



November 2014 Month End Comments

Wheat was the clear winner last month although soybean meal got most of the press. The trade was rather volatile and choppy from day to day. Corn finished the month nearly unchanged, wheat was up 44-47 cents, and beans were down 29. Meal finished the month up \$3.30 (down \$27 from the highs) after surpassing the summer highs mid-month and oil was down 272 points.

In wheat, the feature story was the potential for a major shortfall in Russia's winter wheat crop with cold weather setting in very early and the crop poorly established. Winter in Russia can make or break a crop. There have already been a few winterkill threats in Russia. To compound the situation, the Ruble has fallen roughly 50% which is making producers tight holders (similar to what is happening in Argentina). There have also been a few winterkill threats in the US HRW areas, and there is talk of considerably lower US SRW areas. There could be reductions of as much as 25-40% in the Delta. In addition, Midwest SRW will also likely see area reductions as the bean harvest was late and then it turned cold. Lack of high quality wheat is going to become more of an issue as the crop year continues. All major high protein crops aside from HRW had issues this year and I maintain that US export business will pick up as quality runs thin. The 2015/16 US, world, and major exporter situation has the potential to tighten considerably with the most crucial piece being Russian production. The US SRW situation could also be a big deal. In the near term, there is nothing compelling for a further rally, however, we need to see US exports increase. I will be flat or long wheat but not short in near/medium term.

Corn traded 400 basis CH mid-month and was unable to sustain further gains as producers sold the rally, funds were already long, and then the long-awaited EPA decision was a bust. The USDA actually lowered the national average yield slightly in November and there is still a question on 2014/15 acreage. The 2015/16 acreage story is alive and well and will likely provide support into the spring. The other issue in the market to watch in the near term is South American production. Some in the trade (myself included) expect considerably lower production than the USDA. This could be a big deal especially if the US b/s tightens next year. Corn does not feel like wants to break, and funds may dress up into the year end. Producers likely won't make additional sales until after the first of the year. This may be a "buy breaks" market in the near and intermediate term.

Beans almost got to 1100, nearly a two dollar rally from the late September/ early October lows. Ending stock ideas went from 500+ to below 400 as exports and crush surpassed expectations and yield ideas were tamed down. Trade turned rather volatile and the market worked lower from mid-month on in a very choppy fashion. Funds are basically flat and it's hard to say at this point what the next move will be. Soybean and meal exports continue to impress and there is no sign of Argentine producers letting go of any more than absolutely needed despite government efforts. South American crop prospects should be the next market maker. Currently there are no major issues as rainfall improved in Brazil in November. Without a crop issue in South America, carryout ideas should stabilize in the 350-400 milbus range for 2014/15 and with ideas of increased bean acreage in 2015/16 stocks are expected to expand further. At this point, it looks like a crop problem in South America or larger than expected demand from China will be needed for beans to make new highs.

Regards,
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