# Pro Farmer

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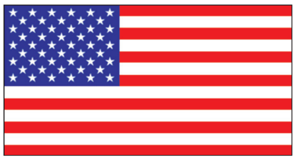

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**News this week...**



### *COF Report bullish.*

USDA's Feb. 24 Cattle on Feed Report showed:

| | *(% of year-ago)* |
|---|---|
| On Feed (Feb. 1): | 102% |
| Placements (Jan.): | 98% |
| Marketings (Jan.): | 102% |

Lower-than-expected Placements and higher-than-anticipated Marketings produced a Feb. 1 On Feed number around 40,000 head smaller than expected. Placements data suggest the supply of lighter-weight calves in the Southern Plains has dried up. But the flow of heavier calves in other areas of the country continues at a brisker-than-year-ago pace.

### *CWB, Cargill sign grain handling deal.*

The Canadian Wheat Board (CWB) reached an agreement to move 2012-13 grain inventory through Cargill's elevators and port facilities. CWB says it is seeking similar deals with other grain handlers.

***Calendar flips, but market focus remains the same —*** *Fund buying propelled soybean futures higher in February and supported corn futures into month-end. For the month, funds were net buyers of 65,000 contracts (325 million bu.) of soybeans and 35,000 contracts (175 million bu.) of corn. With the flip of the calendar, attention remains on funds to see if they will continue to buy. Fundamentally, soybeans continue to be supported by strong Chinese demand and South American crop concerns. But recent rains in Argentina and some areas of southern Brazil may help slow crop losses. In the corn market, buying interest continues to be limited by expectations USDA will report planting intensions of at least 94 million acres at the end of this month, though soybeans are trying to pull corn (and wheat) higher. Cattle traders have some fears a short-term top is near, although the boxed beef and cash cattle market didn't show that last week. Hog traders are still waiting on a confirmed low in the pork market.*

## Chinese demand for beans stays strong

For the week ended Feb. 23, U.S. soybean sales totaled 976,400 metric tons (MT) — 549,100 MT for 2011-12 and 427,300 MT for 2012-13. Chinese purchases totaled 248,200 MT for the current marketing year and 425,000 for new-crop delivery.

Additionally, USDA announced daily sales of 175,000 MT for 2011-12 and 110,000 MT for 2012-13 to China last week. Plus, there were daily sales to an unknown destination (*China?*) totaling 285,000 MT — 120,000 MT old-crop and 165,000 MT new-crop.

### *Crush margins driving old-crop Chinese demand*

Improved domestic demand for soy products in China, especially soymeal, have boosted cash-based crush margins. According to state-run China National Grain and Oils Information Center, soy processors have been working with positive margins for the past three weeks, which has cut soybean stocks held at ports to 5.7 million metric tons (MMT) from 7 MMT at the beginning of February.

Perspective: Improved crush margins and tightening port stocks suggest Chinese demand for soybean will stay strong near-term. And with new-crop South American supplies not readily available for export yet, the U.S. should get the bulk of the business for near-term delivery.

## Iran surprisingly buys U.S. wheat

USDA announced a daily sale of 120,000 MT of U.S. hard red winter wheat to Iran March 1. This was the first Iranian purchase of U.S. wheat since October 2009 and the largest purchase since August 2008.

Despite U.S. sanctions against Iran, Treasury officials say U.S. food exports, including grains, to Iran fall under humanitarian authorization and don't need additional approval.

## USDA to update S&D tables March 9

Given the recent surge in Chinese demand for U.S. soybeans and the belief USDA is too low on its corn usage projections (exports and feed/residual), USDA's March 9 Supply & Demand Report will draw more attention than normal.

USDA will also update global production pegs. It's unlikely USDA will go as low as most private firms on Brazilian and Argentine crops.

## USDA unveils new CRP effort

USDA wants to enroll another 1 million acres of grasslands (with wildlife habitat a focus), wetlands and pollinator habitat via the continuous Conservation Reserve Program (CRP) signup. USDA also will boost the Signing Incentive Payments $50 from current levels.

## La Niña still present, but decline picks up

The Australian Bureau of Meteorology says the rate of decline gained momentum over the past few weeks, but current temperature anomalies are still consistent with a La Niña event. All models the agency watches suggest a warming of tropical Pacific temperatures for the northern hemisphere through spring and summer.

## Argentine dock strike likely temporary

Argentine dockworkers went on strike March 1, halting the loading of at least two grain ships at the main port at Rosario. Workers are seeking better work conditions and higher pay. A union leader says another strike is planned March 7 if their demands are not met. Dockworker strikes are common in Argentina at this time of year and typically last just a few days.

## Brazil to sell corn into domestic market

Brazil's government plans to sell up to 700,000 MT of corn stocks domestically in southern states to offset the effects of drought. Up to 500,000 MT will be sold via auction, with up to 200,000 MT to be sold directly at a fixed price.

*'Twitter Takes'*
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*@MeghanPedersen*
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*Some of our favorite tweets from last week:*

*"At this rate, I may even plant beans. We have been a 100% corn farm for five years now."*

*"Still hearing resistance to corn-on-corn in Illinois. May limit Illinois corn acres just a bit." In response: "If we have favorable spring weather, corn-on-corn will still get planted. High cash rents are a driver."*

*"Local farmers (southern Indiana) talking about switching more acres to beans at $13.00 Jan. '13 bean prices versus $5.65 to $5.70 Jan. '13 corn. At $6 corn and $13 beans, 50-50 (rotation) would be close. Planting date would be an important part of the decision at that point."*

*"Cotton is losing acres versus beans or corn. My guess is beans will exceed USDA's Outlook Forum projection by at least 1 million acres, e.g., 76ish million acres."*

*"Tractors rolled in central Illinois yesterday (Feb. 28). Saw anhydrous and clean-up tillage work being done. Less than a quarter inch of rain."*

*"No chance to plant 94 million corn acres with any early problems."*

## Revenue protection insurance a 'better deal' than year-ago

February is wrapped up, meaning base prices for revenue insurance coverage programs have been established. For 2012 crops, corn will insure at $5.68; soybeans at $12.55; hard red spring wheat at $7.84. The sorghum price will be close to $5.53 with durum near $8.98 and spring barley (in most states) at $5.37. Last year, corn had a base price of $6.01; soybeans $13.49; and HRS was $9.89.

