<u>This Week in Agriculture:</u>

A Mixed Bag of Information from the Week that Was: October 2, 2015

- **Another week directed by overall supply uncertainty and outside market confusion as we retested old highs before settling back into what has become a comfort level of sorts. When the bell rang Friday we saw corn finish the week unchanged, while soybeans were down nearly 15 cents. Wheat finished 5 higher due to some Russian political concerns and better than expected USDA information combined with potential weather issues in Australia and the Southern Plains.**

- **After a week of decent weather we saw harvest pace making progress across much of the Corn Belt. Traders were slightly surprised however by the slower than expected pace to corn harvest. At 18% complete this year's harvest is 5% slower than the 5 year average and nearly 5% lower than trader expectations. At 21% harvested soybeans were ahead of the 18% expected and well ahead of last year's 7%.**

- **The focus for trade this week was the Quarterly Stocks report released by the USDA on Wednesday. With September 1st being the end of the marketing year this week's report was important because it gave us the final look at just how much corn and soybeans we are carrying over into the new crop year.**

- **Ahead of the report traders were expecting corn stocks to come in right around 1.739 billion bushels, slightly higher than the USDA's beginning stocks projections in last month's supply and demand report. Trader sentiment was close, with the USDA pegging September 1 stocks at 1.731 billion bushels. Though this was much higher than last year's 1.232 billion bushels, it was not out of line from what trade has been anticipating for the last several months.**

- **What's most interesting in Wednesday's numbers is the breakdown of where the corn is sitting. From an overall standpoint of course stocks are up 499 million bushels from a year ago. Of that increase 368 million is in the hands of commercial facilities, while 131 million bushels more than a year ago sits on the farm.**

- **This alone is interesting in the sense that many traders had thought the strong cash market feel throughout the year was caused by the farmer holding it tightly in the bin. Now of course if the grain is on warehouse receipt or locked in to a form of commercial storage where the buyer does not have title, the ability to move it is limited. In any event whether or not the increase in overall storage space will be enough to offset the carryover plus some of the big crops coming in will remain to be seen.**

- **From a state by state standpoint Michigan and North Dakota are the only two major Corn Belt states to see a decrease in overall stocks, with Michigan down 7.6 million from a year ago and North Dakota down 13.6 million bushels. Big increases in holding were seen in Iowa and Illinois where corn stocks are up 104 million and 196 million bushels respectively.**

- **Soybeans saw a very similar set up. Overall stocks were up just over 99 million bushels from a year ago. Of that increase 71 million bushels are sitting in the hands of commercials, while 28 million bushels more than a year ago are still on the farm. The only difference in the breakdown is that every state accounted for showed a slight increase in bushels on hand, with the big gainers seen in Illinois and Iowa again with 18 and just under 16 million more bushels on hand than what we saw a year ago.**

- **Using the ending stocks numbers released Wednesday with no other changes to supply and demand estimates we can expect a 19 million bushel adjustment to old crop soybean ending stocks, with a tiny million bushel reduction in new crop corn carryout projections.**

- **Wheat surprised the market a bit with stocks coming in lower than pre-report expectations. At 2.09 billion bushels on hand as of the first of September overall stocks came in 140 million bushels below pre-report numbers, but within the range of guesses. Overall production came in 82 million bushels below pre-report estimates as well at 2.05 billion bushels.**

- **The reason behind tight space availability in Michigan became clear with the USDA showing that lower acreage overall was more than offset by a 7 bushel per acre yield increase from a year ago. With the state average yield at 81 bushels per acre overall production was up nearly 4 million bushels year over year.**

- **On the stocks side of things, the big increases in corn and bean storage on the farm resulted in wheat moving to town. Out of the 181.7 million bushel increase in overall holdings commercial elevators saw their supplies go up 248 million, while on farm holdings fell 66.5 million. Here in Michigan stocks both on farm and in the elevator are up 4.75 million bushels from a year ago.**

Heading into next week traders are expecting decent harvest pace to show in Monday's crop progress report. Limited rainfall has caused some minor slowdowns, but the weekend appears to be dry for much of the major growing area. Traders are closely monitoring the situation in the Southeast where epic amounts of rain are forecast to fall this weekend, with some models showing up to 20" in some locations. While the impact on crops is somewhat limited in the big picture, we could still see reverberating impacts down the road as infrastructure could be damaged.

We will see updated supply and demand information released on Friday, so next week's trade will likely be a mix of yield reports and expectations going into the USDA numbers, as well as outside economic influences as well. We are still seeing decent basis opportunities for corn, while soybean bids aren't nearly as bad as anticipated after all of the talk this summer about a lack of export book out of Toledo. Volatility will likely continue to be your friend as pricing opportunities come and go quickly making target orders that much more important. In the meantime, don't hesitate to 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!
Angie Setzer
Citizens LLC
www.citizenselevator.com