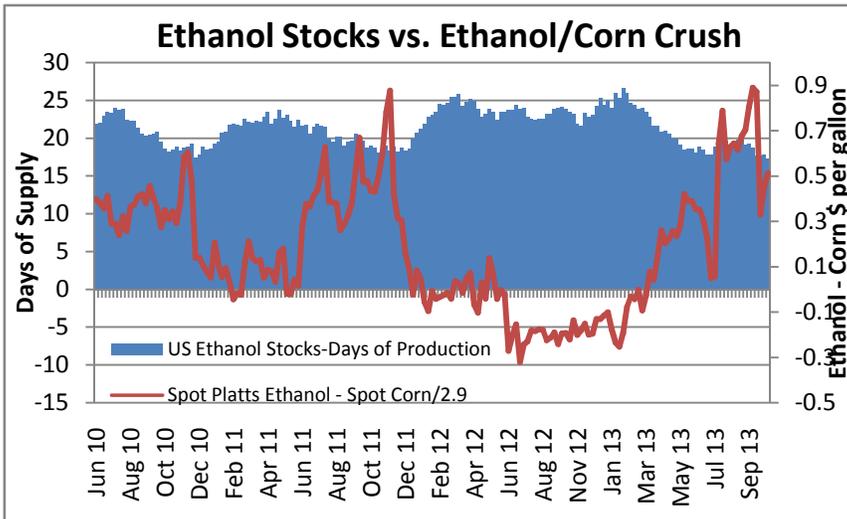


Corn: Corn continued to ride the coattails of beans and wheat and traded at its highest level of the week before selling emerged in the 2nd half of the session. It settled in the middle of the daily range with the Dec at \$4.42 ¾ and the July at \$4.71 ¼. Most months were up 4-5 cents at the end of the day. Along with the higher soy and wheat markets, corn was also supported by export demand from SE Asia and a friendly weekly ethanol report. The corn spreads were steady-firmer. The Dec-Mar went home at 12 ½, in from 12 ¾ yesterday.



The EIA reported that the US produced 264 million gallons of ethanol in the week ending October 18th which was up sharply from 255 million the week before. However, even with the higher production, stocks only increased from 648 million to 651 million gallons. This stocks level is equal to just 17.3 days of production, the smallest amount since the EIA started releasing this data in 2010. The chart at the left shows stocks (in days) compared to ethanol swap prices-minus the cost of corn futures. Although this is not a perfect reflection of margins, it is very interesting to note how ethanol gains on corn in times of short stocks. Given the history of this relationship, we should expect ethanol margins to remain strong until the US begins to build some reserve ethanol supply.

An uptick in corn demand from SE Asia was noted in the last 24 hours. Korea's KOCOPIA bought 55K tons of US or Brazilian corn for February arrival. Taiwan bought 60K tons of Brazilian corn for December. At the same time, Korea's Nonghyup passed on all offers in a tender for 140K tons of corn and 60K tons of feed wheat. US offers were about \$5 per ton (14 cents/bu) higher than Black Sea offers in this tender. Export sales for the week ending October 3rd will be announced in the morning. The trade is looking 26-34 million bushels in corn sales.

In other news: Several lawmakers from Midwest states sent a letter to the CFTC asking them to investigate the volatility seen this year in the RINS (biofuels-credit) markets. RINs began the year around 5 cents per gallon, traded well over \$1.00 and are around \$0.30 today. Negotiators from the House & Senate will begin discussions on the Farm Bill next Wednesday. Lanworth bumped their world corn production estimate to 955 mmt, compared to a USDA estimate of 957 mmt. South Africa had corn stocks of 5.8 mmt at the end of September, down from 6.6 mmt at the end of August. Their corn harvest will be in April. The funds were buyers of an estimated 7,000.

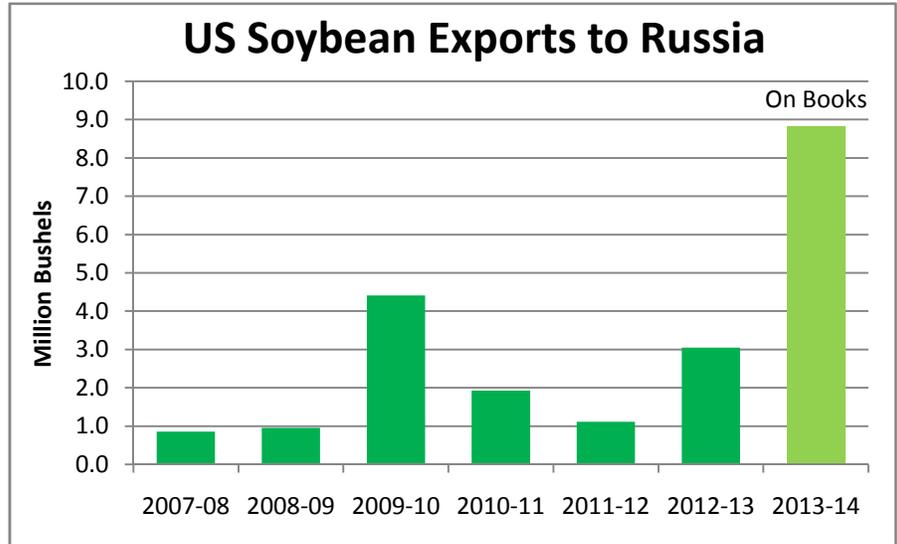
The weather for the remainder of this week should allow for harvest progress to be made but next week will bring rains to again slow efforts. The midday weather models were a bit slower with next week's rain and also showed a more southerly bias to the quantities. Amounts in most of IL, IA, NE, and MN now look to be less than 0.25".

