

Pro Farmer

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United We Stand



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News this week...

Page 2: Pork product problems.

Page 3: A new climate for climate-change bill.

Page 4: Time is right for a trend change.

We'll see you in Des Moines July 12-15!

Now is the time to sign up for the 2009 *Leading Edge Conference!* All your PF editors will be there to answer your questions — along with consultants Jim Wiesemeyer, Michael Cordonnier and Dr. Vince Malanga. Call now for details! 1-800-772-0023

Crop Tour Time!

The PF Midwest Crop Tour is Aug. 16-20. To participate, call 1-800-772-0023.

Another 'must-watch' late-June event!

On *News page 4*, we detail trade expectations for the June 30 USDA reports. Another must-watch event: Argentina's June 28 national elections. Opposition party candidates could win Congress and unwind President Kirchner's anti-ag agenda.

Corn refocused on crop conditions; livestock can't 'buck' demand — *The corn crop is late, but it's in generally good condition. With USDA's corn crop ratings besting year-ago, the corn market is having a tough time attracting fresh buying interest. Heck... crude oil futures traded sharply higher and the dollar traded lower June 25, but corn futures still traded lower. That's solid evidence traders are now focused on the lack of a threat to 2009 U.S. corn yields. Soybean futures saw bullspreading again last week with tight old-crop supplies supporting nearby futures and the threat of a bulging new-crop pressuring November futures. Wheat was caught in the middle, but bulls couldn't beat back expected hedge pressure as the HRW harvest moved into Kansas. Cattle futures remain range-bound, even with the "promise" of tighter supplies later this year. Hogs will see supplies tighten as well, but prices won't turn higher until pork product prices rally (see *News page 2* for details).*

Leaders predict narrow cap-and-trade win

The House needs at least 218 votes (Democratic leaders are pushing to get around 230) to pass controversial climate change legislation. Democratic leaders June 25 claimed they had the votes to win passage, which could be voted on Friday or Saturday. "Well, you never know until you take the vote, but we are making progress, and I'm very pleased," said House Speaker Nancy Pelosi (D-Calif.).

Obama supports passage —

President Obama pushed for passage of the climate-change bill in a speech from the White House Rose Garden, noting the legislation would translate into new jobs in the clean-energy industry and reduced reliance on foreign oil. "The energy bill before the House will finally create a set of incentives that will spark a clean-energy transformation of our economy," Obama said, adding: "Make no mistake: This is a jobs bill."

For more on the bill, see *News page 3*.

Bill ignores one important issue —

The issue is simple — some climate-watchers simply don't believe climate change is man-made. And they certainly don't believe initiatives in the bill will reduce greenhouse gas (GHG) emissions.

Oh... and there's the cycles —

More than a few well-respected climatologists continue to argue climate changes are long-term weather cycles, with a few of these climatologists now predicting (based on sunspot activity) the earth is set to cycle toward global *cooling*.

Get ready for June 30 reports from USDA

News page 4 has the pre-report trade expectations for the Quarterly Grain Stocks and Acreage Reports coming June 30 from USDA, along with expectations for the June 26 Hogs & Pigs Report.

Not much grower interest in ACRE

You've got until Aug. 14 to sign up for the Average Crop Revenue Election (ACRE) program. With about 1.3 million farms eligible, just 946 ACRE contracts were signed as of June 24. The ACRE "hurdle" many growers are refusing to jump: *Giving up 20% of direct payments to "pay" for ACRE* when they're already buying crop insurance and/or revenue coverage. Plus, corn and soybean growers see little chance of a payment.

	ACRE Price Analysis		
	Guaranteed price	Trigger Price (90% of guarantee)	2009-10 (USDA proj.)
Corn	\$4.20	\$3.78	\$4.30
Soybeans	\$10.05	\$9.05	\$10.00
Wheat	\$6.67	\$6.00	\$5.40

ANOTHER ISSUE: The "double trigger" on payments. For more on ACRE, check the Jan. 24, 2009, *Pro Farmer* or go to the *Pro Farmer* newsletter archives at www.profarmer.com, and download [pfv37i4.pdf](#).

Some feedlots may have to check GHGs

June 25, the Senate Appropriations Committee approved Fiscal Year 2010 funding for the Interior Department. In the bill, Sen. Sam Brownback (R-Kan.) offered an amendment that would have exempted all livestock feedlots from reporting GHG emissions. The fear, he said, is it will lead to a "cow tax." Sen. Dianne Feinstein (D-Calif.) countered with an amendment to exempt all but the largest facilities, which passed on a party-line 18-12 vote.

China challenging U.S. over poultry trade

China will request a WTO dispute panel to look into provisions in a U.S. spending bill that maintains a U.S. ban on Chinese poultry imports. With the current Congress leaning toward protectionist on many trade issues, the U.S. National Chicken Council called the request "appropriate."

Crop Comments
from AgWeb.com:

Stearns Co., (C) Minnesota:
"Timely rains and warm weather have helped corn and soybeans really grow. Corn is knee-high to waist-high. Soybeans should be canopied by the weekend. Herbicide worked great this year considering it was dry early on. We've also got excellent roots this year."

Shelby Co., (WC) Iowa:
"Corn looked excellent until the afternoon of June 23 — green snap."

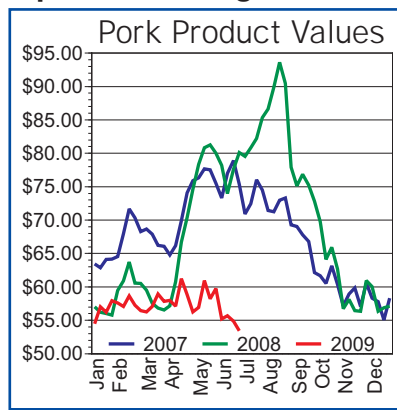
Lee Co., (SE) Iowa:
"Rain over the weekend (June 20-21), then good on June 22 and half of June 23... then more storms. We were mudding in beans before high winds came and more rain. We ran the sprayer on June 23 and left six-inch track in beans. We have had nearly 29 inches of rain since Jan. 1."

