

This Week in Agriculture:

USDA Quarterly Stocks and Planting Intentions Report Summary: March 31, 2014

- **The USDA gave us two large pieces of information today; supplying us with an updated quarterly stocks number, as well as insight into what they anticipate for planting this spring. Today's report could be considered bullish for corn on both accounts. Soybean stocks could be considered neutral to bullish, while acreage was slightly bearish. Wheat saw a somewhat bearish stocks report, but a bullish acreage number.**
- **Ahead of today's report analysts and traders were hesitant to get too confident regarding corn stock numbers. In the last 7 years the March stocks report has been the hardest to project-as evident in a limit up or down trade more than 50% of the time. Coming in to today was no different, concerns over PEDV and the final production figures were more than enough reason for traders to move to the sidelines. In the end though, stocks numbers were bullish, or supportive to price-coming in lower than expected.**
- **Based on projected second quarter usage and supply estimates traders were anticipating March 1st stocks to come in around 7.1 billion bushels. The USDA put their projection at just a touch above 7 billion bushels, or nearly 100 million less than the average pre-report estimate. As mentioned in last week's newsletter, lower than expected stock numbers would indicate either less supply than originally thought, or more usage for the quarter than originally calculated.**
- **From today's report it is important to note that total overall stocks are up 30% from a year ago. Of those the bulk of that increase is in on-farm supplies. The USDA believes we have 1.2 billion bushels more of corn on the farm waiting to come to market, while there's a 400 million bushel increase in commercial stocks.**
- **Here in Michigan, overall stocks are nearly 46 million bushels higher than they were a year ago. The decline in stocks for the quarter shows robust usage, but also a large level of grain still on the farm. At this point the USDA estimates there is approximately 105 million bushels of corn in the hands of farmers here in the state, while commercials are sitting on just over 81 million in total stocks on hand.**
- **With the recent run up in futures prices many traders were expecting a slight bump higher in corn acreage from the USDA's February projections. The average estimate ahead of today's report was for growers to intend on planting around 92.75 million acres. The USDA put corn acreage intentions at 91.7 million. Here in Michigan the USDA is expecting total corn acres to remain unchanged from a year ago. From a state by state perspective the major corn producing states are expected to leave their acreage unchanged from a year ago, or see a slight decline.**
- **Soybean stock numbers came in only 3 million bushel above the average pre-report estimate. There was some concern ahead of the report that the ease of flow in bean movement was possibly indicating more beans produced last year than originally thought. Stocks coming in as expected calmed those concerns.**
- **The 1% decline in stocks from a year ago solidifies that our early season export pace has been one for the record books. Also bringing in to question how the USDA intends to handle carryout projections moving forward, as their anticipated decline in usage has yet to really show in a slower disappearance rate.**
- **Here in Michigan, thanks to an extremely aggressive fall export program out of Toledo, soybean stocks are nearly 7 million bushels lower than they were a year ago. Of the decline the biggest difference is in on-farm supplies, with nearly 6 million bushels less in on-farm storage than there was last year.**
- **Depending on who you asked the slightly higher than anticipated soybean acreage projection was either priced in, or somewhat surprising. In February's Outlook Forum the USDA put soy acreage at 79.5 mln acres. The recent run up in price had traders expecting closer to an 81 mln acre number. The USDA put overall acreage slightly above pre-report estimates at 81.5 mln projected. Up 5 mln acres from last year and a record high. Here in Michigan the USDA is expecting a 200,000 acre increase in soybeans from last year.**

- **All-wheat stocks came in slightly above the pre-report range, but well in line with expectations. At 1.06 billion bushels overall stocks are 175 million bushels lower than a year ago. Here in Michigan we have around 5.4 million bushels less on hand than we did a year ago. With most of the loss in commercial holdings and a slight bump in on-farm bushels.**
- **On the acreage side of the equation overall wheat acres came in nearly a half a million acres lower than anticipated. Spring Wheat acreage was the biggest surprise in the acreage breakdown, coming in over 200,000 lower than pre-report estimates. The recent run up in wheat values, and the fact that it is still very cold in the Northern Plains could still shift final acreage decisions when all is said and done.**

When the dust settled today everything but new crop beans closed higher. Corn finished the day up 10 across the board, with wheat up 2. Beans were the most mixed, showing just how different the projected old versus new crop supply and demand fundamentals are; at the close old crop beans were up 27, with new down 3. From our perspective making it through today's report without any sort of surprises should keep things interesting for the time being. It appears as though we're on track to keep a bit in the way of a risk premium in new crop futures. Weather, and the fact that old crop supplies are adequate-but no longer burdensome makes this year's production potential that much more important.

Please keep in mind though, the opportunities the market is presenting for you at this point are far better than many analysts thought you would see in 2014. Remember, solid production would adequately increase stocks, and possibly take prices back down to where we saw them trade last fall. No one can predict where the market may trade, but you know what levels you need to make a profit. Please keep those levels in mind when it comes to determining your next sale target. In the meantime, don't hesitate to call with any questions, we're here to help!

**All the Best!
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