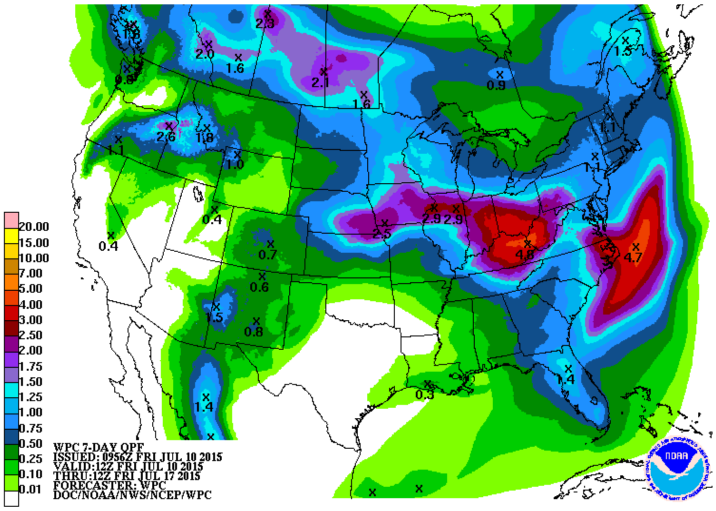
A/C Trading

Commodity Futures

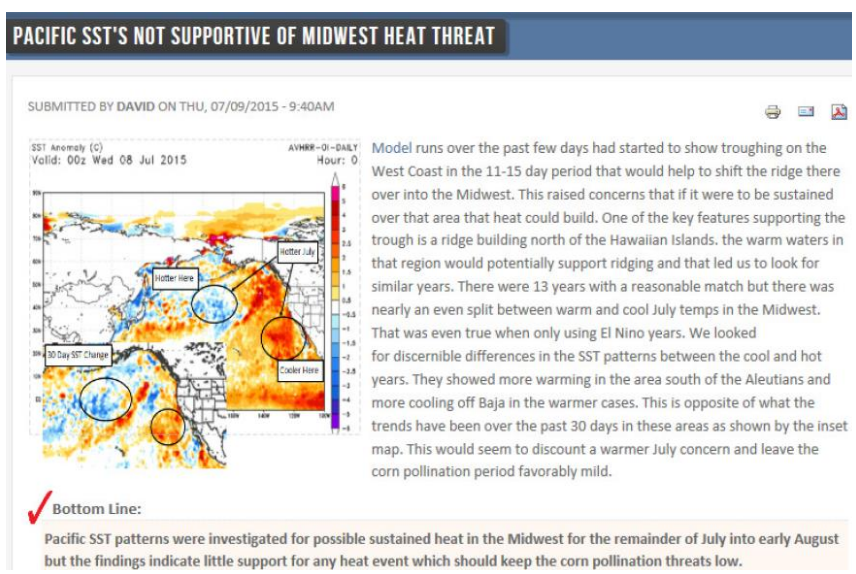
Daily Grain / Hogs Marketing Outlook
Written by: Jim Gerlach
7/10/2015

Early Call 8:45am EDT: Corn up 3, soybeans up 8, wheat up 7. All three grains are higher early with narrow overnight trading ranges, a sign of caution ahead of Friday's WASDE report, due out at noon EDT. Rain remains a concern in the eastern Midwest and crops in the northwestern Plains continue to suffer hot and dry conditions. A sharply lower U.S. dollar and higher equity markets are also supportive.

Grains: Corn and soybean futures gained Thursday amid buying by traders and investors ahead of fresh data due out from the government on Friday. Soybean prices led the gains, rebounding prior to a report by the USDA on Friday which is widely expected to be bullish for soybean prices (although to be honest, I think 2015/16 crop production could be bearish as noted below). Analysts expect the USDA to trim soybean production estimates from month-ago levels because of heavy rains this summer that have prevented farmers from completing planting and have flooded some fields already sown, potentially curbing yields. Prices for the oilseeds on Thursday also got a boost from signs China's stock market may be stabilizing. Soybean prices fell to the lowest level in more than a week on Tuesday amid fears a collapsing stock market in China would slow demand for U.S. supplies of the crop. On Thursday, however, Chinese shares made their biggest daily gain in six years as Beijing took measures to buoy its stock market. There was a relief rally around the world in the equities and that helped, along with rains that fell overnight in places where fields already are saturated, including parts of Missouri, Illinois and Indiana. Soybean futures for July delivery climbed $.31 1/2 to $10.37 3/4. Corn prices rose to the highest level in more than a year as traders and investors squared positions ahead of a USDA report widely expected to reduce estimates for this year's corn harvest as rainy weather dents crop yields. Late in the day, farmer selling weighed on prices for the crop, as did largely favorable weather outlooks and reports from farmers' fields suggesting some crops are faring better than expected. July corn advanced $.05 to $4.21 1/4, the highest closing price since July 1, 2014. Wheat prices were mixed, with nearby futures settling unchanged and longer-dated contracts down slightly. While strength in corn and soybean markets supported prices for the grain, the advancing U.S. wheat harvest and expectations the USDA will raise its outlook for domestic wheat production and inventories weighed on the market. Sluggish demand for U.S. wheat supplies also pressured prices, with Egypt, the world's largest grain importer, recently purchasing wheat from Russia and Ukraine in a recent tender. That was a reality check on world competitiveness and we can keep running up wheat prices, but we just end up further and further out of the market. CBOT July wheat was flat. September dated contracts shed 1/4 cent to $5.77 1/4.



