



WEEKLY OUTLOOK



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LARGER CORN AND SOYBEAN CROPS, FEWER WINTER WHEAT ACRES

The USDA released a number of reports important for crop markets on January 12. Those reports included final production estimates for 2009 U.S. crops, December 1, 2009 stocks estimates, U.S. winter wheat seedings estimates, and updated world supply and consumption projections for the 2009-10 marketing year.

For corn, the 2009 crop is now estimated at 13.151 billion bushels, 230 million larger than the November forecast and 113 million larger than the previous record crop of 2007. The U.S. average yield is forecast at 165.2 bushels, 2.3 bushels above the November forecast and 4.9 bushels above the previous record yield of 2004. The estimate of harvested area was increased about 335,000 acres from the previous estimate.

December 1 stocks of corn were estimated at 10.934 billion bushels, 862 million above the level of stocks a year earlier. Exports during the first quarter of the year were likely near 460 million bushels, slightly larger than shipments of a year earlier. The stocks estimate implies that domestic use during the first quarter was 3.432 billion bushels, 230 million more than use a year ago. The USDA raised the projection of corn feeding during the current marketing year by 155 million bushels, to a total of 5.55 billion. The forecast of domestic processing use was lowered by 10 million bushels and the projection of year ending stocks was increased by about 90 million bushels. The marketing year average farm price is expected to fall in a range of \$3.40 to \$4.00, \$0.15 above the December forecast.

In spite of a slow start to the pace of exports this year, the USDA did not change the export forecast for the year of 2.05 billion bushels. The pace of export sales has improved in recent weeks and the forecast appears reasonable even with a slightly larger production forecast for Argentina.

For soybeans, the 2009 U.S. crop is now estimated at 3.361 billion bushels, only 42 million larger than the November forecast. The U.S. average yield estimate, 44 bushels, was increased by 0.7 bushels from the November forecast and is 0.9 bushel above the previous record yield of 2005. The estimate of harvested acreage was lowered by about 200,000 acres from the previous estimate.

The impact of the larger crop estimate was offset by revisions in the expected level of consumption during the current marketing year. The domestic soybean crush is forecast at 1.71 billion bushels, 15 million above the December forecast and 48 million above the crush of last year. The crush during the first quarter of the year was 25 million bushels larger than the crush of a year ago. The forecast of exports was increased by 35 million bushels, to a total of 1.375 billion bushels. The forecast is 92 million larger than the record exports of last year. The larger forecast this month reflects an exceptionally high rate of exports and export sales to date and prospects that China will import more soybeans than forecast earlier. The larger exports are expected even in the face of a very large South American harvest. The 2010 crop is forecast at 4.7 billion bushels, 1.2 billion larger than last year's crop and 430 million larger than the record crop of 2008.

December 1 stocks of U.S. soybeans totaled 2.337 billion bushels, 61 million larger than stocks of a year ago. Based on the estimates of crush and exports during the first quarter of the year, the stocks estimate implies a very large residual use during the first quarter of the year. Year ending stocks are projected at 245 million bushels, down 10 million from the previous projection and the marketing year average farm price is expected to be between \$8.90 and \$10.40, \$0.15 above the December projection.

The USDA lowered the projection of U.S. wheat exports during the current year by 30 million bushels and the projection of domestic use by 26 million bushels. At 825 million bushels, the export projection represents the smallest exports since 1972. Year ending stocks are projected at a 22 year high of 976 million bushels.

The estimate of winter wheat seedings was reported at 37.1 million acres, 6.2 million fewer than seeded last year and the fewest acres since 1913. Percentage wise, the largest decline, 29 percent, was for soft red winter wheat. Acreage in Illinois is estimated at 350,000, compared to 850,00 last year.

Taken together, the reports confirmed prospects for fully adequate supplies of corn, soybeans, and wheat during the current marketing year and prospects for an exceptionally large South American soybean harvest. Fewer winter wheat acres could be supportive for wheat prices and basis levels in the 2010-11 marketing year. However, the decline also points to more acres of spring planted crops. More corn acres may be needed, but an increase in soybean acres may not be needed if the South American crop meets expectations. With a favorable growing season, a large increase in acreage could result in a surplus of corn or soybeans, or both, in 2010.

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