Wood Co., (NW) Ohio:
"We received 3 inches of rain June 19... an inch-and-a-half came in 15 minutes. I had started to cultivate late-planted corn to loosen heavy clay soils... four days later the crops are showing the adverse effects of too much water."

Northwest North Carolina:
"Corn crop looks outstanding... weather is great with warm temps and timely rains."

Pork product prices feeling impact of slacking demand

Pork product prices failed to post a seasonal spring rally in 2009, but are already into a seasonal summer price slide, following the timing of the 2007 market. Last year, pork prices saw a counter-cyclical rally on support from initial signs of sow herd liquidation and the threat of eventually tightening pork supplies. This year's June Quarterly Hogs & Pigs Report is expected to also indicate tighter supplies ahead (see *News* page 4 for details of trade expectations). Slow demand (export and domestic) will continue to limit upside price potential in pork



product prices, also limiting upside price potential for cash lean hogs as packers look to move cutting margins back into the black.

June Cattle on Feed Report signals tightening supplies

Feedlot inventory continued to tighten in June on a combination of slower-than-expected May Placements and as-expected May Marketings.

	USDA actual	Trade expected
	(% of year-ago)	
On Feed	96%	96.7%
Placed in May	86%	87.7%
Mkted in May	91%	90.9%

The only feeder calf weight category that showed an increase in Placements over May 2008 were the lightweights — calves weighing 600 lbs. and less (up 16%). Six-weight Placements were down 12.9%; 7-weight Placements were down 23.4% and heavyweight Placements were down 27.7%.

PERSPECTIVE: The weight breakdown on calf Placements signals 4th-quarter 2009 fed cattle supplies will likely tighten sharply from year-ago. *That's one of the most price-supportive supply side signals this market has seen in quite some time!*

Much of that support for live cattle futures, however, has already been factored into prices. With August futures at \$82.50, October futures are trading at a nearly \$6 premium to August; December futures are trading at a \$6.50 premium; February 2010 futures are at a \$7 premium to August.

Dr. Cordonnier holds U.S. corn/soybean crops steady

"The corn crop couldn't do much better in many parts of the western Corn Belt and I think the western Belt could be poised for very high yields," says *PF* crop consultant Dr. Michael Cordonnier. "My one concern is the drier conditions in Minnesota and South Dakota... both states are running 25% to 30% short to very-short on moisture."

Dr. Cordonnier puts the national average corn yield at 153 bu. to 155 bu. per acre, steady with his week-ago pegs.

On soybeans, he says, "In years like this, just looking at the crop condition rating is not enough to get a complete picture of the crop — you must also look at the development pace of the crop compared to the calendar. A good-looking crop this late in development is generally going to have a lower yield potential than a good-looking crop that was planted early."

His biggest concern is the unplanted acres in the eastern Corn Belt, especially in Illinois (see *News* page 4 for more).

Dr. Cordonnier puts the national average bean yield at 42.5 bu. to 43.0 bu. per acre — unchanged from week-ago. But, he sees bean plantings at 78 million acres, 2 million more than in the Prospective Plantings Report.

Sow kill very likely to increase in weeks ahead

"If I wanted to liquidate sows right now, I'd basically have to make a reservation at the packing plant!" That comes from an Illinois feeder pig producer that is now doing just that — liquidating his sow herd.

Year-to-date, sow slaughter is below last year's herd-trimming pace. That, however, may change soon. University of Missouri ag economists Glenn Grimes and Ron Plain have estimated 5% to 10% of the sow herd must be liquidated to reduce pork supplies enough to get prices high enough to return to breakeven for hog finishers.

Time to book some fertilizer for 2010 crop year

Across the Corn Belt, fertilizer prices have "settled back" to more affordable levels. Anhydrous ammonia in northeast Iowa is under \$375 per ton; Ohio anhydrous is still at about \$430 per ton. Both are down sharply from last fall's \$1,000-plus prices.

DAP prices are also around \$400 per ton across the bulk of the Corn Belt — down sharply from last fall's \$900-plus prices.

Potash prices are still a bit "sticky" at the highs... just as we've warned. While the supply lines on nitrogen and DAP have been refilled, potash supplies are being managed very tightly — prices are currently around \$700 per ton across the Corn Belt, down from last fall's \$1,100-plus prices.

We just don't see a lot of downside potential in fertilizer prices from this point. And, at last winter's *Profit Briefing Seminars*, we detailed our outlook for a "June low" in fertilizer prices. With June nearly over, fall bookings will begin to "tighten supplies" for this fall. If you haven't checked with your fertilizer dealer on fall prices, do so now. At least get the conversation started on bookings... and if your prices are similar to prices detailed above, don't hesitate to start booking fall needs now.

China to scrap export taxes on soybeans, wheat and rice

China's Ministry of Finance announced export taxes on a list of items will be cut or scrapped from July 1 in an attempt to help domestic producers ease an oversupply. Soybeans, wheat and rice will see their export taxes removed.

PERSPECTIVE: This is how China "trades" grains in the cash market. It imports in an environment that discourages exports, then lifts the restrictions on exports and "redirects" shipments from the U.S., Brazil and Argentina to other destinations. In effect... the beans China may export could be U.S.-origin beans. While this has a negative psychological impact on price action, most of the beans already booked for export will be shipped. If purchases are "canceled," those sales could be moved ahead to the 2009-10 marketing year.

Chinese imports will slow —

If we can "trust" what China's Commerce Ministry says, Chinese bean imports (from all origins) in June will be 4.34 million metric tons (MMT), down 280,000 metric tons (MT) from the agency's earlier estimate. (That's about a 10.25-million-bu. drop in estimated imports.)

Too much speculation in CBOT wheat market

That's according to a Senate probe into the activities of long-only index funds and the role they played in the wheat market. Specifically, the investigation noted the lack of convergence (cash market and front-month futures contract "coming together" during delivery periods) as evidence of the influence of speculation in wheat trade. One of the probe's recommendations is to limit positions index funds can hold on the long side of the market.

PERSPECTIVE: We'll watch this one closely. If spec position limits are lowered, it could force liquidation and "undue" price pressure on wheat. Go to our new web site (www.profarmer.com) for more on this story.

