

Soybean & Corn Advisor, Inc.

Dr. Michael Cordonnier
soycorn@comcast.net
(630)325-0192

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U. S. Crop Conditions Hold Steady

Corn – The nationwide condition of the corn crop held steady last week and it continues to be rated at 68% good to excellent. Eight states reported that the corn condition had improved last week, seven states reported that the corn condition had declined, and three reported no change in condition. Generally the improvements were noted in the northern Corn Belt and the declines were noted in the central and eastern Corn Belt. The five states with the highest rated corn crop are Kentucky, Pennsylvania, Iowa, Ohio, and South Dakota. The five states with the lowest rated corn crop are Texas, Michigan, North Carolina, Indiana, and Kansas.

Soybeans – The nationwide condition of the soybean crop held steady last week and it continues to be rated at 66% good to excellent. Six states reported that the soybean condition had improved last week, ten states reported that the soybean condition had declined, and two reported no change in condition. Generally the improvements were noted in the northern Corn Belt and the declines were noted in the central and western Corn Belt. The five states with the highest rated soybean crop are Kentucky, Tennessee, Iowa, Nebraska, and Ohio. The five states with the lowest rated soybean crop are Louisiana, Michigan, Arkansas, Indiana, and North Carolina.

Soil moisture – The nation's topsoil moisture declined last week. Eight states reported that the soil moisture had improved last week and ten states reported that the soil moisture had declined last week. The improvements were generally noted in the western and northern Corn Belt and the declines were noted in the central and eastern Corn Belt. The five states with the best soil moisture are Kentucky, Iowa, Tennessee, Missouri, and Arkansas. The five states with the driest soil moisture are Michigan, Kansas, Minnesota, Wisconsin, and Indiana.

After one week of improved soil moisture, the seasonal trend for dryer conditions resumed last week. The fact that the soil moisture declined last week was no surprise after a week of hotter temperatures and scattered showers. Rainfall over the last two days has brought welcomed relief to many of the dry areas of the eastern Corn Belt. The rainfall was not enough to completely replenish the soil moisture, but it was enough to keep the crops going with minimal stress until the next opportunity for rainfall.

Soil Moisture Tends To Bottom Out Late August Or Early Sept.

The seasonal trend is for the soil moisture to continue to decline until about mid to late August or early September and then for it to start improving as we move into the fall (see Soil Moisture Index chart at the end of this report). For the last ten years, I have been tracking the

U.S. soil moisture on a weekly basis for the 18 principal producing states. I begin tracking the soil moisture in early June and continue until the end of September. Each state is weighted depending on the total number of corn and soybean acres in the state. For example, Iowa accounts for 15.6% of all the 2009 corn and soybean acres in the U.S., so Iowa is given the greatest weight in the calculation. Below is a chart showing when the soil moisture bottomed out over the last ten years.

<u>When U.S. Soil Moisture Bottomed Out</u>	<u>Number of times</u>	
First week of August	1	(2006)
Second week of August	1	(2005)
Third week of August	2	(2002, 2007)
Fourth week of August	2	(2001, 2003)
First week of September	1	(2008)
Second week of September	1	(2000)
Continued drying through September	2	(1999, 2004)

As you can see, in most of the years, the lowest soil moisture was reached in late August or early September. In two of the years, the soil moisture continued to stay dry through the end of September.

One factor that tends to result in significant improvements in soil moisture are the frequency of hurricanes in the Atlantic and the path they take across the eastern U.S. One significant hurricane moving north out of the Gulf of Mexico can dump significant amounts of rainfall in the Midwest. At the time of this writing, we have the first three named storms of the season in the Atlantic (all three were named within two days). The path of the storm needs to be watched carefully because the eastern Corn Belt is getting quite dry and significant rainfall is needed as soon as possible to avoid increasing moisture stress.

Dry Illinois Crops Receive Welcomed Rains

Areas of central and eastern Illinois are running significantly behind in moisture over the past 30 days. I drove through that area of Illinois on Saturday before the rains of Sunday and Monday to see how dry it was getting and how the crops have been affected. The two driest areas of Illinois are northeast Illinois and east-central and southeastern Illinois (southwest Illinois is also dry but I did not travel through that area). In those areas the topsoil is dry and hard, cracks have developed in the soil, the lawns are various shades of brown, and some of the crops are starting to exhibit moisture stress. Having said that though, I must admit that the crops looked better than I had anticipated. Both the corn and soybean crops are hanging in there and with the weekend moisture, they should be fine for at least another week.

