

AM Grain Notes
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Richard J. Feltes, VP – Research
rfeltes@rjobrien.com

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Row crop markets, after posting sharp losses in new crop futures yesterday, are stable this morning on short covering and supportive weather forecast that will stall out needed rebound in western Midwest row crop planting. Exports sales in meal, as suspected, were impressive while feared cancellation of old crop soybeans did not materialize. Small new cancellation in O/C corn sales secondary to ongoing strong domestic basis levels which show no sign of abating. Hearing more reports that IA feedlots and ethanol plants concerned about sourcing corn LH July into Sept with very little harvest expected before Oct. Palm oil rally today to 9 week high in anticipation of Monday's release of end of May Malaysian palm stoc of 1.78-1.80 mmt—off 6-7% vs. April and the lowest level since 4/12.

Weather leans positive with wetter weekend tone for IA which along with S MN, N MO and W WI is slated for inch plus weekend rainfall. Next system slated for Tues across IA leaving little time for drying. Models confirm active Midwest storm track into mid June—by no means general coverage or heavy rains but nonetheless persistent thus allowing only 2-3 open days between fronts.

Nonetheless, warmer temps and increasing daylight will improve drying conditions vs. recent days. ND open until late Sunday with another rain expected Tuesday which suggests increase in PP acres. Portions of SE US will be pummeled with 6 inch rains from Andrea although many areas will welcome the moisture. FSU wheat looks good while E Europe continue. Look for improved HRW harvest conditions next week with latest reports suggesting improving OK wheat yields as custom cutters press northward.

Equities ease after early amid lowering expectations on Friday's jobs report, renewed concern over effectiveness of Fed policy, high EU unemployment and sluggish Australian trade numbers. Additionally, JPM in new report says PRC's recovery will fall short of expectations. PRC will release slew of eco updates this weekend as Chinese President XI kicks off 2 day (June 6/7) summit with Obama.

Most notable changes this week so far include 20 cent+ drop in CZ, the 20 cent gain in SN and a remarkably stable wheat market torn between improving FSU wheat prospects and likely shortfall in US HRS acreage/delayed Canadian HRS planting. Feels like ag markets are underperforming relative to prolonged spring planting delays although flip side is that sub-optimal start to 2013 US growing season may simply be delaying inevitable shedding of new crop risk premium in wake of dramatic improvement in spring moisture conditions across the E Plains and Midwest. Latest Drought Monitor (see attached) shows dryness virtually erased across Dakotas and western Midwest but still worrisome through C and W Plains.

Bottom line—strong old crop cash markets along with shortfall in intended US row crop area (and yield potential) working to slow seasonal sell off. We think upside from here is limited until/unless weather turns dry while downside limited until we get better reading on actual planted area and June 1 corn stocks

relative to expectations. We're on the road to OH today thus Daily Grain Oilseed Update and Outlook will resume on Monday.

Foreign Markets:

- Palm market up 32 ringgits at 2435
- Paris milling wheat down 1.5 euros at 204.50
- Dalian beans off 2.75 cents, meal down \$5.10, soy oil down 12 and corn down 2 cents.

Additional items of interest include:

Outside Markets:

- **(RJO NY's Janet Mirasola)** Wall St. is starting to show the strain associated with holding markets at elevated levels with only stimulus as support. The possibility of a "foot off the gas" approach by Benny and the Fed coupled with the reality of some poor economic news where productivity and employment only showed modest growth gave investors reason to question their "irrational exuberance" which had taken equity values to all time record highs. The global reaction which began in Japan where Abe's third arrow failed to hit another bulls eye has continued and the **DJIA closed down 216 points** and back below 15,000 for the first time since early May. Overnight Asian markets followed with the **MSCI Asia Pacific Index losing 1.2%** and the **Nikkei giving back another 0.85%** of its gains to close below 13,000, a level not seen since mid April. **This is now a 19% correction** from the 15,942 high seen on May 23rd a percentage that equates to 3,000 points. **Shanghai Shares fell for a sixth day by 1.12%, its longest losing streak in a year** as traders there trim risk ahead of Trade data due tomorrow and CPI, PPI, Industrial Production and Retail Sales results due this weekend. **Euro bourses are mixed** as they trade in light volume waiting for news this morning from Central bank policy meetings at the BOE and the ECB. Rates are expected to remain unchanged but traders will look for direction from comments made by Super Mario (Draghi) after the announcement. Focus will shift back to the US later this morning where results **from Weekly Jobless claims** that are the pre-cursor for tomorrow's all important Nonfarm Payrolls are expected. Continue to watch headline and breaking news for help with short term direction bearing in mind that China really is slowing and will likely see confirmation in upcoming economic data results.. Europe really is still a mess and even though Super Mario pledged to do "whatever it takes" he didn't say how long that would be and he may still have to hint of negative interest rates to keep his promise alive. Here **in the US weaker than expected eco data results may finally be having a dampening effect on equity investors** who have relied too heavily on Benny and Fed's oodles of stimulus.....
- **(JPM)** **The big problem remains volatility – stocks aren't so much worried by the latest news flow itself but rather the sharp spike in Fixed Income volatility** engendered by the Fed's tapering campaign. Assuming the eco data continues along its present course (i.e. pointing to slow recovery) stocks may not receive much solace until Bernanke's post-FOMC meeting press conf Wed June 19.
- **(FT)** Sharp fixed income swings cause steep losses for quant funds.
- **(Bloomberg) -- China's crackdown on fake export invoices used to disguise money flows is probably trimming the nation's trade figures**, revealing subdued global demand that will weigh on economic growth.

