



August 17, 2012

Dear Subscriber:

This upcoming week the Pro Farmer Crop tour will begin its annual survey of the corn and soybean belts with western and eastern legs. We will be speaking during the Pre-Opening Market Report on Tuesday, Wednesday, and Thursday with Brian Grady, leader of the eastern leg. During the Closing Market Report on Monday, Tuesday, Wednesday, and Thursday we will speak with Chip Flory, leader of the western leg of the tour. On Friday next week Chip will also be our guest during



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*The Corn Specialist*

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W I L L R A D I O  
U R B A N A I L L I N O I S

## Commodity Week.

Also next week is our Follow the Crop Tour. Todd will be leading more than 50 producers on a tour of processing and exporting facilities on down to New Orleans and back. The weeklong tour should give us additional input on harvest.

This past week the eastern corn belt finally saw sustained rain over a large percentage of the countryside. Our meteorologists caution that the showers do not necessarily mean a change in weather patterns. Friday Drew Lerner of World Weather Incorporated had this to say about conditions over the next two weeks....

"Drying will resume today and will continue into the middle of next week and "some" of the soil moisture from recent rain will be lost to evaporation. A timely rain event advertised for Wednesday into Saturday, Aug. 25 will be important in maintaining crop improvements that have occurred in portions of the northern and eastern Midwest this month. Isolated to scattered showers will continue into Aug. 31 and the rain will be important in preventing excessive dryness from expanding.

Drought conditions have worsened this month from parts of southeastern South Dakota and eastern Nebraska into eastern Kansas, western Iowa, Missouri, and portions of western Illinois. This region has missed out on most of the rain that other areas in the Midwest have received and the light rain that fell did not likely induce significant increases yield potentials. Some rain is expected through the end of August, but the rain will likely be too light and the soil is too dry for crops to benefit from the moisture for more than a brief period of time.

Temperatures will be mild through early next week with some warming occurring during the middle part of the week. Highs today through Monday in the north will be in the lower to middle 70s with a few upper 60s. Highs in the south will be in the 70s and lower 80s. Tuesday will be a little warmer and highs Wednesday through next Friday in the north will be in the middle 70s to the lower 80s with some middle 80s in the west. Southern areas will see highs in the lower to middle 80s with some upper 70s in the east and some upper 80s and a few lower 90s in the west.

Lows Saturday in the north will be mostly in the middle 40s to the lower 50s with some lower 40s. Eastern Minnesota into Wisconsin will be coolest. Lows in the south will be in the upper 40s to the middle 50s with some upper 50s in the southeast. Lows Sunday throughout the Midwest will be in

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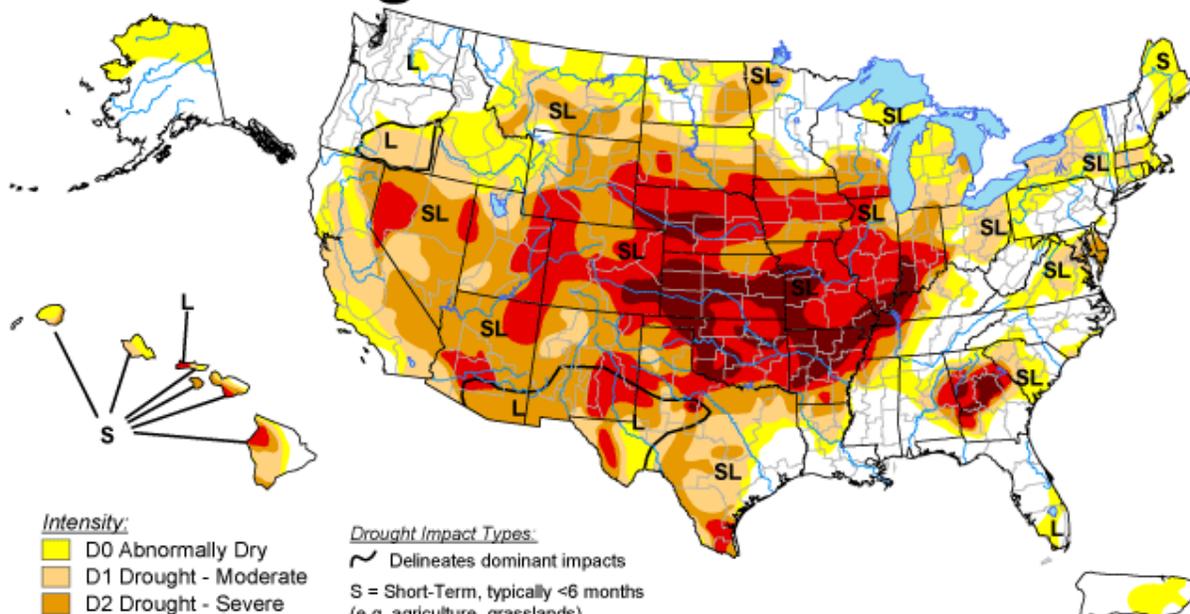
the upper 40s to the middle 50s with some middle 40s in the north. Monday and Tuesday's lows will be a little and lows Wednesday into next Friday will be in the upper 50s to the middle 60s. A brief period of cooling will occur beyond the late part of next week.

