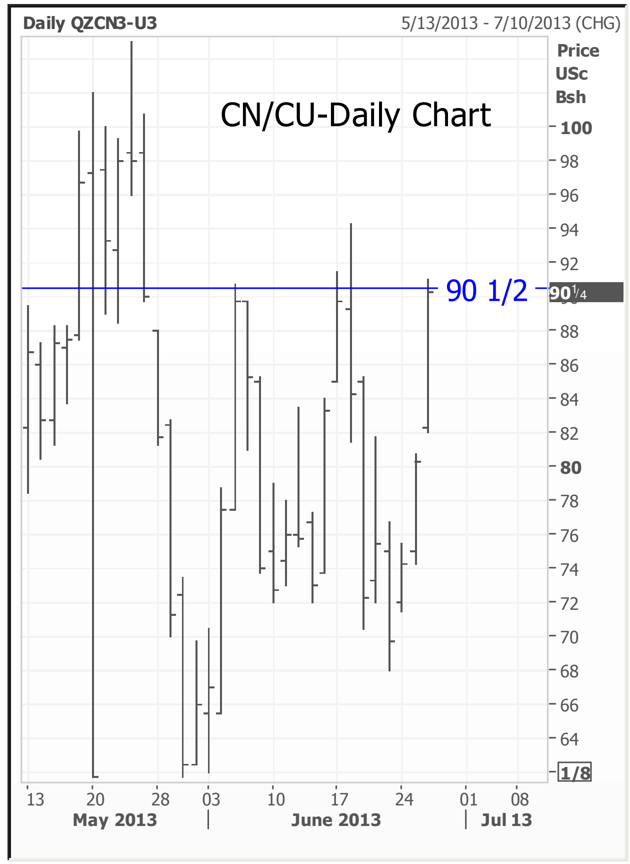
Closing Grain & Soybean Comments

June 26th, 2013

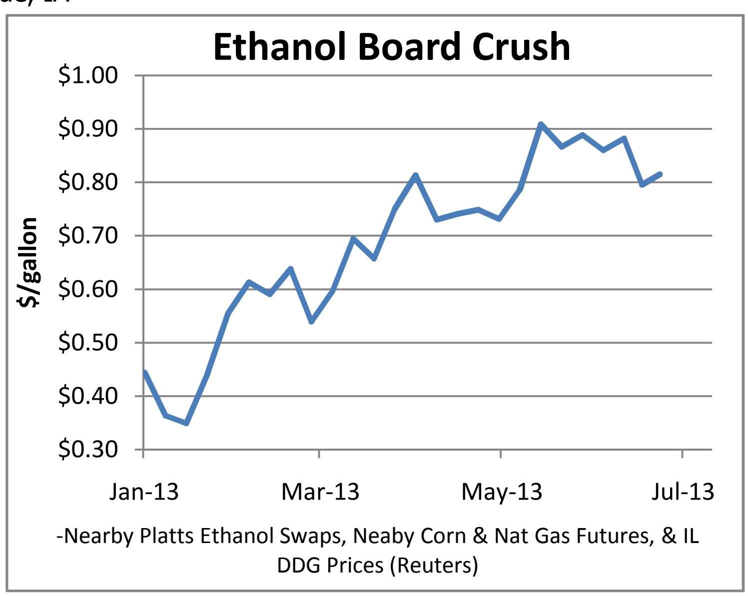
Reminder: Friday is First Notice Day for the July contracts in grains. To avoid delivery risk, exit long positions by tomorrow's close. The July contracts will trade without limits beginning tonight.

Corn: Most corn contracts traded both sides in the choppy manner that is not unusual in the days leading up to a major USDA report release. The exception was the July contract, which traded higher throughout the session, supported by bullspreading against the September and December. Yet another friendly ethanol report also lent support to the nearby. The July settled at $6.64 ½, up 7 ¾ cents on the day. The Dec finished ½ cent lower to $5.44. The July-Sep went home at a 90 ½ cent inverse, its highest level since settling at 98 on May 23rd. The July-Dec settled at $1.20 ½.



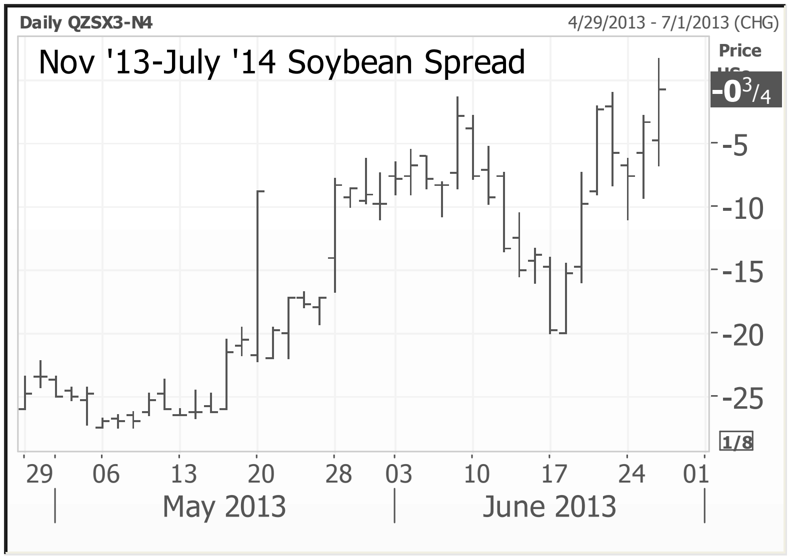
The EIA reported weekly ethanol production at 260 million gallons, up from 257 million a week ago. This level of production implies corn usage of around 96.5 million bushels last week and keeps the US on pace to use more corn for ethanol than the current USDA estimate of 4.65 billion bushels. In spite of the increased ethanol production, US ethanol stocks fell to 684 million gallons, down 7 million from a week ago. After falling sharply late last week, ethanol margins have rebounded a bit this week, helped out in part by this bullish ethanol report (see chart at right).

