

## Market Report - November 29, 2005

**CORN** futures on the DEC'05 opened 1.2¢/bu lower at \$1.884/bu on Monday. By the close of trading the DEC'05 corn futures was down 2¢/bu at \$1.876/bu. DEC'06 corn futures were down 0.2¢/bu at \$2.39/bu after opening at \$2.392/bu. Reports that the Philippines will not allow duty-free corn, poor export expectations due to bird flu worries and fear over demand in U.S. corn use weighed heavily on the market. On a positive note, both Japan and South Korea are expected to import U.S. corn this week after a lull in buying over the holiday. Firm to steady U.S. cash markets were providing some underlying support in the fundamentals amid slow farmer sales. However, corn buyers have not shown any eagerness to raise cash corn bids for January as they know there is a very large supply out there in producer storage waiting to come to market. The technicals all show a bearish opportunity even though the Relative Strength Index (RSI) showed an oversold market at 26.84. Technical support is seen between \$1.82/bu to \$1.84/bu on chart continuation. Corn basis held steady to lower in Virginia with quoted LDPs running in the mid 33¢/bu range. If the basis continues to strengthen this week cash marketers should price the rest of what is in the bin for February delivery if you haven't done so already. Hedgers should still be short on up to 50%-60% of next year's crop in the DEC'06 futures.

**SOYBEANS** on the nearby JAN'06 futures closed up 4¢/bu at \$5.582/bu after recovering from opening bids down 7.8¢/bu. Early follow-through selling by funds initiated by technical weakness pressured the soy complex. Futures were lifted by short covering from early declines in a late climbing move to the day's highs in the final minutes of trading. Just before the bell, JAN'06 soybean futures were up 4.75¢/bu at \$5.59/bu, surpassing the overnight high of \$5.573/bu. Bird flu cutting global feed demand was the main market fundamental factor breaking prices through early October lows last Friday. Other factors weighing on the market were; satisfactory weather in South America and plantings in Brazil being over 78% complete with good moisture helping the crop in key growing areas. The Argentinean crop shows 63% planted. Even though prices rallied in the closing minutes, sources said more sales to China are needed to change the bearish sentiment on sagging U.S. exports. Midwest and Virginia spot basis bids for soybeans were steady amid support by slow farmer sales. There were no reported LDPs for soybeans as of 12:30, EST. Cash marketers should have at least 80%-90% of the '05 crop priced at this time. Hedgers are encouraged to considering being short NOV'06 futures up to 50% of the '06 crop at the current price level of \$5.77/bu.

**WHEAT** futures on the CBOT for the DEC'05 wheat contract established new lows before closing up 0.4¢/bu at \$2.9746/bu in late short covering. Futures came under pressure from weakness in both the corn and soybean markets discouraged by lack of support from new fundamentals. Additional bearish pressure was placed on the market by fund selling due to technical signs and fears of December delivery. The 9 day RSI on the CBOT was technically oversold at 17.96 while the 14 day RSI stood at 24.70. This limited early sell-off floor sources said. Open interest in the DEC'05 wheat futures was dwindling before the first notice day of Nov. 30 as firms continued rolling positions forward. Although rain in the driest areas of wheat producing states of Oklahoma and Texas still looked confined, crop conditions were expected to remain at, or top, the 55% good-to-excellent rating of last week after the Plains and Midwest wheat producing areas received rains over the weekend. Futures on the Kansas City Board of Trade also remained under pressure from fund activity. Cash spot prices were steady to weaker on Monday. This report still considers it quite possible that the best prices for next year's crop will occur between now and February '06. JULY'06 wheat futures closed up 1.6¢/bu at \$3.322/bu while the DEC'06 wheat futures were up 1.2¢/bu at \$3.514/bu. Cash marketers have long since sold the '05 crop. Producers should considering being short JULY'06 futures protecting up to 30% of next year's crop.

