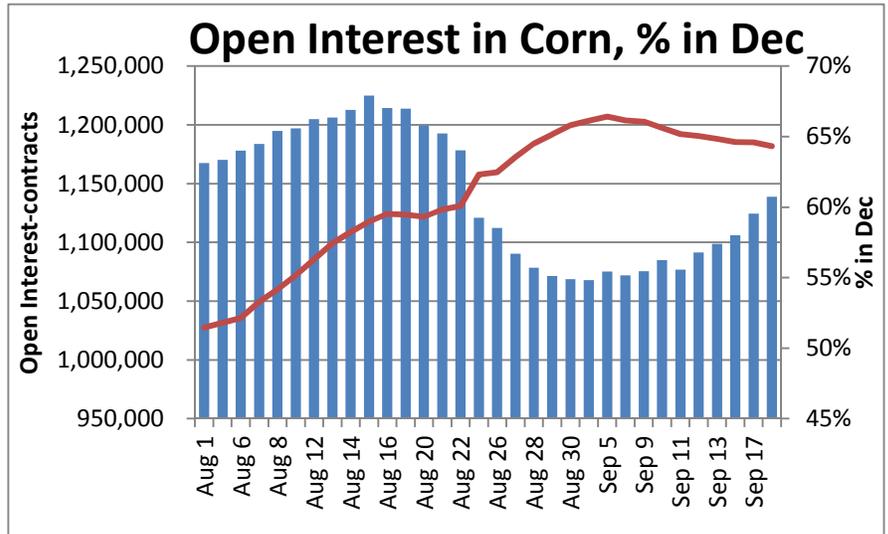


# Closing Grain & Soybean Comments

## September 19<sup>th</sup>, 2013

**Corn:** Corn finished 3-4 cents better, finding some technical support after spending several sessions consolidating around recent lows. The generally firmer tone in commodities after yesterday's Fed announcement lent support to both the corn and the wheat. The Dec settled at \$4.59 1/2, up 3 1/4 cents on the day. The Dec '14 was up 2 1/4 to \$4.97 1/2 and briefly traded over \$5.00. The corn spreads were steady-firmer.

Open interest in corn has increased for the last 5 sessions from 1.085 million contracts to over 1.139 million in the last 5 days even as the price of corn has not moved much in that time. As impressive as the jump in open interest is, the chart at the right shows that it is still down notably from where it was at in August when open interest briefly climbed over 1.2 million contracts. It is also interesting to note that the % of OI in the December seems to have peaked already.



Weekly export sales were 17.2 million bushels, below trade expectations but still bigger than the weekly "needed" number of 15.1 million. The biggest

buyers of the week were usual suspects...Mexico & Japan. China also bought a cargo. The large book that was on at the start of the year will make shipments a more important gauge on exports than sales going forward.

Other news was light. The funds were buyers of 5,000 contracts. The EU granted 117K tons of export licenses last week. The USDA is again offering sugar as part of the "sugar-for-biofuels" program to try to cut down excessive sugar supplies. Their first sale saw very light buying on the part of biofuels producers with only one buying a very small quantity.

Midwest corn basis was again mixed yesterday. Most changes were firmer, especially the further north and west locations of the Corn Belt. Some of the rail and river markets also tended to firm. The locations backing off included processing plants in places where harvest is underway. The latest bid at the gulf is being reported at +62 Z, down a penny from yesterday and down 8 from late last week.

Yield reports are still generally good although more have been described as "average" or "as expected" as the harvest has progressed to more northern areas and onto later planted acres. Rain in the coming days as well as the immaturity of the remaining acres may result in a slower harvest pace for the rest of this week. Most of the acres in the Corn Belt that have been picked to this point were "planted early". The corn that was planted after the heavy April/May rains will come out later.

