

## **This Week in Agriculture:**

**A Mixed Bag of Information from the Week that Was: August 7, 2015**

- **The relentless selling we have been dealing with for the last few weeks finally subsided this week. This allowed corn to post lukewarm gains, while changes in the weather outlook and reports of disease issues pushed soybeans significantly higher as the week wrapped up. When the dust settled we saw December corn up 3, while September wheat finished 10 higher. A 20 cent gain in Friday's trade helped push November soys up 23 for the week.**
- **With relatively benign weather throughout much of the growing area crop conditions changed very little in Monday night's report. Corn conditions remained unchanged at 70% good to excellent, with the only adjustment being a 1% increase to corn rated as "excellent," with a 1% decline in corn rated "good."**
- **Similar to what we have been seeing the dichotomy between the Eastern and Western Belt conditions remains. The best rated states were IA, MN, ND, SD and NE at 83, 87, 81, 76 and 77% good to excellent respectively. While IN, OH, and IL all had good to excellent ratings below 50%. The percentage of the crop silking has advanced to 1% above the 5 year average, while the percentage of the crop in dough stage is 2% behind the 5 year average.**
- **Soybean conditions improved 1% on the week, up to 63% good to excellent. Though the slight improvement is a positive sign for crop development, the fact that we are still 8% below last year's ratings has many analysts expecting lower yield projections from the USDA in subsequent reports. From a development standpoint the percentage of the soybean crop blooming is behind the 5 year average by 2%, with the percent of the crop setting pods 5% ahead of the 5 year average.**
- **Crop conditions alone have sparked several contentious debates among analysts, traders and growers as many feel that the conditions at face value aren't necessarily indicating the true potential of this year's crop. As we see more boots hitting the ground and actual surveys kick into high gear it is likely we will get a better feel for what we can expect as we move ahead. Some initial surveys, both in field and on paper have shown a relatively wide range when it comes to production expectations ahead of Wednesday's updated supply and demand report.**
- **Going into Wednesday the pre-report range has corn production expected to come in between 13.009 billion bushels and 13.763 billion bushels compared to the USDA's July estimate of 13.53 billion. In this number we see different expectations surrounding yield (with a range of 160.4 bpa up to 167.5 bpa), as well as uncertainty surrounding final harvested acreage with the excess moisture we saw early in the season.**
- **Soybean production expectations have a wide range of expectations as well, with traders uncertain over what to expect with the final acreage number. With an estimated 3.5 million acres of soys unplanted as of July 1<sup>st</sup> many traders will be watching to see just what the USDA believes ended up planted to our south the first 2 weeks of July. As a result production estimates range from 3.570 billion bushels, to 3.806 billion, versus the USDA's July estimate of 3.885.**
- **Of course with production uncertainties, the outlook on carryout varies greatly for both crops as well. With usage staying relatively close to expectations traders aren't really anticipating a big swing in old crop ending stocks, with the average trade estimate coming in around 1.774 billion bushels, versus the USDA's July estimate of 1.779.**
- **Judging by basis values being paid by crushers for old crop soybeans and the fact that we remain over 37 million bushels ahead of the USDA's most recent export projection it is likely we will see another decline in old crop soybean ending stocks. However, any adjustment to the 82 million bushels the USDA had set aside for 'residual usage' in their July report could offset any major increases to demand as a whole. Traders recognize this and are slow to anticipate any sort of major change in old crop ending stocks. Going into Wednesday traders are anticipating carryout to come in around 247 million bushels, versus 255 in July.**
- **New crop ending stock expectations are where we see the extremely high range of estimates. For corn, traders are expecting carryout to come in anywhere from 1.178 billion bushels, up to 1.634 billion, versus**

**1.599 in June. The soybean range is a bit narrower at 210 million bushels to 402 million. Down from the USDA's June estimate of 425 million bushels, and down significantly from their May estimate of 500 mbu.**

- From an outside economic standpoint we are seeing a recent infusion of cash from the Chinese government work to stabilize the collapse in futures that was taking place. Or at the very least, the feelings of impending doom we were getting from the country just a week ago have subsided. While there are still significant concerns over the economic slowdown that is potentially taking place, most of those issues have been priced in until traders see something different.**
- Domestically traders continue to anticipate the Fed raising interest rates after their September meeting. And though this morning's jobs number came in slightly below expectations, revisions higher for both May and June seem to be positive enough to show economic prosperity and the need for the rate increase the Fed has been looking for. Of course inflationary trends remain low and the job market could be considered less than stellar, so while many feel the likelihood of a rate increase is greater than not seeing it happen, nothing is guaranteed.**
- While we haven't had to pay much attention to the moves by the Fed in the last several years, it is important to remember their impact. Any increase in interest rates or signs we have a stronger economy than our global competitors would continue to support and strengthen our dollar (which traded to near 4 month highs today before weakening slightly), a stronger dollar makes our goods more expensive to world buyers and with new crop exports lagging the 5 year pace significantly something that makes our goods even more expensive is not what we want to see.**

**Some forecasts indicate a hotter and drier pattern could be on tap as we move through next week and beyond. As of this afternoon the National Weather Service indicates above normal temperatures in the Western Corn Belt with below normal temps centered around the Great Lakes over the next 2 weeks. Precipitation is expected to be below normal throughout much of the growing area. What is most interesting about the shift into a drier pattern is that the areas that had struggled the most with excess moisture throughout much of June and the first half of July have seen as little as 10-15% of their normal rainfall these last 2 weeks. With shallow roots and already struggling crops this newly found dry pattern is causing plants to show stress far sooner than they would in a normal year.**

**After today's close we got a glimpse at the Commitment of Traders report. Last week's numbers had caused concern due to the fact that we had seen a significant sell-off in futures prices but saw funds remain strongly long. The idea that no one would be there to buy if we were to see a rally seemed to be the greatest hindrance any time we saw the market try to trade higher. In today's report though we saw pretty decent selling of those longs, prompting many to scratch their heads—the fact that we saw significant selling take place without much in the way of movement in the market price-wise could potentially indicate there's more strength to this thing than originally thought. How traders play this Monday will be interesting.**

**At this point we're seeing solid basis opportunities appear for any of you still holding on to old crop corn. Don't forget quality management is just as important as price management, so don't be afraid to move some bushels, even if you just use a basis only approach at this point. We'll likely see some interesting moves ahead of Wednesday's report, so don't hesitate to get some target orders in place ahead of time. Catch those quick upward moves when you can. In the meantime, don't hesitate to give us a call with any questions, we're here to help!**

**All the Best!!**

**Angie Setzer**

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