Feltes Ag Report

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Grain Oilseed Update and Outlook
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Old crops soybeans surge late on heels of stable domestic cash markets, dearth of farm sales and recovery from last week's nearly $1.00 collapse in SQ/SX inverse. Corn posts yet another new low (5th consecutive decline) on reports of favorable pollination, continuation of cool temperatures and mounting concern over un-competitiveness of US corn in global export markets. Meanwhile, the soy chart may be establishing a short term bottom amid trade recognition that the case for strong demand and questionable new crop soy yield prospects is more compelling for soybeans than corn. SQ will need to breach 100 and 200 DMA's in $13.90 area, 20 cents above tonight's close, to stem follow up managed fund liquidation which tallied only 14K contracts for the week ending July 23rd leaving soy long at a still sizeable 110K contracts.

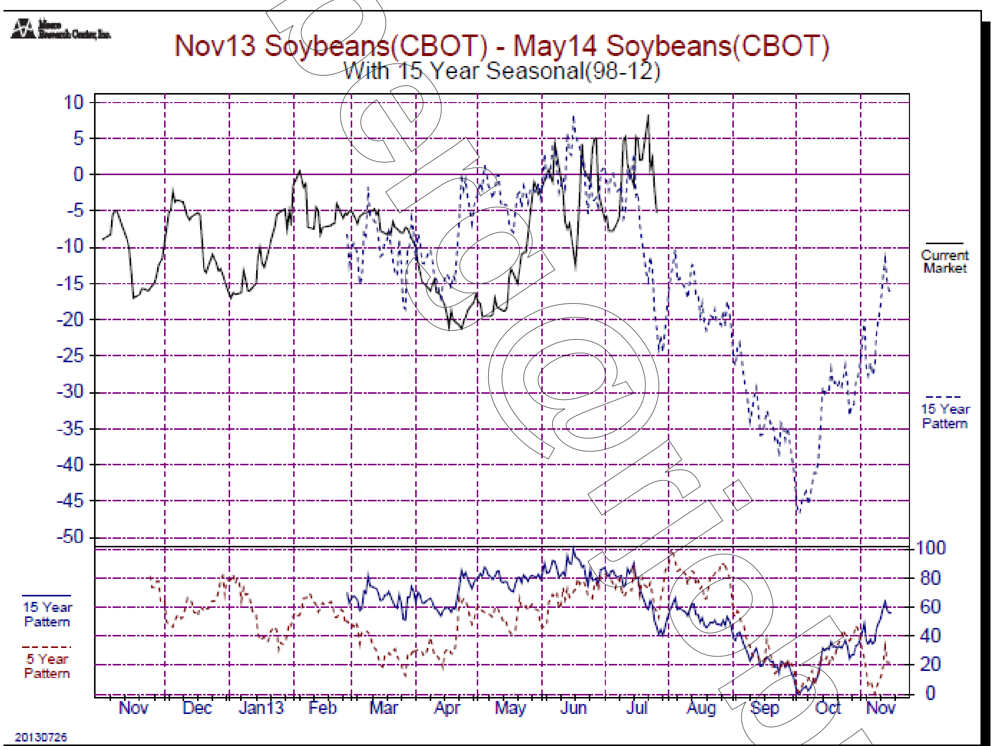
Despite more compelling case for soy fundamentals than corn fundamentals, we still advise selling SX/buying CZ which eroded slightly today to 2.60/1—a historically high ratio which in our view already reflects the more compelling fundamental case for soybeans. Note attached Moore Research seasonal showing strong tendency for SX to erode vs. CZ from late July into early August including each of last 4 years. Additionally, USDA expectations for a 10 mmt gain in 13/14 PRC soybean exports are undermined by a meager 0.7 mmt gain in new crop US soybean export sales to PRC and ongoing chatter about Beijing releasing 3 mmt of beans from reserve stocks this fall. And finally, we think ongoing larger than expected old crop US soybean usage rate (crush and exports) suggests that USDA is understating 2012 US soybean production (recall 2007 and 2012 end of Sept gains of 90.6/37.5 mil bu respectively in US soybean production).

