

**Grain Oilseed Update and Outlook**  
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Stronger than expected row crop performance today driven by mix of dryer Midwest weather forecast than late last week, string of export sales announcements, short covering in new crop contracts and perception that new crop export sales will accelerate ahead of the most crucial 6 weeks in the US growing season calendar.

As indicated last week, we still advise bear spreading new crop beans (SK/SX) as long as 2013 US soy ratings are stable to higher. Attached Moore Research seasonal chronicles strong tendency for SX to erode vs. SK—especially during LH July. Risks to this trade would be a dramatic reversal in prevailing favorable weather pattern and/or stronger than expected new crop US soybean export sales (N/C US soy sales at 12.3 mmt are 0.6 mmt behind last year). Be mindful that bull new crop soybean spreads soared late year during July as US drought worsened. Additionally, the cushion for 2013 crop adversity is considerably smaller in beans than in corn. Nonetheless, we think continuation of prevailing US weather pattern (as suggested by CWG's updated summer outlook released today) will trigger more pressure on SX than on SK—especially if subsequent USDA crop reports scale back 13/14 US soybean demand.

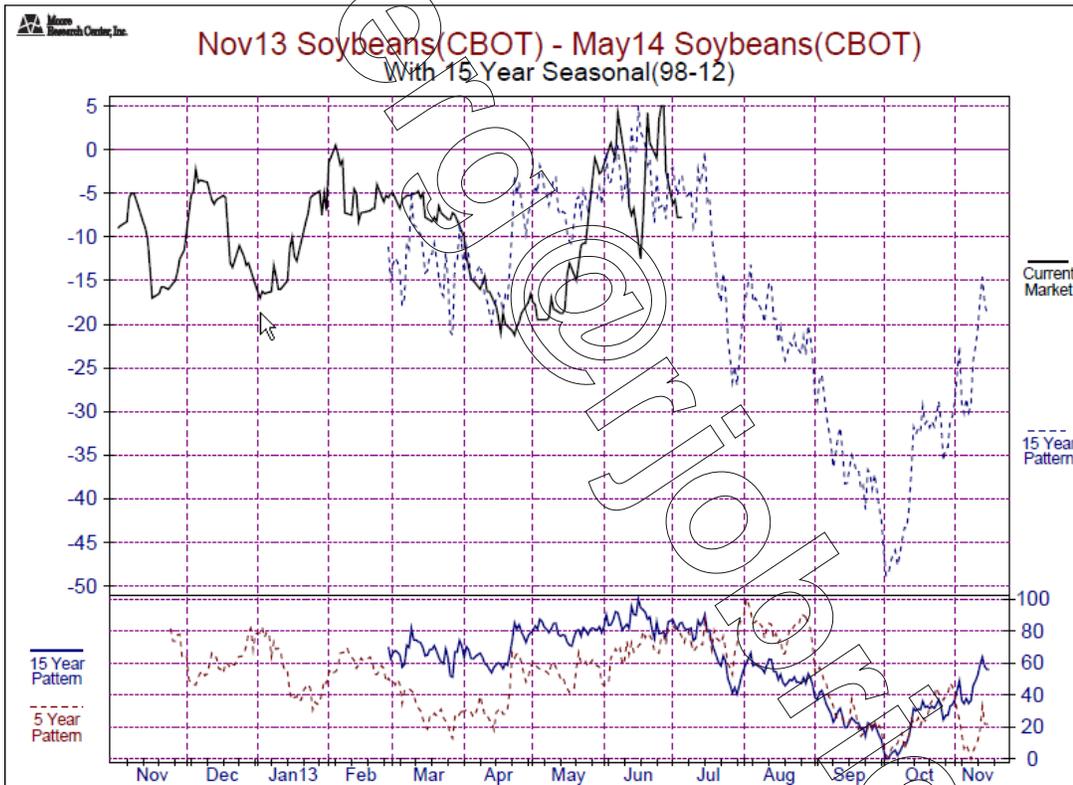
Also advise buying corrections in CH/CZ spread to 10 cent area (currently 12 cents). New crop corn spreads tend to widen from mid July through mid Sept. We view new crop bear spreads in corn as a lower risk trade than bear spreads in beans given much larger cushion for yield adversity in corn and tendency for new crop corn spreads to widen even in late planted years. Look for bear new crop corn spreads to attract even more interest if analysts keep edging 2013 US corn yield forecasts higher (recall Informa last Wednesday estimated 2013 US corn yield at 160.0 BPA). Look for 15 cent objective on CH/CZ.

