



January USDA Data – Bullish Expectations Confirmed

Rabobank's assessment of the USDA's January 2013 WASDE, Crop Production, Winter Wheat Seedings, and Quarterly Stocks of Grain reports:

- Corn – Bullish
- Soybeans – Neutral
- Wheat – Bullish
- Cotton – Neutral

The USDA's January data release was bullish for grain and oilseed prices as stocks were below trade expectations due to continued strong demand. We expect grains, particularly CBOT Corn, to show the largest upward price move as the USDA revised US corn stocks to below average trade estimates. US corn stocks as of 1 December were reported at 8,030 million bushels—the lowest level since 2003/04. Forecast US wheat ending stocks for 2012/13 were also revised lower than average trade estimates, from 754 million bushels to 716 million bushels due to higher feed demand. There were no surprises in the data for soybeans or cotton, which is likely to prove neutral for prices.

The drawdown in grain stocks confirmed our expectations that feed use has continued at an unsustainable pace and higher prices are needed in order to ration demand. The recent drop in feed grain prices has improved margins for the animal protein industry which elevated feed grain disappearance relative to the pace required by previous USDA estimates.

USDA 2013 January WASDE and 2012 Crop Production Summary:

U.S. Figures	USDA	USDA	USDA	Trade Estimates			Global Figures	USDA	USDA	USDA	Trade Estimates		
	Jan	Dec	11/12	Avg	Low	High		Jan	Dec	11/12	Avg	Low	High
12/13 Production (Mn bu)							12/13 Production (Mn t)						
Corn	10,780	10,725	12,360	10,650	10,325	10,800	Corn	852.3	849.1	883.5			
Soybeans	3,015	2,971	3,094	2,993	2,935	3,104	Brazil	71.0	70.0	73.0	70.4	69.0	72.7
All Wheat	2,269	2,269	1,999				Argentina	28.0	27.5	21.0	25.9	23.0	27.5
Cotton (Mn bls)	17.0	17.3	15.6	17.2	17.0	17.5	Soybeans	269.4	267.7	238.7			
							Brazil	82.5	81.0	66.5	81.9	78.9	84.0
12/13 Stocks (Mn bu)							Argentina	54.0	55.0	40.1	54.6	52.5	57.0
Corn	602	647	989	647	489	760	Wheat	654.3	655.1	696.4			
Soybeans	135	130	169	135	114	186	Cotton (Mn bales)	118.8	116.9	124.1			
Wheat	716	754	743	741	637	792		12/13 Ending Stocks (Mn t)					
Cotton (Mn bls)	4.8	5.4	3.4	5.3	5.0	5.6	Corn	116.0	117.6	131.8			
							Soybeans	59.5	59.9	55.1			
							Wheat	176.6	177.0	195.8			
							Cotton (Mn bales)	81.7	70.6	68.9			

USDA 2013 Winter Wheat Seedings:

Winter Wheat Plantings	USDA	2012	% of	Trade Estimates		
	Jan 13	2012	2012	Avg	Low	High
2013 Acreage (Mn Acres)						
All Winter	41.82	41.32	101%	42.6	41.7	44.7
Hard-Red	29.10	29.69	98%	30.3	29.9	31.0
Soft-Red	9.42	8.12	116%	8.9	8.1	8.6
White	3.27	3.34	98%	3.5	3.4	3.4

USDA 1 December 2012 Quarterly Grain Stocks:

Quarterly Stocks	USDA	Dec 1	Trade Estimates		
	Dec 1	2011	Avg	Low	High
Dec 1 Stocks (Mn Bushels)					
Corn	8,030	9,647	8,219	8,000	8,750
Soybeans	1,966	2,370	1,981	1,800	2,100
All Wheat	1,660	1,663	1,684	1,553	1,750