The combination of premium adjustments for corn and soybeans in major states and lower base prices means insurance premiums for most coverage levels in primary production areas will be lower than premiums paid in 2011 for similar coverage. One Iowa farmer reports his 80% Revenue Assurance contract this year was quoted at about $19 per acre, compared to around $30 per acre last year.

And don't forget about the option for a Trend-Adjusted (TA) Actual Production History (APH). In the top producing states, corn and soybean producers generally qualify for higher APH yields (if there are good records to prove the APH). The TA yield makes last year's 80% RA coverage roughly equal to an 85% coverage this year. At that level, RA crop insurance becomes "business insurance."

## HRW crop conditions improve

Increased precip across the Central and Southern Plains during February improved crop conditions, with Oklahoma seeing the most marked improvement based on state crop reports.

Oklahoma now has 7% of the crop rated "poor" to "very poor" (down 2 points from late January) with 67% "good" or "excellent" (up 13 points). In Kansas, 11% of the crop rated is "poor" or "very poor" (down 1 point) while 52% is rated "good" to "excellent" (up 3 points). In Texas, 43% of the crop is rated "poor" to "very poor" (up 5 points), while 31% is seen as "good" to "excellent" (up 5 points).

Despite the improvement in crop condition ratings over the past month, soil moisture deficits remain, with much of the area from central Kansas southward suffering some degree of drought. As a result, timely rains are needed this spring if the crop is going to significantly improve after a rough fall and early winter.

And with the recent warmup in temps, the crop is starting to green up earlier than expected in some areas, meaning the need for precip will intensify. It also leaves the crop vulnerable if there's a late-winter/early spring blast of sub-freezing temps.

## Russian winter grain crop conditions better than normal

Russian winter grain crops apparently held up fairly well under the arctic freeze that blasted the Former Soviet Union in February. State forecaster Gidromet says 6% to 8% of Russia's winter grain crop is in poor condition, while the remaining portion is good or satisfactory. That's better than the five-year average (2007-2011) of 8.9% of the crop rated poor at the end of February, according to private consulting firm SovEcon.

Last week, Russia's ag minister upped her forecast for 2011-12 grain exports to a range of 27 million metric tons (MMT) to 28 MMT.

## Ukraine winter crops didn't fare so well; more corn likely

A portion of winter grain crops in Ukraine will need to be reseeded this spring after bitterly cold temps caused winterkill damage last month. As a result, Ukraine's ag ministry now expects 4.5 million to 5 million hectares (11.1 million to 12.4 million acres) to be seeded to corn this year, up from its prior projection of 4.3 million hectares (10.6 million acres). Last year, Ukraine planted 3.6 million hectares (8.9 million acres) to corn. Total grain seedings are seen unchanged from year-ago at 15.8 million hectares (39 million acres).

## Rains too late for much of southern Brazil bean crop

After extended heat and dryness, rains moved into southern Brazil last week. In Parana, the rains were too late to have a significant impact on soybeans as much of the crop is mature or nearing maturity. In Rio Grande do Sul (RGDS), the rains will be more beneficial as *Pro Farmer* South American consultant Dr. Michael Cordonnier reports 30% of the crop in the state is flowering and 60% is filling pods. Still, Dr. Cordonnier says it looks like yields could be down 40% statewide in RGDS.

In Mato Grosso, Dr. Cordonnier says a lot of producers are reporting yields up to 10% lower than year-ago.

For all of Brazil, Dr. Cordonnier says soybean harvest is about 30% complete.

### *Dr. C's crop ests. unchanged*

Dr. Cordonnier made no changes to his South American crop estimates, but he maintains a downward bias toward the Brazilian bean crop. Dr. Cordonnier estimates the Brazilian bean crop at 68 million metric tons (MMT); Brazilian corn at 58 MMT; Argentine beans at 47 MMT; and Argentine corn at 20 MMT.

Meanwhile, private consulting firm Agrural lowered its Brazilian soybean crop estimate to 68 MMT. And private firm Agroconsult cut its Brazilian soybean crop peg to 69.9 MMT, but raised its corn crop estimate to 63.7 MMT.

USDA's ag attaché in Brazil puts soybean production at 70 MMT.

## Rains needed for *safrinha* corn

Growing conditions are generally favorable for early *safrinha* (second crop) corn in Mato Grosso, but dryness remains a concern in Parana and Mato Grosso do Sul. These two states represent nearly half of Brazil's expected *safrinha* acreage this year. And with the *safrinha* crop expected to account for around 40% of this year's total corn crop, there's a lot riding on late-season rains in Brazil.

## China's February PMI rises

China's headline purchasing managers index (PMI) increased more than expected to 51 in February — the highest reading since September 2011. Meanwhile, the final HSBC PMI for February came in at 49.6. The 50 level is universally regarded as the expansion/contraction line for the manufacturing sector.

The data suggests China's largest manufacturers (headline data) are expanding amid increased export orders, but smaller companies (HSBC data) are still contracting. China's economy doesn't seem headed for a hard landing as some have feared, and the government may not have to be as aggressive with monetary policy easing as previously expected.

## ECB makes loans to banks

The European Central Bank (ECB) made available to banks the second batch of long-term refinancing operations (LTROs) last week. Demand was stronger than expected as the ECB lent 530 billion euros ($712 billion) to 800 banks around Europe compared to 489 billion euros ($657 billion) in December.

The first round of "free money" was used by most banks to pay down debt. But it's hoped this second round of LTROs will be used more for loans to businesses and individual consumers in an attempt to boost euro-zone economic activity. ECB officials also hope banks will use the new money to buy higher-yielding bonds more aggressively, especially from Italy and Spain.

*Why are the LTROs important?* The solvency and ability to make loans by European banks is critical to global trade, especially with China. If European businesses and consumers have the confidence and ability to buy "things," it decreases the odds of the Chinese economy suffering a hard landing. And that, in turn, increases the odds of China buying more U.S. commodities as it manufactures "things."

