This Week in Agriculture:

News That Could Make a Difference: June 20, 2014

- **While the old adage says, "rain makes grain," traders became acutely aware this week that too much rain can produce headaches and lower quality. The uncertainty over production potential, combined with both positive and negative demand developments were the theme of the week. The whipsaw price action resulted in July corn gaining 6, while December was up 5. July soybeans finished 10 lower, with new crop finishing up 10 for the week. July wheat finished the week out a penny lower.**

- **As expected Monday night's crop progress report showed the bulk of the nation's crops in great condition. 76% of the nation's corn crop is rated in good to excellent condition, with Iowa's crop rated an amazing 83% good to excellent. Here in Michigan the USDA feels 80% of the crop is good to excellent.**

- **Soybean ratings were solid as well. The USDA rated the crop 73% good to excellent nationally—one of the highest condition ratings seen in several years. Iowa was again the big condition rating winner, with 79% rated good to excellent. Here in Michigan the USDA feels 77% of our soy crop is good to excellent.**

- **Recent rains had pressured winter wheat conditions in the Soft Red Wheat Belt, while lack of rain continued to result in poor condition ratings in the Hard Red Wheat Belt of the Southern Plains.**

- **The million dollar question as we head into Monday is how the recent rash of severe weather and heavy rains will impact conditions as we move ahead. The old adage is "rain makes grain," but many are now beginning to wonder what happens when too much rain results in drown out crops and mud.**

- **Over the last 7 days many locations in Northern Iowa, Minnesota and Wisconsin have seen up to 10 inches of rain; with several other areas in the region experiencing localized flooding. 30 day precipitation observations show many areas throughout the Corn Belt received 200-300% of their average rainfall. This is leading to much concern for soybeans, some minor concerns for corn, and has traders anticipating a down turn in Monday's night's crop ratings.**

- **Even with some condition concerns traders are still anticipating a record crop for both corn and soybeans. With record large supplies it will be imperative to see solid demand continue as we move ahead. On the corn side of things, as we've mentioned before there are 3 main demand sectors we need to watch, while in soybeans there are 2 primary uses in the industry.**

- **In corn we saw a record amount of bushels ground to produce ethanol this week. At over 100 million bushels of corn used in this week's grind, some traders are beginning to think we may need to increase the overall number the USDA is estimating for old crop ethanol demand. This increase of course would carry over into new crop fundamentals. An increase in corn used for ethanol however, could be offset by a potential decrease in feed demand.**

- **Late last week China announced they were going to ban the imports of dried distillers grains out of the U.S. because of concern over MIR 162—the unauthorized genetic trait that has been giving us fits all year. With China accounting for an estimated 10% of all DDG demand this announcement could have a large impact on both the corn and soybean meal markets. Since the announcement prices of DDGs have fallen off hard.**

- **Just 2 weeks ago DDGs were 125% the value of corn, midweek this week we saw that fall off to 75% of the corn price. This could lead to stretching of corn in feed rations through the usage of DDGs, or an all out replacement if DDG prices continue to fall.**

- **Chinese corn imports and the possibility of exports are beginning to come into question as well. Estimated production is anticipated to be record high, for an incredible 11th year in a row. Large potential production estimates combined with large reserves and declining demand has traders concerned over what the country will do to keep prices from falling completely out of bed, while at the same time working to encourage demand.**

- **Soybean crush numbers came in better than expected this week as well. The higher than expected crush numbers leads some in the industry to feel the USDA has to increase their crush projections above numbers stated recent supply and demand reports.**

- **Traders are still scratching their heads on overall imports versus exports and how that will impact final ending stocks for old crop. At this point we have been somewhat slow bringing beans in from South America with less than half of the 90 mbu worth of projected imports making their way to our ports at this time. An announced old crop export sales rocked the market this week as well, showing that even at these price levels demand remains.**

- **The big question will lie in Delta soybeans and when they are able to be harvested. Some feel early maturity of the beans to the South will cover some demand needs late this summer.**

- **On the wheat side of things traders continue to monitor world supplies, and feel comfortable with the overall availability of wheat on a global scale. Domestically though it's the tale of multiple worlds. At this point spring wheat conditions look great, with some private firms also anticipating an increase in planted acres as a result of higher prices and decent planting conditions.**

- **Hard Red Wheat yields continue to struggle. The potential downturn in supply has that market moving to an inversion—something rarely seen. Basis levels continue to firm in the Southern Plains as well as harvest is showing the heat, wind and drought conditions having a huge impact on yield potential, with non-irrigated yields running 5-9 bushel per acre in some areas.**

- **In Soft Red Wheat recent heavy rains has lowered test weights and increased concerns over disease throughout much of the Delta. While further to the north rains are continuing to help with quality and grain fill. The recent transition into better carry, combined with reduced acres will likely have elevators competing for harvest supplies. Basis levels are already beginning to firm as a result.**

At this point there are 5 trading days ahead of the USDA June 30th Acreage and Quarterly Stocks report. Next week will likely be full of private estimates and position squaring ahead of those numbers. The June report tends to be one of the bigger market movers, with corn seeing at 27 cent move in either direction in 5 of the last 6 years. 3 out of the last 6 years we've seen a limit up or down move take place.

Bottom line is, if you're feeling overly exposed to radical market moves there are still plenty of pricing opportunities available. Remember, reducing risk and increasing profitability is never a bad thing. We'll have trader report expectations in next week's newsletter. In the meantime, do not hesitate to give us a call with any questions, we're here to help!

All the Best!
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