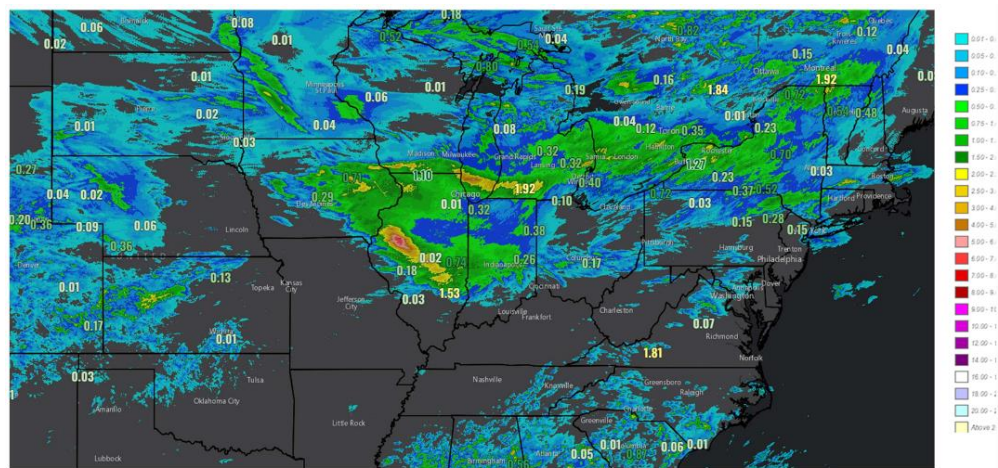


Weather

At the time of writing there were 668 reports of wind damage from thunderstorms in the United States since 7 AM CDT yesterday, with the vast majority of the very strong wind reports (75 mph or higher; 28 such reports) being found in eastern Iowa, far southern Wisconsin, northern Illinois and northwestern Indiana. These would include “official” reports of 95-105 miles per hour in Iowa (Dubuque county) and Illinois (Marshall and Ogle counties). Whether or not this will be officially called a derecho event remains to be seen; I am guessing that it will (a storm is classified as a derecho if a wind damage swath extends more than 240 miles and has wind gusts of at least 58 mph or greater along most of the length of the storm's path). Expect to see plenty of pictures of flattened corn fields being passed around social media today.

Some very heavy rain was also noted with the thunderstorm activity of the past 24 hours in the Corn Belt, with all or parts of more than a dozen counties in west-central Illinois under flash-flood warnings early today. Heaviest “official” rainfall amounts the time of writing near that area would include 3.14” at



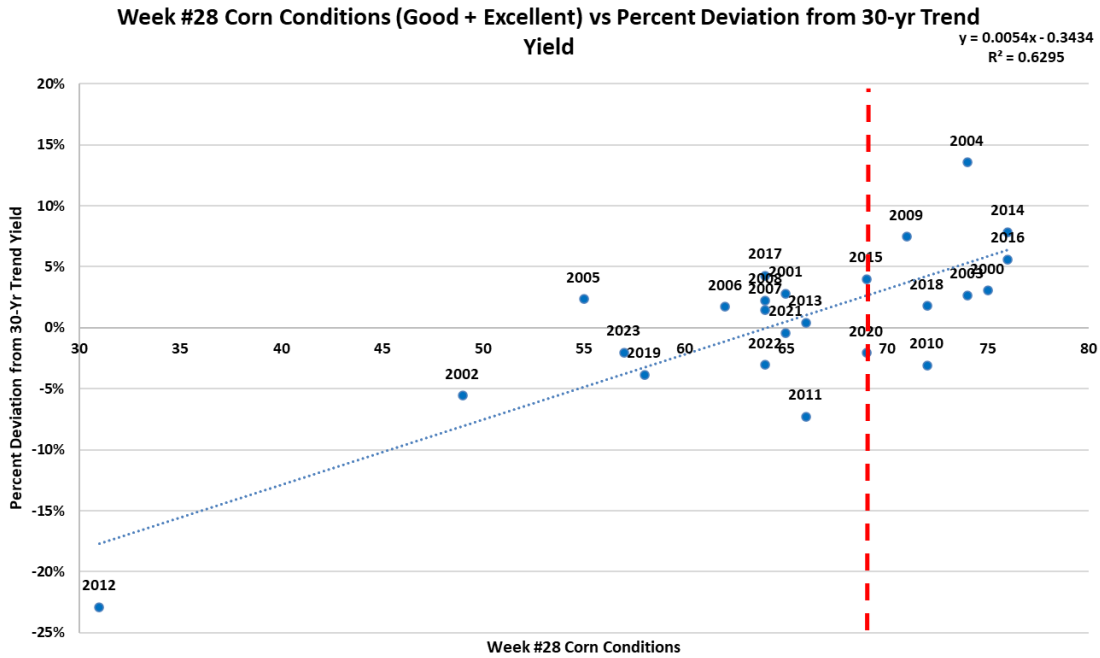
24-hour radar-estimated rainfall/rainfall totals through around 4:30 AM CDT today

