

This Week In Agriculture:
USDA Report Summary: August 10, 2018

- **The much anticipated and highly talked about USDA August update covering crop production as well as supply and demand was released mid-day. The report could be considered negative for both corn and beans as yields came in much higher than analyst expectations, and though wheat numbers from a domestic standpoint could have been viewed as supportive to price the conservative adjustment lower in global wheat production sent the bulls packing.**
- **Corn finished the day down 11, while wheat was down 18 and soybeans were down 43. For the week we saw corn down 12, wheat down 10 with soybeans 40 lower.**
- **When breaking it down by crop it is interesting to look at USDA expectations when it comes to yield. Though traders were anticipating corn yield to come in around 176.2 bushels to the acre with some whispered estimates coming in lower than that even the USDA disagreed projecting a record high 178.4 bushel per acre.**
- **They believe Illinois, Indiana, Nebraska, Ohio, North Dakota and South Dakota will set new record high yields while Iowa is unchanged from last year and Minnesota, Kansas and Missouri will see lower yields. They expect Michigan corn yields to come in 1 bushel to the acre lower than a year ago at 158.**
- **With harvested acres coming in at 81.8 million, unchanged from last month, the USDA feels we will see 14.59 billion bushels of corn produced in the U.S. the third largest on record.**
- **What's most interesting about corn though is that even with a record yield and large production we will still see a 343 million bushel reduction in ending stocks domestically, with a nearly 1.5 billion bushel reduction in global ending stocks. The idea that demand is capable of chewing through such a large amount of production helped to support today's markets in the face of what could only be viewed as a bearish yield estimate.**
- **Those who were somewhat surprised by corn yields were shocked by bean yield estimates with the USDA increasing their yield estimate nearly 3 bushel to the acre up to 51.6, citing conditions of the crop as of the first of August.**
- **After the report's release the USDA was quick to reiterate when they say 'conditions' they are not referring to weekly progress reports and rely heavily on producer surveys when putting these reports together as actual physical data has yet to be gathered.**
- **The massive increase in soybean production on a percentage of crop basis could not be offset by increases in usage and reduced old crop carry-in. Carryout at 785 million bushels is the highest in recent memory and up 205 million from last month's estimate.**
- **Globally the USDA made minor adjustments to its supply and demand outlook, leaving China demand unchanged. The increase in global ending stocks was basically all centered on the increased carryout expectations in the U.S.**
- **As mentioned wheat numbers were somewhat supportive from a domestic standpoint coming in slightly lower than anticipated as a whole. However with the recent \$1.00 rally in Chicago wheat and rallies in other classes it would take a bullish surprise to really support a further move to the upside.**
- **The same could be said globally as the USDA left Russia's crop outlook unchanged from last month and though made large cuts to European production wasn't necessarily as aggressive with reductions across the board as some thought they should be.**

Unfortunately now that the August report is out of the way there's not much left in the marketplace to garner the attention of outside investors or trigger a sharp move higher for the next several weeks. Traders will be watching weather closely of course as solid August weather would need to continue to even come close to current USDA estimates. Crop tours will start soon as well with many eagerly awaiting what type of trend we see when it comes to actual physical estimates.

It's interesting to note that today's survey was heavily producer driven with many hitting mailboxes before the dry July weather.

One positive is the rapid maturing crop will be harvested earlier this year giving us great insight into actual production earlier than the last couple of years.

In the meantime we'll keep monitoring any further trade developments as rhetoric with China and ideas we could see an announcement on NAFTA when it comes to Mexico as early as next week could keep traders on their toes. As always don't hesitate to reach out if you have any questions, we're here to help!

All the Best!

Angie Setzer

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