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Morning Ag Markets

Pete Loewen

It was a banner day to the upside in the grain and oilseed trade in everything except corn, which was acting doggy compared to the rest. There's valid reasoning behind that sluggishness though and the explanation lies in where corn is versus recent highs compared to the wheat and soybean trade. Both the wheat and soybeans have been to this rodeo before and still haven't closed in on recent highs yet. Corn on the other hand, did poke up into new recent high territory yesterday on new crop, but not old. For all of these markets, every time new territory is tested it's met with a lot of resting hedge sell orders. That makes it difficult to aggressively push new highs. Instead it has to chew through the offers and claw its way up. That doesn't mean it isn't friendly, it just means it's likely a slower rally when posting new highs. If wheat and beans test new territory soon we might find the same resistance. Without that though, there were easy double digit gains in wheat and soybeans yesterday and very sluggish higher trade in corn. With an acreage number in corn in the Prospective Plantings report at 2.1 mln under last year, corn probably has more reason to rally than soybeans or wheat as well.

Fund activity yesterday was estimated as buyers of 10,000 corn, 10,000 beans and 12,000 wheat.

There's a lot of info to cover this morning between export inspections from yesterday morning, crop progress and conditions from last night and a monthly Crop Report coming at us later this morning.

Export inspections in corn yesterday were 76.3 mln bushels, which was a very bullish number. That took the 25% lag versus last year's shipments at this point down to a 23% lag. USDA has the export projection for the year set to end 3% under last year, so there's still a long way to go. That weekly total yesterday was apparently the largest corn weekly shipment in 20+ years. If exporters can keep that up, the 20% gap versus the projection could be closed in pretty quickly.

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Soybean shipments were 13.7 mln yesterday and that's a little bearish. The cumulative pace is 12% below last year and USDA projects a 5% decline.

Wheat was bearish as well at 15.8 mln in export loadings. That wheat pace is down 9% compared to last year so far and the marketing year ends on the last day or next month. USDA has a 12% decline projected, so we might beat that estimate, but the odds are heavy that ending stocks will still exceed 1 bln bushels. That's bearish.

Crop condition numbers in winter wheat showed 30% of the crop rated g/ex versus 32% last week and 53% g/ex last year at the same time. P/VP conditions are 35% yesterday, up from 30% last week and only 13% last year. Kansas g/ex ratings got 3 points better to 13%, Oklahoma 1 point better to 10% and Texas was down 1 point to 14% g/ex.

Planting progress in corn was 3% vs 2% on average. The Delta and Southern states are well ahead of last year and the bigger corn states are right about normal, which is just getting started in a few. Illinois was 1%, Kansas 4% and Missouri was 4% done.

Supply and Demand report estimates for the report coming out at 11:00 this morning have an average guess for US corn ending stocks of 2.192 bln, which would be up 65 mln from last month. Soybean stocks are projected at 570 mln, up 15 from last month. Wheat is pegged at 1.040 bln, up 6 mln from a month ago. In the world numbers, ending stocks forecasts are looking for a 500k mt drop in wheat versus last month, which would still be 15.8 mmt's bigger than last year. Soybeans are projected to drop 1.5 mmt's from a month ago, which is 3.8 mmt's under last year. Corn is pegged at 2.2 mmt's lower than amonth ago and 34.9 mmt's under last year.

The reasoning for the big declines in corn and bean stocks are primarily because of lower production estimates out of Brazil and Argentina. Brazil corn is expected to be 92.2 mmt's versus 98.5 last year and Argentina 33.5 mmt's compared to 41 a year ago. Soybean guesses average 42.3 mmt's for Argentina versus 57.8 last year and 115.6 in Brazil, but that's up from last year's 114.1. There's a lot bigger drop forecast in Argentina than there is gain expected in Brazil, which is why the stocks number is expected to take a hit.

Daily 8am export reporting showed a long line of new business. 279k mt's of US beans sold to unknown destination, 132k mt's of US new crop beans sold to China and 120k mt's of new crop US soybeans sold to Argentina! To me, that's BIG news for the bean market with both China AND Argentina knocking at our door for business.

