THE BROCK REPORT
America's Most Complete Commodity Marketing Service

HOG FUTURES MAKING A BOTTOM

The news in the hog industry has certainly not been good. Expansion has taken place at a much more rapid rate than most people thought. The supply curve is outpacing the demand curve which is now stalled as a result of tariff wars.

Long before the tariff war started hog futures started to drop precipitously. Since February, August hogs have dropped from $84 to $55 per hundredweight. December hogs have dropped from $64 to $44. The cash lean hog index has seen a decline just since June from $86 to $63.17. The trend has been endless and brutally down.

The news on building new hog units continues to be concerning. In Arkansas one integrator who is expanding rapidly in that state is convincing retirees to draw money out of their retirement funds and invest in hog barns. the sales pitch is they will get a better return than they are getting in their 401Ks and by working in the hog barns they will have something to do with their idle time. When I was first told this I thought someone was making it up. They were not. That is about as extreme as it gets when it comes to expanding on the production side. That approach has "bubble" written all over it.

EXHAUSTION LEG

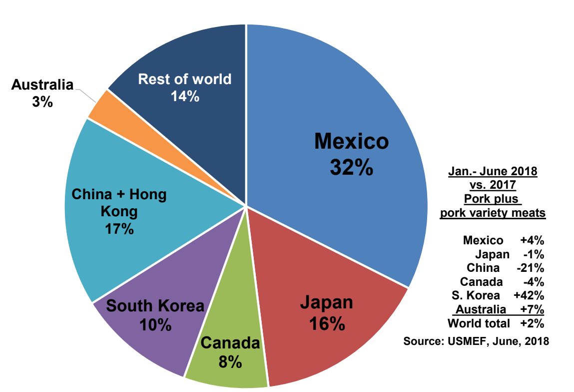
But it is news like this and now the concern on the part of lenders that the expansion has gone way too far, that is what makes market bottoms happen. The sharp selloff in the last two weeks in August futures we believe is a classic exhaustion bottom and the actual bottom occurred this Thursday.

Fundamentally people keep harping on how much the tariffs are hurting us. But are they really hurting us in pork? The pie diagram below tells a very important story.

From January through June, pork exports to Mexico were up 4%. South Korea was up 42% (mostly due to the Winter Olympics) and Australia up 7%. Granted, China was down 21% and that stings but losses there were offset by increased buying from other countries so that total exports were actually up 2%. Get the tariff war settled with China and Hong Kong and the top would blow off the hog market.

The other positive aspect of this is that the recent losses in futures and lean hog prices will likely be enough to stop expansion in its tracks. Fear has set in and rightly so. The supply side is still not a pretty picture. Estimated pork production for the third quarter of this year is 6.53 billion pounds versus 6.24 billion last year. For the fourth quarter, the estimate is 7.23 billion pounds versus 6.79 billion a year ago. Those are substantial increases. But at the same time,

U.S. Pork Exports 2% Ahead of Last Year



CROP REPORT IS BEARISH

Very little good news in Friday's USDA crop report unless you are a bear and want lower prices. For farmers is most certainly was not.

Both corn and soybean yields came in higher than expected. USDA is now estimating this year's corn yield at 178.4 bushels per acre versus a previous estimate of 174.0 and last year at 176.6. Carryover was boosted from their earlier estimate of 1.55 billion bushels to 1.684. Not a dramatic change and we don't believe it is enough to push December corn into new contract lows. Prices sold off sharply after the report into the major support and we anticipate the $3.65-$3.70 support area in December corn will hold this market. Soybeans are another story. With an estimated yield now of 51.6 bushels per acre and a total crop size of 4.586 billion bushels, it will be difficult for this market to show much strength over the next few weeks. USDA also significantly lowered the expected average price for the year to a range of $7.65 to $10.15. That's wide enough they should be able to hit it!

Cotton production was also increased along with the carryover, possibly ending the rally in that market.

The bottom line: The bad news is out and by the time you read this will it be discounted into current price levels. If this is as bearish as the news gets, we still feel the corn market has a bottom and soybeans are searching for one. Producers who are not already short corn and beans should avoid doing so at this point. Sellers should be patient and stay at our recommended priced levels.

It's a Girl!

Cathy and I are very pleased to announce the birth of our newest granddaughter, Jordan Alexis Hayes, on Aug. 7, to our oldest daughter Lindsey and her husband Alex. This is their fourth child and our seventh grandchild in seven years! We are very pleased that Jordan has joined the family. Everyone is doing great.

"My grandchild has taught me what true love means.
It means watching Scooby-Doo cartoons while
the basketball game is on another channel".
- Gene Perret

HOG FUTURES MAKING A BOTTOM...(continued)

current prices have discounted those large increases.

FUNDAMENTALLY OVERPRICED

The table below helps explain why we believe hog futures are currently underpriced. In looking at the column under pork production, the third quarter estimate is 4.4% above the third quarter a year ago. Years ago we made the assumption that a 1% change in production by quarter resulted in a 2% change in price during the same quarter in the opposite direction. So a 5% increase in production results in a 10% reduction in price. That's not very accurate anymore, but still is a somewhat helpful guideline.

In the same quarter, the third, USDA is estimating prices in the $45 to $47 range which is a 17.3% decline. Translating that to a futures price is a range of $61 to $64. August futures this week hit $54 and October $48. Whichever you want to use, either futures are underpriced, or the USDA's forecast is substantially wrong. The fourth quarter is no different. Production up 6.3% and the USDA's estimated price in the cash market is 24.3% lower than a year ago. That translates to a futures price of $45 to $47 and December futures this week hit $44.

A key technical indicator in this market is the relationship between lean hog prices and nearby futures. We have used this as an indicator for several years. As a rule of thumb, never be short futures when the futures prices are above the lean hog contract. Always be short futures if the nearby futures are below the lean hog contract.

But another reliable part of the graph is the oversold and overbought area indicated at the bottom of the graph. As can be seen, prices are now at a level similar to where they were in August of 2017 just before the futures market rallied $16 per hundredweight.

RISK MANAGEMENT STRATEGIES

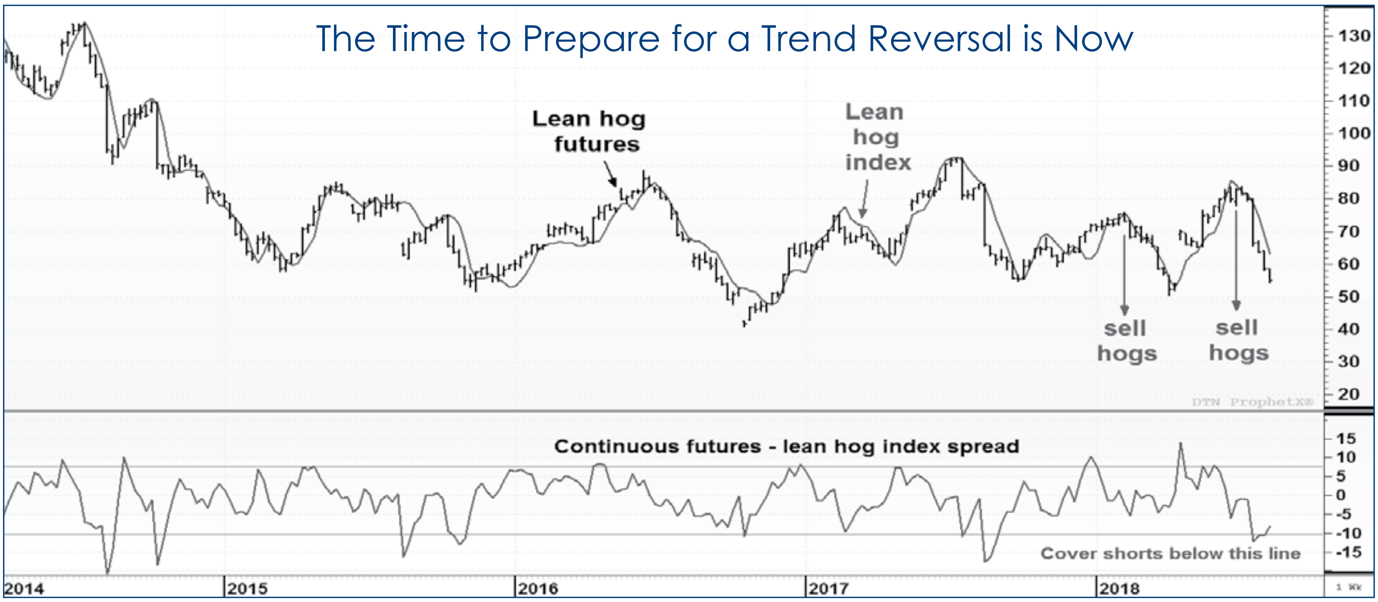
In looking back over the last several months, we have fortunately been on the correct side of the market with short positions. In reality, we should have been "more" short and more aggressive. On Thursday morning we recommended taking profits on all short hog futures contracts.

There comes a point where after such a significant selloff that there is more risk in being short futures for a hedge than there is doing nothing. The potential of this market continuing lower from this price level is small after such a large move and thus it is best now, we feel, to take all the risk in the cash market. Anyone who buys pork products should be very aggressive right now.

USDA Pork Production & Price Forecasts

		Pork Production (mil.lbs.)	Production% change	* Cash price (Barrows & Gilts)	Futures Price Reference	Cash Price % change	Current Futures Price vs. Futures Price Reference
2013	Annual	23,187	-0.3%	64.05	86.55	5.2%	
2014	Annual	22,843	-1.5%	76.03	102.74	18.7%	
2015	Annual	24,501	7.3%	50.23	67.88	-33.9%	
2016	Annual	24,941	1.8%	46.16	62.38	-8.1%	
2017	I	6,411	2.9%	49.73	67.20	11.4%	
	II	6,137	2.9%	51.70	69.86	-3.7%	
	III	6,240	2.3%	55.59	75.12	12.9%	
	IV	6,796	2.2%	44.89	60.66	21.3%	
	Annual	25,584	2.6%	50.48	68.22	9.4%	
2018	I	6,645	3.6%	49.12	66.38	-1.2%	
	II	6,325	3.1%	47.91	64.74	-7.3%	
	III	6,515	4.4%	45-47	61-64	-17.3%	-$11.00(V)
	IV	7,225	6.3%	33-35	45-47	-24.3%	+$1.50 (Z)
	Annual	26,710	4.4%	44-45	59-61	-11.8%	
2019	I	6,890	3.7%	37-41	50-55	-20.6%	+1.75 (G)
	II	6,690	5.8%	41-45	55-61	-10.2%	+3.00 (J)
	Annual	27,875	4.4%	39-42	53-57	-6.7%	

* Cash price = live equivalent 51-52% lean **Brock forecast



COMMENTARY

U.S. advance corn and soybean export sales commitments for the 2018 marketing year continue to mount at a good pace despite worries about trade tensions between the U.S and China, as well as Mexico, the European Union and Canada. In contrast, it would be charitable to describe the U.S. wheat export sales pace as sluggish.

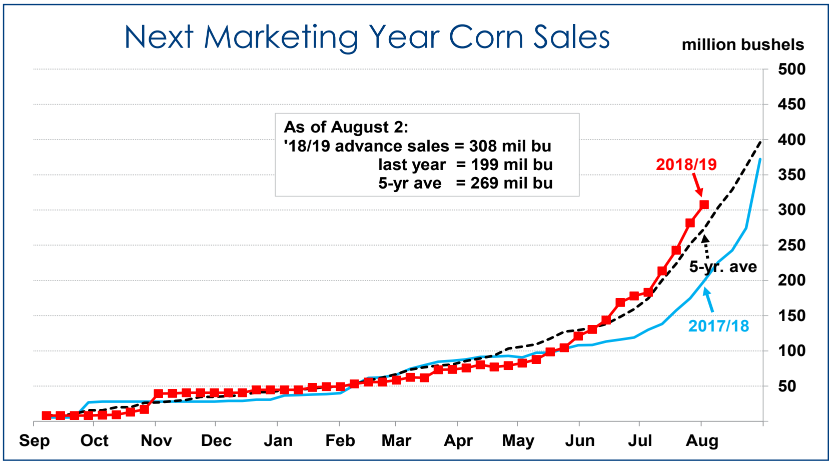
Through Aug. 2, advance corn export sales for delivery next marketing year totaled 307.6 million bushels, an increase of nearly 55% over a year earlier. Corn export sales figure to remain strong in coming weeks due to favorable prices and reduced competition from South America, with estimates of Brazil's 2017/18 crop still shrinking. Corn export sales may be front-loaded, though, with larger 2018/19 crops expected in both Argentina and Brazil. USDA raised its 2018/19 export forecast on Friday by 125 million bushels to 2.350 billion.

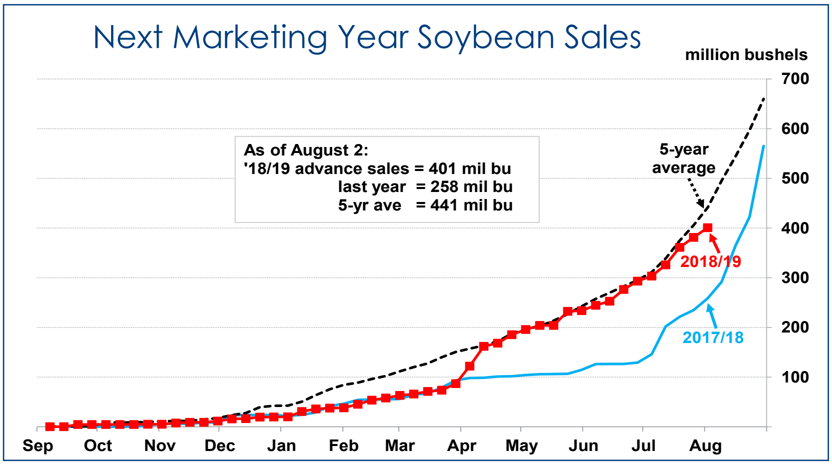
Advance U.S. soybean export sales through Aug. 2 totaled roughly 401 million bushels and were still over 55% ahead of a year earlier despite China's continued absence from the U.S. market. Strong advance purchases by Mexico and Pakistan, as well as unprecedented purchases by Argentina in the wake of the severe drought there continue to limit the impact of China's import tariff on U.S. exports.

