

Corn: After friendly fundamental developments on Monday and Thursday had corn up for the week, the market experienced some consolidation to finish it off. The Dec was down 8 ¾ cents on the day but still managed to finish 10 ¼ cents higher for the week at \$4.63 ¾. That has to be a disappointment to the bulls who were blessed with a rash of favorable news this week. The back months were also down 8-9 cents. The Sep-Dec went home at 10 ¼ cents inverse, its first close over 10 since August 9th. The hourly chart at the right shows that is a market that has been range-bound since the start of the month. Given the messy transition from an extremely tight situation to much looser situation that is expected to take hold in the US over the next 30 days, look for some fireworks in that spread to still be seen.



In addition to profit-taking by the longs, the corn was pressured late by improved rainfall chances in the middle of next week (see bean comments for full details).

News was very slim: Merck, the maker of Zilmax, has suspended sales of the feed additive which helps cattle put on weight in the final 30 days before slaughter. They are also now working with the FDA to gather information on the safety of the product. Tyson announced they would stop buying cattle fed Zilmax last week. JBS, the world's largest meat producer, said they expect better Q4 margins in the US once the new crop becomes available as a feed source. Ukraine has shipped 487K tons of corn since June 1st according to their Ag Ministry.

The USDA will accept offers from sugar processors for the sugar-for-ethanol program until Aug 31st. Ethanol plants have until August 29th to submit bids for the supplies. Successful bids will be notified soon thereafter. The hope is that the purchases will boost sugar prices above a minimum subsidy level at which almost 800K tons of sugar under USDA loan may be forfeited. All loans will mature between August 31st and September 30th. A ton of sugar produces roughly 135 gallons of ethanol. Raw sugar futures settled at 20.33 cents per lb or \$406.60 per short ton.

Corn basis improved by 10 cents or more on Thursday. Most early numbers seen on Friday were near steady-firmer again. Ethanol plants and feeders have taken to posting hot bids for very specific slots (i.e. weekly) in order to get just enough expensive old crop corn bought to not run out but also not have any left when the much cheaper new crop comes on in a matter of weeks. This requires constant monitoring on the part of both buyers and sellers. The spot gulf bid did back off a couple of cents but Sep was firmer.

The funds sold 7,000 contracts on the day. The CFTC report showed little change to the net positions of the funds or commercials. The funds remain net short over 187K contracts (938 million bu).

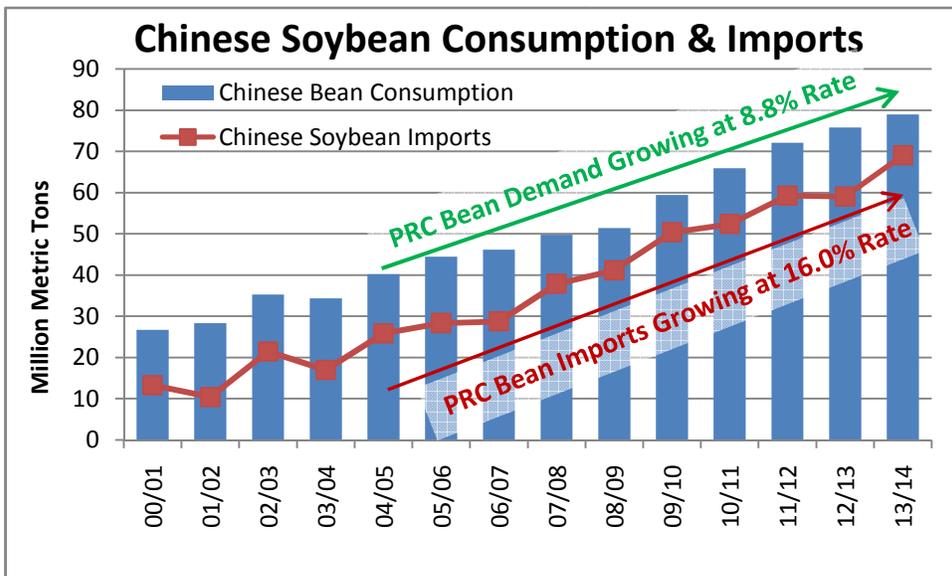
Soybeans: The soybeans performed better than the grain markets, trading higher for most of the morning. Yet another sales announcement to China provided support. A wetter midday run of the GFS weather model turned them negative however and the November beans finished 6 ¼ cents lower. For the week, the Nov beans finished 77 cents higher at \$12.58 ½. The back months again trailed the November. The July '14 contract settled at \$12.36, down 12 ½ cents on the day. That left the Nov-July '14 at a 23 ¼ cents inverse going home; last week it went home at 15 cents carry.

