

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: June 23, 2017

- **For the first time in a long time wheat seemed to hold its own while corn and soybeans struggled with multi-month lows this week. As non-threatening weather combined with what amounted to a very quiet exit for the fund shorts pressured the market from the Sunday night opening. When the dust settled July wheat was down five while July corn was 25 lower and July beans were down 34.**
- **Aside from weather being what trader's feel is non-threatening with minimal heat and timely rain taking place across much of the Corn Belt Friday's Commitment of Traders report took the air out of the sails for many. Throughout the spring the common talk about rally potentials in corn would circle back to the large speculator or fund short position that had been amassed.**
- **Many felt this large fund short would result in an explosive move to the upside when (not if) the funds had to run for the exit due to a perceived or real weather event. Unfortunately many underestimated the extent of farmer selling that could take place in the face of this kind of short covering and how it could actually limit any type of solid upside move as funds decided to cover.**
- **Basically what last Friday's report showed is that though we had gained only a portion of what many market analysts were expecting with a fund short covering, that short position had been bought in with little fanfare. This lack of fanfare, lack of short position and lack of a weather forecast that could prompt further buying resulted in selling. Unfortunately that selling struggled to find a point where buyers wanted to return, hence the new lows experienced on the week.**
- **On the weather side of things much of the Corn Belt saw rains this week. There are some areas of concern however with portions of North and South Dakota experiencing extreme drought conditions in this week's Drought Monitor. Abnormally dry conditions were reported spreading into parts of Nebraska. Dryness had started to show up in Iowa, Illinois, Indiana and Michigan as well, but will likely be washed away with this week's rains—some of which set records in Indiana and Michigan triggering flooding.**
- **Traders will be looking to crop condition ratings Monday night to get a feel for how the current weather pattern is affecting crops. Many are expecting conditions to improve overall, with some deterioration in the far Western Corn Belt.**
- **Condition ratings and drought conditions are keeping the spotlight on the Spring Wheat market. The supply and demand outlook for the crop was already perceived to be tight ahead of exceptionally poor ratings and continued dryness. Reports of heavy bailing before the crop is lost entirely are growing by the day, with many expecting abandonment will near record high levels.**
- **The expected reduced supply of spring wheat shines a light on the protein issues showing up in much of the Southern Plains. Hefty Spring Wheat supplies have helped alleviate some of the pinch in the market caused by the last couple years' worth of low pro wheat in the Hard Red Winter Wheat Belt. Low protein is caused by cooler, wetter springs, conditions that make for huge, low quality crops. The pinch in protein supplies has made for an interesting rally in Kansas City prices, with spillover into Chicago. Of course heavy rain is expected to fall on crops ready to be harvested in Indiana and Ohio over the weekend potentially causing quality problems in Soft Red Wheat as well.**
- **Outside of crops we saw an interesting development this week as the USDA announced a ban on fresh meat imports out of Brazil. It's been several months since reports of tainted meat being exported from the country hit the news scene. At the time many countries were quick to ban the meat, with some wondering why the USDA didn't follow suit.**

- This week Ag Secretary Sonny Perdue announced that since March the Food Safety and Inspections Services rejected 11% of Brazilian meat shipments due to concerns over safety of the product, that's the equivalent to 1.9 million pounds of meat. The rejection rate for the rest of the world is 1%. The Brazilian Ag Minister is expected to travel to the US to discuss what needs to be done to lift the ban as soon as possible. With many of the countries initially announcing a ban only to rescind it days later it will be interesting to see if other countries take notice of the US import findings.
- Interesting to note 2 breaking news stories this week, the first being a jury in Kansas found Syngenta was responsible for the market drop after cargoes of Viptera corn were rejected from China. Plaintiffs in the case were awarded nearly 218 million dollars. The second being the state plant board in Arkansas voted to ban the use of Dicamba in fields down there as over 150 cases of crop damage have been reported since the start of the growing season. It will be interesting to see if one will set a precedent for the other.

Overall the bearish attitude that has been overwhelmingly strong in this market will likely remain unless we can get a solid surprise from the USDA next Friday or see some heat return to the forecast in the extended period. Many feel the bulk of the US corn crop will pollinate between July 10th and 20th making weather conditions during that time period vital. At this point you have to ask yourself where you wish you would have sold prior and enter orders accordingly. Without a change in the weather outlook the market will likely continue to pressure the downside as traders expect the worst ahead of next week's USDA Acreage and Quarterly Stocks report. As always give us a call with any questions, we're here to help!

All the Best!
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