

**This Week in Agriculture:**  
**News That Could Make a Difference: February 5, 2015**

- **I will be out of the office tomorrow so we're summarizing this week's market activity a day early. If the rest of the month traders like the first week, February is going to go down in the record books as one of the most volatile we've seen in awhile. At this point in the week corn is up 15, beans are up 20 and July wheat is 28 cents higher.**
- **As we've seen in recent weeks fund and outside macro activity seem to be in the driver's seat as we work to get our hands around true demand in the months ahead, as well as what we can expect supply-wise out of South America. The best example of this influence was seen this week on Tuesday when higher priced crude, a weaker dollar, a move by the Chinese Central Bank and a potential cut to the Brazilian soy production outlook helped to fuel a massive fund led rally. When the dust settled that day we saw 21,000 contracts of corn (105 mln bu), 14,000 contracts of soybeans (70 mbu) and 8000 contracts of wheat (40 mbu) freshly purchased by funds.**
- **It appears that many market followers are getting a crash course in currency conversions as continued uncertainty throughout the global economy weigh heavy on the minds of central bankers. This week China's Central Bank announced a cut to the required amount of cash a bank must hold in reserve. This is the first such move since early 2012 and could free up 96 billion dollars worth of cash moving it into the Chinese banking system over the next year. With the recent slowdown in growth many welcomed this move as a way to help stimulate the economy.**
- **While the recent run up in the dollar appears to have slowed in the last week the relative strength in the complex is helping the Brazilian farmer out in the face of lower prices. While farmer sales remain slow at an estimated 33% of new crop bushels sold versus 49% a year ago, the currency conversion rate is putting nearly 75 cents worth of premium on their beans since they are primarily sold in dollars. Tuesday's rally did encourage some selling though, with an estimated 600,000 bushel worth of soybeans sold by the Brazilian grower that day alone.**
- **One reason farmer sales in Brazil could be slower than usual is the general concern over yield potential in some regions of the country. While production outlooks continue to call for a record crop the idea that a hot and dry July could limit the top-end yield potential has traders paying attention, and watching Tuesday's updated supply and demand report for any cuts.**
- **One other development traders are monitoring is the vessel line up in the ports of Brazil now that harvest is over 10% complete. Compared to a year ago there are far fewer vessels waiting to get loaded. Whether this is because of last year's loading delay, this year's slower start to the growing season or a general lack of interest remains to be seen, but will be closely watched in the weeks ahead.**
- **The higher dollar index doesn't appear to be having any sort of major effect on current export pace. At this point in the marketing year we only need to sell around 3.3 million bushels a week to meet USDA projections. This week we sold 18 million bushels. Similar to the action in beans we saw this week's corn export sales come in nearly double what is needed weekly to meet USDA estimates. The quickened pace to sales has many traders anticipating a potential increase in export demand for both commodities in Tuesday's report.**
- **Wheat finally caught a break in the export market this week as well, with Egypt announcing a U.S. only wheat tender could be opened shortly. While the U.S. will finance this purchase, it is still an interesting development in a market that has struggled the most with the higher dollar and increased global competition.**
- **Ethanol numbers continue to cause a bit in the way of concern as margins are being eroded. This week's ethanol production report indicated a 3% decline in production from last week and a 2% increase in inventories. Even after the week to week decline in production we're still up nearly 6% from a year ago and are ahead of the amount needed weekly to meet USDA usage projections. The biggest concern of course, is**

growing stocks, with a 25% increase from a year ago. News that Brazil is upping their blending requirements from 25% to 27% may help spur much needed exports, but they may be slow to come.

- In sad news, after 167 years in existence the CME Group announced plans to close the bulk of open outcry pits at the CBOT in early July. Once the only way to hedge grain, open outcry trading only amounts to about 1% of total trade volume, with electronic trade exploding over the last 5 years. Options pits and the S&P 500 Futures contract will continue to trade as they always have, only in a different location.

We will likely continue to see back and forth activity over the next several days and weeks as traders try to determine if short-term bottoms have been found in crude and other outside markets, and whether or not deflationary concerns continue to be warranted. Ahead of Tuesday many traders are anticipating a slight reduction in soybean carryout, while they anticipate small increases in both corn and wheat carryout figures. We will have the numbers for you Tuesday after their release. In the meantime, don't hesitate to call us with any questions, we're here to help.

All the Best!  
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