

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: March 18, 2016

- **We finally seem to be breaking out of the winter doldrums as soybeans managed to trade to their highest level seen since December while corn and wheat traded to the high end of their recent ranges before settling back slightly. Weather developments, new found strength in energies and changes in currency conversion rates were the main contributors to this week's moves. When the dust settled we saw May corn up 2, May soybeans up 2 and July wheat down 13.**
- **The most interesting development this week came out of Brazil, as the country's political system appears to be in turmoil. The country's oil company Petrobras has been under investigation for several months. Political leaders and business executives are accused of money laundering and fraud with nearly a billion dollars of falsely obtained money collected through the course of the investigation. In recent weeks the spotlight has turned to the country's former president Lula. Lula and the country's current president Rousseff are political allies and have worked closely together over the years.**
- **With Brazil currently experiencing its worst recession in over 25 years Rousseff's popularity is marginal at best. The initial thought was that if Lula was responsible for the corruption, money laundering and fraud he has been accused of there was no way Rousseff would be able to emerge from the scandal unscathed. The process of impeachment was started and many thought the country would find a way to remove her from power, subsequently improving the country's economic outlook. This thought helping to encourage a rally in the country's currency and internal markets.**
- **The situation got more interesting this week when Rousseff announced she would bring Lula into her cabinet as the Chief of Staff. What makes this development most interesting is that a member of the cabinet can only be investigated by the country's Supreme Court—in a sense making Lula nearly untouchable. A judge this week tried to intervene stating Lula's appointment was illegal, but was trumped by a higher ranking judge. Protests of citizens both in support and against Rousseff were common place, while global political watchers continue to monitor the situation with popcorn in hand.**
- **The political developments in Brazil encouraging a stronger Real combined with economic developments courtesy of the Fed this week has made for interesting changes in the currency landscape. We saw the dollar fall to its lowest level since October after the Fed took a more dovish stance in its approach to interest rate increases. The Fed announced this week that instead of the 4 rate increases planned the likelihood was that we would only see 2, and even those would depend on market developments in the coming months.**
- **Strength in the Argentina Peso has been seen as well as President Macri's approach to economics seems to be improving the situation there. The weakness in the dollar combined with the strength seen in both the peso and the real has helped improve our export outlook ever so slightly as we look ahead. Of course the overall outlook when it comes to supply and demand economics hasn't necessarily changed, but an improvement in conversion rates has allowed us to see some decent export interest these last couple weeks.**
- **The currency shifts have been most evident when it comes to corn export demand in recent weeks. Though we still remain 18% lower than a year ago when it comes to corn exports and 7% lower than recent USDA estimates, the fact that lag was nearly 26% just a few short weeks ago shows just how quickly we've been able to make up for the slow start to the year. Soybean exports remain in line with USDA expectations while soyoil exports are running 15% ahead due to issues with global palm oil supplies. This strong soyoil export demand has helped drive prices for that commodity higher, improving crush margins as of late. However the overabundance of meal due to the increase in crushings has acted like an anchor to the market. Wheat exports continue to struggle, lagging USDA expectations by 10% with just over 2 months left in the marketing year.**
- **Just as we seem to see something positive develop for old crop beans we have to wonder how the new crop outlook will play out. As mentioned even though the situation may be improving from an export perspective a move from being incredibly bearish to neutral should not be confused with bullish developments. Though**

it is early yet we are starting to see indications that some may struggle with getting corn planted in a timely manner. The Delta and parts of the Southern Plains are dealing with heavy rainfall and in some areas record flooding. At this point it appears we have another 3-4 weeks before decisions on acreage shifts will have to be made, but the idea that an increase in soybean or cotton acres may have to take place is not supportive to either market—especially when both are looking at significant carryout increases without a dramatic increase in acreage.

- Speaking of acres we will likely see a lot of attention shift towards the upcoming quarterly stocks and acreage report due out March 31st. While quarterly stocks have the biggest influence on old crop supplies and demand indications traders will focus heavily on acreage expectations and what that will mean for the production year ahead. Current acreage estimates have corn anywhere from 89 million to 90.5 million putting new crop carryout estimates around current levels to just over 2 billion bushels. Soybean acreage is expected to come in somewhere between 81.9 million up to 84 million, putting new crop carryout anywhere from 430 mbu up to 610 mbu.
- Of course weather will be the biggest determining factor when it comes to what will be planted and how it will yield. The National Weather Service released their April-June forecasts this week indicating above normal rainfall can be expected throughout the Southern Plains into the Delta, while below normal precipitation is anticipated for Minnesota, Wisconsin and Michigan.
- Temperature-wise the Climate Prediction Center expects an equal chance for both above and below normal temperatures throughout the bulk of the Corn Belt. One well respected meteorologist believes we will see a pattern similar to what we saw last spring, but with potentially more moisture. This will definitely be something to watch as we look ahead.
- A quick peak at this week's cattle on feed numbers may have traders recalculating their quarterly stocks expectations ahead of the March 31st report. Cattle on feed continue to outpace last year's levels with this week's report showing cattle being fed is 101% of a year ago. What was most surprising was the large move in placements up to 110% of a year ago and the largest we've seen since 2012. Many analysts believe this could be because of the heavy snow seen in February combined with recent flooding in the South. Either way they will have to be fed.
- Ethanol numbers were supportive to corn demand outlook this week as well, coming in at the 4th highest weekly production number on record. Stocks of the finished production dropped from a week ago, though they stay near record highs. Indicated gasoline demand continues to pick up as does export interest for the fuel. We need to see a continuation of this trend to feel comfortable when it comes to basis levels and demand the last half of the marketing year.
- Traders will be monitoring this weekend's weather developments in the Southern Plains when it comes to wheat. Record warmth has pushed the crop to mature rapidly with some of the crop nearly a month or more ahead of its regular maturity. Some forecasts point towards temps in the 20's for lows potentially damaging the crop. Of course with nearly half of a crop left in bins as we head into harvest traders are slow to hit the buy button on a production issue—as indicated by this week's midweek swoon.

In the end we're finally getting into a time period where the markets will have new developments to trade. Volatility will likely return as will opportunities to market both your old and new crop bushels. Please remember to take a realistic stance when it comes to price targets and enter sell orders accordingly. With beans adding nearly 60 cents from their lows it makes sense to start locking in bushels at these levels and place orders higher for additional bushels if the board continues to strengthen. Corn is trading at recent high levels for the front month, with new crop numbers pushing up towards their recent high as well, don't be afraid to take advantage of some of this strength and don't forget to get those target orders in place before you head to the field.

Locally weight restrictions are starting to lift so it's likely we'll see an increase in nearby corn movement. Stronger ethanol and crush margins have helped strengthen basis, but the need for cash ahead of planting may push grain into the pipeline limiting some of that strength. If you know you have bushels to move in the short-term it definitely wouldn't hurt to look at putting something together. In the meantime don't hesitate to call if you have

any questions, we're here to help!

All the Best!

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