

July 2nd, 2018

By Jack Scoville

Wheat: Wheat markets were mixed, with Winter Wheat futures a little higher, but Spring Wheat futures lower. The USDA quarterly stocks reports held no real surprises, but the planted area report showed that much more Spring Wheat had been planted when compared to trade expectations. The StatsCan planted area report also showed that more Spring Wheat had been planted when compared to expectations, to new crop Minneapolis futures got a double dose of bad news on Friday. The harvest is very active in most of the Great Plains, and yield reports are highly variable. One report indicated yields anywhere from in the teens to about 50 bushels per acre. There is no real estimate of abandoned acres available. The harvest is expected to move fast due to the generally sharply reduced yield potential due to dry conditions in the western Great Plains. Harvest is also active in the southern Midwest, and good crops are expected in the region. Minneapolis Spring Wheat is weak due to improved conditions in the northern Great Plains and on into Canada that is allowing for good planting progress and initial growth. Parts of Canada have seen rains, although a few areas are still too dry. Conditions in other parts of the world remain important to the trade. The weather focus remains mostly on the Black Sea area, or Ukraine and southern Russia and then into Kazakhstan. These areas are too dry and there is talk of yield loss. Western Spring Wheat areas have been too wet and cold. Australia has been dry. India and Pakistan have been very hot. European Wheat production estimates have been steadily cropping due to adverse weather seen during the growing season.

Weekly Chicago Soft Red Winter Wheat Futures



Weekly Chicago Hard Red Winter Wheat Futures

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Weekly Minneapolis Hard Red Spring Wheat Futures

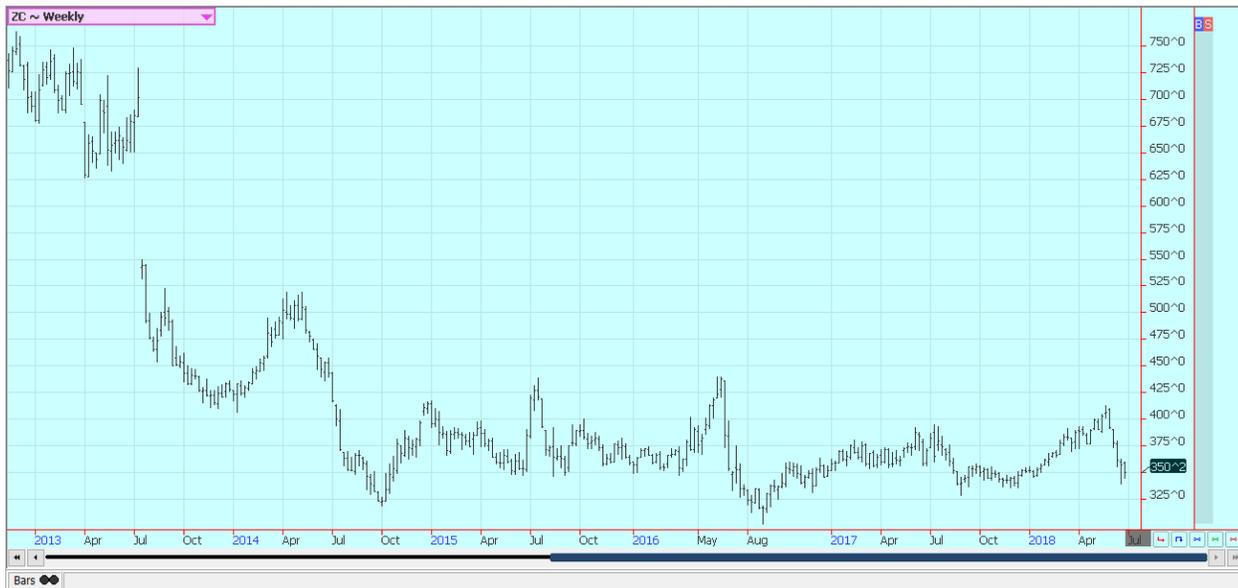


Corn: Corn closed lower for the week again last week on ideas that Corn crops are in good condition in the Midwest and as trade fears created by the US government continue to affect demand ideas. USDA said late on Friday they intend to include revised demand projections in its monthly supply and demand updates if the tariffs are imposed this week. No one knows what is going on in the talks with Mexico or any other tariff target, and the market is waiting for some answers. Mexico is the largest buyer of US Corn and could start to look elsewhere for supplies if the tariffs and counter tariffs are implemented. Ideas that Corn crops are in good condition in the Midwest also keep some

