

This Week in Agriculture:
News That Could Make a Difference: July 25, 2014

- More of the same it seems this week as we work our way through the summer doldrums. At the close of the day we saw September corn down 8 for the week, while December corn was down 6. November soybeans were down 2, while August soybeans caught some fresh buying interest rallying back 35 cents. September wheat also found some support, managing to finish the week 5 higher.
- Crop conditions released Monday night showed corn ratings unchanged from last week, with 76% of the crop rated good to excellent. Soybeans saw a 1% bump in good to excellent numbers, coming in at 73%. Maturity-wise, 56% of the corn crop is silking. This is slightly ahead of the 5 year average and well ahead of last year's pace. The percentage of soybeans setting pods was estimated at 60%. This is also ahead of the 5 year average and well ahead of last year's pace.
- As we discussed last week, high condition ratings have traders shooting for the moon when it comes to yield estimates. A poll of several well followed analysts and market experts shows traders are expecting the corn yield to come in around 170.5 bpa, with soybeans around 45.5.
- Though there are several factors that could nip corn yield as we work our way towards harvest, the bulk of weather risk has been removed. Soybeans though, are a different story. Traders are acutely aware of drier than normal conditions over the last few weeks in the Western Corn Belt. Many locations have seen 25-50% of their normal rainfall over the last 30 days, with little in the way of hefty totals expected in the 8-14 day time period. While cooler temperatures should help to slow any sort of deterioration it will be important to see reasonable precipitation amounts in the coming weeks.
- The concern over the domestic soybean crop may be short lived if relatively decent weather conditions pan out. At this point many private groups are expecting a significant increase in global soybean supplies over the next year, with a further increase beyond. One well-followed firm believes we will see overall global soybean supplies increase by 21 million metric tonnes (771 mln bushels) this year from last year's levels.
- In the eyes of traders it seems the higher than anticipated corn yields trump any tidbits of bullish information. This week we saw export sales for new crop corn come in nearly double the pre-report expectations. While we are a little slow at this point on new crop sales, the idea that we're seeing significant buying interest is helpful. The recent rally in the dollar is not helpful when it comes to export sales though, as a stronger dollar makes our grain that is already expensive in the eyes of the global market even more costly.
- Ethanol seems to be our shining star at this point when it comes to corn demand. This week we saw the 4th largest weekly production number on record with a slight decline in stocks. The continued pace of higher production, low imports and a continued draw down in stocks indicates ethanol demand remains solid, and in some cases is better than expected.
- We continue to wait for the EPA announcement regarding any potential reduction to the Renewable Fuels Standard. If you recall we saw the EPA come out last November calling for a lower production mandate, momentarily rocking the corn market. Announcements this week indicated the decision was imminent and that it's likely we will see a number higher than initially proposed. Continued growth in corn demand for ethanol though will likely remain slow as we are reaching maximum grind capacity.
- Cattle on Feed numbers came in slightly lower than anticipated today. While bullish—or at least perceived somewhat bullish for the cattle market, it is not bullish corn demand. Also not helping on the feed side of things is the announcement out of China this week that the country will require a certificate stating all distillers grains exported to the country will be free of MIR 162. With our comingled grain supply—especially in ethanol production--a certificate like this is nearly impossible.

- **With the inability to guarantee, or certify that our DDGs are free of the restricted trait the requirement has all but shut off distillers exports to China indefinitely. Since the initial Chinese announcement in May restricting MIR 162 in distillers the domestic price for the product has dropped by over 60%. This drop has allowed distillers to reenter domestic feed rations, further slowing perceived corn demand.**
- **As we wrap up Michigan wheat harvest Spring Wheat harvest is just around the corner. While we saw significant reductions in Hard Red Winter Wheat production due to the Southern Plains drought, it appears as though the Spring Wheat crop may be poised to cover any gaps in supply. A private tour held this week put Spring Wheat yield estimates at 48.6 bushels per acre. This is up from last year's 44.9, and the 5 year average of 44.7.**
- **In Our "The More You Know" File: Wheat basis in Michigan has been showing significant strength as of late. With the carry in the market and low futures prices there may appear to be incentive to hold your crop at home. While Vomitoxin was less of an issue than initially anticipated, it still in pockets throughout the state. Extra care needs to be taken when holding wheat, especially if you may have concerns regarding the presence of Vom. Remember, the only thing worse than low priced grain is off quality low priced grain.**

Bottom-line: Without much in the way of a weather threat as we work through August it will likely take something unexpected to get the markets out of their current sad state. With all that is going on around the globe geopolitically traders will remain on edge, closely monitoring each situation as it develops. The Ukrainian government made mention today of nearly 500,000 tonnes of grain being taken out of production due to unrest in the Eastern areas of the country. While the approximately 13 million bushels of grain discussed is a drop in the bucket, it does highlight what war can do and how quickly things can change in times of uncertainty.

In the meantime be aware of what your needs are as we head into harvest. Every day that goes by is another day closer to new crop; keep this in mind if you have old crop bushels in the bin. While futures levels may not be the best, a further decline in basis will only add insult to injury. 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.citizenslevator.com**

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