Markets Seem To Turn To More Seasonal Pattern

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Corn, cotton, soybeans, and wheat prices are all down for the week. The September U.S. Dollar Index was trading before the close at 76.66, down 0.59 since last Friday. The Dow Jones Industrial Average before the close was trading up 493 points for the week at 11,490. Crude Oil was trading before the close at 87.77 a barrel, up 0.51 a barrel since last Friday. USDA released its monthly supply and demand report September 12 with comments on this report posted at http://economics.ag.utk.edu/ outlook.html. The monthly update had a mostly neutral to bearish tone overall with the exception of corn which was neutral to bullish. The markets do appear to be turning to a more seasonal pattern particularly for grains as harvest pressure looks to help prices ease as combines roll. A recent freeze this week in the Upper Midwest was expected to have caused minimal damage, but more will be known next week in the crop progress report. The next major USDA report will be the Grain Stocks report on September 30.

Corn:

Current Crop: December closed today at $6.92 a bushel, down $0.45 a bushel since last Friday. Support is at $6.81 with resistance at $7.12 a bushel. Technical indicators have changed to a sell bias. Weekly exports were well above expectations at 46 million bushels (44.4 million bushels for 2011/12 and 1.6 million bushels for 2012/13). Corn dented is 84 percent compared to 71 percent last week, 92 percent last year and the five year average of 82 percent. The corn crop has 29 percent in the mature stage compared to 18 percent last week, 50 percent last year and the five year average of 33 percent. Corn crop condition ratings as of September 11 were 53 percent good to excellent compared to 52 percent last week, and 68 percent last year. Poor to very poor ratings were 20 percent compared to 21 percent last week and 12 percent a year ago. Ratings improved slightly throughout the Corn Belt, but at this stage of the crop it does not matter as much for corn. Early yield reports in the Midwest have been better than expected and that has put some pressure on the market. The September 12 USDA report lowered old crop ending stocks to 920 million bushels compared to the pre report guess of 956 million bushels. Changes made in the 2011/12 projection on the production side were a 417 million bushel reduction in production on a 4.9 bushel per acre decrease in yield. Based on summer heat and dryness across most of the Corn Belt, USDA estimated corn yields at 148.1 bushels per acre compared to the average trade guess of 149.1 bushels and last month's estimate of 153 bushels. Harvested acreage was left unchanged with total production estimated at 12.497 billion bushels, which despite the reduction in yield would be the third highest ever. Demand was reduced 400 million bushels as feed and residual use was reduced 200 million bushels, corn for ethanol cut 100 million bushels and exports reduced 100 million bushels. Ending stocks for 2011/12 are projected at 672 million bushels, a decrease of 42 million bushels from August and 36 million bushels higher than the average trade guess of 636 million bushels. The stocks to use ratio is estimated at 5.3%, which if realized would be the 2nd tightest in modern history. The season average price is projected to range from $6.50 to $7.50 a bushel, an increase of 30 cents on both ends. Tight stocks should give support to prices; any dramatic pull back will most likely be met by increased buying which would tighten stocks further. I am currently 50 percent forward priced and 25 percent price using a December Put option locking in a futures floor of $6.34. At current levels, I would look to sell the remainder 25 percent across the scales.

Deferred: March closed at $7.05 ½ a bushel, down $0.44 bushel since last Friday. Technical indicators have changed to a sell bias. Support is at $6.94 with resistance at $7.26 a bushel. September 2012 corn closed at $6.63 a bushel.

Cotton:

Current Crop: December closed at 110.52 cents per pound, down 1.35 cents since last week. Support is at 108.02 cents per pound, with resistance at 113.30 cents per pound. Technical indicators have a buy bias. All cotton weekly export sales were a reduction of 134,000 bales (reduction of 171,300 bales of upland cotton for 2011/12; sales of 36,600 bales of upland cotton for 2012/13; sales of 700 bales of Pima cotton for 2011/12. The Adjusted World Price for September 16–September 22 is 100.57 cents/lb.; up 7.77 cents/lb. from last week. Quotes on 2011 loan equities are in the 49 cent range. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. As of September 11, cotton bolls opening were at 57 percent compared to 42 percent last week, 54 percent last year and the five year average of 44 percent. Cotton harvested is at 9 percent compared to 7 percent last week, 8 percent last year and the five year average of 7 percent. Cotton crop condition ratings as of September 11 were 28 percent good to excellent compared to 28 percent last week and 59 percent last year. Poor to very poor ratings are 44 percent compared to 44 percent last week and 12 percent a year ago. Texas cotton is rated 64 percent poor to very poor an increase of 1 percent from last week. Old crop ending stocks were reduced 250,000 bales from the August report to 2.6 million bales. The 2011/12 or current crop marketing year reflects a 100,000 bale increase in ending stocks at 3.4 million bales on a 240,000 bale decrease in supply from last month and an 300,000 bale decrease in use. Production is estimated at 16.56 million bales, virtually unchanged from last month although planted acreage increased about 1 million acres to 14.72 million acres. With a huge amount of failed and abandoned acres in Texas, the number to watch is harvested acres and it is estimated at 9.85 million acres, an 180,000 acre increase from last month. All cotton yields were estimated at 807 pounds per acre, a drop of 15 pounds from August. Domestic mill use is left unchanged at 3.8 million bales while exports were lowered 300,000 bales to 12.0 million bales. The projected price range for 2011/12 was left unchanged at 85 to 105 cents per pound. The stocks to use ratio is estimated at 21.5 percent. World projections reflect lower beginning stocks with ending stocks 750,000 bales lower than the August projection at 51.91 million bales. Potential areas to watch in the cotton arena are actual production in U.S. and Pakistan and whether any upticks in the economy will spur cotton demand. I am currently at 45 percent priced and would hold at that level.

