



DAILY GRAIN WIRE

Tuesday, Jun 30, 2009

The crop report is shown below with the marked column showing the Jun estimates.

Stocks

	USDA Jun	Avg Est	LG	USDA Mch	Last year
Wheat	670	670	670	1,037	306
Corn	4,266	4,178	4276	6958	4028
Beans	597	585	601	1302	676
Acres					
All wheat	59.78	58.24	57.6	58.64	63.15
Winter			42.4	42.9	46.3
Spring	13.8	13.1	13.0	13.3	14.1
Durum	2.6	2.39	2.4	2.45	2.73
Corn	87.0	83.96	83.5	85.0	86.0
Beans	77.5	78.12	79.0	76.0	75.72

Stocks were not far from my estimates markets in (). With 667 mil bu for all wheat vs (670), 4.266 bil bu for corn vs (4276) and 597mil bu for beans vs (601). Would have to call them all neutral but the market saw the corn est as growing ending stocks. Acres were well off from what was expected. As we warned, USDA did find back some of the acres lost in the Mch intentions. Total acres are now est at 253.1 mil vs 249.0 in Mch and 256.5 last year.

This wheat stocks estimate becomes the new carry out in the wheat S&D. All wheat planted acres came in at 59.78 vs 58.6 in Mch and 63.1 last year. Spring was 13.8 vs 13.3 in Mch and 14.1 last year. Durum was 2.6 vs 2.4 in Mch and 2.7 last year. The S&D shown below has the adjustments for the carryout and also the acreage changes. It is interesting that the wheat production did not change much for the LG estimates as we had already adjusted the harvested acreage even though using planted numbers considerably smaller than the USDA? One can assume that the current yield reports in Kan hard wheat will add to the USDA yields but it could be offset by poor yields in soft red wheat? Slightly higher yields are already shown in the LG estimates

	Jun 09	USDA			Linn Group	
		07/08	08/09	09/10	08/09	09/10
Wheat						
Planted		60.4	63.1	59.8	63.1	57.8
Harvested		51	55.7	50.4	55.7	50.5
Yield		40.5	44.9	41.2	44.9	41.5
Begin Stocks		456	306	667	306	670
Production		2067	2500	2076	2500	2096
Imports		108	125	115	125	115
Total Supply		2631	2930	2858	2931	2881
Food		950	922	955	922	950
Seed		88	79	78	79	80
Feed/Residual		20	250	220	260	225
Total Domestic		1058	1251	1253	1261	1255
Exports		1267	1010	900	1000	850
Total Use		2325	2261	2153	2261	2105
Ending Stocks		306	667	705	670	776

Corn stocks imply only a very slightly reduction in expected usage from what LG used but as much as 100 mil less than implied by the avg guess. It is assumed that the change will be in a reduction in feeding but in the S&D table below I change only the ending stocks and acres for new crop production. Used the same yields for the USDA?

The table showing quarterly usage compared to the last two years is shown below. It is assumed that the reduction will come in feed use but the end should be close to what is shown here in LG estimates.

Corn

	Carry-In	Imports	Total Supply	FSI	Fd/Res	Exports	Total Use	Carry-out
-----in million bu-----								
2006/07								
Sep-Nov	1,967	1	12,499	799	2,172	596	3,567	8,933
Dec-Feb	8,933	2	8,934	821	1,533	513	2,866	6,068
Mar-May	6,068	5	6,074	918	1,127	495	2,540	3,533
June-Aug	3,533	4	3,537	953	760	521	2,233	1,304
Mkt.Yr	1,967	12	12,510	3,490	5,591	2,125	11,207	1,304
-----in million bu-----								
2007/08								
Sep-Nov	1,304	2	14,344	971	2,402	693	4,066	10,278
Dec-Feb	10,278	3	10,281	1,021	1,759	643	3,422	6,859
Mar-May	6,859	10	6,868	1,165	1,096	580	2,840	4,028
June-Aug	4,028	5	4,033	1,207	681	520	2,409	1,624
Mkt.Yr	1,304	20	14,362	4,363	5,938	2,436	12,737	1,624
-----in million bu-----								
2008/09								
Sep-Nov	1,624	3	13,728	1,204	1,991	456	3,651	10,078
Dec-Feb	10,078	4	10,082	1,169	1,582	373	3,123	6,958
Mar-May	6,958	4	6,962	1,278	975	443	2,696	4,266
Mkt.Yr								

