

## **This Week in Agriculture:**

**News That Could Make a Difference: June 8, 2012**

- **Weather and production concerns, combined with ideas that we could see a new wave of economic stimulus throughout the globe helped to turn the trend higher this week. Overall for the week old crop corn finished 48 higher, while new crop was up 32. Old crop soybeans regained a significant amount of their recent losses adding 81, while new crop beans finished 71 higher. July wheat was up 17.**
- **Climatologists are pointing out that the majority of the U.S. Corn Belt has experienced its driest Winter/Spring period ever. The weekly drought monitor released yesterday showed the largest amount of drought-like conditions in the country since 2005. Topsoil ratings showing short to very short conditions cover over half of Indiana and Illinois, with Missouri topsoil rated 82% short to very short.**
- **Rain is in the forecast for Sunday into Monday throughout much of the Belt, but models have been trending drier as we've gotten closer to the actual forecasted event. Rainfall of a quarter to half an inch will offer short-term help, but not much in the way of protection ahead of the forecasted dome expected late next week into the following week.**
- **Chinese conditions in their main growing region are causing a lot of concern as well. Drought-like conditions and hot temperatures have been the norm over the last month or more, with further deterioration expected over the next 2 to 3 weeks. A 4% drop in projected Chinese production could lead to a 10 million metric ton surge in imports over and above current USDA projections. With the U.S. a solid supplier to China that could translate into a 394 million bushel increase in projected new crop exports.**
- **Traders are also monitoring cold temperatures in portions of Brazil. At this point it doesn't appear as though any damage has been done to the late season corn, but not all data has been received.**
- **Dry U.S. conditions are leading some to ponder whether or not we will see the once anticipated increase in double crop soybean acres. Some farmers are struggling with getting their first crop planted, let alone a second crop after wheat. Lower than expected initial condition ratings is bringing soybean production potential into question as well.**
- **This does not bode well for the significant surge in demand numbers over the next year. A well followed global fundamental group feels we will see nearly a 40% increase in new crop export expectations. Some traders feel that we will use up nearly 80% of our total soybean production by March of next year. There is absolutely no room for any sort of production loss at this point.**
- **The global economic situation isn't much improved from last week, but it does appear as though the worst has been factored in for now. China surprised much of the world by cutting their key borrowing interest rate by a quarter of a percent. This is the first time we've seen this type of move out of China in nearly 5 years. The last time they cut interest rates we saw a 570 billion dollar stimulus package follow. Talk that Spain will receive a much needed bank aid package, combined with ideas that the Fed may end up pumping money into the U.S. economy has helped lend some support to commodities recently as well.**

**The USDA will release its updated supply and demand information on Tuesday morning. Some traders are anticipating a slight yield reduction in corn and a possible increase in old crop demand. They also anticipate a reduction in old crop soybean ending stocks, with the new crop number left unchanged. This will be the first report where the markets will be open, so that alone could make things more interesting. Weather and outside economic information will continue to dominate trade direction. The Sunday/Monday rain event will have substantial influence on Monday's trade. Be on your toes and prepared for sharp moves in either direction. Don't get caught up in too much noise, remember the only thing guaranteed in these markets at this point is extreme volatility. Give us a call with any questions, we're here to help!**

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

**\*\*\*\*Commodities trading is very risky, Citizens LLC holds no liability for the use of the information contained herein\*\*\*\***