Dollar Strength, World Economic Concerns Weigh Heavily On Markets

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Cotton prices are mixed with corn, soybean, and wheat prices down since last Friday. The September U.S. Dollar Index was trading before the close at 76.13, up .66 since last Friday. The Dow Jones Industrial Average before the close was 11,960; down 94 points for the week. Crude Oil was trading at 90.59 a barrel, down 2.81 a barrel since last Friday. A strengthening dollar and concerns over the world's general economic picture have weighed heavy on the market this past week. The International Energy Agency (IEA) announced that member nations including the U.S. have agreed to release 60 million barrels of oil in the coming month in response to the ongoing disruption of oil supplies in Libya. This has attributed to the drop in oil prices and weakness in commodities overall. USDA will release the Acreage report on June 30 as well as the Quarterly Grain Stocks Report. Look for comments on these reports to be posted that day at http://economics.ag.utk.edu/report.html . The Acreage report has been much anticipated, but with such a late crop there still will remain doubts as to accuracy. It was reported this week that the Risk Management Agency insurance data from North Dakota indicates 5 – 5.5 million acres of total crop land will go unplanted in that state. It is doubtful that would be accounted for in next week's report. Unless there is a significant surprise in the Acreage Report, the market will trade on weather and growing conditions and demand prospects. The Grain Stocks Report also looms as an important market mover and has in the past few reports been a surprise.

Corn:

Nearby: July futures closed today at $6.70 a bushel, down $0.30 for the week. Support is at $6.64 with resistance at $7.06 a bushel. Technical indicators have a sell bias. Weekly exports were below expectations at 20.9 million bushels (16.2 million bushels for 2010/11 and 4.7 million bushels for 2011/12). Export rumors on corn sales to China gave market support early in the week, but did contribute to weakness when confirmations did not come.

Current Crop: September closed at $6.57 a bushel, down $0.30 bushel since last Friday. Support is at $6.49 with resistance at $6.89 a bushel. Technical indicators have changed to a sell bias. As of June 19, corn emergence is 97 percent compared to 91 percent last week, 100 percent last year and the five year average of 99 percent. Corn crop condition ratings as of June 19 were 70 percent good to excellent compared to 69 percent last week, and 75 percent last year. Iowa has 84 percent of its crop in the good to excellent category with Nebraska at 76 percent, Minnesota 75 percent, and Illinois 68 percent. States that have double digit ratings that are poor to very poor include Indiana 11 percent, Michigan 10 percent, Ohio 11 percent, North Carolina 34 percent, and much of the South. Weather reports have been changing, but currently look for good growing conditions in the Midwest over the short term. I am currently 50 percent priced and would hold at this level. Put options would set a floor and buying a December $6.30 Put option would cost $0.58 and set a $5.72 floor on the December market while keeping an upside. This compares to a $6.38 floor a couple of weeks ago.

Cotton:

Nearby: July futures contract closed at 165.22 cents/lb., up 20.04 cents/lb. since Friday. Support is at 161.99 cents per pound with resistance at 168.17 cents per pound. Technical indicators have changed to a buy bias. All cotton weekly export sales were below expectations at an overall reduction of 33,100 bales (a reduction of 1,100 bales of upland cotton for 10/11; reduction of 33,100 bales of upland cotton for 11/12; sales of 100 bales of Pima cotton for 2010/11 and sales of 1,000 bales of Pima cotton for 2011/12). The Adjusted World Price for June 24 – June 30 is 115.64 cents/lb.; down 7.79 cents/lb.

