

CME Oilseed / Grains Comment for: March 15, 2010

SOY-COMPLEX

Soy-complex ended mixed with soybeans and soymeal higher and soyoil lower. Support in the in soybeans came from consistent buying by funds as well as big gains in meal as traders unwound long oil/short meal spreads. These supportive factors outweighed the negative influence of a stronger dollar, recent gains in production estimates for the Brazilian soybean crop and today's sharply lower crude oil market. Funds were estimated to have bought 2,000 contracts of soybeans, 1,000 soymeal and sellers of 2,500 soyoil.

This week's export inspections for soybeans were 31.5 million bushels which was just below the low end of trade expectations. Total inspections to date stand at 82.7% of the projected total versus a 5-year average of 71.5%. Inspections need to average just 9.91 million each week to meet the USDA's projection.

The National Oilseed Processors' Association (NOPA) released its crush report for February this morning. It came in at 148.351 million bushels which was about 4 million bushels above trade expectations. Oil stocks were 2.852 billion pounds which was also above trade expectations.

The South American weather saw mostly dry weather over the weekend which helped the soybean harvest advance beyond 50% in Brazil and 14% in Argentina through Sunday. Rain fell in NE Argentina and S Brazil with most totals less than .35 inches. The forecast calls for mostly dry weather for the first half of the week with showers/storms on the increase in Argentina and S Brazil from Thursday forward. The system is forecasted to stall out across Argentina on the weekend producing moderate to at times heavy rains of .5-2.00 inches. The forecast for Brazil is more favorable with mostly dry weather this week. A few showers will develop on the weekend, but this week's Brazil harvest should remain active.

The central US weather forecast is calling for warming temperatures and mostly sunny weather thru early this week before a series of storms begin to pull across the central US. The first storm system will produce a combination of snow and rain from late Thursday into Saturday (2-6 inches) with another like system due next Tuesday and Wednesday. Precip totals will range for .4-1.00 with both systems. A third cooler system is forecasted for the March 24-27th timeframe. The cooler and wetter profile means that a pattern change needed in early April if there is a chance for planting corn on a timely basis.

Short-term technical trends in addition to long-term technical trends all lower in the entire soy-complex. We would favor trading from the short side in the entire soy-complex risking a close above 943 ½ in soybeans, 257.90 in soymeal and 40.05 in soyoil.

CORN

May corn traded on both sides of yesterday's close during the day session. However, corn spent the bulk of the session below yesterday's close and that is where it ended the day. Funds were light to moderate sellers in corn, but corn managed to post a modest gain on the spread versus wheat. A higher dollar and a break below \$80 in the nearby crude oil contract were also cited as negative price factors today. Funds were estimated to have sold 2,000 contracts.



The USDA announced this morning that South Korea bought 275,000 tonnes of US corn for delivery during the 2009/10 marketing year. It also announced that 176,000 tonnes were switched to South Korea from unknown destinations for 2009/10.

This week's export inspections for corn were 6.5 million bushels which was near the upper end of trade expectations. Cumulative inspections stand at 46.4% of the USDA's projection for the 2009/10 crop marketing year versus a 5-year average of 51.0%. Inspections need to average 40.9 million bushels each week to reach the USDA's projection.

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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 372.

WHEAT

Wheat was the weakest pit among the grains today, losing to corn amid consistent, moderate selling by funds. Traders said that a rally in the dollar during the overnight session and into the day session was the main negative price factor today. Traders said that a higher dollar this morning was the major factor behind the early weakness in wheat along with selling by funds. Funds were estimated to have sold 3,000 contracts on the day.

Iraq is tendering for 100,000 tonnes of optional origin wheat. Traders expect the actual amount purchased to be higher. European traders report that Algeria will tender for at least 50,000 tonnes of milling wheat for May shipment. The US is not expected to get a piece of either transaction as US wheat is overpriced versus the competition in both regions.

This week's export inspections in wheat were just 9.167 million bushels which was well below trade expectations. Cumulative inspections stand at 79.0% of the USDA's projected total for the 2009/10 marketing year versus a 5-year average of 78.0%. Inspections need to average 14.8 million bushels each week to reach the USDA's projection. Funds were estimated to have sold 4,000 contracts on the day.



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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 491 ¼.

Commodity	High	Low	Close	Net Change
May Soybeans	932 ½	922	930	Up 4 ½
May SoyMeal	258.00	252.30	257.60	Up 6.30
May Soyoil	39.28	38.75	38.75	Down 80
May Corn	365 ½	362 ¼	363 ¼	Down 1
May Wheat	486 ½	478	479 ¼	Down 6

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.”