

June 6, 2008

Weekly Review- Grains had a very strong week as extremely wet weather and outside markets influenced trade. Corn made new contract highs in all contracts and Dec. '08 corn ended the week 51-½ cents higher. Beans ended the week 94 cents higher. Crude oil was the main driving force today as it traded as much as \$11.31 higher at one point. One market analyst predicting \$150 oil before July 4th and tension in Iran was the reason behind the crude strength. All of this happening as BP announced that gasoline stocks are increasing as demand slows?? Looking forward to next week, Monday's Crop Progress Report should show a decline in corn ratings and very little planting completed this week on soybeans. Tuesday morning is the June S&D Grain Summary. This is expected to be a bullish report but we will have to wait and see if the numbers are already priced into the market.

Corn- Traders are once again bullish the corn market after persistent rains have hampered planting and crop conditions. Flooding reported in many areas of the western Corn Belt. Unplanted acres could be as high as 4% on Monday. Using an 86 million acre number, we can equate this percentage to 3.44 million acres. If this acreage does not get planted we will need to see a yield close to 160 or a change in demand to keep projected carryout at current projected levels. Feed usage and export demand should drop to help offset some of the supply problems. Trade is trying to find a level that adequately rations demand. Pork Producers at the World Pork Expo state that we are reaching the rationing level. USDA Ag Secretary Conner saying "We do not have an answer for livestock producers in a weather event." All of this is scary for corn users as we will need to build acreage next year. Trade will be tempered amid CFTC investigations into index speculation. Several articles suggesting the CFTC is closer to classifying the index funds as speculators than many think. Tight fundamentals will not matter if this ruling is made, as it will be a rush to get out of long positions.

Soybeans- Beans had a very strong week as well. Weather has been a concern on plantings as the national planting pace is behind and not a lot of progress was made this week. Forecasts do not look good for bean planting early next week either. Trade is torn between the late bean plantings and the idea that over 1 million acres of unplanted corn could be switched to late planted bean acres. Values closed the day only slightly higher as rumors on the dismissal of the Argentina strike surfaced. This strike will continue to influence trade. The increased export demand will affect our old-crop carryout on Tuesday's report. Eventually the USDA will need to adjust the old-crop carryout in the September stocks report as 2007 production was under-estimated about 50-60 million bushels.

Recommendation- After Tuesday's report look at getting coverage on these levels. This sounds like a broken record but purchasing Put Options at this level is extremely attractive. Corn has made contract highs and beans are set to test them next week as we are getting a lot of weather premium in the market. Make decisions accordingly!

Have a good weekend!!