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Afternoon CommStock Report-04/11/14

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****PLEASE REFER TO THE TRADE & HEDGE STRATEGY PAGE FOR UPDATES!! ****

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I asked a prospective new employee as part of the interview process to write a dissertation on what they saw as the greatest threat to Agriculture today. I thought that I would try my own exercise. The greatest threat to Agriculture today is "ignorance." The non-farm public left the farm a couple generations ago and with their leaving the connection to the farm was broken. Better yet their memory of Agriculture was fixed in time to what they remembered it to be when Grandpa farmed.

What else in life is the same as it was 50 years ago? Technology has changed Agriculture just as much as every other aspect of life yet consumers pine for the nostalgic old days embracing the outdated organic foodie concept of agriculture. The general public has no concept of Agriculture other than what they have been told and they listen to the wrong people like the Environmental Working Group, the HSUS or Chipotle who have agendas that have no relationship with modern agriculture.

They are impacting Wal-Mart, K-Mart and all the other "Marts" so they are now dictating production practices from the top down forcing farmers to farm their way rather than the right way. On various trips that I have taken where I meet others from the west or east coast you find out how terribly uninformed these consumers are. They don't know enough about agriculture to even have an incorrect imagination of what it looks like forget any clue as to what it should look like. Our adversaries are taking advantage of that ignorance to fill their heads with all sorts of miss-information so whatever concept of Agriculture that they do have is distorted.

We can't blame consumers for having the wrong perceptions and conceptions of agriculture if we are doing nothing to properly inform them. Agriculture has some good commodity organizations but the challenge of informing the public correctly as to what Agriculture is and does needs to be on the scale of the Big Oil public relations campaign and it's not close to that level of information. This takes funding and some farmers chafe at contributing to check-offs but they need to understand that until Agriculture makes the effort to educate public opinion with truth someone else that does not have their interest in mind will spread their "truth" and consumers will believe it.

This gap between what is and what opponents of conventional agriculture tell consumers it is, is growing and the failure to correct it will result in more regulation, fewer market based choices and even the rejection of science based production practices that will handicap Agriculture in achieving its mission. It will reduce the profitability of Agriculture and increase the cost of food to consumers for absolutely no justifiable purpose because of ignorance.

The comprehensive structure and mechanism for the platform as to how we inform the public of what they do not know about Agriculture doesn't currently exist and we need to get to work to create it or we will not like the result. That is the biggest threat that we face today. Following is an example of the gap in knowledge that exists between agriculture and the non-farm public evident in a letter to the editor of the Des Moines Register.

~F02"My Grandfather's take on the role of farmers: I attended the recent climate-control forum in Ames where one of the speakers on the panel talked about planting "corn on corn" as if that were a good thing. My grandfather, father, and uncle used a crop rotation plan on our family farm in southwest Iowa that included corn, soybeans, alfalfa, and oats, using knowledge they had each gained as students at Iowa State University years ago. Iowa agriculture experts promote leaving corn stover on the fields to reduce soil erosion and enrich the soil. Sadly, some farmers can't resist removing the corn stover, baling and selling it to the new cellulosic ethanol plant in Nevada where, a few days ago, the stover stockpiles burned. What a misguided venture.

Let us find our way back to the concept that our job as farmers is NOT to "mine" the land, but rather, to "conserve" the land (a lesson my grandfather taught me when I was a young child growing up on our farm). -Jane- Ames." ~F00

Jane remembers her grandfather on the farm and is intelligent enough to have interest in attending the climate-control forum in Ames. That says that she has interest and she cares, which is one level beyond what many consumers going on with their life, who as long as there is food at the supermarket, pay little attention to where is comes from. Yet Jane's perception of corn stover and how it relates to cellulosic ethanol production is outdated by about half a century.

