

MARKET NEWS

Grains and Oilseeds

Opening Calls: Corn: Higher; Soy Complex: Higher; Wheat: Higher

- The grain markets took a breather yesterday, posting modest losses across the board. The trade seen consolidating after three day straight run higher that led corn to near 75 cent/bu gains, soybeans to \$12.00, and wheat back towards the August highs. The market will undoubtedly see corrections and consolidations as we go forward, but make no mistake the underlying tone of the market is bullish. On breaks lower in prices there will be plenty of buy orders underneath the market to support prices and eventually send prices higher. The end user has little long term coverage in place for 2011 and this will ultimately “feed” on itself in the way of support on breaks and fuel for the rallies.
- This morning all eyes are on the US\$, it is getting crushed lower, making new lows and trading near 76 ½. The weakness of the US\$ will only aid in the “commodity” bull run we are seeing and at some point you have to think the fed will react to the inflationary pressures that a weak US\$ will ultimately lead to. Crude oil is 50 higher this morning with the DOE report out this morning expected to show another weekly draw down in crude oil stocks. The Dow futures are higher this morning as well. Look for the grains to open higher across the board.

Meats and Livestock

Opening Calls: Live Cattle: Mixed; Lean Hogs: Lower

- Cattle futures closing sharply mixed yesterday, lower in the fats and higher in the feeders, a reversal of recent trends following a weaker corn market yesterday. Those cattle crush spreads which had exploded to new highs earlier this week also reversed and traded sharply lower yesterday. Do note there were another 55 deliveries of live cattle in Worthing, SD last night which is already putting pressure on the nearby Oct contract here this morning. There had been no real cash trade yet this week despite packer bids moving as high as a steady money \$95 in the North yesterday. I suspect \$96 starts to find some interest. On the boxed beef front, cutouts have finally shown some life this week, trading slightly firmer and doing so on progressively better spot trade volumes. One stat I read this morning mentioned yesterday’s movement of 383 total loads was the best Wednesday movement we have seen since January. And if holiday buying isn’t upon us already, it will be soon. Opening calls are just mixed this morning.
- The lean hog market also tracked lower yesterday with a stalling corn market allowing the bears relief and encouraging some long liquidation. Total open interest was down just more than 2K contracts yesterday. The spot markets continue to slide seasonally lower, both cash hogs and the cutout index were down sharply. Note the Oct contract will expire today and leave Dec as the nearby month. As of yesterday, Dec held a \$4 discount to the spot cash index. Very weak nearby fundamentals are keeping futures in check, but in the long term, the hog market will continue to find buying support from very good exports and increasing feed costs. US\$ trading to new 10 month lows this morning.

Dairy Products

Opening Calls: Class III Milk: Mixed; Butter: Steady - Lower

- It was another quiet session in the spot dairy markets yesterday with no change in the block, barrel, butter, or non-fat markets. There was again an uncovered offer in the barrel, but when we’re writing about uncovered bids or offers I think its indicative of a light news day. Class III futures finished just mixed, slightly lower in the Nov-Dec contracts and slightly firmer in the 2011 months. Futures continue to trade at a modest discount in those 2011 months which is helping to encourage some end user coverage for the 2011 calendar year.

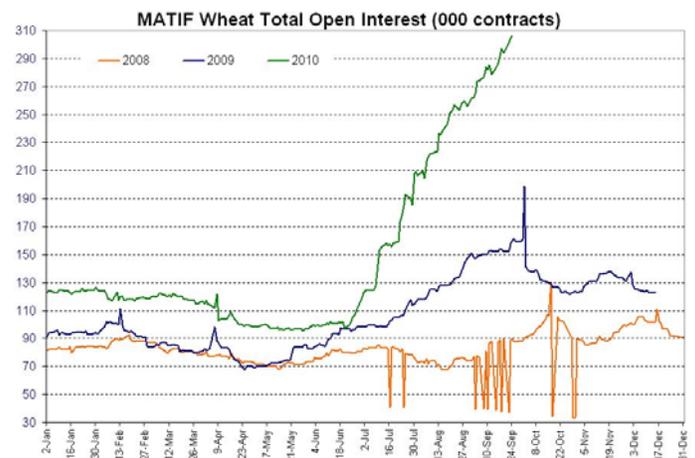
The chart here showing the open interest in the MATIF wheat futures (European wheat futures in Paris). Interesting to note how the open interest in this contract has just exploded this year. Some in the trade attributing the rise in open interest here a direct result of VSR in CME wheat futures forcing fund longs to a different contract; others saying its because of the heightened awareness of world wheat values this year due to the Russian crop loss. Both thoughts have validity, interesting to note either way.

PREVIOUS DAY

Market	Month	Last	Change
Corn	Dec '10	569.25	-9.75
Chi Wheat	Dec '10	702.75	-7.25
KC Wheat	Dec '10	743.00	-8.00
MN Wheat	Dec '10	751.00	-3.25
Soybeans	Nov '10	1176.50	-2.00
Soy Oil	Dec '10	47.58	+0.63
Soy Meal	Dec '10	329.0	-4.1
Live Cattle	Dec '10	98.47	-0.82
Ch Cutout	Spot	152.62	+0.16
Sel Cutout	Spot	146.09	+0.33
Lean Hogs	Dec '10	71.70	-1.07
Pork Cutout	Spot	81.11	-1.83
Blocks	Spot	1.7700	unch
Barrels	Spot	1.7325	unch
Class III	Nov '10	16.13	-0.02
Dry Whey	Nov '10	37.000	unch
Butter	Spot	2.1850	unch
NFDM	Spot	12.30	unch
Crude Oil	Nov '10	83.01	+1.34
Heating Oil	Nov '10	2.3007	+0.0382
Gasoline	Nov '10	2.1661	+0.0422
Nat Gas	Nov '10	3.696	+0.067
Dollar Index	Spot	77.287	-0.301
Dow Jones	Spot	11,096	+76

LOOKING AHEAD

- 10/14 - NOPA Crush, U.S. Trade Balance
- 10/15 - Export Sales
- 10/18 - Crop Progress
- 10/19 - Milk Production



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