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Grains & Oilseeds Evening Comment

Futures Perspective
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EXPORT INSPECTIONS

GRAINS INSPECTED AND/OR WEIGHED FOR EXPORT
- 1,000 BUSHELS -

GRAIN	WEEK ENDING 02/02/12	WEEK ENDING 01/26/12	WEEK ENDING 02/03/11	CURRENT MARKET YEAR TO DATE	PREVIOUS MARKET YEAR TO DATE
WHEAT	14,505	18,796	30,618	671,398	786,771
RYE	0	0	0	4	0
OATS	12	9	0	400	65
BARLEY	60	0	12	5,690	4,517
FLAXSEED	0	0	0	42	1,235
CORN	39,389	22,834	29,201	710,614	712,063
SORGHUM	573	289	1,165	32,816	60,616
SOYBEANS	37,292	41,756	44,509	755,595	1,023,902
SUNFLOWER	0	0	0	0	0
TOTAL	91,831	83,684	105,505	2,176,559	2,589,169

CROP MARKETING YEARS BEGIN JUNE 1 FOR WHEAT, RYE, OATS, BARLEY AND FLAXSEED;
SEPTEMBER 1 FOR CORN, SORGHUM, SOYBEANS AND SUNFLOWER SEEDS.
INCLUDES WATERWAY SHIPMENTS TO CANADA.

CELERAS BRAZIL CROP SALES AND HARVEST PROGRESS

2011/12 SOYBEAN CROP SALES
AS PCT OF EXPECTED OUTPUT

STATES	03/02/2012	27/01/2012	04/02/2011	5-YR AVG
MATO GROSSO	72	71	68	NA
PARANA	37	36	44	NA
RIO GRANDE DO SUL	26	24	24	NA
GOIAS	50	48	47	NA
BRAZIL	50	49	49	40

2011/12 SOYBEAN HARVEST
AS PCT OF EXPECTED OUTPUT

STATES	03/02/2012	27/01/2012	04/02/2011	5-YR AVG
MATO GROSSO	11	6	13	NA
PARANA	9	4	2	NA
RIO GRANDE DO SUL	0	0	0	NA
GOIAS	9	3	10	NA
BRAZIL	6	3	5	2

Source: Reuters and Citi

SOYBEAN COMPLEX

Soybeans. Soybeans ended up 0.50-1.75 cents, but well off intra day highs. The funds ended even on the day. Producers were sellers of soybeans today after March rallied to near a three month high. Rains disrupting the Brazil soybean harvest and low production estimates for the South American 2011-12 soybean crop supported prices. Traders are anticipating China will be in the market this week for US soybeans. We agree with them. Crush margins in China have improved, and China soymeal inventories at crushers are relatively low while demand is strong. Cash China crush margins as of this morning were running at 47 cents, up from 33 cents late last week. US soybean inspections of 37.3 million bushels were below expectations.

Rains delaying the soybean harvest in Brazil created a 2-week waiting time for ships, which is possibly shifting optional origin business to the US. There is currently about 2 million tonnes of capacity waiting to get loaded for Brazil. Celeres lowered their Brazil soybean production estimate from 74.4 million to 72.04 million tonnes, compared to 74.0 million tonnes by USDA and an average trade estimate of about 71 million tonnes. We estimate Brazil’s soybean crop at 71.25 million tonnes. A fellow analyst recently visited Brazil in late January and conveyed the crop potential in central and Northern Brazil is very large.

Argentina's 2011-12 soy harvest will be at least 47 million tonnes, according to a government official cited in a Reuters story. Original unofficial estimates were as high as 52.7 million tonnes for 2011-12 soybeans. We estimate the Argentina soybean crop at 47.7 million tonnes compared to 50.5 million tonnes by USDA. The trade average is around 48 million tonnes for Argentina.

We look for USDA to lower the US carryout by 30 million bushels on higher exports and a 5 million bushel rise in the crush. Global soybean stocks are expected to decline nearly 2 million tonnes to 61.5 million tonnes.

