CME Oilseed / Grains Comment for: March 11, 2010

SOY-COMPLEX

Soy-complex ended sharply lower as trader's exited long soybeans short corn spreads. The main negative was the very disappointing export sales report this morning for the entire soy-complex in addition to fears of further tightening by China could curtail the recent sharp pace of growth there and it is feared that this could limit the growth of US soybean exports to China into mid-to-late 2010. Funds were estimated to have sold 7,000 contracts of soybeans, 1,000 soyoil and sellers of 2,000 soymeal.

The weekly Export Sales report for soybeans showed major cancellations from China and from unknown destinations. Net sales for soybeans came in at a negative 115,800 tonnes for the current marketing year and 65,100 for next year for a total of minus 50,700 tonnes. As of March 4th, cumulative soybean sales stand at 92.5% of the USDA forecast for 2009/2010 versus a 5 year average of 83.3%. Sales need to average 111,000 tonnes each week to reach the USDA forecast. Net meal sales came in at 1,900 tonnes for the current marketing year and 300 for next year for a total of 2,200. Cumulative meal sales stand at 81.2% of the USDA forecast for 2009/2010 versus a 5 year average of 59.0%. Sales need to average 60,000 tonnes each week to reach the USDA forecast. Net oil sales came in at minus 9,400 tonnes. Cumulative oil sales stand at 74.3% of the USDA forecast for 2009/2010 versus a 5 year average of 48.9%. Sales need to average 13,000 tonnes each week to reach the USDA forecast.

The US Senate has inserted the $1 per gallon bio-diesel subsidy into another jobs bill and this bill has now passed the Senate. It will now go to the House of Representatives.

China CPI for February was pegged at a 16 month high of 2.7%. A separate report revealed housing prices in the country's 70 largest cities rose at a rate exceeding 10%. The reports news leaves the government without an alternative other than to hit the monetary brakes.

The Buenos Aires Grains Exchange raised its Argentine soybean crop at 53.5 mmts, the USDA left its estimate unchanged at 53.0 mmts in Wednesday's USDA crop report.

The South American forecast is calling for mostly dry weather for the remainder of the week and the weekend. A front could produce a few light showers across Argentina later tonight but totals will be less than .25 inches. The rain will not pose a risk to harvest. The next chance for meaningful showers is not until early mid week as a cold front pulls northward through Argentina. This is several days later than what was suggested in prior days. The models have been shoving back the chance of rain which will open the harvesting opportunities. This week's high temperatures will range from the upper 70's to the upper 80's with no extreme heat noted. A seasonal drier profile is on the offering and we see no evidence of extreme wetness into March 23st. There could be a few scattered showers in N Brazil but coverage and totals should be no great then normal.

The Central US weather forecast has improved today with warming/dry weather now slated for much of next week. The current storm system centered in Iowa will produce an additional .25-

1.25 inches of rain across the Midwest today. Heavier totals are possible in the SE and NE US. Light snows will fall on the backside of the system on Friday. On the weekend, sunshine/warmth will help to push the snowpack farther north with next week's high temperatures looking to hold in the 50's and 60's. The next chance of moisture is not indicated until next weekend.

Short-term technical trend changed in soyoil today, so we would like to be in cash and look to re-enter on the long side as the long-term technical trend in soyoil remains higher. While both short and long-term technical trends remain lower in soybeans and soymeal. We would continue trading from the short side in soybeans and soymeal risking a close above 950 ¾ and 267.00 respectively.

CORN

The corn market posted modest losses through most of the session, gaining sharply on soybeans in the process. Funds were sellers in corn with support coming from spreaders versus soybeans. Funds were estimated to have sold 3,000 contracts.

This week's net export sales for corn came in less than expected at 338,900 tonnes. As of March 4th, cumulative corn sales stand at 67.0% of the USDA forecast for 2009/2010 versus a 5 year average of 68.7%. Sales need to average 616,000 tonnes each week to reach the USDA forecast. Traders' focus appears to be shifting to the USDA's Planting Intentions report which is due out on March 31st. Corn and soybeans are competing for 3-5 million acres in the Midwest, Plains and mid-South with the outcome uncertain at current price levels.

The Buenos Aires Grain Exchange left its 2010 corn production forecast at 20.2 mmts. There were producer reports of corn yields some 20 BPA above their prior record. Holy buckets GMO has certainly kicked in. The harvest is estimated at 12% complete up from 35 last week.

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Both short term and long-term technicals trends are lower for corn. We prefer trading from the short side in corn risking a close above 375 ¾.

WHEAT

Wheat settled lower in a fairly narrow trading range. May wheat pushed below yesterday's lows, but was supported by a lack of selling into the new lows for the year. Funds were moderate sellers on the day with some support noted from spreaders versus a sharply lower soybean market. Funds were estimated to have sold 1,500 contracts on the day.

Weekly export sales came in near the high end of trade expectations, and this was also considered supportive. The biggest buyer was Nigeria. Net sales were 407,900 tonnes for the current marketing year and 40,500 for the next marketing year for a total of 448,400. As of March 4th, cumulative wheat sales stand at 89.0% of the USDA forecast for 2009/2010 versus a 5 year average of 88.7%. Sales need to average 194,000 tonnes each week to reach the USDA forecast.

Egypt on Wednesday purchased 60,000 tonnes of French wheat at $164.55/mt and 60,000 tonnes of Russian wheat at $168.55/mt. Certainly the lack of US wheat is not a shock but what is France's willingness to sell wheat below the cost of replacement certainly does not seem friendly for US futures.

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Both short term and long-term technicals trends are lower for wheat. We continue to trade from the short side in wheat risking a close above 496 ¼.

Commodity	High	Low	Close	Net Change
May Soybeans	954	930	930 ½	Down 27 ½
May SoyMeal	258.50	251.30	252.60	Down 6.60
May Soyoil	40.75	40.05	40.11	Down 91
May Corn	365 ¾	361 ½	365 ¼	Down ¼
May Wheat	481	475 ½	478 ¾	Down 2 ¾

Regards, Tim Anderson

"This report is contributed by Tim Anderson. Please send email to info@gatetrade.com, if you are interested in learning more about commodity futures and option trading in addition to more extensive research."