- (American Banker) "A rise in 10-year Treasury yields and a potential collapse of the bond market has many bankers worrying about exposure to long-term securities"
- (Bloomberg) -- Commodities are trailing equities for the longest stretch in almost 15 years as Goldman Sachs Group Inc. and Citigroup Inc. predict the end of the decade-long bull market even as the global economy expands. Investors pulled a record \$23.3 billion from commodity funds this year as global equities attracted \$182 billion, according to EPFR Global, which tracks money flows. Most commodities will drop this year as China's economy moves from a focus on infrastructure to domestic consumption and services, Citigroup's Ed Morse said in a May 20 report.

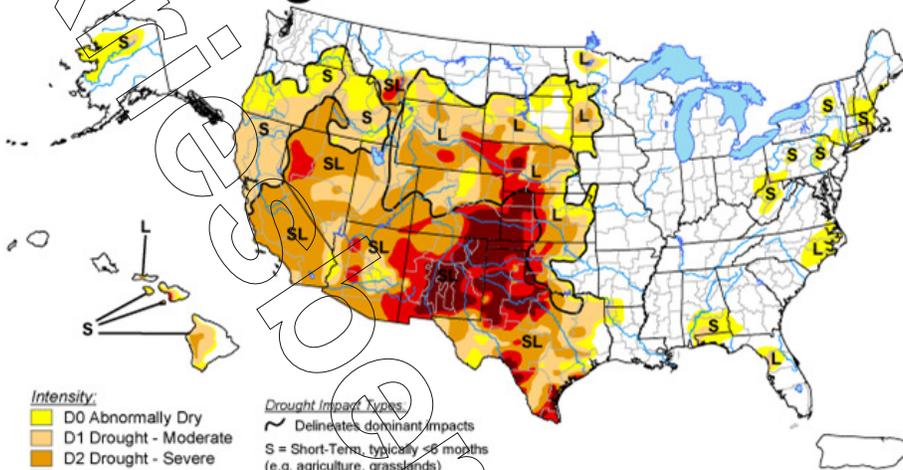
Ag Markets:

- (Reuters) - Argentine farmers may temporarily halt crop sales at some point in the next two months to protest government trade and economic policies that they say hurt profits. President Cristina Fernandez, re-elected in 2011 on promises of deepening the government's role in Latin America's third biggest economy, has long feuded with the country's farm sector. Argentina is the world's top exporter of soybean and soybean meal, as well as its No. 3 supplier of corn and soybeans. "It is likely that the main farm groups will at some point over the coming two months organize a protest measure, such as a strike," said Ernesto Ambrosetti, chief economist with the Argentine Rural Society,
- SINGAPORE--Japan Thursday bought 163,605 metric tons of milling wheat in four grades for bulk shipment including 61,140 tons of U.S. wheat (HRW and HRS), an official with the Ministry of Agriculture, Forestry and Fisheries said.
- (IL/IA crop update) Crops look very good from Decatur to Champaign. Very limited drowns. May hear of slight fieldwork tomorrow afternoon but should be (assume miss 30% slight showers). Talked to elevator mgr 60 miles W of Des Moines this eve: Crops look very good - should be back in fields Sat aft- Sun to finish beans.
- EPA, who can adjust ethanol use targets, will announce US ethanol use requirements this summer for 2013 and 2014.
- India May meal exports of 96 tmt are down 32% from last year due to lower priced S American soy meal.
- UN says rebound in 2013 global wheat and corn production will weigh on prices although strong demand will pre-empt price freefall.
- Weekly ethanol production yesterday at 885 tbd was the highest since 6/12 and if continued at that rate would suggest that USDA is 75-90 mb too low on old crop corn ethanol demand (USDA at 4.6 bil bu).
- Weekly egg sets 101% of last year—chicks placed at 100%.
- Goldman roll starts tomorrow.
- (Reuters) - Brazil's Agriculture Ministry shaved its June forecast for the 2012/2013 soybean crop slightly to 81.3 million tonnes (USDA 83.5 mmt), but raised its estimate for the country's total corn output to 78.5 million tonnes (USDA 76 mmt). Both crops are well into record territory. The ministry's crop supply agency Conab also raised its view of the wheat crop to 5.56 million tonnes in a report on Brazil's grain output, published on Thursday
- Iran over last 2 weeks buys 600 tmt German and Black Sea wheat for J/A/S.

