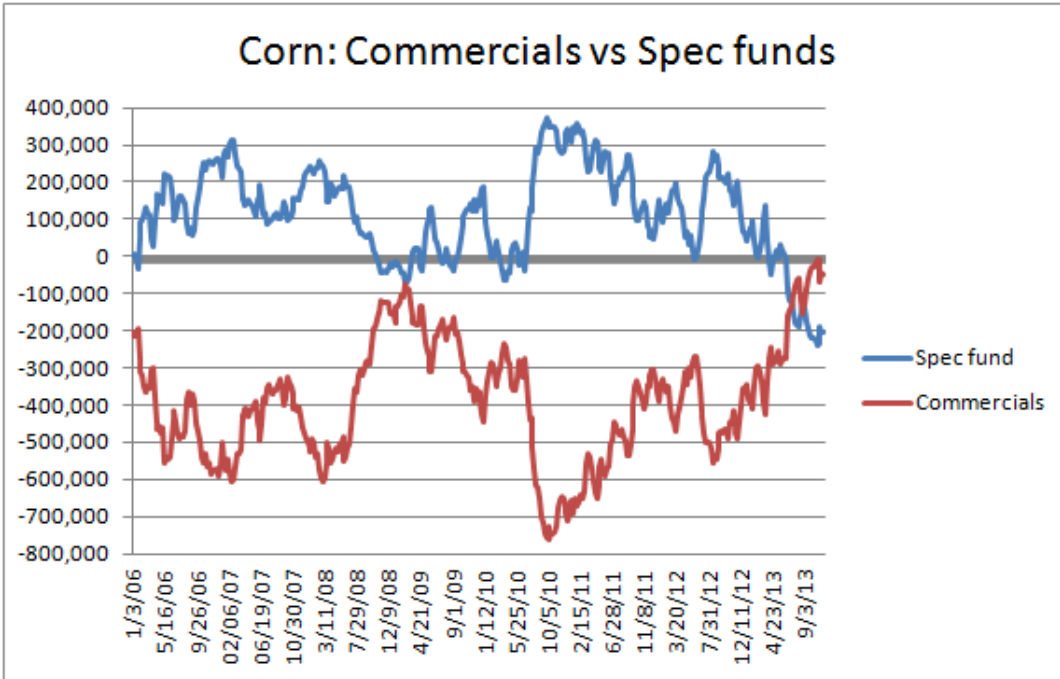


Closing Grain & Soybean Comments

Kevin Riesberg Tuesday December 3, 2013

CORN: It was a day that money flow trumped fundamental news as profit taking and short covering pushed corn and wheat higher. CoT report yesterday showed the spec fund short over 200k contracts yet as we head into the last month of the year.



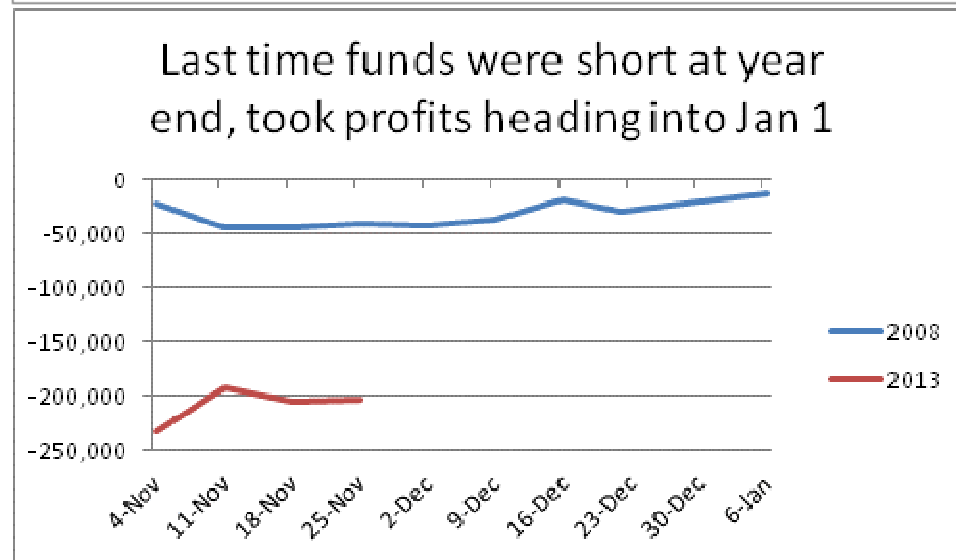
CoT report yesterday showed the spec fund short over 200k contracts yet as we head into the last month of the year. The last time the spec funds were short in Dec (back in 2008), they took some profits heading into the holiday season, see chart below. One would expect to see the same pattern this year both in corn and in Chicago wheat where they hold a huge short of over 100k contracts.

