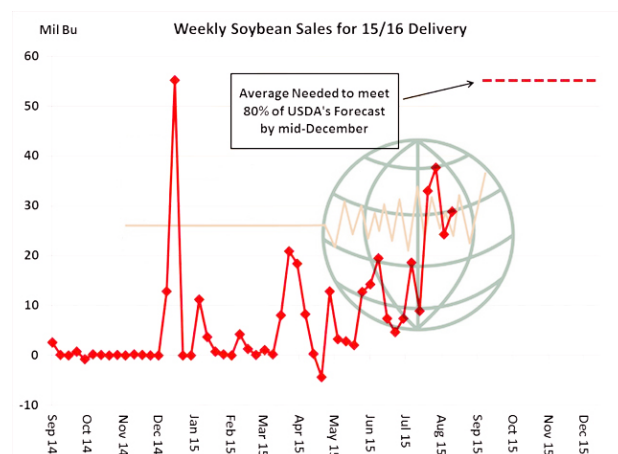
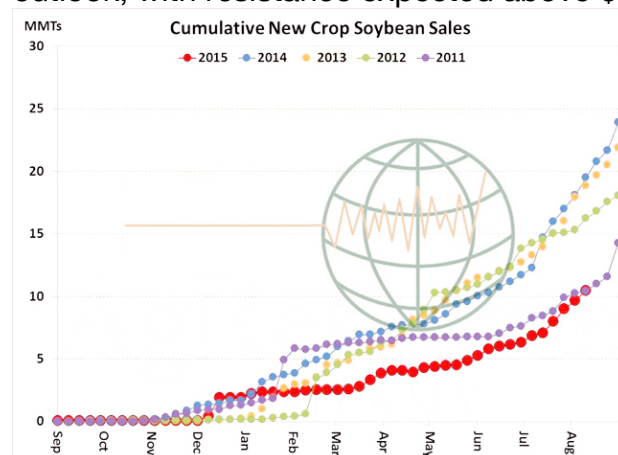


Weekly US new crop soybean export sales are improving, but whether the USDA's export forecast is attainable is still uncertain. Dramatic adjustments to the USDA's 1,725 million bu projection are not expected in the months ahead, but on average 80% of total exports are committed by US exporters as of mid- December. The graphic below displays 2015/16 sales for each week since last September, as well as the average pace needed to hit 80% of the USDA's forecast in the next 18 weeks. Each week that new crop sales are below 1 million mt, the average needed in subsequent weeks will increase. Much better demand is needed - and rather quickly - to prevent a more sizeable reduction (100-150 million bu) in US soybean exports by the November or December WASDE reports.



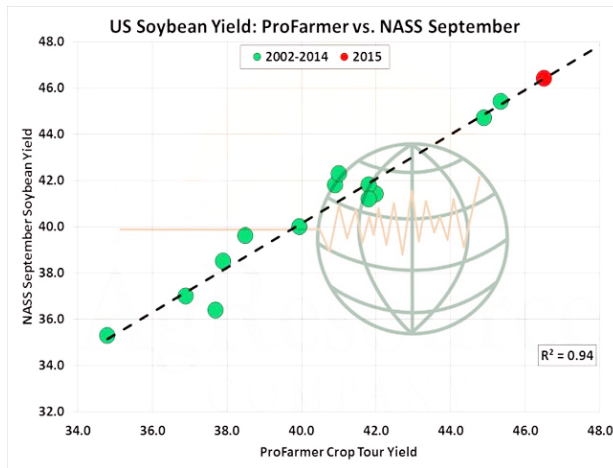
Fundamental news this week has been mixed with some traders arguing that based on crop tour evidence that the USDA has overstated US soybean yields, but the weekly export sales report did not offer any major surprises, and sales to date continue to indicate that the USDA export estimate is too high. Weekly export sales in soybeans offered few surprises, with modest old crop sales (which will likely be rolled), and new crop sales of 784,405 mt. Total new crop sales stand at the lowest level since 2011, a year in which annual exports totaled just 1,365 million bu. The trade looks forward to yield estimates from the Pro Farmer crop tour, which has historically provided guidance for the September Crop Report. We continue to advise a bearish outlook, with resistance expected above \$9.20 basis November '15 futures.



