

Closing Grain & Soybean Comments

Kevin Riesberg Friday, September 20, 2013

CORN: Corn closed sharply lower today as funds sold 7,000 contracts of corn and 10,000 beans today. Dec corn made new weekly low but held above \$4.50 as October options expired today. Next support level now is the

<u>US CORN BALANCE SHEET</u>		Informa acres
	USDA	USDA
	<u>12/13</u>	<u>13/14</u>
Planted	97.2	97.4
Harvested	87.4	89.1
Yield	123.4	155.3
Carryin	989	661
<u>Production</u>	<u>10,780</u>	<u>13,843</u>
Available	11,931	14,530
Feed	4475	5100
Ethanol	4665	4900
<u>Export</u>	<u>735</u>	<u>1225</u>
<u>Total Use</u>	<u>11,270</u>	<u>12,675</u>
Carryout	661	1855
CO/Use	5.9%	14.6%

Informa acres
& demand up 6%
<u>2014/15</u>
92.7
85.3
160
1855
<u>13,645</u>
15,530
5600
5000
<u>1400</u>
13,450
2080
15.5%

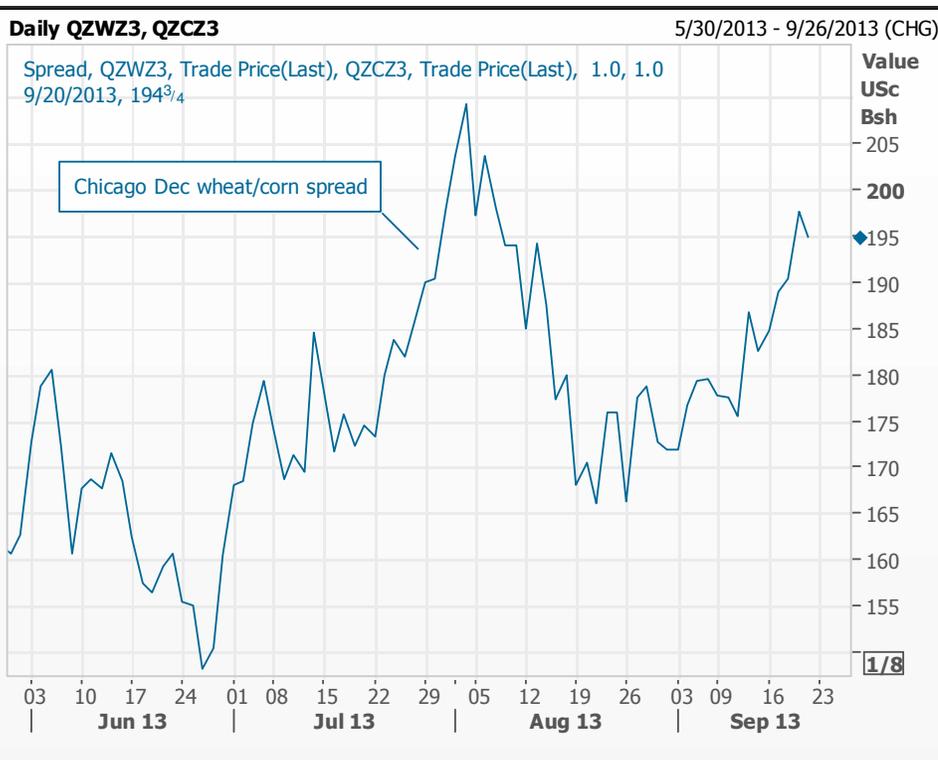
August low of \$4.45 3/4. Informa today increased their corn production estimate by 149 mln bu from their previous number to 13.889 bln bu vs USDA at 13.843 bln bu. They also put out a planting estimate for next year of 92.7 mln acre with expectation of a large shift from corn to soybean acres (of course some think it's ironic to put out a planting estimate for next spring when the market still doesn't have this year's figure out!). Still even with a drop of almost 5 mln acres for next spring and demand up over 6%, the carryout for 2014/15 could still be over 2.0 bln bu with a near trend line yield, see table at left.