Current Crop: December closed at 121.92 cents per pound, down 1.85 cents since last week. Support is at 118.04 cents per pound, with resistance at 124.32 cents per pound. Technical indicators have a sell bias. Current quotes on 2011 loan equities are in the 56-57.50 cent range cents per pound. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. As of June 19, 21 percent of the cotton crop is squaring compared to 12 percent last week, 26 percent last year and the five year average of 25 percent. Cotton crop condition ratings as of June 19 were 26 percent good to excellent compared to 28 percent last week and 62 percent last year. Poor to very poor ratings are 39 percent compared to 34 percent last week and 5 percent a year ago. Texas cotton was rated at only 14 percent good with 54 percent very poor to poor, an increase of 10 percent. Georgia cotton was similar with 18 percent rated good to excellent and 44 percent very poor to poor. The drought continues in Texas and is expanding in Georgia. Abandonment of cotton acres in Texas is expected to be high. I am currently at 45% priced and would hold at that level. Evaluate the option market as a good tool to set a floor price and still leave an upside. A December 122 Put option would cost 14.72 cents and set a 107.28 futures floor. An out of the money December 110 Put would cost 8.75 cents and set a 101.25 futures floor. December 2012 prices closed at 100.06 cents/lb.

Soybeans:

Nearby: The July contract closed at $13.20 ¼ a bushel, down $0.13 since last Friday. Support is at $13.02 with resistance at $13.37 a bushel. Technical indicators have changed to a strong sell bias. Weekly exports were below expectations at 7.5 million bushels (a reduction of 1.2 million bushels for 2010/11 and sales of 8.7 million bushels for 2011/12).The U.S. Census Bureau crush numbers for May came in at 128 million bushels, slightly above the average trade estimate.

Current Crop: November soybeans closed at $13.09 ¼ a bushel, down $0.24 a bushel since last week. Support is at $12.93 with resistance at $13.38 a bushel. Technical indicators have changed to a strong sell bias. As of June 19, 94 percent of the soybean crop was planted compared to 87 percent last week, 93 percent last year and the 5 year average of 93 percent. Nationwide, soybean emergence is 82 percent compared to 64 percent last week, 87 percent last year and the five year average of 86 percent. Soybean crop condition ratings as of June 19 were 68 percent good to excellent compared to 67 percent last week, and 69 percent last year. Favorable growing weather has attributed to price weakness. I am currently priced 50 percent for 2011 and would hold off pricing more. Currently, buying a November $13.00 Put option would cost $0.64 a bushel and set a $12.36 futures floor. That compares to a $12.96 floor available two weeks ago.

Wheat:

Current Crop: July futures contract closed at $6.35 ¾ a bushel, down $0.37 a bushel since Friday. Support is at $6.25 with resistance at $6.67 a bushel. Technical indicators have a strong sell bias. Weekly exports were slightly above expectations at 24.3 million bushels for 2011/12. Nationwide, 31% of the winter wheat crop has been harvested compared to 22 percent last week, 17 percent last year and the five year average of 22 percent. Winter wheat crop condition ratings as of June 19 were 36 percent good to excellent compared to 35 percent last week and 65 percent last year. Poor to very poor ratings are 41 percent compared to 42 percent last week and 9 percent a year ago. With a stronger dollar, U.S. wheat is priced higher in the world market and may struggle to compete. I am currently at 50 percent priced and would look to sell the remainder either off the combine at harvest or hold in storage, if available. Currently, there is carry in the futures market favoring storage to December. Producers with un-priced wheat in storage who want to set a floor under their wheat price may want to look at December Put options. A December $7.10 Put would cost $0.59 a bushel and set a $6.51 futures floor.

Deferred: December wheat closed at $7.05 ½ a bushel, down $0.48 since last week. Support is at $6.92 with resistance at $7.30 a bushel. Technical indicators have a strong sell bias. Spring wheat as of June 19 is 91 percent planted compared to 88 percent last week, 100 percent a year ago and the five year average of 100 percent. Spring wheat emergence is 83 percent compared to 73 percent last week, 99 percent last year and the five year average of 99 percent. Spring wheat crop condition ratings as of June 19 were 72 percent good to excellent compared to 68 percent last week, and 84 percent last year. July 2012 wheat closed at $7.62 a bushel. Δ

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