

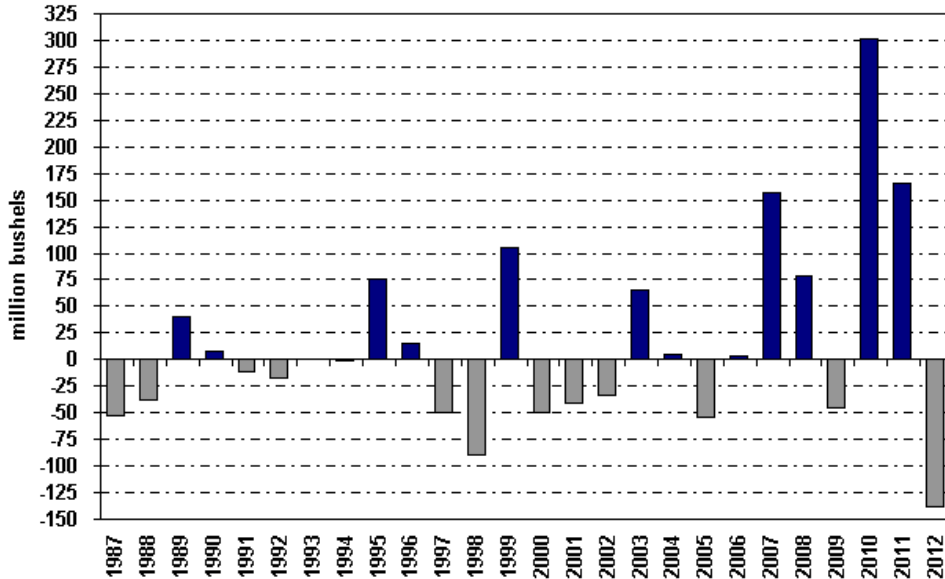
Closing Grain & Soybean Comments

Kevin Riesberg Friday, September 27, 2013

CORN: Corn finished the day lower on position squaring in front of Monday's Sept 30th stocks report. Traders are well aware that 4 out of the last 6 years that Sept stocks were bigger than expected by traders (see chart by Randy Mittelstaedt). Rallying wheat market is helping to underpin corn as the wheat/corn spread approaches the \$2.30 level, up over 40 cents since the Sept 12th S/D report (see chart). Harvest progress in the Midwest is picking up slowly with most producers focusing on soybean harvest and likely to remain so the next 10 days. US corn harvest progress next Monday afternoon should be less than 15% vs 7% this past Monday. Spot corn basis levels are holding mostly steady at the processors as a result. Rising spot ethanol values also helping with spot margins (Oct Chicago Platts ethanol was up 7.5 cents/gal from last Friday). CIF values were slightly lower as S. Korea continues to book corn out of S. America or option origin. S. Korea booked 175k tons today out of the 335k tons tendered. Trade is keeping eye on reports of slow harvest progress in Black Sea and of possible quality issues with recent spate of cold/wet weather. This afternoon's Commitment of Traders report showed the spec funds added another 20k short contracts to bring their position to over 195k short. Dec corn continues to hold above \$4.46 support with stiff resistance toward \$4.73 1/2 as the market is caught between lack of farmer selling, firming world prices in Ukraine/Brazil and funds already short vs good early yield reports in the US. Next support for Dec corn after \$4.45 is toward the \$4.25 area.

