

Global Political Tensions Could Keep Markets Jumpy

CHUCK DANEHOWER

RIPLEY, TENN.

Corn and cotton prices are mixed, with soybean and wheat prices down for the week. The March U.S. Dollar Index was trading mid day at 77.69, down .85 for the week. The Dow Jones Industrial Average traded before the close at 12,374; up 101 points for the week. Crude Oil was trading mid day at 86.17 a barrel, up .73 a barrel for the week. Markets have reacted this week to baseline budgetary information from USDA that indicated acreage for all crops would be higher than the most recent private estimates. Keep in mind that these are statistical in nature numbers and are not based on producer surveys. USDA will update these numbers at the Outlook Forum February 24-25. The March 31 Prospective Plantings report will be based on producer surveys and the markets will be anxiously awaiting it. News out of China led to a rally one day and then additional news the next day caused a pull back. China is said to be considering dropping or reducing import duties to encourage more imports which would be positive for prices. Today, China released news that bank reserve requirements would be increased again in an effort to slow down growth and inflation. This has had a negative effect on prices. Political tensions around the globe could keep markets a little jumpy, but overall the affect has seemed positive as keeping plenty of food in these countries has been a priority. Markets will be closed on Monday, February 21 for President's Day. Look for brief updates during the week on twitter at www.twitter.com/chuckdanehower

Corn:

Nearby: March futures closed today at \$7.09 $\frac{3}{4}$ a bushel, up \$0.03 since Friday. Support is at \$6.98 with resistance at \$7.20 a bushel. Technical indicators have a strong buy bias. Weekly exports were in the high range of expectations at 46 million bushels (40.6 million bushels for 2010/11 and 5.4 million bushels for 2011/12). The March call options expire today so I would sell or offset the March \$5.30 call option for around \$1.80 bushel. My initial cost was \$0.45 so the call option improved 2010 prices by \$1.35 + a \$0.10 profit made when rolling the December call option to March. An additional call option could be purchased for May or July to extend pricing, but at this time I think the bulk of the price enhancement since Fall 2010 has occurred. What about corn in storage? I think it will depend on how much more storage costs will be incurred to keep holding it. If corn is in on farm storage, I would consider possibly holding it a little longer. If it is in commercial storage with storage fees racking up, I would consider selling it. Producers with on farm storage do need to consider how continued storing will fit in with the overall farm operation and activities that will soon be incurred in farming. I think there is still a good possibility that prices will make a run at the all time high of \$7.65, but it may take a weather event or scare later in the year to get there.

New Crop: September 2011 closed at \$6.59 $\frac{1}{4}$ a bushel, down \$0.04 since Friday. Support is at \$6.47 with resistance at \$6.66 a bushel. Technical indicators have a strong buy bias. USDA estimated 92 million acres of corn for 2011 in their baseline budgets developed on last November data. Still at that acreage and trend line yield of 162 bushels per acre, stocks build only slightly. The USDA report on March 31 will be the more important acreage number to watch. On my comments I am priced 30 percent for 2011 production. The 50 day moving average has moved up to \$6.03 with the 20 day moving average at \$6.38. Use those levels or somewhere in between as trigger points in pricing should prices fall back. If prices increase, move your stop up. Buying a December \$6.10 Put option would cost \$0.73 and set a \$5.37 floor.

Cotton:

Nearby: May futures contract closed Friday at 194.93 cents/lb., up 9.37 cents/lb. for the week. Support is at 185.60 cents per pound, with resistance at 213.60 cents per pound. Technical indicators have a strong buy bias. March futures traded as high as 211.02 cents

today, with May futures as high as 208.92 in matching the trade for the option range on Thursday. Futures prices then locked limit down with ICE halting trading in options after prices broke 14 cents lower, double the daily limit on futures. First notice day is March 1 and with the new ICE rules this is more important because of the new 300 contract limit without an explicit business purpose and that could be leading to some liquidation today since the markets will be closed on Monday. All cotton weekly exports sales were within expectations at 299,200 bales (181,200 bales of upland cotton for 10/11; 106,300 bales of upland cotton for 11/12; 7,700 bales of Pima for 2010/11 and 4,000 bales of Pima for 2011/12. The Adjusted World Price for February 18 - February 24 is 200.90 cents/lb., up 14.90 cents/lb.

New Crop: December closed at 126.39 cents per pound, down 2.61 cents for the week. Support is at 125.13 cents per pound, with resistance at 134.13 cents per pound. A new contract high of 135.76 was reached on Thursday. Technical indicators have a strong buy bias. Keep in contact with your cotton buyer for current quotes on loan equities. Tight U.S. and world stocks are keeping support under the market. Will recent cotton prices encourage more cotton acreage? Long range weather forecast for a dry growing season, particularly in Texas will also add support until the crop is planted and growing conditions are known. I would currently be priced up to 40 percent. The 50 day moving average is 107.73 cents with the 20 day moving average at 119.91 cents. Use these points or somewhere in between as trigger points should prices fall back. If prices move up, move your stop up. Buying a December 126 Put Option would cost 20 cents and set a 106 futures floor. December 2012 prices closed at 99 cents/lb.

Soybeans:

Nearby: The March contract closed at \$13.68 a bushel, down \$0.48 for the week. Support is at \$13.31 with resistance at \$14.27 a bushel. Technical indicators have changed to a sell bias. Weekly exports were below expectations at 14.6 million bushels (18.9 million bushels for 2010/11 and a reduction of 4.3 million bushels for 2011/12). China supposedly in the market for Brazilian soybeans added to price weakness today along with good short term weather forecasts in Argentina.

New Crop: November 2011 soybeans closed at \$13.42 a bushel, down \$0.38 this week. Support is at \$13.04 with resistance at \$13.96 a bushel. Technical indicators have changed to a buy bias. I currently have priced 30 percent of 2011 anticipated production. USDA is using for 2011, 78 million planted acres in its baseline budget, not necessarily a bearish number at current demand. The 50 day moving average is \$13.06 with the 20 day moving average at \$13.54. Use a price stop somewhere in between as a point to increase pricing should prices fall back. If prices move up, move your stop up. Buying a November \$13.40 Put would cost \$1.14 and set a \$12.26 futures floor.

Wheat:

Nearby: March futures contract closed at \$8.67 a bushel, down \$0.45 a bushel since Friday. Support is at \$7.95 with resistance at \$8.66 a bushel. Technical indicators have changed to a buy bias. Weekly exports were on the high end of expectations at 26.7 million bushels (22 million bushels for 2010/11 and 4.7 million bushels for 2011/12).

New Crop: July wheat closed at \$8.86 a bushel Friday, down \$0.40 since last week. Support is at \$8.60 with resistance at \$9.29 a bushel. Technical indicators have changed to a buy bias. On my comments, I am currently 40% priced for 2011 production. The 50 day moving average is \$8.56 with the 20 day moving average at \$9.06. Use a price stop somewhere in between as a point to increase pricing should prices fall back. If prices move up, move your stop up. Buying a July \$8.90 Put would cost \$0.70 and set an \$8.20 futures floor. Δ

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

syngenta

Link Directly To: **SYNGENTA**

TANNER SEED

Link Directly To: **TANNER SEED CO.**