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

News That Could Make a Difference: December 19, 2014

- **Volatility has returned to the grain markets as we are really getting a feel for how "global" this thing really has become. Stories out of Cuba, China and Russia were dominant factors, as domestic supply and demand developments kept traders on their toes as well. At today's close we saw March corn finish the week up 3, while January soybeans retreated from the high end of their recent trading range; losing 17. July wheat was up an astounding 28 cents.**

- **This year definitely hasn't been one where wheat stories dominated the headlines. Global supplies have been considered overly plentiful—if not burdensome at times, with little in the way of weather issues for much of the summer. Throughout much of the year traders have been watching economic developments in Russia closely. Sanctions and other political developments have had a significant impact on the nation's currency, cutting its value nearly in half.**

- **The collapse in their currency combined with a late summer announcement limiting Western agricultural product imports, crumbling oil prices and a surprise increase to the key interest rate in the country have sent food values soaring in recent weeks and suppliers scrambling to secure sources. Domestic prices are so volatile at this point in time Russia's Association of Grain Exporters announced overnight they have stopped buying domestic grain in an attempt to stabilize interior prices.**

- **Many in the trade have seen this coming; over the last several weeks we have watched grain transportation to ports slow to a near halt, while quality requirements became nearly impossible to meet. It will be interesting to see if sales resume in the coming months as auction sales in the next couple of weeks will work to pull supplies out of the hands of the Russian producer. If the farmer is a willing seller it is likely the ban could be short lived—but with the value of the currency in the shape it is in it's likely the farmer will try to hold tight to his supplies in the short term.**

- **Perhaps adding insult to Russian injury the U.S. announced a transition towards more "normal" diplomatic relations with Cuba—this after Putin wrote off over 32 billion dollars of Cuba's debt this past summer. While the news isn't the greatest for Russian relations, it is seen as a great thing for U.S. agriculture.**

- **Though we have maintained a line of trade with the country, a lack of tariffs and fees will make an increase in business much more feasible. At this point while it appears as though corn, soybeans and soybean products could see the biggest increase in business, it is likely we could see a solid increase in frozen meats, wheat, dry beans, dry peas and lentil business in the near future.**

- **The announcement we seemed to have waiting for the most actually appeared to fall on deaf ears this week as China announced its approval of Viptera corn. The MIR 162 trait has caused nothing but headaches for US growers and exporters since early last spring when Chinese buyers began refusing loads of grain with the trait present. The approval of 2 different varieties of GMO soys was viewed as a positive development as well. Though there has yet to be a major official purchase announced by China it's thought the bulk of purchases by "Unknown" will find their way to the country.**

- **Speaking of exports, we continue off to a decent start—even with a strong dollar mitigating some of the reduction in futures prices for our foreign buyers. At this point soy export sales are 86% of the USDA projections, ahead of the 5 year average and 20% better than last year's pace. Corn export sales are on pace to meet USDA projections, with shipments already 17% ahead of last year. Wheat export sales on a percentage base are in line with the 5 year average as well.**

- **Also important to note in corn's camp is the pace of ethanol production. Last week's numbers were another record for the week and up 2000/barrels a day from the week prior. Right now, if we were to keep up the current pace we could see corn used for ethanol outperform USDA estimates by 150-200 million bushels. With oil prices dropping though it will be imperative to watch ethanol production as we work our way into spring. It's likely many businesses locked in grind margin through February-after that could be a wildcard.**

- **In my "It's likely to change, but let's talk about it anyway" file this week we have the USDA's long term projections. In their VERY initial new crop projections they see corn acres this spring at 88 million, relatively close to unchanged from this year, with an overall carryout estimate of 1.73 billion bushels, down just over 200 million. New crop soybean acres stay relatively close to the same in their minds as well at 84 million. Contrary to corn though, the USDA sees global stock increases limiting demand and causing an increase in soybean carryout up to 519 million bushels.**

As of today's close traders and businesses are likely to complete their transition into holiday mode (if they aren't there already). Holiday trades tend to be one of two extremes, either incredibly boring, or extremely volatile. With all that's going on the world it is very possible we could see much more of the latter, meaning target orders are a great way to continue marketing your grain without having to take time away from your holiday celebrations. Make sure you keep in mind how far we've come in this rally (corn has added 80 cents, with beans and wheat both adding over a dollar) when looking at selling opportunities.

Citizens locations will be closed both Christmas Eve and Christmas, but will be back open Friday the 26th. In the meantime don't hesitate to call with any questions, we're here to help! And from our family to yours have a very Merry Christmas!

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