



WEEKLY OUTLOOK



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EXPECTATIONS FOR USDA REPORTS

On June 30, the USDA will release its quarterly *Grain Stocks* and annual *Acreage* reports. Under the current scenario of declining soybean stocks and late planting in the eastern corn belt, these reports will provide important information for the corn and soybean markets.

A useful way to put the estimates of June 1 stocks into perspective is to compare the actual estimates when they are released to the calculation of expected stocks based on the combination of known use during the previous quarter and estimates of unknown use based on the USDA's projections for the year. For corn, the USDA projects feed and residual use for the year at 5.35 billion bushels, 588 million less than during the previous year. Use during the first half of the current year has been reported at 3.572 billion bushels, 589 million less than during the first half of the 2007-08 marketing year. If the USDA's projection for the year is correct, use during the last half of the year should be equal to that of a year ago. Use during the third quarter this year, then, should have been near the 1.095 billion bushels of a year ago.

For seed, food, and industrial use of corn, the USDA projects a 15.5 percent increase for the year. Use during the first half of the year was 19 percent larger than that of a year ago. Use during the last half of the year should be only 12.4 percent larger. Third quarter use, then, should have been near 1.305 billion bushels. Census Bureau export estimates are available through April. Adding the USDA estimate for May suggests that third quarter exports were near 483 million bushels. Total use of 2.883 billion bushels during the quarter would leave June 1 stocks at 4.08 billion bushels, about 50 million larger than stocks of a year earlier. Based on available information, this method appears to overestimate feed use and underestimate processing use of corn for the quarter, but the estimate of total use appears reasonable.

For soybeans, Census Bureau estimates of crush and exports are available through April, so only consumption for May needs to be estimated. Using the USDA estimate of May exports, exports for the third quarter of the year were likely near 245 million bushels. For the year, the USDA projects the domestic soybean crush at 1.65 billion bushels, 8.4 percent smaller than the crush during the 2007-08 marketing year.

Through April, the domestic crush totaled 1.127 billion bushels, 9.1 percent less than during the same period last year. If the USDA's projection for the year is correct, crush during the final four months of the marketing year will total 523 million bushels, 6.8 percent less than during the same four months last year. If the May 2009 crush was 6.8 percent less than the May 2008 crush, crush for the quarter totaled 427 million bushels

Seed and residual use of soybeans during the quarter is difficult to anticipate because of the large year to year variation in use. The five year average for the quarter is 41 million bushels, in a range of 19 to 63 million. If seed and residual was at 41 million, total use should have been near 713 million bushels, leaving June 1 stocks near 590 million bushels. Based on the acceleration in the rate of domestic crush in March and April, the crush for May might be slightly underestimated here, suggesting slightly smaller June 1 stocks.

In March, the USDA reported producer intentions to plant 84.986 million acres of corn in 2009, nearly one million less than planted in 2008. Soybean planting intentions were reported at 76.024 million acres, about 300,000 more than planted in 2008. Due to late planting in the eastern corn belt, the general expectation is for the June *Acreage* report to show fewer acres of corn. Delayed planting in some corn and spring wheat areas suggests that soybean acreage will exceed March intentions. Guesses seem to center on 1.5 to 2 million fewer acres of corn and 2.5 to 3 million acres more soybeans than reported in March. The June estimates this year may contain more than the usual amount of producer intentions since considerable unplanted acreage still remains in the wettest areas of the eastern corn belt. In addition, the final report of planted acreage can vary from the June report. For corn, actual planted acreage in the previous 5 years has varied by as little as 40,000 acres to as much as 1.35 million acres from the June estimate. For soybeans the difference has ranged from 400,000 to 1.185 million acres.

In addition to planted acreage, 2009 corn and soybean production potential will be influenced by yield prospects. With the most critical part of the growing season yet to come, the recent sharp price declines suggest the market does not have significant concerns about yields at this time.

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