

March 15, 2012
The prospective planting report March 30,

April 10 --- Crop Production, May 10 --- Crop Production, June 12 --- Crop Production, June 29 --- June 1 Grain Stocks, 2012 acreage, July 11 --- Crop Production, Sept 12 --- Crop Production, Sept 28 --- Small Grains Annual summary, ---- Sept 1 Grains Stocks.

Today, there seems to be shaky sentiment among financial markets weather from Europe or Asia, starting with Asia, worries and concerns increased over the world's second largest economy and oil consumer and about its growth pace, after Chinese Premier Wen Jiabao said his country is targeting slower yet more sustainable growth, which formed a bearish momentum that would take crude to the downside. China's soybean futures slip on position-evening yet support is still seen from declining global output and sound China demand as the U.S. markets were higher this morning and the U.S. dollar slightly lower. We need to be reminded that China has the smallest reserve for soybeans for quite some time and their internal prices are as high as they have seen. We also have heard that the Chief executive of JBS USA said U.S. beef prices seen going higher; cattle herd to decline later this year with the smallest cattle herd seen in more than 50 years

Our first crop report of the month of March came out. That leaves the March 30 planting intention report when farmer estimates show intended acres to be planted for corn, soybeans and spring wheat. Needless to say, new high prices for the month will be seen as the market trades the **fear** we won't plant enough acres of corn to build reserves and soybean acres could come in lower further diminishing ending stocks. Funds rallied corn 40 cents into last week's monthly USDA crop report, soybeans \$1.25 and wheat 50 cents, all on **fears** that the report would lower South American crop production, raise U.S. export projections, and lower ending stocks.

Lets look at some report day facts: they lowered production and left export projections and ending stocks unchanged. This has been the government's conservative reporting pattern since last spring. They only gave samples of the problems leading to lower production and yields each month during the spring planting flooding and July drought-like conditions, and now, South American production estimates and demand numbers are above what the trade expected. It has been known that the government tries to keep futures from going into in upward spiraling pattern creating even more food inflation in an election year, while they battle the unfavorable inflationary pattern of crude oil and gasoline prices. Traders expect the funds to price in bullish fear heading towards the March

30 report, the consistent conservative reporting policy of USDA should lead to profit taking that will occur several days prior to its release showing the same pattern as in past reports.

The current news is a little more friendly for corn, with rumors of China buying up to 600 thousand metric tons of corn with a USDA announcement of 240 thousand sold to an unknown destination Monday. The trade believes unknown is China.

Monday, the Argentine government essentially suspended corn exports until early April. This was to closely look at this year's drought-stricken corn crop, to get a better idea of crop size in an effort to curb exports so they don't wind up short of corn for domestic use. Several issues are arising as we move forward. One: Argentina may indefinitely suspend exports, setting up a sharply higher move in corn prices, since they are the number two world producer exporter. Two: it suggests they are getting farm reports that the crop is smaller than current estimates, which will support current prices and/or they will resume exports setting up a one-day drop in prices to offset this weeks higher price off the news.

CORN: U.S. weekly ethanol production fell to a five-month low at 892,000 barrels/day versus 906,000 the previous week, down 7.3% from the start of the year; stocks at 22.0 mil barrels versus 22.1 mil the prior week, stocks still up 23% since the start of the year. Trend is sideways to positive as the July corn support is \$6.51 and 648 with major support at 6.33. Resistance is \$6.66 and 6.75 then \$6.84. Resistance for December futures are at the 5.72 and 586 level. Below are the Daily December 2012 showing a narrowing of the trading range and the Stochastics at 68 and the RSI have turned bullish signaling the market to break to the upside in the near future. Charts provided by AgriCharts



SOYBEAN: Trend is sideways as the support for the May futures is at 13.18 and 12.91 and resistance is at 13.40 and 13.75. November futures contract is \$12.89 and \$12.63. On the new crop November 2012 futures support is at 12.92 and 12.73 with resistance at 13.39. The November 2012 chart below shows the Stochastics 89 and the RSI are overbought and are turning neutral to bearish hinting that we could see lower prices in not to far in the future.



Wheat: The International Grain Council sees 2012/13 global wheat output falling by about 15 mt to 680 mt but total supply to remain above the previous season's levels, boosted by higher opening stocks (inventories the major exporters seen remaining ample). Trend is sideways to negative. In KC, the support is 695 and 667 level, basis MAY, (701 and 704, basis JLY) and, In MPLS, the 807 and 7.97 level, basis JLY, (795 and 785, basis DEC). Could we break out to the up side shortly?



Crude Oil:

Crude oil opened today's session at \$105.50 recording a high of \$105.92 and a low of \$105.26, where it is currently trading around its opening level. At the March Short-Term Energy Report, the DOE/EIA raised its oil price forecast for 2012 to US\$106/bbl, up +\$5.00/bbl from the previous forecast amid concerns over geopolitical tensions in the Middle East, growth in world demand and supply constraints in non-OPEC countries. Yet, the agency revised lower its oil demand projection for this year. Global oil demand

is expected to reach 88.96M bbl, down from last month's estimate of 89.25M bbl million last month but up +1.20% from the upwardly revised 87.9M bbl in 2011. Meanwhile, the OPEC also revised down slightly global oil consumption for 2012 to 88.6M bbl from 88.2M bbl projected last month while the IEA stated that global demand is expected to stay unchanged at 89.9M bbl this year. As far as other oil news is concerned, the IEA stated in a report that, as the EU oil embargo begins in July, shipment from Iran would drop by -50%. Yet, Saudi Arabia attempted to calm market worries by pledging to take up the lost oil in Iran so that oil supply to European countries would not be affected. Meanwhile, the US President Obama and the UK Prime Minister Cameron jointly said that the window for a diplomatic solution with Iran was shrinking. Tensions over Iran are expected to continue to exert influence on oil's direction in the near-term.

Dollar:

Following is the June dollar chart showing the Stochastics are overbought at 95 but remain neutral to bullish signaling that sideways to higher prices are possible near-term. If March extends the rally off February's low, January's high crossing at 82.29 is the next upside target. Closes below the 20-day moving average crossing at 79.69 would confirm that a short-term top has been posted. First resistance is today's high crossing at 80.80. Second resistance is January's high crossing at 82.29. First support is the 50% retracement level of the aforementioned rally crossing at 78.62. Second support is the 62% retracement level of the August-January rally crossing at 77.76.



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