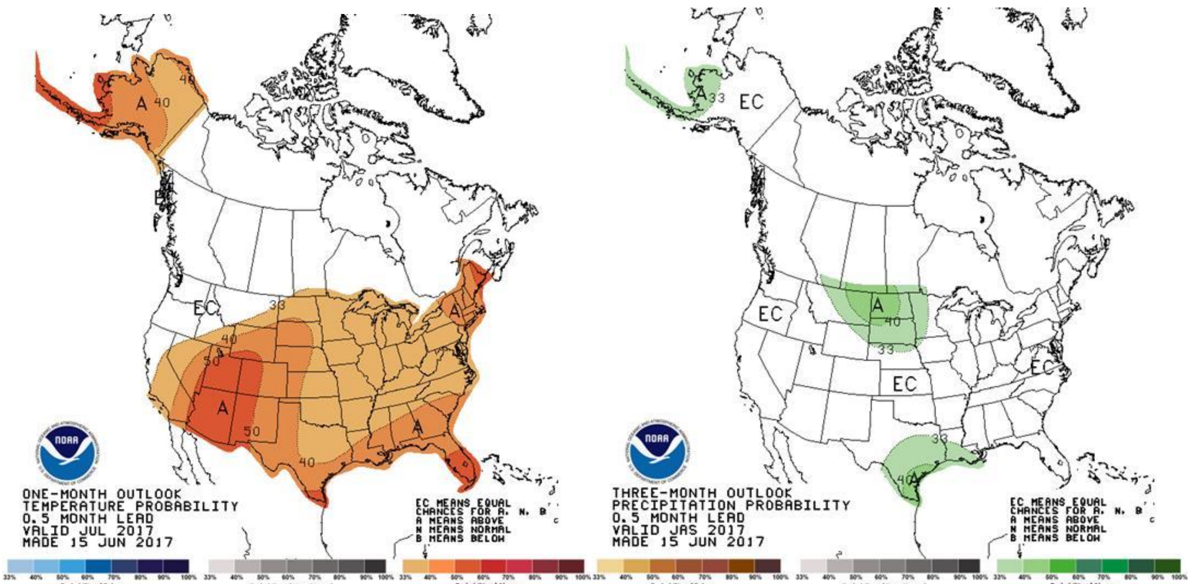
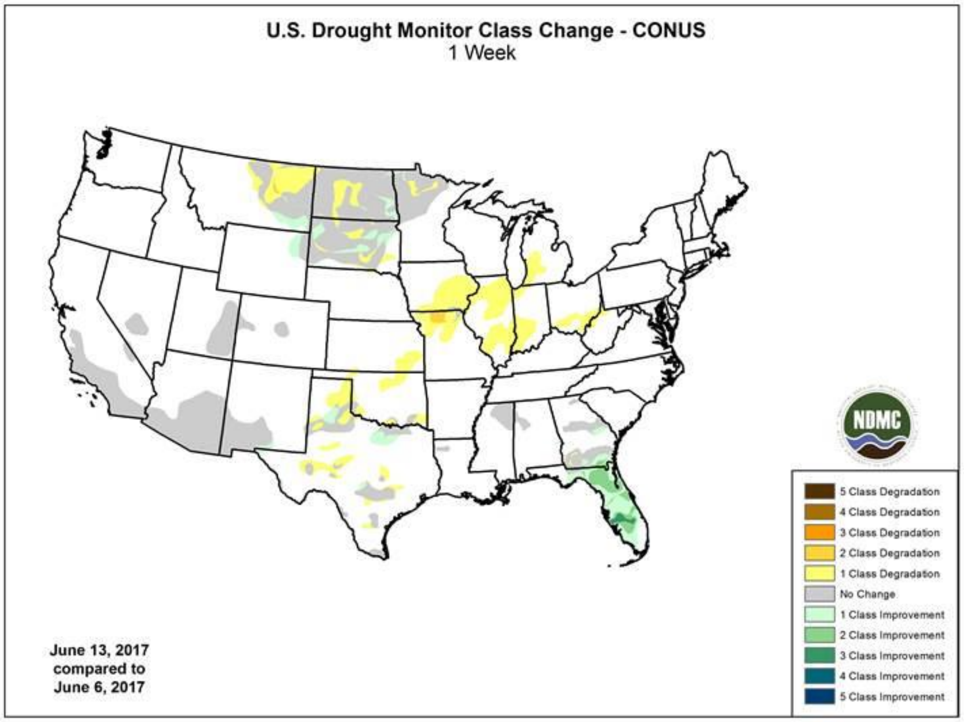
CORN:

