Weekly Roberts Agricultural Commodity Market Report August 3, 2010

CORN futures on the Chicago Board of Trade (CBOT) closed down from profit taking and hedger selling after being pulled higher by soaring wheat on Monday. The SEPT'10 contract closed at $3.904/bu; down 2.25¢/bu but 26.5¢/bu higher than last report. DEC'10 corn futures closed off 2.25¢/bu at $4.044/bu but 26.5¢/bu higher than last Monday. The DEC'11 contract closed at $4.306/bu; down 2.5¢/bu but 16.25¢/bu higher than a week ago. Soaring wheat prices on news of drought in Russia, better crude oil and gold prices, as well as a weaker U.S. dollar caused corn prices to soar out of the gate. However, profit-taking by non-commercials, hedge selling by commercials, quick farmer selling, and lower-than-expected exports pressured corn near the close. Funds bought nearly 8,000 contracts while commercials sold close to 12,000 lots. When funds buy or sell it is a measure of money flow into or out of a commodity market. USDA put corn-inspected-for-export at 31.528 mi bu vs. expectations for 38-41 mi bu. USDA confirmed a sale of 232,000 tonnes (9.1 mi bu) of U.S. corn to an undisclosed buyer for 2010/11 delivery. Good crop weather forecast for the U.S. Midwest was a neutral influence. USDA lowered the good-to-excellent U.S. corn crop rating by 1% from last week to 71%. Several floor sources said the corn pits anticipated this. It is a very, very good idea to get the 2010 crop to 80% priced, as well as advance sales of the 2011 crop to 30%.

SOYBEAN futures on the Chicago Board of Trade (CBOT) closed mixed on Monday with nearbys gaining and deferreds losing. The AUG'10 soybean contract closed at $10.530/bu; up 0.75¢/bu and 53.25¢/bu higher than a week ago. SEP'10 soybean futures finished up 7.25¢/bu at $10.192/bu and 44.75¢/bu higher than last report. NOV'10 futures closed at $10.100/bu, up 5.0¢/bu and 44.0¢/bu lower than a week ago. NOV'11 soybean futures closed down 2.0¢/bu at $9.970/bu. Soaring wheat prices, outside markets, drought in Europe seen as trimming canola yields, and a weaker U.S. dollar supported soybean prices. Even though USDA reported soybeans-inspected-for-export at 5.933 mi bu vs. 7-10 mi bu in expectations (a bearish influence), USDA confirmed sales of 116,000 tonnes (4.26 mi bu) for near-term delivery to China and sales of 130,000 tonnes (4.78 mi bu) of U.S. soybeans for delivery near-term to an unknown buyer (a bullish influence on prices). Brazil lowered its soybean crop output by 1.1% and trade volume there fell to 10,000 tonnes (0.37 mi bu) vs. expectations there for 50,000-55,000 tonnes (1.84-2.02mi bu). Hedge-related selling by commercials pressured prices while fund buying was supportive. Non-commercials bought over 5,000 lots. Weather over the next two weeks will determine yields and forecasts are not favorable for a better-than-expected crop. However, they weren't last year either. Very brisk farmer selling pressured prices amid good cash prices. Barge traffic picked up on the Mississippi as ports were better suited to commodity movement. USDA lowered the good-to-excellent crop rating 1% to 66%. If soybean futures start to slide on Tuesday it would be a good idea to get 90% of the 2010 crop priced and up to 20% of the 2011 crop priced.

