

This Week in Agriculture:

News That Could Make a Difference: June 22, 2012

- **This week's trade all boils down to one thing: weather. Disappointing rains over the weekend coupled with Greece electing to stay in the Euro Zone (for now at least) helped all three major markets gain back what they gave up last week and then some. Overall July corn was up 11-trading as much as 36 cents higher at one point, with December corn up 49. July soybeans added back 65 cents, while November beans were 58 cents higher. Wheat was a big gainer as well, up 64 cents for the week.**
- **Outside economic issues continue to pressure the markets-or at the very least limit the length of any significant rallies. Thursday's negative economic information out of China, Germany and the United States, as well as no formal QE3 announcement from the Fed on Wednesday led to a significant short term set back. Bullish weather forces however allowed the market to recover slightly today.**
- **Weather will continue to be a dominating factor. Monday night's conditions report showed the corn crop as the worst rated crop since 2008 (that year our corn yield was around 154 bpa). While the soybean crop was tied with 2008 as the worst rated crop since 1993. In Indiana where the topsoil is rated 85% short to very short the corn crop is rated at 39% good to excellent while the bean crop is 37% good to excellent.**
- **On average we lose 1.4 inches of soil moisture a week at this point in the summer. Basically this means from an agronomic standpoint just to keep soil moisture levels from further depleting we would need to see 1.4 inches of rain a week for the remainder of the growing season. With topsoil moisture rated 77% short to very short in Ohio and 82% short to very short in Missouri a significant pattern shift would have to take place to see a significant amount of recovery.**
- **Just to put current conditions into perspective the current US soil moisture profile is at its second driest level for this time of year since 1895.**
- **Private agronomists and industry experts have begun lowering their yield estimates as a result of current conditions. One very well followed agronomist lowered his corn yield estimate to 159 bushels per acre this week, while another put theirs down to 158.6. On soybeans yields are being lowered as well, with estimates coming in around 42.5 bpa versus the latest USDA yield estimate of 43.9. Double crop acres are coming into question as well. Early thoughts of 2 million acres worth of double crop beans are beginning to dwindle each day it remains dry. Most agronomists believe we will most likely see 1.5 million acres or less planted.**
- **The recent uptick in cash corn prices has started to limit demand slightly though. Rumors and eventual confirmation of ethanol plants slowing or even shutting down production put a slight scare in the market mid-week. We have to remember though that seasonal slowdowns are the norm this time of year, and ethanol production has been running well ahead of recent USDA estimates anyway. Export demand however, has really been slower than anticipated.**
- **From an export perspective we keep running up against cheap corn coming out of Brazil. Average prices to the grower in Mato Grosso are running between \$2.30 and \$2.95 a bushel (no, that isn't a typo). Even with extra freight costs Brazilian corn is coming to the export market nearly \$30 a ton cheaper than our corn currently. On top of that Japanese officials believe they will use the lowest amount of corn in their feed rations in the last 20 years due to cheaper wheat and other feed products available at this time. We will need to see an indication of increased feedings to keep old keep a bullish feel to the old crop corn market.**

This afternoon's updated extended forecast from the National Weather Service is calling for much of the same with below normal rainfall and above normal temperatures forecast through the 6th of July. There is the possibility we could see a rain system develop late next week in the Eastern Belt but the models have yet to agree on how much rain or where. At this point any further reduction to yield potential will keep traders on their toes. As with any other weather market though don't guarantee it will stay dry forever.

We have the updated acreage and quarterly stocks report due out from the USDA next Friday. Keep that in mind when it comes to looking at pricing. Last year the USDA surprised the market with 2 sets of bearish numbers. Remember how far we've come and make sure you do something with the bushels you know you have to move.

The old crop window of opportunity is beginning to close so target orders will be vital. Give us a call with any questions, we're here to help!

**All the Best!
Angie Maguire
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