



DAILY GRAIN WIRE

Thursday, April 08, 2010

Trade decided the China rumors were just that? Supposed big index fund buying that fueled the trade earlier this week seemed to have finished with the rally yesterday. So everyone that was stopped out came back to be short again? This is one turn this trader missed? Farmer movement in corn and wheat increased markedly on the rally on Wed.

The USDA will update the S&D's on Friday The avg guess on the change in ending stocks are shown below. Table provided by Reuters

Ending Stocks 2009/10	Wheat	Corn	Soybeans
Average trade estimate	0.992	1.922	0.208
Highest trade estimate	1.020	2.149	0.242
Lowest trade estimate	0.914	1.718	0.170

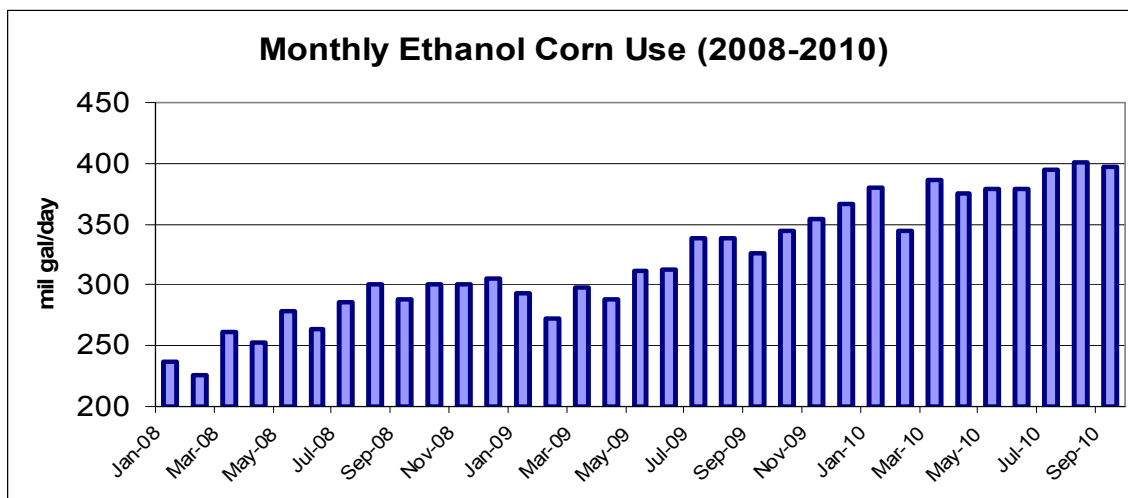
Export sales were larger than some guesses but in line with LG expectations.

Wheat sales were 324 TMT or 12 mil bu. New crop sales were 210 TMT or 8 mil bu. Old crop sales had a second cargo of spring to China. Total sales are now

Corn sales were 1.358 MMT or 53 mil bu. New crop sales were reduced one cargo. Total of 700 TMT new sales to Japan and So Korea. Mex and Egypt also active. Sorghum sales were 2 mil bu.

Bean sales were 206 TMT or 8 mil bu. New crop sales were 238 TM or 8 mil bu. Meal sales were 212 TMT old crop. Oil sales were 7 TMT. Product shipments were 265 TMT meal and 50 TMT soyoil. There remains 29 mil bu of bean sales to China. There are 1.7 MMT outstanding meal sales of 4 weeks at the current pace?

EIA January ethanol production was up 3.9% from Dec at 1.065 billion gallons, a new all-time record high. **Ethanol inventories were up 42 mil to 747.6 million gallons in January and also represent a new record. Exports exceeded imports for the third consecutive month. The first count of E-85 stats show production of only 714 thou gallons during Jan but may be under reported based on the collection of date at the blender. Most of the E-85 "recorded production" is downstream from the blender.



This data may be important as the expansion of the blend past 10 pct is facing delays again? Ethanol consumed 380 million bushels of corn in January, up 29.8% from Jan 2009. There continues to be more plants coming on line over the next few months expanding production over consumption. Marginal profitability should start to slow the grind over coming months. Firming DDG values have helped keep some plants running if even at a slightly reduced rate.

