

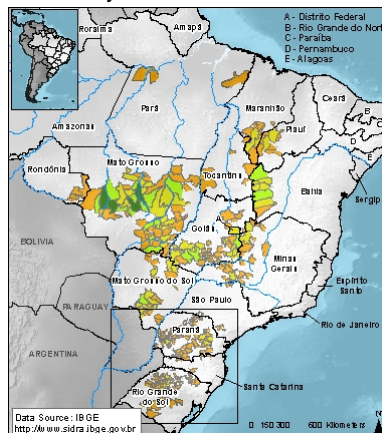
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Market Situation

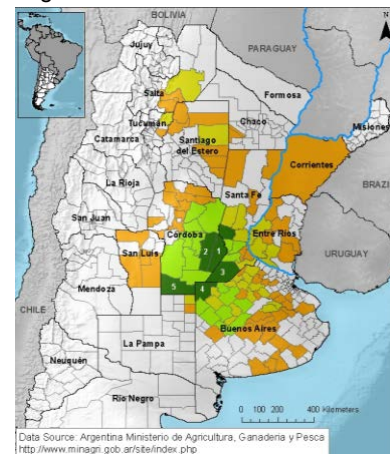
Drought. Production losses from South America due to heat and drought continue to provide fundamental support for grain markets. At this point it does not appear that the current drought is as bad as the 100-year drought of 2008-2009 that cut Argentine crop production by 37%. But drought maps show the drought has intensified over central Brazil's main soybean areas and Argentina over the last month.

Major Production Areas

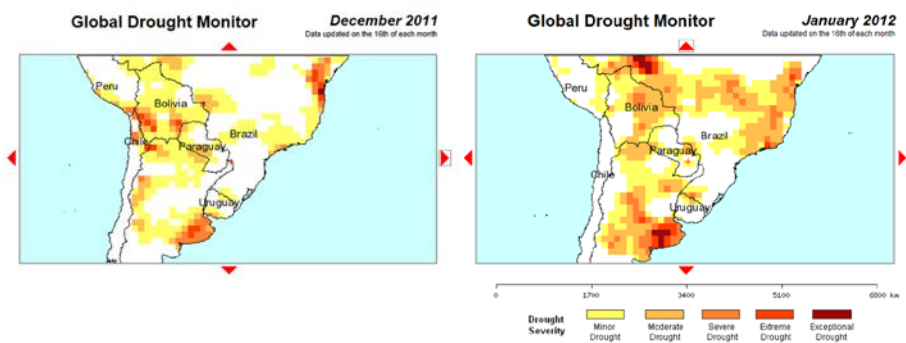
Brazil Soybeans



Argentina Corn



Global Drought Monitor, 3-month Assessment Period

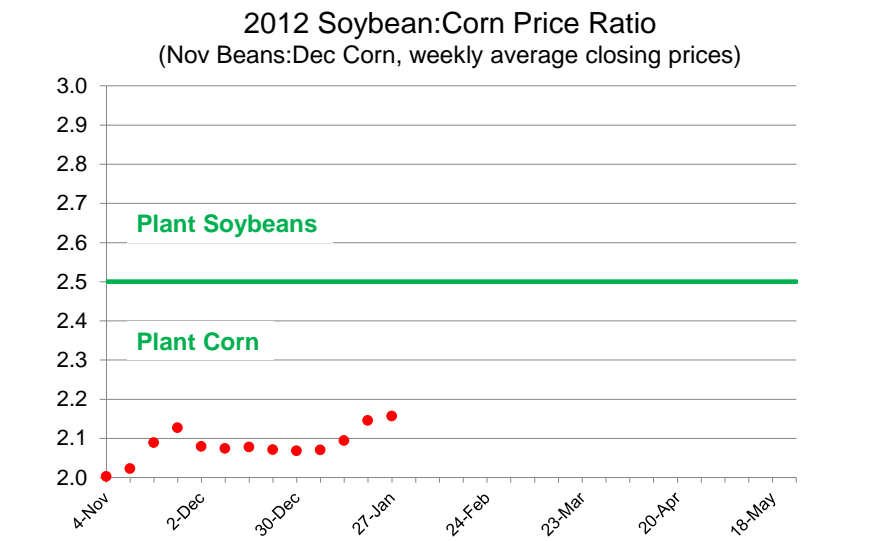
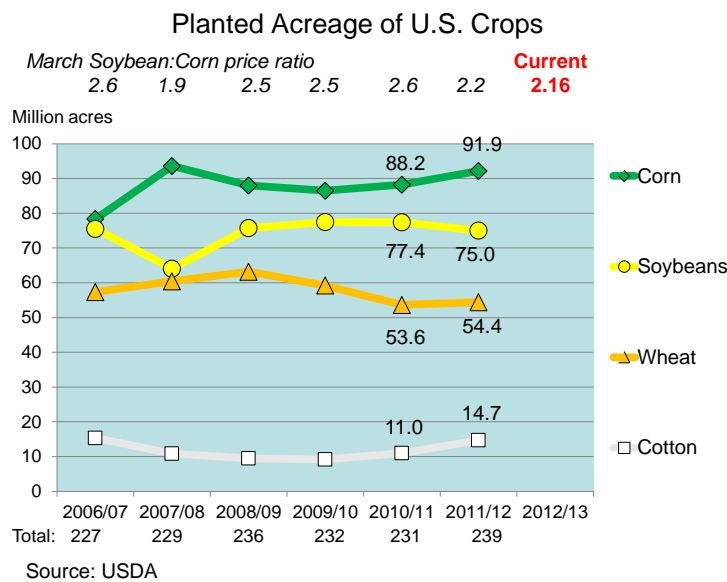


