

Smaller Corn Crop Confirmed



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grain outlook

The USDA's September 12, 2011 Crop Production report confirmed expectations of a smaller U.S. corn crop than forecast in August. The September soybean production forecast, however, is larger than the August forecast and the forecast size of the foreign wheat, coarse grain, and soybean crops also exceed the August forecasts.

The 2011 U.S. corn crop is now forecast at 12.497 billion bushels, 50 million larger than the 2010 crop, but 417 million smaller than the August forecast. The lower forecast reflects a U.S. average yield of 148.1 bushels, compared to 153 bushels forecast last month. Yield expectations were reduced by 10 bushels in Iowa; 9 bushels in Illinois; 6 bushels in Missouri and Nebraska; and 5 bushels in Indiana, Kansas and Ohio. Forecast yields were increased for a few states, including Michigan. The U.S. average yield projection is near the average market expectation.

In a separate report, the USDA's World Agricultural Outlook Board increased the estimate of corn consumption during the year ended August 31, 2011 by 20 million bushels (10 million each for domestic processing and exports). September 1, 2011 corn stocks are now forecast at 920 million bushels. Actual stocks will be revealed in the USDA's September Grain Stocks report to be released on September 30. For the current marketing year, the smaller production forecast forced a reduction in the projected level of consumption and year-ending stocks. Projections were reduced by 200 million bushels for feed and residual use and 100 million bushels each for domestic processing and exports. September 1, 2012 stocks are projected at 672 million bushels and the 2011-12 marketing year average farm price is projected in a range of \$6.50 to \$7.50, \$.30 higher than the August projection and well above the \$5.20 average of the past year.

The forecasts of corn production in 2011-12 were increased for Argentina, Brazil, and the Ukraine, but reduced for Egypt and Canada. The projection of ending stocks outside of the U.S. is slightly larger than projected last month, but smaller than stocks at the beginning of the year.

The U.S. average soybean yield is now forecast at 41.8 bushels, 1.7 bushels below the 2010 average, but 0.4 bushel above the August forecast. The yield forecast was unchanged for Illinois; was reduced by 1 bushel for Indiana, and Iowa; and was increased for Michigan (3 bushels), Minnesota (1 bushel), Nebraska (3 bushels), and Ohio (2 bushels). The 2011 U.S. soybean crop is forecast at 3.085 billion bushels, 244 million smaller than the 2010 crop, but 29 million larger than the August forecast.

The USDA's September WASDE report reflected an increase of 5 million bushels in the projection of the domestic soybean crush during the year ended August 31, 2011. For the current year, the projection of U.S. exports was increased by 15 million bushels. Stocks of U.S. soybeans are expected to total 225 million bushels on September 1, 2011 and 165 million on September 1, 2012. The 2011-12 marketing year average farm price is projected in a range of \$12.65 to \$14.65, \$0.15 higher than the August forecast and well above the \$11.35 average of the past year. The forecast of 2011-12 foreign soybean production was increased marginally (0.4 percent), as was the projection of year-ending stocks outside the U.S. Those stocks, however, are expected to be smaller than at the beginning of the year.

For wheat, the USDA increased the forecast size of the 2011-12 crops for Canada, the European Union, and the Ukraine. World ending stocks are projected to be larger than forecast last month and slightly larger than stocks at the beginning of the year. For the U.S., the projection of food use of wheat during the current marketing year was reduced by 5 million bushels and the projection of exports was reduced by 75 million bushels. Year ending stocks are projected at 761 million bushels, 90 million larger than projected last month, but 100 million smaller than stocks at the start of the year. The 2011-12 marketing year average farm price is projected in a range of \$7.35 to \$8.35, well above the \$5.70 average of the previous year.

Taken together, the September USDA reports are negative for near-term soybean and wheat price prospects. Many observers, however, believe the soybean production forecast will be reduced in October. The reports were generally supportive for corn prices. Some analysts interpreted the USDA's sharp reduction in the forecast of corn consumption as a sign of significant demand weakness. The reduction, however, was more a statement of availability. Some corn demand weakness is anticipated in 2012, but for now prices will have to stay high in order to trim consumption. There is also some expectation that the October production forecast will be slightly smaller than the September forecast.

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