

Closing Grain & Soybean Comments

Kevin Riesberg Friday September 6, 2013

CORN: Corn closed higher on the day with support from continued hot/dry short term weather forecast and Informa looking for almost 2 mln acre drop in corn plantings in the October S/D. For the week Dec corn still was down over 13 cents from last Friday. Informa's corn yield estimate was in range of expectations at 157.2 bpa and

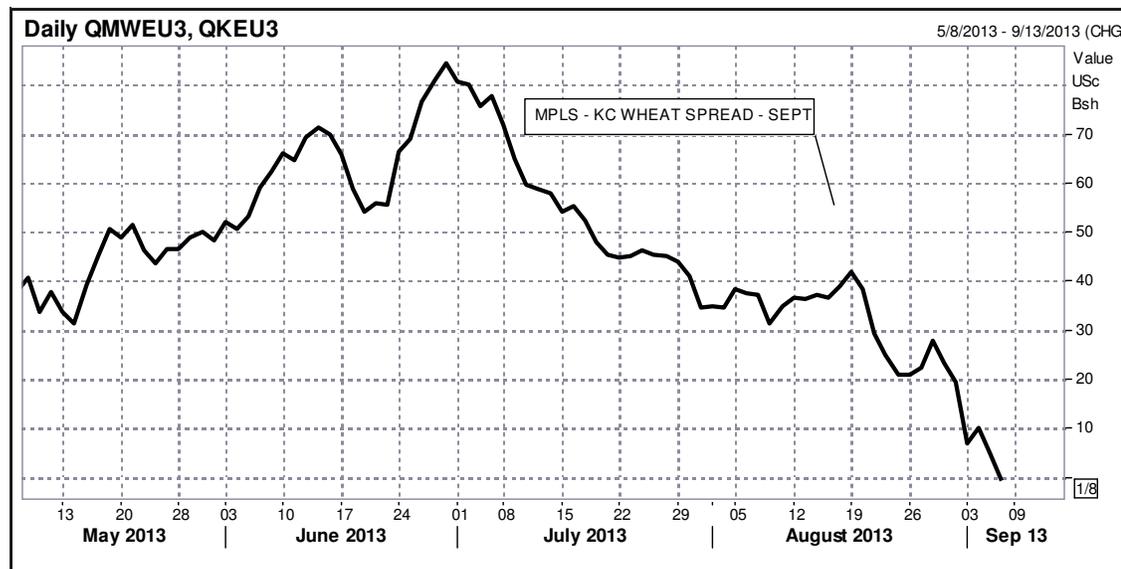
US CORN BALANCE SHEET

	USDA <u>10/11</u>	USDA <u>11/12</u>	USDA <u>12/13</u>	Informa <u>Yield</u>	Informa <u>Planting</u>	Informa Planting <u>USDA yield</u>
Planted	88.2	91.9	97.2	97.4	95.4	95.4
Harvested	81.4	84.0	87.4	89.1	87.2	87.2
Yield	152.8	147.2	123.4	157.2	157.2	154.4
Carryin	1708	1128	989	719	719	719
<u>Production</u>	<u>12,447</u>	<u>12,360</u>	<u>10,780</u>	<u>14,013</u>	<u>13,708</u>	<u>13,464</u>
Available	14,182	13,516	11,929	14,762	14,457	14,213
				<u>USDA</u>	<u>USDA</u>	<u>USDA</u>
Feed	4792	4546	4450	5100	5100	5100
Ethanol	5021	5011	4650	4900	4900	4900
<u>Export</u>	<u>1835</u>	<u>1543</u>	<u>715</u>	<u>1225</u>	<u>1225</u>	<u>1225</u>
<u>Total Use</u>	<u>13,055</u>	<u>12,527</u>	<u>11,215</u>	<u>12,675</u>	<u>12,675</u>	<u>12,675</u>
Carryout	1128	989	719	2087	1782	1538
CO/Use	8.6%	7.9%	6.4%	16.5%	14.1%	12.1%

