

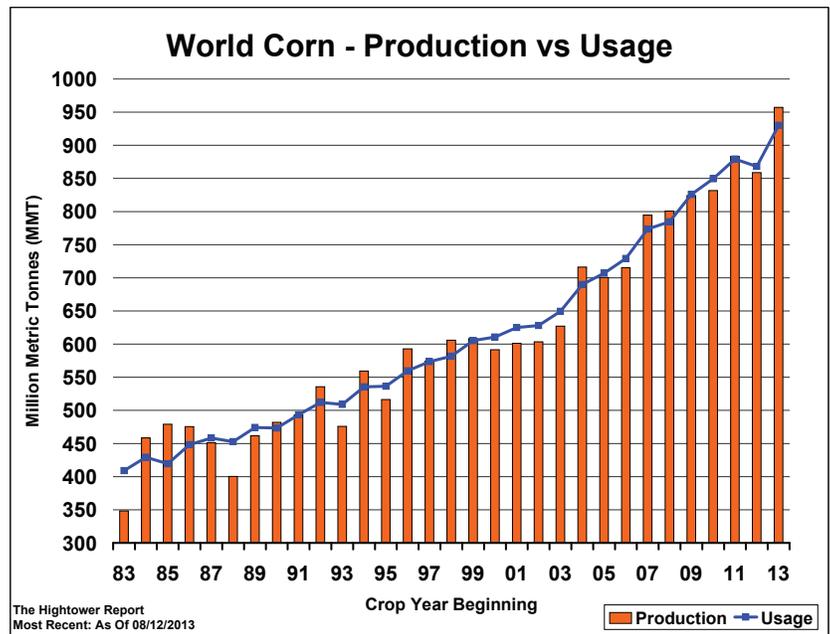
September 11, 2013

USDA Supply/Demand Report Preview

CORN

The trade is looking for the 2013/14 national average corn yield to come in around 153.7 bushels per acre, down from 154.4 in the August report and well above the 2012/13 estimate of 123.4. Production is estimated to come in at 13.62 billion bushels, down about 143 million bushels from the August report. The decline in production implies a 1.46 bushel-per-acre yield reduction when calculated against 97.4 million acres planted, even though the trade estimate is calling for a yield decline of only 0.70 bushels per acre. This suggests the market may have overcompensated on its estimates for production declines, which leaves it at risk for a bearish surprise on Thursday. The estimated range for 2013/14 production is between 14.01 and 13.33 billion.

Keep in mind, the estimated ranges in the August report were between 161.2 and 154 bushels per acre for yield and 14.27 and 13.49 billion bushels for production. The decline in estimates for this month's report indicates that the market is well aware of the changes that have taken place over the last month and has already adjusted accordingly.



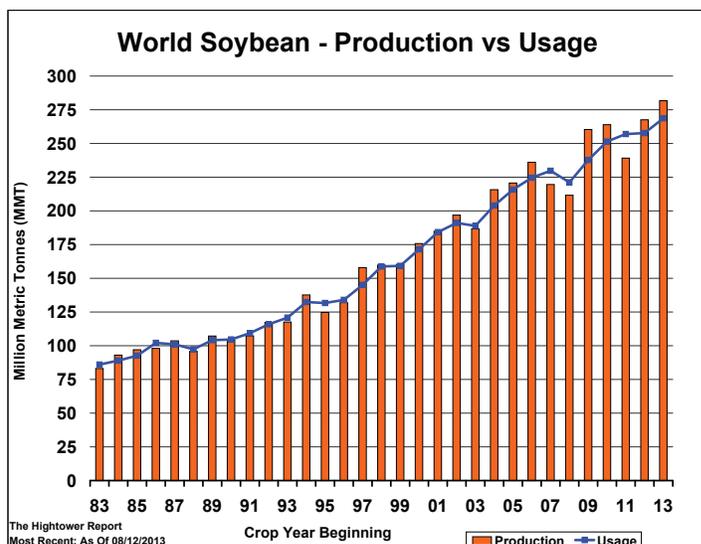
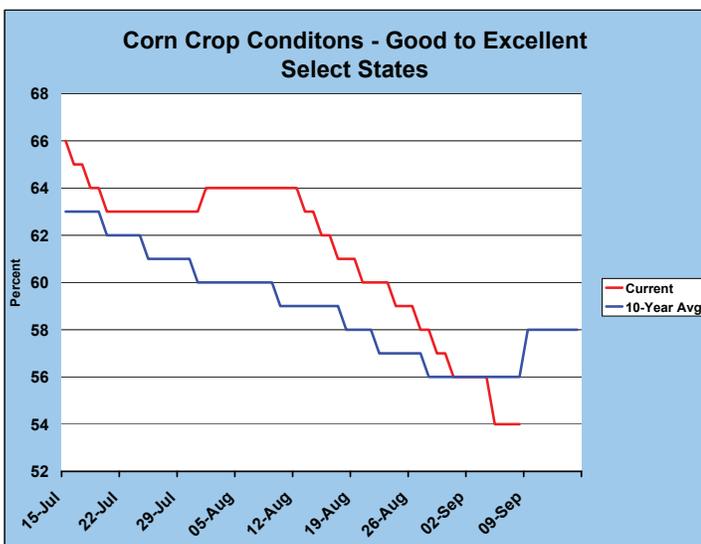
www.HightowerReport.com

