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Bi-Weekly Market Briefings 06-26-2009

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Soybeans

While not the singular influencing factor, outside markets have been a major driving force for soybeans. Crude oil, equity indexes and the dollar have displaced fundamentals, at least temporarily. Tight stocks and delayed planting set the stage for the meteoric rise from early-March lows, but there is little question the run would have been much less without the influence of a weak dollar and strong crude oil. In all likelihood, these outside markets will continue to apply pressure, along with weather and crop development.

Initial private acreage estimates suggest a substantial increase in soybean plantings. The USDA report on planted acreage, due June 30, will confirm or deny this. Recent price action seems to confirm a market top. There will be rebounds, but it will take something significant to move the market back to, or above, the early-June highs. Downside objectives at \$9.34 and \$8.98 loom as potential targets. Good crop development could bring lower objectives into play.

Corn

This year's corn crop could be under 12 billion bushels. Informa, a private analytical firm, recently placed corn plantings at 83.1 million acres, down from their earlier estimate of 83.9. USDA is estimating 85 million acres. Good crop development across the country should partially offset late plantings in the eastern Corn Belt. A big carryover will also help buffer concerns. As with beans, outside markets will be a big factor. Crude oil will draw additional index funds on the way up, but will see big sell-offs on declines; that will play the same way on farm commodities. December corn is testing key support at \$4. From there it is \$3.90, \$3.75 and \$3.50. Major resistance is at the recent high of \$4.73.

Cotton

Cotton has very few bright spots. Experts predict economic conditions won't improve greatly for some time, and that limits demand for textiles. The U.S. crop, off to a poor start, could help on the supply side. Drought conditions in Texas and rain-plagued planting in the Mid-South will reduce planted acres and yield. World production will suffer as well. So, over time, price will have upside potential. For now, December could drop as low as 53 cents. The optimistic scenario has resistance starting at 56.7 cents, all the way to the recent high of 63.75 cents.

Rice

Rice remains in a broad sideways pattern, though it has developed a slight upward bias. Planting problems moved the market up slightly, but overall fundamentals — including slow-milled export movement — don't suggest significant upside potential at this time. Resistance at \$13 will be difficult to penetrate without significant outside market influence. Support for the September contract starts at \$11.84. Below that is the recent low of \$11.40.

Cattle

Cattle futures have been moving higher the past few days, boosted by USDA's monthly Cattle on Feed Report. Placements were down 14 percent (a 13-year low), reflecting higher feed costs. That was tempered somewhat by the fact that marketings were down 8 percent. The question remains whether or not demand will be high enough to handle even the diminished supplies on hand. High unemployment and economic uncertainty have consumers cutting back on beef purchases, though pre-Independence Day buying could give the market a boost next week.

Hogs

Hog prices continue to reflect the sharp decrease in demand brought about by "swine flu." Mexico reported this week that imports from the United States are now back to pre-outbreak levels. Surprisingly, the monthly Cold Storage Report showed a decrease in pork stocks during May. This could give the market a boost. However, traders are still bearish, and it is unclear how much impact the report will have.

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