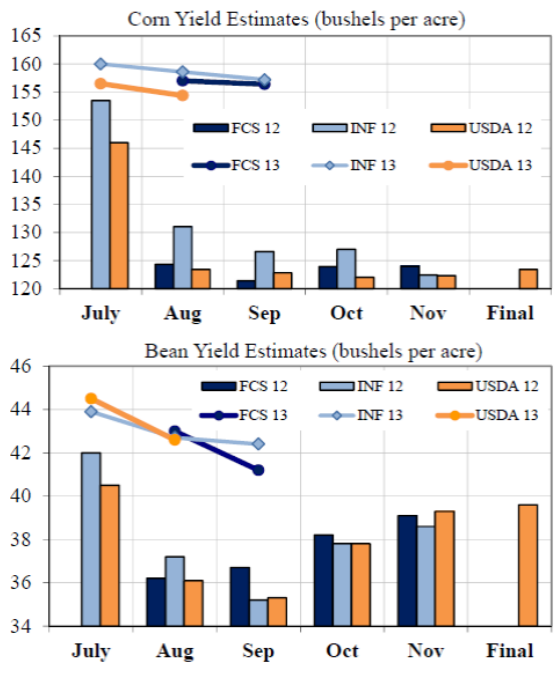


Market Report
Tuesday, 10 September 2013

Grains – Grain markets were weak yesterday as Matif shed a few euro as did LIFFE while matif maize was also down. Last night’s crop progress reports proved somewhat anti-climactic with corn ratings down just two points which charts a course for a yield of around 153bu/acre. The trade however cognoscente that the USDA report due on Tuesday can leverage a much greater reaction from the market. The USDA currently have a lower yield expectation than the big two private yield estimate providers in FCStone and Informa who made their results known last week. In terms of corn yields, both came in very close around the 156bu/acre mark. Last year (see chart below) FCStone caught the low corn yields before Informa (but over-did the yield cut compared to final which also probably reflects the impact of late season rains) and also allowed for a larger soybean crop than the USDA and Informa early on in the Sep and Oct. estimates. This year they are closer in line with Informa but again (very slightly) less optimistic for corn yields but more pessimistic regarding soybeans than Informa and last month’s USDA. The question now is if the USDA will adjust their yield estimate closer in line with the view of the privates. Australia’s ABARE cut the Ozzie wheat production estimate 3% from 25.4mmt to 24.5mmt following dryness there. Egypt’s GASC say they have enough wheat stocks to carry them to February (so expect them to tender again soon!). US corn basis weakening as new crop supplies arrive from the very good yielding Southern States.

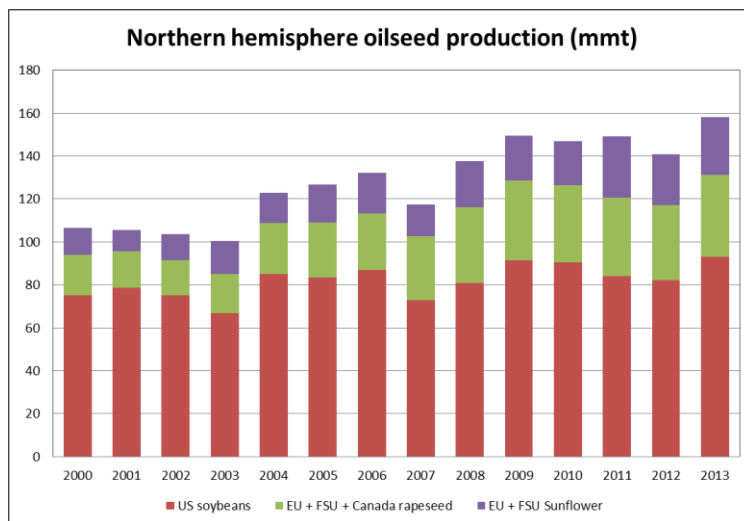


Please feel free to contact any member of the team as follows:

Dublin Office: 00353 1 790 0200

Belfast Office: 0044 2890 325465

Proteins – Protein values opened the week on the back foot and wasted little time taking profits ahead of Thursdays USDA report. There are several reasons to consider a weaker protein market in coming days but weather is not one of them. The US weather forecast is not bearish with a hot dry September currently forecasted but last nights crop ratings showed only a 2 point decline in national ratings where many expected twice that. Recalling that funds hold a net long position in Soybeans, which suggests to us that for them to square off (which they are likely to do as we head into the USDA report near term and the harvest longer term) requires them to become more active sellers in the coming days. The chartist’s will note that the gap higher created on the 26th of last month has been closed which along with some other technical indicators suggests further price erosion leading into the Thursday report. Trade also contemplating new crop demand with the “alternative” proteins now featuring as buffers to lost North American soybean production. European rapeseed production has rebounded 1mmt this year. Globally, when one combines rapeseed and sunseed’s production they are up 8mmt year on year. I have aggregated North European and Northern US oilseed production in the chart below. Brazil is still loading its record bean crop unto vessels destined for the Orient.



On balance, the USDA report will be key to this week’s price action, as much as for what will happen before it as after it. Chinese demand is mostly likely to the chop to allow for lower US production and stocks of soybeans. The weather is an eroding influence on the market with corn “made” and curtailed soybean yield forecasts likely priced at this stage leaving the realised harvest tonnes to define price action Thursday and beyond. The fund money has pushed up protein premiums (over grains) to the higher reaches of historical spreads and that could be one of the main profit taking exercises for the week ahead.

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Soybean Meal	High	Low	Close	Change	Overnight
Sep '13	486.80	461.30	465.80	↓ -16.30	↓ -5.40
Oct '13	440.60	427.00	430.60	↓ -4.10	↓ -5.50
Dec '13	434.90	423.50	426.50	↓ -2.40	↓ -6.00
Soybeans	High	Low	Close	Change	Overnight
Sep '13	1448.75	1402.75	1404.25	↓ -32.75	↓ -11.50
Nov '13	1384.00	1351.25	1356.50	↓ -11.25	↓ -11.25
Jan '13	1381.50	1350.75	1355.75	↓ -9.50	↓ -11.00
Soybean Oil	High	Low	Close	Change	Overnight
Sep '13	44.00	43.40	43.36	↑ 0.17	↑ 0.32
Oct '13	43.85	42.82	42.88	↓ -0.55	↑ 0.10
Dec '13	44.13	43.11	43.17	↓ -0.55	↑ 0.06
CBOT Wheat	High	Low	Close	Change	Overnight
Sep '13	635.00	627.75	628.75	↓ -6.25	↑ 0.50
Dec '13	651.50	639.25	641.25	↓ -6.50	↑ 0.75
MATIF Wheat	High	Low	Close	Change	Overnight
Nov '13	189.00	187.00	187.25	↓ -1.50	↑ 0.00
Jan '14	189.25	187.50	187.75	↓ -1.25	↑ 0.00
LIFFE Wheat	High	Low	Close	Change	Overnight
Nov '12	155.00	154.25	154.75	↓ -0.30	↑ 0.00
Jan '13	156.50	156.50	156.75	↓ -0.75	↑ 0.00

MATIF Rapeseed	High	Low	Close	Change	Overnight
Nov '13	383.25	373.50	374.50	↓ -7.50	↑ 0.00
Feb '13	386.25	375.75	377.00	↓ -8.25	↑ 0.00
May '13	388.00	380.50	380.50	↓ -7.50	↑ 0.00
CBOT Corn	High	Low	Close	Change	Overnight
Sep '13	493.50	475.50	477.25	↓ -14.25	↑ 0.50
Dec '13	471.00	461.75	463.50	↓ -4.75	↑ 0.75
Mar '13	483.50	474.25	476.50	↓ -4.50	↓ -1.75
MATIF Corn	High	Low	Close	Change	Overnight
Nov '13	171.75	169.25	169.75	↓ -1.50	↑ 0.00
Jan '13	172.75	170.50	171.00	↓ -1.50	↑ 0.00
Asia Contracts	Last	% +/-	Crude Oil	last	
BMD Palm Oil	723.75	-1.86%	NYMEX	108.67	
Dalian SBO	6990	-1.94%	ICE	113.21	
FOREX	Spot	1W ago	Equities	+/-	
\$/€	1.3258	1.3169	FTSE	-16.59	
€/£	1.1832	1.1809	ISEQ	0	
\$/£	1.5690	1.5557	DJI	140.62	
£/€	0.8449	0.8461	HSENG	35.15	

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