

## **GRAIN OUTLOOK**

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### **MARKET UNCERTAINTIES**

Uncertainty about the size of this year's wheat crop is getting smaller each day that cutting continues. The rain delayed Oklahoma harvest is finishing as Kansas harvest crews are getting into full operation. Mud is causing some problems in the southeastern part of the state, but elsewhere elevators are taking in thousands of bushels each day. Yields vary widely, depending on rainfall and hail damage. On average, it looks as if yields are a little higher than estimated by participants on the May Wheat Tour. Test weights and protein content were reduced somewhat by the persistent rains, although protein levels in Western Kansas are high as would be expected from wheat stressed by low rainfall.

Elevator posted prices for wheat are higher than producers expected to see at harvest time. Hard red winter wheat price had dropped into the \$7 range in early June and was expected to fall more once harvest got underway. But oil price soared and pulled the prices of corn, soybeans, and wheat up with it. In recent days, the Kansas City cash truck wheat bid has been over \$9 per bushel. Kansas wheat producers stand to do very well this year and the benefits will be felt in the economies of rural Kansas communities.

In contrast to wheat, the uncertainty surrounding the corn and soybean markets increases each day more rain and flooding is reported in the Corn Belt. The supply and demand fundamentals for both corn and soybeans are so delicately balanced this year that there is no cushion for poor crops. The USDA estimated 86 million acres would be planted to corn; 74.8 million acres planted to soybeans. In its last report the USDA dropped

estimated national average corn yield below trend line to 151 bushels per acre. They kept the soybean projected average yield at 42.1 bushels per acre.

No one in the grain trade believes the USDA numbers are accurate. Rain delays kept farmers out of fields, casting doubt on the acreage planted numbers. There have been reports that ten percent of the corn planted in Iowa was destroyed by flooding. Television coverage has many believing the damage was greater than that in Iowa and in states down river. Most agree that soybean acreage will be less than forecast by USDA, but there is no agreement on how much less. The USDA will reduce this uncertainty when it releases its acreage planted report on June 30th. The farmer survey used by the USDA was administered in early June before the worst of the flooding. They will resurvey farmers in the hardest hit states, such as Iowa, Illinois, Missouri, Indiana, and Wisconsin the last week in June, so the acreage planted report will be as accurate as possible.

Yield is even more difficult to forecast this year than acreage. Corn and most soybeans were planted late into cold, wet, compacted soils. All those factors will drag the national average yield down, but no one knows by how much. The latest USDA Crop Progress Report showed a slight improvement in the overall corn crop condition; up 2 percent for the week, but still 14 percent below average for the date. Even more worrisome were crop conditions in the major corn producing states. Iowa, Illinois, and Indiana had good to excellent ratings in the 50 percent range. Normally, at this time of the year, those states would be in the 70 percent range. The USDA will release their revised yield estimate in the World Agricultural Supply and Demand Estimate report on July 10<sup>th</sup>. Corn yield is likely to be revised downward.

Corn pollination will be occurring soon. Hot, dry weather during pollination would reduce yields. Long-range weather forecasts are not suggesting that will occur. In fact, it looks as if the chance of a Corn Belt drought this summer is low.

It is too early to become concerned about soybean national average yield. There is a lot of summer yet to go. The soybean crop improved by one percent for the week, but is still

nine percent below average for this time in previous years. Timely rains, moderate temperatures, and a late frost will be needed to keep this year's soybean crop on track. With corn price in the mid-seven dollar range and soybeans attempting to break through \$16, the markets appear to have factored in short crops of both corn and soybeans. Everyone connected to the grain trade, including producers, will closely read the upcoming USDA reports hoping some of the uncertainties will be explained away.