

AM Grain Notes
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Richard J. Feltes, VP – Research
rfeltes@rjobrien.com

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Ag markets early AM advance giving way to a more cautious trade as market digests 4 day SX/CZ gains of 26 cents/10 cents respectively.

Wheat market poised for technical breakout on charts in wake of rising Black Sea wheat prices, heavy rains in S Brazil wheat harvest areas and talk of PRC interest in Australian wheat. Additionally, global wheat sales pace brisk with EU bookings up 3.2 mmt from last year to 8.5 mmt. Suspect wheat market also on edge about Arg Ag Minister 2014 wheat production forecast of only 8.8 mmt (0.7-1.7 mmt below private sector forecasts) which if accurate suggests higher odds that B.A government will restrict wheat exports thus forcing Brazil to seek more US wheat.

Daily reporting systems indicates 222 tmt US beans sold to PRC and 140 tmt to unknown. USDA will release weekly export sales report at 2 PM CST. No word yet on when backlogged sales will be reported which Reuters poll estimates at 2.24 mmt corn, 2.86 mmt beans and 1.5 mmt wheat. Not sure release of delayed sales data is game changer as trade well aware that export sales were occurring on an ongoing basis. Trade estimates for weekly export sales are attached.

USDA will issue an updated harvest progress report on Monday Oct 21. Trade looking for soy harvest 60%+ and corn harvest at 34-36%. Catch up weekly ethanol report also released on Monday followed by regular weekly ethanol report on Wednesday.

Firm row crop basis a feature with commercial pipelines not getting enough corn or soybeans. 4 day SX/SK gain of 8 cents and SMZ/SMK gain of nearly \$6.00 suggests that exporters and processors, despite most active portion of harvest, are not buying enough beans.

Average of yield collected so far suggest USDA corn estimates on IN/IL/NE corn are low--ditto for beans in IN/IL/IA/NE/MN. Hearing corn yields in IN/OH are exceptionally good.

Weather leans negative with largely open US harvest forecast for next 10 days, warmer/dryer outlook for delayed FSU small grains and timely pre-plant rains across major Brazil soy areas. Excess rains in S Brazil wheat harvest areas and net drying across core Arg crop areas into early Nov warrant attention.

Bottom line—wheat market is worried about potential for further shrinkage in 6/14 US wheat stocks while row crop pipelines aren't getting enough new crop. With crop report still 3 weeks off—ag markets may veer to the upside to draw out more grain despite threat of higher 2013 production on 11/8.

Feltes Ag Reports will resume on Monday Oct 28. RJO Help Desk with post CWG weather and Joel Widenor will solo on twice daily RJO Radio CWG broadcasts.

Foreign Markets:

- Palm market up 2 ringgits at 2401 for weekly gain of 17 ringgits
- Paris milling wheat up 2.25 uros at 201.75
- Dalian beans up 4.5 cents, meal up \$3.10, soy oil down 9 and corn down 1.75 cents. For the week—bean down 0.75 cents/bu and meal down \$6.50

Additional items of interest include:**Outside Markets:**

- **(RJO NY's Janet Mirasola)** Chinas' third quarter GDP came in as expected at 7.8% suggesting that the government's target of 7.5% for the year will be met. Industrial Production at 10.2% and Retail Sales at 12.9% also met the expected targets giving investors little reason to be overly excited. The MSCI Asia Pacific Index rose by 0.4% and the Nikkei gave back 0.17% of value. Shanghai Shares managed to eke out only a 0.21% gain as traders there showed a little disappointment in the eco results. After a successful game of kick the can the US debt debate has been pushed forward giving investors time to focus on other headlines and China's "as expected" news paled in comparison to recent dramatic developments from the US. Euro bourses and base commodities are all ticking a little high off the early opening as they watch to see reaction to the latest eco data and the focus for the next US drama. Focus will shift quickly back to the US where the government has re opened but backlogged eco data will likely not be announced until next week starting with Nonfarm Payrolls on Tuesday. Continue to watch headline and breaking news for help with short term direction bearing in mind that even though the China GDP met expectations it's still in line with the reduced 7.5% for the year. In Europe the "wurst" is over but Euro zone inflation data released yesterday showed that prices rose only 1.1% reflecting a sluggish economy with high unemployment and an output gap between potential and actual production. Super Mario is not worried though about deflation after saying that as long as the main indicators of economic activity point to a recovery – albeit a "weak, fragile and uneven one" he may decide to accept a lower pace of inflation. Here in the US all is well until the next drama unfolds which in all likelihood will be a return of the Great Taper debate that most have now assumed will also be kicked into 2014.
- (Bloomberg) CME will no longer raise margin levels on interest-rate swaps to 12% following the agreement by U.S. lawmakers to raise the debt ceiling and avoid a possible U.S. default. The change was designed to protect the firm against risk during what they expected to be a highly volatile period if default had occurred.
- (JPM on equities)). Investors remain in a contemplative mood, more confused than enthusiastic as they debate whether stocks will continue along their present path (i.e. higher) into year-end amid a very benign macro backdrop or if more caution is warranted given what has been a mixed earnings season. For the moment the former is winning the argument and dictating price action.
- (JPM on PRC Eco Updates) JPM is tweaking up '14 GDP forecasts for China following today's results (from +7.3% to +7.4% although for the most part people's views on the country's growth outlook aren't changing all that much (and if anything there is a lot of anxiety that Sept's numbers may be "as good as it gets" for the time being). The next big catalyst for China will be the Nov gov't meetings.

