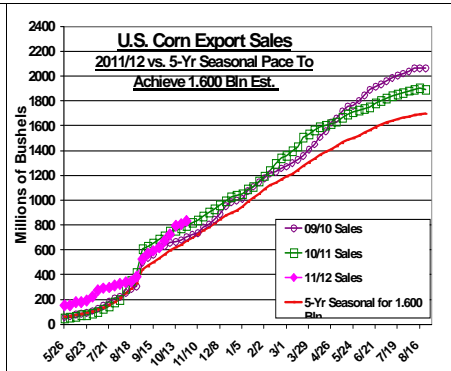
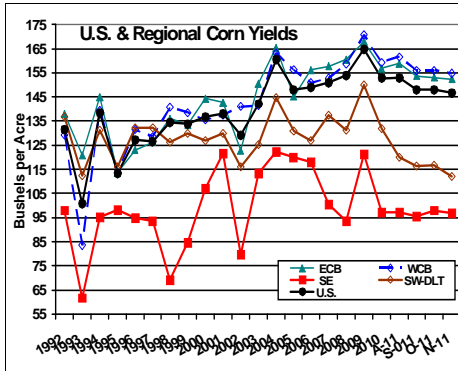


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## US Nov Yields were Lower, but Eurozone Issues Dominate



The USDA did lower both US corn and soybean yields on its November crop update, however, ongoing concerns about Europe's sovereign debt reared its head once again casing doubt about 2011/12 world demand when the fifth largest European economy, Italy, austerity program was questioned at mid-week. The USDA also made some modest cuts to their 2011 US spring and durum wheat crops after resurveying producers, who had reported that they still had crops in the field when the USDA did its previous Small Grain Report survey in early September.

U.S. Corn Supply/Demand						
(Millions)	2010/11 USDA Oct	2010/11 USDA Nov	2011/12 USDA Sept	2011/12 USDA Oct	2011/12 USDA Nov	2011/12 NARMS Dec Est
Planting Acres	88.19	88.19	92.28	91.90	91.90	91.90
Harvested Acres	81.45	81.45	84.39	83.94	83.94	83.94
Yield in Bu.	152.8	152.8	148.1	148.1	146.7	146.7
Initial Stocks	1,708	1,708	920	1,128	1,128	1,128
Production	12,447	12,447	12,497	12,433	12,310	12,310
Imports	27	28	15	15	15	15
Ttl Supply	14,182	14,183	13,432	13,576	13,453	13,453
Feed/Residual	4,803	4,791	4,700	4,700	4,600	4,600
Food/Seed	1,395	1,407	1,410	1,410	1,410	1,410
Ethanol	5,020	5,021	5,000	5,000	5,000	5,025
Ttl Domestic	11,218	11,219	11,110	11,110	11,010	11,035
Exports	1,835	1,835	1,650	1,600	1,600	1,650
Ttl Usage	13,053	13,054	12,760	12,710	12,610	12,685
Ending Stocks	1,128	1,128	672	866	843	768
Stks/Use Ratio	8.6%	8.6%	5.3%	6.8%	6.7%	6.1%

The U.S. corn crop was reduced 123 million bu. to 12.31 billion bu., this month as the national corn yield was decreased by 1.4 bushels to 146.7, the lowest US yield since 2003/04's 142.4 level. As anticipated, dryness west of Mississippi River during the crop year and this fall hurt yields with the SW being hit the hardest, down 4.7 bu. to 111.9 on average with TX and CO yields of 7 bu. and KS down 5 bu. from last month. The Western Corn Belt's (WCB) average yield was also reduced by 1.3 bu. to 154.8 bu. as this year's earlier-than-normal mid-September freezing temperatures seem to add to the region's losses as ND (-11 bu.), SD (-4 bu.) and MN (-5 bu.) yields were dropped from October's

forecasts. The ECB's average yield also decline 0.8 bu. this month with IL's 3 bu. cut to 156 bu. the primary reason for the decline as most regional yields were left unchanged this month. The SE region's yield was also cut by 1.1 bu. to 96.9 average this month when N & S Carolina's yields were sliced by 2 and 1 bu., respectively. Interestingly, the only two major states, who had their yields raised this month, were IA (+2 bu.) and OH (+5 bu.).

