

## The futuresone.com Weekly Ag Market Breakdown

By David M. Fiala

Thursday, February 2nd, 2012

### CORN



Mar12 Support:	617	Resistance:	662
Dec12 Support:	558	Resistance:	585

Corn trade has pushed higher after a soft start to the week. Last week's bull spread trade has been unwound to a small degree as the December contract gained on the March at midweek. March corn is unchanged at midweek, and December is up 12 cents. The March corn chart support is at the 100-day at \$6.40 with resistance at the 200-day at \$6.63. Further support is layered at \$6.30 and \$6.35. Outside markets have generally been supportive with the dollar maintaining its weaker trend and the stock market pushing higher. South American weather continues to be a mixed bag, and consistent reductions of crop sizes have been supportive. Estimates by private sources range from 18 to 22 million metric tons for Argentina, while the USDA kept estimates at 26 last month. Double crop corn acreage in Brazil has kept their number more fluid for the moment. Strength in the wheat pit has also helped the corn by pricing it more attractively on the world feed market. Ethanol production edged higher this week, as did inventories. If the current production pace is maintained, there should be little problem meeting USDA estimated consumption. Ethanol inventories are large but that is a seasonal norm, and chatter continues about further exports to Brazil, but nothing is confirmed yet. South Korea and Japan have been very active buyers of feed grains from multiple origins, including the US. However, they have taken large amounts from Argentina, and Europe as well. Extensive winter kill issues in the Ukraine should extend corn acres in the spring. Corn export inspections on the week were disappointing at 22.7 million bushels vs. 31.0 million bushels. However, inspections are still near last year's pace. Exports for the week were 912,000 metric tons vs. 700,000 to 950,000 expected. Hedgers call with questions.

## SOY COMPLEX



Mar Support:	1164	Resistance:	1257
Mar Meal:	308	Resistance:	333
Mar Oil:	4939	Resistance:	5289

Soybean trade broke hard to open the week before regaining most of the break with outside support and Chinese buying. The weekly net change on the March contract is 4 lower, and the November is down 4. Both contracts have moved back above the 10-day and 20-day moving averages at 12.10, and on the break it looks like significant support remains at the \$11.80 area for now. Meal is unchanged on the week and bean oil is down 40 points. Better rains for Argentina have been seen as stabilizing for the trade, but Southern Brazil remains under the gun for now. Outside markets have supported the trade as well this week, pulling more money back into the general commodity sphere. Basis levels have continued to firm as exporters pay a premium for beans that are already afloat. Processors are stepping up and paying some pushes as well. Chinese crush margins have improved to 3 months highs. Chinese buying has surfaced midweek as they return from their Holiday. There is a little time left before South American beans pour on to the market, so the US will need to book sales now. If South America comes up short, additional exports will surface a little further down the road. Some analysts are calling for stronger biodiesel usage and tighter oil stocks down the road, which will enhance the oil side of the crush equation and support the soy complex. Export inspections remained strong at 41.6 million bushels vs. 28 million expected. Exports were disappointing at 308,400 metric tons for this year, and 60,000 for the new crop year, vs. expectations of 350,00 to 550,000 metric tons. USDA confirmed 120,000 metric tons of soybean sales to China. Product exports were at the bottom of the range on meal at 74,700 metric tons vs. 75,000 to 150,000 expected, and oil was 6,700 metric tons vs. 0 to 10,000 expected. Hedgers call with questions.

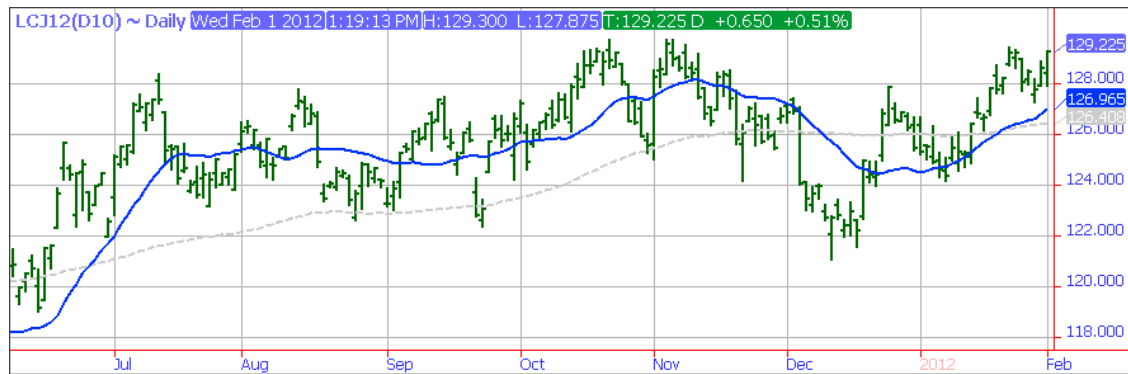
## WHEAT



Chicago March:	Support: 616	Resistance: 713
Kansas City Mar:	Support: 671	Resistance: 762
Minneapolis Mar:	Support: 797	Resistance: 864

