This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: September 19, 2014

- **The bearish sentiment continues to snowball as we work our way towards harvest. With early yields as good—or even better than expected and buyers seemingly treading water the path of least resistance continues to be lower. Even a frost event in the northern Belt did little to positively impact the market. All three major markets posted contract lows today; for the week corn was down 7, with soybeans and wheat down 28.**

- **With doom and gloom at its highest level since 2009 bulls continue to grasp at straws searching for something price positive. The FSA delivered early in the week with updated acreage numbers indicating the USDA could be overestimating planted acreage for both corn and soybeans.**

- **Based on the historical percentage of final acres versus FSA projections it appears corn acres could come in closer to 88.8 million than the USDA's 91.6 million. Soybeans acreage looks like it would be closer to 82.7 million versus the USDA's June estimate of 84.8. If realized and yields were to remain unchanged ending stocks would be less burdensome than currently projected.**

- **It is important to note however, this year's information could be more incomplete than years past as the extra emphasis in rolling out the new farm bill has taken precedent over final acreage reporting and the USDA has given agencies until the end of the year to finalize their reports.**

- **In other potentially positive government agency news Agriculture Secretary Tom Vilsack was confident this week we would see a solid increase in ethanol blending requirements in the RFS from what the EPA had proposed. Last November the EPA had floated an idea of lowering the mandated ethanol blending level to at or below 13 billion gallons effective this year. After countless public comment periods and waiting Vilsack believes there will be a decision soon and that could come in around 15 billion gallons in the end. A larger blending requirement would potentially increase corn used for ethanol demand by nearly 200 million bushels.**

- **Continuing on the ethanol front, it is important to note that production continues to ramp up as blending margins remain profitable. What could be our Achilles heel though are the initial signs of stocks buildup we are beginning to see. This week's energy report showed ethanol stocks at an 18 month high. The high level of stocks available are beginning to pressure wholesale ethanol values and may discourage too much more in the way of production increases until we see a drawdown.**

- **A delegation from China came to the states this week for a crop tour and ceremonial signing of purchase commitments for over 154 million bushels of new crop soybeans. While this is a yearly event it is important to note Chinese buying interest for US soybeans remains strong at this point. It will be important to monitor how the situation develops over the next year with larger crops likely to make their way out of South America and the rally in the dollar making our commodities more expensive than the competition.**

- **Analysts are quick to point to weak crush margins in China as a sign of potential trouble down the road. With beef consumption in the country expected to increase by nearly 70% in the next 15 years it will be imperative to see whether China looks to increase their herd size there (and subsequent meal feedings) or if they will simply import meat. In any event the push and pull of poor crush margins versus heavy soybean imports will have a lasting impact on market volatility.**

- **Another interesting development that will be important to monitor is legislation working its way through the Argentinean government. The proposed legislation would, in essence, allow the government to intervene and determine private industry production levels. This determination gives them the authority to step in and confiscate merchandise from companies who are believed to be withholding supplies in order to increase prices. This is thought to be a way of combating the habit of farmers holding products back from the market to hedge against inflation, push prices higher and protect their capital interest. This could have a major impact in value and quantity of supplies the country is able to ship as we move ahead.**

In the end the bearish reaction to a bullish frost scare and potential acreage reduction shows you just how deeply entrenched the negative feel towards the markets actually is at this point. While it is true all moves have to be overdone, this pattern is more than getting old. At this point the last chance for the bulls will come in the September quarterly stocks report due out at month-end. Aside from that it is going to take awhile for the cash market to truly determine what supplies are out there and where they are at in the terms of demand. Freight costs for both barge and rail in October are red hot indicating the demand is there, but the transportation may not be when it is time for movement.

When it comes to determining what moves to make it is best to determine what your cash flow needs are going to be and how you are set when it comes to space. While I do feel basis values will remain at or around their current levels until harvest really gets ramped up, it will be important to speak for space and have a plan in place ahead of the combines rolling. In the meantime, don't hesitate to give us a call, we're here to help! Until next week, have a great weekend and stay safe!

All the Best!
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