Weather Spurs Slight Rise In Commodity Prices

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Corn, cotton, soybeans, and wheat prices are up for the week. Outside markets have again contributed to the rally as the Dollar is weaker, with the Dow and Crude Oil up for the week. The September U.S. Dollar Index is 85.98 before the close on Friday, down 1.90 for the week. The Dow Jones Industrial Average before the close was 10,448; up 3 percent for the week. July Crude Oil was trading before the close at 77.26 a barrel, up 4.4 percent for the week. Uncertainty still exists in weather forecasts and how the weather will affect crop yields. Commodity prices have risen at least in part on some of this uncertainty, which have created, I think, some opportunities to make catch up sales and look closely at option strategies. Crops nationwide and in Tennessee have gotten off to a very good start and have the current potential to produce high yields. The soybean market, however, will closely watch the weather in August before assurances of a bin busting crop are made.

Corn:

Nearby: July futures closed Friday at $3.61 a bushel, up $0.11 a bushel for the week. Support is at $3.52 a bushel with resistance at $3.69 a bushel. Technical indicators have a hold bias. Weekly exports were greater than expected at 48.3 million bushels (42.9 million bushels in 2009/10 and 5.4 million bushels in 2010/11). EPA has announced that they will need until the end of September to finish testing the effects of a higher blend of ethanol on vehicles built after 2007 before a blending change can be made. Some analysts have suggested that a blending wall in US ethanol production may be reached in 2011 unless the limit is raised. EPA's announcement was disappointing, but is not reflected in the market.

New Crop: The September contract closed today at $3.70, up $0.11 a bushel for the week. Support is at $3.60 and resistance at $3.80 a bushel. Technical indicators have a hold bias. As of June 13, 98 percent of the crop has emerged, compared to 94 percent last week, 94 percent last year and the five year average of 97 percent. As of June 13, 77 percent of the crop is rated good to excellent compared to 76 percent last week, and 70 percent last year. Crop ratings this high early in the year tend to turn into at least trend line yields. Unless adverse weather develops soon, above trend line yields will be expected. Leading up to the June 30 Acreage report, private estimates are now being released. One estimate reportedly pegged corn acreage at 89.318 million acres, 520,000 acres above USDA's March 31 Prospective Plantings Report. Prices have moved back into the trading range we saw earlier, one which was $3.60 on the low end and $3.90 at the top. The possibility of a bumper crop will make it hard to push through $3.90. I would use rallies into the mid to upper end of that range to make catch up sales or implement an option strategy. Currently, I would be forward priced 50 percent for 2010 production. A December $3.80 strike price put option would cost $0.30 bushel and set a $3.50 futures floor.

Cotton:

Nearby: July futures closed Friday at 81.78 cents/lb. up 0.24 cents/lb. for the week. Support is at 78.98, and resistance at 84.04 cents per pound. Technical indicators have a buy bias. All cotton weekly exports sales were above expectations at 536,600 bales (293,500 bales of upland cotton for 09/10; 240,700 bales of upland cotton for 10/11; 1,900 bales of Pima for 09/10 and 500 bales of Pima for 2010/11). The Adjusted World Price for June 18 – June 24 is 77.68 cents/lb.

New Crop: The December futures contract closed today at 78.95 cents/lb., up 0.01 cents/lb. for the week. Support is at 77.80 cents per pound, with resistance at 80.16 cents per pound. Technical indicators have a buy bias. Contracted equities have been in the 18 – 19 cent range today having reached 20 cents for contracted bales earlier in the week. Keep in contact with your cotton buyer for current quotes on loan equities. As of June 13, 95 percent of the cotton crop was planted compared to 91 percent last week, 94 percent last year and the 5 year average of 94 percent. Nationwide, as of June 13, 17 percent of the cotton crop was squaring compared to 8 percent last week, 10 percent last year and the 5 year average of 16 percent. The crop is rated 62 percent good to excellent compared to 66 percent last week and 45 percent last year. One private consulting firm is estimating 2010 all cotton acreage at 10.575 million acreage; 70,000 acres higher than USDA's March 31 number. I would currently be forward priced 20 percent for 2010 production with that 20 percent covered by buying call options. I would target the 80 cent range to increase pricing and continue to evaluate option strategies. A 79 cent December Put would cost 4.56 cents and set a 74.44 futures floor, but still leave the upside. On any pullback in prices, I would look closely at buying out of the money call options on the amount forward priced. This will allow some upside on contracted cotton.

Soybeans:

Nearby: July futures closed Friday at $9.61 bushel, up $0.15 bushel for the week. Support is at $9.48 a bushel, and resistance at $9.66 a bushel. Technical indicators have a hold bias. Weekly exports were below expectations at 11.6 million bushels (a reduction of 5 million bushels for 2009/10 and sales of 16.6 million bushels for 2010/11). Soybean oil exports for 2009/10 were a marketing year high with China taking 92 percent of the sales.

New Crop: The November contract closed at $9.31 bushel, up $0.22 for the week. Support is at $9.20 with resistance at $9.40 bushel. Technical indicators have a hold bias. As of June 13, 91 percent of the soybean crop was planted compared 84 percent last week and 86 percent last year and the 5 year average of 90 percent. As of June 13, 80 percent of the crop has emerged, compared to 66 percent last week, 70 percent last year and the five year average of 79 percent. The soybean crop is currently rated 73 percent good to excellent compared to 75 percent last week and 66 percent last year. Good growing conditions early are being weighed against the probability of developing La Nina conditions by late summer which could have a negative effect on soybean yields. One private estimate on soybean acreage released today put soybeans at 78.845 million acres, up 382,000 acres from USDA's March 31 report. I would be forward priced 50 percent for 2010 production. I would use the $9.20 - $9.40 range to make catch up sales. Put options may also offer some downside protection, but still leave some upside. Buying a November $9.40 strike price Put Option would cost $0.64 a bushel and set an $8.76 futures floor.

Wheat:

New Crop: July futures contract closed at $4.62 bushel, up $0.21 a bushel for the week. Support is at $4.53 with resistance at $4.76 a bushel. Technical indicators have a sell bias. Weekly exports were above expectations at 35.3 million bushels. Winter wheat crop condition ratings as of June 13 were 66 percent good to excellent compared to 66 percent last week and 44 percent last year. Nationwide, 9 percent of the winter wheat crop has been harvested compared to 3 percent last week, 7 percent last year and the 5 year average of 12 percent. I would currently have 50 percent priced for new crop wheat and look to sell the remainder at harvest.

Deferred: September futures closed at $4.78 bushel, up $0.21 for the week. Support is at $4.70 with resistance at $4.92 a bushel. Technical indicators have a sell bias. Spring wheat as of June 13 is 97 percent emerged compared to 90 percent last week, 92 percent last year and the five year average of 98 percent. As of June 13, 86 percent of spring wheat is rated good to excellent compared to 84 percent last week, and 75 percent last year. Wheat supplies are currently burdensome, needing a reduction in supplies to help prices. Some help may be coming from Canada as it is reported that 12.5 million acres of wheat won't get planted due to wet weather and that additional acreage may suffer adverse yield and quality problems. Producers planning on 2011 wheat may want to consider pricing a portion at current levels or at least watch the market for July 2011. It is currently trading at $5.70 bushel. Δ

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