



WEEKLY OUTLOOK



A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

MARCH 13, 2006

CORN: EXPORTS, STOCKS, AND ACREAGE

As expected, the USDA increased the forecast of 2005-06 marketing year exports of corn in the March 10 report. U.S. exports are now projected at 1.9 billion bushels, 50 million more than projected last month and 86 million more than exported last year.

Based on large weekly export sales since the second week of January, some had expected the USDA to increase the export projection by more than 50 million bushels. Export sales during the eight weeks ended March 2, 2006 totaled 437 million bushels. Sales during that eight week period last year totaled only 246 million bushels. Based on the USDA's weekly *Export Sales* report, U.S. export commitments for the 2005-06 marketing year totaled 1.326 billion bushels as of March 2. Of that total 364 million bushels had not yet been shipped. The total is 135 million larger than commitments of a year ago and unshipped sales are up 98 million bushels.

USDA estimates of exports, however, are not the estimates that are ultimately reflected in the marketing year supply and consumption balances published by the USDA. Census Bureau figures are used as the official estimates in those reports. For the 2005-06 marketing year, Census Bureau export estimates are available through January 2006, the first 5 months of the year. While USDA estimates indicated that cumulative exports through January were 6 million bushels larger than the total of last year, Census Bureau figures indicated that the cumulative total was 8 million bushels smaller than that of a year ago. The difference of 14 million bushels is not large, but may be one reason that the USDA did not increase the marketing year total as much as expected. Still, the robust pace of export sales suggests that exports for the year might still exceed 1.9 billion bushels by 20 or 25 million bushels.

The pace of domestic consumption of corn during the second quarter of the 2005-06 marketing year (December 2005 through February 2006) will be revealed in the USDA's March 1 *Grain Stocks* report to be released on March 31. The quarterly pattern of feed and residual use of corn is not consistent from year to year. Last year, for example, 61.55 percent of the total feed and residual use for the year occurred in the first half of the year. In the 4 years prior to that, first half use as a percentage of the total for the year was in a

very narrow range of 63.7 to 64.5 percent. The average for those 4 years was 64 percent. If use this year is following a *Atypical* pattern and use is on track to reach the USDA projection of 6 billion bushels for the year, use during the second quarter should have been near 1.6 billion bushels, about equal to that of a year ago.

The quarterly pattern of domestic processing uses of corn is much more consistent than the quarterly pattern of feed and residual use. Over the past 5 years, use during the first half of the marketing year has ranged from 47.2 to 47.7 percent of the total for the year. The average was 47.5 percent. If use this year is following a normal seasonal pattern and use is on track for reaching the USDA projection of 2.985 billion bushels, use during the second quarter should have totaled about 727 million bushels, 90 million more than during the same quarter last year.

Based on Census Bureau estimates through January and the USDA *Export Sales* reports for February, second quarter corn exports were likely near 485 million bushels. Use for all purposes during the quarter should have been near 2.812 billion bushels based on USDA projections of use for the year and assuming typical seasonal consumption patterns. Use at that level projects to March 1 U.S. corn stocks of about 7 billion bushels, about 240 million larger than the inventory of a year ago.

The USDA will also release its annual *Prospective Plantings* report on March 31. Most private analysts are forecasting a significant increase in total planted acreage of all crops in 2006 compared to plantings in 2005. Expectations for corn, however, are for a marginal decline in acreage. Those expectations seem to be centering on a decline of 1.5 to 1.7 million acres, or about 2 percent. Planted acreage of wheat, cotton and especially soybeans is expected to exceed acreage planted in 2005. As pointed out before, with such a large surplus of soybeans in the U.S. and the world, it is a little surprising that the markets are not aggressively discouraging an increase in soybean acreage.

If 80.1 million acres of corn are planted in 2006, about 72.8 million acres would likely be harvested for grain. A trend yield near 150 bushels, then, would produce a 2006 crop of 10.92 billion bushels. Corn consumption during the 2006-07 marketing year is expected to increase in all three categories, particularly domestic processing as ethanol production expands. Use this year will be near 10.9 billion bushels and could expand to 11.5 billion next year. It appears that U.S. corn stocks at the end of the 2006-07 marketing year could be reduced to about 1.75 billion bushels, under current production and consumption expectations. An inventory at that level would project to a 2006-07 marketing year average farm price of about \$2.15 per bushel. The futures market currently reflects a 2006-07 marketing year average farm price of about \$2.50.

Issued by Darrel Good
Extension Economist
University of Illinois