Congress Tax Cut Plan Shores Up Markets

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Corn, cotton and soybean prices are up; wheat prices are down for the week. Outside influences have been mixed this week. March U.S. Dollar Index traded mid-day at 80.81 on Friday, up .37 for the week. The Dow Jones Industrial Average traded before the close at 11,498; up 88 points for the week. Crude Oil was trading before the close at 88.01 a barrel, up .22 a barrel for the week. A downgrade of Ireland's debt is seeing at least for now a stronger dollar. European leaders are trying to agree on measures that would shore up the Euro and create a permanent financial safety net, but so far to no avail. China's inflation rate for November came in at 5.1%, a 28 month high and higher than expected. For now, China has left interest rates alone and instead is raising lenders reserve requirements. This has been positive for the market. Corn and soybeans are seeing support today from World Weather Inc.'s report that crop stress from hot, dry weather across Argentina will increase in the two weeks starting December 19. Also adding market support was the tax cut plan passed by Congress and headed to the president to sign which included ethanol blender credits and a biodiesel credit.

Corn:

Nearby: March futures closed Friday at $5.96 ½ a bushel, up $0.22 for the week. Support is at $5.80 with resistance at $6.06 a bushel. Technical indicators have a strong buy bias. Weekly exports were within expectations at 34.6 million bushels (31.9 million bushels 2010/11 and 2.7 million bushels 2011/12). An extension of the ethanol blender's credit should insure that corn for ethanol usage will hold steady and most likely increase. I am currently at 50 percent forward priced and 25 percent priced with put options where production has been priced. I would hold the remaining 25 percent of production either in storage, if available, or through March call options.

New Crop: September 2011 closed Friday at $5.61 ¾ a bushel, up $0.13for the week. Support is at $5.45 with resistance at $5.73 a bushel. Technical indicators have a strong buy bias. One private survey based acreage estimate out today pegs corn acreage in 2011 at 90.775 million acres, up 2.56 million acres. A yield of 164 bushels per acre and steady demand would see carryover increase to slightly over a billion bushels. A yield of 160 bushels and carryover tightens further. With demand from ethanol possibly increasing and continued talk of China needing to increase their imports, demand should increase in 2011/12. Supplies are too tight for the corn market to be comfortable with only a 2.56 million acre increase. If that is the case, the market will need to buy more acres and in doing so increase in price. I am currently priced at 20 percent for 2011 production.

Cotton:

Nearby: March futures contract closed Friday at 150.12 cents/lb., up 13.15 cents/lb. for the week. Support is at 141.16 cents per pound, with resistance at 154.60 cents per pound. Technical indicators have a strong buy bias. All cotton weekly exports sales were below expectations at 258,300 bales (190,500 bales of upland cotton for 10/11; 57,600 bales of upland cotton for 11/12; 7,900 bales of Pima for 2010/11 and 2,300 bales of Pima for 2011/12). The Adjusted World Price for December 17 – December 23 is 150.13 cents/lb., up 9.28 cents/lb.

New Crop: December 2011 closed at 97.68 cents per pound, up 3.17 cents a pound for the week. Support is at 94.59 cents per pound, with resistance at 99.15 cents per pound. Technical indicators have a strong buy bias. Cotton equities have been quoted at 36.25 cents per pound. Keep in contact with your cotton buyer for current quotes on loan equities. Cotton acreage in a private survey was estimated at 13 million acres for 2011, up 1.96 million acres. Average abandonment and average yields and steady demand would result in ending stocks of 2.5 – 3.0 million bales. Stocks would still be tight and not much room for production problems or better demand. I would be 10 percent priced at this time on 2011 production. Under current conditions, I would look at increasing pricing if December 2011 rallies back to 100 cents. December 2012 prices closed at 83.32 cents/lb. with an equity quote of 21.25 cents.

Soybeans:

Nearby: The January contract closed at $12.98 ¾ a bushel, up $0.26 for the week. Support is at $12.77 with resistance at $13.10 a bushel. Technical indicators have a strong buy bias. Weekly exports were below expectations at 6.4 million bushels (3.1 million bushels for 2010/11 and 3.3 million bushels for 2011/12). Soyoil for biodiesel was down 63 percent in October from a year ago without the biodiesel credit so the inclusion of it in the tax cut plan should greatly help that industry and soyoil demand. It will be retroactive for 2010. Concerns over dryness in Argentina and southern Brazil continue to support the market. The U.S. crush was disappointing in November as a report from the National Oilseed Processors Association estimates crush at 149 million bushels which was below the trade estimate of 152 – 154 million bushels.

New Crop: November 2011 soybeans closed at $12.29 ¾ a bushel, up $0.36 for the week. Support is at $12.04 with resistance at $12.42 a bushel. Technical indicators have a strong buy bias. Acreage from one private based survey puts 2011 soybean acres at 77.565 million acres, down 140,000 acres from 2010. Without a bumper crop or lessening of demand, ending stocks in 2011/12 would continue to tighten and not leave any wiggle room. In our current situation, the market will need additional acres which should add strength to the market. As we have seen in the past, however, it is sometimes the outside influences that drive the market and not the fundamentals. I currently have priced 30 percent of 2011 anticipated production.

Wheat:

Nearby: March futures contract closed at $7.56 ¾ a bushel, down $0.19 a bushel for the week. Support is at $7.36 with resistance at $7.68 a bushel. Technical indicators have a buy bias. Weekly exports were above expectations at 35.7 million bushels (33 million bushels for 2010/11 and 2.7 million bushels for 2011/2012.

New Crop: July, 2011 wheat closed at $7.94 ½ a bushel Friday, down $0.10 for the week. Support is at $7.89 with resistance at $8.30 a bushel. Technical indicators have a strong buy bias. A private estimate puts wheat production unchanged from 2010. It usage holds steady then ending stocks could be reduced 200 million bushels, using up excess stocks. On my comments, I am currently 40 percent priced for 2011 production. Δ

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