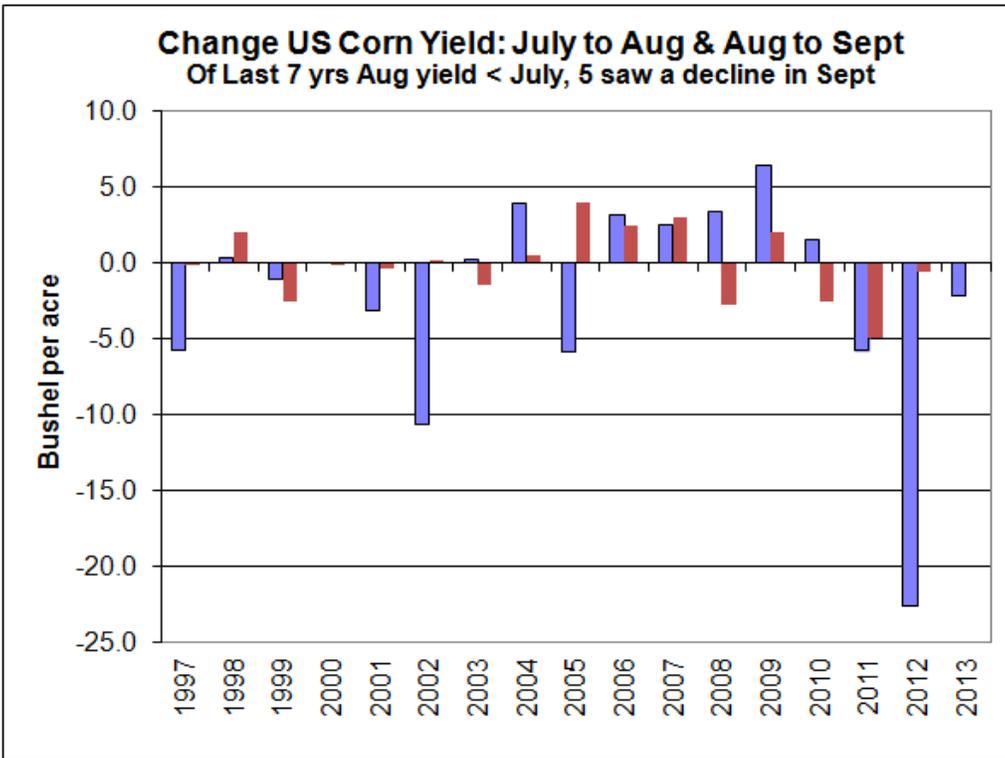
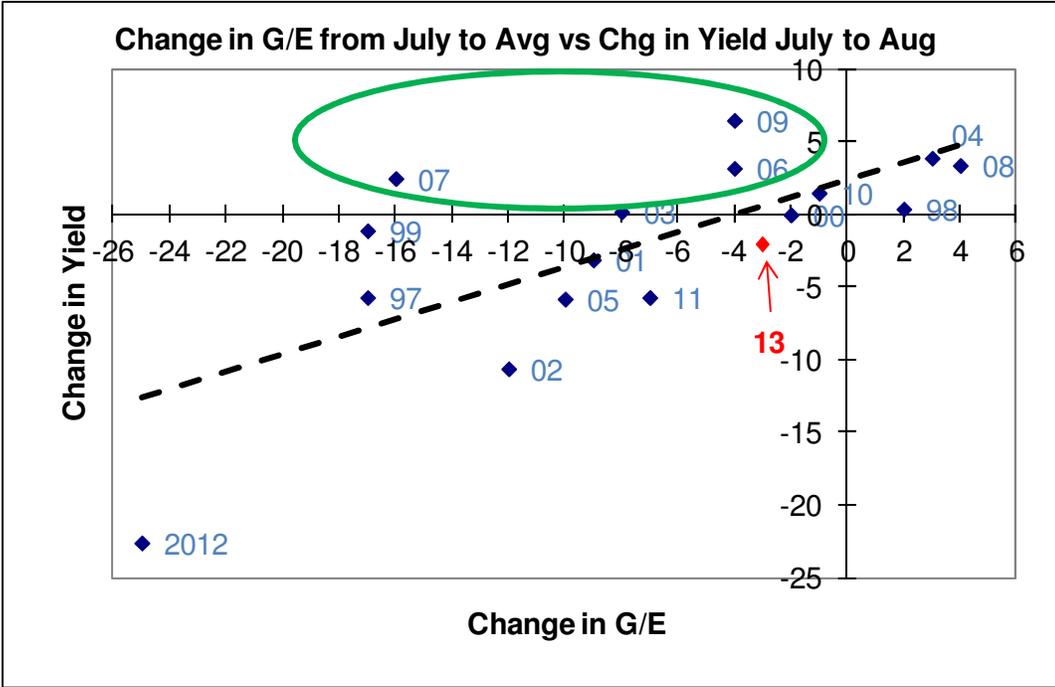


