Closing Grain & Soybean Comments

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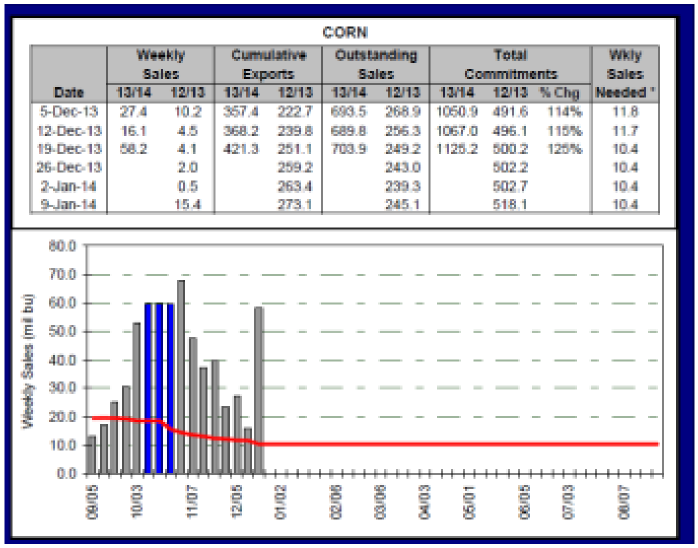
December 27th, 2013

Corn: Corn traded slightly higher throughout the session and finished steady to 2 cents higher. The Mar finished at $4.27 ½, up 1 ¼ on the day. For the week, March was down 5 cents. Bigger than expected export sales served to underpin prices but it was a very quiet session to end a holiday week. The Dec '14 was up ¾ cents to $4.55 ¼. The corn spreads were mixed on the day.



CORN

Date	Weekly Sales 13/14	Weekly Sales 12/13	Cumulative Exports 13/14	Cumulative Exports 12/13	Outstanding Sales 13/14	Outstanding Sales 12/13	Total Commitments 13/14	Total Commitments 12/13	Total Commitments % Chg	Wkly Sales Needed *
5-Dec-13	27.4	10.2	357.4	222.7	693.5	268.9	1050.9	491.6	114%	11.8
12-Dec-13	16.1	4.5	368.2	239.8	689.8	256.3	1067.0	496.1	115%	11.7
19-Dec-13	58.2	4.1	421.3	251.1	703.9	249.2	1125.2	500.2	125%	10.4
26-Dec-13		2.0		259.2		243.0		502.2		10.4
2-Jan-14		0.5		263.4		239.3		502.7		10.4
9-Jan-14		15.4		273.1		245.1		518.1		10.4

Weekly export sales came in at 58.2 million bushels for the 13/14 crop year and 20.0 million for the 14/15 crop year, much bigger than what the trade was expecting (22-30 million). This was the biggest week of 13/14 sales since the last week of October (see chart at right). The big buyers were the usual suspects of Japan (both crop year), Korea, & Mexico. The US now needs to sell just 10.4 million bushels per week for the rest of the crop year to meet the USDA export estimate of 1.4 billion bushels. Notably, there were also 19K tons sold to China, which was well below their buying pace seen so far this year.

In other export news, China's CIQ office did confirm that they have rejected 2,000 tons of US DDGs after finding traces of MIR 162. South Korean feedmaker Nonghyup passed on all offers in a 70K ton tender.

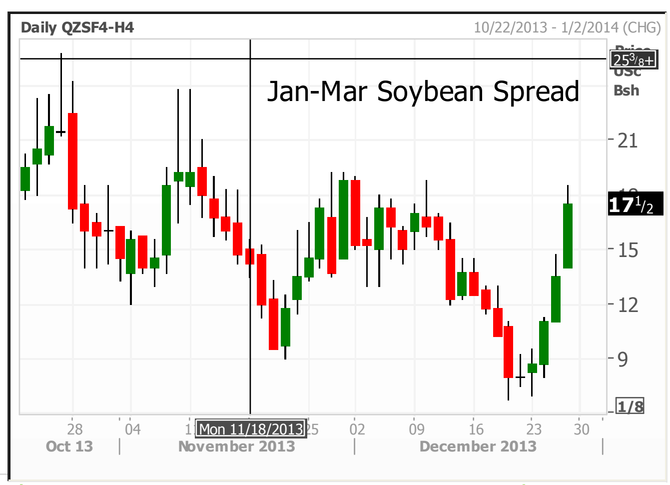
The EIA reported weekly ethanol production of 272 million gallons, down slightly from 273 million a week ago. This is above the level of production needed to meet the USDA "corn for ethanol" demand estimate of 4.95 billion bushels. This has been the case in each of the last 8 weeks. Despite the bigger production, ethanol stocks continue to build in a very slow manner and remain depleted at 658 million gallons. This is equal to just 17 days of production.

Cattle had a constructive session, trading at their highest level since October. Any follow-through next week could lend token support to the corn. The hogs & pigs report was negative however (summary below).

Argentina is expected to remain hot through the weekend but rains are forecast to fall early next week. Argentine corn is at the end of its silk phase of production and entering the fill stage so it is a critical time. The slower than normal plantings put more of the corn crop at risk from this heat. Needless to say, the forecasted rain is of paramount importance to offset the recent heat.

