

Wells Fargo Commodities

Daily Agriculture Market Update

Agriculture Marketing

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Market Commentary

10/5/2012

Broader Markets: The monthly Nonfarm Payrolls report was released this morning. The number of jobs added last month was right in-line with expectations, at 144,000. It's the unemployment rate, however, that has everyone talking, as the number dipped below the 8% level for the first time since January, 2009, to 7.8%. Some analysts are crying foul, with the most notable being an ex-Dow Jones Industrial CEO, who accused the government of fudging statistics ahead of the November Presidential election. Equities led the way higher, but are declining towards flat as the session wears on. Commodities are mostly down, even as the dollar takes a hit—with energy once again leading the way, and ags not far behind. (AP).

Corn: Prices are off 8 cents. The UN FAO stated that food prices increased 1.4% worldwide in September, versus August, reversing a trend of slowing inflation across cereals and other food products. Indices are seen close to the levels reached during the 2008 food crisis. The agency revised its cereals production forecast lower, by 0.4% versus the prior figure, to 2.286 billion metric tons. Carryout will be 499 million—down 4 million since the last publication. In domestic corn news, heavyweight ags forecaster Informa indicated it now sees an 11.194 billion bushel crop in 2012/13. That compares to the last USDA projection of 10.727 billion in early September. Other industry groups aren't as optimistic—Lanworth actually marked its yield estimate lower than last month's USDA figure, moving the metric to 120.2 bu/acre. (Agrimony; UNFAO).

Soybeans: The market is up 6 cents. Informa and Lanworth also clashed over beans, with the Informa marking output at 2.86 billion bushels, and the latter indicating the 2.735 billion. (Agrimony).

Wheat: CBOT is down 89 cents, KCBOT is off 4 cents, and MGEX is down 6 cents. Russia is playing hardball and refusing to back down from its export program, despite dwindling supplies caused by drought, as the nation's agriculture minister signed an order to begin exporting wheat from state stockpiles. Experts believe the measure will make little difference: supplies are already tight in the nation, with many producers becoming priced-out of the market. But it does signify a determination to retain market share. Exports from the country will likely only amount to 16-17 million metric tons, by the end of the 2012/13 marketing year, versus the 27 million seen in the crop year that ended early last summer. Also from abroad, a major Australian entity revised its export forecast for the country, marking anticipated shipments down to 17.8 million metric tons—a 30% decrease, y/y. That figure is also well below those published by the USDA and IGC. Physical traders are worried about falling inventories in the nation, too, which almost certainly won't be replenished by this year's harvest. (Agrimony; Bloomberg; Reuters).

Livestock: Fats are up 45, feeders are up 43, and lean hogs are down 15. Estimated gross margins have been diverging for pork and beef packers. There is some seasonality to it, but there are also unique situations in each market. Pork processors have been enjoying healthy returns, as a flood of hogs moves into pipeline, whereas beef packers are feeling the weight of inordinately low cattle on feed numbers. Beef consumers will likely be resistant to increases in prices offered by packers, leaving some facilities to skate on razor thin margins. (Daily Livestock Report).

Coffee: Arabica is down 3.9%, while robusta is off 2.7%. New export data coming out of Brazil shows extremely thin trade, according to a private forecasting agency, with only 2.4 million (132-lb) bags moving out of the country in September. That figure is enough to meet current full-year export forecasts, but is still down significantly, versus 2011/12. (Bloomberg).

