

Market Briefs

Cotton

Lower production outweighed lower demand in Friday's *World Agricultural Supply and Demand Estimates (WASDE)* report from USDA. Ending stocks were reduced to 5.4 million bales (MB) compared to 5.6 last month and 6.34 the previous year. Lower production in Texas and Delta states resulted in overall production being reduced to 13 MB from 13.44 in the August *WASDE* report. Production is higher, though, compared to last year despite the decrease in planted acres due to a lower level of abandonment across the US. Excessive rains in the Delta region coupled with dry conditions in Texas caused the per acre yield to be decreased from 835 pounds per acre last month to 807 in the current report – Mississippi's projected yield was lowered from 960 lbs/acre to 909. With no changes in harvested acres this led to the lower production number.

Despite the lower supply, ending stocks only dropped by 2 MB due to lowered demand as a result of the continuing sluggish global economy. US exports were unchanged from the previous month at 10.5 MB and domestic use was lowered by 100,000 bales to 3.4 million. Until the general economy can string together a continuous span of positive news, the demand picture will remain gloomy for cotton. The silver lining, typically, is that when the US economy suffers the dollar weakens which adds a boost to exports. Given the global nature of the economic environment, this has not always been the case of late; but a weaker US dollar has helped and this is noticeable given that exports were unchanged. On the subject of the global cotton picture, very little was changed with regard to world cotton values.

The report was mostly expected, with pre-report estimates of cotton ending stocks at 5.41 MB and expected production at 13.18 MB. USDA is projecting the marketing year farm price for cotton to be 49 to 57 cents per pound, down 2 cents on each end of the range from last month. December cotton futures were mostly unchanged on Friday following the release of the *WASDE* report, with trading taking place between 62.81 and 63.96 cents per pound.

Corn

Corn futures surged higher early in the week due to the resurfacing of concerns over late-season cool weather. Later in the week, attention shifted to Friday's *WASDE* report. In Friday's report, corn carryover for 2008/09 was dropped by 21 million bushels from last month based on indicated disappearance in the September 30 *Grain Stocks* report. 2008/09 ethanol use, other food/industrial use, and export estimates were revised upward. Feed use for the past marketing year was revised lower. The bottom line is a 2008/09 carryover of 1.674 billion bushels, compared with last month's estimate of 1.695 billion bushels.

With respect to 2009/10 corn supply, the lower carry-in from last year was offset by a fairly substantial increase in the estimate of this year's production. The increased production estimate reflects a 2.3 bushel per acre increase in estimated yield: 164.2 bushels per acre in this month's report compared to an estimate of 161.9 bushels per acre in last month's report. This increase in yield is partially offset by a 700,000 acre reduction in estimated harvested acres. On net, though, estimated production is up 64 million bushels from last month at 13.018 billion bushels. Estimated corn offtake for 2009/10 is up 5 million bushels from last month. A 50 million bushel reduction in projected exports is more than offset by increases in projected feed and food/industrial use.

The increase in food/industrial use does not include any change in projected corn use for ethanol production, which was held steady with last month at 4.2 billion bushels.

Corn carryover projections for 2009/10 were raised to 1.672 billion bushels from last month's 1.635 billion bushels. This still represents a decline in carryover from 2008/09, though a decline of just 2 million bushels. USDA's 2009/10 ending stock estimate was very much in line with pre-report expectations. Corn futures were down a bit on Friday following the release of the report, but declines were fairly small, with remaining 2009/10 contracts losing less than 2 cents.

Rice

Concerns over a late harvest were not conveyed in the month's *WASDE* report for rice. US production was increased 1% from last month to 220.647 million hundredweight (mil cwt) based on an increased in per acre yield. US yield forecasts were raised 64 pounds per acre to 7,115 – Mississippi's was lowered from 7,000 to 6,800. This combined with a slight bump in imports raised ending stocks to 46.6 mil cwt.

Globally, some shuffling of production and use among a number of countries led to little no change on the world balance sheet. Global ending stocks are projected at 85.9 million tons, up by 1 million tons from last month.

USDA's expected marketing year average farm price for all rice is \$13-\$14 per hundredweight, down 65 cents on each end of the range from August. The long-grain expected price is \$11.75-\$12.75/cwt which is a drop of \$1.15/cwt. The November rough rice futures contract up 2 cents on the day at \$13.50/cwt.