China's Ministry of Commerce January and February import estimate. Soybean imports in January were estimated at 4.86 million tonnes, down 10% from December and down 5% on year. Updated forecasts for import volumes of six agricultural products (in tonnes):

Product	Estimate for January	Estimate for February
Soybeans	4,855,909	3,711,779
Soyoil	304,311	60,462
Soymeal	26,594	1,100
Palm Oil	390,790	382,273
Rapeseed Oil	96,160	55,258
Rapeseed	262,810	223,518

Source: Dow Jones

Weekly Soybean Inspections. Soybean inspections of 37.292 million bushels were below trade expectations, 4.464 million bushels below the previous week and 7.217 million below last year. Major countries include China for 28.362 million bushels, Taiwan for 2.479 million and South Korea for 2.176 million. The previous weeks were upwardly revised 0.263 million bushels. Current market year to date inspections of 756 million bushels are running about 268 million bushels below (26%) last year's pace.

Soybean Meal. Soybean meal ended lower on fund selling of an estimated net 2,000 contracts. Exportable supplies are starting to thin. Turkey was rumored to have bought US soybeans and soybean meal late last week. We look for USDA to leave the US carryout unchanged at 300,000 tons but raise domestic usage by 100,000 tons to 30.2 million tons, reflecting a higher crush estimate.

Soybean Oil. Soybean oil ended on a strong note on product spreading and fund buying of an estimated net 3,000 contracts. Gasoline and ethanol prices were higher but crude was off $0.50-1.00 throughout the day. Malaysia is on holiday though Tuesday. MPOB palm January supply and demand data will not be reported until Friday. Lack of US demand is starting to get the trade wondering if USDA will lower exports on Thursday. We look for USDA to report the soybean oil carryout for the US at 1.63 billion pounds, 5 million pounds above the previous month.

Malaysia set its duty-free export quota for crude palm oil (CPO) at 3.6 million tonnes for the year, according to a Dow Jones newswire citing industry executives. This comes after many weeks of delay in the decision, which inadvertently hurt Malaysian palm exports during the January period. CPO has a high export duty of 23%. Malaysia is the world's second largest producer of palm oil. Wilmar, IOI Corp. and Felda were some of the companies to receive early licenses to export the tax-free oil. Traders are anticipating end of January stocks swelled after shipments fell in January, and palm exports after this weekend will rapidly exit the country as exporters scramble to ship the duty free vegetable oil. The refined palm oil will continue to trade with no tax attached to exports. Last year, Malaysia sets its duty-free CPO export quota at 3.0 million tonnes. Malaysia exported 3,477,599 tonnes of crude palm oil during the January-December 2011 period, up from 2,739,786 tonnes in 2010.

Export Developments.

- Turkey was rumored to have bought US soybeans and soybean meal late last week.
- Results are awaited on Libya seeking 15,000 tonnes of soybean meal in a combo with grains. No details were provided.

Price Outlook. European economic news continues to influence trading in the ags. We remain moderately bullish the soybean complex on strong demand for soybeans and corn. Uncertainty over South American crop sizes will soon be addressed by the USDA when they update their balance sheets on February 9th.

- Soybean outlook: We expect a near term support at around $11.65, then $11.20, basis the March, with upside at $12.50-12.75, depending on South American weather and Chinese demand. Basis the nearby rolling Chicago futures contract, we estimate the 2011-12 crop-year average will end up around $10.50, with a low/high range of $9.00-14.46 (already established).
- Soybean meal March outlook: Meal is expected to trade in a wide $285-345 range.
- Soybean oil March outlook: Soybean oil is expected to trade in a 48.50-55.50 cent range. Initial support is seen at 49.00.

