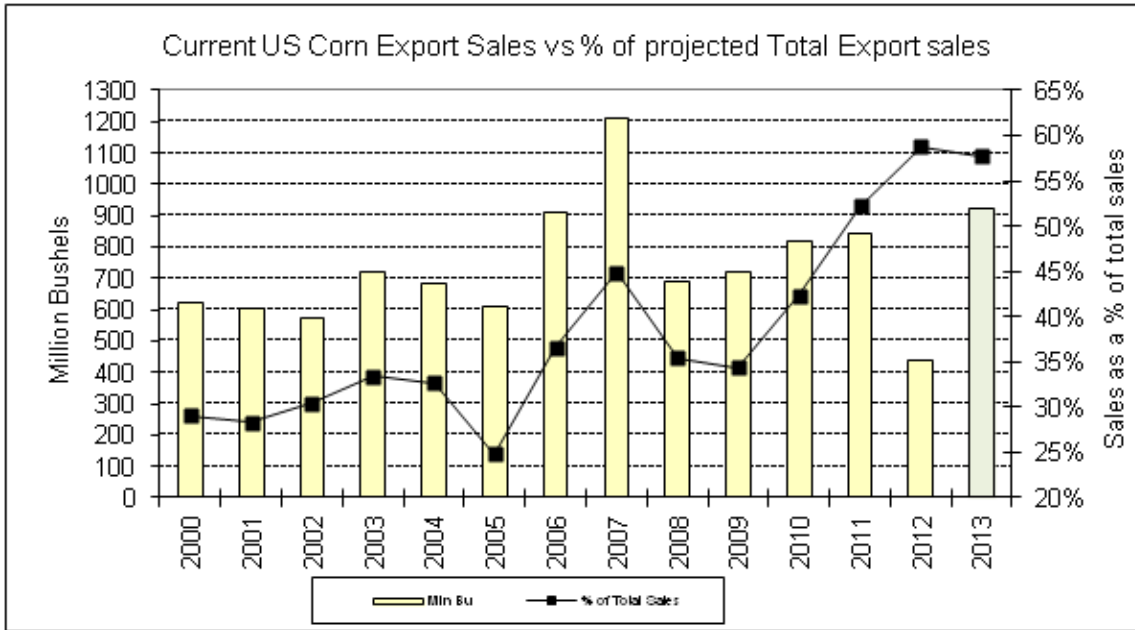


Closing Grain & Soybean Comments

Kevin Riesberg Friday November 15, 2013

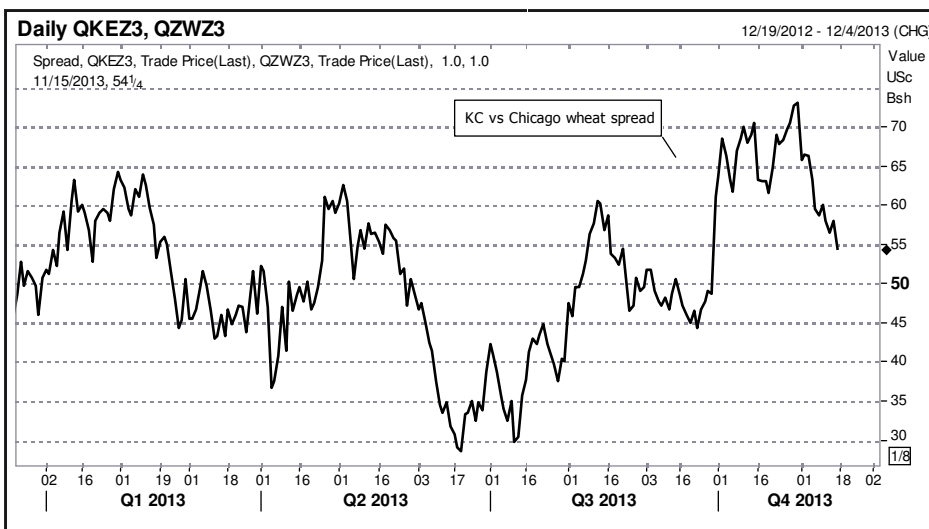
CORN: Corn closed lower on spillover selling from the soy-complex and the EPA revision of the RFA mandate being a little more than expected. Instead of giving a hard number on the RFA, the EPA instead gave a range of lowering the ethanol mandate to 15.0-15.52 bln gallons vs the earlier "leaked" number of 15.21 bln gal and the original 18.15 bln gal for 2014. Since the Advanced Biofuels was given a range of 2.0-2.5 bln gal instead of the leaked 2.2 bln gal, that leaves just 12.7-13.2 bln gal of the mandate for corn ethanol. So it could be less than the earlier "leaked" number of 13.0 bln gal and well under the original 14.4 bln gal. Essentially by doing this the EPA is not going to force the E-15 issue at this time. US ethanol exports will need to pick up the excess capacity and keep in mind that current ethanol margins are still in the black into early part of 2014 for Midwestern plants.



