



August 31, 2012

Dear Subscriber:

With the long three day weekend ahead as well as the end of the month traders squared up their accounts this Friday. Soybeans continue to make all time contract highs on supply side fundamentals and solid short term demand and spreading with corn – buying beans and selling corn futures.

Ruminants of Category I Hurricane Isaac will be moving through the Midwest this weekend with the potential of dumping three to five inches of rain along its primary track. World Weather Incorporated's Drew Lerner tells us that when the storm begins to turn to the east (western Illinois?) there is potential for the storm to slow and heavier localized rain. Once the storm turn Drew expects the storm to fall apart with rain totals of three-quarters to perhaps two inches. Here is his extended outlook:

The remnants of Hurricane Isaac are still expected to bring moderate to heavy rain from Missouri into the eastern Corn Belt Friday through Sunday and will delay harvesting throughout the region. Late maturing soybeans will benefit from the rain while corn and most of the soybean crop have likely advanced too far or have been too badly damaged by drought to benefit from the moisture.

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Some of corn that was severely damaged by drought may be susceptible to ear droppage from heavy rain and gusty winds from thunderstorms, although it is not clear how much of a concern ear droppage will prove to be. Despite the limited benefit to crops, interruptions to harvesting, and potential ear droppage, the rain will be welcome wherever it falls and conditions for winter wheat planting will improve, although no fieldwork is anticipated for a while. A restricted rainfall pattern will follow Isaac next week and continue through at least Sep. 13 at which time harvesting should accelerate.

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I L L I N O I S

Meanwhile, locations from the eastern Dakotas and portions of north-central and interior eastern Nebraska to a large part of Minnesota and parts of Wisconsin are running short on soil moisture and immature crops may see increasing levels of stress until rain returns or until crops mature. Light showers will develop in parts of this region today and Sunday into Monday, but the resulting rain may not be great enough to have much of an impact on crops. Portions of interior eastern and northeastern Nebraska that have missed out on recent rain will likely miss out on significant rain Sunday into Monday as well.

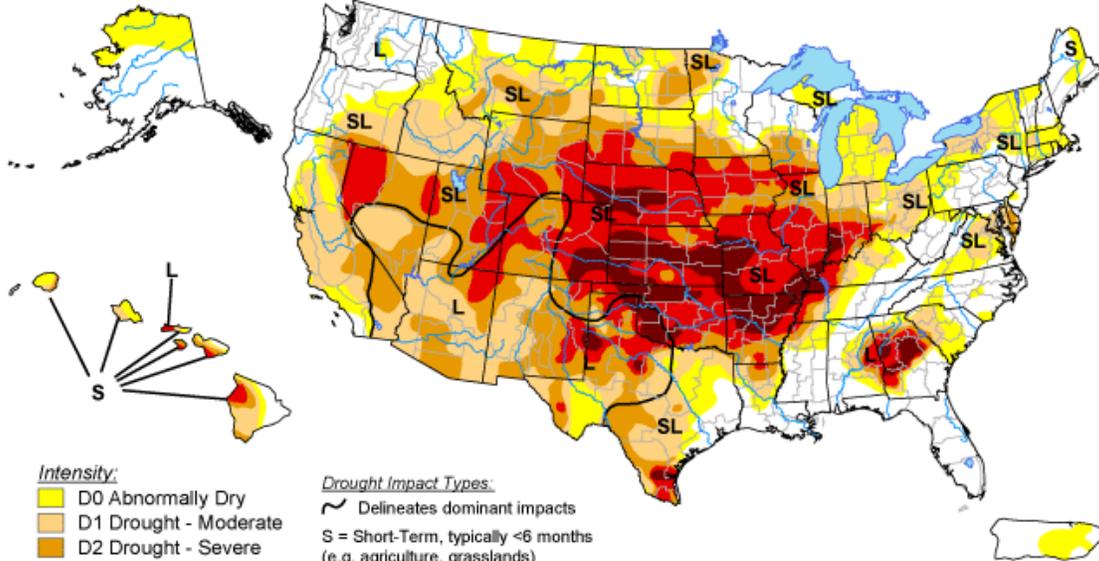
Temperatures will be hot today from southeastern South Dakota to eastern Kansas into Wisconsin and parts of western Illinois. Highs in this region will be mostly in the middle and upper 90s with some lower 90s scattered across the region and some lower 100s from Nebraska into portions of Iowa and surrounding locations. Highs north and east of this region will be in the 80s with some upper 70s in the far northwest.

