Grain Outlook and Strategies

Jan 2015

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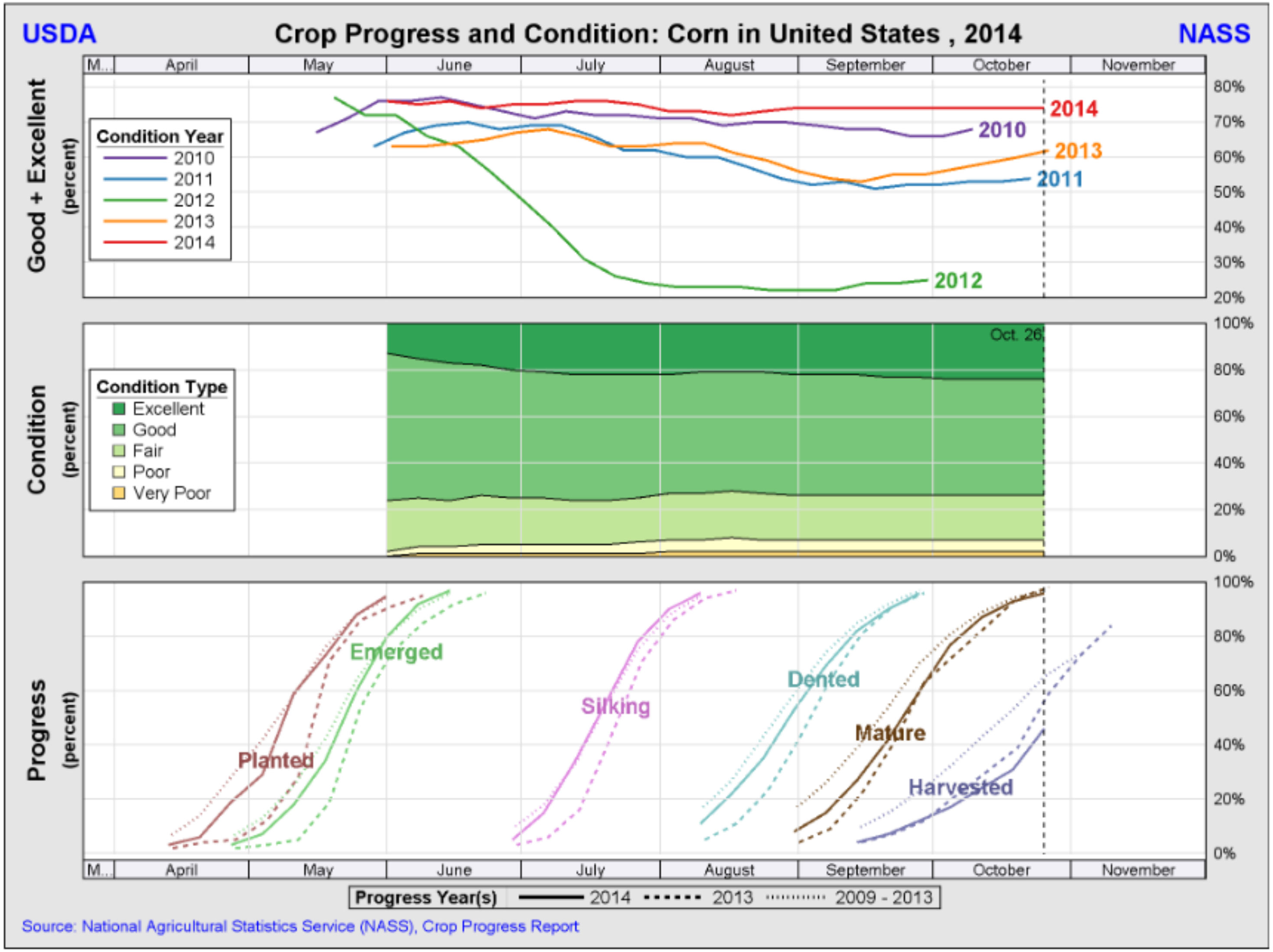
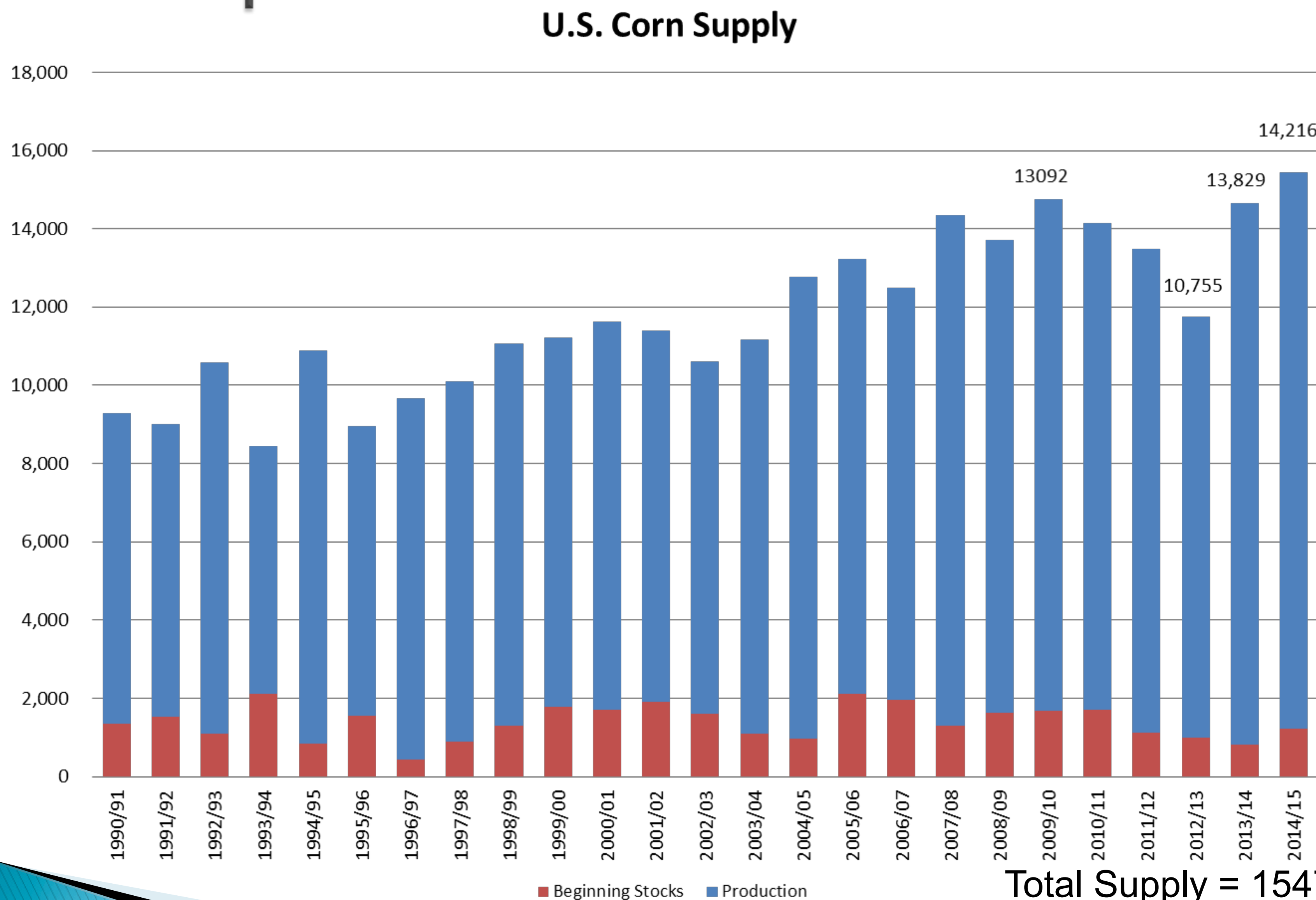
2014…Slow planting, better conditions yr/yr, slow harvest



