

This Week in Agriculture:

News That Could Make a Difference: June 12, 2015

- **Just when market bulls felt comfortable dipping their toe in the buying pool the USDA brought us back down to earth reminding us of large global and domestic supplies waiting to be used. At Friday's close we saw July corn down 7 with December corn down 8. Solid crush margins and expectations of continued strong cash markets allowed July soybeans to finish up 2, while November were down 11. July wheat hit multi-month highs before falling back, finishing down 13.**
- **Though we saw a near record start to planting excessive rainfall throughout Texas, Nebraska, Missouri, Kansas, the Dakotas and Oklahoma has kept growers in certain areas from getting back into the field to finish seeding. Analysts are quick to point out that based on the USDA's prospective plantings report and current planting pace there is an estimated 1.9 million acres of corn still unplanted, with a whopping 18 million acres of soybeans waiting to be completed.**
- **Looking at the areas where soybean planting is the furthest behind and where the bulk of rainfall fell this week it is easy to think we may see some acres lost—or at the very least a far reduced chance of a significant acreage increase in the June 30th report. With late planting dates just around the corner in many locations (or already past in Nebraska) traders will be closely monitoring rain forecasts for mid next week and beyond. A drier pattern could allow late acres to be planted, while a continuation of wet conditions could be the nail in Plant 2015's coffin.**
- **Lofty global numbers are making it difficult for trade to get too excited regarding overly wet conditions however. Many traders feel as though any type of production loss in the U.S. will be more than offset by increases out of South America. As we mentioned in our USDA summary, ideas that the Brazilian corn crop could come in near record large while estimates from South American trading firms continue to grow for both corn and beans will keep the most hesitant traders on the sidelines until something is proven to have changed.**
- **It is interesting to note as well that Chinese government officials are struggling when it comes to what to do with growing corn stocks in the country. Lofty support prices paid to growers by the government have not only pushed interior corn prices to over 30% above the global average, they have also encouraged end users in the country to seek alternate supplies when it comes to covering their needs.**
- **According to reports the Chinese government may reduce their support price by nearly a dollar a bushel and subsidize transportation costs for interior feeders in an effort to encourage consumption. While corn exports to China have dropped 91% from a year ago, sorghum exports to the country have skyrocketed.**
- **A change in domestic policy-if successful-could potentially do two things. The first being significantly impact sorghum exports in the new crop year. The second and perhaps most beneficial, give us true insight into the quality of stocks held in government reserves. At this point many folks point to price as the only determining factor in purchases made by Chinese end users, if the ability to purchase quality trumps price the market will likely begin to understand just what kind of corn the Chinese have on hand.**
- **Speaking of domestic policy, changes in the RFS appear to have done little to overall demand, or the desire to produce ethanol. This week's EIA report showed weekly ethanol production at a near record high level and the highest since December. The continued pattern of strong ethanol production numbers has many traders scratching their heads over the recent decrease in corn used for ethanol in the USDA supply and demand report.**
- **Based on the projection of some analysts corn used for ethanol could be as high as 5.3 billion bushels, 125 million bushels higher than current USDA projections. Traders will be monitoring the June 30th quarterly stocks report for any indication we have less corn on hand than initially thought as this would be the only way to show demand may be stronger than current indications show.**
- **Wheat demand and stocks potential will be monitored closely by traders as well. This week Egypt sought offers of multiple shipments of wheat for summer delivery. When the offers were announced it became**

painfully clear just how far out of the market U.S. wheat is, nearly a dollar a bushel above the final purchase price. Continued strength in the dollar is one of the major driving factors behind the pricing difference, but with only 4% of the crop harvested and an increasingly wet forecast, uncertainty surrounding availability of exportable supplies could be limiting just how cheap sellers are willing to commit at this juncture.

- Traders will continue to monitor developments out of the Euro zone as every day that goes by is another day closer to Greece's 1.6 billion dollar debt payment due date of June 30th . Without additional economic reforms both the IMF and European Central Bank are threatening to withhold Greece's next 8 billion dollar emergency bailout installment.**
- The concern at this point is without reforms, or compromise Greece may be forced out of the Euro causing an unknown level of ramifications in the global economy, while at the same time a lack of cash flow will likely force Greece into default—an honor withheld for only 2 other countries, Zimbabwe and Argentina. This uncertainty is keeping the dollar strong and buyers on the sidelines for now.**

As we move ahead weather will continue to be a dominating factor. This week the National Weather Service announced that there is a 90% chance El Nino will continue to develop, reaching max strength in late fall, early winter, so impacts during the growing season will likely be limited. Extended forecasts call for continued wetness, with below normal temperatures expected throughout the bulk of the Western Corn Belt in both the 6-10 and 8-14 day time period, while the Eastern Belt is likely to remain above average temperature-wise.

Without much in the way of a significant weather development we are likely to continue on the path to nowhere we are on. The lack of buying interest and idea that crop sizes are continuing to grow will act as a wet blanket on the markets in the short-term. This lack of excitement means rallies in all three commodities should likely be sold by the grower as opportunity may be hard to spot here for awhile. Weather forecasts Sunday night are likely to be the early week driver with the monthly crush report and crop progress update due out Monday as well. In the meantime don't hesitate to call with any questions, we're here to help!

**All the Best!
Angie Setzer
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