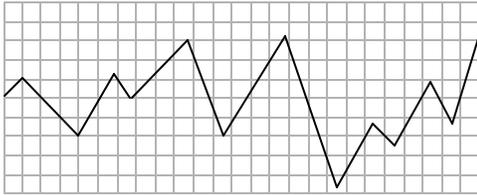




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# WEEKLY OUTLOOK

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## PRODUCTION CONCERNS CONTINUE

The USDA's June *Acreage* report contained a larger-than-expected estimate of planted and harvested acreage of corn for grain in the U.S. this year. Planted acreage of corn is estimated at 78.947 million, nearly 3.2 million more than planted last year and only 100,000 less than revealed in the March *Prospective Plantings* report. The market had anticipated more than a million acre reduction from March intentions. Acreage is less than indicated in March in Indiana and Ohio, but exceeds intentions in Illinois, Iowa, and Minnesota. The USDA projects harvested acreage of corn for grain at 72.081 million, 3.273 million more than harvested last year. Harvested acreage of feed grains (corn, sorghum, oats, and barley) is projected at 87.121 million, 3.535 million more than harvested last year. A decline in sorghum acreage is more than offset by an expected increase in harvested acreage of oats and barley.

Even though planted acreage of corn exceeded expectations, the market remains concerned about the potential size of the 2002 harvest. There has been a recent tendency for the final estimate of planted acreage to be less than the June estimate. That has been the case in each of the past 7 years and in 9 of the past 10 years. The difference has been as little as 24,000 acres and as much as 1.32 million (1995). More than acreage, however, the market is concerned about potential yield of the 2002 crop. Late planting in the eastern corn belt is being followed by above normal temperature and lack of precipitation in many areas. That pattern is expected to continue in the first half of July.

In addition to concerns about crop size, the corn market also received some support from the USDA's June *Grain Stocks* report. That report showed that June 1 inventories of corn totaled 3.594 billion bushels, 330 million less than on the same day last year and about 15 million less than the average trade guess. Exports during the third quarter of the 2001-02 marketing year were about 50 million bushels larger than during the same quarter last year and domestic use was nearly 30 million larger.

For soybeans, the USDA's June *Acreage* report revealed plantings of 72.993 million acres, 1.112 million fewer than planted last year and only 27,000 more than indicated in March. The market had anticipated a much larger increase due to the lateness of planting the corn crop in the eastern corn belt. Soybean acreage is larger than March intentions in Arkansas, Indiana, Mississippi, and Ohio, but those increases were offset by declines in Illinois, Iowa, Michigan, Minnesota, and North Dakota. The USDA projects harvested acreage of soybeans at 72.029 million, 971,000 less than harvested last year. Like corn, there is a tendency for the final

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estimate of soybean acreage to be less than the June estimate. That has been the case in each of the previous 5 years and 8 of the past 10 years. Except for 2001, the changes from June to the final acreage estimate were generally small.

The USDA's June *Grain Stocks* report revealed June 1 soybean inventories of 684 million bushels, about 24 million less than on the same date last year and about 5 million less than the average trade guess. Exports were down nearly 70 million bushels in the third quarter of the marketing year compared to the same period last year, but the domestic crush was about 24 million bushels larger.

The smaller than expected estimate of planted acreage of soybeans, along with less than ideal growing conditions, creates a lot of uncertainty about the potential size of the 2002 U.S. crop. The crop may be small enough to require a reduction in the rate of use of U.S. soybeans during the 2002-03 marketing year.

For wheat, the USDA's June *Acreage* report indicated that planted acreage of all classes of wheat was about 1 million more than indicated in March. Most of the increase, 877,000 acres, was in spring wheat other than durum. Still, harvested acreage of all classes of wheat is expected to be about 1 million less than harvested last year even though seedings are up by about 470,000 acres.

Corn and soybean prices will continue to be influenced by weather conditions and crop conditions as reflected in the USDA's weekly report. Historically, weather markets tend to result in corn and soybean prices peaking in the pre-harvest period. However, there are some recent exceptions to that rule. In 1993-94, the full impact of weather on production was not revealed until January after harvest, resulting in cash prices peaking later in the year (January for corn and May for soybeans). In 1995-96, a small crop was followed by extremely strong demand, resulting in cash prices peaking in July for both corn and soybeans.

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