



Weekly Roberts Agricultural Commodity Market Report April 24, 2007

Thank you for your continued support and prayers for those affected by last week's events. We will continue our steadfastness in refusing to be defined by this event, our commitment to invent the future, and our unwavering support for the VA Tech family.

Corn, soybeans, and wheat traded lower amid profit taking on technical signals. A lower-than-expected corn-planted report and a worse-than-expected wheat crop-condition report from the USDA came out after trading ended on Monday and will most likely prove volatile news to grain futures. Live cattle and feeder cattle finished up on grain weakness while hogs closed down on profit taking.

CORN on the Chicago Board of Trade (CBOT) closed down Monday. The MAY'07 contract finished at \$3.522/bu, off 8.2¢/bu and 12.0¢/bu lower than last week at this time. The DEC'07 contract finished at \$3.684/bu, off 6.2¢/bu from last Friday's close and 21.8¢/bu lower than last Monday. DEC'08 futures finished even with last Friday at \$3.842/bu and 13.2¢/bu lower than last Monday's close. The selling was fueled by more favorable-than-expected weather forecasts for better U.S. corn planting weather. Showers in the Midwest may slow some planting progress but better weather is in the forecast for just around the corner. Bearish news came from USDA on Monday putting U.S. corn inspected for export last week at 32.4 million bu. This was below trade estimates for 35-40 million bu. Japan is reported as continuing to seek Chinese corn this week while Taiwan importers stated they will seek both U.S. corn and soybeans. Funds sold between 7,000 – 8,000 lots taking open interest down by 33,039 contracts. This liquidation factor along with fragile technical patterns encouraged the selling. July corn futures settled to their lowest point since early April but held above their 200-day average. Tuesday's price action will be somewhat dependent upon USDA's Monday afternoon crop progress report. Last week USDA reported the '07 corn crop as 4% planted. Today, Monday, traders expected USDA to place the U.S. corn crop at 14%-18% seeded through April 12. However, USDA put the U.S. 2007 corn crop at 11% planted after trading had stopped. Corn futures may show some life for the next few days after not meeting trader's planting-progress expectations. Crude oil jumped to \$68.00/barrel while ethanol futures ended up on light trading. The MAY'07 ethanol contract ended up \$0.04¢/gal at \$2.150/gal. JUNE'07 ethanol futures ended up the same amount at \$2.11/gal. Cash corn bids were steady to firmer in the U.S. Midwest while weaker in the Mid-Atlantic States. This reflected the need for corn to shift to those areas from the east coast. CFTC's Commitment of Traders report had large speculators (except for funds) cutting net long positions in CBOT corn by 24,000 lots to 137,655 contracts. Cash sellers should have considered being priced up to 40%-50% of next year's production by last week. If you haven't the next few days may prove to be helpful. Hedgers having 40% of the '07 crop priced may consider buying call options although an at-the-money call is a little pricey at this time. If you haven't priced any of the 2007 crop yet, it might be good time to do so over the next three or four days in light of the lower-than-expected crop progress report issued late Monday afternoon by USDA.

SOYBEAN futures on the Chicago Board of Trade (CBOT) were weaker on Monday in a trading pattern that indicates the soybean top may be in. The MAY'07 contract was off 2.2¢/bu finishing at \$7.380/bu but finished \$0.2¢/bu higher than last Monday. NOV'07 futures closed off 1.6¢/bu at \$7.656/bu. This was 16.8¢/bu lower than last Monday's close. Better corn planting weather causing setbacks in the corn market and a retraction in the wheat market during the trading day pressured the market. Higher crude oil prices provided some support. South America news of a huge soybean crop proved bearish. Argentine producers have harvested nearly half the crop and are rushing to bring in the crop during this dry spell.

However, a bright spot is noted as Taiwan buyers look for both U.S. corn and soybeans to import. Chart signals show MAY'07 futures are near resistance at the 100-day moving average of \$7.346/bu. The 14-day Relative Strength Index (RSI) closed at 33.93 on Monday. An RSI of 30 or less indicates a market may be oversold. Friday's CFTC Commitments of Traders report showed as of last Tuesday, large speculators were off 9,637 lots at 94,009 contracts. Index funds in long positions were placed at 137,428 contracts, down 178 lots. Cash soybeans were somewhat weaker in the U.S. Midwest while firmer in the Mid-Atlantic States. The same advice as last week still holds for producers to consider pricing up to 60% of the 2007 crop soon.

