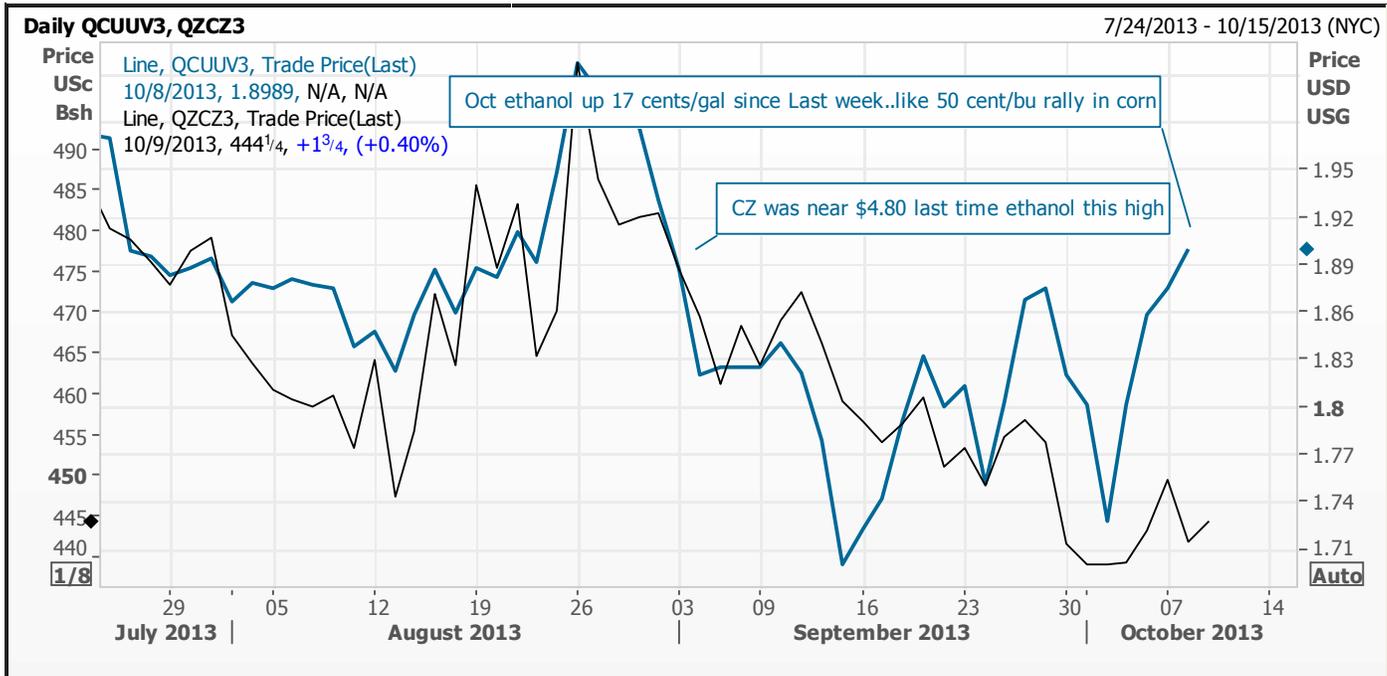


# Closing Grain & Soybean Comments

**Kevin Riesberg Wednesday, October 9, 2013**

CORN: Corn closed slightly higher on light short covering with a Chinese firm confirming this week's rumors about US corn being purchased though the quantity was not as much as some reported. This along with a supportive ethanol stocks number and rallying ethanol market also helped to underpin the market. The chart below shows October Chicago Platts ethanol has rallied 17 cents a gallon since last week (the Nov contract has rallied 8 cents/gal) while Dec corn is up less than 8 cents/bu in that same time frame. Improving ethanol margins will



allow ethanol plants to push spot basis levels to pry physical bushels from farmers this fall as producers are being light sellers in most areas. In the table below we look at corn basis levels the day harvest hits 50% and then 2 and 4 weeks later at different points in the Midwest. This year we assume corn harvest will be 50% by Nov 1, which might be aggressive depending on the weather forecast the next 10 days.

