Weekly Roberts Agricultural Commodity Market Report April 27, 2010

CORN futures on the Chicago Board of Trade (CBOT) were down Monday. The MAY'10 contract closed at $3.522/bu; down 0.75¢/bu but 4.75¢/bu higher than this time last week. DEC'10 corn futures closed down 1.75¢/bu at $3.764/bu and 1.75¢/bu lower than last report. Bearish fundamentals, lower soybean futures, and sharply lower wheat prices pressured corn. Corn prices were on the positive side until letting go of gains because of severe wheat losses. Floor sources they expected USDA to show corn-planting progress between 45-50% complete. Late Monday USDA posted corn plantings at 50% vs. a 5-year average of 22% for this time of year. The record for this time of year is 52% planted; which by the way does not necessarily equate to record yields. It provides for them but does not correlate as a sure thing. A few driving factors for such a planting rate are: a) very good planting weather, b) very warm soil temperatures from warmer-than-normal weather, and c) very large planting equipment. Weekend rains were in the forecast to help get the seedings started growing. Other factors lending support were higher crude oil, a strengthening DOW, and brisk sales. There were rumors on the floor today that China bought 4 to 5 cargoes of U.S. corn. Time will tell if those rumors come true deal details are usually kept pretty close the vest until after delivery. Exports were neutral with USDA putting corn-inspected-for-export at 32.8 mi bu vs. expectations for 31.0-34.0 mi bu. Cash corn was steady to firm amid slow farmer selling. Farmers are still planting corn rather than selling. Funds sold about 2,000 lots taking them to even bear/bull positions. Large speculators (Goldman Sachs, etc.) cut bear positions in CBOT corn. Hopefully 70% of the 2010 crop has been priced. If not, price on these bounces. There is still fundamental weakness in the corn market.

SOYBEAN futures on the Chicago Board of Trade (CBOT) finished down on Monday. The MAY'10 soybean contract closed at $9.986¢/bu; down 1.25¢/bu but 22.0¢/bu more than last Monday. NOV'10 futures closed at $9.774/bu off 1.5¢/bu but 21.5¢/bu higher than last report. Chart selling overpowered any strength soybeans had. Soybean futures could not find clear direction as fund buying was exhausted on technical profit taking eliminated any support futures might have had. On the other hand, seasonal buying patterns and carryover technical buying from overnight sessions led prices to almost 4-month highs on the opening. However, futures couldn't find enough strength to overcome negative news of a record large harvest in South America and a looming U.S. plantings record. Floor sources said that some traders were concerned about heavy rains forecast for next week stalling the record corn crop pace possibly leading to additional soybean acres being planted. USDA late Monday showed the U.S. soybean crop 7% planted vs. the 5 year average of 5% for this time of year. Exports were neutral with USDA putting soybeans-inspected-for-export at 8.0 mi bu vs. expectations for 8.0-12.0 mi bu. Cash soybeans were steady-to-firm amid slow farmer selling. Funds drew near to even positions selling about 1,000 contracts. Large speculators reduced net bear positions in CBOT soybeans. If you haven't priced 70% of the 2010 crop these short-term rallies offer good opportunities to do so.

WHEAT futures in Chicago (CBOT) plunged on Monday. MAY'10 futures closed at $4.760/bu; down 17.25¢/bu from Friday but 8.4¢/bu higher than this time last week. The JULY'10 wheat contract closed at $4.880/bu; off 17.5¢/bu from Friday's close but 8.75¢/bu higher than a week ago. Prices were pressured by poor exports, a good looking crop, profit taking on technical selling, and the lack of fundamental support on abundant world supplies and slow U.S. export demand. On Monday USDA placed wheat-inspected-for-export at 9.85 mi bu vs. expectations for 15.0-18.0 mi bu. A strong U.S. dollar continues to suppress exports. The U.S. wheat crop is in good shape too. USDA late Monday placed wheat in good-to-excellent condition at 69% vs. 45% this time last year. There were a cluster of sell orders just at the $5.00/bu range.

