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MORNING COMMENTS

MONDAY SEPTEMBER 15TH 2008

**We can easily forgive a child who is afraid of the dark.
The real tragedy of life is when men are afraid of the light
--Plato--**

Saturday September 13th 2008 4:30 AM South Florida Time

AGRICULTURAL MARKETS

Grains – Livestock – Softs

Market Musings..

Pork

After peaking wildly in mid August on Russian buying (and others) , pork cutout prices fell apart by about 15 % in the last two weeks. Most likely that peak represented the peak in the export driven price surge.

Those buyers are not likely to return and in fact may wish to give the stuff back since they were so wildly taken to the cleaners during a panic. While on-going exports are expected to be strong , it appears now that export demand may be waning and some things that may affect this are

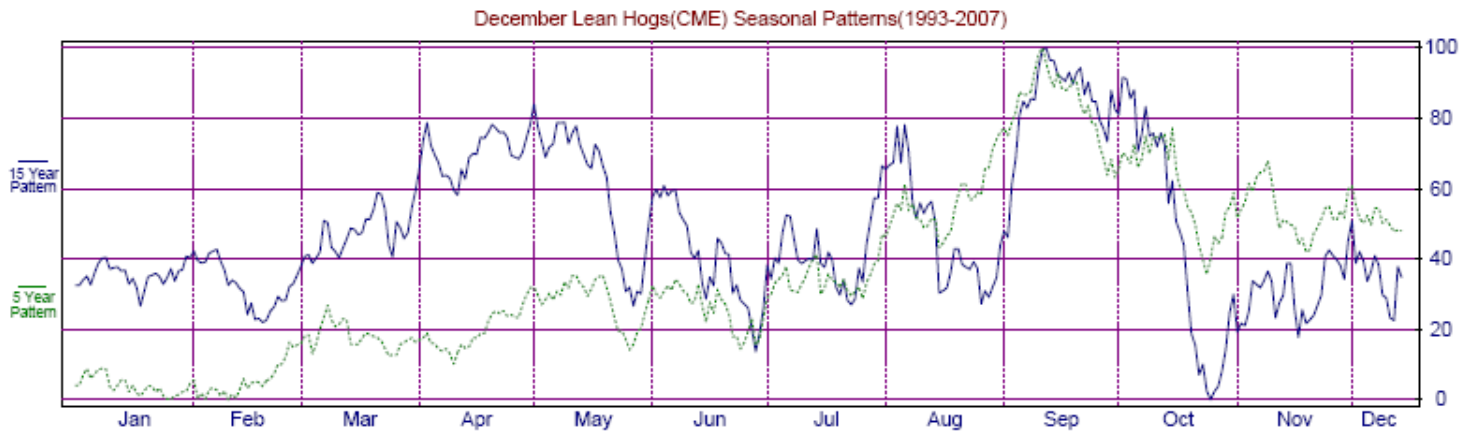
1. The 10 % increase in US Dollar..
2. Chinese rebuilding of its herd post last year's domestic shortages and desire to reduce reliance on food imports.
3. Over buying of food , i.e. general panic by nations concerned with food shortage now have too much (and feel foolish as prices collapse). If you take away the export growth, prices could fall under last years fall lows by 10 %

On Sept 26 the USDA will release the all-important Quarterly Pig Crop . I expect the report will show slaughter in the fourth quarter to be up 2.5 % versus the record slaughter in the fourth quarter of 2007..

If Slaughter for the fourth quarter averages 2.4 million pigs per week , about 70,000 the record high slaughter of 2, 470.000 pigs in December of 2007 , the industry should have enough slaughter capacity to eek by this autumn and Early Winter without real big problems. If there is a slaughter capacity problem from loss of facilitates to increase in pigs the result would be problematic for producers , and that is putting it mildly. Our estimate for the reports breeding herd number is 97 percent of a year earlier. To justify the prices over 7500 to 8000 cents for February a breeding number more like 85% of a year ago , and we are not going to see that..

In fact with the high prices and robust export demand this year (demand that may now wane.), I would not be surprised to see signs of reluctance by producers to decrease the herd. Instead preferring to just bring down the weights of the animals. Weights of live pigs in the Iowa-Minnesota region last week were 259.4 pounds, which is one pound below a week earlier, 5.5 pounds below a year earlier and the biggest decrease year over year since 1983.

The Seasonal tendency for December Futures indicate a decline into the end of October, which may be a drag on both Dec and Feb this year. There is a good chance there will not be any real noticeable decline in supply from the high corn prices until at least early spring. Stay tuned for flashes.



Cow slaughter continues to average above last year It also appear slaughter rate of increase is rising

The quicker the reduction in the herd happens, the quicker cattle prices will increase back to profit levels reflecting the high feed costs. This reduction process can take on a life of its own.. Traders should sell rallies on cattle .. And perhaps just sell .

Friday's USDA's World Agricultural Supply and Demand Estimates (WASDE) included production and carryover estimates for 2008-09 corn and soybeans that were seen as friendly, but within the range of pre-report guestimates. No changes were made to US supply/demand projections for wheat. Corn yields were lowered 2.7 bushels per acre to 152.3. US corn production is expected to be 12.072 billion bushels, down 216 million bushels from the August estimate. Corn ending stocks are projected to be 1.018 billion bushels, down 115 million bushels from the August report. World 2008-09 corn carryover at 109.94 mmt (metric tonnes) is down from the previous estimate of 112.38 mmt and less than the previous year's 123.46 mmt. However, the world corn supply decrease will be offset by use of wheat for feed and other replacements for corn in products..

