RJO'Brien Closing Grain & Soybean Comments

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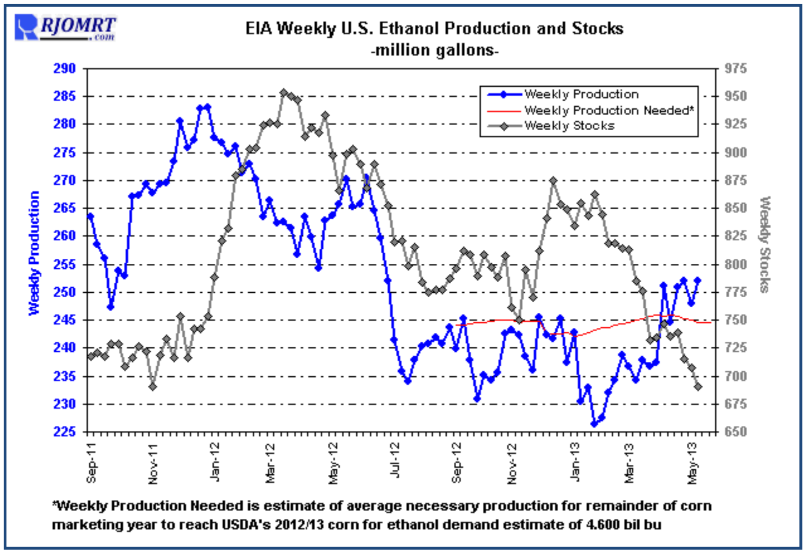
May 15th, 2013

Corn: The corn traded both sides throughout the day but ultimately finished lower. Negative influences included a sharp break in the wheat, as well as other outside markets, improved planting progress in the US, and technical resistance above the market. The July was down 1 ¾ cents, in the middle of the range at $6.50 ¾. The Dec fell harder, down 6 ¼ cents on the day to $5.31 ¾. The old-new crop spreads firmed. The July-Dec inverse closed at its highest level since the bearish Mar stocks report at $1.19. The new crop spreads actually exhibited some weakness; the Dec-Mar finished at 10 ¼ cents carry.

Although the July contract has shown strength in recent days on old crop tightness, there are technical levels of resistance immediately above the market that must be considered. Specifically, the 50 day moving average is at $6.57 and April's high was $6.69. Both of these levels will be watched by some "tech" traders. A violation of them could invite additional buying.

Chicago wheat finished 15-16 cents lower (see comments below). Cattle and hogs were weaker. The Euro was down over half a cent, metals were off sharply. At one point, crude was down more than $2 per barrel (it is now trading steady) following negative weekly stocks data. There was a general softness in commodities that did weigh on corn as well. The funds sold 5,000 contracts of corn.

Weekly ethanol production was on par with the high levels seen in many recent weeks at 252 million gallons. Ethanol production at this level implies corn for ethanol usage last week of more than 93 million bushels. At this rate, final crush is likely to exceed the USDA's recently upwardly-revised demand estimate of 4.6 billion bu. Adding to the bullishness of this report was another drop in ethanol stocks, taking them to their lowest level since December of 2010! Rising production, falling stocks, and positive margins all point to continued strong corn-for-ethanol usage.



*Weekly Production Needed is estimate of average necessary production for remainder of corn marketing year to reach USDA's 2012/13 corn for ethanol demand estimate of 4.600 bil bu

Rains will fire up in the Midwest late today and begin to slow planting progress but aggressive advancement has been seen in the last 2-4 days. A heavier system will impact the Midwest Saturday-Tuesday and is expected to take most farmers out of the fields. Still there is talk in the trade that the US could be 55-65% planted by next week's progress report. The average is 80%.

Elsewhere: Mosaic became the latest private entity to forecast smaller US corn plantings, at 95-96 million; the USDA is at 97.3 million. Agronomists at the University of IL are saying that US corn yields are unlikely to reach their full potential due to the late spring. Weekly export sales are expected to be bigger than a week ago when released tomorrow morning (see table on next page). 144 deliveries were seen against the now-expired May contract. France's Ag ministry is looking for French ending stocks at 3.1 mmt, 28% above year ago levels. Deere reported Q1 earnings of $1.08 billion, compared to $1.06 billion in 2012; this beat analyst expectations. However, they did issue a lower sales forecast for the rest of the year. Smithfield said that they will soon produce over half of their hogs without ractopamine; the feed additive has been banned by China and Russia, key markets for US pork.

