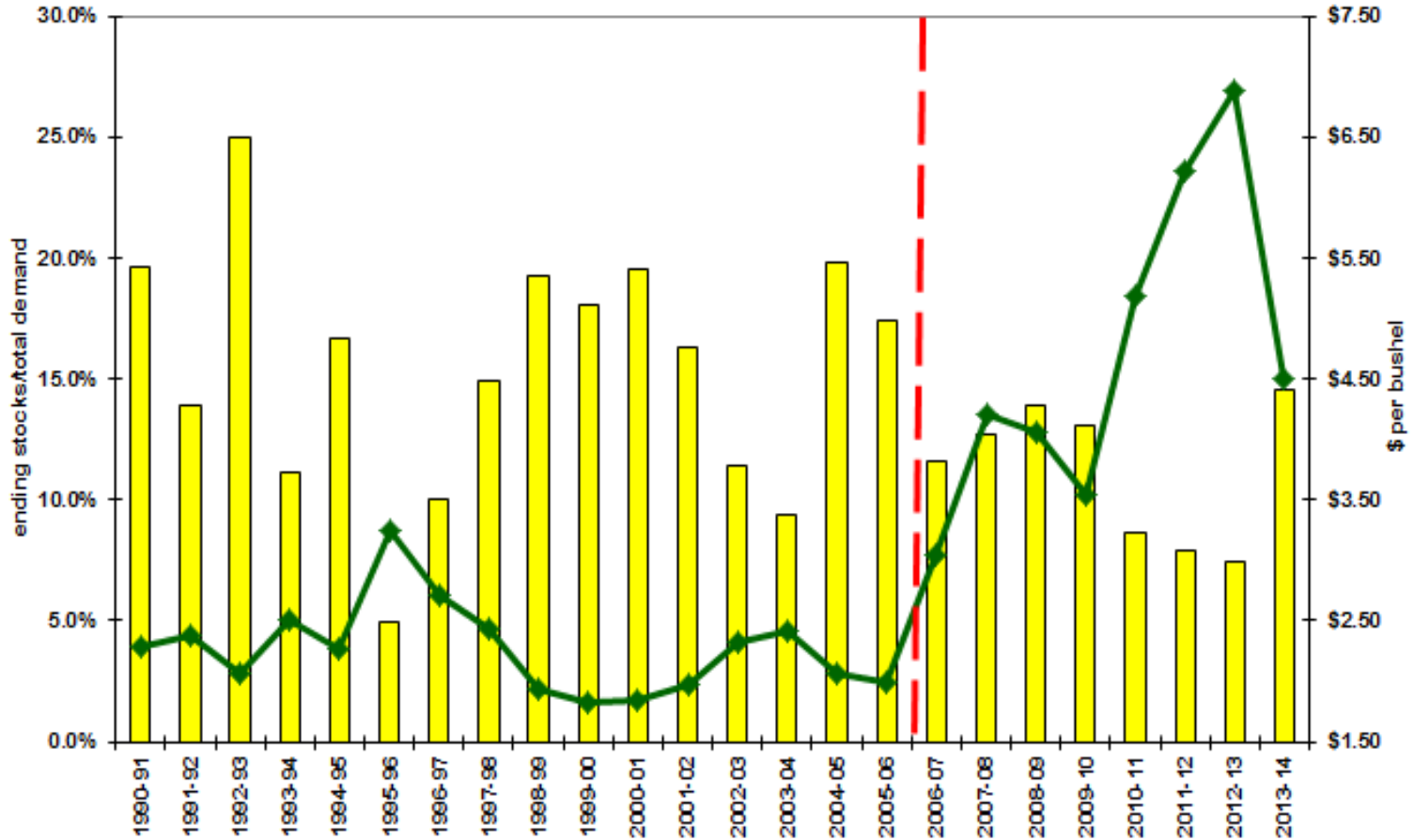
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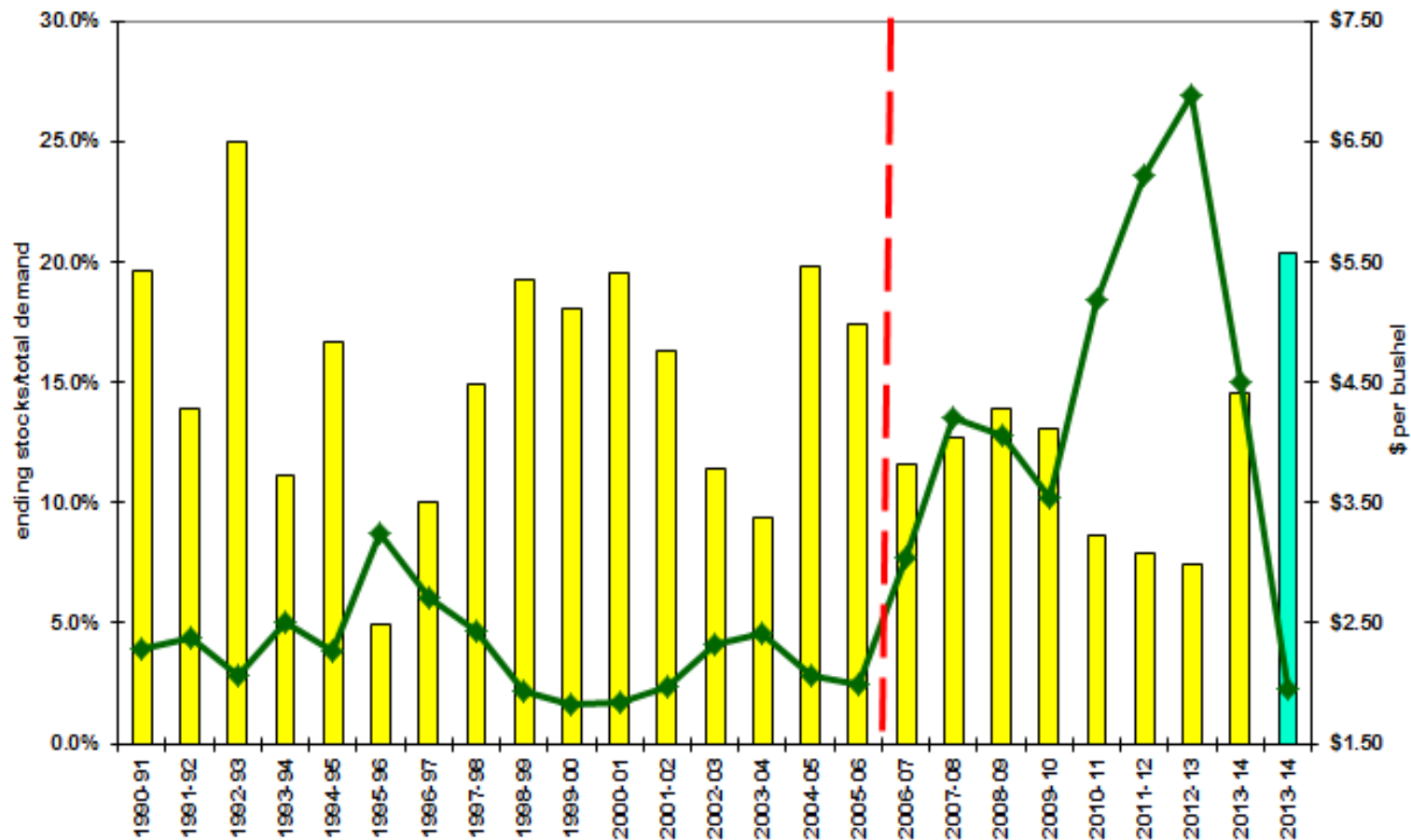
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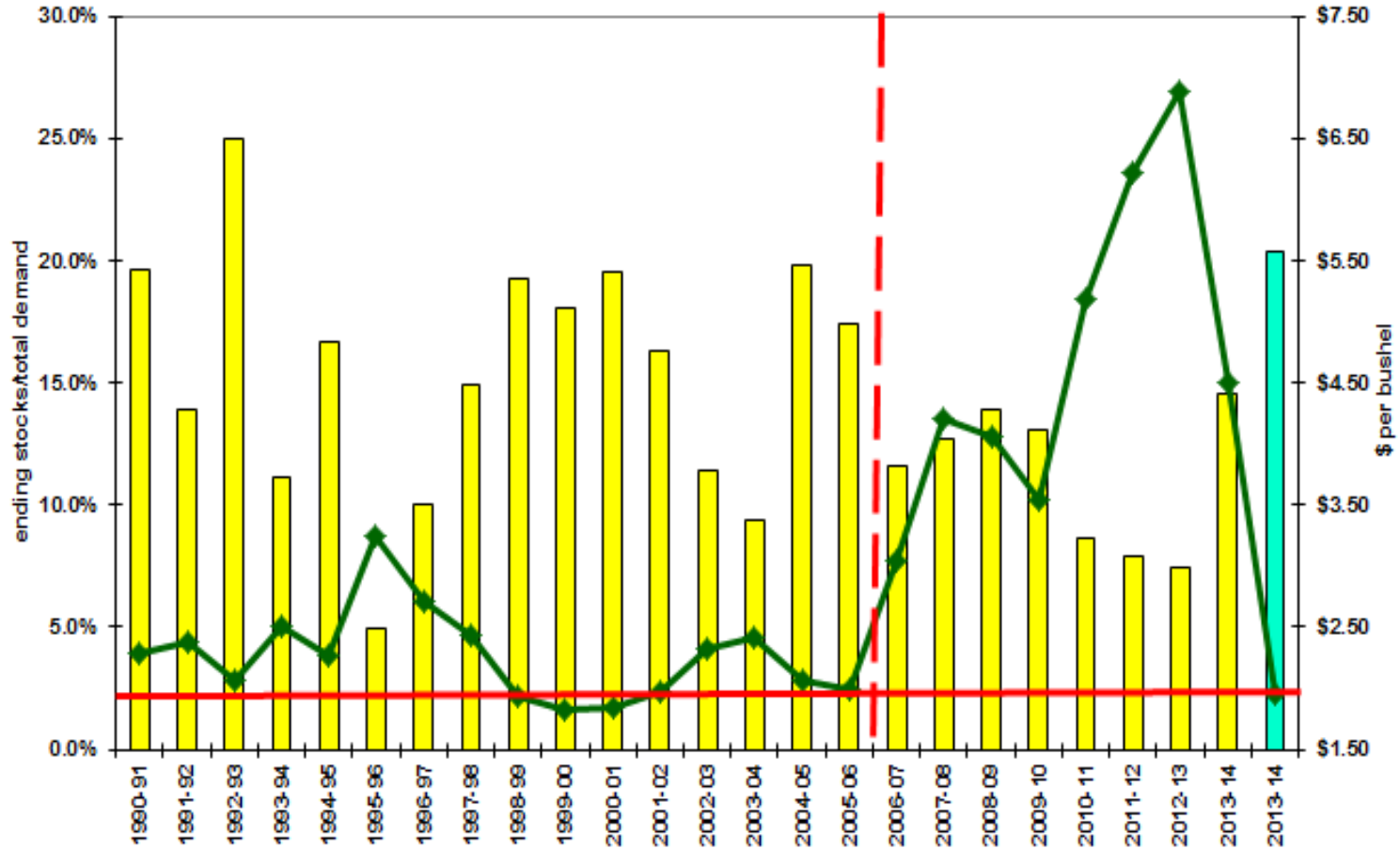
US CORN: Ending Stocks to Use and Cash Price