Spring Crop Calendar

	December		January	
	Brazil	Argentina	Brazil	Argentina
Corn		Vegetative to Silking		Silking to Grain Filling
Soybeans	Planting to Vegetative	Planting	Flowering	Vegetative

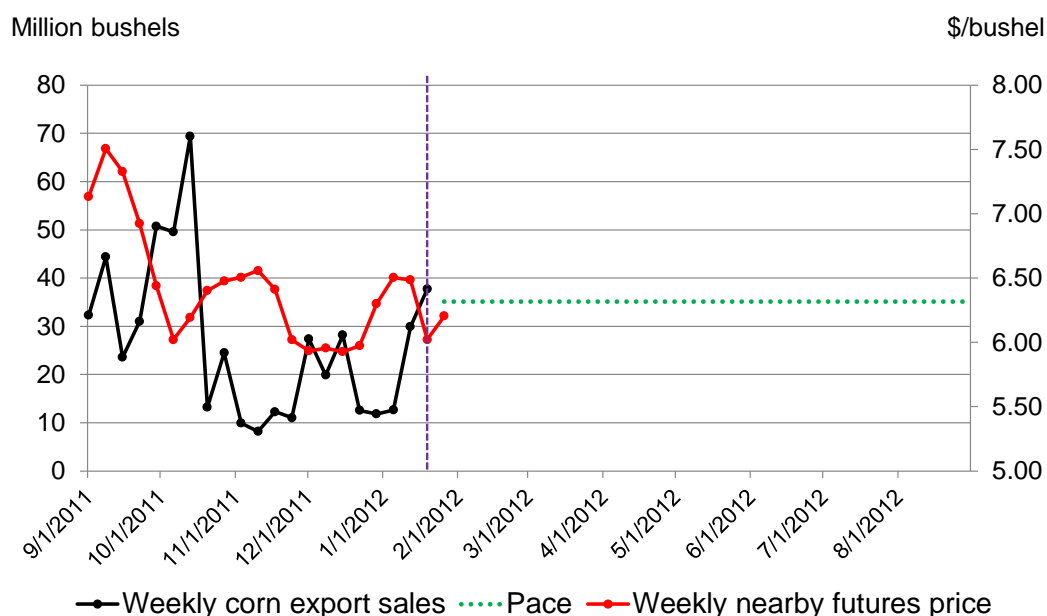


2012 Battle for Acres. Prospects of lower corn and soybean production in South America heighten questions over planted acres in the U.S. this spring. According to Midwest crop budgets the last several years, it takes a soybean to corn price ratio of about 2.5 to equate returns from growing soybeans to corn production. In years in which the March soybean:corn price ratio is about 2.5, corn and soybean acreages are closer together. In years in which the soybean:corn price ratio is closer to 2.0, corn acres increase relative to soybeans. The ratio this week is just under 2.2, trending higher the last few weeks, but still favoring an increase in corn acres for 2012.



