Weekly Roberts Agricultural Commodity Market Report May 4, 2010

This week I have taken quite a tour of several crop states across the U.S. mid-section. Clients report that crop planting was proceeding well until recent torrential rains. Severe weather looks to have temporarily stopped planting but from the looks of the fields that should pick up again soon. Large planting equipment was parked in the fields and looked ready to go on a moment's notice. Equipment sheds and buildings look to have borne the brunt of the damage.

Grain markets don't like the prospects of the expanding oil slick that may cut off exports of grain from the most busy grain port in the U.S. Between 55-65% of all U.S. grain in shipped out of gulf ports. A slowdown could send supplies to other U.S. ports which will increase costs. Other countries that import U.S. grain may decide to source grain from competitor countries such as Brazil or Argentina. USDA noted a slight decrease in grain exports but those may pick up pick up as traders try and get supplies out quickly before transportation is cut off by the spreading problem. U.S. corn shipments may be affected more than other grains as soybeans are seasonally slow this time of year and wheat is mostly exported from other U.S. ports.

CORN futures on the Chicago Board of Trade (CBOT) were down Monday. The MAY'10 contract closed at $3.626/bu; down 3.5¢/bu but 10.5¢/bu higher than this time last week. DEC'10 corn futures closed down 2.75¢/bu at $3.894/bu but 13.0¢/bu higher than last report. A firm dollar, lack of any fresh export news from China, and record corn plantings pressured prices. USDA placed corn seedings at 68% vs. a 40% average for this time of year. Recent wet weather was supportive. Exports were below expectations of 32-35 mi bu as USDA posted corn-inspected-for-export at 28.2 mi bu. Cash corn was steady to firm. Funds sold 6,000 lots. Corn markets still look fundamentally weak. Hopefully 70% of the 2010 corn crop is priced. If not, it would be good to price more on market upticks.

SOYBEAN futures on the Chicago Board of Trade (CBOT) finished down on Monday. The MAY'10 soybean contract closed at $9.756/bu; down 13.75¢/bu and 23.0¢/bu lower than last Monday. NOV'10 futures closed at $9.664/bu off 9.25¢/bu and 11.0¢/bu lower than last report. A stronger dollar was a thematic bearish influence. USDA put soy-seedings at 15% complete vs. an 8% average for this time of year. According to floors sources traders expected a planting progress of 13-13.5% at this point. USDA said soybean inspections fell 28% from last week placing soybeans-inspected-for-export at 7.2 mi bu vs. expectations for 8 – 11 mi bu. Expectations were low due to the Asian holidays of Golden Week. A record Brazilian soybean harvest is nearing completion adding more pressure on the nearby contracts. Looks like the harvest will come in on time as weather in South America looks harvest friendly. Plentiful soybean supplies added more market pressure. Funds sold over 4,000 lots. Hopefully you have priced 70% of the 2010 crop. If not, it would be wise to at least consider pricing up to 40% now to cover variable costs.

WHEAT futures in Chicago (CBOT) were down on Monday. MAY'10 futures closed at $4.900bu; down 1.75¢/bu from Friday but 14.0¢/bu higher than this time last week. The JULY'10 wheat contract closed at $5.016/bu; off 1.25¢/bu from Friday's close but 13.75¢/bu higher than a week ago. Plentiful stocks worldwide, good growing weather that help prospects for an excellent U.S. crop, and a firm U.S. dollar put pressure on prices. Short covering was supportive. Kansas wheat farmers were posting 7-year yield highs and the wheat looks good. Technical trading near the end of the day and exports higher than expected were helpful. USDA put wheat-inspected-for-export at 17.6 mi bu vs. expectations for 12-16 mi bu. Funds sold 2,000 contracts. If you haven't sold up to 70% of the 2010 crop now would be a good time to do so.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) closed up on Monday. JUNE'10LC futures were up $1.300/cwt at $95.525/cwt and $0.25/cwt higher than last report. The AUG'10LC contract closed at $94.950/cwt; up $1.425/cwt and a $0.625/cwt over last Monday's close. Firm cash markets and fund buying were supportive. USDA placed the 5-area average at $98.43/cwt; down $1.05/cwt from last report. USDA put the choice beef cutout at $170.21/cwt; up $0.25/cwt but $0.13/cwt lower than this time last week. Seasonal price weakness was expected by traders and could provide resistance to further gains. However, cattle-on-feed numbers were well under last year's and this is seen as limiting the downside. According to HedgersEdge.com, the average packer margin was raised $15.40/hd from last report to a positive $60.90/hd based on the average buy of $98.90/cwt vs. the average breakeven of $103.83/cwt.

FEEDER CATTLE at the CME finished up on Monday. The May'10FC contract closed up $0.600/cwt at $113.400/cwt; but $0.35/cwt lower than last week at this time. AUG'10FC futures closed at $116.650/cwt; up $0.575/cwt but $0.300/cwt under last report. Live cattle helped feeders. Demand is expected to stay good on smaller supplies. The latest CME feeder cattle index was placed at $113.53/lb; up $0.09/lb and $1.00/lb over last report.

LEAN HOGS on the CME were up on Monday. The MAY'10LH contract closed up $0.300/cwt at $89.825/cwt and $3.000/cwt higher than last report. AUG'10LH futures finished at $86.925/cwt; up $0.600/cwt and $1.950/cwt higher than a week ago. Lean hogs rallied from early profit taking closing higher on strong cash demand and tight supplies. USDA put the pork cutout at $89.96/cwt; down $0.24/cwt. The CME lean hog index was placed at $85.14/lb; up $0.32/lb and $2.66/lb over last report. According to HedgersEdge.com, the average pork plant margin was lowered $5.80/hd from last report to a positive $6.35/hd. This was based on the average buy of $62.36/cwt vs. the average breakeven price of $64.70/cwt. Strong fundamentals of seasonal demand and lower hog supplies are contributing to strong prices.

November 2010 Soybeans, May 3, 2010

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

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