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Remember it is a WORLD market!

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Information Contained:
Key Dates, Government News, CCP or LDP reviews
Wheat – Information and Analysis
Corn/Sorghum– Information and Analysis
Soybeans/ Sunflowers – Info. and Analysis
Livestock, Weather, and Export Information
Technicals, Recap of Target Prices, Closing Comments

KEY DATES NEXT MONTH or SERVICE ENHANCEMENTS:

USDA Crop Production Report on Friday October 12th

Cattle on Feed Report on Friday October 19th

Crop Progress Reports released on Monday afternoons

First Delivery Notice day on Grain November Futures and November Grain Options Expire

Disaster Signup for crops will begin in mid October

Disaster Signup for Livestock is going on now

PLEASE CONTACT US to assist you in the marketing of your farm stored grain.

Use the RISK-REWARD part of our service to analyze your 2008 crop plans to see what crop to plant - plan ahead!

Click on Special Review and MIN-MAX Reviews to see automatic reviews of this marketing strategy for four grains.

On our GOSSIP reports you will find links on most subheadings to recent historical information for such things as export sales and shipments, USDA reports (U.S. and World figures), the International Grains Council (IGC) estimates, Crop Progress and Crop Condition figures, cash basis figures, Fund positions for futures and futures/options. This information may be useful to evaluate current trends and market expectations. Please call us with any comments.

ABBREVIATIONS AND/OR TERMS:

Posted County Price = PCP, Loan Deficiency Payment = LDP, Marketing Loan Gain = MLG, Counter-Cyclical Payments = CCP, Direct Payments = DP, VP = Very Poor, P = Poor, F = Fair, G = Good, EX = Excellent, International Grains Council = IGC, Trade Promotion Authority = TPA, Economic Research Service = ERS, NC = New Crop, OC = Old Crop.

CASH MARKET SUMMARY along with a key price RELATIONSHIPS:

K.C. Wheat SEP NC 08 Cash Price was UP by $.94 for the month

OC DEC 07 K.C. Wheat Price Change this month was UP by $2.17

Corn DEC NC 07 Cash Price Change was UP by $.33 a bushel

OC MAR 08 Corn Price Change was UP by $.32 a bushel

Soybeans NC 07 NOV Price Change was UP by $1.17 a bushel

OC MAR 08 Soybeans Prices were UP by $.1.18 on the month

K.C. SEP 08 futures on 8-30 were at a price of $6.88 and were above $6.18 just 3% of the time in our similar years

DEC corn futures are at $3.97 or higher 0% of the time in our similar years and are $3.73 now

NOV soybean futures are now at $9.91 and are above $9.98 - 0% of the time in our similar years

MONTHLY HIGHLIGHTS:

The month of SEPTEMBER saw wheat and soybeans explode higher and corn futures lag behind but move higher as well. The OC DEC K.C. WHEAT futures moved to a new all time high at $9.29 a bushel on the close 9-28 (up $2.17 for the month) after hitting a price of $9.49 during the trading day. DEC Chicago futures are at a record high price of $9.39 a bushel and Minneapolis DEC futures closed at $9.06 a bushel. World wheat production concerns (the Australian crop estimates are down by 50% on the month), a drop in the 2007 U.S. crop size and strong export demand are the driving forces behind the higher futures prices. NC wheat futures also advanced by nearly a $1.00 the past month. SOYBEAN futures advanced $1.17 the past month on strong export demand and a continued low ending 2007/2008 stocks projection for the U.S. crop. Initial harvest results are mixed and do not give a clear indication of the final 2007 U.S. crop size. It is dry in parts of Brazil which is hampering early planting efforts. The Chinese soybean crop was dropped by 30% due to late season dry weather which could lead to higher 2007/2008 U.S. export estimates but the soybean stocks figure was slightly higher than the market expected which caused a ($.17) drop in soybean futures on 9-28. The CORN market advanced in price by over $.30 largely due to the higher wheat and soybean prices. Initial yield reports are varied and again do not give a clear picture of the 2007 U.S. crop size. The raising of the 2007 U.S. corn and sorghum yields by 3 bushel per acre were negatives in the September 12th USDA crop report. Another negative was USDA reporting 1.303 billion bushel of stocks on 9-1 which was 161 million higher than their September 12th crop report figure. This news dropped corn futures ($.13) on 9-28 and could cause added price pressure. This is a double negative in that it raises the carryin into the 2007/2008 year and probably means that USDA will drop their feed and/or ethanol demand figure for 2007/2008 in the October 12th crop report. This (without another expected increase in the U.S. 2007 corn yield) could push the carryout up to near the 2.0 billion bushel level. The U.S. export sales could be increased a good deal to offset part of this due to the strong pace of sales. Grain sorghum sales have also been large as the EU price of corn is well over $8.00 a bushel making sorghum competitive in that market. The U.S. is the major world corn producer and exporter. For a look at the key players in the world markets go to our **USDA World Info**. found under USDA Info. on the website or click on the highlighted link.

MDI's projections for the 2007/2008 marketing year are found in the PROSPECTIVE PRODUCTION report found at the link to the left or under USDA Info. on the website. We have also updated our 2007 corn, sorghum, and soybean state by state outlooks based on the USDA planted and harvested acres figures from the September 12th crop report with our MDI adjustments. This is found by going to to the Grain Estimates sub menu under USDA Info. and clicking on the pull down year box below the crop heading and moving the cursor up to the top of the selection area and clicking on the word MDI.

GOVERNMENT and OTHER NEWS:

USDA released its STOCKS REPORT today and it contained some major surprises. The stocks report on SOYBEANS came in at 573 million bushel vs. pre-report estimates at 543 to 558 million bushel and USDA's September 12th crop report figure of 555 million. On CORN the average guess was for a stocks figure of 1.147 billion vs. USDA's last estimate of 1.142 billion bushel BUT the USDA figure was a bearish 1.303 billion bushel. This must be due to less demand as the southern states do not show increased stocks. We felt that early harvest activity could be a part of the increased figure because if 1% of the U.S. crop was cut early it amounts to 130 million more bushel on hand 9-1 and remember the southern U.S. had considerably more acres planted to corn this year and they would have been well along with harvest by 9-1. These figures will cause some adjustments to the October 12th USDA crop report for both the 2006/2007 and 2007/2008 marketing years and could mean a large increase in ending 2007/2008 corn stocks. On WHEAT the average estimate was 1.832 billion bushel on hand 9-1-2007 but USDA came up with a bullish figure of just 1.717 billion or over 6% less and below the lowest pre-report guess. Part of the reason for the lower stocks was a drop in the 2007 U.S. wheat crop to 2.067 billion bushel vs. their earlier estimate of 2.114 billion. USDA raised HRW production by 14 million bushel, dropped SRW by 2 million, lowered White wheat production by a large 33 million to 197 million bushel, lowered Durum production 5 million to 72 million bushel, and Spring wheat fell by 21 million bushel to 479 million bushel. This could pressure corn prices more than wheat and soybeans. All grain futures could see some selling pressure following the recent price advances. Catch up on corn pricing to our target levels on both the 2007 and 2008 crops now - see our

targets at the top of the corn/sorghum review!

