

USDA Reports Could Be Important For Crop Prices



grain outlook

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Three upcoming USDA reports will provide valuable fundamental information for crop markets. These include the Quarterly Hogs and Pigs report on March 28 and the Quarterly Grain Stocks and annual Prospective Plantings report on March 31.

The Hogs and Pigs report will reveal the size of the winter pig crop as well as the production plans of hog producers. Current and prospective hog numbers will provide some insight into potential domestic feed demand over the next year. The December report revealed a very large fall pig crop (4 percent larger than the crop of the previous year) and plans for modest expansion through the spring of 2008. The March report will indicate whether or not the high feed prices and low hog prices experienced over the past quarter changed those expansion plans. As a side note, the Cattle on Feed report released on March 20, indicated that the number of cattle on feed in lots with at least 1,000 head capacity was 2 percent larger than the inventory of a year ago and the second highest inventory for that date since the report was initiated in 1996.

The Grain Stocks report will indicate the inventory of crops on and off-farms on March 1 and will reveal the level of disappearance during the period from December 2007 through February 2008. The inventory estimate will likely be most important for corn since it will allow the calculation of feed and residual use of corn during the second quarter of the 2007-08 marketing year. The December estimate of corn stocks implied a record feed and residual use of corn during the first quarter of the year, 12.8 percent larger than use of a year ago and 9.5 percent larger than the previous record use of two years ago. For the year, the USDA projects use, at 5.95 billion bushels, 6.3 percent larger than that of two years ago. That forecast implies feed and residual use during the last three quarters of the year of 3.496 billion bushels, 2.2 percent more than used during that period last year. With large livestock and poultry production during the winter quarter, and with production of distillers grain increasing more

rapidly as the year progresses, we anticipate that second quarter feed and residual use was near 1.59 billion bushels, or nearly 4 percent more than used last year. Admittedly, however, quarterly feed and residual disappearance numbers are difficult to anticipate because of the large year to year variation.

If domestic processing use of corn is progressing at the rate projected by the USDA, second quarter use might have been near 1.06 billion bushels. Finally, using Census Bureau estimates for December and January and USDA estimates for February, second quarter exports are thought to have been near 625 million bushels. The calculations of use developed here suggest that second quarter disappearance of corn totaled about 3.275 billion bushels, leaving March 1 stocks near seven billion bushels.

For soybeans, anticipating the March 1 stocks estimate is complicated by the relatively small feed and residual use during the first quarter of the 2007-08 marketing year. Based on Census Bureau estimates for domestic crush in December and January and the February crush estimate from the National Oilseed Processors Association, the second quarter crush may have been near 470 million bushels. Using Census Bureau estimates for December and January and USDA estimates for February, second quarter exports were near 426 million bushels. If second quarter feed, seed, and residual use was near 80 million bushels, total use for the quarter was near 976, leaving March 1 stocks near 1.35 billion bushels.

The most important report may be the Prospective Plantings report. Expectations for planting intentions seem to be centering around 87 million acres for corn and 71 to 72 million acres for soybeans. That estimate compares to 2007 acreage of 93.6 million and 63.63 million, respectively. Intentions for spring wheat are expected to exceed last year's seedings. The planting intentions estimate will provide a benchmark for anticipating actual plantings. Recent price changes that include much lower soybean futures and an extremely weak new crop soybean basis have shifted potential profitability significantly in favor of corn over soybeans in much of the midwest. At the same time, generally cool and very wet conditions in some areas may lead to anticipation of corn planting delays and a swing to more soybean acres. While many producers have locked in the planting decisions for most of their acreage, history reveals some significant differences between intentions and actual planted area. Factor in the uncertainty about growing season weather in the northern hemisphere and the ingredients for large price swings are in place. Δ