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# Analysis of USDA Nov 10, 2008 Crop Report
Rich Feltes – 11/10/08

## U.S. CARRYOVER STOCKS

| | 06/07 | 07/08 | | | 08/09 | | |
|---|---|---|---|---|---|---|---|
| | Nov USDA | Oct USDA | Avg. Guess | USDA Nov | Oct USDA | Avg Trade | USDA Nov |
| Corn | 1304 | 1624 | 1624 | 1624 | 1088 | 1160 | 1124 |
| Wheat | 456 | 306 | 306 | 306 | 601 | 594 | 603 |
| Beans | 574 | 205 | 205 | 205 | 205 | 189 | 205 |
| Meal | 346 | 300 | | | 300 | 300 | 300 |
| Oil | 3085 | 2375 | | | 2040 | | 2016 |
| Oil Yield | 11.34 | 11.45 | | | 11.4 | | 11.4 |

Grain stocks advance nominally vs. October while soybean stocks hold steady. Oil yield left unchanged despite reports of lower product yield on new crop soybean crush. Years with similar US corn carryovers posted on farm corn prices $1.35-1.98/bu below USDA's current forecast for '08/09 on farm corn price of $4.40/bu. Not as may analog soybean years that compare with current 200 mil bu 9/09 US soybean stocks but those years that do (i.e. pre recent commodity price surge) posted on farm soybean prices $3.40-5.50 below USDA's current forecast of $9.85.

## U.S. YIELD TABLE

| | 2007 BPA | Trendline BPA | Jun/08 | Jul/08 | Aug/08 | Sep/08 | Oct/08 | Nov/08 |
|---|---|---|---|---|---|---|---|---|
| Corn | 151.1 | 153 | 148.9 | 148.4 | 155 | 152.3 | 153.9 | 153.8 |
| Sorghum | 74.2 | 70 | 65.9 | 65.6 | 63.76 | 66.1 | 63.9 | 63.0 |
| Soybeans | 41.2 | 42 | 42.1 | 41.6 | 40.5 | 40.0 | 39.5 | 39.3 |

# 2008 HARVESTED ACREAGE

| | September 12 | October 10 | October 28 | Nov 10 |
|---|---|---|---|---|
| Corn | 79.3 | 79.2 | 78.2 | 78.2 |
| Soybeans | 73.3 | 75.5 | 74.4 | 74.4 |
| Sorghum | 6.4 | 7.2 | 7.4 | 7.4 |

# U. S. GRAIN PRODUCTION

| | 2007 Final | USDA July 2008 | USDA Aug. 2008 | USDA Sept. 2008 | USDA Oct. 2008 | Avg. Trade Guess | USDA Nov 2008 | Change vs. Oct. |
|---|---|---|---|---|---|---|---|---|
| Corn | 13074 | 11715 | 12288 | 12072 | 12033 | 12075 | 1020 | - 13 |
| Sorghum | 504.993 | 420 | 410 | 426 | 472 | 490 | 465 | - 7 |
| Soybeans | 2585 | 3000 | 2973 | 2935 | 2938 | 2919 | 2921 | - 17 |
| All Cotton (mil Bales) | 49.206 | 14 | 13.77 | 13.85 | 13.71 | 13.87 | 13.53 | - 0.18 |

Today's report is noteworthy from the standpoint of how modest the November production updates are vs. USDA's most recent production update on October 28th. Oct to Nov changes in row crop production above are uncommonly small leaving market relegated to events and price changes in crude oil and equities which have dominated ag price discovery all fall.

# WORLD GRAIN/OILSEED STOCKS (MMT)

| | 2006/07 | 2007/2008 | | | 2008/2009 | | |
|---|---|---|---|---|---|---|---|
| | Nov | Oct | Nov | Chng | Oct | Nov | Chng |
| Wheat | 127.02 | 119.8 | 119.4 | - 0.4 | 144.41 | 145.2 | + 0.8 |
| Coarse Grs. | 138.4 | 150.1 | 154.1 | + 4.0 | 144.9 | 150.9 | + 6 |
| Corn | 108.7 | 122.9 | 126.5 | + 3.6 | 105.6 | 110.1 | + 4.5 |
| Soybean | 62.7 | 52.70 | 53.0 | + 0.3 | 55.24 | 54.1 | - 1.1 |
| Soymeal | 6.0 | 6.59 | 6.72 | + 0.13 | 6.30 | 6.42 | + 0.12 |
| Soy oil | 3.22 | 2.68 | 2.85 | + 0.17 | 2.48 | 2.53 | + 0.05 |

