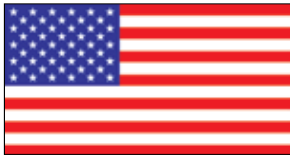


Pro Farmer

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News this week...

- Page 2:** Corn, bean crop ratings stay strong.
Page 3: China may rethink E10 initiative.
Page 4: Preview for LEC. Sign up now!

Jobs data won't change Fed plans.

The U.S. economy added 213,000 non-farm payrolls in June, which beat economists' expectations. The unemployment rate ticked up 0.2 points to 4.0% as the labor force surged 601,000 people last month. Wages increased 0.2% and are now up 2.7% over the past 12 months. Bottom line: More people are coming back to the jobs market amid improving economic growth. The jobs market is not generating rapid wage inflation. Fed fund rates Friday reflected 77% odds of a September rate hike, down from 80% ahead of the data.

LEC July 22-23.

Our Leading Edge Conference is July 22-23 in Cedar Falls, Iowa. To register, go to: www.profarmer.com/leading-edge-conference or call 1-888-698-0487.

Buy-the-fact reaction to Chinese tariffs — Soybean futures rallied sharply Friday after China enacted counter tariffs against \$34 billion of U.S. goods, including soybeans. The buy-the-fact reaction signals the long-feared tariffs were fully factored into the market. Corn futures posted new contract lows last week, but were supported Friday by strong spillover from soybeans. Weather will be a greater focal point as the crop pollinates amid above-normal temps across the Corn Belt. Wheat futures posted gains last week amid increasing global crop concerns and competitive U.S. prices on the global market. Cattle futures were supported by \$3 to \$5 higher cash cattle prices and posted a technical upside breakout from the three-month sideways trading range. Hog futures were choppy to lower amid ongoing trade concerns. With the added Chinese tariff and Mexico's duty doubling July 5, 40% of total American pork exports now are under retaliatory tariffs.

U.S./China trade war begins

The U.S. implemented duties on \$34 billion of Chinese goods July 6 and China immediately retaliated, officially beginning a trade war. A second round of U.S. tariffs on an additional \$16 billion in Chinese goods will probably go into effect in August. And President Donald Trump says he may slap duties on \$500 billion of Chinese goods.

This could take into 2019 to resolve, some say. Key will be whether China can build an anti-U.S. alliance, which could bring major geopolitical implications to the conflict. The U.S. ag sector could find itself in a trade-and-supply-driven recession if the trade war lasts into next year — or a worse recession for some farmers and ranchers already experiencing economic pain.

Impact to soybeans from the trade war

As of June 28, there were 771,487 metric tons of unshipped U.S. 2017-18 soybeans on the books to China. That volume could easily be sourced from Brazil if Chinese importers decide to cancel the purchases. However, Brazilian soybean prices are around 20% higher than U.S. beans. If the price spread widens a little more, it would be economically viable for Chinese importers to take shipment of U.S. beans — even with the 25% tariff.

In another twist, an official with the Brazilian grain exporters association Anec says Brazil could import up to 1 million metric tons of U.S. beans to meet domestic needs.

Mexico election could speed up NAFTA

Andrés Manuel López Obrador won Mexico's presidential election in a landslide. He favors raising wages for Mexican workers, which could be helpful in pushing forward a revamped North American Free Trade Agreement (NAFTA). While he doesn't officially take office until December, the econo-

mist tapped by López Obrador to lead NAFTA talks hopes a deal can be reached "within a couple of months." However, Trump has stated he doesn't intend to sign a new NAFTA deal until after the U.S. November elections.

Hot temps, drier weather into mid-July

Temps across the Corn Belt are expected to trend warmer than normal and rainfall will be erratic through mid-July. Forecast models suggest above-normal temps could continue through month-end, but a couple bouts of rainfall are expected the third week of July.

EPA is Scott-free as Pruitt resigns

Environmental Protection Agency (EPA) Administrator Scott Pruitt resigned following a long list of alleged ethical lapses and improper spending. Pruitt's deputy, Andrew Wheeler, takes over as acting EPA administrator July 9.

Wheeler is a former lobbyist for the coal industry and a former worker at Growth Energy. He is expected to continue the push to undo Obama-era regulations. Key will be his stance on biofuels waivers for small refineries and reallocating the gallons already waived.

Updated balance sheets coming July 12

USDA will incorporate its June planted acreage estimates into the domestic balance sheets. USDA will also incorporate tariffs against U.S. farm products into its July Supply & Demand Report. USDA's forecasts will assume the tariffs will "hold for the rest of the year."

On the global front, focus will be on South American corn and European and Black Sea region wheat and corn production.

First spring wheat crop estimate, too

USDA will also issue its first survey-based U.S. spring wheat crop estimate and all-wheat forecast. Given strong crop ratings, the spring wheat crop is likely to be estimated higher than the 629 million bu. implied in June.

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Eastern Iowa:
"I traveled from Cedar Falls to Des Moines and then to the Quad Cities and back June 29 to July 1. Crops looked excellent for the most part, — tall, dark green and uniform. Tassels were really starting to pop. But there were areas with ponding, flooding and some wind damage after the heavy storms the evening of June 30/July 1."

Jackson Co., (EC) Iowa:
"We have been getting plenty of moisture, but we are luckier than most and are missing the seven to 12 inches of rain in a 24-hour period. Overall, the corn and beans look excellent. Some isolated fields are showing some nitrogen deficiency because of excess rain."

