



ARKANSAS FARM BUREAU ELECTRONIC NEWSLETTER
Bi-Weekly Market Briefings for 07-03-2008

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COTTON has lost ground despite smaller-than-expected planted acres. The USDA places '08 plantings at 9.25 million acres, which is above expectations but below March intentions. Plantings are 15 percent below last year and down 6 million acres from just two years ago. The USDA didn't forecast harvested acres but the general belief is that abandonment in Texas will be huge. This year's crop can be less than 14 million bales. On the other hand, the next Supply-Demand Report may raise ending stocks from the expected 10.3 million-bale June level. Recent prices haven't been conducive to strong movement, and the market may have to go even lower, perhaps below the recent 71.65-cent December low. Penetration of support at 77 cents suggests a test of that area.

U.S. RICE plantings have exceeded intentions, with total '08 plantings up 125,000 acres from March intentions. Surprisingly, it wasn't in Arkansas, where, our 1.35 million-acre plantings were actually 20,000 below March's. California also planted fewer acres, while Louisiana was up 70,000. Mississippi, Texas and Missouri each surpassed March intentions by 30,000 acres. In Arkansas, short-grain plantings dropped 30,000 acres, while long grain gained 10,000. U.S. long-grain acres were 2.25 million overall, up 180,000 from expectations. Medium and short grain totaled just 645,000 acres, down about 53,000 from March intentions. Production should be near 200 million hundredweight for '08. Coupled with tight ending stocks, available supplies still will be limited for the '08-'09 marketing year. Futures reacted to the report by raising the 50-cent limit. September Futures should retest resistance at \$20. Next resistance is about \$21.25; major support starts near \$18.

SOYBEAN plantings, at 74.5 million acres, are 250,000 acres from farmer intentions in March.

With still-tight supplies and weather complications, beans got a boost. After working lower at one point, they closed higher, with November touching the prior \$15.77 contract high. Slight improvement in the Weekly Crop Progress Report may momentarily temper the upside as traders look to the holiday weekend. A higher close, though, may boost the market above \$16. Good support starts at \$14.75-\$14.80.

WHEAT has trailed corn lower, following the Planted Acreage Report, after last month's puzzling surge higher. An extremely wide basis for soft red wheat suggests futures are out of sync with the export market. The Gulf basis remains \$1.40-\$1.55 below Chicago, with river terminals and country elevators at even wider levels up the marketing chain. Some are approaching \$2.50 under. September Futures are testing support just below \$8.60, which if penetrated may again move to the recent \$7.47 low. Strong resistance is in place at \$9.73.

CORN plantings have exceeded expectation by 2 million acres, when most market projections put '08 plantings at 85.5 million or less. However, after resurveying more than 1,200 farmers in the Midwest's flooded areas, the USDA set plantings at 87.3 million acres. The USDA also raised its abandonment factor to almost 10 percent, then projected harvested acres at 78.9 million. Market response was quick, with futures dropping the 30-cent daily limit. This left a very negative looking two-day island reversal top on the December chart. Expect a \$7.40 test of support. Beyond that, the market may move to \$7.15, the top of a gap left when the market last surged upward. Key production estimates in July and August will set the tone as we keep moving down the road to harvest.

The chart for HOG Futures looks ominous.

August has failed to break through \$79 resistance, and prices have been sharply lower for three straight days. Selling pressure has risen in reaction to the Inventory Report. The market hog supply is up 10.4 percent from '07, and the spring pig crop 4 percent. This means more-than-ample supplies through fall. Demand has been quite strong, but maybe not enough to handle supply. August can be headed for a retest of the contract low of \$69.45.

Live CATTLE Futures are trying to consolidate below the recently-charted contract high. Cash trades at \$99 or more have been supportive. However, news of much larger-than-anticipated hog supplies now weighs on the market; lots of cheaper pork will compete with beef on store shelves. Feeder Cattle have good news in the Corn Production Report. Planted acres are higher than expected; so, August Feeders have charted an upward reversal. Resistance begins at the recent \$115 high.

In TIMBER, South Arkansas pine pulpwood prices remain strong, \$12-\$14 a ton, as the depressed housing market and lumber glut continue to limit area sawmill production.

North Arkansas pine pulpwood prices are much less at \$4-\$6 a ton, but still above historical levels. Pine sawtimber prices are weak in both regions—\$35-\$38 a ton in the South and \$30-\$33 in the North.

South Arkansas hardwood pulp prices are significantly weaker in the last eight months, from

a \$14-a-ton November high to \$7 \$9 currently. Prices in the North similarly have slid, from \$5 a ton in November to \$3 \$4 now.

Hardwood sawtimber is much like pine: depressed prices at \$27 a ton in South Arkansas and \$18 in the north. This, then, is a good time to hold on to your timber.

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