## Questions asked and comments given

Washington consultant Jim Wiesemeyer is asked many questions during his frequent travels around the country. These are his typical responses to queries about upcoming elections and farm policy issues.

*Q: What will happen to estate tax provisions after 2012?*

A: Current language expires at the end of this year, and if it isn't changed, the estate tax exemption goes from the current $5.12 million mark to $1 million — equivalent to around 150 acres of Iowa farmland! Congress will likely extend the current language via a lame-duck session of Congress after the Nov. 6 elections. That is when lawmakers must deal with the expiring 2001 and 2003 tax cuts. The unknown is how many years the estate tax language will be extended — it will not likely be permanent. Some Democratic lawmakers want to lower the exemption to around $3.5 million.

*Q: Do you still believe the new farm bill will be completed this year?*

A: Yes, though I am in the minority on this one. The biggest hurdle is for the so-called leaders in Congress — both Democrats and Republicans — to give floor time for farm bill debate. There will be some controversial issues/votes in that debate. Some lawmakers, especially Senate Majority Leader Harry Reid (D-Nev.), do not want to consider any measure that election-year lawmakers will have to vote on. That is not the definition of leadership. So, while I still believe the Senate and House Ag panels will report out a farm bill from their respective committees, the question remains as to whether floor time will be allocated to vote on it.

*Q: Are farmers losing faith in USDA reports?*

A: It depends on what state you visit. But USDA sources tell me that the rate of response to some USDA surveys has been decreasing. (I also learned farmers in some states consistently underreport their production, one such state being North Dakota.) Farmers are especially critical of USDA Grain Stocks Reports for being so volatile. And they do not accept the usual USDA/NASS explanations for that volatility.

*Q: Who will win the presidential contest this year?*

A: It's still too early for a definitive response on that. Heck, the GOP still doesn't have their official candidate, and may not for more than a few months. My hunch now is that President Obama will be re-elected. But it mostly depends on (1) the economic situation ahead of the election and (2) the impact of the Hispanic voter — this group could well decide not only the presidential election, but also a few key Senate races. Republicans have gone out of their way to upset this growing group of voters. That is why I say the only way Republicans have a chance of defeating Obama is if they have a Hispanic candidate on the vice presidential ticket, namely Sen. Marco Rubio (R-Fla.). Frankly, the GOP would have higher odds of winning the presidency if they could put on the ballot, "Candidate to be determined after the elections."

*Q: Will there be a brokered/contested GOP convention?*

A: The odds of a contested GOP convention are quite low. But the so-called "smart" people monitoring the GOP presidential primary to date have been so wrong, so often that they could qualify for being in this Congress! So, while this is not impossible, it is also not probable — especially because Mitt Romney won last week's Michigan primary.

*Q: Will Sen. Lugar win the GOP primary?*

A: Yes. But I will tell you this — he has spirited opposition and has had to confront his moderate positions. His opponents are attacking him for not having an official home in Indiana.

***Snowe a no-go.*** ***Sen. Olympia Snowe (R-ME) announced last week she will not seek a fourth term, putting the seat in the up-for-grabs category. It also potentially raises the bar for Republicans to retake control of the Senate. The GOP needs to pick up four seats (three if President Obama doesn't win a second term) to gain control. Democrats have 23 seats to defend while Republicans have only 10.***

***Kerrey will run for Senate.*** ***Bob Kerrey (D), the former Nebraska governor and senator announced last week he will run for U.S. Senate, setting the stage for a competitive election year in Nebraska as Democrats fight to retain the seat being vacated by retiring Sen. Ben Nelson (D-Neb.). Kerrey acknowledged that his thought-making process may have been unconventional — he initially said he was out, then said he was in — but he ultimately decided he wanted to be a part of the national debate. He said, "I came to realize that my previous decision was the easy one; not the right one."***

***New trade agency.*** ***Pres. Obama last week created the Interagency Trade Enforcement Center, which he says will greatly improve the government's ability to challenge unfair trade practices by global competitors, including China.***

# It will take engine and fuel advancement to hit standards

**by Editor Chip Flory**



A few days before NASCAR ran a marathon of a Daytona 500 powered by Sonoco E15 fuel, the March issue of *Ethanol Producer Magazine* was delivered to its readers. In it is an article titled "Thirsty for More" that focuses on how engine researchers are making impressive strides toward harnessing the high efficiency of ethanol.

We typically shy away from getting "too technical" on issues like this, but the article, written by Associate Editor Kris Bevill, does an excellent job of detailing advancements in language most can understand. With urging from Badger State Ethanol President and CEO Gary Kramer, we're going to summarize the article for you. But please, go to the Ethanol Producer Magazine website to read the full article (www.ethanolproducer.com).

### Research is driven by regulatory action —

Bevill writes, "In November, the U.S. EPA [Environmental Protection Agency] and the National Highway Traffic Safety Administration (NHTSA) jointly announced the Obama administration's plan to improve vehicle fuel efficiency and significantly reduce emissions over the next 15 years. The proposed Corporate Average Fuel Economy standards and greenhouse gas (GHG) emissions standards unveiled by the agencies, which reportedly had the support of major automakers and environmental groups, would steadily increase fuel efficiency requirements for light-duty truck and passenger cars from an average of 34 mpg in 2016 to more than 50 mpg in 2025 and reduce allowable emissions to 163 grams of $CO_2$ per mile in model year 2025 vehicles."

Automakers are already making some progress toward meeting the efficiency and emission goals. General Motors has rolled out the Ecotec engine and Ford has the Ecoboost engine. Bevill says, "This type of engine improvement is a definite step in the right direction," but he also asks, *"will it be enough to meet the stringent requirements proposed for 2025?"* The ethanol industry is trying to get out in front of that question and funded two separate studies to examine how ethanol might help automakers meet the federal goals.

### Study suggests high-octane fuel can help —

Details of how these studies were conducted are available at the *Ethanol Producer* website. One study was conducted by the automotive engineering group Ricardo Inc., guided by John Kasab, chief engineer. He says, "The majority of vehicles are still going to have internal combustion engines and almost certainly have gasoline, spark-ignited engines in them. They may be hybrids, they may be in advanced conventional vehicles, but people are still going to go to a fueling station, they're still going to have to put liquid fuel in the tank."

