

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: September 26, 2014

- **A continued downward trend for the week as market sentiment remains bearish and initial yield numbers remain as good or better than expected. For the week November soybeans were hit the hardest losing 47 cents, while December corn and July 2015 wheat were both down 8.**
- **As mentioned, initial yield reports coming out of Central IL and surrounding areas show a record setting crop is on tap—as expected. With nothing less than ideal conditions for much of the growing season in the areas currently being harvest, anything less than record setting would be a disappointment. The real question on yields and actual production remains in the areas that suffered from too much rain, hail, wind and cool temps. Unfortunately much of the less than ideal crop areas are still weeks from being harvested.**
- **Even with a bullish production surprise of some sort it is going to take a big increase in demand to make traders feel more confident entering into the markets as buyers. The recent drop in prices has helped somewhat soften the blow of a rallying dollar, keeping our prices competitive from a global standpoint. As a result, exports so far appear strong--especially soybeans, but corn to a certain extent as well.**
- **Looking at the export sales pace versus last year we see soybean exports currently outpacing USDA expectations. At this point in the marketing year soybean export sales are up nearly 10% from a year ago, with the USDA anticipating a 3% increase in overall sales. Corn export sales are equal to last year's pace, with the USDA anticipating 9% decrease year to year. The steady pace without a Chinese buying presence is somewhat positive in a market seemingly facing nothing but negatives.**
- **When it comes to exports however, the trade will be closely monitoring a potentially major development in Chinese soybean imports. A major news source released an article today claiming China has suspended the import approval process for a GMO soybean trait. While the sources cited in the article remain unnamed and there is no solid evidence pointing to what trait they are dropping, it was enough to send buyers scurrying to the sidelines fearing another debacle similar to what we're seeing with MIR 162 in corn.**
- **Speaking of MIR 162, rumor has it vessels are being loaded with DDGs destined for China. Possibly indicating a “cheap trumps GMO concerns” style attitude. With China taking over 60% of our anticipated bean exports it will be important to monitor any developments in the situation as we move ahead.**
- **While we're on the GMO front, the USDA announced today it had wrapped up its investigation in to the Genetically Modified wheat found on a farm in Oregon last year. The conclusion to the investigation was outlined in a nearly 13,000 page paper, which—to save you time—basically said they weren't quite sure just *how* the strain ended up in the field.**
- **Upon the announcement of the completion the USDA announced a second finding of GMO wheat in a field in Montana. While it is said to be on a much smaller scale than the initial Oregon finding and wheat exports are already anticipated to be lower, traders may still be concerned about the potential long-term consequences of a secondary finding. Not to mention the question on everybody's mind, “Where the heck is this stuff coming from?”**
- **Though we're feeling a bit gun shy after the recent slew of bearish USDA reports, traders are looking forward to Tuesday's Quarterly Stocks Report. While it is mostly expected to be a non-event the potential is there for a surprise. The special twist to Tuesday's report is it will give us the final ending stocks for both old crop corn and soybeans.**
- **In the last Supply and Demand report the USDA had old crop corn carryout at 1.181 bln bushels, traders are expecting Tuesday's number to come in around 1.185 bln bu. Soybeans were pegged at 130 mln bushels in the last S and D update, traders are expecting a small reduction to that with an average trade guess of 126 mln bushels. We'll have the numbers for you after their release.**

At this point even I am running out of something good to say about the grain markets. Right now solid yield estimates and concern over the ability to move the large crop as it is coming off the field is the number one thought in the minds of traders. Rail and barge freight costs for October are through the roof, but one must wonder if that's an impact of the freight trade, or an actual example of our inability to move grain as needed. Luckily here in MI we're used to having to be our own demand center for the most part and may remain somewhat isolated if a meltdown were to occur in basis nationwide (which, in all fairness, I'm not expecting to see happen).

At this point harvest sales will be done at levels we haven't seen in over 5 years and will likely hurt, but burying your head in the sand and paying thousands of dollars in commercial storage costs will hurt worse—as will leaving the grain in the field or in the bin without proper care. There are ways to protect your upside risk after pricing if you're interested as well, don't hesitate to give us a call, we're here to help! Until next week, have a great weekend and stay safe!

**All the Best!
Angie Maguire
Citizens LLC
www.citizenslevator.com**

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