The wheat trade has moved higher this week, taking the lead from row crops on Eastern European weather concerns, and worries over the status of Russian exports. The weekly net changes on the March contracts are 30 higher in Chicago, 22 higher in KC and 10 higher in Minneapolis. The Chicago/KC spread has narrowed back to recent lows at 48 cents. The more aggressive short covering activity has moved Chicago wheat back to a 33 cents premium to corn, and further follow through could extend this significantly. The overall short position remains large, and short covering has propelled some intraday spikes. North American weather remains a mixed bag as moisture moves through the Eastern growing areas, while western areas anticipate a snow storm at the end of the week. Texas wheat conditions remain poor overall, while Oklahoma and Kansas are better. However, overall conditions are still fairly mediocre overall in those states. Once the Southern Plains areas start greening up, a better sense of direction will develop on US crop conditions. Eastern Europe continues to struggle with bitter cold and snow which has damaged crops, and disrupted logistics. Russian domestic prices continue to firm and rumors about export curbs have filled the trading floors. The Russian government will make statements about exports on Thursday. The USDA confirmed 120,000 metric ton wheat sale to an unknown destination. Australia is positioned to move significant quantities of grain into the export market with near record stocks at their port facilities with up to 25 million metric tons potentially available. Asian markets continued to actively bid for feed wheat, while Middle Eastern countries bid for milling wheat. Export shipments this week were fairly strong at 18.655 million bushels keeping ahead of the USDA's pace. The weekly export report was solid at 518,900 metric tons vs. 400,000 to 600,000 expected.

## CATTLE



Support on April:	12650	Resistance:	13065
Support on Mar Feeders:	15272	Resistance:	15752

Live cattle trade has moved higher through midweek as fund money flowed in on the early week break. The April contract is up \$1.05 on the week, and most contracts are up a similar amount. Feeder Cattle contracts have continued to grind higher this week as well, up \$1.70. The cattle charts have turned fairly positive, with nearby support at the \$128.50 area. The cutout have slid on the week with choice down 1.58 to \$184.57, and select down .75 to \$178.68, as big retail demand has not surfaced. Showlists are larger this week, and packers are bidding in the low \$120's after last weeks cash break. Feedlots are seeking \$128 cash, and packers did pick up the slaughter pace somewhat through midweek. Packer margins remain sharply negative, and better boxed beef clearance will be needed to push the trade in the near term. Feeder cattle sales continue to put smiles on the faces of cow/calf operators, and frowns on buyers' faces. It does look like replacement heifer numbers are starting to pick up. Friday's cattle inventory report confirmed the expected with the calf crop at 99% of last year, a shade bigger than expected, and calves down at 98% slightly below expectations. Hedgers call with questions. The strength this week has provided us an opportunity to lock in higher prices.

## LEAN HOGS



Support on Feb: 8485                      Resistance: 8915  
 \*Support on Apr: 8485                      Resistance: 9315

Lean hog trade has pushed higher this week as the stronger cutout has brought fresh money into the market. The April futures contract is up 300 on the week, and finished on the high at midweek. The April moving averages are congregating in the 8800 area. Cash prices have firmed as the cutout encourages packers to pay up, and finished hogs are getting harder to come by. Finishing floors are current, so it may be hard for packers to save a lot of money. However, packing margins are not particularly good, and the cutout will have to sustain its gains to sustain the rally. The Chinese hog herd continues to grow, which should reduce the need for imports. However, there have been recent disease concerns which could limit the growth. The recent weakness in the dollar could find more exports to other Asian destinations as well.

