



# AgResource COMPANY

## Weekly Newsletter

August 1, 2017

### INSIDE THIS ISSUE

Market Summary

1

World Wheat Up Next  
Year; Stocks to Grow  
and Price To Fall

2

Gulf SRW Basis High

7

Gulf HRW Basis Up  
Sharply From Year Ago

9

Portland HRS 14%  
Basis Average

10

ARC Yield Models

12

Weekly Market  
Outlooks

14

US Balance Sheets

17

Charts and More

20

### Market Summary

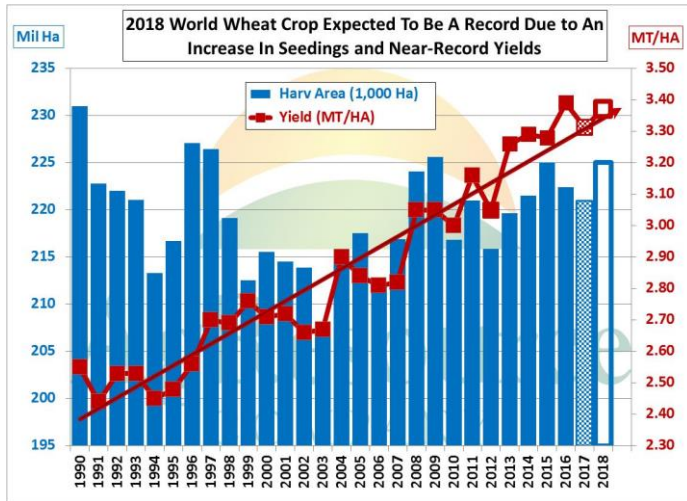
The spread between US and world corn fob offers are narrowing! The Gulf is offered for Aug/Sep at just few cents above Brazilian origin! World fob corn prices appear to have bottomed at \$141/MT and the outlook for prices is sideways at the lowest world feed grain prices since 2010. ARC is holding with an outlook for US corn yield estimate of 166 BPA and a drop of 500,000 harvested acres for a crop of 13,730 Mil Bu, (down 1,373 Mil Bu YoY). It's the aggressiveness of the selling from the S American farmer that is needed to pressure world corn prices lower. ARC is not finding our Brazilian or Argentine farm clients willing to sell corn at current prices. Prices outside of \$3.50-4.00 require a sub-160 US yield or the loss of crop in South America next winter.

Wheat futures are down as the market continues to correct from the highs of mid-uly. Managed funds completely liquidated their recently established net long position. Seasonally, lows in world cash markets by the middle part of August, and US Gulf wheat is the world's cheapest origin. Sources suggest Russia's wheat crop is 75-77 MMT vs USDA's 72. However, logistic issues are likely to cap Russian exports to 30-31 MMTs. More weather issues are needed to further tighten the global wheat balance sheet into 2018. End users should look to extend coverage through the end of 2017.

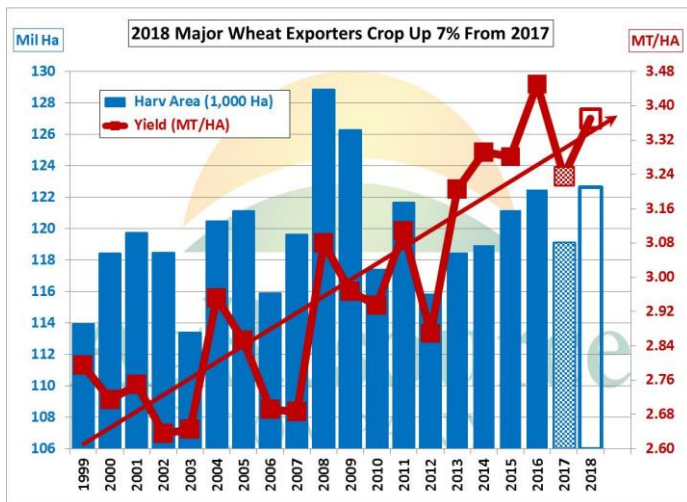
Nov soybeans closed at \$9.72, down 36 cents for the day, and off 21 cents from a week ago. There's a "gap" at \$9.58-\$9.63. If there is a close below that gap that could trigger a push to test the late-June low of \$9.07 (which was a 3-year low for the contract). Despite Brazil's record exports to date, the pace is not sufficient to meet the USDA's projection of 63.2 MMT. That would add 2-4 MMT to the USDA's projection for a record 7.19 MMT. China's forward crush margin was \$-.98/Bu, back down to a 3-year low. There are reports that some crushers have resold contracted cargoes and that others are looking to sell more. US soybean crop conditions rose while the trade had expected a further decline. Nov futures would reach a high of \$10.60 (during the month of August) if the Aug Report pegged yields at 46.2 Bu. If yield drops to 45 Bu, the Nov contract could reach a high of \$11.25. We advise producers to wait for clarification on yields.

## 2018 Global Wheat Crop to Be Record, Exporter Stocks/Use Will Rise; And Prices Will Be Weaker YoY.

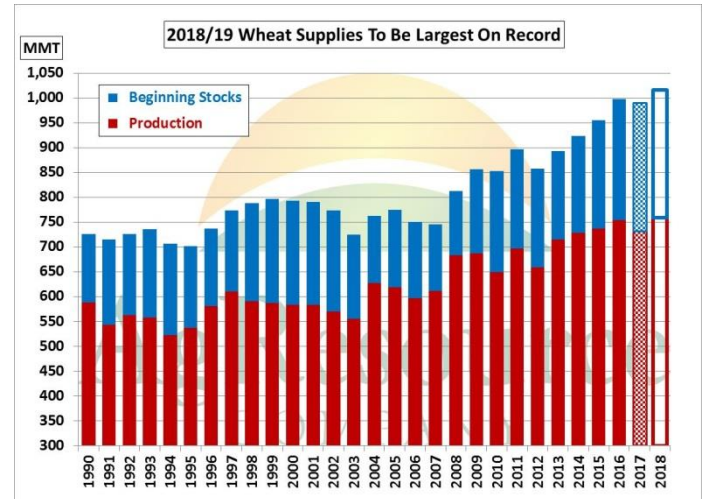
ARC's 4<sup>th</sup> estimate of **2017** global wheat crop is 732.0 MMT, **down 6 MMT** from USDA's July projection and 22 MMT (3%) less than last year's record crop. ARC "guidance" projection for the **2018/19** crop is **759 MMT**. Global yields for next year will be a near-record 3.37 MMT (close to "trend"). Harvested area will rise 2%.



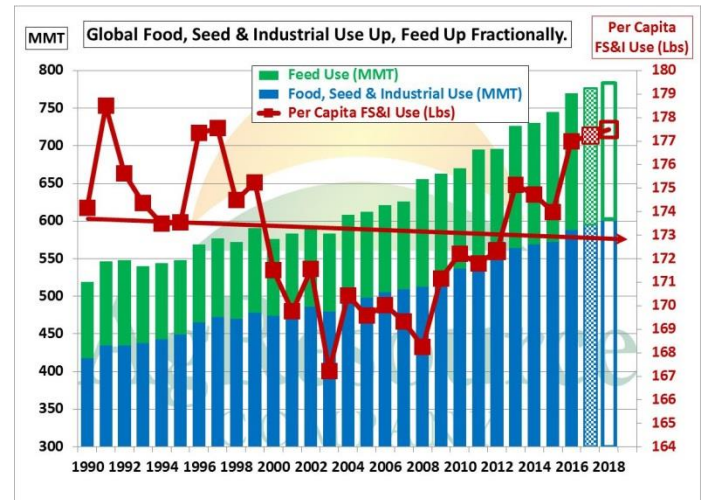
2018 production for major exporting countries is up 28 MMT (7%). Noteworthy differences among exporting countries from 2017 include an FSU-12 crop that is down 6 MMT; a 9.5 MMT rise in the EU's crop; and a 6.3 MMT increase in the Australian crop (see 1<sup>st</sup> table on page 3). The US crop is up 10 MMT, Argentina's crop is up 1.2



MMT and Canada's is up 6.9 MMT. Among importing countries, ARC projects that the N. African crop (Algeria, Libya, Morocco and Tunisia) will be up 1 MMT (11%). China's crop will rise 1.6 MMT (1%). In total, production among major importing countries is **down 2.9 MMT (1%)**. India's crop is projected to be down 2.4 MMT (3%) from this year, but this will be the 4<sup>th</sup> largest crop on record. Thanks to global record production and near-record beginning stocks, the **global supply of wheat will be a record and up 23.5 MMT (2%)** - see below.



Global consumption of wheat for food, seed, and industrial use will increase 7.75 MMT (1.1%). Over the last 50 years, as per capita incomes have risen in major wheat consuming countries, per capita wheat consumption has fallen (see trend line in following chart).



## WORLD WHEAT SUPPLY & DEMAND (Selected Features)

	<u>PRODUCTION (MMT)</u>					<u>ARC</u>	
	2012	2013	2014	2015	2016	2017	2018
<b>Major Exporters</b>							
US	61.3	58.1	55.1	56.1	62.9	46.8	56.8
Argentina	9.3	10.5	13.9	11.3	17.0	17.5	18.7
Australia	22.9	25.3	23.7	24.2	35.1	21.0	27.3
Canada	27.2	37.5	29.4	27.6	31.7	25.5	32.4
EU-28	133.9	144.6	156.9	160.5	145.5	146.0	155.5
FSU-12	77.8	103.8	112.4	118.0	130.5	128.7	122.8
Kazakhstan	9.8	13.9	13.0	13.7	15.0	13.0	13.6
Russia	37.7	52.1	59.1	61.0	72.5	75.0	67.5
Ukraine	15.8	22.3	24.8	27.3	26.8	25.5	27.1
<b>Subtotal</b>	<b>332.4</b>	<b>379.8</b>	<b>391.5</b>	<b>397.6</b>	<b>422.7</b>	<b>385.5</b>	<b>413.4</b>
<b>Major Importers</b>							
Brazil	4.4	5.3	6.0	5.5	6.7	5.6	6.4
China	121.0	121.9	126.2	130.2	128.9	130.0	131.6
Egypt	8.5	8.3	8.3	8.1	8.1	8.1	8.1
Japan	0.9	0.8	0.9	1.0	0.8	0.8	0.9
Mexico	3.2	3.4	3.7	3.8	3.9	3.7	3.9
Mideast (Selected) /1	21.0	23.0	20.2	23.4	22.6	21.7	22.7
Other N Africa /2	9.0	11.4	8.7	11.9	6.0	9.7	10.7
Bangladesh	1.3	1.3	1.3	1.3	1.3	1.3	1.4
Indonesia	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Korea	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Southeast Asia /3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rest-Of-World (ROW)	46.0	47.6	50.1	48.1	49.1	50.1	48.2
<b>Subtotal</b>	<b>215.3</b>	<b>223.0</b>	<b>225.3</b>	<b>233.3</b>	<b>227.4</b>	<b>231.0</b>	<b>233.9</b>
<b>Selected Others:</b>							
India	94.9	93.5	95.9	86.5	87.0	96.0	93.6
Turkey	16.0	18.8	15.3	19.5	17.3	19.5	18.0
<b>Subtotal</b>	<b>110.9</b>	<b>112.3</b>	<b>111.1</b>	<b>106.0</b>	<b>104.3</b>	<b>115.5</b>	<b>111.6</b>
<b>WORLD</b>	<b>658.6</b>	<b>715.1</b>	<b>728.0</b>	<b>737.0</b>	<b>754.3</b>	<b>732.0</b>	<b>758.9</b>

1 / IR, IQ, IL, JO, KWT, LEB, OM, SA, SY, AE, YE

2/ AL, MOR, LY, TN

3/ MY, PH, TH, VN

## WORLD WHEAT SUPPLY & DEMAND (Selected Features)

	<u>TRADE YEAR NET EXPORTS OR IMPORTS (MMT)</u>					ARC	ARC
	2012	2013	2014	2015	2016	2017	2018
<b>Major Exporters</b>							
US	24.3	26.7	19.0	18.8	26.1	23.4	22.7
Argentina	7.4	1.7	4.2	8.7	12.0	11.5	11.7
Australia	21.1	18.2	16.4	15.6	21.9	20.9	18.0
Canada	18.1	21.7	24.4	21.6	19.5	20.1	21.8
EU-28	17.5	28.1	29.5	27.8	21.7	20.5	26.3
FSU-12	18.7	29.6	32.5	44.1	46.2	46.1	46.5
Kazakhstan	6.8	8.0	4.9	7.5	6.7	7.0	6.6
Russia	17.7	17.7	22.5	24.7	27.3	30.0	30.5
Ukraine	7.1	9.7	11.2	17.4	18.0	15.5	16.0
Subtotal	107.2	126.0	126.0	136.6	147.3	142.4	147.0
<b>Major Importers</b>							
Brazil	-5.8	-7.0	-4.2	-4.9	-7.2	-6.0	-5.1
China	-2.0	-5.9	-1.1	-2.7	-3.6	-2.2	-2.5
Egypt	-8.2	-10.0	-11.0	-11.4	-11.0	-11.5	-12.0
Japan	-6.3	-5.9	-5.6	-5.5	-5.6	-5.5	-5.6
Mexico	-3.1	-3.3	-3.4	-3.2	-3.7	-3.8	-3.4
Mideast (Selected) /1	-20.2	-23.7	-19.3	-19.4	-17.3	-18.7	-21.1
Other N Africa /2	-13.2	-14.8	-13.9	-15.8	-16.7	-16.0	-15.5
Bangladesh	-2.7	-3.4	-3.9	-4.7	-6.0	-6.8	-6.0
Indonesia	-6.9	-7.1	-7.2	-9.8	-9.6	-9.2	-8.9
Korea	-5.3	-4.1	-3.8	-4.2	-4.4	-4.3	-4.1
Southeast Asia /3	-8.0	-8.5	-11.7	-13.7	-15.1	-14.5	-13.5
Rest-Of-World (ROW)	-31.8	-35.9	-37.5	-39.5	-39.6	-38.4	-43.1
Subtotal	-114	-130	-123	-135	-140	-137	-141
<b>Selected Others:</b>							
India	8.6	5.4	1.6	0.6	-5.6	-3.5	-1.6
Turkey	0.3	0.1	-1.8	1.2	1.7	0.8	0.8
Subtotal	8.9	5.5	-0.3	1.8	-3.9	-2.7	-0.8
<b>WORLD</b>	<b>147.2</b>	<b>162.5</b>	<b>161.9</b>	<b>172.0</b>	<b>181.4</b>	<b>180.8</b>	<b>180.8</b>