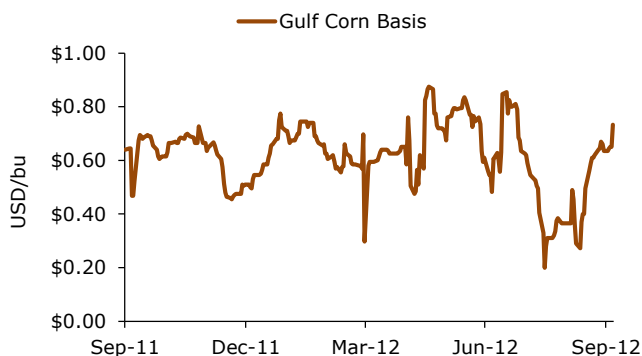
Agriculture Pricing and Fundamentals

	Contract Month	Today's Open	Yest Close	Yest % Change	1-Year High	1-Year Low	1-Month % Change	1-Year % Change	Prior Month Avg
Corn	Dec-12	7.57	7.57	(0.07%)	8.49	4.99	(4.33%)	31.97%	7.63
Soybeans	Nov-12	15.52	15.52	(1.26%)	17.89	11.16	(11.19%)	31.00%	16.76
Soybean Meal	Dec-12	469	469	(0.96%)	542	290	(10.61%)	48.80%	506
Soybean Oil	Dec-12	0.51	0.51	(1.40%)	0.59	0.49	(11.35%)	2.66%	0.56
Wheat (CBOT)	Dec-12	8.70	8.69	0.43%	9.53	6.30	0.26%	17.93%	8.87
Wheat (KCBOT)	Dec-12	8.88	8.87	0.48%	9.57	6.50	0.14%	15.70%	9.10
Wheat (MGEX)	Dec-12	9.27	9.26	0.22%	10.34	7.34	(0.35%)	15.92%	9.44
Oats	Dec-12	3.72	3.71	(2.09%)	4.14	2.69	(3.94%)	8.70%	3.82
Class III Milk	Nov-12	21.06	21.06	0.81%	21.26	15.37	6.58%	23.88%	20.00
Class IV Milk	Oct-12	N/A	19.10	N/A	18.35	13.50	N/A	N/A	17.66
CME Cheese	Dec-12	N/A	2.08	1.16%	2.10	1.45	N/A	N/A	1.95
Live Cattle	Dec-12	125.68	125.70	0.26%	135.55	122.00	(2.77%)	(0.10%)	128.31
Feeder Cattle	Oct-12	144.50	144.48	0.47%	161.50	133.00	(0.38%)	3.70%	144.44
Lean Hogs	Dec-12	76.50	76.05	(0.23%)	86.00	70.05	6.43%	(4.61%)	73.19
Sugar No. 11	Mar-13	21.62	21.60	(0.14%)	25.30	19.48	9.58%	(5.01%)	20.21
Cocoa	Dec-12	2,407	2,395	1.09%	2,833	2,050	(9.31%)	(11.25%)	2,570
Cotton No. 2	Dec-12	0.72	0.72	(0.12%)	0.98	0.65	N/A	(22.80%)	0.74
Arabica Coffee	Dec-12	1.75	1.75	3.43%	2.53	1.54	9.00%	(24.45%)	1.72

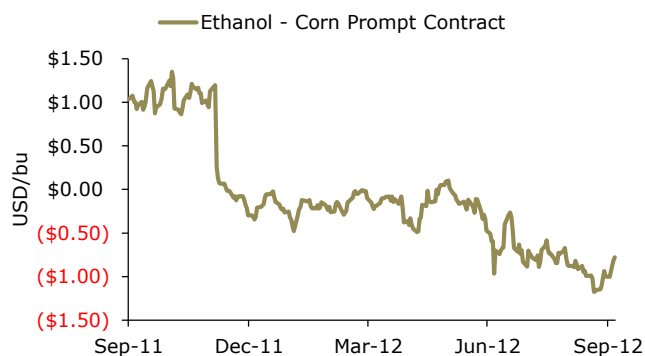
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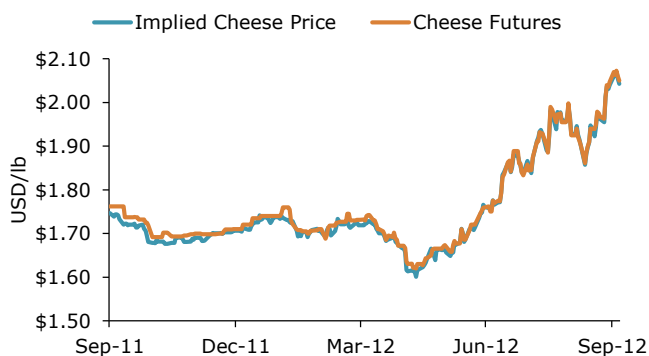
Corn



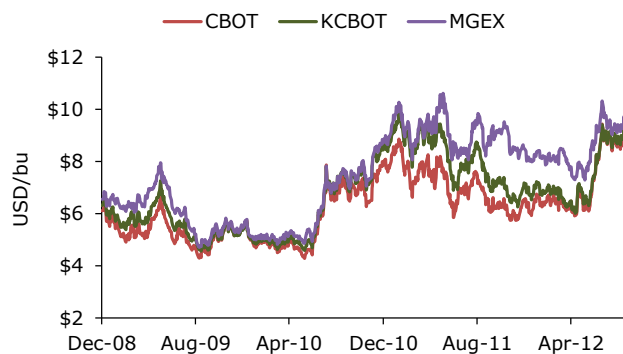
Ethanol Crush



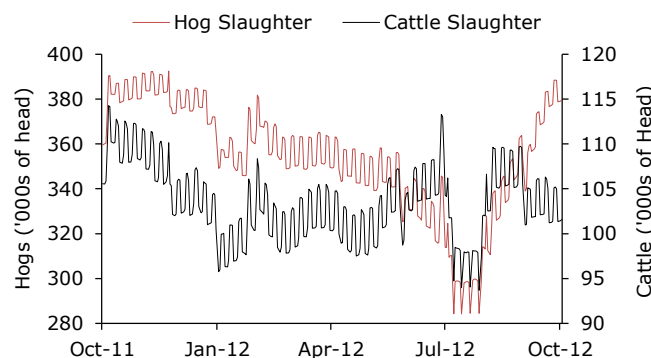
Dairy



Wheat



Livestock - Monthly Moving Average



Market Calendar

10/5/2012	NonFarm Payrolls
10/11/2012	Crop Production
10/15/2012	Advance Retail Sales
10/19/2012	Cattle on Feed
10/19/2012	Milk Production
10/22/2012	Cold Storage
10/26/2012	Livestock Slaughter
10/29/2012	US and Canadian Hogs

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