Record production



Total Supply = 15472

5th highest corn acreage planted (1st in 2012)

5th highest corn acreage harvested (1st in 2012)

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USDA JAN WASDE – Excellent production

		2012/2013	2013/14	2014/15		% chng vs 13/14
				Dec	Jan	
Acres Planted	Mil. A	97.3	95.4	90.9	90.6	-5.03%
Acres Harvested	Mil. A	87.4	87.5	83.1	83.1	-5.03%
Yield	Bu/A	123.1	158.1	173.4	171	8.16%
Beginning Stocks	Mil. Bu.	989	821	1236	1232	50.06%
Production	Mil. Bu.	10755	13829	14407	14216	2.80%
Imports	Mil. Bu.	160	36	25	25	-30.56%
Total Supply	Mil. Bu.	11904	14686	15668	15472	5.35%
Feed & Residual	Mil. Bu.	4315	5036	5375	5275	4.75%
Ethanol for fuel	Mil. Bu.	4641	5134	5150	5175	0.80%
Exports	Mil. Bu.	730	1917	1750	1750	-8.71%
Total Useage	Mil. Bu.	11083	13454	13670	13595	1.05%
Carryover	Mil. Bu.	821	1232	1998	1877	52.35%
Avg. Farm Price		6.89	4.46	3.20-3.80	3.35-3.95	
Stocks/Use		7.41	9.16	14.62	13.81	

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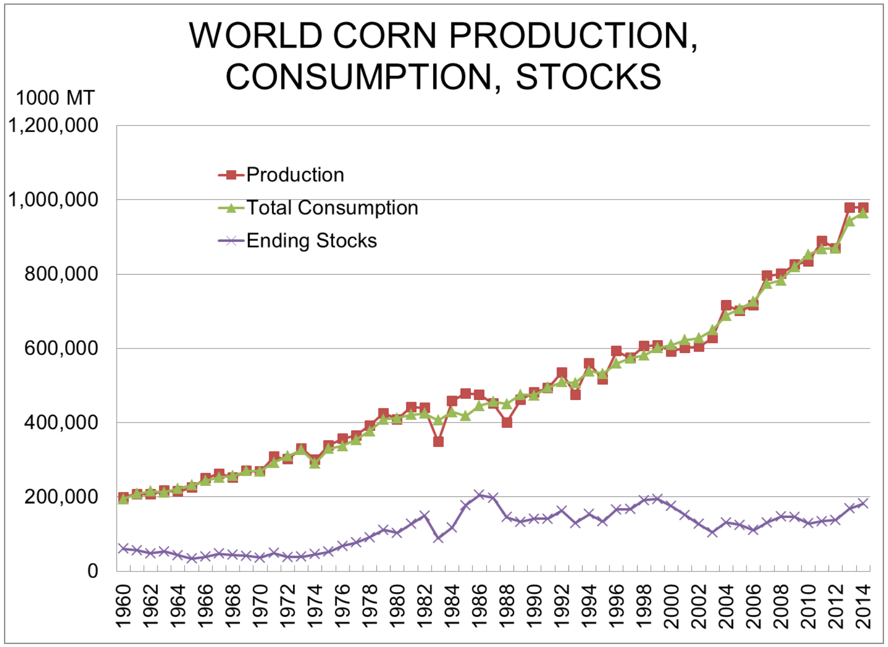
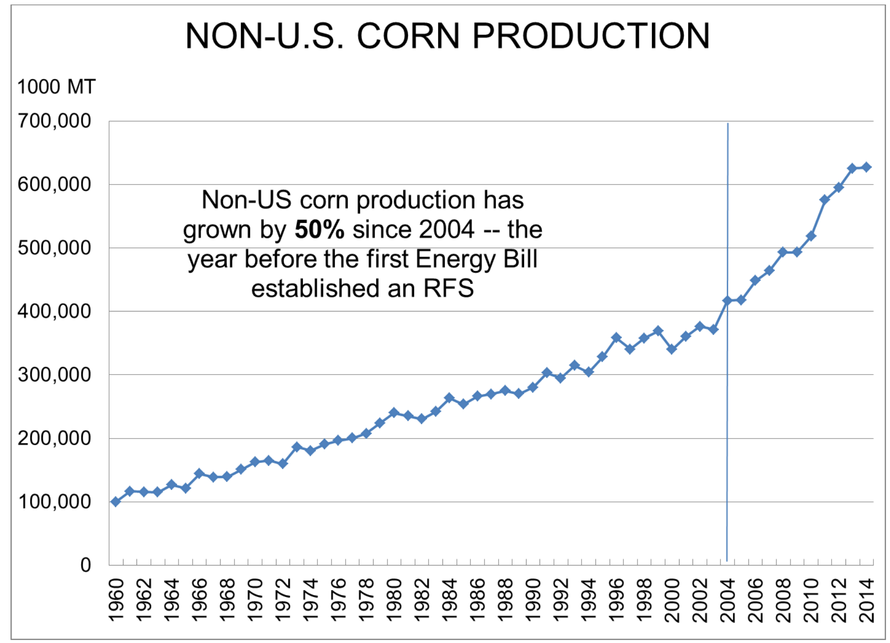
World Corn Production

