



Commodity Comments

A Weekly Farm Publication by Jonah Bowles

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Ever since he was a child he's always had a fear of someone being under his bed. He finally went to a shrink and told him, "I've got problems. Every time I go to bed I think there's someone under it. I think I'm going crazy."

"Just put yourself in my hands for one year," said the psychiatrist. "Three times a week at \$80 a visit and we should be able to cure you of your fears."

"That's a lot of money. I'll get back with you."

Six months later the doctor met him on the street and asked why he hadn't come back to see him. "That was a lot of money. A farmer cured me and he didn't charge me anything. I saved all that money and bought myself a new pickup truck!"

With somewhat of an attitude the doc said, "And how, may I ask, did some farmer cure you?"

"He told me to cut the legs off the bed! Nobody's under there now!"

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PRICES AVAILABLE TODAY

The following prices are available on the various futures markets – the same markets that determine local prices for producers and consumers.

Top 3rd – Soybean Meal, Cotton, Class III Milk

Middle 3rd – Soybeans, Lean Hogs, Natural Gas, Crude Oil, Unleaded Gasoline, Ethanol, Heating Oil

Bottom 3rd – Corn, Wheat, Feeder Cattle, Live Cattle

Commodity	Month	Today	Week Ago	\$ Chg	% Chg	Life of Contract	
		7/12/16	7/5/16			High	Low
Corn	Sep-16	\$3.47	\$3.45	\$0.02	0.6%	\$4.49	\$3.39
	Dec-16	\$3.54	\$3.52	\$0.02	0.6%	\$4.89	\$3.46
	Dec-17	\$3.81	\$3.79	\$0.02	0.5%	\$4.74	\$3.74
Soybeans	Sep-16	\$10.64	\$10.78	(\$0.14)	-1.3%	\$11.92	\$8.65
	Nov-16	\$10.54	\$10.63	(\$0.09)	-0.8%	\$11.86	\$8.50
	Nov-17	\$9.55	\$9.55	(\$0.00)	0.0%	\$10.90	\$8.57
Soy Meal	Sep-16	\$370.00	\$374.30	(\$4.30)	-1.1%	\$420.30	\$264.40
	Dec-16	\$366.70	\$371.10	(\$4.40)	-1.2%	\$418.70	\$267.20
Wheat	Sep-16	\$4.29	\$4.28	\$0.01	0.2%	\$6.42	\$4.16
	Dec-16	\$4.51	\$4.48	\$0.03	0.7%	\$6.52	\$4.36
	Jul-17	\$4.89	\$4.87	\$0.02	0.4%	\$6.10	\$4.75
Cotton	Oct-16	\$67.90	\$65.68	\$2.22	3.4%	\$68.45	\$55.64
	Dec-16	\$67.87	\$65.30	\$2.57	3.9%	\$67.85	\$54.19
Feeders	Aug-16	\$139.45	\$144.05	(\$4.60)	-3.2%	\$190.00	\$134.25
	Oct-16	\$137.45	\$142.40	(\$4.95)	-3.5%	\$180.10	\$132.50
	Jan-17	\$132.20	\$135.95	(\$3.75)	-2.8%	\$150.15	\$125.00
Live Cattle	Aug-16	\$109.35	\$113.65	(\$4.30)	-3.8%	\$145.75	\$109.20
	Oct-16	\$109.30	\$114.00	(\$4.70)	-4.1%	\$147.00	\$109.30
	Aug-17	\$104.65	\$106.40	(\$1.75)	-1.6%	\$113.00	\$102.40
Lean Hogs	Aug-16	\$78.35	\$83.25	(\$4.90)	-5.9%	\$90.40	\$71.30
	Oct-16	\$67.90	\$72.15	(\$4.25)	-5.9%	\$74.80	\$62.10
	Jul-17	\$77.30	\$78.50	(\$1.20)	-1.5%	\$80.60	\$75.30
Class 3 Milk	Aug-16	\$15.88	\$15.70	\$0.18	1.1%	\$17.05	\$13.43
	Dec-16	\$15.80	\$15.78	\$0.02	0.1%	\$16.84	\$14.54
Natural Gas	Aug-16	\$2.74	\$2.75	(\$0.01)	-0.4%	\$4.06	\$1.99
Crude Oil	Aug-16	\$45.93	\$46.02	(\$0.09)	-0.2%	\$65.28	\$32.22
Gasoline	Aug-16	\$1.42	\$1.39	\$0.03	2.2%	\$1.98	\$1.14
Ethanol	Aug-16	\$1.58	\$1.59	(\$0.01)	-0.6%	\$1.71	\$1.37
Diesel	Aug-16	\$1.46	\$1.43	\$0.03	2.1%	\$2.12	\$0.96
		Top Third				New High	New Low
		Middle Third					
		Bottom Third					

MARKET OBSERVATIONS

Markets continued trading with a high degree of volatility in all agricultural sectors. Soybeans lost their top third status and are now in the middle third of their range. Cotton had a strong week and is now in the top third of its range for both old crop and new crop.

