

This Week in Agriculture:

News That Could Make a Difference: March 1, 2013

- A relatively quiet week with old crop corn being the only market sector to really show much life. Overall for the week May corn was up 24, with December corn up 4. May soybeans were up 2, while November beans were down 4. July wheat was down 2 cents overall.
- Continued uncertainty over global supply and just how those supplies will reach the market has kept traders on their toes. Last week rumors that the U.S. had booked South American beans for import, combined with ideas China was going to release soys from their domestic reserves helped to crush soy values into the close on Friday. Both rumors were found to be untrue—for the most part anyway—helping values recover midweek.
- Logistical issues are still prevalent in Brazil with wait times for loading creeping up towards 60 days. At the same time truck freight costs to move beans to port are some 67% higher than they were a year ago, as new laws limiting driver time has cut into the supply of available haulers. Basis levels there have collapsed as well giving farmers even more headaches to contend with as they try to get the crop harvested.
- As we discussed last week the backlog of vessels has pushed short term Chinese buying interest back to the U.S. At this point we have 6 months left in the marketing year and have sold 95% of the USDA's export projection. With September through February usage an estimated 2.2 billion bushels, it's estimated we only have around 800 million bushels left to use for the remainder of the marketing year. This would be an unprecedented cut to demand as we move ahead.
- We may see some relief over the next month though, as Argentina supplies start to make their way to the market. The country is expected to export 70 million bushels over the next 30 days if everything goes as planned. Overall production in the country though, remains in question as hot and dry conditions have cut into yield prospects. Argentina's government expects the soy crop there to come in nearly 5 mmt (almost 184 million bushels) below the February USDA estimate.
- On the corn side of things we are finally seeing some signs of life when it comes to our export program. With South America focusing on bean exports we are finally seeing China return as a buyer, albeit ever so slightly. Rumors indicate we should see Europe enter the market in the coming months as well, as they are recovering from a record setting drought themselves. At this point we need to see exports pick up, February exports were the lowest since 1970.
- While corn exports in February have been awful, we've managed to see the highest exports of wheat for the month in nearly 20 years. The collapse in the wheat market has made it favorable for both food and feed use. Chicago wheat remains the cheapest in the world, luring buyers back into the market and opening up export markets not visited in years.
- The federal government set baseline crop insurance prices for the year, with corn coming in at \$5.65 (versus \$5.68 last year) and soybeans coming in at \$12.87 (versus last year's \$12.55). Keep this in mind when planning for the year ahead as crop insurance plays a vital role in your marketing plan.

The USDA will release their updated supply and demand outlook next Friday the 8th. At this point many traders feel they will have to increase soybean export numbers while possible lowering overall ending stocks. On corn they anticipate a decrease in exports, possibly leading to an increase in ending stocks. Wheat tends to be more of a wildcard. Trader's attention will also turn to March 28th's planting intentions and quarterly stocks report as we begin to debate available old crop supplies and just what will go in the ground this spring.

Weather patterns look to be a bit more favorable to the areas hardest hit by drought, with several systems anticipated to drop some precipitation in extended forecasts (extended being the key word regarding these forecasts at this point). Spring is just around the corner and it's likely with the return of spring volatility will only continue to increase. We say it every week, but keep this in mind when it comes to your marketing. Target orders

are the only way to capture opportunities a lot of the time in markets that move this fast. Give us a call with any questions, we're here to help!

**All the Best!
Angie Maguire
Citizens LLC**

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