

Weekly Roberts Agricultural Commodity Market Report September 22, 2009

A firmer dollar and weakness in crude oil & gold spilled over to the grains on Monday. Weather continues to have a bearish influence over the markets as there is no threat of crop-killing frost for the near term.

CORN futures on the Chicago Board of Trade (CBOT) finished off on Monday. DEC'09 corn futures finished at \$3.160/bu; down 2.0 ¢/bu and 2.0 ¢/bu from last report. A stronger U.S. dollar is seen as negative for exports while weaker crude oil prices signal a slump in the DOW. USDA put corn-inspected-for-export at 33.1 mi bu vs. estimates for between 35-40 mi bu. The market has taken back gains made last week. China announced estimates for a bumper corn crop this fall despite drought and early frost in most major growing areas. Cash corn in the U.S. Midwest was steady to weaker under active farmer selling as old corn was cleaned out of bins. The CFTC reported large non-commercials cutting net short positions in corn futures by 29,400 lots to 9,801 contracts. Expect fundamental weakness in corn prices through harvest unless a significant emotional event occurs.

SOYBEAN futures on the Chicago Board of Trade (CBOT) closed down on Monday. The NOV'09 contract closed at \$9.134/bu; off 27.5 ¢/bu but 4.5 ¢/bu over last report. As frost fears are pushed further off the weather premium is fast disappearing. Firmer U.S. dollar prices and lower crude oil are also putting pressure on prices. In other bearish news only 205,000 tonnes (9.84 mi bu) of soybeans were inspected for exports vs. expectations for between 12.0 – 18.0 mi bu. China did not order any U.S. soybeans last week. Large non-commercials were net bullish in CBOT soybeans at 16,800 lots buying over 4,600 contracts. Up to 70-80% of the new crop should have been priced by now.

WHEAT futures in Chicago (CBOT) were down on Monday with the exception of the July 2010 contract. The JULY'10 wheat contract closed at \$4.994/bu; off 2.0 ¢/bu but 2.5 ¢/bu cents higher than last Monday. Weaker corn and soybean markets, a firmer dollar, and lower crude oil prices pressured prices. Exports were supportive with USDA placing wheat-inspected-for-export at 23.2 mi bu vs. expectations for between 14.0-19.0 mi bu. Drought in New South Wales supported prices somewhat. Large non-commercial speculators cut net bear positions to 64,939 lots; down nearly 4,300 contracts. Hopefully 50% of next year's crop has been sold.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) were down amid technical weakness on Monday. The OCT'09LC contract closed off \$0.300/cwt finishing at \$85.250/cwt; \$1.800/cwt lower than this time last week. DEC'09LC futures closed at \$84.550/cwt; down \$0.350/cwt and \$2.125/cwt lower than last report. Last week's lower prices continued to pressure live cattle and contributed to short covering in sideways, choppy trading. Friday's USDA Cattle on Feed report was considered mostly neutral failing to show further lows in inventory amid larger placements, record low marketings, and increasing processing weights. USDA put cattle feedlot supply at 9.882 mi head (99.0% of a year ago). August placements were put at 2.11 mi head (102% over a year ago). Beef retail prices were also weaker than expected with USDA early Monday putting choice beef cutout at \$141.57/cwt; off \$0.40/cwt and \$1.168/cwt lower than last report. Cash cattle traded \$1-\$1.5/cwt lower in light trade. USDA put the 5-area average at \$83.75/cwt. According to HedgersEdge.com, average packer margins were raised \$1.75 to a positive \$11.00/head based on the average buy of \$84.09/cwt vs. the average breakeven of \$84.93/cwt. Sell cattle when ready as it won't pay to take them to heavier weights.

FEEDER CATTLE at the CME were off again on Monday. The SEPT '09FC contract closed down \$0.100/cwt at \$97.150/cwt; \$1.70/cwt lower than last report. The OCT'09FC contract closed at

\$96.725/cwt; down \$0.300/cwt and \$1.525/cwt lower than a week ago. NOV'09FC futures closed at \$96.700/cwt; off \$0.725/cwt and \$2.70/cwt lower than last Monday. Feeders followed fat cattle lower while lower grain markets lent some support. Cash feeders in Oklahoma City were steady to \$2/cwt higher. The latest CME feeder cattle index for September 17 was placed at \$98.16/cwt; off \$0.22/cwt and \$0.47/cwt lower than a week ago.

LEAN HOGS on the CME finished down again on Monday. OCT'09LH futures finished down \$0.65/cwt at \$50.150/cwt and \$0.800/cwt lower than last report. The DEC'09LH contract closed down \$0.925/cwt at \$49.375/cwt but \$0.375/cwt higher than a week ago. Carry over technical selling was noted from Friday's steep sell-off. Plenty of retail product, weak cash hogs, a general sell off in commodities, and concern this coming Friday's USDA Hogs and Pigs report will show producers only moderately cutting the U.S. swine herd back pressured prices. Noting high processing levels last week and no signs of slowing down several floor sources said today that the U.S. hog herd has to be cut severely to bring back higher prices. Last Friday USDA put the average pork price at \$56.79/cwt; down \$0.25/cwt. The latest CME lean hog index was placed at 52.59 ¢/lb; up 0.40. According to HedgersEdge.com the average pork plant margin was raised \$4.65/head to \$7.05/head. This was based on the average buy of \$37.52/cwt vs. the average breakeven price of \$40.15/cwt.

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

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