

## **GRAIN OUTLOOK**

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### **ACERAGE NUMBERS DON'T REDUCE UNCERTAINTY**

The USDA released its much anticipated Prospective Plantings Report on Monday, March 31<sup>st</sup>. However, instead of bringing more certainty to the grain and oilseeds markets, the report left the future uncertain.

Corn and soybean prospective planting projections surprised even the most astute market observers. Corn producers indicated they intended to plant 86 million acres, down 6.5 million acres from last year and 1.5 million acres less than traders expected. Soybean acreage surprised in the other direction. Grain traders guessed low on soybeans by about two million acres. Based on producer survey responses, the USDA is projecting 74.8 million acres of soybean plantings this year, 11 million acres more than last year. Wheat acreage will be up about 6% according to the report at 63.8 million acres, almost exactly the acreage estimated by grain traders.

The market reaction to the report was immediate. The sales of thousands of futures contracts took soybeans down the daily limit. Greater than expected spring planted acres and larger than expected quarterly stocks pushed wheat prices down sharply on all three exchanges. Even though the drop in corn acres will be only 8 percent less than last year, the news caused corn price to jump to futures contract highs; continuing the long term upward price trend for corn.

Factors other than the USDA reports also impacted prices. Brazil's harvest of a record large soybean crop has reached the half-way point. Persistent rain across the soybean producing areas of Brazil delayed harvest and transportation of newly harvested beans to export terminals. The Brazilian rain and the three-week strike by Argentinean farmers protesting a higher export tax on soybeans extended the U.S. export season for several weeks longer than normal. But U.S. soybean exports tailed off in the week ending March 27<sup>th</sup> indicating that Brazilian soybeans are starting to reach export terminals and the U.S. export window is about to close.

Soggy soils in the Corn Belt have delayed the start of field operations. Persistent rain; and forecasts for more, have pushed the estimated start of corn planting into mid-April at the earliest. Although corn producers can plant lots of acres quickly when given the chance, some market watchers are wondering if the USDA estimated 86 million acres of corn will get planted, and if it is planted late, that yields will drop well below trend line. If 2008 corn production falls much below the 12.5 billion bushels that 86 million planted acres will shell out at trend line yield, it will be difficult to meet projected demand and keep corn price high for another year.

Of the 63.8 million acres of wheat plantings estimated by the USDA, hard red spring accounted for 13.6 million acres; up six percent, and Durum at 2.6 million acres will be up by 22 percent. Eyes are now turning to the Great Plains wheat crop. Acreage planted of hard red winter wheat was down by 965,000 acres in the major producing states of Kansas, Texas, Oklahoma, and Colorado compared to last year and some of the crop is not in good condition. Wheat in the Panhandles of Texas and Oklahoma, Southwestern Kansas and parts of Eastern Colorado has been held back by lack of rain since planting time. Cool spring time growing conditions have allowed wheat to hang on, but the warm weather to come will reveal the extent of yield reduction in those areas.

The producer surveys the USDA used to develop its Prospective Plantings Report, were conducted about two weeks ago. At that time, the relative prices of corn and soybeans favored soybeans, especially when the input costs of planting the two crops were

compared. Since then, the price relationship has shifted to favor corn and rumors have been circulating about the availability and germination viability of soybean seed. Some producers are rethinking their planting plans. If the survey were to be administered now, the results might show producer intentions to plant more than 86 million acres of corn and less than 74.8 million acres of soybeans.

The USDA reports did little to reduce the uncertainty faced by grain and oilseed producers. The list is growing longer – input cost and availability uncertainty, weather uncertainty, price uncertainty, and acreage uncertainty. One thing we can say for sure; uncertainty about the number of spring planted crop acres will not be resolved until the seed is in the ground.