

**Corn:** For the 2<sup>nd</sup> straight day, Dec corn made new lows for the move, pressured by a forecast that offers several chances for rain in the Midwest and doesn't show any excessive heat. The Dec finished at \$4.80 ¼, down 5 ¼ cents. Also playing a role, the funds sold 8,000 contracts of corn. The September contract fell even harder on a lower week of US ethanol production and softening basis environment. It settled at \$5.08 ¼, down 14 ¼ on the day. The Sep-Dec inverse, which traded as high as 46 ¾ cents on Friday settled at 28 cents. That was its lowest level since July 3<sup>rd</sup>. The new crop corn spreads were steady/mixed.

The EIA reported US ethanol production at 251 million gallons last week, down 7 million from the week before and the lowest since May. This level of production implies corn usage of just over 93 million bushels, still larger than the amount "needed" in order to reach the USDA corn-for-ethanol figure of 4.65 billion bu. Despite the lower production, US ethanol stocks increased 29 million gallons. This was blamed on increased Brazilian imports as US gasoline demand actually bounced last week.

The midday run of the GFS still indicates rain to fall in the Midwest late this weekend into the early part of next week with amounts ranging from .1-.75". Another shot is seen for the end of next week which could push total accumulations for the week to over 1" for much of the Midwest. The 11-16 also advertises rain and there is no extreme heat in the forecast. With so much of the US corn pollinating this week and over the course of the next two and generally favorable conditions, the weather bulls now have to hold out hope for an extremely dry August or harvest issue (excessive rainfall, frost). Many private forecasters are now estimating the yield to be bigger than the USDA's current estimate of 156.5.

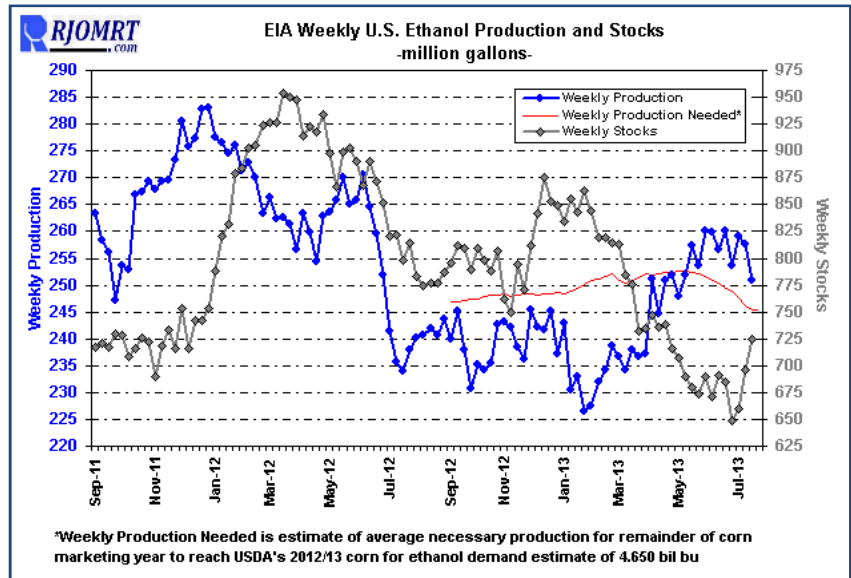
In other news: The trade is looking for weekly corn sales of 4-8 million on old crop and 24-32 million on new crop. Korean feeders FLC and KFA bought 120K and 69K tons of corn, respectively. Both were for Dec-Jan delivery and done at prices that were 50-60 cents too cheap to be US-origin. Taiwan did buy 23K tons of US corn and 12K tons of US soybeans, electing to pay a higher price in order to source them out of the US.

