Frost Forecasts Cause Rally In Corn, Soybean Prices

CHUCK DANEHOWER

RIPLEY, TENN.

Cotton, and soybeans were up and corn and wheat down for the week. The grain and soybean market was weaker going into the close as traders position themselves for the weekend. Earlier in the week, forecast that called for cooler temperature at the end of September also forecast a frost in the Midwest on September 27 - 28 causing soybeans and corn to rally. As these forecasts change daily, the next day the frost was extended to happen in early October causing the market to weaken. The markets the next few weeks will be like this as the weather forecast will be balanced against a later maturing crop. Growing conditions in the Midwest were favorable for the crop this week. The U.S. Dollar was weaker during the week also supporting commodities, but has rebounded to 76.68, up 1.45 for the week. The Dow Jones Industrial Average is up slightly over 2 percent for the week, at 9832 before the close. Crude Oil has recovered last week's losses, trading up $2.85 barrel for the week at 71.99 a barrel. Producers should use any rallies from a frost scare as opportunities to price un-priced crop, even this close to harvest. With a potential big corn and soybean crop, there is still plenty of downside.

Corn:

New Crop: December 2009 futures closed at $3.18 a bushel on Friday, down $.02 bushel from last week. The frost scare rally earlier in the week couldn't hold as corn gave back what it had gained. There is support at $3.12 bushel and resistance at $3.50 bushel. Weekly exports sales were 38 million bushels, above expectations. As of September 13, the crop condition ratings for corn were 69 percent in the good to excellent rating compared to 69 percent the previous week and 61 percent a year ago. The percent dented is 66 percent compared to 50 percent last week, 76 percent last year and the five year average of 86 percent. Nationwide, 12 percent of the corn crop is mature compared to 8 percent last week, 17 percent last year and the five year average of 37 percent. The likelihood and severity of damage a frost/freeze would cause diminishes daily. Producers should use rallies to price any unpriced crop. If at the time of actual harvest, prices have dropped below $3.00, storage or an equivalent could be a viable alternative. Producers without storage capability may want to check with their grain elevator for programs that may allow them to deliver the grain and stay in the market without paying storage fees. These programs have some risk involved so a full understanding is necessary. I am currently 50 percent forward priced with another 50 percent in put options.

Deferred: The March 2010 futures contract closed at $3.32 bushel, down $0.02 from last week. The September 2010 contract closed at $3.57, down $0.02 bushel from last week.

Cotton:

Nearby: The October Cotton futures closed at 63.18 cents/lb, up 3.87 cents/lb from last week. Today, cotton extended its rally to 12 sessions.

New Crop: The December 09 futures closed at 64.60 cents/lb. up 3.36 cents/lb. from last week. Weekly exports sales were 82,400 bales (81,000 bales 09/10, 1,400 bales 10/11), about expected. Currently, cotton has support at 63 cents with resistance at 64 - 65 cent. Overall crop condition ratings as of September 13 were 51 percent good to excellent compared to 51 percent last week and 48 percent last year. Boll opening is at 35 percent compared to 25 percent last week, 36 percent last year and the five year average of 45 percent. Rains in the Mississippi Delta gave support to prices during the week. Cotton has had difficulty pushing through 64-65 cents level and maintaining it. The current trend is up although fundamentals do not justify higher prices. If production is less than currently projected or demand is higher, then higher prices would be warranted. Some profit taking is expected by traders. Some analysts have come out with sell signals on part of this year's cotton crop. If producers were to contract at current levels and prices drop, a POP payment might be able to be added to the contract price. For now, I would still look to the loan program as a floor at current levels that would have some upside if prices were to continue up.

Soybean:

New Crop: November futures closed at $9.41 bushel, up $0.38 bushel from last week. Support is at $9.25 with resistance at $9.76. Weekly exports were 25.9 million bushels, about expected. As of September 13, crop conditions have the crop rated at 68 percent good to excellent compared to 68 percent last week and 57 percent in 2008. The percent soybeans dropping leaves was 17 percent compared to 7 percent last week, 20 percent last year and the five year average of 36 percent. The soybean market also responded to the frost scare and has held up better this week than corn due to strong export demand and commodity fund buying. There are also some reports from China that their soybean crop has been reduced from drought and frost. Like corn, this has been a good rally to sell soybeans. This strength in soybeans is given some indication that the downside might not be as severe as earlier thought. It is possible that $9.00 bushel could hold through harvest. I am currently 50 percent forward priced with another 50 percent priced with put options.

Deferred: The March 2010 contract closed at $9.47 bushel on Friday, up $0.31 bushel from last week. The November 2010 contract closed at $9.04 bushel, up $0.05 bushel for the week.

Wheat:

Nearby: The December 2009 futures contract closed at $4.57 bushel, down $0.10 bushel from last week. Weekly exports were 16.5 million bushels, slightly better than expected. As of September 13, Spring Wheat is at 69% harvested compared to 58 percent last week, 91 percent last year and the five year average of 92 percent. There is still ongoing discussion from the Commodity Futures Trading Commission (CFTC) about the lack of convergence between wheat futures and cash prices. The CME Group (includes Chicago Board of Trade) had undertaken steps to correct the convergence problem, but it remains to be seen whether additional steps will be needed. One concern would be that we see futures drop to become closer to cash prices. The basis would be better, but the net prices would be less. This could necessitate pricing wheat with futures only or hedge to arrive contracts for now.

New Crop: The July 2010 futures closed at $5.02 bushel, down $0.09 bushel from last week. Support is at $4.96 bushel with resistance at $5.16 bushel. One private estimate released this week projected the 09/10 wheat crop at 2.154 billion bushels, 30 million bushels less than USDA, reflecting fewer harvested acres. Lower wheat production would be supportive of prices, but the U.S. and world still have a large supply of wheat. It may be difficult for July wheat to get back to the $6.00 range. I would look at wheat in the $5.50 bushel range to either begin or add to forward pricing. Because of the convergence issues, look at futures only or hedge to arrive contracts. For the 2010 crop, I am 5 percent priced at $6.00 bushel. Δ

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

AgriGold The Corn Specialist
Link Directly To: AGRIGOLD

Distributed by AgVENTURE
Link Directly To: AgVENTURE

EQUIPMENT TECHNOLOGIES Tough sprayers - Thoughtfully engineered.
Link Directly To: EQUIPMENT TECHNOLOGIES

PIONEER. A DuPONT COMPANY
Link Directly To: PIONEER

RiceTec HYBRID RICE SEED
Link Directly To: RICETEC