August 16, 2013

Dear Subscriber:

Soybean futures rocketed higher this week after Monday’s USDA Crop Production report found smaller acres and reduced yield that added up in combination with WASDE to ending stocks of 220 million bushels. The reports put the emphasis right back on weather for the next few weeks heading into the September reports. Here is the latest from World Weather Inc. meterologist Drew Lerner about prospects:

Today’s forecast remains drier biased for this first week of the outlook. Most of the Midwest will not get enough rain to counter evaporation over the next week to ten days and net drying will occur. The drying bias will be accompanied by warmer temperatures with highs rising from the 70s and lower 80s today and Saturday to the 80s and lower 90s during the middle to latter part of next week.
coming ten days, but temperatures will not be far enough above average for a long enough period of time to seriously accelerate crop maturation. An extended period of warm, dry weather would be needed to get crops to mature quickly enough to reduce the risk of frost and freeze damage this autumn. Rainfall may increase in the second week of the forecast, but the situation is not likely to be so great that all of the moisture stressed areas are
sufficiently relieved. The forecast today does suggest crop stress will be back in the drier biased areas in the near future because of restricted rainfall, warm temperatures and already low moisture profiles in the soil. Those areas most favored for stress include; Illinois, central Iowa, the eastern Dakotas, portions of Minnesota and a few other random locations. Dry conditions have expanded somewhat across the corn belt in recent weeks. Here is the latest NOAA drought monitor:

And a key graphics from the Midwestern Regional Climate Center confirms the general scarcity of rainfall in key corn growing regions:
Many in the trade this week have rejected USDA’s August Crop Production report of 154.4 bushels to the acre as far too LOW given growing conditions – suggesting reports September and beyond will reflect yield closer to 160 bpa. But a graphic we provided this past Monday on USDA reporting day from the Secretary of Agriculture lock-up must be given close scrutiny:
Corn bears making a case for 2013 being like a 2009 market will need to see a significant increase in ear test weight on subsequent USDA reports – which takes the argument directly back to weather over the next three weeks or so as a key driver to price direction.

Incidently we received a interesting e-mail in the last day from AgriGold’s Scott Williamson who reports that the company is seeing some examples of ear tip back in fields in the the R-3 – R-4 state of development. AgriGold’s Keven Gale writes “cloudy conditions, denitrification, compaction and dry solies are most likely culprits of tip back bveing experienced.”

By the way in the week ahead the Pro Farmer Crop Tour will roll across the corn and soybean belts....a preview is available at:


ALL next week we will be talking directly with crop scouts on tour during the Closing Market Report....and our guest next week on Commodity Week will be Pro Farmer’s Chip Flory.
University of Illinois agricultural economist Darrel Good recapped this past week’s Crop Production report...and made a few observations about the days ahead. Darrel writes:

The USDA's corn and soybean production forecasts will be updated on September 12 and again in October and November. Forecasts of 2013-14 marketing year consumption and average prices will also be updated monthly. There seems to be room for the average corn yield forecast to increase if the growing season is not cut short with an early freeze. In addition, the current forecasts of marketing year corn exports and feed and residual use appear generous. Corn prices increased in response to today's reports, but supplies may turn out to be more abundant than currently forecast. While the soybean production forecast may also increase with a full growing season, the current forecasts of consumption may actually understate the domestic demand for soybean oil and perhaps the export demand for soybeans. An era of higher soybean prices in relation to corn prices is still expected.

To see Darrel’s full report go to:

http://www.farmdoc.illinois.edu/marketing/weekly/html/081213.html

This past week the folk at University of Illinois Farmdoc also released a report looking at shared-rent vs. cash rent.

Gary Schnitkey from the U of I Department of Agricultural and Consumer Economics writes:

There continues to be a movement away from share-rent leases to cash rental arrangements. While a number of reasons can be given for this switch, one of those should not necessarily be higher returns from cash rental arrangements. Since 2006, during a period of relatively high agricultural returns, share rent landlords received higher returns than the average cash rent as reported by NASS. Share rent landlords had comparable returns to negotiated average cash rents on professionally
managed farmland. Of course, many professionally managed acres have higher than average returns, likely following the desires of the owners of that farmland.

