Grain Stocks Report Now Due Could Be Market Mover

CHUCK DANEHOWER

RIPLEY, TENN.

Corn, cotton, and soybean prices are all up; wheat prices are down for the week. Soybean prices have been strong all week; corn, cotton, and wheat prices started the week strong then declined in mid week, but rebounded on Friday. Outside markets have been supportive of the commodity market as the Dollar is weaker, the Dow is up, and Crude Oil is up for the week. December U.S. Dollar Index is 79.57 before the close on Friday, down 2.05 for the week. The Dow Jones Industrial Average is trading before the close at 10,855; up 248 points for the week. Crude Oil was trading before the close at 76.52 a barrel, up 1.60 a barrel for the week. The Dollar fell to nearly 8 month lows giving momentum to money flows into commodities on inflation fears. Weather has also been an influence on the markets as heavy rain has caused harvest delays in parts of the Midwest along with dryness in key soybean growing areas of South America. Also in the mix is strong demand for soybeans and acreage outlooks for 2011. The USDA Quarterly Grain Stocks report will be released on September 30 and could be a market mover. The amount of grain and soybeans in commercial and on farm storage will be reported and will either confirm demand usage or indicate adjustments need to be made.

Corn:

Current Crop: December futures closed Friday at $5.22 a bushel, up $0.09 for the week. Support is at $4.87 with resistance at $5.41 a bushel. Technical indicators have a buy bias. Weekly exports were below expectations at 22.1 million bushels. As of September 19, 69 percent of the corn crop is mature compared to 52 percent last week, 20 percent last year and the five year average of 48 percent. Nationwide, 18 percent of the corn crop has been harvested compared to 11 percent last week, 4 percent last year and the five year average of 10 percent. Currently, 68 percent of the crop is rated good to excellent compared to 68 percent last week, and 68 percent last year. Yield reports in the Midwest are still being described as disappointing, and with harvest delays from rains and flooding we will have to wait a little longer for confirmation of yields. The corn market was somewhat reassured this week as the lack of fund liquidation during the mid week decline seems to signal that funds are not ready to get out of long positions. Although exports slowed this week that may be more an issue of transportation logistics than higher prices slowing demand. I am currently at 50 percent forward priced and 25 percent priced with put options. The December Put Options won't expire until November 26 and currently have little value. I would sell those bushels protected by puts as they are being harvested. I would still look at evaluating the remaining 25 percent of production for either selling at harvest or storage at the time of harvest, if available. Call options could be an alternative to stay in the market but may be better if a correction occurs. A December $5.50 call would cost $0.19 a bushel and would expire November 26.

Deferred: The March 2011 contract closed today at $5.34, up $0.08 for the week. Support is at $5.00 and resistance at $5.53 a bushel. Technical indicators have a buy bias.

New Crop: September 2011 closed today at $5.10 a bushel, up $0.10 for the week. Support is at $4.87 with resistance at $5.25 a bushel. Technical indicators have a buy bias. Private acreage estimates for 2011 pegged corn acreage at 90.4 million acres, 2.5 million acres higher than this year. It will be the markets job to get those additional acres. I would currently be priced 10 percent for 2011 production.

Cotton:

Current Crop: December futures contract closed today at 99.93 cents/lb., up 1.71 cents/lb. for the week. Support is at 95.16 cents per pound, with resistance at 102.66 ($1.0266) cents per pound. Technical indicators have a buy bias. Current quotes for 2010 production equities have been in the 38-39 cent range today. Keep in contact with your cotton buyer for current quotes on loan equities. As of September 19, 67 percent of the cotton crop was opening compared to 56 percent last week, 43 percent last year and the 5 year average of 52 percent. As of September 19, 13 percent of the crop is harvested compared to 8 percent last week, 7 percent last year and the five year average of 10 percent.The crop is rated 58 percent good to excellent compared to 59 percent last week and 50 percent last year. All cotton weekly exports sales were again above expectations at 576,700 bales (505,100 bales of upland cotton for 10/11; 53,300 bales of upland cotton for 11/12; 16,300 bales of Pima for 2010/11 and 2,000 bales of Pima for 11/12). The Adjusted World Price for September 24 – September 30 is 92.51 cents/lb. Cotton prices reached a high of 103.34 cents on Wednesday, traded down to 96.82 on Thursday before finishing up for the week. Currently, in my comments, I have 85 percent of the crop priced using a combination of forward pricing, forward pricing with call options that have profits taken, and put options where the production has been priced. The remaining 15 percent of production, I am unpriced for now.