RJOMRT.com

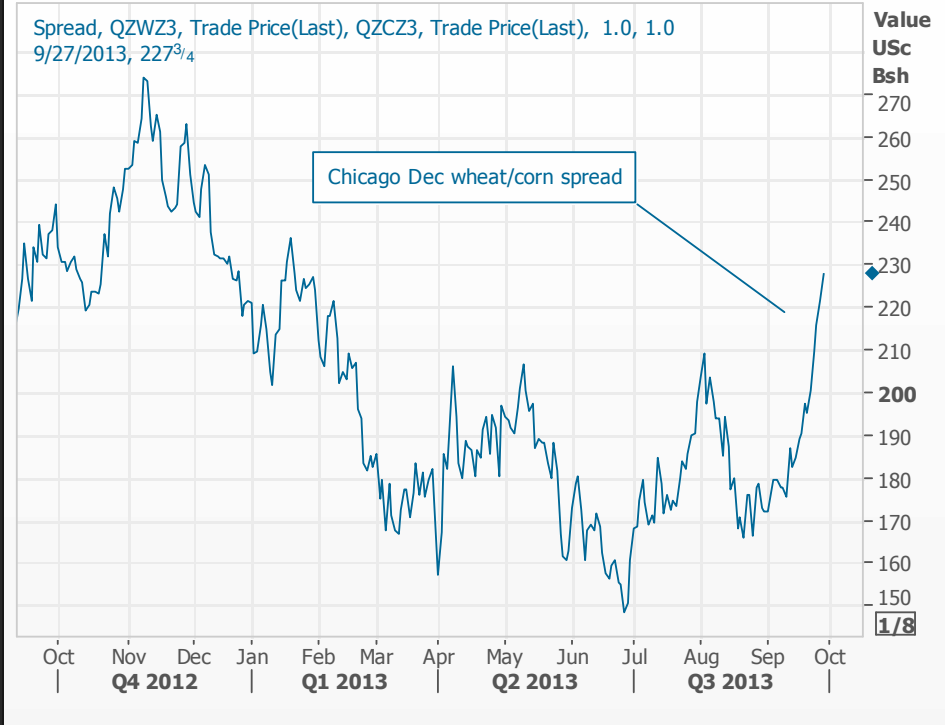
September 1 Corn Stocks vs Average Trade Estimate



Rallying wheat market is helping to underpin corn as the wheat/corn spread approaches the \$2.30 level, up over 40 cents since the Sept 12th S/D report (see chart). Harvest progress in the Midwest is picking up slowly with most producers focusing on soybean harvest and likely to remain so the next 10 days. US corn harvest progress next Monday afternoon should be less than 15% vs 7% this past Monday. Spot corn basis levels are holding mostly steady at the processors as a result. Rising spot ethanol values also helping with spot margins (Oct Chicago Platts ethanol was up 7.5 cents/gal from last Friday). CIF values were slightly lower as S. Korea continues to book corn out of S. America or option origin. S. Korea booked 175k tons today out of the 335k tons tendered. Trade is keeping eye on reports of slow harvest progress in Black Sea and of possible quality issues with recent spate of cold/wet weather. This afternoon's Commitment of Traders report showed the spec funds added another 20k short contracts to bring their position to over 195k short. Dec corn continues to hold above \$4.46 support with stiff resistance toward \$4.73 1/2 as the market is caught between lack of farmer selling, firming world prices in Ukraine/Brazil and funds already short vs good early yield reports in the US. Next support for Dec corn after \$4.45 is toward the \$4.25 area.

