Weekly Roberts Agricultural Commodity Market Report January 26, 2010

Politics may soon come in to play in the commodity markets. Pressure from President Obama's bank plan could lead to reduced participation by the large hedge funds in the commodity markets if implemented. These funds typically take long positions. Is that good or bad? I don't know. It that politics? Yes.

CORN futures on the Chicago Board of Trade (CBOT) ended up somewhat on Monday. The MAY'10 contract closed at $3.786; up 3.25¢/bu and 54.5¢/bu (12.7%) lower than last report. DEC'10 corn futures closed up 2.5¢/bu cents at $3.996/bu and 45.25^{-}¢/bu cents lower than last week. A recently oversold market and improved exports due to lower corn prices were supportive. USDA placed corn-inspected-for-export at 20.969 mi bu. Also seen as supportive were recent reports lowering soil moisture in Argentina corn growing areas. There is little fundamental reason for higher corn prices. This is seen as a technical bounce as non-commercials profit. Having said that; there is technical support that should not allow prices to fall too much more. The recent January USDA World Agriculture Supply Demand Estimate (WASDE) report was bearish. USDA increased the 2009 corn yield to record levels and increased US 2010 corn crop acreage to 90.83 mi acs while lowering the 2010 US corn farm price forecast to $2.90-$4.50/bu. Such a wide ranged indicates USDA is unsure too. Farmers are reporting that they are getting out into corn fields to harvest the remaining part of the 2009 crop. Cash corn was steady to firm. Funds traded about 5,000 contracts. Looking at the CFTC reports there is a large shift of ownership to commercial funds as speculative funds liquidate. This can sometime indicate a "turning" market. Expect sideways movement before corn prices come down a bit more. Hopefully at least 50% of the 2010 corn crop is priced. It would be a good idea to price another 10% on any up-tick.

SOYBEAN futures on the Chicago Board of Trade (CBOT) closed down on Monday on bearish global fundamentals and technical selling. Even though soybeans were technically oversold prospects for bumper soybean crops in South America weighed heavily on soybeans. The MAR'10 soybean contract closed at $9.404/bu; down 11.0¢/bu and 70.0¢/bu lower than week before last. Pre-placed sell orders activated in the March contract when prices broke through the $9.406/bu barrier. NOV'10 futures were down 7.6¢/bu at $9.254/bu. News from South America that their soybean crop is almost certainly larger than USDA expects is pressuring prices on already bearish fundamentals. It is expected that Brazil, Paraguay, and Argentina soybean crops loom large and could be revised upward. USDA put soybeans-inspected-for-export at 42.198 mi bu. Hedge funds traded about 3,000 contracts making small additions to long positions. Large speculative funds sold 5,000 lots in CBOT soybeans. Cash soybeans were steady to weak on Monday. My client that didn't sell his soybeans on my advice two weeks ago sold them last week. Boy is he glad. It would be a good idea to hold of pricing anymore of the 2010 crop at this time.

