



Insider Grain Advisory

Friday October 07, 2005

UPCOMING AGRICULTURAL REPORTS

Oct 11 Export Inspections		10:00 AM
Oct 11 Crop Progress		3:00 PM
Oct 12 USDA Crop Production	7:30 AM	
Oct 12 USDA Supply/Demand	7:30 AM	
Oct 14 Export Sales		7:30 AM

DAILY SOY COMPLEX COMMENTARY

10/07/05

BEANS, MEAL COULD REMAIN IN DOWNTRENDS BUT OIL STOCKS A STORE OF VALUE

OVERNIGHT CHANGES THROUGH 4:00 AM:
SOY BEANS +1.2, BEAN OIL +0.1, SOYMEAL +0.5



RECAP: The market pushed lower early in the day yesterday from continued expectations for a big jump in the production forecast for next week's USDA report and lower soybean oil prices. Commercial selling in soybean oil was triggered by weaker energy markets and hefty deliveries. Deliveries were up to 738 lots this morning but a strong commercial stopper took 666. Registrations at the CBOT jumped to 4,519 lots from 3,852 previous. December oil held support and pushed higher on the session and when meal also stayed higher, soybeans managed a moderate gain. Weekly US export sales for soybeans came in at 541,200 metric tonnes as compared to trade expectations between 500,000-700,000. Cumulative sales have reached just 21.6% of the USDA forecast for the entire marketing year as compared to 32.6% on average over the last five years. Sales of 494,500 metric tonnes per week are needed to reach the USDA estimate. Meal sales came in at 115,000 metric tonnes as compared to trade expectations between 75,000-115,000. Weekly US export sales for soybean oil came in at 7,700 metric tonnes as compared to trade expectations between 5,000-15,000. A prominent private research firm pegged soybean production at 3.0 billion bushels as compared with 2.856 billion from last month's USDA report, which added to the bearish tone. In addition, traders anticipate active harvest over the next week.

OVERNIGHT DEVELOPMENTS: November soybeans traded 1 1/2 cents higher in overnight action. There were 83 oil contracts and 0 meal contracts delivered against the October futures this morning. Palm closed 16 points lower in overnight action.

CASH NEWS AND TENDERS: Basis bids for gulf soybeans were steady.

WEATHER: Harvest looks active for the next week.

NEAR-TERM OUTLOOK: A recovery bounce in the meal market and some short-covering helped the soybean market pulse higher yesterday, but with continued talk of a significant jump in soybean production for next week's report, commission house selling and long liquidation emerged to drive the market back lower, with the market closing less than 1 cent higher on the day with a 14 1/2 cent range. Large oil deliveries yesterday were offset by a strong commercial stopper, and oil found support after the early break. World vegetable oil markets have stabilized at a higher than expected level, as commercial buying interest has emerged on breaks. With Europe as a major and growing importer of palm oil and US bio-diesel production on the rise, stocks of vegetable oils are

beginning to take on a higher value than traders would anticipate given the hefty supply of world oilseeds. Funds were noted buyers of nearly 3,000 oil contracts yesterday. With big profit margins for bio-diesel producers and oil very storable, the demand is expected to remain strong. For a look at palm oil and soybean oil prices in dollars per tonne at Rotterdam, take a look at the home page for www.futures-research.com. Europe is now importing about 16% of Malaysia palm oil monthly shipments, which is expected to grow to near 30% in the next 3 years. Near term support for November soybeans comes in at 562 and 558 with resistance at 572 3/4 and 575 1/4. Keep 545 as next downside objective.

FUNDAMENTAL FOCUS: The market is probing for a harvest low, and with a significant concern that the USDA is going to increase their production forecast next week, commercial buyers seem to be confident that lower prices are still ahead into the heart of harvest. Oil, however, should be well supported on technical corrections.

TODAY'S MARKET IDEAS:

The bulls are on the sidelines until after next weeks USDA report and until after the market absorbs more harvest. While overbought, oil should find solid support on breaks, as oil stocks have become more valuable to store as a hedge against higher energy prices. There is still no sign of a harvest low with 545 as next objective for November soybeans.

NEW RECOMMENDATIONS:

Buy December Oil at 23.55 with an objective of 26.05. Risk to 22.80.

PREVIOUS RECOMMENDATIONS:

None.

SOYBEAN COMPLEX TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

SOYBEANS (NOV) 10/07/2005: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market back below the 18-day moving average suggests the longer-term trend could be turning down. The upside closing price reversal on the daily chart is somewhat bullish. The close over the pivot swing is a somewhat positive setup. The next upside target is 580. The next area of resistance is around 571 1/2 and 580, while 1st support hits today at 557 and below there at 551.