Our lead forecaster says the exact location of hot upper-level high pressure in or near the Plains will drive the U.S. weather pattern through at least two weeks. Temperatures will be notably warmer than recently as rounds of heat unfold, but will be accompanied by widespread coverage of at least near-normal rainfall as a “ring of fire” pattern develops, hottest in the Plains, wettest in the Corn Belt. Therefore, July 2015 is probable to be warmer and wetter than last July. Heat affects most of the central U.S. for at least several days starting Saturday-Sunday. Heat reverts to seasonable levels in the Corn Belt for Tue.-Thu. (Jul. 14-16), staying hot in Plains. Heat is likely to remain a theme from July 17 forward, especially for the southwest third to half of the central U.S. Despite periods of heat, at least near-normal rainfall affects most areas through two weeks. Above-normal rainfall is most likely from the northern Plains through the heart of the Corn Belt. However, as outlined in the attached graphic courtesy of Commodity Weather Group (www.commoditywx.com), the warmer pattern isn’t likely to be the dominate theme this summer. Longer term, the U.S. Climate Prediction Center said they now see a more than 90% chance for El Nino to continue through the northern hemisphere winter and an 80% chance is will last through early spring. If so, one could reasonably expect



PACIFIC SST'S NOT SUPPORTIVE OF MIDWEST HEAT THREAT

SUBMITTED BY **DAVID** ON THU, 07/09/2015 - 9:40AM

Model runs over the past few days had started to show troughing on the West Coast in the 11-15 day period that would help to shift the ridge there over into the Midwest. This raised concerns that if it were to be sustained over that area that heat could build. One of the key features supporting the trough is a ridge building north of the Hawaiian Islands. the warm waters in that region would potentially support ridging and that led us to look for similar years. There were 13 years with a reasonable match but there was nearly an even split between warm and cool July temps in the Midwest. That was even true when only using El Nino years. We looked for discernible differences in the SST patterns between the cool and hot years. They showed more warming in the area south of the Aleutians and more cooling off Baja in the warmer cases. This is opposite of what the trends have been over the past 30 days in these areas as shown by the inset map. This would seem to discount a warmer July concern and leave the corn pollination period favorably mild.

Bottom Line:

Pacific SST patterns were investigated for possible sustained heat in the Midwest for the remainder of July into early August but the findings indicate little support for any heat event which should keep the corn pollination threats low.

another bumper South American crop this winter and a poor Australian wheat/Malaysian palm oil crop, as the correlations to El Nino are strong in these areas.

The USDA's July WASDE report at noon EDT today could hold notable changes to the corn new crop balance sheet and more modest revisions for old crop. The June 30 Grain Stocks report largely supported the USDA's current 2014/15 feed/residual usage estimate of 5.250 billion bushels, even though it came in 108mb under the average trade estimate. Based on June 1 stocks at 4.447 billion bushels 3rd quarter implied feed/residual usage was around 1.126 billion bushels, which was up a very surprising 31% from last year. With that number now in the balance sheet, 4th quarter feed/residual usage would need to be just 461mb, a 12% increase from last year, in order for 2014/15 total usage to reach the USDA's current projection. The question is whether they bump their annual estimate up a bit given the significant 3rd quarter increase. Interestingly, **the last two times June 1 corn stocks came in below expectations (2012 and 2013), the USDA did not revise their annual feed/residual usage estimate higher in the July WASDE report, while they actually raised their old crop ending stocks estimate both times, as well**. In 2010, when June 1 stocks were 300mb lower than expected, the USDA raised annual feed/residual usage by 175mb in the July WASDE report. I expect the USDA to either leave their feed/residual usage estimate unchanged or possibly make a modest upward revision of around 25mb. The USDA was likely premature in lowering their corn for ethanol usage estimate by 25mb last month to 5.175 billion bushels and I look for it to be bumped back higher in Friday's WASDE report. Looking at their 1.825 billion bushel export projection, total commitments are currently at 1.798 billion bushels, representing 98% of the USDA's annual estimate. Historically, that is right in line with other recent years' commitments vs. annual exports. Thus, if we add 50mb of demand into the 2014/15 U.S. corn ending balance sheet, stocks would be 1.826 billion bushels vs. the USDA last month at 1.876 billion.