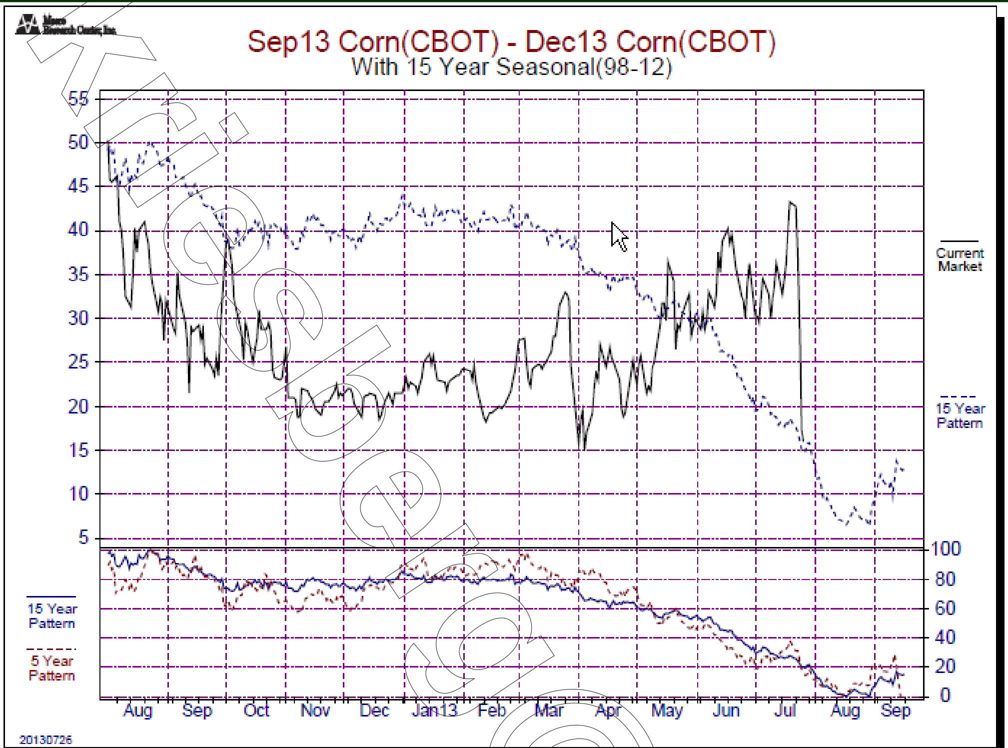
Upcoming Moore Research Seasonals for August include SK/SX from 8/12-10/2 which has worked in 13 of last 15 years. SK/SX seasonal is driven by pending availability of new crop supply and corresponding collapse in old crop basis as it rolls to new crop (see attached graphic). Additionally, KWZ has gained on WZ from 8/22 to 9/18 in 13 of last 15 years. Advise against KC/CGO wheat as SRW demand fundamentals are more compelling that HRW. Additionally, active late summer moisture feed across southern plains suggests strong start to 2014 US HRW crop.

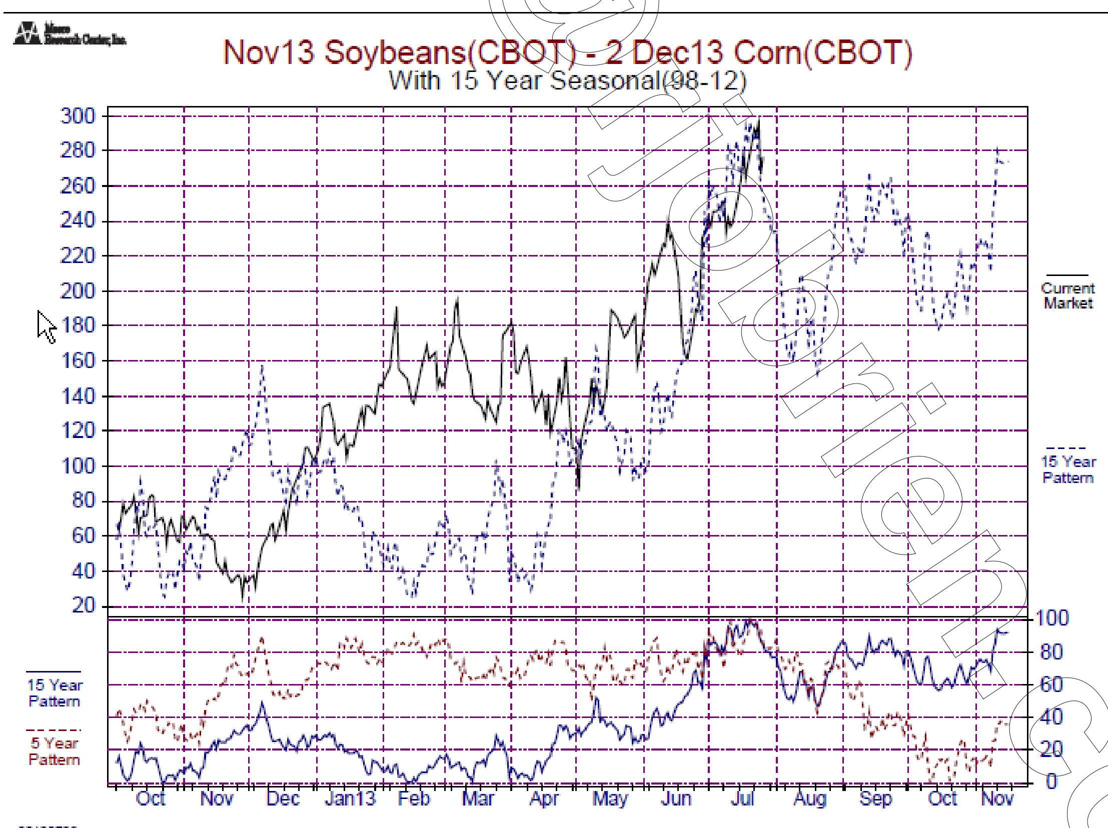
Advise selling rallies in CU/CZ for downside objective of 10 cents. As RJO's central IL crop scout indicated Friday, elevators/end users will be offering drying discounts in early Sept to draw forward late maturing corn in effort to capture old crop inverses. Producers still holding remaining old crop corn will be more willing sellers on rallies amid approach of record 2013 crop. Additionally, index longs in CU will accelerate roll to Dec and beyond in coming days. Also worth noting that 5 of 7 late planted years found CU/CZ going out at a carry (late 1984 and 1996 were exceptions as CU/CZ in both years firmed early Sept after eroding from late July into early August. And finally, the southern corn harvest will accelerate over the next 30 days.

