



WEEKLY OUTLOOK



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A REVIEW OF USDA PROJECTIONS FOR THE 2010-11 CORN MARKETING YEAR

There is always lots of interest in the USDA's first projections of crop supply and consumption for the upcoming marketing year. Early season forecasts are often not very accurate due to all the unknowns surrounding future supply and consumption. Still, the first USDA forecasts establish a benchmark and many analysts recalibrate projections based on USDA analysis. Those first projections for the 2010-11 marketing year were released on May 11.

For corn, the USDA projects a record large U.S. crop in 2010, a rebound in production in China, and large crops in South America in 2011. World corn production is projected at 32.9 billion bushels, compared to 31.8 billion this year and 31.4 billion last year. The projection of a record large U.S. corn crop is based on planted acreage of 88.8 million acres, as reported in the March *Prospective Plantings* report, and acreage harvested for grain of 81.8 million. The harvested acreage projection is 2.2 million larger than acreage harvested in 2009. The U.S. average corn yield in 2010 is projected at 163.5 bushels, only 1.2 bushels below the record yield of 2009. Based on average yields from 1990 through 2009, the USDA calculates trend yield for 2010 at 160.8 bushels. The relatively high trend calculation results from using a short yield history when production was influenced by a predominance of very favorable growing conditions. A yield 2.7 bushels above trend is based on the expected benefits of an early planted crop.

U.S. corn production in 2010 is projected at 13.37 billion bushels, 260 million larger than the record crop of 2009. Adjustments to the average yield projection will be based on weather conditions and crop condition ratings through July. The first objective yield forecast by the National Agricultural Statistics Service will be released on August 12, 2010. Production expectations may also be altered if the June 30 *Acreage* report shows corn acreage differing from March intentions.

On the consumption side, the USDA projects use of U.S. corn for all purposes during the 2010-11 marketing year at 13.3 billion bushels, 245 million above the record consumption expected this year. The expected year-over-year increase in consumption stems primarily from an expected 200 million bushel increase in the amount of corn used for ethanol production. At 4.6 billion bushels, the amount of corn expected to be used for ethanol production exceeds the minimum amount needed to reach the federal biofuels mandates for the 2010-11 marketing year. The large projection reflects ongoing blending incentives represented by the spread between ethanol and gasoline prices. The projection implies that the so called “blending wall” will not be an issue in the upcoming marketing year.

Exports of U.S. corn during the 2010-11 marketing year are projected at 2 billion bushels, slightly larger than the 1.95 billion expected during the current year. Large coarse grain supplies in the rest of the world are expected to limit the demand for U.S. corn. China is expected to import only 4 million bushels of corn during the upcoming marketing year. Production there is still uncertain, however, with wet weather delaying planting in some areas.

Feed and residual use of corn during the upcoming marketing year is projected at 5.35 billion bushels, only 25 million less than the projection for the current year. Relatively steady use reflects expectations of only a very modest increase in the number of grain consuming animal units and an unchanged feeding rate for all energy feeds. To some extent the projection for next year is based on the projection for the current year. There is still some uncertainty about the level of feed and residual use during the current year. Use during the first half of the marketing year represents 64 percent of the projection for the year. That is typical for the period prior to 2007-08. However, use during the first half of the marketing year represented 70 percent of the total in 2007-08 and 68 percent in 2008-09. The June 30 *Grain Stocks* report will provide an update on the rate of use.

Based on very early conditions, the USDA projects 2010-11 marketing year ending stocks at 1.818 billion bushels, only 80 million larger than the projection for the current year. The projection represents 13.7 percent of projected use, up only slightly from the 13.3 percent projected for this year. The 2010-11 marketing year average farm price is expected to be in a range of \$3.20 to \$3.80. The futures market currently reflects a 2010-11 average farm price near \$3.60.

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