

Closing Grain & Soybean Comments

July 17th, 2013

Corn: After trading higher overnight, corn was lower throughout the day session, finishing 6-9 cents lower. The GFS weather model continues to show rain in the forecast starting this weekend and continuing out into early next week. The European model was also a bit wetter overnight. The Dec settled at \$5.02, down 8 ¾ cents. The corn spreads were mixed-firmer on the day. Even with very strong basis levels, the Sep-Dec is sitting in the middle of the recent trading range at 36 ½ cents inverse.

The GFS has so far stuck to its guns in calling for multiple rain chances for the Midwest in the next 7-10 days. The first chance will move in Thursday-Friday and continue through the early part of next week with another chance at the end of next week. The GFS maps at the right show moisture in the Midwest Sun-Tues. The midday model did bring the ridge back in the 11-16 day timeframe which would again turn temperatures hot and shut off rain for most areas. Although the European model is not as wet as the GFS, it has trended wetter in the last 24 hours as well. Where and how much rain falls over the weekend and on Monday-Tuesday will dictate how Dec corn trades not only next week but likely until the next crop report is released on August 12th.

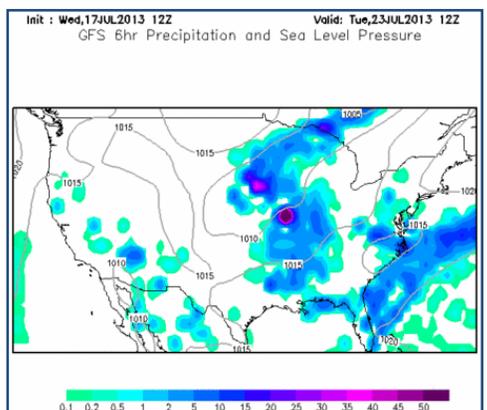
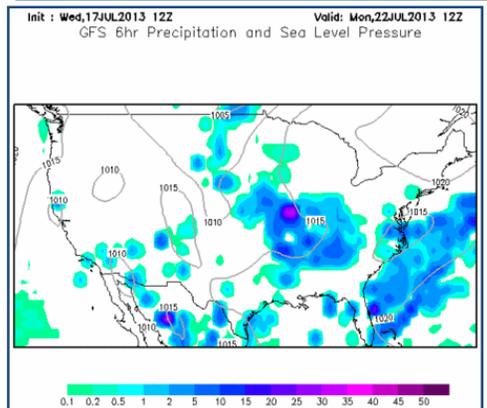
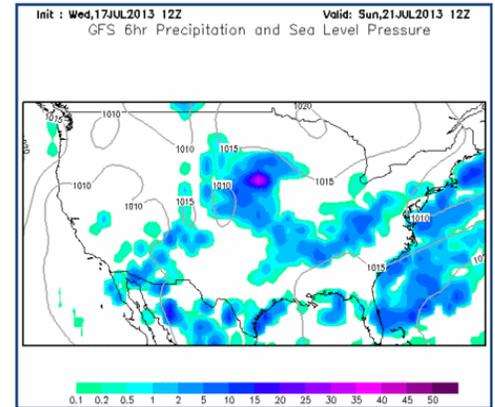
The weekly EIA data showed the US producing 258 million gallons of ethanol last week, down 1 million from the week prior. This implies corn usage of 95.5 million bushels, bigger than the corn usage pace implied by the latest USDA demand estimate. Ethanol stocks did increase to 696 million gallons, their largest level since May. RJOMRT Analyst Randy Mittelstaedt believes "the USDA's (corn for ethanol) projection could easily prove to be 20-40 million bushels too low."

In other news: South Korea bought 60K tons of Black Sea corn for December delivery at \$241.50 per ton. US corn into Korea for the same timeframe would be \$265-\$270 per ton, a premium of 60-70 cents per bushel. Lanworth is projecting US corn production at 13.65 and world production at 956 mmt, both down from previous estimates. Export sales in the morning are expected to be 0-8 million bushels on old crop but 47-55 million on new crop following the China sales announcements last Friday. The June cattle on feed report will be issued on Friday with the average trade guess at 10.389 million head on feed as of June 1st, 97% of a year ago. Valero's CEO is calling on legislators to relax the RFS requirement citing the "out of control" RIN market as driving up US fuel costs. RINs traded above \$1.40 today. The funds sold 7,000 contracts of corn.

Midwest corn basis was mostly firmer once again on Tuesday with many locations improving their bids by 3-15 cents. Many are paying pushes above their posted bids as well with +200 U being paid at different locations in the Western Corn Belt. A few locations on the rivers did actually lower their bids by 3-10 cents. Gulf bids are softer this morning at +180 U, down from +195 U going home last night. Conversely, the PNW market was up 10-15 cents yesterday.

