

This Week in Agriculture:
News That Could Make a Difference: March 27, 2015

- After plodding through a relatively news-free couple of months traders can now see the light at the end of the tunnel via the USDA Prospective Plantings and Quarterly Stocks report due out on Tuesday. Their only hope now, it's not a train. For the last full week of trade ahead of a solid dose of information we saw both May and December corn finish 6 higher. Soybeans finished the week 6 lower; while July wheat gave back most of last week's gains, closing 22 lower when the bell rang Friday.
- After a relentless move higher these last several weeks the idea the dollar index was taking a breather came as a breath of fresh air for traders. We saw both corn and wheat hit multi-week highs, while at its weakest we watched the dollar hit 3 week lows against the Euro. However, positive job information and supportive comments from Fed officials pushed the dollar higher yet again Thursday into Friday.
- Crude saw a roller coaster week as well. Tension in the Middle East reached a boiling point mid-week as Saudi Arabian air strikes in Yemen sent oil surging higher overnight Wednesday into Thursday. The fact that Yemen has little in the way of influence on Middle Eastern oil production from a global standpoint allowed cooler heads to prevail in the pits and a subsequent selloff to ensue. However, the ferociousness in the move higher should come as a sign of caution when it comes to just how skittish the market can become.
- Of course the dollar remains in the forefront of trader minds across the globe. Wheat exports continue to struggle, coming in at a marketing year low this week. And while slower than expected Canadian imports have some believing we could see an offsetting supply adjustment against lackluster export demand, the idea that we remain one of the highest prices in the global market—even in the new crop time period weighs heavy on buying sentiment.
- From a global competition standpoint in wheat it is easy to see where some of our export business has gone. European Union wheat sales are already 1.7 million tonnes (62.5 mbu) higher than last year's record sales pace. Ideas Russia could reenter the global market as an exporter is less than supportive to price as well. High domestic prices and inflation had pushed Russian government officials to put an export tax on wheat, slowing overall sales. Officials announced this week that tax could be removed at the end of June. New crop production potential and inflation will be the key determining factors, with a final decision coming sometime this summer.
- Corn export sales continue to struggle a bit as well. Overall export pace is now 8% behind last year, with the USDA anticipating a 6% decline. Shipments continue to run ahead of the pace needed however, begging the question as to whether buyers are truly not interested, or just waiting to see if values move lower as we get into the growing season.
- Exports will be important to watch of course as we work our way through summer. It is interesting to note that just 10 years ago the US was responsible for 67% of global export supplies. With the introduction of new domestic demand, production issues and a rise in global competition that number has dropped to 39.1%. With global corn usage increasing by 4.4 billion in the last 2 years it's likely our export share could grow once again if domestic supply and values remain somewhat steady.
- Traders were excited to see China back in the US corn buying biz though with a 2.4 million bushel purchase off the PNW. Though it seems insignificant, the purchase was the first solid buy by the Chinese in nearly a year and the largest since the GMO debacle began last year. What will be interesting to watch is how China adjusts their feed grain purchases when/if we run out of available sorghum supplies to sell. Chinese buyers have loved booking sorghum as the lack of GMO concerns and import duties have made it an easy crop to incorporate into feed rations. With US corn relatively cheap compared to interior values and sorghum supplies tightening through summer the hope is we will see Chinese buyers return.
- One thing is for certain when it comes to Chinese demand though, their need for beans remain somewhat insatiable. This week's export sales were the largest in several weeks and have pushed us to 99.5% of the overall USDA projection—nearly 5% ahead of the 5 year average. As wait times continue to grow at

Brazilian ports it is likely we could continue to see export demand, but traders continue to insist this business will all but dry up once record South American crops begin to flow freely.

- **As mentioned, the USDA will give us two key pieces of information Tuesday with their planted acreage and quarterly stocks numbers. Ahead of the report traders are expecting corn acres to come in around 88.7 mln acres, 1 million acres less than we saw planted last year. At the same time traders are anticipating the USDA will announce farmers intend to plant just under 86 million acres of soybeans, up just over 2 million acres from a year ago. All wheat acres are expected to come in around 55.8 million, with winter wheat accounting for 40.3 million acres of that figure.**
- **While Tuesday's number will shed light on what farmers intend to plant, Mother Nature will have the final say. While it is early yet to get overly concerned planting delays in the south may already test grower's determination when it comes to planting corn. As of Monday Texas was only 4% planted versus their average pace of 37%, while Louisiana was 47% behind their average planting pace at 1% complete. Arkansas and Mississippi are 11% and 17% behind their average pace respectively as well. With many growers in Texas and Louisiana shooting for an April 1st corn planting completion date what is intended and what is actually planted could shift dramatically if weather does not improve.**

Monday's trade will likely be a day of catch up and position squaring ahead of the report. We could see some interesting volatility develop as traders get ready for what the USDA has in store for them. If you haven't done so already it may not be a bad idea to touch base on what opportunities are available selling-wise. Having a plan in place ahead of a big shot of information is never a bad idea. We will have the information together for you once it comes out Tuesday. In the meantime don't hesitate to ask any questions, we're here to help. Until next week, have a great weekend and stay safe!

**All the Best!
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