Export Sales. U.S. corn export sales for the week of January 19 were 38 million bushels, the second week in a row above the year-to-date average of 27 million. USDA raised its estimate of 2011/2012 marketing year export sales in the January WASDE on corn production concerns in Argentina. In order to meet the revised goal of 1.65 billion bushels, weekly sales need to average 35 million from now to the end of August. The nearby futures price relevant for next week's export sales report is \$6.20, up from this week's \$6.02.

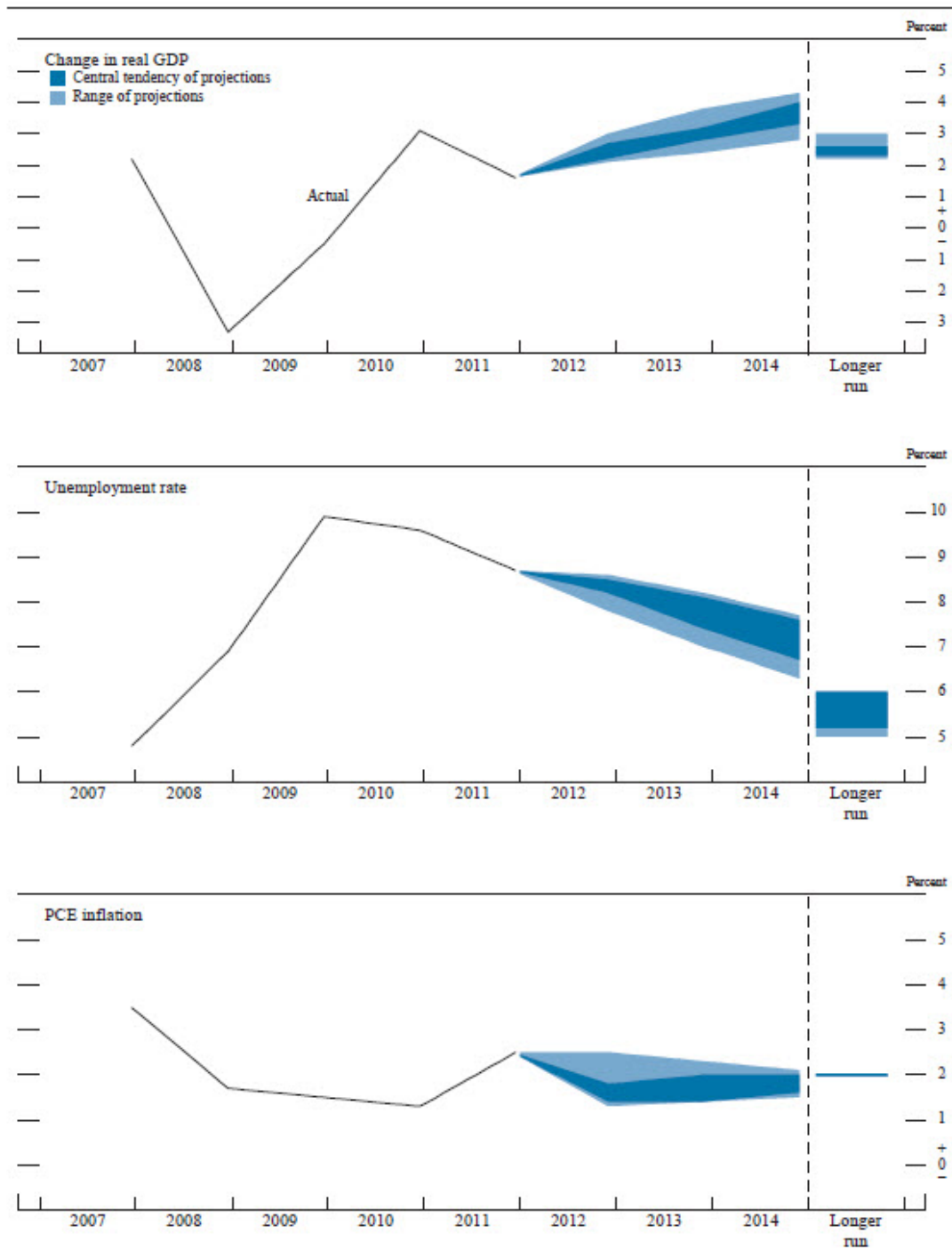
Weekly Corn Export Sales and Weekly Nearby Futures Prices



