

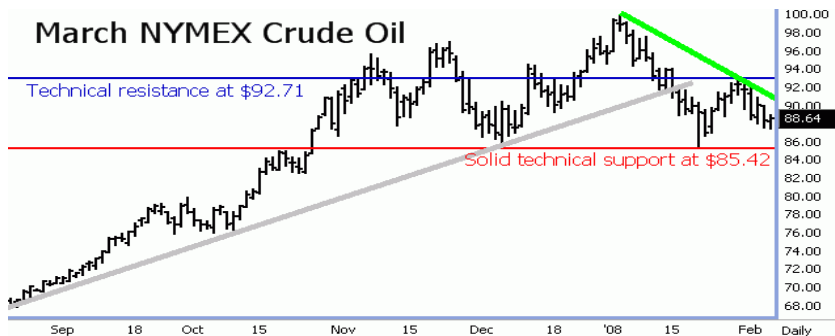
CROP MARKETING STRATEGIES

Booking 2008 Fuel Strategies

Early January brought \$100 per barrel crude oil price on the nearby February NYMEX crude oil contract. The media announced this all time record price to the world, and warned to expect even higher fuel prices in the future. However, the high was a one-day event, setting the stage this winter for getting some 2008 fuel needs met for farming operations.

Fundamentals and Technicals: Crude oil prices actually declined in January amid worries of lessening demand for energy due to a U.S. economic slowdown. A pending U.S. recession could also threaten economic growth worldwide. The March NYMEX futures contract featured below reflects the lower price trend on the daily bar chart. The bulls in the crude oil market are fading, and a price close below solid chart support at \$92.71 provides the bears with better downside near-term technical momentum.

A push and close below solid technical support at the January low of \$85.42 would be a significantly bearish clue to suggest still more downside price pressure to come and to better suggest that a market top is in. Commodity market traders should keep a close eye on the crude oil futures market. This technical support level could be a good price objective if reached again, to consider booking 2008 fuel needs.



Source: www.jimwyckoff.com

Producer Strategy: Booking gasoline and diesel for the 2008 growing season should be a consideration this winter. Historical 10-year price trends indicate that December through February are the best months of the year to book fuel ahead. Last winter, the lower crude oil futures price of the winter was Jan. 18th, just below \$50 per barrel, a level not anticipated to be seen in the near future.

Producers are encouraged to contact their energy supplier soon and inquire into booking a portion of all of their 2008 fuel needs. Local prices for farm diesel fuel below \$3 per gallon were rumored in January, and prices should be expected to trend lower into February. If prices move higher, at least have offers in place so that a portion of the fuel gets purchased.

Conclusions: Higher crop input costs for corn and soybeans in 2008 are common. However, fuel costs can be booked in advanced as a risk management strategy and a cushion against other costs. While there is no guarantee that

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winter will be the lower fuel prices of 2008, it could provide the opportunity to avoid price spikes brought on OPEC production decisions, global terror or gulf coast hurricanes that occur.

A move higher in the March crude oil futures back above solid resistance at the "reaction high" of \$92.71 would provide fresh upside technical momentum, according to Jim Wyckoff, technical market analyst. However, a move lower from this level and signs of a weakening U.S. economy could be a fundamental negative for the crude oil market, due to perceptions of reduced U.S. and global demand.

Importantly, the fact that crude oil prices have been trending lower so far this year should be a warning for all commodity market bulls. If crude oil prices continue their lower price movement, then most other raw commodity futures prices could be on borrowed time. With the U.S. economy weakening and crude oil trending lower, the specter of deflation does arise. Deflation is the archenemy of all commodity market bulls.

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