



TACTICS FOR TIGHT MARGINS
TOMORROW'S TOP PRODUCERS
Chicago IL. *January 20, 2015*



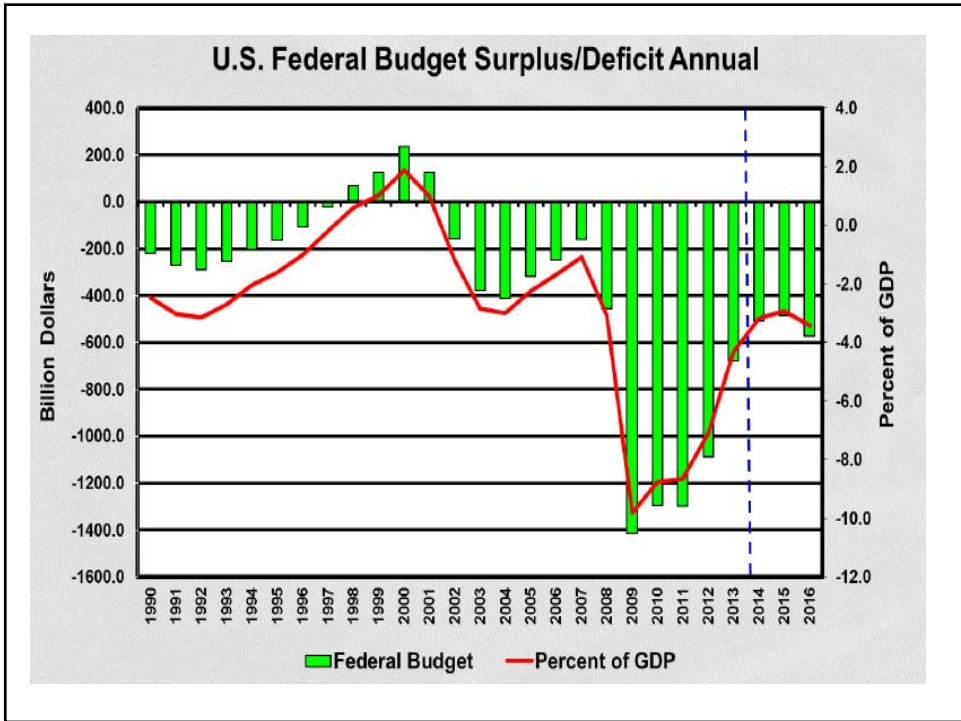
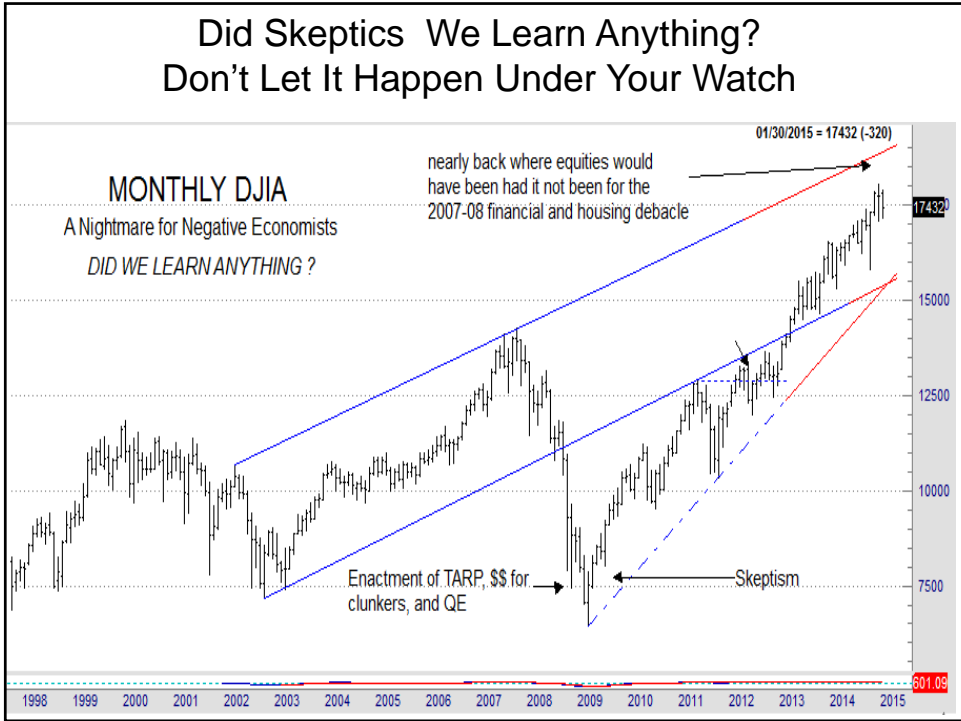
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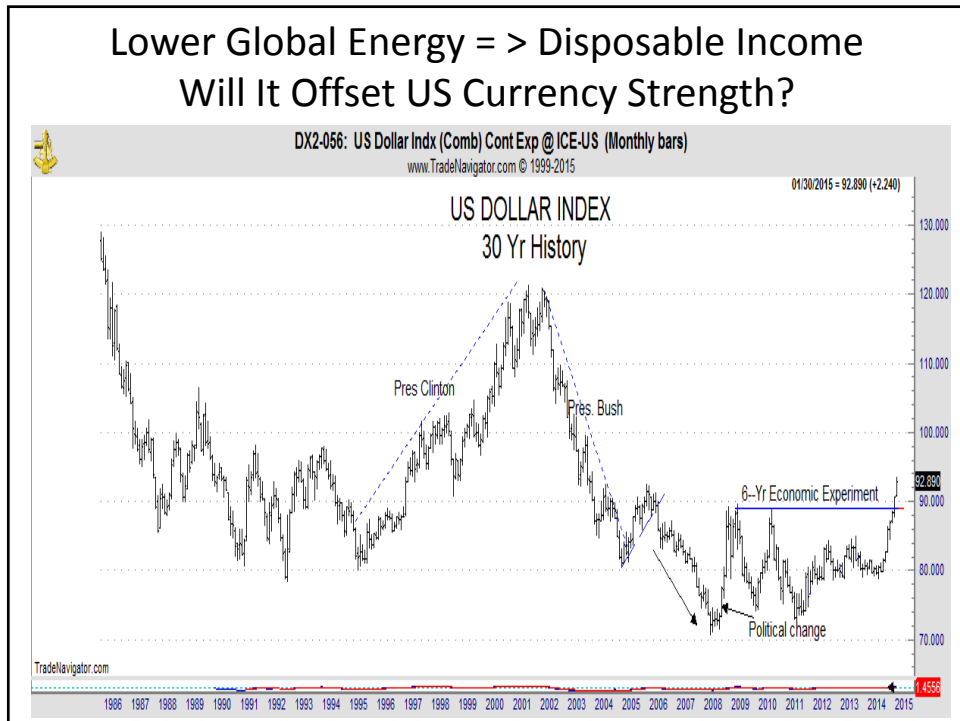
