

This Week in Agriculture:

News That Could Make a Difference: August 21, 2015

- **A rough week for trade sentiment in general as continued concerns over a Chinese economic meltdown and its subsequent spillover limited buying interest from the start. An 800 point drop in the Dow Jones Industrial Average and big drops in other equity markets revived a panic type feel not seen since 2008. This further pressured commodities as a “sell everything” attitude took over. When the dust settled on the week December corn was down 10, November soybeans were down 26, while September wheat was down 7.**
- **Just weeks ago the idea that the US economy had recovered enough and was growing at a strong enough pace to encourage the Fed to raise interest rates was nearly a given, with many thinking the likelihood of it taking place was near 60%. Less than stellar third quarter earnings, questionable job numbers and growing concerns over a global economic slowdown now have many wondering if the rate hike will take place or not. This uncertainty has pushed some to pull money out of the markets, helping lead to the correction we have seen late this week.**
- **From a global perspective, while Greece has worked their way out of their economic crisis via a bailout deal with members of the Euro Zone, allowing them to avoid default, Chinese economic data continues to point towards a larger slow down than previously thought. Overnight Chinese manufacturing data for July came in at its worst level since the economic crisis started in 2008-09, leaving many to believe it will only get much worse before it gets any better causing ripple effects worldwide.**
- **Of course the concern over the Chinese slowdown only continues to exacerbate fears they will back away from importing soybeans, corn, and other food products. However, import information released indicates China is not backing away from imports, but just the opposite with record imports of corn, barley, DDGs, Milo and soybeans recorded for July. While perhaps a “listen to what we say, don’t watch what we do” attitude could be in play, the fact that much of these imports are coming from suppliers outside of the US isn’t necessarily beneficial short term.**
- **From a US production standpoint, this week was like Christmas for market analysts, agronomists and outside observers as the Pro Farmer Crop Tour launched. Starting in South Dakota on the Western leg and in Ohio on the Eastern leg tour members grabbed over 1400 samples of both corn and soybeans as they worked their way towards Minnesota. State by state numbers showed much of what we were expecting, with Indiana and Ohio having the worst production outlook, while Iowa and Minnesota proved they could be looking at record crops.**
- **In the end Pro Farmer put their corn production estimate at 13.323 billion bushels, down from the USDA’s estimate of 13.686 billion. A yield drop of 4.5 bushels per acre was behind the drop in acreage as Pro Farmer left their harvested acreage outlook unchanged from the USDA’s estimate in August. Soybean production was estimated lower as well at 3.887 billion bushels, down from the USDA’s August estimate of 3.916 billion. Similar to corn, the drop in soybean reduction was due to yield projections at 46.5 bushels per acre, versus the USDA at 46.9.**
- **Historically when it comes to their corn production estimates the Pro Farmer tour has been under the final yield number released in January 8 out of the last 13 years, but well within the margin of error from an overall standpoint. Recent adjustments made on a by state basis on how yields are figured has helped make the tour that much more accurate over time as well.**
- **What will be interesting as we work ahead will be how the USDA handles prevent plant acres and harvest abandonment. While traditionally Pro Farmer does not make adjustments on harvested or planted acreage, we are seeing other private groups using the FSA information released Monday to decrease their overall acreage outlook. One well followed private group feels we could see over 260 million acres less of corn planted than current USDA estimates, with a million acre decrease in soybean plantings expected as well.**
- **In Monday’s FSA information traders were surprised by the large number of reported prevented plantings. Wet weather resulted in 2.301 million acres of corn being claimed as prevent plant, while 2.173 million acres were claimed the same in soybeans. With the August release of FSA information being relatively new**

and considered somewhat incomplete traders were hesitant to use these numbers as a sole reason to buy. However, the idea that we have nearly 4.5 million acres of intended crops that went unplanted will keep traders on their toes until confirmation is received.

At this point it is likely we are going to have to weather the outside market storm until grains and oilseeds find something solid fundamentally to separate them from the fray. Whether or not today's Pro Farmer number will put gas in the corn tank will remain to be seen as we work into Sunday night and beyond. At this point weather looks to be relatively benign, but with temperatures falling into the mid 40's in some locations this week and the percentage of corn denting 7% behind the 5 year average traders will be watching long term weather forecasts closely. Extended maps today are calling for above normal temperatures with below normal rainfall for the bulk of the Corn Belt in the 6-10 and 8-14 day time period.

As we head into harvest it is important to keep in mind what grain has to be moved in order for you to have enough space. With poorer quality corn last year throughout the bulk of Michigan, holding corn over into the new crop year is definitely not recommended. Early yield reports out of Mississippi have come in a bit below expectations, with similar reports coming out of other locations in the South. Harvest will likely start picking up speed in the Southern Corn Belt over the next 10 days, giving us a bit more insight into what to expect. Volatility will also likely return to the market as we work towards are next USDA report September 11th, use these pops as selling opportunities, especially if you have old crop grain to move, or have to ship your production right at harvest. In the meantime, give us a call with any questions, we're here to help!

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

www.citizenslevator.com

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