

## **This Week in Agriculture:**

**USDA Supply and Demand Report Summary: July 12, 2011**

- This morning's report could be viewed as neutral to slightly price supportive. Ahead of the report many traders were anticipating a drastic increase to new crop corn carryout figures as well as an increase in new crop soy ending stocks as well. The USDA projected the increase, but it was nowhere near as steep as many had feared.
- With the June 30<sup>th</sup> increase in planted acreage most traders had anticipated a hefty increase to production and a subsequent increase in carryout figures for the 11-12 crop year. Ahead of this morning's report traders estimated that the USDA would project next year's carryout at or around 994 million bushels. The USDA actually projects we will see 870 million bushels leftover.
- With the 1.7 million acre increase to harvested acreage seen in the June 30<sup>th</sup> acreage report corn production estimates were raised by 270 mln bushels, up to 13.47 billion bushels, a new record. However demand is expected to increase significantly to offset much of the increase in production.
- Total usage is 250 million bushels higher than projected last month. The USDA anticipates a 50 million bushel increase in projected feed usage, as well as 100 million bushel increases for both exports and ethanol usage.
- The increase in carryout combined with a slowdown in hedge fund activity has the USDA lowering their on-farm average corn price estimates from last month to \$5.50 to \$6.50.
- On the soybean side of things traders were anticipating new crop soy carryout figures to come in around 169 million bushels due to the lower planted acreage estimates reducing production. The USDA pegged new crop carryout numbers to come in around 175 mln instead.
- Lower projected planted acreage as outlined in the June 30<sup>th</sup> acreage report prompted the USDA to lower their total projected production by 60 million bushels. A 20 million bushel increase to the estimated amount of beans left over in the old crop year combined with a 25 million bushel reduction in projected exports led the USDA to lower their ending stocks estimate by 15 mln bushel.
- The slight increase in carryout combined with outside pressure prompted the USDA to lower their on-farm average soybean price a dollar on each end from last month to \$12.00-\$14.00.
- Ahead of the report traders were anticipating all-wheat carryout numbers to come in around 702 million bushels. The USDA's numbers this morning came in around 670 million bushels, down 17 mln bushels from last month's projections. The reduction in planted and harvested acreage was mainly offset by a 1.5 bu per acre yield estimate increase.
- Lower global stocks and favorable prices in the global market led the USDA to increase projected exports by 100 million bushels. On farm price average estimates were lowered slightly from last month to \$6.60 to \$8.00.

Opening calls after the report are firm after last night's lower trade, with today's close being the most important factor. Outside monetary factors, combined with some anxiety over what the USDA was going to say this morning pressured the market yesterday. Fear that we are far from out of the woods when it comes to the EU debt crisis has strengthened the dollar and pushed some bulls to the sidelines. Weather forecasts are still calling for a large bubble of heat to form over the Western Belt mid-week, with forecasts here of highs in the lower 90's this weekend. The big question will be what kind if any precipitation we'll see. Give us a call with any questions 800-858-3738, we're here to help!

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**All the Best!**

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