Some of the cornfields are starting to fire at the bottom of the stalks. The fields that exhibited the most firing were either on lighter soils or were compacted during planting. Probably no more than 5-10% of the cornfields I saw had any firing. In the driest fields, the ears were showing some tip back (the kernels on the last 1-2 inches of the ear had been aborted) and it could trim the yields a little, but that was the exception and not the rule. The vast majority of the cornfields were showing no signs of moisture stress at all.

In the August Crop Report the USDA estimated that the Illinois corn yield at 175 bu/ac. I think that is an achievable yield now that some of the drier areas have received welcomed rainfall. Another one or two well-timed rains will allow the Illinois corn crop to achieve its full potential. The one thing we still have to worry about is an earlier than normal frost in the state. If we have continued good weather and the first frost is later than normal, the statewide corn yield will probably surpass 175 bu/ac.

The soybean crop in eastern Illinois has improved significantly over the last month although there are still some problem areas. The shortest soybean fields I saw were approximately 15 inches tall. These were the wettest and latest planted soybeans and they are still very uneven. These poor fields were certainly in the minority. The tallest soybean fields were approaching waist high and very uniform. The average soybean height was between knee high and thigh high.

Some of the soybeans were wilting in the heat of the afternoon on Saturday, but there were very few locations that exhibited what I would consider significant moisture stress. A lot of these soybean fields are very dry and they needed additional moisture, which they received over the weekend and on Monday. These rains were not enough to completely erase the moisture deficits that have accumulated over the past 30 days, but they were heavy enough to keep the crop in generally good shape until the next rainfall event.

In the August Crop Report, the USDA estimated the Illinois soybean yield at 44 bu/ac. The potential is certainly there for a 44 bu yield, but it will take one or two more well timed rains and a later than normal frost.

Reaction To The August Crop Report

The August Crop Report confirmed that we have a strong corn crop and a weaker soybean crop. The high corn yields are due to record stalk counts, which should lead to record ear counts as well. I am sure the USDA plugged in average ear weights, but if the weather is favorable for the remainder of the growing season and we have a later than normal frost date, that ear weights could end up being heavier than average, thus increasing the corn yield even more. Of course, on the other hand, if we have an earlier than normal frost date, then the ear weights of the later maturing corn could be lighter than normal and the yields would suffer.

One thing that did surprise me in the report was the fact that the corn-harvested acreage actually increased slightly compared to the June Planted Report. After the USDA announced that they were going to resurvey the corn acreage, most people assumed that they decided to take

that action because they had overestimated the corn acreage. Apparently, that did not turn out to be the case.

The problem with these acreage numbers is not the June Planted Report, but instead, the problem is with the March Prospective Planting Report. Acreage swings have become much more volatile in recent years and farmers are waiting longer and longer to make their planting decisions based on price signals. With these tremendous swings in prices and acreage, surveys of farmers done in early March may not be as accurate as they have been in the past. Many farmers are now waiting to see what the March report reveals, and the market's reaction to the report, before they finalize their planting plans.

Another problem with the March 2009 report was the "phantom acres" that were not accounted for. There were 4-6 million phantom acres that just sort of disappeared from 2008 to 2009. Well, they didn't disappear and most of them went into corn production. Hopefully we can remember these lessons next March when the 2010 Prospective Planting Report is released.

Corn Crop Estimate Increased To 160 bu/ac, Soy Steady At 42.0

Corn – After the big increase in U.S. corn acreage announced in the June Planted Report, most observers had expected a decline in corn acreage in the August Crop Report especially after it was announced by the USDA that they were going to resurvey the corn acreage for the August report. Instead of a decline, there was actually a small increase in the corn-harvested acreage in August as compared to June. The USDA is the final arbitrator for acreage, so we are going to accept their harvested acreage for the time being.

Big corn crops tend to get bigger especially if there is a lack of significant heat and moisture stress during grain filling. The rains of the last two days coupled with a non-threatening forecast may be just what the corn crops needs to grow even larger. Some areas in the eastern Corn Belt such as eastern Illinois, northern Indiana, and northern Ohio were getting quite dry, but they got some relief over the last two days. Certainly not everyone got everything they needed, but the rainfall was sufficient enough to thwart the development of any significant moisture stress.

A continuing factor is also the pace of crop development. The pace has picked up over the last two weeks due to the warmer temperatures, but it now appears like we are going back into a cooler cycle. This is a particular concern in North Dakota, South Dakota and Minnesota. The corn crop in Minnesota is now significantly behind where it should be for this time of the year. Fifty five percent of the corn in Minnesota is in the milk stage or beyond, which is 28% less than the five-year average. Only 9% is in the dough state, which is 33% behind the five-year average. The situation is similar for North and South Dakota.

