Market Situation

**Crop Progress.** Corn harvest as of November 2\textsuperscript{nd} is about a week behind normal. USDA reports in this week’s *Crop Progress* harvest stands at 65% (last week’s average pace), 8 points behind the five-year average for this time of year of 73%.

The major corn producing states that are the most behind (current %, normal %) are Michigan (31%, 51%), Wisconsin (33%, 58%), Iowa (61%, 75%), North Dakota (48%, 61%), Indiana (58%, 70%), and Nebraska (60%, 71%).

**Grain Use.** The impact of low grain prices and high meat and dairy prices continues to work its way through grain use estimates. The feed and residual use category of USDA’s October supply and demand balance sheet estimates consumption of 5.375 billion bushels of corn in the 2014/2015 marketing year, up 5% from 5.125 billion bushels in 2013/14.

![U.S. Corn Use Chart](source: USDA, WASDE)

The latest revisions to animal inventory numbers support that higher estimate. All grain consuming animal units are up 963,000 or 1.1% on higher hog (+2.1%), poultry (+2.1%), and dairy cow (+1.3%) numbers. Cattle on feed and other livestock are the only categories showing a decline, -2.0% and -0.7%.
As a percentage of the livestock and poultry feeding complex, pork and poultry are at all-time record highs while the beef component is an all-time record low. In addition to 1.1% more animal units, energy feed per animal unit (including ddgs) is expected to be 5.1% higher than last year.

[Graph: Cattle on Feed 1,000+ capacity feedlots]

Source: USDA/NASS, October 24, 2014

[Graph: Broiler Chicks Placed 19 states, weekly]

Source: USDA/NASS, as of October 25, 2014
Feed and Residual Use

Outside Markets. The Federal Reserve moved to end Quantitative Easing in its meeting last week. In the minutes released last Wednesday, the Federal Open Market Committee stated that

The Committee judges that there has been a substantial improvement in the outlook for the labor market since the inception of its current asset purchase program. Moreover, the Committee continues to see sufficient underlying strength in the broader economy to support ongoing progress toward maximum employment in a context of price stability. Accordingly, the Committee decided to conclude its asset purchase program this month.


Also last week, the Bureau of Economic Analysis released preliminary estimates of GDP growth in the 3rd quarter. Improvement in all categories resulted in growth of 3.5%.
GROSS DOMESTIC PRODUCT: THIRD QUARTER 2014 (ADVANCE ESTIMATE)

Real gross domestic product -- the value of the production of goods and services in the United States, adjusted for price changes -- increased at an annual rate of 3.5 percent in the third quarter of 2014, according to the "advance" estimate released by the Bureau of Economic Analysis. In the second quarter, real GDP increased 4.6 percent.

The Bureau emphasized that the third-quarter advance estimate released today is based on source data that are incomplete or subject to further revision by the source agency (see the box on page 3 and "Comparisons of Revisions to GDP" on page 5). The "second" estimate for the third quarter, based on more complete data, will be released on November 25, 2014.

The increase in real GDP in the third quarter primarily reflected positive contributions from personal consumption expenditures (PCE), exports, nonresidential fixed investment, federal government spending, and state and local government spending that were partly offset by a negative contribution from private inventory investment. Imports, which are a subtraction in the calculation of GDP, decreased.
<table>
<thead>
<tr>
<th>IV Qtr 2014</th>
<th>1-Oct</th>
<th>4-Nov</th>
<th>net change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow Jones Ind. Avg.</td>
<td>16,804.71</td>
<td>17,370.13</td>
<td>565.42</td>
<td>3.36%</td>
</tr>
<tr>
<td>CRB Commodity Index</td>
<td>277.91</td>
<td>267.48</td>
<td>-10.43</td>
<td>-3.75%</td>
</tr>
<tr>
<td>Dec ’14 Crude Oil</td>
<td>89.74</td>
<td>77.15</td>
<td>-12.59</td>
<td>-14.03%</td>
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<tr>
<td>Dec ’14 Copper</td>
<td>3.0360</td>
<td>3.0165</td>
<td>-0.0195</td>
<td>-0.64%</td>
</tr>
<tr>
<td>Dec ’14 Dollar Index</td>
<td>86.076</td>
<td>87.100</td>
<td>1.024</td>
<td>1.19%</td>
</tr>
<tr>
<td>Dec ’14 Corn</td>
<td>3.2125</td>
<td>3.6450</td>
<td>0.4325</td>
<td>13.46%</td>
</tr>
<tr>
<td>Mar ’15 Corn</td>
<td>3.3400</td>
<td>3.7725</td>
<td>0.4325</td>
<td>12.95%</td>
</tr>
<tr>
<td>Dec ’15 Corn</td>
<td>3.6775</td>
<td>4.0775</td>
<td>0.4000</td>
<td>10.88%</td>
</tr>
</tbody>
</table>
Marketing Strategies

2015 Corn Marketing Plan. I sold the last of my 2014 corn crop at harvest on October 15, resulted in an average price for the year of $4.20¼ per bushel. The advantage of having a marketing plan compared to selling 100% at harvest was about +20%.

My attention now turns to the 2015 crop. I am still working on budgets but my breakeven price last year with normal yields was about $4.00 per bushel. The current price of the December 2015 contract would cover that level of costs.

December Corn Futures and 2015 Marketing Plan

Upcoming Reports/Events.
October 24 Cattle on Feed
November 10 WASDE
January 4-10 TEPAP (The Executive Program for Agricultural Producers), Austin, TX
January 21-
March 3 Master Marketer, Amarillo