

Grain Stocks Overall Neutral To Bullish

DR. AARON SMITH

KNOXVILLE, TENN.



Wheat and cotton were down; soybeans and corn were mixed for the week. On Friday June 28 the USDA released Acreage and Grain Stocks reports. Total U.S. principle crop acres decreased 0.7 percent from 2012 to 325.6 million acres.

Corn planted increased 0.1 percent from USDA March estimates to a record 97.4 million acres. Initial harvested acreage projections were 89.1 million acres. In Tennessee corn planted was 950,000 acres down 90,000 from 2012. Soybean acres planted increased 0.8 percent from USDA March estimates to 77.7 million acres. Initial harvested acreage projections were 76.9 million acres. In Tennessee soybean acres planted were 1.36 million acres up 100,000 from 2012. Cotton planted increased 2.1 percent from USDA March estimates to 10 million acres. In Tennessee cotton planted was 260,000 acres down 120,000 from 2012. Estimated 2013 U.S. cotton acres planted are down more than 2 million acres compared to 2012. Wheat planted increased 0.2 percent from USDA March estimates to 56.5 million acres. Initial harvested acreage projections were 45.7 million acres. Winter wheat harvested acres were estimated at 32.3 million down 1.3 percent from March and 7.4 percent from 2012. Estimated winter wheat yield in the US was 46.1 bu/acre. In Tennessee wheat acres were estimated at 560,000 up 140,000 from 2012. Harvested acres were projected at 490,000. The Grain Stocks report indicated 2.7 billion bushels of corn, 0.72 billion bushels of wheat, and 0.43 billion bushels of soybeans. Estimated stocks for all three commodities were lower than trade expectations and below 2012 estimates. Overall the Grain stocks report should be considered neutral to bullish, however the acreage report was bearish and had the predominant impact on the markets Friday. A complete analysis of both reports will be posted Monday.

Corn

Weekly exports were above expectations with net sales of 19.3 million bushels (13.2 million bushels for the 2012/13 marketing year and 6.1 million bushels for the 2013/14 year). Exports were 6 million bushels. Last week ethanol production increased 12,000 barrels per day to 885,000 barrels per day. June 21st ending ethanol stocks decreased to 16.29 million barrels from 16.45 million. Jul/Sep and Jul/Dec future spreads were -132 cents and -168 cents, respectively.

Crop progress report released June 24th reported corn emerged at 96 percent compared to 92 percent last week, 100 percent last year, and 99 percent for the 5-year average. Corn condition was reported as 65 percent good to excellent compared to 64 percent last week and 56 percent last year; 8 percent poor to very poor the same as last week and 14 percent last year. In Tennessee corn silking or beyond was reported at 6 percent (5-year average 31 percent) and corn condition was 78 percent good to excellent and 5 percent poor to very poor. Producers should consider having at least 40 percent of their crop priced at this point and look for any rallies as an opportunity to price additional production. If the USDA acreage report is accurate and yields are 156+ bu/acre harvest prices will drop substantially. From a price risk management standpoint a \$5.50 September Put Option costing 27 cents would establish a \$5.23 futures floor or a \$5.20 December Put Option costing 40 cents would establish a \$4.80 futures floor.

Soybeans

Weekly exports were within expectations with net sales of 17.1 million bushels (0.5 million

bushels for 2012/13 and 16.6 million bushels for 2013/14). Exports were 8.2 million bushels. Jul/Nov future spread was -\$3.12.

Soybean planting was reported June 24th at 92 percent compared to 85 percent last week, 99 percent last year, and a 5-year average of 95 percent. Soybeans emerged were 81 percent compared to 66 percent last week, 98 percent last year, and a 5-year average of 89 percent. Soybean condition was reported as: 65 percent good to excellent compared to 64 percent last week and 53 percent last year; and 7 percent poor to very poor compared to 6 percent last week and 15 percent last year. In Tennessee soybeans planted was reported at 73 percent (5-year average 89 percent), soybeans emerged were 54 percent (5-year average 74 percent), and crop condition was 81 percent good to excellent and 4 percent poor to very poor. Having 40 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 63 cents and set an \$11.97 futures floor.

Cotton

All cotton weekly export net sales were less than half of last week's sales at 74,700 running bales (57,000 bales of Upland cotton for 2012/13; 7,100 bales of Upland cotton for 2013/14; and 10,600 running bales of Pima cotton for 2012/13. Exports were 130,500 bales of upland cotton and 18,800 of Pima. June 27th adjusted world price (AWP) decreased 3.6 cents to 70.68 cents. Jul/Dec future spread was 1.3 cents.

Cotton squaring was reported at 23 percent this week compared to 10 percent last week, 34 percent last year, and a 5-year average of 29 percent. Cotton condition was: 43 percent good to excellent compared to 42 percent last week and 50 percent last year; 23 percent poor to very poor compared to 19 percent last week and 16 percent last year. In Tennessee cotton squaring was reported at 15 percent compared to 44 percent last year and a 5-year average of 31 percent and cotton condition was reported as 65 percent good to excellent and 7 percent poor to very poor. Purchasing an 85 cent December Put Option costing 5.14 cents would establish a 79.86 futures floor.

Wheat

Weekly exports were above expectations with net sales of 26.9 million bushels for 2013/14 marketing year. Exports were 17.6 million bushels. Jul/Sep future spread was 9 cents.

Winter wheat heading as of June 24th was reported at 95 percent compared to 89 percent last week, 97 percent last year, and a 5-year average of 95 percent. Winter wheat harvest was reported at 20 percent compared to 11 percent last week, 63 percent last year, and a 5-year average of 37 percent. Crop condition ratings for winter wheat were: 32 percent good to excellent compared to 31 percent last week and 54 percent last year; 43 percent poor to very poor compared to 43 percent last week and 17 percent last year. In Tennessee winter wheat was reported as: 91 percent ripe compared to a 5-year average 97 percent and 41 percent harvested compared to a 5-year average 75 percent. Spring wheat planted was reported as: 96 percent compared to 92 percent last week, 100 percent last year, and a 5-year average of 99 percent. Spring wheat emerged was 90 percent compared to 84 percent last week, 100 percent last year, and a 5-year average of 97 percent. Spring wheat condition was reported as: 70 percent good to excellent compared to 68 percent last week and 77 percent last year; 5 percent poor to very poor compared to 5 percent last week and 4 percent last year. A \$6.60 September Put Option would cost 25 cents and set a \$6.35 futures floor. Δ

DR. AARON SMITH: Assistant Professor, Crop Marketing Specialist, University of Tennessee