

Closing Grain & Soybean Comments

Kevin Riesberg Monday August 5, 2013

CORN: Corn was under pressure again today with Sept/Dec inverse collapsing into single digits with Goldman roll to start the middle of the week. Informa's production number was not as big as some in the trade was expecting and so corn was able to bounce off its lows. Informa pegged the corn yield at 158.6 with a production of 14.140

bln bu (vs their July production estimate of 14.259 bln bu). Most private crop estimates so far are running in the 157-160 bpa range vs USDA July number of 156.5 bpa.

Crop ratings improved 1% on the G/E and in line with expectations of being steady to up 1% tonight. Silking wrapping up at 86% complete vs 89% avg.

Old crop spot corn basis continues to rebound, mostly in the WCB as farmer selling remains at a standstill on old crop while ECB basis is steady. Trade watching for progress of the southern corn harvest and picking up reports that north bound corn barges will be making their way up the Miss River soon. Interesting to note that weekly export inspections were a solid 15.1 mln bu today though. Friday's Commitment of Traders report showed the spec funds continue to add to their short position, now

US CORN BALANCE SHEET						
	USDA	USDA	USDA	RJO	Informa	
	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>	<u>Yield</u>	<u>Yield</u>	<u>Hi Yield</u>
Planted	88.2	91.9	97.2	97.4	97.4	97.4
Harvested	81.4	84.0	87.4	89.1	89.1	89.1
Yield	152.8	147.2	123.4	157.1	158.6	162
Carryin	1708	1128	989	729	729	729
<u>Production</u>	<u>12,447</u>	<u>12,360</u>	<u>10,780</u>	<u>14,007</u>	<u>14,137</u>	<u>14,440</u>
Available	14,182	13,516	11,929	14,736	14,866	15,169
				<u>USDA</u>	<u>USDA</u>	<u>USDA</u>
Feed	4792	4546	4450	5150	5150	5150
Ethanol	5021	5011	4650	1250	1250	1250
<u>Export</u>	<u>1835</u>	<u>1543</u>	<u>700</u>	<u>4900</u>	<u>4900</u>	<u>4900</u>
<u>Total Use</u>	<u>13,055</u>	<u>12,527</u>	<u>11,200</u>	<u>12,750</u>	<u>12,751</u>	<u>12,752</u>
Carryout	1128	989	729	1986	2115	2417
CO/Use	8.6%	7.9%	6.5%	15.6%	16.6%	19.0%

over 180k contracts. Technically the markets remain negative with no good support for Dec corn until the \$4.50 and \$4.40 area.

WHEAT: Wheat market was pounded lower on technical fund selling after it was not able to hold early overnight gains. Sell stops were triggered with the 30 day MA failed to hold and also profit taking was seen on wheat/corn spreads. Wheat/corn spread has rallied over 30 cents/bu since mid-July, see chart and due for some correction.

Weekly export inspections were a non-event at 25.4 mln bu. Egypt announced another tender for option origin

wheat this afternoon for LH Sept shipment. Once again this business should get filled with Black Sea wheat or possibly Australian if they are after quality. The Iraq tender saw Australian wheat as the cheapest offer at \$355 a ton C&F, or about \$5 a ton cheaper than the nearest US offer. Informa's wheat production estimates were a little negative with production at 1.547 bln bu vs 1.476 bln bu in July. The USDA July production was 1.543 bln



bu. European wheat harvest is moving along with Russia now over 40% complete while harvest in Germany is expected to get underway soon. France saw good progress this weekend and helped to pressure European wheat futures to contract lows. Not much technical support now for Chicago Sept wheat until toward the \$6.10 area. Weekly spring wheat ratings were unchanged on the G/E at 68% vs 63% a year ago.

SOY-COMPLEX: The bean market was able to close slightly higher and bounce a dime off its lows as Informa's soybean yield estimate was not as big as expected. Informa pegged the bean yield only at 42.7 bpa with production of 3.266 bln bu. Interesting to note that Informa trimmed their harvested acres on beans by just 500,000 acres. NASS has done their re-survey of the acres and will update their numbers in Monday's S/D report.