The market for now ignored talk and news wires about Chinese govt rejecting some US corn cargoes and some DGG shipments due to

positive tests for GMO trait MIR 162 (Viptera). With 126 mln bu of corn sales on the books to China but not shipped yet, the cash trade will be watching closely to see if this is a problem that grows legs or not (so far reportedly just 3 out of the last 15 cargoes from the US had issues).

Trade also shrugged off Informa increasing their corn production estimates in Ukraine by 1 mmt to 28.5. They did lower the Brazilian production number slightly from 71.1 mmt to 70.6 mmt and left Argentina unchanged at 25 mmt.

Some supportive factors remains



ethanol values firming with Dec Chicago platts trading over \$2.00 gallon today, up over 20 cents/gal from last week. The inverse also pulling January and Feb ethanol values higher. Key level in March corn is last week's high of \$4.33. A breach of this would open the door toward \$4.45-4.50. Corn basis was a little softer with the board rally triggering some cash movement. Heavier farmer selling is expected toward the \$4.50 level.

WHEAT: The wheat rally today was mostly driven by money flow though some tried to tie it to concern about cold temps and possible winterkill concerns in the Plains. The Egyptian tender really wasn't all that bullish as they took only 1 cargo from Romania and was well anticipated by the trade. Rather the spec funds are sitting with a huge short position of over 100k contracts and expected to cover in a portion of this prior to year end. Chart below shows that Chicago March should encounter some resistance toward \$6.75-6.80 level.

Trade ignored ABARE increasing their wheat production estimate for Australia to 26.2 mmt vs their previous estimate of 24.5 mmt. Stronger Chinese import demand is expected to absorb this larger crop from Down Under. Trade also keeping eye on Russian/Ukraine wheat areas and if they get some needed snow cover before a sharp

