

## 06-29-2010 Daily Grain Plan

### Sell Signals

We no longer have any Sell Signals on our grain markets. So far, selling on the recent Sell Signals and on the failure of corn to reach a Sell Signal has proven its worth.

It very seldom pays to ignore a Sell Signal. They are certainly not perfect and sometimes hard to get as witnessed in soybeans in January and corn through much of this Selling Season. But with that exception of corn, the last round of Sell Signals was textbook perfect.....so far. If the weather turns harmful to the crops either here or in China we may have another story.

### Markets

The U.S. Dollar index continues to trade in a narrow range. The major market psychology continues to be uncertainty. Traders are not comfortable in any investment right now and outside markets are chopping back and forth. The old adage, “sell in May and go away” is working in many markets.

On Friday’s Commitment of Traders Report, the big spec managed accounts were noted as sizeable buyers of 86,412 grain and soy complex futures and option contracts for the week ended Tuesday. On the other side commercials added 84,452 of the same contracts to their short position thanks to heavy farmer selling.

This week we have those big specs dumping out of the corn and wheat they bought. Since all classes of wheat fell below their green line 20-day moving averages yesterday, the selling accelerated.

Grain users are sitting on their hands waiting for cheaper prices. Corn and bean users don’t really have big inventories so it shouldn’t be long before they put their buying shoes back on. They will take offers until the offers run out then they will have to bid the basis to get coverage.

Wheat buyers are in a different world. The demand for ordinary protein cash wheat is very poor and buyers act like they are doing you a favor when you bring them a load. High priced wheat in 2008 stimulated the rest of the world to raise wheat and we have lost many of our buyers to the Black Soils region of Northern Europe.

Meanwhile the farmers who still own corn and soybeans are digging in their heels. If some of the letters we have been receiving are any indication, those who still have grain in the bin are mad at the market. And they can’t believe the crops are as good as the market thinks. For many this is a continuation of their anger from last summer when they couldn’t believe it then either.

My response to readers yesterday about the good crop ratings and the likelihood of a big crop stimulated a reader to reply: [“I’m very disappointed in your commentary. I’ve been](#)

farming for 25 years and can't go out and look at my own crop and raise or lower my feeling of good to excellent 2 or 3 % points. It would purely be a guess, and you're not going to make me believe anyone else is anything different but a guess. Here in East Central Illinois is what your readers have been saying in Iowa and Western Illinois. Huge drowned out areas. I couldn't disagree more with you, and quite frankly shocked at your comments."

I am not sure what was shocking in my Grain Plan yesterday. I am guessing the reader disagrees with the USDA Crop Progress Report since I admitted that I did not have the ability to judge the nation's corn crop when I used to drive around the Midwest trying to do it.

He is certainly right the evaluation of a growing crop is mostly guesswork this early in the year. In each state there are volunteers who report on each county each Sunday or early Monday. In Iowa there are 2 to 3 per county according to the state office and they receive 160 to 180 reports per week. They estimate (guess) the percentage of crop that is very poor, poor, fair, good or excellent. The volunteers take this job seriously and nobody else has so many people reporting county by county crop conditions on a weekly basis.

The volunteers send their estimates into the state and these are weighted with all the other states (according to crop size) to come up with the national crop rating. Then traders use those estimates compared to last year and the 5-year average to judge the size of the crop. The market trusts them because their record is very good and you should too. To do otherwise is a very expensive mistake most years.

You may disagree but yesterday those volunteers said they think 67% of the Illinois crop is good to excellent and 33% is very poor to fair. Last year on this week they rated it at 58% and 42% respectively. Last year many Illinois farmers took me to task all summer about overly optimistic crop ratings and yet Illinois's state corn yield for 2009 was 174 bushels per acre, 9 bushels above the 2009 trend line of 165 bushels. And the national yield set a new record. Check out the links below to see how expensive it was for farmers to ignore highly rated corn guesses in 1999 and 2009.

At the link below, the 1<sup>st</sup> graph below is for December 1999 corn, the last time corn was rated as high as it was last week. Notice how the bottom fell out in July. If the weather turns hot and dry, maybe we will also get an August rally, before new lows at harvest as happened that year. The second graph was December 2009.

Don't be shocked if the crop estimates improve next week. A week of relatively dry and not too hot weather in late June early July with plenty of moisture in the ground.....let me guess.....I bet the crop will look better next week and those darn ratings will improve.

Grain markets are getting little outside news which leaves weather as the dominant influence. FCStone's weather guru continues to expect perfect weather in the Corn Belt.

He expects above normal rain toward the end of his 6 to 10 day forecast but warm and dry for this work week.