

**This Week in Agriculture:**  
**News That Could Make a Difference: September 21, 2012**

- **An ugly week as a combination of bearish outside factors and a lack of bullish information pushed the market drastically lower. Overall for the week corn finished 34 lower, soys were down \$1.18 (!!) and wheat fell 21 cents.**
- **Fears of demand destruction and ideas that yields may be slightly higher than expected pushed soys down from the get-go. A U.S. filing with the World Trade Organization against China alleging they have given unfair grants, loans and other tools to Chinese auto parts manufacturers has traders concerned China may back away from, or put duties on our soybean exports to the country. Considering that China currently accounts for 63% of our new crop soy export sales any shift in policy could cause some hiccups.**
- **Chinese soy reserves owned by the government came into question this week. The country intends on dumping some of its reserves in an attempt to limit gains in domestic prices. Since June the country has dumped an estimated 94 million bushels into the domestic market. No one is really certain how many beans are still in the hands of the government, but most estimates range between 257 mbu and 478 mbu. The country has a plan to push another 147 to 184 million bushels into the market by February. Some traders feel this may slow the pace of future sales, while others point to the record import pace over the last year as a sign that even with the government reserve dump demand will stay strong.**
- **Traders continue to debate yield potential as well. Late season rains have many traders bumping up their private soy yield expectations. One private firm really gave the market a run for its money when it put its anticipated nationwide yield projection some 3 bushels to the acre higher than the USDA's September projection. Based on the most recent FSA acreage numbers it does appear as though we could see an increase in soy plantings of 800,000 acres overall. The ever-present higher yields, higher acreage talk added to the pressure the soy market was already feeling. Remember, in both the '83 and '88 droughts final soybean production numbers increased in the following January reports.**
- **Export sales remain strong with 75% of the USDA projections already committed and 50 weeks left in the marketing year. If we were to see this week's export sales number sold every week we would have all of our expected exports sold by mid-December.**
- **Traders will likely square their positions and continue to debate stock numbers as we head into next Friday's quarterly stocks report. The quarterly stocks number will give us a final indication as to what was left over at the end of the 2011-2012 production year. With the early harvest pace many traders are expecting the USDA's numbers to be skewed. Some estimate we could see an additional 1 billion bushels of early harvested grain counted in next week's numbers.**
- **Ethanol production numbers were higher last week. Based on the numbers released implied corn usage would have been the highest seen in 11 weeks. Brazil announced this week they will increase their required ethanol blend to 25% from 20%. This could help alleviate a bit of the supply side pressure in the ethanol market if we were to see increased interest out of Brazil for our ethanol down the road.**
- **Proposed tax changes were an underlying drag on the market this week as well as a recent tax ruling put traders on edge. For over 60 years there have been laws in place prohibiting mutual funds from holding more than 10% of their portfolio in commodities. Some exemptions to the law were put in place in 2006 allowing certain mutual funds to have up to 100% of their portfolio parked in commodities.**
- **Senator Carl Levin (MI) has been fighting to revoke these exemptions citing them as one of the main reasons behind the commodity price run-up. At this point there is an estimated 50 billion dollars of mutual fund money in the commodity markets on a given day. If these exemptions are revoked you could see forced unwinding and position exiting as a result. Of course nothing will come of this until after the election, but it will likely keep some of the funds we've grown so accustomed to on the sidelines in the meantime.**

- **The projected insurance price for Soft Red Wheat was set at \$8.57. Remember you have to have your wheat policy purchased by September 30<sup>th</sup>. Call Bob or me if you need any help getting a wheat policy into place.**
- **We are pleased to announce that starting Monday, September 24<sup>th</sup> Jeff Johnston will start here at Citizens as our Senior Grain Merchandiser. Jeff has over 21 years experience in the business and has been with Zeeland Farm Service for the last 10. Jeff will help broaden the depth of our market reach and expand our FOB the farm program. He'll be in the office here in Charlotte on Monday if you'd like to stop in to say hi and help welcome him to the Citizens family!**

**In the meantime the markets will likely remain on edge until we get a better feel for what type of production numbers we're looking at. Most traders have left their low corn yield estimates unchanged, but beans will likely remain in question for a good 2-3 weeks, if not more. The end of the quarter is coming up as well, and considering we've seen unprecedented rallies in all 3 markets this quarter we may have some traders perfectly content to take their money and go home for awhile. At the same time the underlying fundamentals and need for rationing remains unchanged. Give us a call with any questions, we're here to help! Until next week, have a great weekend and stay safe!**

**All the Best!  
Angie Maguire  
Citizens LLC**