Checking the climate of climate-change legislation

Just like the climate in a cornfield, the climate that sprouts legislative proposals changes. Such is the case with cap-and-trade legislation making the rounds in the House, with a more cloudy (and stormy) outlook for the Senate.

Controversial measures mean there are different sides to the issue, so below we provide some of what opponents and proponents of the major legislative initiative are saying:

• **PROPONENT**, COLLIN PETERSON (D-MINN.), HOUSE AG CHAIRMAN: Without the bill, he sees no way to prevent EPA from moving ahead with onerous new regulations on ethanol production. "That's one of the reasons I'm going along with this," he said. "This is a huge deal to get it out of there, and I don't think we'll ever get it out any other way."

• **PROPONENT**, PRESIDENT BARACK OBAMA: Peterson said there is some urgency to pass the bill now so Obama has something to take with him to the G8 summit next month. "He wants something in hand to show those other people what we're working on," he said. "This is not becoming law" yet, he said. "I can guarantee that this thing is going to be further refined in the Senate."

• **OPPONENT**, AMERICAN FARM BUREAU FEDERATION: The nation's largest organization representing farmers voiced continued strong opposition to this legislation, calling it "seriously flawed" and "detrimental to U.S. agriculture." Farm Bureau says the bill would "...force agriculture and other productive sectors of our nation's economy into a position of severe competitive disadvantage with trading partners like China and other nations who will not burden their economies to control carbon emissions."

• **ISSUE MADE BY OPPONENTS:** Republicans say, "Farmers and ranchers spent \$60 billion on fuel, electricity, fertilizer and chemicals in 2008 and for some crops, those energy-intensive inputs account for more than 70% of production costs. There is no debate that each of those inputs will increase in price under House Speaker Pelosi's (D-Calif.) national energy tax. An agriculture offset program — no matter if it is administered by USDA or EPA — will allow farmers to recoup a fraction of their increased production costs. The Heritage Foundation recently estimated farm income would drop \$8 billion in 2012 and \$50 billion in 2035 and that offsets will make-up for less than 10% of this lost income."

• **ISSUE MADE BY OPPONENTS:** Republicans add, "Many farmers will not be able to participate in an offset program, and will simply be stuck with significantly higher energy costs. Some crops like fruits, vegetables, rice, cotton and potatoes are simply not suitable for no-till or other farming practices to sequester CO₂ in soil. The start-up costs to purchase the necessary equipment to engage in farming practices potentially eligible for an offset can be cost prohibitive, with some equipment costing more than \$1 million. And, a new analysis by EPA projects virtually zero potential for soil sequestration."

• **ISSUE BY PROPONENTS AND OPPONENTS:** Peterson highlighted new language that the EPA will have no ability to regulate farmers and ranchers via the climate change bill. But opponents note the 1,200-page bill has more than 800 references to the EPA or the EPA Administrator and includes the phrase "the Administrator shall" 274 times. In addition, for just the cap-and-trade section of the bill, EPA is required to produce more than 60 rule-makings, agency and regulatory actions or reports. In contrast, USDA and "agriculture" appear a total of 12 times. "Make no mistake, the EPA is the top cop on the beat," say the opponents.

• **ISSUE BY PROPONENTS AND OPPONENTS:** Peterson stresses the compromise he made with Democratic leaders disallows EPA from considering international indirect land use changes "outside the renewable fuel feedstock's country of origin" for at least five years. It provides for the National Academy of Science, EPA and USDA to study international land use change further and to make a determination for how to account in five years. And, it exempts pre-December 19, 2007, biodiesel facilities from lifecycle analysis, similar to the corn ethanol exemption. But opponents say the "deal" simply kicks the can down the road by delaying the rule for five years by having EPA and USDA jointly study the issue. They note that separate legislation Peterson introduced (HR 2409) permanently prohibited EPA from using indirect land use changes in the calculation of lifecycle greenhouse gas (GHG) emissions.

Northeast Arkansas:

"Corn is starting to tassel, but it is short. Cotton crop is very late. Soybeans are still in the bag to knee-high on the highest ground. Rice is also very late due to wet weather. But, with temps close to 100 degrees, we will be irrigating crops by the end of the week. The wheat crop averaged 55 bu. per acre."

Bartholomew Co., (C) Indiana:

"What a year! We finally got our corn and beans planted and now can't get the nitrogen on. Corn on good black ground is yellow because of too much rain and needing anhydrous. Corn in the same field ranges anywhere from 6- to 30-inches tall. No-till soybeans need to be sprayed, but it is way too wet."

East-central Illinois:

"No planting progress with another 5.75 inches of rain this week. Crop losses are getting bigger every day. Flood water followed by a hot sunny day is cooking the crops... then we get more rain. There are a lot of unplanted acres here... and even more to the south."

Van Buren Co., (SE) Iowa:

"We are in the very minority of Iowa that is struggling to get plantings finished. Acres to be planted shrinks every day... not because of progress, but because of abandonment."

Time is right for trend-changing data

by Editor Chip Flory

It's "that" time of the year... not only are traders and crop watchers trying to assess yield potential on a very young corn and soybean crop, USDA is also set to deliver a round of potentially trend-changing data. June 30, USDA will update Quarterly Grain Stocks and release the June Acreage Report.

But leading up to that key data, USDA's weekly Crop Condition updates are now attracting more of the trade's attention — and even the Crop Progress Report is still an important weekly update.

And the hog market will get important inventory data, setting the stage for upcoming price action in the hog market and giving corn and soybean meal traders a clue to upcoming feed-market demand.

Quarterly Hogs & Pigs Report —

The U.S. hog inventory is headed lower... and traders are looking for the pig factory to contract significantly from year-ago levels. A slight contraction in the pig crop from year-ago is expected to translate into a 1.4% to 2.3% drop in market hog supplies in the months ahead.

