



TUESDAY, MAY 28, 2013

Morning Summary: Japan, Europe and China all remain a major economic question mark. I doubt however anything new or enlightening will be revealed this week with such a light economic calendar. Macro traders will continue to debate the US Fed's next move and in particular when and how much QE "tapering" will take place??? Several sources already eyeballing the September FOMC meeting as the first "real test." There is talk circulating that if US employment numbers can average around 200,000 new jobs a month through the summer then we could actually see our first steps towards "tapering." Stock market bulls will argue it is too soon, and no Fed "tapering" will take place until at least December or maybe even not until early-2014. Regardless, with ALL talk being that "quantitative easing" will be shrinking in the months ahead, the US dollar continues to push higher. Just look at gold, it seems to have been predicting and end to "QE" for the past 4-5 months???

Saudi Arabia: I heard several rumors over the weekend that Saudi Arabia's King Abdullah is in bad condition...maybe even dead??? The Royal Court has yet to comment, but the aging Saudi monarch has not recently appeared in the public and the country's Crown Prince is attending official meetings on his behalf. The 89-year-old king's health has declined over the past few years, during which he has been hospitalized several times. Failing health, old age, as well as the death of the king's half-brothers have raised concerns about the future of the oil-rich country in the face of anti-government demonstrations. Keep in mind, already during the past 18-months, Saudi Arabia has appointed several leading younger members of the ruling family to senior posts, including the interior ministry and governorships of Riyadh and Eastern Province, two of the most important districts in the country. Also understand this is a country where top posts are often held for decades. Meaning these moves represent a major "changing of the guard" for the inner circle of Saudi Arabia. Unlike in European monarchies, the Saudi succession does not move from father to eldest son, but instead is passed down a line of brothers born to the kingdom's founder, King Abdulaziz, that included King Abdullah. However, that line is nearly exhausted and the ruling al-Saud must soon work out which of King Abdulaziz's grandsons is best placed to one day become the nations leader. This also presents several military questions energy traders will be curious about. Remember, for over 45-years Saudi's elite national guard (estimated at close to 100,000 strong) were commanded by King Abdullah. With several leadership changes in Saudi Arabia it will certainly be interesting to see how it all plays out in the Middle East.

Money-flow in the grain and soy markets continue to produce extreme volatility. With "month-end" approaching this Friday, I suspect even more extreme swings, especially in the spread markets. Remember, many of the funds will start rolling out of the JUL13 con-

tracts during the next 2-3 week window. With many looking to start rolling to new-crop contracts, traditional logic often associated with "spread" trading is out the window. Moral of the story, spreads could end up being more dangerous than flat-price during the next 10-15 days of trading. Proceed with extreme caution! We are also continuing to see more money-flowing out of commodities and into US equities, possibly more signs of longer-term commodity headwinds.

Weather bulls here in the US continue to talk about an extended rainfall forecast that will further delay planting. With just 50% of the soybean crop planted (my guess) the trade seems more concerned than ever about the optimistic record USDA yield estimate and the total number of acres that will ultimately get in the ground. On a global scales, weather seems to be less of a concern as rains across the east coast of Australia, parts of the Black Sea region and China have helped ease supply concerns.

Corn planting progress will once again be the topic of discussion following this afternoons latest USDA estimate. Most in the trade seem to be thinking the corn crop will be close to 85% planted vs. 90% average. In turn I am guessing many longer-term traders will begin to focus their attention on the following weeks "crop condition" report and ultimately overall US "yield" projections. There was a great article written a few years back by Hembree Brandon over at "Delta Farm Press," titled ["The Thief Stealing Corn Yield?"](#) In the article they talk to John McGillicuddy, a well respected independent agronomist in Iowa City, Iowa about "yield" and how it can be seriously impacted between the germination and emergence phase. I encourage everyone to read the full story by clicking the link above. Below are what I deemed to be a few of the more important highlights and thoughts for us to consider:

- *"The greatest yield potential you're going to have with a corn crop," says John McGillicuddy, "is the day the corn germinates — it's downhill from there, the corn yield curve never goes back upward; there are no do-overs in corn production."*
- *Corn will hold a relatively constant yield potential until it hits stress, and then it can all of a sudden unload 20 bushels.*
- *Corn yield can be reduced to a simple equation: Kernel Numbers x Kernel Weight = Yield.*
- *Corn development has two stages: Yield establishment and Yield preservation. "When you lose yield, it will be either in the early development stage when yield is being established or the late development stage when yield is being preserved."*
- *Weakest period in a corn plant's life is from germination to emergence, and the faster it gets out of the ground, the better. Until it gets leaves into the atmosphere, the corn plant cannot respire effectively, so it needs to get up quickly. Thirteen days is the magic number from germination to emergence."*
- *If yields are below normal we first look at the girth and length of ears and weight. We budget for 7 bushels per 1,000 plants. If ear count was down, we almost always are looking at something that happened between germination and emergence. If the loss was because of kernel weight, that indicates something happened mid- to late dough stage and beyond — nitrogen availability, limited sunshine in August, or perhaps dew and fog that can cause leaf diseases.*
- *Is the ear girth within normal range for that variety? You want one-third or more of the ears to be in the upper range of girth for that variety. Kernel count on the ear should be about equal from a couple inches from the butt to a couple of inches from the tip.*
- *Until just prior to tasseling, the plant is still deciding how big its yield is going to be,*

McGillicuddy says. After that, "it tries to hang onto that yield potential."

- *A corn plant's first unloading of yield potential starts before the V5 growth stage, he says, and can claim 14 bushels to 20 bushels. "If the loss was between V1 and V5, the cause is usually nutrition. Moisture is the number 1 factor affecting nutrient availability, temperature is number 2. In most years, we are losing more bushels by not feeding plants that came up than bushels we lose from plants that don't come up because it was too cold.*
- *When plants have small ears or no ears, it often is due to competition for sunlight.... (there is a chance we could see something like this now with extended overcast).*
- *If corn successfully made it past the pollination stage, but at harvest kernels on the end of ears are not fully developed, it's usually due to a potassium deficiency. But, by the time you see potassium deficiency in the leaves, you've already lost yield. Potassium is the water regulator in the corn plant. All sorts of things can go wrong when it isn't getting enough potassium.*

Soybean "cash basis" continues to get hammered on the front-end. In the past week we have seen some massive backpedaling: Parts of IL, IA, IN, MO, MN, NE down -\$0.75 cents of more. Traders today will be eager to see just how many soybean acres were planted last week. Most in the trade seem to be looking for the USDA to show 50% of the crop now planted vs. our more traditional pace of just over 60% planted at this stage of the game. Personally, I not only believe the soybean crop is going to get in the ground, but I believe we will ultimately see an additional one million acres. Yield can obviously be highly debated. Bulls will argue with such a large majority going in the ground so late there is no way we can harvest a NEW record yield (44.5bpa) like the USDA is currently forecasting. Bears on the other hand will argue that because of poor growing conditions the past three years we haven't come anywhere close to seeing the true yield potential of our latest genetics. I tend to agree more with bears in this argument. Near 40 bushel per acre yields in last years growing conditions were very impressive. Point is, just average growing conditions may end up yielding a real upside surprise.

Wheat traders continue to question US production. I am definitely in the same camp, as I continue to talk to producers in many areas who have already had HRW wheat acres "zeroed-out" by crop insurance adjusters. With more and more areas reporting less than expected yields I have to image the USDA production numbers will continue to move lower. There is also some talk starting to float around that the USDA's world production numbers might be a little too optimistic as well. Lets also not forget China's continued interest in US SRW wheat. Rumors continue to circulate that the recent Chinese purchases announced late last week by the USDA could be 3-4 times larger then what has been released to this point (650,000 metric tons plus)???. I continue to believe, with the funds aggressively leaning over the short side of the boat, it will only take a small global weather related headline to spark a short-covering rally. As producers, a short-covering rally is when we will want to consider making another round of new-crop sales...stay on the lookout! In the meantime we may continue to see some headwinds from US harvest pressure and funds rolling out of the July contract.

**Deutsche Bank on Friday lowered the bar on expectations for corn prices, foreseeing the potential for a drop below \$4 a bushel, thanks to the prospect of a record US crop. What I found surprising is that in the same breath the bank cut its forecast for US corn planting to 96.3 million acres, and is using a yield estimate of 153.7 bushels per acre - both numbers are well below those currently being used by the USDA. In return they have total US corn*

production at around 13.6 billion bushels (almost 500 million below the USDA), and still have prices drastically falling lower. They are also forecast soybean prices for new-crop to drop below \$11 a bushel, based on a stocks-to-use ratio of 7.6%, above this season's 4.1%.