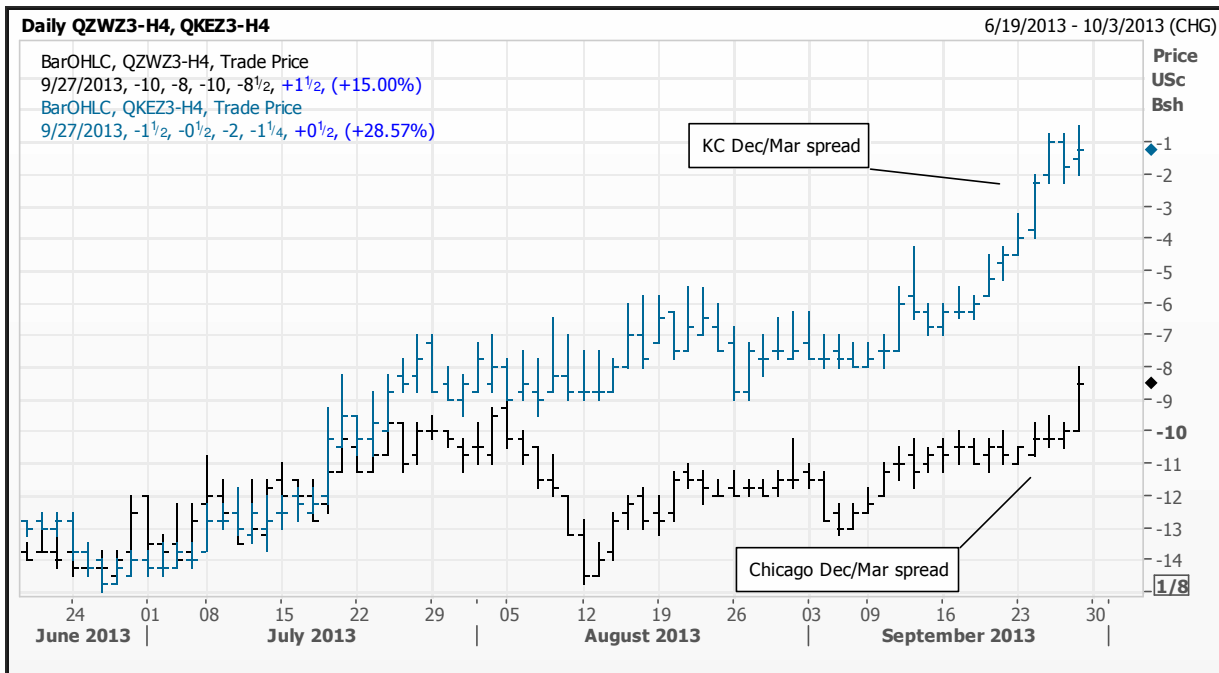
Daily QZWX3, QZCZ3

9/12/2012 - 10/16/2013 (CHG)



WHEAT: Wheat continue its short covering rally this week with support coming from more export interest and concern about Black Sea plantings. There continues to be more inquiries from Brazil for HRW while USDA announced a package of 121k tons of various classes of wheat sold to unknown destinations (likely an Asian country since it was a mix of HRW, DNS and SWW). Today Iraq passed on all wheat offers in its tender with the lowest offer of \$310.10 C&F of Ukrainian wheat. Traders expect them to retender next week though. Continued wet weather in Ukraine has some analysts lowering or cutting winter wheat plantings there by 30% with the planting window closing rapidly. Also today the Russian Grain Union lobby cut their production estimate of

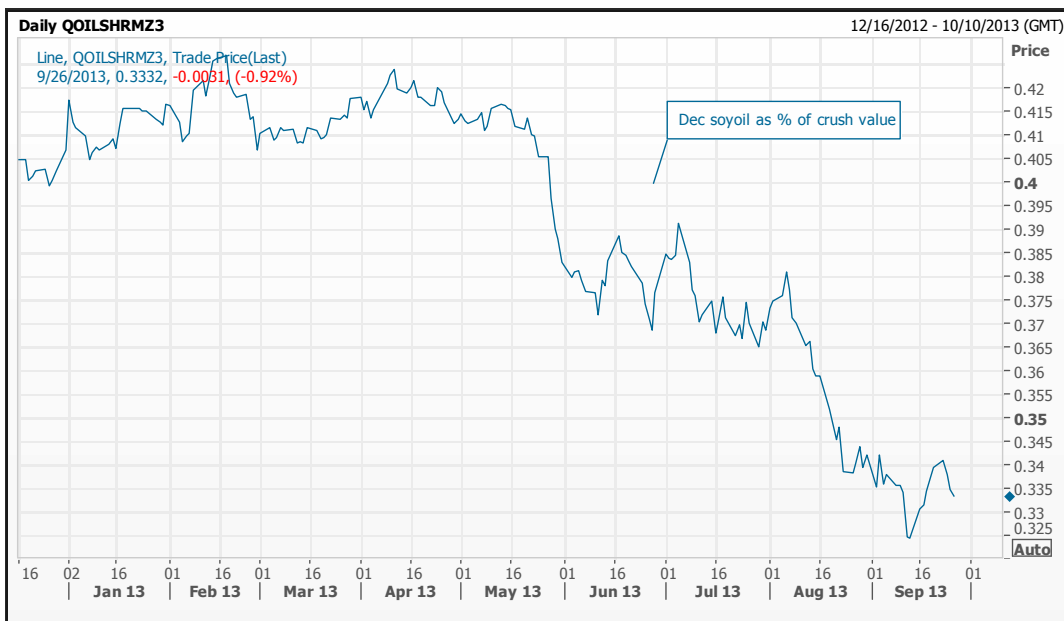
Russia's crop to 85-89 mmt instead of the official 90 mmt the Russian govt is using. China was reportedly aggressively booking more Australian wheat this week for Jan-Mar shipment. US wheat basis levels continue to hold firm with spreads narrowing in as a result. Chart below shows that back at the start of July the Dec/Mar spread was 14 cents for both Chicago and KC wheat. Tonight KC is dancing with even money while Chicago touched 8 cents. Mpls Dec/Mar spread also trading near 8 1/2 cents with reports that while Canadian wheat crop



