

This Week in Agriculture:

USDA Supply and Demand Report Summary: October 11, 2012

- **Going into the morning's report traders were anticipating a yield increase in soybeans, while they were entirely uncertain as to how the USDA would handle corn production numbers. The uncertainty and fear had been behind the recent market downturn. This morning's numbers came in slightly bearish for wheat, neutral to bullish for soybeans and bullish for corn.**
- **Ahead of today's report traders knew the USDA was going to have to adjust old crop carry-in as a result of last month's lower than anticipated September 1st stocks. Beyond that it was unclear as to how the USDA would handle production estimates; recent high profile production increases from private analysts had traders on edge. The USDA lowered their yield estimate yet again this morning down to 122 bpa, versus last month's 122.8 bpa estimate.**
- **Traders still question the USDA's methodology when it comes to figuring harvested acreage. The USDA increased corn plantings by 500,000 acres, which based on recent FSA information wasn't entirely unexpected. Out of the 96.9 million acres of corn planted they anticipate 87.7 mln will be harvested. This would put harvested percentage at just under 91%. In other years of disappointing yields and poorer quality the harvested percentage rate has come in closer to 88% or so. Many feel the USDA will have to make further adjustments in subsequent reports.**
- **Ending stock-wise the USDA lowered their projections by 114 million bushels from last month down to 619 mln bushels versus the average pre-report estimate of 648 million bushels. The only adjustment on the demand side came from a 100 million bushel reduction in export projections, which was expected ahead of the report. Ethanol and feed usage figures were left unchanged.**
- **Here in Michigan the USDA increased their corn yield estimate 4 bushels to 118 bpa from last month. This is down significantly from last year's 153 bpa. Overall production will drop by nearly 59 million bushels from a year ago. The entire region is facing a significant downturn in available supplies.**
- **The global corn story will be one to watch, as global corn supplies came in some 4 million metric tons below pre-report estimates (157.5 mbu). Global corn supplies have basically fallen to around 50 days worth of usage, which is the lowest level in 39 years (!!!).**
- **The soybean market has seemed to be in full retreat since topping out in early September. Late season rains and better than expected yields have stolen the spotlight as of late, trumping concerns over historically tight supplies and high demand. Ahead of this morning's report traders were anticipating the USDA would put the nationwide soy yield at just over 37 bpa. The USDA came in slightly higher than expected with a 37.8 bushel per acre estimate.**
- **As expected the USDA increased planted and harvested acreage by 1.1 million acres respectively. The yield and acreage increase resulted in a 226 million bushel increase to overall production. With the increase in old crop carryout found in last month's stocks report overall soybean supplies were increased by 265 million bushels from last month's S and D projections. The majority of this supply increase was sucked directly out of the market through a 200 million bushel increase in exports and a 40 million bushel increase in projected crush.**
- **Traders were expecting ending stocks to come in around 134 million bushel in this morning's report; the USDA put that number at 130 mbu. Here in Michigan they anticipate soybean yields will average 39 bushels to the acre, up from last month's 37 bpa projection, and 5 bushels to the acre below last year. Overall statewide production is projected to fall by 7.75 million bushels from last year.**
- **Total U.S. wheat carryout numbers came in higher than expected, mostly due to a projected slowdown in exports. Feed usage was increased significantly though, so it's likely wheat will follow corn action for quite some time. Traders will remain aware of global supplies as well as production issues have shrunk supplies in several major wheat producing countries.**

The markets finished higher across the board today with soybeans finishing 25 higher, wheat adding 15 cents and corn falling just short of limit higher finishing up 36. We're getting deeper in to harvest, as of Sunday we had 69% of the nation's corn ran, versus the 28% average and 58% of soybeans harvested, versus the five year average of 40%. Basis values throughout the region indicate end users are still scrambling for coverage. Basically this year could be full of opportunities for the producer, but it could also be easy to run into hiccups when we look at an unprecedented lack of carry in the futures side of things. Keep us posted on what your needs may be, we can help make this difficult year much easier to maneuver through. Give us a call with any questions!

All the Best!

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