

**This Week in Agriculture:**  
**News That Could Make a Difference: August 8, 2014**

- **The first week of August will go in the record books as a continuation of choppy two sided trade. Better than expected rains in the heart of the Corn Belt has traders and analysts continuing to bump yield estimates by the day as another well-followed private group came out with record production estimates yet again mid-week.**
- **Looking at USDA crop condition ratings it is hard to argue with lofty yield estimates, but eventually one must begin to wonder when we have surpassed realistic and have begun to move towards absurd as mid-170 yield numbers on corn seem to be talked about as though it is already in the bin. The USDA will update us with their outlook on Tuesday, giving insight into what they're seeing from the surveys and plot checks they are conducting nationally.**
- **As for soybeans, a record yield is already being forecast by the USDA. As most farmers and agronomists will tell you it is difficult to add significant amount of yield over and above top-end estimates, so at this point a confirmation of production seems to be the only thing traders are waiting for before any further significant selling will commence.**
- **With rains falling across the bulk of the Midwest many traders are turning their attention to global market developments, and are having no trouble finding potentially major market moving events.**
- **The market was rocked mid-week after Russia announced a ban on meat, fish, dairy and other agricultural products out of the U.S. and Europe. The first reaction for many-especially in the meat sector-was fear and thoughts back to the last grain embargo we experienced in 1980. Many farmers have horror stories of collapsing prices due to the stoppage of grain flow into the then Soviet Union.**
- **Luckily a lot has changed over the last 30 years, and while there may be an initial knee jerk reaction the likely loser in this ban will be the Russian people. While total overall U.S. exports into Russia have dropped significantly over the years the country's exports into the U.S. and Europe accounts for 13% of its economy.**
- **With Russia transitioning from a net importer of wheat to one of the top 5 overall exporters things could really get interesting if any of the countries targeted decided to fight back with further sanctions of their own. Here in the U.S. the sector to suffer the most in this development will be the poultry industry as 7% of our poultry production makes its way into Russia.**
- **Another factor to watch from a global grain production standpoint is the significant drought developing in China. Hundreds of millions of acres of farmland is being impacted with record heat and a lack of rainfall. Conditions have deteriorated to the point where millions of people are struggling with access to drinking water as wells run dry.**
- **One particular private group believes Chinese corn production could fall to 200 million metric tonnes this year, which would be significantly below the current USDA estimate of 222 million metric tonnes released in their July supply and demand report. With import prices coming in nearly 65% of the cost of interior corn it will be interesting to see if China returns to the U.S. for corn sooner than initially expected after the MIR 162 debacle.**
- **Brazilian Safrinha corn production will likely drop just over 350 million bushels from last year's record production as well. The drop is not necessarily because of poor production conditions on the weather side of things, but moreso because low prices are curbing inputs and will limit acreage as we move ahead.**
- **In a surprise twist for many, wheat exports have become the focus of many traders here recently. USDA projections indicated global wheat supplies would swell to record levels. Significant rainfall in France and Germany is reducing crop quality by the day and causing global importers to look our direction when it comes to purchases. As of yesterday export sales for Soft Red Wheat surpassed the halfway mark on USDA projections with 10 months left in the marketing year. While it is key to point out increasing supplies of feed**

wheat in the global market is not positive for corn, the increase in wheat export interest should help lend support to prices in the short term.

In the end, while it appears the United States crop can be considered “made” for many, the uncertainty over global production and demand issues, combined with fears of an early frost should keep the market on its toes. As seen in wheat and soybeans this week selling opportunities will come and go quickly. Target orders will help capture these quick bursts to the upside. As I mentioned last week, moving old crop bushels sooner rather than later will likely be very beneficial to your bottom-line, we already saw one local processor take their old crop corn bid to within a nickel of their harvest bid indicating their needs for old crop bushels are being covered. Give us a call with any questions, we’re here to help! Until next week, have a great weekend and stay safe!

**All the Best!**

**Angie Maguire**

**Citizens LLC**

**[www.citizenselevator.com](http://www.citizenselevator.com)**

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