Trade Recommendations
Pre-open and Midday Audio Updates
Fundamental & Technical Chart Library
Daily Fundamental & Technical Analysis

The information in this report may be considered dated upon its release and should not be considered interpersonal advice. This report is merely an opinion on the market and is a reflection of conditions as of its publication. Market conditions change! Traders should not consider entering positions without their own independent analysis of the market's current situation, nor without further consideration of any changes to the information contained herein that may have occurred since this report was written. The authors are not responsible for any verbal or written claims and opinions that might be provided in conjunction with this report. The trading suggestions contained herein have been provided merely as a general guide and only for the purpose of quantifying the authors' opinions.

This report includes information from sources believed to be reliable but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. This report should not be construed as a request to engage in any transaction involving the purchase or sale of a futures contract and/or commodity option thereon. The risk of loss in trading futures contracts or commodity options can be substantial, and investors should carefully consider the inherent risks of such an investment in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of The Hightower Report is strictly prohibited.

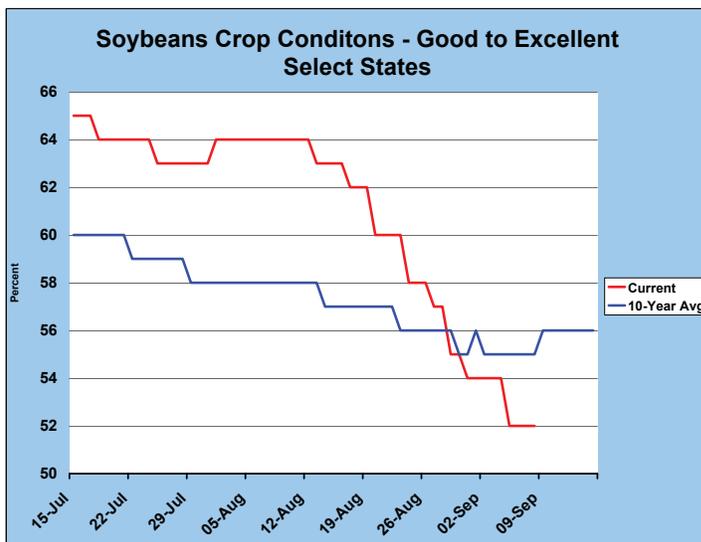
USDA Supply/Demand Report Preview



Ending stocks for 2013/14 are expected to come in near 1.73 billion, down from 1.84 billion in the August report but up from the 2012/13 estimate of 715 million. On paper, an ending stocks number between 1.73 and 1.84 would be considered bearish for market direction. New contract lows would be expected, with harvest pressure adding to the downside influence.

On the other hand, an ending stocks number below 1.7 billion bushels might be considered bullish and could trigger fresh buying and a significant amount of short covering. It is unlikely that major harvested acreage adjustments will be made in this report. The trade is mindful of the fact that changes would likely occur in the October report.

Trend-following funds were net short 134,420 contracts as of September 3rd, which was off record highs but still rather large compared to historical standards, so the market could still be considered oversold.



World ending stocks are estimated to come in at 146.93 million tonnes, down from 150.17 million in August. Most of this revision lower is expected to stem from a decline in US production. While ending stocks may decline, world production could still come in at a record 957.14 million tonnes. Many traders are looking for increased production out of Ukraine, which is currently estimated at a record 29 million tonnes.

the final 2012/13 yield of 39.6. Production is estimated to come in at 3.140 billion bushels, down from 3.255 billion forecasted in the August report and just below 3.015 for 2012/13. The range for production estimates is between 3.24 and 2.98 billion, which is rather wide and suggests the degree of uncertainty over just how much lower yield will be. (The estimated range for the yield in the August report was between 44.4 and 42.0 bushels per acre, and for production it was between 3.40 and 3.22 billion bushels.) The lowered expectations for this report suggests that the market has adjusted quite significantly to the warm and dry August across the Corn Belt and the resulting deterioration in weekly crop condition ratings. Ending stocks for 2013/14 are estimated to come in near 165 million, down from 220 million in the August report but up from the 2012/13 estimate of 125 million.