Highs Friday through Monday will be in the 80s with some lower 90s in the south and some upper 70s in the north and in areas that receive significant rain from the remnants of Isaac. Tuesday will be a little cooler and highs Wednesday and next Thursday in the north will be in the 70s while southern areas see highs in the middle 70s to the middle 80s. Temperatures will be similar through late next week with some warming occurring the following weekend.

Lows Friday through Monday will be in the 60s with some 50s in the north and east and some lower 70s in the south. Some far northwestern locations will see lows in the middle and upper 40s Friday morning. Tuesday's lows will be a little cooler and lows beginning Wednesday will be in the 50s with some upper 40s in the north and some lower 60s in the south.

U.S. Drought Monitor

August 28, 2012
Valid 7 a.m. EDT



Intensity:

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

Drought Impact Types:

- Delineates dominant impacts
- S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically >6 months (e.g. hydrology, ecology)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://droughtmonitor.unl.edu/>



Released Thursday, August 30, 2012

Author: Brian Fuchs, National Drought Mitigation Center

U.S. Drought Monitor

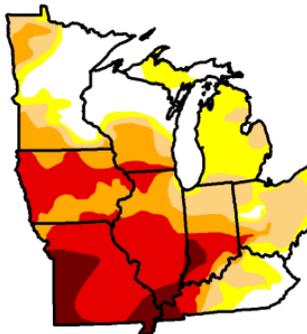
August 28, 2012
Valid 7 a.m. EST

Midwest

	Drought Conditions (Percent Area)					
	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	17.67	82.33	65.38	49.96	33.19	7.09
Last Week (08/21/2012 map)	19.32	80.68	66.32	51.06	35.04	7.17
3 Months Ago (05/29/2012 map)	57.68	42.32	11.34	1.42	0.00	0.00
Start of Calendar Year (12/27/2011 map)	71.84	28.16	13.42	6.80	0.00	0.00
Start of Water Year (09/27/2011 map)	58.85	41.15	14.01	5.03	0.00	0.00
One Year Ago (08/23/2011 map)	56.37	43.63	10.65	0.60	0.00	0.00

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WEEKLY OUTLOOK

Purdue University agricultural economist Chris Hurt says pork producers are bracking for huge losses into the end of the year and the start of 2013. Chris writes:

"A tsunami of red ink is about to wash across the pork industry which is facing losses unseen even in the fall of 1998 when hog prices at times approached zero value. The stressors include: more hogs than expected, rapid sow liquidation now underway, and record feed prices. Losses

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W I L L R A D I O
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in the final quarter of this year could be \$60 per head, exceeding the previous record quarterly losses of \$45 per head in the fall of 1998.

Slaughter numbers in the past two weeks have been up six percent when only about one percent more hogs were expected. This has caused a \$10 per hundredweight drop in live prices since late July, with prices now in the low-\$60s. The source of those extra hogs is probably related to some delayed marketings due to the summer heat, to a desire to sell pigs more quickly before prices really tumble moving into fall, and to high sow slaughter. Projected prices for the final quarter this year are in the mid-\$50s, using current lean hog futures as a base. Tragically, costs of production are expected to be above \$75 per live hundredweight for the remainder of the summer, this fall, and winter.”

To read Chris’s full report go to:

<http://www.farmdoc.illinois.edu/marketing/weekly/html/082712.html>



USDA reports this week’s corn export sales at 5.3 million bushels (-1.3 this year, 6.6 next year). Trade guesses were for 9.8 to 19.7 million bushels. On the year, total commitments for corn are 1562.3 million bushels vs. 1894.0 million bushels a year ago at this time.

