

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: August 1, 2014

- **I'm beginning to run out of creative ways to describe the choppy trade as of late, as we continued to see more of the same this week. While corn and wheat seem to have at the very least found some short-term support, wetter extended forecasts have soybeans retesting old lows as we head into the close on Friday.**
- **Though we tend to see conditions deteriorate as we move through July into August cooler than average temperatures have kept conditions supported near record high ratings. There was a one point decline in corns good to excellent condition rating, but at 75% good to excellent concerns over significant yield losses are few and far between at this point. Here in Michigan the USDA rates the corn crop at an astounding 80% good to excellent.**
- **Though maturity is running slightly above average for the bulk of the country the cooler than normal temperatures have resulted in some concern over slow development and an early frost. While it is way too early to say with certainty there will be an issue, the fact that it's truly the only production issue left for the market bull to hang his hat on will keep it in the news cycle until the crop is in the bin.**
- **A drier than normal July for much of the country has taken a slight toll on soybeans, with the USDA cutting the percent of the crop rated good to excellent by 2%. At 71% good to excellent though the crop remains one of the best rated in recent memory, even leading some to increase their yield estimates ahead of the critical August production period.**
- **Early in the week dry extended forecasts for the bulk of the Western Corn Belt had traders reentering the market adding weather risk premium back into price, especially in soybeans. As mentioned, much of July was drier than normal throughout much of the growing area, with many receiving less than half their usual rainfall totals for the month. While the cooler temperatures have helped maintain conditions traders will be monitoring weather forecasts and actual rain amounts closely over the next 3 weeks as precipitation will be necessary to maintain maximum yield potential going forward.**
- **The one positive in the market at this point appears to be prices are low enough to encourage export interest. Old crop soybean export sales are 69 million bushels above USDA estimates with just under 5 weeks left to go in the marketing year. While there is a question on whether any of those old crop sales will be rolled into new, we're only 7 million bushels short shipment-wise from hitting the USDA target with just over a month to get them shipped.**
- **Perhaps what will be most interesting as we move forward is soybean meal demand. At this point new crop soybean meal export sales are 3 times what we saw a year ago, while old crop demand has remained incredibly strong as well. The pace of meal export shipments will likely keep crushers paying up for soybeans as we wrap up old crop and move into harvest.**
- **Old crop corn exports have exceeded USDA projections as well with 100.7% of estimates committed. Shipment pace remains slightly above the 5 year average. New crop sales have been strong recently as well, but there is still no sign of a resolution when it comes to our GMO trait dispute in China.**
- **The biggest surprise on the export side of things it seems is the interest we've seen in wheat. With global wheat stocks well above the 5 year average many traders believed we would see a significant reduction in wheat export pace. At this point we are only 8 weeks into the new marketing year and already have over 40% of the USDA export projection sold. Quality issues in some European wheat will not help when it comes to global corn for feed demand, but is definitely helping push some buying business our way.**
- **When it comes to exports it still pays to have a guaranteed supply with the infrastructure to move it. This, combined with cheap prices, will definitely continue to support our export demand outlook going forward.**

Bottom-Line: The trade will continue to monitor weather closely, but will likely begin looking towards the next supply and demand projection due out August 12th. While I'm not expecting fireworks from the USDA's numbers, traders will be looking for confirmation their big yield estimates are legit—especially since this is our first survey based yield estimate out of the USDA this year. In the meantime be aware of any pops in the market if you have unpriced grain on hand or in storage. Basis values for corn have seen a wide range recently as some end users scramble to cover while others are content with what they have on hand. Wheat values have been strengthening here in Michigan recently as well, while beans vary by location.

As we work our way through August make sure you're aware of your harvest space needs and start formulating a plan sooner than later. In the meantime, don't hesitate to ask any questions, we're here to help! Until next week, have a great weekend and stay safe!

All the Best!

Angie Maguire

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