

This Week in Agriculture:
News That Could Make a Difference: July 19th 2013

- **Weather and old crop supply and demand fundamentals continue to cause extreme volatility and deeper uncertainty. Overall for the week September corn closed down 2, while December corn lost 9. August soybeans were up 61, with November adding 17. September wheat was down 17.**
- **A solid lack of rainfall is evident throughout much of the Western Cornbelt. Iowa, Missouri, Eastern Nebraska and parts of Illinois have gone from having more rainfall than they can handle, to dry. Many locations in the region have seen less than a third of their normal rainfall over the last 30 days.**
- **Planting into overly saturated soils has resulted in shallow root systems and compaction. The biggest difference between this year and last when it comes to crops withstanding adverse conditions is just how deep their root system has been able to go. There were several reports last year of root systems growing as deep as the plant was tall, this year's stunted underground growth is resulting in corn showing signs of stress much quicker than it did a year ago.**
- **At this point extended forecasts continue to call for rain. 7 day precipitation forecasts released by the National Weather Service today indicate the driest areas of the Western Belt could see 2 inches or more over the next week. However, they were calling for over an inch of rain in their 7 day forecast a week ago, and most areas have seen no precipitation.**
- **Condition-wise we are starting to see the lack of rainfall and high temps take their toll. Both corn and soys saw a 2% decline in their good to excellent ratings on Monday's report. Seasonally we start to see conditions decline as the dog days of summer kick in, so while expected, it will still warrant watching.**
- **As we move through the summer the well-behind average rate of maturity will play a large role in old crop values, as well as when it comes to keeping a risk premium in place futures-wise for new crop. Nationwide only 16% of the corn crop was silking in Monday night's report, with Iowa reporting only 1% of their crop silked. Last year we had 67% of the crop silked at this point, with the 5 year average running at 35%. October weather will likely have to be perfect to finish the crop off properly.**
- **Soybeans are in the same boat. Monday's report showed only 26% of the nation's soybeans were blooming. This is last than half of last year's 63% pace and below the 40% 5 year average.**
- **The slow pace of maturity will have a big impact on old crop fundamentals as well. As we've pointed out several times before, there were nearly a billion bushels of corn harvested before September 1st last year. Without early new crop supplies available end users are likely to struggle when it comes to sourcing supplies.**
- **Demand-wise soybeans continue to see strong crush numbers. June crush was above pre-report expectations and above what we need to see to meet USDA projections. At this point July and August crush only needs to run 200 mln bushels to outpace USDA expectations. Over the last 9 years the lowest Aug/July crush was 233 mln bushels. At this point many traders feel any increase in crush numbers will likely be offset by a slight reduction to old crop exports or residual usage.**
- **Ethanol numbers weren't quite as strong, with production falling 1% from a week ago and stocks increasing. Brazilian ethanol has found its way back to the United States, helping boost ethanol inventories to their highest level since May. With the significant lack of available corn stocks the slowdown in ethanol production is likely to continue.**
- **Wheat harvest has made its way full force into Michigan. At this point there are conflicting reports regarding quality to our South. Rainfall on mature wheat in parts of Ohio and Indiana has resulted in increased reports of sprout issues. While wet conditions have also helped to encourage Vomitoxin development in some areas. From a local standpoint fungicide has made a significant difference in reducing Vom numbers.**

As all of you know rain only matters when it materializes, meaning we're likely to remain on hold waiting to see if optimistic extended forecasts are legitimate this time. One solid rain and most market bulls are likely to wait until October to reemerge, while a lack of rain could cause significant concern regarding production potential. Target orders remain the only way to capture the opportunities that present themselves in such a fast moving market. Old crop opportunities are available as well. Give us a call with any questions, we're here to help! Until next week, have a great weekend, stay safe and happy harvesting!

**All the Best
Angie Maguire
Citizens LLC**

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