Jun 09 Corn	USDA			Linn Group	
	07/08	08/09	09/10	08/09	09/10
Planted	93.5	86.0	87.0	86.0	87.0
Harvested	86.5	78.6	80.1	78.6	80.1
Yield	150.7	153.9	153.4	153.9	153.0
Begin Stks	1304	1624	1700	1624	1695
Production	13038	12101	12287	12101	12255
Imports	20	15	15	15	15
Total Sply	14362	13740	14002	13740	13965
Feed/Res	5938	5350	5150	5300	5050
FSI	4363	5040	5410	5000	5510
Ethanol	3026	3750	4100	3700	4300
Total Dom	10302	10390	10560	10300	10560
Exports	2436	1750	1900	1745	1950
Total Use	12737	12140	12460	12045	12510
Ending Stks	1624	1700	1542	1695	1455

I have adjusted yields up slightly ---early adjustments down were due to late planting. The adjustment back up comes on improved growing conditions with rains late Jun and early Jly improving chances for better yielding crops. Some will want to adjust the yields much higher for the same reasons. I show a higher consumption with lower prices improving the ethanol margins. Feed margins also improved some. The exports have a better chance of improving with reduced feedgrain availability from So Amer this fall and winter. Lower prices help as well? But this still leaves the ending stocks double my earlier estimate of ending stocks below 800 mil bu. certainly relieves the potential tight situation.

The bean situation remains very tight in old crop The monthly/quarterly table below implies a 4 mil bu increase in residual to get to the stocks est

Soybeans									
Year beg. Sept. 1	Supply				Disappearance				Ending stocks
	Begin stocks	Prod	Imports	Total	Crush	Exports	Seed, feed, & residual	Total	
2007/08	574	2,677	10	3,281	1,801	1,161	93	3,056	205
2008/09 ¹	205	2,959	12	3,176	1,650	1,250	166	3,066	110
2009/10 ²	110	3,195	12	3,317	1,675	1,260	172	3,107	210
2007/08									
September			0.4		147.3	62.0			
October			0.6		163.7	138.6			
November			0.6		156.3	127.4			
Sep-Nov	573.8	2,677.1	1.6	3,252.5	467.4	328.1	96.7	892.1	2,360.4
December			1.0		164.1	146.0			
January			1.5		160.5	140.9			
February			1.3		144.4	139.8			
Dec-Feb	2,360.4	---	3.7	2,364.1	468.9	426.7	34.5	930.1	1,434.0
March			0.8		156.0	119.2			
April			0.9		147.5	74.9			
May			0.6		152.6	54.7			
Mar-May	1,434.0	---	2.2	1,436.2	456.0	248.9	55.2	760.1	676.1
June			1.0		141.0	62.6			
July			0.8		139.3	50.6			
August			0.5		128.7	44.1			
Jun-Aug	676.1	---	2.3	678.5	409.0	157.3	(92.9)	473.4	205.0
Total			9.9		1,801.3	1,161.0	93.4	3,055.8	
2008/09									
September			0.4		125.7	36.0			
October			1.3		150.1	178.1			
November			1.1		144.7	173.5			
Sep-Nov	205.0	2,959.2	2.8	3,167.0	420.4	387.6	83.3	891.4	2,275.6
December			0.9		141.3	170.8			
January			1.9		145.2	153.1			
February			1.8		135.4	162.1			
Dec-Feb	2,275.6	---	4.6	2,280.2	422.0	486.1	70.5	978.6	1,301.6
March			1.7		144.4	101.7			
April ¹			1.2		140.6	82.7			
May			0.6		149.1	63.0			
Mar-May	1,301.6		3.5	1,305.1	434.1	230.5	40.0	704.6	600.5
Total to date ¹			10.9		1,276.5	1,104.2	193.9	2,574.5	

