Wheat Prices Surge, While Corn, Cotton, Soybeans Dip

CHUCK DANEHOWER

RIPLEY, TENN.

Wheat prices are up with corn, cotton and soybean prices down for the week. The U.S. Dollar Index traded at 81.09 before the close, up 0.41 for the week. The Dow Jones Industrial Average before the close was 12,793 down 300 points for the week. Crude Oil was trading at 86.08 a barrel, up 1.22 a barrel for the week. USDA released a bearish monthly supply and demand report today. A stronger Dollar and weak stock market also played into the overall negative effect on commodities.

Corn:

Current Crop: December closed at $7.38 ¾ a bushel, down ¾ cents a bushel for the week. Technical indicators have changed to a strong sell bias. Support is at $7.20 a bushel with resistance at $7.63 a bushel. Weekly exports were within expectations with net sales of 8.2 million bushels (6.2 million bushels of net sales for the 2012/13 marketing year and 2 million bushels of net sales for the 2013/14 marketing year). Corn harvested nationwide on November 4 was 95 percent compared to 91 percent last week, 85 percent last year and the five year average of 71 percent. Ethanol production last week was 827,000 barrels per day, up 2,000 barrels from the previous week and 9.7 percent below a year ago. However, it is on pace to meet USDA's corn for ethanol projection. Ethanol stocks did reverse from the previous week as they slid 5.6 percent to a 2012 low of 18.134 million barrels. Implied ethanol demand was up 9.9 percent in the week and up 1.5 percent from a year ago. USDA did bump up corn yield 0.3 bushels per acre in today's report to 122.3 bushels per acre. Production was estimated at 10.725 billion bushels, 96 million bushels higher than the average pre-report guess. Analysts expect USDA to lower harvested acreage in January's report reflecting corn that was cut for silage or abandoned. Ending stocks were raised 28 million bushels from last month to 647 million bushels, 12 million bushels higher than the average trade guess. Global stocks were also raised 28 million bushels to 4.645 billion bushels. However, there was no change made to Argentine corn production and while very early in their season, some estimates have cut their production 20 percent. I am 50 percent priced of anticipated production with another 30 percent priced in Put options and the remainder sold at harvest. I would not store un-priced or without a floor price in place. A March $7.50 Put costs 33 cents and would set a $7.17 futures floor.

Deferred: March 2013 contract closed at $7.42 a bushel, down ½ cent a bushel since last Friday. Technical indicators have changed to a strong sell bias. Support is at $7.23 a bushel with resistance at $7.66 a bushel. September 2013 corn closed at $6.51 ¾ a bushel, down 5 ¾ cent for the week. I would have 10 percent of 2013 production priced.

Cotton:

Current Crop: March closed at 70.44 cents per pound, down 1.00 cents since last week. Support is at 69.38 cents with resistance at 71.26 cents per pound. Technical indicators have a strong sell bias. The Adjusted World Price for November 9 – November 15 is 59.98 cents per pound, down 1.12 cents. All cotton weekly export net sales were 276,400 bales (266,000 bales of Upland cotton net sales for 2012/13; net sales of 5,600 bales of Upland cotton for 2013/14 and net sales of 4,800 bales of Pima cotton for 2012/13). Keep in contact with your cotton buyer for current quotes on loan equities and pricing alternatives. Cotton harvested was 64 percent compared to 50 percent last week, 68 percent last year and the five year average of 58 percent.USDA on a increase in yields raised U.S. cotton ending stocks to 5.8 million bales. World stocks were also increased to if realized would be record stocks of 80.27 million bales. I would be 25 percent - 50 percent priced on cotton. Cotton has been trading in the low range of its sideways pattern. Look for any rallies as opportunities to add to pricing.

Deferred: July 2013 cotton closed at 72.81 cents per pound, down 0.98 cents for the week. Support is at 71.86 cents with resistance at 73.56 cents per pound. Technical indicators have changed to a strong sell bias. December 2013 cotton closed at 74.84 cents per pound, down 1.13 cents for the week.

Soybeans:

Current Crop: The January contract closed at $14.51 ¼ a bushel, down 75 ½ cents a bushel since last Friday. Technical indicators have changed to a strong sell bias. Support is at $14.17 a bushel with resistance at $15.15 a bushel. Weekly exports were below expectations at net sales of 7.1 million bushels (6.8 million bushels for 2012/13 and 202,000 bushels for 2013/14). Soybeans harvested were reported at 93 percent compared to 87 percent last week, 91 percent last year and the five year average of 86 percent. In today's USDA report, soybean yields increased 1.5 bushels per acre from last month to 39.3 bushels per acre reflecting yield increases from late season rains. This compared to the average trade guess of 38.2 bushels per acre. Overall soybean supply was up 110 million bushels from last month based on the increase in yield and is estimated at 3.160 billion bushels. As was somewhat expected demand was increased 101 million bushels (rounded) as crush increased 20 million bushels from the October report while exports were raised 80 million bushels. Ending stocks are projected at 140 million bushels, up 10 million bushels from last month and 7 million bushels higher than expected. I am currently priced at 50 percent for the 2012 crop with another 30 percent priced in Put options with the remainder priced at harvest. There does not appear to be any advantage to storing other than price speculation. That may be better served by selling soybeans and buying an out of the money March or May call option. A $15.20 March Call would cost 36 cents. If using storage, I would not store unpriced or at least have a floor price set. A March $14.60 Put would cost 67 cents and set a $13.93 futures floor. This option expires February 22, 2013.

Deferred: March 2013 soybeans closed today at $14.36 ½ a bushel, down 67 ¼ cents a bushel since last week. Technical indicators have changed to a strong sell bias. Support is at $14.06 a bushel with resistance at $14.95 a bushel. November 2013 soybeans closed at $13.19 ¾, down 16¼ cents for the week. Watch for 2013 opportunities. I would be inclined to start pricing if November 2013 soybeans close at the 50 day moving average of $13.44 or drop back to the 100 day moving average of $13.17.

Wheat:

Nearby: December futures contract closed at $8.86 ½ a bushel, up 22 cents a bushel since Friday. Technical indicators have changed to a strong buy bias. Support is at $8.63 a bushel with resistance at $9.28 a bushel. Weekly exports were below expectations at 8.1 million bushels (7.7 million bushels of net sales for 2012/13 and 422,500 bushels for 2013/14 marketing year). The wheat market may have been a little surprised at the bearish USDA report today as ending stocks were raised 50 million bushels from last month to 704 million bushels. The trade expected stocks at 666 million bushels. World stocks also increased 43.4 million bushels to 6.400 billion bushels. Concerns on the wheat crop in the U.S. Plains may give support to the market.

New Crop: July 2013 wheat closed at $8.88 ½ a bushel, up 13 ½ cents since last week. Technical indicators have a strong buy bias. Support is at $8.73 a bushel with resistance at $9.07 a bushel. Winter wheat planted nationwide is reported at 92 percent compared to 88 percent last week, 92 percent last year and the five year average of 90 percent. Emergence is reported at 73 percent compared to 63 percent last week, 73 percent last year and the five year average of 74 percent. Wheat crop condition ratings were reported with good to excellent at 39 percent compared to 40 percent last week, and 49 percent last year. Poor to very poor were 19 percent compared to 15 percent last week, and 15 percent last year. This is the lowest percentage of good to excellent for wheat since the ratings started in 1986. I am currently priced 10 percent on the 2013 crop and would put serious consideration to pricing more as the wheat crop develops. Δ

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