Importantly, the Ricardo study found that some of the engine technologies being developed now are neutrally impacted by higher-octane (more ethanol in the blend) fuel usage. That's important because automakers should grow more comfortable with higher-octane ethanol blends than they are today.

Bevill says the study found, "... [other engines being developed] — such as direct injection and turbocharging — readily lend themselves to the use of fuels with octane ratings greater than 87. This is due to several factors. Boosted engines such as the Ecoboost and Ecotec are designed to allow for increased air pressure to be pumped into the cylinder. This improves the efficiency of the engine but it also makes the engine thirsty, essentially, for higher octane because while higher compression ratios improve fuel performance, they can also cause the engine to reach its knock limit (the point at which uncontrolled combustion occurs) more often. Higher octane fuels can push out the knock limit of engines, allowing them to run at higher speeds and higher loads before knock occurs. Ethanol specifically offers another benefit that it has a higher latent heat of vaporization, meaning that the fuel can absorb more heat from the combustion, therefore the engine runs cooler than it would when using other fuels. Thus the compression ratio of an engine can be increased to compensate for the difference in combustion temperature and allow the engine to run at the original temperature."

### It will take engines and fuel —

Bevill reports Rod Beazley, Ricardo's project director of gas engines, says his group's research proves that <u>to meet future fuel efficiency and emissions requirements, vehicles will likely require a combination of engine technology improvements and higher-octane fuels</u>, whether it be ethanol-blended fuel or another high-octane fuel. Beazley says, "There is some low-hanging fruit in terms of fuel economy because for every unit increase in compression ratio, there's a 3% fuel economy benefit. And to increase your fuel compression, you need a higher-octane fuel."

But Bevill explains there's a catch: "This presents an interesting quandary for automakers, however, because while they are required to meet national fuel standards, they must also continue to design engines to operate on the fuels available to consumers. And high-octane fuels are not currently widely demanded on the market.

"They can't develop an engine for a higher-octane fuel if it's not available in the field," Beazley adds.

### Is it really a 'chicken-or-egg' issue?

That's the rub: The industry can't market ethanol-friendly engines without mid-level blend rates (E30?) available. It's become clear efficiency standards can't be hit with engines or fuel alone... but it is possible with a combination of engine and fuel technologies.

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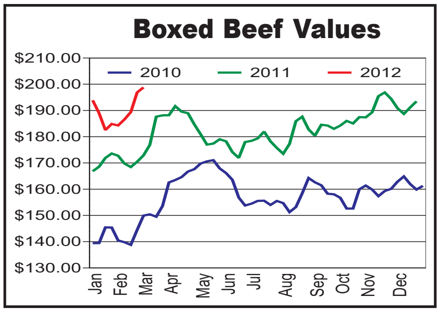
# CATTLE

## Position Monitor

**GAME PLAN:**

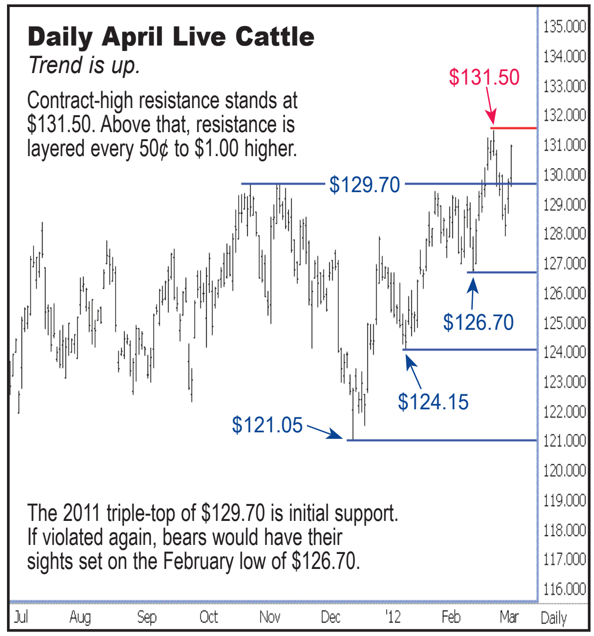
| | Feds | Feeders |
|---|---|---|
| I'12 | 0% | 0% |
| II'12 | 0% | 0% |
| III'12 | 0% | 0% |
| IV'12 | 0% | 0% |

Fed cattle producers, feeder cattle buyers and feeder cattle sellers are carrying all risk in the cash market for now. Downside risk is limited to a corrective pullback given bullish fundamentals.




### Fundamental analysis

Live cattle futures started last week under pressure as traders worried record Choice boxed beef values would slow movement and signal the market was close to posting a near-term high. But as beef values continued to firm, buying returned to futures as this raised expectations the cash market would post a new record. There is reason for traders' "cautiously optimistic" attitude toward the beef market. If gasoline prices continue to rise into grilling season, it would reduce demand for higher-quality cuts. Beef values are likely to remain at lofty levels — even above last year's levels — given strong export demand amid tightening supplies. Market bulls will continue to use price pullbacks as a buying opportunity given bullish fundamentals.