Weather forecast is mostly dry for next week though harvest will remain sporadic as country contacts report moisture levels in corn are slow to decline. CIF market was off 4-6 cents though processor corn basis levels are holding firm with farmers selling only to capture the current inverse or if yields are running significantly better than they expected.

This afternoon's Cattle on Feed report was 93% of a year ago (expected 93.4%) with Aug placements at

89% of a year ago (expected 91.7%). Crop ratings should be steady next Monday afternoon. There is little fresh news for the market now until the Sept 30th stocks report. This afternoon Commitment of Traders report showed the spec funds increased their short position by 35,000 contracts to over 175,000 now. Commercials took the other side with small traders short 120k contracts.

WHEAT: Wheat gave back most of this week's gain today as Chicago Dec wheat finished 16 cents off its high



from yesterday but still 4 cents higher than last Friday. Informa today peg the 2013/14 all wheat production at 2.089 bln bu vs the current USDA number of 2.114 bln bu. They look for US wheat plantings next year to be 56.7, up less than 1/2 mln acres from this past year.

Export news remains light as Asian demand is shifting toward Australian and Canadian supplies. Russian and Black Sea values are firming with concern about quality given recent wet weather in Black Sea region.

Wheat/corn spreads are finding some resistance toward the \$2.00 level, see chart.

This afternoon's CoT report showed that the spec funds added slightly to the short position as of Tuesday (before the short covering yesterday)

and were short 87k in Chicago and 1k contracts in KC. Chicago Dec wheat remains stuck in a \$6.25-6.65 trading range for now with more sideways trade expected next week.

SOY-COMPLEX: The soy-complex slumped lower with Nov beans off almost \$1.00 a bu from last week's high due to a combination of technical selling and long liquidation by the spec funds as soybean harvest starts to gear up and old crop basis levels break. Soymeal basis levels broke \$10 to \$30 a ton in some markets this week as we make the messy transition between tight old crop and new crop harvest. There is a strong seasonal tendency for Nov beans to break from now through the 1st week of October, see chart. This afternoon's CoT report had the



spec funds long 110k beans yet as of Tuesday night but the recent selling would put that position below 100k contracts now. In the products the spec funds are long 35k meal while increasing their short soyoil to 44k contracts.

Traders will be watching to see China will return as buyers after being on holiday the last 2 sessions or if they will stay on the sidelines until a clear support level has been found.

Early bean yields so far are very varied but general tone so far is they are better than expected. Harvest progress is expected to pick up steam more toward the end of next week.

Informa's numbers today saw them increase their soybean production by 60 mln bu to

US SOYBEAN BALANCE SHEET		Informa acres & demand up 7%	
	USDA 12/13	USDA 13/14	14/15
Planted	77.2	77.2	83.6
Harvested	76.1	76.4	82.8
Yield	39.6	41.2	42.0
Carryin	169	125	150
Production	3,015	3,149	3,476
Available	3,224	3,289	3,631
Crush	1690	1655	1800
Exports	1315	1370	1450
Seed/Residual	95	115	115
Total Use	3100	3140	3365
Carryout	125	150	266
CO/Use	4.0%	4.8%	7.9%

