

Retail Sales Rise Higher Than Expected In Nov.

CHUCK DANEHOWER

RIPLEY, TENN.

Corn prices finished up for the week, soybeans and wheat down while cotton prices were mixed. Retail sales data released today reported sales up 1.3 percent in November, the second straight monthly gain and higher than expected. This positive economic information has to lead to speculation that interest rates may need to be raised. This has strengthened the U.S. Dollar which is generally negative for commodity prices. It has not been showing as great an effect today. The U.S. Dollar is up .52 today and .64 for the week at 76.93 before the close. The Dow Jones Industrial Average was at 10,467 before the close, up slightly less than 1 percent for the week. Crude Oil before the close was down 5.75 a barrel or 7.6 percent from last Friday, trading at 69.72. Although it was not considered much of a market mover, USDA released their monthly supply and demand report on Thursday, December 10. Comments on the USDA report, as well as historical data are posted at <http://economics.ag.utk.edu/outlook.html>. A brief summary is at the end of this report.

Corn:

Nearby: March 2010 futures closed at \$4.05 a bushel on Friday, up \$0.16 bushel for the week. Support is at \$3.84 - \$3.94 bushel with resistance at \$4.10 - \$4.16 bushel. Weekly exports sales were 33.4 million bushels; above expectations, but still below the seasonal pace to reach USDA's projections. Exports were lowered 50 million bushels in the latest USDA report, increasing ending stocks to 1.675 billion bushels, slightly higher than expected. As of December 6, corn harvest was 88 percent complete, compared to 79 percent last week. This week's snow storm across the northern and western Corn Belt brought an end to harvest for the time being. It may be weeks or months before all the corn is out of the field. USDA will update production numbers January 12, but there is a strong possibility that even then corn production will still be up in the air. Guesses range from 75 million bushels of field loss to 200 million bushels. Fundamentally, this uncertainty should help support the market in the short term as prices most likely trade sideways.

New Crop: The September 2010 contract closed at \$4.31, up \$0.15 a bushel for the week. Support is \$4.15 - \$4.21 with resistance at \$4.32 - \$4.36 a bushel. The uncertainty in the 2009 corn production numbers should also lead some support to 2010 production year prices. Early projections anticipate higher corn usage, particularly for ethanol in the 2010/2011 marketing year. An increase in corn acreage will be needed to insure adequate supplies. Consider pricing up to 20 percent for 2010 production at this time.

Cotton:

Nearby: The March 2010 futures closed at 74.31 cents/lb. up .49 cents/lb. from last week. Support is at 72.79, resistance at 75.37 cents. Weekly exports sales were 289,100 bales, above expectations. As of December 6, cotton harvest is reported at 88 percent finished, compared to 83 percent last week. Although production was increased in the December 10 USDA report, ending stocks were lowered 400,000 bales to 4.5 million bales on an increase in exports. Keep in

contact with your cotton buyer for current quotes on loan equities and or cash prices. Equities for loan cotton are in the 13 cent range, not quite able to reach 15 cents this week. The Adjusted World Price for December 11 - December 17 is 58.70 cents/lb.

New Crop: The December 2010 futures contract closed at 76.44 cents/lb., down .20 cents/lb. for the week. Support is at 75.34, resistance at 77.94 cents per pound. With December futures edging toward 80 cents, I would expect cotton acreage to increase in 2010. Production will be expected to increase in 2010 and prices will need improved demand to continue to increase. Consider pricing cotton for 2010, at least a percentage of the crop.

Soybeans:

New crop: January futures closed at \$10.35 bushel, down \$0.08 bushel from last week. Support is at \$10.12, with resistance at \$10.41 bushel. Weekly exports were 34.1 million bushels; above expectations and above the seasonal pace to meet the USDA's projection. USDA did increase their export projection for the year, but less than what was expected. We may see further increases in future reports, but at some point the South American crop will hit the global market most likely curtailing our exports. Ending stocks were projected at 255 million bushels, higher than pre report guesses but less than in November. Soybean prices are feeling the effects of a stronger dollar. If exports continue to remain strong, prices should move up from current levels. The threat of a large South American crop will however, keep prices from rising dramatically. I would look for prices to trade sideways until at least the January 12 production report.

Deferred: The March 2010 contract closed at \$10.43 bushel on Friday, down \$0.08 bushel from last week. The November 2010 contract closed at \$10.18 bushel, down \$0.24 bushel for the week. Support is at \$10.05 with resistance at \$10.30 bushel. I would consider pricing up to 15 percent of the 2010 soybean crop.

Wheat:

Nearby: The March 2010 futures contract closed at \$5.38 bushel, down \$0.20 bushel from last week. Weekly exports were 9 million bushels, below expectations, and below the seasonal pace to meet the USDA's export projection. USDA did not change export projections for the marketing year, but did lower food usage by 15 million bushels raising ending stocks to 900 million bushels.

New Crop: The July 2010 futures closed at \$5.60 bushel, down \$0.20 bushel from last week. Support is at \$5.46 with resistance at \$5.73 a bushel. As of December 6, winter wheat emergence is 93 percent compared to 89 percent last week. As of December 6, the crop condition ratings for wheat were 63 percent in the good to excellent rating compared to 63 percent the previous week. I would currently have up to 20 percent of the 2010 wheat crop priced. If the wheat crop is looking good, I would consider increasing the percentage priced especially if July futures move up to \$5.75 - \$6.00 bushel. Fund buying has helped support wheat prices; fundamentally they should be quite a bit lower. Δ

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



Link Directly To: **AMERICOT**