



ADM Investor
Services, Inc.

ADM Investor Services Market View

July 1, 2020 by Steve Freed

Soybeans, soymeal, soyoil, corn and wheat continue to trade higher after yesterday's surprise USDA acreage report. Funds continue to liquidate corn short and add to soybean long. US Midwest 2 week weather forecast is warmer and drier than normal. This should add to Monday's market volatility. US stocks are missed. US Dollar is lower. Crude is higher. Gold is lower.

SOYBEANS

Soybean continues to trade higher. Cash basis is also firm. Some feel that while US farmer is selling corn he may have less soybean to sell from last year's crop. September soybean futures jumped over the 20, 50 and 100 day moving average. The momentum of the market is up and should encourage managed funds to add to their net soybean long. Next resistance is near 9.10. Yesterday daily volume was the largest since February. Managed funds are now estimated to be net long 50,000 contracts. The USDA big miss versus analyst guesses for US 2020 planted acres will help US farmer income but could increase World exporters production. This eventually could hurt demand for US Ag exports. USDA NASS estimate of US top 8 crop 2020 acres was near 248.7 million acres versus 253.2 in March and 247.0 last year. US Midwest 6-10 day and 8-14 day weather forecast calls for warm and dry weather across the heart of the US Midwest. Weekly US export sales are est near 300-800 mt old crop versus 601 last week and 300-800 mt new crop versus 560 last week.

September soybean futures chart



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CORN

Corn futures traded higher. Wheat corn spread continues to narrow in favor of corn. The USDA big miss versus analyst guesses for US 2020 planted acres will help US farmer income but could increase World exporters production. This eventually could hurt demand for US Ag exports. USDA NASS estimate of US top 8 crop 2020 acres was near 248.7 million acres versus 253.2 in March and 247.0 last year. US Midwest 6-10 day and 8-14 day weather forecast calls for warm and dry weather across the heart of the US Midwest. September corn futures also shot above the 20, 50 and 100 day moving average. Momentum has turned up which should encourage managed funds to liquidate more of their net corn short. Managed funds are still estimated to be net short 240,000 corn contracts. If Mondays US Midwest weather is hot and dry they could even liquidate their entire position. If the ridge breaks down and allows rains to move across the Midwest the market could take back all of the 2 day gains. Weekly US ethanol [production was up 1 pct from last week but still down 16 pct from last year. Stocks were down 4 pct from last week and down 12 pct from last year. Margins improved. Higher corn prices could weigh on margins. Weekly US corn export sales are est near 450-700 mt old crop versus 461 last week and 0-200 new crop versus 77 last week.

September corn futures chart



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WHEAT

Wheat futures managed small gains despite big rallies in corn and soybeans. USDA estimate of US wheat acres and June 1 stocks were not as bullish as their corn and soybean numbers. Increase north hemisphere harvest and talk that Russia crop could be bigger than expected and that may not offer any export quotas limits the upside in prices. Slow start to World export trade also offers resistance. Covid economic impact of large global wheat imports and concern about US domestic demand also offers key resistance. USDA estimated US June 1 stocks near 1,044 mil bu versus 980 expected. This will reduce 2019/20 wheat feed to 74 mil bu versus 135. Their acreage guess could confirm US 2020 crop to near 1,877 mil bu. Weekly US wheat export sales are estimated near 250-600 mt versus 518 last week. Sep KC Wheat minus Sep corn spread has narrowed into near +90 from a high near +190 as wheat tries to price itself as a feed.

KC September wheat minus September corn spread chart



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