Slow But Positive Trading Weeks During Holidays

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Merry Christmas and best wishes for a healthy, happy and prosperous New Year! The next market comments will be published on January 7, 2011. Comments are as of Wednesday, December 22, 2010. Corn, soybean, and wheat prices are up; cotton prices are mixed for the week through Wednesday. Outside influences are again mixed this week as the March U.S. Dollar Index was trading before the close at 81.09, up .36 for the week. The Dow Jones Industrial Average closed at 11,559; up 68 points since Friday. Crude Oil was trading before the close at 90.53 a barrel, up 1.78 a barrel for the week. It has been a mostly slow but positive trading week as trading volume has been down this week and is anticipated to be down again next week for the holidays. When volume is light it does not take much for the market to move either way. Dry weather in Argentina is still offering support to both the corn and soybean market. Comments out of China that they will be active in 2011 buying commodities to cover shortages and replenish their reserves also has given support to commodity prices. Some reports out of China indicate that measures to control inflation have been overdone and that an interest rate increase may not be necessary.

Corn:

Nearby: March futures closed Wednesday at $6.09 a bushel, up $0.13 since Friday. Support is at $5.96 with resistance at $6.15 a bushel. Technical indicators have a strong buy bias. Reports on ethanol production are showing the pace of corn used for ethanol is strong and should justify an increase in the January 12 USDA report. With prices at close to year high levels, I would reduce a portion of 2011 corn in storage or held in call options. Of the remaining 25 percent of 2011 production I would have in storage I would sell 10 percent of production leaving 15 percent held in storage or through call options. The March $5.30 call options purchased on November 19 for $0.45 would sell today at $0.89 cents per bushel, netting $0.44 a bushel. Also added to the $0.44 would be the $0.10 profit made when December call option were sold for a net gain of $0.55 a bushel.

New Crop: September 2011 closed Wednesday at $5.73 ¼ a bushel, up $0.12 since Friday. Support is at $5.65 with resistance at $5.78 a bushel. Technical indicators have a strong buy bias. I am currently priced at 20 percent for 2011 production.

Cotton:

Nearby: March futures contract closed Wednesday at 154.12 cents/lb., up 4 cents/lb. since Friday but down the 5 cent limit today. Support is at 152.91 cents per pound, with resistance at 156.55 cents per pound. Technical indicators have a strong buy bias. March synthetic values through options indicate another limit down on Thursday. Other than reports that India will allow some cotton exports; there has not been any wide spread news to indicate the sell off, so the assumption is it is due to profit taking. Fundamental have not changed, but the market has had an historic run up so at some point profit taking is to be expected.

New Crop: December 2011 closed at 94.94 cents per pound, down 2.74 cents a pound since Friday. Support is at 90.11 cents per pound, with resistance at 99.67 cents per pound. Technical indicators have a buy bias, down from a strong buy last week. Cotton equities have been quoted at 32 - 34.50 cents per pound. Prices traded as high as 100.48 cents early in the week with equities as high as 40 cents before the market sold off. Keep in contact with your cotton buyer for current quotes on loan equities. With December 2011 touching 100 cents I would have priced an additional 10 percent at that mark with 20 percent priced at this time on 2011 production. I would continue to look at increasing pricing if December 2011 rallies back to 100 cents. December 2012 prices closed at 82.47 cents/lb. with an equity quote of 20.25 cents.

Soybeans:

Nearby: The January contract closed at $13.28 ¾ a bushel, up $0.30 since Friday. Support is at $13.10 with resistance at $13.42 a bushel. Technical indicators have a strong buy bias. Some support for soybean prices has come from a strike at a crushing plant in Argentina along with dry weather there.

New Crop: November 2011 soybeans closed at $12.48 ½ a bushel, up $0.19 since Friday. Support is at $12.37 with resistance at $12.60 a bushel. Technical indicators have a strong buy bias. I currently have priced 30 percent of 2011 anticipated production.

Wheat:

Nearby: March futures contract closed at $7.83 ½ a bushel, up $0.27 a bushel since Friday. Support is at $7.88 with resistance at $8.40 a bushel. Technical indicators have a buy bias. Rumors of a wheat purchase from Turkey have led the rally. Good export sales are expected to be reported this week.

New Crop: July, 2011 wheat closed at $8.22 ½ a bushel Wednesday, up $0.28 since Friday. Support is at $7.88 with resistance at $8.40 a bushel. Technical indicators have a strong buy bias. The soft red winter wheat is in pretty good shape, however, the western hard red winter wheat area is still dry and a cause for concern.On my comments, I am currently 40 percent priced for 2011 production. Δ

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