

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: July 26, 2013

- **Market action this week could be likened to someone yelling, “Fire!” in the middle of a crowded room. Though it started out relatively mild, turnaround Tuesday resulted in a market meltdown. Overall for the week September corn was down 52 cents, December corn finished 25 lower. August soybeans and meal were the focus of losses, with August beans losing \$1.40, while November beans lost 45 cents. September wheat was down 16, while July 2014 wheat was down 14.**
- **Cooler, wetter weather had traders on the defensive from the get-go. Stories of dryness and lack of forecasted rainfall had kept diehard bulls optimistic heading into the week. But realized rainfall throughout the bulk of Iowa and above average crop conditions Monday night sent market optimists scurrying.**
- **Monday night’s crop condition report showed 63% of the nation’s corn crop is rated good to excellent, slightly better than the 5 year average, and far better than last year’s 26% good to excellent rating. Here in Michigan 72% of the corn crop is considered good to excellent. At this point, based on current conditions, many private analysts feel we could see a nationwide yield of 149-153 bu to the acre.**
- **For the most part it looks as though the bulk of the country has made it through, or will make it through pollination with little in the way of heat stress and some much needed rains. Now it appears as though we will have to wait and see what fall weather will bring. One important point from Monday night’s report was the delay in maturity nationwide. 43% of the nation’s corn crop was silking as of Sunday night, 13% below the 5 year average and 41% lower than last year’s pace.**
- **Most statisticians believe there is a less than 10% chance of an early frost, but the impact of one could be devastating. The slow pace to maturation could mean over a billion bushels would be vulnerable to damage if a freeze were to occur on or around the 17th of September. Even a normal freeze at this point would put nearly 500 million bushels at risk.**
- **Surprisingly old crop soybeans were the leader to the downside this week. Basis levels began to crack after Monday’s nearly limit higher trade. The perceived slowdown in demand combined with rumors China would release 110 mln bushels from their domestic reserves was enough to trigger a significant downturn. Unfortunately in our modern trade these types of tumbles tend to snowball as stop orders trigger, making a moderate move lower turn into an explosion to the downside.**
- **Similar to corn, soy conditions look better than average with 65% of the crop considered to be in good to excellent condition. Based on condition estimates many private analysts feel we could see a 42+ bushel to the acre nationwide yield in the USDA’s August 12th supply and demand update.**
- **It is interesting to note that over the last 22 years the USDA August soybean yield projection has been lower than final production figures over 60% of the time. However in 3 out of the last 5 years the USDA has been too high in August.**
- **Maturity will have to be watched closely as well with only 8% of soys setting pods nationally. This is far below 33% last year and the five year average of 14%. Here in Michigan 14% of the states soys are setting pods, which is slightly ahead of the 12% average for this time period.**
- **Wheat harvest was 63% finished as of Sunday night and will likely be mostly finished in this coming week’s report. Here in Michigan quality was decent with pockets of Vomitoxin, but no real major concerns overall. There have been reports of more issues to the South, but for the most part the crop has come off okay.**
- **With harvest wrapping up demand will be closely watched. Issues in South American production combined with increasing import interest out of China and Egypt has some traders feeling as though the USDA is underestimating wheat export demand significantly. This week’s export numbers were solid, so this will be something we will have to watch closely in the weeks and months ahead.**

This week will likely go down in many traders mind's as one of the most volatile in recent history. With the bulk of the crop making it through one of the most critical parts of developments relatively unscathed it may take something big to get things really moving. Export demand for new crop looks supportive for all three major markets, with crush and ethanol looking to stay strong as well. At this point the National Weather Service is anticipating below normal temperatures and normal rainfall through the next two weeks for the bulk of the Northern Corn Belt and here in the Great Lakes.

As evident this week, volatility is only likely to increase as we move into the last half of summer. Opportunities will present themselves, but are likely to be fast moving and fleeting. Don't forget to use target orders as the cornerstone to your marketing plan; take the guess work and emotionality out of pricing. Until next week, have a great weekend and stay safe!

**All the Best!
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