Weekly Roberts Agricultural Commodity Market Report July 28, 2009

The trip was a good one. I was able to meet with several producers, processors, and agriculture ministry officials. The downturn in the global economy has European decision makers wanting to know more about how our risk management system works and to implement it in some form or fashion. The European Union farm support program has become very expensive.

One thing was very clear. Although our risk management system has its warts, the market is free to work. A visit to Omaha Beach in Normandy made very clear that we must never take our freedom for granted.

Good to be back in the saddle … Mike R.

CORN futures on the Chicago Board of Trade (CBOT) were up on Monday. The SEPT'09 contract closed at $3.222/bu; up 6.0¢/bu. DEC'09 corn futures finished at $3.336/bu; up 6.4¢/bu. Steady to stronger corn exports were supportive as good crop growing weather and retreating demand on a shrinking U.S. cow herd limited gains. USDA placed U.S. corn-inspected-for-export at 52.234 mi bu vs. expectations for 31-34 mi bu. Late Monday USDA rated the U.S. corn crop in good-to-excellent condition at 70%; 1% lower than this time last week but 4% better than a year ago. Cash corn bids were steady amid slow farmer sales. USDA is expected to issue an updated crop plantings report in early August. This should give a clearer picture of U.S. corn crop acres planted and therefore supply expectations. Funds bought 5,000 contracts while large speculators increased net bear positions in CBOT corn by 15,700 lots. The December 2009 contract posted a Relative Strength Index of 32.26 indicating that this market will attract increased speculator interest. Hopefully all of the old crop corn is gone and up to 70% of the 2010 crop is sold on previous advice. Old crop corn is fast losing its premium to new crop corn.

SOYBEAN futures on the Chicago Board of Trade (CBOT) were down on Monday with the exception of the August '09 contract which was up 2.0¢/bu. The SEPT'09 contract closed off 6.5¢/bu at $9.450/bu. The NOV'09 contract closed at $9.064/bu; off 8.4¢/bu. Tight old crop stocks and short-covering supported the nearby August contract. Exports were disappointing with USDA reporting soybeans-inspected-for-export at 8.145 mi bu vs. expectations for 11-14 mi bu. Over half of these were bought by China. Processors and suppliers south of the equator are filling most global needs at this time. Late Monday USDA put soybeans in good-to-excellent condition at 67%; unchanged from last week. Cash soybean bids were steady to weaker as old crop sales finish up. Funds sold just over 1,000 lots while large speculators decreased net bull positions in CBOT soybeans by 4,800 contracts. If you have any old crop soybeans at all they should be sold now. Old-crop beans are swiftly losing their premium basis value and will soon be valued near new crop levels. Up 70-80% of the new crop should have been priced on previous advice.

WHEAT futures in Chicago (CBOT) were up on Monday. SEPT'09 wheat futures finished up 4.25¢/bu at $4.904/bu; 38.0¢/bu lower than last report. The JULY'10 wheat contract closed at $5.192/bu; up 5.25¢/bu. Good weather conditions for the U.S. crop hindered price advances. Short covering was price supportive but gains were limited by large global stocks. The photos below show French wheat harvest in full gear and are typical of the many places in western France we visited.

USDA put wheat-inspected-for-export at 10.683 mi bu vs. expectations for 14-17 mi bu. Good weather in the U.S. and parts of Europe are allowing the harvest to fill up the supply line. Funds bought 2,000 contracts while large speculators cut net short positions by 2,700 lots. Under pressure from traders and regulators to fix its problem with convergence in the market, the CME Group is reportedly looking at more changes in storage charges as well as a new cash settlement index. Meanwhile, the CME is waiting to see if previous changes made to the soft red winter wheat contract; additional delivery locations; and increased storage charges that began the first of June can improve hedging performance. Reports from wheat harvest in the center-west of France indicate acceptable yields and very good milling quality wheat. Consider pricing up to 20% of the 2010 crop at this time.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) were up on Monday. The AUG'09LC contract closed up $0.175/cwt at $84.700/cwt. DEC'09LC futures closed at $89.900/cwt; up $0.400/cwt. Futures rallied late in the day on short covering, buy stops, and October fund buying after sputtering most of the day. Shrinking production rather than better demand is seen as the most influential price factor. Cash cattle were steady to $1 lower with USDA put its 5-area average at $83.29/cwt. Early Monday USDA put the Choice Beef cutout at $143.82/cwt, up $0.97/cwt. According to HedgersEdge.com, average packer margins were raised $11.65/head to a positive $13.45/head based on the average buy of $83.60/cwt vs. the average breakeven of $84.64/cwt. Sell cattle as soon as they are ready. Hold off on pricing feed for a couple of weeks.

FEEDER CATTLE at the CME were off Monday on higher-than-expected supplies in the pipeline. AUG'09FC futures finished at $102.40/cwt; off $0.150/cwt but $1.400/cwt higher than last report. The OCT'09FC contract closed at $102. 570/cwt; down $0.451750/cwt. Profit taking, the shrinking futures premium to CME's feeder cattle index, and sell stops weighed on prices. Traders sold November and bought August and/or September. The CME Feeder Cattle Index for July 23 was placed at $101.17/cwt; down $0.03/cwt. It might be a good idea to sell feeders when ready.

LEAN HOGS on the CME finished mixed on Monday. AUG'09LH futures closed up $0.125/cwt at $59.175/cwt. The DEC'09LH contract slid $0.325/cwt to $54.050/cwt. Futures found support in short covering. USDA on Friday put the pork cutout price at $65.00/cwt; up $0.15/cwt. The cutout was down

$1.70/cwt from last Tuesday's high. The latest CME Lean Hog Index was posted at $60.09 cents/lb; up $0.54/lb. Packers are expected to pick up buying Tuesday or Wednesday on profitable margins through this week. However, a consistent bearish tone of daily hog kills above 400,000 head has returned to the market. According to HedgersEdge.com, the average pork plant margin rose $18.60/head from a negative $10.40/head to a positive $8.20/head. This was based on the average buy of $43.13/cwt vs. the average breakeven price of $46.23/cwt. It would be a good idea to sell hogs when ready and price up to four week's feed needs.

Remember, when working with futures risk is involved. Past performance does not indicate a promise of future results.

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