

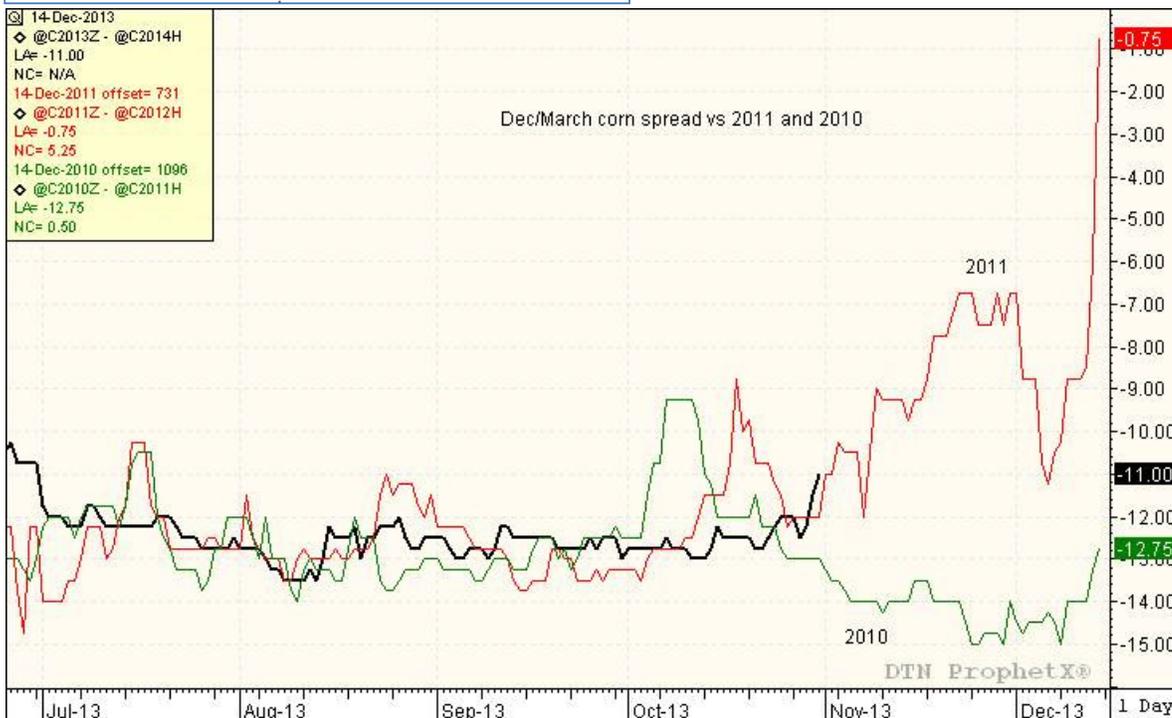
Closing Grain & Soybean Comments

Kevin Riesberg Friday November 1, 2013

CORN: Corn finished slightly lower on the day as the yield and production increase by Informa was not as big as some feared it would be (the bean number on the other hand was bigger than expected). Informa's production number with the Sept USDA demand puts carryout at almost 2.4 bln bu, but traders anticipate the USDA to bump the export number and ethanol number slightly to absorb some of this increased production. Hence ending stock estimates for next week are likely to hover in the 2.1-2.4 bln bu area. On the world front, Informa did cut their corn production estimate for Argentina to just 25 mmt vs their previous estimate of 27 mmt and the last USDA number of 26 mmt. The US ag attaché there is using a number of 24 mmt for corn production. Brazil's govt reported that October corn exports were 155.5 mln bu vs 144 mln bu last October. Brazilian ethanol exports were just 336 mln liters vs 509.4 mln a year ago in Oct (34% reduction).

