

# Corn And Soybean Production Forecasts Smaller Than Expected



## grain outlook

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The USDA's August Crop Production report contained smaller than expected forecasts of the size of the 2013 U.S. corn and soybean crops. At 13.763 billion bushels, the corn crop forecast is 242 million bushels smaller than the average trade guess. At 3.255 billion bushels, the soybean crop forecast is 81 million bushels smaller than the average trade guess.

The forecast of corn area to be harvested for grain was unchanged from the June forecast of 89.135 million acres, but the average yield forecast of 154.4 bushels was 3.3 bushels lower than expected. Some of the larger yield forecast surprises were for Illinois and Indiana, where forecasts of 165 and 166 bushels, respectively are well below the record yields anticipated based on generally favorable weather and high crop condition ratings. In contrast, the yield forecasts of 166 bushels for Minnesota and 163 bushels for Iowa are much higher than anticipated based on extensive planting delays and relatively low crop condition ratings.

The inventory of old crop corn on hand at the beginning of the 2013-14 marketing year on September 1 is forecast at 719 million bushels, down 10 million bushels from last month's projection. Corn exports have staged a small late-summer rally and will be marginally larger than earlier forecast for the 2012-13 marketing year. For the upcoming marketing year, the USDA lowered the projection of feed and residual use by 50 million bushels, reflecting expectations of less "residual" use with a smaller crop forecast. The projection of exports was reduced by 25 million bushels, reflecting larger production and export forecasts for the Ukraine. The projection of corn used for ethanol production was unchanged at 4.9 billion bushels, implying little growth in consumption of ethanol blends above 10 percent during the year ahead. Stocks at the end of the 2013-14 marketing year are projected at 1.837 billion bushels, 122 million less than projected last month. The marketing year average farm price is projected in a range of \$4.50 to \$5.30, \$0.10 higher than projected last month.

The estimate of area planted to soybeans was reduced by 550,000 acres from the June forecast, with most of the reduction coming in Kansas, Minnesota, North Carolina, and South

Dakota. The U.S average soybean yield is forecast at 42.6 bushels, about one bushel below the average trade guess. The yield forecast of 47 bushels for Illinois was surprisingly low while the forecast of 46 bushels for Iowa was larger than generally expected. The forecast of the inventory of old crop soybeans at the beginning of the 2013-14 marketing year on September 1 was unchanged from last month's projection of 125 million bushels. However, the forecast of the domestic crush during the year ending this month was increased by 25 million bushels, the forecast of imports was increased by 10 million bushels, and the forecast of exports was reduced by 15 million bushels. With just over three weeks left in the 2012-13 marketing year, it appears that exports will be slightly larger than the revised forecast.

For the upcoming marketing year, the forecast of the domestic soybean crush was reduced by 20 million bushels and the forecast of exports was reduced by 65 million bushels. The lower export forecast reflects anticipation of loss of market share to Argentina. Year-ending stocks of U.S. soybeans are projected at 220 million bushels, 75 million less than forecast last month. The marketing year average farm price is projected in a range of \$10.35 to \$12.35, \$0.60 above last month's projection. For soybean oil, the forecast of consumption for biodiesel was increased by 200 million pounds, to a total of 5.7 billion pounds. That compares to expected consumption this year of only 4.6 billion pounds. The increase reflects the likely need to increase biodiesel production to meet the Renewable Fuels Standards for 2014, although the preliminary rules for 2014 have not yet been announced by the EPA. The forecast of domestic soybean oil consumption for other purposes was reduced by 200 million pounds.

The USDA's corn and soybean production forecasts will be updated on September 12 and again in October and November. Forecasts of 2013-14 marketing year consumption and average prices will also be updated monthly. There seems to be room for the average corn yield forecast to increase if the growing season is not cut short with an early freeze. In addition, the current forecasts of marketing year corn exports and feed and residual use appear generous. Corn prices increased in response to today's reports, but supplies may turn out to be more abundant than currently forecast. While the soybean production forecast may also increase with a full growing season, the current forecasts of consumption may actually understate the domestic demand for soybean oil and perhaps the export demand for soybeans. An era of higher soybean prices in relation to corn prices is still expected. Δ

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