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Corn

CU closed at 476 dn 11.5 and CZ closed at 463.75 dn 3.25. Outside markets were fairly muted. Generally favorable weather continues to be forecast (cool and moist). Cash trade was light today with bids and asks 10-20c apart at eth plants but generally 25-40c firmer than last Friday. Hereford seemed firmer with values in the 230 range (vs. 190 last Friday), Grp 3 was around 150 (vs. 115 last Fri). Active liquidation of CU/CZ bullspreads (48k contracts traded) and outright long liquidation was the feature Friday. CU/CZ moved in tandem with the basis last week on the collapse dropping from 47 to 14.5. It strengthened to 23 TW before falling back to 12.0 today. Liquidation heading into the GS index roll which begins Wednesday and conventional wisdom that CU/CZ always collapses drove the spread today. Given that basis levels continue far above convergence, DP longs should be in the CU and if you are 80% or greater DP short, some CU/CZ should be owned. New crop activity from the farmer continues muted with cash bids in the 430-440 range vs. assumed crop insurance floor of 480 for 85% coverage. Anecdotal yield reports are starting to circulate with 200+ being commonly reported. Yearend cooperative financial reports are starting to surface showing wide divergence. There are some good earning out there, and there are some significant losses. We think the divergence is somewhat locational as production and quality were not uniform, but we also think the complexity of merchandising in an inverse market was a big factor. Have a great weekend.

Jeff Hainline

Beans

A \$.41 $\frac{1}{2}$ cent trading range in the SQ futures on Friday, but settling near the low, down \$.26 $\frac{3}{4}$'s at \$13.31. As the trading session worked its way through the day, Doppler radar watchers were witnessing very good rains work their way into NW Iowa. Eastern Nebraska had caught some nice rains on Thursday night, and the outlook is for more chances or good rains as we enter the week. Also, once the market took out the old low of \$11.86 $\frac{1}{2}$ SX3, established back in April, it triggered sell stops. The SQ3/SU3 eased back \$.04 $\frac{3}{4}$'s cents to settle at \$1.18 $\frac{3}{4}$'s, and the SQ3/SX3 dropped \$.16 cents to \$1.49 $\frac{1}{4}$ cents. Cash markets were steady/easier, but it also felt like there were some front-running of the Goldman roll that commences this coming Wednesday. Didn't hear many basis pushes on Friday. Also, didn't hear much producer activity of any kind on Friday. Expecting crop ratings to stay steady on Monday afternoon. FH Aug CIF soybeans were weaker, bid +\$1.90/offered +\$2.10; about a dime weaker. Front end basis weakening allows the spread to weaken too. We should get more private estimates out on Monday, giving their latest estimate of crop sizes. Last trading date for August soybeans is

Aug. 14th. No deliveries to date, but a weaker basis can change that story. The SX3/SF4 spread closed at \$.05 $\frac{3}{4}$'s on Friday.

Jack Fitzgerald

Wheat

Wheat futures closed marginally higher on Friday though trade would best be described as sluggish. For the week, Chicago and KC September futures posted ~15¢ gains while Mnpls improved 6 cents/bu. Brazilian demand and quality issues in Russia/EU continue to be the persistent news items being highlighted. Bullish momentum was aided by a 400 point lower dollar index and technical traders watching the charts. US export demand for Q1 was expected to be solid, and the surprise inclusion of Brazil purchases has only added to that timing, but global competition is becoming a factor to watch. Basis activity was uneventful. Onset of spring wheat harvest is pushing stocks to the market (both old and new crop) which is pressuring basis values. Demand still trending away from higher protein HRW. Scales indicating a 25 cent discount for 13's vs 12's. Overall basis values are roughly 35-40 cents off peak values of 2 weeks ago, but remain within striking distance of DVE levels. One open interest observation of note- December KC futures open interest is the 2nd lowest seasonal total in the last 5 years, substantially behind last year's observations. In comparison, September KC futures open interest is the largest in the last 5 years for the first day of August. Might be tough to draw too much of a spread bias from this, but it does demonstrate the imbalance towards the spot month and eventual spread volume. Difficult to argue against the logic for spread strength- we fed record levels of wheat, found some new demand, producer didn't sell wheat, and stocks/use is tighter than previous years. The counter point will be basis is weakening, wheat feeding is ending, moisture will allow for an increase in acres and globally it appears the crop is going in the bin. Safest bet is to scatter hedges and stick with nearby positions on what you can logistically move. Have a great weekend!

Kelly Herrick

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