<u>This Week in Agriculture:</u>

USDA Supply and Demand Report Update: June 11th, 2014

- **In typical June report style this morning's USDA update gave us little in the way of surprises or excitement. Most numbers came in relatively close to pre-report expectations, but an overall bearish feel combined with solid weather conditions for new crop production contributed to a move lower across the board at the close.**

- **Traders were suggesting little in the way of adjustments for both old and new crop corn ending stocks projections. Some were anticipating a slight increase in old crop carryout with a decrease possible in new crop numbers overall. The USDA decided instead to leave everything completely unchanged from last month.**

- **From a global perspective the USDA did increase overall world production by 2 million metric tonnes or just under 79 million bushels. An increase in demand is expected to chew through much of the increase in production, but not enough to keep global ending stocks numbers from coming in nearly 39 mbu higher than the average pre-report estimate.**

- **The USDA was quick to point out in their crop summary that corn conditions are the best they have been in 4 years for the 18 major corn producing states and the best since before 2007 for the states that make up the Corn Belt. Of course yield is mostly determined in July and through pollination, but it's key to keep in mind the decent start the crop has gotten off to throughout much of the country's growing area.**

- **Soybean numbers were left relatively close to unchanged as well. The only adjustment made was a 5 mbu increase in old crop soybean crush projections. The blistering pace of soybean meal exports combined with domestic demand has had soybean crush running at nearly record monthly levels. The 5 million bushel increase in crush dropped carryout by an equal number, bringing overall old crop ending stocks in slightly below the pre-report estimates.**

- **From a new crop prospective the only adjustments made came from the 5 million bushel reduction in old crop carryout. Today's numbers came in slightly higher than pre-report estimates with traders anticipating a more aggressive adjustment higher in new crop demand. Now we wait until June 30th to see what the USDA has in mind for overall acres.**

- **In a continuation of the trend, it seems wheat cannot catch a break. While domestic numbers were somewhat supportive to price coming in below what traders were expecting ahead of the report, global numbers came in above pre-report expectations.**

- **Domestically overall wheat production was lowered slightly, with adjustments lower in Hard Red Wheat production being offset somewhat by a projected increase in Soft Red Wheat expectations. The HRW in the Southern Plains continues to struggle into harvest. While recent rains have helped growing conditions for summer crops, they came much too late to help the wheat. The USDA anticipates Kansas to have the lowest wheat yield since 1996, while Oklahoma's yield is expected to be the lowest since 1967.**

- **Globally expected production increases in the European Union, China, India and Russia will more than offset any perceived reductions in our domestic expectations. The increased production is expected to be partially offset by an increase in overall demand, but not enough to keep projected world wheat ending stocks from creeping up another 2.6 million metric tonnes (95.5 mbu) from last year.**

Now that the June report is out of the way without much in the way of fanfare traders will turn their attention back to weather and what they anticipate in the June 30th quarterly stocks and acreage report.

The acreage debate is already getting heated as traders ponder whether good conditions and higher prices encouraged Corn Belt farmers to plant more corn than initially expected. At the same time though traders are well aware of the struggles in the Northern Corn Belt, and are questioning whether even more soybean acres will be planted in the north than anticipated.

Last Friday we saw a pop in corn as a result of a perceived dome appearing in the extended weather forecast. While the models didn't pan out, it is interesting to note how touchy the market is, and will be when it comes to potential weather related hiccups. At this point it's time to take a pencil to your bottom line and see how you are sitting. Opportunities are still present in some areas, so don't hesitate to call if you have any questions. In the meantime, have a great rest of your week, and stay safe!

All the Best!
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