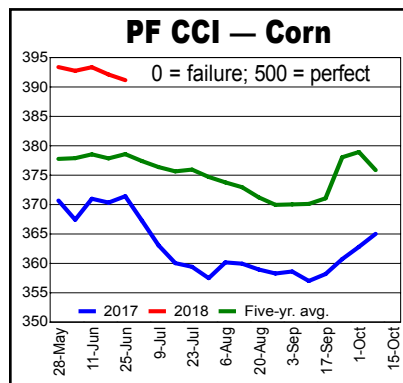
Pottawattamie Co., (SW) Iowa:
"Rain and wind are the constants here. Had over five inches last week and 70 mph winds. Corn is laying over and there's some green snap in tops. Some neighbors had over 14 inches of rain in June."

Polk Co., (EC) Nebraska:
"With recent rain and warm temps, corn is racing along. Beans are in good shape."

Corn crop condition ratings slip one point

USDA lowered the amount of corn rated "good" to "excellent" a percentage point to 76% as of July 1. The portion of crop rated "poor" to "very poor" increased one point, but only stands at 6%.

Those ratings equate to a 391.16 reading on the weighted Pro Farmer Crop Condition Index (0 to 500 point scale, with 500 being perfect). That was down 0.96 point from the previous week, but still nearly 20 points above last year and 12.58 points above the five-year average. The corn CCI rating only dropped 2.34 points during June, though the five-year average was a 1.89-point increase for the month. Seasonally, the corn CCI usually declines nearly 10 points over the next six weeks.



The corn crop is also well advanced, with 17% of the crop silking as of July 1, nine points ahead of the five-year average for the end of June.

Soybean ratings slip, too

USDA rated 71% of the U.S. soybean crop in "good" to "excellent" condition, which was a two-point decline from the previous week. The "poor" to "very poor" rating increased one point, but only to 6%.

On our CCI, that equated to a 374.65 rating, down 1.88 points. The soybean CCI is still nearly 17 points above last year on this date and 10.09 points above the five-year average.

Twenty-seven percent of the bean crop was blooming, 14 points ahead of normal.

Spring wheat development speeds along

Hot weather is pushing along development of the U.S. spring wheat crop without causing major crop troubles. USDA said 58% of the crop was heading, up 24 points from the previous week and 10 points ahead of the five-year average.

The condition of the crop declined slightly as 1% moved from "excellent" to "good." On our CCI, the spring wheat crop dropped 1.26 points to a still-strong 386.80 points. The CCI reading is 25.74 points above the five-year average, though that includes a rating of only 305.99 at the end of June last year.

Cotton crop ratings continue to reflect drought stress

USDA raised the amount of cotton rated in "good" to "excellent" shape a percentage point to 43%, but it also hiked the amount of crop rated "poor" to "very poor" five points to 24%. Despite the increase in USDA's ratings, our weighted CCI reflected a 4.30-point decline to 332.20 amid a 4.56-point drop in the Texas crop. While West Texas has received some recent rains, drought continues to plague the state's crop, which accounts for around 45% of U.S. production.

IGC trims global grain crop, carryover forecasts

The International Grains Council (IGC) lowered its 2018-19 global grains production forecast 12 million metric tons (MMT), primarily due to lower crop prospects in Russia and the European Union. Global grains production is now forecast to fall 13 MMT from 2017-18.

IGC cut its wheat crop forecast by 5 MMT and it is now expected to be down 21 MMT from last year. The group lowered its global wheat carryover projection by 2 MMT and ending stocks are now expected to fall 5 MMT year-over-year.

IGC lowered its global corn

production forecast by 3 MMT from its prior outlook, but output is still expected to rise 9 MMT from 2017-18. However, global corn ending stocks are now expected to plunge 44 MMT in 2018-19.

IGC projects the 2018-19 soybean crop at a record 358 MMT, which is a 2-MMT increase from its estimate last month and would be a 21-MMT rise from 2017-18. Global soybean ending stocks are forecast to increase 1 MMT from the current marketing year.

French wheat crop slashed

Strategie Grains slashed its French soft wheat crop estimate by 4.6 MMT to 33.2 MMT after conducting a crop tour through the country. The firm says heavy rains in winter and late spring caused more damage than previously anticipated.

Drought trims Germany's winter wheat crop

Germany's 2018 winter wheat crop will likely total 20.5 MMT, a 15.1% decline from 2017, according to the German farming association DBV. It explains that heat and dry conditions in recent weeks have damaged the winter wheat crop.

Russia's grain production expected to drop sharply

Russia's 2018 grain crop will be cut dramatically due to drought in southern production areas and cold weather in Siberia, according to the Russian government's weather center. Russia's ag ministry forecasts grain production at 100 MMT, which would be down 35.4 MMT (26.1%) from last year's record crop.

Despite the expected sharp drop in crop size, the ag ministry increased its 2018-19 grain export forecast to a range of 40 MMT to 45 MMT from 35 MMT to 40 MMT previously. Ample carryover supplies from 2017-18 are expected to allow the country to aggressively export grains in 2018-19.

Ethanol grind tops month-, year-ago in May

Total corn ethanol production was 470.4 million bu. in May, according to USDA. Ethanol grind increased 25.1 million bu. (5.6%) from April and topped May 2017 by 17.4 million bushels (3.8%). Through the first nine months of the 2017-18 marketing year, ethanol grind is running 2.9% ahead of last year. If that pace is maintained through summer, it would push ethanol grind to 5.6 billion bu., 25 million bu. above USDA's June forecast.

Record soybean crush in May

U.S. processors crushed a record 172.5 million bu. of soybeans in May, according to USDA. That was up 900,000 bu. (0.5%) from April and 14.5 million bu. (9.2%) more than last year. It was, however, 1.4 million bu. shy of the average pre-report estimate. Soybean crush remains on pace to hit USDA's June estimate of 2.015 billion bu. for 2017-18.

Soyoil inventories at the end of May declined more than anticipated to 2.374 billion lbs. from 2.689 billion lbs. in April. Oil used to make food products rose 7.1% in May, compared with April.