USDA's OCTOBER 12th U.S. crop report **MAY SHOW**: **WHEAT:** 2007/2008 U.S. acreage of 60.433 million, harvested acres at 84.4% or 51.011 million harvested acres, with a **U.S. yield of 40.5 bushel** (down .2) per acre for a **2007 U.S. wheat crop of 2.067 billion** bushel - down 47 million from last month. Exports could increase 25 million to 1.125 billion bushel, domestic seed use of 83 million, feed use could fall 20 million to 150 million, and food use stay at 940 million. This when combined with imports of 95 million (up 10) and ending 06/07 wheat stocks of 456 million bushel, would leave ending **2007/2008 U.S. carryout at a new record low 320 million bushel or a 51 day ending supply - over 48% below the fifteen year average of 620 million and the lowest figure since 1951/1952.** World wheat production for 2007/2008 could fall by 6 MMT to 600 MMT. on smaller Australian, Canadian, and U.S. crops being partly offset by higher Chinese , India, Argentine or Kazakhstan crops. World wheat demand might fall by 1 to 618 MMT, beginning stocks should be around 125 MMT which would leave ending world 2007/2008 world stocks down 5 to 107.5 MMT or **a new record low 63.5 day ending supply. This would be a FRIENDLY wheat report - with the U.S. export sales, feed use and import figures the key items to watch. CORN/SORGHUM:** USDA could leave their 2007 U.S. corn yield at **155.8 bushel per acre**, and use a 91.92% harvested % for 85.4 million acres of the 92.888 million acres planted in 2007 to arrive at a **13.308 billion crop - although history says they will raise the crop yield again this month**. Their 07/08 domestic feed use could fall 50 million to 5.800 billion (partly due to the higher stocks figure), ethanol use could fall another 100 million to 3.200 billion (again related to the stocks figure and less profitability of ethanol plants) with total domestic use of 10.390 billion. Exports could rise by another 100 million to 2.350 billion due to less wheat available in the world and lower U.S. corn prices vs. world wheat prices. Combining these with imports of 14 million and ending 06/07 stocks of 1.303 billion bushel (stocks report figure) leaves the U.S. carryout at **1.885 billion bushel** (up 210 million) - **a level 30% above the fifteen year average** of 1.447 billion and **a 54 day ending supply**. World 07/08 corn production could fall by 1 MMT (if the U.S. crop size is kept the same) to 773 MMT with the U.S. at 338 MMT, and China at 147 MMT.. World corn demand could rise in feed use enough to offset the drop in U.S. ethanol use and hold in the 770 MMT area, and with beginning stocks of 101 MMT, it leaves the 2007/2008 carryout down 1 MMT to **104.5 MMT or a 49.5 day ending supply**. **This would be a SLIGHTLY NEGATIVE corn report with the U.S. yield and demand estimates the key. SOYBEANS:** USDA could leave its **2007/2008 U.S production at 2.619 billion** bushel based on 64.1 million planted acres, a harvested percentage of 98.75% or 63.3 million planted acres, and a 2007 U.S. yield of **41.4 bushel** per acre. Their export demand should hold at 975 million bushel, crush use should stay at 1.825 with total domestic use of 1.989 billion. Add in 7 million of imports and with beginning stocks of 573 million bushel (USDA stocks figure), it leaves the ending U.S. stocks for 2007/2008 at **235 million bushel or a 29 day ending supply**. World production for 2007/2008 may fall by 3.3 MMT to 218 MMT (smaller Chinese crop), with world use unchanged at 234 MMT, and beginning stocks of 63 MMT, it leaves ending world stocks down 3.3 to 47.1 MMT or at an **average 73.5 day ending supply (the average since 1990 has been 74 days of ending supply)**. The U.S. 2007 crop should be around 71.3 MMT, Brazil could be left at 61 MMT(or a higher figure may be used), Argentina at 47 MMT, and the Chinese crop at 12 MMT (down 3.2). **This would be a mostly NEUTRAL soybeans report with the 2007 U.S. yield and export sales being the key areas to watch.**

USDA's SEPTEMBER 12th U.S. crop report **SHOWED: WHEAT**: 2007/2008 U.S. acreage of 60.5 million, harvested acres at 86.11% or 52.1 million harvested acres, with a U.S. yield of 40.6 bushel per acre for a 2007 **U.S. wheat crop of 2.114 billion** bushel - unchanged from last month. Exports increased 25 million to 1.100 billion bushel, domestic seed use rose 2 to 83 million, feed use fell 10 million to 170 million, and food use rose 10 to 940 million. This when combined with imports of 85 million (down 15) and ending 06/07 wheat stocks of 456 million bushel, left ending 2007/2008 U.S. carryout at 362 million bushel or a **57.7 day ending supply - a new low in ending days of supply since 1970**. **World wheat production for 2007/2008 fell 4.16 MMT to 606.24 MMT**. on smaller crops in the EU, Australia, and Canada being partly offset by a larger Russian crop, and world wheat demand fell by 1.55 MMT to 618.96 MMT due to the high prices and tighter supplies. Beginning stocks held at 125.08 MMT which left ending world 2007/2008 world stocks down 2.42 to 112.36 MMT or a **66.3 day ending supply - a record low level**. **This was a SLIGHTLY BULLISH wheat report**. **CORN/SORGHUM**: USDA raised their 2007 U.S. corn yield by **a record large increase from an August to September report 3.0 bushel per acre to 155.8 bushel** based on the record stalk and ear counts (highest since 2004) but made no mention of ear weights. They showed 91.92% of the planted acres harvested or 85.4 million acres of the 92.888 million acres planted in 2007 and **a 13.308 billion corn crop (up 254 million bushel)**. Their 07/08 domestic feed rose 100 million to 5.850 billion due to a drop in DDG use from a lower ethanol use figure of **3.300 billion (down 100 million bushel)** with total domestic use of 10.540 billion. Exports rose 100 million to **2.250 billion** due to the high price of wheat in the world and lower U.S. corn prices. Combining these with imports of 15 million and ending 06/07 stocks up 5 million (less exports) to 1.142 billion bushel left the U.S. carryout up 159 million to 1.675 billion bushel and a 47.8 day ending supply. **World 07/08 corn production rose by 2.6 MMT to 774.1 MMT** with the U.S. at 338.03 MMT (up a large 6.46), China fell 1 to 147 MMT, and the **EU-27 was down another 1.5 to 46.94** and the FSU-12 at 12.11 MMT.. World corn demand held at 769.62 MMT, and with beginning stocks of 100.96 MMT (up .76), it left the 2007/2008 carryout **up 3.21 MMT to 105.44 MMT or a 50 day ending supply**. **This was a NEGATIVE corn report. SOYBEANS**: USDA lowered its 2007/2008 **U.S production by 6 million to 2.619 billion** bushel based on 64.5 million planted acres, a harvested percentage of 98.15% or 63.3 million planted acres, and a lower 2007 U.S. yield of 41.4 bushel per acre (down .1). Their export demand fell by 45 million to 975 million bushel, crush use rose 25 to 1.825 with total domestic use of 1.989 billion. Add in 6 million of imports and with beginning stocks of 555 million bushel (down 20), it left the ending U.S. stocks for 2007/2008 at 215 million bushel or a - **LOW - 26.5 day ending supply**. World production for 2007/2008 fell .45 MMT to 221.27 MMT and with world use was up .73 to 233.94 MMT, beginning stocks fell to 63.07 MMT (down 1.45), thus leaving ending world stocks of 50.35 MMT (down 1.28) and a **still above average 78.6 day ending supply** (the average since 1990 has been 68 days of ending supply). The U.S. 2007 crop is placed at 71.27 MMT, Brazil at 61 MMT, Argentina at 47 MMT, and a Chinese crop of 15.2 MMT.. **This was a SLIGHTLY FRIENDLY soybeans report due to the drop in ending U.S. and world carryouts**.

USDA lowered their 2006/2007 U.S. corn exports 30 million but raised feed use 50 million and dropped ethanol use 25 million which raised ending 06/07 U.S. corn carryout to 1.142 billion bushel. Most of the other U.S. 2006/2007 figures remained the

same. Their 2006/2007 WORLD figures did not contain any major surprises except for a lower beginning stocks figure on soybeans of 1 MMT..

