

Sent: Thursday, August 08, 2013 4:36 PM
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Corn

Cool temps continue to be ideal for crop development, as long as we don't get an early frost! A private estimate out today was at 159 bpa vs. 156.5 last USDA. A yield check in Christian, IL was reported today at over 300 bpa. CU/CZ firmed $3\frac{1}{2}$ to a 14c inverse despite the FH to LH Aug basis inverse feeling a little weaker. Posted etoh bids for Aug were mixed as end-users seem to be focusing their bids around Labor Day. A few plants are reporting lines and reduced hours as the farmer/elevator has been trying to take advantage of the inverse. Continue to try and stay up to 75% short DP with longs in the CU. Anecdotal new crop yields in the Delta continue to be reported better than expected. C MO and S IL are expecting to see some new crop corn harvest during the 2nd week of Sep, about 1-week late. The HRW KU/KZ traded to a new high today of $3\frac{1}{2}$ -cents or below interest cost as demand is out pacing farmer sales, despite decent production. This is a good precursor to what the CZ/CH may do this fall if farmer sales remain low. Most elevators own 20% of what they would normally at this time of year. This has been a year of records for basis values, spread inverses and farmer balance sheets. It would not surprise me to see a record low Q1 farmer marketing's if prices stay low. We recommend having up to 50 to 75% of what you would like to own on Dec 1 bull spread at 13-cents or better.

Nathan Mangold

Beans

Funds bought about 6,000 contracts of beans, 3,000 meal and 0 oil. Chartist types are telling a bit a price friendly story. China imported a record amount of soybeans in July. The Brazilian bean vessel line up is 98 vessels, or 207 mbu, which is more than the projected US 12/13 carry of 147, and almost as much as the 13/14 projected US carryout of 227. I have a hard time grasping that the total of the US ending stock is not enough to load the vessels in line. For Monday's report, average trade estimate of US 13/14 crop is 3.257 vs. USDA July number of 3.420. Average estimate for world carryout is 61.5 MMT, same as the July number. For this report the USDA has re-surveyed farmers on acres planted, as many acres had not yet been planted when the last survey was done. Reputable agronomists point out that crop development is slow, as evidenced by Monday's progress report of 39% of crop setting pods vs. a 51% average and since beans mature based on amount of daylight and nighttime hours beans have less time to reach their full production capacity. Forecasted cool weather exacerbates this issue. The SQ3:5X3 inverse is $\$1.71\frac{1}{2}$, so if you are long the old crop bean basis and you need to estimate what your losses will be if you carry this position to new crop, $\$1.71$ bushel is a reasonable number to use.

Terry Reinhart

Wheat

The wheat market was mixed today with higher trading until mid-morning when selling pressure kept wheat markets negative and unable to rally with beans/corn. KWU3 was the only positive close, up 3, as Brazilian demand continued to offer support. Farmers remain on the sidelines and wheat remains in the feed rations possibly thru Sept- this has kept HRW basis relatively firm. Sources say export elevations at the gulf are booked about 30-days out while domestic markets are buying weekly. Gulf 12's spot bid 155/160. Wheat exports were higher than expectations, 18-26 mbu, coming in at 26.7 mbu. Strong front end demand coupled with lack of farmer selling narrowed the spread to $3\frac{1}{2}$ carry before easing back to close at -5 carry- this is the lowest level for FH August timeframe that we have seen in at least 10 years. Ultimately, HRS harvest getting underway and need for HRW elevators to make room for a better than average corn/milo crop should relieve the cash inverse in HRW and likely allow the spread to ease, assuming the producers relinquish ownership. Global wheat supplies are sufficient and recent moisture in the HRW belt should be beneficial for the 2014 wheat crop. The first large volume export of French wheat to a Middle Eastern country is expected to load soon. India approved another 2 million tonnes of wheat for exports (thru the end of March 2014) with a floor of $\$300/mt$, while current Black Sea wheat remains a significant discount at $\$240-245/mt$.

Nate Durako

Alex Grohsmeyer
Advance-Trading, Inc.
309.664.2392
agrohsmeyer@advance-trading.com

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