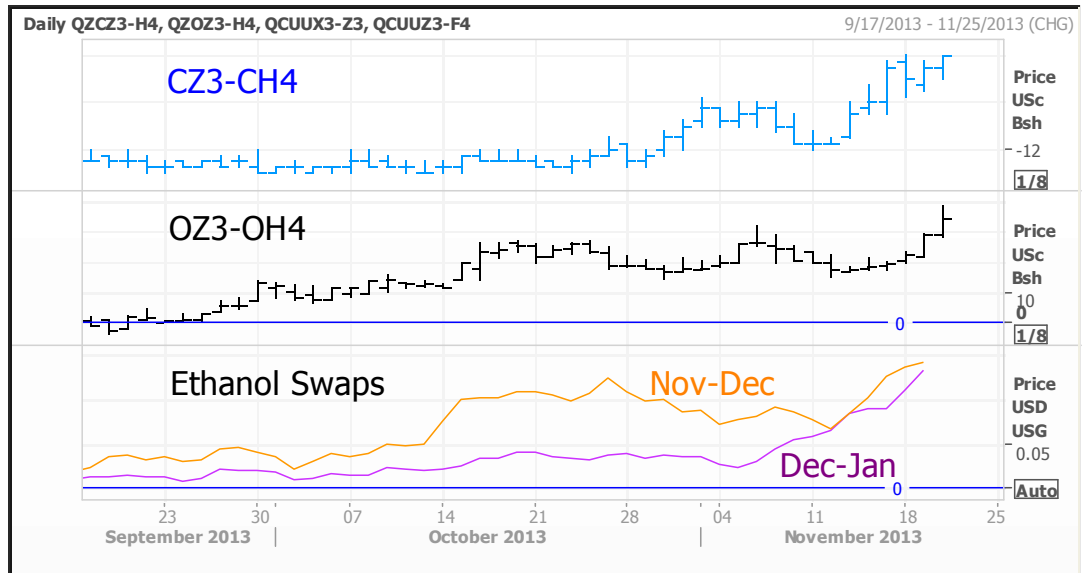


Closing Grain & Soybean Comments

November 20th, 2013

Corn: It was a back and forth session in the corn as it treaded water inside the weekly trading range. The December finished at \$4.17, down ¾ cent on the day. The July was down 1 ½ to \$4.40 ¼. A shortage of news and lack of outside influences led to the muted trade. Even the weekly ethanol report from the EIA failed to provide much spark. The spreads were firmer across the board with the Dec-Mar again slipping in to 8 cents. This matches its narrowest level in almost a year.

Helping to support that spread are the same spreads in some of corn's sister markets (see chart.) There is a more than 20 cent inversion from Nov to Dec on ethanol swaps and nearly 20 more from Dec to Jan. At 2.8 gallons/bu, a 40 cent inversion would be equivalent to \$1.12 per bushel inverse...for 2 months! Meanwhile, in the oats, the Dec-Mar spread has run from even money in early September to a 35 cent inversion. These moves make the 5 cent rally in the corn spread pale in comparison and may also imply there is still more to come.



The EIA said that the US produced 266 million gallons of ethanol last week, down from 273 million the week before. This implies corn usage of around 95 million bushels which is ahead of the "needed" weekly pace required to hit the USDA's corn-for-ethanol demand estimate. Despite 5 straight weeks of strong ethanol production, stocks have not built and remain near multi-year lows. This low stocks environment is keeping ethanol prices on the rise as buyers scramble to find supplies. With ethanol prices on the rise and corn prices flat, margins continue to improve.

In other news, South Korea's MFG bought 2 cargoes of US corn and 1 cargo of Black Sea corn for April-May delivery. The US corn was bought at gulf equivalent values of +65 to +70 K. Japan bought less corn in September than a year ago and a smaller percentage of those imports came from the US as well. The November cattle on feed report will be released on Friday. The trade is looking for Nov 1 cattle on feed to be 10.58 million head just 94% of year ago. Light precip will be present in the Midwest in the next few days. Dry weather should move back into the Midwest during the early part of next week and allow further harvest advancement.

The trade is looking for weekly export sales to be 30-37 million bushels, compared to 47 million last week. The funds sold 3,000 contracts.

Midwest basis bids were steady-better in the last 24 hours. Improvements of 2-10 cents were seen at many locations, the product of a lack of movement and good value added margins all around. The gulf was down 2 cents today to +84 Z but this drop was offset by cheaper barge freight. South-bound barge freight on the IL River traded as low as 575% of tariff today compared to 700% on Monday.

Look for Dec corn to respect the week's \$4.10-\$4.22 range to start tonight. A break of that range could lead to more emotional buying or selling than what was seen today.

Soybeans: Like the corn, the soybeans traded both sides. It was an inside day for the Jan, July, and Nov contracts. Indeed the most interesting action was in the spreads which were generally weaker. The Jan-Mar inverse fell to its lowest level since mid-October. A drop below 8 ½ would be the lowest since August, prior to the "Flash Drought" scare (see chart, next page). The flat price changes ranged from down 2 ½ on the Jan to up 3 ¾ on the Nov. That put the Jan at \$12.73 ¾ and the Nov at \$11.53 ¼.

Meal was mostly weaker on the day and finished steady to \$2 per ton lower. Oil was the best performer, up 30-35 points. The December contracts settled at \$407 and 40.32, respectively.