SOYBEAN OIL (DEC) 10/07/2005: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average is an indication the longer-term trend has turned positive. The market tilt is slightly negative with the close under the pivot. The next upside target is 24.85. The next area of resistance is around 24.43 and 24.85, while 1st support hits today at 23.65 and below there at 23.30.

SOYMEAL (DEC) 10/07/2005: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The major trend has turned down with the cross over back below the 18-day moving average. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 170.7. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 169.0 and 170.7, while 1st support hits today at 165.6 and below there at 163.9.

DAILY CORN COMMENTARY

10/07/05

STILL PROBING FOR HARVEST LOW; BUYERS WAIT FOR MAY SUPPORT 220



OVERNIGHT CHANGES THROUGH 4:00 AM:
CORN +0.2

RECAP: Fears of a larger crop estimate for next week's USDA report was enough to turn the market lower late in the day yesterday, and the market closed lower for the third day in a row. Weakness in the wheat market and the outlook for active harvest over the next week helped push futures lower into the mid-session. A lack of producer selling in the cash market and solid export sales news helped provide support on the break. Weekly US export sales for corn came in at 952,600 metric tonnes as compared to trade expectations between 550,000-750,000. Cumulative sales have reached 21.3% of the USDA forecast as compared to 23.7% on average over the last five years. Sales of 830,400 metric tonnes per week are needed to reach the USDA estimate. South Korea passed on a tender for 110,000 tonnes of corn. A prominent private research firm pegged corn production at 10.97 billion bushels as compared with 10.639 billion from last month's USDA report, which added to the bearish tone.

OVERNIGHT DEVELOPMENTS: December corn traded slightly higher overnight with a 3/4 cent range.

CASH NEWS AND TENDERS: Basis bids were mostly steady. Taiwan bought 60,000 tonnes of US corn.

WEATHER: Weather looks mostly favorable for active harvest in the next week.

NEAR-TERM OUTLOOK: The market continues to consolidate near the 205 level for December corn, as supply in the US swells and the pipeline is already clogged. Corn demand looks strong this year, but with a hefty supply to start the year, the 2nd largest crop in history and slow progress in barge movement through the Gulf, buyers are in no hurry and do not feel the urgency to extend coverage. Harvest is expected to be active over the next two weeks, and traders look for another revision higher of near 200-350 million bushels for the upcoming production report next week. Taiwan bought 60,000 tonnes of US corn overnight. Japan found the 12th US cargo tainted with BT-10 biotech corn and the Ag Minister has told the importer to destroy or ship back the corn. Sales were strong yesterday, but the trade focus is still on the enormous supply to absorb into the heart of harvest. December oats moved to the highest level since August 12th with some traders viewing the technical action in oats as a leading indicator for corn. Near term support for December corn comes in at 202 1/2 with 207 and 210 as resistance. If support fails, 199 3/4 becomes next swing objective.

FUNDAMENTAL FOCUS: With big LDPs, producers are attempting to store as much corn as possible but until the bulk of the harvest is absorbed, the focus of attention is likely to stay on total supply. With profitability in livestock and energy sectors and a solid export outlook, demand factors look promising for corn but the market must first absorb big supply.

TODAY'S MARKET IDEAS:

Wait for signs of a harvest low and then buy May corn or corn calls for a long-term value play. The next key support for May corn in at 220.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Long 3 May corn 280 calls for 14 cents. * Took 17 cent gain on short May futures and are waiting for rally to * 233 1/2 to re-establish short. 3) Hedge Play: Short 1 December corn 240 put near 23 cents and long 6 December 200 puts for 4 cents *We took profits on the short December 240 put at 11 (a 12-cent gain). We lifted 4 of the puts at 2 1/2 cents each. Lift the remaining 2 December corn \$2.00 puts for 5.

CORN TECHNICAL OUTLOOK:

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CORN (DEC) 10/07/2005: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close under the 18-day moving average indicates the longer-term trend could be turning down. The market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 206. The next area of resistance is around 205 and 206, while 1st support hits today at 203 1/2 and below there at 202 3/4.

DAILY WHEAT COMMENTARY

10/07/05

CHOPPY TO LOWER TRADE AHEAD UNTIL EXPORT DEMAND IMPROVES

OVERNIGHT CHANGES THROUGH 4:00 AM:

WHEAT -0.2

RECAP: Fears of increased imports from Canada, improving weather conditions for the winter wheat crop for germination and a lack of supportive news from the weekly sales report helped trigger some additional long liquidation selling in wheat early in the session. A recovery bounce in soybeans and the ability to hold the September 30th lows helped support the late bounce. Weekly US export sales for wheat came in at 475,500 metric tonnes as compared to trade expectations between 450,000-600,000. Cumulative sales have reached 51.8% of the USDA forecast as compared to 46.7% on average over the last five years. Sales of 365,800 metric tonnes per week are needed to reach the USDA estimate. At their weekly tender, Japan bought 80,000 tonnes of wheat with 40,000 of the total coming from the US.