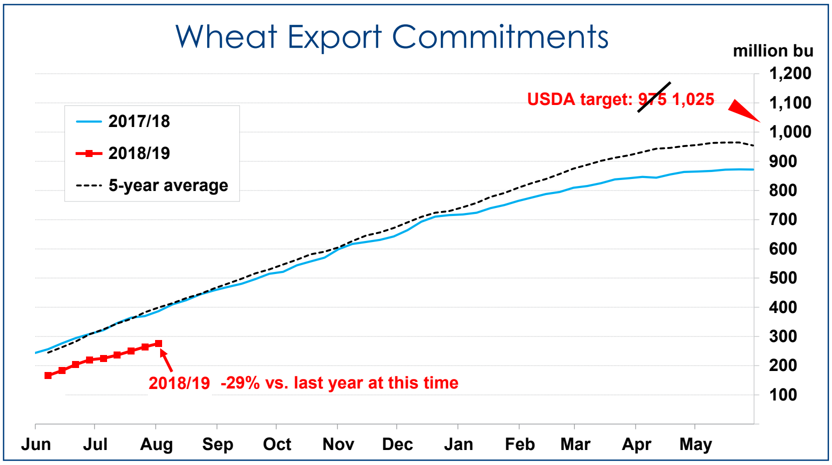
Although the European Union has recently touted large purchases of U.S. soybeans, EU members have not yet booked much for 2018/19 delivery. They should step up to the plate soon, though, which will add fresh support for new-crop sales. USDA raised its new-crop export forecast by 20 million bushels on Friday, but still sees exports falling versus this year.

U.S. wheat export sales for 2018/19 to date through Aug. 2 were 28.6% behind a year earlier, while actual export shipments were 37.9% behind a year earlier. Exports can only be described as moving at a snails pace, given that 2017/18 exports were the lowest in three years. The good news is that due to reduced export competition because of significantly lower production in the European Union and the Black Sea region and crop problems in Australia, U.S. wheat exports would seemingly have nowhere to go but up from here.

However, sales and shipments will likely be heavily loaded into the second-half of the marketing year and it remains to be seen if USDA's export forecast can be reached. That's more true than ever after USDA raised its export forecast by 50 mil. bushels on Friday and now projects a 13.8% increase in marketing year exports over last year.







CONTENTS

WORLD NEWS ANALYSIS

CHINA SOY SPECULATION

Soybean futures this week found support from speculation China would soon have to resume purchases of U.S. soybeans amid tightening South American supplies and rising feed costs. Data on China's July soybean imports and a surge in that country's Dalian soybean futures helped fuel anticipation of China's return to the U.S. market, despite continued rhetoric out of that country about how it does not need U.S. soybeans.

China's July soybean imports totaled 8.01 million metric tons (MMT), down 7.9% from June and down 20.5% from June 2017 imports of 10.08 MMT, according to preliminary data from China's ministry of commerce published on Wednesday. China's January-June soybean imports of 52.88 MMT were down 3.7% from a year earlier.

Most-active Jan. soybean futures on the Dalian Commodities Exchange rose nearly 2.1% in Wednesday trade and another 1.8% on Thursday after charting a bullish key reversal off a new contract low on Monday. However, even after the strong rally, Dalian Jan. soybeans remained 9.3% below their early April high, charted shortly after China originally proposed its import tariff on U.S. soybeans. Dalian soymeal futures did move to a four-month high on Thursday and were about 4.2% off their April high.

Stocks of imported soybeans at Chinese ports are still historically large. Stocks as of Aug. 3 were 8.216 MMT, down from 8.526 MMT in early July, the highest level on record since mid-2010, based on data from web portal Cofeed reported on Reuters Eikon.

CHINA MEDIA PUSHES SOY CUT

China's state-run Economic Daily reported on Monday that China is likely to cut imports of soybeans by more than 10 MMT this year, thanks to new soymeal technology and the use of alternative oilseeds. The use of low-protein formula in animal feed could cut China's annual demand for soymeal by 5-7%, equal to about 5 MMT of soybeans, the newspaper said, citing Yin Yulong of China Academy of Science.

China could replace annual soymeal demand of about 4.8 MMT, equivalent to about 6 MMT of soybeans, by raising imports of animal feed made from sunflower seeds, palm seeds and rapeseed, the report said. USDA currently forecasts that China will reduce its imports in 2018-19 by 2 MMT versus this year.

BRAZIL GLYPHOSATE TURMOIL

Brazilian producers, already facing higher transportation and input costs for their 2018/19 crops are now dealing with uncertainty over the availability of products containing the popular herbicide glyphosate. A federal judge in Brasilia ruled on Aug. 3 that new products containing the chemical could not be registered in Brazil and existing registrations would be suspended within the next 30 days, until the government reevaluates their toxicity.

Brazilian growers have been using glyphosate, the main ingredient in several popular herbicides, most notably Monsanto Co.'s Roundup, for 40 years and Round-up Ready soybeans were approved by Brazil 20 years ago. "All of the system of direct planting is based on glyphosate, and it will be a gigantic environment setback (to suspend it)," Brazilian Agriculture Minister Blairo Maggi said.

The judge's decision, which also applies to the insecticide abamectin and the fungicide thiram, will be subject to multiple appeals. Brazilian pesticide industry group, SINDIVEG, already announced it will file an appeal of the court ruling by next week. The group's executive director told Reuters News Service that Brazilian health agency ANVISA, as well as the Agriculture Ministry, were also going to file separate appeals against the decision.

EU COURT RULING HITS BIOTECH

The European Court of Justice shocked the biotech industry in late July by ruling organisms obtained by new plant breeding techniques (NPBTs) are genetically modified objects (GMO's) and should fall under the European Union's GMO Directive. The ruling means that plants created with new gene-editing technology such as CRISPR Cas9 must now go through the same lengthy approval process as traditional GMO crops. This basically amounts to a ban on such plants as only one GMO crop has ever been approved for planting in the EU. The biotech industry described the ruling as a severe blow to innovation in EU agriculture and warned of economic and environmental consequences.

WORLD WEATHER HOTSPOTS

In general, conditions should remain favorable for crop development across much of the U.S. Midwest over the next two weeks. There will continue to be exceptions in southern parts of the western Corn Belt, but World Weather Inc. says the areas of significant crop stress should not be large enough to keep overall production potentials from being high. Southern Iowa could see timely rains next week.

Relief from drought and excessive heat is underway in northwestern Europe and it will quickly spread across the continent over the next week. Soil moisture will be improved, but it will take repetitive rain events to restore it to normal. Southeastern Europe is still the one region expected to see little to no rain over the next week.

In eastern Australia, serious drought continues in the state of Queensland and much of New South Wales and there is not much potential for change. Other areas of Australia have been receiving periodic rainfall and have favorable soil moisture, although parts of South Australia need more rain.

Despite an erratic rainfall pattern recently, China's crops are still rated mostly good. There are a few dry pockets, but the majority of the crop has been and will continue to be in favorable conditions to yield well this summer.

SHORT-TERM FARM OUTLOOK SOURS ON PRICE PLUNGE, TRADE

Farmers' short-term outlook has predictably darkened this summer, but their long-term outlook remains largely intact according to the latest "Ag Economy Barometer."

The barometer, put together by Purdue University and CME Group, is based on a monthly survey, and it found the biggest monthly drop in farmer sentiment in the three-year history of the survey. The Index dropped to 117, putting it at levels last seen in November 2016, right after the presidential election. It remains above Oct. 2016 levels.

Over the next 12 months, 61% of respondents see bad times ahead, up from 46% in June. Only 19% see good times. The deteriorating outlook is tied to the plunge in prices, particularly soybeans, seen after Memorial Day. Part of that decline in prices, and farmer sentiment, is due to the ongoing trade war and tariffs imposed by China, although other supply and demand factors were at work.

Looking out over the next five years, 47% of respondents see good times ahead, which is actually up two points from last month. This may reflect some optimism that President Trump's tough trade strategy will ultimately work and result in better deals for ag with China, Europe and Mexico.

Still, this is not a good time for big investments according to 73% of respondents, up from 60% in June. Four out of ten farmers said they thought it was likely corn and soybeans would trade below $3.25 and $8.00 respectively between now and fall. Seven out of 10 farmers expect trade conflicts to reduce their net income in 2018, and of those who expect a reduction, 70% expect that reduction to be more than 10%.

BIG MONEY FOR HOG FARM NEIGHBORS

With the pork industry already feeling the impact of tariffs, regulatory and legal issues in the U.S. are threatening to deal another blow. Smithfield Foods, the largest U.S. pork producer and now known as Murphy-Brown, last week saw its record fall to 0-3 in a series of lawsuits against the industry in North Carolina. This latest loss is the biggest one yet, as a North Carolina jury awarded $473.5 million to six plaintiffs (and their lawyers). Much of the award is for punitive damages, and because those are capped in North Carolina, the actual payout will be $94 million.

Regardless, this is a very large amount and includes compensatory damages of $3-$5 million for each plaintiff. The plaintiffs are part of a string of lawsuits, 26 in total according to a local television station, seeking damages for improper manure handling, odor and noise from semi-trucks that they say hurts their quality of life and property values. The other two lawsuits resulted in awards of $50 and $25 million.

Attorneys for Smithfield plan to challenge the latest award, but given the record so far, a settlement on the other lawsuits would appear to be a possibility. The lawsuits come amid a broader fight in a state where hog farms have a long history. The North Carolina legislature earlier this year passed a bill limiting who could file nuisance lawsuits, and when the governor vetoed it, the legislature overrode the veto. That bill does not affect the current lawsuits however.

TYSON CUTS OUTLOOK, BUT EARNINGS CLIMB

Tyson Foods says it is feeling the impact from the tariffs from China and Mexico, but reported improved earnings in the quarter ended June 30. Better earnings in beef and prepared foods offset weaker volumes in chicken and pork.

The earnings news this week came a few days after Tyson lowered its earnings outlook for the year due in part to the tariffs. It said the tariffs are hurting prices for chicken and pork, both domestically and for export. It lowered its earnings outlook to $5.70 to $6.00 a share, from $6.55 to $6.70 previously.

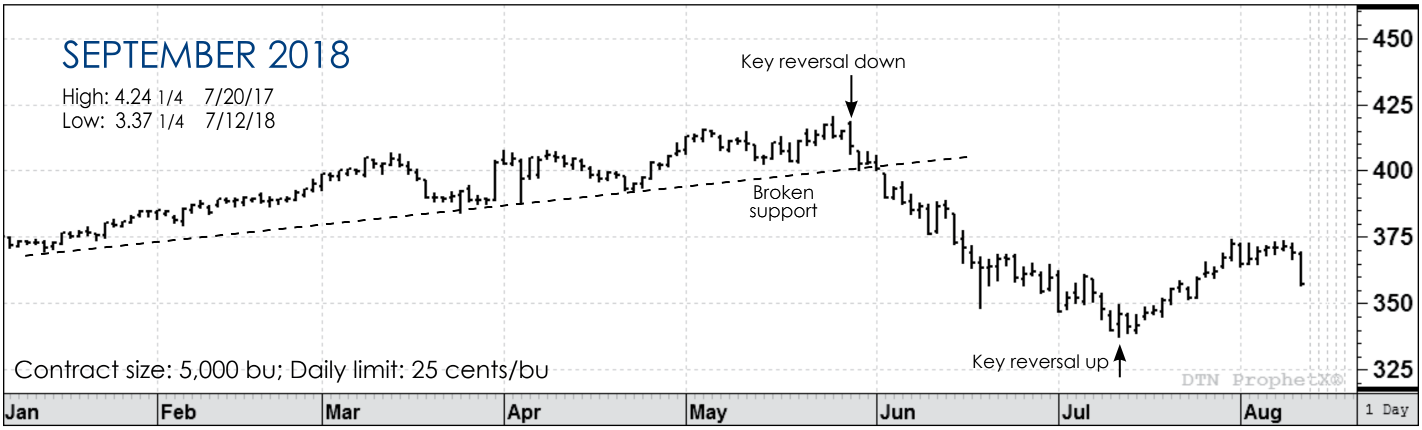
For the third quarter, the company reported weak poultry demand due in part to relatively cheap pork and beef. That cheaper pork compressed pork production margins, causing the company to cut back on volume. Overall, Tyson reported third-quarter earnings up 21% to $541 million, or $1.47 a share, versus $447 million, or $1.21 a share a year ago.

LOAN REPAYMENT RATES SLOW

Reports released this week by the Federal Reserve banks of Chicago and St. Louis indicated farm loan repayment rates continued to slow during the second quarter. On an index of lending conditions versus a year earlier, the second quarter repayment rate in the Eighth Reserve District came in at 87, according to the St. Louis Fed, which said repayment rates are expected to slow further during the third quarter.