SOYBEANS

The average trade estimate for the 2013/14 US soybean yield is 41.2 bushels per acre, down from 42.6 in the August report but above

USDA Supply/Demand Report Preview

The predicament for the soybean balance sheet is far more pronounced than it is for corn, and the stage could be set for circumstances similar to the 2012/13 crop year. If yield comes in at the average trade estimate of 41.2 bushels per acre and harvested acreage is left unchanged (after being revised lower by 500,000 acres from July to August) and all demand components are left unchanged, ending stocks would come in at 113 million bushels, which would be the lowest reading since 2003/04. Demand adjustments will likely be made if the yield comes in at that level.

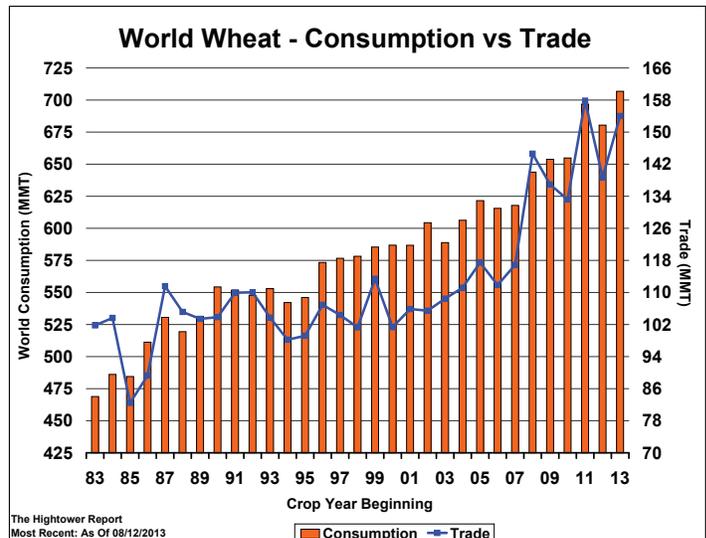
Residual use for 2012/13 has been lowered to 5 million bushels, but the current estimate for 2013/14 is 29 million. This means there would be 24 million bushels to cushion the supply blow. And while cumulative export sales to date are running at 54.5% of the current forecast vs. the 5 year average of 40%, we would not be surprised to see a revision lower in the export forecast. Export sales and shipments saw a sharp decline from April through September in 2012/13, as the South American harvest came to market and kept export demand in check for the US. With production estimates inching higher in South America for 2013/14, the USDA may lower its US export forecast in anticipation of a slowdown in the second half of the crop year.

Global ending stocks are expected to come in near 71.2 million tonnes, down slightly from the 72.27 million estimated in the August report. Declines in US production could be countervailed by increases in Brazilian production. Brazil soybean planting is expected to climb by 5% from a year ago. Brazilian production is currently estimated at a record 85 million tonnes, but some private estimates are coming in at 88 million. World production was estimated at a record 281.71 million tonnes in the August USDA report.

WHEAT

The trade is looking for US 2013/14 ending stocks to come in near unchanged from the August estimate of 551 million bushels. Exports continue to be impressive, with inspections for the week ending September 5th coming in at 31.6 million bushels, well above the 18.9 million necessary each week to reach the USDA's forecast for the marketing year. An increase in the export estimate could force ending stocks lower, although the trade feels that feed usage may decline given the robust supply outlook for corn. Feed usage is currently estimated at 280 million, down 90 million from 2012/13 but well above the 5 year average of 218 million.

World supply remains bearish on paper at a record 705.38 million tonnes, and the trade is looking for ending stocks to come in near



172.75 million tonnes vs. 172.99 in the August report and below 174.42 million a year ago. Ending stocks currently sit at 5 year lows. Australian production for 2013/14 might see a decline from the August estimate of 25.5 million tonnes. The Australian government agency ABARES has estimated the crop at 24.5 million tonnes, and the 5-year average production is 24.52 million tonnes. Additional increases may come for Canada and the EU, while revisions lower are possible for Argentina and India.

SUMMARY

The row crop markets will be the headliners for the report tomorrow, as harvest has officially begun in the US. This report will add more clarity to the supply and demand outlook for 2013/14. The soybean market is in desperate need of something new to trade off of, as the weather's impact on production has declined given the stage that most of the crop has already reached. Traders should be mindful that there is a tendency for corn and soybeans to trend lower as harvest moves forward and the psychological impact of the harvest tends weigh on market sentiment.

