

Three Friendly Reports For Corn



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grain outlook

The USDA's quarterly Hogs and Pigs report, quarterly Grain Stocks report, and annual Prospective Plantings report all appeared to be supportive for corn prices.

The USDA reported that the U.S. winter pig crop was 7 percent larger than the crop of a year ago, compared to expectations of a 4.5 percent larger crop. A year-over-year reduction in the number of sows farrowing is not expected until the summer quarter of 2008. Large hog numbers bode well for feed demand and that was reflected in the March 1 corn inventory estimate. March 1 stocks were reported at 6.859 billion bushels compared to our projection of 7 billion and the average trade guess of 7.076 billion bushels. The March report follows a December stocks estimate that was also considerably less than expected. The stocks estimates suggest that feed and residual use of corn during the first half of the 2007-08 marketing year was 12.8 percent larger than use during the first half of the 2006-07 marketing year. These comparisons suggest that either the 2006 crop may have been underestimated or the 2007 crop may have been overestimated. Regardless, current stocks are much smaller than expected.

Corn producers reported intentions to plant 86.014 million acres of corn in 2008, 7.586 million fewer acres than planted last year and 1.37 million less than expected. The intentions to reduce corn acreage is widespread. Among the large producing states, acreage is expected to increase only in Texas. Intended acreage is down one million acres in Iowa, 800,000 in Indiana, and 600,000 in Illinois. If 86 million acres of corn are planted, acreage harvested for grain might be near 78.7 million. With an optimistic U.S. average yield of 155 bushels, production in 2008 would project to about 12.2 billion bushels. That is 755 million less than the projection of use during the current marketing year. Use is expected to remain at least that large in 2008-09.

It appears that intended acreage of corn is not sufficient to supply the projected rate of consumption and implies that corn prices will have to increase to slow consumption and/or producers will have to plant more acreage than intended. Projected costs of production, trend

yields, and average overnight harvest bids on March 28 indicated that corn production in Illinois was potentially more profitable than soybean production by \$125 to \$190 per acre, depending on area of the state. The margin increased another \$50 per acre at the open of futures trade on March 31.

On the surface, the March 1 stocks estimate and planting intentions for soybeans appear to be negative for soybean prices, even though those prices have declined sharply since the first of March. March 1 stocks of soybeans were estimated at 1.428 billion bushels, 76 million larger than the average trade guess. The stocks estimate implies that feed, seed, and residual use of soybeans during the first half of the year totaled only 45 million bushels. In the previous five years, use in that category during the first half of the year ranged from 148 to 188 million bushels. The low number this year suggests that the 2007 crop may have been underestimated.

Soybean producers reported intentions to plant 74.793 million acres in 2008. That is 11.162 million more than planted in 2007 and 3.27 million more than generally expected. The planned increase in soybean acreage is widespread. Intentions exceed last year's plantings by 1.25 million acres in Iowa, 1.2 million in Nebraska, 900,000 in North Dakota, 850,000 in Minnesota, 800,000 in Indiana, and 600,000 in four states including Illinois. If 74.8 million acres are planted, harvested acreage might be near 73.8 million. With a national average yield near 42.5 bushels, the 2008 crop would total about 3.14 billion bushels, 115 million more than the level of consumption expected during the current marketing year. Current price relationships suggest that actual planted acreage of soybeans in 2008 should fall short of intentions.

USDA reported winter wheat seedings at 46.84 million, 1.853 million more than planted last year and 230,000 more than reported in January. Combined planting intentions for durum and other spring wheat total 16.963 million, 1.517 million more than planted last year. Intentions are to reduce sorghum acreage by 303,000 and cotton acreage by 1.44 million. Acreage of oilseeds other than soybeans is expected to increase by 118,000. Planted acreage intentions for all crops included in the Prospective Plantings report exceeds last year's planted acreage by about 4.8 million acres. Harvested acreage of hay is expected to decline by 1.04 million.

The Prospective Plantings report provides a benchmark for anticipating actual planted acreage. Planting season weather and changes in relative prices will be monitored closely for judging changes from intentions. The big question is, will corn producers really leave so much money on the table? △