

NEWCO NEWS

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Pool Return Outlook - 2011-12 crop year

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Durum Values Down in Latest CWB 2011-12 Pool Return Outlook

Winnipeg -- The CWB today released its January 2012 Pool Return Outlook (PRO) for the 2011-12 crop year. Wheat values are relatively unchanged, varying from last month's PRO by \$5 per tonne higher to \$3 per tonne lower, depending on class, grade and protein level. Durum values have decreased between \$2 and \$11 per tonne, with the exception of No. 5 CWAD, which is up by \$1 per tonne. Malting barley values have declined by \$1 per tonne since last month. Pool A feed barley is unchanged.

To view full report online <http://www.cwb.ca/public/en/newsletter/updater/012612.html>

Agriculture Weekly: 2012 US corn production to rise by 10%/y, bean production by 4%/y

Click [here](#) for the full Note and disclosures.

US 2012/13 planted corn acres to reach 93.8 million acres: Based on rotation practices, the projected relative value of corn to soybeans at harvest time, and profitability projections in large corn-producing states, we forecast that US corn planted acres will reach 93.8 mil acres. Factoring in a 9% abandonment ratio implies a harvested acreage estimate of 85.4 mil acres. Our models suggest a trend-line yield of 160.5 bu/acre. Although current weather outlooks suggest that this summer will not be unseasonably hot, precipitation forecasts between various weather models show conflicting information and do not seem to have a strong signal towards either extreme at this time. As a result, our 2012/13 US corn production estimate is 13.7 bil bu, implying a production increase of about 10% from last year. Based on projected higher renewable fuel standards for 2013, as well as the likely increase in ethanol exports and imports in 2012/13, we project that 5.09 bil bu of corn will be processed into ethanol next year. Total US corn exports may also increase by at least 50 mil bu (1.3 mmt) from 2011/12E to 1.75 bil bu. Argentine and Brazilian export supplies will likely fall short of expectations in the upcoming harvest because of dry weather conditions in the current growing season. In the second week of January, we forecasted that Brazilian and Argentine corn exports could fall by 1.25 mmt, collectively, after the 2012 harvest, which could be compensated by higher US exports. However, this loss in South American exports could prove to be conservative, especially if Argentine corn production falls by more than we expect and the government imposes more stringent export controls. Global import demand could be made up by further US exports and exports from Ukraine, especially as a large proportion of winter wheat land will likely have to be replanted with spring crops, such as corn. Feed and residual use is likely to increase slightly from our 2011/12 forecast to 4.9 bil bu. It is likely that pork consumption trends in China will continue to increase and that the Chinese government will continue to build pork stocks, leading to higher US pork production and exports and, by implication, more corn used for feed. If China resolves its anti-dumping investigation as scheduled in June 2012, US dry distiller grain (DDG) exports to China could increase, leading to less available supply for feed domestically. Our supply and demand forecasts imply ending stocks of 1.3 bil bu in 2012/13, leaving 36 days of demand coverage, an increase of 16 days from our 2011/12 estimate.

US soybean production to increase by 4%/y in 2012/13: In the upcoming planting season, we forecast that US producers will plant 74.9 mil acres of soybeans, resulting in harvested acres of 73.5 mil acres. This would be the lowest level of planted and harvested area for US soybeans since 2007/08. We foresee a recovery in yields from 2011/12 (41.5 bu/acre) to 43.4 bu/acre, resulting in production of 3.2 bil bu. Both US crush and export demand will likely rise from last year to offset lower South American production (weather issues) and the possibility that increased biodiesel mandates in Argentina and Brazil would see more beans and products consumed domestically, leaving less available to export in 2012/2013. Our models suggest US soybean exports of 1.425 bil bu (+3.6%/y) and domestic crush of 1.66 bil bu (+1.0%/y) in 2012/13. This would leave ending stocks of 189 mil bu with an ending stocks-to-use of 5.9%

Trade Stats Speak Volumes

By Peter G. Hall, Vice-President and Chief Economist

Data is normally the analyst's best friend. Add a dollop of volatility, and it can fast become a foe. Data's wacky wanderings of late have foiled many a forecast and contributed to an exaggerated, widespread sense of unease. International trade data were no exception, volatile right through the end of 2011. Do they give any hints of where global trade activity is headed this year?

Price movements are part of the turbulence. Although they matter deeply, prices can distort the real flows of goods and services that are occurring. Net of price fluctuations, the latest trade activity compared with the same point last year is still generally robust worldwide, with the exception of Europe. Cumulative numbers for 2011 compared with 2010 are far more impressive, up 6.2 per cent with Central and Eastern Europe, Asia and the US leading the charge. So far, so good.

Given this picture, what do we make of scary press reports and the global fear-factor? Recent worries are in part a reaction to recent figures. Data toward year-end soured considerably, down 3.8 per cent at annual rates in the final quarter, with one month of data pending. This is a significant setback, and has all but snuffed out export momentum heading into the New Year. Built-in growth heading in to 2012 is just 0.3 per cent, compared with 3.9 per cent at the same time last year. Troubling indeed.

