

# Closing Grain & Soybean Comments

**Kevin Riesberg Monday July 15, 2013**

SOY-COMPLEX: Old crop soybeans surged higher today with NOPA crush running stronger than expected at 119 mln bu vs the expected 117 mln bu. Crush in Iowa was up from May even with some plants having down time.

| Current pace |  | As of July 15 |  |
|--------------|--|---------------|--|
| 435          | June 1st Stocks                              |               |  |
| 20           | - Export Inspections since June 1 to July 1  |               |  |
| 119          | - June crush                                 |               |  |
| 296          | Estimated Stocks June 30th                   |               |  |
| 3.95         | Daily Crush if rate doesn't change from June |               |  |
| 0.44         | Daily Export shipments since July 1          |               |  |
| 4.39         | Daily Use                                    |               |  |
| 68           | Days of Supplies (Stocks/daily use)          |               |  |
| 62           | Days from July 1 to Aug 31                   |               |  |
| 6            | So in theory run out of beans Sept 6th       |               |  |

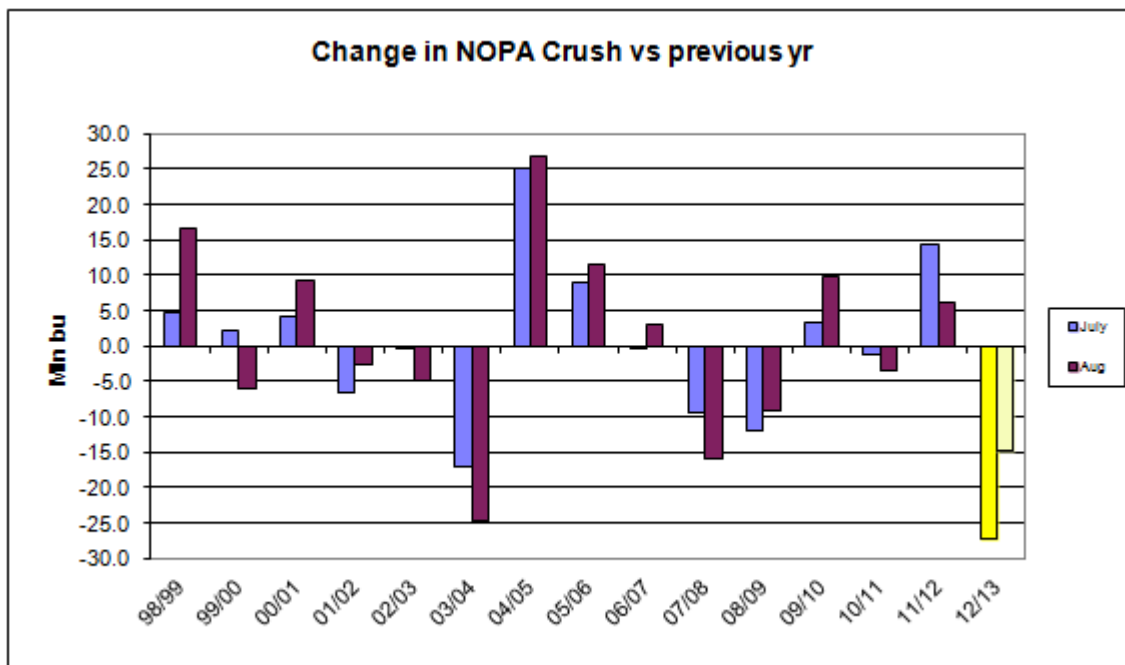
USDA projected carryout is 14.8 days.

US Crush for July and Aug now needs to be slashed to less than 110 mln bu each month to keep under the USDA projection OR the USDA needs to raise its current 1.660 bln bu number in the August 12th report. If the rate of June crush holds along with the export shipment pace the last 2 weeks, then the US would run out of beans the 1st week of September. So to avoid this will require stronger demand rationing than what was seen back in the summer of 2004, see the chart below. That particular year the processors started to roll their bean bids from the August contract to the Sept and Nov starting about the middle of July. Some processors are currently under the Nov but most are still under the Aug for now. Cash crush margins

