

CORN:

A second day of values surging higher with the vague innuendo of a weather threat accelerating fund buying. CFTC report showed funds had literally liquidated their entire position, at the beginning of the week long only 35,000 contracts. Scattered rains moving across the grain belt this week. High pressure centered in the US Southwest will oscillate intermittently threatening hotter drier conditions for the western one-quarter to one-third of the belt. Monday night data saw corn crop rated 68% good, up 1 from last week. Kansas dryness dropping crop ratings there 10 points. South Dakota up 6, Minnesota up 5.

Corn: Percent G/E

	<u>2013</u>	<u>Weekly Change</u>
IA	58	+ 1
NE	76	- 2
MN	63	+ 5
ND	76	+ 2
SD	76	+ 6
KS	49	- 10
MO	59	--
IL	68	- 1
IN	81	+ 2
OH	83	- 2
MI	77	+ 1
WI	63	+ 3
NATL	68	+ 1

This type of crop rating would historically support a final US yield in the upper 150's but traders fear subsequent crop deterioration with changing conditions with significantly delayed pollination this year. National corn crop only 6% silking vs 20% average and 46% last year. Trade guessing national silking pace near 66% by July 28, the slowest since 2009. July contracts expire Friday with Illinois River basis down sharply but still 8 over DVE. Interior rail basis values up as much as 10 cents with still light farmer selling. July corn open interest at 7137. USDA will issue new old crop, new crop and world S&D projections mid Thursday. Trade debating whether USDA would proactively lower new crop yield estimate in this July report before the August survey. USDA has demonstrated this ability in some recent prior years.

July Corn Yield Changes

	Yield Estimate		July 1 Pct G/E
	<u>June</u>	<u>July</u>	
2013	156.5	?	68
2012	166.0	146.0	40
2008	148.9	148.4	62
2005	148.0	145.0	58

Trade guess estimating old crop corn stocks at 725, down only 44 million from the June estimate. Larger feed and ethanol usage however could pull USDA ending stocks forecast even lower. Without a yield change, USDA should still project adequate/surplus new crop supplies in the July new crop forecast.

US Corn 13-14

	<u>June</u> <u>USDA</u>	<u>July</u> <u>Est</u>
Planted	97.3	97.4
Harvested	89.5	89.1
Yield	156.5	156.5
Carryin	769	694
Production	<u>14005</u>	<u>13944</u>
Available	14799	14663
Total Use	<u>12850</u>	<u>12850</u>
Carryout	1949	1813

South American safrinha corn crop harvest expanding with some interior prices there at or below the cost of production with light farmer selling. Iowa topsoil moisture 12% short but Nebraska topsoil moisture reported 53% short. South Dakota topsoil 19% short, Missouri 23% short. Illinois corn average height at 48 inches vs 67 last year and 55 average. Minnesota height at 30 inches vs 46 average and 62 last year. Model suggests \$5.00 Dec corn discounts a sub 150 corn yield. Trade however will remain apprehensive now with new crop weather forecasts influx.

SOYBEANS:

Values surging higher led by the new crops with traders nervous over the vague innuendo of hotter and drier weather for the western belt. Southwestern heat dome will oscillate potentially threatening warm dry conditions for the western third to one-quarter of the belt. Monday night data showed soy crop 67% good, unchanged from last week but still the best since 2003. Kansas dryness lowering soy rating there 8 points, Ohio ratings down 6 with excessive moisture and South Dakota ratings up 10.

Soy: Percent G/E

	<u>2013</u>	<u>Weekly Change</u>
IA	56	--
NE	76	- 2
MN	63	+ 4
SD	77	+ 10
ND	74	+ 2
MO	56	+ 5
AR	53	- 3
KS	59	- 8
IL	73	+ 1
IN	75	+ 1
OH	74	- 6
MI	68	+ 4
WI	64	+ 2
NATL	67	--

Trade concerned about delayed emergence in some key states.

Soy Emerged – Lagging Average

	<u>2013</u>	<u>Percent Emerged Average</u>
IA	95	98
KY	83	95
MN	96	100
NC	73	91
ND	96	100
TN	78	92
WI	93	100

Trade debating if USDA will lower robust June new crop yield estimate in Thursday S&D update. USDA has demonstrated this potential in two previous years.

