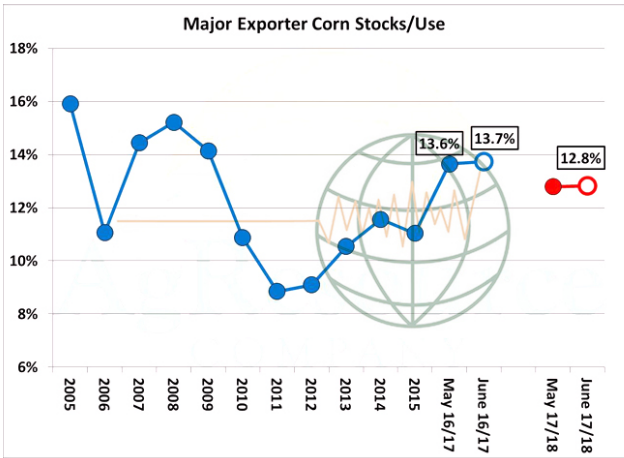
The USDA's old and new crop corn balance sheets were left completely untouched, which is not overly surprising. There's evidence available to lift ethanol use another 25 million bu, and we would expect final US corn exports to be 25 million bu above the USDA's current forecast amid sales and shipments to date. Otherwise, it is all weather moving forward, but we do caution that without much better rainfall across the western third of the Corn Belt, the USDA's yield looks to high, and the market already is considering what the balance sheet looks like using a national yield of 165-167 bushels/acre. Crop conditions correlate poorly with yield in June, but this relationship improves thereafter, and close attention will have to be paid to developing dryness. Note further that despite model disagreement in the East, little/no precipitation is forecast across the Central Plains through late June.

US Corn Supply & Demand

---------- Mils of Acres/Bushels ----------

	USDA 2016/17	USDA 2017/18	Estimate 2016/17	Estimate 2017/18
Planted	94.0	90.0	94.0	89.2
Harvested	86.7	82.4	86.7	81.7
Yield	174.6	170.7	174.6	170.0
Production	15,148	14,065	15,148	13,885
Carryin	1,737	2,295	1,737	2,290
Imports	55	50	55	50
Total Supply	16,940	16,410	16,940	16,225
Feed/Resid	5,500	5,425	5,475	5,375
Indus/Seed	1,470	1,500	1,474	1,480
Ethanol	5,450	5,500	5,450	5,500
Exports	2,225	1,875	2,250	1,725
Total Use	14,645	14,300	14,650	14,080
End Stocks	2,295	2,110	2,290	2,145
Price	$3.35	$3.40	$3.35	$3.30

Still, rallies like those in 2010-2012 are unlikely amid more than ample old crop US and world supplies. Old crop global corn stocks were raised for a fourth consecutive month to 224.6 million mt, mostly due to higher S Hemisphere production estimates, including S Africa. Combined Brazilian, Argentine and S African corn production was lifted 2.1 million mt. Major exporters' stock/use was raised slightly to 13.7%, vs. 13.6% in May, and this will to some extent weigh on rallies in the near term. Argentine basis has fallen on this week's rally in futures price. However, longer-term direction will hinge upon movement in new crop exporter stocks/use, and weather will take priority over much else over the next 30 days.

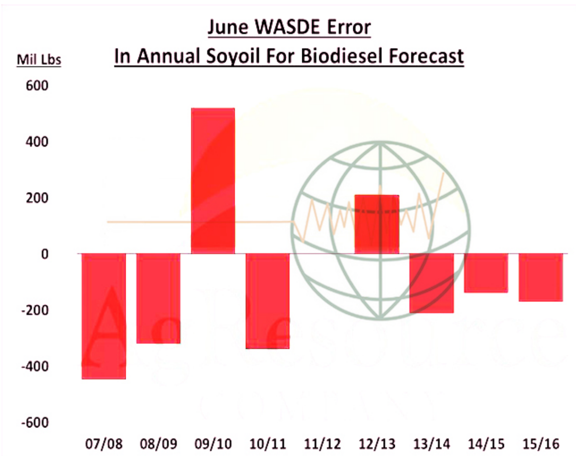


The June updates to the USDA's balance sheet estimates were fairly benign. The only real surprise was that they did not raise the old crop export forecast, with current commitments at a record large 105% of their forecast, and still building. Ahead of the WASDE report, the FAS reported another old crop soybean sale worth 201,000 mt, to an unknown destination. The only adjustment to the old crop balance sheet was a lower crush figure, which was reduced by another 15 million bu to 1,910, which added 15 million bu to the old crop carry out. No other changes were made to the old crop balance sheet, but we expect

	US Soybean Supply & Demand			
	---------- Mils of Acres/Bushels ----------			
	USDA 2016/17	USDA 2017/18	Estimate 2016/17	Estimate 2017/18
Planted	83.4	89.5	83.4	90.0
Harvested	82.7	88.6	82.7	89.1
Yield	52.1	48.0	52.1	48.0
Production	4,307	4,255	4,307	4,275
Carryin	197	435	197	440
Imports	25	25	27	30
Total Supply	4,528	4,730	4,530	4,745
Crush	1,910	1,950	1,910	1,925
Exports	2,050	2,150	2,075	2,000
Seed	104	101	104	90
Residual	14	34	0	30
Total Use	4,093	4,235	4,090	4,045
End Stocks	450	495	440	700
Price	$9.55	$9.30	$9.45	$8.50

that the old crop export forecast will increase in upcoming reports. In the new crop estimates, the USDA maintained the area and 48 bushels/acre yield. The only change made was to the larger carry in figure, which lifted the stocks projection for next year to 495 million bu.

