Commodities, Except Beans, Slid Downward Last Week

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Soybean prices are up while corn, cotton, and wheat prices are down for the week. The March U.S. Dollar Index traded before the close at 78.30, down 1.16 for the week. The Dow Jones Industrial Average before the close was up 32 points for the week at 12,982. Crude Oil traded before the close at 109.21 a barrel, up 4.85 a barrel for the week. USDA at its annual Agricultural Outlook Forum released what should be considered working numbers for the 2012/13 marketing year. These are really just guesses and are debatable by some whether they should have much market influence. Nevertheless, they are the numbers we have to work with for the next marketing year and will be until the March 30 Planting Intentions report and we have a better idea on acres. The USDA monthly report in May will be the first report that projects supply and demand numbers for the new crop marketing year.

Corn:

Nearby: May closed at $6.44 a bushel, down 1 ½ cents a bushel for the week. Support is at $6.34 with resistance at $6.49 a bushel. Technical indicators have a buy bias. Weekly exports were within expectations at 33.1 million bushels for the 2011/12 marketing year. Ethanol production last week fell to 919,000 barrels per day, but year to date production is still running 3 percent over last year. There still are concerns on ethanol plant profit margins and at some point production is expected to drop below last year levels. Depending on when the drop occurs on whether it affects the old crop corn for ethanol. For corn in storage, I would look strongly at going ahead and selling what is stored or at the very least use the 50 day moving average price of $6.35 as a price stop. I think the upside is limited on the potential for a large 2012 crop.

New Crop: September closed at $5.88 ¼ a bushel, down 8 ½ cents a bushel since last Friday. Technical indicators have changed to a sell bias. Support is at $5.76 with resistance at $5.94 a bushel. USDA plugged in 94 million acres and a trend line yield of 164 bushels per acre at the Ag Outlook Forum. If planted, this would be the highest corn acres since 1944 and is within the range of earlier released guesses. There is some speculation among analyst that with record acres, it will be difficult to achieve a yield of 164 bushels per acre considering that some corn acres will be on marginal ground. USDA projected 13.470 billion bushels in usage with domestic use at 11.750 billion bushels and exports at 1.9 billion bushels for an increase of 770 million bushels. Ending stocks would double to 1.616 billion bushels from the current 2011/12 projection of 801 million bushels. The season average price is projected at $5.00 per bushel for 2012/13. A lot of ifs in these numbers but it does give us a glimpse of what a big crop would look like. At current prices, it would be prudent to lock in at least another 15 percent of estimated production bringing total priced to 25 percent.

Cotton:

Nearby: May closed at 90.15 cents per pound, down 2.50 cents since last week. Support is at 88.26 cents per pound with resistance at 91.66 cents per pound. Technical indicators have changed to a strong sell bias. The Adjusted World Price for February 24 – March 1 is 79.49 cents per pound down 0.07 cents. All cotton weekly export sales were 201,200 bales (sales of 177,800 bales of upland cotton for 2011/12; sales of 6,100 bales of upland cotton for 2012/13 and sales of 17,300 bales of Pima cotton for 2011/12). I am currently at 80 percent priced for 2011 production and would be willing to hold the remainder for an additional rally. I would target the $1 to $1.05 range as a pricing point.

New Crop: December cotton closed at 90.38 cents per pound, down 2.24 cents for the week. Support is at 89.01 cents per pound with resistance at 91.49 cents per pound. Technical indicators have changed to a strong sell bias. Loan equities have been quoted at 31 cents per pound. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives.USDA is using 13.2 million acres for 2012 production which falls within the range of earlier analyst guesses. Using a 20 percent abandonment rate and harvested acres of 10.5 million acres at 777 pounds per acre, production would increase 1.3 million bales from 2011 to 17 million bales. Usage is expected to increase 1 million bales from an increase in exports and result is ending stocks of 5.3 million bales compared to the current stocks of 3.8 million bales. The season average price is forecast to drop 10 cents to 80 cents per pound. World stocks are expected to increase 4 million bales to 64.8 million bales. This no doubt is considered negative for prices, but if new crop prices drop too much relative to grains, acreage will be difficult to hold. We could see prices trade sideways with a downward bias until acreage is more certain and a clearer picture on Chinese purchases is known.

