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October 4, 2013

Dear Subscriber:

In a tip of the hat to Don McLean's "American Pie" this is the week the data died. This past Tuesday USDA pulled the plug on all information till lawmakers come to agreement over the federal budget – and ultimately the federal debt ceiling. USA runs out of money on October 17^{th} without federal lawmaker intervention. According to our sources who know, in the short term there will NOT be a crop production and WASDE report next Friday – discusions have not yet begun on whether the report will be delayed or outright cancelled. Either way, hedgers and traders will be in the dark a little bit longer when it comes to some of the biggest remaining questions on the 2013 crop including adjustments to harvested acres and yield updates. But the quiet expectation – based on the continueous drum of "pleasently surprised" from producers – is that the corn crop is huge and getting bigger. Traders are once again leaning to a crop close to or over 14 billion bushels with ending stocks of 2 billion give or take 200,000 bushels.

One reason the corn crop is producing so well despite the abnormally dry August actually goes back to the 2012 drought; the soil apparently in many locals had significant residual nitrogen that helped corn through August after what was an almost textbook pollination season. Also beneficial has been night time tempretures.

Most of the lowest yielding fields around Illinois fall into two spearate categories. Either they were poorly drained with low nitrogen levels or they were mid-May or later planted on lighter dirt (or sand) and received little if any July and August rains. And yes there are poor yielding corn fields out there not getting a lot of attention in the media – but the buzz continues to be not enough to negate fields surpassing expectations after the August flash drought.

So what are traders trading?

The big companies are not hurt much by the federal shut down as they internally do much of the same work that NASS and WASDE produce.

Speculators who have not moved to the sidelines (and there has been some short covering of late) are trading short term weather delays and harvest reports where they can find them or purchase them.

Here is what we know about the weather courtsey of Drew Lerner of World Weather Incorproated:

"Widespread rain and interruptions to fieldwork will continue across the Midwest during the next few days. However, several days of mostly dry weather will follow and the region will see good harvest progress overall light to cause more than temporary delays to fieldwork. Rain will be lightest from eastern Nebraska and eastern Kansas into Illinois.

Other areas will see greater rain and will need a day or two of dry weather before fieldwork resumes.

The next round of rain to impact the region should occur Oct. 11-14. Most of the rain should be light and harvesting should quickly resume when two to three days of mostly dry weather follows.

Sunday morning should be the coldest morning of the season so far in portions of the western Corn Belt. Frost and light freezes will extend from the eastern Dakotas into parts of northeastern Nebraska and western Minnesota.

Most crops in this region should be advanced enough that serious damage does not occur, but some immature corn and soybeans could suffer from quality declines. The next round of cooling will occur beyond the late part of next week.

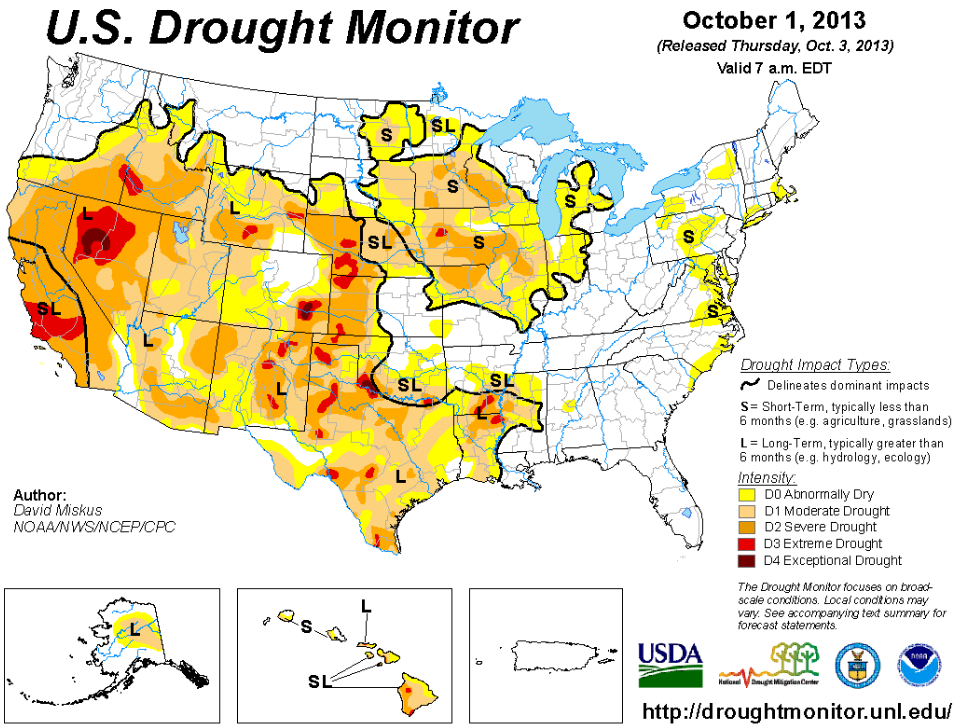
Strong winds will accompany the storm system crossing the western Corn Belt today into Saturday, but winds should not be strong enough to pose a serious threat to corn. Winds will be strongest in eastern South Dakota and surrounding areas where winds will be 20-40 mph with gusts near 50 mph.

