



WEEKLY OUTLOOK



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USDA CROP PRODUCTION FORECASTS CONTAIN NO BIG SURPRISES

The USDA's August forecast of the size of the 2007 corn crop was larger than the average of reported expectations, while the soybean forecast was smaller than expected. Corn demand prospects have improved, however, due to a significant decline in grain production prospects in Europe. U.S. and world wheat production forecasts were reduced.

The 2007 U.S. corn crop is forecast at 13.054 billion bushels, 2.52 billion larger than the 2006 crop and about 145 million larger than the average pre-report expectation. The U.S. average yield is forecast at 152.8 bushels, 3.7 bushels above the 2006 average, but 7.6 bushels below the record yield of 2004. One of the more surprising forecasts was the projected average yield of 180 bushels in Iowa, 14 bushels above the 2006 average even though crop condition ratings have trailed those of a year ago. The average Illinois yield is projected at 178 bushels. Production of other feed grains (sorghum, barley, and oats) is forecast at 796 million bushels, 244 million larger than the 2006 harvest. The U.S. average sorghum yield is expected to be 14.7 bushels above the 2006 yield.

The large U.S. corn crop is expected to be met with strong export demand and to result in a steady rate of domestic feed use. Exports during the 2007-08 marketing year are projected at 2.15 billion bushels, 150 million above the July projection and 50 million more than exported this year. The increase reflects declining crop production prospects in the rest of the world, slightly less export competition, and expanding world consumption. Coarse grain production in the rest of the world is forecast at 709.7 million tons, 1.5 percent larger than the previous harvest, but 1.7 percent smaller than the July forecast. About half of the decline from the July projection occurred in the European Union.

Domestic feed use of corn is projected at 5.75 billion bushels, equal to expected use this year and 50 million larger than the July forecast. Feed use of other coarse grains is expected to increase by 80 million bushels, while wheat feeding is expected to be up 46 million bushels. Most of the wheat feeding occurs in the summer months. Domestic processing use of corn during the upcoming year is projected at 4.79 billion bushels, up 1.265 billion from use during the current year. That projection is unchanged from the July forecast. Use of corn for all purposes during the 2007-08 marketing year is forecast at

12.69 billion bushels, 200 million above the July forecast and 1.315 billion more than expected for the year just ending. Year-ending stocks are forecast at 1.516 billion bushels, 379 million larger than projected for the current year. The 2007-08 marketing year average farm price is projected in a range of \$2.80 to \$3.40, the same as the July forecast.

Consumption of U.S. soybeans during the current year is projected at 3.066 billion bushels, 25 million larger than the July forecast, as the rate of both the domestic crush and exports continue to exceed earlier projections. The 2007 U.S. crop is projected at 2.625 billion bushels, 563 million smaller than the record harvest of 2006 and about 30 million less than generally expected. The U.S. average yield is projected at 41.5 bushels, 1.2 bushels below the 2006 average and 1.5 below the 2005 record. The average yield in both Illinois and Indiana are projected at 47 bushels, even though crop condition ratings in Indiana are well below those of Illinois. The Iowa average is projected at 50 bushels.

With no significant changes in production forecasts for the rest of the world, the USDA did not alter the forecasts of consumption of U.S. soybeans during the 2007-08 marketing year. Use is projected at 2.985 billion bushels, resulting in a year-ending stocks forecast of 220 million bushels. The 2007-08 marketing year average farm price is projected in a range of \$7.25 to \$8.25, compared to an average of \$6.40 for the current year.

The 2007 U.S. wheat crop is now estimated at 2.114 billion bushels, 302 million larger than the 2006 crop, but 24 million smaller than the July forecast. That decline was in the winter wheat category. The forecast of domestic feeding of wheat was reduced by 35 million bushels, but the projection of exports was increased by 25 million, to a 4-year high of 1.075 billion bushels. Year ending stocks are forecast at 404 million and the season's average farm price is forecast in a range of \$5.10 to \$5.70, \$.30 above the July forecast.

Current futures prices for corn, soybeans, and wheat reflect higher 2007-08 marketing year average farm prices than forecast by the USDA, particularly for soybeans. The soybean futures market reflects an average price nearly \$.50 above the high end of the USDA's forecast price range. Even so, prices are expected to remain well supported until more is known about the actual size of the 2007 crop. For soybeans, estimates of South American plantings will continue to take on more importance.

There is widespread concern about grain storage space this year. However, if new space was added at the same rate in 2007 as in 2006, national storage space will exceed fall grain supplies (old crop stocks plus production) by about the same margin as in 2004 and 2005. Even in Illinois, where the corn crop is expected to be 27 percent larger than in 2006, the deficit of storage space will not likely be larger than in 2004.

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