



Commodity Comments

A Weekly Farm Publication by Jonah Bowles

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Military Humor

1. When I lost my rifle, the Army charged me \$250. That's probably why the Captain goes down with the ship!
2. After my niece returned from her second tour in Iraq, I remarked how beautiful her complexion looked. 'What do you use on your face to keep it so smooth?' I asked. 'Nothing,' she said. 'I've been sandblasted!'
3. The brand new second lieutenant was ambling about, apparently lost. Wanting to appear to be in charge, he barked, 'Sergeant, where's my foxhole?' The crusty old sergeant replied, 'You're standing in it, Sir. All you have to do is remove the dirt.'

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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. This information is freely found on the internet.

Top 3rd – Soybean Meal

Middle 3rd – Soybeans, Cotton, Lean Hogs, Class III Milk, 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	
		7/5/16	6/29/16			High	Low
Corn	Sep-16	\$3.45	\$3.78	(\$0.33)	-8.7%	\$4.49	\$3.41
	Dec-16	\$3.52	\$3.92	(\$0.40)	-10.2%	\$4.89	\$3.48
	Dec-17	\$3.79	\$3.92	(\$0.13)	-3.3%	\$4.74	\$3.76
Soybeans	Sep-16	\$10.78	\$11.23	(\$0.45)	-4.0%	\$11.92	\$8.65
	Nov-16	\$10.63	\$11.15	(\$0.52)	-4.7%	\$11.86	\$8.50
	Nov-17	\$9.55	\$9.81	(\$0.26)	-2.6%	\$10.90	\$8.57
Soy Meal	Sep-16	\$374.30	\$393.70	(\$19.40)	-4.9%	\$420.30	\$264.40
	Dec-16	\$371.10	\$386.80	(\$15.70)	-4.1%	\$418.70	\$267.20
Wheat	Sep-16	\$4.28	\$4.44	(\$0.16)	-3.6%	\$6.42	\$4.16
	Dec-16	\$4.48	\$4.78	(\$0.30)	-6.3%	\$6.52	\$4.36
	Jul-17	\$4.87	\$5.12	(\$0.25)	-4.9%	\$6.10	\$4.75
Cotton	Oct-16	\$65.68	\$66.22	(\$0.54)	-0.8%	\$67.49	\$55.64
	Dec-16	\$65.30	\$66.12	(\$0.82)	-1.2%	\$74.73	\$54.19
Feeders	Aug-16	\$144.05	\$140.65	\$3.40	2.4%	\$190.00	\$134.25
	Oct-16	\$142.40	\$138.25	\$4.15	3.0%	\$180.10	\$132.50
	Jan-17	\$135.95	\$131.55	\$4.40	3.3%	\$150.15	\$125.00
Live Cattle	Aug-16	\$113.65	\$112.75	\$0.90	0.8%	\$145.75	\$109.55
	Oct-16	\$114.00	\$113.05	\$0.95	0.8%	\$147.00	\$109.85
	Aug-17	\$106.40	\$105.45	\$0.95	0.9%	\$113.00	\$102.40
Lean Hogs	Aug-16	\$83.25	\$83.95	(\$0.70)	-0.8%	\$90.40	\$71.30
	Oct-16	\$72.15	\$72.00	\$0.15	0.2%	\$74.80	\$62.10
	Jul-17	\$78.50	\$78.55	(\$0.05)	-0.1%	\$80.60	\$75.30
Class 3 Milk	Aug-16	\$15.70	\$16.40	(\$0.70)	-4.3%	\$17.05	\$13.43
	Dec-16	\$15.78	\$16.15	(\$0.37)	-2.3%	\$16.84	\$14.54
Natural Gas	Aug-16	\$2.75	\$2.91	(\$0.16)	-5.5%	\$4.06	\$1.99
Crude Oil	Aug-16	\$46.02	\$48.30	(\$2.28)	-4.7%	\$65.28	\$32.22
Gasoline	Aug-16	\$1.39	\$1.53	(\$0.14)	-9.2%	\$1.98	\$1.14
Ethanol	Aug-16	\$1.59	\$1.60	(\$0.01)	-0.6%	\$1.71	\$1.37
Diesel	Aug-16	\$1.43	\$1.50	(\$0.07)	-4.7%	\$2.12	\$0.96
		Top Third				New High	New Low
		Middle Third					
		Bottom Third					