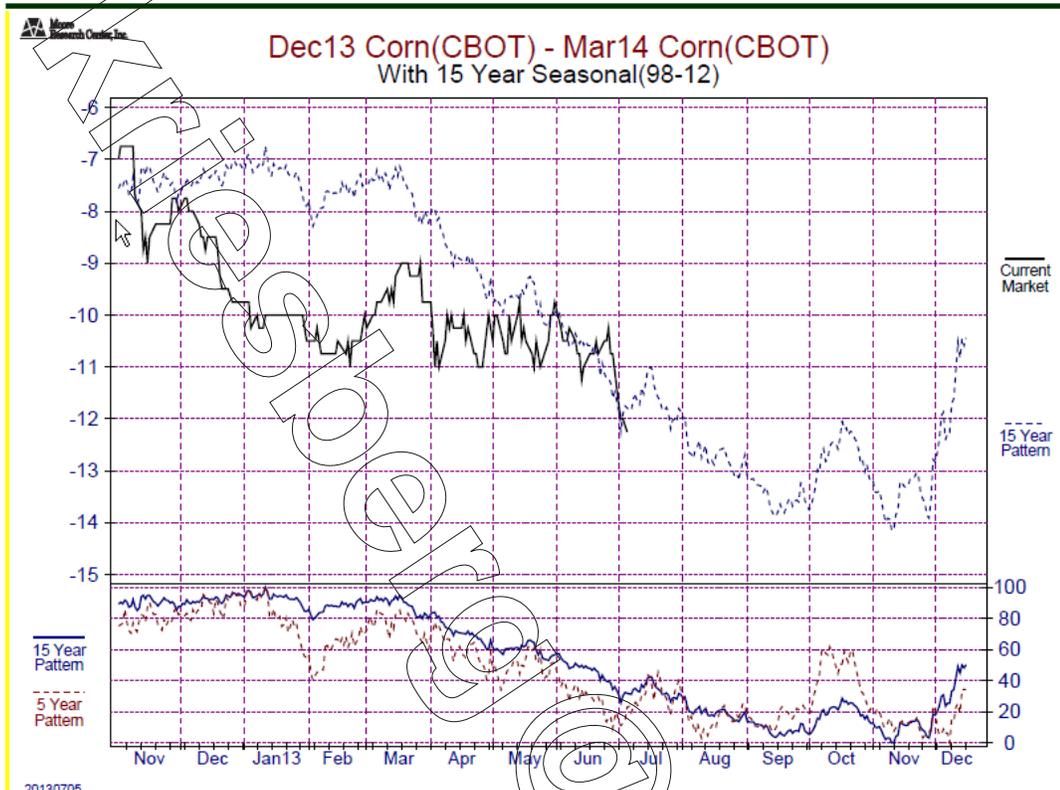
Hearing more chatter about likelihood of lower than expected harvest movement of corn and soybeans—especially if CZ and SX approach \$4.50/\$11.50 area under a trend or higher 2013 row crop yield scenario. There is no question that new high post of \$3.65 in SN/SX today (\$3.52 close) is driven in part by tight fisted farmers who own 39% of total June 1 US soy stocks vs. 27% last year. Key elements of farmer's tenacious holding of old crop soy stocks into a huge inverse—ample cash flow, abundant storage space, handsome returns to storage in recent years, could still be in play at harvest. Additionally, producers know that at least 1/3 of 2013 US soy crop was planted late in areas most vulnerable to early autumn frost (Dakotas, IA, MN, WI) which allows new crop soy market to carry more risk premium longer than in years with timely planted crops and more adequate old crop stocks. The take home point here is that soy processors and exporters, who are already booking new crop sales, may be forced into higher than preferred new crop basis levels this fall if soy farmers elect to sell corn and hold the soybeans in hopes that the later has much better upside if threatened by 2014 crop adversity in S America.

US corn condition improves 1% to 68% G/E while soy rating steady at 67% G/E vs. last week. US CN/BN ratings last year were both only 40% G/E. US corn silking only 6% vs. 20% average while soybeans blooming only 10% vs. 24% last year. US sorghum ratings, reflecting net drying in southern plains, decline 5% last week to 44% G/E vs. 32% last year. Lag in US winter wheat harvest now only 7% behind the average harvest pace of 64%. Meanwhile, HRS conditions improve

4% from last week to 72% G/E vs. 66% last year. Taken collectively, view today's ratings updates as negative for wheat, neutral/positive corn and positive for soybeans. Trade may be inclined to add more risk premium to SX if US soy ratings are perceived to erode next week amid expansion of dry area in SW Midwest.

