March 30 Grain Stocks Report Could Be Market Mover

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Cotton prices are up while corn, soybean and wheat prices are down for the week. The June U.S. Dollar Index before the close is at 79.58, down .50 for the week. The Dow Jones Industrial Average before the close is down 152 points for the week at 13,080. Crude Oil was trading before the close at 107.09 a barrel, down 0.49 a barrel for the week. The soybean to corn ratio which reflects November soybeans compared to December corn is now at 2.37 to 1 up from 2.05 to 1 at the first of the year. This is still in favor of planting corn, but soybeans have closed the gap. Private 2012 U.S. acreage estimates released this week indicate soybeans at 76-76.7 million acres and corn at 94.8-95.1 million acres. The soybean estimate is a little higher that previous guesses while the corn acreage is fairly close to earlier estimates. The market will be closely watching March 30 as USDA will release the Prospective Plantings report and the Grain Stocks report. The Grain Stocks report could be the market mover and has been in the past. Corn and soybean producers should look closely at making catch up sales on a portion of their crop before these reports.

Corn:

Nearby: May closed at $6.46 ½ a bushel, down 26 ½ cents a bushel for the week. Support is at $6.37 with resistance at $6.56 a bushel. Technical indicators have changed to a buy bias. Weekly exports were above expectations at 36.1 million bushels (33.9 million bushels for the 2011/12 marketing year and 2.2 million bushels for the 2012/13 marketing year). Ethanol production last week was fairly stable from the previous week at 893,000 barrels per day; however, that was 2 percent below last year in the same week. Since the ethanol production pace in the first six months of the year was higher this year than last, corn going into ethanol most likely will meet USDA projections. Private market analysts have had some uncertainty in USDA's feed and residual corn use in the monthly USDA reports. That number will be implied after the Grain Stocks report and could be what moves the market one way or the other. Some analysts think it has been understated and that stocks are tighter than the projections. Producers still hanging on to corn in storage may want to take some price protection in the form of a May put option. This option expires on April 20 but will give some protection through the March 30 Grain Stocks and Prospective Plantings reports. A at the money May $6.45 put would cost 22 cents and set a $6.23 futures floor. Cheaper out of the money puts could be used such as a May $6.20 Put which would cost 11 cents per bushel and set a $6.09 futures floor.

New Crop: September closed at $5.82 ¼ a bushel, down 23 cents a bushel since last Friday. Technical indicators have changed to a strong sell bias. Support is at $5.73 with resistance at $5.92 a bushel. Private acreage estimates look for planting intentions to reflect the largest corn acreage since 1944. Reports from within China that their corn deficit will build in the future may help buffer some of the production that this large acreage has the potential to produce. However, that has more long run implications than just the next marketing year. I am concerned that large acreage and trend line or above yields will usher in lower prices at harvest. The planting season is getting off to an early start and if it remains favorable could see more acres planted than intended. Between now and March 30, look to make catch up sales and or add to what is forward priced. I would have up to 25 percent of the crop priced at this point. From a price risk management standpoint, a December $5.60 Put would cost 53 cents and set a $5.07 futures floor.

Cotton:

Nearby: May closed at 89.63 cents per pound, up 2.15 cents since last week. Support is at 88.64 cents per pound with resistance at 91 cents per pound. Technical indicators have changed to a sell bias. Equities for 2011 cotton in the loan have been quoted in the 19-27 cent range. The Adjusted World Price for March 23-March 29 is 76.46 cents per pound down 0.74 cents. All cotton weekly export sales were 287,500 bales (sales of 197,000 bales of upland cotton for 2011/12; sales of 87,100 bales of upland cotton for 2012/13; and sales of 3,400 bales of Pima cotton for 2011/12. 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 88.71 cents per pound, up 0.43 cents for the week. Support is at 86.85 cents per pound with resistance at 89.59 cents per pound. Technical indicators have a strong sell bias. Equities for 2012 cotton have been quoted in the 29 cent range. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. Planting intentions on March 30 are expected in the 13-14 million acre range.

Soybeans:

Nearby: The May contract closed at $13.65 ¾ a bushel, down 8 ¼ cents a bushel since last Friday. Support is at $13.41 with resistance at $13.81 a bushel. Technical indicators have a strong buy bias. Weekly exports were below expectations at 19.6 million bushels (13.1 million bushels for the 2011/12 marketing year and sales of 6.5 million bushels for 2012/13). Supportive of the market this week are Argentina's Agriculture Ministry soybean production estimate 92 million bushels lower than USDA's latest projection. News from China indicates that their imports of soybeans will be higher than USDA's projections. Producers who continue to hold stored soybeans should increase their stop to $13.40 as a pricing point should prices drop back to that level. Alternately, May Put options should be considered. A at the money May $13.70 Put would cost 36 cents and set a $13.34 futures floor. An out of the money May $13.30 Put would cost 18 cents and set a $13.12 futures floor.

New Crop: November soybeans closed today at $13.22 ½ a bushel, down 5 ¾ cents since last week. Support is at $13.02 with resistance at $13.39 a bushel. Technical indicators have a strong buy bias. Soybeans have been attempting to buy acres from corn and the March 30 Prospective Plantings report will give us an idea of their success. I would have up to 30 percent of the crop priced at this point and price some more if it gets to the $13.40-$13.50 range. Alternately, if you are not ready to price I would use a $13.04 futures stop as a pricing point should prices drop back to that level. From a price risk management standpoint, a $13.20 Put would cost 87 cents and set a $12.33 futures floor.

Wheat:

Nearby: May futures contract closed at $6.54 ¼ a bushel, down 17 ¾ cents a bushel since Friday. Support is at $6.42 with resistance at $6.60 a bushel. Technical indicators have changed to a buy bias. Weekly exports were above expectations at 19.9 million bushels (19.8 million bushels for 2011/12 and 73,500 bushels for 2012/13).

New Crop: July wheat closed at $6.64 ½ a bushel, down 12 ¾ cents since last week. Support is at $6.52 with resistance at $6.71 a bushel. Technical indicators have a buy bias. I am priced 20 percent on new crop and would watch closely on pricing more. A $6.60 Put option would cost 47 cents and set a $6.13 futures floor. Δ

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