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# WEEKLY OUTLOOK

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## **USDA TO REVEAL PROJECTIONS FOR 2003-04 MARKETING YEAR**

In recent years, corn and soybean supplies have been large enough that by May, market attention turned primarily to new crop prospects. That is generally the case this year for corn. While corn inventories are the smallest in five years, stocks are more than adequate to meet needs until the new crop is harvested, particularly if the early planting season leads to an early harvest. The focus, then, is primarily on weather and yield prospects for the 2003 crop. The market will evaluate potential crop size in context of the potential consumption of corn in the 2003-04 marketing year.

On May 12, the USDA will release its first projections of potential supply, consumption, and average price during the 2003-04 marketing year. Based on March corn planting intentions of 79.022 million acres, about 72 million acres should be harvested for grain in 2003. Using a trend yield value near 140 bushels per acre, the 2003 crop might be near 10 billion bushels. A crop of that size would be about one billion bushels larger than the 2002 harvest. The USDA May projection may deviate some from 10 billion bushels, but a large crop projection is generally expected. What the market really wants to see is the USDA's projection of consumption during the 2003-04 marketing year. The projection of domestic use should be larger than that for the current year based on increased ethanol production and a likely modest expansion in livestock numbers during the last half of the 2003-04 marketing year. Most interest, however, may be in the USDA's projection of marketing year exports. The early season projection was too optimistic (2.1 billion bushels) last year, but was fairly close in the previous two years. This year's projection will, among other things, reveal USDA thinking about Chinese corn exports during the upcoming year. A projection for a rebound from this year's anemic level of U.S. exports is expected in next week's report. Even a 10 billion bushel crop projection may result in only a modest increase in projected stock levels by the end of the 2003-04 marketing year.

December 2003 corn futures are currently trading only about \$.09 above the contract low established in March 2003. The trading range for the contract to date is only \$.385. History suggests that the range will be expanded by at least \$.20 and more likely by \$.35. Large crop prospects would likely result in new lows for that contract, while the high to date of only \$2.69 still leaves the door open for a new high.

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The story for soybeans is different than that for corn. While the market will clearly be interested in the USDA's projections for the 2003-04 marketing year, there is still considerable uncertainty surrounding the old crop situation. The continuation of large exports of U.S. soybeans and prospects for very small year ending stocks have pushed cash soybean prices to the highest level since the summer of 1998. In its April report, the USDA projected U.S. soybean exports for the current year at 995 million bushels, or 1.05 billion if the larger than normal projection of residual use is included in the export projection. Exports of 1.05 billion bushels would be 58 million less than exported last year. Through May 1 (with only 17 weeks left in the marketing year) cumulative export shipments were reported at 923 million bushels, 29 million more than on the same date last year.

With year ending U.S. soybean stocks currently projected at only 145 million bushels, supplies may not be adequate to meet the current export demand. Prices may have to go higher to slow the pace of exports, buyers may have to quickly switch to South American supplies, or U.S. users may import some soybeans or soybean products before the new harvest is available. The magnitude of U.S. exports and export sales of soybeans over the next few weeks will have important price implications and may continue to over-shadow new crop prospects for now.

Eventually, however, the prospective size of the 2003 U.S. soybean crop will have a significant influence on price. Based on March planting intentions of 73.182 million acres, harvested acreage of U.S. soybeans should be near 72.1 million acres in 2003. A trend yield near 40 bushels per acres, then, projects to a crop of about 2.884 billion bushels, 154 million larger than the 2002 crop. A crop of that size, however, might result in only a very modest build-up in U.S. inventories by the end of the 2003-04 marketing year if world soybean demand remains robust.

November 2003 soybean futures have reached new life-of-contract highs, trading to \$5.65 on May 5. There is some concern that large areas of heavy rainfall this past weekend may delay soybean planting. However, history would suggest that it is pre-mature for much concern about the 2003 crop. Late summer weather appears to be much more important in determining soybean yields than is spring weather. Still, the trading range to date for November 2003 futures is only \$1.12. New highs for that contract are still expected.

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