Springfield, 3.03” at Decatur, and 3.59” at Macomb. Radar is estimating rainfall amounts in a small area of 5-8”, and there are “unofficial” rainfall reports of near 5” at Mason, IL and 6.64” at Lewistown, IL.

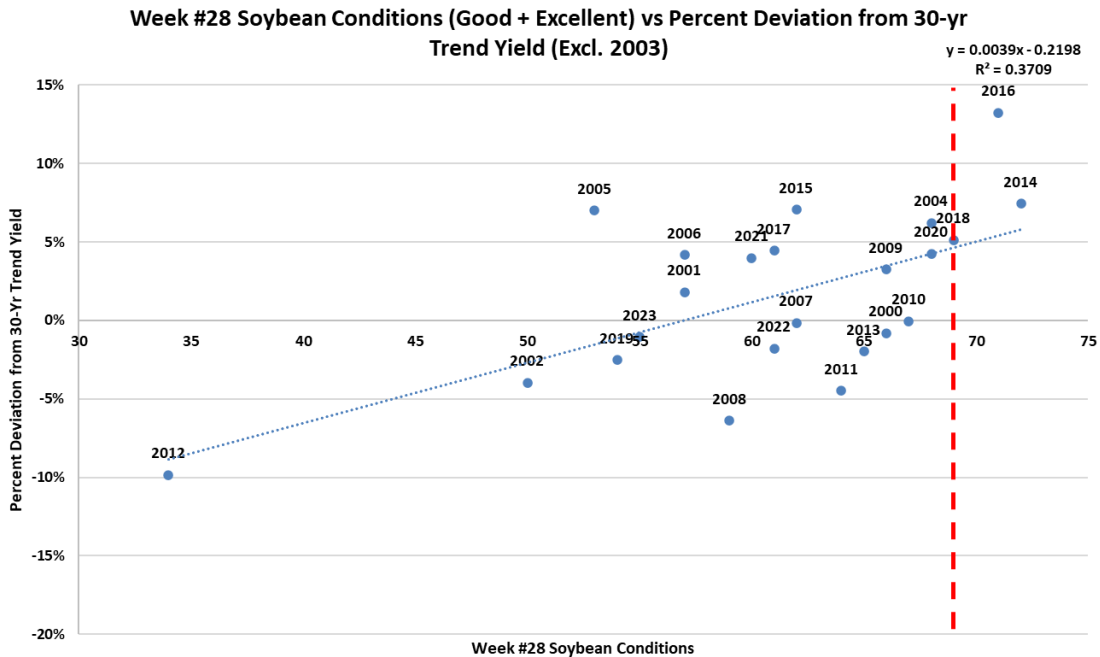
Heat will stay notable today to the south of Interstate 70 in the middle of the country, but by no later than Thursday we will see all of the middle of the country in mild/cool/very cool conditions and that will last through July 22 (though no abnormal heat outside of the northern Plains through July 26). Weather models remain in agreement on the return of above-normal temperatures for most of the Nation for July 27 and beyond; we’ll just have to see if it wants to verify this time around (such heat has failed to verify many times so far this summer for the middle of the country).

Grains

Corn and soybean conditions were both reported unchanged at a 68% good + excellent rating in yesterday’s crop progress report. Through the first two weeks of July, corn and soybeans conditions both improved 1% in the good + excellent category while the average decline dating back to 2000 is ~-2.00% in corn and ~-1.75% for soybeans for the two-week period. The counter seasonal improvement in conditions is a testament to the favorable weather conditions that summer row crops have enjoyed in July. Using week #28 conditions, we can begin to guesstimate yields for both corn and soybeans. The red line in the scatter on the next page are current conditions and the implied yield for corn is ~2.5% above the 30-yr trend or a 185 bu yield if we assume the trendline.