The odds are high that spot US crude oil prices will close out August below a 16-year long uptrend line! The monthly WTI crude oil chart shows the carnage of energy prices during the past 10 months. The only remaining downside price support rests at \$33-34 - the prior recessionary lows back in late 2008 and early 2009. The difference is that this energy break is more about the formation of additional supply from the application of a relatively new technology – fracking. It will take time for a bottom to be forged and we see WTI crude in a range of \$35-65 for some time yet.



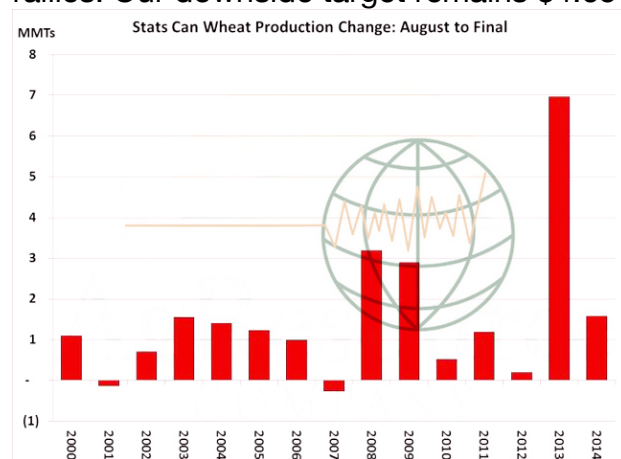
After the close on Friday, the Pro Farmer crop tour estimated a US soybean yield of 46.5 bushels/acre, with a crop size of 3.387 billion bu. As seen in the chart below, the Tour's yield estimate has been a reliable indicator of the September NASS yield estimate, though there is a tendency to underestimate the final US yield. In recent years the tour yield estimate on average has been within 0.6 bushels/acre of the NASS September estimate. With favorable weather, research argues for a 46.7-47.8 yield. Our view remains that any 10-20 cent rally should be sold with resistance noted at \$9.20-9.25. Our immediate downside price target is \$8.50 basis November '15 futures. Fund managers and farmers are caught long and are expected to remain strong sellers of any rallies. China remains a tepid buyer of US soybeans and is not yet adding support.



Pro Farmer's tour has concluded with national corn yield pegged at 164.3 bushels/acre and production estimated at 13,323 million bu. These are below NASS's estimate in its August crop report, but this 2.7% discrepancy is not unusual. Other independent tours of IA and IL this week also offered limited disagreement with NASS's first guess on production, and it's plant population that will support a yield of 166- 170 bushels/acre. Recent crop finishing weather has been favorable. And broadly, early trade estimates of sub-160 bushels/acre are no longer valid. US production will be more than adequate, and now the market must debate the price range needed to distribute the crop. In the face of cheap South American corn, we maintain that harvest lows will exist at \$3.30-3.60, basis December '15 futures. Rallies moving forward will be a function of periodic fund short covering. South American fob premiums end the week a touch weaker following higher crop estimates from the Argentine government. Brazilian is also likely marginally understated, and S American production gains will partially offset additional losses in Europe and Ukraine. Funds maintain a decently sized long position, which is in danger of additional liquidation unless better demand is found. Sell rallies remains our mantra.

Wheat futures fell 7-12 cents on the day, and ended the week down 8-17 cents - with hard red wheat contracts leading the way. Another day has passed with unchanged world fob prices, and the structure of the EU and Black Sea markets (huge discounts for spot delivery) indicate that exporters are doing all they can to find business. Note also that the Aussie weather forecast is unchanged into early September, with soaking rains advertised across their eastern wheat belt this weekend. Stats Canada pegged Canada's all wheat harvest at 24.6 million mt, roughly in line with trade estimates and 1.9 million mt from the USDA's estimate in the August WASDE. The graphic below charts changes in Stats Can's estimates from August to final, and notice there's a strong bias for the crop to be understated by 1 plus million mt. A final Canadian crop of 25.5-26.5 million mt looks entirely possible, as weather has improved. Canada's crop has stabilised, Aussie weather looks rather benign into early September and EU/Black Sea production is still likely 1-2 million mt too low. The months

ahead will be marked by steep export competition, which will likely cap rallies. Our downside target remains \$4.65-4.75, basis Chicago futures.



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