

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: November 16, 2012

- **Outside market fundamentals, global and economic concerns as well as spill-over follow through selling from last week's USDA Supply and Demand Report pressured the market from the get-go this week. Overall for the week soybeans lost 68, December corn lost 12, while next July wheat lost 43.**
- **Last Friday's 1.5 bushel to the acre yield increase in soybeans was the largest October/November yield shift in USDA history. The increase in yield resulted in 111 million bushels more in our supply line, temporarily relieving—at least in the minds of traders—supply concerns. The fact that most of the production increase has been wiped out due to extraordinary demand remains ignored at this point.**
- **Crush numbers for October released this week came in better than expected, which is positive. Export numbers were relatively bittersweet though. China cancelled a large quantity of earlier booked sales, casting shadows on the large quantity of bushels booked this week at lower prices. Net sales haven't changed much, but the fact that China cancelled purchases citing "poor domestic demand" was all traders needed to push the market nearly 30 cents lower at one point today.**
- **Short term improvements in South American weather has helped to pressure the market as well. The areas that have been suffering with dry conditions are expected to get rain, while those that have been too wet will likely see the pattern dry out for at least the next ten days. Not all is right everywhere though, some estimate Argentina is 3 weeks behind on corn planting and has only 22% of their bean crop in the ground. It's likely that with the window of opportunity farmers in Argentina will shift their attention to beans, leaving nearly half the corn crop unplanted at the end of the month.**
- **Brazilian beans have gotten off to a decent start. Traders believe nearly 65% of the country's beans are planted, which is slightly behind last year, but still around the average pace. Traders will continue to monitor conditions there as Northern Brazil is battling dry conditions while Southern Brazil is wet.**
- **Dry conditions here domestically still have the attention of traders as well. Subsoil moisture levels in Nebraska are 98% short to very short, in Iowa 92% short to very short and in South Dakota 82% short to very short. Exceptional to extreme drought conditions are very much still prevalent throughout the Plains and the drought conditions are resulting in the worst rated wheat crop for November on record.**
- **Emergence is the biggest concern with only 43% of the South Dakota wheat crop emerged, versus 97% as the 5-year average. Montana's wheat crop is only 63% emerged versus 90% on average. Where the crop is emerged though, conditions are very poor.**
- **The EPA finally released their decision regarding the requested waiver on RFS blending requirements-giving corn something to trade on. The EPA stated in no uncertain terms that they see absolutely no need to waive the required blend. In their announcement the EPA stated they studied 500 difference scenarios regarding the blend. In 89% of those scenarios they found the mandated blend had absolutely no effect on corn prices. In the 11% of scenarios where there was an impact the total increase in corn prices average 7 cents. It's unlikely we'll see any reduction in the blend over the next 4 years.**
- **Ethanol production increased slightly last week, while stocks on hand declined to their lowest level since December 2011. At this point most plants are still operating at poor margins, with some plants in Iowa estimating upwards of a 50 cent a bushel loss, but they're still operating. Today's decision from the EPA should at the very least keep corn used for ethanol at the level currently estimated by the USDA.**

At this point traders don't know which direction to turn. From one day to the next fundamentals and emotions seem to change 180 degrees. Right now many traders are sitting on the sidelines until they feel confident in the direction we decide to move. Opportunities continue to present themselves, but they come quick and disappear just as quickly. We can still help you with corn and soy movement if you're looking for homes, so don't hesitate to give us a call. Until next week, have a great weekend and stay safe!

All the Best!
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