

## SOYBEANS

**SOYBEANS:** The USDA Supply/Demand Report this morning was considered bearish against expectations with the market called 2-3 cents lower on the open. The USDA pegged average yield at 44.7 bushels per acre compared to 44 bushels per acre last month. This pushed soybean production to 3.483 billion bushels versus trade expectations near 3.400 billion and last month's USDA estimate of 3.433 billion. Old crop ending stocks were pegged at 150 million bushels from 160 million last month, and ending stocks for the 2010/11 season were pegged at 350 million bushels compared with trade expectations for 285 million and with 360 million bushels posted last month by the USDA. World ending stocks for the 2010/11 season are pegged at 63.61 million tonnes from 64.73 million tonnes last month and 62.85 million last year. Stocks were just 43.97 million two years ago. While down from last month, this is still the highest world ending stocks on record. China's import demand was revised higher by 3 million tonnes to a record 55 million tonnes compared with 50 million tonnes last year and 41.1 million two years ago.

**PRICE OUTLOOK:** Strong demand from China with another revision higher of 3 million tonnes in imports for this year to a record 55 million helped to hold down the world ending stocks estimate to just above last year and two years ago, but it is still a record. Record yield in the US and a jump in ending stocks are seen as negative forces, but corn numbers were supportive, which should help soybeans avoid a significant collapse. Resistance for November soybeans is at 1050 with 1032 3/4 and 1025 1/4 as support. Look for lower trade into the harvest.

USDA SUPPLY/DEMAND US SOYBEANS				
	Sep USDA 08-09	Sep USDA 09-10	Aug USDA 10-11	Sep USDA 10-11
Area (M Acres)				
Planted	75.7	77.5	78.9	78.9
Harvested	74.7	76.4	78.0	78.0
Yield (Bu/Acre)	39.7	44.0	44.0	44.7
Beginning Stocks (M Bu)				
Production	2,967	3,359	3,433	3,483
Imports	13	15	10	10
Supply, Total	3,185	3,512	3,603	3,643
Crushings				
Exports	1,279	1,495	1,435	1,485
Seed	90	92	88	88
Residual	16	26	70	70
Use, Total	3,047	3,363	3,243	3,293
Ending Stocks	138	150	360	350
Stocks/Use Ratio	4.5%	4.5%	11.1%	10.6%

USDA SUPPLY/DEMAND WORLD SOYBEANS				
(Million Metric Tons)	Sep USDA 08-09	Sep USDA 09-10	Aug USDA 10-11	Sep USDA 10-11
Supply				
Beginning Stocks	52.89	43.97	63.52	62.85
Production	211.96	259.89	253.69	254.89
Imports	77.17	87.13	89.54	92.94
Use				
Crush, Domestic	192.71	207.92	219.75	221.19
Total Domestic	220.79	237.31	250.92	252.55
Exports	77.25	90.84	91.11	94.52
Ending Stocks	43.97	62.85	64.73	63.61
Stocks/Use Ratio	19.9%	26.5%	25.8%	25.2%

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## CORN

**CORN:** The USDA Supply/Demand Report this morning was considered neutral to supportive against expectations with the market called to open 3 cents higher. Average yield was pegged at 162.5 bushels per acre as compared with trade estimates near 163 bushels per acre and 165 by the USDA last month. This pushed corn production down to 13.160 billion bushels as compared with trade expectations near 13.200 billion and down 205 million bushels from last month (13.365 billion bushels). The USDA pegged 2010/11 corn ending stocks at 1.116 billion bushels compared with trade expectations near 1.110 billion and last month's USDA estimate of 1.312 billion bushels. This results in a stocks/usage number of 8.3%. This ratio has been under 10% just two other times since 1973. World corn ending stocks were revised down by about 3.6 million tonnes from last month to 135.56 million tonnes. China production was left unchanged at 166 million tonnes. Of more concern could be the revision down in world coarse grain ending stocks to just 166 million tonnes as compared with 172 million tonnes last month, 180 million in July, 187 million last year and 193.8 million two years ago. This opens the door for further revisions higher in corn exports from the US in coming months. US Corn exports were revised higher by 50 million bushels this month to 2.1 billion bushels from 2.05 billion last month and 1.98 billion last year. Feed usage was revised down by 100 million bushels to 5.25 billion bushels from 5.35 billion last month.