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selling interest alive. USDA condition ratings have been very high and should remain high as the crop has been planted and is mostly emerged and growing well. There has been too much rain in some northern areas, and some southwestern Midwest areas have been too dry. There will be some hot and dry weather in the forecast for the next couple of weeks. Domestic demand remains strong, and demand for ethanol is expected to remain strong. USDA released its quarterly stocks and annual planted acreage reports on Friday. Corn stocks and planted area were higher than the average trade expectation, and Corn planted area was above all trade expectations.

Weekly Corn Futures:



Weekly Oats Futures



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Soybeans and Soybean Meal: Soybeans and products were lower again last week due to ideas of good weather and on continuing fears about new Chinese demand. US futures also reacted to the USDA reports on Friday that showed stocks levels as expected by the trade, but less planted area against trade expectations. But, the main problem for Soybean demand remains the US-China trade war. The Chinese made an offer to resolve the trade dispute with the US, but no response has been seen yet from Washington. The tariffs are scheduled to start on July 6, but everyone hopes for a deal first. The issue of intellectual property rights seems to be a big problem to get resolved, and it might be difficult as the Chinese say they are abiding by all agreements in the area. China said that the offer would be withdrawn and no longer valid if tariffs are instituted in response. The Trump administration previously said it was moving ahead with tariffs even though the negotiations between the two countries were going very well. The US went ahead with tariffs on metals imports from the EU, Canada, and Mexico a couple of weeks ago. There will be retaliation, and it is possible that grains and oilseeds will see new or increased tariffs. USDA said that it will account for the potential changes to export demand starting with the July monthly supply and demand data.

Weekly Chicago Soybeans Futures:



Weekly Chicago Soybean Meal Futures

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Rice: Rice was little changed, except July was higher, in response to the USDA reports. Futures were sharply lower for the week. The USDA reports showed that a very tight supply situation has developed and is developing for old crop Rice. The market overall shows the tight nearby supplies with farmers in the US mostly sold out. The reports showed that much more area had been planted to Rice than expected. The market had expected about 2.73 million acres had been planted, but USDA found about 2.84 million had already been planted. The crop has been running a little late this year and there are ideas that there will not be much new crop Rice available to deliver against the September contract. That means that bull spreads should continue to work for a while longer. Trade tensions remain a focal point as Mexico is the largest buyer of US Rice. Most of the US crop appears in good shape.