WHEAT futures in Chicago (CBOT) were down a little from Friday on Monday but off were off big time since last report. MAR'10 futures closed at $4.982/bu; down 0.25¢/bu and off 74.5¢/bu (13%) from week before last. The JULY'10 wheat contract closed at $5.234/bu; down 0.5¢/bu and 71.0^{+}¢/bu (12%) lower than last report. Resistance for March wheat just above $5.00/bu was touched but wheat was unable to go further than that. March wheat retreated and finished below $5.00/bu for the 4^{th} straight time. Fundamental support is lacking as there are still ample global stocks everywhere. Wheat supplies at a 22-year high continue to weigh on prices with sporadic short-covering sessions amid oversold chart signs that provide underlying support. Jordan issued a tender for 100,000 tonnes (3.674 mi bu) as Turkey reported selling 200,000 tonnes (7.348 mi bu) of milling wheat. Russia shipped wheat to Cuba and Bangladesh while Ukraine exports have fallen off the last 4 weeks. Seems like everyone has wheat and it's moving somewhere! USDA placed wheat-inspected-for-export at 16.875 mi bu vs. expectations for 9-14 mi bu. However, according to several floor sources weeks of solid sales reports are needed to confirm an improved demand situation. Colder temperatures were registered in the U.S. Plains but temperatures were not deemed cold enough to do any damage to the U.S. crop. Funds made insignificant additions to long positions. It would be a good idea to get 30% of the of the 2010 wheat crop priced.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) ended down on Monday. FEB'10LC futures closed down $0.425/cwt at $86.200/cwt but $1.150/cwt higher than two weeks ago. The APR'10LC contract finished at $90.175/cwt; off $0.375/cwt but $0.950/cwt higher than last report. Friday's USDA Cattle on Feed report was considered somewhat bullish even though supplies were at a 7-year low and an 11-year low for December and offset by better-than-expected marketings. On-feed supplies were put at about 11 mi head (98% of last year); placements at 1.5 mi head (94% of last year); and marketings at 1.7 mi head (104% of last year). Cash cattle prices were higher than expected. Packers still in the black were supportive. However, this was not enough to overcome higher feed prices, higher than expected marketings, and higher than expected placements. According to several floor sources placements should have been down another 0.5-1.0 %. Maybe prices will ameliorate for producers in a few months when these cattle clear the pipeline? Cash cattle were $0.50-1.00 higher in Texas on Friday with USDA putting the 5-area average on Monday at $84.91/cwt. USDA on Friday put the choice boxed beef cutout at $143.21/cwt; off $0.67/cwt but $1.11/cwt higher than week before last. According to HedgersEdge.com, average packer margins were raised $11.25 from last report to a positive $37.35/head based on the average buy of $84.73/cwt vs. the average breakeven of $87.52/cwt. Wait to price feed inputs. Relief is just around the corner.

FEEDER CATTLE at the CME finished lower on Monday with deferreds near even. JAN'10FC futures closed at $96.525/cwt; down $0.575/cwt but $0.250/cwt higher than week before last. MAR'10FC futures finished at $98.775/cwt; off $0.825/cwt but $2.375/cwt higher than two weeks ago. The MAY'10FC contract was off $0.650/cwt at $100.550/cwt but$ 2.225 cents over last report. Live cattle selling influenced feeder futures. In addition, the January and March price skid tripped sell orders resting below the market. Profit taking and deferred month's premiums to the CME feeder cattle index also pressured prices. Friday's USDA Cattle on Feed report and lower corn prices were supportive. Cash feeders in Oklahoma City were steady to $2/cwt higher on good demand. The CME feeder cattle index for January 21 was placed at $97.22/lb; down $0.20/lb but $2.32/lb higher than last report. Good feed and feeder prices are just over the horizon.

LEAN HOGS on the CME were mixed on Monday. APR'10LH futures finished at $68.375/cwt; down $1.475/cwt. The MAY'10LH contract closed off $1.000/cwt at $74.350/cwt and $1.275/cwt lower than week before last. USDA's cold storage report was better than expected placing cold storage stocks at 474.8 mi lbs; down from 482.8 mi lbs and a whole lot different than the 555.6 mi lbs in storage this time last year. End of December ham stocks were almost half of November stocks with USDA placing them at 49.9 mi lbs vs. 84.4 mi lbs in November and 74.2 mi lbs this time last year. Cash hogs had a weak undertone but were supported by the cold weather snap that was seen as a hindrance to hog movement to processing plants. On Friday USDA put the wholesale pork price at $77.19/cwt; off $0.17/cwt but $6.13/cwt over this time two weeks ago. Export prospects continue to worry traders as talks between Russia and the U.S over poultry and hog imports to that country have been called off … again. In addition, traders were keeping an eye on the Obama bank plan that may reduce fund participation in commodities. If banks are forced to lower positions commodity "dumping" will occur and prices will plummet. The latest CME lean hog index was placed at $69.52/lb; up $0.49/lb and $2.66lb higher than last report. According to HedgersEdge.com, the average pork plant margin was raised $3.25/head from last report to a positive $13.85/head. This was based on the average buy of $50.11/cwt vs. the average breakeven price of $55.24/cwt. It might be a good idea to just price short term feed needs for now. Corn prices should come down.

November 2010 Soybeans, January 25, 2010

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

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