

This Week in Agriculture:
News That Could Make a Difference: January 31, 2014

- **Global currency issues and a general risk off approach in the eyes of traders was the primary driver in this week's market moves. Overall for the week March corn finished 4 higher, while December corn was relatively unchanged. March beans finished 2 lower after testing the bottom of their recent range midweek. November beans were down 9, while July wheat fell 16 cents.**
- **An interesting situation has developed in Argentina when it comes to their currency, and how farmers are battling inflation with their crops. Argentina has been dealing with an incredible devaluation of their currency. In the last several days the value of the Argentine peso has fallen by over 20%. Farmers have discovered they are safer keeping their grain unsold, as opposed to selling it and turning it into cash. At this point with the rapid devaluation of the currency the value remains with the grain much better than it does in peso form.**
- **With a new crop coming one in the next few months though, many traders are becoming rapidly more aware of the estimated 7-11 million metric tonnes (257-404 million bushels) sitting on farms. With relatively decent weather conditions in the remainder of the growing season the storage situation in the country could get quite messy.**
- **Rumor has it the Argentina government is going to do what it can to try and twist the arm of the grower and get the grain to come to market. It is rumored government officials are looking at increasing the export sales tax from its current rate of 35% to 40%. The fact Argentina still has a significant supply of old crop beans in the bin while areas in Northern Brazil are just starting harvest acted as a wet blanket on the market in the short term.**
- **On the same token soybeans couldn't catch a break from relentless rumors we're going to see China start to make significant cancellations on old crop export purchases. With Brazil beginning to harvest and old crop export sales running nearly 105% of USDA projections many traders believe we'll begin to see Chinese cancellations pick up pace. While there were cancellations of purchases in yesterday's report by "Unknown" we still saw an overall net increase in open sales.**
- **With the Chinese Lunar New Year holiday Chinese markets will be shut down through next Thursday. While this is a positive because no new negative developments can take place in the meantime, traders will continue to hold their breath until cancellations are confirmed.**
- **When it comes to China and soybean demand traders will be watching Bird Flu developments closely as well as a resurgence of the disease has developed. This could have some significant short-term effects in meal demand if the spread of the disease is not contained.**
- **Corn finally got a shot in the arm this week as export sales came in much better than expected. Cheap prices from a global perspective, combined with civil unrest in Ukraine and a South American transition to soybean exports has helped to really drive export business back in our direction—in some cases quicker than initially anticipated. Ethanol demand remains strong as well, with weekly production still outpacing a year ago by a reasonable level.**
- **Wheat continues to experience significant difficulty it seems when it comes to seeing prices stabilize. Early in the week wheat rallied hard on winter kill concerns. Significantly colder than normal temperatures combined with a relative lack of snow cover had buyers in the market early on, before profit taking came in washing out the bulk of recent gains.**
- **There is some talk wheat prices are getting cheap enough now that off quality wheat can once again be worked into feed rations, at the same time we are seeing interesting developments in the**

delivery market and spreads indicating the downside should at least be somewhat limited (Wheat Disclaimer: just because it appears as though the downside is limited-doesn't mean it is!).

- **After 2 plus years of tenuous discussion and heated debate on both sides the House finally voted and pushed through the 2014 Farm Bill. Without diving too far into it most analysts do not see much in the way of significant changes to most farm programs-though changes to direct payments and some subsidies were included in the language of the bill. At this point it appears as though the measure should pass the Senate sometime early next week.**

Bottom-line: at this point demand remains surprisingly robust-especially in both corn and soybeans. The fear that last year's significantly higher prices had irreparably damaged demand long term is beginning to fade ever so slightly. While this doesn't mean our demand will outpace supply in corn or wheat anytime soon, it does mean from a short-term perspective that old crop supplies should not grow to overly burdensome levels. Remember though, the potential is there for stocks to grow to burdensome levels in new crop with normal weather conditions. Record setting cold and snow has kept the corn pipeline from filling up and kept opportunities present for moving cash grain when others aren't in a hurry to do so. Make sure to take advantage of rallies in both old and new crop.

Until next week, have a great weekend, and stay safe!

All the Best!

Angie Maguire

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