

GRAIN OUTLOOK

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WHO SAW THIS COMING?

Coming out of the weekend, swine flu spreading around the world from Mexico has become the hot news which has gained the attention of commodity traders. One fear is a flu pandemic will derail global economic recovery. Another concern is consumption of pork will fall, taking demand for feed grains down with it. Already Russia and China have banned pig meat imports from infected areas, including certain states of the United States. Bird flu is being used as the mental model, although health authorities are telling people not to panic and that cooked pork meat is safe to eat. This mutated strain of swine flu has not been detected in swine herds thus far, so it is not likely that pigs will be destroyed as was the case with bird flu when millions of poultry animals were killed to halt the spread.

The market negative swine flu news has overwhelmed bullish reports of continuing delays in corn and spring wheat planting and uncertainty about the winter wheat crop. An extremely wet storm system moving out of the Great Plains into the Corn Belt will cause corn and spring wheat planting to be delayed into early May, perhaps longer, if follow-up weather systems move into the area as forecasted.

Flood producing rains more than replenished dry soils from the central parts of Kansas and Oklahoma, eastward. However, the Western thirds of those two states did not benefit much from the storm system. Drought in Texas and Oklahoma, plus two hard freezes hurt wheat badly. The USDA Crop Progress report released April 27th, showed 73 percent of the Texas wheat crop rated as poor or very poor. Only 11 percent of the Texas crop was

considered good or excellent. Sixty-four percent of the Oklahoma winter wheat crop rated poor or very poor. Nine percent was good and none of the wheat in Oklahoma was rated as excellent. The full extent of the freeze damage to Oklahoma wheat will not be known until the wheat has headed out. By comparison, the Kansas hard red wheat crop rated 48 percent good or excellent. Only 15 percent was poor or very poor. Some wheat in the southern tier of Central Kansas counties was hurt by the freezes, but at this time it is thought impact on final yields will be minimal.

The annual wheat tour is scheduled for the first week in May. Teams of scouts will physically inspect hundreds of wheat fields in Kansas and calculate yield estimates. Scouting teams in Oklahoma and Colorado will calculate yield estimates for their states. The results will be released after the market close at the Kansas City Board of Trade on Thursday, May 7th.

Soggy fields in the Eastern Corn Belt and Upper Great Plains spring wheat areas have delayed corn planting, raising questions about the number of acres that will be planted to corn and spring wheat this year; and the acreage that may be shifted into soybeans. Aside from bidding a premium into the Minneapolis spring wheat price, traders seem to be ignoring the potential impacts of the situation.

The second cold, wet spring in a row has corn planting running behind normal, although planting progress picked up considerably in the Western Corn Belt during the fourth week of April. In the 18 major corn states, as of April 26th, 22 percent of the corn had been planted compared to the average 28 percent. However Eastern Corn Belt states were still running far behind normal. Two examples: Only four percent of the corn in Illinois had been planted versus a normal 43 percent and Indiana was only two percent planted versus the normal of 25 percent. Corn planting in the Mid-south didn't keep up this week, especially in Kentucky and Tennessee.

Corn Belt corn producers like to have corn seed in the ground by May 1st. Big planting rigs can plant lots of corn in a hurry, but they have to be able to get into fields without

sinking in up to the wheel hubs. In many areas, that will not be possible until later in the month. The next important date is May 10th. That is the date past which yield potential for corn starts to decline dramatically. Corn yields held up last year, even with late planting, because near ideal, but rare, late summer and early fall growing conditions allowed the corn to mature. If corn price is high enough to give good returns even with lower yields, producers might decide to go ahead with corn. But many will switch to planting soybeans.

The market has been anticipating a switch to soybeans. A near historic low soybean ending stock projection, a drought-reduced South American soybean crop, and continued Chinese buying has driven the nearby old crop soybean futures contract price above \$10 per bushel. But harvest time futures price is a dollar lower. The impending switch from corn and spring wheat to soybeans had strengthened corn and spring wheat futures prices to encourage farmers to plant those crops if at all possible. But the swine flu scare has taken some of the incentive out of corn price.

The next two to three weeks will give direction to the commodity markets as the yield potential of the Great Plains winter wheat crop is evaluated; spring wheat and corn crops are planted...or not planted; and the global impacts of the swine flu become more fully known.