



Monthly Global Research Newsletter

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MARKET OUTLOOK FOR THE UNITED STATES AND SOUTH AMERICA

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*The following report is an overview of the US and South American economic, political and crop situations as of **January 24, 2012**. This report is intended to be informative and does not guarantee price direction.*

The key events over the last 30 days have been the bearish USDA January 12 crop report and continued uncertainty over European debt and its impact on the global economy. 2012 is an election year in the US, and the Republican debates continue to raise concern about the quality of the potential candidates. US economic data has shown a modest improvement, but may still not be at a level to avoid an increase in US debt. Energy prices remain volatile due to uncertainty over the global economy and increasing Middle East tensions.

March soybean futures are trading around \$12.21. March corn futures are trading around \$6.32. March Chicago wheat futures are trading around \$6.34. Traditional funds have reduced their net longs in corn and soybeans and have increased their net wheat short since the USDA January 12 crop report. Near the post-USDA report lows, US export business has improved. This has improved the cash basis and helped rally futures off their lows.

UNITED STATES

- The USDA estimated the US 2011/12 corn carryout at 846 million bushels (mil bu), down 2 mil bu from December.
- The USDA estimated the US 2011/12 soybean carryout at 275 mil bu (+45 mil bu from December).
- The USDA estimated the US 2011/12 wheat carryout at 870 mil bu (-8 mil bu from December).



- The revised private estimates of US 2012 planted acres vs last year were 94.7 million acres (mil/ac) for corn (+2.8 mil/ac), 74.6 mil/ac for soybeans (-0.4 mil/ac) and 57.9 mil/ac for wheat (+3.5 mil/ac). Higher US 2012 planted acres and normal weather could push 2012 prices lower.

WORLD

- The USDA estimated World 2011/12 corn ending stocks at 128.1 million metric tons (mmt) vs 127.2 mmt last month, World 2011/12 soybean ending stocks at 63.4 mmt vs 64.5 mmt last month and World 2011/12 wheat ending stocks at 210.0 mmt vs 208.5 mmt last month. Higher World supplies and lower demand offered resistance to grain prices.

ARGENTINA

- The USDA estimated Argentina's 2012 soybean crop at 50.5 mmt, corn at 26.0 mmt and wheat at 14.5 mmt.
- The dry summer could further reduce 2012 corn and soybean production. There were rumors this week that Argentina's corn crop could be as low as 18.0 mmt and that the government may have to impose export restrictions.

BRAZIL

- The USDA estimated Brazil's 2012 soybean crop at 74.0 mmt vs 75.5 mmt last year.
- Brazil's 2012 soybean crop is still rated mostly favorable. Rains in the central and northern areas, however, have slowed the harvest and the start of the export year. Recent rains in the south may be helping the crop and could limit crop losses caused by the drier-than-normal weather pattern to date.