

AM Grain Notes
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Row crop markets on defensive although old/new spreads hold together well after 3 day gain of 28 cents in beans and 6 cents in corn. Fund roll wraps up today. Low post biscuit break volume suggests many players sidelined awaiting next Monday's planting update and more importantly—the end of the month crop report.

NC IA contacts confirm what we hear from other wet locations in western Midwest—farmers will try to plant beans rather than take P.P. Super saturated areas in N IA, with another weekend rains in the forecast, may not resume planting until late next week.

Weather leans negative with another ramp up in 5 day US HRW coverage to 65%, open weather next week for majority of Midwest and continuation of active US Midwest precip pattern from late next week through the 11-15 day forecast. Rains this weekend will further delay late planted areas of MN/IA but of greater importance are benefits of timely rains across the much larger planted areas—especially in the non-irrigated areas of E Plains where yields can vary substantially depending on growing season rainfall. Balance of N Hemisphere crop areas doing well including India, PRC and most of FSU.

Strength in domestic soy meal will be supported by another brisk weekly export sale of 98 tmt O/C (well advertized). US wheat and soybean export sales in line with expectations while corn sales fall short. Cash sources indicate best soy bids in the east while corn basis in the west (more ethanol plants) is leading the field. NOPA will update May US soy crush on Monday. Soy processors pushing meal basis higher amid triple play of attractive crush margins, declining soy inventory and scant farm selling. Interesting to note news item below reporting YTD 5.3% decline in US gasoline use to 10 year low.

Equities firm despite off-shore overnight sell off amid lower than expected unemployment claims and firm May US retail sales. Eco policy wonks looking ahead to June 17/18 G-8 meeting in Ireland where EZ issues will be discussed although photo opts in land of green unlikely to improve Europe's challenges underscored overnight by another 6.6% Q/Q decline in Spanish home prices. China Daily story highlights struggling PRC labor market with only 1 in 33 of college grads getting jobs—worse for masters degree grads where only 1 in 4 getting hired. China Security Journal says PRC slowdown could extend into Q3.

PRC soil survey looking for cadmium (following discovery of cadmium tainted rice) could be a story with legs if consumers (who will not have access to results of soil survey) opt to switch from rice to wheat.

Bottom line—SX chart rolling over while CZ appears headed to retest mid May lows. Wheat is a sale on rallies until FSU crop is threatened (note new lows in Paris Milling Wheat). Chop for balance of week awaiting updated Sunday weather maps.

The Grain/Oilseed Outlook and Update Report will resume on Monday June 17.**Foreign Markets:**

- Palm market down 27 ringgits at 2424
- Paris milling wheat up 1 euro at 198.50
- Dalian beans closed down 8 cents, meal down \$2.10, soy oil down 4 and corn down 0.25 cents.

Additional items of interest include:**Outside Markets:**

- **(RJO NY's Janet Mirasola)**
- Der Spiegel – "End of Cheap Money: Can the World Handle Higher Interest Rates?"
- (CNBC) A closely watched consumer confidence number that routinely moves markets upon release is accessed by an elite group of traders, for a fee, a full two seconds before its official release, according to a document obtained by CNBC. A contract signed by Thomson Reuters, the news agency and data provider, and the University of Michigan, which produces the widely cited economic statistic, stipulates that the data will be posted on the web for the general public at 10 a.m. on the days it is released. Those most elite clients receive the information in a specialized format tailor-made for computer-driven algorithmic trading at 9:54:58.000, according to the terms of the contract. On occasion, they could get the data even earlier—the contract allows for a plus or minus 500 milliseconds margin of error.
- WASHINGTON--The number of Americans filing first-time applications for jobless benefits fell for the second straight week, a sign of steady progress for the labor market. Initial jobless claims, a measure of layoffs across the U.S. economy, fell by 12,000 to a seasonally adjusted 334,000 in the week ended June 8, the Labor Department said Thursday. Economists surveyed by Dow Jones Newswires had forecast 350,000.
- (JPM on equity weakness) *It seems like there is a massive unwind occurring of crowded trades and while the shifting Fed narrative has certainly been the spark at this point thin liquidity and momentum are carrying the baton (just as prolonged periods of calm can help engender a virtuous cycle that spurs risk asset gains the reverse is very true as spiking volatility becomes a self-fulfilling prophecy and feeds on itself - this latter process definitely appears to be occurring at the momen..*
- Overnight Nikkei loss of 6.3% marks 21.9% decline from 5/23 high. Shanghai reopening found share declining 2.83%. Other Asian markets posted declines of 1.4-2.8% overnight. EU stocks also in the red across the board.
- (DJ) Japan's economy minister said the Nikkei fluctuations aren't anything to worry about. Share prices and other market indicators are "swayed significantly by overseas factors," economy minister Akira Amari said at a press conference. "We watch their movements carefully, but there's no need to worry about every single movement of the market."