The Senate continues to work on the new farm bill which appears to be quite different than the version that passed the House. The Senate version contains some permanent disaster provisions which is needed. The WTO now says that the U.S. direct payments are not green payments (not subject to WTO compliance) as had been assumed the last several years. The U.S. negotiators for the WTO have been hinting that the U.S. would lower its subsidies by almost half and this seems to have revitalized these talks. MDI wonders why the U.S. should take the lead in reducing subsidies when they are much higher in the EU. Food security should be a vital national interest but the Bush administration appears to feel differently. The Emerson wheat reserve has been reduced during his administration and does not look like it will get replenished anytime soon due to high prices and low ending U.S. and world stocks.

Disaster aid signup for **livestock producers was to start enrolling around September 10th with grain producers signup starting around October 15th.** The final 2006/2007 direct payments will be paid in early October and they amount to 78% of the total direct payments. If you have entered your bases and yields, go to USDA Info. and select CCC 509 for a review of the payment amounts.

CCP and LDP REVIEW: CCP's and **LDP's are a non factor for wheat, corn, sorghum and soybeans at current price levels.**

WHEAT INFORMATION AND ANALYSIS:

K.C. WHEAT: Spot OC futures in our similar years historically averaged 103.82% of the starting price the next 30 days so look for DEC 07 K.C. futures to average around $9.06 this month. DEC K.C. futures were $8.73 a bushel as of 9-25-07. The market tends to trade technicals or trends so we are going to review some historical FACTS to see what we might expect going forward. **DEC K.C. is our OC futures for making sales of the 2007 crop that remains unsold or priced**. The average **DEC K.C.** futures price since 1970 as of September 25th was $3.67 a bushel and in our similar years it was $4.49 a bushel so the current price of $8.74 is **MUCH HIGHER**. Secondly, the average futures move DOWN from September 25th to November 22nd from 1970 to 2006 was ($.17) and in our similar years was ($.35) for a **$8.40 to $8.60 DEC K.C. futures target low this year**. Next we looked at the average move UP which was up by $.20 from the starting price since 1970 and in our similar years it was up by $.40 which is **a futures target high on DEC K.C. in the $8.95 to $9.15 area**. We also looked at the average November 22nd ending futures price and found it to be about $.02 above the starting price since 1970 and $.12 higher in our similar years for a possible **ending price of $8.75 to $8.85 on November 22nd this year**.

WHEAT SIMILAR and ALL YEARS REVIEW: The HIGHEST price DEC K.C. futures hit during the 9-25 to 11-22 period since 1970 was $5.46 (on 10-16-2006) with a similar years $4.88 average high and the LOWEST price reached in our similar years was $3.45 with an average low price of $4.15. The average futures price in our similar years was $4.60 a bushel on DEC K.C. futures during this timeframe. Our similar years had an average U.S. carryout of 431 million bushel with an average cash price of $4.00 a bushel - an estimated average U.S. cash wheat basis of a ($.45) equals an average futures price of around $4.45 or **WELL below** the closing prices on 9-25-2007. **The ending U.S. stocks to use in our similar years were at a 77 day supply vs. the September USDA figure of 57.7 days for 07/08**. The average export sales in our similar years were 1.120 billion vs. USDA's 1.100 million figure with domestic use of 929 million vs. USDA's 1.193 billion figure for 07/08. The average export sales figure since 1970 has been 1.143 billion bushel a year, with ending stocks of 849 million or a 142 day average ending stocks figure with an average U.S. cash price of $3.13 a bushel or an average futures price of $3.58 using the ($.45) cash basis figure. Ending world stocks averaged 106.6 days of ending supply since 1970 vs. the current 66.3 day figure at the end of 07/08. **DEC** futures made a **high in October in 23 of the last 37** years, and they made a **low the next month in 24 of the last 37 years.**

QUICK CHECK REVIEWS - based on price levels hit 50% of the time or movement up 40% of the time. You can use the upper ranges of these as a guide for getting the biggest share of the crop price protected or cash sold and the lower range for starting pricing. You should combine the two in order to get a clear picture of price potential.

OC - K.C. DEC WHEAT: futures normally move up by **$.21 to $.52 up from now to the end of November** which would be to the **$9.24 to $9.55 area. A futures price of $3.80 to $4.05 was** hit at least one day**,** 50% of the time in the last 3 to 35 years. **Use $8.90 on DEC K.C. for 100% pricing of the 2007 crop with at least the use of put options costing around ($.14) to lock in a floor.**

NC- K.C. SEP WHEAT: futures historically moved around **$.66 to $.91 up by the end of August** which would be to a price around **$7.22 to $7.47** based on the last 10 to 35 years and a 40% move odds review**. They also hit a $3.91 to $5.25 price at least one time -** based on the last 3 to 35 years and a 50% odds review**. Target SEP futures in the $6.10 area for 30% pricing and $6.40 for 40% pricing of your 2008 crop using options on anything over 40%.**

SEP 08 K.C. wheat futures closed at $6.43 on 9-25-2007 vs. an average futures price on that date since 1970 of $3.55 a bushel and in our similar years the average was $4.28 a bushel so the current price is **MUCH HIGHER**. Secondly, the average futures move DOWN from September 25th to August 22nd from 1970 to 2006 was ($.45) and in our similar years it was ($.75) for a **$5.70 to $5.95 SEP K.C. target low this year**. Next we looked at the average move UP which was up around $.75 from the starting price since 1970 and in our similar years it was up by $.85 which is **a futures target high in the $7.20 to $7.30 area**. Move **2008 NC pricing to 40% with SEP futures at $6.40 and add option protection up to 60% coverage when SEP K.C. futures hit $7.00.**

USDA REPORTS: In September USDA left their 2007/2008 wheat yield at 40.6 bushel on 52.1 million harvested acres of the 60.5

million planted acres for a 2007 crop of 2.114 billion. Beginning stocks of 456 million bushel when combined with 07/08 domestic food use of 940 million (up 10), seed use of 83 million (up 2), feed use of 170 million (down 10), imports of 85 million (down 15), and 1.100 billion of exports (up 25), left ending U.S. wheat stocks for 2007/2008 at **362 million bushel (down 42) or at a record tying low 57.7 days of ending supply**. USDA's cash price was moved up $.40 to $5.80.

WORLD INFORMATION: The September 12th crop report showed 2007/2008 world production falling by 4.16 MMT to a total world production figure of **606.24 MMT** or 22.275 billion bushel. USDA's world 07/08 demand fell 1.55 MMT to 618.96 MMT or 22.742 billion bushel and ending stocks fell 2.42 MMT to **112.36 MMT** or **4.128 billion bushel** and **just a 66.3 day ending supply - this is the LOWEST figure in 35 years**. USDA left the Pakistan crop at 23.0 MMT, Australia's fell 2 to 22.0 MMT, Canada was down 1.2 to 20.3, the U.S. at 57.53, China at 105, India at 74.89 the EU-27 crop at 121.83 (down 3.1), and the FSU-12 crop rose 2.2 MMT to 87.74 MMT.. The **September 27th IGC** report lowered 07/08 world wheat production by 6 MMT to **601 MMT**, and demand fell 2 to 612 MMT and ending stocks fell 4 MMT to **107 MMT** or a 64 day ending supply **- record LOW!**

