

# Changing European Financial News Impacts U.S. Market

CHUCK DANEHOWER

IRIPLEY, TENN.

Corn and cotton prices are up; wheat prices are mixed and soybean prices down for the week. The December U.S. Dollar Index was trading before the close at 79.13, up 0.04 since last Friday. The Dow Jones Industrial Average before the close was trading up 302 points for the week at 11,215. Crude Oil was trading before the close at 83.05 a barrel, up 3.85 a barrel since last Friday. Jobs data out today (October 7) estimates that the U.S. added 103,000 jobs in September and that more jobs were added in July and August than were first estimated. The unemployment rate stayed steady at 9.1 percent. These figures were better than expected and calmed some fears that the U.S. was slipping back into a recession. However, it also shows that the economy is not gaining much momentum. Daily changing European news on its financial situation is impacting our markets. Analysts and economists are having difficulty determining the best approach to solve their financial crisis and what the impact will be. USDA will release their monthly supply and demand report on October 12. USDA is expected to make changes to the monthly numbers.

## Corn:

*Current Crop:* December closed today at \$6.00 a bushel, up 7 ½ cents a bushel since last Friday. Support is at \$5.90 with resistance at \$6.12 a bushel. Technical indicators have a strong sell bias. Weekly exports were above expectations at 50.8 million bushels (50.77 million bushels for 2011/12 and net sales of 70,900 bushels for 2012/13). It appears the \$2 bushel drop from the August high has generated additional exports. The corn crop has 79 percent in the mature stage compared to 63 percent last week, 92 percent last year and the five year average of 78 percent. Corn harvested as of October 2 was at 21 percent compared to 15 percent last week, 37 percent last year and the five year average of 23 percent. Corn crop condition ratings as of October 2 were 52 percent good to excellent compared to 52 percent last week, and 66 percent last year. Poor to very poor ratings were 20 percent compared to 20 percent last week and 13 percent a year ago. At least one newswire has released average trade guesses for the October 12 USDA report and is reporting an average yield of 148.7 bushels/acre compared to the September report of 148.1 bushels/acre. Some good to excellent corn yields have been reported in the Midwest as well as less than average yields. It is too early in the overall harvest to get a good feel on where corn yields will shake out. Production is estimated at 12.479 billion bushels compared to the USDA September estimate of 12.497. Harvested acreage is expected to decrease. The average trade guess for corn ending stocks for the 2011/12 marketing year is 804 million bushels compared to USDA's latest estimate of 672 million bushels. Based on the September 30 Grain Stocks report, USDA is expected to increase beginning stocks, but the question remains if usage will be increased due to the additional stocks available and demand stimulation from the recent drop in prices. I am currently 50 percent forward priced and 25 percent priced using a December \$6.90 Put option locking in a futures floor of \$6.34. The December Put option expires November 25 and is currently worth 98 cents and would have a profit of 42 cents over its premium cost. Unless there is still corn in the field or un-priced in storage that need this price protection, I would go ahead and sell or offset the put option. Cash prices for corn from now to the early part of 2012 show very little carry in prices and by itself would make un-priced storage questionable. I would hold the remaining 25 percent of production in storage, but be ready to price on any rallies depending on cash flow needs.

*Deferred:* March closed at \$6.12 ¾ a bushel, up 7 cents a bushel since last Friday. Technical indicators have a strong sell bias. Support is at \$6.02 with resistance at \$6.25 a bushel. September 2012 corn closed at \$5.93 ¼ a bushel. Watch closely over the next few months for opportunities to price the 2012 crop.

## Cotton:

*Current Crop:* December closed at 101.98 cents per pound, up 1.79 cents since last week. Support is at 100.03 cents per pound, with resistance at 104.61cents per pound. Technical indicators have changed to a sell bias. All cotton weekly export sales were 95,100 bales (sales of 88,600 bales of upland cotton for 2011/12; sales of 2,200 bales of upland cotton for 2012/13; reductions of 100 bales of Pima cotton for 2011/12; and sales of 4,400 bales of Pima cotton for 2012/13). The Adjusted World Price for October 7 – October 13 is 90.90 cents/lb.; down 0.56 cents/lb. from last week. Quotes on 2011 loan equities are in the 42 cent range. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. As of October 2, cotton bolls opening were at 84 percent compared to 76 percent last week, 86 percent last year and the five year average of 75 percent. Cotton harvested is at 16

percent compared to 13 percent last week, 23 percent last year and the five year average of 18 percent. Cotton crop condition ratings as of October 2 were 29 percent good to excellent compared to 29 percent last week and 56 percent last year. Poor to very poor ratings are 42 percent compared to 44 percent last week and 14 percent a year ago. Cotton prices seem to have settled in a narrow range above the \$1 mark and looks to have generated some buying interest at that level. The markets will closely watch the October 12 report for any changes in both U.S. and foreign production. I doubt we have seen enough of an indication that demand should be increased. I am currently at 45 percent priced and would hold at that level.