THE PRICE OF OPPORTUNITY

Everyone in production agriculture would like to get the very best price for their products; that's human nature. Farmers face a lot of risks that come with the hard work necessary to produce a safe and secure food supply for our nation and our foreign customers. The cyclical nature of agricultural prices expose growers to good marketing opportunities and some very damaging marketing environments.

A problem can occur when growers change the desire for the very best price for their production into the basis for their marketing plan. Never will the very best price, defined by the final life-of-contract price, be recognized for what it has become until well after the fact. In the meantime, there can be a very high cost for waiting for that opportunity.

The price of opportunity can be tangible or it can be intangible. The primary tangible cost is the simple mathematical difference between the life-of-contract high price and the current market price. This can be measured and can be important, but maybe the intangible costs are even greater –

- ⊗ Sleepless nights while wondering if the decisions, or lack of decisions, that are made will prove to be rewarding or counterproductive.
- ⊗ Not knowing if there will be an available delivery market when final disposition of the product becomes necessary.
- ⊗ Awkward relationship with a lender who would prefer to see a solid marketing and risk management plan in place.
- ⊗ Uncertain future in production agriculture.

It is pure coincidence that all three of the major row crops (corn, soybeans, and wheat) are trading \$1.00/bushel off of their recent highs. This is the current tangible cost of opportunity for those who did not take advantage of the weather premiums that were temporarily added a month ago. The intangible costs are more difficult to calculate.

CONSIDER THIS

Seasonal corn, soybean and wheat chart patterns are heavily influenced by weather and so far 2016 is in perfect compliance, with the exception of wheat.

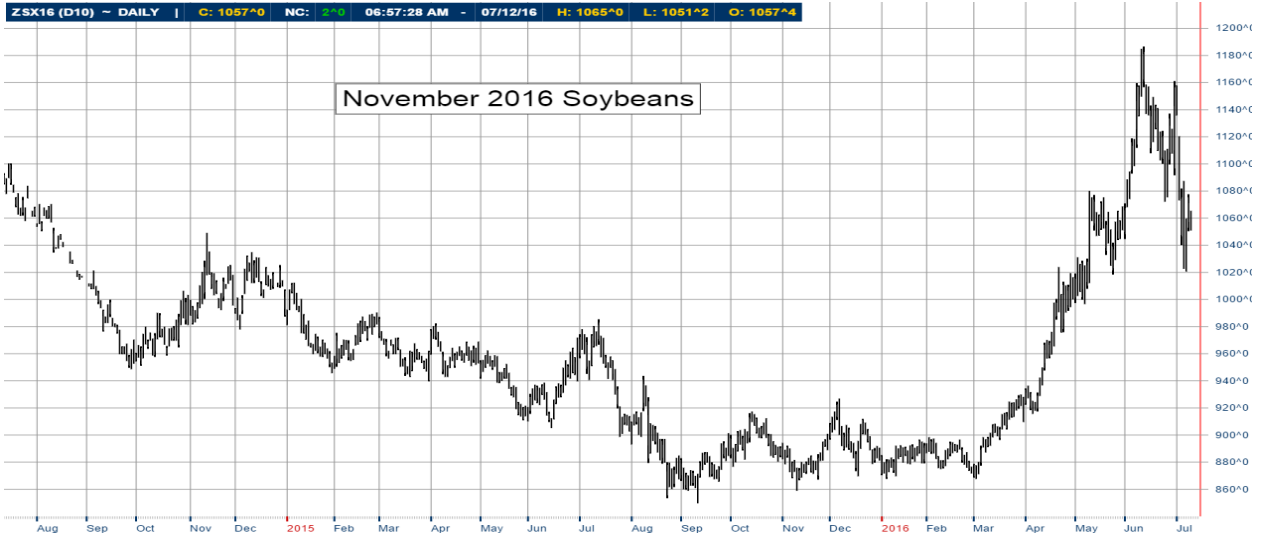
- ⊘ Corn has the tendency to rally in the spring in expectation of weather problems. The 15-year and the 40-year averages both show corn selling off sharply from June through most of August.
- ⊘ Soybeans have a very similar pattern as corn except that the timing is about one month later – soybeans tend to begin the drop in July and end around harvest.
- ⊘ The seasonal charts for wheat show a steady decline from the beginning of the year until late June/early July. Then the market has the tendency to recover into the end of the year.