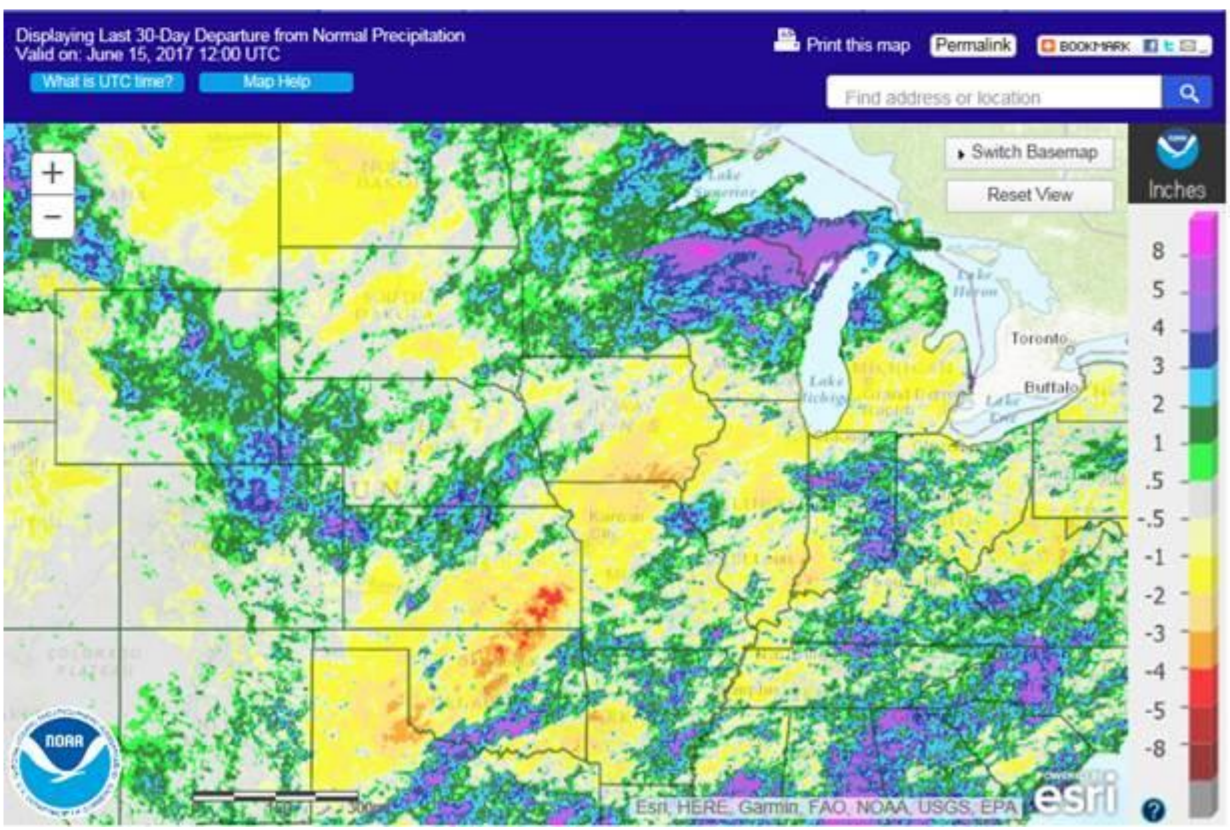
The models giveth and the models taketh away which is what drove corn from being a weak market to strong market at the close today. Just as the 6-10 and 11-15 incrementally moved wetter yesterday, they incrementally moved drier today with the GFS 11-15 withdrawing .75 to 2 inches of rain in the midday maps from the central and western corn belt. The break in corn yesterday was highly reliant on a wetter forecast because the original indication, which the maps have circled back to, was a dry/hot solution from the 6 day and forward outlook. Some models that look as far as 30 days out are showing a hotter and drier July than what was predicted 2 weeks ago. The NWS maps from NOAA indicate a hotter than normal July but have no opinion on the main Midwest states' rainfall chances. The Upper western plains are expected to have an above normal rain fall pattern July-Sep.



