This Week in Agriculture:

News That Could Make a Difference: July 18, 2014

- **Another relatively ugly week in the grain trade as markets remain focused on what are considered nearly ideal weather conditions and less than ideal information from the USDA as of late. For the week both September and December corn were down 7. August soybeans took last week's updated supply and demand information squarely on the chin losing another 21 cents. November soybeans saw a bit of a correction gaining back a dime; while September wheat was up 6.**

- **In what is becoming our own personal broken record, crop progress released Monday night showed nearly record high crop conditions for this time of year. Cooler than average temperatures and above average rainfall has kept the crop lush and green throughout much of the Corn Belt. As of Sunday night the USDA rated 76% of the nation's corn crop as either good or excellent. This versus 66% seen last year and this time and the 5 year average of 61%.**

- **Soybean conditions remain far better than average as well. In Monday night's report the USDA rated 72% of the bean crop as good or excellent. This is much better than last year's 65% rating and the 5 year average of 59% good to excellent. Here in Michigan the USDA believes 80% of our corn crop and 72% of the soybean crop is good or excellent.**

- **On the maturity side of things, even with colder temperatures for much of the summer crops are on an average developmental pace at this point. The bulk of pollination will likely be wrapped up by the end of next week throughout the heart of the Corn Belt, with things really starting to ramp up to the north.**

- **The better than average conditions have traders, analysts and agronomists increasing yield estimates nearly daily. This week alone the market saw several yield estimates in the low 170's for corn, with numbers creeping upwards in soybeans as well. At this point most pricing models would point to the market factoring in a 170 bushel per acre corn yield, with a bit in the way of an August weather risk premium hanging around in soybeans.**

- **The much lower prices are already starting to impact the global planting outlook. With cash corn prices in Brazil falling to nearly a dollar a bushel below the cost of production many farmers are looking to increase their soybean acres. With what could be a large domestic crop, and large left over South American supplies prior to their new crop harvest next spring it is possible the global pipeline could be more than filled with soybeans as we work our way towards harvest next year. Without much in the way of a weather issue this could be a huge wet blanket over the soybean market as we move ahead.**

- **The idea of full pipelines is hitting both old and new crop basis values a bit this week as well. With the current outlook for production potential it is likely we will see over a 4% increase from last year when it comes to grain needing to be stored this fall. Only compounding the need for extra storage is a continued issue with rail underperformance. The inability to source trains when grain needs to be moved is pushing rail freight rates up daily causing further deterioration in what elevators can pay.**

- **The potential for large global supplies hasn't slowed Chinese soybean purchases just yet. This week we saw several announcements from private exporters on hefty sale amounts to our number one bean customer. While it does appear the concern over China stepping away from the bean market was unwarranted early on these sales are on track with what is required at this point to meet USDA projections.**

- **We did get a glimpse at how quickly the market can react to a perceived global pipeline threat on Thursday though when a commercial airline was shot down near the Russia-Ukraine border. The initial reaction was a swift move to the upside across the board before a selloff ensued in beans, and corn and wheat softened. At this point it appears the issues with Russian rebels will do little to impact grain flow in the region, but traders will continue to watch developments closely.**

Though highs were only in the 60’s and low 70’s for much of the week we are likely to see heat rebuild back in to the Corn Belt for much of next week. Weather issues in the eyes of the trade remain nearly non-existent, while bulls will wait for the August FSA information hoping for a bullish surprise. At this point it appears the market will trend sideways to lower waiting for anything in the way of supportive news to prop price. With soybeans being made in August the next 3-4 weeks could be very interesting in that complex.

Remember to be realistic about the potential growth in both domestic and global supplies when it comes to looking at pricing opportunities. Thursday showed us just how quickly buying interest can return when the right conditions are present in the market place. It will be imperative to use these bounces as an opportunity for coverage as we move ahead. Until next week, have a great weekend and stay safe!

All the Best!
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