High Corn Yields Expected, Enough To Keep Market Guessing

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Corn is up while cotton, soybean and wheat prices are down for the week. The September U.S. Dollar Index is 83.165 before the close on Friday, up slightly for the week. The Dow Jones Industrial Average is trading before the close at 10,200; down about 127 points for the week on renewed concerns of an economic recovery. This has no doubt spilled over to the commodity market contributing to price pressure. October Crude Oil was trading before the close at 73.83 a barrel, down 1.93 a barrel for the week. The Pro Farmer Midwest Crop Tour results were released this afternoon and point to a record yield in soybeans and the second highest yield for corn. Their findings showed enough variability in corn to keep the market guessing while Sudden Death Syndrome (SDS) looms as a yield robber in the key soybean producing state of Iowa.

Corn:

New Crop: September futures closed Friday at $4.21 a bushel, up $0.09a bushel for the week. Support is at $4.04 with resistance at $4.30 a bushel. Technical indicators have a buy bias. Weekly exports were above expectations and the highest weekly number since 1994 at 113.7 million bushels (23.4 million bushels in 2009/10 and 90.3 million bushels in 2010/11). Nationwide, the corn crop is 74 percent in the dough stage compared to 52 percent last week, 38 percent last year and the five year average of 58 percent. As of August 15, 32 percent of the corn crop is dented compared to 14 percent last week, 9 percent last year and the five year average of 22 percent. Currently, 69 percent of the crop is rated good to excellent compared to 71 percent last week, and 68 percent last year. The Pro Farmer tour estimated the average yield of corn at 164.1bushels per acre with a range of 162.5 bushels to 165.7 bushels. USDA used in the August report a survey based yield of 165 bushels per acre. They did report a great deal of variability in fields and this leads to the yield uncertainty. Their report has been supportive of the market as record yields are needed if the projections for increased demand hold true. Corn usage should benefit from the Russia grain production problems. I am currently at 50 percent forward priced and 25 percent priced with put options. The remaining 25 percent I would either sell at harvest or evaluate storage at the time of harvest. Depending on your location, cash prices are over $4.00 for corn being delivered today. The uncertainty in yields, questions on the September Quarterly Grain Stocks report (will there be a surprise like the June report), and the Russian weather problems are supportive of prices as we have started harvest in Tennessee. The right combination of those factors could cause a rally right after our harvest. Alternatives may be limited to your situation. It the current price works in your budget, sell at harvest. Producers without on farm or commercial storage may want to sell their unpriced corn at harvest and explore December or March out of the money call options.

Deferred: The March 2011 contract closed today at $4.49, up $0.08 a bushel for the week. Support is at $4.32 and resistance at $4.58 a bushel. Technical indicators have a buy bias. September 2011 closed today at $4.51 a bushel, up $0.04 a bushel for the week. Support is at $4.34 and resistance at $4.60 a bushel. Technical indicators have a buy bias. I would currently be priced 10% for 2011 production.

Cotton:

Nearby: October futures closed Friday at 87.15 cents/lb. down .34 cents/lb. for the week. Support is at 86.72, and resistance at 87.64 cents per pound. Technical indicators have a buy bias. All cotton weekly exports sales were above expectations at 483,900 bales (447,400 bales of upland cotton for 10/11; 22,000 bales of upland cotton for 11/12; 14,500 bales of Pima for 2010/11). The Adjusted World Price for August 20 – August 26 is 73.80 cents/lb.

New Crop: The December futures contract closed today at 83.55 cents/lb., down .63 cents/lb. for the week. Support is at 82.75 cents per pound, with resistance at 84.65 cents per pound. Technical indicators have a buy bias. Current quotes for 2010 production equities are in the 21 cent range for acres and 22 cents for bales. Keep in contact with your cotton buyer for current quotes on loan equities. Nationwide, as of August 15, 90 percent of the cotton crop was setting bolls compared to 84 percent last week, 82 percent last year and the 5 year average of 83 percent. As of August 15, 14 percent of the cotton crop was opening compared to 9 percent last week, 9 percent last year and the 5 year average of 11 percent. The crop is rated 62 percent good to excellent compared to 65 percent last week and 53 percent last year. The International Cotton Advisory Committee (ICAC) has estimated Pakistan's crop could be reduced 15 percent from flooding damage with their crop coming in at 8.7 million bales. This would be an 800,000 bales reduction from last week's USDA estimate of Pakistan cotton and supportive of prices. The pace and concern about the economic recovery may keep a lid on prices. I am 50 percent forward priced on estimated production for 2010 with 20 percent of production covered by buying call options. I would also have an additional 20 percent of production covered by buying December Put Options. At this point, I would continue to watch the market on the remaining 30 percent of production that is completely un-priced but consider pricing if the market were to rise to 85.5 – 88 cents or drop below 81 cents.

