

GRAIN OUTLOOK

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CORN PLANTING DELAY PUSHES PRICE HIGHER

Corn planting progress has been disappointing and is starting to be reflected in an even higher price in the marketplace. The most recent USDA Crop Progress report, released April 28th, showed only 10 percent of the nation's corn acreage planted compared to the five-year average of 35 percent. Of the biggest corn producing states, Iowa planting was 49 percent behind, Illinois was 30 percent less than normal, and in Minnesota, only 1 percent of the corn had been planted versus the five-year average of 27 percent. While the Eastern Corn Belt appears to be drying out, the Northern Corn Belt remains wet; and more rain is in the forecast.

Time is running out on corn. Although some industry people are showing signs of anxiety, no one seems to be panicking yet. There are two dangers: 1) not enough corn acres will get planted, and 2) corn will be planted too late to produce trend line yield.

In its March 31st Planting Intentions Report, based on a farmer survey, the USDA estimated that 86 million acres of corn would be planted this spring. Traders and industry experts ran the numbers on projected corn demand and came to a consensus agreement that farmers needed to plant at least 89 million acres of corn. Corn price moved up in an attempt to bid more acres into corn. But the weather has not been cooperating.

An analysis conducted this week showed that with projected usage, 89 million acres of corn producing at trend line yield of about 155 bushels per acre would give a barely

adequate corn supply. Price would likely remain in the \$6 range. If 90 million acres are planted and harvested at trend line yield, corn stocks would build enough to bring corn price down into the \$5 range. For both models, below trend line yields resulted in higher corn price. If corn acres planted fall below 89 million acres, even with trend line yield, corn price would move up to a level that would ration the available supply. No attempt was made to analyze the effect of unfavorable weather during the growing season.

The conclusions here in early May are 89 to 90 million acres of corn need to be planted, and soon, to optimize the crop's yield potential. Then, we will need good weather conditions throughout the growing season to produce trend line yield. With the 2007/08 carryover supply tightening, there is no cushion to fall back on.

Soybeans will win the Battle for Acres this year, likely by default, regardless of the economics. In recent weeks, the net income incentive shifted to corn. But if corn doesn't get planted, the acres will go to soybeans. This is being reflected in soybean price, which has fallen by about \$2.50 per bushel. Offsetting the anticipated large acreage of soybeans have been higher than expected soybean exports and probably fewer double cropped soybeans because of the lateness of the wheat harvest.

The hard red winter wheat crop showed slight improvement in this week's USDA Crop Progress Report. The Kansas wheat crop improved by 4 percent. There have been some reports of disease infestation; specifically leaf rust and powdery mildew. Cold temperatures have slowed development of the wheat making it more susceptible to disease. Producers are saying wheat development is a week to ten days behind normal. More will be known about the Great Plains wheat crop after next week's Wheat Quality Council Tour. However, in some parts of Kansas, we will be trying to estimate yield for wheat that has not yet headed out.

It seemed as if wheat price records were broken on the upside daily last winter. But in the last seven weeks, the Kansas City Board of Trade wheat contract price has fallen by about 37 percent. Will it fall further? The answer is probably yes. More wheat was

planted last fall around the world. An early estimate put world wheat production for this year up by 6 percent. It will likely go higher than that. There are dry areas in the world, but overall favorable weather is contributing to a potentially large world wheat crop. However, the wheat is not in bins yet, and one good year won't completely replenish global stocks. At this point, we are probably looking at a lower harvest time wheat price, but not as low as before the price run up.