FCStone®
COMMODITY RISK MANAGEMENT

Morning Comments

Thursday, September 02, 2010

CORN: STEADY

Corn settled down a penny this morning on a lackluster reaction to FCStone's corn production estimate of 162.9, and total production of 13.195 billion bushels. Perhaps the trade has already discounted these numbers in current prices. It will take fresh news, like 66 million bushels of new crop export corn sold or other private crop estimates coming in lower than expected, to push December corn through $4.50. Harvest will begin in earnest next week. However, much of the western Midwest has had substantial rains with more predicted. Boone, Iowa, the sight of the farm progress show, had four inches of rain a day ago. Producers seem to have enough corn sold for now, until they know more about yields. Trade is entering a holiday weekend with no markets on Monday and a normal night session Monday night. Expect a steady start this morning.

Overnight trade settled ¾ lower in CZ10.

SOYBEANS: MIXED - EASIER

Export sales are out this morning and beans are 22.5 MB, meal at 178 TT, and oil at 12 TT. Only the meal was above expectation. The beans were disappointingly below estimates, perhaps from basis action at the river over the last week. Bean oil deliveries were only 1,716 contracts with some longs from yesterday taking delivery. FCStone’s report showed a minor drop in bean yield of one half bushel per acre. The electronic trading did very little overnight and anticipate a mixed open on beans, if not a shade lower. Expectations in South America are for good crops and equal to greater planted acreage in beans. Weather in a la Nina year will be watched closely for signs that yields will be lowered by less than ideal moisture and temperatures. November to July carry made it out to 28 cents yesterday. That is getting close to numbers that pay to hedge out there. Beans: -3 to +3; Oil: -5 to -15; Meal: +1 to +2.

Overnight trade settled 2 higher in SX10.

WHEAT: BETTER

Wheat prices surged higher on fresh U.S. demand news and held gains. Egypt bought U.S. HRW, and German interest in U.S. high protein wheat added to the bullish tone. Fresh buying interest was apparent as investors and users look for flat price coverage. This morning, European futures are higher, with Matif November wheat up to €230. U.S. wheat futures were higher after the solid close, up five to six cents. Expect a firm opening, up three to five cents. Weekly U.S. export sales report shows all wheat at 1,024 mil tons (HRW 405m, SRW 54m, HRS 400m, SWW 135m dur 29m). Technical momentum has turned higher on the charts, with K.C. December back above all the moving averages. Last night in K.C., 471 contracts were re-delivered and no new deliveries. Term stopped 343 deliveries this morning. K.C. December continued to hold gains versus Chicago and Minneapolis in spread trade. K.C. and Minneapolis have demand pressure, Chicago the VSR and 11 cents per month storage rate! Recent high rail freight premiums have slipped back, and domestic HRW basis has been lower after the roll, which is unusual. But, wheat has been setting new paradigms in trading logic so expect the unexpected!

Overnight trade settled 4 ¾ higher in KWZ10.

CATTLE: STEADY - LOWER

The cattle market quietly traded to a mixed finish yesterday, firmer in the fats and weaker in the feeders. Outside markets, including firmer corn, sharply higher equities, and a sharply lower U.S. dollar, all supported the live cattle market which traded weaker for the past several sessions. There was additional cash cattle business yesterday at the $97 live and $153 dressed values that began on Tuesday. That is down a full $2 from a week ago and not nearly the basis values experienced in recent weeks/months. The beef market is drawing some concern as well, losing upside momentum over the past two weeks and now finally turning lower. Interesting to see much of the 22+ day beef business being done at values lower than what is reported in the <21-day indices. Now some in the beef trade are concerned a major running up the eastern seaboard during a holiday weekend cannot be good for beef demand… Overnight outside markets are weaker and expect the same out of the cattle complex today.

Please Note: Sunday, September 5th, electronic trading is closed. Monday, September 6th, day trading is closed. Overnight electronic trading will open for September 7th.

Fund Position	Accumulative	Yesterday
Corn	+402,975	+12,000
Soybeans	+135,374	-4,000
Soybean Meal	+64,681	-2,000
Soybean Oil	+38,642	+1,000
Chicago Wheat	+45,743	+6,000
KC Wheat	+68,120	0

Kyle Smith Kyle.Smith@fcstone.com
Ben Parks Ben.Parks@fcstone.com
Mike O’Dea Mike.O’Dea@fcstone.com
Collin Hulse Collin.Hulse@fcstone.com
Richard Plackemeier Richard.Plackemeier@fcstone.com
Ingrid Gronlund Ingrid.Gronlund@fcstone.com