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Soybeans surge amid hot, dry forecasts – *November soybeans surged more than $1.60 last week and the contract was on pace Friday morning for the biggest weekly advance since 2004. Funds aggressively added long positions given forecasts calling for heat and dryness to stress crops through at least Aug. 8. Soymeal surged to new contract highs and soyoil also rallied sharply. Weather concerns with the corn crop triggered aggressive buying in that market as well, though the soy complex was the upside leader. Wheat followed soybeans and corn higher as traders closely monitored the Ukraine grain export situation. Live cattle futures were pressured by weakening cash prices, though seller interest was limited by their discounts to the cash market. Hog futures were supported by the firming cash index.*

Heat dome over central U.S. this week

Extreme heat and generally dry conditions will be seen across the Plains and Midwest this week as a high-pressure ridge develops over the central United States. Crop stress will be greatest in the northwestern Corn Belt and Plains, where soils are the driest. The Delta should receive some rains.

The high-pressure ridge is expected to shift back over the Rocky Mountains Aug. 8-12, which would bring cooler temps and rainfall chances, especially to northern and eastern areas of the Corn Belt, though World Weather Inc. believes current weather models are projecting too much rainfall.

Ukraine grain exports set to resume

The first vessels were reportedly loaded but Ukraine awaited the go-ahead from United Nations and Turkish officials, who are overseeing the safety of shipments. As of Friday morning no date has been set for grain exports to resume, though Ukrainian officials hoped the first shipments would sail by the weekend.

Besides logistical issues of moving ships through the mined Black Sea, finding enough seafarers willing to sail ships will pose a major challenge. And London's insurance market has placed the entire region on a separate high-risk list, meaning soaring costs for shipments.

Tour confirms big ND wheat crop

The average spring wheat yield in North Dakota was estimated at 49.1 bu. per acre by the annual Wheat Quality Council tour. This year's estimate topped the five-year average of 39.4 bu. per acre and was second only to the 2015 tour estimate of 49.9 bu. per acre. While yield potential is strong, the head of the North Dakota Wheat Commission said harvest is still about six weeks away due to delayed crop maturity. USDA estimated the North Dakota other spring wheat yield at 51.0 bu. per acre.

ERP deadline extended

The deadline for producers to apply for USDA's Emergency Relief Program (ERP) to receive compensation for losses from natural disasters in 2020 and 2021 was extended indefinitely.

U.S. economy contracts again in Q2

U.S. gross domestic product fell at a 0.9% annualized rate in the second quarter, which followed a 1.6% contraction in the first quarter. The second straight quarterly decline in GDP meets the standard definition of a recession, though the White House and some economists, including Fed Chair Jerome Powell (see *News page 4*), don't believe the economy is currently in recession given continued strength in the labor market.

U.S. inflation continues to rise

The U.S. personal consumption expenditures (PCE) index rose 6.8% annually in June — the highest level since January 1982. Core PCE (minus food and energy costs) climbed 4.8%, though that was down from the February peak of 5.3%.

IMF warns of global recession risks

The International Monetary Fund (IMF) alerted: "the world may soon be teetering on the edge of a global recession." It now expects global GDP to grow 3.2% this year before slowing to 2.9% in 2023 — a downgrade of 0.4 and 0.7 percentage points, respectively, from its prior forecasts.

Meanwhile, Beijing now says it will try to achieve the "best possible results" for the economy this year, scrapping its previous expectations to meet its GDP target of around 5.5%.

Maybe a reconciliation deal after all

Some ag/biofuel sector provisions in the social spending and tax bill that still must get through the split Senate:

- A new tax credit of $1.25 per gallon for sustainable aviation fuel (SAF), with a supplemental amount linked to lifecycle greenhouse gas emissions reductions of up to 50 cents per gallon. The new SAF credit would run through 2024.
- $20 billion to support climate-smart ag practices.
- $5 billion in grants to support fire resilient forests, forest conservation and urban tree planting.
- The biodiesel tax credit would be extended through 2024 along with the alternative fuel credit, biodiesel mixture credit and payments for alternative fuels. Credits for second generation biofuels would be extended through 2025.

Consultant cuts corn, soybean yields

Extreme heat in some areas further stressed crops during corn pollination and soybean blooming and pod setting. Additionally, high nighttime temperatures continue to be a concern especially in the western and southwestern areas. As a result, Crop Consultant Dr. Michael Cordonnier cut his corn yield estimate by 2 bu. to 175 bu. per acre. He lowered his soybean yield by 0.5 bu. to 51 bu. per acre. Cordonnier has a neutral to lower bias toward both the corn and soybean yields with long-range forecasts calling for hotter and drier weather to return after brief relief last week.

Corn, soybean crop ratings decline

As of July 24, USDA rated 61% of the U.S. corn crop as "good" to "excellent," down three percentage points from the previous week. The amount of crop rated "poor" to "very poor" increased three points to 14%.

USDA's soybean crop condition ratings fell two points to 59% "good" to "excellent." The portion of crop rated "poor" to "very poor" increased one point to 11%.

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn crop fell 6.2 points to 357.1, which was 11.6 points below the five-year average. Much of the weekly decline for the corn crop was in Minnesota, Nebraska and Kansas. The soybean crop dropped 2.7 points to 350.7, which was 5.5 points below average for the date.