Weekly Corn – as of August 23, 2012

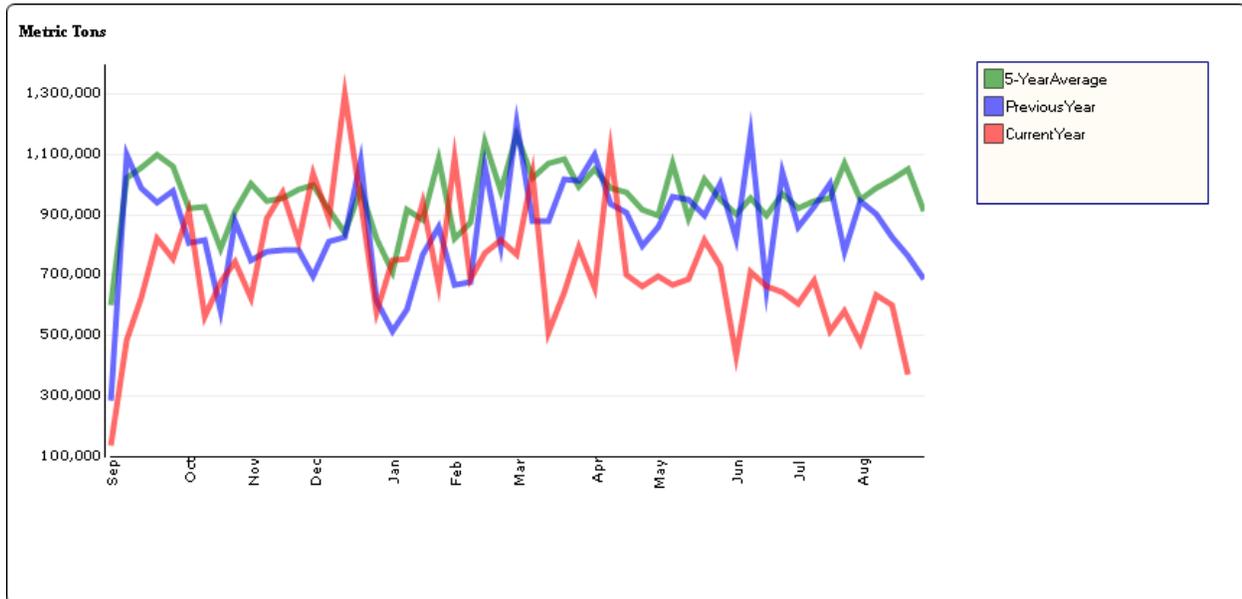


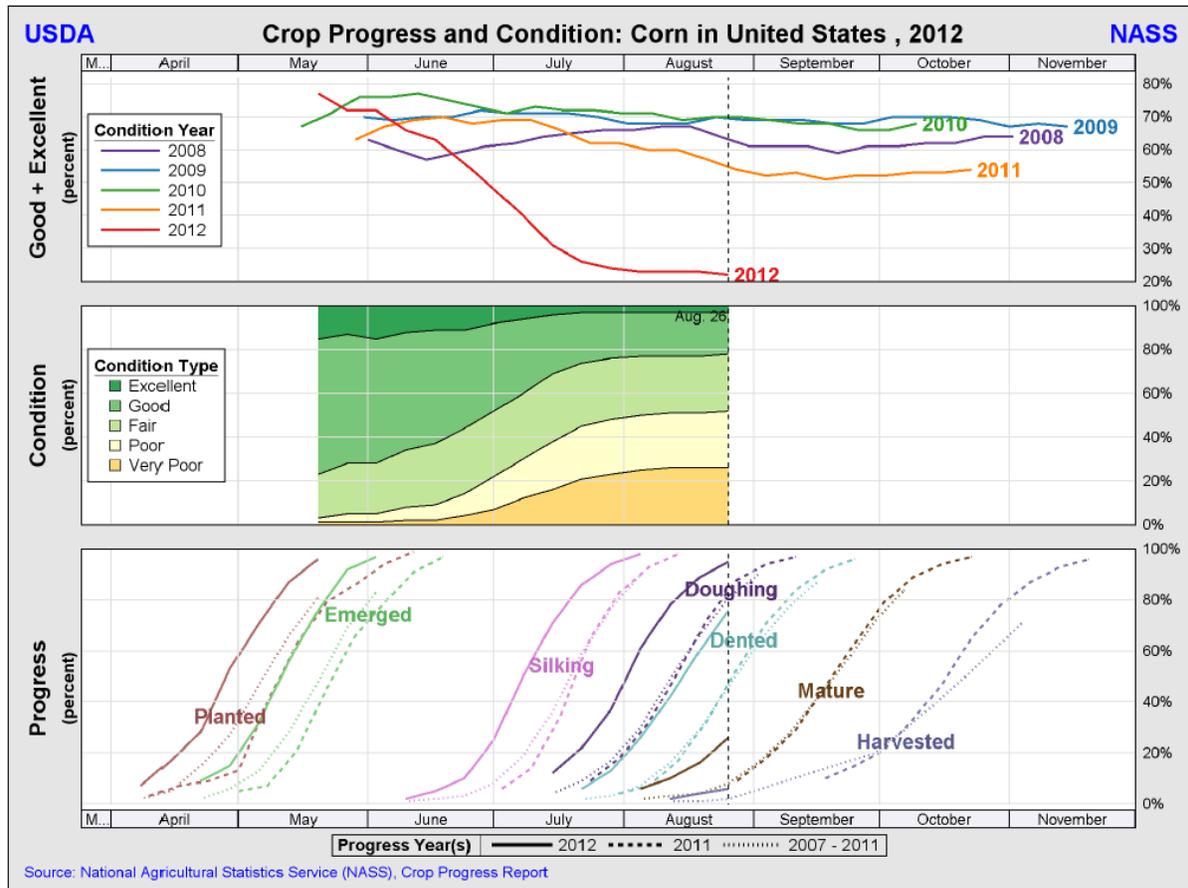
Chart Courtesy of USDA Foreign Ag Service

