



Louisiana Food and Fiber Industry Monitor

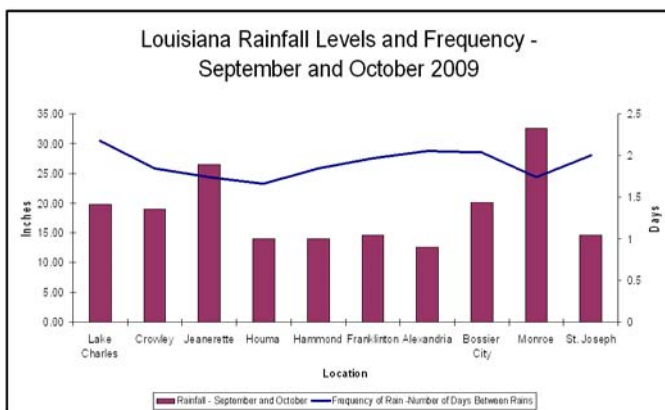
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Current Production Situation

The big issue in the agricultural sector over the last several weeks has been the persistent rainfall that has fallen throughout most of the state. From September through the end of October, the state has seen rainfall totals that ranged from roughly 15 inches to over 30 inches depending on the location.

While the amount of rainfall has definitely been problematic, the persistence and frequency of the rains has been equally concerning. From September to October, the state, on average, has received rain every 2 days. This frequency of rains has severely limited field work throughout the state and has delayed harvest.



Source: Louisiana Agrilimatic Information System

The concern over delayed harvests has been one that has been a common theme in this newsletter and the continued rains that the state has experienced during the busy harvest months of September and October has certainly changed that concern into reality. Based on the type of damage that was being reported, the LSU AgCenter conducted a preliminary assessment of the damage and estimated the impact of that damage on crop revenue (See Table 1). The preliminary estimates were placed at \$275 million. However, after those initial estimates were developed, many areas of the state received upwards of 4 inches of additional rain. The additional rains undoubtedly will result in additional damage.

Table 1. Preliminary Estimates of Economic Impact to Excessive Rains in 2009

Commodity	Reported Impacted Acres	Reported Acres That Will Not Be Harvested	Estimated Reduction In Revenue	Reduced Revenue As A Percent Of Total Pre-Storm Estimated Value
Cotton	156,584	10,118	\$59,696,742	46.38%
Rice	71,832	10,974	\$26,462,164	6.45%
Soybeans	291,718	77,111	\$74,276,430	21.87%
Sorghum	2,415	1,398	\$386,231	2.47%
Corn	63,245	7,714	\$11,747,686	4.22%
Sweet Potato	8,193	864	\$15,978,636	26.59%
Sugarcane	138,312	8,609	\$58,753,745	8.70%
Hay	76,335	N/A	\$27,832,933	20.11%
Other	N/A	N/A	\$1,016,043	N/A
Total	808,634	116,786	\$275,134,566	13.44%

As has been mentioned, the rains have definitely created significant harvest delays for many commodities (See Table 2). Even for those commodities that have not yet experienced tremendous damage, the rains have delayed harvest such that damage would be expected to increase substantially with additional rains. The rains have also delayed planting of some of the fall planted commodities such as winter wheat and winter forages for livestock producers.