China domestic corn values stable but continue firm. Speculation about import demand continues confusing with many different and divergent reports. There have been applications for import licenses. There is not a clear indication if any have been issued. The interest and the economics are obviously positive for imports. There continues a concern that quality constraints could be used to refuse imports at the port and no one will take the risk until a more clear intent by that Gov. The increased talk of this yesterday had the feel of someone that wanted to move the market? DDG's appear to be exempt to these concerns and imports will continue to grow. At this point it appears China could take up to half of all US exports?

Greek debt back in the forefront the last two days with concern that more aid is needed to prevent a default again? This may be part of what is maintaining the divergent strength in gold?

WHEAT:

USDA reports 126 TMT new crop wheat sold to unknown under the daily reporting requirements. Was 32 TMT srw, 61 hrw, and 33 spring.

Japan bot 157 TMT wheat for May-Jun---46 TMT Canada, 21 TMT Aust, and 90 TMT US.

Fri Saudis for 550 TMT wheat for Jun-Sep.

So Korea negotiating on 300 TMT Kazak wheat for Jun-Aug?

China confirms purchase of 20 TMT Kazak wheat?

Tunisia for 92 TMT milling wheat for Jun-Jly. Offered at \$188.87 C&F. Barley offered at \$169.90. Apr 21

Jordan for 100 TMT opt origin wheat for Jly-Aug.

Apr 23 Japan SBS tender for 50 TMT milling wheat and 43 TMT food barley for May.

May 11 Bang for 100 TMT wheat. Offers valid to Jun 1.

Paki Gov has decided to offer up to 2.0 MMT of wheat into the export market as crop plus current supplies exceeds domestic demand.

CORN:

So Korea bot an additional 47 TMT US corn for Aug at \$223.35 C&F.

FOB US corn offered at \$160, Arg at \$165, and Brazil at \$171? Black Sea feed wheat well off the lows at \$155. These price comparisons made prior to the break in prices today.

Egypt for corn.

Chili for corn.

Mex for corn.

Dom Rep for a combo cargo of corn and beans.

Algeria to offer 300 TMT barley into export market.

Small corn delivery tickets cancelled yesterday as cash firmed.

Weekly broiler egg set was unch last week after several weeks well above last year. Chick placements also unch and may be understated?

BEANS:

Mex for beans.

Venez for meal.

Paraguay private est bean production double last year at 7.5 MMT.

China domestic soyoil sharply higher again today. Meal is more mixed but firming in the southern areas. Dalian futures were slightly lower across the complex.

China says they will allow afloat Arg soyoil vessels to offload. Arg says they will not ship any additional until this is cleared up? There was talk earlier this week of one vessel moved to India?

Malay palm oil futures closed off 30 with cash olein at \$805 for May-Jun and at \$802 for Jly-Sep. Arg soyoil offered at \$829 with Brazil at \$836 and US at \$874

CASH:

	Bean Barge	Corn Barge	SRW Barge	HRW Track	Ill Riv Frt
Apr	+34/36 K	+42/44 K	+35/40 K	+60/68 K	275
May	+37/42 K	+45/46 K	+36/45 K	+60/68 K	285
Jun	+38/41 N	+37/41 N	+28/35 N	+53/60 N	295

	Beans	Corn	Wheat	Meal Hi-pro	Oil
Truck Chicago	-10 K	+1 K	-25 K		
Toledo	-10 K	-22 K	-46 K		
Dec ILL	+5 K	+3 K		-2 K	-300 K

Players:

WHEAT: May settled at 4.69 ¼, down 6 cents

futures; Prices started four lower and made a couple early attempts at rallying, but each time it stalled as the market traded two lower. With the market unable to rally, prices retreated and soon values were more than 7 lower. Values made one last run after this setback, but there was too much selling above the market and prices would struggle the rest of the day. Around an hour into the day we would put in our lows at 8 lower, and the rest of the session saw prices trade in a narrow 3-cent range and in the lower end of the day's range. Trade late in the day was rather uneventful as prices continued to bounce around between 5 and 8 lower before settling 6 lower.

options; Rosenthal bought 700 May 450/430 put spreads at 3, JP Morgan bought 300 July 490 straddles at 55 ½ and Newedge sold 400 July 450 puts at 12 ¼.

spreads; The May/July settled at 13 ¼ to 13 ½ and traded 25,000 contracts. In the pit, Newedge did 1,000 July/May, Bunge did 500 July/Sept and USA Trading and Newedge each did 300-400 May/July.

