

## **This Week in Agriculture:**

A Mixed Bag of Information from the Week that Was: January 6, 2012

- After a strong start to the week rain in the South American forecast, a rallying dollar and just general buyer exhaustion resulted in a lower close for the week. Overall corn lost 3 cents, soybeans fell 19-with most of those losses coming in the last fifteen minutes of today's trade. Wheat was down 26 for the week overall.
- The dollar hit one year highs mid-week, with analysts believing it will continue to move higher through the first half of 2012. Positive domestic economic news combined with poor economic prospects in Europe have helped buoy our currency as of late. Of course a strong dollar makes our commodities that much more expensive on the global stage.
- Traders continue to debate South American production potential after several weeks of hot and dry weather has taken its toll. The forecast as we move ahead is vital, without a weather pattern shift it's likely we'll see production losses continue to mount. Some commercial traders already feel South American corn production could be cut by as much as 10 mln metric ton (393.7 mbu).
- Up to an estimated 19% of Argentina's intended soy acreage remains unplanted, in most areas the planting window closes in 2 weeks. Second crop soybean planting in both Argentina and Brazil is in jeopardy as well.
- Rain returns to the bulk of Argentina the first part of next week as a cold front is forecast to cut through the area. Most see these rains as helpful to early developing corn, and second crop soy acres. However, most forecasters see this as a one time, short term event.
- Traders are also concerned with above normal temperatures and below normal snow cover throughout much of the Western Corn Belt. Iowa topsoil is rated 55% short with temperatures ranging anywhere from 10-30 degrees above average.
- It will be interesting to watch Chinese demand as we move ahead. Officials from the country have indicated a desire to establish commercial pork reserves with even larger imports. United States frozen pork exports to China in November were 47,000 tons versus 9,000 tons a year ago. Furthermore officials feel larger overall grain imports will be needed as well.
- The Wall Street Journal reported mid-week concerns we could see a seed corn shortage this spring. They stated an estimated 25%-50% loss in seed corn production due to drought conditions was the major culprit behind the scare. Major seed corn companies argue this report however stating they will have more than enough seed corn to cover needs.

Moving ahead, the USDA will update its supply and demand outlook Thursday January 12<sup>th</sup>. This will give us a look at quarterly stocks as well, giving us our first look at first quarter corn feedings. Many traders are anticipating a reduction in corn ending stocks, with an increase expected in both soy and wheat ending stocks. Some question whether the USDA has been underestimating feed demand for both wheat and corn.

We'll have the USDA numbers for you when they're released on Thursday. In the meantime it's likely we'll trade sideways into the report, of course actual rainfall amounts in Argentina will have a large influence on prices in Monday and Tuesday's trade. If you have sales you need to make it definitely wouldn't hurt to look at the opportunities still present in the market. Give us a call today, we're here to help. Until next week, have a great weekend and stay safe!

All the Best!  
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