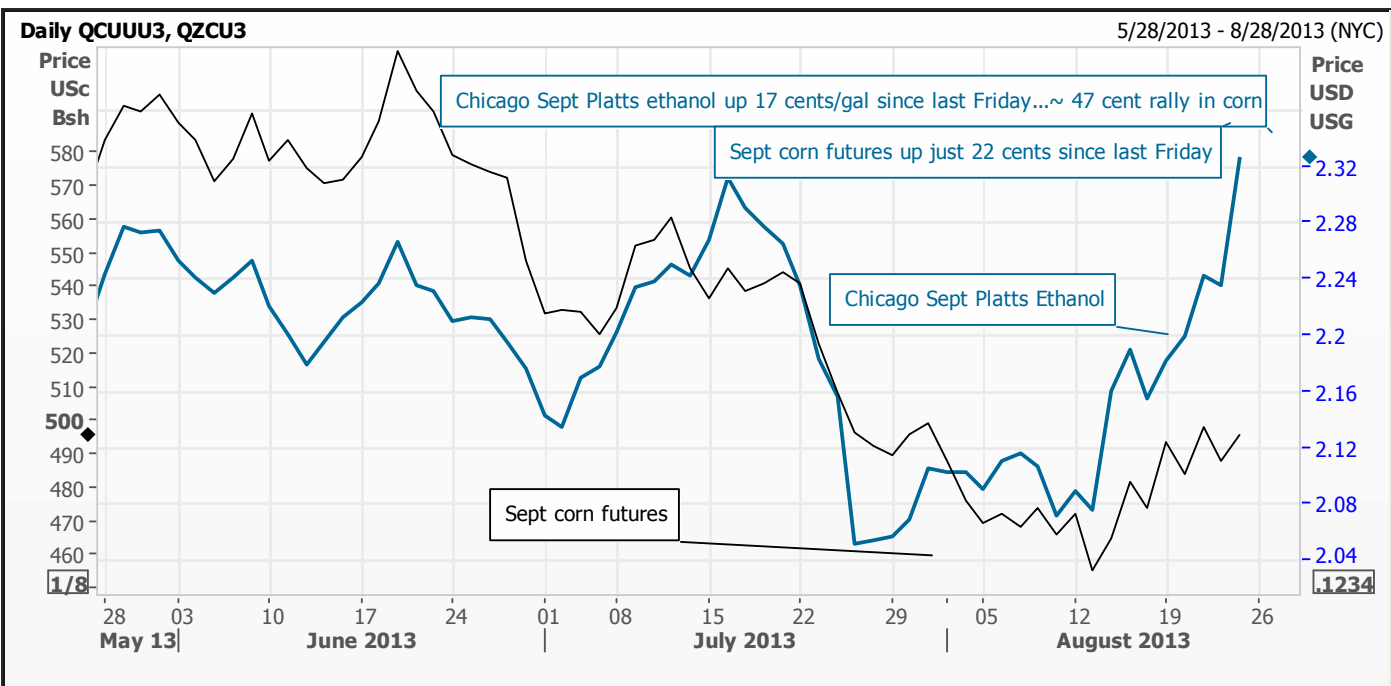


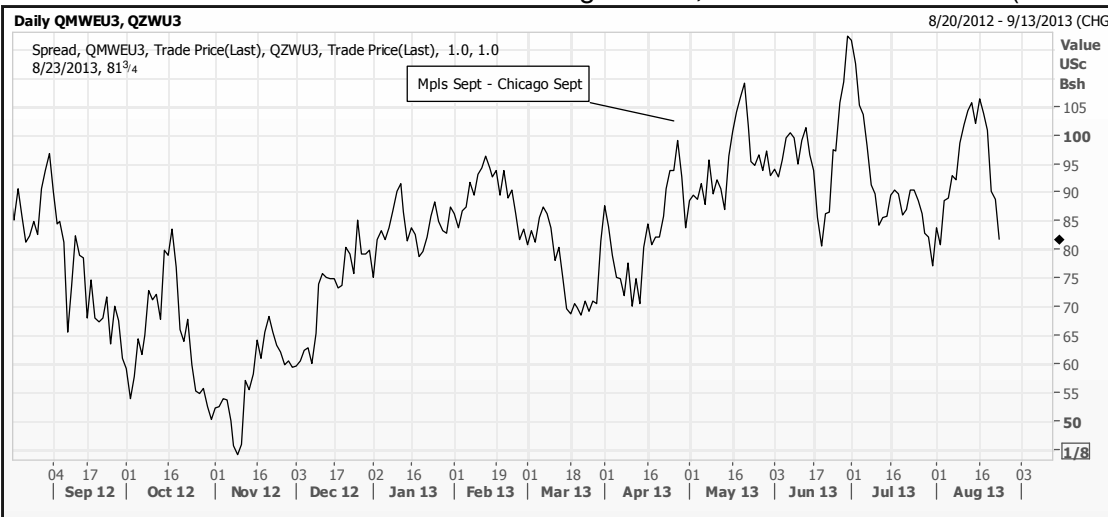
# Closing Grain & Soybean Comments

**Kevin Riesberg Friday August 23, 2013**

**CORN:** Corn closed higher following the rally in soybeans but also getting support from sharply higher ethanol values. Funds buyers of less than 5,000 contracts on the day. Sept/Dec corn spread pushing higher on combination of stronger spot basis at ethanol plants and slow harvest progress in the South/Mid-South. No deliveries are expected next Friday against the Sept contract. Chart below shows that since last Friday the Sept Chicago Platts ethanol has rallied 17 cents/gal compared to the 22 cents rally in corn. Surging corn basis levels though are keeping margins constricted for ethanol plants. Farmer selling remains light on both old and new crop with Dec needing to push back above \$4.85 to see fresh sales. Pro-Farmer this afternoon estimates the US corn crop at 13.46 bln bu with US yield of 154.1 bpa vs current USDA number of 13.763 bln bu and yield of 154.4 bpa. They took 1.8 mln acres off the harvested acres for corn and 800,000 off for soybeans. The trade recognizes the historical tendency for this tour to be low on the corn estimates and so will take it with a grain of salt. By Sunday night though the trade will be focused back on the weather forecast and how long the heat/dryness will continue. Crop ratings Monday should see a 1-2% drop in the G/E. Support for Dec at \$4.45 & resistance at \$4.86.