Unica, Brazil's sugar industry association said that mills in their main producing region made 468 million gallons of ethanol during the first half of July, up 38% from the last half of June and up 10% from the same period last year. Currently mills are turning 54.6% of their sugarcane into ethanol (the rest to sugar) compared to just 49.8% a year ago. The glut of sugar supplies in the world is making it a less attractive option this year. Low sugar prices in the US are also forcing the US government to buy 136K tons of domestic sugar to cut into the US surplus.

Midwest corn basis was softer in the last 24 hours, especially at locations near the Mississippi River. Many bids were lowered by 5-25 cents. Ethanol producers were more mixed with plants in the western ½ of the belt softer and in the eastern half of the belt firmer. The Gulf is bid at +192 U, down 3 cents from yesterday. The PNW market has softened 15 cents so far this week.

**Soybeans:** The August soybeans continued yesterday's meltdown and finished limit lower at \$13.92 ½, a full \$1.33 ¾ off of yesterday's high! The crashing basis environment has driven the liquidation. By comparison, the November beans were down just 3 ½ cents. After trading at \$2.33 ¾ inverse on Monday, the Aug-Nov soybean inverse goes home at just \$1.35 ¾ tonight. Outside of the falling cash values, there was little fundamental news that the beans could hang their hat on.

The old crop meal contracts were also limit or close to limit lower. The August settled at \$467.80 but was synthetically trading at \$442, another \$25-26 lower. The Sep was down \$19.90 to \$417.70. As impressive as the break in cash bean basis has been, meal basis actually started to break almost a week before. Oil was lower as well,



pressured by the other legs of the complex and a lower crude oil trade. It finished 50-55 points lower with the September settling at 44.21.

The chart at the right shows that towards the end of last week and on Monday of this week, the Aug/Nov inverse was rallying even as Midwest basis numbers were falling precipitously. This disconnect seems to have now been corrected although cash basis values have not yet pulled out of their nosedive. The data points labeled on the chart show last Friday's values and then the latest values (under the Q).

The break has not been confined to the Midwest as the wires are reporting that the Gulf is now bid at +145 X (+9 Q) compared to +145 Q last Friday.

There was very little other news. There was no official confirmation or denial to the rumors that China

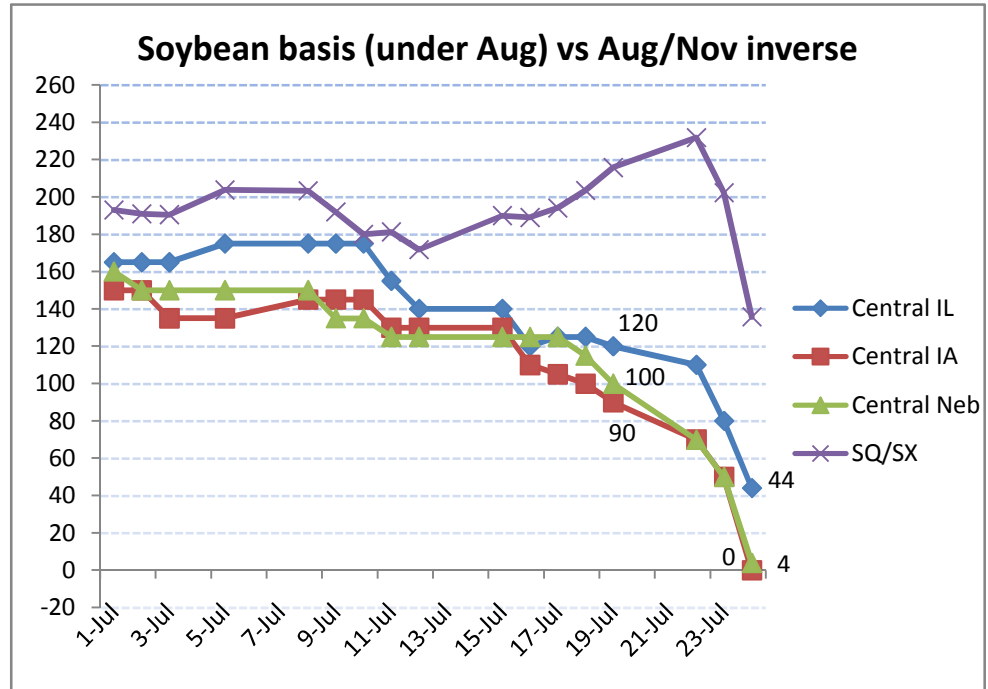
will be releasing up to 3 mmt of soybeans out of their government held reserves. Egypt is tendering to buy up to 20K tons of soybean oil. The trade is looking for weekly soybeans sale of 0-4 million bushels on old crop and 15-20 million on new crop. Both would be smaller than a week ago. The funds sold 7,000 beans, 5,000 meal, and 3,000 oil on the day.