US CORN BALANCE SHEET			Informa
	USDA Sept		production
	12/13	13/14	13/14
Planted	97.2	97.4	97.4
Harvested	87.4	89.1	88.3
Yield	123.4	155.3	161.2
Carryin	989	661	824
<u>Production</u>	<u>10,780</u>	<u>13,843</u>	<u>14,223</u>
Available	11,931	14,530	15,067
Feed	4319	5100	5100
Ethanol	4662	4900	4900
<u>Export</u>	<u>734</u>	<u>1225</u>	<u>1225</u>
<u>Total Use</u>	<u>11,111</u>	<u>12,675</u>	<u>12,675</u>
Carryout	824	1855	2392
CO/Use	7.4%	14.6%	18.9%

Dec/Mar corn spread continues to narrow in on a combination of firming spot corn basis (lack of farmer selling) and pick up in export demand for US corn for Dec forward. Trade is well aware of index rolls to start next week (D-Bank and Goldman) and yet the spread continue to narrow. Chart below shows a similar pattern in 2011 when lack of farmer selling made the cash pipeline tight (that year it was due to the drought vs this



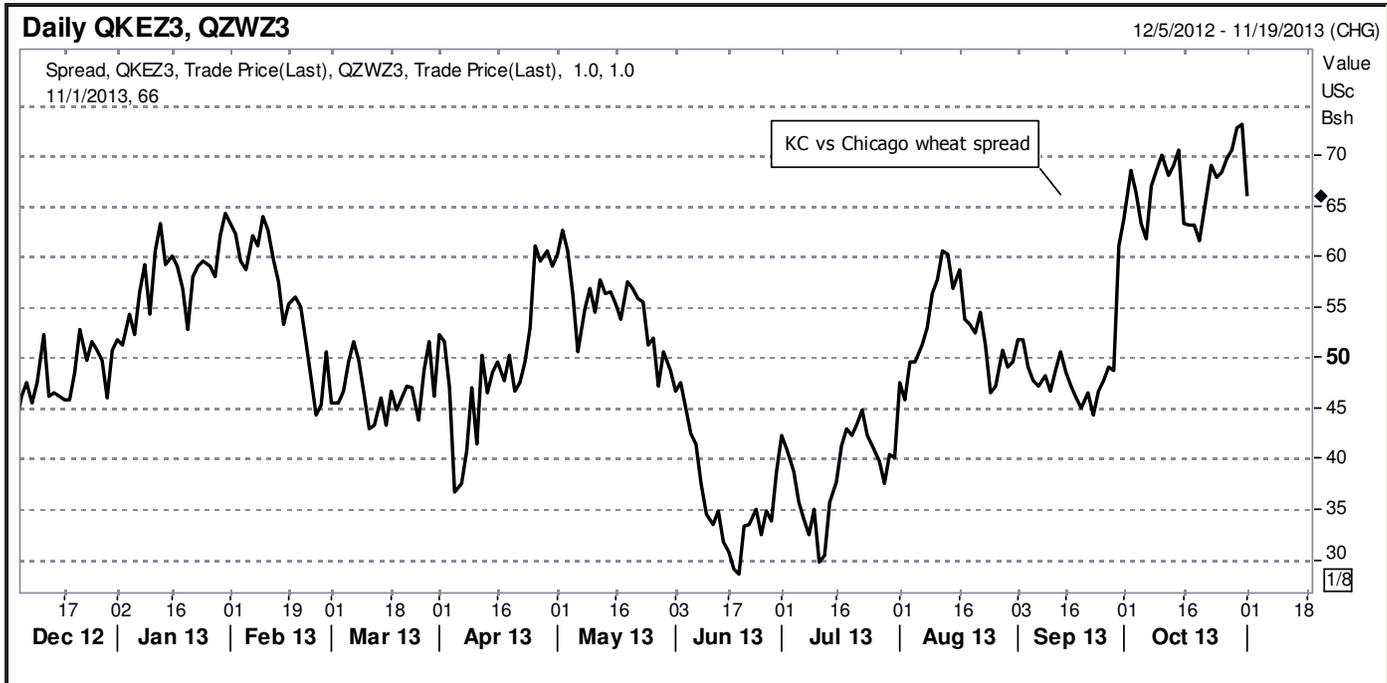
year's low futures price). Corn harvest is expected to be toward 70% complete vs 59% last Monday as rains middle of the week did hamper progress. More rain is forecast for the middle of next week for the Corn Belt. Fortunately most of the remaining crop is standing well yet.

