<u>This Week in Agriculture:</u>

News That Could Make a Difference: May 25, 2012

- **I feel like a broken record, but what a difference a week makes. Traders and producers alike are suffering from market induced whiplash as the first weather market of the year went out first with a bang, then with a whimper. Significant concerns Greece will exit the Euro resulting in further defaults throughout the Eurozone and elsewhere have helped to pressure everything from gold to crude. While ideas that rain may fall next week in the areas that need it most helped pull a bit of the weather premium out as well.**

- **Traders are working to get used to the new 21 hour a day trading platform and the exhaustion it brings with it at this point. Electronic markets are now open from 6pm eastern to 3 pm eastern. Early this afternoon the CME announced its also going to have open outcry, or pit trading open at 7:20 am on USDA report days-pending CFTC approval.**

- **Weather, as expected is leading the market around by its nose. Rain is desperately needed in many locations around the globe. Forecast models have been inconsistent, and while it may rain next week throughout the Corn Belt many meteorologists believe we may lack the necessary follow up rains. At this point the first ten days of June look to be warm and dry.**

- **Rainfall was welcome in Iowa as the state is currently experiencing its 7th warmest May on record, and at this point its 12th driest. Dryness throughout the Delta region and the Southern Plains is worth being watched as well. It has been reported that Kansas is starting wheat harvest nearly record early and that the recent hot and dry weather has hurt yields.**

- **Old crop corn and soys took it on the chin this week as rumors ran rampant that China was actively cancelling old crop purchases. Most of these cancellations though were quickly resold as some private importers bought too much, while others haven't bought enough. Experts from China though feel most importers will hold off on additional corn purchases until September when they have a better feel for what new crop supplies will look like.**

- **Something that will be interesting to monitor as we move ahead is how the USDA handles a potential shift away from wheat feedings. In May they further increased their outlook on how much wheat will be fed, while additionally reducing the amount of projected corn feedings. On May 4th corn was trading 10 cents higher than wheat, 3 weeks later wheat is $1.05 higher. This will significantly change feed rations if feeders have yet to lock in their wheat purchases.**

- **Ethanol production has rebounded recently as well. Last week's ethanol numbers showed the highest level of corn used and ethanol produced since mid-February. At this rate most traders feel the USDA could be underestimating corn used for ethanol by as much as 130 million bushels. With an 850 mbu carryout an increase in corn feedings and ethanol usage could significantly change old crop ending stocks.**

- **Corn exports this week were the 2nd lowest this marketing year. With 2 weeks left in its marketing year wheat export sales have reached 100% of USDA projections. Soybean exports are 100.3% of USDA estimates with over 3 months left in the marketing year.**

The USDA will release its updated supply and demand projections June 12th. Until then weather and outside macroeconomic concerns will continue to drive the market. Keep in mind how quickly the market moved up just a week ago, and how quickly it fell this week. Having target orders in place allowed certain producers to lock in 6.50 corn picked up at their farms just before the break. Remember this when deciding when and how you'd like to make sales. The market will be closed Monday for the Memorial Day holiday, reopening at 6pm Monday night. Give us a call with any questions, we're here to help!

All the Best!
Angie Maguire
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