

This Week In Agriculture:

USDA Quarterly Stocks, Supply and Demand Report Summary: January 12, 2012

- This morning's report can be considered generally bearish as the USDA's numbers came in higher than expectations across the board. However with the massive amount of information released it may take a bit for traders to get their feet under them when it comes to determining their next move.

Corn Carryout:

Pre Report Expectations: 753 mln bushels

USDA December Estimate: 848 mln bushels

Today's USDA Estimate: 846 million bushels

- The biggest surprise in this morning's corn numbers would have to be the increase in both corn yield estimates and harvested acreage numbers. Ahead of the report traders were anticipating a further draw down in production. The USDA though raised projected yields by a half a bushel an acre while raising harvest acreage as well. This adjustment added 48 mln bushels to total supply.
- Demand-wise the USDA left ethanol and feed usage alone while increasing export expectations 50 million bushels. This increase in exports offset the increase in production leaving carryout relatively close to unchanged when traders were anticipating a decrease in expected carryout.
- December 1st stocks came in higher than traders expected as well. Prior to the report traders were anticipating total December 1st stocks at 9.4 billion bushels. The USDA believes on the 1st there were 9.64 bln bushels in storage. This is a 4% drop in total stocks from a year ago. Of those stocks 6.18 bln bushels were stored on farm, with 3.47 bln bu stored in commercial facilities.
- Here in Michigan the USDA believes there are 21.4 mln bushels more corn available than there was last year at this time. Regionally corn stocks are lower, with Indiana stocks down a million bushels while Ohio stocks are 3.9 million bushels lower than last year.

Soybean Carryout:

Pre Report Expectations: 227 million bushels

USDA December Estimate: 230 mln bushels

Today's USDA Estimate: 275 million bushels

- The USDA went against expectations raising soybean production estimates as well. A slight increase in harvested acreage combined with a 0.2 bu to the acre yield increase led to an estimated 10 million bushels more of production. Usage-wise the USDA lowered domestic crush by 10 mln bushels, with a 25 million bushel reduction in exports. The increase in production combined with the decrease in usage resulted in the much higher carryout number.
- From a global perspective the USDA lowered South American soybean production by over 2 mln metric ton (73.48 mbu) from their December estimate due to persistently dry conditions in the region.
- Stocks-wise the USDA came in just a touch higher than traders had anticipated. Total soybean stocks are 4% higher than last year at this time. On farm bushels are estimated at 1.14 bln bushels, with off farm bushels thought to be around 1.23 bln bushels, a 3% increase from last December.
- Here in Michigan the USDA believes there are nearly 11.2 million bushels more soybeans on hand than there was last year. From a location perspective the USDA believes we have 34 million bushels stored in commercial facilities with 31 million stored on farms as of the first of December.
- Total wheat ending stocks came in 39 million bushels higher than traders had anticipated prior to the report. The biggest surprise remained the fact that the USDA refuses to acknowledge the record amount of wheat being fed. Supply and demand wise the USDA lowered both Soft Red and Soft White stocks marginally.
- Wheat stocks here in Michigan are 6.9 million bushels higher than last December. On farm stocks are estimated to be up by 1.5 million, with commercial holdings 5 million bushels higher than last year.

- **The USDA also estimated Winter Wheat seedings today. They believe Hard Red Winter Wheat plantings are up 1.6 million acres from last year. Soft Red Wheat acreage is projected 300,000 acres lower than a year ago due to poor fall planting conditions.**

In the last 5 years the difference between pre-report estimates and actual USDA numbers on corn carryout has averaged nearly 258 million bushels. The USDA itself states there is anywhere from a 1.5 to a 1.8 percent margin of error in the stocks numbers released today. 1.5% of 9 billion bushels could make a dramatic shift in perceived supplies one way or the other. It's likely it will take a bit for the market to regain its composure after today's dramatic downturn in corn especially. Continuing production issues in South America combined with the idea that cheaper corn will result in more foreign buying interest should help to keep things supported eventually.

Remember in these markets absolutely nothing is guaranteed. Take profit when it presents itself on old bushels, and work to get a solid marketing plan in place on new. We're here to help any way we can, so call with any questions. Until next week, have a great weekend and stay safe!

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

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