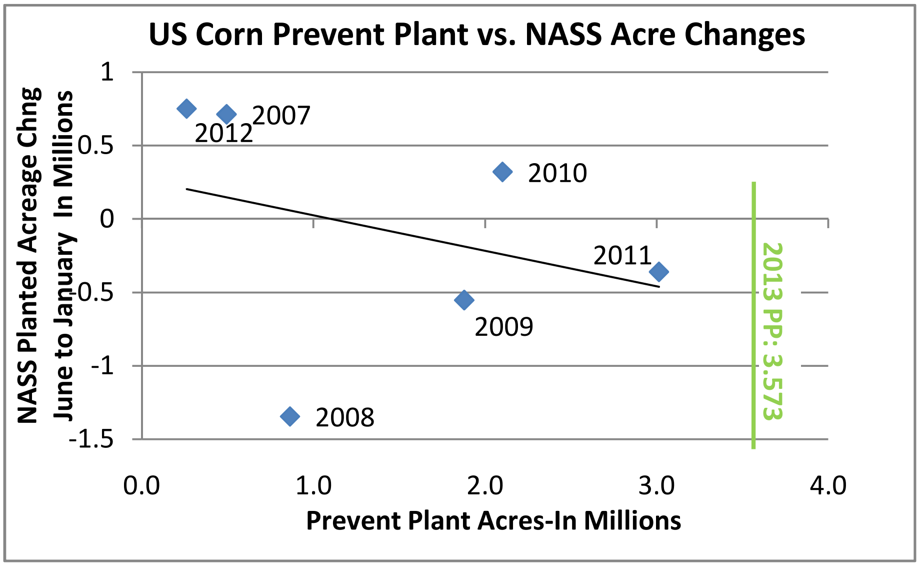
Closing Grain & Soybean Comments

September 17th, 2013

Corn: The Dec corn trickled lower for the 4th straight session and closed at $4.54, its lowest level in over a month. FSA prevent plant data put a bid under the market when it was released at 5:00 am Chicago time but as the day session got under way, its influence faded and another day of weakness in the soy complex pulled corn to the red once again. The back months were also down 2-3 cents. The corn spreads finished steady/mixed; the Dec-Mar once again settling at 12 ½ cents carry.



The FSA reported that 3.573 million acres have been declared as "prevent" out of a total of 91.428 million that have been reported on so far. This was up from 3.411 on 88.771 million in August. Initially, some bulls put out comments taking US corn planted acreage down to 94-95 million compared to the latest WASDE estimate of 97.4. However, a deeper analysis shows that there is not a 1:1 correlation between prevent plant and NASS acreage changes. The chart at the right examines this relationship since 2007. The biggest drop in WASDE planted acres from the June intentions to the January production report was in 2008, a drop of 1.345 million acres, when only 864K acres of prevent plant was declared. By contrast in both 2010 and 2011, prevent plant declarations were 2.1-3.1 million acres and WASDE plantings were up 320K to down 360K.

Other news was exceptionally light: The EIA announced the generation of 1.129 billion D6 RINS in August which was down 19 million from July. Although the US good-excellent rating fell 1% yesterday, yield reports continue to come in better than expected with many reports from Iowa and Illinois being seen in the 170-200+ range. This week's cooler temperatures and rainfall could lead to a late season bump in next week's condition scores. On the heels of the FSA acreage changes, Informa lowered their crop estimate to 13.8 billion bushels compared to 14.01 billion previously. A collection of US business groups are calling for lawmakers to revise their latest versions of the Farm Bill saying some subsidies are likely to incur scrutiny from the WTO, especially on cotton. Congress may finally be ready to negotiate between the House & Senate versions of the Farm Bill if the House is able to pass a cut to food stamps later this week. A 2nd extension of the 2008 bill is the most likely outcome.

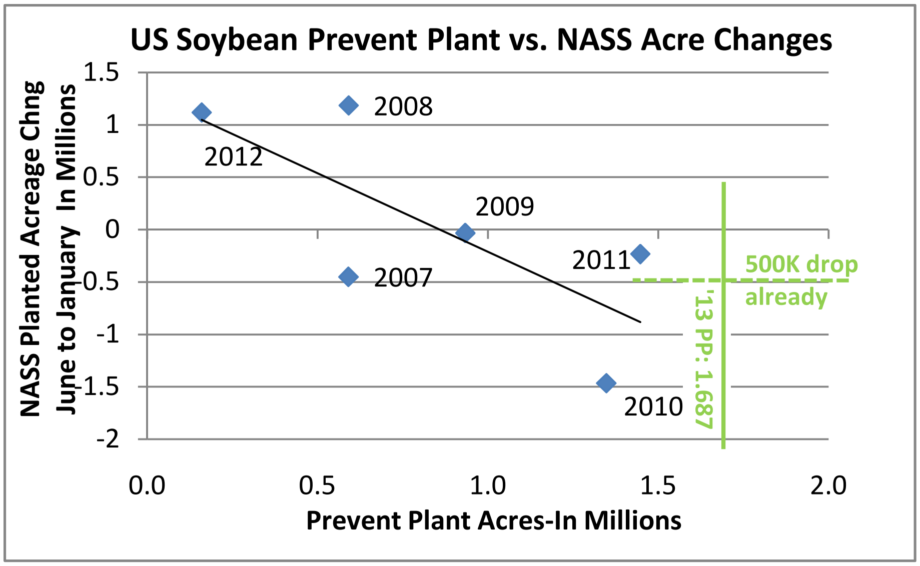
US corn basis has been mixed in the last 24 hours. Harvest pressure was seen in the Midwest, where many processors lowered their bids by 5-20 cents. However, locations on the rivers and destination markets actually tended to be steady better. The gulf was steady today, bid at +66 Z; this is down 4 cents from the end of last week. Barge freight is holding its recent gains, up 100% of tariff in the last week to around 550% on the Mississippi and Illinois Rivers.