Country/Region	2013/14 estimate	2014/15 forecast	Change from 2013/14
	Million Metric Tons		
World	987.69	988.08	0.04
United States	351.27	361.09	2.80
Foreign	636.41	626.99	-1.48
Argentina	25	22	-12.00
Brazil	79.3	75	-5.42
Mexico	22.96	23	0.17
Canada	14.2	11.5	-19.01
EU	64.19	71	10.61
China	281.5	215.5	-23.45
FSU-12	46.9	42.66	-9.04
Ukraine	30.9	27	-12.62

The corn situation is vastly different





- Record high world output & consumption
- Projected Y/E stocks the highest in 10 yrs.
- MAJOR increase in non-U.S. production

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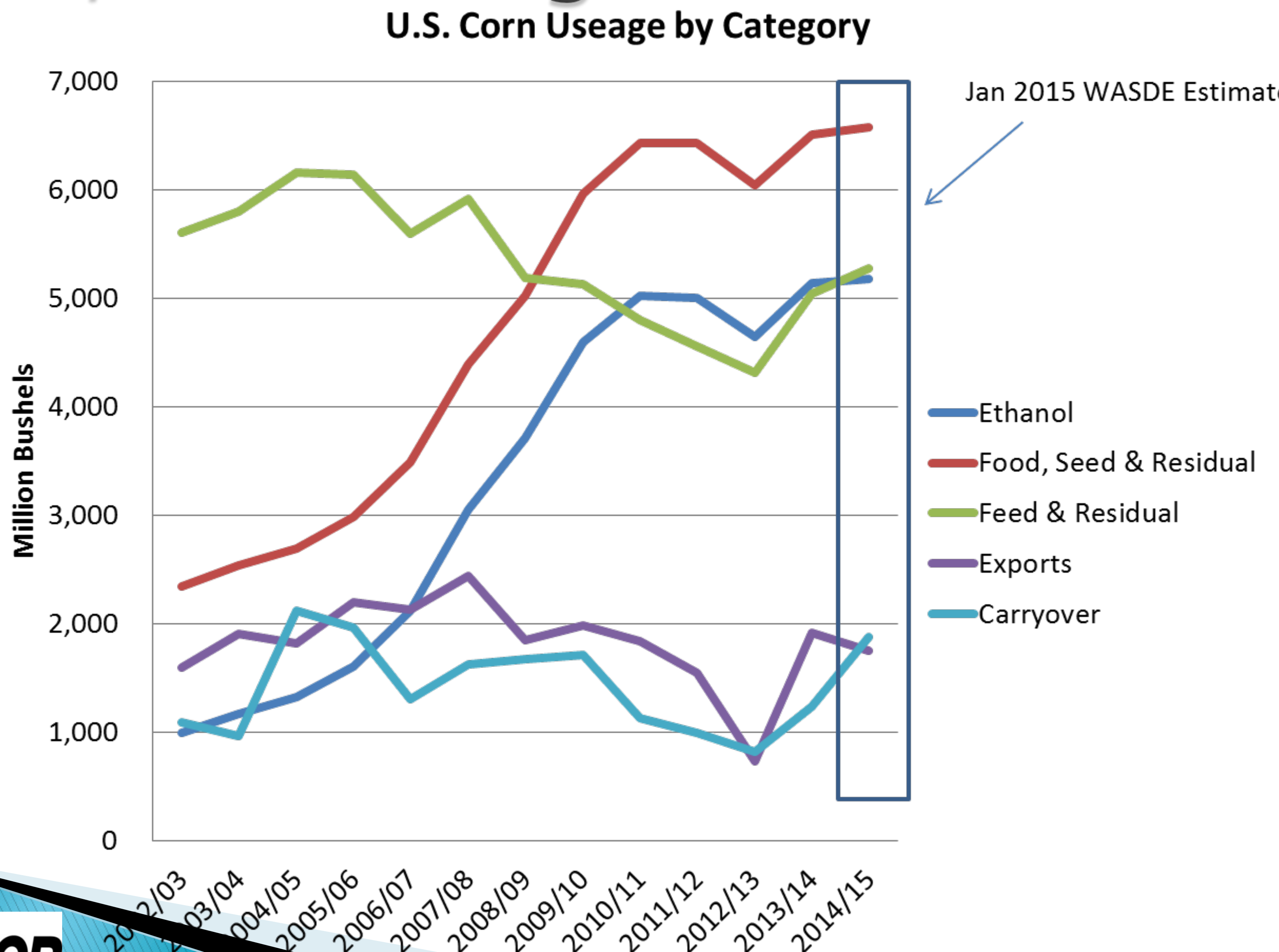
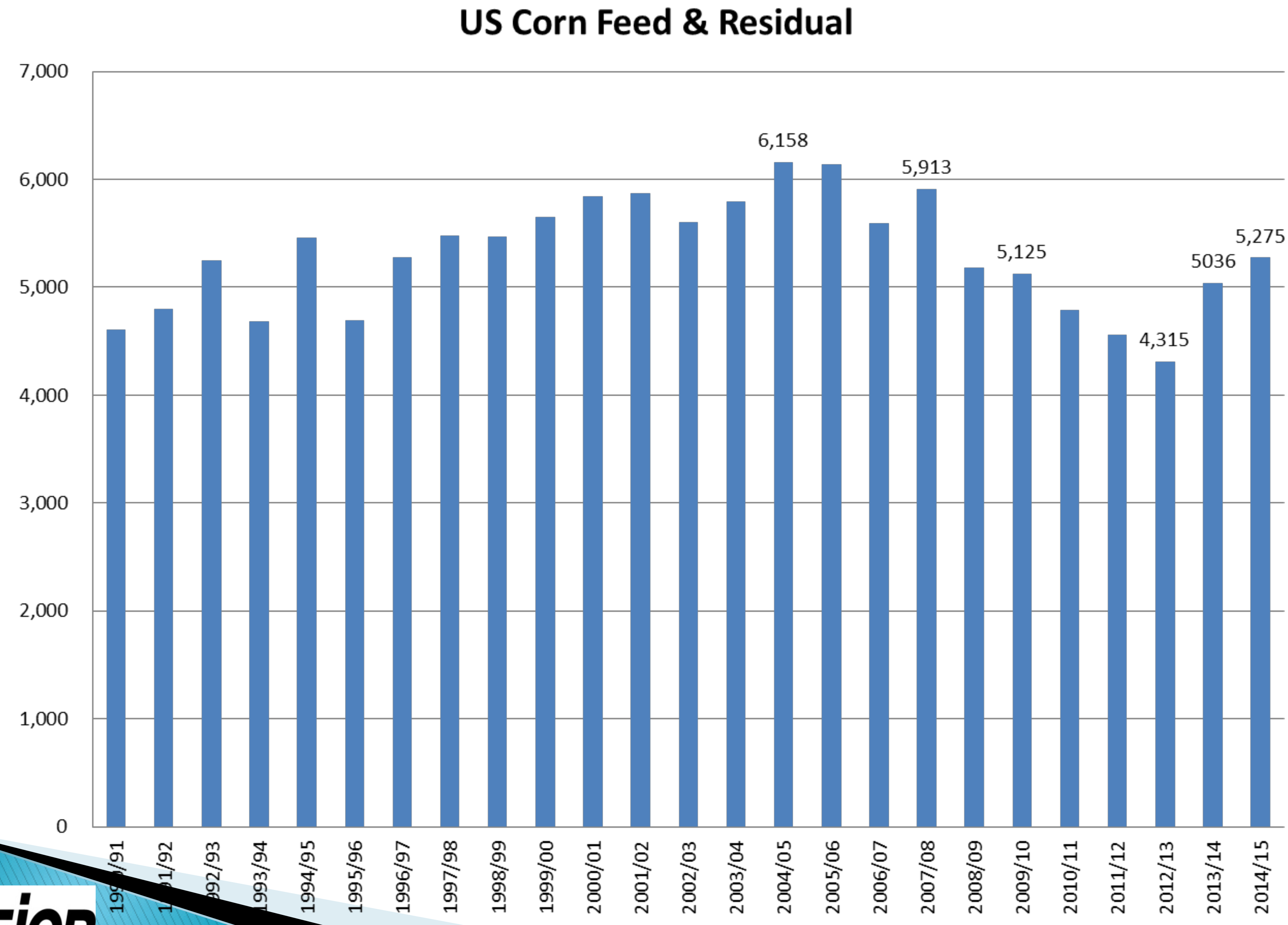
2014/2015 Usage



