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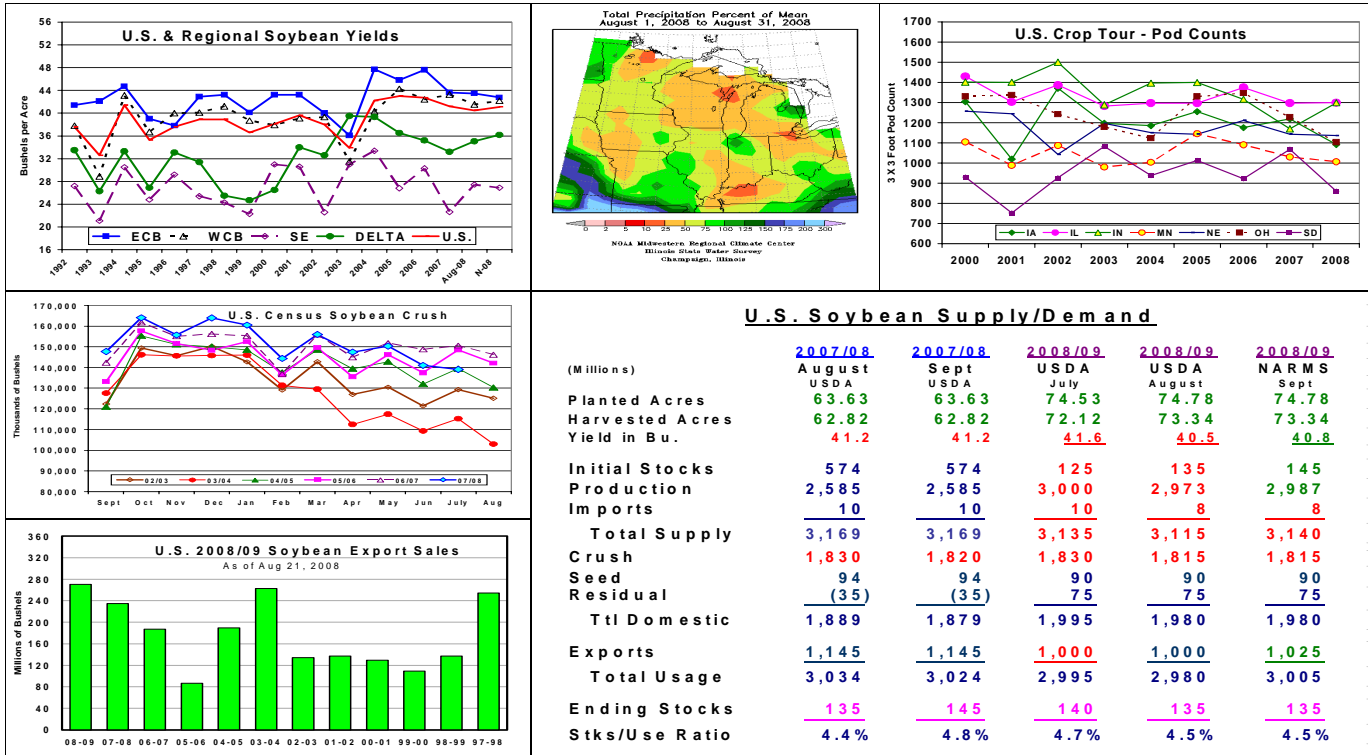
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## Erratic Weather Makes Soybean Yield the Market's Focus



For the 2nd year a row, August weather wasn't positive for U.S. soybean production. After excessive moisture delaying planting across the Midwest this spring, cool temperatures limited plant growth through July. Then below normal rainfall across the majority of the U.S. growing area last month prompted output concerns before hurricane rainfall arrived in many areas the past few weeks. Because of these extremes, the USDA's September 12 soybean crop update will be highly anticipated and could be highly influential on the coming year's agricultural prices.

Building dryness was noted during last month's Midwest crop tour, but this year's late start and cool temperatures during the growing season reducing pod counts in most areas for second year in row probably is a more important factor. Because of tour numbers and dryness continuing in ECB and SE until last week's hurricane rains, we reduced these two areas average yields by 0.7 and 0.5 from last month while rains during late August prompted us to raise the WCB and Delta's average prospects by 0.7 and 1.0 bu per acre vs the USDA's August levels. Overall, September's U.S. bean output estimate may rise 14 million to 2.987 billion resulting in 40.7 national yield, but the impact of this year's growing season on 2008 crop size probably won't be known until producers combines hit the fields another two-three weeks.

Strong late-season export shipments suggest that the USDA's old crop export forecast (1.145 billion) will likely be achieved, but disappointing Census crush reports the past two months prompts us to expect the USDA's 2007/08 processing demand will likely be cut by 10 million bu. resulting in 10 million bu. increase in old-crop stocks to 145 million on Friday's soybean supply/demand update.

Overall, 2008's U.S. soybean crop doesn't appear likely to improve our internal tightness or expand world supplies sharply suggesting that South America's planting & growing conditions & the need for more U.S. seedings could prompt stronger post-harvest prices. However, negative economic news & limited pre-harvest demand could let spot prices slip to \$11-\$11.35 range over the next month if no early frost occurs in U.S. in the next few weeks.

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