

## Market Briefs

### Cotton

Tuesday's *Acreage* report released by USDA revealed a slight bump in the number of cotton acres nation-wide. The total number of cotton acres for this year is at 9.05 million, with upland comprising 8.905 million acres of that total. Mississippi has once again reduced the number of acres planted to cotton. This year the state has 270,000 acres of cotton as compared to 365,000 last year and 1,230,000 just three years ago. The 270,000 that USDA reports in this most recent report is also lower than the March 30, 2009 *Prospective Plantings* estimate of 300,000 acres. However, nationally 9.05 is higher than the March expectation of 8.81 million acres (but still below the total for 2008 of 9.471 million acres).

The decrease in acres continues to indicate cotton is losing ground as compared to other more attractive crops such as corn and soybeans. However, given that the final 2009 plantings is above the preliminary expectation by USDA and many other analysts does show that many producers refuse to abandon the crop completely. Another factor to consider is that from the time the *Prospective Plantings* report survey was conducted until the seed actually went into the ground, cotton prices were improving and input prices were working downward.

Using this information regarding acreage along with estimates from June's *World Agricultural Supply and Demand Estimates (WASDE)* report shows that if roughly 90% of the crop is harvested total production for the year should be about 13.62 million bales (based on a yield of 805 pounds per acre). With this level of production the stocks-to-use ratio is almost identical to last year's at 41%. This level of abandonment is right at the five year average, but if we experience a year like last year (where only 81.6% of acres were harvested) production could be at 12.4 million bales. In this case the stocks-to-use ratio drops to 33%. Either way, the reduction in acres help bring production down to a more appropriate level when taking into account the amount demanded, much more so than in 2006 and 2007 when the ratio was 53% and 55%, respectively.

For the most part market analysts were expecting little to no change in the acreage number for cotton. Given the overall increase in cotton acres, though only slight, prices took a hit right after the report was released. Still, despite a meltdown in corn prices, a down day on Wall Street and a stronger dollar, cotton somehow found a way to finish the day on a positive note. The October futures closing price today for cotton was 55.63 cents per pound and December's close was at 57.48 cents/lb.

### Corn

Probably the biggest bombshell in yesterday's *Acreage* report was the estimate of corn plantings. After an incredibly frustrating planting season in much of the country, most pre-report estimates had corn plantings pegged below the 85 million acre figure in the March *Prospective Plantings* report. Instead, USDA raised the corn plantings estimate to just over 87 million acres in yesterday's report. This is actually an increase from last year's corn acreage (just under 86 million acres).

Mississippi corn plantings were rather surprising, as well. USDA estimates Mississippi corn plantings at 800,000 acres. This is actually up from last year's 720,000 acres. In March, the *Prospective Plantings* report suggested that Mississippi corn plantings would be down to 630,000 acres.

Corn futures fell sharply in response to the *Acreage* report, but most contracts narrowly avoided a limit-down move. September '09 through March '10 contracts were down the daily 30 cent limit. Other 2009/10 contracts closed a couple of cents off the daily limit. It is important to note that the new crop contracts had already declined sharply over the month of June. The December contract dropped about 70 cents in June, even prior to yesterday's decline. Some of this decline was driven by outside market pressures (crude oil and foreign exchange markets, primarily), but it likely had the effect of pricing in at least some of the impact of higher acreage.

Despite the acreage surprise, odds still favor tightening corn stocks. USDA projects that this year's plantings will result in 80.1 million acres harvested for grain. Applying the current yield estimate of 153.4 bushels per acre results in a production estimate of 12.288 billion bushels: still less than the 12.460 billion bushel projected use in June's *WASDE* report. No doubt, the *Acreage* report erodes some of the supply-side support for corn prices that had been provided by this year's planting problems; however, corn stocks will remain fairly tight. How tight will now depend on yields. Moving forward, the market will be focused on what the market is usually focused on this time of year: weather, crop condition ratings, and yield prospects.

### **Rice**

Despite all the commotion in other markets on the heels of this morning's *Acreage* report from USDA, rice came through with only moderate adjustments from the March 30, 2009 projections by USDA and as such had a relatively calm day. Rice acreage for the 2009 growing year is at 3.018 million acres. This is slightly above last year's 2.995 million yet slightly below the March expectation of 3.18 million acres. There were no adjustments to Mississippi's acreage from the March estimate of 240,000 acres planted to rice and this year's acreage number is an increase over last year of 4.3%. The bulk of the reduction took place on the long-grain side in Arkansas where producers planted 1,250,000 acres of rice compared to an early projection of 1,420,000 (Arkansas' plantings are even below last year's by 3.8%). Long-grain rice acres are at 2.25 million versus 2.53 projected in March and 2.37 last year. Medium-grain adjustments offset the reduction to long-grain by a small amount as acreage for this variety increased by 115,000 acres over the March number and 152,000 acres compared to last year.