Despite recent rain in the Midwest water levels remain low on the Mississippi, Missouri, Ohio, and Illinois Rivers. Rain during the next two weeks should continue to be mostly light and most of the moisture will likely be soaked

into the ground without significantly increasing runoff to rivers and streams. Multiple rounds of significant rain are needed for more meaningful improvements of river levels. Restrictions to barge traffic will become more significant on these rivers without greater rain and more expensive forms of transportation could be needed to deliver harvested crops this fall.

# U.S. Drought Monitor

August 14, 2012  
Valid 7 a.m. EDT



**Intensity:**

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

**Drought Impact Types:**

- Delineates dominant impacts
- S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically >6 months (e.g. hydrology, ecology)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://droughtmonitor.unl.edu/>



Released Thursday, August 16, 2012

Author: Michael Brewer/Liz Love-Brotak, NOAA/NESDIS/NCDC

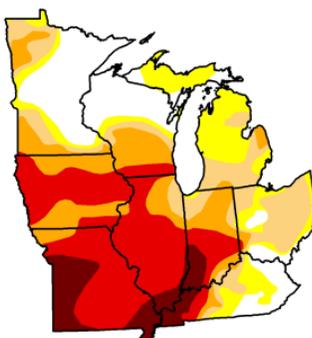
## U.S. Drought Monitor Midwest

August 14, 2012  
Valid 7 a.m. EST

	Drought Conditions (Percent Area)					
	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	19.25	80.75	66.42	51.46	35.43	8.17
Last Week (08/07/2012 map)	18.58	81.42	69.11	55.13	38.19	5.78
3 Months Ago (05/15/2012 map)	67.65	32.35	6.91	0.65	0.00	0.00
Start of Calendar Year (12/27/2011 map)	71.84	28.16	13.42	6.80	0.00	0.00
Start of Water Year (09/22/2011 map)	58.85	41.15	14.01	5.03	0.00	0.00
One Year Ago (08/09/2011 map)	62.00	38.00	10.05	0.52	0.00	0.00

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Released Thursday, August 16, 2012  
Michael Brewer, National Climatic Data Center, NOAA

# WEEKLY OUTLOOK

**U**niversity of Illinois Agricultural Economist Darrel Good says not so fast – current future prices may not provide enough rationing of limited corn and soybean supplies in 2012-13:

Based on the August production forecasts, the USDA's August WASDE report projected minimum 2012-13 marketing year ending stocks for both corn and soybeans. Even with larger imports and a draw down in stocks, consumption of U.S corn needs to decline by 1.265 billion bushels (10.1 percent) and consumption of U.S. soybeans needs to decline by 399 million bushels (12.7 percent) during the year ahead. For corn, the biggest question for demand centers on the ethanol market. The USDA projects a 500 million bushel year-over-year decline in the use of corn for producing ethanol and by-products. Ethanol demand will depend on a number of factors, including export demand, expected domestic fuel consumption, and the use of credits from previous discretionary blending to meet part of the 2013 mandate. However, the transition to a heavy dependence on ethanol as an octane enhancer and the low price of ethanol relative to gasoline suggests that the decline in corn used for ethanol will be less than 500 million bushels. That conclusion would not change even with a partial waiver of the mandate. The 250 million bushel expected decline in exports depends to some extent on the expectation of very large crops in South America in 2013 and a slowdown in Chinese imports. If ethanol and export demand is stronger than projected, as we suspect, the reduction in feed and residual use of corn will have to be larger than the current projection of 475 million bushels (10.4 percent)

For soybeans, the small crop is expected to result in a 175 million bushel (10.4 percent) cut in the domestic crush and a 240 million bushel (17.8 percent) cut in exports. The large cut in exports reflects the forecast of a record large harvest in South America in 2013. U.S. export sales for the 2012-13 marketing that begins on September 1 already account for 51 percent of the projected exports for the year.

