

Market Report – April 25, 2006

Dr. Wayne Purcell wants everyone to know that I am now the sole author of the Weekly Commodity Market Report. Additionally, he wants everyone to know that he is fully retired and fully enjoying these days. He assures me that he will be “glad” to provide me with the appropriate input “where needed” but says that I have proven myself fully capable of continuing this most important service to the marketing community. As always, I welcome the opportunity to be of profitable service to the readers of this report and will gladly and promptly respond to your questions and/or comments. You may address them to the phone number and/or email at the bottom of this report. Good luck Wayne!

Weekly crop planting progress reports are just now cranking up. Traders and analysts will be watching to see if planting keeps pace with past performance. Concern is already being expressed regarding spring planting progress as it may be slowed due to weather.

CORN on the CBOT for the MAY’06 corn contract closed down 3.6¢/bu to \$2.326. The DEC’06 contract opened \$2.722/bu before closing at \$2.670/bu, down 3.6¢/bu. Technical corrections amid weakness in the gold and crude markets were responsible for the bearish tone. The corn market has been following the metals and energy markets of late. Commodity markets tend to move in tandem during increased fund activity. Funds sold 6,000 lots (30 million bushels). Corn exports were supportive providing some bullish support. USDA reported weekly export inspections last week well above trade estimates of between 30-35 million bushels at 50.1 million bushels. Crop progress for corn plantings is estimated at 20-25% complete, up from 9% last week. Early on Monday cash bids were steady to firm in the Midwest amid slow sales from farmers who were working in the fields. Cash bids for corn were steady to slightly higher in the MidAtlantic last Friday. Friday’s CFTC Commitments of Traders report showed funds expanding net long positions in CBOT corn futures and options combined for the week ending April 18. Long funds were up 15,426 lots from the previous week at 281,124 (1.4 billion bushels). Funds in net short positions were down 14,166 lots at 72,482. Technical support in DEC’06 corn futures is placed at \$2.655/bu and resistance at \$2.751/bu. Technical support in the May contract was at \$2.34/bu and resistance was at \$2.415/bu. Cash sellers last week should have considered at least being 25% sold in new crop corn. It is now time to consider forward pricing to the 30%-40% level of new crop corn if you are not already there. The same recommendations hold true for hedgers. Hedges against the DEC’07 crop may be considered at the 10% level.

SOYBEANS futures at the Chicago Board of Trade (CBOT) finished up with the MAY’06 contract up 4.4¢/bu at \$5.742/bu and the NOV’06 contract closing up 5.2¢/bu at \$6.092/bu in short covering. Funds bought about 4,000 (20 million bushels) soybean contracts. Slow exports continue to pull at prices as freshly harvested South American soybeans come on the market. USDA reported export inspections at 9.1 million bushels, about 1 million bushels below estimates of 10-15 million bushels. Weather forecasts are making for better field working conditions in the U.S. while providing harvest disruptions in the southern hemisphere. Firm cash basis bids for beans were registered early Monday in the Midwest amid thin farmer offerings. Friday’s CFTC Commitments of Traders report showed funds net short positions retracting in CBOT beans for the week ended April 18. Cash sellers not forward priced at 50% of the 2006 crop should consider getting there taking advantage of any rebounds. Hedgers should have taken some profits on about half of the 50% crop coverage week before last. Considerations of hedges on up to 40%-50% of the crop could prove favorable.

WHEAT in Chicago for MAY’06 wheat futures closed down 2¢/bu at \$3.506/bu. The JULYT’06 contract closed down 1.6¢/bu at \$3.634/bu. Longs were exhausted by noon. Some support was seen in reports of inadequate weekend moisture for HRW in Kansas. Funds were even to light sellers. Traders estimated Monday’s USDA crop progress report to show U.S. spring wheat planting progress at 15-20%

complete, up 5-10% from last week. Also expected was a 2-point decline in U.S. winter wheat ratings from last week's good to excellent rating of 39%. Friday's CFTC report showed short funds had cut their net short positions in CBOT wheat futures and options for the week ended April 18. Longs increased their positions by about the same amount resulting in a wash. Funds in Kansas City trimmed long positions while those net long in Minneapolis expanded theirs. Cash sellers should have considered pricing up to 40%-50% of the '06 crop last week. Sit tight. Hedgers should not have any short positions in place at this time but be prepared for action.

