

Tuesday, January 12, 2010, marks the date for the annual USDA report. It is one of the bigger reports of the year. Highlights include final production estimates for corn and beans from last years crop, Quarterly Stocks, and an initial look at new crop winter wheat planted acreage prospects. For corn and beans, we begin to put in the final pieces of total supply for the '09-10 crop year while we become more focused on total use through the remainder of the marketing year. First quarter stocks for corn and beans will give an initial trend in use through the September-November period. For wheat, we will be at the halfway point of the marketing year for use. While at the halfway point for wheat in the old crop marketing year, we will also get a peek at new crop prospects when the USDA issues its first estimate of winter wheat plantings. Although we have a long way to go until the winter wheat harvest along with seeing how all wheat crop prospects develop, it also helps set an early tone on what other type of planted acreage mixes we can estimate for the upcoming spring (that being for corn, beans, oats, rice, and cotton crops).

Other areas of trade interest will be any changes in S. American production, most notably for Brazil and Argentina. Also, the trade will see if the USDA has any changes in China's production estimates and import/export needs.

If our report estimates are realized, we think this would be a neutral at best to, over time, negative market trend bias.

2009/2010 Production Estimates/Yield

	ADMIS	MONTH AGO
CORN	12.877 bil bu (163.0 bpa)	12.921 (162.9)
SOYBEANS	3.370 bil bu (44.0 bpa)	3.319 (43.3)

December 1 Grain Stocks (in billion bushels)

	ADMIS DEC 1 STOCKS	YEAR AGO
WHEAT	1.745	1.422
CORN	10.833	10.078
SOYBEANS	2.444	2.276

2009/2010 Ending Stock estimates (in billion bushels)

	ADMIS	MONTH AGO
WHEAT	925	900
CORN	1.631	1.675
SOYBEANS	266	255

WHEAT:

Once again, the demand side of the ledger for wheat has been a disappointment. YTD wheat sales are running 27% behind a year ago, shipments 30% behind with the USDA currently forecasting a 14% yearly decrease. Recent tenders by Egypt pretty much sums up the U.S.'s demise. We currently stay well above world wheat prices in the export arena and continually lose export business to other world suppliers—namely the Black Sea region and the E.U. As a result, we lowered exports by 25 mil bu thus pushing ending stocks up to 925 mil bu. Depending on the Quarterly Stocks report, there may also be no encouragement from feed demand use as well as wheat prices have continued to hold a strong premium to corn prices in trying to be used as a feed.

In the mix of USDA reports, we will also be getting our first winter wheat planted acreage projection. We are estimating winter wheat acreage to be down roughly 3.0 mil acres versus a year ago due to adverse planting conditions this past fall. We will not be getting a new crop Supply/Demand table from the USDA until May but, we issued a hypothetical table for this report. Assuming no change in spring/durum wheat acres this summer and normal yields, we see that total supply of wheat is even larger than last years—even with smaller acreage—given the much larger carryin. And, unless price becomes more competitive towards seeing increases in demand or, have some world supply shortfalls, total use for the coming year is not seen growing much from last season and, this might be optimistic. All in all, we see a continue ballooning of carryout projections out of the U.S.

Quarterly Stocks of wheat are seen running up roughly 325 mil bu versus a year ago.

Wheat Supply and Demand Table

WHEAT	2008/2009	2009/2010	2009/2010	2010/2011
Item	USDA (Dec)	USDA (Dec)	ADMIS	ADMIS
Planted Acres	63.2	59.1	59.1	56.1
Harvested Acres	55.7	49.9	49.9	48.2
Yield	44.9	44.4	44.4	43.5
Beginning Stks	306	657	657	925
Production	2,499	2,216	2,216	2,097
Imports	127	110	110	110
Total Supply	2,932	2,983	2,983	3,132
Food	927	940	940	955
Seed	75	78	78	80
Feed/Residual	258	190	190	200
Exports	1,015	875	850	850
Total Use	2,275	2,083	2,058	2,085
Ending Stocks	657	900	925	1,047
Stocks/Use Ratio	28.9%	43.2%	44.9%	50.2%
Avg Farm Price	6.78	4.65-5.05		

For Wheat, our December 1 stocks figure is 1.745 bil bu versus 1.422 bil last year. We are using for the quarter;

Food use of 230 mil bu versus 238 mil last year;
 Feed use MINUS 60 mil bu versus MINUS 124 mil;
 Exports of 253 mil bu versus 295 mil, and;
 Seed 53 mil bu versus 54 mil;
 Imports are seen at 22 mil bu versus 27 mil last year.

Total use for the quarter pans out to 488 mil bu versus 463 mil last season.

CORN:

Ending stocks for corn in the '09-10 marketing year are seen down slightly from a month ago mainly on the heels of reduced production. Adverse harvest weather during the late fall/winter period has led to many trade questions over harvested acreage totals and yield. We lowered our harvested acreage figure from the current USDA forecast and are near unchanged on yield.