High temperatures today in the north will be in the 60s and 70s with a few lower 80s in the east and middle 40s through the 50s in some northwestern areas. Highs in the south will be in the 80s with a few lower 90s in the southwest. Saturday's highs in the western Corn Belt will vary from the 50s through the 70s with some lower to middle 80s in eastern Missouri and some upper 40s in the northwest. Highs in the east will be in the upper 70s through the 80s with some middle 70s in western Illinois. Sunday's highs will be in the 50s and 60s with some 70s and a few lower 80s in the east. Highs Monday will be in the 60s and 70s. Tuesday through next Friday's highs in the north will be in the 60s to the middle 70s with some upper 50s Friday in the west. Highs in the south will be in the 70s with some lower 80s Thursday.

Low temperatures Saturday in the western Corn Belt will vary from the 40s through the middle 60s with some 30s in the far northwest and a few upper 30s in eastern Nebraska. Lows in the east will be in the lower to middle 60s. Sunday's lows will cool to the lower to middle 30s with a few upper 20s from the eastern Dakotas and parts of interior eastern Nebraska into northwestern Minnesota. Lows elsewhere west of the Mississippi River will be in the 40s with some upper 30s.

Lows east of the river will be in the upper 40s to the lower 60s with some middle 40s near the river and some middle 60s in far eastern areas. Monday's lows will be in the upper 30s to the middle 40s with some middle 30s in the northwest and upper 40s to the middle 50s in some southeastern areas. Tuesday's lows will be in the 40s with some upper 30s in the north. Wednesday through next Friday's lows will be in the upper 40s to the middle 50s with some middle 40s in the northwest and southeast.

Some far northwestern areas will cool to the upper 30s and lower 40s next Friday. Temperatures will cool early in the second week of the two-week outlook."



Those of our analyts who monthly send in their projections of USDA reports to media outlets have been asked to do so for the October report whether or not USDA publishes on October 11. That process is underway now. Our Friday analyst – Mike Zuzolo of Global Commodity Analytics in Atchenson, Kansas sent his data in this morning. Here is how Mike sees USDA will report production and demand:

2013 U.S. SUPPLY-DEMAND FORECAST 10/3/13

BEANS	SEPTEMBER USDA 2013/14	Global Comm SEP 2013/14	Global Comm OCT 2013/14
Planted Acres	77.2	79	77.5
Harvested Acres	76.4	76.8	76.77
Yield	41.2	41.4	41.7
Production	3149	3179.5	3201.3
Carryin	125	107	141
Imports	15	20	15
Total Supply	3,289	3306.5	3357.3
Crush	1655	1660	1665
Exports	1370	1365	1385
Seed & Residual	114	99	114
Total Demand	3,139	3124	3164
Domestic Demand	1,769	1759	1779
ENDING STOCKS	150	182.5	193.3
Avg. Cash Price	$ 12.50	$ 10.45	$ 10.85

CORN	SEPTEMBER USDA 2013/14	Global Comm SEP 2013/14	Global Comm OCT 2013/14
Planted Acres	97.379	96.1	96
Harvested Acres	89.14	88.412	88.32
Yield	155.3	153	157
Production	13843	13527.0	13866.2
Carryin	661	684	824
Imports	25	20	20
Total Supply	14,529	14231.0	14710.2
FSI	6350	6250	6350
Exports	1225	1700	1325
Feed & Residual	5100	4950	5150
Total Demand	12,675	12900	12825
Domestic Demand	11,450	11200	11500
ENDING STOCKS	1,854	1331.0	1885.2
Avg.Cash Price	$ 4.80	$ 5.10	$ 4.80

