

Corn, Soybeans And Wheat Stocks All Have A Strong Move Up

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Corn prices are up, wheat mixed and cotton and soybean prices down for the week. The U.S. Dollar Index before the close was 80.06 up 0.66 for the week. The Dow Jones Industrial Average before the close was 13,417 down 162 points since last Friday. Crude Oil before the close was 91.93 a barrel, down 1.05 a barrel for the week. USDA released its Grain Stocks report reflecting stocks as of September 1st. These numbers for corn and soybeans will now become the official ending stocks numbers for the 2011/12 marketing year. Overall, the report is bullish for corn and wheat and maybe a little bearish for soybeans although all three crops have had a strong up move today.

Corn:

Current Crop: December closed at \$7.56 ¼ a bushel, up 8 cents a bushel for the week. Technical indicators have a sell bias. Support is at \$6.94 a bushel with resistance at \$7.87 a bushel. Weekly exports were again well below expectations with net sales of 15,750 bushels for the 2012/13 marketing year. Corn harvested nationwide on September 23 was 39 percent compared to 26 percent last week, 12 percent last year and the five year average of 13 percent. Corn stocks as of September 1 came in at 988 million bushels, 138 million bushels less than the average trade guess, 193 million bushels less than the USDA September estimate and 140 million bushels less than a year ago. This number (988 million bushels) now becomes the beginning stocks number for the 2012/13 marketing year. Feed/residual use is implied to be greater in the final quarter of the marketing year than was earlier thought. The market has responded favorably to this report but does continue to battle perceived demand destruction as exports were again dismal and ethanol production lower than the previous week. Ethanol production is on pace to meet or possibly exceed USDA projection for the new crop marketing year. A slightly negative psychological factor this week has been the realization that approximately 30 million bushels of corn imported from South America will soon be reaching the East Coast for hog operations. It was cheaper to buy from there rather than here. This has been known in the marketplace and will soon be delivered. I am currently priced at 50 percent of anticipated production, and 30 percent with Put Options. I would sell the remainder of un-priced corn at harvest or if storage is available contract for future delivery taking advantage of basis improvement. I would not store corn un-priced or at least without a floor price. A December \$7.50 Put would cost 39 cents and set a \$7.11 futures floor. This option expires November 23.

Deferred: March 2013 contract closed at \$7.59 ½ a bushel, up 8 ½ cents a bushel since last Friday. Technical indicators have a sell bias. Support is at \$7.02 a bushel with resistance at \$7.88 a bushel. September 2013 corn closed at \$6.59 a bushel, down 6 cents for the week. I would have 10 percent of 2013 production priced.

Cotton:

Current Crop: December closed at 70.65 cents per pound, down 2.60 cents since last week. Support is at 69.53 cents with resistance at 72.75 cents per pound. Technical indicators have a sell bias. The Adjusted World Price for September 28 – October 4 is 61.56 cents per pound, down 2.59 cents. All cotton weekly export net sales were 145,100 bales (130,500 bales of Upland cotton net sales for 2012/13; net sales of 11,300 bales of Upland cotton for 2013/14 and net sales of 3,300 bales of Pima cotton for 2012/13). Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. Cotton bolls opening were 69 percent compared to 59 percent last week and 73 percent last year and the five year average of 62 percent. Cotton harvested was 10 percent compared to 6 percent last week, 11 percent last year and the five year average of 11 percent. Cotton crop condition ratings were 43 percent good to excellent compared to 43 percent last week and 29 percent last year. Poor to very poor were reported at 30 percent compared to 30 percent last week and 44 percent last year. The cotton market continues to languish in this low 70 cent range. A movement up to 74

cents should bring about consideration of making sales.

Deferred: March 2013 cotton closed at 71.68 cents per pound, down 2.55 cents for the week. Support is at 70.71 cents with resistance at 73.53 cents per pound. Technical indicators have a sell bias.

Soybeans:

Current Crop: The November contract closed at \$16.01 a bushel, down 20 ¾ cents a bushel since last Friday but up 30 ¼ cents today. Technical indicators have a sell bias. Support is at \$15.37 a bushel with resistance at \$16.45 a bushel. Weekly exports were at the top end of expectations at net sales of 29.4 million bushels for 2012/13. Soybeans dropping leaves were 73 percent compared to 57 percent last week, 51 percent last year and the five year average of 59 percent. Soybeans harvested were reported at 22 percent compared to 10 percent last week, 4 percent last year and the five year average of 8 percent. Soybean condition ratings were 35 percent good to excellent compared to 33 percent last week and 53 percent last year. Poor to very poor ratings were 34 percent compared to 36 percent last week, and 18 percent last year. Soybean stocks on September 1 were 169 million bushels, 37 million bushels higher than the average trade guess and 39 million bushels higher than the USDA September estimate. Adjustments of an increase of 37.5 million bushels were made to 2011 production as 2011 yields were raised 0.4 bushels per acre and harvested acres increased 140,000 acres. With exports remaining strong, this increase in stocks was taken in stride and may be an indication that the market is looking at usage taking up this increase. Markets had been oversold and were due a bounce. I am currently 50 percent priced overall on anticipated production; with an additional 30 percent priced in Put Options. At current price levels, storage should be used for possible basis appreciation and not necessarily futures price speculation. From a price risk management standpoint, a \$16.10 November Put option would cost 47 cents and set a \$15.63 futures floor. This option expires October 26, 2012. A January Put option may offer longer protection and will expire on December 21. A \$16.10 strike price will cost 72 cents and set a \$15.38 futures floor.

Deferred: January 2013 soybeans closed today at \$16.02 ¾ a bushel, down 19 ¼ cents a bushel since last week but up 31 ½ cents today. Technical indicators have a sell bias. Support is at \$15.36 a bushel with resistance at \$16.47 a bushel. Although South American production in 2013 is currently projected at record numbers, it is in no way a lock to happen. Weather patterns will continue to be analyzed for production direction and should continue to provide volatility in the market. November 2013 soybeans closed at \$13.38 ¼ down 15 ¾ cents for the week. Watch for 2013 opportunities.

Wheat:

Nearby: December futures contract closed at \$9.02 ½ a bushel, up 4 ¾ cents a bushel since Friday. Technical indicators have a buy bias. Support is at \$8.30 a bushel with resistance at \$9.43 a bushel. Weekly exports were within expectations at 15.7 million bushels of net sales for 2012/13. Wheat stocks as of September 1 and reported today were 2.10 billion bushels, 181 million bushels less than the average trade guess and 47.5 million bushels less than a year ago. This implies that wheat feed/residual use in the first quarter of the wheat marketing year is higher than earlier estimates. This is supportive of the market as concerns are also in place on the production in the Black Seas region and Australia.

New Crop: July 2013 wheat closed at \$8.67 a bushel, down 4 ½ cents since last week but up 31 ¼ cents today. Technical indicators have changed to a buy bias. Support is at \$8.14 a bushel with resistance at \$8.96 a bushel. Winter wheat planted nationwide is reported at 25 percent compared to 11 percent last week, 22 percent last year and the five year average of 27 percent. I would be 10 percent priced for 2013 production. Δ

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