Spring wheat conditions slip

USDA rated 68% of the U.S. spring wheat crop "good" to "excellent," down three percentage points from the previous week. The portion of crop rated "poor" to "very poor" increased two points to 8%. Even with a modest decline, the North Dakota crop was still rated 78% in the top two categories, with just 2% in the bottom two.

The spring wheat CCI rating fell 4.6 points to 372.5, though that was still 45.1 points above the five-year average.

Cotton crop deterioration continues

USDA's cotton crop condition ratings dropped another four percentage points to 34% "good" to "excellent," while the amount of crop rated "poor" to "very poor" increased three points to 30%. The Texas crop is rated only 17% in the top two categories and 40% in the bottom two.

The cotton CCI rating fell 6.0 points to 319.5, which was the lowest for the third week of July since 2011 and 34.6 points below the five-year average.

Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

Palo Alto Co. (northwest) Iowa:
"Most overheard quote at Iowa elevators: 'better than expected.' Our guys in Emmetsburg are saying it's the best local crop in three years."

Polk Co. (central) Iowa:
"Some fields look good. Some are not too good. Biggest issue is we are about 10 days behind developmentally and we need more consistent rain."

Louisa Co. (southeast) Iowa:
"Our corn is above average. Not many holes. Soybeans are tough looking."

Wapello Co. (southeast) Iowa:
"Never hoped hail or wind would wipe out my crop. I think I'm at that point. Can't believe the potential it had either. Crops actually look decent for next to no rain but are really starting to hurt. South of I-80 and east of I-35 is dry!"

Richland Co. (east-southeast) Illinois:
"We might have another bumper crop if we keep getting rains through August."

Brown Co. (west-central) Illinois:
"Our crops look good, but we have corn from roasting ear to just in pollination and some hasn't tasseled yet. The wet spring really spread out the growing season."

Boone Co. (central) Missouri:
"In my travels across South Dakota and into Nebraska, it's a sad state as far as crops go. Even pastures are in bad shape."

Haskell Co. (southwest) Kansas:
"Rain is needed ASAP. Dryland corn is hanging on but there's not much left with no moisture. Just getting dryland corn to tassel out here is a huge victory. It's ugly and getting worse fast. Irrigated corn is beginning to pollinate."

Ellis Co. (central) Kansas:
"I realize we are 'fringe' acres, but the great tipback of 2022 is well underway. Most of our corn has already aborted two inches of kernels."

Greenwood Co. (southeast) Kansas:
"Drove east of Wichita toward Severy today. Saw a couple fields that were brown with ears down already. Could be some harvest around here the first week or two of August."

Southwest Kansas:
"Early harvest has already started here. Very poor pollination — it was too hot and too dry. More chopping this year than normal."

West Texas:
"Quite a mixed bag for corn around here. Some fields have big, long ears filled to the tip, others pollinated but are starting to abort end kernels and some had severe pollination issues."

San Patricio Co. (southeast) Texas:
"The drought in Texas is real. Yields are running 30 bu. to 90 bu. per acre. Last year yields ranged from 125 bu. to 180 bu. per acre on the same ground."

USDA again hikes food price forecasts

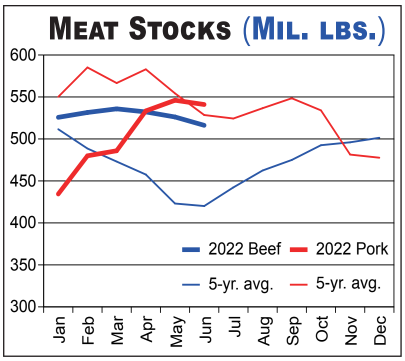
USDA is now calling for food prices to jump 8.5% to 9.5% this year — the highest rate of overall food price inflation since 1979. USDA now sees food at home (grocery) prices rising 10% to 11%, the biggest jump since 1979. Food away from home (restaurant) prices are expected to increase 6.5% to 7.5%, the biggest increase since 1981.

This was the sixth consecutive monthly increases in forecasts for all food and grocery store prices, the first time that has happened based on monthly data from USDA dating back to 2003. USDA's forecasts for restaurant prices have risen every month since January except for April and June.

USDA's first outlook for food price inflation for 2023 calls for a 2.5% to 3.5% increase in all food prices. Food-at-home prices are forecast to rise between 2.0% and 3.0% next year, with food-away-from-home prices predicted to increase between 3.0% and 4.0%. Some industry contacts say USDA's initial forecasts for 2023 appear too low.

Record June beef stocks

USDA's Cold Storage Report showed beef stocks totaled a June record of 516.2 million lbs., down 9.9 million lbs. (1.9%) from May. Over the past five years, beef stocks have declined an average of 3 million lbs. during June. Beef inventories topped year-ago by 114.7 million lbs. (28.6%) and the five-year average by 96.1 million lbs. (22.9%). While that could imply sluggish demand, it may also be related to facilities building inventories due to strong exports. Regardless of the reason for the strong year-over-year inventory buildup, it presents price risk if export or domestic beef demand falters.



Pork stocks totaled 541.0 million lbs., down 5.1 million lbs. (0.9%) from May, though the five-year average has been a 25.8-million-lb. decline during the month. Pork stocks topped year-ago levels by 99.1 million lbs. (22.4%) and the five-year average by 12.5 million lbs. (2.3%).

