Finance, Weather Concerns Weigh On Crop Prices

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Corn and wheat prices are up; cotton and soybean prices down for the week. The June U.S. Dollar Index is trading midday at 81.45, up 1.05 for the week. The Dow Jones Industrial Average before the close was down 405 points for the week at 12,416. Crude Oil traded before the close at 92.07 a barrel, down 3.58 a barrel for the week. The European Union financial crisis and its effect of strengthening the Dollar have been weighed this week against weather concerns. The dollar strengthened this week as troubles in both the political and financial arenas continued in Greece with concern that other countries will also be affected. This has been an ongoing saga throughout the year. A stronger Dollar generally makes U.S. commodities more expensive in the world market and causes weakness in prices. Dry weather in the U.S. central plains, Mid-South, Delta, and the Black Sea region has been supportive of grain prices. The National Weather Service summer forecast call for equal chances for above, below, and normal precipitation for most of the U.S. The temperature outlook for the Upper Midwest calls for equal chances for above, below, and normal temperature, but the southern two-thirds of the U.S. has higher odds for above normal temperature this summer. The CME has changed their plans for expanded commodity trading from 22 hours a day to 21 hours with new grain trading hours from 5 p.m. to 2 p.m. CT (Sunday evening through Friday afternoon) to commence no later than June 4th.

Corn:

Nearby: July closed at $6.35 ½ a bushel, up 54 ½ cents a bushel for the week. Technical indicators have changed to a buy bias. Support is at $6.12 a bushel with resistance at $6.32 a bushel. Weekly exports were just below the range of expectations at 34.1 million bushels (13.4 million bushels for the 2011/12 marketing year and 20.7 million bushels for the 2012/13 marketing year). For once, corn followed wheat in price movement as wheat led the way up this week from weather concerns.

Current Crop: September closed at $5.46 ½ a bushel, up 35 ¼ cents a bushel since last Friday. Technical indicators have changed to a sell bias. Support is at $5.30 a bushel with resistance at $5.45 a bushel. Corn planted as of May 13 was 87 percent nationwide as compared to 71 percent last week, 56 percent last year and the five year average of 66 percent. Corn emergence is 56 percent compared to 32 percent last week, 16 percent last year and the five year average of 28 percent. I am currently priced at 50 percent and will look closely at adding to it if prices continue to rally. From a price risk management standpoint, a December $5.40 Put would cost 45 cents and set a $4.95 futures floor.

Cotton:

Nearby: July closed at 77.99 cents per pound, down 0.98 cents since last week. Support is at 75.88 cents per pound with resistance at 79.18 cents per pound. Technical indicators have a strong sell bias. The Adjusted World Price for May 18-May 24 is 66.36 cents per pound, down 7.38 cents. All cotton weekly export sales were 258,700 bales (178,600 bales of upland cotton for 2011/12; sales of 78,700 bales of upland cotton for 2012/13; and sales of 1,400 bales of Pima cotton for 2011/12. Stronger than projected exports could lead prices higher, but won't fully be known until the end of the marketing year July 31 as cancellations could be possible until then. I am currently at 80 percent priced for 2011 production and would be willing to hold the remainder through the end of May and sell on a strong rally.

Current Crop: December cotton closed at 75.21 cents per pound, down 1.13 cents for the week. Support is at 73.36 cents per pound with resistance at 76.48 cents per pound. Technical indicators have a strong sell bias. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. Cotton planting is pegged at 48 percent compared to 36 percent last week, 38 percent last year and the five year average of 39 percent. I am still holding out for prices to rally before pricing the crop. With projected record world old and new crop stocks, a change in China's or possibly India's policies would have to happen for a strong rally. World acres are expected down and weather concerns could also spark a rally. Certainly, a rebound in the U.S. or world economy would benefit the cotton market, but is not likely at the moment. Unless some of these alternatives break loose, prices will probably trade in a 70 – 90 cent range. A move to the upside would need to be rewarded with sales.

Soybeans:

Nearby: The July contract closed at $14.05 a bushel, down 1 cent a bushel since last Friday. Technical indicators have a sell bias. Support is at $13.82 a bushel with resistance at $14.50 a bushel. Weekly exports were below expectations at 24.7 million bushels (22.6 million bushels for the 2011/12 marketing year and sales of 2.1 million bushels for 2012/13). USDA announced Thursday that China had purchased 17.6 million bushels of old crop soybeans, the 9th largest daily soybean sale. This will be reflected in next week's export report and is a strong indication that the U.S. is picking up sales normally sourced out of South America. Ending stocks could continue to tighten in future USDA Supply & Demand reports.

Current Crop: November soybeans closed today at $12.88 a bushel, down 33 ¼ cents since last week. Technical indicators have a sell bias. Support is at $12.68 a bushel with resistance at $13.27 a bushel. Soybean planting has progressed to 46 percent compared to 24 percent last week, 17 percent last year and the five year average of 24 percent. Soybean emergence is 16 percent compared to 7 percent last week, 3 percent last year and the five year average of 5%. The growing season is off to a good start with the anticipation that an earlier wheat harvest will see an above average acreage number of double crop soybeans. Even then, some analysts think those acres will be needed to keep up with demand. I am currently 50 percent priced overall. From a price risk management standpoint, a $13.00 Put option would cost 85 cents and set a $12.15 futures floor.

Wheat:

Current crop: July futures contract closed at $6.95 ¼ a bushel, up 98 ¼ cents a bushel since Friday. Technical indicators have changed to a strong buy bias. Support is at $6.36 a bushel with resistance at $7.26 a bushel. Weekly exports were above expectations at 26.1 million bushels (11.8 million bushels for 2011/12 and 14.3 million bushels for 2012/13). Overall, 72 percent of the winter wheat crop has headed compared to 63 percent last week, 50 percent last year and the five year average of 46 percent. Winter wheat conditions as of May 13 were 60 percent good to excellent compared to 63 percent last week, and 32 percent last year. Poor to very poor conditions are estimated at 14 percent compared to 12 percent last week and 44 percent last year. Wheat has been the darling of the market this week with concerns that dry weather will impact yields in the U.S. as well as the Black Seas regions. Although an early harvest is upon us or will start very soon, I would reward this week's rally with big sales. I would increase pricing to the 50 percent - 70 percent of anticipated production. There still is quite a bit of wheat in the U.S. and world. Producers, who feel strongly that prices will continue in a weather rally, may want to set a floor under their wheat with a put option. A $7.00 Put option would cost 37 cents and set a $6.63 futures floor. This option expires on June 22.

Deferred: December wheat closed at $7.20 a bushel, up 84 ½ cents since last week. Technical indicators have changed to a strong buy bias. Support is at $6.76 a bushel with resistance at $7.01 a bushel. Spring wheat planted is at 94 percent compared to 84 percent last week, 33 percent last year and the five year average of 64 percent. Spring wheat emergence is 68 percent compared to 47 percent last week, 10 percent last year and the five year average of 32 percent. Δ

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