is big, the protein levels so far are disappointing. Trade now waits for the Annual wheat production estimate Monday along with the quarterly stocks report (see earlier report on range of expectations). Barring any bearish surprises there would expect wheat prices to continue to be supported on concerns about quality/quantity issues in Black Sea region. This afternoon's CoT

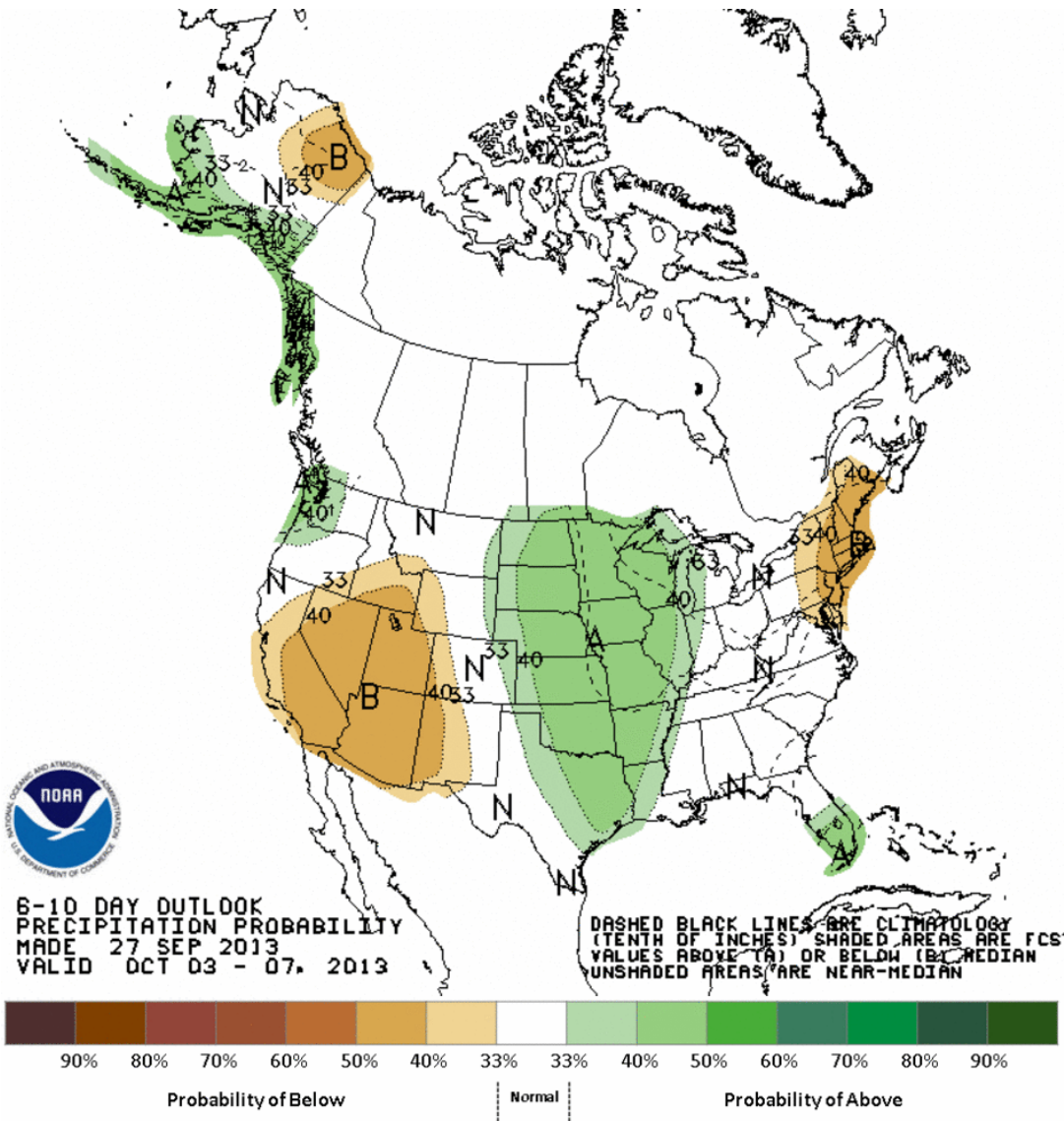
showed the spec funds cut their short by 14k contracts to now 73k in Chicago. They are small longs in KC now.