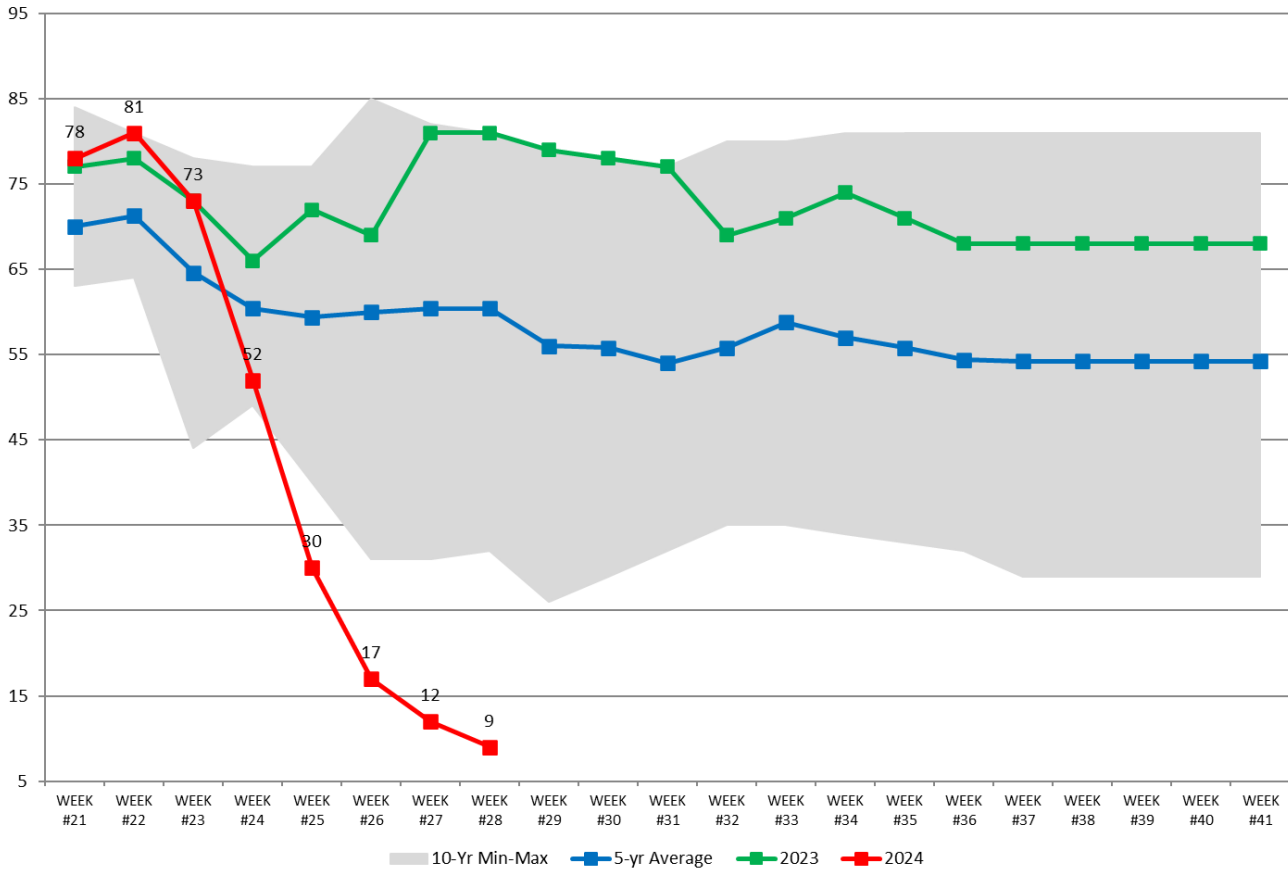
The R² is less significant in week #28 for soybeans as the August weather tends to dictate yields. The below scatter implies that soybean yields should be ~4.5% above trend or a ~54.5 bu yield. It's worth noting that 2003 was excluded from the regression as soybean conditions plummeted due to the aphid insect which cratered conditions and yields into August. National yields were 70% in week #28 and finished at 38% that year.



