

## GRAIN OUTLOOK

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### UPDATE ON A DIFFICULT CROP YEAR

Wheat harvest has finally gotten underway in most of Kansas after being stalled because of wet fields, high humidity, and freeze-damaged, immature grain. However, early harvest reports out of South Central Kansas tell of low test weights and disappointing yields as well as protein levels much lower than last year. In one reported case, a local country elevator docked the purchase price of low quality wheat heavily.

Southeast Kansas is still soggy after weeks of rain. The abandonment rate for wheat will be very high in that part of the state. Flattened wheat covering muddy soils infested with heavy weed growth will make the planting of soybeans difficult. In other parts of the state, where soils are drier on top yet have adequate subsoil moisture, double cropping is likely to be on the increase this year following wheat harvest.

It is unusual to see wheat price so strong at harvest time. Worries about Great Plains production, concern about disease development in U.S. spring wheat growing areas, and production problems in China and countries of the Former Soviet Union compounded by low world carryover stocks are keeping upward pressure on wheat price that may continue through the fall and winter until the Southern Hemisphere wheat harvest.

In a reversal of roles, the strong wheat price drove corn price higher in recent trading days until showers in the dry Eastern Corn Belt let a little air out of that market. But U.S. corn production is not going well this year. The latest weekly USDA corn crop condition

report showed double digit declines in three major corn production states. The condition of the Ohio corn crop dropped 22 percent in one week. Illinois was down 21 percent. The Indiana corn rating dropped 13 percent in the same one-week time period. The severe drought that is devastating agricultural production in the Southeastern United States is creeping up into Eastern Corn Belt states. Even though recent showers improved top soil moisture temporarily, weather forecasters are predicting the drought to intensify and spread during the critical corn reproduction month of July.

Grain traders are engaged in a corn acreage guessing game. Some think two to three million more than the USDA estimate of 90.5 million acres of corn were planted. Others think one to two million acres less were planted. The USDA will settle the argument on June 29<sup>th</sup> when it releases the Planted Acres Report. The acreage number is especially important this year because the U.S. needs to produce a minimum of 12 billion bushels of corn to meet expected demand and leave a little cushion for carryover. Of course, the other number in the equation is national average yield. The USDA is now projecting national average yield of 150.3 bushels per acre. Late planting, nitrogen leaching in some areas, lack of rainfall in other areas, and high temperatures during pollination time could negatively affect the yield number. The bottom line - the stage is set for continued weather-related price volatility; and if total production is less than 12 billion bushels, corn price high enough to ration demand.

Soybeans have stayed in the background while price quietly slipped above \$8 per bushel. The relatively high price is not because there is a shortage of soybeans in the U.S., or the world. Record crops last year in the United States, Brazil, and Argentina yielded an ample global supply. The concern is for next year's crop. More corn acres may mean fewer soybean acres than the USDA predicted. Even if corn acreage is not higher than expected, soybean acreage may be less than forecast. It has been too dry to double crop soybeans in some areas, and too wet in other areas. Although it is still early to worry about soybean yields, dry soils have many concerned and late planting may mean a short growing season in the Upper Midwest. Potential problems with Asian rust is at the back of everyone's mind. Soybean yield potential has already been hurt in the Southeast and

Mid-south states and will soon be hurt in the Eastern Corn Belt without rain relief. Soybean ending stocks could be pulled down to a low level just as the battle for acres heats up again next winter and spring.

It is not easy to give grain and oilseed marketing advice when roller coaster markets are driven by weather. A producer has to be aware of production risk; that is not producing enough grain or oilseed to fill cash forward contracts. But it appears there may be opportunities to lock in unprecedented high selling prices as these markets gyrate over the next few months. The producer needs to watch the markets closely, stay in contact with buyers, and be ready to act quickly.