In the Seventh Reserve District, which includes all or parts of Illinois, Iowa, Indiana, Wisconsin and Michigan, repayment rates on non-real-estate farm loans slowed versus a year earlier for the nineteenth consecutive quarter, according to the Chicago Fed. The portion of the district's farm loan portfolio reported as having "major" or "severe" repayment troubles, at 5.8%, was the highest for mid-year since 2002.

CORN


SEPTEMBER 2018
High: 4.24 1/4 7/20/17
Low: 3.37 1/4 7/12/18
Key reversal down
Broken support
Key reversal up
Contract size: 5,000 bu; Daily limit: 25 cents/bu
DTN ProphetX®
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425
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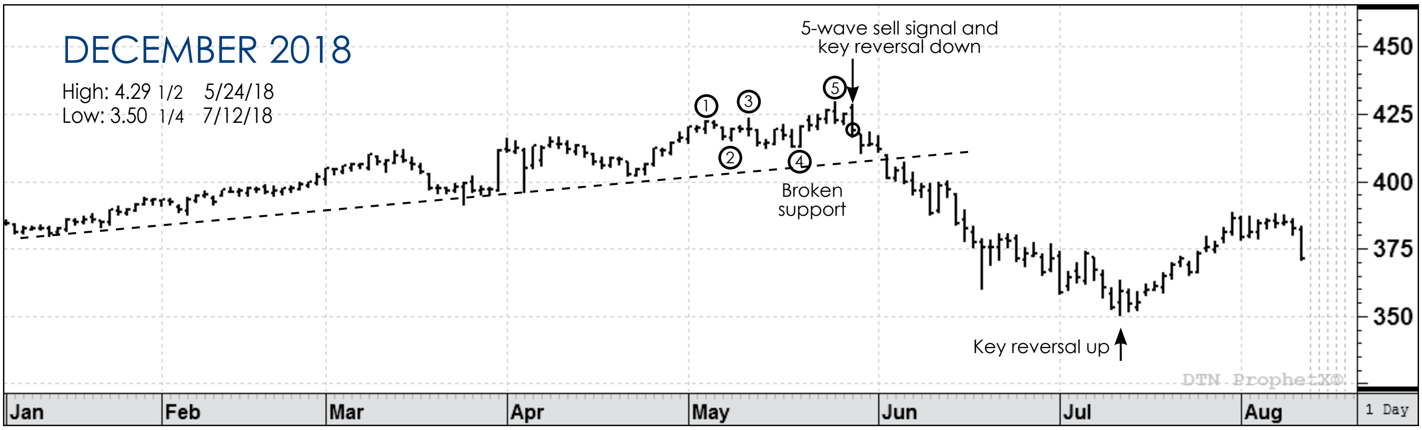
DECEMBER 2018
High: 4.29 1/2 5/24/18
Low: 3.50 1/4 7/12/18
5-wave sell signal and key reversal down
1
2
3
4
5
Broken support
Key reversal up
DTN ProphetX®
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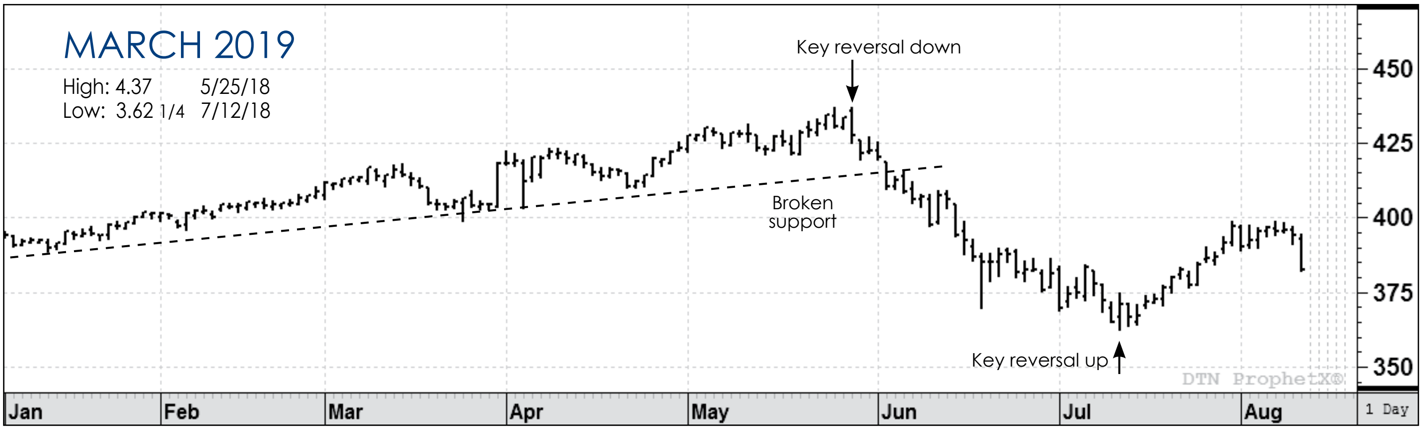
MARCH 2019
High: 4.37 5/25/18
Low: 3.62 1/4 7/12/18
Key reversal down
Broken support
Key reversal up
DTN ProphetX®
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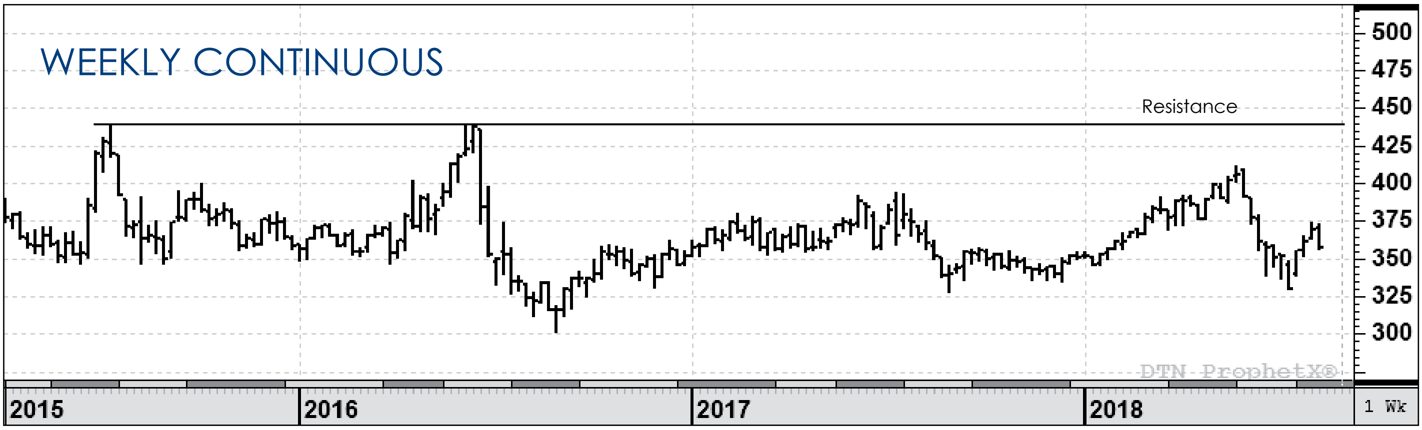

WEEKLY CONTINUOUS
Resistance
DTN ProphetX®
500
475
450
425
400
375
350
325
300
2015
2016
2017
2018
1 Wk

COMMENTARY

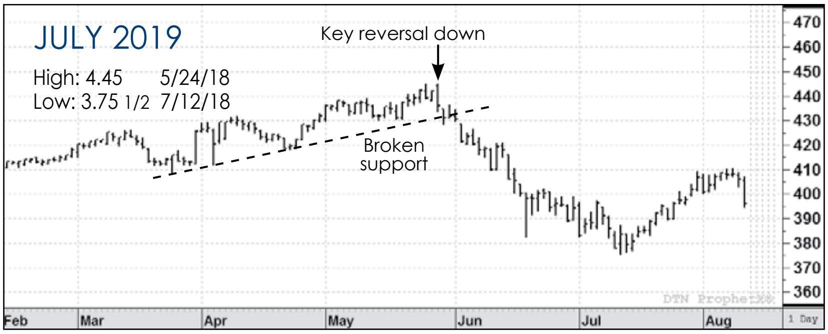
Today's large USDA crop estimate will have a significant negative impact on prices in the very short-term, but in the long-term the concentration is on trade wars. On the positive side, demand is looking very strong right now despite trade issues. USDA raised projected U.S. corn use by 225 million bushels, significantly offsetting the larger production.

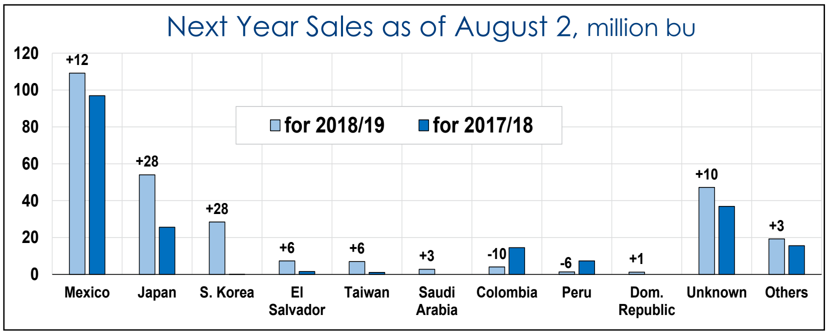
This is now becoming a very segmented market between what is going on in the cash market and what is going on in futures. One subscriber reported this week that truck lines were over an hour long at many grain elevators in Nebraska. As sad as it is, many producers were still sitting on old-crop corn at this time of the year. Most elevators were giving the option of the producer selling the grain as it came across the scales or paying an up-front 90-day storage fee. As you might guess, most opted to pay the 90-day storage fee and put the decision off.

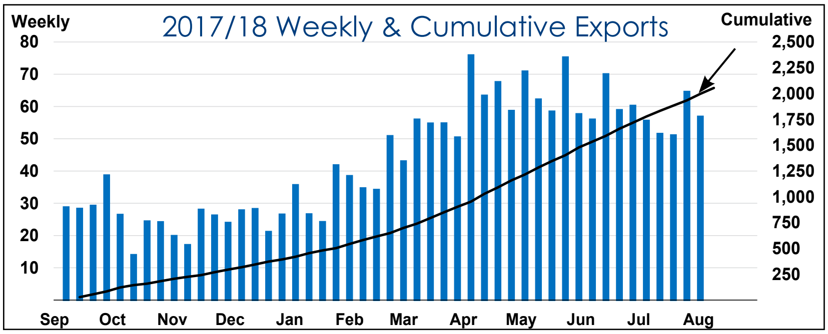
This will result in a very wide basis and an incredible profit opportunity for grain elevators. It would be difficult for a buyer of grain to lose on this market. Basis levels will not likely improve significantly until the last half of October. Technically, the trend is up. Primary support in the December futures is at $3.70 with resistance at $4.00. Until we get more into harvest, prices will likely stay in this choppy range.

Cash-Only Marketers' Strategy: This will be the last time we say old-crop corn is gone. In the new-crop, 30% was contracted before the break that started Memorial Day weekend. Last week we recommended getting much more aggressive if corn needs to be moved at harvest time. Other than that, we'd wait for now.

Hedgers' Strategy: As above, old-crop sales have been gone a long time. In the new-crop, we pushed cash contracts from 10% to 20% this week. We previously had been 40% hedged but came out of those positions more than two weeks ago.