WHEAT	SEPTEMBER USDA 2013/14	Global Comm SEP 2013/14	Global Comm OCT 2013/14
Planted Acres	56.53	55.8	56.5
Harvested Acres	45.73	46.8	45.7
Yield	46.2	41.5	46.5
Production	2113	1942.2	2125.1
Carryin	718	720	680
Imports	140	105	130
Total Supply	2971	2767.2	2935.1
Food + Seed	1031	1000	1031
Exports	1100	1025	1100
Feed & Residual	280	265	280
Total Demand	2411	2290	2411
Domestic Demand	1311	1265	1311
ENDING STOCKS	560	477.2	524.1
Avg.Cash Price	$ 7.00	$ 6.79	$ 7.15

EDITORS NOTE: The above numbers depict USDA October projections: Global Comm. FINAL Estimates are 180 Mln. Bu. for Soybeans, 1,550 for Corn, and 465 for Wheat

** In 2009, USDA raised corn yield by 2.3 bu/acre vs. September to 164.2 bu/acre; they also raised soybean yield by .1 bu/acre to 42.4 bu/acre vs. September. I expect they will follow a similar trend this month.

-Mike Zuzolo, Global Commodity Analytics & Consulting LLC

There have been a number of other private estimates out this week on the production side as well:

Crop	Lind Group	F.C. Stone (no harvest acres adjustment from USDA September report)	Informa	USDA September Crop Production Estimate
Corn:				
Production	13,979	14,150	14,010	13,843
Yield	159.4	158.7	158.8	155.30
Soybeans:				
Production	3,184	3,163	3,176	3,149
Yield	42.0	41.4	41.7	41.20

WEEKLY OUTLOOK

Purdue University ag economist Chris Hurt looks at what's causing low hog supplies in the U-S. Chris writes:

The impact on hog numbers from the PED virus remains a mystery. There is no accurate national accounting of death losses from the disease. Pork producers and packers have suggested a one to two percent reduction in slaughter supplies this fall and winter. In addition, it had been felt that the lower slaughter numbers would not start to show up until the fall.
So, what other explanation is there for the very low slaughter numbers over the past seven weeks? One involves the very nature of the way the industry evaluates numbers, and that is by comparing this year's slaughter to the slaughter for the same period one year ago. When numbers viewed in this manner appear unusual, it can be because of aberrations this year, but also due to aberrations in the numbers a year ago. What is being viewed as a very low slaughter level this year, may be due to an aberration in the slaughter numbers a year ago. The unusually high slaughter in the late-

summer of 2012 was being driven by the drought and the impact on hog slaughter numbers.

The 2012 drought rapidly pushed corn and meal prices to peaks in August and September of 2012. Record high feed prices and large anticipated losses provided a grave outlook for the industry and some began to adjust. Sow slaughter rose as some producers tried to quickly reduce their herd size and others decided to exit the industry. Secondly, producers began to advance shipments of market hogs to reduce losses on every pound being produced. Marketing weights prior to the drought had been running nearly two percent higher. Those began dropping in August, eventually reaching about two percent lower by the fall of 2012. As a result, slaughter was up over five percent from mid-August through September of 2012.

This year, the outlook is almost opposite. Feed prices (especially corn) have been falling sharply. The hog outlook is profitable and producers are more likely to be retaining or building the breeding herd and weights are expected to increase as producers hold onto market hogs longer to gain profits on every pound.

To the extent recent low slaughter numbers are explained by the unusual economic conditions in the late-summer of 2012 compared to this year, USDA's recent inventory numbers may not be so far off.