would keep ending stocks near 1.800 bln bu even with the lower planting number, see table at left. If one plugs in the current USDA yield and the lower planting number then we do see the carryout number approach the 1.500 bln bu level. While this is a comfortable carryout compared to the last 3 tight years, it is a far cry from the 2.5 bln bu or higher carryout that the trade was bantering about in early July. This would put fair value for Dec corn this fall toward \$4.25-4.40 Dec futures. Spot corn basis levels continue to break toward new crop levels as corn harvest creeps northward. Central IL expects to see more active harvest toward the week of Sept 16th while IA and Nebraska expect to see early harvest closer to the last week of Sept. Note the 11-15 day maps call for heavy rain event but

wait and see. (That's all the market needs to see is a dry August/FH Sept and then it to start raining in late Sept). Crop ratings should see another 2-3% drop in the G/E next Monday afternoon. This afternoon's CoT report showed the spec funds are short over 134k contracts of corn, an increase of 7k from last week. Expect choppy markets next week heading into Thursday's S/D report.

WHEAT: Wheat was higher on short covering into the weekend led by Chicago and KC wheat. Mpls wheat tried to follow along but harvest pressure is keeping gains in check. Note that spot Mpls Sept is almost even money now with KC Sept, a drop of over 40 cents since mid-August and over 75 cents from its high point in late June. Low protein levels of this year's spring wheat crop and strong demand for HRW from Brazil to blame for the collapse in this spread. Mpls 15% protein tonight is bid +200Z compared to +120Z in the middle of August before



the harvest began and realization that this year's DNS crop was so low on protein. This afternoon's CoT report showed the spec funds are short over 75k Chicago wheat and even in KC and short 3k in Mpls.

In other news Egypt booked just 60k tons of wheat in their tender last night with that cargo coming from Romania at \$263.69 a ton landed.

This was similar to prices booked earlier this week and on Saturday. But the Russian wheat offers this time around were \$3 to \$7 a ton higher than what Egypt bought last Saturday. Would expect to see world wheat values to start drifting higher now that harvest is wrapping up in North America, Europe and Russia/Black Sea region with a focus now toward Australia and Argentine growing conditions. Next week though the focus will be on the USDA crop report with US wheat to be a follower of corn market yet.

SOY-COMPLEX: The bean market was bi-polar today or perhaps schizophrenic is a better description as the Nov contract saw a 22 cent trading range. It was higher early in the session on drier weather maps only to plunge lower on a negative Informa soybean yield of 42.4 bpa. But then values climbed right back higher as Informa expects USDA to lower plantings by over 700,000 acres from the June report and midday weather maps are still on dry side for next week.

The table below shows Informa type bean yield with the lower acres is still a 160+ carryout but plugging in the avg trade guess for yield along with the lower planting number gives a sub 100 mln bu carryout. This would require demand rationing of 50 mln bu. Since the USDA is using the 5 year avg pod weight for the September report, it would appear to be more reasonable that the yield number next Thursday is closer to Informa rather than the avg trade guess. Monday's crop ratings are expected to fall again by 2-3% and if the rains are a bust into early next week would expect to see little recovery even if the rains do materialize 15 days from now (will be too late after Sept 20th).

This afternoon CoT showed the spec funds added almost 20k longs to their bean position and are now long 119k soybeans, long 46k meal and short 32k soyoil. US soybean basis is steady to mixed with some plants firmer. The large rain event the maps have for 15 days out is not what processors want to see right now. Some processors started to roll meal bids to the Oct this week but most are expected to wait until the bitter end next week with the Sept/Oct at over \$47 a ton inverse.

Market action will be depend on weather maps Sunday night and amount & coverage of rain this weekend.

