This Week in Agriculture:

News That Could Make a Difference: May 4, 2012

- **After last week's move higher the markets completed their up and down cycle by moving lower this week. For the week July corn was down 6, with December corn down 15. Old crop beans finished the week 15 lower after rallying to their highest level since 2008, while new crop beans finished the week up 6. July wheat was the big loser, dropping 42 cents overall.**

- **Several factors helped contribute to the downside pressure. Mid-week the CFTC raised margin requirements on private, local traders. This prompted a sharp sell-off and follow through technical pressure. At the same time weather is viewed as conducive to solid early season production throughout much of the Corn Belt. Yes, rain will delay planting, but traders feel with such an early start to the planting season the beneficial increase to soil moisture outweighs any delays.**

- **Monday's crop progress report showed significant progress in corn plantings. Nationwide 53% of the corn crop is planted; nearly double the 27% 5-year average pace and 4 and a half times last year's 12%. Emergence is ahead of normal too, with 15% of the crop out of the ground. Iowa surprised traders by putting nearly 41% of their corn in the ground in one week, jumping from only 9% planted last week to 50% planted this week. The rain, combined with warm temps has traders talking record yields.**

- **Analysts are debating the final acreage pie as well. One well-followed agronomist believes we'll see total acreage increase by 2-3 million acres if conditions stay similar to how they are currently. They credit the large jump primarily to acreage coming out of conservation programs, Winter Wheat abandonment due to recent frosts and double cropping.**

- **An interesting tidbit, Spring Wheat planting hit a record fast pace with 74% of the crop in the ground. This beats the last record of 73% planted in 1988….take that how you will. Spring wheat in South Dakota is 79% emerged versus the 16% average.**

- **Bearish wheat news pulled hard on corn prices this week as well. Wheat production tours put Kansas wheat yield estimates at their highest level since 2003. In Oklahoma the crop is estimated to come in double what we saw last year. More wheat could potentially undercut corn feed demand. As a result of large production estimates Kansas City wheat futures (Hard Red Winter Wheat) hit their lowest level since 2010.**

- **Traders are looking ahead to next week's USDA Supply and Demand report. The report, which will be released on Thursday, will give us our first real insight into new crop production ideas. At this point with the early planting pace and decent soil conditions most traders are anticipating the USDA to put their new crop corn yield estimate at 165 bushels per acre, up from their February outlook forum estimate of 164.**

- **Most agronomists question this optimistic yield estimate though due to the questionable quality of some of the acres used for the expected expansion. One prominent analyst believes even in good conditions the nationwide yield will average 160.5 bpa. A difference of 4-5 bushels to the acre in production could change ending stock numbers significantly as we move ahead.**

- **Soybean-wise funds hold a net long position over 40% larger than that of a year ago. Exports remain strong, and South American crop prospects continue to be reduced. However, traders are already discussing the massive amount of increased production we could see out of South America next year. One analyst going so far to say November 12 soys could trade up towards $16.00, while estimating November 13 futures to come in around $12.50 or so. Of course this is all speculation, but it shows how quickly production expansion can rain on our bull parade.**

Over the last five years the corn market has put its spring low in place May 12th in 2011, April 28th in 2010, April 17th in 2009, May 30th in 2008 and May 10th in 2007. This giving us the idea that we should be finding our spring low (hopefully) some time here in the couple weeks. Export sales for the week were huge across the board lending credit to the demand side. One thing's for certain, with such a huge difference between old and new crop fundamentals for both soys and corn volatility is going to remain firmly entrenched in the market place. This is

why target orders are so important. At one point this week November soys surged to reach old highs, this move lasted for all of 10 minutes. Without target orders in place this opportunity was very difficult, if not impossible to capture. Extended weather forecasts are calling for below normal temperatures and below normal precipitation here in the Eastern Corn Belt through the 18th of May. Give us a call with any questions; we're here to help! Until next week, have a great weekend and stay safe!

All the Best!
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