Market prices now shift as the 2018 spring crops get planted in the northern hemisphere. Key price risks are developing that can drive volatility and potentially sustain elevated grain prices through the 2018-'19 marketing year that begins on Sept. 1, 2018. Of the major global grain and oilseed crops, corn seems most susceptible to elevated prices primarily because global corn stocks have declined over the past year.

The U.S. should remain the largest exporter of corn in the northern hemisphere. Export forecasts have increased by 300 million bushels since the Nov. 9, 2017, World Agricultural Supply and Demand Estimates (WASDE) report.

In addition, the USDA’s National Ag Statistics Service (NASS) Prospective Planting report released on March 29 indicated the U.S. would plant only 88 million acres of corn in 2018. If realized, that is the lowest planted acreage number since the 2015 crop.

The difference between planted and harvested corn acreage is roughly 8%. Those acres are typically food grade, seed, silage and abandoned corn acres. Now consider a 2018 trendline corn yield of roughly 173 bushels per acre for commodity corn acres harvested. With steady total corn use in the 2018-'19 marketing year, this would mean the U.S. corn stocks-to-use ratio will fall well below the 14% level. That’s a level not realized for the last two growing seasons and the lowest percentage since the 2015-'16 marketing year. Each of the past two marketing years, U.S. corn ending stocks has projected more than 2 billion bushels.

This same NASS Prospective Planting report slated U.S. soybean plantings at 89 million acres, along with 46.5 million total wheat acres. Some industry analysts forecast final soybean plantings as high as 92 million acres, with corn still holding that 88-million-acre level. Many of the extra soybean acres would come from winter wheat acres that will be abandoned, and spring wheat acres that won’t get planted due to a cold, wet spring conditions.

Seasonal Futures Trend

Having both time and price objectives are likely critical in implementing a successful 2018 marketing plan. Consider seasonality of both futures and cash prices. Corn futures prices tend to rally in the late winter and early spring months, but then peak by mid-June to early July. This is called the seasonal futures trend and reflects a period of the greatest uncertainty for crop production to occur in the northern hemisphere, where about 85% of the total feed grains are produced annually.
Setting Corn Price Objectives

By the last day of April, the July ’18 corn futures will become the nearby corn futures contract as the first notice day for May corn futures contract. The July daily corn futures chart is featured below from April 2017 - April 10, 2018. The high occurred on July 11, 2017, at $4.33 per bushel, and then sold off. The low occurred Jan.12 at $3.62 per bushel.

Since mid-March, this contract has traded in a range from $3.82 to $4.02 per bushel. This contract is now trading at the highest price level since early August 2017. The upside price objective for this July ’18 contract will be an area of around $4.12 per bushel, the same area traded in early August before selling off following the Aug. 10, 2017.

Expect corn basis to remain attractive during the months of April and May as farmers head to the fields and co-ops are busy delivering seed, fertilizer, etc. Check the basis offered by major processors in your area. Most will have better cash bids for last half of April through May timeframe versus the June/July period. These six weeks could prove to be a good time to lock the basis, especially corn that you know won’t be stored safely into July and August.

New crop December ’18 corn futures look similar to the July contract. The high occurred on July 11, 2018, at $4.29 ½ per bushel, and then sold off. That price level will likely be the upside price objective for the spring and early summer months until more is known about weather during the critical time of corn pollination.

Marketing Plans

Farmers have an advantage when they establish marketing plans that include both price and time objectives. For new crop bushels, consider using forward cash contracts and hedge to arrive (HTA) contracts for bushels you plan to deliver at harvest. This is especially true when December ’18 corn futures prices are above the $3.96 per bushel projected price used for crop insurance. For bushels you don’t want to commit to delivery but want to protect the futures price, consider using futures hedges or buying put options.