



WEEKLY OUTLOOK



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CORN SUPPLIES – ARE WE OUT OF THE WOODS?

The USDA's *Prospective Plantings* report released on March 30 confirmed producer's intentions to increase corn acreage in 2007. Increases in corn and wheat acreage are expected to come at the expense of soybean and cotton acreage, although intentions show a substantial increase in total acreage to be planted in 2007.

U.S. producers reported intentions to plant 90.454 million acres of corn in 2007, 12.127 million more than planted last year and 5.866 million more than in 1976, the high in modern history. Percentage wise, the largest increases are planned in Arkansas, Georgia, Louisiana, and Mississippi, but those increases total only 1.6 million acres. Intentions are for increases of 1.6 million acres in Illinois and 1.3 million acres in Iowa. Producers indicated intentions to plant 67.14 million acres of soybeans in 2007, 8.382 million fewer than the record plantings in 2006 and the fewest acres planted since 1996. Planting intentions in western growing areas are down 4.7 million acres while producers in the eastern corn belt intend to reduce acreage by 2.85 million. The largest decline, 1.4 million acres, is planned in Illinois. Producers in the southeast intend to increase soybean acreage by 194,000.

Winter wheat seedings, at 44.505 million acres, were 3.903 million larger than seedings of a year earlier. Intentions for durum wheat, at 1.99 million, are 120,000 larger than seedings of 2006, but intentions for other spring wheat are down 1.091 million, at 13.808 million. The intentions for all classes of wheat are pegged at 60.303 million acres 2.959 million more than seeded last year and the highest in 4 years. Cotton producers reported intentions to plant 12.147 million acres in 2007, 3.127 million less than planted in 2006, with the largest declines in the delta and southeast.

Actual plantings of winter wheat plus planting intentions for all crops included in the *Prospective Plantings* report totaled 256.266 million acres, 3.258 million more acres than were planted to those crops in 2006. In addition, the total number of acres of hay intended for harvest in 2007 is 2.249 million more than harvested in 2006. On the surface, then, higher crop prices appear to have enticed an additional 5.5 million acres into production in 2007.

The March 1 inventory of U.S. corn was estimated at 6.07 billion bushels, 917 million bushels smaller than the inventory of March 1, 2006, but about 75 million bushels larger than expected. Apparent feed and residual use of corn during the second quarter of the 2006-07 marketing year was about 110 million bushels (7 percent) less than during the same quarter last year. Use during the first half of the year was 4.3 percent less than during the first half of the 2005-06 marketing year. For the year, the USDA has projected feed and residual use of corn at 5.975 billion bushels, 2.7 percent less than fed last year. That projection now looks to be too high by about 100 million bushels.

March 1 stocks of soybeans totaled 1.784 billion bushels, 115 million more than on the same date last year, but 10 to 15 million bushels less than generally expected. The magnitude of "residual" use of soybeans so far this year suggests that the 2006 U.S. soybean crop may still be overestimated a bit.

The corn market seemed to heave a collective sigh of relief following the release of the March 1 inventory and planting intentions data. These numbers tend to alleviate worries that rapidly expanding ethanol production could result in shortages and extremely high corn prices in the year ahead. A prolonged period of high prices might force liquidation of livestock numbers and push retail meat prices higher. The large acreage number was interpreted as reducing the likelihood of such a development. Some analysts suggest that corn could actually be in surplus in 2007-08. In particular, some believe that there is evidence that the trend U.S. corn yield has been increasing at an increasing rate over the last 10 years and that a trend yield in 2007 would produce a crop near 13 billion bushels. Careful examination of recent yield patterns, however, suggests that trend yields have not been increasing at an increasing rate, but rather that weather has been generally favorable since 1996. Some caution should be exercised in anticipating 2007 yields. In addition, any significant change in price relationships over the next four weeks, or unusual spring weather, could alter planting plans to some extent. Ultimately, summer weather will be the dominant yield and price factor. For now, it appears that corn supplies will remain sufficient for another year, but the crop is not in the bin yet. For soybeans, supplies will likely remain ample even with reduced acreage in the U.S. due to large current supplies and record South American production.

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