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US CORN: Ending Stocks to Use and Cash Price



CORN SUPPLY AND DEMAND TABLES

	USDA 2012-13 Nov	USDA 2013-14 Nov	USDA 2013-14 Final?	2014-15 ?
Planted acres	97.2	95.3	95.3	92.0
Harvested Acres	87.4	87.2	87.2	84.2
Yield	123.4	160.4	160.4	160.0
Production	10,780	13,987	13,987	13,469
Beginning Stocks	989	824	824	2,511
Imports	162	25	25	25
TOTAL SUPPLY	11,931	14,836	14,836	16,005
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Ethanol	4,648	4,900	4,730	4,730
Exports	731	1,400	1,400	2,400
TOTAL USE	11,108	12,950	12,325	13,530
ENDING STOCKS	824	1,886	2,511	2,475
STOCKS TO USE	7.4%	14.6%	20.4%	18.3%

Domino Theory

“Finally, you have broader considerations that might follow what you would call the "falling domino" principle. You have a row of dominoes set up, you knock over the first one, and what will happen to the last one is the certainty that it will go over very quickly. So you could have a beginning of a disintegration that would have the most profound influences.”

President Dwight D. Eisenhower

April 7, 1954

Domino Theory (cont.)

CORN

BEAN COMPLEX

WHEAT

COTTON

LIVE CATTLE

LEAN HOGS

Corn's Ruins



Photo courtesy of Urban Lehner

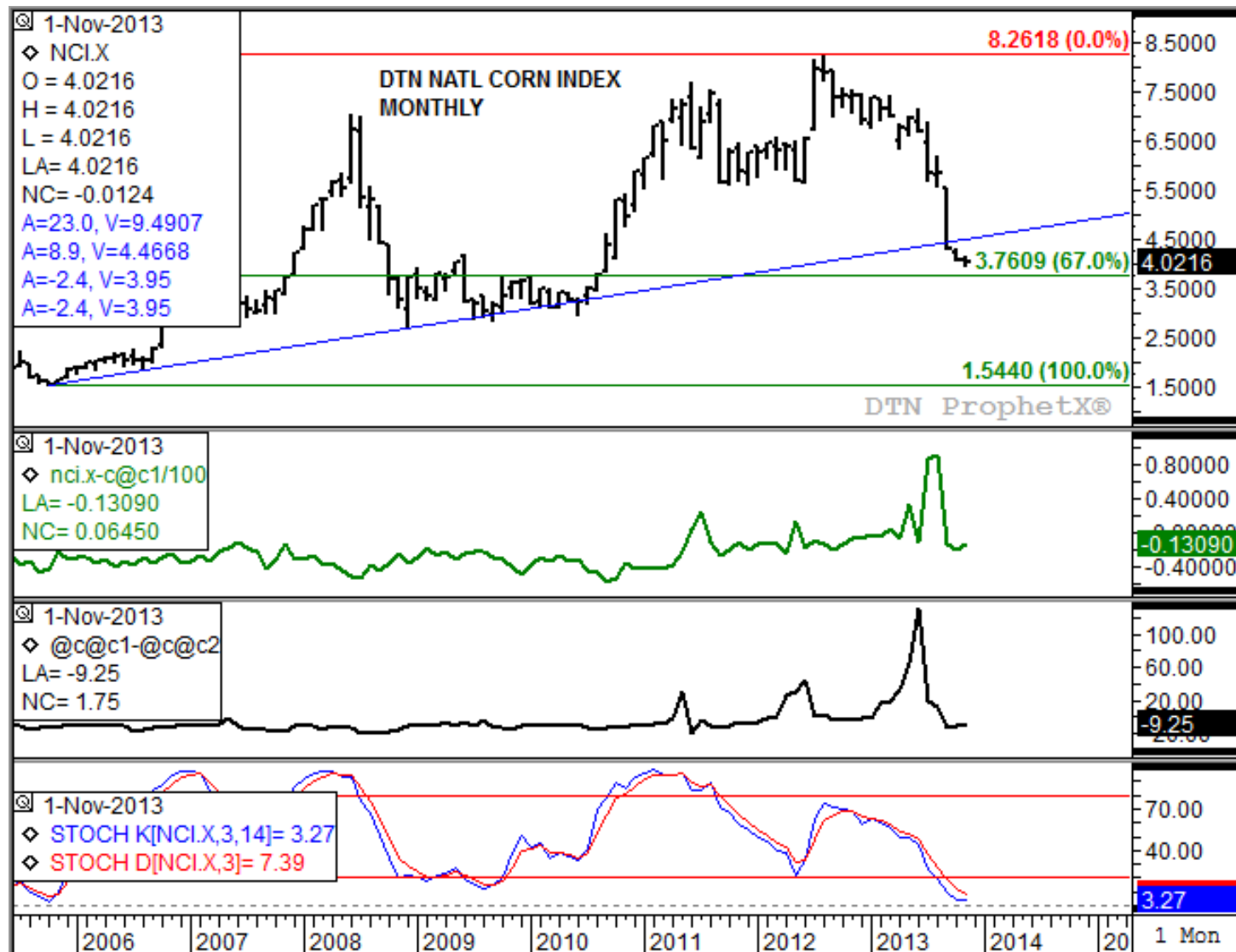
Simulation of last scene from “The Sopranos”