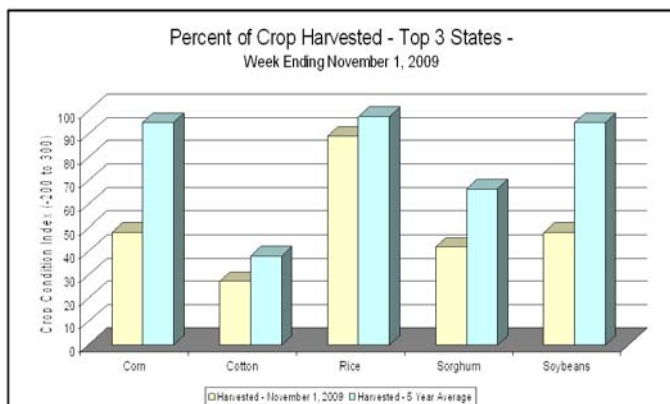
Table 2. Louisiana Crop Development

	As of 01-Nov-09	Previous Week	Previous Year	5 Year Average
Cotton - % Harvested	34	29	95	94
Pecans - % Harvested	29	22	31	37
Rice - % Harvested	98	97	100	100
Soybeans - % Dropping Leaves	100	100	100	100
Soybeans - % Harvested	80	73	97	97
Sorghum - % Harvested	99	99	100	100
Sweet Potatoes - % Harvested	47	46	72	79
Sugarcane - % Planted	99	99	100	100
Sugarcane - % Harvested	27	17	19	27
Winter Wheat - % Planted	15	14	22	21
Winter Wheat - % Emerged	4	3	6	3

Source: USDA, National Agricultural Statistics Service

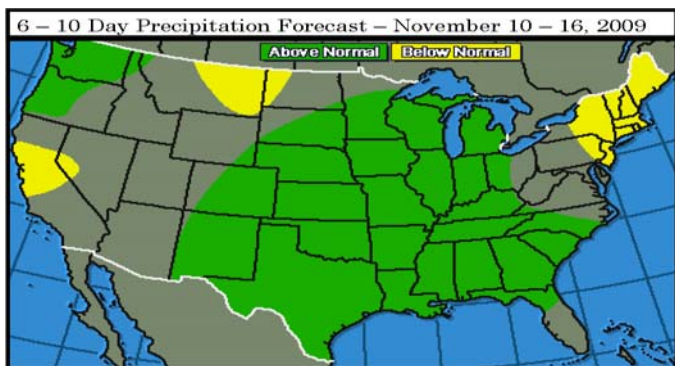
While the damage experienced in Louisiana is significant to the state's agricultural producers, its impact on market direction for these commodities is likely very limited. For the most part, Louisiana production of these commodities does not constitute a large enough portion of total US production to have a major impact on the market direction for these commodities.

However, for some of the commodities, the delays in harvest that have been seen in Louisiana have also been experienced across the United States. This is particularly true for corn and soybeans which are significantly behind their 5 year average for harvest. While this delayed harvest has definitely been a concern and has likely provided some support for prices, it has yet to generate widespread yield reductions.



Source: USDA, National Agricultural Statistics Service

The one thing that the delay does do, however, is make weather conditions over the next few weeks extremely important. Weather conditions that push harvest back even farther could begin to create significant yield reductions that would be expected to impact market prices. The 6 – 10 day forecast suggests a wetter-than-normal week for most of central portion of the United States. Any weather that delays the drying down of crops in the field and delays harvest will likely provide some support to these markets.



Source: DTN AgDayta

Current Price Situation

The direction of the markets have been generally been influenced about the concerns over any potential production implications in both corn and soybeans. The other markets have also been impacted as some spillover influence has been experienced. However, to this point, the impacts of the harvest delays have been fairly minimal. One of the reasons this has likely been the case is because the condition of both soybeans and corn were extremely good for most of the growing season and, despite some reductions that might result from harvest delays, the general feeling is that these will be large crops.

Another reason is that, to this point anyway, yield and crop production projections have not yet showed any significant yield reductions (See Table 3). While there have been some reductions in expectations for

US cotton and grain sorghum yields over the last couple of months, recent forecasts by major private firms show that yields for both corn and soybeans are still expected to be at record levels. In all cases, the projections for both corn and soybeans are at or above USDA's October estimates.

Table 3. Pre-Report Production Estimates For Soybean and Corn

	USDA				
	October Estimate	F.C. Stone	Informa Economics	Linn Group	Allendale
Corn					
Yield (Bu) ^A	164.2	164	164.8	164.3	164.4
Production (1,000 Bu) ^A	13,018	13,004	13,064	13,025	13,034
End Stocks (1,000 Bu) ^B	1,672	1,658	1,718	1,679	1,688
Soybeans					
Yield (Bu) ^A	42.4	44.1	43.5	43.4	42.5
Production (1,000 Bu) ^A	3,250	3,379	3,333	3,325	3,250
End Stocks (1,000 Bu) ^B	229	358	312	304	229

Source: DTN Online

^A For private firm estimates, yield estimates are their November estimates.

