



ARKANSAS FARM BUREAU ELECTRONIC NEWSLETTER

Bi-Weekly Market Briefings for 02-05-2010

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Soybeans may have turned the corner, at least temporarily. Bearish pressures – a big South American crop, a larger U.S. 2009 production number, potentially bigger 2010 U.S. plantings and tightening Chinese credit – may have run their course. Soybeans have declined more than \$1.50 since the first of the year, and long-term, they may decline further. However, the relative strength index indicates the market is oversold and due a rebound. Initial rebound objectives for March are resistance at \$9.60 or the 38-percent retracement value of \$9.72. For new-crop November, those same objectives are \$9.50 and \$9.65.

Corn is showing bottoming signs. Like soybeans, corn has been on a downhill slide since the January report. Over the last three weeks, March futures have dropped about 65 cents, more than half of which was a limit decline on the day of the report. Since then, the market has shuffled lower, but it is also heavily oversold and overdue for a rebound. However, any reversal could be temporary, because fundamentals remain somewhat negative. The first 2010 planted-acreage estimate suggests that, because of a smaller wheat crop, an additional three million acres will move to corn. That will put plantings close to 90 million acres and is a factor limiting any rebound. Outside market factors – equity markets, energy futures and tightening Chinese credit – are an unknown weakness and are also pressuring the market. Investment funds recently divested big long positions. The question is whether or not they will see the market as a value and reinvest in commodities. Long-term, the market appears to have additional downside potential. Rebounds should be seen as pricing opportunities for soybeans, corn and wheat.

Wheat is also due a bounce, but huge world supplies will limit potential. The recent price decline has helped pull some export interest to the United States, and any rebound would likely put U.S. wheat in the – maybe – column. This is a very competitive market. Smaller U.S. plantings could give the market a boost, but any bump will likely occur later in the year and will depend on the crop outlook worldwide. July will need to close above \$5.30 to confirm a low. July could still move to the contract low at \$4.84 or perhaps even lower.

Rice is in the process of confirming a temporary low. Unlike soybeans and corn, rice started moving lower in mid-December, when India indicated it would be using existing rice stocks instead of importing. The decline deepened as the grain markets weakened, but a reversal came about two weeks ago. The market has consolidated with a March close of \$14.45, and rice appears to be joining corn and beans in an apparent rebound. A move above resistance at \$14.60 is needed to confirm a bottom. Retracement objectives at \$14.84 and \$15.18 could come into play.

Cotton declines of more than eight cents could have established this year's trading range. Old crop traded down from 76.5 cents to 68.2 cents and could be in the process of making a good rebound. New-crop December moved from 78.25 cents to 70.07 cents. A 50-percent retracement would carry December back over 74 cents. With corn and soybeans sliding lower, cotton could come back into the planting mix with a return to the December high. Time will tell.

Live cattle prices appear to have charted a temporary top, and February could trade back near \$84 before stabilizing. December placements were reportedly down 6 percent from a year ago, but there hasn't been much reaction to the futures reports. Weakness in product values is cutting into packer margins. Low corn prices should give feeders a boost, but gains are currently being limited by weakness in live futures.

The long-term uptrend in hog futures was shattered this week. Since the first of the year, cutouts have been weak, and that's starting to take its toll on futures. However, February is currently trading at a discount to cash, and that will limit the downside for nearby contracts. February has support just below \$64.

In dairy, milk futures settled mostly higher after Monday's steep sell-off, with double-digit increases in the March, June and July contracts. Butter futures continued to fall, but whey futures posted gains. Blocks, barrels and butter all continued to drift lower. Whole milk powder prices in Fonterra's monthly auction slipped for the second straight month, falling 1.6 percent in February to a weighted average of \$1.48 a pound. The relatively small decline reflects a balanced market situation, the company says. The price of anhydrous milkfat on the auction dropped 7.8 percent, to \$1.90. Fonterra will add skim milk powder to the auction starting next month. In December, daily cheese production slipped below year-ago levels for the first time since March 2008. Total cheese output for the month was 862.0 million pounds, down .1 percent from the prior year. Among other products, butter production was down 4.3 percent in December. Nonfat dry milk/skim milk powder output was off 15 percent, and dry whey production was up fractionally.

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