Weather Concerns, Expected Late Harvest Affects Prices

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Commodities finished up for the week on a weaker dollar, increase in crude oil, and a stronger stock market. However, the greatest influence was probably concerns on the weather and affects on harvesting a later than average crop. Today's USDA report was mostly neutral to friendly for corn, cotton, and soybeans, but bearish for wheat. The U.S. Dollar is weaker for the week at 76.65, down .57 which is beneficial to exports. The Dow Jones Industrial Average is up about 3.7 percent for the week, at 9839 before the close. Crude Oil ended the week up 2.28 barrel, trading at 71.98 before the close. Comments on today's USDA Supply & Demand report can be found on-line at http://economics.ag.utk.edu/outlook.html .

Corn:

New Crop: December 2009 futures closed at $3.62 a bushel on Friday, up $.29 bushel for the week. Support is at $3.53 bushel with resistance at $3.76 bushel. Weekly exports sales were 20.5 million bushels, less than expected and behind pace to reach USDA estimates. As of October 4, the crop condition ratings for corn were 70 percent in the good to excellent rating compared to 68 percent the previous week and 61 percent a year ago. Nationwide, 57 percent of the corn crop is mature compared to 37 percent last week, 70 percent last year and the five year average of 84 percent. Corn harvest is at 10 percent, compared to 6 percent last week, 13 percent last year and the five year average of 25 percent. Today's USDA report bumped up estimated yields to 164.2 while reducing harvested acreage 700,000. Ending stocks for the 2009/2010 marketing year are projected at 1.672 billion bushels, 37 million bushels more than September, but about expected. A freeze occurred last night in the upper Midwest and cold weather is expected to extend over the weekend ending the growing season on a late crop. Some damage is expected and could cause the October yield estimate to be the highest estimate of the season. The market will be supportive of prices until more of the harvest is completed and yields are more known. At current levels, I would look to contract un-priced grain or sell across the scales depending on when harvest is expected. I am currently 50 percent forward priced with another 50 percent in put options.

Deferred: The March 2010 futures contract closed at $3.75 bushel, up $0.28 bushel from last week. The September 2010 contract closed at $3.98, up $0.26 bushel from last week. I would start looking closely and maybe consider pricing some corn for 2010.

Cotton:

Nearby: The December 09 futures closed at 63.02 cents/lb. up 2.36 cents/lb. from last week. Near term support is at 62.16 cents with longer term support at 57. Resistance is at 64.82 cents. Weekly exports sales were 107,400 bales (136,300 bales 09/10; a reduction of 28,900 bales 10/11), above expectations. Overall crop condition ratings as of October 4 were 47 percent good to excellent compared to 49 percent last week and 50 percent last year. Boll opening is at 68 percent compared to 57 percent last week, 73 percent last year and the five year average of 77 percent. Cotton harvest is reported at 10 percent compared to 8 percent last week, 15 percent last year and the five year average of 21 percent. Today's USDA report pegged U.S. cotton production at 13 million bales on an average yield of 807 pounds/acre. Yield declines in Texas and the Mid-South contributed to the reduction. Ending stocks for 2009.2010 were projected at 5.4 million bales a reduction of 200,000 bales from September. These current fundamental do not support any arguments for higher prices. Outside factors like the U.S. Dollar and an economic recovery are needed to improve the fundamentals. Contact your cotton buyers for current quotes on loan equities and or cash prices. Producers may want to consider selling their loan cotton and purchasing a March or May call option on a pullback to the 60 cent range. Producers should understand any option strategies they undertake.

Deferred: The March 2010 futures contract closed at 65.63 cents/lb., up 2.52 cents/lb. from last week.

Soybeans:

New crop: November futures closed at $9.64 bushel, up $0.79 bushel from last week. Support is at $8.98, with resistance at $9.75 bushel. Weekly exports were 16.6 million bushels, below expectations. As of October 4, crop conditions have the crop rated at 67 percent good to excellent compared to 66 percent last week and 57 percent in 2008. The percent soybeans dropping leaves was advanced to 79 percent compared to 63 percent last week, 81 percent last year and the five year average of 88 percent. As of October 4, 15 percent of the crop was harvested compared to 5 percent last year and the five year average of 28 percent. Today's USDA report was considered neutral to friendly as ending stocks for the 09/10 marketing year were only increased 10 million bushels from September to 230 million bushels. This was below the pre report guess of 257 million bushels. Yields as of October 1 were estimated to be 42.4 bushels/acre an increase of .1 bushel from September but .4 bushels below the average pre report guess. Any reductions in yields would have the potential to create a tight stocks situation. Longer term, exports are expected to be at a record 1.305 million bushels. Exports sales on the books are above the pace to meet the projections. I would question whether there might be some cancellations when the South American crop is available next year. Argentina and Brazil are expected to have increase production 29 percent from the last production year. Currency values both here and abroad will most likely affect our exports. Weather and harvest delays have been supportive of prices. With the recent rally in soybean prices, I would be inclined to price out any un-priced soybeans rather than store un-priced. I am currently 50 percent forward priced with another 50 percent priced with put options.

Deferred: The March 2010 contract closed at $9.68 bushel on Friday, up $0.58 bushel from last week. The November 2010 contract closed at $9.49 bushel, up $0.62 bushel for the week.

Wheat:

Nearby: The December 2009 futures contract closed at $4.68 bushel, up $0.25 bushel from last week. Weekly exports were 28.2 million bushels, above expectations but below pace to meet USDA projections. As of October 4, Spring Wheat is at 97 percent harvested compared to 94 percent last week, 100 percent last year and the five year average of 99 percent. The USDA report increased wheat ending stocks 121 million bushels to 864 million bushels for the 2009/2010 marketing year. Although carryin was reduced 10 million bushels, production was increased 36 million bushels and demand decreased 95 million bushels. U.S. ending stocks are projected to have a stocks/use ratio of 40.7 percent.

New Crop: The July 2010 futures closed at $5.16 bushel, up $0.31 bushel from last week. Support is at $4.98 bushel with resistance at $5.37 bushel. As of October 4, 53 percent of the winter wheat has been planted compared to 36 percent last week, 55 percent last year and the five year average of 55 percent. Emergence is 26 percent compared to 13 percent last week, 25 percent last year, and the five year average of 27 percent. Wheat with poor fundamentals will look to the corn and soybean markets, as well as U.S. Dollar and probably the stock market for help and support. The stocks will need to be reduced for prices to move up. For the 2010 crop, I am 5 percent priced at $6.00 bushel and would add more at $5.50 bushel. Δ

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