Closing Grain & Soybean Comments

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November 11th, 2013

Corn: Corn expanded on Friday's gains, supported by short-covering from the funds and follow-through from the non-bearish USDA report. It was higher throughout the overnight and day sessions. There was little in the way of fresh news. The government is on holiday so the weekly export inspections and crop progress reports will be delayed until tomorrow. The Dec corn finished 8 cents higher at $4.34 ¾. July was also up 8 at $4.61 ¾. There was little change in the 13/14 corn spreads but the nearbys did outperform the new crop contracts.

Traders noted an uptick in buying shortly after the 9:30 am. This is typically the time of day that the funds begin to more actively trade our markets. Friday's CFTC data shows the funds still short over 233K contracts so they have ammunition to fire if they decide to more aggressively liquidate. It was estimated the funds bought 12,000 corn today and 22,000 in the last 2 sessions. Furthermore, open interest in corn continues to increase so it appears the end users are still buying this market as well.

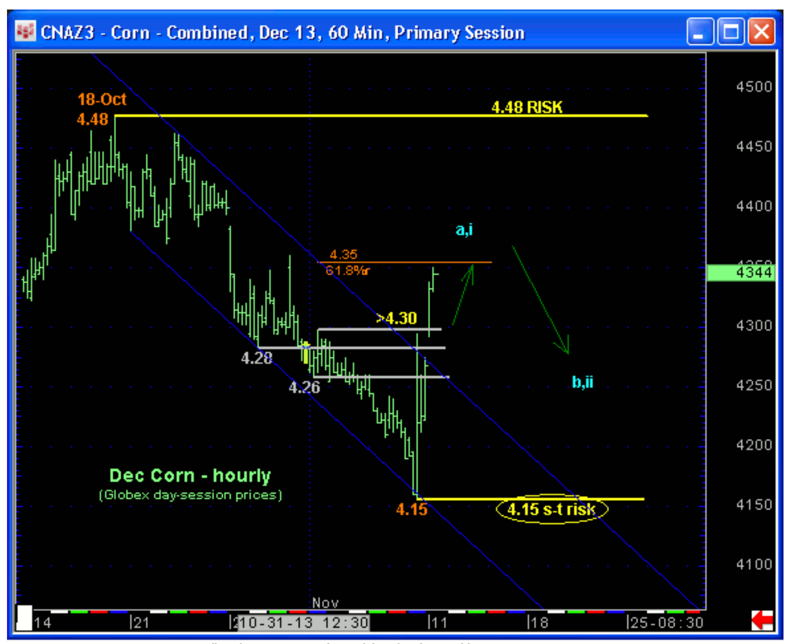
US Secretary of Agriculture, Tom Vilsack, made some comments over the weekend regarding the US ethanol "blend wall." His most notable comment included: "…we are consuming less (gasoline). So the assumption upon which those numbers (RFS usage mandates) was based was incorrect." He also said he is concerned about efforts by some legislators to repeal the RFS. It is quite possible that Vilsack's comments were a primer to the EPA recommending a 2014 RFS mandate that is below legislated levels as has been rumored.

Corn basis was steady-weaker on Friday. Several locations backed off their bids by 5-10 cents. Some farmer selling was being seen today although it was not as heavy as that seen on Thursday-Friday. Still, several Midwest locations further lowered their bids today. Generally good harvest weather will be seen in the next 7-10 days. The gulf was up 2 cents to +80 Z but higher barge freight was offsetting that influence. It is worth noting that both BN and UP car values have fallen sharply from the very high levels seen at the start of last week.

The CN suffered its 4th major derailment in the last month when approximately 40 grain cars left the tracks near the Ontario-Minnesota border. A team is being deployed to investigate the accident.

Dave Toth, RJO's Director of Technical Research, identified $4.15 and $4.48 as key numbers on either side of the market. See his chart & comments:

"As a direct result of the market's recovery this morning above our short-term risk parameter defined by 01-Nov's 4.30 corrective high, the market has defined Fri's 4.15 low as one of developing importance and the end to the decline from 18-Oct's 4.48 high. In this regard 4.15 is considered the new short-term risk parameter from which non-bearish decisions like short-covers and cautious bullish punts can be objectively based by shorter-term traders with tighter risk profiles. For longer-term players and hedgers however, it is grossly premature to approach this pop as anything more than another correction and selling opportunity within the secular bear trend down from Jun'12's 8.49 high."



