

# Reports Bullish For Corn, Wheat

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Corn and wheat prices are up with cotton and soybean prices mixed for the week. USDA's release of their monthly Supply & Demand report, Quarterly Grain Stocks report, Crop Production Summary, and Winter Wheat Seedings certainly provided the market with a wealth of information here at the end of the week. All in all the reports have been considered bullish for corn and wheat, neutral for soybeans, and bullish to neutral for cotton. With a Friday 11 a.m. Central release time for the reports, it will probably take until next week for the full impact of the data to be seen.

**Corn:**

*Nearby:* Weekly exports were again well below expectations with net sales of 39,369 bushels (net sales of 496,049 for the 2012/13 marketing year and net reductions of 456,680 bushels for the 2013/14 marketing year). Ethanol production improved 19,000 barrels per day to 826,000 barrels per day in the latest report. USDA increased feed and residual usage 300 million bushels based on the computed disappearance from the Grain Stocks report. This was greater than expected. Production was increased 55 million bushels on a 1.1 bushel increase in yield to 123.4 bushels per acre on 87.4 million acres harvested. This was 154 million bushels higher than the trade expected. However, even with exports cut 200 million bushels, ending stocks were projected down 45 million bushels from last month to 602 million bushels. The trade was expecting on the average ending stocks of 667 million bushels. The stocks to use ratio was lowered 0.5 percent to 5.3 percent. Producers with corn in storage should use this rally to explore pricing their remaining unpriced corn.

*New Crop:* With nearby corn contracts have edged up over the last week and from this bullish report, there is hope that it might pull new crop contracts with it. The September contract has been a very reluctant follower and will have difficulty returning to loftier levels without help. The 2013 production year by all accounts is expected to have large corn acreage and with it large production and more than adequate ending stocks in the new crop marketing year. This could put tremendous pressure on new crop prices. Weather is the unknown factor; however, I wouldn't base my entire marketing plan on poor production weather in the Midwest. 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 at the top end of expectations at 216,400 bales (196,500 bales of Upland cotton net sales for 2012/13; net sales of 12,200 bales of Upland cotton for 2013/14 and net sales of 7,700 bales of Pima cotton for 2012/13). USDA's cotton report would have to be considered mixed – bullish on U.S. numbers and bearish on foreign data. U.S. numbers saw a 600,000 bale drop in ending stocks on lower overall production numbers and higher exports. The end results are

stocks of 4.8 million bales or a 30.8 percent stocks to use ratio. U.S. harvested acreage dropped around 1 million acres from last month mainly on abandonment in Texas. The overall yield was increased 73 pounds to 866 pounds per acre. Tennessee was estimated at 934 pounds per acre, the second highest on record. I would be 25 percent - 50 percent priced on cotton. Continued strength in the market will need to be rewarded with pricing. Don't let storage cost continue to eat into your value.

*New Crop:* New crop cotton prices continue trade in a sideways pattern. It is widely expected that 2013 acreage will drop but prices may be more dependent on whether demand continues to pick up.

**Soybeans:**

*Nearby:* Weekly exports were slightly above expectations with net sales at 14.9 million bushels (11.8 million bushels for 2012/13 and 3.1 million bushels for 2013/14). On the daily reporting system for large sales, a 4.4 million bushel sale to China was announced on Friday. USDA's numbers were considered neutral, although prices did react negatively. Grain stocks were estimated at 14 million bushels lower than the average trade estimate indicating higher domestic usage than earlier thought. Crush was increased 35 million bushels and residual use raised 4 million bushels. However, production was bumped up 44 million bushels from last month on a 400,000 acre increase in harvested acres to 76.1 million acres and a 0.3 bushel per acre increase in yield to 39.6 bushels per acre. Ending stocks were increased 5 million bushels from last month to 135 million bushels and a 4.4 percent stocks to use ratio. This is right on what the trade was expecting.

*New Crop:* Although U.S. stocks for the 2012/13 marketing year are considered tight, a large South American soybean crop is developing. This could take some fire out of the export market and eventually raise our ending stocks. This could put a lid on any rallies. Under current conditions, I would not expect 2013 prices to be at the level of 2012. We might should start pricing accordingly and look for rallies to \$13 and above as pricing opportunities. As in corn, weather will be a major factor. I would be 5 percent priced on 2013 production, but watching closely.

**Wheat:**

*Nearby:* Weekly exports were below expectations at net sales of 8.6 million bushels for 2012/13. Wheat ending stocks were lowered 38 million bushels in the January 11 USDA report to 716 million bushels. The trade was expecting 743 million bushels. Seed use was bumped up 2 million bushels with feed and residual use increased 35 million bushels based on the Grain Stocks report. The stocks to use ratio was lowered 1.1 percent to 29.5 percent.

*New Crop:* Winter wheat seedings were 800,000 acres less than expected at 41.8 million acres. This compares to last year's seedings of 41.3 million acres. I am currently priced 10 percent on the 2013 crop. Δ

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