

# Total Grain Marketing

# Grain Scoop

## What Am I Missing?

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In all my years of this business I have always said there is never any two years alike. This statement absolutely would hold true for this year. As all the years run together anymore it is hard for me to remember, but there was a year back in the 80's that stayed wet until Memorial Day weekend. I can remember that year specifically as that weekend was always blocked out for camping and fishing in the river behind the house. That particular year had been wet and the horseweeds were higher than the tractor cab, so it took multiple trips over the field to prepare the seedbed. Now days, herbicides control the weeds so well that one trip across the field, even in a late year, and the fields are ready to plant. So what do late years due to the production of corn and what is the outlook for this year?

To start with, this is the latest start the U.S. has had in recent history to get the corn crop planted. In any subsequent late year crop insurance either wasn't available or really didn't play much of a part on prevent plant acres. This year, it is going to be a major part of the supply demand picture. I am going to try to break it down for you. I think it is very important to know that in August of this year, the available supply of corn of 2.1 billion bushels will be one of the largest since 1987. With this being

said, it helps to answer why this market hasn't gone up faster than it has. Every 10 cent rally was met with aggressive farmer sales to squash the impact of the delayed plantings. The good news about this year was that the corn usage was to be 14.5 billion bushels which is one of the highest of all times.

Now is when I am going to use some assumptions, but I believe there is a certain amount of accuracy going into these assumptions. The prevent acres as of this writing are believed to be between 5 and 10 million acres. Almost every state will contribute to these numbers unlike most years when it is a more specific geographical area. I will use the middle of 7.5 million acres for my assumption. The USDA has 176 bushels per acre factored into this year's yield. This is hogwash, as the highest nation average ever recorded was 176.6. Originally, corn acres were set to be 92.8 million. With 7.5 million prevent plant acres, we now should see 85.3 mil. Out of the 85.3 planted we will see 92% of those acres harvested for grain, which is the average we use every year to make up for the acres used for seed, silage, pasture etc.  $85.3 \times 92\% = 78.5$  million harvested. I think I can use an aggressive 170 bpa in which I think is too large.  $78.5 \text{ million acres} \times 170 \text{ bpa}$  gives us total production of 13.145 billion bushels. 13.145 billion bushel



production with a carry in of 2.1 billion bushels gives us a total supply of 15.245 billion bushels. Our projected demand for corn next year was to be 14.675 billion bushels which would give us a carryout in 2020 of 430 million bushels. Just for reference, the lowest carryout recorded in recent history was in 2012/2013 crop year of 821 million bushels. As you can see the math just doesn't work. So the job of the market place is to get corn at a high enough price that we cut usage. I do not believe \$4.00 corn will do this!

Not sure how high this corn market can take us, but I think nearer \$5.00 is very possible and depending on summer weather this market could become explosive! Hang in there and make several small sales this year and I think it can be a good year for corn.