

# Closing Grain & Soybean Comments

Kevin Riesberg Wednesday, October 30, 2013

**CORN:** Corn finished lower in choppy trade as the market waits for tomorrow's weekly export sales report where the USDA will catch up on reporting (see table for estimates). Many look for the report to confirm sales to China but this is already factored into prices. Traders are already looking forward to Friday when two private analysts will put out their US production estimates and the market expects these numbers to be toward 160 bpa or larger. The market shrugged off bullish news of stronger ethanol grind and S. Korea booking over 300k tons of US corn for this spring. Note S. Korea has booked over 500k tons so far this week. Yet despite the huge US corn

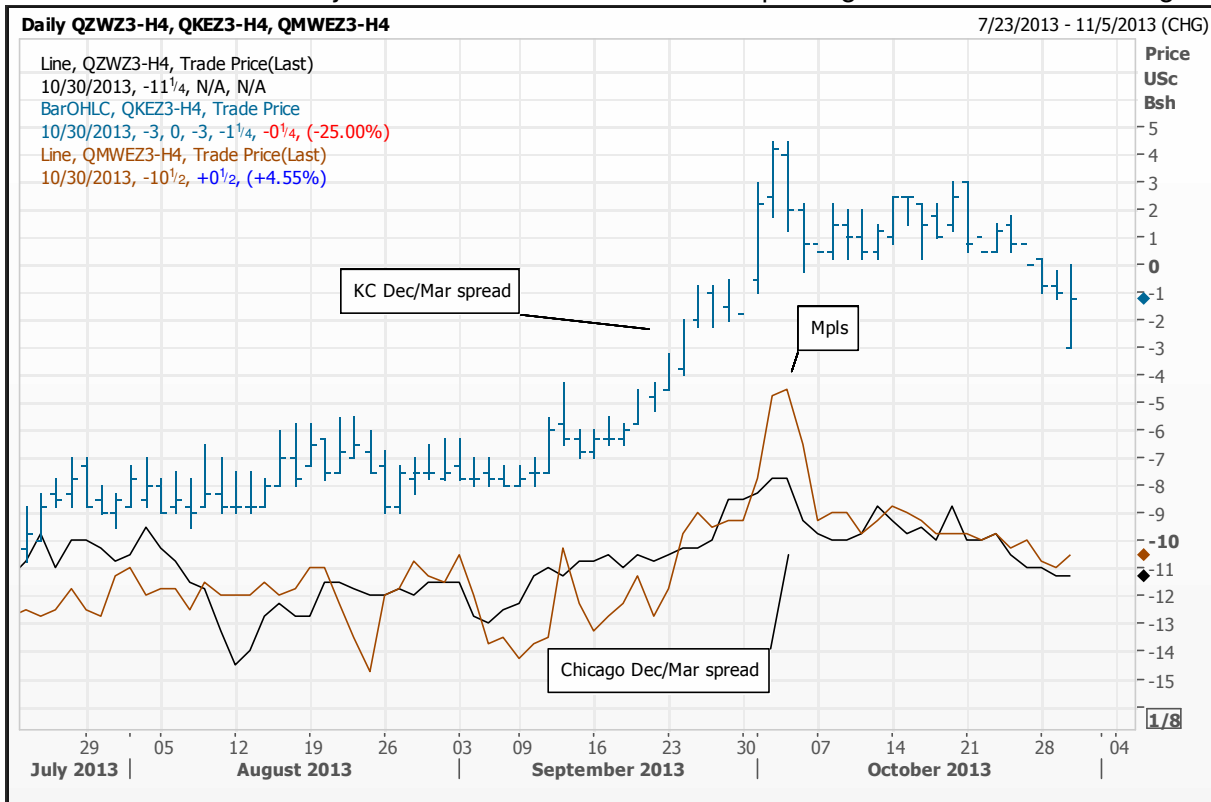
	Estimates (thou MT)	mIn bu
Wheat	1,500 - 2,000	55.1-73.5
Corn	1,900 - 2,500	74.8-98.4
Soybeans	2,400 - 3,000	88.2-91.9
Soymeal	800 - 1,100	
Soyoil	40 - 160	