Furthermore, one common theme does exist in the world supply and demand estimates: corn, soybean, and all-wheat production are projected to come in at record levels. Of course, the countervailing argument is that world domestic demand for each is also estimated at record levels. The difference at the moment is that the northern hemisphere corn and soybean harvest will be in full swing soon and that supply side sentiment will remain the dominant factor.

Commodity Trading Guide 2014



Calendar | Encyclopedia | Almanac

Featuring:

- Futures & Options Expiration Dates
- Government & Industry Report Dates
- Contract Specifications
- Over 350 Charts & Graphs
- Traders Glossary

Order by October 1, 2013 & pay only \$15 per copy. That's a 25% savings!

Go to futures-research.com or call 800-662-9346 (After October 1st the price goes to \$20)

The Hightower Report's *Weekly Market Letter*

- New, Easy-to-Read Layout
- Short, succinct articles with specific trade strategies
- Market-by-Market summaries, with long/short indicators
- Major Economic Events - and how they will impact the markets
- Overvalue/Undervalued Indicators

Subscribe Today for Only \$25 Per Month
First Month Free!

Go to **HightowerReport.com** or call 800-662-9346 or 312-786-4450

Any reproduction or retransmission of this report without the express written consent of The Hightower Report is strictly prohibited. Violators are subject to a \$15,000 fine.

THE HIGHTOWER REPORT

Futures Analysis & Forecasting WEEKLY MARKET LETTER
futures-research.com

THIS ISSUE January 11, 2013

Fundamental Trades:
Bullish: Live Cattle
Bearish: Crude Oil
Campaign Trades:
Platinum & Live Cattle

Visit our Blog!
HightowerReport.com

MAJOR ECONOMIC EVENTS

January 15
- Producer Price Index
- Retail Sales

January 16
- Consumer Price Index
- Industrial Production

January 17
- Index Options
- Housing Starts
- Philly Fed Survey

January 18
- China's GDP/Retail Sales
- Consumer Sentiment

Next Week's Economic Focus

Commodity prices got a boost from this week's news of a recovery in Chinese exports and imports during the month of December. While the outlook for the US and Europe remains suspect, seeing more positive developments out of China should dampen some of the negative sentiment toward copper demand. Adding to the positive sentiment was news that Spain and Italy saw strong demand for their debt during recent auctions. Unfortunately, the New Year failed to bring a complete end to the fiscal deficit debate, which has transpired into a looming US debt ceiling debate. With several political pundits encouraging the President to unilaterally raise the debt ceiling and have future ceiling adjustments in his office's hands, one might expect the

GDP to dig in heels instead of springing to compromise. One also has to wonder if evidence of lower after-tax income in the first paychecks of 2013 will result in some negative sentiment during the coming weeks. Over the near term it is possible that positive news from China, less uncertainty from Europe and ongoing positive US economic data will provide physical commodities with a positive backdrop. On the other hand, markets like oil, soybeans and nuts continue to face harsh supply conditions that are difficult to overcome.

-Dave Hfg

OUR OPINION... MARKET BY MARKET

Market
Improvement in China leaves the bulls in control. The bear camp retains a fundamental edge. Inability to heat sales leads at an upcoming top.

Stocks
Favorable auctions reduces risk for fresh longs.

Bonds
Downside waves not extending with key reversal.

Dollar
Near-term upside move possible from China news.

Euro
March Crude firm at \$95.00 level.

Gold
Surge in supply & weak demand offer headwinds.

Silver
Bounce from \$3.30 leaves \$3.50 as next objective.

Copper
S America weather good, downturn continues.

Crude
Demand & 2013/14 planting seen as negative.

Gasoline
Export demand still slow, precipitation in the west.

Net Gas
Production decline seen through mid-February.

Soybeans
June and August look too cheap versus outlook.

Corn
Funds still hold big net short with shift in supply.

Wheat
Will need signs of tighter supply to turn trend.

Heaps
Threat of China selling weakness may persist.

L Cattle
Overlook with more positive tone for commodities.

Sugar
Funds still hold big net short with shift in supply.

Coffee
Will need signs of tighter supply to turn trend.

Cocoa
Threat of China selling weakness may persist.

Cotton
Threat of China selling weakness may persist.

* For Sales, commodities listed in a market, L Long, S Short

541 West Jackson • Suite 4002 • Chicago, Illinois • 60604 • 800-662-9346 • 312-786-4450 • info@hightowerreport.com • HightowerReport.com
Trading futures contracts and commodity options involves substantial risk of loss, and thus is not appropriate for all investors. Investors should carefully consider the inherent risks of such an investment in light of their financial condition.