



# JANUARY 2012 GRAIN UPDATE

SUNRISE COOPERATIVE, INC

## JANUARY 2012 USDA CROP REPORT SUMMARY

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**Monroeville  
Grain is now  
closed for the  
season. Please  
call the Fremont  
Grain office at  
419-332-6468 or  
1-800-321-5468**

USDA released its January production and stocks report on Thursday January 12<sup>th</sup>. The past 5 years have resulted in corn making a limit move the day of the report. 2007 – Corn was 20 cents UP limit. 2008 - 20 cents UP limit, 2009 - 30 cents DOWN limit. 2010 - 30 cents DOWN limit 2011-30 cents UP limit, and 2012-40 cents DOWN limit. How's that for volatility? The Commodity Futures Trading Commission (CFTC) has continued to increase the daily limits as the flat price has moved higher and volatility has increased.

**CORN:** The final 2011 corn crop was 12.26 billion which figures out to 147.2bu/acre down from 152.8 in 2010. U.S Grain carryout for the coming crop year rose to 846 million bushels compared to the average trade guess of 753 million bushel. World ending stocks were 128.1 compared to 127.1 last month. The most surprising number to the trade was the quarterly corn stocks, the trade was looking for 9.391 billion bushels and the number came in at 9.642. Corn used for ethanol now surpasses feed use, we use right at the 5 billion bushel figure. Feed use fell 22% as producers shifted to alternative feeds, including dried distillers grain, an ethanol by product. Ethanol margins have declined quite a bit. Eastern corn belt monthly averages were Sept 11 at .25, October at .41, November at .51 and December dropped to .01 cents. The average farm cash price for the coming year is forecasted at \$5.70-6.70.

**SOYBEANS:** Production numbers were 3.056 billion bushel which equals 41.5 bushels per acre, down 2 bushels from the previous year. This makes 2011 the sixth largest crop on record. Ending stocks were 275 million bushels up from 230 million bushel in December. The harvested acres were down 4 percent from 2010 to 73.6 million acres. Market reaction to the report had the market about 50 cents lower on the open but it recovered by the end of the day and was down .20 cents. The USDA was conservative on how bad the drought has hurt South American production. It reduced corn production in Argentina by 10 percent, which was not as much as traders had expected. They did not change Brazil corn production, which analysts expect will also drop. If we look at all of South America, the total soybean crop now stands at 133.7 million tons, which is now 2.2 million tons less than what was produced last growing season. For the corn crop, it is now estimated at 83.8 million tons, which is only 1.8 million tons more than last year. That is a far cry from the beginning of the growing season when we thought that South America would produce 11 million MORE tons of corn for 2012. With continued dry weather forecast you can expect these numbers to continue to get smaller. The average farm cash price for the coming year is forecast at \$10.95-12.45.

**WHEAT:** Wheat acres increased to 41.94 million acres up over the average guess of 41 million acres. Soft red winter wheat came in at 8.37 million vs the average of 7.70 million acres. The US Wheat carryout was 870 million vs the average of 831, while the world wheat carryout was 210.2 million metric tons vs 199.9 for the same time last year. Locally acres are considerably less compared to last year because of wet weather and delayed soybean harvest. The increase came from lowering export projections by the same amount. Larger supplies in several wheat exporting countries continues to suppress our sales. The world's supply of wheat grew 9.3MMT higher this month adding to the bearish outlook. Average farm cash price for the coming year was lowered to \$6.95-7.45.

~Mike Oehlhof

# RISK MANAGEMENT

## 2011 CORN CROP

Bushels that are not final priced purchase \$ 6.20 May12 puts for 26¢ resulting in a futures floor of \$ 5.94 May12 with the upside futures and basis open.

Cash sales purchase May12 6.30 calls for 32¢ which establishes a floor while leaving the upside open.

Another alternative would be a corn call spread with a minimum \$1.00 window.

## NEW CROP 2012 CORN

Current advice is to purchase Dec 2012 \$5.60 put @ 50¢ which will give you a floor of \$5.10 Dec 2012 futures floor.

Another tool to consider is a Min/Max with \$1.50 window. Buy the \$5.60 put & Sell the \$7.10 call. Resulting in a floor of \$ 5.30 and a ceiling price of \$ 6.80 December 2012 futures.

## 2011 SOYBEAN CROP

On old crop production that has not been priced purchase May12 \$12.00 put for 58¢ to set a futures floor of \$11.42 May Futures with unlimited upside.

Cash sales can be executed with the purchase of May \$12.00 call option 52¢ to lock in a minimum price while leaving the upside open.

Another alternative would be a call spread with a minimum \$2.00 window.

## NEW CROP 2012 SOYBEANS

Current advice is to purchase Nov 2012 \$11.80 put @ 85¢ which will give you a floor \$10.95 Nov. 2012 Futures.

