<u>This Week in Agriculture:</u>

USDA Supply and Demand Report Summary: March 9, 2012

- **This morning's USDA numbers were about as boring as can be when it came to domestic supply and demand numbers. Ahead of the report traders were anticipating a decline in old crop corn ending stocks, as well as a slight decline in soybean ending stocks. Both numbers were left unchanged. Wheat ending stocks were lowered a touch more than expected.**

- **The biggest surprise of this morning, and possibly the only fuel for the bulls was a more aggressive stance by the USDA when it came to reducing South American soybean output. Ahead of the report traders were anticipating a slight increase in expected Argentina production, with a slight reduction to the Brazilian crop as well.**

- **The USDA put Brazilian soy production at 68.5 million metric tons. Ahead of the report the average analyst guess expected Brazil soy production to come in around 71.7 mln metric tons. Traders were expecting Argentina soy production to come in around 48.5 mmt versus this morning's estimate of 46.5 mmt. Total South American production is anticipated to come in over 6.5 mmt (239 mbu) lower than last month's estimates.**

- **Compared to last year global soybean production numbers are down an amazing 19.13 million metric tons (702.84 mbu). This is the largest ever global production decline and is likely to shift global supply and demand projections as we move through the production year.**

- **Global corn ending stocks were actually raised a touch. Brazilian corn production came in 1 mmt higher than last month's estimate and higher than even pre-report estimates. The large corn production increase is thought to come from a significant increase in second crop corn plantings.**

- **Wheat ending stocks were lowered slightly due to a projected increase in export sales for White Wheat and Hard Red Wheat. The lack of wheat movement out of the Black Sea region recently has helped to spur global demand for United States wheat.**

- **Outside of this morning's report traders will continue to monitor economic activity in China. Analysts are expecting a slight ease in monetary policy which could help to spur further commodity purchases if cash flows a little easier. At this point the Chinese government has looked at easing its bank reserve requirements, hoping to help make money flow a bit easier in the coming months.**

- **Corn prices continue to rally in interior China as well. Early in the week the government stated there was more than enough corn in government reserves helping to push old crop corn prices lower. A rally in the face of more than enough government reserve stocks doesn't necessarily make sense to most traders, so we'll continue to watch Chinese demand as we move ahead.**

- **Soybean exports were the second largest total weekly number seen yet this marketing year. Bean purchases ramping up significantly in the face of a market rally has given the bull something to hang their hat on recently as well.**

Remember to take advantage of market opportunities when they present themselves. We have been working with several producers on marketing plans that will take advantage of any market rallies for both old and new crop supplies. Don't forget crop insurance sales closing date is next Thursday the 15th of March. If you haven't put a plan in place call Bob or I today for help. Don't forget to cover your cost of production going in to what could be the most volatile production year in recent memory. Give us a call with any questions, we're here to help!

All the Best!
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