

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: September 14, 2012

- **A choppy and volatile week as traders continue to struggle with actual production numbers and what they mean for the year ahead. An updated supply and demand table released by the USDA mid-week did little to help give us the direction we so badly need. Overall December corn finished the week 19 cents lower, November soybeans lost 2 cents while July 2013 wheat had a solid week gaining 24 cents.**
- **Corn numbers in Wednesday's USDA report could be considered bearish to the market. Traders were anticipating a corn yield estimate from the USDA of around 120.6 bushels per acre. On Wednesday's report the USDA put the corn yield at 122.8, only .6 bushels to the acre lower than last month's yield estimate.**
- **As mentioned in previous newsletters many traders feel the USDA's harvested acreage number is far too optimistic in a year like this one. Going into Wednesday most traders felt an adjustment to total harvested acres would be necessary. The USDA left their harvested acreage projection unchanged at 87.4 million acres. Most experts feel that the actual harvested acreage number could come in some 3 million acres lower, if realized this could pull 368.4 million bushels out of our total estimated production.**
- **The USDA did a lot to adjust corn demand for both old and new crop, cutting feed usage numbers the most. A 393 million bushel reduction in old crop feed usage, combined with a slight reduction in food, seed and industrial usage and a drop in exports led to an increase in bushels left over at the end of last marketing year of nearly 160 million bushels more than traders were expecting.**
- **The increase in old crop carryout combined with a reduction in new crop usage more than offset the reduction in production. Ahead of the report traders were anticipating ending stocks to come in around 618 million bushels, the USDA put their number at 733 million.**
- **At first glance Wednesday's soybean numbers from the USDA weren't quite as bullish as anticipated. However after digging deeper most traders realized demand numbers were likely less than accurate or at the very least overly optimistic that \$17.00+ futures are doing the job of rationing needed. Yield-wise the USDA adjusted nationwide numbers lower than anticipated, down to 35.3 bpa versus the pre-report estimate of 35.5 bpa.**
- **With the adjustment lower to production traders were anticipating a decrease to new crop carryout as well, however the USDA left their projected carryout number unchanged. The biggest shock to traders came from the USDA lowering projected new crop exports. Using the adjusted USDA export figure would mean that over 70% of new crop soybean export sales are booked by the second week of the marketing year. At this point we only need to average 7 million bushels a week of export sales to meet the USDA's projection. The average pace for the last 4 weeks has been 26 million bushels.**
- **Wheat numbers were left relatively unchanged on Wednesday. Production issues in Australia, Argentina, Russia, Europe and here in our own Hard Red Wheat Belt was what drove wheat higher this week.**

Some traders feel it could be January before we get an accurate indication of what true production numbers look like. Looking ahead we will have to continue to monitor South American weather as flooding has occurred in parts of Argentina and dry weather is delaying early soybean planting in Northern Brazil. Cold temperatures are also in the forecast for the Western Belt mid next week. Most beans are well enough advanced that freezing temperatures will not cause significant damage; however quality could be harmed if temperatures hit a low enough threshold. The Fed announcing plans for a third phase of Quantitative Easing could be considered positive short-term as well. Give us a call with any questions; things are only going to get more interesting as we roll towards harvest. Until next week, have a great weekend and stay safe!

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

******Commodities trading is very risky, Citizens LLC holds no liability for the use of the information contained herein******