Poultry stocks increased 5.3% from May and 3.7% versus last year. Chicken breast meat inventories increased 5.3% from May but were 7.3% smaller than June 2021.

USDA begins SMHPP payments

USDA increased funding for the Spot Market Hog Pandemic Program (SMHPP) to approximately $62.8 million in pandemic assistance payments to eligible producers who sold hogs through a spot market sale from April 16, 2020, through Sept. 1, 2020. SMHPP payments began last week.

U.S. cattle herd contracts another 2%

USDA estimated the July 1 U.S. cattle herd at 98.8 million head, down 2 million head (2.0%) from year-ago and the smallest since 2015 (there was no mid-year report in 2016). The beef cow herd dropped 750,000 head (2.4%), while the milk cow inventory fell 50,000 head (0.5%). USDA estimated the 2022 calf crop at 34.6 million head, down 485,000 head (1.4%) from year-ago and the smallest since 2015.

Cattle Inventory	USDA actual	Trade expected
	(percent of year-ago)	
All cattle and calves	98.0	97.9
Calf crop	98.6	98.0
Cows/heifers that have calved		
Total	98.0	97.4
Beef	97.6	97.0
Milk	99.5	98.8
Heifer inventory		
500 lbs. & up	98.1	98.1
Beef replacement	96.5	96.8
Milk replacement	98.7	98.2
Other	98.7	98.8
Steers 500 lbs./up	98.6	98.8
Bulls 500 lbs./up	100.0	97.2
Calves under 500 lbs.	97.5	98.1

The smaller beef cow inventory and a 150,000-head (3.5%) decline in the number of heifers held back for breeding signals the contraction phase will continue. In previous cattle liquidation phases where we've seen the July herd drop 2.0 million head or more, the January population declined about another 1.5 million. That suggests a January 2023 population would total around 90.4 million head, which would be down another 1.6% from this year.

USDA revised its estimates of July 2021 other heifers (up 100,000 head), steers (up 100,000 head) and calves (up 300,000 head), which suggests the feeder cattle supply isn't as tight as some believe.

Placements fall less than expected

USDA estimated there were 11.3 million head of cattle in large feedlots (1,000-plus head) as of July 1, up 45,000 head (0.4%) from year-ago. June placements declined 2.4% versus year-ago, though that was 2.6 percentage points higher than anticipated. Marketings rose 2.0% versus June 2021.

Cattle on Feed Report	USDA actual	Average estimate
	(% of year-ago)	
On Feed July 1	100.4	100.1
Placed in June	97.6	95.0
Mkted in June	102.0	101.9

Feedlots increased placements of lightweight (under 600 lbs.) and 6-weights by 4.3% and 3.8%, respectively. But placements of all other weight categories declined versus year-ago, with 7-weights down 1.3%, 8-weights down 8.7%, 9-weights down 10.3% and heavyweights down 5.6%. Kansas (down 50,000 head) and Nebraska (down 10,000 head) reduced placements, while Colorado and Texas each placed 10,000 head more cattle into feedlots last month. Placements in "other states" were unchanged from year-ago levels.

Compared to last year, the number of steers in feedlots declined 80,000 head (1.1%). Heifer inventories in feedlots increased 125,000 head (2.9%), confirming the active herd contraction, driven in part by drought.

Fed raises rates, but also raises questions

By Editor Brian Grete and Washington Policy Analyst Jim Wiesemeyer

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The Federal Reserve raised its benchmark interest rate by 75 basis points for a second straight month — the fourth hike since the monetary tightening phase began in March. The Fed funds rate now stands at 2.25% to 2.50%, up 225 basis points since March.

Fed focus intently on inflation

"Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures," the post-meeting Federal Open Market Committee (FOMC) meeting statement said. The Fed will remain "highly attentive" to inflation risks, but noted that while the jobs market remains strong, "recent indicators of spending and production have softened," signaling the aggressive rate hikes since March are beginning to impact the economy. Still, the policy rate is now at a level most Fed officials feel has a neutral economic impact, though the *Wall Street Journal* questions whether a Fed fund rate of 2.5% is really "neutral" with inflation around 9%.

What's ahead?... Data-dependent decisions

There was sparse explicit guidance about steps the Fed may take next. But Fed Chair Jerome Powell said during his press conference another "unusually large" increase in interest rates may be appropriate at the September monetary policy meeting — if economic data warrants such a move. Additional rate increases will be determined by whether the Fed sees firm evidence inflation is beginning to abate.

Powell said the Fed would like to get monetary policy to a "moderately restrictive level by the end of this year – somewhere between 3.0% to 3.5%." He noted the committee currently sees "further rate increases" next year.

Powell: 'We're not trying to have a recession'

Some economists fear the aggressive monetary tightening could drive the U.S. economy into a recession — if it hasn't already, but Powell says he doesn't think that has happened yet. However, he acknowledged the path to a soft landing has "clearly narrowed" and may narrow further. While the Fed's goal isn't to start a recession, Powell said policymakers believe the economy needs a period of below-potential growth to create sufficient slack to lower inflation.

Translation: The Fed is hopeful the slowing economy will do the work of tempering inflation rather than several more interest rate hikes.

