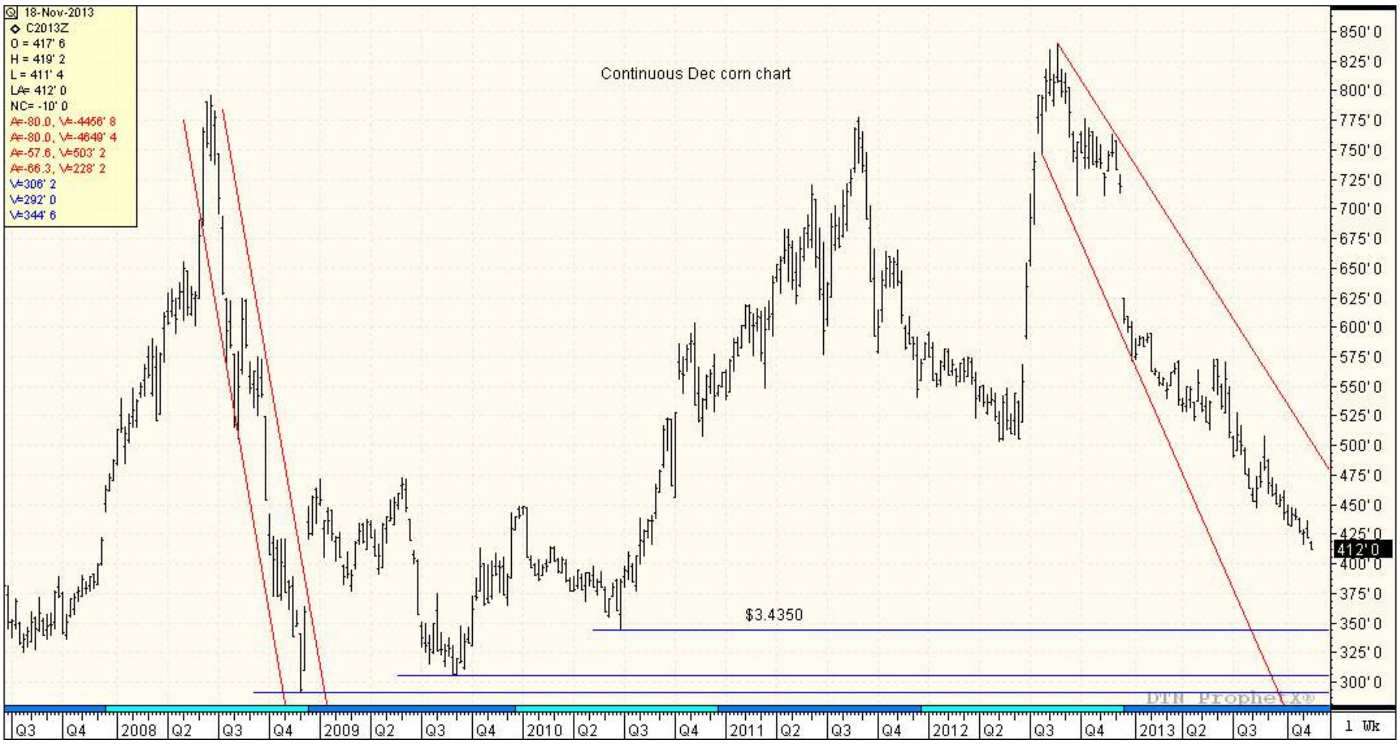
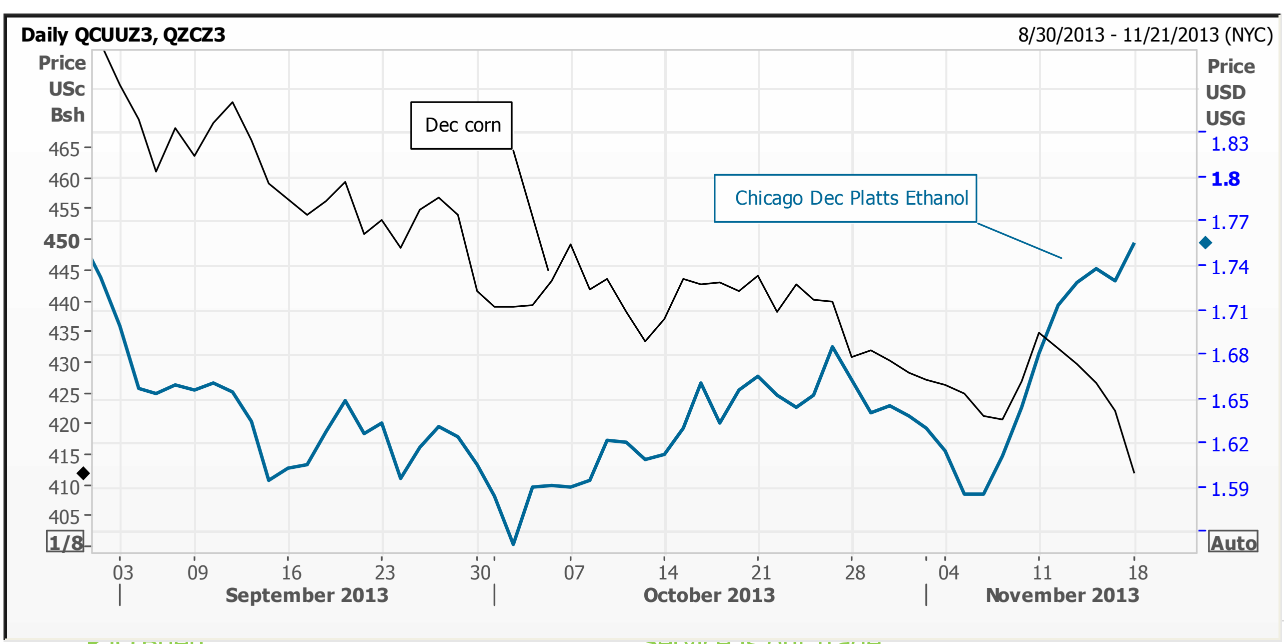
Closing Grain & Soybean Comments