Brazil soybean, corn exports impacted by trucker strike

Brazil exported 10.420 MMT of soybeans during June, according to official government customs data. While that was up 13.3% from last year, it was down 18.6% from May. The country exported only 142,892 metric tons of corn last month, a 74.6% reduction from June 2017. The trucker strike that started in late May disrupted soybean and corn movement to ports and limited exports.

Corn exports are also being hurt by uncertainty about freight rates given the ongoing squabbles between truckers and the government over fuel costs. The Brazilian grain exporters association Anec says it will likely lower its projection for this year's corn exports from 30 MMT to 28 MMT.

Trade dispute puts China's ethanol initiative in jeopardy

China's push to have ethanol account for 10% of its fuel supply by 2020 may have to be dialed back due to the trade dispute with the United States. *Reuters* reports only one ethanol plant project has received the green light to start construction and the government has yet to approve three big expansion plans by ethanol producers. As a result, several industry sources cited by the newswire now speculate Beijing may be rethinking its initial plans.

Last year, China produced only 3.45 MMT of ethanol, according to a China-based analyst cited by *Reuters*, far short of the 15 MMT it would need to have 10% of its fuel supply contain the biofuel.

And importing ethanol would be costly since China has a 30% tariff on all ethanol imports and will slap another 25% duty on U.S. shipments if the two sides can't come together on a trade deal.

Chinese manufacturing sector cools in June

China's official Purchasing Managers' Index (PMI) that tracks mainly large state-run factories, eased to 51.5 in June from 51.9 the previous month. The Caixin/Markit PMI, which tracks smaller, privately run factories, slipped to 51.0 last month from 51.1 in May.

While both readings still signal expansion (a reading above 50.0), China's vast manufacturing sector cooled in June as firms faced rising input costs and a decline in export orders amid an escalating trade dispute with the United States.

Trade uncertainties likely slowed Chinese growth

Chinese economic growth in the second quarter likely slowed from 6.8% in the first quarter, economists surveyed by *Reuters* predicted. Besides impacts of a deepening trade dispute with the U.S., China's economy is being slowed by government efforts to tackle debt risks.

EPA report takes another shot at biofuels

The Environmental Protection Agency (EPA) is taking an increasingly negative stance toward biofuel production. The latest evidence is a report where EPA documented negative environmental effects tied to the U.S. biofuel mandate, alleging that production of corn-based ethanol and soybean-based biodiesel is driving some land conversions and hurting water quality. The report was required by Congress.

"Biofuel production associated with large-scale cultivation of corn and soybeans contributes to" various "adverse environmental and resource conservation impacts," the report stated. It says fertilizer use associated with growing those crops for biofuel production "may contribute to harmful algal blooms" and hypoxia in the Gulf of Mexico.

Proposed WOTUS rule

EPA issued a proposed rule to clarify the administration's intent of repealing the Obama-era waters of the U.S. (WOTUS) rule. The proposal would give more time for the public and industry to provide feedback on the administration's plan to roll back the Obama-era water rule, which EPA and the Army Corps of Engineers "believe has led to uncertainty and confusion across the country."

Under an initial proposal, EPA and the Army Corps would enforce the water regulations under the older, limited definition of waterways, which primarily included large bodies of water like streams and rivers. While enforcing the pre-2015 water regulations, it would work through the process of repealing the Obama definition of navigable waters.

But based on the feedback EPA received last July, the agency has found it necessary to add another opportunity to comment on the rule "to clarify that the agencies are proposing to permanently repeal the 2015 rule in its entirety."

Marshall Co., (NW) Minnesota:
"Crops look fantastic. Some of the corn on corn came up pretty yellow but has turned dark green. We've had good moisture and heat."

Kittson Co., (NW) Minnesota:
"Crops look as good as they can. It seems as if someone is running a soaker hose — moisture is perfect and sunshine is abundant. It's not in the bin yet, but every day gets us a little closer."

Nobles Co., (SW) Minnesota:
"We have had somewhere between 15 and 20 inches of rain in the last three weeks. The southern two tiers of counties in Minnesota are peppered with huge water down out spots in fields and a majority of crops are turning yellow the past week. Beans are going backwards and turning white and yellow. The main crop-growing counties in our state are getting slaughtered with excessive rain."

Chariton Co., (NC) Missouri:
"We are in a drought — 13 inches below normal rainfall. Corn is making an ear, just hoping it will fill. Japanese beetles are eating everything. Beans are not growing. Hay was half of last year."

Green Lake Co., (EC) Wisconsin:
"It's hot, hot, hot here, but we've got some rain. Crops overall look good for the late plantings."

Trade disputes with key trading partners have consumed traders' attention and put grain and livestock markets on the defensive. Trade updates and commodity price outlooks are just two of the many key topics we'll cover at this year's *Leading Edge Conference (LEC)* in Cedar Falls, Iowa, July 22-23. We'll also give outlooks on the economy, additional Washington policy, the November elections, farmland, input prices and weather. In addition, you'll have plenty of time to converse with other professional farmers.

A reception to kick things off

This year's LEC will kick off with an evening reception starting at 5:30 p.m. CT July 22 at the Hilton Garden Inn in Cedar Falls for those coming in the night before the seminar or local attendees who want to participate. The reception will have hors d'oeuvres and drinks, and will provide a valuable opportunity for you to network with other LEC attendees and visit with *Pro Farmer* staff, including new Sr. Market Analyst Jeff Wilson.

'Early bird' session before the presentations

Breakfast and the highly popular "early bird" session will kick off the activities on July 23. This low-key, light-hearted session before the day "officially" begins is your opportunity to rate your crops and hear first-hand crop condition updates from around the country.

