



WEEKLY OUTLOOK



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STOCKS AND ACREAGE EXCEED EXPECTATIONS

The USDA's June *Grain Stocks* and *Acreage* reports revealed larger numbers than generally expected. The estimates were initially quite negative for corn prices, but provided some support for soybean prices.

June 1 stocks of U.S. corn were estimated at 4.028 billion bushels, nearly 500 million larger than stocks of a year ago and about 100 million larger than the average trade guess. After a 13 percent increase in feed and residual use of corn during the first half of the year (perhaps reflecting an overestimate of the size of the 2007 crop) use during the third quarter of the marketing year was about equal to that of a year ago. Use during the summer quarter will be impacted by the rate of liquidation of animal numbers, which has been extremely modest to date, and the rate of wheat feeding, which should be substantial. Use for the year may fall short of the USDA projection of 6.15 billion bushels.

June 1 stocks of soybeans were estimated at 676 million bushels, 416 million less than stocks of a year ago, but only a few bushels larger than the average trade guess. After negligible feed and residual use of soybeans in the first half of the year (perhaps reflecting an underestimate of the size of the 2007 crop) use was near normal in the third quarter of the year. Wheat stocks on June 1, the beginning of the 2008-09 marketing year, were estimated at 305.6 million bushels, about 150 million less than stocks of a year ago, but about 20 million above the average trade guess and about 50 million larger than the USDA projection earlier in the month.

The USDA indicated that it re-interviewed about 1,200 farmers on June 23, 24, and 25 to supplement the data collected in the normal survey procedure for the June *Acreage* report.

The results indicate that producers planted or intended to plant 87.327 million acres of corn for all purposes this year. That is about 1.3 million acres above intentions reported in March and two million acres above the average trade guess. Acreage exceeds intentions by 200,000 in Kansas, Minnesota, Nebraska, and Texas and by 150,000 in North Dakota and Wisconsin. Acreage equals intentions in Indiana and is 300,000 less in Illinois and 500,000 less in Iowa.

Corn acreage intended for harvest as grain is projected at 78.94 million, 7.6 million less than harvested in 2007. The difference between acreage planted and harvested for grain is estimated at 8.387 million, about 1.2 million more than normal. Widespread flooding is expected to result in more abandoned acres or perhaps more acres harvested for silage. Yield potential is difficult to predict, but based on improving weather, a benign weather forecast for July, and improving crop condition ratings, potential yield is likely at or above the USDA's June assessment of 148.9 bushels. The 2008 production potential may be between 11.8 and 12.0 billion bushels. Weather conditions over the next three months will determine if that potential is reached.

The USDA's survey revealed acreage planted, or intended to be planted, to soybeans of 74.533 million acres. That is 10.9 million more than planted in 2007, 260,000 less than indicated in March, and 330,000 more than the average trade guess. At the time of the survey, however, producers indicated that 21 percent of the intended soybean acreage had not been planted, the most since 1996. In 1996, actual planted acreage exceeded the June estimate by 300,000 acres. Compared to March intentions, the June survey revealed fewer soybean acres in Illinois (300,000), Iowa (600,000), Nebraska (250,000), and North Dakota (150,000). Acreage equaled intentions in Indiana and was higher in Missouri (100,000) and Ohio (100,000).

Soybean acreage for harvest is projected at 72.121 million acres, 9.3 million more than harvested in 2007. The difference between planted and harvested acreage of 2.4 million acres indicates that about 1.4 million more acres will be abandoned than is typically the case. Yield potential is still very uncertain due to the lateness of planting in many areas. Favorable summer growing conditions that extend well into September could result in the U.S. average yield near the trend of 42 bushels, producing a crop of more than three billion bushels. In general, however, the trade is probably skeptical that a trend yield in soybeans can be attained.

Taken together, the USDA reports were negative for corn prices. With the slow down in use now being experienced, year ending stocks will likely be at least 100 million bushels larger than the 1.433 billion bushels projected by USDA earlier in the month. In addition, the acreage estimate suggests there may need to be less rationing next year than previously thought, although stock levels will still likely decline during the 2008-09 marketing year. For soybeans, however, production may fall short of the 3.1 billion bushels projected earlier by USDA, keeping stocks extremely tight for another year. For the next two months, prices will be all about U.S. weather.

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