July is the critical month for corn and the month of July was good for the crop. August certainly has been dryer, but the new corn genetics allows the corn to withstand short periods of moisture stress much better than in past years. The corn crop also relies on subsoil moisture

during periods of dryness and the subsoil moisture is still good in most areas. The rains of the last two days fell where they were needed the most, thus relieving some of the concerns over dry conditions. Therefore, the nationwide corn yield is now estimated at 160.0 bushels per acre. The maximum was increased three bushels per acre to 165 and the minimum was also increased three bushels to 155.

The 2009 corn crop continues to be 10-14 days behind in its development and this especially a concern in the northern Corn Belt. The corn crop will definitely need the first frost to come later than normal.

Soybeans – Soybeans continue to be the weaker of the two crops this year. August is the critical month for soybeans and the first half of the month was dry especially in the eastern Corn Belt. Some of those moisture deficits were relieved by the rains of the last two days. The area that needs the moisture the most was central and eastern Illinois, central and northern Indiana, and northwest Ohio, sort of along a line from Decatur-Champaign-Lafayette-Fort Wayne-Toledo. Much of the rainfall over the last two days fell exactly where it was needed in the eastern Corn Belt. At this writing, I don't have the final rainfall totals and certainly not everyone got all the rainfall they needed, but it was very welcomed and the dry concerns have now eased somewhat in the eastern Corn Belt. The soybeans in the eastern Corn Belt that received rain over the last two days will do fine until the next rainfall event.

The August Crop Report estimated the soybean crop at 41.7 bu/ac. The survey for the report could have been conducted as much as three weeks ago and until this weekend, I thought the soybean crop was in worse shape than what had been reported in the August Crop Report. After my trip through Illinois and after the rains of the last two days, some of my concerns for the crop have been eased. Certainly the soybeans in the eastern Corn Belt will still need several more well-timed rains, but for now, it will do fine until the next rain event. As with the corn crop, the soybean crop will also need a late frost to reach its full yield potential.

Therefore, the soybean yield estimate was left unchanged at 42.0 bu/ac, which is slightly above the 41.7 yield estimate in the August Crop Report. Had the last two days remained dry in the eastern Corn Belt, I was anticipating lowering the soybean yield in this week's report, but instead of a dry weekend, the rainfall was better than what had been anticipated and the rain fell in some of the areas that needed it most. If we get another couple of rains and if we get a later than normal frost in the northern Corn Belt, the soybean yield could still move higher.

The soybeans will also need a later than normal frost especially in the northern Corn Belt.

2009 U.S. Crop Estimates

	<u>Current Estimate</u>	<u>Maximum</u>	<u>Minimum</u>	<u>2008-Production</u>
	billion bushels			
Corn Production (80.0 million harvested)	12.80 (160.0 bu/ac)	13.20 (165 bu/ac)	12.40 (155 bu/ac)	12.101 (153.9 bu/ac)
Soybean Production (76.7 million harvested)	3.22 (42.0 bu/ac)	3.33 (43.5 bu/ac)	2.99 (39.0 bu/ac)	2.959 (39.6 bu/ac)

2009 Attitude Rating

	<u>Eastern Corn Belt</u>	<u>Western Corn Belt</u>	<u>Northern Corn Belt</u>	<u>Southern Corn Belt</u>	<u>Delta</u>	<u>Nationwide</u>
Corn	+5	+5	-5	+1		+5
Soybeans	+5	+5	-5	+1.5	+1.5	+5

State Trend Line Changes

Corn No changes.
Soybeans Mississippi improved from below trend to at-trend.

2009 U.S. Crops – Trend Line Comparisons

	<u>States Below Trend Line</u>	<u>States At Trend Line</u>	<u>States Above Trend Line</u>
Corn	Illinois 14.4 ? Wisconsin 4.4 North Carolina 1.0 Texas 2.6 Michigan 2.7 ?	Indiana 6.7 South Dakota 5.8 North Dakota 2.7 ? Tennessee 0.8 Missouri 3.6	Iowa 15.5 Nebraska 10.4 Minnesota 8.9 Kentucky 1.4 Pennsylvania 1.5 Colorado 1.2 Kansas 4.5 ? Ohio 3.9
	% of acres 25.1	% of acres 19.6	% of acres 47.3
Soybeans	Illinois 12.0 ?	Ohio 6.0 ??	Iowa 13.0

Indiana 7.1 ?	Missouri 6.6	Nebraska 6.6
Wisconsin 2.2 ?	South Dakota 5.2 ?	Minnesota 9.2
North Carolina 2.4	North Dakota 5.1	Kentucky 1.8
Louisiana 1.3	Arkansas 4.5	Kansas 4.6
Michigan 2.6	Mississippi 2.8 ?	Tennessee 1.9

% of acres 27.6

% of acres 30.2

% of acres 37.1

Brazilian Corn Farmers Have Many More GMO Options

As Brazilian corn farmers finalize their plans for the 2009-10 growing season, they have an unprecedented array of corn hybrids to choose from. They can choose from a total of 325 conventional corn hybrids and 104 GMO corn hybrids. This is an increase from last year when they could choose from 302 conventional corn hybrids and only 19 GMO hybrids. The 2008-09 growing season was the first year when GMO corn hybrids could officially be sold in Brazil.

