

CORN:

The last 2 weeks were in anticipation of today's numbers and the reaction was bullish. Fundamentally the US tables were a compilation of changes that netted out a larger production. Yields, a primary focus going into the report, were surprisingly higher at 171.8 bu/acre (169.9 LM). Most major states saw an increase in yield month over month with the standouts being IL (+3), IA (+4), NE (+3), and MO (+8). Offsetting the gains made by yields was a decrease in acreage. Harvested acres were revised down .4 mln and Planted revised .5 lower. After a tweak of 25 mln bushels higher in feed, and a lower carryout established in the Sep 1 stocks report, the net outcome was a 5 mln higher carryout. Contrary to expectations the yields rose by the mode of ear weights. Ear weights actually increased from the September estimate establishing this as the poorest rated heavy ear crop in history. Ear weights for the 10 state group is the 3rd highest on record. World production pressed higher by the US and some very minor players. The 6.2 mmt increase in world production was more than offset by a projected increase in domestic demand of 7.7 mmt leaving carryout down 1.5 mmt from September. With so little changing in US tables and world tables the only drivers left for corn to rally on is a seasonal play for the OND quarter and soybeans finding a considerable bid with South American influences. With so little surprises left to be revealed, the US is saddled with a slightly more bearish S/D than in 2016 leaving the market with supplies that have to be shuffled off to the export market to cut carryout. With that in mind a limited upside in values is expected as SA will also be trying to move their large supplies to the same users.

US Corn

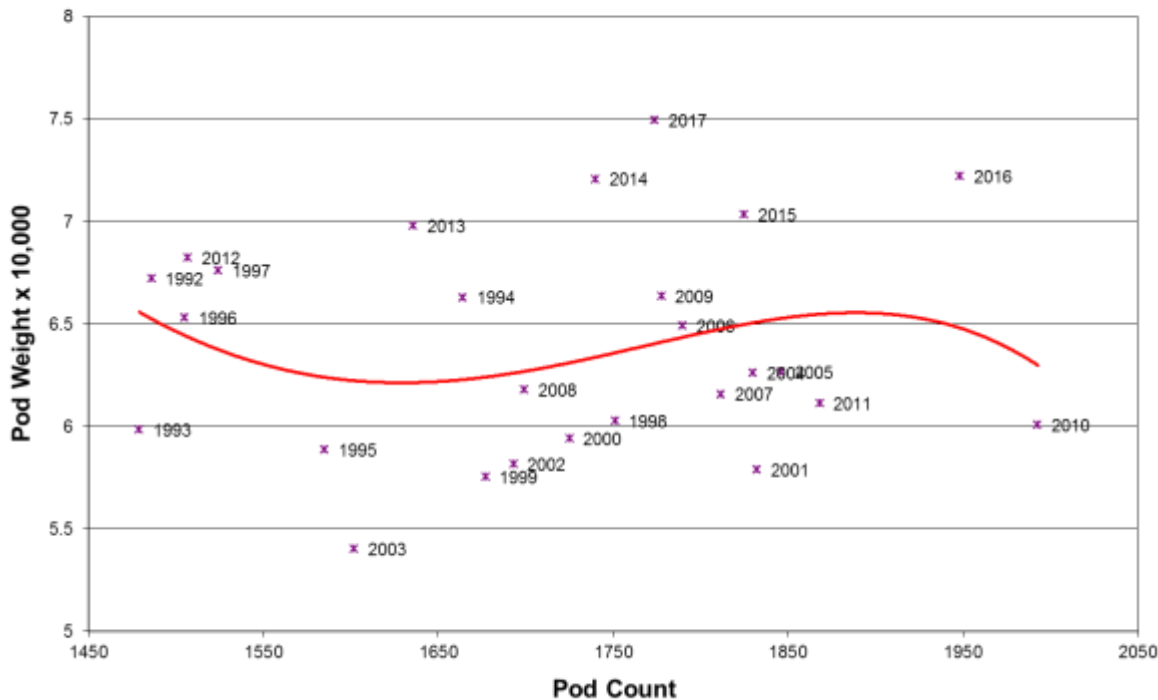
	15/16 USDA	16/17 USDA	17/18 USDA
Plant	88	94	90.4
Harvest	80.7	86.7	83.1
Yield	168.4	174.6	171.8
Carryin	1731	1737	2295
<u>Production</u>	<u>13601</u>	<u>15148</u>	<u>14280</u>
Available	15400	16940	16626
Feed	5192	5487	5500
Industrial	6573	6870	6935
Ethanol	5206	5434	5475
<u>Exports</u>	<u>1898</u>	<u>2288</u>	<u>1850</u>
Total	13663	14645	14285
Carryout	1737	2295	2341
Ratio	0.13	0.16	0.164