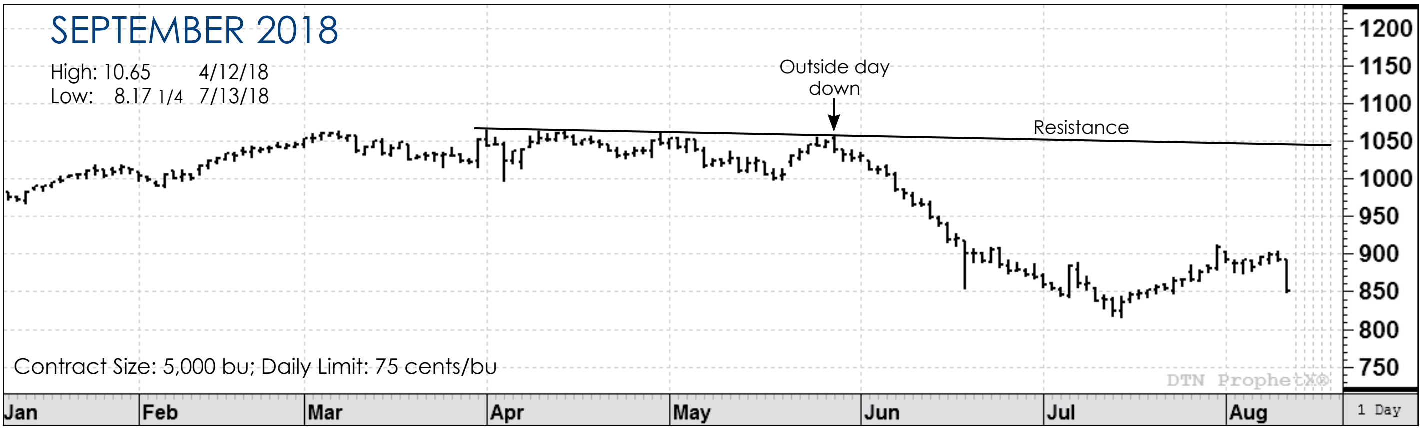


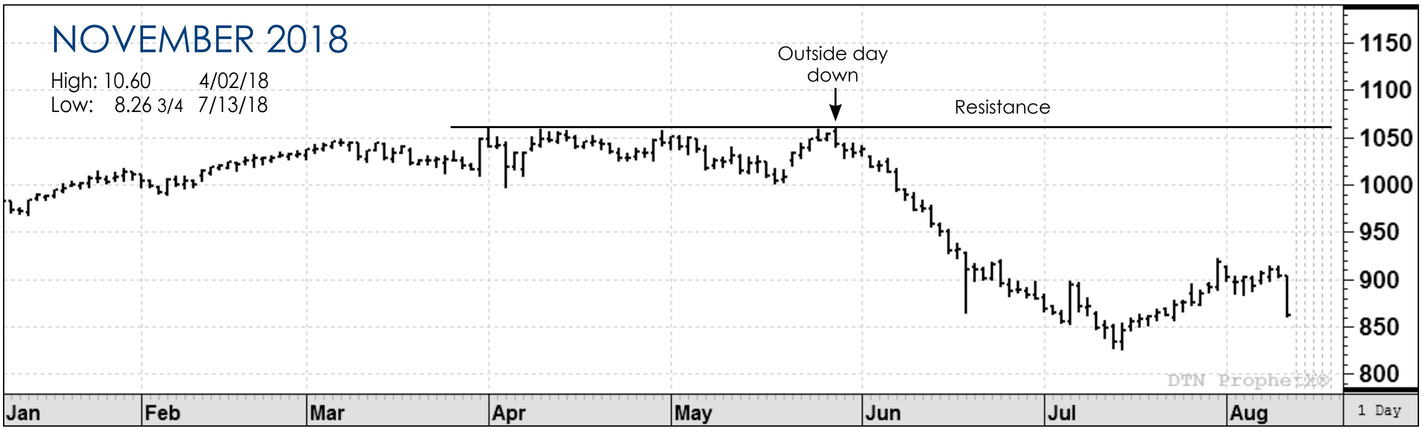


U.S. SUPPLY & DEMAND

	USDA			Brock	
Marketing year begins Sept 1	16/17	17/18 Est.	18/19 Proj.	17/18 Est.	18/19 Proj.
ACREAGE (million)					
Planted Area	94.0	90.2	89.1	90.2	89.1
Harvested Area	86.7	82.7	81.8	82.7	81.8
Yield	174.6	176.6	178.4	176.6	179.0
SUPPLY (mil bu)					
Beg. Stocks	1,737	2,293	2,027	2,293	2,027
Production	15,148	14,604	14,586	14,604	14,642
Imports	57	40	50	40	50
Total Supply	16,942	16,937	16,664	16,937	16,719
USAGE (mil bu)					
Feed & Residual	5,472	5,450	5,525	5,450	5,550
Food/Seed/Ind	6,883	7,060	7,105	7,060	7,105
Ethanol & By-Products	5,432	5,600	5,625	5,600	5,625
Domestic Use	12,356	12,510	12,630	12,510	12,655
Exports	2,293	2,400	2,350	2,400	2,350
Total Use	14,649	14,910	14,980	14,910	15,005
Ending Stocks (Aug 31)	2,293	2,027	1,684	2,027	1,714
Stocks/Use	15.7%	13.6%	11.2%	13.6%	11.4%
Farm Price ($/bu)	$3.36	3.35 - 3.45	3.10-4.10	$3.30-3.50	$3.20-3.90

SOYBEANS


SEPTEMBER 2018
High: 10.65 4/12/18
Low: 8.17 1/4 7/13/18
Outside day down
Resistance
Contract Size: 5,000 bu; Daily Limit: 75 cents/bu
1200
1150
1100
1050
1000
950
900
850
800
750
DTN ProphetX®
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
1 Day


NOVEMBER 2018
High: 10.60 4/02/18
Low: 8.26 3/4 7/13/18
Outside day down
Resistance
1150
1100
1050
1000
950
900
850
800
DTN ProphetX®
Jan
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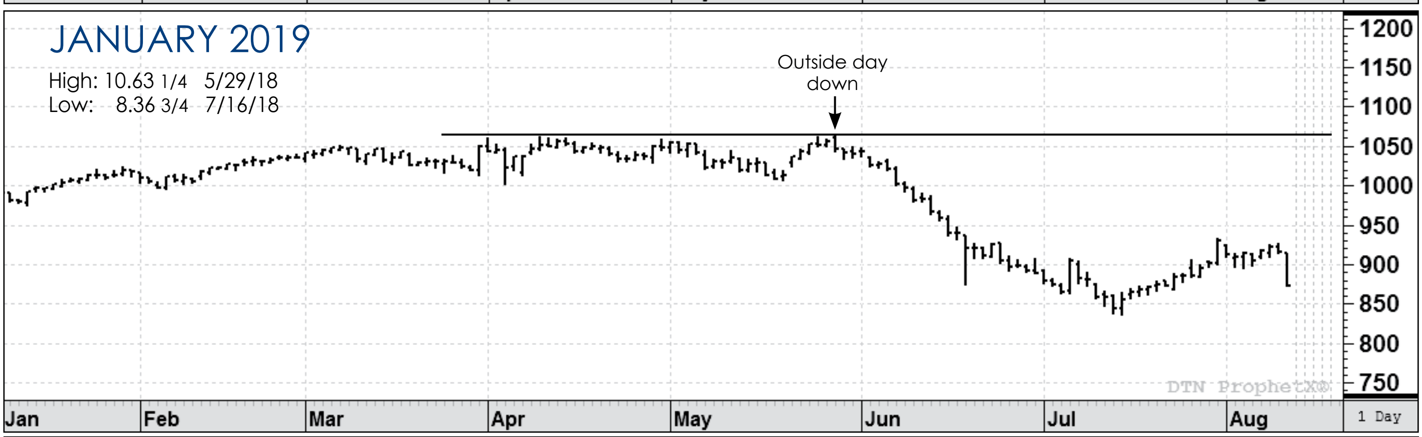
JANUARY 2019
High: 10.63 1/4 5/29/18
Low: 8.36 3/4 7/16/18
Outside day down
1200
1150
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DTN ProphetX®
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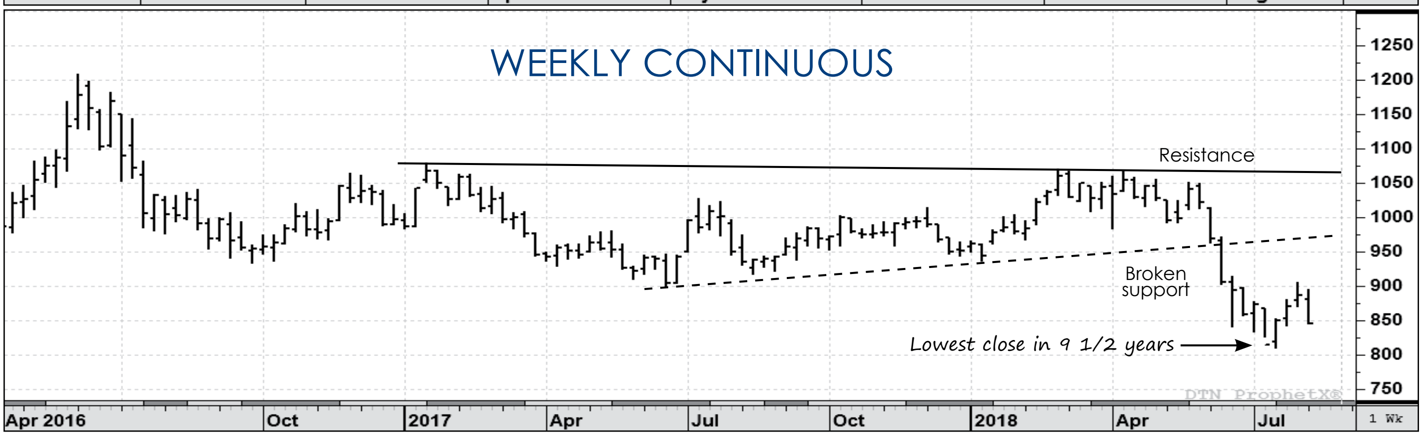
WEEKLY CONTINUOUS
Resistance
Broken support
Lowest close in 9 1/2 years
1250
1200
1150
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750
DTN ProphetX®
Apr 2016
Oct
2017
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COMMENTARY

If one takes a look at the sharp drop in purchases from China and then compares this to the increases from other countries which results in a bottom line of unchanged to slightly up on soybean exports and commitments this year, it's easy to get excited about this market. This is a time of year where fundamentally, whether you are a bull or a bear, you can find enough information to support your position.

Although USDA typically underestimates soybean yields this time of year, they uncharacteristically boosted yields by a whopping 3.1 bushels to 51.6 bushels per acre. Traveling around the Midwest and looking at the condition of the soybean crop it would appear that in most areas record yields are on the way.

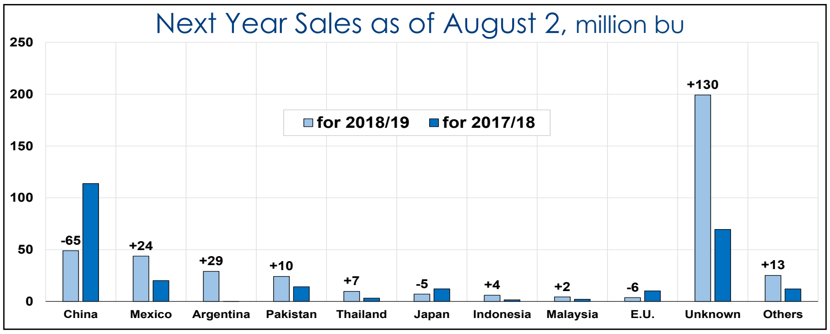
Technically, the short-term trend is up but we are also into very key resistance areas. November futures have extremely heavy resistance at $9.25 but short-term support at last week's lows which were at $8.83. The price trend is going to be extremely erratic for the next several weeks as the price discovery system struggles to figure out what the final soybean yield will be.

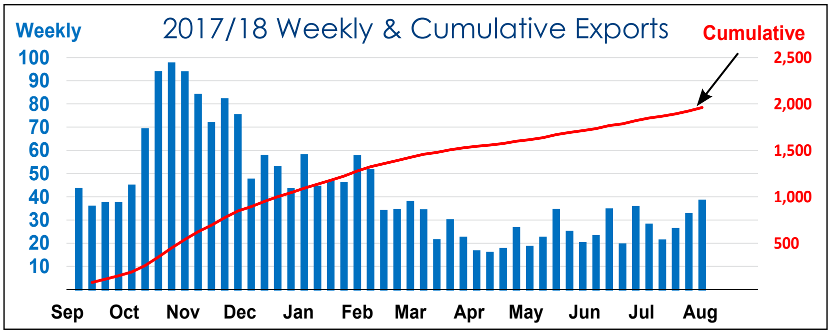
This market desperately needs bullish news on trade negotiations. China needs soybeans and they can't get enough from South America. In many ways this is a battle of egos right now. Who's going to win? If China buys the majority of soybeans coming out of South America then other countries will have to buy ours. Exports are going to be strong one way or the other. But if the tariff situation is negotiated successfully with China, this could be a very bullish situation for soybeans.

Being a two-armed economist, however, if it's not settled and final yield ends at 52 bushels per acre, we have a situation where soybeans will be under $8.00. As always, timing is going to be everything.

Cash-only Marketers' Strategy: 40% was sold long before the market started to collapse in May. Sit tight now.

Hedgers' Strategy: 30% was contracted long ago, hedges on 50% were put in the bank. Prior to the release of the crop report we purchased $9.00 short dated September puts on November future for a relatively minimal price to protect 20% going into the report.





U.S. SUPPLY & DEMAND

	USDA			Brock	
Marketing year begins Sep 1	16/17	17/18 Est.	18/19 Proj.	17/18 est.	18/19 Proj.
ACREAGE (million)					
Planted Acres	83.4	90.1	89.6	90.1	90.0
Harvested Acres	82.7	89.5	88.9	89.5	89.3
Yield	52.0	49.1	51.6	49.1	52.0
SUPPLY (mil bu)					
Beg. Stocks	197	302	430	302	432
Production	4,296	4,392	4,586	4,392	4,644
Imports	22	22	25	25	25
Total Supply	4,515	4,715	5,040	4,718	5,101
USAGE (mil bu)					
Crush	1,901	2,040	2,060	2,040	2,060
Exports	2,174	2,110	2,060	2,110	2,100
Seed	105	104	103	104	103
Residual	34	32	33	32	32
Total Use	4,213	4,286	4,256	4,286	4,295
Ending Stocks (Aug 31)	302	430	785	432	806
Stocks/Use	7.2%	10.0%	18.4%	10.1%	18.8%
Farm Price ($/Bu)	$9.47	$9.35	7.65-10.15	$9.35	$7.65-9.75

COMMERCIAL SHORTS SUGGEST FEW SOYBEANS ARE SOLD AHEAD

Tim Brusnahan
Vice President of Consulting

As noted on page 11 last week, corn basis has widened lately. When the board was going down in June, basis didn't improve, but held steady, and now as the board has recovered roughly 30 cents in corn, basis has widened. I've written about the CFTC Commitments of Traders Report and want to take this week to provide an update during crop report week.

First, from my past contributions to this page, I've pointed out the COT (Commitments of Traders Report) doesn't always offer a message as to how market participants are positioned in the market, and other times, the report does offer something worth taking note of. As you can see from the the COT Supplemental data for corn and soybeans, which includes futures and options, the current Commercial net short in corn is relatively small and the Commercials are barely short in soybeans.

