GRAIN OUTLOOK

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NO SUPRISES IN THE NOVEMBER WASDE

The USDA November World Agricultural Supply and Demand Estimates (WASDE) report told market participants what they already knew – we have lots of wheat, corn and soybeans. But while the wheat is in bins; 19 million acres of soybeans and an astonishing 50 million acres of corn were still standing in muddy fields the morning of November 9th. Forecasted favorable weather should allow producers to harvest most of the soybeans by Thanksgiving week. But some producers will still be harvesting corn when the ground freezes and the snow flies. We may not find out the size of the 2009 corn and soybean crops until the USDA report in January,

The USDA dropped projected national average corn yield by about 1.5 bushels per acre to 162.9, which will still be an all-time record high yield if realized. Corn demand projections for domestic livestock feed, ethanol, and exports are all up from last year; 900 million bushels more in total. In fact, projected total corn demand for the 2009/10 marketing year is higher than estimated production by about 60 million bushels. As a consequence, ending stocks will be drawn down to about 12.5 percent of usage; an adequate supply, but certainly not a burdensome surplus. The November WASDE was mildly bullish for corn.

This is based on the assumption that all of the remaining corn will be harvested without incident. But grain industry source indicate that there are problems with both quality and yield. Prolonged high moisture conditions have led to the development of diseases that have reduced quality. Some producers are facing dockage for moldy corn and other infestations that significantly lowers the price received. And in many areas corn is not drying down in the field. Drying capacity is a bottleneck that is slowing corn harvest, plus drying can result in lower test weights that reduces price received and in future WASDE reports, may reduce national average yield. Some very high yields are being reported, but delayed harvest is starting to take its toll. When snow comes, as it will before all the corn is harvested, yields will suffer.

Furthermore, the large volume of harvested grain coupled with slow exports has created a shortage of grain storage space. Huge amounts of corn and grain sorghum are being placed in improvised temporary storage facilities or on the ground. And the grain is in no condition for long term storage. This grain will need to be moved into the grain marketing channel quickly during the winter months, which could put downward pressure on feed grain prices during that time period.

Even though the 2009 soybean harvest is one of the latest in history, it looks good when compared to the corn harvest. As of November 8th, 75 percent of U.S. soybeans had been harvested and forecasted open weather should allow producers to nearly finish the soybean harvest by mid-month. It looks as if the U.S. will produce a record large crop of 3.3 billion bushels at the highest national average yield ever of 43.3 bushels per acre. Right now the market needs every bushel. In the November WASDE, the USDA raised estimated farm price to $8.20 to $10.20 per bushel. Continued strong demand by China and low U.S. and global stocks of soybeans is supporting price at the moment.

Market analysts are now looking south to see how Southern Hemisphere soybean planting is progressing. It is going well in Brazil, but parts of Argentina are still experiencing lingering effects of last year’s devastating drought. The USDA is projecting record soybean production in South America this year due to a slight increase in area planted and a return to normal rainfall patterns. It will be the end of November before all the South American beans are planted. New crop Brazilian soybeans will be available for export sometime in January. Argentinean soybeans will enter export channels a month or six weeks later. Until then, the U.S. will be the sole supplier of soybeans to the world.

U.S. wheat ending stocks are at a 20 year high at 42 percent of usage. Global ending stocks are 29 percent of usage. Area planted to wheat in the U.S. and around the world was down this year, but good yields plus the remaining overhang from last year's all-time record large wheat crop has more than replenished supply. Relatively low price has stimulated demand which is slowly whittling away at supply. Some of the lower quality wheat is being included in livestock feed formulations. Some is being made into ethanol.

Looking ahead, global wheat production will decrease next year. Low wheat prices around the world discouraged growers. U.S. overall wheat acreage was projected to be down, but wet fields and the late soybean harvest will cause a sharp drop in soft red winter wheat acreage in the Corn Belt. Argentinean wheat area planted is down about 40 percent because it was too dry to plant. Ukraine and parts of Russia suffered a months-long drought during planting time. Recent rains have allowed the wheat to come up, but winter kill will take its toll on the small. Wheat price should strengthen in late winter and early spring as supply is diminished and concern about next year's production moves to center stage.