

This Week In Agriculture:
USDA Supply and Demand Report Update June 9, 2017

- **The USDA released their updated supply and demand outlook today to very little fanfare as its lack of surprises was more than offset by somewhat concerning weather conditions and uncertain extended forecasts. Weather conditions were the main driver behind this week's moves with what was a soggy May transitioning quickly into a hot and dry June. For the week July corn was up 15, July soybeans were up 20, with July wheat up 16 cents.**
- **Today's USDA numbers saw zero changes made to the domestic corn outlook from last month. With the acreage report due out the 30th of this month and the USDA believing the bulk of yield potential lies in July and August production was left unchanged as was demand.**
- **Global carryout came in just under 40 million bushels lower than last month and pre-report expectations due to slight reductions in Canadian and European Union production. Though a 40 million bushel move is minimal this new trend of seeing lower adjustments to global carryout in the face of perceived production issues in the US, Canada, EU and parts of China could make things interesting as we move ahead. It is important to note though that crop size in Brazil especially continues to increase, something that would have the potential to limit any significant moves higher if the Brazilian farmer were to turn into an aggressive seller.**
- **Soybeans held what some are calling a minor surprise. With export sales running over 100 million bushels above USDA projections already in the marketing year many traders assumed an increase in exports and subsequent reduction to carryout was in the cards. The USDA left exports unchanged, but did lower crush by 15 million bushels, increasing carryout by that much in both old and new crop outlooks.**
- **The crush adjustment wasn't a surprise by any means as crush numbers released monthly have shown lower crush than a year ago while the USDA has been predicting an increase year to year. The lack of adjustments to exports is a bit of a head scratcher though, especially considering just this morning we saw another flash sale announcement, something unusual for this time of year. With shipments being a little slower than some would like to see though the USDA could believe some sales may be extended into next year—something very neutral to the market in the end, but important to watch as we move ahead.**
- **Globally the USDA increased production in both Brazil and Argentina, most notably taking Brazilian production up another 3 million metric tonnes from last month. This increase was somewhat expected, but just as the trend of lower than anticipated global ending stocks in corn is supportive, the idea that the global soybean crop continues to grow is concerning to some.**
- **Wheat is a much more interesting animal at this point as we are just getting into harvest in Southern wheat areas, with much of the Spring Wheat growing area struggling with drought conditions. While any numbers released by the USDA today were simply educated guesses many were caught off guard by the decision to increase production expectations in Winter Wheat slightly while leaving Spring Wheat production unchanged. This slight increase in production of course resulted in an increase in carryout when traders were anticipating a reduction.**
- **Globally an increase in beginning stocks as well as an increase in Russian production brought expected new crop carryout in a touch higher than traders had been anticipating. With Southern Hemisphere planting and Northern Hemisphere harvest just getting under way many changes are likely to come over these next 11 months.**

- **The report itself had one of the shortest impacts on trade in recent memory with traders looking to weather maps before the ink on the USDA numbers was even dry. With much of the Corn Belt transitioning rapidly from too wet to too dry these last couple of weeks the current forecast of temperatures in the upper 90's to 100 with wind gusts in the 40 mph range are concerning to many growers. Especially those in the Dakotas where this week's updated drought monitor showed severe drought creeping into many parts of both states.**
- **Current extended forecasts call for hot and dry weather to stick with much of the Corn Belt for the next 5 days or so before some forecast models point to a more active weather pattern developing. For the first time in recent memory though forecasters seem torn on whether this pattern shift will actually happen as models seem to differ each run. Sunday night and Monday morning's weather outlook will definitely drive trade direction as traders wait to see if conditions take a hit after this weekend's weather on Monday night's crop progress report.**

These last couple of years have proven difficult for a marketer as opportunities have proved fleeting and sometimes not easy to see them for what they are. Remember to focus on cost of production and what you need to do movement wise to maximize margin for your operation. Now is a great time to get target orders into play, pick your spot to sell before emotion can convince you otherwise.

As always don't hesitate to give us a call with any questions. We're here to help!

**All the Best!
Angie Setzer
Citizens LLC**

www.citizenslevator.com

******Commodities trading is very risky, Citizens LLC holds no liability for the use of the information contained herein******