	Average guess	Guess range
	(% of year-ago)	
Inventory		
All H&P	98.1%	96.7% - 99.0%
Kept for Breeding	97.6%	96.2% - 98.5%
Kept for Marketing	98.0%	96.7% - 99.1%
Pig Crop		
March-May	99.1%	97.0% - 100.8%
Pigs per litter	101.8%	101.0% - 102.2%
Farrowings		
March-May	97.3%	96.0% - 99.0%
Farrowing Intentions		
June-August	96.7%	95.0% - 99.0%
September-November	97.5%	94.0% - 99.2%
Market Hog Inventory		
Under 60 lbs.	98.2%	97.0% - 99.0%
60 lbs. to 119 lbs.	97.7%	96.7% - 98.6%
120 lbs. to 179 lbs.	97.7%	96.2% - 99.0%
180 lbs. and over	98.6%	96.1% - 101.2%

The after-presstime report will help set the tone for lean hog trade June 29. However, traders remain very focused on pork demand and price action in the pork product market. Be sure to check www.profarmer.com for report details.

Weekly Crop Progress Report —

We aren't ignoring what's happening in other states, but traders are focused on soybean planting progress in Illinois. As of June 21, Illinois had just 79% of the bean crop planted, compared to a five-year average pace of 96%. In the March 31 Prospective Plantings Report, USDA put Illinois bean plantings at 9.1 million acres. That means that as of June 21, 1.91 million intended bean acres were still unplanted in Illinois. And while these will be full-season beans, the yield on these late-planted crops will be more like double-crop.

Weekly Crop Condition Report —

Corn crop condition improved slightly in the week ended June 21, according to the latest Crop Condition Report. The percent of the U.S. crop rated "good" and "excellent" was unchanged from the previous week at 70%, but 3 points moved up from a "good" rating to "excellent." Partially offsetting that increase was a jump in the crop rated "poor" and "very poor." In the week ended June 14, just 5% of the U.S. corn crop was in the bottom two condition ratings; that increased to 7% in the week ended June 21.

In the state-by-state breakdown, Iowa's corn crop is rated 81% "good" and "excellent." Illinois' corn crop is rated 51% "good" and "excellent."

In the June 21 soybean condition rating, USDA said two-thirds of the U.S. crop is rated "good" and "excellent," compared to 66% the previous week and 57% at this time last year.

June Acreage Report —

Everybody expects this June 30 report to be the "market-mover" for the day. Ahead of the report, traders expect corn plantings to be estimated at 84.158 million acres, down from USDA's Prospective Plantings estimate of 84.986 million acres. (Trade's guess range on corn plantings is 82.474 million to 86.0 million acres.)

On soybeans, traders expect plantings of 78.305 million acres, up from March intentions of 76.024 million. (Guess range of 75.3 million to 79.631 million acres.)

Spring wheat acres are expected to tally 13.102 million, down from March intentions of 13.304 million. Durum acres are expected at 2.403 million (2.445 million in March) and all-wheat seedings are expected at 58.337 million, down from March intentions of 58.638 million. (Guess range: 57.6 million to 58.8 million acres.)

There are, however, some "serious unknowns" going into the Acreage Report. While growers may have intended to finish plantings when the survey for the June Acreage Report was issued, growers in North Dakota, northwest Minnesota, some spots in the eastern Belt and Missouri are now more inclined to go with the prevent-plant provisions on some of those intended acres.

Quarterly Grain Stocks Report —

Grain stocks are a "sleeper." Traders typically have a tough time anticipating this report, which means *somebody* is almost always surprised. Any estimate "too far" from the average pre-report trade guess will signal either stronger-, or weaker-than-expected use.

	Average guess	Guess range	March 1 2009	June 1 2008
	(million bushels)			
Corn	4,190	4,064-4,321	6,958	4,028
Soybeans	586	559-620	1,302	676
Wheat	670	640-687	1,037	306

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CATTLE

Position Monitor

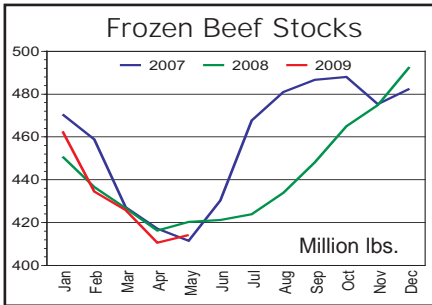
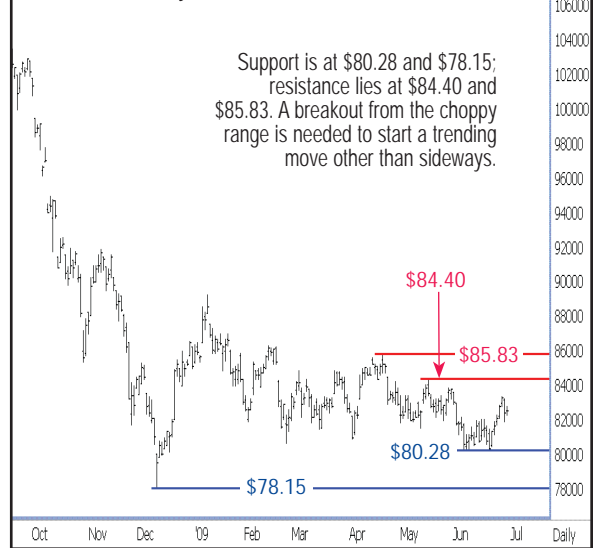
GAME PLAN:	Feds	Feeders
While the cattle market is spinning its wheels trying to get traction, the downside is limited by relatively tight supplies. As a result, continue to carry all risk in the cash market unless economic concerns heighten.	II'09 0%	0%
	III'09 0%	0%
	IV'09 0%	0%
	I'10 0%	0%

Fundamental analysis

Supplies are not the problem in the cattle market. That was highlighted once again in USDA's monthly Cold Storage Report, which showed beef stocks under year-ago levels. Given financial constraints, demand remains the concern for the cattle market. Until the economy recovers enough where consumers are more actively buying expensive cuts of beef, cattle futures will struggle to find sustained buying interest. Fortunately, there won't be heavy downside pressure from the supply side. So while the upside is limited by the lack of demand, especially for top-end cuts of beef, the downside is also limited. The end result: Cattle futures will continue to chop in a sideways pattern as traders will buy weakness and sell strength.

Daily August Live Cattle

Trend is sideways.



