

This Week in Agriculture:

News That Could Make a Difference: February 1, 2013

- **Another volatile week as we continue to trade South American weather and logistical capabilities as well as domestic demand. A lack of rain in Argentina and Southern Brazil, with too much rain in Northern and Central Brazil has helped prop markets up recently. Overall for the week old crop beans were up 36, with new up 28. Old crop corn added 14 cents, with new up 7. Chicago wheat finished 10 lower this week.**
- **Traders are continue to chatter more and more about the logistical backlog taking place at Brazilian ports. Reports indicate upwards of 130 vessels are currently waiting to get loaded with either old crop corn or new crop beans out of the country as Brazil's old crop corn export program winds down and their new crop soy program begins to ramp up.**
- **At this point the amount of vessels waiting to get loaded combined with the amount of vessels scheduled to arrive is over three quarters larger than it was a year ago. With average wait times already a record long the idea that times are only likely to increase as we move through the spring has some traders wondering if some export business may unexpectedly shift back to the U.S. in the short-term.**
- **Out of control interior transportation costs may have an impact on future grain movement as well. New government regulations limiting a driver to only 8 hours on the road a day has severely limited just how much grain can be transported from interior locations to ports and other end users. Some reports indicate it's costing a producer anywhere from \$3.00 to \$3.50 a bushel to move beans. Early indications are crushers are capturing early harvest supplies as well, limiting just how many beans are making it to port at this time.**
- **Weather isn't helping to get early supplies to market either. Rainfall in Northern and Central Brazil is limiting harvest activity, pushing it to behind last year's pace. With nearly a quarter of the crop expected to reach maturity in the next couple weeks it's dire that conditions dry out.**
- **While North and Central Brazil is too wet, Southern Brazil and most of Argentina have been too dry recently. Much needed rains have helped to ease the stress in Southern Brazil over the last week or so, but many parts of Argentina have only received 24% to 72% of their average precipitation in January. Hot temperatures have put a lot of stress on crops during critical production stages raising concern and causing many private analysts to drop their production estimates lower.**
- **Domestically a demand based cat and mouse game has kept the market volatile. Ethanol and export demand for corn continue to disappoint, with only flashes of positive news keeping the market on its toes in both sectors. For exports Monday's inspections report showed the highest level of shipments since last September, but Thursday's overall sales came in less than expected. At this point there is still hope we could reach USDA expectations, but we're definitely going to have to see bushels out of South America basically come to a halt to give us a chance.**
- **Japan announcing it would like to increase grain feed reserves by 44% starting April 1st could be viewed as positive, but it's imperative we see sales pick up in the coming weeks.**
- **On the ethanol side of things, we're hearing of more plant shutdowns with yet another plant in the Southern Plains temporarily idling production due to short corn supplies and poor margins. This announcement was coupled with another strong player in the ethanol industry announcing it had closed 3 of its 10 plants in the tail-end of 2012.**
- **Poor margins continue to weigh on plants, though there are signs of improvement. Iowa plants report they are only losing 30 cents a bushel now, as opposed to the 58 cents a bushel they were losing just weeks ago. Things could improve a bit though with the EPA suggesting an increase in the blending rate to help offset the lack of available cellulosic ethanol as required in the Renewable Fuels Standard. Nonetheless ethanol production reported last week moved to its lowest level since reporting began and inventories increased.**

The USDA will release its updated Supply and Demand projections next Friday. Many traders are wondering if the USDA will adjust corn demand, or instead leave most numbers alone until we can get another accurate look at feed demand in the March quarterly stocks report. South American production estimates will be watched closely as well. Some traders are anticipating a downturn in Argentina production, with an increase possible in Brazil.

We're also slowly working our way towards the USDA Ag Outlook Forum and a generally bearish timeframe as well as new crop production estimates take the shine away from old crop supply concerns. Remember last year the USDA projected a 164 bpa acre corn yield and a carryout estimate of 1.6 bln bushels. However, we're currently experiencing the largest area of drought conditions in the country we've ever seen. Whether or not the USDA accounts for this will likely keep traders on their toes. Remember to take advantage of the bursts we've seen in the market. Until next week, have a great weekend and stay safe!

**All the Best!
Angie Maguire
Citizens LLC**

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