This Week in Agriculture:

News That Could Make a Difference: April 22, 2016

- **What a week! It's been awhile since we've seen a week as volatile as this one as money movement and an overwhelming feeling of buyer euphoria and seller confusion hit the market place. The flow of money and push higher allowed us to hit prices in corn and soybeans not seen since last July, before a feeling of buyer's remorse and an idea that perhaps fundamentals did not necessarily support another leg higher resulted in heavy selling at week end. When all was said and done we saw July corn down 6, July wheat up 6 with July soybeans trading 32 cents higher.**
- **The week started relatively strong out of the gate as traders brushed off ideas of rapid planting pace and focused on the Brazil impeachment vote that had taken place the night before. Weeks of uncertainty were erased as the Brazilian lower house voted to impeach President Rousseff for crimes and corruption.**
- **The thought that her potential removal from office would allow for a much more business friendly replacement had already sent the country's currency soaring from recent lows. This improvement in their currency value combined with the recent weakness in ours has allowed for a much more competitive market structure for US beans. This shift in market structure had some analysts feeling at the start of the week that further strengthening of the Real could result in nearly 150 mbu of lost soy exports for the country due to the shift in global values.**
- **At this point nothing is set in stone. The next step will be for the Brazilian senate to hold a vote; this will likely take place the first week of May. If the senate votes yes on impeachment Rousseff will be removed from power for at least 180 days as the country's Supreme Court decides on whether the charges put forth are valid and should result in a permanent removal from power. The country's current vice president will step into power during this time and for the rest of her term if she is in fact impeached.**
- **While the market was working to determine what a power shift would mean for Brazil we also saw a couple interesting developments for the country take place. First the troubling economic conditions and uncertainty over developments going forward has left farmers paralyzed when it comes to selling beans as a lack of a Farm Plan (their version of our Farm Bill) has growers uncertain as to tax implications, loan rates and other important points going forward. Secondly hot and dry conditions hitting the country's second crop corn area and tight supplies of corn in the nation's feed areas prompted the government to remove an import tax they had put in place several years ago.**
- **The tax which applied to non-Mercosur areas (Mercosur members are: Argentina, Brazil, Paraguay, Uruguay and Venezuela. Its associate countries are Bolivia, Chile, Peru, Colombia, Ecuador and Suriname) added an additional 8-10% of value to price. As a result of this removal U.S. corn could now pencil into the regions where it was most needed at an estimated $1.77/bu discount to local prices. While this removal was only granted to around 39 million bushels the psychology of a potential shift away from what was once perceived a great influx of Brazilian corn into the Southeast to exports got traders momentarily excited.**
- **The excitement over perceived export increases is not just limited to potential Brazilian business. With the recent adjustment in currency values and the fact that Brazil and Argentina have all be exited the global market for the time being we have seen attention turn back to U.S. supplies. Our once often talked about slow export pace has surged over the last several weeks, with this week's sales coming in at a marketing year high. At this point we are still lagging last year's pace by 180 million bushels, with the USDA expecting a 214 million bushel cut to exports year to year.**
- **While Brazil has been battling hot and dry conditions in their growing region Argentina has been struggling to get their crop harvested due to wet conditions. Heavy rains have not only limited harvest pace to 16% completed (30% behind the average pace) it has only allowed for 2% progress in as many weeks and has analysts discussing production losses. This week the talk of losses hit a fever pitch with some private analysts talking up to 367 million bushels lost to wet conditions. At this point those with boots on the ground believe the losses are more in the 73 million bushel range, while the government lowered their official estimate 51 million bushels this week.**

- **It is important to keep these losses in perspective though as Argentina's estimated carryout for the year was pegged at just over a billion bushels by the USDA in their last estimate and they hold over 35% of the world's soybeans currently.**
- **Weather here in the U.S. remains a major question mark as we work our way into the growing season. Last week allowed for fast planting pace across much of the Western Corn Belt with overall pace coming in at 13% completed. Though this was slightly below the pre-report estimate it was still one of the fastest planting paces on record. Going into Monday night's planting pace report traders are expecting nearly 30% of the corn crop to be planted.**
- **Forecasts do look to turn a bit wetter as we work into the first half of May, but whether or not that will impact planting pace will remain to be seen. The National Weather Service released their extended summer forecast this week indicating they anticipate above normal temperatures to be common place around much of the country throughout the summer months. At this point most models agree with the warmer than normal temperatures, but struggle to come to an agreement when it comes to precipitation. Of course whether this year is warm and wet or warm and dry will have the last word on final production.**

In the end this week finally gave us a taste of the markets of old—the ones that actually had the ability to trade higher—and reminded us what it's like to see fund money come back into the market structure. The biggest take away from this week for most growers should have been that the market will still give you an opportunity to sell at a profit, as long as you take it. Target orders worked exceptionally well this week as we saw contract highs put in place around 5am Thursday morning.

Going forward it is important to keep overall supply and demand fundamentals in mind. While some shifts have taken place from a global competition standpoint not bearish does not have to mean bullish. As we look ahead continue to keep your point of profitability in mind and talk to us on pricing targets if you're struggling with where to get bushels booked. Next week it's likely we will see how determined funds are to hold their current position as we continue to watch weather and turn our attention to May 10th's updated USDA supply and demand numbers. In the meantime, don't hesitate to give us a call with any questions, we're here to help!

All the Best!
Angie Setzer
Citizens LLC
www.citizenselevator.com