Price behavior since the release of the USDA reports last Friday suggests that both the corn and soybean markets believe that production forecasts will increase and/or prices are already high enough to motivate the necessary rationing. Such conclusions may be premature.

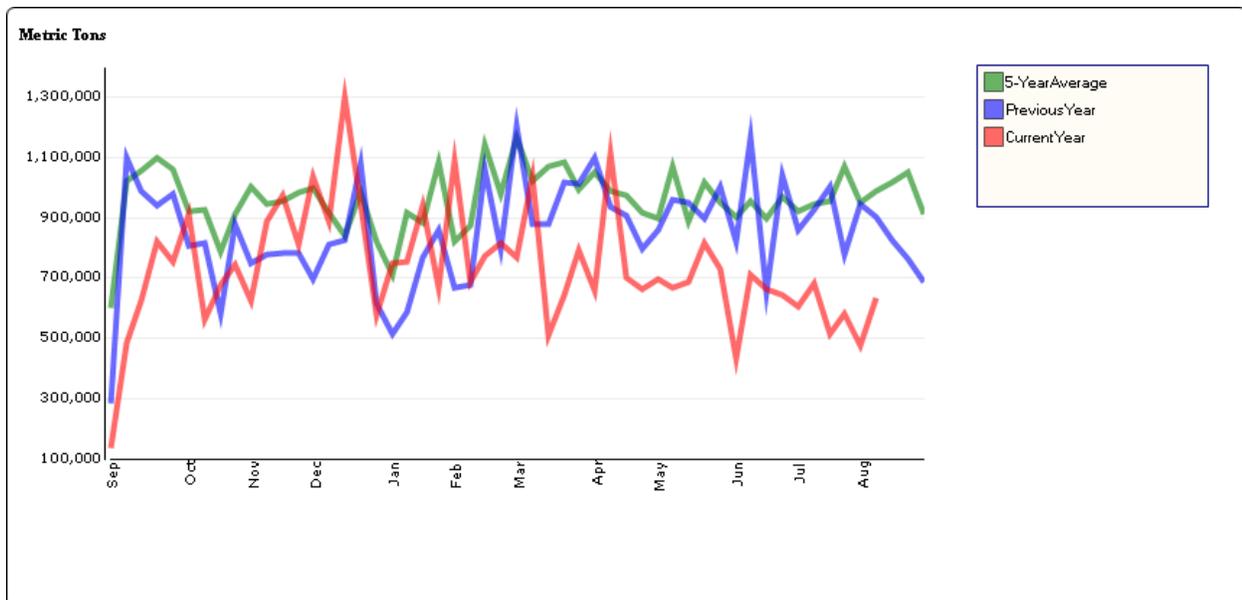
To read Darrel's full report go to:

<http://www.farmdoc.illinois.edu/marketing/weekly/html/081312.html>



**U**SDA reports this week's corn export sales at 9.9 million bushels (4.8 this year, 5.1 next year). Trade guesses were for 15.7 to 23.6 million bushels. On the year, total commitments for corn are 1559.4 million bushels vs. 1891.5 million bushels a year ago at this time.

