

## **This Week in Agriculture:**

News That Could Make a Difference: February 17, 2012

- An up and down sort of week as we remain range-bound in both corn and wheat. Soybeans saw some strength breaking through what was a strong resistance level. Overall for the week old crop corn gained 10 cents, with new up 9, while July wheat was up 11. Soybeans were the big gainers moving up 37 cents for old crop beans, while new added 31, nearby soybean levels hit their highest price in over 4 months.
- Early on in the week the Congressional Budget Office released their outlook numbers for the upcoming crop year. As expected they anticipate corn acres to come in around 94 million acres with a trend-line yield of 164 bu to the acre. If realized we could see carryout numbers double from this year to the next. On the soybean side of things the CBO sees soy carryout decreasing from this year only slightly. They believe farmers will plant 74 million acres of soys with a yield around 44 bu to the acre.
- These numbers will likely be repeated throughout next week's USDA Ag Outlook Forum. New crop supply and demand projections will not be officially released however, until May.
- South America continues to deal with deteriorating crop conditions and shrinking production potential. Rains are in the forecast for Argentina this coming weekend, but Southern Brazil is still dealing with dry weather and a forecast seriously lacking drought busting rains until the tail-end of next week.
- The Argentina government issued their first production outlook for the crop year. They feel corn production will come in 1.5 mmt (59 mbu) below the current USDA estimate. Soybean production is believed to be anywhere from 3 to 4.5 mmt (110-165 mbu) below the current USDA estimate.
- Traders have been watching ethanol margins closely as a reduction in profits has led some plants to reduce their grind, or even in the case of a plant in North Dakota shut down completely. Because of this traders were somewhat surprised by this week's week to week increase in ethanol production. Already record ethanol supplies continue to increase as a result.
- Corn export shipments are on pace with last year's numbers. This has traders questioning whether or not the USDA will further tighten ending stock numbers in upcoming supply and demand reports. Soybean exports continue to lag significantly from last year, and from current USDA estimates. Some traders question whether or not soybean exports will pick up counter-seasonally due to the reduction in South American supplies and other logistical issues.
- This week the Egyptian government purchased wheat from the U.S. for the first time in 8 months. The fact that Russia did not even post an offer and the Ukrainian government will work to cap exports has become a supportive factor for domestic wheat. Keep in mind though that even with some production loss in the Black Sea region the Australian government is forecasting record production and global carryout remains record high.
- The National Weather Service long range forecasts are calling for above normal temperatures through April for much of the United States with normal precipitation throughout the Western Corn Belt and above normal precip for the Great Lakes region. May through July forecasts are calling for above normal temps with normal precipitation. Private forecasters are anticipating a drier bias for the Western Belt from April forward.

Overall we will likely continue to remain range-bound, or at the very least traders will remain cautious to get overly long with the amount of uncertainty out there. There is absolutely no room for any type of hiccup this growing season and traders will keep a risk premium in place until production is a touch more certain. Give us a call today, the next few months may present you with the best opportunity to lock in profits, we can help you with a marketing plan if you are wondering where to start. The markets will be closed on Monday for Presidents Day, reopening Monday night.

All the Best!

Angie Maguire

Citizens LLC

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