



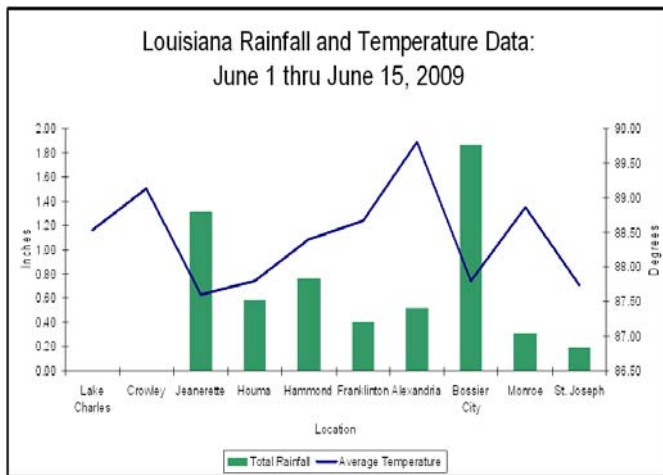
Louisiana Food and Fiber Industry Monitor

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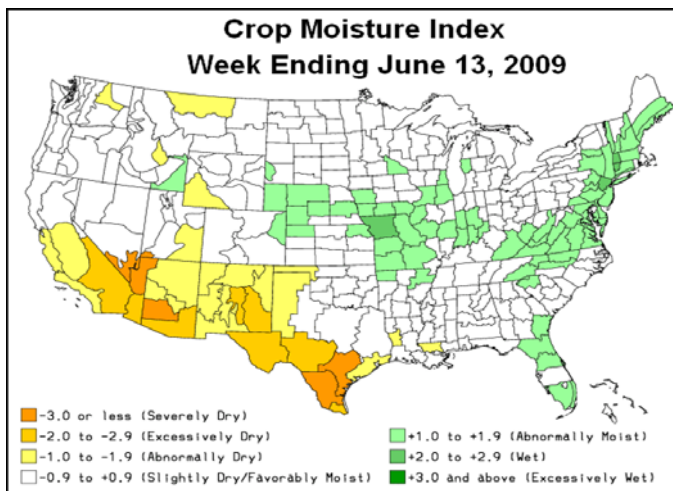
Current Production Situation

As often seems the case, weather conditions in the state have changed fairly dramatically over the last several weeks. In late April/early May, the general consensus throughout the state was that a period of dry conditions was needed to finish field operations and to promote normal crop development. Since that time, however, very little rainfall and increasing temperatures has definitely changed the soil moisture condition of the state.



Source: LSU AgCenter, Louisiana Agrilimatic Information

Throughout the state, the crop moisture index has fallen fairly dramatically over the last month. Likewise, much of the Midwest has gone from a condition of excessive moisture to one of nearly normal levels in a very short time. In other areas of the country, drought-like conditions have developed that will certainly threaten crop development.



Source: NOAA

While dryer conditions have definitely brought the need for timely rains over the next several weeks, it does not yet appear to have affected crop development or condition. Despite dryer conditions and increasing disease and insect pressure, the condition of the state's major agricultural commodities currently appears to be favorable. With the exception of forage, all of the commodities are reported to have more than 50 percent of the crop rated as good to excellent condition (See Table 1). This is much the same case across the US with the exception of cotton suffering from drought conditions in Texas and winter wheat which suffered both drought conditions and freeze damage in major growing areas.

Table 1. Crop Condition - Week Ending June 14, 2009

Crop	Louisiana			United States		
	Very poor to Poor	Fair to Excellent	Percent	Very poor to Poor	Fair to Excellent	Percent
	Corn	5	26	69	5	25
Cotton	5	32	63	18	37	45
Rice	2	28	70	10	35	55
Sorghum	2	31	67	N/A	N/A	N/A
Soybeans	3	27	70	6	28	66
Sugarcane	12	30	58	N/A	N/A	N/A
Wheat	2	25	73	29	27	44
Livestock	8	38	54	N/A	N/A	N/A
Pasture	18	36	46	14	26	60

Source: USDA, National Agricultural Statistics Service

Current Price Situation

Despite a few signs pointing to the economy attempting to stabilize, most believe a true recovery is still months away. There is still a considerable amount of volatility in the financial and energy markets which has continued to impact agricultural markets. In addition, a struggling economy continues to generate concerns of slowing demand for all agricultural commodities.

While the concerns over the economy are still considerable, the underlying supply and demand conditions for many commodities remain positive. In the latest USDA report, changes to both supply and demand resulted in reduced ending stocks expectations and increase marketing year price projections for many commodities (See Table 2).

Table 2. US Ending Stocks and Prices, Selected Commodities

	Wheat	Corn	Rice	Soybeans	Cotton	Sugar
Ending Stocks:						
June 10, 2009 Estimate	647	1,090	36.2	210	5.6	459
Change From May	10	-55	-3.0	-20	0.0	170
Change From Last Year	-22	-510	13.0	100	-1.0	-743
Marketing Year Price:						
June 10, 2009 Estimate	\$5.40	\$4.30	\$11.00	\$10.00	\$0.54	N/A
Change From May	\$0.20	\$0.20	\$0.00	\$0.55	\$0.00	N/A
Change From Last Year	-\$1.45	\$0.10	-\$5.00	\$0.00	\$0.05	N/A

Source: USDA, World Agricultural Supply and Demand Estimates

Generally favorable supply and demand conditions and supported export demand from a falling US dollar have helped support prices over the last month or so. This price movement, however, has been somewhat countered by spillover impacts from struggling financial markets and has led and will likely continue to lead to choppy movement in commodity prices (See Tables 3 and 4).

