

PROGRESSIVE AG WEEKLY COMMENTS

JULY 30, 2010

WHEAT: FOREIGN WEATHER DRIVES MARKETS

The wheat markets had another strong week gaining 30 to 40 cents as the drought concerns in eastern Europe intensified.

The wheat markets started the week on July 26 by opening with light losses but quickly drifted lower before holding mostly steady losses of 3 to 8 cents for the rest of the day. Outside markets were mixed, while the sharply lower trade in the row crop markets put pressure on the wheat markets. While the drought conditions in eastern Europe continue to be a concern, wheat will not be able to continue to rally if the row crop markets slide lower on ideal weather. Reduced production from the Black Sea region certainly could result in more export business for the U.S., but this week's export inspections showed another disappointing total of 15.4 million bushels of wheat.

Before opening the July 27 day session the wheat markets had strong gains overnight. The market then had choppy trade in the morning before closing with gains of 3 to 6 cents. Outside markets were mostly negative with mixed trade in the stock markets and higher trade in the dollar index, but the wheat markets continue to find support from the drought conditions in eastern Europe. There were rumors today that Russia may ban wheat exports in order to keep domestic food prices under control, but Moscow quickly denied those rumors. While wheat will continue to have support from those foreign issues, the softening corn and soybean markets will put pressure on the wheat markets. Crop condition ratings improved slightly again this week for the spring wheat crop, while winter wheat harvest is slightly behind average pace.

On July 28 the wheat markets had strong gains overnight and extended those gains during the day session before closing with gains of 15 to 20 cents. Outside markets were mixed, while the lower trade in the dollar index helped to reignite the non-commercial buying interest in the wheat markets. The spring wheat tour is taking place this week, and the yield estimate from the first day of the tour was a very strong 43 bushels per acre. This is below last year's record 46 bushel first day yield, but still a

very strong first day estimate.

The wheat markets had strong gains again on July 29 to close with gains of 12 to 15 cents. Outside markets were mostly supportive with losses in the dollar index and gains in the energy markets. Export sales were good this week, with a wide array of buyers for U.S. wheat. The wheat markets continue to find support from the drought conditions in eastern Europe, even though domestic supplies are plentiful. In addition, the spring wheat tour is wrapping up today with participants forecasting a near-record spring wheat yield. The International Grains Council lowered the 2010/11 world wheat production estimate by 13 million tons today to be at 651 million tons, down from 677 million tons last year, but nowhere near anything that could be considered "tight". Pro Ag is expecting a blow-off top in the wheat markets; when the wheat markets make the front page of your local newspaper you will know it is time to sell!

Last week's wheat export sales pace was well above expectations and more than double last week's total at 30.7 MB. Shipments of 15.0 MB were down from last week.

Winter wheat harvest is reported at 79% complete compared to 71% last week and 82% for the five year average. USDA is estimating hard red spring wheat heading at 94% complete compared to 87% last week and 97% for the five year average. As of July 25, USDA is estimating the spring wheat conditions at 83% g/e, 14% fair, and 3% p/vp. The g/e rating is up 1% from last week.

2009 Sales: 100% sold

Cash: 25% sold Sept FF contract at \$7.70 (05/27/09).

Cash: 10% sold Sept FF contract at \$8.00 (06/01/09).

Cash: 25% sold Dec 11 Chi FF contract at \$6.00

Cash: 30% sold July 11 Chi FF contract at \$6.55 (7/21/10).

Cash: 10% sold March 11 Chi FF contract at \$6.70 (7/28/10).

SRW Wheat:

Cash: 35% sold July FF contract at \$6.74 (06/01/09).

Cash: 30% sold July 11 Chi FF contract at \$6.55 (7/21/10).

2010 Sales:

Cash 25% sold Dec 11 Chi contract at \$6.00

Cash 10% sold Dec 11 Chi contract at \$6.75 (07/15/10).

Cash 25% sold Dec 11 Chi contract at \$6.77 (07/30/10).

CORN: WHEAT DRIVES THE CORN MARKET

The corn market ended the week up 19 cents. The wheat market supported the corn market this week, as both commodities are used for feed. The weather and production losses in Europe and the FSU pushed these feed grains higher this week. The non-threatening weather forecast continues to be talked about, as the weather looks good through the pollination period, but has had little effect on the market this week. The next major report from USDA will be the crop production report on August 12th.

