This Week in Agriculture:

News That Could Make a Difference: April 17, 2015

- **It's been several years since we've seen a grain market set up like we're currently experiencing. The idea that supplies are plentiful and we are a long way from any sort of production hiccup has values languishing in a relentless range. While wheat and soybeans seem to be a bit more indecisive when it comes to where they want to trade, corn seems to have established its comfort zone with May corn finishing the week nearly 3 cents higher, while December corn closed close to unchanged. May soybeans had a decent week, finishing 16 higher, while November was up 9. Fresh off recent highs just a week ago July wheat managed to lose 36 cents, closely at its lowest level since early March.**

- **Seasonally the markets tend to trade higher the last two weeks of April to add a risk premium into prices as we work into the growing season. However, the idea of big old crop supplies and relatively decent planting conditions this early in the year has buyers still waiting on the sidelines.**

- **While it is important to point out the significant delays in the Delta, the idea that rapid planting pace was getting underway in Illinois, Iowa, Nebraska and even parts of the Northern Plains has many traders believing delays in the South can and will be offset. This idea stems from the fact that in 4 of the last 5 rapid planting years we saw corn acreage increase in the June report by anywhere from 200,000 to 1.7 mln acres.**

- **Any increase in corn acres would challenge the current expectation of larger than expected soybean acres though, because in those last 5 rapid corn planting years we've seen soybean acreage fall 3 times. With Milo still in as the wildcard, many analysts and traders alike will remain hesitant to stick their neck out too far when it comes to guessing the final figures.**

- **As mentioned heavy rainfall continues to plague the Delta and parts of the Southern Corn Belt. In some locations in the very South we are creeping up on insurance planting dates, and beyond the reasonable time many growers would like to see seed go into the ground to avoid pollinating at the peak of summer heat. With an additional 1-3" forecast to hit the already saturated region over the next 7 days what ends up being planted may remain a toss-up for at least another week or more.**

- **While rain is less than desired in some areas, a much welcomed rain fell throughout the bulk of the Southern Plains. While for some it may be too little too late, others described the precipitation as a crop saver. With moderate to severe drought in some areas of Oklahoma and Kansas the idea El Nino is expected to return this year is also welcome. Typically an El Nino weather pattern brings with it decent growing conditions for the heart of the United States, with heavy rainfall in South America and drought-like conditions in Southeast Asia and Australia.**

- **Many analysts are keeping weather, higher production costs due to currency conversion rates and low commodity prices in mind when estimating global production levels for the year ahead. Many feel that we'll see significant production cuts take place in the Ukraine, Russia and the bulk of the European Union, as well as here in the United States with some estimating upwards of 50 mmt (just under 2 billion bushels) less of corn production on a global scale this year. While global stocks remain high enough to keep traders from feeling vulnerable, any type of production issue El Nino related or otherwise will be monitored closely and could change price outlook relatively quickly.**

- **New developments in China may make global production potential that much more interesting. The government stockpiling program seems to be somewhat of a failure as the lack of high quality, free flowing grain supplies has pushed interior prices above $10.00 in many locations. It is interesting to see corn coming out of government reserves is nowhere near as in demand as U.S. or other foreign supplies, indicating the cheaper price and higher quality product is definitely being sought out.**

- **Something that will also bear watching out of China is the discussion surrounding an increase in the government subsidy given to corn processors. Corn processors with more than 100,000 metric tonnes worth of yearly consumption may see the processing subsidy they receive double from a year ago. At 81 cents a bushel the hope is to see corn processing demand increase nearly 3.5 mmt (138 million bushels) from last**

year. With an industry capacity of 80 mmt (just over 3 billion bushels), rapid expansion in demand is more than possible if the right conditions were to develop.

- **Based on this week's NOPA crush report our processing industry seems to be doing okay itself. At 162.8 the amount of bushels crushed by association members was a record high for the month and nearly 8 million bushels above the average pre-report estimate. While at first glance it is easy to feel excited over crush numbers that are 9 million bushels higher than what we saw last year, lofty USDA projections mean we need to see a continuation of this trend through the rest of the marketing year. The report also indicated higher than expected domestic meal demand, which, based on the slower than expected soymeal export shipments, may be necessary.**

- **Regionally attention has been focused on rail rate increases announced by one of the main rail transportation providers in Michigan and surrounding areas. Reports vary on the actual value of the increase, but many estimate anywhere from 10-20 cents could be added to freight costs out of these facilities. As a result there is talk some out of state buyers may begin to look at other providers when it comes to their grain needs. While the impact may not be immediate, it is likely basis values could widen out for many producers in the region affected, especially those close to the lines impacted.**

- **Reports of the spread of H5N2 Bird Flu in the Northern Corn Belt has poultry producers on the look-out and has the potential to wreak havoc on exports. Though the disease has no reported risk to humans it is incredibly fatal to birds and has some foreign buyers saying no to US imports. With the poultry and egg export business a 5.7 billion dollar a year industry the stop of the spring migratory season (thought to be the reason for the spread of the disease) will not come soon enough for some producers. The ability to quickly rebuild a flock has many hesitant to say what if any feed implications we may see as a result of the disease, but its impact will continue to be closely monitored as we move ahead.**

In the end it's likely we could remain in a holding pattern for the time being as the trade works to get a handle on what is really shaping up out there from a supply and demand standpoint. Debate over the direction of our financial markets and potential interest rate increases as we work our way into the summer will continue to heat up. At this point we've seen little in the way of fund buying interest as comfortable supplies and more attractive investments have limited that outside buying interest we had grown so accustomed to these last few years. The reentry of fund money or the need to cover some of the big short positions recently built by some of these trading groups has the potential to change market direction quickly and without warning.

Planting progress will be updated on Monday, with some anticipating little in the way of progress, while others are expecting national progress in the teens or higher. With 75% of the Corn Belt not seeing less than an inch of rain most of the week and warmer than normal temps there was a lot of field work being done, whether or not that work equates to significant planting progress will be seen. Extended forecasts are calling for below normal temperatures with below normal precipitation through the first of May. Basis opportunities continue to present themselves in many locations, don't hesitate to give us a call with any questions, we're here to help!

All the Best,
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