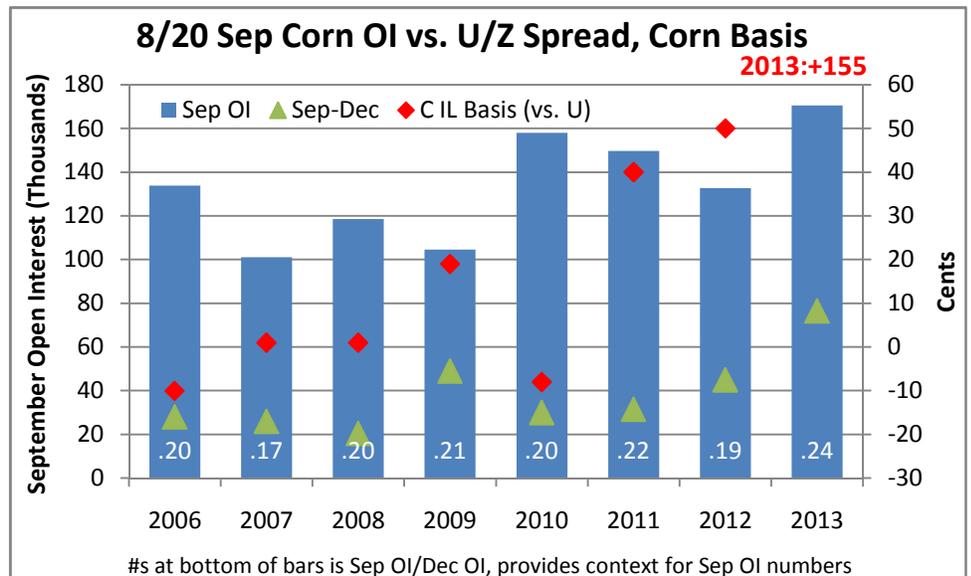


# Closing Grain & Soybean Comments

## August 21<sup>st</sup>, 2013

**Corn:** Corn traded higher throughout the session. Early in the day, the higher trade in the soybean complex provided support but as the day wore on corn began to show its own independent strength. The Sep contract led the way, supported by a strengthening cash basis environment. The Sep finished 14 ¼ cents higher at \$4.98 with a high of \$4.99 ½. Sep corn has not traded above \$5.00 since July 25<sup>th</sup>. The Dec was up 7 ¾ cents to \$4.83 ¼. The corn spreads firmed all along the curve but the Sep-Dec was the star after languishing in the 7-13 cent inverse range for more than a week.

Remaining open interest in the September corn was still over 170K yesterday. The chart at the right shows that this is the biggest at this point in the recent history. It is 24% of the December OI, also higher than normal for this timeframe (20%-21%). The remaining shorts in the Sep have been hurt by this much more than the longs as the Sep-Dec settled at 8 ¼ cents inverse yesterday and at 14 ¾ today. It was at a carry at this point in all other years. The extent to which this year's historic corn basis levels have affected these relationships cannot be ignored with Central IL posted at +155 U vs. the -10 U to +50 U range seen from 2006 to 2012. The takeaway is that as long as corn basis remains so strong, do not be surprised by additional fireworks in the September contract and the Sep-Dec spread.



Weekly ethanol production was 248 million gallons, down from 252 million in the week before. However, this was still above the amount "needed" to reach the USDA's 4.65 "corn used for ethanol" estimate for 12/13. With only 2 weeks of production left in the 12/13 crop year, the estimate looks close to a bit light. Stocks increased slightly but by less than trade expectations. Smaller than expected imports from Brazil were to blame for the small stock build.

ProFarmer continued their tour, estimating Indiana's corn yield at 167.4 vs. a 3 year average of 141.1 and Nebraska's corn yield at 154.9 vs. a 3 year average of 147.9. As they moved through IA and IL today, more variability in crop maturity was noted. Look for this to be an even bigger theme tomorrow when they survey the rest of IA and MN. In general the western leg of the tour (W. IA) found below average yield potential while the eastern leg of the tour (W. IL, E. IA) saw better results.

Other news was very slim. The trade is holding out hope for rains to fall in dry areas in the next 24-48 hours with little in the forecast to follow. Weekly export sales are expected to be 1-5 million on old crop and 28-34 million on new crop. A major Brazilian meatpacker said they are likely to slaughter a record number of cattle in 2013, up 11% from 2012. The funds bought an estimated 8,000 contracts on the day; they had sold that many yesterday.

Corn basis has rallied in the last 24-48 hours. Many posted bids climbed by 5-10 cents yesterday. Leading posted bids are +155 U in IL, +160 in IA, and +165 U in NE. Today brought reports of generous pushes above and beyond those posted bids being paid throughout the Midwest. The spot gulf bid is +125 U, unchanged from Monday.

**Soybeans:** The November soybeans settled higher for the 7<sup>th</sup> time in the last 10 sessions. They were up 13 ½ cents, closing at \$13.04, above \$13.00 for the 2<sup>nd</sup> time in 3 days. Once again, the November outpaced the back months although the Sep showed the strongest gains of the day, up 23 ¾ to \$13.33. It was supported by the gains in the nearby corn as well as a lack of movement of old-crop soybeans. The ProFarmer tour was also supportive as pod counts disappointed. The Nov-July settled at 51 ¼ cents inverse, a new high close for the move but below yesterday's high of 58 ¾ cents.

