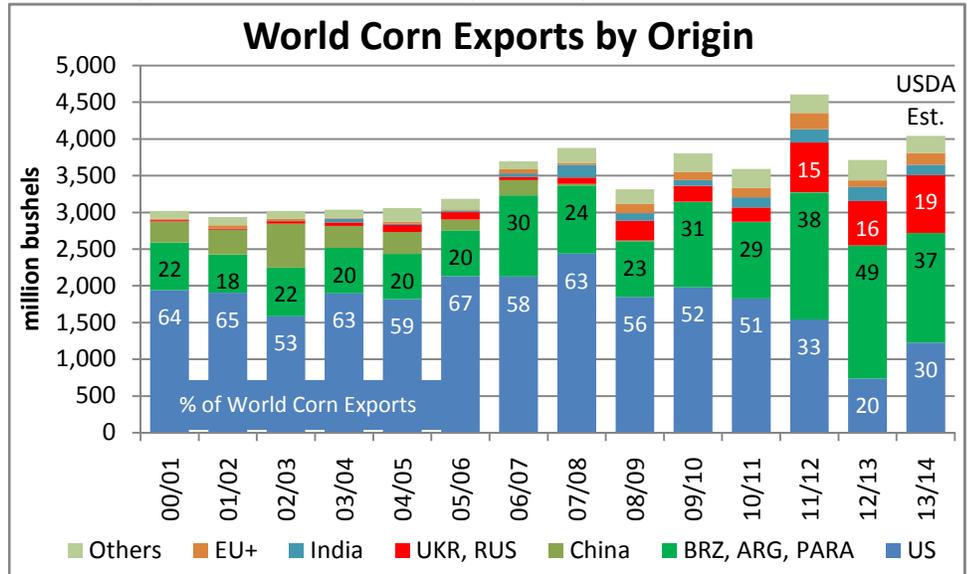


**Reminder: The USDA will release their Nov Crop Production & S&D reports on Friday at 11:00 AM CST.**

**Corn:** The December corn futures closed lower for the 6<sup>th</sup> straight session settling at its lowest level since August of 2010. It was down 3 ¾ cents to \$4.21 ¼. The July was also down 3 ¾ cents to settle at \$4.46 ½. The bulls (if there are any left) cannot seem to find any supportive story to hitch their star to. Expectations for a big crop to be shown on Friday's USDA report, reports that China is approving the import of Brazilian corn, and a less-bullish weekly ethanol report all weighed on prices. The corn spreads firmed a bit, following basis higher in an effort to shake loose physical bushels.

Brazilian news outlets reported that an agreement will be signed between Brazilian and Chinese officials to allow the import of Brazilian corn into the emerging importer. This would follow similar agreements with Ukraine and Argentina that China has struck in recent months. These agreements are a microcosm of a larger trend. The chart at the right shows world corn exports by origin since 2000. At that time, the US exported around 65% of the world's total. In 2012/13, that portion had fallen to just 20%. At the same time, the amount supplied by Brazil, Argentina, and Paraguay has climbed from around 20% to nearly 50% in 2012/13. Corn exports out of Ukraine and Russia have also increased sharply in the past three years.



Also on the export front, Korean feed maker Nonghyup passed on all offers in their latest tender. Much was made of Korea buying US corn for the first time in over a year last week. Since then they have rejected this offer and also bought Black Sea corn. Meanwhile Japanese feeders bought just 115K tons of feed barley in a SBS tender that had sought 200K tons of feed barley and 120K tons of feed wheat. The trade is looking for weekly corn export sales of 39-51 million bushels.

The weekly ethanol report from the EIA showed production down to 265 million gallons last week from 268 million in the week prior. This is still bigger than the pace implied by the current USDA corn-for-ethanol demand estimate. Ethanol stocks also bounced from multi-year lows although they remain very tight. Prices have been falling all week weighed down by the big production numbers, plants coming back online, and weakness in the corn and gasoline markets. The trade continues to wait for the 2014 RFS mandate levels to be released by the EPA.

Midwest corn basis was steady-mixed in the last 24 hours. There has been an uptick in movement this week as rains forced the farmers out of the fields and allowed them to focus on something besides harvesting. As a result, some processors have backed off their spot bids. However, the movement has not been enough to completely choke the strong demand and values remain much better than normal for this time of year. As early as tomorrow, the farmers will be back in the combines. The gulf basis was softer, bid at +78 Z vs. +84 Z on Monday.

RJO Technical analyst reiterated that the trend is down on "virtually all scales" and says that a retracement above \$4.36 is the absolute minimum required to "defer the bear." The funds agreed...selling 7,000 contracts on the day. The latest CFTC data release shows the speculative funds short more than 240K contracts, 1.204 billion bu.

China's government think tank did peg their 2013 corn output at 215 mmt, vs. the USDA at 211. They also reiterated that they will import no more than 5 mmt of corn in 2013. A USDA attaché projected the Ukrainian crop at 26 mmt compared to 29 mmt in the last WASDE tables. The same report lowered the Ukrainian export estimate to 17 mmt vs. 18 mmt estimated previously.

Look for a quiet trade and position-squaring to be seen tomorrow ahead of Friday's USDA figures.

