

# Commodity News For Tomorrow

June 24, 2009  
3 p.m. CT

## MARKET RECAP

**CORN:** Corn futures ended slightly lower as an improving crop outlook and favorable weather weigh on the market. A stronger dollar and weaker crude oil added pressure. Despite the losses, the market held above its Monday lows, and the trade could move sideways heading into Tuesday's acreage report, an analyst says. Hot weather with thundershowers throughout the corn belt is a good recipe for crop development, analysts add. Funds sold an estimated 4,000 contracts Wednesday. July corn ended down 2 1/2 cents to \$3.86 1/2 per bushel, September corn ended down 2 1/4 cents to \$3.95, and December corn ended down 1 3/4 cents to \$4.07 1/4.

**WHEAT:** Harvest progress and pressure from other markets knocked U.S. wheat futures lower, analysts said. Warm, dry weather is favorable for cutting this week, said Tom Leffler, owner of Leffler Commodities. It wouldn't be surprising to Kansas City Board of Trade September wheat below \$6 a bushel by the end of the week, he says. Strength in the U.S. dollar added pressure, traders say. There was spillover pressure from losses in corn and in crude oil, they said. Traders digested a U.S. Senate panel's report on excessive speculation in wheat, and expectations for increased regulation could have weighed on prices a bit, an analyst said. However, traders have been hearing talk about increased regulation on and off for a year already, Leffler said. After the close, Egypt's GASC said it was tendering to buy 55,000 to 60,000 metric tons of wheat on a free on board basis. The state-owned entity is looking to buy U.S. soft red winter wheat, U.S. north soft white wheat, U.S. hard red winter wheat, Australian standard white wheat, Australian hard white wheat, or German milling wheat. CBOT September wheat was down 8 cents at \$5.67 3/4, KCBT September wheat was down 6 3/4 cents at \$6.07 3/4, and Minneapolis Grain Exchange September wheat was down 6 1/2 cents at \$6.86 3/4.

**SOYBEANS:** Soybean futures ended higher, continuing a recovery from recent

declines on technical buying and supportive fundamentals. The market was supported by tight old-crop stocks and uncertainty tied to new crop production, but advances were held in check by spillover pressure from grain futures and a firmer U.S. dollar, said Mike Zuzolo, analyst with Risk Management Commodities in Lafayette, Ind. Technical buying helped lift prices as well, with Nov holding above its 50-day moving average a supportive feature, analysts said. The absence of fresh fundamental news promoted a consolidative theme, with traders taking a cautious approach ahead of the delivery period for July futures and the key June 30 government acreage report. July soybeans settled 6 cents higher at \$11.85 a bushel, and November soybeans finished 3 1/2 cents higher at \$10.08.

**SOYBEAN MEAL/OIL:** Soy product futures ended mixed, with soy meal gaining product share on adjustments in the meal/oil spread relationship. Meal bounced in unison with soybeans, extending its recovery from recent declines, with supportive old crop fundamentals serving as underpinning features, analysts said. Soy oil futures finished lower, stumbling on meal/oil spreading and spillover weakness from crude oil futures. The spreads and crude oil losses overshadowed supportive export sales reported by USDA. July soy meal settled \$4.00 higher at \$392.50 per short ton. July soy oil finished 49 points lower at 36.44 cents per pound.

**OATS:** Oats futures ended lower. July oats ended down 2 cents to \$2.06 per bushel, and December oats ended down 2 1/2 cents to \$2.28 1/2.

**RICE:** Rough rice futures ended mixed as the nearby July contract surged past Sep. The strength in July could signal tight short-term supplies, and an analyst said that farmers are holding relatively little rice currently. But demand remains poor, traders and analysts say. A struggling U.S. crop is also seen as supportive. Prices were lower for much of the day before surging. July rice ended up 16 1/2

## Latest CME Group Prices

Corn (Dec)	407.25
Wheat (Sep)	567.75
Soybeans (Nov)	1008
Soybean Meal (Dec)	310
Soybean Oil (Dec)	37.27
Oats (Dec)	228.5
Rough Rice (Sep)	1239.5
Lean Hogs (Aug)	58.83
Live Cattle (Aug)	82.48
Feeder Cattle (Aug)	98.95
Lumber (Sep)	220.2
Ethanol (Aug)	1.66

\*Data as of 2:30 CT Source: Dow Jones, Thomson Reuters

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## HEADLINES

### India 2009 Monsoon Rains Seen Below Normal-Govt

India's monsoon rains this year will be below normal, around 93% of the long-term average, which is lower than the previous forecast, Science and Technology Minister Prithviraj Chavan said Wednesday.

