Daily Grain / Hogs Marketing Outlook
Written by: Jim Gerlach
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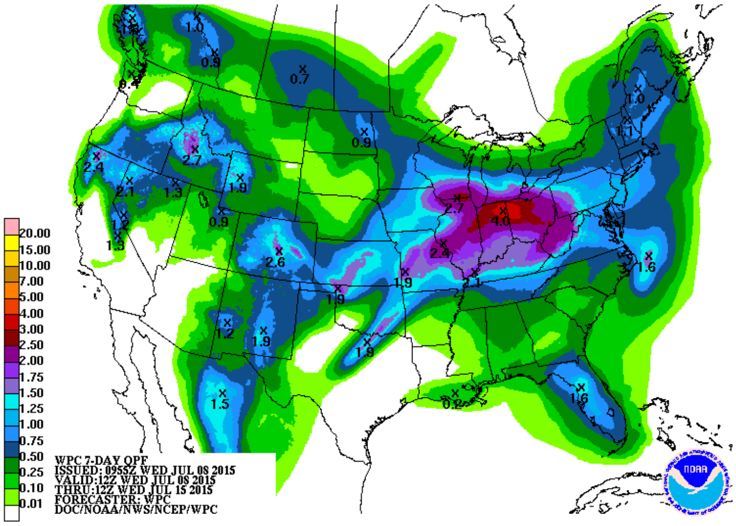
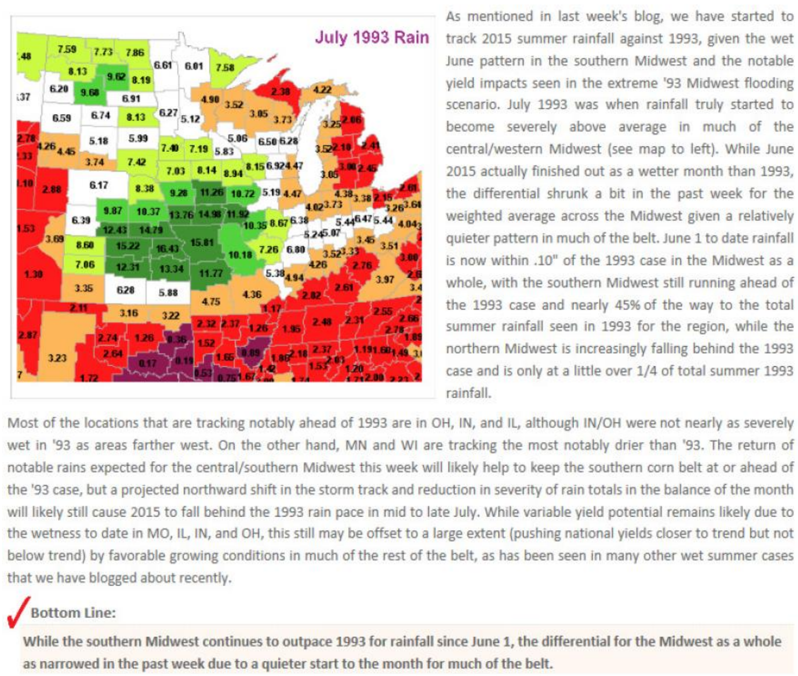
Early Call 8:45am EDT: Corn down 1, soybeans down 3, wheat down 8. All three grains are lower early with a break in the rain expected after Thursday. China is getting bearish attention for its sharp drop in stock prices over the past month.

Grains: Grain and soybeans futures fell Tuesday amid an improved crop outlook and pressure from outside markets. Soybeans led the declines, dropping sharply following better-than-expected crop condition ratings released in a weekly government report on Monday. Prices for the oilseeds also were buffeted by a stronger U.S. dollar and lower prices for crude oil, as well as growing estimates for South American supplies and worries over tumult in China's stock market. The USDA said soybean crop conditions held steady compared to a week earlier, despite persistent rains that many feared had damaged newly planted crops. Rising estimates for soybean output in rival exporters Brazil and Argentina also pressured prices, with South American growers also aggressively marketing their crops to take advantage of higher prices. If you're a Brazilian farmer you're doing pretty well as the U.S. dollar's recent gain over the Brazilian Real has generated stiff competition from farmers in that country, as a weaker Real encourages growers to sell crops overseas because it raises the value of commodities that are priced in dollars, including soybeans. Meanwhile, concerns over demand from China also are increasing thanks to that country's deflating stock market. Soybean futures for July delivery slid $.31 3/4 to $10.02. Falling crude oil prices also weighed on the soybean market, as lower oil prices can discourage refineries from blending fuel additives into gasoline including biodiesel, in which soybeans are a key ingredient. Soybean oil futures prices, a major feedstock in biodiesel, fell 3.8% on Tuesday. Corn prices also were buffeted by stronger-than-expected crop conditions, which the USDA said improved one percentage point from a week earlier. Analysts had expected both corn and soybean ratings to decline by two percentage points. However, forecasts for more rainfall in already wet parts of the Corn Belt represent an ongoing concern for U.S. crops. Worries over the global economy, including uncertainty over Greece's status in the eurozone, weighed broadly on commodity markets Tuesday. July corn shed $.02 3/4 to $4.15 3/4. Wheat prices sagged following government data