Back by popular demand... Vince Malanga

Long-time *Pro Farmer* seminar presenter Dr. Vince Malanga, president of LaSalle Economics, will begin the presentation portion of the conference with his economic outlook. *Has the business cycle been relegated to the dust bin of history, or is the U.S. and the global economy in the late stage of an expansion that will succumb to rising interest rates and tightening credit conditions?* With the world also getting buffeted by political/trade turmoil, the risks are high and the implications for financial markets and living standards could be enormous if not negotiated skillfully.

Vince's straight-forward take on the economy, monetary policy and other key financial factors is worth the price of admission alone.

Trade, a new farm bill and the November elections

Pro Farmer Policy Analyst Jim Wiesemeyer has the daunting task of covering everything that's happening in Washington — and it's a lot. But those of you who have heard Jim know he will be up to the task! Jim will guide you through the latest trade policy issues, including relations with China and prospects for a revamped North American Free Trade Agreement. He will also break down what will be in the new farm bill and when it is likely to become law. Plus, he'll give his outlook on the November mid-term elections and much more. This will be a true can't-miss session!

Summer heat... a key to yield potential

Much of the Corn Belt crop will have wrapped up pollination and be starting grain fill during LEC. Michael Clark with BAMwx.com will guide you through what weather has meant to crops through mid-July and his outlook for the remainder of the growing season. With temps expected to run above normal through July, a key factor this year will be evening temps and how much "down time" the corn crop gets at night. And August weather is always critical to how the soybean crop develops. Plus, Michael will give his take on whether El Niño will develop in time to have an impact on the U.S. harvest and how it is likely to impact the 2018-19 South American growing season.

Has the land market bottomed?

The farmland market remains in a multi-year correction. *LandOwner* Contributor Mike Walsten and new *LandOwner* Editor Davis Michaelsen will tell you how long they expect the correction in land values to last and what factors will be critical in determining when the price pullback has run its course. Mike and Davis will also discuss their cash rent outlook for 2019 and the financial "health" of the farm economy.

Ring the dinner bell

Your registration to LEC includes a lunch on July 23. In addition to providing sustenance to gear up for the afternoon sessions, this will be yet another opportunity for you to network with other LEC attendees.

What's ahead for fertilizer and fuel prices?

Given tight farming margins, input prices are critical to your farm operation's bottom line. Inputs Monitor Editor Davis Michaelsen will give you his take on what to expect for fertilizer prices for the remainder of summer, fall and even for spring 2019 prices. Davis will also highlight the outlook for fuel prices in the year ahead.

A look into our crystal ball for grain, livestock prices

Pro Farmer Editor Brian Grete will wrap up this year's LEC with his outlook for the grain and livestock markets. In addition to his breakdown of the supply/demand fundamentals, Brian will give you his take on what the trade situation could mean to prices in the year ahead. Brian will share our forecasts for the conclusion of the 2017-18 marketing year and our outlook for 2018-19.

Following Brian's commodity outlook, there will be Q&A session with the LEC presenters.

Space is limited... sign up now!

Pro Farmer Members get a special rate of \$179. Go to www.profarmer.com/leading-edge-conference or call 1-888-698-0487 to register.

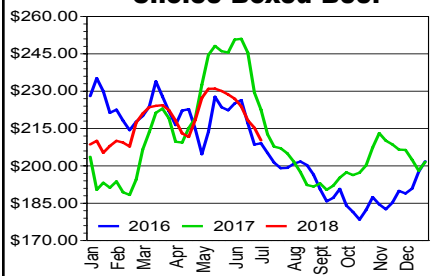
CATTLE

Position Monitor

GAME PLAN:	Feds	Feeders
Fed cattle producers should carry all risk in the cash market.	III'18 0%	0%
	IV'18 0%	0%
	I'19 0%	0%
	II'19 0%	0%

With premiums built into fall- and winter-month contracts, we are watching for signs of topping to hedge.

Choice Boxed Beef



Fundamental analysis

Wholesale beef prices faded last week and the Choice premium to Select carcass values continued to narrow, both common for this time of year. But futures have shrugged off the larger feedlot inventory and lower beef prices, a sign that underlying beef demand is more robust than expected this year. Export sales and shipments are running 22% ahead of a year ago, and are the most since data began in 2002. While demand is strong, futures may move sideways in the near-term, waiting for more evidence that demand growth will absorb the greater supplies. Futures continue to trade at a discount to the cash market, but the spread has narrowed. If futures go premium, it would signal attitudes have improved.

Daily August Live Cattle



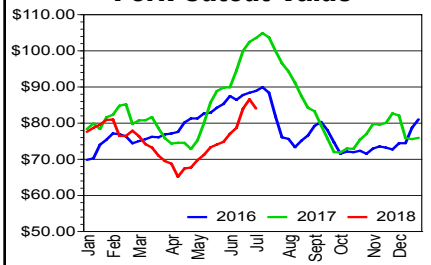
HOGS

Position Monitor

GAME PLAN:	Lean Hogs
With December futures nearly \$27 below the cash index, traders are too pessimistic on prices into year-end. Your best option is to carry risk in the cash market with futures undervalued.	III'18 0%
	IV'18 0%
	I'19 0%
	II'19 0%

With December futures nearly \$27 below the cash index, traders are too pessimistic on prices into year-end. Your best option is to carry risk in the cash market with futures undervalued.

