



WEEKLY OUTLOOK



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PLANTING DELAYS SUPPORT CORN PRICES

During the first full week of April, cash corn prices in central Illinois reached the highest level of the 1992-93 marketing year, about \$.40 per bushel above the low price established in late October 1992. Futures prices were about \$.10 above the mid-March lows. December 1994 corn futures and November 1994 soybean futures established new contract highs. A number of factors have contributed to the recent strength in corn prices, including expectations that a significant portion of the Russian aid will be for corn, continuation of a rapid rate of exports, and expectations that USDA would lower its projection of year ending stocks in its monthly supply and demand estimates released on April 12.

In addition to some friendly developments surrounding old crop corn, the market has begun to show some concern about delays in spring field work in the midwest. The forecast of cool, wet conditions through April 19 and snowfall in the upper midwest suggest that planting will get off to a relatively slow start. In general, the market believes that late corn planting reduces the average yield potential and results in some shift of acreage from corn to soybeans.

The history of late planting seasons, however, does not show a consistent pattern of low yields and shifts in acreage. In Illinois, for example, there have been 6 years in the past 20 years which could be identified as late corn planting years. Those years were 1973, 1974, 1978, 1981, 1984 and 1990. In 4 of those years, 75 percent or less of the crop had been planted by the last week of May. Planting exceeded that level in 1973 and 1984, but got a late start in each of those years.

In 5 of the 6 years identified here, corn acreage in Illinois was less than the March intentions figure. The decline was greater than 2 percent, however, only in 1974 and 1984. In 1974, corn planting was the latest of the past 20 years. Soybean acreage in Illinois that year was almost identical to the March planting intentions figure. Planting in 1984 was not as late as in 1974, and the decline in corn acreage was only partially offset by an increase in soybean acreage. Nationally, corn acreage was below March intentions in 1974, 1984 and 1990. Acreage exceeded intentions in 1973, 1978 and 1981.

The average yield of corn in Illinois was well below trend in the late planting years of 1974 and 1984, slightly below trend in 1990, about equal to the trend in 1973 and 1978, and well above trend in 1981. Nationally, the average corn yield was significantly below the trend only in 1974, but was slightly below trend in 1984 and 1990. Yields exceeded the trend yield in 1973, 1978 and 1981. Average yields depend more on weather conditions in June, July and August than on conditions in April and May.

Fieldwork and planting delays so far in 1993 are not significant enough to threaten yields or to cause a shift in acreage from corn to soybeans. Planting delays will have to continue into late May or soybean prices will have to increase relative to corn prices to cause a shift in acreage. Current new crop prices show soybean prices about 2.46 times the price of corn. That ratio would likely have to push near 2.6 to get a significant acreage response.

Even though yields are not yet threatened, corn prices will likely continue the uptrend which started in early March. July futures are expected to move above the November 1992 high of about \$2.40 and challenge the August and September high near \$2.45. December futures are at the highest level since last spring. The contract high was \$2.685 per bushel. Poor weather conditions will have to persist, or resurface later in the year, if the contract high for December is to be exceeded or to push July futures back to the \$2.60 level of last spring.

Spring rallies in corn prices are to be expected and in general should be sold. The difficulty is deciding when to start pricing and how aggressive to be. At a minimum, current price strength offers the opportunity to make catch up sales on old crop corn and provides a place to start new crop sales.

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