

## **This Week in Agriculture:**

**News That Could Make Difference: November 7, 2014**

- While anything that gives us a break from the downtrend seen the last half of this summer is a welcome sight, the newly found volatility we seem to be experiencing in the grain markets is interesting at best. After starting to the downside in Sunday night's trade soybeans tested recent highs midweek, while corn and wheat tried their best to follow along. When the dust settled we saw December corn down 10 for the week, with January soybeans closing 11 cents lower. Wheat was the big loser, with July values falling 21 cents.
- Monday night's USDA Crop Progress report showed the bulk of harvest is wrapping up for the majority of the Corn Belt, while weather continues to hassle those of us in the Eastern Belt and parts of Ontario. As of Sunday night the USDA believes we have 65% of the corn crop harvested versus the 5 year average of 73%. Soybean harvest is 83% complete versus 95% on average at this point in the year.
- Here in Michigan it is painfully obvious wet weather continues to delay harvest progress. According to the USDA 31% of the state's corn crop is harvested versus our 5 year average of 51%. Soybean harvest progress jumped a solid 27% statewide from last week, but at 71% off still lags the 5 year average of 83%.
- With 83% of the 3.927 billion bushels of estimated soybean production harvested the million dollar question has become "Where in the world are the beans?" Ahead of harvest the talk of collapsing basis and the inability to store all of the grain expected was nonstop. Suddenly we're through the first week of November and basis is actually firming in many areas of the Corn Belt.
- While it is likely the USDA is underestimating the total amount of grain storage available—not to mention farmer ingenuity when it comes to squirreling away the crop, many are wondering if perhaps we are either overestimating yield or acreage when it comes to total bean production.
- Basis remains strong for corn as well as many end users want to buy as much as possible before bin doors are locked going into winter. When it comes to corn the next 2 weeks are likely to test just how much extra storage space is available. With production estimates ranging well over 14 billion bushels it is likely over 3.5 billion bushels of corn still has to make its way to the pipeline.
- At this point while it is unlikely we will see any major change in production, traders will still be looking to Monday's USDA report for any indication of a change in carryout estimates. Right now it appears the only major surprise left looming could be the potential adjustment to total planted acreage. As you will remember there is some discrepancy between what the FSA is reporting for certified acreage and what the NASS arm of the USDA (who's responsible for production and acreage estimates) is thinking.
- Adjustments in production estimates on a global scale are expected to a certain extent on Monday. Slow planting pace has prompted some well followed groups and agronomists to lower their soybean production outlook out of Brazil. With planting pace at an estimated 25% completed nationwide versus 48% average it is possible not only yields could be further reduced due to increased insect and disease pressure, it is also likely the slow pace to planting will keep foreign buyers looking to the US until availability is confirmed.
- We could also see some production reductions out of China as a severe "rolling drought" in the country could take as much as 7 mmt (276 mln bushels) of corn off from the latest USDA estimate. While the global pipeline is more than comfortable when it comes to corn, the idea we're shifting from "burdensome" to "adequate" globally doesn't hurt.
- Traders will be watching Monday's report closely as well for any significant changes to demand outlook. While it is unlikely we will see any changes in corn, soybean demand appears to be running full steam ahead. Soybean export sales have hit 77% of the latest USDA projection versus the 5 year average of 66%, with shipments picking up steam in the last 2 weeks as available product is hitting the pipeline. Crush seems to be running at an extraordinary pace as well as meal demand is off the charts both in exports and domestically. Meal demand has pushed crush margins up to historically strong values and has end users begging for beans at this point.

**Bottom line: There are ways we can show bean carryout falling well below the current 450 million bushel projection, but it would take further issues in South America and a continuation of record setting demand. While it is possible, it is not likely, and the idea that a rally like this one should continue with little in the way of fundamental news can be a dangerous one. While it is likely beans in on farm storage could gain in value in the short term it is unlikely you're going to get your money back from commercial storage, know your situation at hand when it comes to determining just what to do with your unpriced beans. Looking out towards 2015 isn't a terrible idea either, as it is one of the rare bright spots any producer can lock in solid profit going forward.**

**When it comes to corn be aware of basis values presenting themselves currently when it comes to short term movement and take advantage of them accordingly. Opportunities are present in the 2015 crop year as well. While it is easy to get bulled up after a significant move higher it is imperative to monitor your risk and to avoid getting cute with this market structure. Funds returning as buyers has helped push prices significantly and an exit of those positions could cause significant downward pressure when we least expect.**

**Let me be clear, I am not trying to preach doom and gloom, more so asking you to take a reasonable approach to the market and the fundamentals at hand. Target orders will help to catch the big pops higher, while also helping to remove the emotionality from your selling decisions, don't hesitate to get those in place and take advantage of what the market is willing to give. In the meantime don't hesitate to call with any questions, we're here to help! Until next week, have a great weekend and stay safe!**

**All the Best!**

**Angie Maguire**

**Citizens LLC**

**[www.citizenselevator.com](http://www.citizenselevator.com)**

**\*\*\*\*Commodities trading is very risky, Citizens LLC holds no liability for the use of the information contained herein\*\*\*\***