

July 17, 2013

ADVANCE INSIGHT

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Transportation

	TW/NW/Jul	Aug	Sep	Oct	Nov
St. Paul Savage	340/340/350	370	450	575	550
Dub South	290/290/300	310	475	575	475
St. Louis 12'	240/240/250	270	400	550	450
Illinois	265/265/275	300	425	550	475
OH/Jeff/Cinn	200/200/210	275	425	550	450
Gulf/PNW	\$0.550 / bushel				
BN Shuttles	0/-25/-25	-88	-175	700	325
UP Shuttles	/-125/-125	-100	-100	525	200

Cash Corn Markets

	Jul FH/LH	Aug FH/LH	Sep FH/LH	Oct	Nov
CIF Nola	180u/180u -10	140u/103u	61z/57z	63z	63z
PNW	265u/265u 3	260u/	/	105z	108z

	Jul FH/LH		Jul FH/LH
Cols CSX 65	130u/130u unc	Chicago	195u/195u 5
Ft. Wayne N/S 75	155u/155u unc	Pekin ethanol	145u/145u unc
Evansvl 15s	165u/165u unc	Decatur, IL	160u/160u x
Toledo	135u/135u unc	Champaign CN 25	175u/175u 5
UP Grp 3	185u/185u 10	Clinton, IA	175u/175u 10
Dexter, MO	/ x	Columbus, NE ethanol	192u/150u 7
Fayne, OH	152u/152u unc	Muscatine Truck	160u/160u unc
Ottawa	147u/135u x	Hereford COBO B/E	260u/260u 18

Cash Bean Markets

	Jul FH/LH	Aug FH/LH	Sep FH/LH	Oct	Nov
CIF Nola	140q/140q unc	95q/68q	125x/105x	89x	89x
Paranagua	-2n/-2n -2	125u/125u	/		

	Jul FH/LH		Jul FH/LH		Jul FH/LH
Columbus	130q/130q unc	CN25	125q/125q 5	Mankato	105q/65q x
Toledo	82q/82q unc	Chicago	60q/60q unc	Cncl Bluf	160q/160u unc
Fostoria	130q/130q unc	Decatur	140q/140q x	Lincoln	125q/115q unc
Windsor	115q/115q x	Naples	95q/95q -2.0	KC	100q/100q unc
PNW	170q/170q unc	Ottawa	7q/7q x	Wichita	150q/120q unc

Cash Milo Markets

	Jul FH/LH	Aug FH/LH	Sep FH/LH	Oct	Nov
CIF Nola	120u/120u	/	/		
Houston	65z/60z x	55z/55z	50z/50z	50z	50z
Corpus Christi	65z/65z x	60z/60z	50z/50z	50z	50z

Cash Wheat Markets

	Jul FH/LH	Aug FH/LH	Sep FH/LH	Oct	Nov
CIF SRW	43u/43u -8	52u/60u	70u/78u	70z	70z
TX Gulf HRW	135u/135u unc	135u/135u	/		

	Jul FH/LH	HRW	Jul FH/LH
St. Louis	13u/13u unc	KC Ords	75u/90u unc
Toledo (Mill)	0n/0n unc	KC 12s	123u/138u -2
	Jul FH/LH	KC 13s	115u/130u unc
PNW	110u/110u -10	KC 14s	115u/130u unc

Export Sales Estimates

	Expected Crop mbu (kmt)	Needed (mbu)
Corn	47-63 (1200-1600)	-3.8
Soybeans	18-33 (450-850)	-2.6
Wheat-All	33-44 (900-1200)	14.6
HRW		-2.5
SRW		-3.4
Sorghum		1.9
Soybean Meal	75-175	-4.0
Soybean Oil	5-10	9.3