FUNDS: held **a net long** K.C. wheat **futures** position on 9/25/2007 with 52,238 contracts net long and and 13,436 contracts short. **Funds held a net long Chicago wheat futures** position with 98,075 contracts long and held short futures positions of 69,028. In the MN **futures**, they held long positions of 12,003 contracts and were holding short positions of just 882 contracts. The CFTC **futures/options** positions of 9-25-2007 showed: K.C. Traditional funds a decreased long 45,506 contracts vs. an increased 13,015 short positions and Index funds holding an increased 33,814 long contracts vs. just 267 short positions in the K.C. market. In Chicago wheat the Traditional funds held a decreased 68,448 long positions and a decreased 67,754 short positions while Index funds held an increased 196,019 long positions and an increased 15,143 short positions. In MN the traditional funds held a decreased 11,872 long positions and just 885 short positions. This is a reduced 1.125 billion net long position by the funds in all the futures and options - **down 209 million** bushel from a month ago - so they were NOT the force behind the futures price advances seen the past month. **Remember that Index Funds are ones that take long positions in the market, then roll these forward and seldom sell or short the market. Their sales are usually made when investors want their money back out.**

Some **BULL CASE** factors to consider are:

1. The U.S. could see the ending carryout fall to under 300 million bushel if exports continue at the current pace.
2. The world ending days of supply is projected to drop to a record low level and will fall even further with the late season problems in Australia.
3. There are some dry weather planting concerns in parts of the world which add to the bullish nature of this market. With the low carryouts there is no room for production problems in 2008 in the major producing areas of the EU, China, India, the U.S., Australia or Argentina.

Some **BEAR CASE** factors to consider are:

1. Argentina has received some good rainfall and they will be a major exporter once their harvest begins.
2. The EU has canceled their 10% set aside requirement but the key question is was this in time for wheat planting.
3. Higher prices in the world will encourage added production next year - BUT - not likely to affect OC prices.

CORN AND SORGHUM INFORMATION AND ANALYSIS:

CORN spot futures in our similar years averaged 101.12% of the starting price during the next 30 days or a price around $3.76 on DEC corn futures which closed 9-25-07 at $3.72 a bushel. **DEC corn futures at $3.72** were $1.28 above the average price on that date since 1970 and $.72 above our similar years price of $3.00. The average low price since 1970 was a ($.12) and in our similar years it was a drop of ($.18) from the September 25th price so if history repeats itself - **look for a low price of $3.50 to $3.60 on DEC corn futures by 11-22**. Next we looked at the potential for price improvement during the period ending November 22nd. The average move up since 1970 as $.15 and in our similar years it was $.17 up which would mean an average **target high on DEC corn of $3.85 to $3.90 this year.**

CORN SIMILAR and ALL YEARS REVIEW: The HIGHEST price **DEC corn** futures hit during the 9-25 to 11-22 period in our similar years was $3.95 (10-3-1974) with the LOWEST price reached in our similar years of $2.56 and the average price in our similar years of $2.99 and all years since 1970 being $2.46 a bushel on DEC corn futures. Our **similar years** have an average U.S. carryout of 838 million bushel with an average cash price of $3.02 a bushel - an estimated average U.S. cash corn basis of a ($.28) equals an average futures price of around $3.30 or **below** the closing average on 9-25-2007. **The ending U.S. stocks to use shows a 41 day supply in our similar years vs. the September USDA figure of 53.4 days for 07/08 and 45.5 days for 067/07.** The average export sales in our similar years were 1.906 billion vs. USDA's 2.250 billion figure with domestic use of 5.535 billion vs. USDA's 10.540 billion figure. The average export sales figure since 1970 has been 1.715 billion bushel a year, with ending stocks of 1.641 billion or a 77 day average ending stocks figure with an average U.S. cash price of $2.28 a bushel or an average futures price of $2.56 using the ($.28) cash basis figure. Ending world stocks have averaged around 93.7 days of ending stocks since 1970 vs. a current figure of **50 days at the end of 2007/2008**. **DEC** futures made a **high in October in 25 of the last 37** years, and they made a **low the next month in 20 of the last 37 years.** Move **2007 NC pricing to 40% with DEC corn futures at $3.60 and add option protection up to 80% coverage with $3.80 DEC futures.**

QUICK CHECK REVIEWS - DEC CORN: futures normally move up around **$.05 to $.22 up by the end of November** which would be to a price around **$3.68 to $3.85 - 40% of the time. They also hit a $2.28 to $2.48 price at least one time -** based on the last 3 to 35 years and a 50% odds review**.** We are targeting **DEC 07 corn futures at $3.60 for 40% pricing and $3.80 for 80% pricing** on the 2007 corn crop.

MAR CORN: futures normally move up around **$.14 to $.26 up by the end of February** based on the last 10 to 35 years which would be to a price around **$4.05 to $4.16 - 40% of the time. They also hit a $2.28 to $2.70 price at least one time -** based on the last 3 to 35 years and a 50% odds review**.**

The HIGHEST price **MAR corn** futures hit during the 9-25 to 2-22 period in our similar years was $4.34 (2-22-2007) with the LOWEST price reached in our similar years of $2.90 and the average price in our similar years of $2.94 and all years since 1970 being $2.34 a bushel on MAR corn futures. **MAR** futures made a **high in October in 17 of the last 37** years, and they made a **low the next month in 12 of the last 37 years.** We are targeting **MAR 08 corn futures at $3.70 for 40% pricing and $3.90 for 50% pricing** on the 2007 OC corn.

SORGHUM INFORMATION: In September USDA **increased their 2007/2008 grain sorghum yield to 73.9 (up 3)** bushel per acre, harvested acres at 6.7 million of the 7.8 million planted for a 2007 crop size of 495 million bushel (up 20). Beginning 2007/2008 sorghum stocks of 38 million bushel combined with an exports of 220 million (up 20 due to strong EU demand), and domestic use of 245 million, leaves ending stocks at 68 million bushel and a **53.4 day ending supply**. SORGHUM donations for last year came in 16.17 million bushel.

USDA REPORTS: The September USDA report showed beginning U.S. 2007/2008 corn stocks of 1.142 billion bushel, harvested acres of 85.4 million out of 92.9 million planted, an increased **yield of 155.8 bushel** (up 3) for a crop of 13.308 billion bushel. Their 07/08 feed use rose 100 to 5.850 billion, ethanol use was dropped 100 million to 3.300 billion with total domestic use of 10.540 billion. Imports were placed at 15 million bushel and this caused ending 2007/2008 U.S. stocks to rise 159 million to 1.675 billion or a **53.4 day ending supply** vs. a fifteen year average carryout of **57 days** ending supply. USDA left their average price at $3.10 a bushel.

WORLD INFORMATION: In September, USDA showed 2007/2008 world corn production rising 2.6 MMT (due to a 6.46 increase in the U.S. crop being offset by smaller Chinese and EU crops) to 774.1 MMT or 30.475 billion bushel with the **U.S. at** 338.04 MMT, **China down 1 to** 147, Brazil up 1 to 51, Argentina down 1.5 to 22.5, South Africa at 10.5, Canada at 10.57, Mexico at 23.2, and the EU-27 fell 1.49 MMT to 46.94 MMT and the FSU nations were placed at 12.11 MMT.. World corn demand held fairly steady at 769.62 MMT or 30.298 billion bushel and ending stocks **were up by 3.21 MMT to 105.44 MMT or 4.150 billion or a 50 day ending supply.** USDA's coarse grain figures for 07/08 showed world production at 1,071.76 MMT (up 1.93), demand was placed at 1060.27 MMT (up 1.42), and ending stocks were up 1.38 MMT to 132.24 MMT for a **45.5 day ending supply.** The **September IGC figures** for 2007/2008 on maize production was up a large 11 MMT to 766 MMT and maize demand rose 3 to 765 MMT with ending stocks up 7 to 103 MMT or **a 49 day supply. The IGC ending TOTAL GRAINS carryout is at a record low 53.4 day ending supply.**

FUNDS: Non-commercials on 9/25/2007 held an increased long corn **futures** positions of 344,599 contacts, and held short futures positions of an increased 137,955 contracts. The breakdown by the CFTC in **futures and options** showed Noncommercial (traditional funds) holding increased long positions of 229,731 vs. slightly decreased short positions of 82,995. Index Funds held long positions of an increased 367,972 contracts and short positions of an increased 11,433. **This makes the combined futures and options of the funds a net long position of an increased 2.512 billion bushel** - up by 187 million (8% up) from a month ago.