Export sales this week (1/19/2012): 38 million bushels
 Export sales pace needed to meet estimated MY total of 1.65 bil bu: 35 million
 Average weekly export sales this Marketing Year: 27 million

Outside Markets. The Federal Reserve Board and Federal Open Market Committee released their summary of economic projections on Wednesday. These projections provide the background for the Fed's decision to keep the federal funds rate steady and "exceptionally low" at least through late 2014. Looking forward, Federal Reserve Board members and Bank presidents expect GDP growth to continue to increase in the 3 to 4 percent range by 2014. The unemployment rate is projected to continue to decline to around 7 percent over the next two years. Inflation is projected to remain steady around 2 percent (<http://www.federalreserve.gov/newsevents/press/monetary/20120125b.htm>).

Figure 1. Central tendencies and ranges of economic projections, 2012–14 and over the longer run



NOTE: Definitions of variables are in the notes to the projections table. The data for the variables are annual. Actual fourth-quarter 2011 values for the change in real GDP and for PCE inflation have not yet been published by the Bureau of Economic Analysis; the plotted values of these variables for 2011 are the median estimates taken from the Federal Reserve Bank of New York's January survey of primary dealers.

Feed Grain Market Outlook

January 27, 2012

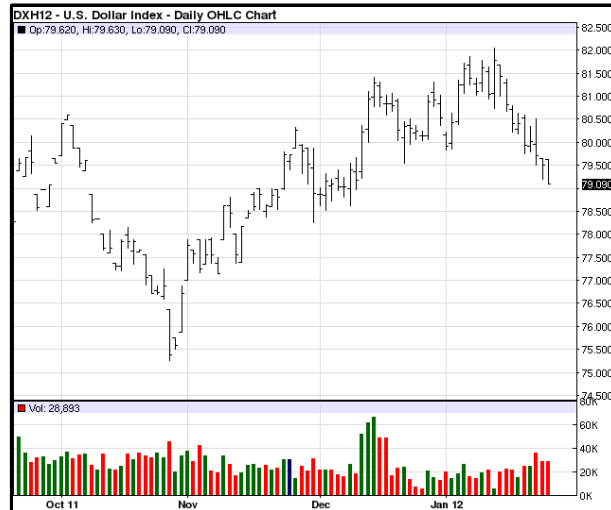
Volume 21, Number 5

Improving Lives. Improving Texas.

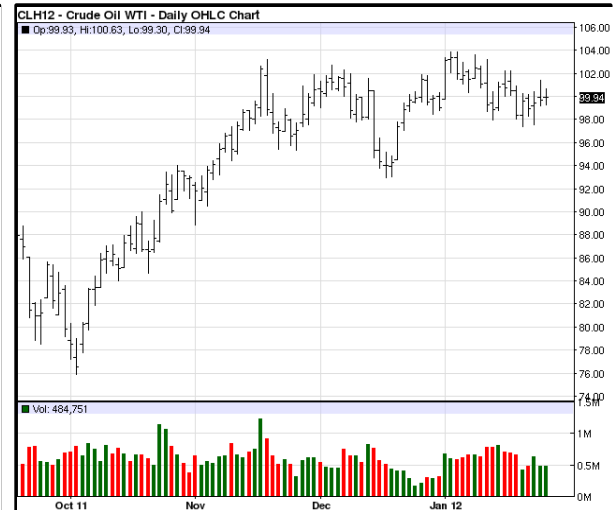
The Commerce Department released its 4th quarter estimate of U.S. GDP growth at 2.8%. Of concern is the degree to which this increase over summer's 1.8% rate of growth is due to a buildup in inventories, a factor that may inhibit growth in 2012. For all of 2011, the preliminary estimate of GDP growth stands at 1.7%.

In Europe today, optimism emerged over a report that a deal to restructure Greek debt was very close and the yield to finance Spain's 10-year debt obligations fell to below 5%. This news provided a boost to the Euro relative to the dollar. The trend in copper prices portends economic optimism and crude oil continuing to trade either side of \$100.