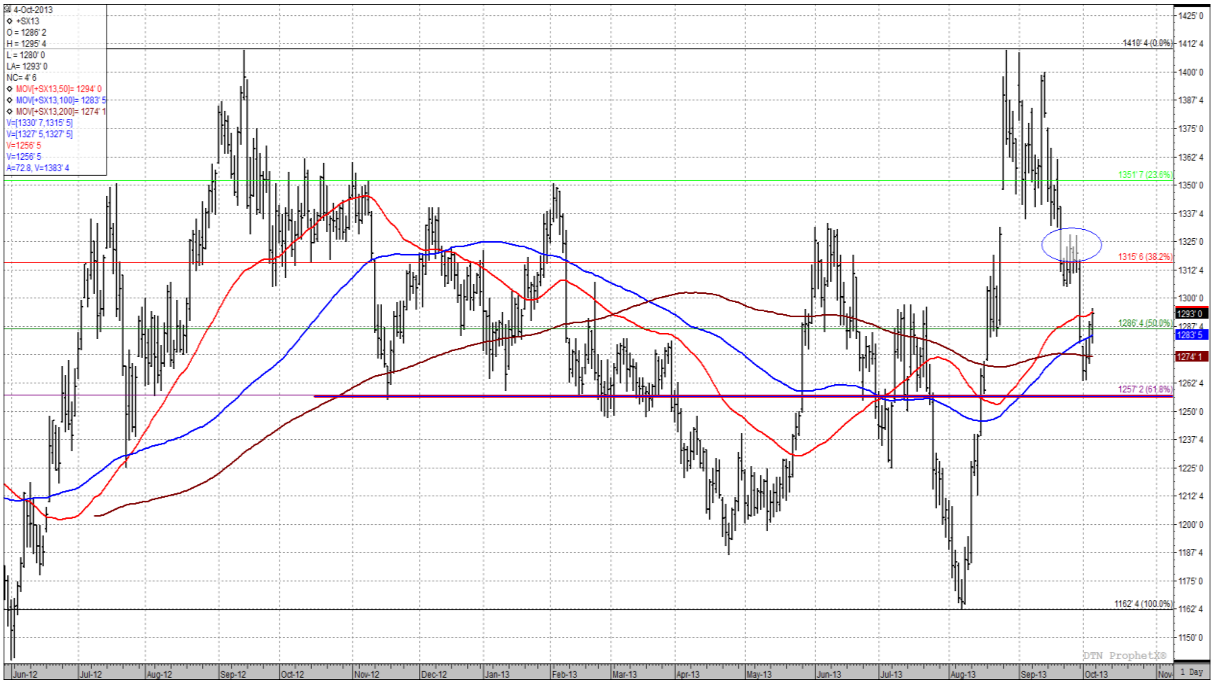
To see Chris' full report go to:

http://www.farmdoc.illinois.edu/marketing/weekly/html/093013.html

TECHNICALS

The longer the budget impass drags out in Washington D.C. the more the market will turn to non USDA reported funamentals and technicals. With that in mind we asked our analysts this week two technical questions. First for soybeans is the mini rally this week back above the 200 and 100 day moving averages is anything more that a consolidate phase in a market with still more downside.

November 2013 Soybean Futures (Composite Daily)