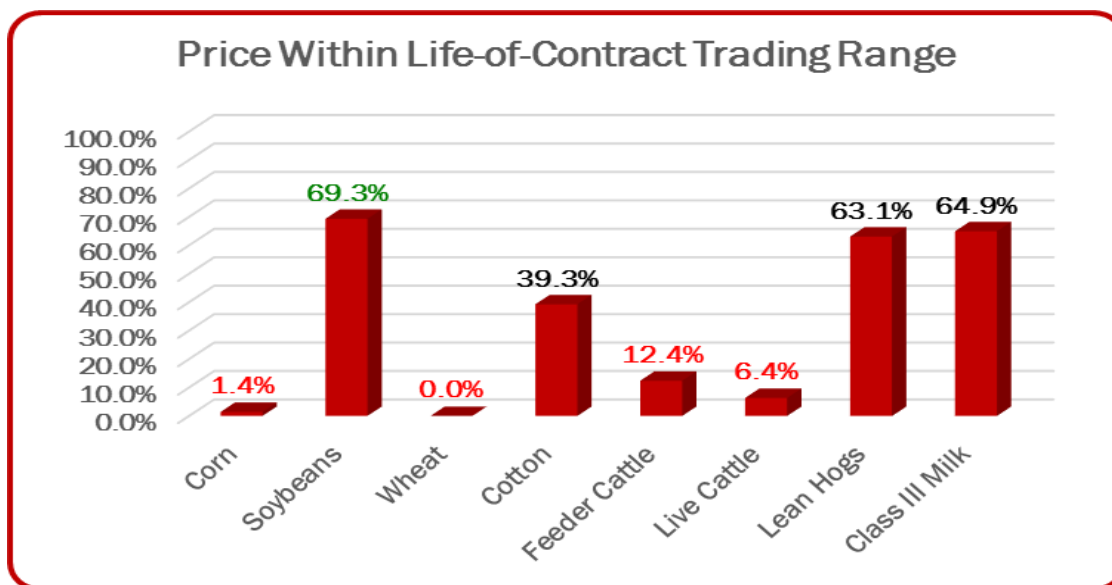
MARKET OBSERVATIONS

One of the more important reports for the growing year was released on June 30 – stocks and acres. The numbers have historically caused very volatile trading, but that was not the case with this release, at least not on the day the numbers were released. However...

- Corn and wheat markets traded to new life-of-contract lows while soybeans came close to new life-of-contract highs, but then sold off sharply.
- Soybeans and Class III milk lost their top third status.

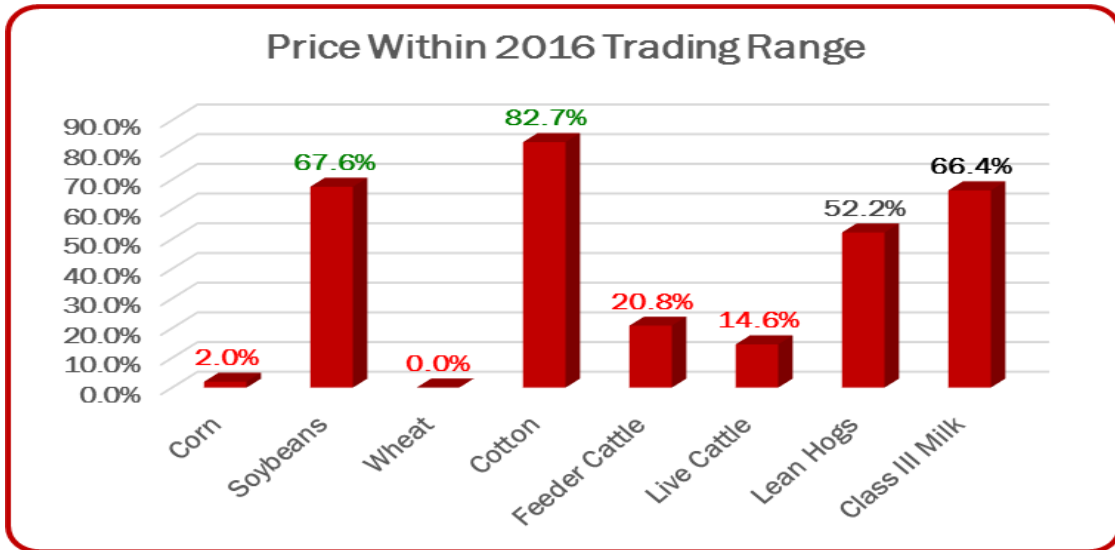
WHERE DO THEY STAND?

Markets that trade over several year periods have fundamental influences that can change from one year to the next. The following chart shows how the current market price for commodities compare with their life-of-contract range –



At 11:00am on Tuesday corn was trading just 1.4% above the life-of-contract bottom and wheat had just set a new low. Soybeans show the greatest relative strength trading off the low by 69.3%.

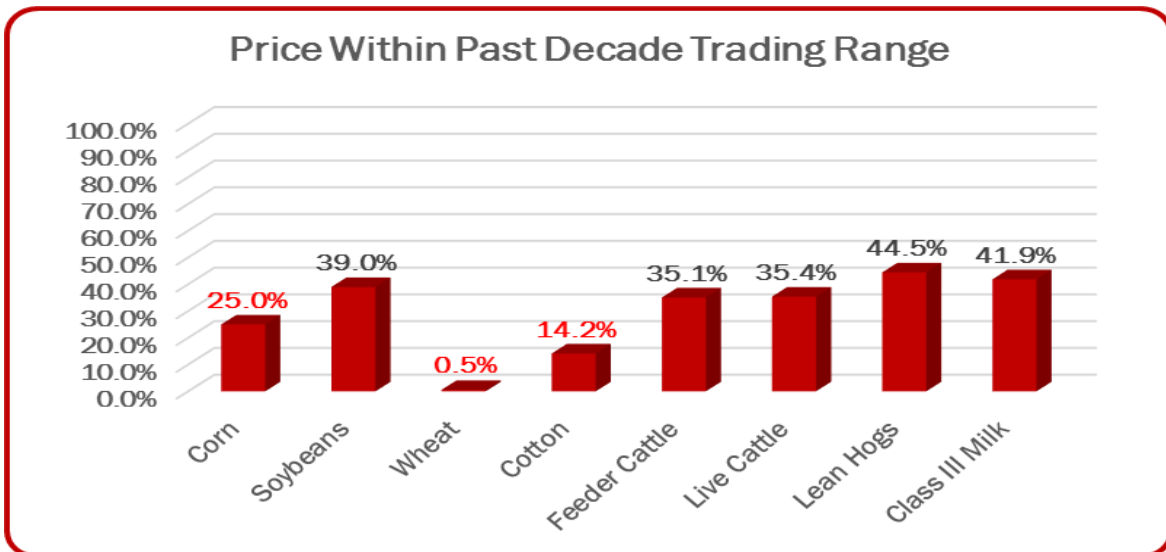
Comparing strength or weakness with conditions a year or two ago may not make as much sense as comparing them to just the conditions impacting the 2016 prices. The following chart illustrates how current market prices compare to the 2016 range of prices beginning with January 1, 2016.