- (Bloomberg) -- The acquisition of Smithfield Foods Inc., the largest U.S. pork producer, by Hong Kong-based Shuanghui International Holdings Ltd. is likely to promote more pork exports to China from the U.S., Gerald Bange, chairman of the World Agricultural Outlook Board of the U.S. Department of Agriculture, said in Beijing today.
- (Bloomberg) -- Global wheat production is forecast to rise to 702m t in 2013-14 from 659m t in the previous season, according to a report from the Agricultural Market Information System set up by the G-20 countries. Wheat production to rise to record in 2013 on rebound in Europe, Black Sea region. Wheat 2013-14 ending stocks forecast to rise to 173m t vs 164m. World corn production in 2013-14 to rise to 963m t vs 873m t. Corn ending stocks to climb to 174m t vs 135m t
- (Bloomberg) -- Agricultural prices will climb in the next decade on a combination of higher energy costs, falling productivity growth and rising demand, the OECD and the UN's Food & Agriculture Organization forecast. Extended periods of low prices for farm goods, driven by ever-increasing yields and cheap oil, "seem now a feature of a bygone era," the Organization for Economic Cooperation & Development and the United Nation's FAO wrote in a joint report on the outlook for agriculture through 2022.
- BEIJING--China's appetite for the world's supplies of wheat and rice may be ebbing, according to a new forecast, as its growing ability to feed its people reduces its dependence on imports. China, the world's largest consumer of the two staples, will be able to sustain a 98% self-sufficiency rate over the next 10 years, according to a report jointly issued by the Organization for Economic Co-operation and Development and the United Nations Food and Agriculture Organization. That is a slight increase from 2012's levels, based on Wall Street Journal calculations. China's imports of cereals, including wheat and rice, surged last year, triggering concerns China may need more imports to feed its people. The U.S. Department of Agriculture expects China to pass Nigeria to become the world's largest rice importer in the next marketing year. The USDA forecast China will import 3 million tons of rice in the year that will begin July.
- (House Hearing on Ethanol) Petroleum and poultry producers told the subcommittee that implementing the renewable fuel standard requirements is responsible for driving up food and fuel prices and should be repealed. The impending blend wall—the point at which the amount of ethanol that must be blended into the nation's gasoline supply exceeds the 10 percent maximum approved for all vehicles on the road—will only exacerbate those impacts, the industry groups said. "The renewable fuel standard is irreparably broken and poised to do significant harm to consumers, the economy, and the nation's fuel supply," Jack Gerard, president and chief executive officer of the American Petroleum Institute, told the subcommittee. "The impact of the mandate has been made worse by EPA's unwillingness to let science, court decisions, and common sense guide its implementation."
- EXPORT SALES: Highlights include 486 tmt O/C beans to PRC
 - Wheat --Old (32) tmt or -1,176 (1,000 bu); New 665 tmt or 24,435 (1,000 bu)-- Expecting 300-600 tmt
 - Corn --Old 107 tmt or 4,212 (1,000 bu); New 52 tmt or 2,047 (1,000 bu)--Expecting 500-800 tmt
 - Soybeans --Old 48 tmt or 1,764 (1,000 bu); New 590 tmt or 21,679 (1,000 bu)-- Expecting 300-700 tmt
 - Soymeal --Old 134 tmt ; New 137 tmt --Expecting 75-175 tmt
 - Soyoil --Old 31 tmt ; New - 0 tmt --Expecting 30-40 tmt

U.S. Drought Monitor

June 4, 2013
Valid 7 a.m. EDT



Intensity:
 D0 Abnormally Dry
 D1 Drought - Moderate
 D2 Drought - Severe
 D3 Drought - Extreme
 D4 Drought - Exceptional

Drought Impact Types:
 ~ Delineates dominant impacts
 S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
 L = Long-Term, typically >6 months (e.g. hydrology, ecology)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