For information on basis in Illinois this past week go to:

http://www.ams.usda.gov/mnreports/GX_GR113.txt

The Iowa basis report is at:

http://www.ams.usda.gov/mnreports/NW_GR110.txt

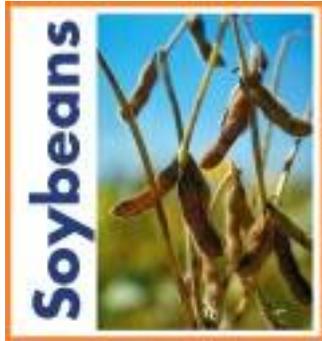


In Friday afternoon's commitments of traders report for the week ending August 28 non-commercials decreased its net long position. Non-commercials were long 424,556 contracts, a decrease of 11,466 contracts, and were short 87,086 contracts, a decrease of 5,274 contracts from the previous reporting period.

Meanwhile in futures and options combined non-commercial traders decreased its net long position for the period ending August 28. Non-commercials were long 412,766 combined future and option contracts, a decrease of 18,591 combined future and option contracts and short 57,950 contracts, an increase of 2,394 combined future and option contracts from the previous reporting period.

The CFTC Supplemental Report for August 28 indicated the following combined future/options positions (INDEX ONLY):

	Long	Short	Long Change from Previous Report	Short Change from Previous Report
Index Traders	422,865	61,934	-8,760	-10,538



USDA reports this week's soybean export sales at 26.5 million bushels (-0.4 this year, 26.9 next year). The trade was anticipating sales of 18.4 to 29.4 million bushels. On the year, total commitments for soybeans are 1426.0 million bushels vs. 1551.7 million bushels a year ago at this time.