showing farmers last week made significant harvest progress after rain delayed fieldwork in the eastern Midwest for weeks. Availability of new supplies to the market weighed on wheat prices, as did strength in the U.S. dollar, which makes domestic agricultural products more expensive for overseas buyers. CBOT July wheat declined $.09 to $5.79 1/2.

Our lead forecaster's forecast is wetter than previously in most areas over the next seven days because it is more apparent that t-storms are probable to precede and accompany the short period of heat that begins Friday-Saturday, especially across wettest areas of the eastern Corn Belt (see 7-day NOAA forecast map). Considerable uncertainty exists by next Saturday (July 18), with cool-wet weather remaining least likely, and hot and/or dry weather most likely in the Plains. Rain affects much of the central/southern Plains and Corn Belt into Sat., heaviest in the wettest areas. T-storm clusters affect the northern Plains and more-so the Corn Belt within Sat.-Wed. (July 10-15). Very cool weather affects the Corn Belt into Fri.; U.S. corn was -8°F from normal yesterday. Several days of heat begin Fri.-Sat. across the southwest half to two-thirds of the central U.S. Uncertainty persists from next Sat. (July 18) forward given the unknown positon of a hot upper-level high. Hot-dry weather is most likely in the Plains July 18-21 and cooler with higher rain chances with eastward extent. While the recent, short stretch of dry weather has lessened comparisons to 1993 (see graphic courtesy of Commodity Weather Group www.commoditywx.com), perhaps the shift towards wetter weather for the ECB could again invite comparisons, at least for that part of the corn belt.



As mentioned in last week's blog, we have started to track 2015 summer rainfall against 1993, given the wet June pattern in the southern Midwest and the notable yield impacts seen in the extreme '93 Midwest flooding scenario. July 1993 was when rainfall truly started to become severely above average in much of the central/western Midwest (see map to left). While June 2015 actually finished out as a wetter month than 1993, the differential shrunk a bit in the past week for the weighted average across the Midwest given a relatively quieter pattern in much of the belt. June 1 to date rainfall is now within .10" of the 1993 case in the Midwest as a whole, with the southern Midwest still running ahead of the 1993 case and nearly 45% of the way to the total summer rainfall seen in 1993 for the region, while the northern Midwest is increasingly falling behind the 1993 case and is only at a little over 1/4 of total summer 1993 rainfall.

Most of the locations that are tracking notably ahead of 1993 are in OH, IN, and IL, although IN/OH were not nearly as severely wet in '93 as areas farther west. On the other hand, MN and WI are tracking the most notably drier than '93. The return of notable rains expected for the central/southern Midwest this week will likely help to keep the southern corn belt at or ahead of the '93 case, but a projected northward shift in the storm track and reduction in severity of rain totals in the balance of the month will likely still cause 2015 to fall behind the 1993 rain pace in mid to late July. While variable yield potential remains likely due to the wetness to date in MO, IL, IN, and OH, this still may be offset to a large extent (pushing national yields closer to trend but not below trend) by favorable growing conditions in much of the rest of the belt, as has been seen in many other wet summer cases that we have blogged about recently.

Bottom Line:

While the southern Midwest continues to outpace 1993 for rainfall since June 1, the differential for the Midwest as a whole as narrowed in the past week due to a quieter start to the month for much of the belt.