***Is this really how the legend
of Corn's Kingdom ends?***

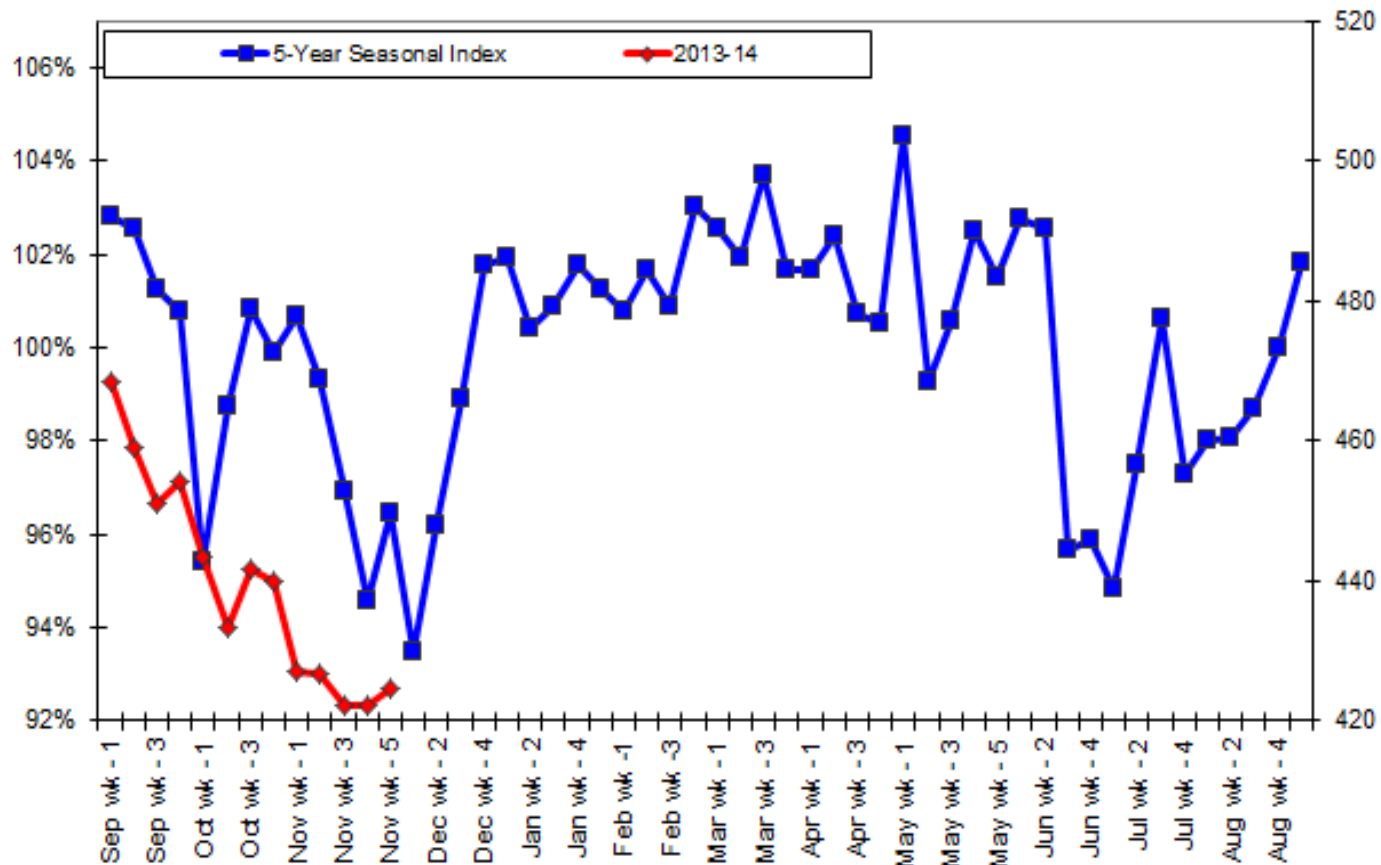
Market Structure

- Every market has a structure
 - Based on trend
 - Trend = Price direction over time
- Trend of the futures market
 - Flow of noncommercial money
- Trend of the futures spreads
 - Markets view of supply and demand