Source: USDA, Bloomberg, Reuters, Rabobank

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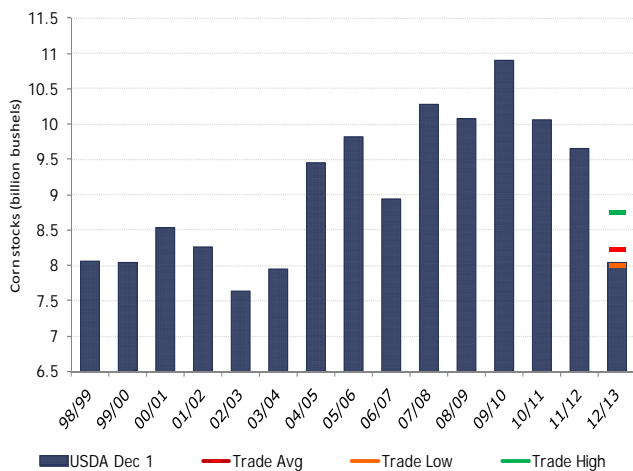
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January USDA data was bullish for CBOT Corn prices as first quarter US stocks were reported 189 million bushels below trade expectations at 8,030 million bushels. Rabobank believes this sets the stage for a Q1 2013 CBOT Corn rally, with the reports clearly demonstrating that the pace of demand rationing is insufficient to compensate for the US and global production shortfalls of 2012/13. US corn stocks have fallen 17% YOY to the 1 December survey and are now at the lowest levels since December 2003, with on farm stocks falling 26% YOY to 4,586 million bushels—the lowest level since 1995. Off farm stocks were down only 1% YOY at 3,444 million bushels. Disappearance in September-November 2012 was 3.74 billion bushels, down 2.6% YOY. With remaining on farm stocks at multi-decade lows, higher CBOT Corn prices are necessary to kick-start further US demand rationing.

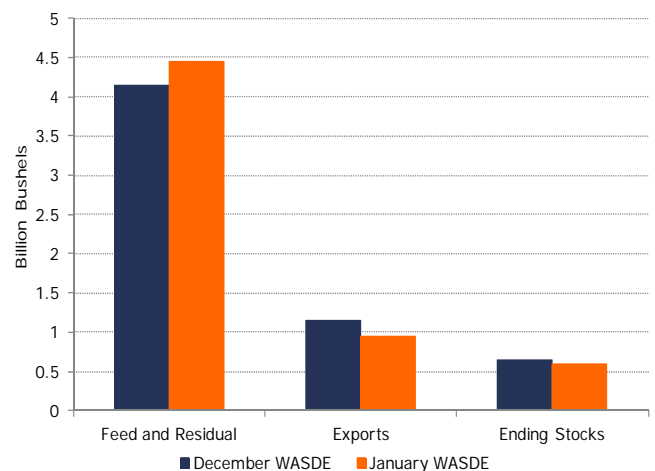
US corn ending stocks for 2012/13 were lowered 45 million bushels to 602 million bushels in the January WASDE. Trade estimates had been for no change. The USDA raised their 2012/13 US production estimate 55 million bushels to 10,780 million bushels due to higher yields and planted area, although area harvested was reduced. US feed and residual use, reflecting the high disappearance rate in the grain stocks report, was increased 300 million bushels to 4,450 million bushels for 2012/13. A continuation of slow export sales in December saw the USDA reduce 2012/13 exports 200 million bushels to 950 million bushels. This would be the smallest US corn export program since 1971. Subsequently, US corn stocks-to-use fell 0.5 points to 5.3%—the lowest since 1994/95.

Quarterly US corn stocks were the lowest since 2003 with feed use much higher than previously anticipated by the USDA



Source: USDA, Bloomberg, Rabobank

US corn feed use estimates for 2012/13 were increased in the January WASDE, although exports were lowered

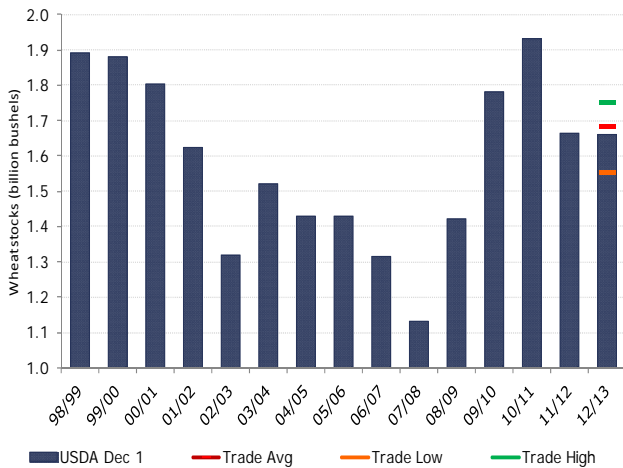


Source: USDA, Rabobank

The January WASDE was bullish for CBOT Wheat prices as both stocks and winter wheat plantings came in below trade expectations. Rabobank believes that CBOT Wheat will push higher as a result of these reports—although much of the bullish sentiment is likely to be spillover from the corn market. Second quarter US wheat stocks were 1,660 million bushels, 20 million bushels below trade estimates and confirming a higher pace of wheat feeding due to diminished corn availability. Reflecting this shift, the USDA increased US wheat feed use for 2012/13 by 35 million bushels to 350 million bushels. US wheat ending stocks-to-use fell 2.1 points to 29.5% from the December WASDE, with the third consecutive yearly US wheat deficit now forecast.

