



# Dairy Keeper's Barn Report

## June 29, 2009

## Report #14

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**Reference Source:** *Bryce Knorr is Senior Editor for Farm Futures*

**Barn Report Topic:** July Soybeans Remain Star Attraction

After a back-and-forth session on Thursday, the grain market could see more volatility today, with outside markets and uncertain fundamentals adding to options expiration in a potentially combustible mix.

**Corn should try for a stronger open this morning**, following failed rally attempts yesterday. With weather mostly benign and demand firm but unspectacular, corn doesn't have much of a story to tell right now.

That could change Tuesday, depending on results of USDA's planted acreage report. While the trade expects 1 million acres went unplanted, Farm Futures projections show the number could be great. And some believe farmers actually planted more acres than March intentions.

Until USDA settles the score, traders will focus on a blitz of mostly arcane details unrelated to supply and demand. Topping that list is the end to trading today in July options. Futures edged towards the \$3.85 strike overnight, after several attempts this week failed to break \$3.80. Volume was greatest yesterday in the [July \\$3.90 puts](#), with \$3.85 and \$3.90 calls also very active.

Position for first notice day Tuesday could also work into the mix. Only 18 contracts are [registered for delivery](#), with basis firming yesterday as farmers remain only light sellers. [Export Sales](#) totaled 36.9 million bushels for corn, in line with trade guesses and on track with USDA's forecast for the marketing year.

Stocks are seeing a little profit taking today, after a big rally Thursday despite initial weakness from [weekly unemployment claims](#) that increased more than expected. The Dow appeared to be bolstered this week from strong demand for Treasuries that lowered yields, increasing the appeal of stocks. While some investors feared massive offerings of U.S. debt to finance the government's bulging deficits would raise interest rates, those concerns so far proved unfounded.

In response, the dollar is weaker again this morning, giving a boost to most commodities. Some end-of-the-quarter buying could be seen as funds try to dress up balance sheets, with gold benefiting from that type of trade this morning.

Several chances for [scattered showers](#) are expected to move through the Corn Belt through the weekend, with the best totals in the northwest. Temperatures should cool off over most of the growing region, with the two-week outlook cooler and at times wetter according to [weather models](#).

**Soybeans should again be led by the July contract this morning**, which is battling to sustain a move over \$12. The nearby couldn't hold that benchmark yesterday, but climbed back above it during the overnight session.

Open interest in July soybean options saw liquidation yesterday as traders tried to salvage premium value into what could be the start of a volatile delivery period. More than 1,000 July \$12 puts were liquidated, with a little buying seen in out-of-the-money calls.

Registrations for beans and meal remain nil, with strong meal exports helping the tone yesterday. Old crop soybean export continue to wind down, with most of the week's 8.9 million bushels of sales involving new crop. Net bookings of old crop totaled 1 million bushels, largely because a previous sale to unknown destinations was switched to China, more than offsetting cancellations.

November beans closed lower yesterday on bear spreading, as the trade debates how many additional bean acres will be planted this year. The trade generally expects at least 2 million, and Farm Futures sees up to 3.5 million more than March intentions if weather holds. Illinois farmers have had better conditions for seeding this week, helping them finally get caught up.

Crude oil prices are higher this morning on more concerns about disruptions to production in Nigeria. That helped firm vegetable oil prices in Asia today.

**Wheat could see a little light buying on the open this morning**, though traders could be ready to fade rallies on fears of prehedging ahead of an active harvest weekend. Options expiration could also provide that basis for some fireworks.

Volume in wheat pulled back yesterday after several very active sessions. Still, almost 45,000 contracts remain open in Chicago July futures, twice the number seen a year ago. And wheat traded more contracts than July soybeans overnight, and almost as many as corn.

While weekly export sales totaled just 13.5 million bushels Thursday, slower prices are beginning to attract more demand out of Asia, where Australian supplies are limited. South Korea bought another 860,000 bushels of U.S. wheat today.

Showers yesterday focused in South Australia, with areas in the east and west picking up some rain today. Argentina is seeing a few light showers this morning, with better chances for rain next week, though totals look light for drought-stressed fields.

Futures on milling quality wheat were down fractionally in early European trading.

<b>Weekly Export Sales (million bushels)</b>										
<i>AS OF WEEK ENDING</i>										<i>6/18/09</i>
	<b>Actual</b>	<b>Est.</b>	<b>Last Week</b>	<b>USDA F'cast</b>	<b>Export Ship-ments</b>	<b>USDA F'cast</b>	<b>% of USDA Commit.</b>	<b>Ave.</b>	<b>% of USDA Ship-ments</b>	<b>Ave.</b>
<b>Wheat</b>	13.5	11.0	9.9	14.4	12.0	16.7	94%	90%	82%	75%
<b>Corn</b>	36.9	35.4	44.9	5.4	40.9	41.1	79%	71%	56%	55%
<b>Soybeans</b>	8.9	9.2	7.4	0.1	13.9	2.6	90%	92%	78%	82%

*Source: USDA, Reuters*

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