This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: December 7, 2012

- **Seesaw price action dominated the week as both bulls and bears have strong reasoning for their positions- or lack thereof. The fiscal cliff seems closer, while strong demand in soys, weather issues in Argentina and drought conditions in the Plains kept things supported. Overall for the week January soys were up 34 cents. July 2013 wheat closed relatively unchanged, losing a penny, while March corn was the big loser, finishing 34 cents off last week's close.**

- **Outside economic factors continue to be a wet blanket on any sort of rally as Washington D.C. seems further from a solution to our budget issues. This morning's unemployment numbers, while "better than expected," showed that the number of workers aged 25-54 has slid back to 1997 levels. Germany, Europe's best economy, has seen an incredible slowdown in growth as well. While Greece and Spain continue to struggle with tightening their belts. News out of China has been positive as of late, but not positive enough to break traders out of their "risk-off" mindset when it comes to investing.**

- **Argentina weather has been way too wet recently. Private analysts estimate only 55% of the Argentina corn crop is planted, some 20-30% behind the average pace. Most Argentine farmers feel that December 10th is their soft deadline date for corn to be in the ground. At this point it's quite likely we'll see a solid portion of unplanted corn ground shift into soybean production.**

- **Wheat conditions in Argentina are suffering as well. Harvest progress remains at only 30%, well behind average. At this point production will be off significantly from a year ago. Quality conditions are suffering as well, with wet conditions fostering fungus and damaging protein content.**

- **At the same time Brazilian conditions remain nearly ideal for early crop development, with much needed rains falling in the driest areas throughout the week.**

- **Export demand varies greatly from one crop to the next. Most analysts were anticipating soybean demand to slow, while corn and wheat demand was expected to pick up-the opposite has happened. Soybean demand continues to be historically strong. Soybean export sales are 78% of the USDA projections, well ahead of the 5-year average. Soybean meal sales are 74% of USDA projections, with soyoil sales actually exceeding USDA projections already.**

- **Corn exports remain sluggish though at only 42% of anticipated sales. Weighing on the corn market this week's was Brazil's return to the global market. For the longest time getting offers out of Brazil after December was difficult, this week they came back selling over 5 million bushels into Asian markets at a nearly 63 cent discount to U.S. offers. While vessels still have a 2-4 week wait to get loaded, port congestion in Brazil seems to be straightening out a bit.**

- **In the Sept-Nov timeframe Brazil exported 262 million bushels of corn more than they had a year earlier. The million dollar question will be whether or not the global market will shift back to the U.S. once Brazilian supplies are exhausted.**

- **China signed a deal this week with the Ukraine to import up to 28 million bushels of corn. While this is a small percentage of China's 197 million bushels of expected imports, it still leaves traders with a negative taste in their mouth.**

- **Ethanol demand remains sluggish as well. Production this week was a 22 week high, while imports were at a 7 week high. Higher production and higher imports combined with steady demand led to an increase in stocks. Ethanol plants in Iowa continue to run at significant losses, with some plants reducing grind, or looking to shut down even until market conditions improve.**

- **Drought conditions in the Plains remain firmly entrenched with Iowa subsoil moisture nearly 94% short, versus 72% short last year at this time. Interesting to note one well-followed agronomist notes that corn's ability to send roots deep into the soil—in some cases up to 8 feet (!!!)—is what helped to keep yields as good as what they were in a year like this one.**

- **Deep root or not, that same agronomist feels we need 16 inches plus of moisture between now and spring to replenish the parched soil systems.**

The USDA will update their supply and demand numbers Tuesday morning. Most traders anticipate a slight uptick in old crop corn ending stocks, with a lower soybean carryout number. They anticipate wheat to be left unchanged. As we pointed out last week, the only thing that will remain certain in this market is volatility. Feed demand seems to be the only thing keeping corn basis propped up at this point, while never-ending demand is keeping soy basis steady to firmer. The corn market seems to be range-bound, making selling opportunities a bit easier to spot than they are in beans. Don't forget to start looking at next year sales, especially when it comes to corn. There are good numbers available, and it definitely wouldn't hurt to get some of your insured bushels priced if you're comfortable with making deferred sales. Give us a call with any questions, we're here to help!

All the Best!
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