Strengths and weaknesses among the products are similar with the exception of cotton. When cotton price strength is compared to the range in 2016 it shows a stronger performance because the high of \$.75 was made in 2014.

Both charts show historical strengths and weaknesses and do not indicate future directions of any of the agricultural commodities. Because corn and wheat are at the bottom of their respective ranges does not suggest that they should go higher.

A look back over the past decade has different results –



All markets are trading in the lower part of their 10-year range.

CONSIDER THIS

Markets will frequently give indications of changes in direction through a combination of trade volume and erratic trade direction. It's difficult to identify these at the time and even more difficult to make the decision to become a part of the trade instability. Whether markets continue with their respective trends or change direction will only become known over time. In the interim risk, management strategies must still be considered.

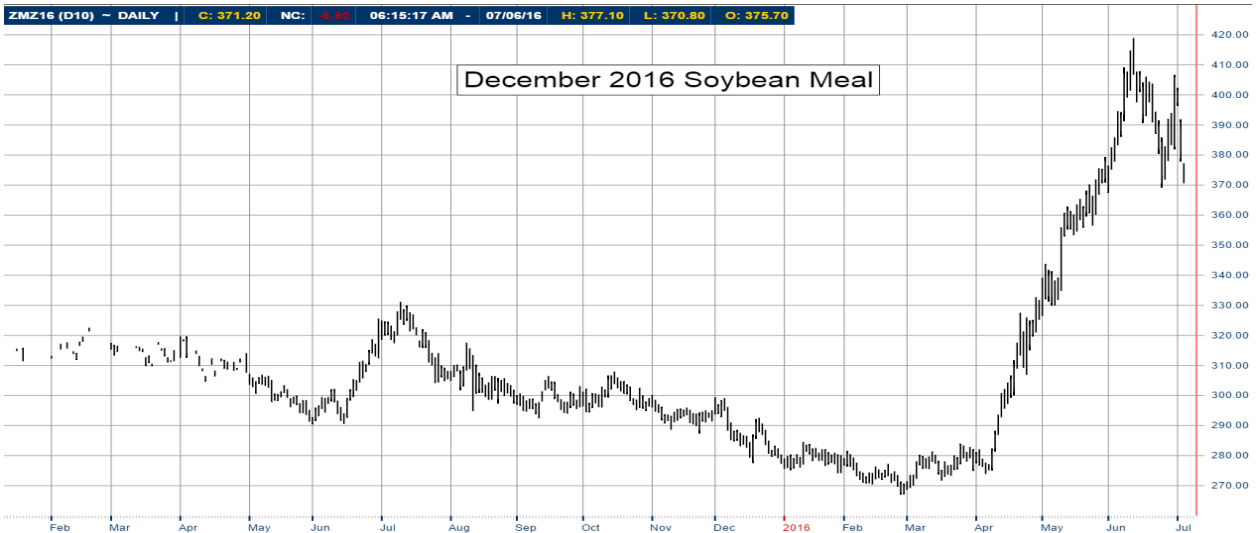
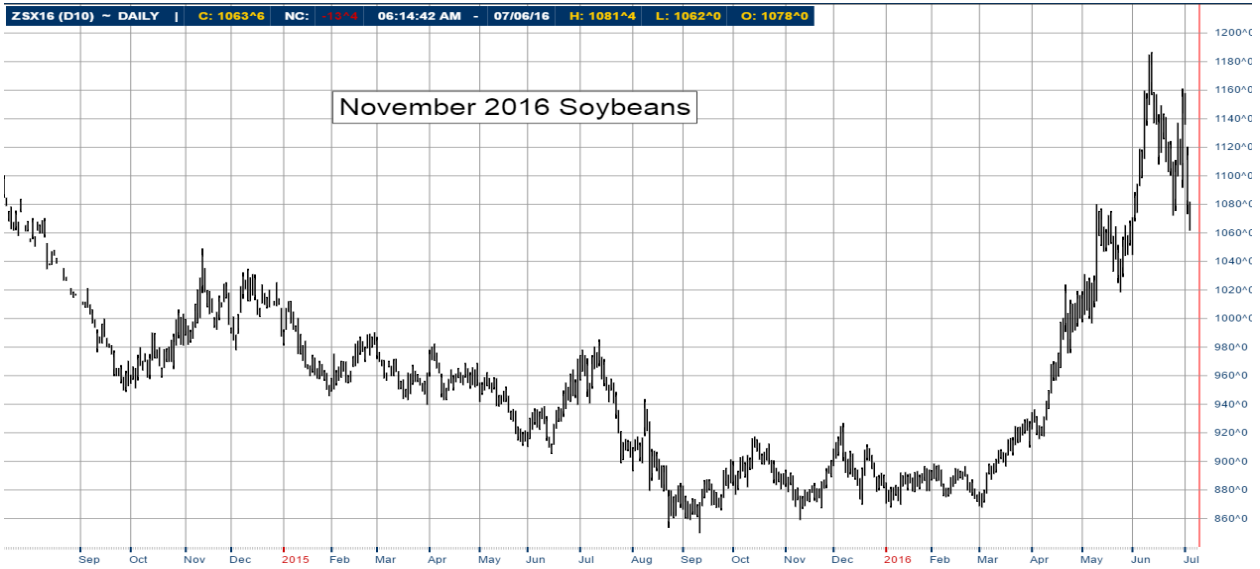
Sometimes the cost of doing nothing can be very high. Not only can futures prices go up and down with intensity, but even if prices remain static it can be ruinous. Based on central Virginia local basis for current delivery, the following are examples of how storing crops can be expensive, or how it can pay dividends –