PIT CLOSES:

Soybeans		Change	**Soybean Meal**		Change	**Soybean Oil**		Change
MAR2	1233.00	0.50	MAR2	327.50	(1.10)	MAR2	52.16	0.51
MAY2	1242.00	1.25	MAY2	329.00	(1.20)	MAY2	52.56	0.48
JUL2	1251.75	1.50	JUL2	331.60	(1.00)	JUL2	52.97	0.48
AUG2	1249.50	1.50	AUG2	331.10	(0.80)	AUG2	53.08	0.46
SEP2	1242.50	1.00	SEP2	329.80	(0.70)	SEP2	53.19	0.45
CRUSH		Change	**OIL SHARE**		Change			
MAR2	61.26	2.69	MAR2	0.4433	0.0032			
MAY2	59.96	1.39	MAY2	0.4441	0.0032			
JUL2	60.44	1.58	JUL2	0.4440	0.0030			
AUG2	62.80	1.80	AUG2	0.4449	0.0027			
SEP2	68.15	2.41	SEP2	0.4464	0.0026			

CASH:
G 75/80 UNCH, H 70/74 UNCH, J 62/66 UNCH, K 62/66
DECATUR SB 8H UNCH
Oil FOB NOLA 50+
DECATUR OIL -75
IL SBM 48% -8H
CIF MEAL 13H

BRAZ SB:
G 64/71 DN5/DN3
H 64/66 DN5/DN5
J 46/52 DN1/UNCH

BRAZ SBM:
G NA
H -1/0 DN1/DN1
JK -8/-7 UNCH/DN2

BRAZ SBO
H -50/0 UP10/UNCH
JK -100/-50 UNCH/UNCH
KN -100/-60 UNCH/DN10

CORN.

Trade Review. Corn ended mixed after trading much of the day lower. Lack of news in the corn market, along with bearish outside markets, kept corn on the defensive. Funds sold an estimated net 2,000 contracts. Soy/corn spreading was a feature before traders took profit in soybeans near the close. US corn inspections of 39.4 million bushels were within expectations, and included China for 4.7 million bushels.

Celeres lowered their Brazil corn production estimate from 61.98 million to 60.6 million tonnes, compared to 61.0 million tonnes by USDA and an average trade estimate of about 59 million tonnes. We estimate Brazil’s corn crop at 59 million tonnes, but much of that will depend on the size of the second crop, which is currently being planted. Celeres pegged the summer corn crop at 35.45 million tonnes, 7.3% more than Brazil's previous summer corn crop as a large expansion in planted acreage offsets lower yields due to the drought. Summer corn had been 8% harvested as of last Friday, up 1.7 percentage points from a week earlier. Farmers have started planting winter corn (safirina) mainly in the southern state of Parana, Brazil's top corn producer, and the central-western state of Mato Grosso. The smaller winter crop (safirina) was estimated by Celeres at 25.14 million tonnes. Rain is disrupting winter corn crop plantings in Mato Grosso and Goias.

Argentina's 2011-12 corn harvest will be at least 22 million tonnes, according to a government official cited in a Reuters story. Original unofficial estimates were as high as 30 million tonnes for 2011-12 corn. We estimate the Argentina corn crop at 24.45 million tonnes compared to 26 million tonnes by USDA. The trade average is around 21.7 million tonnes for Argentina.

On Thursday, we look for USDA to take US exports up 50 million bushels, reflecting smaller South American crops, and demand from Mexico and China. Our US carryout for the purpose of the USDA February S&D report is 796 million bushels, 50 million below USDA. Look for USDA to lower total South American corn production by 4.5 million tonnes. Corn global ending stocks are expected to be down only 1.6 million tonnes due in part to lower feed and trade balance.

ADM announced it plans to close its Walhalla, ND, ethanol plant because its location and scale made it uncompetitive. The plant has a 30 million gallon capacity. All of ADM’s plants amount to 1.72 billion gallons capacity.

Ethanol. Cargill’s vice chairman at a sugar conference mentioned Brazil’s “exchange rate against the US dollar is a key driver of trade flows of Brazilian ethanol biofuel”, according to Reuters story. We are hearing ethanol imports surged since early January, while exports have considerably slowed.

CME ethanol deliveries as of Monday morning were 54. ADM stopped 3. 54 were issued by BNP Paribas Sec. There are 136 registrations.