- Following Bernanke press conference on 6/19 and flash June PMI's for US/EU/PRC on June 19 & 20, the trade will be setting sights on week of July 1 when updated manufacturing PMI's hit from China/US/EU.
- (Reuters) Reuters poll finds investors expecting Yellen to be the overwhelming favorite to take over for Bernanke.
- (Reuters) Wall Mart is ramping up its hiring of temp workers. "The hiring strategy could save Wal-Mart money by trimming labor costs at a time when its margins remain under pressure...also could set an example for some other companies as they look for ways to cushion themselves from a potential rise in healthcare costs next year".
- (WSJ) Wall Street analysts think the days of 7-8% PRC GDP growth are largely over.
- (Bloomberg) -- Morgan Stanley joined banks from UBS AG and Barclays Plc in cutting estimates for China's economic growth after weaker expansion in exports, industrial output and new lending last month. Morgan Stanley lowered its estimate for an increase in 2013 gross domestic product to 7.6 percent from 8.2 percent.
- (Bloomberg) - New tax increases and restrictions on financing shipments have caused Indian gold imports to plunge.
- (Bloomberg) World Bank slightly trimmed its forecast for global growth in 2013 from +2.4% to +2.2% thanks to weakness in EM and Europe. Growth estimates for the US and Japan were bumped up slightly. The tone of the report was somewhat sanguine as the World Bank described the global economy as getting back on its feet.
- (BP's Annual Energy Report) . The US enjoys the world's largest increase in crude production in '12 (it was the biggest production increase in US history also). Coal consumption fell in the US (but expanded globally). The world sees the largest decline in nuclear consumption in '12.
- (Bloomberg) -- Emerging markets from Brazil to India took steps to stem an outflow of capital as concern mounts that developed nations are approaching the beginning of the end of an era pumping unprecedented liquidity. India's central bank sold dollars the past two days to stem the rupee's slide.
- (Bloomberg) The global economy is "in the early stages of the recovery of the equity culture and perhaps the end of a 30-year growing love affair" with bonds, said Jim O'Neill, former chairman of Goldman Sachs Asset Management in a June 11 interview on Bloomberg Television. Investors yanked a record \$4.8 billion from U.S. high-yield bond funds last week and pulled \$850 million from investment-grade funds, the first weekly redemption since December, according to a Bank of America report on June 6.
- (Automated Trader.net) An exemption targeted at overseas firms, and set to expire July 12, should be extended until the end of the year in order to give regulators more time to develop a harmonized set of rules with foreign regulators, according to Commodity Futures Trading Commission member Scott O'Malia. "I will continue to push for keeping all options on the table rather than restricting ourselves to the unpalatable take-it-or-leave-it scenario," O'Malia said.
- WASHINGTON--Retail sales rose in May, the latest evidence that consumers can propel the economy forward despite setbacks in other sectors. Retail and food service sales increased by 0.6% last month to a seasonally adjusted \$421.15 billion, the Commerce Department said Thursday. The gain outpaced economists' forecast of a 0.4% improvement during the month. Retail sales have risen 4.3% from a year earlier.

- (Bloomberg) -- Silver is punishing investors amid diminishing trust in precious metals as a store of wealth and concern that growth is weakening, with \$5.2 billion erased from the value of their near-record holdings this year. Investors expected silver to be one of the biggest gainers in 2013, with a 33 percent return, a Bloomberg survey in December showed. Instead it's leading a retreat in commodities with a 28 percent plunge to \$21.84 an ounce, on track for its worst performance since 1984.

Ag Markets:

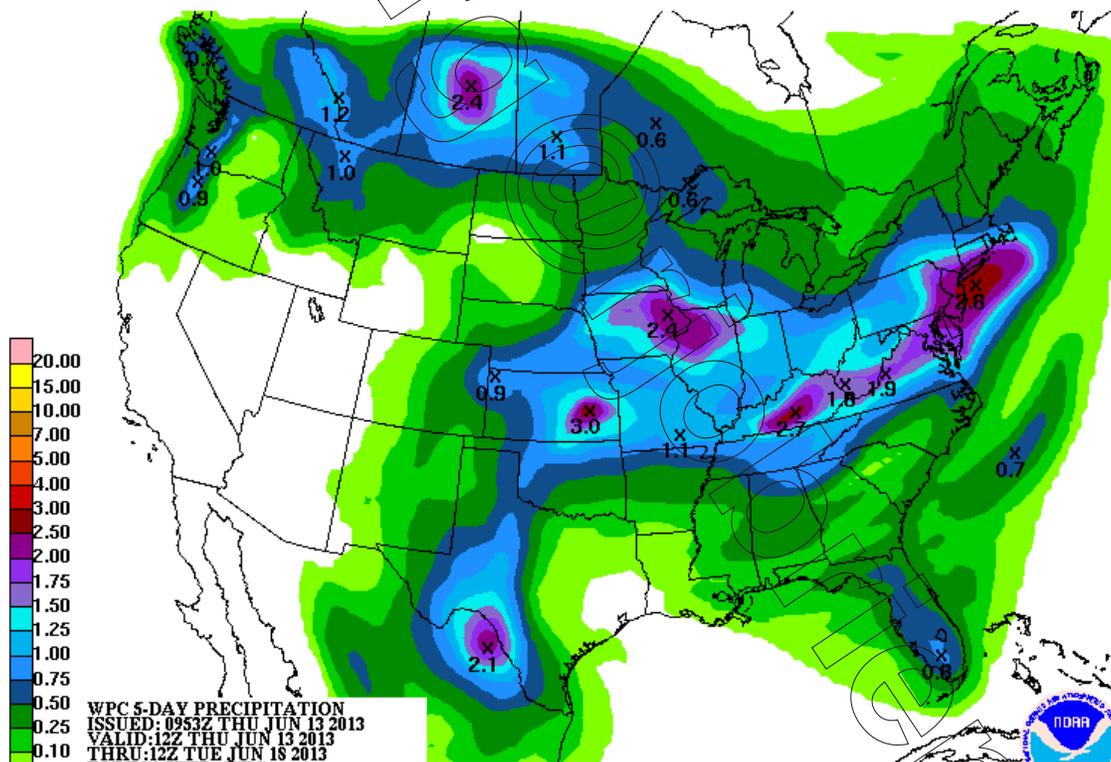
- (Bloomberg) -- Deutsche Bank looking for lower corn prices. Forecast assumes U.S. stocks-use ratio of 15.2% for new crop corn, Deutsche Bank says in e-mailed report today. Deutsche Bank estimates corn stocks-use ratio at 13.1%, indicating prices may drop to \$4.30/bu. The corn market may be supported through July amid tight supplies left over from the previous harvest. Soybeans face "significant downside" with November prices expected to drop below \$11/bu.
- (Bloomberg) -- Ethanol's best annual price performance since 2006 is coming apart as the lowest seasonal gasoline demand in 10 years reduces consumption and a rebound in the corn crop helps boost supply. The biofuel has dropped 11 percent from an 18-month high of \$2.744 a gallon on May 31 on speculation that lower manufacturing costs will lift production. Use of gasoline, with which ethanol is blended, is down 5.3 percent from a year earlier, Energy Information Administration data show.
- (Bloomberg) -- PRC Corn imports may be higher if Argentina becomes a steady supplier, the China National Grain & Oils Information Center says in an e-mailed report. Domestic output this year may grow 4.1% to 214m tons, it says.
- (Bloomberg) -- China is surveying soil nationwide to ascertain levels of heavy metals pollution after the discovery of rice tainted with cadmium spurred concern that crops may be unsafe, the official Xinhua News Agency reported. The project will compare samples collected from topsoil and deeper layers to determine heavy-metal pollution caused by human activities.
- (Bloomberg) -- Competition in wheat-export markets is poised to intensify as global supply of the grain expands, according to ICAP Shipping International Ltd. "We can assume that there's going to be a great export competition among the exporting countries, centered to the export prices and shipment tariffs," the London-based shipbroker said in a report sent by e-mail yesterday. Wheat supply in the European Union, Kazakhstan and the Black Sea region is "plentiful" and will compete in the Middle East with cargoes from Australia, it said.
- (Bloomberg) -- Rice output in India, the world's second-largest grower, is set to climb to a record as early arrival of monsoon rains over the biggest growing regions spurs planting, potentially boosting exports. The monsoon crop may increase 2.4 percent to 95 million metric tons from 92.75 million tons a year earlier, said P. Chengal Reddy, secretary general of the Consortium of Indian Farmers Associations. The rain-fed crop is planted from June and harvested from October and accounts for almost 90 percent of the nation's total production.
- (Bloomberg) UN's FAO says the costs of importing animal-protein products including dairy, meat and fish may increase 8 percent to \$354 billion on larger volumes as well as higher prices, particularly for dairy products and fish.
- SINGAPORE--The Taiwan Flour Millers Association issued a tender Thursday for U.S. wheat but subject to a guarantee from suppliers that it isn't genetically modified, trading executives and millers said. The TFMA is seeking two cargoes totalling 85,500 metric tons in three grades, including Western White grade wheat. Asian countries have restricted imports of U.S. wheat following the recent discovery of an unapproved genetically modified variety at an

