

This Week in Agriculture:

News That Could Make Difference: October 17, 2014

- We have almost forgotten what volatility in the markets like this looks like. As we spent the week moving back and forth with fear and uncertainty in the outside markets pushing buyers back towards commodities for the time being. For the week December corn was up 13, while November soybeans finished 29 higher, July wheat was up 19.
- The thought that Ebola could even become a concern in the US was entirely off the radar just 3 weeks ago. However health care workers testing positive for the disease after travelling cross country, potentially putting millions at risk of contraction, has the general population on edge.
- While it is unlikely we would see any major impact from the disease the idea that folks could possibly limit travel and spending strikes fear in the marketplace. In fact the CBOE volatility index, a tool used to get a feel for the amount of fear in the financial markets showed the greatest amount of economic concern seen since November 2011.
- In times of uncertainty in the outside markets we tend to see what analysts call the “Flight to quality.” Basically meaning in times of concern over future economic developments people choose to own something they can hold. With funds back to long positions in all 3 major markets traders will be monitoring their future moves very closely in an attempt to find direction.
- Harvest delays are also lending some support to the market. In Tuesday night’s report (Delayed one day this week due to Columbus Day) we learned 24% of the corn crop was harvested, while 40% of the bean crop was off the field. Both numbers are well behind historical averages, but soybean progress actually came in above traders’ expectations.
- While it’s still early, it is interesting that with 40% of the crop harvested we still have plenty of room in the pipeline. Strong bids out of crushers and exporters offering solid deals for quick delivery indicates that the demand for beans may be outstripping supply in the short-term. Meanwhile farmers in the Dakotas and parts of Minnesota would love to have demand outpace supply as they remain flooded with grain waiting on transportation.
- Speaking of exports, corn set a marketing year high for sales in today’s USDA weekly export sales report. While much of today’s sale announcement was factored in to expectations after a big chunk was sold into Mexico last week, traders were still surprised at the volume of sales. Perhaps most intriguing is the reemergence of “Unknown” as a buyer. In the past purchases for “Unknown” were thought to be almost exclusively China, it will be interesting to see if the past repeats itself, or if another country is simply toying with our emotions.
- Overall corn exports 6 weeks in to the marketing year are up 8%, while the USDA has been predicting a slight drop in overall sales. Soybean sales are up 11% as well, with the USDA expecting a 3% increase.

When the dust settled at the end of the week we find ourselves over 27 cents off the low in corn and 45 cents off the low in beans. While it is likely volatility will only continue to increase as we work through the outside financial issues, it is important to keep in mind where your margins are after this recent move and not to get too complacent on sales, or when it comes to planning for the future. Slow harvest pace has opportunities available for quick shipments, and may give you that chance to market your harvest overage at better than expected values. If you have any questions, or are conflicted on whether to run don’t hesitate to give us a call, we’re here to help.

All the Best!
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