### Weekly Corn – as of August 9, 2012



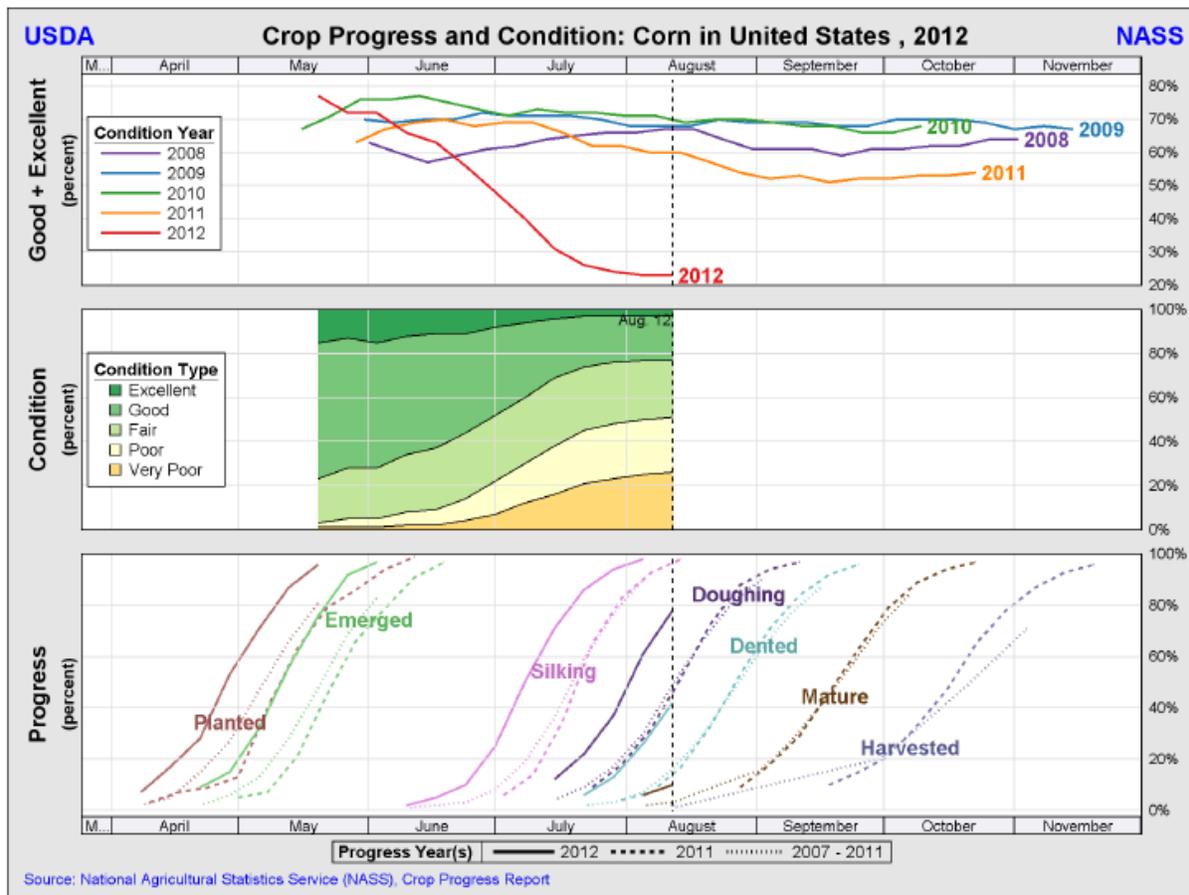
### Chart Courtesy of USDA Foreign Ag Service

For information on basis in Illinois this past week go to:

[http://www.ams.usda.gov/mnreports/GX GR113.txt](http://www.ams.usda.gov/mnreports/GX_GR113.txt)

The Iowa basis report is at:

[http://www.ams.usda.gov/mnreports/NW GR110.txt](http://www.ams.usda.gov/mnreports/NW_GR110.txt)



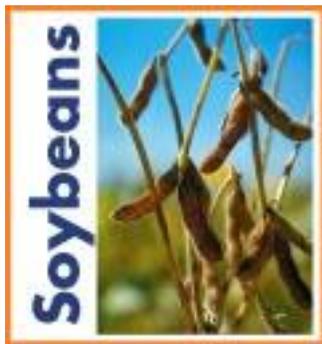
In Friday afternoon's commitments of traders report for the week ending August 14 non-commercials increased its net long position. Non-commercials were long 406,578 contracts, an increase of 17,512 contracts, and were short 90,481 contracts, a decrease of 7,272 contracts from the previous reporting period.

Meanwhile in futures and options combined non-commercial traders increased its net long position for the period ending August 14. Non-commercials were long 395,926 combined future and option contracts, an increase of 16,531 combined future and option contracts and short 52,620

contracts, a decrease of 244 combined future and option contracts from the previous reporting period.