*Brazilian soybean production being questioned as "Safras" throws out an 82.3 million metric ton estimate, 1.2 million lower than the current USDA estimate of 83.5. Keep in mind this is still some 20% larger than the previous years production.

*India's soybean production thought to once again push higher after recording record production last year (12.6MMT's). Latest estimates show a 5-7% jump in acres going in the ground this year as compared to the 26.5 million planted last year.

*US dollar not losing as much market share as many analyst once thought. International Monetary Fund statistics show that the greenback continues to represent about 60% of total global exchange reserves in developed markets, virtually unchanged from a decade ago. According to the Bank for International Settlements, the U.S. dollar accounted for 84.9% of the \$4 trillion in foreign exchange turnover in 2010, down just marginally from 89.9% in 2001. And that's in the face of a 28% decrease in the dollar's value between 2002 and 2011 against a basket of major currencies. (Fox Business)

*NOAA meteorologists are now saying the 2013 hurricane season is shaping up to be active to extremely active. There's a 70% chance the season, which start June 1 and lasts through November, will see 13 to 20 named tropical storms, with winds of at least 39 miles per hour. Of those, 7 to 11 could become hurricanes, with winds of more than 74 mph, including 3 to 6 major hurricanes with winds above 111 mph. An average season comprises 12 named storms, 6 hurricanes, and 3 major hurricanes, NOAA said. Heightened activity is due to continued strong West African monsoons, warmer-than-average water temperatures in the Atlantic and Caribbean, and a lack of the El Nino phenomenon this year, NOAA said. El Ninos typically make it harder for hurricanes to form. Remember, tropical storms and hurricane's often cause offshore oil and gas production to shut down, which always translates to a lift in gas prices.

*Video of the first 10 minutes of the Moore EF5 Tornado [Click Here](#)



Northeast South Dakota - We got 3" of rain last weekend and have not been in the fields since. We are completely 100% planted on our corn. We have had some of our early corn emerge after just 8 days, which is unusual for these parts. On the bean side of things we are only about 20% planted. We would like to be much further along than that but not totally worried yet. About 6 years ago we planted around June 16th and the crop yielded 40+ bushels of beans, which surprised us. Even though we got the rain last weekend we

still need some moisture to recharge the soil. We just don't have much subsurface soil moisture.

South Central Minnesota - I only plant a few hundred acres so I can't cost justify a new planter. I use dry fert, because I am not in sandy loam and I don't like liquid nor do I trust what they say is in it, just my opinion so I stick with dry. I replace seed and fert disks when they need it. I use precision corn meters and kinze bean meters with bull's eye tubes. I plant usually around 4.7 mph and my stands always look great, spacing etc. maybe not as straight as you can get with a gps auto steer but my combine can't tell. I use the old jd monitor it came with, if a light comes on I fix the problem. I agree it doesn't make a difference how fancy your equipment is or how old, it is how you maintain it and how the operator operates it. That being said I like my planter but it would be fun to run a 100k planter just to see what it is like!! I know of 2-3 new planters here that sat for 5-6 days with problems, where as if they would have had their old planter they would have been half done planting in those wasted days. I'd like to update planters, mainly for hydra drive, but even that scares me vs. my old ground drive, I get good stands and good yields out of what I have, just tired of chain problems, dou rate problem's, both are simple fixes that don't lose me over a few min to an hr. but would like to get rid of that and do more variable rate vs just the duo rate. We threw together an extra 12 row planter this year at the last minute to speed up planting. Homemade rigid toolbar, no monitor of any kind, no e-sets, just plain old Deere seed disks that we dug out of the back of the shop, and no residue managers of any kind. We used it on our most distant farm, with the intention of just leaving it there to keep from having to move the other planter back and forth so much. Admittedly, I've made no effort to precisely compare stand counts, but just from casual looking the corn is just as good there as anywhere else.

Central Pennsylvania - What is really scary is I am a veterinarian to slug damage and I swore there wasn't going to be any corn left but all a can say is green works . Where I have any feeding is where there is minimal rye. Now for the bad, only problem is I tried round-up and bicep when it was cool out to burn these down and it took forever. We switched to grmx now and its brown 24 hrs. Almost scary. So our rye stayed green through corn emergence and this what it is now. 25 gal of 30 and amthiosulfate is the only fertilizer on it. Now don't get me wrong those that are looking for PERFECT corn stands this is NOT for you. Some is coming some is up some is two leaf. My agronomist is finding 33-34000 stands which is what I dropped so it is all coming up. Oh and no insecticide YET. We will monitor this closely since we had army worm last year.