Weekly Soybeans – as of August 23, 2012

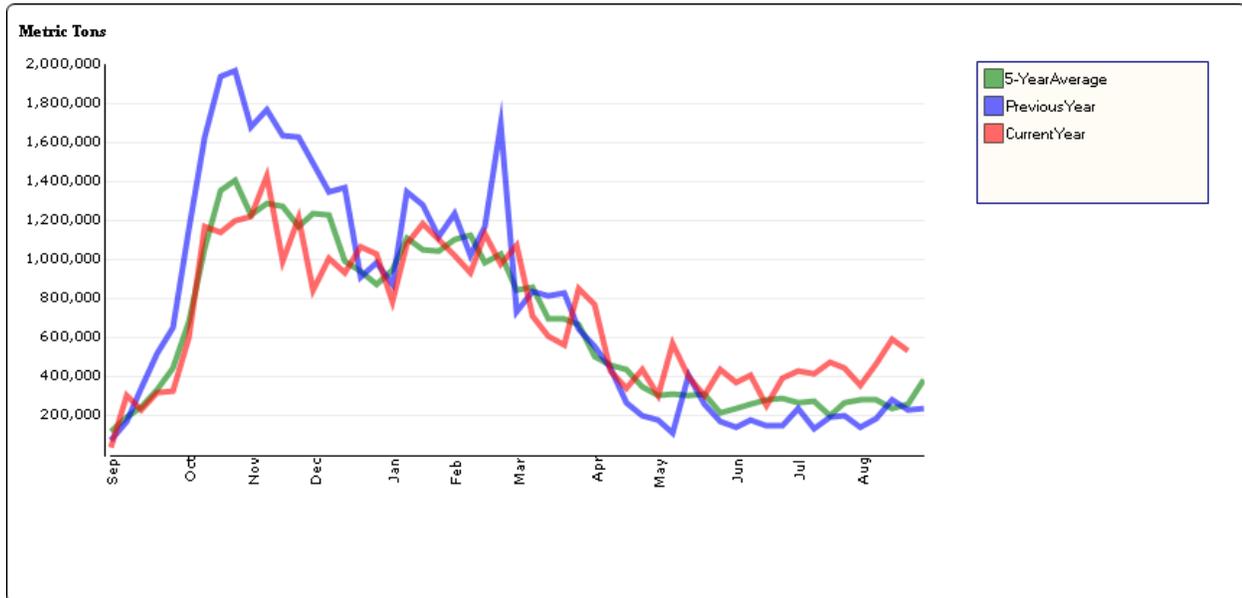
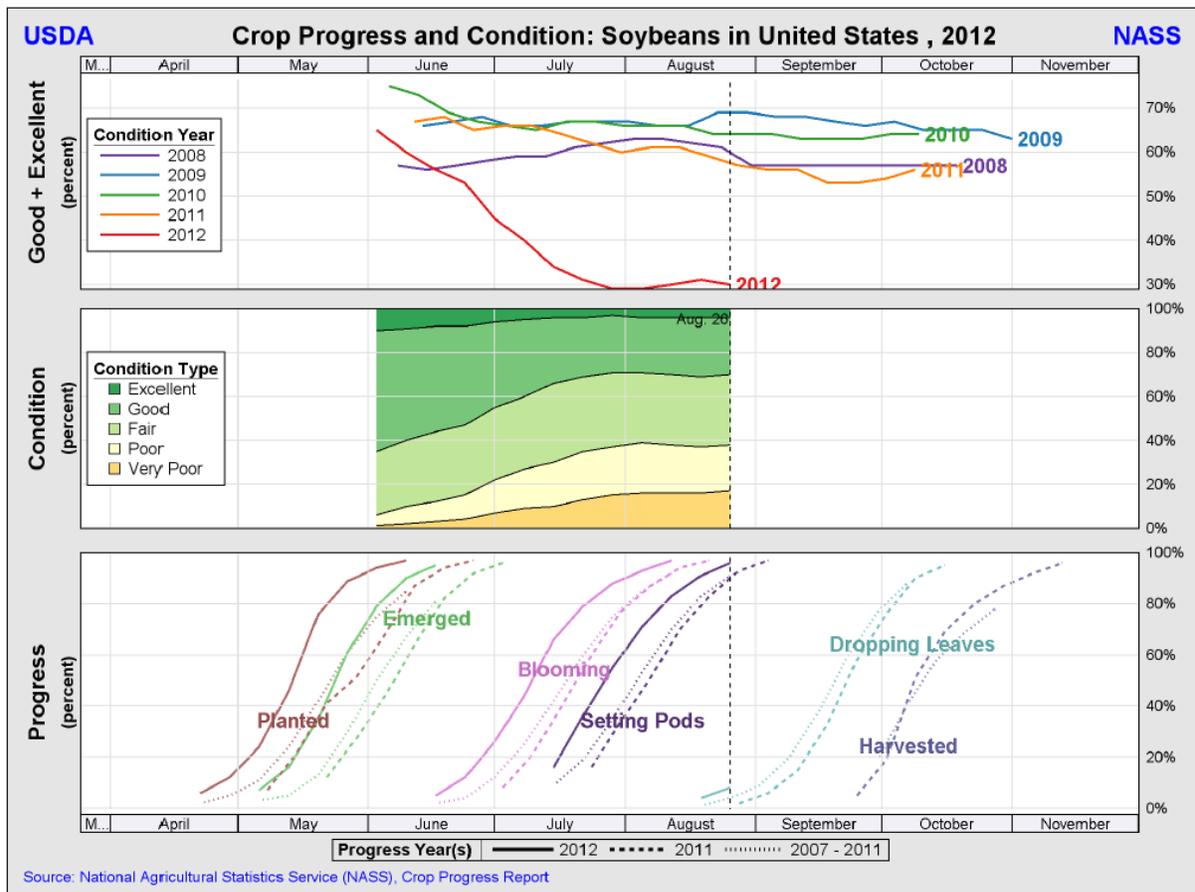


