

Reminder: The USDA will issue their monthly S&D as well as a Production report (wheat) at 11:00 am tomorrow morning. Friday is Last Trading Day for the July contracts.

Corn: Corn traded both sides during the session finishing slightly higher on the old crop contracts and slightly lower on the new crop. This put the Sep at \$5.53 ¾ and Dec at \$5.21 ½ at the close. A mix of influences included: a not as bad weather forecast, an export sale to China, and another week of solid ethanol production. Many traders were also cleaning up positions after two days of solid gains and ahead of tomorrow's USDA S&D update. The spreads were mixed on the day with the Sep-Dec going home at 32 ¼ cents inverse, up from 30 last night.

The Dec corn broke back when the midday GFS model came out wetter at the end of the 6-10 period, implying that next week's ridge could break down after just a few days of influence in the Midwest. The map at the right shows the start of what would be fairly widespread rains in the Midwest for the July 19-23 timeframe. Temperatures in that timeframe do look warm, especially in KS, NE, and SD. Otherwise, the weather looks dry in the next five days for all of the Midwest except the northern areas. The 11-16 day timeframe looks to bring close to normal temperatures & precip. Weather in the last 2 weeks of July will be critical as a large % of US corn will pollinate in that window.

The USDA announced the sale of 120K tons of new crop corn to China as part of their daily reporting system. If added to the amount reported on the latest weekly export sales report, the US has now sold China over 58 million bushels of new crop corn compared to 43.4 million at this time a year ago.

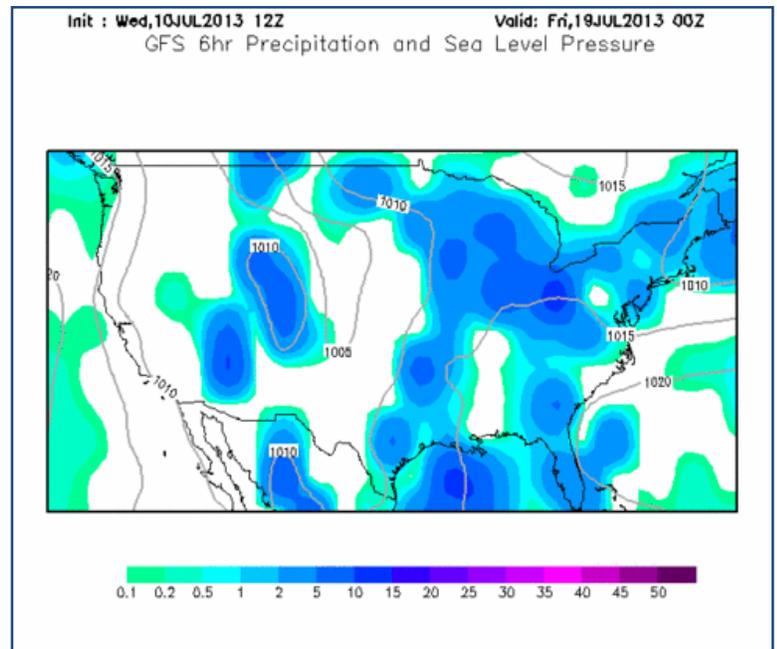
The EIA showed the US producing 259 million gallons of ethanol last week, up from 254 million a week ago. This implies corn usage last week of 96.1 million bushels. It was the 14th straight week that corn used for ethanol has exceeded the seasonal pace implied by the USDA's 4.65 billion demand estimate. They could elect to bump ethanol demand on tomorrow's report. The Ethanol RINS market rallied sharply today, revisiting highs from earlier this year, and implying uncertainty that enough ethanol will be produced/used in the next 18 months to meet government mandates.

Looking ahead to the USDA report, the trade is anticipating a smaller old crop carryout of 725 million bushels (769 last month) following the tighter than expected June 1 stocks figure released on June 28th. The new crop carryout is also expected to be lowered to 1.896 billion bushels from 1.949 billion last month on smaller harvested acres and possible bigger feed & residual usage.

In other news: Old crop corn sales are expected to be 6-10 million bushels, with new crop expected at 8-14 million. The funds bought an estimated 2,000 corn after buying 18,000 yesterday. US Senators are questioning Smithfield's CEO about food safety and foreign ownership on the heels of the company's proposed sale to China's Shuanghui International. In testimony he said "We believe this transaction has no impact on US food supply and therefore no impact on food security".

Midwest corn basis was mixed-firmer in the last 24 hours. Ethanol plants generally improved their bids by 2-10 cents per bushel and were paying notable pushes of 10-20 cents at some locations as well. The rail market has been improving, as well. A few locations on, or close to, the river softened by 2-5 cents. The gulf is reportedly bid at +54 N, up a bid from yesterday.

Soybeans: November soybeans were the upside leader, trading as much as 18 ¾ cents higher at one point. However, the better midday weather allowed them to soften into the close. They still finished 8 ½ cents better at



\$12.84 ¾, the best level since June 20th. Supportive outside markets (higher energies, weaker dollar) were also a bullish factor. Other bean contracts performed less well, with August down 3 ½ cents and Nov '14 up just 2 cents. The July finished 21 ½ cents weaker. The old-new spreads weakened considerably while the new crop spreads were generally firmer, implying continued concern over the weather forecast and the condition of the US bean crop. The Nov-July settled at a penny inverse, having traded at 16 cents carry on Monday.

Like the soybeans, the meal and oil saw the new crop contracts close higher with the old crop contracts steady-softer. The August meal was up \$0.80 to \$450.10 while the August oil was unchanged at 47.02.

The trade is looking for the old crop carryout to remain drum-tight on tomorrow's S&D at 121 million bushels compared to 125 million a month ago. The new crop carryout is also seen as close to unchanged at 263 million bushels vs. 265 million a month ago. Weekly export sales are expected to be minimal for old crop but 7-13 million for new crop (see table at right).

