

## **This Week in Agriculture:**

**A Mixed Bag of Information from the Week that Was: July 24, 2015**

- **Another ugly week as a continuation of the broad commodity sector sell off continued. Corn, wheat and soybeans all fell to their lowest levels in several weeks as copper hit its lowest level in 6 years, gold hit its lowest level in 5 and crude saw its worst week since January. When the dust settled we saw corn down 28 cents for the week, while soybeans were down 44. Wheat lost 42 cents.**
- **The fact that conditions are no longer deteriorating due to heavy rainfall and adverse weather has some traders and analysts now penciling in yield increases as opposed to reductions. While it is laughable to think that the areas that remain unplanted or were drowned out will see any type of improvement or production potential increase take place, the idea that potential yield loss has been stopped for the time being is enough to see some risk premium removed.**
- **While some removal of the risk premium was expected, the fact that it managed to line up with one of the worst commodity sell offs in recent memory took the losses to a whole other level. Funds were noted sellers of several thousand contracts a day, pressing prices below support and strong technical levels, while the Bloomberg Commodity Index (measuring a basket of commodities ranging from gold to sugar) fell to its lowest level in 13 years. One well-followed analyst said it was a “bad week to buy anything that would hurt your toe if you dropped it” and he was obviously right.**
- **From a crop progress standpoint we saw conditions remain unchanged from a week ago in corn overall at 69% good to excellent, with the only adjustments coming from a 2 point increase in the corn rated “excellent” versus “good.” State-wise Minnesota has the highest rated crop at 86% good to excellent, while Indiana had the worst at 45%. Here in Michigan the USDA says 65% of our crop is good to excellent, with 11% rated poor to very poor.**
- **It was interesting to see how the recent heat and sunlight was able to push the bulk of the crop from behind in silking as we had mentioned last week, to within a point of the 5 year average. One state that continues to lag though is North Dakota—which is even more interesting considering many growers there saw record fast planting and record fast emergence. A continued slow maturity pace could put the state’s crop at risk if we were to see an early frost, but we’re months from having to worry about that.**
- **Soybean conditions also remain unchanged from a week ago at 62% good to excellent. Similar to corn, the recent heat and sunshine helped boost maturity rates. The amount of beans flowering and setting pods is in line with the 5 year average, though it was behind just a week ago. Here in Michigan the USDA believes the soybean crop 58% good to excellent.**
- **The one good thing the recent drop in prices has done is encouraged an increase in end user buying. This week we saw China come in and purchase nearly 18 million bushels of new crop soybeans. With new crop exports lagging last year’s pace by over 44% ahead of this week, seeing those purchases will not cure all ills in the market, but it does help show crops at this level have “value.”**
- **The one negative from this extension of end user coverage is rumors of South American corn and soybean meal being bought for delivery into the Southeast feed markets are picking up steam. During today’s trade we saw many folks discussing the potential of 4-6 cargo loads of corn and meal being secured. While there was little in the way of actual confirmation, it is amazing how something we had already anticipated to happen (the USDA raised their corn import forecast in the July report) can still shock the market.**
- **Cattle on Feed numbers released after the close today showed an increase in the amount of cows we’re feeding. At 102% of a year ago this week’s report marked the first increase in herd size in over 6 years according to the USDA. While pasture conditions are fantastic in most areas for the time of year it is, the amount of heifers being kept back for continued herd building shows we’ll likely see an increase in feed demand for the sector. Whether that comes from corn, or from other feed products will remain in play.**

**In the end this recent market move has taught us several things, first being to take advantage of pricing opportunities when the market gives them to us, second being until we see the global economy show sustainable, long-term growth projections the fear of a global slowdown will keep the negative attitude we’re seeing towards**

physical goods continue. While I feel that we still have a lot of growing season and price discovery left, it is evident any sustained upward move will likely have to come from something not currently in play.

Weather forecasts are calling for rainfall throughout parts of Iowa and Illinois this weekend, with mostly quiet conditions expected beyond. Extended forecasts are calling for below normal temperatures for much of the Corn Belt, while precipitation is expected to be above normal for many in the Southern Belt in the 8-14 day time period. Extended forecasts have struggled to be on target for much of this year, so adjustments could be expected.

As we work through next week we will be continuing to watch export sales pace, as we start to see traders gear up for the August 12<sup>th</sup> supply and demand report. A recovery in commodities as a whole would spill over into grains, but after this week buyers would likely rather attempt to catch a piano than bid on much of anything. A confirmation of the new lows may take some time, so be prepared to weather the storm however you can. In the meantime, give us a call if you have any questions, we're here to help. Until next week, have a great weekend and stay safe!

All the Best!

Angie Setzer

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