Yesterday's losses appear to confirm that the summer highs are in unless late July/August weather is adverse. Monday's stabilization in U.S. crop ratings, the elimination of large managed fund shorts, the widening lag in new crop corn/bean/wheat export sales vs. last year, amply supplied commercial pipelines for both corn and soybeans, the absence of any threatening patterns in the extended weather forecast, bearish news from China (equity market rout, burdensome corn stocks, heavy buying for South American vs. U.S. soybeans all the way out to U.S. harvest), fallout from Greece, and the eroding crude oil market/higher dollar, all ganging up to weigh on grain prices. I was ready to increase my short hedge protection to 80% in both corn and soybeans with September short-dated put options as soon as crop conditions stabilized, which happened Monday night, triggering put positions for my clients yesterday. While no one knows what the wet June will do to crops going forward, the fact of the matter is that both corn/soybean yields have a tendency to EXCEED trend in 8 of the 11 wettest June's on record for corn and 7 of the 11 wettest June's on record for soybeans. Please don't be fooled into thinking that there is no downside risk from current levels as that simply is not the case, especially with global stocks still quite burdensome. I suspect specs, farmers and managed funds will be more inclined to sell row crop rallies than buying dips absent a turn towards hot, dry weather. Even then, with a full soil moisture profile, it would have to stay hot/dry for some time, initially being seen as bearish as it would likely improve crop conditions first.

Some Canadian wheat estimates are in the 21-22mmt area vs. the USDA's 29mmt forecast and 29.3mmt last year. France should harvest 37.9mmt of soft wheat this year, up 1.0% compared with 2014, the farm ministry said on Tuesday in its first estimate of the 2015 crop in the European Union's top producer and exporter. Argentina's Rosario Grains Exchange, which projects a cereal crop area of 3.5 million hectares nationwide, would be down 20% against last year. Wheat area would be 2nd lowest in 100 years.

On the demand front, the barge market for beans seemed to be better for new crop. In the front end, July was bid $.77 over and offered at $.83 over. Oct was $.73 on $.78, Nov was bid $.76 over and Dec was $.74 on $.84. Farmers were active sellers of corn on the rally and the cash markets continue to digest the grain moved over the past few weeks. July barges were bid $.45 over and offered at $.48. August was $.50 on $.53, Sept was $.60 on $.65 and Oct-Dec was $.63 on $.68. Basis levels in the western corn belt have fallen sharply with the rally in the board. Clinton and Cedar Rapids, IA were bidding $.25 to $.30 under for truck corn delivered this week or next week. Crop conditions are not as attractive in the eastern states and although farmers have sold some old crop bushels, it would not appear to be as much as they have sold in the west. Eastern premiums have fallen, but not as dramatically. The best bids in the east were still option price to $.02 over the Sept. Cash meal values were softer out west as most crushers rolled the basis from over the July to over the August and struggled to take any of the $8 spread on the roll. The market reportedly traded at $16 under August and some said even softer. Crushers have started to raise bean bids again out west and in many cases, the basis was $.05 firmer. The IL market was down $2 to $16 over August on offers. The over Chicago market was quoted at $15 over August, down about $4 post roll with buyers at $11 over August.

In export-related news, the USDA announced a 240,000mt sale of 2015/16 soybeans to an unknown this morning via their daily reporting system. Some of Brazil's soybean crushers have cut production in recent weeks as their margins have been squeezed by soaring bean prices and only modest domestic demand for soymeal, specialists and industry sources said. China over the last week has reportedly booked between 20-30 cargoes of South American origin soybeans. Even yesterday, China booked an Argentine cargo for October shipment at a cheap price of $41 over Nov. Of the 20-30 cargoes bought by China, exporters suggested not even one cargo was sold as U.S. origin. China bought at least 10 cargoes for Sep-Oct out of South America, with the balance sold for February to April out of Brazil. Brazilian soybeans to China for October were offered at $1.65-$1.70 over Nov. U.S. Gulf soybeans were offered at $1.80 over, PNW was at $1.50 over and Argentine beans were sold at a $1.25 over Nov. Chinese traders contend it is tough for now to find South American offers for November forward. Rumors are circulating of a Brazilian corn cargo destined for the U.S. eastern seaboard for mid-August arrival. Egypt is tendering this morning for wheat for shipment between Aug. 11 and 20. India's oilmeal exports in June dropped 34% from a year ago to 137,571mt as south Asian countries trimmed purchases of expensive Indian rapeseed meal and soymeal. Exports of rapeseed meal from the country fell 43% from a year ago to 56,139mt. Asian crude palm oil futures ended sharply lower overnight in a selloff tracking losses in soyoil prices amid a broader decline in Chinese equities that is dragging sentiment down across Asia. Palm oil inventories in Malaysia probably fell in June for the first time in four months as output in the second largest producer dropped and exports climbed to a record for the month, according to a survey. Stockpiles shrank 2.7% to 2.18mmt from a month earlier. Shipments rose 4.3% to 1.68mmt, the highest level since October 2012. Output fell 1.7% to 1.78mmt. The country’s palm oil board will release the data on July 10.

