

Crop Marketing Comments: Dr. Aaron Smith - U.T. Extension (05/10/13)

This is Aaron Smith with University of Tennessee Extension on May 10, 2013. Cotton was up, wheat and corn were down, and soybeans were mixed for the week. The US dollar increased 1.03, crude oil was up 0.39 for the week, and the Dow set new highs during the week closing

	Price	Change
U.S. Dollar	83.14	+1.03
Crude Oil	95.85	+0.39
Dow	15,118	+145

over the 15,000 mark at 15,118. The higher U.S. dollar had a negative impact on commodity markets. Overall economic news was neutral to bearish for agricultural commodities this week. The World Agriculture Supply and Demand Estimates (WASDE) report was released Friday May 10, 2013.

Overall the report was neutral to bearish for commodities; complete commentary on the report will be posted on the Monday May 13, 2013 on the UT Crop Economics website. Weather continues to drive market fluctuation, however, planting has been progressing in key corn states and one should look for Monday's Crop Progress report for further detail.

Corn:

Nearby:

Corn	Price	Change
July	\$6.36	-\$0.25
Support	\$6.13	-\$0.39
Resistance	\$6.60	-\$0.11
Technical	Strong Sell	-
20 Day MA	\$6.37	+\$0.02
50 Day MA	\$6.59	-\$0.03
100 Day MA	\$6.79	-\$0.05

Weekly exports met expectations with net sales of 11.2 million bushels (4.5 million bushels for the 2012/13 marketing year and 6.7 million bushels for the 2013/14 year). A slow sales pace continues for old crop corn with the most current 4-weeks of sales 65% below the 5-year average. Ethanol production decreased 14,000 barrels per day to 843,000 barrels per day. May futures closed at \$6.87 for the end of the week.

New crop:

Corn	Price	Change
September	\$5.54	-\$0.25
Support	\$5.36	-\$0.37
Resistance	\$5.73	-\$0.15
Technical	Strong Sell	-
20 Day MA	\$5.63	-\$0.02
50 Day MA	\$5.71	-\$0.02
100 Day MA	\$5.87	-\$0.05

Corn planted as of May 5th was reported at 12% compared to 5% last week, 69% last year and a 5-year average of 47%. Planted acres were slightly below expectations; however improved 5 to 15 day weather forecasts in key corn producing states have held corn prices lower. Corn emerged was 3% compared to 2% last week, 29% last year and 15% for the 5-year average. Currently producers should consider having a minimum of 25% of the 2013 crop

priced and look for any future rallies to move up to 30% priced or to the level that crop insurance won't cover. From a price risk management standpoint, a \$5.60 September Put Option costing 39 cents would set a \$5.21 futures floor.

Cotton:

Nearby:

Cotton	Price(cents)	Change
July	86.48	+0.05
Support	84.17	-0.67
Resistance	89.03	+1.25
Technical	Buy	=
20 Day MA	85.83	+0.05
50 Day MA	87.60	+0.33
100 Day MA	84.08	+0.55
AWP	73.69	+1.82

All cotton weekly export net sales were lower than last week however within expectations at 202,600 bales (117,300 bales of Upland cotton for 2012/13; 84,000 bales of Upland cotton for 2013/14; and 1,300 bales of Pima cotton for 2012/13. May 9th adjusted world price (AWP) increased 1.82 cents to 73.69 cents. The USDA's Commodity Credit Corporation announced May 9th a special import quota (#13) for upland cotton that permits importation of 62,207 bales of upland cotton. The

quota will be established on May 16, 2013 and will apply to upland cotton purchased no later than August 13, 2013, and entered into the U.S. no later than November 11, 2013. The quota is equivalent to one week's consumption of cotton by domestic mills at the seasonally-adjusted average rate for December 2012 through February 2013.

New crop:

Cotton	Price(cents)	Change
December	85.82	+0.91
Support	83.56	-0.34
Resistance	88.10	2.08
Technical	Buy	+
20 Day MA	85.40	+0.33
50 Day MA	86.21	+0.25
100 Day MA	83.46	+0.42

Cotton planted was reported at 17% this week compared to 14% last week, 35% last year and the 5-year average of 27%. The 85 cent plus range is a price point at which producers should look to establish a price or purchase a Put Option. Until cotton acreage is determined and production estimates are made in August/September cotton will most likely remain in the 80 to 90 cent range.