^B Ending Stocks are projected based on private firm estimates and USDA October estimates for beginning stocks and total use.

While the concerns about the harvest delays are still looming over these markets, there have been no significant changes to yield projections that would suggest major changes to overall supply and demand conditions. Ending stocks and stocks-to-use ratios for most commodities are projected to be at similar levels as those in the previous two years (See Table 4). Only rice, which projects an increase in the stocks to use ratio, and sugarcane, which projects a sharp drop, are expected to have significantly different stocks-to-use ratios from previous two years.

Table 4. Stocks-to-Use and Prices, Selected Commodities, 2007-2009

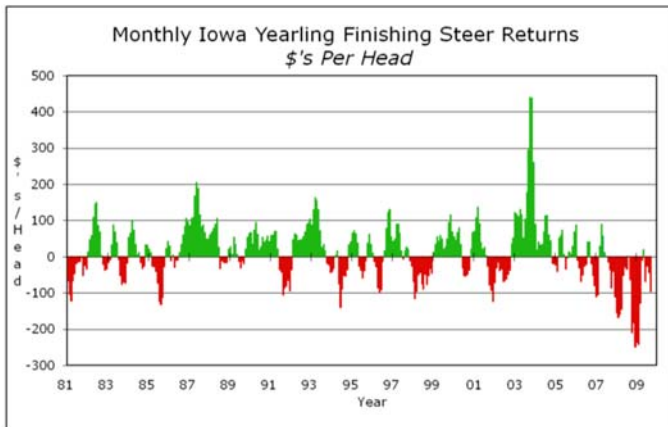
	----- Stocks-to-Use Ratio -----			-- Marketing Year Price --		
	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Corn	12.75%	13.87%	12.83%	\$4.20	\$4.06	\$3.30
Cotton	55.04%	37.60%	38.85%	\$0.593	\$0.478	\$0.530
Sorghum	11.11%	11.70%	12.97%	\$4.00	\$3.20	\$2.90
Rice	12.66%	13.69%	20.67%	\$12.80	\$16.80	\$13.50
Soybeans	6.71%	4.53%	7.26%	\$10.10	\$9.97	\$9.00
Sugar	15.21%	11.10%	7.91%	N/A	N/A	N/A

Source: USDA, World Agricultural Supply and Demand Estimates Report

What is different in Table 4, however, is projections for marketing year prices. Despite very similar stocks-to-use ratios, prices for most commodities are projected to be at significant discounts to the previous two years. This is likely attributable to the lack of speculative interest in the markets to the level that they existed in 2007 and 2008. Without the speculative interests, and with the uncertainty about demand, prices have been and are projected to be lower than in previous years with very similar supply and demand fundamentals.

While the potential for lower grain prices are certainly a welcomed sight for the livestock sector, changes in consumer purchase patterns caused by the

economic downturn continue to hamper any significant improvements in that sector. While Louisiana is predominately a cow/calf industry, the negative feedlot profits that have been experienced in the industry implies lower demand and lower prices for feeder cattle and calves. Until the feedlots can return to profitable levels, there seems little reason to believe vastly improved prices for feeder cattle and calves. Likewise, similar concerns and changes in demand for milk and other meat products have placed pressure on prices and will maintain this pressure until real improvements in demand begin to materialize.



Source: Kansas State University, AgManager.com

Despite the current marketing year projection calling for lower prices, the uncertainty regarding the harvest delays will likely keep major row crop commodity prices supported in the short term. In the long term, it will depend on the exact size of these crops and how demand performs. Over the past several years, the markets have experienced a post-harvest rally as the market attempts to position itself to capture production acres in the next year. While there seems to be ample reason to believe that these post-harvest rallies could again happen this year, the conditions do not seem to exist that would suggest the same magnitude of rally that has been experienced in recent history.

