

PolicyPennings by Dr. Daryll E. Ray

## Corn, corn, and more corn

Wow—92.9 million acres! Like everyone else, we were shocked at the size of that number. We would not have been surprised to see the June 29 USDA estimated corn planted acreage increase 300 or 400 thousand acres from the March planting intentions number of 90.45 million. But 2.4 million acres above March intentions—not even a consideration.

We thought that most of any additional corn production beyond the increase expected since March would come from China and our South American competitors. That is still possible of course and perhaps likely—they just have a higher US number to beat than we expected.

The change in estimated soybean acreage compared to March planting intentions was shockingly large as well. The 3 million acre decrease from intentions means that US farmers planted 64.1 million acres of soybeans this year, which is 11.4 million less than last year. On the other hand, given the historically high soybean carryover levels and an early March soybean-to-corn price ratio of 2-to-1 instead of the more usual 2.5-to-1, perhaps the additional switch from soybeans to corn should have been anticipated.

So where is all this additional corn acreage? Some of it is in the Southeast and other nontraditional corn producing areas. But much of it, as one would expect from the almost one-to-one shift from soybeans to corn, is in the Corn Belt. Five states in the buckle of the Corn Belt, Iowa, Indiana, Ohio, Illinois, and Minnesota together, account for 1.75 of the 2.5 million acre increase from March intentions.

Of the total 14.6 million increase in corn acreage from last year, the “I” states plus Nebraska, Minnesota, and Ohio account for 7.5 million acres. Ample rains in the western Corn Belt during the growing season and recent rains in the eastern Corn Belt could easily mean that bumper yields in the Corn Belt are in store for this fall. Each acre in the Corn Belt with well over 200 bushels per acre could offset more than one acre with below national average yields in the Southeast or elsewhere.

With another couple of good rains and some reasonable temperatures during pollination, we may see higher than expected national corn yield as well before it is all over.

Taken together it is very possible that the corn carryover for the 2007-2008 corn crop could be north of 1.4 billion bushels. In advance of the June 29 acreage report, corn futures fell by 90 cents. It remains to be seen what the impact of an additional 500 or more million bushels in carryover will have as this crop begins to come out of the field this fall.

Unless the weather turns ugly in the next month, the other problem that farmers and elevator operators may face is storage space. Where are we going to put nearly 13 billion bushels of corn?

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