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World grain stocks keep edging higher-especially coarse grain-which serve to deter hedge fund interest in ag sector. '08/09 global soybean stocks advance as well but by only 1.1 mmt which pales next to the 29 mmt increase in global all grain stocks. This table suggests that if hedge/index funds are ready to take the plunge again in ag commodities, that soybeans will be their 1st choice.

**Corn**

| | 2006/07 | 2007/08 | | 2008/09 | | 2009/10 |
|---|---|---|---|---|---|---|
| | USDA | USDA | USDA | USDA | MFGR | MFGR |
| | 10-Nov | 28-Oct | 10-Nov | 10-Nov | 10-Nov | 10-Nov |
| Planted area | 78.327 | 93.6 | 93.6 | 85.9 | 85.9 | 88.9 |
| % Harv | 0.9019 | 0.9241 | 0.9241 | 0.9104 | 0.9104 | 0.92 |
| Harv area | 70.64 | 86.50 | 86.54 | 78.20 | 78.20 | 81.79 |
| BPA | 149.1 | 151.1 | 151.07 | 153.8 | 153 | 157 |
| Production | 10,533 | 13,074 | 13,074 | 12,020 | 11,965 | 12,841 |
| | | | | | | |
| Carryin | 1,967 | 1,304 | 1,304 | 1,624 | 1,624 | 1,219 |
| Production | 10,533 | 13,074 | 13,074 | 12,020 | 11,965 | 12,841 |
| Imports | 10 | 18 | 20 | 15 | 15 | 15 |
| | ----- | ------ | | ------- | ------- | ------- |
| Supply | 12,510 | 14,396 | 14,398 | 13,659 | 13,604 | 14,075 |
| | | | | | | |
| Feed/Residual | 5,600 | 5,999 | 5,974 | 5,300 | 5,350 | 5,300 |
| Food/Seed/Ind | 1,371 | 1,338 | 1,338 | 1,335 | 1,335 | 1,350 |
| Ethanol | 2,115 | 3,000 | 3,026 | 4,000 | 3,825 | 4,275 |
| Exports | 2,125 | 2,435 | 2,436 | 1,900 | 1,875 | 1,900 |
| | ------ | ------ | ------- | ------- | ------- | ------- |
| Total Use | 11,211 | 12,772 | 12,774 | 12,535 | 12,385 | 12,825 |
| | | | | | | |
| Ending Stks | 1,299 | 1,624 | 1,624 | 1,124 | 1,219 | 1,250 |
| Stks/Use Ratio | 11.59% | 12.72% | 12.71% | 8.97% | 9.84% | 9.74% |

MFGR has reduced the '08 US corn yield another 0.8 BPA vs. USDA although said supply cut is entirely offset by our 150 mil bu cut in '08\09 corn demand vs. USDA. You'll note that we have added 3 mil acres to '09 US corn acreage which at first glance appears optimistic but with '09 US soybean and wheat area down a combined 5 mil acres and another 1.0+ mil acres of CRP coming on line this fall, we think that crop with the best returns over variable costs (which continues to be corn in high yielding crop districts) can attract additional acres in '09. For the foreseeable future, however, the corn market will focus more on crude oil and on US/global soybean demand than on '09 US corn area leaving CZ vulnerable to further price erosion in the weeks ahead—especially if MFGR's crude oil downside target of $50/barrel is realized. New crop '09 BN/CN price ratio of 2.16/1 favors corn.