Chart Courtesy of USDA Foreign Ag Service

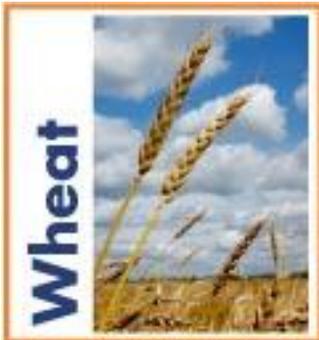


In Friday afternoon's commitments of traders report for the week ending August 28, non-commercials decreased its net long position. Non-commercials were long 294,396 contracts, a decrease of 25,770 contracts and were short 70,016 contracts, a decrease of 1,046 contracts from the previous reporting period.

Meanwhile in futures and options combined non-commercial traders decreased its net long position for the period ending August 28. Non-commercials were long 295,043 combined future and option contracts, a decrease of 12,390 contracts and short 58,299 contracts, an increase of 5,464 combined future and option contracts from the previous reporting period.

The CFTC Supplemental Report for August 28 indicated the following combined future/options positions (INDEX ONLY):

	Long	Short	Long Change from Previous Report	Short Change from Previous Report
Index Traders	198,808	82,500	-2,138	602



USDA reports this week's wheat export sales at 18.7 million bushels (18.7 this year, 0.0 next year). The trade was anticipating wheat sales between 14.7 million bushels and 25.7 million bushels. On the marketing year wheat sales have totaled 401.5 million bushels compared with 448.4 million bushels a year ago at this time.