Bottom line—brisk rally today may have legs if subsequent weather model updates confirm dryer trend to at least ¼ of US CN/BN areas (latest NWS 6-10 day attached) . CWG's mid day update, however, noted that risk is to the wetter side which if realized would reduced dry stress to only 10-15% of major US crop areas—not enough to spark a sharp short covering rally. Nonetheless, hefty summer rallies in CZ (\$1.25-\$3.00 in 4 of last 5 years) and SX (\$1.75-\$4.10 in 6 of last 6 years) have not occurred as yet. Whether today is the start of the 2013 summer row crop rally will depend on subsequent weather developments. In the meantime—suspect that bulls have the upper hand—at least short term.





#### Additional Items Interest:

- EXPORT INSPECTIONS: Wheat 25.589 (expecting 17-25), Corn 8.205 (expecting 9-15), Soybeans 2.465 (expecting 2-6).
- (Reuters) Brazilian port workers no longer planning strike on July 10, though Santos union said they might still strike... **General Strike in Brazil planned on July 1.**
- (Reuters) - Buyers in **Pakistan**, in past years a wheat exporter, have **in the past two weeks purchased around 250,000 tonnes of wheat** from the Black Sea region, European traders said on Monday. The wheat was purchased for shipment between Aug. 15 to the end of September and source regions include Russia and east Europe, traders said.
- (Reuters) - **SovEcon agricultural analysts cut their forecast for Russia's 2013 wheat crop**, citing lower than expected yields of new crop wheat as the harvest progressed, its chief executive Andrei Sizov said. The analysts cut their 2013 wheat harvest forecast **to 49.5-51.5 million tonnes from their previously expectation of 50.5-52.5 million tonnes.**
- (Reuters) **Funds bought an estimated net 9,000 CBOT corn contracts, 1,000 wheat, 7,000 soybeans, 4,000 soymeal and sold 1,000 soyoil** - CBOT floor sources.
- (Reuters) - Russia, one of the world's key wheat exporters, may harvest 52.4 million tonnes of wheat in 2013, the head of the Institute for Agricultural Market Studies (IKAR) said on Monday. **IKAR has cut its forecast from a previously expected 54 million tonnes due to a continued drought in Volga and Urals regions**, the head of IKAR.
- (Reuters) - Argentine truckers blocked access to the country's main grain exporting port on Monday in a one-day strike to protest high income taxes, another sign of mounting opposition to President Cristina Fernandez leading up to midterm elections. The work stoppage by the truckers union, one of the country's most powerful, managed to slow activity at the Rosario

grain terminal, but market players said there was enough stock on hand to keep up with demand. Argentina is the world's No. 3 corn and soybean exporter.

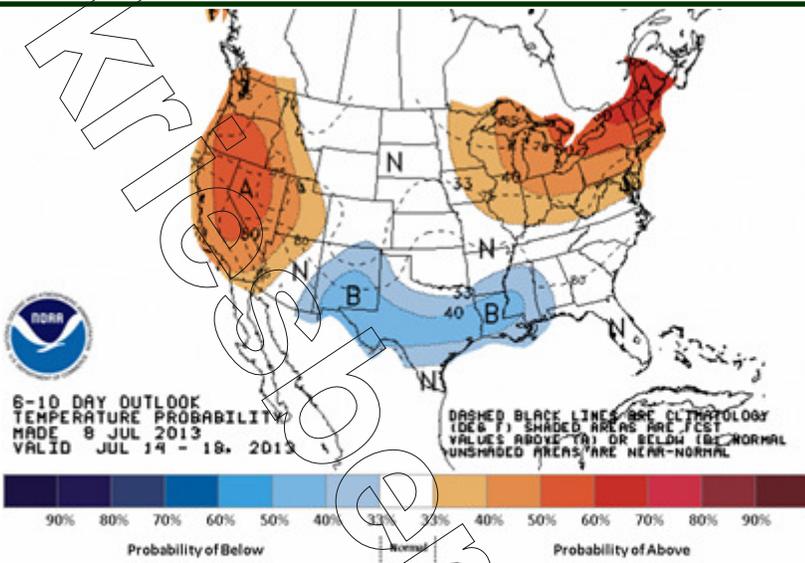
- (CME Daily Livestock Report) Total US exports of fresh/frozen and cooked beef and veal in May were 71,640 MT, 4.3% higher than a year ago. Total exports of fresh/frozen and cooked pork in May were 144,192 MT, 4% lower than a year ago.
- (Reuters) - **Advance sales of Brazil's 2013/14** soybean crop, which will be planted in September, have gained pace in recent weeks because of a weaker local currency. About 20 percent of next season's expected harvest has been sold as of Friday, compared with 5 percent in late May, Brazilian consultancy AgRural said. "The currency devaluation triggered the sales," said AgRural analyst Fernando Muraro.
- Trade estimates for US All Wheat Production and US/World carryover stocks

