

Market Briefs

Cotton

Friday's *World Agricultural Supply and Demand Estimates* report (WASDE) has mixed reviews for cotton. For the 2009/10 marketing year, the bottom line (ending stocks) is unchanged from the August report at 5.6 million bales (MB). However, much was adjusted to get there. On the domestic production side roughly 100,000 acres were uncovered from the June 30th *Acreage* report, but the level of abandonment was increased 1 percentage point to 15% resulting in a projected harvest of 7.73 million acres. Domestically, all eyes are on Texas where a serious drought is wreaking havoc on the crop. Texas is projected to leave 26% of their crop in the field compared to a 5 year average of 15% but lower than last year's 35%. The lowered harvest area was more than offset by a 19 pound per acre increase in expected yield as compared to the August WASDE report (from 816 lbs/ac to 835). The increase comes primarily from the Delta states. The end result is an increase in production to 13.44 MB, up 1.7%.

Over the past few months the US dollar has been sinking in relation to other global currencies. This has provided a boost to US cotton exports for the 2009/10 crop year; which is reflected in the report with total US exports rising 300,000 bales to 10.5 MB. So, the end result is offsetting values on the supply and use side resulting in an unchanged carry over number of 5.6 MB (this includes an increase in the level of unaccounted bales by 30,000). This means that the stocks-to-use ratio is at 40% which is higher than last year's 36.7% but much improved from 2007/08 marketing year when the ratio was 55%. Overall, these figures were a tad on the bearish side of pre-report expectations. Analyst were calling for production to be at 13.34 MB, exports to be at 10.64 MB, and ending stocks to come in at 5.46 MB.

For Mississippi, 2009 planted acreage was increased to 295,000 with 285,000 projected to be harvested. Mississippi per acre yield is expected to be 960 pounds/acre, up from 875 last year.

Looking back at last year's crop, the 2008/09 marketing year, the only changes came on the export and unaccounted lines. Exports were bumped up 80,000 due in part to a weaker US dollar, while the number of unaccounted bales was increased 180,000 bales, thus increasing ending stocks to 6.2 MB.

Globally, two countries are in the spotlight: China and India. Both are important players in regard to cotton. Already in this marketing year, exports to China are slipping which is adding some pressure. On the other hand, India is in the midst of a major drought which will likely open up some avenues for export. In terms of the global balance sheet for cotton, not much is changed from last month. Consumption for 2009/10 is projected at 112.7 MB which is almost the same as last month but within that number is an increase from India and a decrease from China.

The marketing year average farm price is projected at 49-59 cents per pound. Current harvest futures prices are at 61.80 cents per pound for the December contract.

Corn

The old adage that big crops get bigger is holding true this year, so far. This month's *Crop Production* report pegs US national average yield at a record 161.9 bushels per acre. Total production is expected to hit 12.955

billion bushels – second only to the 2007 crop. Despite all the mid-season concern about potential losses on a late crop, yield prospects appear to be exception in many parts of the country, particularly across the western and northern portions of the Corn Belt. To be sure, the crop is still behind schedule developmentally. This week's *Crop Progress* report called just 8% of the crop mature compared with a 5-year average of 23% for this point in the growing season. For the foreseeable future, though, the weather looks benign enough not to be causing the market any concerns, thus the big drop in corn futures over the last couple of weeks as some weather premium was pulled out of prices.

Corn futures opened lower on Friday as traders apparently focused in on the big supply-side numbers from USDA; however, it is important to keep these numbers in context. Part of that context related to pre-report expectations. Yield and production estimates in today's report matched up very with pre-report expectations. Last week's market action, with lower prices on all corn contracts, anticipated the upward revisions to this year's crop. Another thing to consider is the demand-side figures released in Friday's *WASDE* report. USDA increased their estimate of 2008/09 corn use for ethanol production, pulling down carryover from the previous marketing year. In addition, for 2009/10 USDA increased estimates of feed use, ethanol use, and exports. Total use is projected to reach just over 13 billion bushels. If this projection is realized, it will mean that corn stocks will decline despite the harvest of the second largest crop on record. In fact, USDA ending stock projection this month comes in at 1.635 billion bushels, up from last month but down from 2008/09 carryover of 1.695 billion bushels. Pre-report estimates generally undershot USDA's number, with the average of pre-report carryover estimates at 1.768 billion bushels. This, along with some reductions in global corn production (notably in South America and China), gives this month's *WASDE* report at least a slightly friendly tone. Friday's early drop in futures suggests that the market is placing more weight on the immediate reality of a bin-busting crop than on the potential for strong demand sometime down the road.

Rice

Rice really took it on the chin in Friday's *WASDE* report from USDA. US ending stocks were increased by 20 million hundredweight (mil cwt), or up by 84%. A number of things contributed to this. First, 100,000 acres were discovered (an increase of 3.2%). Per acre yield was bumped up by 12 pounds per acre to 7,051. All this resulted in more production, and when coupled with imports being increased from 254.9 to 269.4 mil cwt, total supply was way up. On the demand side more gloomy figures were released. Domestic use was lowered to 129.5 mil cwt, down from 132, and US exports were lowered 96 mil cwt, down 3%. This gives a stocks-to-use ratio of 19.5%, up from last year's 13.5%.

