With the commodity funds holding record “short futures,” new crop December ’19 corn futures fell to a life-of-contract of low of $3.63 ¾ cents per bushel. The catalyst for this price pressure was primarily the ongoing trade impasse between the U.S. and Chinese governments.

Suddenly, the late wet planting conditions across much of the Corn Belt became the focus. USDA National Ag Statistics Service (NASS) released their weekly Crop Progress numbers for the week ending on May 12. Only 30% of the U.S. corn crop had been planted versus a 5-year average of 66%.

Illinois has planted only 11% of their corn, versus a 5-year average of 82%. Iowa has fared better than the U.S. with 48% of the crop planted versus a 5-year average of 76%.

Planting Delay
How does 2019 corn planting pace compare over the past 30 years? The line graph below features weekly crop progress numbers from early April through early June. The top line is the 5-year average (2014 through 2018) and the slow corn planting progress during those years 4 years is obvious. Heavy rains forecast just after mid-May will likely keep the 2019 pace at extremely slow levels.

July Futures Price Objective
The key now is establishing a futures price objective that helps manage risk for both old and new crop bushels. Your goal shouldn’t be to capture the highest price possible, but to manage futures price risk. The likelihood is corn futures prices will rally back to levels traded at this past winter when lower 2018-’19 marketing year ending stocks were anticipated. Expect corn futures will then sell off later this spring or early summer. Remember, it’s the uncertainty of
northern hemisphere corn production that reflects the futures seasonals, not the reality of production.

A reasonable price objective for the July corn futures contract is roughly 50% of the move from the winter high of $4.01 ¼ and the May low of $3.52 ½. That price would be $3.79 per bushel. Perhaps a “scale up” selling strategy for every nickel higher and deadline of June 28, before this July contract goes into delivery.

Jul ’19 Corn Futures

Dec. ’19 Corn Futures

Source: www.jimwyckoff.com  May 9, 2019

Your Marketing Plan

Selling into weather scare rallies tends to be the right thing to do. It’s much easier for farmers when the weather scare is in some other part of the Corn Belt. The weather-scare rallies during May the last few years have been very good opportunities to make sales for both old and new-crop corn.

Three recommendations to consider if you choose to price bushels on this spring rally:

1. Make sure you’ve set price objectives.
2. Communicate these prices with your grain merchandiser and/or commodity broker and that these prices are GTC (Good ‘Til Cancelled).
3. Continue to monitor basis offers with the likelihood old crop basis will weaken (become more negative) as farmers wrap up planting and more time is available to deliver those bushels stored both on-farm and commercially.

December Futures Price Objective

A reasonable price objective for the December corn futures contract might be $4 per bushel, the same as the spring price projection for crop insurance purposes. Perhaps a “scale up” selling strategy would start at $4 per bushel and every 5 cents higher. The upside futures price objective is limited due to large U.S. and global ending stocks. The upside December corn futures price would be around the $4.20 per bushel price level. This assumes that at least 91 million acres of corn is planted in the U.S. However, the later than normal corn planting should leave the final U.S. yield in question throughout the spring into early July. Look at a July 15 deadline for setting new crop corn futures price.