<u>This Week in Agriculture:</u>

News That Could Make a Difference: June 1, 2012

- **Negative economic information from around the globe seems to be keeping a lid on any type of bullish enthusiasm at this point. Even a reduction in rain events, reduced yield estimates and the idea that June and July could turn hot and dry couldn't get a sustained rally going. For the week old crop corn was down 22, new crop corn was down 9. Old crop soybeans were 39 lower, while new crop soys fell 31. July wheat was down 62.**

- **Last week's hot and dry conditions took its toll on crop conditions. From last Monday the amount of corn rated good to excellent in Indiana fell 14%, while the corn rated good to excellent in Illinois dropped 13%. Overall, nationwide the corn rated good to excellent fell 5%, one of the largest early season drops seen in the last 10 years. As a result yield ideas are already starting to be reduced. Some experts see yields dropping closer to 163 bushels to the acre from the USDA's most recent 166 bpa estimate.**

- **As earlier stated, economic concerns from around the globe have kept and will likely keep investors from sticking their neck out and going long the market. Greece will hold elections June 17th, these elections will be vital when it comes to seeing whether or not Greece will follow through on their original attempts at balancing their budget. Public opinion polls appear to show the population leaning more towards the conservative party, which has been somewhat of a relief to outside observers.**

- **It is believed by some that if Greece were to ignore the austerity measures put forth and lose outside monetary support the country could run out of money within 2 months. This would be disastrous if allowed to happen. Spain isn't faring much better. Recent runs on banks and a drawdown in the market has pushed bond levels to historical lows and to levels that had prompted Greece and Portugal to ask for bailouts.**

- **The Euro is now trading at 23 month lows, while economic confidence in the region has fallen to 2.5 year lows. Housing and employment data here in the U.S. has been incredibly disappointing as well. In China manufacturing data for May was abysmal, prompting deep concern from around the globe. Early in the week hopes were raised that the Chinese government was intending on stimulating the economy through another stimulus package. The Chinese government all but shut that idea down completely mid-week.**

- **Export information has been somewhat disappointing as well. Brazil is awash in corn. The Safrinha corn crop there is some 40% larger than it was a year ago. Being flush with corn has pushed basis values and export values down to cheap levels. Brazilian corn is currently being offered some 40-60 cents cheaper than U.S. corn. With corn exports already running slow this has traders concerned in the short-term.**

- **On the soybean side of things China offered up 600,000 metric tons of soys out of state reserves for auction. Only 75,788 were purchased. This raised some red flags that negative crush margins could have an impact on future demand as we move ahead. News that Brazil exported 2 million metric tons more of soys in May even in the face of reduced supplies didn't help trader confidence much either.**

At this point positive supply and demand fundamentals are running headlong into super negative macroeconomic information. Extended forecasts continue to call for above normal temperatures and below normal precipitation throughout the Corn Belt for at least the next 2 weeks. It could just be a matter of time before traders realize every day that goes by hot and dry is another day potential yields are reduced, or it could be a matter of time before outside economic factors trump yield information and the bears win. Today's corn trading range in old crop was 28 cents, while in old crop soys it was 41 cents. Target orders are the only way to catch moves like this. Keep this in mind as we move ahead. Give us a call with any questions, we're here to help!

All the Best!
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