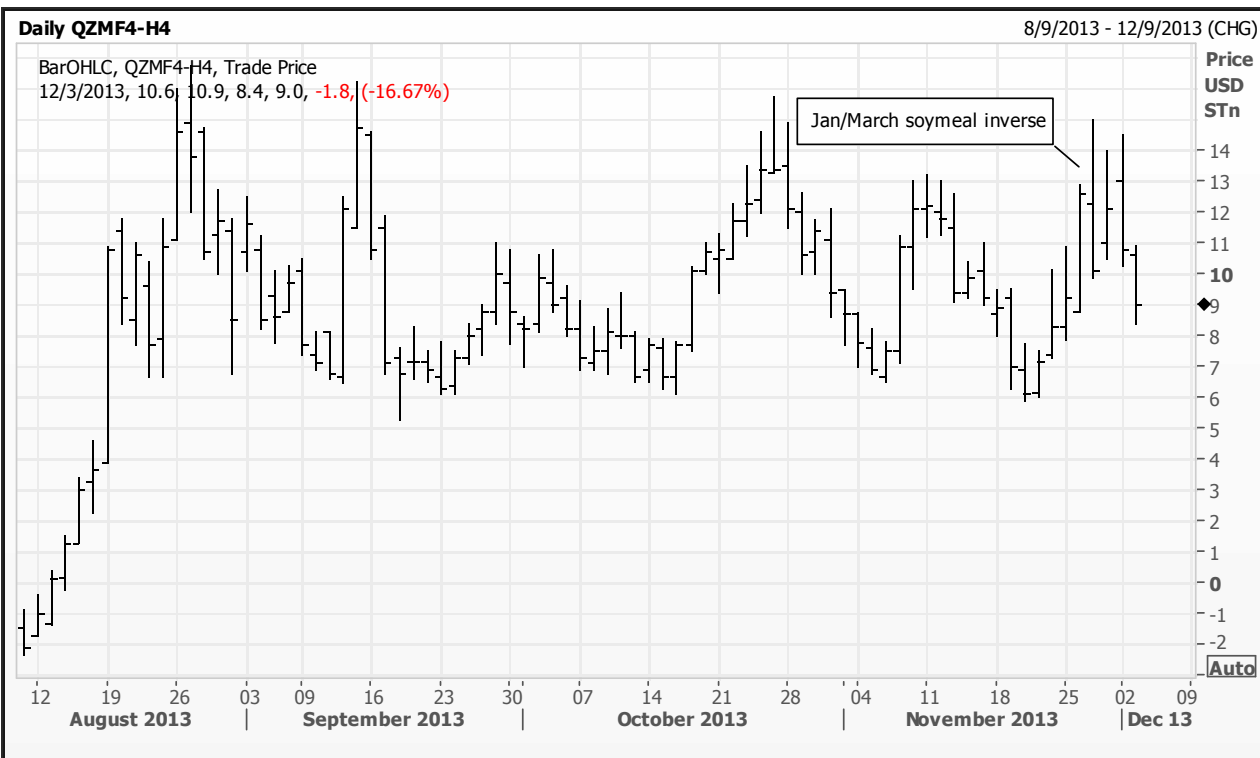
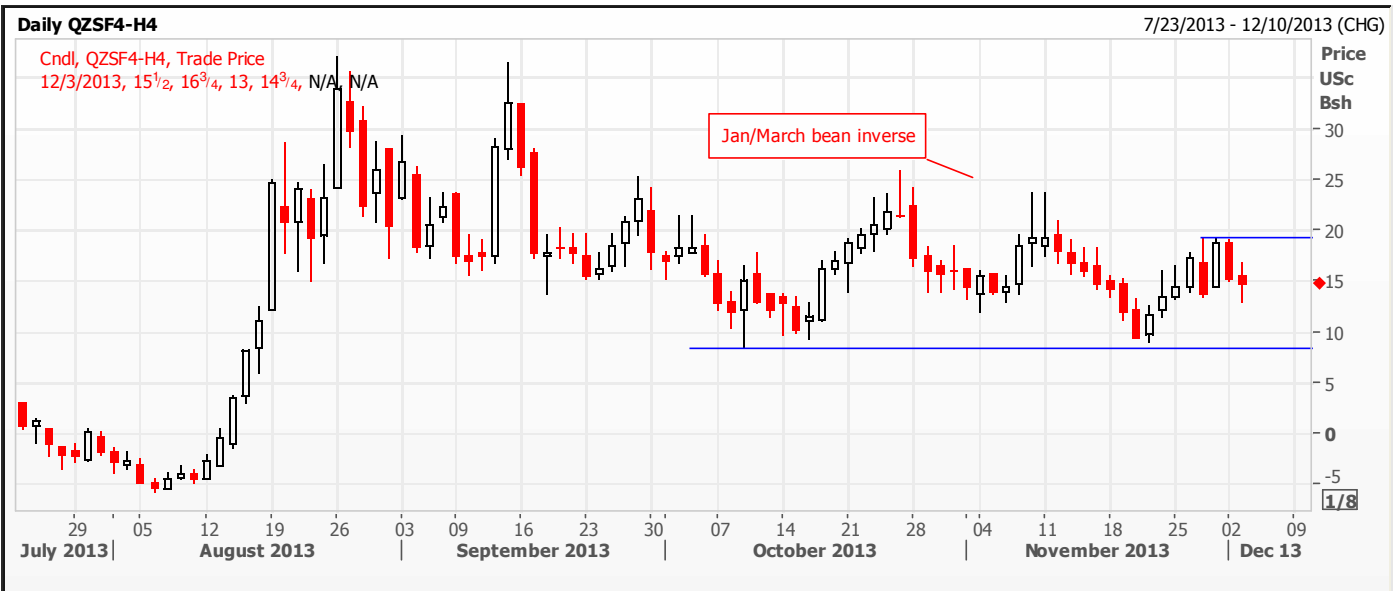
cold snap is seen (temps down to 5 degrees expected in next 3-4 weeks). Would expect to see some consolidation overnight but short term trend is higher for now.



SOY-COMPLEX: Nearby beans and the products struggled today thanks to a combination of rumors of China washing out US bean cargoes, larger Brazilian bean production estimates from Informa and also liquidation of bean/corn, bean/wheat spreads. Informa today increased its Brazilian soybean number to 88 mmt from its previous number of 86.7 mmt (matches USDA number though). Informa left the Argentine estimate alone at 59.5 mmt. Weather forecast for South America generally is favorable for the next 2 weeks with no major issues seen. As for export demand, there was talk one Chinese firm washing out of some US bean cargoes for Jan slot but reportedly another Chinese firm purchased them. US soybean basis has a softer tone in the WCB as meal basis tries to weaken while ECB bean basis so far is able to hold fast (thanks to meal export demand). The Jly/Nov bean spread chart below showing some correction after running into stiff resistance above \$1.40.



Yesterday's CoT report showed the spec funds still with a large long position of over 105k contracts of beans and over 25k contracts of meal. Would expect to see more profit taking heading into year end. Goldman roll starts on Friday as they roll their long Jan positions forward to March. This should keep pressure on the Jan/March bean inverse next week.



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