Kevin Riesberg Monday, November 18, 2013

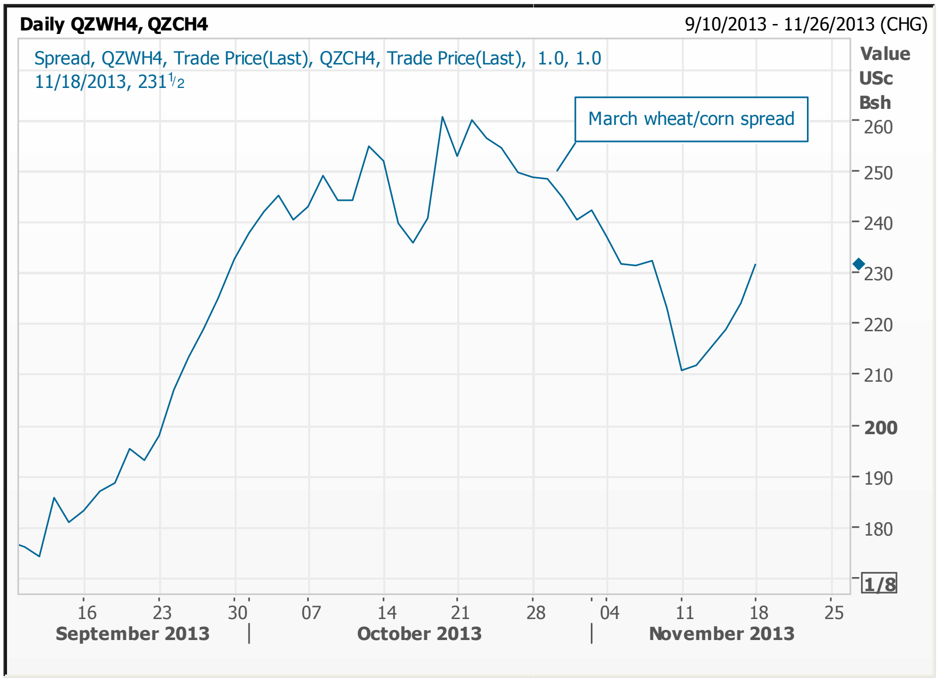
CORN: Corn closed sharply lower as funds sold 12,000 contracts as the hangover from Friday's EPA announcement continues with most corn contracts (other than the nearby Dec) making new contracts lows. Also keeping the trade a little skittish were reports that 1 cargo of US corn got rejected (for now) for having contained Syngenta's Agrisure Viptera (or MIR 162), which is not officially approved for import yet. Note approval is expected to come in early 2014 and that earlier this summer one Argentine corn cargo was allowed in though it did test positive for MIR 162. Today's weekly export inspection number showed 14 mln bu were loaded out for China (7 mln from PNW and 6 mln from Gulf) so traders will be watching if any of these cargoes get held up or not.