**Soybeans**

| | 2006/07 | 2007/08 | | 2008/09 | | 2009/10 |
|---|---|---|---|---|---|---|
| | USDA | USDA | **USDA** | USDA | **MFGR** | **MFGR** |
| | 10-Nov | 28-Oct | **10-Nov** | 10-Nov | **28-Oct** | **28-Oct** |
| Planted area | 75.55 | 63.60 | **64.74** | 75.90 | **75.90** | **74.90** |
| % Harv | 0.99 | 0.99 | **0.99** | 0.98 | **0.98** | **0.988** |
| Harv area | 74.63 | 62.80 | **64.15** | 74.40 | **74.40** | **74.00** |
| BPA | 42.7 | 41.2 | **41.7** | 39.3 | **39** | **42.25** |
| Production | 3,187 | **2,587** | **2,675** | **2,921** | **2,902** | **3,127** |
| Carryin | 449 | 574 | **574** | 205 | **205** | **190** |
| Production | 3,187 | 2,587 | **2,675** | 2,921 | **2,902** | **3,127** |
| Imports | 9 | 10 | **11** | 7 | **7** | **8** |
| | ----- | ----- | ------- | ------- | ------- | ------- |
| Supply | 3,645 | 3,171 | **3,260** | 3,133 | **3,114** | **3,325** |
| Crush | 1,806 | 1,815 | **1,801** | 1,745 | **1,745** | **1,800** |
| Domestic | 148 | 61 | **94** | 163 | **163** | **170** |
| Exports | 1,118 | 1,155 | **1,160** | 1,020 | **1,020** | **1,050** |
| | ----- | ----- | ------- | ------- | ------- | ------- |
| Total Use | 3072 | 3031 | **3055** | 2928 | **2928** | **3020** |
| Ending Stks | **573** | **140** | **205** | 205 | **186** | **305** |
| Stks/Use ratio | 0.19 | 0.05 | **0.07** | 0.07 | **0.06** | **0.10** |

We have clipped the '08 US soybean yield another 0.3 BPA forcing us to leave '08/09 soybean demand unchanged even though there is a strong history of USDA increasing US soybean demand from the Nov to Final crop reports. US soybean export sales are off to an excellent start while Brazil domestic use of soy products is increasing even though their '09 soybean crop will be 1 mmt less than last year according to USDA. There is no margin for error on an already tight '08/09 US soybean balance table amid suspicion that USDA is understating US export demand and overstating '08 US soy production. Will tightness in the '08/09 US soy balance table (summer '09) be enough of offset negative undertow from grains? We think not in the short term or at least until adverse weather seriously threatens '09 S. American soybean production. Capital is still flowing out of commodities, the world's largest food consumer is taking dramatic steps to revive economic growth, domestic US meal use is softening and '08/09 US soy balance table above paints increasing stocks despite shrinking '09 US soybean area.