Corn

A trip back in time: 3 years ago in July 2010, the market was comfortable with old crop carryout, but concerned about new crop production. The market proceeded to punch out new monthly highs for about 9 consecutive months, production ultimately proved to be less than demand, and ending stocks dropped from 1.7 to 1.1 bbu. Then in 2011/2012, production once again fell below demand, and carryout dropped just below 1 bbu. In Spring 2012, the market was optimistic that ending stocks would rebound, and once again, production fell below demand and carryout is destined to decline again by Aug 31 this year. Given the projected increase in carryout for the 13/14 crop year, a couple thoughts come to mind: first, you have to go back to the 07/08 crop year to find a significant increase in year to year carryout (+320 mbu that year). And by far the largest move in that span of time was the 580 mbu decrease from 09/10 to 10/11. Then, consider the magnitude of the projected increase in 13/14 should it indeed come to pass. USDA numbers indicate an increase in carryout of 1.2 bbu for the 13/14 crop year. That would be somewhat analog to the increase that we witnessed from 03/04 to 04/05. From a merchandising perspective, it creates a vastly different landscape than the one we walked in to back in 10/11, and to a degree, the one we've kind of lived with ever since then. It is true that we still have a way to go before the crop is in the bin and the balance sheet numbers potentially verified, but in the meantime, practice it mentally because it has been awhile since we've had to: "carries/maybe full carries/carry from old crop to new crop next summer/cheap fall basis?/cheap winter basis?/cheap spring/summer basis?!?/return to traditional delivery value calculations/storage deficiencies/high priced freight/feel free to add your own and repeat ☺"

Phil Reginelli

Beans

Soybean futures were lower beyond the nearby SQ13 contract, which closed up 2 ¼ at \$14.77 ½. New crop SX13 closed down

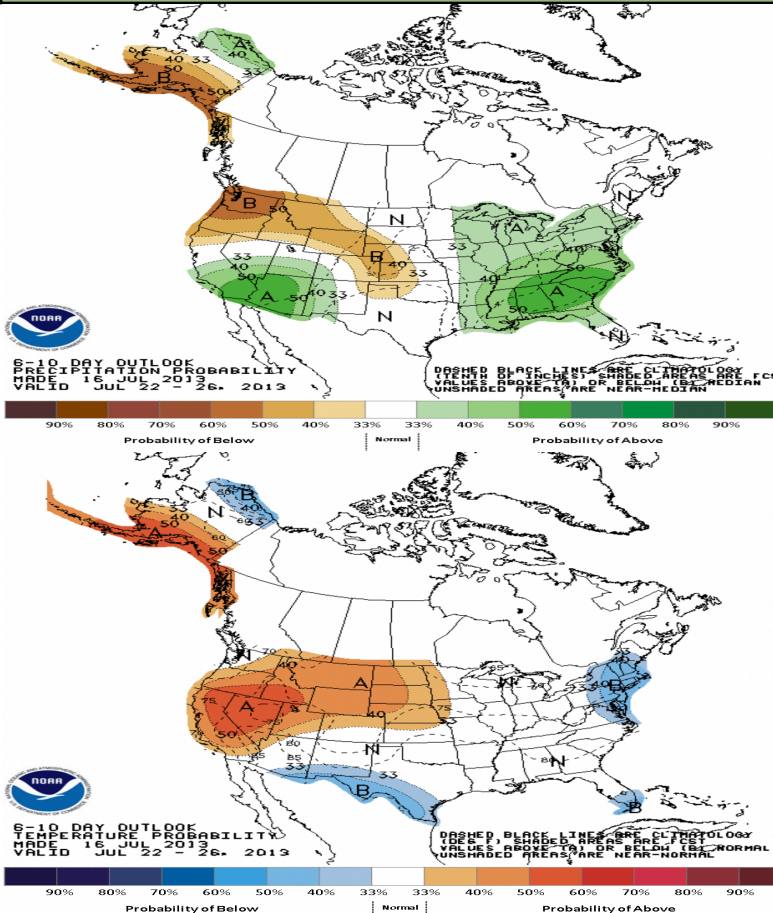
Daily Spreads					
Corn					
	Close	Change	Full Carry	% of Full Carry	ROS/mo
Sep3-Dec3	37.00	2.50	-18.06	-204.9%	None
Dec3-Mar4	(12.25)	unc	-17.85	68.6%	3.1
Sep3-Dec4	13.25	1.50	-89.26	-14.8%	None
Dec3-Jul4	(26.00)	-0.25	-41.39	62.8%	2.8
Beans					
	Close	Change	Full Carry	% of Full Carry	ROS/mo
Aug3-Sep3	150.00	10.25	-8.22	-1825.8%	None
Sep3-Nov3	46.25	-3.00	-14.85	-311.4%	None
Mar4-May4	7.00	0.25	-14.44	-48.5%	None
Wheat					
	Close	Change	Full Carry	% of Full Carry	ROS/mo
Sep3-Dec3	(12.75)	-0.25	-18.92	67.4%	2.9
Dec3-Mar4	(12.25)	0.25	-18.92	64.8%	2.8
Mar4-May4	(7.25)	0.50	-12.26	59.1%	2.4
KCBOT Wheat					
	Close	Change	Full Carry	% of Full Carry	ROS/mo
Sep3-Dec3	(16.25)	-0.25	-31.00	52.4%	4.0
Dec3-Mar4	(12.00)	-0.25	-21.90	54.8%	2.6
Mar4-May4	(6.25)	-0.75	-14.20	44.0%	1.9

