

This Week in Agriculture:

USDA Supply and Demand Report and Weekly Summary: October 10, 2014

- **A general change in market feel, followed by uncertainty and finished off with negativity would sum up this week well. In the end, even after a strong move lower today corn and beans closed 11 and 12 cents higher for the week respectively, while July wheat was down 15.**
- **While the “change in market feel” lacked significant and much needed confidence it did produce a 45 cent rally in soybeans and a 25 cent rally in corn at their highs. Most of this support came from some fund buying interest likely prompted by concerns over harvest delays and forecasts of continued wet weather throughout Missouri, Arkansas and portions of Southern Illinois and the Ohio River Valley.**
- **As of Sunday night the USDA showed 17% of the corn crop harvested, nearly half of the 5 year average and only 5% higher than harvested a week ago. The biggest delays were in Missouri, Iowa, Illinois, South Dakota and Minnesota where harvest progress is lagging anywhere from 14% in Missouri to 22% behind average in Illinois.**
- **Soybeans are in similar shape, but slightly further ahead progress-wise due to faster than average harvest pace seen in Louisiana and Arkansas. With only 20% of the soy crop harvested versus 35% on average and a heavily front loaded export program the market is more sensitive to delays. At this point Iowa, Minnesota and Nebraska are the furthest behind average, with Iowa 33% behind the 5 year average.**
- **Harvest delay rallies are very similar to planting delay rallies, meaning they can evaporate quickly as traders turn their attention elsewhere or if the weather pattern changes. The market saw a double whammy today as the forecasts are turning drier mid-next week and the USDA released their updated supply and demand information reminding traders yet again of the monster crop they believe we’re harvesting.**
- **At first glance today’s updated USDA information was supportive to price (I can’t say bullish, because these carryout levels should, in no way, ever be thought of as bullish). All domestic ending stock and production numbers came in lower than the average pre-report estimate.**
- **On a by-crop breakdown the USDA followed the expectations of traders and raised their forecasted yield yet again. At 174.2 bushel per acre the USDA believes we will see a record crop. Ahead of today’s report some analysts were anticipating a possible significant cut to acres as indicated in the most recent FSA information. While the USDA did not cut acres as deeply as expected, they did concede there was 700,000 acre reduction in corn plantings from their last estimate in September.**
- **The 80 million bushel increase in production combined with a 55 million bushel increase in old crop ending stocks was only slightly offset by the 50 million bushel increase in projected feed demand. In the end our updated 2014/15 crop year carryout is expected to remain above 2 billion bushels at 2.081 billion.**
- **On the soybean side of things the USDA followed the same pattern as seen in corn. The USDA expects a record soybean crop this year with a 47.1 national yield, over 3 bushels to the acre better than what we saw last year. Similar to corn the USDA believes 600,000 acres less beans were planted than indicated in their June 30th acreage report, and again in last month’s supply and demand update.**
- **From a usage perspective it is interesting to note that though demand was better than estimated all last year and early season exports are the best we’ve seen in recent memory the USDA decided to leave new crop bean use unchanged. Overall the increase in production was wiped out by the decrease in beginning stocks (as indicated in last week’s Quarterly Stocks report), lowering new crop soy carryout 25 million bushels from last month, to a still burdensome 450 million bushels.**
- **Here in Michigan it is interesting to note the USDA expects a 12 bushel to the acre increase in our corn yields from last year to 167 bpa, with a 1 bushel per acre increase in our soybean yields at 46 bpa.**

- **The only highlight of the day was seen in the wheat market. While report numbers were friendly to wheat with a somewhat unexpected reduction in ending stocks, it was likely the fact wheat had sold off so hard leading in to today's report that helped provide the bulk of support for today's bounce.**
- **From a USDA perspective though, as mentioned the USDA dropped overall wheat carryout by 44 million bushels from last month. Many traders had been anticipating an increase. For the first time in awhile the USDA lowered projected global ending stocks as well. A rebound in global wheat consumption was the catalyst to the reduction, with cheap prices and plentiful supplies encouraging usage.**

Bottom-line: while some analysts are choosing to focus on just how much bigger this crop will get, others are beginning to turn their attention to what type of changes are developing in the demand side of things and what that will mean from a long term perspective. With ethanol margins weakening and export loading capacity already strained it may take awhile to work through the idea we are going to be burdened with stocks.

As we work towards harvest the one positive remains the slow pace to maturity and lack of bottlenecking in many locations has kept basis from completely falling apart. At this point if bushels need to be moved at harvest time any rallies should be viewed as opportunities. The extended forecasts look conducive to harvest progress with above normal temperatures and below normal precipitation expected for the next 2 weeks across the Corn Belt. Whether or not that forecast holds as we work into next week will likely become the fundamental driver short-term while overall global economics and outside markets will have their say in direction as well.

In the meantime, don't hesitate to call with any questions, we're here to help! Citizens will have location hours all weekend for deliveries; make sure to call ahead to your location of choice if you have any questions!

All the Best!

Angie Maguire

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