

Friday, February 05, 2010

CORN:

Values tugged lower in sympathy with significantly lower outside petroleum and financial markets. Sugar trading sharply lower. Trade concerned with news of China imposing import duties on US poultry as US-China relations sour. US unemployment rate actually lower this morning but total US job losses revised sharply higher. Trade remains concerned with EU financial problems. US dollar trading sharply higher on fears of a failed treasury bill auction in Portugal and possibly out of control debt problems in Greece, Spain and others. Some see developing EU financing problems a precursor of a possible US situation comparable by 2013-14. Traders unsure where to position funds with long term fears of the euro, the Japanese yen and \$70 trillion of unfunded US liabilities. Trade fears higher sovereign debt interest rates can thwart world economic growth by the middle of the decade. Goldman index fund rolling beginning today. Trade looking for few changes in Tuesday's USDA monthly S&D update on corn with an average trade guess of ending stocks at 1748 vs USDA 1764 in Jan. Corn market moves sideways until traders can better determine US acreage and new crop production potential.

SOYBEANS:

Values independently buoyant with old-new spreads tightening as traders look to USDA next Tuesday monthly S&D update. Trade looking for USDA to tighten old crop stocks with average trade guess for ending inventory at 219 vs USDA estimate at 245. Torrid China demand may now set the stage for USDA to significantly underestimate total demand pushing US ending stocks well below a snug 200 million level eventually. This type of carryout to use ratio historically associated with a July-Nov spread from .50 to 1.00 vs today's relatively narrow level. South American weather forecast remains generally favorable with needed rains arriving. Stats Canada estimating December 31 Canadian canola stocks at 8.7 mmt, near trade guesses. Iowa legislature moving biodiesel mandate proposals forward. Trade will continue to be torn between tightening old crop US stocks and ultimate pressure of 1.2 billion bushels of additional production in South America.

WHEAT:

A choppy session with values under pressure with traders eyeing possible economic weakness as well surplus fundamental wheat supply. US wheat basis values firmer. Index fund roll began today. Funds bot 4,000 contracts of Chicago wheat, now short 52,000 contracts. Trade looking for virtually no changes in monthly S&D update from USDA next Tuesday. Both Russia and France indicating a slight increase in wheat plantings for next year. Wheat follows corn price action.

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ECBOT	HIGH	LOW	CLOSE	CHANGE
Mar Corn	3.555	3.475	3.515	- 2 1/2
May Corn	3.6975	3.59	3.63	- 2 1/4
Mar Beans	9.215	9.09	9.135	- 1/2
May Beans	9.32	9.1975	9.2425	- 1/2
Mar wheat	4.765	4.67	4.7325	- 2 1/2

Regards
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