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RAIN MAKES GRAIN, HOWEVER ...

The generally wet spring and late planting of the corn and soybean crops this year created very little concern in the marketplace. December corn futures managed a short rally to \$2.50 in early April. November soybean futures managed to rally to \$6.13. The relatively anemic rally with significant planting delays reflected adequate old crop inventories and ideas that the crop would eventually get planted and produce trend yields. A review of late planting seasons of the past 20 years revealed that ample spring moisture often resulted in good yields in spite of late planting. There have been some exceptions, of course, because of severe weather in July. The market took the attitude that yields in 1993 would be normal unless summer weather proved otherwise. As a result, December corn futures dropped to new lows, just above \$2.25 and November soybean futures declined to \$5.76 per bushel.

The markets, particularly the soybean market, then did an about face last week. November soybean futures have rallied about \$.50 and December corn futures moved about \$.12 higher. Persistent rainfall in the western and upper midwest meant that some crops would be planted very late and have the potential for significant yield reductions. In addition, forecasts of additional rainfall suggested that some acreage might not get planted at all and some late plantings would suffer flood damage. The concern focuses on soybeans because of the magnitude of unplanted acreage as of June 13. On that date, an estimated 28 percent of the soybean acreage was still not planted. Based on the March planting intentions figure of 59.3 million acres, the planting progress report suggested that there were 16.6 million acres of soybeans not yet planted on June 13. Compared to average planting progress, the delays in soybean planting were the greatest in South Dakota, Iowa, Minnesota and Missouri. About 40 percent of the soybean acreage in those four states was yet to be planted as of June 13.

In the case of corn, only 4 percent of the crop was not planted as of mid-June. The largest delays were in Missouri, South Dakota and Wisconsin. Thirteen percent of the crop in those three states was yet to be planted. While corn planting is almost complete, some of the crop went in late and it is still not clear how much acreage intended for corn was shifted to other crops. The USDA's June 30 *Acreage* report may shed some light on actual acreage, but the survey for that report was done before many producers had finalized their decisions.

It is useful to put the size of the 1993 corn and soybean crops in perspective. One way to do that is to pose the question "how small would the crops have to be in order to require a price induced reduction in use?" In its first projections for the 1993-94 marketing year, the USDA projected corn

use at 8.5 billion bushels. Stocks at the end of the marketing year between 1.4 and 1.5 billion bushels is a fully adequate supply. Stocks at the beginning of the 1993-94 marketing year near 2.1 billion bushels represent a 600 to 700 million bushel surplus. Therefore, a 1993 corn crop above 7.8 billion bushels would not require any price rationing during the year ahead. A crop as small as 7.5 billion bushels would require little rationing, assuming 1994 production prospects are good. Using the USDA's projection of 69.3 million acres of corn harvested for grain, the 1993 yield would have to drop to 108 bushels per acre to produce a crop as small as 7.5 billion bushels. The yield would have to increase about 2 bushels for every 1 million acres that plantings fall short of intentions.

For soybeans, use during the year ahead is projected at 2.093 billion bushels. At 310 million bushels, beginning stocks would represent a "surplus" of about 110 million bushels. The 1993 crop would have to be 1.983 billion bushels or larger to meet the projected use and leave 1993-94 ending stocks at 200 million bushels or larger. Using a trend yield estimate of 35 bushels per acre, harvested acreage would have to be 56.7 million acres or more to produce a crop of 1.983 billion or more. Planted acreage could decline by as much as 1.5 million acres from intentions for harvested acreage to be at 56.7 million acres. For every 1 bushel that the average yield falls below 35 bushels, however, an additional 1.7 to 1.8 million acres would be required to produce a crop of 1.983 billion bushels.

The extent of further price strength is still a function of weather and therefore difficult to predict. With November soybean futures reaching new contract highs, the \$6.50 area becomes the next target. December corn futures should challenge the \$2.40 mark and perhaps the \$2.50 level. Regardless of the actual price behavior, the next several weeks is the window of opportunity that we have been waiting on to price some new crop corn and soybeans.

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