# Decline In Crop Condition Rating Signals Price Peak

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Corn, soybean, and wheat prices are up with cotton prices down for the week. The September U.S. Dollar Index traded before the close at 83.59, up 1.84 for the week. The Dow Jones Industrial Average before the close traded at 12,717, down 163 points since last Friday. Crude Oil traded at 84.64 a barrel mid-day, down 0.32 a barrel for the week. A weak U.S. employment report spurred concerns that the economic recovery is slowing. Concerns on the effects of the drought on grain production advanced prices this week despite a stronger U.S. Dollar. Crop condition ratings continue to decline as we may begin to see the effects of higher prices on demand. Comparisons are starting to be made to the 1988 drought and although not yet quite as severe, conditions seem to be headed that way. It should be noted that in 1988, prices peaked on July 5. One sign to watch for that the rally may be ending is when the decline in crop condition rating stops. That has not yet happened and doesn't look to happen on Monday, July 9. However, we do need to be mindful that weather rallies end quickly. With the volatility in the market, this may be a good time to consider put options as a marketing strategy. Put options may also work for producers who don't want to commit any more bushels to a forward pricing program. They can set a floor but leave the upside open. Producers for the most part will have to go through a broker and set up a brokerage account although some grain elevators will allow you to attach options to an existing contract. USDA will release their monthly supply and demand report on Wednesday, July 11. Usually the July report does not adjust yields, but due to the decline in crop condition ratings over the last month a downward adjustment is expected. Demand is also expected to be adjusted downward.

**Corn:**

Current Crop: September closed at $6.95 ¼ a bushel, up 66 ¾ cents a bushel for the week. Technical indicators have a strong buy bias. Support is at $6.76 a bushel with resistance at $7.30 a bushel. Weekly exports were below expectations at 6 million bushels (760,000 bushels for the 2011/12 marketing year and 5.3 million bushels for the 2012/13 marketing year). Corn condition ratings this week were 48 percent rated good to excellent as compared to 56 percent last week and 69 percent a year ago. This is the lowest good to excellent rating for the start of July since the drought of 1988. Poor to very poor were at 22 percent compared to 14 percent last week and 9 percent last year. Corn silking was reported this week at 25 percent compared to 10 percent last week, 5 percent last year and the five year average of 8 percent. We could be seeing signs of price rationing as exports were again less than expected and ethanol production dropped 26,000 barrels a day from the previous week. Unconfirmed rumors late in the week that ethanol requirements in the Renewable Fuels Standard would be reduced would be negative on prices if true. I am currently priced at 50 percent of anticipated production and would add 15 percent pricing using put options. A December $6.90 Put would cost 57 cents and set a $6.33 futures floor. This option expires November 23. A September $6.95 Put cost 44 cents and would set a $6.53 futures floor. It does expire August 24. I would want to cover the bushels through harvest and when they are sold. In some cases, the September Put may be suitable.

*Deferred:* March 2013 contract closed at $7.00 a bushel, up 56 ¼ cents a bushel since last Friday. Technical indicators have a strong buy bias. Support is at $6.82 a bushel with resistance at $7.36 a bushel. September 2013 corn closed at $6.36 ¼ a bushel, up 39 cents for the week. I would price 10 percent of 2013 production at this level.

**Cotton:**

*Current Crop:* December closed at 70.62 cents per pound, down 0.71 cents since last week. Support is at 68.99 cents with resistance at 72.69 cents per pound. Technical indicators have a sell bias. The Adjusted World Price for July 6 – July 12 is 62.84 cents per pound, up 2.54 cents. All cotton weekly export sales were 90,000 bales (83,800 bales of upland cotton for 2011/12; a reduction of sales of 1,900 bales of upland cotton for 2012/13; sales of 6,900 bales of Pima cotton for 2011/12 and sales of 1,000 bales of Pima for 2012/13. Equities have been quoted in the 12 cent range. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. Cotton squaring nationwide is at 49 percent compared to 36 percent last week, 44 percent last year and the five year average of 48 percent. Cotton boll set is 14 percent nationwide compared to 8 percent last week, 12 percent last year and the five year average of 12 percent. Cotton crop condition ratings were 47 percent good to excellent compared to 50 percent last week and 28 percent last year. Poor to very poor were reported at 18 percent compared to 16 percent last week and 41 percent last year.

*Deferred:* March 2013 cotton closed at 71.90 cents per pound, down 0.61 cents for the week. Support is at 70.44 cents with resistance at 73.72 cents per pound. Technical indicators have a sell bias.

**Soybeans:**

*Current Crop:* The November contract closed at $15.05 ¾ a bushel, up 78 cents a bushel since last Friday. Technical indicators have a strong buy bias. Support is at $14.90 a bushel with resistance at $15.33 a bushel. Weekly exports were well above expectations at 64.8 million bushels (11 million bushels for the 2011/12 marketing year and sales of 53.8 million bushels for 2012/13). Monday, a 44 million bushel new crop sale to unknown destinations was reported on USDA's daily reporting system for large sales. This would be the 5th largest export sale in history and was included in the numbers reported this week. Soybeans blooming this week were reported at 26 percent compared to 12 percent last week, 7 percent last year and the five year average of 12 percent. Soybean condition ratings were 45 percent good to excellent compared to 53 percent last week and 66 percent last year. Poor to very poor ratings were 22 percent compared to 15 percent last week, and 8 percent last year. I am currently 50 percent priced overall on anticipated production and would price 15 percent with Put options. From a price risk management standpoint, a $15.00 November Put option would cost 99 cents and set a $14.01 futures floor. Although soybean demand is strong, prices will be susceptible to breaking downward when rain is put into the forecasts.

*Deferred:* January 2013 soybeans closed today at $15.01 ½ a bushel, up 75 cents since last week. Technical indicators have a strong buy bias. Support is at $14.87 a bushel with resistance at $15.26 a bushel. November 2013 soybeans closed at $12.99 ¾, up 39 cents for the week. Start watching for 2013 opportunities.

**Wheat:**

*Nearby:* September futures contract closed at $8.06 ¼ a bushel, up 49 cents a bushel since Friday. Technical indicators have a strong buy bias. Support is at $7.82 a bushel with resistance at $8.48 a bushel. Weekly exports were within expectations at 15.4 million bushels for 2012/13. Wheat harvest has progressed to 69 percent harvested on July 1 compared to 59 percent last week, 49 percent a year ago and the five year average of 43 percent.

*Deferred:* March 2013 wheat closed at $8.32 ¾ a bushel, up 41 ¾ cents since last week. Technical indicators have a strong buy bias. Support is at $8.17 a bushel with resistance at $8.55 a bushel. Spring wheat is 73 percent headed compared 57 percent last week, 12 percent last year and the five year average of 35 percent. Spring wheat condition ratings as of July 1 were 71 percent good to excellent compared to 77 percent last week and 70 percent last year. Poor to very poor were 5 percent compared to 4 percent last week and 4 percent a year ago. July 2013 wheat closed at $8.17 ¾ a bushel, up 20 cents for the week. I would price 10 percent of 2013 production at current levels. Δ

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