**Soybeans:** The soybeans managed to escape the negativity of the grains and closed higher for the 2<sup>nd</sup> time in 3 sessions. However, they finished well off their morning highs. The Jan settled at \$12.55, up 4 ¾ cents. The July was up 4 to \$12.28 ½. It was a quiet trade as a shortage of fundamental news and the looming USDA report kept traders on the sidelines. The spreads were mixed. The Jan-July settled at 26 ½ cents inverse, up from 25 ¾.

Meal gained on the oil, up 2-4 dollars per ton. The Dec settled at \$396.80. The Dec oil settled at 41.13, down 1 tick.

There is more rain in the forecast for Argentina over the 2<sup>nd</sup> half of this week. The midday weather models were generally wetter for Argentina and Brazil than the overnight runs. Argentina may struggle with some localized flooding but the rain is still seen as price-negative.

Weekly Export Sales-Oct 31		
	Estimates	3 week total
Corn	39.4-51.2	179.3
Beans	29.4-40.4	174.2
Wheat	12.9-18.4	48.1

\*-all in mil bu. Source: Reuters

In other news: The trade is looking for weekly export sales of 29-40 million bushels. Bunge estimated Canada's canola crop at 17.4 mmt. Their government is last at 16.0. China said they expect to import 60 mmt of soybeans in 2013. An Egyptian food company bought 42K tons of sunflower oil. Meanwhile, palmoil futures backed off of their recent highs.

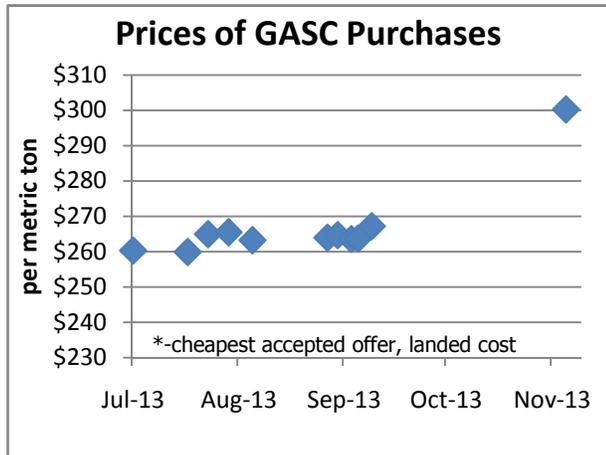
Midwest soybean basis was steady-better. Some locations improved as much as 5-10 cents. Meal basis was steady. The gulf bids were steady-firmer at

+94 X on spot.

The funds were buyers of 3,000 beans and 2,000 meal but were even in the oil. The CFTC data (as of 10/29) showed little change in the speculative funds' positions. They are long 77K contracts of soybeans and 31K contracts of meal. They are short almost 35K contracts of oil.

Look for the Jan beans to continue to trade in the well-defined \$12.50-\$12.65 range ahead of Friday's report.

**Wheat:** Like the corn, the wheat market continued on its relentless slide. Chicago wheat closed lower for the 3<sup>rd</sup> consecutive session and 4<sup>th</sup> time in the last 5. Disappointing wheat tender results out of North Africa, rain in US and Australian growing territories, and the negativity of the corn market were all bearish influences. KC saw the deepest losses, down 5-7 cents. Chicago was down 2-5 and MN was down 1-2. That put the December contracts at \$6.53 ¼ in Chicago, \$7.16 ½ for the KC, and \$7.12 ¼ on the MN. Again like the corn, the wheat spreads firmed in the face of the flat price weakness.



Egypt bought 60K tons of Romanian wheat for early December shipment. The landed cost was \$300.23 per ton, \$8.17 per bushel. After Romania, the next cheapest offers were French at \$304-\$306 per ton. Russian wheat was offered at \$307 landed. No US offers were reported. The quantity was a bit disappointing to the bulls since GASC had been absent from the world market since early September. They had tendered in early October but cancelled it the next day. The chart at the left shows how values have risen in their absence.

In other news: Morocco bought just 55K tons of EU wheat; they had tendered for 330K. Algeria is tendering; they will likely also buy from the EU. Japan passed on all offers in their latest feed wheat tender. China's grain think-tank said they will import 5 mmt of wheat in 2013. The trade is looking for weekly export

sales of 13-18 million bushels.

The majority of KS, OK, and TX saw rain fall in the past 7 days. In many cases (especially in the eastern parts of the states) the amounts have been an inch or greater. This moisture was a big reason KC lost ground relative to Chicago and MN on the day. Some growing areas in Australia have a chance for rain in the coming days as well although it is getting late in their growing season. A USDA attaché report is looking for Australia's wheat crop to be 23.5 mmt, down from the last WASDE estimate of 25.5.

Changes to the S&D on Friday will focus on the demand side. RJOMRT Analyst Randy Mittelstaedt is looking for a bump in the feed & residual category while also staying open to a bump in the export category. As such he is looking for a drop in the US wheat carryout.

The funds sold 3,000 contracts of Chicago wheat. The latest batch of CFTC data (up through 10/29) shows the speculative funds long over 28K contracts in KC but short more than 31K in Chicago.

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