

Cotton Prices Rise, Corn Mixed Last Week

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Prices are reported through Thursday, October 4, 2012. Cotton prices are up; corn mixed with soybean and wheat prices down for the week through Thursday. The U.S. Dollar Index traded at 79.28 early Friday down 0.74 for the week. The Dow Jones Industrial Average in early trading Friday was 13,640 up 198 points for the week. Crude Oil was trading at 90.27 a barrel, down 1.92 a barrel for the week. A greater than expected jobs report Friday morning put unemployment at 7.8 percent, the lowest in 44 months and could be suggesting that the economy is gaining some momentum. USDA will release its October report on Thursday, October 11th. This month's report will update acres and yields for this growing season.

Corn:
Current Crop: December closed at \$7.57 a bushel, up ¾ of a cent a bushel for the week. Technical indicators have changed to a buy bias. Support is at \$7.39 a bushel with resistance at \$7.72 a bushel. Weekly exports were within expectations with net sales of 12.9 million bushels for the 2012/13 marketing year. Corn harvested nationwide on September 30 was 54 percent compared to 39 percent last week, 18 percent last year and the five year average of 20 percent. Although exports were better than last week, they are below the pace needed to meet USDA's projections. Ethanol production fell 3 percent last week to 785,000 barrels per day, 9 percent below a year ago and was the lowest reported output since the Energy Information Administration started tracking weekly production in June of 2010. It does appear higher prices have created demand destruction. Analyst estimates for next week's report are just starting to come in and appear to favor a drop in beginning stocks and production to be offset by lower demand. I am forward priced at 50 percent of anticipated production, 30 percent with Put Options with the remainder sold at harvest. The exception is if storage is available I would contract un-priced corn for future delivery taking advantage of basis improvement. I would not store corn un-priced or at least without a floor price. A December \$7.55 Put would cost 29 cents and set a \$7.26 futures floor. This option expires November 23. Producers also anticipating a crop insurance claim may want to look at buying a put option to protect from any price decline. The Harvest price for crop insurance is the October average of the December contract.

Deferred: March 2013 contract closed at \$7.57 a bushel, down 1½ cents a bushel since last Friday. Technical indicators have changed to a buy bias. Support is at \$7.40 a bushel with resistance at \$7.72 a bushel. September 2013 corn closed at \$6.63 ¾ a bushel, up 4 ¾ cents for the week. I would have 10 percent of 2013 production priced.

Cotton:
Current Crop: December closed at 72.09 cents per pound, up 1.44 cents since last week. Support is at 70.38 cents with resistance at 73.10 cents per pound. Technical indicators have a sell bias. The Adjusted World Price for October 5 – October 11 is 60.35 cents per pound, down 1.21 cents. All cotton weekly export net sales were 248,000 bales (238,400 bales of Upland cotton net sales for 2012/13; net sales of 2,600 bales of Upland cotton for 2013/14 and net sales of 7,000 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 78 percent compared to 69 percent last week and 81 percent last year and the five year average of 73 percent. Cotton harvested was 14 percent compared to 10 percent last week, 15

percent last year and the five year average of 15 percent. Cotton crop condition ratings were 42 percent good to excellent compared to 43 percent last week and 29 percent last year. Poor to very poor were reported at 31 percent compared to 30 percent last week and 42 percent last year. The market is looking at conflicting signals as strong weekly export data compared to the Cotton Advisory Board's estimate of India's production of 26.09 million bales (converted). This is 1.59 million bales higher than USDA's September estimate. USDA will most likely raise their estimate for India in next week's report.

Deferred: March 2013 cotton closed at 73.09 cents per pound, up 1.41 cents for the week. Support is at 71.19 cents with resistance at 73.91 cents per pound. Technical indicators have a sell bias.

Soybeans:
Current Crop: The November contract closed at \$15.51 ½ a bushel, down 49 ½ cents a bushel since last Friday. Technical indicators have a sell bias. Support is at \$14.86 a bushel with resistance at \$15.66 a bushel. Weekly exports were above expectations at net sales of 47.6 million bushels for 2012/13. Soybeans dropping leaves were 85 percent compared to 73 percent last week, 71 percent last year and the five year average of 77 percent. Soybeans harvested were reported at 41 percent compared to 22 percent last week, 15 percent last year and the five year average of 19 percent. Soybean condition ratings were 35 percent good to excellent compared to 35 percent last week and 54 percent last year. Poor to very poor ratings were 33 percent compared to 34 percent last week, and 17 percent last year. Export sales and shipments are both above the pace to meet USDA's September export estimate. The October 11 USDA report is expected to show an increase in demand from exports and crush but may be met with an increase in production as yields are expected to be up from last month's report. The wild card will be acreage and more importantly harvested acreage. 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 January \$15.50 strike price put option will cost 67 cents and set a \$14.83 futures floor. It expires on December 21.

Deferred: March 2013 soybeans closed today at \$15.18 ½ a bushel, down 45 ¾ cents a bushel since last week. Technical indicators have a sell bias. Support is at \$14.57 a bushel with resistance at \$15.32 a bushel. November 2013 soybeans closed at \$13.34 ¼ down 4 cents for the week. Watch for 2013 opportunities.

Wheat:
Nearby: December futures contract closed at \$8.69 ¼ a bushel, down 33 ¼ cents a bushel since Friday. Technical indicators have changed to a sell bias. Support is at \$8.49 a bushel with resistance at \$8.90 a bushel. Weekly exports were below expectations at 11.3 million bushels of net sales for 2012/13.

New Crop: July 2013 wheat closed at \$8.43 ¾ a bushel, down 23 ¼ cents since last week. Technical indicators have changed to a sell bias. Support is at \$8.27 a bushel with resistance at \$8.65 a bushel. Winter wheat planted nationwide is reported at 40 percent compared to 25 percent last week, 36 percent last year and the five year average of 43 percent. Emergence is reported at 12 percent compared to 12 percent last year and the five year average of 16 percent. I would be 10 percent priced for 2013 production. Δ

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