



GOOD MORNING,

Beans called higher 1-3 cents and soybean oil up 10-20 points as traders even up for this morning's July USDA report, 11:00 am CST – folks the report is all about new crop corn ending stocks which you have read about in my daily for some time.

Higher markets yesterday as the market deals with the extremely tight old crop bean situation and Thursday's USDA report.

In the news:

- 1) The DJIA is trading uncharted area, up 125 points at 15,417 on a 'clearer' Bernanke Fed report yesterday as the nearby thoughts of the easing programs ending was better articulated this go around – supportive input;
- 2) The dollar versus the Euro as a result of the Bernanke Fed comments is weaker 85 points trading 1.3059 – supportive input;
- 3) Brent crude which has finally taken out the May 2012 \$106 level is down slightly, \$0.30/barrel trading \$108.21 – mixed to supportive input;
- 4) Overnight 120,000 mt of beans optional origin sale was sold to an unknown destination – supportive input (new crop);
- 5) Overnight 120,000 mt of corn was sold to China, new crop – supportive input;
- 6) The weekly export sales were :

- corn 1,049,800 mt with 392,000 mt old crop – very supportive but traders will wait for the USDA reports before they do much;
- beans 480,900 mt with the bulk new crop will be seen as mixed to supportive – traders here too will wait for the USDA report;
- wheat 1.473 million mt, all new crop – supportive input;

7) The analyst estimates for today's USDA report are:

'12/13 ending stocks Actual		'12/13 ending stocks Avg Est	June report actual
Beans	_____ million bushels	121 million bushels	125 million bushels
Corn	_____ million bushels	722 million bushels	769 million bushels
'13/14 ending stocks Actual		'13/14 ending stocks Avg Est	June report actual
Beans	_____ million bushels	270 million bushels	265 million bushels
Corn	_____ million bushels	1.874 billion bushels	1.949 billion bushels

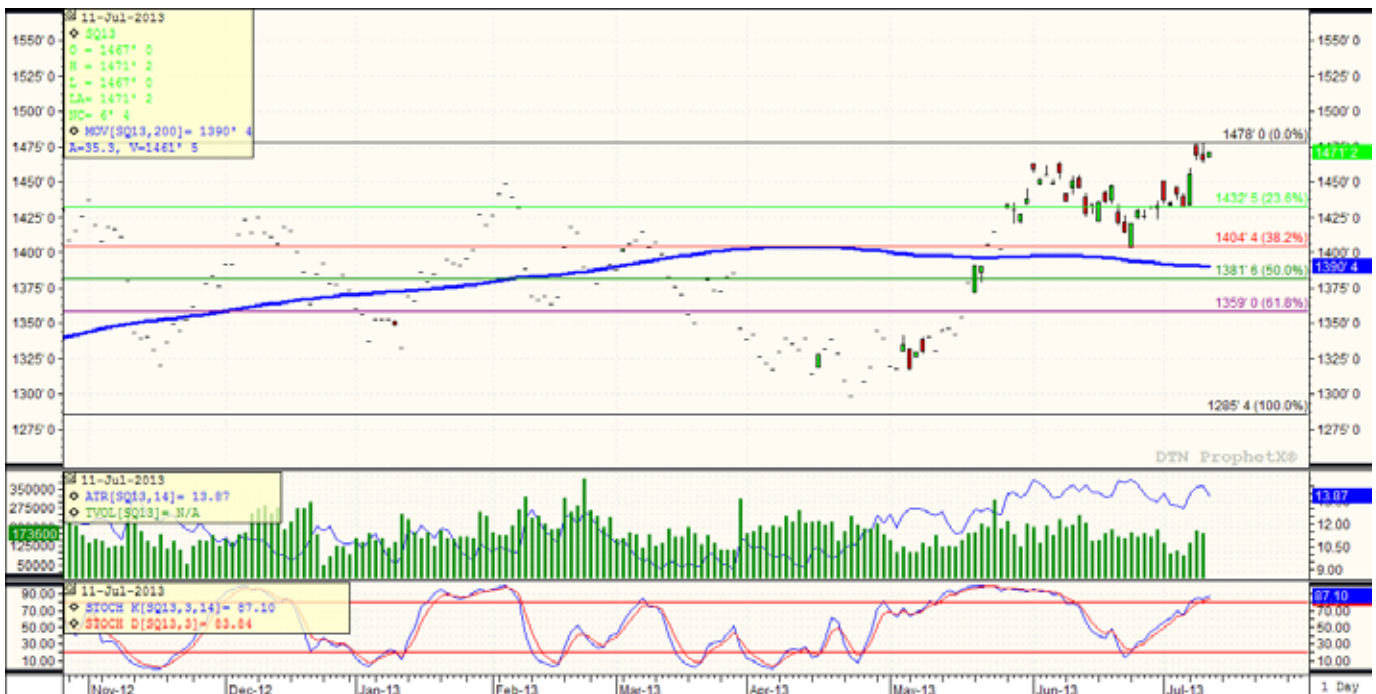
8) New crop corn ending stocks is what every trader is waiting for. What will the USDA do? We

know they will increase the corn acres (beans and wheat acres will be increased also) which will give more production. Will the USDA increase corn yield because of the promising crop progress reports showing much better numbers than last year at this time in the good to excellent category? If so, how much? 1.5 bu/ac seems to be floating around OR is it simply too early to change corn and bean yields on the August report?

