

This Week in Agriculture:

News That Could Make a Difference: September 6, 2013

- **The market managed to squeeze 5 days worth of movement in to a 4 day week this week as continued uncertainty regarding crop size and demand potential keeps both bulls and bears somewhat in check short-term. Overall for the week November soybeans finished 10 higher, while December corn was down 14 and December wheat lost 6.**
- **Traders, agronomists and private analytical groups continue to scratch their heads when it comes to estimating crop potential. The July-August time period was one of the driest on record, particularly for the “I” states. For many folks in the heart of the Corn Belt this August was the driest in 53 years.**
- **With August being the most critical time period for soybean development it is basically assumed that we will see significant reductions in production potential. Corn remains the big wildcard. The million dollar question at this point is whether or not delayed maturity, cool temperatures in July and relatively decent vegetative conditions will result in average to above average yields nationwide.**
- **In 2008 we saw similar dryness in Illinois, Indiana and Iowa. That year corn yields were 3.5% above trend line yields, while soybean yields were 3.7% below trend.**
- **This uncertainty has resulted in the tale of 2 crop carryout outlooks when looking at corn and beans. At this point many traders assume corn carryout will come in between 1.4 bln to 1.8 bln with a stocks to use ratio hovering around 10%. This will be a vast improvement over this past year’s 6% stocks to use figure. Soybeans on the other hand are looking at perhaps repeating last year’s historically tight 4% stocks to use and continuing on the path of limited stocks and the need for rationed demand.**
- **The differing outlook in carryout potential has resulted in a soy to corn ratio that’s working its way out towards historically wide levels. At this point the spread between the two crops will impact South American plantings first. Many analysts believe Brazilian soy plantings could increase by 4-7% from last year. With September 1st stocks estimated to be 16 mln metric tons (582 mbu) higher and a potential increase in plantings traders are confronted with an historical skew to the global pipeline.**
- **Brazil’s logistical capacity will be beyond tested as well. At this point, just 7 months into their marketing year, the country has managed to export more soys than they ever have before in any 12 month period. Shipment pace shows that exporters have shipped nearly 91% of the USDA’s overall export projection with 5 months left to the marketing year. The fact that Brazilian ag exports are nearly double of a year ago helps to alleviate just a bit of concern with the U.S. supply and demand situation.**
- **Conflicting stories out of China will keep traders on their toes as well. The first story traders will be monitoring closely is flooding. Up to 5 million acres of cropland was reportedly flooded this week, with overall damage reports slow to be released, if at all. The other story that requires close monitoring is the country’s release of domestic soy reserves. This week the country offered up a solid chunk of beans with 79% of the offer being bought. Rumors that an additional 73-109 million bushels of supplies will be offered again through December had traders cautious mid-week.**

Weather will be the dominating factor in Sunday night’s trade as the last 2 Sunday’s we’ve seen 50 cent plus moves in the overnight and follow through buying throughout the day session. Considering we are going into the second week of September though weather at this point is becoming a moot point. What’s done is done, with the likelihood of frost looking minimal in extended forecasts, dryness will only begin to matter when it comes to planting wheat. Thursday’s USDA report will quickly become the focus of trade if no real weather event appears on the horizon. The range of estimates vary greatly, with the likelihood of a major surprise being released remaining relatively low. Extended forecasts remain warm with normal to below normal precipitation expected.

Bottom line: at this point the outlook for corn and beans vary greatly, resulting in what could be very different pricing and rally potential. Keep this in mind when looking at what kind of pricing opportunities are presenting

themselves. We'll have Thursday afternoon's USDA numbers when they're released at noon. Give us a call with any questions, we're here to help!

All the Best!

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