In the soybean product estimates, both meal and oil production forecasts were lowered by the smaller crush forecast. With 450,000 fewer tons of soybean meal, domestic use was cut by 350,000 tons with the other 100,000 tons taken off of the export forecast. In the soybean oil estimates, the production forecast was lowered by 175 million lbs, although there was no change to either the import or exports forecasts. 100 million lbs was still taken off of domestic consumption and stocks were lowered by 75 million lbs to 1,987 million. While domestic consumption was projected lower, the estimate for biodiesel demand was unchanged at 6,200 million lbs. The chart shows the difference between the USDA's June biodiesel use forecast and actual use. In 2011/12 there was not an estimate, and in 6 out of the other 8 years the June estimate was too low. In the last 4 years, the June estimate has been within 200 million lbs of actual demand. Biodiesel imports continue to make headlines, and a decision from the Commerce Department is expected ahead of August 21, but we would anticipate that annual biodiesel demand will be close to the 6,200 million lb forecast.



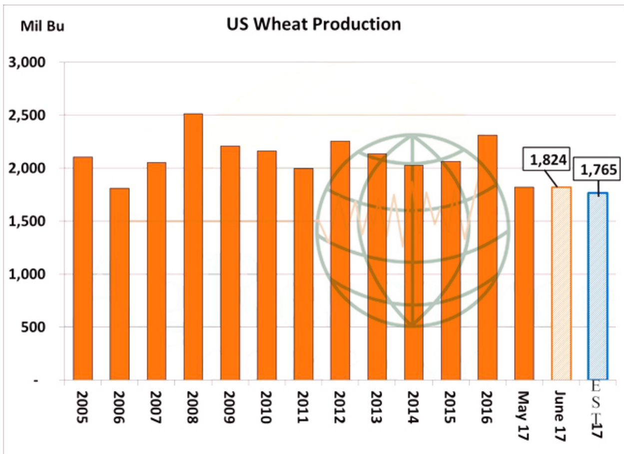
The USDA made some very modest adjustments to its US wheat balance sheet. Old crop stocks were raised 2 million on higher imports. New crop imports were raised 5 million. Winter wheat production as raised 4 million as the HRW crop in W KS and CO has recovered better than expected from early May's freezing temperatures and heavy snowfall. US wheat demand was left alone, and the trade is well aware that HRS yield will be first assessed in July's production report. The 2017/18 season's average cash price was raised from $4.25 to $4.30, as already the USDA recognises higher protein wheat will command a decent premium. We are in general agreement with the USDA's June balance sheet, but we note that production remains rather fluid as the spring wheat crop develops, and as conditions look to drop further in the Monday's Crop Progress Report.

US Wheat Supply & Demand

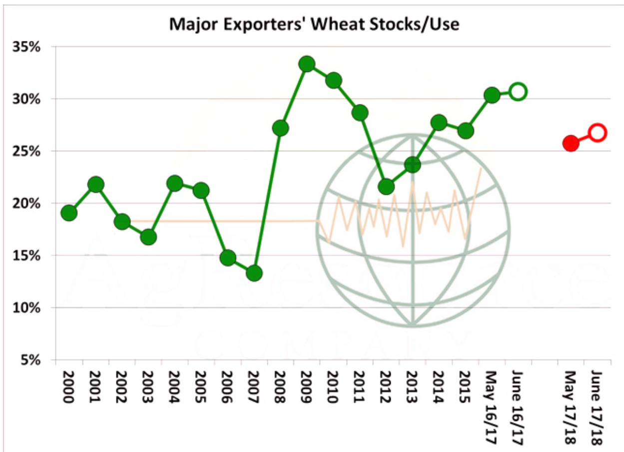
---------- Mils of Acres/Bushels ----------

	USDA 2016/17	USDA 2017/18	Estimate 2016/17	Estimate 2017/18
Planted	50.2	46.1	50.2	46.1
Harvested	43.9	38.5	43.9	38.5
Yield	52.6	47.3	52.6	45.9
Production	2,310	1,824	2,310	1,765
Carryin	976	1,161	976	1,161
Imports	117	130	117	130
Total Supply	3,402	3,115	3,402	3,057
Food	955	955	955	955
Seed	61	66	61	60
Feed/Resid	190	170	190	140
Exports	1,035	1,000	1,035	975
Total Use	2,241	2,191	2,241	2,130
End Stocks	1,161	924	1,161	927
Price	$3.90	$4.30	$3.90	$4.10

We have started adjusting the crop lower. For now, total US wheat production is estimated at 1,765 million bu, down roughly 60 million from NASS's latest estimate. Winter wheat harvest is in its early stage, and yields have been widely mixed, and we maintain that there is a bit more downside risk than upside in terms of production in CO, KS, NE and SD. The USDA's all-wheat total of 1,824 million implies an HRS crop of roughly 440 million, which in turn implies an HRS yield of 43.0 bushels/acre. Should drought intensify, studies suggests HRS yield will be closer to 38-39 bushels/acre, and this US all wheat production will rest at 1,750 million, or 380 million short of total consumption. The market's real excitement will begin once WASDE released its by-class balance sheets in next month's report.



Like corn, there is no shortage of spot wheat supplies, and in fact 2016/17 global stocks continue to grow. The USDA raised old crop world wheat stocks to 256.4 million mt, vs. 255.4 in May. Major exporters' stocks/use in 2016/17 was lifted slightly from 30.3% to 30.7%. New crop major exporters' stocks/use was raised from 25.7% to 26.7%, and so the June WASDE does lean a bit bearish wheat prices. Russian production was raised 2 million mt, and barring a summer drought



Russia will again have a massive exportable surplus. Major EU crop threats are lacking, and so any potential rationing in the US will be made a bit easier via exports from other countries. However, major exporters' stocks will be in retreat, which along with US drought concerns will underpin the market on breaks. A lasting bottom in wheat was more than likely scored in 2016.