

This Week in Agriculture:
News That Could Make a Difference: March 16, 2012

- **A super strong week for all three markets as traders struggle to digest old crop demand and new crop supply and demand fundamentals. For the week old crop corn hit the highest level seen since September, gaining 28 cents, while new crop corn added 13. Old crop beans surged to hit their highest level since August, gaining 37 cents for the week, while new were up 23. New crop wheat added 24 cents overall.**
- **Private analysts and government officials continue to shrink projected soybean production out of Brazil. A well-followed industry expert dropped their Brazilian soybean production estimate to 66.5 mln metric tons, this is 2 mmt (73.48 mln bu) below last week's USDA estimate. They also feel total South American production will come in some 19 mln metric tons (698 mln bu) below early season expectations. A 698 mln bushel reduction in total production is a rather large pill to swallow from a global supply and demand standpoint.**
- **The concern over the lack of South American supplies on the global market was evident in yesterday's weekly export sales numbers. Soybean sales were above 1 mmt for the week with a large part of those purchases slated for the new crop timeframe. Chinese crushers are losing money at current prices, but are still willing to pay.**
- **Brazil is estimated 50% completed on their harvest, so we should start to get a more accurate production picture as we move ahead.**
- **Corn had some pretty bullish information this week as well. There was talk mid-week that with prices crowding \$10.00/bushel the Chinese government would begin to release some of its government held reserves. That idea was shot down yesterday though by an official stating that Chinese government reserves were only 10% of what they were last year at this time. If true that could set the stage for significant corn exports as we move ahead.**
- **On top of the perceived shrink in reserves reports of tremendous quality issues in the Chinese crop is prompting concern as well. Rumors that a large portion of the corn crop was put into storage wet and has since spoiled will likely keep speculators on their toes as we move ahead. Record crop or not, it's of no good if it can't be fed.**
- **Some traders feel that the Chinese corn crop may end up coming in closer to 170 mln metric tons, far less than the most recent USDA 191 mln metric ton estimate. A 21 mln metric ton (771.5 mln bushels) decrease in the Chinese corn crop would change the global outlook entirely.**
- **Early corn planting will be monitored closely as well. Some folks feel by the end of the week there will be an estimated 10,000 acres planted in Illinois. An early start to the corn planting season has traders concerned that we'll see a further shift away from soybean acres to corn just out of ease. At this point from a revenue perspective soybeans are on the bubble when it comes to competing with corn.**

As we move ahead traders will continue to grapple with what we're looking at from a global perspective as well as weather as we move into the production season. At this point extended forecasts through the 30th of March are calling for much above normal temperatures with above normal precipitation to the north and normal to below normal precipitation to the south. Three month forecasts are calling for the above normal temperatures to stay in place. Basis levels are beginning to soften as the market rallies and nearby space is filling up. Make sure if you have bushels you need sold you get orders in place and speak for your space. Traders will start to turn their attention to the upcoming March 30th Quarterly Stocks and Planting Intentions report so it's likely things will get more volatile over the next 10 or so days. Give us a call with any questions as we move ahead, we're here to help!

All the Best!
Angie Maguire
Citizens LLC
www.citizenslevator.com

****Commodity trading is very risky and Citizens LLC holds no liability for the use of the information contained herein****