

This Week in Agriculture:
News That Could Make a Difference: January 9, 2015

- **An interesting and volatile week as traders position themselves ahead of Monday's massive dose of updated USDA information. The new information combined with continuing geopolitical turmoil and other developments presented both buying and selling opportunities throughout the week. When the dust settled March corn was up 5, while March beans were up an incredible 45 cents-trading near the top of their recent range. July wheat finished down 19.**
- **With Monday giving us updated information on the USDA's supply and demand outlook many traders and analysts are looking at current pace of demand in an attempt to get a feel for where we may be headed overall and what the USDA may say when the numbers come out. As of January 1 soybean exports are 90% of the USDA forecast. This is well ahead of 82%, which is the 5 year average pace for sales at this point in the marketing year.**
- **Percentage of USDA projections committed isn't the only thing running ahead of normal pace. Soybean loadings are up 22% from a year ago. With monthly numbers indicating crush is running ahead of expected pace as well, many traders are wondering if we could see a potential reduction in overall stocks as a result.**
- **Some analysts are quick to point to the upcoming South American crop though and its potential impact on global demand as we move ahead. The Brazilian government put their soybean crop estimate at a record high 95.9 million metric tons today. This is nearly 2 mmt (73.5 million bushels) higher than the current USDA projection. They mention that though some dryness has crept into certain areas of the country, they feel the good production areas will outweigh the bad.**
- **One interesting tidbit on government estimates: Last January the Brazilian government's soybean production estimate was 2 million metric tons higher than the USDA's estimate as well. They were quick to point to solid condition ratings and good weather forecasts, and believed that the crop had the potential of pushing through 95 million metric tons. Not long after a hot and dry pattern impacted the bulk of the growing region resulting in unexpected crop losses. The final soybean number for the country came in at 86.7 million metric tons. While history does not point directly to the future, it is important we realize how much can change in the last 2-3 months of a production season-especially in soybeans.**
- **Corn demand seems to be off to a decent start as well. At this point cumulative corn sales are down 3% from last year, with the USDA projecting a 9% decline (much of the loss in business has come from Chinese interest of course, with sales to the country down 98% from a year ago). While sales may be a touch slower than last year's pace overall shipments are running 10% ahead of a year ago, making some in the industry wonder how things will develop in the weeks and months ahead.**
- **This week's ethanol numbers remain strong when looking at what's needed weekly to meet the USDA demand projections for that demand sector, but was down from the prior week. While production numbers remain somewhat strong, supply numbers do raise a bit in the way of concern. Ethanol stocks as released in this week's report are 16.8% higher than they were a year ago. Higher stocks, combined with much lower gasoline prices is resulting in a slowdown of movement in the raw product.**
- **While grind margins remain in the black at this point, there have been discussions about plants in the fringes having to slow or shut down production due to a backup in the raw product movement. Here in Michigan you can purchase E-85 for below a dollar in some locations, while throughout the heart of the Corn Belt regular unleaded is cheaper. While it is likely very strong first half demand will help to offset a slowdown in the spring and beyond, it will be something we will have to monitor closely as we move ahead.**

While it would be nice to say the market has a "feel" for what the USDA is going to say on Monday that would be a lie. While spreads, basis, futures and the current pace of demand will give us an idea, it would be disingenuous to say any one person knows for sure. The only thing the trade knows is Monday we will get an updated and "final" production number, a projection on demand, with updated carryout projections both domestic and global.

While it won't give us completely definitive answers, whether or not stocks numbers come in close to pre-report expectations will give us an idea on the direction of demand as well as the level of supply as of December 1. Monday's trade is likely to be extremely volatile and could present unexpected opportunities, with the report not coming out until noon eastern take the time Monday morning to put orders in place. We'll have the numbers from the USDA and how the market reacted Monday afternoon. In the meantime, don't hesitate to call with any questions, we're here to help!

All the Best!

Angie Maguire

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