Internationally, the USDA upped their China (2.5 mmt), Argentina (1.5 mmt) and Europe's (1.86 mmt) corn projections, but they cut Mexico's crop by 3.5 mmt because of various weather problems resulting in 1.6 mmt drop in their world corn stocks forecast of 121.6 mmt this month. To many's surprise, the USDA didn't increase corn's export outlook given Mexico's smaller crop and their 1 mmt increase in their Chinese imports to 3 mmt this month leaving them unchanged at 1.6 mmt. The current US sales of 840 million bu. is also 142 million bu. ahead of this crop's 5 year seasonal pace for early November suggesting 50-100 million rise in exports could be forthcoming later this season if this trend continues. Ethanol's weekly output has also picked up sharply in the past month & is likely to continue at a brisk pace as blenders build up their RINs before their 45 cent per gallon credit likely disappears on Dec. 31. If this occurs, 2011/12's ethanol corn demand could also be 20-40 million bu. underestimated, too. The USDA also reduced its US feed demand projection by 100 million to 4.6 billion as they cited this fall's sharp reduction in broiler placements (6-8%), but strong profitability in pork production could compensate for chicken's slow early demand. Given the current strong post-harvest basis, producers should utilize December price advances to \$6.75 area to increase 2011/12 sales to 60-65% of production & cover your early 2012 income needs. A rebound in December 2012 prices to \$5.95-\$6.05 range is the area to begin new crop sales of 10-15%.

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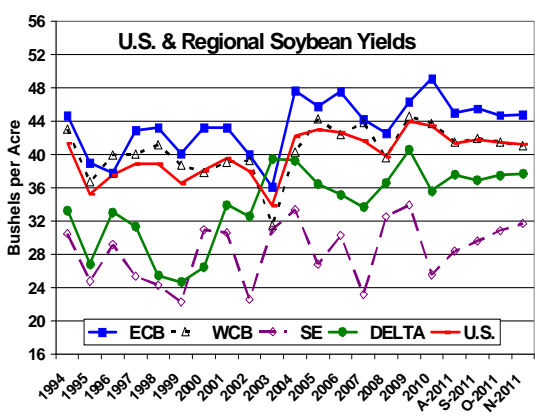
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### U.S. Soybean Supply/Demand

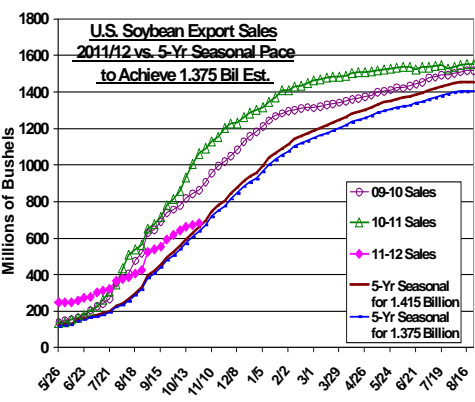
(Millions)	2010/11 USDA Oct	2010/11 USDA Nov	2011/12 USDA Sept	2011/12 USDA Oct	2011/12 USDA Nov	2011/12 NARMS Est Dec
Planted Acres	77.40	77.40	74.96	74.97	74.97	74.97
Harvested Acres	76.62	76.62	73.82	73.68	73.68	73.68
Yield in Bu.	43.5	43.5	41.8	41.5	41.3	41.3
Initial Stocks	151	151	225	215	215	215
Production	3,329	3,329	3,085	3,060	3,046	3,046
Imports	15	14	15	15	15	15
Ttl Supply	3,495	3,494	3,325	3,290	3,275	3,275
Crush	1,648	1,648	1,635	1,635	1,635	1,625
Seed	87	87	88	88	88	88
Residual	45	43	23	32	32	32
Ttl Domestic	1,780	1,778	1,745	1,755	1,755	1,745
Exports	1,500	1,501	1,415	1,375	1,325	1,350
Ttl Usage	3,280	3,279	3,160	3,130	3,080	3,095
Ending Stocks	215	215	165	160	195	180
Stks/Use Ratio	6.6%	6.6%	5.2%	5.1%	6.3%	5.8%

WCB did lead to 0.6 bu. drop this region's overall yield to 41 bushel this month with MN, NE, ND and SD yields dropped by 1 bu. while IA, MO and KS yields were left unchanged. This decreased the region's output by 20 million. The surprised was small increase in other areas. A 2 bu. jump is WI upped the ECB's output by 2.2 million without a changed in OH and other's yields. AL & GA's 1 bu. higher yields upped the SE by 1.2 million bu. and LA and MS 1 bu. larger yields increased the Delta's output by 1.5 million bu.