He added that the monsoon rains in July will be 93% of the long-term average for the month, while rains in August are estimated to be just above the average. The four-month monsoon, crucial for crops such as rice, wheat, sugarcane, oilseeds and cotton, was 53% lower between June 1 and 23 compared with the average for the same period a year ago. About 60% of the crops in India are rain-fed.

The predictions for long-term average rainfall have an error margin of 4%, Chavan said.

The long-term average rainfall, referred to by the federal government, is 89 centimeters over the country as a whole for 1941-1990.

"There is a high probability of El Nino conditions to prevail during monsoon," Chavan told reporters. The probability of El Nino has been estimated at 60%.

El Nino, which is said to have impacted on the progress and distribution of rainfall in India, is the abnormal warming of the surface ocean water in tropical Pacific.

"This month El Nino conditions became evident, which were not visible in April and May," Chavan said. In April, the India Meteorological Department, or IMD, had forecast near-normal rainfall of 96% of the long-term average.

Based on historical data, the IMD has ruled out the possibility of excess rainfall during the monsoon.

The central part of the country, which grows rice and oilseeds, has had 75% lower rainfall between June 1 and 23. The central part is expected to get 99% of the long-term average rainfall, the department said.

There are some signals of revival of the monsoon due to a likely development of a monsoon surge over the Bay of Bengal during the last week of June, the department said.

It said the active phase of the monsoon is likely to continue during the first half of July, leading to the advance of the monsoon over many parts of northwest India.

### South Africa Lifts 08/09 Corn Forecast To 11.6M Tons

South Africa has raised its corn crop forecast to 11.6 million metric tons for the 2008/09 season, up from the 11.51 million tons estimated last month, the Crop Estimates Committee said Wednesday.

White corn production is forecast at 6.8 million tons from almost 6.74 million tons previously, and yellow corn output is estimated at 4.8 million tons against almost 4.78 million tons, the CEC said.

The area estimated for white corn was left unchanged at 1.489 million hectares, and the area for yellow corn at 938,500 hectares.

The CEC's fifth forecast was expected to be reduced by about 18,000 tons to 11.496 million tons, a poll of five agricultural traders by I-Net Bridge showed.

### Wet Spring Cut Intended US Corn Acres 3% - Farm Futures

Wet spring weather kept U.S. farmers out of their fields and likely reduced intended corn acreage by 2.5 million acres, Farm Futures magazine estimates.

According to a survey of farmers and other data, Farm Futures estimates 2009 U.S. corn acreage at 82.47 million acres, down 3% from the 84.986 million the U.S. Department of Agriculture projected in its March planting intentions report.

Spring wheat acreage is also projected to decline, Farm Futures said. Its projection of 12.86 million spring wheat acres is 3.6% lower than the USDA's March estimate.

Farm Futures said soybean acreage will climb as a result of the shift out of corn

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## MARKET RECAP (cont.)

cents to \$12.50 per hundredweight, and September rice ended down 2 1/2 cents to \$12.39 1/2.

**PORK COMPLEX:** Most lean hogs closed sharply lower, and July fell to a new contract low, on bearish fundamentals. July and August tripped sell stops after both options gave up 10-day moving average support. Traders also tweaked positions before Friday's hog report. The data's liquidation implications pressured front months but lifted deferred contracts. July settled 282 points lower at 57.30 cents a pound, and earlier sank to a 57.12-cent fresh monthly low. August closed down 162 points at 58.82 cents. Belly futures closed limit down on profit-taking, lean hog selling and Tuesday's bearish exchange weekly belly storage numbers. July closed 300 points lower at 60.20 cents, and August also closed 300 points lower at 61.30 cents.

**CATTLE:** Live cattle settled lower on lean hogs' sell off and sell stops. Spreaders sold August and bought June and October on spreads. Corn weakness deterred back-month cattle buyers. June closed down 20 points at 81.65 cents a pound, and August closed down 85 points at 82.47 cents. Feeder cattle also ended lower following initial profit-taking, August and September technical damage and futures' premium to the exchange's feeder cattle index. August ended 75 points lower at 98.95 cents, and September closed 122 points lower at 98.55 cents.

**LUMBER:** Lumber futures continued Tuesday's decline, leaving its second straight gap on daily bar charts of the pit trading. Pit and Globex volumes were light, although the bulk of the action is taking place electronically. Cash markets were slower, which was adding to the inclination to sell. The July contract settled down \$3.90, or 1.94%, at \$197.00 per 1,000 board feet, while September was down \$2.70, or 1.21%, at \$220.20. The November contract ended down \$5.00, or 2.25%, at \$217.50.

**ETHANOL:** Ethanol futures were lower. July ethanol ended down 1 cent to \$1.677 per gallon, and September ethanol closed down 2.1 cents to \$1.634.