CORN: May settled at 3.48 ¼, down 8 ¼ cents

futures; Prices started around three lower and steadily fell, leaving the trade from the opening as the highs for the day. Within thirty minutes prices were trading seven lower and the tone for the rest of the day was set. An hour into the day saw prices trading 9 lower, and for the rest of the session we saw prices trade in a narrow 2-cent range and in the lower end of the day's range. The lows for the day were made during the final half of trade, but we was modest bids on the screen scale down so there never seemed to be any danger of the market really falling apart. Trade late in the day was rather uneventful as prices bounced around between 8 and 10 lower before settling around 8 lower.

options; Citigroup bought 2,000 July 450/500 call spreads at 1½, Bache bought 2,000 Dec 600 calls at 3 ¾, Rand bought 1,000 Sept 400 calls at 17 ¾ and bought 2,000 Dec 400 calls at 29, Rosenthal bought 1,000 Dec 400 calls at 29, Penson sold 1,000 May 350 puts at 6, Newedge bought 800 May 360 straddles at 17 vs buying 256 May futures at 3.52, JP Morgan sold 500 Dec 400 calls at 30 and ADM bought 600 May soybean 950 calls/sold 1,800 May corn 350 calls from 3 ½ down to 2.

spreads; The May/July settled 11 to 11 ¼ and traded 39,300 contracts. Newedge did 5,000 July/May, Fortis did 3,000 July/May, MLP did 500 July/May, 500 Dec/Sept, 500 Dec/May, 300 Sept/May and 300 Sept/July, Rand did 2,500 Mar/Dec and 500 July/Dec and UBS and Fcstone each did 1,500 May/July.

BEANS: May settled at 9.46 ½, down 6 cents

futures; Price action was very choppy all morning but we only traded in a nickel range. Values started the day four lower and bounced around between one and six lower, with no real threats at ever trading higher on the day. We did see several three to four cent swings during this timeframe, so despite the tight range we did see some volatility. Midday trade started to see prices weaken, and as we moved into the final hour prices would be hovering around their lows. Late in the day we saw new lows made as prices fell to more than seven lower. The final few minutes seemed to be more active in the soy complex than the other markets as we traded in a 3-cent range before settling 6 lower.

options; Fortis bought 600 July 920 puts at 19 ½, Newedge bought 500 May 950 straddles at 29, RJO and ADM each bought 500 July 960 puts, JP Morgan and Bache each bought 1,000 July 940 puts and Tenco bought 400 July 940 puts at 26 ½ and bought 700 June 950 calls at 14 vs selling 224 July futures at 9.59.

spreads; The May/July traded 22,300 contracts and settled at 9½ to 9¾. Newedge did 4,300 July/May and 500 Nov/May, MLP did 700 Nov/July and 200 Nov/May, Fortis did 400 Aug/July, 200 Nov/Sept and 300 May/July, MF Global did 1,200 July/May, Rand did 400 July/Nov, ADM and Tenco each did 1,000 May/July and RJO did 500 May/July.