US weekly corn inspections of 39.389 million bushels were within expectations, 16.555 million above the previous week and 10.188 million above last year. Major countries included Japan for 15.285 million bushels, Mexico for 8.467 million, China for 4.682 million, and South Korea for 3.016 million. The previous weeks were upwardly revised 0.144 million bushels. Current market year to date export inspections of 711 million bushels are running about 1 million below (0%) last years pace.

Export Developments.

- Results are awaited on Libya seeking 25,000 tonnes of barley and 20,000 tonnes of corn in a combo with soybean meal and wheat. No details were provided.

Saudi Arabian imports of Argentine barley have more than quadrupled, due in part to high corn and feed wheat costs relative to low-priced barley. Saudi Arabia imported 900,000 tonnes of Argentine barley from July 2011 to the end of January 2012, up 337% from 206,000 tonnes imported from Argentina from July 2010 to the end of June 2011. Saudi Arabia is expected to import around 1.2 million tonnes in 2012. The government estimated total 2011 barley imports at 7 million to 7.5 million tonnes. Saudi Arabia is also a large importer of Ukrainian feed barley. (Reuters)

Price Outlook. Look for corn prices to trade in a sideways range until the release of the USDA report on Thursday. Additional US export demand will be supportive. Support for March corn is seen at $6.19, then $5.76, with resistance at $6.76.

PIT CLOSES:

Corn		Change	**Oats**		Change	**Ethanol**	Settle	**DDG**
MAR2	644.25	(0.25)	MAR2	327.00	12.75			115.60
MAY2	651.25	0.50	MAY2	320.75	12.75	MAR2	2.19	116.10
JUL2	656.25	0.75	JUL2	319.75	11.75	APR2	2.22	118.50
SEP2	605.25	0.50	SEP2	318.00	9.00	MAY2	2.25	118.60

CASH:
G 66/68 DN1/DN2, H 62/64 /UNCH, J 59/61 UNCH/DN1, K 59/62 UNCH
CHICAGO 10H UNCH TOLEDO 12H UNCH DECATUR 25H UNCH
Memphis-Cairo Freight LHF 260, FHG 250, LHG 250, H 245, J 240

WHEAT.

Trade Review. Fund buying of an estimated net 3,000 contracts lifted Chicago futures higher on ongoing crop concerns and wheat/corn spreading. EU wheat futures closed on a firm note, with March ending at a new 8-month high, on expected weather damage in the CIS and Europe. France will remain colder than normal through the end of the week. Good snowfall coverage in western Ukraine over the weekend was welcome but the damage from the cold temperatures last week already damaged the winter crops. US central Plains saw widespread precipitation but dryness concerns for the southwest and northern Great Plains is still of concern. US soybean inspections of 14.5 million bushels were below expectations.

Flooding in Australia’s northern New South Wales and Queensland states has damaged some communities, farms and crops, according to the National Farmers' Federation lobby group. Queensland farmers are experiencing their third major flood in two years. Cotton and sorghum crops are affected. The extent of the damage will not be known for a while (DJ).

Look for USDA to leave the US balance sheet unchanged on Thursday. Global ending stocks are expected to fall 1 million tonnes to 209 million, plenty of wheat to combat a subpar 2012-13 Black Sea crop.

Russia Trade data.

January-December 2011 and 2010 wheat exports.

	2011		2010	
	Tonnes	$ mln	Tonnes	$ mln
Total	15,181,200	3,670.0	11,848,300	2,069.2
Non-CIS	14,532,600	3,511.5	11,474,300	1,997.7
CIS	648.600	158.5	374,000	71.7

January-December 2011 and 2010 grain, sunoil & meat imports.

