

# Weather Will Continue To Be A Focus On The Market

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Prices are through Thursday, December 20, 2012. The next report will be January 4, 2013. Best wishes for the Christmas Season. Cotton prices are mixed with corn, soybeans and wheat prices down for the week through Thursday. The U.S. Dollar Index closed Thursday at 79.31, down 0.35 for the week. The Dow Jones Industrial Average closed at 13,312 up 177 points for the week. Crude Oil closed Thursday at 89.95 a barrel, up 2.70 a barrel for the week. No bullish news for the grains coupled with some bearish news (export cancellations) caused a downslide for prices during the week through Thursday. As we finish 2012, weather will continue to be a focus of the market. Whether it is condition in the Plains, South America, or the Midwest, markets will trade volatile until a firm direction on the weather is given. The January 11 USDA reports (supply & demand, production, and grain stocks) will closely be watched and most likely will move the market. The direction is up for debate.

## Corn:

*Nearby:* March closed at \$6.96 ½ a bushel, down 34 ¼ cents a bushel for the week. Technical indicators have a strong sell bias. Support is at \$6.78 a bushel with resistance at \$7.13 a bushel. Weekly exports were below expectations with net sales of 4.7 million bushels (4.5 million bushels of net sales for the 2012/13 marketing year and 228,340 bushels of net sales for the 2013/14 marketing year). Over the next few weeks, we will see if prices have dropped enough to stimulate exports. A weaker dollar may help make U.S. corn more competitive. Ethanol production last week was 822,000 barrels per day, down 2,000 barrels from the previous week. Wet weather in Argentina the 2nd largest corn exporter has given some support in this week's down market. I would be priced out of 2012 corn at this time. However, for producers with corn in storage I would not store un-priced or without a floor price in place. A March \$7.30 Put costs 30 cents and would set a \$7.00 futures floor.

*New Crop:* September contract closed at \$6.22 ¾ a bushel, down 26 ¾ cents a bushel for the week. Technical indicators have a strong sell bias. Support is at \$6.11 a bushel with resistance at \$6.40 a bushel. An updated estimate this week of 2013 acreage from one firm placed corn at 99.03 million acres compared to 96.9 million acres in 2012. This added to the bearish news. I would have 10 percent of 2013 production priced.

## Cotton:

*Nearby:* March closed at 75.83 cents per pound on Thursday, up 0.74 cents since last week. Support is at 74.76 cents with resistance at 76.42 cents per pound. Technical indicators have a strong buy bias. The Adjusted World Price for December 21 - December 27 is 63.24 cents per pound, up 0.87 cents. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. All cotton weekly export net sales were 340,300 bales (333,900 bales of Upland cotton net sales for 2012/13; net sales of 2,600 bales of Upland cotton for 2013/14 and net sales of 3,800 bales of Pima cotton for 2012/13). I would be 25 percent - 50 percent priced on cotton. Look for rallies as opportunities to add to pricing.

*New Crop:* December 2013 cotton closed at

78.23 cents per pound, down 0.01 cents for the week. Support is at 77.14 cents with resistance at 78.80 cents per pound. Technical indicators have changed to a buy bias. Acreage estimates for 2013 by one firm have cotton at 10.065 million acres, slightly higher than their previous estimate. This compares to 2012 acreage of 12.36 million acres. On the average, cotton profitability at current prices is lagging the grains so an acreage reduction is most likely. Some analysts look for even a deeper cut than this estimate.

## Soybeans:

*Nearby:* The January contract closed at \$14.08 ¾ a bushel, down 87 ¼ cents a bushel since last Friday. Technical indicators have changed to a strong sell bias. Support is at \$13.79 a bushel with resistance at \$14.56 a bushel. Weekly exports were just below expectations with net sales at 23.1 million bushels (22.8 million bushels for 2012/13 and 385,801 bushels for 2013/14). Not reflected in this week's export number but will be in next weeks' are cancellations of 35 million bushels of which most were to China. This has been bearish news for the market and has caused concerns that future cancellations may be in store as South America's crop develops. I am currently priced out of 2012 production. There does not appear to be any advantage to storing other than price speculation, basis is very strong in some locations. That may be better served by selling soybeans and buying an out of the money March or May call option. A \$14.50 March Call would cost 34 cents. I would not store un-priced without setting a floor price. A March \$14.10 Put would cost 55 cents and set a \$13.55 futures floor. This option expires February 22, 2013.

*New Crop:* November 2013 soybeans closed Thursday at \$12.87 ¾ a bushel, down 29 ¾ cents a bushel since last week. Technical indicators have changed to a strong sell bias. Support is at \$12.70 a bushel with resistance at \$13.15 a bushel. An acreage estimate out this week has 2013 soybeans at 78.96 million acres, slightly lower than their previous estimate and lower than 2012's 77.2 million acres. Watch for 2013 opportunities. I would be 5 percent priced on 2013 production.

## Wheat:

*Nearby:* March futures contract closed at \$7.90 ½ a bushel, down 24 ½ cents for the week. Technical indicators have a strong sell bias. Support is at \$7.67 a bushel with resistance at \$8.20 a bushel. Weekly exports were just above the top end of expectations at net sales of 24.7 million bushels (23.9 million bushels for 2012/13 and net sales of 735,000 bushels for 2013/14).

*New Crop:* July 2013 wheat closed at \$8.07 ¾ a bushel, down 25 ¼ cents since last week. Technical indicators have changed to a strong sell bias. Support is at \$7.86 a bushel with resistance at \$8.35 a bushel. A wheat acreage estimate was 56.8 million acres, 300,000 acres less than their previous estimate but 1.1 million acres higher than 2012. The key in wheat acres will be the level of abandonment as there is concern on the condition of the crop as we go into winter. We did see some bearish reaction in wheat prices to moisture in the Plains. I am currently priced 10 percent on the 2013 crop. Δ

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