<u>This Week in Agriculture:</u>

A Mixed Bag of Information from the Week that Was: January 17, 2014

- **A relatively disappointing week for corn in particular after last week's "not bearish" USDA report. Soybeans found some support on strong demand, while wheat did its best to not fall completely out of bed. Overall for the week both March and December corn were down 9 cents. March soybeans were up 38, while November beans rebounded 27 cents. July wheat finished 5 cents lower.**

- **Over the weekend the glow of Friday's USDA numbers began to wear off slightly for corn. As we pointed out in last week's summary the fact that the report numbers were not as ugly as expected was positive, while the overall market sentiment hadn't necessarily changed. Many traders are beginning to question the USDA's feed demand numbers, wondering if perhaps they aren't overly aggressive.**

- **While 1st quarter disappearance for corn was exceptionally strong, certain numbers in the matrix do not necessarily add up. The extent of PEDV's effect on the U.S. swine herd, as well as the relatively slow pace we are able to rebuild cattle herds has some traders wondering if Friday's increase wasn't too much too soon. Many traders will likely remain hesitant to fully embrace the USDA's feed projection until we at least see another quarter with similar disappearance numbers.**

- **Traders saw another blow to Chinese corn purchases this week when another chunk of DDGs were rejected at port. Many traders who had assumed the DDGs issue had been resolved were shocked to discover that upwards of 10,000 tonnes had been rejected early in the week for an unapproved GMO strain. This newest round of rejections only confirms we have a way to go before the issues in our trade relationship with China are completely resolved.**

- **It seems to be the opposite when it comes to the soybean market, as surprisingly strong crush and export demand continue to set early season records. Crush numbers released this week were a record high, coming in over a million bushels higher than the previous record and a million and a half bushels higher than pre-report estimates.**

- **On exports, it took one week to outpace the USDA's 20 million bushel adjustment higher in overall projections. We have now sold 102% of the 1.5 billion bushels expected. While shipments remain strong it will be key we maintain pace to meet actual sales on the books. At this point many traders are concerned China may be double booking beans for March shipment. If double booking is happening we could see hefty cancellations once the Brazilian soy crop is confirmed.**

- **Even though the production will be there, it is likely Chinese buyers will be watching logistical capacity and flow as they work into the new export paradigm. With an even larger crop expected than last year it's likely logistical issues could be compounded as the country struggles to ship sale commitments. It is important to note however, expansions and improvements have been and will continue to be made. Officials in Brazil believe loading capacity at ports could expand by up to 30 mmt (1.1 bln bushels) by 2017.**

- **Wheat got a shot in the arm this week with the first Egyptian tender of the year. At this point Gulf wheat is the cheapest globally by a narrow margin, leaving traders hopeful we'll see a continuation of demand.**

- **Traders will also be watchful of next week's weather as another arctic blast is expected. While snow cover has been reduced over much of the country many will take a wait and see approach when it comes to determining whether or not the crop will suffer from Winter Kill.**

- **A well-followed private analytical group released their updated 2014 acreage projections this morning. While it is very difficult to get a solid grasp on planting intentions this early in the year it is important to note they feel the economics of corn versus soybeans has shifted slightly from what we saw in December. While the group still anticipates a decline in corn acres this spring, they are expecting it to be less aggressive than previously thought.**

Bottom-Line: The transition from a supply sided market to a demand driven one tends to be quite messy. In the case of corn in particular many traders will be hesitant to jump on the bull wagon for any length of time as the need for cheaper corn to fuel demand remains ever-present. A slight adjustment to ethanol margins, a decline in export interest or a further issue arising in our livestock numbers could swing the overall supply and demand projection dramatically at this point. For soybeans we will continue to struggle with bullish short-term fundamentals in our domestic market versus long term bearishness globally. While poor wheat's just hoping to catch a break in the downward action.

Our overall opinion has not changed. Rallies should be rewarded and long-term plans regarding movement should be put into place. There will be opportunities that present themselves along the way, the key is taking them. Target orders remain the best approach for both old and new crop. The markets will be closed all day Monday to honor Dr. Martin Luther King Jr. In the meantime give us a call with any questions, we're here to help!

All the Best!
Angie Maguire
Citizens LLC
www.citizenselevator.com