

## CME Oilseed / Grains Comment for: March 05, 2010

### SOY-COMPLEX

Soy-complex ended mixed with slight gains in soybeans and soyoil and minor losses in soymeal. Rally attempts were limited as crop prospects continue to rise in South America. Traders are awaiting next Wednesday's USDA March crop report. Funds were estimated to have bought 1,500 contracts of soybeans, 1,000 soyoil and sellers of 1,000 soymeal.

Soybeans ended the week down 16 3/4. Pressured this week by increasing private estimates for South American soybean production in addition to a higher USDlr. Also adding to the pressure was the disappointing weekly export sales released Thursday which highlighted a sharp reduction in Chinese purchases indicating the shift to cheaper South American supplies. Soymeal ended the week down \$13.50 while soyoil rallied 43 points for the week. This was highlighted by ongoing oil/meal spreading as renewed enthusiasm for the biodiesel industry prompted spreaders to add to the oil share trade. The trade will be waiting for the USDA March crop report due out Wednesday morning with focus being the potential for a reduction in the US soybean ending stocks.

The trade is looking for the USDA to lower its estimate of 2009/10 ending stocks to below 200 million bushels near 195 million bushels. Ending stocks were lowered to 210 million bushels in February from 245 the prior month.

A Chinese official said overnight that the country expects to decrease soybean acreage again this year and in coming years and keep soybean imports at a very high level to meet domestic consumer demand for meat. Chinese Premier Wen Jiabao added later that his country plans to keep its current stimulus package in place until there are further signs of inflation heating up.

The forecast for South America is little changed. Much drier conditions are now forecasted for Argentina and S Brazil for the next 7-8 days as high pressure ridge dominated the region. The sunny/dry weather will prove ideal for the ongoing harvest. Scattered tropical showers will persist across N Brazil, but daily totals will be below ¼ inch of rain with coverage no more than 35%. The extended forecast is calling for the drier weather to hold across Argentina and S Brazil well into March which is about as ideal as it gets.

The central US weather forecast is wetter for the plains, delta and southern ½ of the Midwest in the next 7-8 days. The 1<sup>st</sup> system looks to weaken as it pulls out of the plains leaving just .1-.4 inches of rain. The next system is more potent for this week with rainfall of .25-1.00 inches from late Monday thru Wednesday. A 3<sup>rd</sup> system is noted for next weekend with rainfall .1-.6 inches. Throughout the 10 day forecast temperatures will be seasonal or above normal helping melt the snow.

Short-term technical trends are higher for soyoil and lower for soybeans and soymeal. We would continue to trade soybeans from the short side risking a close above 956 ½. We would also continue trading from the short side of soymeal risking a close above 267.00. 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 39.72.

## CORN

Corn ended lower on selling by funds and reports of increased supply in the export pipeline for corn and selling by spreaders versus soybeans who were evening up ahead of the weekend. This came amid generally light trade with corn ignoring potential support from a sharply higher crude oil market. Funds were estimated to have sold 6,500 contracts.

Corn ended the week down 13 ¼ cents for the week. Like the soy complex it was increased private forecasts for South American production in addition to the rally in the USDlr. Trade will be awaiting the March USDA crop report due out Wednesday morning.

The EPA stated that it would hopefully complete research on higher ethanol blends by late summer about 45-60 days later than expected. It's widely expected that EPA will raise the US ethanol blend rate, but it's the implementation and likely legal challenges that could delay expanded ethanol use into 2011 or beyond. Currently Midwest ethanol producer's profit margins are negative with the cash ethanol prices falling sharply in recent weeks.

Argentina's Rosario Grains Exchange increased their estimate of this year's corn crop to 19.7 million tonnes today from their previous estimate of 18.07 million. The USDA's latest estimate of the Argentine corn crop is 17.2 million tonnes. Other private estimates have ranged as high as 21 million tonnes. Traders are looking for US corn ending stocks for 2009/10 to be near unchanged from last month's 1.719 billion bushels. Funds were estimated to have sold 6,500 contracts.

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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 382 ¾.

## WHEAT

Wheat ended lower and was the downside leader again. Funds were sellers in wheat on the day with other buyers appearing to remain on the sidelines ahead of the weekend. Funds were estimated to have sold 2,000 contracts on the day.

India reported today that its wheat planted area rose slightly during the period from October 1st through March 4th versus the same period last year. They pegged plantings at 27.82 million hectares during this period versus 27.59 million last year



Weather across the US Plains remains conducive to winter wheat growth, with abundant moisture noted across Texas, Oklahoma and Kansas. Snow will begin to melt in the coming days across the Red River Valley with flood-like conditions likely, spring wheat plantings begins in mid to late April.

US gulf SRW wheat is valued at \$197/mt, down from recent days but still above Russian and French offers. French wheat for export is quoted at \$165.16/mt, Russian wheat is still priced at \$163-168/mt.

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 507.

<b>Commodity</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Net Change</b>
May Soybeans	949 ½	938 ¼	942 ¾	Up ¾
May SoyMeal	260.00	255.30	257.70	Down .20
May Soyoil	40.45	39.85	40.05	Up .5
May Corn	388	375	375 ½	Down 7 ½
May Wheat	508 ½	492 ¼	493 ½	Down 8 ¾

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](mailto:info@gatetrade.com), if you are interested in learning more about commodity futures and option trading in addition to more extensive research.”**