Comparison of share-rent returns to cash rents will be of interest in the next several years. Lower agricultural returns likely will lead to lower cash rents. How fast cash rents will come down is an open question. Share rent returns will react to the market; hence, share-rent returns will closely follow changes in market conditions. Just as share-rent returns moved up since 2006 as a reflection of higher agricultural returns, they will move down when agricultural returns are lower. This characteristic of share-rental arrangement may be an advantage, as renegotiations of cash rents do not have to occur during times of changing agricultural returns. It also could cause share-rent returns to be below cash rents in a declining agricultural return environment.

To read the full report go to:

http://www.farmdoc.illinois.edu/manage/newsletters/fefo13_14/fefo_13_14.html

USDA reports this week’s corn export sales at 30.6 million bushels (-2.3 this year, 32.9 next year). Trade guesses were for 9.8 to 25.6 million bushels. On the year, total commitments for corn are 749.9 million bushels vs. 1559.4 million bushels a year ago at this time.
Weekly Corn – as of August 8, 2013

Chart Courtesy of USDA Foreign Ag Service
For information on basis in Illinois this past week go to:

http://www.ams.usda.gov/mnreports/GX_GR113.txt

The Iowa basis report is at:

http://www.ams.usda.gov/mnreports/NW_GR110.txt

In Friday afternoon’s commitments of traders report for the week ending August 13 non-commercials increased its net short position. Non-commercials were long 353,903 contracts, an increase of 3,882 contracts, and were short 412,785 contracts, an increase of 5,866 contracts from the previous reporting period.

Meanwhile in futures and options combined non-commercial traders increased its net short position for the period ending August 13. Non-commercials were long 331,675 combined future and option contracts, an increase of 1,232 combined future and option contracts and short 407,043 contracts, an increase of 2,176 combined future and option contracts from the previous reporting period.

The CFTC Supplemental Report for August 13 indicated the following combined future/options positions (INDEX ONLY):

<table>
<thead>
<tr>
<th></th>
<th>Long</th>
<th>Short</th>
<th>Long Change from Previous Report</th>
<th>Short Change from Previous Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index Traders</td>
<td>435,223</td>
<td>65,819</td>
<td>4,527</td>
<td>4,717</td>
</tr>
</tbody>
</table>
USDA reports this week’s soybean export sales at 69.2 million bushels (-0.4 this year, 69.6 next year). The trade was anticipating sales of 11.0 to 25.7 million bushels. On the year, total commitments for soybeans are 1365.3 million bushels vs. 1421.5 million bushels a year ago at this time.

**Weekly Soybeans – as of August 8, 2013**

Chart Courtesy of USDA Foreign Ag Service
In Friday afternoon’s commitments of traders report for the week ending August 13, non-commercials decreased its net long position. Non-commercials were long 181,766 contracts, an increase of 1880 contracts and were short 120,874 contracts, a decrease of 2,325 contracts from the previous reporting period.

Meanwhile in futures and options combined non-commercial traders increased its net long position for the period ending August 13. Non-commercials were long 164,168 combined future and option contracts, an increase of 3,560 contracts and short 104,188 contracts, a decrease of 10,690 combined future and option contracts from the previous reporting period.
The CFTC Supplemental Report for August 13 indicated the following combined future/options positions (INDEX ONLY):

<table>
<thead>
<tr>
<th></th>
<th>Long</th>
<th>Short</th>
<th>Long Change from Previous Report</th>
<th>Short Change from Previous Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index Traders</td>
<td>145,789</td>
<td>16,121</td>
<td>-1,740</td>
<td>-2,867</td>
</tr>
</tbody>
</table>

USDA reports this week’s wheat export sales at 18.2 million bushels (18.0 this year, 0.2 next year). The trade was anticipating wheat sales between 20.2 million bushels and 27.6 million bushels. On the marketing year wheat sales have totaled 518.4 million bushels compared with 365.6 million bushels a year ago at this time.

**Weekly Wheat – as of August 8, 2013**

![Weekly Wheat Chart](chart.png)

*Chart Courtesy of USDA Foreign Ag Service*
In Friday afternoon’s commitment of traders report for the week ending August 13 non-commercial traders increased its net long position. Non-commercials were long 123,548 combined future and option contracts, an increase of 2,334 contacts and short 167,982 contracts, an increase of 1,046 combined future and option contracts from the previous reporting period.