1 / IR, IQ, IL, JO, KWT, LEB, OM, SA,  
SY, AE, YE

2/ AL, MOR, LY, TN

3/ MY, PH, TH, VN

## WORLD WHEAT SUPPLY & DEMAND (Selected Features)

	<u>STOCKS/USE (%)</u>					ARC	ARC
	2012	2013	2014	2015	2016	2017	2018
<b>Major Exporters</b>							
US	29.9%	24.2%	37.3%	50.0%	53.4%	40.9%	46.0%
Argentina	3.0%	30.0%	41.2%	4.0%	3.0%	3.0%	4.1%
Australia	18.4%	17.9%	19.8%	24.3%	28.1%	20.5%	23.1%
Canada	17.9%	32.2%	21.7%	17.5%	24.1%	17.3%	20.6%
EU-28	7.5%	6.7%	7.9%	9.5%	7.0%	6.5%	6.4%
FSU-12	14.9%	15.4%	19.2%	13.8%	20.1%	18.5%	18.5%
Kazakhstan	22.5%	13.6%	28.0%	18.0%	29.2%	22.6%	25.1%
Russia	11.0%	9.8%	10.8%	9.0%	16.0%	20.1%	21.0%
Ukraine	13.9%	17.3%	24.9%	11.3%	6.7%	6.7%	7.2%
Subtotal	14.9%	15.1%	17.6%	16.9%	19.1%	16.1%	17.0%
<b>Major Importers</b>							
Brazil	8.0%	16.4%	7.0%	8.2%	17.7%	37.3%	35.1%
China	42.8%	55.6%	64.9%	86.1%	93.0%	111.8%	126.6%
Egypt	23.4%	22.1%	22.4%	23.3%	19.5%	17.1%	16.2%
Japan	16.9%	16.5%	18.4%	19.3%	17.7%	17.2%	15.4%
Mexico	3.7%	4.0%	6.6%	6.0%	7.8%	8.5%	8.5%
Mideast (Selected) /1	29.6%	37.9%	37.1%	39.4%	33.4%	25.0%	23.3%
Other N Africa /2	33.1%	40.9%	37.2%	48.8%	38.5%	39.8%	41.8%
Bangladesh	27.6%	30.4%	34.0%	36.8%	29.7%	31.2%	26.0%
Indonesia	21.7%	19.9%	17.2%	21.9%	23.3%	25.1%	14.4%
Korea	28.5%	32.7%	35.0%	35.6%	34.3%	34.4%	34.1%
Southeast Asia /3	22.7%	21.3%	21.1%	21.4%	19.6%	23.2%	20.0%
Rest-Of-World (ROW)	11.2%	11.2%	14.3%	14.1%	14.3%	11.1%	10.0%
Subtotal	33.3%	41.4%	44.5%	54.8%	56.0%	61.4%	66.6%
<b>Selected Others:</b>							
India	26.7%	17.8%	17.8%	16.2%	9.7%	10.1%	3.6%
Turkey	12.1%	14.1%	12.8%	13.3%	5.5%	11.0%	8.8%
Subtotal	23.9%	17.2%	16.9%	15.6%	8.9%	10.3%	4.6%
<b>WORLD</b>	<b>26.1%</b>	<b>27.9%</b>	<b>30.9%</b>	<b>34.1%</b>	<b>34.9%</b>	<b>35.0%</b>	<b>36.0%</b>

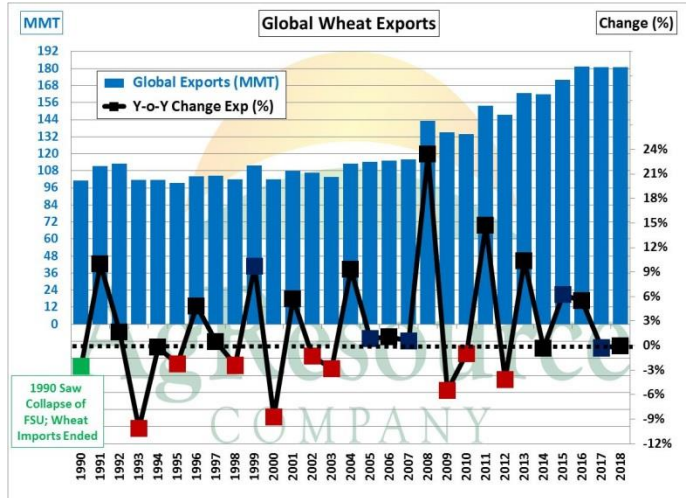
1 / IR, IQ, IL, JO, KWT, LEB, OM, QT,  
SA, SY, AE, YE

2/ AL, MOR, LY, TN

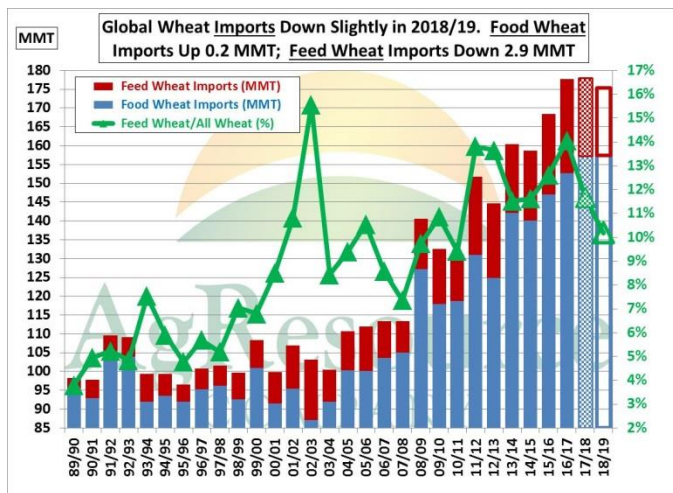
3/ MY, PH, TH, VN

However in recent years, per capita use has risen thanks to the increasing use of wheat as a feedstock to produce ethanol (mainly in the EU-28 but also in Canada).

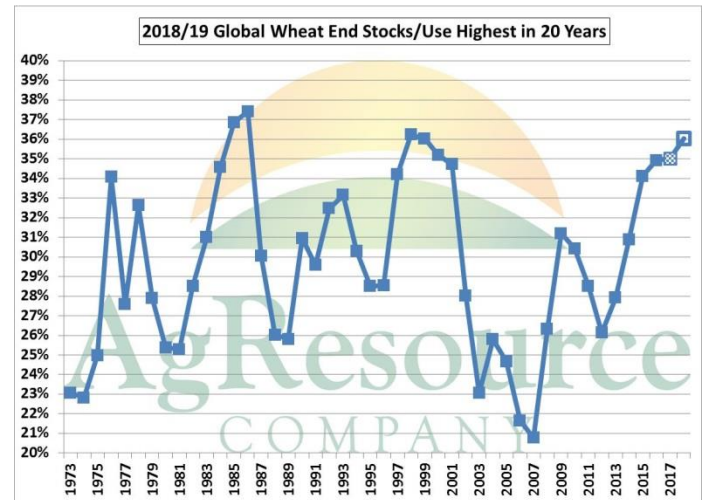
Next year, ARC expects global wheat feeding to increase 1 MMT (0.5%). Most of the increase will come in the EU, FSU and the US (where much of the world's wheat feeding corn traditionally takes place).



Based on: (1) importers' wheat supplies; (2) trends in consumption; (3) the size of major exporters supplies; and (4) the need for importers to maintain minimal ending stocks; ARC projects **2018/19 global exports** on a Jul-Jun trade year **to be unchanged** from the 180.8 MMT exported in 2017/18 (see chart above).

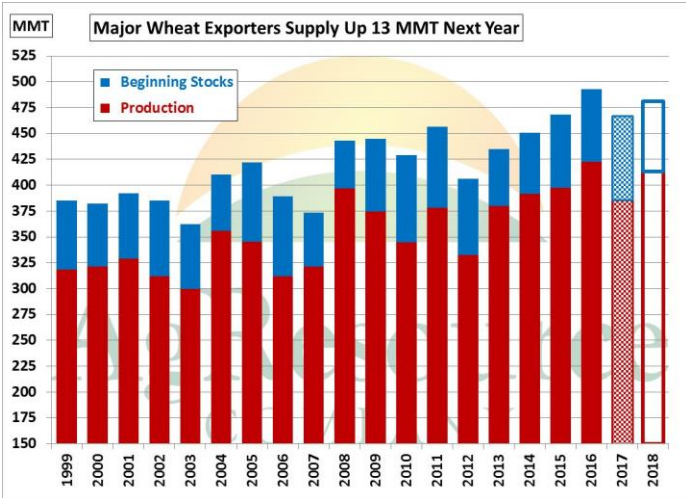


There is no official data available on global trade in “feed” wheat. However, using anecdotal information, industry contacts, examining wheat feeding in various countries, and tracking wheat exports from major feed wheat exporters permits us to *estimate* global imports of wheat fed to livestock (see preceding chart). For **2018/19**, ARC projects that **less feed wheat will be imported**. On the global market, we project feed grains will be cheaper than wheat. We expect corn and other feeds will displace some wheat in those countries that traditionally import feed wheat (and account for 9% of all wheat imports). Imports of wheat for human food use are projected to rise 0.2 MMT. Readers should keep in mind that even on a Jul-Jun trade year basis, global wheat imports and exports don't match.

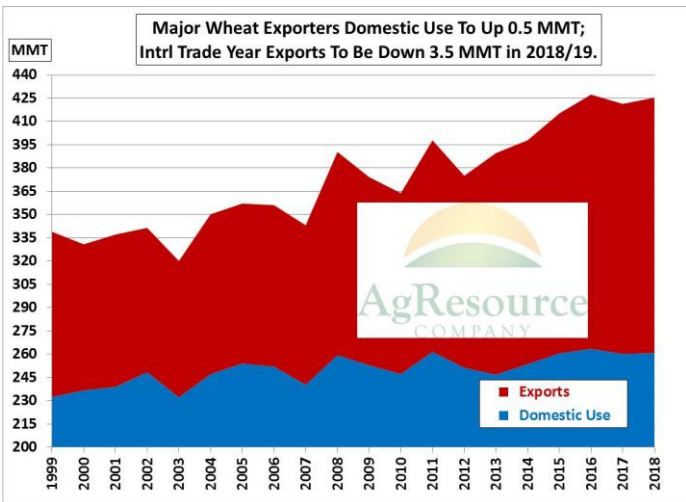


Due in part to beginning the year with a record supply, **global ending stocks are projected to rise 12 MMT and reach a record 269 MMT**. When stocks are measured as a percent of usage, the ratio is projected to rise to 36.0% (vs 35.0% in 2015/16) - - see chart above. For a breakout on global “net” stocks/use by country and/or region, see the third table on page 5.

**Ending Stocks of Major Exporters Will Recover Somewhat in 2018/19**. In aggregate, total supplies for the major exporters will be up 12.6 MMT (2.6%) from this year's (but short of last year's record (see chart on following page).

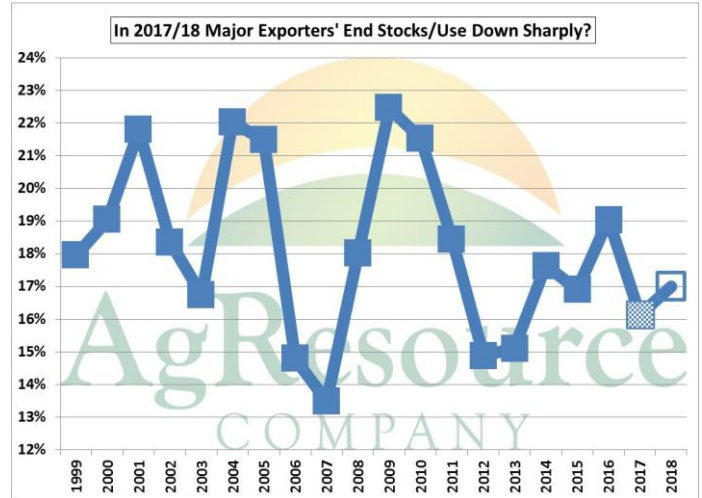


Exporters' domestic use is projected to be up 0.5 MMT (see chart below). Aggregate exports (based on individual marketing years), are projected to rise 7.1 MMT (4.5%). However, based on the Jul-Jun international trade year, major exporters will see their shipments increased just 3.5 MMT (2.1%).

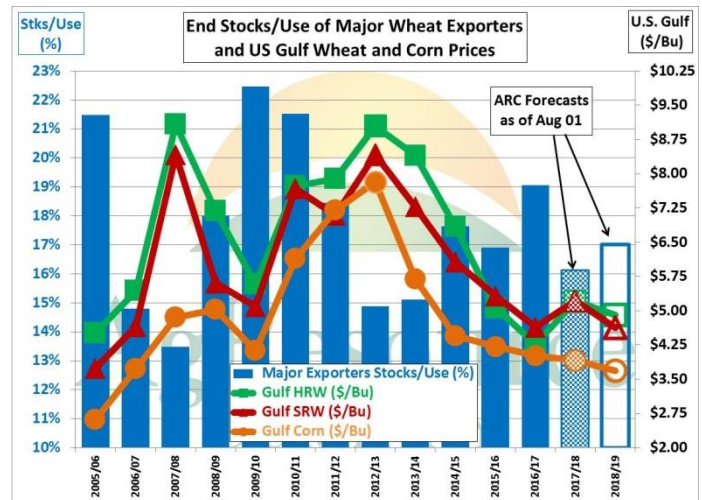


The ratio of ending stocks/use for the major exporters is projected to increase slightly in 2018/19 (see following chart).

Rising exporter stocks next year AND weakness in corn prices is projected to pull 2018/19 US FOB wheat prices (average of Jun-Aug to date) well below this year's marketing year averages. However, at this time, total season average prices for 2018/19 prices are NOT expected to fall as low as they did last year (when FOB prices for HRW Gulf fell to an 11-year low).



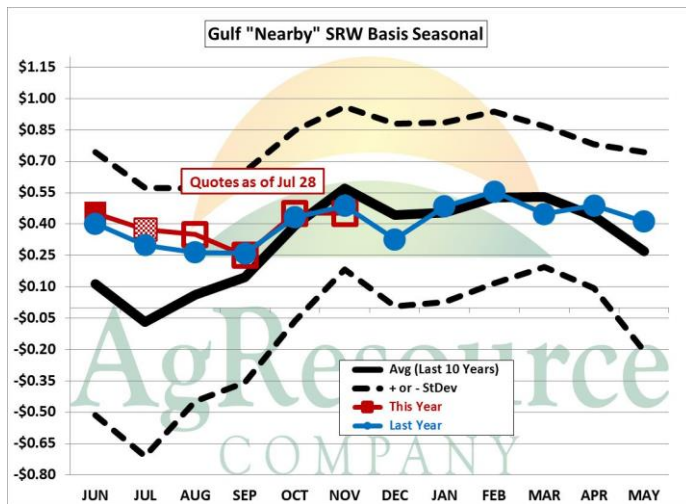
Based on ARC projections, Gulf prices in 2018/19 will see HRW prices down 6%, SRW down 13%, and corn down 6% (see chart below)



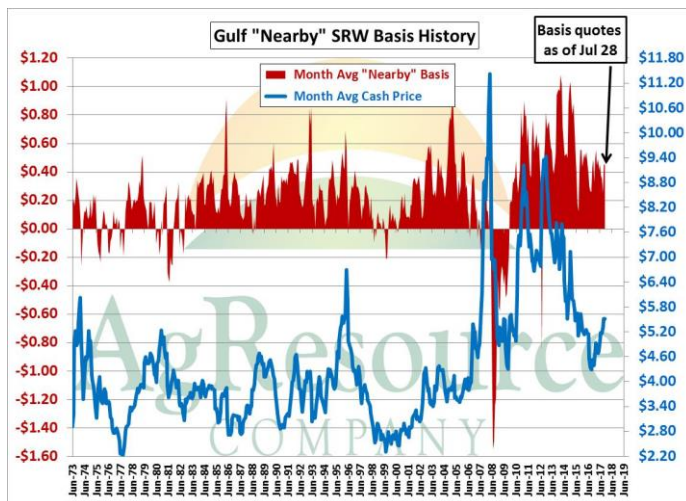
**Bottom Line:** For 2018/19, ARC projects global wheat stocks/use will rise to a 20-year high. We also project a modest increase in the ending stocks/use ratio of major wheat exporters. Rising exporter stocks (and weaker corn prices) is correlated with weaker US FOB wheat prices. Higher wheat prices are not expected next year unless that is significant weather threat to the crops of one or more of the major wheat exporters (or if US corn stages a sharp rally).

**July Gulf SRW Basis Well-Above Average But Aug-Sep Offers Lower.**

The quote for Soft Red Winter wheat (SRW) basis at the Gulf is **up from a year ago** and is nearly one standard deviation above the long-term average (see orange column in the following chart). On July 28, the basis was \$.38 vs \$.30 a year ago. Last year, from Jun thru Sep basis dropped steadily (see blue circles in chart below). Basis then stabilized in a pattern that conforms to the average seasonal pattern (see thick black line). For this year, basis is running very close to last year's levels and remain above average (except for the forward bids for Nov) (see hollow red squares).

