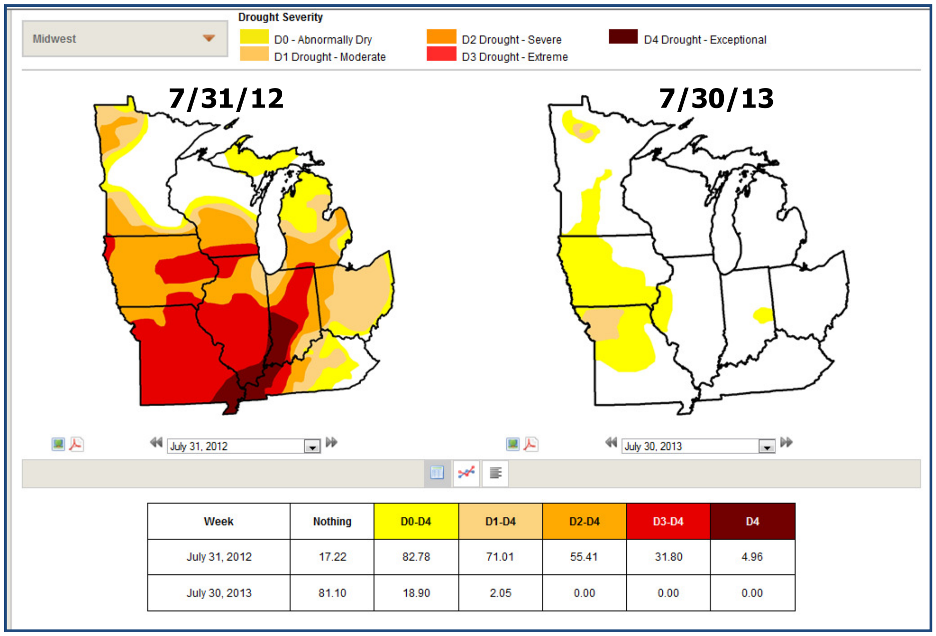
Closing Grain & Soybean Comments

August 1st, 2013

Corn: Corn made a new low for the price move and Dec again traded at its lowest level since November of 2010! It finished the day down 12 cents, at $4.67. Early on in the session the September contract performed better with a bounce in cash values providing support but by the close it was down 11 ½ cents to settle at $4.87 ½. Ample rain, a lack of August heat in the forecast, and fund selling overrode a solid week of export sales and notably higher outside markets to pressure the corn. The spreads were mixed on the day. The Sep-Dec settled at 20 ½ cents inverse, up from 20 on Wednesday. The Dec-July narrowed to 26 ¼ cents carry.

The forecast shows a sizable rain event to impact the southern Midwest starting tonight into Saturday. Amounts will be less in the north with more rains then seen Sun-Mon for the entire Midwest. Another chance for light-moderate rains is called for at the end of next week and the midday run of the 11-16 day timeframe also advertised heavy rains to impact the key corn states in the middle of the month. Temperatures will be average to below average throughout.

The maps at the right show that even ahead of these rains, dryness in the Midwest is much, much less severe than a year ago at the end of July. Last year just 17% of the Midwest was not in drought and 55% was in severe-exceptional drought conditions. This year only 19% of the area is seeing dry conditions with 2% of the area in a moderate drought.



Week	Nothing	D0-D4	D1-D4	D2-D4	D3-D4	D4
July 31, 2012	17.22	82.78	71.01	55.41	31.80	4.96
July 30, 2013	81.10	18.90	2.05	0.00	0.00	0.00

The funds were sellers of 15,000 corn contracts on the day. Their net short position is now approaching 175K contracts or 875 million bushels.

In export news: The USDA announced weekly export sales of 5.3 million bushels of old crop and 43 million bushels of new crop; the new crop number was bigger than expectations. New crop corn sales are bigger at this point than in any year since 96/97. Europe cleared 133K tons of corn import licenses last week although German analyst F.O Licht looks for the EU import pace to slow after they harvest a bumper crop of 67 mmt compared to 59 mmt in 2012. The Korean Corn Processing Industry Association passed on all offers in a tender for 55K tons of food-grade corn. Urkaine's ag minister said they are aiming to export 16 mmt of corn in 13/14. The USDA has them exporting 16.5.

In other news: The International Grains Council is estimating global corn production at 942 mmt, down 4 mmt from their previous estimate. Republicans in the House Ag committee are proposing a farm bill that cuts food stamps by $40 billion after a previous bill that included $20 billion in cuts failed to garner enough Republican support to pass. The bill would then move into conference to rectify it and the Senate bill which is only calling for $4 billion in cuts. Crop insurance is also included in the bill.

Midwest corn basis continued to stabilize in the last 24 hours. Many posted bids improved 10-30 cents while others remained steady. Anecdotal reports indicate that very little is being bought at posted bids; rather it takes a generous push to source corn. The break in the board will keep the farmer on the sidelines. Spot gulf corn is bid at +130 U, steady with yesterday but LH Aug and FH Sep bids were 2 cents softer.

Soybeans: The November soybeans continued their slide as well, making new lows for the move for the 5th time in 6 sessions. They settled at $11.93 ½, down 13 ¾ cents on the day. It was just the 3rd close below $12.00 in the last 12 months. The accommodative August forecast was the major negative factor but fund selling clearly played a role as well. Early on in the session, August beans exhibited independent strength, trading as much as 13 cents higher but they were ultimately pulled lower as well finishing at $13.57 ¾, 16 ¼ cents lower on the day. The spreads were weaker with the Nov-July walking out to 13 cents carry from 10 ¾ yesterday.