For explanation, everything above zero is long futures, everything below zero is short futures. In case you are unfamiliar with long and short. Long is where a market participant has bought futures and expects the price to go up. Short, is where a market participant has sold futures and expects the price to go down. Commercial participants are the companies that buy farmers' grain and will short futures unless the cash transaction is quickly passed on to an end user.

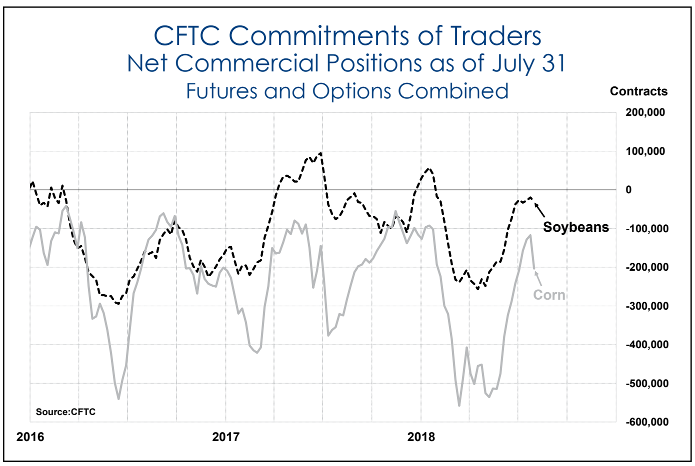
There have been times, and I have stated this as well, that the ethanol industry will pass-through corn purchased from farmers and doesn't bother with a hedge. With distiller's grain trading most of the year at a premium to corn, and in some cases 30% over corn, a hedge for corn bought at an ethanol plant is not really necessary. The same would be true for other industrial uses of corn. In other words, it depends on the company, basis, location, and whether there's a strong margin or whether the end product is pre-priced to not justify a hedge for the commercial buyer.

As you can see from the Commercial position as of 7/31/18, the short position in corn is diminishing, which makes sense as we end the marketing year for 2017. We know there is still unpriced old-crop corn that needs to move to the pipeline soon to make room for new crop. More specifically, it appears through observation of the June 1 corn stocks; anticipating what September 1 corn stocks will be; then anticipating what size the corn and soybean crops will be relative to farm and commercial storage, that Nebraska likely has the largest shortfall of storage followed by Illinois. Minnesota should have adequate storage for this year's crop without having to consider leaving the crop in the field or piled on the ground.

Looking closely at the present short in corn at roughly 200,000 contracts, that's about equivalent to one billion bushels of corn, or half of a 2.0-billion-bushel Sept. 1 stocks total. Even if none of those shorts in the market are tied to old-crop corn, a hedge on one billion bushels of corn is less than 10% of the crop in the field. If the latter is true, because there is no way to tell for sure whether the hedge is old-crop or new, and if farmers have less than 10% of new crop priced at these prices vs. $4.00 or higher, that's something to keep in mind as we advise additional sales. The statistics don't lie, and for soybeans, with just a few thousand contracts short, that would suggest commercials have a short hedge on less than 1% of the soybean crop in the field.

To close, corn is not $4.00 at your grain bin and soybeans are not $10.00. Those prices seem to be the favored price points to sell, but not the present price. For Nebraska and Illinois farmers, if your plan is to not sell, we're sure elevators and coops would welcome your storage payments to keep this crop a little longer.

Email Tim at tbrusnahan@brockreport.com



We recommended two cash sales this week, one each for corn and wheat. Strict cash marketers of wheat were advised to advance sales 10% from 40% to 50%. The rally brought on by sub par harvests in Europe may have stalled out for now as futures have been largely in a sideways pattern after spiking to new highs on August 2nd, only to finish very near the lows of the day. Action has still been active, but choppy. In the "anything-can-happen" environment in which the current markets find themselves, we thought it prudent to reward this rally with a sale. It is also a good place for all marketers to catch up to our current marketing levels. Although basis levels are not as strong as previous sales, the one dollar rally of the last month more than compensates for the widening basis. Hopefully this is just the "pause that refreshes" in the futures, as there is no sign we are done going up, so be alert for further recommendations to advance marketings.

Hedgers were advised to add 10% to their cash corn sales, bringing them to 20% cash priced for the 2018 crop. As we have no futures on at this time and USDA was likely to raise corn yields in their WASDE report Friday, we felt 10% was a little light. We had rallied about 35 cents and again seemed to stall here just above $3.80 and wanted to make sure that didn't get away from us. The market seemed to be trading a 178-179 yield, but reacted negatively to USDA's estimate of 178.4 in Friday's report . Any future USDA estimate higher than that and we could be in for a downdraft, but Friday's relatively muted reaction caused us to issue no new recommendations for hedgers. Strict cash corn marketers were already at 30% priced, so no new recommendation was made for them.

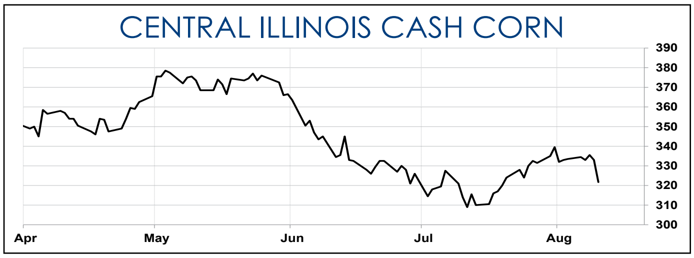
As with the wheat producers above, catchup sales here are fine as well, although not as compelling as for wheat producers. Wheat producers are further into their marketing year and storing wheat is less common that storing corn, so corn producers with storage can afford to be a bit more patient.

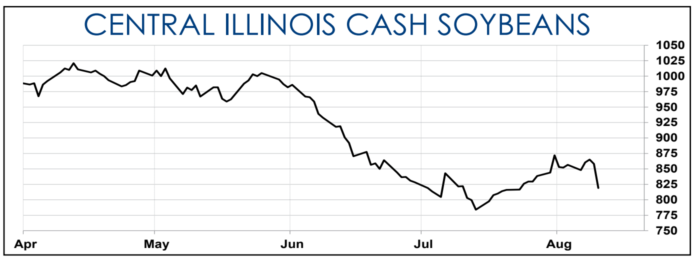
For both corn and wheat, check deferred basis quotes as well as spot since both markets have excellent carry in the futures. Most customers that have sent us corn basis quotes for OND versus JFM recently, show a narrower basis for JFM. When combined with futures carry, they are getting paid well to store grain.

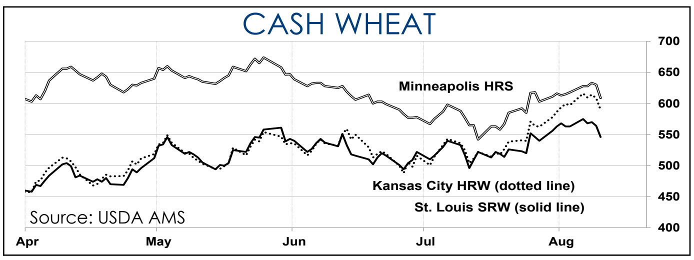
Taking June 1st grain stocks into account and factoring in 4th quarter usage, along with what likely is a record corn crop, commercial storage will be at a premium well into the new year. Elevators and other end users will effectively rent your bin by paying narrower deferred basis versus spot. Know your cost of storage, figure how much you are being paid per month to store and then make your best deal.

Soybean producers are currently 40% and 30% cash priced for strict cash marketers and hedgers respectively. As there has been additional negative rhetoric regarding trade with China recently, with no additional decline in soybean prices, it would seem that the trade issues are baked in to prices. Any relieving of tensions on the trade front, either with NAFTA or China, could result in a rebound in prices. What was not baked in are national yields in excess of 50 bushels, which have been widely discussed and confirmed by USDA in Friday's WASDE report.. If trade issues are not resolved and we wind up with 50+ bushels per acre nationwide, then there could be additional downside, but again given our previous sales, we are willing to "wait and see" for now. Do not catch-up here if you are behind in your marketings.

The proposed payments that may come as part of the $12 billion plan to mitigate the impact of retaliatory tariffs are beginning to take shape. Given that $9 billion of the $12 billion is targeted for grains, there may be as much as a $1.00/bushel payment for soybeans and something in the neighborhood of $.25/bushel for corn. While we are not sure how much or when these payments might come, we are sure that we don't want to depend on these as a crutch or substitute for good marketing right now. If trade deals are reached and prices rebound even somewhat, it is hard to say what might become of these payments. We want to continue to depend on our outlook for basis and futures, making incremental sales as opportunities present themselves, not being complacent due to a payment that may or may not come.







STRONG 2018 ETHANOL EXPORTS

With the EPA becoming very generous with refiner "hardship" waivers, it was critical for ethanol export demand to pick up – and it has. USDA data this week shows that gross exports totaled 151.5 million gallons in June, up from 91.9 million the prior month. For the calendar year to date, exports are up 33% from last year at 927.7 million gallons. At this pace, exports will shatter last year's record high of 1.38 billion gallons.

The driver of the gain is primarily Brazil, which has imported 345.9 million gallons from the U.S. in the first six months of the marketing year, up 28% from a year ago. Canada is the second-biggest customer and its purchases are up 8% year-over-year to 159.5 million gallons. India is the third-biggest customer, but its purchases are down this year. China's imports have jumped from virtually nothing to 52.9 million gallons in 2018, although almost all of that demand was in February and March, before the U.S.-China trade war kicked into gear.

Net exports of 138 million gallons were up from 72 million the prior month, and for the year net exports are up 26%.

DDG EXPORTS UP DESPITE CHINA

Distillers' dried grain exports also increased, for the third time in four months. EIA reported DDG exports of 1.035 MMT in June, up from 994,000 the prior month. For the marketing year to date, exports are up 2%. This comes amid a time of plummeting prices and very limited demand from China. Top buyers in June were Mexico, Turkey and South Korea, all of which imported more than 100,000 metric tons.

THE ANDERSONS SWINGS TO PROFIT

Despite the strong recent export sales, The Andersons Inc. warned that ethanol exports remain at risk due to the ongoing trade dispute. Overall, the second-quarter for the Ohio-based ethanol producer and grain merchasdiser showed improvement. The company earned $21.5 million overall, or 76 cents a share, compared to a loss of 94 cents a share a year ago. Ethanol was a big part of the improvement, as the segment earned $6.1 million, up from $4.7 million a year ago. Grain group earnings also rose.

NEAR-RECORD HIGH OUTPUT

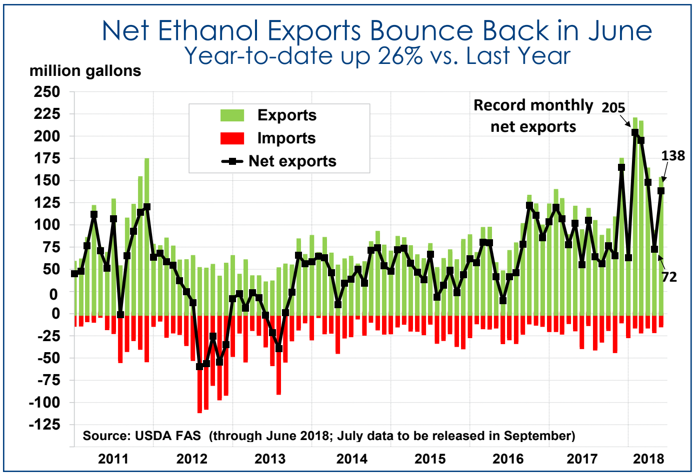
Ethanol output was sharply higher in the week ended Aug. 3, nearing an all-time high. EIA reported output of 1.100 million barrels per day, up significantly from 1.064 million the prior week. This is just short of the record of 1.108 million set in late November. The four-week average for production is up 6.2% from a year ago. However stockpiles also surged. EIA reported ethanol stocks of 22.9 million barrels, up from 22.0 million the prior week and up 7.4% from a year.

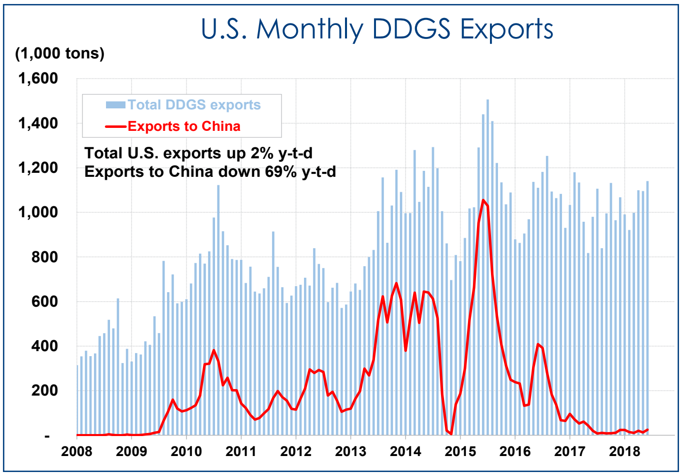
Gasoline stocks also surged, in what was a bearish EIA report for the crude complex. Gasoline demand fell sharply to 9.346 million barrels, down from 9.878 million the prior week. It's not wise to read too much into a single week, and the four-week average is only down 0.7% from a year ago. Still, that is a big drop. Meanwhile, EIA showed crude oil stockpiles slipped to 407.4 million barrels, from 408.7 million the prior week. Analysts were expecting a drop of more than 3 million. Stocks are down 14.3% year-over-year.