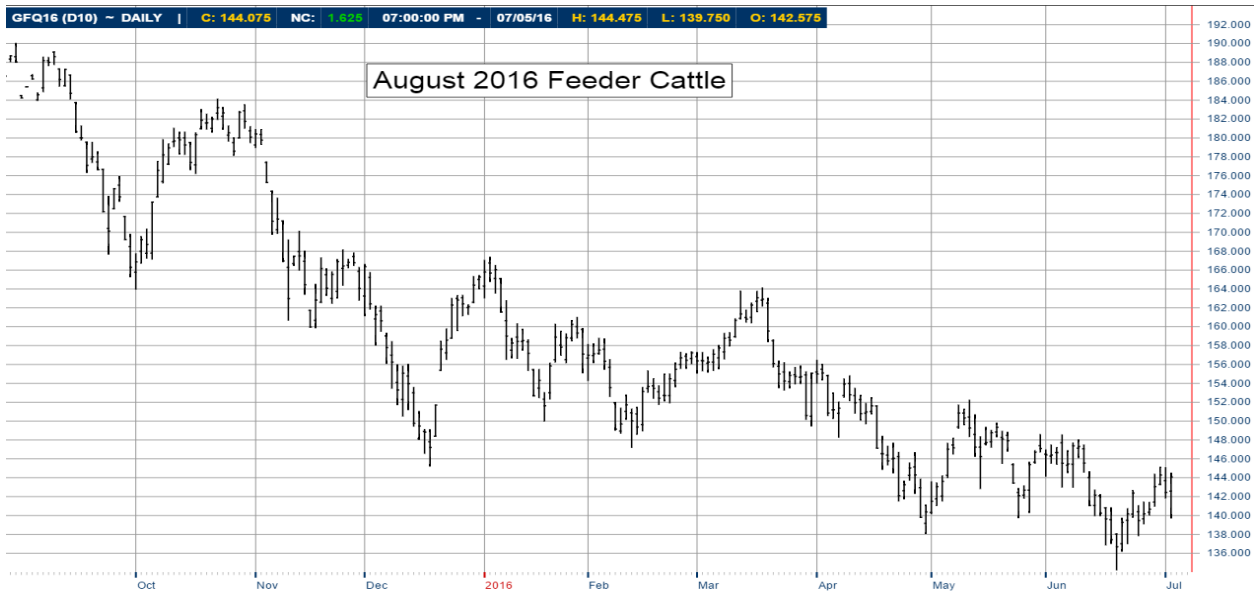
- Corn
 - Old crop held until new crop harvest – loss of \$.36/bushel.
 - New crop stored for December delivery – profit of \$.21/bushel.
- Soybeans
 - Old crop held until new crop harvest – loss of \$.54/bushel.
 - New crop stored for March 2017 delivery – loss of \$.55/bushel.
- Wheat
 - New crop held for December delivery - \$.14/bushel profit.