Thanks to the lower number of acres the prices on harvest contracts at the Chicago Board of Trade were up by a small margin today despite a stronger dollar and more importantly limit-down corn moves. The closing price of the September contract was \$12.34/cwt (\$6.91/bu) and the November contract closed at \$12.45/cwt (\$6.97/bu).

### **Soybeans**

Tuesday's *Acreage* report was less dramatic for soybeans than for corn. Soybean plantings were estimated at 77.5 million acres, up from just over 76.0 million acres in the March *Prospective Plantings* report. The market had anticipated this revision. Corn Belt problems with corn planting had been expected to force some acres into soybeans as an alternative crop. In fact, the average pre-report estimate of soybean planting was 78.3 million acres (though the actual figure from USDA was well within the range of private estimates). Mississippi plantings were not too far out of line with March intentions: 2,200,000 acres planted according to the June report versus intentions of 2,100,000 in March. This compares with 2,000,000 acres planted in the state last year.

The effect of the slightly bullish soybean acreage estimate was largely offset by the sharply lower trading in corn futures. As a result, soybean futures more-or-less stayed put following the report. The nearby July contract was up 11 ¼ cents, and more deferred contracts were down three to five cents.

The higher soybean planted acres, in comparison to the 76.0 million acres in the *Prospective Plantings* report, should translate into about a 64 million bushel increase in soybean stocks. With stocks already expected to increase significantly over the coming year, this is not a huge change in the situation. As with corn, the development of this year's crop will become the focus of the market – along with demand for what is left of the current marketing year's stocks.

### **Wheat**

Wheat plantings were estimated at 59.8 million acres in the *Acreage* report. This is down 5% from last year's very large acreage, but it was about a million acres larger than pre-report estimates. Wheat futures declined 15 to 17 cents following the report. The July contract traded below the \$5 mark briefly on Tuesday, its lowest level since early December and very close to a contract low.

Wheat stocks, not just in the US but globally, have been increasing over the last two years. That trend is not expected to change this year. Even with a decline in acres from last year, wheat stocks will most likely increase over the course of this marketing year, keeping pressure on wheat prices.

**Mississippi Grain Market Summary**

	Greenville 6/30/2009	Belzoni 6/30/2009	Indianola 6/30/2009	Decatur, AL 6/30/2009	Helena, AR 6/30/2009	Memphis, TN 6/30/2009
<b>Soybeans</b>						
Cash	12.26	12.04	12.06	12.11	12.30	12.34
New Crop	9.74	9.49	9.51	9.71	9.61	9.79
<b>Corn</b>						
Cash	3.00	3.01	3.04	3.33	3.86	3.50
New Crop	3.10	2.92	2.95	3.30		3.36
<b>Wheat</b>						
Cash	3.83	3.61	3.63	3.86	4.26	4.43
New Crop						
<b>G. Sorg.</b>						
Cash	2.20					3.12
New Crop						3.15

Note: Prices reported by USDA AMS on the date indicated. All prices in \$/bu except rice, which is in \$/cwt.

**Futures Market Summary**

Soybeans		Corn		Wheat		Rough Rice	
July	1245 1/2	July	347 1/2	July	511 1/4	July	1223
August	1144	September	353	September	540 3/4	September	1229
September	1053 3/4	December	365 1/2	December	565 3/4	November	1245
November	999 1/2	March	384	March	583 1/2	January	1258 1/2
January	983	May	388 1/4	May	595 1/2	March	1274
March	977 1/2					May	1288
May	960						

Source: Chicago Board of Trade closing prices, June 30, 2009.

**Cotton Market Summary**

	Spot Quotations	
	31-3 / 35	41-4 / 34
North Delta	51.49	50.24
South Delta	51.49	50.24
Southeast	52.74	51.24
Adj. World Price		43.04
LDP		8.96

Source: USDA AMS, June 25, 2009.

Cotton Futures	
	Price
July	53.30
October	55.63
December	57.48
March	59.72
May	60.92
July	62.03

Source: ICE, June 30, 2009.