Impact of higher rates on farmland, cash rents

Former *LandOwner* Editor Mike Walsten says: "I do not see a 1980's-style land depression because both farmers and lenders remembered what happened. Don't make land purchases on high leverage. Low leverage instead, which means they can handle a 20% correction and break-even returns on production without defaulting. We saw that ability to survive in the recent correction following the 2013 highs."

Walsten provides some farmland buying math

"You can get farm loans for 4.5% to 6%, depending on your history with your lender and how much equity you are putting into the purchase. With inflation at 9%, your 'real' interest rate is low, not high. If you can cash flow a 2% to 3% annual return and inflation remains at 3% or higher, you're ahead to buy farmland. Also, if you can get a non-recourse loan… probably dreaming… go for it."

Tug-of-war on cash rents could be strong

On rents, landowners will push to keep them high as they want to keep their return high enough to cover both a return on equity (cap rate) and the appreciation in values, Walsten details. "Renters will push for lower rates as their borrowing costs and input costs rise. Result: Usual tug-of-war between landowners wanting as much as possible and tenants as little as possible. Strong personal relationships between tenant and landlord can help ease the negotiation process and tip the scales in the tenant's favor."

Land values will rise, but longer-term buying opportunity

Land values will likely continue to rise but at only a moderate rate for the next year or two, Walsten says. As input costs and increased production drives commodity prices down, a correction of 10% to 20% in land values will likely occur that could take three to five years, he adds. "Years three through five would be a good time to increase land purchases. The number of farms coming to market in the year ahead will slip as those who needed to sell land… mainly estate settlement people… rushed their ground to market the last year — fall 2021 through late spring. Thus, supply will tighten again by late 2023, keeping prices firm.

Meanwhile, non-farm investors will be active as they seek hard assets to offset inflation, produce 'real' annual returns and provide a safe haven for capital from the wreckage in financial instruments due to inflation."

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Farm Journal CEO, Andrew Weber

CATTLE - Fundamental Analysis

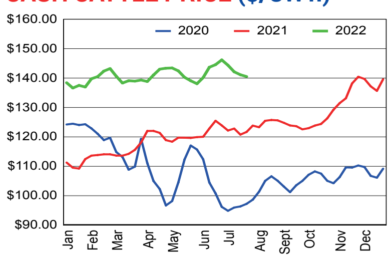
Cash cattle prices slumped for a fourth straight week as packers continued to pull cattle mainly from previously committed supplies. Futures have firmed in the face of the cash slump, as nearby contracts remain at a discount and inventory numbers signal lighter supplies ahead (see *News page 3*). While slaughter weights are rising, that's mostly seasonal, and they remain well below year-ago. Because feedlots are current, they should regain negotiating power once packers have worked through the animals that were sold "with time" when the cash market reached its peak for the year in June.

Position Monitor

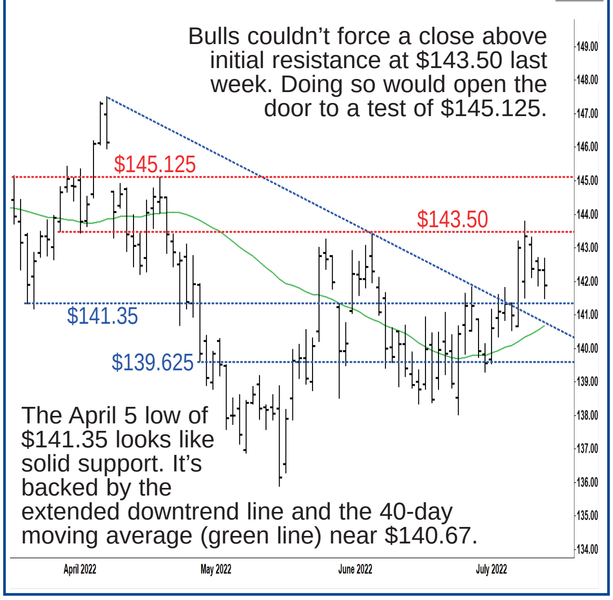
Game Plan: Live cattle futures remain at discounts to the cash market, which makes hedges risky. Be prepared to hedge an extended rally in December futures.

	Feds	Feeders
III'22	0%	0%
IV'22	0%	0%
I'23	0%	0%
II'23	0%	0%

CASH CATTLE PRICE ($/CWT.)



DAILY OCTOBER LIVE CATTLE



HOGS - Fundamental Analysis

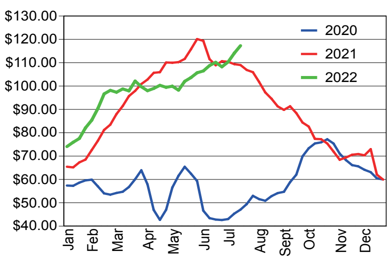
It appears the cash hog market will top year-ago levels — something we originally expected but then questioned when the normal seasonal rally was delayed. While it took the cash hog market longer than normal to start its rally to a midyear high, the seasonal strength is lasting deeper into the year than normal. Packers are actively competing for supplies even as slaughter rates start to build, suggesting market-ready supplies aren't as plentiful as expected. We eventually want to hedge the price rally, but traders have more than a normal seasonal cash decline built into fall- and winter-month futures.

