

Corn: The Dec corn continued to attract buying interest and finished sharply higher for the 3rd consecutive day. It finished 20 cents higher at \$5.70 1/2, its highest settlement since March 27th. The July futures were up just 9 cents to \$6.82 1/4. Some traders cited a turn in the forecast to a drier pattern as the reason behind the strength in the new crop months but all agricultural markets were higher, which would also imply broader fund buying. Estimates peg them as buyers of 18,000 contracts today and almost 40,000 contracts (200 million bushels) over the last 3 days. The old crop-new crop spreads were off sharply for the 2nd straight day with the July-Sep inverse falling to 72 1/4 cents (see chart) and the July-Dec inverse falling to \$1.12.

Informa released their latest production figures (see table on next page). In it they lowered their corn acreage estimate from a month ago to 95.3 million acres but are still using a high yield figure of 160.9 bu/acre. This would keep the crop over 14.0 billion bu. The USDA is estimating the US yield at 156.5. Lanworth, another analyst, pegged the crop at 13.65 billion with a national yield of 156.7 bu/acre.

The weekly ethanol report was mixed. Production last week fell to 257 million gallons from 260 million in the week before. This implies corn usage of 95.2 million bushels. Even though this was down week over week, it still keeps the US on pace to reach the USDA's 4.65 billion bushel "corn used for ethanol" figure. Ethanol stocks did rise 19 million gallons to 691 million but are still near the lowest level in 18 months.

Both the GFS & European models are forecasting a warmer and drier bias in the Midwest after rains move through much of the Corn Belt this weekend and in the early part of next week. Some bulls are now trying to drub this up as a supportive influence. However, please remember that a year ago, dry conditions were already present in the major corn growing states by this time.

In other news: Mexico lowered their corn production estimate for 2013 to 20 mmt, down from 21.4 million in 2012. Reuters is reporting that the deadly Porcine Epidemic Diarrhea Virus (fatal to piglets) has now been found in 13 states. Before a few weeks ago, it had never been found in the US but outbreaks have occurred in China and Europe. Argentina bumped their corn production estimate to 26.1 mmt, from 25.7 mmt previously. Their farmers are set to resume selling grain in the 2nd half of this week. The trade is looking for new crop export sales to be 6-10 million bushels on tomorrow's weekly report. The USDA will release their cattle on feed report on Friday. The trade is looking for placements to be down 5% from a year ago. The total cattle on feed are expected to be down 3.7% at 10.667 million head.

Corn basis in the Midwest was mixed in the last 24 hours. Many locations (especially in W IA and NE) rolled their bids to the September, often taking 5-10 cents off the posted number in the process. At the same time, bids in E IA and IL were almost all still off the July and were steady-firmer yesterday. Today's higher price action did invite some additional movement so expect additional basis weakness tonight. The gulf market is bid at +102 N, down 3 cents from yesterday and down sharply from last week's quick ship bid of +115 N.

Soybeans: The soybeans finished notably higher with the November leading the way. However, the gains in the beans did not match the scope of those seen in corn and wheat. The Nov finished 21 cents higher at \$13.10 3/4, their best finish in a week. The July finished up 12 1/4 cents to \$15.23. As in corn, the funds were buyers of the complex (7,000 beans, 4,000 oil, and 3,000 meal). The old crop-new crop soybean spreads also softened with the July-Nov going home at \$2.12 1/4. Soybean meal finished \$3-\$7 per ton higher with the July settling at \$453.60. The oil was up more than 50 points with the July at 49.35.



Projected Corn & Bean Balance Sheets						
	Corn			Soybeans		
	13/14- Informa	13/14- USDA	12/13	13/14- Informa	13/14- USDA	12/13
Planted	95.3	97.3	97.2	77.8	77.1	77.2
Harvested	87.5	89.5	87.4	76.7	76.2	76.1
Yield	160.9	156.5	123.4	43.9	44.5	39.6
Beg. Stocks	769	769	989	125	125	169
Production	14078	14005	10780	3366	3390	3015
Supply	14872	14799	11919	3506	3530	3209
USDA Demand Est.	12850	12850	11150	3264	3264	3085
Carryout	2022	1949	769	242	265	125
CO/Use	15.7%	15.2%	6.9%	7.4%	8.1%	4.1%

Informa lowered their soybean acreage estimate to 77.8 million from 78.3 previously. This is still above the USDA at 77.1. They are much more pessimistic on yield than the USDA (who is using a record 44.5). Informa is using 43.9 bu/acres, unchanged from a previous estimate. The table at the left shows how Informa's production estimates would work through a possible 13/14 balance sheet on corn and beans. Crop analyst, Lanworth pegged bean

production at 3.35 billion bushels with a national yield of 43.3 bu/acre.

In other news: South Korea bought 60K tons of soybean meal for October arrival at \$533 C&F. It will likely be sourced out of South America. A USDA attaché projected China's soybean production at 12 mmt, the same as the latest WASDE estimate. Argentina's ag ministry lowered their soy production estimate to 50.2 mmt from 50.6 mmt previously. Weekly export sales for 13/14 are expected to be 13-20 million bushels on tomorrow's report. No sizable quantity of old crop sales are expected.

Bean basis was 5-20 cents better across much of the Corn Belt in the last 24 hours. Reports of 10+ cent pushes being paid as well. Strength in the bean meal lent support as offers were up \$3-\$5 per ton in the western Corn Belt and were steady in the eastern Corn Belt. The gulf market was bid at +95 N this morning, up notably from where it started the week.

The weather bulls also tried to cite the dry forecast in the 11-16 day timeframe as friendly for the soybeans. Like in the grains, fund buying was likely the bigger supportive influence.

Wheat: Wheat was the upside leader with Chicago up 19-20, KC up 18-20, and MN up 14-15 cents. Unlike in the corn and beans, there was little movement in the wheat spreads with the strength being seen in all months. Short-covering and fund buying were cited as the biggest reasons for the strength although news of China buying European wheat was also supportive. Chicago's relative strength to KC and MN would imply that was the case. Estimates are that the funds bought 6,000 Chicago wheat on the day. The July contracts settled at \$7.07 in Chicago, \$7.39 ³/₄ in KC, and \$8.13 ¹/₂ in MN.

According to European traders, China bought 200K tons of wheat from France for Aug-October shipment. If true, it would be China's first major purchase of French wheat since 2004/05 when they bought a total of 667K tons. China is importing wheat to rebuild government reserves that have been drawn down in recent years. They have previously bought US wheat as well.

Informa lowered their estimate of spring wheat acres to 11.8 million acres from 12.4 previously. The USDA was at 12.7 on their March Intentions.

In other news: India's government will decide on Friday if they will allow another 2 mmt of wheat exports to further cut their overly abundant wheat stockpile. Following a short crop in 2012, the UK imported 256K tons of wheat in April, up slightly from March and 3 times as large as a year ago; Germany has been their biggest supplier. Lanworth pegged world wheat production at 693 mmt, down slightly from a previous estimate of 694. Weekly export sales are expected to be 13-20 million bushels on tomorrow's report.

The Federal Reserve indicated that they would continue their bond buying program for the foreseeable future. In spite of the proclamation, the dollar has rallied sharply since the results of their meeting were released. This could offer an initial negative influence on tonight's trade.

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