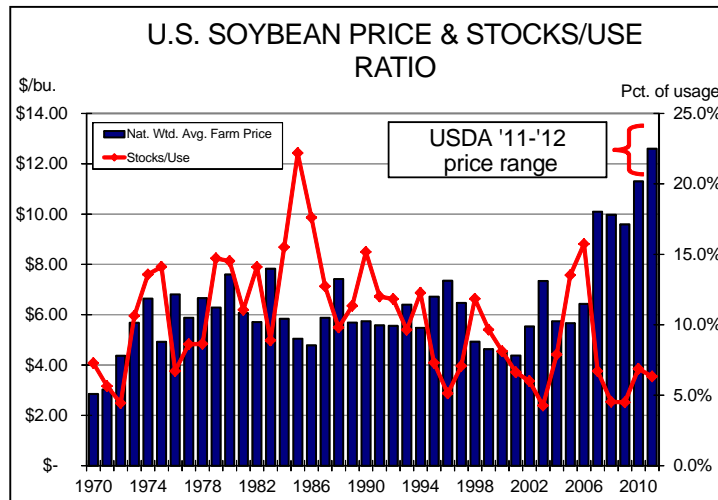
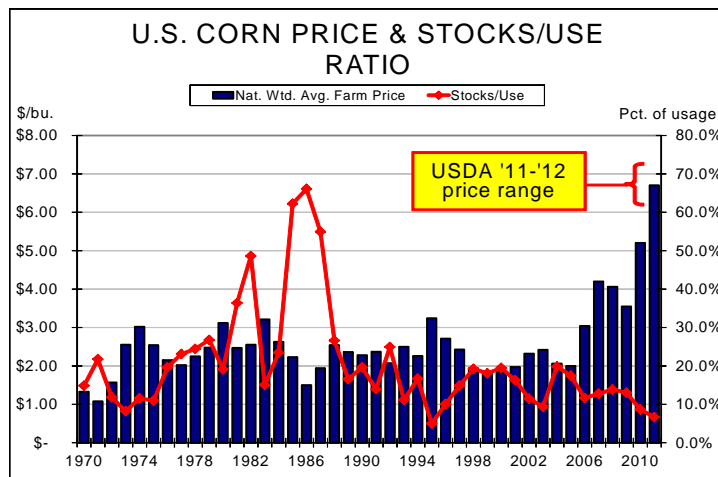


USDA's monthly Crop Production and World Agricultural Supply and Demand Estimates, released on Wednesday indicate modest reduction in both yield and crop size for both corn and soybeans but do not involve higher price forecasts for either corn or soybean meal, the key items for livestock and poultry costs. USDA's balance sheets for both corn and soybean meal appear on page 2. Some highlights are:

- USDA reduced its estimate of the corn yield by 1.4 bushels per acre to 146.7. That figure is 6.7% below the 2960-2010 trend yield and 9.1% below the 1996-2010 "biotech" era trend yield. The deviation from the longer-term trend is the largest since yields fell 7.8% short of the trend value in 2002. The deviation from the "biotech era" trend is the largest to date. Several analysts expect the final January yield figure to be lower yet.
- USDA did not change its acreage figures from the October estimates. We still think harvested acres as a percentage of planted acres looks high given the challenges of this crop year but we doubt there will be any substantive changes in these numbers from here to the final estimates in January.
- USDA again reduced estimated feed and residual usage by 100 million bushels. This month's figure of 4.6 billion bushels is 4% lower than last year and 10% lower than in 2009-10. "But there are so many more DDGS available" some will say. However, adding back in NET DDGS supply (production at 17 pounds per bushel of corn going into ethanol minus projected exports) and counting the DDGS as a straight corn substitute, the total corn + DDGS available this year is 4% lower than last year and 9.7% lower than the year before. We remain doubtful that feed usage can fall by this much for the coming crop year. Where will fewer cattle and chickens and more hogs balance out?
- USDA let stand its estimates for ethanol and non-ethanol food and industrial usage as well as exports. It also left its projected price range the same given only a slight reduction in projected year-end stocks/use ratio to 6.7%. As can be seen at top right, that is still the second lowest S/U ratio on record.
- There were even fewer changes for soybean forecasts. USDA reduced its yield estimate to 41.3 bushels per acre from October's 41.5. With no change to harvested acres, that yield reduction dropped production by 14 million bushels. The only usage change was a 50 million bushel reduction in projected exports.
- Projected year-end soybean stocks rose to 195 million bushels or 6.3% of total usage. That is significantly higher than last month's 5.1%, resulting in USDA knocking 55 cents/bushels off of both ends of its projected price range. As can be seen in the lower chart, the 6.3% S/U ratio is still among the lowest on record. This marks the fifth straight year of S/U ratios less than



