Prices At Harvest Will Possibly Be Lower Than Current Levels

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The corn, cotton, and wheat markets ended the week down with soybeans mixed. The Dow Jones Industrial Average had another good week, up 3.7 percent for the week before the close on Friday. The Dollar weakened from last week at 78.89, down .62 before the close. Crude Oil is again up for the week 5.55 a barrel or 8.6 percent trading at 70.13 a barrel before the close. Outside influences have been positive for commodities, but the market this week appears to be trading fundamentals which have reflected good growing conditions. Do not let the market get away from you because you have not adjusted your price expectations to reflect current conditions. Prices at harvest most likely will be lower than current levels.

Corn:

New Crop: September 2009 futures closed at $3.16 a bushel on Friday, down $.06 bushel from last week. Weekly exports sales were 52.5 million bushels (29.8 mb old crop, 22.7 mb new crop), above expectations. As of July 19, the crop condition ratings for corn were 71 percent in the good to excellent rating compared to 71 percent the previous week and 65 percent a year ago. The NASS announcement that Illinois, Indiana, Kentucky, Missouri, North Dakota, Ohio, and Pennsylvania will be resurveyed as to their corn acreage gave spark to the market on Thursday. This will be reflected in the August 12 USDA report. As important will be the yield estimates in that report as it is widely expected that USDA will raise the average yield. A higher yield will continue to put downward pressure on the market. This uncertainty in the market due to the resurvey is an opportunity to price corn. There are levels of support in the $3.12 - $3.20 range with resistance at $3.36. The market is somewhat oversold, but a big crop could bring below $3.00 bushel prices. Producers with little to no corn priced should look at pricing at current levels and add to it if the market moves into the $3.30 - $3.50 range. I am currently 40 percent forward priced and would look at adding to it in the $3.30 - $3.50 range. Crude oil will have to continue to strength, the U.S. dollar weaken, and probably a continued strong stock market for corn prices to rally.

Deferred: The March 2010 futures contract closed at $3.41 bushel, down $.05 from last week.

Cotton:

Nearby: The October Cotton futures closed at 57.39 cents/lb, down 4.71cents/lb from last week. Weekly exports sales were 68,700 bales (17,200 bales old crop, 51,500 bales new crop), within range of expectations, but dismal.

New Crop: The December 09 futures closed at 59.61 cents/lb. down 4.45 cents/lb. from last week. Cotton is currently trading at its level of support with resistance in the 62-63 cent range. Overall crop condition ratings as of July 19 were 45 percent good to excellent compared to 43 percent last week and 45 percent last year. Cotton experts at the Ag Market Network special cotton meeting estimated the U.S. cotton crop in a range of 11.9 – 13.1 million bales with the most likely number being around 12.5 million bales or 750,000 less than current USDA projections. Prices will be highly dependent on when the economic recovery comes. It the recovery is in the 2009/10 marketing year, prices could rebound to the 70 cent range, otherwise, they could fall back to the low to mid 50s. Currently, the market is trading in the low to mid part of that range. It has potential to move back up if the Texas cotton crop should deteriorate more. Prices in the 65 - 70 cent range should be rewarded with either sales or purchase of put options.

Soybean:

Nearby: August futures closed at $10.21 bushel, up $.12 from last week. Weekly exports were 25.8 million bushels (11.8 mb old crop, 14 mb new crop), within range of expectations.

New Crop: The November 2009 futures contract closed at $9.15 bushel, down $.09 from last week. There is support at $9.03 and then at $8.84 with resistance in the $9.40 - $9.50 range. As of July 19, crop conditions have the crop rated at 67 percent good to excellent compared to 66 percent last week and 61 percent in 2008. The tight old crop soybean stocks have helped new crop prices from declining as much as corn. August is a key month for soybean development and a later crop will not mature before the first frost date in many areas. It is too early to trade potential frost problems and with decent growing conditions soybean ending stocks could triple. I am currently 50 percent forward priced with another 10 percent priced with put options. I have moved pricing targets down from last week as producers priced 40 percent or greater probably can wait and watch to see if the market will move back to the $9.40 - $9.50 range before taking action. Producers with very little priced should price some at current levels. There is more downside risk than upside.

Wheat:

New Crop: The September 2009 futures contract closed at $5.16 bushel, down $.26 bushel from last week. Support is at $5.12 a bushel with resistance at $5.40 bushel. Weekly exports were 12.6 million bushels, about expected but short of the pace needed to reach USDA export projection. Talk from the Commodity Futures Trading Commission (CFTC) early in the week that changes were needed in wheat futures put pressure on the wheat market. Index funds sold off heavily at midweek in case the CFTC suddenly imposed limits they already exceeded. This was probably over done as changes to not appear to be imminent. Hearings will begin July 28 with any decisions are expected until this fall.

Deferred: The December 2009 futures contract closed at $5.44 bushel, down $.25 for the week. The July 2010 futures closed at $5.84 bushel, down $0.22 bushel from last week. For the 2010 crop, I would be 5 percent priced at $6.00 bushel. Δ

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