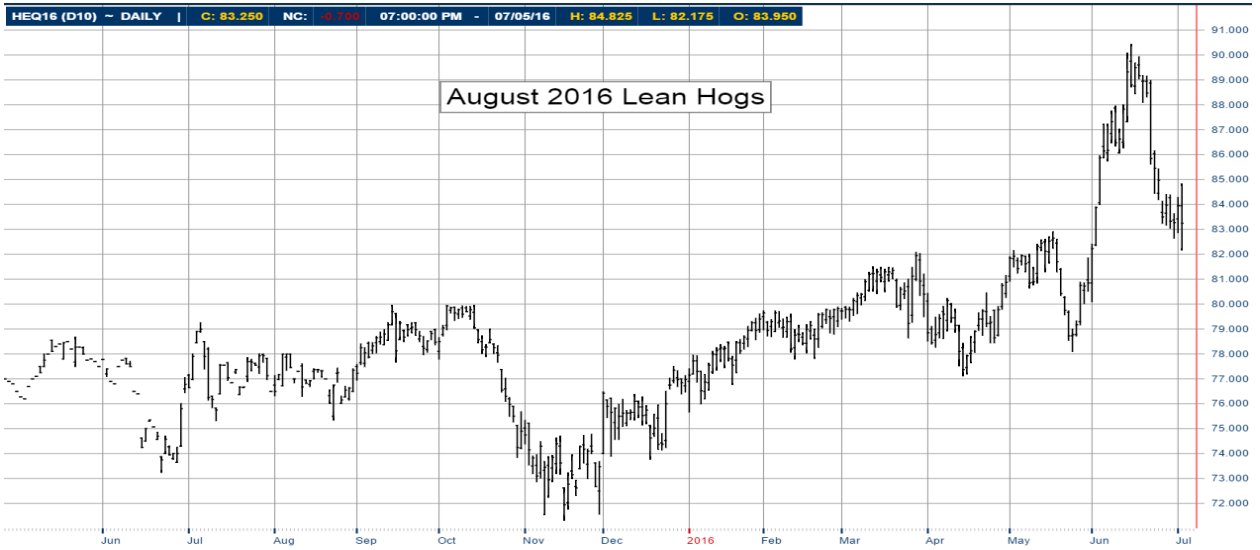
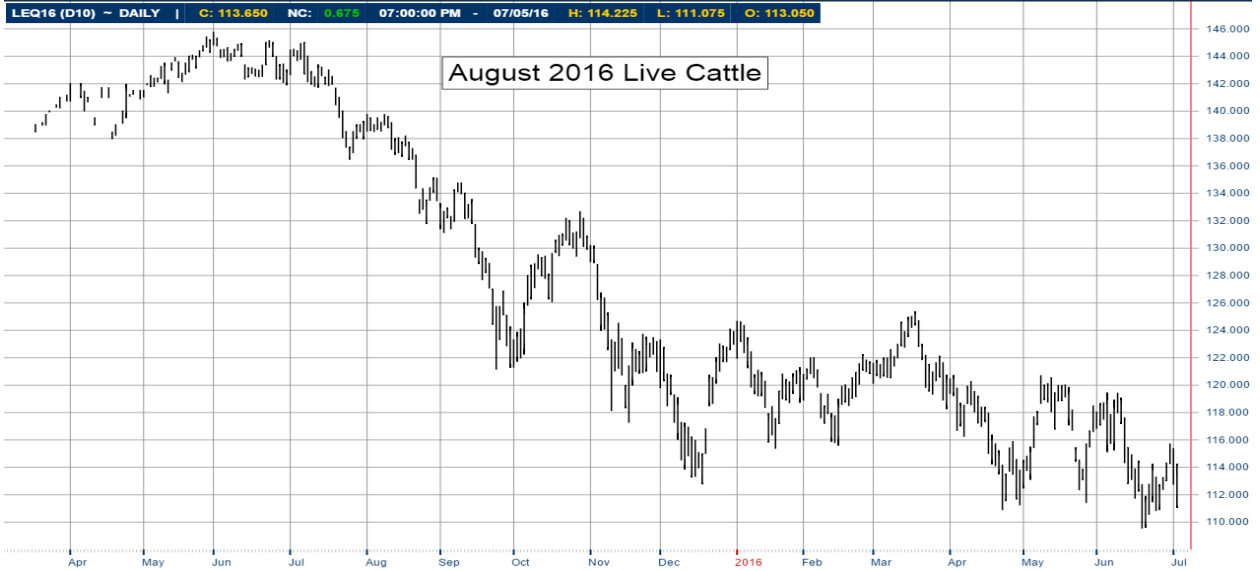
The market is sending marketing signals through price interpretations over time, but they can easily be misunderstood. In the case with corn and wheat, prices are falling between now and harvest in anticipation an influx of supply. The market then pays to store but only because demand is deferred, not because it is improving. With soybeans the demand is strong in the nearby in both cases which indicates relative demand is stronger now than deferred requirements.