USDA 2014/15 U.S. Grain Ending Stocks

(million bushels)	USDA	Average Estimate	Range of Estimates	USDA Previous	RJO
Corn	________	1,811	1,726-1,880	1,876	1,814
Soybeans	________	287	251-330	330	282

USDA 2015/16 U.S. Grain Ending Stocks

(million bushels)	USDA	Average Estimate	Range of Estimates	USDA Previous	RJO
Corn	________	1,540	1,263-1,910	1,771	1,263
Soybeans	________	370	193-450	475	383
Wheat	________	861	695-947	814	904

* RJO estimates reflect our ideas on final marketing year ending stocks, not an attempted guess at the USDA's report estimates for this month

USDA 2015/16 U.S. Wheat Production

(million bushels)	USDA	Average Estimate	Range of Estimates	USDA Previous	RJO	Last Year
All Wheat	________	2,148	2,070-2,197	2,121	2,185	2,026
All Winter Wheat	________	1,480	1,430-1,520	1,505	1,486	1,378
Hard Red Winter	________	885	845-900	887	893	738
Soft Red Winter	________	400	378-418	414	394	455
White Winter	________	198	190-206	204	199	184
"Other Spring" Wheat	________	599	545-634	n/a	617	595
Durum	________	77	52-90	n/a	81	53

* RJO estimates reflect our ideas on final crop production numbers, not an attempted guess at the USDA's report estimates for this month

USDA 2014/15 World Ending Stocks

(million tonnes)	USDA	Average Estimate	Range of Estimates	USDA Previous	Last Year
Corn	________	195.3	188.0-197.5	197.0	170.8
Soybeans	________	82.8	81.2-84.3	83.7	66.3
Wheat	________	200.3	195.4-204.4	200.4	186.6

USDA 2015/16 World Ending Stocks

(million tonnes)	USDA	Average Estimate	Range of Estimates	USDA Previous	Last Year
Corn	________	193.0	185.4-197.0	195.2	197.0
Soybeans	________	91.8	89.0-94.8	93.2	83.7
Wheat	________	200.4	192.4-204.4	202.4	200.4

Shifting to new crop, the USDA will be assuming the June 30 Acreage report numbers in their 2015/16 balance sheet, while also possibly revising their average yield assumption of 166.8bpa as well. While the USDA's 88.897 million acre estimate of planted area was down only slightly from the 89.2 million estimate they've been using their new crop balance sheet, the USDA estimated harvested acreage at 81.101 million acres on June 30, a more substantial 600,000 acres below their current balance sheet assumption. Even if USDA does not revise their yield estimate, the downward acreage revision would reduce their 2015/16 crop estimate by 102 million bushels to 13.58 billion. **Regarding a potential USDA yield revision, they have been quite limited in recent years in the July WASDE report, only seeing three revisions in the last 10 years, but all were to the downside.** Given the historically poor conditions in 2012, the USDA sharply lowered their yield estimate by 20bpa in the July WASDE report, but the most substantial downward revision in any other since 1989 was by 4.7bpa. Accordingly, I would not be surprised to see a 1-2bpa decline as a result of the poor ECB crop conditions. However, what needs to be kept in mind is that, in combination with the decline in harvested acreage, even a 1.5bpa drop in the USDA's yield would put their crop estimate at 13.406 billion bushels, 224mb below their current estimate. Should old crop ending stocks decline by 50mb, the USDA's 2015/16 total supplies estimate could decline by 275mb. Under that scenario, with unchanged new crop demand from their June WASDE estimate, the USDA's 2015/16 ending stocks estimate could decline to around 1.500 billion bushels from 1.771 billion last month.

With June 1 U.S. soybean stocks coming in a surprising 45mb below expectations, the obvious expectation heading into Friday's report is for 2014/15 ending stocks to be lowered by some degree. In the past, when June 1 stocks showed notable deviations from expectations, the USDA raised residual usage in the July WASDE report until they eventually ended up lowering the previous year's crop size in the September Grain Stocks report. Of course, the USDA doesn't always make balance sheet adjustments for the July report. Following the June 30 report in 2010, in which June 1 soybean stocks were 21mb lower than expected vs. this year's report being 45mb below the average trade estimate, the USDA did not make a material change in the old crop balance sheet in the subsequent July WASDE report. Similarly, following the June 30, 2006 report with June 1 soybean stocks 22mb below expectations, no material change was made in the July WASDE report, either. However, going back to the last time a notable bullish surprise was seen in June 1 stocks, when they were reported 45mb lower than expected, the same as this year, the USDA raised residual usage in the July WASDE report by 28mb while 1997/98 ending stocks were lowered 25mb in the July WASDE, as well. While the last time June 1 stocks were less than expected, it was by a marginal 6mb in 2013 and USDA did not revise old crop ending stocks. However, the June 30 reports in 2010, 2005, 2004, 2001 and 2000 were all less than expected and the USDA lowered old crop ending stocks in each of those years' July WASDE reports. Look for the USDA to raise their 2014/15 annual residual usage estimate by at least 20mb as eventually, it appears likely the USDA will need to lower last year's crop a bit, but again, that is not done until the September 30 Grain Stocks report. In terms of other old crop balance sheet factors, even with soybean sales/shipments slowing of late, the USDA's 1.810 billion bushel export estimate is a bit too low and look for a 10-15mb increase. Additionally, with crush continuing to run at a record pace and crush margins remaining very attractive, a 10-15mb increase in the USDA's 1.815 billion bushel estimate is justified, as well. If so, 2014/15 U.S. soybean ending stocks would be near 282mb, below 330mb last month.