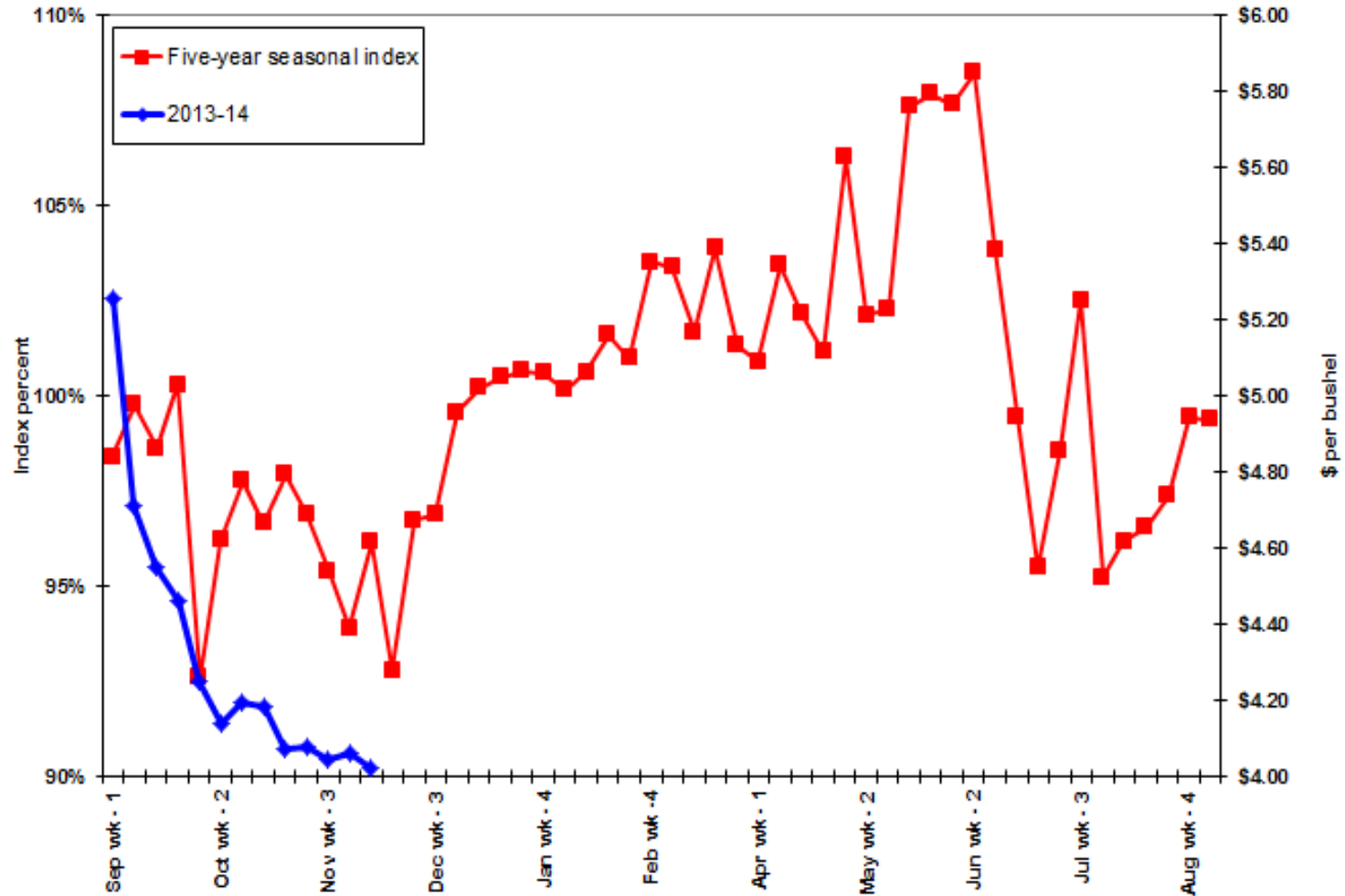


CORN FUTURES 5-YEAR WEEKLY SEASONAL INDEX

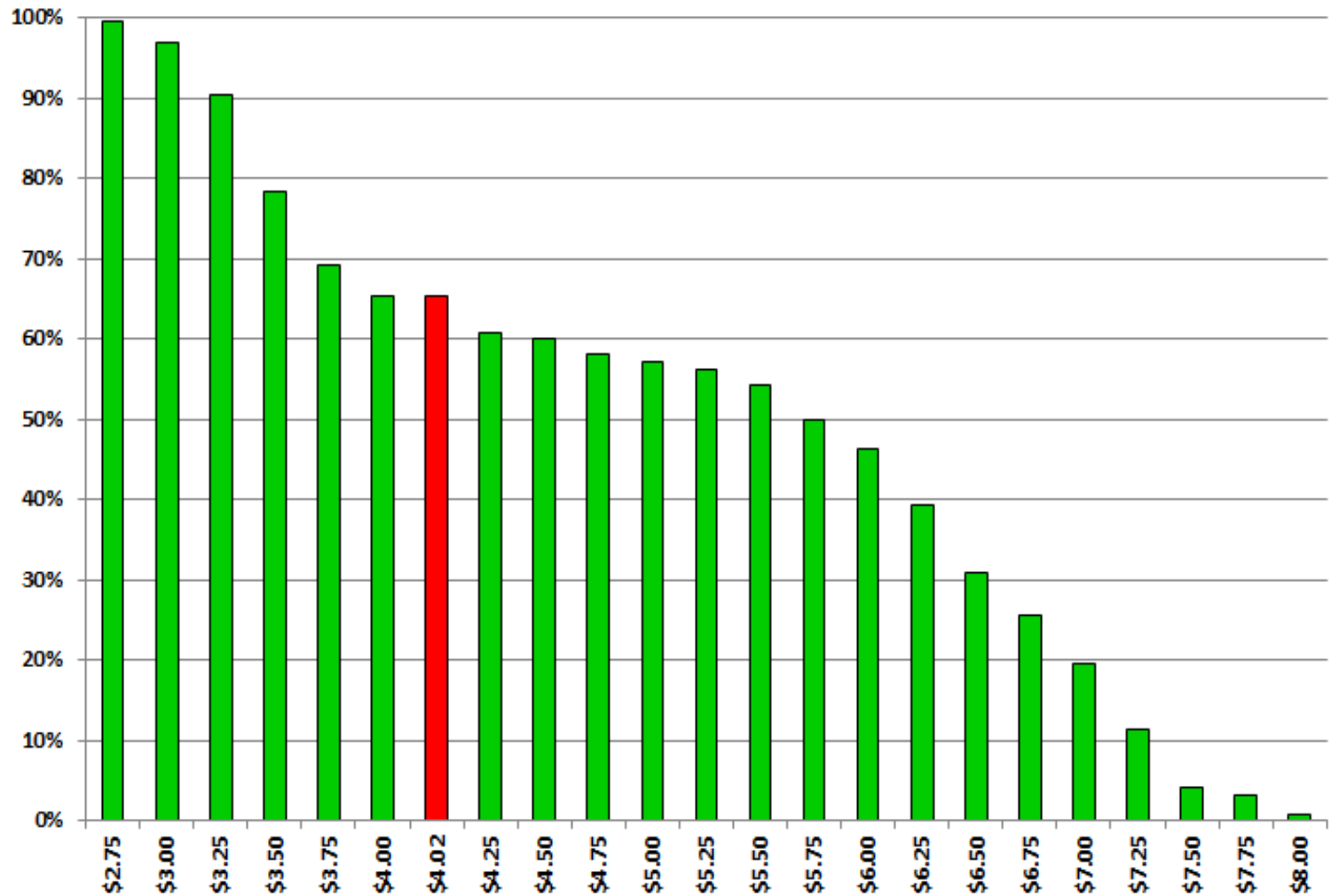


This chart shows the trend of the front-month futures contract (red line) as it relates to the 5-year seasonal tendency (blue line).

