

**The next trade in grains (pit or electronic) will be Friday morning at 8:30 am.**

## Market Overview:

Soybeans saw the most exciting grain trade of the day. The beans and meal rallied throughout the overnight session and came into the morning trading in the green. An export sales announcement by the USDA added to the firmer tone. However, sellers emerged in the December meal; it had run nearly \$47 per ton in the course of 4 days. In the span of about an hour, meal went from \$8 per ton higher to \$4 per ton lower taking the rest of the complex with it. Dec meal finished \$4.30 lower to \$445.90. Today was position day for the December contracts and the Dec meal had run to such a large inversion to the January that deliveries were possible. The Jan beans finished 9 ¼ cents lower at \$13.20 after trading as high as \$13.41. A softening basis environment weighed. The bean spreads were weaker on the day as well.

Corn futures traded mostly higher throughout the session, supported by gains in the wheat market, another supportive weekly ethanol report, and buying by two South Korean firms. The Dec did finish lower at \$4.17 ¼ but this was primarily due to weakness in the Dec-Mar spread. That spread collapsed from 6 ¼ cents carry yesterday to 9 ¼, going home tonight. In the end, it was an inside day for corn as the market simply retraced levels seen already this week.

Wheat futures were higher on all three exchanges supported by export rumors (Egypt & Brazil) and a cold forecast for next week. KC wheat continued to lead the gains, up 7-8. Chicago was up 4-8. Most MN contracts were up 3-5 but their December contract was down 7 ¼ as the Dec-forward spreads fell sharply. The technical picture on wheat has turned more friendly. See RJOMRT update below.

The Dec oats fell sharply, down 26 ¼ cents after rallying 48 cents in the last 2 weeks.

## Headlines:

- The USDA announced the sale of 235K tons of soybeans to Unknown with 180K for 13/14 and 55K tons for 14/15.
- The US used 502 million lbs of soyoil in biodiesel production in September down from 510 million in August according to the latest EIA data. A total of 127 million gallons of biodiesel was produced, down from 128 million in August.
- A northern stretch of the Mississippi River (near Davenport) reopened on Tuesday after a barge carrying diesel sank and was leaking. Only minimal traffic was disrupted as movement on northern stretches has slowed ahead of the seasonal river closure.
- Brazil auctioned off the rights to operate a 528 mile stretch of highway through the key state of Mato Grosso. Better operation of this road could open up a northern export route to compete with the southern ports at Santos and Paranagua.
- South Korea's KFA bought 58K tons of US corn in a 120K ton tender for April/May. Another Korean buyer, NOFI, bought 60K tons of US corn for April.
- Lanworth lowered their world wheat production estimate to 706 mmt from 707 mmt previously. The USDA is at 706.4.
- Ukraine bumped their 13/14 grain production forecast to 61 mmt, saying they could export up to 32.5 mmt.
- ADM announced that they intend to invest \$200 million in agricultural infrastructure in Australia once their takeover of GrainCorp goes through. The deal has faced increasing opposition in recent weeks and still has to be cleared by Australian regulators.

**Basis:** Corn basis was mixed in the last 24 hours with many locations backing off their spot bids but often improving their Dec-Jan bids at the same time. CIF corn bids were down hard this morning to +78 Z; it was +83 Z at the start of the week.

Midwest bean basis has fallen sharply in the last 2-3 days. Gulf bean bids are off a penny from yesterday at +96 F. Both US and South American farmers have been selling beans in the last few days, keeping pressure on bean basis.

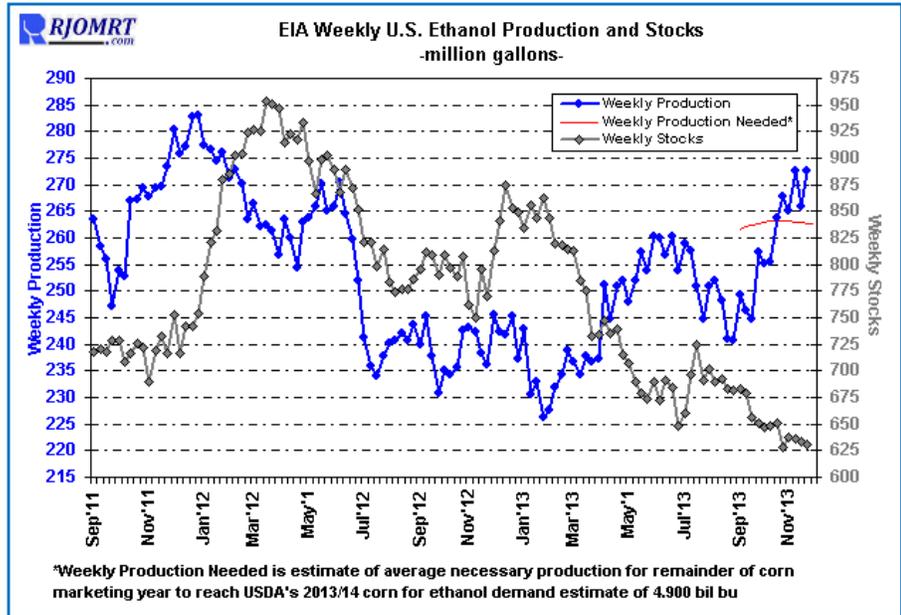
Meal basis was steady, as it has been for the last 2 months.

**Weather:** Midday models were a little wetter for Argentina in the 6-16 day timeframe. They should see a good planting window in the next 6-10 days that will allow them to stay on pace on beans and play some catch-up on corn. Brazilian growing areas going to see rains again in the coming days. Very few problem areas there. South American weather is still a negative factor on price but any change would likely be supportive.

In the US, the trade will be watching cold temperatures in the Plains next week for potential winterkill. Snowfall ahead of the temperature drop would allay some of the concerns.

**Weekly EIA Report:** Ethanol production last week matched the very high level from 2 weeks ago with the US producing 273 million gallons. This equates to corn usage of nearly 98 million bushels, above the level needed each week to reach the current USDA 13/14 ethanol demand estimate of 4.9 billion bushels. Even with production at the highest level in nearly 2 years, ethanol stocks continue to slide implying strong domestic and export demand (see chart).

**GASC Tender:** Egypt bought just one cargo of French wheat for \$292 per ton landed in their latest tender. US SRW out of the gulf would be run at least \$300 per ton delivered into Egypt. There were rumors that private Egyptian buyers were looking for US wheat. A similar sale was seen last week. Brazilian buyers were also rumored to be looking for US wheat.



**Technical Update (Wheat):**



*"A bullish policy and exposure remain advised with weakness below at least yesterday's 6.46 minor corrective low in the Dec contract required to threaten this call and warrant covering recommended long positions from 6.51. In lieu of weakness below at least 6.46 in the Dec contract and preferably 6.52 in the now-prompt Mar contract, further gains are expected straight away. And given the steep and uninterrupted nature of Oct-Nov's collapse, these gains could be surprising in scope."*-Dave Toth, RJO Director-Technical Research

Weekly Export Sales-Nov 22		
	Estimates	Last Week
Corn	31.5-43.3	38.7
Beans	25.7-47.8	50.6
Wheat	13.8-23.0	22.7

\*-all in mil bu. Source: Reuters

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