Next Week Critical To Corn Yield Prospects

CHUCK DANEHOWER

RIPLEY, TENN.

Corn, cotton, soybeans, and wheat prices are mixed for the week. The September U.S. Dollar Index was trading before the close at 74.40, down 0.13 since last Friday. The Dow Jones Industrial Average before the close was 12,684; up 204 points for the week. Crude Oil was trading before the close at 99.71 a barrel, up 2.10 a barrel since last Friday. The grain and soybean markets focused on the weather this week while the cotton market languished on weak demand. The next week to ten days will be critical to corn yield prospects throughout the Midwest as it is widely assumed that recent weather has reduced trend line yields. The critical period for soybeans is generally considered to be August although conditions as we wrap up July will also have an impact. The U.S. Drought Monitor, http://drought.unl.edu/dm/monitor.html , is indicating abnormally dry conditions in the Eastern Midwest with expectations that dry conditions will be expanded in next week's map. The cotton market has quit responding to reduced yields and abandoned acreage assumptions from the Southwest, South, and Southeastern droughts as bales lost in the U.S. are thought to be made up with an increase in foreign production. It will take a rebound in demand or foreign production problems to spark a rally back to loftier levels.

Corn:

Current Crop: September closed at $6.90 a bushel, down $0.11 a bushel since last Friday. Support is at $6.71 with resistance at $6.95 a bushel. Technical indicators have a buy bias. Weekly exports were at the low end of expectations at 35.5 million bushels (16.9 million bushels for 2010/11 and 18.6 million bushels for 2011/12). Corn silking is at 35 percent compared to 14 percent last week, 62 percent last year and the five year average of 47 percent. Corn crop condition ratings as of July 17 were 66 percent good to excellent compared to 69 percent last week, and 72 percent last year. Poor to very poor ratings were 11 percent compared to 9 percent last week and 9 percent a year ago. Concerns continue on the affect of higher than normal temperatures on corn pollination. Yield reductions of his type are hard to estimate and will probably not be known until combines roll. I am currently 50 percent priced and would look closely at adding to that level or using an option strategy. Put options would set a floor and buying a December $6.80 Put option would cost $0.59 and set a $6.21 floor on the December market while keeping an upside.

Deferred: March closed at $6.98 ¼ a bushel, up $0.03 bushel since last Friday. Technical indicators have changed to a buy bias. September 2012 corn closed at $6.62 ½ a bushel.

Cotton:

Current Crop: December closed at 98.64 cents per pound, down 0.82 cents since last week. Support is at 96.36 cents per pound, with resistance at 101.18 cents per pound. Technical indicators have a strong sell bias. Current quotes for loan equities are in the 40 cent range. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. All cotton weekly export sales were below expectations with overall sales of 24,700 bales (a reduction of 6,800 bales of upland cotton for 10/11; sales of 31,200 bales of upland cotton for 11/12 and sales of 300 bales of Pima cotton for 2010/11. The Adjusted World Price for July 22 – July 28 is 95.55 cents/lb.; down 8.36 cents/lb. from last week. As of July 17, 71 percent of the cotton crop is squaring compared to 60 percent last week, 85 percent last year and the five year average of 79 percent. Cotton setting bolls was rated at 31 percent compared to 20 percent last week, 39 percent last year and the five year average of 34 percent. Cotton crop condition ratings as of July 17 were 28 percent good to excellent compared to 28 percent last week and 68 percent last year. Poor to very poor ratings are 40 percent compared to 42 percent last week and 7 percent a year ago. The cotton market has been frustrating as drought has clearly reduced production in the U.S. while prices have weakened. Demand has been showing the effects of higher prices early in the year and has yet to rebound at lower prices. I am currently at 45 percent priced and would hold at that level. Evaluate the option market as a good tool to set a floor price and still leave an upside. A December 99 Put Option would cost 9.02 cents and set an 89.98 futures floor. With this drop in prices the last few weeks, producers with forward priced cotton may want to consider buying December Call Options to enhance the booked price. An out of the money December 110 Call Option would cost 4.60 cents and could increase in value if demand gets back on track and if we were to see positive world economic news.

Deferred: March cotton closed at 96.83 cents per pound, up 0.58 cents for the week. Support is at 94.25 cents per pound, with resistance at 99.05 cents per pound. Technical indicators have a strong sell bias. December 2012 prices closed at 94.15 cents/lb.

Soybeans:

Nearby: The August contract closed at $13.80 ¼ a bushel, down $0.06 since last Friday. Support is at $13.70 with resistance at $13.89 a bushel. Technical indicators have a buy bias. Weekly exports were at the low end of expectations at 16.3 million bushels (sales of 9.4 million bushels for 2010/11 and sales of 16.9 million bushels for 2011/12).

Current Crop: November soybeans closed at $13.88 ¼ a bushel, up $0.01 a bushel since last week. Support is at $13.77 with resistance at $13.96 a bushel. Technical indicators have changed to buy bias. As of July 17, 40 percent of the soybean crop is blooming compared to 21 percent last week, 58 percent last year and the five year average of 52 percent. Soybean crop condition ratings as of July 17 were 64 percent good to excellent compared to 66 percent last week, and 67 percent last year. November soybeans have traded over the $14 mark 7 times including this week, but have yet to close above that level. It will take additional weather issues to best that mark. Weather watching won't fully shift to soybeans until August, but current conditions can have a bearing on how the soybean crop will handle the August weather. 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. Currently, buying a November $14.00 Put option would cost $0.72 a bushel and set a $13.28 futures floor.

Wheat:

Nearby: September futures contract closed at $6.92 ¼ a bushel, down $0.03 a bushel since Friday. Support is at $6.67 with resistance at $7.04 a bushel. Technical indicators have a sell bias. Weekly exports were within expectations at 12.7 million bushels for 2011/12. Nationwide, 68 percent of the winter wheat crop has been harvested compared to 53 percent last week, 70 percent last year and the five year average of 72 percent. U.S. exporters are having a hard time competing with lower priced Russian and Ukrainian wheat in the world market.

Deferred: December wheat closed at $7.31 a bushel, up $0.08 since last week. Support is at $7.06 with resistance at $7.56 a bushel. Technical indicators have changed to a sell bias. Spring wheat as of July 17 is 60 percent headed as compared to 27 percent last week, 84 percent last year and the five year average of 88 percent. Spring wheat crop condition ratings as of July 17 were 73 percent good to excellent compared to 73 percent last week, and 82 percent last year. USDA will resurvey acreage in the Dakotas, Montana, and Minnesota and if different than the June 30 Acreage report will report that number in the August 11 report. Spring wheat acreage could be over estimated. July 2012 wheat closed at $7.93 ½ a bushel. Δ

CHUCK DANEHOWER: Extension Area Specialist/Farm Management, University of Tennessee