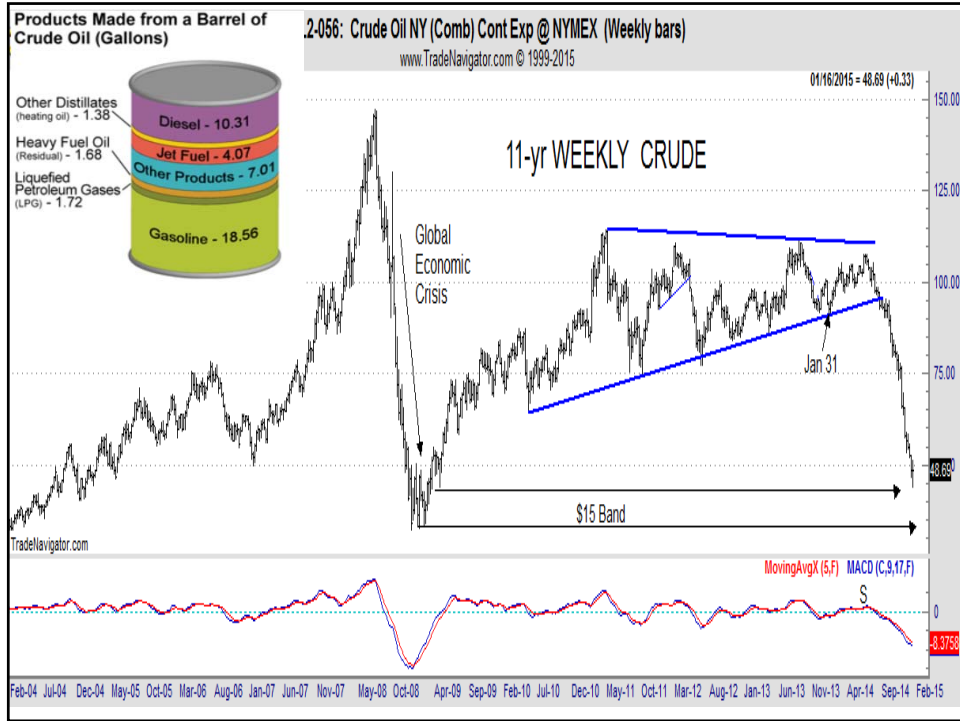
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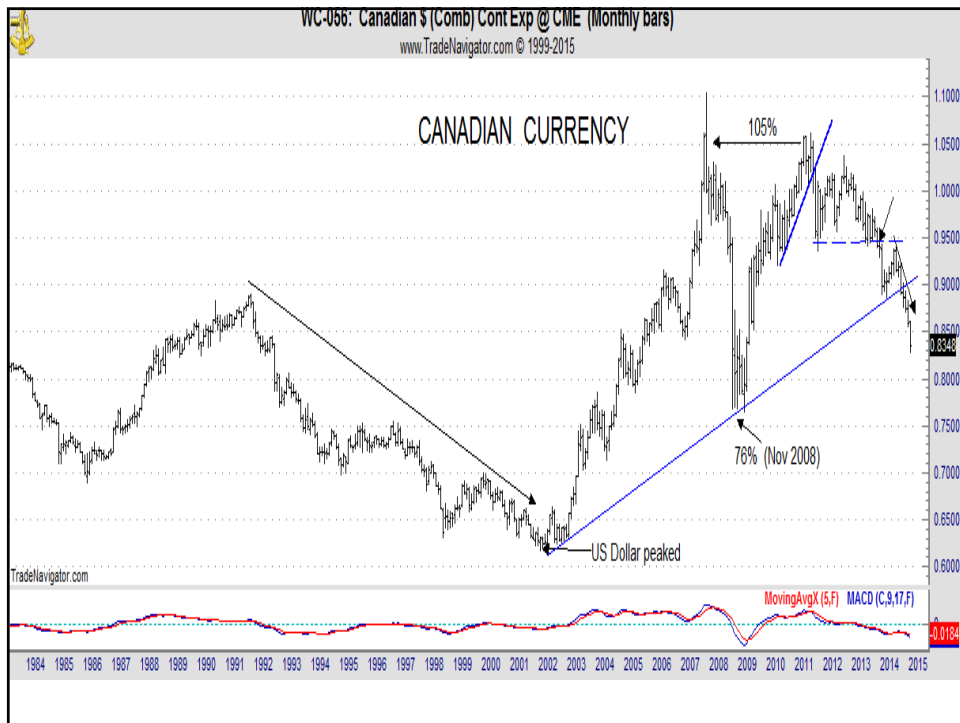
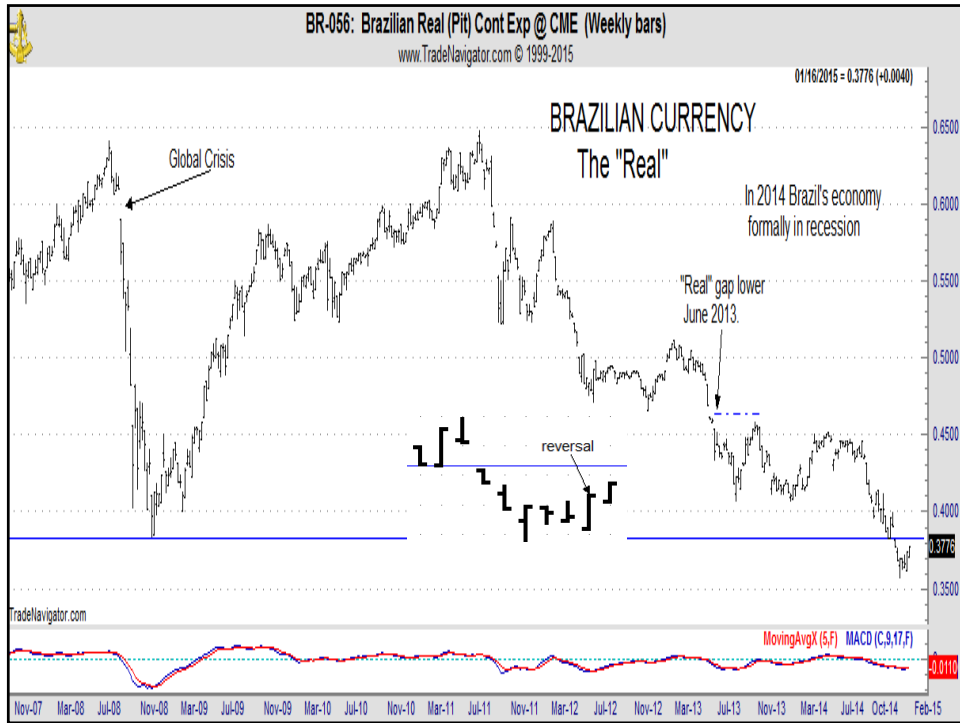
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TP Conference Specials

