Louisiana Food and Fiber Industry Monitor

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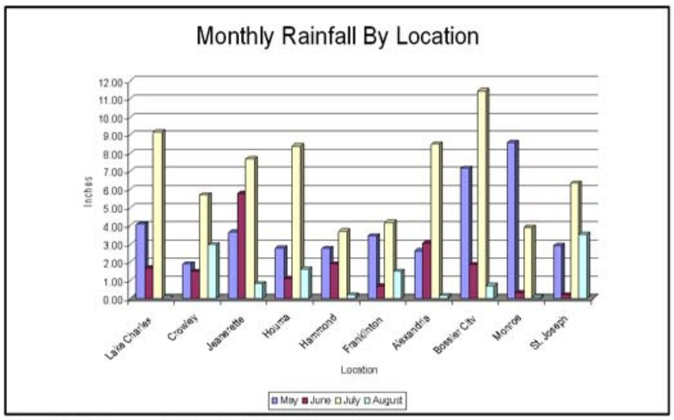
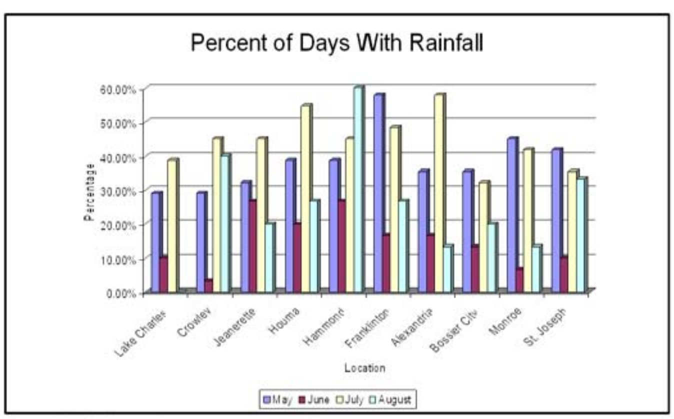
Current Production Situation

Crop moisture across most of the state continues to improve as summer showers have prevailed over the last several weeks. After a wet start to the growing season, the month of June turned extremely dry. More frequent rains in the later part of July and the first part of August have improved soil moisture for most areas in the state. According to the latest Crop Moisture Index maps, only the south central part of the state is experiencing slight drought type conditions.



Source: LSU AgCenter, Louisiana Agriclimatic Information

With most of the state's crop entering the final stages of the growing season, the amount of help being received from these additional rain showers is questionable. In fact, with producers attempting to harvest crops such as rice, corn, and sorghum and planting sugarcane, these rains can be more of a hindrance than a help. During July and the first part of August, producers have received rain in 1 out of every three days.



Source: LSU AgCenter, Louisiana Agriclimatic Information

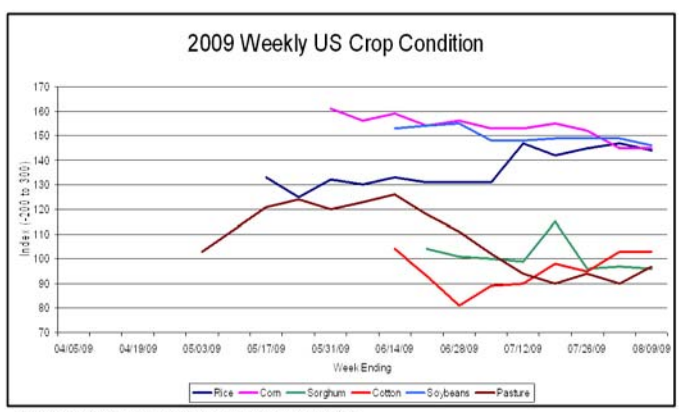
While the rains have caused slight delays in harvest for some crops, it has yet to be a serious problem. However, continued showers and continued delays would likely start to bring concerns of both quantity and quality reductions. Fortunately, to this point, crop development for most of the state's crops is at levels equal to either last year or the 5 year average pace (See Table 1).

Table 1. Louisiana Crop Development

	9-Aug-09	Previous Week	Previous Year	5 Year Average
Corn - % Mature	87	63	97	94
Corn - % Harvested	19	6	31	19
Cotton - % Setting Bolls	99	95	91	98
Cotton - % Bolls Opening	4	2	14	9
Rice - % Headed	92	86	93	93
Rice - % Ripe	41	26	54	55
Rice - % Harvested	10	6	23	28
Soybeans - % Blooming	98	93	96	98
Soybeans - % Setting Pods	94	81	86	90
Soybeans - % Turning Color	31	14	19	29
Sorghum - % Turning Color	91	87	94	86
Sorghum - % Harvested	8	5	25	15
Sugarcane - % Planted	10	2	4	5

Source: USDA, National Agricultural Statistics Service

Excessive moisture in the spring delayed the development of the US corn and soybean crops as compared to the 5 year average. However, with nearly ideal growing conditions since that time, the condition of these crops and most other major row crops has generally been significantly higher than the previous year. While the crop condition index of some crops has declined slightly over the last several weeks, the overall condition is still higher than the previous year. With generally favorable weather conditions forecasted, there are only minimal concerns about the continued development of these crops.



