



# 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.

**JANUARY 12, 2009**

## **USDA REPORTS SEND CROP PRICES LOWER**

On January 12, the USDA released its *Annual Crop Production* report, the quarterly *Grain Stocks* report, the annual *Winter Wheat Seedings* report, and the monthly update of world supply and consumption forecasts. The reports were generally bearish for corn and soybean prices. The reports were more friendly for wheat, but wheat prices initially moved lower with corn and soybean prices.

The final estimate of the size of the 2008 U.S. corn crop came in at 12.101 billion bushels, 81 million larger than the November forecast. The larger estimate reflected an increase in the estimate of planted and harvested acreage and a 0.1 bushel increase in the estimate of the U.S. average yield. Stocks of corn on December 1, 2008 were estimated at 10.084 billion bushels, only 194 million less than on the same date last year. The stocks estimate implies that only 3.645 billion bushels of corn were consumed during the first quarter of the 2008-09 marketing year, 423 million less than the record consumption of a year ago. Exports were about 238 million bushels less than those of a year ago, while domestic use was down about 185 million bushels.

The lower than expected rate of domestic use during the first quarter of the year resulted in a lower forecast of use for the year. The USDA now projects domestic feed and residual use during the current marketing year at 5.3 billion bushels, 50 million below the December forecast and 638 million less than use of a year ago. Food, seed, and industrial use of corn is projected at 4.9 billion bushels, 135 million below the December forecast. Of that total, ethanol use of corn is projected at 3.6 billion bushels, 574 million more than use of a year ago, but 100 million less than forecast last month.

Marketing year corn exports are now expected to reach only 1.75 billion bushels, 686 million less than the record of a year ago and 50 million less than projected in December. Year ending stocks are now forecast at 1.79 billion bushels, 316 million above the December projection and 166 million larger than stocks at the beginning of the year.

The estimated size of the 2008 Chinese corn crop was increased by about 215 million bushels. That large crop is expected to lead to some build-up in inventories in China, rather than larger exports. The estimated size of the 2009 Argentine corn harvest and projection of Argentine corn exports were both reduced by nearly 60 million bushels.

The 2008 U.S. soybean harvest is estimated at 2.959 billion bushels, 38 million larger than the November forecast. The estimate of planted acreage was reduced, but the estimate of harvested acreage was increased. In addition, the estimate of the U.S. average yield was increased by 0.3 bushels, to 39.6 bushels. Stocks of soybeans on December 1, 2008 were estimated at 2.276 billion bushels, about 85 million bushels smaller than the inventory of a year ago. The stocks estimate implies that about 898 million bushels of soybeans were used during the first quarter of the 2008-09 marketing year. Exports were nearly 60 million bushels larger than those of a year ago, while the domestic crush was down by 47 million bushels. For the year, the USDA increased the forecast of exports by 50 million bushels and reduced the forecast of the domestic crush by 30 million bushels. Year ending stocks are now forecast at 225 million bushels, 20 million above the December forecast.

For the 2008-09 wheat marketing year, the USDA lowered the forecast of feed and residual use by 30 million bushels and the forecast of seed use by 2 million bushels. As a result, the projection of year ending stocks was increased by 32 million bushels, to a 7 year high of 655 million bushels.

The estimate of 2008 winter wheat seedings at 42.098 million acres is 4.183 million less than acreage seeded a year earlier. Seedings of soft red winter wheat are down almost 3 million acres. Seedings declined by 350,000 acres in Arkansas and Illinois and by 450,000 acres in Missouri.

The estimates of the 2008 U.S. corn and soybean crops and the estimates of December 1 stocks of corn and soybeans all exceeded pre-report guesses. The decline in winter wheat seedings was larger than anticipated. The reports were especially negative for corn prices and will likely end the month old rally in prices even with some worries about the Argentine crop. Prices could decline to the level of early December. The larger projection of year ending stocks and the slower rate of consumption suggest that corn acres may not have to increase much in 2009. The reports were less negative for soybean price prospects, but the larger inventory of U.S. soybeans will offset some of the concerns about the Argentine crop. An increase in U.S. acreage is not needed in 2009. On the surface, the winter wheat seedings report was a bit friendly. However, wheat prices will be pressured by lower corn and soybean prices.

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