IRAN SANCTIONS UNDERPIN CRUDE

That bearish weekly EIA report sent the crude market tumbling to a seven-week low on Wednesday, as traders shifted their attention away from Iran sanctions. President Trump helped to spark a rally in crude at the start of the week by taking to Twitter to decclare that sactions on Iran are back in effect. He called them "the most biting sanctions ever imposed, and in November they ratchet up to yet another level."

The rhetoric put to rest the notion that the U.S. might still allow for some Iranian exports. Iran will not stop exporting completely, as China, Russia and India all indicated they would continue to buy Iranian crude. But analysts are expecting the Iranian exports to drop by more than a million barrels per day. The sanctions also prohibit investment in Iran's oil industry, which could hinder future production.





COMMENTARY

What a wild ride this has been. In a month's time December futures have rallied over a dollar per bushel. Production problems worldwide, particularly among exporting countries, has driven this market.

Clearly, in July, wheat prices were fundamentally underpriced and borderline excessively cheap. That has now been corrected. Technically, wheat futures are in a five-wave formation. If one wants to be aggressive on a selling side, the five-wave sell signal would be given in December futures on a close below $5.791/2 which was the low of the high day on August 2. Definitely worth paying very close attention to.

The wheat market still seems to have factored in European crop issues and tighter world supplies for now. It may take some type of bullish surprise from USDA to keep prices headed higher in the near term.

Nearby Sep. SRW wheat continues to have nearby chart support at $5.61 3/4, with the market's 10-day moving avg. potential support at $5.58 and stronger support still at Monday's low of $5.51 1/2.

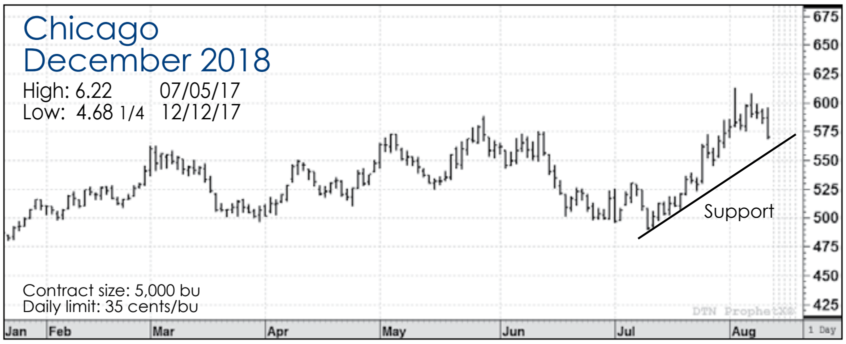
Should the market close below that support area, it could be a free fall down to $5.40. At this stage it's going to be difficult for this market to get above $6.10.

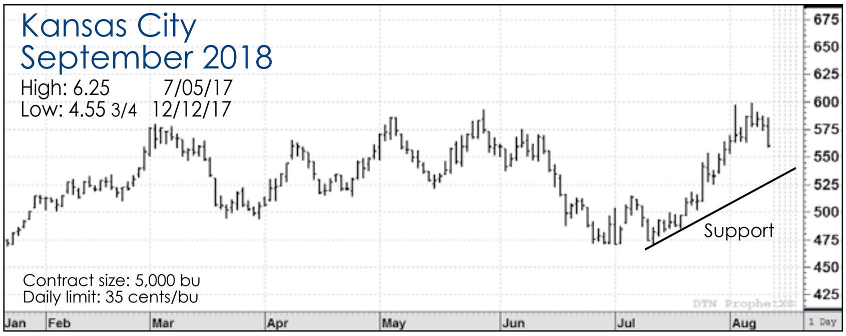
Cash-Only Marketers' Strategy: 40% is sold in the cash market. Catch up if you're not there.

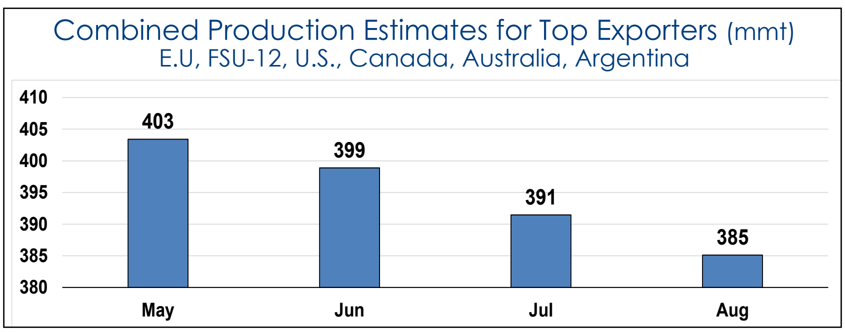
Hedgers' Strategy: Cash sales were moved from 50% to 60% this week. Sit tight for now.

U.S. SUPPLY & DEMAND

	USDA		Brock	
Marketing year begins June 1	17/18 Est.	18/19 Proj.	17/18 Est.	18/19Proj.
ACREAGE (million)				
Planted Area	46.0	47.8	46.0	47.8
Harvested Area	37.6	39.6	37.6	39.6
Yield	46.3	47.4	46.3	47.7
SUPPLY (mil bu)				
Beg. Stocks	1,181	1,100	1,181	1,100
Production	1,741	1,877	1,741	1,889
Imports	157	135	157	130
Total Supply	3,079	3,112	3,078	3,120
USAGE (mil bu)				
Food/Seed	1,028	1,032	1,027	1,037
Feed & Residual	48	120	50	130
Domestic Use	1,077	1,152	1,077	1,167
Exports	901	1,025	901	960
Total Use	1,978	2,177	1,978	2,127
Ending Stocks (May 31)	1,100	935	1,100	993
Stocks/Use	55.6%	42.9%	55.6%	46.7%
Farm Price ($/Bu)	$4.73	$4.60-5.60	$4.73	$4.60-5.45

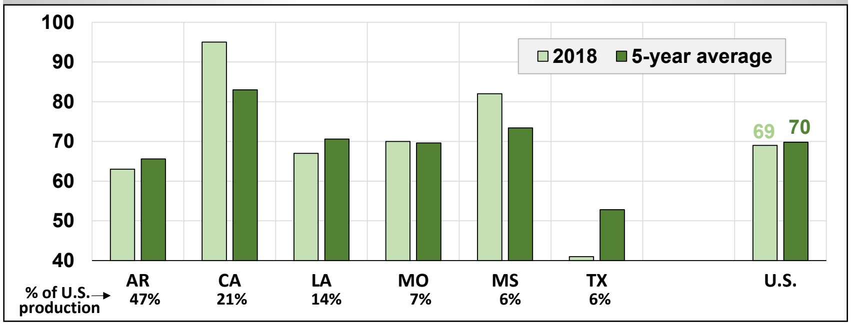






RICE

U.S. Rice Condition, Percent Good to Excellent vs. 5-yr.Average



COMMENTARY

Rice futures continued the slide that began last week, collapsing a full dollar per hundredweight to $10.48 in the September contract before recovering Thursday. But Friday's USDA report confirmed what the futures portended by increasing an already large carryout by another 1.3 million cwt. to 43.6 million. Changes to the balance sheet were many, starting with a sharp drop in old-crop exports of 3.5 million cwt., offset by a modest 1 million increase in domestic use. A reduction in new-crop yield of 2.1 million cwt. was offset by a sharp reduction in exports of 4 million and an increase of 3 million for domestic use. Several significant plusses and minuses that added up to a small but unwelcome increase in carryout.

On the bright side, weekly export shipments totaled 67,600 MT, up strongly from 32,000 MT last week - the weekly total included 39,100 MT of old-crop shipments

Strategy: We are 100% sold for the 2017 crop for all marketers. For 2018, we are happy to be 50% sold for all marketers, having added 10% to our position last Friday.

World Rice Supply & Demand

	Beginning Stocks	Production	Exports	Total Consumption	Ending Stocks	Stocks/Use Ratio
2011/12	100.04	468.11	39.96	458.67	109.48	23.9%
2012/13	109.48	473.95	39.41	464.45	118.98	25.6%
2013/14	118.98	478.99	43.06	475.88	122.08	25.7%
2014/15	122.08	479.77	43.61	473.86	127.99	27.0%
2015/16	127.99	473.24	40.30	468.41	132.82	28.4%
2016/17	132.82	486.71	47.21	482.76	136.77	28.3%
2017/18	**136.77**	**488.54**	**48.25**	**481.50**	**143.82**	**29.9%**
Change from July	0.00	-0.06	-0.07	-0.01	-0.05	0.0%
2018/19	**143.82**	**487.57**	**49.26**	**487.81**	**143.57**	**29.4%**
Change from July	-0.05	-0.23	0.04	-0.10	-0.18	0.0%

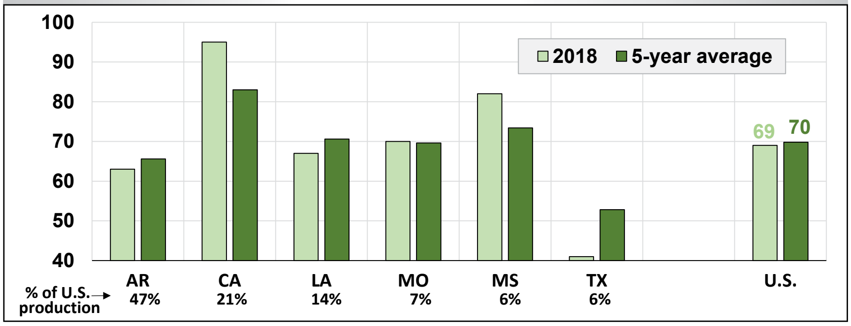
Values in million metric tons; bold numbers are USDA projections.

U.S. SUPPLY & DEMAND

	USDA			Brock	
Marketing year begins Aug 1	16/17	17/18 Est.	18/19 Proj.	17/18 Est.	18/19 Proj.
ACREAGE (Mil. Acres)					
Planted Area	3.15	2.46	2.84	2.46	2.84
Harvested Area	3.10	2.37	2.80	2.37	2.80
Yield (Pounds)	7,237	7,507	7,523	7,507	7,446
SUPPLY (Mil. cwt)					
Beg. Stocks	46.5	46.0	34.8	46.0	32.3
Production	224.1	178.2	210.9	178.2	208.5
Imports	23.5	27.0	27.0	27.0	26.5
Total Supply	294.1	251.3	272.6	251.3	267.4
USAGE (Mil cwt)					
Domestic & Residual	131.4	130.0	131.0	129.0	122.0
Exports	116.7	86.5	98.0	90.0	98.0
Rough	42.5	29.0	34.0	30.0	34.5
Milled (Rough Eq.)	74.2	57.5	64.0	60.0	63.5
Total Use	248.0	216.5	229.0	219.0	220.0
Ending Stocks	46.0	34.8	43.6	32.3	47.4
Farm Price ($/cwt)	10.40	12.50	11.40 - 12.40	12.30-12.90	11.00-12.00

RICE

U.S. Rice Condition, Percent Good to Excellent vs. 5-yr.Average



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2014/15	122.08	479.77	43.61	473.86	127.99	27.0%
2015/16	127.99	473.24	40.30	468.41	132.82	28.4%
2016/17	132.82	486.71	47.21	482.76	136.77	28.3%
2017/18	**136.77**	**488.54**	**48.25**	**481.50**	**143.82**	**29.9%**
Change from July	**0.00**	**-0.06**	**-0.07**	**-0.01**	**-0.05**	**0.0%**
2018/19	**143.82**	**487.57**	**49.26**	**487.81**	**143.57**	**29.4%**
Change from July	**-0.05**	**-0.23**	**0.04**	**-0.10**	**-0.18**	**0.0%**

Values in million metric tons; bold numbers are USDA projections.

