

New Crop Market Report 23 May 2013

With most old crop stocks running low, and increasing attention on 2013-2014 harvest offshore, it is time for most focus to be on what effect this will have on new crop domestically. With the well publicised large worldwide plant currently underway to compensate for the rundown in world stocks last season, the effects on future pricing here will be significant.

There is a large plant forecast offshore, and if all goes well with these crops we will see a bump up in world supply figures through the rest of 2013. A large US corn crop, Brazilian soybean crop, and an improving Russian and FSU wheat crop will make a significant dent into world supply & demand tightness in feed markets. But it is also important to remember there are risks to these crops, particularly the US corn crop. The large plantings in a short period of time will make the US corn crop vulnerable to a hot and dry summer in its pollination stage towards the back end of July, with a largere than normal percentage of the crop exposed at this time. Also the Russian crop has been dry up to now before some relief last week.

Turning our attention to what we are seeing here, it is fair to say that conditions are far from ideal for most growers in NSW and Southern Queensland. Eastern growing areas in the north are looking a bit better, but many have either dry sown, or are still waiting on planting rains. That being said, it is prudent to have a look at all new crop options when formulating a marketing plan moing forward. Below is a table showing current domestic & futures prices, as well as forward domestic & futures prices:

Prices at cob 22/5	Domestic Cash	ASX	CME futures	Basis +/- AUD MT
12/13 wheat APW	306	297.3July	680July	+\$51.59
13/14 wheat APW	280	276.2Jan	703Dec	+\$8.93
12/13 Sorghum	302	300.5	640July	+\$54.97
13/14 Sorghum	225	239	539May	+22.36
2013 Cotton	449		83.42July	+383 on July
2014 Cotton	451		84.13May	+220 on May

So what does this tell us? Clear themes are basis is much stronger for the old crop – reflective of local & world S&D tightness. But the new crop also has positive basis, which would be expected to decay if conditions improve. Anyone with production confidence may like to consider. Cotton basis also remains strong relative to long term averages. It is important to remember thought that each individual’s production risk profile needs to be considered when making forward marketing decisions.

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