Technically the market remains negative and trending lower though breaks under \$4.25 in Dec is

expected to find some end user pricing in front of the USDA report next Friday.

WHEAT: Wheat was a mixed bag with Chicago higher while KC and Mpls was under pressure. KC wheat saw the most weakness on liquidation/profit taking of KC/Chicago wheat spreads (see chart) and KC wheat/corn spreads. US traders ignored that European wheat futures were up 7-14 cents/bu today. More rain is forecast the Southern US Plains next week which also added some pressure to KC wheat. Today Informa lowered their Argentine wheat production to 9.8 mmt vs previous 11 mmt number while US ag attaché is at 10.5 mmt and the last USDA official

number was 12 mmt. Yet this simply confirms what the trade was already talking about last week and hence didn't have a lot of impact. KC upper protein premiums (13% and up) were softer another 15 cents/bu to +130Z as domestic mills bring in more plentiful DNS to blend with the lower protein HRW. KC 12% protein basis on other hand firmed again and at +157Z is a 27 cent/bu inverse or premium to 13% protein. SRW basis is mostly steady with CIF at +95Z bid for spot vs offers of +102Z. Winter wheat ratings should see some improvement in Monday's crop report after last week's decline. Technically the wheat market remains negative (is off over 45 cents/bu from its high last week) with next support level toward \$6.50 in WZ.



SOY-COMPLEX: Beans and meal slumped lower today as meal saw pressure from oil/meal liquidation while beans saw pressure from a negative Informa yield estimate. Informa's 43.3 bpa was bigger than some in the trade was looking for and even with a cut in the harvested acres, still gives us a production number near 3.3 bln bu. Using the demand number from the Sept USDA report, such a production number would give the US a comfortable carryout of over 300 mln bu. But traders do anticipate the USDA to bump up both its export and crush usage numbers to absorb this larger production number and keep ending stocks closer to a manageable 225-250 mln bu.

US SOYBEAN BALANCE SHEET			Informa
	USDA Sept	USDA Sept	Production
	12/13	13/14	13/14
Planted	77.2	77.2	77.2
Harvested	76.2	76.4	76.1
Yield	39.8	41.2	43.3
Carryin	169	125	141
Production	3,034	3,149	3,298
Available	3,246	3,289	3,454
Crush	1688	1655	1655
Exports	1323	1370	1370
Seed/Residual	95	115	115
Total Use	3106	3140	3140
Carryout	141	150	314
CO/Use	4.5%	4.8%	10.0%

Soyoil did trade higher on a combination of the oil/meal spread liquidation mentioned above and on a sale of 33k tons to unknown destination. Cash traders indicate this sale was to India. Palm oil values continue to race higher with the nearby futures contract up 11% since the middle of October (while nearby Dec soyoil futures are up just 3%).