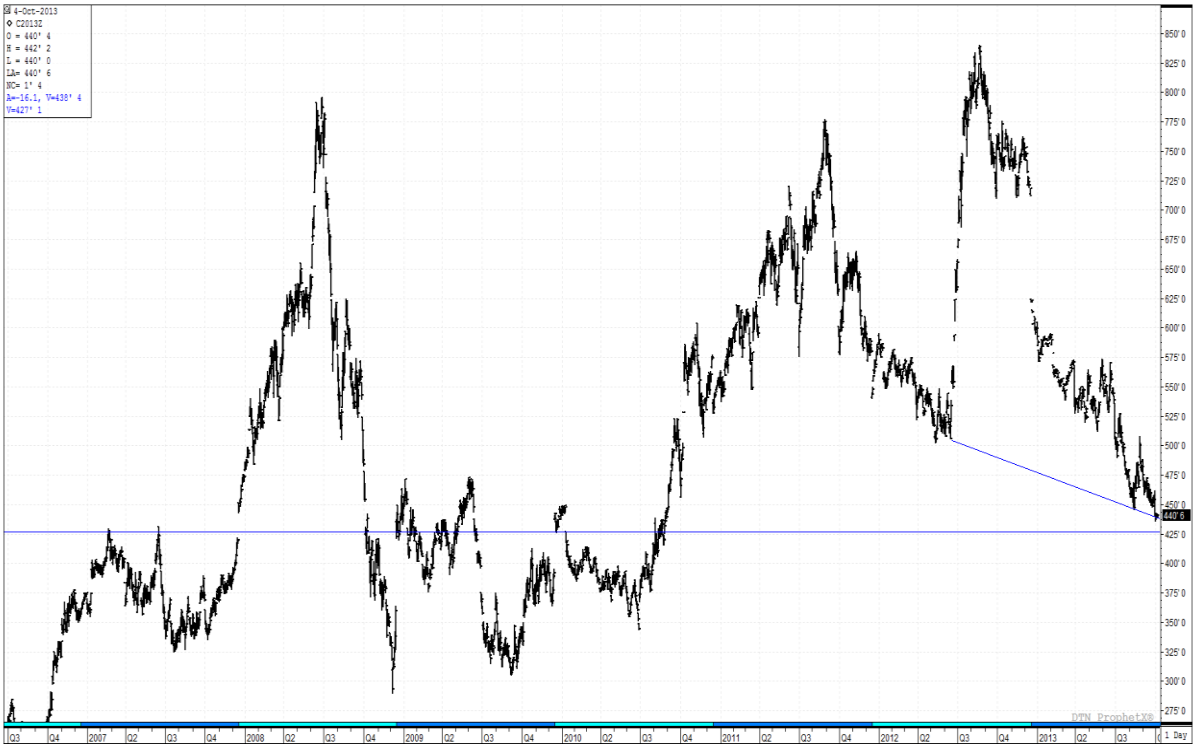


Our analysts suggest it will take a move back to the 38 percent Fibonanci Retracement level at 1315 (incidently where November soybeans BEGAN trade this past week) to confirm that a short term to mid term bottom is in the marketplace.

Conversely our anaysts say settlements below 1257, the 62 Fibonanci trading level would be very bearish and sugges a retest of the August lows.

The second question we asked is at what point might the slow grind lower in corn futures end?

Corn Futures Daily Lead Option Chart (December ONLY)



The above chart was reference by our analysts this past week. Futures are currently trading just above a long term trend of support at 425-to-427 and the short term down trend line drawn off the 2012 lows. Our analysts say it is VERY important for futures to hold these lines in the sand. Failure to do so could mean a test of corn at the 405 level – and cash corn less than four dollars, which is below production costs in many areas.

Commodity Week

Panelists:

- Jacquie Voeks, Stewart Peterson Group, Champaign, Illinois
- Dan Zwicker, CGB Enterprises, Mandeville, Louisiana
- Pete Manhart, Bates Commodities - Normal, Illinois

Guest:

- John Bondurant, Bondurant Futures, Memphis, Tennessee

You can listen to Commodity Week each Saturday morning at 11:30 a.m. central time on AM-580 or click on the following link after 6:00 p.m. Friday evenings and catch the show on our website:

Broadband MP3:

http://audio01.will.illinois.edu/cw131004.mp3

Dial Up MP3:

http://audio01.will.illinois.edu/cw131004dial.mp3

Weekly Continuation Chart

October 4, 2013

Commodity	Week High	Week Low	Week Settle	Change from Previous Week
Dec Wheat	**698**	**672 1/2**	**687**	**up 4**
Jul Wheat			**693 3/4**	**up 9 1/2**
Dec Corn	**462**	**435**	**443 1/4**	**down 10 3/4**
Dec 14 Corn			**485**	**down 7 1/4**
Nov Soybeans	**1317**	**1263 1/2**	**1295**	**down 24 3/4**

Nov 14 Soybeans			**1174 1/4**	**unchanged**
Oct Live Cattle	**12815**	**12710**	**12805**	**down 20**
Oct Lean Hogs	**9240**	**9072 1/2**	**9085**	**down 107 1/2**
May Oats			**318 1/4**	**up 1 1/2**

AM-580 Daily Agricultural Programming Schedule
http://www.will.uiuc.edu/am/agriculture/schedule.htm

Monday – Friday (all times central)

- 8:49 a.m. – $*Opening Commodity Market Report
- 8:52 a.m. - $Drew Lerner Agricultural Weather
- 9:49 a.m. – $*Mid-Morning Commodity Market Report
- 10:59 a.m. – Commodity Market Price Update
- 11:59 a.m. – Commodity Market Price Update
- 12:58:30 p.m. – *Midday Market Analysis with Sue Martin
- 2:06-2:36 p.m. – $*Closing Market Report
    - 2:11 – Futures Analysis
    - 2:20 - Agricultural News
    - 2:25 - Cash Grain Analysis or Energy Analysis
    - 2:32 – Agricultural Weather Analysis

Saturday

- 6:30 a.m. - $* Commodity Week
- 11:30 a.m. – $*Commodity Week

* Available on the website for on demand listening
$ Available via podcast