Weekly Wheat – as of August 23, 2012

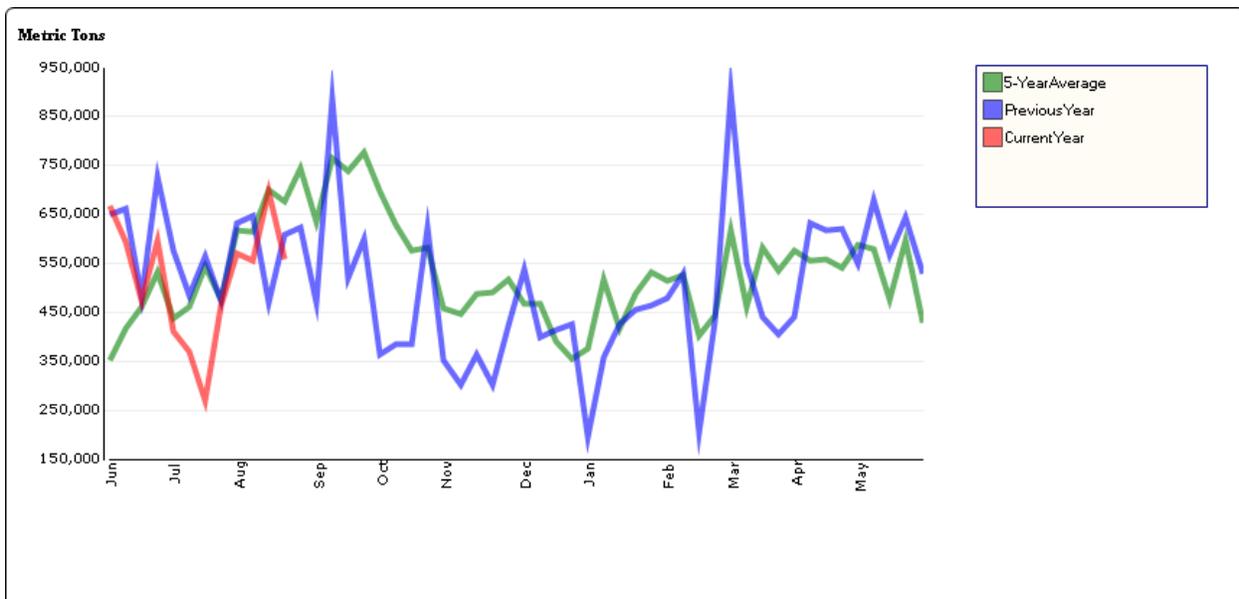
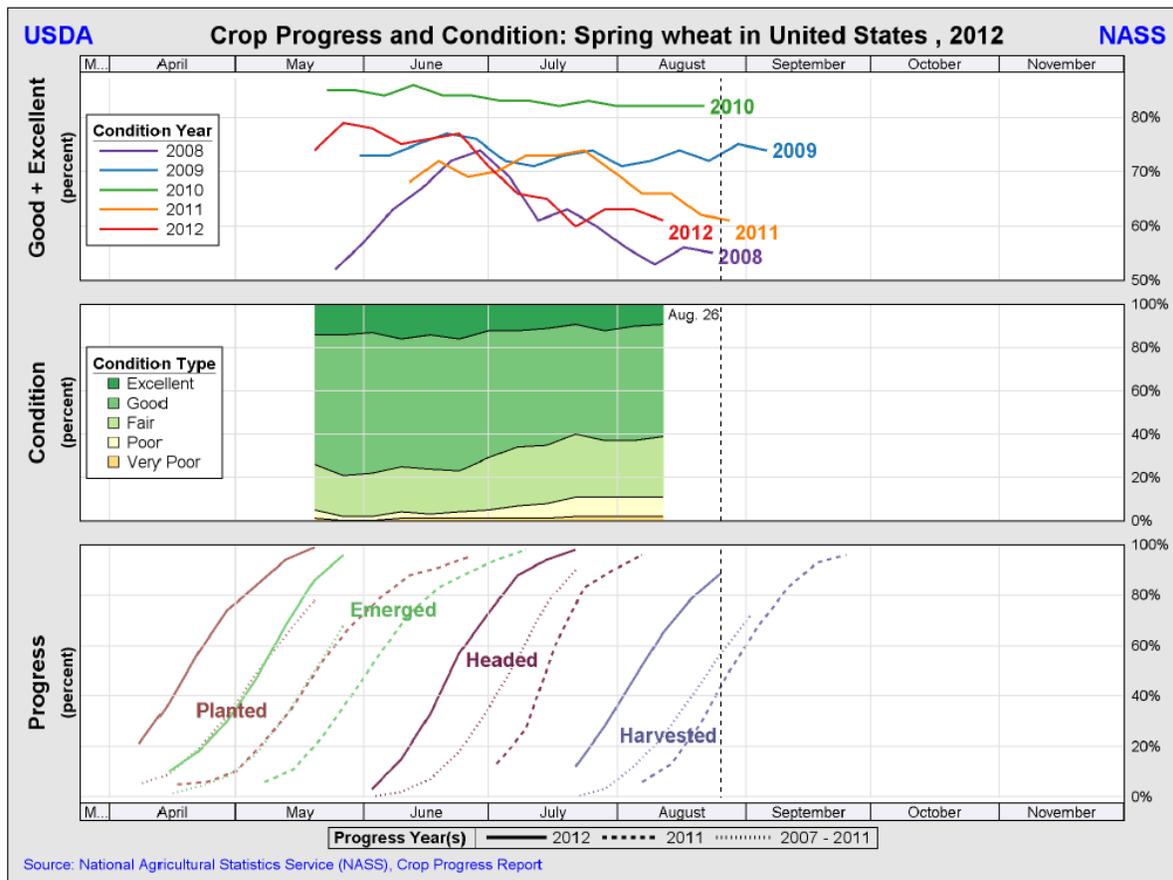


Chart Courtesy of USDA Foreign Ag Service



In Friday afternoon's commitment of traders report for the week ending August 28 non-commercials decreased its net long position. Non-commercials were long 141,108 combined future and option contracts, a decrease of 5,735 combined future and option contracts and short 88,723 contracts, an increase of 2,358 combined future and option contracts from the previous reporting period.