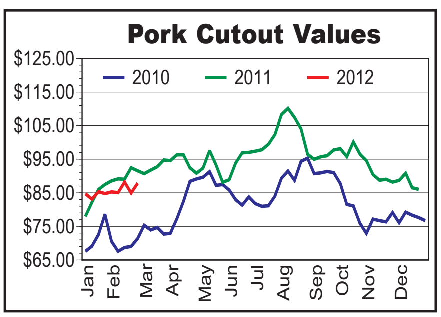

# HOGS

## Position Monitor

**GAME PLAN:**

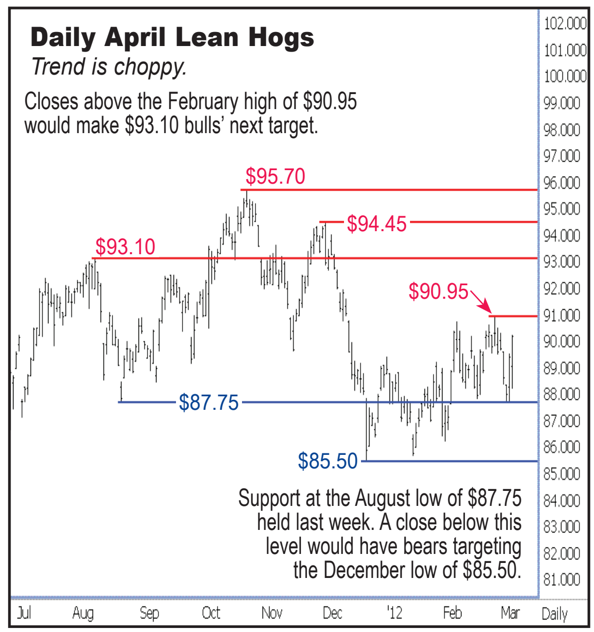
| | Lean Hogs |
|---|---|
| I'12 | 0% |
| II'12 | 0% |
| III'12 | 0% |
| IV'12 | 0% |

Hog producers should carry all risk in the cash market for now. Once the pork market convincingly puts in a seasonal low, fundamentals and technicals will improve and should strengthen into summer.




### Fundamental analysis

Traders are growing discouraged waiting on retailers to increase purchases of pork for Easter features. Pork movement began to improve last week to suggest the start of their buying spree, but prices reflected just modest improvement. With the latest Cold Storage Report showing frozen ham supplies well above year-ago, it's possible seasonal buying could remain lackluster. The cash hog market is at risk of more near-term pressure due to packers' negative profit margins. While market-ready supplies are tightening, packers' demand for hogs has softened. If packers scale back kill hours to reduce losses, it could back up marketings, causing hog weights to rise. But downside risk in cash and futures should be limited as supplies tighten through spring.



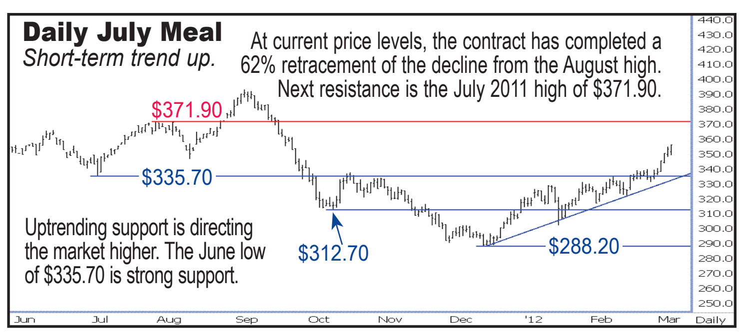

# FEED

## Feed Monitor

| Corn | |
|---|---|
| I'12 | 0% |
| II'12 | 0% |
| III'12 | 0% |
| IV'12 | 0% |
| **Meal** | |
| I'12 | 0% |
| II'12 | 0% |
| III'12 | 0% |
| IV'12 | 0% |

**CORN GAME PLAN:** Stay hand-to-mouth on corn-for-feed needs in the cash market for now as the market is susceptible to near-term pressure amid big acreage talk. A sharp price break would be an opportunity to extend coverage.

**MEAL GAME PLAN:** Stay hand-to-mouth on protein needs in the cash market for now. We'll look to extend coverage on an overdue price correction.

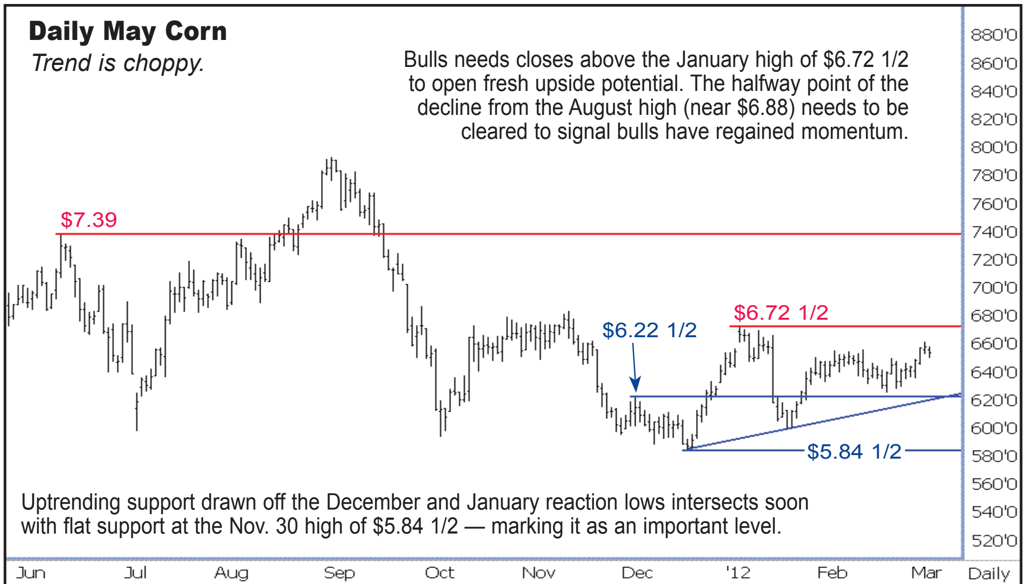


# CORN

## Position Monitor

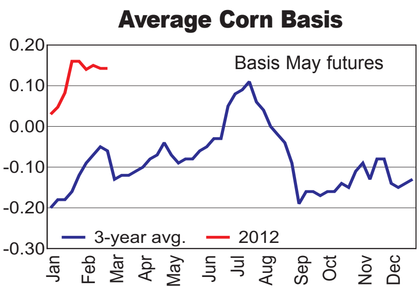
| | '11 crop | '12 crop |
|---|---|---|
| Cash-only: | 60% | 0% |
| Hedgers (cash sales): | 70% | 0% |
| Futures/Options | 0% | 0% |

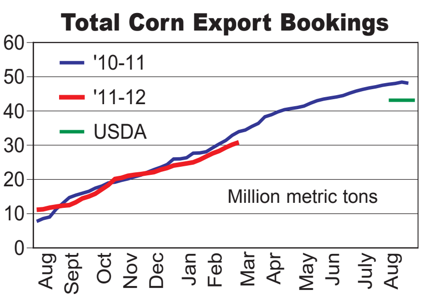
**GAME PLAN:** Get current with advised 2011-crop cash sales as futures could face near-term pressure amid big acreage talk. Be prepared to advance old-crop sales, especially if you are a hedger. Also be prepared to make initial 2012-crop sales soon. We want to have at least one-quarter of expected new-crop production sold ahead of the March 30 Prospective Plantings Report.