	OCT			NOV			DEC		
	hi		low	hi		low	hi		low
2005	65	Z	40	55	Z	46	57	H	43
2006	60	Z	54	64	Z	59	47	H	25
2007	62	Z	54	58	Z	40	32	H	25
2008	58	Z	43	49	Z	22	45	H	23
2009	58	Z	47	52	Z	41	26	H	6
2010	60	Z	47	59	Z	47	52	H	40
2011	71	Z	60	71	Z	59	57	H	46
2012	76	Z	63	94	Z	66	75	H	51
2013 today		+80 Z			+77 Z			+73 Z or +61 H	

crop the spot basis continues to firm at many processors as US farmers are not willing to part with cash sales below \$4.50 futures. The table at left showing CIF basis history the last few years shows that the current bid of +80Z surpasses recent years even with the large crop. We expect to see corn basis to stay stronger than normal the next 30-60 days, especially if the crop report in November is bigger than expected and Dec futures try to drift toward the \$4.00 level. Dec/Mar corn spread starting to

narrow in response with elevators holding less than normal short Dec corn positions while spec funds on the other hand will need to start rolling their shorts forward in a few weeks. Note the Goldman roll starts on Nov 7th. Would expect any rebounds in Dec corn toward \$4.40-4.50 to be met with selling from the country while breaks under \$4.20 finds scale down buying. Latest CFTC report as of Oct 15th as the spec fund short over 222k contracts.

**WHEAT:** Wheat closed under pressure with news that India's govt decided to lower their base asking price for wheat from \$300 a ton to just \$260 a ton. Traders were expecting a reduction but the range of estimates on the



price was \$260-280 so it was toward the low end. Thoughts are that India has at least 2-4 mmt of wheat to move into the export channel immediately.

The trade already is shrugging off the expected big weekly export number tomorrow morning. Also getting little play is the story confirming that Brazil increased its quota for tariff free wheat imports by 600k tons if landed by Nov 30th.

Many in the trade believe that this will be extended into Dec and that much of this 600k tons is HRW already booked out of the US. Interesting to note how the KC Dec/Mar spread in recent days has gone from 3 cent inverse out toward a 2-3 cent carry.