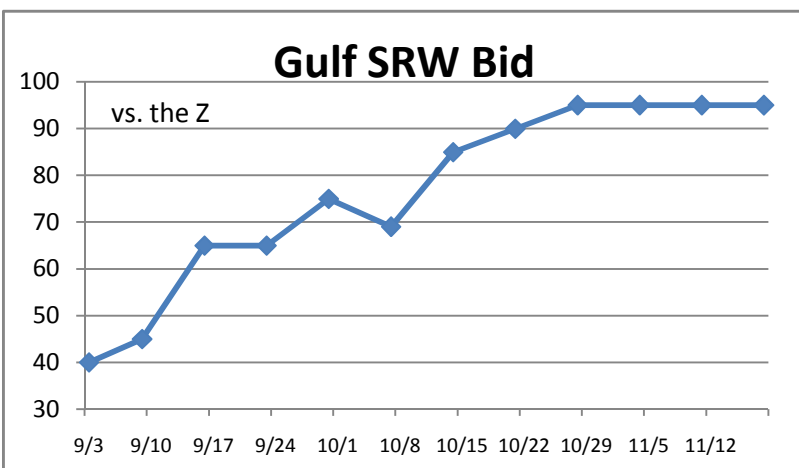
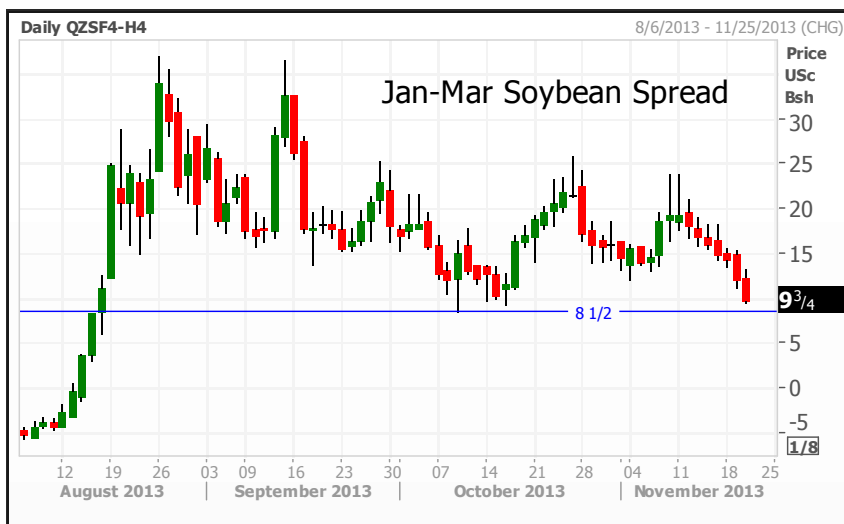
News was slim and included: Argentina and Brazil both have rain in the forecast, keeping South American weather concerns at bay. Lanworth estimated 13/14 global soy production at 289 mmt, down from 290 mmt previously. The USDA is at 283.5. The trade is looking for weekly sales of 24-31 million bushels compared to 31 million last week. Oil sales are expected to be very large at 30-80K tons following the daily sales announcements to Unknown and India seen last week.

Midwest soybean basis was mostly steady in the last 24 hours. A few locations did back off 2-3 cents. Meal basis was also steady-softer. The gulf bean bids fell to +92 F, down 5 cents from Tuesday and near the lowest levels of the month. Some of that weakness is due to cheaper barge freight (see corn comments).

The funds sold 2,000 beans and 1,000 meal while buying 2,000 oil.

Beans are in the middle of a large trading range. Look for choppy trade to continue, especially in the absence of new influences.

Wheat: Wheat saw a somewhat disappointing day after a constructive session on Tuesday and a surprising bit of bullish news. The USDA announced a sale of US SRW to Egypt. However, Chicago and KC finished 3-5 cents lower while MN wheat was steady to down 2. That put the December contracts at \$6.47 1/4 in Chicago, \$6.95 1/2 on KC, and \$6.97 3/4 in MN. The wheat spreads were firmer in spite of the disappointing flat price action.



As part of the daily sales reporting system, the USDA announced the sale of 110K tons of US SRW to Egypt. Presumably this was done through a private buyer since Egypt's buying arm (GASC) has a very public bidding process. In fact, GASC had bought 2 cargoes of Russian wheat earlier this week and said they may look to the domestic market because French wheat is too high priced. During the tender, there was not any US SRW even offered. The US wheat export environment in 13/14 has been better than expected even if the board prices have not reflected it. China has bought SRW, Brazil has bought HRW, and now Egypt has also bought SRW. Where prices have reflected

it is in basis and protein spreads. The chart at the left shows the gulf bid for SRW and how it has come up since September.

The other export news was disappointing with Japan buying a small quantity in their latest SBS tender and Jordan completely passing on a 100K ton tender. The trade is looking for weekly export sales of 14-18 million bushels compared to just 10.6 last week.

In other news: The Rosario Grains Exchange estimated Argentina's 13/14 wheat crop at 9.1 mmt, only slightly bigger than last year's disappointment; the USDA has them at 11 mmt. Some traders are becoming concerned about quality in Australia's wheat crop after rains impacted their western growing areas and frost impacted their eastern growing areas. The 11-16 day European model is showing a rain event for the Plains that could give the US HRW crop one last good drink before heading off into dormancy in pretty good condition.

The funds were sellers of 2,000 contracts.

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