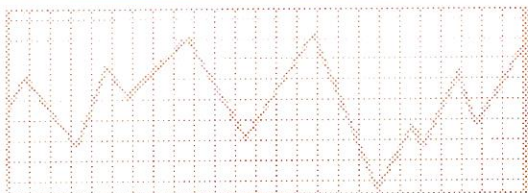




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# WEEKLY OUTLOOK



A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

**MAY 1, 1995**

## **CONCERNS ABOUT PLANTING DELAYS**

As the calendar turns to May, the concerns about delays in spring planting will start to mount. The cool, wet weather has slowed corn planting in the midwest and more severely delayed spring wheat seedings. For corn, the greatest delays in planting are in the western and northern areas of the corn belt. As of April 23, spring wheat seeding had not really gotten underway in Minnesota and North Dakota. Normally, planting progress in those two states has reached 29 and 19 percent, respectively by the third week of April. Only 1 percent of the acreage in South Dakota had been seeded, compared to the four year average of 61 percent. The National Weather Service forecast for May 4 through May 8 showed above normal precipitation persisting throughout the midwest and plains states. Temperatures were expected to remain below normal in parts of the western corn belt and spring wheat areas.

Delays in midwest corn planting have two potential impacts. First, later planting generally implies lower yield potential. Second, severe delays may result in switching of acreage from corn to soybeans. For now, the concerns center around the yield implications of a late planting, as history suggests that switching of acreage does not occur unless delays extend into very late May. However, the correlation between average planting date and average corn yield is not strong. Late planting in the past has resulted in low, average, and high yields. Yields depend more on weather conditions from June through August. Adequate to surplus soil moisture is very beneficial, but a later planting date puts the crop more at risk during the critical pollination period. In addition, late planting increases the risk that portions of the crop will not mature before the first killing frost.

Late planting of the spring wheat crop has similar implications. For Minnesota and the Dakotas, concerns do not become severe, however, unless delays extend beyond mid-May. If the planting season is severely delayed, some acreage will be shifted to other crops. For the most part, the acreage will be planted to oilseed crops — sunflowers and soybeans. Some acreage may be planted to corn, but acreage of oats and barley are likely to be reduced.

The longer the delays in planting, the greater the implications for prices. Significant delays will be supportive to corn and wheat prices and negative for soybean prices. Last week, however, soybean prices posted small gains after two weeks of lower prices. The market



continues to react to the strong demand for old crop soybeans. The Census Bureau reported a record large crush of 128.1 million bushels during the month of March. Even so, stocks of soybean meal and oil were lower at the end of the month than at the beginning of March. The seasonal decline in the domestic crush appears to have begun and the slowdown in export sales started about one month ago. However, the pace of consumption still exceeds that projected by the USDA.

In general, the price reaction to planting delays has been very modest so far. In the case of corn, the modest reaction can be attributed to at least three factors. First, large speculative traders already have a very large "long" position in the corn market. Second, new crop corn prices are already at a substantial premium to old crop prices. At the close of trade on April 28, for example, May 1996 corn futures were \$.24 (10 percent) higher than May 1995 futures. Third, traders are not as quick to react to planting delays as in the past because of the mixed yield experience in years of late planting.

In the case of wheat, prices had moved higher on the basis of freeze damage to the hard red winter wheat crop. The generally good condition of the rest of the winter wheat crop had moderated price reaction to the damage.

Price volatility is expected to increase over the next few weeks and corn and soybean prices could remain volatile throughout the growing season. Several opportunities to forward price the new crop will likely occur over the next two or three months. Fundamentally, soybeans are in the weakest position of the three major commodities. We look for December corn futures to establish new highs near the \$2.75 area. Late season weather problems would be required to exceed that level. November soybean futures will likely have difficulty moving above the \$6.20 to \$6.25 level over the next several weeks. As in the case of corn, late summer problems would be required to exceed that area.

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