

# Questions Remain For Corn And Soybean Markets



## grain outlook

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The USDA reports released on September 10 provided substantial new information for the corn and soybean markets, but a number of questions remain. Uncertainty about both supply and demand will slowly be cleared up over the next few months.

The 2010 U.S. corn crop is now forecast at 13.16 billion bushels, 205 million bushels smaller than the August forecast. The smaller forecast reflects a 2.5 bushel reduction in the expected U.S. average yield. At 162.5 bushels, the average yield is forecast to be 2.2 bushels below the record of 2009. In general, average yield forecasts were reduced the most in states where maturity is most advanced, including Illinois, Indiana, Kansas, Kentucky, and Missouri. Yield forecasts were generally unchanged or lowered only slightly in states with later maturing crops, including Iowa, Minnesota, and Nebraska. This pattern could be interpreted in a number of ways. Perhaps August weather was less damaging in the states with later maturing crops or maybe the damage has yet to be recognized.

The 2010 U.S. soybean crop is now forecast at 3.483 billion bushels, 50 million larger than the August forecast. The larger forecast reflects a 0.7 bushel increase in the expected yield, to a record 44.7 bushels per acre. The state average yield forecasts were increased by 1 or 2 bushels for all of the largest producing states except Missouri and South Dakota, where the forecasts were unchanged.

In a separate report, the USDA increased the estimate of exports and ethanol use of corn during the year just ended. As a result, the projection of September 1, 2010 stocks was reduced by 40 million bushels. For the current marketing year, the projection of exports was increased by 50 million bushels, but the projection of feed and residual use was reduced by 100 million bushels. Stocks of corn on September 1, 2011 are now projected at 1.116 billion bushels, representing 8 percent of projected use. The marketing year average farm price is projected in a range of \$4.00 to \$4.80.

For soybeans, the estimate of exports during the year just ended was increased by 25 million bushels, but the estimate of residual use was

reduced by 15 million bushels. September 1, 2010 stocks are forecast at 150 million bushels. For the current marketing year, the projection of exports was increased by 50 million bushels. September 1, 2011 stocks are projected at 350 million bushels and the 2010-11 marketing year average farm price is projected in a range of \$9.15 to \$10.65.

For corn, the estimate of feed and residual use during the year just ended remains at 5.525 billion bushels. The large estimate results from the surprisingly small June 1, 2010 inventory of corn and stands out in contrast to the estimate of 5.182 billion bushels for the 2008-09 marketing year and the projection of 5.25 billion for the 2010-11 marketing year. Additional clarity about last year's estimate may be provided by the September 1, 2010 Grain Stocks report to be released on September 30.

For soybeans, the estimate of residual use during the year just ended is 26 million bushels. This is the third consecutive year of a small estimate for that category of use. In contrast, the projection of residual use for the current marketing year is a more typical 70 million bushels. The small estimate of residual use for last year creates some uncertainty about the size of stocks on September 1, 2010 and/or the size of the 2009 crop. The stocks report on September 30 will provide clarity.

Another uncertainty for both corn and soybeans centers on the potential for exports. Export sales have been very large in recent weeks. The question is whether those large sales represent some panic buying or are an indication of stronger demand than has been forecast.

A new forecast of yield and production will be released on October 8. That report may contain changed estimates for planted and harvested acreage of corn and soybeans as it will reflect administrative acreage data. Historically, there has been a tendency for the final estimate of planted acreage of corn to be below the June estimate. That was the case in 3 of the past 5 years, 7 of the past 10 years, and 15 of the past 20 years. For soybeans, the final estimate was below the June estimate in 2 of the past 5 years, 5 of the past 10 years, and 13 of the past 20 years.

Over the past 20 years, the September U.S. average corn yield forecast was below the August forecast 9 times, as it was this year. The October forecast in those years was larger than the September forecast 5 times and smaller 4 times. For soybeans, the September yield forecast exceeded the August forecast 9 times. In those years, the October forecast was higher in 5 years, lower in 3 years, and unchanged in 1 year. The market appears to expect a smaller yield forecast in October for corn and an unchanged to larger forecast for soybeans.  $\Delta$

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