

For the rest of the world, the USDA increased the forecast of the size of the Chinese soybean crop by 500,000 tons, increased the projection of world consumption during the current marketing year by 970,000 tons, and reduced the projection of world ending stocks by 830,000 tons. Those stocks are still expected to be extremely large, however, totaling 60.57 million tons.

In the case of wheat, the USDA increased the projection of U.S. exports during the current marketing year by 25 million bushels, reduced the projection of domestic use for food items by 10 million bushels, and reduced the projection of year-ending stocks by 15 million bushels. The average marketing year farm price is still projected in a range of \$3.20 to \$3.50 per bushel.

For the rest of the world, the largest changes included an 1.85 million ton increase in the projected size of the Canadian crop, and a 1 million ton reduction in the projected size of the Australian crop. World stocks of wheat are expected to show the first year over year increase in 5 years.

More significant changes in projections may occur in the USDA's January report. That report will reflect the final estimate of the size of the 2004 U.S. crops, the December 1, 2004 estimate of U.S. stocks of grains and oilseeds, additional export history, and further development of the southern hemisphere crops. In addition, the wheat market could be influenced by the estimate of U.S. winter wheat seedings. All of these reports will be released on January 12, 2005.

The soybean market appears to be the most interesting of the major crops. To date, prices have remained much higher than anticipated based on the large U.S. crop, prospects for a large South American crop, and prospects for a significant increase in U.S. and world stocks. The presence of soybean rust, however, has been reported early in the growing season in both Brazil and Argentina. In addition, the general thinking is that soybean rust in the U.S. will lead to fewer acres planted in 2005. On the demand side, China continues to buy large quantities of U.S. soybeans. A tendency for soybean producers to be tight holders of the stored crop has also resulted in considerable strengthening of the basis. There is potential for wide swings in soybean prices as the new year unfolds.

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