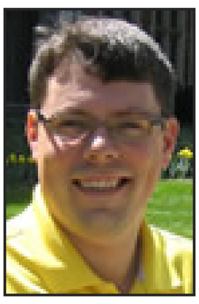
Weather Is Driving Grain, Cotton Prices



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Corn and wheat were down; cotton and soybeans were up for the week. Weather continues to be a key market driver. Precipitation and reduced heat in the ten day forecast, for a good portion of the Corn Belt, could push corn prices lower, however if expected precipitation is not released the market could find support for prices next week. Old crop soybean stocks remain tight lending support to cash and nearby futures prices. Partially due to availability, some soybean facilities have begun annual maintenance/ upgrading which could reduce some of the short term demand in coming weeks. Since May 1st December cotton futures have traded between 82 and 89.5 cents. These support and resistance levels appear quite solid as a drop to the 82 to 83 cent range triggers buying (primarily from China) while a move over the 87 cent level causes buying to dry up. Wheat yields being reported in some regions have not been as high as originally estimated. On a global basis, wheat exports are facing stiff competition from sales out of the Black Sea region which is providing downward price pressure to U.S. exports.

Corn

Weekly exports were within expectations for old crop and slightly above expectations for new crop with net sales of 68.6 million bushels (6 million bushels for the 2012/13 marketing year and 62.6 million bushels for the 2013/14 year). Exports were 16 million bushels. Last week ethanol production decreased 5,000 barrels per day to 876,000 barrels per day. July 12th ending ethanol stocks increased to 16.6 million barrels from 15.7 million. Sep/Dec future spread was -$0.44.

Crop progress report released July 15th reported corn silking at 16 percent compared to 6 percent last week, 67 percent last year, and 35 percent for the 5-year average. Corn condition was reported as 66 percent good to excellent compared to 68 percent last week and 31 percent last year; 9 percent poor to very poor compared to 8 percent last week and 38 percent last year. In Tennessee, corn silking or beyond was reported at 75 percent (5-year average 86 percent); corn dough or beyond was 22 percent (5-year average 23 percent); and corn condition was 83 percent good to excellent and 3 percent poor to very poor. Having at least 40 percent of production priced at this point is beneficial and producers should look for any rallies as an opportunity to price additional production. From a price risk management standpoint a $5.45 September Put Option costing 19 cents would establish a $5.26 futures floor or a $5.10 December Put Option costing 36 cents would establish a $4.74 futures floor.

Soybeans

Weekly exports were within expectations with net sales of 25.8 million bushels (4.1 million bushels for 2012/13 and 21.7 million bushels in sales for 2013/14). Exports were 4.5 million bushels. Aug/Nov future spread was -$2.16.

Soybeans blooming were reported July 15th at 26 percent compared to 10 percent last week, 63 percent last year, and a 5-year average of 40 percent. Soybean condition was reported as: 65 percent good to excellent compared to 67 percent last week and 34 percent last year; 8 percent poor to very poor up 1 percent from last week and compared 30 percent last year. In Tennessee, soybeans planted was reported at 98 percent (5-year average 100 percent), soybeans emerged were 88 percent (5-year average 98 percent), soybeans blooming was 15 percent (5-year average 45 percent), and crop condition was 80 percent good to excellent and 5 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 $12.80 November Put Option which would cost 56 cents and set a $12.24 futures floor.

Cotton

All cotton weekly export net sales increased slightly from last week with sales of 100,600 running bales (50,400 bales of Upland cotton for 2012/13; 40,100 bales of Upland cotton for 2013/14; 4,800 running bales of Pima cotton for 2012/13; and 5,300 bales of Pima cotton for 2013/14. Exports were 128,700 bales of upland cotton and 11,100 of Pima. July 18th adjusted world price (AWP) decreased 1.11 cents to 70.94 cents. Oct/Dec future spread was -0.45 cents.

Cotton squaring was reported at 69 percent this week compared to 51 percent last week, 80 percent last year, and a 5-year average of 75 percent. Cotton setting bolls was reported at 17 percent compared to 10 percent last week, 34 percent last year and a 5-year average of 29 percent. Cotton condition was: 42 percent good to excellent compared to 44 percent last week and 45 percent last year; 26 percent poor to very poor compared to 24 percent last week, and 18 percent last year. In Tennessee, cotton squaring was reported at 52 percent compared to 83 percent last year and a 5-year average of 84 percent; cotton setting bolls was 2 percent compared to 34 percent last year and a 5-year average of 23 percent; and cotton condition was reported as 68 percent good to excellent and 8 percent poor to very poor. Purchasing an 87 cent December Put Option costing 5.1 cents would establish an 81.9 cent futures floor.

Wheat

Weekly exports were within expectations with net sales of 36.6 million bushels for 2013/14 marketing year. Exports were 26.7 million bushels. Sep/Dec future spread was 11 cents.

Winter wheat harvest reported as of July 15th was reported at 67 percent compared to 51 percent last week, 87 percent last year, and a 5-year average of 71 percent. In Tennessee, winter wheat was reported as: 98 percent harvested compared to a 5-year average of 100 percent.

Nationally, spring wheat headed was 71 percent compared to 45 percent last week, 93 percent last year, and a 5-year average of 73 percent. Spring wheat condition was reported as: 70 percent good to excellent compared to 72 percent last week and 65 percent last year; 5 percent poor to very poor the same as last week and 8 percent last year. A $6.65 September Put Option would cost 19 cents and set a $6.46 futures floor. Δ

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