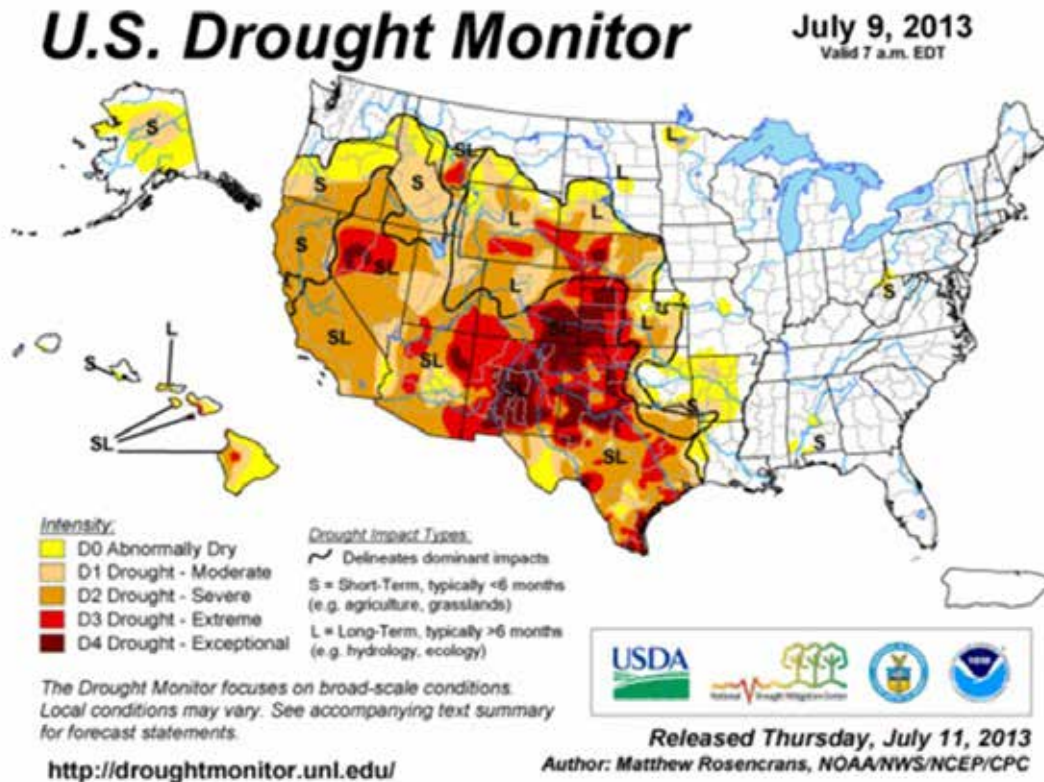
9) Will the USDA change the corn and bean demand? Will they play with old crop bean crush and exports? Increase crush and somehow reduce exports which are already too low. Then will they increase export demand to offset any increases in bean production other than say 5 million bushels giving us the ending stocks of 270? Then there is corn which had June 1st stocks lower than expected on more feeding not in the grids. Remember this will be easily offset by a yield increase and the acre increase.

10) Lots of 'what ifs to think about' - all will go to the new crop corn ending stocks number as a big number is what we need as a 'hammer', as I've called it, to see lower bean and then lower soybean oil. As you all know, futures have moved off their recent lows that were set back when the USDA announced their surprisingly higher corn, bean and wheat acres - well above the market expectation. Those acres will be put into the grids - this isn't new news as we all have grids with these numbers in them;

11) Below is the August soybeans chart which shows the recent run on very tight old crop ending stocks. If one plugs in normal demand for the June-Aug period for beans, ending stocks are close to zero. This obviously wouldn't happen but things will be tight until we get a new crop of beans in the US:



12) Weather in the Midwest is seeing some issues of late as warmer temps haven't been followed with the needed rain events, especially in those areas which were in a drought. Below is the July 9th Drought Monitor which shows those concerns:



13) Palm oil overnight was down 6-ringgit trading 2371. Continued choppy trade as palm follows the US soybean complex and expected growing palm demand – supportive input;

Higher opening to start. Light volumes until the USDA report out at 11:00 am CST. Folks it's all about the new crop corn ending stocks number which you have read in my daily for the longest time. A big number will give more confidence to lower corn futures. This in turn will likely pressure beans once we get through this nearby weather issues. Choppy trade is expected ahead. Buckle up as the market braces for another USDA report.