U.S. ethanol exports fell 14% in May from April, falling for a second month in a row to 64.6 million gallons, according to the Renewable Fuels Association in Washington. The decline was led by reductions in Tunisia, India, the Netherlands and the Phillipines. May U.S. DDG exports were reported at 1.172mmt, the largest volume exported since July of 2014. Exports of U.S. DDG’s to China were 864,000mt in May, a record amount to China in any one month. U.S. DDG exports for the Sep-May period were 7.595mmt, down from 9.767mmt last year. Even with the large exports in May to China, exports of

DDG’s to China for this crop year were 2.694mmt, down 48% from a year earlier. The confirmation of such large shipments of DDG’s to China is one reason why U.S. soymeal demand has been so robust with fat feeding margins. DDG’s in May in IA had been as much as 130-150% of the price of corn. Today, DDG’s are finding their way back into domestic rations and were priced at 80% of the price of corn.

Commodities suffered their worst rout in seven months as a steep selloff in China's stock market magnified investor fears about weaker demand from one of the world's largest consumers of raw materials. The S&P GSCI, an index that tracks a diversified basket of commodities, fell 4.9% to 412.51 Monday. This was its steepest drop since November and its lowest level since April. The losses come amid a swift downdraft in Chinese stocks, which have lost more than one-quarter of their value since touching a record high in June and gave up 72% of all their gains made this year. Commodity traders fear that China's tumbling stocks reflect broader economic weakness. It’s going to take a prolonged slump in commodities to break a cycle of too much money and excess production, according to Goldman Sachs Group Inc. The market is caught in a “negative feedback loop,” where lower raw-material prices are strengthening the dollar and lowering production costs for countries with weaker currencies, Goldman analysts wrote in a report. That boosts the prospects of higher U.S. interest rates and a reduction in emerging-economy debt, according to the bank. Demand for commodities will subsequently decline, capping prices and further reinforcing the greenback, it said. “Commodity markets still have access to far too much capital relative to future demand and a declining cost structure,” analysts including Jeffrey Currie in New York wrote in the note. “Long-term surpluses in most commodity markets require prices to remain lower for longer to balance both the near-term physical supply and demand, but more importantly, the longer-term supply and demand for capital to fund future investments.”

Hogs: Cash hogs are called steady to narrowly higher as supplies moderate in some regions. It's been quite some time since packers have sustained a cash rally for three straight days. If cash closes solidly higher again, it could signal that producers have finally found a more manageable supply period. Perhaps aggressive spring and early summer marketing by producers has worked to create a bit of a midsummer hole? Peoria is called steady-firm after closing steady at $48.00 Tuesday. The national bid rose $1.60 to close at $76.39 while the IA/MN bid gained $1.03 to close at $78.16. Cash hog prices have drifted sideways for the past two weeks as, despite a bulge in available supplies, as processors have worked to secure enough animals to process for growing retail demand for ribs, bellies and other items. The number of market ready animals in some regions has since eased, underpinning prices that packers are willing to pay to cover needs for the days ahead. Weekly kill is up 3.69% over last year and early projections for Saturday'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. Some private analysts believe hog slaughter this week could total as much as 2,132,000 head, nearly 15% greater than 2014. That doesn't sound as if the country is exactly running out go barrows and gilts. Weekly IA/S. MN hog weight data came in at 279.0 lbs vs. 278.6 lbs last week and 284.2 lbs last year. Cutout values lost $.66 to close at $81.60 on decent movement of 366 loads. Estimated packer margins were $0.95/head for non-integrators and $24.13/head for integrators vs. $5.93 and $25.72 the previous day. August lean hog futures advanced slightly on Tuesday. The contract is testing resistance at 76.97, the June 18 swing high. The short-term trend is bullish, with a minor bottom seen on the daily chart at 71.17, the June 22 low. The primary long-term trend remains bearish. It would take a strong and sustained rally and close above the 76.97 ceiling to open the door to another wave of buying. The 76.97 zone could prove to a be a tough hurdle for the bulls. If the bulls succeed in piercing the 76.97 price zone, the next target comes in at the 100-day moving average at 79.42. If the 76.97-77.27 (Tuesday's high) area holds firm, lean hogs will be vulnerable to consolidation or near term retreat. Support lies at 74.05.

