

This Week in Agriculture:
USDA Report Summary: February 10, 2015

- **At first glance one could argue today's USDA report was somewhat bullish-or at the very least not bearish-as both corn and beans came in lower than pre-report expectations. Wheat came in slightly higher than expected, but still well within the range.**
- **The USDA is now 6 for 11 when it comes to reducing corn carryout in their February report. At 1.827 billion bushels corn carryout is 50 million bushels lower than last month, and 44 million bushels lower than what traders were expecting ahead of today's release.**
- **Ethanol demand bears may not feel warm and fuzzy when looking at the breakdown of today's numbers. The bulk of the reduction in carryout came from a 75 million bushel increase in corn used for ethanol. While the first quarter of the marketing year has shown phenomenal demand for corn to go into ethanol production, the idea that ethanol stocks have built to their largest level in 2 years with other energy sectors struggling could make things interesting when it comes to seeing how we fare demand-wise into the summer.**
- **Also interesting was the 25 million bushel decrease in corn used for feed, citing the increased ethanol (and subsequent DDGs) production. In reality the Chinese distillers grain import pace as of late has increased substantially, pushing the price higher, and in some areas pricing DDGs out of rations. That combined with higher inventory numbers and the idea we're feeding to higher weights before livestock gets to market has some questioning the second cut to feed demand in as many months.**
- **Though pace remains faster than needed exports were left unchanged. The increase in global course grain production and old crop supplies is one of the reasons cited for the lack of export increase. Looking ahead the USDA believes the Ukraine corn crop will come in 1.5 million metric tonnes (59 mln bushel) higher than last month's projections, with the Argentina crop also anticipated to come in 1 million metric tonnes higher. In the end global demand offset the increase in global supply nearly completely, with a 19 million bushel increase in global ending stocks being a drop in the ocean when looking at the big 7.47 billion bushel world carryout picture.**
- **Soybean carryout numbers actually came in 17 million bushels lower than the average pre-report estimate and on the lower end of expectations. Ahead of today's report many traders were anticipating stocks to come in around 402 million bushels, down 8 million bushels from last month. Many traders were burned last month anticipating a reduction in carryout and were subsequently slow to make any major changes in projections ahead of today's report. At 385 million bushels projected carryout we could have over 4 times the amount of beans left over at marketing year-end than we did the year before.**
- **Adjustments to demand were made in both sectors, with export expectations up 20 million bushels from last month and crush up 15 million bushels. The quick export shipment pace, and continued demand from China (even if at a much slower pace than the first half of the marketing year) should help to keep active buying interest coming our way from foreign buyers.**
- **Meal demand and low oil extraction rates were the reasoning behind the increase in crush. Per the USDA, "Projected gains in meat production" (another reason I question the feed usage cut in corn, but I digress) has pushed meal demand higher as well. Imports were increased 10 million bushels based on positive conversion rates and historically low supplies at the start of the year.**
- **Globally we saw a million metric tonne increase in Argentinean bean production offset a million metric tonne decrease in the Brazilian production outlook. Slight increases in Chinese, Russian and Ukrainian soy production pushed overall global production .7 million metric tonnes higher (just under 26 mln bushels).**
- **Wheat continues to struggle as higher global supplies and the continued currency war have really put a damper on export demand for U.S. wheat. Ahead of today's report traders were expecting overall wheat carryout to come in around 689 million bushels, the USDA pushed their outlook up 5 million bushels to 692**

million. As discussed, exports are expected to come in 30 million bushels lower than last month, with expected imports down 20 million bushels as well.

- Globally we continue to see an increase in overall ending stocks, up another 1.85 million metric tonne (68 mln bushels) from last month's projections. At 197.85 million metric tonnes projected to be left over at marketing year end we have seen our carryout grown 22.36 million metric tonnes (821 million bushels) in the last 2 years alone.

When all was said and done all 3 markets finished lower as lower crude prices and a higher dollar were able to maintain some of their control over grains. Don't get me wrong, carryout projections like we are seeing are far from exceedingly bullish, but will likely keep those who are most bearish at bay for the time being, perhaps lending some support to the market overall. It is important however, to focus on the marketing opportunities you are being given, not just at the ones you want. Basis levels have remained strong and likely will continue to do so until we see a futures rally to pull those hard to buy bushels off the farm, or time begins to run out as we work toward summer.

Though it's still over 6 weeks away attention will likely start to turn to the March 31st planted acreage and quarterly stocks report, with the big 2015 acreage debate only getting started. Now remains the perfect time to get a marketing plan in place for old crop bushels and those you plan to produce in the year ahead. In the meantime, don't hesitate to give us a call with any questions, we're here to help!

All the Best!

Angie Maguire

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