

Closing Grain & Soybean Comments

Kevin Riesberg Friday June 28, 2013

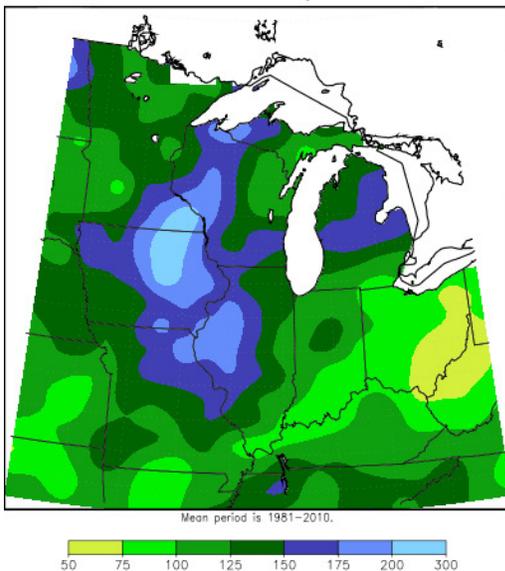
Corn: Sept forward contracts saw sharply lower trade on bigger than expected plantings. This caused funds to sell over 25,000 contracts while the July contract surged on lack of deliveries and June stocks report being 81 mln bu less than expected and 384 mln bu less than a year ago. So analysts now look for the old crop ending stocks to be down about 100 mln bu toward 670 mln bu in the July 11th S/D report. The real surprise was the planting report where acres were UP slightly instead falling 2 mln acres as

	<u>USDA</u>	<u>If 12/13</u>	<u>if 02/03</u>
	<u>June plant</u>	<u>% hrvt</u>	<u>% hrvt</u>
Planted	97.4	97.4	97.4
% Harvest	91.5%	89.9%	87.9%
Harvest Acres	89.1	87.6	85.6
Yield	156.5	156.5	156.5
Carryin	669	669	669
<u>Production</u>	<u>13,950</u>	<u>13,704</u>	<u>13,399</u>
Available	14,644	14,398	14,093
Feed/residual	5,200	5,200	5,200
Ethanol	4,900	4,900	4,900
<u>Exports</u>	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>
Total Use	12,850	12,850	12,850
Carryout	1,794	1,548	1,243
CO/Use	14.0%	12.0%	9.7%
Days of CO	50.9	44.0	35.3

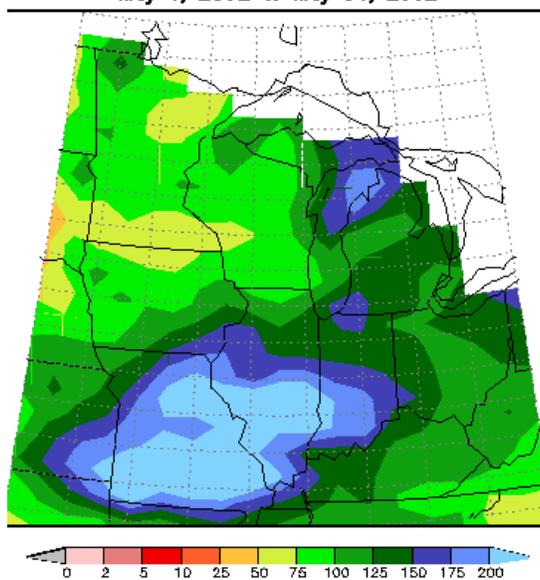
expected. So the question now is what will the USDA do with harvested acres? If we take the face value of the USDA numbers today and use the current 156.5 bpa yield then our carryout is a very comfortable 1.800 bln bu, see table at left. If we adjust the harvested acres though similar to last year or that of 2002/03 then ending stocks do tighten up toward 1.550 and 1.250 bln bu respectively. The drop in harvested acres last year obviously was the drought while 2002 growing season saw wetness in the Eastern Belt (see USDA notes from that year): "In contrast, the Midwest saw above-normal wetness, with spring precipitation 150% of normal across much of the Ohio Valley. Indiana saw its third wettest spring on record. Repeated rounds of heavy rain led to persistent lowland flooding from the southeastern Plains to the Ohio Valley during May, when more than a foot of rain fell on parts of Indiana, Illinois, and Missouri. Heavy rains led to significant fieldwork delays in the Corn Belt."

Maps below compare 2002 April/May precip to this year.

