This Week in Agriculture:

News That Could Make a Difference: October 16, 2015

- **We've entered into the seasonal period where many trade opinions over market structure have formed and will likely be difficult to change. Unfortunately this means until something changes from an overall fundamental standpoint we'll likely remain range bound with little in the way of excitement. Soybeans tried to fight the October doldrums this week staging their expected seasonal rally, falling back though before another leg higher could be achieved. Nonetheless soys finished the week 15 higher, with corn down 5. Wheat ran towards the top of its recent range as well before falling, losing 15 cents for the week and 25 from its high.**

- **The soybean complex led an impressive charge to the upside early in the week fueled by a continuation of nearly daily export sales announcements to our favorite customers China and "unknown," with export inspections coming in well above expectations as well. This strong export pace combined with concerns early in the week that planting in Brazil's main soybean producing state Mato Grosso could be delayed due to dry weather allowed the market to gain 24 cents Tuesday alone.**

- **Soybean exports continue to confuse the market, because though sales have cut their lag of last year's record pace nearly in half these last several weeks we are still behind by 23%. With the current expectation of only a 10% cut versus a year ago we need to see a continuation of daily announcements, as well as strong weekly sales numbers. What's most interesting though is the pace of shipments, which are 6% ahead of a year ago. This could indicate that though buyers are remaining more hand to mouth on actual purchases the demand for beans remains incredibly strong.**

- **Chinese import figures from September would indicate demand remains strong as well. Numbers released mid-week showed September soy imports for the country at 7.26 mmt (266.7 mbu). Though this number was slightly lower than the August number (perhaps due to the reduction in available stocks out of both Brazil and the US) it was 44% higher than what the country imported last year.**

- **Corn exports continue to lag last year's pace as well, with little in the way of silver linings appearing there as of yet. However, there are a few interesting developments in the global market place that could have long term implications. Wait times at Brazil's main export port have reached 40 days due to heavy rainfall and strike issues. While long waits are customary during peak soybean export times, delays during the country's primary corn shipment period are rare. While drier weather is likely to help the country get caught up the fact that not all shipments can be counted on in a timely matter could help down the road.**

- **Most interesting from a global standpoint for corn was the announcement out of China this morning that the country will lift its ban on corn based ethanol production. The country had made corn based ethanol production illegal in 2006 due to food security issues, instead choosing to use other by-products to make the fuel. However building corn stockpiles, an inability to sell and poor quality has forced the country to figure out a way to chew through the supplies they have on hand.**

- **This morning's announcement indicated that up to a million tonnes (just over 39 million bushels) of yearly capacity is already in the works, with more on tap. Perhaps most interesting was the acknowledgement of the poor state of Chinese corn stocks. It is estimated 20 to 30 million tonnes of corn (734.8 mbu to 1.102 bbu) is too moldy to go into livestock feed. While it will take some time to chew through the 5.9 billion bushels of carryout estimated this year alone, the idea that China will move away from a stockpiling philosophy more towards a usage driven market could have interesting implications on their import status down the road.**

- **Also in this week's interesting Chinese agriculture news, the country announced it will leave its wheat support price alone at just over $10 a bushel. Considering according to the USDA China is sitting on over 3.3 billion bushels of wheat at the end of the 15/16 crop year and nearly 40% of the world's stocks why they would do little to adjust the price they are paying to farmers makes one wonder if they truly are sitting on the supplies they say they are and/or if they are in condition to be used.**

- **Though we've been struggling with less than ideal conditions to finish soybean harvest throughout Michigan, much of the Corn Belt has seen extremely dry conditions allowing for a nearly record fast finish**

to soybean harvest and a quick pace in corn. On Tuesday night's crop progress the USDA showed 42% of the corn crop harvested, with 62% of the nation's beans in the bin. With early yield numbers for beans coming in better than expected many are already anticipating the USDA to bump yields yet again in their November report. We may need to get a feel for how the beans planted in late June and July yield before we get too shook up over any major yield adjustments however.

- **It's interesting to see the dichotomy of who had decent production weather or who didn't this year when looking at USDA yield projections. Combining yield projections with September 1st stock numbers shows where cash market opportunities will be strong and where space may be limited. In the Eastern Corn Belt (MI, IN, IL, OH) the USDA anticipates a 444.5 million bushel drop in available corn supplies, while in the Western Belt (IA, MN, NE, SD) the USDA expects a 531 million bushel increase.**

- **A decent finish to the season and strong yields reported thus far has limited the shift in soybeans. Using the same states for the Eastern Belt as mentioned above overall soybean stocks are 2.4 million bushels higher than a year ago. While doing the same for the Western Belt shows and increase in available supplies of 128.7 million bushels. Missouri is where the poor conditions impacted soybeans the most, overall stocks there are expected to fall by 61.8 million bushels.**

In the end, as mentioned before we will likely remain in a range bound trade for quite some time as we move ahead. Unfortunately the influx of new information will likely only trickle in and with the bull needing to be fed daily (especially when you consider the general bearish attitude still present in all commodities-especially grains and soys) the trickle will not likely be enough to produce a drastic change in direction. This can be a good thing because a pronounced range helps to make selling opportunities that much more clear due to your ability to look to sell at recent highs. The slow pace in the market too is likely to help keep basis supported once harvest wraps up because end users will have to work to get bushels out of bins.

Next week we will continue to watch for any positive developments in exports, as well as monitor planting conditions in Brazil. Dryness concerns remain, but forecasts are calling for an increase in precipitation through the end of the month. At this point with the trade expecting over 100 mmt of soybeans to be produced this year a production issue there is likely to be the only thing to shake the market out of its hibernation.

In the meantime don't hesitate to call us with any questions. We're here to help! Until next week, have a great weekend and be safe!

All the Best!
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