The reduction in the So Amer crops and exports will be noticeable in increasing the US exports for beans and products both. The inverse in prices will keep So Amer aggressive in selling inventories and leave them sold out as we go forward toward US new crop. Tonight the offers from Brazil for Aug are 48 cents higher than US beans. This means there could well be more US old crop beans sold. This demand increase will chew on the S&D at the right and could tighten ending stocks more than shown. Delays in new crop availability will be real. The crusher will have something to say

Jun 09 Soybeans	USDA			Linn Group	
	07/08	08/09	09/10	08/09	09/10
Planted	64.7	75.7	77.5	75.7	77.5
Harvested	64.1	74.6	76.5	74.6	76.5
Yield	41.7	39.6	42.6	39.6	42
Begin Stks	574	205	110	205	86
Production	2677	2959	3259	2959	3213
Imports	10	12	12	9	6
Total Supply	3261	3176	3381	3173	3305
Crush	1801	1650	1675	1660	1750
Exports	1161	1250	1260	1260	1300
Seed	93	94	92	94	90
Residual	0	73	79	73	50
Total Use	3056	3066	3107	3087	3190
End Stks	205	110	210	86	115

about whom gets access to those late Aug and early Sep beans as well. Competition will be fierce. With slightly increased new crop yields in the above table the new crop tightness is relieved some. Still a lot of summer to go through?

WHEAT:

Egypt in for wheat overnight
 Indo and Malay shopping US wheat for Sep.
 Phil for 50 TMT spring wheat.
 Taiwan for 82 TMT mixed US wheat for Aug-Sep.
 Iraq will tender again this week.
 Japan weekly is for 108 TMT for Aug-Sep

CORN:

USDA reports 118 TMT corn sold to unknown---half is old crop and the balance new crop.
 Egypt for corn.
 Mex for corn.
 Colombia for corn.
 Venez for corn.
 Honduras for corn.
 Malay for 50 TMT corn for Aug.
 Asian interest for new crop has increased but most is basis.
 Jun 30 Jordan for 100 TMT barley for Aug-Sep.

OILSEEDS:

USDA reports 113 TTM beans sold to China in daily reporting requirements. Most likely the trade from Fri?
 Brazil and Arg bean basis along with product values relaxed some today. However Aug offered at 130 over vs US at 82 over?
 Malay palm futures off 32 after exports for Jun were est at unch with May. Cash olein off slightly at \$687 for Jly-Sep.
 Arg and Brazil soyoil offered at around \$790 while US is at \$810.
 Bang for 12 TMT soy/palm for Jly.
 China domestic vegoil prices weaker led by northern areas.

CASH:

	Bean Barge	Corn Barge	SRW Barge	HRW Track	Ill Riv Frt
Jun	+62/65 N	+50/53 N	-20/-5 N	+82/85 N	265
Jly	+51/62 N	+50/53 N	-20/+0 N	+83/86 N	270
Oc-No	+63/70 X	+48/51 Z	-5/+5 Z	+83/90 Z	500
Truck	Beans	Corn	Wheat	Meal Hi-pro	Oil
Chicago	+12 N	+13 N	-70 N		
Toledo	+75 Q	+9 N	-90 N		
Dec ILL	+200 X	+14 N		+21N	-225 N

Players:

WHEAT: Sept settled at 5.40 ¾, down 17 cents

futures; The first tick of the day turned out to be the high trade for the day as the market started 8 lower and quickly fell. Within minutes the market would be trading 35 lower, with this early break giving us our session's lows. Over the next hour values gradually bounced more than 15 cents off the lows, and for the rest of the session we saw a limited trading range. Talk of a few locals getting short near the close sparked a huge range in the final minutes. Values first dropped close to ten cents before rallying almost 20 cents on the close with talk of close to 5,000 contracts being bought on the close that helped the market rally and be bid on the modified.

options; Morgan sold 1,000 Sept 580 calls at 19, UBS sold 300 Sept 500 puts at 19 ½ and Rosenthal sold 500 Dec 700 calls at 16 and bought 500 Dec 540 puts at 47.

spreads; The July/Sept settled 29 ½ to 29 ¾ and traded 18,600 contracts. The Sept/Dec settled 25 to 25¼ and traded 11,900 contracts. Tenco did 200 July/Sept.