Source: USDA, National Agricultural Statistics Service

Reports throughout the state continue to point to increasing incidence of disease and insect pressure for some crops. Early harvest reports for rice have generally been average to slightly higher than average while corn and sorghum yields have been highly variable given the drought conditions experienced during June.

Current Price Situation

The big news in the markets this week was the USDA's August Supply and Demand estimates (See Table 2). The August estimates are USDA's first survey based yield estimate for the year. With the general favorable condition of the crops, the market was anxious to see how USDA would adjust yields from the trend line yields they have used previously in estimating total production.

Table 2. US Supply and Demand Estimates

	Wheat	Corn	Sorghum	Rice	Soybeans	Cotton	Sugar
Harvested Acres	50.4	80.0	5.9	3.00	76.8	7.77	N/A
	(0.00%)	(-0.12%)	(-1.67%)	(0.00%)	(0.39%)	(-1.65%)	
Yield	43.3	159.5	64.0	7,039	41.7	816	N/A
	(3.34%)	(3.98%)	(0.47%)	(0.09%)	(-2.11%)	(1.37%)	
Total Production	2,184	12,761	381	211.2	3,199	13.21	8,275
	(3.41%)	(3.83%)	(0.26%)	(0.09%)	(-1.87%)	(-0.30%)	(3.12%)
Total Supply	2,961	14,496	431	254.9	3,320	19.31	11,284
	(2.32%)	(2.99%)	(0.23%)	(0.47%)	(-1.78%)	(0.26%)	(3.20%)
Total Exports	950	2,100	140	99.0	1,265	10.20	200
	(2.70%)	(7.69%)	(0.00%)	(0.00%)	(-0.78%)	(0.00%)	(0.00%)
Total Use	2,218	12,875	380	231.0	3,109	13.70	10,575
	(1.37%)	(2.79%)	(0.00%)	(0.00%)	(-0.67%)	(0.00%)	(0.00%)
Ending Stocks	743	1,621	51	23.9	210	5.60	709
	(5.24%)	(4.58%)	(2.00%)	(5.29%)	(-16.00%)	(0.00%)	(97.49%)

Source: USDA, World Agricultural Supply and Demand Estimates. Numbers in parenthesis are percent changes in estimates from previous month.

The overall market reaction to the report was fairly neutral as the market seemed to continue to be more influenced with factors in outside markets. Even with the changes seen in the supply and demand numbers, the general feel of these markets remains the same. For feed grains and oilseeds, the market still must deal with large crops. While projections of ending stocks for these remain at relatively low levels (with the exception of wheat), demand will have to remain very strong to utilize the large 2009 crops. Any reduction in demand expectations could put pressure on prices. For cotton, lowered production expectations could help spur prices slightly, but unless the demand side of the equation makes sustained improvements, price improvements would likely be limited. Finally for sugar, the latest USDA report saw a significant increase in ending stocks. This large increase was a result of large increases in both beginning stocks and expected 2009 production. While stocks still remain at historically low levels, the big increase seen this month likely lessens the optimism for significant price improvement that existed earlier in the year.

With the market not reacting significantly to the higher projections for feed grain production, the livestock markets didn't get the boost it was looking for to help push prices higher. The livestock markets continued to be characterized with ample supplies in conjunction with slowing demand. While total meat production is expected to be down in 2009 and again in 2010, the reduced supplies have not been enough to move prices higher (See Table 3). And while total meat production is expected to be down in 2010, poultry production is expected to move higher in the later part of 2009 and continue through 2010. This may make it tougher for competing meat products from seeing significant gains in their prices.

Table 3. Annual US Animal Product Production

	2,008 Annual	2009 Annual	2010 Annual
	---------- Million Pounds		----------
Beef	26,561	25,875	25,140
Pork	23,347	22,824	22,535
Broiler	36,906	35,510	36,025
Total Red Meat & Poultry	93,937	90,756	90,380
Milk	190,000	188,200	186,500

Source: USDA, World Agricultural Supply and Demand Estimates

While the release of the USDA supply and demand estimates showing higher production and stocks for most commodities would suggest lower prices, the influence of improvements in the stock market and higher crude oil prices helped to keep commodity prices from a significant downturn. For the short term, prices are likely to continue to be influenced by a mixture of supply and demand fundamentals and the strength of the outside markets. As a result, while the historical trend would expect prices to continue to decline into harvest, the outside influences could support prices and keep prices in a fairly stable range.