To start the week, the corn market opened 4 to 5 cents lower and traded with negative numbers for the session, closing down 7.25 cents and at 3 week lows. The overnight market was lower and that carried over to start the session. There was no fresh news over the weekend and that influenced the overnight session. The market then traded the weather forecast, which is non-threatening through the first week of August. Four weeks ago the market started to work higher with the forecast and now the forecast is driving the market lower. Besides the weather being the news maker for the day, the crop conditions report that came out this afternoon also limited the upside. Most estimates were that the crop would remain the same or possibly improve 1% from last week. The report stated that 72% of the crop is in good to excellent condition, which is the same as last week, but the excellent category went up 2%.

On Tuesday, the corn market opened 4 to 5 cents higher, but quickly fell off of those highs and ended the day down 1.25 cents. The market opened higher with the higher overnight trade, but the lack of any follow through buying caused the market to turn softer. Also, the outside markets were supportive at the open and when they turned south the corn market followed. Timely rains and the lack of any stressful heat also limited the upside. The crop conditions report states that we have a very good crop, but we do not have it in the bin yet. This crop was rated at 72% and the 10 year average is 63% for the good to excellent crop rating. Also, this is the 8th highest rated crop in the past 24 years at this time of year.

The corn market opened 4 to 5 cents higher on Wednesday and quickly moved to double digit gains, closing 13.5 cents higher. The strength in the overnight and day traded wheat market supported the corn today, as it lacks any fresh news of its own. Corn production in Europe and the FSU is also starting to surface

in conversations. Their stocks may be tight or even fall short of their domestic use and that added strength to the trade today. The corn market is also keeping in mind the USDA's stocks to use ratio, which is estimated at 11.1% for this year and 10.3% for next year. A number below 10% leaves supplies very tight. On the other hand, the weather remains good and nothing stress related through the middle of August, along with a very good crop conditions rating at the time that this crop is pollinating.

On Thursday, the corn market opened 6 to 7 cents higher and quickly moved to double digit gains, but backed off of those highs to close up 3 cents. The higher overnight market carried over to start the day. The outside markets were also supportive. The corn did back off to trade with slight losses at the noon hour time frame as the DJIA traded 100 pts lower, but quickly moved back to the positive side of the board. The exports sales report was also friendly for the corn market today. There was also spillover support from the wheat market and production cuts in Europe and the FSU. Europe also announced that it is backing off on their ban of GMO corn, which may mean that they are setting themselves up to import US corn.

The USDA released the weekly Export Inspection Report on Monday morning. The report was seen as neutral to bearish for corn. There were 42.4 million bushels of corn reported and that was below the 57 million bushels needed to meet USDA's projection of 1.95 billion for 2009-2010. This was slightly below the pre-report estimates of 28 to 35 mb.

USDA released the crop progress report on Monday afternoon. The report stated that the condition of the crop is 72% g/e, 19% fair, 7% poor and 2% vp. Corn silking is at 84%, with 52% one year ago and a 5 year average of 70%. Corn in the dough stage is 17%, with 7% one year ago and a 5 year average of 13%.

USDA released the Export Sales Report on Thursday morning. There were 37.8 million bushels of corn reported, bringing year to date sales to 2.00 bb and above USDA's projection of 1.95 bb. This was at the high end of the range of the pre-report estimates of 31.5 to 39.4 mb and friendly for corn. This brings the year to date export sales pace for corn to 2.005.0 MB compared to 1,846.1 MB one year ago. Total shipments this week were at 47.2 mb and below the 53.8 mb that was needed this week.

2009 Sales:

80% sold:

15% Dec 2009 FF \$3.33 (8/25/09) (took profits from \$4.50 sale made on 5-13-09 at \$3.28 and re-entered at \$3.33)

15% Dec 2010 FF \$4.04 (10-6-09)

10% July 2010 FF \$4.08 (10/13/09)

10% Dec 2009 FF \$4.08 (10/23/09)

20% March 2011 FF \$4.115 (7-22-10)

10% Dec 2010 FF \$4.03 (7-30-10)

Rolled Dec 2009 FF to July 2010 (12/14/09)

90%, but all hedges lifted with \$1.50-\$2 profits in fall 2008

2010 Sales:

60% Sold:

20% Dec 2010 FF \$4.30 (11-3-09)

10% Dec 2010 FF \$4.50 (11-18-09)

10% Dec 2010 FF \$4.15 (2-26-10)

10% May 2011 FF \$4.13 (5-11-10)

10% Dec 2010 FF \$4.05 (7-15-10)

70%, but all hedges lifted with huge profits around \$4.50 (11-1-08)

2011 Sales:

20% Sold:

10% Dec 2011 FF \$4.60 (11-18-09)

10% Dec 2011 FF \$4.25 (2-26-10)

70%, but all hedges lifted with huge profits around \$4.50

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