

This Week In Agriculture:

USDA Supply and Demand Report Summary: December 9, 2011

- This morning's report is considered bearish across the board with all USDA numbers coming in above the average pre-report estimate. The numbers released this morning are as follows:

Corn:

Pre-Report Expectations: 838 mbu

USDA October: 843 mbu

Today's USDA Estimate: 848 million bushels

- With nearly 20% of the Ohio corn crop—an estimated 100 million bushels of production still unharvested traders were anticipating a slight reduction in the USDA's production estimate. The USDA however left production estimates unchanged. Instead they lowered projected demand for corn sweetener production, leading to a 5 million bushel increase in projected ending stocks.
- To put things in to perspective, one year ago today we were trading at \$5.74 March futures with a carryout projection of 832 million bushels. The USDA projects this year on-farm average price to come in around \$5.90 to \$6.00 a bushel.
- Globally the USDA sees a significant increase in Chinese production over last month's estimate. Some traders had wondered if the USDA would adopt the Chinese government's most recent, record large production increase, which they did. At this point the USDA projects a record Chinese crop, some 7.3 million metric tons (287.4 mbu) higher than last month's estimate.

Soybeans:

Pre-Report Expectations: 213 mbu

USDA October: 195 mbu

Today's USDA Estimate: 230 million bushels

- Soybeans just can't get a break when it comes to positive USDA or global production numbers. The USDA lowered export expectations by 25 million bushels and domestic crush numbers by 10 million. An increase in South American supplies on the global market continues to weigh on foreign demand. The fact Brazil could start harvesting some of their early beans by the end of the month is not helping either.
- Domestic crush remains poor as well. Crush margins are lower, while meal extraction rates are a bit higher. The expiration of the biodiesel blending credit at year-end will only likely further hurt crush demand as we move ahead.
- Looking back to a year ago at this time the January soybean board was trading around 12.96 with a carryout projection of 165 million bushels. The USDA anticipates this year's on farm average price to be between \$10.70 and \$12.70.

Wheat:

Pre-Report Expectations: 830 mbu

USDA October: 828 mbu

Today's USDA Estimate: 878 million bushels

- Wheat export projections were lowered again across the board. The USDA believes stiff foreign competition and increased global production will keep a lid on demand as we move ahead. Significant production increases are projected for both Argentina and Australia, with Australia's production estimate coming in at a record. The USDA believes global wheat stocks will be the largest in 12 years.
- Of course there's a long way left to go, especially with production concerns in the 12/13 Ukrainian wheat crop just planted, and quality concerns possibly in the Australian crop due to late season rains delaying harvest. The USDA will also project US winter wheat acreage in next month's Quarterly Stocks report.

After the first ten minutes of trade this morning corn is down 9-10, soybeans are 20 lower, with wheat down 8. The European Summit hit the skids when Britain vetoed the plan proposed. The remaining Euro Zone countries say

the plan to proceed without Britain in putting something together in an effort to save the Euro. The MF Global controversy is far from over as well with Congressional hearings set to start on Tuesday of next week.

Overall we need to get some confidence back in this market. An idea on feed demand would likely help, but we won't have any sort of estimate on those numbers until next month's Quarterly Stocks report. In the meantime prices are likely to remain choppy to lower at best. Now is the perfect time to put your marketing plans in place for both your old and new crop production. Keep in mind the cycle we've seen this past year on prices, scale selling while using target orders will help you make heads and tails of this crazy market. Give us a call with any questions, we're here to help!

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

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