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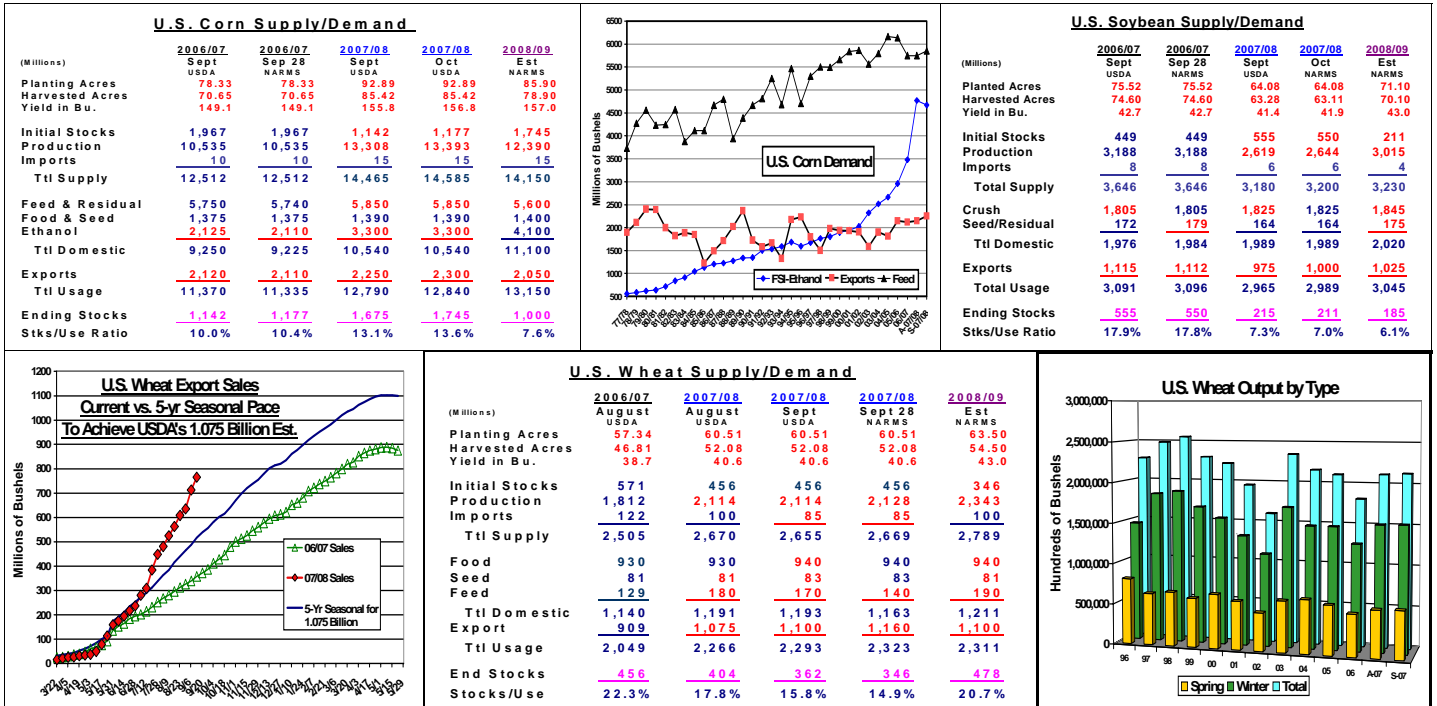
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# Limited Changes in Stocks and Wheat Reports Expected



This Friday's quarterly U.S. grain stocks updates and U.S. small grains report aren't garnering much attention ahead of their releases after the USDA adjusted its demand levels earlier this month. Still, crop-size adjustments in soybeans and harvested acre changes in wheat could prompt a surprise or two.

After decreasing ethanol usage by 25 million bu. earlier this month because of curtailed new-plant startups, this demand level might still be 15 million too high because of moderate new-plant activity this summer. Some late-season slippages in exports and this summer's reduced feedlot cattle numbers could mean some minor 10 million bu. declines in these other two main demand levels, but 2006/07 ending stocks might increase only modestly to 1.177 billion later this week.

Late-season strength in crush and export demand prompted the USDA to increase both these soybean usage levels earlier this month. Recent data seems to confirm this year's September soybean ending stocks may not change much vs. the USDA's current 555 million bu. projection. However, high residual disappearance on previous quarterly bean stock reports could mean that some slight adjustment in last year's crop could also occur, but this adjustment probably will be modest if it does.

Wheat stock levels in the September report will be our first measure of this year's feed usage for this crop. Despite this year's high prices, extremely wet conditions during harvest caused sprouting, low test weights and other field damage, prompting a portion of the crop to be feed vs. being utilized for commercial purposes. This year's strong foreign demand because of reduced overseas supplies also prompted the highest summer quarter export shipments (about 315 million bu.) since the 1999/2000 crop year, suggesting this year's stocks will be 1.844 billion bu., up just 93 million from last year. With only a modest 14 million bu. increase in total wheat output expected on this year's Small Grains report (a 6 million increase in winter, 7 million up in spring and 1 million jump in durum), this year's U.S. supplies will remain modest with export demand possibly increasing next month because of the rapid sales pace to date.

With wheat in a highly emotional state, producers should market your final 10% of 2007/08 output at current values and have 2008/09 sales at 35-40% after hitting \$6.35-\$6.40 for second time this week. 2007/08 corn and soybean sales should be at 35-40% & 40-45% as we look at \$10.35-\$10.50 and \$3.85-\$3.90 levels for next sales.

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