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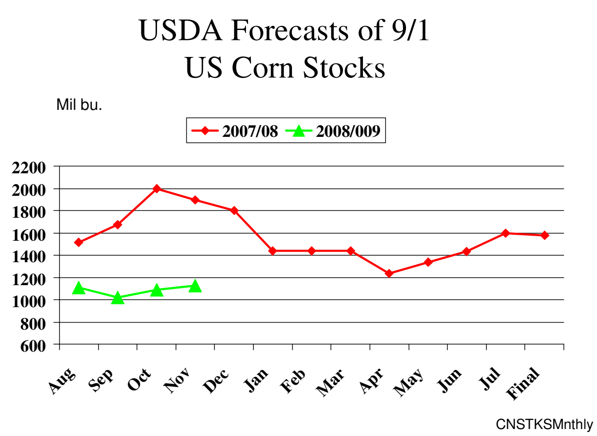
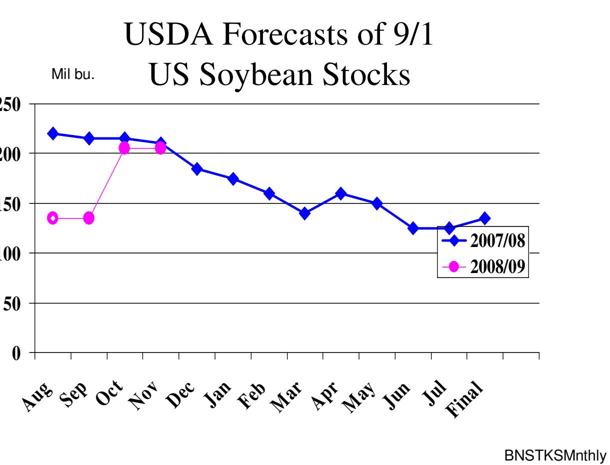
| | Wheat | | | | | |
|---|---|---|---|---|---|---|
| | 2006/07 | 2007/08 | | 2008/09 | | 2009/10 |
| | USDA | USDA | **USDA** | USDA | **MFGR** | **MFGR** |
| | 10-Nov | 10-Oct | **10-Nov** | 10-Nov | **10-Nov** | **10-Nov** |
| Planted area | 57.344 | 60.433 | **60.433** | 63.000 | **63** | **60.000** |
| % Harv | 0.8163 | 0.8441 | **0.8441** | 0.884 | **0.884** | **0.85** |
| Harv area | 46.810 | 51.011 | **51.011** | 55.7 | **55.7** | **51.0** |
| BPA | 38.7 | 40.5 | **40.5** | 44.9 | **44.9** | **43.5** |
| Production | 1,812 | 2,066 | **2,066** | 2,500 | **2500** | **2,219** |
| Stocks | 571 | 456 | **456** | 306 | **306** | **543** |
| Production | 1,812 | 2,067 | **2,067** | 2,500 | **2,500** | **2,219** |
| Imports | 122 | 113 | **113** | 99 | **99** | **100** |
| | ----- | ------ | **------** | ------ | **--------** | **--------** |
| Supply | 2505 | 2636 | **2636** | 2905 | **2905** | **2862** |
| Food | 925 | 948 | **948** | 960 | **960** | **970** |
| Seed | 81 | 88 | **88** | 82 | **82** | **80** |
| Feed | 129 | 30 | **30** | 260 | **270** | **270** |
| Exports | 909 | 1,264 | **1,264** | 1,000 | **1,050** | **1,025** |
| | ------ | | **------** | ------ | **--------** | **--------** |
| Total Use | 2,044 | 2,330 | **2,330** | 2,302 | **2,362** | **2,345** |
| Ending Stks | 461 | 306 | **306** | 603 | **543** | **517** |
| Stks/Use ratio | 22.53% | 13.13% | **13.13%** | 26.19% | **22.99%** | 22.03% |

Nothing bullish here despite MFGR expectations for higher '08/09 US wheat exports than USDA.  World wheat stocks in 08/09 are up 26 mmt which is comparable to the entire '08 Canadian wheat crop.  Note that 6/09 US wheat stocks exceed 500 mil bu even with a 3 mil acre cut in acreage. USDA's 08/09 wheat on farm price forecast of $4.50/bi is over $2.00 above what price vs. stocks scatter studies suggest. US winter wheat conditions are above average while the outlook for US SRW exports is below average. Recent widening of MLS/CGO wheat, which has a strong seasonal through mid Dec, is supported by expectations for a sizeable cut in '09 US HRS acreage.

Bottom line—Post close USDA updates are largely negative with another improvement in US WW conditions (19% higher in G/E than last year), corn harvest up a sizeable 16% to 71 pct completed and bean harvest in the home stretch at 93%. Mid range close in crude oil may suggest additional gains on overnight ag markets but continue to view overall upside as limited amid worsening economic news, fund liquidation and passage of '08 N. Hemisphere growing season. With approach of holidays expect volume of ag markets to wane now that parameters of '08 N. Hemisphere grain supply are known. Additionally, financial market volatility and directional conviction will wane until the new President outlines his policy priorities and picks his cabinet which at best is several weeks away. Until then, ag markets will be subject to vagaries of outside market influences including eroding demand for crude and impact of government stimulus packages on easing up credit conditions.



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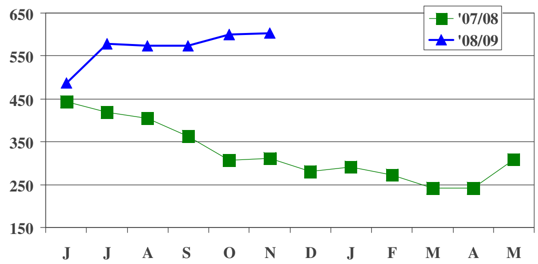
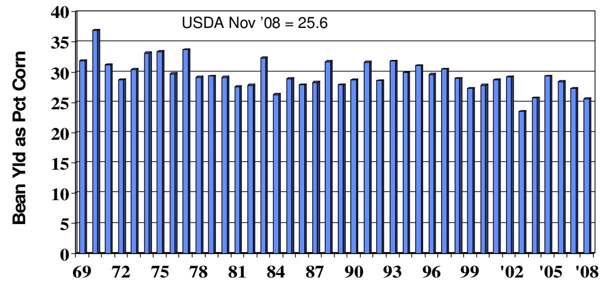
## USDA Forecasts of 6/1 US Wheat Stocks