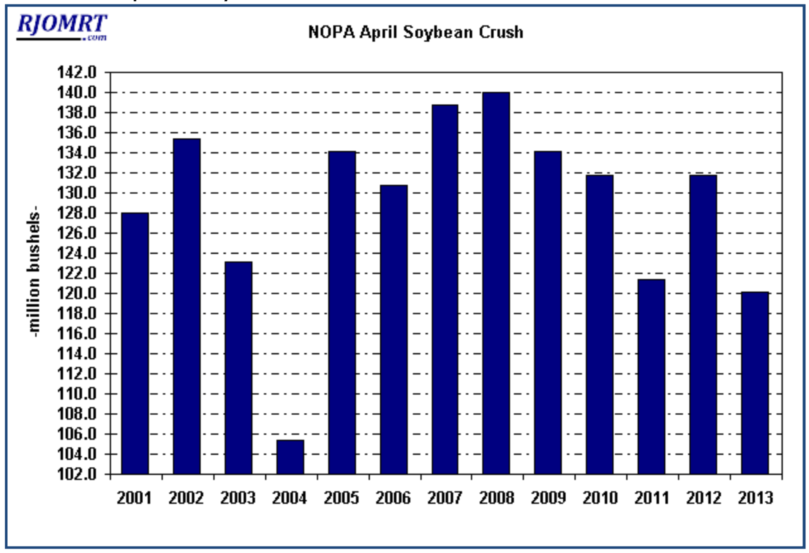
Corn basis was relatively flat in the last 24 hours. Compared to a week ago, many locations have firmed their bids by 3-10 cents. Movement was much slower today than what was seen in the first two days of this week. Gulf bids were up a penny for May-July.

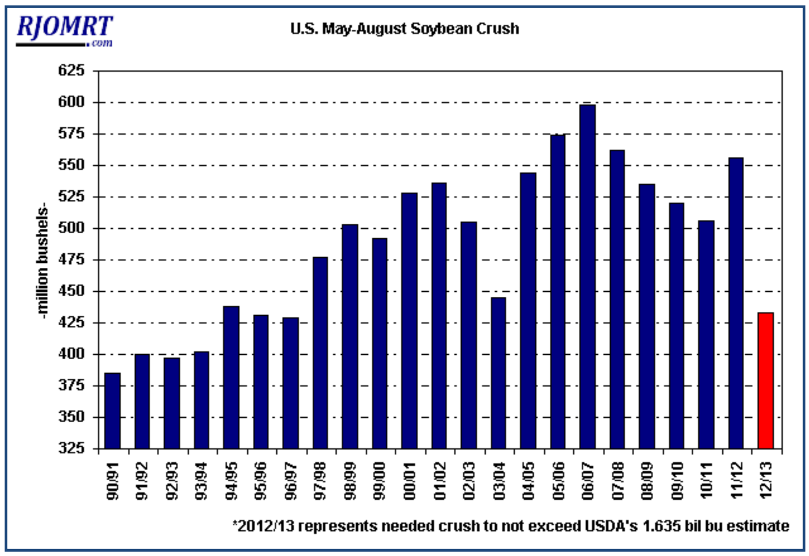
Soybeans: The soybeans also traded both sides before closing near unchanged. The July was down 2 cents to $14.12 ¾; the Nov was down 4 ¼ cents to finished at $12.09 ¾. A disappointing NOPA crush number weighed on the old crop but the very tight supply continues to provide underlying support. The November contract continues to trade in a very well-defined range. The spreads were firmer across the board. The July-Nov inverse traded down towards $1.90 inverse at one point but came back and actually closed higher on the day at $2.03.

Meal also finished moderately lower while oil was down 30-40 points, pressured by the uncertainty in the energy complex. The July contracts finished at $410.50 and 49.35 respectively.

NOPA reported March April crushings of 120.1 million bushels, well below trade estimates and down 9% from April of 2012. However, this pace is still too high for the current balance sheet. See RJOMRT analyst, Randy Mittelstaedt's commentary and charts:

"for the marketing year, crush is still up 5% from last year…if the USDA's current crush estimate of 1.635 billion bushels is to not be exceeded, May-August crush can only total roughly 433 million bushels, which would be down 22% from last year. The only other time May-Aug crush saw a similar year-over-year reduction was in 1976/77 with a 25% decline. More so, May-August crush of just 433 million bushels would represent the lowest during this timeframe since 1996/97. The decline in April crush certainly was encouraging, but far from indicating the USDA's estimate will not be exceeded."





NOPA beanoil stocks came in at 2.638 billion lbs, right in line with expectations but surprisingly large considering the lower production level.

Port workers in Brazil walked off the job yesterday afternoon at all three of their major ports to protest the latest developments in the government's effort to bring more privatization to port activities and all that would go with it (less union labor, etc.). Workers at the port of Paranagua were back on the job today but Santos and Rid de Janeiro were still out. The workers at Paranagua have scheduled a meeting to decide what to do at 5:00 Chicago Time. The country is currently in the process of pushing a record large bean crop through the ports.

In other news: The USDA announced the sale of 171K tons of new crop soybeans to China. Their grain think tank said they expect China to import 66 mmt of soybeans in the 13/14 crop year; the USDA is at 69 mmt. Weekly export sales for the 13/14 crop year are expected to be bigger than the 14 million seen a week ago. Minimal old crop sales are expected. Argentina launched a WTO complaint against the EU over recently changed rules regarding biodiesel trade. The funds sold 2,000 contracts of meal and 4,000 contracts of oil on the day. They were even in beans. There were 28 contracts of deliveries against the May contract.

