

This Week in Agriculture:
News That Could Make a Difference: February 19, 2015

I will be out of the office tomorrow, so this week's update is coming a day early.

- **The markets appear to want to make sure February is month full of yo-yo like volatility. While the tradition of this month being a slow when it comes to market moving information continues to hold strong, the whipsaw action in outside markets, combined with a continued uncertainty regarding global economic strength is enough to push us significantly higher one day, only to trade much lower the next. So far this week we have seen March soybeans gain 17 cents, while March corn is up 3. A strong dollar and even stronger competition globally for exports continues to pressure wheat, pushing it down 11 so far this week.**
- **Last week the wheat market got a slight dose of positive news when Egypt announced a U.S. only wheat tender. The U.S. had even offered extended credit terms to help sweeten the deal, yet we still came up short as GASC (Egypt's government buying arm) announced they were cancelling the U.S. only tender due to high cost. When looking at values it is easy to see why they may be hesitant as the higher dollar has pushed U.S. values some 50 to 100 dollars a metric ton higher than what they had paid for European wheat just 2 weeks prior.**
- **In related "Wheat can't catch a break" news: Russia's Ag Minister says the country may review the country's wheat export tax sometime in March—citing the need to see February's export data before making any final decision. The fact that 21% of Russia's winter crops are said to be in poor condition may have more of an influence on that decision than actual export data, but the market will continue to monitor any developments.**
- **Meanwhile, in Ukraine the country's bread makers have said they will ask the government there to restrict wheat flour exports in an attempt to protect local bread prices. The war torn country is struggling with a collapsing currency and difficulty in production as they continue to feel pressure from separatists and Putin's Russia.**
- **The issues pressuring Ukrainian bread makers are also beginning to impact growers as well. A well-followed market group in the country feels Ukrainian corn acreage could fall nearly 10% this year as higher planting costs will likely limit plantings. The cost of foreign seeds appears to be the biggest limiting factor as over 60% of the country's corn seed comes from foreign suppliers. With the country's currency losing over 65% of its value versus the dollar over the last year the buying power at the hands of growers is nearly non-existent.**
- **The market received updated crush numbers this week from the National Oilseed Processors Association showing a record amount of beans were crushed for the month of January and the 4th largest amount on record overall. Here in the MI, IN, KY and OH region we saw an increase in crush of over 3 million bushels from last January. While the numbers were strong, we will need to see a continuation of numbers like these each month to hit current USDA crush projections.**
- **Export shipments for the week indicated a continued strong demand for soybeans as well. At this point soybeans shipments are running 5.7 mmt (209.42 mbu) higher than a year ago, but like crush need to remain somewhat strong as we move ahead to meet USDA expectations. With heavy rain delaying the Brazilian harvest in the short-term and the likelihood of strikes in the country limiting early season shipments the potential remains for continued Chinese interest into the spring.**
- **On the corn side of things exports were less than stellar, but continue to remain within the range of estimates. Last week's ethanol numbers showed a small increase in production, but a slight decline in stocks. With the largest stocks on hand in over 2 years it is necessary we see this trend continue long-term to keep ethanol basis bids somewhat strong.**

- **You know the market is hungry for fresh information when the USDA Ag Outlook Forum becomes big news, and this morning the Forum became the focus. While today's numbers should be taken with a grain of salt as they are the first unofficial, non-survey driven projections for new crop production, they did give the market a shot in the arm with some unexpected fireworks. Discussions have been centered around economics pointing towards an increase in soybean acres, with some expecting a substantial shift away from corn.**
- **This morning's numbers created quite the buzz as we saw a slight cut in soybean acres (83.5 mln vs 83.7 last yr), a small cut to corn plantings (89 mln vs 90.6 last yr) and a drop in wheat (55.5 mln vs 56.8 last yr). Interesting to note a cut in overall planted acreage from last year, as well as a projected increase in cotton acres though industry experts say that is nearly impossible. In the end we have a long way and a lot of weather to work through before we get to actual plantings, but from an overall standpoint perhaps the great acreage shift of 2015 isn't necessarily guaranteed.**

While today's outlook numbers will give us something to talk about, the market will continue to monitor trends in demand, as well as pricing structures as we work our way towards spring. At this point, as mentioned, nothing is set in stone and there is still quite a bit of time to see shifts take place—especially when looking at the forecast and seeing record low temps in place throughout the bulk of the Corn Belt for the remainder of February. Shipping locally has gotten a bit tougher as ethanol plants appear to have covered the bulk of their needs for the month, especially with many growers and elevators working hard to ship ahead of frost laws. Nonetheless though, bids remain strong leaving plenty of pricing opportunities available if you play your cards right.

In the meantime, give us a call with any questions, we're here to help!

All the Best!

Angie Maguire

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