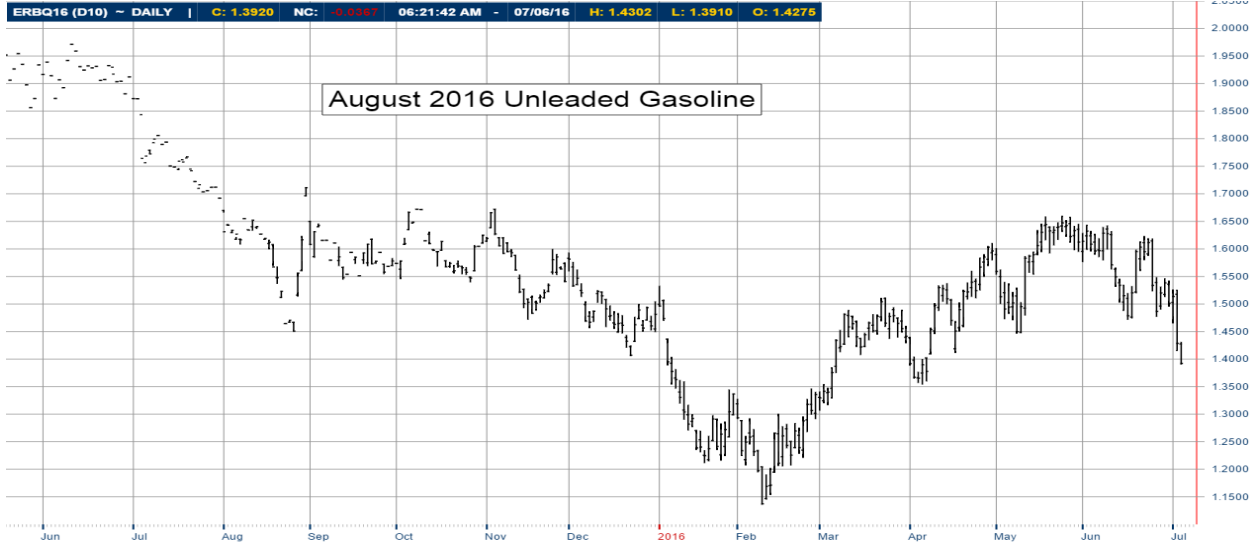
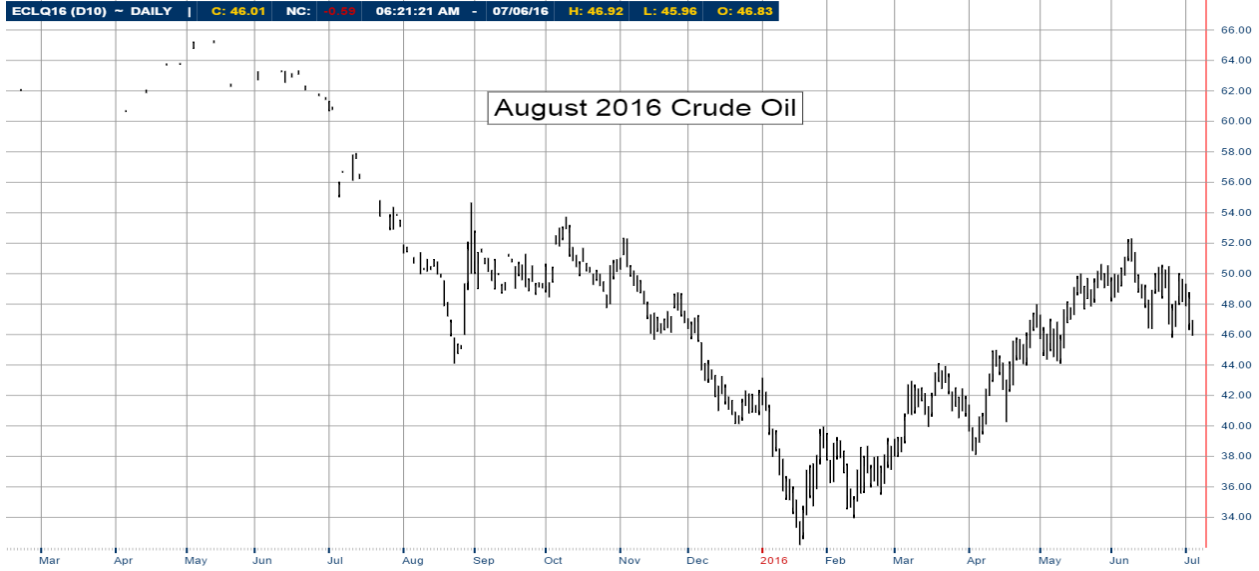
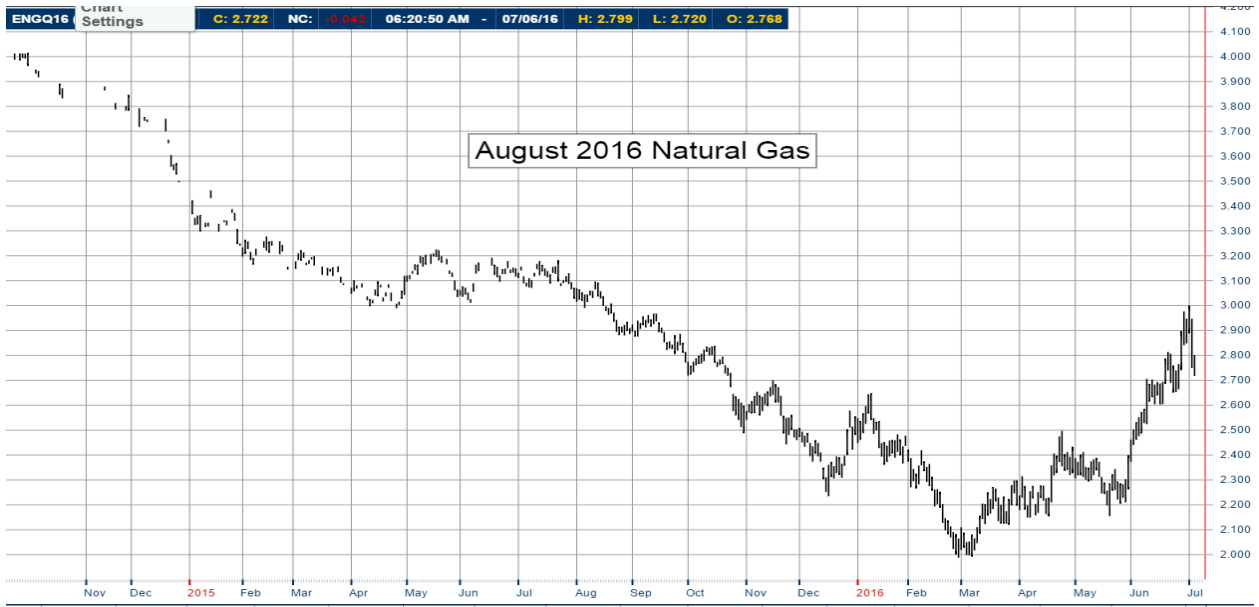
Supply and demand do not change quickly and neither will the above examples show indicative changes over the short term. But, they will begin to exhibit gradual shifts in the profitability of storage which can suggest the continuation or alterations in market directions going forward.

