This Week in Agriculture:

USDA Supply and Demand Report Summary: May 10, 2012

- **This morning the USDA gave us our first look into what they are expecting for the 2012-2013 crop year. Ahead of the report traders were anticipating some bearish information, and the USDA didn't disappoint when it came to sky high production and carryout estimates on corn. Soybean and wheat numbers came in slightly below pre-report estimates lending support to the market.**
- **Total U.S. feed grain supplies (corn, sorghum, barley and oats) for the 2012-13 crop year is projected at an all-time record high. The USDA anticipates we'll see a record high 166 bushel to the acre corn yield nationwide—2 bushels above trendline yield due to the early planting pace and rapid emergence.**
- **The USDA also adjusted old crop demand lower, raising ending stocks and going completely against pre-report ideas. They believe we will see feed usage lower due to increased wheat feedings. The USDA also believes early harvest progress will result in higher than normal supplies available prior to the official end of the 2011-12 marketing year.**
- **New crop demand is projected to be 9% higher than this year due to lower prices. Even with higher demand though the USDA anticipates we'll have just under 1.9 billion bushels of corn left over at the end of the next crop year. 1.9 bln bushels was on the higher end of the pre-report expectation range.**
- **Globally the USDA increased their Brazilian crop estimates by 5 mln metric tons (just under 200 million bushels) to 67 mmt from last month and left their Argentina estimates alone at 21.5 mmt. Traders were anticipating much smaller production estimates to come out of both countries.**
- **As expected soybean numbers were reduced dramatically. From the soybean perspective this morning's numbers were relatively bullish. Old crop ending stock numbers were reduced to 210 mln bushels, close to the pre-report average estimate of 214 mbu left over. New crop ending stock numbers came in nearly 20 million bushels below the average pre-report estimate.**
- **The USDA anticipates 73 million acres of harvested soys with an average yield of 43.9 bushels to the acre--nearly 2.4 bushels higher an acre than last year's yield. Soybean crush is expected to remain nearly unchanged from this year, but exports are anticipated to come in nearly 200 million bushels higher.**
- **Globally the USDA reduced their Brazilian crop estimate by 1 million metric ton (36.74 mbu) to 65 mmt and the Argentina crop by 2.5 million metric tons (91.9 mbu) to 42.5 mmt. The Brazilian estimate was slightly below pre-report expectations, while the Argentina number was higher.**
- **Wheat numbers were slightly supportive with ending stocks coming in slightly below pre-report estimates for both old and new crop. Total U.S. production is projected at the highest level seen since the 2008-2009 crop year and up 12% from last year. Soft Red Winter Wheat and White Wheat production is expected to be slightly lower due to reduced planted and harvested acreage.**
- **Total wheat supplies in the U.S. are expected to be up by 5% from last year, but usage is expected to rise by 8%. Cheaper prices are expected to lead to an increase in wheat feedings and exports as we move ahead.**
- **Globally, wheat supply projections are down by 6 mln metric tons overall as the increase in U.S. production is offset by a decrease in much of Europe, Australia, Argentina and the FSU-12 region.**

The strength in soybeans, combined with the recent sell off in corn helped to keep prices from completely falling out of bed. Overall for the day old crop soys were up 27, new crop soys were up 25, new crop wheat was up a penny and a half, while old crop corn was down 19 and new crop corn was down 8.

We are hearing reports that wheat is well advanced and, in some areas, running nearly 2 weeks ahead of average when it comes to heading out. With the cool and wet weather we've seen so far it will likely pay to spray ahead of time for disease. Give a trusted member of our agronomy department a call with any questions on what you can do to maximize your revenue and keep your wheat free of diseases and quality issues. Also keep in mind, with the

early maturation of the crop double cropping food grade soys into your freshly harvested wheat ground could be a great way to get the most revenue out of your operation. We have contracts available and deals on wheat drying with a signed second crop food grade contract. Give us a call for details!

As we move ahead soybeans will likely stay supported. The 4.4% stocks to use ratio projected today is historically tight—and we have a LONG way to go before most of the crop is even planted, let alone in the bin. On the corn side of things weathering the storm is going to be difficult. It will take a weather event and the idea that yields are nowhere near as strong as anticipated to get this thing really cooking. Remember, a yield similar to what we saw last year (in the mid 150's) would keep ending stocks historically tight and prices supported, but a yield as projected today could, well, not be pretty. Volatility is going to remain firmly entrenched in this market as we move through May and into June. Don't forget how vital target orders can be to your operation. We can also help with marketing plans if you're having a tough time figuring out where and how to start. Give us a call with any questions we're here to help!

All the Best!
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