

CORN:

Values surging higher on continued wet weather planting fears. Trade sees the possibility of two to three days of dry weather before additional rains approach the grain belt Monday and Tuesday to further thwart field activity. Trade looks for only moderate weekly planting progress in Monday night report. USDA will also issue first national corn condition report that may reflect mediocre conditions. Trade now fearful of a near record slow late season planting situation to threaten final acreage and cut production potential. Flooding, ponding and nitrogen loss all feared reducing yield prospects in the wet western belt. Crop conditions should be reflected at a high level however in the drier eastern belt. Weekly export sales of old crop corn at 85,700 vs 188,000 last year. We need 134,000 tons of weekly sales to reach USDA annual forecast. New crop sales at a strong 789,000 tons vs only 94,000 last year. IGC estimating world corn production up 10% vs USDA May forecast up 12.7%. Funds long 116,000 contracts of corn futures. Trade noting discounted US SRW undercutting Southeastern feed demand. Index rolls start next Friday. Next week weather forecasts will possibly set us up for a volatile Sunday/Monday/Tuesday trade. FCStone price models incorporating lower new crop demand ideas would suggest current December values are discounting a 150 type yield with 4 million acres lost. Trade clearly unsure of actual acreage and yield potential now facing an unprecedented late season delay in planting.

SOYBEANS:

Values surging higher on technical fund buying and persistently strong US soymeal export sales pace. USDA did indicate a net cancellation of 108,000 tons of old crop soybean sales vs a sale of 240,000 for the week a year ago. New crop sales strong at 756,000 tons vs 178,000 last year. US actually needs 179,000 tons of weekly sales to reach USDA forecast. Soymeal sales however robust at 149,000 tons vs 33,000 last year. Oil sales of 2,900 vs 12,700 last year. We already have 581,000 tons of soymeal sold beyond USDA's annual forecast. Total sales would even exceed USDA annual forecast considering normal cancel back pattern of outstanding sales at the end of the year. Total US soybean sales only 6 million bushels from USDA's annual forecast. Trade debating how long intolerable US soymeal export sales pace will continue. Last year the US sold over 2.5 mmt of soymeal from this date forward.

Soymeal a/o June 1 (mmt)

	<u>2013</u>	<u>2012</u>
Sold	9065	6764
Annual	<u>8484</u>	<u>8835</u>
To Sell	0	2571
Shipped	7673	5392
Annual	<u>8484</u>	<u>8835</u>
To Ship	811	3443
Sold	9065	6764
Shipped	<u>7673</u>	<u>5392</u>
Sold to Ship	1392	1372

Trade questioning whether South American meal exports can vary substantially to reduce US demand appropriately.

South American Soymeal Exports – 2012

	<u>Brazil</u>	<u>Argentina</u>
Mar	1.15	1.59
Apr	1.40	2.17
May	1.36	2.87
Jun	1.46	2.35
July	1.33	2.45
Aug	<u>1.49</u>	<u>2.17</u>
Total	8.19	13.60

To curtail US demand adequately, world buyers will need to defer/delay purchases with a sharp inverse in high absolute prices. Current soymeal situation could easily prompt analysts to project US crush as much as 90 million bushels above current USDA forecast. Even with smaller exports and the possibility of a negative residual (more crop find back), US stocks will still plunge to near intolerably tight levels.

US Soy 12-13

	<u>USDA</u> <u>May</u>	<u>ALT 1</u>	<u>ALT 2</u>
Carryin	169	169	169
Production	<u>3015</u>	<u>3015</u>	<u>3015</u>
Available	3204	3204	3204
Crush	1635	1720	1720
Export	1350	1330	1330
Seed	90	90	90
Residual	<u>5</u>	<u>5</u>	<u>- 30</u>
Total	3080	3145	3110
Carryout	125	59	94

USDA announcing 30,000 tons of soyoil sold to Germany. Reports of Argentina soy exports going to Asia and the Middle East and not Europe with smaller rapeseed and sunseed production in EU prompting recent purchase. November futures advancing in tandem with the nearby futures as moving averages turned higher prompting additional fund buying. Fundamentally, despite ideas of more acreage, traders are confronted with ill-defined ideas regarding new crop yield prospects with the potential for near record late plantings. More critically, the trade is confused with a robust and likely overly optimistic new crop US soy demand estimate in USDA forecast. USDA forecasting next year US soy demand up 184 million bushels from the rationed level this year. This despite South American soybean stocks on September 1 up 770 million bushels or over 20 mmt from a year ago. FCStone would see a likely smaller new crop demand base having a significant effect on our view of new crop price potentials.

US Soy 13-14

	USDA <u>May</u>	<u>ALT</u>	FCStone <u>Use</u>
Planted	77.1	79.1	
Harvested	76.2	78.1	
Yield	44.5	42.0	
Carryin	125	105	
Production	<u>3390</u>	<u>3280</u>	
Available	3530	3400	
Total Use	<u>3264</u>	<u>3264</u>	<u>3100</u>
Carryout	265	136	300

However, taken at face value, USDA's strong demand could combine with any trade expectation of a mild production threat to suggest dramatically tightening S&D ratios that would actually support prices above current levels. Trade will grapple with the perception of what type of new crop demand is appropriate for months to come. Funds long 113,000 soybeans, 53,000 meal and short 16,000 oil. While processor basis values have dropped sharply in the past two weeks, Illinois River basis still some 15 cents over DVE. Index funds begin bear spreading in seven business days.

WHEAT:

Values trading higher in sympathy with row crops despite Japan and now South Korea temporarily suspending US wheat purchases until they can clarify recently discovered GMO issue. Old crop US wheat sales of 35,900 with new crop sales of a strong 728,000 vs 325,000 last year. IGC estimating world wheat production up only 4% vs USDA's 6.8% increase. EU recommending testing of US wheat for export despite the lack of any quick test. Iraq reported buying 250,000 tons of Russian wheat. Rains expected to ease western Ukraine dryness. Western US HRW areas to remain dry. India looking to export 100,000 tons. Funds short 41,000 contracts of Chicago wheat.

ECBOT	HIGH	LOW	CLOSE	CHANGE
July Corn	6.6575	6.5225	6.62	+ 7 3/4
Dec Corn	5.73	5.5775	5.6725	+ 4 1/2
July Beans	15.23	14.9425	15.10	+ 14 1/4
Nov Beans	13.1475	12.8875	13.0425	+ 15
July wheat	7.075	6.925	7.055	+ 6 3/4

Regards
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FCStone