

**CORN: FIRM**

Corn settled 4 cents higher overnight on short-covering along with higher crude oil prices. Corn prices have dropped more than 10% since the report and producers have slammed the bin door shut. Basis continues to firm to pull corn out of storage, while wintry weather impedes this process. USDA releases its crop production report tomorrow morning, with the trade expecting a delay because government offices are closed due to snow out east. Trade sentiment on the report is expecting lower carryout numbers on revisions from the bearish January report. Expect a firm start this morning.

**Overnight trade was 4 ¼ higher in CH10.**

**SOYBEANS: HIGHER**

There was pre-report short-covering overnight, and that should remain the case today. Add a pull back on the dollar index and there is good support today. Overseas there was good support in palm oil as many wait for their report on Wednesday to be a reduction in stocks. Bean oil saw a new net long by index funds. Beans saw long liquidation and shorts added by managed money. Fundamental news is more of the same. Argentina and Brazil weather is still on track to keep the crop in great condition. Some minor areas of Argentina may see hot weather, but nothing of record levels. Rains should abate any real damage. The USDA report should find a smaller US carryout, but larger world carryout on beans. Oil may be the one source of enthusiasm as yield remains low and demand picks up on biodiesel, to lower carryout on oil to a level of bullish interest. Basis on beans remains strong in the US. Crushers are still trying to cover future needs in light of slow farmer selling. The CFTC report showed a good reduction in hedged inventories, which was no surprise at all. Spreads are not moving any significant amount on the Goldman roll, at this point. Still could see some more widening to encourage rolling. Opening calls: Beans- 12 to 15 higher; Meal- 2 to 4 higher; Oil - 40 to 55 higher

**Overnight trade was 13 ½ higher in SH10.**

**WHEAT: BETTER**

With the dollar index surging toward the end of last week, wheat finished generally lower on Friday after wild swings in the outside markets. Crude values collapsed as did equities. This morning finds the dollar slightly weaker, with grains

generally higher overnight in supportive trade. The February USDA report will be out tomorrow, so wheat trade should be consolidating. There should not be any major changes to the January report for wheat. Early calls may be up 3 to 4 cents, inline with the night session. Japan is in for their weekly wheat tender for 105m tons. Friday's CFTC report showed index length in Chicago down 5,000 contracts to 210,000. The directional spec shorts increased in both Chicago and KC. The index fund roll should continue this week as March long positions roll to the May. Friday saw late large orders in H/N spread that traded at -22 ½ carry. Southwestern HRW areas received additional moisture late last week and over the weekend. Basis levels remain steady to supportive on lighter cash movement and logistics delays. Export interest is also showing some life with the recent flat price break.

**Overnight trade was 4 higher in KWH10.**

**CATTLE: STEADY - HIGHER**

Cattle futures were one of the lone markets to actually post a gain last week as futures found support in weather worries and a firmer cash cattle trade. Feeding areas have experienced several storms in the past 10 days with more precipitation on the radar this morning and colder air following. Poor cattle performance is the trade's fear with declining carcass weights and delayed marketings taking tonnage out of the pipeline. The beef market, however, has not yet responded and it will be the packers' goal to support the product market this week, likely through reduced slaughter totals. Can they be successful following a horrendous beef sales weekend on the East Coast and February being one of, if not the, worst beef demand month of the year? Continued weather anxieties and a late day \$87-87.50 Southern cash cattle trade on Friday should be enough to start futures firmer this morning. Moving through the week beef market action will come to the forefront of the conversation.

| Fund Position        | Accumulative | Yesterday |
|----------------------|--------------|-----------|
| <b>Corn</b>          | +112,339     | -10,000   |
| <b>Soybeans</b>      | +27,270      | -2,000    |
| <b>Soybean Meal</b>  | +24,984      | -1,000    |
| <b>Soybean Oil</b>   | +1,267       | -2,000    |
| <b>Chicago Wheat</b> | -58,881      | -4,000    |
| <b>KC Wheat</b>      | +13,198      | +1,000    |

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