CORN:

Another quiet session with corn dragged down by soybean and wheat complexes. Trade expects the dry pattern in the WCB and parts of the Central Belt will have allowed 13% of harvest progress this week. If true, then 83% of the crop will have been taken up as of Sunday. Active fall application of fertilizer is in progress for the areas that have completed harvest and acreage decisions are being finalized. Once fall fertilizer is down that ground is locked in as corn. Most early indications from producers is an unchanged to slightly smaller acreage intention with soybeans benefitting from the switch. Excellent corn yields have made it harder to give up on the potential next year but soybeans have not underperformed either with the added profitability presented with the new crop bids in place. Export inspections fell short of expectations with 376 tmt loaded this week. The trade had expected a minimum movement of 500 tmt. Last year the US shipped 685 tmt this week. This makes for the 6th week in a row where corn underperformed the 5 year average volume. The seasonals imply the US will miss the USDA's projection by 2 mmt. Currently the US expects an export program 9.3 mmt smaller than the prior year. The commodity index trading season is near its end and the indexes are already looking to the next year. A couple of the major indexes have announced their rebalances which will occur in January. A rebalance essentially sells the "winners" and buys the "losers" to bring the mix of commodities the index follows back into balance with what the index needs to represent. In reviewing the two largest indexes, it seems corn is likely in the selling category despite hardly moving from its initial levels in January. Using the BCOM's (Bloomberg Commodity Index) rebalance percentage as a metric against the CFTC's reported index position implies there is between 30 and 50K contracts to be sold in the first half of January. This might be multiplied as the S&P GSCI has indicated it will deemphasize agriculture in its index. Currently Agriculture occupies 19.88% of the index and the index will cut its share to 18.25%. This translates to a 9% cut in the Ag sector that will be moved to the energy sector. If GSCI has corn to sell on the rebalance, the liquidation will only add to the bearish pressure early Jan. Funds credited with selling 10,000 contracts of corn today.

SOYBEANS:

A sharp, for this market, sell off for soybeans today. Funds estimated to have sold 8-12K net for the session as the SF crossed a major moving average today. Weather forecast for South America, especially Brazil, received good drought reducing rains over the weekend and the 15 day outlook continues the beneficial pattern. Argentina is stable but some of the western areas starting to be a concern. The 10 day outlooks quite dry and it won't help those areas with nearby precipitation. The weekly ENSO 3.4 readings dropped sharply this week to -1.1 degrees Celsius. In order to be in La Nina, that reading must average -.5 or lower for a quarter. The market isn't concerned with that now as Brazil's gains exceed Argentina's declines. Brazil doing brisk early November business as it reports shipping 833 tmt last week compared to 0 a year ago. The US's back and forth with Brazil's offers into China has opened the door for SA business. Incidentally the inspections reports showed the US shipped 2.09 mmt of soybeans last week or .855 mmt less than a year ago. Commitments for the US are running 2.3 mmt below a year ago and seasonally this implies the US will miss the USDA's forecast by 1 mmt. The USDA expects the US will ship 2.1 mmt more than last year. US harvest wrapping up with the trade expecting NASS will report the US is 95% done as of Sunday. This would be 5% of progress for the week. As I discussed in the corn section the Index Fund rebalancing is set and will begin in January. Early indications show soybean positioning by the two major funds will offset each other. With the GSCI selling its Ag sector down and the BCOM a smaller buyer there isn't a strong indication soybeans will find a direction from this. Deliveries showed a recycle of the same 137 contracts against the November soybean contract today.

WHEAT:

As quickly as the ideas of wheat rally appeared it disappeared today. Values driven lower as funds liquidated what they bought on Friday. Funds credited with selling 7000 contracts of CME wheat today. Funds also carrying a larger short than previously estimated. Russian values weakening today and the US is needing to stay competitive. Export inspections were in the low end of the range of expectations with 301 tmt this week. Last year the US shipped 279 tmt. The seasonals indicate the US is short of the USDA's projection by .7 mmt. The USDA forecasts the US will ship 1.5 mmt less than the year prior. The trade expects winter wheat conditions will improve 1% G/E to 56% this week with the soil moisture profile. The trade is watching western Kansas for any developing problems because of the regional dryness. Plantings also expected to have reached 95% complete or 4% progress for the week. Russian production set as 99% of the crop has been taken up equaling 88 mmt and with yields at 3.22 mt/ha vs 2.79 mt/ha last year. Jordan tendering for 100 tmt this week.

FOB NOLA – US SPOT PRICES

CORN	+ 42Z
SOYBEANS	+ 40X
SRW	+ 63Z

FOB TEXAS GULF – US SPOT PRICES

HRW	+ 80Z

ECBOT	HIGH	LOW	CLOSE	CHANGE
Dec Corn	3.44	3.415	3.4225	- 1 1/4
Mar Corn	3.5675	3.5425	3.55	- 1 3/4
Nov Beans	9.78	9.6325	9.635	- 13 3/4
Jan Beans	9.9025	9.7375	9.7425	- 12 3/4
Dec Wheat	4.32	4.2225	4.2425	- 7 1/4

Regards

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