Hog futures ended the session higher Tuesday, lifted by short covering as some investors consider the sharp decline in recent sessions too sharp. July hog futures rose 0.525 cent to 79.25 cents a pound, while August hog futures picked up 0.35 cent to 76.35 cents a pound. The hog market has come under pressure in recent weeks from bulging supplies of available animals, as the nation's herd has recovered more quickly than some expected from a deadly swine virus. On Tuesday, investors said they were covering short positions while watching for clearer signs of demand for cheaper loins, bellies and other cuts. Analysts also noted that supplies appear to be less burdensome early this week in some regions.Pork production has been up around 13% from last year in the past few weeks, but that's already known and priced in to futures. Producers may be becoming a little more tight-fisted with supplies, marketing hogs more slowly than they did earlier in the year. Weather damaged corn and soybean fields are also harmful to hog producers as rising feed prices mean higher costs of production for the pork industry. Recent higher corn and soybean meal prices have increased anticipated hog costs by about $10 per head. These higher feed costs shift the outlook from one of modest profits to losses of about $6 per head over the coming 12 months, according to Chris Hurt, an economist with Purdue University’s Department of Agricultural Economics. Cattle futures turned higher midday, rising in most contracts into the session's close. August live cattle futures reversed early session losses to advance 0.575 cent to $1.51075 a pound. Cattle for October picked up 0.55 cent to $1.54025 a pound. Feeder cattle futures for August advanced 0.15 cent to $2.17125 a pound. Other feeder cattle futures ended narrowly lower.

Weather: The U.S. and European models are in fair to good agreement during the 6-10 day period, although the U.S. model appears to have slightly higher heights overall when compared with the European model. The mean ridge position is expected to range from the southern Rockies across the southern Plains to the western Delta region during the outlook period. Troughs continue to move over the top of this ridge before settling southward over the Midwest region. The south-central U.S. ridge is somewhat stronger on today's U.S. model and the troughs that drop into the Midwest are somewhat deeper on today's European model. This looks to be a mostly dry and hot period for the central and southern Plains region, under the influence of the south-central U.S. ridge. The troughs moving through the northern Plains during this period do not appear to have much moisture associated with them, but may produce a few showers, especially in the eastern areas. Temperatures bias towards above normal. As the troughs drop into the Midwest, they may pick up some Gulf moisture leading to more activity. This is especially likely through eastern areas, but may also involve some northern areas as well. The south-central U.S. ridge may be strong enough at times to send some hot temperatures into the west and south Midwest region, but they do not appear to be there for long. The Delta region should also trend towards the drier and hotter side of this pattern, while the southeast is very hot, mostly dry, during the 5 day period but may see some increase in shower activity and more seasonal temperatures during the 6-10 day period.

A cold front brought rains of .50-1", with areas of 1"+, to the eastern ½ of OK, north central TX and areas of the Midwest to the south of a line from around Kansas City to Gary IN to Bay City MI. 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 70's and 80's in most cases. A band of average to above average rainfall will occur in KS/OK, MO, SE IA, and most of IL/IN/OH the rest of this week. Then the pattern looks to move into some weak ridging, producing less than average rainfall and above average temps in the Plains and Midwest. The remnants of the cold front will remain stalled out across the SE Plains and central/SE Midwest in the next 12-24 hours. One upper air disturbance will ride along the front and bring moderate rains to the SE Midwest later today and tonight, with another to impact KS, OK and the central Midwest later Friday into Sat. The pattern for Sunday through Friday of next week sees weak ridging to produce little in the way of rains for the southern Plains, with close to average rains in the northern Plains and most of the Midwest. Temps will run a bit above average in the western Plains, with below average readings in the eastern Plains and most of the Midwest through the rest of this week. Temps then look to warm to above average in most of the Plains and Midwest by late in the weekend and continue into much of next week. The 11-16 day forecast sees the weak ridging pattern to continue, with close to average precip to continue in the northern Plains and most of the

Midwest. Below average precip would occur in the southern Plains. Temps would run above average temps in the southern Plains, with average to above average temps in the northern Plains and most of the Midwest, but no severe heat in the Midwest.

