United Comments

Newsletter Date: July 18, 2016

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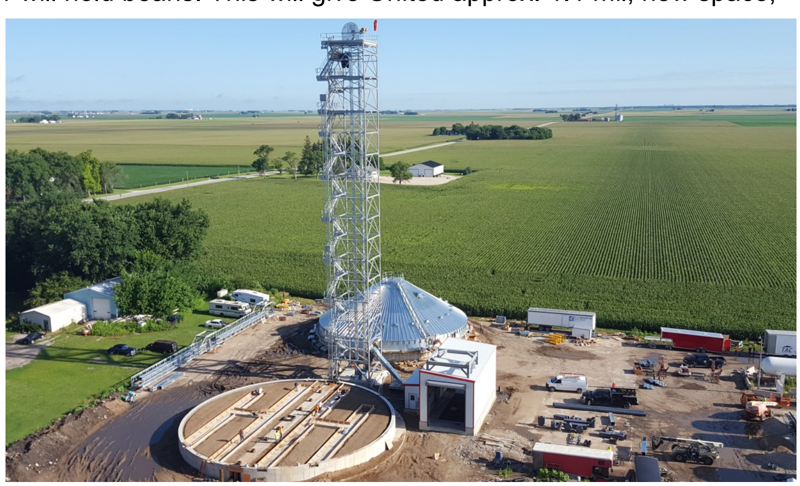
Grain Highlights

- National corn ratings down 1 % this week at 75% g/ex, equal to the average guess, with last year at 69%, and 61% 5 year average. Corn silking hit 56%, up from 47% LY, and 46% 5 year average. Soy ratings steady at 71% g/ex, with trade looking for a steady number there as well; that beat 62% LY and the 60% 5 year average. Bean pod setting at 18% remained ahead of LY and average at 14% and 13%, respectively.
- A state by state review of last Monday's condition ratings vs final yield projects a 175.3 bu/acre corn yield and a 47.9 bu/acre bean yield nationally.
- China sells almost all of the 300 tmt soybeans offered to the market. The 6 year old soybeans were highly discounted for quality and were only good enough for livestock consumption.
- July NOPA crush at 145.1 mbu, slightly less than trade estimate of 145.4 and down from May crush of 152.3, though still up from last year's previous June record crush of 142.5 mbu. Cumulative 10 month crush stands at 1498 mbu, almost identical last year's Sept-June pace with USDA looking for a 1% total crush increase. Crush for July/August will need to be 298 mbu compared to 280 last year to meet USDA goal.
- Funds presently long 109,000 contracts of beans after being over 215,000 contracts long last month. Corn funds are short 17,000 contracts and are short for the 1st time since April. The latest CFTC report showed the funds were sellers of over 83,000 more contracts in last week then trade was expecting.
- Chinese soybean imports for June are 7.56 mmt vs 8.09 a year ago. On an Oct-Sept marketing year this puts their imports still 7.7 mmt ahead of a year ago with 3 months to go. The USDA is projecting a year over year increase in China imports of 4.65 mmt as of yesterday. The vigorous pace of China soy demand was the main driver behind the old and new crop soy exports being revised upwards.
- Weekly ethanol production rebounded to 1.004 mil/ barrels per day last week. This is up from .984 mb/day last week. Cumulative output since Sept 1 rose to 972 mb/day average and this is 23 mb/day ahead of last year's pace, which equates to a 125 mil. bu. increase in corn (or milo) use for ethanol. This is very close to the latest USDA projections.