Southeast Iowa - The problem when you integrate technology is the "obsolescence factor". A new planter packed full of electronic technology is now subject to the "firmware" and software whims of the company that produced it. There was a book a few years ago....I think it was called "If It's Not Broke, Break It"...it was about how the computer and tech industry had to incorporate "planned obsolescence" into the business model so they could keep selling more and more software and hardware. A computer is now obsolete in 2 years. While I don't expect that to be the case with planters, I do expect it to be the case with other technology components. Combines have been on that path for a few years. We still have markers and the planter has wheel sensor speed backup and the toolbar has radar from the tractor if needed. But I do like my RTK and hydraulic driven components. First year on vra planting and with our variable soils I'm pleased with the zones and how they look after the corn is up. We have had our down time but still wouldn't go back. It's like everything when its new. It's not as easy to have the parts inventory. Once it catches

on, day long issues turn to a drive to the dealership and back issue. Also helps that we have grown up on computers and we do all our installs and know the systems before we use them. Like always do what works best for your farm and lets you sleep at night.



GLOBAL NUMBERS & MARKET TALK

- Private exporters reported sales of 180,000 metric tons of soft red winter wheat to China. China has now bought at least 6.6 million bushels of US wheat, 14.2 million bushels US corn and 4.2 million bushels US soybeans this week, all new crop.
- Taiwan's MFIG bought another 60,000 metric tons of corn from Brazil, which I'm hearing was about \$1.60 over September futures.
- Israeli private importers bought about 75,000 metric tons of corn, 30,000 tons of feed wheat and 3,000 tons of feed barley.
- Germany's wheat exports to Iran reached 119,600 metric ton in February, remaining very high despite sanctions... interesting.
- Russia's Drought Center is reporting that moisture levels remain critical in some growing areas.
- Soybean oil output in Argentina, the world's largest exporter of soybean oil and meal, stood at 693,000 metric tons in April 2013, more than doubling the amount produced in the previous month, and rising above the 681,000 metric tons in April of 2012.
- Titan machinery, seller of Case and New Holland equipment, said it ran at a pre-tax loss of \$0.7 - \$1.2 million for the Feb to April quarter, well below Wall Street expectations. The fall in to negative territory is it's first in seven years and attributed to poor US spring sowing conditions.
- Farm Bill cost estimates for the House Committee's version were analyzed by the Congressional Budget Office, which found the direct spending reductions over 10 years to only be \$33.3 billion, as opposed to the committee's estimates of \$40 billion.
- NASS Crop Progress will be released on Tuesday at 3:00 pm due to the Memorial Day Holiday.
- Scientists have now found that the bird flu virus that's killed 36 people in China is capable of human-to-human spreading, which heightens its pandemic potential. From what I understand, ferrets experimentally infected with the virus passed it to other ferrets occupying the same cage, indicating the virus's ability to spread via direct contact.
- American Meat Institute criticized the timing and general efficacy of USDA's new COOL rules, stating "It is unreasonable to have a 98-page rule of this magnitude effective immediately. Furthermore, it is profoundly unfair for the regulatory authorities to impose a rule that will have a significant, financial impact on our members when they know that the rule is unlikely to address the concerns raised by the WTO dispute panel."
- Rural America's access to high-speed internet got a big boost from the FCC, who is adding \$485 million to the Connect America Fund to expand broadband to the approximately 15 million Americans living in rural areas.
- US durable good orders increased 3.3% in April after dropping 5.9% in March. Scott Brown, chief economist at Raymond James and Associates, called the results "...consistent with the economy continuing to recover, but just at a moderate pace."