WHEAT futures in Chicago (CBOT) soared on Monday on reports of severe drought in European Russia. The drought in Russia is the worst in over 130 years and is expected to lower yields there by 20% to 78 mi tonnes (2.87 bi bu). This could lower exports 20% to 15 mi tonnes (551 mi bu); 6 mi tonnes (221 mi bu) lower than last year. Some experts are predicting a 30%-40% reduction in Russian exports. In addition, Canada is expecting its lowest wheat yields in almost 10 years. This is good news for U.S. wheat growers. This offsets the expected record Indian crop of 80.7 mi tonnes (2.97 bi bu). The SEPT'10 wheat contract closed at $6.392/bu; up 31.75¢/bu and 49.75+¢/bu higher than this time last week. JULY'11 futures finished up 28.75¢/bu at $7.390/bu and 72.75+¢/bu cents higher than last report. Wheat futures closed on sharp fund buying coupled with continued drought influences on global crops. A weaker dollar and rising equities encouraged the surge. Funds bought over 13,000 lots. A rush to sell by farmers did not limit prices much. Exports also helped. USDA put wheat-inspected-for-export at 22.043 mi bu vs. expectations for 18-22 mi bu. Egypt took 180,000 tonnes (17.64 mi bu) of Russian wheat from global stocks. It would be a very, very good idea to price up to 80% of the 2011 crop at this time if you haven't already.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) closed down on Monday with the exception of the April 2011. The AUG'10LC contract closed at $92.175/cwt; off $0.475/cwt and $0.475/cwt lower than last report. The DEC'10LC contract closed down $0.30/cwt at $95.925/cwt; $0.100/cwt higher than this time last week. The APR'11LC contract closed at $99.475/cwt, up $0.075/cwt. Lower beef prices, profit taking, spreading, slack fund buying, and the lack of packer interest on falling margins pressured prices. Cash cattle last week brought about $93/cwt, off $2/cwt from week before last. USDA's 5-area price was placed at $92.88/cwt, $1.92/cwt lower than this time last week. USDA lowered the choice beef cutout price $1.13/cwt to $150.70/cwt; $1.73/cwt lower than this time last week. Over the last two weeks two large Brazilian meat packers, Frialto with a capacity of 4,000 head, and Frigol in Sao Paulo declared bankruptcy. Brazil is the No. 1 beef exporter in the world. This is seen as positive for U.S. beef exports. In other news Australia announced it will increase beef exports to three key customers – Japan, Russia, and South Korea – this year. These are primary U.S. export targets. According to HedgersEdge.com, the average packer margin was lowered $6.55/hd from last week to a negative $11.10/hd based on the average buy of $93.81/cwt vs. the average breakeven of $92.95/cwt.

FEEDER CATTLE at the CME closed down on Monday. AUG'10FC futures closed at $112.600/cwt; off $1.125cwt and $2.350/cwt under last report. The OCT'10FC contract finished off $1.350/cwt at $113.725/cwt; $1.675/cwt higher than last week at this time. Feeders were pressured by lower cash prices, lower fat cattle, fund selling, and by spreading. Lower corn prices didn't help much since they are still pretty high for feed costs. Hot, dry conditions in the central Plains have cut water supplies and are seen as forcing stocker producers to sell calves earlier than they would like too. Floor traders in Chicago told me they expect stocker buyers to try and take advantage of the situation over the next two weeks with lower cash bids. Estimated receipts on Monday at the Oklahoma National Stockyards in Oklahoma City were put at 6500 head, vs. 6013 last Monday and 7393 a year ago. Feeder steers were bid $1/cwt lower than last week while heifers were steady to $2/cwt lower. Steer and heifer calves were bid $2-$5/cwt lower. Two buyers in Oklahoma City said they were more interested in buying the weight rather than the gain but feared buying fleshy claves because they didn't think they could handle the extreme heat and humidity of a stockyard. Demand was considered moderate to good for average to bulky, lean feeder cattle and moderate for calves. The CME feeder cattle index was placed at 112.77/lb, 0.13/lb higher than Friday and 0.84/lb over a week ago.

LEAN HOGS on the CME closed up on Monday with the exception of some deferreds. AUG'10LH futures finished at $86.900/cwt; up $1.075/cwt and $4.900/cwt higher than this time last week. The FEB'11LH contract closed down $0.225/cwt at $76.775/cwt but $2.150/cwt higher than last Monday. Losses were incurred beginning with the April 2011 contract. The trimming of the U.S herd from 2008 to 2009 is now helping. Finally hog producers should be making a little on their investments in the wake of high corn prices, low hogs prices, and the H1N1 hysteria. Fundamentally demand is strong amid higher beef prices while supply is down. USDA on Monday put the average pork price at $90.65/cwt, up $0.83/cwt from Friday and $5.39/cwt over last Monday's report. Several floor traders in Chicago expect hog prices to trend lower in the coming weeks as summer feeder pigs are fattened and come to market. They don't consider hot weather to be a factor in negatively affecting gain due to confinement facilities that insulate hogs from the heat. News that Russia will resume buying U.S. poultry was considered bullish for pork in that those supplies will not stay in the U.S. consumer market. The latest lean hog index was place at 83.94/lb, up 0.99/lb from Friday and 4.91/lb over last week at this time. According to

HedgersEdge.com, the average packer margin was raised $0.75/head to a positive $7.65/hd based on the average buy of $61.73/cwt vs. the average breakeven of $64.59/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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