

## **This Week in Agriculture:**

**A Mixed Bag of Information from the Week That Was: March 7, 2014**

- **What a week! Tensions between Ukraine and Russia, combined with less than desirable weather in Brazil and an overall movement of managed money back into grains helped to push corn, new crop soybeans and wheat up to their highest levels in months, while old crop soybeans were able to move to new highs. Overall for the week May corn was up 25 cents, with December up 15. May soybeans were up 45, while November was 21 cents higher. July wheat was up an astounding 50.**
- **Late Friday everyone around the globe was rocked on news Russia was entering the Crimea province with the potential to see the issue escalate into a full out war. Crimea's location on the Black Sea, its climate, ability to grow grain and the fact that a good portion of Russian gas flows through the country's pipelines into Europe make the peninsula that much more vital.**
- **From a grains perspective the idea that the grain set to ship out of Ukraine may not make it into the global market—or at the very least with the ease initially envisioned was enough to set the trade on edge. At this point what we know is approximately 2 million metric tonnes (73.5 mbu) of wheat and just over 3 mln metric tonnes (118 mbu) of corn is left to be shipped out of the country. With food security one of the primary issues on the mind of world leaders, the idea of any kind of supply hiccup is concerning.**
- **Only adding insult to injury are drought concerns, coupled with the idea that credit may be hard to come by for the nation's farmers if issues persist much longer. With approximately 6 weeks left before farmers intend to begin spring planting it will be imperative the issue at hand is resolved peacefully. Unfortunately at this point it appears a peaceful resolution may be difficult to achieve as talk of sanctions, secession and military action appear to grow ever present by the day.**
- **While traders watch Ukraine with uncertainty and anxiety it does appear as though logistics issues in Western Canada may be one step closer to being resolved. As we have mentioned in previous discussions rail issues caused by weather and overabundant demand for rail freight in and out of Western Canada has led to a virtual standstill in grain movement.**
- **Canada is one of the world's largest exporters of canola, wheat and oats. The fact that all 3 saw record setting production levels, combined with record cold and snow would create a logistical nightmare in any given year. Record oil movement has not helped matters in the least, as the higher freight paid and level of demand has taken precedent in shipments.**
- **Today the Canadian Minister of Agriculture as well of the country's head of transportation announced referendums designed to get the estimated 25 mmt of grains and oilseeds waiting for shipment on the rail and to their destination. Effective immediately both Canadian Pacific and Canadian National are required to ship a minimum level of grains each week. If they fail to do so penalties will be stiff, at upwards of \$90,000 a day.**
- **With oats trading at record high levels the news grain will start flowing is a welcome relief. However, a rush in shipments and a flow of grain with 2 months worth of push behind it could have a significant impact on Northern basis levels as things begin to move more freely.**
- **From a global demand standpoint, corn and soybean exports remain phenomenally strong for this point in the marketing year. While we did see just over 9 million bushels of soybean sale cancellations midweek, sales announced Thursday put us 113 mln bushels over the latest USDA export projections. As for corn we have just over 93% of the USDA projections sold as well. It is important to note in corn however, we have the largest level of unshipped bushels in over 25 years. While cancellations do not seem likely at this point, it will be important to see bushels move as we head into spring and summer.**
- **With exports remaining surprisingly strong traders will be looking for additional information from the USDA's updated supply and demand numbers on Monday. At this point the average trade guess shows**

most are expecting a slight increase in carryout levels-with a wide range of estimates. Wheat numbers are also expected to increase slightly, while soybean ending stocks are expected to see a slight reduction.

- Also important Monday will be global production estimates as weather conditions have went from ideal to less than ideal in South America over the last month. Private analysts have taken nearly 70 mbu out of their Brazilian soybean production estimates, with others dropping their anticipated corn outlook as well. With the potential transition away from the idea that global stocks could be burdensome-any significant reductions will make this year's growing season that much more important.

**Bottom-Line:** We are now seeing numbers many analysts thought were unlikely just 4 weeks ago. The best way to look at the opportunities presenting themselves is to ask yourself if you wished you would have sold these levels prior to the last market drop. If the answer is yes, scale selling into any additional upside should be taking place for your operation. New crop bushels are well above insurance revenue guarantees and the latest USDA outlook on pricing as well. Incremental sales and target orders are the best way to take advantage of upward market momentum, while also helping remove the emotion that comes with selling. We can also help with options strategies if you are looking at ways to enhance your approach to marketing your grain.

We will have Monday's numbers when they are released, and can answer any questions you may have. Until next week, have a great weekend-and stay safe!

All the Best!

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