Looking at new crop, the market may be in a position to quickly discount the USDA's 2015/16 balance sheet revisions given the uncertain acreage situation. The USDA will be assuming the June 30 Acreage report numbers with planted acreage rising to 85.139 million acres from the USDA's current balance sheet reflection of 84.615 million, while their harvested acreage estimate rises more substantially to 84.449 million acres from 83.7 million currently. If the USDA does not revise their average soybean yield estimate of 46.0bpa, their 2015/16 crop estimate would increase to 3.885 billion bushels from 3.850 billion currently. However, the current average estimate of the U.S. soybean crop is 3.781 billion bushels, nearly 70mb below the USDA's current estimate more than 100mb less than if the USDA simply assumes the June Acreage report numbers and last month's yield assumption. However, **the USDA has been extremely adamant against**

lowering their yield assumption in the July WASDE report, having done it only once since 1994 when they lowered it 3.4 bushels/acre in 2012 amid the historically poor conditions. Despite the varying levels of crop conditions in every other year of the last 20 years, the USDA has not revised their U.S. soybean yield assumption in the July WASDE report. This creates a very solid possibility that the USDA's 2015/16 U.S. soybean crop estimate could actually move higher today, while trade estimates reflect expectations for new crop production and ending stocks to move solidly lower from the June WASDE report. While it may not reflect this for several months, U.S. soybean planted acreage may be closer to 84.3 million acres and harvested acreage around 83.6 million and with a U.S. average yield estimate at 45.0bpa, this would lead to a crop of 3.764 billion bushels vs. the the USDA's June WASDE report assumption of 3.850 billion bushels. Thus, at least in the short term vs. general market ideas, today's 2015/16 soybean crop estimate could very well come in solidly above expectations, yet still not be bearish in the longer term. On the demand side of the new crop balance sheet, the combination of very low interest in U.S. new crop soybeans, a massive South American crop and questions about Chinese demand, suggests that 2015/16 exports may be 10-20mb lower than the current USDA estimate. Longer term, 2015/16 U.S. soybean ending stocks may be closer to 380mb vs. the USDA at 475mb, but even then, they would easily be the highest since 2006/07. In this perspective, the new crop soybean situation appears to be moving towards a less bearish fundamental structure rather than an actual bullish structure.

Brazil's official crop forecasting agency, CONAB, yesterday raised their 2014/15 corn crop estimate to 81.8mmt vs. 80.2mmt previously and the USDA at 81mmt. The second corn crop was raised to 51.6mmt from 49.4mmt previously. They also raised their soybean crop slightly to 96.2mmt from 96.0mmt previously and the USDA at 94.5mmt. As the Russian wheat harvest begins, dry weather is causing concern over the quality of this season's crop, according to French consulting firm Agritel. Local farmers say two million hectares out of the 16 million that have been seeded are at risk due to a lack of rain, Agritel says. The Volga region, which produces 15% of the country's wheat, is at "the center of these fears", the company adds, and some areas in the region of Saratov have not had rain for 60 days. Ukraine's Ag Minister said they may need to cut this year's crop ideas if conditions stay hot/dry over the next couple of weeks. Malaysia's palm oil exports rose 5.2% to 1.7mmt in June from the previous month, the highest level since October 2012, data from the Malaysian Palm Oil Board show Friday. The MPOB didn't explain the sharp rise in exports, but it came after rival Indonesia said it was planning to impose taxes on palm exports. A seasonal uptick ahead of the Muslim holy month of Ramadan might have also contributed to the increase. In its monthly report, the MPOB said crude palm oil output fell 2.6% to 1.8mmt in June, while end-June palm oil closing stocks fell 4.3% month-over-month to 2.2mmt. Two private cargo surveyors said June 1-10 Malaysian palm oil exports were down 33-35% from last month. EU's grain harvest is estimated at 307mmt in 2015-16, the EU Commission said. Production will fall about 7% from the record achieved in 2014-15, the European Commission said. Planted area probably fell 0.8% because of lower prices, while yields may return to "more normal levels." Soft wheat production was estimated at 139.9mmt, corn was seen at 68.4mmt and barley at 58.1mmt. Ukraine's wheat exports rose 17% in 2014-15 season to 10.832mmt, the highest since the 2008-09 marketing year, analytical firm UkrAgroConsult said.

In export-related news, the USDA announced a 136,000mt sale of 2015/16 soybeans to an unknown this morning via their daily reporting system. U.S. soybean export sales currently are the lowest in 5 years and down 46% from last year. Meal sales are the lowest in 3 years and down significant a significant 38% from last year. Corn sales are the lowest in 5 years and down 24% from last year. Cash sources report 2 Brazilian corn cargoes are headed to North Carolina for August arrival. Wheat sales are the lowest in 6 years and 20% below last year's poor sales. As for reasons, the strong U.S. dollar, massive South American crops and record supplies, cheap Black Sea wheat and major exporting nations such as Russia, Romania, Ukraine, Brazil and Argentina all in need of foreign exchange and willing to undercut U.S. values to do so, **means that there is little chance of a global shortage of corn/soybeans/wheat, only less of a surplus.** Thus, once all of the shouting is done this summer, I would not be at all surprised to see prices test recent lows this fall, even if the duration at those lows is a brief one.