So, in summary, more US supply is projected with less demand, none of which is good news for rice producers. Despite all this bearish news, USDA is calling for no change in the marketing year average farm price for all classes of rice (currently at \$13.65-14.65/cwt, no change from last month). It is hard to see a situation where supply is increased, demand is lowered and no change in price comes about.

Globally, the drought condition in India is still cause for concern, but the situation has improved as rains began falling in mid-August. Little was changed in the world rice values. Ending stocks are projected at 84.9 million tons, up less than 1%.

September rice futures are currently at \$13.35/cwt, down about 50 cents/cwt compared to yesterday. The November contract is at \$13.52/cwt, down about the same amount.

Soybeans

There were no real surprises for the soybean market in Friday's *Crop Production* and *WASDE* reports. Soybean yield was bumped a bit higher this month: up to 42.3 bushels per acre this month compared to last month's estimate of 41.7 bushels. This raised estimated soybean production to 3.245 billion bushels (up from 3.199 last month). Both of these figures were very close to pre-report expectations.

USDA increased total use estimates by 36 million bushels (up 20 on domestic crush, up 15 on exports, up 1 million on residual). The bottom line of this month's adjustments is that expected carryover increases slightly to 220 million bushels (up from last month's estimate of 210 and from last year's carryover of 110). Again, this figure was very close to pre-report expectations and should not have much impact on the market.

Wheat

Wheat futures have fallen precipitously since mid-summer, and there appeared to be little in Friday's *WASDE* report to reverse that trend. USDA made essentially no changes to the US balance sheet for wheat. This may be construed as positive, in that pre-report estimates generally anticipated an increase in 2009/10 carryover. Still, USDA's number was not too far out of line. The bearish news in the report was on the world scene. Global production estimates were raised substantially for a number of countries, especially across Europe and Central Asia. USDA's estimate of 2009/10 global carryover was raised by just over 3 million metric tons in this month's report. Since reaching a 28-year low in 2007/08, global wheat stocks have increased by over 30% -- a rapid turnaround by any standard.

US and Mississippi Crop Production Report Summary

	Harvested Acres		Yield per Acre		Production	
	<i>(1,000 acres)</i>		<i>(1,000 bu, lbs)</i>		<i>(1,000 bu, lbs, cwt, bales)</i>	
	2008	2009	2008	2009	2008	2009
United States						
Corn	78,640	80,007	153.9	161.9	12,101,238	12,954,500
Upland Cotton	7,400	7,582	803	827	12,384.5	13,071.0
Grain Sorghum	7,271	5,948	65.0	65.5	472,342	389,589
Peanuts	1,507	1,082	3,416	3,397	5,147,900	3,675,500
Rice	2,976	3,101	6,846	7,051	203,733	218,647
Soybeans	74,641	76,767	39.6	42.3	2,959,174	3,245,292
Wheat	39,614	34,787	47.2	44.2	1,867,903	1,537,348
Mississippi						
Corn	700	780	140.0	137.0	98,000	106,860
Upland Cotton	360	285	911.0	960.0	683	570
Grain Sorghum	82	19	71.0	75.0	5,822	1,425
Peanuts	21	20	3,900	3,500	81,900	70,000
Rice	229	238	6,850	7,100	15,687	16,660
Soybeans	1,960	2,170	40.0	41.0	78,400	88,970
Wheat	485	210	62.0	50.0	30,070	10,500

Source: USDA National Agricultural Statistics Service. *Crop Production*. September 11, 2009.

Note: Cotton, rice, and peanut yields are given in pounds per acre; all other yields in bu/ac.

Rice production is given in hundredweights; peanut production in pounds; cotton production in bales; all others in bushels.

Mississippi Grain Market Summary

	Greenville 9/10/2009	Belzoni 9/10/2009	Indianola 9/10/2009	Decatur, AL 9/10/2009	Helena, AR 9/10/2009	Memphis, TN 9/10/2009
Soybeans						
Cash	9.67	8.95	8.97	9.31	9.36	9.35
New Crop	9.12	8.90	8.92	9.31	9.32	9.35
Corn						
Cash	2.95	2.87	2.80	3.00	3.05	3.08
New Crop						
Wheat						
Cash	2.99	2.77	2.79	3.14		3.04
New Crop					4.17	4.10
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Cash					3.07	3.20
New Crop						

Note: Prices reprinted by USDA AMS on the date indicated.

Futures Market Summary

Soybeans		Corn		Wheat		Rough Rice	
September	984 1/2	September	314 1/2	September	441 3/4	September	1333
November	903	December	319 3/4	December	467 1/4	November	1352
January	910	March	333	March	487	January	1376
March	915 1/2	May	342 1/2	May	499 1/2	March	1400
May	916 1/2	July	351 1/4	July	510 3/4	May	1425
July	920 3/4	September	359 1/2	September	525 3/4	July	1448
August	917					September	1380

Source: Chicago Board of Trade closing prices, September 11, 2009.

Cotton Market Summary

	Spot Quotations	
	31-3 / 35	41-4 / 34
North Delta	56.24	54.99
South Delta	56.24	54.99
Southeast	57.49	55.99
Adj. World Price		46.55
LDP		5.45

Source: USDA AMS, September 10, 2009.

Cotton Futures	
	Price
October	59.31
December	61.24
Marh	63.58
May	65.15
July	66.38
October	67.92

Source: ICE, Sep. 11, 2009.