2014/2015 Usage

- Ethanol usage is up – EIA indicated increase last week
  - Margins are good
  - E10 "blend wall"
  - Flat RFS
- Feed & residual key to 2014/15 usage
  - Up almost 5% over 2013/14
    - Feed usage up due to lower prices of corn – although down from Dec report
    - Net feedlot placement down from 2013
    - Sows farrowing is up and pigs per litter is down
    - Increase in production of pork and poultry in 2015
    - Beef production will not increase until 2017
- orts

Corn F/R highest since 2007/08



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- Exports

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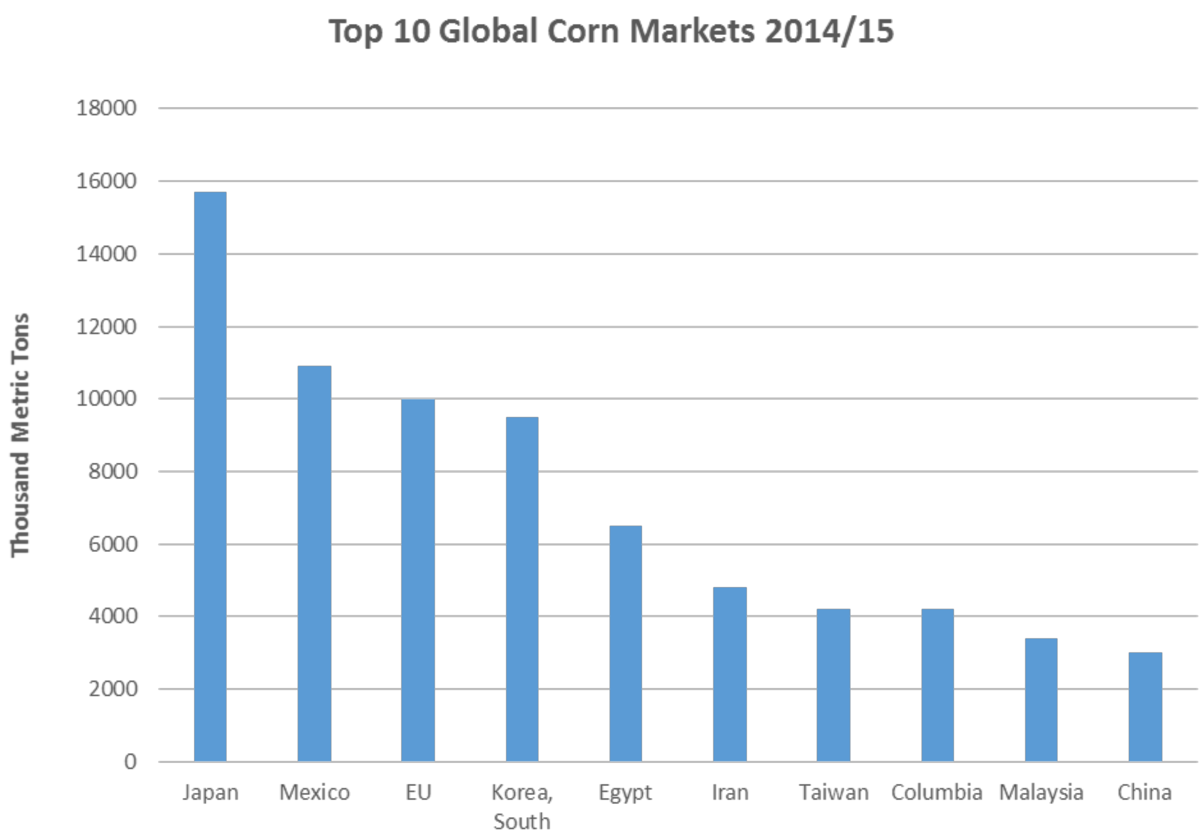
U.S. is the world's lead exporter



- US share of world exports will be about 38%
  - Down from historic high of 50-60%
  - Up from 2012/13's level of 18%
- Global trade will be appr. 4.6 B bu.