US Wheat	All Wheat	All Winter	Hard Red Winter	Soft Red Winter	White Winter	Other Spring	Durum
Average trade estimate	2.070	1.507	0.773	0.525	0.214	0.499	0.063
Highest trade estimate	2.140	1.555	0.808	0.552	0.220	0.540	0.080
Lowest trade estimate	2.015	1.454	0.730	0.506	0.199	0.452	0.055
USDA June estimate	2.080	1.509	0.781	0.509	0.219	na	na
U.S. 2012 wheat	2.269	1.645	1.004	0.420	0.222	0.542	0.082

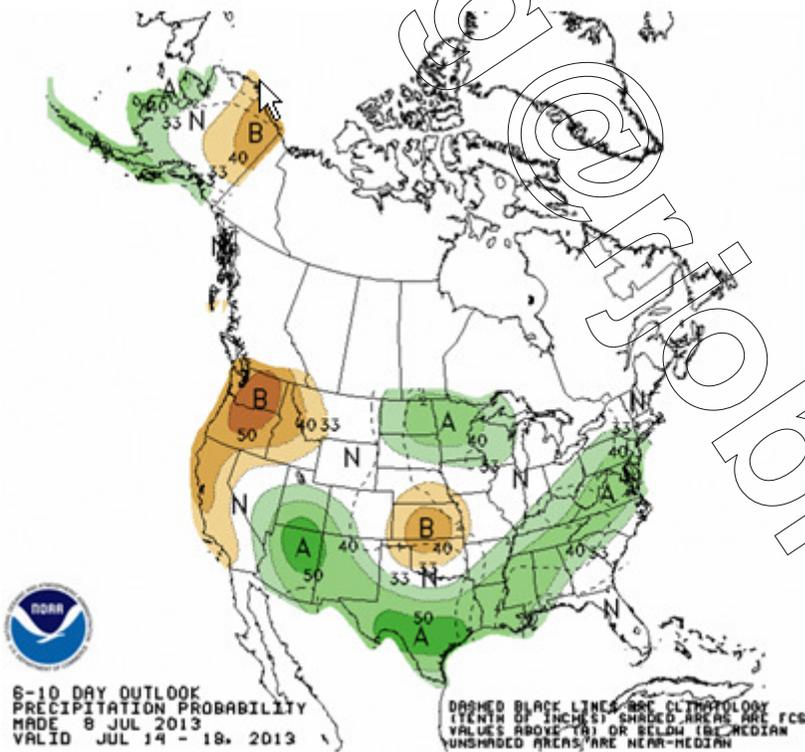
US Carryover Stks	2012-13		2013-14		
	Corn	Soybeans	Wheat	Corn	Soybeans
Average trade estimate	0.725	0.121	0.632	1.896	0.263
Highest trade estimate	0.800	0.135	0.690	2.338	0.329
Lowest trade estimate	0.537	0.104	0.566	1.618	0.164
USDA June estimate	0.769	0.125	0.659	1.949	0.265

World Carryover Stks	2012/13			2013/14		
	Wheat	Corn	Soybeans	Wheat	Corn	Soybeans
Average trade estimate	179.344	124.222	60.938	180.293	152.404	73.557
Highest trade estimate	181.030	127.590	61.300	183.000	158.897	75.000
Lowest trade estimate	177.000	122.600	60.185	175.000	149.700	69.487
USDA June estimate	179.870	124.310	61.210	181.250	151.830	73.690

NOAA 6-10 day (temp top)



Precipitation



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