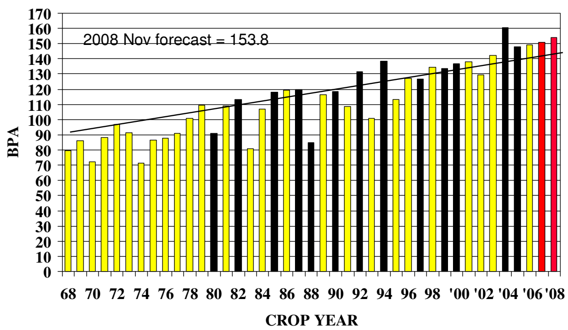

MnthlyUSWTStk

## US Bean Yield as a Percent of Corn Yield




USBNCNYD%

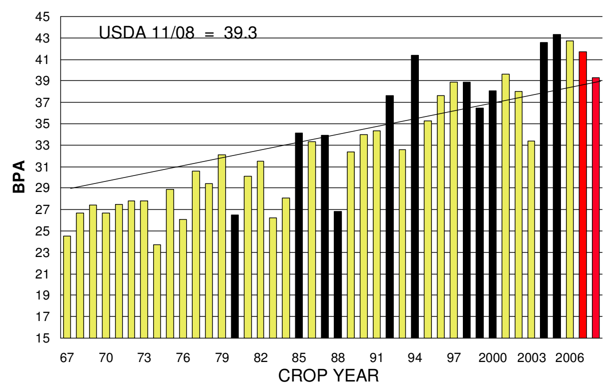
## U.S. CORN YIELD




Black bars are early planted years since 1979.

CORNYLD

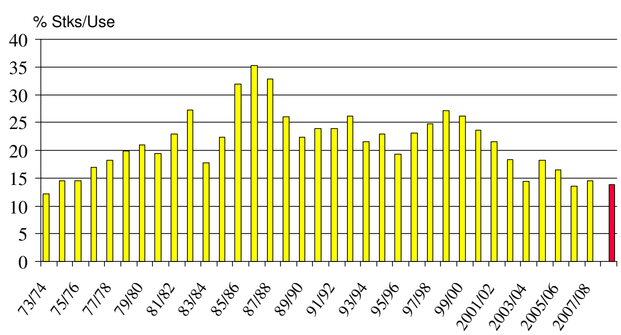
## U.S. SOYBEAN YIELD




Black bars are early planted years since 1979.

BNYLDOR

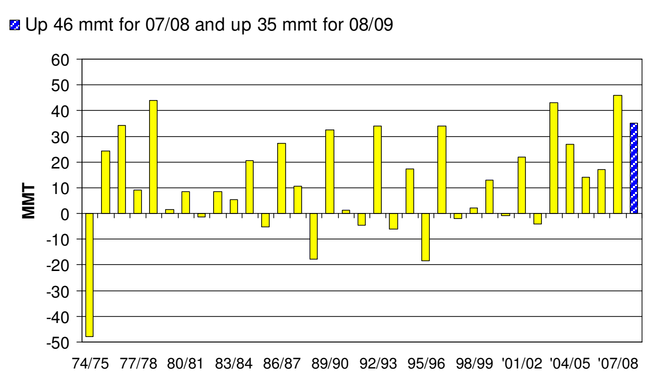
## World Coarse Grains Stocks/Use




2006/07 assumes 989 production, 1016 use, 138.6 stocks
2007/08 assumes 1078 production, 1062 use, 154 stocks
2008/09 assumes 1092 production, 1095 use, 151 stocks

