

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: August 26, 2011

- Another big week for the grain markets with new highs put in place for both November soybeans and December corn. Continued concerns over the supply side combined with ideas that the Fed may have to take further action to help stimulate the economy down the road. Overall for the week December corn gained 42, soybeans were up 55 and old crop wheat added 32.
- A well-followed private crop tour fueled most of the bullish enthusiasm throughout much of the week. Crop tour participants were disappointed in yield potential from the start. With national crop ratings 57% good to excellent for corn and 59% good to excellent for soybeans expectations ahead of the report were relatively low.
- Nationwide Pro Farmer puts corn yields at 147.9 bushels to the acre, 5.1 bushels per acre lower than the USDA's August estimate. They feel there's a range of plus or minus a percent, or 146.45 bpa up to 149.4 bpa depending on how the crop finishes. Below is a breakdown by state toured:

| State: | PF Tour Estimate: | USDA Aug Estimate: | 2010 Yield: |
|--------------|-------------------|--------------------|-------------|
| Iowa | 164 | 177 | 165 |
| Illinois | 154.8 | 170 | 157 |
| Minnesota | 169 | 166 | 177 |
| South Dakota | 140.5 | 141 | 135 |
| Indiana | 146.7 | 150 | 157 |
| Ohio | 160 | 158 | 163 |
| Nebraska | 165 | 166 | 166 |

- Soybean-wise the group anticipates a nationwide yield of 41.8 bpa, slightly higher than the USDA's August yield estimate of 41.4 bushels to the acre. Pod counts were slightly lower than last year in some spots, but overall the soy crop doesn't appear to have suffered near as much as corn. Participants say based on observations this is the most disease free bean crop they've ever seen-something that definitely helped to support their yield estimates.
- Flooding and abandonment has the group believing harvested acreage will be further lowered in future USDA reports as well. A combined acreage and yield reduction would further push supplies passed the point of "tight."
- Officials announced this morning that corn prices will likely spur farmers in Argentina to increase their corn acres by as much as 9%. Argentina is the world's second largest corn exporter.
- Something that will be interesting to watch as we move ahead is how Brazil handles their sugarcane crop and subsequent ethanol shortage they're currently struggling with. The government has already reduced the nation's blending requirement down to 18% from 20% in order to help stretch supplies.
- The country produces a large percentage of its ethanol with sugarcane, which has suffered tremendously due to short crops over the last 3 years. The government is doing what it can to spur production, but it's likely many sugar mills and ethanol producers in the country will have to shut down production nearly a month early due to lack of supplies on hand.

- Because of this the Iowa Renewable Fuels Association believes we will export 1 bln gallons of ethanol in the year ahead-most of that going into South America. Increases in demand have helped to push denatured ethanol futures up 66% in the last year.
- Price discovery for 2011/12 Winter Wheat insurance is taking place now through September 15th. We're likely to see some significant guaranteed values with the way the market is moving. With the cost of inputs it makes sense to figure out how to guarantee revenue as we head into the fall. Call Bob or me with any questions on the insurance side of things, we can definitely help there.

Going into this week corn futures had already gained 24% since the first of July, with soybeans setting new highs today. Volatility will continue to increase as we move ahead. Prices are very likely to result in demand rationing sooner than later. Feeders are already feeling the pinch, with export business slowing as well. With the kind of values we're looking at it would definitely make sense to get something in place. Extended forecasts are calling for normal to above normal temperatures, with normal to slightly below normal rainfall through the 9th of September. Give us a call with any questions, we're here to help!

All the Best!

Angie Maguire

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