Commodities were lower across the board today with the US dollar trading higher as of this writing.

**Wheat:** Wheat closed lower for the 3<sup>rd</sup> straight day but was once again able to outperform the corn and the soybeans. If not for corn & beans' weakness and the strength in the US dollar, wheat would likely have traded higher. KC was the softest variety, down 4-5 cents while Chicago and MN were down just 1-3. The September contracts settled at \$6.53 ¼ in Chi, \$6.97 ¼ in KC, and \$7.43 ½ in MN. The wheat spreads were generally firmer on the day with the back months leading the break.

Scouts on the spring wheat tour reported good conditions in the southern section of North Dakota and estimated the yield along that route at 43.3 bu/acre compared to last year's estimate of 42.9. They credited July's dry spell as helping the crop to catch up. Meanwhile yield prospects in the NW parts of North Dakota were estimated at 47.9 bu/acre compared to 51.0 last year. This would still be a better than average crop. Scouts in this area reported seeing fewer unplanted fields than they expected. The Wheat Quality Council will issue a final yield estimate and report tomorrow afternoon.

Meanwhile, frosts in Brazil hurt wheat in their top-growing state of Parana. More frosts could be seen on Thursday. This, along with the recent disappointing crop in Argentina, is likely to keep Brazil buying wheat from the US and/or Canada. The government recently exempted up to 2 mmt of non-South American wheat imports from a standard tariff. Traders claim these exemptions have been exhausted already and that the government is considering more.



Recent History of GASC Wheat Tenders			
Date	Cheapest Origin Bought	Landed Cost	US Offer
1/10/2013	US	\$ 328.21	\$ 328.21
2/2/2013	US	\$ 332.44	\$ 332.44
7/2/2013	Romanian	\$ 260.33	\$ 310.98
7/18/2013	Romanian	\$ 259.90	None
7/24/2013	Romanian	\$ 264.97	None

Egypt's GASC bought 120K tons of Romanian, 60K tons of Ukrainian, and 60K tons of Russian wheat in their latest tender for landed prices of around \$265 per ton. No US offers were reported as being submitted. The only non-Black Sea offer listed was from France and would have landed in Egypt at approximately \$280-\$282 per ton. The table at the left highlights how different this is from when Egypt last bought wheat in Jan-Feb. At the time, the Black Sea was out of the market and the US was winning the business.

Algeria has reportedly bought 400K tons of milling wheat, likely to be sourced from France. Iraq is tendering to buy 50K tons of US, Canadian, or Australian wheat. Their latest purchase was from Australia. Many in the trade claim

Weekly Export Sales-July 18th				
	12/13		13/14	
	Estimates	Last Week	Estimates	Last Week
Corn	3.9-7.9	6.0	23.6-31.5	62.6
Beans	0.0-3.7	4.3	14.7-20.2	21.7
Wheat	-	-	14.7-22.0	36.6

China also lays waiting in the weeds to buy any break in world wheat prices after their crop failure. Producer groups in Russia and Germany were claiming that their wheat crops may come in under official estimates following recent hot weather.

The trade is looking for weekly export sales of 15-22 million bushels. The funds were even on the day in the wheat.

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