Weekly Chicago Rice Futures

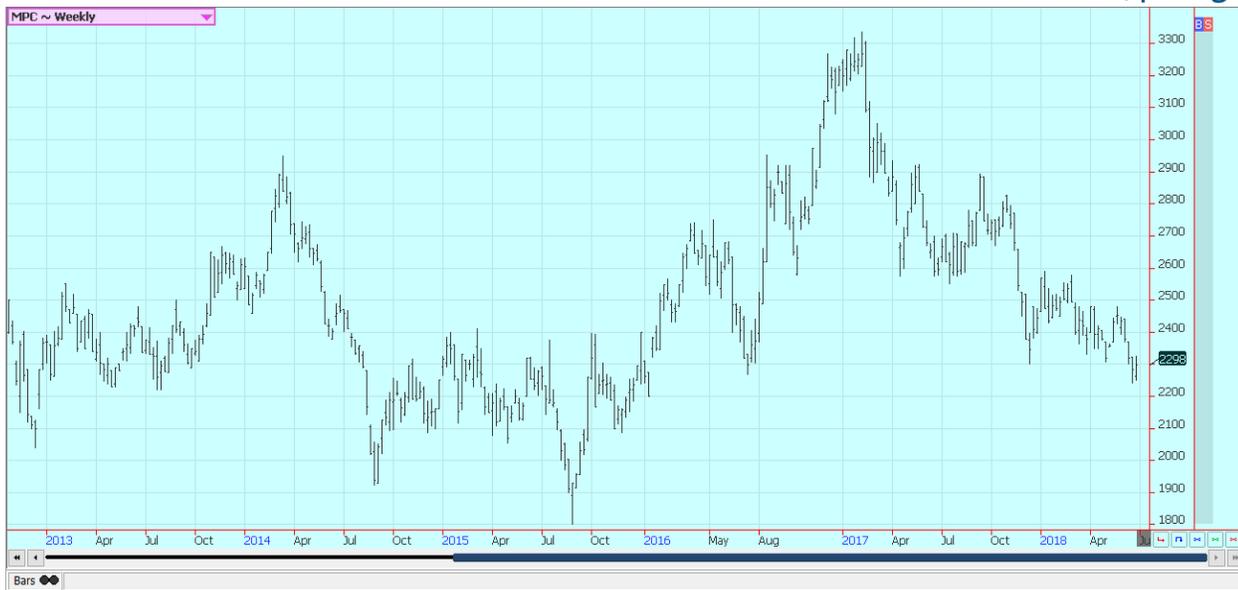
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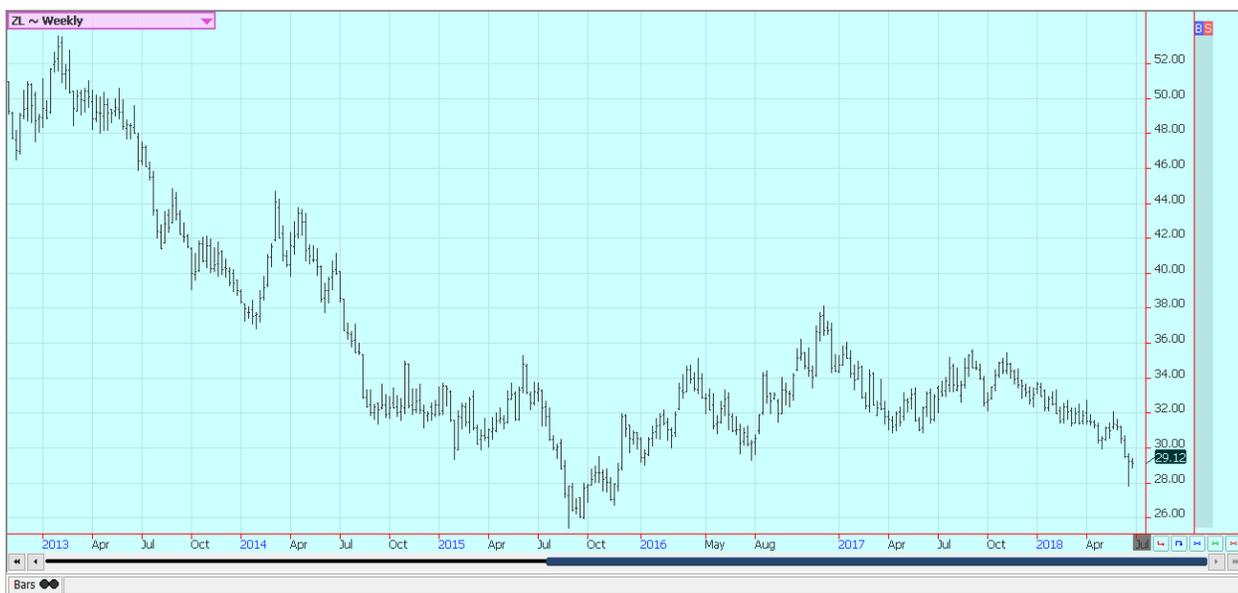
Palm Oil and Vegetable Oils: World vegetable oils prices were stable last week. The markets show the potential to work lower as production ideas remain generally high and as world vegetable oils demand has turned soft. Palm Oil is hearing weaker demand reports from the private sources. The market has held well despite the reduced demand and has held firm overall. The weekly charts show that futures are mostly trending lower. The US-China trade dispute could shift some of the demand to Palm Oil, especially since the Soybeans and Soybean Meal market has been under pressure in China. China has been importing mostly from Indonesia. Soybean Oil was locked in a sideways trend all week and also closed lower. Trends are sideways in the market. Canola found some support from the trade war and the weather, but closed lower as some beneficial rains were reported and planted area ideas are high. Farmers were active planting, although some parts of the Prairies have turned very dry. Some parts of the western Prairies saw some beneficial rains last week, but many areas were missed. Offers from farmers were down last week as they plant and wait for higher prices and as they work at getting the planting done.

