Weekly Roberts Agricultural Commodity Market Report May 18, 2010

CORN futures on the Chicago Board of Trade (CBOT) finished down on Monday. The JULY'10 contract closed at $3.560/bu; down 7.0¢/bu. DEC'10 corn futures closed off 6.25¢/bu at $3.736/bu and 12.75¢/bu lower than last report. Prospects for good crop weather in the U.S. and good harvest weather in South America, a stronger U.S. dollar, sliding oil and stock prices, and economic hang-over worries about stumbling European economies amid no fresh fundamental news pressured prices to three week lows. Even though exports were below expectations they are viewed as neutral at current levels. Floor sources pointed out China had not come through with new corn purchases as rumored. Late Monday USDA issued its crop progress report showing U.S. corn 87% planted vs. the 5-year average of 78% for this time of year. In addition, USDA put the U.S. corn crop 55% emerged vs. the 5-year average of 39%. There was no crop condition report for U.S. corn. Ethanol futures followed energy futures lower in continued stumbling. It is tough to find ethanol profit margins when energy prices are pressured. Bearish technicals and fundamentals look like corn prices will continue to be pressured especially if Europe's economy is hit by another recession that will slowing demand. Disappointingly USDA put corn-inspected-for-export at 38.485 mi bu vs. expectations for 40-45 mi bu on expected China import demand. Funds were sellers of 7,000 contracts. Fund selling is a measure of investment or money flow out of the futures market and is often a bearish influence. This was not unexpected after last week's widening in net bull positions on expected Chinese demand for U.S. corn. Oh well … easy come, easy go. Cash corn was steady-to-firm amid slow farmer selling. Up to 70% of the 2010 corn crop has been priced and it would be wise to speculate with the rest.

SOYBEAN futures on the Chicago Board of Trade (CBOT) were down on Monday. The JULY'10 soybean contract closed at $9.410/bu; up 12.5¢/bu. NOV'10 futures closed at $9.164/bu down 9.75¢/bu and 18.25¢/bu lower than last report. Are futures below $9.00/bu a close possibility? I think so. Lower corn and wheat futures, the troubled European economic situation, a higher U.S. dollar, and good crop development weather pressured prices. U.S. soybean plantings are on a firm pace. Late Monday USDA put U.S. soybean plantings at 38% vs. the 35% 5-year average. This could underpin soybean futures this week as most traders expected USDA to place the planting rate at 45%. Near oversold status was also helpful as the relative strength indices (RSI) of several contracts approached 35. A contract is considered oversold when the RSI is at or near 30 and overbought when the RSI is calculated at or near 70. Exports continued to be disappointing with USDA placing soybeans-inspected-for-export at 8.47 mi bu vs. expectations for 10-12 mi bu. China is out of the U.S. soybean importing business right now and this is affecting U.S. soybean prices. China is buying cheaper South American influenced by a strong U.S. dollar. Cash soybeans remain firm and trending into seasonal price patterns in most locations amid slow farmer selling. Funds were net sellers of nearly 4,000 lots as investment money continues to exit futures. Prices in Argentina's port city of Rosario continued to fall under producer delivery pressure. Hopefully 70% of the crop has been sold on previous advice. If so all variable costs and 95% of fixed costs are covered so speculation with the rest is a pretty sure thing.

