

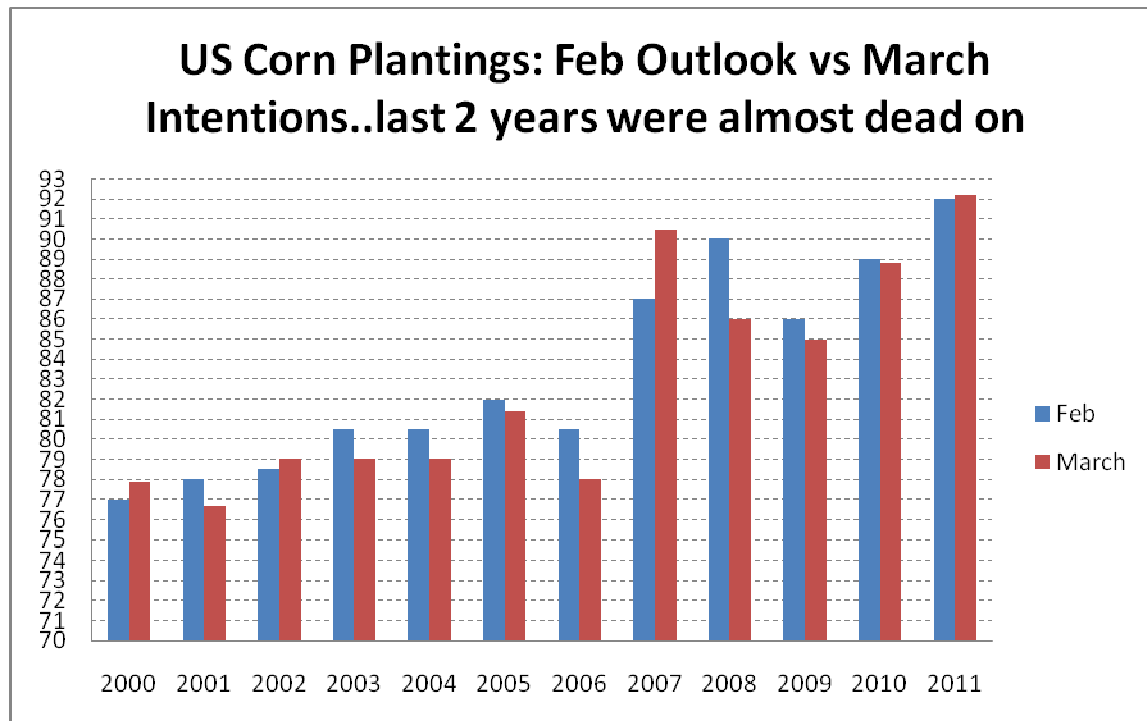
CORN: Corn once again tried to stay lower only to claw its way back on buying toward the close. Corn spent most of its session on the lower side but found support in the \$6.40 area basis the March. Traders anticipating the USDA to cut world corn production numbers (namely in Argentina and Brazil) by 4-5 mmt (160-200 mln bu) provided the support. Weekly export inspections better than expected at 39.4 mln bu vs estimates of 31-36 mln bu. Ocean freight rates continue to slide lower with one international house booking a vessel for free AND is getting \$2,000 a day (for 60 days) toward fuel costs. In this particular case the ship is hauling grain from Australia to Europe and the vessel owner wanted the ship in the Atlantic with its better rates (vs weak values in Pacific). This was the 2nd time in as many weeks a ship has been booked for no cost (other than fuel). This all is stemming from the ocean fleet size growing by 12% this year due to new ships coming on-line vs demand is expected to grow only 3%.

Estimates of South American Production for Thursday's report:				
mmt	Average	Range	Last USDA	Expected chg
Argentina Corn	22.5	20.0-24.5	26	-3.5
Brazil Corn	59.8	58.5-61.0	61	-1.2
Argentina Soybeans	48.5	46.0-50.0	50.5	-2
Brazil Soybeans	71.7	70.0-73.5	74	-2.3

Ethanol margins continue to slide with heavy ethanol values relative to corn. ADM today announced it would be permanently closing its 30 mln gallon a year ethanol plant in Walhalla, ND in April. This was the most northern ethanol plant in the US and one of ADM's smallest. ADM still has 6 plants and with 1.72 Billion gallons of capacity yet. With rapid deterioration of spot ethanol margins (and further erosion expected) we can expect similar announcements in the coming months from plants on the fringe of the Corn Belt area. Little change is expected in

this Thursday's report regarding ethanol demand.

