

Futures Contracts Are Main Beneficiaries Of Brazilian Weather

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Corn, cotton and soybean prices are up while wheat prices are down for the week. Weather and how it will affect South American grain production has been supportive of the corn and soybean markets this week. There has been some concern whether the weather may delay Brazil's harvest and just when they would have exportable quantities available. The nearby futures contracts have been the main beneficiaries of these concerns but there has been some spillover to the new crop months. This could be providing opportunities for the 2013 crop. USDA will release their monthly reports on February 8.

Corn:

Nearby: Weekly exports were within expectations with net sales of 10 million bushels (7.4 million bushels for the 2012/13 marketing year and 2.6 million bushels of net sales for the 2013/14 year). Ethanol production dropped 22,000 barrels per day to 770,000 barrels per day in the latest report. Unless improvement is seen, USDA may lower both exports and corn for ethanol in future reports and may do so next Friday. A private estimate puts Brazil's and Argentina's corn production at 146 million bushels lower than USDA's January estimate.

New Crop: At current price levels for 2013 production, corn holds an economic advantage over soybeans considering average yields. This is leading to estimates for an acreage increase this year. It is doubtful that demand will rebound enough to use any of the excessive stocks generated from reasonable weather. This is much the same outlook we saw in 2012 where without the drought reduced yields, prices were headed lower. The same could be said for 2013 with even a possibility of a greater decline due to reduced demand and higher acres. Weather or weather outlook will be the market mover this spring and summer. I would look to be priced 25% by the end of March. Currently, I would have 10% 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 again slowed but were above expectations at 158,400 bales (131,300 bales of Upland cotton

net sales for 2012/13; net sales of 5,500 bales of Upland cotton for 2013/14 and net sales of 21,600 bales of Pima cotton for 2012/13). It is expected that USDA will increase exports in the February 8 report, maybe as much as 400,000 bales. This would be seen as favorable to prices, but prices will also depend on projections of global stocks. I would be 75% priced on 2012 cotton. I would target 85 - 87 cents to price remaining cotton.

New Crop: New crop cotton pushed through the 80 cent range this week. Reports from China indicate that Chinese cotton acreage in 2013 will be reduced 4.5%. The National Cotton Council will release their acreage survey results on February 9th. Acreage is anticipated to be down in 2013 and coupled with increasing demand has been supportive of prices.

Prices are closing the week around the 22 cent per pound equity mark on 2013 loan cotton.

Soybeans:

Nearby: Weekly exports were again above expectations with net sales at 46 million bushels (14.2 million bushels for 2012/13 and 31.8 million bushels for 2013/14). Strong sales again during the week have been reported. Dry weather in Argentina and potential shipping delays for soybeans in Brazil have been supportive of prices. Prices today backed off their highs after one private estimate for South America has soybean production 73 million bushels higher than USDA's last estimate.

New Crop: I would add another 5% of pricing and have up to 10% priced on 2013 production.

Wheat:

Nearby: Weekly exports were within expectations at net sales of 14.3 million bushels (10.8 million bushels for 2012/13 and 3.5 million bushels for 2013/14). Strong competition for exports is coming from India where they are stepping up their export program.

New Crop: Poor conditions in the Plains states continue to be supportive of prices and have helped somewhat offset demand (export) concerns. Price may move sideways until the U.S. production picture is clear. I am currently priced 10% on the 2013 crop and would consider targeting the \$8.30 - \$8.50 range for pricing opportunities. Δ

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