Position Monitor

Game Plan: The extended seasonal rally is being fueled by a strengthening cash market. Be prepared to add late-year hedges when upward momentum stalls.

	Lean Hogs
III'22	0%
IV'22	0%
I'23	0%
II'23	0%

CASH HOG PRICE ($/CWT.)



DAILY OCTOBER LEAN HOGS

FEED

Feed Monitor

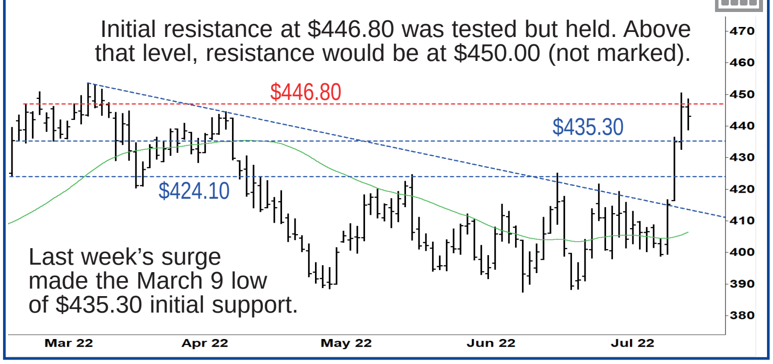
Corn	
III'22	0%
IV'22	0%
I'23	0%
II'23	0%

Meal	
III'22	0%
IV'22	0%
I'23	0%
II'23	0%

Corn Game Plan: You are hand-to-mouth on corn-for-feed needs. Current price levels are attractive for extending coverage but barring an August weather rally, the upside is likely limited.

Meal Game Plan: You are hand-to-mouth on soymeal needs. There's no reason to extend coverage given the recent price rally. Be prepared to add coverage on a pullback.

DAILY SEPTEMBER SOYBEAN MEAL

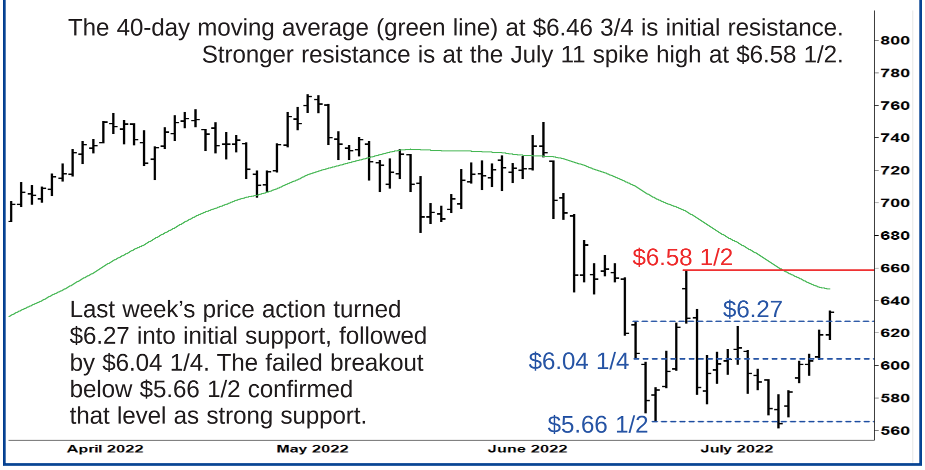


Position Monitor

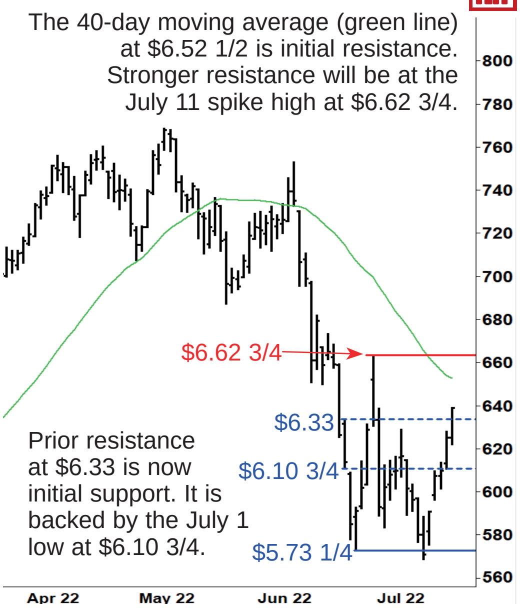
	'21 crop	'22 crop
Cash-only:	90%	50%
Hedgers (cash sales):	90%	50%
Futures/Options	0%	0%

Game Plan: On July 29, we advised hedgers to claim profits on the 10% hedges in December futures. Our exit was $6.28 for a 64¢ profit. Given the hot and dry forecast for the first week of August, we'll wait on additional new-crop cash sales. With that said, price rallies should be viewed as selling opportunities. Old-crop sales will be finished if the forecast turns more favorable and the price recovery stalls.

