

GRAIN OUTLOOK

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PRELUDE TO CORN PLANTING

The release of the March USDA World Agricultural Supply and Demand Estimates report last Friday turned out to be pretty much a non-event. The domestic wheat, feed grains and oilseeds balance sheets were unchanged. Global wheat consumption was up a little bit more than global production leaving the global supply slightly tighter. World coarse grain stocks were lower by about 20 million bushels, but second crop corn after soybeans in Northern Brazil may make up for that. Global oilseed production was raised on bigger soybean crops in Argentina and Brazil. In the March report, the USDA projected a record Brazilian soybean harvest, which is progressing well despite some rain delays.

Meanwhile, corn planting has started in Louisiana and Mississippi with large shifts from cotton to corn, although some corn is being planted on rice acres. It appears that Mid-South soybean acreage will be about the same or increase slightly. High fertilizer prices are not deterring producers from planting corn. University Extension specialists are cautioning producers to take special care in planting corn because they may not be able to get re-plant seed.

In the rest of farm country, the debate about acreage continues. The talk of a 20 to 25 percent increase in corn acres seems to have moderated as corn price stagnated and then fell during the past two weeks. Producers now appear to be forming two camps: 1) 10 to 15 percent more corn acres and 2) no change from past rotation. Increased soybean price

relative to corn has cause more producers to move into the second camp. Wet field conditions in most of the Corn Belt also has producers worried about being able to plant the increased acres, although with large equipment farm operators can plant lots of acres in a hurry if given a window of opportunity.

Everyone in the trade is anticipating the March 30th USDA NASS Prospective Plantings report. But those people should be reminded that even though the National Agricultural Statistics Service uses rigorous sampling methodology in preparing the report, it is only an estimate. The actual acreages of corn, grain sorghum, and soybeans won't be known with certainty until the last planter pulls out of the field.

Because of acreage uncertainty, the strong demand for corn by ethanol producers, and the fear of soybean shortages in the 07/08 crop and marketing year, the markets will be extra sensitive to weather events during the planting and growth phases this year. Given a warm, dry spring, farmers will plant corn until they run out of seed. That would dampen corn price, but send soybean price higher. Cold and muddy conditions at planting time could have the opposite effect as farmers plant what corn they can before filling their planters with soybean seed. July, as always, will be a critical month for corn production, and some weather forecasters are predicting hot, dry conditions for the Midwest. This year, with low corn supply carryover, the stage is set for pronounced spikes in corn price, and other grain commodity prices in sympathy, on any bad weather news.

Wheat price has seemingly been marching to the tune of its own drummer lately. Wheat in the Great Plains is jumping with new growth and turning emerald green as roots reach nitrogen in moist soil. Top soils that had started to dry out in the Southern Great Plains received replenishing rains this past weekend. What looks like the best Great Plains wheat crop in years and expanded winter wheat planting around the world in the Northern Hemisphere has put downward pressure on wheat price since the first of the year. Price has been see-sawing sideways recently based on the suspicion that many spring wheat acres will be planted to corn instead and some fall planted wheat may still be shifted to row crops if wheat price moves any lower.

A domino-effect linkage among the general economy, the stock markets, energy commodities, and crop commodities has become more apparent in recent days. When rumors of a slowing economy caused the Chinese stock market to tumble and take U.S. stocks down briefly, commodity prices also fell. Here are links in the chain: global economy – the U.S. economy - oil price – ethanol price – corn price - and the prices of other crop commodities. Ethanol is the connector. An economic slowdown would reduce the demand for fuels, ethanol included. If ethanol production fell, so would the price of corn fall and take the prices of other crop commodities down with it.

What this all means to producers is marketing of grain and oilseeds has become a more critical managerial function. Over the next five or six months, because of higher priced grains and oilseeds and frequent and wide price fluctuations, excellence in marketing could add tens of thousands of dollars to gross revenue. It will take constant vigilance of markets, extra time allocated to marketing decision making, and regular contact with grain and oilseed buyers to capture those extra dollars. It would be a shame to let golden opportunities slip through the fingers.