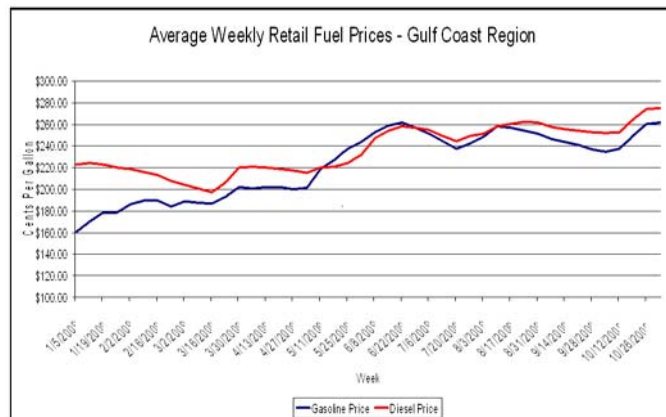
Table 5. Closing Futures Prices – November 6, 2009

Commodity	Unit	Contract Month	Closing Price		
			08/27/09	Previous Week	Previous Year
Corn	Bushel	Dec 09	\$3.67	\$3.66	\$3.78
Soybeans	Bushel	Nov 09	\$9.48	\$9.78	\$9.00
Wheat	Bushel	July 10	\$5.42	\$5.37	\$5.71
Cotton	Pound	Dec 09	\$0.6654	\$0.6764	\$0.4298
Rice	Cwt	Nov 09	\$14.95	\$14.36	\$15.24
Sugar (World Price)	Cwt	Jan 10	\$21.84	\$22.16	\$13.03
Fed Cattle	Cwt	Dec 09	\$85.00	\$85.68	\$93.30
Feeder Cattle	Cwt	Nov 09	\$94.65	\$94.80	\$98.88
Class III Milk	Cwt	Nov 09	\$14.00	\$13.93	\$15.26
Crude Oil	Barrell	Dec 09	\$77.43	\$77.00	\$60.77
Natural Gas	1,000 Cu Ft	Dec 09	\$4.60	\$5.05	\$6.98

Source: DTN, AgDayta Online

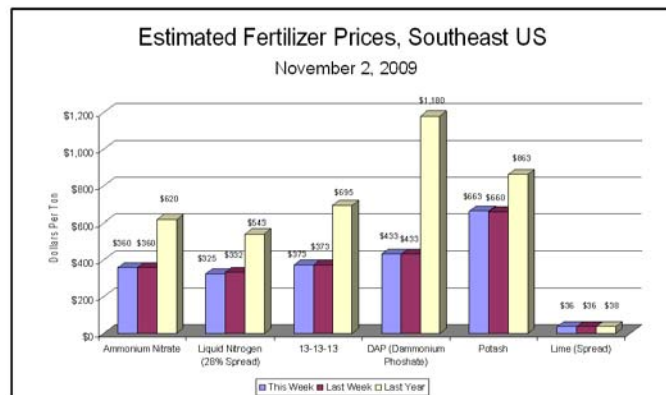
Current Input Price Situation

Prices for fuel and fertilizer continue to be at discount levels to those experienced last year. Recent increases in crude oil prices have resulted in slightly higher fuel prices over the past several weeks. In fact, recent fuel prices have been the highest levels experienced in 2009. While fuel prices have not returned to 2008 levels, a glance at crude oil futures prices over the next year suggest that the trend is for slight increases in crude oil and, therefore, increases in fuel prices.



Source: Dept of Energy, Energy Information Agency

Fertilizer prices have remained fairly stable over the last several months as demand slowed. Despite increased demand from fall crops, fertilizer prices have not yet experienced significant increases. While that is certainly a positive sign for future price movement, the growing trend to higher energy prices might be expected to eventually be translated into higher fertilizer prices.



Source: USDA, Agricultural Marketing Service