

This Week in Agriculture:

News That Could Make a Difference: January 25, 2013

- **A back and forth week as a relative lack of fresh domestic news had traders focusing on South American weather and questionable demand as we move ahead. We started the week out strong before running into technical resistance and profit taking. Overall for the week corn finished 7 lower, while wheat lost 16, old crop beans were up 11, with new beans gaining 10.**
- **It's a tale of two different worlds in South America. Dryness in Argentina and Southern Brazil is causing production concerns, while wet weather in Northern and Central Brazil is causing some harvest delays. Nearly half the corn crop in Argentina is working its way towards pollination in 90-100 degree weather with little rainfall. At this point forecasts are conflicted as to whether or not rain will make its way into the area next week.**
- **Around 6% of Argentina's projected corn acres are unplanted according to recent government estimates. Rainfall will likely dictate whether or not those acres will be planted. Much of the country was plagued with overly wet conditions for the first half of December, meaning most root systems are relatively shallow. Recently planted soybeans are struggling as well.**
- **The relatively poor conditions have prompted some analysts to begin to scale back their Argentina soy production estimates. One well-followed global analyst put their production estimate over 73 million bushels below the most recent USDA estimate.**
- **The issue seems to be just the opposite in parts of Northern and Central Brazil as too much rain is delaying the start to a much anticipated (and much needed from a global supply standpoint) harvest. Anywhere from an inch to several inches is expected throughout much of the region of the next several days. Quality impacts aren't a concern at this point, but a lack of available supplies could be as we move through next week and beyond.**
- **Early plantings and record production expectations allowed Brazil to be aggressive in booking early export sales. At this point there is an estimated 70 million bushels worth of shipments expected to be loaded, with over 115 million bushels of corn looking to be shipped as well. Port congestion is no longer an if, but is instead a reality. Whether or not Chinese buyers will practice patience is the million dollar question. Some analysts believe Brazil has heavily overbooked Feb/March port capacity and the U.S. could see buying interest return in the meantime.**
- **Brazil's ability to ship their export commitments will have a monumental impact on where beans head as we go forward. Soy export shipments are running 233 million bushels ahead of last year, while the USDA is still projecting a 17 million bushel year to year decline. Traders have been following the idea that a large South American crop would completely cut the flow of exports, any sort of delay, or a lack of cutoff in sales could dramatically change ending stock projections.**
- **Corn demand continues to sputter in the ethanol and export sectors respectively. Yet another plant in Missouri announced a temporary shutdown today due to lack of available local corn supplies. This week's ethanol report showed a slight uptick in ethanol production and a decrease in stocks. Ethanol imports, however, continue at a blistering pace and with the expected increase in sugar cane ethanol production out of Brazil it isn't likely to slow too much anytime soon.**
- **One interesting twist: the slowdown in ethanol production has reduced the availability of distiller grain supplies pushing DDG prices higher. The higher prices of DDGs has helped to push some ethanol margins back into the green, while at the same time likely increasing the amount of corn feedings needed to offset the lack of available DDG supplies.**

With 32 weeks left in the marketing year we're a long way off from having any true indication as to where this market could head. At this point there are just too many unknowns to say with certainty which way this market has to head. In times as volatile as these it's vital to keep in mind where your point of profit is, if you have large

amounts of unpriced inventory still in the bin it may not hurt to take advantage of price bursts as the market offers them.

Keep in mind we're entering a seasonally bearish period of time where huge new crop potential trumps tight old crop supplies. For every significantly bullish argument there's a bearish one right behind it, the best advice on how to handle times like these is to have target orders in place, don't trade on emotion. Keep us posted and don't hesitate to call with any questions. Until next week, have a great weekend and stay safe!

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

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