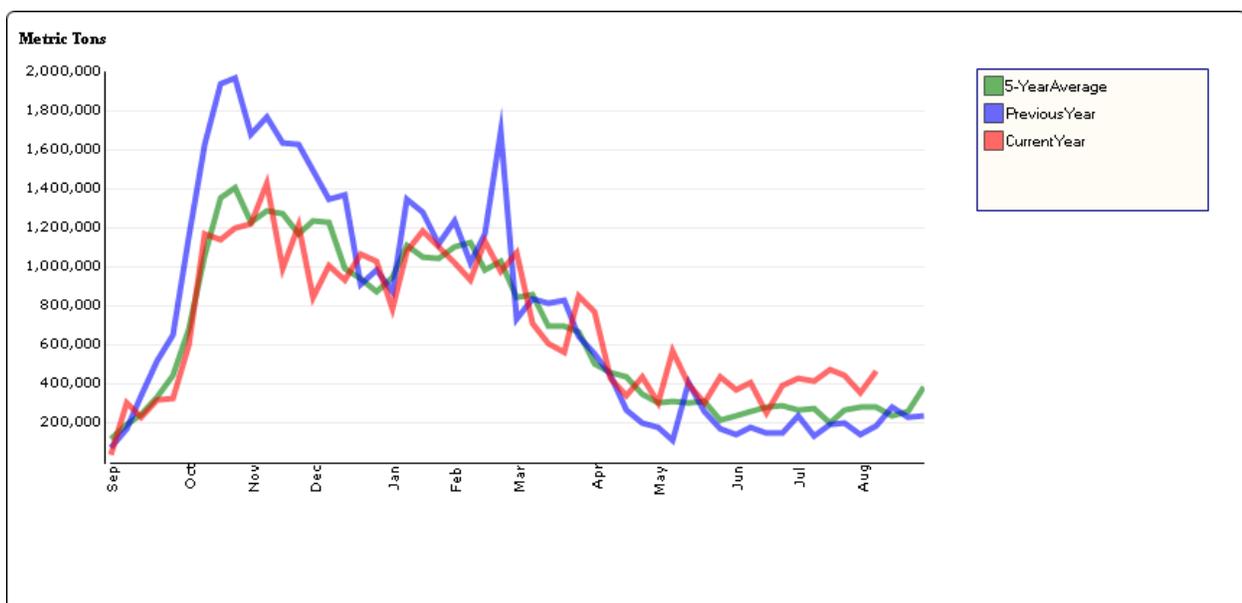
The CFTC Supplemental Report for August 14 indicated the following combined future/options positions (INDEX ONLY):

	Long	Short	Long Change from Previous Report	Short Change from Previous Report
Index Traders	428,923	69,675	5,230	4,945