December corn has traded inside the $4.45-$5.08 range since establishing that range in August. These levels must be viewed as the best resistance/support candidates as long as it remains in that range. It may take some shift in fundamental data to break out one way or the other.

Soybeans: The November soybeans settled lower for the 3rd straight session following the bullish September S&D report. Fund liquidation, the falling cash markets and increased rainfall totals across the Midwest have outweighed any follow-through effect from last week's numbers as well as the drop in crop ratings & increased prevent plant declarations seen today. The November settled at $13.42 ½, down 5 ¾ cents on the day and the lowest close since August 23rd. The back months did fare better, with July finishing 2 ¾ cents higher and Nov '14 up 5 ¾ to $11.81 ¾. Obviously, the spreads had a generally softer tone; the Nov-Jan settled at ½ cent carry.

Nearby soybean meal futures were down $1.50 to $2.50 with the December settling at $426.60. Oil was down just 10-15 points even as crude was down more than $1.00 per barrel. The Dec oil settled at 42.24.

On soybeans, the FSA reported 1.687 million acres had been declared "prevent" out of 74.659 million so far. That was up from 1.619 on 72.06 million in August. Again, the chart at the right looks at the historical correlation between prevent plant and NASS acreage changes from the June Acreage to the January Production report. A more consistent relationship exists for beans than for corn but it is still much less than 1:1. Also, remember that the USDA has already dropped their bean planted acreage estimate by 500K since June. This chart would imply that a drop of an additional 300K to 1 million is likely.



Rainfall pushed across the southern 2/3rds of the Western Corn Celt bringing relief to some of the drier areas of Iowa; local amounts exceeded an inch. The rains are expected to push into the Eastern Corn Belt in the next 24-36 hours. There is also another rain event forecast for the 2nd half of this week. Soybeans, in various states of maturity, will garner differing amounts of benefit from the rain. No frost threats are seen. The US good-excellent scores were down 2% yesterday to just 50%.

In other news: One analyst estimated that less than 1% of the soybean crop has been planted in Mato Grosso, 2 days after their official planting window opened. Producers there are waiting on wetter weather that is likely to be seen in the coming weeks. At an event hosted by the US Soybean Export Council, Chinese firms signed agreements to buy 4.83 mmt of US soybeans from US commercial grain companies. The agreements are not binding and instead reflect an intention to buy a ship this crop year. Informa lowered their US soybean production estimate to 3.22 billion bushels from 3.239 previously to reflect the latest FSA data. This is still larger than the USDA at 3.149 billion. South Korea is seeking 20K tons of non-GMO beans for Nov-Dec.

The funds sold 6,000 contracts of beans and 2,000 contracts of meal on the day. Further liquidation of long soy-short corn positions was noted, which weighed on the beans as well.

On the charts, the November contract all but closed a $13.31 ½ to $13.48 gap left on a Sunday night opening in August. The low today was $13.32. With that technical objective now achieved (or about to be) the question will be whether any buyers step up to own a market trading at its lowest level in nearly a month.

Midwest bean basis was mostly steady in the last 24 hours although a few locations were off as much as 25 cents. Meal basis was much weaker, down $7 to $10 per ton. At the gulf, the nearby soybean bid was unchanged from yesterday at +100 X but this was down 5 cents from yesterday.

Wheat: Yet again, wheat was the best performing of our markets, up for the 4th time in the last 6 sessions. However, the net price change of those six sessions for the December wheat in Chicago is just a 1 ½ cent gain. Wheat seems stuck between the falling corn/bean markets and its own technical support. The Dec contracts finished at $6.43 in Chicago, $6.90 ¼ in KC, and $6.99 ½ in MN. The wheat spreads finished mixed.

The USDA reported US winter wheat planting at 12% complete, on par with the 5 year average. Planting was the furthest along in CO, NE, SD and the Pacific Northwest. Most of KS, CO, and Northern OK have received above normal precipitation in the last 60 days leading to an improved outlook for the upcoming HRWW growing season. At times, KC still seems to be struggling relative to its fellows because of this. It is currently a 48 cent premium to Chicago, in the middle of the recent 30-60 cent premium range.

News was very light. The funds were even in wheat. Britain did announce that they imported 328K tons of wheat in July compared to just 170K tons in the same month a year ago as they continue to struggle with a short wheat crop. Russia's Jan-July wheat exports also suffered due to a short crop as they were just 3.3 mmt, down 59% from Jan-July of 2012. However, Black Sea wheat exports are already picking up with their better 2013 wheat crops.

Eventually, the wheat will either stage a rally or push through key support ($6.35 in WZ13) at which point additional selling would likely come into the market. Corn will have something to say in the matter, too. But for the moment, consolidation is the name of the game.

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