Overall Dollar Weakness Affects Price Rise

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Corn, and soybean prices are up; cotton and wheat prices are mixed for the week. Outside markets have been mixed this week as the Dollar is weaker, the Dow is up slightly, and Crude Oil is down for the week. December U.S. Dollar Index is 77.27 at mid-day on Friday, up for today but down .30 for the week. The Dow Jones Industrial Average is trading mid-day at 11,048; up 42 points for the week. Crude Oil was trading before the close at 81.25 a barrel, down 1.38 a barrel for the week. The overall weakness in the dollar has contributed to the increase in commodity prices as a weaker dollar makes our exports cheaper in the world market. As a comparison, the dollar's low in the 2008 price run up was 70.70. With the Federal Reserve's concern still more on deflation, jobs, and a sluggish economy rather than inflation; the dollar could still have some room to slide further. There is still an increasing amount of non commercial or investment demand in the markets through fund ownership of commodities on paper. This large presence will keep markets somewhat volatile and maybe unsure of direction.

Corn:

Current Crop: December futures closed Friday at $5.28 a bushel, up $0.35 for the week. Support is at $5.53 with resistance at $5.79 a bushel. Technical indicators have a buy bias. Weekly exports were below expectations but up 49 percent from the previous week and up 35 percent from the prior 4 week average at 46.5 million bushels (35.7 million bushels in 2010/11 and 10.8 million bushels in 2011/12). As of October 10, 51 percent of the corn crop nationwide has been harvested compared to 37 percent last week, 13 percent last year and the five year average of 30 percent. From USDA's latest report the corn stocks to use ratio is 6.7 percent the second tightest on record only to the 5 percent ratio in 1995/96. This compares to 12.8 percent in 2007/08. The difference from 2007/08 is that the global corn stocks were tighter then than they are now. The projected Global Stocks to Use ratio for this marketing year is 15.8 percent compared to 14.5 percent in 2007/08. Whether traders and the markets focus more on the domestic situation rather than the world will have a bearing on prices. Historically, the odds are in favor that whenever USDA reduces corn yields from the September to October report, the November report will also be reduced. Has price rationing started occurring as prices have moved up? Exports were lower, but analyst consensus seems to be that prices will have to reach $6.00 for rationing to occur in the short run. It is not there yet, but is getting close. EPA did announce this week that an ethanol blend of 15 percent will be allowed for vehicles made in 2007 or later. In the short term, this is perceived to have limited impact. I am currently at 50 percent forward priced and 25 percent priced with put options where production has been priced. I would hold the remaining 25 percent of production either in storage, if available, or through December call options purchased earlier.

New Crop: September 2011 closed today at $5.39 a bushel, up $0.15 for the week. Support is at $5.28 with resistance at $5.52 a bushel. Technical indicators have a buy bias. I am currently priced at 10 percent for 2011 production and although the trend is still up I would price an additional 10 percent at this level.

Cotton:

Current Crop: December futures contract closed today at 109.87 cents/lb., up 2.70 cents/lb. for the week. Support is at 103.25 cents per pound, with resistance at 123.11 cents per pound. Technical indicators have a buy bias. Overnight trades with an expanded limit, reached an all time high of 119.80 cents per pound as noncommercial traders were aggressive buyers with a lower dollar. With the dollar stronger today, prices moved down. Quotes for equities had been as high as 53.50 cents before last night's high. Keep in contact with your cotton buyer for current quotes on loan equities. As of October 10, 33 percent of the crop is harvested compared to 25 percent last week, 12 percent last year and the five year average of 24 percent. All cotton weekly exports sales were again above expectations at 572,900 bales (548,800 bales of upland cotton for 10/11; 13,100 bales of upland cotton for 11/12; 500 bales of Pima for 2010/11 and 10,500 bales of Pima for 2011/12). The Adjusted World Price for October 15 – October 21 is 102.69 cents/lb. With this volatile week of prices, I would price out the remaining 15 percent of un-priced production.

New Crop: December 2011 closed at 86.09 cents per pound, down .33 cents a pound for the week. Support is at 82.88 cents per pound, with resistance at 91.10 cents per pound. Technical indicators have a buy bias. Prices have been as high as 89.50 cents per pound this week with equities quoted as high as 29.50 cents per pound for 2011 production. I would be 10 percent priced at this level.

Soybeans:

Current Crop: The November contract closed at $11.85 bushel, up $0.50 for the week. Support is at $11.70 with resistance at $12.11 a bushel. Technical indicators have a buy bias. Weekly exports were in the high range of expectations at 40.8 million bushels. Nationwide, 67 percent of the soybean crop has been harvested compared to 37 percent last week, 22 percent last year and the five year average of 48 percent. Prices have been reflective of surging demand as there is evidence of good domestic demand as well as exports. The National Oilseed Processors Association reported that 124.9 million bushels of soybeans were crushed by its members in September, nearly 9 million bushels above trade estimates. USDA continues to announce daily good-sized sales of soybeans for export. I am currently forward priced 60 percent for 2010 production with the remaining 40 percent protected by put options. I would sell soybeans protected by puts as they are harvested or contract for December/January delivery if storage is available.

New Crop: November 2011 soybeans closed at $11.47 bushel, up $0.28 for the week. Support is at $11.33 with resistance at $11.70 a bushel. Technical indicators have a buy bias. I currently have priced 20 percent of 2011 anticipated production and would price an additional 10 percent at this current level.

Wheat:

Nearby: December futures contract closed at $7.05 bushel, down $0.14 a bushel for the week. Support is at $6.36 with resistance at $7.61 a bushel. Technical indicators have a buy bias. Weekly exports were below expectations at 13.9 million bushels.

New Crop: July, 2011 wheat closed at $7.65 a bushel today, about even for the week. Support is at $7.41 with resistance at $7.84 a bushel. Technical indicators have a buy bias. Winter wheat seeding is 70 percent planted as of October 10 compared to 53 percent last week, 65 percent last year and the five year average of 68 percent. The winter wheat crop has emerged 38 percent compared to 22 percent last week, 39 percent last year and the five year average of 39 percent. Wheat bulls are struggling as wheat fundamentals are not currently bullish. There is some concern on winter wheat seeding in the dry areas of the South (including Tennessee) and southern Midwest. On my comments, I am currently 40 percent priced for 2011 production and would look at making catch up sales. I would use a combination of flat price and futures only contracts as the basis has the potential to narrow as we get into next year. At this point, I would lean toward waiting to price additional bushels until the wheat crop is planted and growing. Δ

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