North American Crop Impact: Rain and thunderstorms through southern and eastern areas of the Midwest may be unfavorable for summer crops as it promotes disease. Wet weather slows the harvest of winter wheat. Mostly favorable conditions continue for corn and soybean areas over the central and north part of the western Midwest. Recent wet, cooler weather has been unfavorable for mature HRW wheat and the wheat harvest, but mostly favorable for summer crop development. A turn to hotter, drier weather after this period will favor the wheat harvest while increasing the risk to corn, soybean and sorghum. A mostly favorable weather pattern continues for spring wheat and canola through northern and eastern areas of the Canadian Prairie during this period. A trend towards below normal rainfall and above normal temperatures through southwest areas increases the risk to crops in these locations. Episodes of hot, dry weather continue to move over the Montana spring wheat areas at times. Elsewhere in the region, a mix of scattered showers at times and warm to somewhat hot temperatures at times will favor spring wheat and key corn and soybean areas as well. Recent shower activity and cooler temperatures in the Delta has favored developing soybeans and cotton while causing some delay to the harvest of winter wheat. A turn to drier, hotter weather during the short and long range period will improve conditions for the wheat harvest while leading to a drop off in soil moisture for summer crops.

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. Hotter temperatures shift into the east part of Ukraine and south/west Russia for a 2-3 day period before the next cold front moves across. Episodes of cooler temperatures and showers will help maintain current prospects despite the occasional short period of hot temperatures. A drier, warmer to somewhat hotter weather pattern in northern China will increase stress to developing corn and soybean during the balance of this week and early next week. Typhoon Chan-Hom is expected to make landfall along the east coast of China just south of the Yangtze River during the weekend period. This may bring damaging winds and flooding rains to the eastern Yangtze River valley and the southeast corner of the North China Plain later this weekend. Scattered moderate to locally heavy showers and thundershowers were reported during the past 24 hours from northeast Pakistan and extreme northwest India through much of Uttar Pradesh, Bihar and southern West Bengal, far north to northeast India, with little elsewhere in the region at this time. The monsoon activity appears to be building over the northern Bay of Bengal at this time. Computer models suggest increasing shower and thundershower activity for east-central and north India during the coming days. Rains may also reform over west coastal areas of southern India during the next 3-5 days.

Macros: The macro markets were mostly mixed as of 9:00am EDT, with Dow futures down 0.8%, the U.S. dollar is down 0.4%, crude oil is unchanged and gold is up 0.3%. The S&P 500 on Tuesday recovered from a 3 ½ month low and closed 0.61% higher. The DJIA gained 0.53% while the Nasdaq gained 0.24%. Bullish factors included the unexpected 29,000 increase in U.S. May JOLTS job openings to 5.363 million, stronger than expectations of 5.300 million and the most since the data series began in 2000, and hopes that Greece will find a way out of its debt crisis after European leaders gave Greece until Sunday to agree to a new bailout program. Stocks were undercut by weakness in commodity producers after crude oil dropped to a 3-month low and copper sank to a 5-month low. Eurozone leaders set this Sunday as a deadline for a Greek agreement that would pave the way for at least for a bridge loan so that Greece can reopen its banks and get its economy functioning again. Greece said it would offer a proposal today. German Chancellor Merkel after yesterday's Eurozone summit said she is "not especially optimistic" about the Greek situation. Eurozone leaders may call a summit for this Sunday in case there is a plan that requires their approval before the markets open on Monday. The markets will be pouring over today's June 16-17 FOMC minutes for any further hints on when the Fed might start raising interest rates. The Fed after the June 16-17 meeting made clear that it expects to raise interest rates starting this year but that the rate hike path will be "gradual." The federal funds futures market is discounting about a 24% chance of a rate hike by the Sep 16-17 FOMC meeting, a 32% chance of a rate hike by the Oct 27-28 meeting, and a 72% chance of a rate hike by the Dec 15-16 FOMC meeting. After the first rate hike, the market is discounting a 25 basis point rate hike roughly every four months during 2016 and 2017 for an overall 75 basis point rate hike per year. That would push the funds rate up to 1.60% by Dec 2017. The markets will be watching today's MBA mortgage report to see if there continues to be relatively strong interest in buying a home. The MBA mortgage purchase sub-index is currently only 7.0% below the 2-year high of 214.30 posted in the first week of June, indicating that there are a relatively large number of people out applying for mortgages to buy a home. U.S. existing home sales in May rose by 5.1% to post a new 5-1/2 year high of 5.35 million units. Meanwhile, the rise in the 30-year mortgage rate last week to a 9-month high of 4.08% has put a damper on mortgage refinancing activity. The market consensus for today's weekly EIA report is for unchanged crude oil and gasoline inventories, a 1.0 million barrel increase in distillate inventories, and a 0.2 point increase in the refinery utilization rate to 95.2%. U.S. crude oil inventories in last week's report rose by 0.5%, snapping an 8-week decline. U.S. inventories have fallen by a net 5.2% from April's record high as refineries run at full tilt to produce summer gasoline. Nevertheless, crude oil inventories are still in a massive glut at 24.2% above the 5-year seasonal average.

