
GRAINS / OILSEEDS AFTERNOON UPDATE

Friday, April 16, 2010

Soybeans

Soybeans and soybean meal ended sharply higher. Strength was driven by meal and bull spreading. Bull spreads in soybean meal deriving more support from funds. Strength also coming from short covering and technical buying as more moving averages continue to give buy signals. Technical buying appeared to be the major driver today and a lot of buy stops over the market. Soybeans and meal are heading for pre March 31 report levels at which point resistance will depend on farmer selling levels and weather. Activity also features meal/oil spreading which is keeping soybean oil on the defensive. Soybeans were estimated to have bought 8,000 contracts of soybeans, 3,000 soymeal and 2,000 soyoil.

This week's export sales were in line with trade expectations in soybeans, meal and oil. Net sales for soybeans came in at 158,000 tonnes for the current marketing year and 293,200 for next year for a total of 451,200. As of April 8, cumulative soybean sales stand at 93.4% of the USDA forecast for 2009/2010 (current) versus a 5 year average of 88.8%. Sales need to average 124,000 tonnes each week to reach the USDA forecast. Net meal sales came in at 85,000 tonnes for the current marketing year and 16,300 for next year for a total of 101,300. Cumulative soybean meal sales stand at 86.0% of the USDA forecast for 2009/2010 versus a 5 year average of 66.6%. Sales need to average 55,000 tonnes each week to reach the USDA forecast. Net oil sales were 13,500 tonnes. Cumulative oil sales stand at 78.8% of the USDA forecast for 2009/2010 versus a 5 year average of 55.5%. Sales need to average 12,000 tonnes each week to reach the USDA forecast.

China is indicating that it will import less soybean oil than previously expected. Palm oil shipment data for April 1-15 were disappointing, 5 year low for the comparable period.

Soybean meal supply situation in the US is seen as getting tighter with more reports of processor downtime. There were reports of interest in buying back receipts which is also fueling interest in the bull spreads in meal.

Both short and long-term technical trends remain higher for the entire complex – so we will continue to favor trading from the long side.

Corn

Corn ended higher on fund buying, but gains were limited by light speculative selling in late trade. May corn briefly traded below a \$3.5675 support level. The July contract close today was the highest since March 24th. Strong export sales total and fund buying were supportive factors today along with light selling by farmers and light to moderate fund buying. A higher dollar was thought to have limited the day's gains. Funds were estimated to have bought 8,000 contracts of corn.

Net weekly export sales for corn came in at 1,006,300 tonnes for the current marketing year and 140,900 for next year for a total of 1,147,200 tonnes. As of April 8, cumulative corn sales stand at 76.4% of the USDA forecast for 2009/2010 versus a 5 year average of 77.1%. Sales need to average 546,000 tonnes each week to reach the USDA forecast.

Argentina's BA Exchange left their 21 million tonne corn output unchanged, same as USDA.

USDA said they plan to finish their special 2009 corn production survey for North and South Dakota, and release any significant changes, if any, in its May 11 Crop Production report. Note most of corn harvest in South Dakota is done while North Dakota continues to lag (88% as of April 11). Both states combined represent 7% of the U.S. corn crop. Last March, USDA surveyed four states. They cut the 2009 U.S. harvested area by 10,000 acres and lowered the national yield by 0.3 bushel/acre, resulting in a 20 million bushel drop in the US production to 13.131 billion bushels, which remained a record. Some estimate the 2009 U.S. harvested area could lose an additional 65,000 acres if USDA chooses to resurvey the North and South Dakota corn supply. If realized, we look for the ND yield to be downwardly revised 1 bushel per acre and SD yield to be unchanged. A 65,000 harvested acre area reduction in the Dakota's and a slight decrease in the North Dakota yield would result in an additional 16 million bushel reduction in US production to 13.115 billion.

Both short and long-term technical trends remain higher for corn – so we will continue to favor trading from the long side.

Wheat

Wheat ended higher despite a stronger dollar and a disappointing export sales report from the USDA. It was early buying by funds and strength in corn and soybeans outweighed the effect of today's negative factors. Funds were estimated to have bought 3,000 contracts of wheat on the day.

Net sales for wheat came in at 101,100 tonnes for the current marketing year and 310,800 for next year for a total of 411,900. Soft red sales were only 5,100 tonnes for the current marketing year and 18,500 tonnes for next year. As of April 8, cumulative wheat sales stand at 91.5% of the USDA forecast for 2009/2010 versus a 5 year average of 94.4%. Sales need to average 260,000 metric tonnes each week to reach the USDA forecast.



Winter wheat ratings on Monday afternoon are expected to be up 1 in the HRW category and be nearly unchanged in the SRW and White. •

The EU granted wheat exports of 393,000 tonnes of soft wheat this week. Israel bought 35,000 tonnes of EU feed wheat (\$174.50 & 177.75 per tonne C&F) and 10,000 tonnes of feed barley (\$159.50) for May-July shipment. Japan bought 157,000 tonnes of wheat, 90,000 from the U.S., 25,000 from Canada, and 42,000 tonnes from Australia, for May-June shipment.

The short-term technical trend is higher but the long-term trend remains lower – we favor staying on the sidelines for now.

Weather

Midwest – Another dry day over most of the region...full sun in IL, IN, OH, MO, Mixed clouds and sun in IA. Scattered showers still popping up over WI and MN. Better chances of showers and thunderstorms tonight over IA and MO, but amounts will be under half an inch and coverage likely 40%. Scattered showers sag through the rest of the Corn Belt tomorrow, with the heaviest rains across central and southern IN and OH. Rains still no better than .50", coverage 50%. Dry Sat through Tue, with scattered showers developing in western Corn Belt Tue night and wed. Amounts though will be only .25"- .33" with coverage of 40%. Completely dry again Thu-Friday.

Effects –Very limited weather related problems in the Corn Belt over the next week. However a return to wet weather will initiate in the last week of April, so with a lot of corn going into the ground, look for some potential crusting issues in the Corn Belt. Disorganized weather pattern in the central and southern plains will trend toward damp, but there will be plenty of opportunities there for field work too, in-between precipitation events. Cooler weather returns over the weekend and through next week, but again...just returns us to normal. No serious weather problems to sway the market in the immediate term. There could be some delays in any remaining harvest in southern Brazil early next week.

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"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."