

## **This Week In Agriculture:**

**A Mixed Bag of Information from the Week that Was: December 30, 2011**

- **Concerns over South American weather, combined with thoughts that demand may be resurfacing helped produce a solid upward swing in prices. For the week corn gained 28 cents, adding an amazing 70 cents from the low put in place December 14<sup>th</sup>. Soybeans have added 35 cents for the week and over a dollar from the December 14<sup>th</sup> low. Not to be left out wheat has rallied significantly as well, up 31 cents for the week and 71 cents from December 15<sup>th</sup>**
- **The biggest driving force behind this rally is poor weather in South America—most specifically in Argentina. Early on in the season conditions looked fantastic and the crop was off to a record early start with sufficient soil moistures. However in the last month high temperatures have soared to near 100 degrees and farmers in the country can't seem to buy a rain.**
- **Private analysts feel that nearly 20% of the intended corn acres there remain unplanted due to dry conditions. On top of the 20% unplanted an estimated 40% of the early planted acres are at their most critical developmental stage. Some private analysts are already projecting production to fall to around 22-23 million metric tons (866-912 mbu), versus the most recent USDA estimate of 29 mmt (1.15 bbu).**
- **This comes after Chinese officials announced early last week they intend to at least partially refill government reserve stocks that have been drawn down in recent years. Since Argentina is our biggest corn competitor on the global stage any loss in production there is huge.**
- **Soybeans are rallying out of concerns in Brazil and Argentina as well. The last major La Nina weather event experienced back in the 08-09 crop year was relatively Argentina specific, but managed to reduce soybean production out of the region by over 16 mmt (588 mln bushels). Any sort of adjustment that large would completely change the world supply and demand outlook as we know it, this has traders on edge.**
- **On the demand side of things the cheaper prices seen early this month combined with concerns over the South American crop prospects enticed foreign buyers to step up and start locking in supplies. Export numbers for the two weeks prior to this week surprised traders who had thought exports were a thing of the past. Sales are on pace to meet-if not exceed USDA projections, with an usual amount of 12-13 crop year bushels locked in as well.**
- **Ethanol demand has remained strong. The Department of Energy released its weekly ethanol production report yesterday which showed the largest ethanol production number ever for any week. At this point some analysts feel the USDA will have to raise their corn used for ethanol numbers by anywhere from 100 to 250 million bushels if production stays on track. Of course with the expiration of the blending credits for both biodiesel and ethanol tomorrow at midnight some question whether or not we'll see production slow just a bit in the first half 2012.**
- **Of course due to a tremendous downturn in their Sugarcane crop Brazilian ethanol production has dropped by over 17% in the past year. This has led to a surge in U.S. ethanol imports for the country, and will likely help to keep a floor under domestic ethanol demand and prices as we move ahead.**

**Keep in mind how far we have come in a short period of time. The tide seems to be turning, but remember a lot of this enthusiasm is weather related. Volatility is likely to only increase after the first of the year. Traders will continue to monitor South American weather closely. Mid-day models held a relatively decent weather pattern for Brazilian growing areas with mixed chances of precipitation, while Argentina doesn't look to see any moisture until around January 8<sup>th</sup>.**

**Trader attention is also likely to turn towards the January 12<sup>th</sup> USDA Quarterly Stocks and Acreage Report. Cattle on feed numbers as well as livestock prices continue to indicate there should be feed demand out there. Traders are also beginning to question whether or not we will see another production decrease with some believing we could see an additional 200 million bushels cut from production estimates down the road.**

**Things will likely heat up as we move towards spring and get out of these holiday doldrums. Give us a call today, now is the time to get your target orders in place. We are offering one on one, or small group marketing strategy**

**meetings. Get a grip on what you're looking at for the year ahead, put a plan in place and sleep better at night! As we move into 2012 I want to take the opportunity to thank you for your business in 2011 and let you know how much I look forward to taking on 2012 together! Until next week, have a great weekend and stay safe!**

**All the Best!**

**Angie Maguire**

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