| State      | Crush in thousand bushels |        |        | Crush per day |     |        |
|------------|---------------------------|--------|--------|---------------|-----|--------|
|            | June                      | May    | Change | June          | May | Change |
| IA         | 31,070                    | 28,047 | 3,023  | 1,036         | 905 | 131    |
| IL         | 13,779                    | 14,860 | -1,081 | 459           | 479 | -20    |
| IN,KY,OH   | 23,231                    | 25,005 | -1,774 | 774           | 807 | -32    |
| Minn,ND,SD | 12,547                    | 12,460 | 87     | 418           | 402 | 16     |
| Southeast  | 17,439                    | 18,632 | -1,193 | 581           | 601 | -20    |
| Southwest  | 20,985                    | 23,626 | -2,641 | 700           | 762 | -63    |

continue to run near \$1.00 bu so the incentive is still there to crush beans.

Trade notes that soybean maturity is running behind in some key southern states and will be watching to see if some catch up can be made with favorable weather. Crop ratings saw



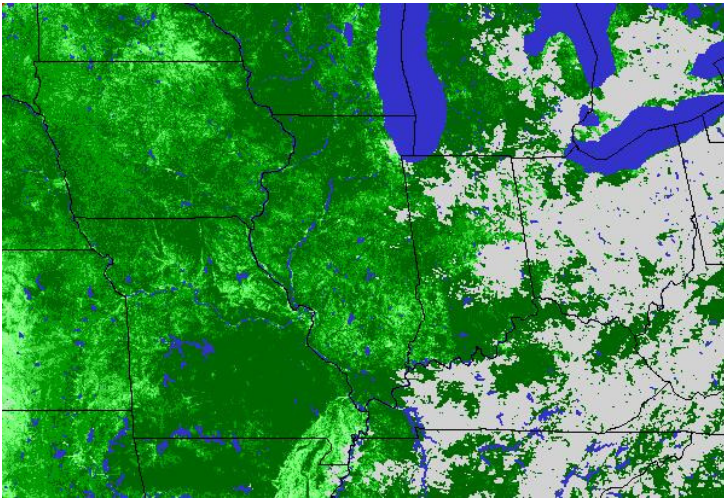
G/E drop 2% this afternoon (65% now). Weather forecasts still don't see the ridge locking in place short term but August remains the critical concern. Nov beans followed the rally in old crop with support being seen at the \$12.50 area. Hard resistance for Nov beans remains at the \$13.00 level though.

CORN: The corn market struggled with most of the weakness seen in the Sept contract and the Sept/Dec spread as funds

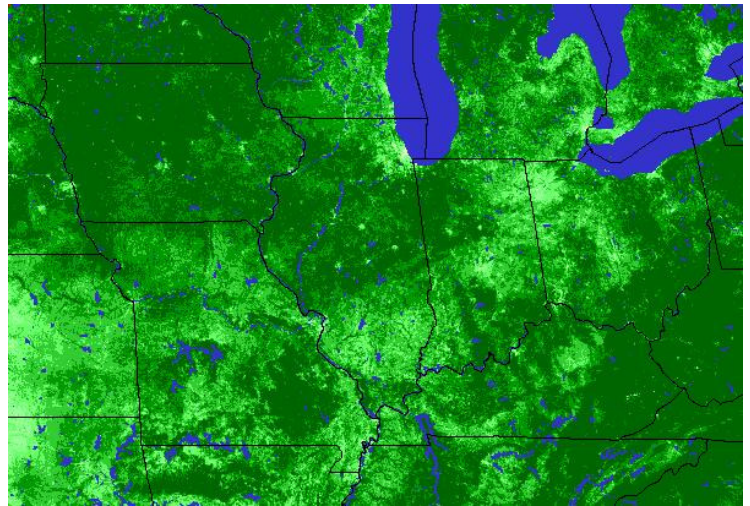
were net sellers of about 5,000 contracts. Perception by the trade is that weather is almost ideal for pollination with no extreme heat and adequate subsoil moisture. Parts are of the WCB are starting to run on the dry side but the models indicate that these areas are to see some moisture this week/next week. Interesting to compare the

Vegetative Index maps from NOAA for ending July 11 vs last year and 2009 (record yield that year).