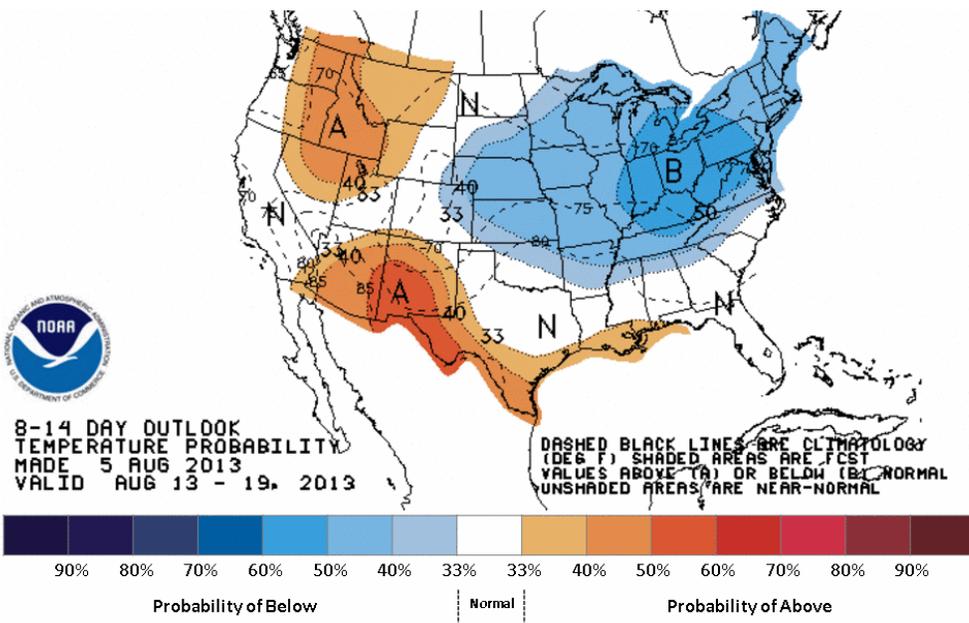
US SOYBEAN BALANCE SHEET					
	USDA	USDA	USDA	RJO	Informa
	11/12	12/13	13/14	13/14	13/14
Planted	75.0	77.2	77.7	77.7	77.7
Harvested	73.6	76.0	76.9	76.9	76.5
Yield	41.9	39.6	44.5	44.2	42.7
Carryin	215	169	125	120	125
Production	3,094	3,015	3,420	3,400	3,266
Available	3,325	3,209	3,560	3,525	3,396
			USDA	USDA	USDA
Crush	1703	1660	1695	1695	1695
Exports	1361	1330	1450	1450	1450
Seed/Residual	92	95	120	120	120
Total Use	3155	3085	3264	3264	3264
Carryout	169	125	296	261	132
CO/Use	5.4%	4.1%	9.1%	8.0%	4.0%

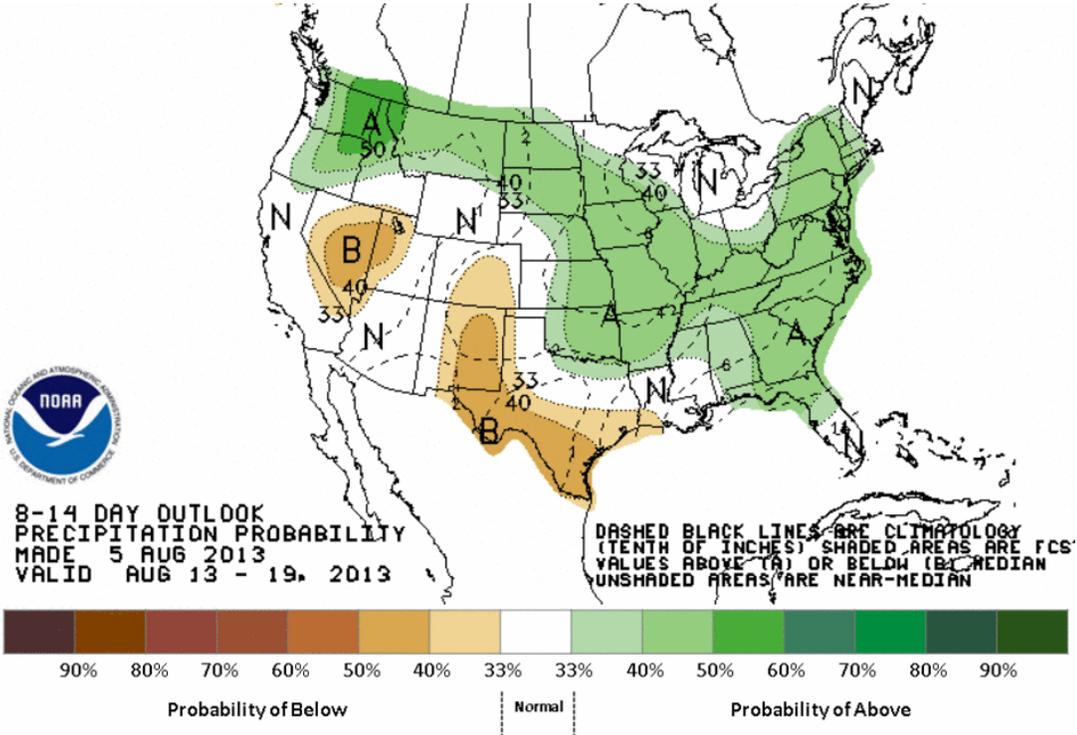
Some traders still believe that 1-2 mln acres could get trimmed yet off the harvested number. But might have to wait until the October crop report for confirmation. Weekly crop ratings did improve 1% on the G/E this afternoon, which is in line with what trade was looking for. Still with an Informa-type yield there is not much cushion unless the USDA trims their aggressive demand numbers.

Weekly export inspections were low at just 1.36 mln bu. China's govt is to auction off 500k tons of reserve beans this week. Some Asian traders question how well the auction will be bid since imported Brazilian soybeans are running 700 yuan/ton cheaper than the reserve prices.

US bean basis is starting to stabilize at some processor markets with processors thought to have at least 2 weeks coverage yet. Meal basis remains soft with Aug/Sept and Aug/Dec inverse weakening. Interesting to note that 2 vessels with a total of 35,000 tons of bio-diesel are to load in Argentina, bound for the US.

Friday's Commitment of Traders report showed that the spec funds still have a long 30k soybeans and 13k soymeal to liquidate yet. Support for Nov beans remains at the \$11.40 area (low back last June). Weather forecast remains favorable though more traders would like to see some additional heat with early to normal frost the only weather concern left now. NWS 8-14 day continues to run below normal temps, see chart below.





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