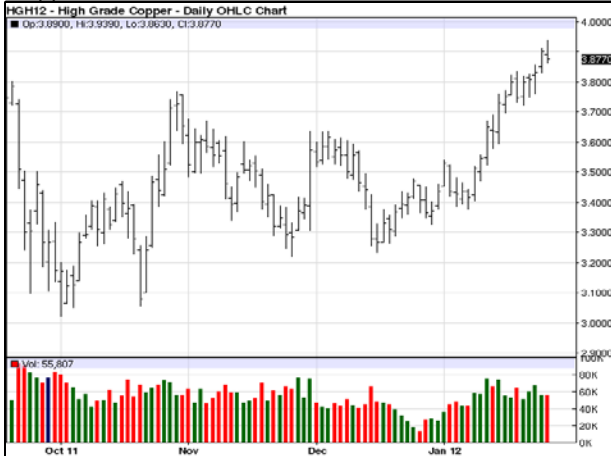
Dollar



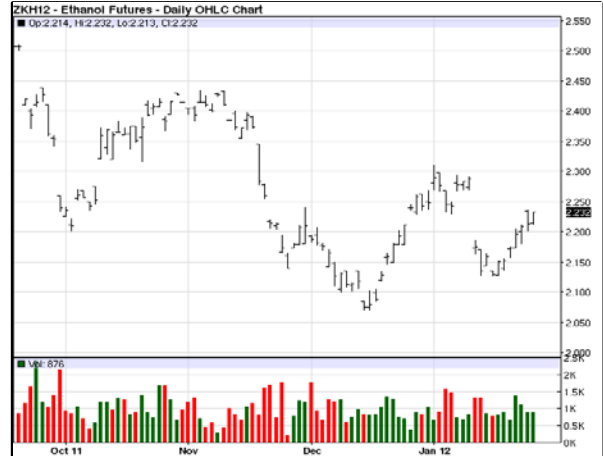
Crude Oil



Copper



Ethanol



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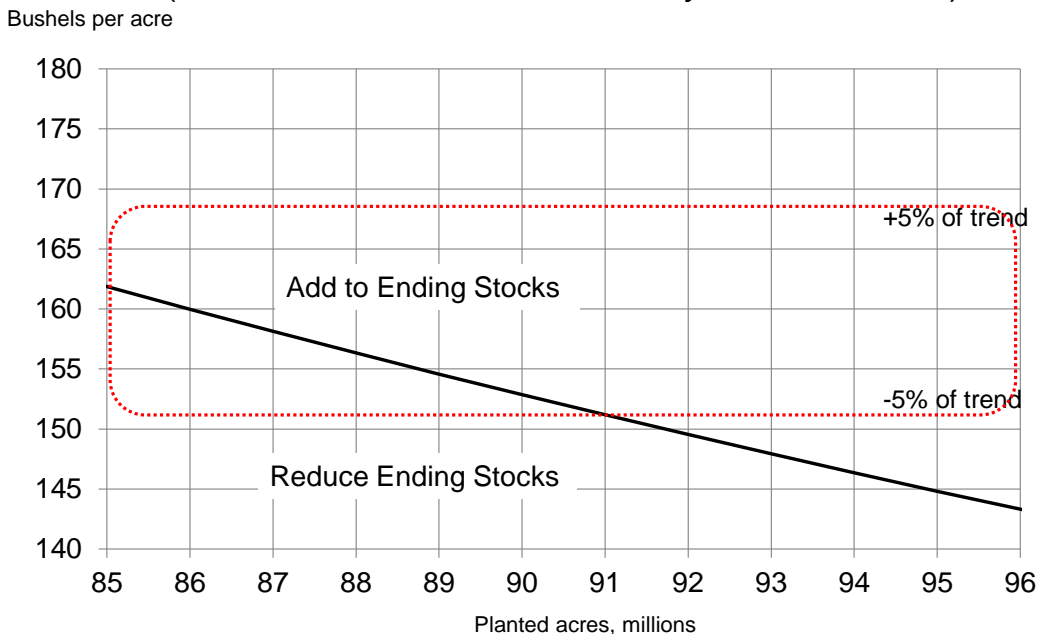
	Friday January 20	Friday January 27	Net Change	Percentage Change
Dow Jones Ind. Avg.	12,720.48	12,692.17	-28.31	-0.22%
FTSEurofirst 80	3,176.75	3,221.06	44.31	1.39%
Mar '12 Crude Oil	98.33	99.57	1.24	1.26%
Mar '12 Copper	3.7450	3.8960	0.1510	4.03%
Mar '12 Dollar Index	80.406	79.015	-1.391	-1.73%
Mar '12 Corn	6.1150	6.4175	0.3025	4.95%
Dec '12 Corn	5.5175	5.7100	0.1925	3.49%
Dec '13 Corn	5.4575	5.6100	0.1525	2.79%