New Crop: December 2011 closed at 84.45 cents per pound, up .40 cents a pound for the week. Support is at 82.19 cents per pound, with resistance at 85.87 cents per pound. Technical indicators have a buy bias. Equities for 2011 have been quoted in the 24 cent range. Cotton pricing for 2011 bears watching.

Soybeans:

Current Crop: The November contract closed at $11.26 bushel, up $0.57 for the week. Support is at $10.76 with resistance at $11.53 a bushel. Technical indicators have a buy bias. Weekly exports were above expectations at 39.8 million bushels. As of September 19, 60 percent of the crop has dropped leaves, compared to 38 percent last week, 36 percent last year and the five year average of 52 percent. Nationwide, 8 percent of the soybean crop has been harvested compared to 2 percent last year and the five year average of 6 percent. The soybean crop is currently rated 63 percent good to excellent compared to 63 percent last week and 67 percent last year. Soybean prices broke through the $11.00 resistance level with positive demand news overshadowing potential record production. The U.S. Census Bureau reported a higher than expected crush number of 128.11 million bushels for August. The indication is that USDA old crop crush estimate is too low and USDA will have to adjust it, tightening stocks. Higher prices have yet to slow demand as shown by better than expected export numbers. I am currently forward priced 60 percent for 2010 production with the remaining 40 percent protected by put options. Put options may also offer some downside protection, but still leave some upside.

Deferred: March soybeans closed at $11.36 bushel, up $0.59 a bushel for the week. Support is at $10.95 with resistance at $11.67 a bushel. Technical indicators have a buy bias.

New Crop: November 2011 soybeans closed at $10.98 bushel, up $0.42 for the week. Support is at $10.64 with resistance at $11.17 a bushel. Technical indicators have a buy bias. A private acreage estimate for 2011 projects soybeans at 77.4 million acres; 1.5 million acres less than 2010. As the market sorts through production and demand numbers, it will keep an eye on whether stocks will be sufficient to withstand a drop in acres for 2011. I currently have priced 20 percent of 2011 anticipated production.

Wheat:

Nearby: December futures contract closed at $7.20 bushel, down $0.19 a bushel for the week. Support is at $6.88 with resistance at $7.39 a bushel. Technical indicators have a slight buy bias. Weekly exports were at the low end of expectations at 16.9 million bushels (34.9 million bushels for the 2010/11 marketing year and reductions of 18 million bushels for 2011/12). Spring wheat is currently 87 percent harvested as compared to 83 percent last week, 82 percent last year, and the five year average of 96 percent.

Deferred and New Crop: March 2011 futures closed at $7.50 a bushel, down $0.18 for the week. Support is at $7.19 with resistance at $7.67 a bushel. Technical indicators have a slight buy bias. July, 2011 wheat closed at $7.45 a bushel today, down $0.02 for the week. Support is at $7.20 with resistance at $7.61 a bushel. Technical indicators have a buy bias. Winter wheat seeding has started with 18 percent planted as of September 19 compared to 22 percent last year and the five year average of 21 percent. On my comments, I am currently 40 percent priced for 2011 production. I would use a combination of flat price and futures only contracts as the basis has the potential to narrow as we get into next year. I would have a tendency to be an aggressive marketer of wheat depending on the amount of wheat seed that could be secured and taking out a 65 percent - 70 percent level of a wheat revenue crop insurance product. The sales closing date for wheat crop insurance in Tennessee is September 30. Wheat can fit in the crop mix, but put a pencil to it to see how it will fit on your farm. Put options are expensive for July 2011; a $7.50 July Put option would cost $1.00 and set a $6.50 futures floor. Other option strategies are also available, but do understand what you are doing. Also check with your grain elevator for delivery contracts they may have that can set a price, but allow some upside. Producers should make sure they can secure wheat seed for planting before pricing much of their 2011 crop. Δ

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