Weekly Roberts Agricultural Commodity Market Report September 15, 2009

CORN futures on the Chicago Board of Trade (CBOT) were down on Monday. The SEPT'09 contract expired on Monday closing at $3.050/bu; off 9.5¢/bu. DEC'09 corn futures finished at $3.176/bu; down 2.0¢/bu. Good crop weather, a firmer U.S. dollar, and a lower DOW put the lid on prices. Early yield reports are reported near 200 bu/acre. Forecasts for early frost in some places were supportive. Late Monday USDA reported 69% of the U.S. corn crop in good-to-excellent condition. The market expected this. Exports were healthy as USDA placed corn-inspected-for-export at 40.517 mi bu vs. expectations for between 38-40 mi bu. It was reported that Mexico bought 419,000 tonnes (16.495 mi bu) of U.S. corn for delivery in '09/'10. However, floor sources said the market was getting jittery over the trade dispute between the U.S. and China. Cash corn in the U.S. Midwest were steady to firmer while opening cash bids for corn in the U.S. Mid-Atlantic states ranged 2.0¢/bu – 6.0¢/bu lower on Monday. Funds sold over 2,300 contracts. Hopefully 70% of the '09 crop has been priced.

SOYBEAN futures on the Chicago Board of Trade (CBOT) were mixed on Monday. The SEPT'09 contract closed off 59.5¢/bu at $9.250/bu. This contract lost $1.75/bu in two weeks. It expired today as many traders got out of the contract early in the session. The NOV'09 contract closed at $9.090/bu; up 6.0¢/bu. Late short-covering in the November contract was supportive. Positioning, good weather prospects, a firmer U.S. dollar, and the trade tension between the U.S. and China weighed on prices. Some places are reporting low threats for frost next week. This was price-supportive as the U.S. soybean crop is behind normal in development due to late planting. The trade dispute between China and the U.S. worried the market. The dispute is over chicken and automobile products. China has said they will restrict these imports after Washington put punitive sanctions on Chinese tire imports to the U.S. last week. The soybean market is worried trade tension could spread to other markets. China is the world largest importer of U.S. soybeans and this spat could significantly affect soybean exports. USDA placed soybeans-inspected-for-export at 10.247 mi bu vs. expectations for between 10-12 mi bu. China bought 6.04 mi bu of those inspected. So far so good. Cash soybeans in the U.S. Midwest were steady to weak on Monday as early harvested soybeans began coming in, in places. Cash beans in the U.S. Mid-Atlantic states were 16.0¢/bu – 20.0¢/bu higher for old crop beans and ranged 9.0¢/bu – 12.0¢/bu higher for new crop. Funds bought over 1,000 lots of soybean futures. Up to 70-80% of the new crop should have been priced by now. If not, it might be a good idea to get priced. Don't wait on $10.00 beans.

WHEAT futures in Chicago (CBOT) were down on Monday. SEPT'09 wheat futures finished down 10.75¢/bu at $4.310/bu coming of Friday's technical bounce. The JULY'10 wheat contract closed at $4.970/bu; off 13.75¢/bu. A firm U.S. dollar and the global glut of wheat stocks really are pressuring the wheat market. Hope you're not waiting on $5.00 wheat to come back any time soon. Last week's wheat inspected-for-export was over expectations. USDA placed that number at 21.505 mi bu vs. expectations for between 13-16 mi bu. Tragic weather events supported U.S. wheat exports but that is expected to be of short duration as other countries bid away business with cheap wheat. Large speculators were net bears by 19,688 lots while funds sold more than 3,000 lots. Contracts have set fresh lows in the past few days. The Commodity Futures Trading Commission chairman, Gary Gensler told reporters on Monday that the CFTC will most likely take more steps to fix the convergence problem with U.S. wheat and futures. The September contract was the second CBOT wheat contract to expire under new contract specs. Those included more delivery points, increased grain storage rates, and stricter vomitoxin rules. Even at that the premium to futures narrowed to roughly 70.0¢/bu compared to 83.0¢/bu for July '10 futures and $2.00 a year ago. Millers, merchandisers, and exporters have complained for two years that the lack of convergence between CBOT wheat contracts and cash prices have signaled a “broken market” making hedging as a risk management tool obsolete for bank collateral. It would be a very good idea to get to 50% sold in the 2010 crop.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) were down on Monday. The OCT’09LC contract closed off $0.175/cwt finishing at $87.050/cwt. DEC’09LC futures closed at $86.675/cwt; down $0.250/cwt. Unwinding of bear spreads against index fund rolling supported the October contract. Spillover discontent in lean hogs pressured fat cattle. Expectations are that cash cattle may trade up this week due to limited supplies amid very light sales on Monday. However, the cash trade was light on Monday. USDA put the 5-area price at $84.15/cwt; $0.35/cwt lower than last report. On Monday USDA put choice beef cutout at $141.978/cwt, up $0.65/cwt. The trade fuss with China could pressure U.S. beef if more chicken stays home. Beef demand abroad among weakening economies is already showing signs of weakening as USDA on Friday reported July beef exports at 166.4 mi lbs vs. June’s 174 mi lbs and 187.5 mi lbs this time last year. According to HedgersEdge.com, average packer margins were placed at a positive $9.25/head based on the average buy of $83.92/cwt vs. the average breakeven of $84.61/cwt. If you have the feed supplies and the trade dispute eases up it could pay to hold cattle to heavier weights.

FEEDER CATTLE at the CME were off on Monday. The SEPT ’09FC contract closed down $0.325/cwt at $98.850/cwt. The OCT’09FC contract closed at $98.250/cwt; down $0.400/cwt. NOV’09FC futures closed at $99.400/cwt; off $0.350/cwt. Lower corn futures were helpful but feeders mostly followed live cattle in small sales. Fund rolling took the wind out of October futures. Feeders could be pressured further this week behind weak demand for live cash cattle. The latest CME feeder cattle index was placed at $98.63/cwt; off $0.18/cwt. If you have grass and cheap feed it might pay to take feeders to heavier weights.

LEAN HOGS on the CME slipped on Monday. OCT’09LH futures finished down $1.525/cwt at $50.950/cwt. The DEC’09LH contract closed down $0.825/cwt at $49.000/cwt. Futures backed off gains over the Chinese/U.S. trade flap over chickens and tires. The U.S. claims China is dumping tires in the U.S. market and China “found” where the U.S. is dumping chickens in the Chinese market. Maybe we ought to trade U.S. chickens instead of dollar bills for Chinese tires. We might even get a little better deal that way. USDA on Friday reported July pork exports at 355.6 mi lb, 55.8 mi lbs higher than June but 53.6 mi lbs behinds last year’s pace. Exports are on a roller coaster due to the H1N1 virus. The virus was found in Mexico and could limit exports even further. Lower corn prices were supportive while fund rolling long October positions into December futures late in trading pressured the October contract. The latest CME lean hog index was placed at $51.69; up $0.22. According to HedgersEdge.com the average pork plant margin was raised $2.40/head. This was based on the average buy of $36.98/cwt vs. the average breakeven price of $37.89/cwt. Knowing that cooler weather is coming and hog gains will be accelerated it might be a good idea to watch market hogs carefully and market when ready.

November 2009 Soybeans, September 14, 2009

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

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