SOY-COMPLEX: The soy-complex closed mixed with nearby bean contracts firmer while back end beans were lower. Meal closed higher on support from slow harvest progress while soyoil continues to lose share of crush value, see chart below. Spot soybean basis continued to crumble at the processors toward new crop levels with many plants now posting unders for nearby. Bean harvest is expected to pick up aggressively this week across the Midwest with the exception for parts of MN and northern IA/WI. Yields continue to run better than expected especially in the ECB though in parts of the WCB the yields are below the 5 year avg. Country contacts report farmers are making bean sales across the scale if the yields are better than they expected. Yet the Nov/Jan bean spread continues to hold in a even money to 3 cent carry trading range with a large shipping program in front of us for Oct and November. Traders also noted chatter that there was some China interest for Nov/Dec soybean cargoes yet this week. China is now on holiday next week for the holidays. Monday's quarterly stocks report is



not likely to have much of a bullish impact even if stocks are less than expected as traders will turn their attention right back toward harvest progress and yields. 5 out of the last 6 years the Sept stocks number has been larger than traders expected as the USDA "finds" bushels or revises the production number upward. Key support for Nov beans remains at \$13.00-12.85 with resistance at 20 day MA of \$13.47 1/2. This afternoon's CoT report

showed spec funds cut their long beans by 17k contracts but are still long almost 95k contracts yet. They are also long 32k meal and short 46k soyoil.



This material has been prepared by a sales or trading employee or agent of R.J. O'Brien and is, or is in the nature of, a solicitation. This material is not a research report prepared by R.J. O'Brien's Research Department. By accepting this communication, you agree that you are an experienced user of the futures markets, capable of making independent trading decisions, and agree that you are not, and will not, rely solely on this communication in making trading decisions.

DISTRIBUTION IN SOME JURISDICTIONS MAY BE PROHIBITED OR RESTRICTED BY LAW. PERSONS IN POSSESSION OF THIS COMMUNICATION INDIRECTLY SHOULD INFORM THEMSELVES ABOUT AND OBSERVE ANY SUCH PROHIBITION OR RESTRICTIONS. TO THE EXTENT THAT YOU HAVE RECEIVED THIS COMMUNICATION INDIRECTLY AND SOLICITATIONS ARE PROHIBITED IN YOUR JURISDICTION WITHOUT REGISTRATION, THE MARKET COMMENTARY IN THIS COMMUNICATION SHOULD NOT BE CONSIDERED A SOLICITATION.

The risk of loss in trading futures and/or options is substantial and each investor and/or trader must consider whether this is a suitable investment. Past performance, whether actual or indicated by simulated historical tests of strategies, is not indicative of future results. Trading advice is based on information taken from trades and statistical services and other sources that R.J. O'Brien believes are reliable. We do not guarantee that such information is accurate or complete and it should not be relied upon as such. Trading advice reflects our good faith judgment at a specific time and is subject to change without notice. There is no guarantee that the advice we give will result in profitable trades.