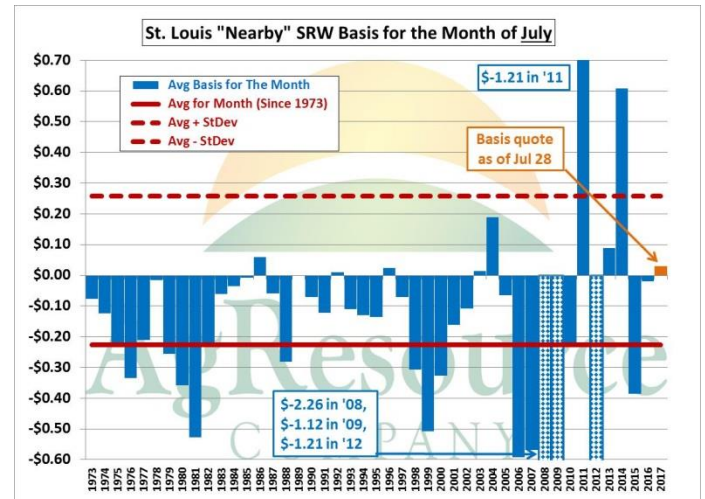


The chart below plots the history of monthly average SRW basis for the Gulf (red shaded area, read off the left axis) and the average price of SRW (blue line, read off the right axis).

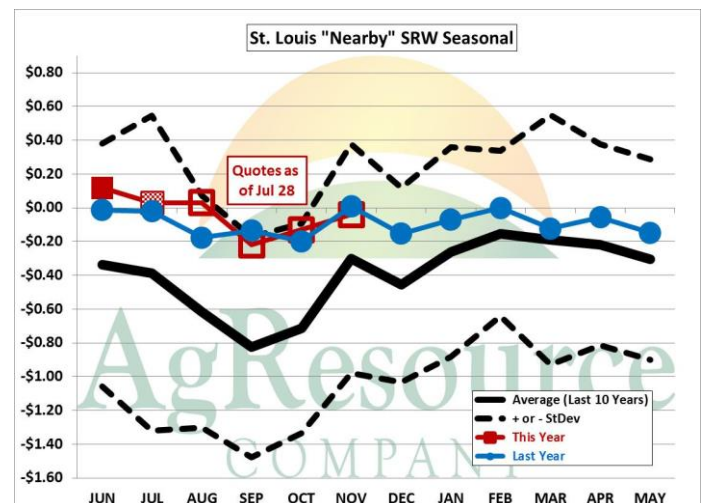


**Gulf SRW Basis Seems to Reflect Above-Average Interior SRW Basis.** ARC examined the basis for

SRW at St. Louis. The following chart compares the basis quote on July 28 (orange column at the far right) to the July averages of the previous 43 years. The current offer of \$.03 is above last year's \$-.02/Bu and is about one-half standard deviation above the long-term average.



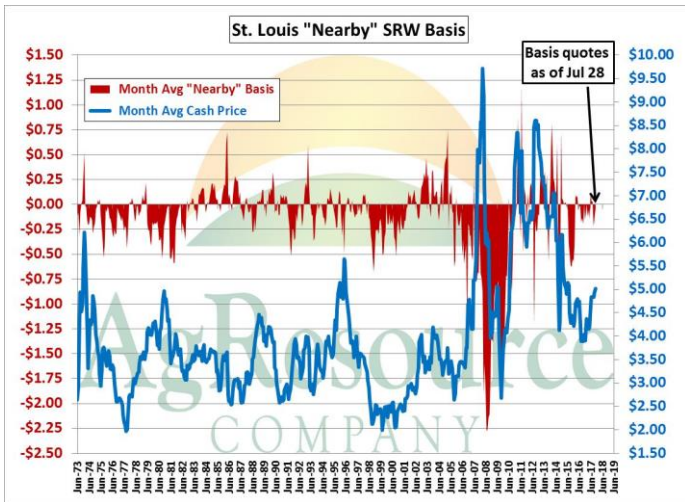
The chart below plots the July basis and forward quotes for 2017/18 basis thru July (red squares), the basis from last year (blue circles), and the "seasonal" average (solid black line). Note that last year's basis was noticeably above average from Jun thru Dec. But conformed more closely to the long-term average in Feb thru May. This year's basis (and forward offers) is still above average and close to last year.



The following chart plots the history of the monthly average SRW basis at St. Louis (red shaded area, read off the left axis) and the

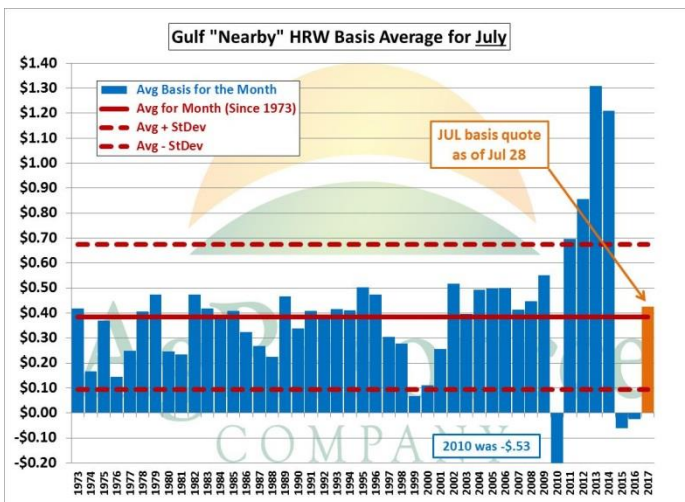


monthly average price of SRW at St. Louis (blue line, read off the right axis).



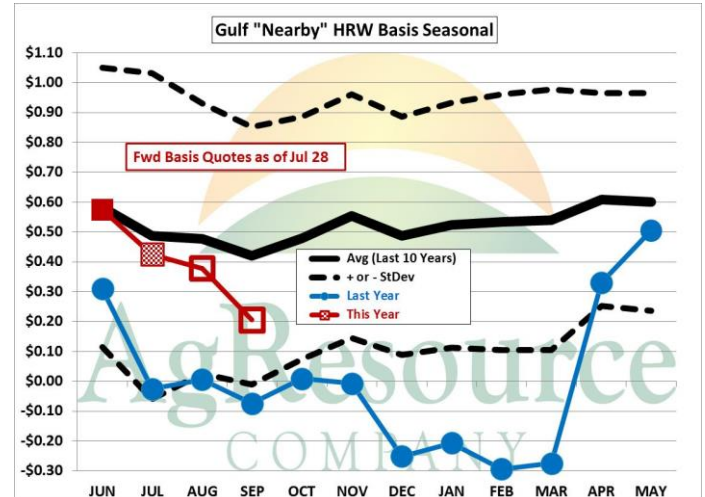
### Gulf HRW Fwd Basis Up From Last Year But About Average.

The quote for Hard Red Winter wheat (HRW) basis at the Texas Gulf in November is **up sharply** from last year. This is in contrast to times this past year when basis was at its **lowest level in our history** (see orange column on right in following chart). On Jul 28, the basis was **\$.43** vs the July 2016 average of **-\$-.03**.

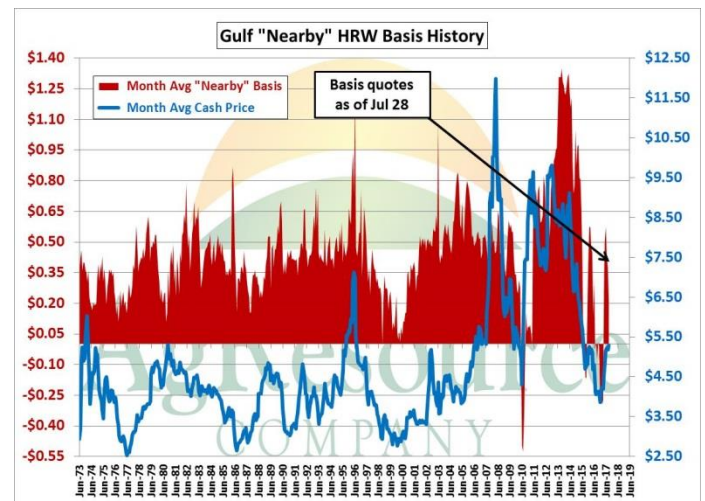


**Last year**, basis for HRW at the Texas Gulf had started off the year below average (for the harvest period). Basis then weakened further into the Fall. In some months, basis was near or set new historical lows. For 2017/18, it appears

that, although basis started off above average, the current and forward basis offers have slipped below the average of the last 10 years (see red cross-hatched squares). The 10-year average is denoted by the thick black line.

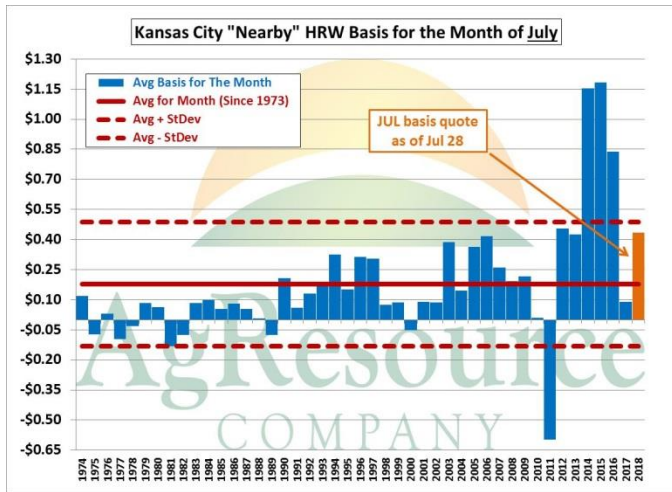


The chart below plots the history of monthly average HRW basis for the Texas Gulf (red shaded area, read off the left axis) and the monthly average price of HRW at this location (blue line, read off the right axis).

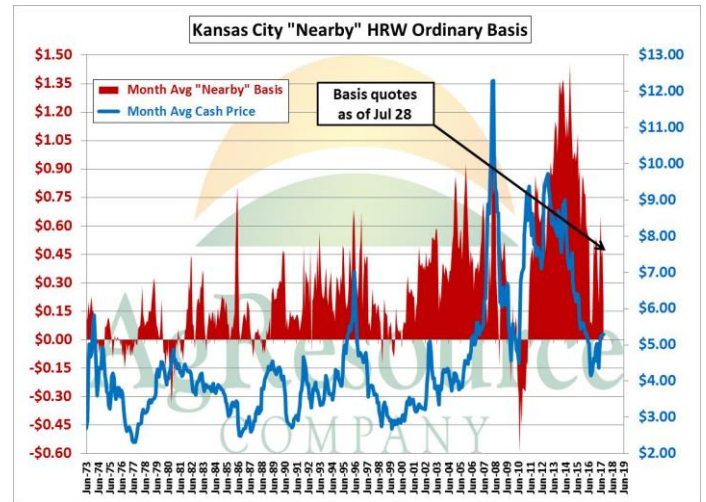


**Texas Gulf HRW Basis Largely Following Same Trends Seen in KC Basis.** ARC examined the basis for HRW at Kansas City. The following chart compares the “spot” basis quote for spot delivery as of Jul 28 (orange column at the far right) to the July averages of the previous 43 years. Last week’s offer of **\$.46/Bu** was above last year’s **\$.09/Bu** and was the **fifth highest on record**. However, it was below the record basis

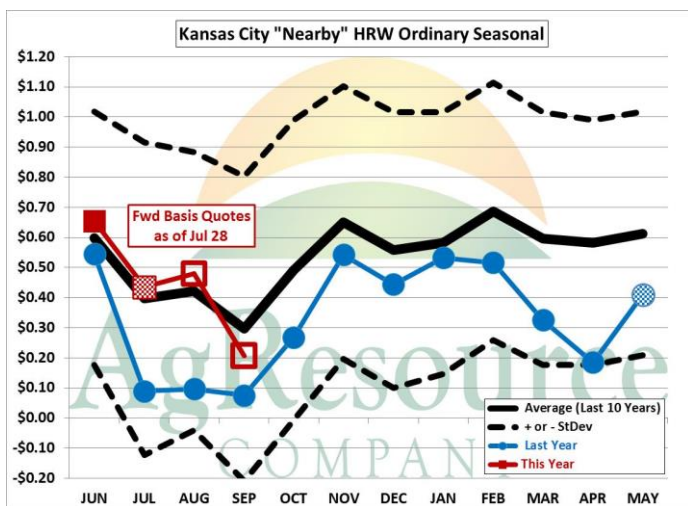
levels set in 2014-2016 but above the long-term average of \$.18/Bu.



monthly average price of HRW at this location (blue line, read off the right axis).



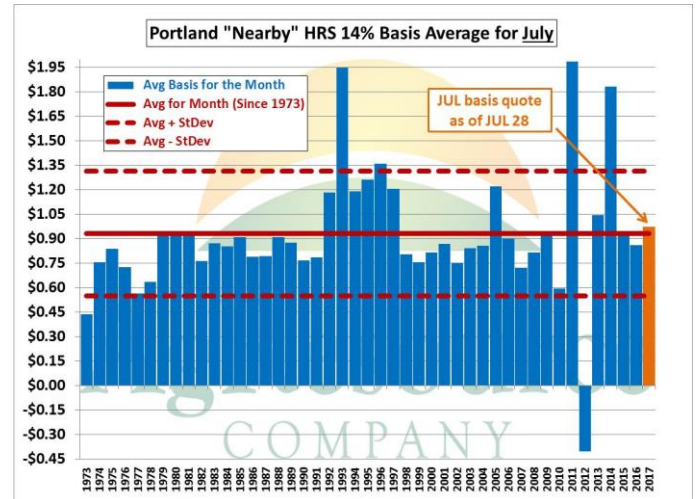
The chart below plots the 2017/18 actual average basis thru July (red squares) and the forward basis quotes (hollow red squares). Last year's basis is denoted by the blue circles. Last year, basis weakened into the Fall, rallied in the Winter, before declining into April (then rallying on the US Plains Spring storm in early May). This year, basis seems to be following the 10-year average (thick black line) very closely.



The following chart plots the history of the monthly average HRW basis for Kansas City (red shaded area, read off the left axis) and the

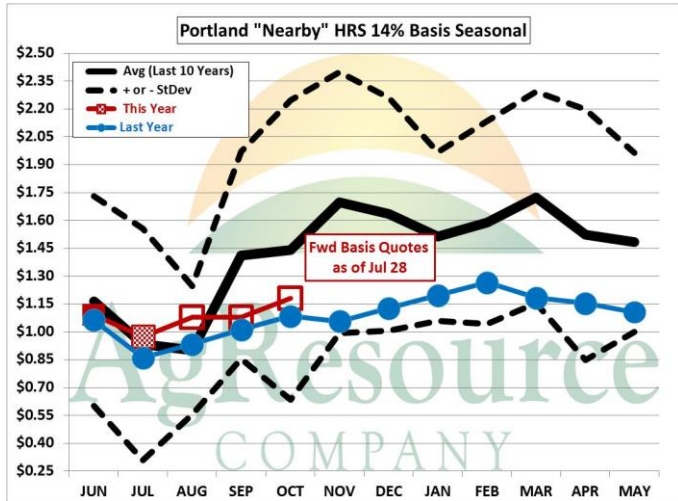
### PNW HRS Basis Up Slightly From Last Year & Slightly Above Average.

Hard Red Spring wheat (HRS 14%) basis at Portland is **up from last year** (see orange column in chart below). On Jul 28, the basis was \$0.98 (vs \$0.86 a year ago). The long-term average is \$0.93.

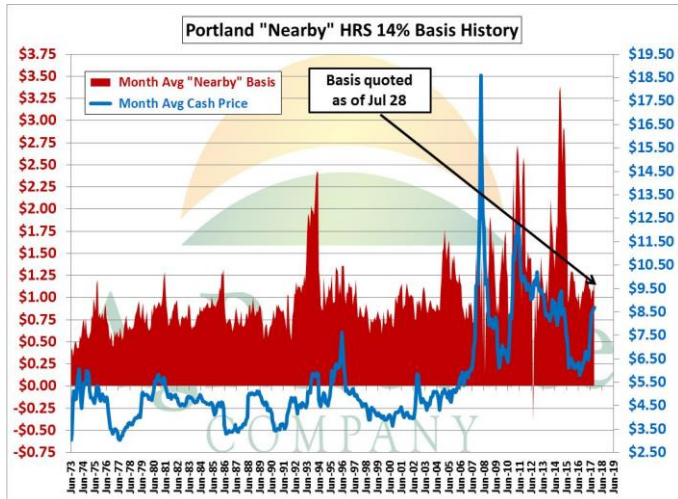


This past year, the basis for HRS 14% at Portland had started off the year slightly below the 10-year average (see solid blue circles in the following chart). From August 2016, basis was been relatively flat and fell about one standard deviation below the 10-year average. However,

the 2017 basis was at or above average (see cross-hatched red-squares) and above last year. However, the forward basis quotes are below average and slightly higher than last year (denoted by blue circles). The 10-year average. The 10-year average is denoted by the thick black line.