2014/2015 Usage

- Exports – US underpinned by:
  - May see increase as sales are only 2.9% last year
  - Premiums of US quotes over SA are mostly unchanged
    - Soybeans
    - Late harvest
    - High barge rates
    - Logistical issues

December 2015 Corn Price
Max $5.03 – Min $3.6675

Thoughts for 2015 and beyond

- Supply/demand concerns
  - Record corn and soybean crops
  - Markets have adjusted downward to absorb supplies
  - Projected negative margins for 2014 and 2015 crops
  - Very little corn has been marketed to date
  - Cool, wet conditions may hamper and impact crop quality, especially that stored in bags
  - Limited upside potential for price
    - To make a move up need bullish news, but to continue down need no new news

To store or not to store?

- Limited carry potential in the market
- Know your cost of storage
  - Reasonable rate is $0.02/bu/month for on-farm
  - One time handling charge of $0.20
  - Currently the carry from March to May is $0.075 and from March to July is only $0.09

Where will corn go in 2015?

- Dependent on acreage and mother nature
- Likely see a decrease in acreage
  - Trend yield of 162.5 bu/acre
  - Maintain current demand
  - Need to decrease to less than 88 million acres to have supply meet demand >> have price equal COP
    - About 2.6 million acres less than 2014
    - About 8.9 million less than 2012

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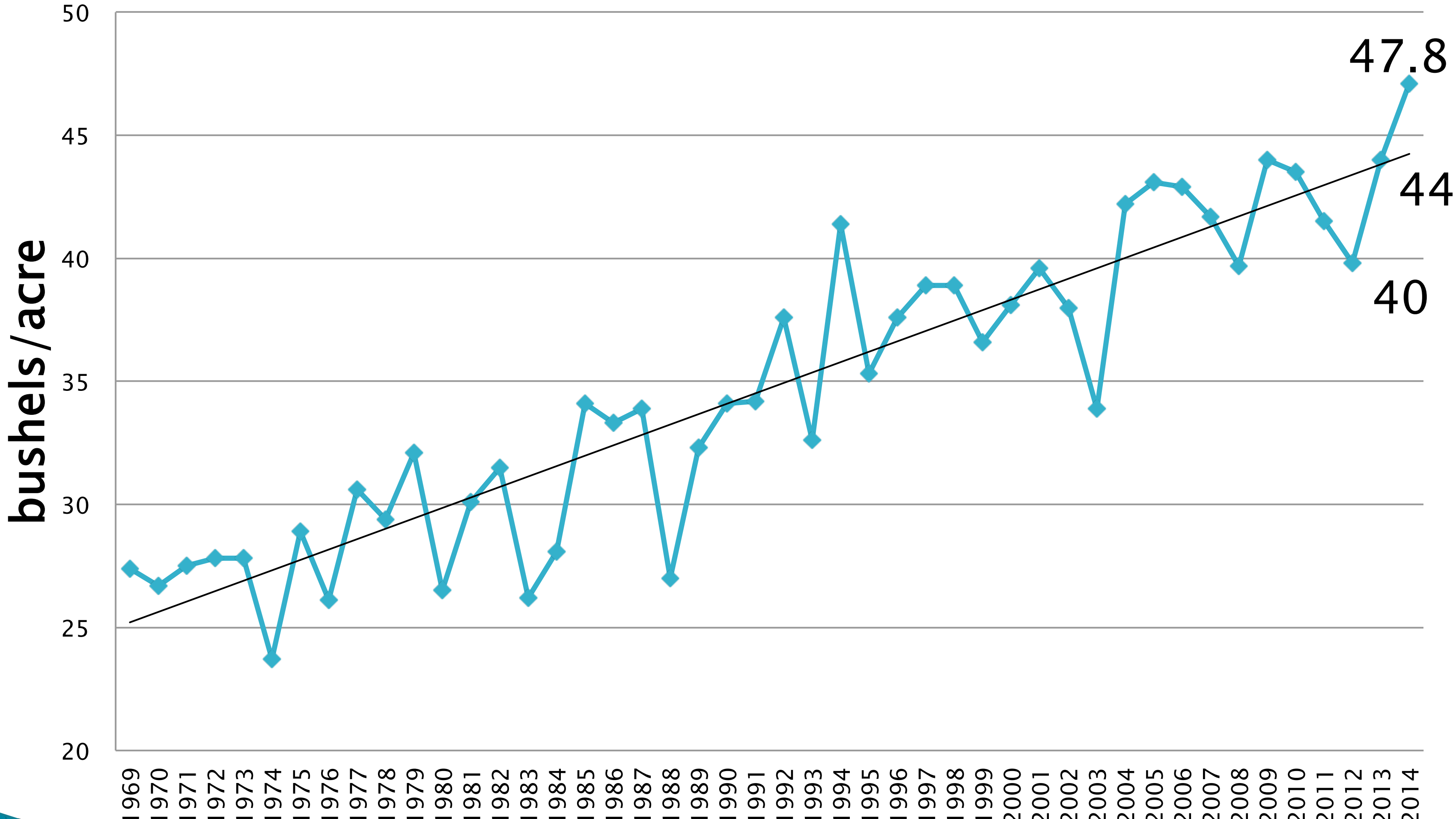
Where will corn go in 2015?