Funds credited with buying 15,000 contracts during the session today.

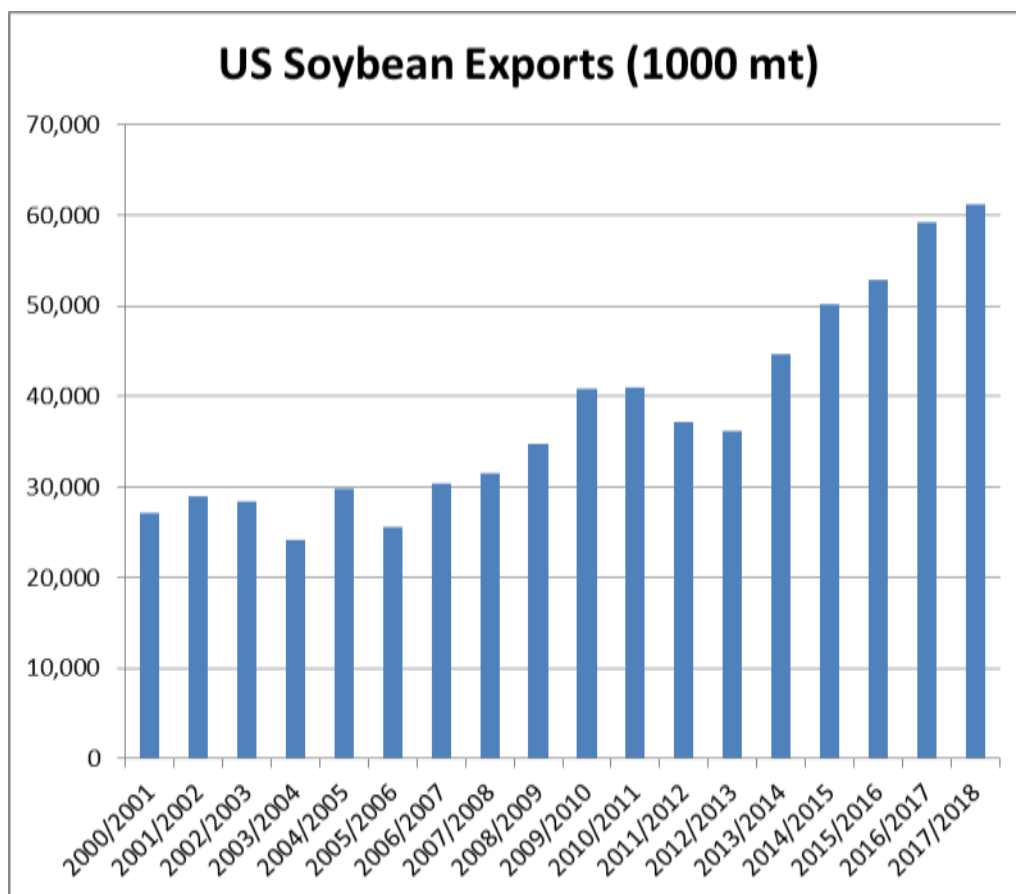
SOYBEANS:

A sharply higher session for soybeans as the market reacted to the USDA showing a smaller than expected US soybean crop in today's production report. The market has been relying on a greater acreage and a greater yield but received only a larger acreage number. Acres increased .7 mln for planted and up .8 mln for harvested. The market had expected an increase as much as 1 mln acres. Yield offset the increase in acres almost perfectly with a .5 bu/acre reduction making an unchanged production number from September. The market was not prepared for a 49.5 bushel/acre yield and rallied over 30 cents higher. Most of the major soybean states saw 1 bushel declines from the September estimate with Iowa and Ohio seeing reductions of 2 bushels. Pod weight is starting to come down and pod counts are on the rise but not enough to offset each other. Pod weights are assumed to be the highest on record with a pod count 9% below a year ago. Iowa estimated to have a pod weight 5% above last year, IL up 12.5%, NE up 6%, and MN up 3%.