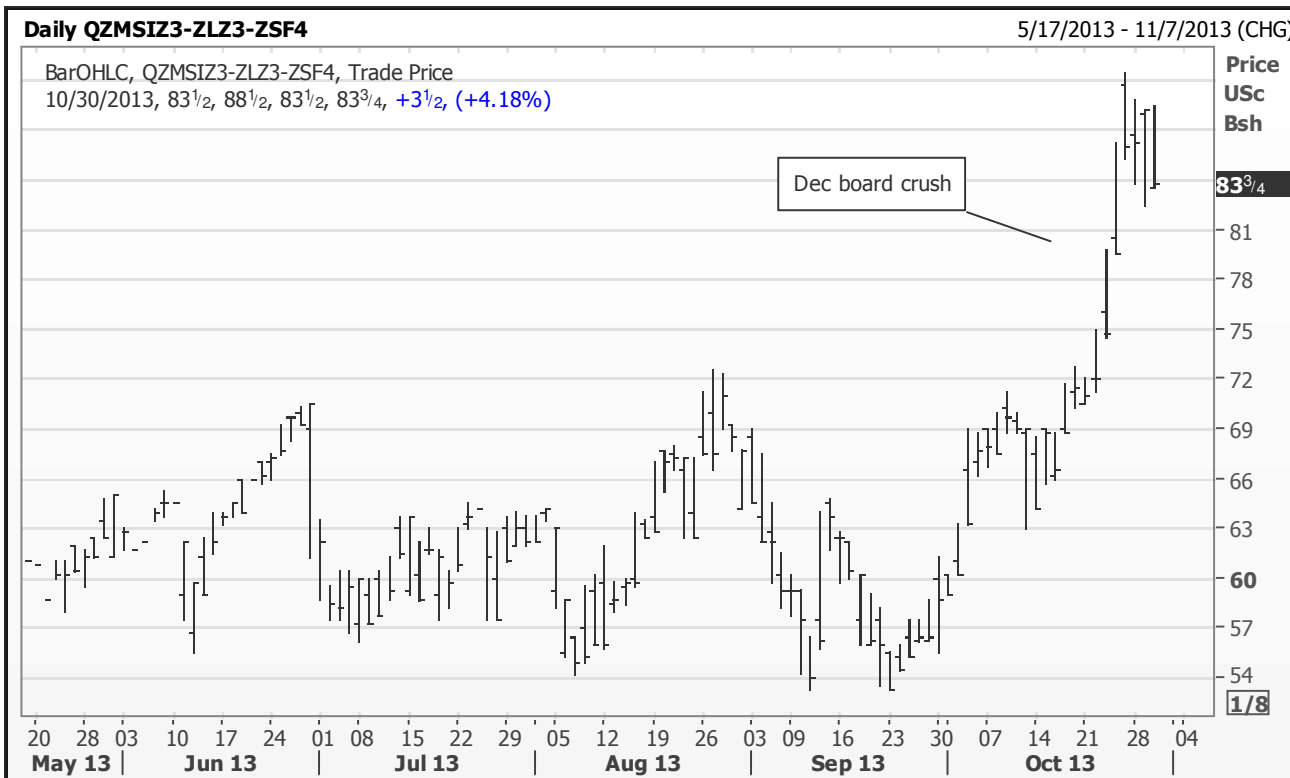
CFTC data this afternoon showing spec funds cutting their short Chicago wheat position to less than 24k contracts while increasing their KC long to 24k contracts. Spec funds are long less than 4k contracts in Mpls.

SOY-COMPLEX: The soy-complex closed higher with traders expecting a large export sales number tomorrow but already hearing a lot of chatter about buy the rumor, sell the fact for tomorrow. Spread action was heavy today with first notice day for Nov beans tomorrow and no deliveries expected. CIF values bouncing back after softening yesterday with spot bid well above historical values, see table at left. Robust crush margins and slow turn-around times on rail bean movement also contributing to the strength of PNW and CIF basis. Farmer selling continues to pick when futures push toward \$13.00 but then tapers back when futures fall back toward \$12.60 support.

	CIF Bean basis								
	OCTOBER			NOVEMBER			DECEMBER		
	hi		low	hi		low	hi		low
2004	64	X	36	70	F	52	83	F	54
2005	50	X	35	60	F	38	75	F	47
2006	64	X	50	58	F	40	47	F	15
2007	40	X	10	43	F	25	40	F	26
2008	70	X	40	66	F	48	86	F	65
2009	96	X	76	73	F	40	54	F	43
2010	62	X	40	77	F	40	83	F	42
2011	70	X	30	71	F	40	74	F	62
2012	89	X	73	110	F	88	120	F	105
2013 today		+95X			+100F			+100 F	

Traders are looking for private production estimates to increase on Friday though not to the same degree of increase as corn. Most feel that while the last 20% of the US bean harvest was better than expected (or feared it would be), it still was less than last year in many places in the Northern Belt. As a result many look for a US yield toward the 42.0 level but doubt if at this point will be over 42.5 bpa.