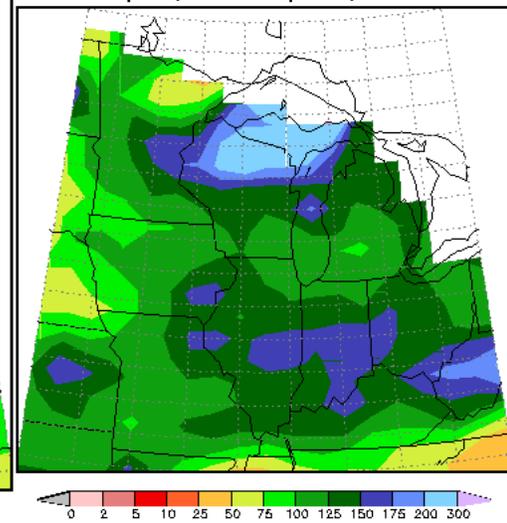
Accumulated Precipitation: Percent of Mean
March 1, 2013 to May 31, 2013



Total Precipitation Percent of Mean
May 1, 2002 to May 31, 2002



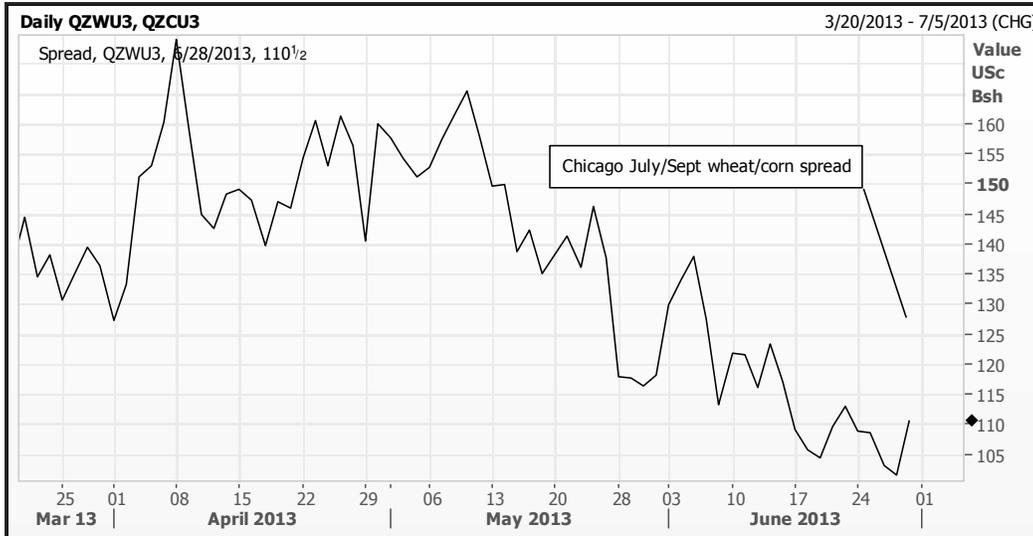
Total Precipitation Percent of Mean
April 1, 2002 to April 30, 2002



But the trade will not know the answer to this harvested acre question until August at the earliest and possibly next January at the latest. So in the mean time analysts will have to use the current USDA numbers and focus on crop conditions, which are improving with no adverse weather forecast the next 10 days. Bulk of pollination is expected to happen from middle of July to Aug 1 this year. The break today of almost 30 cents on new crop values does narrow the premium US corn is to Brazilian/Ukraine corn for Oct/Nov slot but still have another 20

cents yet. As for old crop values, the Sept corn will try to bridge the gap to new crop with it acting more like an old crop contract for now given the maturity of the crop. Basis levels are mostly steady to firmer with the break in the board shutting off any farmer selling now until we get past pollination. Ethanol values broke with corn though not to the same degree today. If weather forecast for Sunday remains cool/wet then would expect to see follow through weakness in the Dec with next support at \$5.00.

WHEAT: Wheat market followed corn and soybeans lower with all wheat acres a little bigger than expected at



56.5 mln acres. Though wheat stocks were at the low end of the trading range at 718 mln bu the trade decided to focus on the negative corn numbers and continue big yield reports coming from SRW & HRW areas. US % harvested should jump toward 40% in Monday night's report. Spring wheat acres in today's report at 12.295 mln acres are down from the March report but were slightly above the avg trade guess. Job of nearby US wheat market remains to flow into the

feed channels as world end users continue to book cheaper Black Sea origin wheat for July-Nov slots. The Iraq tender next week should get filled from Black Sea and Western European wheat. SRW basis remains soft at +20U for nearby spot while HRW Gulf is holding at +133U. Look for grinding lower trade next week unless fresh Chinese rumors pop up next week.

SOY-COMPLEX: A tale of two markets today with the old crop stocks report a little lower than expected at 435 mln bu while the plantings were almost dead on with expectation at 77.7 mln acres. Jly beans and meal surged higher on lack of deliveries while Nov beans struggled with favorable weather forecast. Now the USDA did state

they will do another survey of soybean acres for the August S/D but will not do the corn. One camp of traders anticipate that plantings will come in lower with the re-survey while the bearish camp look for increased acres because of switching from corn into beans on the flooded out areas in the upper Midwest. The table at right shows that ending stocks of soybeans for new crop could significantly snug up if plantings and yields slip only slightly. Nov beans should find support as we approach the \$12.00 area.