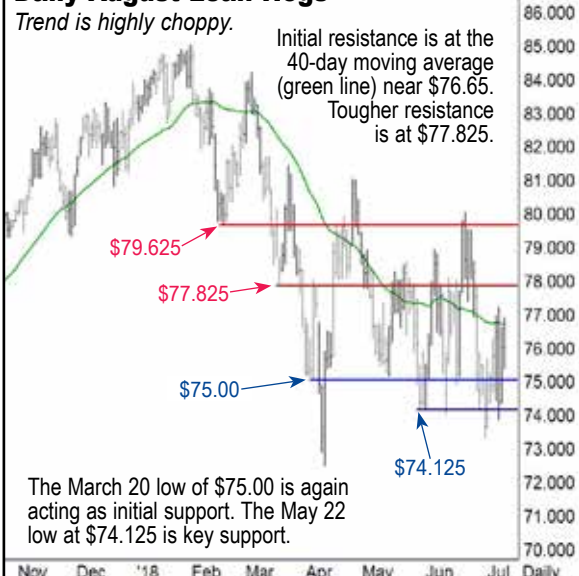
Pork Cutout Value



Fundamental analysis

The cash hog market fell last week, suggesting a seasonal top may be in place. USDA's Hogs & Pigs Report signaled slaughter will run 2% above year-ago into August and then rise toward 3.5% the remainder of the year. But with July futures set to expire July 16 and prices above the cash index, that implies traders anticipate near-term cash strength. The large October and December discounts to the cash index imply most of the anticipated increase in slaughter numbers this fall and early winter is overstated. Domestic pork demand is strong and exports are supportive. As a result, demand could give the pork market a boost the second half of the year. Fall- and winter-month hogs are undervalued.

Daily August Lean Hogs



FEED

Feed Monitor

Corn	
III'18	0%
IV'18	0%
I'19	0%
II'19	0%
Meal	
III'18	0%
IV'18	0%
I'19	0%
II'19	0%

CORN GAME PLAN: On July 3, we advised extending corn-for-feed coverage another 30 days in the cash market through the end of September. If prices continue to slide, we'll extend coverage into fall.

MEAL GAME PLAN: You should have all meal needs covered in the cash market through August. Our target for additional coverage is \$320.00 in September meal futures.

Daily September Meal



CORN

Position Monitor

	'17 crop	'18 crop
Cash-only:	70%	25%
Hedgers (cash sales):	70%	25%
Futures/Options	0%	0%

GAME PLAN: Wait on a strong price recovery to get current with advised sales if you are behind. We are targeting a rebound to the \$3.85 level in September futures for trimming old-crop inventories. We may also increase new-crop sales on an extended price recovery, though our urgency to sell isn't as great as with old-crop since there's plenty of time to market 2018-crop corn.

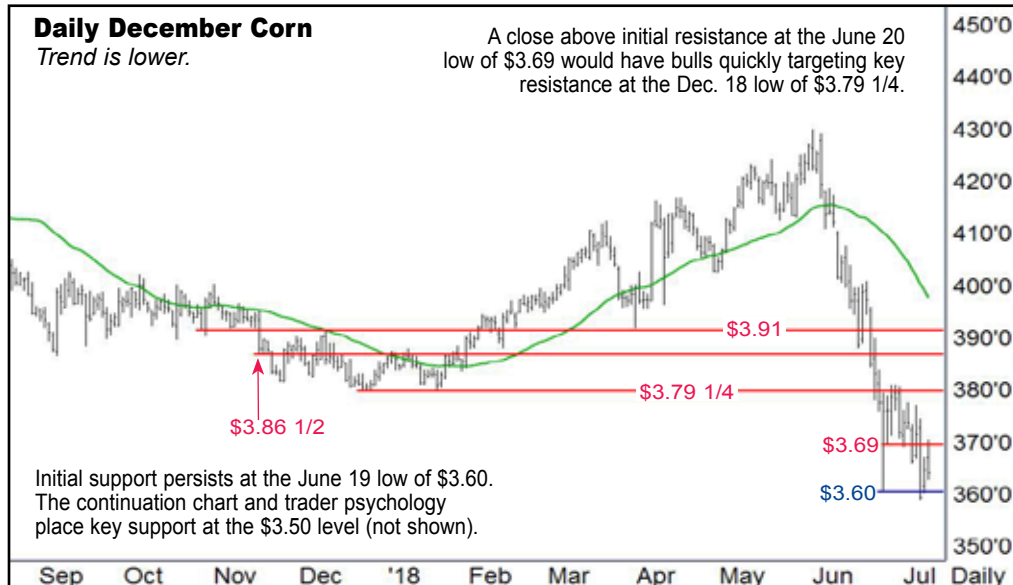
Fundamental analysis

Corn declined to new contract lows amid active fund selling as rains continued to move through much of the Midwest, preventing widespread development of crop stress. Still, pockets of too much water and dry soils remain and national conditions are starting their seasonal retreat. The speed of that retreat will be the focus with hot temperatures expected the next two weeks. The duration of the heat and scope of any accompanying moisture stress will drive price direction the remainder of July. Export demand remains strong and should improve as adverse weather is curbing output in Europe and the Black Sea region after drought slashed output in South America earlier this year. Domestic demand is running at a record pace, and that's another reason to stay patient on additional sales at current depressed prices.

Daily December Corn

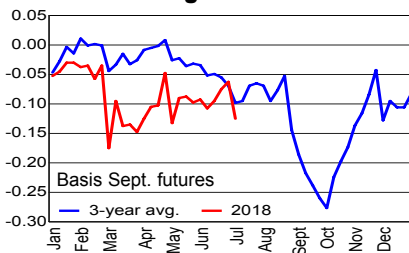
Trend is lower.

A close above initial resistance at the June 20 low of \$3.69 would have bulls quickly targeting key resistance at the Dec. 18 low of \$3.79 1/4.