**WHEAT:** Wheat remains a follower of corn and soybeans with light short covering seen in Chicago. US wheat market remains relatively quiet compared to corn and beans as US wheat is generally uncompetitive vs French and Black Sea wheat. Saudi Arabia tendering for 660,000 tons of hard wheat (12.5% protein) and would expect



this to get filled out of Western Europe, Black Sea or Canada. Russian ag minister looks for wheat exports to be 15 mmt this year (vs USDA at 17 mmt).

Mpls wheat continues to be under pressure with harvest rolling along. Chart at left showing Mpls/Chicago spread losing 20 cents since last week. KC Sept/Dec

spread inverted briefly to 2 cents before moving back to 2 cent carry. Look for wheat values to remain tied to corn.

SOY-COMPLEX: The soy-complex surged higher with funds weather forecasts remains hot/dry next 10 days. Technical

buyers of over 15,000 contracts of soybeans as buying see when this week's highs were taken out, opening the door for a test toward \$13.50 if maps remain hot/dry Sunday night. The 11-15 day maps indicate a possible cool down but there is little confidence in the maps that far out. As of Tuesday night the spec funds were long 61k contracts of beans, so after today are thought to be long closer to 75k contracts.

**US SOYBEAN BALANCE SHEET**

	USDA <u>11/12</u>	USDA <u>12/13</u>	USDA <u>13/14</u>	10yr avg <u>yield</u>	Pro- <u>Farmer</u>
Planted	75.0	77.2	77.2	77.2	77.2
Harvested	73.6	76.0	76.4	76.4	76.4
Yield	41.9	39.6	42.6	41.3	41.8
Carryin	215	169	125	125	125
Production	3,094	3,015	3,255	3,153	3,158
Available	3,325	3,219	3,396	3,293	3,288
Crush	1703	1685	1675	1675	1675
Exports	1361	1315	1385	1385	1385
Seed/Residual	92	95	116	116	116
Total Use	3155	3095	3176	3177	3178
Carryout	169	125	220	116	110
CO/Use	5.4%	4.0%	6.9%	3.6%	3.5%

