This Week in Agriculture:

News That Could Make a Difference: February 26, 2016

- **This week was another dose of déjà vu all over again as the markets retreated from the high side of their recent range at the start of the week, working to test support levels as we rolled into Friday's close. The only market to break out of its recent range was wheat, which unfortunately found itself trading near 8 year lows as big crops continue to get bigger it seems across the globe. As the dust settled we found corn down , beans lower and wheat down .**

- **The USDA's yearly Outlook Forum garnered the bulk of trader's attention this week. With all other news basically factored into the market structure and this being our first look at what the USDA expects to unfold in the upcoming crop year the attention was well warranted. The only thing that could be considered remotely surprising in this week's numbers was the 2 million acre increase in corn area from a year ago and even that wasn't much above recent survey results. It is important to remember these numbers are created by economists, not farmer or industry surveys, but they are interesting to look at nonetheless.**

- **Looking at the corn side, as mentioned the USDA anticipates farmers will plant 90 million acres of corn this coming spring. That is up 2 million acres from a year ago, but slightly below the 90.6 million planted in 2014. With a trend line yield of 168 bushel per acre and small increases to feed usage and export projections the USDA expects total corn carryout to come in around 1.977 billion bushels when all is said and done. While this number is larger than current projections it does indicate that if realized pricing levels should remain somewhat stable, barring a weather event.**

- **On the soybean side of things the USDA went slightly against recent industry expectations and lowered their projected soybean acreage 200,000 acres from last year's plantings. At 82.5 million acres and a trend-line yield of 46.7 bushels per acre the USDA expects production to come in slightly below this year. They anticipate usage will be up for both exports and crush resulting in a 10 million bushel reduction in carryout, with ending stocks projected to come in at 440 million bushels. Similar to corn the overall outlook is one of price stagnation with selling opportunities to arise if any type of weather event is perceived.**

- **The wheat supply and demand outlook continues to look abysmal without a weather event developing, not only here in the United States but abroad as well. Demand appears to remain steady overall, but production outlooks continue to grow. That combined with already burdensome stocks has allowed wheat to drift to new lows for the time being as buyers wait to see if some type of weather event is anywhere on the horizon.**

- **On the old crop usage side we saw ethanol production expand ever so slightly again this week, while stocks were a touch lower. While it is good to see higher production and lower stocks (this shows an increase in indicated demand) the fact that an already full ethanol pipeline and poor margins are starting to prompt rumors of grind reductions across the countryside indicates that basis pushes may be a bit tougher to find than what they were a few short months ago. At this point though it does appear we are on track to meet or exceed current USDA expectations for corn demand, indicating any further reductions in that usage sector are unlikely.**

- **We have also seen corn export demand see an uptick these last couple of weeks. While we are still 24% behind a year ago (with the USDA projecting an 11.5% decrease) the fact that we are seeing shipments and sales recover has been encouraging. At this point both Brazil and Argentina are basically out of the market as they wait on new crop supplies allowing the U.S. to be the cheapest offer into our traditional Southeast Asian customers.**

- **Something to watch in upcoming weeks will be the developing port issues in Brazil. With the country's export commitments estimated to be double or triple that of a year ago the fact that their port line ups are already at 50 days and growing may help push some interest back towards US beans. While we all know Brazil will eventually get those beans shipped, the short term demand pop could give us a much needed shot in the arm and subsequent pricing opportunity if buyers return.**

The biggest take away for anyone from this week's updated outlook was without a major weather issue carryout figures should remain stagnant or grow slightly larger. While this will make for a much more boring market than

we're used to the positive is we should be able to recognize marketing opportunities much easier when they present themselves. Keep in mind the pricing range we saw last year and use those when looking at where to enter your target orders for both old and new crop sales. Keep in mind gains of 5-10% in a bear market are solid and should be sold accordingly. If you have questions on how or where to enter these orders don't hesitate to contact us, we're here to help. Until next week have a great weekend and stay safe!

All the Best!
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