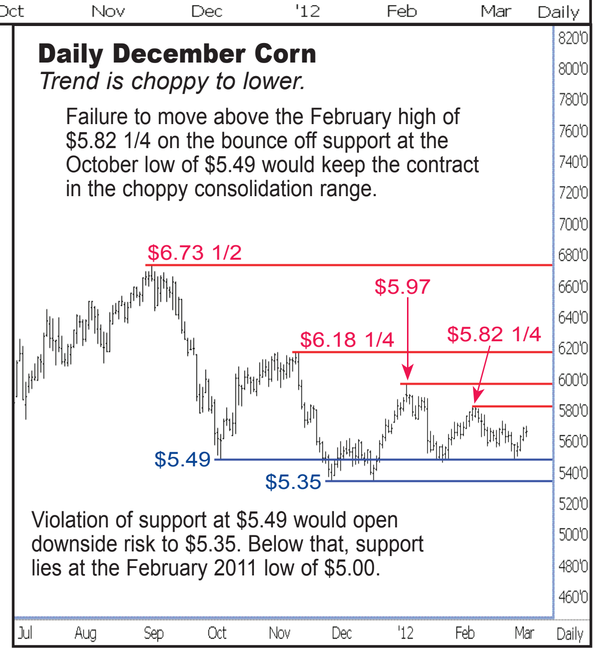



### Fundamental analysis

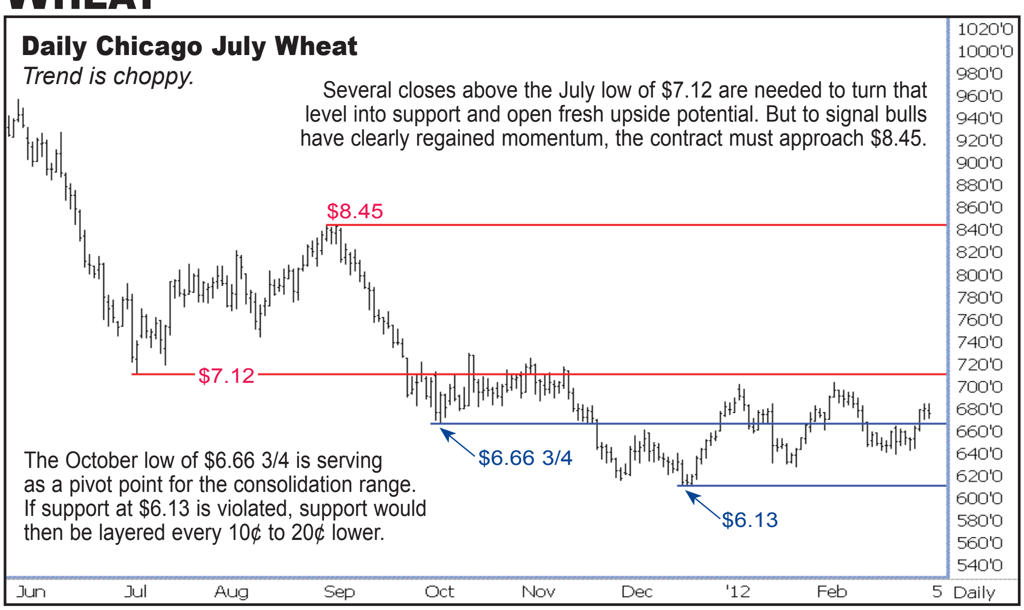
Corn futures rose into month's end amid short-covering and spillover from soybeans, but lacked fresh bullish news to be the market leader. Recent beneficial moisture in the western and Upper Midwest provides traders with more confidence the 2012 crop will be large enough to grow carryover in the year ahead. In the meantime, the national average corn basis remains well above the three-year average and the pace of exports is above what's needed to reach USDA's current projection. Unless prices rise enough to slow demand until new-crop supplies are available, the cash market will continue to reflect a tightening of supplies. For now, corn is comfortable in its trading range, especially with outside markets providing mixed signals. Last week crude oil was a supportive factor for corn, while gold sold off sharply.




# WHEAT




## Position Monitor

| | '11 crop | '12 crop |
|---|---|---|
| Cash-only: | 60% | 25% |
| Hedgers (cash sales): | 60% | 25% |
| Futures/Options | 0% | 0% |

**GAME PLAN:** Get current with recommended old- and new-crop sales and be prepared to make additional sales as long-term fundamentals are bearish.

### Fundamental analysis

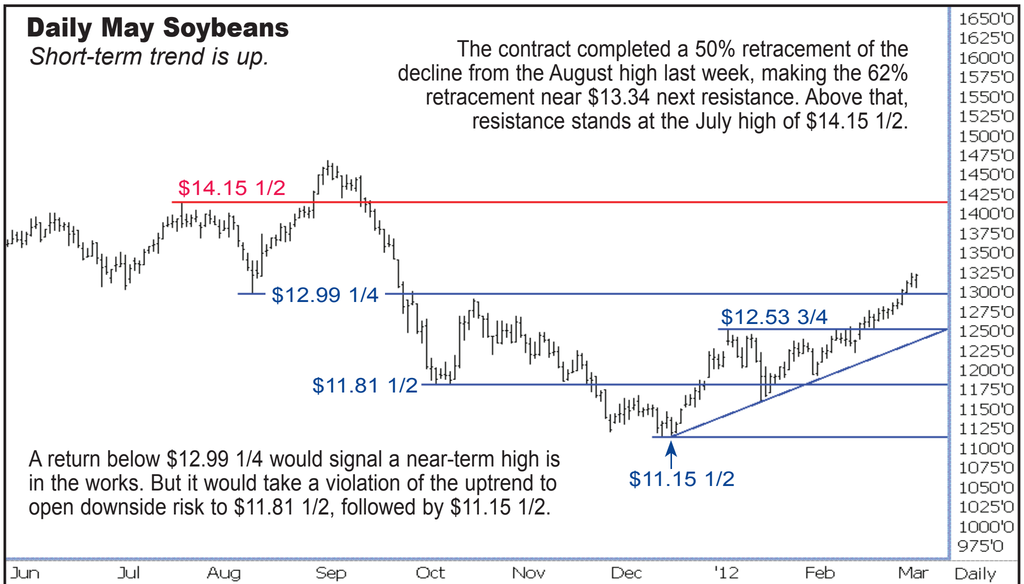
**SRW:** While there are still areas of crop concern — notably Ukraine — 2012-13 global carryover is pointed up. As a result, traders will continue to gauge the U.S. dollar index for the competitiveness of U.S. supplies, as lower U.S. shipping rates have attracted an increase in business recently.