Oil was the laggard of the complex finishing steady to down 5 points; the Dec settled at 43.17. The lower trade in

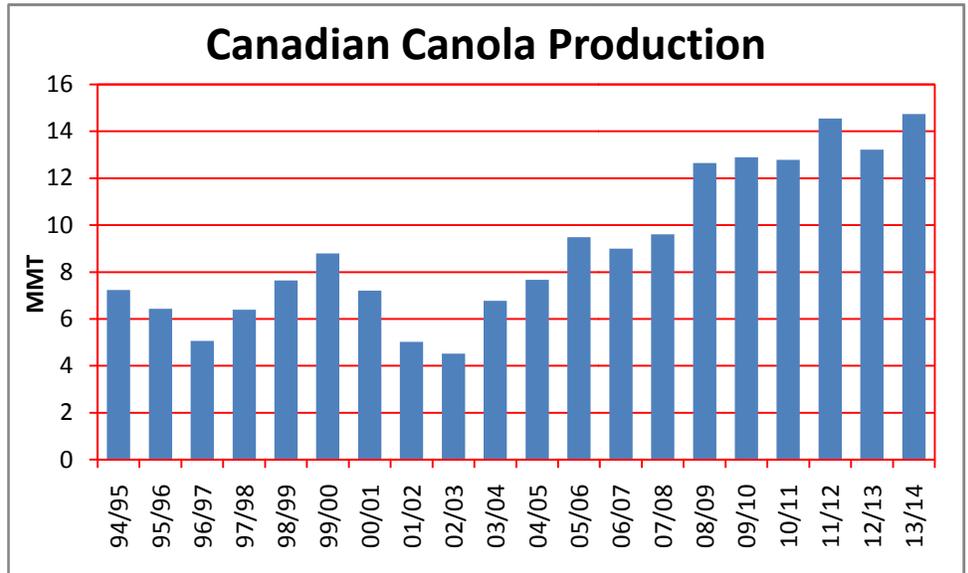
crude oil weighed. On the other hand, meal was up \$5-\$7 per ton with the Dec settling at \$407.60.

ProFarmer reported pod counts in Nebraska at 1,139 per 3' X 3' square compared to a 3 year average of 1,162. In Indiana they saw 1,185 compared to an average of 1,137. As mixed as those results from Tuesday were, they easily outshined today's early numbers, some of which were reported in the 300-500 range in IA. Further frustrating scouts was that those low counts were often found on otherwise good looking plants.

The weather was still a bullish fundamental influence as well. In the next 24-48 hours, the northern 1/2 to 2/3 of the Corn Belt could see rains of up to 0.6" while the southern Corn Belt is forecast to see a more scattered event that could bring up to 0.2". Following these rain chances, there is little rain in the forecast for anywhere except the extreme northern Midwest (early next week). There is more rain in the 11-16 day forecast but it comes along with a cold front that could push temperatures in the North Dakota into the 30s as soon as Sept 6<sup>th</sup>.

Stats Canada pegged their canola production at 14.735 mmt (650 million bu), which would be a new record crop and up more than 11% from last year. However, the trade had been expecting a crop of 15.5 mmt so this report added to the bullishness of the soybean complex when it came out at 7:30 am. Shortly after its release, beans took out the previous day's highs. Canola futures also finished higher.

The trade will look for weekly bean export sales of 0-4 million bushels of old crop and 48-63 million bushels of new crop. The funds were buyers of 6,000 beans and 3,000 meal during the session.



Midwest bean basis values were off 5-20 cents yesterday on posted numbers leaving IA at +110 to +130 X and IL at +140 to +160 X. Gulf beans are also bid around +160 X.

**Wheat:** Chicago and KC wheat finished slightly higher, supported by the gains in corn. However, the MN spring wheat was down 1-6 cents following a surprisingly large Canadian wheat crop estimate. The December contracts settled at \$6.49 1/4 in Chi, \$7.01 3/4 in KC, and \$7.35 3/4 in MN. The Chi and KC spreads exhibited strength, continuing to firm as they have been in recent weeks. The bigger production weighed on the MN wheat spreads, however.

Stats Canada projected the Canadian wheat crop at 30.56 mmt which would be their biggest crop in 22 years. The trade had been expecting a crop estimate of 30.4. The spring wheat crop was pegged at 21.83 mmt vs. just 18.72 last year. The next Canadian crop update will be released on Oct. 4<sup>th</sup>.

CBH, the largest grain handler in Western Australia estimated that the state's wheat production could be up 25% to 7.5 mmt. The news would be welcome in China, who has recently turned into a major wheat importer due to quality issues in their own crop. Western Australia is typically Australia's largest wheat exporting state.

Here in the US, weekly export sales are expected to be 17-20 million bu. The dollar was up sharply, which helped keep a lid on strength in the wheat. The funds bought 2,000 Chicago wheat on the day.

Weekly Export Sales-Aug 15th				
	12/13		13/14	
	Estimates	Last Week	Estimates	Last Week
Corn	1.0-4.9	-2.3	27.6-33.5	32.9
Beans	0.0-3.7	-0.4	47.8-62.5	69.6
Wheat	-	-	16.5-20.2	18.0

\*-all in mil bu. Source: Reuters

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