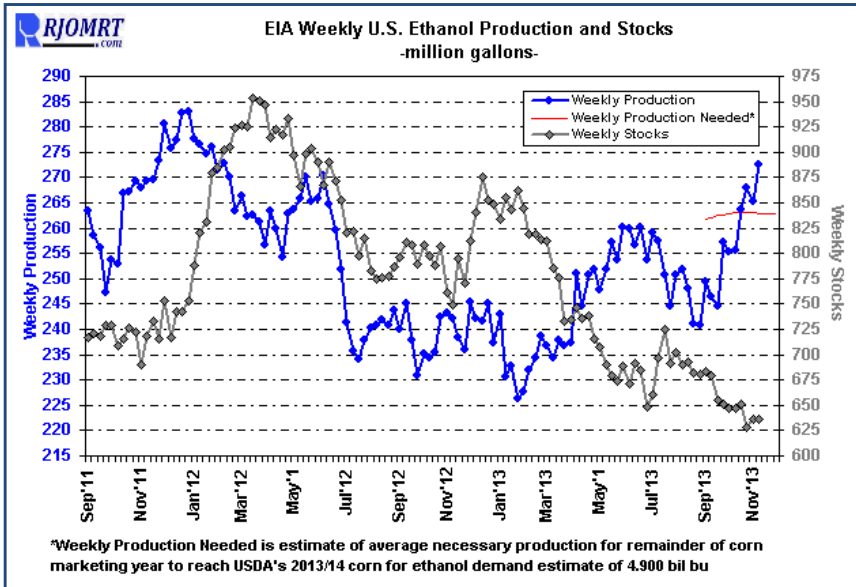


Corn: Corn futures finished lower for the third straight session in spite of the firming cash & ethanol markets and another very strong week of ethanol production. Dec was down 3 ¼ cents settling at \$4.26 ½. The Dec '14 was down 2 ¾ cents to \$4.66 ½. The corn spreads were mixed but the Dec-Mar did trade into 9 ¼ cents carry at one point before finishing at 10 ¼ cents carry. 9 ¼ is the narrowest that spread has traded since early June; it pushed as wide as 13 ½ in August.



The EIA reported that the US produced 273 million gallons of ethanol last week. This was up from 265 million the week prior and represents the largest week of production since early 2012! See RJO MRT chart at left. RJO MRT Analyst Randy Mittelstaedt estimates that it took 97-98 million bushels of corn to produce such an amount, which is well ahead of the weekly "needed" in order to meet the USDA's 4.9 billion bu corn-for-ethanol estimate. As has been the case recently, bigger production did not lead to bigger ethanol stocks. This implies strong usage. Ethanol prices have been racing higher since the middle of last week and will likely stay supported with today's EIA report. The trade is still waiting for the EPA to issue its 2014 RFS mandate recommendation with the expectation the

mandate will be lowered. ADM's CEO said that the US could produce 14 billion gallons of ethanol in 2014 even if the mandate is lowered due to positive margins.

Other news was less friendly. South Korea's largest feedmaker passed on all offers in a 70K ton tender. The cheapest offer was for option-origin corn at \$242 per ton. The lowest US-only offer was 14 cents a bushel higher than that at +80 Z gulf equivalent. The trade is looking for weekly export sales of 31-40 million bu compared to 67.7 million last week. Ukraine said that they had 9.6 mmt of corn and 23.3 mmt of grain on hand as of November 1st. Those grain stocks are up 10% from a year ago. Since July 1st, Europe has shipped 67 million bushels of corn, 3.5 times as much as in the same period a year ago. The funds sold an estimated 7,000 contracts, bringing their total in the last 3 sessions to 18,000.

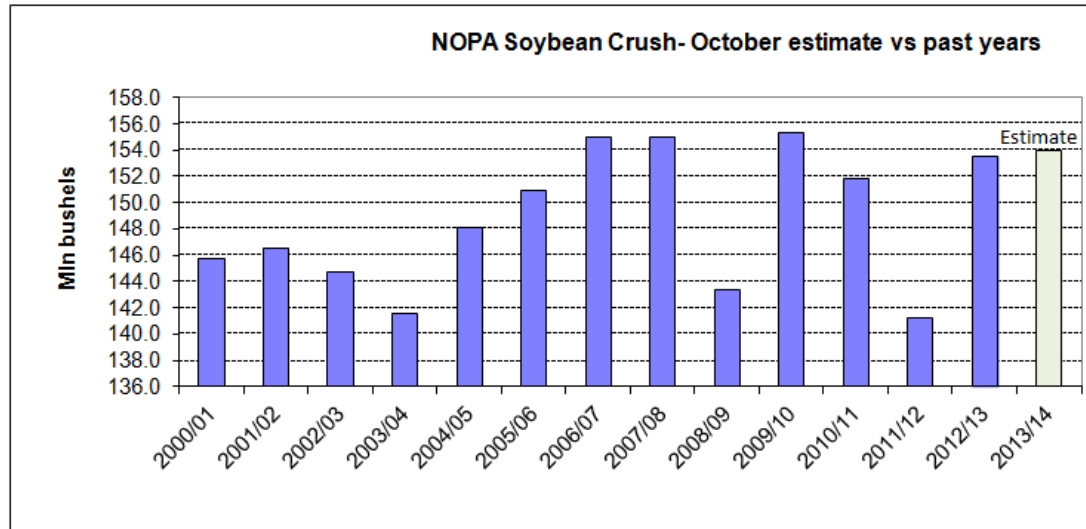
The Midwest will see one more good day of harvest weather before light rainfall moves in Saturday-Monday. The forecast then calls for another harvest window next week. As farmers finish, they are moving right on to dirt work, tiling, and fertilizer for next year's crop.