# Soybeans

## Position Monitor

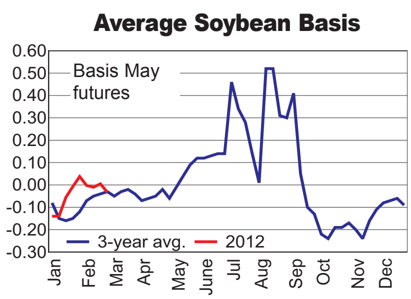
| | '11 crop | '12 crop |
|---|---|---|
| Cash-only: | 60% | 0% |
| Hedgers (cash sales): | 60% | 0% |
| Futures/Options | 0% | 0% |

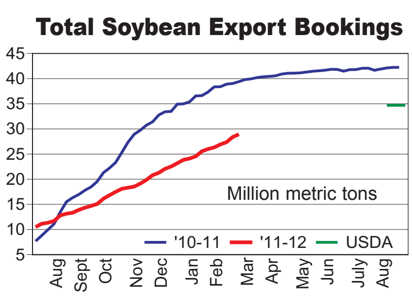
**Game plan:** Get current with advised 2011-crop sales and be prepared to advance old-crop marketings to reward the rally — especially if you are a hedger. Hedgers and cash-only marketers should be prepared to make initial 2012-crop sales. We want to have at least one-quarter of expected new-crop priced before the March 30 Prospective Plantings Report.

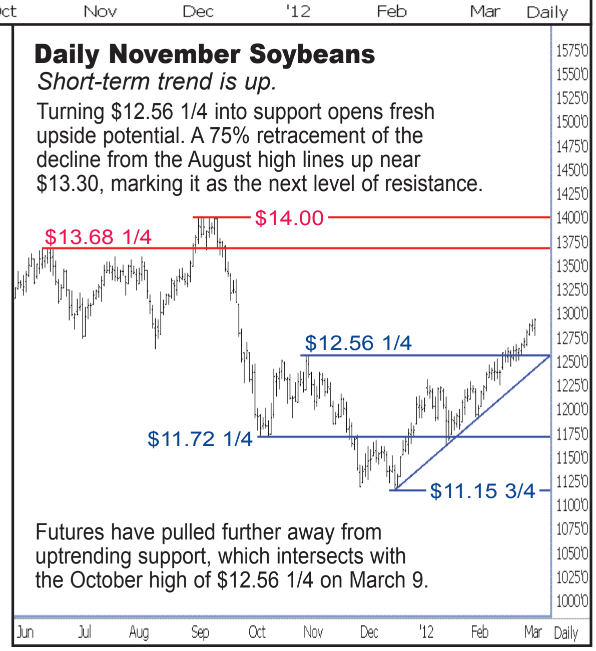



### Fundamental analysis

Strong demand kept soybean futures pointed higher last week. While down from record sales posted the prior week, weekly export sales for the week ended Feb. 23 still exceeded traders' expectations. Sales of 549,100 metric tons (MT) were reported for the current marketing year and 427,300 MT in buys were reported for 2012-13. China was the primary buyer and destination of exports — something traders have come to expect. Given strong demand expectations, to avoid a round of profit-taking in futures, export demand must continue to impress traders. There is still more room to the upside in the soybean market given USDA's projection for tighter carryover in 2012-13, but a selloff could come at any time as contracts have moved into overbought territory according to the Relative Strength Index.

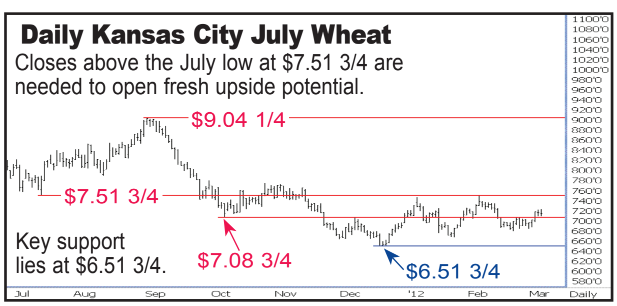


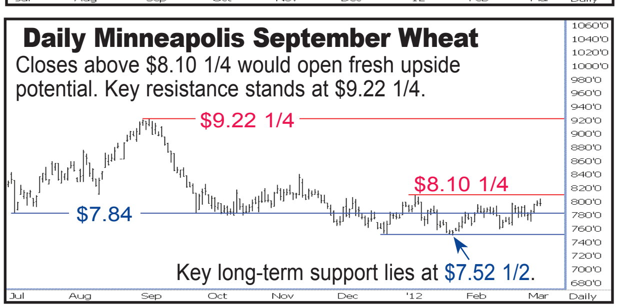



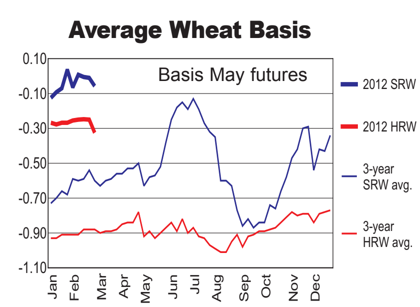



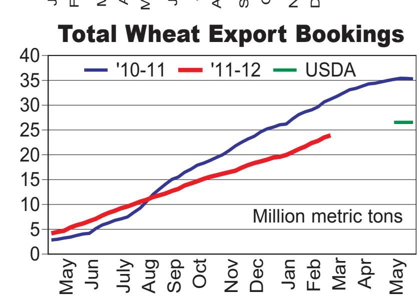

**HRW:** Much-needed precip in the Southern Plains last month boosted crop condition ratings (see *News page 2*), but drought conditions remain in place from the southern half of Kansas southward. Crop watchers report warm temps are coaxing wheat out of dormancy prematurely, which increases the need for favorable weather.

