

Several Events Of Last Week May Have Affected Grain Prices

CHUCK DANEHOWER

RIPLEY, TENN.

Soybean prices are mixed while corn, cotton, and wheat prices are down for the week. The Dow before closing is headed toward giving back all the gains plus some from the previous week. This on what has been a trying week in the U.S. with the bomb at the Boston Marathon and the explosion at the fertilizer plant in Texas. These tragic events are part of the non ag influences that happen from time to time and are difficult to measure their effects on the markets. Affecting the markets early in the week was a report that China's Gross Domestic Product (GDP) grew at a rate of 7.7 percent which was lower than the expected 8 percent. Overall, the market reaction was that maybe China would import fewer commodities. Still, a 7.7 percent growth rate is a pretty good clip and not one that implies a drastic slowdown is imminent. Also negatively affecting the market has been investors getting out of \$2.7 billion in commodity and precious metals funds this week. Funds will have to be back in the markets to sustain any rallies.

Corn:

Nearby: Weekly exports were within expectations with net sales of 16.4 million bushels (net sales of 15.8 million bushels for the 2012/13 marketing year and 665,000 bushels of net sales for the 2013/14 year). Ethanol production dropped 22,000 barrels per day to 832,000 barrels per day in the latest report.

New Crop: Corn planted as of April 14 was reported at 2 percent compared to 16 percent last year and the five year average of 7 percent. The trade was expecting 4 percent - 6 percent planted. It is expected that planting progressed some during the week, but still behind the average. It is not yet gotten to the point for the bulk of the intended corn acres to say that a large percentage of corn ground will be switched to soybeans. However, that possibility or the perception that less corn acres could give some support to the market. I would be at least 20 percent priced. From a price risk management standpoint, a \$5.80 September Put Option costing 44 cents would set a \$5.36 futures floor.

Cotton:

Nearby: All cotton weekly export net sales were 262,200 bales (211,200 bales of Upland cotton net sales for 2012/13; net sales of 36,000 bales of Upland cotton for 2013/14; and net sales of 15,000 bales of Pima cotton for 2012/13. Prices have been dealing with uncertainties on the release of cotton stocks from India and China.

New Crop: Cotton planted was reported at 8 percent this week compared to 5 percent last

week, 13 percent last year and the five year average of 10 percent. There has been some indication or maybe speculation that there could be as much as 1 million more acres of cotton planted than intended in the USDA March 28 report. That could add resistance to any rallies. Implementing a floor price strategy would entail buying an 86 cent put option costing 5.45 cents and setting an 80.55 cent futures floor. Cotton equities on 2013 loan cotton are in the 26 cent range.

Soybeans:

Nearby: Weekly exports were within expectations with net sales of 20.8 million bushels (net sales of 12.5 million bushels for 2012/13 and net sales of 8.3 million bushels for 2013/14). Soybean crush for March as reported by the National Oilseed Processors Association (NOPA) was at 137.08 million bushels, less than the 140 million bushels expected by the trade.

New Crop: I would have up to 10 percent priced on 2013 production. I think there may be an opportunity for additional pricing at higher levels or an opportunity to put in place an option strategy. Currently, a \$12.20 Put Option would cost 77 cents and set an \$11.43 futures floor.

Wheat:

Nearby: Weekly exports were well above expectations at net sales of 61.5 million bushels (20.3 million bushels for 2012/13 and net sales of 41.2 million bushels for 2013/14). China was a big buyer of new crop wheat at 30.9 million bushels

New Crop: Nationwide, winter wheat heading was reported at 4 percent compared to 28 percent last year and the five year average of 12 percent. Crop condition ratings for winter wheat as of April 14 were 36 percent good to excellent compared to 36 percent last week and 64 percent last year. Poor to very poor ratings were 31 percent compared to 30 percent last week and 11 percent last year. There has been some concern that recent cold weather has caused some freeze damage. Crop condition ratings over the next few weeks should reflect whether any actual damage has occurred. If it has this would be supportive to the wheat market. Spring wheat planting is at 6 percent compared to 33 percent last year and the five year average of 13 percent. There is still a lot of uncertainty in this year's wheat production that will become known as we get further into spring. I am currently priced 10 percent on the 2013 crop. A \$7.15 Put Option would cost 34 cents and set a \$6.81 futures floor. Δ

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