Some **BULL CASE** factors to consider are:

1. The ending 2006/2007 days of supply of world corn and coarse grains remain at low levels and the U.S. crop should end up smaller than the last USDA estimate, this problem will be compounded.
2. Demand for U.S. grain for ethanol use remains strong even with the drop in the USDA report and potential added drops.
3. The drop in world wheat production should cause added corn export demand with the U.S. the likely source for most of this demand which will help offset part of the higher 2007 production.

Some **BEAR CASE** factors to consider are:

1. The USDA acreage figure of 92.888 million corn acres means a higher harvested than normal percentage and with any reduced demand, the carryout could rise above 2.0 billion bushel on 9-1-2008 which could mean close to or sub $3.00 DEC 07 corn futures.
2. Sorghum crop condition ratings are very good and this crop should provide added competition to corn this year.
3. South American corn production is projected to rise significantly which will provide added U.S. export competition.

SOYBEAN AND SUNFLOWER INFORMATION AND ANALYSIS:

SPOT NOV soybean futures in our similar years averaged around 96.91% of the starting price during the next 30 days which would be around $9.43 a bushel on NOV beans which closed at $9.73 on 9-25-07 up $1.00 on the month. The futures price on **NOV soybeans** on 9-25-2007 of $9.73 was $3.74 higher than the average price since 1970 and $3.27 higher than in our similar years on that date. The average move down from 9-25 to 10-22 in our similar years was ($.48) and since 1970 was a ($.27) or to a **target futures low around $9.25 to $9.45 on NOV** soybeans. The average move up since 1970 has been $.23 and in our similar years it was around $.15. This makes **the average high move on NOV soybeans this year to the $9.90 to $10.00 area**.

SOYBEANS SIMILAR and ALL YEARS REVIEW: The HIGHEST price **MAR** soybean futures hit during the 9-25 to 2-22 period in our similar years was $8.93 (2-20-2004) and the all time high for MAR futures during this time of year was $9.68 on 10-4-1974. The LOWEST price reached in our similar years was $4.55 with the average price in our similar years being $6.32 a bushel and in all years since 1970 it was a $6.13 average on MAR soybean futures during this timeframe. Our **similar years** had an average U.S. carryout of 237 million bushel with an average cash price of $6.45 a bushel - an estimated average U.S. cash soybean basis of a ($.65) equals an average futures price of around $7.10 or **WELL below** the price on 9-25-2007. **The ending U.S. stocks to use in our similar years showed a 44 day supply vs. the September USDA 07/08 figure of 26.5 days**. The average export sales in our similar years were 730 million vs. USDA's 975 million figure with domestic use of 1.240 billion vs. USDA's 1.989 billion figure. The average export sales figure since 1970 has been 748 million bushel a year, with ending stocks of 250 million or a 45 day average ending stocks figure with an average U.S. cash price of $5.69 a bushel or an average futures price of $6.35 using the ($.66) cash basis figure. Ending world stocks have **averaged around 67.6 days** since 1970 vs. a current figure of 103 days for 06/07 and a 78.6 day figure for the end of 07/08 - **a still not bullish supply situation in the world**. MAR futures made a **high** during October in **15 of the last 37** years and the **low** for this period was next month in **14 of the last 37** years.

QUICK CHECK REVIEWS - OC MAR 08 SOYBEANS: futures normally move around **$.35 to $2.16 up by the end of February in the last 3 to 35 years review** which would be to a price around **$9.88 to $12.32 and they hit a $6.15 to $6.58 price at least one time -** based on a review of the last 3 to 35 years and a 50% odds review. **Use the $10.00 area on MAR for 50% pricing on OC and $10.50 for 70%.**

NC - NOV SOYBEANS: futures moved up by **$.15 to $.97 up by the end of October** which would be to the **$10.06 to $10.88 area and a futures price of $5.64 to $5.91 was hit** at least one day, 50% of the time in the last 3 to 35 years. **We are looking at the $9.50 area for 70% pricing and $9.90 for 90% pricing of the 2007 crop.**

USDA REPORTS: In September USDA showed beginning U.S. 2007/2008 stocks of 555 million bushel (down 20), 2007 U.S. harvested acres were 63.3 million out of 64.1 planted and with a **yield of 41.4** bushel (down .1) to show a 2007/2008 U.S. crop of 2.619 billion bushel. They placed 2007/2008 imports at 8 million, 2007/2008 U.S. exports were lowered to 975 million, and domestic use was placed at 1.989 billion for an ending U.S. 2007/2008 carryout of 215 million (down 5) or **just a 26.5 day ending supply**. This is **80% of** the fifteen year average ending stocks figure of 268 million bushel **when ending days of supply averaged 36 days and the 36 year average is 45 days ending supply**. USDA raised the 2007/2008 average U.S. cash price by $.10 to $7.85.

WORLD INFORMATION: The 2007/2008 USDA figures in September showed 221.27 MMT of world production (down .35) or 8.130 billion bushel. World use was placed .73 MMT higher at 233.94 MMT or 8.228 billion bushel, and ending world stocks are **shown falling 1.28 MMT to 50.35 MMT or 1.850 billion bushel or a still above average 78.6 day ending supply**. The U.S. crop was placed at 71.27 MMT of production, China's crop at 15.2, Brazil at 61, and Argentina at 47 MMT.. The sixteen year average ending world stocks figure is 74.1 days and the average since 1970 is 67.6 days.

FUNDS: On 9/25/2007 the CFTC showed funds with an increased long **futures** position of 166,909 contracts long and short positions of a steady 43,354 contracts. In **futures and options**, Noncommercial Funds (traditional funds) were shown with a large increase to 133,065 long futures/options contracts and a decrease of short contracts to 19,266. The Index Funds showed long futures and options positions of an increased 168,984 and short positions of an increased 9,127 contracts. **Remember that Index Funds take long term positions in the market and usually only sell to roll their positions forward only if investors request a withdrawal from the fund.** The total net long positions by the funds was a fairly large increase of 269 million (up by 24.5%) to 1,368 million bushel. Fund buying fueled the soybean price rally the past month.

BULL CASE factors to consider are:

1. The projected drop in U.S. soybean 07/08 carryout to just a 26.5 day supply has the markets attention. This makes any late season weather, rust event, or added demand will be that much more bullish.
2. The USDA projection of a drop in the U.S. carryout to 215 million bushel by 9-1-2008 is very supportive to prices.
3. The U.S. 2007 sunflower acres are projected to be down again this year which should help support both prices.

BEAR CASE factors to consider are:

1. Fundamentally this market has large carryout figures in both the U.S. and the world at the end of 06/07 and the reduced U.S. acres and $9.90 on NOV 07 soybean futures should stimulate more South American acres for next year.
2. The commodity funds now hold net long positions of 1.368 billion bushel in futures and options. They could liquidate these positions on any negative news which would press futures prices lower.

3. We look for USDA to add more double crop soybean acres and more acres behind failed wheat in future reports. High prices should have encouraged these activities to occur.

SUNFLOWERS: producers should make NC sales of 50% at current price levels. The 2007 U.S. sunseed acres are shown at 1,864,000 vs. 2006 when 1,950,000 acres were planted or **DOWN by 4.4%** which should help prices remain firm all winter long. **The 2007 price at the ADM plant in Goodland, Kansas was at $.188 a lb. as of 9-28-2007.**

LIVESTOCK ANALYSIS: Feed purchases for 50% of the first quarter of 2008 needs should be covered **if MAR futures break to the $3.50** area or else just buy as needed.

