May 16, 2008

Weekly Review- For the week December corn ended 33 ¼ cent lower. Beans had a more positive week with the new crop November contract gaining 45 ¼ cents. Weather and planting progress were the main reasons for the decline in corn. In turn, beans were supported with increased possibility of undecided acres being switched back to corn. Outside markets with Crude making a new all-time high today at $127.82 will provide support.

Corn- Corn struggling most of the week as favorable planting weather and ideas of larger acreage put pressure on trade. Informa Economics released their May planting progress on Thursday. They estimated corn acreage at 87.2 million acres. This is down from their March estimate but still higher than the USDA. This type of acreage would allow us to have a slightly smaller than trend line yield. Fertilizer industry professionals are suggesting that we could see 2+ million acres since the March Planting Intentions. This will weigh on traders minds and should temper buying enthusiasm until the final acres are released. Values have remained in the same range over the last 2 weeks besides one burst through the upside. It seems as though trade has found a level that is near our “demand-rationing threshold” and is waiting to see if weather can push us to levels that warrant demand rationing. Perfect weather until pollination will allow trade to take weather premium out of the market. Trade is currently monitoring Washington officials as hearings about speculative regulation have taken place.

Soybeans- Beans put in a strong performance to end the week. Argentina strike news provides most of the day-to-day direction as news down there is ever changing. I believe there is a lot of risk premium in the market now regarding Argentina. China is looking for cargoes from the U.S. this week. With all of this Argentina talk, lets keep in mind that they need to export about 1.6 billion bu. before the next harvest. This will have to hit the world market at sometime. Trade realizes that more corn acres mean less bean acres. This has supported new crop values greatly. We are starting to see the inverse from July-Nov. become tighter. Look for this to happen as beans try to keep acres. July beans remain in a very choppy range. After today’s trade we are sitting near the top end of that range.

Recommendation- With beans at the high end of the trading range it seems as though making sales here to clean up old crop or extend new crop coverage should be looked at. It is the same story with corn as previous weeks; a put option looks really great here to take some worry out right now.

Have a good weekend!

The ***Professional Edge*** in Commodity Risk Management

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