Midwest corn basis was mixed in the last 24 hours. There were reports of limited hours at some processors and elevators as storage and drying limitations are reached. At the same time several locations improved their December bids. About half of the locations are showing at least some carry from spot to the December slot in their bids. The gulf was up another 2 cents to +86 Z but this week's gains have been offset by higher barge freight costs on the OH and IL Rivers. Spot bids on the lower Ohio River have now risen to 850% of tariff with the IL close behind at 725%.

Corn settled right in the middle of the last week's trading range. In the absence of news, do not be surprised if it trades in a sideways/choppy manner on Friday. The long-awaited EPA release on the 2014 RFS mandate and export sales could move the market.

Soybeans: Slightly lower close on beans while the products saw 2 sided trade in lackluster trade. Nov beans went off the board in quiet fashion at noon. Soyoil values holding firm on rallying world veg oil prices (mainly palm & coconut) and USDA announcing sale of 40k tons of soyoil to India. This is the 1st declared sale to India though last week's 35k ton of soyoil sales to unknown was also rumored to be for India. Weekly export sales tomorrow morning are expected to be 900k to 1.2 mmt on soybeans, with 200k-350k tons of soy meal sales and 25-50k tons of soyoil sales. Some Chinese firms estimating that soybean imports this year will be closer to 63.5-68 mmt vs USDA's current

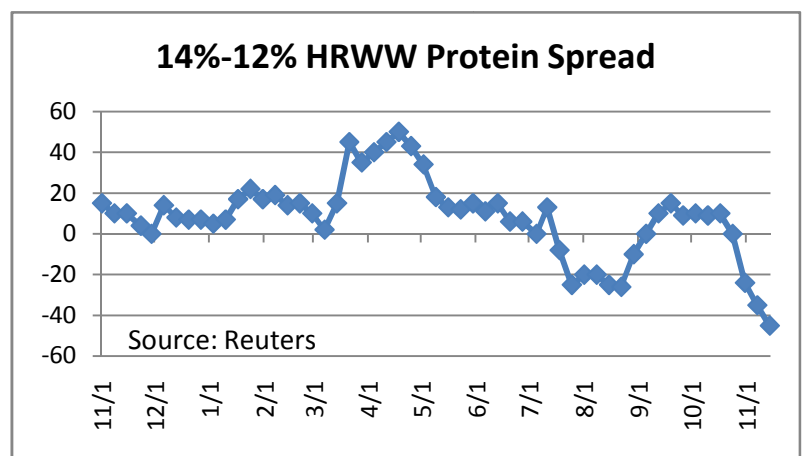
estimate of 69 mmt. Nov and Dec imports of soybeans though are expected to be near 14 mmt compared to 10 mmt last year. NOPA crush report is also out tomorrow with avg trade guess of 154.3 mln bu vs 153.5 mln bu last October. Years 2006, '07 and '09 did see bigger crush in October see chart below but those years saw crush 1.750-1.800 bln bu vs the projected 1.685 bln bu the USDA is currently using. US soybean basis has softened at some interior bean plants this past 2 weeks thanks to the futures rally drawing out bushels from both producers and elevators. Table below showing current bean basis bids for Dec slot slightly behind last year's values at the Gulf and interior processor market though US supply is 195 mln bu larger than a year ago. Nearby soymeal basis also softening in response to poor rail logistics pushing some more meal into the truck markets. Interesting to note last year on this date that Jan/Mar bean spread was 20 cent inverse and went to even money by Dec 10th before surging back to 40 over in January. Tonight the Jan/Mar is hovering at 15 cents inverse. Technically Jan beans are finding some resistance at \$13.20-13.25 as weather/growing conditions in South America remains generally favorable. Argentine soybean plantings are now 22% complete, up 11% from last week after the recent rains. Look for choppy trade overnight until market gets the export and NOPA crush numbers. Informa also reportedly to update their 2014 US planting acreage estimates tomorrow at 10:30 am.



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Wheat: The wheat futures finished the day mixed after trading mostly in the green. The December contracts in KC and MN were able to finally break their streaks of 11 consecutive lower sessions. KC wheat finished the best of the three, up 1-3 cents. Chicago and MN were mixed. A substantial export purchase by Egypt and reports of additional Brazilian business were not enough to allow wheat to hold its mid-session gains. The December contracts finished at \$6.44 3/4 in Chicago, \$7.03 in KC, and \$7.00 in MN. The wheat spreads were mixed.

Traders reported that Brazil bought another 60K tons of US HRW for December shipment. They typically consume South American wheat (domestic & Argentine) but short crops have forced them to look to North America. They have now purchased nearly 114 million bushels of US milling wheat, most of it HRW. At the same time HRWW 12% values have raced to a premium to 14% values (see chart at right).



Also buying wheat today was Egypt who booked 3 cargoes of French and 1 cargo of Romanian wheat at prices ranging from \$300 to \$306 per ton. It was their first purchase of French wheat in nearly a year. One offer for US soft wheat was seen to no avail.

In other news: The trade is looking for wheat exports of 13-20 million bushels on the weekly sales report. Last week saw 15.3 million. The cold weather seen in the US over the last few days is not expected to push the winter wheat crop fully into dormancy but the growth rate will slow. Strategie Grains said that they expect Europe to plant 4% more soft wheat in the coming growing season. Since July 1st, Europe has shipped 10 mmt of wheat compared to just 6.4 mmt in the same period in 2012. For the third straight session, the funds were even in the wheat.

Weekly Export Sales-Nov 7		
	Estimates	Last Week
Corn	31.5-39.4	67.7
Beans	33.1-44.1	37.4
Wheat	12.9-20.2	15.3

*-all in mil bu. Source: Reuters

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