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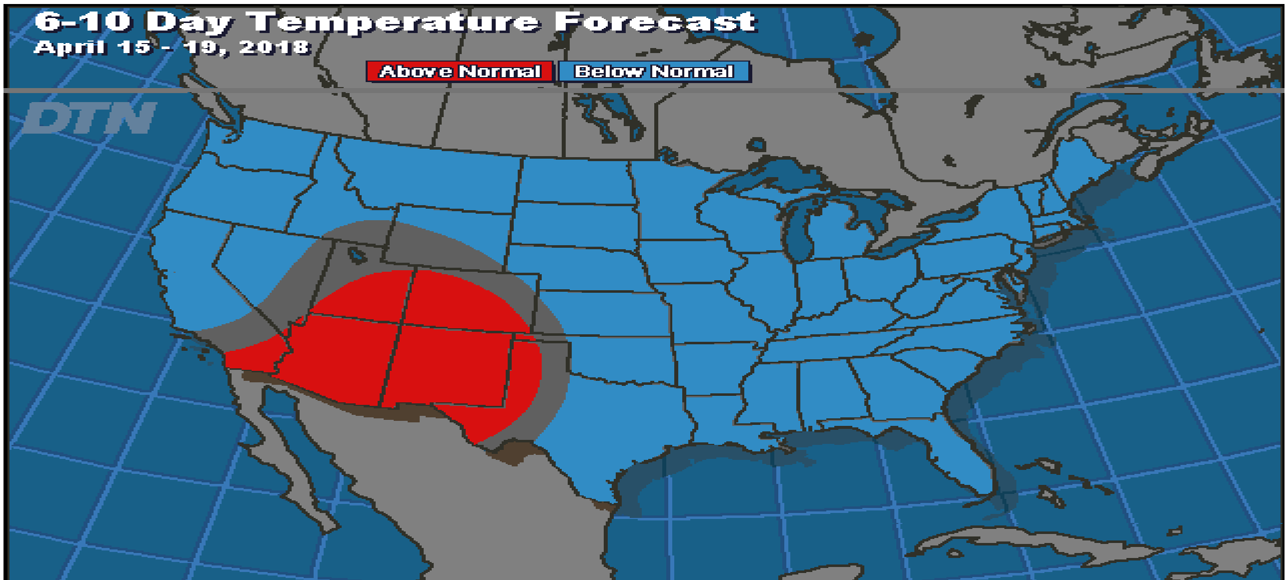

