

This Week in Agriculture:

News That Could Make a Difference: August 19, 2016

- **Sometimes all it takes to snap a market out of a bullish or bearish stretch is to receive a piece of information that all but confirms traders' bias. Last week's USDA production numbers contained the largest July/August yield adjustment on record, coming in higher than any pre-report guess. However after the initial move to new lows buyers seemed to resurface and remained present throughout the week. At the close today we saw September wheat up 5, September corn up 12 with November soybeans up 22.**
- **The ink was barely dry on the USDA's August supply and demand report before traders began to debate and discredit the government's outlook. One particular point of contention in corn yields was the fact that the USDA used the highest implied ear weight seen in the last 13 years. Thoughts that certain areas of the Corn Belt will out produce records set during last year's nearly ideal Western Corn Belt production season also came under fire. With low ear weights already a concern and little in the way of actual sampling done many traders feel this could possibly be the highest yield estimate this marketing year.**
- **Plentiful rain and close to average temperatures throughout much of the Western Corn Belt and in parts of the East so far this month have some traders believing the USDA may not be far off on soybean yield estimates. However the fact that even with record production carryout levels continue to decrease due to strong demand will likely keep a floor under the market until combines begin to show actual yield numbers.**
- **Concerns are also beginning to develop when it comes to the Delta crop. Record setting rainfall and flooding has hit an area stretching from the Delta up through South Central Illinois and into Ohio. With some areas receiving several inches of rain—in some cases over 500% of normal rainfall crop quality could be in jeopardy, especially in the areas that weren't far from harvest ahead of the rain. Above normal precipitation is expected in already water logged areas in both the 6-10 and 8-14 day forecasts.**
- **Interesting to note that some traders are now expecting both Brazilian and Argentina farmers to increase corn acres at the cost of soybean acres. Tax incentives in Argentina combined with record domestic prices in Brazil have many believing farmers may look more closely at corn plantings than initially expected. This of course could have the potential to further tighten global soybean stocks especially if any type of production hiccup would develop for either country again this year.**
- **With China using an estimated 13 million bushels a day there is little to no room for any type of production reduction going forward.**
- **Meteorologists and traders alike are watching updated La Nina forecasts with great interest. La Nina is thought to effect weather patterns in South America potentially even more so than impacts seen in the Northern Hemisphere. Forecast models are now working towards agreement that the pattern will develop although at this point it looks as though it may be much weaker and shorter lived than originally thought.**
- **The dollar hit fresh 8 week lows this week before recovering slightly ahead of the weekend. Some folks believe the Fed will raise rates in September due to recent strong data and indications of such from certain members, while others feel a rate increase ahead of the November election is out of the question. Crude has rebounded back testing the recent high end of the trading range this week.**

Next week marks the start of the much anticipated Pro Farmer Crop Tour. Having participated in the tour in 2014 I can tell you it is likely the most comprehensive look at what is actually taking place from a production potential standpoint throughout the bulk of the Corn Belt. It is possible if USDA type numbers are confirmed we could see traders take a leg out from under this most recent move higher, however if USDA numbers are proven to be off when boots hit the ground we could see some short covering take place

ahead of harvest. Rainfall outlooks need to be monitored in the Delta and surrounding regions as well as it is very possible to have way too much of a good thing, especially this time of year.

Keep in mind what you have to move right at harvest. If you do not have enough contracted and are feeling vulnerable taking advantage of price bumps makes good financial sense. As always give us a call with any questions, we're here to help. Until next week, have a great weekend and stay safe!

All the Best!

Angie Setzer

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