This Week in Agriculture:

News That Could Make Difference: October 31, 2014:

- **What a week as a continuation of the recent grains rally boosted prices into levels not seen since early September. When the dust settled at today's close November soybeans were up an astounding 63 cents for the week, with December corn adding 23 and July wheat gaining 12.**

- **An unexpected twist (for some analysts) has come about in the soybean and soybean product market particularly with record front loaded demand, record tight old crop supplies and a slow harvest pace creating a logistical nightmare. Similar to the oat market this past winter, not getting supplies to where the demand epicenters are located has resulted in explosive market action and a rally that has many market bears in short term hibernation.**

- **The USDA released their updated harvest progress Monday night showing 70% of the nation's soybean crop harvested versus 76% as the five year average. Here in Michigan overall soybean harvest pace is 19% slower than average at 46%. Last year at this time we had 75% of the crop harvested nationally, with 65% of the crop harvested in Michigan.**

- **Knowing we're slightly behind last year on harvested pace helps explain away some of the lack of availability, after all in the Eastern Corn Belt alone there are nearly 200 million bushels less available in the pipeline than there was a year ago. However, nationally we should have just under 3 billion bushels of beans harvested. Even with a slower than usual pace the pure quantity of beans available should be pressuring the market—even if only slightly. At this point, for the bulk of the demand centers in the countryside, the market remains strong.**

- **Of course with demand like we're seeing on the front half of the marketing year it is not completely puzzling that we would or could see issues like this developing. Meal demand is out of this world, between domestic herds expanding and export commitments running 36% above a year ago it is thought upwards of 165 million bushels of soybeans will have to be crushed each month just to get the meal pipeline back to "normal" levels.**

- **Looking back through last year it is difficult to find that level of crushing consistently. In fact the average for the first five months of the 2013-14 marketing year came in around 163.8 million bushels, with the highest monthly crush coming in at 173. With crush margins estimated to be close to $2.00 a bushel in some regions it is likely crushers will continue to run at full capacity for quite some time.**

- **One thing to be aware of though, is the cost of meal out of South America is beginning to work into Southeastern ports. While it is difficult to import large quantities of meal, it is not out of the question. Eventually money talks, so traders will be closely monitoring freight bookings and any potential developments on that side of the coin. With the kind of rally that we've seen recently an announcement—or even a rumor of something like this could create a "look out below" mentality, if even only for a couple days, be aware of this going forward.**

- **Bean export sales have been phenomenal as well. At this point we've sold 73.7% of the USDA's most recent projections versus 64.3% of the 5 year average. Corn sales have been decent, but remain sluggish when compared to the 5 year average. At this point we have sold 42.2% of the USDA projections, versus the five year average 46.7%.**

- **Similar to beans, but nowhere near as dramatic is the slow pace to corn harvest. Wet weather and slow in field dry down has corn harvest at only 46% completed nationwide as of Sunday night. This is well behind the 65% 5 year average and slower than last year's 56% pace. Here in Michigan we have 21% of the crop harvested-9% behind last year's pace and 17% slower than the 5 year average. Harvest pace in Ontario is slower yet, resulting in some pretty decent basis premiums for quick ship bushels.**

- **The slow pace to harvest and poor weather is impacting next year's wheat crop as well. At this point many analysts guess anywhere from 10-20% of acres initially intended for Soft Red Winter Wheat will go**

unplanted. While the large global supplies of wheat keep this issue from being a big futures mover, it could have a potential impact when it comes to talking acres next spring. If the recent moves in the markets remain sustained the question of whether those unplanted wheat acres will move into soybeans or corn will come into play.

- **Weather is also giving farmers in South America fits. Soybean planting in Brazil is well behind last year's pace as too dry will give way to too wet here over the next couple weeks. At this point it is too early yet to be extraordinarily concerned, but it will definitely warrant watching.**

From their lows corn and wheat have rallied nearly 50 cents, while soybeans have gained over $1.35. Considering everyone and their brother was expecting a continuation lower from those numbers it is easy to get caught up in the emotion of this market and think this rally will never end. But like they always say, all good things must come to an end. While I am not saying the market will open lower Monday, I am saying sometimes in situations like we're currently in it is important to put your focus on your margins and not what you-or anyone else "thinks" the market could do. Now is a great time to be aware of and cover your downside exposure while also getting your plan in place for the bushels you intend to plant this spring.

Similar to what we saw in 2008 a lot of the factors moving these markets aren't necessarily fundamentally driven, meaning they will not only be volatile, but fickle as well. There are opportunities present, do not get so caught up in trying to outsmart the market you forget to protect your needs in business. Next week we enter into delivery for November futures, keep this in mind when looking at values as many end users will switch their bids to the January board as we move ahead. 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 Maguire
Citizens LLC
www.citizenselevator.com