

CME Oilseed / Grains Comment for: February 17, 2010

SOY-COMPLEX

Soy-complex ended lower as the surge in the USDIr pressured the entire CBT grain floor. It is the continued nervousness over EU financial problems which are creating huge volatility in the USDIr which is also affecting all commodities. The EU is waiting new Greek financial austerity measures by mid March. Buyers are having a hard time chasing the recent rally given the fact that there are much cheaper SA supplies offered on a FOB basis. It appears that the US producer was a seller on the rally and when Brazil returns late in the week from their Carnival holiday they to will likely be sellers. Funds were estimated sellers of 5,000 soybeans, 2,000 soymeal and 1,000 soyoil.

The market largely ignored a slightly better than expected January crush rate estimate from the National Oilseed Processors' Association (NOPA) this morning. NOPA pegged the crush rate at 162.397 million bushels in January. Soy oil stocks were pegged at 2.695 billion pounds, about in line with trade expectations.

Parts of the world remain on holiday with China celebrating their national New Year Holiday – the year of the Tiger – Brazil's Carnival is certainly in full swing which is limiting South American hedge selling – while some European markets will close on Ash Wednesday.

The EU and US weather models are in good agreement and the forecast is unchanged again. Plenty of rainfall will continue across Argentina and most of Brazil through the next two weeks, with mostly dry conditions in northeast Brazil. Temperatures will be mostly average with highs in the 80's and very low 90's. Precipitation through the remainder of the week will favor Argentina, where through the next 6-7 days accumulations of .60-2.00 will be seen. The rains begins Thursday/Friday will continue through early next week. Only light and scattered rains are forecasted for in Brazil through the weekend, favoring more the central states, which will aid in drying fields that have received excessive rains in recent days. Increased, harvest delaying rains could return to Brazil around February 26th and this wetter forecast could persist through the 1st few days in March.

Short-term technical trends still higher in the entire soy-complex. Given the fact that the long-term technical trends remain bearish 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 will look at re-entry levels in the May contract early next week.

CORN

Corn ended lower as the surge in the USDIr pressured the entire CBT grain floor. It is the continued nervousness over EU financial problems which is creating huge volatility in the USDIr which is also affecting all commodities. The EU is waiting new Greek financial austerity measures by mid March. Funds were estimated to have sold 6,000 contracts of corn on the day.

There was some floor talk about concern that the USDA's Outlook Conference on Thursday and Friday may introduce some negative supply and demand numbers, due in part to the fact that additional



acreage may be available to corn and other crops that was not accounted for on the USDA's recently released baseline acreage estimates.

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Argentina released another 1 mmts of export licenses and is expected to remain aggressive in pushing out their new-crop production. Argentina corn is \$6-7/mt cheaper than fob gulf offers from LH March forward.

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Short-term technical trends still higher in corn. Given the fact that the long-term technical trends remain bearish 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 will look at re-entry levels in the May contract early next week.

WHEAT

Wheat futures settled lower on lack of any bullish news. The USDlr pressured the entire CBT grain floor. It is the continued nervousness over EU financial problems which are creating huge volatility in the USDlr which is also affecting all commodities. The EU is waiting new Greek financial austerity measures by mid March. Funds were estimated to have sold 3,000 contracts of wheat on the day.

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Egypt released a tender for optional origin milling wheat for shipment in May. Russian wheat for delivery in May is quoted at \$168/mt, French wheat is quoted at \$175/mt and US SRW for May delivery is at \$200/mt.

US winter wheat crop conditions in TX were released and 33% of the crop is rated good/excellent, up from 33% last week. It should be noted that that the winter wheat crop's index is valued at 61 points, considerably higher than 34 points in February 2009.

Short-term technical trends still higher in wheat. Given the fact that the long-term technical trends remain bearish 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 will look at re-entry levels in the May contract early next week.



Commodity	High	Low	Close	Net Change
May Soybeans	973	958	961	Down 14
May SoyMeal	277.00	272.80	273.00	Down 5.30
May Soyoil	39.35	39.01	39.23	Down 20
May Corn	379 ½	371 ¼	371 ¾	Down 7 ¼
May Wheat	519 ½	506 ¾	509 ¼	Down 10 ¼

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.