**Corn Basis Study : using LH Oct bids for now, FH Nov bids for 2 week, Dec for 4 weeks column...am assuming corn harvest 50% by Nov 1**

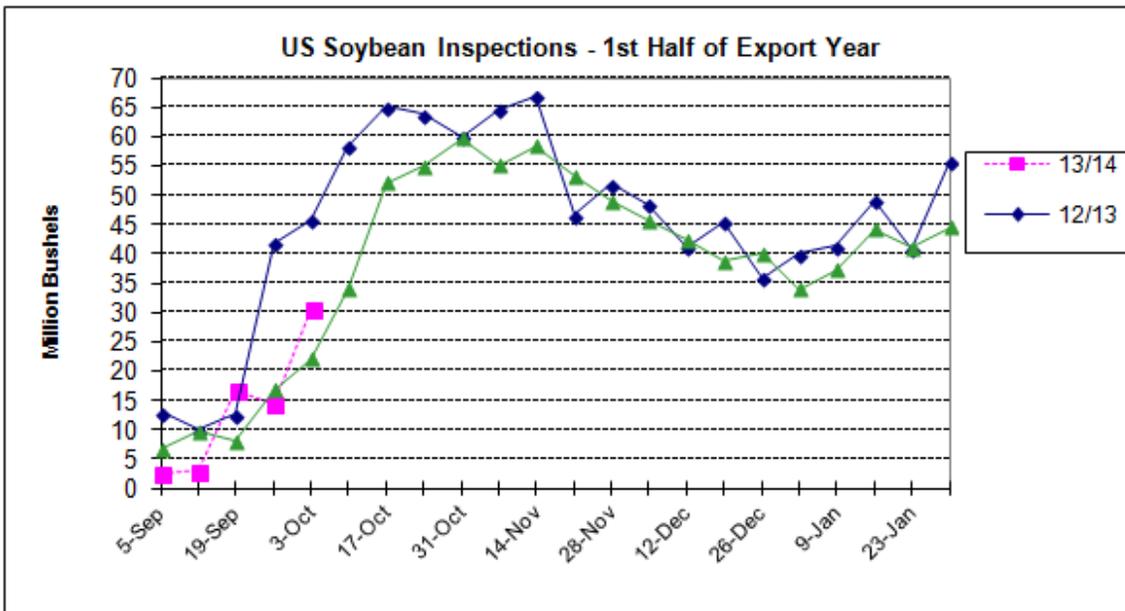
	Date of 50% Harvest	Eastern Neb			Central IL			CIF			
		that day	2 weeks	4 weeks	that day	2 weeks	4 weeks	that day	2 weeks	4 weeks	
2013	?	-9Z	-8Z	-6Z	-12Z	-5Z	+0Z	+60Z	+64Z	+64Z	
2012	Sept 27	+20Z	+35Z	+35Z	+25Z	+15Z	+15Z	+64Z	+66Z	+70Z	
2011	Oct 17	-16Z	-4Z	+0Z	+16Z	+20Z	+23Z	+69Z	+63Z	+69Z	
2010	Oct 10	-35Z	-45Z	-40Z	-5Z	-8Z	+3Z	+49Z	+57Z	+48Z	
2009	Nov 14	-40Z	-40Z	-34H	+0Z	+0Z	-16H	+51Z	+44Z	+21H	Z/H was 15 cent carry
2008	Nov 1	-8Z	+15Z	+0Z	-12Z	-4Z	-1Z	+54Z	+39Z	+34Z	
2007	Oct 12	-30Z	-24Z	-14Z	-5Z	+2Z	+8Z	+59Z	+59Z	+59Z	

Corn basis typically strengthens within 4 weeks of the 50% day we reach US corn harvest though 2010 and 2009 were an exception. 2010 saw Dec corn break almost \$1.00 a bushel from late Oct to middle November only to put 60 cents of it back on by the time of Dec expiration. 2009 on the other hand was a very late harvest (never seemed to end) that saw a record yield and record crop size while Dec futures were stuck in \$3.65-4.10 trading range from Oct-Dec. This year with US producer having lots of storage and unhappy at current futures price level, we would expect basis levels to do the work of pulling corn into the pipeline in late Nov/Dec especially if strong ethanol margins continue to roll forward. Of course the disclaimer to this is if the large short position by the spec funds get spooked out by something and Dec corn rallies back toward the \$4.60-4.80 level. Other than the Chinese export news (which was for spring/summer shipment) there is not much chatter on the CIF/PNW front with focus right now on soybean loadings and harvest. Dec corn continues to be supported at \$4.35.

