



WEEKLY OUTLOOK



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USDA REPORTS CONFIRM EXPECTATIONS, FAVOR CORN PRICES

On May 12, the USDA released the first forecast of the size of the 2009 U.S. winter wheat crop; revised forecasts of 2008-09 marketing year consumption of corn, soybeans, and wheat; and the first projections of supply and consumption prospects for the 2009-10 marketing year. The reports reflect prospects for a much smaller winter wheat crop in the U.S. and smaller year ending domestic stocks of all three crops for the current marketing year. For 2009-10, the forecasts show a sharp decline in U.S. year-ending feed grain stocks, larger foreign wheat stocks, and larger U.S. and world stocks of soybeans.

The 2009 U.S. winter wheat crop is forecast at 1.502 billion bushels, 366 million bushels smaller than the 2008 crop. Harvested acreage is forecast at 33.995 million acres, 5.619 million fewer than harvested last year, and the U.S. average yield is forecast at 44.2 bushels, 3 bushels below the 2008 average. Based on planting intentions and trend yield analysis, production of other classes of wheat is forecast at 524 million bushels, 108 million less than produced in 2008.

For the current U. S. wheat marketing year that ends on May 31, the forecast of exports was increased by 30 million bushels, the forecast of food use was reduced by 3 million bushels, and the projection of year ending stocks was reduced by 27 million to a total of 669 million bushels. For the marketing year that begins on June 1, 2009, production is forecast at 2.026 billion bushels, 474 million smaller than the 2008 harvest, while consumption is forecast at 2.173 billion bushels, 88 million less than consumption during the current year. Year ending stocks are projected at 637 million bushels and the 2009-10 marketing year average farm price is expected to be between \$4.70 and \$5.70 per bushel, compared to \$6.85 for the year just ending.

Production of wheat outside the U.S. in 2009-10 is forecast at 602.5 million tons, down from 614.7 million in 2008-09. Year ending stocks outside the U.S. are forecast at 164.6 million tons, compared to 148.8 million for the current year.

For the current U.S. corn marketing year, the projection of both exports and ethanol use of corn were increased by 50 million bushels, resulting in a 100 million bushel decline in the projection of year ending stocks. Those stocks are projected at 1.6 billion bushels. For the 2009-10 marketing year, U.S. corn production is forecast at 12.09 billion bushels, almost identical to the 2008 crop. Based on planting intentions reported in March, acreage harvested for grain is expected to total 77.8 million, about 800,000 less than harvested in 2008. The projected 2009 U.S. average yield of 155.4 bushels is based on "the simple linear trend of the national average yield for 1990-2008 adjusted for 2009 planting progress". That yield is 1.5 bushels above the 2008 average.

Consumption of U.S. corn during the 2009-10 marketing year is forecast at 12.56 billion bushels, up from 12.14 billion expected for this year. The change reflects a 350 million bushel increase in corn used for ethanol, a 150 million bushels increase in exports, a 100 million bushel decline in feed use, and a 20 million bushel increase in other processing uses of corn. Year ending stocks are projected at a 6 year low of 1.145 billion bushels.

For the current U.S. soybean marketing year, the projection of the domestic crush was increased by 5 million bushels and the projection of exports was increased by 30 million bushels, resulting in a 35 million bushel reduction in the forecast of year ending stocks. Those stocks are projected at a 5 year low of 130 million bushels. Based on planting intentions, harvested area of soybeans in 2009 is forecast at 75 million acres, about 400,000 more than harvested in 2008. Based on "1989-2007 regional trend analysis", the 2009 U.S. average soybean yield is forecast at 42.6 bushels, 3 bushels above the 2008 average. The result is an expected 2009 harvest of 3.195 billion bushels, 236 million larger than the 2008 crop. Consumption during the year ahead is forecast at 3.107 billion bushels, 61 million more than the projection for the current year. Year ending stocks are projected at 230 million bushels and the 2009-10 marketing year average price is expected to be between \$8.45 and \$10.45 per bushel. Soybean production in South America in 2010 is expected to rebound from the weather reduced crop of 2009, resulting in a build-up in inventories during the year ahead.

The reports did not contain major surprises relative to pre-report trade expectations. On-going corn planting delays in the eastern Corn Belt, however, are resulting in some expectations of a modest shift from corn to soybean acreage. In addition, corn yield expectations for that area may be reduced as a result of a significant portion of the crop planted after May 10. The USDA yield forecast of 155.4 bushels may be a little optimistic, even though it is 1.5 bushels below their trend calculation due to slow planting progress, unless summer weather is as favorable as last year's weather. There appears to be room for additional advances in corn prices.

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