

Markets React To Drier Weather Conditions



DR. AARON SMITH

KNOXVILLE, TENN.

Soybeans and wheat were up, cotton was down, and corn was mixed for the week. This week markets reacted to weather concerns as drier forecasts for much of the Corn Belt created market volatility. Later in the week forecasts where modified slightly to include more precipitation causing the markets to give back some of the early week gains in soybeans and corn. Weather will be watched closely over the long weekend and forecasts on Monday will be closely monitored by traders when the markets reopen. There is the potential for a significant early week move depending how forecasts materialize. Corn harvest has commenced in some areas of the state with initial yields being reported significantly above the 146 bu/acre projected by the August 12th USDA Crop Production Report. Whether Tennessee corn yields average out close to the 146 bu/acre level remains to be seen. The 2012/13 marketing year for corn and soybeans conclude at the end of August, for the new marketing year soybean export sales are already in excess of 724 million bushels or above 50 percent of the total projected exports for the 2013/14 marketing year. The strong new crop soybean sales have rallied prices substantially. November Soybeans were above \$14.00 briefly on August 27th. Currently, November Futures are above \$13.50/bu, this represents an excellent opportunity to price additional soybean production as three weeks ago prices were sub \$12.00/bu. Soybean prices may go higher however I see more downside risk than upside potential at this time. Additionally, locking in prices at significantly above breakeven levels versus waiting for a market peak that may or may not materialize is strongly advisable given the volatility seen in the soybean market. Hopefully those cotton producers with current year production left un-priced took advantage of the 90 cent plus price levels of early last week and 2-weeks ago as it appears that cotton has settled back into the 80-88 cent trading range reminiscent of the last 6 months. Cotton prices face significant downward long term price risk given the amount of cotton stocks held in China. Chinese policy is not anticipated to change until the 2014/15 marketing year but the resolution of Chinese stock levels will continue to weigh heavily on the market. Wheat prices gained some support from reduced forecasted production of 25.7 million bushels from Brazil due to frost damage to crops in the south. This support in wheat prices was partly offset by higher anticipated yields in Eastern Europe. Lower Black Sea wheat prices continue to adversely affect North American wheat export sales.

Corn

Weekly export net sales were within expectations for old crop and exceeded expectations for new crop with net sales of 27.1 million bushels (0.6 million bushels for 2012/13 marketing year and 26.5 million bushels in net sales for the 2013/14 year). Exports were 13 million bushels. Last week ethanol production decreased 24,000 barrels per day to 820,000 barrels per day. August 23rd ending ethanol stocks decreased to 16.25 million barrels from 16.5 million barrels. Sep/Dec future contract spread was -13 cents.

USDA crop progress report released August 26th reported corn dough or beyond at 70 percent compared to 52 percent last week, 94 percent last year, and 79 percent for a 5-year average. Corn dented or beyond was reported as 23 percent compared to 11 percent last week, 73 percent last year, and a 5-year average of 45 percent. Corn condition was reported as 59 percent good to excellent compared to 61 percent last week and 22 percent last year; 14 percent poor to very poor compared to 13 percent last week and 52 percent last year. In Tennessee,

corn dough or beyond was 95 percent (5-year average 98 percent); corn dent or beyond was 79 percent (5-year average 89 percent); corn mature was 6 percent (5-year average 40 percent); corn silage harvested was 41 percent this week (5-year average 68 percent); and corn condition was 87 percent good to excellent and 2 percent poor to very poor. Downside price protection could be obtained by purchasing a \$4.85 December Put Option costing 28 cents establishing a \$4.57 futures floor.

Soybeans

Weekly export net sales were within expectations with net sales of 31.8 million bushels (net sales reductions of 0.1 million bushels for 2012/13 and net sales of 31.9 million bushels in sales for 2013/14). Exports were 2.8 million bushels. Sep/Nov future spread was -67 cents.

Nationally, soybeans blooming were reported August 26th at 96 percent compared to 92 percent last week, 99 percent last year, and a 5-year average of 98 percent. Soybeans setting pods were reported at 84 percent compared to 72 percent last week, 95 percent last year, and a 5-year average of 90 percent. Soybean condition was reported as: 58 percent good to excellent compared to 62 percent last week and 30 percent last year; 13 percent poor to very poor compared to 10 percent last week and 38 percent last year. In Tennessee, soybeans blooming were 91 percent (5-year average 99 percent), soybeans setting pods were 77 percent (5-year average 91 percent) and crop condition was 83 percent good to excellent and 5 percent poor to very poor. Downside price protection could be achieved by purchasing a \$13.60 November Put Option which would cost 57 cents and set a \$13.03 futures floor.

Cotton

All cotton weekly export net sales decreased from last week with sales of 81,200 bales (68,800 bales of Upland cotton for 2013/14; 2,200 bales of Upland cotton for 2014/15; and 10,800 bales of Pima cotton for 2013/14). Exports were 189,200 bales of Upland cotton and 11,800 of Pima. August 29th adjusted world price (AWP) decreased 4.52 cents to 68.76 cents. Oct/Dec future spread was -0.21 cents.

Nationally, cotton setting bolls was reported at 90 percent compared to 85 percent last week, 96 percent last year, and a 5-year average of 93 percent; cotton opening bolls was reported at 10 percent compared to 8 percent last week, 23 percent last year, and 20 percent for the 5-year average. Cotton condition was: 47 percent good to excellent compared to 46 percent last week and 43 percent last year; 20 percent poor to very poor compared to 23 percent last week, and 28 percent last year. In Tennessee, cotton setting bolls was 90 percent compared to 83 percent last week, 99 percent last year, and a 5-year average of 99 percent; cotton bolls opening was 1 percent compared to 33 percent last year and a 5-year average of 18 percent; and cotton condition was reported as 71 percent good to excellent and 8 percent poor to very poor. Downside price protection could be obtained by purchasing an 84 cent December Put Option costing 4.1 cents establishing a 79.9 cent futures floor.

Wheat

Weekly exports were within expectations with net sales of 20.3 million bushels for 2013/14 marketing year. Exports were 30.3 million bushels. Sep/Dec future spread was 11 cents.

Nationally, spring wheat harvest was 42 percent compared to 18 percent last week, 87 percent last year, and a 5-year average of 54 percent. Spring wheat condition was reported as: 67 percent good to excellent compared to 66 percent last week; 7 percent poor to very poor the same as last week. Downside price protection could be obtained by purchasing a \$6.55 December Put Option costing 28 cents and establishing a \$6.27 futures floor. Δ

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



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