



WEEKLY OUTLOOK



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MONTH-END USDA REPORTS

The USDA will release two reports on March 31 that could have significance for corn and soybean prices. These are the March 1 *Grain Stocks* report and the annual *Prospective Plantings* report.

The quarterly stocks report for corn may be more important this year than in a typical year. There are still unresolved questions about the size of the 2009 harvest and the impact that quality of the 2009 crop has had on domestic consumption. Some argue that the generally low test weight of the 2009 crop has resulted in higher consumption rates in both the livestock and processing sectors. Lower test weights should result in larger rates of consumption if consumption were measured by volume. However, production and consumption estimates are made in units of weight so that the impact of test weight on the number of bushels consumed may be minimal. The stocks report may shed some light on this issue.

Anticipating the estimate of March 1 inventories of corn is also complicated by the seasonal pattern of domestic feed and residual use of corn during the past two marketing years. For the five years from 2002-03 through 2006-07, feed and residual use of corn during the first half of the marketing year ranged from 61.6 to 66.3 percent of the marketing year total. The average was 63.8 percent. First half use was 70.2 percent of the marketing year total in 2007-08 and 68.1 percent in 2008-09. What is the pattern this year? Assuming the pattern is the same as last year and that the USDA projection of 5.55 billion bushels for the year is correct, use during the second quarter should have been near 1.69 billion bushels. In contrast, a reversion to the 2002-03 through 2006-07 pattern would result in second quarter use of only 1.45 billion bushels, a difference of 240 million bushels.

If the seasonal pattern of domestic corn processing is following that of last year and the USDA projection of 5.565 billion bushels for the year is correct, use during the second quarter of the year should have been near 1.332 billion bushels. The combination of USDA and Census Bureau export estimates to date suggest that second quarter exports were near 422 million bushels. Using the higher estimate of feed and residual use, total use during the quarter should have been near 3.444 billion bushels. In that case, March 1 stocks would have been near 7.475 billion bushels, 520 million larger than the inventory a year earlier.

For soybeans, exports during the second quarter of the 2009-10 marketing year were likely near 618 million bushels. The Census Bureau has estimated the domestic crush for December 2009 and January 2010. Based on a guess of the February crush, the total for the quarter was near 485 million bushels. Seed, feed, and residual use of soybeans is the smallest category of use, but the quarterly pattern is somewhat unpredictable. For the five years from 2004-5 through 2008-09, use in that category during the first half of the year ranged from 124.4 to 193.1 million bushels. The average was 164 million. Use during the first quarter of the 2009-10 marketing year was estimated at 186.4 million bushels. Unless the 2009 crop was overestimated, use during the second quarter should have been small. If use was near 20 million bushels, total consumption of soybeans during the quarter is estimated at 1.123 billion bushels. Stocks on March 1, then, should have been near 1.217 billion bushels, about 85 million less than stocks of a year ago.

A lot has been written about planting intentions of various spring planted crops in 2010. Expectations for corn and soybean acreage intentions are in a wide range. There is more uncertainty than usual about prospective plantings of spring crops because of the large decline in winter wheat seedings, the maturity of some CRP contracts, the wide range in total planted acres of all crops in recent years, and the lack of fall field work and fertilizer application in some areas. There seems to be general agreement that producers will report intentions to plant more corn due to expanding ethanol requirements. Expectations generally fall in a range of a two to four million acre increase. Expectations for soybean acreage are more diverse, with some expecting intentions to show an increase and some expecting a decrease. A large increase would likely be viewed as negative for prices due to the large South American crop and prospects for declining demand for US soybeans.

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