



# 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.

**AUGUST 12, 2008**

## **CORN CROP OVERCOMES SPRING FLOODING**

The USDA's August *Crop Production* report revealed prospects for a 2008 U.S. corn crop of 12.288 billion bushels and a soybean crop of 2.973 billion bushels. Both forecasts were within the range of pre-report guesses, but the corn crop forecast exceeded the average guess by 350 million bushels.

Based on extensive re-interviews in Illinois, Indiana, Iowa, Minnesota, Missouri, and Wisconsin, planted acreage of corn is estimated at 86.977 million acres, 350,000 less than the June estimate. Acreage estimates declined by 100,000 in Illinois, Indiana, and Iowa and 50,000 in Wisconsin. Acreage expected to be harvested for grain is forecast at 79.29 million, 350,000 more than forecast in June. The U.S. average yield potential is pegged at 155 bushels, 3.9 bushels above the 2007 average and the second highest following the average of 160.4 bushels in 2004. The crop forecast of 12.288 billion is 786 million smaller than the record crop of 2007.

In a separate report, the USDA's World Agricultural Outlook Board increased the forecast of corn used for ethanol during the current marketing year by 50 million bushels and during the 2008-09 marketing year by 150 million bushels. Exports during the current year are expected to reach 2.425 billion bushels, 25 million less than projected last month. The projection of feed and residual use during the 2008-09 marketing year was increased by 100 million bushels. Stocks of corn on September 1, 2008 are forecast at 1.576 billion, 22 million below the July forecast while September 1, 2009 stocks are projected at 1.133 billion, 300 million above last month's forecast. The 2008-09 marketing year average farm price is forecast in a range of \$4.90 to \$5.90, \$.60 below the July forecast.

There were also some changes in coarse grain production forecasts for other parts of the world. Production prospects have declined for Argentina, but improved for Canada, Mexico, the European Union, Russia, and the Ukraine. Coarse grain production outside the U.S. is forecast at a record 760.33 million metric tons, nearly 5 percent larger than last year's crop.

Planted acres of soybeans in the U.S. are now estimated at 74.783 million, 250,000 above the June estimate. Acreage estimates were increased by 100,000 acres in Indiana and Iowa and by 50,000 acres in Wisconsin. Harvested acreage is projected at 73.341 million, 1.22 million more than forecast in June. Forecasts of harvested acreage increased by 50,000 in Illinois, Indiana, and Iowa; by 100,000 in Missouri; and 70,000 in Wisconsin. The U.S. average yield potential is seen at 40.5 bushels, 0.7 below the 2007 average and the lowest since 2003. Yields are expected to be below the 2007 average in Illinois and Iowa, but a bushel higher in Indiana. The projected crop of 2.973 billion bushels is 388 million larger than the 2007 harvest.

The USDA's World Agricultural Outlook Board reduced the forecast for the domestic soybean crush during the current year by 10 million bushels and raised the forecast of year ending stocks by an equal amount, to 135 million bushels. The forecast of the domestic crush for 2008-09 was reduced by 15 million bushels. Stocks of soybeans on September 1, 2009 are expected to remain small at 135 million bushels. The 2008-09 marketing year average farm price is projected in a range of \$11.50 to \$13.00, \$.50 below the July forecast.

Soybean production in Brazil in 2009 is forecast at 2.3 billion bushels, 55 million less than forecast last month but 55 million more than produced this year. For Argentina, production is forecast at 1.82 billion bushels, 55 million more than forecast in July and 110 million more than the 2008 harvest.

The August forecasts of corn and soybean production were close enough to market expectations that a large price reaction is not expected. The market will try to gauge whether production prospects change during August and early September. The USDA's weekly *Crop Progress* report indicated that crop condition ratings improved for corn and held about steady for soybeans during the week ended August 10. Both crops lag average maturity. Only 30 percent of the corn crop was in the dough stage compared to the average of 50 percent and only 60 percent of the soybean crop was setting pods, compared to the average of 75 percent. In addition to average temperature and rainfall in August and early September, production could be influenced by the occurrence of the first killing frost.

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