There have been very few changes to Midwest basis this week. Where there were changes in the last 24 hours, they tended to be improvements of 2-5 cents. The gulf bid is now up to +70 H from +68 H previously but a jump in Illinois River barge freight costs more than offset the improvement.

The March corn goes home in the middle of the December range of $4.18-$4.41. A breakout would invite more volatility but for the moment corn seems comfortable at these levels. With another holiday next week, volume and price action is likely to be on the light side once again.



Soybeans: The soybeans finished higher, led by the January contract. Bullspreading provided support throughout the session as the Jan-Mar traded as high as 18 ½, its highest level since December 10th (see chart). Fundamental influences included the hot weather in Argentina and a solid week of export sales. The January contract settled at $13.31 ½, up 12 ¾ on the day. The Nov was up just 3 cents to $11.54 ½. Soybeans finished slightly lower for the week.

On the product side, it was meal again leading the charge, finishing $2-$5 per ton higher. Like in the beans, it was the nearby contracts leading the charge. Oil was up just 15-20 points in spite of a huge week of bean oil export sales. Some contracts traded at their lowest level in history. The January contracts settled at $445.70 and 38.75 on the meal and oil, respectively.

Tuesday is first notice day for the January contracts. Open interest in the January fell sharply over the last few days. To avoid delivery risk, one must liquidate longs by the close of business on Monday. No deliveries of beans or meal are expected but there could be some oil deliveries.

Midwest soybean basis was steady-mixed in the last 24 hours. Most locations were unchanged. The gulf has improved to +106 F, up from +103 F going home at the end of last week. Meal basis was steady-weaker yesterday. Some locations dropped as much as 2-5 dollars per ton.

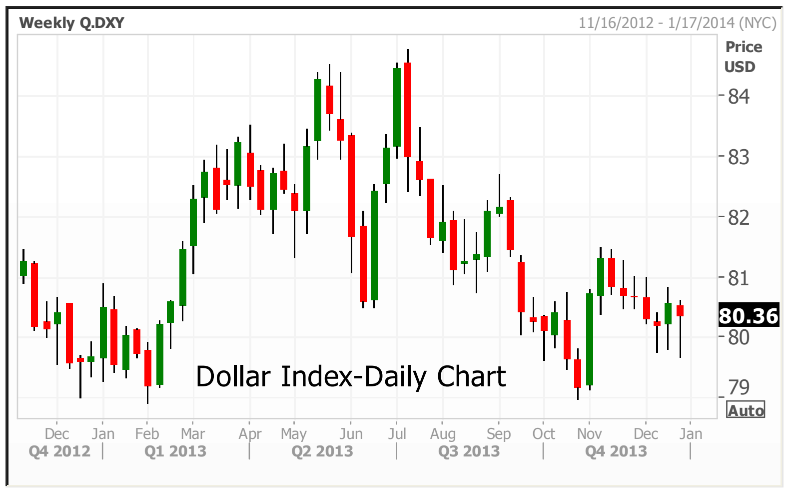
Weekly export sales totaled 26.5 million bushels, a nice rebound from the 15.3 million seen last week. It was also at the upper end of trade expectations of 18-26 million bushels. Total sales for the year are now 1.461 billion bushels, just under the USDA's projection for the whole year of 1.475 billion. Either some sales will be shifted to South America once their crop comes on or the USDA will be forced to again revise their export estimate higher, further cutting into the already tight carryout.

Oil sales were 83.9K tons bringing the total for the year to 381.6K tons. The current USDA estimate is just 522K tons. The US only needs to sell 3.4K tons per week going forward to reach that number.

Other news was slim. China's state news agency did say the government plans to stop stockpiling beans and cotton, both of which China is a major importer of. The funds bought 2,000 beans and 1,000 meal.

Looking ahead to next week, the slight uptrend remains intact for the soybeans with $12.99 the level the Mar would need to fall below to violate it. Again, another week of quiet trade should be expected with the New Year's holiday.

Wheat: The wheat markets finished mixed on the day. The Chicago wheat was up 2-3 cents, KC was mixed, and MN was down 2-3 cents. Fundamental news was very limited although export sales were better than expected. A sharply lower dollar did support the Chicago contract, which tends to be the wheat market that best responds to outside influences. The dollar did manage to regain much of the losses by the end of the day (see chart). The March contracts settled at $6.09 in Chicago, $6.44 ¼ in KC, and $6.34 ¾ in MN. The wheat spreads were generally firmer.



Weekly export sales were 21.9 million bushels, bigger than the 8.9 needed weekly in order to reach the current USDA estimate.

Although US temperatures are expected to drop next week, there was not expected to be any significant damage to the growing winter wheat crop.

The funds were buyers of 1,000 contracts of wheat in Chicago.

Hogs & Pigs Report: The USDA reported that there were 65.9 million head of hogs/pigs on Dec 1, including 5.76 million for breeding and 60.18 million for market. Both categories were less than expected by the trade, as was the total number. This should support hogs on Monday but will work as a negative influence for corn and meal on Sunday night.

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