This Week in Agriculture:

News That Could Make a Difference: January 23, 2015

- **Global economic factors and outside markets have traders on their toes and commodity investors moving to the sidelines as fears over inflation have now turned into concerns we're actually entering into a deflationary market. Outside factors combined with a relative lack of fresh news had the markets chopping back and forth for much of the week. When the dust settled we saw March beans down 20, March corn relatively unchanged and July wheat down 2.**

- **The figurative first shot across the bow in our new found global economic turmoil came from the Swiss National Bank late last week. When trouble first hit the European Union during the Greece sovereignty debacle the country had agreed to cap their currency versus the Euro in an attempt to stabilize their economy and keep their export goods "cheap" in the global market place. As a result many investment groups had loaded themselves with boatloads of short positions believing the cap would stay in place. An unexpected, overnight pull of the cap had many traders losing millions and the currency markets reeling.**

- **This adjustment out of the Swiss National Bank and a general swoon in the European Union's economic indicators had the head of the European Central Bank on offense this week as he announced a 60 billion Euro a month (over a trillion dollars total) stimulus package. With falling commodity prices and a slowdown in economic growth in the EU there's a hope the influx of money will help put a floor in place.**

- **In line with concerns out of Europe, we continue to see concerns over the Chinese economy and its outline for growth in the coming months and years. Numbers released Monday showed the Chinese economy grew 7.4% last year, slightly below expectations of 7.5% and growing at its slowest pace in 24 years. Falling property values are weighing heavy on consumers and slowing demand. The idea that we could see further economic cooling as we move ahead has some concerned over what that will mean for soybean and corn demand down the road.**

- **And in our final global economic tidbit for the week we saw the Canadian Central Bank cut their primary lending rate a quarter of a percent to .75%. This was the first such move for the country since 2010, further pushing the Loonie towards lows.**

- **The result of all of these outside moves of course is a higher U.S. dollar as our economy continues to appear as a shining star when compared to what's happening around us. Unfortunately the dollar hitting its highest level since 2003 is not supportive to our exports-both grain based and other-as a strong dollar makes our goods more expensive to foreign buyers.**

- **Speaking of exports we saw an incredible switch in the star of export sales this week. It seems like soybeans have forever been the focus, with big sales numbers seemingly every week. This week however, corn took the spotlight with its biggest chunk of sales reported this marketing year.**

- **At this point in the marketing year we are 1% ahead of a year ago in corn export sales and 3% ahead in shipments, this compared to the USDA projections of a 9% drop year over year. Soybean export sales are running 5% ahead of last year, with shipments up 14%. The USDA is expecting a 7% increase on the year. Wheat sales are running in line with projections, but the falling Euro is making it even tougher for our offers to be competitive, continued struggles are likely as we move ahead.**

- **Falling crude values continue to weigh heavy on the minds of traders as increased ethanol stocks and declining grind margins have many wondering if we will see a slowdown in production. This week showed no such slowdown as production was up 8% from a year ago. Domestic demand will likely continue to struggle in keeping up with increased production however, making exports that much more important. The fact that Brazil is looking to increase their ethanol blend requirement in the coming months may help.**

- **There have been some concerns raised surrounding weather in certain locations of Brazil. While most feel the good areas of the region will more than outweigh the bad, we are starting to see some private groups lower their production forecasts slightly. With harvest starting in some areas the dry weather is not necessarily a bad thing. However, the over 300 million bushel production loss we saw last year through**

February will likely keep a bit of support under the market as few folks want to count their chickens before they hatch. Rain is in the forecast for the dry areas over the next several days, whether or not they are seen will help give some short-term direction.

As usual it's difficult to find any real fundamental drivers in the market place this time of year. Trade will continue to debate usage and carryout projections as we work our way towards the March 31st Planting Intentions report from the USDA. Right now many feel soybeans will be the big winner when it comes to acres as a drive by view of the futures market indicates soys have greater revenue potential. When looking at cash values, land values and all of the other factors that will have a say in what farmers plant the ratio may not be quite as clear. At this point it is likely we could see corn continue to tread water for a bit with the idea of a significant acreage loss keeping traders from hitting the sell button too hard. Of course if the South American crop is realized a further reduction in soybean values isn't out of the question.

Volatility will likely remain entrenched in the market, meaning we will see day to day moves that may be difficult to explain. Using target orders is an effective way to capture strong, unexpected bursts upwards, giving you a chance to lock in cash values you may have wished you would have sold before. Also, make sure to keep in touch, weak futures values have spawned relatively decent basis values for corn especially. With the low quality of the crop we harvested this past fall make sure you're steadily moving grain. After all, the only thing worse than cheap grain is cheap grain loaded with damage-or grain not sellable at all. In the meantime give us a call with any questions, we're here to help!

All the Best!
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