

European Instability Weighs Heavy On Commodities

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Corn, cotton, soybeans, and wheat prices are all down for the week. The December U.S. Dollar Index was trading before the close at 78.17, up 1.04 since last Friday. The Dow Jones Industrial Average before the close was trading down 307 points for the week at 11,847. Crude Oil was trading before the close at 97.23 a barrel, down 1.76 a barrel since last Friday. Concerns over European financial instability and possibly ill effects of the implosion of the brokerage firm MF Global weighed heavy on the commodity market this week. Even large exports of cotton and soybeans to China found a way to have a negative spin put on them. As prices dropped through technical support, sell orders were generated somewhat accelerating the decrease. In the absence of a major change of fundamentals, the focus or driver of commodity prices appears to be world economic picture in general and specifically European finances. If that situation can move beyond what some consider a band aid approach, commodities might possibly trade as their seasonal patterns normally dictate. As we celebrate this Thanksgiving season, let us be mindful of the many blessings we have to be thankful for.

Corn:

Current Crop: December closed today at \$6.10 ¼ a bushel, down 28 ¼ cents a bushel since last Friday. Support is at \$5.94 with resistance at \$6.25 a bushel. Technical indicators have a strong sell bias. Weekly exports were below expectations at 8.2 million bushels for the 2011/12 marketing year and the lowest in over 20 years for the second week of November. Typically this year when we have seen price breaks like this week, we see a pick-up in export business. If that happens, it would be supportive of the market and could give hopes of a rally of some sort. In the past six months, we have seen strong support around the \$5.80 mark and after hitting that mark a good rally develop. Corn harvest is getting close to being wrapped up and as of November 13 harvest was at 93 percent completed compared to 87 percent last week, 98 percent last year and the five year average of 82 percent. I am currently 50 percent forward priced for 2011 and 25 percent priced using a December \$6.90 Put option that has been offset with a 42 cent profit. I would hold the remaining 25 percent of production in storage, but be ready to price on any rallies back up to the \$6.80 range.

Deferred: March closed at \$6.18 a bushel, down 29 ¾ cents a bushel since last Friday. Technical indicators have a strong sell bias. Support is at \$6.00 with resistance at \$6.34 a bushel. September 2012 corn closed at \$5.83 a bushel. Watch closely over the next few months for opportunities to price the 2012 crop.

Cotton:

Nearby: March closed at 93.27 cents per pound, down 4.77 cents since last week. Pricing has shifted to off of the March contract rather than December. Support is at 90.05 cents per pound, with resistance at 99.29 cents per pound. Technical indicators have a strong sell bias. All cotton weekly export sales were 648,200 bales (net sales of 639,600 bales of upland cotton for 2011/12; sales of 1,400 bales of upland cotton for 2012/13 and sales of 7,200 bales of Pima cotton for 2011/12). Another big week of exports to China was met with negative market reaction. There appears some concern of a lack of significant sales other than China and that China may be close to completing their

purchases. The Adjusted World Price for November 18 – November 24 is 86.63 cents/lb.; up 0.04 cents/lb. from last week. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. Cotton harvested is at 79 percent compared to 70 percent last week, 76 percent last year and the five year average of 64 percent. I am currently at 60 percent priced and would target any additional rallies to the 105 cent range as a point to evaluate pricing although if cotton is put in the loan, it is more important to watch equity price movement. If equities get to a level that you are comfortable with on your overall pricing (loan, equity, seed, and hauling), have your recap sheets ready for your cotton buyer and price them out.

New Crop: December 2012 cotton closed at 91.00 cents per pound, down 4.73 cents for the week. Support is at 88.61 cents per pound, with resistance at 95.79 cents per pound. Technical indicators have a strong sell bias.

Soybeans:

Nearby: The January contract closed at \$11.68 ¼ a bushel, down 7 ¼ cents a bushel since last Friday. Support is at \$11.42 with resistance at \$11.92 a bushel. Technical indicators have a strong sell bias. Weekly exports were above expectations at 27.6 million bushels (27.4 million bushels for the 2011/12 marketing year and 187,400 bushels for the 2012/13 marketing year). During the week sales to China totaling 20 million bushels were announced on USDA's daily reporting system, but market rumors were expecting more. Soybeans harvested were at 96 percent compared to 92 percent last week, 99 percent last year and the five year average of 94 percent. In weekly comments, I am currently 50 percent forward priced for 2011 and 25 percent priced using a November \$14 Put option that has been offset or closed out with a \$1.62 profit. I would look to store the remainder with a price target in the \$12.70 range.

Deferred: May soybeans closed today at \$11.88 a bushel, down 8 cents since last week. Support is at \$11.63 with resistance at \$12.11 a bushel. Technical indicators have a strong sell bias. November 2012 soybeans closed at \$11.81 ½ a bushel this week.

Wheat:

Nearby: December futures contract closed at \$5.98 ¼ a bushel, down 18 ½ cents a bushel since Friday. Support is at \$5.79 with resistance at \$6.11 a bushel. Technical indicators have a strong sell bias. Weekly exports were just below the low end of expectations at 12.3 million bushels (11.7 million bushels for 2011/12 and sales of 643,000 bushels for 2012/13).

New Crop: July 2012 wheat closed at \$6.46 a bushel, down 35 cents since last week. Support is at \$6.29 with resistance at \$6.58 a bushel. Technical indicators have a strong sell bias. Nationwide, winter wheat planted is 96 percent compared to 94 percent last week, 96 percent last year and the five year average of 95 percent. As of November 13, winter wheat emergence is at 83 percent compared to 76 percent last week, 86 percent last year and the five year average of 84 percent. Winter wheat condition ratings were 50 percent good to excellent compared to 49 percent last week and 46 percent a year ago. The poor to very poor ratings were 14 percent compared to 15 percent last week and 17 percent a year ago. Δ

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