

**This Week In Agriculture:**  
**USDA Supply and Demand Update: December 9, 2016**

- **Volatility has returned to the markets as of late with outside market exuberance and concerns over potential South American production shortfalls mixing with overall bearish supply fundamentals. For the week March wheat finished 9 higher with March corn and January soybeans adding 12 cents.**
- **As to be expected for a December report today's USDA supply and demand update was mostly much ado about nothing with all domestic numbers coming in unchanged from last month.**
- **From a domestic standpoint in corn analysts were expecting a slight increase in overall ending stocks from last month following the recent trend of ending stock growth. The USDA disagreed leaving figures unchanged. Global ending stocks were a slightly different story, coming in 118 million bushels higher than the average estimate, up 158 million bushels from last month. Higher estimated production out of Brazil was behind much of the increase.**
- **Similar to corn, domestic soybean carryout remained unchanged, though in beans many traders were expecting a slight reduction in ending stock estimates. Global ending stocks came in 56 million bushels higher than pre-report expectations though traders were expecting a small decrease in global carryout.**
- **Global carryout came in higher than expected for wheat as well. Ending stock increases for the Former Soviet Union, Russia and China, as well as a large production increase in Australia were the culprits behind today's higher number. Domestic ending stock levels aren't expected to change, but the USDA did narrow the range of expected on farm prices due to recent tight price ranges seen and the idea not much will change fundamentally going forward.**
- **With supply and demand fundamentals considered relatively known in the short-term traders are paying much closer attention to outside market moves. The Dow Jones Industrial Average and other major markets have seen record strength since the election. The belief that infrastructure spending, less taxes and limited regulation will get the economy going has led many investors to double and in some cases triple down on bets. The DJIA has posted 12 record closes since the election, with oil hitting highs not seen since summer.**
- **The Fed will announce their decision on whether or not to raise interest rates next week. At this point it appears as though most believe the increase will happen and its effects overall will be negligible. In somewhat related news the European Central Bank expects a more inflationary environment in the months and years ahead, but will continue with their economic stimulus plan.**
- **Supporters of renewable fuels will be watching President-Elect Trump's new head of the EPA closely. Scott Pruitt, Oklahoma's current Attorney General has received Trump's nomination. While Pruitt is an exceptional candidate when it comes to fighting regulatory overreach, his last of love for the Renewable Fuels Standard has some concerned. Ethanol soared to a multi-month high today though, possibly indicating the concern is unnecessary.**
- **Weather-wise there are some dryness concerns starting to emerge in parts of Argentina with limited rain and warm temperatures expected over the next two weeks. Conditions in Brazil so far are much better than a year ago with reasonable weather forecast to finish the month.**

**Commodity markets will continue to keep an eye on outside markets, likely taking their direction from that side of things in the short-term. Inflationary ideas are great when it comes to higher commodity prices, but unless something changes significantly from expectations on the supply and demand side too much market strength will be met with strong selling eventually. Be aware as trade thins ahead of the**

**holiday exaggerated market moves become more likely, whether they make sense or not. Don't be afraid to take advantage of any pop in price that offers opportunity. In the meantime don't hesitate to call with any questions, we're here to help!**

**All the Best!  
Angie Setzer  
Citizens LLC**

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