Closing Grain & Soybean Comments

Kevin Riesberg Monday August 12, 2013

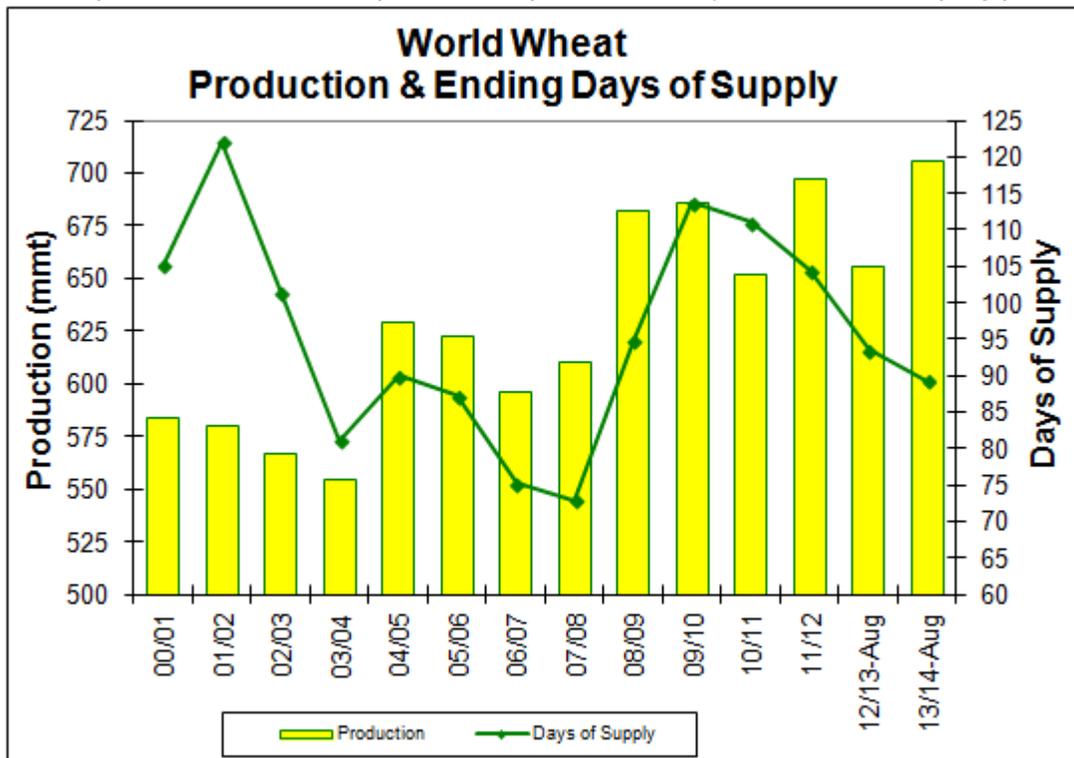
CORN: Corn closed higher as the report was not as bearish as the trade anticipated. USDA surprised traders and lower the US corn yield by over 2 bpa instead of raising it. This along with a cut in the soybean yield spurred on short covering with funds buying 14k corn and 11k soybeans on the day. Farmer selling was seen prior to the report but then promptly shut off after the report and rally. The yield decline is in line with the study in Friday's wire looking at changes in growing conditions from July to August vs the yield change from July/Aug (see chart below). Interesting to note that 5 out of the last 7 years the corn yield declined again in Sept after declining in August from the July report (see chart below). Year 2005 was the last exception to that and recall that was the year Hurricane Katrina in August pushed good rains up into the ECB to alleviate dryness. So weather in