Weekly Malaysian Palm Oil Futures:

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Weekly Chicago Soybean Oil Futures



Weekly Canola Futures:

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Cotton: Cotton was sharply lower last week on Chinese trade fears and later on ideas of improving conditions for the crops. The Chinese trade fears are coming true as China is buying Indian Cotton at the expense of the US. Demand from Southeast Asia can improve, but the Chinese demand loss is big. Ideas are that US Cotton especially is in a bad spot due to the extreme weather in western Texas, but a few showers have been reported. The Southeast US began to dry out last week. The weather has improved in India and China. Lost Chinese production could have meant increased sales for the US, especially now since the US will have the quality the Chinese need. Drought conditions are developing in Pakistan, but the monsoon has arrived in southern India and has started to spread through the subcontinent. There are ideas that the US is now running short of high quality Cotton to deliver to the exchange and to overseas buyers.

Weekly US Cotton Futures

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Frozen Concentrated Orange Juice and Citrus: FCOJ was a little lower as Florida weather remains good and demand prospects do not. The hurricane season has started. There are no storms or areas of interest yet in the Atlantic, but something could be forming that might come close to the state this week. Traders are worried about demand and are noting improved production prospects for Florida. The tariff wars between the US and Canada, Mexico, and the EU are hurting export demand ideas. The EU imports a lot of FCOJ and these exports could be hurt by any retaliation made by Europe. The EU has indicated that FCOJ will be on the list of items subject to increased tariffs and that the measures will be enacted next month. The growing conditions in Florida should continue to improve as the rainy season appears to be underway. The market is still dealing with a short crop against weak demand. Demand is bad enough that year on year inventories are increasing even with the very bad production last year. Florida producers are seeing golf ball sized or larger fruit. Conditions are reported as generally good. Brazil could use more rain as Sao Paulo has been hot and dry. Generally good conditions are reported in Europe and northern Africa.

Weekly FCOJ Futures

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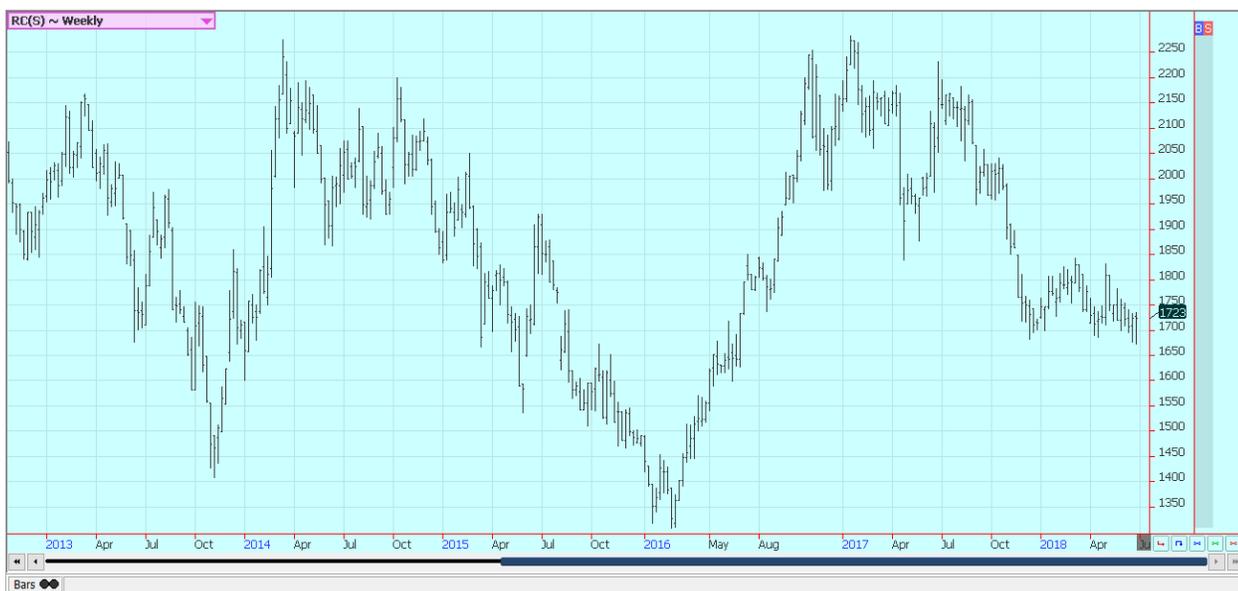
Coffee: Futures in New York and London were lower for the week. New York was the weaker market on Brazilian currency weakness. Brazil remains in focus as the harvest is underway. Brazil announced that it would buy some Robusta in the world market to cover short domestic production. It remains mostly dry in Arabica areas, and there is no rain in the forecast for the next week. The truckers strike has delayed shipments for a significant amount of Coffee just as the harvest is beginning. However, it does not appear that buyers are looking for alternatives right now. Origin is still offering in Central America and is still finding weak differentials. It has been a little dry so far this year in the region. Speculators anticipate big crops from Brazil and from Vietnam this year and have remained short in the market. Robusta remains the stronger market as Vietnamese producers and merchants have not been willing to sell at current prices. Reports indicate that supplies in the country are less on lower than expected production. Vietnamese cash prices are weaker this week with good supplies noted in the domestic market. Current rains in the country are favorable for the crops, and production for the coming year is expected to recover.

