

## **GRAIN OUTLOOK**

May 14, 2007

Mike Woolverton, Ph.D.  
Extension Grain Economist  
Kansas State University  
[mikewool@agecon.ksu.edu](mailto:mikewool@agecon.ksu.edu)

### **WORLD SUPPLY AND DEMAND ESTIMATES**

The latest USDA World Supply and Demand Estimates report was widely anticipated by the grain trade and most of the information was already discounted into grain and oilseed prices. However, there were some indications of market moving factors to come.

Corn has been the main focus of grain traders in recent months and will continue to drive the markets. The USDA stayed with its projection of 90.5 million acres of corn even though growers have had a difficult time planting because of wet fields. Corn acres planted has increased dramatically in recent days, but farmers report planting around flooded low lands, seeps, and other soft spots. They intend to go back to fill in when the ground dries, but many are saying it may be too late for corn by then. The USDA did lower the national corn yield estimate to 150.3 bushels per acre from 154.1 due to the effect of slow planting progress on yield potential. Even so, corn production in the U.S. is projected to be a new all time record at 12.5 billion bushels.

On the demand side, corn used for ethanol production is expected to jump by 58 percent. Feed and residual use of corn is expected to drop by 3 percent while exports may fall as much as 10 percent in reaction to continued high corn price. Ending stocks for the 2007/08 marketing year are expected to be 947 million bushels; up a little, but still below the one billion bushel safety stock that would make corn buyers more comfortable. The USDA raised the average farm price range for this corn crop to \$3.10 to \$3.70 per bushel, slightly above the price range for the 2006/07 crop. Even with the record crop in the U.S., global supply of coarse grain is expected to decline by about three percent this year

setting the stage for corn price spikes on weather events as the U.S. crop passes through the critical stages of reproduction.

Despite Easter Weekend freeze damage across the nation's midsection, the U.S. wheat crop will be about 2.2 billion bushels, according to the USDA; up 20 percent from a year ago. Nation-wide yield is expected to average 41.7 bushels per acre; three more than last year, on 11 percent more harvested acres. This bearish news was offset by projected world ending stocks six percent lower than last year. As a consequence, U.S. exports of wheat are expected to be strong because of tight supplies in other major wheat exporting countries. The national average U.S. farm price for wheat is expected to be in the range of \$4.35 to \$4.95 per bushel. The projected wheat price also reflects the battle for acres with corn that will be continued into the next crop year.

The USDA demonstrated a reluctance to change soybean acreage as reported in the March 30<sup>th</sup> Prospective Plantings report. Area planted to soybeans is estimated to be 67.1 million acres down 11 percent from last year. Projected yield of 41.5 bushels per acre would give total production of 2.7 billion bushels, down significantly from last year's record crop of 3.2 billion bushels. Based on USDA projections, the soybean carryover would be down from 610 million bushels to a more normal 320 million bushels. Carryover of that magnitude, according to the USDA, would support average farm price of \$6.50 to \$7.50 per bushel.

The U.S. soybean crush is expected to increase an anemic one percent this year, but domestic soybean oil sales will increase strongly to supply the growing biodiesel industry. U.S. soybean exports will remain about the same, limited by higher exportable soybean stocks in South America.

World oilseed production is expected to decline by nearly 400 million tons this year, due largely to lower production in the U.S. But global oilseed ending stocks are expected to be slightly higher. Both Brazil and Argentina harvested record large soybean crops this year and will not be able to export all they produced.

In this Supply and Demand Estimate report, the USDA did not take into consideration a possible rebound in soybean acres planted. Some acres slated for corn production are likely to be shifted to soybeans as the optimal corn planting date slips by. Frozen wheat acres are already being planted to soybeans. Ample moisture in much of the Great Plains will encourage double cropping of soybeans where possible.

In the month between this USDA report and the next World Agricultural Supply and Demand Estimates report, the markets will continue to adjust prices to the estimated sizes of the major crops on a day-by-day basis. At this point, the corn market looks to be bullish; wheat neutral going into harvest; and soybeans bearish.