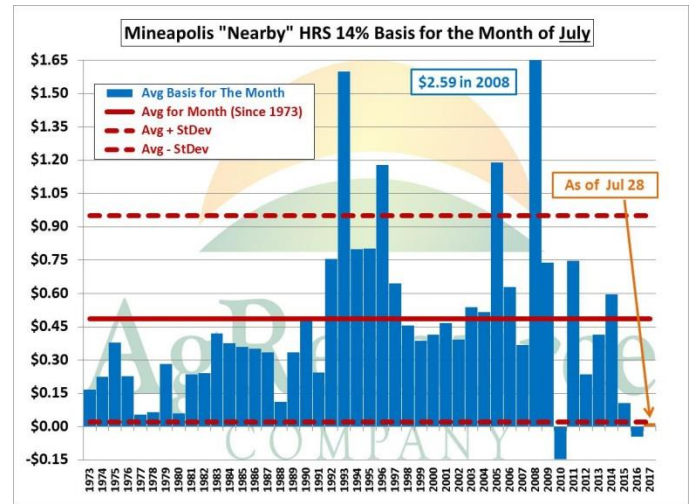


The following chart plots the history of monthly average HRS 14% at Portland (red shaded area, read off the left axis) and the monthly average price of HRS 14% at this location (blue line, read off the right axis).

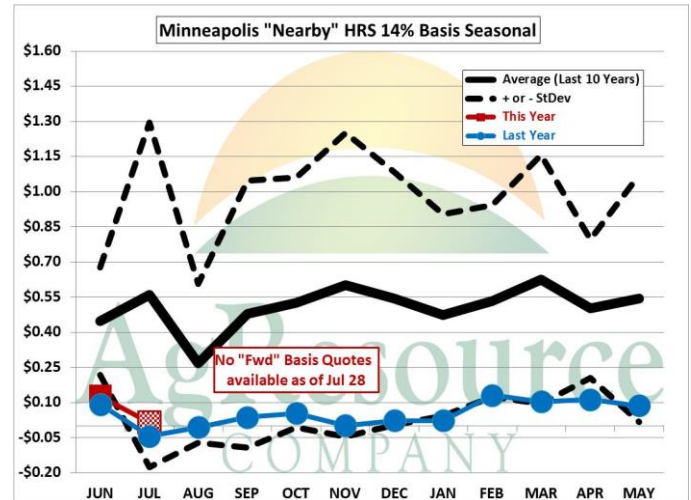


**Near-Record Low for Interior Basis.** ARC examined the basis for HRS 14% at Minneapolis. The chart below compares the basis on Jul 28 (orange column at the far right) to the July averages of the previous 43 years. Last week's offer of \$.02/Bu was above last year's average

\$.04/Bu and was the **3<sup>rd</sup> lowest ever** and about more than one standard deviations below the long-term November average of \$.48/Bu.

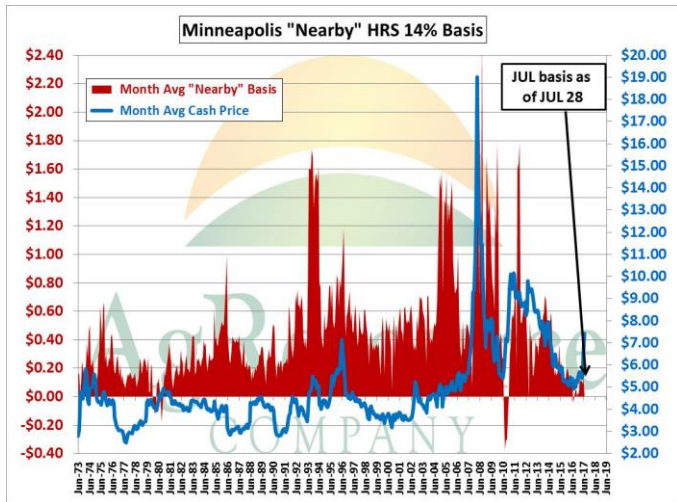


The chart below plots the 2016/17 actual average basis through July (solid blue circles). There were no forward basis quotes that we could find for new-crop. The "seasonal" average based on the last 10 years is denoted by the solid black line. Note that the basis this year has been about one standard deviation below the 10-year average. Unlike SRW and HRW basis, Minneapolis HRS basis has been relatively flat. The high last year (set in Feb) was only 17 cents above the low (set in Jul). A similar pattern prevailed in 2015/16 too.

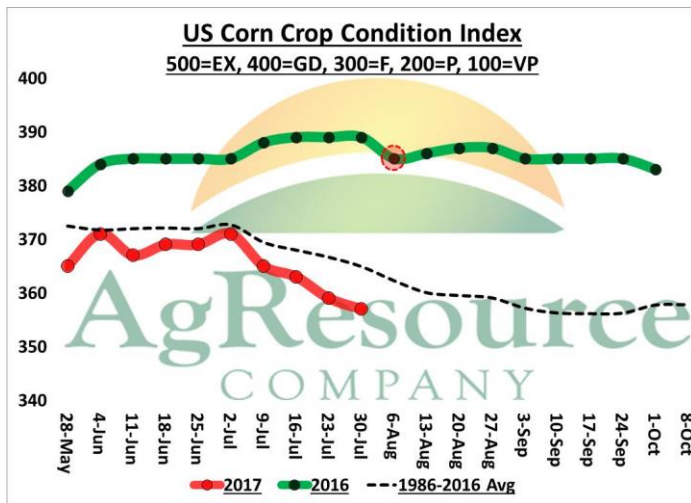


The final chart (on the following page) plots the history of the monthly average HRS 14% basis for Minneapolis (red shaded area, read off the left axis) and the monthly average price of HRS

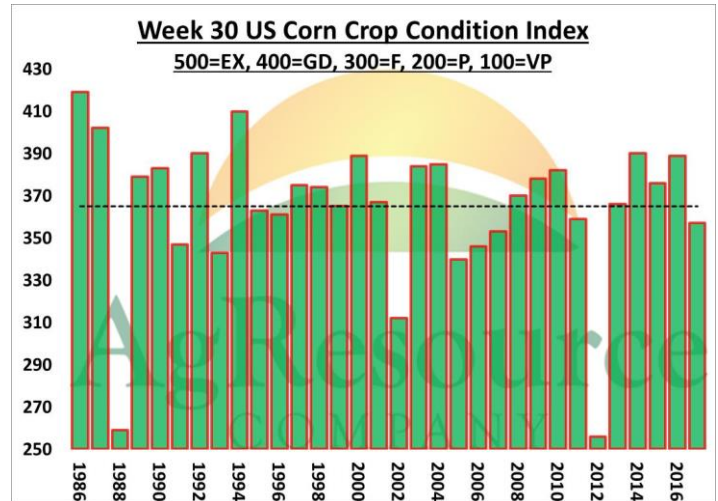
14% at this location (blue line, read off the right axis).



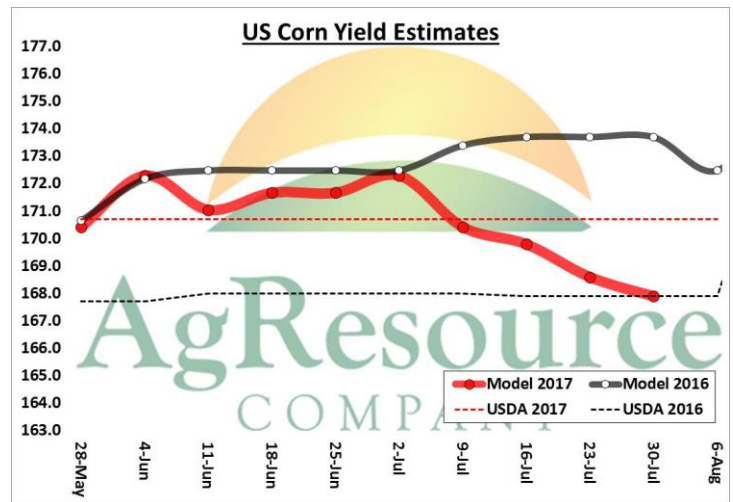
### ARC Crop Condition Index & Yield Projections



**Aug Corn Yield Model Projects 168.0 Bu; Down 0.6 Bu From Last Week.** As of the week ending July 30, our Crop Condition Index (CCI) was 357 (see red circle in the chart below). This is down 2 points from last week and below last year's 389 (see green line). It is also below the 30-year average.

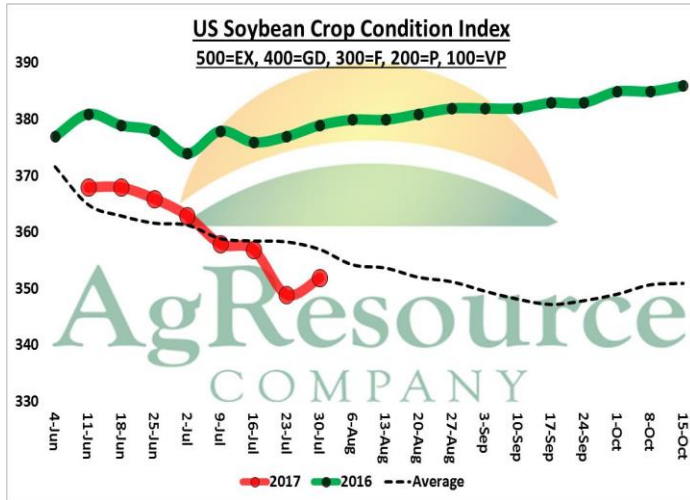


The chart above plots the corn CCI for this week (week 30) for every year since 1986 (when NASS first started to publish its crop progress report). The chart below shows the projections of the August Crop Report's corn yield based on each week's CCI. Following the August Crop Report, we will provide a forecast of the September Crop Report's yield estimate. This week's US corn yield projection for the August yield is 168.0 Bu, down 0.6 Bu from last week.

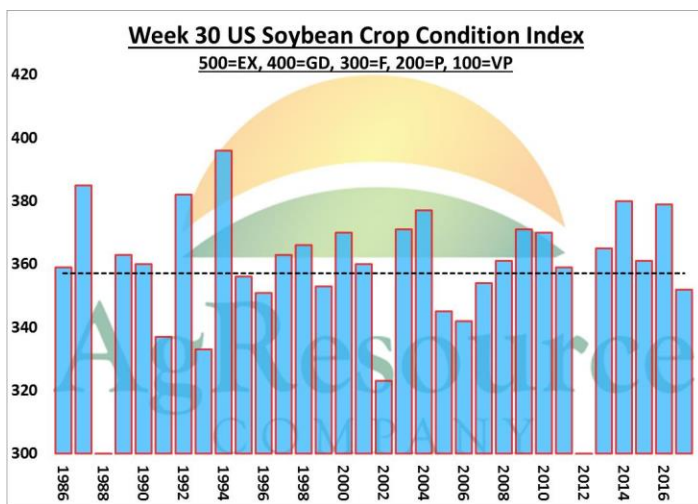


Given the forecast for weather this coming week, we expect corn crop conditions to be unchanged to down slightly (the portion of the crop rating good to excellent to be down 1-2 points). **Historically speaking, crop conditions tend to decline as the growing season progresses.** 1991, 2004, and 2016 were

noteworthy exceptions as conditions rose through much of the season. We expect that the national average yield potential will be down 0.25-0.75 Bu next week. For purposes of developing our supply-demand projections, at this point in the crop's development, we have chosen to **keep our yield at 166 Bu.** NOTE: The USDA's yield projection (released in the July WASDE) was 170.7 Bu vs last year's record yield of 174.6 Bu.

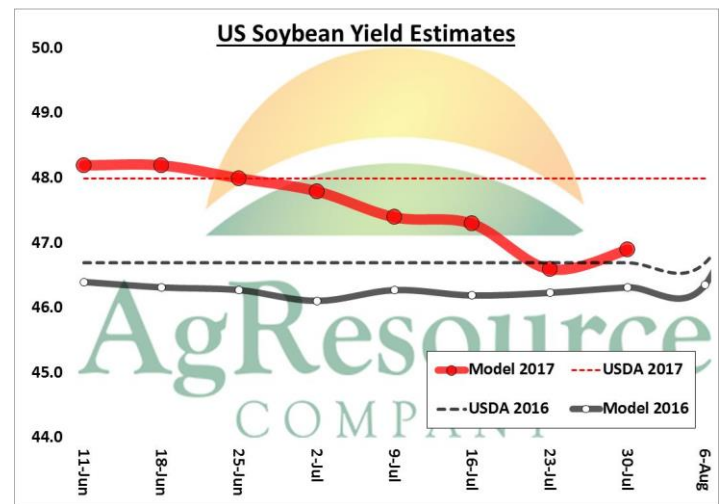


**Soybean Crop Conditions Better Than Expected, Yield Projection Rises.** As of the week ending July 30, our Crop Condition Index (CCI) for soybeans was 352 (see red circles in the chart above). Up 3 points from last week; But below last year's 379 (see green line); and below average.



The chart above page plots the soybean CCI for this week (week 30) for every year since 1986 (when NASS first started to publish its crop progress report).

The chart below shows the projections of the August Crop Report's soybean yield based on each week's CCI. Following the August Crop Report, we will provide a forecast of the September Crop Report's yield estimate. This week's US soybean yield projection for the August yield is 46.9 Bu, up 0.3 Bu from last week.



Given the forecast for weather this coming week, we expect soybean crop conditions to be unchanged to up slightly (the portion of the crop rating good to excellent will drop by 1-2 points). **Historically speaking, crop conditions tend to decline as the growing season progresses.** 1992, 1994, 2014, and 2016 were noteworthy exceptions as soybean crop conditions rose through much of the season.

We expect that the national average yield potential will be unchanged to up 0.2-0.4 Bu next week. For purposes of developing our supply-demand projections, at this point in the crop's development, **we have chosen to keep our yield at 47.0 Bu.**

**NOTE:** The USDA's yield projection (released in the July WASDE) was 48.0 Bu vs last year's record yield of 52.1 Bu.

## AgResource Corn Outlook

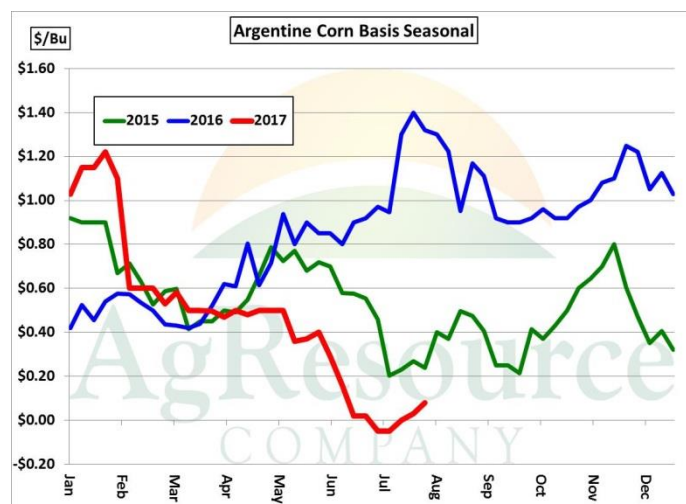
The spread between US and world corn fob offers are narrowing! Spot Argentine fob corn was offered at - 9 cents under Chicago in mid-July and it's now trading at 8 cents over, a gain of 17 cents in basis. Brazilian fob corn is offered at 30 cents over while the Gulf is offered at 34-35 cents over for August/September, a just few cents above Brazilian origin!

The point is that world fob corn prices appear to have bottomed at \$141/MT during the heart of the Argentine corn harvest and when US crop conditions were much higher in late June. The outlook for world fob corn prices is sideways at the lowest world feedgrain prices since 2010.

