

# Grain Markets Have Bearish Reaction To Reports

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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 79.09, down 0.14 since last Friday. The Dow Jones Industrial Average before the close was trading up 219 points for the week at 11,007. Crude Oil was trading before the close at 79.09 a barrel, down 0.76 a barrel since last Friday. Financial markets remain unsettled as Europe works toward a bailout package for Greece. Funds liquidated positions this week putting pressure on the markets either as a reaction to financial markets, squaring positions for the end of the quarter or squaring positions before today's grain stock report. USDA reported its Grain Stocks report and Small Grains 2011 Summary report and overall the market has had a bearish reaction to those reports with corn leading the way down.

## Corn:

*Current Crop:* December closed today at \$5.92 ½ a bushel, down 46 cents a bushel since last Friday. Support is at \$5.63 with resistance at \$6.50 a bushel. Technical indicators have a strong sell bias. Weekly exports were within expectations at 32 million bushels (31 million bushels for 2011/12 of which 7.2 million bushels went to China and net sales of 1 million bushels for 2012/13. The corn crop has 63 percent in the mature stage compared to 46 percent last week, 83 percent last year and the five year average of 64 percent. Corn harvested as of September 25 was at 15 percent compared to 10 percent last week, 26 percent last year and the five year average of 16 percent. Corn crop condition ratings as of September 25 were 52 percent good to excellent compared to 51 percent last week, and 66 percent last year. Poor to very poor ratings were 20 percent compared to 21 percent last week and 13 percent a year ago. USDA's Grain Stocks report pegged old crop ending corn stocks at 1.128 billion bushels, 164 million bushels more than the average trade guess and 208 million bushels more than the September USDA report. This ending stock number or possibly a slight adjustment of this number will become the beginning stock number for the 2011/12 new crop year. This will take out some of the tightness of stocks in the new crop year, but I would not expect these additional bushels to be just added onto the ending stocks for 2011/12. With the recent price slide and increased stocks going into the year, projected usage will most likely increase. Unless corn yields for this year are a surprise downward, stock will not be quite as tight at the end of this marketing year. Some speculation on why stocks are higher than expected include a better than calculated conversion factor for corn to ethanol thereby causing less corn going into ethanol than expected as well as slightly less corn went into feed usage than estimated. As we go from one crop year to the next, this report does have the possibility that some new crop corn could have been counted as old crop. If that is the case, adjustments in future grain stocks reports will reflect that. For now, supplies do not seem as tight as thought and today's price action is bearing that out as the December contract closed limit down. If we see end users step in and buy this price break (could already be happening), prices could rally, but probably not as much as would have been hoped for before today. Funds also will need to step in and take buy positions for a sustained rally. I am currently 50 percent forward priced and 25 percent priced using a December \$6.90 Put option locking in a futures floor of \$6.34. To store corn or not will be a harvest decision and depend on whether prices have rallied upward at the time of combining.

*Deferred:* March closed at \$6.05 ¾ a bushel, down 46 ¼ cents a bushel since last Friday. Technical indicators have a strong sell bias. Support is at \$5.76 with resistance at \$6.63 a bushel. September 2012 corn closed at \$5.86 ½ a bushel. The grain stocks report does appear to take out some of the urgency for corn prices to bid in more acres in 2012. Just the difference in the old crop ending stocks for 2010/11 in the September USDA report and today's Grain Stocks report reflects production on 1.3 million acres at trend line yields. Watch closely over the next few months for opportunities to price the 2012 crop.

