

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: October 26, 2012

- **Another back and forth week as traders continue to battle with relatively bullish supply and demand fundamentals going head to head with bearish outside economic factors. Overall for the week corn closed 24 cents lower, beans were up 27 and wheat was 16 higher.**
- **Harvest is all but wrapped up throughout the nation. The USDA put corn harvest at 87% complete versus 49% as the 5 year average. An 87% completion rate is a record, breaking the previous record of 81% completed set in 1991. Here in Michigan the corn harvest is 48% complete versus 31% on average and only 18% shelled a year ago at this time.**
- **At this point to stay true to USDA harvest acreage amounts there is an estimated 11 million acres of corn left unharvested. Traders still call final acreage numbers into question with the year we've had, but the USDA does not intend on making any adjustments to those numbers until their January report.**
- **Soybean harvest nationwide is 80% complete versus 77% last year and 69% on average. Here in Michigan the USDA feels we're 77% completed compared to 60% last year and 65% on average.**
- **In South America planting is getting underway. Conditions there are described as "far from optimal," but not yet bad enough to cause significant concern. Parts of the major growing regions are too wet, while others are too dry. In Argentina conditions throughout most of the region are too wet. La Pampa has seen 324% of its normal rainfall since August 1st, while Cordoba has seen 293%. In Brazil there are some haves, while others are have nots. Mato Grosso has seen only 39% of its normal rainfall since August 1st, while Rio Grande do Sul has seen 129% of normal precipitation.**
- **At this point Brazilian soy plantings are running behind last year by around 14%.**
- **Moving ahead forecasts look to be conducive to planting, but will definitely continue to be monitored. Traders continue to question whether or not Brazil and Argentina will have the logistical capacity to handle the amount of export business that could come their way next spring.**
- **U.S. export sales continue to outpace expectations. Chinese imports for the month of September were up 20% year to year and the highest seen in 6 years. Some question if buyers didn't front load purchases in order to snap up available beans early or if this pace could continue indefinitely—well as indefinite as reduced supplies will allow. This week's export shipments were 3 times the weekly amount needed to meet USDA export projections.**
- **Last week's Cattle on Feed numbers showed reduced herd sizes as expected. Traders however believe feedings will not drop off nearly as much as originally anticipated. At this point many traders feel corn for feed numbers will need to be increased, while corn used for ethanol may be reduced.**
- **Ethanol margins continue to run in the red in many locations. Iowa ethanol margins have been negative for 12 weeks straight. Ethanol production did increase slightly this week, but remains 99,000 barrels per day below last year. The recent drop in Crude Oil prices hasn't helped to improve ethanol margins. Crude prices have fallen recently as data shows Crude inventories at their highest level for this time of year since 1982, while production has hit a 17 year high.**

Outside economic data will still have some say in market direction. Eurozone debt issues haven't disappeared, with consumer confidence historically low and unemployment historically high (Spain's unemployment rate is an estimated 25%!!!). The election coming up on November 6th will keep traders risk adverse as well—keep this in mind when looking at \$15.00+ soybeans and \$7.25+ corn. Give us a call with any questions there are plenty of opportunities still available as we work our way through harvest and start looking at the year ahead. Until next week, have a great weekend and stay safe!

All the Best!

Angie Maguire

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