U.S. SUPPLY & DEMAND

	USDA			Brock	
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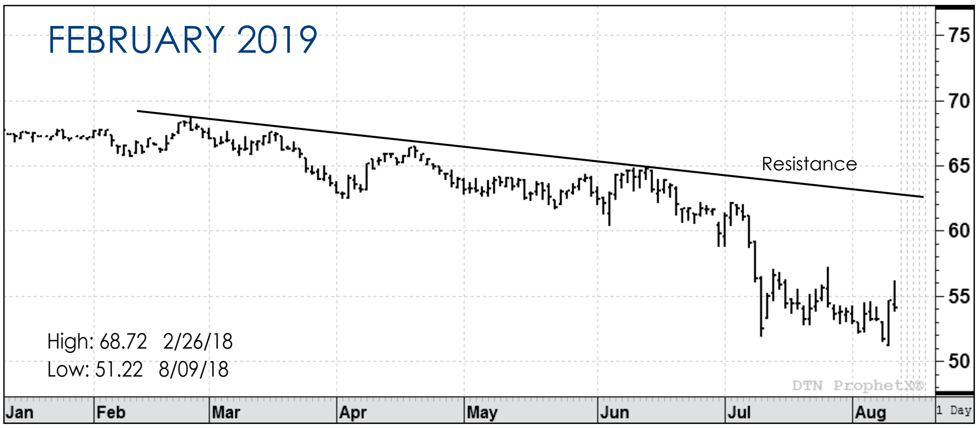
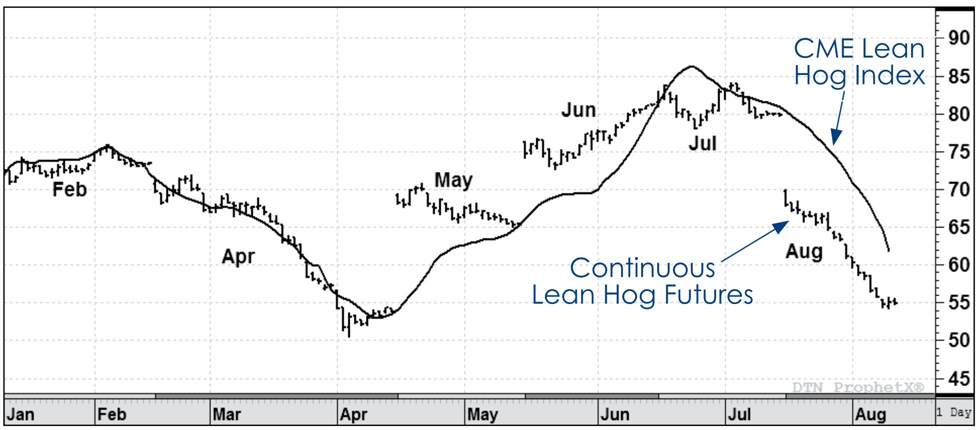
ACREAGE (Mil. Acres)					
Planted Area	3.15	2.46	2.84	2.46	2.84
Harvested Area	3.10	2.37	2.80	2.37	2.80
Yield (Pounds)	7,237	7,507	7,523	7,507	7,446
SUPPLY (Mil. cwt)					
Beg. Stocks	46.5	46.0	34.8	46.0	32.3
Production	224.1	178.2	210.9	178.2	208.5
Imports	23.5	27.0	27.0	27.0	26.5
Total Supply	294.1	251.3	272.6	251.3	267.4
USAGE (Mil cwt)					
Domestic & Residual	131.4	130.0	131.0	129.0	122.0
Exports	116.7	86.5	98.0	90.0	98.0
Rough	42.5	29.0	34.0	30.0	34.5
Milled (Rough Eq.)	74.2	57.5	64.0	60.0	63.5
Total Use	248.0	216.5	229.0	219.0	220.0
Ending Stocks	46.0	34.8	43.6	32.3	47.4
Farm Price ($/cwt)	10.40	12.50	11.40 - 12.40	12.30-12.90	11.00-12.00

HOGS





COMMENTARY

Lean hog futures started the week sliding further under pressure from continued seasonal weakness in cash hog and wholesale pork prices. Nearby Aug. futures continued to make new lows on a daily basis, while Oct., Dec. and Feb. futures also fell to new contract lows. Futures reversed dramatically higher, however on Thursday, signalling a possible significant price low.

While futures may have put in significant lows this week, more follow-through will be needed for confirmation, especially as there was no apparent fundamental news behind Thursday's bullish reversals. Deferred futures on Friday morning initially showed strong follow-through to the upside, but then faded badly. Oct. futures charted an outside week, but ended barely higher on the week.

Even if the futures bottom is in, that does not mean futures have big upside in the near term. As noted in the lead story, hog supplies are large. Cash prices are likely to continue to decline seasonally into the fourth quarter.

Technically, Oct. lean hogs should now have significant chart resistance at $54.00 and near $56.00. Feb. futures appear to have significant resistance at $56.20-$57.20. A Feb. close above $57.00 would open upside to $60.00-$61.00. Key chart support is at $47.83 basis Oct. and $51.23 basis Feb. futures.

USDA today lowered its cash hog price forecasts for Q3 and Q4 by another $2 per cwt each, despite lowering expected second-half pork production slightly. The impact of tariffs on U.S. pork exports is starting to show up with exports slowing during July. USDA today trimmed its 2018 pork export forecast slightly and lowered its projection for 2019 exports by 1.1%. The composite pork cutout value on Thursday remained nearly 25% below last year.

Hedgers' Strategy: Hedgers are back aside futures after lifting Oct. futures hedges on 50% of Q3 and Q4 marketings on Thursday.

COMMENTARY

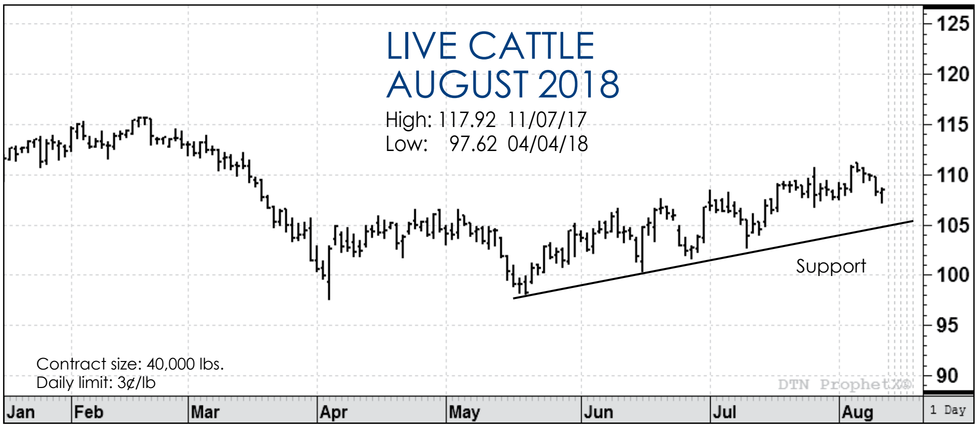
Live cattle futures traded lower most of this week, falling to 2-3 week lows on Friday morning under pressure from speculative profit taking and expectations for weaker cash markets due to continued large market-ready cattle supplies. As we write this, however, futures are trying to rally after nearing the bottoms of their recent upward trading channels and the further downside risk could be limited.

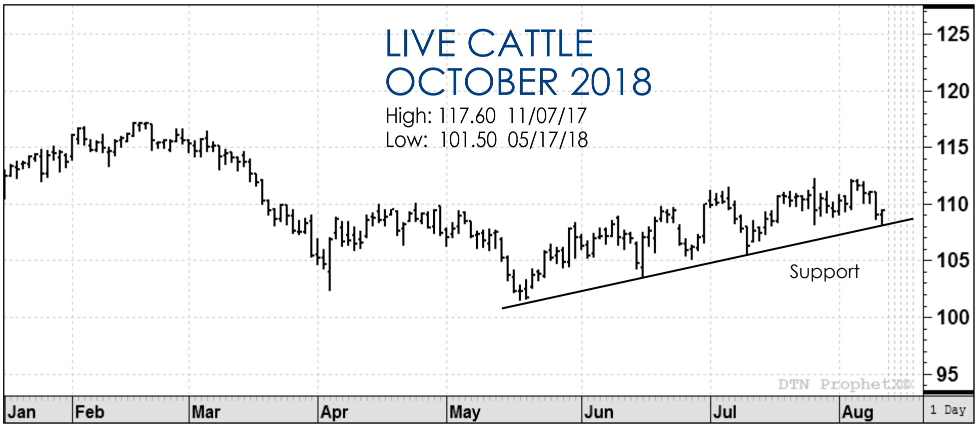
Most-active Oct. live cattle have key chart support at roughly $107.85-$108.20. A Dec. futures close below $112.00 would open $2-$4 more downside risk from a technical standpoint. Nearby live cattle futures are now working on a weekly reversal down off of a 14-week high on the weekly live cattle futures continuation chart. A nearby futures close below $107.00 would open some risk of a drop back to long-term support at about $101.50-$102.50. Fundamentally, the odds that futures will drop that far in the near-term look fairly low.

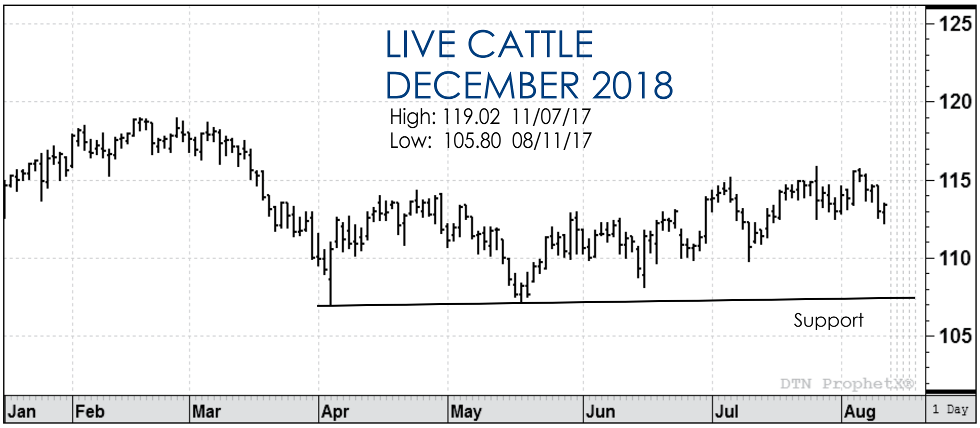
Feeder cattle futures have sold off to 4-5 week lows, but have reached some fairly important chart support. Feeders will likely take much of their direction from the live cattle market. A close by Nov. feeder cattle futures below their 100-day moving average near $147.50 would open another $2-$4 of downside risk from a technical standpoint.

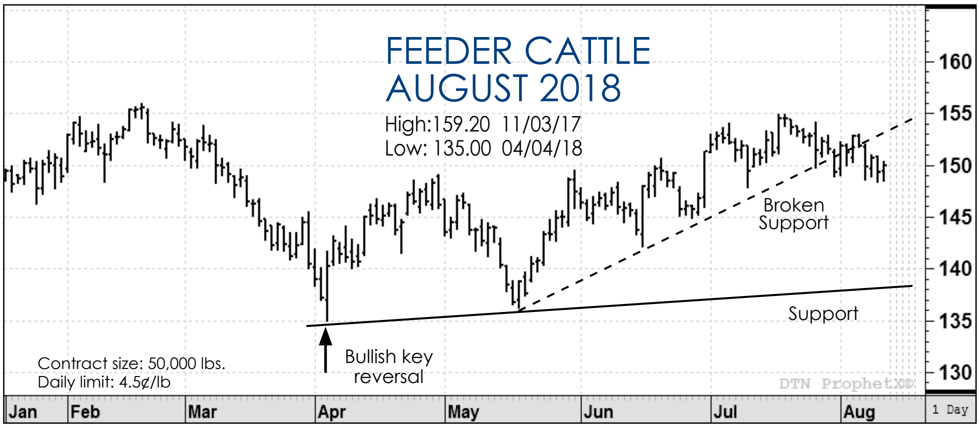
Moderate live cattle trade developed in Nebraska at $110-$112, down from $113-$114 last week, but southern Plains markets remian quiet at midday on Friday with feedlots there holding out for $115 and packers offering $110. Beef demand remains strong, especially in the export market. While July feedlot placements are thought to have been up from last year, July marketings should have been strong also -- 108% of last year or better

Hedgers' Strategy: Live cattle marketers remain short Dec. 2018 live cattle futures against 25% of Q4 marketings.Feeder cattle marketers are short Nov. feeder cattle futures against 25% of Q4 sales.