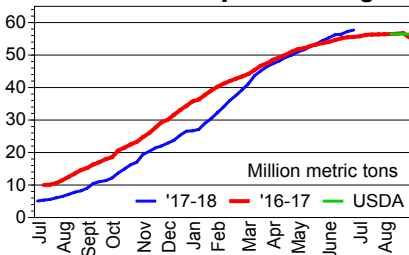


Initial support persists at the June 19 low of \$3.60. The continuation chart and trader psychology place key support at the \$3.50 level (not shown).

Average Corn Basis



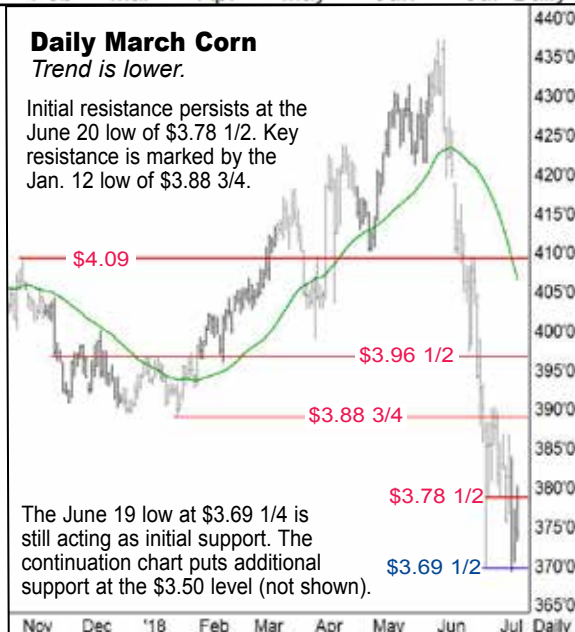
Total Corn Export Bookings



Daily March Corn

Trend is lower.

Initial resistance persists at the June 20 low of \$3.78 1/2. Key resistance is marked by the Jan. 12 low of \$3.88 3/4.



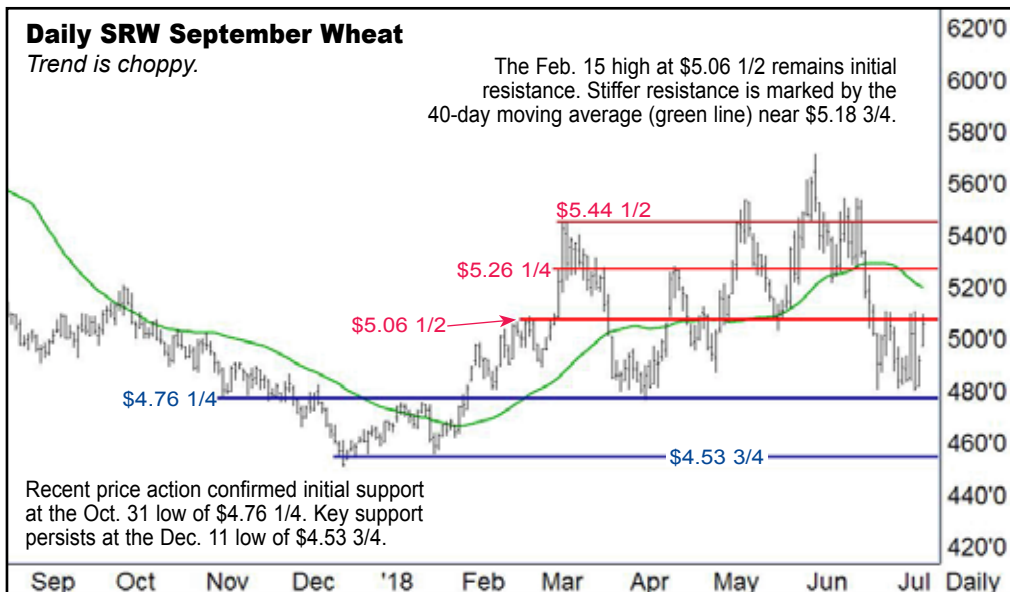
The June 19 low at \$3.69 1/4 is still acting as initial support. The continuation chart puts additional support at the \$3.50 level (not shown).

WHEAT

Daily SRW September Wheat

Trend is choppy.

The Feb. 15 high at \$5.06 1/2 remains initial resistance. Stiffer resistance is marked by the 40-day moving average (green line) near \$5.18 3/4.



Recent price action confirmed initial support at the Oct. 31 low of \$4.76 1/4. Key support persists at the Dec. 11 low of \$4.53 3/4.

Position Monitor

	'18 crop	'19 crop
Cash-only:	55%	15%
Hedgers (cash sales):	55%	15%
Futures/Options	0%	0%

GAME PLAN: Wait on a price recovery to get current with advised sales. Seasonal pressure should ease as winter wheat harvest advances.

Fundamental analysis

SRW: Adverse weather is cutting yields in Europe, Russia, Ukraine and Australia. Paris and Black Sea futures surged last week, leading Chicago prices higher. As world crops shrink, global demand is set for a third consecutive record, eventually boosting demand for U.S. supplies.

SOYBEANS

Position Monitor

	'17 crop	'18 crop
Cash-only:	80%	20%
Hedgers (cash sales):	80%	20%
Futures/Options	0%	0%

GAME PLAN: We believe current price levels are well undervalued, but we can't rule out more near-term price pressure. Wait on a strong price recovery to get current with advised sales if you are behind. We are targeting a rebound to \$9.25 in August futures to trim old-crop inventories. We may also make additional new-crop sales on a strong price rebound.

