

This Week in Agriculture:
News That Could Make a Difference: September 25, 2015

- After last week's abhorrent finish many traders were hesitant to harbor any optimism coming into this week. However the markets were quick to see some buying support as speculators found their way back to the market place as a general lack of hatred for commodities seemed apparent this week. Though we tended to yo-yo and lurch from one day to the next we managed to finish the week stronger across the board. When the dust settled corn was up nearly 12 cents, while beans were up 22 (most of which came in today's 21 cent rally). December wheat finished the week just over 21 cents higher as well.
- Though harvest tends to be the main focal point this time of year, the thousands of other moving pieces in our current global market place stole the show. The biggest piece at play this week seemed to be the moves in Brazil's currency. As we've discussed before the Real is on an unprecedented path, shedding value at an historical pace, losing over 33% this year alone.
- The lack of value in the Real compared to the dollar has basically turned the United States ability to be competitive in the global export market on its head. The lower currency not only is attractive to foreign buyers who in theory can buy more with less, it is also encouraging the Brazilian grower to increase production. Since soybeans are sold in dollars the drop in the Real means the Brazilian farmer is able to sell soybeans at a higher price than was available during the height of the 2012 drought.
- While the price the grower receives has strengthened significantly with the declining currency, the cost of his inputs has increased substantially. This lack of buying power combined with tight credit could have significant implications on what goes in the ground when spring planting hits in the Southern Hemisphere. Reports indicate that bookings of crop inputs are down over 11% from last year at this time.
- After the Real hit its lowest value ever recorded on Tuesday the country's central bank governor declared he was prepared to use all tools available to help stop the country's currency devaluation. The declaration worked to stem the sell off and produced a solid rally late into the week, helping remove some of the weight corn, soybeans and wheat have been working under for the last several weeks.
- The idea of production increases out of South American and cost competitiveness were in the forefront of many traders' minds this week as Chinese President Xi and his trade delegation visited the country. Though this trip is an annual occurrence recent market volatility and seemingly bad economic news for the country made this visit take on a much heavier feel. One of the common practices when the trade delegation visits is to make ceremonial purchases, basically wide open agreements or broad commitments for goods.
- The painfully slow pace of Chinese import commitments for beans out of the U.S. this year has been a hot topic among traders. It doesn't take much research to see commitments are slow, and though the pace has picked up recently we still see overall soybean sales running 15% slower than the 5 year average. Ahead of this week some market commentators had mentioned the likelihood that this year's ceremonial commitments would be much lower than seen these last couple years, with some even mentioning the potential for little to no commitments being made. President Xi and his delegation surprised many by announcing 13.18 mmt of commitments, a record large number.
- However, much like any supportive headline seen this year the market was quick to shrug it off. The fact that the commitments in question are done mainly through "frame contracts" where only a quantity is set with nothing solid yet agreed upon when it comes to value and ship periods were the main argument behind the lack of enthusiasm. And while many of the commitments were made for the 15/16 marketing year, the idea that some of these sales could be drug into the 16/17 crop year kept a lid on excitement as well.
- Also on the Chinese front we are seeing a continuation of slow government reserve sales when it comes to the country's domestic corn ownership. With yet another record harvest expected and quickly on its way, it is interesting to note that the country has sold under 4% of its total ownership this marketing year. Quality and price seem to be the most limiting factors, with the domestic price still above \$9/bu even after the recent decline. This lack of ability to sell is frustrating government agents and likely to cut into what the country takes in this harvest. This plug in the pipeline has prompted the government to lower the support

price offered in the new crop year by 10%, potentially changing how the country approaches corn production in the years ahead.

- Traders will be looking to updated quarterly stocks numbers slated to be released on Wednesday. These numbers will give us a final look at what the USDA expects for old crop ending stocks and subsequent new crop carry-in. Ahead of the report traders are expecting 1.739 billion bushels of corn to still be on hand as of September 1st, with 205 million bushels of soybeans thought to be in the bin.

With heavy rains centered throughout parts of Nebraska, Iowa, South Dakota and Minnesota it is likely the Western Belt will show some slight harvest delays in Monday's report, though relatively dry conditions has likely propelled harvest pace to above normal levels in the Eastern Belt. Early yield results remain variable with wet conditions and some pollination issues prevalent in some areas, while near ideal growing conditions in others has produced solid yields, especially when it comes to bean reports.

Next week as mentioned we will be watching for the USDA Quarterly Stocks report as well as outside markets and what takes place with the Real. Some talk today was that a low could be in place, while others think the country has a lot of work to do before it is out of the woods. Traders will be watching close for continued export sales announcements as the current slow pace to sales and potential increase in production out of South America continues to trump any type of bullish production news.

In the meantime early harvest basis opportunities combined with the recent rally in futures has resulted in some decent marketing opportunities for those of you who have to make cash sales at harvest. Give us a call with any questions, we're here to help. Until next week, have a great weekend and stay safe!

All the Best!

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