Corn Prices Take Dive, Other Commodities Rise

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Soybeans, wheat and cotton prices are up, corn prices are down for the week. The June U.S. Dollar Index was 81.49 before the close, up .57 for the week. The Dow Jones Industrial Average before the close was at 11,172; up a little over 1 percent for the week. June Crude Oil was trading before the close at 85.06 a barrel, up .45 a barrel for the week.

Corn

Nearby: May futures closed at $3.53 a bushel, down $0.11 a bushel for the week. Support is at $3.45 a bushel with resistance at $3.66 a bushel. Technical indicators have a sell bias. Weekly exports were above expectations at 58.3 million bushels and slightly above pace to meet USDA's export projections.

New Crop: The September contract closed at $3.70, down $0.14 a bushel for the week. Support is at $3.61 with resistance at $3.84 a bushel. Technical indicators have a sell bias. As of April 18, 19 percent of the corn crop was planted compared to 3 percent last week, 5 percent last year and the 5 year average of 9 percent. Planting progress is only 1 percent behind the 2004 record pace and we very well could see a crop planted in record time or at least among the top 5 fastest planted years. Historically, the quicker a crop is planted the stronger the likelihood of above trend line to record yields. Certainly, other variables will impact yields, but planting progress is one of the first indicators. Crop acreage could also see an increase as there seems to be a tendency to continue planting as long as conditions are favorable before switching to another crop. I am currently forward priced 50 percent for 2010 production. This last week has been an opportunity to make catch up sales or implement a put option strategy. A December $3.80 strike price put option would cost $.36 bushel and set a $3.44 futures floor.

Cotton

Nearby: May futures closed at 84.26 cents/lb. up 4.25 cents/lb. for the week. Support is at 82.02, with resistance at 85.44 cents per pound. Technical indicators have a buy bias. Weekly exports sales were above expectations and were up from the previous week and prior 4 week average at 367,600 bales (347,100 bales of upland cotton for 09/10; 15,000 bales of upland cotton for 10/11; 5,500 bales of Pima for 09/10). News that India in an effort to boost domestic supplies had banned the export of cotton has been supportive of the market and could steer some additional business to the U.S. At this time, it is unknown on just how much actual cotton this will affect. The Adjusted World Price for April 23 – April 29 is 70.81 cents/lb.

New Crop: The December futures contract closed at 77.39 cents/lb., up 1.45 cents/lb. for the week. Support is at 76.82 cents per pound, resistance at 77.76 cents per pound. Technical indicators have a buy bias. Equities for 2010 cotton were quoted in the 16.5 – 17 cent range. Keep in contact with your cotton buyer for current quotes on loan equities. As of April 18, 11 percent of the cotton crop was planted compared to 6 percent last week, 11 percent last year and the 5 year average of 12 percent. Cotton planting overall is about on pace. Texas is lagging their 5 year average slightly, but it is not expected to be troublesome. Prices have reached a point where I would forward price either through cash sales or loan equities, 10 percent of estimated cotton production. Options may actually be the better strategy in cotton marketing. Arguments could be made for cotton prices to be 10 cents lower or 10 cents higher. Option strategies to examine include forward pricing your crop and buying a December Call option. I would probably go a little out of the money and buy an 83 cent strike price call for around 3 cents. If your futures price is 77 cents when booking that will set a 74 cent futures floor. That would still leave the upside should the market take off. The other option strategy to look at is buying a December Put option. A December 77 cent Put would cost 5 cents and set a 72 cent floor, still leaving the upside open. It is an exciting time for the cotton market as reduction in supplies and improvements in the economy have led to what appears to be a demand driven market. However, prudent marketing strategies should still apply.

Soybeans

Nearby: May futures closed at $10.00 bushel, up $0.15 bushel for the week. Support is at $9.91 a bushel, with resistance at $10.11 a bushel. Technical indicators have a buy bias. Weekly exports were about expected at 13.5 million bushels (11.3 million bushels for 2009/10 and sales of 2.2 million bushels for 2010/11). The Census Bureau reports March crush at 156.1 million bushels, 1.2 million bushels above expectations.

New Crop: The November contract closed at $9.79 bushel, up $0.13 a bushel this week. Support is at $9.70 with resistance at $9.90 bushel. Technical indicators have a buy bias. Planting progress has yet to be reported for soybeans, but should start next week. Soybean prices have been the recipient of good demand and a better than average corn planting pace which could translate to fewer soybean acres. Soybean usage will have to continue to be at a record pace to keep stocks from growing. That may be difficult with the large South America crop. Although there are currently some soy oil disagreements between China and Argentina, you have to assume that will be eventually resolved and trading will resume as normal. I am currently priced 30 percent for the 2010 soybean crop having hit the $9.75 target and increased that 10 percent this week. I would set $10.00 as a target to increase sales. If prices should drop back to $9.50, I would use that as a signal to increase forward pricing. I would use this recent rally to make catch up sales. Put options may also offer some downside protection but still leave some upside. Buying a November $9.80 strike price Put Option would cost $0.67 a bushel and set a $9.13 futures floor.

Wheat

Nearby: May futures contract closed at $4.92 bushel, up $0.01 for the week. Weekly exports were about expected at 17.1 million bushels with 6.1 million bushels in this marketing year and 11 million bushels in 2010/11 marketing year.

New Crop: July futures closed at $5.05 bushel, up $0.02 for the week. Support is at $4.96 with resistance at $5.17 a bushel. Technical indicators have a buy bias. Winter wheat crop condition ratings as of April 18 were 69 percent good to excellent compared to 65 percent last week and 42 percent last year. I am currently forward priced 25 percent of the 2010 wheat crop. I would look to increase pricing on any rallies back up to $5.15. On the downside, if July wheat drops back to $4.85, I would use that as a signal to price wheat. A July $5.10 strike price Put Option would cost $0.31 a bushel and set a $4.79 futures floor. Δ

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