

Chinese Manufacturing Shrinks Cotton Prices

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Wheat, soybeans, and corn were up and cotton was down for the week. Drought conditions in the southern plains and Russia provided support for wheat prices. Soybean planting may be delayed in the western Corn Belt due to

heavy rain anticipated in Nebraska and Iowa, however this will help corn and soybean acres that are already planted. Rain anticipated in West Texas and a May 22nd report indicating Chinese manufacturing shrank for the first time in seven months provided downward pressure on cotton prices.

Corn:

Weekly exports exceeded expectations with net sales of 17.5 million bushels (4.1 million bushels for the 2012/13 marketing year and 13.4 million bushels for the 2013/14 year). Ethanol production increased 18,000 barrels per day to 875,000 barrels per day. Ethanol ending stocks shrank to 16.2 million barrels from 16.4 million barrels. Overall year to date ethanol production is 5 percent lower than the previous year.

Corn planted reported May 20th was 71 percent compared to 28 percent last week, 95 percent last year, and a 5-year average of 79 percent. The 43 percent increase in planted acreage was a record for a 7-day period and exceeded expectations. Weather related planting delays are still a concern in Wisconsin and Minnesota, however overall the progress for the past week was remarkable. Corn emerged was 19 percent compared to 5 percent last week, 73 percent last year, and 46 percent for the 5-year average. New crop sales were supported by higher than anticipated export sales. Producers should consider having 35 percent of their crop priced at this point in the season. Any additional rallies in prices should be looked at as an opportunity to increase the level of new crop priced. From a price risk management standpoint, a \$5.70 September Put Option costing 36 cents would establish a \$5.34 futures floor. Important for producers to consider when evaluating Put Options is when corn (or any commodity for that matter) will be available to the market. Delays in planting or maturity of the corn crop can push back harvest dates thus causing producers to have a Put Option month available at a time when the crop is not available. For those producers with access to storage or in areas of the state where planting delays have occurred consideration should be given to purchasing December instead of September Puts. Higher September Futures prices are often attractive but careful consideration should be given to timing. A \$5.40 December Put Option costing 43 cents would establish a \$4.97 futures floor

Soybeans:

Soybean cash prices continue to be very strong as supplies are tight. Weekly exports exceeded expectations, primarily from new crop sales, with net sales of 37.5 million bushels (6.7 million bushels for 2012/13 and 30.8 million bushels for 2013/14). Preliminary reports indicate that the U.S. may import 32 million bushels of soybeans for the current year, primarily from Canada and South America.

Soybean planting estimates as reported May 20th were 24 percent compared to 6 percent last week, 71 percent last year, and a 5-year average of 42 percent. Soybean planting in Tennessee is still 2-weeks behind the 5-year average. Soybeans emerged were 3 percent com-

pared to 32 percent last year and a 5-year average of 14 percent. Having 30 percent of the crop priced at this point should be considered. Downside protection could be achieved by purchasing a \$12.60 November Put Option which would cost 71 cents and set an \$11.89 futures floor.

Cotton:

All cotton weekly export net sales were lower than last week however within expectations at 143,500 running bales (101,700 bales of Upland cotton for 2012/13; 36,400 bales of Upland cotton for 2013/14; and 5,400 running bales of Pima cotton for 2012/13. May 23rd adjusted world price (AWP) decreased 1.28 cents to 71.64 cents. Cotton equities on 2013 loan cotton are in the 24.15 cent range. Cotton will most likely continue to trade between 80 to 88 cents. For now China appears to be content on holding reserves and maintaining purchases; however an unanticipated change in China's cotton policy would have a dramatic impact on price.

Cotton planted reported May 20th was 39 percent this week compared to 23 percent last week, 59 percent last year, and the 5-year average of 52 percent. Tennessee is 13 percent planted compared to 3 percent last week, 72 percent last year and a 5-year average of 40 percent. Cotton planting in the state is still 2-weeks behind the 5-year average. Producers should consider obtaining downside protection on a portion of their new crop production. Locking in profitable price levels when available should be strongly considered. One strategy is purchasing an 84 cent December Put Option costing 5.59 cents and establishing an 78.41 futures floor.

Wheat:

Weekly exports exceeded expectations at net sales of 35 million bushels (8.8 million bushels for 2012/13 and 26.2 million bushels for 2013/14).

Nationally, winter wheat heading as of May 20th was reported at 43 percent compared to 29 percent last week, 80 percent last year, and the 5-year average of 62 percent. Crop condition ratings for winter wheat as reported May 20th were 31 percent good to excellent compared to 32 percent last week and 58 percent last year. Poor to very poor was 41 percent, compared to 39 percent last week and 14 percent last year. Spring wheat planting reported May 20th was at 67 percent compared to 43 percent last week, 98 percent last year, and a 5-year average of 76 percent. Spring wheat emerged reported May 20th was 22 percent compared to 10 percent last week, 82 percent last year, and a 5-year average of 49 percent. Currently producers should consider having 35 percent of the 2013 crop priced. A \$7.00 July Put Option would cost 21 cents and set a \$6.79 futures floor.

Additional Information

Upcoming dates Tennessee farmers should be aware of are: the CRP general sign up (May 20 to June 14) and the Tennessee Agriculture Enhancement Program application period (June 1 to 7). Important crop insurance dates in the next two months are: the June 3rd deadline for choosing ACRE as a revenue-protection plan; and final planting dates for corn – May 20th (late planting period ends June 14), soybeans – June 15th (late planting period ends July 5th), soybean s behind wheat – June 25th (late planting period ending July 15th), and Cotton – May 20th (late planting period ending June 5th). Contact your crop insurance representative if clarification on your current insurance position is required or prior to any changes in planting decisions. Δ

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