

Weekly Roberts Agricultural Commodity Market Report October 6, 2009

CORN futures on the Chicago Board of Trade (CBOT) closed higher Monday. DEC'09 corn futures finished at \$3.414/bu; up 8.0¢/bu but 44.75¢/bu under last report. The MAY'10 contract closed at \$3.632; up 7.75¢/bu and 3.0¢/bu higher than last Monday. Weather worries over frost potential, a weaker U.S. dollar, higher-than-expected exports, and chart signals for profits after last Friday's sell off were supportive. A frost is forecast next weekend for the U.S. Corn Belt and is expected to hurt immature corn there. USDA put the U.S. corn crop at 57% mature, harvest progress at 10%, and corn in good-to-excellent condition at 70%; up 2 points from last week. Traders expected USDA to report the U.S. corn crop at 50% mature and 10-12% harvested. USDA put corn-inspected-for-export at 38.504 mi bu vs. expectations for 32-35 mi bu. U.S. cash corn bids were mixed; weaker where harvest pressure was on and steady to firm where harvest is yet to begin. Cash corn in the U.S. Mid-Atlantic states was steady to firm ranging from 3.0-7.0¢/bu higher. Funds bought 9,000 contracts while large speculators turned net bullish covering nearly 23,000 net short positions. Speculate with 30% of the unsold '09 crop.

SOYBEAN futures on the Chicago Board of Trade (CBOT) closed mixed on Monday. NOV'09 soybean futures closed at \$8.85/bu; even with last Friday's close but 8.75¢/bu lower than a week ago. The MAR'10 soybean contract closed at \$8.906/bu; off 4.5¢/bu. Expectations for colder weather and the rally in corn were supportive. USDA estimated the U.S. crop 15% harvested vs. the 5-year average of 36%. USDA placed the U.S. soybean crop at 67% good-to-excellent condition. Exports were neutral with USDA reporting soybeans-inspected-for-export at 12.482 mi bu vs. expectations for 11-16 mi bu. Cash soybeans in the U.S. Midwest ranged from weak to firm on mixed harvest reports. Cash bids for soybeans in the U.S. Mid-Atlantic States were steady amid slow farmers selling. Large speculators changed from net bear to net bull covering 2,446 short positions. If the frost comes early enough it could pay to speculate with the remaining 30% of the '09 crop.

WHEAT futures in Chicago (CBOT) were steady on Monday. DEC'09 futures closed at \$4.622/bu; up 1.5¢/bu and 10.75¢/bu higher than last report. The JULY'10 wheat contract closed at \$4.864/bu; up 1.0¢/bu but 18.75+¢/bu cents lower than last Monday. Mild gains were made on this technical bounce after recent sharp declines. Exports were slightly bearish with USDA reporting 18.033 mi bu of wheat-inspected-for-export vs. expectations for 19-21 mi bu. Rains in the U.S. Northern Plains were slowing harvest with USDA placing harvest at 97% complete vs. 100% for this time of year. Funds bought 1,000 contracts while large speculators covered 4,185 short positions. It is still a good idea to get up to 60% of the '10 crop priced at this time.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) were down on Monday. Short covering, weak chart signals, bear spreading, and lower cash markets pressured prices. The OCT'09LC contract closed down \$0.275/cwt at \$82.675/cwt; \$3.425/cwt lower than this time last week. DEC'09LC futures closed at \$83.900/cwt; off \$0.100/cwt and \$1.870/cwt lower than last report. October futures set a 10-month low while the December '09 through October 2010 contracts set lifetime low marks before gaining a few cents back on the close. Cash cattle in the southern Plains were off \$1.50/cwt last week with no bids expected on Monday. USDA placed the 5-area average at \$82.23/cwt; \$1.31/cwt lower than last report. Higher unemployment figures are indicating that consumers are eating out less and buying cheaper cuts of meat. This is keeping the lid on packer bids for beef. USDA early on Monday put the choice beef cutout at \$134.72/cwt, up \$0.06/cwt but \$4.08/cwt lower than this time last week. One bright spot for U.S. cattle producers are news reports from Buenos Aires, Argentina showing a surge in cattle processing. This is raising concerns that the current pace will deplete country stocks leading to domestic

beef shortages in that country and a halt to all exports next year. This may provide export possibilities for U.S. cattle. According to HedgersEdge.com, average packer margins were lowered \$21.20 to a negative \$25.50/head based on the average buy of \$82.85/cwt vs. the average breakeven of \$80.91/cwt. Continue to sell cattle when ready as packers are discounting for heavy weights.

FEEDER CATTLE at the CME were off on Monday. The OCT'09FC contract closed at \$93.350/cwt; down \$0.200/cwt and \$3.100/cwt lower than a week ago. NOV'09FC futures closed at \$93.300/cwt; off \$0.275/cwt and \$3.25/cwt lower than last Monday. According to associated press reports the recession has now been labeled a near-depression by some economists. Feeders ended weak after sinking to 10-month lows on technical selling and spreading out of November and January into October. The rally in corn also pressured prices. Oversold conditions did lend some support. Cash cattle were steady in Oklahoma but weaker in other cash markets amid reduced demand for replacements. The CME feeder cattle index for October 1 was placed at \$95.36/cwt; off \$0.13/cwt and \$1.51/cwt lower than last report.

LEAN HOGS on the CME finished lower on Monday. OCT'09LH futures finished down \$0.200/cwt at \$49.050/cwt and \$0.825/cwt lower than last report. The October contract will expire on October 14. The DEC'09LH contract closed down \$0.950/cwt at \$47.600/cwt and \$2.125/cwt lower than a week ago. Prices were pressured by fund selling even though the market is technically oversold; spreading out of back months into forward months; and the continued weak condition in the live and retail hog market. Cash hogs were reported steady-to-weaker with live sales off \$1.00/cwt. Pork production continues to contribute large pressure on prices with USDA reporting last week that 469.3 mi lbs were produced vs. 465.9 mi lbs this time last week. USDA on Friday estimated last week's average hog weight at 270 lbs, compared to 268 a year ago. Record pork production was also recorded in August. USDA did estimate Monday's processing at 433,000 head vs. 435,000 head last Monday. USDA put the average pork cutout at \$53.80/cwt; off \$0.53/cwt and \$0.95/cwt lower than last report. The latest CME lean hog index was placed at \$50.97/lb; off \$0.27/lb and \$1.46/lb lower than this time last week. The weaker tone to cash hogs was noted on ample supply. According to HedgersEdge.com the average pork plant margin was lowered \$0.40/head from last week to positive \$5.90/head. This was based on the average buy of \$35.74/cwt vs. the average breakeven price of \$37.94/cwt. Heavier hogs continue to be discounted by the packers.

December 2009 Corn, October 5, 2009



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

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