

This Week in Agriculture:

News That Could Make a Difference: December 14, 2012

- **Another relatively lackluster week as traders grind their way towards the end of the year without much in the way of new or exciting information. Overall for the week corn was down 7, beans were up 20, and July wheat gapped 40 cents lower.**
- **The USDA released their updated supply and demand numbers on Tuesday, and as expected with any other December report there weren't any significant changes made overall. Ahead of the report traders were anticipating a slight increase in corn ending stocks due to the slow start seen in exports and ethanol usage thus far. The USDA made no changes to carryout numbers.**
- **Corn demand is an interesting beast. The slower than expected demand for both ethanol and exports has been a drag on the market, however we won't have an accurate idea of feed demand until we see quarterly stocks numbers released in January. Many traders feel that any sort of decrease in exports or ethanol usage will be offset by an increase in feedings. The lack of certainty though will likely keep traders hesitant to get overly bullish as we work our way through the month.**
- **Harvested acres are a big wild card as well. Talk throughout the fall was that the projected percentage of harvested acres was too high based on other drought years similar to this one. One thing to keep in mind though is 7 out of the last 8 years the USDA has actually increased harvested acres in the January report.**
- **Ahead of Tuesday's report traders were anticipating a slight decrease in soybean ending stocks due to increased demand in either crush or exports. The USDA followed through increasing their expectations for crush demand by 10 million bushels. The USDA pointed to strong foreign demand for meal and oil as the drivers behind the higher crush demand. As we pointed out last week both meal and oil exports were already well above 70% of USDA projections for the year. The 10 million bushel increase in crush resulted in a 10 mbu decrease in carryout projections, which was exactly what traders were expecting ahead of Tuesday's report.**
- **Some are beginning to wonder if the 10 million bushel reduction to crush on Tuesday was enough. This morning's crush numbers came in as expected, but still well above the seasonal pace needed to reach the USDA's projections. Of course historically crush always starts strong, slowing as the year progresses. This year, however, crush at this point is running on pace to exceed total USDA projections by nearly 48 mbu. When working with a carryout of 130 million bushel a 48 million bushel difference in demand projections could be huge.**
- **Wheat numbers were the most negative out of the group. Traders were expecting ending stocks to come in around 712 million bushels, the USDA put carryout at 754 million bushels. A significant cut in Hard Red Wheat exports was the biggest factor in the carryout increase.**
- **Global production in wheat was raised a bit as well, with the Chinese crop increasing by nearly 100 million bushels. Most of the Chinese increase will be fed, but it gave a negative feel nonetheless. The USDA left Argentina production alone, giving traders pause as the crop there is still just 45% harvested and reported crop quality is poor across the board.**
- **Argentina planting continues to be off pace due to recent wet conditions. According to the Argentina Ag Ministry corn planting is running around 70%, this is similar to last year's pace, but well behind the 82% average. Soybean planting is running at 77%, some 4% slower than average. Conditions look to improve over the next week, but forecasts further out tend to differ a bit. Brazil remains in good shape at this point.**

This week's close was positive with a rally to finish off the week. Next week will be the last full trading week of the year, so there may be little in the way of direction due to traders working their way into vacation mode. Soybeans have now rallied a full \$1.25 off their lows put in place only a few short weeks ago, while corn is sitting near the middle of its recent range. Remember to take advantage of opportunities that present themselves by having target

orders in place. With 21 hours of trading a day target orders are the only thing allowing you to take advantage of those short bursts you wouldn't otherwise be able to capture. Give us a call with any questions, we're here to help!

All the Best!

Angie Maguire

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