

This Week in Agriculture:

News That Could Make a Difference: September 18, 2015

- **In line with what seems to be a pattern this year the markets took 2 steps forward last week, only to take one back in this week's trade. A lack of bullish news, demand concerns and a remaining uncertainty when it comes to the global economy were the main factors. When all was said and done we saw December corn down 10, and November soybeans down 6. A move to recent lows in the wheat/corn spread helped wheat bounce back a bit managing to close a hard fought 2 cents higher.**
- **The biggest story in the grain market this week centered on the updated FSA information and the drama that ensued as a result. Many traders awoke early Wednesday morning to discover numbers had been released long before most had expected and surprisingly showed a significant increase in planted acreage as well as a decline in prevent plant acres. The markets were quick to sell off in knee jerk fashion before many realized the numbers were incorrect and the USDA pulled the link from the website.**
- **Though not anything overly exciting the actual numbers released later that morning were much more in line with numbers released the month prior, actually indicating a slight increase in reported prevent plant acres had taken place. Perhaps what is most frustrating about the release of FSA acreage is the lack of consensus that seems to result once analysts are finished with their interpretation.**
- **At this point the FSA reports 2.35 million acres of corn were classified as prevented plant, with 2.22 million acres of soys and 690,000 acres of wheat under the same designation. On overall acres the FSA reports much lower numbers than what NASS uses to compile supply and demand estimates, but with a less than 100% farmer reporting level the lower number is not entirely unexpected.**
- **As mentioned analyst take home from Wednesday's numbers is mixed at best, but most agree it appears as though soybean acres will have to be reduced by 4-500,000 acres in the October report, with harvested acreage percentage being more of the focus for corn.**
- **Other big news this week centered on the Fed and whether or not we would see an increase in interest rates. With a negative global outlook and questionable domestic outlook depending on who you ask traders were incredibly mixed on what the Fed would have to say. At one point in time the likelihood of an increase was estimated at nearly 70% before market jitters dropped that number to more of a 50/50 chance.**
- **Ahead of the decision many indicated that an increase would weaken the stock market and cause concern over monetary liquidity, some even went so far as to say the recent volatility in the stock market was a result of these concerns. After the Fed announcement though it was interesting to note a significant amount of what appeared to be buy the rumor sell the fact taking place, with sell offs seen in most major markets—even grains. Some point to the Fed's lack of interest in raising rates this month as a sign that the economy is doing much worse than expected, while others attribute the decline to general market exhaustion.**
- **Soybean traders will be monitoring next week's visit from Chinese president Xi and his trade delegation very closely. While the visit is more fanfare than actual business traders will be searching for any indication as to what we can expect for buying interest as we look ahead. It is interesting to note that though we are starting to cut into our overall export sales deficit in beans, overall sales to China are still down over 50% from last year-even after significant sales were announced this week. With nearly a billion bushels of our exports expected to end up destined for China the market needs this meeting to go well.**
- **Not helping our cause on the export side is the continued calls for record high soybean production out of Brazil. This week a well respected analytical group out of the country joined the 100 mmt club, calling for the country's soybean production to hit 100.5 mmt (3.69 billion bu). If realized this would be 5 mmt (183.7 mbu) higher than last year's crop and 3.5 mmt (128.6 mbu) higher than the current USDA estimate. Contrary to popular opinion the group anticipates their corn crop to increase slightly as well, up 2.4 mmt (94 mbu) from last year.**

- **With much of the crop maturing across the Corn Belt traders will begin to turn their attention to actual harvest results and will monitor weather closely. At this point it appears as though above to much above normal temperatures will stay in place, with above average precipitation expected in the Northern part of the Western Belt, while much of the Eastern Belt remains dry. Early harvest yields continue to come in highly variable as expected, with some better than expected soybean numbers starting to make their way towards Chicago.**

In the end after failing to test psychologically important levels in corn (\$4.00), soybeans (\$9.00) and wheat (\$5.00) seeing any type of sustained rally without a significant bullish development may be difficult in the short term. However the idea that crop size could continue to shrink, especially since 15 out of the last 22 years the USDA has matched the reduction in yield from the August to September report when numbers are released in October. The only problem is that reduction in production is only good if current demand projections remain or grow.

At this point we're starting to see harvest start to our South with reports of many beans coming into Toledo around 12% prevalent in the market place. Be aware of what you have to move and when so we can discuss your options. Keep in mind that any old crop bushels you might still be sitting on should be sold before values roll to gut slot harvest time bids. Don't lose dollars chasing pennies. Until next week, have a great weekend and stay safe!

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

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