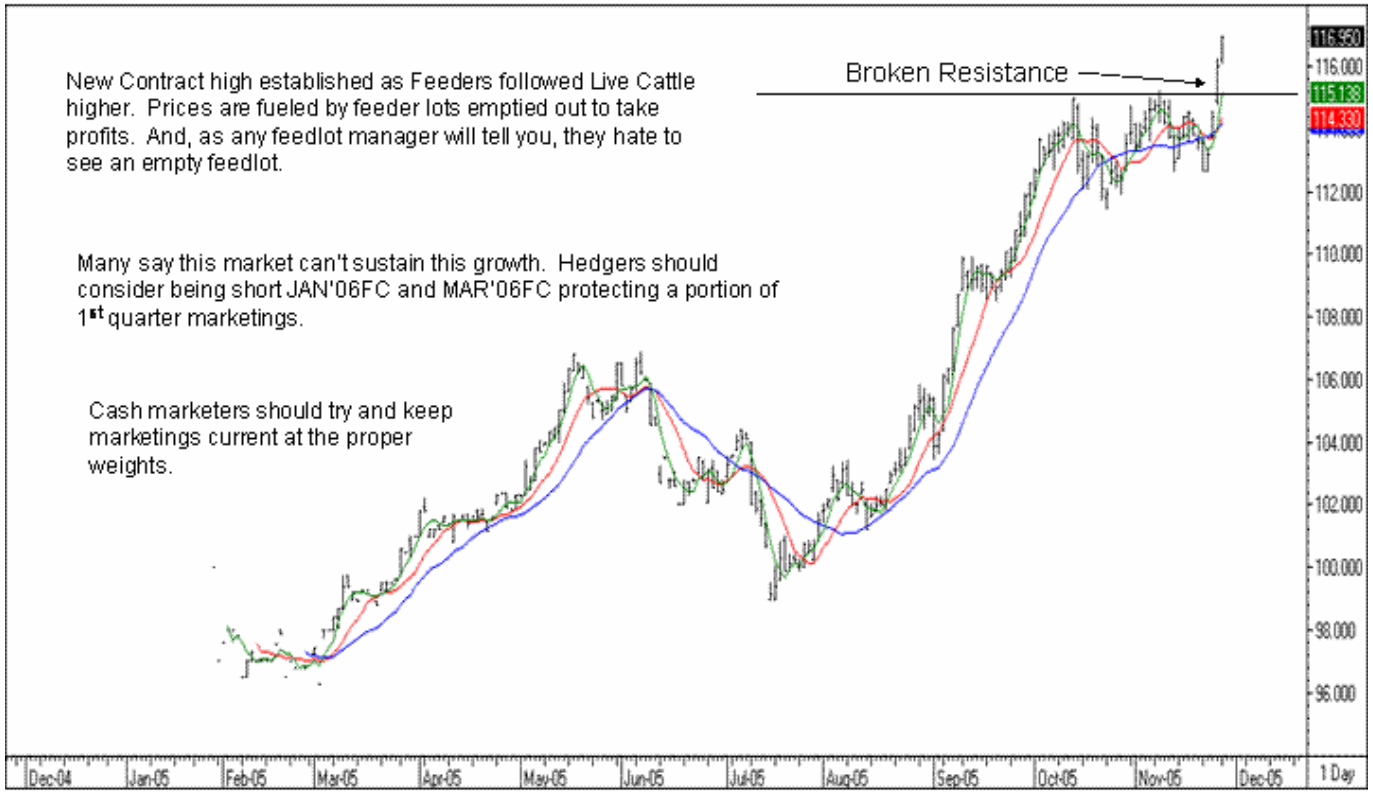
**LIVE CATTLE** on the CME set contract highs from December to June on Monday. After opening at \$92.75/cwt the DEC'05 live cattle (LC) was up \$0.125/cwt at \$92.75/cwt. The FEB'06LC was up

\$0.35/cwt at \$95.20/cwt. Momentum from Friday's gains started futures higher before light profit taking developed to limit gains. Futures then roared to a good finish. Futures failed to weaken as it appeared the Midwest snow storm may cause significant stress to feedlot cattle. The storm was expected to soon vacate northern Kansas and Nebraska and expected to largely miss southern Kansas, Oklahoma, and Texas. Higher futures likely priced in some of the weather. The DEC'05LC could continue to trade at \$92.00+/cwt this week, floor sources said. USDA on Monday reported the choice beef cutout was down \$0.08/cwt from Friday at \$150.81/cwt. Live cattle feeders should consider being short FEB'06LC futures on a significant portion of 1<sup>st</sup> quarter marketings.

**FEEDER CATTLE** on the JAN'06FC were up \$0.925/cwt from Friday's close at \$116.95/cwt while MAR'06FC futures were up \$0.75/cwt to \$115.15/cwt. New contract highs were established in the Jan, Mar, April, and May futures. Feeders followed live cattle higher early in the day. Support was also garnered amid talk of active feedlot cattle sales last week. Feeder sales fueled demand for more feeders to fill the void in light of profits made selling inventory at feeder cattle feed lots. Recent gains in the CME feeder cattle index gave futures a lift. The latest CME index was \$117.30/cwt, up \$0.03/cwt. Cash sellers should keep marketings current at the proper weights. Hedgers should be short JAN'06FC and MAR'06FC protecting 1<sup>st</sup> quarter marketings.

**LEAN HOGS** for the DEC'05 futures contract was up from Friday's close \$0.45/cwt at \$63.00/cwt while the FEB'06LH was up \$1.20/cwt to \$67.75/cwt., hitting a seven-week high. The APR'06LH established a new contract high at \$69.45/cwt, up \$0.950/cwt. Profitable plant margins and steady to higher cash hog prices started futures higher. Large numbers of long DEC'05LH rolled into FEB'06LH futures. Upside moves were also seen as buy stops were triggered at key technical chart points. The most-active FEB'06LH also benefited from short covering as local traders with long DEC'06LH versus short FEB'06LH spreads liquidated those losing positions. Resistance at \$0.68/cwt capped the FEB'06LH futures rally. Pork cutout prices were the focus of fundamentals. On Friday, USDA reported the pork cutout up \$0.86/cwt from Wednesday at \$66.89/cwt. The market is saying pork prices may make some big advance in the next few months but many traders don't see that happening. Another price lifter is the winter storm in parts of Nebraska and western Iowa. This could delay hog marketings further driving up prices, floor sources said. The average margin came in at \$17.60 head, compared to \$14.20/head a week ago, according to Hedgers Edge.com. The latest CME lean hog index was down \$0.52/cwt at \$58.74/cwt. Hedgers should be short in FEB'06LH futures protecting 1<sup>st</sup> quarter marketings. Cash sellers should keep marketings current. Cash buyers should still be looking for bearish tendencies.

Feeder Cattle JAN 2006 (FCF6)



Data Source – DTN on the Web

Red = 10 day moving average

Blue = 20 day moving average

*Remember, when working with futures, risk is involved. Past performance does not indicate a promise of future results.* For comments or questions you may contact Mike Roberts at [mrob@vt.edu](mailto:mrob@vt.edu)