**HRS:** The National Drought Monitor last week reflected beneficial precip in the form of "wet snow" across the Northern Plains, leading to minor improvement in southeast North Dakota. But more precip will be needed this spring, as all of North Dakota and 79% of South Dakota is covered by some form of drought.



# Cotton

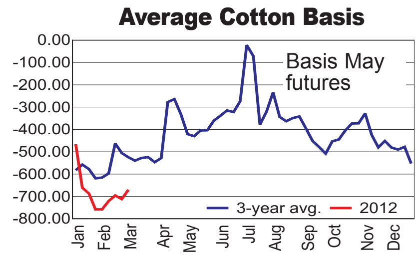
## Position Monitor

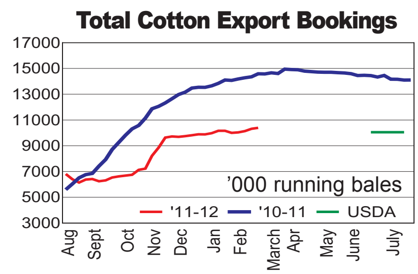
| | '11 crop | '12 crop |
|---|---|---|
| Cash-only: | 0% | 0% |
| Hedgers (cash sales): | 0% | 0% |
| Futures/Options | 0% | 0% |

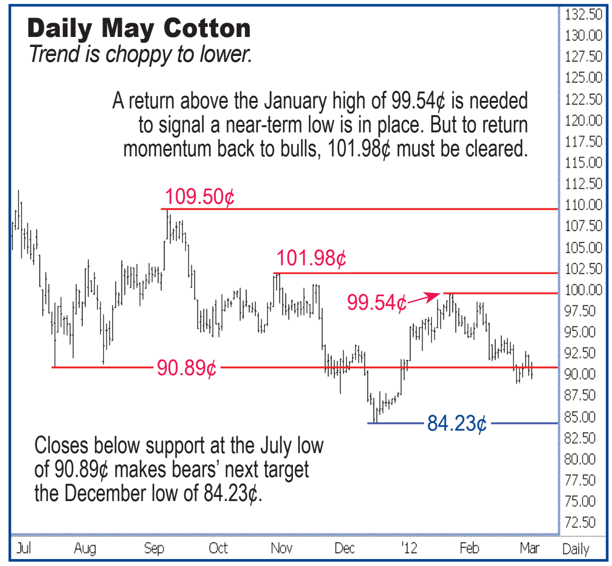
**Game plan:** Be prepared to make 2011- and 2012-crop sales as the market is breaking down technically and fundamentals are weakening.

**Fundamental analysis**

Slight improvement in demand for U.S. cotton hasn't been enough to spark renewed buying interest in futures. Last week, the China Cotton Association said its government is raising the 2012 cotton purchase price by 3% to encourage production, further pressuring the market.




# General Outlook

Stocks: The Dow Jones Industrial Average closed above the 13,000 level last week for the first time since May 2008. The gains came with little volatility and fanfare — just the way veteran stock index traders like it. These traders know it's those "under-the-radar" trending moves that are the ones that are likely to continue.

The bellwether Dow has been trending solidly higher for nearly five months and has been climbing the proverbial "wall of worry" amid geopolitical and economic unease thanks to better-than-expected U.S. economic data that has traders cautiously optimistic the uptrend will continue.

The Department of Commerce revised its 4th-qtr. 2011 estimate of GDP from 2.8% to 3.0% last week, which is a major improvement from a 1.8% growth rate in the prior quarter and the fastest growth since the second quarter of 2010. Investors are betting that stronger-than-expected growth continues, keeping the stock market in its gradual uptrend.


# From the Bullpen *by Senior Markets Editor, Julianne Johnston*

Corn and soybean bulls were rewarded with an extra day of price gains in February, courtesy of "Leap Day 2012." For the March contracts, it put another 3¢ in bulls' pockets.

Often telling of a market's near-term direction is how it finishes a month. And to start March, soybeans are the upside price leader. March soybeans ended February $1.14 1/2 higher than the last trading day of January, with the November contract ending 87 1/2¢ higher courtesy of strong Chinese buying of U.S. soybeans in February, which resulted in a widening of the new-crop soybean/corn ratio.

For a second place finish, end-of-the-month price strength contributed to price gains for March corn, which ended February 17 1/2¢ higher than the last trading day of January, while December corn ended a penny lower. While soybean fundamentals strengthened in February, expectations for a big increase in 2012 corn acres reduced traders' concerns about the tight old-crop corn stocks situation.

Wheat futures ended February in last place as traders' focus has turned to the plentiful global supply situation. March Chicago wheat ended February 1 3/4¢ lower than the last trading day of January, while the September contract ended 7 1/2¢ lower.

While soybean fundamentals have improved, it's dangerous to get more bullish as prices rise. As a result, our "leash" on the market is getting shorter as we prepare to make initial 2012-crop sales. Corn and soybean cash-only marketers and hedgers need to stay in touch as we'd like to have a quarter of expected production priced ahead of the key March 30 Prospective Plantings Report.

## Key Market Items on My 'To Watch' List

**1) USDA Weekly Export Sales Rpt.**
— Thursday, March 8, 7:30 a.m. CT
Strong Gulf corn, soybean and wheat basis levels suggest a pickup in demand should be reflected by the report.

**2) USDA Supply & Demand**
— Friday, March 9, 7:30 a.m. CT
Traders expect USDA to follow private crop forecasters and lower the South American bean crop projection.

**3) Monthly jobs report**
— Friday, March 9, 7:30 a.m. CT
Jobs growth in February likely wasn't strong enough to lower the unemployment rate, say economists.