Weekly Roberts Agricultural Commodity Market Report August 4, 2009

CORN futures on the Chicago Board of Trade (CBOT) closed up on Monday. The SEPT'09 contract closed at $3.580/bu; up 18.5¢/bu and 35.75¢/bu over last week at this time. DEC'09 corn futures finished at $3.690/bu; up 19.5¢/bu and 35.5¢/bu higher than last Monday. The market is anticipating deteriorating crop conditions due to the hot weather. A weaker U.S. dollar contributed to better export expectations while higher crude oil prices boosted corn futures. USDA lowered the U.S. corn crop rating by 2 points in its weekly report late Monday. USDA put corn-inspected-for-export at 47.3 mi bu vs. expectations for 38-43 mi bu. Argentinean corn will begin to compete on global markets as corn export limits were lifted in that country today. Funds bought 18,000 contracts while large speculators decreased net bear positions. It is a good idea to have up to 70% of the 2010 crop sold.

SOYBEAN futures on the Chicago Board of Trade (CBOT) were up on. The SEPT'09 contract closed up 44.5¢/bu at $10.880/bu; $1.43/bu higher than this time last week. The NOV'09 contract closed at $10.304/bu; up 48.5¢/bu and $1.24/bu higher than a week ago. A falling U.S. dollar, tight stocks, gains in the stock market, and higher crude oil prices buoyed prices. USDA placed soybeans-inspected-for-export at 4.6 mi bu vs. expectations for between 10-13 mi bu. Monsoon rains in India are expected to hurt global supplies. USDA to held the U.S. soybean crop rating to week-ago levels in its weekly report. Funds bought over 7,000 contracts while large speculators increased net bull positions. Up 70-80% of the new crop should be priced.

WHEAT futures in Chicago (CBOT) were up Monday. SEPT'09 wheat futures finished up 21.0¢/bu at $5.492/bu; 58.75+¢/bu higher than last report. The JULY'10 wheat contract closed at $6.186/bu; up 22.0¢/bu and 99.5¢/bu over last report. The same factors influencing corn and soybeans supported wheat futures. USDA placed wheat-inspected-for-export at 13.5 mi bu vs. expectations for 13-16 mi bu. The Argentinean government announced it would remove wheat export limits today. This put a damper on futures near the end of the session. The hot, drier weather is seen as a positive for the U.S. wheat crop harvest while putting a damper on prices. Funds bought over 10,000 contracts while large speculators decreased net-bear positions. Consider pricing another 10% of the 2010 crop taking you to 30% priced.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) were up on Monday with the exception of the nearby August ahead of contract expiry positioning and last week's weaker tone to cash cattle. The AUG'09LC contract closed down $0.25/cwt at $84.45/cwt; $0.250/cwt lower than this time last week. DEC'09LC futures closed at $89.600/cwt; up $0.357/cwt but $0.300/cwt lower than a week ago. Cash cattle traded $1-$2/cwt lower in the Southern Plains with USDA putting the 5-area price at $82.61/cwt; $0.68/cwt lower than last report. Support was seen from a declining U.S. dollar, general gains in grains, a higher NY Stock Exchange, and strong crude oil prices. Tighter cattle supplies were helpful with feedlot numbers near 10-year lows. USDA placed the Choice Beef Cutout at $142.83/cwt, up $1.19/cwt from Friday but $0.99/cwt lower than last Monday. According to HedgersEdge.com, average packer margins were raised another $9.55/head to a positive $23.00/head based on the average buy of $83.04/cwt vs. the average breakeven of $84.79/cwt. Hold off on pricing feed for a couple of weeks if you can. If not, consider hedging rising corn costs for the next three weeks.

FEEDER CATTLE at the CME were down on Monday. AUG'09FC futures finished at $102.000/cwt; off $0.350/cwt and $0.400/cwt lower than last report. The OCT'09FC contract also closed at $102.000/cwt; down $0.525/cwt; $0.570/cwt lower than a week ago. Gains in grains pressured feeder prices as grass continues to dry up amid rising feed costs. This is reducing demand for replacement feeders despite empty pens everywhere showing tight cattle supplies. The U.S. calf crop is expected to be reach lows in 2010 not seen in 59 years. Cash feeders in Oklahoma City were $1.50-$2/cwt lower. The CME Feeder Cattle Index for July 30 remained unchanged from last Friday at $101.61/cwt but $0.44/cwt higher than this time last week. It is a very good idea to sell feeders on the heavy side if you have grass as feeder buyers will want to buy as little grain as possible.

LEAN HOGS on the CME finished off on Monday. AUG'09LH futures closed off $1.075/cwt at $54.950/cwt; $4.225/cwt lower than a week ago. The DEC'09LH contract slid $1.525/cwt to $51.700/cwt; $2.350/cwt lower than last Monday's report. Lower cash hogs are creating expectations for further weakness during the week. Fund selling was noted in October futures. The market is still oversold and trading at a discount to the index. Packers were cutting back on processing rates by as much as 100,000 head as six plants shut down on Monday. USDA estimated Monday's slaughter at 316,000 head vs. 418,000 last Monday and 378,000 a year ago. This will cut pork meat production by 23%. This may support price in the long run but hurt cash hog prices in the short run as supplies languish on the farm. The latest CME Lean Hog index for placed at $59.83/lb, off $0.23/lb and $0.26/lb lower than last report. According to HedgersEdge.com, the average pork plant margin declined $1.10/head to a positive $7.05/head. This was based on the average buy of $39.44/cwt vs. the average breakeven price of $42.09/cwt. It would be a good idea to sell hogs when ready while hedging the next 4 weeks feed needs.

December 2009 Corn, August 3, 2009

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

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