Corn Acres Estimated Down, Soybean Acres Up

CHUCK DANEHOWER

RIPLEY, TENN.

Corn, cotton, and soybean prices were mixed (old crop down, new crop up) and wheat prices up for the week. The June U.S. Dollar Index was trading mid day at 75.00, down 0.79 for the week. The Dow Jones Industrial Average traded mid day at 12,429; down 122 points for the week. Crude Oil was trading mid day at 100.45 a barrel, up 0.35 a barrel for the week. Markets will be closed on Monday, May 30 in observance of Memorial Day. Reuters released this week analyst's survey results on acreage and production. The average corn acreage was estimated at 90.35 million acres, 1.8 million acres less than USDA's intentions; soybeans average estimate was 76.76 million acres, up 160,000 from USDA's intentions and spring wheat at 13.75 million acres, down 680,000 acres from the March 31 intentions report. USDA will report acreage on June 30 which will reflect producer surveys in early June. It is anticipated that many producers acreage may change after they are surveyed so a follow up survey in late planted areas may be necessary later in the summer and would be reflected in USDA's August report. This uncertainty in acreage may accelerate the markets interest in the ever changing weather forecasts. Forecasts for good growing conditions will put pressure on the market while forecasts for less than ideal growing conditions will add strength to prices.

Corn:

Nearby: July futures closed today at $7.58 ½ a bushel, down $0.01 for the week. Support is at $7.34 with resistance at $7.71 a bushel. Technical indicators have a strong buy bias. Weekly exports were in the mid-range of expectations at 30.6 million bushels (28.6 million bushels for 2010/11(including 4.6 million bushels to China) and 2 million bushels for 2011/12). Ethanol production has stabilized at 902,000 barrels a day for the week ending May 20.

New Crop: September closed at $7.28 ¼ a bushel, up $0.11 bushel for the week. Support is at $7.07 with resistance at $7.38 a bushel. Technical indicators have a strong buy bias. As of May 22, 79 percent of the corn crop was planted compared to 63 percent last week, 92 percent last year and the 5 year average of 87 percent. Most market analysts were expecting 80 percent of the crop being planted. Nationwide, corn emergence is 45 percent compared to 21 percent last week, 69 percent last year and the five year average of 59 percent. One of the areas of concern is Ohio where only 11 percent of the corn crop had been planted by May 22; the five year average is 80 percent. Iowa, however, is ahead of average and is expected to have picked up additional corn acres. The Reuters survey of analysts estimated yields at 158.75 bu./acre putting production at 13.198 billion bushels, down 300 million bushels from USDA's May projection. Yields will be the wildcard this year, more so than acreage. I am currently 50 percent priced and would hold at this level until we get further along in the growing season. Put options would set a floor and buying a December $6.80 Put option would cost $0.71 and set a $6.09 floor on the December market while keeping an upside.

Cotton:

Nearby: July futures contract closed at 152.67 cents/lb., down 2.94cents/lb. for the week. Support is at 149.54 cents per pound, with resistance at 156.48 cents per pound. Technical indicators have a sell bias. All cotton weekly export sales were below expectations at an overall reduction of 11,200 bales (a reduction of 33,000 bales of upland cotton for 10/11; sales of 21,800 bales of upland cotton for 11/12 and no Pima sales reported). The Adjusted World Price for May 27 – June 2 is 144.48 cents/lb.; up 2.34 cents/lb.

New Crop: December closed at 129.50 cents per pound, up 9.74 cents for the week. Support is at 126.38 cents per pound, with resistance at 131.56 cents per pound. Technical indicators have changed to a strong buy bias. Current quotes on 2011 loan equities are in the 62.50 – 64.00 cent per pound range. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. As of May 22, 57 percent of the cotton crop was planted compared to 42 percent last week, 59 percent last year and the 5 year average of 61 percent. The cotton market has reacted this week to continued drought in Texas, Southeast, and floods along the Mississippi River. Abandoned acres at this point are considered to be high along with below average yields. However, timely placed rains in Texas would quickly change the situation and make the market retreat. I am currently at 45 percent priced and would hold at that level. Evaluate the option market as a good tool to set a floor price and still leave an upside. A December 130 Put option would cost 17.84 cents and set a 112.16 futures floor. An out of the money December 105 Put would cost 6.35 cents and set a 98.65 futures floor. December 2012 prices closed at 103.68 cents/lb.

Soybeans:

Nearby: The July contract closed at $13.79 ¾ a bushel, down $0.01 for the week. Support is at $13.65 with resistance at $14.01 a bushel. Technical indicators have a hold bias. Weekly exports were at the low end of expectations at 6 million bushels for 2010/11. The U.S Census Bureau reported crush for April at 128 million bushels, 1.3 million bushels less than expected. Unless crush really picks up, USDA may have over projected crush for this current marketing year.

New Crop: November soybeans closed at $13.68 ½ a bushel, up $0.18 a bushel this week. Support is at $13.55 with resistance at $13.87 a bushel. Technical indicators have a buy bias. As of May 22, 41 percent of the soybean crop was planted compared to 22 percent last week, 51 percent last year and the 5 year average of 51 percent. Nationwide, soybean emergence is 12 percent compared to 22 percent last year and the five year average of 19 percent. The Reuters survey estimated soybean production at 3.26 billion bushels, 25 million bushels less the USDA's May report using a .3 bushel yield reduction. Producers with buy up crop insurance in areas that did not get their corn planted are weighing planting soybeans versus taking the prevented planting provision and not planting anything. This is expected to keep soybean acres from increasing dramatically over the March 31 intentions. I am currently priced 50 percent for 2011 and would wait until early summer before forward pricing more, again depending on your acreage situation. Currently, buying a November $13.60 Put option would cost $0.82 a bushel and set a $12.78 futures floor.

Wheat:

Current Crop: July futures contract closed at $8.19 ¾ a bushel, up $0.13 a bushel this week. Support is at $7.93 with resistance at $8.40 a bushel. Technical indicators have a buy bias. Weekly exports were at the low end of expectations at 15.9 million bushels (reduction of 1 million bushels for 2010/11 and sales of 16.9 million bushels for 2011/12). Nationwide, 62 percent of the winter wheat crop has headed compared to 54 percent last week, 61 percent last year and the five year average of 65 percent. Winter wheat crop condition ratings as of May 22 were 32 percent good to excellent compared to 32 percent last week and 66 percent last year. Poor to very poor ratings are 45 percent compared to 44 percent last week and 9 percent a year ago. Supporting wheat prices are production concerns in the U.S as well as dry conditions in Europe. The International Grains Council cut world wheat estimates by 184 million bushels. I am currently at 50 percent priced and will hold at this level for now. In options, buying a July $8.20 Put would cost $0.41 and set a $7.79 futures floor. This option expires June 24, 2011. Producers with storage who want to set a floor under their wheat price may want to look at September or December Put options.

Deferred: September wheat closed at $8.68 ¼ a bushel Friday, up $0.19 since last week. Support is at $8.42 with resistance at $8.88 a bushel. Technical indicators have a buy bias. Spring wheat as of May 22 is 54 percent planted compared to 36 percent last week, 89 percent a year ago and the five year average of 89 percent. Spring wheat emergence is 24 percent compared to 11 percent last week, 67 percent last year and the five year average of 64 percent. July 2012 wheat closed at $9.34 ½ a bushel. Δ

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