



ARKANSAS FARM BUREAU ELECTRONIC NEWSLETTER  
Bi-Weekly Market Briefings for 10-09-2009

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As the market has begun reflecting on the potential impact of frost warnings, soybeans have made strong upward movements. The late planting, combined with recent weather, make a good portion of this year's crop vulnerable. Frost warnings for later this week extend as far north as central Illinois in some weather models. While 79 percent of beans are dropping leaves, the crop is only 15 percent harvested. This week's Supply/Demand Report is expected to show higher yield projections. However, that data was taken several days ago, which makes the projection suspect. Technically, a weaker dollar and strong crude oil remain positive. November's ability to hold above \$8.80 and then close above \$9 suggests more upside potential. Resistance at \$9.40 remains intact. A close below \$8.80 would suggest a move to support around \$8.

Corn jumped above resistance at \$3.50. The strong close suggests the market has made a potential low and could move higher. Low late crop maturity (only 57 percent mature versus the five-year average of 84 percent) leaves the crop highly susceptible to frost damage. That potential weather impact, combined with supportive outside market movement, jump-started prices. Initial resistance is the early-August high of \$3.76. Retracement objectives for the June-September decline are \$3.68, \$3.88 and \$4.08. Support is located at \$3.50 and then \$3.

Wheat followed corn higher. The big move in corn provided upward impetus for wheat, which suggests it's in the process of bottoming. Fundamentally, the market is dealing with big supplies and a very competitive export situation. A weaker dollar and the move to historic support around \$4.40 should begin to stimulate buying interest. Low price levels and the lateness of soybeans and corn may limit wheat plantings. If that happens, wheat prices would be poised for more upward movement.

Harvest delays caused by wet weather stopped the downturn in rice futures. As of this past weekend, the Arkansas crop was just 53 percent harvested (the five-year average is 79 percent). Quality and yield have both been impacted by rain, which could lead to a smaller long-grain production estimate. Last month's report was full of negative news including increased 2008-09 stocks, a larger 09 crop and reduced usage for 2009-10. The October report may not look much different, but in the long-term, some adjustments are likely. November futures appear to be hovering around \$13. They'll need to close above \$13.50 to confirm a bottom. Any further weakness would find support at \$12.20-\$12.50.

Recent weather has impacted cotton quality. The Arkansas crop is rated 20 percent poor and very poor, with only 3 percent harvested by the first weekend in October. This compares to a five-year average of 31 percent. The entire U.S. crop is 10 percent harvested, compared to a norm of 21 percent. Yield is suffering as well. This will reduce overall 09 production, but may not be enough to significantly impact prices. December futures remain in an overall trading range between 57 65.5 cents. However, recent trading encountered strong support around 61 cents. The market has failed to move above 65.5 cents on three separate occasions.

Live cattle are trading at contract low levels, and packer margins were about \$25 in the red. High unemployment and cheap pork prices are keeping a lid on retail prices. Weakness in live cattle has also resulted in new contract lows for feeders, since the demand for replacement stock has been diminished.

Hog futures are consolidating between \$48 \$52. Weekly kills are running around 2.3 million pounds, and average weights are running a couple of pounds heavier than a year ago. Because of that, production is up 1 percent from a year ago. Large supplies and high unemployment will make it difficult for the market to break out of the top of the consolidation range.

In dairy: For two straight days this week, buyers bid for cheese and powder, but there were no willing sellers. Prices increased on unfilled bids with no sales taking place. Butter held unchanged on one trade, and milk futures increased 8 cents in the Nov. 09 July 10 contracts. Butter and whey futures were mostly higher; NDM (nonfat dry milk) futures were unchanged. Since Sept. 17, NDM futures for the first half of 2010 have jumped 11.5 cents. NDM/SMP production plunged this summer following the reduction in milk supplies in the Western states, where most of the powder in this country is produced. NDM/SMP output in August was 116.3 million pounds, which was down 18 percent from a year earlier and the smallest figure the market has seen since September 2007. In addition, powder stocks have shrunk dramatically. On Aug. 31, manufacturers' stocks of NDM were 142.0 million lbs., down 28 percent in just two months. NDM inventories are now below year-ago levels.

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