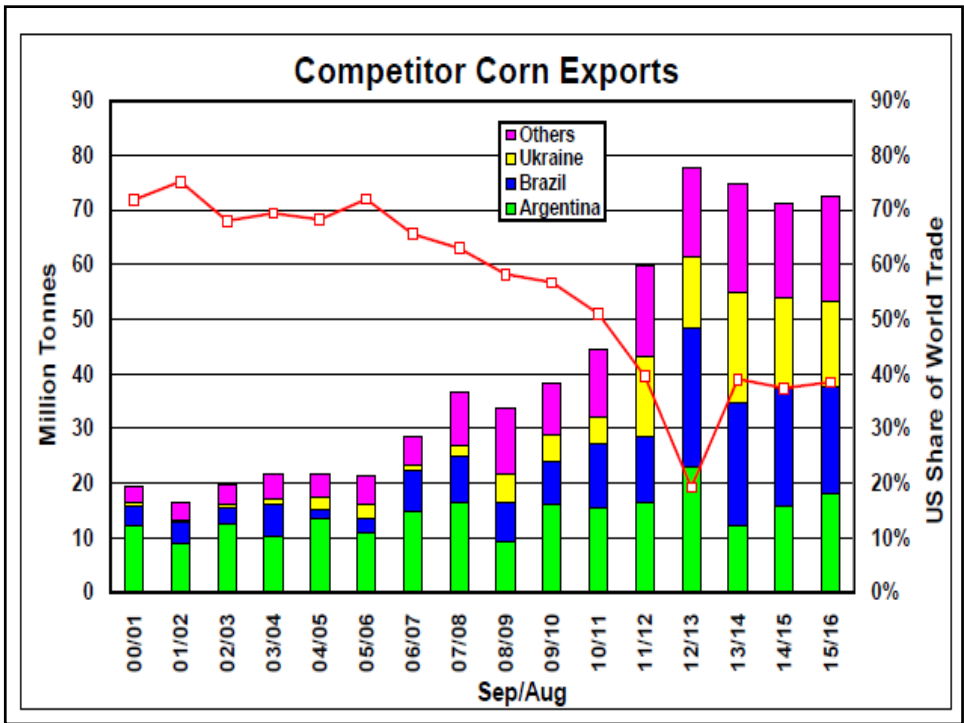
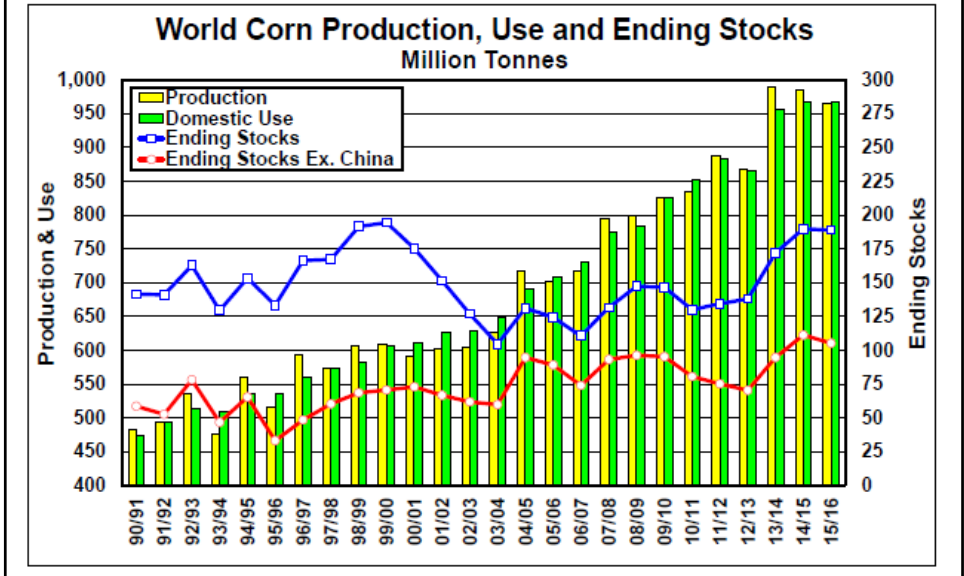
- 30 Day Trial: Daily w/phone updates
- New Gulke Group Trading Platform
 - Emphasis on managing price risk
- Stop By Our Booth –see Jamie & Jeff
- ”*Technical Analysis –Fundamentally Easy*”–
- Insurance Questions—”*Price Flex*”



