Weekly Roberts Agricultural Commodity Market Report August 25, 2009

CORN futures on the Chicago Board of Trade (CBOT) closed up on Monday. The SEPT'09 contract closed at $3.294/bu; up 7.75¢/bu and 15.25¢/bu higher than a week ago. DEC'09 corn futures finished at $3.554/bu; up 9.25¢/bu and 33.75+¢/bu over last week at this time. Support from strong gains in the soy complex, better crude oil prices, and a firmer stock market supported prices. The market traded on the notion that USDA's crop condition report late Monday would reflect a decline of 1% point to remaining even. However, USDA late Monday raised the US Corn crop in good-to-excellent condition 2% points to 70% vs. 68% last week. This and expectations for good corn-growing weather should weigh on prices Tuesday. The Pro Farmer tour is also reporting good crop conditions while expecting large corn and soybean crops. Exports were steady to weaker with USDA placing corn-inspected-for-export at 38.6 mi bu vs. estimates for between 39.0-42.0 mi bu. Cash corn was steady to weaker amid quiet farmer selling in the U.S. Midwest. Cash corn prices in the U.S. Mid-Atlantic states were firm ranging from 10.0-23.0¢/bu higher. It was announced today that the CFTC had closed a loophole that allowed large non-commercial speculators to have large positions. This could mean more liquidation of bullish positions by large non-commercial speculators. There was some evidence of this on Monday as funds bought 6,000 lots while large speculators turned net bearish by 1,485 contracts finishing at 13,941 net short positions. Hopefully 70% of the '09 crop has been sold.

SOYBEAN futures on the Chicago Board of Trade (CBOT) closed up on Monday. The SEPT'09 contract closed up 57.0¢/bu at $10.800/bu. The NOV'09 contract closed at $10.074/bu; up 34.5¢/bu. Support came from increased Chinese demand for U.S. soybeans, a gripping drought in China, monsoons in India, and concerns the U.S. soybean crop won't be able to mature before frost on already tight supplies. According to USDA data the nation's stocks will be 110 mi bu at the close of the '08-'09 marketing year on August 31. This will be 46% lower than this time last year and the lowest since the '76-'77 crop year. In its crop rating late Monday USDA raised the U.S. soybean crop good-to-excellent condition 2% to 69%. Floor sources were expecting USDA to leave it unchanged or lower it by 1%. The recent Pro Farmer tour is reporting a good soybean crop so far. Exports were neutral with USDA placing soybeans-inspected-for-export at 7.6 mi bu vs. expectations for between 6.0-9.0 mi bu. Cash soybeans in the U.S. Midwest were steady to weak while those in the U.S. Mid-Atlantic States ranged 35.0-55.0¢/bu higher amid slow farmer sales. The CFTC as of last Tuesday showed large non-commercial speculators trimming net bull positions by 21,900 lots to 45,200 contracts. Up to 70-80% of the new crop should be priced at this time.

WHEAT futures in Chicago (CBOT) were up on Monday. The markets were technically oversold and due for some upswing activity. SEPT'09 wheat futures finished up 11.5¢/bu at $4.716/bu; almost even with this time last week. The JULY'10 wheat contract closed at $5.440/bu; up 12.25¢/bu and 2.75¢/bu higher than last Monday. Support came from strong soybeans and corn futures. Exports were somewhat supportive with USDA placing wheat-inspected-for-export at 16.7 mi bu vs. expectations for between 14.0-17.0 mi bu. Australia and Argentina are facing drought while rains in the U.S. have delayed the harvest of spring wheat. Late Monday USDA placed the harvest rate for the U.S. Spring wheat crop at 22% vs. the 5-year average of 66%. The CFTC reported last Tuesday large non-commercial speculators increased net bear positions in CBOT wheat futures by 3,400 lots to 57,600 contracts. It would be wise to get up to 30% of the 2010 crop sold on these upticks as the world still has ample supplies of wheat.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) were up mildly on Monday in a continuing sideways pattern. The AUG'09LC contract closed up $0.175/cwt at $85.175/cwt; $0.875/cwt higher than a week ago. DEC'09LC futures closed at $88.225/cwt; up $0.075/cwt and $0.375/cwt higher than last report. Several deliveries were noted on the August contract. Friday's USDA Cattle on Feed report held back prices at the opening but recovered on support from higher cash beef prices and better outside markets. Demand is expected to be better in the fall. USDA reported August 1 feedlot cattle supply at 98% of last year, slightly above the 96.6% the market expected but still a low not seen for several years. July placements were noted at 113% of a year ago. The market expected a 107.3% on average. July marketings were placed at 95% of last year at this time vs. average market expectations for 95.1%. Cash cattle traded $1-$1.50/cwt higher at auctions. USDA put the 5-area price at $82.10/cwt; $0.18/cwt higher than this time last week. USDA on Monday put the Choice Boxed Beef cutout at $143.14/cwt, up $0.74/cwt from the previous close and $0.49/cwt higher than this time last week. According to HedgersEdge.com, average packer margins were lowered $0.70/head to a positive $49.20/head based on the average buy of $81.96/cwt vs. the average breakeven of $85.74/cwt.

