My Thoughts On Planting Decisions

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It wasn't that long ago U.S. producers yearned for a free market. We wanted the government out of agriculture—letting the market tell us what to plant. The March 29 planting intentions report will be just that—intentions. We all know a lot can happen with the best-made intentions.

There's still the misguided idea that farmers "love to plant corn." During the Top Producer Seminar, Pam Fretwell and I asked the 700 attendees if they planted corn because they love to grow it. Not one hand went up, yet the premise is touted by most analysts.

Last year's corn acreage reduction in the U.S. and Canada should have squelched that idea, as producers favored the less dollar-intensive soybeans.

Producers in the Northern Plains and other areas of ridiculously wide basis will tell you they are sick of expensive drying rates and storing corn. To think of growing more of the same "loser" is not in their vocabulary. For others in the main corn-growing regions, the possibility of yields offsetting low prices for the fourth year in a row seems a stretch, especially with La Niña talks increasing. If you are on the fence, perhaps my thoughts will help?

Do The Math. If soybean acres are increased at the expense of corn acres by 2 million or more versus last year's 4-million-acre reduction in corn, we will see 340 million fewer bushels in a feed grain balance sheet.

February's World Agricultural Supply and Demand Estimates report raised 2017/18 corn exports 125 million bushels, a big move that lowered carryout for the same year to 2.35 billion bushels and affected 2018/19 carry-in accordingly. A yield of 176.6 bu. per acre like last year and unchanged corn acres keeps carryout above 2 billion bushels and means more of the same old sideways trading range. A carryout less than 1.9 billion bushels requires a decrease of more than 1 million corn acres. Acres near 87 million would go a long way to improve supply imbalances and get corn back to profitable levels.

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Planting decisions are up to the producers, of course. But if there is the mindset of increasing corn acres because we believe others will decrease, well, we might get what we deserve. In any event, flexible marketing strategies are important this year.

The Demand Picture. Soybeans continued to confuse the media moguls into 2018—touting China is going to consume huge amounts, therefore bailing out big global supplies. Brazil had already sold/shipped that delta increase in usage. Global and Chinese soybean demand might have suffered the old "Greenspan" cliché of irrational exuberance.

In February, USDA reduced exports for 2017/18 by a whopping 60 million bushels. The U.S. has increasing odds of seeing the largest soybean carryout in decades.

There have been opportunities to hedge and cash forward soybean sales over $10 futures for 2018/19. A drop of $2 per bushel would not thwart global demand, but it would send a message to our South American friends regarding acreage expansion next fall.

Soybean shipments from the major exporters are expected to reach 180 million metric tonnes this year, or about 6.6 billion bushels. A more normal 5% increase in annual demand will continue to require around 330 million bushels again next year—or half of a record carryover in the U.S.

In another normal growing year, which commodity do you think will have the best odds of a price increase? Less corn will do the trick. However, an increase of around 2 million acres of soybeans might make less of a long-term negative price impact than most think.

The tangible benefits of needing less money and fewer men and machines to switch corn acres to soybeans has positive cash-flow implications. The intangible benefits of planting next year's corn on soybean stubble can be 15 bu. to 30 bu. per acre. The market has been begging farmers to increase soybean acres at the expense of corn. The decision will ultimately be ours. TP

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