DAILY DECEMBER CORN



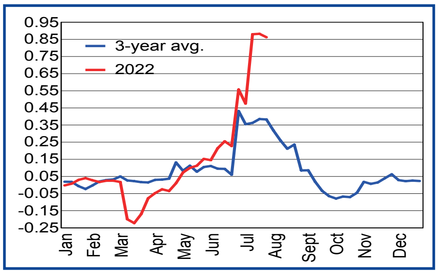
DAILY MARCH CORN



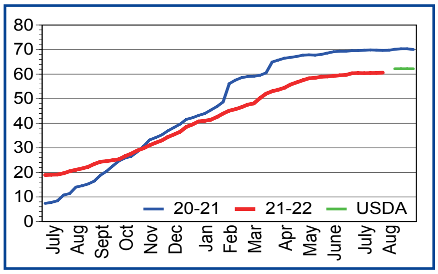
CORN - Fundamental Analysis

December futures rebounded sharply from the previous week's failed downside breakout on weather concerns and surging soybeans. Potential yield-crimping effects of an expected early-August heat wave are likely factored into current price levels. Corn likely would require additional support to push above the month-long consolidation range. That potential certainly exists, especially if Midwest heat persists past mid-August and continues to fuel strong soybean gains. If forecasts moderate after this week, traders may be inclined to hold prices in the recent range as they wait for USDA's first crop estimate in the Aug. 12 Crop Production Report.

AVERAGE CORN BASIS (SEPTEMBER)



CORN EXPORT BOOKINGS (MMT)

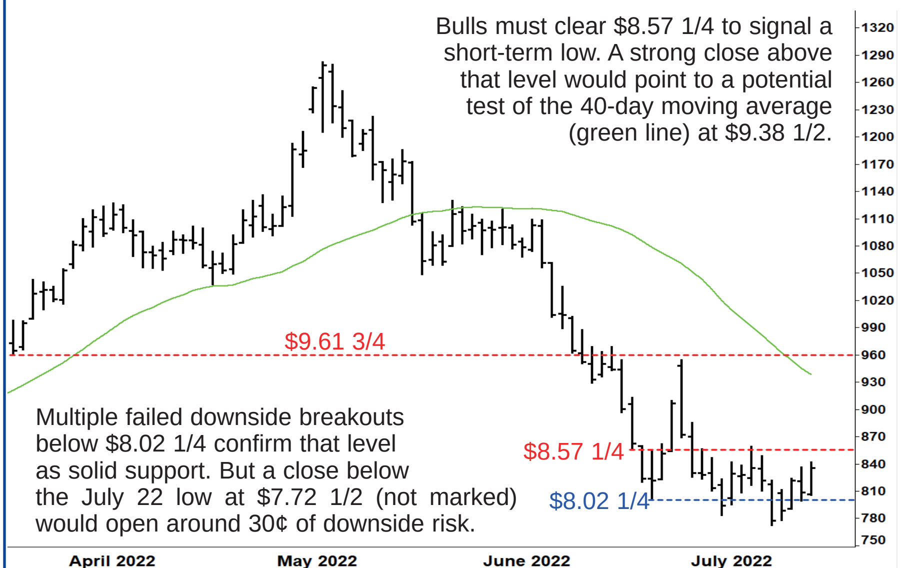


Position Monitor

	'22 crop	'23 crop
Cash-only:	85%	30%
Hedgers (cash sales):	85%	30%
Futures/Options	15%	0%

Game Plan: On July 22, we advised hedging 15% 2022-crop hedges in December SRW futures. Our entry was $7.83. Get current with advised hedges. Additional 2023-crop sales will wait for an extended price recovery.

DAILY DECEMBER SRW WHEAT



WHEAT - Fundamental Analysis

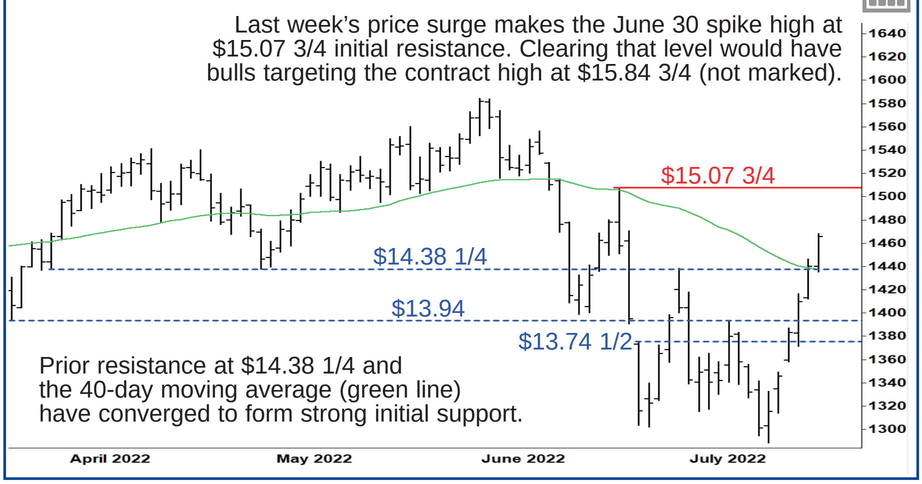
SRW — Winter wheat largely followed corn and soybeans higher last week and could continue to do so near-term. But price upside will be limited by soft exports. The wildcard for the wheat market is the Ukraine grain export situation, which is likely to remain highly uncertain.

