

Labor Day Approach Finds Grain Prices Down

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Grains and soybeans were down and cotton up for the week on what was expected to be a quiet week before the Labor Day Holiday. The dramatic weakness in the Chinese stock market early in the week bled over to the U.S. equity markets and in the absence of any bullish information took the grains and soybean markets with it. Toward the latter part of the week, yield estimates indicating potential record per acre yields were released. USDA will release their estimate on yields as well as supply and demand on September 11. Frost damage is still a concern, but with each passing day the potential damage lessens. Without frost damage, we will most likely see the big crop get bigger syndrome putting pressure on prices. The U.S. Dollar was down .28 at 78.14 before the close. The Dow Jones Industrial Average recovered some from its earlier lows of the week, but is down over 1 percent. Crude Oil is down 4.57 dollars a barrel trading at 68.13 a barrel. Look for traders to position themselves ahead of the September 11 USDA report.

Corn:

New Crop: December 2009 futures closed at \$3.06 a bushel on Friday, down \$.23 bushel from last week. Weekly exports sales were 37.3 million bushels (13.6 mb old crop, 23.4 mb new crop), about expected and slightly under the pace to reach USDA projections. As of August 30, the crop condition ratings for corn were 69 percent in the good to excellent rating compared to 70 percent the previous week and 61 percent a year ago. The percent dough stage nationwide is 75 percent compared to 57 percent last week, 81 percent last year and 88 percent five year average. The percent dented is 32 percent compared to 18 percent last week, 42 percent last year and the five year average of 60 percent. Nationwide, 5 percent of the corn crop is mature compared to 6 percent last year and the five year average of 13 percent. The average estimate released this week for corn yields was 163.1 bushels per acre compared to the August USDA estimate of 159.5. Estimates ranged from 162.7 to 164 bushels/acre with one firm predicting a 168 bushel yield if no frost damage occurs. Weather will definitely be watched over the next few weeks. With a big crop looming and in the absence of frost damage, corn prices are headed below \$3.00 bushel and could end up in the \$2.50 - \$2.75 bushel range. We are close to harvest with some corn in Tennessee having been shelled. I am currently 50 percent forward priced with another 50 percent in put options. I would be inclined to sell any un-priced corn at harvest or if utilizing storage, be prepared to wait for a possible spring rally. If this crop does get bigger, I question whether that rally will cover the storage cost. Storage is an excellent marketing tool, but should not be used as a hold and hope the price goes up strategy.

New Crop Deferred: The March 2010 futures contract closed at \$3.20 bushel, down \$.023 from last week. The September 2010 contract closed at \$3.47, down \$.022 bushel from last week.

Cotton:

Nearby: The October Cotton futures closed at 57.53 cents/lb, up 1.23 cents/lb from last week.

New Crop: The December 09 futures closed at 59.63 cents/lb, up 1.29 cents/lb. from last week. Weekly exports sales were 322,700 bales

(311,000 bales 09/10 & 11,700 bales for 10/11), above expectations for the second week in a row. Currently, cotton has support at 57 - 58 cents with resistance at 60 cents. Overall crop condition ratings as of August 30 were 51 percent good to excellent compared to 52 percent last week and 50 percent last year. The Texas crop has declined slightly. Boll opening is at 19 percent compared to 13 percent last week, 21 percent last year and the five year average of 25 percent. With the exception of Louisiana, the Mid-South and Southeastern states are just slightly behind boll opening last year, but do lag the five year average by over 50 percent. These areas will need a late frost to achieve maximum yields. With the loan program, there is not any incentive to price cotton until it moves above 63-65 cents.

Soybean:

Nearby: November futures closed at \$9.22 bushel, down \$0.89 bushel from last week. Weekly exports were 38.5 million bushels (2.2 mb reduction in old crop, 40.7 mb new crop), above expectations. As of August 30, crop conditions have the crop rated at 69 percent good to excellent compared to 69 percent last week and 57 percent in 2008. Soybeans setting pods nationwide is at 93 percent compared to 85 percent last week, 93 percent last year and the 5 year average of 96 percent. The percent dropping leaves was 3 percent compared to 4 percent last year and the five year average of 8 percent. Average yield estimates this week pegged the soybean crop at 42.9 bushels per acre with a range of 42.6 to 43.1 bushels. One estimate stipulated that without frost damage, a 44.1 bushel yield could be achieved. Certainly, these are bearish numbers that could change a tight carryover to a plentiful one in a short time. Harvest has started in the southern states and this refill of the soybean pipeline has put pressure on current cash soybean prices as basis on beans and meal have tumbled at the end of the week. Some support is at \$9.11, but the market could be headed to the July low of \$8.80 which would open it up to the spring low of \$8.50 and then last fall's low of \$7.75. Frost in the Midwest would have to occur by the end of September to stop this slide. Disease problems are showing up, but it is doubtful they will trim many bushels from the yield. I am currently 50 percent forward priced with another 50 percent priced with put options.

New Crop: The March 2010 contract closed at \$9.28 bushel on Friday, down \$0.80 bushel from last week. The November 2010 contract closed at \$8.89 bushel, down \$0.55 for the week.

Wheat:

Nearby: The December 2009 futures contract closed at \$4.72 bushel, up \$0.24 bushel from last week. Support is at \$4.68 bushel with resistance at \$4.85. Weekly exports were 14.9 million bushels, about expected. As of August 30, crop condition ratings for spring wheat were 75 percent good to excellent compared to 72 percent last week. Spring wheat is at 38 percent harvested compared to 22 percent last week, 78 percent last year and the five year average of 79 percent.

Deferred: The July 2010 futures closed at \$5.15 bushel, down \$0.25 bushel from last week. For the 2010 crop, I am 5 percent priced at \$6.00 bushel. Δ

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