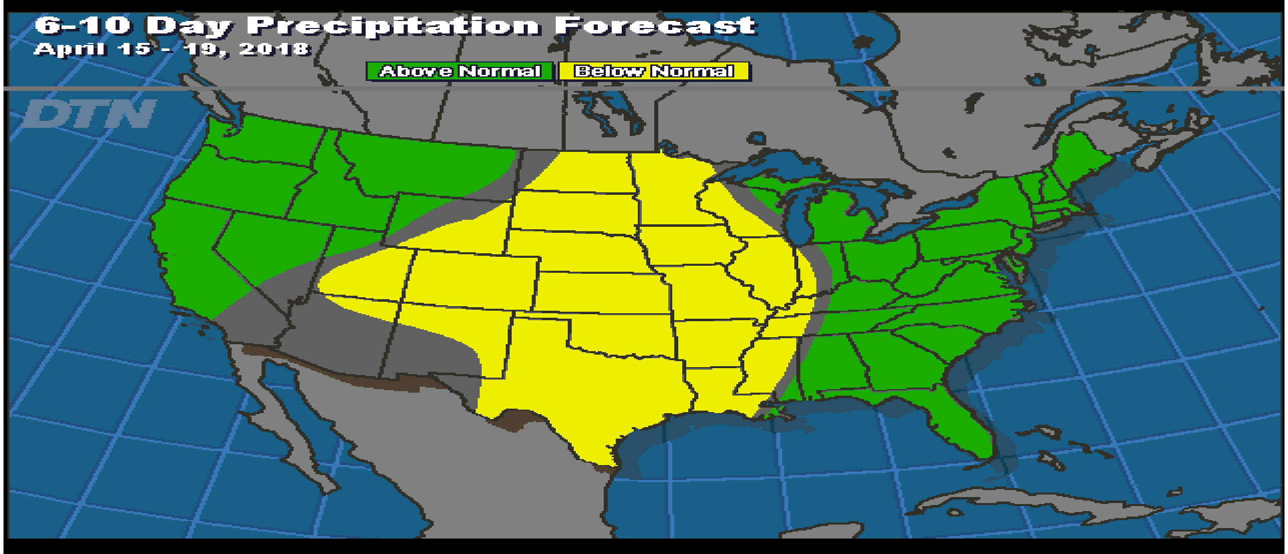

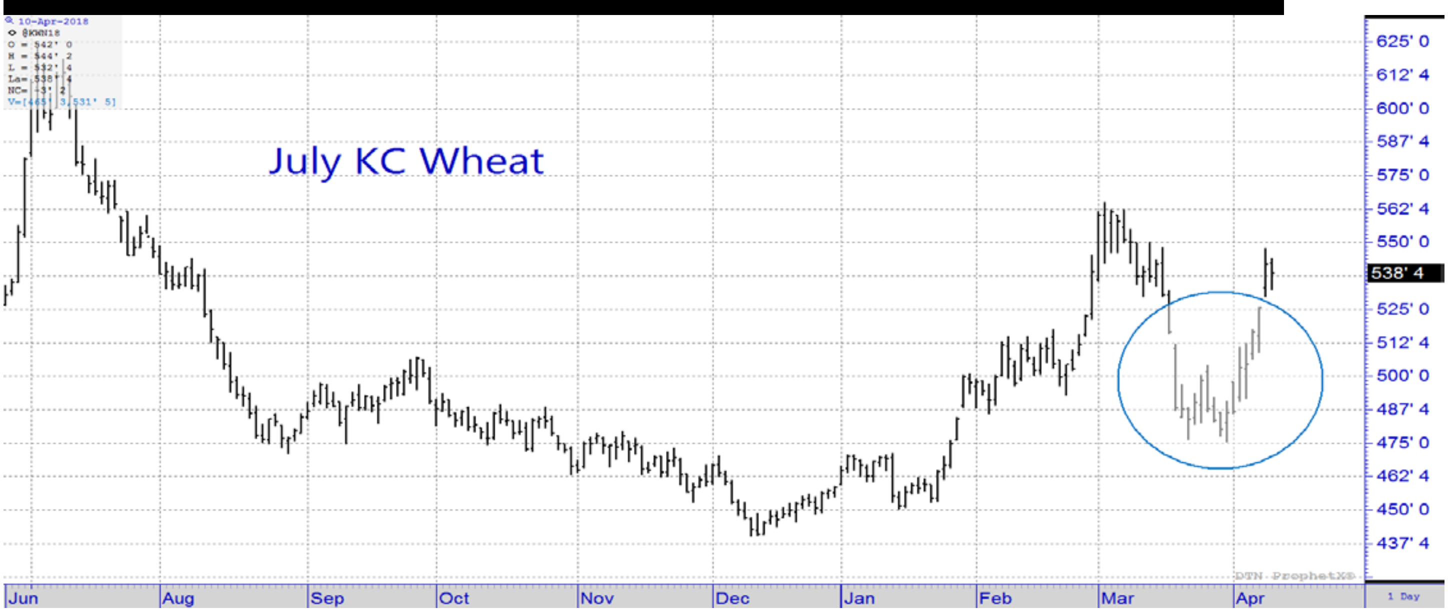

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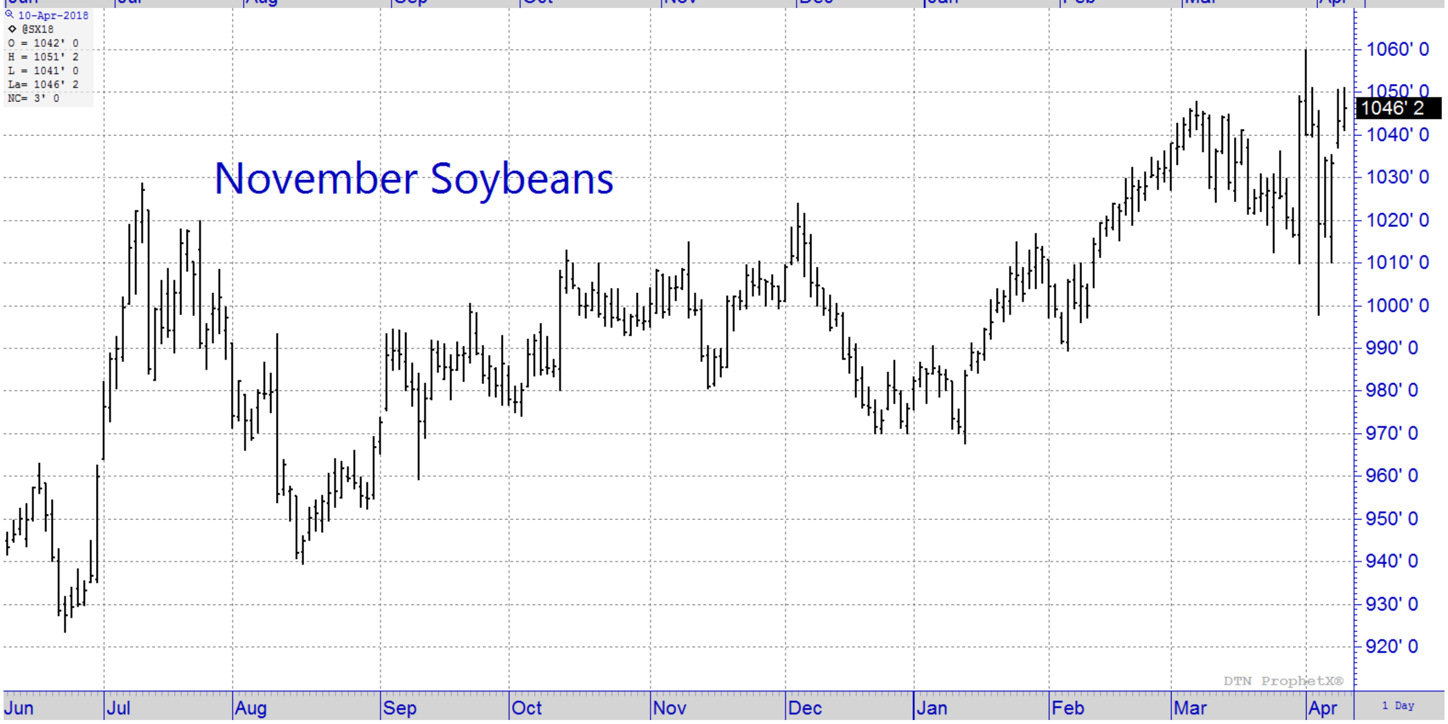

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