

## The futuresone.com Weekly Ag Market Breakdown

By David M. Fiala  
Friday, March 5th, 2010

### CORN



May10 Support:	364	Resistance:	398
Dec10 Support:	392	Resistance:	421

Corn trade was sideways to lower this past week due to profit taking by market longs. The weekly net changes were 11 to 14 lower. The outside market influence was supportive and limited downside; crude was \$1.84 higher, the dollar was steady, and the DOW was up 235. Farmer selling interest should limit upside on higher trade from here, but fundamental news has been limited and most of the focus over the next few weeks will be on the weather. Any indication that planting could get delayed would be viewed as bullish and would support range bound to higher trade; also South American harvest issues due to moisture would be viewed as friendly. For now, the short-term trend on the charts rolled over to the downside last week; the May contract slipped below the 20-day, which is the lowest major moving average. Friday was the first day we closed below the 20-day in two weeks, but a second consecutive close below this area could produce renewed chart selling. The trade will see the USDA Supply and Demand report this Wednesday, which will be the next major news item; this report will include any USDA 2009 Production adjustments due to resurveying. The corn that remains in the fields has been a question mark for the production estimates, but some parts of Iowa that are just now harvesting those acres are reporting 200 bpa plus yields. Most analysts expect that any revision to the supply numbers will be minimal and may be offset by adjustments for feeding demand, but the trade will remain choppy ahead of this report. The export sector overall is not friendly and we do not expect a meaningful improvement near term. The weekly export sales numbers were reported at 761,400 tons of old crop and 72,000 tons of new crop. Combined, they were above expectations. There was a lot of attention last week on Ethanol margins. Spot margins went from 75 cents two weeks ago to only 15-20 cents by the end of last week, and all margins past spot are now gone. Assuming we see a mostly neutral report on Wednesday, weather surrounding early field work should start to dictate trade. Hedgers call with questions.

## SOY COMPLEX



May Support:	916	Resistance:	985
May Meal:	246	Resistance:	277
May Oil:	3901	Resistance:	4103

Soybean trade was lower this past week due to chart selling and profit taking by market longs. The weekly net change was 19 lower on May and November was down 16. May meal was \$12.30 lower and bean oil was up 35 points. The South American harvest continues to move along on a normal type pace; there are some issues due to too much moisture, but there is limited concern over decreasing production numbers there. The weather both in South America and domestically will become the main focus of attention over the next several weeks with the March 31<sup>st</sup> Planting Intentions report the big news item following the monthly Supply and Demand numbers this week. Most analysts expect that we should continue to see increases in both crush and export usage, but the big South American crop is sharply discounted versus U.S. beans and should start to slow the export pace. Also, with such big South American discounts, it is likely only a matter of time before Chinese bean cancellations are announced. The recent bean oil strength should continue to limit downside in the bean complex, but bean oil is overbought after reaching resistance areas last week. The biodiesel tax credit is still being circulated through congress, but most analysts look for this to pass. This would likely produce a steady growth of soy oil usage over the next few months. It could project an increase in usage, over time, up to 400 million pounds versus current usage of only 90 million pounds. The weekly export sales came in at 182,400 tons of old crop and 188,000 tons of new crop, which together was inline with expectations. Meal sales were reported at 85,700 tons of old crop and 3,200 tons of new crop. Oil sales came in at 15,900 tons. Both meal and oil sales were inline with expectations. Hedgers call with questions, but I believe you still need to consider extending the coverage you want to have in place.

## WHEAT



Chicago May:	Support: 470	Resistance: 538
Kansas City May:	Support: 481	Resistance: 536
Minneapolis May:	Support: 497	Resistance: 539

Wheat trade was lower this past week due to spillover pressure from the row crops and limited fresh supportive news for wheat. The May contract weekly closes were 26 lower in Chicago, 21 lower in KC and only 17 lower in Minneapolis. Wheat will continue to be a follower of the row crops, but supply side fundamentals remains bearish. U.S. wheat remains the most expensive wheat in the world with Black Sea wheat trading at a \$30 discount per ton. There have also been some reports out of Europe that available stocks will not decline as much as originally thought as wheat acres have been expanded there and weather has been beneficial to winter wheat growing conditions. The May chart has consolidate in a range between \$4.90 and \$5.20 over the last several weeks. We are currently at the bottom of this range and a close below \$4.90 could promote a test of the February low at \$4.81. The poor fundamentals may keep new buyers on the sidelines unless the spring weather markets give them a reason to re-enter the market. The friendly item for wheat may be lower expected planted acres moving forward due to lower futures and even lower basis projections for new crop due to ample supplies. This would be negative for row crops. Some debate over the expected Spring Wheat acreage has been occurring, my bias due to wet conditions is that spring acres will be steady with last year and not up as some have argued. The weekly export sales were reported at 101,600 tons of old crop and 2,500 tons of new crop. This was well below the expectations of 300 to 500 thousand tons

## CATTLE



Support on April:	9087	Resistance:	9427
Support on Apr Feeders:	10160	Resistance:	10730

