This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: July 8, 2016

- **The markets spent much of their week working to find where support lies and buyers return. Last week's somewhat surprising USDA report combined with heavy rains falling in portions of the Corn Belt had sellers active for much of the week before a rebound today helped regain some of what had been lost. When the dust settled we saw corn down 4, wheat up a dime, with beans taking it on the chin the hardest down 82 on the August contract and down 79 in the November.**

- **Global economic concerns first sparked by the impetus of the British vote to leave the European Union seem to be-if only for a day-starting to dissipate. Slowly we are hearing more major analysts say that the overall impact of Britain deciding to leave the EU will likely be minimal to global economy as a whole. From an overall standpoint it is likely the market will be focused on something entirely different in 6 months, let alone it having an impact 6 years from now.**

- **Job numbers coming in better than expected and the best seen in months also helped to make traders feel a little bit better hitting the buy button. Of course the idea the domestic economy is strong comes the day after the Fed chairman back peddled a bit on potential rate increases as a result of the global uncertainty. Unfortunately the lack of direction from world leaders and uncertainty from traders leaves room for continued confusion and volatility as we move ahead.**

- **Also helping support the market late-week was the release of CONAB's updated Brazilian production figures. CONAB-Brazil's version of the USDA-lowered corn production numbers much more than expected, dropping 7.1 mmt or 279.5 million bushels from their expectations on the corn crop from last month. If realized this would be 8.4 mmt (330.7 mbu) lower than current USDA numbers and 429 million bushels lower than the 80 mmt so heavily discussed by traders at the start of the year.**

- **With supplies already tight and domestic prices high due to a slightly overzealous export sales stance at the start of the year it will be interesting to see how livestock producers and exporters handle even less available production than originally thought.**

- **The production cut comes in addition to questions surrounding just what growers will decide to grow this coming fall. Many believe soybeans are the go to crop with cheaper production costs and a relatively steady track record when it comes to yield potential. However the government has made indications recently that it will do what it takes to encourage corn production. In any event no matter what the Brazilian farmer decides to plant new production will not be available to the pipeline until February. Of course the real wild card will come down to just how intense La Nina becomes as the weather pattern has a track record for causing less than ideal growing conditions in that part of the world.**

- **After last week's USDA acreage and quarterly stocks report traders are making adjustments to their supply and demand outlooks ahead of the USDA's updated numbers set to be released Tuesday. Quarterly stocks coming in slightly higher than expected indicates we are using less than initially thought, or at the very least have not moved the bushels required to hit demand targets before year-end. This slowdown in demand or slow shipment pace is likely to cause an increase in old crop corn carryout based on trader estimates ahead of Tuesday. The continued foreign buying interest has many traders expecting soybean ending stocks to come in lower than released in June.**

- **The increase in old crop carryout rolls forward into the new crop year. That combined with the slight bump in acreage has many traders expecting a solid 200 mbu jump in new crop corn ending stocks. When it comes to soybeans higher acreage released in last week's report will be partially offset by the expected reduction in old crop ending stocks, but traders are still anticipating slightly higher new crop carryout than projected a month ago. Reports of solid yields and a slight increase in spring wheat acreage has traders anticipating an increase in wheat carryout as well.**

- **Even though last week's USDA numbers all but settled the acreage debate the yield debate is just getting started. Bears are quick to note that crop progress numbers are showing much better rated condition numbers than seen a year ago while bulls are quick to point to very different vegetative indices saying they show more crop area struggling this year than last. With June being considered the hottest on record and more heat in the forecast farmers, analysts and traders alike will be paying much more attention to the crop tours set to start in the weeks ahead.**

In the end though the USDA has removed any of the acreage loss risk that was in the market for much of June and recent rainfall in portions of the Corn Belt has removed a piece of production risk, the market still has a good amount of volatility up its sleeve. Fund players have invested a heavy amount of money in these markets and while the thought is they will have to liquidate that is not a guarantee. Couple that with the crop still being open to adverse weather conditions, uncertainty in the global economy and the entire South American crop year ahead of us we are a long way from determining exactly where this market has to go. However be aware that the volatility that pushes a market quickly higher is the same volatility that can push the market exceptionally lower as demonstrated these last few weeks. Evaluate your production potential and make sure you have a plan in place if you wish you would have taken advantage of the most recent push higher.

In the meantime don't hesitate to call if you have any questions, we're here to help! We'll have Tuesday's supply and demand numbers for you once they're released. Until next week, have a great weekend and stay safe!

All the Best!
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