

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: November 1, 2013

- **The markets continue to search for harvest lows as traders remain confident production for both corn and soybeans will increase in next week's USDA Supply and Demand Report. Overall for the week December corn closed down 13, while December 2014 was off 17 cents. November soybeans were hit the hardest after trying and failing to break through \$13.00 futures in the beginning of the week, closing down 34. With November 2014 soys down 19. December wheat fell off 24 cents, with next July down 17.**
- **Private analysts put the finishing touches on their supply estimates this week, with everyone agreeing an increase in yield is necessary. Better than expected crops throughout much of the country have traders anticipating corn yields anywhere from 158 bu per acre up into the lower 160's. This would be a dramatic shift from the September USDA yield projection of 155.3 bu per acre.**
- **As mentioned last week, the final planted acre number remains the million dollar question. With the FSA indicating 3.57 million acres of prevented corn plantings reported traders remain hesitant to assume a yield increase necessarily indicates an overall production increase. At this point a 2 million acre reduction in harvested corn acreage would offset a yield increase of 3.6 bu per acre—or a nationwide average yield of just under 159 bpa.**
- **In the past we have seen the USDA make adjustments to overall planting intentions, or state by state plantings to compensate for large planted acre reductions. Whether or not the USDA can adjust for record large prevented plantings will keep traders wary of the buy button for at least another week.**
- **Soybeans are struggling with similar issues. At this point many are surprised by how well soybeans are yielding considering the hot and dry conditions they were plagued by throughout flowering and pod-fill. Yield reports have been strong, even in the areas hardest hit by the late summer heat wave. At this point many private analytical groups are pointing towards a 43 bu per acre yield, with some calling for production levels nearly 150 million bushels larger than the September USDA supply and demand report.**
- **As in corn, traders remain acutely aware of the elephant in the room. In September the FSA agency reported 1.69 million acres of prevented plant soybeans. If this number were to be realized a yield increase of nearly 3 bushel to the acre nationwide would be needed to hit the loftier production estimates, with only a bushel per acre yield increase needed to maintain the USDA's September production estimate. Of course at this point it appears the greater of two evils for traders is assuming the USDA will follow the FSA's lead and reduce acres that aggressively.**
- **The fear of significant production increases in next week's report was enough to keep traders from celebrating some phenomenal export sales numbers. Thursday morning's export sales report covered all sales for the last 3 weeks, finally getting us caught up on export progress after the government shutdown. Going into the report traders were optimistic overall sales for the 3 week time period were huge—but in the case of corn and beans, even the loftiest of expectations weren't quite lofty enough.**
- **Corn sales were an amazing 4.55 mln metric tonnes (179 mbu) versus a meager 900,000 metric tonne sold for the same time period last year. The large number only confirmed what traders were expecting, low prices have spurred global demand. With export sales up 88% at this point from last year and cumulative sales standing at 66% of USDA's projections versus the 5 year average of 46% many feel confident demand projections will have to increase, but until they know the type of supply levels we are dealing with they will save their excitement for another day.**
- **Soybean sales outpaced pre-report estimates by a similar level as corn, coming in at 4.7 mln metric tonnes (172.7 mbu) compared to 1.5 mmt sold a year ago for the same time period. Only 8 weeks into the marketing year cumulative sales are at 86% of USDA projections versus 72% at this time last year and the 5 year average of 58%. Meal sales are 20% ahead of the 5 year average as well.**

- Also key to watch in next week's report will be South American soy production levels. With nearly ideal conditions throughout Brazil and 1-3 inch rains falling in the driest areas of Argentina this week many agronomists and traders alike are expecting record crops in the region. The U.S. attaché in Argentina is already estimating a 4 mln metric tonne (147 mbu) increase in the country's soybean production above the USDA's September estimate. While an 88 mmt (3.2 bln bu) crop or larger is anticipated for Brazil.

Bottom line: next week's trade could be choppy as traders square their positions ahead of Friday's report. At this point the market looks sloppy with spreads, futures and basis levels seemingly all over the place. As we discussed last week the overall acreage wildcard remains, potentially making or breaking any significant rally opportunities. Taking some risk off the table ahead of the report if given the opportunity should be looked at with careful consideration—especially if you don't have room in the bins at home. Judging by yield reports thus far space will come at a premium this year, keep this in mind when looking at harvest movement, and early selling opportunities. In the meantime, please don't hesitate to call with any questions, we're here to help!

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

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