Live cattle trade was higher this past week due to continued chart buying. Cash trade is called steady to \$1 higher this week due to short bought packers. Feedlot managers were able to force steady trade at \$92 late last week which has created some optimism this week. The cutout finished lower on Friday with choice down 50 at 149.59 and select down 50 at 148.11. The cutout remains at good levels, but suggests a cooling off of the bull move. A flat tone is likely this week, but the better weather may lead to increased demand. On the April chart, the trade held above the 10-day last week. We are holding the long-term uptrend so some chart buying could still develop near-term, but we are overbought and due for a correction. Nearby resistance is up at the February high of \$93.52. I remain concerned about the rally in the market outpacing the demand at higher prices, and I continue to view this price area as a good area to establish some hedge protection. Even if you want to remain friendly you can look to options, call us to discuss your individual situation. This includes an opportunity for Cow Calf operators, nearby Feeder Cattle futures have rallied over \$12 from the mid December lows.

## LEAN HOGS



Support on Apr: 7082      Resistance: 7527  
 Support on Jun: 8015      Resistance: 8335

Lean hog trade was higher this past week due to due to chart buying and a firm cash market tone. The weekly net changes were 30 higher on April and June was up 47. Cash trade was steady to higher last week supported by the surging cutout values. Pork carcass value broke above \$75 on Wednesday; cash moved above \$70 last week and the good processing margins should continue to allow packers to pay steady money. News last week of Russian's announcement to slowly lift their pork ban restrictions will has created some light fresh buying and short covering. Market shorts have been hurt here and liquidation of shorts have helped extend this futures move. Futures have been pricing-in cash strength, so higher cash should not be viewed as a surprise. We have priced-in another \$10+ rally in cash as we move through the next several months. With the roughly \$10 futures premium to cash, we are thinking the upside market move is about over. The chart continues to look friendly with April futures above all major moving averages, but again, we believe we are overbought and due for a correction. Hedgers call with questions.

You can reach me at 1-800-488-5121 or email us at [fiala@futuresone.com](mailto:fiala@futuresone.com).

**FUND POSITIONS**

	Current FuturesOne Fund Estimate w/Options	CFTC with options 03/02
Corn	86k	118 k
Beans	5k	17 k
Chi wheat	-37 k	-33 k
Live Cattle	91k	111 k
Lean Hogs	34 k	43 k

**Cash**

Wed Mar 3, 2010 06:15 AM CST

USDA Terminal Prices/Adjustments										03/03 06:00	
MKT	HRW	HRS	SRW	SWW	HAD	CORN	BRLY	OATS	SOY	GRSO	3/2
AMA	4.34					3.72					Beans(NSI) 9.1468
CIN			4.60			3.75		0.00	9.72	6.36	Corn (NCI) 3.4244
EVN			4.42								'09 CCC INT-MAR 0.375
GLF	5.45		5.35			4.09	2.98	0.00	9.94	7.26	'96 CCC INT-MAR 1.375
KCM	4.94		4.48			3.69	2.63	0.00	9.51		
LOS					6.00						
MEM			4.80			3.79			9.74	6.51	
MIN	4.82	4.72			5.00	3.25	2.43	2.21	9.48		
NCD										6.13	
PNW	5.19	4.81		4.70	5.73	4.75	3.24	2.55	10.57		
SCD										5.74	
TOL			4.40	4.40		3.51		0.00	9.54		
TKO						3.78			9.68		
WCD	5.19			4.66	6.10	4.87	4.06			8.46	

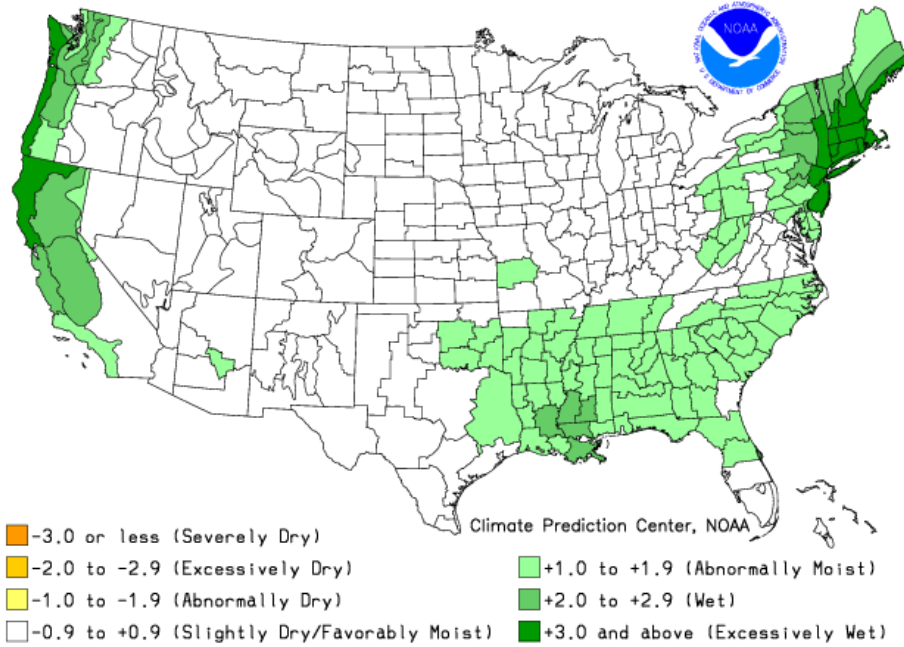
Adjustments:

Hrw AMA +0, GLF-45, KCM-28, MIN+0, PNW-10, WCD-35;  
 Hrs MIN-22, PNW-7;  
 Srw CIN-25, EVN+0, GLF-70, KCM+2, MEM-34, TOL-10;  
 Sww TOL+0;  
 Had LOS+0, MIN+5, PNW-35, WCD+0;  
 PNW CO add extra +0  
 Crn AMA+0, CIN-12, GLF-12, KCM+0, MEM-13, MIN+0, PNW-57, TKO-7, TOL+0, WCD-54;  
 GLF MS, LA & AL add extra +0, GLF MN add extra +0;  
 AMA KS +0, TKO WI add -3, GLF TX add +0, PNW SD add +0  
 PNW MN add +0  
 Bar GLF-10, KCM-10, MIN+5, PNW-24, WCD-84;  
 PNW MT add -13, WCD MT add -5, MIN MT add +0, PNW AK add +0  
 PNW ID add 0, WCD ID add +2, MIN WY add +3  
 Oat CIN+0, GLF+0, KCM+0, MIN+0, PNW-22, TOL+0;  
 Soy CIN-20, GLF-20, KCM-5, MEM-20, MIN-15, PNW-62, TKO-15, TOL-17;  
 GLF MN add extra +3, GLF KS, OK & MO add extra +0,  
 MIN SD add extra +0, MIN ND add extra +0, TKO TN add +0  
 MIN WI add +0, TKO IL add +0, GLF LA, AL & MS add +5  
 Gsr CIN-55, GLF-1.15, MEM-50, NCD-58, SCD+15, WCD-1.55;  
 GLF KS add +0, GLF TX add +0;

**Weather**

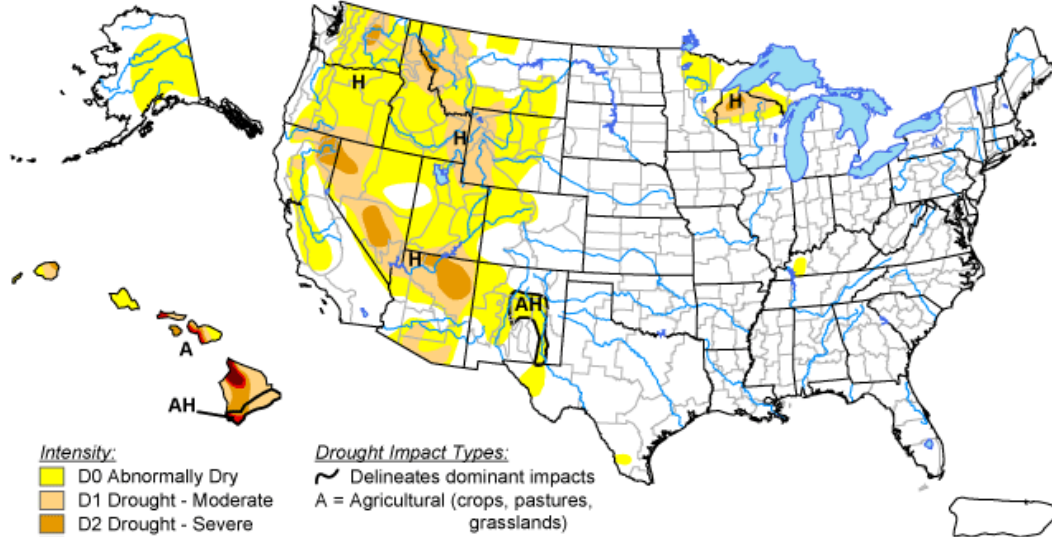
The South American weather remains good overall. Some wet planting concerns should start to be talked about toward the end of this month if moisture levels remain above normal for the back half of February.

Crop Moisture Index by Division  
Weekly Value for Period Ending FEB 27, 2010  
Short Term Need vs. Available Water in 5 Ft Profile



# U.S. Drought Monitor

March 2, 2010  
Valid 7 a.m. EST



- Intensity:**
- D0 Abnormally Dry
  - D1 Drought - Moderate
  - D2 Drought - Severe
  - D3 Drought - Extreme
  - D4 Drought - Exceptional
- Drought Impact Types:**
- Delineates dominant impacts
  - A = Agricultural (crops, pastures, grasslands)
  - H = Hydrological (water)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://drought.unl.edu/dm>



Released Thursday, March 4, 2010  
Author: Rich Tinker, NOAA/NWS/NCEP/CPC

## DOLLAR INDEX

The dollar index is holding the intermediate up-trend, but started to correct on Wednesday.



## Natural Gas

Nat Gas is holding the downtrend and is near the low side of the recent channel. There is support in this area, but further weakness could promote a re-test of the lows.



### Crude Oil

Crude oil has been mixed in choppy trade this week. There was some resistance at \$80 which has turned the market off the high, but support should be down at the early February highs.

