

This Week in Agriculture:
USDA Supply and Demand Report Summary: March 8th, 2013

- Continued uncertainty over global supply and short term demand has all three markets remaining on edge. Today's USDA Supply and Demand report gave us a little bit of insight into actual domestic usage and global production ahead of March 28th's Quarterly Stocks and Acreage report. Overall for the week May corn finished down 5, with December corn closing 9 lower. May beans were up 30, while November beans were up 8. July wheat finished the week down 24 from last Friday's close.
- Ahead of this morning's report traders were expecting the USDA to increase corn and wheat carryout, while decreasing soybean carryout estimates. This morning's numbers saw corn and soybean estimates left unchanged, while wheat came in slightly higher than the average trade estimate.
- In corn the USDA continues to massage their demand estimates by sector. Lower than expected stocks numbers in January combined with increasing poultry numbers, steady pork numbers and only slightly lower cattle on feed numbers has forced the USDA to change their views on actual feed use. In this morning's report they increased feed use estimates by 100 million bushels.
- To offset the increase in feed demand the USDA increased corn imports and cut exports. With the slow start to our export season and yesterday's absolutely awful net cancellation number in sales the thought that the USDA would cut exports was basically set in stone. At this point cumulative sales and loadings are down nearly 55% from last year. This morning's new USDA number would put overall exports down nearly 53%.
- On the global supply side of things the USDA feels the Argentina and South African corn crops will both be just under 20 million bushels smaller than last month's estimate due to hot and dry conditions. Traders were expecting a slight decrease in Brazilian crop estimates, but the USDA left their projections unchanged.
- In soybeans traders were anticipating a slight cut to ending stocks. Both crush and export demand has been insatiable. At this point soybean export sales are over 85% of USDA projections with over half of the marketing year remaining. With the logistical snarl in Brazil far from being remedied we're seeing Chinese business return to the U.S. in the short term, only further exacerbating our tight supply issues.
- The USDA claims export and crush business will both slow dramatically for the last half of the marketing year. It will likely take unprecedented demand rationing to get things to level out before the end of the year. At this point we'll have to wait until March 28th's quarterly stocks number to get a real view of just how many beans are left in the pipeline as of March 1st.
- As for wheat, overall wheat numbers were increased 25 million bushels as increases in Hard Red Winter, Hard Red Spring and White Wheat carryout offset the decrease in Soft Red Wheat estimates. Adjustments to export projections were the main reason behind the changes seen today. At this point Soft Red Wheat carryout is the lowest it has been since the 07/08 crop year.
- Global wheat numbers were the biggest surprise, with global carryout numbers coming in above expectations. Increases in production estimates out of India and Lithuania were the driving factor in today's increase. The wild card at this point is just how much wheat will be used for feed going forward.
- The CME Group announced this week they would like to once again change trading hours. Pending CFTC approval the new hours will start April 8th with markets open from 8pm to 8:45 am, and again from 9:30 am to 2:25 pm. Apparently 21 hours worth of trade a day wasn't really necessary after all.

As we look ahead it's hard to see which fundamental issue will have the most impact on price moves. Logistical issues in Brazil remain in focus as wait times increase to nearly 60 days and dockworkers are looking to strike possibly in the middle of the month. New crop will be big as well with heavy rains falling in the Delta and cool temperatures limiting early spring field work and possibly delaying planting (Mississippi is generally 50% planted by April 1st). The big market mover will come at the end of the month with the USDA's quarterly stocks and acreage projections. March is shaping up to be a very volatile month with little in the way of solid direction,

meaning opportunities may present themselves when you least expect it. Give us a call with any questions, we're here to help. Until next week, have a great weekend and stay safe!

All the Best!

Angie Maguire

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