

This Week in Agriculture:

News That Could Make a Difference: March 2, 2012

- Soybeans reaching their highest level since mid-September helped ease corn and wheat out of their recent lackluster trade pattern this week. Overall old crop soybeans were up 46 cents, with new crop adding 27. Old crop corn was up 11 cents, while new corn was 12 cents higher. July Wheat was up 33 cents for the week.
- The USDA's Risk Management Agency established their 2012 crop insurance guarantees this week. Corn was set at \$5.68, while the soybean guarantee is \$12.55.
- Soybeans remained the driver with traders wondering just how the global supply story will play out as we move into the production season. Traders estimate the production downturn in South America could take anywhere from 4-7 million metric tons (147-257 mbu) out of the global supply.
- Based on USDA projections even with 75 million acres planted and a yield of 44 bushels to the acre carryout could drop to 215 mln bushels. These numbers are based on current USDA reduced export projections. Traders are concerned that any increase in exports or reduction in production this summer could force supplies into rationing levels.
- Chinese demand remains a wildcard. Prices in the country continue to move higher. On the corn side of things a fresh deal between Argentina and China is on hold due to concerns over an unapproved GMO trait found in the Argentina corn supply. If not resolved this could open the door to a further increase in the recent strong Chinese buying pace of U.S. corn.
- Traders are beginning to digest the USDA's recent Outlook Forum projections when it comes to new crop corn as well. At first the huge 14 billion bushel plus projected production number is incredibly intimidating. Going into spring dry and warm conditions are likely to be conducive to corn planting. Traders are not necessarily questioning the planted acreage number; they are however, questioning the yield.
- At this point portions of Iowa have only seen around 34-40% of their normal precipitation since January first. Parts of Western Illinois have only seen 44% of normal rainfall. Here in Michigan Northern areas are much drier than normal, with some spots seeing around only 52% of normal rainfall. Parts of Central Michigan have seen well above normal precipitation, while the Lansing area has seen around 110% of its normal rainfall since January 1.
- With La Nina projected to break down as we move further into Spring forecasters feel a warm and dry production year is more likely in the Central and Western Belt than a repeat of last year's wet conditions. Overall this leaves production-and the markets themselves at the mercy of weather until we can at least be comfortable with a 158+ bu per acre yield number.

As we move ahead traders will begin to focus on the USDA's updated Supply and Demand numbers set to be released next Friday. Projections on South American production and subsequent demand shifts will be monitored closely, as will corn and wheat demand projections. We'll also begin to hear more about the upcoming Planting Intentions and Quarterly Stocks report due out March 30th. At this point taking advantage of market opportunities when they present themselves is vital. Remember, you can't go broke making money. Until next week, have a great weekend and stay safe!

All the Best!
Angie Maguire
Citizens LLC

www.citizenselevator.com

****Commodities trading is very risky, Citizens LLC holds no liability for the use of the information contained herein****