Another tool to consider is a Min/Max with \$3 window Buy the \$11.80 Nov12 put & Sell the \$14.80 Nov12 call resulting in a floor of \$11.20 and a ceiling of \$14.20 Nov12 futures.

## NEW CROP 2012 WHEAT

We are still recommending the purchase of puts in combination with the selling of futures that are offering profitable levels. By mixing puts into your plan you can comfortably sell 100% of your average yield.

Our current put recommendation would be to buy \$ 6.50 July 12 put for 47¢ resulting in a floor price of \$ 6.03 July12 Futures.

The USDA report Thursday was bearish for US corn data. They increased the US 2011 crop size by 48 mbu and boosted the harvested acres by 100,000. The world data was much more bearish. The world corn stocks jumped 1.1 MMT to 161.8 MMT. The Argentina corn crop was downsized by 3 MMT due to the adverse weather conditions. Your Sunrise Grain Marketing Specialist has the marketing tools to help you manage price volatility while establishing floor pricing with upside price potential still open.

~ Michael Myers

## WINTER GRAIN MARKETING MEETINGS

This year we will feature Mark Talaski of Advance Trading from Bloomington, Illinois to present updated supply/demand dynamics for the United States and the World. Our Sunrise grain staff will also provide a local update and review marketing tools available to help you manage market risk. We look forward to seeing you at one of the following locations and ask that you RSVP by January 31st so that we can plan for meals.

<u>Location</u>	<u>Date</u>	<u>Time</u>
Crestline Activity Center	Feb 7th	6pm
Clyde Eagles Hall	Feb 8th	7am
Norwalk Eagles	Feb 8th	12pm

## 2012 CROP BUDGET ESTIMATES

Costs/Acre		Corn	Beans	Wheat
	Seed	\$110.00	\$65.00	\$50.00
	Nitrogen (180 # N/acre for corn)	\$111.27	\$0.00	\$51.85
	MAP/DAP	\$43.26	\$26.31	\$30.39
	Potash	\$23.40	\$34.13	\$24.06
	Chemicals	\$50.40	\$36.00	\$15.60
	Other Variable Costs	\$137.23	\$58.50	\$62.06
	Fixed Machinery Costs	\$74.91	\$52.44	\$52.44
	Land Costs	\$155.00	\$155.00	\$155.00
	Total Costs	\$705.47	\$427.38	\$441.40
Gross Revenue/Acre				
	Yield/Acre	160	45	66
	Price	\$5.20	\$11.25	\$6.46
	Receipts	\$832.00	\$506.25	\$426.36
	Net Return/Acre	<b>\$126.53</b>	<b>\$78.87</b>	<b>\$15.04</b>
	<b>Breakeven Price/ Bu</b>	<b>\$4.41</b>	<b>\$9.50</b>	<b>\$6.69</b>

~Austin George

### Sunrise Grain Contact Information

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**Crestline Grain: 419-683-4600 or 1-800-705-2676**

**Fremont Grain Department: 419-332-6468 or 1-800-321-5468**

**Clyde Grain: 419-547-9588 or 1-888-547-9588**

**New Washington Grain: 419-492-2548 or 1-800-472-2597**

# Seasonal Average Marketing Program or Put to arrive Program

## For the **2012** Crop – CORN or BEANS

### Structure and Pricing Strategy

**Sales Period: January 19<sup>th</sup> through July 26th 2012 (28 Weeks)**

**Objective:** Utilize seasonal price trends for DECEMBER 2012 futures or Cash prior to and during the growing season and to give producers an opportunity to diversify their marketing portfolio. We are offering two programs this year.

1. Commit bushels to the **Seasonal Average group (1,000 bu minimum)** In the **SEASONAL AVERAGE** group 100% of committed bushels will be sold on a weekly basis. The objective is to spread pricing risk over a longer time frame reducing the effect of a lower market.

2. Commit bushels to the **PUT option group (1,000 bu minimum)**

The PUT group gives you the possibility to own a Put option without committing 5,000 bushels.

The **PUT** group will buy put options on all of the committed bushels. A floor price will be established when puts are bought on January 19<sup>th</sup>.

Please give your Sunrise grain marketing specialist a call for more details and to sign up.

## SUNRISE ENERGY

~Sunrise Energy is offering all fuel tanks on a 3 year deferred payment program. Dual wall tanks meet the fuel containment law that is now in effect. Please give Jason Kamann (419) 706-6338 or Larry Rayborn (419) 563-6362 a call if you have any questions.

~ U-Coop "Gift cards for gallons" are back! Receive a \$75 VISA gift card for every 100 gallons of Superol Gold 15w-40 and/or 75 Fluid purchased between January 1<sup>st</sup> through March 31<sup>st</sup>. This sale is good for bulk and packaged oil.

