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Grains & Oilseeds Morning Comment

Futures Perspective
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EARLY MORNING WEATHER UPDATE FOR FEBRUARY 8, 2011

- **Satellite imagery from Argentina suggests torrential rainfall occurred in portions of Buenos Aires with some locally heavy rain in southernmost Entre Rios, Uruguay, southern Santa Fe and southeastern Cordoba. Actual rainfall data received through midnight suggested 2.00 to 3.50 inches occurred in portions of central and northern Buenos Aires, but we anticipate greater rainfall when the 24-hour totals become available soon.**
- **Argentina** rainfall will slowly diminish today and shift northward. Recent rains have removed most drought conditions across the nation's summer crop region. ***Crop development will now advance more normally. A good mix of weather is advertised over the next ten days.***
- **Southern Brazil** will have opportunity for some relief in the driest areas over the next few days with Thursday into Saturday wettest. The precipitation will be helpful in easing dryness, but moisture deficits will remain and some ongoing concern over dryness will continue. The remainder of Brazil will experience timely rainfall except the far northeast where some drier biased conditions may linger for a while
- **Temperatures in South America** will be mostly seasonable during the coming week to ten days.
- **U.S. hard red wheat areas** may pick up one some additional precipitation late this weekend into early next week. The moisture will be welcome and some benefit may come to the drier high Plains region. The moisture will not be heavy, but it will continue
- Recent precipitation in **northeastern and east-central Mexico and a part of far southern and easternmost Texas** has helped to ease dryness, although each area still has need for much more rainfall. Additional rain is expected Thursday and Friday. Frequent precipitation is needed this month to bolster topsoil moisture for corn, sorghum and cotton planting that usually begins in March.
- **Northern U.S. Plains and Canada's Prairies** will continue quite dry during the coming week. Temperatures will trend cooler in eastern parts of both regions while the west continues warmer than usual.
- Colder air will move through the **U.S. Midwest** late this week and into the weekend, but no crop damaging cold will impact winter crop areas. Upper portions of the region will also be free of "significant" precipitation for a while
- **Florida citrus areas** will trend cooler this weekend, but not cold enough to threaten crops. Rain is expected this weekend in a part of the peninsula.
- The **U.S. Delta and southeastern states** will not see much precipitation of significance through the balance of this week, but some rain will be possible next week, especially mid- to late-week.
- Unusually cold weather in western **Europe** will continue into the end of this week with warming likely during the weekend and more normal temperatures by this time next week.
- **Eastern Europe and the western CIS** will continue quite cold for another week, but temperature extremes will slowly abate and a more seasonably cool bias will occur next week
- Waves of snow and rain will continue in far southeastern Europe over the next several days adding more snow to an already deep snowpack. Most other areas in Europe will not receive much significant precipitation for a while.
- **China** will see tranquil weather for a while. Rain will fall near and south of the Yangtze River this weekend into early next week. Additional precipitation will impact east-central and southeastern China into the second week of the forecast (Feb. 15-21)
- Dryness will continue in **Inner Mongolia and a part of northeastern China** for the next ten days to two weeks.
- **Australia** weather will continue to improve with much less rain in grain and cotton areas and a chance for slowly warming temperatures.
- **South Africa** will see a good mix of rain and thunderstorms through the coming week to ten days.
- **West-central Africa** will continue to see a few spotty showers, but no general soaking for a while

- **East-central Africa** coffee and rice production areas will remain drier than usual for an extended period of time with the Pare region of Tanzania wettest for a while
- **Indonesia and Malaysia** oil palm production areas will see periodic rainfall over the next two weeks, but the instances of heavy rain should be somewhat rare.
- **Philippines** rainfall will continue periodic over the next ten days. The precipitation may be more erratic than that of recent weeks with more of it expected to be lighter than average.
- **Mainland Southeast Asia** will receive a restricted amount of precipitation

Source: World Weather Inc.

USDA SUPPLY AND DEMAND ESTIMATES

U.S. Department of Agriculture is scheduled to release updated supply and demand tables on Thursday. Parentheses denote the number of estimates in that average and range.