Hogs: Cash hogs are called steady as packers work to restrain pressure on margins even as supplies tighten. Cash has enjoyed a fairly decent week with prices holding steady/firm in the midst of another large midsummer run. On the other hand, the wholesale market has not been strong enough to justify significantly more aggressive packer spending. Peoria is called steady after closing steady at $49.00 yesterday. The national bid lost $.24 to close at $77.39 while the IA/MN bid gained $.17 to close at $78.28. Following a bulge in available supplies in the first quarter of the year, hog numbers facing processors have tightened slightly in recent weeks, encouraging plants to bid more aggressively to secure available inventory. However, demand in domestic and export markets has been lukewarm despite the swelling volume of hams, loins, and other items in retail meat cases, fueling a steady drop in the wholesale price of pork that has pinched processing margins. Cutout values were unchanged yesterday at $81.27 on good movement of 350 loads. Exports of U.S. pork continued to decline in May following a brief uptick the prior month, a trend that nonprofit industry group U.S. Meat Export Federation attributed to competitive meat prices offered by other large producers like the European Union and a "volatile business climate" fueling currency swings this spring. The U.S. shipped $425.5 million worth of pork in May, down 17.6% from last year, though the volume increased by around 3,000mt. Weekly kill is up 4.37% from last year, although last year was a holiday-shortened week so year to year comparisons are good. Still, projections for this weekend's load of hogs to be processed total 35,000 head, though some industry watchers expect that forecast to change as several plants schedule maintenance in the days ahead. By the end of the day Saturday, an estimated 2.1 million hogs are expected to have been processed, up around 200,000 head from the shortened holiday week of production last week. Estimated packer margins were $-0.34/head for non-integrators and $23.21/head for integrators vs. $0.09 and $23.29 the previous day. Weekly U.S. egg sets were up 1% and chicks placed were up 3%. August lean hog futures plunged lower Thursday. The contract closed below the 20-day moving average line, which is a weak near term signal. The recent selling has unfolded in the wake of a failed test of resistance at the mid June swing high at $76.97. The lean hog contract rallied to test that ceiling in a counter-trend move, hitting a high at $77.27 on July 7. But, a lack of follow-through buying was seen and the market has succumbed to fresh selling pressure. The primary trend is bearish for lean hogs. The minor rally off the late June low was counter-trend and corrective. As long as the 20-day moving average holds firm on the upside, the near term trend outlook is weak and the market is vulnerable to a retest of the June low at $71.17.

Hog futures ended the session sharply lower in many contracts Thursday, pressured by worries about the strength of demand as supplies of market ready animals and pork remain heavy. Hog futures for July slid 0.775 cent to 78.725 cents a pound after posting modest gains early in the session. August hog futures declined 2.525 cents to 73.275 cents a pound. All other contracts ended lower. Pressure in the hog market has returned after a report this week brought back into focus the sluggish pace of pork exports, which typically account for more than a quarter of the volume of U.S. production. Traders are also anticipating a closely watched federal supply and demand report Friday to reflect an even larger increase in pork production this year than earlier forecast, following a quarterly inventory report that showed the U.S. herd swelled this spring. At $5.40 under the latest cash index, soon-to-be-spot August lean hog futures seems to be too cheap, too soon. Cattle futures turned lower midday, declining in most contracts amid pressure across the meat markets. August live cattle futures dropped 0.525 cent to $1.48475 cents a pound. October cattle futures shed 0.6 cent to $1.5180 a pound. Feeder cattle futures for August dropped 1.875 cents to $2.1175 a pound.

Average prices for beef and pork fell in grocery store advertisements this week, according to the latest Wall Street Journal retail meat survey. The 15-cut average for beef decreased to $5.52 a pound from $5.57 last week. It gained versus $5.32 a year earlier, the Journal survey found. Grocers listed lower prices for ground beef and for some steak cuts, with decreases from a week earlier for sirloin and chuck. The five-cut average for pork prices fell to $2.99 a pound from $3.11 last week. Prices were lower than the $3.68 average a year earlier. Retail pork product values are now trading back down near where they were back in March/April and this should stimulate new retail buying for featuring on through the summer. Chicken prices climbed. The two-cut average increased to $1.85 per pound from $1.76 last week. The average was down from $2.12 a year earlier.

Weather: The U.S. and European models are in fair to good agreement only for the first day or two of the outlook period, fair to poor agreement after that. Today's European model looks a bit more likely to verify, however there is much uncertainty in this outlook. The upper level analysis today shows a split jet stream as of last evening. The southern branch of the jet features an upper level low over California and a moderate to somewhat strong ridge over the southeast U.S. A wavy jet tracks from the southwest U.S. through the central Plains and the Midwest, south of the western low and north of the southeast ridge. Scattered thunderstorms are tracking along this jet stream. The northern branch of the jet stream features a west and south-central Canada ridge and a trough extending from north-central and northeast Canada to southeast Canada. The southeast U.S. ridge is expected to shift into the southern and central Plains region by later this weekend and early next week. This forces the southern jet stream northward with hotter, drier weather developing over the central and south Plains, the Delta and the south and west Midwest region. North of these areas we may continue to see scattered thundershowers during the period, especially as it concerns the north-central and east Midwest areas. Today's European model shows a significant portion of the western trough moving across the northern Rockies and northern Plains early in the 6-10 day period before dropping southward over the Midwest and then shifting into the eastern U.S. region. The central Plains ridge first shifts a little west and weakens slightly in as the trough moves by to it's north and then it moves a little further east and strengthens again once the trough is in the eastern U.S. At day ten, this model shows the strong ridge centered in the southwest Plains, with a mean trough in the east and another mean trough across the Pacific Northwest. This suggest drier, hotter weather for the south and west Plains region and northward into the northern Plains as well. It also implies a continued cooler and wetter pattern for the eastern Midwest and the east coast states during this time. There may also be some chance of rain in the northwest Midwest and the northeast Delta, along the warm front separating the hotter weather in the Plains from the cooler weather in the eastern U.S. The U.S. model, should it verify instead, shows a strong trough moving over the Canadian Prairies early in the period and a reinforcing trough moving over southwest Canada towards the end of the period. Higher heights cover the south-central U.S., the middle and lower Miss River valley and the southeast to the east-central U.S. with this model. The jet stream is across the northern Plains and the upper Midwest for most of the period. This model suggests a somewhat more active weather pattern for the Canadian Prairies, the northern Plains and the northwest to north Midwest region. It implies a less active pattern for the southern Plains, the southern Midwest and Delta regions and the Southeast as well.