WCGsu

## Annual Change in World Coarse Grain Usage




ANCHGCG

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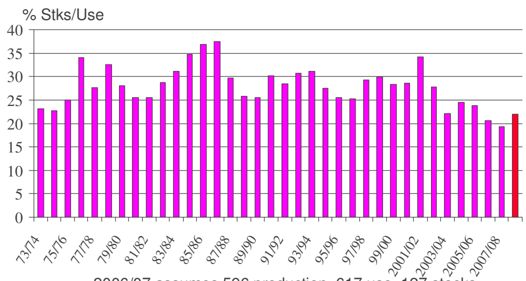
## World Wheat Stocks/Use

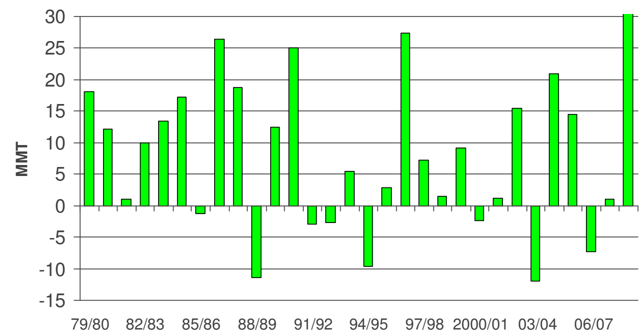



2006/07 assumes 596 production, 617 use, 127 stocks
2007/08 assumes 611 production, 618 use, 119 stocks
2008/09 assumes 682 production, 657 use, 145 stocks