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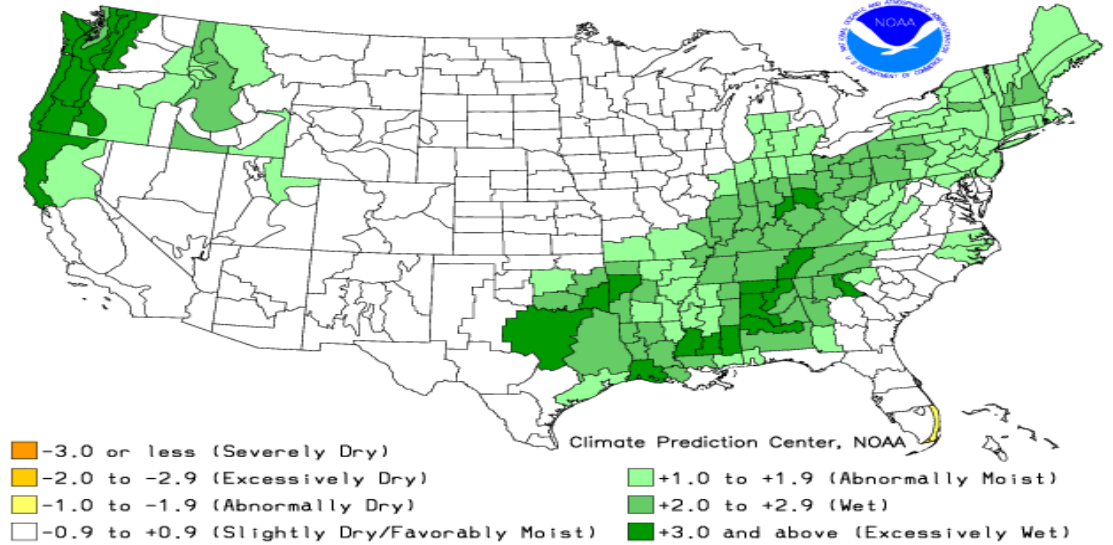
## FUND POSITIONS

	Current FuturesOne Fund Estimate w/Options	CFTC with options 01/24
Corn	210 k	182 k
Beans	46k	62 k
Chi wheat	-25 k	-58 k
Live Cattle	74 k	78 k
Lean Hogs	37 k	32 k

**Weather.**

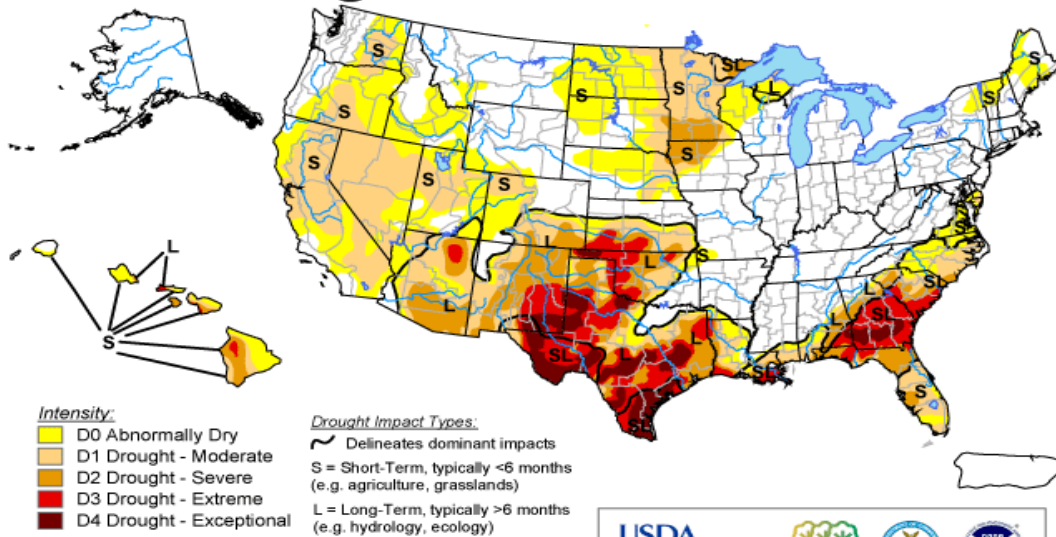
South American weather has moved back and forth between dry and wet, with the net result of stabilizing a declining crop. US weather continues to warmer than normal, but a snow storm is expected to roll in this weekend.

Crop Moisture Index by Division  
Weekly Value for Period Ending JAN 28, 2012  
Short Term Need vs. Available Water in a Shallow Soil Profile



**U.S. Drought Monitor**

January 31, 2012  
Valid 7 a.m. EST



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

<http://droughtmonitor.unl.edu/>

Released Thursday, February 2, 2012  
Author: Eric Luebehusen, U.S. Department of Agriculture

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## DOLLAR INDEX

The dollar index has ground lower on improved confidence in Europe.



## Natural Gas

Natural Gas has broken back down, as the short covering rally fizzled.



## Crude Oil

Crude oil has ground lower this week as growing stocks offset economic optimism.

