

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: July 31, 2015

- **Another ugly week seemingly spent searching for bids in grains as outside economic forces and the idea that damage to the crop may not be as bad as once thought pressured things from the get-go Sunday night. As of this writing December corn is down 20 for the week, while November soybeans are 24 lower. September wheat was down 13 as it completed its trip from \$5.00 up to \$6.00 and back down to \$5.00.**
- **The release of the Commitment of Traders report Friday left a bitter taste in the mouth of traders and soiled what appeared to be a decent close for corn above recent trend line support. A thousand foot glimpse of the report indicated that though the market had sold off substantially last week, spec traders had still managed to add a significant amount of contracts to their long position. While the report only contained information through Tuesday the idea that the market had managed to trade lower in the face of strong buying was a very negative sign.**
- **Adding insult to traders already reeling after the COT report, the selloff in the Chinese markets continued. Chinese stock performance in July showed the biggest monthly loss in 6 years, while the Shanghai Shenzhen Index (a composite of 300 top traded Chinese stocks) lost nearly 30% from its high set in June. The continued pressure has prompted China to pull all stops when it comes to controlling the release of bearish market information, as well as working to prosecute short sellers. Beijing winning their bid for the 2022 Winter Olympics may help bring some optimism back into the country's economic outlook, but it will likely take much more than that to solidly turn the market around.**
- **Talk of potential changes to China's corn policy has some traders on edge as well. With the country's harvest starting in just over a month the idea that China is holding 52% of the world's overall corn stocks is causing concern. As I mentioned last week slow sales out of government reserves is frustrating officials and making many wonder where they will put their newly harvested bushels.**
- **Increased subsidies to processors has done little to encourage demand as import prices remain well below the \$9.00+ price target the government continues to shoot for when it comes to selling supplies. Talk that we could see import tariffs placed on sorghum, barley and other feed substitutes, as well as see the government eventually cut their support price by anywhere from 40-85 cents has traders concerned over what might happen globally with a shift in supplies.**
- **From a condition standpoint we saw corn ratings come in a percent better than they were a week ago. At 70% good to excellent we are 5% behind last year's crop ratings, but still well ahead of the 5 year average. Similar to what we have been seeing Indiana, Ohio and Missouri continue to have the worst rated crops with less than 50% of acres rated good to excellent, while Minnesota, Iowa and Nebraska continue to see good to excellent ratings stay in the 80% plus range.**
- **Soybean conditions remained unchanged for the 3rd week in a row at 62% good to excellent. While this is well behind last year's 71% good to excellent rating, it is in line with the 5 year average. Similar to corn, the good stuff looks phenomenal while the bad states have less than 50% of their crop rated g to e.**
- **Export sales came back into focus again this week as China and others added purchases to their already big buys put in place last week. From an old crop perspective sales have outpaced the USDA for old crop corn and soybeans, with soybeans nearly 34 million bushels ahead of USDA expectations. While new crop sales continue to lag last year's levels considerably, the idea that we are seeing purchases take place tells us we're not completely out of the loop.**
- **Lower than expected economic indicators and less than rosy jobs numbers released today had the dollar on the defense. The idea that perhaps the economy isn't growing quite at the rate the Fed had anticipated has some traders wondering if a rate hike will be put off through the end of the year. Initial talk that we would see a summer rate hike has proven to be wrong, but the idea we could see something happen in September will likely keep traders on their toes for the time being. A delay to the rate increase would likely take some of the strength out of the dollar, helping make our commodities a better buy on the global market.**

In the end the market is still struggling to find a bottom. Gold, copper, sugar and a whole boat load of other commodities continue to put in new contract lows and are trading at levels not seen in over 5 years. While we are definitely seeing a move that has crossed over into overdone territory, the fact that we haven't been able to find any type of solid bid recently is a bit concerning. Weather looks to be decent for crop development throughout the areas of the Belt that have already seen good conditions, while drier than expected weather in the Eastern Belt has brought some concern to areas where wet weather has hindered root system development.

It is likely we will see traders turn their attention to the August 12th USDA report as we move into next week. Many are expecting a cut to acres and yield, but some contrarians would not be surprised to see a yield increase take place. Of course while we are a long way away from having any sort of solid idea on overall crop size; the uncertainty is making it difficult to find direction. At this point we are seeing opportunity in basis values and are using target orders to cover any sales if a rally were to take place in the market. Using old highs as potential targets is not a bad idea after the selloff we have seen. In the meantime don't hesitate to ask any questions, we're here to help!

All the Best!

Angie Setzer

Citizens LLC

www.citizenslevator.com

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