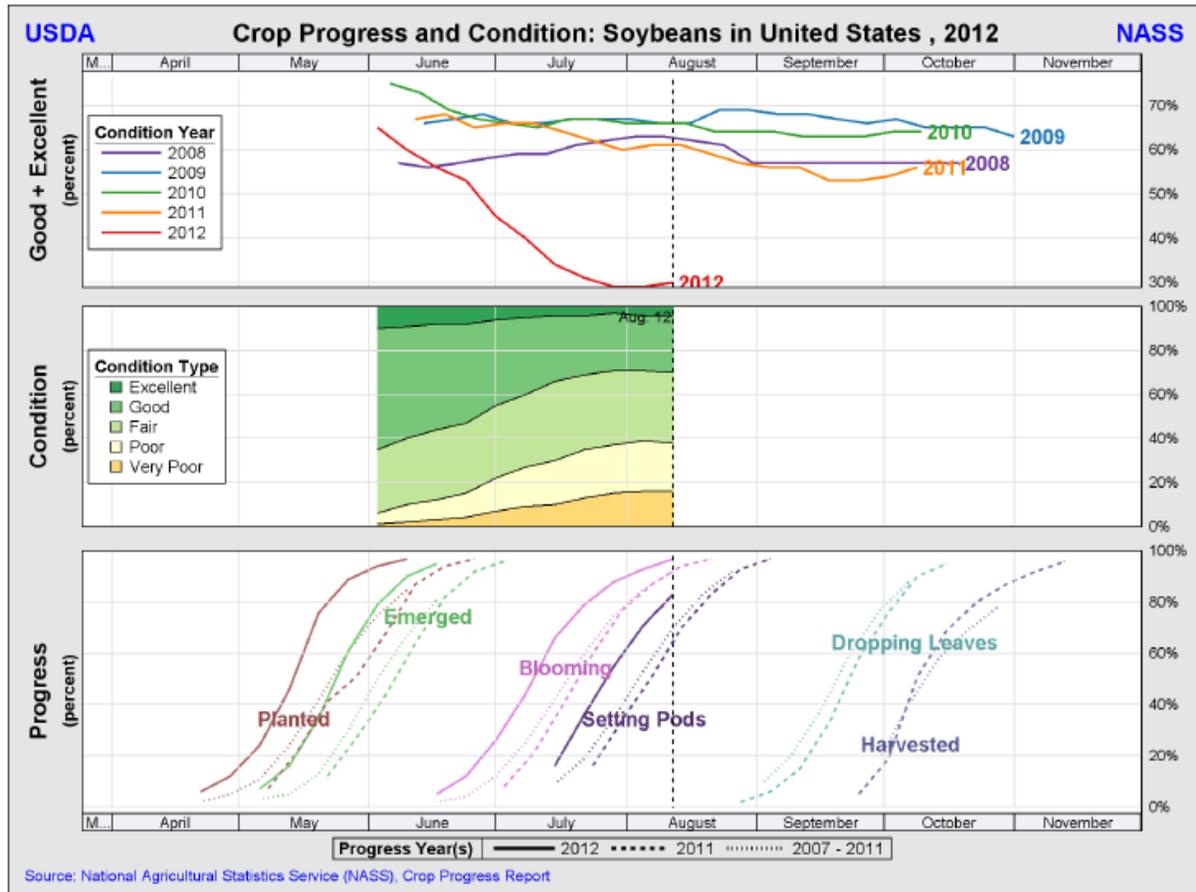


**U**SDA reports this week’s soybean export sales at 37.6 million bushels (3.6 this year, 34.0 next year). The trade was anticipating sales of 25.7 to 36.7 million bushels. On the year, total commitments for soybeans are 1421.5 million bushels vs. 1547.7 million bushels a year ago at this time.

### Weekly Soybeans – as of August 9, 2012



## Chart Courtesy of USDA Foreign Ag Service

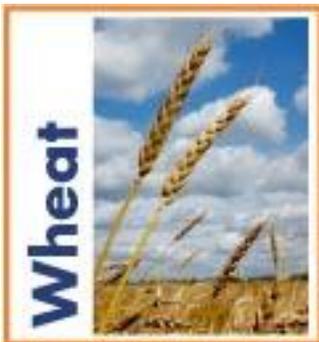


In Friday afternoon's commitments of traders report for the week ending August 14, non-commercials decreased its net long position. Non-commercials were long 300,245 contracts, a decrease of 3,034 contracts and were short 69,947 contracts, a decrease of 1,055 contracts from the previous reporting period.

Meanwhile in futures and options combined non-commercial traders increased its net long position for the period ending August 14. Non-commercials were long 282,974 combined future and option contracts, an increase of 2,532 contracts and short 51,565 contracts, a decrease of 1,446 combined future and option contracts from the previous reporting period.

The CFTC Supplemental Report for August 14 indicated the following combined future/options positions (INDEX ONLY):

	Long	Short	Long Change from Previous Report	Short Change from Previous Report
Index Traders	196,245	80,349	-1,730	-2,495



**U**SDA reports this week's wheat export sales at 14.6 million bushels (14.6 this year, 0.0 next year). The trade was anticipating wheat sales between 14.7 million bushels and 25.7 million bushels. On the marketing year wheat sales have totaled 366.7 million bushels compared with 422.0 million bushels a year ago at this time.

