

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: February 10, 2017

- **We saw one of the best weeks for corn and wheat in recent memory, with both closing at the highest level seen since late last summer. Renewed buying interest, a shift in Chinese food policy and a general theme of wanting to own commodities again helped push things along. When the dust settled for the week corn was up 9, wheat was up 17 and beans were 31 higher.**
- **A lack of bearish supply and demand information from the USDA helped keep the buying sentiment alive this week as well. Corn numbers held little in the way of surprises as the USDA trimmed carryout levels by 35 million bushels, down to 2.32 billion bushels. The reduction in ending stocks came from a slight bump in ethanol usage numbers. With ethanol usage setting records throughout the month of January and reports of lower ethanol conversion rates the increase in usage was not a surprise.**
- **A 4 million metric ton (157 million bushels) reduction in estimated Chinese ending stocks brought global corn carryout in lower than pre-report expectations. The USDA keeping Brazilian corn production estimates unchanged in the face of other analysts and private groups increasing them helped keep stocks low as well. The second corn crop in Brazil is the one that matters when it comes to the global pipeline, with planting just getting underway estimates are likely to continue to vary greatly.**
- **Domestic soybean carryout was left unchanged though traders were anticipating a slight increase in exports and subsequent carryout. Globally the USDA came in slightly below the average pre-report estimate. Similar to what we're seeing in corn, though private estimates for Brazilian production continue to grow the USDA left their projection unchanged. They did lower Argentina production 2.5 mmt (91.9 mbu) after flooding rains limited plantings. At 55.5 million metric ton the USDA is still above many private estimates.**
- **Wheat carryout came in 41 million bushels lower than pre-report expectations with the USDA raising their export projections by 50 million bushels. Global carryout came in below pre-report expectations as well with production reductions forecast for both India and Kazakhstan.**
- **Outside of USDA numbers a look at changing food policy in China has encouraged traders when it comes to chewing through what is seen as burdensome global supplies. In a program outlined at that start of the week it appears China has all but abandoned their self-sufficiency approach to the market. They also intend to encourage farmers to plant soybeans, foregoing corn plantings in the year ahead.**
- **Talk that the ban on distiller's grain imports as well as subsidized industrial demand for corn could quickly chew through the estimated 4 billion bushels of corn they're projected to have left over at the end of the crop year. Speculators in the country believe corn is the new investment du jour at this point abandoning heavy speculative positions in metals putting those funds into corn.**
- **Some areas in South America are expected to get hit with heavy rains through the weekend into mid next week. While this is likely to cause some harvest delays and limit planting activity it's not necessarily a market mover as Mato Grosso is already seeing a record harvest pace with others not too far behind. With nearly double the amount of ships lined up for loading at Brazilian ports though any type of delay could be interesting.**
- **Speaking of Brazil, it is interesting to note the influence currency fluctuations have on prices farmers receive. Though March soybeans are trading over \$1.65 higher than they were a year ago the Brazilian farmer is receiving less thanks to a near 19 month high in the Real. It is thought by many the lower prices will likely limit farmer selling as harvest progresses.**

As mentioned both corn and wheat are trading at levels not seen since last summer, while soybeans are up towards the higher end of their recent range. If you haven't done so already now is a great time to get target orders in place. Remember these orders allow you to capture profitable pricing levels while allowing you to remove the emotion from your marketing. The higher futures value has plagued basis a bit for both corn and soys. Many ethanol buyers believe they're covered for much of the rest of February with feeders holding off as cash prices for feed move higher than they've seen in recent months. Don't get overly bogged down in basis if you have completely unpriced grain—remember the net cash price is what counts the most.

As always don't hesitate to contact us with any questions, we're here to help!

All the best!

Angie Setzer

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