The CFTC Supplemental Report for August 13 indicated the following combined future/options positions (INDEX ONLY):

<table>
<thead>
<tr>
<th>Index Traders</th>
<th>Long Change from Previous Report</th>
<th>Short Change from Previous Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>174,167</td>
<td>-320</td>
<td>4,066</td>
</tr>
</tbody>
</table>

**TECHNICALS**

After this past Monday’s USDA Crop Production report November Soybeans made an impressive rally, gaining over 80 cents while climbing about its 100 day moving average (blue line) and 50 day moving average (red line) and setting up a potential move to 1300 to 1330:
Note on Friday November futures failed to punch through the resistance level of its 200 day moving average as well as a 62 percent Fibonacci retracement at 1268. Historically the 62 percent Fibonacci retracement level has been a sticking point for soybeans....our analysts suggest consecutive closes above 1268 basis the November contract means a potential move to 1295 to 1300.

Panelists:

- Pete Manhart, Bates Commodities, Normal, Illinois
- Chuck Shelby, Risk Management Commodities, Lafayette, Indiana
- Jacquie Voeks, Stewart Peterson Group, Champaign, Illinois

Guest:

- Kevin Van Trump, Farm Direction - Raymore, Missouri

You can listen to Commodity Week each Saturday morning at 11:30 a.m. central time on AM-580 or click on the following link after 6:00 p.m. Friday evenings and catch the show on our website:

**Broadband MP3:**

http://audio01.will.illinois.edu/cw130816.mp3

**Dial Up MP3:**

http://audio01.will.illinois.edu/cw130816dial.mp3
**Weekly Continuation Chart**

**August 16, 2013**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Week High</th>
<th>Week Low</th>
<th>Week Settle</th>
<th>Change from Previous Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept Wheat</td>
<td>645 1/4</td>
<td>623</td>
<td>631</td>
<td>down 2 1/2</td>
</tr>
<tr>
<td>Jul 14 Wheat</td>
<td></td>
<td></td>
<td>660 1/2</td>
<td>down 4 1/2</td>
</tr>
<tr>
<td>Sept Corn</td>
<td>485</td>
<td>453 3/4</td>
<td>473 3/4</td>
<td>up 8</td>
</tr>
<tr>
<td>Dec 13 Corn</td>
<td></td>
<td>463 1/2</td>
<td></td>
<td>up 10 1/4</td>
</tr>
<tr>
<td>Sept Soybeans</td>
<td>1296</td>
<td>1217</td>
<td>1283 1/4</td>
<td>up 64 3/4</td>
</tr>
<tr>
<td>Nov 13 Soybeans</td>
<td></td>
<td></td>
<td>1259 1/4</td>
<td>up 77</td>
</tr>
<tr>
<td>Aug Live Cattle</td>
<td>12450</td>
<td>12280</td>
<td>12390</td>
<td>up 140</td>
</tr>
<tr>
<td>Oct Lean Hogs</td>
<td>8830</td>
<td>8540</td>
<td>8672 1/2</td>
<td>up 175</td>
</tr>
<tr>
<td>Sept Oats</td>
<td></td>
<td></td>
<td>377 1/2</td>
<td>up 18 1/2</td>
</tr>
</tbody>
</table>

**AM-580 Daily Agricultural Programming Schedule**

http://www.will.uiuc.edu/am/agriculture/schedule.htm

Monday – Friday (all times central)

- 8:49 a.m. – $*Opening Commodity Market Report
- 8:52 a.m. - $Drew Lerner Agricultural Weather
- 9:49 a.m. – $*Mid-Morning Commodity Market Report
• 10:59 a.m. – Commodity Market Price Update
• 11:59 a.m. – Commodity Market Price Update
• 12:58:30 p.m. – *Midday Market Analysis with Sue Martin
• 2:06-2:36 p.m. – $*Closing Market Report
  o 2:11 – Futures Analysis
  o 2:20 - Agricultural News
  o 2:25 - Cash Grain Analysis or Energy Analysis
  o 2:32 – Agricultural Weather Analysis

Saturday

• 6:30 a.m. - $* Commodity Week
• 11:30 a.m. – $*Commodity Week

* Available on the website for on demand listening
$ Available via podcast