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CME Oilseed / Grains Comment for: March 01, 2010

SOY-COMPLEX

The soy-complex ended mixed with soybeans and soyoil ending slightly higher and soymeal slightly lower. Oil meal spreading was prominent again on renewed biodiesel enthusiasm. Moderate demand, light farmer selling and wet spring weather concerns in the US helped to trigger inter-commodity spread trading on a light volume day, and this benefited soybeans and soy oil. Funds were estimated to have bought 2,000 soybeans, 1,000 soyoil and sellers of 1,000 soymeal.

This week's export inspections in soybeans were above trade expectations at 40.1 million bushels. Total inspections to date stand at 79.0% of the USDA's export projection for the 2009/10 marketing year versus a 5-year average of 66.5%. Inspections need to average just 10.9 million bushels each week to reach the USDA's projection.

Weather in South America is expected to be mostly dry from Argentina through southern and central soybean growing areas of Brazil, and this is considered favorable. However, the northern Brazilian soybean state of Mato Grosso is expected to see scattered rains this week and that could bring some minor harvest delays.

Brazil's Petrobras is expanding their biodiesel production and launched a tender today for as much as 400,000 mts of Brazilian soybean oil. Remember that Brazil raised their biodiesel mandate to 5% as of January 1st.

Short-term technical trends are higher for soyoil and soybeans and lower for soymeal. Given the fact that the long-term technical trends remain bearish for soybeans we prefer being in cash with no position. Soyoil on the other hand has now turned the long-term technical trends higher and so we prefer trading from the long side risking a close below 39.28. Today's close in soymeal below 269.50 would lead us to be trading from the short-side in soymeal risking a close above 271.30. We would look to re-enter on the short-side of May Soybeans on a close below 961 ¼.

CORN

Corn ended lower following wheat lower while the soy-complex ended mixed. Funds were big sellers on the day, but a lack of selling by farmers helped to support the market which slightly trimmed its losses into early afternoon. However, the corn market remained substantially lower on the day, returning to near the early lows prior to the close. It was a sharp selloff in crude oil helped to pressure the corn market along with a sharply higher dollar and selling by spreaders versus soybeans. Funds were estimated to have sold 8,000 contracts.

This week's export inspections for corn were above the high end of trade expectations at 38.8 million bushels. Total inspections to date stand at 40.2% of the USDA's export projection for the marketing year versus a 5-year average of 47.3% Inspections need to average 44.5 million bushels each week to reach the USDA's projection. Traders are also watching longer term wet US weather forecasts with an eye toward the possibility of a third straight wet spring with possible planting delays for corn.

The monthly EIA report showed December US ethanol production at 24.351 million barrels, 0.740 million barrels above expectations, up 0.2% from November on a daily adjusted basis, and up 20% from December 2008.

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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 379.

WHEAT

Wheat was the weakest on the floor sell-stops were noted in the wheat market today. Selling accelerated into midsession in wheat on selling by funds, and prices remained sharply lower into the close. Wheat lost ground to corn on the day and Chicago wheat lost ground to KC. It was the sharply higher dollar which set the negative tone for the day in wheat as this makes US wheat less competitive on the world market. Funds were estimated to have sold 5,000 contracts on the day.

Iraq bought 280,000 tonnes of wheat from Russia this morning and 100,000 tonnes from Canada despite the fact that shipping distances from Canada to Iraq are as long or longer than distances from the US.

This week's export inspections in wheat were in line with trade expectations at 17.67 million bushels. Total inspections to-date stand at 75.0% of the USDA's export projection for the marketing year versus a 5-year average of 74.7%. This is the first time the current inspection pace has been ahead of the 5-year average since July, 2009. Inspections need to average 15 million bushels each week to reach the USDA's projection.

Short-term technical trend changed to lower today with the close below 510. Given the fact that the long-term technical trends remain lower we prefer trading from the short side risking a close above 508 1/2.

Commodity	High	Low	Close	Net Change
May Soybeans	968	953 ½	962 ½	Up 1 ½
May SoyMeal	269.40	266.00	268.40	Down 1.60
May Soyoil	40.05	39.50	39.90	Up 20
May Corn	392	380 ¼	381 ¾	Down 7 ¼
May Wheat	526	496 ¼	504 ½	Down 14 ¾

Regards, Tim Anderson

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."