CORN: Dec settled at 3.67 ¼, down 30 cents

futures; We started the session 20 lower, but within minutes prices would be trading limit down, and we remained limit down throughout the entire session. The July contract does not have limits and traded as much as 39 lower on the initial push down. Synthetically, the corn market was using the 110 strikes, but mostly, we were looking at the July contract, and based off the spread trade was how most of the pit was seeing where we were trading synthetically. In the options, the Dec market traded as low as 3.60. As we approached noon and moved into the final hour values had rallied back and there seemed to be a lot that traded 30 lower. For the most part, the final hour of the session saw values hover around 30-32 lower and the Dec settled synthetically at 3.66 ½ to 3.67. Talk around the pit was that there were at least 4,000 contracts offered limit down(excluding the local's misinterpretation at how much was offered limit down).

options; Extremely active trade today. A few of the larger features: ADM bought 3,000 Dec 400 calls/sold 6,000 Dec 500 calls at 9 ½, MF Global sold 2,000 Dec 450 calls at 12-10, JP Morgan sold 1,200 Dec 460 calls at 9 ½, Fimat sold 500 Dec 360 puts at 33, MLP sold 1,000 Dec 500/400 call spreads at 15 and RJO bought 1,000 Dec 370 puts at 38/41 and bought 1,000 Aug 420 calls at 1 ¾.

spreads; The Sept/Dec settled 12 ½ to 12 ¾ and traded 17,500 contracts, the July/Sept settled 6 ¾ to 7 and traded 16,100 contracts. Fimat did 1,000 Dec/Sept and Fortis did 1,500 Sept/July.

