Wheat

Sep KC: 5.54 1/2 up 5 1/2
Dec: 5.70 3/4 up 5
July: 5.91 1/2 up 5 1/4

KC wheat futures spent much of the night session underwater, and sold off to the lows of the day in the first hour of the day session. But after that, as the market has been doing for the past several days, futures clawed their way off the lows. The bears keep trying to push prices lower, but they no longer seem to have enough strength to keep the market down.

The price action suggests that a short covering rally is ahead. I wouldn't get bullish, if and when it happens, without fresh bullish information to justify higher prices over time. The most likely scenario is for a short covering rally that fizzles out after a matter of days, followed by sideways action.

You may recall that I have written on multiple occasions this summer that there were several time windows in which I watch for lows: option

expiration day in June, First Notice Day at the end of June, the first half of July, and finally, the first week of August. So far the low was made on July 30, which wouldn't be an exact fit but only two days off from my last target on the calendar.

I'm still hoping for a more meaningful rally in the fall, which might give us a chance to add a bit to our existing 10% coverage in 2025. For now, no change in strategy.

The national average HRW basis was three cents weaker yesterday at 49 under Sep KC. That's two cents lower than a week ago.

Although not yet confirmed by the USDA, Reuters reported that Taiwan bought 105,650 tonnes of US wheat of various classes.

Hedge margins for KC wheat futures will be reduced by $200/contract, to $1,900, effective after the close tomorrow.

Weekly export sales of wheat for the week ended July 25 totaled 286,600 tonnes, which was at the low end of pre-report estimates. Cumulative sales are running 42.3% ahead of last year's pace, compared to 48.1% ahead last week. The USDA last predicted that exports will rise 16.7% in the 2024/25 marketing year.

Thirty two percent of winter wheat production comes from areas currently affected by drought, up from 24% last week. Sixteen percent of spring wheat production is located in areas currently experiencing drought, up one percentage point from a week ago.

Feed grains

Sep corn: 3.82 down 3/4
Dec: 3.98 1/2 down 1 1/4

Corn futures scored fresh multi-year lows today, but managed to find some traction and finish the day in the upper half of the range. That may give die-hard bulls some hope, but I would not expect any bounce from here to have staying power without some sort of bullish news to justify it. Old crop supplies are now leaking on to the market with harvest (and expectations for record yields) coming fast.

The trend is down and it is too early for a low without something unexpected happening. We have 40% coverage. No change in strategy.

The national average basis was steady yesterday at eight under Sep. That's also steady with a week ago.

Hedge margins for corn futures will be reduced by $100/contract, to $1,200, effective after the close tomorrow.

StoneX is forecasting an average corn yield of 182.3 bushels per acre, with total production of 15.207 billion bushels. The current USDA projection is a 181 b.p.a. yield and 15.100-billion-bushel harvest.

Weekly export sales of 2023/24 corn totaled 167,900 tonnes, which was way below the range of trade guesses. Sales for 2024/25 totaled 710,900 tonnes, which was at the high end of trade estimates. Cumulative old crop sales are running 37.5% ahead of last year's pace, compared to 37.4% ahead last week. The USDA currently projects that corn exports will increase by 33.9% this marketing year.

Here is the link to this week's Drought Monitor. Only five percent of US corn production comes from areas currently experiencing drought, which is up 1 percentage point from last week. Twenty nine percent of sorghum production comes from drought areas, up from 19% a week ago.

The Monthly Drought Outlook map from the Climate Prediction Center is forecasting drought expansion in most of Kansas this month.

Soybeans

Aug: 10.22 down 6 1/2
Sep: 10.09 down 5 1/2
Nov: 10.16 1/2 down 6

New multi-year lows for soybean futures again today, as the weather is considered to be mostly non-threatening, and traders are considering the prospect of a new yield record. The USDA reported the sale of 132,000 tonnes of soybeans to China for 2024/25 delivery, but our new crop sales pace has been lagging badly, and a 132,000 tonne sale doesn't move the needle much.

The bears are in control, and the funds will keep selling until it no longer works. The trend is down unless some sort of fresh bullish news enters market. No change in strategy.

The national average basis was a penny weaker yesterday at 22 under Nov.

The USDA reported that 183.68 million bushels of soybeans were crushed in June, missing the 184.584-million-bushel trade guess

Hedge margins for soybean futures will be reduced by $200/contract, to $2,200, effective after the close tomorrow.

StoneX is forecasting an average soybean yield of 52.6 bushels per acre, higher than the USDA projection of 52.0. The StoneX production estimate is 4.483 billion bushels, compared to the USDA estimate of 4.435 billion.

Weekly export sales of old crop soybeans totaled 376,400 tonnes, which was above the range of pre-report trade guesses. Sales for 2024/25 totaled 632,100 tonnes, within the range of expectations. Cumulative old crop sales are running 13.7% behind last year’s pace, compared to 14.0% behind last week. The USDA is forecasting a 14.1% decline in exports this marketing year.

Just five percent of US soybean production comes from areas currently in drought, up from 4% last week.

That's it for today!

Jeff

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