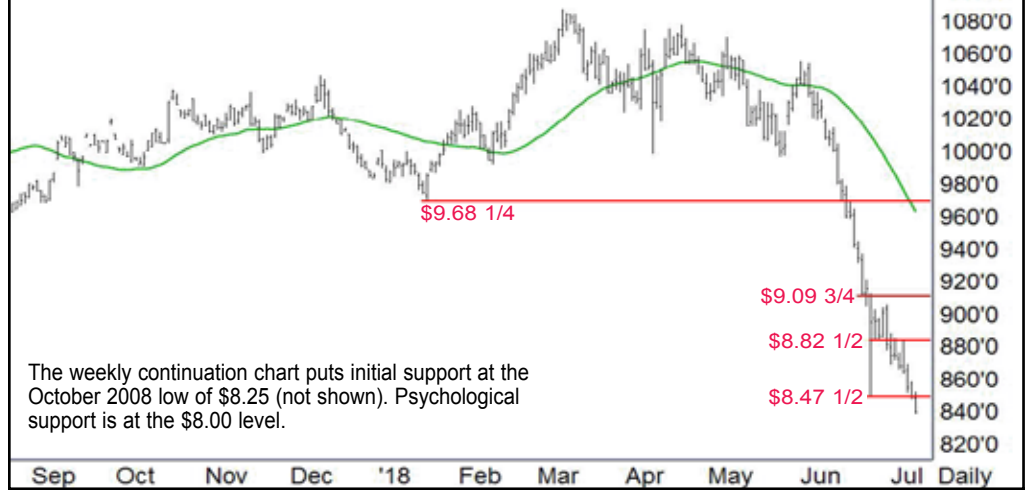
Fundamental analysis

Futures fell to new contract lows as U.S. and China imposed \$34 billion worth of tariffs on the other's imports on July 6. This week's lows already reflect a lot of negative trade news, ignoring improving demand. Crush margins continue to rise, with profits reaching \$2 a bushel. Brazilian crushers may need to import 1 million metric tons (MMT) of U.S. soybeans as China switching origins leaves U.S. supplies cheaper than domestic crops. U.S. exports are on the rise, with more than 1 MMT of new business for delivery through August 2019 reported by USDA, including 432,000 metric tons that China canceled. The tariffs are shifting China's marketshare in Brazil while boosting world demand for U.S. beans. Stay patient for better prices. Hedge funds hold large net-short positions, which is fuel for a sharp U.S. weather rally.

Daily August Soybeans

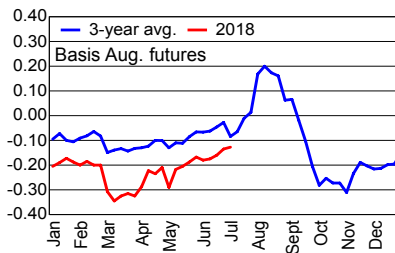
Trend is lower.

Initial resistance is now marked by the June 19 low of \$8.47 1/2. The June 20 low of \$8.82 1/2 represents tougher resistance, as does the June 15 low at \$9.09 3/4.

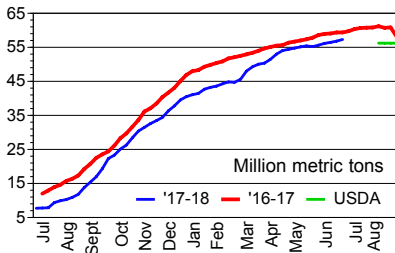


The weekly continuation chart puts initial support at the October 2008 low of \$8.25 (not shown). Psychological support is at the \$8.00 level.

Average Soybean Basis



Total Soybean Export Bookings



Daily November Soybeans

Trend is lower.

The June 20 low at \$8.64 1/2 is now acting as initial resistance.



Initial support extends from the psychologically important \$8.50 level to the August contract's June 19 low of \$8.47 1/2 (not shown).

HRW: Export sales to start the marketing year are off to a slow start, down 29% from last year. U.S. values are more competitive than many overseas buyers were thinking just a month ago. World prices have forged important lows and the size of rallies will depend on actual crop size in exporting nations.

HRS: Spring wheat shrugged off the larger U.S. acreage forecast and pushed higher, halting a five-week drop. Hot weather is rapidly accelerating U.S. spring wheat development, which could hurt crops if rains begin to falter. Smaller Canadian wheat seedings relative to expectations and increasing dryness offset higher U.S. acres.

Daily HRW September Wheat

Initial resistance is now at the Jan. 31 high of \$5.14 1/4.



The Dec. 4 high at \$4.87 1/2 is initial support.

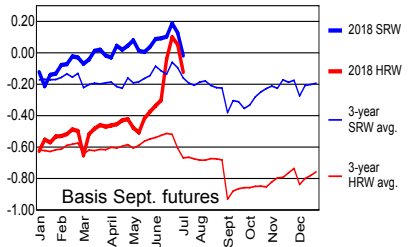
Daily HRS September Wheat

The June 19 low of \$5.54 3/4 remains initial resistance.

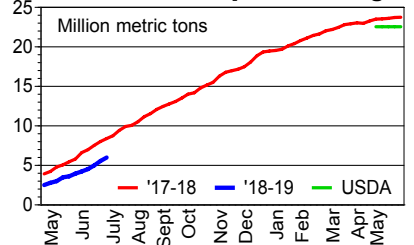


Initial support is now at the July 2 low of \$5.25 3/4.

Average Wheat Basis



Total Wheat Export Bookings



COTTON

Position Monitor

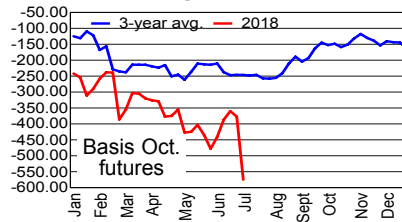
	'17 crop	'18 crop
Cash-only:	95%	40%
Hedgers (cash sales):	95%	40%
Futures/Options	0%	0%

GAME PLAN: We increased old-crop sales by 5% on July 3. We'll finish old-crop sales before the end of the 2017-18 marketing year July 31.

