

CME Oilseed / Grains Comment for: March 04, 2010

SOY-COMPLEX

Soy-complex ended sharply lower across the floor in conjunction with a rally in the USdlr and weekly export sales that were below trade expectations. The May soybean contract made another new low for the day in mid-to-late morning, followed by an even bigger push into new low ground in early afternoon. Meal posted another loss versus oil during much of the session, extending its loss on the spread into the close, although oil was also lower. Funds were estimated to have sold 6,500 contracts of soybeans, 2,000 soyoil and sellers of 3,000 soymeal.

This week's export sales were about in line with trade expectations. China was absent on the buy side in soybeans and there was a cancellation of 141,100 tonnes in soybeans. Net weekly sales for soybeans were 182,400 tonnes for the current marketing year and 188,000 for next year for a total of 370,400. As of February 25, cumulative soybean sales stand at 94.2% of the USDA forecast for 2009/2010 versus a 5 year average of 81.7%. Net meal sales were 85,700 tonnes for the current marketing year and 3,200 for next year for a total of 88,900. Cumulative meal sales stand at 82.7% of the USDA forecast for 2009/2010 versus a 5 year average of 57.1%. Net oil sales came in at 15,900 tonnes. Cumulative soybean oil sales stand at 74.9% of the USDA forecast for 2009/2010 versus a 5 year average of 47.3%.

Census Bureau soybean oil stocks for January came in at 3.224 billion pounds this morning, up from 3.110 at the end of December. Soy oil used for methyl esters (bio-diesel) was only 89.7 million pounds in January, down sharply - about 62% - from 236 million pounds in December. This came after the \$1 per gallon bio-diesel subsidy expired at the end of December, 2009.

NOAA announced this morning that El Nino is likely to persist well into that late spring and potentially the early summer. This would reduce the chances of a 2010 Midwest drought, but it would also continue to produce dryness in the Se corner of Asia including Indonesia/Malaysia and Thailand. Amid abundant central US soil moisture, the chances of a 2010 Midwest drought are below 9%.

The overnight South American weather forecast has improved. Much drier conditions are now forecasted for Argentina and S Brazil for the next 7-8 days as a high pressure ridge dominates. The sunny/dry weather will prove ideal for quickening the harvest. Tropical showers will be seen in N. Brazil, but totals will not be much above normal. and harvest should at least be at a normal pace. The extended forecast calls for the drier weather trend to hold across Argentina and S Brazil for much of next week. The next chance of rain is not until the following weekend, totals are not expected to be excessive.

The US Central weather has also improved. A complex weather pattern is causing the forecast models some difficulties, but a much warmer temperature profile is forecasted with no additional cold air noted over Canada. This means that the snowpack will be in sharp retreat and that fieldwork can be started in the Gulf States.

Short-term technical trends are higher for soyoil and lower for soybeans and soymeal. With today's close below 960 ³/₄ we would trade from the short-side in soybeans risking a close above 959 ¹/₂. Soyoil on the other hand still has the short and long-term technicals trends higher so we prefer trading from the



long side risking a close below 39.64. Like soybeans we would be trading soymeal from the short-side risking a close above 269.00.

CORN

Corn ended lower as the USD/r rally amid favorable weather forecast and sharp losses in soybeans and wheat lead to the weakness. The corn market was lower throughout both the overnight and day sessions, although corn gained substantial ground against both soybeans and wheat on the day as those market came under even heavier pressure. Funds were moderate sellers on the day with inter-commodity spreaders providing some support, and May corn managed to trim near half of the day's loss into the close. Funds were estimated to have sold 4,000 contracts.

Corn export sales were slightly better than expected. Net export sales for corn came in at 761,400 tonnes for the current marketing year and 72,000 for next year for a total of 833,400. Japan was far and away the biggest buyer for 2009/10 at 517,100 tonnes. There was also a cancellation of a 173,100 tonne sale for the current year. Weather forecasts for the Corn Belt continue to show some wetness starting next week. The 6-10 day calls for heavy rains in the southern Plains and good rains across the southern Midwest. A major private forecaster pegged Argentina's corn crop at 21 million tonnes this morning, near the high end of the range of recent estimates and well above the USDA's latest estimate of 17.2 million tonnes.

NOAA announced this morning that El Nino is likely to persist well into that late spring and potentially the early summer. This would reduce the chances of a 2010 Midwest drought, but it would also continue to produce dryness in the Se corner of Asia including Indonesia/Malaysia and Thailand. Amid abundant central US soil moisture, the chances of a 2010 Midwest drought are below 9%.

US ethanol plants are in the "red" following the sharp retreat in US ethanol and DDG prices, rally in corn. It appears that US ethanol producers are losing 7 cents/bu and are starting to restrict plant utilization rates.

Informa raised its Argentina corn production estimate to 21 mln mts and left Brazil unchanged at 53 mln mts. – the USDA is currently using 17.2 mln mts. and 51 mln mts. For those countries.

Short-term technical trend changed Friday. Given the fact that the long-term technical trends remain lower we prefer being in cash with no position and look to re-enter on the downside once short-term technical trends indicate to do so. We would prefer being in cash and looking for another chance to re-enter on the short-side on a close below 382 ½.

WHEAT

Like the rest of the floor wheat was sharply lower on the heels of the USD/r rally. Wheat was the upside leader yesterday and today gave back all of these gains and the then some. May wheat opened sharply lower and posted a series of further new lows for the day into mid-to-late morning. The wheat market then trimmed its losses into early afternoon. Funds were sellers on the day as the day's weakness primarily to a sharp rally in the dollar. This comes at a time when US wheat is more expensive than its competition in a number of key markets making a rally in the dollar particularly negative for this market.



Wheat lost substantial ground to corn on the day in moderately active trade by spreaders. Funds were estimated to have sold 4,000 contracts on the day.

Wheat export sales came in well below trade expectations. Net sales for wheat came in at just 101,600 tonnes for the current marketing year and 2,500 for next year for a total of 104,100. As of February 25, cumulative wheat sales stand at 87.2% of the USDA forecast for 2009/2010 versus a 5 year average of 87.3%. Sales need to average 210,000 tonnes each week to reach the USDA forecast.

Forecasts call for heavy rains in the southern Plains of the US in the 6-10 day timeframe. Moisture levels are mostly fair to good in the area and rain at this time of the year for the wheat crop is normally seen as a bearish force.

Short-term technical trend changed today with the close below 509 1/2. Given the fact that the long-term technical trends remain lower we would be trading wheat from the short-side risking a close above 509 1/2.

Commodity	High	Low	Close	Net Change
May Soybeans	963	937 ¼	942	Down 21 ½
May SoyMeal	267.10	258.00	257.90	Down 9.40
May Soyoil	40.46	39.64	40.00	Down 40
May Corn	386	380 ¼	383	Down 3 ¾
May Wheat	515 ¼	499 ½	502 ¼	Down 13 ½

Regards, Tim Anderson

The risk of loss in trading futures and options can be substantial, therefore only genuine "risk" funds should be used in such trading. Futures and options may not be a suitable investment for all individuals and individuals should carefully consider their financial condition in deciding whether to trade. Option traders should be aware that the exercise of a long option will result in a futures position.

“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.”