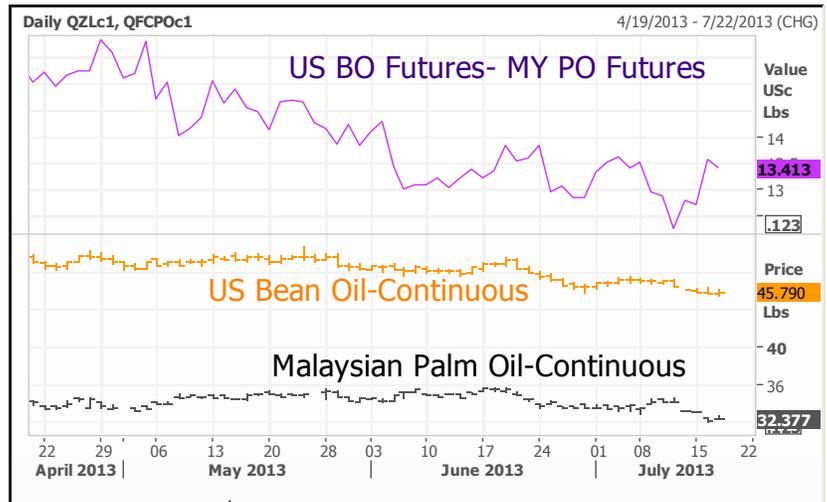
Soybeans: The soybean complex traded both sides during the session and finished mixed. Influences included: the tightness in old crop supplies, the weather forecast, and continued strong demand from China for new crop US soybeans. August was up 2 ¼ cents to \$14.77 ½. Yesterday's high of \$14.88 offered resistance. The Nov finished 2 ¾ cents lower at \$12.83 ½. The spreads were mostly firmer with the Aug-Nov settling at \$197 ¼, up 3 ¼ cents on the day. The Nov-July '14 closed at an inverse for the 2nd straight day and was able to hold most of yesterday's gains.

The meal saw similar price action with the August finishing more than \$2 higher at \$469.10, once again posting new



contract highs while the new crop months were \$1-\$3 lower. The still-growing inversions all along the meal curve speak to continued strong US demand. Bean oil finished slightly better, supported by a stronger crude oil market. It is interesting to see in the chart at right that bean oil futures' premium to palm oil futures has been falling in recent months. Some of this is tied to long meal/short oil spreading pressuring the bean oil. For the day, August settled at 45.79.

News included: The USDA announced the sale of 165K tons of new crop soybeans sold to China. Taiwan passed on US and Brazilian bean offers in a tender for October delivery. It is the 2nd straight soybean tender they have called off without buying anything. Lanworth is estimating US soybean production at 3.315 billion bu and world production at 283 mmt, both down from previous estimates. Argentina lowered their 12/13 soybean production estimate to 49 mmt. The USDA is last at 50.2 mmt.



Weather will be critical for the soybean complex overnight. Watch the European model to see if it continues to trend towards the wetter, GFS solution. Export sales will be released in the morning. The trade is looking for 0-8 million bushels of old crop and 17-24 million bushels of new crop. The funds sold 1,000 meal and bought 3,000 oil on the day; they were even in beans.

Bean basis was mixed in the Midwest with anything from 15 cent declines to 10 cent improvements in bids being seen. Generally speaking, there was more softening than firming. Meal basis was off \$2-\$10, adding further pressure to bean basis. Bids at the gulf softened today as well, falling to +140 Q from +150 Q last night.

Wheat: The wheat markets traded both sides for much of the day before falling late. They finished 1-5 cents lower. The weakness on the close was mostly tied to the weakness in the corn futures and strength in the US dollar. With the US winter wheat harvest more than 2/3rds done, most fundamental news was international in nature. The Sep contracts finished at \$6.65 in Chicago, \$7.02 3/4 in KC, and \$7.55 1/4 in MN. The wheat spreads finished mixed on the day.

The international wheat market continues to heat up. Egypt is tendering for wheat for the 2nd time in July after being out of the market since February. Others include: China is negotiating to buy up to 500K tons of Australian wheat. South Korea bought 42K tons of US wheat for US wheat for September shipment and are looking for another 106K tons of Australian wheat. Jordan bought 100K tons of optional-origin (either Black Sea or EU). Pakistan is set to send \$9 million worth of wheat to Iran to pay for electricity provided by Iranian suppliers. Argentina said they expect next year's wheat crop to rebound to 12 mmt from 9 mmt this last year. Last year's short crop has not allowed them to export sizable quantities of wheat this year and has increased inflation in the already inflation-prone nation. Lanworth estimated world wheat production at 694 mmt, up from 692 mmt previously.

Weekly Export Sales-July 11 th				
	12/13		13/14	
	Estimates	Last Week	Estimates	Last Week
Corn	0.0-7.9	15.4	47.2-55.1	25.9
Beans	0.0-7.3	-2.6	16.5-23.9	15.1
Wheat	-	-	33.1-44.1	54.1

*-all in mil bu. Source: Reuters

Domestically, weather is less critical for spring wheat than for corn or beans because most areas of the Dakotas and MN have adequate moisture. Additional rainfall in ND in the next day or two and weekend rains in SD and MN will keep that being the case. Weekly export sales are expected to be 33-44 million bushels on tomorrow's report (see table at left). Gulf bids for SRW were off 7 cents this morning; HRW bids were steady. It is

interesting to note that KC HRW protein scales are showing 11-12s trading on par with or even above 13-14s.

The president of the KC Federal Reserve said she does not see a threat of a farmland bubble saying factors are different today than in the run-up to the 1980s crash, namely farmers are not as "over-leveraged".

The funds sold an estimated 1,000 contracts of wheat on the day.

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