

GRAIN OUTLOOK

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ALL EYES ARE ON THE KANSAS WHEAT CROP

Dr. Jim Shroyer, Research and Extension Wheat Specialist at Kansas State University, released more information this week about the condition of the Kansas wheat crop following the Easter weekend freeze. He was widely quoted in the media as saying that freezing temperatures caused significant damage to the stems and heads of primary tillers across the state on early planted wheat. He said the most badly damaged wheat lies within about a 60 mile radius of McPherson County where lodging is a serious problem. He offered some encouragement to growers saying there is a possibility that freeze damaged wheat will produce grain from secondary and basal tillers, although it will look ragged.

K-State released information about options for producers to salvage some of the damaged wheat as forage through grazing or baling. It was recommended that wheat forage be tested for nitrate levels before feeding to livestock. Some Kansas producers are buying back forward contracts because of the likelihood they will not harvest enough wheat to fill the contracts.

In the latest National Agricultural Statistics Service Crop Progress Report, current as of April 23rd, the Kansas wheat crop was rated 34 percent Good or Excellent and 41 percent Poor or Very Poor. For comparison, in the April 1st report released before the freeze, NASS rated the Kansas crop as 77 percent Good or Excellent and only 4 percent Poor or Very Poor.

Many questions about the extent of freeze damage to the Kansas crop will be answered by the Wheat Quality Council hard winter wheat tour scheduled for next week. The tour findings will be released to the public next Thursday afternoon at the Kansas City Board of Trade.

The International Grain Council released its first projections for the 2007/08 crop and marketing year. Although Northern Hemisphere wheat production problems are of great concern, including the U.S. freeze and dry conditions in Europe, Ukraine, North Africa, and China, the IGC did not reduce projected global wheat production. They did increase global wheat usage due to more feeding of wheat and an increase in the use of wheat for ethanol production, particularly in Canada and the EU. Overall, the IGC concluded that global wheat production and usage would be about even this year, leaving global ending stocks unchanged at the current low level, which has to be seen as bullish for wheat price.

Global carryover stocks of corn are not likely to increase, according to the IGC. World corn production is expected to increase, due largely to expanded U.S. acreage. However, total usage is expected to continue to increase because of ethanol industry expansion, even as livestock feeding of corn will decline slightly. Corn carryover stocks at the end of the 07/08 crop and marketing year are expected to drop from this year's already low level to be the lowest since 1977/78.

The International Grain Council made its projection of global corn production even as U.S. corn growers struggled to get this year's crop planted. Periodic rains across the Corn Belt have continued to delay planting, although farmers jumped on their tractors as the weather allowed. The latest NASS Crop Progress Report showed 11 percent of the nation's corn planted, which was half of normal. However, the NASS report did not include all the acres planted over the April 21st weekend. Many producers had a four day window of opportunity to plant corn, and some producers planted around the clock by taking advantage of GPS technology.

Some in the trade are expressing doubt that 90.5 million acres of corn will be planted this spring, while others are wondering if delayed planting will result in below trend line national yield. Carryover supply going into the fall harvest is below the comfort level, leaving no margin for error. Although corn can be planted very quickly; seemingly overnight if the weather cooperates, the stage could be set over the next few weeks for continued tight corn supply and high price for the 07/08 marketing year.

Soybean traders are marking time; waiting for the other shoe to drop, so to speak. If 90.5 million, or more, corn acres get planted, soybean production could drop significantly from last year. However, further weather-related corn planting delays could result in the planting of more soybean acres. Another factor to consider is freeze damaged wheat. The potential exists for a large number of wheat acres in the Great Plains and in the Corn Belt; freeze damaged winter wheat and rain delayed spring wheat, to shift to row crops. Increased soybean production this year would add more soybeans to the already record large U.S. carryover and the record large South American harvest. Soybean price could head south in a hurry.

Going forward, weather will continue to drive the markets. Timing of grain and oilseed sales could have a big impact on producer revenues and profits. It will be important to constantly watch the markets; keeping in mind production risk, and act when opportunities present themselves.