Oregon farm. South Korea has suspended imports of U.S. wheat, while Japan has halted imports of only the Western White grade. Asian countries account for around 25% of annual global wheat trade of around 145 million tons, including 11 million tons from the U.S., the world's largest exporter

- EXPORT SALES:

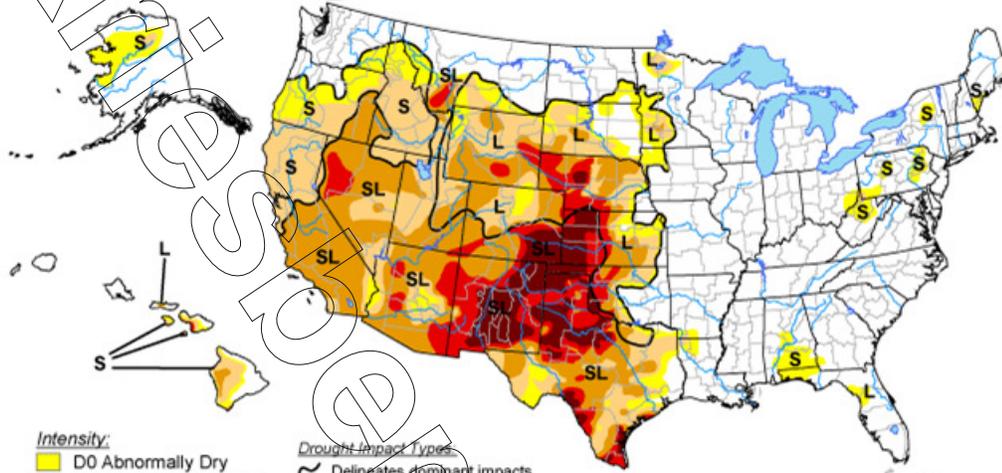
Wheat --13/14-- 427 tmt or 15,690 (1,000 bu); Expecting 400-650 tmt
Corn --Old 82 tmt or 3,228 (1,000 bu); New 68 tmt or 2,677 (1,000 bu)--Expecting 200-400 tmt
Soybeans --Old 34 tmt or 1,249 (1,000 bu); New 447 tmt or 16,424 (1,000 bu)--Expecting 300-700 tmt
Soymeal --Old 98 tmt ;New 47 tmt --Expecting 125-300 tmt
Soyoil --Old 13 tmt; New -0 tmt --Expecting 10-20 tmt

5 day NOAA rainfall forecast



U.S. Drought Monitor

June 11, 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)

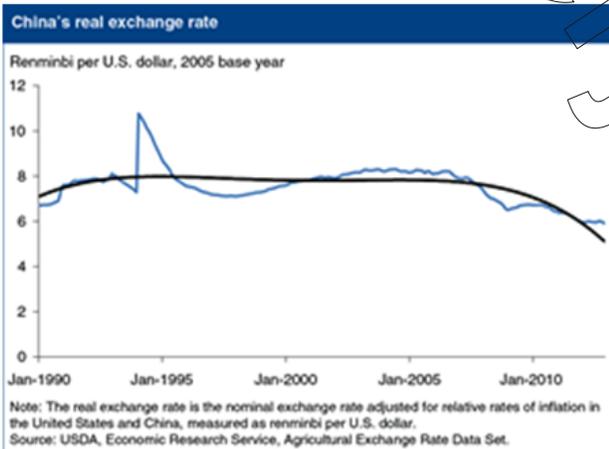
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

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



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China is the fastest growing major economy in the world and is now also the largest single country market for U.S. agricultural exports. Rapid growth in incomes and urbanization are key drivers of China's growing demand for agricultural goods, and the appreciation of China's currency—the renminbi—against the U.S. dollar is helping to make U.S. goods competitive in the Chinese market in recent years. During the 1980s and 1990s, China maintained an undervalued renminbi, a policy that supported China's rapid export growth and accumulation of

the world's largest current account surplus and holdings of U.S. dollar reserves. Since 2006, however, China has followed a policy of modest rates of appreciation of the renminbi, which has become more pronounced since 2008. This chart is based on data found in the [Agricultural Exchange Rate Data Set](#).

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