Most of the genetic modification is for insect control with 56 hybrids containing Monsanto's YieldGard technology, 24 contain Dow AgroScience's Herculex, and 12 contain Syngenta's Agrisure. Twelve corn hybrids contain Monsanto's Roundup Ready technology. Some of these hybrids already have double or triple-stacked traits and now that the Brazilian corn market is open for more GMO corn technology, the sales of these technologies should continue to increase.

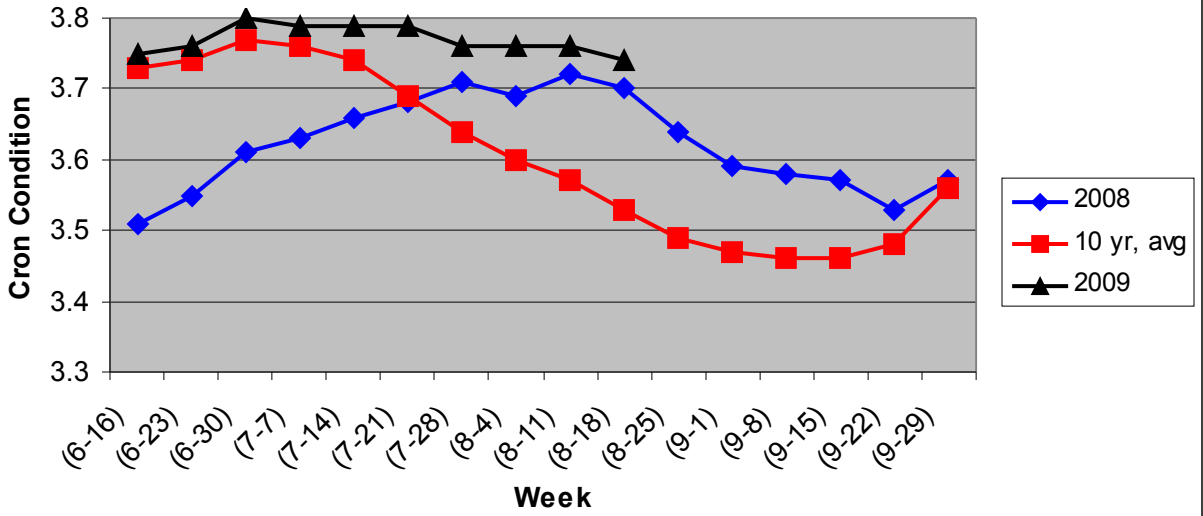
Corn production in Brazil is improving, but it is never going to equal corn production in the U.S. Granted, these new technologies will improve corn yields for the mechanized top-end corn farmers. Top producers can achieve relatively good full season corn yields in the range of 130 to a 150 bu/ac, but that is more of the exception instead of the rule. Most mechanized full season corn production falls into the range of 90-120 bu/ac. Additionally, small landowners who do it manually usually on hillsides in southern Brazil produce a significant portion of the full-season corn in Brazil. The yields achieved on these small plots are very low. That is why you see Brazil's nationwide full season corn yield in the range of 60-70 bu/ac.

The seed companies have been working hard in Brazil and their efforts are starting to pay off. These new technologies will certainly improve the yields of the full season mechanized corn crop in Brazil. The challenge for the corn farmers now is to develop the infrastructure needed to efficiently utilize the increased corn production.