August remains key to kernel fill but currently the weather forecast are trending drier for the next 6-10 days. This afternoon's weekly crop ratings were unchanged when traders expected to see a slight drop in G/E of 1-2%. Still one could not call this report bullish as ending stocks for corn are still over 1.8 bln bu and large crops in Brazil and FSU regions takes export business away from the US. Some analysts argue that even through USDA trimmed the export yield by 25 mln bu to 1.225 bln, it is still too high given Asian countries keep booking Brazil & Ukraine corn for this fall. Short term it would indicate that Dec corn should find support in the \$4.40-\$4.50 area until we get



the Sept report while upside resistance is expected toward \$4.80 and certainly toward the \$5.00 mark. Weather for the next 30-45 days holds the key yet.

WHEAT: Wheat market closed slightly higher as it rode the coattails of soybeans and corn. The wheat reports this morning were neutral with US wheat production in line with estimates though ending stocks did drop more than expected as USDA bumped their export number by 25 mln bu. Keeping price gains in check is that world



numbers saw production up 7.5 mmt to a record 705 mmt (see chart below). The largest increases were in the EU-27 and in the FSU-12 as yield reports continue to run large. US winter wheat production was left unchanged while spring wheat production didn't drop as much as the trade expected (511 mln bu production vs 503 expected). Look for wheat to be follower though US wheat is already overpriced vs European or Australian values. Basis levels were mostly steady. Southern Plains continue to have good moisture for winter wheat planting this fall. Chicago Sept should find

stiff resistance toward \$6.50.

SOY-COMPLEX: The USDA surprised the trade by dropping the US soybean more aggressively than expected to 42.6 bpa. Note this would still be the 5th largest soybean yield on record if it materializes. So instead of a robust carryout expected for this coming year the US is once again plunged into a possible tight carryout if weather doesn't cooperate in Aug/Sept and October. The bean market was seeing some short covering prior to the report

US SOYBEAN BALANCE SHEET					
	USDA 11/12	USDA 12/13	USDA 13/14	10yr avg yield	Good weather
Planted	75.0	77.2	77.2	77.2	77.2
Harvested	73.6	76.0	76.4	76.4	76.4
Yield	41.9	39.6	42.6	41.3	44.0
Carryin	215	169	125	125	125
Production	3,094	3,015	3,255	3,153	3,362
Available	3,325	3,219	3,396	3,293	3,492
Crush	1703	1685	1675	1675	1675
Exports	1361	1315	1385	1385	1385
Seed/Residual	92	95	116	116	116
Total Use	3155	3095	3176	3177	3178
Carryout	169	125	220	116	314
CO/Use	5.4%	4.0%	6.9%	3.6%	9.9%

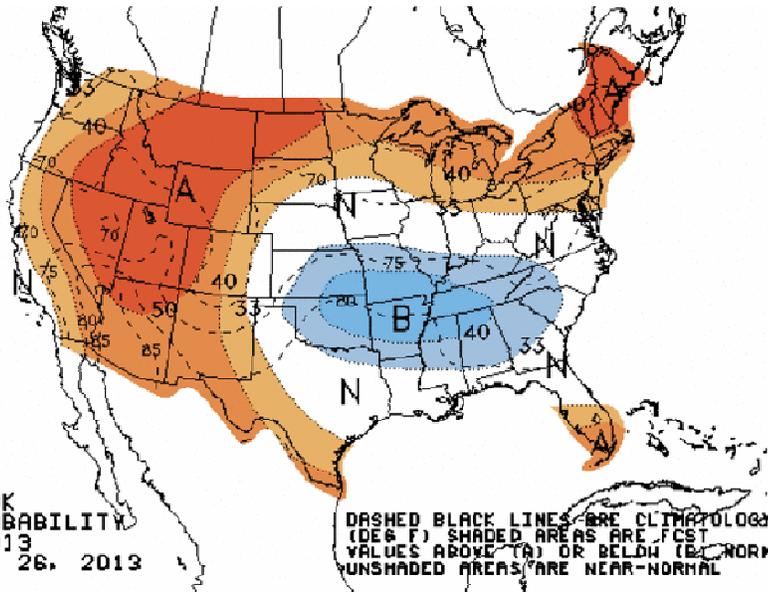
as the weather models turned drier for the Midwest the next 10 days as we enter into the critical pod filling stage. Traders expected crop ratings to slip slightly this afternoon but the G/E held unchanged vs last week. To blunt the impact of the lower yield (from the Jly report) the USDA slashed exports by 65 mln bu and cut crush by 20 mln bu. Yet the table at left shows there is little wiggle room in carryout if yields gravitate toward the 10 year yield avg. Conversely late August or early Sept rains could sell add bushels though the 44 bpa at this point seems to be optimistic. There was little significant change in the world balance sheet otherwise.

