

This Week in Agriculture:

Quarterly Stocks Report Overview: September 30, 2011

- An ugly trading day to cap off an otherwise sideways to lower week for all three markets. This morning's shocking increase to September 1st corn stocks numbers was the driving factor behind today's drop.
- This morning's report gave us the amount of bushels left over at the end of the 2010-2011 marketing year. Many times traders refer to this as "carryout," "carryin" or "ending stocks." To put it simply, this morning's report gave us the amount of bushels we have left over to use this crop year for both corn and soybeans.
- Ahead of the report most traders were anticipating a slight increase in corn ending stocks from the projections put out by the USDA last month. In the September report the USDA thought we would have around 920 million bushels left over at the end of the marketing year. High prices and reduced feed usage had many traders expecting a slight increase in ending stocks, with traders expecting this morning's numbers to come in around 964 million bushels.
- Today the USDA put September 1st corn stocks at 1.13 billion bushels. Disappearance during the third quarter of this year was 60 million bushels less than last year's third quarter, likely indicating a significant drop in feed demand.
- Here in the state of Michigan the USDA believes there are 26 million bushels of corn left over. Of those bushels an estimated 11 million bushels are on the farm, while 15 million bushels are thought to be in the hands of commercials.
- Soybean numbers actually came in lower than traders had anticipated prior to this morning's report. Ahead of the report traders were expecting carryout numbers to come in around 225 million bushels. The USDA put September 1st stocks at 215 million bushels. The USDA pointed to a fractionally lower production number from last year as reasoning behind this drop.
- Here in Michigan the USDA believes there are 5.3 million bushels left as of September 1st. Out of those bushels 1.4 million bushels are on farms with around 3.9 million bushels left in the hands of commercial operations. This doesn't bode well for harvest basis values when it comes to soy movement.
- All wheat stocks came in slightly higher than traders were expecting as well. Ahead of the report traders were anticipating wheat stocks to come in around 2.035 billion bushels. The USDA put stocks at 2.15 billion bushels.
- Production numbers for the 2011 wheat harvest were released this morning as well. Here in Michigan the USDA estimates total average state yield at 75 bushels per acre, with total in-state production at 51 million bushels.

As we look ahead it's going to take some time for this market to find its bottom. Or at the very least it's going to take something bullish either through another decrease in production, or an increase in demand to get prices to turn around and hold a rally. Long-term however we still are tight on stocks, and it will be interesting to see if some of the demand the USDA has cut in the last two supply and demand reports will return after this most recent price drop. It may take awhile but prices should find support eventually and at that point target orders will be vital to catch pricing opportunities as they return. Give us a 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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