HOGS

Position Monitor

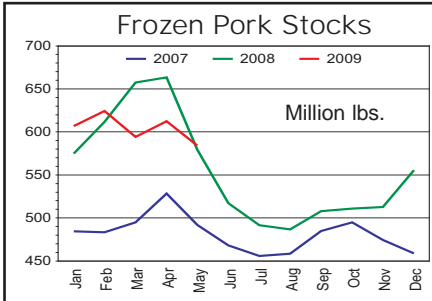
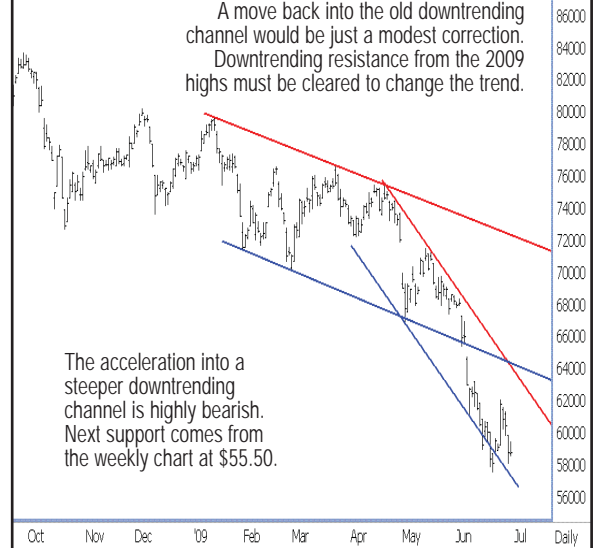
GAME PLAN:	Lean Hogs
Poor fundamentals and negative attitudes open more near-term downside price risk. Short-term corrections are hedging opportunities as traders will continue to view any strength as a selling opportunity until attitudes change.	II'09 0%
	III'09 0%
	IV'09 0%
	I'10 0%

Fundamental analysis

The inventory of frozen meat stocks at the end of May wasn't as hefty as feared. In fact, total pork stocks declined by 4.6% from April and came in just above year-ago. But with demand concerns — both domestic and export — pork supplies are very likely to trend above year-ago through the end of the year. Plus, an expected uptick in sow slaughter amid herd liquidation would put more pork on the market near-term. All of the pork supplies will eventually move through the system, either through consumer demand or government purchases. But with slackened demand, it's going to take lower prices to move the product. Falling pork prices are putting pressure on packer margins, which is pressuring cash hog bids and lean hog futures.

Daily August Lean Hogs

Trend is lower.



FEED

Feed Monitor

Corn	Meal
II'09 50%	II'09 100%
III'09 0%	III'09 0%
IV'09 0%	IV'09 0%
I'10 0%	I'10 0%

CORN GAME PLAN: 50% of 2nd-qr. corn-for-feed needs are covered in the cash market. Remain hand-to-mouth on additional needs unless there is a summer weather/crop threat.

MEAL GAME PLAN: 100% of 2nd-qr. meal needs are covered in the cash market. Given bearish new-crop fundamentals, it's likely prices will break during the third quarter. As a result, no extended cash coverage is advised at this time.

Daily August Meal

Trend is up.



CORN

Position Monitor

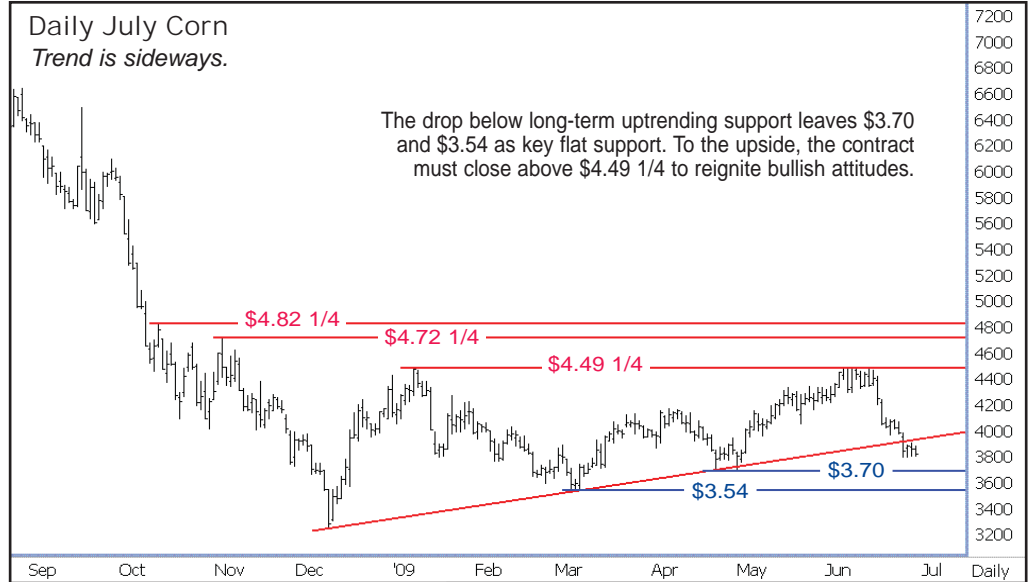
	'08 crop	'09 crop
Cash-only:	85%	35%
Hedgers (cash sales):	85%	35%
Futures/Options	0%	0%

GAME PLAN: Old-crop sales for cash-only marketers were pushed to 85% June 19. Hedgers and cash-only marketers increased new-crop sales by 15% that day to get to 35% forward priced on expected 2009-crop production via hedge-to-arrive contracts. Remaining old-crop stocks will wait to see if there's a summer weather rally, while new-crop sales are comfortable for now given bullish long-term fundamentals.

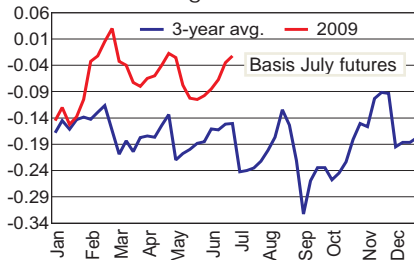
Fundamental analysis

The first major heat wave of the growing season hit the Corn Belt. But the presence of heat was price-negative as it promoted crop development. Given plentiful soil moisture supplies, the corn crop can withstand a brief period of heat. But a prolonged heat wave would eventually become price-positive, especially if high temps are seen during the pollination period. Given the wide range of development of the crop, pollination won't come in the typical short window this year. That means weather focus will be heightened throughout July and into early August. Increased focus on the weather would be seen if USDA's June 30 Acreage Report shows corn plantings under expectations, as carryover is already projected to tighten significantly during the 2009-10 marketing year.

