Unharvested Crops May Cause Ripple Effect For Commodity Prices

CHUCK DANEHOWER

RIPLEY, TENN.

Corn, cotton, soybean and wheat prices are all up for the week. The March U.S. Dollar Index was 80.40 at midday, down .32 for the week, supporting commodity prices. News from Europe will continue to influence the direction of the dollar and to some extent, commodity prices. The Dow Jones Industrial Average at midday was at 10,333; down about 1 percent for the week. April Crude Oil was trading before the close at 79.85 a barrel, down .60 for the week. USDA has re-surveyed states with un-harvested corn and soybeans and will make changes in the March 10 report if warranted. The results could have a ripple effect up or down among commodity prices. I have concerns whether the production numbers will be fully known and that it may be until the June Quarterly Stocks Report before we have a clearer picture on 2009 production. Money flowing from funds has been supportive of commodity prices.

Corn:

Nearby: March futures closed at $3.78 a bushel on Friday, up $0.18 bushel for the week. Support is at $3.78 a bushel with resistance at $3.82 a bushel. Weekly exports sales were 17.8 million bushels which were 13.8 for 2009/10 and 2.0 million bushels for 2010/11; this was less than expected. There is no doubt that there is growing concern on the quality of corn currently being stored. It is looking more that we may have put in a short term low as corn trades sideways to up.

New Crop: The September contract closed at $4.06, up $0.15 a bushel for the week. Support is around $4.00 with resistance at $4.07 a bushel. Concerns on wet conditions in the Midwest causing a delay in planting have been supportive of prices. Current ending stocks and projections for the 2010/11 marketing year don't appear to necessitate competitive pricing with soybeans. However, we may still see a slight rally from acreage competition as we go into spring. The unofficial price guarantee (February average for December contract) for crop insurance revenue products is $3.99 bushel. I would be priced 40 percent for 2010 production at this time and use current levels to start catch up pricing. Put options or other option strategies should be evaluated as part of a risk management plan.

Cotton:

Nearby: May futures closed at 82.58 cents/lb. up 3.60 cents/lb. for the week. Support is at 81.25, resistance at 83.64 cents per pound. Weekly exports sales were 171,300 bales (113,300 bales of upland cotton for 09/10; 48,900 bales of upland cotton for 10/11; and 9,100 bales of Pima for 09/10). This was not completely un-expected as the Chinese New Year holiday affected sales. Reports from China's National Bureau of Statistics show a 29.4 million bale cotton crop for China's 2009/10 estimate. This compares to USDA's latest estimate of 32 million bales and has been supportive of prices. Equities for the 2009 crop are in the 17 cent range, but most of the 2009 cotton has been priced out. Keep in contact with your cotton buyer for current quotes on loan equities. The Adjusted World Price for February 26 - March 4 is 66.77 cents/lb.

New Crop: The December futures contract closed at 74.39 cents/lb., up 1.73 cents/lb. for the week. Support is at 73.29 cents per pound, resistance at 74.95 cents per pound. Comments at the Mid-South Farm & Gin Show indicated that acreage in the 10.1 million range (National Cotton Council Survey) would result in tight ending stocks and a $1 pound potential. The NCC surveys were taken when cotton prices were lower and more acreage is already expected. Equities for the 2010 cotton were quoted in the 15 - 16 cent range. I would look at any rallies to the 76 - 78 cent range as a place to begin forward sales or start a put option strategy.

Soybeans:

Nearby: March futures closed at $9.51 bushel, up $0.06 bushel for the week. Support is at $9.38 bushel, with resistance at $9.57 a bushel. Weekly exports were about expected at 8.9 million bushels (8.8 million bushels for 2009/10 and 106,555 bushels for 2010/11). We have yet to see large cancellations of Chinese sales because of the South American crop. China is continuing to purchase U.S. soybeans with a 4.2 million bushel for fall delivery reported today. The monthly U.S. Census Bureau crush was 167.2 million bushels, 3 million bushels less than what the trade estimated.

New Crop: The November contract closed at $9.41 bushel, up $0.15 a bushel this week. Support is at $9.28 with resistance at $9.49 bushel. The unofficial price guarantee (February average for November contract) for crop insurance revenue products is $9.23 bushel. I am currently priced 15 percent for the 2010 soybean crop and would use a rally to $9.50 as a target to make catch up sales. It is a good possibility that there will be a spring rally as corn and soybeans compete for acreage. It may not be a long lived rally, so producers should be ready to price some of their crop. Under current supply and demand projections, it is difficult to see soybean prices maintaining the $10.00 level, much less rallying back to that point.

Wheat:

Nearby: March futures contract closed at $5.07 bushel, up $0.17 for the week. Weekly exports were 15 million bushels with 13.8 million bushels in this marketing year and 1.2 million bushels in 2010/11 marketing year. This was about expected.

New Crop: July futures closed at $5.31 bushel, up $0.15 for the week. Support is at $5.10 with resistance at $5.36 a bushel. With such negative fundamentals, wheat will need a rally in corn and soybeans to go higher. I would currently have up to 20 percent of the 2010 wheat crop priced. Put options could be used to set a floor price and leave an upside. There are other option strategies that could lessen the cost of the put, but would require a margin account. Δ

CHUCK DANEHOWER: Extension Area Specialist/Farm Management, University of Tennessee