Flooding buoys futures prices

By Mike Williams

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Wet weather may be dampening many farmers' spirits in Iowa, Minnesota, Wisconsin, South Dakota and Illinois, but the longer crops stay wet, the more grain futures prices are buoyed.

Corn and soybean futures have seesawed the last several days. Tuesday's close was just slightly lower, following an earlier rally.

July corn futures slid slightly to $2.29 per bushel at the close and July soybean futures closed at $6.94/bu. December corn settled at $2.44½/bu. with November beans just barely hanging onto that $7 mark at $7.01/bu.

"I think we'll continue to see this volatility throughout the next few weeks if not all summer," says Bob Wisner, Iowa State University Extension economist.

The most recent upward motion of the grain market came on the heels of the USDA's July 12 crop progress report. That lowered the department's initial expectations for U.S. corn and soybean production this year due to increased flood damage in the Midwest Cornbelt.

The USDA lowered its earlier prediction for corn harvest by 7.6 percent, from 8.5 billion bu. to 7.85 billion bu. The government shaved its soybean projections by 3.4 percent to 1.98 billion bu.

Weather will play a major role in market motion from now through early September, according to Wisner.

"If we don't get big amounts of sunshine and reasonably warm days, it will be difficult for the crops to catch up and mature before the first frost," Wisner says. "So, this makes for a nervous corn and soybean market for some time to come."

What keeps the market uncertain is that much of the crop in the eastern Cornbelt remains in relatively good condition. Some spots are even a little short of moisture.

Initial USDA yield estimate for corn yields nationally is 118 bu./acre and for soybeans, 34.1 bu./acre. Wisner feels those projections are a bit more optimistic than his. At this point he projects a national soybean average of 33.8 bu., with corn at 114-115 bu./acre.

"These numbers are highly tentative and have to be adjusted weekly," Wisner cautions.

Even though in Iowa the wet weather continues to make the top news, traders in Chicago already are beginning to shrug off such reports. Unless the flood substantially worsens, Wisner doesn't expect traders to pay much attention to more flood news.

However, cool temperatures and heavy rains the rest of the summer could be the catalysts to push soybean futures substantially over $7/bu., possibly breaking through $8/bu.

"If weather forecasters are on target I think we have a chance to test the highs of two weeks ago," Wisner says. ■