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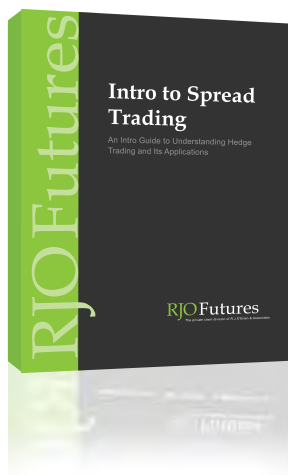
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**HEADLINES** (continued from page 3)

and wheat plantings, but wet conditions in Illinois and Indiana could alter final soy planting figures.

Soybean plantings are estimated at 79.631 million acres, up nearly 5% from the USDA's March estimate.

The USDA is scheduled to release updated planted acreage estimates on June 30.

## Egypt Govt Orders Re-Export Of 56,000 Ton Russian Wheat

Egypt's Ministry of Trade and Industry has ordered the re-export of a 56,000-ton Russian wheat shipment, as the importer didn't provide all of the paperwork required, the ministry said Wednesday.

The shipment was contracted for sale from RIAS Trading SA, the Swiss office of Rosinteragroservis, Russia's second-largest grain exporter, to Egyptian Traders Co., one of Egypt's largest wheat importers, which was supplying the wheat to the General Authority for Supply Commodities, Egypt's state buyer.

However, Egyptian Traders Co. didn't present the inspection certificate required by GASC from its nominated international monitoring company, the ministry said in a statement.

The shipment will be re-exported by RIAS, the original seller, as the company never received payment for the wheat from Egyptian Traders Co., said Chris Vanhonacker, RIAS's commercial director.

RIAS has subsequently appointed an arbitrator via the Grain and Feed Trade Association to settle the damages consequent to the default, said Vanhonacker.

## India Farm Commissioner: Monsoon Lull May Not Affect Crops

India's summer-sown crops such as rice, soybean, cotton and pulses won't be affected by a two-week lull in the annual monsoon rains as the peak sowing period was yet to begin, a senior farm ministry official said Wednesday.

"The main peak season for sowing (of summer crops) is still coming, so there won't be any impact on crops (because of the lull in monsoon)," Farm Commissioner N.B. Singh told Dow Jones Newswires.

## Argentina Farmers Await Rain; Wheat Planting Stalls - Exchange

Much of Argentina's farm belt remained dry over the past week, with wheat planting stalled due to lack of rain, the Buenos Aires Cereals Exchange said in its weekly crop report Wednesday.

Just 923,000 hectares have been planted to date, down 51% from the area seeded with wheat at this point last year, the exchange said.

The exchange slightly trimmed its forecast for wheat area to 2.9 million hectares, down 35% on the year and the smallest area going to wheat in over 100 years.

In addition, "if there isn't a drastic change in current weather conditions, wheat area will fall even further," the exchange said.

In addition to the lack of rain, farmers are hesitant to plant the crop due to low prices because of government intervention in wheat markets. They also face high financing costs and the economic strain caused by losses to the 2008-09 soy and corn crops due to drought.

About 5% of the 2008-09 corn crop remains to be harvested, with production forecast by the exchange at just 12.7 million tons, the smallest crop in over a decade, due to extensive drought damage.

Soybean planting is complete, with the exchange pegging production at a dismal 32 million tons.

Early in the season, analysts had expected output to approach 50 million

tons, but severe drought damage caused yields to plunge. Yields were the lowest in over a decade, according to the exchange.

Meanwhile, soybean production is expected to rise sharply again next season.

Soy planting is likely to surge to between 19 million and 20 million hectares during the 2009-10 season, according to the exchange's top climatologist, Eduardo Sierra. That would shatter the record set during the 2008-09 season, when farmers seeded 16.6 million hectares with the oilseed.

## Dryness A Concern In Alberta - Alberta Ag Report

Dry conditions remain a concern for Alberta farmers, slowing crop and pasture development, according to the latest crop report from Alberta Agriculture and Rural Development for the period ended June 18.

Precipitation over the two weeks ahead of the report only amounted to 5 to 30 millimetres, according to Alberta Ag. Below average winter snowfall and low moisture reserves have contributed to the dry conditions.

Provincially, surface moisture was rated as 46% poor, 34% fair, 19% good, and only 1% excellent. Central and northern regions of Alberta were the driest.

The lack of moisture has slowed crop development, and some fields have not germinated, said the report. Overall crop development was about two weeks behind normal.