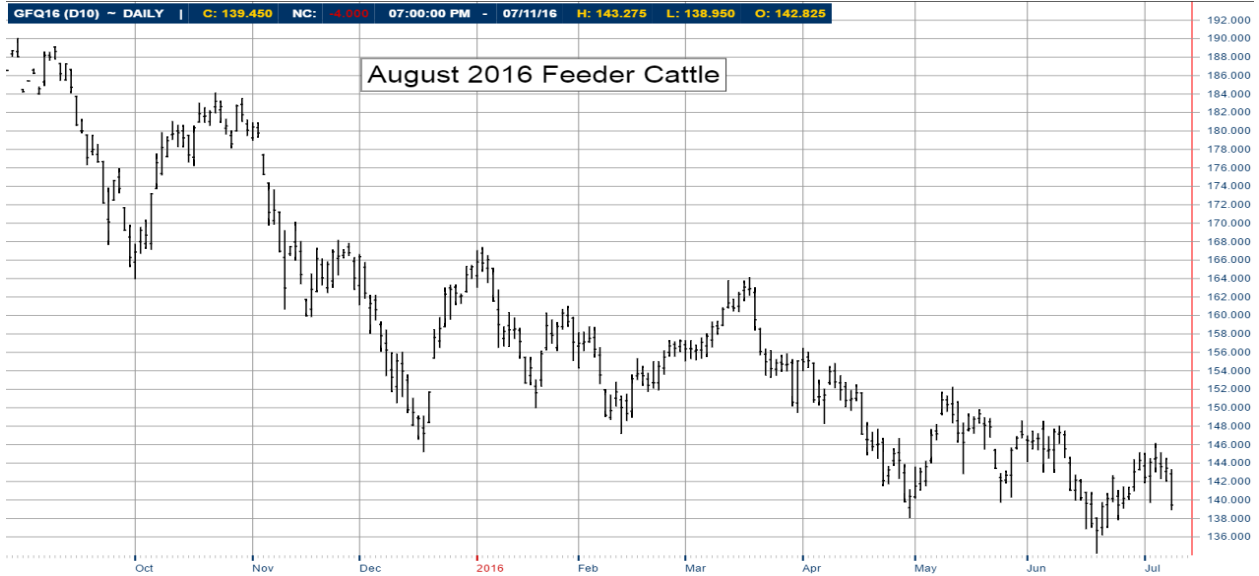
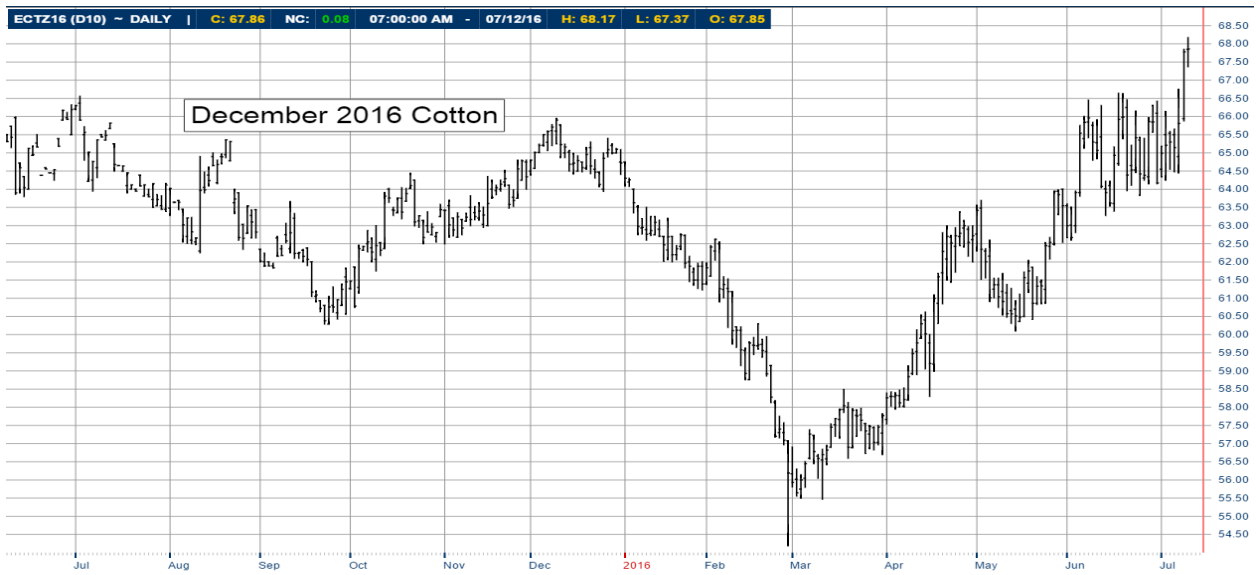
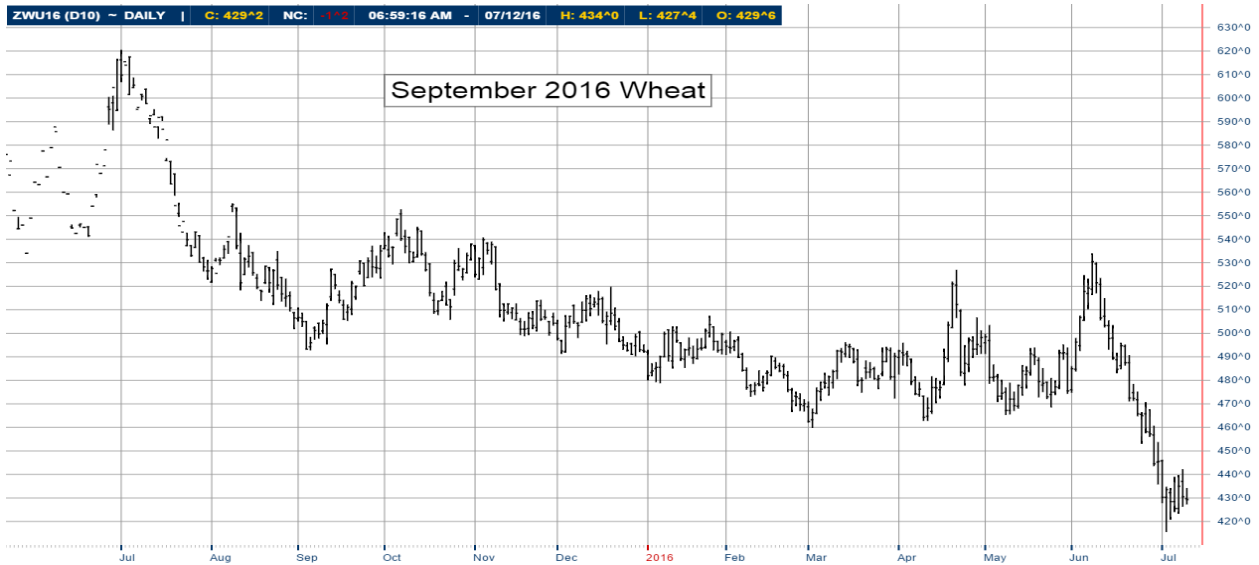
Seasonal tendencies are just that – they are influences on prices that can be associated with general to specific times of the year. They will not produce major changes in prices that go counter to the prevailing fundamental factors that ultimately create value. Just because the wheat seasonal chart shows prices should begin to recover around this time of the year does not mean that they will.