Soybeans:

Nearby: The May contract closed at $12.86 ¾ a bushel, up 13 cents a bushel since last Friday. Support is at $12.73 with resistance at $12.98 a bushel. Technical indicators have a strong buy bias. Weekly exports were above expectations at 148.2 million bushels (a marketing year high of 42.6 million bushels for the 2011/12 marketing year and sales of 105.6 million bushels for 2012/13). Questions still arise on the condition of the South America crop with some yield estimates continuing to drop. The market seems to be pricing this production drop in and its positive affect on U.S. soybean exports. Exports sales are still below pace to meet USDA's old crop projections and will have to increase in the second half of the marketing year. With a strong basis, cash soybeans in some areas of Tennessee are above $13.00 and I would look to sell stored soybean into this rally. Producers who continue to hold stored soybeans should at least use a $12.50 stop as a pricing point should prices drop back to that level.

New Crop: November soybeans closed today at $12.70 ¾ a bushel, up 8 ¾ cents since last week. Support is at $12.60 with resistance at $12.79 a bushel. Technical indicators have a strong buy bias. USDA in its presentations this week at the Ag Outlook Forum used soybean acres of 75 million for 2012 production, which would be unchanged from last year. Harvested acres are estimated up 500,000 acres at 74.1 million acres. A trend line yield of 43.9 bushels per acre would produce a 3.250 billion crop, 194 million bushels higher than 2011. Demand based mainly on a 250 million bushel increase in exports to a record 1.550 billion bushels would see total usage increase to 3.335 billion bushels. Ending stocks would drop from 275 million bushels to 205 million bushels. Record exports are possible but if achieved it most likely would mean that the old crop exports did not meet current expectations and beginning stocks started greater than 275 million bushels. The season average price for 2012/13 is estimated at $11.50 bushel, 20 cents lower than the current 2011/12 projection. The USDA numbers from the Ag Outlook Forum are friendly to soybean prices, and have indicated that soybean prices may have a need to be more competitive with corn. I am currently 5% priced and I would sell into this rally by pricing another 15 percent at current levels to 20 percent overall. Producers could use a $12.42 futures stop as a pricing point should prices drop back to that level, but I think from a price risk management standpoint some level of pricing should be locked in.

Wheat:

Nearby: May futures contract closed at $6.41 ¼ a bushel, down 6 ½ cents a bushel since Friday. Support is at $6.28 with resistance at $6.49 a bushel. Technical indicators have changed to a sell bias. Weekly exports were within expectations at 27.8 million bushels (25.8 million bushels for 2011/12 and 2.0 million bushels for 2012/13).

New Crop: July wheat closed at $6.53 a bushel, down 5 ¾ cents since last week. Support is at $6.39 with resistance at $6.61 a bushel. Technical indicators have a sell bias. USDA estimates 58 million acres of wheat for the 2012/13 marketing year which would be an increase of 4.6 million acres for 2011 and higher than previous analyst average guesses. At a yield of 44.5 bushels per acre, production would be 3.130 billion bushels. Demand of 2.173 billion bushels is forecast slightly higher than 2011/12 and would result in ending stocks of 975 million bushels as compared to 2011/12 projection of 845 million bushels in stocks. The season average price is estimated at $6.30 bushel down $1 a bushel from 2011/12. I am currently 10 percent priced for the 2012 crop and would use the $6.50 mark as a stop loss to price more. Otherwise, I would move my stop up if prices move up. I think at this point, wheat will look to corn and soybeans for direction although some support could be coming from dry weather in the U.S. and Eastern Europe. Δ

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