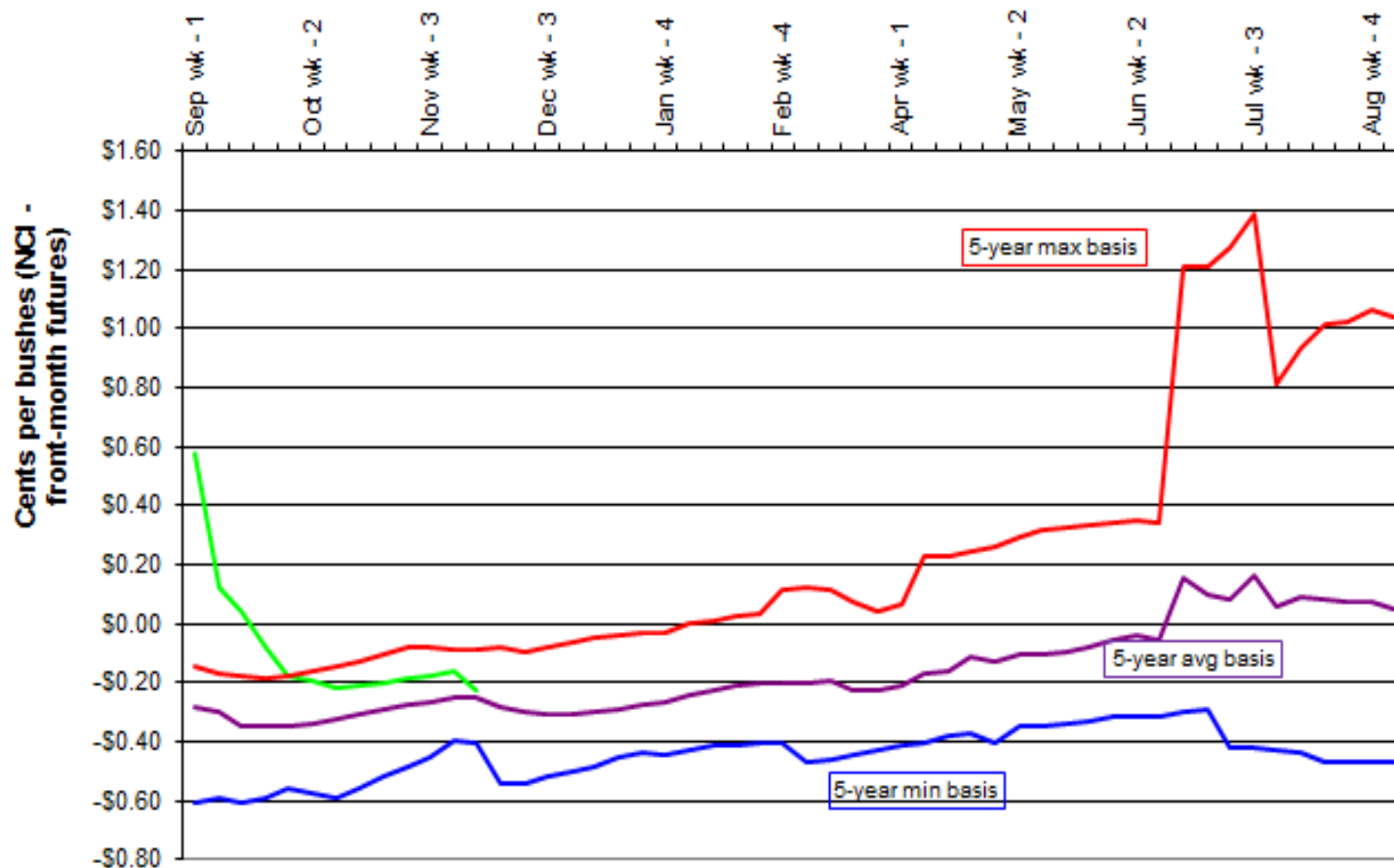
DTN NATIONAL CORN INDEX: SEASONAL INDEX



DTN NATIONAL CORN INDEX (National Average Cash Price) 5-Year Price Distribution: Weekly Close Only



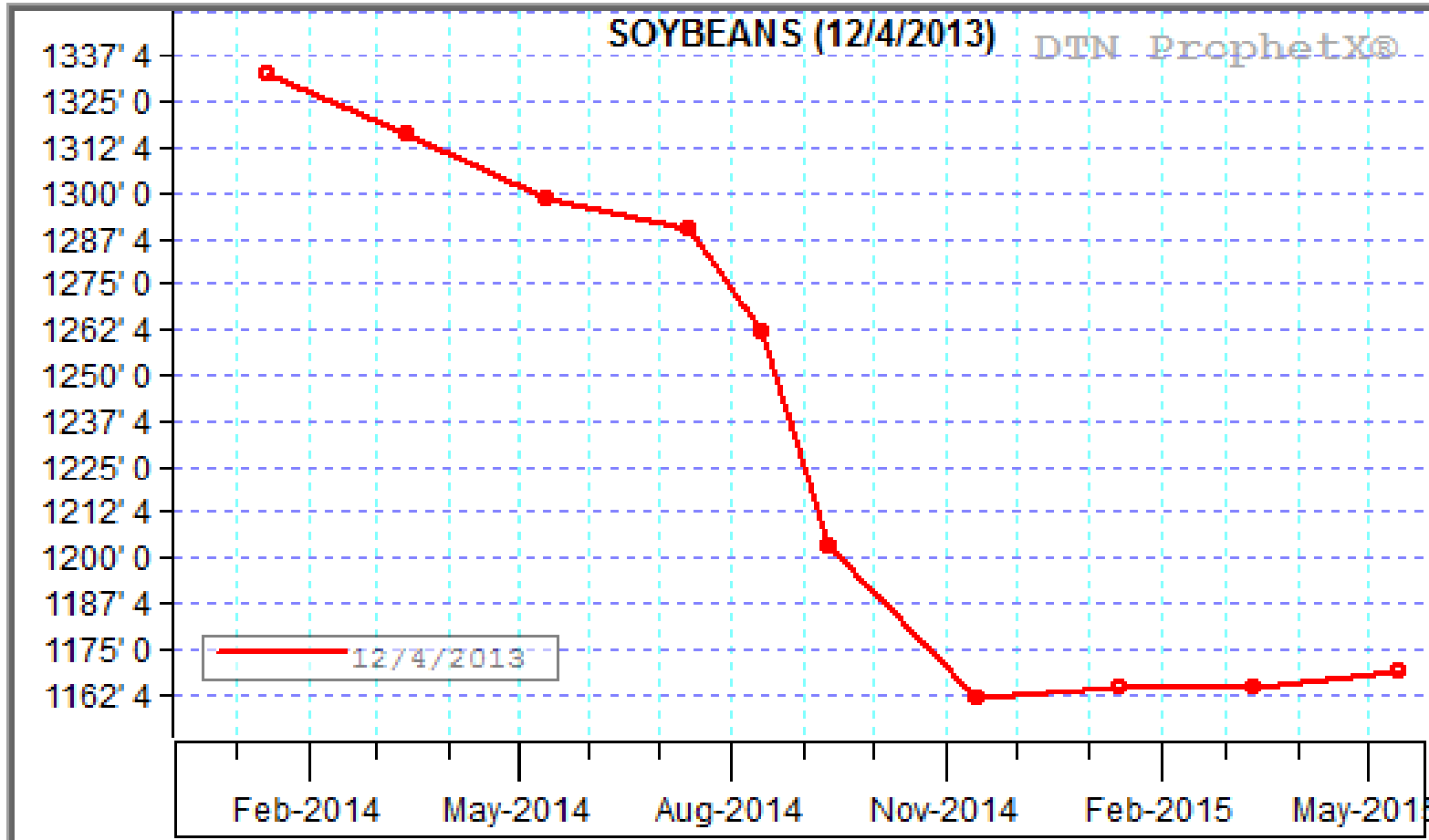
NATIONAL AVERAGE CORN BASIS (DTN National Corn Index - front month futures)