Marketing Strategies

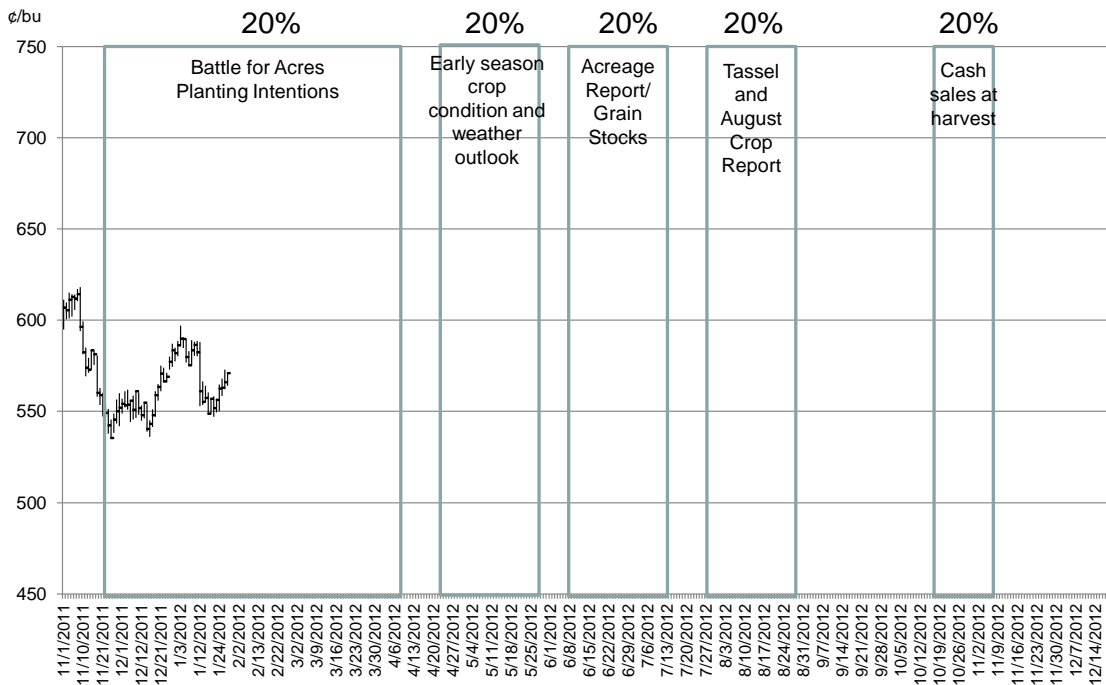
2012 Corn Marketing Plan. If corn demand in the 2012/2013 marketing year holds steady with the January 2011/2012 estimate (12.655 billion bushels), planted acres of 86 million at the trend line yield of 160 bushels would leave ending stocks unchanged. If the national corn yield is once again around the -5% of trend (about 150 bushels), 91 million planted acres is needed to keep stocks constant. If we plant 94 to 95 million acres of corn and use is unchanged, a yield above 145 results in increased ending stocks. I look for an increase in corn acres in 2012, and assuming anything close to normal growing weather for this spring and summer, I have a negative long term outlook for corn prices.

My marketing plan calls for pricing 20% on pre-planting price activity related to South American production concerns and the battle for acres; 20% on early season crop conditions; 20% around the time of the June Acreage report and Grain Stocks; and 20% around tasseling and the August Crop Report. The final 20% will be sold at harvest.

Area and Yield Needed to Produce 12.655 billion bushel crop (demand estimate from January 2012 WASDE)



December Corn Futures and 2012 Marketing Plan



Feed Grain Market Outlook

January 27, 2012

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Mark Welch

Texas AgriLife Extension Economist

600 John Kimbrough Blvd

Suite 335

College Station, Texas 77843

Tel. (979)845-8011

Fax. (979)845-4906

JMWelch@tamu.edu

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