# This Week in Agriculture:

## A Mixed Bag of Information from the Week that Was: September 5th, 2014

- **A resoundingly negative trade broke out after the extended holiday weekend as traders and analysts alike continue to expect record yields across the Corn Belt. However, a talk of potential frost and a possible Russian export quota allowed all three markets to regain some of those losses by Friday's close. Overall for the week December corn was down 8, November soybeans were down 4, while December wheat was 28 lower, with July 2015 wheat down 25.**

- **Several well followed private analytical groups released their updated yield estimates this week ahead of next Thursday's USDA report. Many feel the USDA's 2 bushel to the acre increase in corn yields in their August projection was just the first step in many potential increases to come, with some yield estimates still in the mid-170s.**

- **Decent August weather has allowed the trend of yield estimate increases in corn to take over in the soybean side of things as well, with some yield estimates now coming in 2 bushel to the acre higher than the last USDA projection. Looking over supply and demand numbers combined with acres planted a bump like this in yield could raise next year's carryout up to nearly 600 million bushels or 4 times our current old crop carryout figures.**

- **At this point the only threat to production would come from a frost, and in what could be the final throes of hope for the bulls one has appeared in the forecast—or at least the potential for one. Right now weather models are indicating the potential of a light and isolated frost event which could impact areas of Minnesota, Wisconsin and North Dakota early next week.**

- **What really has the attention of the trade though is a GFS map that indicates lows could drop into the 20's as far south as Northern Iowa around the 11th of September. At this point it is key to point out that the GFS model has had less than a stellar track record when compared to its warmer counterparts, but the threat will remain in the back of the mind of traders as we work our way through the weekend. Sunday night weather forecasts will likely drive trade.**

- **This week (September 1st) marked the start of a brand new marketing year. We can now look at known demand sectors and get a feel on whether or not the USDA has been accurate in their old crop usage projections. When looking at corn final numbers for usage in both ethanol and exports came in only slightly below the numbers released in the August outlook, which bodes well for minor reductions at most, in next week's September update. Final soybean export numbers were in line with expectations as well, with China accounting for over half of our total export sales.**

- **Speaking of China, while demand for soybeans appears to remain insatiable, corn demand could continue to sputter in the short-term. The Chinese state grain group CNGOIC indicated concerns over drought conditions were short lived and that only minor damage was done, releasing a 216-217 million metric tonne crop estimate this week. While another record crop, this would be 197-236 million bushels lower than the most recent USDA production estimate of 222 mmt.**

- **With production looking to remain strong traders are now trying to get an accurate feel for just how much corn remains in silos, bins and elsewhere in the country. An article written this week indicated Chinese holdings could be upwards of 40% of the total global corn supply. While it is true China is holding substantial amounts of grain, one must wonder the quality of these supplies when interior prices are over double that of U.S. corn.**

- **It's important to note Brazilian producers will be able to begin planting soybeans in the next couple of weeks. With corn prices falling to well below the cost of production a significant increase in soybean acreage is expected. Of course weather will have the final say, but there are some groups who believe overall soybean production in the country could grow by 7-12 mmt (250 to 428 million bushels) from a year ago. Monitoring South American weather will become the trade focus soon enough.**

- **Also on the global front, traders will be monitoring the continued tenuous situation in Russia closely. Rumors that the Russian Ag Minister was requesting a possible limit on exports had wheat and corn markets hot out of the gate in last night's trade. While it is not likely to have a big impact on overall global trade, the idea that Russian exports could be reduced as we work our way through the marketing year had traders not wanting to be too short initially. Watching any further developments closely as we move ahead will be key.**

**In the end it is likely without a significant frost threat we could see a resumption of the recent lower trend. Early yield results in the South are coming in as good or better than expected—where it is not too wet to harvest, I must note—and will likely continue to act as a wet blanket on any potential rallies as we move forward. While there will be bright spots in the marketplace they may be few and far between and will be taken on a first come first serve basis. This is not said to be doom and gloom, but merely to point out how difficult it is going to be to change market psychology without a major event taking place in the coming weeks.**

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