This Week in Agriculture:

News That Could Make a Difference: June 27, 2014

- **The last trading week before the much anticipated June 30th USDA report seemed to take place as expected, with choppiness and a lack of solid direction the main theme. For the week September corn closed down 8, with December down 5. August soybeans were up 17, while November beans traded 3 lower. July wheat moved an awful lot it seemed, but in the end closed the week unchanged.**

- **As expected Monday night's crop progress report showed 74% of the nation's corn crop in good to excellent condition. The recent heavy rains that have been plaguing much of the Northern Corn Belt are beginning to show, with Minnesota seeing 9% less corn rated good to excellent than a week ago. Parts of Northern Iowa have seen as much as 300% of their normal rainfall leading to a slight decline in their ratings as well—however at 79% G to E we have a ways to go before true concern develops.**

- **Soybean conditions are historically high with 72% of the nation's crop rated good to excellent. The idea that beans hate to start the growing season with their feet wet has led some traders to begin questioning yield outlooks as we move ahead. Some agronomists believe that conditions that are too wet during a beans early vegetation stage can result in up to a quarter or more of lost yield potential. The impacts of this month's heavy rains have yet to truly show up in condition ratings, but will be something traders monitor very closely as we move ahead.**

- **Here in Michigan the USDA believes 80% of our corn is in good or excellent shape. While they feel 78% of our soybeans deserve the same rating.**

- **The big story of the week, of course, is what to expect in Monday's report. The June 30th report has a history of being a big market mover, with 5 out of the last 6 reports producing a 27 cent gain or loss in corn futures, and 3 of the last 6 producing a limit move.**

- **In my opinion the quarterly stocks number is the more important of the 2 numbers given on Monday because it gives us an idea of whether or not the USDA is on track with their supply and demand estimates for old crop. With much of the usage information reported weekly most traders and analysts have an idea of where the stocks numbers *should* come in. Much higher than pre-report estimates would indicate either demand is slower than anticipated, or supply is higher than first thought—while the opposite results would remain true as well.**

- **Going in to Monday's report traders are expecting the USDA to peg June 1st corn stocks at 3.722 billion bushels. This would be nearly a billion bushels higher than a year ago. With the range of guesses coming in at nearly 900 million bushels, it shows just how much uncertainty there is surrounding feed usage and overall supply.**

- **With a range of 106 mbu soybean stocks have an incredibly wide range of estimates for the amount of bushels we're dealing with as well. Traders are anticipating June 1st soybean stocks to come in at 378 million bushels. The would be down nearly 57 million bushels from last year, and the lowest June 1st stocks for soybeans in 37 years.**

- **With exporters still actively selling old crop soybeans some traders question whether or not we're going to find more beans than we initially anticipated. Some believe the USDA may have underestimated supply last fall. If this were the case beans could struggle hard to maintain gains as we move ahead.**

- **As always acres remain somewhat of a wild card. A variable planting season saw some farmers plant more corn than originally anticipated, while others solidly leaned towards beans. At this point ahead of Monday's report the average analyst estimate put corn acres at 91.725 million. This would be significantly lower than last year's 95.366 mln acres, but a touch higher than the number initially released in March.**

- **As for soybeans, traders are expecting a record 82.154 million acres to be planted. This would be up 660,000 acres from the USDA's initial March estimate and 5.62 million acres higher than we saw planted in the 2013 crop year.**
- **As with quarterly stocks, expectations have a wide range. The range of estimates in corn acres is 1.2 million, while in beans it's an amazing 3.5 million acres.**
- **With wheat harvest just getting under way quarterly stocks from June 1st are expected to be somewhat skewed. From an acreage perspective though traders are anticipating a touch more spring wheat was planted than what the USDA initially projected in March.**

Bottom line, the markets are likely to be very choppy ahead of Monday's noon Eastern report. Many active traders will likely wait on the sidelines for the numbers to avoid being caught in a surprise. The lack of depth in orders will likely make swings more violent. From a production standpoint, once Monday's report is out of the way traders will begin to discuss yields and weather at a much greater level. Pollination is beginning in the Southern states, while it is still around 10 days to 2 weeks out for much of the rest of the Western Belt. At this point the only true threat seems to be a continuation of rain in the areas that need it the least.

Forecasts are pointing towards a continuation of the current trend. From a cash and hedging perspective I feel new crop soybeans are offering some very solid marketing opportunities that should be looked at closely. Corn basis has been strong as of late, while wheat basis continues to heat up. Taking advantage of strong basis values in corn especially, while futures are low is not a bad idea if you haven't done much in the way of old crop sales. In the meantime, give us a call with any questions! We're here to help!

All the Best!
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