Position Monitor

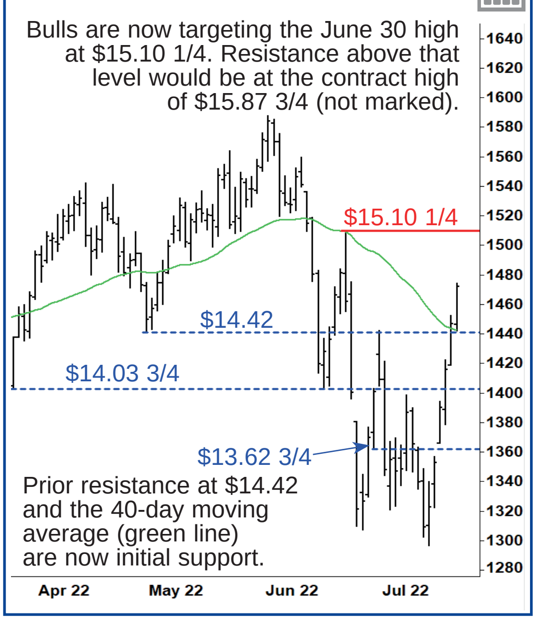
	'21 crop	'22 crop
Cash-only:	90%	60%
Hedgers (cash sales):	95%	60%
Futures/Options	0%	10%

Game Plan: On July 29, we advised hedgers and cash-only marketers to sell another 10% of expected 2022-crop production for harvest delivery to take advantage of the sharp price surge. Hedgers should maintain the hedges in November soybean futures as downside protection in case the forecast turns favorable. Be prepared to move remaining old-crop stocks when the rally shows signs of stalling.

DAILY NOVEMBER SOYBEANS



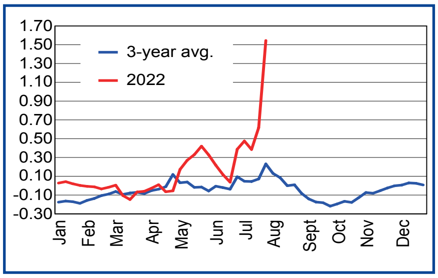
DAILY JANUARY SOYBEANS



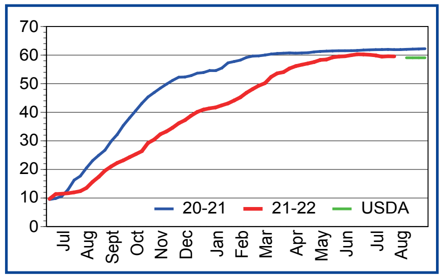
SOYBEANS - Fundamental Analysis

Soybeans surged as forecasts call for heat and dryness over much of the central U.S. for at least the first 10 days of August. Traders are well versed in the importance of August weather on soybean yield potential. The weather outlook for the second half of August will remain the key price influencer as traders await USDA's Aug. 12 Crop Production Report. There's also potential for more price upside if new-crop exports remain strong and the soymeal and soyoil markets extend recent rallies. Outside markets seem to reflect easing recession fears, which may re-fuel a "risk-on" mind set that compels funds to expand their long exposure in commodities.

AVERAGE SOYBEAN BASIS (NOVEMBER)



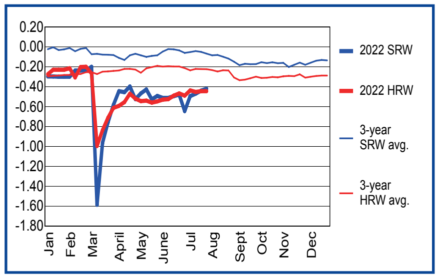
SOYBEAN EXPORT BOOKINGS (MMT)



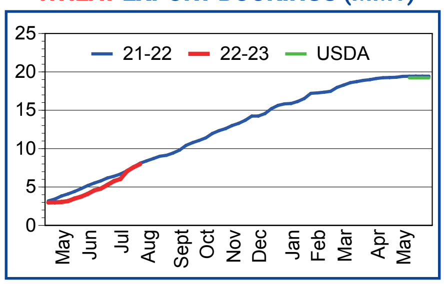
DAILY DECEMBER HRW WHEAT

DAILY SEPTEMBER HRS WHEAT

AVERAGE WHEAT BASIS (SEPTEMBER)



WHEAT EXPORT BOOKINGS (MMT)



HRW — Easing harvest pressure combined with the corn and soybean market rally helped HRW futures lead wheat complex gains last week. Longer-term price prospects still lean bearish, as evidenced by December futures' gradually eroding premium over September and the July 2023 contract's widening discount.

HRS — Spring wheat lagged HRW and SRW futures as results from the Wheat Quality Council's crop tour reinforced strong yield prospects in top producing North Dakota. Focus now shifts to USDA's Aug. 12 Crop Production Report and any changes USDA makes to its spring wheat crop estimate, though they should be relatively minor.

Position Monitor

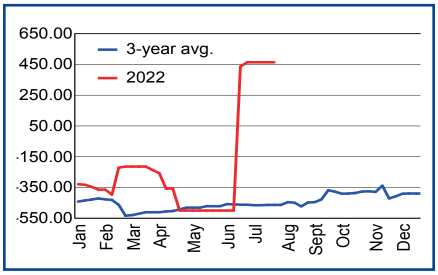
	'21 crop	'22 crop
Cash-only:	100%	60%
Hedgers (cash sales):	100%	60%
Futures/Options	0%	0%

Game Plan: Be prepared to increase sales on a strong corrective bounce. We are targeting a push above 100.00¢ in December futures for more sales.