WHEAT futures in Chicago (CBOT) closed lower on Monday. The MAY'07 contract closed at \$4.940/bu, off 8.0¢/bu from Friday but 18.8¢/bu higher than last week at this time. JULY'07 wheat futures were the most active contract finishing off 9.2¢/bu at \$5.054/bu but 17.2¢/bu higher than last Monday's close. 2008 deferreds showed some strength. The setback came from overbought conditions and losses in corn. Trading is likely to prove lively this week after USDA late on Monday put the U.S. wheat good-to-excellent crop condition at 39%, 17% lower than last week at 54% good-to-excellent condition. According to several floor sources called on Monday, traders had been expecting a 3%-5% drop in crop condition during Monday's trading. Some pressure was seen in the market from good crop rains on the Australian crop. USDA on Monday placed U.S. wheat export numbers for last week at 13.1 million bu, below trade estimates for between 15-20 million bu. Storms and heavy rains are expected early this week and could still cause further damage to the U.S. wheat crop. U.S. wheat is now priced out of U.S. animal feed rations. The CFTC's Commitment of Traders report on Friday had large speculators (sans index funds) slashing net short positions in CBOT wheat to 12,705 lots as of April 15. This was down 17,000 contracts. Index funds cut net long positions in CBOT wheat by 2,000 contracts to 188,840 lots. Producers who have priced between 60%-80% of the '07 crop are in good shape. However, if you haven't priced this year's wheat it seems like a very good time to do so may be in the offing over the next few days.

LIVE CATTLE on the Chicago Mercantile Exchange (CME) finished up on Monday on weakness in grains. The APR'07LC contract closed at \$97.425/cwt, up \$.250/cwt and \$0.125/cwt higher than last week at this time. The JUNE'07LC closed at \$93.150/cwt up \$0.875/cwt on the day and \$0.25/cwt higher than last Monday. The market was supported by some short covering, higher cash beef prices, and the discount of futures to cash. At times, chart-based-buying sped gains along. Some bullish news was provided by South Korea reportedly ready to resume importing U.S. beef. It is hoped that more will follow. Even though Korean imports may resume, it could take up to 18 months for meat shipments to be inspected. Traders expected cash markets to firm up this week even though posted prices from USDA's 5-area-weekly-weighted-cattle-price shows cattle trading \$2.00/cwt lower this week from last. April/June and August/June spreading was seen as checking gains. In early trading, futures were lower in reaction to lower-than-expected marketings in last Friday's USDA Cattle on Feed report but rebounded to finish the day higher. USDA on Monday put the choice beef cutout at \$163.37/cwt, up \$0.79/cwt. According to HedgersEdge.com, the average beef plant margin for Monday was a positive \$2.60/head, up \$5.65/head from Friday but down \$16.35/head from a week ago. Cash sellers are still encouraged to push sales this week. It would be okay to hold off pricing feed grain inputs this week.

FEEDER CATTLE at the CME finished up on Monday. The APR'07FC contract closed up \$.400/cwt at \$107.450/cwt but \$0.275/cwt lower than last week at this time. The MAY'07 contract closed at \$108.975/cwt, up \$1.525/cwt and up \$0.925/cwt from last Monday. Better live cattle prices, lower CBOT corn futures, and expectations for higher cash feeders in Oklahoma City supported gains. The latest CME Feeder Cattle Index for April 19 was \$108.08/cwt, off \$0.19/cwt. Cash sellers should keep feeder cattle sales current. It might good idea to hold off pricing feed for now.

LEAN HOGS on the CME closed lower on Monday. MAY'07LH futures closed at \$76.65/cwt, up \$0.075/cwt and even with last Monday's close. It was the only lean hog futures contract that finished up on the day, albeit just barely up. The JUNE'07LH contract was again the most actively traded on the day closing at \$76.50/cwt, off \$0.550/cwt and \$1.35/cwt lower than last week at this time. All other deferreds were down as well, pressured by profit taking amid July/June spreading. Hog supplies are seen as seasonably tight as packers scramble for immediate slaughter needs. USDA estimated Monday's hog slaughter at 391,000 head compared with 397,000 head one week ago and 374,000 head one year ago. Packer margins are in the black on recent pork prices. The latest CME Lean Hog Index was placed at \$68.01/cwt, up \$0.71/cwt. USDA increased the pork carcass cutout by \$0.68/cwt to \$71.21/cwt last Friday. This is the highest it's been since February 16. According to HedgersEdge.com, the average pork plant margin for Monday was a positive \$1.20/head, up \$1.75/head from Friday but only \$0.35/head higher than last Monday. Cash sellers should continue to try to push weight limits selling hogs off the finishing floors as soon as they are ready. Hog feeders should hold off pricing more grain inputs at this time.

2007 July Wheat, April 23, 2007



Data by DTN on the WEB

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

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