

**This Week in Agriculture:**  
**News That Could Make a Difference: August 3, 2012**

- **Another week of back and forth as traders continue to struggle with just what we're looking at from both the supply and demand side. Outside markets had their say as well with Chinese manufacturing data showing a continued slowdown, the European Union still struggling with how to handle their defunct members and the lack of any solid plan in regard to any further stimulus from the Fed weighing heavy on any bullish enthusiasm that developed.**
- **For the week old crop corn finished up 12 cents, while new was up 14 cents. Old crop soybeans were up 8 cents, while new finished up 27 cents. For wheat old crop was down 7 cents, while next July wheat ended up 18 cents.**
- **Monday night's crop progress report showed a further decline in crop conditions. The USDA believes only 3% of the United States corn crop is in excellent condition, while 21% remains in good condition, 28% is considered fair, while 25% is poor and 23% is very poor. At this point the best rated corn can be found in Minnesota, North Dakota, North Carolina and Texas-not your traditional heavy hitters in respect to solid corn production.**
- **Our big producing states are where we see the roughest conditions. According to the USDA 71% of the Illinois crop can be considered poor to very poor, 24% of their crop is considered fair, 5% good, with 0% of the crop rated excellent. 69% of the Indiana crop is in poor to very poor condition, while 83% of the Missouri crop is poor to very poor. Iowa and Nebraska aren't much better with 46% of the Iowa crop rated poor to very poor and the Nebraska crop ratings almost doing a complete 180 from the beginning of the month with more of the crop rated poor to very poor than good to excellent.**
- **Soybeans continue to struggle in the Western Belt as well, while in the Eastern Belt traders see some recent rains as beneficial. At this point in time 55% of the soybean crop is setting pods. This is 20% ahead of average and shows the importance of rainfall over the next 11-15 days. Conditions-wise the crop saw another 2% loss in the good to excellent category, falling down to 29% of the crop considered to be in good to excellent condition. Nationwide the USDA feels 37% of the crop is in poor to very poor condition, while 34% of our soys are rated fair and could go one way or another when it comes to improving or declining.**
- **The USDA left Michigan corn crop ratings relatively unchanged with 51% of the crop rated poor to very poor, 27% rated fair and only 22% of our corn rated good to excellent. For those lucky enough to get some, the recent rainfall came in time to help improve conditions for soys. Last week only 29% of our soys were rated good to excellent, this week the USDA bumped that number up to 35% lowering the amount of soys rated poor to very poor by 5%.**
- **Yield is no longer the only factor being impacted by poor crop conditions. Traders are now taking harvested acreage numbers into consideration. The million dollar question at this point will be how many acres will not be harvested for grain, whether they're chopped for silage or disced under. The amount of farmers owning crop insurance has increased significantly from 1988.**
- **In '88 only 25% of farmers had crop insurance coverage, this year it is estimated 85% of producers are covered with a multi-peril policy of some sort. Without proper coverage producers had to do whatever they could to get whatever was in the field (whether it was 5 bushels or 50 bushels per acre) out. This year however we're already seeing a lot of producers in the hardest hit areas working with their crop insurance agents and deciding to disc the failed crop under.**
- **At this point most traders are in agreement final harvested acreage will come in well below the 88 million acres most recently projected by the USDA. Many agronomists are leaning towards a final harvested acre number of 83 million acres. A 5 million cut to acres at the most recent 146 bpa estimate would drop total production 730 million bushels-that's without any further yield decline which is unlikely.**

- **On the demand side we're still watching the ethanol mandate debate play out. This week the Renewable Fuels Association president Bob Dineen released a statement addressing the calls for a reduced mandate. He believes that the market will do its job where necessary and that there is absolutely no need to adjust the mandate. Mr. Dineen cited an Iowa State professor's recent study that showed a complete elimination of the ethanol mandate would only impact corn prices by around 4.6% (37 cents a bu on \$8.00 corn). He went on to further state that an elimination of the mandate would leave livestock feeders that have grown dependent on distillers grain in double jeopardy.**
- **Exports will likely remain slow in the meantime as well. Brazil's second crop corn continues to move into the global market. A major pork producer announced last week they would import Brazilian corn into the Southeast due to cost effectiveness. At this point there's still plenty of Brazilian corn leftover, for the first time in recorded history Brazil produced more corn than soybeans this year. This could continue to have impact on our export business until Brazilian supplies are dwindled down.**

**Next Friday, August 10<sup>th</sup> the USDA will release their updated Supply and Demand numbers using their first survey based production estimate. It will be interesting to see what the USDA does to harvested acreage and yield numbers, not to mention demand estimates as we go ahead. Volatility will remain deeply entrenched in the market with drastic moves becoming the norm. At this point we have surpassed the 24 and 56 year droughts and are looking at conditions not seen since the 1930's. There is no roadmap for where are how this thing has to trade, keep that in mind.**

**In the meantime keep in touch, if you haven't sold bushels you know you will have this fall take advantage of target orders and pricing opportunities. On the flip side, if you're concerned you may be short on bushels contracted give us a call right away, we have options. If you have any questions give us a call! Until next week have a great weekend and stay safe!**

**All the Best!!  
Angie Maguire  
Citizens LLC**

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