Economic Uncertainty Spurs Grain Price Drop As Holiday Nears

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Corn, cotton, soybeans and wheat prices are all down for the week as traders uncertainty over the global financial picture have caused them to step back ahead of the Thanksgiving holiday. December U.S. Dollar Index is 78.57 at mid-day on Friday, up.32 for the week, but down .93 from the mid-week highs. European financial worries, particularly in Ireland, strengthened the Dollar earlier in the week. The Dollar weakened as plans were developed to bail out Ireland's debt problems. Europe's financial condition bears continued watching as it has an impact on the dollar which impacts commodity prices. The Dow Jones Industrial Average was trading before the close at 11,185; essentially unchanged for the week. The Dow had dipped briefly under the 11,000 mark at mid-week. Crude Oil was trading before the close at 82.05 a barrel, down 3.29 a barrel for the week. News about China's plans to combat inflation have been a negative influence on the market as concerns over China raising interest rates, increasing bank reserves, implementing price controls, and cracking down on speculation in agricultural commodities have pushed prices down this week. This could be a knee jerk reaction from the markets as regardless what measures China puts in place; they will still need the physical commodities and in some cases may need to import more to keep food prices down. Until it is clear what direction they are going and what the impact will be, uncertainty and volatility will be in the market. Fundamentally, corn, cotton, and soybeans are looking at tight ending stocks and should see competition for acreage in 2011. The next crop marketing comments will be Monday, November 29.

Corn:

Current Crop: December futures closed Friday at $5.20 ¾ a bushel, down $0.13 for the week. Support is at $5.00 with resistance at $5.59 a bushel. Technical indicators have a sell bias. Weekly exports were within expectations at 21 million bushels. Next week's export report will be released on Friday due to the Thanksgiving holiday and should indicate whether lower prices stimulated demand. I am currently at 50 percent forward priced and 25 percent priced with put options where production has been priced. I would hold the remaining 25 percent of production either in storage, if available, or through call options. December call options will expire November 26 so the decision will need to be made whether to take profits or whether to take profits and then buy a March call option to stay in the market. A December $5.00 call purchased for $0.14 on October 1 would be worth $0.25 bushel. Selling that call option and putting it back into a March $5.30 call would cost an additional $0.20 as the March $5.30 call option has a premium of $0.45 bushel. I would look at trying to extend participation in the market.

New Crop: September 2011 closed today at $5.13 ¾ a bushel, down $0.16 for the week. Support is at $4.95 with resistance at $5.46 a bushel. Technical indicators have a sell bias. I am currently priced at 20 percent for 2011 production.

Cotton:

Current Crop: December futures contract closed today at 127.90 cents/lb., down 12.28 cents/lb. for the week. Support is at 123.90 cents per pound, with resistance at 135.90 cents per pound. Technical indicators have a slight buy bias. The March contract closed today at 123.15 cents/pound, down 11.03 cents/pound for the week. Support is at 119.15 cents per pound, with resistance at 131.15 cents per pound. Technical indicators have a slight buy bias. Keep in contact with your cotton buyer for current quotes on loan equities. As of November 14, 78 percent of the crop is harvested compared to 71 percent last week, 57 percent last year and the five year average of 64 percent. All cotton weekly exports sales were within expectations at 556,700 bales (491,400 bales of upland cotton for 10/11; 43,800 bales of upland cotton for 11/12; 12,400 bales of Pima for 2010/11 and 9,100 bales of Pima for 2011/12). The Adjusted World Price for November 19 – November 25 is 143.07 cents/lb.

New Crop: December 2011 closed at 88.21 cents per pound, down 1.13 cents a pound for the week. Support is at 86.02 cents per pound, with resistance at 91.54 cents per pound. Technical indicators have a hold bias. I would be 10 percent priced at this time.

Soybeans:

Current Crop: The January contract closed at $12.01 ½ a bushel, down $0.68 for the week. Support is at $11.64 with resistance at $12.74 a bushel. Technical indicators have a slight buy bias. Weekly exports were within expectations at 43.2 million bushels (37 million bushels for 2010/11 and 6.2 million bushels for 2011/12). Domestic demand for soybeans are also strong as evidenced by the October crush of 151.9 million bushels as reported by the National Oilseed Processors Association. That was 4.4 million bushels better than expected.

New Crop: November 2011 soybeans closed at $11.25 ¾ a bushel, down $0.51 for the week. Support is at $10.96 with resistance at $11.82 a bushel. Technical indicators have a sell bias. I currently have priced 30 percent of 2011 anticipated production.

Wheat:

Nearby: December futures contract closed at $6.44 ½ a bushel, down $0.25 a bushel for the week. Support is at $6.25 with resistance at $6.67 a bushel. Technical indicators have a sell bias. Weekly exports were above expectations at 36.3 million bushels (34.7 million bushels for 2010/11 and 1.6 million bushels for 2011/12).

New Crop: July, 2011 wheat closed at $7.20 ¼ a bushel today, down $0.25 for the week. Support is at $7.02 with resistance at $7.41 a bushel. Technical indicators have a sell bias. Winter wheat seeding is considered completed by NASS standards with the crop being 87 percent emerged compared to 82 percent last week, 78 percent last year and the five year average of 85 percent. Winter wheat condition as of November 14 were rated 46 percent good to excellent compared to 45 percent last week, and 64 percent last year. On my comments, I am currently 40 percent priced for 2011 production. Δ

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