wwsu

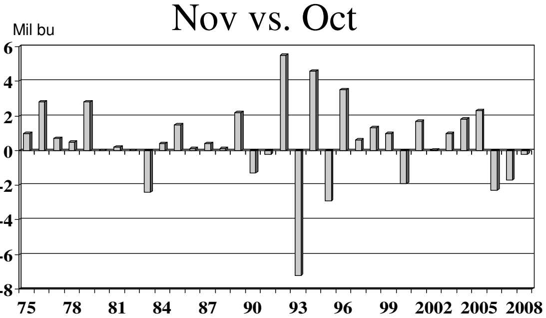
## Annual Change in World Wheat Usage

Assumes +1 gain '07/08 and +39 gain 08/09



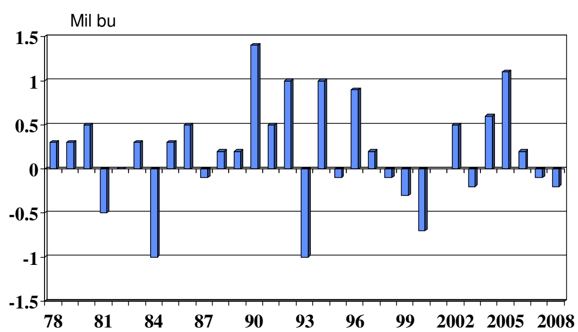

ANCHGWHT

## USDA Corn Yield
## Nov vs. Oct



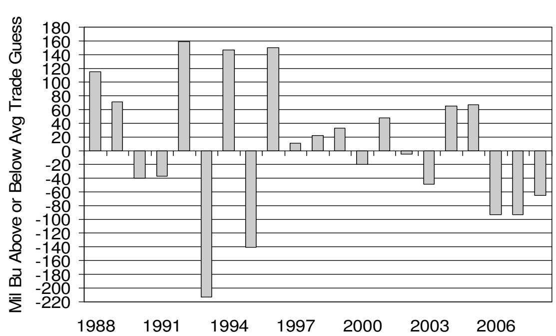

NOVOCTCNYLD

## USDA Soybean Yield
## Nov vs. Oct



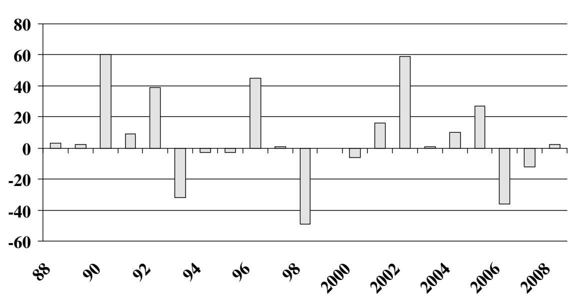

NOVOCTBNYLD

## USDA November Corn Production
## vs. Average Trade Guess



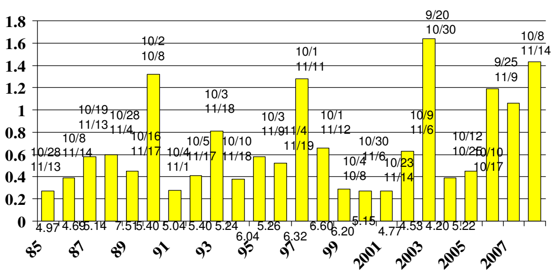

CNGESNOV

## USDA November Soybean Production
## vs. Average Trade Guess



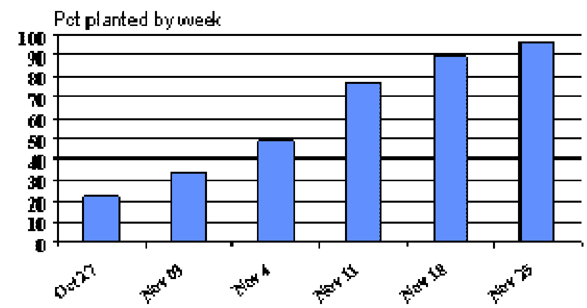

SOYSTKS

## Fall Rallies in SX



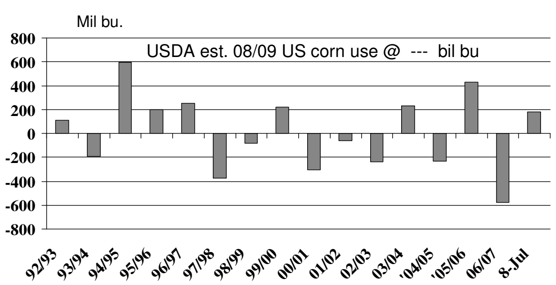
Footnote: Rally start and end on top of bar
Fall low on bottom of bar

## 2006 Brazil Soybean Planting Pace



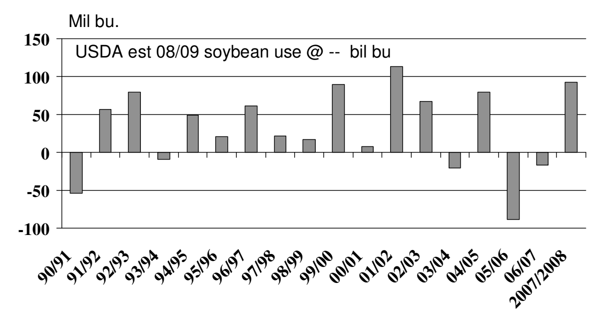

BRZPNTPRG

## Final US Corn Demand vs. The Prior Year November Forecast



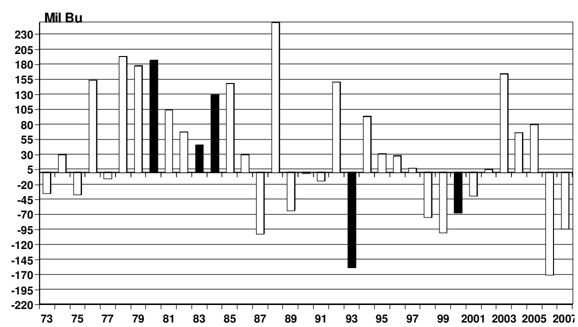

CNDMvsFORN

## Final US Soybean Demand vs. The Prior Year November Forecast




BNDMvsFORN

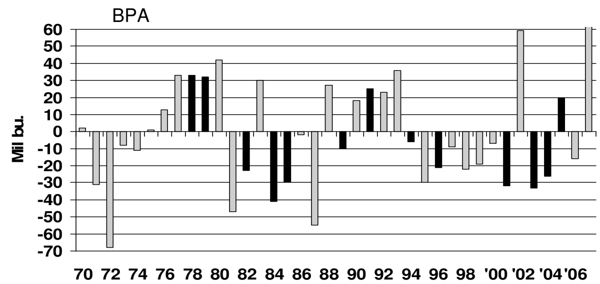
## U.S. Corn Production
## Final vs. Nov Crop Report




*Darkened bars are years with Sep-Oct declines in US corn production.

NOVCNPRD

## US Bean Production
## Final vs. Nov Crop Report




*Darkened bars are years with Sep-Oct gains in US bean production.

NOVFINBN