- (FT on Taper) While growth likely suffered as a result of the shutdown, many expect the economy to bounce back strongly. An Oct taper is nearly impossible but "Fed officials could still choose a small taper when they meet on December 18 if the November data show a solid cumulative improvement over September and there is enough evidence to suggest a brighter economic outlook in 2014".
- (Reuters) The Fed "will likely defer any decision to trim its massive bond buys until at least December, two top Fed officials suggested on Thursday".
- (The Hill) McConnell will never allow a shutdown to occur again over ObamaCare. "McConnell told The Hill in an interview Thursday afternoon that his party learned a painful political lesson over the past 16 days, as its approval rating dropped while the government was shuttered"
- (Delayed Sept Jobs Report) The Sept US jobs report coming out Tues 10/22 at 8:30amET. The St is modeling total NFPs +180K (vs. +152K in Aug) with an unemployment rate of 7.3% (inline w/Aug). Oct unemployment report will be released Fri Nov 8th.
- (JPM on US GDP) The cumulative impact of the shutdown has been to reduce our outlook for real annualized GDP growth by 0.5%-point in 13Q4, and to lift it by 0.25%-point in 14Q1. We now project growth of 2.0% in Q4 (down from 2.5%) and 2.5% in Q1 (up from 2.25%). As far as the Fed goes, we have not really changed our views all that much. While recent events have made 2014 look like the more likely time of the first tightening, we would not rule out December just yet, and think there is about a 30% chance the Fed moves then.
- (WSJ) Some on the Fed are upset by how much officials are speaking to markets as this raises the risk of inappropriately setting expectations.

Ag Markets:

- Chatter PRC booked Dec-Jan US beans yesterday—2-3 cargoes.
- Goldman sees flat returns on equities and commodities during 2014. Soy, copper and gold represent "significant downside opportunities".
- WASHINGTON--Private exporters reported to the U.S. Department of Agriculture the following activity:
 - Export sales of 222,000 metric tons of soybeans to China during the 2013/2014 marketing year.
 - Export sales of 140,000 metric tons of soybeans to unknown destinations during the 2013/2014 marketing year.
- PRC weekly soy auctions suspended until further notice.
- Informa will update 2013 US crop production Friday at 10:30 CST in addition to releasing their latest 2014 US planted area forecasts (recall their last forecast which cut 2014 US corn area 3.3 mil acres and increased soy area 6.7 mil acres). Informa's 2013 US CN/BN yields at 158.8 BPA/41.7 BPA respectively).
- Nov options expire a week from today with SX trading just nominally below \$13 strike.
- USDA sets Oct 31 for next Cattle on Feed report with trade looking for on feed at 92.7% and placements at 101.6%.
- (Reuters) IMEA reporting that soy plant on Mato Grosso state (bz) is on 27.4%. Delay vs last year is reduced to 5.44% vs 8.23% last week.

- Israel buys 80 tmt corn and 25 tmt feed wheat for Dec/Feb (likely Black Sea).
- (Bloomberg) -- China may allow more entities, including foreign funds, other than China Grain Reserves Corp. to participate in soybean stockpiling this year, the National Business Daily reports, citing an unidentified person.
- (Bloomberg) -- The avian flu strain that killed 45 people in Asia last spring is poised to return as poultry flocks swell before Chinese New Year, amplifying the virus that hides undetected in birds. A 35-year-old man from the eastern Chinese province of Zhejiang is in serious condition after being infected with the new H7N9 flu strain, health authorities said this week. It's the first confirmed human case in two months, according to the World Health Organization in Geneva. Human cases of H7N9 were first reported in China in March and spiked in April before agriculture authorities temporarily closed live poultry markets to limit human exposure
- (Bloomberg) -- Sugar jumped to the highest in almost a year in New York after warehouses that store the sweetener in the Brazilian port of Santos were struck by fire. A blaze started at the facilities in the country's biggest port at about 6:15 a.m. local time today, according to Codesp, the port managing company. Fire affected depots 20, 21 and 6, all owned by Copersucar SA, a spokesman for Codesp said by phone from Santos today. One of the depots has storage capacity of more than 100,000 metric tons, said the spokesman, who asked not to be identified citing company policy.
- Weekly Export sales estimates for report to be released today at 2 PM CST

