Harvest Lows May Have Already Been Seen

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Commodities again finished up for the week on concern over harvest delays. The Dow Jones breaking the 10,000 barrier, the dollar hitting a 14 month low, and the increase in crude oil, all provided support to the commodity market. The U.S. Dollar is weaker for the week at 75.75, down .90 having reached a low not seen since August 2008. The Dow Jones Industrial Average traded up over 10,000 two days this week, but has since pulled back, to 9991 at midday, up 1.5 percent for the week. Positive reports about the economy have started coming in helping to boost the stock market. Crude Oil ended the week up almost 9 percent, trading at 78.67 before the close. I have full confidence in the U.S. farmer that given the opportunity, no matter how small the harvest window, the majority of the crop will be harvested this year. I have read some comments that some of the crop will not be harvested until the spring, but today's equipment can cover acreage efficiency, effectively, and quickly. We do need favorable weather to make that happen, but given even small windows it will happen. Some of this harvest uncertainty has been built into the markets' recent rise, but once the crop fully starts to come in pressure will be put on the market. It is possible; however, that we may have already seen the harvest lows.

Corn:

New Crop: December 2009 futures closed at $3.72 a bushel on Friday, up $.10 bushel for the week. Support is at $3.53 bushel with resistance at $3.76 bushel. Weekly exports sales were 24.9 million bushels, below expectation s and behind pace to reach USDA estimates. As of October 11, the crop condition ratings for corn were 70 percent in the good to excellent rating compared to 70 percent the previous week and 62 percent a year ago. Nationwide, 74 percent of the corn crop is mature compared to 57 percent last week, 84 percent last year and the five year average of 92 percent. Corn harvest is at 13 percent, compared to 10 percent last week, 20 percent last year and the five year average of 35 percent. It is no doubt that harvest is behind and that there have been some crop losses. Estimates range from 100 million bushel to 400 million bushels nationwide. Most likely, these losses have been built into the market. Crops that have been harvested have had excellent yields, but it remains to be seen if the strong yields can offset the crop losses. At current levels, I would look to contract un-priced grain or sell across the scales depending on when harvest is expected. I am currently 50 percent forward priced with another 50 percent in December put options. The December options expire November 20.

Deferred: The March 2010 futures contract closed at $3.84 bushel, up $0.09 bushel from last week. The September 2010 contract closed at $4.06, up $0.08 bushel from last week. Having moved through the $4 mark I would consider pricing 5 percent of the 2010 crop at today's close of $4.06 bushel. Elevators pricing for 2010 most likely will have fees for future only contracts. Check on the fees and if a cash price is offered.

Cotton:

Nearby: The December 09 futures closed at 68.21 cents/lb. up 5.19 cents/lb. from last week. Support is at 64.38, resistance at 71.12 cents. Weekly exports sales were 100,600 bales (73,000 bales 09/10; 27,600 bales 10/11), within range of expectations. Overall crop condition ratings as of October 11 were 47 percent good to excellent compared to 47 percent last week and 48 percent last year. Boll opening is at 79 percent compared to 68 percent last week, 80 percent last year and the five year average of 83 percent. Cotton harvest is reported at 12 percent compared to 10 percent last week, 23 percent last year and the five year average of 29 percent. The Texas harvest is 5 percent behind the normal pace, but the Mid-South is behind 46 percent and the Southeast is averaging 14 percent behind their average harvest pace. It looks like the cotton market is anticipating some yield losses from this harvest delay. This along with a weaker dollar and the possibility of a recovering economy has bolstered futures. Positive job data this week provided support to the recovering economy theory. I would note that there are many analysts that still believe we have a ways to go before the economy recovers. Contact your cotton buyers for current quotes on loan equities and or cash prices. Equities were reported at 8 cents during the week. Producers may want to consider selling their loan cotton and purchasing a March or May call option. Producers should understand any option strategies they undertake.

Deferred: The March 2010 futures contract closed at 70.38 cents/lb., up 4.75 cents/lb. from last week.

Soybeans:

New crop: November futures closed at $9.78 bushel, up $0.14 bushel from last week. Support is at $9.56, with resistance at $10.12 bushel. Soybeans traded through $10 earlier in the week but have since pulled back. Weekly exports were 24 million bushels, above expectations and still above pace to meet USDA projections. There was a report out of China that due to the increase in U.S. prices their Chinese buyers will rely more heavily on their domestic supplies soon after their October harvest. This report from the China National Grain and Information Center also indicated that after April they would be buying almost exclusively soybeans from South America. We will have to see if this will eventually mean cancellations of export sales on the books. As of October 11, crop conditions have the crop rated at 64 percent good to excellent compared to 67 percent last week and 57 percent in 2008. The percent soybeans dropping leaves was advanced to 89 percent compared to 79 percent last week, 90 percent last year and the five year average of 95 percent. As of October 11, 23 percent of the crop was harvested compared to 15 percent last week, 49 percent last year and the five year average of 57 percent. Conditions deteriorating and soybeans slow to harvest have provided support. All areas all behind on harvest so soybeans moving to the pipeline are slow. A few good days of harvest throughout the Midwest would put pressure on the market at least until yields are known. I am still inclined to price out any un-priced soybeans rather than store unpriced. There is no carry in the market to pay for storage and prices have recently rallied. I am currently 50 percent forward priced with another 50 percent priced with put options. November put options expire next Friday, October 23. Producers who have not harvested their crop may want to explore rolling (sell the Nov. put and then buy a Jan. put) them to January.

Deferred: The March 2010 contract closed at $9.85 bushel on Friday, up $0.17 bushel from last week. The November 2010 contract closed at $9.74 bushel, up $0.25 bushel for the week.

Wheat:

Nearby: The December 2009 futures contract closed at $4.99 bushel, up $0.31 bushel from last week. Weekly exports were 17.6 million bushels, below expectations and below pace to meet USDA projections.

New Crop: The July 2010 futures closed at $5.40 bushel, up $0.24 bushel from last week. Support is at $5.32 bushel with resistance at $5.63 bushel. As of October 11, 64 percent of the winter wheat has been planted compared to 53 percent last week, 69 percent last year and the five year average of 69 percent. Emergence is 39 percent compared to 26 percent last week, 42 percent last year, and the five year average of 40 percent. Wheat has gained this week on the coattails of corn and soybeans. With harvest delays in the Mid-South and South, I would guess there is some anticipation of a reduction in winter wheat acres. During the week, prices hit the $5.50 target, pricing 5 percent of the 2010 crop making 10 percent priced overall. At this point, I would probably wait until wheat is planted to price anymore. Δ

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