Those kicked in when futures reached for that price level and prices succumbed on a self-fulfilling prophecy. Funds sold short 5,000 contracts. Hopefully 70% of the 2010 crop has been priced.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) closed up on Monday with the exception of the deferred June 2011 contract. The APR'10LC contract finished at $99.525/cwt; up $0.300/cwt and $0.575 over a week ago. JUNE'10LC futures were up $0.675/cwt at $95.500/cwt and $1.00/cwt higher than last report. The AUG'10LC contract closed at $94.325/cwt; up $0.825/cwt and a $1.600/cwt over last Monday's close. Short covering and Friday's bullish USDA report were supportive. On Friday USDA put the April 1 feedlot cattle supply at 10.769 mi head; 96.5% compared to this time last year. The average trade expectation was for 97.1% of a year ago. March placements were put at 103% of last year at this time vs. trade estimates of 106.6%. This is the smallest supply in 6 years. No fed cattle were reported trading in the Plains states. Prices are expected to retreat to near $98/cwt amid asking prices of $100-$101/cwt. Early on Monday USDA put the 5-area average at $99.39/cwt; down $0.12/cwt from this time last week. Good wholesale beef trade was reported with USDA putting choice boxed beef at $170.34/cwt; up $1.38/cwt from Friday and $3.23/cwt over last report. Floor traders were cautious noting worries over a slowdown in beef consumption when higher priced beef get to store shelves in a few weeks. According to HedgersEdge.com, the average packer margin was raised $18.40/hd from last report to a positive $45.50/hd based on the average buy of $99.35/cwt vs. the average breakeven of $103.00/cwt. The question is, "Will the DOW continue to strengthen keeping prices good or will the government suit against Goldman Sachs result in a loss in the DOW and a fundamental way of futures trading thus lowering all commodity prices when Goldman-Sachs exits an enormous amount of long positions?" Newspapers are already comparing futures trading in crop and livestock commodities to financial derivatives trading in mortgages. If the DOW sinks, so will cattle.

FEEDER CATTLE at the CME finished up on Monday. The May'10FC contract closed up $1.175/cwt at $113.750/cwt; and $0.70/cwt higher than last week at this time. AUG'10FC futures closed at $116.950/cwt; up $1.375/cwt and $0.925/cwt over last report. Feeders followed fats higher on short-covering and profitable cattle prices goading feed yards into paying more for young cattle. Spot April and nearby May futures at discounts to the CME feeder cattle index encouraged buying. The April contract expires on Thursday. The CME feeder cattle index was placed at $112.53/lb; down $0.21/lb and $0.92/lb lower than this time last week. Cash prices were steady to firm with 12,000 head reported sold in Oklahoma City. Last Monday 7891 head were sold and this time last year 9653 made the trip. As long as fat cattle market and the DOW are in good shape feeders should remain firm.

LEAN HOGS on the CME were down on Monday. The MAY'10LH contract closed down $0.575/cwt at $86.825/cwt but $0.300/cwt higher than last report. AUG'10LH futures finished at $84.975/cwt; off $1.100/cwt and $1.225/cwt lower than a week ago. Profit taking on strong gains in the April contract pressured prices. Futures soared reaching a 20-month high last week in reaction to a USDA report in March showing a smaller-than-expected U.S. swine herd. Underlying fundamentals are supportive. Floor sources state that despite good cash numbers they believe that weakness in wholesale pork prices are signs that retailers might be backing off their buying at current prices. Cash prices were steady to weaker amid casual sales. The CME lean hog index was placed at $82.48/lb, up $0.74/lb from Friday and $4.76/lb higher than last report. According to HedgersEdge.com, the average pork plant margin was raised $7.90/hd from last report to a positive $12.15/hd. This was based on the average buy of $60.46/cwt vs. the average breakeven price of $64.95/cwt. Seasonal demand and lower hog supplies should keep prices in decent shape for 4 to 6 more weeks.

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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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