Oil was the best performing leg of the complex, boosted by the sharp gains in the energies. It was able to finish 20-40 points higher on the day with the December settling at 42.92. Before yesterday, the Dec soyoil had closed lower for nine consecutive sessions. The meal trade was more in-line with the soybeans, down $6-$10 per ton with the Dec settling at $359.20. Watch the one-month low of $357 for support in the Dec meal.

The funds were sellers of 8,000 beans and 3,000 meal on the day while they bought 2,000 oil.

In fundamental news: The USDA reported new crop export sales of 37.8 million bushels, much bigger than trade expectations. Old crop sales were reported at 2.9 million. New crop meal sales were also much bigger than expected at 320K tons. Brazil announced that they exported 5.66 mmt of soybeans in July, down from June's record 6.5 mmt. As expected, there were still no deliveries of August soybeans or meal. Oil deliveries remained lighter than expectations at 611 contracts.

Although it did little to help the ags, the outside markets were broadly higher with crude up $2.50 and the Dow up 125 points as of this writing. The Institute for Supply Management's index implied that US factory activity climbed to a 2 year high in July and new applications for jobless benefits hit a 5 year low, prompting the rally. Yesterday's statement from the Federal Open Market Committee indicated that the Fed's policies will remain accommodative for the foreseeable future. The always critical Non-Farms Payroll Data will be released in the morning.

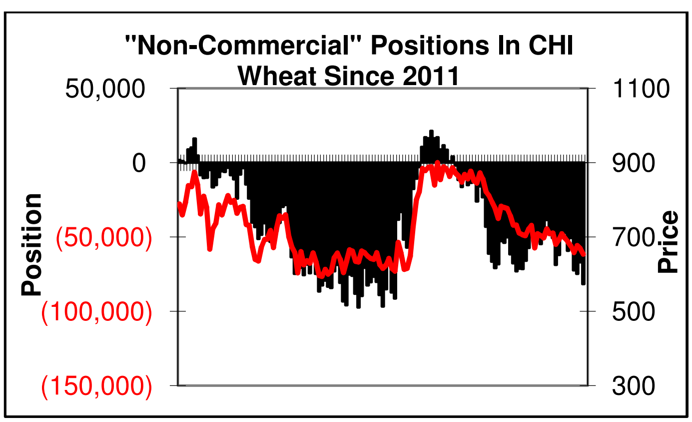
Midwest bean basis was firmer in the last 24 hours with many locations improving 10-35 cents. Most are now posted in excess of +100 X. Like on the corn, there are very few remaining old crop beans and those that are out there are being held by farmers who further disengaged the market on today's price break. The gulf market is bid +200 X, up from +195 X for August yesterday. Meal basis is trying to find a foothold but some plants weakened their posted offers by another $3-$5 per ton yesterday.

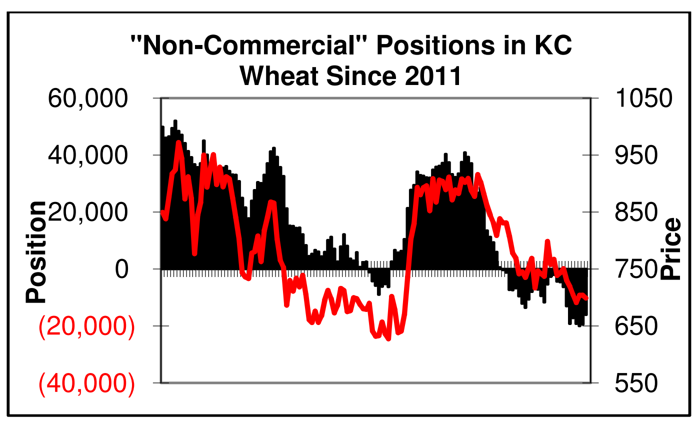
Wheat: Wheat futures closed lower following a 4-session winning streak. Chicago paced the losses finishing 6-7 cents lower on fund selling. This was more than 10 cents off the mid-session lows. KC and MN managed to close steady-mixed. The Dec contracts settled at $6.70 ½ in Chicago, $7.18 in KC, and $7.50 ¼ in MN. The wheat spreads were steady-firmer.

Supportive news continues to come from the export arena. The USDA announced weekly export sales of 21.9 million bushels, in line with trade estimates. Through the first 8 weeks of the marketing year, wheat sales are running 45% ahead of a year ago. The USDA is currently projecting 13/14 exports to be 6.5% above a year ago. Traders also reported that Brazil is still buying US HRW wheat aggressively, procuring as much as 400K tons in the last week following a freeze in their growing regions last week. In their latest tender, Japan bought almost 90K tons of US western white wheat; their first for the variety since the well-publicized US GMO finding in May. Ukraine's ag minister said that they will export 9 mmt of wheat this year; the USDA has them at 8 mmt.

Other news was slim. The International Grain Council raised their 13/14 global wheat production forecast to 687 mmt from 683 mmt previously. A sharply higher US dollar likely pressured wheat values. Rains will continue to fall in from NE to TX, boosting soil moisture levels ahead of US winter wheat planting.

The funds sold 3,000 contracts of wheat on the day. Like in the corn, they are now holding sizable short positions in the Chicago and KC wheat contracts as well. See charts below.





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