FEEDER CATTLE at the CME were off on Monday. AUG'09FC futures finished at $100.100/cwt; off $0.050/cwt and $0.575/cwt lower than a week ago. The August contract will expire on August 27. The OCT'09FC contract closed at $100.450/cwt; down $0.175/cwt but $0.225/cwt higher than last report. Grain markets, seasonal implications, and USDA's report pressured prices. Cash feeders in Oklahoma City were steady to $2/cwt lower. The CME Feeder Cattle Index for August 20 was placed at $100.66/cwt, down $0.29/cwt. Cattle held to heavier weights were more sought after Monday.

LEAN HOGS on the CME were off on Monday. OCT09LH futures finished down $1.025/cwt at $46.825/cwt; but $2.125/cwt higher than a week ago. The DEC09LH contract closed down $1.325/cwt at $46.000/cwt; but $1.425/cwt higher than last report. The run has been good but will it last? Better cash pork prices and expectations that pork prices may improve on seasonal demand were supportive. However, poor export prospects, bearish technical signs showing possible outside reversal chart formations weighed on prices. USDA's cold storage report on Friday was bearish showing as of July 31 pork stocks were up 42 mi lbs (8.3%) from this time last year. USDA on Friday put the average pork cutout price at $53.79/cwt; up $2.45/cwt from the previous report but only $1.27/cwt over last week's report. The latest CME Lean Hog Index was placed at 49.04; up $0.02 but $0.69/cwt lower than a week ago. Some processors were looking to fill lines for the rest of the week. According to HedgersEdge.com the average pork plant margin was raised $3.00/head to a positive $9.25/head. This was based on the average buy of $34.45/cwt vs. the average breakeven price of $37.93/cwt. Several floor sources on Monday said the bearish overtone to the market will continue until sow numbers decline in earnest.

The following are the cash hog/corn ratios as calculated by Dow Jones using industry-accepted fob cash hog prices from USDA and cash corn prices from private sources. Historically ratios at or above 20-1 for hogs on a live basis have resulted in expansion of production while a ratio of 15-1 or less has resulted in contraction.

Live Basis Hog/corn	Daily ratio	Average hog price	Average Corn price	Weekly for week Ended	ratio
Iowa/S. Minn	11.41	34.76	3.04 1/2 (Des Moines)	Aug 21	11.98
Week ago	11.99	34.68	2.89 1/4	Aug 14	11.43
Month ago	14.44	42.79	2.96 1/4	Aug 07	11.82
Year ago	11.00	59.18	5.38 1/4	Jul 31	13.76
				Jul 24	14.92
				Jul 17	13.75

The table below shows ratios using lean hog futures (dressed basis) versus corn futures. The lean hog futures contract specification is for 51-52% lean carcasses with .80-.99 inches of back fat at the last rib or equivalent. Note that in hogs, the ratio for dressed is about 33% higher than its equivalent live-based ratio. Therefore, the historic threshold for expansion on a dressed-based ratio would be 27-1, with less than 20-1 resulting in contraction.

Hog Futures Contract	hog ratio	hog price	corn price	Corn Futures Contract
August (q)	14.21	46.825	3.295	Sep '09
October (v)	13.71	46.000	3.355	Dec '09
December (z)	15.51	52.050	3355	Dec '09
February (g)	16.27	56.825	34925	Mar '10
April (j)	17.69	63.425	3585	May '10
May (k)	18.82	67.475	3585	May '10
June (m)	18.23	66.950	36725	Jul '10
July (n)	17.89	65.700	36725	Jul '10

Herd contraction is expected judging from these ratios but reported U.S. sow numbers just aren't coming down enough to suit pit traders. Meanwhile many report they do not believe the Chinese hog herd numbers. They believe they are higher than reports show.

Lean Hogs October 2009, August 24, 2009

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

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