



# WEEKLY OUTLOOK



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## **USDA REPORTS GENERALLY NEUTRAL FOR CROP PRICES**

The USDA's May update of projected U.S. and world crop supplies and consumption took on more importance than usual this year due to generally smaller inventories, a strong soybean export pace, and recent price gains. During the two weeks ended May 9, May corn futures increased about \$.23 and May soybean futures increased \$.37. Since May 1, May wheat futures at Chicago rallied \$.415. Much of the price increase for all three crops occurred on May 9. Prices will continue to be influenced by a number of factors, but the projection in the May 11 report were generally less bullish than expected, particularly for corn and soybeans.

For corn, the USDA reduced the projection of exports for the current year by 50 million bushels. At 1.625 billion bushels, exports this year will be 264 million less than shipments of a year ago. The lower projection was not all that surprising given the slow pace of shipments to date. However, many had expected the lower export projection to be at least partially offset with another increase in the projected amount of corn used for ethanol production. That did not happen. As a result, the projection of year ending stocks was increased by 50 million bushels.

For the 2003 crop, the USDA used March planting intentions and the 1960 to 2001 trend yield calculations to project a record crop of 10.06 billion bushels. The projection of consumption for the 2003-04 marketing year is 265 million larger than the projection for the current year, reflecting a 50 million bushel decline in feed and residual use, a 90 million bushel increase in food and industrial use, and a 225 million bushel increase in exports. While Chinese corn production is expected to decline by about 120 million bushels in 2003, Chinese corn exports are expected to decline by 215 million bushels. In addition, total world corn consumption and trade are expected to expand during the year ahead. World ending stocks of corn and total feed grains are expected to decline again next year, but U.S. corn stocks are expected to grow from 1.06 billion to 1.3 billion bushels. The 2003-04 marketing year average farm price is projected in a range of \$1.90 to \$2.30 per bushel, compared to \$2.25 to \$2.35 for the current year.

The projection of 2002-03 marketing year exports of U.S. soybeans was increased by 15 million bushels, slightly less than generally expected. The projection of the domestic crush was reduced by another 5 million bushels, following the 20 million bushel reduction in April. Stocks of old crop soybeans on September 1, 2003 are projected at 135 million bushels, the smallest since 1997. Some believe the USDA export projection is still too low. Including the additional 13 million bushels

included in the projection of residual use due to the large difference between USDA and Census Bureau export estimates to date, exports are projected at 1.023 billion bushels. Using the largest estimate of exports to date (USDA Export Sales report) shipments during the last 16.4 weeks of the year need to average only 5.1 million bushels per week to reach the USDA projection. Exports for the past five weeks have consistently been near 11 million bushels.

Using March planting intentions and the 1978 to 2002 regional trend yield calculations, the USDA projected the 2003 U.S. soybean crop at 2.855 billion bushels, 125 million larger than the 2002 crop. A large increase in foreign oilseed production is also anticipated for 2003-04. The U.S. domestic soybean crush is expected to grow only 5 million bushels next year due to stagnant domestic consumption of meal and oil and a sharp decline in oil exports. Exports (including residual use) are expected to decline by 65 million bushels. Year ending stocks are expected to grow from 135 million bushels this year to 245 million next year. The 2003-04 marketing year average farm price is projected in a range of \$4.45 to \$5.45, compared to \$5.50 for the current year.

Projections for the 2002-03 U.S. wheat marketing year (which ends on May 31) were essentially unchanged. The first projection of the 2003 U.S. winter wheat crop came in at 1.563 billion bushels, 420.5 million larger than the 2002 harvest, but slightly smaller than expected. Using March seeding intentions and the 1998 to 2002 harvested-to-planted acreage ratios and trend yields, spring wheat production is projected at 550 million bushels, nearly 80 million larger than the 2002 harvest.

Allowing for a 50 million bushel increase in domestic feed and residual use and a 75 million bushel increase in exports during the 2003-04 marketing year, the USDA sees stocks of U.S. wheat growing from 448 million bushels on June 1, 2003 to 511 million on June 1, 2004. Large increases in wheat production in Australia and Canada during the year ahead are expected to be offset by large declines in Russia and the Ukraine. As a result, world wheat stocks are projected to continue to decline next year. The 2003-04 marketing year average U.S. farm price is projected in a range of \$3.05 to \$3.65, compared to \$3.56 for the year just ending.

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