SOYMEAL: May settled at 262.60, down 2.00 dollars

futures; One of the few markets that actually saw higher trade today as prices started the session a couple ticks lower but rallied to trade almost a dollar higher. Values would not stay up on these highs for very long, but we did not see much of a setback either. Instead, prices dropped to around a dollar lower before rallying one last time to trade a tick better. This would be the last time we saw higher trade as the market quickly turned. Prices dropped more than two dollars and the tone for the rest of the day was made. Most of the midday time frame saw price action around the 263 level, than during the final hour values weakened a bit more. The lows would be made late in the day as prices traded down to more than three dollars lower before settling a dollar off those lows.

options; Bunge sold 800 May 260/300 put spreads at 32.00, ADM bought 400 May 280 calls at 1.00, Citigroup sold 200 May 260 straddles at 11.00 and Newedge bought 250 July 290 calls at 3.25, bought 100 May 290 calls at .50 and bought 100 May 300 calls at .25.

spreads; The May/July traded 6,000 contracts and settled .20 to .50. Rand did 500 Aug/July and JP Morgan did 200 July/May.

COMM OF TRADERS:

	WHEAT	CORN	BEANS	OIL	MEAL
COT 3/30/10	-56700	36100	30600	10500	15500
L.G. Est 3/30/10	-71900	-35500	-1100	2900	17800
COT w/Opt 3/30/10	-74700	-39900	7600	-2500	21900

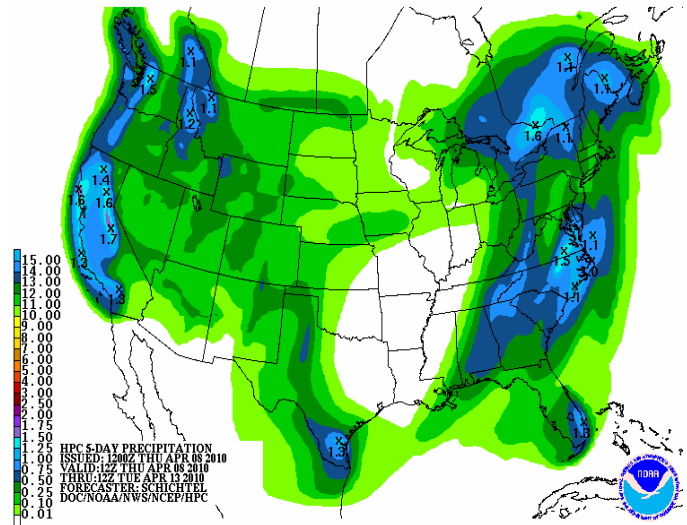
Fund Activity

31-Mar	-6500	-12000	-11500	-3000	-4400
1-Apr	3000	-2000	-1500	2000	-500
5-Apr	-2200	1800	-4000	2600	-1800
6-Apr	5000	2000	3000	3000	1000
7-Apr	6500	17000	4100	2300	1400
8-Apr	-5000	-8000	-3800	-2000	-1100
Est. Fund Position	-73900	-41100	-6100	2400	16500

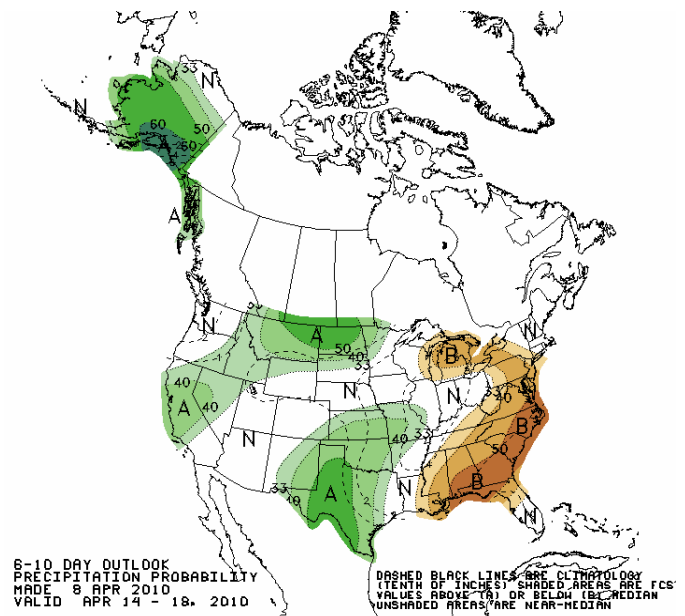
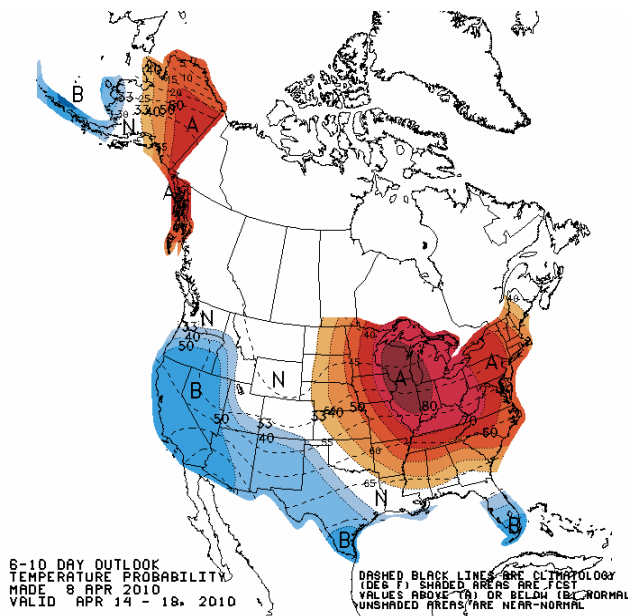
Record fund positions past	50	395	156	89	79
7-years (thou contracts)	-75	-129	-56	-42	-48

