

This Week in Agriculture:
News That Could Make a Difference: September 27, 2013

- For the first time in what seems to be an eternity wheat was the golden child of the market this week. Issues in global production combined with already tight domestic stocks had prices rallying this week while corn and soybeans looked on, somewhat unimpressed. Overall for the week November soybeans were up 5, December corn finished 2 higher, while December wheat added 35 and July 2014 wheat was up 25.
- The wheat market has been aware of the domestic stocks situation for quite some time. Soft Red Wheat demand has been surprisingly strong, and with lower production we have been looking at the tightest carryout since 2007-08. Many traders felt that the tight situation would mean little to the global fundamental situation overall as foreign competition and high domestic prices has all but erased our export demand in recent years.
- Issues with Chinese, Brazilian, Russian, Ukrainian and Argentina wheat production-just to name a few-has pushed export demand back to our door. China in particular has been a heavy buyer as of late as interior prices in the country have moved to record high levels. A reduction in production due to weather and the push for more corn acres has severely limited the country's ability to meet their demand needs. China's National Grains and Oil Information Center believes the country may need to import 7.5 mmt of wheat (275.6 mln bushels) this year to cover demand.
- So far a portion of China's needs (80 mbu) has been purchased from Australia, while nearly 136 million bushels have been booked out of the United States at a record pace. Based on the information provided by the country's grain and oil information center an additional 36-40 million bushels will need to be purchased in the short term. At this point the bulk of Chinese purchases have been for Soft Red Wheat, but as we move forward traders question whether the country's needs may shift to higher protein Hard Wheat.
- Portions of Argentina have been dealing with a drought so severe one major private weather group has described the wheat there as wasted and wilted. Unusually hot late August and early September temperatures combined with some locations seeing precipitation amounts of less than a half inch since June has challenged the wheat crop beyond what it is capable of handling in some areas. Wheat conditions in some portions of the country are so bad some question whether a significant late spring frost in the region occurring this week had any significant impact on the wheat crop at all.
- Many private analysts believe Argentina's wheat crop could come in nearly 100 million bushels lower than the most recent USDA projections. This may have significant impact on the region's supply and demand. Most traders had expected Brazil would turn to Argentina to help cover its wheat shortages after suffering production lost at the hands of an early season frost. The loss in production for both countries will likely result in a shift in global supplies.
- "Harvest pressure" was the phrase most used this week when describing the corn and soybean trade. The word on the street is that early yield results have been better than expected, keeping a lid on any sort of significant rally attempt. However, Monday's night's USDA report showed only 7% of the corn crop was harvested, with only 3% of the soybean crop ran. Using the most recent USDA harvested acreage projection these percentages would equate to nearly 83 million acres of corn and over 74 million acres of soybeans left to be ran. The million dollar question will remain as to whether or not yields start to show a significant decline when harvest reaches the areas most stressed by challenging weather conditions.
- When looking at the overall picture in soys one can't help but be mesmerized by the phenomenal pace in export sales seen thus far. Year to date soybean sales are nearly 70% of the USDA's export sales projection for the year, over 15% ahead of last year's pace at this point and a record high for this early in the marketing season. While we have seen export sales cancelled in the past once South American production is confirmed, this blistering pace indicates our buyers haven't left us for greener pastures just yet.

- **The USDA will update their quarterly stocks numbers for us Monday. For corn and soybeans these numbers will give us a final tally for old crop ending stocks. Most times the numbers released by the USDA won't differ dramatically from ending stocks projections released in the previous Supply and Demand report-but we have been surprised in the past. Traders expect corn stocks to come in around 681 mbu, with a range of 552-750 mbu. They feel soybean stocks will come in around 124 mbu, with a range of 106-155 mbu. Wheat stocks for all varieties are expected to come in around 1.913 bln bushels.**

Looking ahead, harvest is expected to ramp up significantly through the weekend and into next week. At this point weather forecasts look conducive to significant advancement. Yield reports will become increasingly important to the marketplace as further confirmation of better than expected yields could push market bulls further to the sideline-while lower than expected yields could be the bullish catalyst needed to get the market moving. It's likely that if stock numbers come in near expectations in Monday's report the market could remain locked in its current range until we see what-if any-adjustments the USDA makes to production and acreage in their October supply and demand update.

Bottom line-keep in mind where your point of profit is, what your storage situation will look like and what you know you're going to have to move short-term when making marketing decisions. Use any pops to the upside as opportunities for catch up sales. Going into harvest remember target orders will allow you to capture opportunities when you're not able to watch the markets as closely. 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
Citizens LLC**

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