

June 20, 2008

Weekly Review- Grains had a slight drawback this week on improved weather and lack of fresh bullish news. July corn lost 10-1/2 cents after gaining 81 cents the week prior. December corn made new contract highs quickly on Monday, but were never able to regain those highs as profit-taking hit the pits and December corn ended down 9-1/2 cents on the week. Beans ended the week 27-1/2 cents lower. Informa's release of updated acreage today showed a net increase in corn acres from their May estimate up 200k to 87.4 mil. Soybean acres were down 100k at 73.2 mil acres. This did not have much of an impact on trade overall as surveys were conducted in late May/early June, before major flood problems occurred. Looking forward to next week, Monday's Crop Progress Report should show improvement because of better weather, but unsure how USDA will handle newly flooded Mississippi River regions.

Corn- Bulls ran out of fresh news to push prices higher, profit-taking set in and hindered gains in the corn pits. Flooding in Mississippi River basin having an impact but overall damage not yet assessed. Plans for 9 ethanol plants coming on line in the next year being scrapped. Does this mean we are reaching that "demand-rationing" levels we've been looking for?? USDA Ag Secretary Schafer saying "Everything is on the table," referring to how USDA plans to respond to flooding and acreage problems. Early-out CRP acreage seemingly needed next year to help the S/D balance sheet for 09/10. Sen. Lieberman presenting 3 proposals to congress to curb index fund speculation in commodities. Tight fundamentals will not matter if this ruling is made, as it will be a rush to get out of long positions. USDA will resurvey before June 30 report to show better estimates than original surveys taken pre-flooding. Crude oil traded higher today, adding support to the grains.

Soybeans- Beans were also down this week with across the board commodity selloffs. Trade surprised by Informa estimate of 73.2 mil acres. Clearly trade anticipated lower acreage from USDA May acreage report. Improved weather should advance planting progress to more acceptable levels on Monday's report. Argentina strike continues to influence trade. Food shortages in major cities may bring an end to the strike shortly. Crude supported soy complex today. Talk of regulation of index funds also weighing on the market.

Recommendation- Floor strategies are attractive with the talk of regulating the index funds heating up, which could bring a commodity wide selloff. Long term fundamentals are tight, adding overall support to the markets. Fall 2009 pricing opportunities now available with Floored Averaging contract for fall of 2009, contact a ProEdge consultant for details.

Have a good weekend!!