

Weekly Roberts Agricultural Commodity Market Report October 9, 2007

CORN on the Chicago Board of Trade (CBOT) closed off on Monday amid increasing harvest pressure and expectations for even bigger numbers in the USDA World Agricultural Supply Demand Estimate report due out this Friday. The DEC'07 contract was the most actively traded, finishing at \$3.396/bu, off 2.4¢/bu and 7% and 29.0¢/bu lower than last Monday. The December contract traded below all key moving averages with first resistance at \$3.512/bu and the 9-day Relative Strength Index (RSI) at 35.76. MAR'08 futures also finished off 2.6¢/bu at \$3.562/bu and 29.2¢/bu lower than a week ago. The DEC'08 contract finished at \$3.91/bu, 2.4¢/bu lower than last Friday. Pressure from a limit-down drop in wheat and sliding soybeans took corn down. A firmer U.S. dollar and a looming record corn crop didn't help either. China left its 2007 corn crop estimate unchanged from last month at 149 million tonnes (5.7 billion bu). Israel announced a tender for U.S. corn of up to 56,000 tonnes (2.2 million bu). Cash corn in the U.S. Midwest was mostly steady while cash corn in the U.S. Mid-Atlantic States was weaker with opening bids ranging from 2.0¢/bu – 3.0¢/bu lower in many places. Producers are taking their time about selling due to the recent decline in prices. Funds sold about 4,000 lots to stop the bleeding. The CFTC's Commitment of Traders report for the week ended October 2 showed large speculators cutting bullish positions in CBOT corn by 14,000 contracts to 132,278 lots. Producers having sold 60%-70% of this year's crop are in good shape.

SOYBEAN futures on the Chicago Board of Trade (CBOT) were down a range of 11.0¢/bu – 23.0¢/bu on Monday. NOV'07 futures closed at \$9.254/bu, down 15.0¢/bu from Friday and 66.0¢/bu (6.6%) lower than this time last week. The JAN'08 contract finished below \$10.00/bu; dipping to \$9.420/bu, off 15.0¢/bu and 67.4¢/bu lower than last Monday. NOV'08 soybean futures ended at \$9.162/bu, down 20.6¢/bu and 51.8¢/bu lower than a week ago. Limit down wheat and weak corn put the pressure on. Much needed (but not adequate) rains in Brazil, a stronger U.S. dollar, and building harvest pressure didn't help any. Cash soybeans in the U.S. Midwest on Monday were mixed to weaker while soybeans in the U.S. Mid-Atlantic States were 13.0¢/bu – 20.0¢/bu lower. Funds sold about 5,000 contracts while the CFTC Commitment of Traders report had large speculators shrinking bullish positions in CBOT soybeans by 6,000 lots to 107,234 contracts as of October 2, 2007. The November '07 contract stayed above its 50-day moving average of \$9.035/bu. The 14-day RSI for NOV'07 futures finished at 49.59. Hopefully you considered pricing what was left of the '07 crop to price last week. It would be wise to get 25% of the 2008 crop priced at this time.

WHEAT futures in Chicago (CBOT) closed limit down in the nearby on Monday. DEC'07 wheat futures settled 30.0¢/bu lower at \$8.600/bu taking almost 10% of the market, or 92.4¢/bu from last Monday. The JULY'08 contract closed at \$6.572/bu, off 29.2¢/bu and 36.8¢/bu lower than a week ago. The bulls got out of unprofitable positions on sell stops amid bear profit taking after recent all-time highs. Rain in Australia and a stronger U.S. dollar helped fuel the selloff. European wheat markets tumbled overnight to lead the way. Additionally, rain in the U.S. Midwest was noted as helping newly seeded hard red winter wheat for the '08 crop. South Korea provided some support tendering an offer for 25,300 tonnes (930,000 bu) of U.S. wheat. The CFTC Commitment of Traders report showed large speculators moving to net short positions in CBOT wheat at 4,398 contracts, off 5,092 lots. Funds sold 4,000 lots while trying to sell off 21,000 lots at the end trading. Cash wheat in the Mid-Atlantic States fell a range of 12.0¢/bu -20.0¢/bu on Monday. Producers should have sold all wheat stocks by now and might consider holding off pricing more of the '08 crop.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) were lifted on Monday by sliding grain and oil seeds. The OCT'07LC contract closed at \$93.725/cwt, up slightly by \$0.050/cwt but still \$2.500/cwt lower than last Monday. DEC'07LC futures finished at \$96.250/cwt, up \$0.125/cwt but \$2.350/cwt lower than a week ago. Short covering, hedge lifting, and spreading were supportive.

December/October spreading was especially noted amid light trading. Cash prices showed little change from Friday in light trading due to the holiday. However, USDA's 5-area price for Friday, October 5 was significantly lower than the previous week at \$91.50/cwt compared to \$95.50/cwt - \$96.00/cwt a week ago. USDA put the choice cutout at \$145.63/cwt, down \$0.01/cwt. In other news, South Korea put a halt to U.S. beef imports again after finding spinal material ... again. Cargill recalled 844,812 lbs of frozen beef patties due to possible E.coli contamination. The average beef plant margin for Monday was estimated at a negative \$67.40/head, \$10.00/head worse off than last Friday and \$28.25/head worse off than a week ago, according to HedgersEdge.com. Cash sellers should not hurry to get cattle that are sell-ready off the feedlot. It might be a good idea to hold off pricing near-term corn inputs if you can. Corn prices are expected to succumb even more to harvest pressure.

FEEDER CATTLE contracts at the CME closed up on Monday with the exception of the October contract which closed down \$0.01/cwt. OCT'07FC futures closed at \$113.850/cwt, \$1.225/cwt lower than last week at this time. The NOV'07FC contract finished at \$113.900/cwt, up \$0.400/cwt but \$1.050/cwt lower than last week. Feeders mostly followed fat cattle amid lower grain in light trading. January/November spreading by funds essentially moved November bulls to January supporting deferred months. Nearly 400 spreads were done with about 300 of those coming near the close. The latest CME Feeder Cattle Index for October 4 was set at \$115.64/cwt, down \$0.34/cwt. It might be a good idea to sell some feeders now but hold off on buying corn inputs at this time. Corn prices are still bound to get better.

LEAN HOGS on the CME closed down again on Monday. The OCT'07LH contract closed at \$57.675/cwt, down \$0.550/cwt. DEC'07LH futures closed down \$0.825/cwt at \$59.475/cwt, and nearly even with a week ago. October was pushed lower by an abundance of hogs causing concerns for lower cash hogs later this week and a lower Lean Hog Index. USDA estimated hog slaughter to be at 2.321 million head last week. This would be a record. The latest CME Lean Hog Index was down \$0.36/cwt at \$58.05/cwt. October/December and February/December spreading was the game of the day. USDA put the lean hog cutout value at \$60.35/cwt, down \$0.35/cwt. Rumors that Mexico might be in the market for hams this week was seen as supportive. According to HedgersEdge.com, the average pork plant margin for Monday was estimated at \$5.55/head, down \$0.55/head from Friday but \$0.35/head better than a week ago. Cash sellers should continue to push hog sales this week while holding off ear-term corn pricing.

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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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