- With 162.5 bu/acre and 88 million acres have a 13 bb production
- Given current demand S/U would be 9.7%
- Cash corn price at harvest could be $3.60
  - Average 2015/2016 price would be $3.95 –$4.55
    - 2014/15 USDA forecast is $3.65
    - 2015 COP average $4.43

Soybeans

U.S. Soybean Yield



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USDA JAN WASDE – Increased yield

U.S. Soybean Balance Sheet (Year Beg. Sept. 1)

		2012/13	2013/14	2014/15		%Chang
				Dec	Jan	
Acres Planted	**Mil Acre**	77.2	76.8	84.2	83.7	9.0%
Acres Harvested	**Mil Acre**	76.1	76.3	83.4	83.1	8.9%
Yield	**Bu/Acre**	40	44	47.5	47.8	8.6%
Supply						
Beg. Stocks	**Mil. Bu.**	169	141	92	92	-34.8%
Production	**Mil. Bu.**	3042	3358	3958	3969	18.2%
Imports	**Mil. Bu.**	41	72	15	15	-79.2%
Total Supply	**Mil. Bu.**	3252	3570	4065	4076	14.2%
Demand						
Crush	**Mil. Bu.**	1689	1734	1780	1780	2.7%
Exports	**Mil. Bu.**	1317	1647	1760	1770	7.5%
F/S/R	**Mil. Bu.**	105	97	115	116	19.6%
Total Demand	**Mil. Bu.**	3111	3478	3655	3666	5.4%
Ending Stocks	**Mil. Bu.**	141	92	410	410	345.7%
Stocks to Use Ratio		4.5	2.6	11.2	11.2	
Avg. Farm Price	**$/Bu**	14.4	13	9.00-11.00	9.45-10.95	
Soybean Oil Price	**cents/lb**	47.13	38.23	32-36	31-35	
Soybean Meal Price	**$/ton**	468.11	489.94	340-380	340-380	

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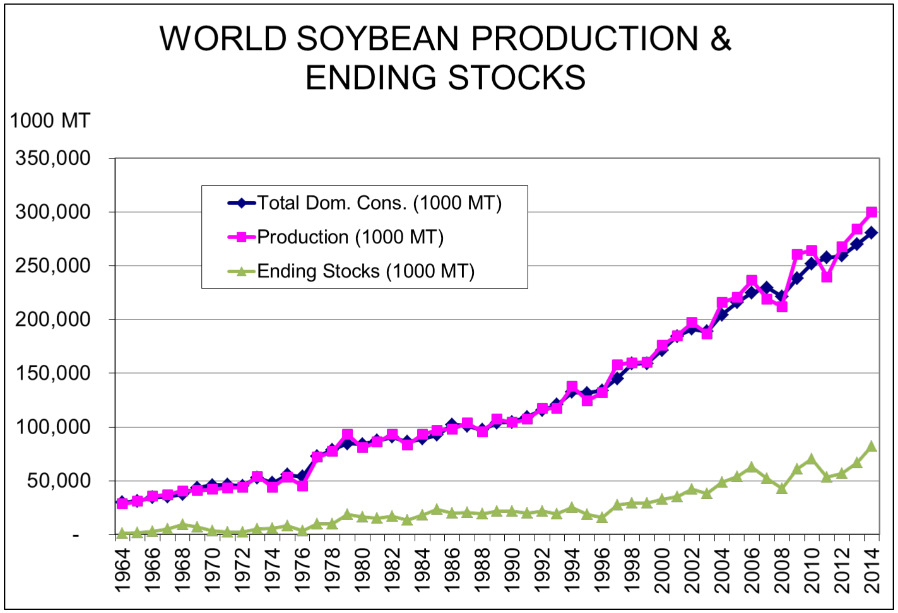
Feed is the growth potential

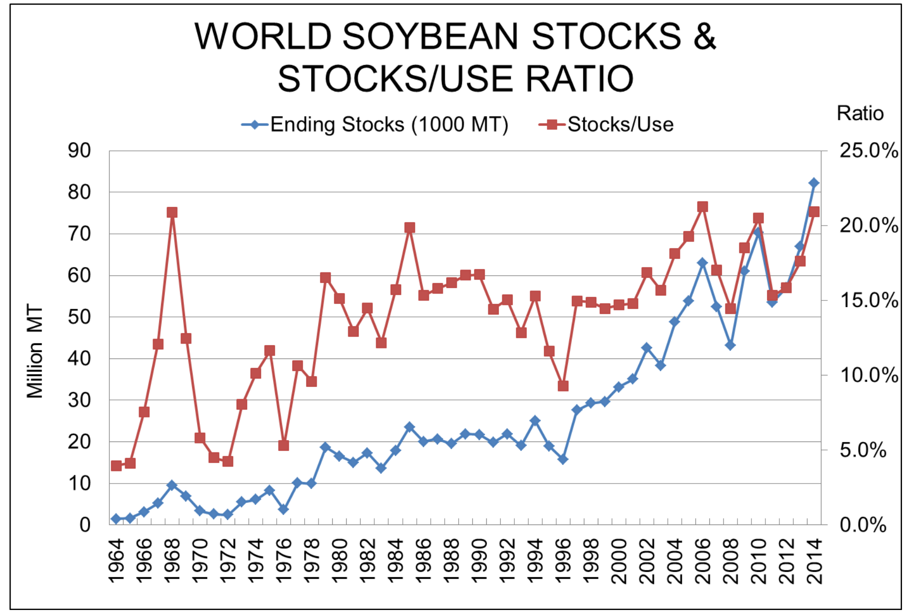
- Growth in Poultry in 2015
  - Companies are solving problems and have a HUGE incentive
  - Reports of aggressive expansion – adding growout barns
- 6% growth expected in 2015