Deferred: March cotton closed at 107.49 cents per pound, down 1.13 cents for the week. Support is at 104.88 cents per pound, with resistance at 110.30 cents per pound. Technical indicators have a buy bias. December 2012 prices closed at 100.57 cents/lb.

Soybeans:

Current Crop: The November contract closed at $13.55 ½ a bushel, down $0.71 since last Friday. Support is at $13.39 with resistance at $13.76 a bushel. Technical indicators have changed to a sell bias. Weekly exports were below expectations at 12.9 million bushels for the 2011/12 marketing year. As of September 11, soybeans dropping leaves were 15 percent compared to 6 percent last week, 35 percent last year and the five year average of 27 percent. Soybean crop condition ratings as of September 11 were 56 percent good to excellent compared to 56 percent last week, and 63 percent last year. Poor to very poor were rated at 17 percent compared to 16 percent last week and 13 percent a year ago. Since last week, Iowa's good to excellent ratings increased 2 percent; Illinois dropped 4 percent, Minnesota down 1 percent, Indiana up 1 percent and Nebraska up 3 percent. USDA lowered old crop ending soybean stocks 5 million bushels from last month to 225 million bushels for the 2010/11 marketing year that ended August 31. Crush was raised 5 million bushels reflecting higher than expected crush numbers for July. In the 2011/12 new crop marketing year, yields were increased .4 bushel from August at 41.8 bushels per acre compared to pre-report trade estimates of 41.04. Harvested acreage was unchanged from August resulting in production of 3.085 billion bushels, an increase of 29 million bushels from August and 53 million bushels more than the average trade guess. Ending stocks for 2011/12 are increased 10 million bushels from last month to 165 million bushels as the increase in production is partially offset by a 5 million bushel reduction in beginning stocks and a 15 million bushel increase in exports. The trade was looking for a stocks number of 152 million bushels. The season average price for 2011/12 is estimated to range from $12.65 to $14.65 a bushel, up 15 cents on both ends. Stocks to use ratio is projected at 5.2 percent. There have been some guesses that if corn yields are coming in better than expected, that soybeans also might have better production numbers. I think one only has to look at the current Drought Monitor Index to question that wisdom as although the current estimate of 41.8 bushels per acre is below trend line yields, it is not a disastrous yield that normally occurs in these types of dry conditions. It is difficult for me to see soybean yields increasing. In these comments, I am currently priced 50 percent for 2011 and have locked in a $13.21 futures floor with a November $14 put option on 25 percent of production. Although prices have eased, I would still look to sell the remainder at harvest.

Deferred: May soybeans closed today at $13.80 ½ a bushel, down $0.64 since last week. Support is at $13.65 with resistance at $14.00 a bushel. Technical indicators have changed to a sell bias.

Wheat:

Nearby: December futures contract closed at $6.88 ¼ a bushel, down $0.42 a bushel since Friday. Support is at $6.75 with resistance at $7.13 a bushel. Technical indicators have a strong sell bias. Weekly exports were about expected at 15.2 million bushels for 2011/12. Spring wheat as of September 11 is 83 percent harvested as compared to 68 percent last week, 81 percent last year and the five year average of 87 percent. U.S. projections for 2011/12 raise ending stocks 90 million bushels on a 10 million bushel increase in expected imports, a 5 million bushel decrease in food use, and a 75 million bushel decrease in exports. Ending stocks are estimated at 761 million bushels compared to pre-report trade estimates of 667 million bushels. The season average price is estimated to range from $7.35 to $8.35 a bushel, up 35 cents on the bottom side and up 15 cents on the top side and is also supported by higher corn prices. World ending stocks are projected at 7.150 billion bushels, up 210 million bushels from the August estimate as beginning stocks increased and world production increased more than consumption. This would be the 2nd largest stocks number in the past decade.

New Crop: July 2012 wheat closed at $7.54 ¾ a bushel, down $0.35 since last week. Support is at $7.44 with resistance at $7.73 a bushel. Technical indicators have changed to a strong sell bias. Winter wheat planted is 6 percent compared to 8 percent last year and the five year average of 10 percent. The deadline for enrolling wheat in crop insurance in Tennessee is September 30. Δ

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