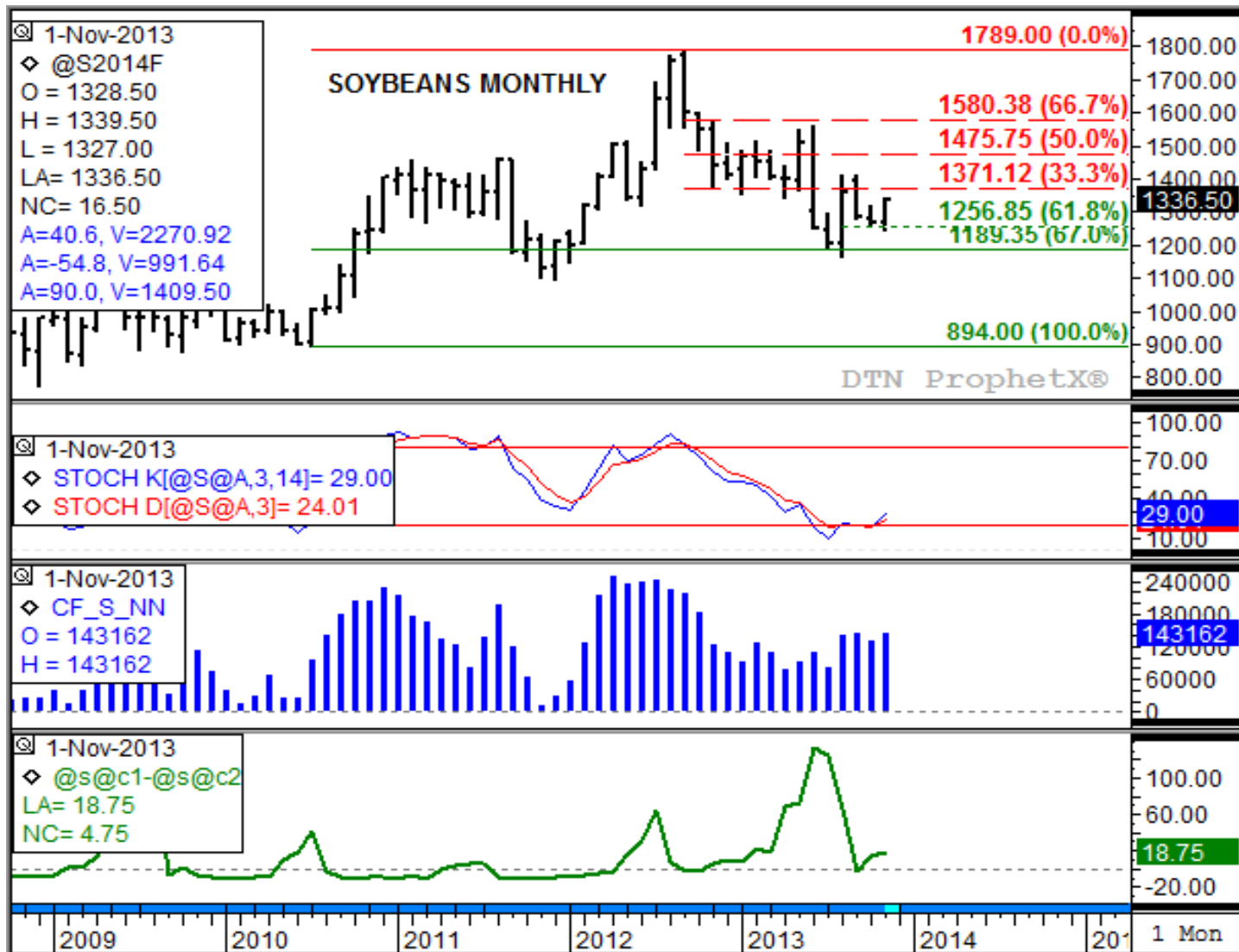


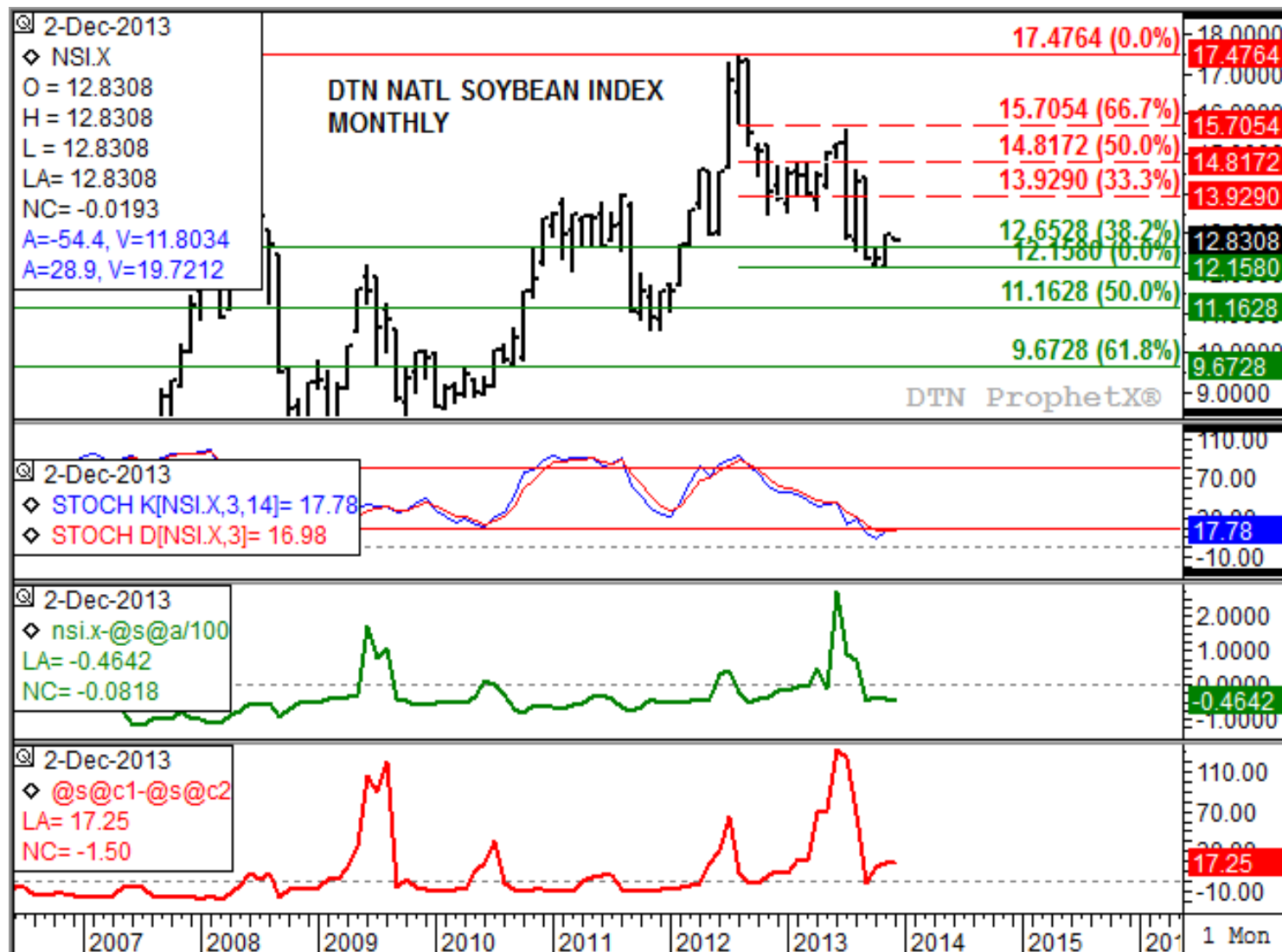
The Bottom Line

- Fundamentally, the corn market seems doomed
- From a structural point of view, corn may be stronger than some give it credit for
 - It's relatively low price could prove attractive to both commercial and noncommercial traders
 - Commercial – the possibility of stronger export demand
 - Noncommercial – covering of the short futures position
- This could help the market survive 2014

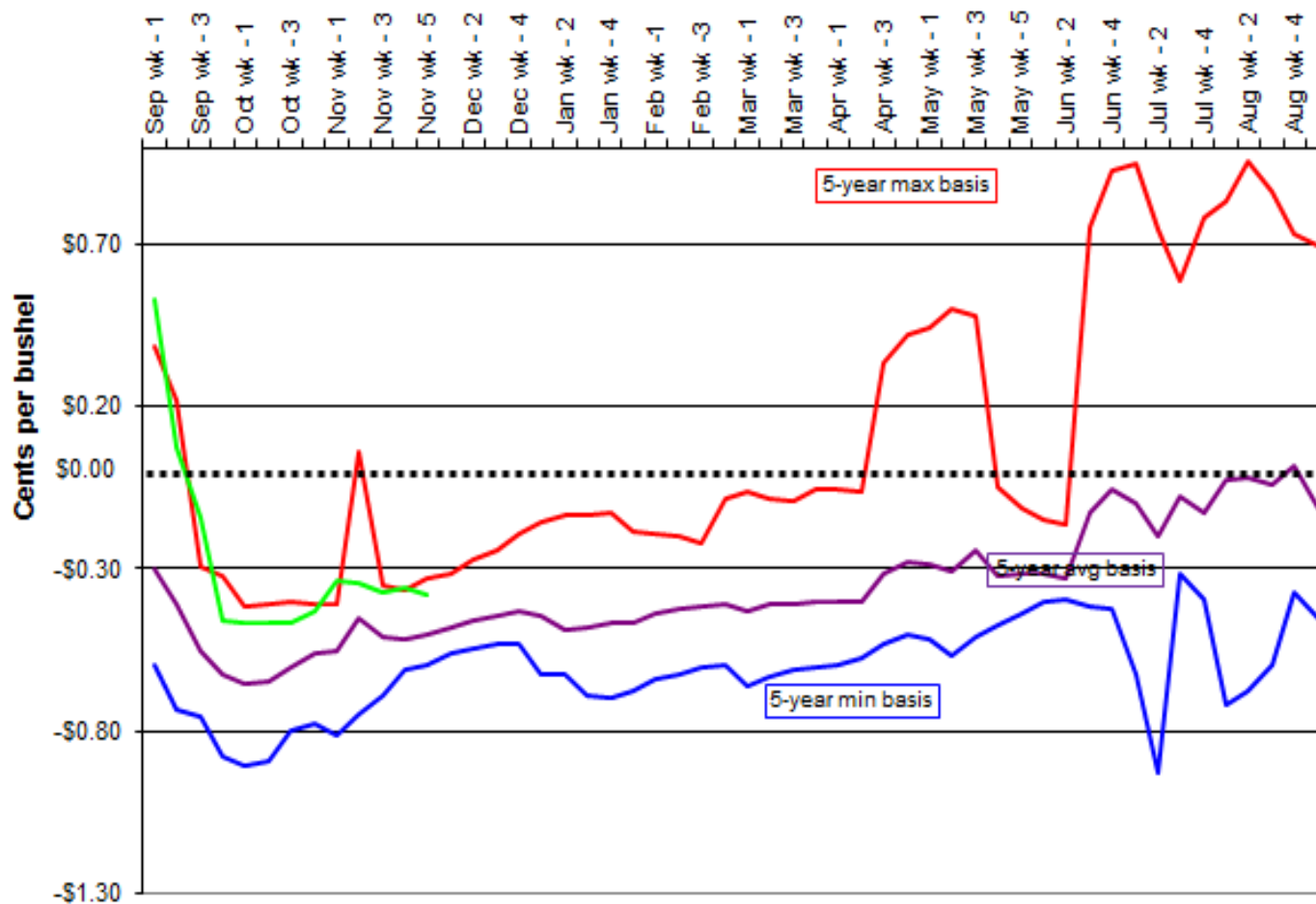
Soybeans: Riding in to Save the Day?