Seven State Soybean Pod Count vs Pod Weight x 10,000



An unchanged production number let the smaller carryout indicated by the September stocks report roll through the tables and result in a smaller carryout in the new crop. To tamp the US carryout to 430 mln bushels the USDA assumes a record ever export and crush program. Arguably exports are not limited by logistics but highly reliant on the US being competitive in its offers to China against Brazil over the next marketing year. Crush assumed by the USDA has never been achieved by the US even though the USDA has twice forecast it happening with a large US production in 2015 and 2016.



With only a slightly lower export program and an unchanged crush volume (no expansion in the industry in 2017 to expand capacity) the US could be staring at a 500+ carryout.

US Soybeans

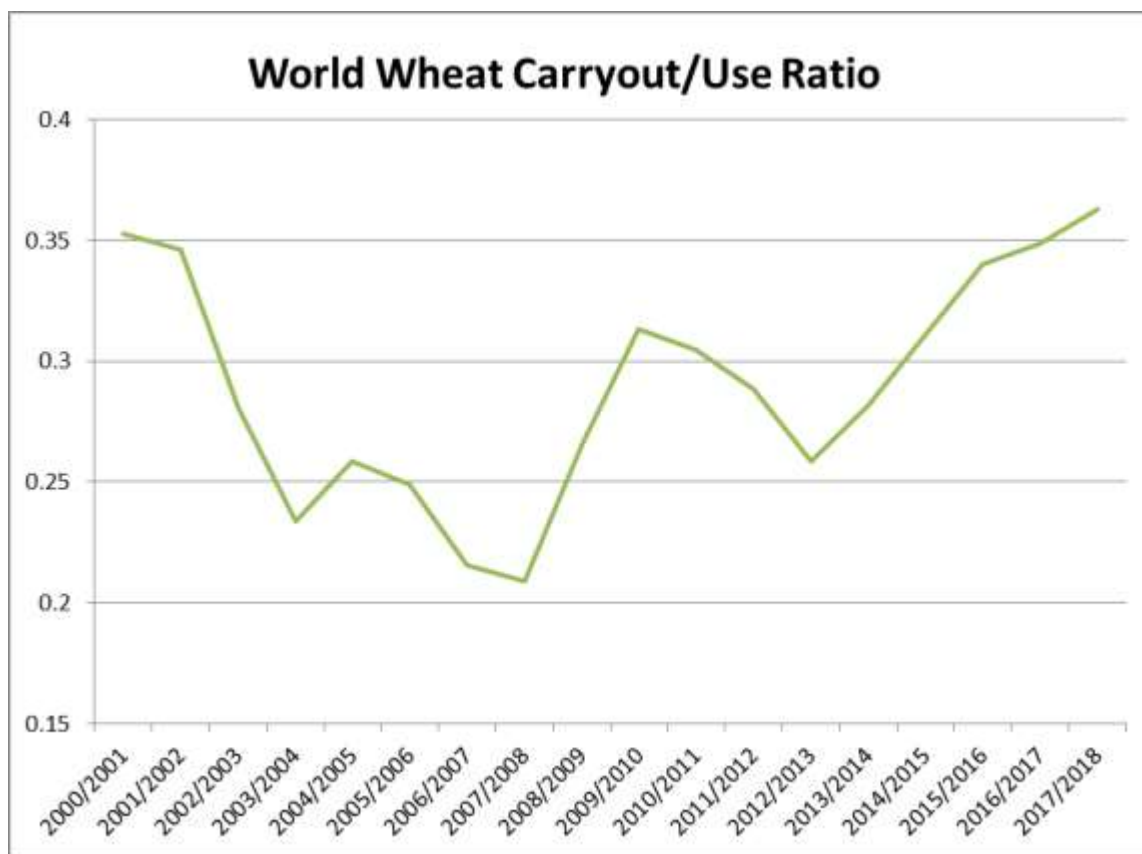
	15-16	16-17	17/18	17/18	17/18	17/18
		<u>USDA</u>	<u>USDA</u>	<u>alt 1</u>	<u>alt 2</u>	<u>alt 3</u>
Planted	82.7	83.4	90.2	90.2	90.2	90.2
Harvested	82	82.7	89.5	89.5	89.5	89.5
Yield	48	52.0	49.5	49.5	49.9	51
Carryin	191	197	301	301	301	301
<u>Production</u>	<u>3926</u>	<u>4296</u>	<u>4431</u>	<u>4430</u>	<u>4466</u>	<u>4565</u>
Available	4140	4515	4757	4756	4792	4891
Crush	1886	1899	1940	1900	1900	1900
Exports	1936	2174	2250	2200	2200	2200
<u>Seed+Resid</u>	<u>121</u>	<u>141</u>	<u>136</u>	<u>135</u>	<u>135</u>	<u>135</u>
Total Use	3943	4214	4326	4235	4235	4235
Carryout	197	301	430	521	557	656

