



WEEKLY OUTLOOK



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UPDATED PROJECTIONS OF CROP SUPPLIES AND CONSUMPTION

The USDA released its monthly report of *World Agricultural Supply and Demand Estimates* on December 10. That report did not contain large changes for corn, soybeans, and wheat, which is not unusual for the December report.

For corn, the USDA lowered the projection of 2009-10 marketing year U.S. exports by 50 million bushels, to a total of 2.05 billion bushels. The projection is 142 million bushels larger than exports during the 2008-09 marketing year, but 150 million bushels below the September 2009 projection. While the projection is 10.3 percent larger than exports of a year ago, cumulative export inspections during the first quarter of the year were about equal to those of a year earlier.

The Census Bureau estimate of total corn exports in September and October 2009 exceeded the USDA inspections estimate by 26.5 million bushels, about equal to the average difference of the previous 5 years. The cumulative difference between the Census Bureau estimate and the inspections estimate tends to get larger as the year progresses. The average difference in the first quarter of the year was 39 million bushels in the previous 5 years. If that difference was experienced this year, the average weekly rate of exports will have to increase from 35.1 million bushels during the first quarter of the year to 40.8 million bushels during the final three quarters in order to reach the USDA projection. Unshipped sales as of December 3, 2009 were reported at 396 million bushels, about 50 million more than on the same date last year. New sales need to average nearly 30 million bushels per week in order to reach to the USDA projection of marketing year exports. Sales have recently accelerated, averaging 35.8 million bushels per week for the three weeks ended December 3.

Year ending stocks of U.S. corn are now projected at 1.675 billion bushels, equal to the level of stocks at the beginning of the year. Stocks outside the U.S. are expected to decline by 517 million bushels, or 12.7 percent. Declines are expected in Brazil, the European Union, and China.

For soybeans, the USDA increased the projection of 2009-10 marketing year U.S. exports by 15 million bushels, to a total of 1.34 billion bushels. That is 42 million

bushels above the record exports of a year ago. The increase was generally less than expected based on the extremely rapid pace of exports and export sales through the first quarter of the marketing year. Cumulative export inspection through December 3 totaled 542 million bushels, 145 million more than inspections of a year earlier. Through October, the Census Bureau estimate of exports was identical to the inspections total. After averaging 40.4 million bushels per week during the first quarter of the year, inspections need to average only 20.9 million per week during the last three quarters of the year in order to reach the USDA projection. Unshipped sales stood at 514 million bushels on December 3, 224 million more than outstanding sales of a year earlier. The U.S. needs to sell only about 7.5 million bushels of soybeans per week in order to reach the USDA export projection for the year.

The pace of U.S. soybean exports and export sales will likely slow dramatically in the weeks ahead for at least two reasons. First, China has bought large quantities of U.S. soybeans very early in the marketing year. Second, the South American soybean harvest is expected to be much larger in 2010. The USDA now projects that crop at 4.6 billion bushels, 1.1 billion bushels larger than the drought reduced crop of 2009. Such a large crop will provide more competition for U.S. soybeans beginning in April 2010.

Year ending stocks of U.S. soybeans are now projected at 255 million bushels, 117 million above the very low inventory at the beginning of the year. Inventories outside the U.S., mostly in South America, are expected to grow by 425 million bushels, or nearly 30 percent.

For wheat, the USDA lowered the projection of 2009-10 marketing year food use of U.S. wheat by 15 million bushels and increased the projection of ending stocks by the same amount. Year ending stocks are now projected at a 10 year high of 900 million bushels, 243 million larger than stocks at the beginning of the year. Stocks outside the U.S. are expected to increase by 755 million bushels, or about 14 percent.

The next USDA update of supply and consumption prospects will be released on January 12, 2010, the same day as final 2009 production estimates, December 1 grain stocks, and 2009 winter wheat seedings. Until then, prices are expected to remain in a relatively narrow range, influenced by financial and energy markets. Some modest strength in corn prices could result from on-going harvest delays.

Issued by Darrel Good
Agricultural Economist
University of Illinois

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