



## FCStone Recap May 20, 2013

### CORN:

Old-new spreads contracting from historically lofty levels. July-Dec spread has advanced sharply in recent sessions with traders focusing on tight interior cash markets and record dichotomy between old crop tightness and projected ample new crop supplies in USDA May forecast. Illinois June basis values still as much as 50 cents over DVE. However currently projected USDA 6.8% carryout to use ratio would historically be associated with a July-Dec inverse closer to 75 cents than current levels. Trade will carefully monitor Monday night planting data. Trade guessing national planting progress from 60 to 75 percent vs 81 average. Rapid planting taking place in much of the belt through the weekend but thwarted by Sunday rains in western and northwestern areas. Forecast calls for additional rains to sweep across the belt leaving traders to guess total national planting progress next week compared to 94% average. Trade debating possible toll on production potential with late planting and possible last minute acreage switch. USDA announcing 120,000 tons of corn sold to unknown for new crop. Weekly export inspections at 14.5 million, well below the 26.8 last year and nearly 16 million bushels needed weekly to reach USDA forecast. Some nearby pressure possibly associated on reports of PEDV hog disease found in parts of the Midwest. Trade however expects this to be confined with limited impact on feed demand. Trade noting calculations that would suggest US corn below \$5.00 basis the December contract could work economically into China. USDA forecasting China now a permanent large corn importer in new crop S&D forecast with even a record assumed crop drawing stocks down with 7 mmt of imports. Trade debating the amount of corn China could or would import with large wheat feeding there in past years augmenting corn supplies.

### China Feed View

Usage:	<u>13-14</u>	<u>12-13</u>	<u>11-12</u>
Corn	156	144	131
Wheat	<u>20</u>	<u>20</u>	<u>24</u>
Total	176	164	155

  

Imports:	<u>13-14</u>	<u>12-13</u>	<u>11-12</u>
Corn	7.0	3.0	5.3
Wheat	<u>3.5</u>	<u>3.2</u>	<u>2.9</u>
Total	10.5	6.2	8.2

Obviously any kind of legitimate production threat in China could set the stage for even more dramatic imports. Still normal US weather could accommodate a larger China program. Non US world corn production has surged nearly 230 mmt in the past 10 years under the high price umbrella created by US ethanol policy. US exports waning accordingly. With US ethanol demand now plateauing, traders realize the potential for the US and world S&D to be replenished with significant downward price pressure into fall. Funds long 105,000 contracts of corn futures. Twelve days to index funds beginning to sell July and buy Dec to roll long positions forward.

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**SOYBEANS:**

Old-new soybean and meal spreads surging wider on fears of near record domestic US tightness and possible simultaneous bearish new crop fundamentals. Weekly export inspections at only 3.3 mln vs 13 mln last year and nearly 6 mln weekly needed. While US exports may dramatically wane with sharply discounted South American availabilities, US soymeal demand still running at an apparent intolerable pace. Interesting to review macro US soymeal export sales perspective.

**Soymeal (mmt)**

	<u>2013</u>	<u>2012</u>
Sold	8792	6586
Annual	<u>8983</u>	<u>8839</u>
To Sell	191	2253
Shipped	7363	5113
Annual	<u>8983</u>	<u>8839</u>
To Ship	1620	3726
Sold	8792	6586
Shipped	<u>7363</u>	<u>5113</u>
Sold to Ship	1429	1473

Nearly all the USDA's annual projected soybean and soymeal exports are already booked with the risk of even larger demand to pull US soybean stocks far below 100 million bushels and well below USDA's minimum 125 estimate now. Old crop tightness issue is not lost on the speculator with over 50% of soybean open interest now in the July contract vs 35% last year. Illinois basis values some 50 cents over DVE for last half June. July-Nov spread already surging back towards 2004 levels. Trade watching for index funds to sell July contract in 12 business days as they roll long positions forward. Argentina soybean harvest seen 90% done by the end of the week. Tight farmer holding reported there with macro financial concerns. US cattle on feed report Friday shows numbers down 3.4% but placements up 15% from a year ago. Funds long 101,000 soybeans, buying 12,000 contracts in the previous two days. Funds long 45,000 meal and short 19,000 oil. Trade looking for good planting progress in Monday night data but rain spreading across the belt may slow activity this week. Ocean freight steady last week with PNW to China near \$22.50 and Gulf to China near \$43.00. Record old crop tightness and possible bearish new crop fundamentals will create wild volatility outright and in spreads well into summer. Domestic US soymeal shortages expected. July meal closing at the highest levels since last September.

**WHEAT:**

A choppy session following row crop action. Minneapolis firmer with traders looking for still rapid spring wheat planting data Monday night with rains however spreading over Northwestern areas this weekend. Weekly US wheat export inspections at 21 million vs 25 million last year. Trade encouraged with some rains forecasted for dry Australia and Russian areas. Funds shorter than expected in CFTC data, now short 31,000 contracts of Chicago wheat. Western US HRW areas expected to remain dry. Early SRW harvest reported in Southeastern areas. EU wheat futures closing down 8 at midday. Long term analysts see dramatically expanding



## FCStone Grain Recap May 20, 2013

ECBOT	HIGH	LOW	CLOSE	CHANGE
July Corn	6.6075	6.4275	6.4975	- 3
Dec Corn	5.23	5.14	5.205	+ 1
July Beans	14.66	14.4325	14.65	+ 16 1/2
Nov Beans	12.29	12.1075	12.2425	- 4
July wheat	6.885	6.745	6.86	+ 2 3/4

Regards  
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