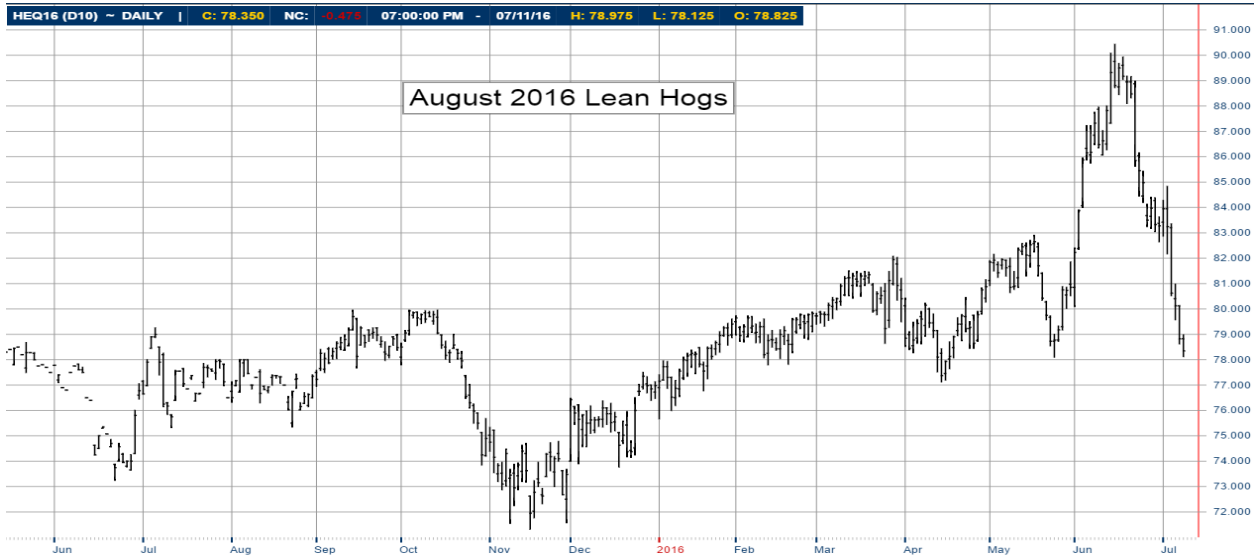
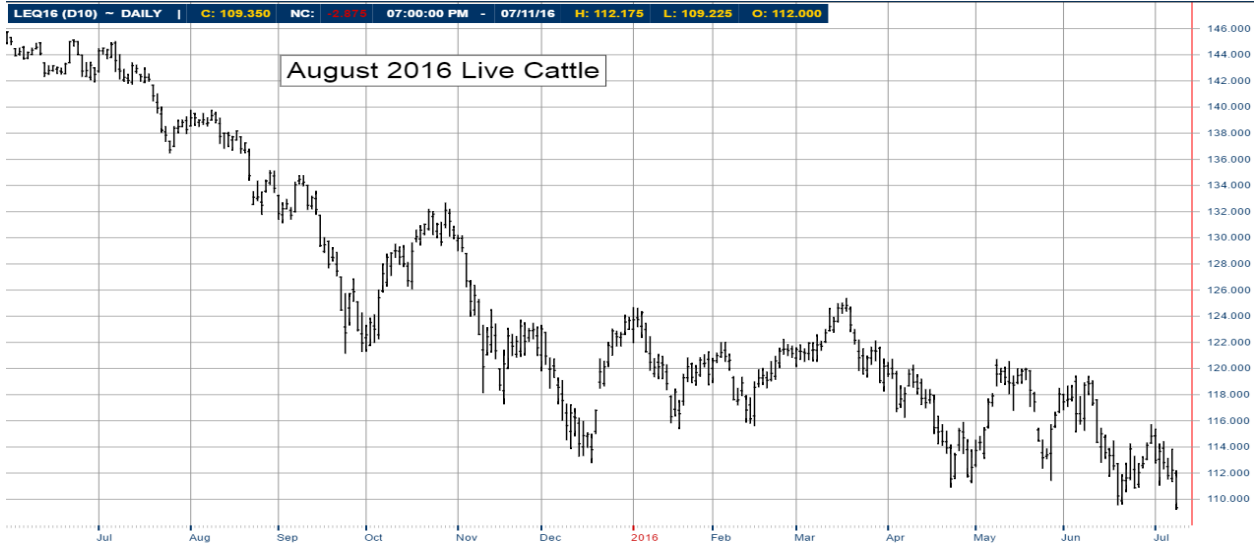
Burdensome supplies in the US and the world are the reason for low wheat prices. Adjustments to production have not been sufficient to lighten the supplies, so it must take low prices to stimulate the increase in demand necessary for there to be a material change in the supply/demand equilibrium (price).