The products were lower as well with meal finishing \$1-\$2 lower and oil down 30-35 points. The Dec contracts closed at \$386.30 and 43.16 respectively.

The European model is calling for rains of up to 1" to impact the northern 2/3rds of the Midwest starting Wednesday. The overnight run of the GFS was later and much lighter with the precip but the midday model moved towards the

European solution. The GFS does keep the heaviest rains east of the Mississippi. Look for the forecast on these rains to set the early price tone Sunday night.

The USDA announced the sale of 284K tons of new crop soybeans to China and the sale of 126K tons of new crop beans to Unknown, which the trade reads as China. This was the 3rd morning this week with a sales announcement. All told, the total for the week was 1,223K tons (45 million bushels) to China and 226K tons (8.3 million bushels) to Unknown. These are very impressive figures and contributed to the beans' strength this week. The chart at the right shows Chinese soybean consumption and imports since 2000. In the last 10 years, their bean consumption has grown at an 8.8% annual rate while their imports have grown at an annual rate of 16%!



Taiwan was also tendering for 60K tons of beans for Oct-Nov delivery. The tender will close on Tuesday. Malaysia left their export tax on crude palm oil unchanged at 4.5%. Palmoil futures hit a one month high overnight on better export expectations.

Midwest basis values were off 10-25 cents on Thursday with reports of additional weakness on Friday. Some of the weakness was being driven by the meal market where offers were off \$5-\$7 per ton as well. At the gulf, the nearby bid firmed to +175 X, up 5 cents from Thursday.

On Friday, the funds sold 3,000 beans and 2,000 each of the meal and oil. The latest CFTC report (as of 8/13) shows the funds switching back to a net long bean position after just 1 week as a net short. They remain a notable net short in the oil and a small net long in the meal.

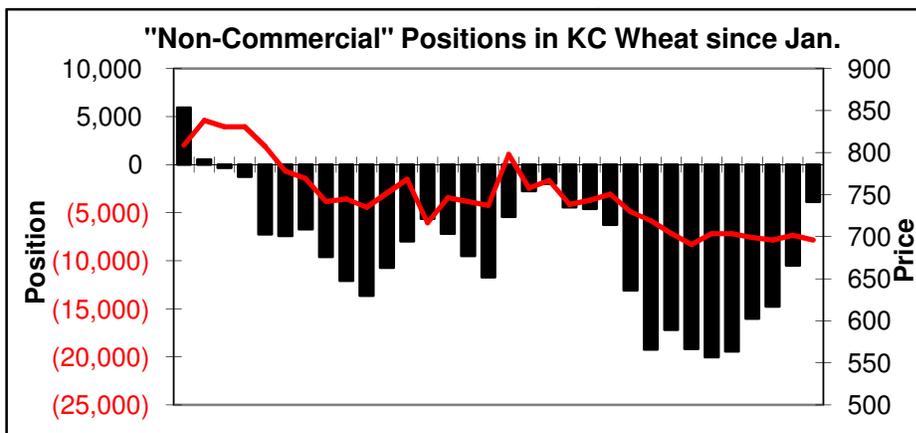
Wheat: The wheat markets finished lower with Chicago falling 5-6 cents, KC down 3-4 cents, and MN down 4-5 cents. Pressure came from the ongoing Northern Hemisphere harvest, the falling corn market and the stronger US dollar. The Dec contracts settled at \$6.43 1/2 in Chicago, \$7.02 1/4 "in KC", and \$7.38 1/4 in MN. The wheat spreads had a softer tone as well.

Russia has harvested 46% of their wheat crop, having taken in nearly 35 mmt of wheat so far. Yields are running 38% ahead of year ago levels. France's Ag Ministry said their harvest is 90% complete, up from 71% last week. The USDA estimated the US winter wheat crop at 92% harvested as of August 11th. These new crop supplies are keeping a lid on prices as is the ongoing uncertainty in several North African and Middle Eastern countries who are normally buyers such as Egypt & Iraq.

The US did see a Korean buyer step in for 48K tons of US milling wheat for October shipment. Buying from China and Brazil is expected to continue to be seen due to frost (Brazil) and quality (China) issues.

The funds sold an estimated 2,000 Chicago wheat on the day. The spec funds lessened their net short according to the latest CFTC data. They are now net short 75K Chicago wheat (down 1K) and just 4K KC wheat (down 6K).

Have a great weekend!



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