Weekly Export Sales-July 4th				
	12/13		13/14	
	Estimates	Last Week	Estimates	Last Week
Corn	5.9-9.8	9.2	7.9-13.8	3.2
Beans	0.0-3.7	4.3	7.3-12.9	9.2
Wheat	-	-	23.9-33.1	21.8

*-all in mil bu. Source: Reuters

News today included: China announced that they imported a record 6.93 mmt of beans in the month of June, mostly from Brazil. May's imports had been 5.1 mmt. Malaysia's palmoil export pace has slowed so far this month. Not coincidentally, India's imports of palm oil were down 13% in June vs. May. They are the world's largest importer. A new study in the EU is claiming that some crop-based biofuels are more polluting than traditional fossil fuels which may influence the ongoing debate in Europe about reducing their biofuels blending requirements. The funds bought an estimated 5,000 beans, 3,000 oil, and 2,000 meal on the day.

Bean basis in the Western Corn Belt softened 10-20 cents per bushel. The ECB was steady. Several bean plants in the WCB rolled their meal offers to the Q and gave up \$10-\$12 a ton in the process, which added to the weaker tone in the bean basis. Bean basis at the gulf was offered at +74 N, unchanged from yesterday. The bid side was softer.

A supportive inventory report rallied the crude oil and other energies, whose strength spilled over into other commodities as well, including the soybean complex. Implied refinery demand climbed to a 6 year high. Meanwhile minutes from the latest Fed meeting showed many members wanted to see more progress on employment before pulling back on stimulus measures. This has pressured the dollar since their release at 1:00 pm, Chicago-time.

Wheat: KC wheat finished 4-5 cents higher; Chicago wheat was up 1-3; MN was steady to slightly higher. Increasing export interest from the North Africa region, as well as China, has supported values this week. Expectations that the USDA will lower their US wheat estimate on tomorrow's production report, also lent support. The September contracts settled at \$6.79 in Chicago, \$7.09 in KC, and \$7.66 ½ in MN. The wheat spreads finished mixed on the day.

The table at the right shows the average trade estimates for tomorrow's wheat production report. The trade is looking for a slightly smaller US wheat crop but for this to come on smaller HRW and HRS crops and a bigger SRW harvest. Tomorrow's S&D will also offer the first by-class balance sheets for 13/14 which will be watched closely by the trade. From a carryout standpoint, the trade is looking for the 13/14 wheat carryout to fall to 632 million bushels from 659 million last month.

2013/14 US Wheat Production			
	Average Estimate	Estimate Range	USDA June '13
All Wheat	2.070	2.015-2.140	2.080
All Winter	1.507	1.454-1.555	1.509
HRW	0.773	0.730-0.808	0.781
SRW	0.525	0.506-0.552	0.509
W. White	0.214	0.199-0.220	0.219
Spring	0.499	0.452-0.540	-
Durum	0.063	0.055-0.080	-

The international wheat market continues to heat up. Among the countries that are looking to buy or have bought recently include: Iran (almost 46 million bu in the last 2 months, according to traders), Jordan (tendering for 150K tons), Pakistan (normally an exporter, now importing) and of course China (49 million bushels in SRW sales announced by the USDA in the last week alone). Additionally, Egypt has received aid money from Saudi Arabia, UAE, and Kuwait that could be used to purchase foreign wheat. Indeed, they have already tendered for vegetable oil and sugar in recent days. None of this business will come from the US but it will increase the speed at which the world chews through the available Black Sea wheat.

In other news: The funds were even in wheat. Export sales are expected to be 24-33 million bushels. India's wheat stocks fell 5% last month but are still above government targets. US weather looks conducive for the completion of HRW harvest and HRS development. The SRW belt should see drier conditions going forward aid their harvest efforts.

THOMAS MEIEROTTO
Commodity Risk Manager

tmeierotto@rjobrien.com

d (515) 221-3555 // **m** (319) 470-7732 // **tf** (800) 283-5132 // **f** (515) 221-9559



RJO'Brien
939 Office Park Road, Suite 225
West Des Moines, IA 50265
www.rjobrien.com

This material has been prepared by a sales or trading employee or agent of R.J. O'Brien and is, or is in the nature of, a solicitation. This material is not a research report prepared by R.J. O'Brien's Research Department. By accepting this communication, you agree that you are an experienced user of the futures markets, capable of making independent trading decisions, and agree that you are not, and will not, rely solely on this communication in making trading decisions.

DISTRIBUTION IN SOME JURISDICTIONS MAY BE PROHIBITED OR RESTRICTED BY LAW. PERSONS IN POSSESSION OF THIS COMMUNICATION INDIRECTLY SHOULD INFORM THEMSELVES ABOUT AND OBSERVE ANY SUCH PROHIBITION OR RESTRICTIONS. TO THE EXTENT THAT YOU HAVE RECEIVED THIS COMMUNICATION INDIRECTLY AND SOLICITATIONS ARE PROHIBITED IN YOUR JURISDICTION WITHOUT REGISTRATION, THE MARKET COMMENTARY IN THIS COMMUNICATION SHOULD NOT BE CONSIDERED A SOLICITATION.

The risk of loss in trading futures and/or options is substantial and each investor and/or trader must consider whether this is a suitable investment. Past performance, whether actual or indicated by simulated historical tests of strategies, is not indicative of future results. Trading advice is based on information taken from trades and statistical services and other sources that R.J. O'Brien believes are reliable. We do not guarantee that such information is accurate or complete and it should not be relied upon as such. Trading advice reflects our good faith judgment at a specific time and is subject to change without notice. There is no guarantee that the advice we give will result in profitable trades.