Soybeans

Based on indicated disappearance in the most recent *Grain Stocks* report, USDA made a few changes this month to final 2008/09 supply and use estimates. Estimated production for 2008/09 was raised by 8 million bushels to 2.967 billion bushels. Estimated use was revised down by 20 million bushels, with most of that reduction accounted for by a reduction in the residual use category. The bottom line for 2008/09 is an ending stocks estimate of 138 million bushels, up from last month's estimate of 110 million bushels. This higher carry-in is augmented by a slightly higher 2009/10 production estimate of 3.250 billion bushels (up from 3.245 billion bushels in last month's report). The higher 2009/10 supply is partially offset by a 25 million bushel increase in projected exports. The net result is a 10 million bushel increase in projected 2009/10 ending stocks: 230 million bushels this month compared to 220 million bushels last month. This is on the low side of pre-report expectations. A number of sources had been anticipating a larger upward revision in 2009/10 production estimates. Consequently, the market responded favorably to Friday's report. Remaining 2009/10 soybean futures contracts were up from 13 to 28 cents, with the largest gains on more nearby contracts.

Wheat

Estimated 2009/10 wheat production was raised by 36 million bushels in today's *WASDE* report. This more than offset a 10 million bushel reduction in carry-in reflecting higher 2008/09 feed use of wheat. For 2009/10, feed and residual use projections are reduced (reflecting increased corn production) as are export projections (reflecting larger global small grain supplies). This reduction in use, combined with the increase in estimated production, pushes 2009/10 ending stocks projections up by 123 million bushels from last month: 864 million bushels this month compared with 743 million bushels last month. This ending stocks figure was well to the high side of pre-report expectations. Wheat futures responded with a 3 to 6 cent drop on 2009/10 contracts.

Mississippi Grain Market Summary

	Greenville 10/8/2009	Belzoni 10/8/2009	Indianola 10/8/2009	Decatur, AL 10/8/2009	Helena, AR 10/9/2009	Memphis, TN 10/9/2009
Soybeans						
Cash	9.51	9.29	9.31	9.41	9.77	9.89
New Crop					10.01*	
Corn						
Cash	3.59	3.51	3.44	3.54	3.60	3.67
New Crop						3.48
Wheat						
Cash	3.34	3.12	3.14			3.16
New Crop				4.25	4.66	4.51
G. Sorg.						
Cash					3.50	3.56
New Crop						

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

*January delivery.

Futures Market Summary

Soybeans		Corn		Wheat		Rough Rice	
November	964	December	362 1/4	December	468	November	1340
January	967	March	374 1/2	March	487 1/2	January	1365 1/2
March	968	May	383	May	501 3/4	March	1390 1/2
May	964 1/2	July	390 1/2	July	516 1/4	May	1415 1/2
July	963 3/4	September	398	September	531 1/4	July	1441
August	960	December	405 1/4	December	554 1/2	September	1408
September	948					November	1420 1/2

Source: Chicago Board of Trade closing prices, October 9, 2009.

Cotton Market Summary

Spot Quotations			Cotton Futures	
	31-3 / 35	41-4 / 34		Price
North Delta	60.65	59.40	December	63.02
South Delta	60.65	59.40	March	65.63
Southeast	61.90	60.40	May	66.84
			July	68.12
Adj. World Price		47.34	October	69.08
LDP		4.66	December	69.70

Source: USDA AMS, October 8, 2009.

Source: ICE, Oct. 9, 2009.

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	79,294	153.9	164.2	12,101,238	13,018,058
Upland Cotton	7,400	7,586	803	799	12,384.5	12,631.0
Grain Sorghum	7,271	5,681	65.0	64.0	472,342	363,723
Peanuts	1,507	1,082	3,426	3,363	5,162,400	3,638,400
Rice	2,976	3,101	6,846	7,115	203,733	220,647
Soybeans	74,681	76,619	39.7	42.4	2,967,007	3,250,113
Wheat	39,614	34,787	47.2	44.2	1,867,903	1,537,348
Mississippi						
Corn	700	710	140.0	130.0	98,000	92,300
Upland Cotton	360	285	911.0	909.0	683	540
Grain Sorghum	82	12	71.0	74.0	5,822	888
Peanuts	21	20	3,900	3,500	81,900	70,000
Rice	229	238	6,850	6,800	15,687	16,184
Soybeans	1,960	2,140	40.0	39.0	78,400	83,460
Wheat	485	210	62.0	50.0	30,070	10,500

Source: USDA National Agricultural Statistics Service. *Crop Production*. October 9, 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.