

This Week in Agriculture:
News That Could Make a Difference: July 22, 2016

- **Corn and soybeans gave new meaning to taking the stairs higher and the elevator down this week, moving sharply lower as outside market conditions and perceived strong crop prospects had sellers entering the market as a whole. When the closing bell rang for the week September wheat was up 1, September corn was down 16 and November beans were down 68.**
- **With all of the outside global economic uncertainty commodities have fallen to the wayside from an investor standpoint. Brexit concerns remain, though initial economic information released by the Bank of England showed little evidence of a feared economic downturn in the days leading up to and after the Brexit vote. Concern over other countries following suit however is keeping fear of further EU turmoil in the forefront.**
- **Talk of economic stimulus from the Bank of England and the Bank of Japan added to the need for a “safe haven” investment like the dollar leading the index to trade at 4 month highs this week as well. The exodus of buyers is evident when looking at fund interest. Funds in wheat are now holding a record net short position, with corn funds going short for the first time since April last week, further adding to that position this week.**
- **Exceptionally high crop ratings throughout the bulk of the Western Corn Belt have allowed traders to take a risk off approach as well, believing that for the most part a big crop is made. What is most interesting about this year’s production weather is the combination of water and extreme heat. In the past most heat has been accompanied with dry weather while this week’s heat wave came with several inches of rain for parts of the Western Belt.**
- **An estimated 20% or more of the corn crop is expected to be pollinating this week potentially limiting production, but at this point without a big cut to conditions nationally on Monday (which is highly unlikely) traders are likely to continue to believe a record crop is out there until something different is proven.**
- **From a seasonal standpoint this is relatively normal unfortunately. July tends to be one of the most bearish time periods for corn and beans, with the 2 markets trading lower 10 of the last 13 years.**
- **Traders will continue to monitor export shipment pace in the weeks ahead. Export commitments are running 115 million bushels ahead of recent USDA estimates for soybeans and at USDA expectations for corn, but shipments are lagging substantially. Though it is not uncommon for shipments to lag sales record loadings over the next 7 weeks are needed this year to alleviate cancellation concerns. Realistically speaking though with the supply issues taking place in South America the likelihood of cancellation is much less this year than in years past.**
- **China remains in the forefront with their pork imports continuing to grow at an alarming rate. On the soybean side though a private industry group raised concern stating Chinese imports would actually fall this year versus last. If realized this would be the first drop in soybean imports in 15 years. The USDA disagrees with this sentiment increasing their expected Chinese soybean imports by 4 mmt (147 mbu) from last year.**
- **Interesting to note that recent reports from the country indicate the beans the country is selling out of government reserves are 6 years old. Poor quality of the stocks has been reported and the need for continued good quality supplies for blending will likely remain.**
- **Speaking of quality issues. France saw a significant downgrade in their expected wheat production this week as continued rains have damaged crop quality and reduced test weight. The country saw a nearly 50 cent rally in their wheat prices over the last couple of days as crop estimates came in nearly 11 mmt (404 million bushels) below last year’s crop and the lowest since 2003. Talk that the same issues are presenting themselves in Germany and Poland helped fuel the fire as well.**

- **While global wheat supplies are still believed to be more than adequate the idea of reduced plantings coupled with potentially lower production numbers in certain areas of the world combined with that record short fund position could result in fireworks with the right spark.**

Unfortunately the market atmosphere we are currently attempting to navigate through is somewhat toxic at this point. Outside observers and traders alike are trying to paint an extremely dark picture as we look ahead. Generally once everyone gets on the same side of the boat it flips, but waiting for the market to change direction is one of the hardest parts of a bear market. It is especially frustrating in areas where dry conditions are wreaking havoc on yield potential and making low prices hurt that much more. It is important to remember that opportunities will eventually show themselves again, and being prepared for when they do is the best way to take your mind off the current set up.

In the meantime try not to read too much into day to day moves as volatility is likely to only pick up as outside markets change and weather forecasts are updated. Until next week, have a great weekend and stay safe.

All the Best!

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