Large Soybean Sale Gives Commodities Strength

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The commodity markets ended up for the week on the heels of the 3rd largest soybean purchase in US history. This provided strength across all markets. Also contributing were a slightly weaker dollar and a rebound in oil prices. The Dow Jones Industrial Average at mid-day was up 1 percent for the week before the close on Friday. The Dollar weakened from last week at 78.39, down .51 before the close. Crude Oil on the NYMEX is up 1.29 barrel for the week at 69.34 a barrel before the close. More important is that oil has rebounded 8 percent from lows mid-week. This recent strength in the market has given us additional pricing opportunities. The August 12 USDA crop report will set the tone as the summer ends and we head into fall.

Corn:

New Crop: September 2009 futures closed at $3.395 a bushel on Friday, up $.23 bushel from last week. Weekly exports sales were 49.4 million bushels (19.1 mb old crop, 30.3 mb new crop), above expectations. As of July 26, the crop condition ratings for corn were 70 percent in the good to excellent rating compared to 71 percent the previous week and 63 percent a year ago. The nationwide average of 55 percent silking is the third slowest on record with a 5 year average of 76 percent. The market has not pushed through resistance at $3.38. If it can, the next target would be the chart gap of $3.45 and then the gap at $3.50-$3.80 bushel. I am currently 40 percent forward priced and would look at adding to it in the $3.50 range. Producers who have not priced much corn should price some at current levels and add to it if prices move to $3.50 bushel.

Deferred: The March 2010 futures contract closed at $3.62 bushel, up $.22 from last week.

Cotton:

Nearby: The October Cotton futures closed at 57.93 cents/lb, up .54 cents/lb from last week. Weekly exports sales were 108,700 bales (46,800 bales old crop, 61,900 bales new crop), above expectations.

New Crop: The December 09 futures closed at 60.02 cents/lb. up .41 cents/lb. from last week. Cotton has support 58-59 cents with resistance in the 61-62 cent range. Cotton has benefitted from the late week strength in the soybean market. Overall crop condition ratings as of July 26 were 46 percent good to excellent compared to 45 percent last week and 47 percent last year. Cotton development is slightly behind average with 48 percent of the crop setting bolls compared to 53 percent last year and the 5 year average of 54 percent. Prices in the 65-70 cent range should be rewarded with either sales or purchase of put options.

Soybean:

Nearby: September futures closed at $10.44 bushel, up $.93 from last week. Weekly exports were 35.1 million bushels (9 mb old crop, 26.1 mb new crop), above expectations. Announced on July 30 was a surprise sale to China of 4.4 million bushels of old crop and 66 million bushels of new crop soybeans. This will be included in next week's totals. Although the market responded positively, this is not necessarily a sign that China will be buying more soybeans than normal. They may have forward booked purchases in anticipation of currency gains from a weaker dollar at the time of actual shipment. If that is the case, then the fundamental picture has not actually changed for new crop soybeans.

New Crop: The November 2009 futures contract closed at $9.80 bushel, up $.65 from last week. There is support at $9.46 and then at $9.21 with resistance at $9.90. As of July 26, crop conditions have the crop rated at 67 percent good to excellent compared to 67 percent last week and 62 percent in 2008. Soybean blooming nationwide is the 6th slowest on record at 63 percent compared to the average of 76 percent. Pod set is at 20 percent compared to the average of 36 percent. Fall weather will be a key to soybean production and as we get closer to harvest, just the threat of an early frost could have market implications. The tight old crop soybean stocks have helped support new crop. This market has given us additional opportunities to price soybeans. Producers with little priced should use recent strength to catch up sales. I am currently 50 percent forward priced with another 10 percent priced with put options. I would add another 5 percent pricing using put options. A November $9.80 strike price put would have a premium of $0.76 bushel and set a futures floor of $9.04 bushel. Put options allow us to set a floor price and leave the upside open in case we do actually have a yield reducing early frost and prices turn upward.

Wheat:

Nearby: The September 2009 futures contract closed at $5.28 bushel, up $.12 bushel from last week. Support is at $5.12 a bushel with resistance at $5.40 bushel. Weekly exports were 21.1 million bushels, above expectations, but short of the pace needed to reach USDA export projection. The fundamentals of wheat are bearish, but were helped by strength in the soybean market. A weaker dollar will help US wheat become more competitive in the global market. For improved prices, demand will need to strengthen. Wheat remains a follower of soybeans and corn.

Deferred: The December 2009 futures contract closed at $5.56 bushel, up $.12 for the week. The July 2010 futures closed at $5.97 bushel, up $0.13 bushel from last week. For the 2010 crop, I would be 5 percent priced at $6.00 bushel. Δ

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