



# WEEKLY OUTLOOK



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## **CROP FORECASTS NOT QUITE AS EXPECTED**

The USDA's August 12 *Crop Production* report and the monthly estimates of world supply and demand prospects contained a few surprises for corn, soybeans, and wheat. The forecasts were generally negative for corn and wheat prices and somewhat positive for soybean prices, at least in the short run.

The 2004 U.S. corn crop is forecast at 10.923 billion bushels, nearly 150 million bushels larger than the average trade guess and about 800 million larger than the record harvest of 2003. The forecast reflects a national average yield of 148.9 bushels, 6.7 bushels above last year's record yield. The U.S. average yield has been at or above trend value in 8 of the past 9 years.

The USDA increased the projection of the 2004 Chinese corn crop by nearly 200 million bushels, to a total of 4.7 billion bushels.. That forecast is 165 million bushels larger than the estimate of the 2003 harvest. Still, the USDA sees Chinese corn exports declining from 315 million bushels this year to 160 million in the coming year. Exports of U.S. corn are expected to increase from 1.925 billion this year to 2.1 billion next year, about offsetting the decline in Chinese exports.

Domestic use of corn is expected to increase by 245 million bushels (3 percent) during the upcoming year, including an increase of 170 million bushels in the amount of corn used for ethanol production. Use of U.S. corn for all purposes during the 2004-05 marketing year is projected at 10.72 billion bushels, an increase of 420 million bushels from the record use during the current marketing year. Year ending stocks of corn are projected at 1.132 billion bushels, or 10.6 percent of consumption, suggesting a 2004-05 marketing year average farm price of \$2.28 per bushel. The USDA projects that price in a range of \$2.05 to \$2.45 and the market is currently reflecting an average of \$2.23 for the year ahead. Marketing year lows in cash prices are expected to occur in the harvest window.

The 2004 U.S. wheat crop is estimated at 2.123 billion bushels, 64 million larger than the July forecast, reflecting a combination of a lower acreage and a higher yield forecast. The USDA also lowered the projection of 2004-05 marketing year wheat

exports to 950 million bushels, down 25 million from last month's projection, and 209 million less than exported in 2003-04. The pace of U.S. wheat exports is currently well above that of a year ago. Export inspections during the first 10 weeks of the marketing year are up 10 percent from inspections of a year ago and total commitments as of August 5 were 18 percent larger than on the same date last year. The pace of exports is apparently expected to slow significantly from the current pace in the face of much larger wheat crops in the rest of the world. Foreign production in 2004-05 is expected to be up 13 percent, led by much larger crops in Europe and India and a modest increase in China. Even though the U.S. wheat crop is 214 million bushels smaller than the 2003 crops, year ending stocks are expected to be slightly larger than stocks at the start of the year on June 1, 2004. The USDA projects the marketing year average price in a range of \$2.95 to \$3.55, compared to the average of \$3.40 for the 2003-04 marketing year.

The 2004 U.S. soybean crop is projected at 2.877 billion bushels, 459 million larger than the small crop of 2003, but about 90 million bushels less than the average trade guess. The U.S. average yield is projected at 39.1 bushels, 5.7 bushels above the poor performance of last year, but below the 40-plus bushels generally expected. Recent cool weather in most growing areas, and the later maturing crops in northern growing areas, suggests that considerable uncertainty about the actual size of the 2004 crop remains.

The USDA also repeated the forecast of a 7 percent increase in South American soybean acreage and a 21 percent increase in South American soybean production in 2004-05. A 9 percent larger crop is also projected for China. Even with these increases, the USDA expects U.S. soybean exports to increase by 40 million bushels during the year ahead, to a total of 1.03 billion. China is expected to import, from all sources, 772 million bushels of soybeans during the upcoming marketing year. That projection is 37 million smaller than the last months projection, but 224 million larger than imports of the current year and 58 million larger than record imports of 2 years ago.

The domestic crush of soybeans is projected to increase by 110 million bushels from the low level of the current year. Use for all purposes is projected at 2.798 billion bushels, leaving year-end stocks of 190 million bushels, for a stocks-to-use ratio of 6.8 percent. That ratio suggests a 2004-05 marketing year average farm price of about \$5.85. The USDA projects that price in a range of \$5.40 to \$6.40 and the market is currently reflecting an average of about \$5.74. The pattern of cash prices will be influenced by subsequent U.S. crop forecasts and by South American crop prospects.

Issued by Darrel Good  
Extension Economist  
University of Illinois