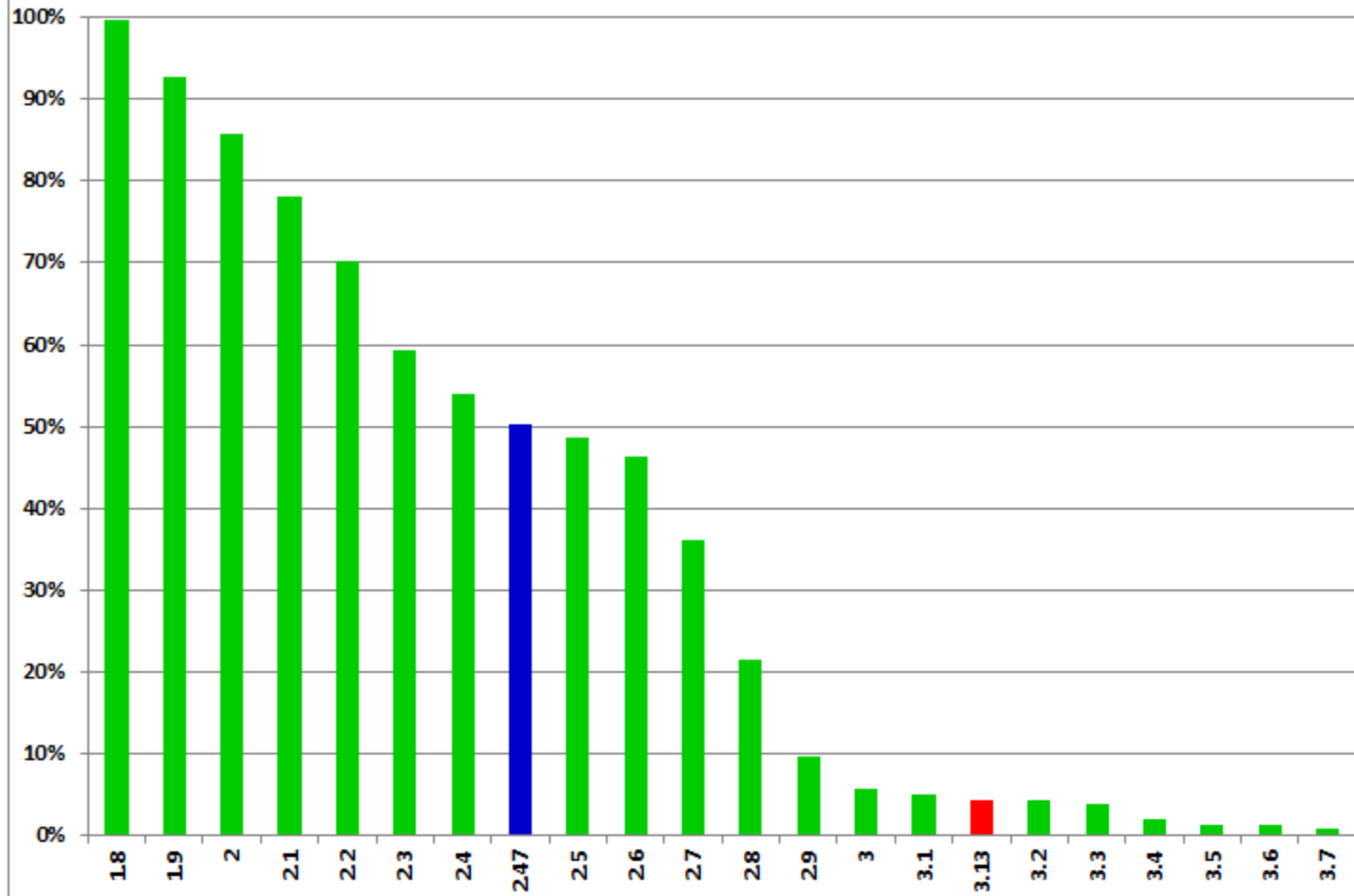




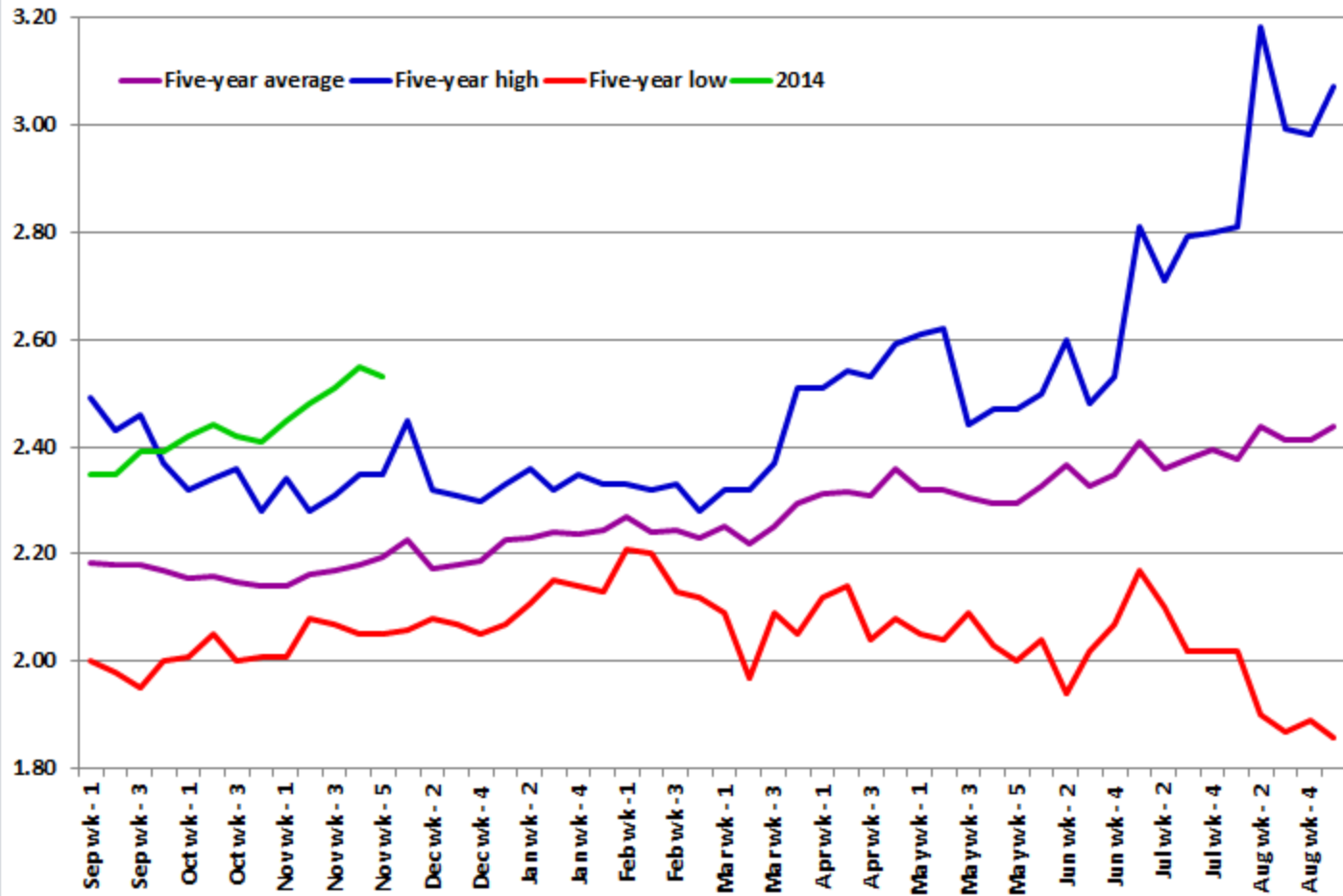
NATIONAL AVERAGE SOYBEAN BASIS: DTN Index - front month futures