Overnight, Bloomberg News reported that *treasuries and the yen gained while U.S. equity-index futures fell after a rout in Chinese stocks spurred demand for haven assets. European markets signaled optimism as Greece submitted an aid request. As a gauge of Chinese shares in Hong Kong tumbled the most since 2011, Treasury 10-year note yields fell five basis points to 2.21 percent at 7:10 a.m. in New York and touched a one-month low. Standard & Poor's 500 Index futures lost 0.6 percent. Investors are snapping up assets that offer some safety as China's stock rout roiled markets. Greece requested a three-year loan from the European Stability Mechanism on Wednesday as the European Union set a Sunday deadline to reach a deal on a financial rescue. With Federal Reserve meeting minutes due Wednesday, crises in China and Greece have led futures traders to push back an increase in interest rates to the first quarter of 2016, according to a Morgan Stanley index. Asian equities fell as another round of government support measures failed to allay concern that margin trades will keep unwinding at a record pace. The People's Bank of China said will provide "ample liquidity" to the nation's stock market to guard against "systemic" risks, according a statement on its website Wednesday. Oil traded near its lowest close in almost three months in New York amid concern about economic stability in China and Europe. Futures were little changed, paring an earlier loss of as much as 1.7 percent. Gold held near the lowest level since March as the dollar traded near a five-week high amid a China-led equity market rout across Asia and the continuing Greek debt crisis. Silver was on course for the lowest close in five years. Aluminum and copper traded near their lowest since the global financial crisis on concern that China's stock- market rout and a possible Greek euro exit will trigger an economic slowdown and hurt demand for industrial metals.*

The Hang Seng China Enterprises Index of mainland shares listed in Hong Kong slid 6.1 percent after tumbling as much as 9.4 percent. The Shanghai Composite Index sank 5.9 percent, extending declines from its June 12 peak to 32 percent. With at least 1,331 companies halted on mainland exchanges and another 747 falling by the 10 percent daily limit, sellers were locked out of 72 percent of the Chinese market. More than $3.5 trillion has been erased from the value of the nation's equities in less than a month. The MSCI Emerging Markets Index dropped 2.5 percent, the most in two years. A Bloomberg gauge of 20 developing-nation currencies fell to a four-month low. Treasuries rose with Australian and Japanese bonds as the plunge in Chinese assets increased demand for the relative safety of government debt and damped the outlook for *inflation. The Stoxx Europe 600 Index gained 0.4 percent as Italy's FTSE MIB Index and Portugal's PSI 20 Index rose at least 1.5 percent. Outside China, Hong Kong's Hang Seng Index plunged the most since 2008. The selloff in Chinese stocks has spread to commodities in Shanghai. Iron ore, soybean meal and even eggs all dropped by the maximum allowed by exchange limits. Analysts so far view this sell off as a spillover from the collapse in equity markets. China's biggest stock-market rout since 1992 has done nothing to erode the bullish outlook of Goldman Sachs Group Inc. Kinger Lau, the bank's China strategist in Hong Kong, predicts the large-cap CSI 300 Index will rally 27 percent from Tuesday's close over the next 12 months as government support measures boost investor confidence and monetary easing spurs economic growth. Leveraged positions aren't big enough to trigger a market collapse, Lau says, and valuations have room to climb.*