Corn ratings steady vs. last week at 63% G/E vs. 24% last year and 62% in 2011. 28% of corn crop pollinated last week bringing total to 71% vs. 75% average. Soy conditions slips 1% to 63% G/E vs. 29% last year and 60% in 2011. Only 20% of soy crop setting pods vs. 34% last year. HRS G/E, although unchanged vs. last week at 68%, reflects some deterioration amid 2% shift from excellent to good. Taken collectively-today's updates are negative for corn and mildly supportive for beans. The corn crop is catching up from delayed planting while soybean development continues to lag.

Bottom line—final week of July 2013 kicking off without any substantive changes in ag price narrative of favorable crop conditions, gains in 13/14 US and global corn and wheat stocks, un-competitive US corn, presence of large managed fund soybean long and general liquidation of investor longs in commodities. Charts suggest crude oil highs for the year are in. Heightened US frost vulnerability, particularly soybeans, is largely offset by favorable foreign crop conditions, negative charts and below average new crop farmer sales.




Sep13 Corn(CBOT) - Dec13 Corn(CBOT)
With 15 Year Seasonal(98-12)
Current Market
15 Year Pattern
5 Year Pattern
Aug Sep Oct Nov Dec Jan13 Feb Mar Apr May Jun Jul Aug Sep
20130726


Nov13 Soybeans(CBOT) - 2 Dec13 Corn(CBOT)
With 15 Year Seasonal(98-12)
Current Market
15 Year Pattern
5 Year Pattern
Oct Nov Dec Jan13 Feb Mar Apr May Jun Jul Aug Sep Oct Nov
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Additional Items Interest:

- (CME Daily Livestock Report) We are looking at corn prices that could be down some 40% from a year ago (based on current futures). Even if hog slaughter numbers are impacted by the PED virus, the heavier weights will likely bring the equivalent of 2% more hogs to market during some weeks, likely offsetting the impact of the disease.

- EXPORT INSPECTIONS: Corn: 11.087 mil bu Wheat: 25.363 mil bu Soybeans 1.342 mil bu

- (SE SD and northeast NE update) Producers in SD for the most part have had beneficial rainfall throughout the past 3 weeks especially if you live on the I-90 corridor and west of US Hwy 81. Areas that continue to miss out on the rain is East of US Hwy 81 (Yankton, Vermillion, Beresford SD down towards Sioux City IA and up in Sioux, Obrien, and Plymouth Co in IA, also parts of NE Nebraska)... my farm .4" in last 7 weeks. With that being said these driest areas continue to hold on to their green color for both corn and beans with just some drought stress on lower leaves. With the cooler than normal temps and some dew in the mornings its helping keep these plants alive. Pollination is nearing completion and beans continue to grow and flower adding clusters of pods. As a whole this area looks very good compared to a year ago with many areas having record potential.

- (Reuters) Funds sold an estimated net 5,000 CBOT corn contracts, sold 5,000 soybean contracts, bought 1,000 wheat, bought 2,000 soymeal and sold 5,000 soyoil - CBOT floor sources

- Egypt is tendering for wheat tonight.

- (SE IA soybean update) Quite uniform, especially compared to what I saw in the central part of the state on Tuesday. Good green color too. However, most are knee high or so. Would look like a great crop on July 1st but we are bearing down on August 1st. Very little drown out in the beans.

- (U of IL's Dr. Good) Assuming that the 2013 U.S. soybean crop is near its potential of 3.4 billion bushels, rationing should not be an issue in the 2013-14 marketing year. The strength of demand for U.S. soybeans, then, will determine price and magnitude of consumption. Two factors support prospects for strong soybean demand in the year ahead. First is the expectation that China will continue to import large quantities of soybeans so that U.S. exports will increase even with large crops in South America. These expectations are supported by current export sales data showing that China has already purchased nearly 400 million bushels of U.S. soybeans for import during the 2013-14 marketing year. Sales to China are about 25 million bushels larger than at this time last year. Unlike the U.S. corn market, where demand and consumption appear to be plateauing, demand prospects for soybeans appear to be strong. If that is the case, a period of higher soybean prices relative to corn prices would be expected.