Table 4. Nearby Futures Prices – August 12, 2009

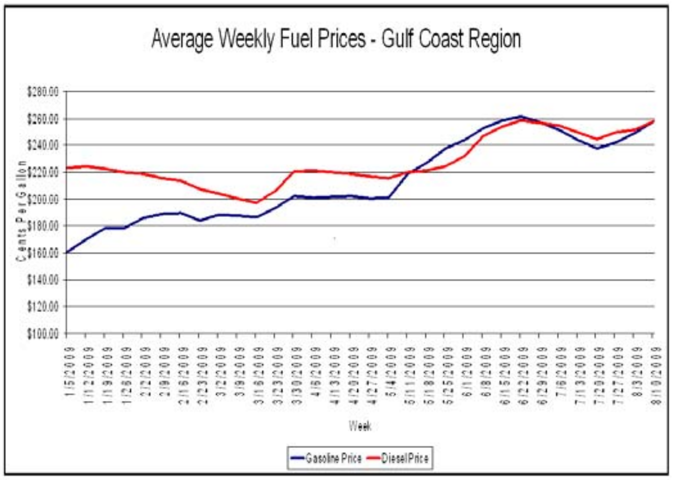
		------------ Closing Price		------------
Commodity	Unit	08/12/09	Previous Week	Previous Year
Corn	Bushel	$3.31	$3.47	$5.09
Soybeans	Bushel	$12.16	$11.75	$12.20
Wheat	Bushel	$4.90	$5.29	$7.90
Cotton	Pound	$0.6204	$0.6039	$0.6728
Rice	Hundredweight	$13.39	$13.79	$16.02
Fed Cattle	Hundredweight	$84.43	$84.03	$102.78
Feeder Cattle	Hundredweight	$99.85	$101.35	$115.15
Class III Milk	Hundredweight	$11.10	$10.96	$17.51
Crude Oil	Barrel	$70.16	$71.97	$113.01
Natural Gas	1,000 Cu Ft	$3.48	$4.04	$8.33

Source: DTN, AgDayta Online

However, once harvest rolls into full speed across the country, it would be expected that the potential for large crops would pressure the prices for most row crop commodities. Lower grain prices, coupled with lower supply levels, could support prices for the livestock sector as we end the 2009 calendar year and head into 2010.

Current Input Price Situation

With harvest for most of the state's row crops starting or set to start shortly, many producers are curious as to what will happen with fuel prices. Unfortunately, diesel prices are generally in an upward trending pattern. While prices are still at significantly lower levels than those experienced in 2008, the higher prices over the last month are troublesome heading into harvest.



Source: Dept of Energy, Energy Information Agency

On the positive side, the USDA's July estimates for producer prices paid index were lower for most other agricultural inputs. The largest reduction experienced from June to July was for fertilizer with the index falling by over 10 percent. Reductions were also seen for all major agricultural chemicals.

Forestry Situation (Provided by Dr. Mike Dunn)

There are still plenty of reasons to remain pessimistic about the general forest products economy in the southern United States. Timber Mart South, in their second quarter, 2009 summary, reported the following:

- The South wide average pine sawtimber price is at its lowest point since 1993.
- Pine chip-n-saw prices are at their lowest point since 1991.
- The South wide average hardwood sawtimber price is the lowest in five years.
- The Forest Business Optimism Survey's latest indicator was 42 (above 50 is optimistic, below 50 is pessimistic).
- According to the Southern Forest Products Association, southern pine lumber production will be at its lowest point since 1985, down more than 40% from its peak year of 2005.
- Plywood production is also at 20 to 25 year lows.

However, not all the news is bad. According to a recent survey of the nation's economists, most think the recession will be declared officially over by the end of October, 2009. Even so, it would mark this as the longest and recession since the Great Depression. Other bright signs:

- Relative to solid wood products, pulpwood and chip prices have remained stronger, although they have been weakening some from stronger prices earlier in 2009 and in 2008.
- Although the Forest Business Optimism Survey's indicator was still "pessimistic" at 42, that is an increase from the previous number of 36.
- Some slightly stronger lumber and panel prices were reported toward the end of the second quarter.

The forest products industry still has far to go to get out of this tremendous economic crunch and it will take continued improvements for some time before things substantially improve "in the woods." However, it is possible that we may at least have reached a bottom and better days are ahead.