Corn basis in the Midwest was mixed in the last 24 hours with both improvements and declines in posted numbers being seen. Some notable Midwest locations improved their bid at midday, however. Reports of pushes are also being heard as end users try to secure supplies against a dearth of farmer selling. The gulf was steady at +69 Z for spot and +70Z for Nov.

Soybeans: Soybeans traded up to their highest price and closed at their highest level since September. Supportive factors included an unusual soybean sales announcement to Russia from the USDA, a firming cash environment, gains in the vegoil markets, and technical short-covering. The gains came early in the day as the beans topped out before noon and spent the rest of the day settling back. The November settled at \$13.10, up 7 ¾ cents; the July was up 5 ½ settling at \$12.62 ¼. The bean spreads were firmer across the board but like the flat price settled well off the daily highs. The Nov-Jan went home at a 6 cent inverse, the highest close in contract history.

Meal led the gains as it finished \$2-\$6 per ton higher. The Dec settled at \$421.20, gaining on the back months. The Dec-Jan inverse is up to \$8.20, a contract high. The bean oil was caught between higher world vegoil prices (palm oil made traded at a 2 month high overnight) and the lower US energy complex. At the end of the day, bean oil was near steady with the Dec settling at 41.50.

The USDA announced the sale of 120K tons of soybeans to Russia as part of their daily sales system. Combined with the 120K tons that Russia already had on the books, 2013/14 looks to be the biggest year for soybean sales to Russia in recent memory (see chart at right). Of course, this announcement comes at a time when the trade is waiting the USDA to catch up on export sales and expecting considerable sales to China to be announced during that process. The trade is looking for sales to have been 31-39 million bushels in the week ending Oct 3rd.



In other news: a USDA attaché report said that traders are projecting Brazil's soybean crop at 86-90 mmt, which would allow them to export 45 mmt and keep them as the world's leading exporter. This would especially be the case if their bean exports don't have to compete as hard with corn for export capacity next year. Lanworth bumped their global soybean production estimate to 288 mmt vs. a USDA projection of 282 mmt. EU states have imposed further import duties on biodiesel from Argentina and Indonesia saying the countries sell the product into the EU at unfairly low prices. The funds bought 4,000 beans, 3,000 meal, and 2,000 oil on the day.

In South America, Brazilian growing areas look to continue to receive rain in the coming days while Argentina will see dry conditions remain through this week before a better chance is seen for next week.

Midwest soybean basis was steady to 5 cents better yesterday. Most traders cite the fact that the majority of harvest has now passed as the reason for the firmer values. Meanwhile, gulf bids firmed up by 2 cents at midday from Tuesday's values and now stand at +102 X.

The November contract seemed to run into selling around the 50 day moving average (\$13.17 1/2). Look for that level and today's high of \$13.18 3/4 to offer the first resistance tonight.

Wheat: Wheat settled higher for the 4th time in 5 sessions but like the corn and beans, finished well off the daily high. Chicago and MN were steady-2 cents higher while KC saw better gains of 4-5 cents. The Dec contracts settled at \$7.01 3/4 in Chicago, \$7.70 3/4 in KC, and \$7.58 3/4 in MN. The wheat spreads were mixed.

Weekly Export Sales-Oct 3rd		
	Estimates	Last Week
Corn	25.6-33.5	30.5
Beans	31.2-38.6	33.2
Wheat	22.0-31.2	30.8

*-all in mil bu. Source: Reuters

The USDA will release weekly export sales for the week ending Oct 3rd in the morning. The trade estimates are included in the table at the left. They will also release "incomplete" data for the weeks ending Oct 10th and 17th either tomorrow or Friday. They will get caught up on their official data with the normal release on October 31st.

In other export news: Japan bought 50K tons of feed-grade wheat for arrival by March. Korean mills bought 55K tons of US milling wheat and 26K tons of Canadian milling wheat for Feb-Mar shipment.

Dry concerns are growing in Australia; much of their wheat is in the heading stage. While some timely rainfall would be beneficial, analysts in a Reuters' poll still estimate the Australian wheat crop to exceed 25 mmt for only the 4th time ever. The official government estimate is last at 24.5 mmt.

The funds were even in the wheat.

Wheat has been the upside leader in recent weeks and the short-term trend is higher. Just as it has preempted a pop in corn and bean prices, traders should watch wheat as an indicator of when the short-term rally could be fading in those markets as well.

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