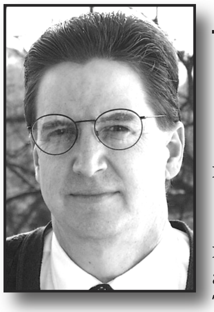
Strong Export Sales Continue To Support Prices



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Grain prices moved higher again this week on the strength of export demand.

Corn:

Short Run: Cash corn prices ranged from $4.66 to $5.01 across Tennessee Thursday. The March futures price closed at $5.0125 Thursday, 12 cents higher than last Thursday's close. The March contract was relatively stable this week, with closing prices staying close to $5.00 all week. Strong export sales continue to support prices. Another stock reduction in USDA's February report could send prices higher, although some reduction would almost be expected if demand remains at the current level. Old crop prices could move higher, but consider selling a major portion out of storage at the current price.

Long Run: Harvest 2008 cash contract prices across Tennessee ranged from $4.54 to $4.90 Thursday. The December 2008 futures contract closed Thursday at $5.1575, over 13 cents higher than last Thursday's close. Next week's USDA report could be a market mover, and I would not be surprised if corn stocks dropped again. Corn can give up some acres from last year's huge crop, but if stocks drop additionally, it may make those acres more expensive through higher prices. For now, consider having up to a third of expected production priced at the current price level using cash forward contracting. Consider pricing another third using put options, which will establish a price floor with the opportunity of taking advantage of higher prices.

Cotton:

Short Run: The March futures contract closed Thursday at $67.79, $0.60 lower than last Thursday's close. With large carryover stocks this year, disappointing export numbers usually weaken prices. A weaker dollar may help add to exports eventually.

Long Run: The December 2008 futures contract closed Thursday at $76.40, $0.22 lower than last Thursday's close. New crop prices are looking at a drop in acres this year and in stocks next year. But there is still the huge old crop carryover stocks to contend with this year. For now, consider having up to 20 percent of expected 2008 production priced now using December put options.

Soybeans:

Short Run: Cash soybean prices ranged from $12.24 to $12.72 across Tennessee Thursday. The March 2008 futures contract closed Thursday at $12.745, 44 cents higher than last Thursday's close. Old crop prices could move back to $13.00, especially if next week's USDA report drop either corn or bean stocks. Are there factors that could drop prices in the near term? A good yielding crop in South America could dampen export prospects, but I think more interest is in the U.S. crop mix a this time, and information on that topic won't be known for a while. For now, consider selling a portion of stored beans on this latest price rally.

Long Run: The November 2008 futures price closed Thursday at $12.155, 30.5 cents higher than last Thursday's close. Harvest prices for 2008 ranged from $11.50 to $11.94 across Tennessee Thursday. Consider pricing up to a third of expected production this year using cash forward contracting. Consider pricing another third using November put options. Buying put options can place a price floor of near $10 on the current market, but allow you to take advantage of higher prices if they move higher between now and November.

Wheat:

Short Run: The March futures contract closed at $9.295 Thursday, 20.5 cents higher than last Thursday's close. Export demand remains strong even at these prices. A weaker dollar has also helped. For now, if you are storing wheat, consider selling more out of storage at the current price level.

Long Run: Cash contract prices for July 2008 ranged from $7.13 to $7.67 across Tennessee Thursday. The July 2008 futures contract closed Thursday at $8.735, 14 cents higher than last Thursday's close. Much of the wheat market uncertainty centers around the need to increase production this year in the U.S. Production problems in wheat areas this year could send prices higher. Good yields here and abroad could weaken prices later this year. For now, consider capturing some of the current market for this year's production by pricing up to half of expected production using a combination of cash forward contracting and buying July put options. 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 $8.52 and $8.70, respectively. Δ

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