

August 6, 2014

Monthly Agriculture Market Notes:

Weather Recap:

Weather through most of July was again largely favorable for crop development, continuing the trend of good weather seen since late spring. I have again attached the most recent calculated crop condition index figures for both corn and soybeans. Both crops, at least according to the NASS Crop Progress condition ratings, are still performing very well.

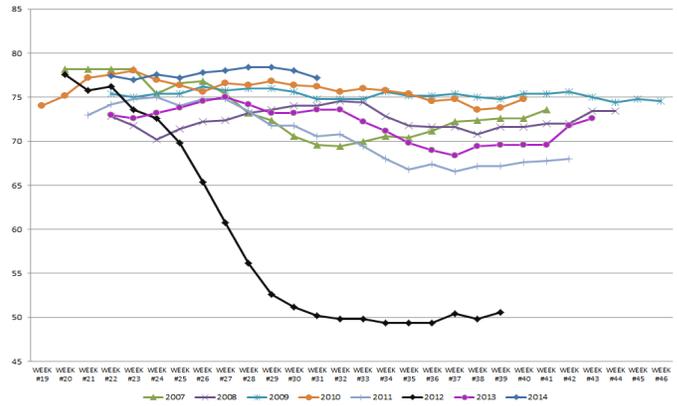
Though condition ratings have remained strong and the weather has generally been favorable in most areas, the month of July did feature some notable departures from normal in precipitation totals. The western Corn Belt in particular, states like NE, IA, KS, and MO, saw mostly below normal rainfall totals during the month. The graphic to the bottom right indicates the departure from normal precipitation over the past 30 days. Key production areas in eastern NE, southern MN, and much of IA have been dry, as well as portions of northern IL and IN. Relatively cool temps through most of the month allowed conditions to remain stable, but I have serious fears that the dry weather has taken the top-end off of what should still be an exceptionally strong crop.

The forecast going forward shows a more active precipitation pattern and maintains relatively mild temperatures through most of the country. This, if realized, should allow the crop to finish out on a fairly strong note.

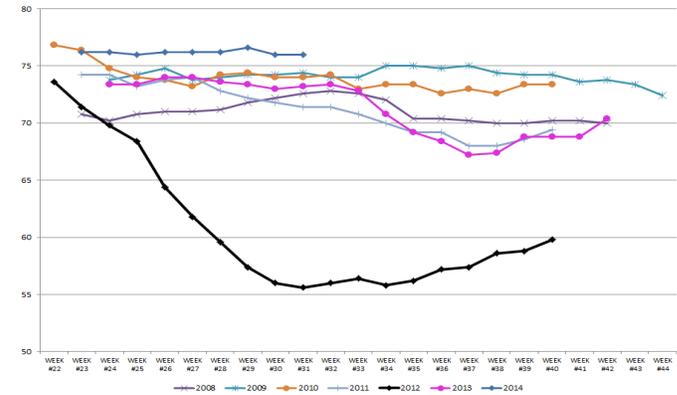
Bottom line:

Weather has been mostly favorable and crop ratings are exceptionally strong. All signs point towards an above-trend yield for both corn and soybeans. That said, I have developed some concerns around the recent dry weather and the likelihood that the top end of production *potential* has been shaved off. That doesn't mean we're looking at a poor crop, only that I wonder if some of the larger yield projections floating around will turn out to be overly optimistic.

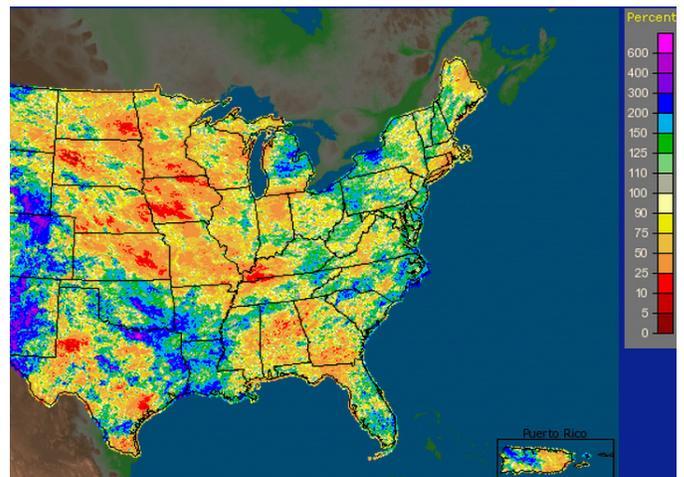
National Corn Crop Condition Index



National Soybean Condition Index



Both crops, on paper, appear to be doing very well.



The past 30 days have been dry for much of the Corn Belt.



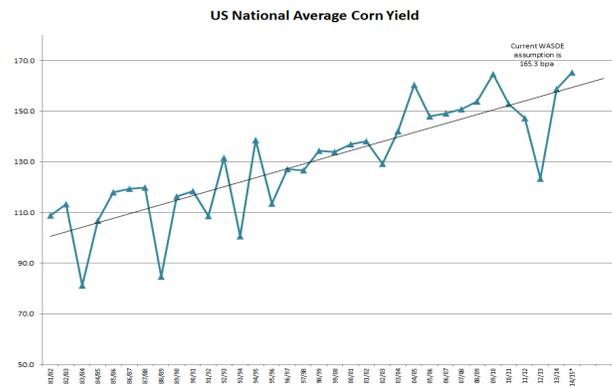
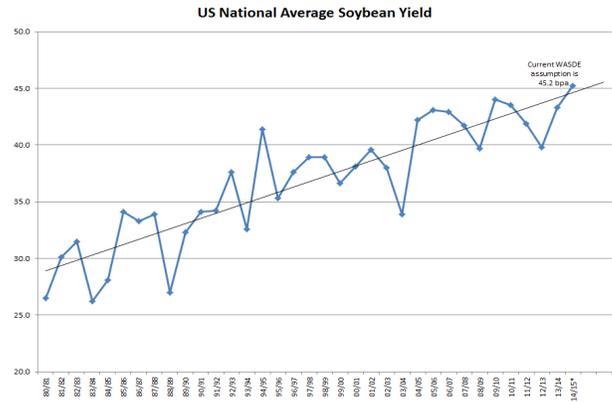
Crop Trip Details:

I'll abbreviate my normal commentary this month as I feel its not worth going into great detail over future supply and demand details when we don't have a full grasp on the first part of that equation....supply. To that end, I'll conduct my annual Corn Belt Crop Tour starting August 12th. Over the course of 9 days we'll travel more than 2,500 miles through they key production states of Illinois, Iowa, Minnesota, South Dakota, and Nebraska. My colleagues and I have conducted this trip for going on 10 years now, and it has proven to be an invaluable resource in determining ultimate crop production and laying the groundwork for long-term trade strategies going forward.

Once I return from the trip, I will issue a quick "special" report to clients discussing some of the details of what I saw and how I think corn and soybean production will end up. From there in next month's standard Agriculture Market Update, I'll lay out what I believe this means for long term balance sheets and demand projections.

As noted previously, I do expect to see excellent crops in general on the trip, however I remain a little concerned that many private estimates are leaning overly optimistic on yield potential.

David Zelinski



Despite a dry month of July, confidence remains high in above-trend yields.

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