Grainscoop 1

Subject: Advance Insight - 12/10/13
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Sent: Tuesday, December 10, 2013 4:49 PM
To: Undisclosed recipients:
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Corn

Corn ended the day slightly lower, March corn closing down 2 cents at $4.36 - report anxiety came and went and offering little in the way of excitement. USDA lowered carryout 95 mbu (versus average guess looking for a 75 mbu carryout cut) at 1.79 bbu. USDA raised exports and Ethanol usage 50 mbu each (imports up 5 mbu likely Canadian corn). Total exports now projected to be 1.45 bbu, while ethanol grind expected to be 4.95 bbu. Some in the trade were looking for an even bigger increase in exports though ATI analysts question whether or not the current USDA projection is overstated. In terms of Global numbers, USDA raised global corn production 1.45 MMT but also raised corn usage by 2 MMT(45 MMT higher usage than LY). South American corn production was unchanged versus last month. Global coarse grain ending stocks were cut by 700 K MT at 196.9 MMT. Milo balance sheet was left unchanged surprising some that felt in light of China's appetite for milo purchases, they would raise exports - ATI analysts are questioning China's intent to take everything they have purchased - stay tuned. Corn basis generally steady/firm across the board - processors paying up from published numbers, river (trading at DVE levels versus the March) and CIF values were both firmer. Western values steady on rail, still seeing some strong nearby values trading for spot truck into the western cattle/end user. Near term and the 10 to 14 days forecasts are both causing barge freight concerns - driving nearby values higher. BN Shuttles traded to extreme premiums for spot raising up Jan forward values as well. H/K corn spread closed unchanged at 8 1/2 carry - 75% of full carry. Stay classic on hedges - if they need to be in the May get them there. Consider locking in carry on some percentage of anticipated upcoming purchases versus the March at these levels as well. River values are trading at or better than DVE which will only cause tighten spreads.

Paul Dubravec

Beans

The old saying of "Buy the rumor and sell the fact" appeared to take place today after the USDA report was digested. Today's report came out as expected with the U.S. bean carryout at 150mbu vs the average trade guess of 153. World carryout was approximately a MMT less than expectations at 70.6, but the USDA kept Brazil's crop estimate unchanged at 88mmt while CONAB came out with their latest estimate of 90mmt. USDA did raise their Argentina estimate 1mmt from last month to 54.5. The drop of 20 mbu from last month's carryout came a

25 mbu increase in exports a 5 mbu increase in crush while imports grew 10 mbu. Now with the report out of the way what should be your focus? Whether you're in the ECB or WCB the F/H inverse is over 16 cents and basis along the IWDS is above DVE. So while the export market remains above DVE, the processor bids have weakened to the tune of 15-30 cents especially in the WCB with futures this board rally. So if your long the basis today, what should you be doing? Recognize that we're still not trading to levels that make you want to build length and hopefully you have dropped your bid accordingly allowing you to back to back any bushels you're buying today. Those that are fortunate enough to be able to sell rail or truck beans into the export market should stay short and would look to grow that to 75% short your DP as we get closer to FND. Beans tributary to processors have the risk that spreads invert further while processors, even though their crush margins are huge, can keep their basis cheap because they know the short Jan hedgers will need to come to them. Yes, the crushers need the beans in Feb and Mar, but a 16 cent inverse plus 8 cents in interest may be more than they pay vs the H? Don't get stubborn with short Jan futures if the IWDS bids stay above DVE.

Dewey Hull

Wheat

Wheat futures closed off sharply (if 10c lower is considered "sharp" these days) as USDA released its Dec WASDE report. U.S. carryout increased 10 mbu vs expectations for an 18 mbu decline. World production was increased 5 mmt with ending stocks up 4.3 mmt from November. Domestically, imports from Canada were increased 10 mbu, with usage categories unchanged. As U.S. competitiveness begins to improve, there is a potential future increase in exports. By class, the HRW balance sheet was untouched. SRW and HRS both gained 5 mbu of the imports but SRW exports increased 5 mbu (net ending stocks unchanged) and HRS had exports cut 5 mbu (net ending stocks up 10 mbu). As a whole that leaves wheat "comfortable" but still the lowest carryout since the 07/08 tightness. Worldwide, production at 711.4 is a record. By country, notable production changes were Canada at 37.5 mmt (matches StatsCan from last week), Argentina left unchanged at 11.0 mbu which had seen expectations of a drop, and Australia up 1 mmt to 26.5 mmt. Egypt tendered for wheat post close today for Jan 10-20 shipment. Terms are normal with the usual mix of suppliers being courted. Last week's Romanian purchase was cancelled due to documentation issues. U.S. should get more competitive in this tender than in previous origins (SRW). The general weakness led to wider HRW spreads on the day with H/K trading 3c carry at one before ending at -1 ¾. New crop spreads widened as well with N/U at -11 and U/Z at -12. Long space houses can lightly step into these as crop hedges, with return to interest cost solid.

Curt Strubhar

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