This makes the 5 day forecast all the more important in solving moisture deficits of the WCB. The 5 day forecast lowered the rain accumulation projections throughout the day but expanded the coverage area slightly for rains through Saturday. After these two systems pass, the market will have to take stock of the haves and have nots to make a national crop health to make it to the next event 10 days or further into the future. Dryness settling into Iowa, Illinois and expanding in the Dakotas in the Drought Monitor update today.



http://droughtmonitor.unl.edu



The export sales report failed to surprise the market today with a 600.7 tmt old crop sale vs 910 tmt a year ago. This brings commitments to 54.6 mmt or 9.1 mmt over the commitments a year ago. The USDA is forecasting the US will export 8.1 mmt more than the prior year. Even though volumes typically wind down this time of year, the commitments imply the export program is .5 mmt greater than the USDA expects. The Ship/Sales ratio shows high interest in corn movement (81% TY vs 69% LY) compared to sales, making it likely there will be a lower than normal rollover of grain and could add even more to the overall export program. China's corn auction success dropping off considerably with only 98 tmt of a 1.38 mmt offering today even with prices at a low 1333 rmb/mt. Have feeders got their fill for now? US ethanol mandates expected to be updated by the EPA within a week. Funds reversing their short adding yesterday and then some by covering 14,000 contracts today.

SOYBEANS:

After wetter forecasts pressed values late yesterday and overnight, the same models became incrementally drier during today's session and were helped along by a stronger than expected NOPA May crush. Between the updates from the 6-10 and 11-15 GFS models, the central and far western corn belt lost 1.5 to 3 inches of projected rain over the next 2 weeks leaving some areas without a sufficient supply of moisture to carry it through the first half of July without and expansion of the droughty areas. The Drought Monitor showed the Dakotas deepen in drought and a mild drought gain a foothold in Iowa and Northern Missouri this week. Some private forecasters are now calling for a dry/hot first half of July while the NWS updated maps are showing hot but undecided levels of rain compared to normal for all of July. The NWS 90 day maps show a trend towards an improved moisture situation for the upper western plains. With the confidence in beneficial rains waning, the market is forced to look at possible yield outcomes for the individual states to come up with a national yield. Soybeans are historically "made" in August but July has to allow them to mark time with a base amount of precipitation. In my table below I have laid out three scenarios of soybeans, applying yields to the major states assuming the western drought in the first scenario, a partially rescued situation in the second scenario, and a complete reversal but not record yield situation across the board in the third.

	Est 2017 HVST Mln	2015 Yield	2016 Yield	2017 Scenario 1	2017 Scenario 2	2017 Scenario 3
ILLINOIS	10.20	50.0	59.0	53.5	55	60
INDIANA	6.00	50.0	57.5	50	56	56
IOWA	10.10	56.5	60.5	51	55	61
KANSAS	5.00	38.5	48.0	36	42	44
KENTUCKY	1.90	49.0	50.0	46	46	48
MICHIGAN	2.35	49.0	50.5	44	44	47
MINNESOTA	8.25	50.0	52.5	48	50	53
MISSOURI	5.65	40.5	49.0	40	42	44
NEBRASKA	5.70	58.0	61.0	50	57	57
NORTH DAKOTA	6.90	32.5	41.5	29	35	35
OHIO	5.00	50.0	54.5	49	53	52
SOUTH DAKOTA	5.40	46.0	49.5	34	42	42
TENNESSEE	1.75	46.0	45.0	44	44	46
WISCONSIN	2.15	49.5	55.0	45	45	55
MAJOR STATES	76.35					
OTHER STATES	12.25					
TOTAL	**88.60**			**44.6**	**48.0**	**50.1**

As you can see in scenario two, the 48 bu yield can only be achieved with a top I state achieving record or near record yields and then the ECB all working together to make up for a partially clipped WCB. Having a few states in scenario three achieving record status still makes it hard to clear the 50 bu/acre yield mark especially without ND participating. Below I have inserted these three outcomes in a national S/D. Under the Alt1 or droughty WCB scenario, the yield of 44.6 bu/acre pulls the carryout down to 282 mln bushels and with that historically comes prices around 1330 for the SX17 in July. Once most of the weather premium comes out of the market the MidOct prices for SX17 would typically run around the 1175 level. In scenario two, my demand base allows carryout to rise to 583 vs the 539 bu number from the USDA and would historically be pared with sub900 futures in July. Trim .5 bushels from the Alt 2 scenario and that is what the market seems to be trading according to the price models. In the third scenario or alt 3 outcome the 769 mln bushel carryout buries the market with a 775 SX17 in MidJuly.

