Commodity Market Update

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John Michael Riley & John D. Anderson, Mississippi State University Extension Service

Market Briefs

Cotton

This month's *World Agricultural Supply and Demand Estimates* (*WASDE*) report, released today by USDA, revealed what was mostly known regarding cotton. Delta states' production brought down the national average due to excessive rains across the region. Despite the rain the abandonment level for the US was unchanged at about 85%. Yield forecasts were lowered from 807 pounds per acre to 776 and as a result production was reduced from 13 million bales (MB) to 12.5 with the bulk of the reduction stemming from the Delta region. On the demand side, no changes were made. Therefore, the ending stocks projection was lower, at 4.9 MB as compared to 5.4 last month, due to the lower production which results in a stock-to-use ratio of 35.25%. The national marketing year average price was raised 3 cents on each end of the range because of the lower production and ending stocks and now estimated at 52 to 60 cents per pound.

For Mississippi, harvested acres were once again unchanged at 285,000 acres; yield was lowered to 842 lbs/acre as compared to 906 last month. Total production for the state is projected at 500,000 bales. Harvest across the state picked up drastically over the last week with 52% complete compared to just 14% the week prior, but still far behind the five year average of 95%. Cotton crop condition reports from the Delta states show a continuing decline. Mississippi's crop is rated 48% very poor and poor versus 15% good and 0% at excellent. The sentiment is much the same for other Delta states where the majority of the crop is rated very poor and poor.

Globally, lowered carry-over, reduced production and increased consumption caused ending stocks to be lowered by 4.3% to a projected 53.72 MB.

Corn

Corn futures rallied sharply between early September and late October, with the December contract rising from around $3.05 to around $4.10 over that period of time. Since the last week of October, prices on December corn have been very uneven, trading between $3.65 and $4.00.

The September/October rally in corn prices was supported by the late development of this year's crop as well as by outside market factors, notably a weaker dollar and a surging stock market. Delayed harvest and the potential for losses that implies continue to be a factor in the market. Monday's *Crop Progress* report showed the corn crop to be 37% harvested nationally compared with a 5-year average of 82% harvested by this time of year. According to information in today's *Crop Production* report, corn yields remain quite good, though this month's estimate of 162.9 bushels per acre is down from last month's 164.2 bushel estimate. The reduction in yield drops estimated production to 12.921 billion bushels, down from 13.018 billion bushels last month. This month's WASDE report dropped the estimate of 2009/10 corn exports by 50 million bushels but left other components of use unchanged. The net effect of the changes in supply and use projections was a reduction in projected 2009/10 carryover from 1.672 billion bushels last month to 1.625 billion bushels this month.

Changes in the corn balance sheet were largely anticipated by the market, with yield, production, and ending stocks projections all falling well within the range of pre-report estimates. Still, the report adds to a supportive fundamental picture for the corn market, with large production remaining overmatched by strong demand. This, along with generally positive outside market influences right now create a pretty bullish environment for corn. USDA takes note of this by raising their estimate of corn marketing year average price to $3.25 to $3.85, up $0.20 on both ends of the range. Corn futures contracts on the 2009/10 marketing year rose by between 8 and 9 cents in the wake of the report.

Rice

With harvest finally starting to wrap up this month's *WASDE* report does give some slight modifications in USDA's projections for this year's crop. No changes were made to harvested acres but yield was reduced from 7,115 pounds per acre to 7,038 which would put projected production at 218.2 million hundred weight (mcwt). No changes were made regarding demand, but as a result of the lower production ending stocks were improved, being lowered from 46.6 mcwt to 44.2 – a stocks-to-use ratio of just under 20%. The national marketing year average price was bumped 85 cents on each end of the range to an expected $13.85 to $14.85 per cwt.

Projections for Mississippi's crop showed a reduction in state average yield from 6,800 pounds per acre to 6,650. With 238,000 acres expected to be harvested that puts state production at 15,827 mcwt. Harvest across the state is almost complete with the latest crop progress report (for the week ending November 8, 2009) showing 97% of the crop being harvested, up from 85% the week before but still behind the five year average of 100% complete.

Offsetting supply and demand estimates resulted in an unchanged ending stocks number for global rice production. Production was lowered 1.6 million tons from last month to 432.1 million tons. This is primarily due to decreases in Brazil, India, the Philippines and the United States. India's consumption expectation is lowered 1 million tons which, for the most part, offsets carry-over. The ending stocks projection, however, is 4.8 million tons lower than the previous marketing year.

Soybeans

Soybean futures have fallen in the last several trading days as the end of a very difficult harvest season has begun to come into view. Monday's *Crop Progress* report shows soybean harvest at 75% complete nationally. While this is certainly behind normal (5-year average of 92% complete by this time of year), good progress is anticipated this week in key growing regions.

This month's *WASDE* report was a bit on the bearish side for soybeans as well. USDA's estimate of national average yield was raised by 0.9 bushels per acre from last month to a record 43.3 bushels per acre. This translates into a production estimate of 3.319 billion bushels, up 69 million bushels from last month. Higher export and domestic crush projections only partially offset this increase, resulting in projected 2009/10 carryover of 270 million bushels, up 40 million bushels from last month's estimate. These figures were with the range of pre-report estimates, though the increase in carryover was certainly greater than most analysts' projections. USDA did, however, raise their estimate of soybean marketing year average price to $8.20 to $10.20, up 20 cents on both ends of the range. This reflects a substantial rally in soybean futures through the month of June, a rally that was largely driven by positive outside market influences (i.e., a weaker dollar and higher equities markets). Soybean futures contracts for 2009/10 were down by 1 to 4 cents in Tuesday's trading.

Mississippi Grain Market Summary

	Greenville	Belzoni	Indianola	Decatur, AL	Helena, AR	Memphis, TN
	11/9/2009	*11/9/2009*	*11/9/2009*	*11/10/2009*	*11/10/2009*	*11/10/2009*
Soybeans						
Cash	9.62	9.40	9.42	9.68	9.33	9.34
New Crop					9.90*	
Corn						
Cash	3.71	3.51	3.56	3.79	3.59	3.66
New Crop						3.85
Wheat						
Cash	4.20	3.98	4.00			4.06
New Crop				4.93	5.18	5.03
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Cash					3.62	3.57
New Crop						

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

*January delivery.

Futures Market Summary

Soybeans		Corn		Wheat		Rough Rice	
November	961 1/2	December	394 1/2	December	523	November	1517
January	968	March	409	March	543	January	1535
March	974	May	419	May	556 1/4	March	1558 1/2
May	977 1/2	July	427 1/2	July	568 1/4	May	1581 1/2
July	983	September	435	September	585 1/4	July	1605
August	983	December	443	December	603 1/4	September	1420 1/2
September	979					November	1425

Source: Chicago Board of Trade closing prices, November 10, 2009.

Cotton Market Summary

	Spot Quotations	
	31-3 / 35	41-4 / 34
North Delta	65.16	63.91
South Delta	65.16	63.91
Southeast	66.41	64.91
Adj. World Price		52.78
LDP		0.00

Source: USDA AMS, November 5, 2009.

Cotton Futures	
	Price
December	69.05
March	72.84
May	74.43
July	75.79
October	76.35
December	77.05

Source: ICE, Nov. 10, 2009.