

This Week in Agriculture:

Headlines from the Week that Was: February 3, 2012

- **An up and down week with traders debating global production potential and its impact on United States demand going forward. Old crop corn traded back up to levels not seen since before the USDA January 12th bearish surprise adding 3 cents, new gaining 9 overall for the week. Old crop soybeans were up 14, with new crop gaining 15. New crop wheat was up 13 overall, after hitting its highest level since November 9th mid-week.**
- **South American weather continues to remain in the forefront. Early in the week increased rainfall in Argentina's forecast pressured beans. Forecasts continue to vary, but most traders agree the majority of the damage has been done. Several states in Brazil are forecasting 3-4 mmt production drops from last year's record production. Concerns still remain for Northern Brazil where rain is continuing to delay harvest and cause quality issues.**
- **Logistical issues are prevalent in Brazil as well. Most traders thought harvest would come early in Brazil; this has left cargo ships waiting to get loaded, some have been waiting for weeks at this point. This has helped to push some export business our way unexpectedly.**
- **Ukrainian and Black Sea region weather concerns have helped to support prices as well. Freezing temperatures as low as -27 degrees Fahrenheit with wheat left uncovered or only under partial cover led to winter kill concerns. Several officials in Ukraine believe the Winter Grain crop could be down as much as 40-58% from last year. Milling wheat prices in Europe hit a 7 month high mid-week due to these concerns.**
- **Wheat exports have maintained themselves as well; cumulative loadings are down 13% with the USDA anticipating a 26% decline from last year.**
- **Chinese demand remains in the spotlight as well. Corn export loadings are down only 2% from last year with the USDA forecasting a 10% drop. Most of this is being contributed to a heavily front loaded Chinese import program.**
- **Long term traders see Chinese corn demand increasing nearly 10 million metric tons (393.7 mln bu) a year. Even with an increase in fertilizer, chemicals and possibly GMO seed down the road it will be difficult for China to meet this increase year after year through their production alone. Some traders even believe we could see Chinese imports nearing 25 mln metric tons (984 mln bushels) by the 2015-2016 crop year.**
- **On the ethanol front, production increased again last week. However record ethanol supplies on hand will limit upside price potential for whole-sale ethanol going forward, pressuring grind margins.**
- **Weather-wise here in the U.S. traders and climatologists will continue to monitor dry weather in the Western Belt. At this point the Western Belt is experiencing one of its top 5 warmest winters on record. Moisture-wise the area is the driest it's been at this point in the year since the winter of 1987. Some climatologists see La Nina transitioning to El Nino as we move through spring.**

Looking ahead to next week traders the USDA will update supply and demand information on Thursday. Most analysts anticipate an increase in corn usage, with possible draw downs in ending stocks across the board. We'll have those numbers for you and trade reaction once they are released. Remember to take advantage of these opportunities as they present themselves. The downward moves of December and mid-January were painful; if the market is giving you a profit do what you can to take it. At the very least have target orders in place to catch those quick bursts higher. Until next week, have a great weekend and stay safe!

All the Best!

Angie Maguire

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