

April 18, 2008

Weekly Review- For the week, corn ended up 18 ½ cents on weather related buying. Strong export sales also played an important role. May soybeans ended up 29 cents for the week. We continue to see South American demand shift to the U.S. and spec buying to keep the corn/bean ratio in balance.

Corn- The corn trade has and will be following every weather forecast with great attention. Without further delays or adverse rain forecasts the market is having and will have a difficult time advancing gains. Dec. '08 corn has found good resistance at \$6.29 ½. (See Chart) A close above this level should spark good buying interest. With good weather and steady planting progress this resistance level could hold through planting season. Planting progress estimates for Monday are ranging from 7-9%. This is behind the average but we could see some good progress over the next week. Late this week, we did see negative news about the ethanol industry. U.S. Ag secretary hinted at the possibility of suspended the ethanol mandate if a drought were to occur. One proposal in the farm bill will reduce the ethanol blending credit by 5 cents. Tight fundamentals will keep the market supported but in the near term trade will keep a close eye on weather and any hint that planting progress is catching up to the average.



Soybeans- Once again soybean trade is supported by many factors. Worry about the Argentina farmer strike has put a lot of support in the old beans. We are seeing China bean and bean oil demand shift to the U.S. Talk is that China could build vegetable oil reserves faster than what was earlier believed. We have seen inter-market spreads of buying beans and selling corn. The speculative community realizes that we could see a switch from beans to corn. This is a switch that we cannot afford to have happen in big numbers. Beans must continue to fight to keep the acres reported in the prospective plantings report. Crude Oil is now trading above \$116, which has added enthusiasm to the bean market. Basis levels are beginning to tighten as the old crop stocks are slowly dwindling away. We are starting to see the tight stocks to use ratio play into our basis. Watch this week's high of \$13.97 on May futures as a level of resistance next week. A close above that would spark further buying next week.

Recommendation- With the weather premium put in the market; look at getting some coverage on corn at these levels. A put option looks great here. Yes, these are expensive but the prices we can lock in our well above your insurance guarantee. Locking beans here is also attractive but we should see these prices stay supported over the next few weeks.

Have a great weekend and I hope to see some planting next week!!