## Cotton:

*Current Crop:* December closed at 100.19 cents per pound, down 1.05 cents since last week. Support is at 97.46 cents per pound, with resistance at 104.36 cents per pound. Technical indicators have a strong sell bias. All cotton weekly export sales were 222,700 bales (sales of 222,600 bales of upland cotton for 2011/12; sales of 100 bales of Pima cotton for 2011/12. The Adjusted World Price for September 30 – October 6 is 91.46 cents/lb.; down 5.25 cents/lb. from last week. Quotes on 2011 loan

equities are in the 39 cent range. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. As of September 25, cotton bolls opening were at 76 percent compared to 69 percent last week, 77 percent last year and the five year average of 65 percent. Cotton harvested is at 13 percent compared to 11 percent last week, 17 percent last year and the five year average of 14 percent. Cotton crop condition ratings as of September 25 were 29 percent good to excellent compared to 27 percent last week and 55 percent last year. Poor to very poor ratings are 44 percent compared to 45 percent last week and 14 percent a year ago. Uncertainties in the economy and the value of the dollar are likely to limit any major up moves in the short term until at least more is known on both on foreign and U.S. production. I am currently at 45 percent priced and would hold at that level.

*Deferred:* March cotton closed at 97.42 cents per pound, down 0.60 cents for the week. Support is at 94.96 cents per pound, with resistance at 101.02 cents per pound. Technical indicators have a strong sell bias. December 2012 prices closed at 92.69 cents/lb.

## Soybeans:

*Current Crop:* The November contract closed at \$11.79 a bushel, down 79 cents since last Friday. Support is at \$11.33 with resistance at \$12.61 a bushel. Technical indicators have a strong sell bias. Weekly exports were above expectations at 38 million bushels for the 2011/12 marketing year with 31 million bushels to China. As of September 25, soybeans dropping leaves were 58 percent compared to 33 percent last week, 74 percent last year and the five year average of 68 percent. Soybeans harvested were at 5 percent compared to 15 percent last year and the five year average of 11 percent. Soybean crop condition ratings as of September 25 were 53 percent good to excellent compared to 53 percent last week, and 63 percent last year. Poor to very poor were rated at 18 percent compared to 18 percent last week and 13 percent a year ago. Soybean stocks in USDA's Grain Stocks report were 215 million bushels as of September 1 compared to the September report and the average trade guess of 225 million bushels. This is considered neutral to maybe even a bullish number, but the whole tone of the today's market is negative and soybeans are following corn down. Seasonal harvest pressure could continue to put pressure on prices until production is known and or end users buy this price break. In these comments, I am currently priced 50 percent for 2011 and have locked in a \$13.21 futures floor with a November \$14 put option on 25 percent of production. Like corn, storage may be a harvest time decision and depend on price levels at the time of combining. Looking at the spread of future prices and basis levels, storage today on soybeans would pay.

*Deferred:* May soybeans closed today at \$12.04 ½ a bushel, down 77 ¾ cents since last week. Support is at \$11.60 with resistance at \$12.88 a bushel. Technical indicators have a strong sell bias. November 2012 soybeans closed at \$11.94 ½ this week. The repercussions of higher corn stocks could be felt in 2012 soybean acreage as a less urgency for corn acres could move some corn acres back to soybeans and keep a lid on 2012 soybean prices. A rally this fall from whatever reason might be a good opportunity to start pricing for next year.

## Wheat:

*Nearby:* December futures contract closed at \$6.09 ¼ a bushel, down 31 ½ cents a bushel since Friday. Support is at \$5.68 with resistance at \$6.81 a bushel. Technical indicators have a strong sell bias. Weekly exports were less than expected at 15.8 million bushels for 2011/12. Spring wheat as of September 25 is 96 percent harvested as compared to 93 percent last week, 89 percent last year and the five year average of 95 percent. Spring wheat production was reduced 11 percent in USDA's Small Grain Summary today with overall production reduced 69 million bushels from USDA's September estimate. However, wheat stocks were 115 million bushels higher than the trade estimated reflecting sluggish usage.

*New Crop:* July 2012 wheat closed at \$6.76 ¾ a bushel, down 21 ¼ cents since last week. Support is at \$6.43 with resistance at \$7.29 a bushel. Technical indicators have a strong sell bias. Winter wheat planted is 26 percent compared to 14 percent last week, 32 percent last year and the five year average of 35 percent. As of September 25, winter wheat emergence is at 6 percent compared to 10 percent last year and the five year average of 10 percent. Wheat planting and emergence is running behind and could be an issue based on current forecast in the drought plagued wheat growing areas. Δ

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