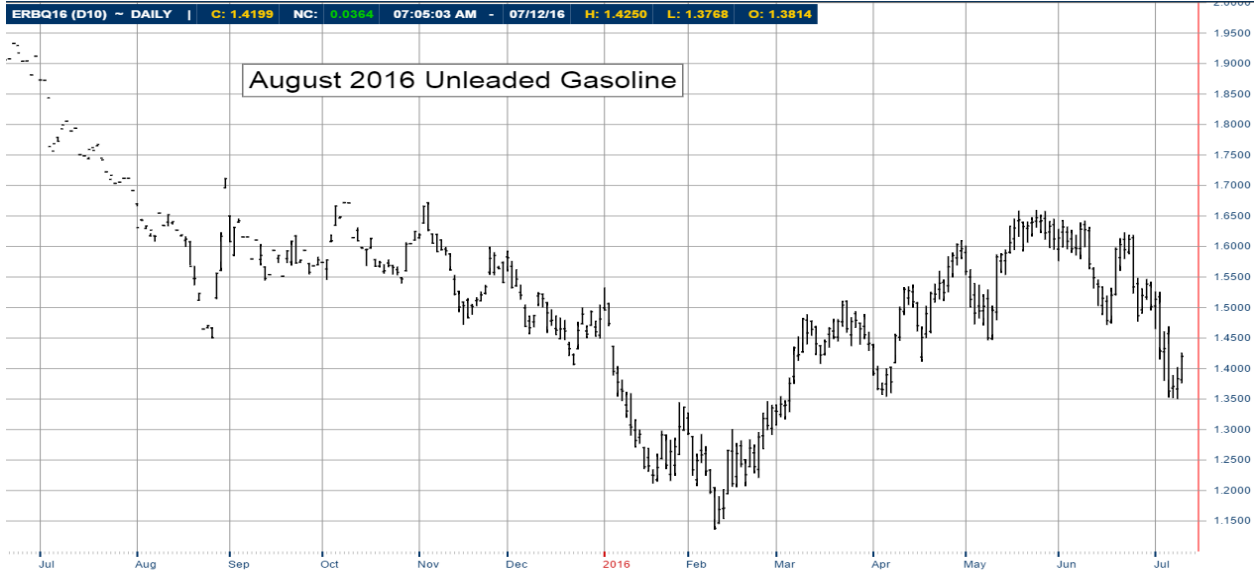
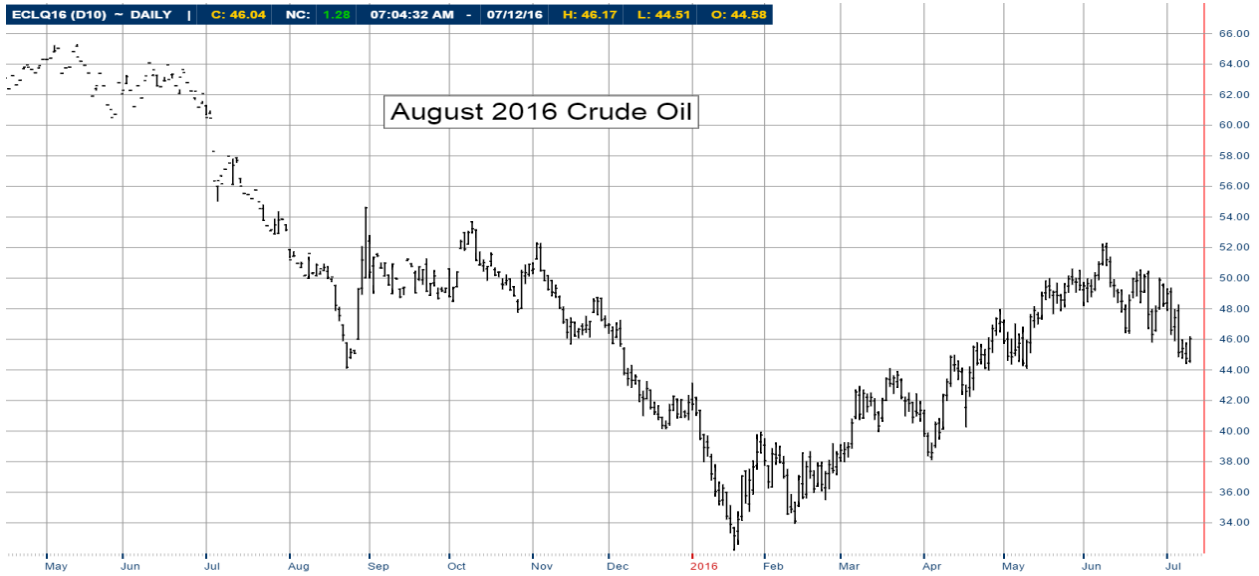
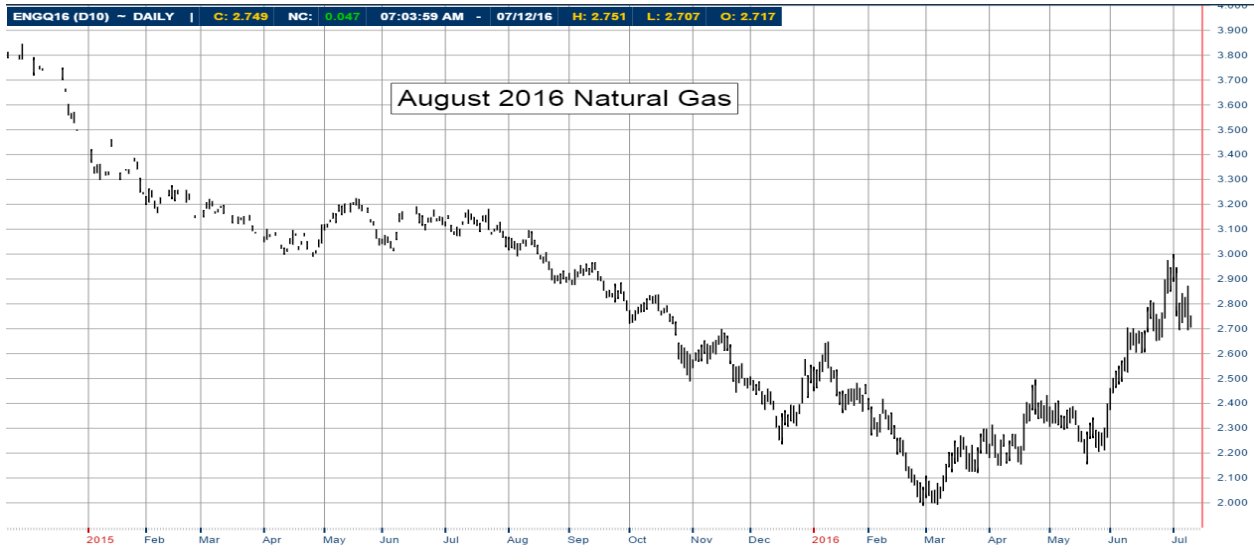
Wheat harvest is ongoing and corn and soybean harvests are getting closer. Growers will want to keep in mind that there are two factors that make up local prices for tradable commodities, (1) the Chicago price and (2) the local basis. If crops look good in a particular area then local basis can be at risk and it might be advisable to begin ‘shopping’ the basis, at least.

