

## **This Week In Agriculture:**

News That Could Make a Difference: February 24, 2012

- **Another range bound week of back and forth trade activity for corn and wheat, while beans pushed through some resistance levels to be net gainers for the week. Overall old crop corn finished relatively unchanged, with new losing 13 cents. Both old and new crop wheat lost around a nickel, while old crop beans were up 13 with new crop closing the week 9 cents higher.**
- **A lack of forecasted rainfall in Southern Brazil, further South American production estimate declines and relatively bullish new crop supply and demand projections have kept a good amount of support under the bean market. Well-timed rains in Northern Brazil and parts of Argentina for second crop corn combined with bearish new crop supply and demand projections have limited corn price gains. While record high world supplies and the idea more wheat acres will be planted this spring in the Northern Hemisphere has pressured wheat.**
- **Early on in the week the idea that a second Greek bailout had been agreed upon gave traders some confidence. However, upon further thought many are concerned that the required austerity measures for such a bailout will never be met. The people of Greece are protesting, and those in Parliament who disagree with the proposed cuts in spending are surging in public opinion polls. An election will be held in April, and this has many outsiders concerned that the country will not follow through with its promises, leaving it unable to pay back its debt.**
- **Not only do we have Greece to worry about, but many see this bailout as only the first step in prompting several European countries to step forward with their hand out. Spain, Portugal and Ireland have their own major problems to contend with to say the least and they aren't the only ones.**
- **As mentioned the USDA held their Ag Outlook forum yesterday and today. Most of their estimates matched the baseline projections released by the Congressional Budget Office last week. The only change being a 1 million acre increase in expected bean acres up to 75 million. Overall the USDA anticipates total acreage for the 3 major crops to come in 5.7 million acres higher than last year. Most of that will come from CRP acreage, with 1.7 million of those acres coming from cotton production.**
- **For the first time in recent memory the Chief Economist for the USDA anticipates ethanol usage to plateau and actually decrease as we move into the 2012-2013 crop year. Declining gas usage, prospects of reduced ethanol exports and the blending wall likely limiting expansion were the stated reasons behind the proposed reduction.**
- **At this point in the year the USDA expects on farm new crop corn average prices to come in around \$5.00, with soybean prices anticipated to come in around \$11.50. Even with the recent drop in corn we are still above the \$5.00 number across the board, with cash soys trading much above the projected \$11.50 price.**
- **The big story that lent the most support to the corn market this week was a couple large import purchases made by China. At this point the Chinese government and Chinese feeders can import U.S. corn at a positive margin. Rumors that corn in the Northern areas of the country is dealing with mold and toxin issues has helped support the idea that more corn will likely be bought. Drought issues in the Western area of the country will have to be monitored closely as well.**

Overall the market will remain focused on old crop demand as we move ahead. Any idea that corn stocks will tighten further than already projected will make new crop production that much more important. At this point we'll likely remain range bound until something happens to make us move. We're 6 weeks away from actively trading U.S. weather so things may remain boring here for a bit. Taking time to get a solid crop insurance plan and marketing strategy in place will pay dividends as we move through the year. Give us a call with any questions, we're here to help!

All the Best!  
Angie Maguire  
Citizens LLC

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