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# Ag Lender Newsletter

August 4 - August 8, 2008

## ***Corn closes under \$5.00 in September***

**Corn:** Prices took another tumble this week. The fundamental news was the same for corn all week, with weather generally being good, and demand continuing to slump. The corn market was victim of little positive news and the continued exodus of fund money. Rumors were that some funds have been re-classified from commercial traders to spec traders, and that caused some liquidation since they were well over spec trading limits. The weakness in the outside markets and strength in the dollar have the commodities markets on the defensive. The world is starting to reign in the make-believe money it was playing with and that has hurt the inflation trade that traders have been using for the last 3-7 years. Also, John McCain mentioned in a speech at the Iowa State Fair that he does not support the subsidizing of ethanol, but is willing to help market the corn crop "around the world." Ethanol itself is in a freefall, as that market is down 90 cents in the last month, and demand is certainly suffering. Technically, corn seems to be headed toward the \$4.20 to \$4.50 area on the charts. If this is the cyclical top, expect corn to move to the \$3.60 to \$3.20 area. To turn the market bullish, a trade over \$5.55 is needed. Monday's trade could be interesting as people get ready for Tuesday's USDA Supply/Demand report.

***Ethanol itself is in a freefall, as that market is down 90 cents in the last month...***

## ***Outside markets continue to direct beans***

**Soybeans:** The bean market took a major hit this week, as the market was down \$1.85 by Friday's close. Weather and crop news seem to be mainly positive, which would support the drop in prices. However, the outside markets and funds were probably a bigger reason for the drop. The crude market has taken a beating this week as it was down over \$6.00. The dollar had a strong rally, and metals have taken a hit. The inflation trade is taking a major hit as world reserve banks are prepared to fight inflation, and banks in general are reigning in capital for hedge funds and large traders. Support comes in around the \$11.64 area followed by the 10.50 area. A trade over \$12.40 would turn the market bullish and send the market to the \$13.40 area.

***The inflation trade is taking a major hit ...***

## ***Crazy market week!***

**Wheat:** The wheat market closed down 30 cents in a wild week. The limit up and down moves were seen on back-to-back days this week. Wheat might be trying to buy acres against corn and beans but really doesn't need to since its supply will be huge this year and probably not make a record crop a necessity. Otherwise, there was little reason for any of the sizeable rally attempts. Wheat has the smallest fund long position of the grains, so outside money may be the main contributing factor. The strong move on the dollar doesn't bode well for wheat. Again, wheat has double bottom support at \$7.40 on the September contract. A move over the \$8.40 September area is needed to turn the tide bullish.

***The strong move on the dollar doesn't bode well for wheat.***

### Weekly "Top Step" prices:

Dec. Corn \$5.18-1/4 down 66-3/4 for the week  
 Nov. Beans \$11.80-1/2 down 184-1/2 for the week  
 Sept. C. Wheat \$7.65-1/4 down 28-3/4 for the week  
 Sept. K. Wheat \$8.22-1/4 down 18-1/2 for the week  
 Sept. M. Wheat \$8.58 down 16 for the week

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