Yet not all economies are in the same boat. Latin America boasts strong, double-digit growth in the final quarter that gives its exports a 5.2 per cent push heading into this year. Central and Eastern Europe is not far behind, with 4.4 per cent growth momentum. Even the US had a great finish to the year, and carries 2 per cent growth into 2012. Africa and the Middle East are the same.

In stark contrast, European exports fell at a shocking double-digit annual pace in the final quarter, capping a volatile year and throwing the 2012 outlook into question. Even more influential is the about-face in emerging Asia. Fourth-quarter exports were down by a vastly out-of-character 8.5 per cent, enough to take the current level of exports 2.2 per cent below the 2011 average. Japan saw an unthinkable 14.2 per cent drop at the same time. Without a quick rebound in Asian exports, the forecast for trade activity this year is not good.

Why the sudden change? Asia was pummeled last year by natural disasters. Trade staged a remarkable rebound following Japan's catastrophe last March, only to be hobbled again by late-year flooding in Thailand. Supply chains in the auto and computing equipment sector were disrupted worldwide, but the effects were greatest in Asia. December data indicate a partial recovery in a number of trade-sensitive economies, but the climb back to average numbers is a long one.

If Japan's 2011 story is anything to go by, current reconstruction efforts in Thailand will enable a rapid recovery in trade flows. Trade numbers elsewhere – Europe excepted – indicate that demand is still strong, and that momentum can be restored if there are not any further unexpected interruptions.

The bottom line? Weakness on the trade front is bad news for a world that in recent years has become more dependent on trade as an overall source of growth. On certain fronts, weakness is temporary; on others, it appears more systemic. The former should prevail, promising higher growth.

AMI Episode 3 – Cost of Production (COP) – Using COP to Your Business Advantage January 23, 2012 --Shaun Haney

Have you ever been to a farm meeting and there is a speaker talking about the cost of production? Do you ever feel like they are speaking no different than the teacher in Charlie Brown?

Farming is business and businesses need to know their cost of production. Guessing your cost per acre is just not good enough.

A great way to not impress your banker is to not know your cost of production. Cost of production is not about the pennies, its about understanding your business from the expense side of the income statement. Knowing your cost of production creates the opportunity to be a better crop marketer. Knowing what price you need or would accept based on expected return over costs is much better than just accepting a price based on the “feel” on that day.

Having a grasp of your cost of production prevents the uncomfortable feeling of not knowing what is happening in your business. Becoming a better farm business manager is not just about getting more for your soybean crop. Its also about controlling and managing your costs. This leads into capital expenditure decision making and building your long term loan strategy. Cost of production is not sexy but knowing it does pay the bills and it will make your farm business successful in the long term.



See more episodes of the [Farm Business E-Team Series](#)

To view video, [click here](#)

South Korea Lifts Ban on Canadian Cattle Imports

January 20, 2012 By [Anne Dunford](#)

The Canadian Cattlemen’s Association released information this morning that South Korea has lifted its ban on Canadian Beef imports. This news is long overdue and we have to realize that trade resumption doesn’t happen overnight.

Learning from our agreement with China, Canada must complete all of the more detailed technical issues as quickly as possible so that potential trade can happen.

The psychology of opening a major market has great impact on the mind set of producers, packers and trade associations. This decision made by South Korea also has large potential impacts on some other issues.

- US plants in the midwest that chose to export to Korea will now be able to kill Canadian cattle again.
- Will this bring Japan closer to changing their policy on Canadian cattle under 21 months to 30 months?



According to the [CCA press release](#), the Canadian industry is expecting a return to \$30 million in beef exports into South Korea by 2015.

This is great news but it will have limited impact on the cash market in the short term. As you’ll hear in the next Beef Market Update growing the Canadian export portfolio is critical for our industry. Great job and congratulations to everyone involved in making this announcement happen.

KANSAS CITY (Dow Jones)--The following estimates, as compiled by Dow Jones Newswires, are for the **U.S. Department of Agriculture's semi-annual cattle inventory report**. The report was released Friday afternoon.

USDA's Estimates	Average of analysts' estimates	Range of analysts' estimates
Total US Cattle Inventory Jan 1 At 90.769 M Head		
Total US Jan 1 Cattle Inventory 98% of 2011	98.5	97.4- 99.1
2011 Calf Crop 35.313 M Head; 99% of 2010	99.1	98.4- 99.5
39.112 M Cows/Heifers Calved; 98% of 2011	98.1	96.4- 99.2
29.883 M Beef Cows/Heifers Calved; 97% of 2011	97.5	95.5- 98.8
9.230 M Dairy Cows/Heifers Calved; 101% of 2011	100.2	98.8-100.9
Inventory Of Heifers 500 Pounds/Over 99% of 2011	99.6	98.3-101.1
5.212 M Heifers For Beef Cow Replacement; 101% of '11	97.8	96.0- 99.8
4.527 M Heifers For Milk Cow Replacement; 99% of '11	101.8	100.7-103.1
9.649 M Other Heifers Kept for Feeding; 98% of '11	99.4	96.8-101.8
Inventory Of Steers 500 Pounds/Over 98% of 2011	98.7	97.7- 99.4
Inventory Of Bulls 500 Pounds/Over 95% of 2011	97.5	95.2- 99.4
Inventory Of Calves Under 500 Pounds 97% of 2011	97.9	97.2- 99.3

Note: USDA rounds its estimates to the nearest whole number.