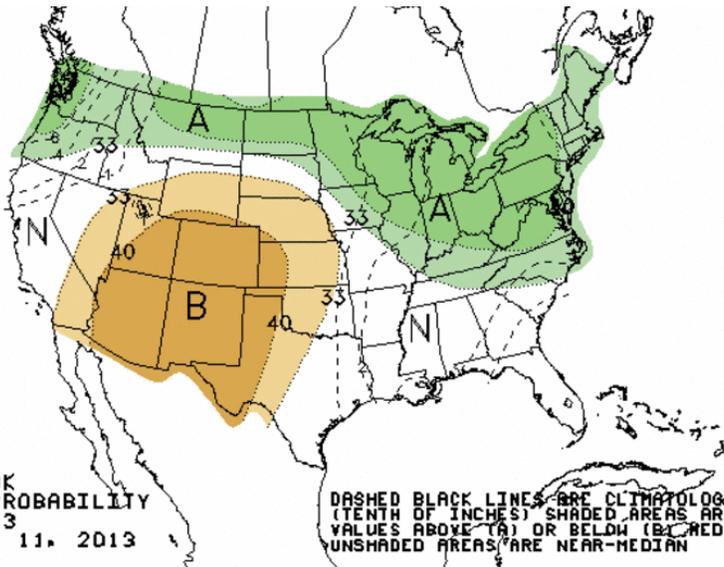
US bean basis is steady to mixed as processors try to soften basis when they made the roll from Nov to Jan on bean bids. But CIF and PNW values are holding strong and with good crush margins, would expect to see bean basis to percolate higher. Still no deliveries again Nov bean contract while the Jan/Mar bean inverse continues to soften this week.

Technically the Jan bean and meal market suffered a lot of damage this week with Jan beans off over 40 cents since last Friday. No major support is seen now until \$11.75-12.00 or unless USDA gives a major surprise this coming Friday.

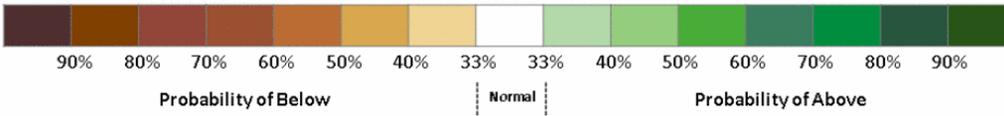
Have a great weekend!



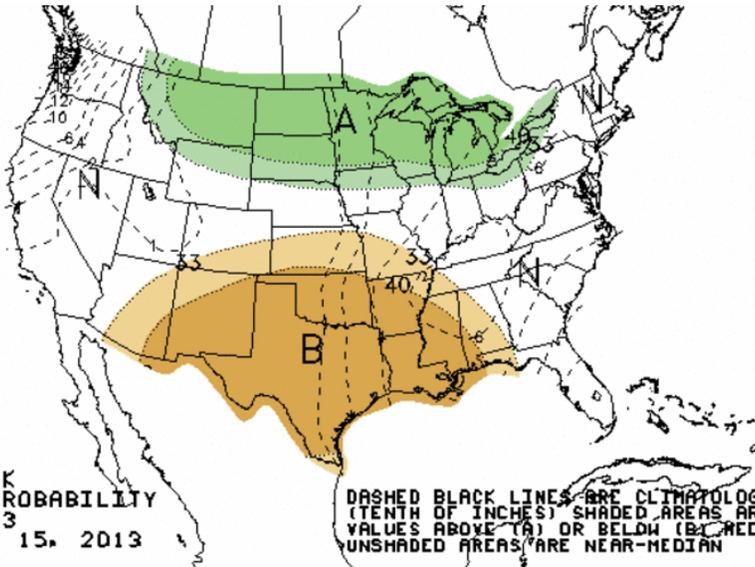
6-10 DAY OUTLOOK
PRECIPITATION PROBABILITY
MADE 1 NOV 2013
VALID NOV 07 - 11, 2013



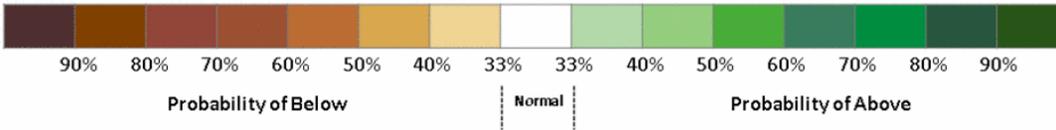
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8-14 DAY OUTLOOK
PRECIPITATION PROBABILITY
MADE 1 NOV 2013
VALID NOV 09 - 15, 2013



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