

Dollar Strengthens Following Concerns In Europe

CHUCK DANEHOWER

RIPLEY, TENN.

Corn, soybeans, and wheat prices are down while cotton prices are mixed for the week. The March U.S. Dollar Index before the close on Friday was at 81.82, up 0.22 for the week. The Dow Jones Industrial Average before the close was up 19 points for the week at 12,378. Crude Oil was trading before the close at 98.81 a barrel, down 2.75 a barrel. Continued concerns in Europe, particularly Greece put pressure on the Euro causing strength in the Dollar. Weather in Argentina and southern Brazil will be closely watched over the next month and its impact on their corn and soybean production. USDA released their monthly supply and demand data on January 12 along with the Grain Stocks report and final production numbers for 2011. Markets will be closed on Monday, January 16 in observance of Martin Luther King, Jr. Day.

Corn:

Nearby: March closed at \$5.99 ½ a bushel, down 44 cents a bushel for the week. Support is at \$5.88 with resistance at \$6.20 a bushel. Technical indicators have changed to a strong sell bias. Weekly exports were below expectations at 11.8 million bushels (12.7 million bushels for the 2011/12 marketing year and a reduction of 905,000 bushels for 2012/13 marketing year). USDA estimated corn stocks in storage on December 1 as 9.64 billion bushels down 4 percent from a year ago but 251 million bushels higher than the average trade guess. Production from 2011 was increased 48 million bushels on a 0.5 bushel increase in yield and a 100,000 acre increase in harvested acres. The trade was expecting a 30 million bushel decrease in production. The only change made in demand was a 50 million bushel increase in exports which reflected the strong pace of sales. Ending stocks were lowered 2 million bushels from last month to 846 million bushels and compares to the average trade guess of 753 million bushels. Global corn stocks were increased 37.4 million bushels from last month to 5.045 billion bushels nearly unchanged from last year. Argentina production was reduced 118 million bushels from last month due to hot and dry conditions, but some analyst look for further reductions. The stocks to use ratio of 6.7 percent for the U.S. and 14.7 percent globally are still considered fairly tight stocks. In the short term corn prices will struggle to get back to pre-report levels, but with South American weather concerns there is a good possibility. It will be important to see if end users step in and buy this price break. If they do, then another up move can be expected.

New Crop: September closed at \$5.78 a bushel, down 24 ¼ cents a bushel since last Friday. Technical indicators have changed to a strong sell bias. Support is at \$5.70 with resistance at \$5.88 a bushel. Projections for the 2012 production year estimate corn

acres in the 93.5 – 96.5 million acres range. Trend line yields of 161 bushels per acre would put stocks at a surplus. However, a trend line yield is no guarantee as concerns already are developing on production in the Upper Midwest from short sub soil moisture without plentiful winter precipitation. Producers looking to forward price a portion of their crop may want to put some price targets in with their grain elevator. I would target \$6.30 futures as a place to start although producers should evaluate their own profitability to assess a starting point.

Cotton:

Nearby: March closed at 95.47 cents per pound, down 0.39 cents since last week. Support is at 93.93 cents per pound with resistance at 96.85 cents per pound. Technical indicators have a buy bias. The Adjusted World Price for January 13 – 19 is 80.12 cents per pound up 2.14 cents. All cotton weekly export sales were 96,500 bales (sales of 92,800 bales of upland cotton for 2011/12; sales of 2,600 bales of upland cotton for 2012/13; and sales of 1,100 bales of Pima cotton for 2011/12). These numbers were the largest in seven weeks. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. USDA, as expected, lowered cotton production 153,000 bales to 15.67 million bales on a reduction of 100,000 harvested acres and a 1 pound increase in yield to 772 pounds per acre. On the usage side, exports were cut 300,000 bales to 11 million bales resulting in an increase of ending stocks to 3.7 million bales. This compares to the average pre report guess of 3.38 million bales. World numbers were also considered bearish as global stocks were raised 700,000 bales to 58.35 million bales. China did announce this week additional import quotas to help meet the demands of their mills. I am currently at 80 percent priced for 2011 production and would be willing to hold the remainder for an additional rally.

New Crop: December cotton closed at 91.95 cents per pound, up 0.29 cents for the week. Support is at 90.45 cents per pound with resistance at 92.81 cents per pound. Technical indicators have a buy bias. Private projections for 2012 cotton projections place cotton planted acres in the 13 -13.5 million acre range. Texas weather will be a key to U.S. production while demand needs to see signs of better economic times for prices to push upward to \$1.

Soybeans:

Nearby: The March contract closed at \$11.58 ¼ a bushel, down 38 ¼ cents a bushel since last Friday. Support is at \$11.33 with resistance at \$12.07 a bushel. Technical indicators have changed to a strong sell bias. Weekly exports were about expected at 15.9 million bushels for the 2011/12 marketing year. On the daily reporting system a 15.2 million bushel sale was reported that will show up in next week's export report. USDA reported soybean

stocks on December 1 as 2.37 billion bushels, up 4 percent from a year ago and 40 million bushels higher than expected. Production for the 2011 crop increased 30 million bushels on a 0.2 bushel per increase in yield and a 100,000 acres reduction in harvested acres. Crush was reduced 10 million bushels and exports cut 25 million bushels as ending stocks were estimated at 275 million bushels, 48 million bushels higher than expected. Global stocks are estimated to decrease 41 million bushels which would be 189 million bushels less than last year. USDA estimated Brazil and Argentina's production 92 million bushels less than last month. Unfavorable weather could reduce that further in future reports. Although the USDA report was bearish, markets next week will most likely turn to the South American forecasts and possibly the U.S. Dollar for direction. I would hold any stored soybeans for a rebound in price.

New Crop: November soybeans closed today at \$11.70 a bushel, down 21 ¼ cents since last week. Support is at \$11.47 with resistance at \$12.09 a bushel. Technical indicators have changed to a sell bias. Private projections for 2012 soybean acre are in the 72.8 – 74.5 range. There will be volatility which also could mean opportunities as the market struggles with first South American and then Midwest weather along with acreage uncertainties.

Wheat:

Nearby: March futures contract closed at \$6.02 ¼ a bushel, down 22 ½ cents a bushel since Friday. Support is at \$5.92 with resistance at \$6.14 a bushel. Technical indicators have changed to a strong sell bias. Weekly exports were above expectations at 16.1 million bushels (13.4 million bushels for 2011/12 and 2.7 million bushels for 2012/13). Wheat stocks on December 1 were reported by USDA to be 1.66 billion bushels down 14 percent from a year ago and 14 million bushels less than expected. Usage increased 9 million bushels from last month as food use was reduced 5 million bushels, residual use cut 15 million bushels, seed use raised 4 million bushels, and export increased 25 million bushels. Ending stocks for the current marketing year were projected at 870 million bushels, 8 million bushels lower than last month but 39 million bushels higher than expected.

New Crop: July wheat closed at \$6.45 ¾ a bushel, down 14 ½ cents since last week. Support is at \$6.35 with resistance at \$6.58 a bushel. Technical indicators have changed to a strong sell bias. Private acreage forecasts for 2012 currently are in a range between 55 – 56.7 million acres compared to 54.4 in 2011. Wheat will tend to follow corn and soybeans unless a weather situation develops. Potential trouble spots are the Ukraine and the U.S. Plains. Δ

CHUCK DANEHOWER: Extension Area Specialist/Farm Management, University of Tennessee



Link Directly To: **PIONEER**