

Friday, November 06, 2009

CORN:

Values trading to early week lows with improving weather forecast to encourage crop dry down and active harvest activity. Crude oil trading down \$2.50 a barrel by midday with US unemployment reported at 10.2%. DB fund continues to buy deferred sell nearby. Gulf basis values well below DVE pressuring spreads wider. Ocean freight this past week higher again up \$1.50 to \$2.00 a ton. Gulf-Japan near \$70 with PNW to Japan near \$39.50. ADM plans to expand ethanol operations in Brazil. Fannie Mae reports requests for additional \$15 billion of bailout aid after reporting a \$19 billion quarterly loss. Yet to be reported losses could be hugely larger. 31.1 million acres in US CRP program as of November 1. This down 2.6 million from a year ago. Trade anxious ahead of key USDA production estimate Tuesday morning. Funds long 163,000 contracts of corn futures. USDA confirmation of an Informa or FCStone style crop could find values trading sideways to lower into winter.

SOYBEANS:

Values under pressure with improving weather with above normal temps for crop dry down and active harvest. Cash markets indicate good farmer selling with basis values at the gulf now some incredible 30 cents below DVE despite large China loading program. 356,000 tons of US soy reported sold to China before the opening. Talk of last unapproved BT corn likely to get EU approval by December to increase US meal and bean exports to the EU. 196 Nov beans delivered. Funds long 67,000 beans, 28,000 meal and short 23,000 oil. Any type of an Informa or FCStone style soy yield (1.1 bushel over USDA) or larger would not support soy values above current levels. Any type of a confirmation of an FCStone style yield could find values declining over \$1.00 a bushel. Planting continuing in South America. Dry weather however continuing over western Argentina areas with little relief seen in the next 10 days. Good moisture continues in Brazil but traders will become more apprehensive of a possible repeat of last year's drought in Argentina. Key USDA production estimate Tuesday morning.

WHEAT:

Values trading lower following row crop price action. Australia estimating wheat production at 22.8 mmt vs USDA 23.5 October estimate. USDA will resurvey producer respondents in US spring wheat areas for a possible revision in production estimates for spring wheat and durum in next Tuesday report. Trade noting Russian and French wheat trading into Egypt this week trading some \$16/ton under US offers. Funds short 25,000 contracts of Chicago wheat. Wheat continues to follow row crop price action.

ECBOT	HIGH	LOW	CLOSE	CHANGE
Dec Corn	3.7875	3.66	3.67	- 9 1/2
Mar Corn	3.925	3.80	3.81	- 9 1/4
Nov Beans	9.7825	9.4825	9.48	- 19
Jan Beans	9.85	9.5525	9.55	- 17
Dec wheat	5.1525	4.965	4.9725	- 15

Regards
Doug Jackson
FCStone

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