



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.

MARCH 9, 2009

MARCH 31 USDA REPORTS

The USDA will release two reports on March 31 that could have important implications for corn and soybean prices. These are the March 1 *Grain Stocks* report and the *Prospective Plantings* report.

The March 1 inventory estimate should be more important for corn than for soybeans, since the rate of soybean consumption is well known, except for seed and residual use. The March 1 stocks estimate for soybeans, then, should be well anticipated. Any large deviation from the expected level would point to an error in the estimated size of the 2008 crop. For corn, the March 1 stocks estimate will reveal the rate of domestic consumption during the second quarter of the 2008-09 marketing year. Any large deviation from the expected level would mean that consumption occurred at a faster or slower rate than projected and/or the size of the 2008 crop was incorrectly estimated. The expected level of consumption during the quarter, however, is likely in a wide range.

For soybeans, exports during the second quarter of the 2008-09 marketing year can be estimated from weekly USDA reports, although the official Census Bureau estimates are currently available only through December 2008. The January 2009 estimates should be released this week. Through December, cumulative Census Bureau export estimates exceeded, USDA estimates by 37 million bushels. Assuming that margin continued through February, second quarter exports would have totaled about 480 million bushels.

Census Bureau soybean crush estimates are available through January 2009 so that the February crush must be estimated to calculate the likely level of March 1 stocks. Crush during the first quarter of the year was 10 percent less than during the same quarter last year. The December 2008 crush was 13.8 percent smaller and the January 2009 crush was 9.5 percent smaller than in the same month a year ago. If the February

crush was about 9 percent smaller than that of a year ago, the total for the second quarter would have been about 418 million bushels. Over the previous 5 years, seed and residual use of soybeans during the second quarter of the year has ranged from 25.9 to 88.3 million bushels. The average was about 63 million bushels. Using the 5-year average for seed and residual use, second quarter use of soybeans would have been near 960 million bushels, resulting in March 1 stocks near 1.3 billion bushels.

USDA estimates place corn exports during the first half of the year at 790 million bushels. Through December 2008, cumulative Census Bureau export estimates were 45 to 50 million larger than the USDA estimates. If that margin persisted through February, second quarter exports were near 385 million bushels. Domestic use during the quarter is difficult to anticipate and expectations will be in a wide range. Assuming that domestic use is on pace to reach the USDA projection for the year and that use is following a typical seasonal pattern, consumption during the second quarter would have been near 2.6 billion bushels. Under these assumptions, March 1 stocks would have been near 7.1 billion bushels.

While the March 1 stocks estimates for corn and soybeans could contain some surprises, more attention may be focused on the *Prospective Plantings* report. At the annual outlook conference, the USDA used a 2009 corn planting estimate of 86 million acres to construct the projected supply and consumption balance sheet for 2009-10. That projection is equal to 2008 plantings. The USDA used an estimate of 77 million acres for soybeans, 1.3 million more than planted in 2008. The combined acreage of corn and soybeans appears low given the 4.2 million acre reduction in winter wheat seedings already reported and the expected 2 million acre reduction in total cotton, rice, and spring wheat acreage. However, the USDA expects total crop land acreage to decline in 2009 as a result of prospects for lower returns and fewer opportunities for double-cropped soybeans.

The intended planted acreage of individual crops revealed on March 31 will be important. The market will assess those intentions and decide if relative prices need to change to alter those intentions. Over all price levels, however, will be influenced by the magnitude of acreage intended for all crops. Unless total acreage is reduced, acreage intentions may point to a potential surplus of one or more crops in 2009-10.

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