USDA REPORTED: January 1 Inventory of cattle and calves was shown at 97.0 million head - up slightly from 96.7 million on January 1, 2006. The USDA February 2nd U.S. cattle inventory report showed all cows and heifers at 42.0 million head or 1/4 of 1% lower than the 42.1 million head a year ago. Beef cows as of January 1, 2007 were 32.9 million head or slightly lower than a year ago and milk cows were up 1% at 9.13 million head. **The September 21st Cattle on Feed report** showed 10.3 million head of cattle on feed or 6% below 2006 but 3% above 2005. Other disappearance in August was down 15% from 2006 and 6% below 2005. The **September 12th Meats supply and use report showed** beef supply for 2007 projected at 29,983 million pounds with 1,392 million of exports, 3,244 of imports, and 28,041 of consumption for a per capita consumption of 64.9 lbs. vs. 65.7 lbs. in 2006. The supply figure is 1.002% of the previous year. Production of U.S. beef is shown at 26,109 vs. 26,258 a year ago or at 99.4%.

The Quarterly Hog and Pigs report of September 28th showed all hogs and pigs on September 1 of 64.6 million head or 3% above a year ago and 3% above June 1, 2007 - so much for high priced grains causing liquidation of hogs. **The hog breeding herd number of 6.14 million head was up 1% from a year ago and up just slightly from the last quarter.**

The **September 25th CFTC Commitment of Traders** report showed funds **net long an increased 15,151 contract to sit at a net long position of 25,886 live cattle contracts - up from** 10,735 contracts net long a month ago. The Noncommercial (traditional) funds were net long Live Cattle futures and options by a 41,701 positions to 27,225 short position's. Index Funds held an increased 114,581 long live cattle futures and options and were short just 190 total contracts. Feeder Cattle futures saw the funds holding a net long futures position of an increased 861 contracts to 8,311 futures contracts and Noncommercial funds held futures and options long positions of 8,598 contracts long and short positions of a decreased 1,783 contracts. Index funds are shown holding long futures and options of 8,431 contracts and -0- short contracts.

QUICK CHECK SHOWS 50% OF THE TIME that APRIL Live Cattle moved up in price $4.32 to $7.37 from September 28th to the end of March based on a 3 to 35 year review. This means those looking to sell finished cattle by then **should use APR 08 Live cattle futures in the $105 to $108 area** for pricing. April Feeder cattle futures have 50% odds of moving up by $4.10 to $6.65 based on a 3 to 35 year review so look for pricing **in the $117.50 to $120.00 area**. We ran our Livestock review on **feeder steers put on feed at 500 #, costing $127** and fed to 850 # @ a cost of gain of $.60 a #, and the cash break-even was $104.22, and with a cash basis of a ($12.0) the futures break-even was $116.22 on March 2008 feeder cattle and a $30 per head profit meant that futures would need to go to $119.75 - the 30 year move odds show 26.7% odds that this large of move could occur. August 2008 Live Cattle futures had **60% odds of moving up enough to reach a $30.00 profit on these cattle** if they are taken from 850# to 1350# using a cost of gain of $.70 a lb. for a break-even finished of $95.96 and a ($.49) basis equals a $96.45 futures target for a break-even and a $30 profit could be reached at $98.75 futures and these futures were $95.50 on 9-28-07. Heifers weighing 475 lbs and costing $120 had 73.3% odds of locking in a **$30 per head profit using August 2008 Live cattle futures at $97.88 (they were at $95.5 on 9-28)** using the same cost of gain figures as on the 500 # steers.

U.S. and WORLD WEATHER INFORMATION:

THE U.S. Palmer Drought Index shows all of TX, all of OK, most of the eastern 2/3 of NE, much of IA, southern WI, northeastern SD, the northeastern corner of IL, and most central and southern KS (not the NW and far eastern areas) with very moist to extremely moist conditions but most of the rest of the U.S. with almost all of the western U.S. in drought conditions along with much of the southeastern U.S. up into the southern half of IL, southern OH, most of northeastern MN and northern WI and southern IN are dry. The Crop Moisture Index shows just parts of TX (not the panhandle) and central OK with above normal topsoil levels BUT most other areas including western areas of the U.S., southern IL, southern In, southern OH, western ND, and eastern MO show dry topsoil levels as of September 22, 2007. Above normal temperatures are forecast for October for the western areas of the U.S. starting from southwestern CO and western NM, west to include all of UT, southern ID, to southeastern OR including all of NV, most of CA along with the far southeastern U.S.. The central U.S. states of KS, OK, northern TX and western MO are the only areas forecast with below normal temperatures in October. Above normal moisture in October is forecast for just southern TX east along the coast and then up into NC with below normal moisture forecast for the western areas where the above normal temperatures were forecast. **MARKET IMPLICATIONS of these forecasts are**: The market should have few concerns for corn and soybean harvesting delays but some winter wheat emerge problems could exist in a few areas.

INTERNATIONAL WEATHER (according to DTN) or OsterDowJones: The weather has turned favorable for planting wheat in much of the EU and FSU areas. Australia needs some added rainfall and has seen significant crop deterioration the past month. Argentine weather problems have greatly diminished with the rainfall they received the past month. It is dry in northern Brazil but conditions elsewhere are fine for soybean planting. China is seeing good crop harvesting weather but needs some rain for their wheat crop. South Africa is too dry for part of their corn planting efforts. India has received some late season rainfall to replenish irrigation supplies for wheat.

EXPORT AND FOREIGN INFORMATION:

Review Area (in million of bushels)	**U.S. WHEAT-07/08**	**CORN -07/08-**	**SOYBEANS**
USDA estimates & monthly change	1,100 mb. - up 25	2,250 mb.	975 mb.
Sales &/or Donations to 9/20/2007	823.4 mb.	803 mb.	344 mb.
Sales per month to meet USDA	35 mb.	125 mb.	55 mb.
Shipped through 9/20/2007	413 mb.	120 mb.	35 mb.
Shipments per month to meet USDA	80 mb.(30 flour)	230 mb.	80 mb.
Sales and ***Shipments*** since the last report	213 & ***142*** mb.	188 & ***160*** mb.	59 & ***47*** mb.

Export sales of U.S. wheat remains very strong and it looks like USDA could raise their export figure by another 25 million bushel. Corn sales for 2007/2008 are well ahead of the pace needed and USDA may raise this figure by 100 million bushel in the next crop report. . **The spot month dollar index fell sharply the past month to a new low price of $77.72 this month vs. a price of $80.87 a month ago and is keeping U.S. grains very competitive in the world markets.**

In September USDA showed ending 2007/2008 U.S. corn stocks with a year to year increase in days of supply going from 45.5 days to 53.4 days, soybeans project to drop from 65.6 days down to 26.5 days, and wheat is projected to drop a large 23.6 days to a 35 year low ending supply of 57.7 days from 81.3 at the end of 2006/2007. Ending world stocks are projected to fall in 07/08 on **wheat from 74 days to 66.3 days of supply,** soybeans were projected to fall 24.4 days to 78.6 days from 103.0, and corn goes from 50.8 days supply down to **a 50.0 day ending supply at the end of 2007/2008 - EVEN WITH the record large U.S. corn crop of 13.3 billion bushel.**

OTHER MARKET INFORMATION AND TECHNICALS:

9-28-2007 figures on FUTURES for	**K.C. WHEAT**	**CORN**	**SOYBEANS**
DEC 07 Futures Price and Change	$9.29 - up $2.17	$3.73 - up $.17	NOV $9.91 - up $1.17
Estimated Support Area	$8.00 - ??	$3.25	$9.00
Estimated Resistance Area	$10.00 - ??	$3.90	$10.00
9 day Relative Strength Index	83	58	68
30 day Relative Strength Index	77	54	64

Note that a Relative Strength Index (RSI) over 70 may be a sign of a topping market and a rating under 30 may be the sign of a bottoming market. We feel the 30 day RSI rating should be used for long term trends and the 9 day rating may be considered when making short term decisions on when to price grain. If the rating is low (under 30) and you do not have to sell right away, waiting may be prudent or if the rating is high (over 70) and you are debating on whether or not to make sales this may help you to make a decision as a topping market may be set to go lower.

