

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: September 16, 2011

- A rough week for all three major markets as outside influences and overall exhaustion in the bull camp made lower the path of least resistance. Overall for the week corn fell 44 cents, soys were 71 cents lower and wheat lost 42.
- The week started with an updated USDA Supply and Demand report. Corn production was lowered significantly, as expected, with yield estimates slashed to 148.1 bushels to the acre, down from the August 153 bpa est. Total production fell 417 mln bushels. Similar to what we saw in the August report the majority of production loss was offset by a drop in expected demand.
- Demand reduction wiped out all but 17 million bushels of the production decline. For the first time ethanol use was reduced by 100 mln bushels. Feed usage, which was adjusted to the lowest level in 15 years last month, was also cut again by an additional 200 mln bushels. Exports were adjusted 100 mln bushels lower as well.
- Total carryout numbers for the 11/12 crop year is projected at 672 mln bushels, down 42 million from last month after adjustments to old crop carryout and reduced imports. Traders were anticipating a carryout closer to 636 million bushels.
- Another bearish aspect of Monday's report was an increase in global corn production. South American production is expected to continue to grow. In Brazil alone the USDA is anticipating a 157.5 million bushel increase in corn production this coming year. Production in Argentina is expected to come in nearly 9% higher than last year as well.
- Soybean numbers surprised the trade in the end. Many traders were anticipating a drop in yield and subsequent production, the USDA however, raised production estimates by 0.4 bushels to the acre. Ahead of the report traders were expecting total soybean production to come in around 3.025 bln bushels, instead the USDA pegged total production at 3.085 bln bushels.
- Soy carryout numbers came in 13 million bushels higher than pre-report expectations and 10 million bushels higher than last month's carryout projection. Opposite of corn though the USDA actually increased anticipated soy demand into the new crop year.
- All-class wheat carryout levels were increased 90 million bushels from last month. Total projected food use was lowered by 15 mln bushels, while expected exports were dropped by 75 mln bushels. Heavy global competition and high prices helped to lower the USDA's expectations on the amount of wheat we're going to ship overseas.
- Interesting to note in wheat, many feeders are discovering wheat can be used to help replace corn in a good portion of their rations. Rumors last week that feeders were booking foreign wheat for imports were found to be true as well. Vessels are expected to arrive in the next month.
- Similar to what we saw in June when the nearby corn board topped out at \$7.99 global backlash against speculators and high commodity prices has reemerged. Calls for position limits and further regulatory roadwork have continued to ramp up over the last month. Reports show that speculative interest has nearly doubled in the last 5 years from 65 billion dollars of investment to nearly 126 bln currently believed to be tied into grain and oilseed related markets.
- Something important to note: the base price for 2011/2012 Winter Wheat was set Thursday at \$8.20/bu. With the cost of inputs and the way our weather patterns have been lately it would

definitely pay to cover yourself and your investment. Give Bob or me a call with any crop insurance questions, we can help you find the policy to best fit your farms needs.

Traders are still up in the air as to how the mid-week freezing temperatures in the North Western Corn Belt will impact production potential. Many agronomists feel damage will be limited, while some farmers have a different take on just how much impact we will see in the end. As we look ahead traders will start to look forward to the September 30th Quarterly Stocks Report. We'll also be looking towards the October Supply and Demand report, where some traders feel we may see a reduction final acreage.

Extended forecasts look to be conducive to harvest with normal to above normal temps and below normal precipitation expected through September 30th. It's definitely not too late to get target orders into place. Volatility will remain entrenched in these markets; lock in your sales at levels you know are profitable. Give us a call with any questions, we're here to help!

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

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