

This Week in Agriculture:
USDA Report Summary: January 12, 2015

- Today has been the day many traders, farmers and analysts have been looking forward to for quite some time as a plethora of information was released by the USDA. Of importance we saw quarterly stocks, final production, Winter Wheat seedings and of course updated supply and demand information.
- Starting with corn: overall December 1st stocks came in at 11.2 billion bushels. This was higher than the average pre-report estimate, but comfortably within the range of expectations put together ahead of the report. On the production side of things we saw the USDA lower planted acreage slightly, but keep harvest acreage as projected in last month's estimates. With today's acreage the USDA was able to put to bed the argument over FSA information and the potential reduction in plantings shown by that agency.
- While they left overall harvested acreage unchanged, we did see lower yields projected. A 2.4 bushel to the acre cut in yield nationwide dropped overall corn production by 191 million bushels from last month's estimate, surprising some traders. From a demand perspective the USDA lowered feed and residual usage by 100 million bushels, but increased corn used for ethanol by 25 million. When the dust settled we saw carryout come in 121 million bushels lower than last month at 1.877 billion bushels.
- Perhaps what is most interesting is the composition of stocks when it comes to looking at what is on farm versus what is in the hands of commercials. Of the 11.2 billion bushels of corn we had on hand December 1st just over 7 billion bushels were on the farm. With 63% (vs 61% last year) of the total bushels stored on farm it will be interesting to see what it takes to get and keep bushels moving.
- Here in Michigan overall stocks were down 6.4 million bushels from a year ago, with total production projected just over 10 million bushels higher. While it's possible some of those bushels could have been unharvested at the beginning of December, it's interesting to note the shift in bushels into Canada or the potential increase in corn feedings/usage. It's also important to note there are 20 million bushels more on farm in the state than there was a year ago, with commercial stocks down 26.4 million. That's a lot of grain that will have to make its way to market eventually.
- Globally, the only major adjustments to corn numbers were in response to the adjustments in domestic projections. At 189.15 mmt (7.5 billion bushels) today's USDA numbers came in slightly below pre-report estimates, but still well within the range.
- At 2.52 billion bushels soybean stocks came in a touch lower than the pre-report estimate, but also well within the range of guesses. Perhaps the biggest surprise in soybeans came in the form of very little changes to the overall market structure from last month's report.
- On the production side of things we saw some minor tweaks to both yield and acreage (acreage down 300,000, with yield up .3 bpa). Overall production changed only slightly with an 11 million bushel increase. The 11 million bushel increase in production was nearly completely offset by a 10 million bushel increase in projected exports. In the end the USDA left carryout unchanged from last month with many expecting around a 15 million bushel decrease in ending stocks.
- Though domestic numbers were relatively neutral we saw global numbers take a page from the wheat playbook, with an increase versus an anticipated decrease in ending stocks. While global usage is expected to be a touch higher than what was projected a month ago, overall production out of Brazil is expected to increase as well. Though there are concerns over dryness in some regions, and the crop got planted late we saw the USDA follow CONAB today increasing their anticipated Brazilian soy crop estimate up to 95.5 mmt from 94. Of course it's still early, but a confirmed huge crop out of South America will likely continue to act as a wet blanket on any major rallies moving ahead.
- As usual wheat numbers weren't much to write home about. December 1st stocks came in higher than anticipated prompting the USDA to lower their projected feed usage for the year by 30 million bushels. This reduction coupled with a minor reduction in seed projections resulted in a 33 million bushel increase

in ending stocks for the 2014/15 crop year. Much of this increase came in spring wheat carryover, with an 8 million bushel increase projected for Soft Red Wheat at marketing year end.

- Stocks-wise it is interesting to note Michigan supplies are down 8.6 million bushels from last year. With Winter Wheat seedings down 70,000 acres statewide from last year and an incredibly 120,000 acres from 2013, it will be interesting to see what develops from a basis standpoint once we get into summer.**
- Other fun tidbits: though crop size and overall stocks were up significantly the USDA feels overall storage space was increased only marginally. On farm storage space was increased by less than 1% over the last year, while commercial space grew by nearly 2% nationwide. When it comes to commercial storage it is more than interesting to me that the top 5 states for commercial storage (Iowa, Illinois, Kansas, Minnesota and Nebraska) account for 52% of the total commercial storage capacity in the country. Here in Michigan the farmer is projected to have 290 million bushels of storage space, unchanged from last year.**

When the closing bell rang we saw corn up a couple cents, wheat down 8, while soybeans were down big across the board. Now that we have today's numbers out of the way we will continue to closely monitor demand, weather and geopolitical developments across the globe. Opportunities remain present and will likely continue to develop as we move ahead. If you haven't done so already figure out where you're at from a cost of production standpoint, find your target margin and put a plan in place accordingly. If you need help doing so we are here to answer any questions you may have. In the meantime have a great week and stay safe!

All the Best!

Angie Maguire

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