Let me explain: In 1970 the average yield of an acre of corn was 86 bpa. The crop produced 2.2 tons of crop residue per acre. They moldboard plowed after that leaving much less residue on the soil surface after harvest. Today we have doubled the plant population per acre more than doubling the yield and we produce 4.3 tons of crop residue on an acre of corn. I had a farm yield 240 bpa that should have produced 6 tons of residue nearly 3 times what her grandpa produced.

Cellulosic ethanol producers limit their residue harvest to approximately 1 ton per acre. They leave most of the residue produced. So if we take that average 4.3 tons of residue and harvest 1 ton for the cellulosic ethanol we leave 3.3 tons left on the field to control soil erosion and enrich the soil. That is 1.1 tons more than Jane's grandpa left. Additionally we do not moldboard plow anymore so far more of the remaining stover is left on top to protect the soil than Jane's grandpa left on his fields. So we have more production, we are leaving more residue to protect and enrich the soil than ever before and we have a ton of residue per acre that we can still make cellulosic ethanol out of.

One could understand based upon her life experience why Jane thought what she thought coming to the conclusion that she did. But she just doesn't know. No business is being performed today the way our grandfathers did it. Why do people think that Agriculture is somehow different? Agriculture is better today than the way our grandfathers farmed.

I have no disrespect for anyone here but there are lots and lots of Janes out there whose knowledge of Agriculture is outdated and unless we correct them they will expand the ignorance. We are already ahead of where Jane thinks farmers ought to go taking care of the land but she doesn't know it. Take this example times thousands of instances and you get what Agriculture is up against... the threat and the challenge that we face.

Trade & Hedge Strategy - 04/11/14

HEDGE STRATEGY - Last Updated 04/07/14)
2013 Corn: Some of you have 10% cash sold on the reco made on September 27th.(2-5-14) Sell 30% of your 2013 corn crop in the cash market. We will use a selling price of 4.35. (1-14-13) Go long a 620 Dec. call and short a 720 Dec. call for 23 to 25 cents. Trade is on for 24 cents.(11-25-13)December options expired and this trade was a 24 cent loss or $1200.00. (2-28-14) Sell 20% of 2013 corn at the cash market, we will use a 4.43 cash sale for our records.(4-7-2014) Sell 10% of old crop corn when May futures trade at 5.12. (4-9-2014) Sold 10% of cash corn at 4.77. This will bring us up to 70% sold.

2014 Corn: Buy a July short dated 4.50 December put and sell a 5.10 December call on 30% of projected production. Do this for even money. (2-9-14) This trade is on at even money.(2-28-14)Protect another 20% of corn by buying a July corn short dated 4.60 put and sale a Dec corn 5.20 call and do this for even money. (3-5-14) Sell 15% of projected 2014 production when you can receive 4.62 in the cash market. (3-31-2014) We sold 15% of production for 4.62 cash.(4-08-2014) Dec corn has now had 2 consecutive close above 5.04 which was our target to lift the 510 calls that we sold. Buy them back at the market. We are either going to sell calls or put on a futures position at a later date to recapture some of the margin that was required from this trade.(4-10-2014) We added another 15% coverage by buying 500 July short dated December corn puts/selling 580 full dated December corn calls 3 cents net cost. We are now 65% covered with puts.

2015 Corn: (2-11-14) Sell 10% of production when December 2015 corn trades to 4.75. (2-19-14) 4.75 was hit a we are now short Dec. 15 corn at 4.75 (06-19-12) Short 10% Dec 13 corn at 5.46 (12-9-13) lift this hedge by buying back December futures at 4.26 or use a stop at 4.322 just make sure that you cancel whatever one doesn't get filled.(12-10-13) Bought back December corn at 4.26 for a $1.20 profit or $6000.00
(03-15-12) Covered 20% 2013 corn, Long Dec 5.50 put/short Dec 4.50 put and Short Dec 6.50 call; cost 8.2 cents (11-25-13)Options were exercised and they were off setting so the profit was a 1.00 minus the .082 cents for the cost so the net was .916 cents or $4580.00
(9-30-13) Some of you did get 10% sold for 4.50 others got 10% sold in December futures for 4.604 (12-9-13) For the traders that did get this sell lift this hedge by buying back December futures at 4.26 or use a stop at 4.322 just make sure that you cancel whatever one doesn't get filled.(12-10-13) Bought back December corn at 4.26 for a 34.4 cent profit or $1720.00

