



# WEEKLY OUTLOOK



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## **LARGER SOYBEAN AND SMALLER CORN CROP FORECASTS**

The USDA's November *Crop Production* report forecast the size of the 2009 U.S. soybean crop at 3.319 billion bushels, 69 million bushels larger than the October forecast. The 2009 corn crop is forecast at 12.921 billion bushels, 97 million bushels smaller than the October forecast.

The U.S. average soybean yield is now forecast at 43.3 bushels per acre, 0.9 bushels higher than the October forecast. The largest month-over-month increase in average yields came in Indiana and Kansas. Those yield estimates were increased by 3 bushels. Average yield estimates were lowered for some southern states, including Arkansas, Georgia, Mississippi, and Texas, and for Iowa. The U.S. average yield forecast is 1.1 bushels below the average of forecasts based on our crop weather and crop condition models.

The USDA also increased the expected size of the 2010 harvest in Brazil, Argentina, Paraguay, Bolivia, and Uruguay. The South American harvest is now forecast at 4.623 billion bushels, 80 million bushels larger than the October forecast and 1.113 billion larger than the drought reduced harvest of 2009. The largest increase is expected in Argentina. The strengthening of the El Nino weather pattern bodes well for South American growing season weather in spite of some early season dryness in parts of Argentina.

The USDA increased the forecast of 2009-10 marketing year soybean exports by 20 million bushels and the forecast of the domestic crush by 5 million bushels. The larger export forecast reflects expectations of larger imports by China and the European Union, offsetting larger South American exports. The larger crush forecast reflects expectations of a slightly lower yield of soybean meal per bushel of soybeans. The forecasts of soybean oil and meal consumption were not increased.

Year ending stocks of soybeans are now projected at 270 million bushels, 40 million larger than the October forecast. However, the marketing year average farm price is expected to be between \$8.20 and \$10.20, \$.20 above the October forecast.

For corn, the 2009 U.S. average yield is now forecast at 162.9 bushels, 1.3 bushels below the October forecast. State average yield forecasts were lowered by 5 bushels in Illinois, Iowa, and Mississippi. Yield forecasts were increased for Colorado, Kentucky, Minnesota, Tennessee, and Washington. The U.S. average yield forecast is two bushels less than the average of forecasts based on our crop weather and crop condition models.

The USDA reduced the forecast of 2010 corn acreage, yield, and production for Brazil. Production there is now forecast at 2 billion bushels, 39 million below the October forecast, but equal to the 2009 harvest. Conversely, the forecast of the South African harvest was increased by 39 million bushels. That crop is forecast at 453 million bushels, 49 million less than the previous harvest.

The forecast of 2009-10 marketing year US corn exports was reduced by 50 million bushels, to a total of 2.1 billion bushels. This is the second consecutive month for a lower forecast and reflects the slowing pace of export sales and increased competition from feed wheat. Year ending stocks of U.S. corn are forecast at 1.625 billion bushels, 47 million below the October forecast. The 2009-10 marketing year average farm price of corn is forecast in a range of \$3.25 to \$3.85, \$.20 above the October forecast.

The 2009 U.S. wheat harvest is now forecast at 2.216 billion bushels, just 4 million below the previous forecast resulting from a slightly smaller estimate of the spring wheat harvest. The projection of 2009-10 marketing year exports were dropped 25 million bushels, reflecting prospects for increased competition from larger wheat supplies in Russia, Kazakhstan, and the Ukraine. Year ending stocks are projected at 885 million bushels, 21 million larger than the October projection and 228 million larger than stocks at the start of the year.

The USDA will release final estimates of the size of the 2009 U.S. corn and soybean crops in the second week of January 2010. Price patterns will now reflect the pace of harvest, which has accelerated rapidly over the past 10 days, the progress of South American crops, and perceptions about the strength of demand. The declining value of the U.S. dollar, higher crude oil prices, and advances in the stock market have been encouraging for demand prospects. Still, soybean prices appear to be a bit over valued in light of the large South American crop prospects. Particularly puzzling is the movement from an inverse to a small carry in the futures price structure given prospects for large supplies next spring.

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