DTN SOYBEAN INDEX/DTN CORN INDEX: 5-YEAR PRICE DISTRIBUTION



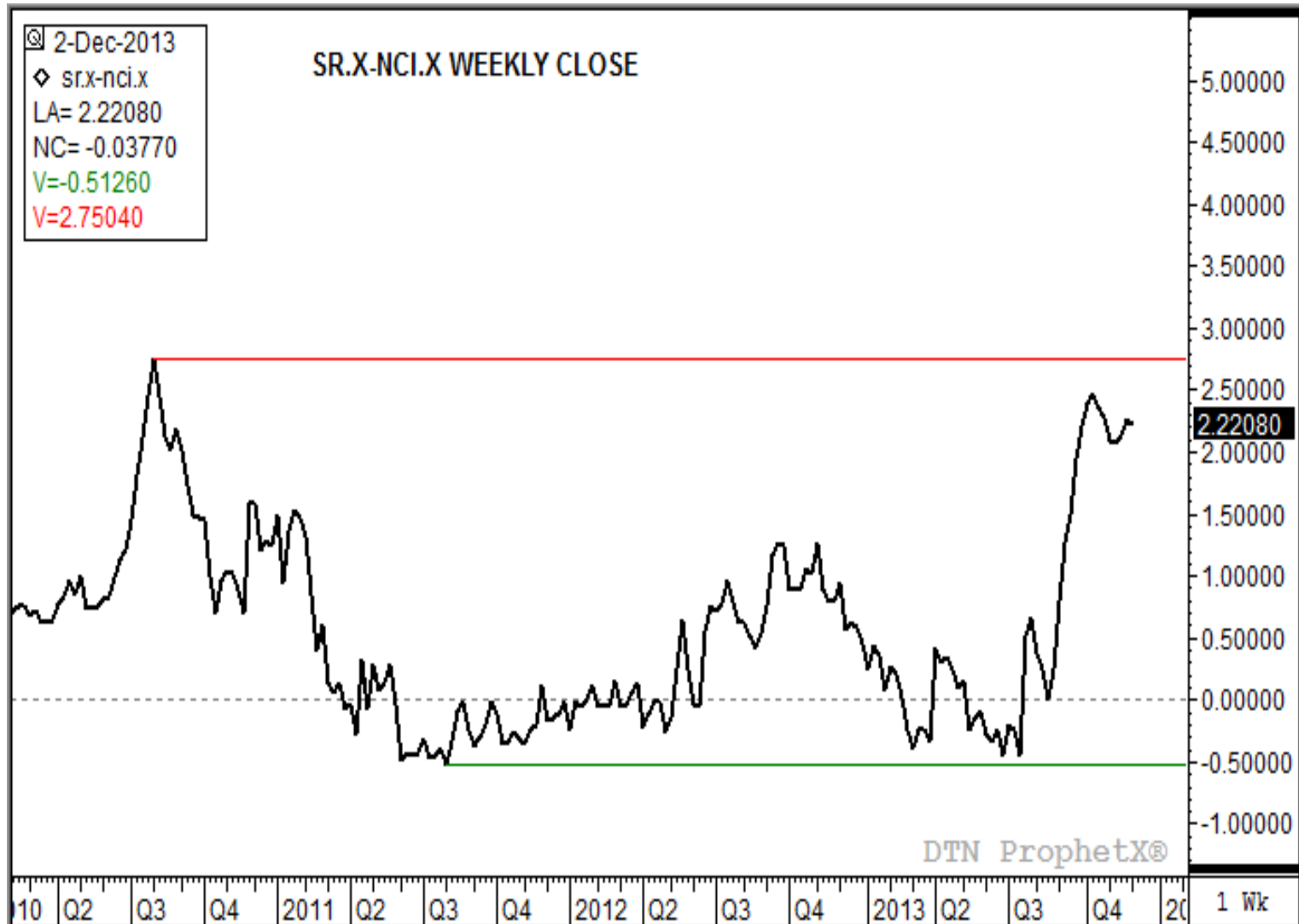
FUTURES: NOV BEANS/DEC CORN
Weekly Close



Putting It All Together

- Soybeans could provide the support that keeps the corn market from collapsing to loan price in 2014
 - Inverted forward curve reflects a long-term bullish commercial outlook
 - Despite projections of record South American production
 - 2012-13 domestic ending stocks still in question
 - Long-term monthly chart has turned bullish
 - More noncommercial money to come into the market
- The cash soybean market could be one of the strongest commodities markets through Q1 2014





2014 Ag Outlook

Soybeans

- Outlook
 - Old-crop
 - DTN National Soybean Index (national average cash price) target area between \$13.90 and \$14.80
 - Outside chance at \$15.70
 - Recently priced at \$12.83
 - New-crop:
 - 2014-2014 forward curve remains bullish
 - November 2014 futures contract indicating an uptrend
 - Price target between \$12.10 and \$12.40

Corn

- Outlook
 - Old-crop
 - The trend of the futures market remains down
 - Could soon establish a bottom though
 - Potential rally could be limited by bearish forward curve (market fundamentals)
 - New-crop:
 - December 2014 futures contract indicating an uptrend
 - Noncommercial short-covering could spark rally
 - Average price in February (insurance)
 - Possibly near \$5.00
 - Longer-term price target between \$5.10 and \$5.30

Wheat (SRW)

- Outlook
 - Old-crop
 - The trend of the futures market remains down
 - Could soon establish a bottom though
 - Potential rally could be limited by bearish forward curve (market fundamentals)
 - New-crop:
 - July 2014 futures contract indicating an uptrend
 - Noncommercial short-covering could spark rally
 - Longer-term price target near \$7.20
 - Rallies could be short-lived due to bearish long-term commercial outlook

Cotton

- Outlook
 - Old-crop
 - The trend of the futures market is sideways
 - Strong carry in forward curve indicates bearish commercial outlook
 - Strong price resistance near 93.00 cents.
 - New-crop:
 - Dec 2014 futures contract indicating a sideways to up trend
 - New-crop spreads neutral
 - Longer-term price target between 79.30 and 80.60
 - Possible extension to near 81.90

For More Information

- Visit: dtnprogressivefarmer.com
- Twitter: twitter.com/DarinNewsom
- Email: darin.newsom@dtn.com

THANK YOU