World Soybean Production

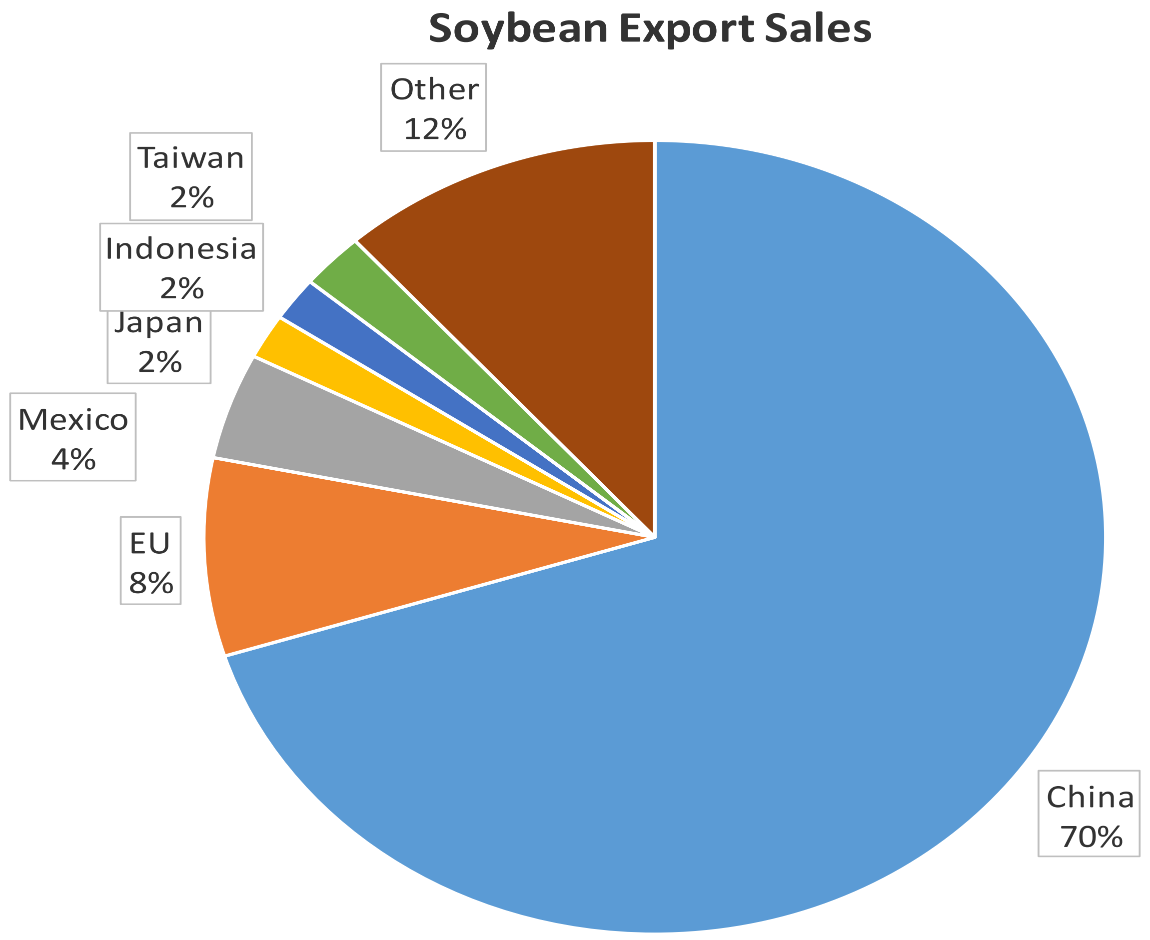
Country or Region	2012/2013	2013/2014	2014/2015	% change from 13/14
		Million Metric Ton		
World	268.77	283.74	314.37	10.80
United States	82.79	91.39	108.01	18.19
Foreign	185.97	192.35	206.36	7.28
Argentina	49.3	54	55	1.85
Brazil	82	86.7	95.5	10.15
Paraguay	8.2	8.2	8.5	3.66