WEATHER:

Storms yesterday dropped 1 to 2 inch rains over most of Ind and NW Ohio. Ill coverage was very spotty with most areas .25 inch or less. Stormy over the eastern third of the country for the balance of the week. Clears the Midwest for 4 to 5 days of drier weather that could push corn planting along. Only the northern states have a chance of rains this weekend. The temps overnight in western Kan down into the Tex panhandle got into the high 20's. Some of the higher ground was down to 22 degrees but those areas are not as far into wheat development so not too much damage anticipated. Temps tomorrow will warm by around 7 degrees. The map right is the accumulated precip forecast for the next 5 days. This is already showing the development of another system set to move across the belt next week.



The NWS 6 to 10 day maps are shown below. Warm temps back for most of the Corn Belt.



TREND:

Wheat and corn quietly leaked all day with not much of any inter-day bounce. Gave back almost all of Wed gains. Both markets left closes giving no one a chance to get out unscathed. Rumor central seemed closed for the day? One thing was sure. The open interest studies did not support the contention that most of the rally came on short covering. Increased open interest in wheat, corn and

beans looked to be new longs. This tended to lend credibility to the rumors of new index fund money coming out of Europe---even if it was at an odd time in the middle of a month and week?

Leaving the closes sets up an interesting situation. Fundamental outlook continues to look bleak for wheat. There is very little chance of anything positive out of the report tomorrow. Leaves this market looking like it could fall apart again----but there are those pesky shorts already there. And there is the outside week on the charts. Says be careful here come away from the short side of the market and let it tell you it is ready to start another down side leg moving into new lows. Just in case we get stupid again, a trade over Wed highs would force a lot of much bigger shorts out. That exit door can get real crowded?

Corn does not have that look that wheat has. Nothing in the long term charts to scare away the short. What the market does show---is farmer selling on small rallies and consumer pricing on small breaks. Guess that means a continued trading range until we break out one way or the other? Unfinished counts to the down side certainly make it feel like it will be a break out down? The report tomorrow will have a bearing on trade---expected larger ending stocks. What if they are not?

Bean complex had another chance for soy oil to close over 40 cents. Traded there all day. Should still be a trigger to higher levels but not sure it happens. Look for a 38 to 40 cent trading range for a while. Meal remains the toggle to soy oil. Meal had an inside day closing at the lows. Interesting that oil has left a weekly close to the top side and meal has left a weekly close to the down side. It is te3llign us something, Beans did not give back all of yesterday's gains closing just above the break out area that triggered the buy stops. Closed on the lows so could still be weak. The tell tale sign was the break down in the spread to new recent lows. Cash is weak in the US export market. There may be some small pushes in the cash to crushers but they do not have much margin to push past covering short meal sales? Read this spread action as bearish

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