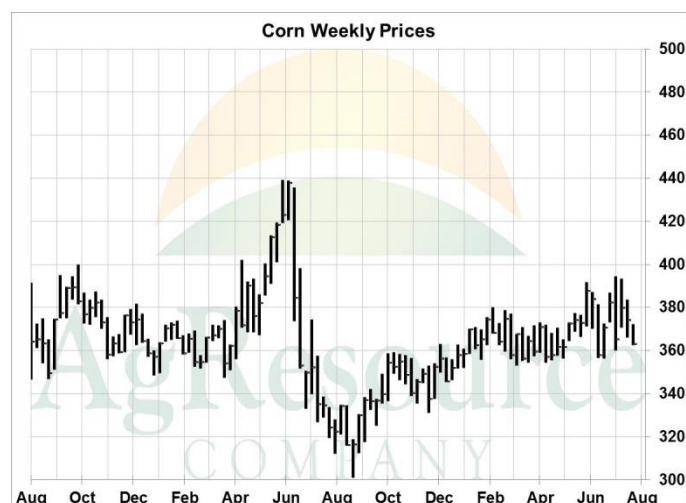
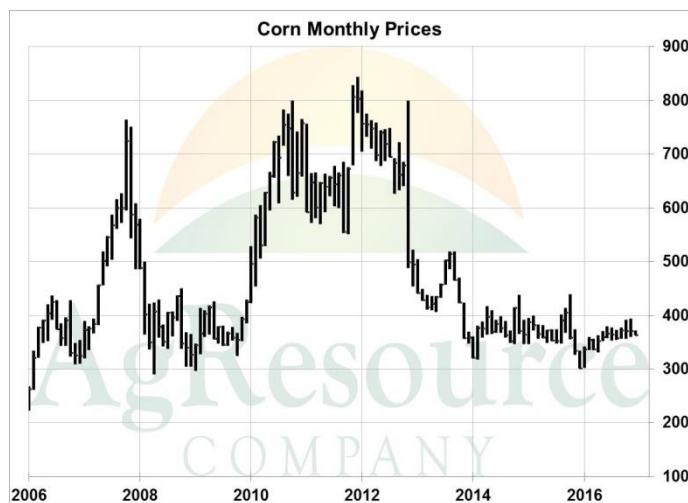
Argentine will continue to book additional world corn feed demand via price, but it's the US Gulf and Brazil that are battling for the remainder of world trade.

AgResource is holding with an outlook for US corn yield estimate of 166 BPA and a drop of 500,000 harvested acres for the USDA August crop report. This would produce a '17 US corn harvest of 13,730 Mil Bu, down 1,373 Mil Bu or equal to 35 MMTs of production. This would equate to all of the Brazilian corn production that was lost last year via drought. The world produced more corn in Latin America that has almost been subtracted from the US. Argentina did produce a crop of 41 MMTs, up 12 MMTs from last year, and that is primary difference in supply.

It's the aggressiveness of the selling from the South American farmer that is needed to pressure world corn prices lower. ARC is not finding our Brazilian or Argentine farm clients willing to sell corn at current prices, and the South American market tends to find its seasonal bottom in late July/early August. This means that speculative selling has to push CBOT corn futures below support at \$3.50-3.60.



WASDE pegs Ukraine '17 corn production at 28 MMTs which ARC finds as 2-3 MMTs too high amid hot/dry weather during July. Like a year ago, it's just tough to be overly bullish or bearish, and an ongoing neutral trend is most likely. Prices trading outside of \$3.50-4.00, basis Dec, require a sub-160 US yield or the loss of crop in South America next winter.

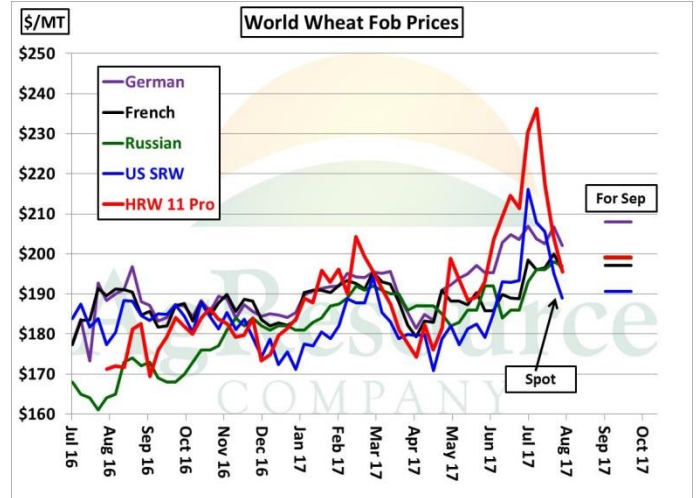


## AgResource Wheat Outlook

Wheat futures are down again this week as the market continues to correct from the highs of midJuly. Managed funds have been stubborn in completely liquidated their recently established net long position, and so further downside risk is possible heading into the USDA's August report. However, seasonally, lows in world cash markets by the middle part of August, and even this evening US Gulf wheat is the world's cheapest origin. We caution against chasing breaks in the near/medium term.

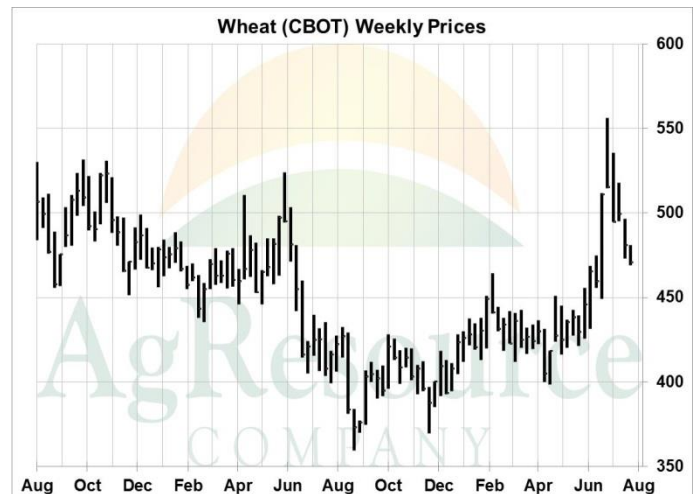
The graphic following, which displays fob offers for and spot and September delivery, shows that US wheat was no doubt overpriced at \$5.50+, basis CME. However, the correction has been swift and dramatic and lower protein Gulf HRW, which is comparable to hi-pro Russian origin, is the world's low cost milling origin - and this despite rising Russian production estimates.

ARC's sources, via harvest data, suggest Russia's wheat crop is very likely closer to 75-77 MMTs than the USDA's 72, which will maintain a record/near record pace of Russian shipments beginning in September. However, logistic issues are likely to cap Russian exports at last year's 30-31 MMTs. Instead, Russian wheat stocks will continue to build, which is not bullish, but US export potential has improved in recent weeks.



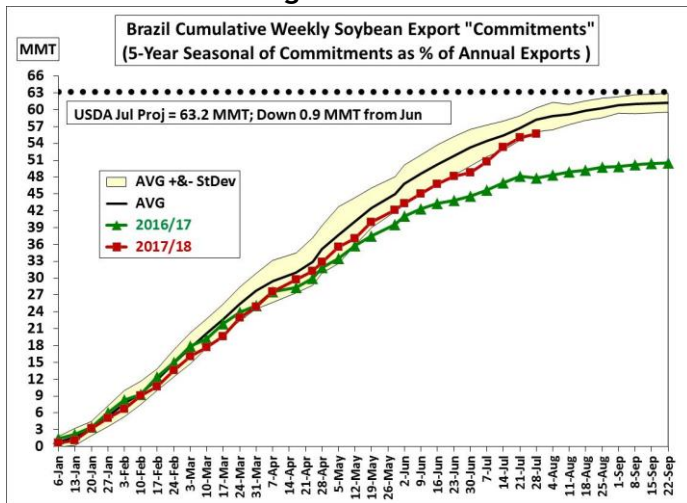
Our work in this week's newsletter suggests yet more weather issues are needed to further tighten the global wheat balance sheet into 2018, but in the near term fair value is pegged at \$4.80-5.40, basis Dec CME, and production issues outside of the Black Sea are still very much apparent. Canada will go another two weeks without meaningful precip, and temps there will be in the 80s and low 90s. Parts of Australia will benefit from a wetter pattern into mid-Aug, but key areas of Western Australia will continue in a dry trend. And there's no end in sight to pesky rainfall in Northern Europe, where quality is becoming a real concern.

It's tough to be bearish the world's cheapest wheat, and as such no new sales are advised at current prices. And we maintain that end users would do well to extend wheat/flour coverage through the end of 2017.

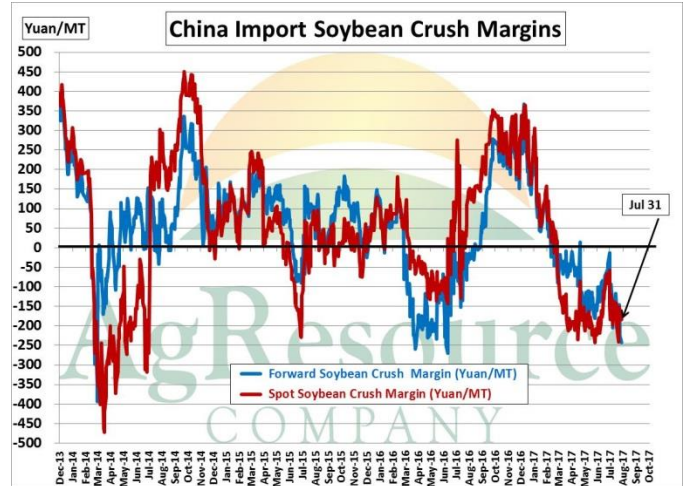


## AgResource Soybean Outlook

Nov soybeans closed at \$9.72, down 36 cents for the day, and off 21 cents from a week ago. There's a "gap" at \$9.58-\$9.63. If there is a close below that gap that could trigger a push to test the late-June low of \$9.07 (which was a 3-year low for the contract). Dec meal futures closed at nearly \$315, down \$10 from a week ago. Dec soyoil futures closed at nearly 33.97 cents, down .86 cents for the day but up 0.31 cents from a week ago.



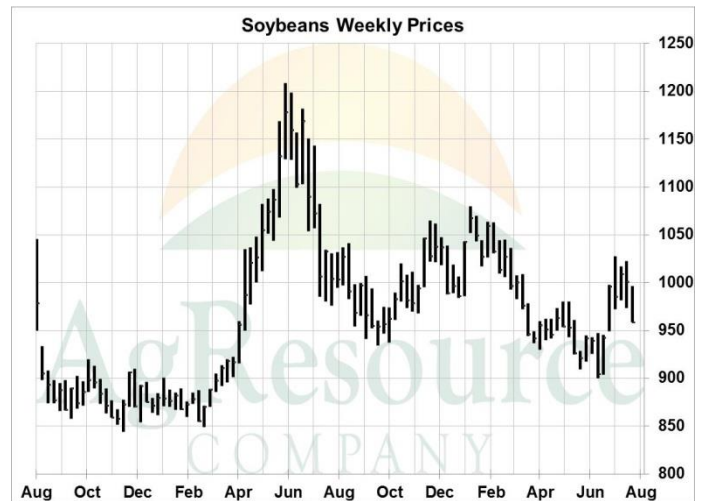
Brazil's soybean export commitments stand at a record 55.64 MMT. Brazil's July exports were 6.96 MMT vs 9.2 in June (5.89 a year ago). 4.78 MMT are scheduled to load in August but that figure will grow. Despite record exports to date, the pace is not sufficient to meet the USDA's projection of 63.2 MMT. That means Brazil's ending stocks could be 2-4 MMT above USDA's projection for a record 7.19 MMT.



China's spot crush margin was **\$-.74/Bu** up 23 cents from last week. However, the forward margin was **\$-.98/Bu**, back down to a 3-year low. There are reports that some crushers have resold contracted cargoes and that others are looking to sell more. Also, there are reports that China will hold a small auction of soybeans held in Reserve.

US soybean crop conditions rose while the trade had expected a further decline. Our crop condition model projects a 46.9 Bu yield. Nov futures would reach a high of \$10.60 (during the month of August) if the Aug Report pegged yields at 46.2 Bu. If yield drops to 45 Bu, the Nov contract could reach a high of \$11.25.

We are in the midst of a weather market and advise producers to wait for clarification on expected yields before pushing sales beyond 25% of the expected crop.





CORN	2016/17	2016/17	2016/17	2016/17	2017/18	2017/18
	USDA Jun	USDA Jul	ARC Aug	USDA Jun	USDA Jul	ARC Aug
Mln Acres or Bushels						
Area Planted	94.0	94.0	94.0	90.0	90.9	90.9
Abandonment	7.8%	7.8%	7.8%	8.4%	8.1%	8.1%
Area Harvested	86.7	86.7	86.7	82.4	83.5	83.0
Yield	174.6	174.6	174.6	170.7	170.7	166.0
Production	15,148	15,148	15,148	14,065	14,255	13,775
Beginning Stocks	1,737	1,737	1,737	2,295	2,370	2,345
Imports	55	55	55	50	50	50
Supply, Total	16,940	16,940	16,940	16,410	16,675	16,170
Feed and Residual	5,500	5,425	5,425	5,425	5,475	5,375
Food, Seed, Industrial	6,920	6,920	6,920	7,000	7,000	6,960
Ethanol & By-Products 1/	5,450	5,450	5,450	5,500	5,500	5,500
Food, Other Industrial 2/	1,441	1,441	1,441	1,470	1,470	1,430
Seed	29	29	29	30	30	30
Domestic, Total	12,420	12,345	12,345	12,425	12,475	12,335
Exports	2,225	2,225	2,250	1,875	1,875	1,725
Use, Total	14,645	14,570	14,595	14,300	14,350	14,060
Ending Stocks	2,295	2,370	2,345	2,110	2,325	2,110
Ending Stocks/Use	15.7%	16.3%	156.1%	14.8%	16.2%	15.0%
Crop Ins Initial Price (\$/Bu)	3.86	3.86	3.86	3.96	3.96	3.96
Avg. Farm Price (\$/Bu) 3/	3.25-3.55	3.25-3.45	3.30-3.40	3.00-3.80	2.90-3.70	2.70-4.50
Fut-Based Forecast (\$/Bu) 4/	3.40	3.40	3.40	3.65	3.65	3.65
Price Ratio: Corn/Soy (%)	36%	35%	35%	36%	35%	39%

Note: Totals may not add due to rounding  
Marketing year beginning September 1

1/ Corn used to produce ethanol and by-products

2/ Mostly for the production of sweeteners and starch

3/ Marketing-year weighted average prices received by farmers

4/ 2016/17 price is based on Sep-Jun cash prices and deferred futures prices on Aug 01;  
2017/18 price is based on deferred futures prices on Aug 01.

### Changes in S&D's from last week:

- ARC's 2016/17 S&D is unchanged.
- ARC's 2017/18 S&D is unchanged
- ARC's 2016/17 price is up 5 cents on low end; down 5 cents on high end of range.
- ARC's 2017/18 price raised 10 cents on low end but lowered 10 cents on high end of range.
- "Futures-Based Price Forecast" 2016/17 is unchanged; 2017/18 is down 5 cents.

