

This Week in Agriculture:
News That Could Make a Difference: July 27, 2012

- **This week was one of the most volatile weeks we've seen in quite some time--and that's saying a lot considering recent trends. Continued concerns over crop production potential ran head long into a touch wetter extended forecast and a resurgence in global economic concerns-particularly in China and Europe.**
- **For the week corn managed to hold relatively close with old crop corn down 24 cents and new crop corn down only 2 cents. Old crop wheat was down 44 cents and new wheat was lower by 32 cents. A little more rain in the forecast pressured beans significantly with old crop beans down 74 cents and new crop beans off by 84 cents.**
- **Greek default concerns reemerged this week, with some outside analysts believing the country is unable to get its spending under control. Stories that Greece may be out of money by fall limited buying enthusiasm from the bulls. Spain remains in the spotlight as well, with the possibility of a full sovereign bailout lurking. Late in the week the European Central Bank president helped to calm fears stating the ECB would do whatever it takes to keep the Euro intact.**
- **Crop conditions in Monday night's crop progress report showed continued deterioration of conditions around the countryside. Nationwide the corn crop is rated 26% good to excellent, 29% fair and 45% poor to very poor. The soybean crop is rated 31% good to excellent, 34% fair and 35% poor to very poor. Here in Michigan the corn crop is seen as 23% good to excellent, with 51% of our crop rated poor to very poor. Soybean-wise in the state our crop is 29% good to excellent with 40% of the crop rated poor to very poor.**
- **When comparing corn conditions to 1988 we still have 6% more of the nation's corn rated good to excellent. In Iowa however, corn rated good to excellent is lagging 4% behind '88 while the amount of corn rated poor to very poor is 11% higher. Illinois has 5% more of the crop rated good to excellent than at this time in 1988, but the amount of corn rated poor to very poor is 10% higher.**
- **31% of the nation's soybeans are rated good to excellent, better than the 24% good to excellent rating in 1988. However, the amount of beans rated poor to very poor is 12% higher than 1988's 35% rating.**
- **Private analytical groups are doing their best to estimate what this year's crops are going to look like when all is said and done. A private well-followed New York bank estimates this year's corn yield will come in around 126 bpa. They feel corn prices will likely move towards \$9.00 in the next three months. On soybeans they project a 39.5 bushel to the acre yield. They feel bean prices could move towards the \$20.00 mark as we move ahead. Keep in mind however, this same bank has had a history of overestimating prices.**
- **Other private groups have pegged corn yields from 121 bu to the acre up to 135 bpa, compared to the last USDA estimate of 146 bpa. The big question remains to be just how much abandonment we may see. In their last report the USDA used a harvested percentage seen in relatively decent production years. Some traders believe that the amount of corn we see go unharvested this fall could be huge. Some traders feel that out of the 96 million acres of corn planted only 82 million will be harvested—6 million acres less than the USDA's 88 million acre projection. Even with a reduction in yield a 6 mln acre loss in harvested ground could alter overall production numbers significantly.**
- **Soybean production estimates are much harder to pin down since there's so much time left in the growing season. Some folks feel that yields will be lower even if the weather pattern were to shift. Stunted beans, and reports of beans dying in the field due to lack of moisture has some private groups dropping yield estimates into the mid-30s. This type of production loss could have far reaching implications.**
- **One thing to watch, specifically in corn is the demand destruction that has taken place with the recent run up in prices. Export sales for the week were a net negative number due to contract cancellations, while ethanol was at its lowest weekly production number since the weekly production reports were first released in 2010. Feed demand has been trimmed back as well with a major pork producer announcing it will**

import Brazilian corn due to cost effectiveness. Other major feeders have been quick to point out they're not afraid to do the same if U.S. domestic prices continue on this same path.

Some models suggest with the current amount of corn rated poor to very poor our final yields may come in closer to 123 bpa, while soy yields based on the same criteria would come in around 31-32 bpa. It's going to be interesting as we move ahead. Wheat was able to hit a 4 year high early in the week before moving lower. Traders are very aware of the uncertain times we are in, and as a result are unlikely to stick their neck out too far. We will continue to trade weather and global issues for a while now. Be prepared for sharp moves higher or lower by getting target orders in to place. In the meantime we'll work our way towards the August 10 USDA report. If you have any questions please do not hesitate to call.

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

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