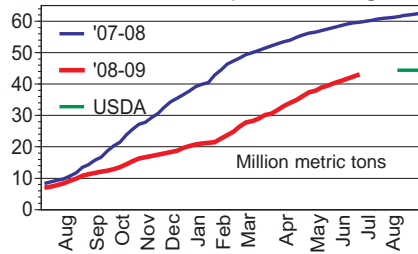
Daily July Corn
Trend is sideways.



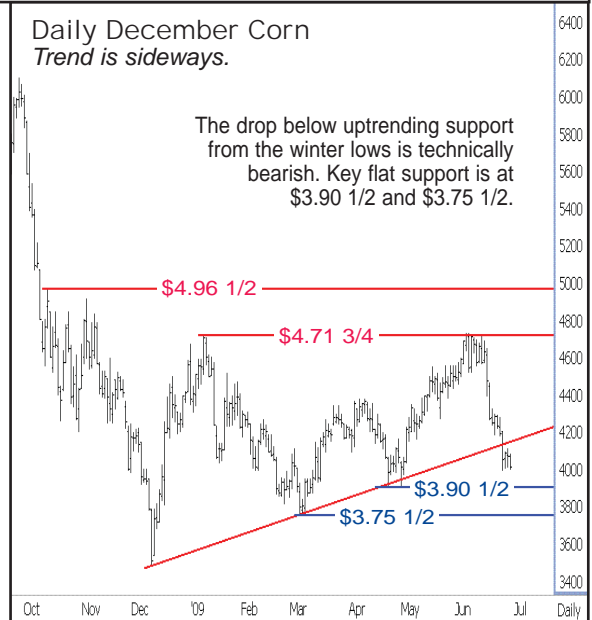
Average Corn Basis



Total Corn Export Bookings



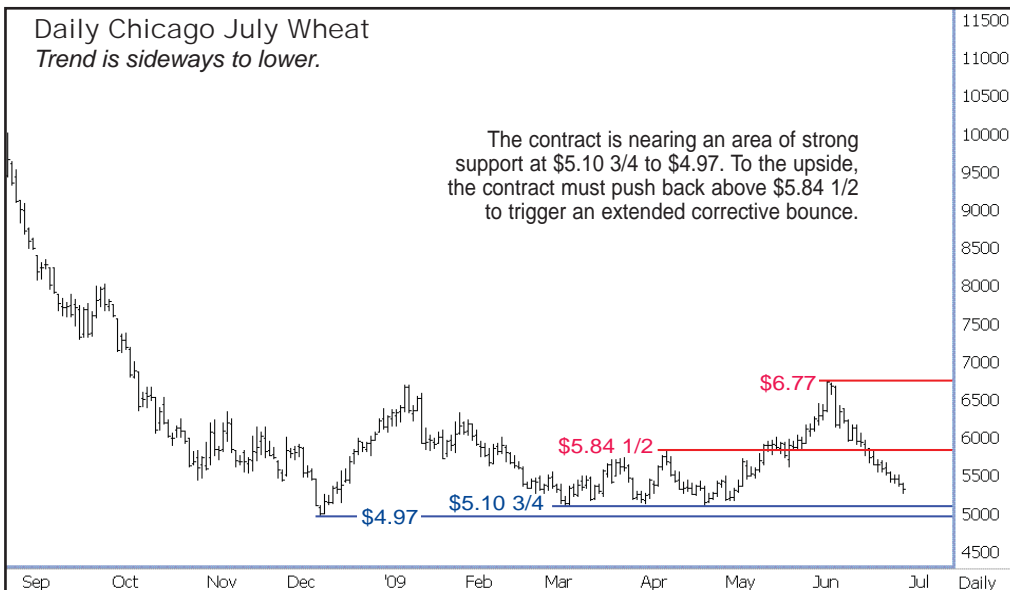
Daily December Corn
Trend is sideways.



WHEAT

Daily Chicago July Wheat
Trend is sideways to lower.

The contract is nearing an area of strong support at \$5.10 3/4 to \$4.97. To the upside, the contract must push back above \$5.84 1/2 to trigger an extended corrective bounce.



Position Monitor

	'08 crop	'09 crop
Cash-only:	100%	65%
Hedgers (cash sales):	100%	65%
Futures/Options	0%	0%

GAME PLAN: Wheat producers increased sales by 15% June 19 and another 15% June 22 to get to two-thirds priced on 2009-crop. Additional sales will wait for now.

Fundamental analysis

SRW: U.S. wheat is currently \$60-plus per ton above Black Sea origin prices. In a global environment where money/credit is tight, it's hard to sell a lot of product at that much of a difference. Unless wheat gets strong spillover support, it will be hard to generate near-term price strength.