Weekly export sales number for corn was bigger than expected & the 6th week in a row of being over 1.0 mmt. Export sales on the books is the 2nd largest for this time of year since 2007, see chart at left. And current sales as a % of the total projected export sales is the 2nd largest since last year. Hence some private analysts are bumping up their export projections slightly. In other news Informa

estimated US corn plantings next spring at 91.5 mln acres vs the Oct number of 91.7 mln and last year's number of 95.3 mln. Traders are taking these numbers with a grain of salt given its only Nov and harvest isn't done yet. Barge freight values on the IL and OH rivers continue to move upward with IL trading at 725% for spot, up 110% for the week (or 18 cents/bu) and OH up to 900%, a jump of 175% or 29 cents/bu. A combination of the last 10% of harvest getting pushed into the pipeline, falling River levels and lock repairs delaying transit all driving the higher freight values. Cash traders note it's taking 3 days to get through OH River lock 52. Last time IL barge freight was this high was back in 2008.

Dec/Mar corn spread traded into 8 1/4 cents at one point today with spec funds expected to get more aggressive



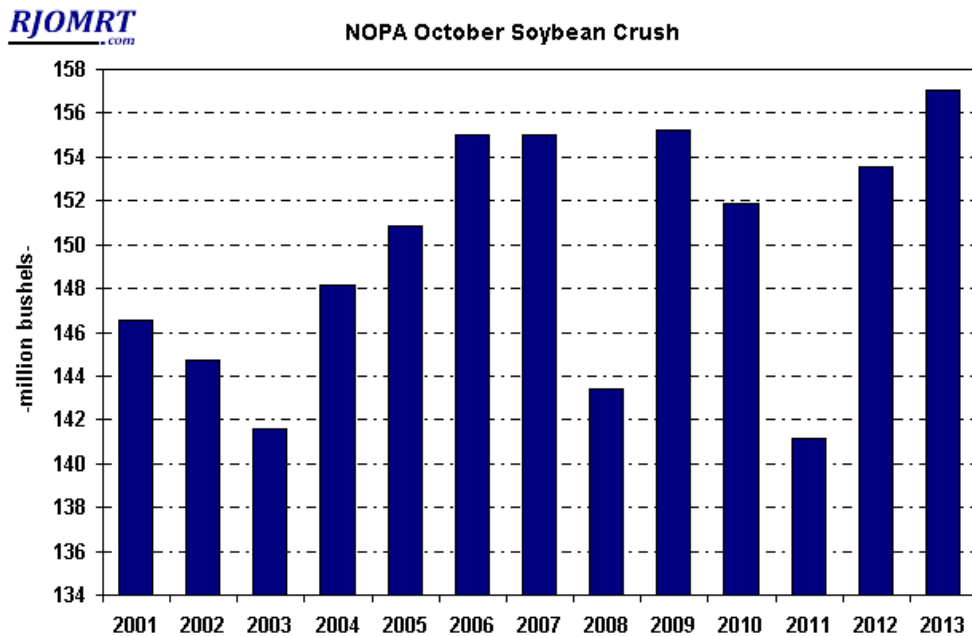
rolling their short positions forward next week. Spec funds are short over 190k contracts over all. Farmer selling is at a standstill where harvest is wrapped up. Technically corn market remains negative looking and so basis/spreads will need to keep doing the work of pulling bushels into the pipeline. With no major reports or announcements left now until the Dec 10th S/D, the trade will turn its attention back to South American weather, exports and ethanol margins.

WHEAT: Wheat closed lower though Chicago wheat held up well compared to KC. Weekly export sales were

lackluster at less than 11 mln bu, well below expectations by the trade. This along with the weakness in beans and corn kept wheat under pressure for most of the day. North African export demand continues to be supplied by the EU and Black Sea while Asian demand is switching back toward Australia. Only export business of significance lately has just been the few HRW cargoes sold into Brazil for December. In other news Informa today pegged all US wheat plantings at 58.1 mln acres vs 57.7 mln in October as producers switch some corn and soybean acres toward wheat. KC wheat continues to give up premium to Chicago with the spread below 55 cents now, see chart on page 1. Next week would expect consolidating, grinding lower type trade with support at \$6.35 in WZ and \$6.85 in KWZ and MWZ trying to hold near \$7.00 (currently at its lowest price since late 2010). Spec funds are short almost 90k contracts in Chicago now while still long over 15k in KC.

SOY-COMPLEX: Beans and soymeal were hammered lower on technical selling today as weekly export sales were less than expected at just over 31 mln bu while meal and soyoil sales also fell short of expectations. Jan beans breached \$13.00 and also the 20, 50, and 100 day moving avgs as the bears kept the ball rolling. Even a bigger

than expected NOPA crush number of 157.06 mln bu failed to stem the tide of selling. The October NOPA crush number was a record for October, see chart below, but didn't matter to the trade. Also weighing on the trade late in the day was the EPA putting out its RFS requirements. The "leaked" report had bio-diesel at unchanged of 1.28 bln gal from this year and EPA is keeping it there (vs the original proposed 2.0 bln gal requirement). The USDA currently has soyoil demand for biodiesel going from 4.6 bln lbs to 5.6 bln lbs this next year, so this means some downward revisions in later S/D reports.



US bean basis continues to slide with increased movement seen on the lower Miss River as harvest of double crop beans in TN/KY picks up speed. Jan/Mar bean inverse continues to leak lower. Note last year the Jan/Mar bean inverse collapsed toward a small carry by the middle of December. Then the trade started to focus on the logistical issues in Brazil. We would expect to see the same glide pattern this year as the spec fund long position in soybeans is 85k contracts vs 95k contracts a year ago at this time.

Would expect to see follow through weakness next week unless weather forecasts change dramatically for S. America. Next solid support for Jan beans toward \$12.47 and \$392 in Dec meal. Have a great weekend!

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