Markets End Srong Despite Week's Volatility

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Corn prices are mixed, with cotton, soybean and wheat prices down for the week. The market has made a strong recovery at the end of this week. The March U.S. Dollar Index was trading mid day at 77.32, down .40 for the week. The Dow Jones Industrial Average traded before the close at 12,143; down 248 points for the week. Crude Oil was trading mid day at 86.17 a barrel, up 8.26 a barrel for the week. Volatility has been the word for the week as markets sold off early in the week, but are finishing the week strong. The sell off was fear related as funds sold positions in the wake of political tensions and unrest in North Africa. The rebound today was probably related more to fundamentals as data from the USDA Outlook Forum was released and reflected tight stocks into the next marketing year. Look for brief updates during the week on twitter at www.twitter.com/chuckdanehower

Corn:

Nearby: March futures closed today at $7.12 a bushel, up $0.02 since Friday. Support is at $6.66 with resistance at $7.44 a bushel. Technical indicators have a strong buy bias. Weekly exports were well above expectations at 65 million bushels (59.1 million bushels for 2010/1, a marketing year high and 5.9 million bushels for 2011/12). Importers look to be buying the price breaks so we should see next week's export report strong for corn.

New Crop: September 2011 closed at $6.46 a bushel, down $0.13 since Friday. Support is at $6.14 with resistance at $6.73 a bushel. Technical indicators have a buy bias. The USDA Outlook Forum corn acreage projection of 92 million planted acres for 2011was unchanged from the recent baseline projection. These acreages are statistically driven and are not based on producer surveys and are at the high end of private estimates. Regardless, they do give us a glimpse on potential supply and demand numbers for the next marketing year. Demand was estimated 60 million bushels higher than current usage based on 50 million bushel drop in feed, 50 million bushel increase in corn for ethanol, and a 50 million bushel increase in exports. A yield of 161.7 bushels per acre would result in a carryover of 865 million bushels, up 190 million bushels from the current projection of 675 million bushels for this marketing year. Market reaction has been positive as this tells us that it is doubtful that stocks will be replenished much in the next the year. At this level, prices will be sensitive to any weather problems. Prices almost reached the trailing stop or trigger point of $6.21 during the week and based on the price rebound, I would move that stop up to $6.27. On my comments I am priced 30 percent for 2011 production. Buying a December $6.00 Put option would cost $0.73 and set a $5.27 floor.

Cotton:

Nearby: May futures contract closed Friday at 184.23 cents/lb., down 10.70 cents/lb. for the week. Support is at 172.10 cents per pound, with resistance at 190.30 cents per pound. Technical indicators have a buy bias. All cotton weekly exports sales were below expectations at 266,550 bales (70,300 bales of upland cotton for 10/11; 188,300 bales of upland cotton for 11/12; 9,500 bales of Pima for 2010/11 and 7,000 bales of Pima for 2011/12. Shipments were strong and remain above pace to reach USDA projections. The Adjusted World Price for February 25 – March 3 is 206.31 cents/lb., up 5.41 cents/lb.

New Crop: December closed at 122.74 cents per pound, down 3.65 cents for the week. Support is at 112.43 cents per pound, with resistance at 127.89 cents per pound. Technical indicators have a buy bias. Equity quotes are in the 56 – 59 cent range. Keep in contact with your cotton buyer for current quotes on loan equities. USDA is using 13 million acres in estimates from this week's Outlook Forum. That looks to be a reasonable amount as it is between the National Cotton Council's and private estimate projections. Using a historical abandonment rate of 11 percent and a yield of 810 pounds per acres, production would be 19.5 million bales as compared to last year's 18.3 million bales. Demand is estimated to decline 4.6 percent to 18.5 million bales and would leave ending stocks of 2.9 million bales. Historically, this would be relatively tight stocks but probably not indicative of $1 pound cotton. It is however, tight enough that if weather problems develop, higher abandonment occurs, or demand doesn't drop off prices will stay above the $1 mark. Prices should strong until we get father amount in the year. I would currently be priced up to 40 percent. Prices during the week were close to the trailing stop of 113.82 cents, but did not close there so no additional pricing was recommended. Based on the 20 day and 50 day moving average, I would increase the trailing stop to 115.58 cents. Buying a December 123 Put Option would cost 20.44 cents and set a 102.56 futures floor. December 2012 prices closed at 99 cents/lb.

Soybeans:

Nearby: The March contract closed at $13.65 ½ a bushel, down $0.03 for the week. Support is at $12.78 with resistance at $14.31 a bushel. Technical indicators have changed to a buy bias. Weekly exports were below expectations at 9.3 million bushels (5 million bushels for 2010/11 and 4.3 million bushels for 2011/12). The U.S. Census Bureau reported this week that processors crushed 149.2 million bushels in January, down from the previous month and slightly below trade expectations. Crush to date still exceeds the seasonal pace needed to reach USDA's target, indicating more rationing may be needed.

New Crop: November 2011 soybeans closed at $13.29 ½ a bushel, down $0.13 this week. Support is at $12.49 with resistance at $13.94 a bushel. Technical indicators have a buy bias. USDA's estimate this week pegged soybean acres at 78 million acres, unchanged from their recent baseline estimate. A yield of 43.4 bushels per acre with a slight decrease in demand results in ending stocks of 160 million bushels, 20 million bushels higher than current projections. As with corn and cotton, still tight stocks and really no cushion for weather problems or increase in demand. During the week, the price selloff triggered an additional 10 percent of forward pricing when prices dropped through $13.30 with 40 percent priced overall. The 50 day moving average is $13.13 with the 20 day moving average at $13.49. A trailing stop of $13.31 would be a point to increase pricing should prices fall back. If prices move up, move your stop up. Buying a November $13.40 Put would cost $1.32 and set a $12.08 futures floor.

Wheat:

Nearby: March futures contract closed at $7.76 ½ a bushel, down $0.46 a bushel since Friday. Support is at $7.27 with resistance at $8.20 a bushel. Technical indicators have changed to a sell bias. Weekly exports were on the high end of expectations at 40.9 million bushels (37 million bushels for 2010/11 and 3.9 million bushels for 2011/12).

New Crop: July wheat closed at $8.41 a bushel Friday, down $0.45 since last week. Support is at $7.94 with resistance at $8.83 a bushel. Technical indicators have changed to a sell bias. USDA estimated all wheat acreage of 57 million acres this week. An estimated yield of 43.8 bushels per acre nationwide would result in a drop in production which would more than offset a 131million bushel decrease in usage. Ending stocks although not tight, would drop to 663 million bushels compared to the current marketing year of 818 million bushels. During the week, prices hit the trailing stop of $8.81, pricing another 10 percent to 50 percent of anticipated production. At this point, I would hesitate to price more until we get on into spring. Producers with a buy up crop insurance policy may feel comfortable pricing more. Put options may be worth considering. Buying a July $8.40 Put would cost $0.78 and set an $7.62 futures floor. Δ

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