This Week in Agriculture:

News That Could Make a Difference: August 30, 2013

- **After this past week the markets, traders and farmers alike will need 3 days to take a breath and regroup. Reaction to last week's private crop tour results combined with triple digit heat and no rain in the forecast sent things soaring out of the gate Sunday night. Beans managed to trade within a quarter cent of their contract high and to the highest level seen in nearly a year before backing off slightly, while corn and wheat followed—albeit somewhat reluctantly. Overall, when the dust settled December corn closed 12 higher, December wheat finished up 8 and November soybeans were 28 cents higher.**

- **Though they were released after Friday's close traders were somewhat shocked by the final production estimates released by last week's tour. While the supply and demand fundamentals of corn allow for wiggle room in overall production, the soybean projections really made things interesting. If we were to use the group's production estimate and the USDA's demand projections we could actually see carryout come in below this year's tight 125 mbu.**

- **With this week's triple digit heat however, and complete lack of rainfall in the driest areas of the Belt some analysts feel that yield could come in below last week's estimate. Comparing overall August rainfall to similar years in the past has some traders thinking we could see nationwide yield come in nearly 10% below trendline, or around 40.5 bpa, 1.3 bushels per acre below last week's overall yield projection.**

- **The fact that demand is reluctant to slow has traders extra sensitive to weather developments moving forward as well. China managed to book two relatively large purchases this week on dips, while export pace remains well ahead of normal. Throwing in this week's reported export sales put foreign purchases at 50% of the USDA's projections, compared to the five year average 31.5%.**

- **One factor to keep in mind though is South American production economics. With the low return on corn (reports have Brazilian prices below $2 in some locations) and the high price of beans many growers will look to increase their bean acres. Some private analysts feel Brazil will once again produce a record crop, blowing last year's production record out of the water by nearly 7 mmt (approximately 257 mbu).**

- **As we indicated corn supply and demand fundamentals are much more comfortable at this point. With the latest USDA carryout projection above 1.8 bln bushels it is going to take something major to rock the corn market the way the bean market has been rocked. Even if we were to take all of the reported FSA prevented planted acreage out of the equation we would still have over 1.28 billion bushels of corn left over.**

- **The wild card remains China and their potential demand. The growing season this year has been less than desirable with heat waves, cold snaps and floods (sound familiar) hindering the potential for another record production year. One private analyst feels overall production could come in nearly 32 mmt below the USDA's most recent estimate, at 39.37 bu per metric ton that would mean a production reduction of over a billion bushels. While the likelihood of a production loss that huge is unlikely, it will still keep traders on their toes and closely monitoring export sales pace.**

- **Interesting tidbit: after being delayed by rainfall Southern corn harvest seems to be starting with a vengeance. Yield reports so far are phenomenal and the great gap in cash prices for old versus new has pushed farmers to bring their crop to market as quickly as they can. The bottleneck of corn coming to market has resulted in huge truck lines at major elevators. One elevator in the Delta reported a line 1-2 miles long of guys patiently (I'm sure) waiting to dump their grain.**

Ahead of the long weekend the market rally seemed to run out of steam allowing for profit taking and some potential consolidation. From a technical perspective the fact that both corn and soybeans managed to close above where they gapped Sunday night is a positive occurrence. Monday night's weather models will be the determining factor on where we trade next week. At this point the National Weather Service is calling for below normal temperatures and below normal rainfall here in the Great Lakes over the next two weeks, with average to above average temperatures and below normal rainfall expected across the remainder of the Corn Belt.

Bottom line: opportunities have presented themselves from a sales perspective, and depending on weather may do so again. If you wished you would have taken advantage of $14.00 bean futures and corn futures above $5.00 it's best to put target orders in accordingly. As noted this week market moves can be swift and unforgiving. Give us a call with any questions, we're here to help. Until next week, stay safe and have a great holiday weekend!

All the Best!
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