Corn Prices Up, Consider Selling More Grain Out Of Storage

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Grain and cotton prices moved higher again this week after last week's USDA report dropped corn stocks.

Corn:

Short Run: Cash corn prices ranged from $4.68 to $5.02 across Tennessee Thursday. The March futures price closed at $5.02 Thursday, 27 cents higher than last Thursday's close. The lower stock projection in last week's USDA report has pushed prices above $5.00 for all 2008 and 2009 futures contracts. Consider selling more grain out of storage on this latest price rally.

Long Run: Harvest 2008 cash contract prices across Tennessee ranged from $4.56 to $4.93 Thursday. The December 2008 futures contract closed Thursday at $5.21, almost 28 cents higher than last Thursday's close. Is it time to consider selling the 2008 crop? Yes – at least a portion of it. Technically, the futures market is about 30 cents away from the all time high price. Prices could move higher depending on this year's planting intentions and weather. But consider having up to a third of expected production priced at the current price level. Dry conditions continue over parts of Tennessee. If you want to price a greater portion of expected production now, consider buying December put options. If you have a production shortfall, you don't have to deliver on the option contracts.

Cotton:

Short Run: The March futures contract closed Thursday at $71.92, $4.96 higher than last Thursday's close. Even with a slightly bearish USDA report last week, cotton prices rallied this week along with other commodity prices. Futures prices traded this week at levels not seen since early 2004. Higher prices in the face of huge domestic supplies indicate that the market is likely looking ahead to this spring's planting intentions. Some projections have U.S. cotton acreage falling another 1.5 million acres this year. That drop might be enough to support current prices, but export demand will again be a big factor.

Long Run: The December 2008 futures contract closed Thursday at $79.99, $5.43 higher than last Thursday's close. The old crop U.S. stock situation is still bearish, but U.S. stocks for 2008/09 will likely drop. The question is, how much? Exports will play a big role in that drop, but the market is looking at planting intentions now. Consider pricing up to 25 percent of 2008 expected production now using December options.

Soybeans:

Short Run: Cash soybean prices ranged from $11.81 to $12.35 across Tennessee Thursday. The March 2008 futures contract closed Thursday at $12.71, almost 11 cents higher than last Thursday's close. At these current prices, consider selling a portion of stored beans.

Long Run: The November 2008 futures price closed Thursday at $12.70, 75 cents higher than last Thursday's close. Harvest prices for 2008 ranged from $11.75 to $12.19 across Tennessee Thursday. Soybean prices surged to new highs following last Friday's USDA report. While the report changed soybean projections very little, the drop in corn stocks raised the corn/soybean acreage competition to a new level. Prices could move higher, but for now consider having up to a third of this year's expected production priced at current prices.

Wheat:

Short Run: The March futures contract closed at $9.405 Thursday, 58 cents higher than last Thursday's close. Technically, there appears to be some price resistance at $9.45 in the March contract. If prices close above $9.45 that could mean higher prices in the future.

Long Run: Cash contract prices for July 2008 ranged from $7.04 to $7.57 across Tennessee Thursday. The July 2008 futures contract closed Thursday at $8.64, 88 cents higher than last Thursday's close. Prices rose this week based on a combination of low old crop stocks and lower than expected winter wheat acreage. Tennessee cash contract prices for harvest delivery continue to be well below the July futures price. With the low supply situation, even more emphasis is placed on good growing conditions this year. A yield drop this year could send prices even higher this spring and summer. So how can wheat producers price this year's crop? Consider using more than one method to price expected 2008 production. Cash forward contracting is a way to lock in prices for July delivery. Hedging with the futures market can also establish a price, without having to actually deliver wheat. But hedging can mean margin calls if prices continue to rise. Options are another alternative, but can mean substantial up front money to establish a price floor. At this time, consider using a combination of hedging, options, and cash forward contracting on up to 50 percent of expected 2008 production. Consider also pricing up to half of expected 2009 and 2010 wheat production now, using cash forward contracting or hedge to arrive arrangements. July 2009 and 2010 futures contracts closed Thursday at $8.5125 and $8.58, respectively. Δ

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