This Week in Agriculture:

A Mixed Bag of Information from the Week That Was: July 29, 2011

- **The week started out relatively strong, before turning sour into the tail-end as outside markets, macroeconomic factors and rainfall turned buyers into sellers. Overall for the week old crop corn lost 25 cents, with December corn losing 12, soybeans fell 31 cents, with wheat losing 20.**
- **The lack of a deal when it comes to tackling the debt ceiling conundrum in DC has traders all around the globe concerned. A downgrade to our investment rating could impact interest rates and our currency for months if not years down the line. Uncertainty most often results in selling, as we've seen this week. Of course it's unlikely we'll get to August 2nd without any sort of solution in place. It will be interesting though to watch how traders handle the situation as we move ahead.**
- **Weather was a major factor this week as well. Rain coverage for the week was excellent with a good portion of the Belt receiving at least a half inch of rain in the last 7 days. Localized flooding was a bit of a concern though, with some areas receiving over 10 inches of rain in less than a 24 hour period. Rain is also in the forecast for the driest areas of the Corn Belt in the next week.**
- **Rain was desperately needed after last week's heat. The percentage of corn rated good to excellent fell 4% from last week down to 62%, with soy conditions falling 2%. Last year at this time corn was rated 72% good to excellent, soys were 67% good to excellent. The biggest losers in crop conditions were IL down 2%, MI down 5% while IN and OH saw 7% of their corn crop downgraded.**
- **Interesting to note that in the last 30 years only 5 times has the US achieved a yield greater than trend line when either Iowa or IL were below their 5 year average good to excellent rating. At this point Iowa's crop seems to be in fantastic shape at 80% good to excellent. However, IL is suffering with only 60% of their crop considered good to excellent.**
- **Yields will continue to be hotly contested as we enter into the final stages of the crop production season. Right now most traders feel the USDA will lower their corn yield estimate to around 155.6 bu to the acre versus the USDA's 158.7 bpa estimate in the July report. With the majority of the Corn Belt seeing the hottest July in nearly 70 years it's likely we will see some sort of yield reduction in the upcoming August 11th report.**
- **On the bright side, after last week's announcement of the Clearfield, PA ethanol plant shutting down and filing bankruptcy it's nice to see that not everything is as bleak as it may have seemed. Ethanol profitability has hit an 11 month high, and in some areas is back up to levels not seen since the 08-09 crop year. Over the past month or so September corn had rallied 13.7% while ethanol prices gained 16.3%.**
- **Total ethanol exports for the year are on track to hit 750 mln gallons, versus 400 mln gallons exported a year ago. The majority of the increase has gone to Brazil since sugar cane based ethanol profitability has declined significantly.**

This afternoon's extended forecast is calling for above normal temperatures to stay solidly entrenched from Iowa, IL, IN and OH to the South through the 12th of August, here in Michigan temperatures are expected to transition from above normal back to normal, with slightly below normal temps expected to the North. Precipitation wise the National Weather Service is expecting above normal precipitation to remain in place as well. Tuesday is the deadline for a debt ceiling increase, activity this weekend in DC will likely reach a fever pitch. August 11th is the next USDA report where we will get an updated look at crop production as well as Spring Wheat acreage. Give us a call with any questions, we're here to help!

All the Best!
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