*Deferred:* March cotton closed at 99.06 cents per pound, up 1.64 cents for the week. Support is at 97.52 cents per pound, with resistance at 101.12 cents per pound. Technical indicators have changed to a sell bias. December 2012 prices closed at 93.10 cents/lb.

## Soybeans:

*Current Crop:* The November contract closed at \$11.58 ¼ a bushel, down 20 ¾ cents since last Friday. Support is at \$11.42 with resistance at \$11.78 a bushel. Technical indicators have a strong sell bias. Weekly exports were at the high end of expectations at 27.3 million bushels (25.8 million bushels for the 2011/12 marketing year and 1.5 million bushels for 2012/13). On the daily reporting system, a 3.9 million bushel soybean sale to China was reported today. As of October 2, soybeans dropping leaves were 76 percent compared to 58 percent last week, 87 percent last year and the five year average of 83 percent. Soybeans harvested were at 19 percent compared to 5 percent last week, 34 percent last year and the five year average of 25 percent. Soybean crop condition ratings as of October 2 were 54 percent good to excellent compared to 53 percent last week, and 64 percent last year. Poor to very poor were rated at 17 percent compared to 18 percent last week and 12 percent a year ago. Yield reports continue to be mixed with excellent yields being buffered by short yields from heat stress and frost damage. Looks like harvest will have to be wrapped up before we see the full yield picture. The average trade guess for the October 12 USDA report pegs soybean yields at 42.1 bushels/acre compared to 41.8 bushels/acre in the September report with overall production estimated at 3.102 billion bushels. USDA projected production in September at 3.085 billion bushels. As in corn, harvested acreage is expected to be lowered. The average trade estimate for 2011/12 soybean ending stocks is 186 million bushels compared to the latest USDA estimate of 165 million bushels. In these comments, I am currently priced 50 percent for 2011 and have locked in a \$13.21 futures floor with a November \$14 put option on 25 percent of production. The November Put option that cost 79 cents will expire on October 21 and is currently worth \$2.41 or a profit of \$1.62 bushel. I would be inclined to go ahead and sell or offset that option even though the soybeans are probably still in the field. That decision could go either way, particularly if producers feel that they need the additional downside protection. Storage is still a harvest time decision and will depend on price levels at the time of combining. I still would look at storing soybeans over corn; the cash price spread is currently favoring soybeans.

*Deferred:* May soybeans closed today at \$11.87 ¼ a bushel, down 17 ¼ cents since last week. Support is at \$11.72 with resistance at \$12.06 a bushel. Technical indicators have a strong sell bias. November 2012 soybeans closed at \$11.75 this week.

## Wheat:

*Nearby:* December futures contract closed at \$6.07 ½ a bushel, down 1 ¾ cents a bushel since Friday. Support is at \$5.95 with resistance at \$6.29 a bushel. Technical indicators have a strong sell bias. Weekly exports were about expected at 15.8 million bushels for 2011/12. Export competition from the Black Sea region has gotten stiff as the Ukraine has pulled its export duties on wheat and corn making their products more competitive. The average trade guess for 2011/12 wheat ending stocks is 753 million bushels compared to USDA's September projection of 692 million bushels.

*New Crop:* July 2012 wheat closed at \$6.81 a bushel, up 4 ¼ cents since last week. Support is at \$6.69 with resistance at \$6.98 a bushel. Technical indicators have a strong sell bias. Nationwide, winter wheat planted is 42 percent compared to 26 percent last week, 52 percent last year and the five year average of 53 percent. As of October 2, winter wheat emergence is at 16 percent compared to 6 percent last week, 21 percent last year and the five year average of 23 percent. Offering some support to the market is at least one forecast that 25 percent of the Midwest/Delta winter wheat will struggle to get established this fall due to dryness. Δ

CHUCK DANEHOWER: Extension Area Specialist/Farm Management, University of Tennessee



Link Directly To: **MONOSEM**



Link Directly To: **PIONEER**