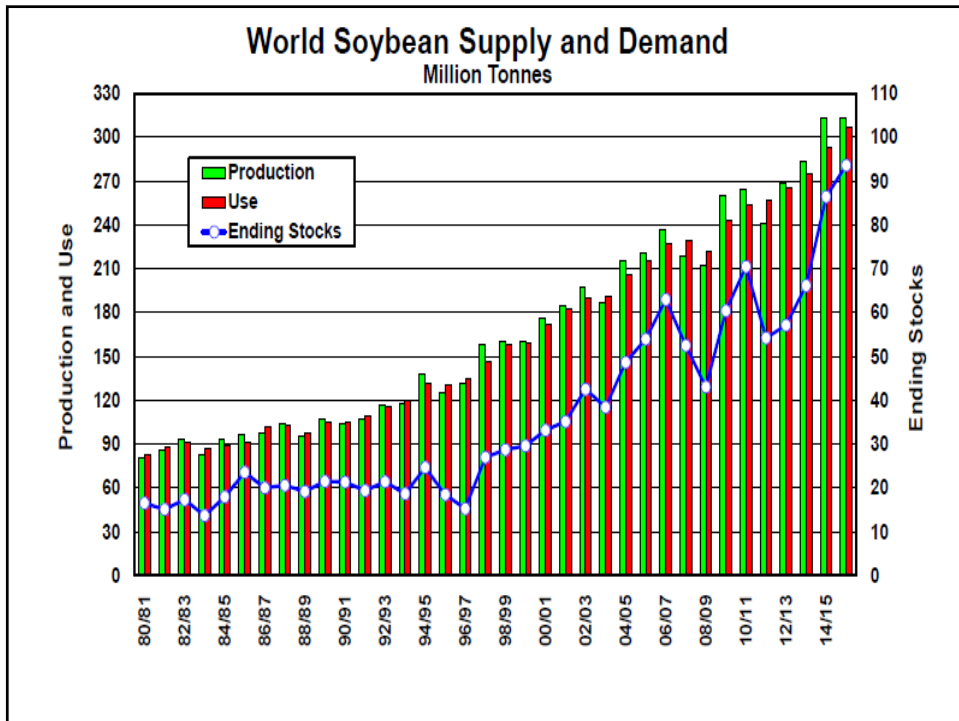




Good news—global feedgrain demand did not suffer much in 2011-12



WORLD CORN EXPORTERS SUPPLY AND DEMAND (Million Tonnes/Million Hectares)												
	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Total: Non-US												
Harvested Area	42.1	40.8	42.9	46.0	45.1	43.2	45.2	49.3	53.3	53.1	51.4	51.3
Yield (MT/Ha)	4.34	4.26	4.26	4.23	4.55	4.81	4.75	5.09	4.78	5.27	5.23	5.11
Carryin	18.8	22.8	21.4	18.7	25.5	27.2	26.0	27.4	23.5	26.2	35.5	36.2
Production	182.9	173.9	182.7	194.7	204.9	208.1	214.7	250.6	254.8	279.9	268.5	261.8
Imports	6.2	6.8	11.8	18.6	6.1	5.6	10.2	8.1	13.1	17.6	8.4	14.6
Total Supply	207.8	203.5	215.9	232.0	236.5	241.0	250.9	286.1	291.4	323.7	312.4	312.7
Feed & Residual	126.0	121.3	125.9	132.6	130.8	128.9	136.2	141.6	144.2	158.6	154.1	153.6
Food/Seed/Ind	36.5	39.1	37.9	39.2	43.9	42.6	45.0	46.1	48.5	51.9	52.8	54.1
Domestic Use	162.6	160.4	163.8	171.8	174.7	171.6	181.2	187.8	192.7	210.6	206.9	207.7
Exports	22.5	21.7	33.4	34.7	34.5	43.4	42.3	74.8	72.5	77.6	69.3	69.2
Total Use	185.1	182.1	197.2	206.5	209.2	215.0	223.6	262.6	265.2	288.1	276.2	276.9
Carryout	22.8	21.4	18.7	25.5	27.2	26.0	27.4	23.5	26.2	35.5	36.2	35.8
Exports (Sep/Aug)	21.6	21.3	28.7	36.8	33.9	38.2	44.6	60.0	77.9	74.7	71.3	72.5
Total: Argentina, Brazil, Ukraine												
Harvested Area	16.6	17.0	18.5	20.0	19.0	17.9	20.2	22.4	25.0	24.0	22.7	22.4
Yield (MT/Ha)	3.86	3.77	4.28	4.40	4.09	5.11	4.68	5.21	5.15	5.69	5.39	5.46
Carryin	9.2	6.7	5.3	6.5	15.5	13.9	13.1	15.4	11.2	16.7	23.2	21.4
Production	64.2	64.1	79.3	88.0	77.9	91.5	94.5	117.0	128.9	136.8	122.3	122.3
Imports	0.6	1.0	1.2	0.7	1.2	0.4	0.8	0.8	0.9	0.9	0.9	1.1
Total Supply	74.0	71.9	85.8	95.2	94.6	105.8	108.5	133.3	141.0	154.3	146.3	144.7
Feed & Residual	41.0	41.0	42.7	45.7	48.2	49.9	53.3	53.6	56.1	60.6	60.2	59.7
Food/Seed/Ind	8.8	9.0	9.2	9.2	9.7	9.6	10.1	11.0	11.9	13.0	13.1	13.8
Domestic Use	49.8	50.0	51.9	54.8	57.9	59.5	63.4	64.6	68.0	73.6	73.2	73.4
Exports	17.4	16.6	27.5	24.8	22.9	33.2	29.6	57.5	56.4	57.5	51.7	49.5
Total Use	67.3	66.6	79.3	79.7	80.7	92.7	93.1	122.1	124.4	131.1	124.9	122.9
Carryout	6.7	5.3	6.5	15.5	13.9	13.1	15.4	11.2	16.7	23.2	21.4	21.8
Exports (Sep/Aug)	17.5	16.1	23.4	27.1	21.8	28.9	32.2	43.2	61.5	54.8	54.0	53.1



