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Morning Ag Markets Pete Loewen

Weekly export sales data was neutral for corn and soybeans yesterday, bullish milo and bearish for wheat. Milo sales were 8.8 mln bushels, wheat was 11.6 mln, corn was 41.2 and soybeans 59.2 mln. While that corn and soybean total might sound pretty decent, the cumulative sales to date for this young marketing year are lagging year ago totals significantly. Lagging to the tune of 258 mln bushels behind last year's pace in corn and 241 mln behind in soybeans.

Tuesday's crop production report had nothing but bearish news for the fall crop markets, but the negative reaction didn't last more than one session. Corn and beans have been steadily higher since and beans have had contracts up in the double digits the last two days. Wheat finished in the green on report day and the next, but softened a little by yesterday's close.

It has officially become that time of year when South American planting and crop talk starts to gain some steam. The chatter over the last couple of days has been about Brazil conditions being too dry and Argentina conditions being flooded from rains. That Argentina story isn't a new one. For the last two years there have been active reports of huge flooding and crop loss, yet they always seem to pull off a monster soybean crop. The closest analogy I can come up with is the story of "The Boy Who Cried Wolf". Literally translated, if it's the same forecasters telling the same stories for the previous two years and crop losses were only minimal at best, they already lost 100% of their credibility when they tried it again last year. I completely tune them out now and instead keep the mindset that "rain makes grain". There's no doubt, drought is a bigger yield killer than too wet.

Wheat unfortunately doesn't have much of a bull story left, outside of a short Minneapolis spring wheat crop and the deficit of milling quality wheat in the US as a result. Like it or not, that may end up being more of a basis driver than a futures market driver if there is any upside potential to be had from this point forward. One thing that really hurt the wheat market was Russia and surrounding countries having a monster crop this year and a huge chunk of that crop

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is going to the export market as a direct competitor for US wheat exports. A bright note there though, is the lack of adequate storage in those countries, meaning their exports should be somewhat front end loaded. That might also mean it's a waiting game for our wheat price and export potential until we can get past them flooding the world market. If it weren't for their crop size this summer, we'd have a "5" handle on wheat, instead of the current "4" handle.

8a.m. export reporting showed 132,000 mt's of US beans sold to China.

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