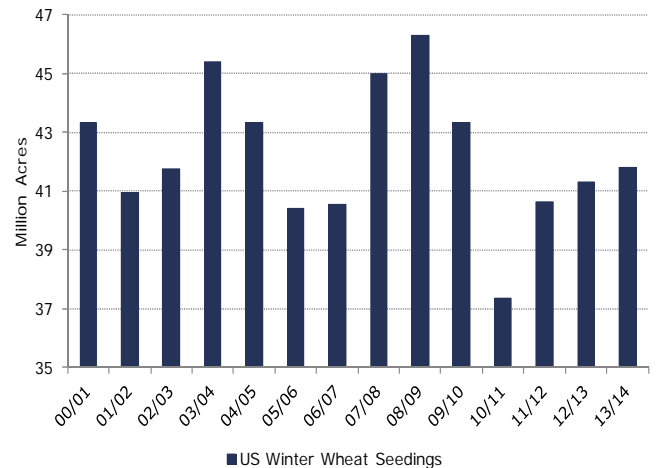
US winter wheat seedings were bullish for deferred wheat contracts, rising 0.5 million acres YOY to 41.8 million acres and well below trade estimates for 42.6 million acres to be planted. Hard red winter plantings declined 0.5 million acres YOY to 29.1 million acres, with 0.6 million acres removed across Kansas, Montana and Colorado. Soft red winter plantings rose 1.3 million acres to 9.4 million acres—above even the highest trade estimate. The supply outlook in 2013/14 is now significantly diminished, with the lower than expected increase in planted area likely to accompany high abandonment as only 33% of the US winter wheat crop was in good or excellent condition as the crop entered dormancy.

US wheat stocks came in below trade expectations, indicating higher levels of wheat feeding in the second quarter of 2012/13



Source: USDA, Rabobank

Winter wheat seedings for 2013/14 were much smaller than trade expectations and bullish for deferred wheat contracts

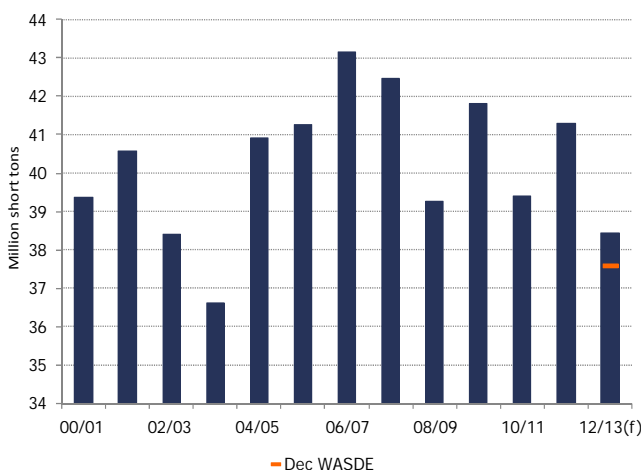


Source: USDA, Rabobank

The USDA provided no surprise to the market in their quarterly Grain Stocks report and WASDE for soybeans as the data was roughly in line with average trade estimates. The USDA raised their US production estimate 44 million bushels to 3,015 million bushels due to higher yields and area harvested. This was partially offset by a 35 million bushel increase in forecast crush to 1,605 million bushels. This resulted in a 5 million bushel increase in projected ending stocks to 135 million bushels—in line with average trade estimates. US soybean stocks as of 1 December were 1,966 million bushels—down 17% YOY and the lowest level since 2003/04. Revisions to the South American production estimates were also in line with average trade estimates. The USDA increased their forecast for Brazil’s soybean harvest 1.5 million tonnes to 82.5 million tonnes and lowered their forecast for Argentina’s soybeans 1 million tonnes to 54 million tonnes. The higher soybean production estimates in the Americas caused the USDA to raise their global production estimate 1.7 million tonnes to 269.41 million tonnes. However, the revised higher demand in the US, China, and Japan resulted in a slight reduction in their forecast for global ending stocks from 59.93 million tonnes to 59.46 million tonnes. This results in estimated global stocks-to-use of 22.6% for 2012/13—up 1.1 points YOY but below the 10-year average of 23.6%.