There is obviously a long way to go in the growing season but the markets are penciling in an above trend yield and the current conditions support that line of thinking.

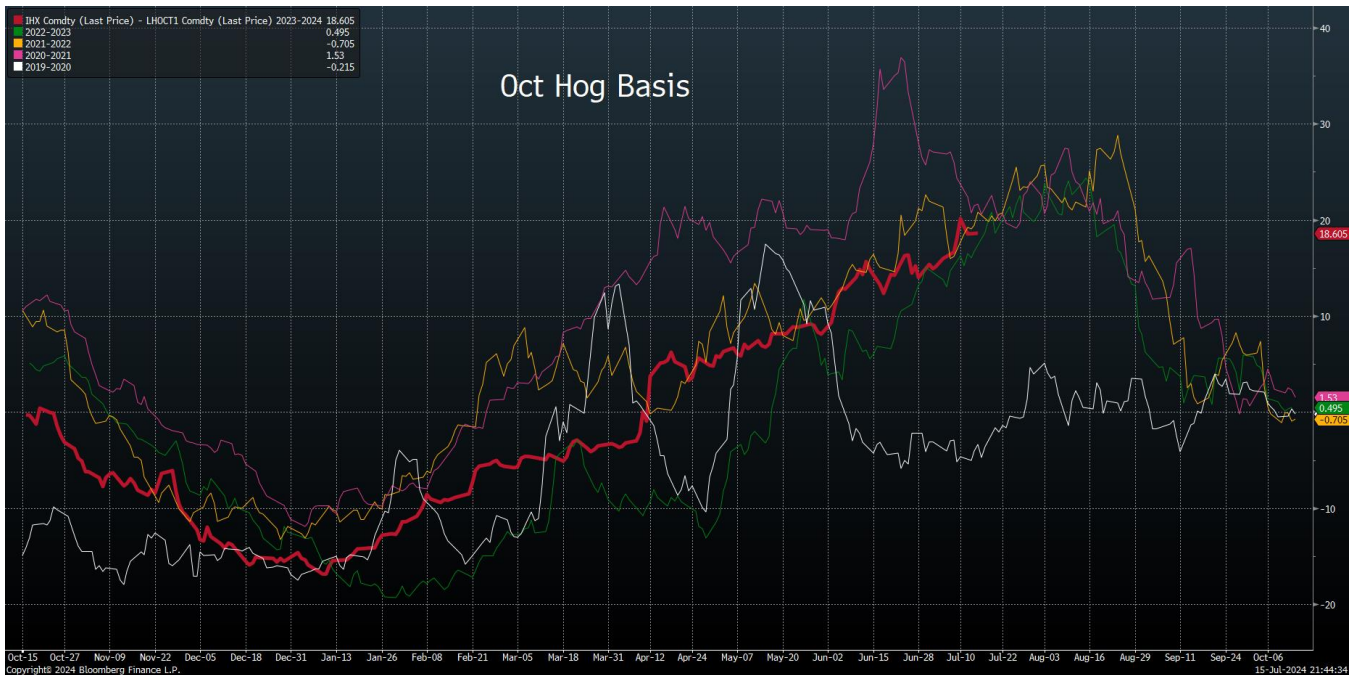
North Carolina is not necessarily a key state in determining national corn yield but the below chart stands out compared to other states. Corn conditions have been in a free fall ever since week #22, declining from 81% good + excellent to 9% in week #28. In case anybody was interested, I confirmed that 9% was not a record low for week #28 in the state of North Carolina. That occurred in 1993 when conditions were at 8%. North Carolina only produces ~1% of the national corn yield so significant reductions in conditions are not necessarily market moving.

North Carolina Corn Condition Good + Excellent



Livestock

Hog futures have trended lower over the past two months as funds eliminated their near record net long position in April and now carry a net short position. Given the large price movements, we are going to review basis levels for hogs. The chart on the next page looks at the active October contract vs the CME lean hog index. Basis levels are relatively strong and with pork looking relatively cheaper to beef, it could suggest that lean hogs have some upside at this time.



Today's Calendar (all times Central)

- Retail Sales – 7:30am
- Business Inventories – 9:00am

Thanks for reading.

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