

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: November 18, 2011

- **Another nasty week with the big three of bearishness weighing heavy on the market. Slow exports, the European debt crisis and the MF Global bankruptcy are all giving bears a reason to keep the markets depressed and the bulls in hiding. For the week corn lost 28 cents, soys were down 7 cents, and wheat finished 35 cents lower.**
- **Many see the European debt situation as nearly insurmountable as countries wrestle with the idea of actually being out of money. We've seen world leaders resign as their citizens fight the budget cuts necessary to keep these countries solvent. At this point it seems unlikely, if not impossible we'll ever see the 17 member states come up with any kind of compromise, let alone a solid solution.**
- **Uncertainty over MF Global and the further implications caused by its October 31st bankruptcy has traders spooked as well. The bankruptcy was the 8th largest in US history and has far reaching impacts. This has had traders, commercial elevators and hedge funds question the broker they are working with and how they are sitting financially. The idea that a large clearing house can be here today, yet gone tomorrow has many on the fence when it comes to just how much money they want tied up and with whom.**
- **The big story of the week though was demand or the perceived lack thereof when it comes to United States corn. As outlined in the last few newsletters the USDA has cut demand to offset any sort of major production increases, keeping our pipeline levels relatively comfortable. Any idea however, that the demand has been trimmed further than the USDA has estimated would move stocks from tight, to comfortable, to plentiful.**
- **Corn export sales this week were the lowest 2nd week of November sales seen in nearly 20 years and nearly 75% less than the 5 year average for this week of the marketing year. An unusually plentiful supply of Ukrainian corn is keeping a lid on US demand at this point, with our traditional heavy purchasers buying from others.**
- **Ukraine is expected to export 12 million metric tons (472 mbu) of corn this year. This compared to exports of 6.5 mmt (256 mbu) in 2010 and 5 mln metric tons (198 mbu) in 08 and 09. Japan, our number one corn customer was reported to have purchased nearly a million metric tons of corn this week alone, with prices estimated to be 50 cents or more cheaper than US offers.**
- **Soybean exports are incredibly slow at this point in the marketing year as well. Cumulative soybean sales are down 35% from last year, with the USDA expecting a 12% reduction. Exports in 2010 were front loaded with 78% of the total export business for the year conducted in the first half of the marketing year. Last year by the end of October nearly 71% of our total soybean export sales were locked in, this year only 49.5% was booked at month-end.**
- **Something to keep an eye on, talk is that we may see an adjustment to the cap on CRP acres when the new Farm Bill is released. Right now it appears as though we'll see a 25 million acre cap, this compares to the 32 million acre cap currently in place. At this point there are 29 million acres enrolled in CRP, meaning we could see an additional 4 million acres brought back into production by 2014.**

Next week's holiday shortened week is likely to be much more of the same. Volatility will remain firmly entrenched in this market as we wrestle with where we are both on the supply side and the demand side. As of Sunday night only 51% of the corn in Ohio was harvested with yield reports all over the board. Basis

levels are historically strong as well, presenting opportunities you may not regularly see this time of year. Give us a call with any questions, we're here to help! Until next week, have a great weekend and stay safe!

All the Best!

Angie Maguire

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