01/12/15						
USDA CORN S/D Gulke Group Consulting Jan 12 2015						
(mil-bu / mil-ac)		25-Aug	30-Jun	Nov-14	Jan-15	15-Mar
	2013/14	2014/15	2014/15	2014/15	2014/15	2015/16
	USDA-Final	Ggroup	USDA	USDA	USDA	Ggroup
Planted Acres	95.40	90.50	91.69	90.90	90.60	88.00
Harvested Acres	87.7	83.2	83.8	83.1	83.1	81.2
Yield	158.8	170.75	166.3	173.4	171	165.5
Carryin (Sep 1)	819	1236	1236	1236	1232	1878
Production	13,927	14,210	13,942	14,410	14,216	13,443
Imports	36	30	15	23	25	35
Total Supply	14,782	15,476	15,193	15,668	15,473	15,356
Feed & Residual	5,132	5,350	5,300	5,375	5,275	5,325
Food/Seed/Ind	6,497	6,435	6,460	6,535	6,570	6,570
Ethanol for Fuel	5,134	5,050	5,075	5,150	5,175	5,175
Domestic Use	11,629	11,785	11,760	11,910	11,845	11,895
Exports	1,917	1,750	1,700	1,750	1,750	1,750
Total Use	13,546	13,535	13,460	13,660	13,595	13,645
Carryout (Aug 30)	1,236	1,941	1,733	2,008	1,878	1,711
Stocks/Use	9.1%	14.3%	12.9%	14.7%	13.8%	12.5%
Farm Price (\$/Bu)	\$4.46	\$4.25	\$4.15	\$3.20--\$3.80	\$3.60	\$3.80--\$4.20

Family (4) Cost of Living 1994

- Groceries (food, sundry items) \$ 7,100
- Clothing 5,000
- Utilities 3,400
- Housing, mortgage, insurance, etc 9,000
- Personal Care Items 2,500
- Elementary school, private, music, 3,900
- College 14,000
- Entertainment 2,000
- Vacations 6,000
- Personal Autos 4,000
- Medical/dental, incldg insurance 5,500
- Misc 1,200

Total 1994 \$65,250

@ 3% inflation, 2001 = \$80,600; 2005 = \$90,350; **2014 = \$116,650**

Assume Schedule F = \$250,000

– Personal Exemptions (4) =	-\$15,850
– Standard Deduction =	-\$12,400
– Net Taxable Income =	\$221,750
– FICA/Medicare =	- \$14,508
– Medicare 2.9% =	- \$6,431
– State Income tax 5% =	- \$11,087
– Federal Income Tax =	-\$28,925
+28% > \$148,850 =	-\$20,412
Total Taxes =	\$ 81,363
Net @ Tax Income =	\$140,387
Living Expenses (4)	\$116,650
Net-net cash flow b/4 L & E	\$ 23,737
Capital Equipment, Land Payments (principal) non-expense	

Profitability Vs. Cash Flow

Profit =	Gross Income
minus	Expenses (inclgd depreciation)
=	Adjusted Gross Income (schedule F)
minus	Personal/Itemized Deductions
=	Net Taxable Income
Taxes (other)	
12.4%	social security schedule F (\$117,000)
2.9%	Medicare– all schedule F income.
.9%	> \$250,000
5.0%	State
19.7%	Federal (effective)

Cash Flow-Corn

2500 Ac objective \$100/ac profit

- Gross/ac 176 bu X \$3.80 = \$668
- Corn Costs (fixed/Variable)= \$425
- Net before land costs = \$243
- Land Costs = \$225
- Net b/4 taxes = \$ 18 .09/bu
- Depreciation add back \$ 42 .24/bu
- Cash Flow \$ 60 .33/bu
- Where to cut cost/maintain yield?

Section 179 Depreciation

- Do you expect to increase your profitability?
- Capital Payments (land) are not deductible
- What tax bracket are you today, in 3-5-7 yrs?
- Use sect 179 to pay off loan or for cash flow
- Don't let 179 become a curse.