Oil Share helping soybeans as the market rushed to buy meal in sympathy in soybeans and liquidate the oil share. Oil share seeing its sharpest sell off in 30 days with a .7% loss for the session.

World Tables were unexciting from the USDA with tweaks here and there reducing 2017 carryin by 1 mmt and carryout -1.5. No reductions in South American production in this report. With the US S/D and World numbers factored in it appears the sharply higher session was a quibble over 40 mln fewer bushels than the market had anticipated in the US and without a bigger crop a lesser risk to owning the market ahead of whatever a weak La Nina brings to Southern Brazil and Argentina. Funds credited with buying 22,000 contracts of soybeans, 9000 meal, and 2000 soybean oil. 17 contracts of soybean oil delivered.

WHEAT:

The WASDE report gave the market no bullish surprises to rally on and so the futures continued their leak lower this session. The US S/D tables reflected what the USDA had shown to the market on the 29th of September. Planted acreage up .3 mln and harvested down .4 mln for the All Wheat crop along with a higher yield of 46.3 bu/acre. The Stocks had implied a smaller feed number from the USDA and the government incrementally reduced the number from 150 mln to 120 mln. Average findback, as we have shown in prior wires, is 100 mln bushels implying something more like 80 mln for the year adding another 40 mln to the carryout. The USDA currently assumes a 960 mln bushel carryout for 2017, tighter than the last two years but still yielding a 45% C/O use ratio. World wheat production increased 6.5 mmt with FSU up 2.5 mmt and various other minor nations increasing. Australia's production offset some of the increases as it was reduced 1 mmt to 21.5 mmt. The trade is working with a number closer to 20 mmt with the dry pattern in place. World wheat domestic demand was increased 2 mmt but in the end the carryout increased 5 mmt making the 268 mmt carryout the largest in at least 15 years and the carryout to use ratio also the greatest in at least 15 years. Jordan retendering for 100 tmt of wheat. US FOB values 1 dollar/mt below Russian. Argentina's crop estimated at 16 mmt, down 1 mmt by the Rosario exchange. The USDA currently estimates that crop at 17.5 mmt. Funds credited with selling 4000 contracts of CME wheat today.



FOB NOLA – US SPOT PRICES

CORN + 34Z

SOYBEANS + 41X

SRW + 50Z

FOB TEXAS GULF – US SPOT PRICES

HRW + 80Z

ECBOT	HIGH	LOW	CLOSE	CHANGE
Dec Corn	3.54	3.425	3.49	+ 3
Mar Corn	3.6775	3.5625	3.6275	+ 3 1/4
Nov Beans	9.9775	9.59	9.92	+ 26 3/4
Jan Beans	10.0775	9.695	10.025	+ 26 1/2
Dec Wheat	4.3775	4.28	4.305	- 2 3/4

Regards

FCStone Grain Recap

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