Rains of .50-1.5”, isolated to 1.5”+, fell across the TX panhandle, northern OK and southern MO, with another pocket of similar rains falling in far northern OH. Dry weather dominated the rest of the Plains and Midwest yesterday. Temps were below average in the most of the Plains and Midwest. Highs were in the 80’s in the Plains and 70’s and 80’s in the Midwest. Weak ridging still looks to develop over the weekend and continue through next week, producing less than average rainfall and above average temps in the southern Plains and average rains/above average temps in the Midwest and northern Plains. A front will remain stalled out across the southern Plains and central/SE Midwest the next 2 days, keeping chances for rains going there. Moderate to heavy totals are seen for KS, NE, as well as most IA, IL, IN and OH. Things look to be fairly quiet elsewhere through Sunday and then the pattern for next week sees weak ridging to produce little in the way of rains for the southern Plains, with average rains in the northern Plains and most of the Midwest. Temps will warm to above average in most of the Plains and Midwest by late in the weekend and continue into much of next week. Most corn/bean areas do not look to get stressfully hot, although the far west could see mid to upper 90’s occur next week. The 11-16 day forecast sees the weak ridging pattern to continue for the first half and then a NW flow to develop late. This would bring close to average precip in the northern Plains and most of the Midwest, with below average precip in the southern Plains. Temps would run above average in most of the Plains and average in the Midwest.

North American Crop Impact: Southwest growing areas of the Midwest will benefit from a turn to drier and somewhat hotter weather during the next 5 to 7 days. Mostly favorable growing conditions continue through northwest areas, despite briefly hotter temperatures. Scattered rains continue to slow seasonal field work in the eastern Midwest, especially the harvest of winter wheat and the final planting effort for soybeans. Wet conditions and wet weather is unfavorable for crops in the east as it promotes disease and reduces nutrients in the soils. Recent wet, cooler weather has been in the HRW wheat belt is unfavorable for mature wheat and the wheat harvest, but mostly favorable for summer crop development. A turn to hotter, drier weather during this period will favor the wheat harvest while increasing the risk to corn, soybean and sorghum somewhat. Hot, dry weather in the Canadian Prairie at this time increases stress to developing crops, especially in the drier southwest growing belt. The models suggest at least some chance for needed rainfall and cooler conditions as we move through the last part of this weekend and the early part of next week. Episodes of hot, dry weather continue to move over the Montana spring wheat areas at times. The western Dakotas also look to be trending somewhat drier and hotter. Episodes of scattered showers and not very hot temperatures will favor corn, soybean and spring wheat from the eastern Dakotas to the northwest Minnesota area. A trend towards below normal rainfall and above normal temperatures in the Delta will increase the risk to soybeans and cotton in the region during the outlook period. Wet conditions continue to slow the harvest of winter wheat in the southern Missouri area, with some improvement possible as the area turns drier dring the period. Episodes of hot, dry weather in the Southeast will increase the risk to corn, soybeans, cotton and peanuts in the area, especially over Alabama and southern Georgia.

Global Weather Highlights: Episodes of dry, hot weather in Europe look to continue for south and central France, Spain and north Italy during the short and longer range periods. This likely increases the risk to reproductive corn and sunflower in these locations. A more variable pattern occurs in England and Germany, with some hot weather but also some scattered thundershowers at times. Stress to crops in these areas appears less. Corn areas from Hungary southward through the Balkan states also trend towards below normal rainfall and above normal temperatures during the next 7 to 10 days., increasing the risk to corn. Hot temperatures, highs 91 to 97F, covered south and east Ukraine and south Russia yesterday. This may continue today but cooler temperatures and showers are expected during the weekend. Hot, dry weather favors a delayed winter wheat harvest while increasing stress to vegetative to reproductive corn and sunflower. This hot, dry weather is not expected to last very long, however. A drier, hotter weather pattern in northern China will increase stress to developing corn and soybean during the weekend and for much of next week. This is especially threatening to any reproductive corn in south and central areas, where soil moisture is somewhat less than ideal at this time. Typhoon Chan-Hom is expected to impact the eastern end of the Yangtze River valley during tonight and Saturday. This may bring damaging winds and flooding rains to the eastern Yangtze River valley and the southeast corner of the North China Plain. Except for the area of rain associated with the typhoon, the balance of the region turns drier and hot during this period. A westward moving upper level disturbance will bring needed rains to much of east-central, northeast and north-central India during the weekend and early next week. This helps recharge soil moisture and irrigation and favors early planted crops. This may include significant rainfall in key soybean areas, but it is not certain if it will hit all soybean areas. The southern India region away from the southwest and west-central coastal areas will continue drier and somewhat hotter during the next 3-5 days. Key growing areas of Gujarat and Maharashtra will continue somewhat hotter and drier during the 5 day period. Key growing areas of Andhra Pradesh and Tamil Nadu in the southeast may also continue drier and hotter during this period.