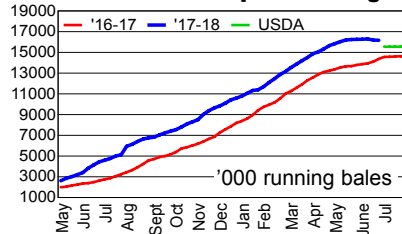
Fundamental analysis:

Strong export demand amid tightening old-crop supplies has lost its market impact. Futures fell to seven-week lows in anticipation of Chinese tariffs July 6 and improved conditions in the Southeast. Rains are still needed in West Texas where temps remain hot.

Average Cotton Basis



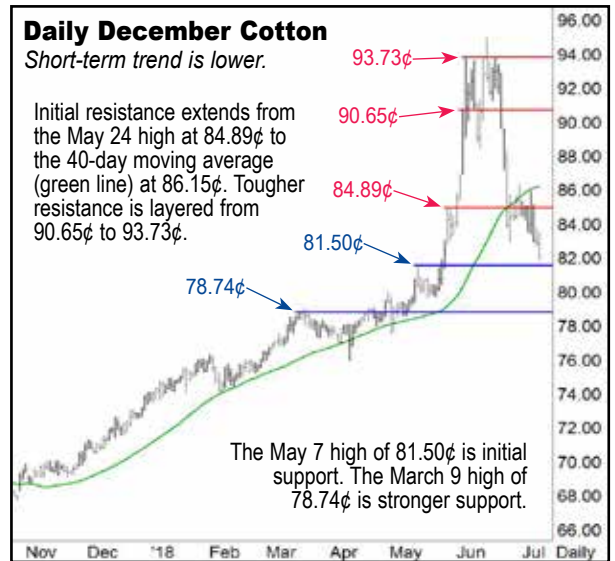
Total Cotton Export Bookings



Daily December Cotton

Short-term trend is lower.

Initial resistance extends from the May 24 high at 84.89¢ to the 40-day moving average (green line) at 86.15¢. Tougher resistance is layered from 90.65¢ to 93.73¢.



GENERAL OUTLOOK

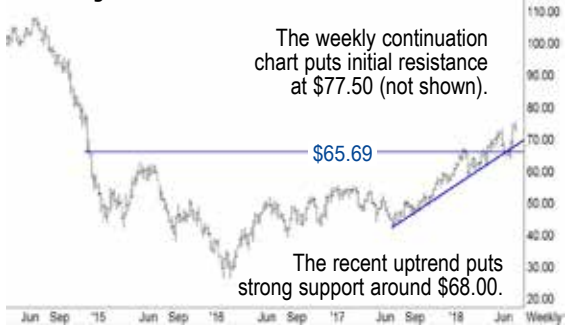
ENERGIES: Crude oil futures last week pushed to a three-and-a-half-year high, despite the late-June OPEC meeting where Russia and Saudi Arabia pledged to pump more oil.

Supply disruptions in oil-producing nations Libya and Canada have combined with a surprising draw-down in U.S. crude oil stockpiles to push futures prices well above \$70.00 a barrel. Still, with U.S. oil production at record highs, President Donald Trump's pressure on Saudi Arabia to

pump more oil and the likelihood the aforementioned supply disruptions will eventually be resolved, oil prices likely have limited upside potential — barring an unexpected geopolitical event in the Middle East.

Analysts are predicting U.S. gasoline prices will rise to an average of around \$3.00 per gallon this summer. The good news for agriculture is the higher crude oil prices and lower corn prices make ethanol an even more attractive alternative fuel source.

Weekly Crude Oil Futures



FROM THE BULLPEN *by Sr. Market Analyst Jeff Wilson*

The crush spread is the difference between the value of soybeans and its byproducts and the best measure of processor profit margins. Since June 1, the Chicago futures margin rose 34% to about \$1.95 per bu. last week. That's the highest ever for early July and signals U.S. and world processor demand for soybeans should improve.

Since a 60-lb. bu. of soybeans yields about 47 lbs. of soybean meal and 11 lbs. of soybean oil, feed consumption drives demand for soybeans. Global demand has more than doubled since 2001 to an estimated 243.4 million metric tons (MMT) this year on record demand for meat and dairy and as producers improved feed efficiency with higher soybean meal in rations.

In the marketing year that ends Aug. 31, USDA forecasts soybean crush will rise 6% to a record 2.015 billion bu. to meet increased demand for soybean meal. USDA is forecast-

ing soybean meal exports will rise 14% to 13.1 MMT and current sales and shipments are on track to meet or likely exceed that target, mostly because of drought-reduced production in Argentina, the biggest global shipper of the animal feed.

Soybean oil under 29¢ per pound should lead to improving U.S. exports and continued processing for biodiesel.

As China shifts its buying away from U.S. supplies, that could lead to reduced meal output in Brazil, boosting U.S. exports. The August contract moved from a discount of about \$5 a ton to December futures on June 19, to a premium of as much as \$2.70 a ton last week. That premium is a signal that demand is rising for U.S. soybean meal and the soybeans to produce it, despite the speculative selling that sent soybeans to the lowest level in 10 years.

Key Market Items on My 'To Watch' List

- 1) USDA Crop Progress Report** — Monday, July 9, 3:00 p.m. CT
Crop ratings may slip a little from too much rain, but will remain strong.
- 2) May Bioenergy Data** — Tuesday, July 10, 8:00 a.m. CT
Ethanol, biodiesel output will likely rise.
- 3) USDA Export Sales Report** — Thursday, July 12, 7:30 a.m. CT
Improving demand outside of China.
- 4) USDA Crop Production, Supply & Demand Reports** — Thursday July 12, 11:00 a.m. CT
USDA's first look at how Chinese tariffs impact U.S. trade and carryovers, and its first spring wheat crop estimate.

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