On the demand front, we are 100 mil bu higher in corn used for ethanol production but down 100 mil on exports. Although YTD corn sales are running 19% ahead of a year ago with the USDA currently forecasting a 10% yearly increase, our export pace is down 1%. Export competition may increase in the months ahead if S. America's crops are large and our export demand pace will need to be monitored. As for ethanol, as long as margins remain in the black, use from this arena is seen remaining strong. The U.S. animal feed sector has yet to see any collective rebound in profit or productivity. The current estimate for feed use from the USDA may be too high depending on the Quarterly Stocks figure thus, adding to ending stocks.

Quarterly Stocks of corn are seen running up roughly 755 mil bu versus a year ago.

Corn Supply and Demand Table

CORN Item	2008/2009	2008/2009	2009/2010	2009/2010
	USDA (Dec)	ADMIS	USDA (Dec)	ADMIS
Planted Acres	86.0	86.0	86.4	86.4
Harvested Acres	78.6	78.6	79.3	79.0
Yield	153.9	153.9	162.9	163.0
Beginning Stks	1,624	1,624	1,674	1,674
Production	12,101	12,101	12,921	12,877
Imports	14	14	10	10
Total Supply	13,739	13,739	14,605	14,561
Feed and Residual	5,254	5,254	5,400	5,400
Food/Seed/Ind.	1,276	1,276	1,280	1,280
Ethanol	3,677	3,677	4,200	4,300
Exports	1,858	1,858	2,050	1,950
Total Use	12,065	12,065	12,930	12,930
Ending Stocks	1,674	1,674	1,675	1,631
Stocks/Use Ratio	13.9%	13.9%	13.0%	12.6%
Avg Farm Price	4.06		3.25-3.85	

For Corn, our December 1 stocks figure 10.833 bil bu versus 10.078 bil last year. We are using for the quarter;

Feed use of 1.905 bil bu versus 1.994 bil last year;

Industrial use of 1.360 bil bu (ethanol 1.047 bil bu) versus 1.208 bil (895 mil) and;

Exports of 456 mil bu versus 449 mil.

Total use for the quarter pans out to 3.721 bil bu versus 3.651 bil last season.

SOYBEANS:

Ending stocks for beans in the '09-10 marketing year are seen up slightly from a month ago with an estimated rise in production outmatching a continued rising pace of demand use out of the U.S. YTD soybean sales are running 55% ahead of a year ago, shipments 38% ahead with the USDA currently forecasting a 4% yearly increase. This demand pace for U.S. soybeans and its products, on the heels of last years crop shortage out of Argentina, keeps U.S. export and crush projections edging upward. This pace is expected to remain strong until S. America gets on track with their export program given a forecasted large rebound in supplies from a year ago. Timing of this 'bridging the gap' between the two producing regions will be of much importance to the bean market over the short term.

However, helping to 'bridge' this gap is an estimated rise in the U.S. bean production figure. Field reports of yields being strong through the harvest period never seemed to cease. This may have been a lead factor in seeing no disruption of supplies moving during harvest that met the strong U.S. bean export program. Thus, we think there will be an upward adjustment in yield on this report and help offset any demand increases. Therefore, U.S. ending stocks on this report are not seen in much decline. Obviously, any changes (or non changes) in the demand pace or crop size will be highly charged variables towards the ending stocks figure and for price and spread direction until S. American supplies and availability are more fully known.

Quarterly Stocks of beans are seen running up roughly 170 mil bu versus a year ago but the depletion of any buffer has been getting challenged due to Argentina's shortfalls and China's strong appetite for imports to date.

Soybean Supply and Demand Table

SOYBEANS Item	2008/2009	2008/2009	2009/2010	2009/2010
	USDA (Dec)	ADMIS	USDA (Dec)	ADMIS
Planted Acres	75.7	75.7	77.5	77.5
Harvested Acres	74.7	74.7	76.6	76.6
Yield	39.7	39.7	43.3	44.0
Supply				
Beginning Stks	205	205	138	138
Production	2,967	2,967	3,319	3,370
Imports	13	13	8	8
Total Supply	3,185	3,185	3,465	3,516
Use				
Crush	1,662	1,662	1,695	1,700
Exports	1,283	1,283	1,340	1,375
Seed	95	95	94	94
Residual	6	6	81	81
Total Use	3,047	3,047	3,210	3,250
Stocks				
Ending Stocks	138	138	255	266
Stocks/Use Ratio	4.5%	4.5%	7.9%	8.2%
Avg Farm Price	9.97		8.75-10.25	

For Soybeans, our December 1 stocks figure is 2.444 bil bu versus 2.276 bil last year. We are using for the quarter;

Crush of 446 mil bu versus 420 mil last year, and;
 Exports of 522 mil bu versus 387 mil.
 Seed/Residual 99 mil bu versus 92 mil last year.

Total use for the quarter pans out to 1.067 bil bu versus 899 mil last season.

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