

Bottom Line

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Weekly Update

Farmers can really move!!!! Planting progress on corn jumped an amazing 31% last week bringing it to 50% planted. Wow! I thought that we were supposed to have flooding similar to that of '08 when we had our last disaster. Wrong again, that year we had huge crops. Moral of the story: Do not underestimate the American farmer or Mother Nature! Farmers in Minn., Ill., Iowa and many other states are all but done with corn and will head to beans right away. Weather patterns have opened up nicely allowing the planting and then covered the freshly planted crops with some welcomed rains. So far, so good!

The markets have traded in a range that it just can't seem to shake. The squeeze is on for those who remained short after the recent lower markets. The market will apply a lot of pressure and pain to those in this position. The volatility remains and this shows us what can and will happen when the outside money gets involved; one bad weather forecast and away we go. Continued rumors out of China about the possibility of corn imports have the spec crowd poised and ready for the big one. I'm not sure that in the end it will matter all that much. This is more of a ploy to get the Chinese corn reserve prices down; China grows the corn in the north and feeds it in the south. The import license request comes from companies affiliated with a certain grain Giant whose name begins with an "A", so the motivation might be questioned,

China's bean purchases, and for sure shipments are being switched from N. America to S. America as their huge crop comes to port. The US and the world have growing stocks of the major grains on the way., this adding to a burdensome wheat problem as the price of US wheat remains way too high to find buyers.

Corn stocks could grow again next year pushing our carryout over 2-billion. There has been a lot of talk about raising the ethanol mandate to 15% blend. Problem is that cars built before 2001 can't utilize the higher blend and thus the retail infrastructure has a problem. Stations would need to add tanks and pumps to satisfy the various grades. It could take an additional 18-months to rectify this problem. Ethanol margins are ok for the Midwest plants and marginal at best for the destination plants. Chinese buying of DDG has the prices exceeding corn values in most areas right now. This situation will probably hang around for 45-days or so. Cheaper by-products are being gobbled up by various markets.

Washington is talking about reigning in speculation of the commodity markets. I hope there is some, but before we get all excited, I want to say that my 33-years in this industry tells me that the speculators will find other ways to beat the system. They could take their money and show on the road to overseas markets or they might decide to play in the cash markets, which could have an even detrimental outcome! This week executives and traders from Goldman Sachs are testifying before Congress. In these discussions so far Congress wants them to know it is alright to go long but don't get short. They are reinforcing the idea that it's good to be a bull but not a bear. As I've said before "bulls travel in herds but bears travel alone"!

While the markets continue to be range bound, the upside is supported by rumors of China, short covering squeezes and inflation fears. The downside moves come with stories of Greece and other European economies in trouble, quick planting progress and trepidation over the potential of new controls in hedge fund activity. One thing we can be sure of in the future; continued volatility. With this we must be aware of the motivation behind the advice! That is a question we ask ourselves everyday around this office.

Despite the quick planting progress and the good weather outlook, I would still like to have coverage before the summer weather season which begins at 7:30 AM the morning of the 6th of July. Speculators will jump at any chance to throw gas on a fire and the rumor won't even have to be real or true.

Tuesday: US dollar index 82.43

crude oil 81.82

Dow Jones 10950 S&P 1180.80

Corn	May 3.475	Jly 3.5375	Dec. 3.69	Milk	Apr 12.94	May 13.48
Wheat (Chi)	" 4.7825	" 4.905		Butter	Mch 1.58	
Beans	May 9.8275			Barrels	1.3525	Block 1.355
Meal	May 287.00	Jly 286.80				