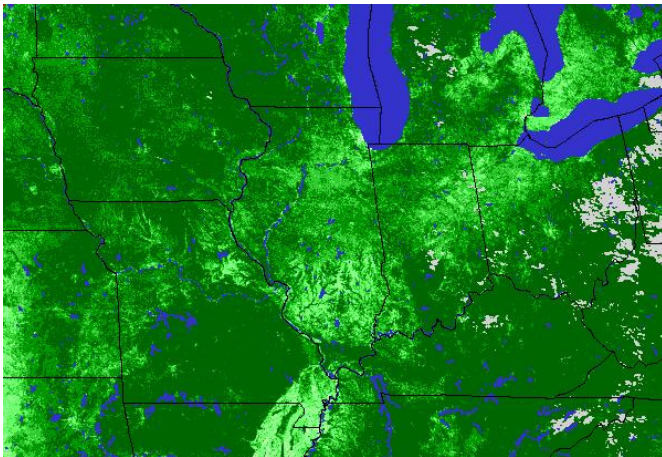
2013



2012



2009



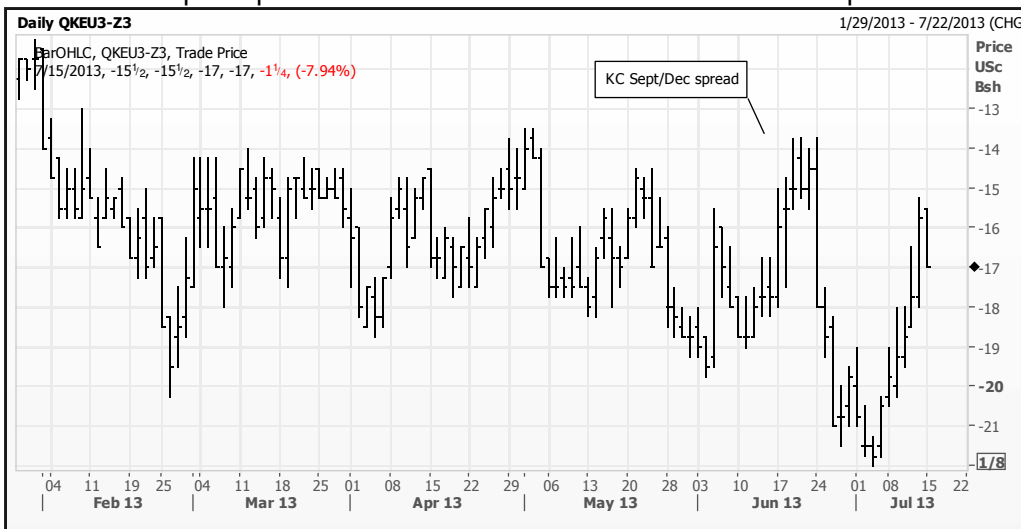
While the IN, OH, and KY were under cloud cover this last period, it appears they are in very good condition vs last year or 2009. Iowa and parts of MN though are considerably lighter than year ago or 2009. Hence the trade will be watching closely the coverage and moisture amounts in the WCB the next 10 days. This afternoon's conditions showed a 2% drop in G/E to 66%. Just 16% of the crop is silking vs 35% avg.

Old crop corn basis continues to surge higher with the weaker board. Farmer movement is at a dead stall for both old crop and new crop. Many markets are up 5-10 cents on nearby or for August slot. Weekly export inspections were even better than expected at 16.2 mln bu (vs 8-12 mln