- World Wheat production for 2013/14 is predicted at 694 mmt by crop forecaster Lanworth, 7.1 mmt lower than USDA estimates.
- Immigration reform passed out of the Senate Judiciary Committee last week was called "balanced and includes a fair and workable farm labor provision," by the American Farm Bureau Federation.
- Crop insurance claims by Midwest corn farmer's averaged about \$247 per acre in 2012, equal to 26% of their farm's total income last year, according to financial consulting firm AgriSolutions. Comparatively, crop insurance averaged no more than 11% of total revenue between 2008 and 2011.
- Oil majors BP, Royal Dutch Shell and Statoil were named as defendants in a class action lawsuit which alleges the defendants manipulated and conspired to fix the price of oil prices and benchmarks. "As major producers and market participants in the Brent Crude oil market, including contributors of Brent Crude oil prices to Platts, defendants had and continue to have market power and the ability to influence prices in the Brent Crude oil market," the claimant alleges in legal documents.
- Gold rose on Friday after a US Federal reserve official said there was no rush to end the monetary easing program that has increased the metal's appeal as a hedge against inflation.
- AT&T Inc has added a new monthly administrative fee of 61 cents to the bills of all of its contract wireless lines as of May 1, a move that could bring in more than a half billion dollars in annual revenue to the telecom giant.
- Banks in Spain will have to set aside up to 10 billion euros to cover loans that borrowers will find difficult to repay.
- Companies listed on US exchanges announcing increases in dividends rose this year to the highest level since 2004.
- S&P 500 posting its best return for the first four months of the year since 1998.
- Hedge funds are the least bullish on gold in more than five years.



Pot Pigs...Seriously???

We have all heard of "grass fed beef" but do you realize we now have "pot fed pork"? Washington State pot legalization has prompted a butcher to feed marijuana to pigs. Yes, you read that right. Since the state of Washington passed legalization of marijuana last year, cannabis growers have been searching for ways to market the unused bits of the plant that you otherwise cannot sell. A butcher has come up with a solution for the plant waste -- feeding the rest of the plant to hogs. The pigs are fed the leftover stems, leaves and root bulbs. From what I understand, they are calling the meat "controlled-substance pork," and they are calling the marijuana-fed hogs "pot pigs." Reports say that adding marijuana to the hogs' feed increases the fiber content of their diet and encourages weight gain. As far as the actual taste of the pork, folks say it has a savory taste. Interestingly enough, this isn't the first unique pork product we have heard of -- some have tried feeding the leftover mash from making vodka to pigs. Never thought I would see the day we

were adding "weed to the feed."

MF Global Scandal Continues To Hurt the Futures Industry

It's been eighteen months since the MF Global collapse turned the commodity futures world upside down. Now Jon Corzine, and what many consider illegal antics, are still causing grief for those in the futures industry who are following the rules and trying to earn a living for themselves. If you have followed this story at all, you know trustee James Giddens, who is tasked with recovering customer money, is having quite a difficult time. The latest reports I'm hearing from Chicago saw Giddens sell a variety of memberships owned by MF Global, which was among the top brokers at CME Group's exchanges. We don't have all of the details, but we know that at least one of the memberships owned by the failed firm -- one that allowed the holder to trade any contract listed at the CME -- sold for \$350,000. That was 12% lower than a sale made two days earlier and the lowest price since 2006. Another membership that allowed the owner to trade foreign exchange, interest rate, equity index futures and other products sold for \$160,000. That was also 12% lower than another seller earned just two days earlier. Another MF Global membership that allows the holder to trade contracts relating to emerging market countries and a restricted set of financial products sold for \$8,000. Two days earlier, that type of membership sold for \$18,500, almost 57 percent higher, CME data shows. Now, understandably, traders who own memberships are upset as the MF Global liquidations drive prices down even further. A colleague and buddy of mine who made me aware of the sale, Tom Grisafi, president of Indiana Grain Co and a membership owner, made the comment that the memberships being sold off at reduced prices points to a futures market that is still very vulnerable since these scandals first surfaced. As of the day of this writing, CEO of MF Global, Jon Corzine, has yet to be charged in the firm's collapse. As far as that goes, no one has been charged, leaving many MF Global customers scratching their head in disbelief. It's also noteworthy that the House Ag committee is having its first hearing to review the CFTC's operations in order to evaluate how regulations are impacting end-users and the agricultural community, and determine how best to protect customer funds while restoring confidence in our markets. Bottom-line, many in the industry are still feeling the negative impact of the MF Global collapse.

