

**July 25, 2008**

**Weekly Review-** Corn continued its downward trend ending the week 32 cents lower. Corn as fallen over \$2 off its high and is looking for a good level of support. Soybeans also had a rough week and ended 61 ½ cents lower after a technical bounce today. Crude Oil ended down over \$6 and is now down over \$24 from its high printed last week. **(See Chart)**

**Corn-** Corn struggling again this week as funds rushed to exit long positions. Towards the end of the week, we did see end-user buying as this break has allowed them to lock in corn at some profitable levels. I see this as mostly some bottom picking as technical conditions are extremely oversold. It is interesting to look back to last year and see that corn made its '07 low on July 23<sup>rd</sup>. I do not expect a repeat of last year as most private analysts continue to raise yield possibilities. This should pressure the market as we move closer to the Aug. 12<sup>th</sup> S&D report. As we talked earlier, the break in the market has given end-users a chance to lock in inputs. It has also triggered new demand. Verasun announced earlier this week that one of the plants that delayed start-up until market conditions turned favorable would begin operation next week. As demand picks up, we will have to start considering production costs for next year and what levels will spur enough acres into corn production. We could be heading for another wild ride!!



**Soybeans-** Beans also struggled this week, as weather has remained favorable. Many funds were unwinding wheat/bean spreads. This led to heavy selling in the bean pit. The Argentina strike was officially declared over as Congress voted down the export tax. This led to pressure to start the week. Interesting to see beans rebound today with weekly progress expected to improve on Monday. Ratings this high in previous years have resulted in a 42+ bu./acre yield. One private analyst projecting a 40.6 bu. yield this year. That would leave us at demand rationing levels. Over the next few weeks, trade will be watching dry areas of the Delta and the southeast as conditions continue to deteriorate there. The big question mark of this break is how Brazilian farmers are reacting to this. At current currency levels, the incentive to expand bean acres there is dwindling away. As we move closer to the southern hemisphere's planting season this will be an important issue to pay attention to.

**Recommendation-** Livestock feeders should be using this break to get some protection on. The crop does look good and we could move lower but there is a lot of upside risk on grains if an early frost scare is mentioned. Any buyer could look at using some July corn options to look at protecting upside while still leaving downside open. Please call Dan, Keith or I to talk about strategies that fit your operation.

**Have a good weekend!**