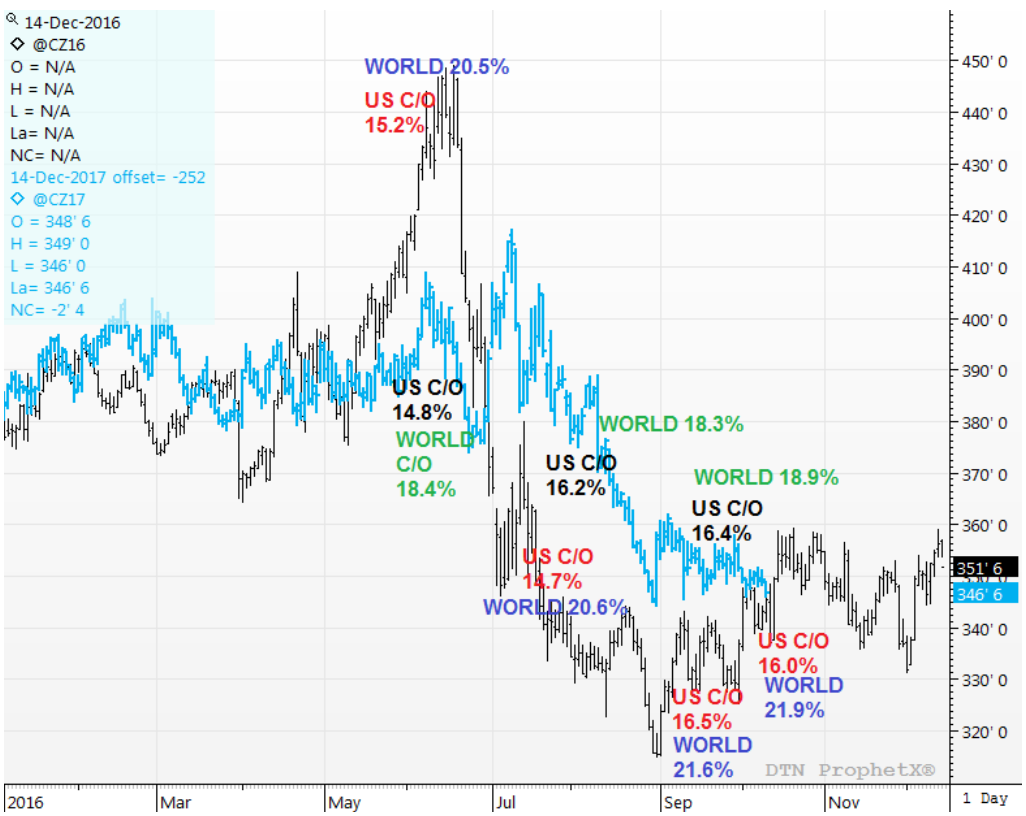
FCStone Grain Recap
October 11, 2017

INTL FCStone

INTL FCStone Financial Inc.
FCM Division

CORN:

Values drawing in heavy fund selling as it wandered below 2 week lows and challenged 1 month lows today. Funds credited with selling 8 to 10k contracts in the move. Condition ratings inched up 1% to 64% G/E this week in a continued contraseasonal move. 82% of the crop has reached maturity vs the 87% average. Harvest slow and is posting a 22% completion rate vs 37% average. Rains in the forecast holds back the main states in the central corn belt while the forecast is relatively clear for the rest. Harvest should really speed up in the dry 6-10 forecast. China offered more corn for sale from its auction but drew no interest today. The market is leaning toward a bearish outcome with the Funds so heavily short and adding. Fundamentally the US is looking at a similar carryout to usage ratio (16.4% TY vs 16.5% LY) to a year ago and price level (Oct 11th 2016 price 345.5). On a world level the corn carryout/usage ratio is tighter, 18.9% vs 21.6% LY but with one caveat. That caveat can be identified as world supplies are more mobile than in 2016. The concerted effort by China to liquidate their supplies via feeding its domestic market and indirectly export corn through ethanol has created a supply of Free Stocks not available in prior years. Simply the 18.9% carryout to use ratio is punching above its weight compared to history. This could explain the imbalance of the corn/soy ratio as the corn market is anticipating a continued pressure on corn values in the coming year with no real change in the S/D tables. The USDA does not account for the Reserves officially so their appearance on the domestic market erodes the demand calculation.



SOYBEANS:

A tight session for the soy complex with soybeans turning in a 4 cent range, meal 1.8 dollar range, and soybean oil 36 points. NASS reporting condition ratings inching up 1% to 64% G/E nationally. 89% of the crop has entered leaf dropping stage vs 87% average. 36% of the crop has been harvested vs 43% average. South American weather slightly wetter in the 11-15 day forecast but the arrival of the systems slowing in Brazil. Argentina slowly drying out with only light and harassing showers for the majority of the soy growing areas over the next 6 days. La Nina's arrival expected and the models show a small majority to its arrival in the OND. Its persistence in JFM is in question and then the probability in AMJ La Nina dives off considerably. A neutral forecast is the majority solution for next spring-summer creating an unthreatening situation for US production. The weak La Nina forecast for the OND isn't all that threatening to production. A strengthening of the La Nina readings would provide interest in a threatened Argentina soy crop. Brazil's acreage expansion projections reinforced by a report put out by the US Attaché to Brazil. Several organizations have forecast the nation will expand plantings about 3% in 2017. The Attaché says costs of production dipped 6-10% at the right time for determining planting decisions. The main cause of this was the sudden strengthening of the currency. Unlike Argentina which is mostly self-sufficient for many of its input needs, Brazil relies heavily on imported inputs. A stronger currency buys more for less domestic currency. This decreases the "work" the futures market needs to do to buy and retain acres to keep pace with world demand expansion. The USDA already estimates with conservative yields the Western Hemisphere has a surplus supply to accommodate world demand growth. Interesting to see the US values have tracked US carryouts closer than the world situation. The World carryout/use ratio is decidedly looser than last year yet values are near equal to a year ago. Also interesting to note that last year both world and US S/Ds gained supplies but values reacted bullishly for the remainder of the SX likely under the idea of SA weather problems.

October Deliveries

Soybean Meal 11
Soybean oil 25

Funds light sellers of meal (1000) and soybean oil today (2000).

WHEAT:

Winter wheat values almost matching 30 day lows as US futures try to move to levels that increase export interest. The USDA announced 104 tmt of HRW to Mexico today. US values 2 dollars/mt FOB below FSU offers of the same protein. Jordan elects not to purchase 100 tmt for its tender. US southern plains weather unchanged with some rains for the northern areas in the next 5 days. Upper Plains remain dry through the 15 day projections. NASS estimates winter wheat plantings have reached 48% vs 58% average. Emergence of the crop is at 25% vs 30% average. World weather forecasts holding steady. Funds credited with selling 2000 contracts ahead of the Production and WASDE tomorrow.

FOB NOLA – US SPOT PRICES

CORN	+ 35Z
SOYBEANS	+ 41X
SRW	+ 50Z

FOB TEXAS GULF – US SPOT PRICES

HRW	+ 80Z

ECBOT	HIGH	LOW	CLOSE	CHANGE
Dec Corn	3.49	3.455	3.46	- 3 1/4
Mar Corn	3.6225	3.59	3.595	- 3 1/4
Nov Beans	9.675	9.635	9.6525	- 3/4
Jan Beans	9.78	9.74	9.76	- 1/4
Dec Wheat	4.355	4.2975	4.3325	- 2

Regards

Bevan Everett
Risk Management Consultant
INTL FCStone Financial Inc.
FCM Division

www.intlfcstone.com
515-223-3788