(10-15-13)Bought 435 Dec put and sold a March 500 call for 4 cents to the buy side. We covered all unprotected corn bushels.(11-25-13)We are short December corn at 4.35 as the December put options were exercised. Use a buy stop at 4.324. (12-9-13)lift this hedge by buying back December futures at 4.26 and make sure that you cancel whatever order that doesn't get filled.(12-10-13) Bought back December corn at 4.26 for a 9 cent profit or $450.00
(11-7-13) Covered half of cash corn sales with buying a 4.20 Dec call and selling a March 4.80 call, the cost was 4.5 cents to the buy side.
(11-11-13) Sell back the 4.20 December corn call and buy back the 4.80 March corn call and do this 15 cents to the sell side.(11-18-13)The market didn't rally enough to get out of this trade for 15 cents so now sell back the 4.20 call at 3 cents. (11-19-13) We did sell the 4.20 December call for 3 cents. We will watch the 480 March call that we sold.(2-24-14) The March 480 call that we sold expired at no value. We lost 1.5 cents on this trade or $81.25

2013 Soybeans: 1-30-13 sold 20% cash at 12.67.(10-2-13) Sell another 10% of 2013 cash soybean production you should be able to get 12.00 plus. Our cash price was 12.43.(2-5-14) Sell 20% 2013 soybean crop in the cash market. We are using a selling price of 12.76. (1-17-2014)Sell 25% of 2013 production at the market. The local cash bid is 12.80. (2-28-14)Sell another 15% of 2013 soybean production in the cash market. Our price will be 13.73. We are now 90% sold. 10% hedged. (6-19-12) Short 10% Nov 13 beans at 12.25 (11-14-13)liquidated the short November beans at 13.172 for a loss of .922 cents or $4610.00 loss.

(11-7-13) We did buy a 12.60 December call and sold the January 13.30 call for 14 cents to the buy side. We would recommend doing this for 50% of

your cash bean sales.
(11-11-13)Sell the 12.60 December soybean call and buy the 13.30 January call for 30 cents to the sell side.
(11-13-13)We exited the 12.60 Dec soybean call and the 13.30 Jan call for 30 cents. 16 cent profit or $800.00

2014 Soybeans: Cover 25% of projected bushels by buying an 11.40 November put and sell a 12.40 November call and pay no more than $.35. November beans will need to rally back over 11.50 to get filled. (2-20-14) This trade was put on for 32 cents to the buy side.(3-6-14) Buy back the 12.40 November call that was sold when November beans have 2 closes above 12.00. (4-2-2014) Bought back the 12.40 call for 52 cents. We sold them for 27.5 cents and took a 24.5 cent loss. (4-9-2014) Sell 15% of 2014 production in the cash market. The price that we sold at is 11.72.

SPEC TRADES
Spec trade #36 (2-19-14) We missed this trade by just a little bit and it would have been a big winner. What I want to do now is to buy a May 170.00 coffee call, sell a May 190.00 coffee call and sell a May 150.00 coffee put for 1.00 to the buy side. It acts like coffee wants to go towards 200.00. This is a weather market and is trading with wide swings. To get the above trade on May coffee will have to correct about 7.00. (2-20-14) This trade was put on for 1.00. Keep a close watch on any new recommendations.(3-6-14) Sell the 170.00 May Coffee call and buy the 190.00 May coffee call and do this for 18.00 to the sell side. (4-9-2014) We were filled on this trade at 18.00 which we spent 1.00 which gave us a 17.00 profit or $6375.

Year to Date Results for spec trades: 6 Trades P/L $13032.50

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