-By Curt Thacker, Dow Jones Newswires; 913-322-5178;

Lego Man In Space: Mathew Ho And Asad Muhammad, Ontario Teens, Send Toy Figure Into Atmosphere (VIDEO)

To view Footage [Click Here](#)

Most high school students only launch things into space in video games, but two Toronto teens were able to send an object out to the edge of Earth's atmosphere – in real life.

What did they launch? A Lego man bearing a Canadian flag.

"We didn't really believe we could do it until we did," Mathew Ho, one half of the talented duo, told the Toronto Star.

The newspaper reports that Ho and Asad Muhammad launched a balloon carrying a Lego man and cameras and then waited more than 90 minutes for it to fall down.

The wait was worth it — the footage from the Lego man's impressive journey turned out and the two teens posted it to YouTube.

According to CityNews, the project cost the teens – who are Grade 12 students at Toronto's Agincourt Collegiate Institute – approximately \$400.

The two friends estimate the unit climbed to approximately 80,000 feet before the balloon popped.

"It shows a tremendous degree of resourcefulness," Dr. Michael Reid, a University of Toronto astrophysics professor, told the Star. "For two 17 year olds to accomplish this on their own is pretty impressive."

Ho told the Star he was driven to start the project after seeing a video of MIT students launching a digital camera into near-space.

Ho hopes to pursue a commerce degree in Canada and Muhammad is looking at a number of engineering programs, according to CTV.

Price watch:

Exchange Prices ~ Closing prices – Friday, January 27, 2012 (compared to the previous week)

NEW as of 01/27/12 #1 CW Barley – ICE/ BW				CBOT Wheat – Price per Bushel				CBOT Corn			
12-Oct	181.00		0.00	12-Mar	6.472	UP	0.368	12-Mar	6.416	UP	0.302
12-Dec	184.00		0.00	12-May	6.616	UP	0.332	12-May	6.474	UP	0.308
13-Mar	185.50		0.00	12-Jul				12-Jul	6.510	UP	0.308

<http://www.newcograin.com/futures-market-watch/>

Joke for the week:

A small boy was looking at the red ripe tomatoes growing in the farmer's garden. "I'll give you my two pennies for that tomato," said the boy pointing to a beautiful, large, ripe fruit hanging on the vine.

"No," said the farmer, "I get a dime for a tomato like that one."

The small boy pointed to a smaller green one, "Will you take two pennies for that one?"

"Yes," replied the farmer, "I'll give you that one for two cents."

"OK," said the lad, sealing the deal by putting the coins in the farmer's hand, "I'll pick it up in about a week."

Wisdom for the week:

When we are no longer able to change a situation, we are challenged to change ourselves.

— Victor Frankl

Story/Lesson for the Week: Good Ethics is More Than Good Business Ethics is a popular topic at corporate meetings today because managers correctly see the benefits. Good things tend to happen to companies that consistently do the right thing, and bad things tend to happen to those that even occasionally do the wrong thing. Being ethical is playing the odds.

Ethical companies have a competitive edge because people prefer to deal with firms they trust. They also benefit from high credibility; being believed is an enormous asset. In addition, ethical companies attract and retain employees better because they have higher morale. And finally, good ethics generate a good reputation, good will, and loyalty.

So it's true: Good ethics *is* good business.

Still, I question the strategy that most companies use to motivate employees to be ethical: stressing how their ethical behavior will benefit the corporation. The problem rationale is grounded in self-interest rather than morality; it is essentially amoral. It has nothing to do with ethics.

Doing the right thing to get something in return is an investment, not a demonstration of character. Ethics based on self-interest is situational; ethics based on moral convictions is reliable. It's the difference between *acting* ethically and *being* ethical.

Trying to motivate people to do the right thing by stressing benefits rather than values and virtue turns decision making into a cold cost-benefit analysis rather than a reflection of what's right.

But if a company encourages employees to make decisions based on the supposed advantages, why should anyone put the firm's interests above his own? In the absence of authentic moral conviction, why should employees refrain from unethical or illegal conduct if they think it will save their job or enhance their compensation? Clearly, what's good for an enterprise is not always good for its employees.

My point is, it's foolish and fruitless to expect most employees to sacrifice their financial well-being for the good of the company. On the other hand, many will do so in the name of honor, as a matter of conscience, and to earn the esteem and admiration of family and friends.

Corporations have a much better chance of deterring improper conduct by appealing to conscience and principle rather than to risks and rewards. This is Michael Josephson reminding you that character counts.

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