Technically the corn market has little support until the $4.00 level on the nearby Dec. Note that back in 2008 and 2009 when carryout to use ratios were over 13% that Dec corn was able push below $3.50, see chart above. Cash corn movement though in the US is slowing down in response to the lower futures and so basis levels are having to firm in order to pull cash corn into the pipeline. Ethanol crush margins seeing support in the nearby slots as futures break in corn while Dec and Jan ethanol moves higher (but Feb forward ethanol is softer). Weekly export inspections on corn were a

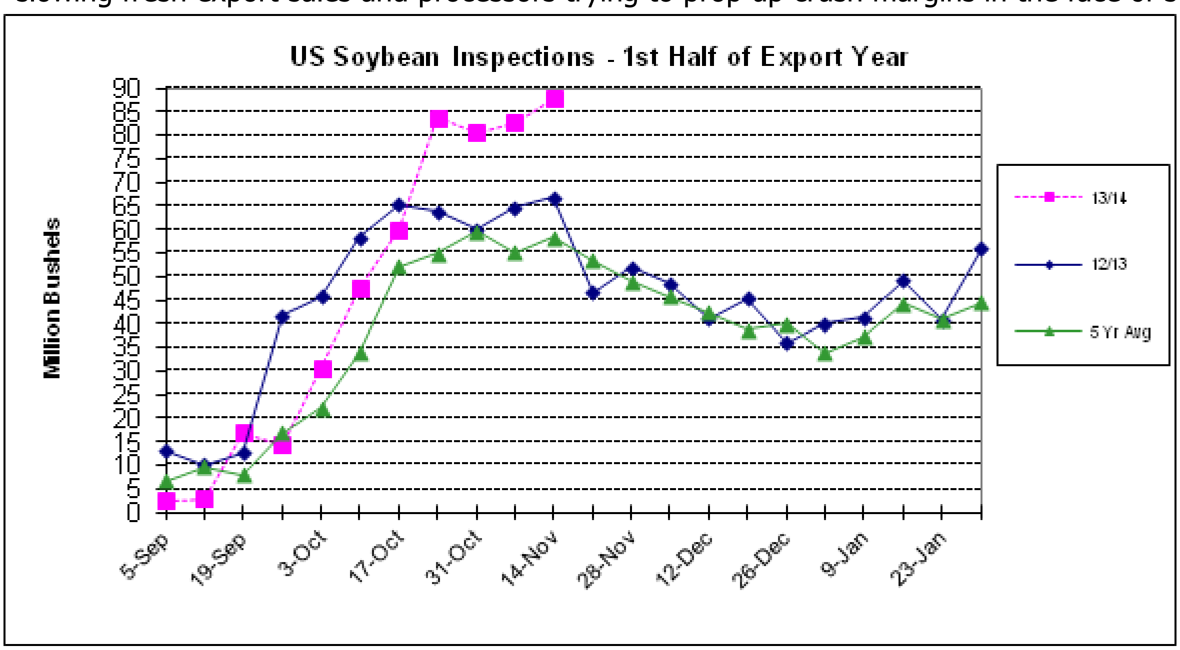


little bigger than expected at 30.7 mln bu but not shockingly big. Before today's break US corn was about $1-$3 a ton premium to Black Sea corn according to business done by S. Korea late last week. After today's break, US corn should be the cheapest source for corn in Feb/Mar April slot. Corn spreads softened slightly with the upfront selling in the nearby Dec. Just 8 trading sessions are left until 1st notice day. Wheat/corn spreads saw a strong bounce this past week (see chart above) with resistance expected back toward the $2.60 area. US corn harvest is now 91% complete vs 86% avg.



WHEAT: Wheat closed slightly lower as selling in corn spilled over into the wheat markets. Weekly export inspections were better than expected at 18 mln bu but still not overly robust as most of the export capacity is being taken by soybeans and corn. Egypt tenders this afternoon for option origin wheat for LH Dec shipment. Once again most of this business should come from France or the Black Sea. On the Iraq tender, Canada had the cheapest offer at $345 a ton while the cheapest US wheat offer was $24 a ton above the Canadian offer. This afternoon's US weekly crop ratings showed that the US winter wheat slipped 2% to 63% G/E but still going into dormancy in fine shape vs 34% G/E last year. HRW basis levels are steady/slightly firmer while SRW values should see support with the Egyptian tender. Look for firmer trade overnight on the Egyptian tender.

SOY-COMPLEX: The bean and meal market was able to divorce itself from corn and march to its own tune today with support seen from short covering and lifting of corn/bean spreads while weekly export inspection number of 87.8 mln bu was much bigger than traders expected. This is the 4 week in a row that shipments were over 80 mln bu, see chart below, but shipments should start to taper off heading into next week. Growing conditions in South America remains generally good with Brazil now 69%-73% planted (depending on the analyst) and in Argentina at 26% planted (vs 30% last year at this time). Brazilian producers though are discouraged with the soybean price action and direction of the Brazilian current. The producer there is thought to have sold just 33% of the new crop according to Safras, compared to 48% this time last year. US soybean basis remains soft with slowing fresh export sales and processors trying to prop up crush margins in the face of softer meal and soyoil basis. Resistance for Jan beans is back toward $13.00. US bean harvest is now 95% complete.



Meal followed the rally in beans and also saw support from meal/oil spreading. Soyoil saw follow through selling as a result of the EPA decision to keep the required blending at 1.28 bln gal. Malaysian palm oil values were also softer overnight on profit taking.

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