Market Report – November 1, 2005

CORN futures opened 0.4¢/bu lower in early trading Monday establishing a new life-of-contract low upon continued monitoring of a huge U.S. corn crop, sources at the Chicago Board of Trade (CBOT) said. Anticipation of bird flu affecting demand also provided market squeamishness. By the end of the trading day, the DEC '05 corn futures settled down 0.6¢/bu to $1.962/bu. Some mild fund selling was noted. Exports were quiet for the weekend. Demand for corn remains good but the overwhelming supply of feed grains remains a millstone around the neck of the market. The Argentine government said on Friday that recent rains in Argentina provided much needed moisture and is expected to aid the new crop soybean and corn seedings. Cash basis for corn in the Midwest were firm but weak in river bids and most eastern U.S. markets because of harvest pressure. Technical support was at $1.961/bu and resistance at $1.988/bu. LDPs today in the Mid Atlantic region were 1¢/bu higher at $0.45/bu while a 2¢/bu higher rate was observed in the Midwest. Delivery patience is still the name of the game if storage is available. The risk is now carried entirely in the basis. Cash corn prices for January – March delivery should improve over the next 4-6 weeks. Users of grain should forward price as much of this market as they can afford. Producers should be hedged up to 50-60% of the 2006 crop at this time.

SOYBEANs held modest losses in Monday's trading. After opening down 2¢/bu at $5.63/bu, the NOV'05 futures closed down 2¢/bu at $5.646/bu on the CBOT. Sources on the CBOT floor contacted today stated "there's nothing to report and as a result, not much trading right now." As with corn, continued worries about bird flu on the soybean complex demand and much needed precipitation in Brazil over the weekend combined to keep prices from gaining. Today's USDA Crop Progress report shows the expected harvest progress around 90% through last week. The some funds were buying, as usual, while the big-news Refco firm sold 500 January Bean contracts. Considering the NOV'05 Bean contract as harvest pressure continues and the shorts fight off the longs coming off an Elliot wave near the apex of a triangle, price could break support in the $5.53-$5.535 range by next Thursday. An Elliot wave is a pattern of peaks and valleys in multiples of 5 that sometime signal price reversals. There can many subdivisions of "5-wave" actions within a larger wave. In fact, pure chartists claim they can be subdivided ad infinitum. Wave 3 is usually a powerful wave. Waves 1, 3, & 5 are in the direction of the major trend. Waves 2 and 4 are corrective waves. These corrective waves are very often composed of three waves labeled "a", "b", and "c". In this week's NOV'05 soybean chart a small, but significant Elliot wave can be seen nearing the apex of an upward sloping triangle. Adding another technical variable to the mix, the declining RSI, price is expected to decline further still. With demand/supply fundamentals weighing so heavily on the market, these are very strong signals that the NOV'05 soybean contract offers opportunity to short hedgers in this market. Selective hedgers and speculators have their stop orders in the $5.568/bu price area. Resistance at $5.792/bu is seen today and could move downward to $5.591/bu by the latter part of next week. Primary support today is at $5.534/bu with secondary support at $5.614/bu. Advice of last week still holds for cash marketers to be patient if storage is available. There were no reported LDPs for soybeans on Monday. Hedgers in the NOV'05 crop should have closed those positions. Careful market watchers may have selective short opportunities in this bearish looking market.

