

This Week In Agriculture

A Mixed Bag of Information from the Week That Was: May 1, 2015

- Another abysmal week of trade as any rally attempt seems to be squashed before it can muster any real gains. Ideas of solid planting progress, robust crop estimates and bird flu concerns pushed the market lower into Friday's close. For the week we saw July corn down 7, with December corn down 8. July soybeans finished 7 lower, with November beans off 11. July wheat struggled the most, losing 16 cents for the week.
- Though the USDA showed planting progress was slower than average at 19% complete, the idea that good weather throughout the bulk of the Western Corn Belt would allow rapid planting progress this week was a limiting factor. The continuation of the "haves" versus the "have nots" when it comes to precipitation is obvious in planting progress.
- The areas of the Western Corn Belt that have been dry have allowed for an early start with ND, SD and MN all on or ahead of average pace. While MO, KY, TN, IN and OH have all been dealing with very wet conditions and are well-behind of average pace when it comes to corn seeding.
- Coming into Monday many traders are expecting planting pace to jump to nearly 47% completed, with some anticipating as much as 60% planted. At this point the idea of rapid planting pace is troubling to the markets for two reasons; the first is the idea corn acres may increase from March intentions, with the second being the bulk of pollination in the heart of the Corn Belt will take place before the weather gets too hot. While we don't have to go any further back in time than 2012 to see a year when early planting pace did not necessarily correlate with high yields, after last year's 170+ bushel per acre yield the market is confident yields will come in above average in upcoming USDA reports.
- Growing crop estimates out of South America aren't helping get traders too worked up we'll see a shortage in supplies any time soon either. Over the last 2 weeks we've seen several private analysts and public groups out of each country increase their production estimates in Argentina and Brazil for both soybeans and corn. Decent starts to the growing season throughout the bulk of the Northern Hemisphere are perceived as supportive to another year of bumper crops as well.
- Though crop size estimates may be growing, logistical issues out of South America have kept some buying interest for U.S. crops alive. Both corn and soybeans saw great export sales announced this week, and while corn is still lagging the pace needed to hit USDA projections, soybeans export sales have now outpaced USDA projections by nearly 13 million bushels. One positive we've seen in corn is the slowdown in milo purchases. While this is likely caused by a cash market's inability to supply much more in the way of milo for sales due to the empty pipeline, seeing China return as a buyer of corn and DDGs is supportive.
- Another export sector that is growing, helping domestic demand is ethanol. The USDA announced late in the week that ethanol exports in 2014 were up 35% from 2013. 6% of total U.S. production was exported over the year, making the U.S. the world's largest exporter of ethanol—edging out Brazil for the year. At an estimated \$2 billion worth of revenue seeing a continuation of growth in ethanol exports would be extremely beneficial from both a trade and corn demand standpoint.
- On the demand side of things bird flu issues are continuing to weigh heavy on the minds of traders as well, with another large amount of birds impacted this week. At this point it appears as though 20 million birds have been affected by the virus. And though that's small in the whole scheme of things with nearly 9 billion birds in the United States, the idea that the spread hasn't stopped with warmer temperatures and has entered in to a broiler breeding facility is enough to keep traders hesitant. If we

were to see the spread slow or stop soon the overall impact on futures could be limited, but the hit the local cash market takes in the area impacted could be big.

- Another interesting development in the market is catching the attention of traders. At this point in time we have two very different groups with two very different positions lining up in the marketplace. Speculators have sold themselves into one of the shortest positions on record, especially this early in the season. Typically seeing specs hit record short levels can be viewed as bullish since eventually they will have to lift out of said positions, buying contracts and likely contributing to a rally.
- At the same time though we see commercial hedgers (elevators and the like) building long positions. This long comes from selling grain that hasn't had a short futures position attached to it, likely through basis contracts or bushels that are on DP. What this means is that as the specs cover their position and we see a market rally the commercials will see an increase in pricing and their shorts (in theory) will offset the spec buying. We saw this develop in soybeans this week especially as spec buying did little in the way to prompt a solid move upwards. It will likely take new buying interest to break us out of purgatory, which will of course take new market news.

Overall we continue to struggle with a general bearish feel. The idea that big supplies may continue to grow as we work our way through the year is limiting any real significant gains. Of course we all know how quickly things can change when it comes to growing a crop, and we are far from putting the 2015 crop in the bin. Keep in mind though how the growth in global stocks and other underlying factors may have a limiting impact on gains and look reevaluate some of your higher end target orders. Weather forecasts at this point look conducive to solid early development, with rain forecast for those who could use it and drier conditions in the soggy areas as well. Any change in that outlook could change market attitude quickly. Don't hesitate to call with any questions, we're here to help. Until next week, have a great weekend and stay safe!

All the Best!

Angie Maguire

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