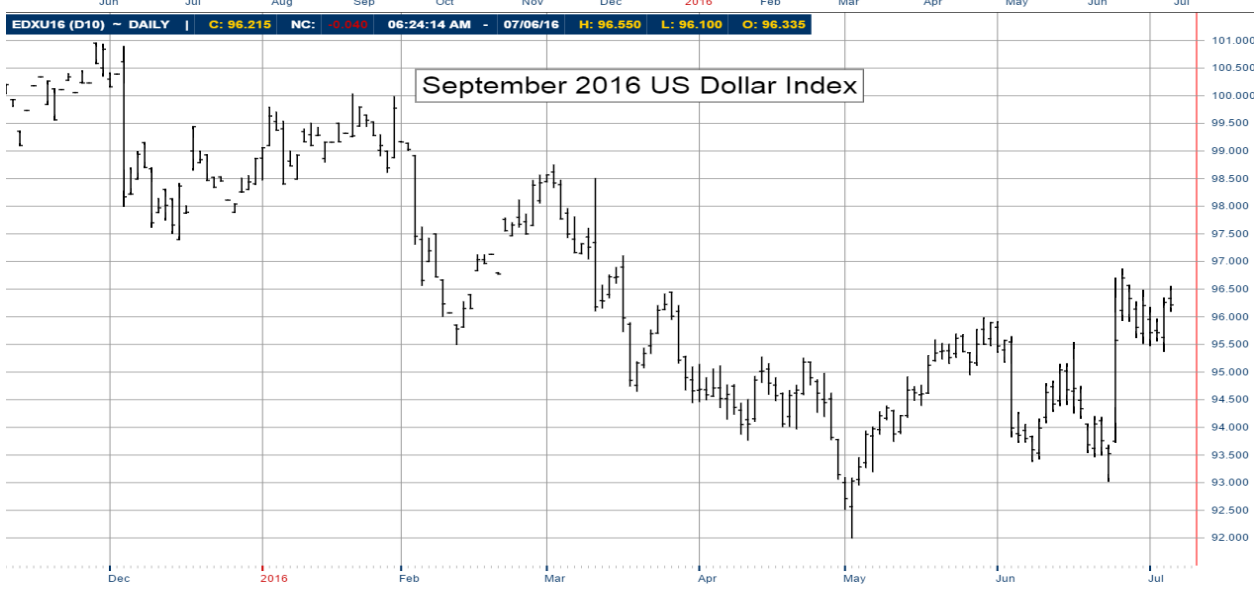
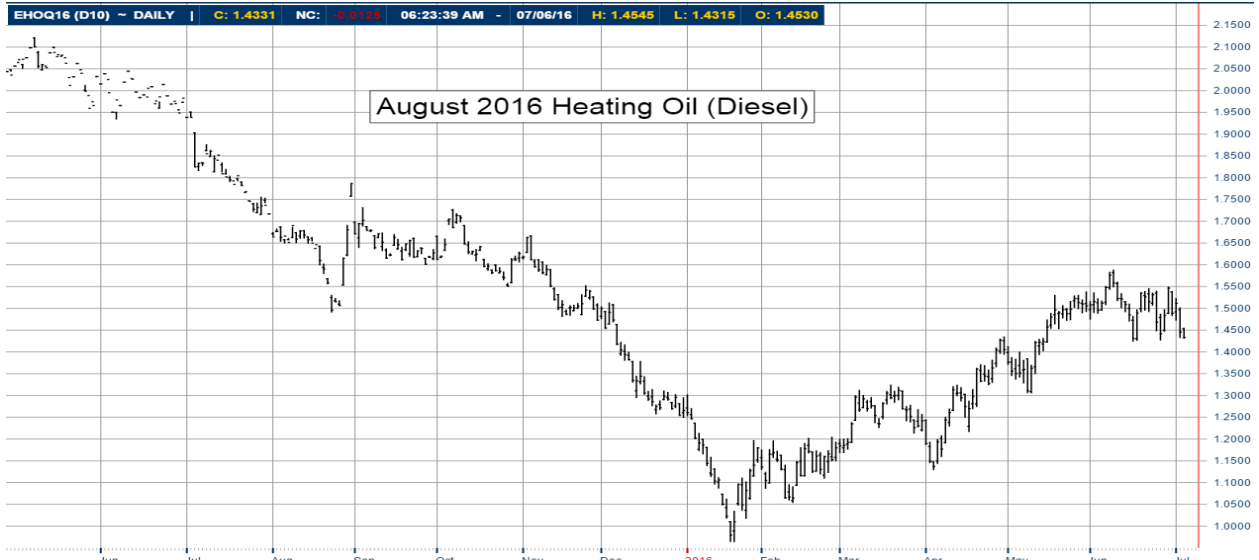
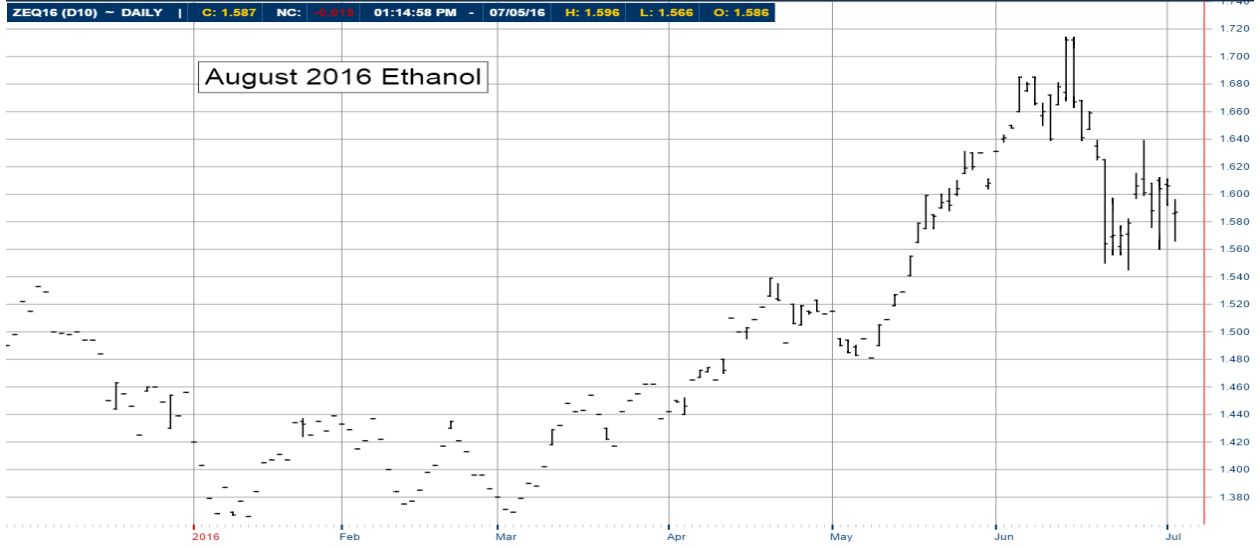
Understanding the efficiencies of storing crops, price and quality-wise, can improve the value of the bins to the grower. All good grain merchandisers are very hesitant to offer market direction advice, but all good grain merchandisers are happy to give cost of storage advice. Virginia Farm Bureau Grain Division is one of them.

