

This Week in Agriculture:
News That Could Make a Difference: July 6th, 2012

- A huge week as corn and soys both pushed up towards contract highs, while wheat hit its highest level since early last fall. The rapidly spreading and unrelenting drought was the driving factor as traders struggle with what kind of production prospects we can expect. Overall for the week old crop corn was up 66 cents, new corn was up 58. Old crop soybeans managed to trade 88 cents higher, while new crop beans were up 78. 2012 wheat was up 50 cents overall, while 2013 broke through \$8.00 on the board adding 20 cents.
- Crop conditions released by the USDA on Monday showed another significant reduction in corn rated good to excellent. Nationwide the crop is rated 48% good to excellent, the worst in over 24 years. In Indiana only 19% of the crop is rated good to excellent, while 50% of the crop is rated poor to very poor. 26% of the Illinois crop is considered to be in good to excellent condition, with only 18% of the Missouri crop rated good to excellent. Here in Michigan the USDA sees 40% of the crop in good to excellent condition, a 21% drop from last week's rating.
- Soybeans are even worse with only 45% of the nationwide crop rated good to excellent. Only 20% of the Indiana crop is considered to be in good to excellent condition with 43% of the crop rated poor to very poor. 18% of the soybeans in Missouri are thought to be in good to excellent condition, while 28% of the Illinois crop is rated good to excellent. Here in Michigan the USDA feels 34% of our soys are in good to excellent condition.
- States in good condition overall are Iowa, Mississippi, North Carolina, North and South Dakota and Minnesota where timely rains have eased the stress of record high temps.
- We keep hearing comparisons to 1988's drought, that year we saw significant deviations from trend line yields. With significant genetic developments over the last several years it's unlikely we'll see yield drops of that magnitude, but if we were to see a 30% drop from trendline we would see corn yield come in around 115 bpa with soys around 34.7 bpa.
- Realistically speaking most traders are pricing corn yields in around 145 to 150 bushels to the acre. With it being so early soy yields are still managing to hold on to around 40+ bushels to the acre at this point. Harvested acreage is the big wild card, with heavy abandonment expected.
- One thing to watch though is demand moving forward. Plant slowdowns and shutdowns resulted in the lowest weekly ethanol production we have seen in nearly a year. Word spread yesterday too that the EPA may look at reducing the amount of ethanol mandated in the RFS by 20% if corn prices got too high. A 20% reduction in ethanol demand would equate to nearly a billion bushel loss in corn demand. Weekly exports in corn were extremely low as well with cheaper corn out of Brazil limiting foreign buying interest.
- **Fun fact: on average it takes 9 seconds to harvest enough wheat to make 70 loaves of bread.**

The USDA will update its supply and demand outlook next week on Wednesday. Traders are expecting a significant decrease in yield projections, however the most the USDA has lowered corn yields from June to July was 4.7 bpa in the flood year of 1993. As for soybeans the largest June to July drop was a bushel, therefore traders have a reason to remain cautious as we head towards Weds. At this point extended forecasts through the 20th of July are calling for much of the same hot and dry conditions we have been dealing with. Midday runs showed more in the way of moisture in the driest parts of the Midwest for Sunday into Monday. Give us a call if you have any questions, if you feel comfortable with having bushels to contract make sure you take advantage of contract highs when they present themselves. Until next week, have a great weekend and stay safe!

All the Best!
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