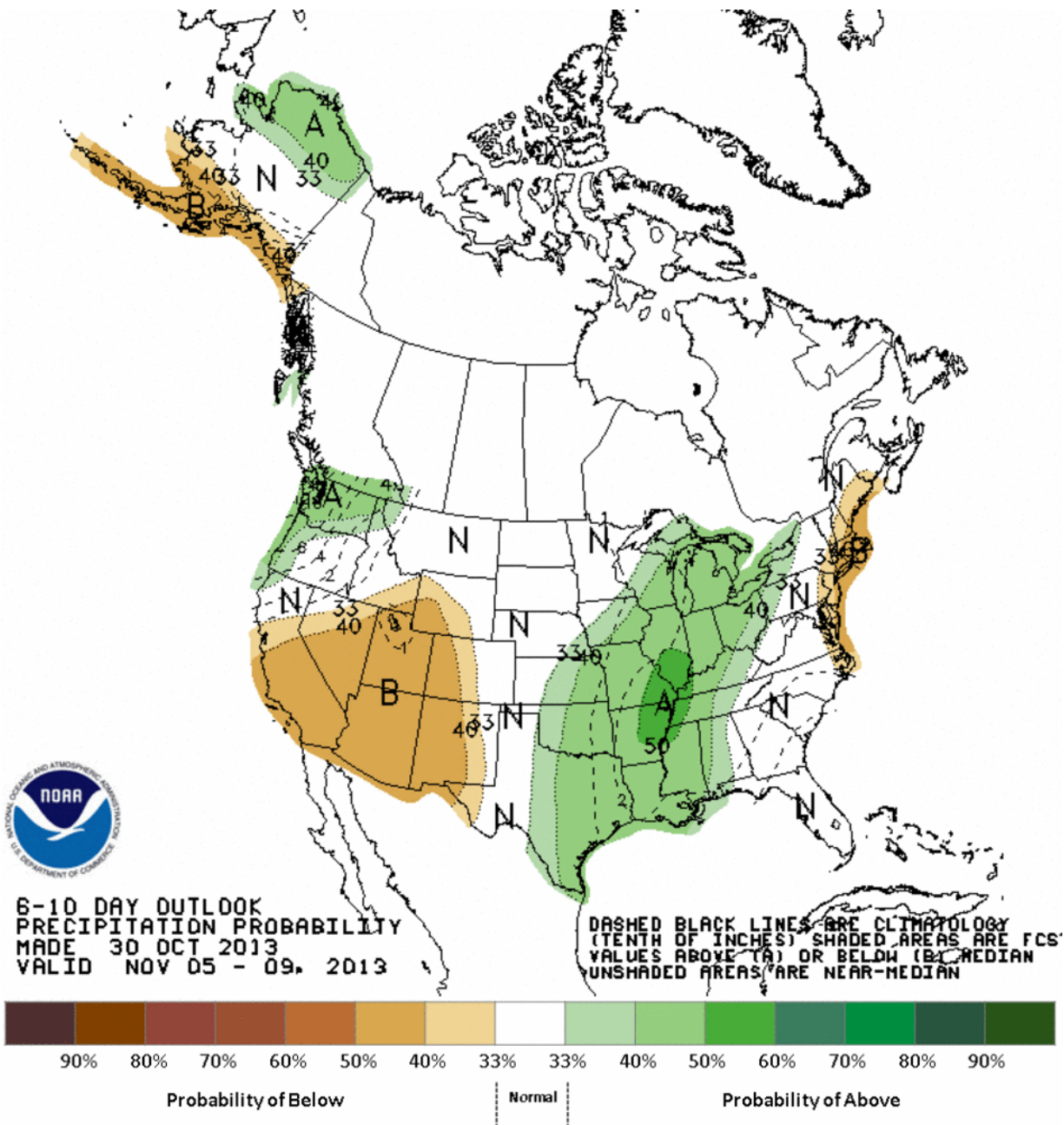
CFTC report this afternoon showed the Spec funds were long over 70k contracts of soybeans as



of Oct 15 and long about 20k contracts of soymeal while short over 50k soyoil yet.

Would look for follow through support overnight but unless the export sales numbers tomorrow morning are well above expectation would expect to see some consolidation heading into Friday.

Have a great afternoon!



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