

European Uncertainty Still Affects Prices

CHUCK DANEHOWER

RIPLEY, TENN.

Corn, cotton, and wheat prices are down for the week while soybean prices are up. The December U.S. Dollar Index before the close on Friday was at 80.23, up 1.52 for the week. The Dow Jones Industrial Average before the close was down 328 points for the week at 11,868. Crude Oil was trading before the close at 94.04 a barrel, down 5.23 a barrel or 5.3 percent. Uncertainty from Europe continues to affect the Dollar valuation and by extension commodity prices. There is not a clear indication which way the European debt crisis will go and it definitely has an effect on prices whether through strength in the Dollar or concerns on how much cotton products a weak European economy would need. Dryness in southern Brazil and Argentina continues to bear watching. They are below normal in precipitation to this point, but it is early in their production season. At least one forecast calls for below normal rainfall over the next week. If this pattern continues into 2012, then yields will be reduced. This will effect soybeans and to a lesser extent corn as already some analysts are using a lower production number for South America than USDA just released. A move at the end of the week by China in currency valuation could make U.S. products more affordable in China. Keep an eye on exports to see if that pans out. A private estimate on 2012 acreage puts corn acres up 2.7 percent, cotton down 8.9 percent, soybeans down 0.5 percent, and winter wheat down 2 percent from 2011.

Corn:

Nearby: March closed Friday at \$5.83 a bushel, down 11 ¼ cent a bushel for the week. Support is at \$5.72 with resistance at \$5.92 a bushel. Technical indicators have a strong sell bias. Weekly exports were about expected at 19.9 million bushels (19.9 million bushels for the 2011/12 marketing year and 47,000 bushels for 2012/13 marketing year). Price targets for stored corn may need to be reset and should consider the positive basis that we are seeing. Cash prices above \$6.00 a bushel do need to be considered.

New Crop: September closed at \$5.69 ¼ a bushel, down 5 ¾ cents a bushel since last Friday. Technical indicators have a strong sell bias. Support is at \$5.61 with resistance at \$5.75 a bushel. One private estimate pegged 2012 corn acreage at 94.4 million acres which would be an increase of 2.5 million acres from 2011. An increase in acres and return to trend line yields would put corn stocks in 2012/13 at more than adequate. Watch closely over the next few months for opportunities to price the 2012 crop.

Cotton:

Nearby: March closed at 86.29 cents per pound, down 4.14 cents since last week. Support is at 84.01 cents per pound with resistance at 89.43 cents per pound. Technical indicators have a strong sell bias. All cotton weekly export

sales were 51,300 bales (sales of 55,800 bales of upland cotton for 2011/12; reductions of 10,100 bales of upland cotton for 2012/13; and sales of 5,600 bales of Pima cotton for 2011/12). The Adjusted World Price for December 16 – December 22 is 74.22 cents/lb.; down 4.14 cents/lb. from last week. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. At this time, I am currently at 60 percent priced and would target any substantial rallies 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 84.51 cents per pound, down 3.32 cents for the week. Support is at 82.84 cents per pound with resistance at 86.84 cents per pound. Technical indicators have a strong sell bias. A cotton acreage estimate of 13.15 million acres for 2012 from one private source would be a decrease of 1.57 million acres from 2011.

Soybeans:

Nearby: The January contract closed at \$11.30 a bushel, up 23 cents a bushel since last Friday. Support is at \$11.05 with resistance at \$11.43 a bushel. Technical indicators have changed to a sell bias. Weekly exports were within expectations at 17.2 million bushels for the 2011/12 marketing year. The cash market is saying to sell now and not store which is a change from a couple of months ago. I would look to sell at least half of my stored crop on any short term rebound in the market and continue to hold the other half for a possible rally from South American weather or even from a weaker dollar.

New Crop: November soybeans closed today at \$11.50 ½ a bushel, up 15 ¼ cents since last week. Support is at \$11.23 with resistance at \$11.64 a bushel. Technical indicators have a strong sell bias. A private estimate puts soybean acres at 74.6 million acres for 2012, a decrease of 400,000 from 2011.

Wheat:

Nearby: March futures contract closed at \$5.83 ¾ a bushel, down 12 ¼ cents a bushel since Friday. Support is at \$5.72 with resistance at \$5.93 a bushel. Technical indicators have changed to a strong sell bias. Weekly exports were within expectations at 11.7 million bushels for 2011/12.

New Crop: July 2012 wheat closed at \$6.20 a bushel, down 13 ¼ cents since last week. Support is at \$6.10 with resistance at \$6.26 a bushel. Technical indicators have changed to a strong sell bias. Winter wheat acres for 2012 are estimated by one source at 39.8 million acres, down 2 percent from 2011. Δ

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



Link Directly To: **AMERICOT**