Interest Rates Will Remain Low Through 2014

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Corn, soybean, and wheat prices are up while cotton prices are mixed for the week. The March U.S. Dollar Index before the close on Friday was at 79.005, down 1.41 for the week. The Dow Jones Industrial Average before the close was down 60 points for the week at 12,660. Crude Oil was trading before the close at 99.56 a barrel, up 1.23 a barrel for the week. The Federal Reserve came out with a statement during the week that interest rates will be kept low through late 2014.This had a weakening effect on the U.S. Dollar which is positive for commodities. This also might be an indication that traders or investors looking for higher returns will be willing to move money to riskier investments such as commodities. Production estimates of corn and soybeans in Argentina continue to be reduced by private analyst and governmental agencies in that country. Both the weaker dollar and cuts in Argentina's production were supportive of the grain market.

Corn:

Nearby: March closed at $6.41 ¾ a bushel, up 30 ¼ cents a bushel for the week. Support is at $6.27 with resistance at $6.48 a bushel. Technical indicators have changed to a buy bias. Weekly exports were above expectations at 41 million bushels (37.7 million bushels for the 2011/12 marketing year and 3.3 million bushels for 2012/13). Prices are within 10 cents of the pre January 12 USDA report price. Production concerns in Argentina are no doubt factored in prices and by extension an increase in U.S. corn exports as Argentina will have less corn to sell in the world market. The possibility of a large 2012 U.S. corn crop could limit further gains or at least substantial gains. The basis has been strong as corn in storage has been slow to go to market. Producers with corn in storage should consider pricing out the stored crop or at least set some mental price stops in case the nearby market drops back. I would use the 50 day moving average price of $6.16 as a price stop. There is some risk that the basis could weaken while futures stay even with the net result of a lower cash price. Producers should consider locking in the basis if not yet ready to fully price their stored crop. I would not let this recent rally get away without pricing some of the stored crop.

New Crop: September closed at $5.94 a bushel, up 18 ½ cents a bushel since last Friday. Technical indicators have changed to a sell bias. Support is at $5.84 with resistance at $5.99 a bushel. I would target $6.30 futures as a place to start although producers should evaluate their own profitability to assess a starting point. With the potential for a large 2012 U.S. corn crop looming, I would use a tight stop of $5.85 as a pricing point. If September futures drop back to $5.85, then price a portion of the 2012 crop.

Cotton:

Nearby: March closed at 95.61 cents per pound, down 2.99 cents since last week. Support is at 94.61 cents per pound with resistance at 96.99 cents per pound. Technical indicators have changed to a sell bias. The Adjusted World Price for January 27– February 2 is 82.29 cents per pound up 1.85 cents. All cotton weekly export sales were 84,900 bales (no sales of upland cotton for 2011/12; sales of 31,100 bales of upland cotton for 2012/13; sales of 49,500 bales of Pima cotton for 2011/12 which were a marketing year high and sales of 4,300 bales of Pima cotton for 2012/13). Loan equities have been quoted at 27 – 32 cents per pound. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. I am currently at 80 percent priced for 2011 production and would be willing to hold the remainder for an additional rally. I would target the $1 to $1.05 range as a pricing point.

New Crop: December cotton closed at 94.59 cents per pound, up 0.68 cents for the week. Support is at 93.60 cents per pound with resistance at 95.38 cents per pound. Technical indicators have a strong buy bias. An expected drop in 2012 cotton acres and drought concerns in Texas have been supportive of prices.

Soybeans:

Nearby: The March contract closed at $12.19 a bushel, up 32 cents a bushel since last Friday. Support is at $12.09 with resistance at $12.30 a bushel. Technical indicators have changed to a buy bias. Weekly exports were below expectations at 21.8 million bushels (17.1 million bushels for the 2011/12 marketing year and sales of 4.6 million bushels for 2012/13). Production outlook in Argentina and southern Brazil has been reduced but crop losses would be limited by timely rains. Prices have rebounded and surpassed the pre January 12 USDA report price and may warrant sales. Producer who continue to hold stored soybeans should not let prices get away from them and at least use a $11.75 - $12.00 mental stop as a pricing point should prices drop back to that level.

New Crop: November soybeans closed today at $12.22 ¼ a bushel, up 38 ½ cents since last week. Support is at $12.14 with resistance at $12.29 a bushel. Technical indicators have changed to a strong buy bias. Projections for 2012 soybean acres and trend line yields indicate a buildup in stocks without a substantial increase in demand or production problems in the U.S. Either one or both of those could happen, but if they don't then prices could be lower at harvest. I would start looking at pricing points for the 2012 crop and use a $12.00 mental stop should prices drop back to that level. Prices could run up further depending on South America production which could impact U.S. exports. If they do continue to move up, move your stop up.

Wheat:

Nearby: March futures contract closed at $6.47 ¼ a bushel, up 36 ¾ cents a bushel since Friday. Support is at $6.38 with resistance at $6.61 a bushel. Technical indicators have changed to a buy bias. Weekly exports were about expected at 22.7 million bushels (22.2 million bushels for 2011/12 and 0.5 million bushels for 2012/13).

New Crop: July wheat closed at $6.74 ¾ a bushel, up 31 cents since last week. Support is at $6.68 with resistance at $6.84 a bushel. Technical indicators have changed to a buy bias. Wheat continues to move with corn prices. Should corn prices collapse, wheat will follow. I would use a $6.50 mental stop as a pricing point should wheat prices drop back to that level. Looking outside of the influence of the corn market, support may be garnered from dry conditions in the Plains and weather conditions in the Ukraine. Δ

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