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CORN: The USDA WASDE report is on Friday and the current estimates are weighing on the market. The trade is expecting a yield north of 160 and total production to be between 14.2 and 14.4 billion bushels. This amount of supply should drop prices low enough to create new demand for feed and in the export market. Carryout should still be greater than 2.0 billion bushels. Looking for Dec corn to hold the $4.20/$4.25 support as market waits to confirm large crop.

Traders need to watch out for a bullish surprise. Market is very short right now. Anyone who has been short for the past 15 or 20 cents should look to take off positions ahead of the report. I have been very bearish on Corn all year and now I think we need to start getting more neutral. Farmers have so much storage that they will either wait for rallies or only sell when they have to.

I do like selling Corn on rallies. If Dec 13 can trade $4.35 I would like to take a short position. I think we will be in a slow grind lower for the rest of the year. As the yields improve and production increases, demand should pick up in the feed and export numbers. I think we hit a bottom after farmers have finished selling the freshly harvested new crop they are not going to store and when we start seeing larger use of feed and larger exports. As we make our way down to $4.00, these bullish factors could kick in. A combination of farmer selling ceasing with higher demand for feed and exports could cause a short covering rally. I think it is more likely to see corn drift down to $4 by the end of 2013 and then in the beginning of 2014 for Corn to bottom out.

Turner's Take WASDE Expectations vs. Sept WASDE report:

	USDA	**Turner's Take**
Corn	2013-2014	**2013-2014**
Plant Acres	97.4	96.4
Harv Acres	89.1	88.1
Difference	8.3	8.3
Yield	**155.3**	**161.0**
Begin Stocks	661	734
Production	13837	14184
Imports	26	25
SUPPLY	**14524**	**14943**

	USDA	Turner's Take
Feed	5100	5200
Food Seed	1450	1400
Ethanol	4900	4700
Export	1225	1500
USE	**12675**	**12800**
End Stocks	**1849**	**2143**
Stock/Use	14.6%	16.7%
Avg Price	**$ 4.80**	**$ 4.25**

Trade Idea: Sell Dec 13 Corn at $4.35 or better GTC. Risk 15 cents to $4.50. Target is open but prices could make a run to $4.00 with a bearish WASDE and selling pressure into the end of the year.

OR

Trade Idea: Sell Dec 13 Corn at $4.27 or better AND buy the $4.35 call for around 7 cents. Max risk is 15 cents (7 cents for the call and 8 cent difference between the short entry price and the strike). I like this position into the report. If the market gets a bullish surprise, you have protection to the upside. If the report is very bearish just liquidate the call and stay short the futures.

Dec 13 Corn Chart: Trend Lower but beware WASDE bullish surprise

SOYBEANS: Trade is talking about 43 yields Friday's reports. Any increase in production will most likely be offset from demand. DAS is looking for higher supply numbers and demand numbers, leaving the carryout unchanged at a tight 150. US will need to ration beans as we wait for South America to come online.

No major improvements in South American infrastructure yet they have more beans! Last year bull spreads worked in this situation, spreading the near months – will be looking at those again this year. Soybeans have the potential to be very bullish or bearish. We are basically combining two WASDE reports into one and beans are very, very tight. The cash market has been hot BUT there are expectations of a big US crop and South America should also have a bumper crop too.

I like being short Jan Soybeans. If you hold that position into the report, a short dated call against the futures would be a great way to offset some of the risk. Technically Jan Beans have broken support. I think the market is waiting for the USDA to confirm the size of the new crop. If it is as big as the market thinks, the other thing we need to look at is if the USDA changes the demand numbers.   It is possible that the USDA offsets the production gained with higher demand numbers. If that is the case and carryout is still at 150, we could see a rally, hence the long calls if going into the report short

Turner's Take WASDE Expectations vs. Sept WASDE report:

	USDA	**Turner's Take**
Soybeans	2013-14	**2013-2014**
Plant Acres	77.2	77
Harv Acres	76.4	76.2
Yield	**41.2**	**42.5**
Begin Stocks	125	125
Production	3149	3239
Imports	15	15
SUPPLY	**3289**	**3379**
Crush	1655	1700
Exports	1370	1400
Seed	87	87
Residual	28	28
USE	**3140**	**3215**
End Stocks	**150**	**164**
Stock/Use	4.78%	5.09%
Avg Price	**$ 12.50**	**$ 12.00**

Trade Idea: Sell January Soybeans at $12.60 or better and then buy the Dec Soybean $12.60 Call which will be around 25 cents. Your risk will be the price of the call (25 cents) but in the event of a bullish surprise you have some protection going into the WASDE

OR

Trade Idea: Sell January Soybeans at $12.60 and then buy 4 $13.00 Dec Soybean Calls for about 10 cents each. This should put you at Delta neutral heading into the report. If the report is volatile, and I think it can be, the options will increase in value faster than the 1 futures going against you. If the report is very bearish the futures will gain in value faster. IF the report is a dud, the options will lose a lot of time value and could be worth half of what you paid (I would guess about 5 cents each or 20 cents total).

Jan Soybeans Chart: Beans breaking down but beware WASDE bullish surprise

HOGS: I think last week's Dec Hogs high of $92.300 is a most likely a contract top (see first Hogs chart below). This has been a Key Reversal for hogs and we see prices most likely going lower than higher. The trade is building premium into the deferred months of 2014 based on a new PEDv scare. While this will not have an impact on supplies now, it could impact supplies in the late winter and early spring.

We expect cash market to be weak as we have a top in the charts and we think suppliers have excess fresh pork product that ultimately is sent to freezer stocks. Slaughter rates could be higher than needed and put pressure on the front months. Expect the bear spreads to work going forward.

There is a seasonal spread trade that works out well with the current fundamentals and technical. It is selling Feb Hogs and buying June (see second chart below). The seasonal window just started and runs to the middle of January, giving us a lot of time in this spread. If we sell around -7.500, we really need to risk to at least the first red trend line, which is just above -6.000. That is going to be a little more than $600. However, the blue lines below are the lows in this spread for the past five years (this is a bear spread – we want it to go lower). Even if we can just get down to the lows of this year that would translate into a profit of 2.5 points.

Trade Idea: Buy June and Sell Feb Lean Hogs at -7.500 or better GTC. Risk to Stop on Close above -6.000. 1.5 pts is $600. Profit target is open. Margin is $1500 per spread.

Dec Hogs: Bearish Reversal in the Front Month

Feb vs June Hogs Seasonal Bear Spread:

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