Miller on the Market

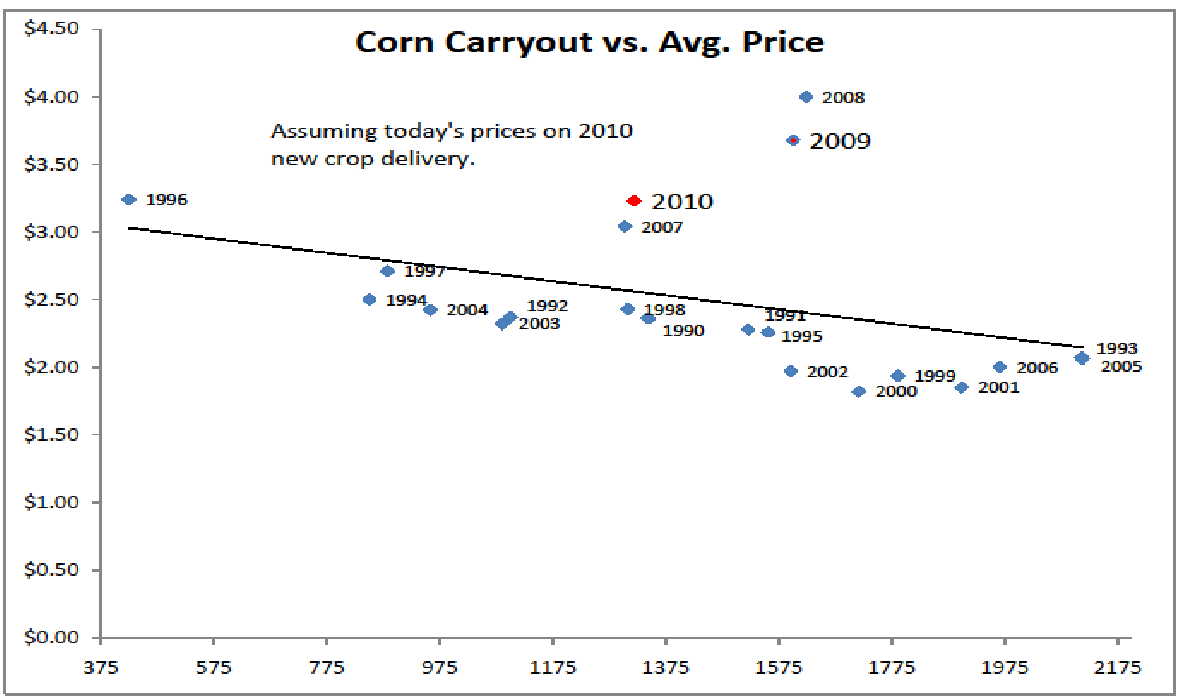
Oh! Those acres...

On March 31 at 7:30am I was tied to my seat in my office anxiously awaiting the acreage report from the USDA. As the number came in I was somewhat in shock by the number of corn acres. In fact, I had corn acres pegged at 81 or 82 million due to the economics of planting corn vs. soybeans. I knew, talking to some of my customers at the time, that it was going to take a lot more to get the corn in the ground this year as far as expense is concerned. For example, some land rents went up more than $100/acre.

I then looked closer at the report and realized that the US will be leaving 2 million acres out of corn/ soybean production this year that was planted into some sort of crop last year. Think about that. Does it make sense when land rent is higher to leave land idle? At the time, wheat planting economics weren't any better than corn or soybeans. So you would expect those acres to go into corn or soybeans. Lastly cotton, tobacco, and other crops that consume less acres in the US were not as profitable either. What was the USDA thinking? Did they receive bad information?

What matters now is the trend changing event that was June 30 showing 2 million more acres going into corn and 1.5 million more acres going into beans than what was expected back in March. Looking at corn alone this will increase production by more than 300 million bushels. It will also increase carryout by nearly that much. Of course, we have to take into effect that with more bushels available, prices will drop and demand will become higher.

Unfortunately for producers this means we are still overpriced according to this chart showing average prices on a given year showing carryouts accordingly.



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Tom Miller