7. Prior to the 2007/2008 crop year, that had happened only four times since the mid-1970s.

- USDA knocked \$45/ton off both ends of its soybean meal price forecast range. The mid-point of the new range (\$310 to \$340/ton) would put meal at \$325/ton, 7% lower than last year. Continuing strong oil prices are a key factor in lower meal values.
- USDA made only slight adjustments to its 2011-12 wheat estimates. Acres remained at 45.7 million, the average yield was reduced to 43.7 bushels/acre. Total production dropped from 2.008 million to 1.999 million bushels. All usages remained the same as in October. USDA's forecast all-wheat price range fell to \$7.05 to \$7.75/bu. That compares to \$5.70/bu. in '10-'11.

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U.S. CORN SUPPLY AND UTILIZATION - NOVEMBER

		2009/10	2010/11 Estimate	2011/12		%Chng vs. '10-'11
				USDA Oct	USDA Nov	
Acres Planted	Mil A	86.4	88.2	91.9	91.9	4.2%
Acres Harvested	Mil A	79.5	81.4	83.9	83.9	3.1%
Yield	Bu/A	164.7	152.8	148.1	146.7	-4.0%
Beginning Stocks	Mil Bu.	1673	1708	1128	1128	-34.0%
Production	Mil Bu.	13092	12447	12433	12310	-1.1%
Imports	Mil Bu.	8	27	15	15	-44.4%
Total Supply	Mil Bu.	5961	14182	13576	13453	-5.1%
Feed & Residual	Mil Bu.	5125	4792	4700	4600	-4.0%
Ethanol for fuel	Mil Bu.	4591	5021	5000	5000	-0.4%
Non-Ethanol FSI	Mil Bu.	10183	1395	1410	1410	1.1%
Exports	Mil Bu.	1980	1835	1600	1600	-12.8%
Total Usage	Mil Bu.	13066	13053	12710	12610	-3.4%
Carryover	Mil Bu.	1708	1128	866	843	-25.3%
Stocks/Use		13.1%	8.6%	6.8%	6.7%	-22.6%
Nat. Wtd. Avg. Farm Price	\$/Bu.	3.55	5.18	6.20 - 7.20	6.20 - 7.20	27.6%

U.S. SOYBEAN SUPPLY & UTILIZATION - NOVEMBER

		2009/10	2010/11	2011/12		% Chng vs '10-11
				USDA October	USDA November	
Acres Planted	Mil A	77.5	77.4	75.0	75.0	-3.1%
Acres Harvested	Mil A	76.4	76.6	73.7	73.7	-3.8%
Yield	Bu/A	44.0	43.5	41.5	41.3	-5.1%
Beginning Stocks	Mil Bu.	138	151	215	215	42.4%
Production	Mil Bu.	3359	3329	3060	3046	-8.5%
Imports	Mil Bu.	15	14	15	15	7.1%
Total Supply	Mil Bu.	3512	3495	3290	3275	-6.3%
Crushings	Mil Bu.	1752	1648	1635	1635	-0.8%
Exports	Mil Bu.	1499	1501	1375	1325	-11.7%
Seed	Mil Bu.	90	87	88	88	1.1%
Residual	Mil Bu.	20	43	32	32	-25.6%
Total Usage	Mil Bu.	3361	3280	3130	3080	-6.1%
Carryover	Mil Bu.	151	215	160	195	-9.3%
Stocks/Use		4.5%	6.6%	5.1%	6.3%	-3.4%
Nat. Wtd. Avg. Farm Price	\$/Bu.	9.59	11.30	2.15 - 14.15	1.60 - 13.60	11.5%
Soybean Oil Price	Cents/lb	35.95	53.20	53.00-57.00	53.00-57.00	3.4%
Soybean Meal Price	\$/ton	311.27	345.52	355-385	310-340	-7.1%

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