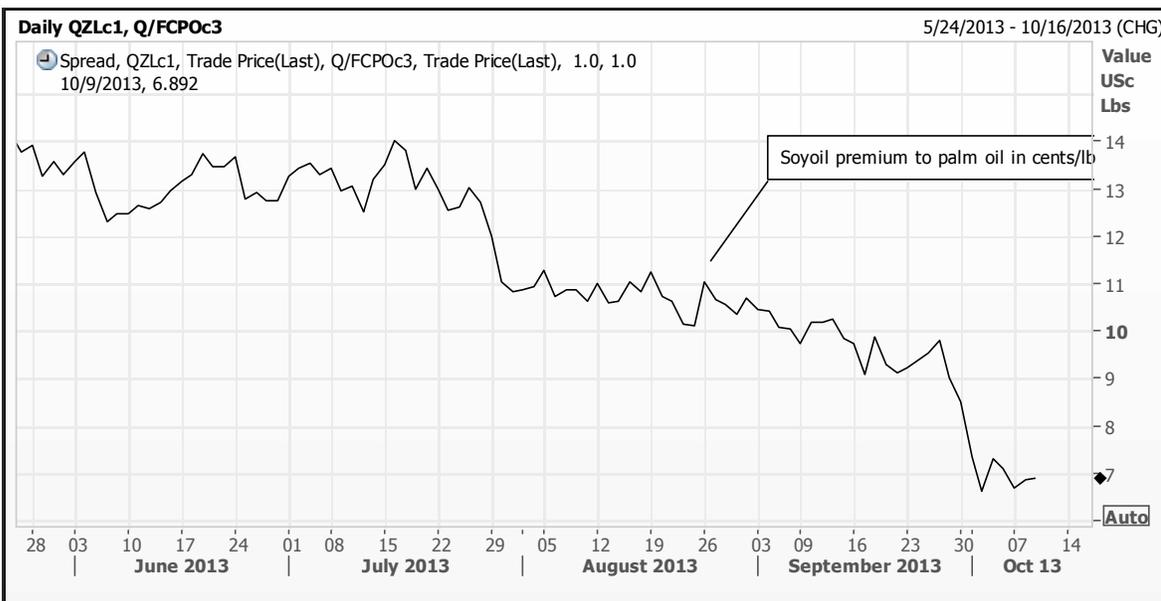
World Wheat Prices Into Egypt			
	US Gulf	French-Rouen	Ukraine
FOB Price	\$ 285.00	\$ 267.00	\$ 256.00
Ocean Freight	\$ 26.72	\$ 21.51	\$ 14.85
Estimated In-Port Cost	\$ 311.72	\$ 288.51	\$ 270.85
*-Source-Reuters \$/metric ton			

WHEAT: Wheat closed slightly lower in light trade and light profit taking by recent longs. Algeria booked 500k tons of option origin wheat with this expected to come from France. This afternoon Egypt tenders for option origin wheat for LH Nov shipment. Looking at current price levels and freight it would appear that this business should go to the Black Sea and the French rather than US. US SRW CIF did pop to +80Z this afternoon. Meanwhile other US wheat basis levels had a softer tone as some domestic markets were off by 15-30 cents on HRW. KC rail protein premiums thought were unchanged today as was Gulf HRW (still at +145Z for spot.) Look for wheat futures to find support

overnight on the Egyptian tender. Nearby wheat spreads are holding steady with little movement (other than KC Jly/Sept and Jly/Dec narrowing some more.)



SOY-COMPLEX: Beans closed slightly lower as it struggled with heavy harvest progress this week and a lack of fresh bullish news given that most soybean yields continue to run better than expected in most areas. Bean oil though has been able to rally though on short covering the last few days and as its premium to palm oil continues to fall to its lowest level since June 2012, see chart below. Nov/Jan bean spread