FUND POSITION review 9-25-2007:	**ALL WHEAT**	**CORN**	**SOYBEANS**
NONCOMMERCIAL FUNDS LONG	125,826	229,731	133,065
NONCOMMERCIAL FUNDS SHORT	81,654	82,995	19,266
INDEX FUNDS LONG	229,833	367,972	168,984
INDEX FUNDS SHORT	15,410	11,433	9,127

The above positions are futures and options. Funds held a net long Chicago wheat futures position of an increased 1.42 to 1.0 margin, held a 3.88 to 1.0 net long position in K.C. wheat, held a large net long position in MN wheat, held an increased net long corn futures position of a 2.50 to 1.0, and held an increased net long soybean futures position of 3.84 to 1 as of September 25, 2007.

COMMODITY INDEX FUNDS - WHAT ARE THEY AND HOW DO THEY AFFECT THE FUTURES MARKETS:
According to a CFTC report **these funds are said to have well over $100 BILLION dollars involved in the commodity markets vs. a figure of around $7 billion in 2001 and $40 billion in 2004**. These larger funds often buy a broad cross section of commodities and figure that a majority of them will move higher thus they place less reliance on fundamentals of individual commodities. A new class of funds called sub-index funds allow investors to select single commodities not just the market as a whole. **They are called "exchange-traded funds" or ETF's** and their investment in the market **is NOT included** in the figures mentioned at the start of this paragraph. This type of buying may cause a shift away from short term fundamentals and might cause higher prices than fundamentals dictate should occur. Of course these funds will eventually sell to get out of their long positions which may cause some swift market price declines. The price decline is more likely to be from higher or profitable price levels for most producers.

The **past month** saw **INDEX FUNDS decrease** their net long **WHEAT** futures and options positions **by 1.57%**, **increase** their net long **SOYBEANS** futures and options positions by 5.0%, and **increase their net long CORN** futures and options positions by **0.5%**. The futures markets saw DEC 07 corn futures rise $.17 the past month, NOV 07 soybeans rose $1.17 the past month, and wheat prices moved over $2.17 higher on OC DEC futures which was clearly not tied to Index fund buying in futures and options. Funds also decreased their net long Wheat futures only positions by 8.9% so who fueled the rally in the wheat market? - The answer is partly commercials who in the K.C. market decreased their net short futures only positions by 25% and were up by 65% on their net long Chicago wheat futures (only a 2,619 long increase to 6,776 net long) and reduced their net short futures and options positions in Chicago wheat by 8%. The **TRADITIONAL FUNDS** were not a major driving force behind the wheat price advance as they decreased their net long wheat futures and options positions by a combined (KC and Chicago) 15,081 contracts or by 31%, **BUT** they did increase their **net long soybean futures and options positions by 29,082 contracts or by 34.3%**, and **increased their net long corn futures and options positions by 28,769 or up 24.4%** - all as of September 25, 2007 vs. August 28, 2007 - **helping to fuel the rally in these markets**. **A FACTOR to watch** this month is what the Index Funds do with their positions. With crude oil in the $80.25 per barrel area (up $7.00), gold prices up by $76 an oz or 11.4% to $743 an oz, and the stock market up 837 points to 14,087 on the DOW and the NASDAQ down 35 points to 1,928 from a month ago, investors may feel comfortable with leaving their money in the Index funds as inflation may still be a factor in the market place. Index Funds should have ample reason to hold, not liquidate their long positions. **Their selling usually occurs when investors request withdrawal of funds and/or at the end of the month or when they need to roll their positions.**

MARKET DATA'S AREAS TO WATCH OR STRATEGIES TO FOLLOW THIS MONTH ARE:

WHEAT: The **key items to look for in the October 12th USDA crop report** is to see what USDA does with their 2007 U.S. export and feed use figures. **The 2007/2008 carryout could fall to BELOW 300 million bushel if the feed use is not decreased or imports increased and exports are increased 25 million bushel. This is taking last months 362 million carryout less 25 million more exports and the new 47 million lower production figure to arrive at 290 million of ending stocks or just a 46 day ending supply!** The world figures should get even more bullish with a probable drop of 7 MMT in the Australian figure, a possible 1 MMT drop in the Canadian production, the 1.25 MMT drop in the U.S. production not being offset by more than 1 to 2 MMT of increases in places such as China, Argentina, India (all increased in the IGC report). World feed demand may fall 1 to 2 MMT to offset part of this - BUT - be replaced with higher corn and sorghum demand. Ending world stocks may fall to a **new RECORD LOW of 107 MMT or ending days of supply of just 63 days**.

SUMMARY on U.S. WHEAT: Based on the strong export sales due to a shift in world demand to the U.S. and others which has fueled the higher prices, increased export sales will continue to cause concerns over record low ending stocks here in the U.S.. **WORLD WHEAT** production could fall under 600 MMT and with world demand of 617 MMT, ending world stocks could fall to 107 MMT or a record low 63 days of ending supply. **The fundamentals on wheat should remain friendly for OC through spring BUT the world generally responds to high wheat prices with much higher production the next year (weather permitting). MDI can show you a scenario where world production could reach 660 MMT in 2008/2009 and even with a rebound back to 630 MMT (a new record high use figure), ending stocks would rise to 137 MMT or a 79 day ending supply. The EU has canceled their 10% setaside, the FSU nations received some timely rains for planting and India is replenishing its wheat irrigation reserves with recent moisture. Only China and a few areas of the U.S. appear to be in a position of getting off to a shaky start on their 2008 wheat production.**

WHEAT MARKETING PLANS based on these outlooks are: TAKE ADVANTAGE OF THESE RECORD HIGH PRICES and at the least get 40% priced on **NC 2008 production** at current price levels around $7.00 on the JUL or SEP futures. A good plan might be to sell 20% cash (assuming your local basis is not more than ($.10) worse than normal), do a MIN/MAX plan of buying a $6.90 JUL 2008 K.C. put for around ($.63) and selling a $7.60 JUL 2008 Call for around +$.42 for a net cost of ($.21) to the buy side. This would lock in a futures floor of $6.65 (or a cash price above $6.00) with a ceiling $.70 above that ($7.60 - $6.90). Remember that a MIN/MAX plan will have margin calls as the price moves towards the MAX side of the equation BUT THIS IS A GOOD THING as the other 60% or more of your crop is worth that much more. Then producers should switch to JUST PUT options on anything over 40% of the crop due to the low carryout levels and potential for an explosive market should the weather cause production problems in some of the key areas of the EU, FSU, U.S., China, India, Australia or Canada next year.

The JUL 2009 K.C. futures closed September 28th at a price of $6.10 (up $.27) and **sales of 30% of your 2009 production could be made at the $6.00 futures** area on this crop.

