Winter Wheat Yields Are Above Projections

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Corn was down; soybeans and wheat were mixed; and cotton was up for the week. The June 28th USDA Acreage report indicated corn acreage of 97.4 million acres, 2+ million more than many anticipated contributing to a decrease in December corn to close below $5.00. Weather conditions going forward appear to be very supportive to corn and soybean growth in the Corn Belt. Hot and dry weather conditions in west Texas have lent support to cotton prices. Winter wheat harvest is approaching the half way mark with reported yields slightly higher than projections.

Corn

Weekly exports were within expectations with net sales of 12.4 million bushels (9.2 million bushels for the 2012/13 marketing year and 3.2 million bushels for the 2013/14 year). Exports were 13.9 million bushels. Last week ethanol production increased 22,000 barrels per day to 863,000 barrels per day. June 28th ending ethanol stocks decreased to 15.4 million barrels from 16.3 million. July corn futures were $6.84. Sep/Dec, Jul/Sep, and Jul/Dec future spreads were -34 cents, -159 cents, and -193 cents, respectively.

Crop progress report released July 1st reported corn silking at 3 percent compared to 22 percent last year and 9 percent for the 5-year average. Corn condition was reported as 67 percent good to excellent compared to 65 percent last week and 48 percent last year; 8 percent poor to very poor the same as last week and 22 percent last year. In Tennessee corn silking or beyond was reported at 35 percent (5-year average 54 percent) and corn condition was 79 percent good to excellent and 5 percent poor to very poor. Producers should evaluate their current pricing position and proceed cautiously between now and harvest. December corn is currently slightly above $5.00, unless adverse weather conditions occur in key corn producing areas it is unlikely that the harvest price will move substantially higher between now and harvest. 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. It is important for producers to evaluate all alternatives available when looking at potential marketing strategies. From a price risk management standpoint a $5.30 September Put Option costing 22 cents would establish a $5.08 futures floor or a $5.00 December Put Option costing 37 cents would establish a $4.63 futures floor.

Soybeans

Weekly exports were above expectations with net sales of 13.6 million bushels (4.4 million bushels for 2012/13 and 9.2 million bushels for 2013/14). Exports were 4.3 million bushels. July soybean futures closed at $15.88. Jul/Nov and Aug/Nov future spreads were -$3.60 and -$2.04.

Soybean planting was reported July 1st at 96 percent compared to 92 percent last week, 100 percent last year, and a 5-year average of 98 percent. Soybeans emerged were 91 percent compared to 81 percent last week, 99 percent last year, and a 5-year average of 94 percent. Soybean condition was reported as: 67 percent good to excellent compared to 65 percent last week and 45 percent last year; 7 percent poor to very poor the same as last week and 22 percent last year. In Tennessee soybeans planted was reported at 85 percent (5-year average 94 percent), soybeans emerged were 67 percent (5-year average 85 percent), and crop condition was 82 percent good to excellent and 3 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 $12.40 November Put Option which would cost 60 cents and set an $11.80 futures floor.

Cotton

All cotton weekly export net sales increased slightly from last week with sales of 80,600 running bales (34,500 bales of Upland cotton for 2012/13; 41,500 bales of Upland cotton for 2013/14; 2,900 running bales of Pima cotton for 2012/13; and 1,700 bales of Pima cotton for 2013/14. Exports were 196,200 bales of upland cotton and 5,500 of Pima. July 5th adjusted world price (AWP) increased 0.44 cents to 71.12 cents. July cotton futures were 83.54 cents. Jul/Dec and Oct/Dec future spreads were 1.35 cents and -1.40 cents.

Cotton squaring was reported at 37 percent this week compared to 23 percent last week, 47 percent last year, and a 5-year average of 45 percent. Cotton setting bolls was reported at 6 percent compared to 13 percent last year and a 5-year average of 11 percent. Cotton condition was: 47 percent good to excellent compared to 43 percent last week and 47 percent last year; 17 percent poor to very poor compared to 23 percent last week and 18 percent last year. In Tennessee cotton squaring was reported at 29 percent compared to 56 percent last year and a 5-year average of 49 percent and cotton condition was reported as 67 percent good to excellent and 9 percent poor to very poor. Purchasing an 86 cent December Put Option costing 4.55 cents would establish an 81.45 futures floor.

Wheat

Weekly exports were within expectations with net sales of 21.8 million bushels for 2013/14 marketing year. Exports were 25.3 million bushels. On Thursday South Korea lifted the ban on U.S. wheat imports providing support to prices. July wheat future price was $6.56. Jul/Sep and Sep/Dec future spreads were -4 cents and 10 cents.

Winter wheat harvest reported as of July 1st was reported at 43 percent compared to 20 percent last week, 73 percent last year, and a 5-year average of 52 percent. Crop condition ratings for winter wheat were: 34 percent good to excellent compared to 32 percent last week; 42 percent poor to very poor compared to 43 percent last week. In Tennessee, winter wheat was reported as: 98 percent ripe compared to a 5-year average 91 percent and 80 percent harvested compared to a 5-year average 94 percent.

Nationally, spring wheat emerged was 93 percent compared to 90 percent last week, 100 percent last year, and a 5-year average of 99 percent. Spring wheat headed was 18 percent (5-year average of 32 percent). Spring wheat condition was reported as: 68 percent good to excellent compared to 70 percent last week and 71 percent last year; 5 percent poor to very poor the same as last week and last year. A $6.60 September Put Option would cost 25 cents and set a $6.35 futures floor. Δ

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