Midwest soybean basis softened yesterday with some locations backing off their posted bids by as much as 5-15 cents. Many places are now 10-20 cents off the highs scored a week ago. Meal basis was relatively flat in the last 24-48 hours. Gulf bids were basically steady from yesterday. The FH June slot did improve 5 cents to +155 N.

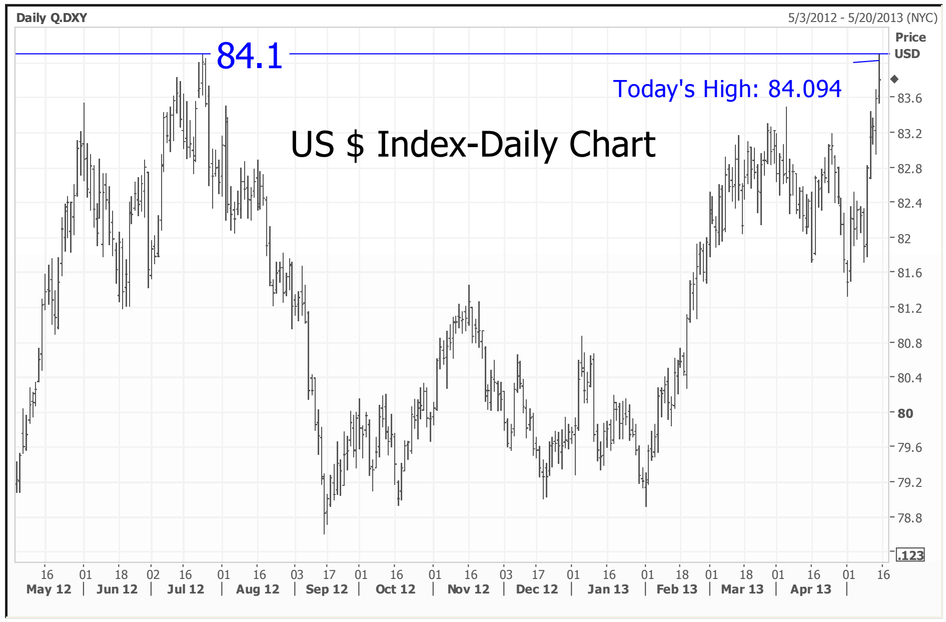
Wheat: On a slow news day, the wheat markets found themselves prone to outside market uncertainty and technical-driven money flow. The result was a sharply lower trade, led by the Chicago contract. Chicago wheat was down 15-18 cents, KC was down 15-17, and MN was down 7-9. The July contracts closed at $6.93 ¾ in Chicago, $7.51 ¾ in KC, and $8.03 ¾ in MN. Further evidence that the break was driven by outside factors, the wheat spreads were steady-mixed. The July-Dec in Chicago was flat at 24 ¾ cents carry while the July-Dec in KC narrowed to 23 ¼ cents.

Rains will develop in the northern and eastern portions of the Plains in the next 24-48 hours. These rains will do little to help the driest areas and will hamper planting efforts in the spring wheat. Winter wheat in E. KS, E. NE. and SD, as well as spring wheat that has already been planted should benefit.

The spread between July Chi wheat and July Chi corn futures has fallen to a multi-month low near 40 cents which may again put aggressive wheat feeding back in play. The trade is looking for a stronger week of new crop export sales to be seen tomorrow.

Weekly Export Sales-May 9th				
	12/13		13/14	
	Estimates	Last Week	Estimates	Last Week
Corn	5.9-9.8	4.6	5.9-9.8	6.7
Beans	0.-3.7	7.1	14.7-18.4	14.4
Wheat	0.0-9.2	8.8	9.2-12.9	8.3
*-all in mil bu. Source: Reuters				

The US dollar has shows impressive strength in the last 5 days. It nearly took out the 2012 high today (chart) and is likely to try to do so again in the coming days. This puts pressure on any dollar-priced commodity.



In international news: the French Ag ministry lowered its soft wheat ending carryout estimate to 2.5 mmt, which would still be up 10% from a year ago. Jordan again passed on all tenders in their latest wheat tender, which they have been doing with great regularity. Both Russia and Ukraine have begun to export more wheat as their new crop approaches quickly and concerns over a shortage in their domestic supplies fade.

The funds sold 4,000 contracts of wheat on the day.

THOMAS MEIEROTTO
Commodity Risk Manager

tmeierotto@rjobrien.com
d (515) 221-3555 // **m** (319) 470-7732 // **tf** (800) 283-5132 // **f** (515) 221-9559

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RJO 'Brien
939 Office Park Road, Suite 225
West Des Moines, IA 50265
www.rjobrien.com