

## **This Week in Agriculture:**

**News That Could Make a Difference: January 18, 2013**

- **Carryover buying after last week's surprisingly bullish USDA report helped pushed markets higher this week. Overall old crop corn was up 19, while new crop added 13, old crop soybeans were 56 higher, while new crop was up 26, July wheat finished 36 higher as well.**
- **The idea that rationing has yet to truly take place in the feed side of things has given corn a much needed shot in the arm. Based on last week's numbers first quarter feed use for corn was the highest seen since 2007 and up over 14% from last year. Overall, even in the face of awful exports and dismal ethanol demand total first quarter usage was only down 2% from last year. The USDA is currently anticipating a 10% year to year decline in usage.**
- **While feed usage is obviously very bullish at this point, weekly doses of reality regarding export and ethanol demand (or the lack of either) will keep traders in a mildly risk off mindset. This week's ethanol production numbers were the lowest on record. Even in the face of slow production and somewhat limited imports total ethanol stocks on hand actually increased, indicating demand for ethanol is sluggish at best.**
- **Ethanol margins are so poor many plants are operating from a hand to mouth stance, not looking to book too much in the way of deferred corn until margins improve. Reports this week that two additional plants in Nebraska closed due to poor margins did not do much to bolster confidence in the short term either.**
- **While corn stole the spotlight after last week's report, soybeans were the beneficiaries of some bullish demand news throughout the week. In December traders sucked over a dollar out of prices after a wave of export cancellations rocked the market. Many traders were frightened the cancellations were an indication China was turning their demand to the South American market. As of today most, if not all of those cancellations have been re-purchased by China.**
- **This week's soybean export sales were a marketing year high—even after the USDA showed the largest ever first quarter soybean usage in last week's report. This has really prompted traders to question whether or not China will shift their entire demand focus to South American supplies after all. At this point cumulative soybean loadings for export are up 33% from last year, with the USDA projecting a 1% year to year decline.**
- **December soybean crush numbers were the highest December numbers seen since January 2010. At this point September-December crush is running almost 10% ahead of last year, with the USDA projecting a 6% year to year decline. Some traders are beginning to wonder how we're going to handle minimal bean supplies as we work our way through the remainder of the year, with some suggesting the need for imports by the end of summer.**
- **Winter Wheat conditions throughout the world continue to struggle. The head of Russia's Grain Union alluded to significant winter kill occurring there due to drought and cold temperatures. At this point it appears upwards of 2.5 million acres of wheat could be a total loss. Rumors of significant winter kill in China will keep traders on their toes as well. Here in the US abandonment in the Plains is a strong likelihood as the wheat there continues to struggle. Soft Red Wheat in the Eastern Belt remains in good shape at this point, with decent moisture and balmy temperatures supporting conditions.**
- **A well-followed private analytical firm reissued their planted acreage projections for the upcoming production year this morning. The group pegged corn acres at an amazing 99.3 million acres, up an additional 277,000 from last month's estimate. If realized, even with sub 150 bpa production we could be looking at well over 14 billion bushels of production.**
- **This same group put soybean acres at 78.77 million acres, down 185,000 from last month's estimate. With these types of projections and the upcoming (and potentially bearish) USDA Ag Forum at the end of February we could continue to see the inverses from old crop to new crop values get worse.**

**At this point we're facing an unprecedented and awkward market structure. Old crop supplies are lower than anticipated across the board, while demand seems a bit more robust than one would expect. It is likely we could see the need to ration old crop supplies, while working to increase new crop demand to offset potentially record production.**

**The drought that remains entrenched in the Plains will play a vital role in what to expect as we move ahead as its effects could potentially make or break the crop. An interesting drought related tidbit: according to a local meteorologist Chicago has gone 327 days without an inch of snow, a 114 year record. At this point there are a lot of opportunities present in the market as soybeans have rallied 73 cents from their low while corn has bounced back 46 cents. Keep us posted on what you're looking for; target orders will have an even stronger role in your marketing plan as things only get more volatile. The markets will be closed Monday for the Martin Luther King holiday, but Citizens offices will be open. Give us a call with any questions, we're here to help!**

**All the Best!**

**Angie Maguire**

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