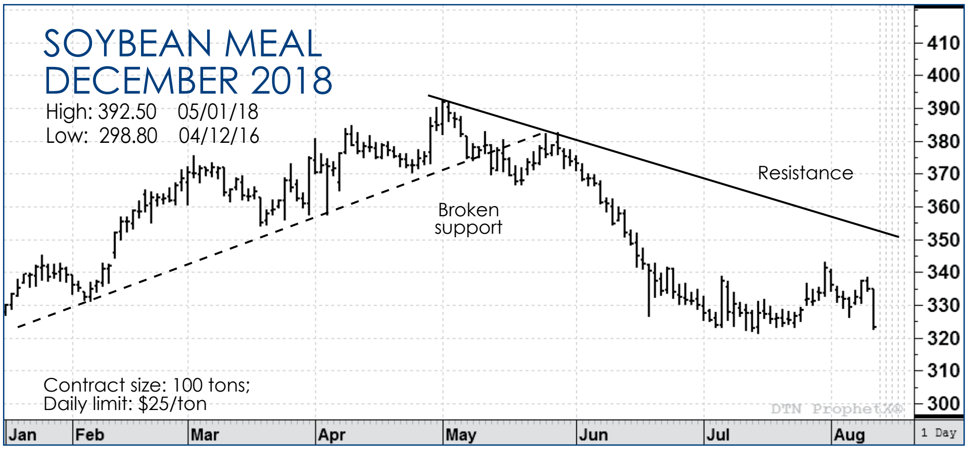


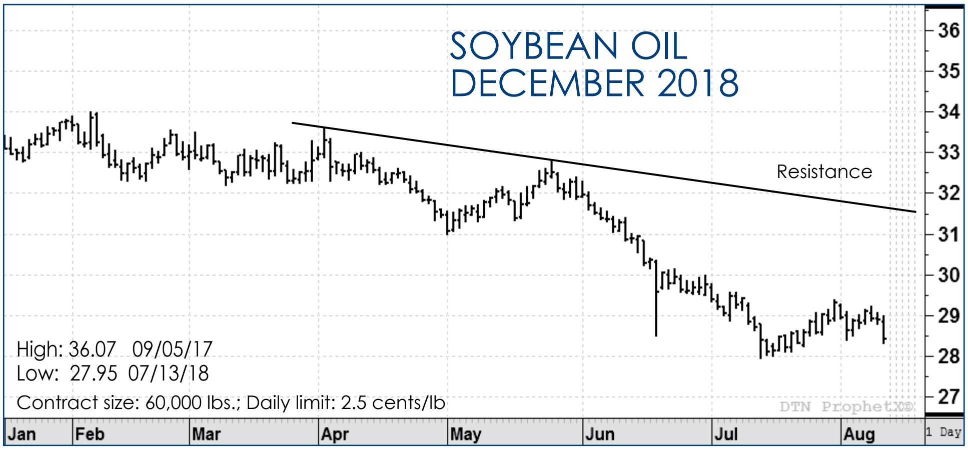


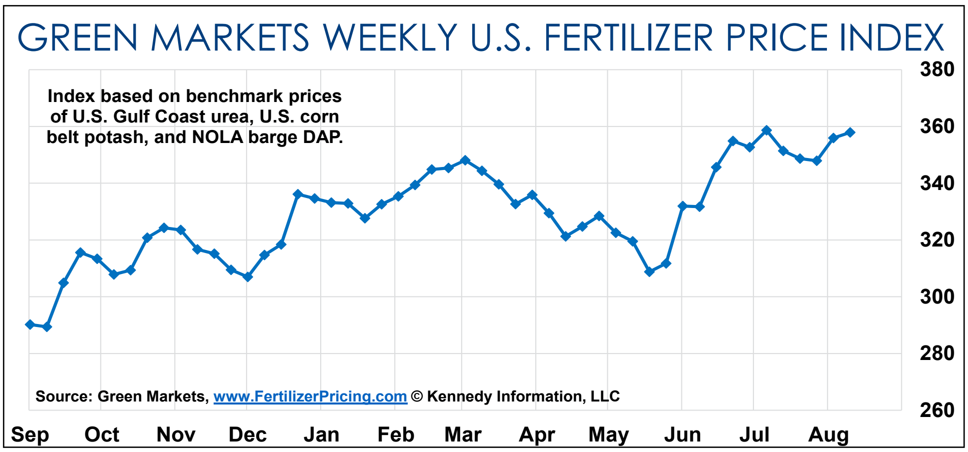


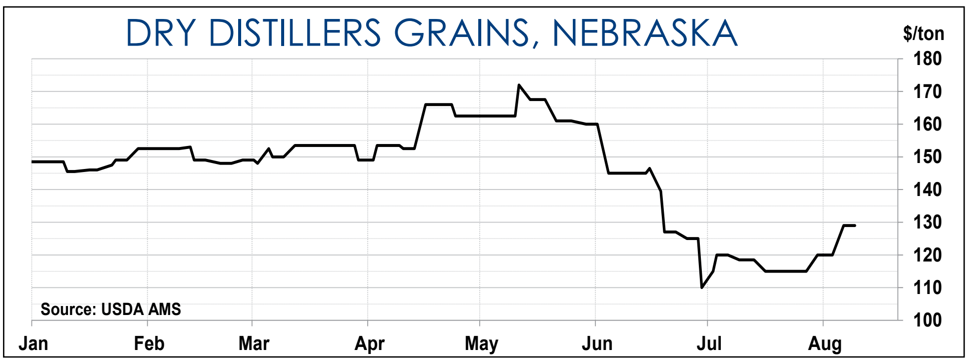


FEED & FERTILIZER









COMMENTARY

Feeds: It was a fairly wild week in feed prices with evening up prior to Friday's release of the USDA crop report. It is difficult to determine what fundamentals are more important than others right now when the anticipation of a large soybean and corn crop is coming in, substantial amounts of old-crop corn are currently moving to market depressing basis levels throughout the Midwest and yet crush remains extremely strong and demand for meal is very strong.

With all of that said, this is a buyer's market for feed. Cash corn prices will remain very depressed relative to nearby futures for at least the next six weeks. Buyers of corn should accumulate cash positions and fill all available storage. In the soybean meal market, upside potential may not be large but the downside risk is also small. We still like being 50% covered through year-end. Depending on the reaction after Friday's (today) crop report, we may want to be more aggressive.

Ethanol prices have dropped substantially in the last week and DDGs have at least somewhat stabilized. In these two categories we see no reason to be an aggressive buyer as of right now.

Fertilizer: Fertilizer prices are remaining firm for the most part and we anticipate that they will continue to do so through harvest. With the anticipation of increased corn acres this coming spring, fertilizer demands for this fall will likely be higher than a year ago.

Natural Gas: Futures prices continued to rally substantially this week testing the June highs. Two weeks ago we recommended purchasing propane and natural gas, all that is needed for this fall's drying. It would appear as though this market is going to continue higher. If you haven't made your purchases, do so.

COMMENTARY

Economics lessons can be found everywhere. A rapidly developing financial and political crisis in Turkey is creating a ripple effect in currency markets and bank shares in Europe and beyond. The situation reminds us of an exchange in an Earnest Hemingway book: When a man was asked, "How did he go bankrupt"? he responded, "Slowly at first, then all at once".

The Turkish Lira was in freefall this week, plunging another 17% vs. the U.S. dollar. It is down 50% this year. Turkey's currency crisis stems from its current account deficit, the 2nd highest in the world, and its growing inability to finance it with debt as do other countries including the U.S. New U.S. sanctions imposed on Turkey last week in protest against Turkey's detention of a U.S. citizen was the nail in the coffin. Turkey's problem extends to Spanish, French, and Italian banks which have lent $138 billion to Turkey. U.S. banks are owed $18 billion. Absent a bailout from the IMF and/or a write-down of debt, the risk of a sovereign debt default is increasing. Inflation in Turkey has surged to 16% and interest rates to 18%.

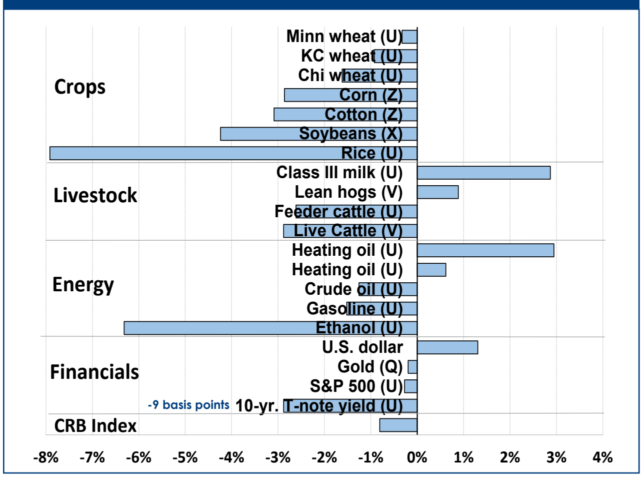
U.S. dollar breakout! The dollar index surged over a point to a 13-month high, gaining 1.7% vs. the Euro on European bank exposure to Turkish debt, and 2.0% vs. the British Pound as it appears increasingly likely that the U.K. may be forced to leave the EU without a trade deal in place.

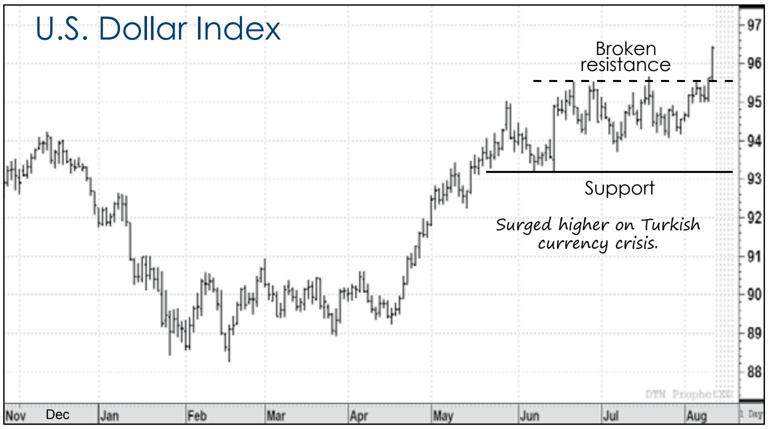
Global equity markets retreated Friday on the possible contagion effect from the Turkish currency crisis. The S&P 500 gave up earlier gains and is currently down 0.4% for the week, but an index of European blue chip stocks fell 1.7% and emerging market stocks fell 2.5% to a near 1-year low.

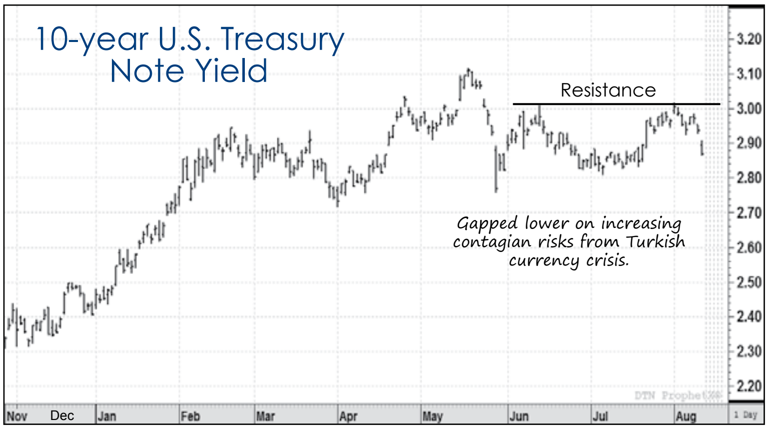
The currency crisis put a bid on the relative safety of U.S. Treasury securities. The 10-year T-note yield fell a big 9 basis points for the week to 2.86%, safely under the recent multi-year high of 3.11%.

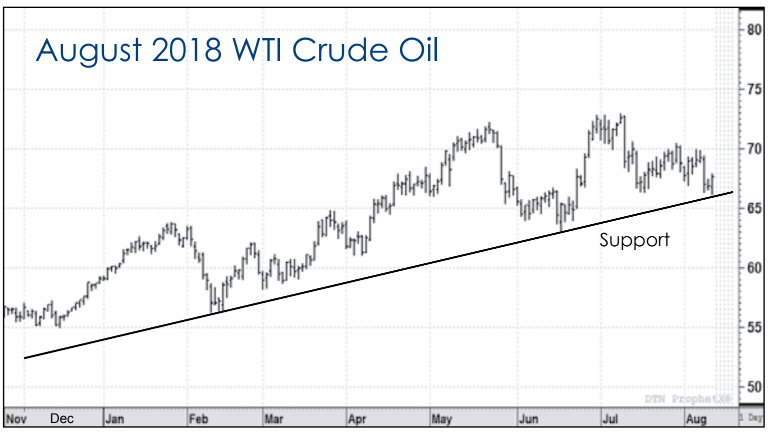
In economic news, inflation data shows a pause in inflationary pressures at the wholesale level for the month of July, but steadily increasing price levels for consumers. Producer prices (PPI) didn't increase at all last month, but are up 3.3% vs. year ago levels, the highest of the recovery. At the consumer level (CPI), prices rose 0.2% last month and 2.9% year-over-year, the highest since early 2012. Core CPI rose 0.2% for the month and 2.4% year-over-year, the highest since late 2008. Creeping inflation will keep pressure on the Fed to continue raising rates, supporting the dollar.

WEEKLY COMMODITY RECAP*









* Changes on most active contract; this page updated at 1:00 Friday before the market close.

THE BROCK REPORT POSITION MONITOR

THE WEEK AHEAD: The trade could spend the early part of the week digesting Friday's USDA report, before turning attention back to August weather and any news on the trade front. NOPA issues its monthly soybean crush report on Wednesday. A number of reports will provide a picture of the economy on Wednesday, including Retail Sales. Monthly Housing Starts come out on Thursday.

Bolded %'s highlight changes made this week

CORN

	17/18	18/19
Strictly Cash	100%	30%
Hedgers Cash	100%	**20%**
Hedgers F&O	0%	0%

SOYBEANS

	17/18	18/19
Strictly Cash	100%	40%
Hedgers Cash	100%	30%
Hedgers F&O	0%	**20%**

WHEAT

	17/18	18/19
Strictly Cash	100%	**50%**
Hedgers Cash	100%	50%
Hedgers F&O	0%	0%

RICE

	17/18	18/19
Strictly Cash	100%	50%
Hedgers Cash	100%	50%
Hedgers F&O	0%	0%

COTTON

	17/18	18/19
Strictly Cash	100%	50%
Hedgers Cash	100%	40%
Hedgers F&O	0%	**20%**

SPECULATIVE POSITIONS

	Open Positions	Profit (loss)
Soybeans	L2SX8 @ $9.18	($1,400)
Lean hogs	L1HEZ8 @ $53.37	($2,300)
Live cattle	S1LEZ8 @ $113.20	
	Open positions sub-total:	($3,700)
	Closed positions sub-total:	$4,385
	2018 Total Profit (Loss) as of 8/9/2018:	$685

There is a risk of losses as well as profits when trading futures and options. Position size is based on account size of $60,000. Profit/(loss) does not include brokerage commissions.

LIVESTOCK

HOGS	18-III	18-IV	19-I	19-II
Futures	**0%**	**0%**	0%	0%
Options	0%	0%	0%	0%

CATTLE	18-III	18-IV	19-I	19-II
Futures	0%	25%	0%	0%
Options	0%	0%	0%	0%

FEEDERS	18-III	18-IV	19-I	19-II
Futures	0%	25%	0%	0%
Options	0%	0%	0%	0%

MILK	Jul	Aug	Sep	Oct
Cash	0%	0%	0%	0%
Futures	0%	0%	0%	0%

FEED PURCHASES

CORN	18-III	18-IV	19-I
Cash	0%	0%	0%
Futures/Options	0%	0%	0%

MEAL	18-III	18-IV	19-I
Cash	25%	0%	0%
Futures/Options	0%	**0%**	0%

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