Macros: The macro markets were supportive as of 9:00am EDT, with Dow futures up 1.2%, the U.S. dollar index is down 1.1%, crude oil is up 0.3% and gold is down 0.1%. The S&P 500 on Thursday closed 0.23% higher, the DJIA gained 0.19% and the Nasdaq gained 0.01%. Bullish factors included a rebound in Chinese stocks that reduced global economic concerns after the Shanghai Composite recovered from a 3-3/4 month low and closed higher, and strength in commodity producers after crude oil and copper rallied. Stocks fell back from their best levels on bearish factors that included the unexpected 15,000 increase in U.S. weekly jobless claims, more than more than expectations of a 6,000 decline to 275,000 and the highest in 4 months, and the IMF's cut in its global 2015 GDP forecast to 3.3% from a 3.5% estimate in Apr. The markets are hoping for some resolution of the Greek crisis by Sunday's Eurozone deadline. An EU summit on Greece is set for Sunday and the ECB is scheduled to meet on Monday to decide on its ELA lifeline to Greece. There are three possible outcomes for this weekend. The best news for the markets would be a bailout agreement by Sunday followed by the Greek parliament's quick approval of reform measures. This would unlock bailout cash for Greece and allow the Greek banking system to reopen. However, it remains to be seen whether Greek Prime Minister Tsipras could push a bailout package through the Greek parliament that is acceptable to the troika. Therefore, even if a bailout agreement is announced by Sunday night, the markets will have to reserve judgment on whether Greece is out of the woods until the reform program is actually approved by the Greek parliament. Middling news for the markets would be that a bailout agreement has not been reached by Sunday but the two sides remain in serious negotiations. In that case, the ECB would probably extend its 89 billion euro ELA as long as negotiations continue, thus maintaining the Greek banking system's life-line. However, the ECB in that case would not increase the ELA unless there is some type of guarantee provided by Eurozone governments. The question then becomes whether Greek banks by Monday will have enough ATM cash or whether they will have to conserve their remaining cash by announcing a reduction in the 60 euro per day limit in ATM withdrawals and/or a Greek bank "bail-in" where some of large depositors' cash is confiscated by the banks. The worst news for the market would be that the negotiations could be declared dead on Sunday and the ECB responds by canceling the ELA and seizing Greek bank collateral backing the ELA loans, thus bankrupting the entire Greek banking system. In that case, Greece would have no choice but to nationalize Greek banks and begin the process of moving back to the drachma.

China is now responding to its falling stock market by suspending trade on half of the 2800 stocks traded on the mainland exchanges. The government was not winning in its attempt to stem the bear market so they are halting a portion of the game for the time being and taking intervention measures that was producing a rally out of the rest of the market by threatening sellers. In other words, the Chinese market ceased working and is now a function of manipulation by the state. China has done more in the last few days to discourage foreign investment and destroy investor confidence than anything done in years there.

Overnight, Bloomberg News reported that *global markets signaled growing faith in Greece's ability to clinch a bailout, as gains in Italian bonds sent yields to the lowest in more than a month and the euro jumped the most since October against the yen. The MSCI All-Country World Index of stocks rose 0.8 percent at 6:35 a.m. in New York. Spanish securities jumped with their Italian counterparts as Greek contagion risk subsided, while German bunds fell with the yen on reduced haven demand. The Shanghai Composite capped its first back-to-back gain since June 24 after the government banned insiders from selling stocks, with about half of listed companies halted. After four months of escalating tension and price swings, Greece offered to meet most of the demands made by creditors in exchange for a bailout of 53.5 billion euros ($59.4 billion). French President Francois Hollande said the proposals were "serious" and "credible" as Greece's Parliament met to discuss the plan, which mirrored that from creditors on June 26 and was rejected in a Greek referendum. The Stoxx Europe 600 Index jumped 1.6 percent, extending Thursday's 2.2 percent advance, after getting close to a correction during the previous two days. The measure closed almost 10 percent below its April record on Wednesday. Standard & Poor's 500 Index futures gained 1.1 percent. Federal Reserve Chair Janet Yellen is scheduled to speak on the U.S. economy Friday. Greece's request for a three-year bailout includes plans for sales-tax increases and cuts in public spending on pensions. Greece also proposed the restructuring of its debt and a package of growth measures of 35 billion euros. The proposal will be put before the Greek Parliament Friday.*