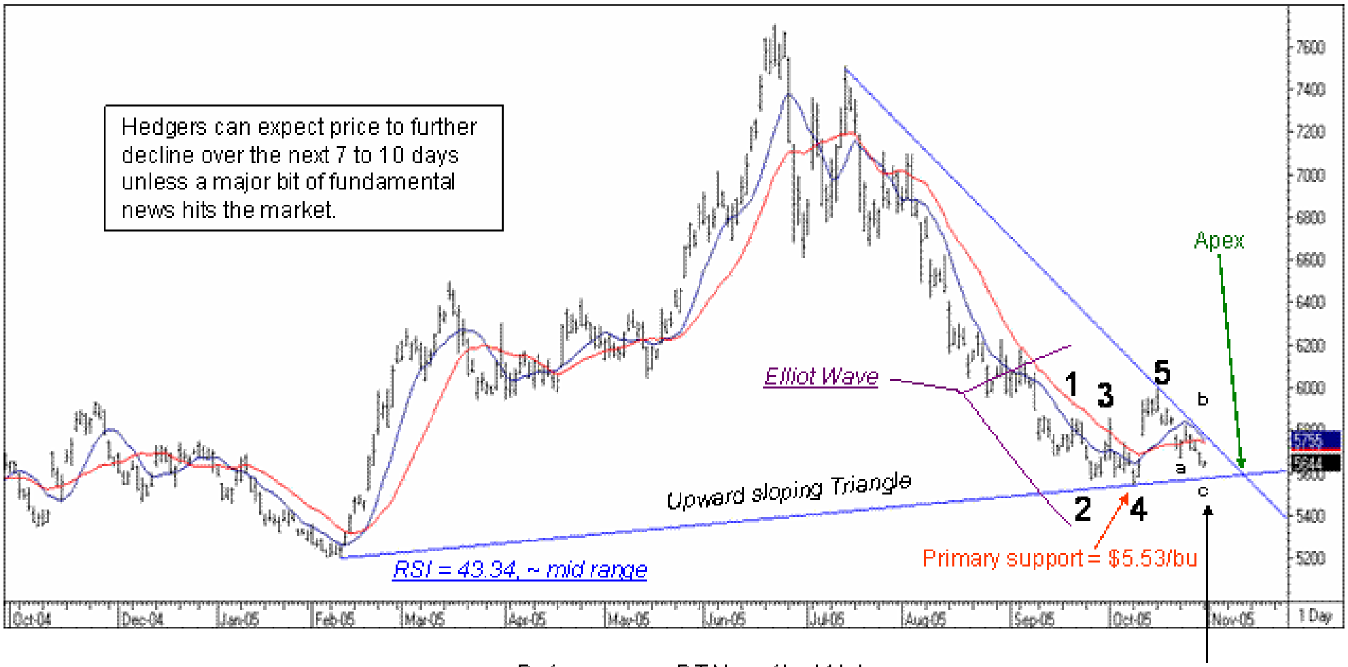
WHEAT futures gained 0.4¢/bu at $3.180/bu on the CBOT by the end of the trading day. The market for wheat was up and down with technical selling partly offset by support from the unraveling Kansas City/Chicago and Minneapolis/Chicago spreads. Weekend export news failed to generate any significant bullish momentum even though Egypt and Australia together bought 60,000 tonnes (2,204,662 bushels). Weather over the weekend favored the southern part of the U.S. Plans hard red winter wheat belt and should boost emergence of the new crop. Large speculators expanded their net short positions in the CBOT combined futures and options for the week ending last Friday. Funds were heavily net long in the Kansas City and Minneapolis wheat markets. Some good fundamental news for U.S. producers shows that Argentina's 05/06 production could fall below a forecast 12.3 million tonnes (451.3 million bu) despite recent rains. The Argentina wheat output was expected to fall by 4 million tonnes from last season due to mainly dry weather. In this difficult market the questions are, "Have we seen a "double top" (9/30 and 10/14) form indicating a change in direction?" or "Is a shorter-than-expected wheat crop in Argentina enough to fundamentally shift supply and create an uptick in price?" *Selective Hedgers* are out of the market and should not be short as the market trades sideways. July calls cost 22.6¢/bu today. Cash marketers have sold the '05 crop and still should not have any of the '06 crop priced.

LIVE CATTLE in the OCT'05 were off $0.50/cwt at $88.50/cwt and the DEC'05LC off $0.375/cwt at $90.925/cwt today in moderate trading. The OCT'05LC contract expired at noon, CST. New highs in the DEC'05LC were noted and played into the hand of month-end-profit takers. Buying by funds lifted futures early, but late selling in the DEC'05LC pulled futures lower. On the close, long December positions rolled into February. December and February open interest is still very large. Additionally, Feb, Apr, Aug, and Oct 2006 live cattle futures posted new highs in early fund buying but profit taking depressed prices by the end of the day. News that a Japanese food panel declared U.S. beef safe was supportive early on. If the way is made clear for U.S. beef exports to Japan it could be a result of today's action by the panel. Support faded late in the day because for months traders have expected Japan to relax its ban on U.S. beef, traders said. Additionally, momentum from Friday's higher close and cash sales were better than expected and helped push futures up in early trading. There may be some futures opportunity ahead as USDA may present a larger increase in supply in both 1st and 2nd quarter beef production. If this turns out to be true, the later live cattle contracts are way overpriced and could present a hedging opportunity on the short side. Cash producers should be aggressively marketing cattle at the ***proper*** weights. Hedgers should be short in the DEC'05 and FEB'06 futures to cover some of the 4th and 1st quarter marketings.

FEEDER CATTLE were up despite the late break in live cattle futures. November / January spreading remained steady throughout the session. Cash beef prices were up slightly early on Monday, with USDA quoting the choice cutout up $0.07/cwt at $144.87/cwt. After the close, USDA estimated Monday's cattle slaughter at 121,000 head, compared with 120,000 a week ago, and 121,000 a year ago. The latest Chicago Mercantile Exchange (CME) feeder cattle index price was $115.80/cwt, up $0.27/cwt. *Feeder Cattle* producers should be short NOV '05 and JAN '06 futures to cover a good portion of 4th and 1st quarter marketings.

LEAN HOGS on the DEC'05 Lean Hogs (LH) futures closed higher on Monday on a mix of fund buying and other shenanigans. The DEC'05LH closed up $0.725/cwt at $61.675/cwt and the FEB'06LH contract was up $1.05/cwt at $65.90/cwt. December longs moved to the February contract in some spreading. The DEC'06LH contract found good buyer interest as that contract held above $60.00/cwt after slipping under that price last Thursday. Cash prices were steady to lower on Monday and are expected to go steady to weaker. After the close, USDA estimated Monday's slaughter at 400,000 head, compared with 401,000 a week ago and 396,000 a year ago. As in last week's report, traders were reminded by the cash market that production was near record highs. The market proved that cluster of sellers at $64.00/cwt but was overcome by fund activity. It is still a good idea for hedgers to be short in the FEB'06LH around the $63.00/cwt level protecting the 1st quarter sales.

Soybeans, NOV'05



Data source, DTN on the Web

Monday, Oct 31, 2005

20 Day moving average

10 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