

## GRAIN AND OILSEED OUTLOOK SUMMARY MID-SEPTEMBER 2009

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At the beginning of the 2008/09 grain and oilseed marketing year, corn and soybean prices were still near the highs set during the 2007/08 marketing year when surging global demand drove energy prices, and the prices of other commodities, to levels rarely if ever seen before. While it was still in the \$7 to \$8 per bushel range, wheat price had fallen significantly as it became apparent that farmers around the world had responded to market signals and would produce the largest wheat crop in the history of the world. Then came the global economic downturn during the last half of 2008. Credit markets froze, exports all but stopped, and consumers here and abroad cut back on consumption to cause commodity prices to fall hard and fast before bottoming out in late 2008.

All of 2009 has been an uphill battle. Demand was not destroyed as some thought. However, demand was reduced by lack of credit, fewer numbers of livestock on feed, and low consumer and business firm confidence. Trading resumed once credit became available, ethanol plants again became profitable, livestock producers adjusted, and consumers and business firms regained some confidence that the U.S. and global economies would eventually recover.

Corn and soybean prices rose in the spring of 2009 as planting was delayed by persistent rains across the Corn Belt states. The USDA resurveyed farms in seven states to see if wet fields had prevented some row crop planting. But farmers managed to plant all the acres of corn and soybeans they intended to plant. A cooler and wetter than normal summer created nearly ideal growing conditions for corn. Although soybeans responded less well, lack of heat stress allowed both soybeans and corn to score some of the highest crop condition ratings ever recorded. The prospects of potentially historically high yields drove corn and soybean prices down to below the cost of production for many producers. A global glut of wheat, made worse by aggressive Russian pricing out of the Black Sea Region, drove wheat price down to the lowest level since early 2007.

However, at the time of this writing, fall-harvested crops were not yet in bins. That included spring wheat, the harvest of which, in a normal year, would have been completed. This is not a normal year. Late planting and cool temperatures delayed spring wheat maturation, and high moisture conditions hindered harvest progress.

There was no surprise early freeze this year. But even normal first frost dates could stop corn and soybean crop development before full maturity in many parts of the Corn Belt. Even if there is a long mild autumn, and a record national average yield, corn supply will be adequate without being burdensome. Soybean supply compared to demand will continue to be tight until the Southern Hemisphere soybean harvest in February and March.

Absent a faster than expected global economic recovery or an unexpected shock to the system, commodity prices are likely to follow the pattern for big crops. Low harvest-time prices will stimulate demand. Supplies will be reduced as the marketing year progresses, to put upward pressure on prices.