

This Week in Agriculture:
News That Could Make a Difference: August 23, 2013

- This week's market action redefined volatility as a well-followed private crop tour combined with weather and a record short fund position resulted in wild market swings. Overall for the week December corn closed 6 cents higher, with September wheat up 3. November soybeans were by the far the most volatile, but still managed to come out of the week 67 cents higher.
- Beginning the week the market was still reeling from the acreage numbers released by the FSA last Thursday. The lack of acreage reduction in the surprising June acreage report has been the elephant in the room for months. Record setting slow planting pace and horrible conditions during spring planting had farmers screaming foul, and traders claiming the USDA had to be off on overall acreage. Last Thursday's acreage numbers showed a record 7 million acres of prevented plantings nationwide. Of those, 3.4 mln acres of corn were claimed as prevented plant, with 1.6 mln acres of soybeans.
- Only to add insult to injury it seems, farmers in the heart of the Corn Belt are now struggling with unusually dry conditions. After spending much of spring soaked and unable to turn a wheel conditions seemingly have turned exceedingly dry as summer has progressed. The bulk of Iowa, Northern Missouri, West/Central Illinois and northward into Minnesota, the Dakotas and Wisconsin has experienced less than half their normal rainfall over the last 60 days. Even in Michigan the bulk of the area north of I-94 has seen less than 75 % of its normal rainfall during the same time period.
- Many farmers say the only thing sustaining the crops thus far has been the cooler temperatures seen throughout much of July and August. Those crop supporting temps have moved far north as the jet stream has transitioned allowing a dome of heat to form over the heart of the nation. High temperatures near 100 degrees are forecast for much of Nebraska and Iowa, with low to mid 90's expected throughout the Corn Belt and Great Lakes over the next 10 days.
- The hot and dry forecast was only magnified in the minds of traders as they read reports from one of the most-well followed crop tours in the nation. The group managing the tour has been estimating crop size for over 20 years, coming in extraordinarily close to final USDA estimates many of those years. Farmers, traders, agronomists and general market watchers come together sampling hundreds of fields over thousands of miles in a four day period. This year's most common report was the delayed maturity of most crops and how sensitive they would be to an early frost or finishing issue.
- Most years production is relatively set in stone by this point in the growing season, with reports of combines running common during the 2012 tour. This year some of the fields tour members entered were just completing pollination, or beginning to set pods. The largest point to underline from this year's tour is that most numbers given were production potential not final production estimates.
- Overall most state by state estimates were relatively in line with the USDA. After the market closed today final tour numbers were released. Overall corn production numbers came in around 13.46 bln bushels, using a yield of 154.1 bpa. This compares relatively well to the USDA's most recent yield estimate of 154.4, but falls around 300 mln bushels below them on overall production due to a reduction in acres factored in. The group believes final yield could range anywhere from 152.6 to 155.6 bpa overall.
- Soybean production estimates are handled slightly differently with pod counts being the only numbers released throughout the week. Pod count numbers were well below the 3 year average in many locations, even coming in below last year's numbers in some spots. Final production was pegged at 3.158 bln bushels, with a yield of 41.8 bushels per acre. This is nearly 100 million bushels below the USDA's most recent production estimate of 3.255 bln bushels. Yield-wise the group feels soys could come in anywhere between 41 and 42.6 bpa in the end.
- The group continues to underline the slow progress of crop maturing by stating they will continue to check progress announcing any changes as they develop.

At this point an historical amount of crop production potential remains vulnerable to any sort of early frost or freeze event. Temperatures in the 90's will likely push that threat to the back of traders' minds in the week ahead, and have traders concerned over potential production losses. Rumbblings that cooler than normal Canadian air could work its way into the Corn Belt midway through September will be monitored closely as well; seemingly underlining what a crazy weather year it's been.

Bottom-line: Remember to take advantage of any solid upward swings as marketing opportunities. It's better to sell and regret it with bushels left to sell at higher prices, than to not sell, have the market drop and wish you would have done something. Give us a call with any questions, we're here to help!

All the Best!

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