Strong Dollar Prompts Grain Price Dip

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Corn, soybeans, and wheat are down, and cotton prices are down to even for the week. Much of this week's decline can be attributed to the strength of the dollar as it reached a 10 month high during the week. Some technical selling was also triggered. The dollar's strength is still coming from the financial situation in Greece, and also Portugal. The June U.S. Dollar Index was 82.05 before the close, up 1.08 for the week. The Dow Jones Industrial Average before the close was at 10,841; up 1 percent for the week. May Crude Oil was trading before the close at 79.96 a barrel, down .93 a barrel for the week. Two key USDA reports will be released on Wednesday, March 31. The Prospective Plantings Report will give us a glimpse of what farmers are intending to plant this year. The Quarterly Grain Stocks Reports may have a bigger impact on the market. With all the harvest weather problems, un-harvested acreage, and low test weights there is some concern on how much grain is available. There is quite a bit of uncertainty going into these reports. They won't have all the answers, but they may some direction. Or the market may ignore the reports and trade more planting weather and strength or weakness of the dollar. It will be interesting either way. Comments on the March 31 reports will be posted online at http://economics.ag.utk.edu/ .

Corn:

Nearby: May futures closed at $3.56 a bushel on Friday, down $0.18 bushel for the week. Support is at $3.46 a bushel with resistance at $3.71 a bushel. The Quarterly Stocks Report released March 31will give an indication on the rate of disappearance corn has had in feed and ethanol use. There has been some speculation all winter that usage will need to be increased from the effects of low test weight corn. USDA looks to have taken some of that into account in its demand estimates.

New Crop: The September contract closed at $3.76, down $0.18 a bushel for the week. Support is around $3.66 with resistance at $3.89 a bushel. The average trade guess on intended acres is 89.2 million acres compared to 86.5 million acres in 2009. The Western Corn Belt has been wet and starting to generate concerns that the crop can be planted timely. Although the prospective planting report is important, we could quickly see planting weather come to the forefront if wet conditions persist, especially if the grain stocks report is friendly. I am currently forward priced 50 percent for 2010 production.

Cotton:

Nearby: May futures closed at 79.69 cents/lb. down 2.49 cents/lb. for the week. Support is at 78.91, with resistance at 82.57 cents per pound. Weekly exports sales were less than expected at 128,400 bales (86,200 bales of upland cotton for 09/10; 26,600 bales of upland cotton for 10/11; 9,200 bales of Pima for 09/10 and 6,400 bales of Pima for 10/11). The USDA Cotton Ginning report for 2009 show cotton ginned from 2009 production at 12.15 million bales. This is 250,000 bales less than USDA's production estimate. Unless demand is changed, we could see ending stocks at 3 million bales or slightly under in the April USDA report. That would continue to support prices at current levels. The strength or weakness of the dollar will be an important influence. Equities for the 2009 crop have been quoted in the 15 cent range. Keep in contact with your cotton buyer for current quotes on loan equities. The Adjusted World Price for March 26 - April 1 is 69.14 cents/lb.

New Crop: The December futures contract closed at 74.66 cents/lb., down .08 cents/lb. for the week. Support is at 74.19 cents per pound, resistance at 75.39 cents per pound. Equities for the 2010 cotton were quoted in the 14 cent range for acres contracts and 15 cents for bales. The trade is guessing cotton acreage in the Prospective Planting report to be 10.5 million acres, an increase of 1.35 million acres from 2009. That acreage would be supportive of current prices; however, the market will start to trade planting conditions and yield prospects. I am still targeting the 76 - 78 cent area as a place to start forward pricing either through cash sales or booking cotton loan equities. I would encourage producers to think about implementing an option strategy using call options if the crop is booked or put options if it is unpriced.

Soybeans:

Nearby: May futures closed at $9.52 bushel, down $0.10 bushel for the week. Support is at $9.26 bushel, with resistance at $9.75 a bushel. Weekly exports were less than expected at 11.7 million bushels (10 million bushels for 2009/10 and sales of 1.7 million bushels for 2010/11). This includes cancellations of 8.7 million bushels. The U.S. Census Bureau reported February crush at 153.8 million bushels, 13.4 million bushels less than January, but 18.8 million bushels better than a year ago. Some logistic problems as well as port workers strikes in South America have delayed some of their crop coming to market. Nevertheless, it is a big South American crop and it will eventually get into the global supply chain and may be trickling to market during the year.

New Crop: The November contract closed at $9.18 bushel, down $0.24 a bushel this week. Support is at $9.01 with resistance at $9.36 bushel. The average acreage estimates for intended acres is 78.5 acres, an increase of 1 million acres from 2009. If demand can maintain current levels (that is a big if with the large South American crop), the acreage increase is probably manageable. Otherwise, it is bearish and we could see prices weaken into the mid $7 to low $8 bushel range. I am currently priced 15% for the 2010 soybean crop and would use a rally to $9.50 - $9.75 as a target to make catch up sales and increase pricing. If prices should drop back to $9.00, I would use that as a signal to increase forward pricing.

Wheat:

Nearby: May futures contract closed at $4.65 bushel, down $0.19 for the week. Weekly exports were about expected at 19 million bushels with 13.6 million bushels in this marketing year and 5.4 million bushels in 2010/11 marketing year. The International Grains Council projected that although global wheat production will be down 2.5 percent, production will still exceed consumption and world ending stocks will be at a 9 year high. There is plentiful wheat in the U.S. and world.

New Crop: July futures closed at $4.78 bushel, down $0.19 for the week. Support is at $4.69 with resistance at $4.96 a bushel. The average trade guess for all wheat acres in next week's report is for 53.4 million acres, compared to 59.1 million acres in 2009. I would currently have up to 20 percent of the 2010 wheat crop priced. I would look to price more as we get into April. Δ

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