Implementing a floor price strategy would entail buying an 86 cent put option costing 5.53 cents and setting an 80.47 cent futures floor. Cotton equities on 2013 loan cotton are in the 26.85 cent range.

Soybeans:

Nearby:

Soybeans	Price	Change
July	\$13.99	+\$0.12

Support	\$13.73	+\$0.15
Resistance	\$14.32	+\$0.18
Technical	Buy	+
20 Day MA	\$13.79	+\$0.05
50 Day MA	\$13.94	-\$0.04
100 Day MA	\$14.05	-\$0.03

Old crop soybean supplies continue to remain tight, May-July future soybean spreads of 89 cents are at their highest levels since 1974. Weekly exports were within expectations with net sales of 21.5 million bushels (7.1 million bushels for 2012/13 and 14.4 million bushels for 2013/14). Bird flu deaths in China increased to 32 and continue to reflect the

spread of this disease. Soybean crops in central Argentina are some of the biggest in the country's history however on the edges of the grain belt are not nearly as large. South America in general has had an above average crop.

New crop:

Soybeans	Price	Change
November	\$12.05	-\$0.16
Support	\$11.81	-\$0.13
Resistance	\$12.36	-\$0.02
Technical	Sell	-
20 Day MA	\$12.11	-\$0.06
50 Day MA	\$12.38	-\$0.05
100 Day MA	\$12.66	-\$0.06

Soybean planting has commenced with May 5th estimates of 2% compared to 22% last year and a five year average of 12%. Corn planting delays should continue to be watched carefully as if delays continue into the later part of May acreage might shift from corn to soybeans. Pricing 20% of 2013 production should be considered. Producers should look at any rallies as an opportunity to increase the level priced. Downside protection could be achieved by

purchasing a \$12.20 November Put Option which would cost 73 cents and set an \$11.47 futures floor.

Wheat:

Nearby:

Wheat	Price	Change
July	\$7.04	-\$0.17
Support	\$6.88	-\$0.17
Resistance	\$7.32	-\$0.10
Technical	Sell	-
20 Day MA	\$7.09	=
50 Day MA	\$7.09	-\$0.01
100 Day MA	\$7.41	-\$0.07

Weekly exports were above analyst expectations at net sales of 17.1 million bushels (8.8 million bushels for 2012/13 and 8.3 million bushels for 2013/14). May futures closed at \$6.96. Cooler temperatures in the southern states this spring have resulted in delays in wheat heading. Nationwide, winter wheat heading as of May 5 was reported at 20% compared to 14% last week, 64% last year and the 5-year average of 39%. Crop condition ratings for winter wheat as of

May 5 were 32% good to excellent compared to 33% last week and 63% last year. Poor to very poor ratings were 39% compared to 35% last week and 12% last year. Results from the Kansas Wheat Tour ran the entire spectrum of quality from frost damaged to waterlogged to drought parched to good or excellent condition. Overall average yields were estimated at 41 bushels per acre.

Next:

Wheat	Price	Change
September	\$7.12	-\$0.18
Support	\$6.96	-\$0.19
Resistance	\$7.39	-\$0.12
Technical	Sell	-
20 Day MA	\$7.17	=
50 Day MA	\$7.17	=
100 Day MA	\$7.50	-\$0.07

Spring wheat planting reported May 5 was at 23% compared to 12% last week, 82% last year and the 5-year average of 50%. The northern plains and Canadian prairies continue to experience planting delays due to inclement weather. Currently producers should consider having 25% of the 2013 crop priced and look to move that up to 30 to 35%. A \$7.20 September Put Option would cost 45 cents and set a \$6.75 futures floor.

For interested readers, regional Tennessee elevator prices paid to farmers for corn, soybean, and wheat for the past week are available on page 6 of his publication. Daily futures settlement prices from the past week for corn, soybean, wheat, and cotton for various contract months are presented on page 10. If you would like to be added to our email list please contact me at aaron.smith@utk.edu.