Strength In The Dollar Generally Negative For Commodity Prices

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Wheat prices are up while corn, cotton, and soybean prices are down for the week. A disappointing jobs report released Friday reflected weaker than expected jobs growth for March. This has led today's decline in the Dow. Toward the end of the week the Bank of Japan unveiled changes to its monetary policy with the effects of a drop in the yen and strength in the dollar. While the dollar is down from a week ago, strength has come here at the end of the week. This strength is generally negative for commodity prices. USDA will report its monthly supply & demand update April 10. Look for the changes in the March 28 Grain Stocks report to be incorporated into these numbers. The planting intentions acreage won't be picked up until the May report. Trading hours will again change as the CME moves to shorter trading hours beginning Sunday evening at 7 p.m. CT. Electronic trading will occur Sunday to Friday 7 p.m. to 7:45 a.m. CT. Pit trading will be Monday – Friday 8:30 a.m. to 1:15 p.m. CT.

Corn:

Nearby: Weekly exports were at the high end of expectations with net sales of 15.2 million bushels (net sales of 13.9 million bushels for the 2012/13 marketing year and 1.3 million bushels of net sales for the 2013/14 year). Ethanol production increased 2,000 barrels per day to 807,000 barrels per day in the latest report. In the last week since the March 28 Grain Stocks report, corn has had the highest weekly drop since June, 2011. With prices dropping, there are some expectations that demand will increase. Early trade guesses for next week's USDA report put corn ending stocks in the 850 – 900 million bushel range compared to 632 million bushels last month.

New Crop: This year is again shaping up to be a weather market, much like how 2012 developed. One difference is that the high prices from 2012 seem to have reduced demand. How prices respond in 2013 may depend on how quick some of that demand can come back. The corn planting pace for 2013 may return to a more normal pace which after last year could seem excruciating slow. Some support and possibly a price bounce could come from any delays or perceived delays. I would be at least of 20 percent priced. I would look for a price bounce to price more depending on how an individual producer's planting goes. From a price risk management standpoint, a $5.60 September Put Option costing 44 cents which set a $5.16 futures floor.

Cotton:

Nearby: All cotton weekly export net sales were 232,300 bales (148,300 bales of Upland cotton net sales for 2012/13; net sales of 59,300 bales of Upland cotton for 2013/14; net sales of 19,800 bales of Pima cotton for 2012/13; and net sales of 4,900 bales of Pima cotton for 2013/14).

New Crop: Some speculation is occurring whether the uptrend in cotton prices has been enough to shift acres with the drop in grain prices essentially buying in more cotton acres. There have been some reports of corn seed being taken back to suppliers. I think the jury is still out in the Mid-South as more emphasis may be placed on whether corn can be planted timely. If it can't, then cotton acres may benefit. Otherwise, I don't see a major shift in intended acres with the cost of controlling glyphosate resistant weeds in cotton on the minds of many producers. Many were looking to a rotation to corn for that reason. Implementing a floor price strategy would entail buying an 87 cent put option costing 5.50 cents and setting an 81.50 cent futures floor. Cotton equities on 2013 loan cotton are in the 28 cent range.

Soybeans:

Nearby: Weekly exports were above expectations with net sales of 27.5 million bushels (net sales of 14.4 million bushels for 2012/13 and net sales of 13.1 million bushels for 2013/14). USDA will update their monthly projection for soybean ending stocks on April 10. Look for stocks to increase from last month's 125 million bushels. Some estimates for next week are in the 140 million bushel range. There has been some concern that China may not import as much soybeans due to an avian flu virus outbreak in China's poultry flocks. We will have to wait and see how severe this outbreak is and the ramifications. Exports were strong this week even as U.S. soybeans are priced $1 bushel higher than Brazil's.

New Crop: New crop price concerns are surfacing that any weather issues with corn planting would cause soybean acres to go up. Last week's planting intentions report was somewhat friendly to soybeans as acreage is expected to drop slightly from last year. Any changes in corn acreage could go to soybeans. 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 $12.40 Put Option would cost 84 cents and set an $11.56 futures floor.

Wheat:

Nearby: Weekly exports were below expectations at net sales of 11.6 million bushels (5.2 million bushels for 2012/13 and net sales of 9.1 million bushels for 2013/14). Wheat prices were about the only bright spot in prices this week as they did go up for the week. Some talk of Chinese purchases of U.S. soft winter wheat was supportive of the market. Early estimates for next week's USDA supply & demand report put wheat stocks at 722 million bushels compared to March's 712 million bushels.

New Crop: Crop condition ratings started this week with winter wheat reported as of March 31at 34 percent good to excellent and 30 percent poor to very poor. These numbers were about in line with expectations. Markets will continue to watch wheat conditions in the Plains as well as spring wheat prospects in the Dakotas. I am currently priced 10 percent on the 2013 crop. A $7.10 Put Option would cost 36 cents and set a $6.74 futures floor. Δ

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