WHEAT	2015/16	2016/17	2017/18	2017/18	2017/18	2018/19
	USDA	USDA	USDA	USDA	ARC	ARC
	Jul	Jul	Jul	Jun	Aug	Aug
Mln Acres or Bushels						
Area Planted	55.0	50.2	46.1	45.7	45.7	50.5
Abandonment (%)	14.0%	12.5%	16.5%	16.6%	17.4%	13.3%
Area Harvested	47.3	43.9	38.5	38.1	37.7	43.8
Yield	43.6	52.6	47.3	46.2	45.6	47.9
Production	2,062	2,310	1,824	1,760	1,720	2,100
Beginning Stocks	752	976	1,161	1,184	1,184	885
Imports	113	118	130	140	140	125
Supply, Total	2,927	3,403	3,115	3,084	3,045	3,110
Food	957	955	955	955	955	960
Seed	67	61	66	66	66	65
Feed and Residual	149	148	170	150	140	145
Domestic, Total	1,174	1,206	1,191	1,171	1,155	1,170
Exports	778	1,164	1,000	975	1,000	950
Use, Total	1,951	2,219	2,191	2,146	2,160	2,120
Ending Stocks	976	1,184	924	938	885	990
Ending Stocks/Use (%)	50.0%	53.3%	42.2%	43.7%	41.0%	46.7%
HRW Crop Insur Price (\$/Bu)	6.31	5.33	4.54	4.54	4.54	<u>4.54</u>
HRS Crop Insur Price (\$/Bu)	5.85	5.13	5.65	5.65	5.65	<u>5.65</u>
Avg. Farm Price (\$/Bu) 1/	4.89	3.89	3.90-4.70	4.40-5.20	4.20-5.50	4.55
Fut-Based Forecast (\$/Bu) 2/	---	---	4.45	4.45	4.45	5.15
Price Ratio: Wheat/Corn (%) 3/	135%	116%	126%	145%	135%	146%

Note: Totals may not add due to rounding

Marketing year beginning June 1

1/ Marketing-year weighted average prices received by farmers

2/ 2016/17 price is based on Jun-May cash prices;

2017/18 price is based on deferred KC futures prices as of **Aug 01**.

3/ Jun-May wheat season average price/Sep-Aug corn season average price.

### Changes in S&D's from last week:

- ARC's 2017/18 S&D is unchanged.
- First projections for ARC's 2018/19 S&D
- ARC's 2017/18 price raised 5 cents on low end; lowered 5 cents on high end of range.
- First price 2017/18 ARC price forecast is \$4.55 vs the midpoint for 2017/18 of \$4.85
- Futures-Based Price Forecast" 2017/18 is **down** 10 cents; 2018/19 is \$5.15.

SOYBEANS	2016/17	2016/17	2016/17	2017/18	2017/18	2017/18
	USDA	USDA	ARC	USDA	USDA	ARC
	Jun	Jul	Aug	Jun	Jul	Aug
Mln Acres or Bushels						
Area Planted	83.4	83.4	83.4	89.5	89.5	89.5
Abandonment (%)	0.8%	0.8%	0.8%	1.0%	0.9%	1.1%
Area Harvested	82.7	82.7	82.7	88.6	88.7	88.5
Yield	52.1	52.1	52.1	48.0	48.0	47.0
Production	4,307	4,307	4,307	4,255	4,260	4,160
Beginning Stocks	197	197	197	450	410	425
Imports	25	25	27	25	25	25
Supply, Total	4,528	4,528	4,530	4,730	4,695	4,610
Crushing	1,910	1,900	1,900	1,950	1,950	1,950
Exports	2,050	2,100	2,100	2,150	2,150	2,050
Seed	104	104	104	101	101	90
Residual	14	14	0	34	34	30
Use, Total	4,078	4,118	4,090	4,235	4,235	4,120
Ending Stocks	450	410	425	495	460	490
Ending Stocks/Use (%)	11.1%	10.0%	10.4%	11.7%	10.9%	11.9%
Crop Ins Initial Price (\$/Bu)	8.85	8.85	8.85	10.19	10.19	10.19
Avg. Farm Price (\$/Bu) 1/	9.55	9.55	9.50-9.60	8.30-10.30	8.40-10.40	7.95-10.75
Fut-Based Forecast \$/Bu 2/	9.50	9.50	9.50	9.35	9.35	9.35
Price Ratio: Soy/Corn (%)	285%	285%	285%	274%	285%	260%

Note: Totals may not add due to rounding

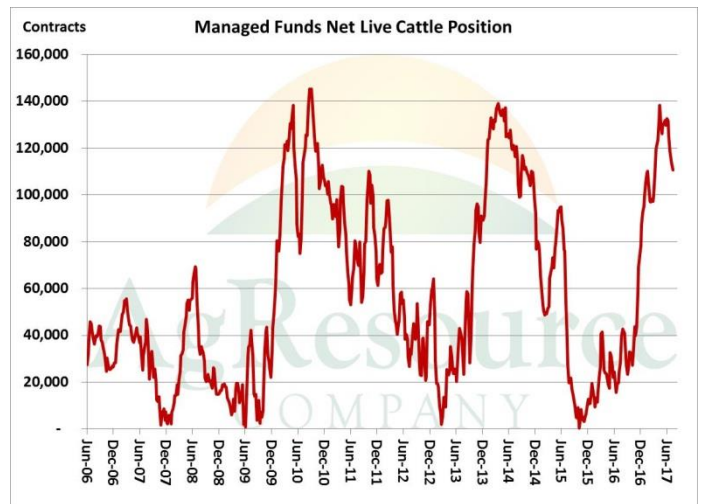
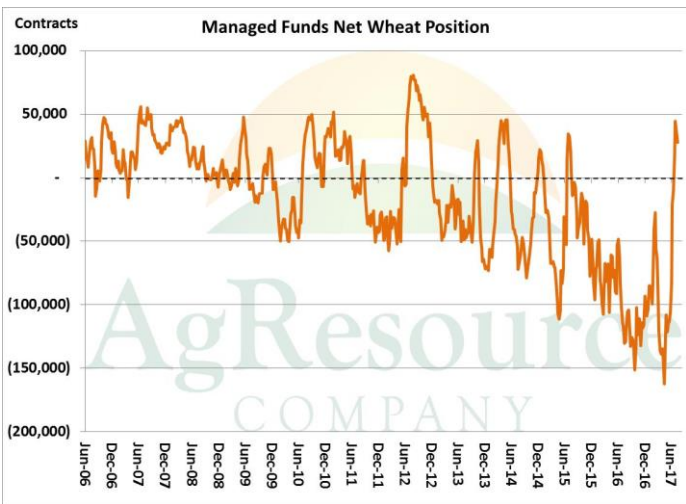
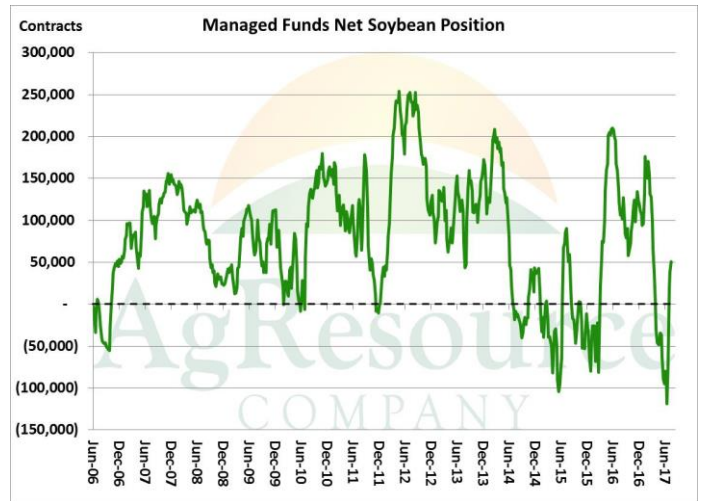
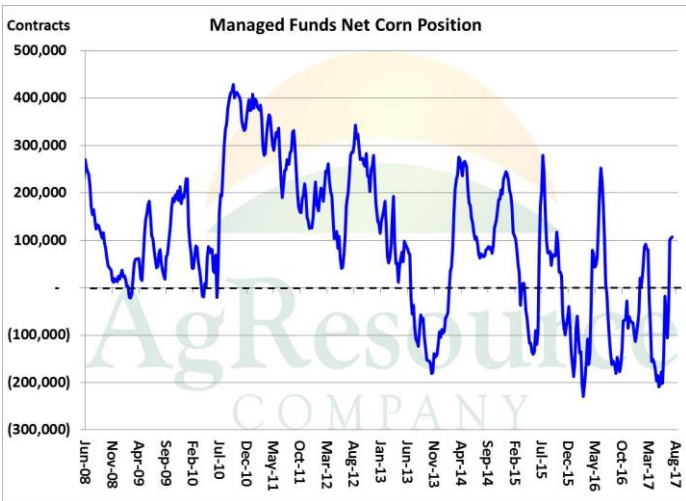
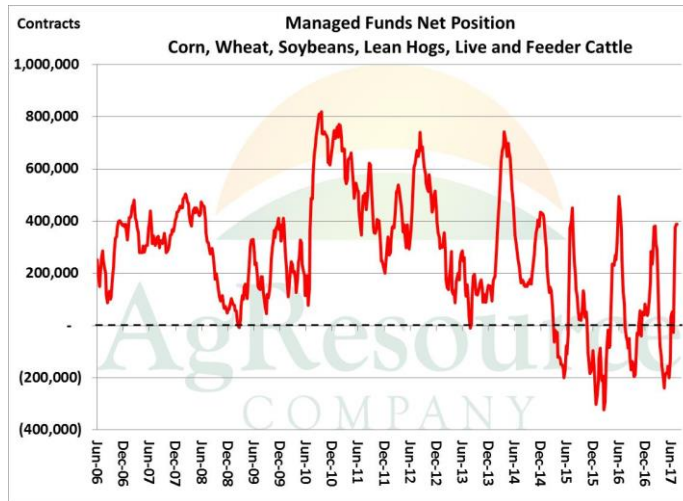
Marketing year beginning September 1

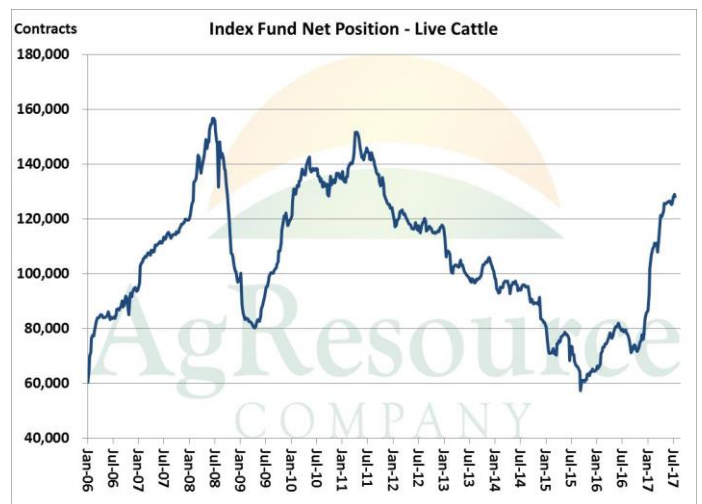
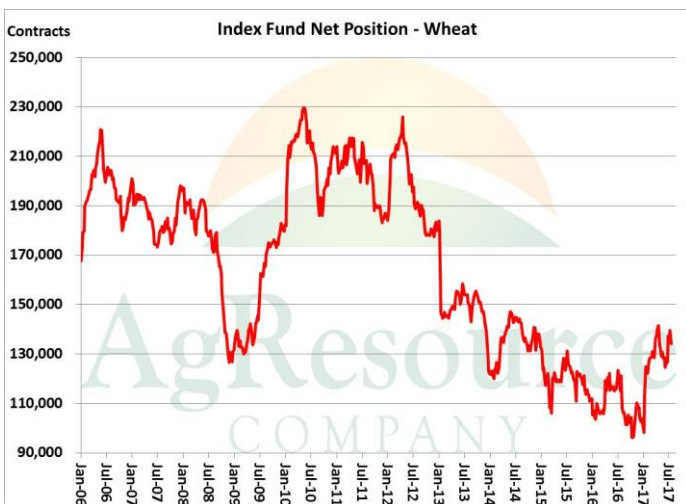
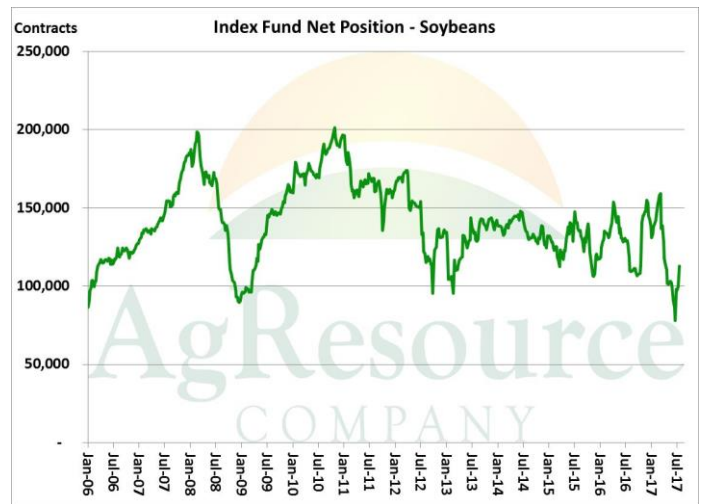
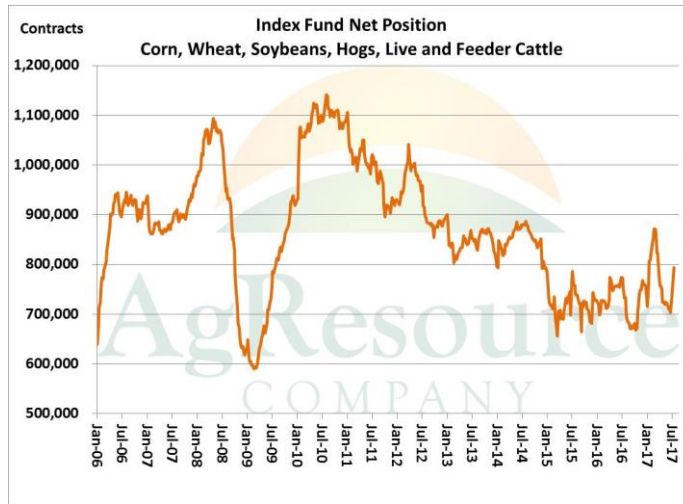
1/ Marketing-year weighted average prices received by farmers