### Weekly Wheat – as of August 9, 2012

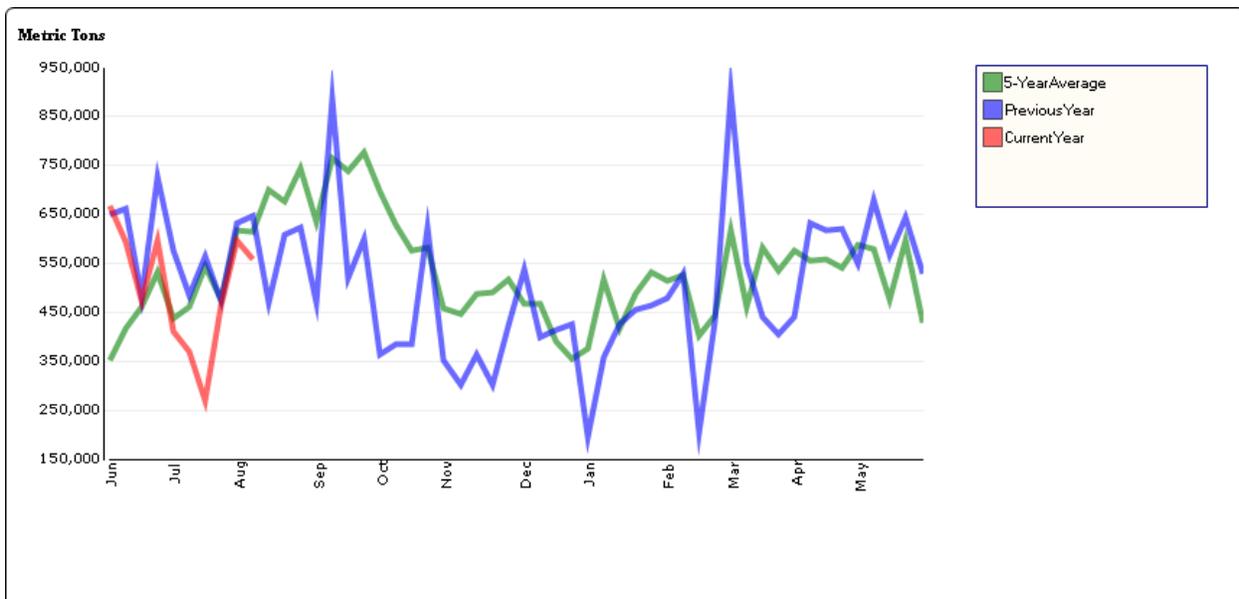
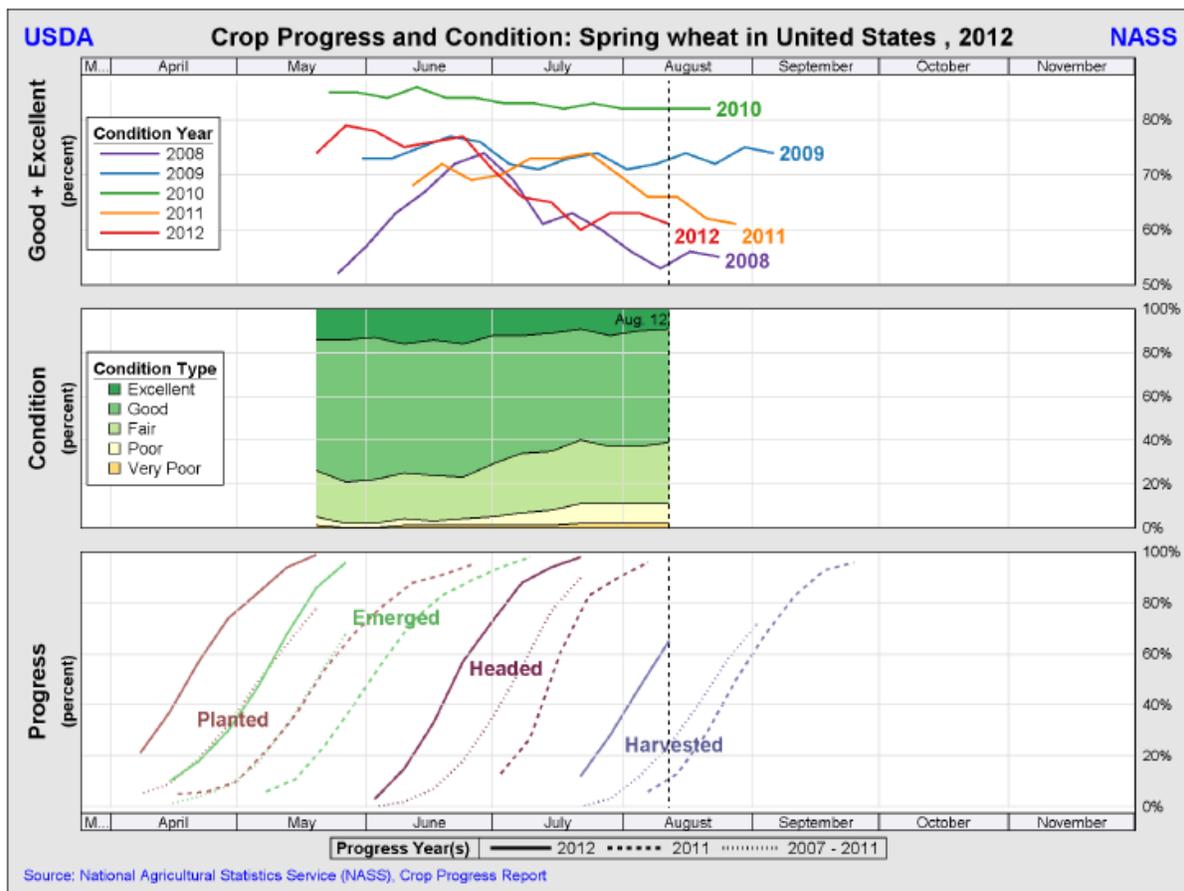


Chart Courtesy of USDA Foreign Ag Service



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**[m.willag.org](http://m.willag.org)**

- The Pre-Opening Market Report
- The Opening Market Report
- The Closing Market Report
- Commodity Week
- Agricultural News and Weather

In Friday afternoon's commitment of traders report for the week ending August 14 non-commercials decreased its net long position. Non-commercials were long 144,948 combined future and option contracts, a decrease of 4,485 combined future and option contracts and short 84,751 contracts, an increase of 110 combined future and option contracts from the previous reporting period.

