Subject: Connor PM comment 5 June 2013

US soybean cash premiums continue to trend higher with interior players noting very hefty pushes paid by vertically integrated plants tethered to biodiesel production, up to the 165 to 175 or so Q range, so these locations will be the first entities to test US farmer marketing resolve to fetch $16.00 cash for physical soybeans. Although it is unusual witness soybean crushers in the US WCB published higher bid than brethren in US ECB, it's all about crush + hulls + moisture kickers + biodiesel margins combined. CBT spreads tightened with SN3SQ3 within short striking distance of export consumptive pricing capitulation flows into SN3, made in May 2013.

According to the classic definition of a bull market via Grain Marketing 101: (i) cash trades to and above delivery parity, (ii) board spreads invert and tighten to pry loose any possible hedge inventory, and (iii) flat prices rallies to a level which entices the grower to recharge pipelines. By our assessment, we're solidly invoking (i) & (ii) above as underway and now wait for the farmer to engage $16.00 cash soybeans in spots. Will it be enough to satiate demand? Well, USDA/NASS 1 June 2013 soybean stocks data on Friday define that for us.

CIF NOLA barge soybeans trekked higher in unison with domestic price action. Basis educated midpoint values, we pencil June 2013 @ 43 ¾ c above, July 1/10 @ 34 c above and straight July 2013 @ 14 ¾ c above gross SN3 delivery parity (Zone 3). With 1st notice day on Fri, 28 June 2013, we do not anticipate deliveries against SN3. Risk remains with the short SN3 position and tighter spreads or outright SAM/US export soybean cancellations appear pathway to resolve the short.

US cash corn markets much less enthusiastic relative to soybeans. Mea culpa. FOB CSX 90-car trains for Evansville IN valued 68N and Columbus OH bid 64N (higher than we reported earlier today). Mea culpa 2. We've been sleeping at the switch, failing to notice that Cedar Rapids IA corn processor posting 140U for FH Aug 2013 arrivals or approx 60N equivalence (CN3CU3 = 80c). There should be a slightly positive ethanol crush margin at this level. Why does this pique our interest? It's only 10c less than posted bids for June/July 2013, and as such offers some confirmation to suspicions that ethanol producers have precious little coverage in place for Aug 2013.

CIF NOLA corn popped higher on logistics and slack movement from the farm. In addition to expected closure of river loading along portions of the Upper Miss River system, Mid Miss lock & dams 16, 17, 18 expected to close due to high water later this week, followed by 20, 21, and 22 over the weekend. Most closures expected to last 7 days or so, but higher anxiety over the conditions at railroad bridge crossing the Miss River at Louisiana, MO. If it closes, typically last 10 days. Collaterally any uncovered, logistically short demand for corn (admittedly puny) may shift to the IL River…and retrained same on our mission critical CBT delivery warehouse system. By the numbers, CIF NOLA for June 2013 corn betters gross CN3 delivery equivalence (Zone 3) by 41c, FH July 2013 pegged 20 ¼ c above CN3 with LH July 2013 more or less spot on CN3 as a supply source (before the cost of weights and grades). Hence the unexpected strength noted today in CN3CU3, CN3CZ3. If you trade basis the numbers, we will not see CN3 delivered early in the campaign.

CIF NOLA SRW finally caught a bid for June 2013 @ 10N. Yuck. Market is forcing stronger cash carries to encourage the upstream elevator to hold SRW off the market. That's easier to accomplish north of the Ohio River Valley (more commercial storage available) than across the

US Midsouth and Delta production regions. Hence the softness in SRW premiums. Quality achieves Chinese (Sino) specs.

Same story for HRW with C Kansas protein content barely eligible for KCBT quality deliverable protein specs, but just enough (so far). KWN3KWZ3 got whacked 6c to weaken out to 27 ¾ c. Lower HRW protein event prevents MPLS cash and MWN3 anchored spreads from relaxing much.

Despite WN3WU3 trending towards full delivery carry, we expect healthy WN3 deliveries. So please review your positions and note your oldest date in the clearing house to avoid unwanted delivery assignments. Otherwise, prepare your respective treasuries to fund same in a timely fashion.

As a reminder, on Fri 28 June 2013 (a) USDA/NASS issues 1 June 2013 stocks and 1 June 2013 planted acreage, (b) 1st notice day for N, (c) month end, (d) quarter end, and (e) half year end for many. And unfortunately you have a total of 2 hours and 15 minutes to digest the USDA reports, shuffle through implications for old and new crop balance sheets and then decide how to deploy risk management. We are certain that the algos will understand or misunderstand it all before we hit the print button.

Be well rested.

Cheers.