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Corn: It's Too Early to Count on a Bumper Crop

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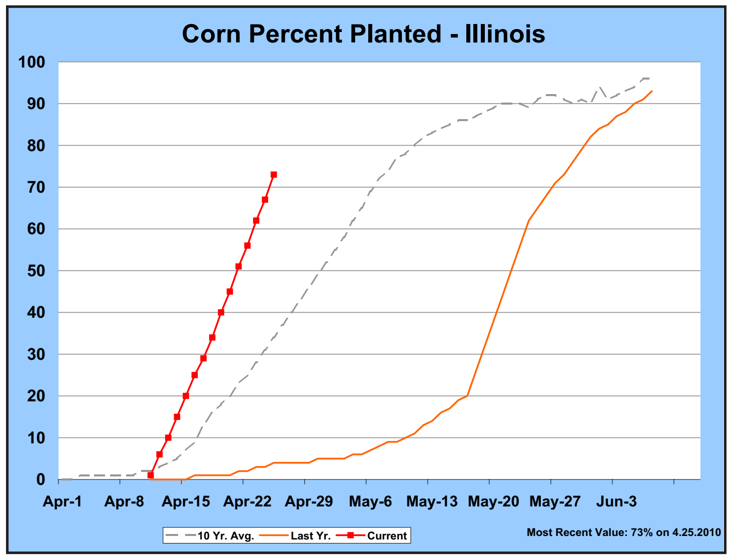
Signs of better demand ahead due to the expanding global economy and ideas that China will eventually import feed grain are factors which could quickly bring about a need for the corn market to build a weather premium. The market may be in the process of bottoming out this spring and about to begin a demand-led rally into the early summer. Traders seem to have already priced in a conservative demand outlook for the rest of this year and next year and a relatively large crop for this summer.



While many other commodity markets have moved well away from the depression-type pricing that was seen in the wake of the sub-prime crisis, December corn was up only 15 cents from the 2009 lows as of April 27th. The fast start to this year's planting pace has allowed the market to become complacent about the possibility of a tight supply situation developing if we were to see less than perfect weather for the coming growing season.

Corn Planting Ahead of Pace

The corn planting percentage reached 50% as of April 25th, the fastest in at least 28 years. (The previous record was 37% in 2004.) Given the strong start, traders appear to be counting on a huge yield (and a bumper crop) this summer. However, historical data does not show much of a correlation between early plantings and yield. Precipitation during June and July and the temperatures that occur during pollination are the dominant factors.