The big surprise in soybeans was the USDA's aggressive cut its export outlook by 50 million bu. to 1.325 billion which resulted in their 2011/12 ending stocks rising to 195 million, up 35 from last month. Export sales have been sluggish recently, but seasonally this year's 703 million sales thru early November remains 29 million higher than USDA's previous 1.375 billion forecast for this date. Upping Brazil's crop and exports by 1.5 mmt to 75 and 38 mmt while keeping China's



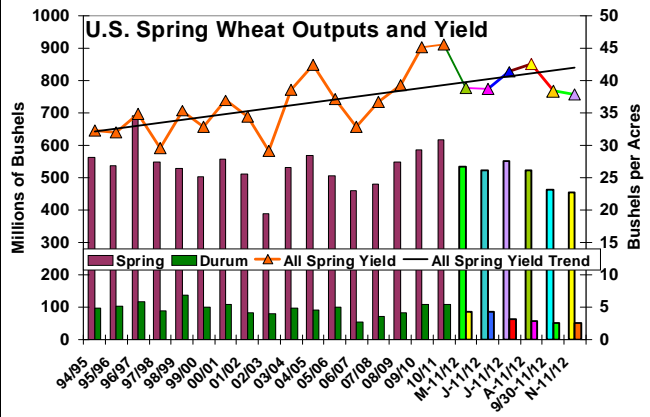
imports unchanged seems part of the US decline, but DC also cut Argentina's output and exports by 1 mmt as producers switched to corn seedings. Overall, we remain cautious about S. American output with La Nina building, but the market concerns about Euro-zone debt issues and US deficient committee lack of progress continue to overhang the market. Slow Chinese purchases of US soybeans have been noted by the trade as they utilized South American supplies, but current strong pork prices and Beijing incentives should renew US buying ahead of South America's harvest in the first quarter of 2012. Given these issues, utilizing January price recoveries \$12.15-\$12.30 range to increase sales to 65% and begin new crop November marketings at 10-15% at \$12.25-\$12.40 area seems appropriate.



Wheat prices weaken with the other pits after the November USDA reports when the latest revisions to US spring and durum crops were modest and the government's outlook for world wheat supplies remained ample. The resurvey of producers who still had crops still out in N. Plains in early September revealed a 8 million smaller spring wheat and 400,000 lower durum output when the harvest was completed. Overall, the average yield for both these wheats slipped 0.6 bu. to 37.8 bu. this month, but 2011 is down sharply from 2010's record 45.5 bu. level. These smaller supplies reduced US ending stocks to 828 million with no other changes in DC's supply/demand levels. However, the USDA didn't change their world's ending stocks projection of 202.6 mmt very much since they also raised Kazakhstan's crop by 2 mmt this month. Utilize December recoveries to \$6.45 & \$7.35 in Chicago and KC prices to have 60% of 2011/12 marketings done.

### U.S. Wheat Supply/Demand

(Millions)	2010/11 USDA Nov	2011/12 USDA Sept	2011/12 USDA Oct	2011/12 USDA Nov	2011/12 NARMS Est Dec
Planting Acres	53.59	55.18	54.41	54.41	54.41
Harvested Acres	47.62	45.92	45.72	45.70	45.70
Yield in Bu.	46.3	45.2	43.9	43.7	43.9
Initial Stocks	976	861	862	862	862
Production	2,207	2,077	2,008	1,999	1,999
Imports	97	110	120	120	120
Ttl Supply	3,280	3,048	2,990	2,981	2,981
Food	926	940	940	940	940
Seed	71	82	78	78	78
Feed/Residual	132	240	160	160	160
Ttl Domestic	1,128	1,262	1,178	1,178	1,178
Export	1,289	1,025	975	975	975
Ttl Usage	2,417	2,287	2,153	2,153	2,153
End Stocks	862	761	837	828	828
Stks/Use Ratio	35.7%	33.3%	38.9%	38.5%	38.5%



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