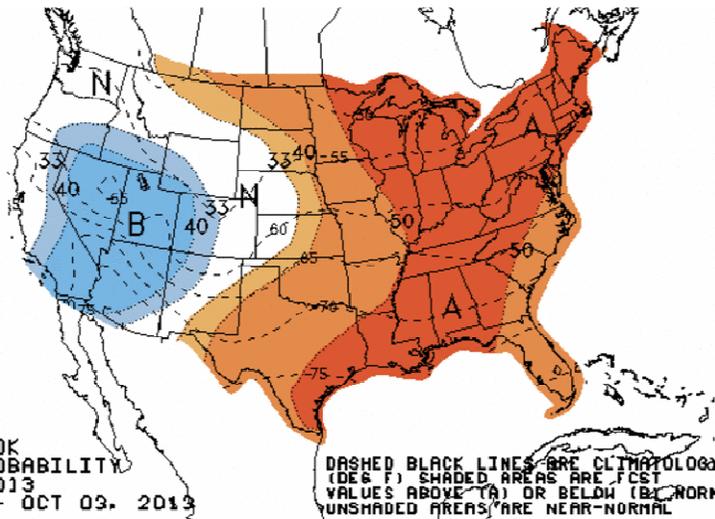
3,224 bln bu with a yield of 42.4 bpa (vs USDA's 41.2 bpa an d3.149 bln bu production). Informa also looks for plantings next spring to jump to 83.6 mln acres. Table at left shows with a jump in that size of acres along with a more normal 42 bpa that ending stocks could be over 260 mln bu even if we see a 7% increase demand between the crush and exports. At this point though with a expected record South American crop next spring the 80 mln bu increase in exports might seem aggressive.

Next support level for nearby Nov beans is now toward the \$13.00 level and then toward \$12.85, which is near the 50% retracement of the rally from August to the recent high in Nov beans. The 50 day MA is also near \$12.87 1/2 and should give support. Focus next week will be on yield reports and weather for harvest progress.

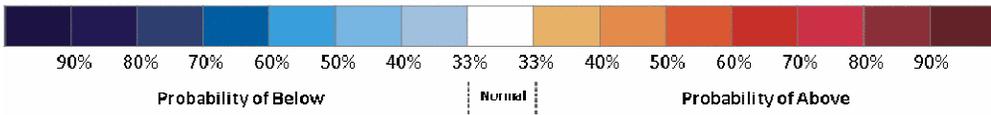
Have a great weekend!



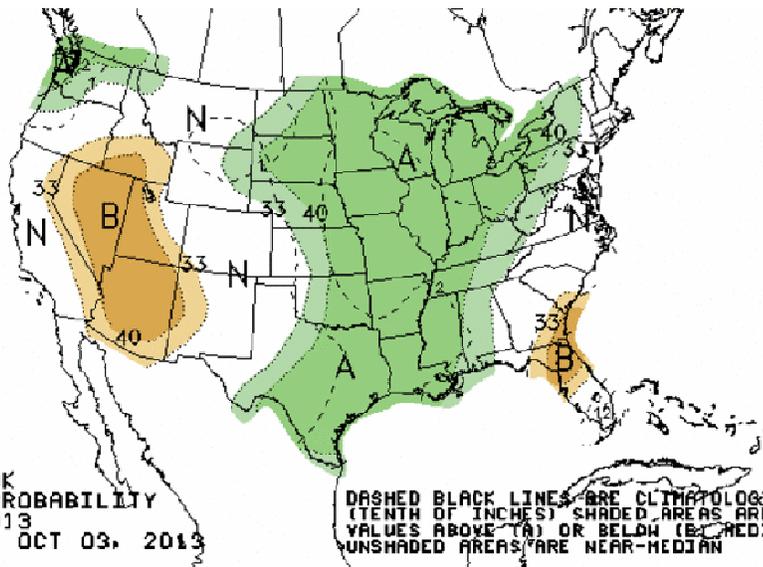
8-14 DAY OUTLOOK
 TEMPERATURE PROBABILITY
 MADE 19 SEP 2013
 VALID SEP 27 - OCT 03, 2013



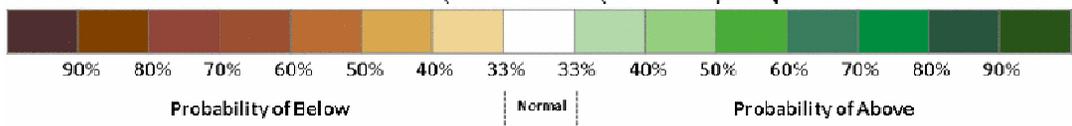
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8-14 DAY OUTLOOK
 PRECIPITATION PROBABILITY
 MADE 19 SEP 2013
 VALID SEP 27 - OCT 03, 2013



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