True Story of a Gritty Farmer Who Won the "Toughest Race in the World"

I was recently tipped off to a fascinating story of one of the most legendary farmers to walk this earth. His name is Cliff Young and he's best known for his completely unexpected win of the Sydney to Melbourne "Ultra-Marathon" at the age of 61. To set the scene, we have to go back to the beginning of Cliff's story. He grew up on a farm in Beech Forest in southwestern Victoria, Australia. The family farm was approximately 2,000 acres in size with about 2,000 sheep. Young would round up the stock on foot, saying that it was the easiest method. Young was pretty much unknown before he entered the first Westfield Sydney to Melbourne Ultra Marathon (544 miles) back in 1983 at the ripe old age of 61. He ran at a slow loping pace and trailed the leaders for most of the first day. But that night, when the professional runners stopped to get four to six hours of sleep, Young grabbed two hours and kept running. No science and no technique, he just got up earlier and grabbed the lead while the others slept. The entire nation of Australia responded with a roar and television reporters scrambled after him. "What sort of a runner are you?" Young was asked as he stopped for water. "I've got no experience. Just born and bred in the bush." After the second day of non-stop running, Young slept for an hour, got up and ran again. By the third day, Young was plastered across newspaper front pages and cheering crowds urged him on as his lead grew bigger and bigger. By the fourth day, Young had

caught the attention of the international media and he didn't disappoint - a day later, he crossed the finish line in first place, a full 10 hours ahead of the next competitor. He had literally made one of the greatest runs in history. The 61 year old man had covered 544 miles in five days, 14 hours and 35 minutes, the equivalent of almost four marathons a day, shattering the previous race record by more than two days. Not knowing that he was supposed to sleep during the race, he said when running throughout the race he imagined that he was chasing sheep and trying to outrun a storm. What's even more fantastic is that after Young collected his \$10,000 prize, he immediately gave it all away, not keeping a dime for himself. In 1997 at age 76, he made an attempt to beat Ron Grant's Around Australia record and completed 6,520 kilometers of the 16,000-kilometer run, but he had to pull out because his only crew member became ill. In 2000 he achieved a world age record in a six-day race in Victoria. Cliff Young is perhaps most remembered for his "goofy" running style. People endearingly named it the "Young Shuffle" which has been adopted by some ultra marathon runners because it expends less energy. After five years of illness, Cliff passed away of cancer at his home in Queensland on November 2, 2003, at the age of 81. What an amazing story and a legendary person! I have included a link to a video that shows Cliff running in his unconventional style as he tears up the miles! Sorry to go back so far in time, but I had never heard the story until recently when one of our subscribers brought it to my attention. [Cliff Young Running Video](#)

CASH SALES & HEDGING TOTALS

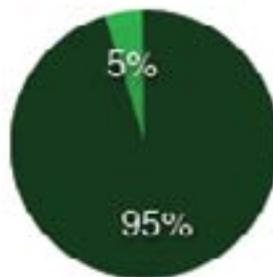
CORN 2012 CROP

100% SOLD
0% HEDGED



SOYBEANS 2012 CROP

96% SOLD
5% HEDGED
5% Cash Remaining



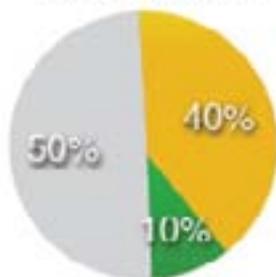
WHEAT 2012 CROP

100% SOLD
0% HEDGED



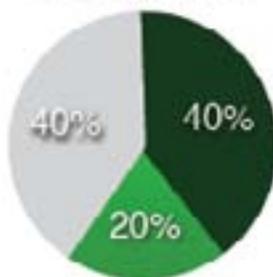
CORN 2013 CROP

40% SOLD
10% HEDGED
50% UNPROTECTED



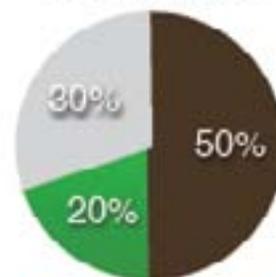
SOYBEANS 2013 CROP

40% SOLD
20% HEDGED
40% UNPROTECTED



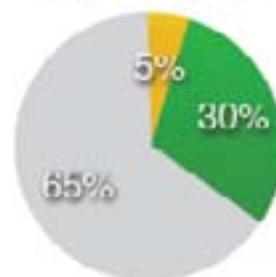
WHEAT 2013 CROP

50% SOLD
20% HEDGED
30% UNPROTECTED



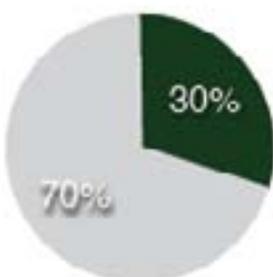
CORN 2014 CROP

5% SOLD
30% HEDGED
65% UNPROTECTED



SOYBEANS 2014 CROP

30% SOLD
70% UNPROTECTED



WHEAT 2014 CROP

30% SOLD
5% HEDGED
65% UNPROTECTED

