

## GRAIN OUTLOOK

October 29, 2009

Mike Woolverton, Ph.D.  
Extension Grain Economist  
Kansas State University  
[mikewool@agecon.ksu.edu](mailto:mikewool@agecon.ksu.edu)

### FALL HARVEST 2009: A MUDDY SLOG

On Monday, October 26<sup>th</sup>, the USDA released the latest Crop Progress report which was notable for the lack harvest progress. It was not unexpected, given persistent, harvest-delaying rainfall across the eastern half of the United States, but only 14 percent of the nation's soybean crop could be harvested during the previous week, leaving approximately 43 million acres yet to cut. Most shocking was that only three percent of the potentially huge corn crop was harvested, leaving an amazing 63.5 million acres of corn standing in the field. Of increasing concern is the date; only a week away from *November!*

Grain and oilseed prices have been on a roller coaster lately. Within one week soybean price moved up to the \$10 range stimulated by strong Chinese demand, dropping value of the dollar, and a shortage of pipeline supply because of the delayed harvest. Corn price flirted with four dollars and surprisingly, wheat went above five dollars. Then prices fell as farmers sold to capture the relatively high prices, overseas buyers pulled back because of the high prices, and the anemic dollar gained in value. But what really triggered the market downturn was a long range weather forecast that predicted good harvest weather ahead. Later in the week the markets reversed again when a wetter than expected storm system moved across the Great Plains into the already soggy Corn Belt. The dollar resumed its downward trajectory and oil price moved back up to the \$80 range. Grain and oilseed prices followed oil higher.

People in the trade are talking about yield losses and quality problems. There is no doubt that quality for both corn and soybeans will be an issue this year. Individual farmers are already feeling the impact because of the discounted prices received when selling quality-impaired commodities. But there is no way of judging overall impact on the markets until enough corn and soybeans are harvested to give a more complete picture of the damage.

Yields are a different matter. The USDA October 9<sup>th</sup> national average yield estimates of 164.2 bushels per acre (bpa) for corn and 42.4 bpa for soybeans now look too high. Yes, there have been reports of exceptionally good yields. But there are horror stories, especially those coming out of the mid-south states, where the crops have been ready to harvest for four weeks, about shattering, stalk rot, sprouting corn and soybeans, etc. Some remaining fields will not be harvested. One has to wonder if producers in the Corn Belt, watching rain and snow fall on unharvested crops, will share the same fate.

Crop analysts have lowered private yield projections for corn and soybeans. One can hear arguments on both sides for which crop, corn or soybeans, will withstand delayed harvest the best. A calculation using a national average corn yield of 160 bpa shows corn ending stocks of about 10% of usage; a just adequate supply for the marketing year. It gives little cushion for a lower national average yield. Below 10% ending stocks, supply starts to get tight and would put upward pressure on corn price.

A similar calculation for soybeans using 41 bpa, a current consensus of national average yield, left ending stocks at five percent of usage. That would be a very tight supply situation that could push soybean price up a dollar or two until South American soybeans enter the export market channel early next year.

One reason grain prices dropped at mid-week was the reaction of traders reading weather reports indicating better harvest weather in the next week or two. Traders are being very cautious about potential price-dropping bulges in corn and soybean supplies. But it will take much of the 10 to 12 day window of good weather for fields and crops to dry out enough for harvest to get underway. Once that happens, soybean harvest will move faster

than for corn. Corn harvest is likely to be slowed down by the bottleneck in drying capacity.

Analysts normally don't talk about harvest time low prices until at least half of a crop is harvested. But we are just about there for soybeans; and within a week or so half the corn will be in bins. Given the situation, it is likely that corn and soybean prices are at or are close to harvest-time lows. Traders have been discounting projected large crops into prices all fall. There simply is not much potential for lower prices from this point forward.