European Financial Situation Causes Markets To Fluctuate

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Corn is up, soybeans are down, cotton up to even, and wheat prices are even for the week. For the most part, the commodity, stock, and oil markets along with the dollar have been fluctuating with the woes of the European financial situation. News out of Europe has not had a favorable effect on our commodity prices. Today, Friday, has probably been the first day this week that the commodity market has had to react to strictly agricultural news. Some of today's positive moves in commodities could be due to oversold positions, but also this has been a decent to good week for demand. The June U.S. Dollar Index has been as high as 87.62 during the week but has since weakened to 85.58 before the close on Friday, down .60 for the week. The Dow Jones Industrial Average dipped under 10,000 at today's open but has since rebounded before the close to 10,078; down over 4 percent for the week. July Crude Oil was trading before the close at 69.63 a barrel, down 8 percent for the week. Keep an eye on weather markets as forecasts call for drying conditions to come in late summer. It may come in too late to really affect production, but a shift early or later and it could have weather implications for either the U.S. or South America.

Corn

Nearby: July futures closed Friday at $3.69 a bushel, up $0.06 a bushel for the week. Support is at $3.53 a bushel with resistance at $3.81 a bushel. Technical indicators have a sell bias. Weekly exports were better than expected at 62.7 million bushels (53.3 million bushels in 2009/10 and 9.4 million bushels in 2010/11). China did purchase U.S. corn and is reportedly looking to buy more.

New Crop: The September contract closed today at $3.77, up $0.07 a bushel for the week. Support is at $3.61 and resistance at $3.88 a bushel. Technical indicators have a sell bias. As of May 16, 87 percent of the corn crop was planted compared to 81 percent last week, 61 percent last year and the 5 year average of 78 percent. The crop is 55 percent emerged, compared to 39 percent last week, 28 percent last year and the five year average of 39 percent. As of May 16, 67 percent of the crop is rated good to excellent. The corn market continues its sideways trend. Closely watch the upper end of this trend in the $3.80 - $3.90 range for making catch up sales and evaluating implementing an option strategy. I am currently forward priced 50 percent for 2010 production. A December $3.90 strike price put option would cost $0.38 bushel and set a $3.52 futures floor.

Cotton

Nearby: July futures closed Friday at 82.97 cents/lb. up 2.25 cents/lb. for the week. Support is at 80.90, and resistance at 84.24 cents per pound. Technical indicators have a buy bias. All cotton weekly exports sales were above expectations at 425,500 bales (242,100 bales of upland cotton for 09/10; 162,300 bales of upland cotton for 10/11; 2,300 bales of Pima for 09/10 and 18,800 bales of Pima for 2010/11). The Adjusted World Price for May 21 – May 27 is 72.93 cents/lb.

New Crop: The December futures contract closed today at 77.45 cents/lb., down 0.02 cents/lb. or about even for the week. Support is at 75.72 cents per pound, with resistance at 78.40 cents per pound. Technical indicators have buy bias. Keep in contact with your cotton buyer for current quotes on loan equities. Equities for 2010 production have been as high as 18 cents during the week, but closed this week at 17 – 17.5 cents per pound. As of May 16, 47 percent of the cotton crop was planted compared to 34 percent last week, 39 percent last year and the 5 year average of 46 percent. During the week, as prices closed above 78 cents I would have priced through cash sales or loan equities, another 10 percent, bringing the total priced to 20 percent of estimated cotton production. I would target the 79 – 80 cent range to increase pricing. Several analyst or marketing services this week have advised contracting up to 50 percent of production at the 77 – 78 cent level. There is some concern that the European financial crises could cause a worldwide economic slowdown which would affect cotton demand. There is nothing wrong with pricing cotton at this level. I think currently we have good support under the market, but favorable production weather and/or an economic slowdown could erode that support. Consider using options in your cotton marketing strategy through either the purchase of a put option or forward pricing your crop and buying a call option. Both strategies are low risk and will set a floor price but still allow for the upside. An out of the money 81 cent December call would cost 3.2 cents per pound and set a 74.80 futures floor on cotton contracted at 78 cent futures or its equity equivalent. A at the money or 77 cent December Put option would cost 4.83 cents and set a 72.17 cent futures floor.

Soybeans

Nearby: July futures closed Friday at $9.41 bushel, down $0.13 bushel for the week. Support is at $9.32 a bushel, and resistance at $9.55 a bushel. Technical indicators have a sell bias. Weekly exports were above expectations at 20.7 million bushels (17.6 million bushels for 2009/10 and sales of 3.1 million bushels for 2010/11). Due to currency valuations and cheaper freight from the U.S., China is looking to switch the origin of some of their purchases from South America to the U.S. Export sales and shipments are above pace to meet the USDA export target.

New Crop: The November contract closed at $9.08 bushel, down $0.19 a bushel this week. Support is at $8.97 with resistance at $9.22 bushel. Technical indicators have a sell bias. As of May 16, 38 percent of the soybean crop was planted compared 30 percent last week and 23 percent last year and the 5 year average of 35 percent. As of May 16, the crop has emerged 13 percent, compared to 7 percent last week, 5 percent last year and the five year average of 9 percent. During the week, prices dropped through the $9.15 stop loss target, pricing another 10 percent of production bringing my total priced to 45 percent. I would adjust my pricing target to $9.25 to price additional bushels. However, if prices should drop back to $9.00, I would use that as a signal to increase forward pricing. Put options may also offer some downside protection, but still leave some upside. Buying a November $9.20 strike price Put Option would cost $0.61 a bushel and set an $8.59 futures floor.

Wheat

Nearby: July futures contract closed at $4.72 bushel, even for the week. Support is at $4.63 with resistance at $4.80 a bushel. Technical indicators have a sell bias. Weekly exports were about expected at 16.7 million bushels with 9.2 million bushels in this marketing year and 7.5 million bushels in 2010/11 marketing year. Winter wheat crop condition ratings as of May 16 were 66 percent good to excellent compared to 66 percent last week and 48 percent last year. Spring wheat as of May 16 is 79 percent planted compared to 67 percent last week, 49 percent last year and the five year average of 80 percent. As of May 16, 55 percent of spring wheat is emerged, compared to 38 percent last week, 21 percent last year and the five year average of 47 percent. I am currently 40 percent priced overall. I would look to increase pricing on any rallies back up to $5.00. On the downside, if July wheat drops back to $4.60, I would use that as a signal to price wheat.

New Crop: September futures closed at $4.89 bushel, even for the week. Support is at $4.80 with resistance at $4.96 a bushel. Technical indicators have a sell bias. Δ

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