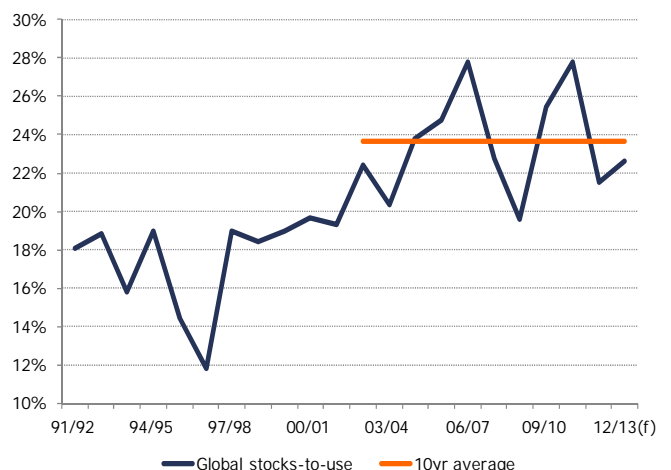
A neutral price response is expected for CBOT Soybean prices as a result of the January WASDE and Grain Stocks report with support maintained above USD 14/bu. The USDA re-affirmed the situation of tight US soybean supplies and the reliance on South American production to meet global demand in coming months. Although no major surprises were offered in the data release, we expect prices will be supported near USD 14.00/bu due to strong Chinese import demand, the fast pace of US crushing and the logistical risks inherent in record high South American soybean exports.

The USDA increased their forecast for US soymeal consumption on higher crush



Source: USDA, Rabobank

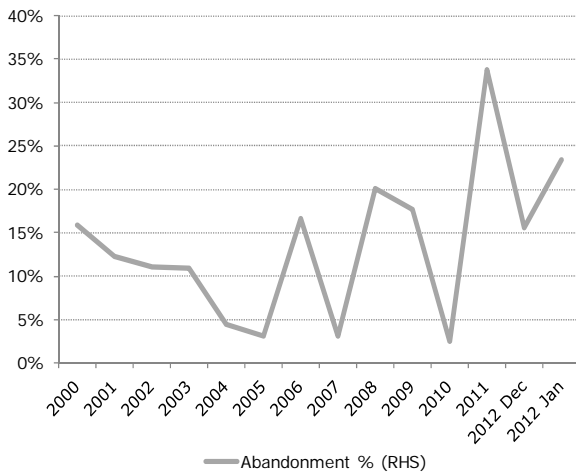
The USDA forecasts global soybean stocks-to-use at 22.6%—below the 10-year average



Source: USDA, Rabobank

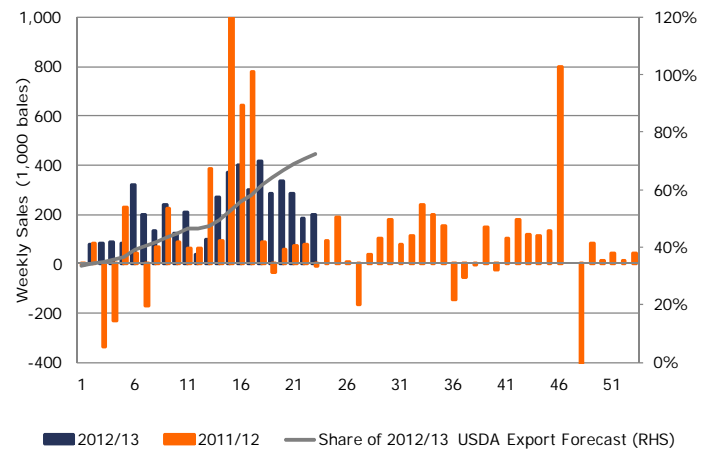
The January WASDE was mixed for cotton as global production and ending stocks were increased but exporter and US supplies were reduced. The adjustments to the USDA forecasts illustrate the trend of cotton inventories shifting to importers, especially China, which is forecast to hold 50% of all ending stocks in 2012/13. The share of Chinese stocks relative to global inventories was 44% in 2011/12 and 22% in 2010/11. Chinese imports and production forecasts were increased by a net total of 3 million bales in the report, while stock levels in major exporters and the US were reduced by 670,000 bales for 2012/13. The global ending stock forecast for 2012/13 was increased 2.08 million bales to a record 81.72 million bales and global demand was adjusted 420,000 bales lower. The increase in stocks was a function of the Chinese crop forecast being increased 2 million bales to 33.5 million bales. The 2012/13 US crop was reduced 250,000 bales due to higher abandonment and exports were increased by 400,000 bales to 12.2 million bales. While the outlook for the old crop remains that of oversupply, the market's focus in the next quarter will be on US planted area and new crop prospects.

The USDA increase the forecast abandonment rate for the 2012/13 crop to the second highest in the last decade



Source: USDA, Rabobank

Strong export sales prompted the USDA to increase the 2012/13 export forecast 3% to 12.2 million bales



Source: USDA, Rabobank

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