Soybean production is expected to be 2.934 billion bushels. down 40 million bushels from the August estimate.. The Soybean reports was within the range of pre-report guesses, but lower than the average guess of 2.950 billion bushels. There was no change in the expected soybean carryover of 135 million bushels. Increased production estimates for Argentine production helped increase projected world ending stocks from 49.28 mmt (August estimate) to the current estimate of 51.23 mmt. No changes were made to US wheat supply/demand projections. World wheat production and use is expected to increase significantly. More wheat will be available for feed and food. World ending wheat stocks are expected to rapidly increase from last year's 118.49 mmt to 139.89 mmt.

Over all World grain production is increasing, corn carryover estimates are still above one billion bushels and the soybean carryover projection is unchanged. this suggests the possibility of further downside weakness into harvest time.. While the Charts look mildly friendly , seasonals are bearish and wheat is not doing what it is supposed to do this time of year (rise) and may be a drag on prices across the board. .. Stay tuned for flashes..

Coffee , as previously mentioned in the Bi-weeklies .. Traders should look to buy weakness .. We want to be long into the end of the month and prepare for a increase during October and November.. Coffee has not acted as sloppy as many other commodities and seasonally tends to rise into Early Spring. Stay tuned for Flashes .

THE GRANDE' GRAINS

NOVEMBER SOYBEANS

Resistance at 1232 to 1238.. Beyond that sellers should appear near 1268 to 1274..

Traders can sell at 1267 and hold for lower prices..

Support should appear near 1169 to 1164 and the 1136 to 1130 region

DECEMBER SOYMEAL

Support should appear near 332.8 to 331.9 and the 327.0 to 326.1 region A close under is negative and augurs for a test of 310.2 to 309.2

Resistance should appear near 337.7 to 338.6 and the 342.5 to 344.3 region. Traders can sell at 342.4 and hold for lower prices. Beyond that sellers should appear near 349.3 to 350.3 and cap a rally

DECEMBER SOYBEAN OIL

Resistance should appear near 4845 to 4867 and 4973 to 4995

Support should appear near 4717 to 4695 and the 4650 to 4639 region

DECEMBER CORN

Resistance should appear near $579 \frac{1}{4}$ to $580 \frac{1}{2}$ and the $586 \frac{1}{2}$ to 588 region

Support is at $557 \frac{3}{4}$ to $555 \frac{1}{4}$ and the 543 to $541 \frac{3}{4}$ region

DECEMBER WHEAT

Resistance should appear near $724 \frac{1}{4}$ to $725 \frac{1}{2}$ and $732 \frac{3}{4}$ $734 \frac{1}{4}$.

Beyond that sellers should appear near $748 \frac{3}{4}$ to $751 \frac{1}{4}$

Support should appear near $708 \frac{3}{4}$ to $707 \frac{1}{2}$ and the $691 \frac{3}{4}$ to $690 \frac{3}{4}$ region

THE LIVELY LIVESTOCK

OCTOBER CATTLE

Support should appear near 10137 to 10107 and 10037 to 10022

Resistance is at 10322 to 10363 and 10467

DECEMBER CATTLE

Support should appear near 10362 to 10322 and 10187

Resistance is at 10472 and the 10577 to 10682 region

OCTOBER HOGS

Support should appear near 6592 to 6577 and the 6512 to 6482 region .. Below that a test of 63562 to 6337 is likely

Resistance is at 6657 to 6672 and the 6742 to 6757 region . Beyond that sellers should appear near 6807 to 6837

DECEMBER HOGS

Resistance should appear near 6657 to 6672 and 6742 to 6757

Support should appear near 6512 to 6482 and the 6432 to 6417 region

FEBRUARY HOGS

Resistance should appear near 7412 to 732 and the 7487 to 7512 region

Support should appear near 7257 to 7242 and the 7172 to 7142 region

THE SATISFYING SOFTS

DECEMBER 'THE MONSTER ' COFFEE

Support should appear near 13830 to 13770 and the 13460 to 13340 region.

Traders can buy at 13470 and hold for higher prices..

Resistance should appear near 14150 to 14210 and 14530 to 14590

DECEMBER COCOA

Support is at 2519 to 2511 and the 249 to 2461 region

Resistance should appear near 2612 to 2620 and 2663 to 2673

MARCH SUGAR

Support is at 1383 to 1377 and 1346 to 1334

Resistance should appear near 1415 to 1421 and 1453 to 1459

DECEMBER COTTON

Support should appear near 6350 to 6337 and 6190 to 6165

Resistance should appear near 6483 to 6509 and the 6577 to 6591 region ..

- A Ship in Harbor is Safe...But that is not what ships are built for --

Happy Trading !

Bill

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Saturday September 13th 008

6:00 AM South Florida Beach Time

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Bi-Weekly Investment Outlook

Recommended Open Agricultural Positions 9-13-2008

Short December Soybean Oil 5560

Short November Soybeans 1190 ¼

Short February Hogs 7252

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