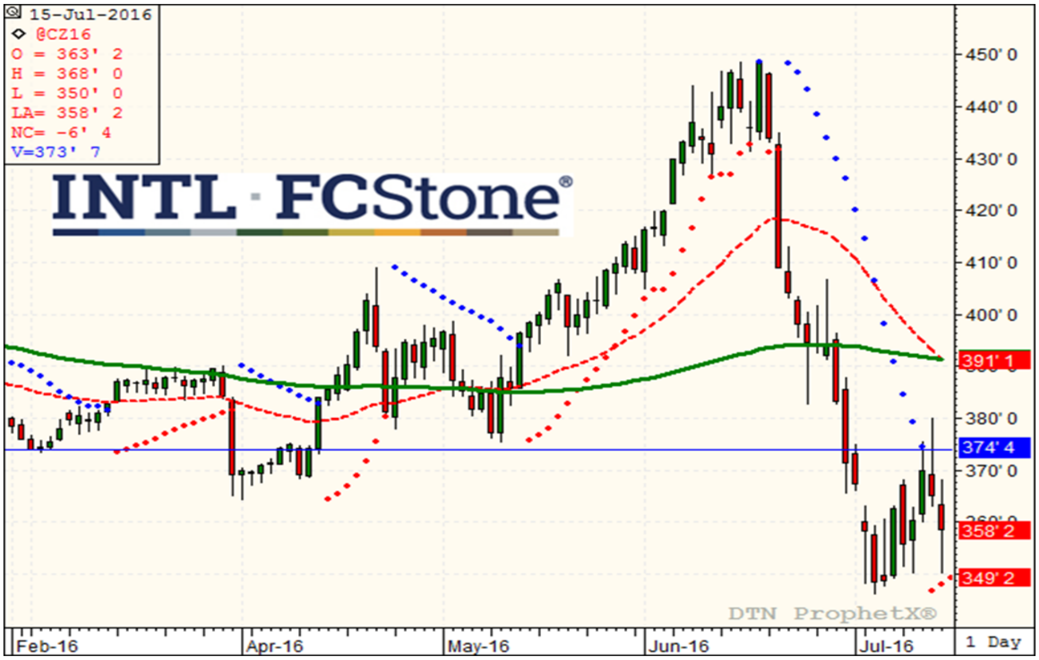
Highview Project Update

Project is on schedule to be done on Sept 1, 2016. You can see from picture that they have started to jack the 1st bin in last few days. Both bins will be 90 ft. in diameter and 1 will hold corn and 1 will hold beans. This will give United approx. 1.1 mil, new space, but will only gain approx. 800,000 with not having Flugstad and plans to not use some flat storage at Stonega/ Stratford. The new pit will be able to dump semi's by stopping 1 place and the leg will have capacity of 15,000 bu/hr. We have left room to add a wet bin and dryer in the future.



Technical Comments - December Corn

The downtrend continues with the resistance at 3.745 giving some minor resistance to rallies. A close above 3.85 breaks the downtrend and a close above 3.91 will start an uptrend. The downside target for the current pattern is 3.35.



Technical Comments - November Beans

The downtrend is in place and the trade Friday reinforced the bearishness of the current pattern as the gap which was somewhat undefined was promoted to a breakaway gap with the failure to cover the opening. The moves have been violent and market is coiling but the downside momentum is building with each confirming session. The downtrend breaks with a close above 11.36. The downside objective is 9.75.

Tech Comments provided by Bevan Everett, Risk Management Consultant and Grains Market Analyst, INTL FCStone Financial Inc. – FCM Division This material should not be construed as the solicitation of trading strategies and/or services provided by the FCM Division of INTL FCStone Financial Inc. noted. The trading of derivatives such as futures and options on futures may not be suitable for all investors. Derivatives trading involves substantial risk of loss, and you should fully understand those risks prior to trading.

CASH TALK:

2015/16 corn crop – With the way the weather forecast have changed lately, I would be a seller on any rally back to 3.30-3.40. If the hot/dry forecast don't appear, I fear we could go under $ 3. The basis has improved some with the slow marketing by farmers but could get sloppy if movement increases as producers feel their crop in field hasn't been hurt. The carryout at 1.701 billion is still large.

2016/17 corn crop - With the weather looking like it will not as threatening as feared, I feel producers that don't have storage should look at 3.50 as sale goal. I still have my concerns with the feed usage number being used by USDA for 15/16 and 16/17. The June 30th stocks report found bushels and USDA is trying very hard to not acknowledge those bushels.

2015/16 bean crop - – Hope you were able to market most if not all of your 15/16 beans. Be ready to sell the last bu. on any weather concerns rallies. Selling over $ 10 still is a good price and don't let the premium get away.

2016/17 bean crop - With the fall in prices, I would hold and watch to see how August weather plays out. Be ready to sell if we can get back to 10.50. Bean don't usually get much carry and S. American production is hard to predict with all the possible variables (weather, currency changes).

USDA Report's

June 30th Quarterly Stocks - Corn stocks were projected at 4.722 bil. bushels vs trade estimate of 4.528 bil. bushels. This increase confirms the idea that feed usage for 15/16 is too high at 5.25 bil. and may need to be lowered by 100-150 mbu. The biggest problem I fear is that this could lead to feed usage for next year being revised lower from the present 5.55 bil bu. estimate. Bean stocks were 869.9 mil. bushels vs trade estimates of 829 mil bu. It may be that USDA is overestimating crush or residual or some combination. Ultimately these extra bushels will offset the talk of larger export figure that trade has been discussing. That may limit the rally potential of beans.

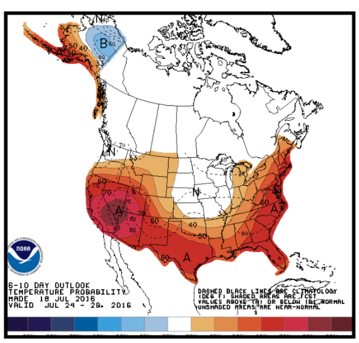
June Planting Projections– Corn acres were raised to 94.1 mil. acres vs a trade estimate of 92.8 mil. This threw a wrench in the markets and we closed down 20 cents. Best explanation is we had less prevented planting acres vs last year and some found a home in corn. Combined with the extra stocks found, we now have some room for weather concerns. Bean acres were 83.7 mil vs trade thoughts of 83.8 mil. This caused a rally after the report and beans closed 30 cents higher on June 30th.