BEANS: Nov settled at 9.81, down 2 ½ cents

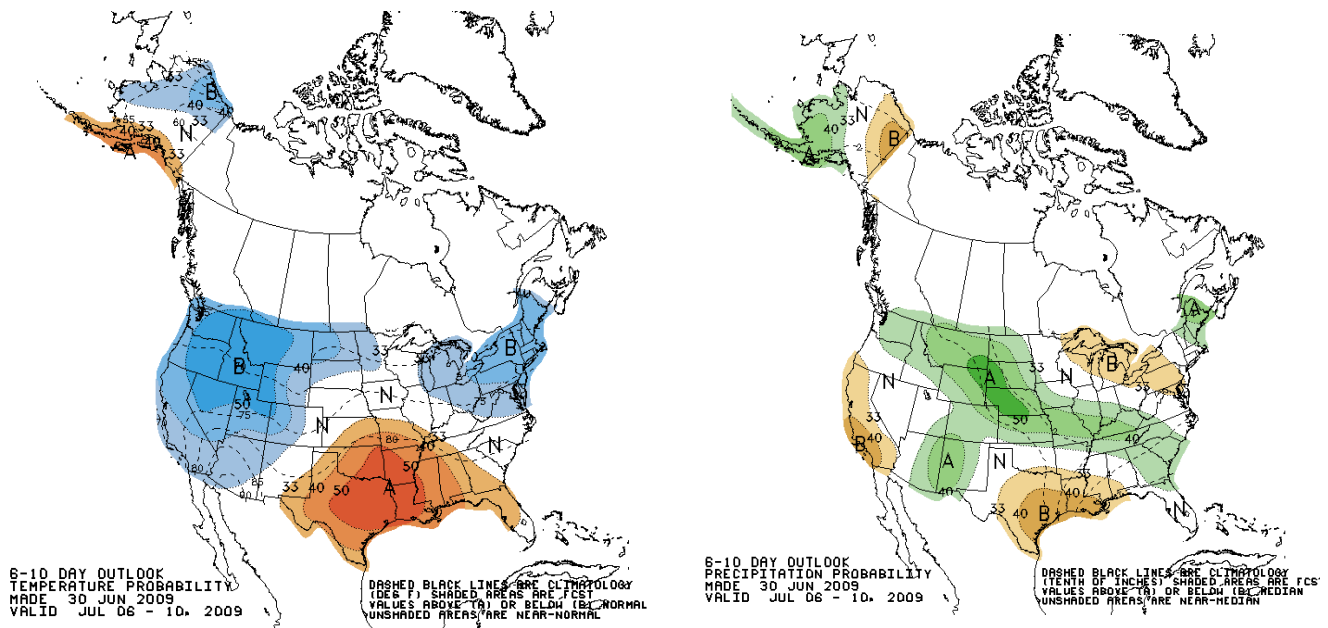
futures; We started the session around 8 lower and values quickly fell, and less than 15 minutes into the day, values would be trading more than 40 lower. This early drop gave us our session's lows as values gradually bounced back. Around an hour into the day we would be trading more than 15 cents off the lows, and by midday the market had rallied another nickel. As we approached noon the rally had intensified and we were trading within a nickel of unchanged. The final hour saw values continue to gradually firm, and late in the day we even saw higher trade. The final 30 minutes saw values mostly bounce around between unchanged and a nickel lower. Like the wheat market, many locals were caught short as we traded into the close as many felt the market may break. However, values did very little late, even rallying into the close to settle only a couple lower.

options; Fortis bought 500 Nov 1100 calls at 44, Tenco sold 800 Aug 1300 calls at 7, Bunge bought 500 Aug 1100 puts at 48, RJO bought 400 Nov 1040 calls/sold 400 Nov 920 puts at 6-8 and MF Global bought 3,400 Nov 1200 calls at 27 and sold 3,400 Nov 900 puts at 53 to 49 ½.

spreads; The July/Nov traded over 8,900 contracts and settled 2.44 to 2.46 with a range of 2.14 to 2.61. The July/Aug settled at 1.05 to 1.07 and traded 7,700 contracts. Rand and RJO each did 100-200 Aug/July, Tenco did 200 Aug/Nov, Fortis did 200 Aug/Sept and Fimat did 200 Nov/July.

SOYMEAL: Dec settled at 306.30, up 1.90 cents

options; Bunge sold 500 Aug 380 calls at 10.50 and Citigroup sold 450 Dec 400 calls at 5.50.



TREND:

Lot of trade wanting to see wheat gain on corn as a seasonal---yes it did today. However, wheat still has a problem with world inventory remaining somewhat burdensome and US exports not very competitive. Small gains vs corn is all we see with the potential of the wheat corn spreads moving back to test the lows again. Do not get enamored with the wheat bounce that is so well overdue. Sell into it

Limit down in corn all day. Consumptive interest seems pretty active overnight so do not be surprised if we rally some. The resistance will be tough 10 cents higher. Test of the Dec lows certainly a potential. This is 3.25 in CN and 3.50 in CZ. It is not out of the question that those lows in CZ come out for a moment?

Beans continue to be hard to ration with So Amer values well above US offers. Not sure there is a way to quantify the spread potential. The N/X traded to a high of 2.61 early in the day before correcting to 2.14---an inter-day move of 47 cents. The close was back up to 2.45. This matched the 40 to 50 cent corrections seen in this spread over the last several months---3 of them. While this one took only 1 day it is the same correction---target for the spread---could be 3.00?

Flat price SX? Bounced pretty handily off the Apr reactionary high at 9.50 today. There is a chance it comes out for a run to 9.20 top 9.15 but this rally could make the 9.50 area important low for a moment?

Roy Huckabay and Brian Pullam