



## Weekly Outlook: Corn Price Strength Grows on Supply Issues

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Reduced acreage and lost yield potential for the 2019 corn crop look to drive prices higher as the wet weather continues to cover much of the Corn Belt. The magnitude of the production loss appears set to hit a level similar to a severe drought. Weakening demand may temper the rally, but the potential of a decline in corn stocks is massive for the 2019-20 marketing year.

Corn prices, until recently, lagged the developing issues with planting and probably failed to buy prevented plant acres over large areas of the Corn Belt. The USDA's March [Prospective Plantings](#) report indicated intentions to plant 92.8 million acres of corn this year, 3.66 million more acres than planted last year. An estimate of actual planted acres arrives with USDA's June 28 *Acreage* report, but current planting pace and weather conditions point toward a sizable loss of corn acres. The release of another round of Market Facilitation Payments may influence corn-planting decisions. Given the uncertainty surrounding payments, the potential for prevented plant acreage exceeding the record 3.6 million acres documented for corn prevent planting in 2013 appears certain. The prevented plant deadline of May 25 passed for many areas of North Dakota, South Dakota, Nebraska, Missouri, and Kansas. In 2013, those states prevent planted approximately 969 thousand acres. As of May 19, 13.67 million acres of corn in those states remained unplanted. The May 31 prevent plant date for Minnesota, Wisconsin, and Iowa is rapidly approaching under very wet conditions. In total, 10.2 million acres in those three state remain unplanted as of the May 19 planting progress report. Wet weather over the Corn Belt over the last week points toward reduced levels of planting progress as of the May 28 report and an expectation of more than 35 million acres of corn left unplanted.

If one assumes minimal prevented plant or acreage switching, large areas of the Corn Belt look to plant corn very late in the planting window. Agronomic studies on yield and planting date in Illinois show substantial yield loss when planting after May 20. As planting moves further past May 20, yield loss accelerates with field trials showing 1.1 bushels per acre per day past May 30 (see *farmdoc daily*, [April 24, 2019](#)). Whether corn acreage falls out of the supply equation or corn is planted late, expectations should reflect a much smaller crop for 2019 than current USDA projections. Summer weather will determine the magnitude of yield. Yield expectations should focus on a value near trend yield as a best-

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case scenario. A combination of reduced acreage and lower yields for the 2019 corn crop appears a prudent assumption at this point with the potential for substantial production losses. USDA's current projection of 15.03 billion bushels at a 176 bushel per acre yield and 92.8 million acres planted is much too high.

The supply of corn for the 2019-20 marketing year will consist of carryover supplies of old crop corn and the 2019 harvest. The USDA currently projects the carryover of old crop corn at 2.095 billion bushels. The prospect of a larger 2018-19 ending stocks number is a distinct possibility. Ethanol and export markets indicate weakening demand for corn. Ethanol production picked up over the last few weeks despite poor margins. Weekly production eclipsed a million barrels per day for seven weeks running after reduced production levels in March. The current USDA projection of 5.45 billion bushels of corn used for ethanol production appears attainable with corn used for ethanol sitting at approximately 3.83 billion bushels as of May 17.

Corn exports continue to show a slower sales pace than last year for the remainder of the marketing year. As of May 23, corn exports sit near 1.66 billion bushels and is at 72 percent of the USDA projection of 2.3 billion bushels for the current marketing year. Export sales sit at 372 million bushels through May 16, well behind the 701 million bushels sold last year at the same time. Lagging sales and the large corn crop in South America does provide caution on the current export projection. The USDA projects corn production in Brazil and Argentina at 3.94 and 1.93 billion bushels, respectively. Approximately 72 percent of Brazilian corn production is in the second crop, which has had excellent growing conditions. The influence of this sizable second crop on corn exports looks to manifest itself this summer as harvest and shipping commence with projections of more than 1.18 billion bushels of exports in 2019. Domestic corn exports should maintain a steady pace into the summer months but could lead to lower projected corn exports during the 2018-19 marketing year. While demand appears to be weakening, the potential crop shortfall points toward much higher corn prices in 2019.

Uncertainty about the size of the 2019 corn crop will continue for the next few months. Corn prices appear set to take on the pattern of a price spike and long tail associated with a crop shortfall. Corn marketing in 2019-20 should reflect this reality.

**YouTube Video:** Discussion and graphs associated with this article at [https://youtu.be/IW\\_0Rho3cr0](https://youtu.be/IW_0Rho3cr0)

## References

Irwin, S. and T. Hubbs. "[Prospects for Timely Planting of the 2019 Corn Crop.](#)" *farmdoc daily* (9):74, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, April 24, 2019.

USDA, National Agricultural Statistics Service. *Prospective Plantings* (March 2019). <https://usda.library.cornell.edu/concern/publications/x633f100h?locale=en>