The CFTC Supplemental Report

for August 14 indicated the following combined future/options positions (INDEX ONLY):

	Long	Short	Long Change from Previous Report	Short Change from Previous Report
Index Traders	224,881	36,753	-6,239	-3,638

## **TECHNICALS**

In the short term corn has moved into a follower role to both soybeans and corn. September 2012 Corn Futures have been trading in a broad sideways pattern for several weeks. Our analysts say poultry and pork producers in the East – notably Virginia and the Carolinas – have been importing Argentina corn of late and there are some private estimates that are suggesting USDA may have under estimated corn planted acres by 1.5 million.

Bullish on Friday was the U.S. Appeals Court for the District of Columbia Circuit siding with the Environmental Protection Agency (EPA) and its partial waiver approval for E15 ethanol fuel for model year 2001 and newer light duty vehicles and all flex fuel vehicles. This represents nearly two-thirds of all vehicles on the road and almost 75% of vehicle miles driven.

Since the initial waiver filing in March 2009, vehicles were tested using E15 for a combined six million miles, health effects data on E15 was collected and approved, and a first of its kind misfueling mitigation plan was required and approved in order for retailer to offer E15. Today, at least one station in Lawrence, KS, is selling E15 under the conditions set by the partial waiver.

Our analysts suggest that as long as December 2012 corn holds at our above the 8 dollar benchmark additional upside potential remains.

## September 2012 Corn Futures (Composite Daily)



## December 2012 Corn Futures (Composite Daily)



Todd and Dave would love to hear from you. We are always looking for ways to improve WILL's agricultural service. If you have an idea, or just want to talk, you can e-mail us at [willagstaff@illinois.edu](mailto:willagstaff@illinois.edu). You can also

reach s via snail mail at Campbell Hall for Public Telecommunications, 300 North Goodwin Avenue, Urbana, Illinois 61801, or phone at (217) 333-7300.



## Commodity Week

### **P**anelists:

- Wayne Nelson, L and M Commodities – New Market, Indiana
- Dan Zwicker, CGB Enterprises - Mandeville, Louisiana

### **G**uest:

- Joe Vaclavik, Standard Grain – Chicago, Illinois

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 RIGHT NOW and catch the show on our website:

### **Broadband MP3:**

<http://www.will.uiuc.edu/media/cw120817.mp3>

**Dial Up MP3:**

<http://www.will.uiuc.edu/media/cw120817dial.mp3>

**August 17, 2012**



**Weekly Continuation Chart**

Commodity	Week High	Week Low	Week Settle	Change from Previous Week
Sept Wheat	885 1/4	838 1/4	874 1/2	down 10 3/4
Jul 13 Wheat			842 /2	down 9 1/2
Sept Corn	804 1/2	776 3/4	798 1/2	down 1 1/2
Dec Corn			807 1/4	down 2
Sept Soybeans	1679 1/2	1610 1/4	1671	down 2 1/4
Nov Soybeans			1645 3/4	up 2
Aug Live Cattle	12270	12060	12107 1/2	up 47 1/2
Oct Lean Hogs	7770	7550	7620	up 67 1/2
Sept Oats			383 3/4	down 4 1/2



## **AM-580 Daily Agricultural Programming Schedule**

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

Monday – Friday (all times central)

- 8:49 a.m. – \$\*Pre-Opening Commodity Market Report
- 9:49 a.m. – \$\*Opening Commodity Market Report
- 10:59 a.m. – Commodity Market Price Update
- 11:59 a.m. – Commodity Market Price Update
- 12:55 p.m. – \*Midday Market Analysis with Sue Martin
- 1:50 p.m. – CBOT & CME Settlement Prices
- 2:06-2:36 p.m. – \$\*Closing Market Report
  - 2:08 – \*Futures Analysis
  - 2:20 – \*Agricultural News
  - 2:25 – \*Cash Grain Analysis or Energy Analysis
  - 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.