2 ¾, as the EU and GFS weather models showed a slightly better forecast for the next two weeks. The GFS model indicates 0.75" – 1.25" of rain across much of the Corn Belt beginning Saturday, including the driest areas of IA, MO, & NE. Crop ratings declined 2% in the G/E category last week, & will likely decline again this week. However, if the projected widespread rain comes to fruition, it should help stabilize crop conditions. Spreads were firmer in beans and meal once again today, despite weaker cash markets. The SQ/SU inverse strengthened 8 ½ cents to \$1.48 ¼. It's interesting given bean basis was lower at several locations in IL & IA. Although bean basis has been erratic, it's still above DVE in nearly every major market and tight stocks should continue to drive the inverse. Funds have been unrelenting, as they continue to actively bull spread old/new beans. Meal basis was lower as well on thin demand, down as much as \$3-15 per ton across the Corn Belt. In other news, the USDA announced this morning that exporters sold 165K tons of beans to China for '13/14.

Michael Reginelli

North American Weather Outlook

<http://www.cpc.ncep.noaa.gov/products/predictions/610day/>



Wheat

The wheat market saw a choppy session on Wednesday. Support seemed to come from trade chatter on poor quality wheat in China therefore the potential for more purchases. The story was trying to purchase 500,000 MT of Austrian wheat. Wheat harvest is continuing across much of the SRW region. Quality seems to be the focal point. There is spout damage in Ohio and parts of MI. The range seems to be in the 2-8% arena. The mills are actively testing wheat to figure out the falling numbers to help define what percentage of sprout damage they can take. Unfortunately there is simple way to define what percent of sprout damage will work. You could have 2% sprout damage but the falling numbers be below the required level. Likewise we could have 4% and it actually works for the baker. The challenge now will be to see if there is enough milling quality wheat available to the mills. If not, they will likely begin to push their basis higher for good wheat. You would think we could see some mills stopping wheat if they can't find enough quality however 4% damage is deliverable and that might be too high for the mill. Because the contract specs don't line up perfectly with the needs of the mills we might see a disconnect between the cash markets and the spreads. So with all the uncertainty it creates concerns with how the wheat spreads behave therefore might make sense if you are planning to carry wheat is to get some hedges beyond the September. We have started the VSR calculation this week and we will stay at 5 cents a month carry as long as the U/Z spread average is below 15 cents carry. SRW CIF was weaker Wednesday and HRW was steady.

Mark Talaski

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Hours (CST): Sunday 5:00pm-9:00pm, Monday-Thursday 6:00am-9:00pm, and Friday 6:00am-5:00pm

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