SOYBEANS

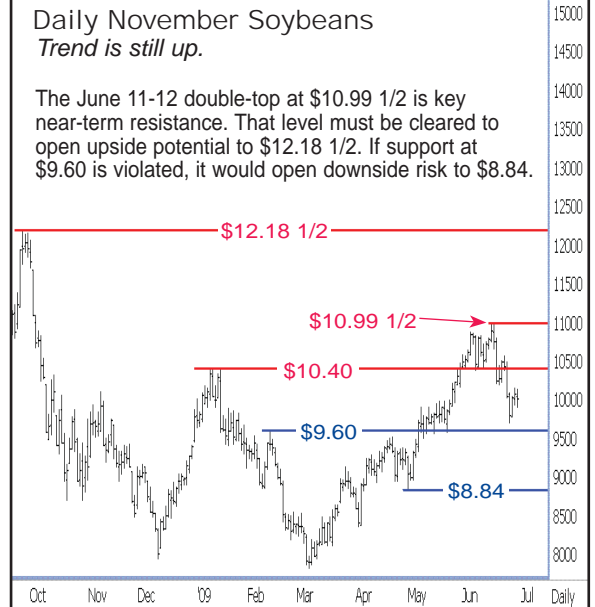
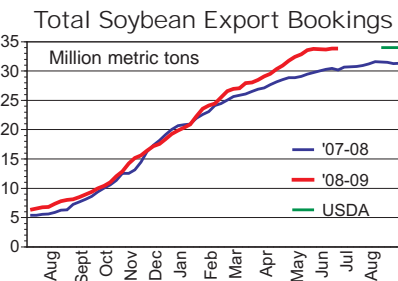
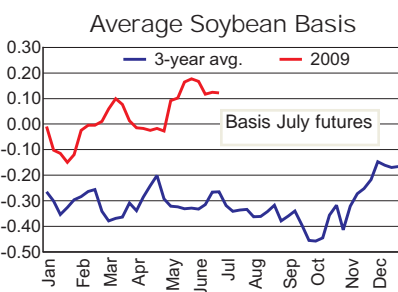
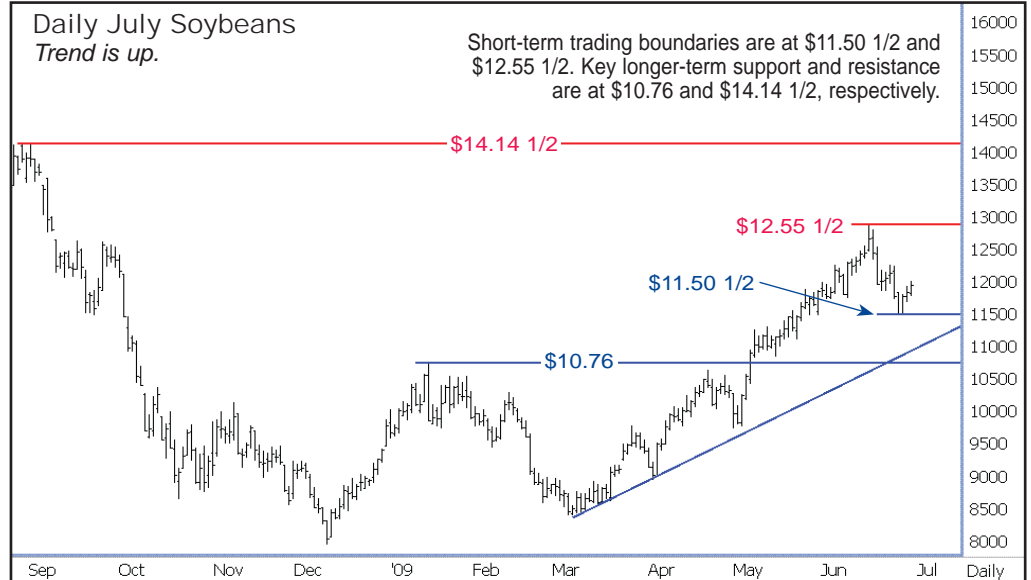
Position Monitor

	'08 crop	'09 crop
Cash-only:	90%	35%
Hedgers (cash sales):	90%	35%
Futures/Options	0%	0%

GAME PLAN: Hedgers and cash-only marketers trimmed old-crop gambling stocks to 10% by making a 15% sale June 22. Hedgers and cash-only marketers also made a 15% 2009-crop forward contract sale to get to 35% forward priced on expected new-crop production that day. Remaining old-crop stocks will be held to see if the market has one more rally, while new-crop sales are comfortable for now.

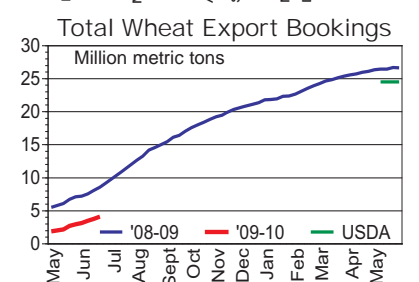
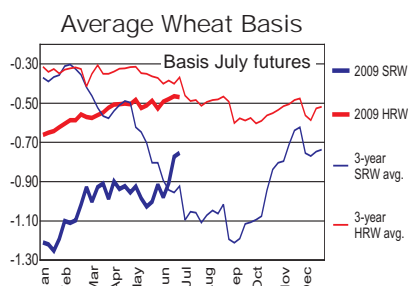
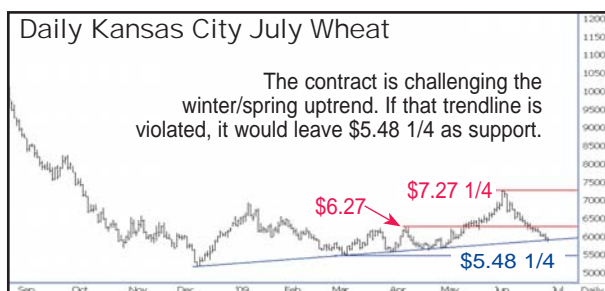
Fundamental analysis

After a corrective pullback, bull spreading has returned to the soybean market. Tight old-crop supplies remain the key fundamental driver in the soybean market, which should continue to limit near-term downside selling pressure — unless China actively cancels U.S. soybean purchases. After USDA updates the soybean planted acreage estimate June 30, however, fundamental focus could start to gradually shift to new-crop fundamentals. While the soybean planting pace is late, especially in Illinois, new-crop fundamentals aren't nearly as friendly as acreage is up and carryover will rise in 2009-10. But while USDA's updated acreage estimate will be a reminder of increased soybean plantings, full focus on new-crop fundamentals won't likely be seen until after the crop moves through the key August time frame.



HRS: Warmer temps in the Northern Plains are boosting crop development after a slow start. Given the lack of a serious crop threat, Minneapolis wheat futures have lost traction and the near-term path of least resistance will remain pointed down unless spill-over support is strong.

HRW: Hot, dry conditions are speeding up harvest progress in the Plains and putting seasonal pressure on the market. While yields in the far Southern Plains are poor, better-than-expected yields are being reported in parts of Kansas. Seasonal pressure is likely to persist until harvest moves past the halfway point.