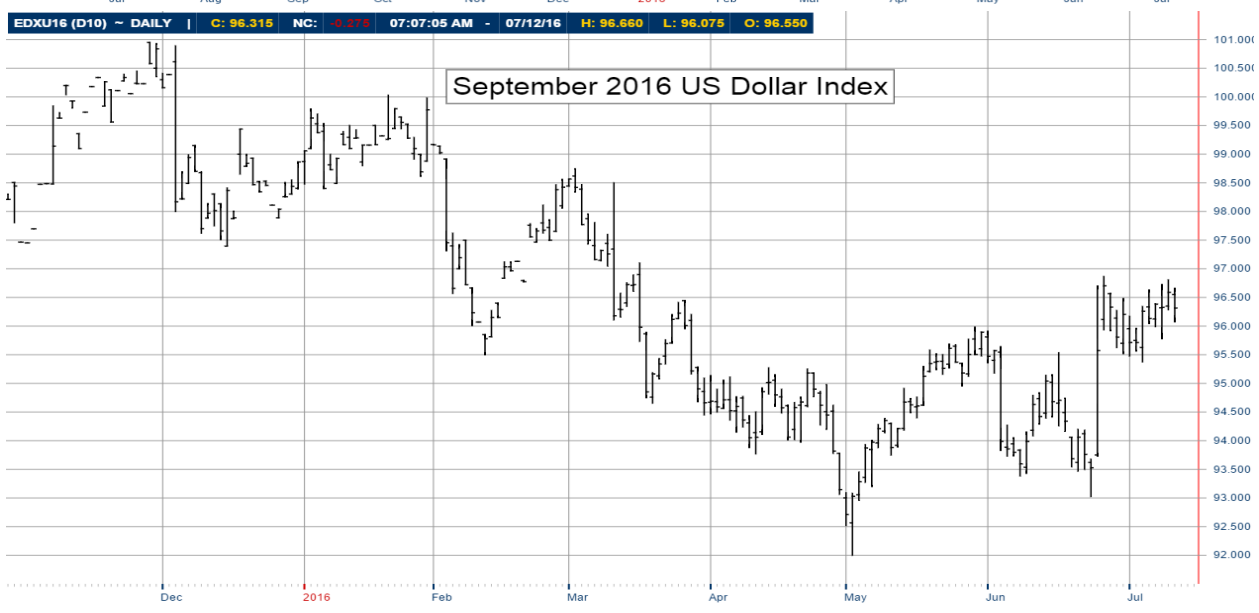
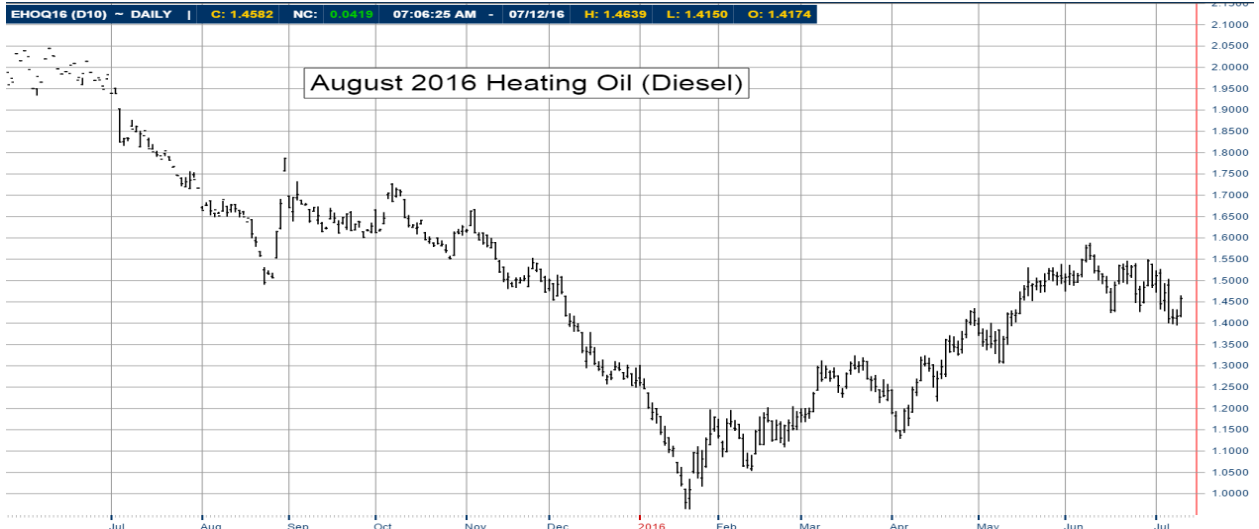
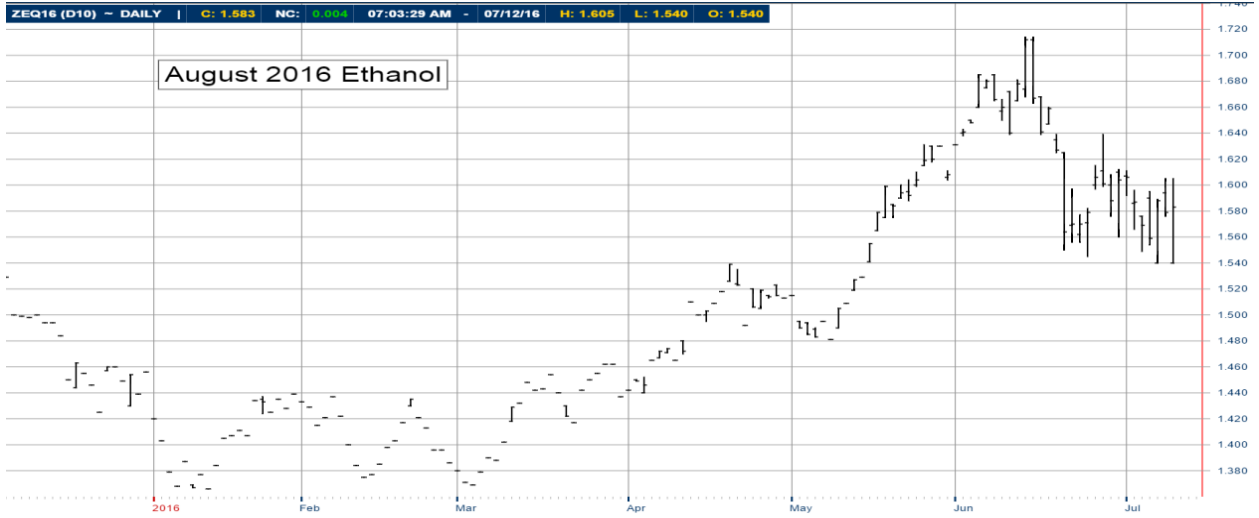
Chicago markets have been under pressure which is following average seasonal chart patterns. It is discouraging to consider pricing product at these levels, but unless there is a firm reason for trends to change, these values could look good by time harvest arrives. The shorter the time for a strategy to be considered, the better options become as a risk management method. They should be fully understood before being employed.

