

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: August 3, 2018

- **Production adjustments, trade developments and rumors from a Facebook post all had an important role in this week's trade. At the close we saw corn up 8, November beans 19 higher, with September wheat up 28.**
- **The debate over yield outlook is starting to pick up in intensity ahead of next Friday's USDA updated supply and demand outlook. While many groups were talking privately of a 180+ yield outlook in early July the limited rainfall throughout the month and rapid maturity has brought many estimates back down to earth. The general consensus at this point in time is a corn yield 176 to 179 with a bean yield around 50.**
- **If we were to completely ignore the fact that those responsible for the yield estimate component made it very clear last year condition numbers mean very little in their determination we could say conditions are pointing to a record large crop. Ratings released Monday evening showed corn to be the highest rated in 27 years with beans the highest in 29. Many who pay attention find this to be an intriguing exercise as though most state by state ratings fell on the week the USDA kept national conditions unchanged.**
- **Many are quick to point out the rapid pace of maturity when it comes to this year's crop. Monday night's progress numbers showed the amount of corn reaching dough stage was a record for the week at 38%. This ahead of 2012 even, and extra remarkable when considering the somewhat slow start to planting across much of the country. Of course many cite the amount of time between pollination and plant finish as a major contributing factor to final yields so it will be interesting to see what actual yield projections look like when tours begin in a couple weeks.**
- **This week's drought monitor showed an increase in drought conditions across parts of Michigan, Missouri and Texas, some minor improvements in Oklahoma, with many other areas across the Belt remaining unchanged. Interesting to see that after one of the wettest June's on record Des Moines saw the 3rd driest July. Forecasts for the month of August indicate around 3" of rain can be expected across much of Iowa, which would be relatively close to average if realized.**
- **Temperature outlooks will become vital after experiencing the drier than normal July as cooler temperatures these last couple of weeks has allowed the crop to coast for the most part. Extended forecasts started the week exceptionally hot—even for August—before backing off slightly mid-week. One forecast model had an 18 degree spread on high temperature outlooks from one day to the next in their extended model, going from a high temperature forecast for Des Moines of over 100 degrees to a far more manageable 84.**
- **In the age of social media it is becoming increasingly important to have more than one source when making trading decisions—something some wheat traders may have found out the hard way this week. A Facebook post stating the Ukraine would limit the amount of milling quality wheat for export quickly made its way to the forefront of trade Thursday. Though the report was unfounded it was picked up by major news outlets and reported prompting wheat to explode 30 cents higher before the Ukraine ag minister made it clear no such decision had been made.**
- **It is nearly impossible to keep up with the back and forth when it comes to China/US trade relations as what is stated as fact in the morning one day can be completely turned around by that afternoon. The soybean market rallied aggressively Tuesday on word that China was ready to negotiate before turning abruptly lower that night after the Trump administration said it will not only press on with additional tariffs they would be 25% versus the 10% initially floated. Some say the Chinese government is ready to come to the table and work with the US while others say the Chinese people are ready to weather a long battle if necessary.**

- **One positive at this point it seems is the market becoming insulated from headlines. Initially it seemed any sort of update would push prices much higher or much lower without much thought. Today we saw China announce a new list of products it would apply retaliatory tariffs to, first prompting the bean market to be 15 lower before recovering and finishing 6 higher. The attraction to trade headlines at this point appears to be waning which is a good sign much of the negative has been factored in.**
- **It is interesting to note though that even in the face of trade tensions we are seeing exceptional demand for both corn and soybeans. Soybean exports in June were a record, with both corn and bean shipments coming in above numbers indicated in weekly reports. When it comes to new crop demand has not fallen nearly as fast as news reports would indicate either. Corn is tied for the second best new crop sales in the last 5 years, with beans the 3rd best in the same timeframe.**

Next week's weather outlook should be much clearer when we reopen Sunday night. Heat and a lack of rain of course would likely push prices much higher while a cooler wetter outlook would likely do the opposite. We're going to be closely monitoring trade developments as well as there is talk a bi-lateral agreement with Mexico could be in the works. In the meantime keep an eye on profitability and be aware of your non-negotiables as you approach new crop harvest. Space and cash flow needs tend to be inflexible so make sure to take advantage of the recent rally if you have bushels you know need to be sold.

In the meantime, 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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