OVERNIGHT DEVELOPMENTS: December wheat traded near 1/2 cent lower in overnight action.

CASH NEWS AND TENDERS: Hard red winter basis at the gulf a little weaker. South Korea bought 20,000 tonnes of US wheat overnight.

WEATHER: Rains in the plains are expected to support improve soil moisture levels and help support good germination of the freshly planted crop.

NEAR-TERM OUTLOOK: While world stocks are expected to tighten in the coming year, US ending stocks have increased and the world lacks a major importer. This is especially true for soft wheat, and US exporters were not too competitive for the soft wheat business with Egypt this week. While stocks have tightened considerably in China and India over the past several years, imports have not, and China's imports are likely to fall from last year's spurt. The Indian Farm Minister indicated this week that stocks are adequate with no need for imports, even though there was talk of 2 million tonnes of imports from Australia last week. Official government estimates pegged India October stocks near 10 million tonnes from 14.2 million tonnes last year and a peak of 41.3 million tonnes in June of 2002. Improving weather for the US winter wheat crop and talk of Canadian exports to the US for the coming year helped pressure the market early yesterday, but fund short-covering emerged to support the late bounce. South Korea bought 20,000 tonnes of US wheat overnight. The Australia wheat harvest is underway. Support for December wheat comes in at 345 and 343 with resistance at 348 and 350 1/2.

FUNDAMENTAL FOCUS: While cumulative export sales are running ahead of the pace to reach the USDA projection, traders are nervous that the recent price jump in the US could hurt future sales.

TODAY'S MARKET IDEAS:

Demand is still in question after recent jump. Key support levels for December wheat comes in at 339 and 334 3/4.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

WHEAT TECHNICAL OUTLOOK:

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WHEAT (DEC) 10/07/2005: Momentum studies are trending higher but have entered overbought levels. The market now above the 18-day moving average suggests the longer-term trend has turned up. The daily closing price reversal up on the daily chart is somewhat positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 350 1/4. The next area of resistance is around 348 1/4 and 350 1/4, while 1st support hits today at 342 1/4 and below there at 338 1/2.

KW WHEAT (DEC) 10/07/2005: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The cross over and close above the 18-day moving average is an indication the longer-term trend has turned positive. The outside day up is somewhat positive. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 387 1/2. The next area of resistance is around 385 1/2 and 387 1/2, while 1st support hits today at 378 and below there at 372 1/2.

MINN WHEAT (DEC) 10/07/2005: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The major trend could be turning up with the close back above the 18-day moving average. The upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 390 1/2. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 388 3/4 and 390 1/2, while 1st support hits today at 382 1/4 and below there at 377 3/4.

Tech Stats**10/07/2005**

Contract	Close	RSI 9 Day	RSI 14 Day	14 Day Slow Stoch D	14 Day Slow Stoch K	20 Day MA	40 Day MA	60 Day MA
SX5 BEANS	564 1/4	41.20	39.39	28.14	29.14	572.71	593.57	625.36
BOZ5 BEANOIL	24.04	59.85	57.59	66.67	68.99	23.06	22.92	23.50
SMZ5 MEAL	167.3	24.08	24.86	10.37	11.91	174.09	182.58	193.10
CZ5 CORN	204 1/4	37.68	36.34	27.37	30.08	206.83	214.62	225.45
WZ5 WHEAT	345 1/4	67.61	62.82	77.77	79.23	331.98	330.15	335.34
KWZ5 KC WHEAT	381 3/4	69.60	66.40	83.52	85.81	368.50	359.44	356.97
MWZ5 MN WHEAT	385 1/2	76.95	73.17	89.28	89.92	367.20	354.76	355.91

Daily Swings**10/07/2005**

Contract	Suprt 2	Suprt 1	Pivot	Resist 1	Resist 2
SX5 BEANS	551	557	565 1/2	571 1/2	580
BOZ5 BEANOIL	23.29	23.65	24.07	24.43	24.85
SMZ5 MEAL	163.9	165.6	167.3	169.0	170.7
CZ5 CORN	202 3/4	203 1/2	204 1/2	205	206 1/4
WZ5 WHEAT	338 1/2	342 1/4	344 1/2	348 1/4	350 1/2
KWZ5 KC WHEAT	372 1/2	378	380	385 1/2	387 1/2
MWZ5 MN WHEAT	377 1/2	382 1/4	384	388 3/4	390 1/2

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