LIVE CATTLE in Chicago (CME) closed lower on Monday with the APR'06LC contract setting a 2 ½-week low, down \$1.575/cwt at \$79.825/cwt. The JUNE'06LC futures set a fresh 3-week low finishing off \$1.250/cwt at \$73.225/cwt. A floor trader was quoted as saying, "Technical signs softened on Friday then the USDA report just highlighted the fact that we are just going to have to deal with big numbers for an extended time frame all through the summer." Futures closed lower amid another round of very active speculative selling brought on by the report and a weak chart picture as futures fell through support. The USDA report showed a record high April 1 cattle on feed supply at 109%, versus previous estimates averaging 108.2% of last year. March placements were reported 105% of last year versus estimates of 102.6%. March marketings showed at 100% versus the estimated 101.4% of last year. The estimates were clearly low. One source stated, "Front-end supplies continue to grow and are almost to an unmanageable situation. Price is going to have to go low enough to stimulate demand." Weak cash cattle provided additional pressure to an already bearish situation trading \$2/cwt lower on Friday at \$82-\$82.50/cwt. Also pressuring April futures was the fact that some feedlots carried cattle over into this week as front end supplies were tough to deal with. Packers kept bids down due to weak profit margins. The average packer margin for Monday was estimated at a negative \$10.00/head, compared with a positive \$4.15 a week ago, according to HedgersEdge.com. USDA reported on Friday that choice beef was off \$0.08/cwt at \$142.87/cwt.. On Monday choice beef was placed at \$143.16/cwt, up \$0.29/cwt. Last week some were thinking a significant rebound in this market was possible. Not so the case today. Cash sellers are through carrying all the risk in the cash market and should consider forward pricing 3rd quarter sales. Hedgers should consider short OCT'06LC futures on 3rd quarter marketings.

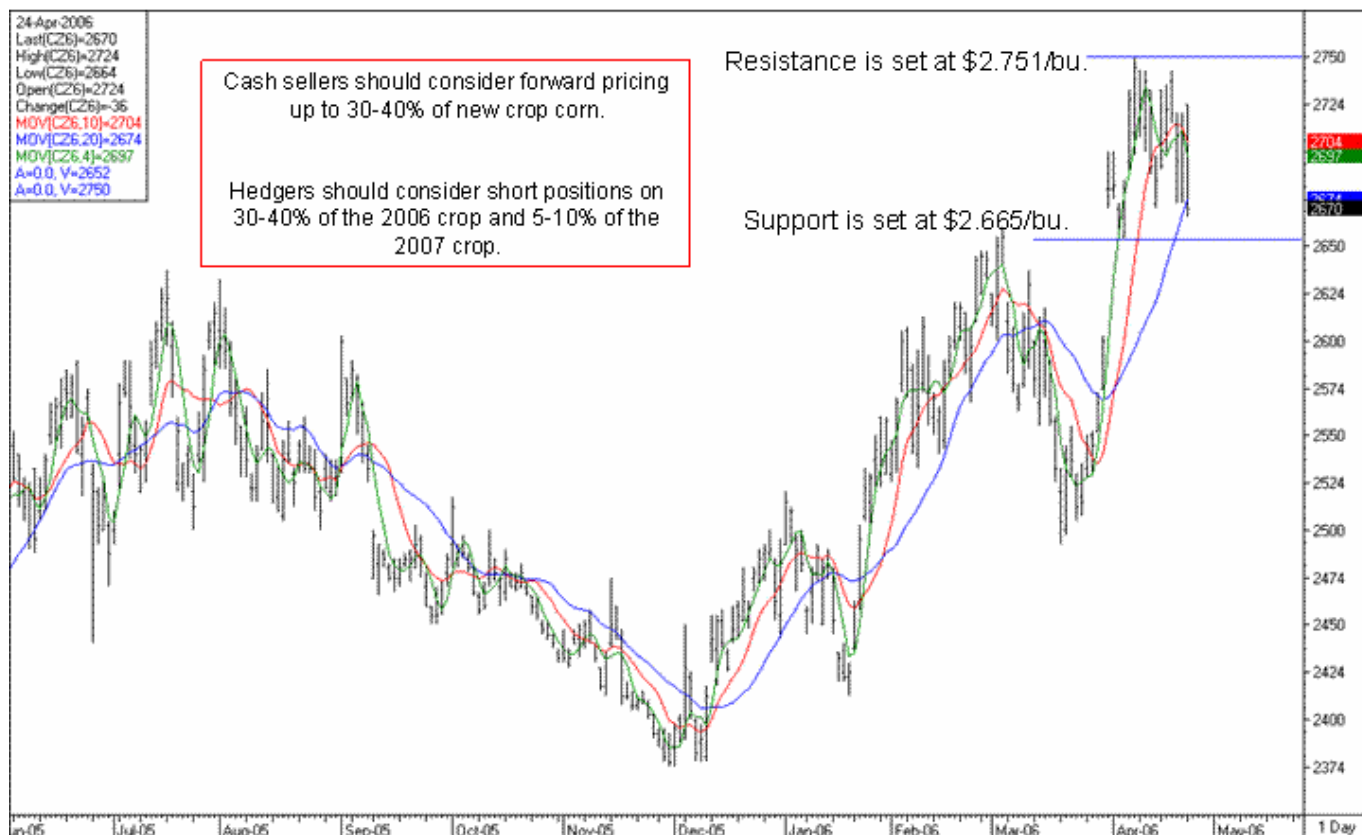
NOTE: Correction to last week's report ... Sentence stating, "Record numbers of cattle on feed are being sold to packers at much heavier weights than normal with USDA inspections showing an extra 50 pounds compared to a year ago on slaughtered cattle." ... should have read ... "Record numbers of cattle on feed are being sold to packers at much heavier weights than normal with USDA inspections showing an extra 50 pounds compared to the average slaughter weight for the month of April during the years 200-2004 and 35 pounds over April last year."