Married Filing Jointly or Qualifying Widow(er):

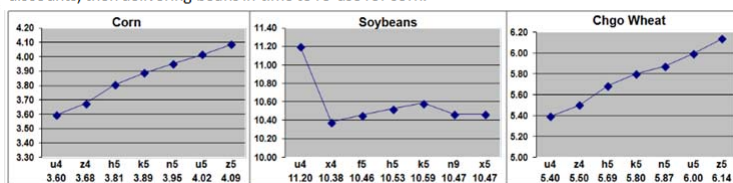
Taxable Income	Tax Rate
\$0 to \$18,150	10%
\$18,151 to \$73,800	\$1,815 plus 15% of the amount over \$18,150
\$73,801 to \$148,850	\$10,162.50 plus 25% of the amount over \$73,800
\$148,851 to \$226,850	\$28,925 plus 28% of the amount over \$148,850
\$226,851 to \$405,100	\$50,765 plus 33% of the amount over \$226,850
\$405,101 to \$457,600	\$109,587.50 plus 35% of the amount over \$405,100
\$457,601 or more	\$127,962.50 plus 39.6% of the amount over \$457,600

Profit Enhancements (1)

Price Flex Insurance

- Corn \$4.42 \$0.28 advantage
- Soybeans \$11.24 \$.50 advantage
- Storage Carry– Fall 2014 forward....

The carry charts below reflect the futures prices going forward for corn/soybeans and wheat. There was a 35 cent carry in corn from Dec 2014 to September 2015. A basis gain from fall (-45) 2014 to early September 2015 (-25 to zero) of 20 to 45 cents would not be unexpected on my farm for a total gain of 55 to 80 cents against a \$3.02 fall cash corn price. A 55 to 60 cent gain against a \$3.02 cash price is an ROI (return on investment) of 18-20% per annum or a 5-yr payback. It looks good compared to machinery that only depreciates in value. Soybeans don't normally have much market carry as there is a big crop produced every six months in the world offering new supplies. However, blending 15% moisture soybeans with ultimately 7-9% soybeans can net a short term 40-50 cents per bushel avoiding discounts, then delivering beans in time to re-use for corn.



Profit Enhancements (2)

Selling Call Options

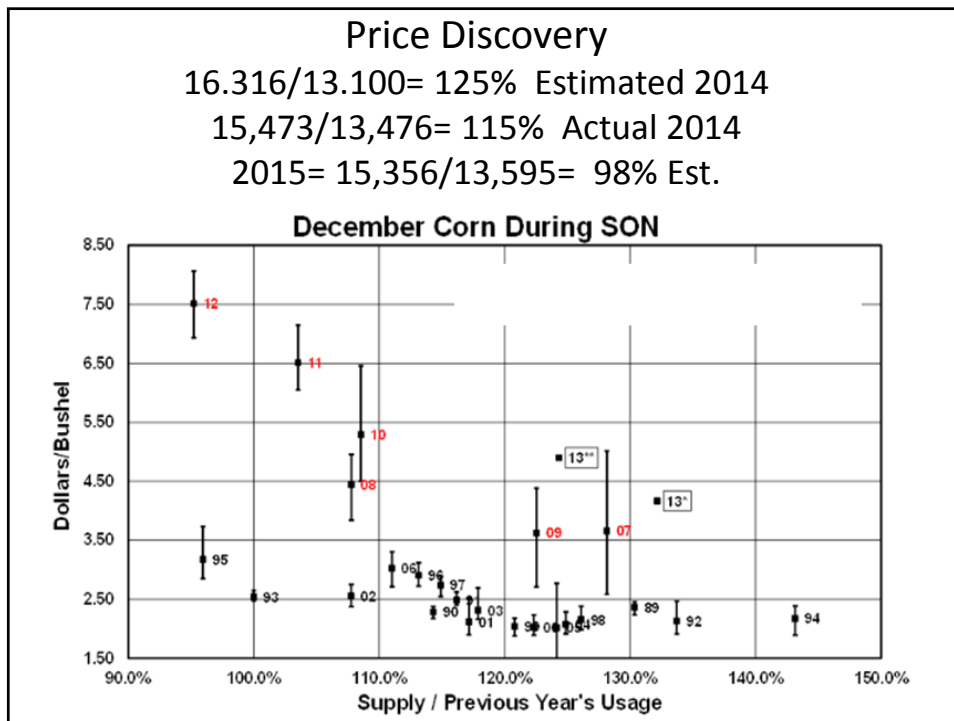
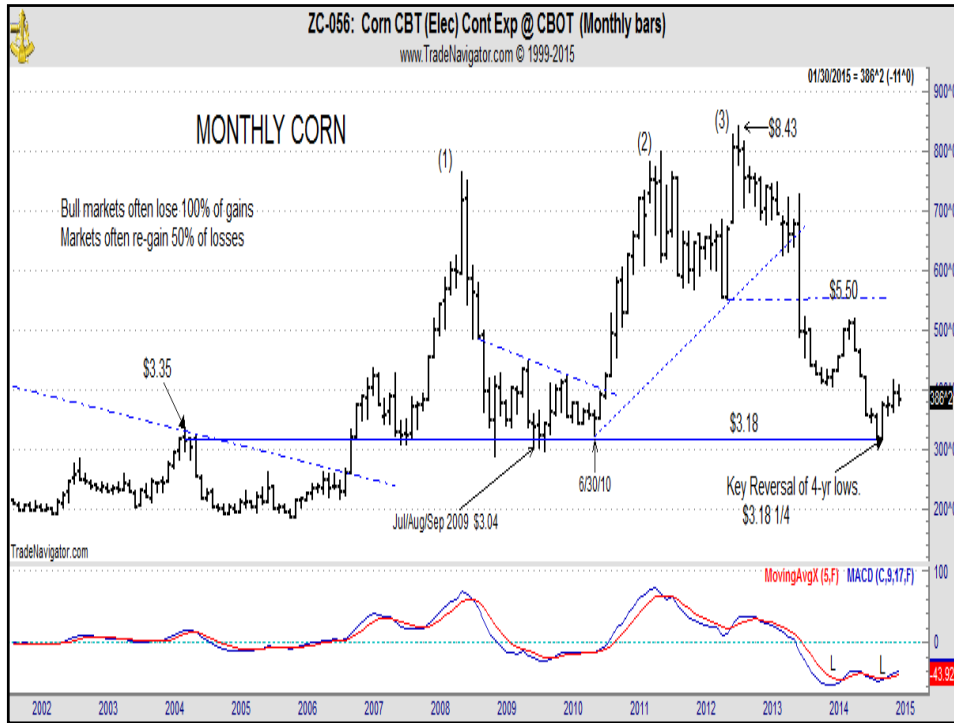
- Selling someone the “right” to own your grain (higher)
- Establish a price you find acceptable
- Do it when fundamentals/technicals are negative
- Do it when there is huge market “carry”
- Get paid the “premium” to do it

