MARKET WATCH

Mistake to treat flood like drought

By Gene Lucht

Iowa Farmer Today

Even before the USDA issued its August crop report Wednesday, analysts were saying prices are more likely to rise than fall in the coming months.

"From the very beginning, Chicago has been behind in following the new fundamentals of a flood crop," says Dave Kruse, president of Commstock Investments in Spencer.

He says traders have treated the flood market just as they would a drought market. That meant when the rains stopped (or at least the flooding stopped) they believed the crop would get better just as it usually does when rains end a drought period.

The problem with that idea is crops often don't get better after a flood. They only stabilize.

What's more, crops now are far enough behind schedule that frost is a major concern. That doesn't mean traders are worried about an early frost. It means they are left hoping for a late frost.

The bottom line is flood and drought cannot be treated the same.

Kruse recites an old limerick he heard from a farmer recently, "a drought will worry you to death, but too much water will kill you."

Numbers issued by Iowa Agricultural Statistics early this week show just how serious the damage is to Iowa's crops this year.

As of Sunday, only 72 percent of the corn acres had tasseled. Tasseling usually is complete by this time.

Most agronomists say corn needs about 60 days between tasseling and maturity. That would put the necessary frost date into October.

Iowa Ag Statistics rated just 1 percent of the state's corn crop as excellent, with 22 percent good, 49 percent fair, 26 percent poor and 2 percent very poor.

About 74 percent of the state's soybean acres are blooming, according to this week's update, and just 72 percent had been cultivated for the first time. Normally cultivation is complete and 93 percent of the beans have bloomed.

The state's soybean crop was rated as 1 percent excellent, 22 percent good, 58 percent fair, 17 percent poor and 2 percent very poor.

Those figures were compiled before the heavy rains, which hit large parts of the state Monday night.

Kruse says he is advising farmers to hold back and wait for the market to rise. Prices are not high enough to offer incentives to sell what could become a very small crop.

Indeed, he says prices could rise into next year because there is likely to be a low carryover. If poor weather strikes again next year, prices could soar.

"This is not a short-term rally," he says.

Instead he says the goal for this year will be to raise a crop without seeing more damage rather than hoping for a big improvement. ■