TEF – Just My Opinion – Sept 13th

Corn Commentary

Sept corn closes 10 cents lower ($3.19 ¼), Dec 9 ½ cents lower ($3.30) and March 9 ¼ cents lower ($3.40 ¾)

October Chgo ethanol closes 3.3 cents a gallon lower (1.520), November 2.2 cents lower (1.470)

What an ugly day for the corn market. Monday's attempt at stabilization following the USDA's crop production update sure did not last long. Strength in the US Dollar along with ideas of an increase in harvested acres (FSA) gave the corn market no place to go on the upside. Granted the latest USDA data was down from their August report it still represents a lot of corn out there – crop size could increase further if the speculation around the FSA data is correct. Some in the trade are suggesting the latest FSA acreage data points to an increase of 500 K harvested acres. If true it would add an additional 97 million bu. to the crop size. Need I say more? The only relief I could see in the short term is if we have an aggravated harvest – its wet right now in many areas but next week is starting to look rather clear.

For the most part interior corn markets are rather sloppy looking. Most feel new crop availability is right around the corner so they are reluctant to bid for bushels. Processors still show the best bid structure as they need corn every day. Its more expensive to shut a corn plant down due to a lack of supply vs. bidding up to ensure the plant stays running. With that said corn spreads ran mostly steady to soft on the day. It should be noted that most corn spreads within the crop year are at contract lows or are hovering just above contract lows.

If the rally we saw that started at the first of the month to yesterday's high was just a correction we're talking sub-$3.00 corn futures. Recent upside momentum was kicked in the teeth with today's sell-off. Here is the unfortunate part – we have great demand but we have the supply and then some to handle it. For the current break I believe Dec corn should be able to realize some support in the mid-high $3.20's but it looks like rallies will run into problems in the mid-high $3.30's. I'm trying to be optimistic when I say the corn market is no better, no worse than a trading affair. Bear markets are sustained through liquidation – who are we going to liquidate – the biggest long in the market is the US producer and he will try and store every bushel he has.

Daily Support & Resistance
Dec Corn: $3.25 – $3.36

Soybean Commentary

Sept Soybeans close 16 ¼ cents lower ($9.68 ¼), Nov 20 ¼ cents lower ($9.44) and Jan 19 ¾ cents lower ($9.49)

Sept Meal closes $7.9 lower ($310.4), Oct $6.2 lower ($307.3) and Dec $5.8 lower ($306.1)

Sept Bean Oil closes 76 pts lower ($31.55), Oct 78 pts lower ($31.60) and Dec 79 pts lower ($31.85)

Liquidation throughout the complex stems from yesterday's higher USDA soybean yield and the interpretation of the FSA acres suggesting additional harvested acres on the October report. We know the recent trend in the trade has been to be long oilseeds and short feedgrains. Demand has been the rationale to be long the complex. After yesterday's yield increase it suggests we have the supply and then some to meet that demand. It was thought China was buying soybeans on the world market after Monday's break. I'm being told they opted for SA origin because it was for October shipment. It will be interesting to see if they come after US origin tonite given Tuesday's break. Given the size of the suspected supply I see only two possibilities to prop up the price over the near term – continued stellar demand and/or an aggravated harvest.

Processors want to buy soybeans and exporters want to buy soybeans. With that said 8 out of the 9 interior locations that I track suggest steady if not higher basis levels. The one location that reports a lower basis is out in Nebraska – he says he is looking at a rather large crop coming at him in short order and I'm guessing he doesn't have much competition. Despite what looks like a strong cash market in most parts of the country soybeans spreads were soft due to the flat price liquidation. The same scenario held true for the meal market; a strong looking cash market due to the unavailability of soybeans to crush vs. the flat price liquidation. Soybean meal also saw its first deliveries (100 contracts) against the soon to expire September contract.

Nov beans come within 5 ½ cents of its early September low. Violation of the $9.37 low will suggest something closer to the $9.25-$9.20 level. Dec meal comes within 0.70 of its early September low. The price action in Dec meal suggests it wants to see the price with a 2 in front of it. Dec bean oil has its 2nd straight day of 70 plus point losses despite what looked like a friendly palm oil report. Palm stocks were down 17% vs. trade ideas of being 10%. I would like to think that $31.60-$31.50 will hold the break in Dec bean oil. The bottomline is that we are looking at grand scale liquidation. My biggest fear is that the trade fully liquidates its net long positions and starts to develop net short positions similar to what we saw this spring.

Nov Beans: $9.37 (?) – $9.65
Dec Meal; $300.0 (?) - $310.0
Dec Bn Oil: $31.60 - $32.40

Wheat Commentary

Sept Chgo Wheat closes 8 ½ cents lower ($3.74 ¾), Dec 8 ¼ cents lower ($4.01) and March 8 ¼ cents lower ($4.21 ¾)

Sept KC Wheat closes 7 ½ cents lower ($3.92 ¼), Dec 8 cents lower ($4.15 ¾) and March 7 ¾ cents lower ($4.31 ¾)

Strength in the US Dollar coupled with weakness elsewhere within the Ag complex has the US wheat markets giving up on its recent attempts to rally. The hubbub around the recent FSA acreage numbers is not just limited to the corn and soybean markets – there are suggestions that the spring wheat acreage numbers might be light as well. The USDA will address that and overall wheat production on its Small Grains Report on September 30th.

Nothing new in regard to the US cash wheat markets – they remain quiet and soft looking. Chgo wheat spreads ran flat on the day while the KC spreads ran fractionally softer. Overall US wheat spreads remain wide.

For the last number of days I've talked about the price action resembling an upflag and how I don't trust upflags. Today was the first day the flagging action in the Chgo market is showing signs of failure; an outside day involving new highs for the move with a lower close. Confirmation will come with closes below $3.96 (Dec). The flagging action in the KC market remains intact but just barely. I know the market has recently received some left-handed support in the form of inter-market spreading but if a market has to rely on inter-market spreading for support that market has problems.

Daily Support & Resistance
Dec Chgo Wheat: $4.02 - $4.15 (?)
Dec KC Wheat: $4.16 - $4.31

Here's the latest from the NWS

	6-10 Day 9/19-9/23		8-14 Day 9/21-9/27	
	Temps	Rain	Temps	Rain
N. Dakota	A	B	A	B
S. Dakota	A	B	N	B
Nebraska	A	B	N	B
Kansas	N	A	N	N
Oklahoma	N	A	N	A
W. Texas	N	A	N	A
Minnesota	A	N	A	N
Iowa	A	N	N	A
Missouri	A	A	A	A
Arkansas	A	A	A	A
Illinois	A	N	A	A
Indiana	A	N	A	A
Ohio	A	N	A	A

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A word to the Wise

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