July 12th Supply/Demand - The corn carryout for 15/16 was estimated at 1.701 bil. bu. vs trade thoughts of 1.805 bil. The trade was expecting feed down 100 mbu and trade only lowered feed by 50 mbu. USDA took ethanol down 25 mbu and raised exports by 75 mbu. This caused no change from the last report in June. Corn carryout for 16/17 was projected at 2.081 bil bu. vs trade estimate of 2.208 bil. This number was arrived by only decreasing feed by 50 mbu, lowering ethanol by 25 mbu and raising exports by 100 mbu. The market rallied after these numbers, but I feel feed is still too high (could be 150-200 mbu higher). Yield was left unchanged at 168 bu/acre. World stocks were slightly higher for 15/16 even with Brazil production 7.5 MMT lower at 70 MMT (reason for US exports higher). World stocks for 16/17 were up 3.3 MMT mainly due to higher US production due to extra acres. Bean carryout for 15/16 was estimated at 350 mil bu., very close to trade estimate of 352 mbu. The 20 mbu decrease compared to June was from exports up 35 mbu and residual lowered by 20 mbu. Carryout for 16/17 was 290 mbu compared to trade thoughts of 287 mbu. USDA raised production by 80 mbu (higher acres from June report), but was tempered by raises in crush of 10 MBU and exports of 20 mbu. This caused a carryout of 290 mbu, up 30 mbu fro the June report. World stocks were unchanged with both South American production being left unchanged at 96.5 MMT (Brazil) and 56.5 MMT (Argentina).

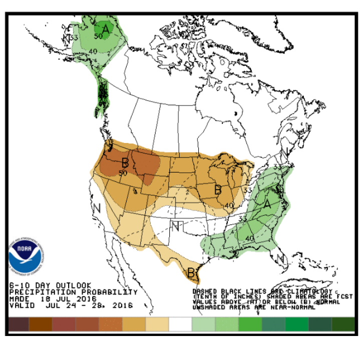
Weather Talk

Extended maps do remain hot and dry, with the worst of the heat seen arriving later this week in the Midwest, mid to upper 90's in the heart of the corn-belt and 100+ in the SW belt and Plains. Temperatures are seen moderating past this week into August, though staying safely above normal with longer-term precipitation best in the southern crop areas.

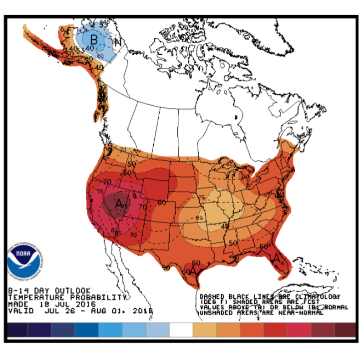
Current 6-10 Temperature



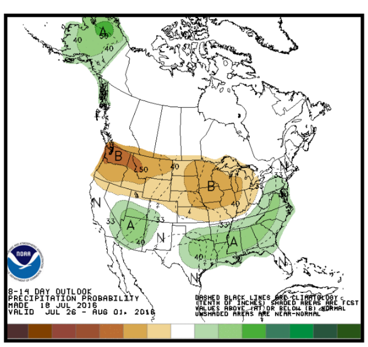
Current 6-10 Precipitation



Current 8-14 Temperature



Current 8-14 Precipitation



Export Update

Corn - Commitments are 3% over last year and 1% over the pace needed to meet the USDA's export estimate of 1900 mln bu. The USDA is more confident in a large late corn program than it is in a large late soy program. The US needs to ship a total 12.06 mmt of corn in July-Aug to make the USDA's current export # which will be .4 mmt more than a year ago. Last week's shipments were 1.24 mmt, which would only achieve 9.92 mmt if maintained.

Beans - Commitments are 2% over a year ago and 5% above the pace needed to make the USDA's 1795 mln bu annual estimate. In order to make the USDA's 48.85 mmt program we would need to ship 3.93 mmt in the July-Aug time period. Last week we shipped 399 tmt vs 195 tmt a week before. If we maintain the 399 rate the program will come up short .7 mmt.

	Cash Price Comparison	
	Corn	
July 2015	**Last Month**	**Current**
$ 3.80	**$ 3.90**	**$ 3.08**
	Beans	
July 2015	**Last Month**	**Current**
$ 9.70	**$ 10.63**	**$ 10.00**