

Buyer Purchases 39 Million Bushels Of Old Crop Corn

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Corn, cotton, and wheat prices are up with soybean prices mixed for the week. The June U.S. Dollar Index was trading mid day at 76.43, up .54 for the week. The Dow Jones Industrial Average traded before the close at 12,225; up 359 points for the week. Crude Oil was trading mid day at 105.46 a barrel, up 3.71a barrel for the week. Commodity markets have responded well this week considering the lack of much bullish information. Fundamentally, ending stocks are tight in corn, cotton, and soybean and there are production concerns for wheat. The market, particularly the corn market has been bolstered by the belief that China has bought some U.S. corn. That has not been completely confirmed, but an unknown destination did buy 39 million bushels of old crop corn at the end of the week. USDA will release the Prospective Plantings report on March 31 as well as the Quarterly Grain Stocks Report. Look for comments on these reports to be posted that day at <http://economics.ag.utk.edu/report.html>. Any surprises in these reports could make for an interesting day.

Corn:

Nearby: May futures closed today at \$6.89 ½ a bushel, up \$0.06 since Friday. Support is at \$6.69 with resistance at \$7.28 a bushel. Technical indicators have a buy bias. Weekly exports were within expectations at 35.2 million bushels for 2010/11. USDA reported today, 49.2 million bushels (39.4 million bushels of old crop and 9.8 million bushels of new crop) of corn sales to an unknown destination. The assumption is that this is China. The markets were down today on the news as sales have been rumored all week and this probably a case of buy the rumor; sell the fact.

New Crop: September closed at \$6.44 ¾ a bushel, up \$0.08 since Friday. Support is at \$6.30 with resistance at \$6.72 a bushel. Technical indicators have changed to a strong buy bias. Acreage estimates for next week's report range from just over 91 million acre to almost 93 million acres. Acreage in the lower end would probably be considered bullish while toward the 93 million acre range, neutral. In the absence of any surprises either in the planting intentions or stocks report, the market will start to look at weather and planting conditions. Either way, at current corn demand a nationwide yield of 160 bushels per acre will be needed to start to re build stocks. The market will be sensitive to the weather. I am currently at 40 percent priced and would look to catch up sales before the March 31 report. I would use a new trailing stop of \$6.38 for new sales. If that is too tight, use \$5.97 a bushel. Put options would set a floor and buying a December \$6.10 Put option would cost \$0.77 and set a \$5.33 floor on the December market while keeping an upside.

Cotton:

Nearby: May futures contract closed Friday at 204.49 cents/lb., up 5.37 cents/lb. for the week. Support is at 197.62 cents per pound, with resistance at 214.68 cents per pound. Technical indicators have changed to a strong buy bias. All cotton weekly export sales were above expectations at 562,200 bales (331,100 bales of upland cotton for 10/11; 213,800 bales of upland cotton for 11/12; 2,900 bales of Pima for 2010/11 and 14,400 bales of Pima for 2011/12. The Adjusted World Price for March 25 - March 31 is 208.39cents/lb., up 3.04 cents/lb. USDA released its final 2010-11 ginning report for the 2010 crop and reported 18.1 million bales ginned. This would be a drop of 220,000 bales from previous production estimates and would be reflected in USDA's April Supply & Demand report. Whether stocks will drop by a like amount is uncertain, but does further the fact that cotton stocks are tight.

New Crop: December closed at 127.92 cents per pound, up 4.08 cents for the week. Support is at 124.27 cents per pound, with resistance at 129.97 cents per pound. Technical indicators have a changed to strong buy bias. Loan equities have been quoted in the 61.90 - 64 cent range. Keep in contact with your cotton buyer for current quotes on loan equities. Acreage estimates for next week have been in the 12.5 - 13.3 range, with most recent estimates around 13 million acres. Texas is currently in a drought and will have to have timely rains to produce a crop. Some acreage in wheat may get switched to cotton because of the poor wheat crop. Without those rains, abandonment could be high and yields reduced in Texas.

I would currently be priced up to 40 percent with a trailing stop of 122.54 cents. If that stop is too tight use the 100 day moving average of 107.57. Continue evaluating the option market as a good tool to set a floor price and still leave an upside. Buying a December 128 Put Option would cost 17.85 cents and set a 110.15 futures floor. Buying an out of the money December 110 Put would cost 8 cents and set a 102 cent futures floor. December 2012 prices closed at 99.11 cents/lb.

Soybeans:

Nearby: The May contract closed at \$13.58 ¼ a bushel, down \$0.04 for the week. Support is at \$13.45 with resistance at \$13.74 a bushel. Technical indicators have a buy bias. Weekly exports were at the low end of expectations at 9.7 million bushels for 2010/11. Weather in Brazil has hampered harvest on what is still a very large crop. Weather delays have helped support the market. Crush for February as reported by the Census Bureau may be showing some signs of price rationing as it was reported at 129.2 million bushels, less than expected and 24.5 million bushels under a year ago. USDA may have to make a downward revision for crush in the next supply and demand report.

New Crop: November soybeans closed at \$13.50 ¼ a bushel, up \$0.16 this week. Support is at \$13.33 with resistance at \$13.67 a bushel. Technical indicators have a buy bias. Acreage estimates for March 31 range from 75.3 - 78 million acres. As in corn, the low end would be bullish and toward 78 million acres, neutral. I am currently priced 50 percent for 2011 and would wait until late spring-early summer before forward pricing more. I would make catch up sales ahead of the March 31 report. Currently, buying a November \$13.60 Put would cost \$1.31 and set a \$12.29 futures floor.

Wheat:

Nearby: May futures contract closed at \$7.33 ¼ a bushel, up \$0.10 a bushel since Friday. Support is at \$7.11 with resistance at \$7.64 a bushel. Technical indicators have changed to a sell bias. Weekly exports were within expectations at 27.4 million bushels (24.2 million bushels for 2010/11 and 3.2 million bushels for 2011/12). Actual shipments are lagging the pace to meet USDA's projections.

New Crop: July wheat closed at \$7.68 ¾ a bushel Friday, up \$0.10 since last week. Support is at \$7.47 with resistance at \$7.98 a bushel. Technical indicators have changed to a sell bias. Acreage estimates for all wheat are around the 57 million acre mark. The Plains states wheat crop is generally assumed to be in poor condition. Fundamentals for wheat are more neutral to bearish but the wheat market will be concerned if the crop deteriorates any more here in the U.S. or in the foreign crop. I am currently at 50% priced and would wait until we get on into spring before pricing more. Prices will tend to trade with corn and soybeans. Buying a July \$7.70 Put would cost \$0.68 and set a \$7.02 futures floor. Δ

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