WHEAT futures in Chicago (CBOT) were mixed on Monday with deferreds finishing as gainers. The JULY'10 wheat contract closed at $4.690/bu; off 2.5¢/bu and 23.75¢/bu lower than a week ago. JULY'11 futures finished up 1.0¢/bu at $5.81/bu. Even though world stocks are plentiful and good crop growing and development weather persists futures seemed optimistic for next winter. Pricing some of the 2011 crop could be in order at this time. Countries are not buying U.S. wheat amid plentiful global stocks. USDA put U.S. wheat-inspected-for-export at 12.557 mi bu vs. expectations for 10-15 mi bu. Funds sold over 3,000 contracts as investment money continues to flow out of wheat commodities. Several floor sources told me today that wheat is, and will continue to be, prone to short-covering as technical traders buy back short positions turning short-term profits. This is particularly true when funds hold large net-short positions as they do now. As of May 11 funds in CBOT wheat were 48,278 net short contracts vs. 50,306 net-short lots a week ago. This is not enough difference to say there is a fundamental shift in trader thinking at this time. On the fundamental side, reports that Australia's wheat crop may come up shorter than expected may push stocks lower supporting futures. Caution advises a "believe it when we see it" approach. Hopefully 70% of the 2010 crop was sold on previous advice allowing room to speculate with the rest of the crop. In many Mid-Atlantic States wheat will be sold as it is harvested because of storage challenges.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) closed down on Monday. JUNE'10LC futures were down $0.750/cwt at $92.500/cwt and $4.200/cwt lower than last report. The AUG'10LC contract closed at $91.800/cwt; off $0.800/cwt and a $3.275/cwt under last Monday's close. Six-week lows were posted on bearish chart signals, a lower stock market, and pressures from a seasonal decline in retail meat sales whose levels decline this time of year due to post-holiday demand decline. Some contracts were pressured by computer selling based on chart signals by large funds. A stronger U.S. dollar and the slide in the European stock market also pressured prices. Cash cattle traded between $98-$100/cwt last week and several floor sources expected further declines to $96-$97/cwt. USDA put the 5-area-average at $99.87/cwt amid light sales volume. Processors are expected to slow purchases this week on lower retail demand and dwindling profit margins. USDA put the choice beef cutout at $169.26/cwt; off $0.53/cwt and $1.78/cwt lower than this time last week. According to HedgersEdge.com, the average packer margin was lowered $29.20/hd from last report to a positive $33.50/hd based on the average buy of $99.95/cwt vs. the average breakeven of $102.66/cwt.

FEEDER CATTLE at the CME finished lower on Monday. The May'10FC contract closed down $0.575/cwt at $109.650/cwt; and $2.975/cwt lower than last week at this time. AUG'10FC futures closed at $112.050/cwt; off $0.925cwt and $3.875/cwt under last report. Feeders were pressured by lower commodities and the weakening European economy. However, some of the selling was due to position evening by the large fund Goldman Sachs as it balanced its commodity index against its energy portfolio. Expectations for lower cash feeders and fats also discouraged higher prices. The latest CME feeder cattle index was placed at $112.55/lb; down $0.15/lb from Friday and $0.41/lb lower than a week ago. Volume in Oklahoma City was off 2,079 from last week estimated at 9,800 head vs. 11,879 sold last Monday and 10,387 a year ago at this time of year.

LEAN HOGS on the CME were down on Monday. The JUNE'10LH contract closed off $2.050/cwt at $81.500/cwt. AUG'10LH futures finished at $81.500/cwt; off $2.000/cwt and $4.250/cwt lower than a week ago. Hog futures registered the market's largest losses in some time turning bearish under seasonal pressure on protein demand. Several floor traders told me today they expected the downward trend to continue at least two weeks on technical selling, weak cash demand, a stronger U.S. dollar that makes U.S. pork higher priced on the world market, and jitters on the DOW over bothersome European Union debt challenges. Futures sold off despite news last Friday that China would begin accepting U.S. pork after banning for almost a year. The consensus among quite a number of floor sources was they would believe it when they see it. Despite the doom-and-gloom USDA put the pork cutout at $91.81/cwt; up $1.00/cwt and $2.36/cwt higher than last week at this time. The CME lean hog index was placed at $88.18/lb; off $0.42/lb and $0.25/lb down from last report. According to HedgersEdge.com, the average pork plant margin was raised $6.55/hd from last report to a positive $6.95/hd. This was based on the average buy of $63.50/cwt vs. the average breakeven price of $66.06/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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