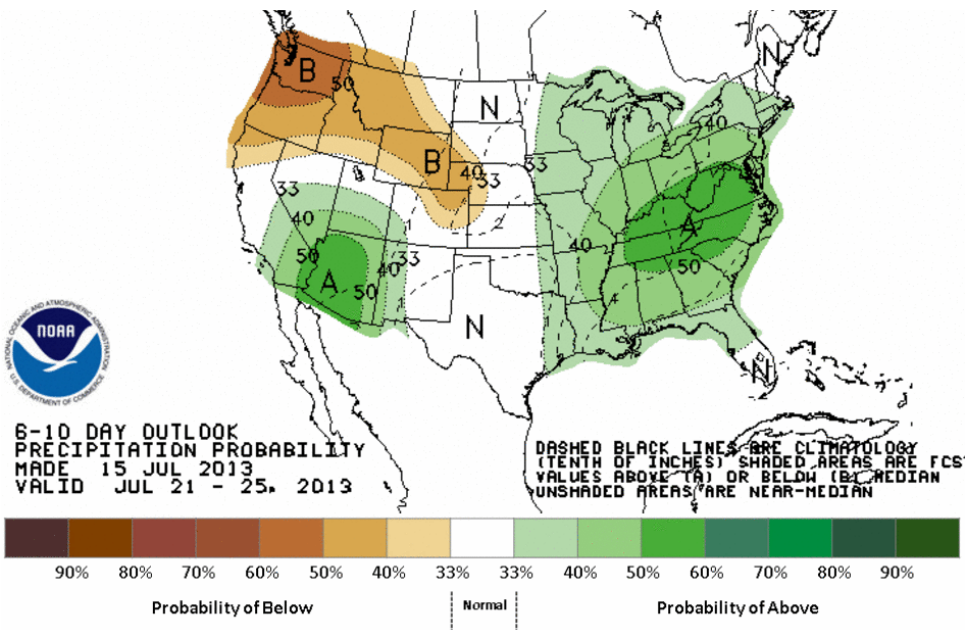
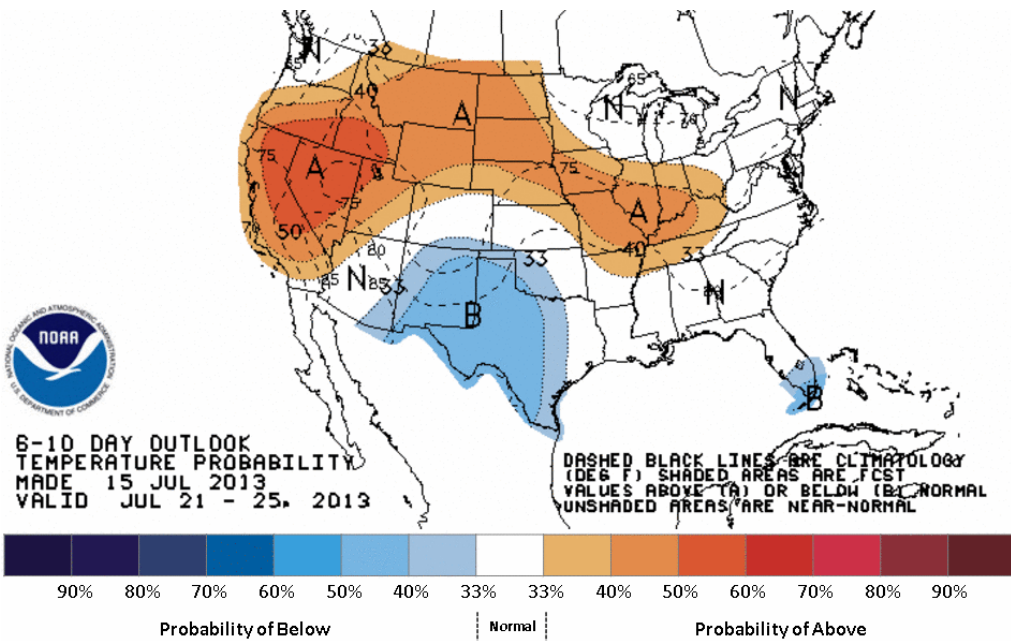
estimates). USDA announced another 120k tons of new crop corn was sold to unknown destinations, which the trade assumed was for China. Yet this had little on the impact on the markets though traders are aware that the last time Dec corn dipped below \$5.00 it found some interest from the Chinese govt. Would expect to see firmer trade overnight based on the crop ratings.

WHEAT: Wheat prices were off with harvest moving along in the US and also gaining speed in Europe. Russian and European prices continue to move lower on the harvest pressure while here in the US wheat basis is holding steady.

Farmers in the HRW are making the decision to store/hold wheat for now while SRW is still dealing with wet weather and quality issues. Winter wheat harvest is now 67% complete with KS 98% done while Neb is 29% complete. IL harvest is 88% done while IN is 68% and OH is just 28% (vs 82% normally). US spring wheat conditions did fall 2% on the Good/Excellent to 70%. HRW basis did see protein premiums back off 7-10 cents while SRW CIF firmed for good quality. Chart above showing



the KC Sept/Dec spread narrowing into 15 1/2 cents at one point today. Export news was quiet over the weekend other than Russia is now looking to give some aid to Egypt in the form of wheat. US weekly export inspections were neutral at 24.45 mln bu vs estimates of 23-28 mln bu. Look for firmer trade tonight. Have a good afternoon!



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