Michael Cordonnier

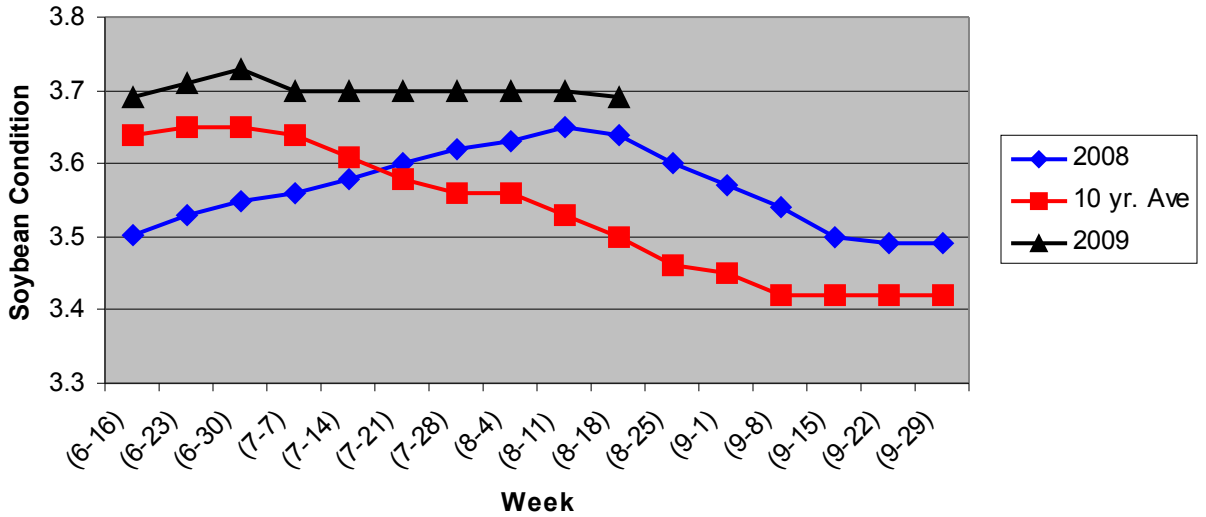
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Corn Crop Condition Index



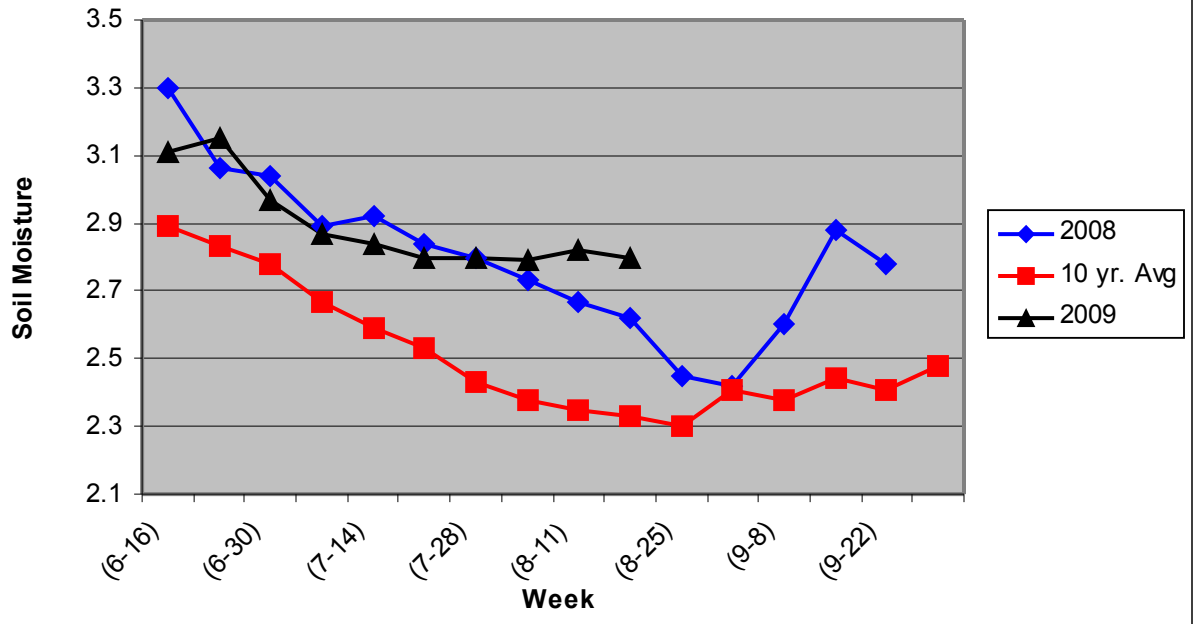
1=Very Poor, 2=Poor, 3=Fair, 4=Good, 5=Excelent
 National Yield (bu/ac)
 '03=142,'04=160.4,'05=148,'06=149.1,'07=150.7,'08=153.9

Soybean Crop Condition Index



1= Very Poor, 2=Poor, 3=Fair, 4=Good, 5=Excelent
 National Yeild (bu/ac)
 '03=33.4, '04=42.2, '05=43, '06=42.9, '07=41.7,'08=39.6

Soil Moisture Index



1=Very Short, 2=Short, 3=Adequate, 4=Surplus