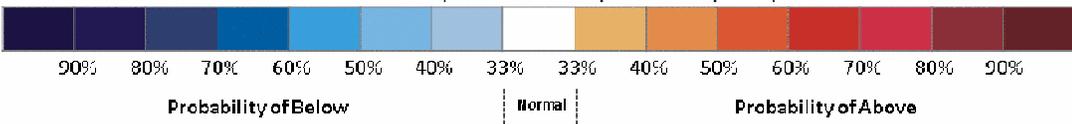
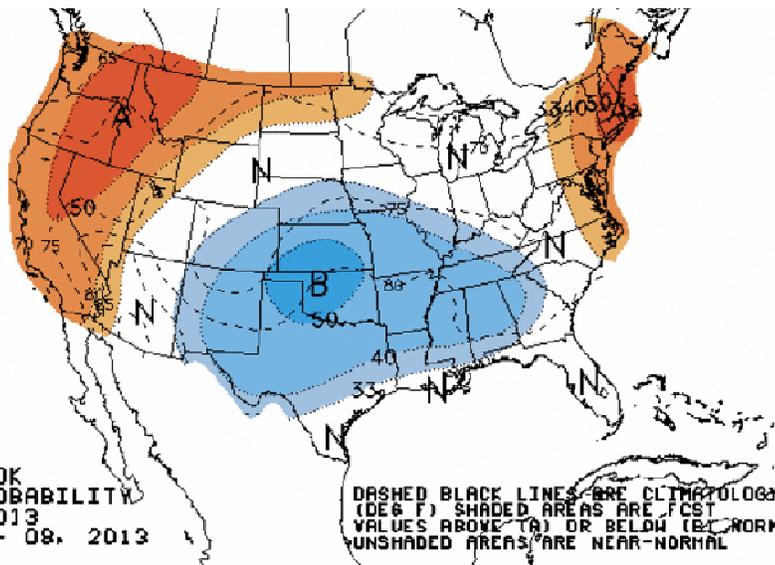
US SOYBEAN BALANCE SHEET				
	<u>USDA</u>	<u>If yield</u>	<u>If re-survey</u>	<u>If re-survey</u>
	<u>June plant</u>	<u>is down</u>	<u>acres are dn</u>	<u>acres are up</u>
Planted	77.7	77.7	76.0	79.0
% Harvest	99.0%			
Harvested	76.9	76.9	75.1	78.1
Yield	44.5	43.5	43.5	43.5
Carryin	125	125	125	125
<u>Production</u>	<u>3,423</u>	<u>3,345</u>	<u>3,266</u>	<u>3,395</u>
Available	3,563	3,485	3,406	3,535
Crush	1,695	1,695	1,695	1,695
Exports	1,450	1,450	1,450	1,450
<u>Seed/Residual</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>
Total Use	3,264	3,264	3,264	3,264
Carryout	299	221	142	271
CO/Use	9.2%	6.8%	4.4%	8.3%

Old crop bean and meal basis should hold firm with today's report confirming that US farmer is holding a larger portion of the stocks than a year ago and not willing to part with them yet. Crush margins are still holding in with meal values allowing processors to push for replacement crush. July/Nov hit over \$3.00 inverse while the Aug/Nov bean spread pushed

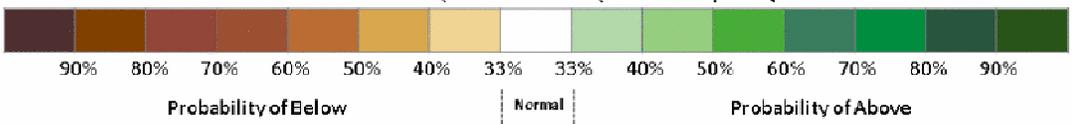
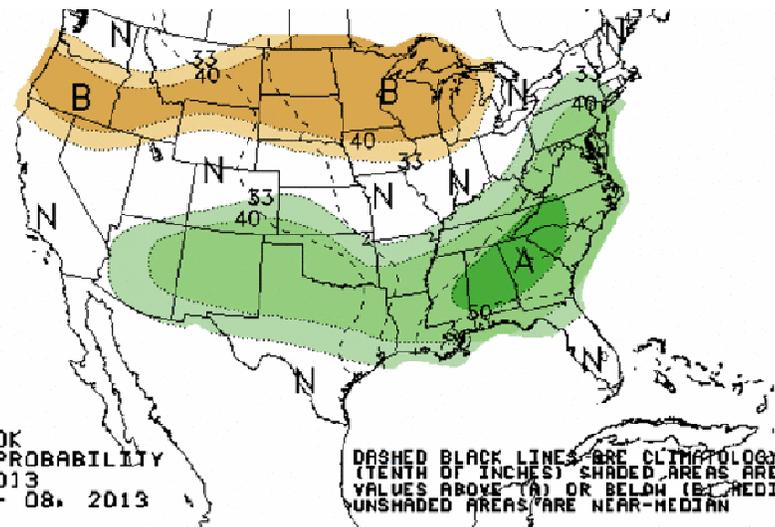
out to over +180. Would not be surprised to see some of the processors roll bids to the Nov sometime in the next few weeks. Have a great weekend!



6-10 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 28 JUN 2013
VALID JUL 04 - 08, 2013



6-10 DAY OUTLOOK
PRECIPITATION PROBABILITY
MADE 28 JUN 2013
VALID JUL 04 - 08, 2013



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