7-19-2000

What Can We Expect from the Markets for the Next Few Months

Lynn Lutgen
University of Nebraska-Lincoln

Follow this and additional works at: http://digitalcommons.unl.edu/agecon_cornhusker
Part of the Agricultural Economics Commons

Lutgen, Lynn, "What Can We Expect from the Markets for the Next Few Months" (2000). Cornhusker Economics. 887.
http://digitalcommons.unl.edu/agecon_cornhusker/887

This Article is brought to you for free and open access by the Agricultural Economics Department at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Cornhusker Economics by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.
What Can We Expect from the Markets for the Next Few Months

When we started into June we had the chance of fluctuating markets due to drought in some areas and hot weather coupled with inadequate subsoil moisture in other areas of the United States. Then the rains started, and since then we have had general widespread and very adequate rainfall. Now that is not to say that some areas such as Southwestern Nebraska are not suffering from drought conditions, but for most of the U.S. the drought and chance of drought has certainly been curtailed.

On Friday, June 30th, USDA released the June acreage report. The report showed that the U.S. planted 79.6 million acres of corn, 2.2 million more planted acres than last year and 1.7 million more acres than the March planting intentions had indicated, or what the trade expected. The June report also showed that we planted 1.2 million more acres of wheat than was indicated in the March report. This was mostly spring wheat, so consequently we will not have a good estimate on yield potential until the August report. The report also shows that we expect to harvest 1.9 million more acres of wheat than was indicated in the March report. This was mostly spring wheat, so consequently we will not have a good estimate on yield potential until the August report. The report also shows that we expect to harvest 1.9 million more acres of wheat than we had previously thought. Sorghum production is also estimated to increase. While sorghum plantings are estimated at 8.8 million acres, which is down 174,000 from the March intentions, it is also up 110,000 from last month's projections. Sorghum supplies are expected to increase, not because of acres but because of larger beginning stocks and higher yields.

On the feed grain side we can expect larger supplies in corn and sorghum while barley will be down. When looking at corn, even if we don't use
trendline yields, because of the large increase in acres we will still be looking at a 10 billion bushel corn crop. We will not have true yield projections for corn and sorghum until the August crop report comes out. The August crop report is based on surveys and actual field data, while all previous reports were based on trendline yields. But no matter how you figure it, we are looking at corn production ranging from 9.4 to over 10 billion bushels of corn this year. It would take something very major to change that range. This in turn leaves us looking at carryout supplies ranging between 1.85 billion bushels and 2.25 billion bushels. This translates into a price range from $1.50 to possibly $1.90. What this really means is that we have the choice between loan rate or taking the LDP and then holding the grain for spring sales.

It does not appear that we are going to run out of wheat very soon. Even though the world supply of wheat could be called tight, it is certainly not tight here in the U.S. We're looking at a projected carryout of around 950 million bushels which is quite adequate. This is coupled with the increase in spring wheat of 1.2 million more acres than we expected, plus the expected harvest of 1.9 million more acres than we previously thought. We must also remember that the large carryover in the feed grain sector also impacts the wheat market. When putting these factors together it looks like we're facing a price range of $2.25 to a high of $2.75. Again, we are back to "is the loan rate the best deal in town." The decision that the producer will end up making is, “do I take the harvest LDP and sell wheat, or storage it, or do I take the loan rate to help my cash flow and hope for some sort of a spring rally?” At this time it appears the market would be paying about five cents a month for storage.

It appears that the U.S. producer is looking at the same kind of market that he faced last year in both the feed grains and wheat. When looking at the world situation it appears that the losses in Europe and in China are about equal to our increase in production. So even though we will be exporting more grain than last year it still leaves us with the same kind of market scenario as last year.

Lynn Lutgen, (402) 472-3406
Extension Marketing Specialist