Political Conditions In Egypt Could Affect Dollar

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Corn, cotton, and wheat prices are up; soybean prices are mixed for the week. The March U.S. Dollar Index was trading mid day at 78.63, up .42 for the week. The Dow Jones Industrial Average traded mid day at 12,252; up 170 points for the week. Crude Oil was trading mid day at 85.51 a barrel, down 3.42 a barrel for the week. USDA released their monthly supply and demand reports on February 9 and was considered bullish for corn and neutral for cotton, soybeans and wheat. Comments on this report and an update on profitability have been posted at http://economics.ag.utk.edu/outlook.html. Continued concerns that political conditions in Egypt could spill over to other countries and have effects on the dollar and commodities including oil may keep the markets unsettled and volatile. As mentioned last week, catch up on pricing and have a marketing plan in place to protect you on the downside. Just the basic strategy of buying a put option will allow producers to set good floor prices. Options are an excellent price risk management tool that has a place in the marketing plan. There are several option strategies you can use, but have a good understanding of what they are and what risks if any that may be incurred. Look for brief updates during the week on twitter at www.twitter.com/chuckdanehower .

Corn:

Nearby: March futures closed today at $7.06 ½ a bushel, up $0.28 since Friday. Support is at $6.91 with resistance at $7.15 a bushel. Technical indicators have a strong buy bias. Weekly exports were above expectations at 47.7 million bushels (43.6 million bushels for 2010/11 and 4.1 million bushels for 2011/12). USDA in what was a bullish surprise lowered U.S. ending stocks 70 million bushels from January to 675 million bushels. This is a projected stocks to use ratio of 5 percent which if realized would equal 1995/96 and only be surpassed by the 4.5 percent ratio of 1936/37. Corn for ethanol was raised 50 million bushels, for high fructose corn syrup 15 million bushels, and for starch 5 million bushels. Price rationing is not yet evident. Global stocks were also reduced 177 million bushels to 4.8 billion bushels. I am continuing to hold a little longer the remaining 15 percent of 2010 production in storage or through call options. The March call option expire February 18, so I will look to sell or offset them by then.

New Crop: September 2011 closed at $6.63 ¼ a bushel, up $0.19 since Friday. Support is at $6.53 with resistance at $6.69 a bushel. Technical indicators have a strong buy bias. With corn stocks tightening, the market is going to need to buy additional acres. However, cotton and soybeans also need additional acres. On my comments I am priced 30 percent for 2011 production. The 50 day moving average has moved up to $5.93 with the 20 day moving average at $6.30. Use those levels or somewhere in between as trigger points in pricing should prices fall back. If prices increase, move your stop up. Buying a December $6.20 Put option would cost $0.73 and set a $5.47 floor.

Cotton:

Nearby: May futures contract closed Friday at 185.56 cents/lb., up 21.74 cents/lb. for the week. Support is at 179.25 cents per pound, with resistance at 193.15 cents per pound. Technical indicators have a strong buy bias. March futures traded as high as 194.55 cents today, with May futures as high as 189.40. All cotton weekly exports sales were above expectations at 326,500 bales (111,100 bales of upland cotton for 10/11; 193,700 bales of upland cotton for 11/12; 9,800 bales of Pima for 2010/11 and 11,900 bales of Pima for 2011/12. The Adjusted World Price for February 11 – February 17 is 186.00 cents/lb., up 4.09 cents/lb. USDA left cotton ending stocks at 1.9 million bales, the same as in January. World stocks were projected to be 42.8 million bales, essentially unchanged from January. There is growing concern which is not yet reflected in the market that high prices will soon open the door for synthetic fibers. It is probably when and not if that mills will transition to synthetic fibers or at least a blend including more synthetic fibers. Reports from India indicate that they will keep a lid on their cotton for export which supported prices.

New Crop: December closed at 129 cents per pound, up 15.09 cents for the week. Support is at 125.13 cents per pound, with resistance at 134.13 cents per pound. A new contract high of 132.20 was reached today before prices closed down for the day. Technical indicators have a strong buy bias. Equity quotes for new crop were 64 - 66 cents today. Keep in contact with your cotton buyer for current quotes on loan equities. The National Cotton Council released their acreage survey last week and estimated U.S. all cotton acres at 12.5 million acres, up 14 percent from 2010. This is also a bullish number as this acreage at average abandonment and average yields would result in production of 19.2 million bales. If demand remains constant and not suffer the ill effects of synthetic fiber competition, then ending stocks tighten further. Keep in mind that cotton prices have moved up at an increasing rate than corn or soybeans since this survey was taken. The question is whether prices have moved up enough to pull in additional acres. Tennessee acres were estimated at 544,000 acres, up 39.5 percent from 2010. I would currently be priced up to 40 percent. The 50 day moving average is 104 cents with the 20 day moving average at 114 cents. Use these points as trigger points should prices fall back. If prices move up, move your stop up. Buying a December 129 Put option would cost 21 cents and set a 108 futures floor. December 2012 prices closed at 98.29 cents/lb.

Soybeans:

Nearby: The March contract closed at $14.16 a bushel, down $0.18 for the week. Support is at $13.91 with resistance at $14.55 a bushel. Technical indicators have a strong buy bias. Weekly exports were about expected at 35.7 million bushels (a marketing year low of 764,000 bushels for 2010/11 and 34.9 million bushels for 2011/12). Included in the 2010/11 export numbers were export cancellation of 9.6 million bushels for China and 5.3 million bushels of unknown. USDA left soybean ending stocks for the current marketing year at 140 million bushels, the same as January. A slight reduction was expected. Global ending stocks were left unchanged at 2.139 billion bushels.

New Crop: November 2011 soybeans closed at $13.79 ½ a bushel, up $0.11 this week. Support is at $13.59 with resistance at $14.08 a bushel. Technical indicators have a strong buy bias. I currently have priced 30 percent of 2011 anticipated production. The 50 day moving average is $12.91 with the 20 day moving average at $13.51. Use a price stop somewhere in between as a point to increase pricing should prices fall back. If prices move up, move your stop up. Buying a November $13.80 Put would cost $1.21 and set a $12.59 futures floor.

Wheat:

Nearby: March futures contract closed at $8.67 a bushel, up $0.13 a bushel since Friday. Support is at $8.48 with resistance at $8.80 a bushel. Technical indicators have a strong buy bias. Weekly exports were about expected at 18.6 million bushels (14.4 million bushels for 2010/11 and 4.2 million bushels for 2011/12). USDA as in cotton and soybeans left wheat ending stocks unchanged from January at 818 million bushels. Global stocks were slightly lower at 6.532 billion bushels. Concerns that a drought in China could affect 42 percent of their wheat growing area has offered support this week as well as crop condition in the Plains states of the U.S.

New Crop: July wheat closed at $9.25 ½ a bushel Friday, up $0.17 since last week. Support is at $9.06 with resistance at $9.39 a bushel. Technical indicators have a strong buy bias. On my comments, I am currently 40 percent priced for 2011 production. The 50 day moving average is $8.45 with the 20 day moving average at $8.91. Use a price stop somewhere in between as a point to increase pricing should prices fall back. If prices move up, move your stop up. Buying a July $9.30 Put would cost $0.94 and set an $8.36 futures floor. Δ

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