Summary: Sellers showed up en masse as the soybean market has given back virtually all of the post-June 30th rally. The 6-10 day forecast for July 12-16 looks drier, with normal to below normal temperatures. The fact that corn and soybean ratings were steady to better last week didn't help the bulls' case. A sharply higher U.S. dollar also weighed on the market as China's stock market continued to slip lower. Corn gapped lower from the previous day's close for the second day in a row as prices tumbled from last week's surge higher. However, corn closed well, with September down $.03 ¼ at $4.23 ¼ after a daily high of $4.24 ½. The December contract was down just $.02 at $4.33 after topping out the day at $4.33 ½. Safras raised their 2015 corn production estimate for Brazil by 3.2mmt to 85.6mmt vs. the USDA's last estimate of just 81mmt. There's plenty of corn in the world and we're uncompetitive with South America. Traders were also surprised at the amount of grower selling yesterday. Barge freight values are in a pullback as water levels recede and logistics improve. Funds were estimated to be net even trading in corn. The Bloomberg survey estimates for Friday's USDA report are 165.2bpa for production of 13.414 billion bushels and carryout of 1.549 billion bushels for 2015/16. August soybeans closed lower for the 4th consecutive session and November beans have closed lower in 3 out of the last 4 sessions as prices erode toward last week's lows. Funds selling, a crop that is seen as stabilizing, and a firmer U.S. dollar combined for a weaker session. November beans sliced through psychological $10.00 support as it works its way towards last week's low of $9.71 ¼. August soybeans closed under the 200-day moving average of $9.94 for the first time since June 25th, and the day before the USDA reports, August beans settled at $9.94 ½. Soyoil had its biggest daily loss since November as it plays catch up to crude oil losses. The Brazilian Real was weaker versus the U.S. dollar, keeping Brazil's beans and products at a competitive advantage compared to U.S. supplies. Funds net sales in soybeans were estimated at 14,000 contracts, along with sales of 3,000 in meal and 8,000 in soyoil. Estimates from the Bloomberg survey for the July USDA report are

45.1bpa, production of 3.781 billion bushels, and a carryout of 380mb for 2015/16. There are 3.2 million soybean acres left to plant as of July 5th, of which 1.55 million are in Missouri, where it is raining this morning. Wheat crumbled lower along with corn and beans as Russia sorts out their export taxes and the dollar firmed. Russian wheat exports are at a virtual halt as the government and traders try to figure out their wheat export tax. No one is clear on how or when the tax is figured. Ukraine's wheat harvest is forecasted at 24mmt, up from USDA's current 23mmt projection. Bloomberg survey estimates for Friday are all wheat production of 2.145 billion bushels, all winter at 1.489 billion, HRW 891mb, SRW 399mb and white 199mb, with all wheat carryout at 860mb for 2015/16. Net fund selling was pegged at 7,000 contracts in Chicago.

Technically, Tuesday's sell-off tugged the November soybean contract to its lowest level since June 30. A near-term top has been confirmed on the daily chart at the $10.40 resistance peak formed on July 1. In the short-term, the trend outlook has turned down in a correction phase. Initial support lies at $9.81, with next support at $9.71 1/4. November soybeans closed under its 10-day moving average on Tuesday, which is a weak near-term signal. The market is still above its 20-day moving average line, which is support at $9.61 1/2. The 14-day relative strength index, a momentum indicator, has turned down from overbought levels, which is a near-term negative signal. On Tuesday, the 14-day RSI fell to 57% from 80% last week. Momentum favors the bears. Resistance lies at $9.95 1/2, $10.12 1/2 and then $10.24. September closed lower on Tuesday, but in the upper third of the daily range. Over the past two sessions, intraday weakness has been used as a buying opportunity. Tuesday's low at $4.15 becomes new chart support for the corn contract. The corn market has shifted into a near-term consolidation and correction phase following the massive rally move which saw September prices climb from $3.55 1/2 on June 22 to $4.30 3/4 on July 2. The market became overextended technical and momentum readings hit overbought levels on the swift market climb into the July high. Corn is now backing and filling as the market digests the significant rally move. Under Tuesday's low, next support lies at $4.12. As long as the $4.12 floor holds firm, corn bulls will attempt to consolidate in the $4.12-$4.30 3/4 range. On the upside, beyond the early July high, next resistance lies at $4.33 3/4, the December high, and that ceiling could act as an upper boundary for corn in the near term.

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