This Week in Agriculture:

News that Could Make a Difference: January 24th, 2014

- **A somewhat lackluster holiday shortened week as traders weighed rumors versus facts, as well as our long term supply and demand prospects as we move ahead. Overall for the week beans were the biggest loser, with March beans losing 31 cents and November beans falling 14. March corn saw some support late in the week, finishing up 5, while December corn and July wheat finished relatively unchanged.**

- **Rumored cancellations were the story of the week, with traders bracing themselves believing Chinese demand was transitioning to South America. Though we had no confirmation this was the case the market fell hard right out the gate on Tuesday, with Gulf basis values softening in response to concerns.**

- **With Brazilian soybeans selling for nearly a dollar less than their United States counterparts and the idea we will see an estimated half a billion bushels more soys in the South American pipeline the concern over cancellations is valid. However a year ago slow logistics resulted in high demurrage charges. At this point foreign buyers seem hesitant to put their eggs (beans??) is one basket, opting to instead keep their sources varied until shipment capabilities are assessed.**

- **At this point most Brazilian ports are booked for much of February and the first half of March leaving any real origin adjustments to take place for last half March movement and beyond. With cumulative shipments running nearly 13% ahead of the 5 year average and sales already larger than USDA projections with 8 months left in the marketing year the question of how the market will react to any confirmed cancellations will remain.**

- **On a domestic demand front crush margins remain solidly in the black, with regional processors scrambling for beans at this point. With both cattle and milk prices hitting record highs this week, and poultry numbers increasing from a year ago feed demand looks to remain strong for both soybean meal and corn as we move ahead.**

- **On the corn export front: Chinese officials have made it clear it will be at least March before they approve the troublesome genetically modified strain of corn that has been giving us fits since October. Even worse, if the decision is tabled at their March meeting the strain will not come up for approval again until June. With 15 GMO varieties already approved it is likely China is focusing more on their domestic supply needs than the actual concern over genetic modification, but we will still be walking on eggshells until official confirmation happens nonetheless.**

- **It is important to note that monthly import numbers for December showed Chinese corn imports from the U.S. down 42%, while distillers grain imports were up 416% year on year. With the USDA predicting a record corn crop for China it will be interesting to see how interior logistics and supply and demand numbers work out moving ahead.**

- **Another issue that will be key to watch out of China is their economic strength. Analysts were somewhat surprised by a slight contraction in Chinese PMI when they were anticipating growth. With growth in grain and protein demand coming from an exploding middle class, continued economic strength is key.**

Bottom line: The market is likely to remain locked in a range until something major develops to get it to move solidly in either direction. With the cold weather and consistent snowfall we are seeing some basis opportunities develop helping to improve cash values. Keep in mind the cost of holding grain in the bin when looking at where you want to sell. In the meantime give us a call with any questions-target orders will still be a great way to capture any quick bursts in both futures and cash alike. Until next week, have a great weekend and stay warm!

All the Best!
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