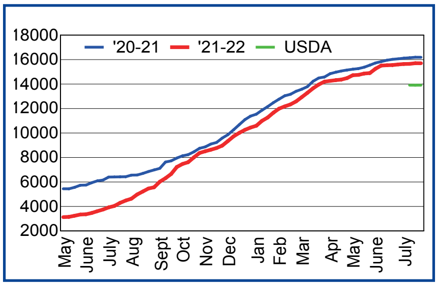
COTTON - Fundamental Analysis

Scorching temps and deteriorating crop conditions in West Texas reinvigorated market bulls, triggering a strong rally off the mid-July lows. But demand concerns tied to recession fears suggest an extended corrective bounce should be used as a selling opportunity.

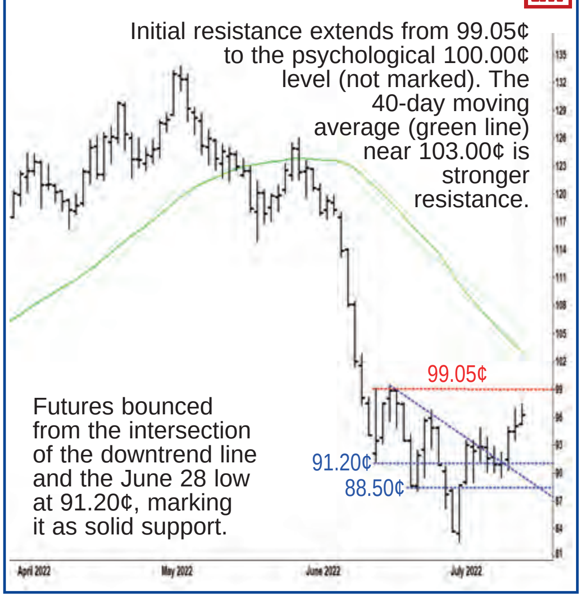
AVERAGE COTTON BASIS (OCTOBER)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY DECEMBER COTTON



GENERAL OUTLOOK

Equities: The S&P 500 index rallied 10% from bear market depths in mid-June, part of that gain following the Fed's 75-basis-point rate hike last week.

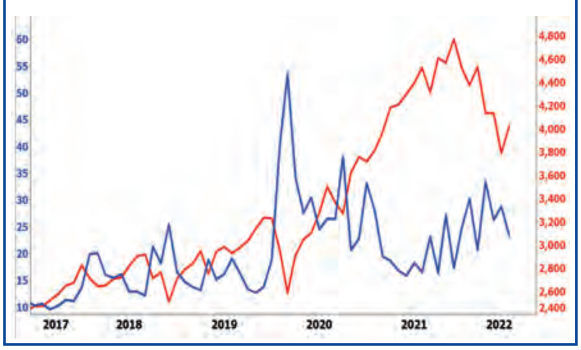
Market volatility, as measured by the VIX, dropped sharply during the same time frame, tumbling from a peak above 34 to a recent low around 23 (see chart).

Combined, these two developments appear to signal increasing confidence the Fed will successfully rein in surging inflation, and that the economy will avoid a deep recession.

A closer look at the VIX tells a somewhat different story, however. The forward curve for the VIX is rising, signaling traders have increased fear or risk built into deferred contracts.

The upward-sloping forward curve indicates professional investors still see potential for a rougher road, and greater volatility, in the months ahead.

MONTHLY S&P 500 INDEX/CBOE VIX



FROM THE BULLPEN By Editor Brian Grete

August is a critical month for the corn and soybean markets. August weather plays a key role in how the corn and soybean crops fill. Plus, USDA issues its first survey-based crop estimates.

While the uncertain nature of weather and USDA's primarily farmer-based crop estimates would suggest there isn't likely to be a decided price pattern, recent history would suggest otherwise. Price action during August over the past 10 years strongly favors bears in both markets.

December corn futures have declined eight times and strengthened only two times during August over the past 10 years. The average decline in the down years has been 4.4%, while the average gain has been 5.0%.

Based on current prices, the average decline would point the contract toward the $5.92 area, while the average gain would support a rally to around $6.50. It would likely take extended hot, dry weather to trigger a price rally.

November soybean futures have declined seven times and firmed three times during August over the past 10 years. The average decline in the down years has been 5.3%, while the average gain has been 8.8%.

Based on current prices, the average decline would point the contract toward $13.64, while the average gain would project it to $15.67. Like with corn, an August weather threat is likely needed to trigger a rally given seasonal tendencies.

WATCH LIST

1	**USDA Grain, Soy Crush Rpts.** Domestic crush data for June.	**MON 8/1** 2:00 p.m. CT
2	**USDA Crop Progress Report** Corn crop conditions in focus.	**MON 8/1** 3:00 p.m. CT
3	**USDA Export Sales Report** *Did China buy the price break?*	**THUR 8/4** 7:30 a.m. CT
4	**USDA Ag Trade Data** Export, import figures for June.	**THUR 8/4** 9:30 a.m. CT
5	**U.S. Employment Report** Headline data likely to be positive.	**FRI 8/5** 7:30 a.m. CT

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