Weekly New York Arabica Coffee Futures

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Weekly London Robusta Coffee Futures



Sugar: Futures were a little lower in both markets on ideas of ample world supplies. Both markets have formed bottoms on the daily and weekly charts, but have also failed at resistance areas. New York held support and now looks to set up a trading range. Prices have been supported by the dry weather in Brazil and also the truckers strike there that is now settled. Shipments to mills and ports have started again. It is dry in parts of Brazil, including some Sugarcane production areas, and there is some talk of losses to the crop in the near future unless rains return soon. There are no real rains in the forecast for now. However, the initial harvest has been big and processing has been more active than last year. India is back to export Sugar this year after being a net importer for the last

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couple of years. The government is subsidizing industry and producers to help maintain an active market flow and to prevent the buildup of Sugar in storage. However, the moves announced by the government would not cover much of the problem. Storage would be provided for about a third of the available Sugar and the funds will not be enough to solve the financial problems of many mills. India could raise the internal price or try to stockpile supplies in meetings that are now scheduled for this week. Thailand has produced a record crop and is selling. Middle East and North African buyers are reported to be buying normal or less than normal amounts of Sugar in the world market right now.

Weekly New York World Raw Sugar Futures



Weekly London White Sugar Futures

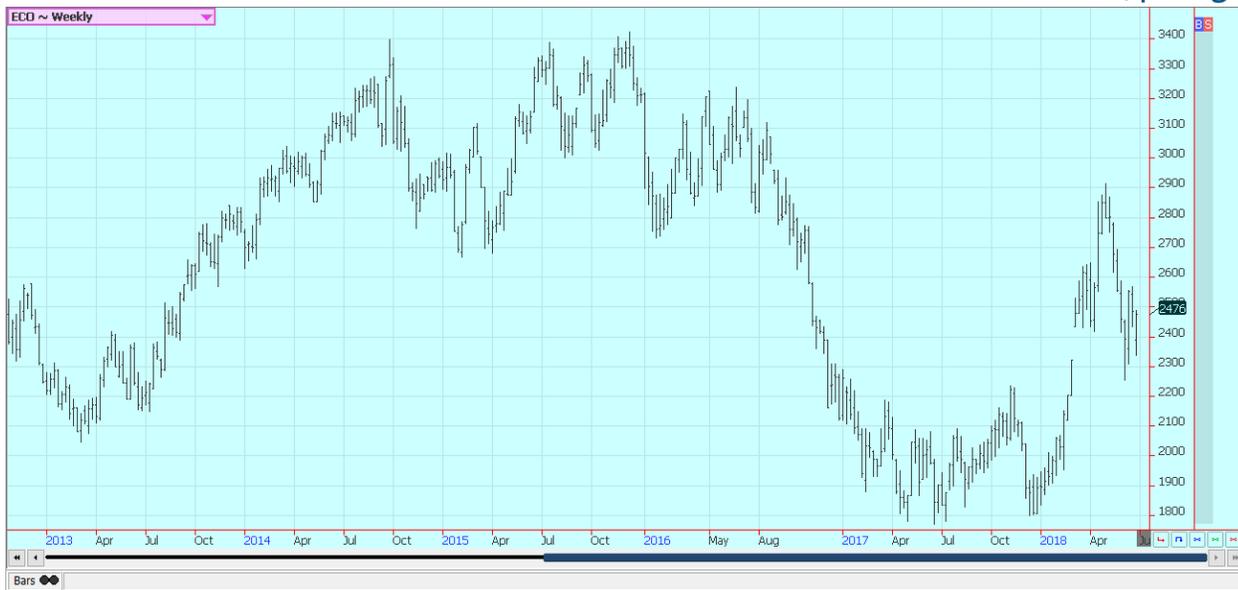
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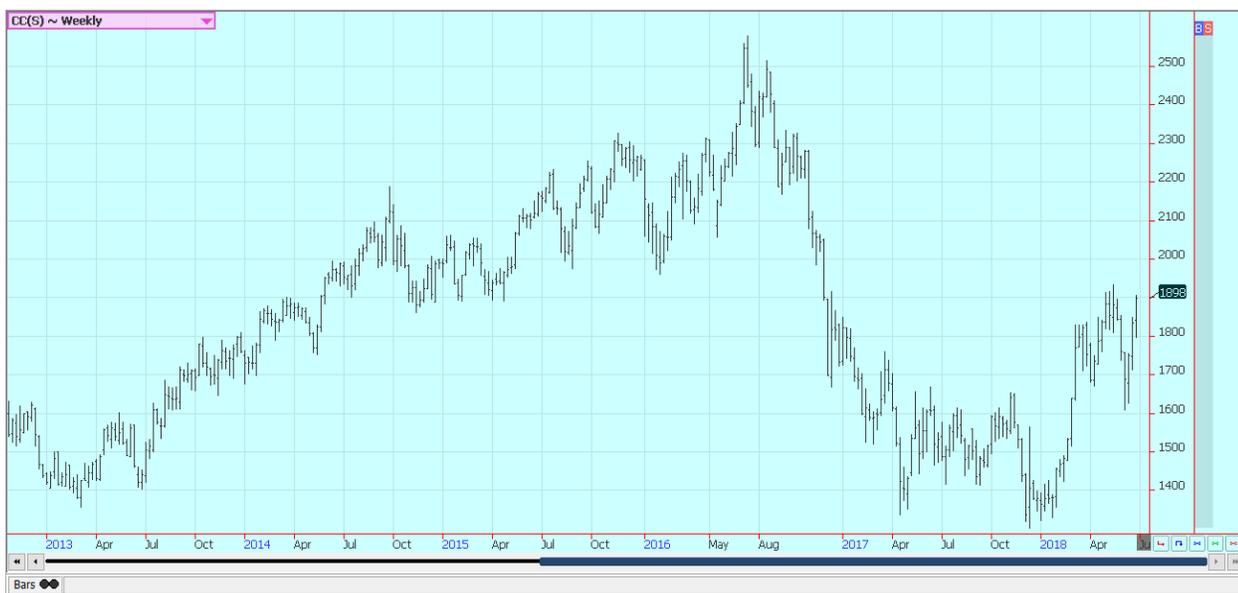
Cocoa: Futures were lower in both markets last week in volatile trading, but closed in the upper third of the weekly trading range. The market has filled a big gap now and closed firm, so higher prices are possible this week. Longer term trends remain down, so up side potential, if any, this week might be limited. It is possible that Cocoa has now made a significant top in both markets. Funds have turned sellers and appear ready to continue to liquidate long positions due in part to the trend change. Fears that developed about the EU economy over the weekend spilled into Cocoa as Europe is the largest per capita consumer of chocolate in the world. Italy is having problems again and there are fears that the problems there could spread to other EU states. Showers and more seasonal temperatures have been seen in the last few weeks to improve overall production conditions in West Africa. Conditions also appear good in East Africa and Asia.

Weekly New York Cocoa Futures

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Weekly London Cocoa Futures



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141 W. Jackson Blvd. | Suite 1340A | Chicago | IL | 60604 | Tel: 312 264 4322 | 800 769 7021 | Fax: 312 264 4399 | www.pricegroup.com