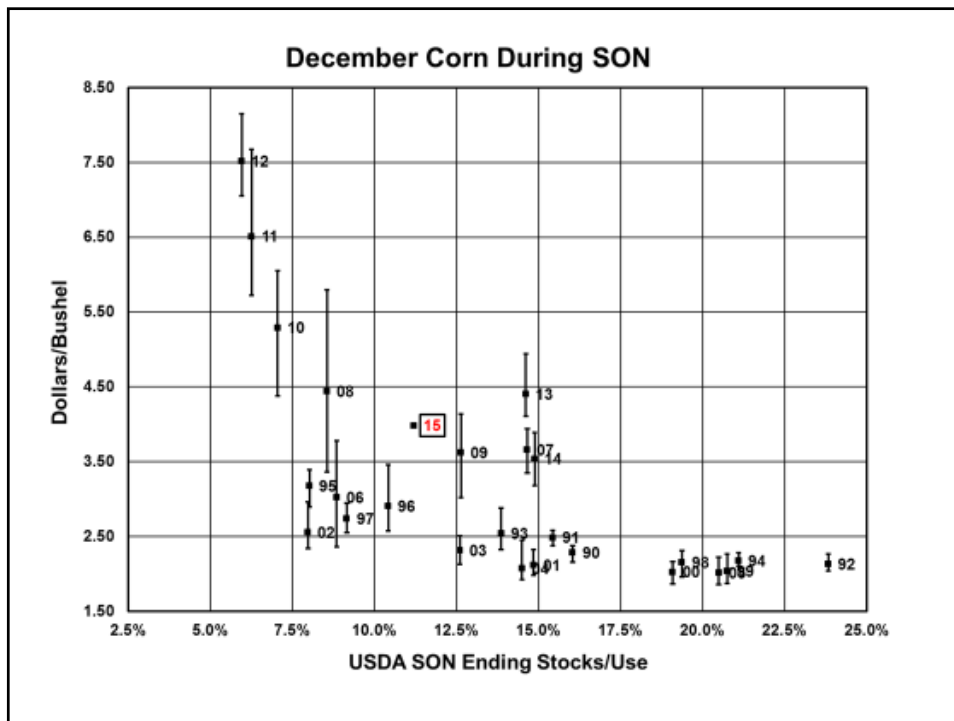
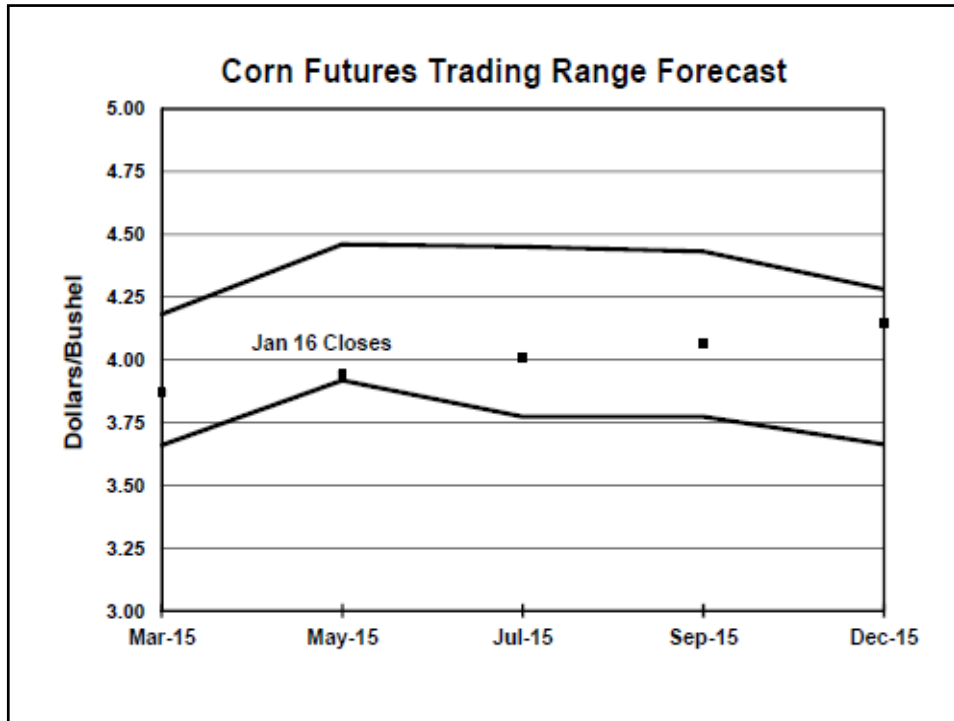
Example: CN traded \$4.31 pre-Jan 12th, now \$4.00.