The CFTC Supplemental Report for August 28 indicated the following combined future/options positions (INDEX ONLY):

	Long	Short	Long Change from Previous Report	Short Change from Previous Report
Index Traders	222,626	32,503	-3,207	-7,480

Other fundamentals of note....the huge run up in corn and soybean futures has been supply led to this point....and while further losses are possible on the September Crop Production report (trade estimates begin next week), sustaining these price levels will increasingly depend on demand leading the fundamentals. Our analysts note that there is significant risk in the fourth quarter that Chinese soybean purchases of U-S stocks will wane – in fact Oil World, which has been generally correct of late of predicting soybean demand, suggests that China increasingly will look toward selling state reserves in the September – February time frame – potentially cutting between four and five million metric tons of U-S business. The idea is essentially to fill gap when U-S beans are making new all-time highs on the futures board till the South American crop is made. The fly in the ointment is that if an El Nino is realized South American might have to trim back on what has been huge early estimates for new crop beans – USDA in its August WASDE put the Brazil crop at 81 million metric tons. Our analysts thus suggest there could be a supply side weather play at some point in the upcoming winter months.

Todd Gleason also had a conversation on Friday with University of Illinois ag economist Darrel Good about elasticity's of each demand sector and how those might play out in the market place.

<http://www.will.uiuc.edu/media/Aug31-Darrel-Good.mp3>

Todd and Dave would love to hear from you. We are always looking for ways to improve WILL's agricultural service. If you have an idea, or just want to talk, you can e-mail us at willagstaff@illinois.edu. You can also reach s via snail mail at Campbell Hall for Public Telecommunications, 300 North Goodwin Avenue, Urbana, Illinois 61801, or phone at (217) 333-7300.



Commodity Week

Panelists:

- Matt Bennett, Total Grain Marketing – Windsor, Illinois
- Bill Gentry, Risk Management Commodities – Lafayette, Indiana
- Dale Durchholz, AgriVisor LLC – Bloomington, Illinois

Guest:

- Glen Ring, Glen Ring Enterprises, Cedar Falls, Iowa

You can listen to Commodity Week each Saturday morning at 11:30 a.m. central time on AM-580 or click on the following link RIGHT NOW and catch the show on our website:

Broadband MP3:

<http://www.will.uiuc.edu/media/cw120831.mp3>

Dial Up MP3:

<http://www.will.uiuc.edu/media/cw120831dial.mp3>

August 31, 2012



Weekly Continuation Chart

Commodity	Week High	Week Low	Week Settle	Change from Previous Week
Sept Wheat	896 3/4	851 1/2	870	up 2 1/2
Jul 13 Wheat			857 3/4	up 5 3/4
Sept Corn	819	787 3/4	802 3/4	up 1/2
Dec Corn			799 3/4	down 8 3/4
Sept Soybeans	1780 3/4	1710 3/4	1764 1/2	up 27
Nov Soybeans			1756 1/2	up 25
Aug Live Cattle	12150	11665	11807 1/2	down 180
Oct Lean Hogs	7450	7250	7417 1/2	up 180
Sept Oats			388 1/2	unchanged



AM-580 Daily Agricultural Programming Schedule

<http://www.will.uiuc.edu/am/agriculture/schedule.htm>

Monday – Friday (all times central)

- 8:49 a.m. – \$*Pre-Opening Commodity Market Report
- 9:49 a.m. – \$*Opening Commodity Market Report
- 10:59 a.m. – Commodity Market Price Update
- 11:59 a.m. – Commodity Market Price Update
- 12:55 p.m. – *Midday Market Analysis with Sue Martin
- 1:50 p.m. – CBOT & CME Settlement Prices
- 2:06-2:36 p.m. – \$*Closing Market Report
 - 2:08 – *Futures Analysis
 - 2:20 – *Agricultural News
 - 2:25 – *Cash Grain Analysis or Energy Analysis
 - 2:32 – *Agricultural Weather Analysis

Saturday

- 6:30 a.m. – \$* Commodity Week
- 11:30 a.m. – \$*Commodity Week

*Available on the website for on demand listening! \$Available via podcast.