

## **This Week in Agriculture:**

**News That Could Make a Difference: October 21, 2016**

- **All of the doom and gloom discussed just a month ago seems to be a distant memory as all three major markets held or increased their recent gains this week. For the week corn was down 2 and wheat was down 6, while soybeans were up 20.**
- **Corn harvest as of Sunday night was 46% completed nationwide, just slightly below the 5 year average of 49%. Soybean harvest was 62% complete in line with the 5 year average of 63%. The further we get into harvest the clearer the yield outlook becomes. Trade sentiment at this point continues to lean towards a reduction in corn yields while it is thought soybean yields will stay close to where they're currently estimated if not grow in future USDA projections.**
- **There has been more discussion recently on the quality of the burdensome wheat stocks in the global pipeline. It is already known heavy rains caused damage in the French and other European crops, but heavy snowfall in Western Canada will likely hurt quality there once the crop is harvested. Ideas the Russian crop was damaged by heavy rain are starting to surface as well.**
- **It is thought that hefty feed wheat supplies will limit any gains in corn as high priced corn can easily be offset by cheaper off quality wheat. However it is important to recognize that the carry offered in the market is removing a lot of the risk associated with holding off quality wheat. Once put away many will anticipate higher quality crops next year allowing for strong blending and better margins.**
- **Unfortunately though quality issues don't seem to be limited to wheat alone. There is discussion that vomitoxin is prevalent in corn in Michigan, Ontario and surrounding states. In fact concerns over the toxin's presence have been discussed in nearly every Corn Belt state. As a result elevators will be testing inbound loads to ensure high levels of vom are not present. Just as markets are limited in wheat, many ethanol plants won't accept vom levels in corn above 2 parts per million.**
- **As the Northern hemisphere works its way towards winter trader attention will turn to South America. At this point planting progress is slightly ahead or in line with average pace in both Brazil and Argentina. Some areas are expected to see heavy rains, but with it still being early in the planting season concerns over delays and production issues remain muted. The resurrection of La Nina is increasing concern though as the once guaranteed weather phenomenon turned non-issue has come back to the forefront of meteorologist's minds with a La Nina watch issued this week. Since La Nina tends to have the biggest impact on Southern Hemisphere weather its evolution will be closely monitored.**
- **It is interesting to note the Brazilian government decided to lower interest rates this week. Lower interest rates tend to encourage economic stimulus, but also weakens currency and as we discussed ad nauseam last year lower currency values make their products cheaper in the export market. There has been talk however that last year's reduction in production could result in credit issues for Brazilian farmers as some farmers fell short of contracted obligations and in some cases loan repayment.**
- **Even with the dollar at 7 month highs export pace has been phenomenal to start the marketing year for both corn and soybeans. At this point export pace is 14% ahead of last year for soybeans and over 79% ahead in corn. In fact corn loadings for the marketing year are running over 50 million bushels ahead of last year's pace.**
- **China continues to send mixed signals to the global market. The country has made it clear it would prefer its farmers grow soybeans instead of corn. It's also floated the idea of exporting some of its "burdensome corn supply" while working to increase ethanol production by nearly 500%. However it had some folks scratching their heads today when it was announced that sales from government stockpiles will cease until May in the hopes of encouraging demand for freshly harvested bushels. One must wonder if the concept of rotating inventory is foreign to them.**

**Logistical headaches as we wait for boats and trains to make it to local terminals to pick up soybeans have resulted in wider basis values than we've grown used to these last few years. Luckily the recent rally in futures has kept the cash price steady as combines roll throughout the Corn Belt. It is important to remember that if you have to deliver grain at harvest time the cash price should be your main focus as time to wait on futures or basis improvement is fleeting. As always don't hesitate to contact us if you have any questions, we're here to help.**

**All the Best!**

**Angie Setzer**

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