Soybean Prices Close Above All Time High Set In 1973

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Grain and cotton prices continued to rally this week, with soybean prices closing above an all time high set in 1973.

Corn:

Short Run: Cash corn prices ranged from $4.37 to $4.76 across Tennessee Thursday. The March futures price closed at $4.66 Thursday, over 11 cents higher than last Thursday's close. Strong demand and speculative buying continue to drive corn prices higher. U.S. stocks are adequate, but the anticipated drop in 2008 production supports new crop prices also.

Long Run: Harvest 2008 cash contract prices across Tennessee ranged from $4.33 to $4.66 Thursday. The December 2008 futures contract closed Thursday at $4.8575, over 11 cents higher than last Thursday's close. If you haven't priced any of your expected 2008 production, consider pricing up to a third now. Can prices go higher? Yes – corn prices have yet to reach their all time highs, and record high soybean prices can help support higher corn prices also. But having up to a third of next year's production priced at the current price level can help reduce financial risk.

Cotton:

Short Run: The March futures contract closed Thursday at $68.71, $0.93 higher than last Thursday's close. Large domestic cotton supplies are likely keeping a stronger price rally from occurring, as commodity price speculation runs high. World stocks will likely drop this year, however, and U.S. acreage will drop again this year. I think March has a good chance of trading up to $70 this month. If early new crop acreage projections reflect much lower acreage in the U.S., March could break above $70 before February.

Long Run: The December 2008 futures contract closed Thursday at $76.46, $1.29 higher than last Thursday's close. Prices broke through resistance this week on the December market. I think the potential for higher new crop prices is still there, but for now consider pricing up to 20 percent of expected 2008 production.

Soybeans:

Short Run: Cash soybean prices ranged from $12.07 to $12.34 across Tennessee Thursday. The January 2008 futures contract closed Thursday at $12.515, 39 cents higher than last Thursday's close. Record high soybean prices were set this week, driven by dwindling supplies and strong demand. Could old crop prices move higher? Yes, but for now consider selling a portion of stored beans on this latest price rally.

Long Run: The November 2008 futures price closed Thursday at $11.615, over 39 cents higher than last Thursday's close. Harvest prices for 2008 ranged from $10.76 to $11.22 across Tennessee Thursday. The market has to "buy in" soybean acres this year, most likely from corn. As prices continue to climb, however, other crops may become a viable candidate for additional bean acres. Using U.S. average yields at current new crop prices, soybean net revenue is still below that of corn, even with the higher fertilizer costs for corn. I think that comparison supports these higher bean prices. Having said that, there is still a lot of risk in this market, and producers should consider pricing up to a third of expected 2008 production now.

Wheat:

Short Run: The March futures contract closed at $9.45 Thursday, 30 cents higher than last Thursday's close. U.S. stocks are extremely low and worldwide demand remains strong. That combination continues to support historically high prices. Wheat acreage will likely increase substantially in the U.S. this year, but the markets are waiting for an indication of larger supplies, and that information won't be known for a few months. Until then, prices will likely be quite volatile. If you still have wheat in storage, consider selling a portion on this latest price rally.

Long Run: Cash contract prices for July 2008 ranged from $6.52 to $7.22 across Tennessee Thursday. The July 2008 futures contract closed Thursday at $8.12, 20 cents higher than last Thursday's close. Cash contracts for July delivery in Tennessee are now running as much as $1.60 below the Chicago July futures price. Last June 15, Tennessee cash prices were running $0.77 below Chicago to $0.06 above Chicago. If the 2008 harvest basis is similar to 2007, hedging or options may look like a better way to forward price, compared to a cash forward contract. The challenges, however, are potential margin calls for a hedge if prices continue to increase, and the up front premiums for options. Consider a combination of hedging, options, and cash forward contracting at this time on up to 50% of expected 2008 production. Consider also pricing up to half of expected 2009 and 2010 wheat production now, using cash forward contracting or hedge to arrive arrangements. July 2009 and 2010 futures contracts closed Thursday at $7.735 and $7.79, respectively. Δ

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