**PRICE OUTLOOK:** The report was mostly neutral against expectations, but there is the possibility for many bullish revisions in the months ahead. Traders see export and feed usage numbers as possibly too low, and traders also see the yield estimate coming down in future reports. The 8.3% stocks to usage ratio is already the tightest since the 1994/95 season and the second tightest since 1973. Keep 480 and 493 as the next upside objectives for December corn, and don't rule out 550-600 if yield comes down in the October report.

USDA SUPPLY/DEMAND				
US CORN				
	Sep	Sep	Aug	Sep
	USDA	USDA	USDA	USDA
	08-09	09-10	10-11	10-11
Area (M Acres)				
Planted	86.0	86.5	87.9	87.9
Harvested	78.6	79.6	81.0	81.0
Yield (Bu/Acre)	153.9	164.7	165.0	162.5
Beginning Stocks (M Bu)				
Production	12,092	13,110	13,365	13,160
Imports	14	8	10	10
Supply, Total	13,729	14,791	14,802	14,556
Feed & Residual				
Food, Seed & Industry	5,025	5,900	6,090	6,090
Ethanol for Fuel	3,709	4,535	4,700	4,700
Domestic Total	10,207	11,425	11,440	11,340
Total Exports	1,849	1,980	2,050	2,100
Use, Total	12,056	13,405	13,490	13,440
Ending Stocks	1,673	1,386	1,312	1,116
Stocks/Use Ratio	13.9%	10.3%	9.7%	8.3%

USDA SUPPLY/DEMAND				
WORLD CORN				
	Sep	Sep	Aug	Sep
	USDA	USDA	USDA	USDA
	08-09	09-10	10-11	10-11
(Million Metric Tons)				
Supply				
Beginning Stocks	131.32	148.01	139.03	138.99
Production	797.84	810.97	831.59	826.07
Imports	82.45	86.05	89.17	91.37
Use				
Feed, Domestic	478.34	489.33	493.65	492.81
Total Domestic	781.14	820.00	831.42	829.50
Exports	84.42	90.39	90.42	91.69
Ending Stocks	148.01	138.99	139.20	135.56
Stocks/Use Ratio	18.9%	17.0%	16.7%	16.3%

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## WHEAT

**WHEAT:** The USDA's Supply and Demand report for wheat was considered slightly negative for wheat with the opening call 3-5 cents lower. Domestic numbers were on the supportive side with the only changes in US all-wheat totals being a 50 million bushel increase in exports and a corresponding 50 million bushel decrease in 2010/11 ending stocks. This took US exports up to 1.250 billion bushels with ending stocks falling to 902 million. Soft red winter wheat ending stocks were left unchanged at 179 million. Hard red winter stocks were lowered to 349 million from 379 last month while hard red spring stocks were lowered to 249 from 259. The world numbers were negative with 2010/11 beginning stocks up by 2 million tonnes and overall production down by just 2.72 million tonnes to 643.01 million. The total world usage number was lowered by about 1 1/2 million tonnes and this resulted in an unexpected increase in world ending stocks to 177.79 million tonnes from 174.76 in August. This is well up from 125 million posted just a few years ago. Russian production was lowered by another 2 1/2 million tonnes to 42.5 million while Ukraine and Kazakhstan were left unchanged. Pakistan was also left unchanged despite the loss of wheat seed in the recent floods. India, China, Argentina and Australia were left unchanged. Canada was raised by 2 million tonnes to 22.5 million and the EU was lowered to 135.13 from 137.51 last month due to lower production in Germany.

