Weekly Roberts Agricultural Commodity Market Report October 13, 2009

CORN futures on the Chicago Board of Trade (CBOT) surged higher on Monday. DEC'09 corn futures finished at $3.812/bu; up 19.0¢/bu and 39.75+¢/bu over last report. The MAY'10 contract closed at $4.010; up 18.0¢/bu and 37.75+¢/bu higher than last Monday. Futures soared after breaking resistance in the December '09 contract at $3.76/bu. Trading was supported by the freeze last weekend that traders think harmed the U.S. corn crop and prospects for more cold weather in the next few days. Bad weather is expected to slow harvest. Outside markets, crude oil, rising equities, a weaker U.S. dollar, and funds acting upon technical buy-signals were also supportive. According to two floor sources the technical support should fade toward the middle of the week as the market corrects. Very few think we're in for $4.00 corn as longs will most likely take cover. News that China would be stockpiling local corn is viewed as neutral. No exports were reported by USDA due to the national holiday. Funds bought about 10,000 lots on Monday as large speculators added to net bull positions. U.S. cash corn bids in the Midwest were steady to weaker. Harvest delays are seen as supporting cash offers by merchandisers. Cash corn bids in the U.S. Mid-Atlantic States were weaker; 2.0-5.0¢/bu lower in many places. As noted last week, speculate with 30% of the unsold '09 crop but now (hint) would be a good time to take advantage of some of these higher prices.

SOYBEAN futures on the Chicago Board of Trade (CBOT) closed higher on Monday. NOV'09 soybean futures closed at $9.990/bu; up 35.0¢/bu and $1.14/bu higher than a week ago. The MAR'10 soybean contract closed at $10.004/bu; up 32.5¢/bu and $1.098/bu over last report. Weather and the same outside market influence over corn supported beans. Disease concerns regarding the quality of the U.S. soybean crop in the wet and humid south buoyed the market. Yield losses between 10-15% are being reported due to quality problems. China also announced it would withhold soybean exports while stockpiling Chinese soybeans. Reenergized speculative fund buying renewed the flow of money into commodities and is seen as a hedge by funds against inflation amid a declining U.S. dollar. Funds bought over 5,000 contracts while large speculators turned net bulls from net bears for the week ended last Tuesday. It could be wise to continue to speculate with the remaining 30% of the '09 crop.

WHEAT futures in Chicago (CBOT) were up on Monday. DEC'09 futures closed at $4.942/bu; up 26.25¢/bu and 32.0¢/bu higher than last report. The JULY'10 wheat contract closed at $5.400/bu; up 23.75¢/bu and 53.75¢/bu cents higher than last Monday. Weather, short covering, and outside markets (crude oil and the weaker U.S. dollar) were supportive. Cold, wet weather in the northern U.S. Plains is seen as a positive for U.S. production. Argentina reported good wheat production weather as well. France lowered its 2009 wheat crop by 1 million tonnes (36.74 mi bu). Saudi Arabia bought 550,000 tonnes (20.2 mi bu) of Canadian hard wheat while Morocco's state grain agency tendered for 200,000 tonnes (7.34 mi bu) of soft wheat from European origin. Fundamentals for wheat are still weak throughout the world supply. Funds bought about 3,000 contracts while large speculators increased net bear positions in CBOT wheat for the week ended last Tuesday. It is a good idea to get another 10% of the '10 crop priced taking you to 70% priced at this time.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) were up on Monday with the exception of the OCT'09LC. October selling was encouraged by the looming delivery date. Over 100 deliveries were reported on the October contract. The OCT'09LC contract, scheduled to expire on October 30, closed down $0.425/cwt at $82.200/cwt; $0.475/cwt lower than this time last week. DEC'09LC futures closed at $85.300/cwt; up $0.350/cwt and $1.400/cwt over last report. A stronger dollar and higher crude oil prices boosted fats. Cash cattle were off again with way too many heavy cattle being offered. Packers are discounting them. Cash cattle traded $1-$2/cwt lower in the southern Plains. The 5-area USDA average price was placed at $80.86/cwt; $1.37/cwt lower than this time last week. Select price meat gained in popularity with USDA putting the choice beef cutout at $133.92/cwt; down $0.06/cwt vs. the select cutout at $129.47; up $0.27/cwt. This reflects a shift in consumer demand to lower-priced beef cuts and less expensive meats such as chicken or pork. Further, potential price pressure comes from a WTO challenge last Friday as Mexico joined Canada in challenging the U.S. mandatory country-of-origin labeling (COOL) law. A temporary injunction will lower meat prices with more imports into the U.S. from those countries. According to HedgersEdge.com, average packer margins were raised $10.10 from a week ago to a negative $15.40/head based on the average buy of $81.44/cwt vs. the average breakeven of $80.27/cwt. It is even better advice this week sell cattle when ready. Packers will be seriously discounting for overweight cattle.

FEEDER CATTLE at the CME fell on Monday. The OCT'09FC contract closed at $94.025/cwt; down $0.150/cwt but $0.675/cwt higher than a week ago. NOV'09FC futures closed at $94.175/cwt; off $0.300/cwt but $0.875/cwt higher than last Monday. Fundamentals didn't have a whole lot to do with the price weakness. Feeders ended weak on profit-taking, sell stops, and a technical-support-loss in the November contract. Several floor sources said that November/January bear spreads, the jump in corn prices, and worries about feeding cattle in harsh feedlot weather held feeders back. Cash feeders in the Oklahoma City market ranged $2-$5/cwt lower this week with volume placed at 8,400 head today vs. 5,575 head last Monday, and 9,640 head sold this time last year. Heavier feeders brought a little bit of a premium. The CME feeder cattle index was placed at $93.55/cwt; off $0.40/cwt and $1.81/cwt lower than last report.

LEAN HOGS on the CME finished up on Monday with the exception of the October contract. OCT'09LH futures finished down $0.725/cwt at $50.125/cwt but $1.075/cwt higher than last report. The October contract will expire on October 14. The DEC'09LH contract closed up $1.050/cwt at $53.825/cwt but $6.225/cwt higher than a week ago. Fears that the large U.S. hog supply has not disappeared still weighed on the market. However, fund buying on buy stops, spreading into December out of October and February, outside markets, up-trending commodities, and the weaker U.S. dollar were all price supportive. USDA placed the average pork cutout last Thursday at $52.95/cwt; up $0.08/cwt and $0.85/cwt over last report. Pork was also caught up in the WTO complaint filed by Mexico and Canada over the COOL statute. Cash hogs were steady-to-weaker ranging from even to $0.50/cwt lower. The latest CME lean hog index was placed at $50.75/lb, up $0.05/lb but $0.22/lb lower than last Monday. According to HedgersEdge.com the average pork plant margin was lowered $2.20/head from last week to a positive $3.70/head. This was based on the average buy of $35.92/cwt vs. the average breakeven price of $37.31/cwt. Sell hogs when ready and it might not be a bad idea to contract for a few weeks' feed needs in case the bad weather continues.

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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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