US Soy Yield Estimates

	<u>June</u>	<u>July</u>	<u>July 1 Pct G/E</u>
2013	44.5	?	68
2012	43.9	40.5	40
2008	42.1	41.6	62

A lower yield and the June acres could combine to find USDA slightly lowering new crop carryout estimates. USDA may also alter robust China import estimate to further juggle new crop balance table.

US Soy 13-14

	<u>June</u>	<u>Est July (A)</u>	<u>Est (B)</u>
Planted	77.1	77.7	77.7
Harvested	76.2	76.9	76.9
Yield	44.5	43.4	43.4
Carryin	125	110	110
Production	<u>3390</u>	<u>3337</u>	<u>3337</u>
Available	3530	3462	3462
Total Use	<u>3264</u>	<u>3264</u>	<u>3200</u>
Carryout	265	198	262
China Imports	69 mmt	69 mmt	66 mmt

Still this type of table will underscore the relatively delicate balance regarding new crop supply demand with any type of a 42 or less yield finding USDA projecting stocks plunging to tight levels again next year. Any legitimate new crop production threat can ratchet new crop values sharply higher despite the fact that South American inventories could be nearly 700 million bushels larger than a year ago. Growing Western Hemisphere demand with some reduction in US production could still find the September 1 Western Hemisphere six month supply demand ratio at the third tightest level in history. All of this to potentially add additional risk premium to new crop values. July contracts expire Friday with cash Illinois River soy basis values some 10 cents over DVE. July soybean open interest at 5,100 contracts with July meal open interest at 4235. Desperate tightness continues in US interior soymeal supplies with basis values from \$20 to \$50 a ton over DVE at territorial delivery points. South American fob soymeal values reported at a record \$120/ton discount to the US. This offering a tremendous profit potential for imports but logistics limit arbitrage ability. US continues to be an island of soybean and soymeal tightness amid a hemisphere

adequately supplied. Cross-border (Canada) rape imports not above 250,000 tons with South American soybean imports already seen at a record 25 to 30 million bushels. All of this to potentially impart unprecedented value to August soybean and meal contracts with US soy harvest not available until mid September. New crop US soybean supply demand situation has limited room to tolerate weather threats. USDA August yield estimate has only been above 41.7 bu/acre once and final US yield above 43 bushels only 3 to 4 times. Using USDA's new crop demand, the US would need to achieve a 43 type yield to maintain fully adequate projected ending stocks. November contract trading above key moving averages. Oil World sees larger Ukraine and EU rapeseed crops.

WHEAT:

Values racing higher on fund shortcovering. Funds estimated shorter than expected, short 49,000 contracts of Chicago wheat. US HRW harvest continues to expand but with extremely light farmer selling. National winter wheat crop 57% harvested vs 64% average. Kansas 87% vs 89 average. Spring wheat crop 72% good vs 68% last week. Ohio SRW wheat rating down 6 on wet weather with growing fears in the eastern corn belt of SRW quality deterioration. USDA will re-estimate US winter wheat production Thursday. Trade expecting a slightly smaller total production estimate. Potential reduction in HRW production from the June estimate will find HRW stocks plunging to the smallest carryout since 07-08.

US HRW Wheat

	<u>12-13</u>	<u>13-14</u>
Carryin	317	348
Production	<u>1004</u>	<u>740</u>
Available	1339	1106
Domestic	588	560
Export	<u>403</u>	<u>390</u>
Total	991	950
Carryout	348	156

Kansas City deliverable stocks surging 19 million bushels from last week, near 85 million vs 89 million last year. Chicago deliverable stocks up 2 million to 53 million vs 88 million last year. Russian values under pressure.

ECBOT	HIGH	LOW	CLOSE	CHANGE
July Corn	7.10	6.92	7.04	+ 12 1/4
Dec Corn	5.245	5.025	5.2175	+ 21 1/4
July Beans	16.30	16.07	16.1325	+ 4
Nov Beans	12.8675	12.5375	12.7625	+ 24
July wheat	6.79	6.60	6.755	+ 15 1/2