



Friday, January 19, 2018

Tonight's Futures Closes:

Mar 18 Corn	\$3.525	+1.0	Mar 18 Soybeans	\$9.7725	+4.25	Mar 18 CH Wheat	\$4.2275	-2.5
May 18 Corn	\$3.6075	+1.25	May 18 Soybeans	\$9.885	+4.25	July 18 CH Wheat	\$4.4875	-2.5
July 18 Corn	\$3.69	+1.25	Jul 18 Soybeans	\$9.9825	+4.25	Mar 18 KC Wheat	\$4.275	-2.0
Sep 18 Corn	\$3.765	+1.25	Aug 18 Soybeans	\$10.0025	+3.5	July 18 KC Wheat	\$4.58	-1.25
Dec 18 Corn	\$3.8575	+0.75	Nov 18 Soybeans	\$9.96	+1.75	Mar 18 MN Wheat	\$6.085	-2.0
Mar 18 Oats	\$2.58	-1.75	Jan 18 Rapeseed	\$496.0	+3.5	Sep 18 MN Wheat	\$6.2175	-3.25
Mar 18 Meal	\$331.6	+3.2	Mar 18 Cotton	\$83.42	+0.79	Mar Dollar Index	90.370	+0.073
Mar 18 SB Oil	\$32.28	+0.05	May 18 Cotton	\$83.79	+0.80	Feb Crude Oil	\$63.31	-0.58
Feb 17 Cattle	121.900	-0.050	Dec 18 Cotton	\$75.75	+0.47	Feb Gold	\$1338.0	+6.0
Mar 18 Feeder	145.600	-1.575	Jan 18 Rice	\$1220.5	+6.0	Mar S&P	2811.00	+14.80
Feb 17 Hogs	72.075	-0.975	Nov 18 Rice	\$1167.0	+3.0	Mar Dow Jones	26046	+105

(Futures contracts highlighted in green were the bull leaders today; futures prices highlighted in red were the bear leaders today.)

We're traveling home from Jamaica today, and even though it's been a short trading week, it's been a mostly positive week for the row crop markets. Corn & soybean sales last week were surprisingly large, with "unknown" the biggest corn buyer. Could that be China? Cotton also continued to run at a very strong pace, with year-to-date sales still running nearly 30% ahead of last year. For all crops, the recent slide in the US dollar was much needed, and has to be



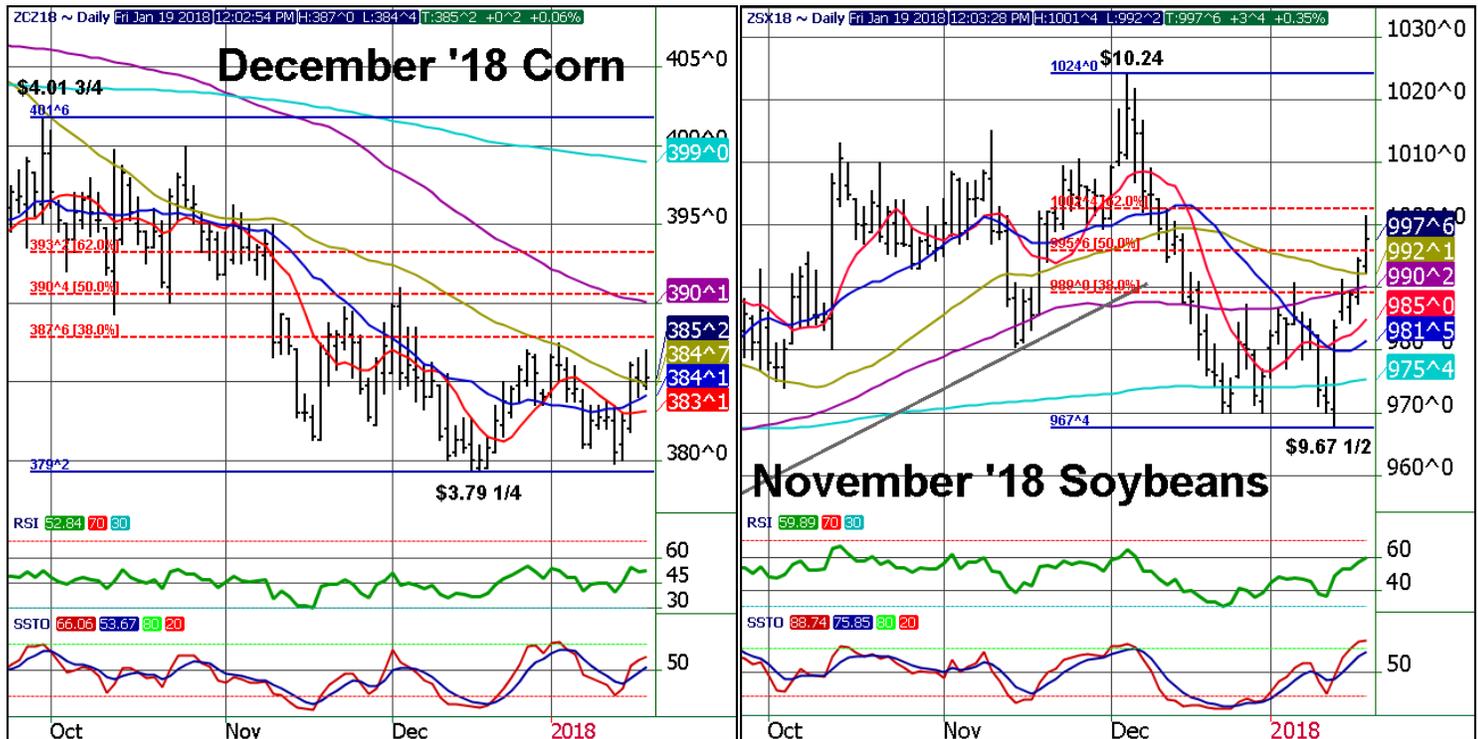
helping the US get more competitive with South America for both corn & soybeans, and keep us competitive in the Southeast Asia market for cotton.