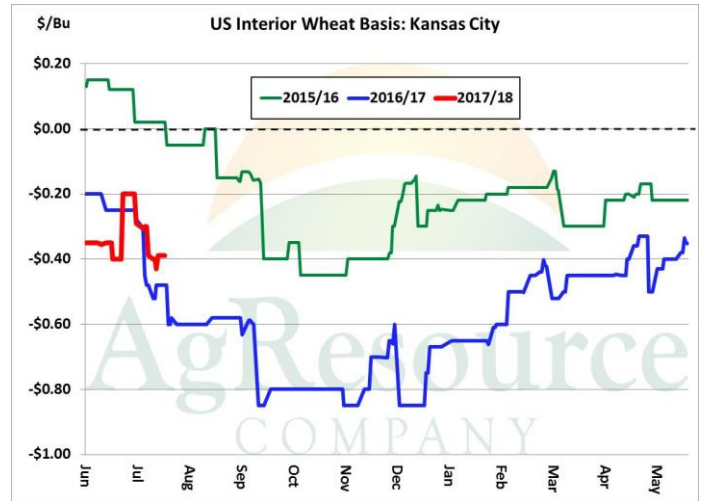
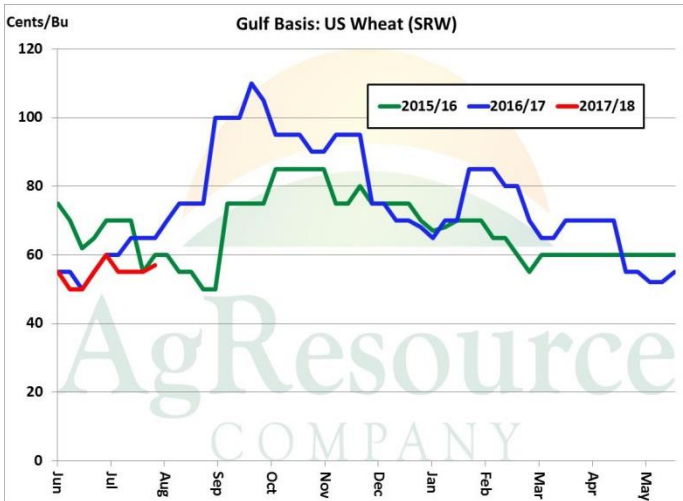
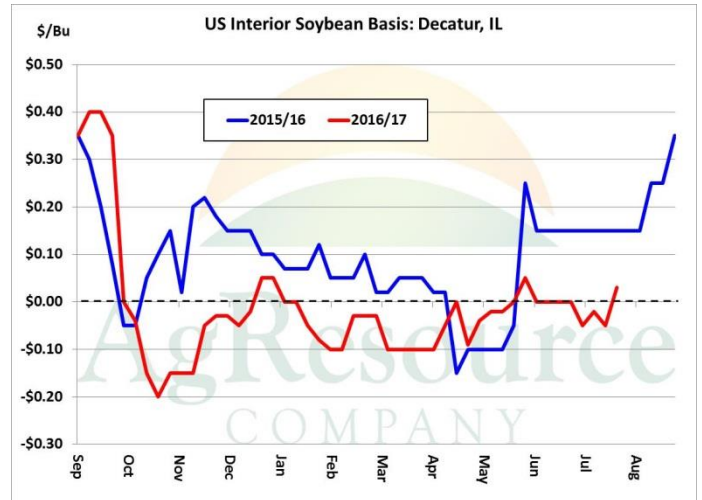
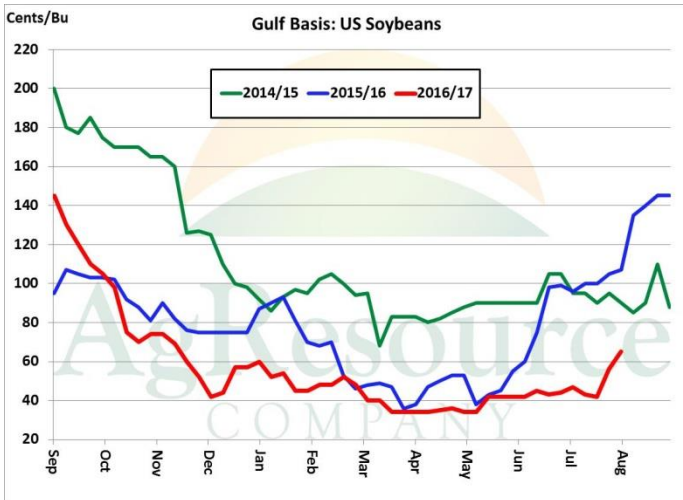
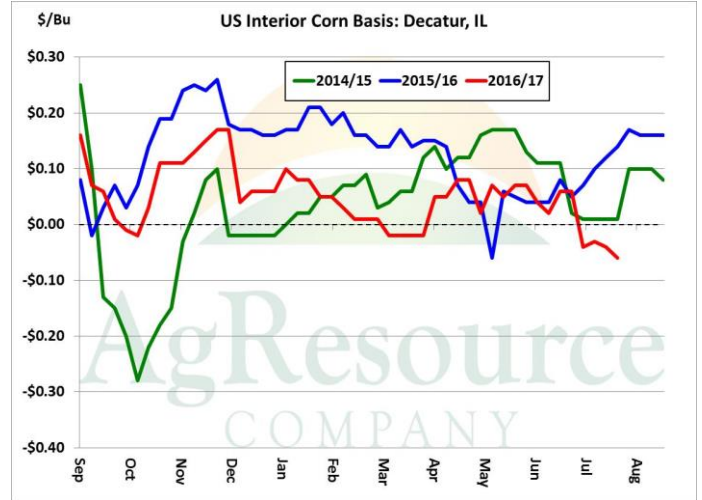
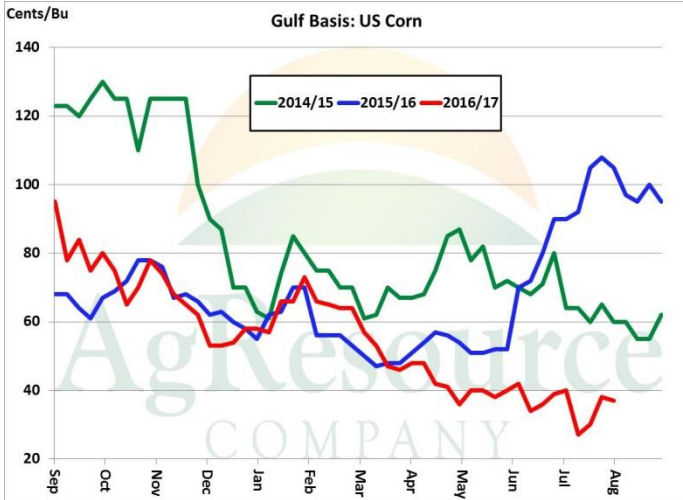
2/ 2016/17 price is based on Sep-Jun cash prices and CBOT deferred futures prices as of Aug 01;  
2017/18 price is based on CBOT deferred futures prices as of Aug 01.

### Changes in S&D's from last week:

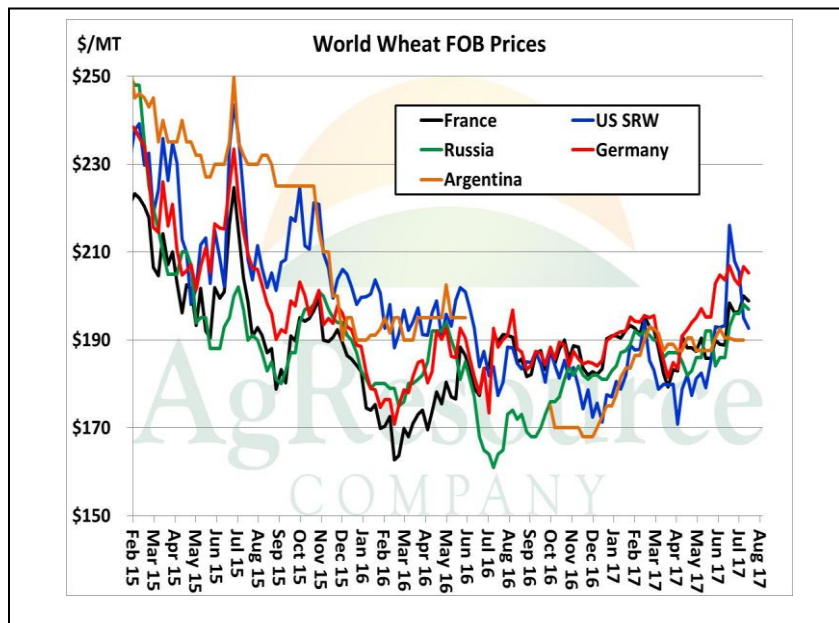
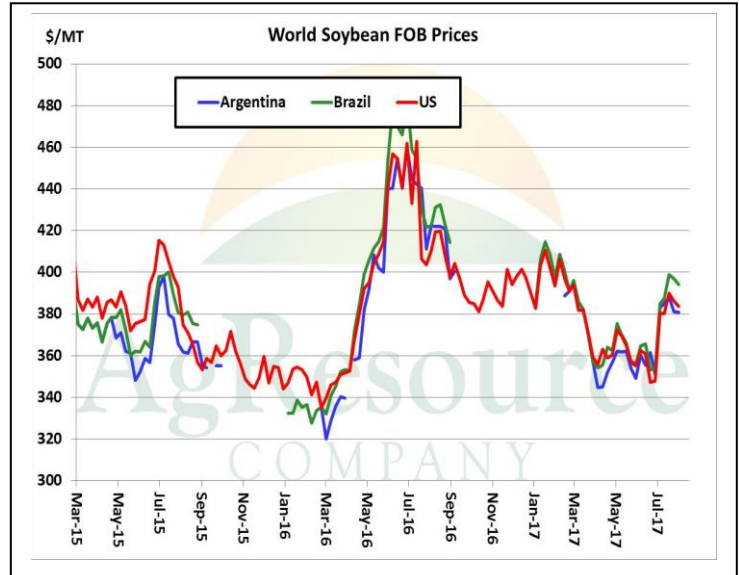
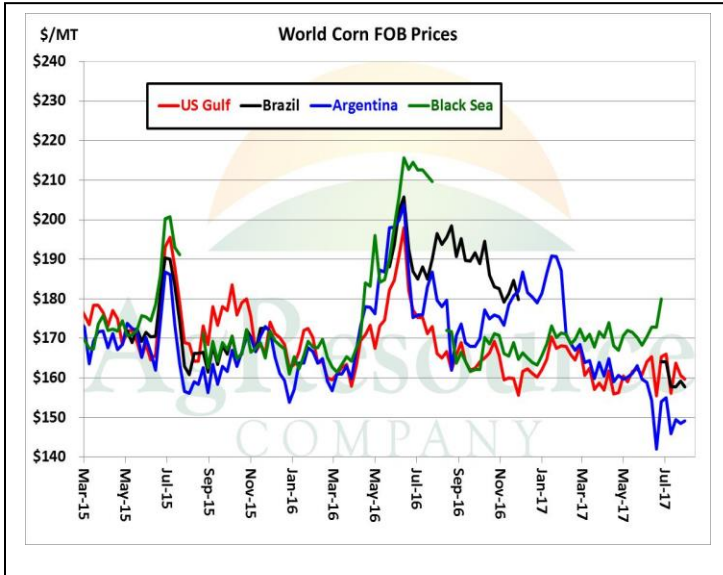
- ARC's 2016/17 S&D is unchanged.
- ARC's 2017/18 S&D is unchanged.
- ARC's 2016/17 price forecast is unchanged.
- ARC's 2017/18 price raised 10 cents on low end; lowered 10 cents on high end of range.
- "Futures-Based Price Forecast" 2016/17 is down 5 cents; 2017/18 is down 20 cents.

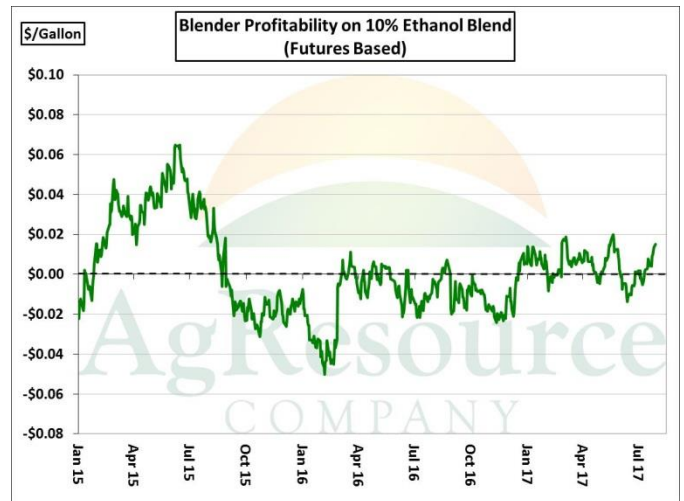
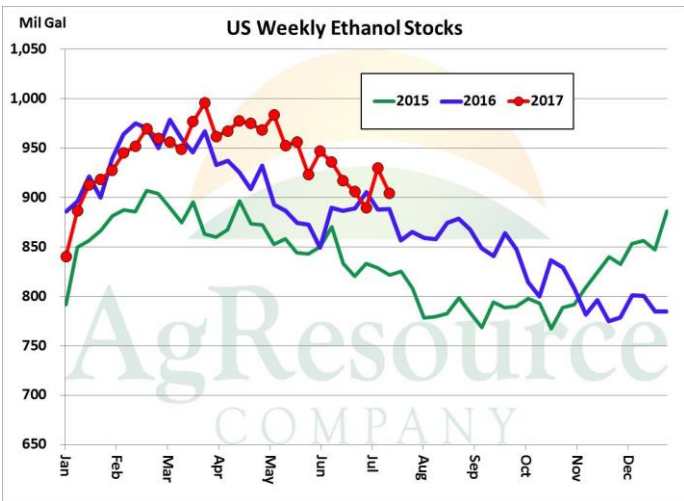
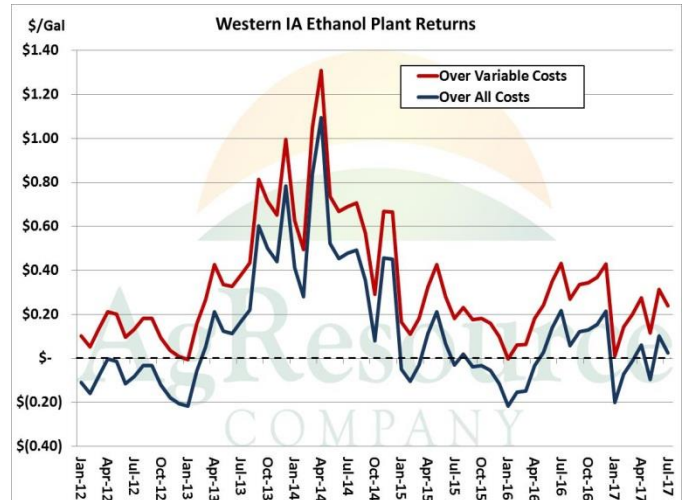
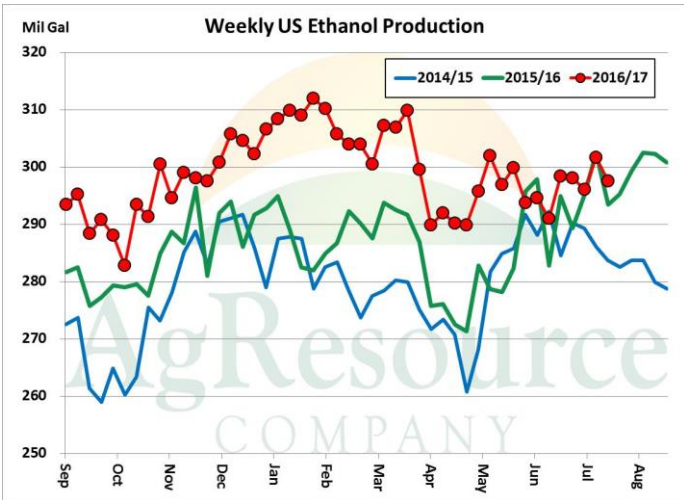
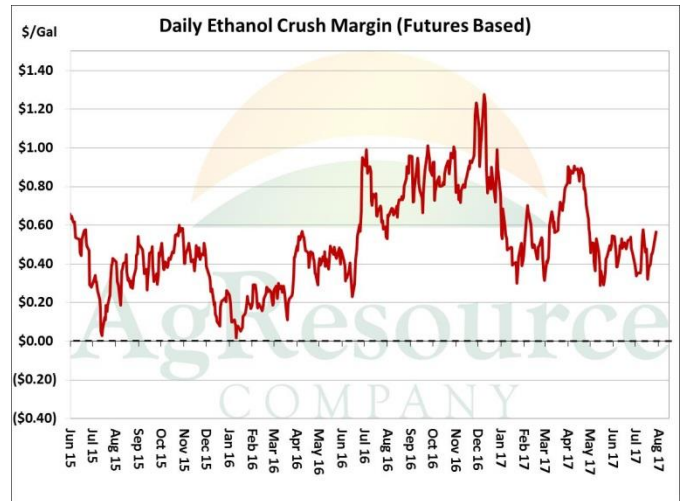
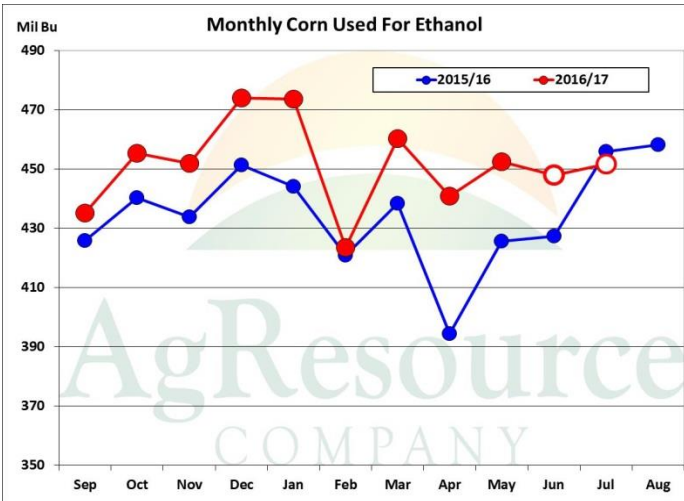