FEEDER CATTLE at the CME ended off \$1.00/cwt in the APR'06FC contract closing at \$100.80/cwt. The MAY'06FC closed down \$2.30/cwt at \$99.95/cwt. The April contract set a 1 ½-week low and the May showed a 2 ½-week low. Feeders followed live cattle based on the same bearish USDA report. Rain in some areas had little to no effect on the feeder cattle market. The latest CME feeder cattle index was up \$0.14/cwt at \$101.99/cwt. Reports of weak prices in the Oklahoma City feeder auction added pressure on futures. At these price levels either input costs need to go down or feeder prices will continue to plunge. Interest rates are rising and corn is showing good price support. Feeders should lock in corn price now! One analyst is quoted as saying, "... so now the other part of the price equation to wiggle are cash feeders." Cash sellers should consider being forward priced to protect some of the 3rd quarter marketings. Hedgers should be thinking about shorts positions in the AUG'06 and OCT'06 futures to protect 3rd quarter sales.

LEAN HOGS on the CME were again mixed on Monday, while pork belly futures closed limit up following Friday's monthly Cold Storage report, according to floor sources. JUNE'06LH found 3-week

highs with the JULY'06 contract a 6-week high with pork bellies leading the gains. Ham and bellies were down significantly from a year ago. After being sparked early on lean hogs slid finally on selling initiated by the large premium with June monitoring the sell-off in the nearbys. JUNY'06LH closed off \$0.575/cwt at \$65.60/cwt and the JULY'06LH closed at \$66.875/cwt, off \$0.125/cwt. The June contract met resistance at the 40-day moving average. The futures market is carrying a good premium to the index weighing on the market. The latest CME Lean Hog Index was up \$1.12/cwt at \$56.56/cwt. Some traders also noted competition from poultry noting plentiful supplies, up overall 32.5% from a year ago. Sliding cattle futures provided additional pressure on hog futures following the bearish cattle report on Friday. Hedgers should have exited all short positions last week. Cash sellers should keep sales as current as possible.

As of April 24, 2006 - December 2006 Corn



Data and Charts by DTN on the Web

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 or 804-733-2686.