Weather, Dollar Are Main Market Influences

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Prices are reported as of Thursday, June 21, 2012. Corn, soybean, and wheat prices are up while cotton prices are down for the week through Thursday. The September U.S. Dollar Index closed Thursday at 82.49, up 0.52 for the week. The Dow Jones Industrial Average closed at 12,574, down 251 points today and 193 points since last Friday. Crude Oil closed at 78.20 a barrel, down 6.13 a barrel for the week. It may sound like a broken record, but weather and the Dollar are the main influences on the market this week. Depending on the day, one or the other is the main influence and if they are both going in the same direction, then look out. The latest weather forecasts for the next few months and they don't always agree seem to be on the side that the drought is going to persist or intensify throughout the lower Midwest, Southern Plains, and parts of the Mid-South, Southeast and Texas as presented by NOAA. The U.S. Drought Monitor Index at also shows the drought spreading. So certainly, on its own the weather forecast will keep a premium in the market. However, we know that weather is not the only influence on the market as global concerns on a worldwide economic slowdown have influenced the strengthening of the Dollar on Thursday. The Federal Reserve's actions this week extending Operation Twist were expected and while initially supportive of the commodity and stock markets, it gave way to the global economic slowdown concerns. Next Friday, June 29 USDA will release its Acreage and Grain Stocks Reports. Market focus at least for a while will shift next week to their anticipated release.

Corn:

Nearby: July closed at $5.86 ½ a bushel, up 7 cents a bushel for the week. Technical indicators have changed to a sell bias. Support is at $5.71 a bushel with resistance at $6.16 a bushel. Weekly exports were below expectations at 15.0 million bushels (6.7 million bushels for the 2011/12 marketing year and 8.3 million bushels for the 2012/13 marketing year).

Current Crop: September closed at $5.50 ½ a bushel, up 41cents a bushel since last Friday. Technical indicators have changed to a buy bias. Support is at $5.38 a bushel with resistance at $5.75 a bushel. Corn condition ratings this week were 63 percent rated good to excellent as compared to 66 percent last week and 70 percent a year ago. The trade was expecting a 64 percent good to excellent rating. Poor to very poor were at 9 percent compared to 8 percent last week and 7 percent last year. Corn silking was reported this week at 5 percent compared to 2 percent last year and the five year average of 2 percent. The next few weeks' weather wise will be critical for corn development. Producers should assess their production prospects relative to what is priced. If the drought continues or expands in key producing areas we could see additional market strength. The corn market looks to be trying to hold a weather premium as we see what unfolds over the next few weeks. I am currently priced at 50 percent of anticipated production. On strong rallies, I would look to make catch up or add to sales depending on your production assessments. From a price risk management standpoint, a December $5.50 Put would cost 34 cents and set a $5.16 futures floor.

Cotton:

Nearby: July closed at 78.17 cents per pound, down 1.81 cents since last week. Prices have traded through the support line of 78.71. Technical indicators have a sell bias. The Adjusted World Price for June 22 - June 28 is 63.70 cents per pound, up 1.70 cents. All cotton weekly export sales were 491,900 bales (16,900 bales of upland cotton for 2011/12; sales of 471,100 bales of upland cotton for 2012/13; sales of 3,000 bales of Pima cotton for 2011/12 and sales of 900 bales of Pima for 2012/13. Strong early week pricing that saw highs of 89.38 gave way mid-week to global economic concerns. I am priced out for 2011 production and holding a December 78 cent call option on 20 percent of production to stay in the market.

Current Crop: December cotton closed at 67.71 cents per pound, down 3.31 cents for the week through Thursday. Prices have traded through the support line of 69.32. Technical indicators have changed to a strong sell bias. Prices traded as high as 74.50 cents per pound this week. Equities have been quoted in the 8 - 9 cent range. Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. Cotton squaring nationwide is at 27 percent compared to 19 percent last week, 19 percent last year and the five year average of 19 percent. Cotton crop condition ratings were 53 percent good to excellent compared to 51 percent last week and 26 percent last year. Poor to very poor were reported at 15 percent compared to 13 percent last week and 39 percent last year. Cotton is one crop that is more sensitive to an economic slowdown. It will be key to watch what measures may be undertaken if any to combat this slowdown.

Soybeans:

Nearby: The July contract closed at $14.38 ½ a bushel, up 62 ½ cents a bushel since last Friday. Technical indicators have changed to a strong buy bias. Support is at $14.27 a bushel with resistance at $14.60 a bushel. Weekly exports were below expectations at 22.3 million bushels (6.0 million bushels for the 2011/12 marketing year and sales of 16.3 million bushels for 2012/13

Current Crop: November soybeans closed today at $13.71 ¼ a bushel, up 57 ¼ cents since last week. Technical indicators have changed to a strong buy bias. Support is at $13.56 a bushel with resistance at $14.00 a bushel. Soybean emergence is 95 percent compared to 90 percent last week, 77 percent last year and the five year average of 81 percent. Soybeans blooming this week were reported at 5 percent compared to 2 percent last year and the five year average of 2 percent. Soybean condition ratings were 56 percent good to excellent compared to the trade expectations of 58 percent; 60 percent last week and 68 percent last year. Poor to very poor ratings were 12 percent compared to 10 percent last week, and 6 percent last year. It seems like it is early than normal to see a weather market develop in soybeans, but there is concern that dry weather has caused a rough start to the soybean growing season. Double crop acres which have been counted on to boost the soybean acreage in next week's report could be in jeopardy without timely moisture. I am currently 50 percent priced overall on anticipated production and as in corn, assess your crop at this point as to your production prospects. The harvest cash market has offered $14 a bushel in some areas and should be seriously considered. Look at making catch up or add to sales depending on your assessment. Weather markets end without warning and unless the U.S Dollar weakens may have trouble sustaining these price levels. From a price risk management standpoint, a $13.80 November Put option would cost 84 cents and set a $12.96 futures floor.

Wheat:

Current crop: July futures contract closed at $6.61 ¾ a bushel, up 52 ¼ cents a bushel since Friday. Technical indicators have changed to a buy bias. Support is at $6.53 a bushel with resistance at $6.78 a bushel. Weekly exports were well above expectations at 30.9 million bushels for 2012/13. Wheat harvest has progressed to 48 percent harvested on June 17 compared to 35 percent last week, 25 percent a year ago and the five year average of 16 percent. I would be 70 percent priced and look to price the remainder as it is harvested. If wheat is stored, look at using a December put option to set a floor.

Deferred: December wheat closed at $7.00 ¼ a bushel, up 49 cents since last week. Technical indicators have changed to a strong buy bias. Support is at $6.95 a bushel with resistance at $7.21 a bushel. Spring wheat is 33 percent headed compared 15 percent last week, 1 percent last year and the five year average of 7 percent. Spring wheat condition ratings as of June 17 were 76 percent good to excellent compared to 75 percent last week and 72 percent last year. Poor to very poor were 3 percent compared to 4 percent last week and 2 percent a year ago. World wheat production most likely will be lowered in the July USDA report as production issues are surfacing in several countries. July 2013 wheat closed at $7.26 ¾ a bushel. Watch 2013 prices for pricing opportunities. Δ

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