

This Week in Agriculture:

News That Could Make a Difference: March 6, 2015

- **After failing to hold a strong start on Monday we saw the markets resume their recent range bound trend working lower into Friday's close. When the dust settled we saw both May and December corn down 7. A perceived resolution to short-term Brazilian logistic issues pushed the bean market lower with May down 47 and November down 31. July wheat traded to its lowest level since September, finishing 31 lower.**
- **Much of last week's strength came from the Brazilian trucker strike and the logistical mess it was creating. Protesting high fuel and toll costs many of Brazil's truckers had joined together in an attempt to shut down the major highways used to transport goods in and out of the country's ports. The situation had escalated enough to slow harvest in some locations due to limited amounts of available fuel; as well as had some major port loaders down to just days worth of soybean supplies.**
- **A major police crackdown and a promise from government officials to make significant progress in granting some of the trucker demands allowed things to calm down significantly as we worked through the week. At the close of business last Friday there were over 100 major strikes reported in 12 states, midweek there were 4 active strike locations reported.**
- **While resumption of movement is taking place in Brazil, a slow start to the growing season and a continued battle with wet weather has harvest pace off to a sluggish start. Brazilian harvest pace is thought to be running 10% behind a year ago and 4% slower than average. While the Brazilian crop is much larger than last year, the slow start to the harvest season has allowed some foreign buying interest to remain at our ports, and has the potential to limit second crop corn planting. Forecasts continue to call for on and off showers and will need to be monitored in the weeks ahead.**
- **Weather appears to be much more of a factor in regionalized areas of Argentina. Heavy rains have led to flooding in some areas impacting up to a million acres. With many analysts anticipating an increase in upcoming Argentina production outlooks it is very possible the reported losses will be offset by gains in other locations. It is also important to point out that the bulk of Argentina's soy exports come from meal not the raw product, so the impact on the soybean market from any sort of Argie production loss will likely remain limited.**
- **When looking at potential production numbers out of Argentina, it is also interesting to note the amount of old crop stocks on hand. As we've discussed before many farmers turn to keeping their grain on hand as a way to hedge against their country's currency devaluation. This problem has grown so big in the eyes of Argentinean government, officials there are indicating farmers could be required to register the silo bags they are using to store grain on their farm. It is believed registration will not only help keep an accurate idea of what kind of supplies are left on hand, but it would also give the government the power to crack down on grain hoarding in times of high prices.**
- **Currency conversion is also giving power to the Brazilian farmer as the country's currency fell to its lowest level against the dollar in 11 years. With the bulk of producers selling their grain in dollars the drop in the Real has created an interesting setup where though the futures value of beans may be falling in Chicago, the price paid to the Brazilian farmer is actually going up.**
- **For us however, the strong dollar is causing great concern across the board. An announcement from the European Central Bank of another 60 billion Euro cash infusion pushed the dollar even higher overnight. The biggest impact on demand due to the higher dollar is obvious in wheat where strong export competition has pushed our wheat exports down 24% from a year ago, which though in line with USDA expectations is still exceptionally disappointing.**
- **Corn and bean exports continue to be somewhat surprising though, both outpacing our weekly needs to hit USDA estimates. Perhaps the biggest surprise when it comes to export interest has been Milo (sorghum) sales. With 6 months left in the marketing year Milo sales have already met USDA projections. With limited Chinese government restrictions on Milo imports and nothing in the way of GMO concerns China has been a big buyer this year, with no sign of that buying interest stopping anytime soon. Whether a better**

than anticipated Milo market will entice some guys to add or increase plantings in their rotation remains to be seen, but will definitely be monitored in the months ahead.

- It appears Chinese buying interest will likely remain strong in the next several months as the government there looks to increase their spending on stockpiling grains, edible oils and other materials by 33% from a year ago. In a secondary announcement officials also announced steady support prices for their growers in an attempt to entice continued growth in the country's ag sector.
- Having this increased spending in mind Ukrainian officials announced plans for a delegation to travel into China in the hopes of doubling their corn export business. While at a glance this headline can be interpreted as bearish, it is important to keep in mind Ukraine exported just under 1 mmt (39.37 million bushels) of corn into China a year ago, so the impact will likely be small—at least in the short-term.
- Fun Fact: Heavy crude oil production has worked to fill up inventories across the globe. According to recent numbers it appears 70% of our crude storage capacity here in the U.S. is full. In Europe it is thought that number jumps to 90%.

We will have updated supply and demand numbers from the USDA on Tuesday. At this point the trade is not anticipating much in the way of surprises as it is very rare to see any major adjustments take place between February and March historically. After Tuesday we will be able to place our primary focus on the March 31st Stocks and Prospective Planting Report. In the meantime it is likely we will watch trade values remain range bound as there is little in the way of new or exciting developments expected in the marketplace until wheels start turning across the Corn Belt.

For those of you in Michigan, Seasonal Weight Restrictions will be in full effect starting next week. While these restrictions make moving grain difficult, they are our sign spring is just around the corner, so we'll take it. Moving grain with restrictions in place is possible with the right permits, so don't hesitate to call if you need a hand getting shipments off your farm ahead of planting. We will have the numbers for you after their release on Tuesday, in the meantime have a great weekend and stay safe!

All the Best!
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