



Economy, Policies, Exports, Weather All Impact Today's Agriculture Markets



"We don't know 'nothing' about the future. Make sure you make marketing decisions with that in mind."

Darrell Holaday of Advanced Market Concepts/Country Futures summarized the economic outlook during a recent 580 WIBW Farm Profit Conference at Valley Falls.

"Fiscal responsibility is not a political reality in the United States and other countries at this time. The Federal Reserve has chosen to monetize the economy rather than let it hit rock bottom, which is a decision that will be debated for years," Holaday said.

The Renewable Fuel Standard Program (RFS) created under the Energy Policy Act (EPA) of 2005 established the first renewable fuel volume mandate in the United States. "It was a most successful move that really stimulated rural America," admitted Holaday, recognizing the increased demand and higher prices for corn.

As required under EPA, the original RFS program (RFS1) required 7.5 billion gallons of renewable-fuel to be blended into gasoline by 2012. "The decline in total gasoline use has slammed the industry up against the blend wall," Holaday said."

Long-term demand for food globally is very strong, but emerging economies are slowing significantly," evaluated Holaday. "I am not sold there will be a reduction in the U.S. corn acreage with normal planting conditions. There is still a lot of corn, and demand has an uphill battle."

Affecting the price will be cattle feeding, ethanol, exports and the PED virus, said to have sharply curtailed the fall pig crop, and continuing to reduce litters at this time.

While wheat isn't as major a crop in Kansas as it once was, Holaday asserted, "There is too much wheat in the world, and a big corn crop in this country will push wheat another \$1.50 lower. The Black Sea Region is key to watch in wheat production."

World demand for soybeans is very strong, led by the Chinese. However, large soybean crops are predicted for South America and Brazil.

The cattle herd size has been reduced in the United States, but Holaday conceded, "Expansion is beginning, yet it will always be slower than the market anticipates." This will be due to the high value of cull cows for producers to sell, high price of feeders to buy and a lack of grass.

Predicting red meat supplies to be down three to five percent this year, Holaday said, "The risk to summer and fall feeder cattle values is a drought, but otherwise, downside price potential is limited."

Holaday emphasized, "These are not your Dad's markets. They factor in changing fundamentals very quickly, and move when they need to very rapidly. Stay on the proper side of the market. Don't let 'little things' get in the way of 'big' decisions. Pay attention."



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Padre says:

"The beauty of grace is that it meets us where we are and gives us what we don't deserve."