

This Week in Agriculture:
News That Could Make a Difference: May 15, 2015

- After spending months if not years lurking in the shadow of corn and soybeans, wheat was the market to make headlines this week by experiencing its biggest one day move in 3 years. When the dust settled and the closing bell rang Friday we saw both July and December corn up 2 cents for the week. After receiving disappointing USDA info on Tuesday July soybeans were down 12, while new crop was down 6. Though wheat struggled to follow through on Thursday's 32 cent gains July wheat still managed to close 37 higher for the week.
- Since the record short fund position in wheat has been actively discussed for several weeks now Thursday's move was not a huge surprise, but managed to still catch some off guard—especially after Tuesday's USDA update that projected increased wheat stocks both globally and domestically. In true short covering fashion though, a couple rumors surrounding potential stock quality, availability and production ideas were enough to light the fire under buyers.
- Meteorologists confirmed they anticipate El Nino to impact global weather patterns well into the summer. Traditionally El Nino patterns tend to cause dryness in the heart of Australia's wheat producing areas, while also causing issues in India and other areas across the globe. Here in the US El Nino tends to result in heavier than usual rainfall in some areas, particularly those in the Southern Plains. In a cruel turn of events though, the idea of above average rainfall in the Southern Plains has actually transitioned into a bullish development thanks to quality concerns.
- Many areas in Texas, Oklahoma and Kansas started the year in severe to extreme drought conditions that had been ongoing for many years. The transition into a wetter weather pattern around the end of March and beginning of April was a welcome sight to many farmers in the area, especially those whose crop had suffered over the dry winter months. Fast forward 30 days though and rainfall rates of up to 15" in some areas are causing extensive flooding and disease concerns.
- Because of these concerns the USDA released a Cereal Rust Bulletin highlighting the stem and leaf rust issues that have popped up throughout the area. Concerns over potential protein in the Hard Red Wheat crop, as well as an idea we could see a reoccurrence of Vom issues in Soft Red Wheat was enough to help pull wheat off from multi-year lows hit early in the week.
- As seen in wheat and as expected from a seasonal standpoint, weather has become the main focus of the market. As mentioned, El Nino conditions have been confirmed in the Pacific, prompting meteorologists and climatologists to pour over data trying to determine what that will mean for weather in the months ahead. Some climatologists are a little concerned about what we will see develop this year though, because they feel the El Nino conditions we are seeing are unlike any we've seen before.
- While many claim El Nino tends to correlate with above trend-line corn yields, the fact that this pattern is setting up differently and the idea that yield is already starting high has some traders hesitant to pencil in bigger numbers until we get a feel for July. We have already seen an increase in extreme weather events and as we move towards summer the potential is there for this pattern to continue.
- When we first were introduced to the H5N2 Bird Flu experts claimed warmer weather would help to control if not eradicate the disease, this has not been the case unfortunately as the number of states impacted and birds to be culled continues to increase. This week new cases were announced in Nebraska, Indiana and South Dakota, bringing the total number of effected birds to 33 million.
- While I still believe the impact of the disease will be felt more in the regional cash market than the overall futures market, it is impossible to ignore the spread. Four states have declared a state of emergency so far, with many farmers in Indiana holding their breath that the disease does not get a foot hold in the Eastern Corn Belt.
- When it comes to overall feed demand this week's crush numbers indicate there's no real softening in usage. At 150.36 million bushels we crushed a record amount of beans for the month of April, outpacing the

previous record by over 10 million bushels. After the USDA increased their overall crush demand projection in Tuesday's report by 10 million bushels we needed to see another strong number to give us wiggle room as we work into summer.

- At this point crush needs to average over 130 million bushels a month for the remainder of the marketing year. Better than that could open the door for a further increase in usage in subsequent USDA reports and a much needed further decline in ending stocks numbers.
- On the export side of things soybean exports continue to limp along better than expected. Even after the USDA's 10 million bushel increase in soy export projections on Tuesday we are still nearly 20 million bushels above the number needed to hit expectations. Shipments at this point are a bit slower than we'd like to see though, opening the door for potential cancellations down the road if South American exporters can get grain flowing freely again. New crop soybean exports remain slow however, still languishing around 40% of the pace we saw a year ago.
- Corn exports were exceptionally disappointing this week, coming in at a marketing year low after several weeks of solid numbers. Though we are not too far out of line when it comes to USDA projections, we need to see a substantial increase in export interest to give this market any type of bullish feel (outside of a weather event) as we work towards summer.

Sunday night weather models will be monitored closely as rumblings about potential frost damage to the crops in the Northern Plains began to be more heavily discussed as we worked into the close today. Record planting pace was seen across the bulk of the Dakotas and Minnesota, with warm temperatures and rainfall aiding emergence. At this point it is estimated over half of the North Dakota crop could be exposed to cold temperatures early next week, with 10-20% of the crop facing potential damage. Of course any change in forecast maps could sway trade sentiment significantly one way or another.

We will also get a planting progress update Monday evening. Heavy rain and cooler than normal temperatures throughout the bulk of the Belt limited fieldwork and frustrated farmers. It's likely we will see a small increase in corn plantings, with a 10-15% increase in soybean plantings from last week. Extended weather maps point towards cooler than normal temperatures for the Southern Plains and Western Corn Belt, while normal to above normal temperatures are expected in the East. Wetter than normal conditions are forecast throughout the bulk of the country for the next 2 weeks. Seasonally we are entering into our most volatile trading period, use this to your advantage by putting in target orders and having a plan in place when it comes to movement—give us a call with any questions, we're here to help. Until next week, have a great weekend and stay safe!

All the Best!
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