

Drop In Wheat Acreage In Plains Could Be Driving Force For Prices

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Prices and comments are reported through Thursday, February 7, 2013. Corn and wheat prices are down while cotton and soybean prices are mixed for the week through Thursday. USDA will release their February 9th report at 11 a.m. Central time on Friday. No major surprises are expected with corn and wheat stocks expected up slightly, soybean stocks expected to tighten slightly, and cotton stocks expected to remain even to slightly tighten. The uncertain numbers may be in world stocks as there is some degree of disagreement on the size of the South America grain and soybean crop. The Congressional Budget Office (CBO) released 2013 crop numbers that they are working with in the budget process. Although the market may not give full credence to these type numbers, there has to be at least some level of observance. Overall, they were bearish to corn and soybeans as the projections using trend line yields estimated stocks growing substantially. Wheat stocks were estimated about stable while cotton acreage was estimated to drop 3 million acres from 2012. Again, these are just working numbers but similar numbers could pop up at the USDA Ag Outlook Forum on February 22.

Corn:

Nearby: Weekly exports were within expectations with net sales of 6.3 million bushels (6.7 million bushels for the 2012/13 marketing year and reductions of 335,000 bushels of net sales for the 2013/14 year). Ethanol production rose 4,000 barrels per day to 774,000 barrels per day in the latest report. Corn for ethanol is on pace to be 75 million bushels less than USDA's January estimate. The average trade analyst guess for the USDA February 9 report is for a slight increase in stocks to 615 million bushels from 602 million bushels. A reduction in exports most likely will be the major change.

New Crop: The new crop market dropped through a mental stop of \$6.00, but I think it still could have another bounce up. A weather premium will need to be kept in the market until we get further along in the spring. The CBO working numbers for 2013 are using 97 million acres planted, a trend yield of 161.5 bushels, ending stocks of 1.852 billion bushels and a Fall price of \$4.51 bushel. All bearish numbers for sure and achievable, but the yield will most likely take ideal growing conditions. However, even a less than trend line yield will still grow stocks. As mentioned before, weather will be the key to prices. Currently, I would have 10 percent of 2013 production priced. Target the \$6.20 - \$6.50 range for additional pricing or for an opportunity to implement an option strategy.

Cotton:

Nearby: All cotton weekly export net sales were within expectations at 143,800 bales (93,600 bales of Upland cotton net sales for 2012/13; net sales of 19,500 bales of Upland cotton for 2013/14 and net sales of 30,700 bales of Pima cotton for 2012/13). I would be

75 percent priced on 2012 cotton. No changes are expected in the latest USDA report, but I would not be surprised if exports are increased and stocks lowered. World stocks will continue to be a damper on prices. I would target 85 - 87 cents to price remaining cotton.

New Crop: The National Cotton Council will release their annual producer acreage survey Saturday morning, February 10th. The CBO 2013 numbers they are working with for cotton indicate 9.25 million acres planted, 8.05 million acres harvested, a yield of 800 pounds per acre, ending stocks of 4.8 million bales and a harvest price of 68 cents. Beginning stocks that they are using are 800,000 bales higher than the January report so at least on these numbers stocks would shrink. Cotton equities on 2013 loan cotton have been in the 23 cent range this week.

Soybeans:

Nearby: Weekly exports were well above expectations with net sales at 61.2 million bushels (32.9 million bushels for 2012/13 and 28.3 million bushels for 2013/14). The average trade guess pegs USDA ending soybean stocks at 129 million bushels from January's 135 million bushels. The South American crop estimates have been all across the board from up to down. We will soon see just what they have produced and how soon they can get it into the world market. The implications of their crop have been that our exports will slow dramatically and not keep the pace they have been on. A valid assumption, but we have yet to see it in weekly sales.

New Crop: The CBO soybean numbers for 2013 are 77 million acres planted, 43.5 bushels per acre yield, 281 million bushels carryover and a harvest price of \$11 per bushel. Like corn, weather or weather forecast will drive prices. I would have up to 10% priced on 2013 production. I would not want to let prices above \$13 get away, but I think there may be an opportunity for additional pricing at higher levels or an opportunity to put in place an option strategy.

Wheat:

Nearby: Weekly exports were at the low end of expectations at net sales of 10.7 million bushels (10.3 million bushels for 2012/13 and 400,000 bushels for 2013/14). The average trade guess for wheat in this month's USDA report is for an increase in stocks from 716 million bushels to 728 million bushels and for world stocks to decrease slightly.

New Crop: The CBO numbers for 2013 wheat estimate 57 million acres planted, yield of 45.5 bushels per acre, ending stocks of 744 million bushels, and an average price of \$7.05 a bushel. This estimate does not appear to take into account the potential for high abandonment of acres in the Plains states. That issue could be a driving force for prices this spring. I am currently priced 10 percent on the 2013 crop and would consider targeting the \$8.30 - \$8.50 range for pricing opportunities. Δ

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