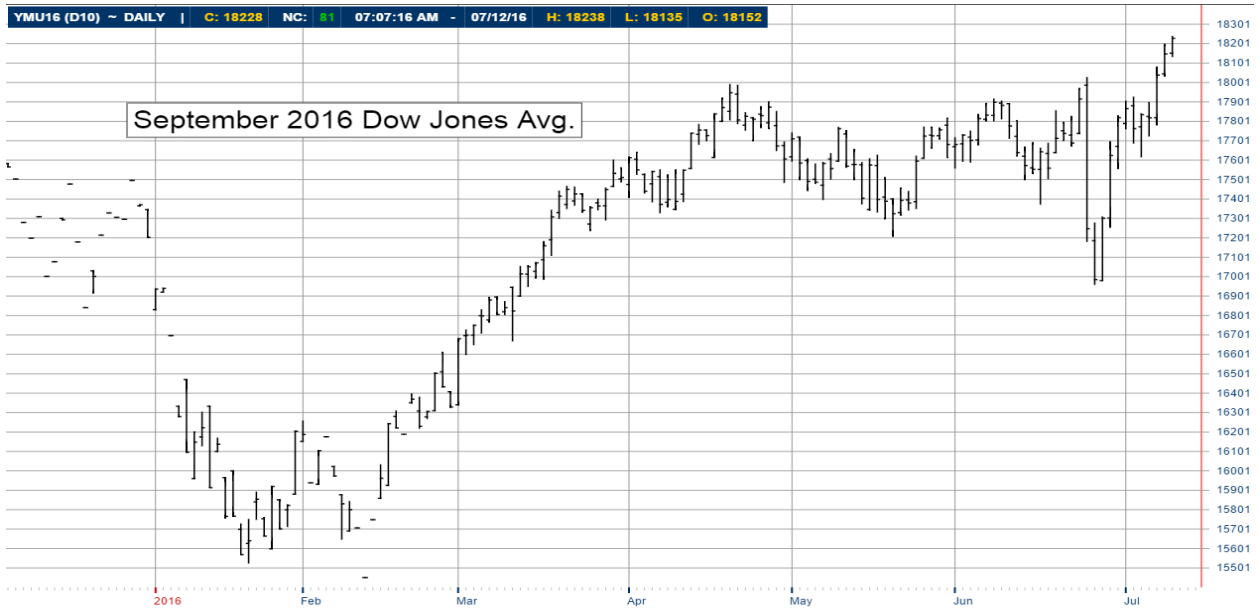












“No wonder your brother never writes!”