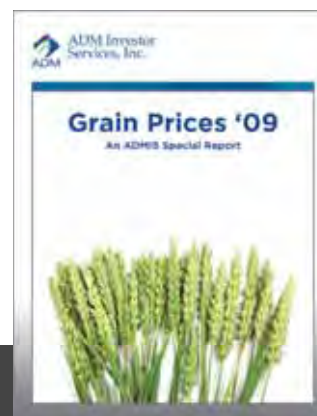
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## TALKING POINTS

**SURVEY: May US Census Soy Crush Seen At 148.8 Mln Bu**

The U.S. Census Bureau is expected to estimate the May soybean crush at 148.8 million bushels, up from last month on a recovery in processor activity, according to a survey of industry analysts.

The Census Bureau's crush report is scheduled for release Thursday at 8 a.m. EDT, (1200 GMT).

The soybean crush is expected to expand from the previous month, as good crush margins and soymeal export demand encouraged a recovery in processor activity, analysts said. Providing the market with an indication of potential changes that could be made in the Census report was the National Oilseed Processors Association crush report.

In its June 15 report, NOPA said May crush was 142.2 million bushels, up 8.1 million bushels from April. The NOPA report includes figures only from member processors.

Strong soy product demand - especially for protein soybean meal amid diminished Argentine processing - served as the catalyst for the rise in crush rates, according to a JP Morgan market note.

May soy meal stocks are seen rising to 435,000 short tons, up from the 421,800 tons reported for April.

Soyoil stocks are seen climbing to 3.220 billion pounds in the report, up from 3.159 billion the previous month. In the NOPA report, soyoil stocks saw a 25.8 million-pound decrease in stocks.

**House Deal Would Stop EPA's Biofuel Mandate Limitation**

A deal reached Wednesday by U.S. House of Representatives lawmakers would strip the EPA of its ability to downgrade assessments on how much ethanol

and biodiesel reduce green house gases, said House Agriculture Committee Chairman Collin Peterson, D-Minn.

The EPA, using a controversial method called indirect land use, concluded earlier this year that corn-based ethanol only cut greenhouse gas emissions by about 16% when compared to gasoline and soy-based biodiesel cut about 22% when compared to diesel.

To qualify for production mandates in Congress' renewable fuel standard, ethanol would have to cut greenhouse gas emissions by 20% and biodiesel by 50%.

But Peterson told reporters that the new deal, a part of climate change legislation the House is expected to vote on this week, would prevent the EPA from using the indirect land use calculation in the renewable fuel standard for at least six years. Indirect land use takes into account factors like how much virgin land in the U.S. and in foreign countries is converted into crop land as a result of the U.S. using corn and soybeans to make fuel.

Before EPA could use the calculation method, a five-year study would have to be completed and the results would have to be agreed upon by the Energy Department, the EPA and the Agriculture Department.

"If all three agencies sign off, then there's another year for Congress to be able to intervene if we don't agree with the decisions that was made by the study," Peterson said. "Nothing can happen for 6 years."

EPA's conclusion that ethanol didn't cut green house gas emissions enough wouldn't have had an impact on any ethanol plants that were either built or being built as of December 2007 because of a grandfather clause in the renewable fuel standard.

There is no such grandfather clause for soybean-based biodiesel.

Michael Frohlich, spokesman for the National Biodiesel Board, said if the House deal on indirect land use survives in the climate change bill and is approved by

Congress, biodiesel would likely qualify for the renewable fuel standard mandate that calls for 500 million gallons of production in 2009 and 1 billion gallons by 2012.

Calculations by the Energy Department showed soybean-based biodiesel reduced greenhouse gas emissions by 78% before EPA calculations - using indirect land use - cut that to just 22%.

About 433 million bushels of soybeans went toward the production of biodiesel in 2008, according to statistics maintained by the American Soybean Association. Soyoil is one of the two products created when soybeans are processed, and it is traded on the Chicago Board of Trade.

**Indonesia May Face Food Shortages Within Next 5 Years - Report**

Indonesia may face food shortages within the next five years as farmland converted to industrial or commercial use isn't being replaced, while human resource in the agriculture sector is dwindling even as the country's population grows, the Jakarta Globe reported Wednesday, citing officials and a lawmaker.

Population growth will likely outstrip the maximum food production of existing agricultural land by 2014, the report cited Sutarto Alimoeso, a director general for food crops at the Agriculture Ministry, as saying. He said Indonesia needs to create about 200,000 hectares of agricultural land a year for the next five years to maintain food security.

Indonesia regained self-sufficiency in rice production late-last year, Bomer Pasaribu, a lawmaker on the Parliament's agriculture committee, was quoted as saying. Still, land degradation, lack of skilled personnel in the agriculture sector, land conversion rates along with population growth, threaten the country's food security, the lawmaker said.

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