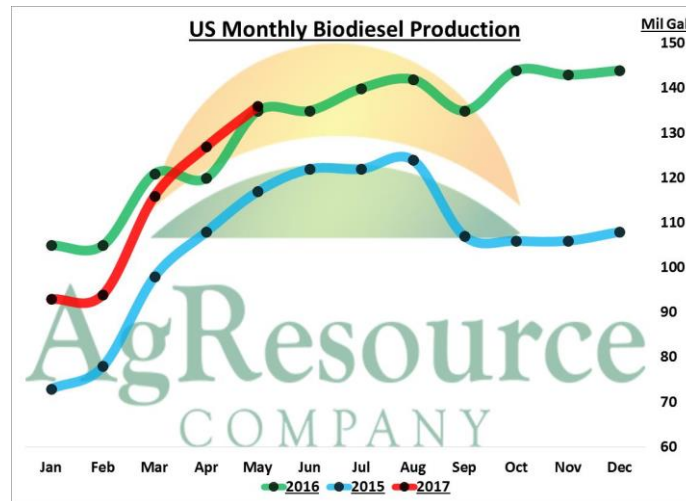
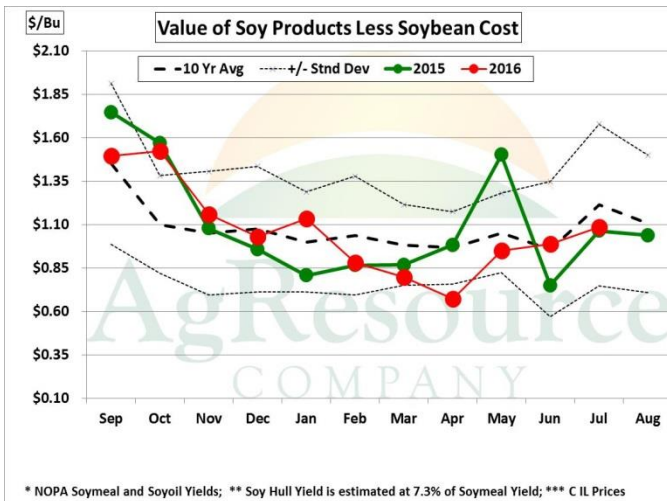
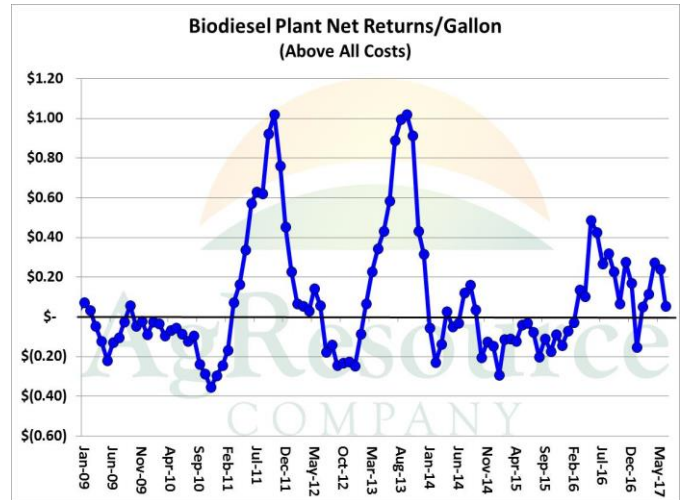
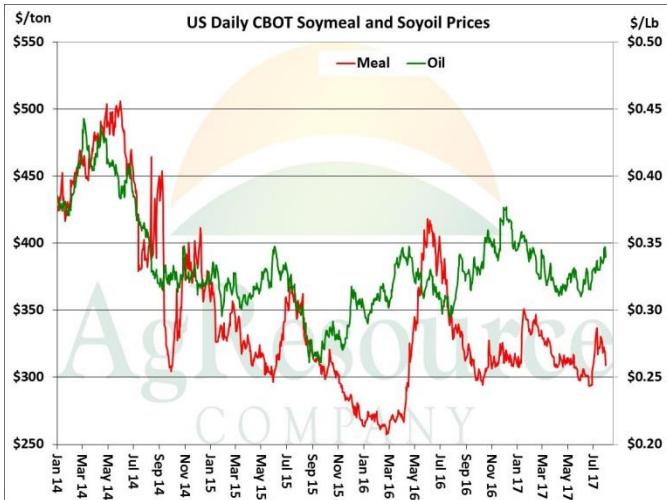
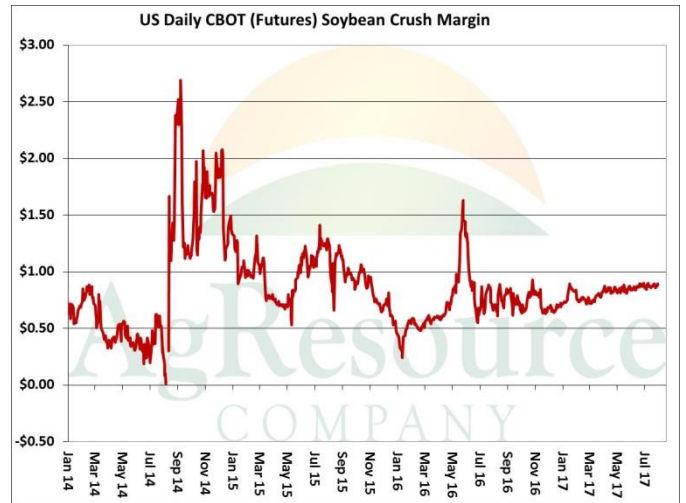
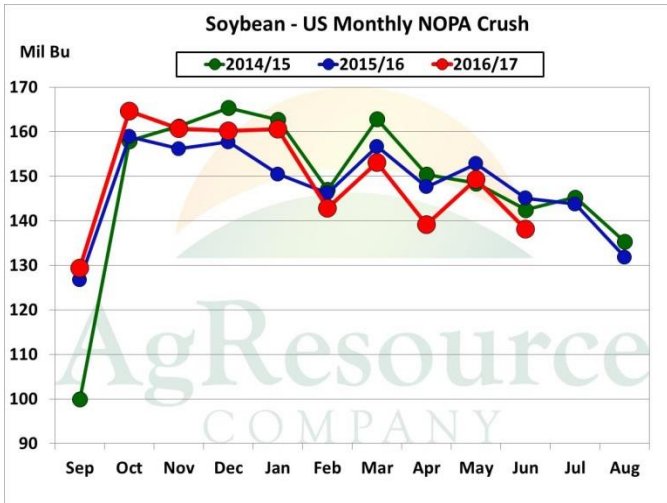


**CHEAPEST FOB:**  
**Argentine Corn at \$149/MT**  
**Argentine Soybeans at \$381/MT**  
**US SRW Wheat at \$192/MT**

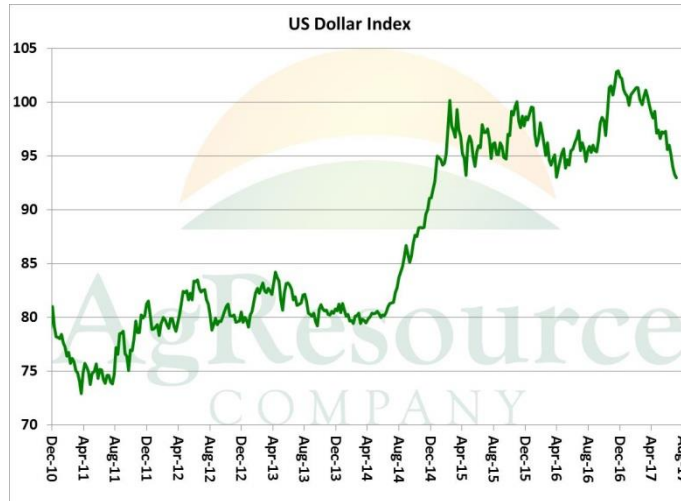








\* NOPA Soymeal and Soyoil Yields; \*\* Soy Hull Yield is estimated at 7.3% of Soymeal Yield; \*\*\* C I L Prices

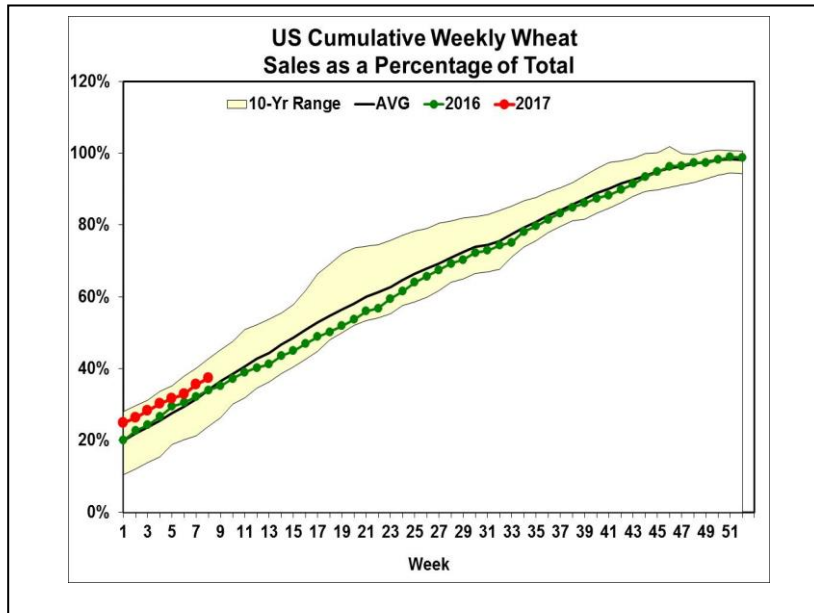
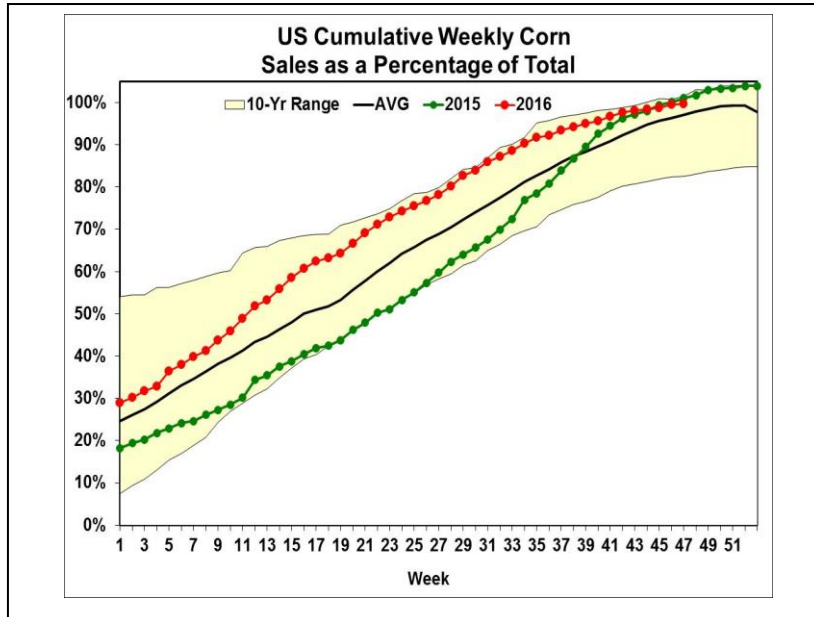


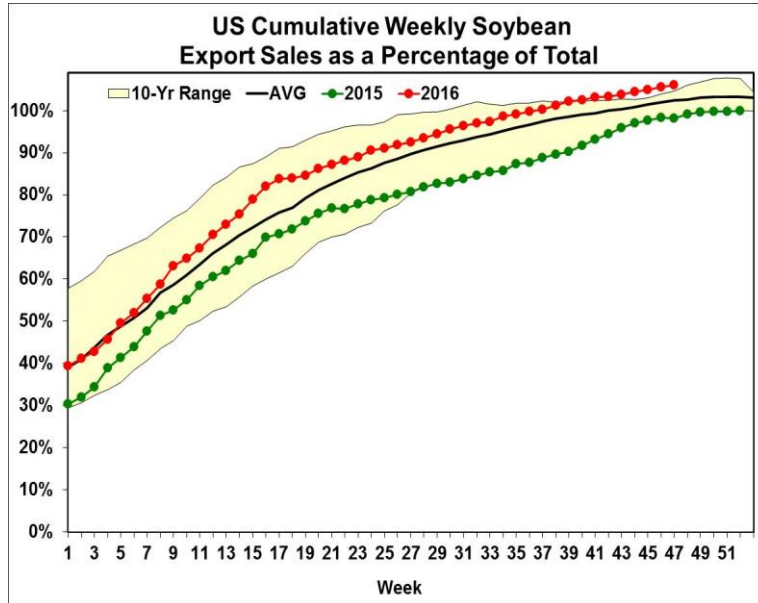
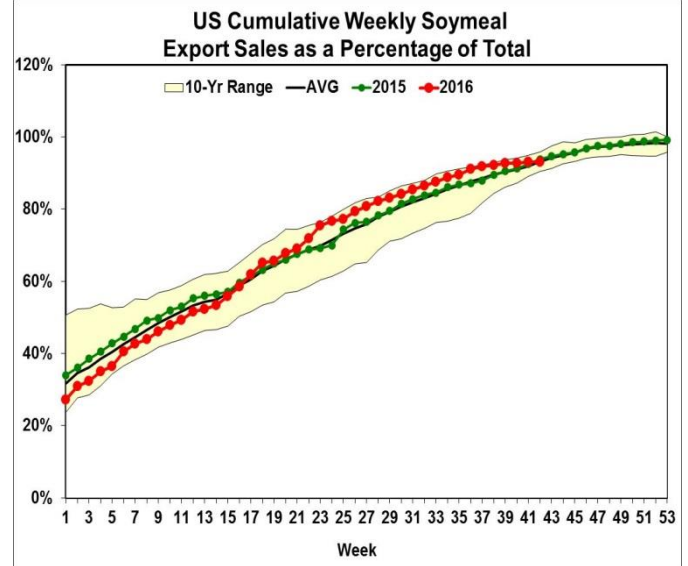
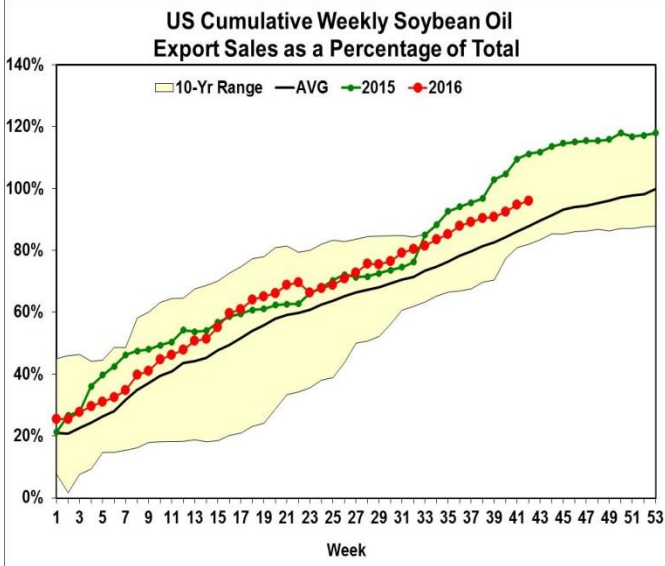
Cumulative Export Sales as of July 20<sup>th</sup>

Corn: 2,217 Mil Bu (16% above last year; 99.6% of USDA forecast)

Soybeans: 2,229 Mil Bu (17% above last year; 106% of USDA forecast)

Wheat: 364 Mil Bu (2% above last year; 37% of USDA forecast)





**Cumulative Export Inspections as of July 27<sup>th</sup>**  
**Corn: 2,081 Mil Bu (31% above last year; 93% of USDA forecast)**  
**Soybeans: 1,999 Mil Bu (16% above last year; 95% of USDA forecast)**  
**Wheat: 184 Mil Bu (15% above last year; 19% of USDA forecast)**

