

This Week in Agriculture:

A Mixed Bag of Information from the Week That Was: August 19, 2011

- **A solid week for all three major markets with last week's updated information from the USDA continuing to lend support. Perceived tightness in the new crop supply and demand table as well as the idea that commodities are a bit of a safe haven against outside economic turmoil allowed December corn to put new highs into place. For the week December corn gained 11 cents, November soybeans added 33 cents, with wheat gaining 28.**
- **With so many economic concerns around the globe investors are running to traditional safe havens for their money. Gold is on track to achieve its biggest one month gain in over 12 years. Overnight, gold surged to new record highs while the dollar managed to drop to a record low against the Yen.**
- **Many traders are still digesting the information released by the USDA last week. Many national news wires have jumped all over the fact that more corn will be used for ethanol than animal feed for the first time in history. According to last week's numbers over 200 million more bushels will be used for ethanol production than for animal feed. The amount of corn used for feed is actually the lowest projected since 1995. Of course the more plentiful supply of dried distiller grains will help to offset the lowered feed use.**
- **Analysts and agronomists alike still believe further adjustments will be made, not only to the supply side, but to the demand side as well as we move ahead. One prominent agronomist believes we should still see an additional 400,000 acres of both corn and soybeans pulled out of harvested acreage projections due to drought in the South and flooding in the North.**
- **If realized 400,000 acres less corn harvested at 153 bu per acre would result in a 61.2 million bushel production loss. If we were to see 400,000 acres less harvested for soybeans at 42 bpa we could lose 16.8 million bushels of production.**
- **The big talk this week was land values. The Federal Reserve Bank in Chicago is now reporting the highest year over year increase in farmland values since the 1970's. In the Central Region, which is comprised of Illinois, Indiana, Iowa, Michigan and Wisconsin values were up 17% from the same period last year. Last quarter alone values increased 4% from the first quarter. Out of the 200 ag bankers used to comprise this information over one third of them believe land prices will continue to move higher.**
- **On the weather side of things, the National Weather Service's Climate Prediction Center released its updated 30-60-90 day forecasts. Their 90 day forecast shows above normal temperatures expected throughout much of the Corn Belt with much above normal temperatures anticipated here in the Great Lakes for the September, October, November timeframe. If realized this would truly help us get this late planted crop finished and harvested.**

Volatility will remain entrenched in the markets as we move ahead. Concerns over possible global economic slowdown, combined with fears of a double dip recession will keep most traders from getting over-confident. From a fundamental standpoint though, prices should stay supported until we feel more comfortable with what kind of production numbers we'll actually see. It's likely to be a big game of tug-of-war between the bull and the bear as we move towards harvest. Give us a call with any questions, we're here to help! Until next week, have a great weekend and stay safe!

All the Best!

Angie Maguire

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