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Soybeans: The soybeans traded both sides during the session but ultimately followed corn higher and traded at their loftiest level since October 25th. The January contract closed at $13.01, up 5 cents. The July was up 4 ½ cents to $12.57 ¾. The soybean complex also saw little in the way of fresh fundamental news. The spreads were mixed with the Jan-July inverse settling at 43 ¼ cents.

Bean oil was up around 20 points while meal finished steady/better. That put the December contracts at $422.10 on the meal and 40.42 on the oil. Malaysian palm oil futures also finished higher as India is tendering for 18K tons.

The weather in South America was a negative influence on price. Argentine growing areas saw 1-2" of rain over the weekend and that system is impacting Brazilian growing regions today. Drier weather is seen throughout this week which should allow for some planting progress to be made before another shot of rains is seen this next weekend. Pretty much the only thing for the bulls to like about the South American weather profile is that any change would be bullish; conditions are close to ideal. One local forecaster called conditions "nearly perfect" for soybean planting.

The table at the right shows the tendency of the corn, bean, and wheat markets to continue trading in the manner that they finish on the day of the November report until the next major fundamental influence…the January Crop Production/Stocks/S&D reports. For March corn and wheat futures, they have trended in the same direction seen on the day of the S&D in 4 of the last 5 years. March soybeans weren't quite as reliable, doing so in 3 of the last 5 years. On Friday (the day of the Nov report), March corn was up 7 cents, March soybeans were up 28 ¾ cents, and March wheat was down 2 ¼ cents.

Does the November Report Set The Price Tone Until the January Report?

	Change in Price					
	CH		SH		WH	
	Day of Nov S&D	Nov S&D-Jan S&D	Day of Nov S&D	Nov S&D-Jan S&D	Day of Nov S&D	Nov S&D-Jan S&D
2008-09	8.00	9.25	27.75	78.75	(1.25)	88.75
2009-10	8.75	13.50	(4.00)	36.50	3.00	29.50
2010-11	(9.00)	16.75	54.75	19.00	(15.00)	(1.75)
2011-12	(6.00)	(13.50)	(19.25)	7.50	(17.25)	(21.25)
2012-13	(1.25)	(43.25)	(40.00)	(56.75)	(15.00)	(157.00)
	4 of 5 years		3 of 5 years		4 of 5 years	

Soybean basis was steady/firmer on Friday. The farmer remains a more willing seller of corn than soybeans. Even with flat meal basis, the US processor continues to hunt for soybeans to crush. On Friday, NOPA is out with their October crush figures. The export markets have been softer over the last few days. At midday, the wires had the gulf bid down 2 cents to +102 F. The PNW bids were off 10 cents on Friday.

The funds bought an estimated 4,000 beans and 3,000 oil while selling 2,000 contracts of meal.

Wheat: Just like on Friday, wheat was the worst performer of the three. It was down 2-5 cents on all three exchanges, following through on the bearish USDA report. The December contracts settled at $6.46 ¼ in Chicago, $7.06 ¼ in KC, and $7.04 ½ in MN. It was the 9th straight lower close in the December contract for the KC and MN markets. In spite of the flat price weakness, the spreads were generally firmer. The Dec-Mar in KC went home at just 1 ½ cents carry, its narrowest finish in almost 2 weeks. The funds sold 4,000 contracts in the Chicago on the day.

News was very light and generally international in nature. Although progress was seen on negotiations between the West and Iran on a nuclear deal, no such deal was struck over the weekend. One ancillary effect of such an agreement would be the possibility of US HRW sales to Iran. In certain years, Iran has challenged Egypt for the title of world's largest wheat buyer. Elsewhere Lebanon tendered for 40K tons of wheat.

Ukraine's wheat shipments since July 1st are up 19% from 2012 levels to 5.7 mmt. Their wheat prices are up $2-4 per ton in the last week. Their total grain shipments since July 1st total 10.8 mmt, up 10% from 2012.

The US will be back from holiday tomorrow bringing the weekly export inspections and crop progress reports to the market. Also, any export sales made since Friday would be announced as part of the daily reporting requirements.

Happy Veteran's Day!

THOMAS MEIEROTTO
Commodity Risk Manager

tmeierotto@rjobrien.com
d (515) 221-3555 // **m** (319) 470-7732 // **tf** (800) 283-5132 // **f** (515) 221-9559

RJO 'Brien
939 Office Park Road, Suite 225
West Des Moines, IA 50265
www.rjobrien.com