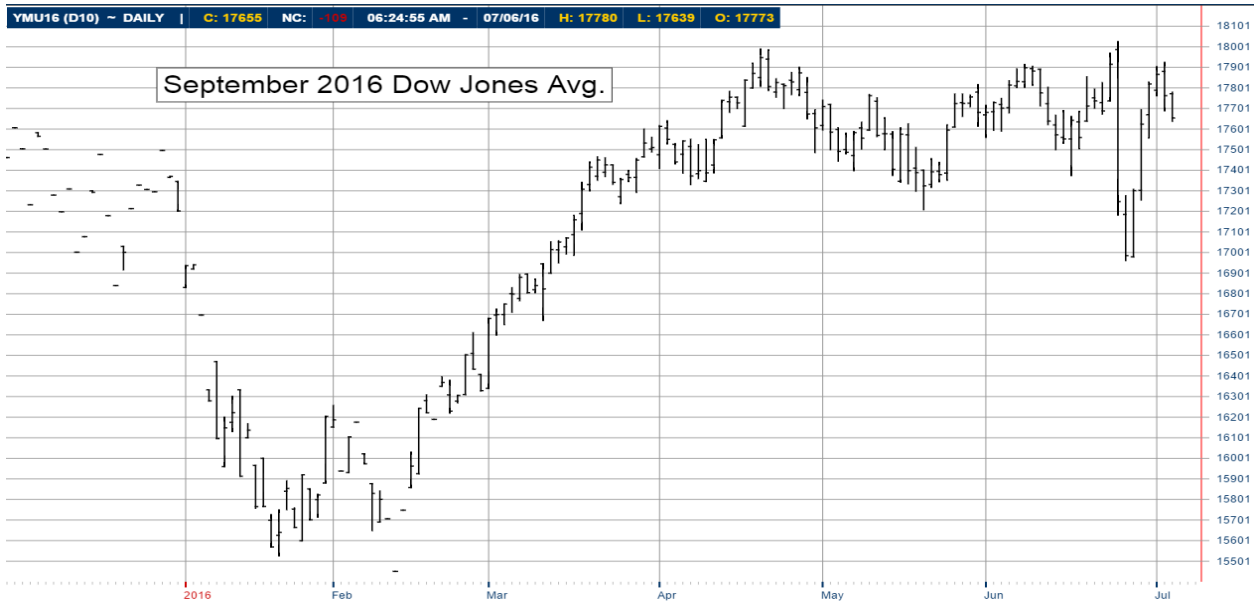












**“Why would I marry you for your money?
There must be easier ways for me
to get my hands on 45 bucks!”**