

Some Economists Expect Stronger Dollar

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Corn and cotton prices are up; wheat prices mixed while soybean prices are down for the week. Without an agreement on the budget in Washington D.C., sequestration goes into effect today, March 1, with no immediate impact expected. The effects on commodity prices might be felt in the strength or weakness of the U.S. Dollar. Some analysts expect to see a stronger dollar from sequestration which generally is seen as negative on commodity prices. The Dollar is not the only influence to watch, but in the absence of strictly commodity based news, it does have a strong influence on direction. Revenue based crop insurance base prices affecting Tennessee for corn, cotton and soybeans have been set at \$5.65 a bushel for corn, \$0.83 a pound for cotton and \$12.87 a bushel for soybeans. These are based on the February average of the December contract for corn, December contract for cotton, and the November contract for soybeans. This compares to 2012 base prices of \$5.68 per bushel for corn, \$0.93 per pound for cotton and \$12.55 per bushel for soybeans. The sales closing date for crop insurance in Tennessee is March 15. USDA will release their March supply & demand numbers on Friday, March 8. No major changes are expected in the U.S. numbers, but some adjustments may be seen on global production.

Corn:

Nearby: Weekly exports were above expectations with net sales of 20.2 million bushels (11.9 million bushels for the 2012/13 marketing year and 8.3 million bushels of net sales for the 2013/14 year). Ethanol production rose 15,000 barrels per day to 812,000 barrels per day in the latest report. Profit margins appear to be returning to ethanol plants.

New Crop: The situation differs greatly between old crop and new crop corn as supplies for old crop are tight and projected supplies for new crop are thought to be plentiful. The spread between the two widened more this week reflecting the difference. From an agriculture standpoint not counting any outside influences, weather will be the driving force in prices. It still appears a little early to completely take out the weather premium. Currently, I would have 10 percent of 2013 production priced. I am still looking for a bounce for additional pricing or for an opportunity to implement an option strategy.

Cotton:

Nearby: All cotton weekly export net sales were solid at 258,400 bales (152,900 bales of Upland cotton net sales for 2012/13; net sales of 80,800 bales of Upland cotton for 2013/14; and net sales of 24,700 bales of Pima cotton for 2012/13). On this week's strength, I would price the remainder of 2012 cotton. A stronger Dollar and large Chinese stocks will make it difficult for old crop cotton to continue to push upward without some breaking news.

New Crop: A large acreage drop for 2013 is supportive for new crop cotton along with continued interest from Chinese mills on purchasing U.S. cotton. Recent price moves could be buying a few acres back from grains, but at current levels acreage is still expected to drop from 2012. Conventional wisdom tells us that like old crop, huge reserves in China will tend to put a lid on price moves. However, we do know that the market doesn't always move like we think it should. I would continue to monitor new crop prices and be ready to price part of the crop or implement an option strategy if prices look to break. An 85 cent put option would cost 5.7 cents and set a 79.30 cent futures floor. Cotton equities on 2013 loan cotton look to end the week in the 26 cent range.

Soybeans:

Nearby: Weekly exports were above expectations with net sales of 43 million bushels (net sales of 25.3 million bushels for 2012/13 and net sales of 17.7 million bushels for 2013/14). China accounted for 17.4 million bushels of old crop net sales and 12.9 million bushels of new crop net sales.

New Crop: I would have up to 10 percent priced on 2013 production. I think there may be an opportunity for additional pricing at higher levels or an opportunity to put in place an option strategy.

Wheat:

Nearby: Weekly exports were within expectations at net sales of 19.3 million bushels (13.7 million bushels for 2012/13 and net sales of 5.6 million bushels for 2013/14).

New Crop: Moisture in the Plains and some improvement in winter wheat condition ratings in the states that are reporting them have pressured the market. I am currently priced 10% on the 2013 crop. Δ

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