Corn basis was mixed in the last 24 hours. Some Midwest locations bidding off the September improved their bids 3-5 cents as they fight to keep up with gains in the July-Sep. Other Midwest locations gave up the game and backed off 3-10 cents. River locations backed off their basis this morning as it is now evident that the Mississippi will start closing near Bellevue, IA early tomorrow. The closures are expected to spread south as far as Lock 24 in Clarksville, MO and last until July 4th or 5th. The gulf was bid at +92 N, unchanged from yesterday but down 2 cents from Friday.



In other news: Argentina has authorized 16 mmt of corn export licenses for the 13/14 crop year. They did this to prompt farmers to plant corn by assuring them there will be a market for their product. Corn seedings typically begin in August. Mexico is restricting imports of live hogs from the US because of the recent outbreak of Porcine Epidemic Diarrhea Virus. The disease is often fatal in piglets. Crop analyst Lanworth updated their corn acreage estimate to 95.7 million acres. The average trade guess ahead of Friday's release was 95.3 million. Jordan bought 50K tons of feed barley for October shipment after tendering for 100K. The trade is looking for old crop corn export sales of 4-8 million and new crop sales of 6-10 million on tomorrow's weekly report. Both would be on par with or better than a week ago. The funds bought an estimated 3,000 contracts of corn.

Soybeans: Like the corn, soybeans saw most contracts trade both sides although they spent most of the day trading in the red. Again, the exception was the July contract which outperformed all other months and finished 9 cents higher at $15.34 ¼. It was the highest close in July soybeans in 2 weeks. The Nov was down 2 ½ cents to $12.76. The soybean spreads were firmer across the board with the July-Aug inverse gaining 13 cents to settle at $1.09 and the July-November inverse going home at $2.58 ¼. Even the new crop spreads firmed with Nov-July going home at just ¾ cents carry after trading to almost a 2 cent inverse. The chart at the right shows the way that spread has tightened as the poor US spring has played out.



Bean oil continues to be the poor leg of the complex, down another 50+ points today on uncertainty in the outside markets and long meal-short oil spreading by the funds. They bought 2,000 meal and sold 3,000 oil on the day. Meal finished mixed with the nearby up $2-$5 per ton and the back months steady. The July contracts went home at $463.30 and 46.63, respectively.

The upper Midwest will finally see some drier weather towards the end of this week with the cold front that had been stalled out over that area pushing off to the south and east and bringing rains to IL, IN, and OH. Another round of rain systems than begins to develop by the middle of next week. The 11-16 day forecast has also been trending wetter. The bulls will note that this will keep many unplanted soybean acres unplanted through July 1, after which farmers will be much more inclined to exercise the prevent plant insurance. The bears will note that the forecast shows zero hint of a damaging hot and dry pattern developing even out through the first half of July.

News included: Lanworth lowered their US soybean planting estimate to 78.0 million acres. The average trade guess is 77.9 million vs. the USDA's March figure of 77.2. Taiwan's BSPA cancelled a tender for 120K tons of US or South American soybeans for October shipment. Weekly export sales are expected to be very small on old crop and 9-17 million bushels on new crop. Last week's new crop sales were just 4 million bushels.

Midwest soybean bids continued to improve. Many locations were up anywhere from 5-15 cents in the last 24 hours. Meal basis was steady in the Eastern Corn Belt but $3-$4 per ton higher in the Western Corn Belt. The wires reported Gulf soybeans bid at +102 N, down 3 cents from yesterday.

Wheat: Wheat traded both sides on all three exchanges. Chicago fell the hardest, down 7 to 9 cents, KC was down 4-7 and MN was mixed. Among the negative factors were harvest pressure from the US and FSU and the stronger US dollar. The July contracts settled at $6.67 in Chicago, $6.94 ¼ in KC, and $7.99 in MN. Like the flat price, the spreads were generally weaker as well.

Yields in KS continue to run above expectations with some 60+ yields being seen in all but the far western counties. Only the NE and NW corners of KS have yet to really get underway. The Plains will see good harvest weather through early next week when rains will develop. Yield reports out of the SRW growing areas have also been bigger than expected. US wheat basis has fallen sharply this week as the crop is being harvested.

In other news: Ukraine expects to start exporting wheat as early as mid-July as their harvest is running 2 weeks ahead of schedule. In their latest statement on domestic wheat supplies, Egypt claims to have enough wheat to last until mid-November. Earlier in the week an Egyptian official said they are likely to buy wheat before the end of the year. South Korea's MFG bought 120K tons of optional-origin wheat for Oct/Nov shipment which is likely to come from the Black Sea. The trade is watching for China and Pakistan to possibly import wheat in the coming weeks. Pakistan, who at times will export wheat, suffered a short crop last year while rains in the last month are raising quality concerns in China. China has already bought US & EU wheat in recent weeks.

Weekly export sales are expected to be 13-20 million bushels, about on par with last week. The funds sold 3,000 contracts of wheat.

Weekly Export Sales-June 20th				
	12/13		13/14	
	Estimates	Last Week	Estimates	Last Week
Corn	3.9-7.9	5.3	5.9-9.8	3.0
Beans	0.0-3.7	1.9	9.2-16.5	4.0
Wheat	-	-	12.9-20.2	15.9
*-all in mil bu. Source: Reuters				

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