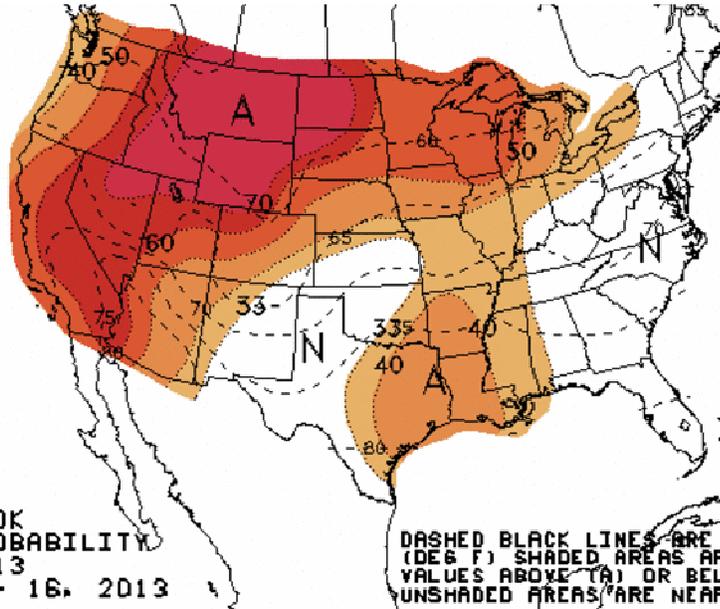
US SOYBEAN BALANCE SHEET

	USDA <u>11/12</u>	USDA <u>12/13</u>	USDA <u>13/14</u>	Informa <u>yield</u>	Informa <u>Planting</u>	Informa <u>Avg yield guess</u>
Planted	75.0	77.2	77.2	77.2	76.5	76.5
Harvested	73.6	76.0	76.4	76.4	75.7	75.7
Yield	41.9	39.6	42.6	42.4	42.4	41.2
Carryin	215	169	125	125	125	125
<u>Production</u>	<u>3,094</u>	<u>3,015</u>	<u>3,255</u>	<u>3,241</u>	<u>3,210</u>	<u>3,119</u>
Available	3,325	3,219	3,396	3,381	3,340	3,249
Crush	1703	1685	1675	1675	1675	1675
Exports	1361	1315	1385	1385	1385	1385
<u>Seed/Residual</u>	<u>92</u>	<u>95</u>	<u>116</u>	<u>116</u>	<u>116</u>	<u>116</u>
Total Use	3155	3095	3176	3177	3178	3178
Carryout	169	125	220	204	162	71
CO/Use	5.4%	4.0%	6.9%	6.4%	5.1%	2.2%

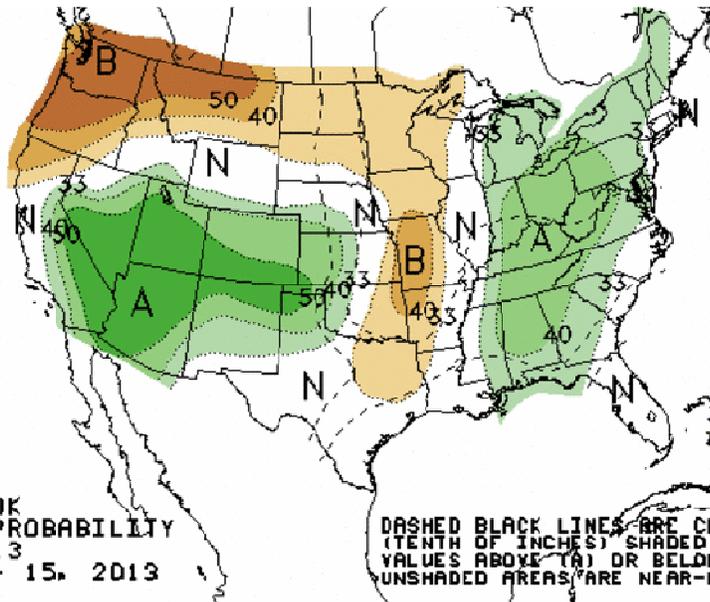
Have a great weekend!



6-10 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 6 SEP 2013
VALID SEP 12 - 16, 2013



6-10 DAY OUTLOOK
PRECIPITATION PROBABILITY
MADE 5 SEP 2013
VALID SEP 11 - 15, 2013



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