	Average	Range	Jan 2011-12 USDA	2010-11 USDA
Corn (16)	0.797	0.680-0.846	0.846	1.128
Soybeans (16)	0.269	0.245-0.300	0.275	0.215
Wheat (13)	0.868	0.836-0.935	0.870	0.862

	Average	Range	Jan USDA	2010/11 Output
Argentina				
Corn (14)	22.5	20.0-24.5	26.0	22.5
Soybeans (14)	48.5	46.0-50.0	50.5	49.0
Brazil				
Corn (13)	59.8	58.5-61.0	61.0	57.5
Soybeans (14)	71.7	70.0-73.5	74.0	75.5

Source: Dow Jones

SOYBEAN COMPLEX

Offshore Values.

- **Malaysia Palm Oil Values.** Coming back from a two day holiday, April Malaysian palm oil futures were up 70 at 3155 ringgits/tonne and currency adjusted are leading the CME higher by 22 points. April RBD palm olein was up $22.50 at $1,086.25/tonne and leading the CME higher by 6 points.
- **Rotterdam Oils.** CIF Feb-Apr soybean oil as of early this morning is down 3 at 937 Euros/tonne and is leading the CME higher by 55 points on a currency adjusted basis. CIF Feb-Apr rapeseed oil is up 2 at 984 Euros/MT, and is leading the CME higher by 88 points, currency adjusted.
- **Rotterdam Meal.** CIF Rotterdam soybean meal was leading the CME higher by $2.1 /ton for Jan-Mar, and Apr-Sep was leading the CME higher by $2.5 /ton.
- **China Dalian Exchange.** September soybean oil futures were up 40 at 9240 Yuan/tonne and currency adjusted are leading the CME higher by 39 points. September soybean meal futures were flat at 3025 Yuan/MT and leading the CME lower by $2.4/ton. September #2 soybeans were down 5 at 4855 Yuan/MT and leading the CME flat on a currency adjusted basis.
- **Baltic Dry Index.** As of 7-Feb was up 12 at 660.

Upcoming:

- USDA WASDE, Crop Production, and Export Sales on Thursday.
- Malaysia MPOB January supply and demand will be released on Friday. Early expectations: End of January stocks +1%, Exports down 11-13%, production down 13%.
- Malaysia cargo surveyor Feb 1-10 palm shipments on Friday.
- China is scheduled to release preliminary commodity trade data on Friday.

Export Developments.

- Bid dates extended-Results are awaited on Libya seeking 15,000 tonnes of soybean meal in a combo with grains. No details were provided.
- Yesterday, Egypt's state-owned Food Industries Holding Company (FIHC) bought 24,000 tonnes of sunflower oil. 12,000 tonnes of sunoil was bought at $1,132.45 a tonne and another 12,000 tonnes of sunoil at the same price.

Price Outlook. Expect soybean oil to be 30-40 points higher, meal is expected to open $0.80-1.20 higher, and soybeans 3-6 cents higher. Argentina rains overnight were heavier than expected. USD reversed since the overnight session closed. Crude is sharply higher and gold is now trading slightly higher. Oil World pegged the Paraguay soybean crop at 6 million tonnes, down from 8.37 million in 2010-11.

CORN.

China.

- China September corn futures settled 14 higher at 3025 Yuan per tonne, and currency adjusted leading the CME settlement higher on average by 14 cents.
- Cash China corn as of this morning averaged $9.15 per bushel, unchanged from the previous business day. In northern China the average corn price is running at $8.62 per bushel, currency adjusted, while prices in the south are running on average at $9.79 per bushel.
- Last quote for the imported Southern China corn price was $327.50/MT, $57.83/MT lower than the average domestic Southern China cash price.

Export Developments.

- Bid dates extended-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.

Price Outlook. CME corn futures are expected to open 2-5 cents higher. Look for positioning. There is light talk of spot US corn sales switch from the Black Sea. Ukraine has not been offering corn for at least a week.

WHEAT.

China.

- China May wheat futures settled 12 lower at 2385 Yuan per tonne, and currency adjusted leading the CME wheat settlement higher on average by 4 cents per bushel.
- Cash China wheat as of this morning was $9.05 per bushel, unchanged from the previous day.