US Corn Plantings: Feb Outlook vs March Intentions..last 2 years were almost dead on



After the S/D report on Thursday, the trade turns their attention toward the Feb Outlook Forum on Feb 23-24 and the new crop balance sheet. Interesting to note that in the last 2 years the Planting estimate in Feb was almost dead on with March Intentions, see chart. Seven out of the last 10

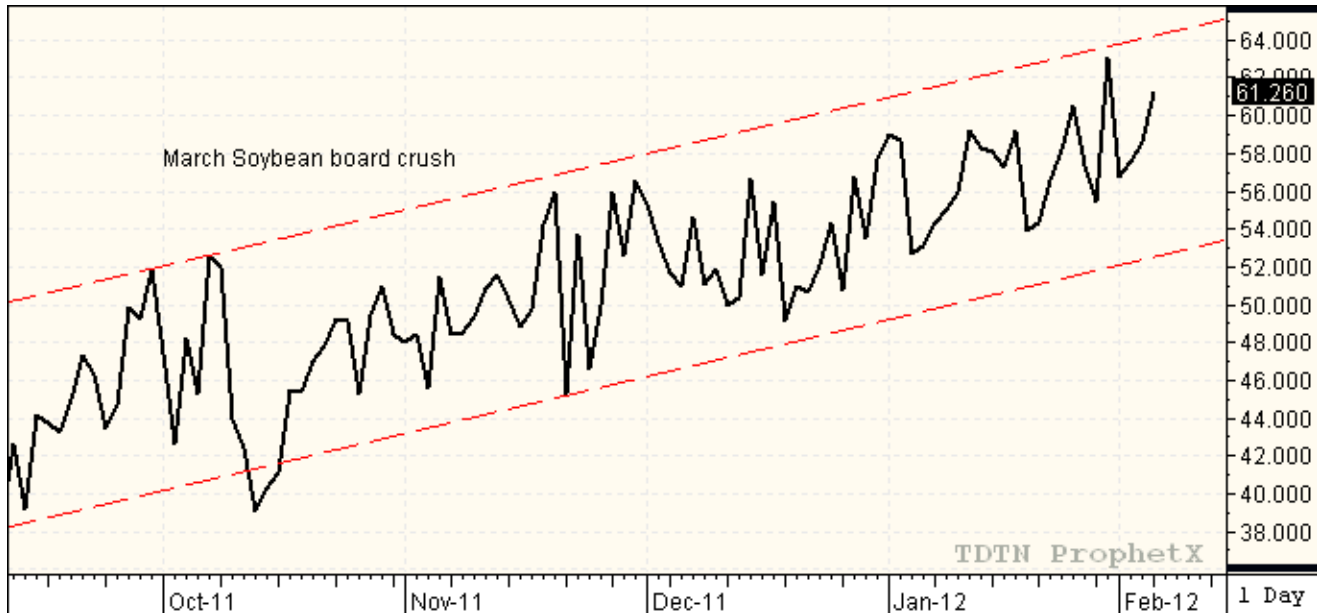
years the Feb number was larger than what the March 31st Intentions report. Currently private estimates on corn acres range from 93 to 95 mln. Technically March corn is finding good resistance at \$6.50 while Dec is finding new crop selling on any pushes above \$5.85. Basis levels are holding firm while March/May corn spread did soften back to 7 cents. On a side note March oats closed up over 12 cents and was up almost 20 cents at one point on short covering. The March/May oat spread touch 13 cents inverse.

Soybeans: Beans closed higher but gave up most of its gains late in the session. Meal closed lower while soyoil was solidly higher with talk was there was unwinding of long meal/short soyoil positions being seen. There also was Information contained in this letter is taken from sources which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only.

chatter about stronger cash soyoil values giving support to the veg oil side.

The strength in the complex remains tied to concern or uncertainty of how much reduction in the Argentine and Brazilian soybean crop and also the quality of the early Brazilian beans. Weekly export inspections on US soybeans were normal for this time of year at 37.3 mln bu but down slightly from last week's 41.76 mln bu. Celeres reports that soybean harvest in Brazil is now 6% complete vs 5% last year and 2% on avg. Farmers there have sold 50% of their expected new crop which is in line with last year's 49% but well ahead of the 40% for the 5 Year avg. The weather forecast remains generally favorable this week with more rains for Argentine areas. Crop ratings there improved by 8% to 64% G/E with last week's rains. Perhaps the lowest production estimates will be seen this week?

US soybean basis is holding steady with processor plants still pushing bids as meal sales pick up. Board crush margins are still in an uptrend, see chart below. Resistance for March beans remains toward \$12.50, March meal toward \$335 and \$52.50 in March soyoil (good support toward 20 and 50 day MA of 51.32-51.39).



WHEAT: Wheat markets closed higher with some support coming from European short covering. European wheat futures were up over 14 cents a bu with the March contract to expire soon. Fresh news for the wheat market was lacking other than the ongoing concern about the bitter cold in Europe and increased likelihood of winterkill. Meanwhile here in the US, much of the HRW areas saw good moisture with the weekend snow/rain storm with exception of the TX panhandle. Compared to maps from a month ago though, the dry areas are getting smaller after the last 2 weeks and recent snow/rain. US export news is quiet for now. Weekly export inspections were less than expected at 14.5 mln bu vs estimates of 16-20 mln bu. Trade will continue to monitor US wheat prices vs Europe after the recent surge in European prices today. Thursday's S/D report is expected to be a non event other than a possible bump in the Australian production number. US basis levels are holding steady to start the week. Chicago Mar/May spread continues to walk in with few deliveries expected at this point while Mpls March/May hovers near 14 cent inverse. KC March/May still near 8 cents. Have a good night!

Departure from Normal Precipitation (in)
1/30/2012 - 2/5/2012

