

Less Cotton Acreage Leads The Way To More Corn And Soybeans

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Corn, cotton, soybean, and wheat prices are all up for the week. The U.S. Dollar Index traded at 79.68 before the close, down 0.06 for the week. The Dow Jones Industrial Average before the close was 13,360 up 41 points for the week. Crude Oil was trading at 90.22 a barrel, down 1.64 a barrel for the week. The U.S. Seasonal Drought Outlook released this week indicates a persistence of the drought in the western Midwest throughout the fall and early winter. The odds of a developing El Niño have been reduced. This along with uncertain weather in South America could keep the market volatile until more certain weather patterns can be determined. It is wet in Argentina and southern Brazil while dry in other parts of Brazil. A private estimate of 2013 U.S. acreage reportedly out today indicates that less cotton acreage will lead way to more corn and soybeans.

Corn:

Current Crop: December closed at \$7.61 ½ a bushel, up 10¾ cents a bushel for the week. Technical indicators have a buy bias. Support is at \$7.38 a bushel with resistance at \$7.73 a bushel. Weekly exports were within expectations with net sales of 6.6 million bushels for the 2012/13 marketing year. An additional 23.6 million bushels of Argentine corn has been purchased by a Southeast livestock operation giving further indication that demand destruction has occurred and that U.S. corn is overpriced. Corn harvested nationwide on October 14 was 79 percent compared to 69 percent last week, 42 percent last year and the five year average of 38 percent. I am forward priced at 50 percent of anticipated production, 30 percent with Put Options with the remainder sold at harvest. There still appears to be a slight advantage to storing corn for delivery in a couple of months, however, the advantage has narrowed and may just cover storage costs. I would not store corn un-priced or at least without a floor price in place. A December \$7.65 Put would cost 22 cents and set a \$7.43 futures floor. This option expires November 23. If more time is needed a March \$7.60 Put costs 43 cents and would set a \$7.17 futures floor.

Deferred: March 2013 contract closed at \$7.59 ½ a bushel, up 8 ¾ cents a bushel since last Friday. Technical indicators have a buy bias. Support is at \$7.37 a bushel with resistance at \$7.71 a bushel. One private estimate on corn acreage reportedly puts 2013 acreage at 97.5 million acres, unchanged from their own September estimate but 590,000 acres higher than 2012. September 2013 corn closed at \$6.63 ½ a bushel, up 3 cents for the week. I would have 10 percent of 2013 production priced.

Cotton:

Current Crop: December closed at 76.88 cents per pound, up 5.52 cents since last week. Support is at 75.71 cents with resistance at 78.51 cents per pound. Technical indicators have changed to a strong buy bias. The Adjusted World Price for October 19 – October 25 is 61.41 cents per pound, up 0.81 cents. All cotton weekly export net sales were 222,100 bales (206,200 bales of Upland cotton net sales for 2012/13; net sales of 13,200 bales of Upland cotton for 2013/14 and net sales of 2,700 bales of Pima cotton for 2012/13). Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. Cotton harvested was 28 percent compared to 21 percent last week, 34 percent last year and the five year average of 30 percent. Cotton is now being priced off the March futures contract. Some of it for not all the rally this week in at least the December contract was a squeeze in tenderable cotton as there did not appear to be enough cotton of a suitable grade available to deliver against hedged positions. Fundamentals are still bearish and although it is becoming a given that 2013 cotton acreage will be reduced it does not look like it will help prices for 2012 production. It does look like cotton is entrenched in a low to mid 70s trading range. Housing starts for September announced this week were up 15 percent and that is positive for cotton. However, if prices continue to trade in this narrow range for March and above contracts, storage costs will start to erode net prices. I would look at the

rally this week as an opportunity to price 25 percent - 50 percent of any un-priced cotton.

Deferred: March 2013 cotton closed at 75.43 cents per pound, up 3.52 cents for the week. Support is at 73.76 cents with resistance at 76.44 cents per pound. Technical indicators have changed to a buy bias. A private estimate on 2013 cotton acreage reportedly estimates all U.S. cotton acreage at 10 million acres, unchanged from their September estimate but 2.3 million acres below 2012. Actual cotton acreage could be even less at the current price difference with grains.

Soybeans:

Current Crop: The November contract closed at \$15.34 ¼ a bushel, up 11 ¾ cents a bushel since last Friday. Technical indicators have changed to a sell bias. Support is at \$15.17 a bushel with resistance at \$15.64 a bushel. Weekly exports were below expectations at net sales of 19.3 million bushels (19.2 million bushels of net sales for 2012/13 and 66,000 bushels of net sales for 2013/14). Soybeans harvested were reported at 71 percent compared to 58 percent last week, 64 percent last year and the five year average of 58 percent. The National Oilseed Processors Association members crushed 119.7 million bushels of soybeans in September, slightly higher than expected. This was down from the August number of 124.8 million bushels but higher than the September 2011 number of 110.3 million bushels. I am currently 50 percent priced overall on anticipated production; with an additional 30 percent priced in Put Options. At these levels, I would be inclined to sell any un-priced soybeans at harvest. Storing soybeans should be examined for possible basis appreciation and not necessarily futures price speculation. From a price risk management standpoint, a January \$15.50 strike price put option will cost 52 cents and set a \$14.98 futures floor. It expires on December 21.

Deferred: March 2013 soybeans closed today at \$15.09 ¼ a bushel, up 17 ¼ cents a bushel since last week. Technical indicators have changed to a buy bias. Support is at \$14.94 a bushel with resistance at \$15.35 a bushel. The South American firm Celeres estimates their producers have forward sold a record 47 percent of the spring 2013 planned crop. This compares to their five year average of 21 percent. A private estimate on 2013 soybean acreage reportedly estimates soybeans at 80 million acres, up 115,000 acres from their September estimate and 2.8 million acres above 2012. November 2013 soybeans closed at \$13.37 ¾ down ¾ of a cent for the week. Watch for 2013 opportunities.

Wheat:

Nearby: December futures contract closed at \$8.72 ½ a bushel, up 15 ¾ cents a bushel since Friday. Technical indicators have changed to a buy bias. Support is at \$8.55 a bushel with resistance at \$8.94 a bushel. Weekly exports were above expectations at 15.1 million bushels of net sales for 2012/13. Prices moved higher on Friday as the Ukraine will reportedly ban wheat exports starting November 15. This was widely expected and the price reaction may be a little puzzling as based on what they have shipped and anticipate shipping before the deadline they will be ahead of last week's USDA projection for Ukraine exports. Nevertheless, it could be an indication that competition for U.S. wheat is dwindling.

New Crop: July 2013 wheat closed at \$8.48 ¼ a bushel, up 7 cents since last week. Technical indicators have a buy bias. Support is at \$8.34 a bushel with resistance at \$8.67 a bushel. Winter wheat planted nationwide is reported at 71 percent compared to 57 percent last week, 68 percent last year and the five year average of 71 percent. Emergence is reported at 36 percent compared to 23 percent last week, 39 percent last year and the five year average of 44 percent. A private estimate on 2013 all wheat acreage reportedly estimates wheat at 56.8 million acres, down 315,000 acres from their September estimate but 1.1 million acres above 2012. I would be 10 percent priced for 2013 production. Δ

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