A Different View Of Recent USDA Reports

grain outlook

DR. DARREL GOOD
Extension Economist University of Illinois

The start of the 2010 growing season for corn and soybeans is fundamentally different than the start for the 2008 and 2009 growing seasons. Differences are on both the supply and consumption sides of the market.

For corn, the 2008 season started with very high and rising prices, a sharp decline in planted acreage, and projections of 2008-09 marketing year ending stocks barely exceeding pipeline inventories. Supply concerns were magnified by spring flooding in parts of the Corn Belt. In May 2008, the USDA projected the 2008-09 marketing year average farm price in a range of $5.00 to $6.00. Similarly, the 2009 season started with prospects for another modest decline in planted acreage. Early season projections were for declining and relatively tight year-ending stocks for the 2009-10 marketing year. Prices were lower than in the spring of 2008, but rose as planting was delayed by heavy rains in parts of the Midwest. In May 2009, the USDA projected the 2009-10 marketing year average farm price in a range of $3.70 to $4.50.

For soybeans, the 2008 season began with prospects for a large increase in planted acreage (following the sharp decline in 2007). Year-ending stocks for the 2008-09 marketing year were expected to be only modestly larger than the pipeline inventory available at the start of the year due to on-going strong demand for soybeans. In May 2008, the USDA projected the 2008-09 marketing year average farm price of soybeans in a range of $10.50 to $12.00. The 2009 season started with prospects of a small increase in planted acreage, expectations of very small inventories on September 1, 2009, and only a modest increase in stocks by September 1, 2010. Demand for U.S. soybeans was expected to be very strong due to prospects for a drought-reduced harvest in South America.

The start of the 2010 season for corn is characterized by expectations for more abundant supplies of old crop corn in the fall, an increase in planted acreage, and a more favorable planting season than experienced in 2008 and 2009. In the monthly report of world supply and consumption prospects released on April 9, the USDA projected September 1, 2010 inventories of old crop corn at 1.899 billion bushels. That is 100 million above the March projection and would be the largest year ending inventory in four years. The March 31st USDA Prospective Plantings report indicated that U.S. producers intend to plant 88.8 million acres of corn in 2010, 2.3 million more than planted last year. There seems to be some expectation that actual acreage will exceed intentions, particularly if favorable weather conditions persist. Those expectations appear to reflect expectations that the total planted acreage of all crops will exceed March intentions and that the recent pattern (5 of the last 6 years) of corn acreage exceeding March intentions will be repeated in 2010. Expectations for the U.S. average corn yield in 2010 are also likely buoyed by prospects for timely planting and the unexpectedly high yield in 2009.

For soybeans, the 2010 season is starting with prospects for a small increase in acreage, modest inventories of old crop soybeans on September 1, 2010, and increasing competition from a record large South American crop. The USDA's March 31st Prospective Plantings report indicated that U.S. producers have intentions to plant a record 78.1 million acres of soybeans in 2010, 647,000 more than planted in 2009. The USDA's April update of world supply and consumption prospects contained a larger forecast of the size of the 2010 South American soybean crop. That crop is now forecast at 4.842 billion bushels, 55 million larger than the March forecast and 1.3 billion bushels larger than the 2009 harvest. That large crop is expected to reduce the export demand for U.S. soybeans and soybean products over the next year.

The USDA will release the first supply and consumption projections for the 2010-11 marketing year on May 11. Expect those projections to reflect prospects for large U.S. corn and soybean crops in 2010, modest year-ending stocks of corn, and more abundant year ending stocks of soybeans.

Considerable uncertainty about both supply and consumption will persist through the growing season. Corn and soybean yields will be primarily determined by summer weather, not spring weather. Demand and consumption will be influenced by world economic conditions, energy prices, crop production outside the U.S., and import policies of China and other countries. Expect another year of very volatile prices. Δ

DR. DARREL GOOD: Extension Economist, University of Illinois