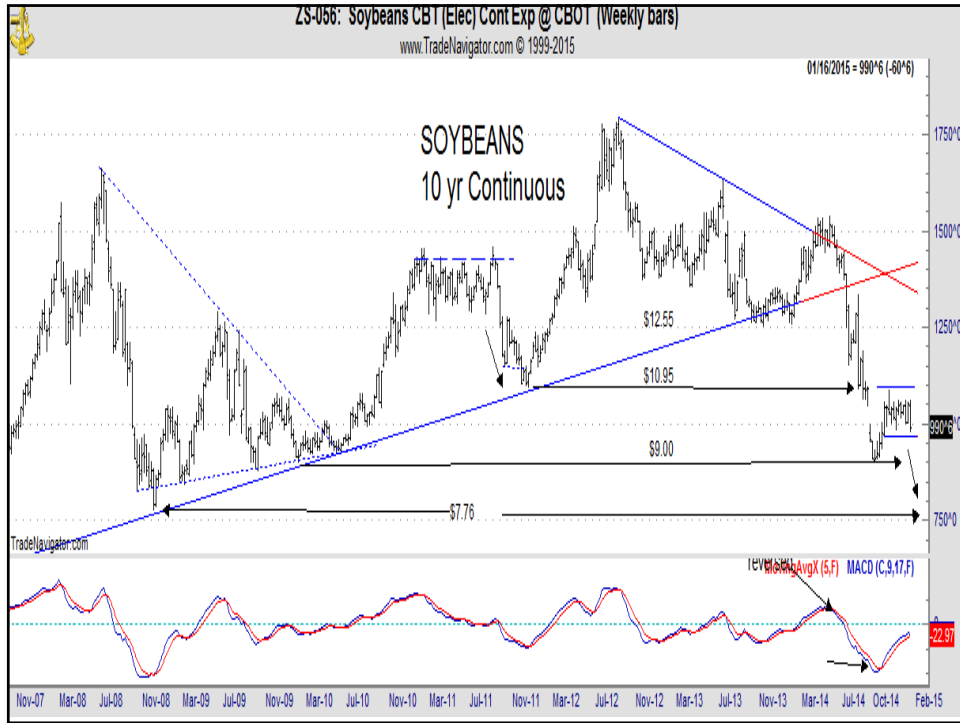
Can CN close over \$4.31 given what Jan 12th action told us? If it did would you be happy for a second chance to sell. A \$4.40 call premium is 13 cents.

CN has to trade \$4.53 for u to be wrong. Remember why?

Sometimes it is not where prices are going, but where they are likely not to go!







Gulke Group Inc	12/12/2015						
SOYBEAN S/D		30-Mar	11-Sep	11-Nov	12-Jan		
(mil-bu / mil-ac)	2014/15	2014/15	2014/15	2014/15	2014/15	2015/16	
	USDA-Mar 31	Ggroup	USDA	USDA	USDA	Ggroup	
Planted Acres	81.5	83.5	84.8	84.2	83.7	88.2	
Harvested Acres	80.6	82.7	84.1	83.4	83.1	87.4	
Yield	44.5	46.5	46.5	47.5	47.8	45.0	
Carryin (Sep 1)	150	130	130	92	92	411	
Production	3,587	3,846	3,913	3,959	3,969	3,933	
Imports	20	15	15	15	15	15	
Total Supply	3,757	3,991	4,058	4,066	4,076	4,359	
Crush	1710	1755	1770	1780	1780	1850	
Exports	1,585	1,700	1,700	1,720	1,770	1,825	
Seed	87	92	92	92	92	96	
Residual	12	22	22	23	23	26	
Total Use	3,394	3,569	3,584	3,615	3,665	3,797	
Carryout (Aug 30)	363	422	474	451	411	562	
Stocks/Use	10.7%	11.8%	13.2%	12.5%	11.2%	14.8%	
Farm Price (\$/Bu)	\$9.00	\$9.75	\$9-\$11	\$9.75	\$9.75	\$8.50	

KEY FACTORS 2015

- Economy—US/Europe/China/New Emerging
 - US Economy better than most
 - Ag Grain Producer: debt/equity, cash flow, breakeven
- Currencies– US/Brazil/Argentina
- Supply --- Excess in every main commodity
 - 2015 planting intentions ---March 30th
 - 2014 Gulke Group Mar'14 Vs USDA Jan'15
- Demand– Global/US Overall Trend Higher
- Energy----A huge tax cut globally for consumers
- Psychology---- commodities out of favor---TERRORISM
- Need for Flexibility
- WEATHER ---US/Global
- Reports: Jan 12, Mar 30th , June 30th

About Gulke Group Consulting

Gulke Group is a research, and consulting firm providing advice and strategies to producers and to those operating and trading within the global grain and oilseeds markets.

The firm's services nearly every part of the increasingly-complex agricultural markets, presenting a platform through which clients are able to gain a better understanding of the integrated global agriculture industry; and to act upon this knowledge.

- We provide:
 - Coordinated risk management (hedge structures and brokerage services with offices at the CBOT/CME, Chicago, IL)
 - Crop Insurance Expertise/Advice/Services
 - Daily advising services via web site
 - Daily phone updates
 - Trading strategies for non-producers
 - Commodity execution services

In forming Gulke Group Services in 1991, Jerry Gulke sought the best fundamental information available, and combined it with his technical analysis expertise as well as his "grass roots" production Ag experience to help manage production risk. Jerry began actively farming in 1974 and continues today with interests in IL and ND. Coupled with his practical experience, his formal education in a BS in Engineering from North Dakota State University and an MBA degree from Northern Illinois University, and his technical & fundamental insights, Jerry provides a rare insight to Ag commodities that has stood the test of time for over 20 yrs. While the main focus of Gulke Group is production Ag, the client base now ranges from international & domestic commercials to hedge funds and investment banks as well as private money portfolio managers, expanding our global influence, and information access.

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