

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: November 21, 2014

- Another volatile week as the trade continues to struggle with a record large crop forecast and a comfortable, but far from burdensome supply in the pipeline. When the dust settled at the close Friday we saw December corn down 11 for the week, with July wheat 9 lower. January soybeans finished the week 16 higher and continue to defy logic showing strength when weakness is expected, and closing weak when they should be strong.
- In Monday night's crop progress report we saw harvest continues to struggle to wrap up across the countryside. Soybean harvest slipped below the 5 year average at 94% complete, while corn harvest progressed 9% from last week, and at 89% complete is 1% ahead of the 5 year average pace.
- With crops left in the field snowfall and record setting cold was the last thing farmers and elevator managers wanted to see. An estimated 1.5 billion bushels of corn remains in the field as of Sunday night, per the USDA. The states with the most sitting are Iowa with 192 million and Illinois with 171 million bushels still standing. Here in Michigan there's an estimated 149 million bushels waiting to be harvested and unfortunately the bulk of that is in areas that experienced significant Lake Effect accumulations and high winds throughout the week.
- When it comes to soybeans the bulk of states hit by snow this week still have anywhere from 7-11% of the crop left to be harvested. Here in Michigan the USDA feels we have 92% of the bean crop off, down 5% from the 5 year average pace.
- As we've discussed in past writings some traders are perplexed by the lack of utter basis collapse as the epically record large crops were harvested throughout the Belt. Some believe we may be overestimating supply, while others point to the tight old crop stocks, delayed harvest and large front half demand for an explanation as to why. Looking at this week's NOPA crush numbers it is likely option B is the most likely explanation. The crop is there, but so is demand.
- At nearly 158 mbu crushed in October, this week's NOPA numbers came in well above private estimates ahead of the report and were a record for the month. Meal demand continues to run hot both domestically and in foreign markets and an inability to import high quality canola meal from the north continues to support demand. However, confirmation a Southeast feeder has intentions of importing both Argentinean soybean meal and French feed wheat does little to give traders a warm fuzzy feeling going forward.
- Soybean exports remain strong as well. Inspections for soybeans being shipped out of the country are running 4% ahead of the 5 year average pace and 13% ahead of a year ago. Total sales are running 8% ahead of last year. At this point it appears the slow start to South American planting due to less than ideal weather will keep a bit of buying interest in the US for longer than initially anticipated. Many analysts feel Brazilian planting pace should be around 75% complete in next week's updates, up significantly from the pace we've seen so far this year, but over 10% slower than a year ago.
- From a domestic standpoint it does appear as though many processors have covered their needs for the next several weeks, while less than ideal weather is doing little to help the Toledo boat loading program. However it will be interesting to see how the market takes shape in the months ahead, especially considering once most beans are in the bin at this point in the year it takes a bit to get them to move.
- As a matter of fact one very well followed private group estimates nearly a quarter of the nation's soybean crop hits the pipeline in October, with that number dwindling down to 9% into December. We do see it rebound back up to 15% in January though, so it will be interesting to see if any sort of hot basis opportunities come into play as we work our way towards the holiday season.
- Though Chicago wheat closed lower for the week condition issues in Australia, Russia and Brazil have lent some support to the market. As we've discussed several times, global numbers remain huge and are anticipated to stay huge, however issues with quality in old crop, a slow and less than ideal fall planting

pace for winter wheat and production issues in other countries may point towards a small increase in wheat demand, throwing that poor dog a bone for once.

- Developments surrounding a highly contagious Bird Flu virus working its way through the European Union will be important to watch going forward. Cases have been reported in Germany, the Netherlands and Britain, with more likely to come. In fact one farm in the Netherlands was so devastated by the disease they killed over 150,000 birds over the weekend in an attempt to contain the spread of the virus.
- Fun Fact: The Netherlands is the European Union's leading exporter of poultry meat and also exports over 6 billion eggs a year. (Source: Reuters UK)

When all is said and done at this point it is easy to see why corn and bean basis would struggle to weaken here in the short-term. Weather to wrap up harvest has been less than ideal across the country, and will likely continue to be a pain as we work further in to December. It is important to note that while yield loss will be minimal the fact that we have found over a billion bushels of storage via unharvested fields will likely keep basis supported without any major help from the futures side. However as we work into January we will see bushels begin to move as cash flow and quality concerns pressure those holding out.

Take a look at some of the basis opportunities currently presenting themselves, do not be afraid to take advantage of pricing opportunities on HTAs as well as deferred values for movement later this winter and beyond. It is interesting to note the presence of the Ontario corn buyer in Michigan has changed some of the dynamics we've grown accustomed to seeing—however it is also important to realize at a certain point the inability to put wheels under bushels will limit some of the newer buying interest, as paying too much for bushels you can't get doesn't appeal to anyone.

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

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