Cotton, Grain Prices Rally At End Of 2008

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Cotton and grain prices rallied the last week in 2008.

Corn:

Short Run: Cash prices across Tennessee ranged from $3.87 to $4.07 on Wednesday. The December 2008 futures contract closed Wednesday at $4.07, 9 cents higher than the previous Wednesday's close. The corn price rose close to a dollar per bushel since early December. Will the rally extend into 2009? I think exports will have to strengthen to extend the rally. Consider selling some corn out of storage on this latest rally.

Long Run: The December 2009 futures contract closed Wednesday at $4.515, 10 cents higher than last Wednesday's close. News from the demand side has not been positive for corn recently, but prices have strengthened over the past few weeks. Prices could move higher, but consider pricing up to 25 percent of expected 2009 production at the current price level. Cash forward contracting, hedging, and options are alternatives to consider.

Cotton:

Short Run: The March futures contract closed Wednesday at 49.02 cents/lb, 2.66 cents higher than the previous Wednesday's close. A sustained rally seems unlikely given the large stocks projected for the U.S. this year. A slowing global economy adds to the lower price outlook for 2009.

Long Run: The December 2009 contract closed Wednesday at 54.92, 2.44 cents/lb above last Wednesday's close. Prices may have fallen to the extent that some value has entered the market for processors. But U.S. cotton supplies are still plentiful, and signs of a stronger dollar could send prices back down. I think U.S. acreage will drop again in 2009 unless the market changes significantly in the next 3 months.

Soybeans:

Short Run: The January 2009 futures price closed Wednesday at $9.7225, 56.5 cents higher than the previous Wednesday's close. Cash prices ranged from $9.67 to $9.92 across Tennessee on Wednesday. The late 2008 price rally was welcomed by those storing beans. Is it enough to move some out of storage? Consider selling some out of storage – prices could move higher, but consider taking advantage of this latest move on a portion of stored beans.

Long Run: The November 2009 futures contract closed Wednesday at $10.0675, almost 66 cents higher than last Wednesday's close. I still think pricing early this year should be considered for 2009 expected production. Consider pricing up to 40 percent of expected 2009 production over the next 2 months using a combination of cash forward contracting and options.

Wheat:

Short Run: The March futures contract closed at $6.1075 Wednesday, 28.5 cents above the previous Wednesday's close. I think demand will have to strengthen this winter to sustain the current price level. That may happen, but the current economic climate makes any long term price projection uncertain. For now, consider selling more wheat out of storage on this latest price rally.

Long Run: The July 2009 futures contract closed Wednesday at $6.34, 28 cents above last Wednesday's close. Consider pricing up to 25 percent of expected 2009 production at the current price level using cash forward contracting. For those who understand and can manage the risk, options are another alternative for pricing the 2009 crop. Δ

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