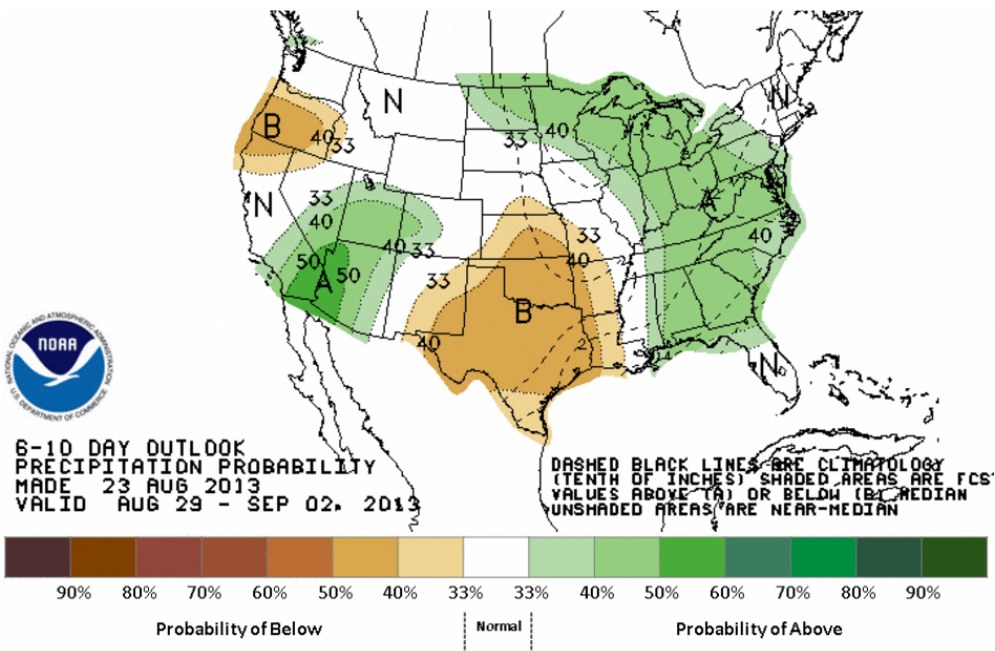
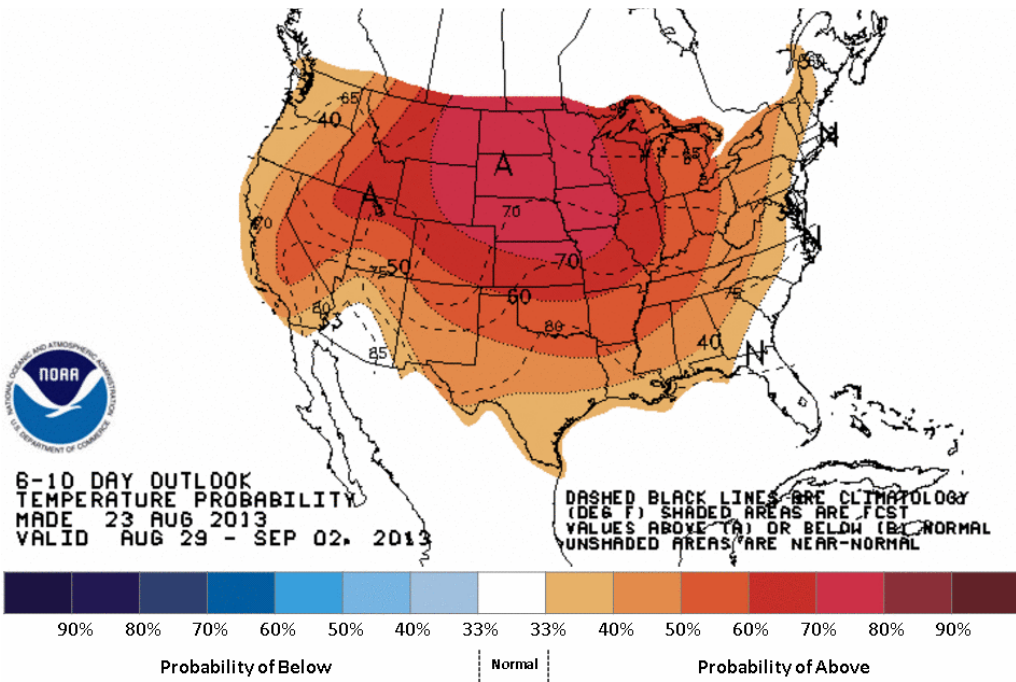
Pro-Farmer numbers are supportive at face values since it would put carryout toward 110 mln bu. But traders also know that early September rains could add on bushels (as long as we stay away from colder than normal weather and have a normal finish in late Sept/ early October). Crop ratings are expected to fall 2-3% Monday afternoon.

Soybean basis at the US processors were steady and were starting to firm back up yesterday before today's rally. Some new crop selling is being seen toward \$13.30 with more selling expected toward the \$13.50 area. Export news is quiet other than talk of China this week booking more S American beans for next

spring. If the weather maps would turn colder/wetter over the weekend, the 1st level of support for SX is toward \$12.80 and then \$12.50 (100 day MA is at \$12.48). Wait and see now how weather shapes up...



Have a great weekend!



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