**Soybeans:** It was another disappointing performance for the soybeans as they finished 8-10 cents lower. Fund selling, specifically further liquidation of long soy-short grain trades, was again blamed for the weakness as the fundamental news was generally bullish in nature. The November settled at \$13.39 1/2, down 8 1/4. This was well off the mid-session low of \$13.31 1/4. The back months performed much better, down just 2-3 cents. The Nov '14 closed at \$11.87. Even with the flat-price weakness, the Nov-Jan firmed to 2 cents carry.

Meal was the worst performer of the soybean complex, down \$3 to \$6 per ton. The Dec settled at \$420.40. Oil actually managed to finish 20-25 points higher, supported oil/meal spreading and the broader gains in commodities. The Dec settled at 42.96.

Weekly export sales of 33.9 million bushels exceeded trade expectations with the biggest purchases going to unknown and to China. Year to date, export sales are running 7% above a year ago. The USDA is currently forecasting a 4.2% jump in exports in 13/14 from 12/13 levels. In addition to the positive week of export sales, the USDA announced the sale of 120K tons of beans to unknown for the 13/14 crop year.

The forecast still does not pose any kind of frost threat. Rains will be seen across the Corn Belt starting this evening and continuing into early Saturday. Anecdotal reports indicate there are still "green beans" which will benefit from moisture in terms of bean size and pod fill. There are also rain events called for at the end of next week and in the 11-16 day forecast but most traders acknowledge that those rains will be too late to do much, if any, good.

In other news: Planting is off to a slow start in Mato Grosso although the official planting season got under way on Monday. Most Brazilian producers are waiting for a rain to improve soil conditions. The Rosario grain markets saw no trade on Tuesday and Wednesday as buyers sit on their hands. Workers in Rosario are planning to strike for 2 days next week to protest labor conditions. The funds were sellers of 5,000 beans and 3,000 meal while buying 2,000 oil.

Midwest bean basis was a tale of two markets. Most locations were steady-weaker with some 10-25 cent drops being seen. However locations in Central Iowa were seen improving their bids by 10-25 cents. The gulf is bid at +100 X, up 6 cents from Wednesday. Meal was down hard yet again, off another \$5-\$20 per ton on Wednesday, depending on location.

Some early harvest yield reports are starting to be heard. As was the case in corn, the early reports are positive as many of the acres being picked now developed prior to the hottest & driest conditions which emerged in Aug-Sep.

Today's low successfully "closed the gap" left on the charts in August. Traders will watch closely to see if this \$13.30 area can truly provide any technical support or if additional selling by the funds will push the November beans down through that level.

**Wheat:** Wheat was higher on the day, supported by the sharp fall in the US dollar, another strong week of export sales, and technical support. These supportive factors outweighed beneficial rainfall in the US and Australia. As would be expected when outside factors provide a good deal of support, Chicago led the way, up 9-10 cents. KC was up 8-9 and MN was up 5-8. The wheat spreads were mixed.

There are two separate rains events called for in the HRWW belt. One will fire up tonight and last until tomorrow with another seen towards the end of next week. Soil conditions have improved as farmers begin to plant the US crop. Conditions have also improved in Australia where rains are helping their developing wheat crop.

In the export arena: The USDA announced weekly export sales of 25.9 million bushels, exceeding trade expectations. For the first time in several weeks, Brazil was not the biggest buyer, although they did buy another two cargoes. Nigeria was the biggest buyer of the week. Meanwhile, the EU granted 546K tons of export licenses last week and Japan bought 109K tons of food wheat including 62K from the US.

The funds were buyers of 4,000 contracts of Chicago wheat on the day. The US dollar has fallen sharply and many commodities saw rallies after yesterday's Fed announcement that they will not be tapering their stimulus bond-buying at this time saying they will "await more evidence that progress will be sustained before adjusting the pace of its purchases."

Wheat has found support at the recent lows and today showed its first real sign of upward ability in a while but more positive fundamental developments will likely be required before a broader rally can be maintained.

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