Italian bond yields have surged from a record-low 1.03 percent set on March 12 and yield spreads versus German bunds widened as a standoff over aid for Greece pushed the nation to the brink of an exit from the euro area. The euro strengthened 2.1 percent to 136.72 yen and gained 1.2 percent to $1.1173. The yen, which typically moves at odds with Japanese equities and is seen as a haven asset, weakened 0.9 percent to 122.38 per dollar as it fell at least 0.8 percent against its 16 major peers. The MSCI Emerging Markets Index advanced 1.2 percent. The gauge has rallied 2.9 percent in two days, snapping a six-day losing streak and paring this week's loss to 3.4 percent. The Shanghai Composite Index rose 4.5 percent, advancing 11 percent in two days, leaving it down 25 percent from its June 12 peak. The Hang Seng China Enterprises Index of mainland stocks listed in Hong Kong climbed 3.6 percent, after rising 3.1 percent on Thursday. Chinese regulators have unveiled market-boosting measures almost every night over the past two weeks to shore up a stock market that lost as much as $3.9 trillion in less than a month. The Bloomberg Commodity Index increased 0.3 *percent, rising for a third day, the longest streak since June 18. West Texas Intermediate oil rose 0.7 percent to $53.15 a barrel on the New York Mercantile Exchange, leaving crude 6.6 percent lower for the week. Brent in London climbed 0.8 percent. Nickel dropped 0.8 percent on the London Metal Exchange. The metal retreated 5.8 percent this week, falling for a fifth week, the longest run of losses since October. Copper slid 0.9 percent, headed for a 3.2 percent weekly drop. Gold for immediate delivery gained 0.4 percent in London to $1,163.70 an ounce.*

Summary: The soy complex led yesterday's rally in ag commodities as it surged higher, dragging corn and wheat with it. December corn pushed through last week's $4.40 high, but November soybeans need to surpass $10.40 to take out the post-June 30th report high. Unwanted and unneeded rain in the ECB, a stronger Chinese stock market and fund buying were factors in the pre-report run higher. Corn was a reluctant follower of the soy complex's push higher early in the day, but finally jumped in and took out last week's $4.40 Dec 15 high. On the continuous corn chart, prices were at their highest level since June 2014. Rain and positioning ahead of today's report contributed to the higher session. The Chinese government has basically told companies to start buying back their own stock to stop the rout that has taken place over the past month. The government has thrown in money to finance margin calls to slow down forced selling. Conab continues to increase their corn production number for Brazil, now projecting an 81.8mmt crop, up from their previous 80.2mmt figure and versus USDA's 81.0mmt estimate. Funds bought an estimated 11,000 corn contracts. The entire soy complex roared higher, putting corn and wheat prices on its back in the process to carry them higher as well. The additional rain in the ECB and the recovery in China's equity market were cited as early supportive factors, but positioning for today's USDA report and stronger cash markets contributed, too. Basis was firmer as buyers begin looking for the next supply line. South America was on holiday as Conab increased their Brazilian crop estimates. They raised their soybean production number from 96.0mmt to 96.2mmt versus USDA's last forecast for 94.5mmt. There continues to be chatter in the trade of China buying South American soybeans for fall slots that would normally be sourced from the U.S. Argentina's farmers have called a strike for July 17th to protest government policies. El Nino may last into next spring, according to the NWS. Wetter, cooler conditions would be the result of an extension of El Nino in the Midwest, but the likelihood of hurricanes in the Gulf of Mexico may decrease and it would perhaps set us up for a wet harvest. Funds were estimated to have bought 15,000 soybeans, 8,000 meal and 7,000 oil contracts. Wheat was the follower, with any gains limited by the uncompetitive nature of U.S. wheat on the global marketplace, confirmed this week when Egypt bought wheat from Ukraine and Russia. Funds were estimated even in Chicago. Basis at the Gulf for SRW reportedly is the lowest in two years as harvest progresses with little export interest.

September corn poked to a higher close on Thursday, as the contract tests a major resistance ceiling at $4.33 3/4 from December 2014. The near and intermediate term trend patterns are bullish for corn. The corn contract advanced sharply in recent days, climbing from the June 22 low at $3.55 1/2 into Thursday's peak at $4.33. The trend pattern is bullish, but daily momentum is showing overbought readings, which reveals that the market is vulnerable to a consolidation period at any time. The 14-day relative strength index (RSI) is overbought 76% on Thursday. Any reading over the 70% line is considered to be overbought. The $4.33 3/4 ceiling could prove to be a tough hurdle for corn in the wake of the recent strong gains and the overbought momentum readings. Corn is vulnerable to a period of consolidation in the short-term, but if strong gains and a close are achieved above resistance at $4.33 3/4, it would open the door to a quick test of an old price gap from $4.41 1/2-$4.37 3/4, seen on the weekly September corn chart from July 2014. That zone is resistance and a bullish target for corn. On the downside, support lies at $4.15 and then $4.12 for corn. November soybeans soared to a higher close on Thursday. The intermediate-term trend outlook is bullish for beans, and Thursday's strong rally defines Wednesday's low at $9.78 3/4 as strong support. The contract rebounded strongly from the quick sell-off from July 1-July 8. As long as support at $9.78 3/4 holds firm, the medium-term uptrend will remain intact and the recent selling can be chalked up to a minor correction phase. Strong overhead resistance lies at $10.40, the July 1 high. That ceiling slightly exceeded the December high at $10.39 3/4. If a solid push is achieved above the $10.40 area it would open the door for a run back toward $10.56 3/4, the November high. The trend and moving average outlook is bullish for soybeans.