This morning the USDA did announce that China booked 713k tons of new crop beans and unknown booked 140k tons on export sales (good timing on their part). In other news NOPA will update their July crush report on Thursday. Pro-Farmer tour starts next week in the Midwest. Funds were small net shorts before the report according to the CFTC CoT but today's buying should have put them close to

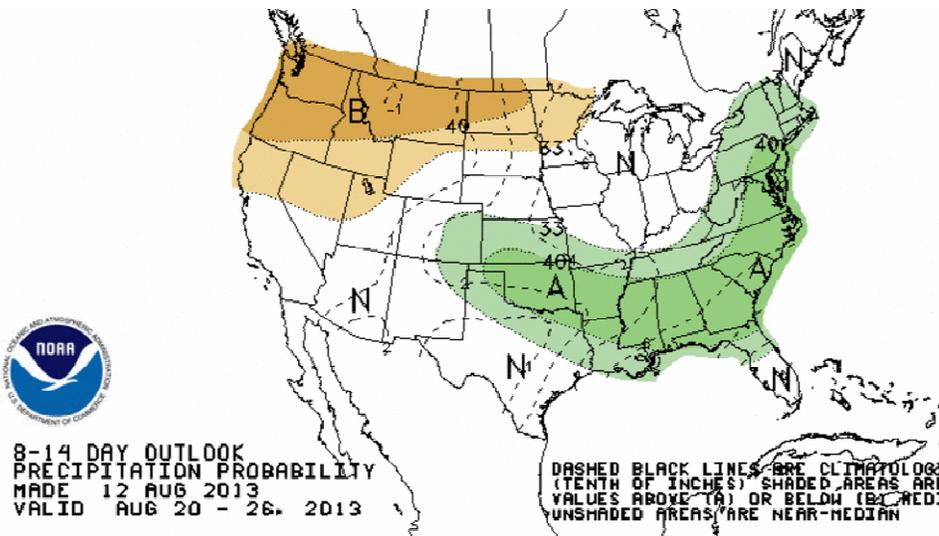
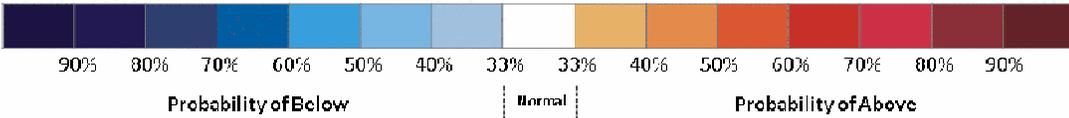
even now. Farmer selling is expected to remain light until Nov beans approaches back toward \$13.00.



8-14 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 12 AUG 2013
VALID AUG 20 - 26, 2013

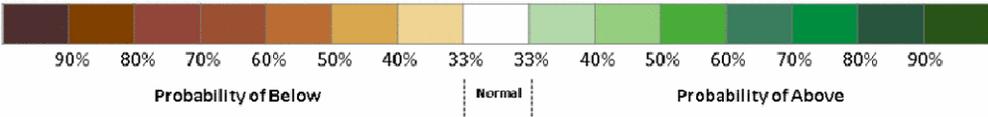


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8-14 DAY OUTLOOK
PRECIPITATION PROBABILITY
MADE 12 AUG 2013
VALID AUG 20 - 26, 2013

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