Table 3. Nearby Futures Prices – June 16, 2009

Commodity	Unit	Closing Price -----		
		06/16/09	Previous Week	Previous Year
Corn	Bushel	\$4.04	\$4.44	\$7.34
Soybeans	Bushel	\$12.01	\$12.44	\$15.34
Wheat	Bushel	\$5.66	\$6.14	\$8.77
Cotton	Pound	\$0.5243	\$0.5486	\$0.7460
Rice	Hundredweight	\$12.31	\$12.96	\$20.66
Sugar	Hundredweight	\$22.32	\$22.50	\$21.75
Fed Cattle	Hundredweight	\$79.60	\$80.18	\$96.73
Feeder Cattle	Hundredweight	\$96.55	\$96.33	\$109.65
Class III Milk	Hundredweight	\$9.89	\$9.91	\$20.17

Source: DTN, AgDayta Online

While prices have improved from this spring for some agricultural commodities, prices are still at significant discounts from the levels experienced last year. With the concerns over the economy still present, it is difficult to project that prices will be able to approach year ago levels. Without a weather related incident, prices for most of these commodities would historically begin to peak over the next few weeks and then turn lower as harvest begins to approach.

Table 4. New Crop Futures Prices – June 16, 2009

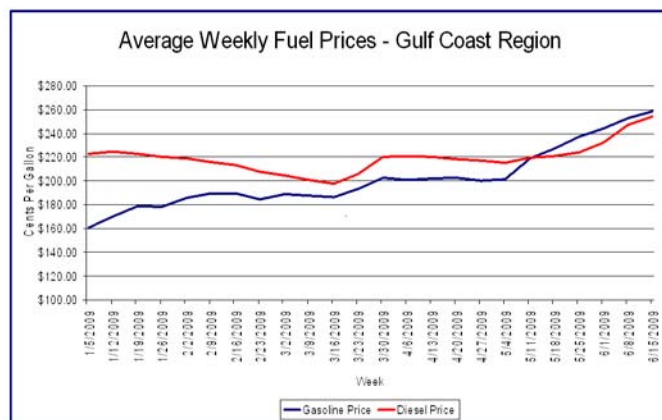
Commodity	Unit	Contract Month	Closing Price -----		
			06/15/09	Previous Week	Previous Year
Corn	Bushel	September	\$4.13	\$4.53	\$7.47
Soybeans	Bushel	November	\$10.29	\$10.73	\$15.23
Wheat	Bushel	July	\$5.66	\$6.14	\$8.77
Cotton	Pound	December	\$0.5774	\$0.5952	\$0.8224
Rice	Hundredweight	September	\$12.31	\$12.90	\$19.48

Source: DTN, AgDayta Online

Current Input Price Situation

The one concerning factor in the current economy is the recent increase in crude oil prices. Despite reported slowdown in total demand, crude oil prices

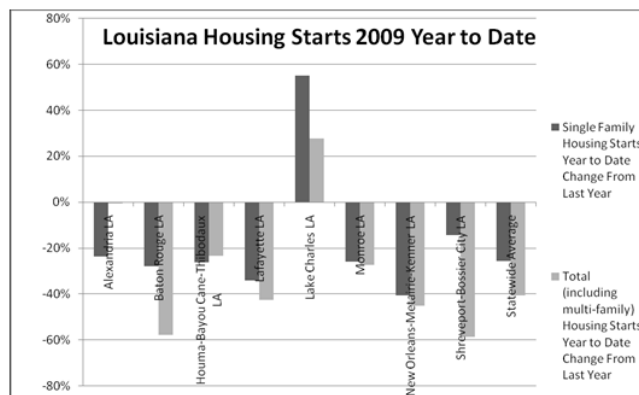
have increased fairly significantly over the past several weeks. One reason leading to higher energy prices may be the falling strength of the US dollar. A lower US dollar, while a positive for US exports, makes imported items such as crude oil relatively more expensive.



Source: Dept of Energy, Energy Information Agency

Nationwide housing crunch hits home (Provided by Dr. Mike Dunn)

Louisiana single-and-multi-family housing starts for the period January through April 2009 were significantly down for most metropolitan areas when compared with the same period last year. Only the Lake Charles Metro Area is showing an increase in housing for this year.



* Source: National Association of Homebuilders website

Overall, statewide construction of new housing is down 41% when compared to the same period in 2008. Nationally, the inventory of existing homes stands at approximately 12 months' supply, compared to normal inventories of 6 months. It is unlikely that sawtimber prices in Louisiana will increase to any significant degree until construction markets improve, particularly housing. New housing starts will likely not improve until existing home inventories decline, and existing home inventories will decline as home prices fall. One risk is that potential home buyers are reluctant to purchase when prices are falling and this exacerbates the situation.