

This Week in Agriculture:

News That Could Make a Difference: October 30, 2015

- **At the risk of sounding like a broken record we saw another week of range bound trade for both corn and soybeans. While corn appeared to have yet again found its short-term bottom mid-week, beans spent much of their week languishing in a half hearted trade. Wheat however surprised everyone by showing its biggest gain in 4 months, finishing the week 32 cents higher. When the dust settled corn was up 2 while beans were down 13.**
- **Wheat started the week strong after a large amount of the beneficial rains projected for both the Northern portions of the Hard Red Wheat Belt and parts of the Black Sea region missed their targets. Both areas are remarkably dry for the start of the production season, raising concern over potential germination issues, or poor stands. Further concerns over heavy rainfall in Southern Brazil potentially damaging the crop as its ready to be harvested there, and issues with continued heat and dryness in Argentina were enough to trigger some short covering and allow the all but forgotten market to forge a decent rally.**
- **Uncertainty over potential political developments in Argentina could be considered somewhat supportive in the short-term as well. Going into the weekend many traders expected the 2 candidates most friendly to agriculture to win Sunday's election. However Monday morning showed a runoff election between the Fernandez backed candidate and the pro-business mayor of Buenos Aires will be necessary. Ahead of the weekend many traders had expected one of the 2 ag friendly candidates to walk away easily, the fact that they did not will keep folks monitoring developments there in the weeks ahead.**
- **Weather concerns in South America are even more pressing than potential political changes. As mentioned, parts of Argentina-specifically the West Central and Northwestern regions of the country-are still struggling with conditions that are much too hot and dry for the crop to get off to a good start. The dry start to the growing season has a well respected analyst already cutting 2 mmt (73.5 mbu) from his production forecast. While showers and thunderstorms were expected this week forecasts do not show a significant amount of follow through precipitation can be expected.**
- **The very Northern portions of Brazil are struggling with similar issues. Mato Grosso produces nearly 30% of the country's soybeans and has been battling some extremely hot and dry conditions as of late. This week a much needed wave of rainfall is expected, potentially dropping upwards of 5" in some areas. For this week of the year the area tends to have upwards of 50% of its crop planted, but due to the dry conditions only 38% of the crop is seeded. While this is comparable to last year's progress a continuation of rains, as well as a confirmation of forecasted amounts will be imperative for the country to meet its large production expectations of 100 mmt.**
- **The slow start to planting in portions of Brazil and potential cuts to Argentinean production have picked up importance as the ravenous Chinese demand for soybeans has become even more obvious in recent weeks. The slow start to the export pace had many traders concerned, and with current sales still lagging last year by 20% some remain hesitant to get excited over the recent blistering pace. However last week's soy loadings were the largest of the marketing year and 3 times what is needed each week to meet USDA expectations. Of the 98.2 million bushels loaded in the week 65.2 went to China.**
- **While we remain behind in sales the fact that loadings are heavily front loaded show that many buyers need the beans but could remain more hand to mouth than in recent years while they wait to see what kind of production potential actually comes out of South America. Some of the best cash hog margins in over 3 years are likely to continue to support demand as we move ahead, perhaps limiting some of the concerns we had over burdensome global supplies.**
- **Corn sales are not smelling whatever soybeans are stepping in however and continue to lag. At this point cumulative sales stand at only 26.8% of USDA expectations versus the 5 year average pace of 47.5%. While this week's sales came in above expectations it will take a string of much stronger sales to get us caught up. This slow start has many traders expecting a decrease in expected exports in next month's supply and demand report, with a likely increase in new crop ending stocks to follow. As I've mentioned before corn**

exports only account for 13% of the overall demand pie, but with weekly reports showing us exactly what we're not selling it remains in the forefront of many traders' minds.

- A recent anti-dumping complaint surrounding Dried Distillers Grains in China will likely have some influence on the country's soy demand as well as meal becomes the more readily available go-to source for protein. DDG imports were halted early this week after the complaint was filed. While this happened once before in 2010 only to be lifted in 2012 without harm found the fact that China is our top buyer of DDGs may have some influence on our domestic prices, potentially displacing some corn demand as we move ahead.
- In other interesting Chinese developments this week we saw the country lift its nearly 30 year program of limiting families to only one child, allowing families up to 2 children. This decision was made in response to the country's slow economic growth and rapidly aging population. Many believe the potential influx of younger citizens will help limit the impact of an astounding amount of pensioners coming to age over the next several years. Creating homegrown demand is not likely to hurt when it comes to increasing domestic consumption either.

It is interesting to see the developments taking place in our domestic cash market as harvest wraps up across the countryside. As we've been anticipating for much of the growing season the areas of short supplies are beginning to influence the areas where supplies are plentiful. The fact that growers have been surprisingly tight fisted with what supplies they do have has helped to support the market structure as well. At this point it is estimated that farmers have only sold 10-15% of their corn, with only 15-20% of soybeans cashed out. With steady demand this has created an issue for elevators and end users alike. While it is likely a pop in futures could push a lot of this to the market the slow pace in trade has many buyers hoping that happens sooner rather than later. As a grower it is imperative you take advantage of these good basis levels, especially since they're present as harvest wraps up. Keep your cash flow needs in mind and sell accordingly.

In the meantime traders will continue to monitor developments in monetary policy (as the Fed left rates unchanged this week, but hinted at potential increase after their December meeting) and how it will influence the dollar. It is interesting to note with the ebbs and flows of currency corn offers out of South America were not weakening in tandem with Chicago values this week, potentially helping us in the long term with that nagging slow export pace. As we head into next week traders will continue to monitor cash market developments as well as export sales announcements and South American weather forecasts. As always, if you have any questions don't hesitate to call, we're here to help. Until next week, have a great weekend and stay safe!

All the Best!
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