MATIF March milling wheat futures were up 1.00 Euros per tonne from the previous business day to 220.00 Euros per tonne and are running 20 cents above the CME, currency adjusted. MATIF March wheat futures settled down 0.75 Euros at 221.50 Euros per tonne from its previous close, and are running 14 cents above the CME settlement.

Iraq's 2012 wheat crop is expected to fall 11% on the year to around 1.87 million tonnes, according from the USDA Attache. Poor rainfall in the northern growing region has reduced planted area and yield prospects. Import needs for 2012-13 marketing year may be up 250,000 tonnes to 3.3 million tonnes.

Export Developments.

- Syria passed on 100,000 tonnes of optional origin soft milling wheat with shipment within two months from the opening letter of credit. Syria's state grains agency had rejected in its previous import tender on January 10 to buy 100,000 tonnes of soft milling wheat.
- Tunisia bought 50,000 MT of optional origin wheat at $309.30-311.30 per tonne for March shipment.
- Oman bought 50,000 tonnes of wheat from Kazakhstan.
- Taiwan Flour Millers' Association seeks 85,250 of milling wheat from the United States for delivery between Mar. 21 to Apr. 21. Bidding deadline is Feb. 16.
- Spain bought a combined 200,000 tonnes of US soft wheat over last few weeks as Black Sea shipments slow, according to European traders.
- Results are awaited on Algeria seeking 100,000 tonnes of optional origin milling wheat for April shipment.
- Japan in SBS import tender bought 48,245 tonnes of feed barley and 3,000 tonnes of feed wheat for shipment by May 31. They were in for 200,000 tonnes of feed barley and 100,000 tonnes of feed wheat.
- Japan's AgMin seeks 100,000 tonnes of feed wheat and 200,000 tonnes of feed barley in a SBS import tender to be held on February 15 for shipment by May 31.
- Japan seeks 98,552 tonnes of milling wheat on Thursday for April shipment. Japan has already bought 94,389 tonnes of wheat for April shipment. Details of the latest tender follow:

Quantity	Grade	Origin
41,845	Western Red Spring	Canada
33,897	Hard Red Winter	U.S.
22,810	Western White	U.S.

Details of Japan's wheat imports in previous months follow :-

Quantity	Month	Shipment
474,705	January	March
341,415	December	Jan. 15-Feb. 15
313,358	November	January
311,516	October	December
401,807	September	November
345,620	August	October
395,269	July	September
523,356	June	August
475,873	May	July

- 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.
- Bid dates extended-Results are awaited on Libya seeking 25,000 tonnes of wheat in a combo with grain and soybean meal. No details were provided.

Rice Developments.

- Iraq's state grain board seeks at least 30,000 tonnes of optional origin rice on Feb. 13 and offers must remain valid until Feb. 17.
- 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. Wheat opening calls:

- Chicago 2-4 cents higher.
- KC 3-6 cents higher.
- Minneapolis 3-6 cents higher.

Logistical transportation problems in the Black Sea region is supportive. US soft wheat is competitive with Russian supplies.

World Weather comments from a La Nina update:
“U.S. hard red wheat country often is drier than usual during late winter and early spring because of La Nina, but this year’s bias may not be as significant as it has been in years past. A little more timeliness in precipitation is expected. The Northern U.S. Plains and southern Canada will also see non-traditional La Nina patterns prevail with a drier than usual bias remaining in place. Temperatures in the northern Plains and Canada’s prairies will obtain a cooler than usual bias in time, however.”

EXPORT SALES - (000) TONNES

AS OF: 2/2/2012

	ESTIMATED This Week	Shipped	ACTUAL This Week	Shipped	as of 1/26/2012 Last Week	Shipped	as of 2/3/2011 Year Ago	Shipped
Wheat	500-700				518.9		391.3	
n/c					35.2		116.0	
Corn	900-1200				912.0		1107.3	
n/c	0-100				63.0		104.5	
Beans	500-700				308.4		20.8	
n/c	0-120				60.0		950.3	
Meal	100-200	150-250			74.7	178.3	182.7	281.1
n/c							0.0	
Oil	0-15	0-15			6.7	3.7	38.4	75.4
n/c					0.0		0.0	

o/c=Old Crop, n/c= New Crop

Source: Citi and USDA

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