Soybeans:

Nearby: September futures closed Friday at $10.09 bushel, down $0.34 bushel for the week. Support is at $9.98 a bushel, and resistance at $10.24 a bushel. Technical indicators have a slight buy bias. Weekly exports were in the high end of expectations at 82 million bushels (6.7 million bushels for 2009/10 and sales of 75.3 million bushels for 2010/11.

New Crop: The November contract closed at $10.04 bushel, down $0.40 for the week. Support is at $9.92 with resistance at $10.21 a bushel. Technical indicators have a slight buy bias. The soybean crop as of August 15 was 97% blooming, compared to 93 percent last week, 92 percent last year and the five year average of 95 percent. As of August 15, 84 percent of the crop has set pods, compared to 71 percent last week, 69 percent last year and the five year average of 81 percent. The soybean crop is currently rated 66 percent good to excellent compared to 66 percent last week and 66 percent last year. The Pro Farmer tour estimated soybean yields at a record 44.9 bushels per acre with a range of 44 bushels to 45.8 bushels per acre. Some uncertainty exists due to the estimate of 50 percent of fields in Iowa being inflected with SDS and the potential for hot weather to trim yields. USDA estimated a survey based yield of 44 bushels per acre in the latest report. Usage appears strong, but even with increases in demand carryover would not be tight. To stay strong and above $10.00, the market is going to need a daily dose of some kind of bullish information, otherwise we will see harvest pressure. I am currently forward priced 60 percent for 2010 production. I am also priced 25 percent of anticipated production using put options. Put options may also offer some downside protection, but still leave some upside. Buying a November $10.10 strike price Put Option would cost $0.41 a bushel and set a $9.69 futures floor. November 2011 soybeans closed at $9.95 bushel, down $0.29 for the week. Support is at $8.83 with resistance at $10.09 a bushel. Technical indicators have a slight buy bias. I currently have priced 20 percent of 2011 anticipated production.

Wheat:

Nearby: September futures contract closed at $6.79 bushel, down $0.24 a bushel for the week. Support is at $6.55 with resistance at $7.07 a bushel. Technical indicators have a buy bias. Weekly exports were above expectations and the largest since September 2007 at 51.9 million bushels for the 2010/11 marketing year. Nationwide, 91 percent of the winter wheat crop has been harvested compared to 87 percent last week, 93 percent last year and the 5 year average of 96 percent. Spring wheat is currently 34 percent harvested as compared to 20 percent last week, 13 percent last year, and the five year average of 44 percent. Spring wheat conditions are 82 percent good to excellent, as compared to 82 percent last week, 74 percent last year.

Deferred and New Crop: March 2011 futures closed at $7.29 bushel, down $0.22 for the week. Support is at $7.08 with resistance at $7.53 a bushel. Technical indicators have a buy bias. July, 2011 wheat closed at $7.06 a bushel today, down $ 0.06 for the week. Support is at $6.88 with resistance at $7.22 a bushel. Technical indicators have a buy bias. Mixed information has been coming out of Russia as of late. A private firm in Russia predicted that Russia will have to import grain during the year. However, today, the Russian Ag minister refuted that information. Concern has now shifted from their current crop to whether they will have enough moisture to plant their winter wheat crop. They have received some rains, but overall it is still dry. Needless to say, there is not a shortage of wheat worldwide or in the U.S. This unfortunate drought in Russia and surrounding countries will however reduce some of the burdensome supplies of wheat. Statistic Canada released their first survey based projections and although wheat is projected to be down 14.5 percent from last year, it is projected 81 million bushels higher than USDA's latest estimate. At least today, this information has caused or contributed to weakness in the market. I would encourage producers wanting to plant wheat to make sure they have seed of a variety for their area. I would not force wheat production if I couldn't get suitable seed as the seed price will be up and fertilizer prices are starting to trend up. Average to above average yields will still be needed to achieve profitability. I would be 40 percent priced for 2011 wheat. Put options are expensive for July 2011; a $7.00 July Put option would cost $0.90 and set a $6.10 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. Δ

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