World SB prod, cons, stocks are record high . . . & S/U is highest ever



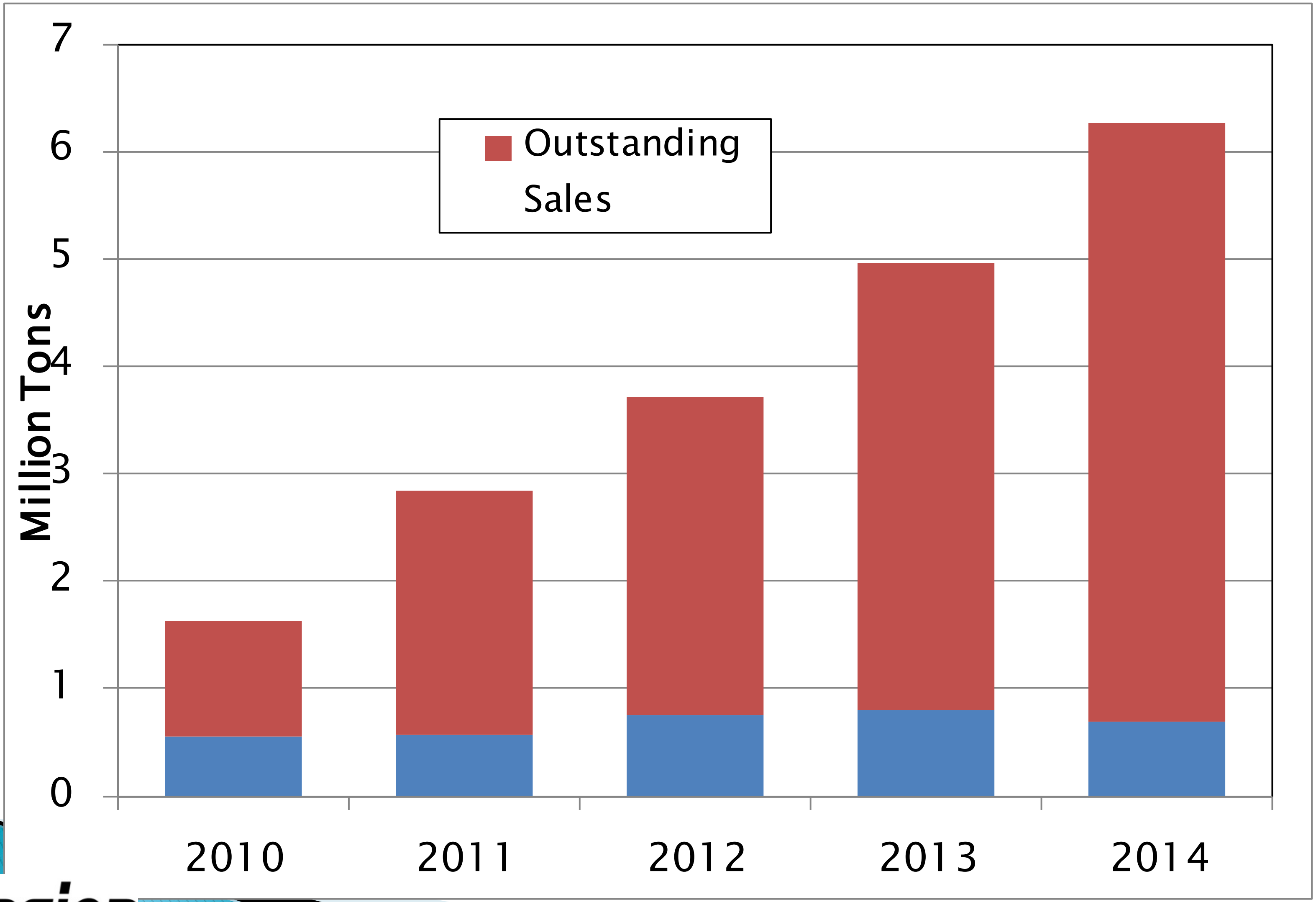


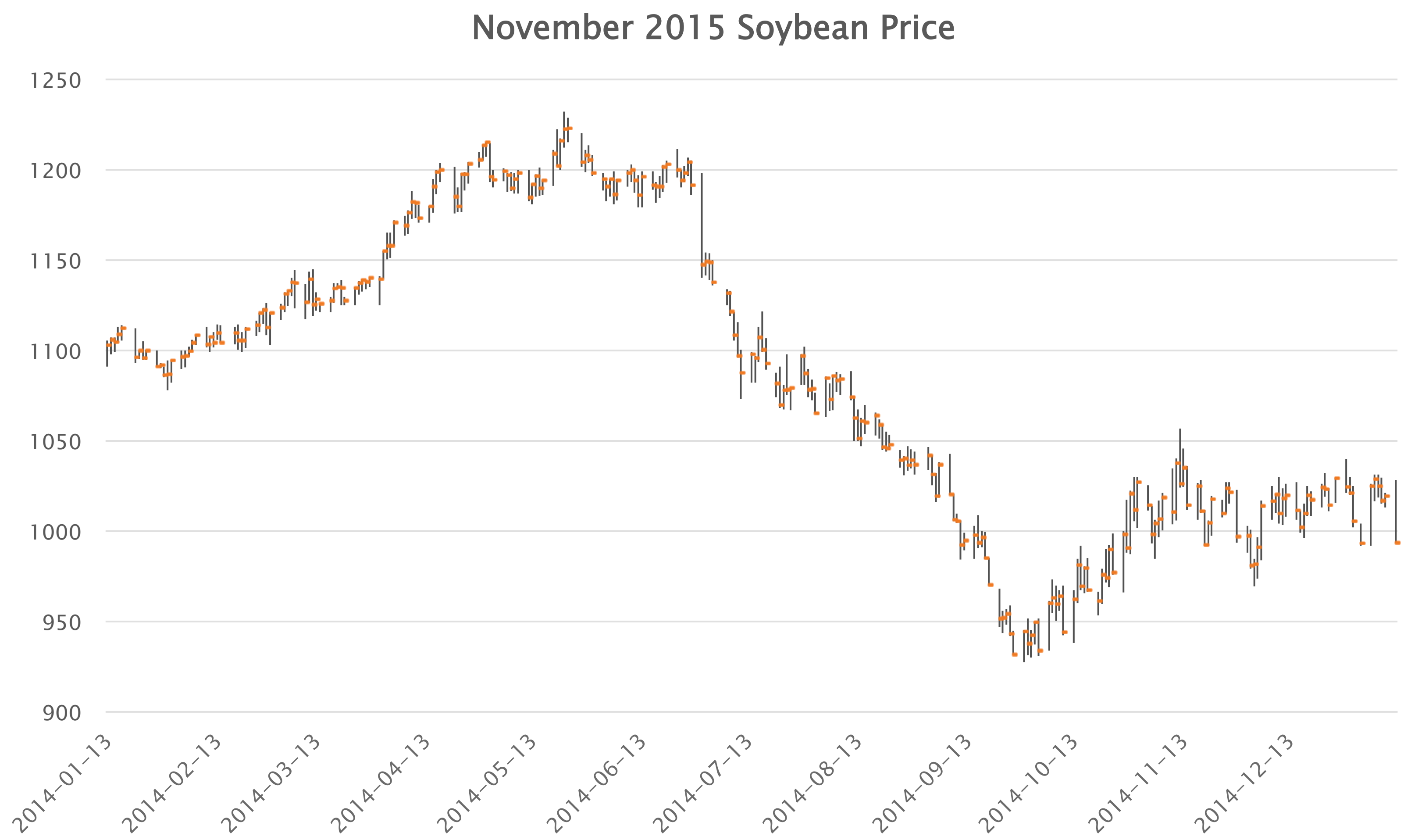
- Bean price is reliant on China – now takes over 60% of world soybean trade
- And still growing!



- Total commitments are 4.0 million tons higher than same period 2013
- Shipments are lagging

Soybean Meal Export Commitments
End of October





Max $12.2275 – Min $9.3175

Thoughts for 2015 and beyond

- Supply/demand concerns
  - Record corn and soybean crops
  - Markets have adjusted downward to absorb supplies
  - Projected negative margins for 2014 and 2015 crops
  - Fourth quarter price increase will not be sustainable
    - On-farm storage absorbed large amounts of corn and bean crop and record amounts of corn and beans still need to be marketed
    - Beginning to see decline in export bookings

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Where will soybeans go?

- Dry weather in Brazil
- Argentina lower projections due to decreased acreas planted
  - Argentina and Brazil account for 51% of world new crop production and 50% of new crop exports
  - U.S. accounts for 36% of new crop exports
- World trade is key to soybean prices

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Thoughts for 2015 and beyond

- A decrease in corn acreage does not mean there is a need for increase soybean acreage
- Trend yield soybeans will result in smaller crop than 2014 but production will still exceed use

Thoughts for 2015 and beyond

- Margins for corn and soybeans will be negative
  - COP of $4.43/bu for corn
    - 2014/15 USDA forecast is $3.65
    - Harvest price could be $3.40
  - COP of $10.94/bu for soybeans
    - 2014/15 USDA forecast price = $10.20
    - Harvest price could be less than $8.50

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Questions or Comments?