Recommendation Causes Commodity Price Scaleback

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Corn, cotton, soybeans and wheat prices are all down for the week. The June U.S. Dollar Index was trading mid day at 75.02, down .25 for the week. The Dow Jones Industrial Average traded before the close at 12,352; down 28 points for the week. Crude Oil was trading mid day at 109.62 a barrel, down 3.17 a barrel for the week, however up for the day. Some of this week's selloff has been attributed to a Goldman Sach's recommendation to scale back commodity investments. Other concerns are that Chinese measures to slow their inflation will result in less commodity purchases. China may be trying to slow down their economy and inflation, but I don't see where cutting back on commodity purchases will help. They have a growing middle class that wants to improve their food purchases, so it is difficult to see demand for commodities slowing.

Corn:

Nearby: May futures closed today at $7.42 a bushel, down $0.22 since Friday. Support is at $7.28 with resistance at $7.66 a bushel. Technical indicators have a strong buy bias. Weekly exports were above expectations at 43.4 million bushels (33.4 million bushels for 2010/11 and 10 million bushels for 2011/12). Demand still does not appear to be showing the affects of price rationing. Since corn prices have moved higher than wheat, there is speculation that some feed substitution (wheat for corn in rations) will occur. However, with livestock prices also higher, performance rather than feed cost may be the driving factor on whether much substitution occurs.

New Crop: September closed at $7.01 ½ a bushel, down $0.09 bushel since Friday. Support is at $6.89 with resistance at $7.15 a bushel. Technical indicators have a strong buy bias. As of April 10, 3 percent of the corn crop was planted compared to 3 percent last year and the 5 year average of 3 percent. Planting process this week as reported on April 18 is expected to be in line with the 5 year average. The next 10 days or so are expected to have weather delays in planting, which would be positive for prices in the short term. I am confident that with today's planters, any short term delays can be made up quickly. I am currently at 45 percent priced and I would use a trailing stop of $6.66 for new sales. If that is too tight, use $6.17 a bushel. Put options would set a floor and buying a December $6.60 Put option would cost $0.76 and set a $5.84 floor on the December market while keeping an upside.

Cotton:

Nearby: May futures contract closed Friday at 195.52 cents/lb., down 7.45 cents/lb. for the week. Support is at 192.11 cents per pound, with resistance at 199.63 cents per pound. Technical indicators have changed to a buy bias. All cotton weekly export sales were below expectations at 73,100 bales (a reduction of 96,300 bales of upland cotton for 10/11; 165,800 bales of upland cotton for 11/12; 3,200 bales of Pima for 2010/11 and 400 bales of Pima for 2011/12. The Adjusted World Price for April 15 – April 21 is 207.63 cents/lb.; up .42 cents/lb. Concerns about Chinese demand and a slowdown in mills as competition increases are resulting in price weakness.

New Crop: December closed at 129.18 cents per pound, down 8.90 cents for the week. Support is at 128.21 cents per pound, with resistance at 134.01 cents per pound. Technical indicators have changed to a buy bias. Keep in contact with your cotton buyer for current quotes on loan equities. As of April 10, 7 percent of the cotton crop was planted compared to 6 percent last week, 6 percent last year and the 5 year average of 7 percent. Dryness in Texas is still giving some measure of support as 90 percent of that state has very short topsoil conditions. I would currently be priced up to 40 percent with a trailing stop of 127.15 cents. If that stop is too tight use the 100 day moving average of 113.62. Continue evaluating the option market as a good tool to set a floor price and still leave an upside. December 2012 prices closed at 100.56 cents/lb.

Soybeans:

Nearby: The May contract closed at $13.31 ¾ a bushel, down $0.61 for the week. Support is at $13.16 with resistance at $13.48 a bushel. Technical indicators have changed to a sell bias. Weekly exports were below expectations at 4.8 million bushels 2010/1. The National Oilseed Processors Association estimated March crush at 134.391 million bushels, a little over 1 million bushels greater than expected and greater than the 124.9 million bushels crushed in February but less than the 149.6 million bushels crushed a year ago.

New Crop: November soybeans closed at $13.39 ¾ a bushel, down $0.56 bushel this week. Support is at $13.54 with resistance at $14.17 a bushel. Technical indicators have changed to a hold bias. I am currently priced 50 percent for 2011 and would wait until late spring-early summer before forward pricing more. Currently, buying a November $13.40 Put option would cost $0.99 a bushel and set a $12.41 futures floor.

Wheat:

Nearby: May futures contract closed at $7.44 ¼ a bushel, down $0.53 a bushel since Friday. Support is at $7.22 with resistance at $7.60 a bushel. Technical indicators have changed to a strong sell bias. Weekly exports were about expectations at 20 million bushels (16.3 million bushels for 2010/11 and 3.7 million bushels for 2011/12).

New Crop: July wheat closed at $7.80 a bushel Friday, down $0.52 since last week. Support is at $7.57 with resistance at $7.95 a bushel. Technical indicators have changed to a strong sell bias. Winter wheat crop condition ratings as of April 10 were 36 percent good to excellent compared to 37 percent last week and 65 percent last year. Poor to very poor ratings are 36 percent compared to 32 percent last week and 6 percent a year ago. I am currently at 50 percent priced and would wait until we get further into spring before pricing more. Buying a July $7.80 Put would cost $0.53 and set a $7.27 futures floor. Δ

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