At right are weekly charts for cotton & corn. The cotton market continues to look "overbought", and though we posted a gain on the weekly chart, this week's high did not exceed last week's. Though corn continues to be range-bound, it did (barely) post its highest weekly close since October. Reason for optimism?



Nearby futures changes for this 4-day trading week were:

Corn	up 6 ¼ cents	Cotton	up 1.74 cents
Soybeans	up 33 ¼ cents	Rice	up 62.5 pts
CHI Wheat	up 2 ¼ cents	Live Cattle	up \$4.525
KC Wheat	up 1 ¼ cents	Feeder Cattle	up \$3.600
MIN Wheat	down 4 ¼ cents	Lean Hogs	up \$0.500



In this month's **Revenue Management Update**, and again in yesterday's **Third Thursday Marketing Meeting**, I suggested a few strategies you could consider to manage price risk for corn, soybeans, & cotton. Here are some updated values this afternoon.

Corn – I've suggested buying call options – "courage calls" – when the market was low/oversold, with anticipation of making sales later when/if the market moved higher. Last Friday's suggestion was buying September corn \$4.20 call options at 8 cents (expire in late August), then starting to hedge **December corn** at \$3.95, just below the 200-day moving average (light blue line). That level is roughly 50 cents above where December corn averaged in October the last two years. If December corn trades lower you're only out the cost of the call. If corn trade's higher, if September corn trades above \$4.20, then the options will be making money. Today, the cost of those options has bumped to 9 cents – still buyable, and December corn is still above a dime below the \$3.95 target.

Soybeans – Last week I suggested a) hedging **November soybeans** above \$9.90, &/or b) buying November \$9.60 puts and selling November \$10.60 puts at a spread of 10 cents, providing a November futures floor of \$9.50 and a ceiling of \$10.50. Tonight, that option spread is at zero cents, which would now give a futures floor of \$9.60 and a ceiling of \$10.60. If the Brazilian crop ends up as large as expected, and the US plants 91+ million acres of soybeans this spring as expected, a \$9.60 floor could look good come fall.

Cotton – In Friday's newsletter I suggested, for those not ready to hedge **December cotton**, to consider buying 74 cent puts and selling 80 cent calls at a net cost of 1 cent. That would provide a futures floor at 73 cents and a ceiling of 79 cents. Like soybeans, if acres are expected to be larger this year after a big stocks increase this year, having a floor in the mid-70s could be a good deal. This afternoon, that same option spread would cost less than 0.7 cents, thus bumping both the floor and ceiling about 0.3 cent.

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