

Exports Bolster Cotton, Grain Prices Last Week

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Corn, cotton, soybeans, and wheat prices are all up for the week. An up week on prices was capped with good export numbers. At times, South American weather has been supportive of prices. Even then a record crop of grains is expected and should be competitive with U.S. exports later in the year. One private firm updated their acreage projections for 2013 and is looking for 99 million acres of corn, 79 million acres of soybeans, and 10.1 million acres of cotton. Corn and soybeans would be up from 2012 while cotton would be down. USDA will release their Planting Intentions report on March 28.

Corn:

Nearby: Weekly exports for a change were well above expectations with net sales of 15.5 million bushels for the 2012/13 marketing year. Some of these sales may have been trying to get in front of the January 11 USDA reports. It will take more than one week to determine whether exports have turned up. Ethanol production dropped 42,000 barrels per day to 784,000 barrels per day in the latest report. It was announced this week that 2 ethanol plants in Nebraska would be idled and that a feedlot in Texas would be closed due to low cattle numbers.

New Crop: New crop prices have been pulled up by old crop. Prices are expected to eventually trend down under the weight of large acreage and for now expected trend line yields. There is enough concern on U.S. growing conditions that at least for a while; a weather premium will be built in the market. I would have 10 percent of 2013 production priced. Target the \$6.20 - \$6.50 range for additional pricing but if prices start to drop back below \$6.00, also be ready to price part of the crop.

Cotton:

Nearby: All cotton weekly export net sales were again strong at 372,400 bales (339,000 bales of Upland cotton net sales for 2012/13; net sales of 4,700 bales of Upland cotton for 2013/14 and net sales of 28,700 bales of Pima cotton for 2012/13). The effects of China's cotton policy will keep the cotton market somewhat uncertain. For now, it appears mills in China would prefer to import lower priced higher quality cotton than buy out of the Chinese massive cotton reserve. Import quotas have not officially been announced. I would be 25 percent - 50 percent priced on cotton. Continued strength in

the market will need to be rewarded with pricing. I would add to pricing as prices approach 80 cents. The nearby market may be headed to the low to mid 80s, but be watchful that storage costs don't offset the increased value.

New Crop: The Chinese economy reportedly grew at a 7.9 percent clip, slightly higher than expected. Cotton is one crop that benefits from an improving U.S. and global economy. Demand, mainly through exports does seem to be picking up or staying strong and could necessitate USDA increasing usage in future reports. A combination of reduced supplies (lower acres) and increased demand could be in store for 2013. However, it may not be until 2014 before it is evident. New crop cotton in the low to mid 80 cent range should be considered for pricing opportunities.

Soybeans:

Nearby: Weekly exports were well above expectations with net sales at 65.7 million bushels (a marketing year high of 59.1 million bushels for 2012/13 and 6.6 million bushels for 2013/14). As in corn, some of these sales could have been positioning ahead of the January 11 report but it does continue strong sales. Chinese crush margins have improved and that has been a contributing factor to exports to China. It is anticipated that sales will slow once the South American crop hits the global marketplace later in the year. A strong December crush report from the National Oilseed Processors Association added support to USDA's increase in crush in the January 11 report. Crush is running up 10 percent from last year while USDA is projecting an overall 6 percent decline. Tight soybean supplies could force a slowdown in crush and create a stronger cash basis.

New Crop: I would be 5 percent priced on 2013 production, but watching closely. Consider targeting the \$13- \$13.25 range as an opportunity for pricing.

Wheat:

Nearby: Weekly exports were about expected at net sales of 21.1 million bushels (19.7 million bushels for 2012/13 and 1.4 million bushels for 2013/14).

New Crop: Projections for wheat weather remain supportive of the market. 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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