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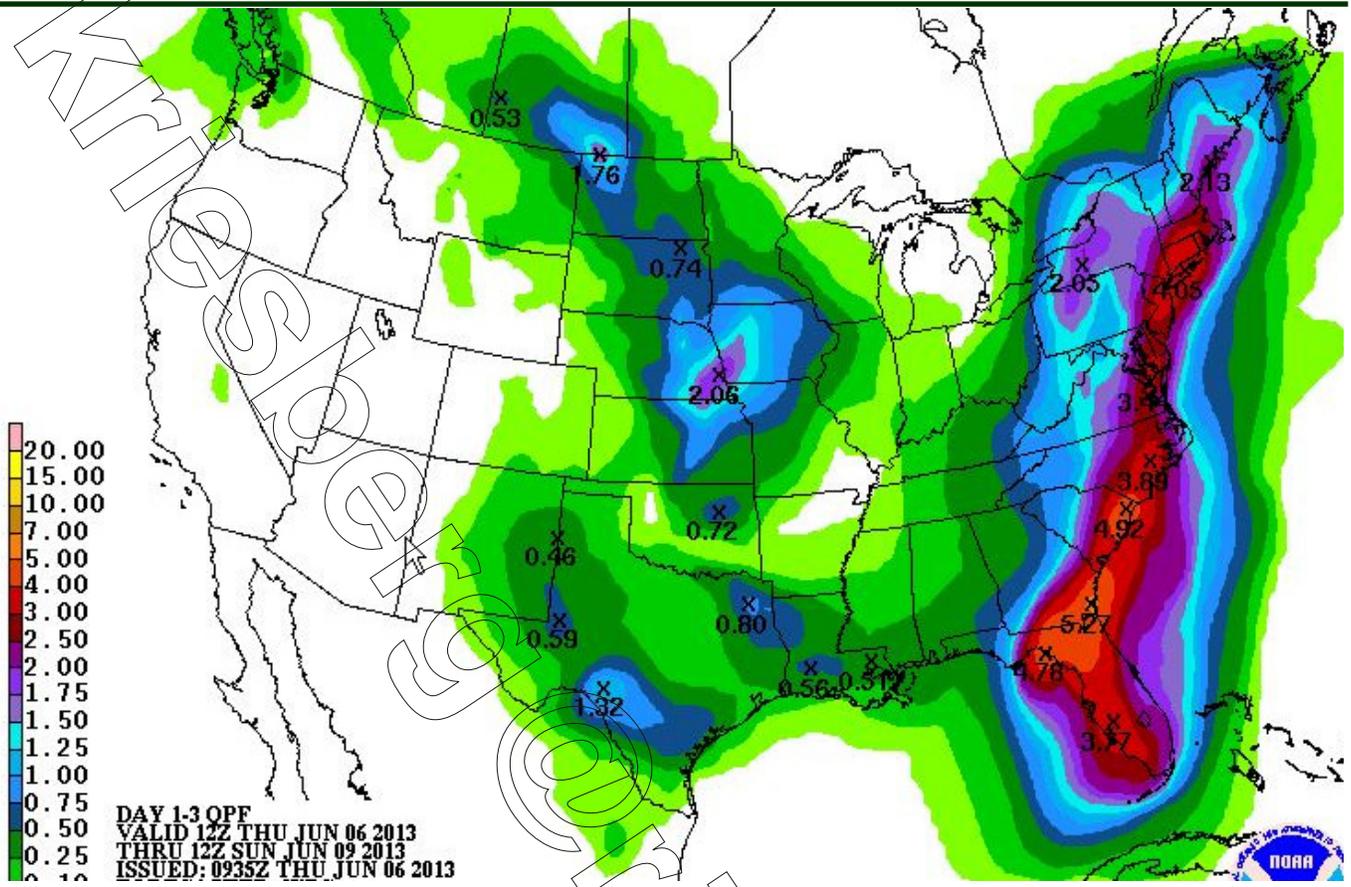
Author: David Simeral, Western Regional Climate Center

<http://droughtmonitor.unl.edu/>

Final Planting by State

State	Corn	Soybeans
IA	May 31	June 15
IL	May 31 and June 5	June 15 and June 20
IN	June 5	June 20
KS	May 20 and May 31	June 25 and June 30
MI	June 5	June 15
MN	May 31	June 10
MO	May 25 and June 5	June 20 and June 25
ND	May 25 and May 31	June 10
NE	May 25 and May 31	June 15
OH	May 25 and May 31	June 15
PA	June 10	June 10 and June 20
SD	May 25 and May 31	June 10
WI	May 25 and May 31	June 10 and June 15

Source: USDA Risk Management Agency



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