Strong Corn, Soybean Sales Reported

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Corn, soybean and wheat prices are up while cotton prices are mixed for the week. The June U.S. Dollar Index is trading midday at 78.73, down .58 for the week. The Dow Jones Industrial Average at midday was up 229 points for the week at 13,259. Crude Oil traded before the close at 104.79 a barrel, up 0.91 a barrel for the week. A good start to the planting season is being balanced against a shrinking South American soybean crop and the appearance of strong corn and soybean export sales.

Corn:

Nearby: July closed at $6.25 ½ a bushel, up 22 ½ cents a bushel for the week. Technical indicators have changed to a hold bias. Support is at $5.97 a bushel with resistance at $6.43 a bushel. Weekly exports were at the low end of expectations at 11.7 million bushels (14.2 million bushels for the 2011/12 marketing year and 13.1 million bushels for the 2012/13 marketing year). USDA in its daily reporting system reported exports of 4.7 million bushels of old crop corn to China and 56.7 million bushels of new crop corn to unknown. These will be reflected in next Thursday's export report and helped the market finish strong for the week.

Current Crop: September closed at $5.51 a bushel, up 6 cents a bushel since last Friday. Technical indicators have changed to a strong sell bias. Support is at $5.38 a bushel with resistance at $5.66 a bushel. Corn planted as of April 22 was 28 percent nationwide as compared to 8 percent last week, 17 percent last year and the five year average of 15 percent. This is the third fastest planting pace for the date behind 2010 and 2004. Corn emergence is 9 percent compared to 2 percent last year and the five year average of 2 percent. Concerns over freeze damage and a slowing of planting from wet weather have given support to the market. Although the large new crop corn sale is to unknown destinations, it is widely assumed to be China and a possible hedge for them against drought and/or possible production problems in their country. I am currently at 40 percent priced and would use a rally back to the $5.80 - $6.13 range as a point to price more. If this rally continues, it should be seen as a pricing opportunity for either forward pricing or using an option strategy. The outlook based on producing a large crop looks for lower prices in the fall, most likely below $5.00 a bushel. From a price risk management standpoint, a December $5.40 Put would cost 43 cents and set a $4.97 futures floor.

Cotton:

Nearby: July closed at 91.23 cents per pound, up 0.22 cents since last week. Support is at 89.85 cents per pound with resistance at 93.11 cents per pound. Technical indicators have changed to a hold bias. The Adjusted World Price for April 27 – May 3 is 78.36 cents per pound up 1.26 cents. All cotton weekly export sales were better than expected at 205,900 bales (144,800 bales of upland cotton for 2011/12; sales of 56,000 bales of upland cotton for 2012/13; and sales of 5,100 bales of Pima cotton for 2011/12. I am currently at 80 percent priced for 2011 production and would be willing to hold the remainder for an additional rally. I would target the $1 to $1.05 range as a pricing point.

Current Crop: December cotton closed at 87.90 cents per pound, down 0.38 cents for the week. Support is at 86.65 cents per pound with resistance at 89.97 cents per pound. Technical indicators have a strong sell bias. Equities for 2012 cotton have been quoted in the 28-29 cent range and have been as high as 30 cents during the week. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. Cotton planting is pegged at 17 percent compared to 13 percent last week, 12 percent last year and the five year average of 13 percent. Worldwide cotton plantings are expected to be down this year. Look at prices in the mid 90s as a pricing point to price a portion of the 2012 crop.

Soybeans:

Nearby: The July contract closed at $14.93 ½ a bushel, up 44 cents a bushel since last Friday. Prices traded as high as $15.06 ¾ during the day. Technical indicators have a strong buy bias. Support is at $14.68 a bushel with resistance at $15.19 a bushel. Weekly exports were above expectations at 51.8 million bushels (34 million bushels for the 2011/12 marketing year and sales of 17.8 million bushels for 2012/13). China accounted for 77 percent of the total. Exports Friday were also reported by USDA on it daily reporting system of 4.3 million bushels of old crop soybeans and 4.0 million bushels of new crop. Argentina's crop continues to be downgraded, this time by the Buenos Aires Grain Exchange where they dropped their estimate of production 37 million bushels.

Current Crop: November soybeans closed today at $13.62 a bushel, up 6 cents since last week. Prices traded as high as $13.75 during the day. Technical indicators have a buy bias. Support is at $13.46 a bushel with resistance at $13.83 a bushel. Soybean planting has progressed to 6 percent compared to 2 percent last year and the five year average of 2 percent. I am currently 50 percent priced overall. From a price risk management standpoint, a $13.60 Put option would cost 80 cents and set a $12.80 futures floor.

Wheat:

Current Crop: July futures contract closed at $6.50 a bushel, up 27 cents a bushel since Friday. Technical indicators have a strong sell bias. Support is at $6.12 a bushel with resistance at $6.39 a bushel. Weekly exports were above expectations at 27.3 million bushels (14.2 million bushels for 2011/12 and 13.1 million bushels for 2012/13). Overall, 42 percent of the winter wheat crop has headed compared to 29 percent last week, 20 percent last year and the five year average of 15 percent. Winter wheat conditions as of April 22 were 63 percent good to excellent compared to 64 percent last week, and 35 percent last year. Poor to very poor conditions are estimated at 10 percent compared to 11 percent last week and 40 percent last year. Dryness in Eastern Europe with a dry 10 day forecast has offered support to wheat prices. I am priced 20 percent on the current crop and would target any rallies to the $6.65 to $7.00 range as a point to price more. A $6.50 Put option would cost 32 cents and set a $6.18 futures floor. This option expires on June 22.

Deferred: December wheat closed at $6.61 ¾ a bushel, up 3 ½ cents since last week. Technical indicators have a strong sell bias. Support is at $6.51 a bushel with resistance at $6.75 a bushel. Spring wheat planted is at 57 percent compared to 37 percent last week, 6 percent last year and the five year average of 19 percent. Spring wheat emergence is 18 percent compared to 2 percent last week, 10 percent last year and the five year average of 4 percent. Δ

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