

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: July 17, 2015

- **Traders complaining about a lack of market volatility the first half of the year are now happy campers as our new found weather market and uncertainty over production and demand potential is creating large price swings. We watched the corn market trade to its highest level in a year, fall back and test support, before testing resistance and failing. When the dust settled we saw December corn down 14 for the week, while November soybeans were down 16—both on the low end of their recent ranges. September wheat still reeling from last week’s shockingly large global stocks number and a rallying dollar finished 22 lower.**
- **Going into Monday night’s crop progress report many traders were anticipating corn crop ratings to fall off a bit. Heavy rainfall the week prior in already saturated locations had many thinking the amount of corn rated good to excellent would be down as much as 3% from the week prior. The USDA disagreed, instead leaving the crop rating unchanged.**
- **At 69% good to excellent, it is hard for traders to continue their recent buying spree without something new developing—at least in the short term. This week’s update confirmed what is good is getting better. However, at the same time it is important to remember what has been drowned out cannot be killed again.**
- **One interesting tidbit I have been watching over the last couple of weeks is the percentage of the corn crop that is silking. After a record fast pace to planting one would assume the maturity of the crop would be ahead as well. We are not seeing this though as excessive moisture, cooler temperatures and lots of clouds has slowed crop growth. With most states running 5-10% behind average there is little to be concerned about at this point in time, but if the trend of slow maturation continues it will definitely be something to watch as we work our way into late fall.**
- **Similar to corn, traders were anticipating a downturn in conditions of 3% or more for soybeans this week. Also similar to corn, the USDA begged to differ, lowering the overall amount of the crop rated good to excellent by a point to 52%. With a percent increase in both poor and very poor, as well as one in the excellent category it is easy to see where the good is getting better and the bad is getting worse.**
- **Coming into Monday traders will continue to watch condition ratings closely. It is interesting to note that this week’s swath of heavy rainfall was narrower than seen in recent weeks, but we still saw rain amounts of nearly 400% of normal for the week stretching from Southern Iowa all the way into Ohio.**
- **With all of this talk of wet weather the trade has completely ignored the areas of the Corn Belt that have seen minimal rainfall over the last 30 days. Parts of Nebraska have seen 50% or less of their normal rainfall amounts over the past month and with temperatures soaring well into the 90’s across much of the heart of the country dryland corn in those areas is definitely beginning to struggle. The variability of this year’s crop is astounding and will likely keep traders on both sides of the fence for many weeks to come.**
- **While the uncertainty over what we can expect from a production standpoint is keeping traders on their toes, the continued uncertainty over demand or lack thereof has kept some buyers sidelined as well. This week’s crush and ethanol numbers continued to indicate strong demand, while export sales are doing their part to keep us in line with recent USDA outlooks when it comes to old crop. New crop concerns are beginning to develop though and gain traction, especially after the recent run up in price has encouraged foreign farmers to become heavy sellers and further pushed our prices out of line when it comes to global competition. The strong moves to the upside seen in the dollar this week definitely didn’t help matters.**
- **As mentioned old crop domestic demand remains strong at this point. This week’s June soybean crush report showed continued strength in that sector, with the second highest June number on record printed. Ethanol production remains on the high side as well, though thinner margins did show in a slightly lower grind number than seen a week ago. What really spooked the market this week however, was talk that a few cargoes of both corn and soybean meal from Argentina were booked for shipment into North Carolina.**
- **While it is important to point out the USDA anticipates a certain level of imports every year for those products, the new found aggressive selling posture, from the Argentinean farmer especially, is having an**

impact on the global market as a whole. Soybean exports out of Argentina into China are up 35% from a year ago and climbing.

- With new crop soybean sales down 44% from last year, it is easy to see the Chinese buyer feels comfortable having multiple suppliers. While of course Argentina's ag sector isn't necessarily the depiction of a 'well oiled machine' the idea that new crop soybean exports could be upwards of 100 million bushels lower than current projections has taken a bit of the panic over new crop production away for the time being.
- Continuing on the global demand front, we saw the amount of domestic corn purchased by Chinese buyers in the latest government auction fall to its lowest level of the year. At over \$9.36 a bushel domestic prices continue to run above import values, but the country has offered subsidies and worked to eliminate alternative feed products in an attempt to clean out reserves ahead of their next record (of course) harvest.
- The fact that buyers are not interested in purchasing these government stocks could either indicate that the need just simply isn't there, or that the quality is poor enough buyers do not want to take chances. This will definitely be something to watch as it was confirmed China was a buyer of some old crop corn in this week's report. A need to import high quality corn for blending purposes could turn this market on its head. At the same time however, it is important to note ideas surrounding the size of the second corn crop coming out of Brazil continue to grow, meaning competition will likely continue to be stiff.
- Hot and dry conditions in Europe bear watching. It is likely we could see the region's import needs increase as we work through the summer, but again stiff competition from our friends in South America may soften any effects we see.
- We started to see a very small portion of our customer base start wheat harvest this week. With free drying up to 18% and half rate above that we are encouraging our growers to get out and get their wheat cut as soon as they can to avoid any quality issues we have seen develop to our south. So far Vom levels have been a touch lower than expected in our specific draw area, but I caution with only a small percentage of the crop harvested we are most definitely not out of the woods yet. We have made plans and taken steps to ensure we will be able to handle your wheat and work with you through any problems that may arise.

Temperatures are expected to soar into the 90's for much of the Corn Belt this weekend, just in time for pollination of course. Things are expected to cool a bit Sunday to the West, before another bubble of 90's returns. 7 day rainfall forecasts have the same wet areas seeing an additional 1-3", while the areas I mentioned needing rainfall could see $\frac{3}{4}$ " or so.

With new crop ending stock estimates ranging anywhere from 1 billion to 2 billion bushels in corn and 150 to 350 million bushels in soybeans it is easy to see why we're seeing a volatile and range bound trade. Many folks will continue to debate final acres planted, while for me I will be watching the harvested percentage the USDA uses in their August report. While the drowned out areas may not show up in our weekly progress numbers, they most likely will have to show up when it comes to what the USDA says we'll run a combine through.

Remember, the trend is your friend. Don't be afraid to take some risk off the table, especially considering we have gained over a dollar in beans and over 70 cents in both corn and wheat. Using recent high price levels as targets for further sales is also a great idea. In the meantime, give us a call with any questions, we're here to help!

All the Best!
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