

## **This Week in Agriculture:**

**News That Could Make a Difference: July 20, 2012**

- **The drive higher continues as relentless heat and dry conditions persist throughout the Corn Belt. Both corn and soybeans were able to set new all-time highs this week as traders wrestle with just how bad this year's production loss will be as we experience our worst drought in 56 years. At this point 88% of our corn production and 87% of our soy production is in the heart of the drought.**
- **For the week old crop corn was up 79 cents, while new corn was 56 cents higher. Old crop soybeans rallied an incredible \$1.63, while new beans were up \$1.35. Wheat continued to follow corn movement, with old crop adding 96 cents. Ideas that abandoned fields may be planted to wheat this fall weighed heavy on the July 13 contract; it finished down 7 cents on the week.**
- **Traders had hoped forecasts for rain would have panned out better than expected last weekend, but similar to what we've seen since the beginning of May, just because a rain is forecast doesn't mean it will necessarily fall. The lack of rain had crops rallying from Sunday night's opening.**
- **The updated crop progress numbers released by the USDA on Monday confirmed trader's fears with corn crop conditions falling another 9% to a horrible 31% good to excellent rating nationwide. Indiana and Missouri continue to see the worst when it comes to ratings. As of Monday Indiana's crop was rated 8% good to excellent, with 67% of the state's crop considered to be in poor to very poor condition. Missouri's crop is rated 7% good to excellent, with 72% of the crop rated poor to very poor.**
- **Iowa's conditions continue to crumble with only 36% of the crop rated good to excellent. As of July 1<sup>st</sup> Iowa's corn was 62% good to excellent. The USDA sees 18% of our corn crop here in Michigan in good to excellent shape, with 56% of the crop rated poor to very poor.**
- **Soybean conditions continue to crumble as well, with 34% of the nation's crop rated good to excellent. Indiana and Missouri continue to lead in poor conditions with only 11 and 10% of their crops in good to excellent condition. Iowa and Nebraska's conditions continue to decline rapidly with 38 and 34% good to excellent ratings. Here in Michigan 22% of the state's soy crop is seen in good to excellent condition.**
- **With such an early start to the growing season and poor conditions abound yield tours have started throughout the Belt. In Northwestern Indiana a tour of 17 fields in one county came up with a yield estimate average of 113.56 bushels per acre, with a range from zero to 190.46 bushels to the acre.**
- **Private agronomists continue to lower yield estimates as we move forward. One well-followed agronomist adjusted his yield ideas down to 140 on corn stating, "We definitely now must assume the worst case scenario may be the likely outcome for the 2012." Going on to further state, "The damage is done and any future rain will just slow the rate of decline." He still holds out some hope for the soy crop, but still adjusted his yield a bushel lower than last week's estimate to 39 bushels to the acre.**
- **Traders are still uncertain as to how demand will pan out as we move ahead, especially with corn. Ethanol production for last week fell to its lowest level in over 2 years. Luckily, at least for now, the USDA and the EPA have come out in full force stating they have no current plans to adjust the renewable fuels mandate. Lower ethanol production however has resulted in lower DDGs production possibly indicating a higher level of feed demand for soybean meal and corn could be around the corner.**
- **The National Oceanic and Atmospheric Association (NOAA) did not give anyone any sort of relief with above normal temperatures and below normal precipitation expected through October in much of the region already experiencing extreme drought conditions. Here in Michigan they anticipate above normal temperatures, but more normal rainfall through the time period.**

**Traders will continue to monitor weather and yield predictions as we move ahead. Many traders feel we are getting to the point where demand is being rationed, but the question as to just how much demand needs to be rationed remains. We'll continue to watch the markets for you as we work our way towards the August 10<sup>th</sup> USDA**

**supply, demand and production update. In the meantime 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  
Citizens LLC**

**\*\*\*\*Commodities trading is very risky, Citizens LLC holds no liability for the use of the information contained herein\*\*\*\***