

Crop Conditions to Price:

The latest corn crop conditions are at 76% good to excellent and the market is busy making reference to 2007's 78% as only better by 2%. Needless to say the 2010 corn crop looks very healthy as viewed via this graph. This year's corn crop is rated 6% better than last year and 7% better than the five year average. It may be important to realize last year's crop ratings dropped 1% with the five year average unchanged at 69% from this report to next week..

Identical to the 2010 corn crop rating of 76% is 1999 and 1998's 76% good to excellent. In 1999 the crop rating dropped 1% by the following week with 1998 down 2%.

Do not forget we have a June World Agriculture Supply and Demand Estimates report due out on June 10th and one question you may have is could USDA raise yield on such a good looking crop? If history is a

good teacher then the answer is no. In 2007 when crop conditions dropped 1% the corn yield from the May WASDE to June was left unchanged at 150.3 bushels per acre. Of the most recent five years, three (2007, 2006, and 2005) had yield left unchanged with 2009 yield down 1.3% and 2008 down 3.2%. In 1999 and 1998 when conditions were identical to the present 76% good to excellent, yield was left unchanged from the May to June WASDE. It is highly unlikely USDA will increase yield from the May to June WASDE.

USDA has decreased crop condition ratings from now until harvest time whether its last year by 1%, five year average by 8%, 2007's 15% 1999's 18% and 1998's 11%. Make note of it, each year indicated this great looking crop becomes more rough around the edges as we enter harvest

What happens to yield per acre from now by the time we enter harvest? You would think with declining crop conditions, yield would also decline, not so. In 2009, yield per acre actually increased 7%, 2008 up 3.4%, 2007 up 2.9%, 2006 up 3.2%, 2005 down 2%, 1999 up 1.3% and 1998 1.8%. Incredible, even though crop conditions drop, yield per acre overwhelmingly goes higher from the June WASDE to October WASDE.

We know as conditions drop from now until harvest, but yield increases but what happens to price? From June into harvest in 2009, the futures price increased 5%, 2008 price per bushel dropped 45%, 2007 price increased 13.9%, 2006 price increased 36.6%, 2005 price dropped 7.6%, 1999 price dropped 5.7% and in 1998 price dropped 11%. So other than tight stock years, prices normally drop as conditions drop and yield per acre increases from now into harvest.

The question at hand is do you have a market plan, futures and or options in place for 2010? Can you comfortably say you maintain complete control of your crop(s)?

We welcome your questions.....Joe Victor

Allendale Inc welcomes any questions you may have by calling 800-551-4626 or e-mail research@allendale-inc.com

