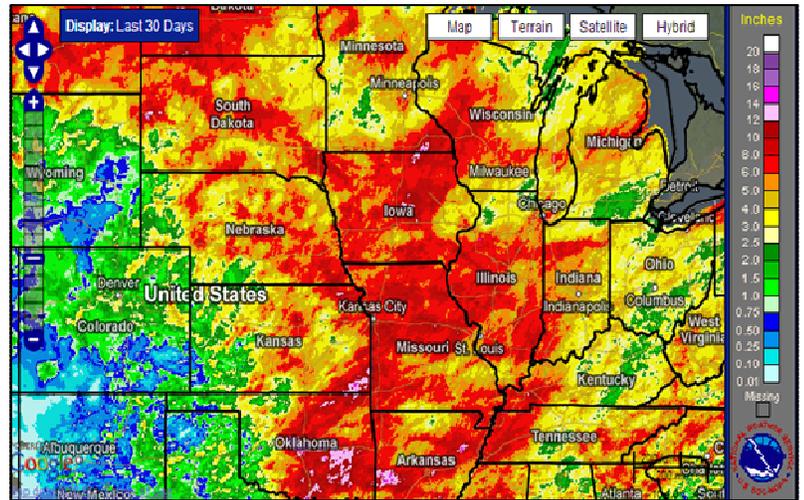


May 2013 Month End Comments

The month of May was a difficult timeframe for our long-term positions. As noted in most of our monthly commentaries, “normal” weather is assumed when determining our long-term thoughts on the grain and oilseed markets. The weather experienced in the month of May was anything but normal.

The map to the right illustrates my point here. Note the huge area of red on the map. The red color indicates rainfall accumulations of over 6 inches during the past 30 days. This excessive rainfall through the heart of the Midwest has slowed planting progress for both corn and soybeans. Although corn planting progress has finally started to catch up in most areas to start the month of June, soybean planting lags significantly.



The main concern here isn’t that the late planting will reduce yield potential. Though it is generally assumed that early-planted crops yield better, the reality is there is very little correlation between the two. Instead, the main concern is a loss of acreage. Farmers in these excessively wet areas are faced with a choice to take the risk of planting a crop with uncertain summer weather ahead or take the known insurance payment. To be clear, the insurance payment is only a fraction of what most farmers would expect to make in a “normal” year, but with uncertain weather and yield potential going forward, it might be an attractive and safe option for some.

This uncertainty surrounding production prospects has driven the market to add additional risk premium to new crop corn and soybean futures over the past month. The market has responded with a furious rally in the past two weeks, and this has caused losses in our long-held bearish new crop positions.

I remain bearish to new crop corn values. The uncertainty surrounding corn planting is starting to wrap up. I am currently assuming a loss of approximately 3 million acres to planted area relative to the USDA’s March Planting Intentions report, but the new-crop balance sheet was well-equipped to handle this shortfall. Export demand remains lackluster and will continue to suffer due to more competitively priced supplies overseas. Ethanol demand has improved and looks strong currently, but the 10% “blend-wall” is staring right at us and puts a ceiling on possible ethanol production. Additionally, I expect ethanol imports to compete strongly against domestically-produced supplies in Q4 of this year as the industry seeks to utilize imported (sugar-based) ethanol to meet “advanced biofuel” RFS requirements.

I remain bearish to new crop winter wheat values. There isn’t much change to note here. The change in the weather pattern has adversely affected corn and soybean planting potential, but it really hasn’t done much to change winter wheat production prospects. Certainly spring wheat potential looks lower than it did a month ago,



May 2013 Month End Comments

I have no position in live cattle currently and do not anticipate establishing a position in the near future.

I remain negative to cattle prices over the long term, but I suspect the break in prices may have gone far enough for now. Additionally, improving weather conditions might allow for better pasture and the beginning of heifer retention which would slowly rebuild the cattle herd. In the long run, such heifer retention would be negative as it would increase fed cattle supplies...but that is a two-year process. In the short/medium term, this heifer retention could reduce fed cattle supplies and could lead to tighter cattle numbers early into 2014.

Regards,
David Zelinski
Opus Futures, LLC
June 6, 2013

Information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opus Futures, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such. Opinions expressed reflect judgments at this date and are subject to change without notice.

There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. The contents of this report are informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contracts. This material cannot be copied, reproduced, modified, or redistributed without the express written consent of Opus Futures, LLC. No one has been authorized to distribute this for sale.

9047 Poplar Avenue, Suite 101, Germantown, TN, 38138
Tel: 901-766-4446 • Fax: 901-766-4406
www.opusfutures.com