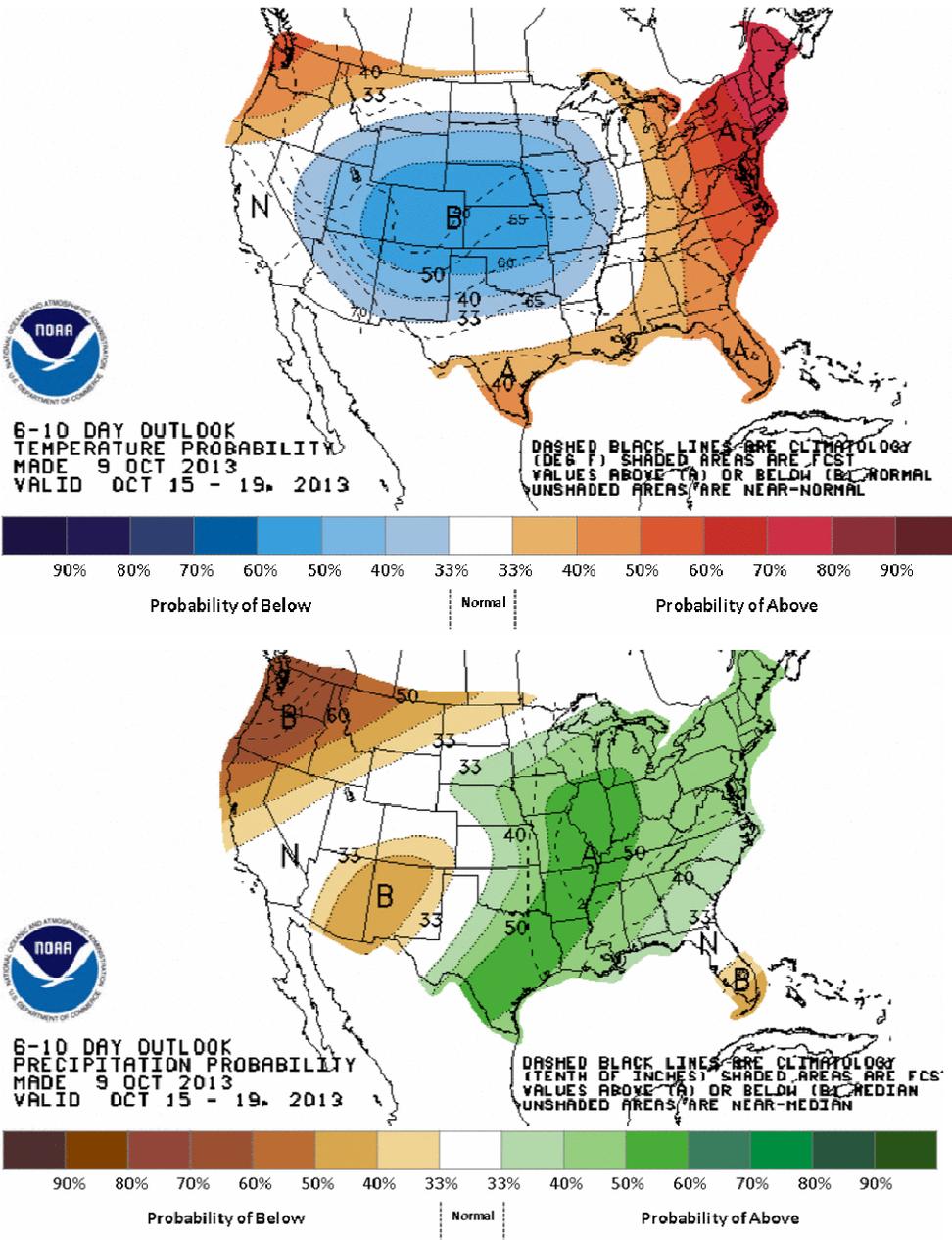


continues to march out despite the Goldman roll with exporters aggressively securing cash beans for LH Oct, Nov, and Dec shipment. While export shipments have been slow to start this year, they will be ramping up in the next few weeks, see chart.

Crushers will be also be competing for these beans with very good crush margins of 80 to 90 cents/bu. So far the US producer has been

inclined to sell beans at this point. Brazil's Conab today estimated the upcoming Brazilian bean crop to be a whopping 87.6-89.7 mmt in their 1st report of the year (vs last year's record 81.3 mmt). So they will have

another ~265 mln bu to handle next spring but the big question is will there be any improvement in the logistics and port capacity by then? Time will tell. Short term would look for beans to chop sides tonight with support toward \$12.65 in the Nov with resistance at \$13.05. Short term weather forecast is cold and wet, see below:



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