**PRICE OUTLOOK:** Prices have remained in a sideways pattern for the past month with a possible upward bias developing over the past several days. This is not a typical pattern following a major top and that may mean that further gains are possible if importers and funds keep buying. However, given the adequate world supply levels, a further boost may depend on increased stockpiling by major importers with poor populations. India continues to sit on large wheat reserves, but India may be hesitant to make a major push into the export market out of fears that this will increase food price uncertainty on the domestic front. A resumption of the downtrend leaves key support at 670 1/2 and 623 3/4 for December wheat.

USDA SUPPLY/DEMAND				
US WHEAT	Sep	Sep	Aug	Sep
	USDA	USDA	USDA	USDA
	08-09	09-10	10-11	10-11
Area (M Acres)				
Planted	63.2	59.1	54.3	54.3
Harvested	55.7	49.9	48.3	48.3
Yield (Bu/Acre)	44.9	44.4	46.9	46.9
Beginning Stocks (M Bu)	306	657	973	973
Production	2,499	2,216	2,265	2,265
Imports	127	119	100	100
Total Supply	2,932	2,991	3,338	3,338
Food	927	917	940	940
Seed	78	70	76	76
Feed/Residual	255	149	170	170
Domestic Total	1,260	1,137	1,186	1,186
Total Exports	1,015	881	1,200	1,250
Use, Total	2,275	2,018	2,386	2,436
Ending Stocks	657	973	952	902
Stocks/Use Ratio	28.9%	48.2%	39.9%	37.0%

USDA SUPPLY/DEMAND				
WORLD WHEAT	Sep	Sep	Aug	Sep
(Million Metric Tons)	USDA	USDA	USDA	USDA
	08-09	09-10	10-11	10-11
Supply				
Beginning Stocks	124.32	165.07	193.97	195.97
Production	683.26	680.43	645.73	643.01
Imports	136.93	132.82	121.93	122.83
Use				
Feed, Domestic	118.44	115.37	120.23	118.78
Total Domestic	642.50	649.53	664.94	661.19
Exports	143.76	133.75	124.67	126.03
Ending Stocks	165.07	195.97	174.76	177.79
Stocks/Use Ratio	25.7%	30.2%	26.3%	26.9%

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## COTTON

USDA SUPPLY/DEMAND COTTON	Sep	Sep	Aug	Sep
	USDA 08-09	USDA 09-10	USDA 10-11	USDA 10-11
Area (M Acres)				
Planted	9.47	9.15	10.91	11.04
Harvested	7.57	7.53	10.63	10.77
Yield (Lb/Acre)	813	777	837	839
Beginning Stocks (M Bales)	10.05	6.34	3.10	3.00
Production	12.82	12.19	18.53	18.84
Imports	0.00	0.01	0.01	0.00
Supply, Total	22.87	18.53	21.64	21.84
Domestic Use	3.59	3.45	3.40	3.60
Exports	13.26	12.04	15.00	15.50
Use, Total	16.85	15.49	18.40	19.10
Unaccounted	-0.32	0.04	0.04	0.04
Ending Stocks	6.34	3.00	3.20	2.70
Stocks/Use Ratio	37.6%	19.4%	17.4%	14.1%

USDA SUPPLY/DEMAND WORLD COTTON (Million 480-lb Bales)	Sep	Sep	Aug	Sep
	USDA 08-09	USDA 09-10	USDA 10-11	USDA 10-11
Supply				
Beginning Stocks	60.61	60.44	47.58	46.98
Production	107.14	101.15	116.85	116.95
Imports	30.07	36.14	38.25	37.96
Use				
Domestic	109.94	117.20	120.87	120.53
Exports	30.09	35.59	38.24	37.96
Loss	-2.65	-2.04	-2.04	-2.04
Ending Stocks	60.44	46.98	45.61	45.44
Stocks/Use Ratio	55.0%	40.1%	37.7%	37.7%

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