COTTON

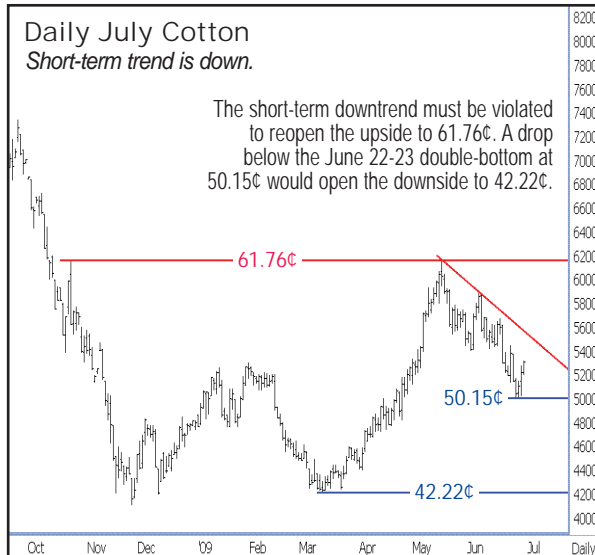
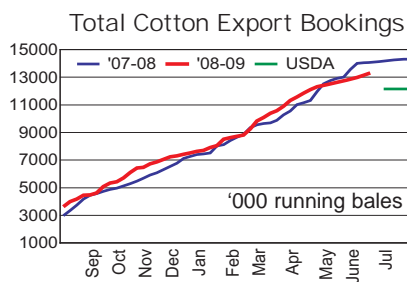
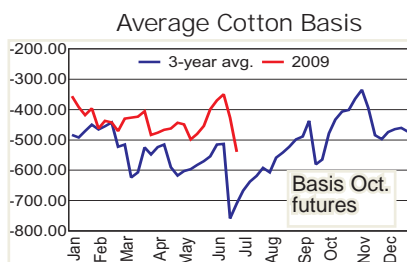
Position Monitor

	'08 crop	'09 crop
Cash-only:	100%	0%
Hedgers (cash sales):	100%	0%
Futures/Options	0%	0%

GAME PLAN: 2008-crop sales are finished. Current 2009-crop prices are not strong enough to trigger sales this early in the marketing year.

Fundamental analysis

Recent rains have aided the Texas cotton crop, but more precip is needed. On the global front, traders are closely watching Indian monsoons, which are expected to be light and could negatively impact cotton production. But the primary source of direction for cotton remains outside markets.



GENERAL OUTLOOK

ENERGIES: Crude oil futures last week backed down from seven-month highs posted earlier in the month. No serious chart damage has been done, but the current mentality in the market is the pullback is just a needed and expected "correction" in a market that is still technically bullish.

However, crude oil market bulls appear to have become exhausted when prices pushed above key psychological resistance at the \$70-per-barrel mark. Crude market bears would gain

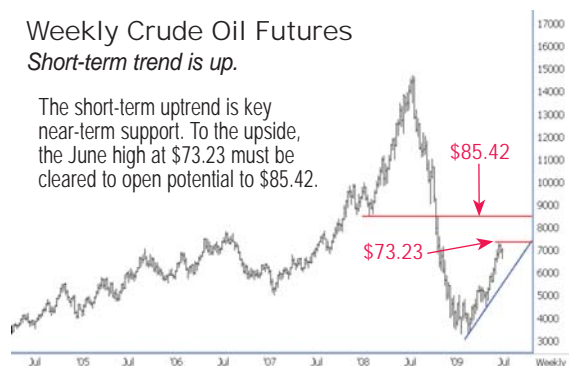
fresh downside technical momentum by pushing August crude oil futures below support of \$66.37 per barrel.

Importantly, crude oil traders will continue to very closely monitor the value of the dollar versus other major currencies. Sustained weakness in the greenback would very likely give crude oil bulls the green light to challenge the recent highs – or even push prices toward the \$80-per-barrel level. A solid rebound in the U.S. dollar, however, would limit crude strength.

Weekly Crude Oil Futures

Short-term trend is up.

The short-term uptrend is key near-term support. To the upside, the June high at \$73.23 must be cleared to open potential to \$85.42.



FROM THE BULLPEN by Senior Market Analyst, Brian Grete

A host of advice changes were issued June 19 and 22 for corn, soybean and wheat producers.

CORN: Cash-only corn marketers were advised June 19 to make a 10% 2008-crop sale to get old-crop gambling stocks down to 15%. Remaining old-crop corn stocks will likely be held through pollination. If the crop makes it relatively unscathed through that period, old-crop sales will very likely be finished, especially for hedgers.

Hedgers and cash-only marketers were advised June 19 to sell another 15% of expected 2009-crop production via hedge-to-arrive contract to get to 35% forward priced. Given the bullish long-term fundamental outlook for corn in 2009-10, being one-third forward sold on new-crop production is "comfortable" for now.

BEANS: Hedgers and cash-only soybean

marketers were advised June 22 to make a 15% cash sale to get to 90% sold on 2008 crop. The remaining 10% of gambling stocks will be held to see if there's one more fundamental-led rally before the end of the marketing year.

Soybean hedgers and cash-only marketers were also advised June 22 to sell another 20% of expected 2009-crop production to get to 35% forward priced on new-crop. Given the bearish fundamental outlook for soybeans through 2009-10, additional sales will come if there's a weather rally this summer.

WHEAT: Hedgers and cash-only marketers were advised June 19 to make a 15% 2009-crop sale and another 15% new-crop sale was recommended June 22. That pushed 2009-crop sales to 65%. Wheat fundamentals are bearish, but the market will follow if corn and soybeans post a weather rally this summer.

Key Market Items on My 'To Watch' List

1) USDA Crop Progress/Condition Rpt.
— Monday, June 29, 3:00 p.m. CT

The market will be watching to see how last week's heat impacted crops.

2) Acreage Report
— Tuesday, June 30, 7:30 a.m. CT

This highly anticipated report will help set the market tone as we turn the calendar to July, putting more focus on weather.

3) Quarterly Grain Stocks Report
— Tuesday, June 30, 7:30 p.m. CT

The report will set 2008-09 wheat carryover and will provide critical information on corn and soybean usage given tightening old-crop bean stocks.

Make Plans to Attend LEC

Mark your calendars for this year's *Pro Farmer Leading Edge Conference*, which will be held July 12-15 in Des Moines, Iowa. Call 1-800-772-0023 for hotel and registration details.

Daily updates to enhance your PF newsletter

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