	2011		2010	
	Tonnes	$ mln	Tonnes	$ mln
WHEAT	1,400	1.3	75,700	12.0
Non-CIS	1,300	1.2	500	0.5
CIS	100	0.1	75,200	11.5
BARLEY	379,400	140.5	103,300	32.0
Non-CIS	378,000	140.0	98,600	31.0
CIS	1,400	0.5	4,700	1.0
MAIZE	114,200	108.5	36,500	62.0
Non-CIS	26,600	78.4	19,100	56.5
CIS	87,600	30.1	17,400	5.5
SUNFLOWER OIL	93,500	125.8	114,300	119.0
Non-CIS	900	1.8	1,000	1.7
CIS	92,600	124.0	113,300	117.3
RED MEAT	1,279,200	4,607.5	1,277,800	4,142.5
Non-CIS	1,249,800	4,472.3	1,261,800	4,086.8
CIS	29,400	135.2	16,000	55.7
POULTRY	418,800	592.5	649,900	863.2
Non-CIS	413,600	580.9	649,800	863.0
CIS	5,200	11.6	100	0.2

Source: Reuters and Citi

US weekly all-wheat inspections of 14.505 million bushels were below expectations, 4.291 million bushels below the previous week and 16.113 million below the previous year. Major countries included Indonesia for 2.358 million bushels, Israel for 2.179 million, and Guatemala for 1.849 million. The previous weeks were upwardly revised 0.166 million bushels. Current market year to date inspections of 671 million bushels are running about 115 million bushels below (15%) last year's pace.

Export Developments.

- Japan in SBS import tender seeks 200,000 tonnes of feed barley and 100,000 tonnes of feed wheat on February 8 for shipment by May 31.
- The Iraqi Grain Board seeks up to 50,000 tonnes of wheat from any origin excluding the United States and Romania. Bidding deadline was Feb. 5 and offers must remain valid until Feb. 9.

- Syria seeks 100,000 tonnes of optional origin soft milling wheat on February 6 with offers valid for 4 days afterwards, with shipment within two months from the opening letter of credit.
- Results are awaited on Qatar seeking 20,000 tonnes of milling wheat for April-May shipment.
- Results are awaited on Libya seeking 25,000 tonnes of wheat in a combo with grain and soybean meal. No details were provided.
- Results are awaited on Ethiopia seeking 35,000 tonnes of optional origin wheat for February shipment.

Rice Developments.

- Iraq has cleared a sample of common-grade Indian rice after rejecting several in recent months on quality grounds. India is ready to officially record its first non-Basmati rice shipment to Iraq in several years.
- Thailand plans to extend its bold rice intervention program through the end of the second harvest (end of July) in effort to encourage rice production.
- India ministers will meet February 7 to discuss allowing additional non-basmati rice exports. India has already granted common grade rice exports beyond their 2.0 million tonne cap. They will also consider either reducing or scrapping the minimum export price of $900/tonne for basmati rice as global prices have dropped.
- South Korea seeks 50,466 tonnes of various types of US medium grade rice (11,133 tonnes) and optional origin rice on February 20 for arrival by June 30.
- South Korea seeks 56,466 tonnes of various type US No. 3 and No. 4 brown rice on February 21 for June 30 arrival.

Price Outlook. Opening calls:

- Chicago 1-3 cents lower on no signs of a cold weather threat for US soft wheat country.
- KC 0.50-2.50 cents lower after widespread precipitation hit the central US Plains over the weekend.
- Minneapolis steady to 2 higher following European wheat and dryness concerns for spring wheat country.

Price Outlook. Support in Chicago March wheat is seen at $5.80, then $5.65, with resistance at $7.00. Support in Minneapolis is seen at $7.75.

Chicago Wheat		Change	**KC Wheat**		Change	**MN Wheat**	Settle	Change
MAR2	668.50	7.75	MAR2	719.00	6.25	MAR2	841.00	0.00
MAY2	679.75	5.75	MAY2	727.00	5.75	MAY2	826.75	0.00
JUL2	692.00	3.00	JUL2	733.00	3.50	JUL2	812.25	0.00
SEP2	709.25	3.25	SEP2	744.75	4.00	SEP2	788.50	0.00

CASH:

SRW CIF NOLA G 70/74 UNCH, H 70/74 UNCH, J 58/ UNCH/

GULF TRACK G 118/123 UP6/UP3, H 115/120 UP5, J 110/115 UP3/UP4
PNW: F NA, G 7.10 UP10, H 7.10 UP10, J 7.10 UP10, K 7.10 UP10
CHICAGO 0H UNCH TOLEDO 23H UNCH

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