US Soybeans

	15-16	16-17 USDA	16-17 alt	17/18 USDA	17/18 alt 1	17/18 alt 2	17/18 alt 3
Planted	82.7	83.4	83.4	89.5	89.5	89.5	89.5
Harvested	82	82.7	82.7	88.6	88.6	88.6	88.6
Yield	48	52.1	52.1	48	44.6	48	50.1
Carryin	191	197	197	450	450	450	450
Production	3926	4307	4307	4253	3952	4253	4439
Available	4140	4528	4528	4730	4427	4728	4914
Crush	1886	1910	1900	1950	1910	1910	1910
Exports	1936	2050	2065	2150	2100	2100	2100
Seed+Resid	121	118	118	135	135	135	135
Total Use	3943	4078	4083	4235	4145	4145	4145
Carryout	197	450	445	495	282	583	769
SX17							
July					1330	890	775
October					1175	825	725

NOPA crush out today surprised the trade with a 149.2 mln bushel number vs the ATG's 143.2. Crush bounced harder than normally for May but still implies an annual number less than the USDA's 1910 mbu June estimate. At the moment the US is set to hit 1898 mln bu for the year. Export sales barely moved the needle in the market with a 340.2 tmt sale vs 816.4 tmt sale a year ago. The midpoint guess for today's activity was 350 tmt. Commitments are now 58.9 or 9.6 mmt over a year ago. The USDA projects the US will annually export 3.1 mmt over last year. Based on current commitments the US should exceed the USDA's annual number by 3.6 mmt. Ship/Sales ratios show no difference in bias of coverting sales to physical movement compared to a year ago. Meal sales also an uneventful 166.8 tmt vs 84.4 tmt a year ago. Commitments .3 mmt ahead of a year ago. Bean oil sales a strong 30.3 tmt this week vs 14 tmt a year ago. Oil commitments on par with a year ago which puts this years sales .1 mmt ahead of the USDA's annual number. Funds credited with buying 4000 contracts of soybeans, 8000 bean oil, and sold 3000 meal today.

WHEAT:

Just as wheat and corn were turned from a negative night trade to a positive trade so was wheat. MGEX wheat was thought to be helped by the 15 day forecast but that help was incrementally withdrawn over the course of the session via the weather model updates. Winter wheat, which is trying to keep pace with corn, was turned by the grain to the positive and gained fund buying as it crossed the much watched 100 day moving average. CME wheat is estimated to have had funds cover 10,000 contracts during the session today. The higher wheat goes the more reliant it is on domestic consumption because it is moving further away from being exported competitively. Spring wheat also seeing some pressure as the Canadian spring crop, which is regionally important due, its ability to be delivered on the MGEX has had its growing weather forecast change for the better. The market is now torn between trading North American supplies and a domestically grown market. Protein still a concern for HRW with 11.4 pro and higher bouncing another 6 to 28 cents today. US export sales on the light side with 373.3 tmt sold last week vs 763 tmt a year ago. Commitments .3 mmt ahead of last year. Egypt's Ag Ministry plans on challenging the court ruling on ergot so as not to impede imports.

FOB NOLA – US SPOT PRICES

CORN	+ 38N
SOYBEANS	+ 45N
SRW	+ 50N

FOB TEXAS GULF – US SPOT PRICES

HRW	+ 100N

ECBOT	HIGH	LOW	CLOSE	CHANGE
July Corn	3.82	3.70	3.795	+ 2 1/2
Dec Corn	4.00	3.8825	3.9775	+ 2 1/4
July Beans	9.385	9.255	9.3475	+ 3
Nov Beans	9.4625	9.3225	9.44	+ 5
July Wheat	4.5725	4.3725	4.5375	+ 10 3/4

Regards

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