	Estimates	Actuals
	Sept. 26	Sept. 19
WHEAT	400-850	620.2
CORN	400-850	640.1
SOYBEANS	500-1,200	2,816.8
SOYMEAL	50-350	307.1
SOYOIL	0-30	-3.1

- Yield Updates:

NI IN-- Beans finished last friday with overall 55.2 average, about 8 bpa better than expected. Corn is now 30% harvested and not one field UNDER 200 yet, with better ground and irrigated yet to go. Unless something unexpected happens this will be a record average on our farm, best ever overall average is 187. Lets credit planting in ideal conditions, adequet to surplus early moisture, excellent pollination weather, good genetics, and this combination gave us the plants that could withstand late season heat and dryness. So far stalk quality is not an issue. Other area farmers are reporting similar yield results, one customer had some 81 bu soybeans on irrigated land, and most everyone is reporting above expected yields. Corn is just plain off the charts for most producers here.

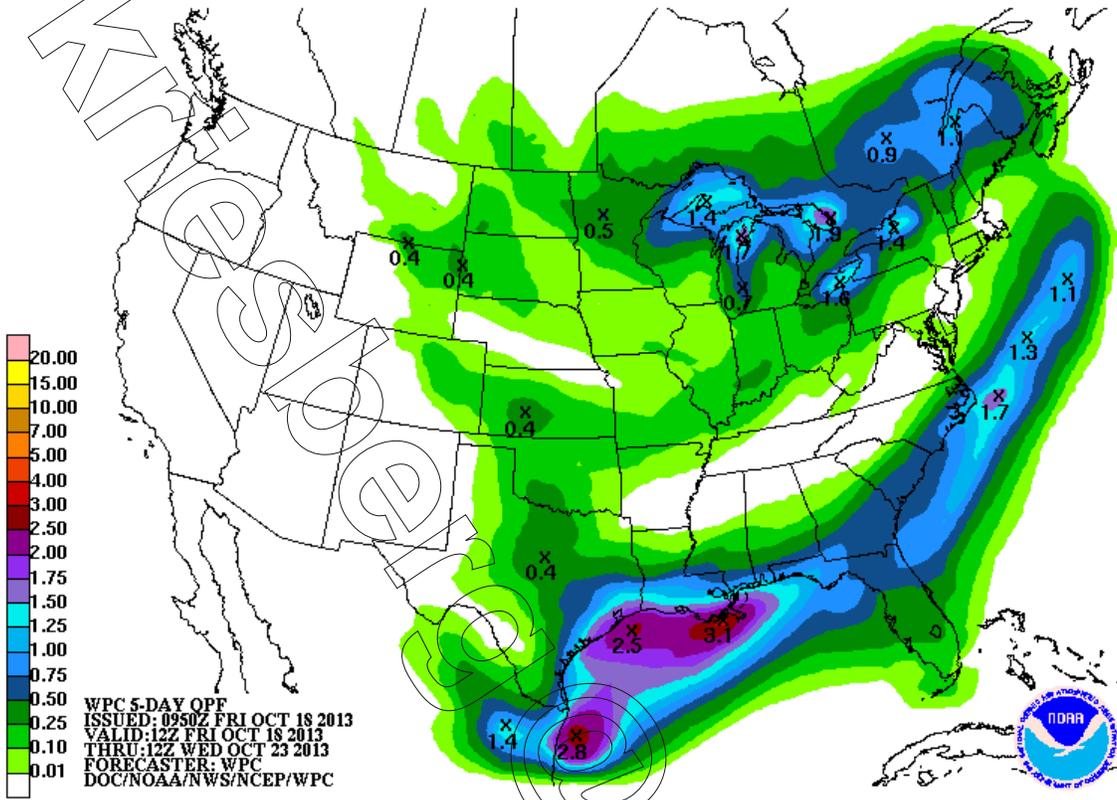
SW MN Garvin 200 acres corn out at 180 BPA. Dry (normal 1=175)--Variability within the fields, so very pleased

WC OH—Mercer Co--We finished the last bean field and it ended up making 64 on 218 acres which is 5 above average but 5 below last year. Started corn---120 acres made 181 ---60 above last year and 15 above normal average. 70 acres corn made 225---75 above last year and 45 above the APH of the field and new all time record.

NC IA-- 10 m NW of Clarion Iowa--1200 bean acres harvested. Average over the scale of 49 bpa. Expected low 30's a month ago!

- Brazil Sugar Warehouse fire





NOAA Nov Temp and Precip Outlook

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