

# Economy Seems Positive, Yet Commodities Dip

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**C**orn, cotton, soybeans and wheat prices are all down for the week. Closes are reported as of Thursday, January 28. The Gross Domestic Product (GDP) report released this morning showed that in the last quarter of 2009 the economy grew at a better than expected 5.7 percent annual rate, the fastest quarterly rate since 2003. This could be evidence that the worst recession since 1930 has ended. However, some of this growth can be attributed to companies refilling depleted stockpiles. Never the less, this should be positive for commodities as it might lead to inflation concerns. Actions in China this week to tighten lending standards has provided support to a strengthening Dollar which would be negative for commodities. The March U.S. Dollar before the close is up 1.05 for the week at 79.42, a 5 month high. The Dow Jones Industrial Average in late morning trading was at 10,161; about even for the week, but off of the week's lows. March Crude Oil was trading in late morning at 74.56 a barrel, down .50 for the week.

## **Corn:**

*Nearby:* March futures closed at \$3.62 a bushel on Thursday, down \$0.03 bushel for the week. Support is at \$3.55 a bushel with resistance at \$3.66 a bushel. Weekly exports sales were 35.5 million bushels, in line with expectations. Ethanol production for this marketing year is up 15 percent versus USDA's projection of 14 percent. At this pace corn for ethanol demand will exceed USDA's January projection of 4.2 billion bushels.

*New Crop:* The September contract closed at \$3.89, down \$0.03 a bushel for the week. Support is \$3.82 with resistance at \$3.93 a bushel. Estimates of increased corn acreage in 2010 along with the current projections for ending stocks will keep pressure on new crop pricing. I would be priced 40 percent for 2010 production at this time. Catch up pricing on any rallies as well as evaluate option strategies.

## **Cotton:**

*Nearby:* The March futures closed at 69.25 cents/lb. down 1.82 cents/lb. for the week. Support is at 68.27, resistance at 70.27 cents per pound. Weekly exports sales were again above expectations and a marketing year high at 503,000 bales (487,500 bales of upland cotton for 09/10; 5,300 bales of upland cotton for 10/11; and 10,200 bales of Pima for 09/10). Equities for the 2009 crop have been in the 8 - 10 cent range. Keep in contact with your cotton

buyer for current quotes on loan equities. The Adjusted World Price for January 29 - February 4 is 59.01 cents/lb.

*New Crop:* The December futures contract closed at 71.06 cents/lb., down 1.86 cents/lb. for the week. Support is at 70.28 cents per pound, resistance at 71.44 cents per pound. Equities for the 2010 cotton could be booked in the 11 cent range. If the economy is easing out of the recession, cotton demand both domestic and exports should be higher in the next marketing year and most likely the increase in usage will offset increased production from increased acreage. Cotton Inc. is sponsoring a free Cotton Price Risk Management seminar on February 17 at The Peabody in Memphis. Call 1-919-678-2271 to reserve your spot.

## **Soybeans:**

*Nearby:* March futures closed at \$9.32 bushel, down \$0.20 bushel for the week. Support is at \$9.13 bushel, with resistance at \$9.47 bushel. Weekly exports were in line with expectations at 31.5 million bushels with 24.7 million bushels in this marketing year and 6.8 million bushels in 2010/11 marketing year. Good exports are being balanced with rumors of China switching or canceling cargoes.

*New Crop:* The November contract closed at \$9.22 bushel, down \$0.11 a bushel this week. Support is at \$9.07 with resistance at \$9.34 bushel. Price rallies in the short term will be limited by the anticipated record South American crop. I am currently priced 15 percent for the 2010 soybean crop.

## **Wheat:**

*Nearby:* March futures contract closed at \$4.87 bushel, down \$0.12 a bushel for the week. Weekly exports were 25.3 million bushels with 24.3 million bushels in this marketing year and 1.0 million bushels in 2010/11 marketing year. This was in line with expectations.

*New Crop:* July futures closed at \$5.13 bushel, down \$0.11 bushel for the week. Support is at \$4.99 with resistance at \$5.22 a bushel. I would currently have up to 20 percent of the 2010 wheat crop priced. Put options could be used to set a floor price and leave an upside. A July \$5.20 put option would cost \$0.49 a bushel and set a \$4.71 futures floor. There are other option strategies that could lessen the cost of the put, but would require a margin account. Δ

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