On OC or marketing of wheat on hand, **WHO KNOWS how high this market could go**. You should at least buy some put option protection such as a DEC $9.00 put for a cost of $.35 less a ($.65) basis equals a cash floor of $8.00 a bushel with the ceiling wide open. At some point this market will top out and fall like a rock for a week or so but when is the big question. The U.S. can not continue to sell wheat at the current pace or all of a sudden we could see our 2007/2008 carryout falling to a 30 day supply or less than 190 million bushel. The normal way to curb demand is higher prices BUT to this point that has NOT happened. Look at the strong export sales the past few weeks when futures rose dramatically. If the government gets concerned enough, l**ook out for that nasty word - EMBARGO** - which would cause at least a temporary price collapse. It happened in the early 1970's and it could happen again.

CORN/SORGHUM: The **October 12th USDA crop report U.S. keys** are where USDA places **their 2007 U.S. corn yield, ethanol and feed demand.** Reports are in the market of a 2007 U.S. corn yield as high as 160 bushel in some market talking points - AND - FC Stone now has an estimate of 13.445 billion bushel on a yield of 157.8 vs. a figure two months ago of a 148 average yield. The highest national average yield ever was 160.4 bushel per acre in 2004 when growing conditions were generally good from start to finish over most of the U.S. and total acres planted were 80.929 million - not like this year with more corn on corn, and genetics have NOT improved that much in just two years. MDI still feels that a 154 bushel figure should be the top end of potential this year. The most concerning figure in the crop report could be ethanol use of corn. Ethanol plants are having a hard time moving their product to end users and many are now operating in the **RED**. Some look for an added 100 to 250 million bushel drop in 2007/2008 U.S. corn use for ethanol. The USDA stocks figure will increase the carryin from 2006/2007 by 161 million bushel and if 250 million of lower feed and/or ethanol demand is factored in without an offsetting increase in exports (which some should occur), the ending stocks could rise to near or over 2.0 billion bushel which would put some significant pressure on DEC 2007 to MAY 2008 corn futures - even without a yield or production increase. **USDA may adjust actual planted and harvested acres in this crop report as well as these items so it will be a very interesting report.**

WORLD FIGURES FOR 2007/2008 may show: World CORN production rising to a **new record large 776 MMT due to a larger U.S. crop (if its size is increased). The keys are China and the U.S. crop sizes.** World demand is projected by USDA to rise to a record high 769.6 MMT and it is unlikely that this figure will drop but it could increase slightly on a shift of feed demand from high priced wheat. The bottom line of all this is that ending world stocks should remain in the 106 to 110 MMT area or a **53 day or lower ending supply. The current ending days of supply on corn is 50.0 which is slightly lower than the previous year even with record large U.S. and higher Chinese crops. These two nations produce over 60% of the world's corn.** As it stands now, around 2 million acres of land is being released from CRP and 4 million could be released over the next three years. This could help in finding the acres needed for the corn, wheat and soybean crops in 2008. USDA says they do not need to release more acres as the U.S. farmers will plant more double crop acres. A good example of this may be planting wheat this fall and then planning on double cropping soybeans next summer on these acres. This may help cover these crops but what about corn. If acres in 2008 fall by 10 million to 83 million (still second highest total in the last 21 years), and a yield of 156 is assumed, production equals 11.85 billion with a harvested % of 91.5. This could be over 1.0 billion below 2008/2009 demand which would immediately drop the carryout back down to close or below 1 billion bushel and a very tight ending days of supply. **Look for DEC 2008 corn futures to have more support than other corn futures to try and hold too many acres from being shifted to other crops.**

A CORN or SORGHUM MARKETING PLAN based on these outlooks is: MDI feels that cash sales of 2007 NC corn or sorghum should be made on 40% of the 2007 crop with DEC 2007 corn futures in the $3.70 area, and add a MIN-MAX plan (if you can stand margin calls) on 20% of the 2007 crop (not to exceed 90% of your crop insurance bushels) to no more than 60% priced with the purchase of a DEC $3.60 corn put and the sale of a DEC 07 $4.30 call for a cost of ($.17 to the buy side). Finish your marketing with JUST put options on anything over 60% of the expected production up to 100% of your target bushels with the purchase of DEC $3.60 or $3.70 put options for a cost of ($.13) a bushel as this provides price protection through the next two USDA crop reports. **MDI has a post harvest TARGET PRICE worksheet found under Special Reviews that can be used to enter your expected price, yield and bushels vs. your actual figures to arrive at a NEW target price.** REMEMBER THAT IT NEVER HURTS TO SELL AT A PROFIT.

Producers could also look at pricing up to **25% of 2008** production with **DEC 2008 CORN** futures in the **$4.10 area - which closed at $4.15 on 9-28-2007.** The DEC 2009 CORN futures closed at a price of $4.19 and **sales of 25% of your 2009 production could be made at the $4.10 futures** area on DEC 2009 corn futures. Cash basis levels have weakened some so a MIN/MAX plan of buying a DEC 2008 $3.80 put and selling a $4.80 call could be considered for those who can handle margin calls.

Producers looking to choose which crop to store on the farm should consider what their current basis bids are vs. historical norms. For example soybeans may have a ($.70) worse than normal basis and corn might be just at ($.10) worse than normal. This means storing soybeans for basis improvement appears to be the best choice.

SOYBEANS: Might have mostly unchanged 2007/2008 **U.S. figures** again in the October 12th crop report but we could see a lower figure yield due to the lower pod counts and disease problems or a higher figure due to some good August rainfall in some areas. U.S. ending stocks should stay in the 210 to 230 million bushel area which is a tight ending supply under 30 days. The **06/07 world ending stocks are bearish at a record large ending 103.0 day supply** with large South American production providing a great cushion for the world market. It is lower ending U.S. stocks in 2007/2008 that contains the bullish U.S. fundamental numbers. World production should increase in South America due to high soybean prices but northern Brazil is dry and this is causing some minor concerns.

WORLD PRODUCTION in 2007/2008 could rise significantly in South America due to higher prices caused by the lower U.S. acres. The U.S. crop at MDI's estimate would be 70.75 MMT, Brazil could rise to 63 MMT, Argentina to 47 MMT, China at 12.0 MMT and total world production of 222 MMT (vs. 236.1 MMT in 2006/2007). World demand should hold at a **figure around 234**

MMT and ending world stocks could fall to around 50 MMT but this is still an above average 78.6 day ending supply - **even with 11.442 million less U.S. acres!**

A 2007 SOYBEAN MARKETING PLAN based on this outlook is: MDI feels that pricing on 80% of your 2007 NC soybeans **MUST BE DONE NOW** (if not made at our earlier targets) with NOV 07 soybean futures in the $9.80 area, if you have not done anything you could use a MIN-MAX plan (if you can stand margin calls) on 60% of the 2007 crop (not to exceed 90% of your crop insurance bushels) by **purchasing a JAN 2008 $9.80 soybean put for a cost of ($.35) and and the sale of a JAN 2008 $11.20 call for a return of $.14 for a net cost of ($.21) to the buy side**. Finish your marketing with just put options on anything over 60% of the expected production up to 100% of your target bushels with the purchase of JAN $9.60 put options for a cost of ($.25) a bushel. With current basis levels POOR in many areas, use of the futures and options is the preferred marketing strategy. The MIN/MAX plan is a good one in today's environment.

Producers could also look at pricing up to **50% of 2008** production with **NOV 2008 SOYBEAN** futures in the **$9.50 area - which closed at $9.68 on 9-28-2007.** The NOV 2009 SOYBEAN futures closed at a price of $9.25 and **sales of 35% of your 2009 production could be made at the $9.25 futures** area **on NOV 2009** soybean futures. You will probably need to look at straight hedges or a MIN/MAX plan as the cash basis levels are **POOR in most areas. Why are they poor - it is because the U.S. and world have adequate OC supplies and end users do not need to pay up for cash beans at this time.**

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