

## GRAIN OUTLOOK

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### THE MID-SUMMER DOLDRUMS

Springtime rain delays in planting row crops were suppose to reduce acres planted and late planting would drag yields down, keeping prices high and rising through the summer into fall harvest. Instead, greenhouse-like growing conditions have corn and soybeans on track to produce good, if not record, yields. Corn price dropped about \$1.50 per bushel and talk of ‘beans in the teens’ was quashed. Disastrous wheat yields in Texas and Oklahoma buoyed wheat price early on, but the Kansas wheat crop turned out to be better than expected, knocking price down about \$1.75 per bushel.

Outside influences were little help in early summer. The stock market rally fizzled after investors came to realize economic recovery would be molasses-in-January slow. Oil price dropped about \$15 per barrel and the drooping dollar started moving sideways. Commodity speculators liquidated long positions to take profits out and took small short positions for the ride down. They are limiting the amount of their holdings just in case the CFTC does place position limits on speculative trades and they would be forced to dump excess positions at fire sale prices.

The major agricultural commodity prices have become low enough to cause concern among producers about covering the costs of production and have stimulated interest in the USDA’s ACRE program. The signup deadline for ACRE is August 14<sup>th</sup>. K-State Professor Art Barnaby will be conducting an online ACRE webinar on August 4<sup>th</sup> for people wanting more information about ACRE. He has generated decision making data for 20 agricultural states. For more information about the webinar, and to enroll online, go to the KSU website [www.AgManager.info/events/webinars](http://www.AgManager.info/events/webinars).

The lower prices and resulting improved profit margins for end users stimulated buying activity, however not as much as one might expect. Livestock producers continue to cut numbers, reducing feed demand. Overseas buyers, and others, appear to be holding off on buying to see if large harvests of corn and soybeans will drive prices lower.

Disheartened producers have been reluctant to sell cash commodities in these down markets. However, there are some indications of a turning point. The Dow stock price index has come back to rally over 9,000. Wheat price appears to have made a harvest time low about the 4<sup>th</sup> of July. Oil price made a turnaround on about the 10<sup>th</sup> of July and is up more than \$6 per barrel. Helped by oil price and trader anticipation of very tight remaining stocks of old crop soybeans at the end of the marketing year on August 31<sup>st</sup>, soybean price has been moving sideways for the past two weeks, perhaps poised for a spike - upward or downward, depending upon near-term developments. Corn price, however, continues to show weakness.

The USDA just announced that due to 'variable weather conditions' during planting time, they will update the June 30<sup>th</sup> Acreage report. The update will be released on August 12<sup>th</sup>. There was an uptick in corn price when traders realized the USDA may revise the corn acres planted downward.

Also on August 12<sup>th</sup>, the USDA will release the August World Agricultural Supply and Demand Estimates (WASDE) report. In the August WASDE, for the first time for the corn and soybean crops now growing, the USDA will project national average yields using actual field survey data. Up to now, yield projections; 153.4 bushels per acres for corn and 42.6 bushels per acre for soybeans, have been based on statistical models. Early trade guesses on the new USDA yield numbers have all been higher; some, if realized, would be record large yields. The U.S. corn national average record yield of 160.4 was set in 2004/05. The soybean national average yield of 43 bushels per acre was established in 2005/06.

Crop conditions as reported in the weekly NASS Crop Progress report have been supportive of the enthusiastic yield projections. For the week ending July 12<sup>th</sup>, 71 percent of the corn was rated good or excellent. Last year, at the same time, corn was 65 percent good to excellent. For soybeans, 67 percent of the crop was rated good or excellent this year compared to 61 percent last year. However, this year, nationwide, both row crops are running about one week behind the five-year average in terms of crop development measured by corn silking and soybean bloom. Last year's crops also lagged behind, but benign growing conditions into late summer and a much delayed first frost allowed corn and soybeans to fully mature.

Because of even later planting this year, corn and soybean that would normally reach maturity about the first week in September will not reach maturity until the first week in October. The abnormally low temperatures recorded so far this summer complicate the situation. Locations in northern Corn Belt and Plains states have experienced record low night-time and day-time temperatures. The forecast is for the cool temperatures to persist through August into September. The problem is the slow accumulation of growing degree days. It takes time plus temperature for corn and soybeans to develop to full yield potential. For example, a corn variety that would take 110 days to mature under normal growing conditions, might take 125 days to mature if temperatures were below normal.

The bottom line is, given average first frost dates in the first half of September, crops in the Northern tier of states; North Dakota, Minnesota, Wisconsin, and Michigan, may not have enough time to reach full yield potential. Even in the second tier states of Illinois and Indiana, where corn and soybeans are lagging 30 to 50 percent behind normal and where the first frost date is about the first week in October, the tops of the yield potential may be nipped by frost. This is all speculation based on average first frost dates. Last year, the first frosts came late. There is no guarantee they will come late again. In fact, with temperatures running below normal, Jack Frost may come early this year.