

Commodity Prices Continue Slide Since 2012

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Happy New Year! Best wishes for a safe and profitable year. Cotton prices are mixed with corn, soybeans, and wheat prices down for this first week of 2013. Even the somewhat resolution of the fiscal cliff and an almost 4 percent uptick in the Dow this week could not prevent commodity prices from continuing the slide from late 2012. There has been very little bullish news in recent weeks for crop prices and probably some news considered bearish (export cancellations, slow export sales, and still prospects for a large South American crop). This appears to have put grain prices in an oversold position and possibly ripe for a correction depending on the outcome of the January 11 USDA reports (supply & demand, production, and grain stocks). Market disappointment in the reports and the slide could continue as focus could quickly turn to 2013 production prospects. USDA will release their reports at 11:00 a.m. Central time which is a change from the 7:30 a.m. release in place since 1994. University of Tennessee 2013 budgets have been released and can be downloaded in an Excel spreadsheet or PDF format.

Corn:

Nearby: Weekly exports were well below expectations with net sales of 1.9 million bushels for the 2012/13 marketing year. Ethanol production slipped 27,000 barrels per day to 807,000 barrels per day in the latest report. USDA may be inclined to lower demand in these areas in the January 11 report. A few estimates on production for next week's report show a range of 76 million over the December number to 107 million under. More estimates will be coming out in the days before the report.

New Crop: A producer based survey of 2013 acreage from one firm placed corn at 97.75 million acres compared to 96.9 million acres in 2012. This continues the trend of estimates showing higher corn acres for 2013. A bullish January 11 USDA report could pull 2013 prices up slightly and create an opportunity for pricing. A bearish report will continue to put pressure on new crop prices and make spring/summer weather a key marketing factor. I would have 10 percent of 2013 production priced.

Cotton:

Nearby: All cotton weekly export net sales were about expected at 201,000 bales (180,600 bales of Upland cotton net sales for 2012/13; net sales of 3,200 bales of Upland cotton for 2013/14 and net sales of 17,200 bales of Pima cotton for 2012/13). I would be 25 percent – 50 percent priced on cotton. Look for rallies as opportunities to add to pricing.

New Crop: The anticipation that cotton acreage will be cut in 2013 should give support to the market as would any data showing an improved economy. Cotton prices could be the sleeper for 2013 with more possible upside than down.

Soybeans:

Nearby: Weekly exports were slightly above expectations with net sales at 18.2 million bushels (16 million bushels for 2012/13 and 2.2 million bushels for 2013/14). Not reflected in this week's export number but will be in next weeks' are cancellations of 11.6 million bushels to China. Estimates on 2012 production currently range from 2 million bushels less than USDA's December number to 69 million bushels more.

New Crop: A producer based acreage estimate from one firm out this week has 2013 soybeans at 76.84 million acres, lower than 2012's 77.2 million acres. As in corn, weather will be the key as trend line yields at that acreage would produce more than adequate stocks and lower prices. I would note that we are starting 2013 with a large portion of the Midwest in drought conditions. However, we know that timely rains can help overcome a shortage of subsoil moisture. Watch for 2013 opportunities. I would be 5 percent priced on 2013 production.

Wheat:

Nearby: Weekly exports were within expectations at net sales of 14.8 million bushels (14.7 million bushels for 2012/13 and net sales of 77,160 bushels for 2013/14). Prices have become competitive on the world market. We may see an increase interest in export sales.

New Crop: There still remains concern on the winter wheat crop in the Plains. I am currently priced 10 percent on the 2013 crop. Δ

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